Key Strategic Prescription for Indian Financial Services Sector: A Study with Special Reference to ICICI Bank

Anurag Mittal*

ABSTRACT

The paper discusses the emergence of ‘relationship marketing approach’ and highlights its importance in today’s highly competitive world with special reference to financial services sector. The thoughts of various management thinkers on relationship marketing approach have been also incorporated along with the recent attempts to create a platform for the execution of Relationship Marketing Philosophy in Indian financial services. The present paper also enlists some of the challenges that a modern marketer has to face in its path to implementing relationship marketing in financial service industry. Relationship Marketing is not about implementing better technology; it is about building the process that fosters longer, more profitable customer relationships. Various relationship building tools and programs have been also highlighted to provide an overview of the execution of this philosophy in the financial services sector.

Keywords: Customer loyalty; Customer retention; Transaction approach; Relationship marketing; Financial services.

1.0 Introduction

The business environment of the last decade has seen a shift in firms’ emphasis away from recruiting new customers, towards nurturing and retaining those that they currently have (Kotler, 1991). In past times, the knowledge of customers as individuals brought honour to vendor and customer alike and made sales. It was a matter of buying-and-selling activities being conducted amid mutual respect. But this approach mostly went away with the rise of mass production and mass marketing. However, with the aid of sophisticated new information technologies, relationships are said to be back in.

*Associate Professor, Department of Management, Guru Nanak Institute of Management, Affiliated to GGSIPU, Delhi, India (Email id: anuraag1975@gmail.com.)
Key Strategic Prescription for Indian Financial Services Sector

Relationship marketing (RM) is based upon the premise that it makes economic sense to satisfy and retain customers as the strength and duration of the relationship is directly proportional to the resultant profitability. This contemporary interest in maintaining customers is reforming marketing with an emphasis on the creation of value and the building of relationships. This new marketing refocusing has been explored in consumer services marketing. The thrust has been to examine different aspects of customer satisfaction, relationship strength, relationship longevity and customer relationship profitability. The acceptance of relationship marketing is based upon the emerging body of research, which indicates how customer retention leads to increased profitability. Moreover, if a company builds and maintains good relationships with customers it cannot be easily replaced by the competitors and therefore provides for a sustained competitive advantage.

After the post-industrial or service economy, most of the developed world is now entering a new, information economy. Perhaps it was natural, then, that the new developments first appeared in the maturing service industries of the 1970s and 1980s. Berry (1983) surveyed the factors and developments in service marketing that later gave rise to RM. These factors include the combined impact of low growth rates and deregulation, resulting in increased competition. According to Berry (1983) a customer relationship is best established around a "core service", which ideally attracts new customers through its "need-meeting character". However, creating customer loyalty among the old customers is one of the main goals of RM. The authors also mention "frequent flyer" programmes and other incentive programmes intended to encourage customer loyalty by rewarding it. Finally, Berry (1983) define internal marketing as a "pivotal relationship marketing strategy", where employees are seen as customers inside the corporations.

At the same time, Gronroos (1990) developed several new concepts in service marketing, which were later incorporated as part of the so-called Nordic School of Services. Gronroos (1990) also shows how one of the central characteristics of service marketing gave rise to the notion of RM: in service marketing there is often no separation between production, delivery, and consumption, thus the buyer-seller interaction must be considered as part of marketing’s task. And this task can only be fulfilled in a relationship with the customer.

2.0 Theoretical Backdrop

Relationship marketing refers to all marketing activities directed towards establishing, developing and maintaining successful relational exchanges (Morgan and Hunt, 1994; Hunt, 1997; Mattsson, 1997). Relationship marketing is to identify and
establish, maintain and enhance and when necessary also to terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties are met, and that this is done by a mutual exchange and fulfilment of promises (Gronroos, 1995; Mattsson, 1997). Relationship Marketing can be viewed as the building, maintenance, and liquidation of networks and interactive relationships between the supplier and the customer, often with long-term implications. As a consequence marketing becomes first and foremost relationship marketing (Gummesson, 1990).

2.1 From Transaction Marketing to Relationship Marketing

Since the 1960s the marketing mix management approach, with its 4P model, has dominated the marketing literature and marketing research and practice. Academics and practitioners alike have been so preoccupied with this approach that it long ago achieved a paradigmatic position. Sometimes the marketing mix is called a model of marketing only. However, it has had, and in many situations still has, such a profound influence on the marketing thought of academics and practitioners as well as on the directions of marketing research and on the organization and implementation of marketing in practice that it is better described as a paradigm, and moreover as the dominating marketing paradigm of the last decades.

The underlying rational theme of transaction marketing (TM) is "control of consumers' minds based on objective knowledge about them derived from research and database recordings of their attributes and purchases". This objective information is often used to fashion consumer behaviour models used to predict marketplace outcomes. By "objectifying" consumers into "cause and effect" models, little allowance is made for consumers' self-determination. In effect, they are simply seen as stimulus-response automatons. The curious thing about all this is that the objectivity of these models often are adulterated by consumers' subjective self-reports made in both scientific and non-scientific samplings, as well as from interviews and focus groups. The purpose of most consumer research is to develop the profile of the "average" consumer within some usually preconceived set of parameters. With profiles of "average" consumers in hand, marketers proceed to develop "average-style" messages, usually in the form of monologues focused on product features and benefits which commonly are direct in approach, assertive and intended to overpower consumers' will in favour of serving the marketer's will.

In RM, with attention shifted toward consumers as individuals, some of the elements of TM are retained, but increased attention is paid to individual customer preferences (as may be indicated in a database recording of past purchases) and less attention paid to traditional quantitative studies. Overall, RM is more humanistic: it is
more favourable toward dialogues with consumers. RM depends less on power-driven push dynamics and more on carefully managed pull dynamics in which consumers are invited to influence the marketing process by injecting their individual preferences into the process.

3.0 Six Markets Model of Relationship Management

The six markets model illustrates the much wider view of relationship marketing and recognizes that relationships must be built with a number of constituencies as specified in the model. They are: internal markets, supplier markets, recruitment markets, referral markets, influence markets, and customer markets. These stakeholders, whether organisations or individuals can potentially contribute, directly or indirectly to the organisation’s effectiveness (Christopher, Payne and Ballantyne, 1991; Morgan and Hunt, 1997; Gummesson, 1995).

(i) **Customer markets**: Primary focus of marketing activities rests on the client, with emphasis not only on individual sales (transactional marketing) but also on long term relationships (relationship marketing).

(ii) **Recruitment markets**: Maintaining good relations with those who supply labour resources to the organisation is beneficial. As success of service organisations is particularly dependent on the availability of skilled and suitably qualified personnel it is important to cultivate long term relations with the suppliers of personnel so that the required number of qualified staff can be attracted.

(iii) **Internal markets**: The employees of a company have to be involved and be a part of the business, share an understanding of the company’s mission and have formed long term ties with the employer for it to remain successful in the market place. Employees with high levels of satisfaction are very valuable, long ties create a familiarity with the business and they possess a high degree of knowledge, all of which has the potential to determine a high level of client satisfaction. This particularly applies in a services marketing context, where frequent employee – client interactions determine the level of client satisfaction and ultimately influences the overall performance and profitability of a company.

(iv) **Referral markets**: Traditionally it is satisfied customers that are the key referral source and their marketing on behalf of the company represents the best form of marketing. Other sources include architects, engineers, suppliers, and other agencies or in some cases even competitors. Specific strategies need to be devised to reward referral sources that generate most business.
(v) Influence markets: Trade and consumer associations, legislative and political groups that make up the influence market can also affect the relationship an organisation has with its clients. Maintaining good relations with the appropriate influence market lets companies keep up with latest developments in the industry and signals to clients that they are committed to their relationship.

(vi) Supplier markets: Although relations with suppliers have in the past been of an adversarial nature, where contractors have typically focused on extracting a lowest price, which has led to costs of variability in supply or quality and more often than not in both, a shift in attitude has been observed of recent. Firms have recognised that the supplier is very much a part of their product, realising that benefits can be gained by working together. Tangible benefits can be the optimisation of the product through an exchange of ideas and information between M/C and subcontractor, improving the level of quality, greater flexibility in meeting design changes and shorter delivery lead times.

The six markets ‘relationship marketing’ framework (Christopher, Payne and Ballantyne, 1991) provide a useful framework to review the role of an extended set of stakeholders in the creation of total organisational value. It presents six role-related market domains or ‘markets’, each representing dimensions of relationship marketing and involving relationships with a number of parties – organisations or individuals – who can potentially contribute, directly, to an organisation’s marketplace effectiveness. While customers are viewed in this framework as a major stakeholder, five other stakeholder groups, or market domains, are identified; influence (including shareholder) markets, recruitment markets, referral markets, internal markets and supplier/alliance markets. Each market is made up of number key participants. For example, the customer markets are made up of buyers, intermediaries and consumers and influence markets are made up from financial and investor groups, unions, industry bodies, regulatory bodies, business press and media, user and evaluator groups, environmental groups, political and government agencies and competitors. Companies need to manage all these different sub-markets or stakeholders in the relationship marketing process.

4.0 The Strategic Prescription

Relationship marketing has often been contrasted to transaction marketing (e.g. Baye, 1995; Jackson, 1985) which is about developing, selling and delivering products by means of short-term, discrete economic transactions. However, it is now proposed that closer attention is paid to the long-term financial benefits, and other benefits, of retained customers the main reason being that competition in the marketplace has intensified. To achieve growth, it is argued, organisations must change their paradigm to
that of relationship marketing. As RM is a term used in a broad manner, there is probably a need for the marketing practitioner to understand what it is, its impact on the organisation (not just on the marketing aspects), its applicability to an organisation and its benefits to customers. Relationship Marketing cannot be introduced in a prescriptive manner without a thorough comprehension of its context. There is a need to understand that RM is an overall strategy for the organization and not just a sales tool with a short-term orientation. RM requires a long-term plan, and anything long-term requires a strong organizational commitment and appropriate investment.

The relationship philosophy relies on co-operation and a trusting relationship with customers (and other stakeholders and network partners) instead of an adversarial approach to customers, on collaboration within the company instead of specialization of functions and the division of labour. Managers of firms seeking to develop relationships with their customers should avoid the arrogant belief that customers seek such relationships. Studies have indicated that many categories of buyers are becoming increasingly confident in venturing outside of a business relationship and reluctant to enter into an on-going relationship (Buttle, 1996).

Managers in financial services should avoid the notion that they can buy their customers’ loyalty. Customer loyalty in an affective sense cannot be bought by companies through financially based incentive schemes. Where such schemes are used, what passes for loyalty may be associated with loyalty to the incentive, rather than to the firm. At present the promise of RM remains just, a promise. The concept is simple. We engage with the customer, discuss their problems, wants and needs and create the product or service that satisfies those requirements precisely. For most firms in most markets this is a long way off.

Finally, the RM strategy starts with the commitment of the chief executive and the board. If the attempt at improving relationships is left to one function within the firm - typically sales or marketing - then it is unlikely that the firm will realise the full benefits. Indeed, such an approach may even prove counterproductive as conflicts arise between parts of the firm that orient towards internal production and operations and a sales team encouraged to develop relationships and partnerships.

5.0 CRM Initiatives by ICICI Bank

The CRM initiatives in India’s ICICI Bank hold together its compelling story of growth. It’s growth in customer base, channels, and product and service offerings. The ICICI bank is one of the private sector bank which is providing the customer value added services. They are not only able to satisfy the customer but they are successful in
building a never-ending relationship with the customer. They are able to retain them and carry business with them to benefit both the organization and the customer. Customer preferences and needs are very well understood by this bank. With the help of technology they are able to develop brand equity in the market and differentiate themselves from the competitors. ICICI Bank and the ICICI Group as a whole have been striding purposefully down the e-pathway. The group prefers to call it a "clicks and bricks" strategy that provides multiple access points to its customers. For its traditional customers there are the lean and mean brick and mortar branches propped by ATMs, call centres and direct selling agents. Internet banking and WAP enabled services take care of the Supply and technology savvy professionals of today. The rise in Internet banking customers is a result of the Infinity, Internet banking facility launched by the bank. The facility, initially made available to NRIs and later to resident Indians permits online opening of accounts, bills payment, account information

5.1 Call centers

ICICI Bank is certainly juggling some interesting numbers. ICICI appreciated early on that by centralizing their service infrastructure, and centralizing their service expertise, they created a new level of service for customers. The call centre has played a leading role in transforming the bank’s value proposition for its customers: The call centre also provides an opportunity to shift the qualitative nature of the relationship between bank and customer to a new level. Much of the extra leverage with customers that the call centre brings is tactical. A customer is a lot more receptive to up selling and cross selling when they’re phoning ICICI. The humble call centre is ICICI Bank’s means of shifting away from a market share based product-as-commodity mind set, to those stresses the importance of deepening exiting customer relationship.

Call centre is a cheaper channel than the branch, and often it is more convenient for the customer. The ability to serve across all product categories from a single location has enabled the bank to provide a level of service qualitatively superior to its competitors, and this is offered as a complementary extension of the branch capabilities. The relationship between the branches and the call centre is very good, and the branches are discovering how to focus their efforts on more rewarding service relationships. ICICI used to spend a lot of energy trying to make sales. Now their emphasis has changed – they spend their energy to get to know the customer better. It is when a customer feels comfortable with the relationship they have with ICICI that they are likely to deepen their commercial relationship with them. The call centre is there new tool to getting to know the customer better. The speed of the shift away from the branch as the primary means of interacting with the bank shows the receptiveness of Indian consumer
behaviour to the use of new channels. The technology usage is far higher in a call centre compared with any other environment. The call centre is a cheaper channel than the branch, and often it is more convenient for the customer. This convenience can be supported by technology to provide a higher level of service than was possible previously.

All the products and process are unified in the single call centre – allowing the customer to get a seamless service. So ICICI is therefore able to truly take a customer centric customer view. ICICI is able to get a customer who has been rejected from taking a credit card, they immediately offer a debit card. The ability to serve across all product categories from a single location has enabled the bank to provide a level of service qualitatively superior to its competitors, and this is offered as a complementary extension of the branch capabilities. Even the branches are moving very rapidly towards offering seamless service to all the customers. The relationship between the branches and the call centre is very good, and the branches are discovering how to focus their efforts on more rewarding service relationships. ICICI has understood the importance of customer service over the phone, but it was only fairly recently that they began the task of consolidating their resources on customer service and customer relationship enhancement. The bank takes people who are first class graduates with a lot of yearning to learn. Following a selection process that includes telephone, personality and literacy tests, there is a post recruitment process embracing a continuous learning program.

5.2 E-marketing

The e-initiatives of the ICICI group have not been limited to customer servicing. The marketing activities for its various products are also taking the online route. Through tie-ups with Orange and Airtel, ICICI started offering limited WAP based services for customers on the move. Later, on its way towards a full-fledged online mobile commerce service, the company commenced offering services like balance updation, request for cheque book, details of last 5 transactions, request for statement etc. Corresponding services are also available for the bank’s credit card customers. On the anvil are personal banking services, payment services for utilities, travel and ticketing information etc. CRM, according to ICICI consists of following approaches:

(i) Getting personalized information on customers;
(ii) What is the value of the relationship?
(iii) Customized offerings to the customers;
(iv) Converting a prospective customer into a true customer.
5.3 Different channels for accessing services at ICICI Bank

The different channels for accessing services at ICICI Bank include bank branch, ATM networks, Phone banking, Internet banking, Insta banking, Mobile banking and call centres.

5.3.1 Bank branch

We can find a host of ICICI retail products at their widespread Bank Branch network such as bank accounts, credit and debit cards, bonds, demat accounts, loans against shares, etc.

5.3.2 ATM networks

The services provided by ATM networks include making balance enquiries, making cash withdrawals, free access to all ATMs, trilingual ATMs, mini statement (showing) last 10 transactions and ledger balance available in mini statement.

5.3.3 Phone banking

The following services are included in phone banking: (i) 24 hour manned customer care center, (ii) Interactive Voice Response (IVR) facility, (iii) Bill pay requests, (iv) Stop payment request, (v) Balance enquiries, (vi) Standing instructions for payments, (vii) Opening a fixed deposit, and (viii) Dial – a – draft.

5.3.4 Internet banking

Internet banking channel allows access to services such as payment of utility bills-electricity, phone etc.; online railway ticket booking; 3-in-1 Demat account; Inter-bank funds transfer (available in select cities); third party transfers; credit card bill payments; and mobile banking alerts.

5.3.5 Mobile banking

ICICI bank mobile banking enables people to bank while being on the move. ICICI bank mobile banking can be divided into two broad categories of facilities: Alert facility that keeps people informed about the significant transactions in their accounts, and; and mobile banking requests facility that enables them to place query for their account balance.

5.3.6 Relationship tools and programs for financial services

These include Loyalty schemes, Exclusive deals, Customer magazines, Exclusive Groups, Personalised services, Customised products or services, Privileged Access and Membership Clubs.
6.0 Conclusion

Relationship marketing has emerged in response to the new claims of the environment which include blurring boundaries between markets or industries, an increasing fragmentation of markets, shorter product life cycles, rapid changing customer buying patterns and more knowledgeable and sophisticated customers. In this higher market and competitive turbulence in general long-term relationships with customers are seen as a prerequisite for competitive advantages of a company.

The new strategic focus on customer relationships by its proponents is seen at the same time as the foundation for the development of relationship marketing as a new marketing concept. The idea of customer satisfaction is hence complemented by the comprehensive integration of the customer into an interactive value-generating process, based on interdependence and reciprocity (Porter, 1980; Webster,1992). A relationship may have the power to make up for lapses in product or service performance. When such lapses occur, the relationship can help the marketer to retain customers and provide an opportunity to recover when consumers are dissatisfied (Reichheld and Sasser, 1990). Relationships therefore provide a level of insulation for the marketer. Customers may overlook instances of poor product performance when they have a relationship with the marketer. The overall objective of relationship marketing, the facilitation and maintenance of long-term customer relationships, leads to changed focal points and modifications of the marketing management process (Shapiro, 1991). The common superior objectives of all strategies are enduring unique relationships with customers, which cannot be imitated by competitors and therefore provide sustainable competitive advantages.

Every firm, regardless of its business, can benefit from a relationship marketing approach. In some situations, such as business-to-business situations and for service industries, this approach is easier to implement; in others (for many consumer goods industries), it is more difficult. However, in the business environment and marketing situation that is emerging in more and more industries and on an ever-growing number of markets, a relationship marketing strategy is becoming a necessity for survival. Henceforth, it is the need of the hour that the financial services sector should think more in terms of "keeping customers" in contrast to the basic marketing warfare of "winning new customers".

References


