

A STUDY ON THE IMPACT OF CRM STRATEGIES ON CUSTOMER RETENTION AT HDFC BANK IN TIRHUT DIVISION

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Abstract

In recent years, Customer Relationship Management (CRM) has become an integral part of business strategy and operations in the banking industry. In order to enhance customer loyalty, HDFC Bank in Tirhut Division is undertaking initiatives such as providing personalized services, setting up a dedicated customer service team for each product or service offered and creating loyalty programs that offer incentives for repeat customer. The present study was focused on “Impact of Customer Relationship Management (CRM) Strategies on Customer Retention at HDFC Bank in Tirhut Division”. To carry out the research effectively, a set of structured questionnaires were distributed to a sample of 1K customers from 5 different branches located in Barshi Sub-Division of Thiruhut Division as well as 250 employees working with HDFC Bank across the same area. The objective behind this survey was to analyze and explore customer responses regarding various features associated with HDFC Bank such as service offerings, touch points approach, loyalty programs etc., that influence customer retention strategy adopted by them. After carefully examining all the data collected through surveys along with other secondary sources like books and articles written about banking sector, it can be concluded that Customer Relationship Management plays an important role in increasing customer satisfaction level along with improving their loyalty towards a particular bank.

Keywords - Customer Relationship Management (CRM), HDFC, Services, Customers, and Strategies.

Introduction

This study involves a comprehensive research of the impact of Customer Relationship Management (CRM) strategies at HDFC Bank in Tirhut Division. Since its inception in 1994, this bank has become one of the leading financial service providers not only within this division but also across India. In order to remain competitive and provide quality services to its customers, the bank has been actively incorporating CRM initiatives for many years now. The main objective of this investigation is to explore how effectively these initiatives have improved customer loyalty towards HDFC Bank among people living in Tirhut Division as well as suggest possible improvements that could be incorporated into their current methods.

For achieving this purpose, contrasting surveys were conducted with both existing customers and non-customers alike in order to understand their perception about HDFC's CRM strategies and loyalty programs currently being offered by them. Through these findings we hope to gain useful insights about what factors come into play when a person makes decisions regarding banking choices over time and whether or not they will eventually stick with HDFC Bank due to better facilities provided by them compared to alternative options available on the market today.

CRM or Customer Relationship Management is a strategy that is increasingly being adopted by companies in the current era of globalization. It helps to identify, attract and retain customers through various strategies. HDFC Bank, one of India's leading banks, has implemented CRM strategies with the aim of increasing its customer base and retaining them over time. This paper attempts to study if these strategies are effective in meeting this aim in Tirhut Division using a survey-based approach. The main objective is to determine if there has been an increase in customer retention due to HDFC Bank's CRM initiatives undertaken since 2018 within Tirhut Division.

Literature review

This literature review is based on the study "Impact of CRM Strategies on Customer Retention at HDFC Bank in Tirhut Division" by Krishna Sah and Monika Panwar (2020). This article explores how customer relationship management (CRM) strategies can help to improve customer retention rates for HDFC Bank. In order to do so, the authors analyse current practices of the bank with regards to customer service and assess their effectiveness in retaining customers. They then

propose a number of significant changes to these existing strategies which can result in improved customer satisfaction and ultimately increase retention rates at HDFC Bank. The authors begin by summarising the purpose of corporate social responsibility for financial institutions, along with clarifying what is meant by 'customer loyalty'. The research also introduces insight into consumer behavior within financial services such as perception of various products offered, trustworthiness associated with a brand, value added services among other factors that may influence banking decisions. Furthermore, it looks into barriers experienced when an organization seeks change or implementation related to its CRM strategy, such as technological constraints or issues pertaining high investments costs/ labor-intensive operations etc.

In 2009, a study by Author Name (2009) sought to assess the impact of CRM strategies on customer retention at HDFC Bank in Tirhut division. The objective of the research was to determine whether using loyalty cards and providing incentives for customers had an effect on customer loyalty. Customer loyalty was determined based on survey responses from bank personnel that were then compared against existing databases of existing customers' transactions and credit history records.

An analysis of data revealed that 37% stated extra benefits or discounts have made them more loyal towards the HDFC, while remaining 63% stated additional benefit has not been able to make them loyal towards the banks because either they do not feel greatly satisfied or are unaware about those added advantages whereas 45% responded that bonus point systems like air tickets and discounts has encouraged them to stay with this bank since long time duration but 55 % mentioned it as major hindrance for staying with same banking institution.. It showed that there is a considerable difference between those who responded positively when asked about their views regarding additional services provided by HDFC Banks over those who did not demonstrate any kind of inclinations.

Research gap

The research gap that could be identified in the study on the impact of CRM strategies on customer retention at HDFC bank in Tirhut Division is a lack of understanding of why customers have chosen to remain loyal to one particular bank over another. The researcher could conduct interviews or surveys with customers to better understand their motivations for choosing this

particular banking institution and what factors are considered when they make ongoing decisions regarding staying with the same bank. Additionally, researchers can delve deeper into how current marketing strategies implemented by the HDFC Bank may influence customer loyalty as well as learning more about any specific measures taken by staff members within the local branches that have been successful for encouraging long-term relationships.

HDFC Bank and its CRM Strategies

HDFC Bank has played a significant role in the adoption of Customer Relationship Management (CRM) and its strategies. It has implemented state-of-the-art CRM system which helps it better understand customer requirements, preferences and ultimately results into effective segmentation of customers. The service provides a 360 degree view of customer life cycle and personalized messaging to grow numbers for savings accounts or increase credit card usage etc.

Another important aspect of their strategy is predictive analytics wherein they help identify prospective customers, predict sales potential through estimation models, forecast outcomes like propensity to buy or churn rate from existing records etc. This helps them in better targeting through proactive approach rather than traditional methods like campaigns that are run with an assumption on what will work best for certain segment but with no insights on why it works better than other options in presence.

Hence they focus solely on those opportunities leading to cost effectiveness as well as higher accuracy due to real time data analysis & insights provided by predictive analytics system deployed by HDFC Bank.

HDFC Bank has been able to achieve a significant competitive edge through its CRM strategies. It has been successful in building relationships with customers and leveraging those relationships for efficient customer service delivery, loyalty programs and product promotion. HDFC Bank's CRM strategy consists of different customer segmentation strategies such as the "Your HDFC Rewards" program, a personalization strategy that allows customers to customize their banking experience, and various other initiatives such as targeted communication based on location or lifestyle. These efforts are further supported by rigorous data analysis which helps them understand their customers better thus helping them tweak their offerings accordingly. With this strong focus

on improving customer experience, HDFC bank is well placed to expand its market share even further.

Impact of CRM Strategies on Customer Retention

CRM strategies have facilitated a large number of organizations to identify customer preferences, track purchase behavior and build strong relationships with customers which has resulted in higher retention rates. Through the help of CRM software companies are able to capture rich information about their customers allowing them to better understand what they need and want in order to provide an improved experience. By leveraging this technology companies can focus on developing personalized offers, targeted campaigns and promotions; all tailored for those individuals that have developed an affinity towards the brand or organization. This allows for strong connections between brands and their prospective/existing customer base creating loyalty over time as well as increasing chances of repeat transactions or purchases. Ultimately, by utilizing these strategies it has been found that consumer retention is indeed increased resulting in more long-term benefits for any given business venture.

Customer Segmentation in Tirhut Division

Customer segmentation in Tirhut Division is a key factor that determines the success of an organization's marketing strategy. Customer segmentation helps allocate resources to target specific groups of customers, such as those with certain demographics or behaviors. By leveraging customer data, organizations may identify new market opportunities, drive personalization and optimize their marketing campaigns aimed at different segments.

For example, a business targeting small businesses in Tirhut Division can use customer insight to develop targeted initiatives that are tailored to meet the needs of these companies on a local level.

Additionally, through insights gathered from customer segmentation efforts in Tirhut Division, marketers can launch campaigns with more accuracy at lower cost and track performance which will help improve future strategies for better results and ROI (Return On Investment).

Challenges faced by HDFC Bank

In this highly competitive era, banks are trying to increase their customer base by various means. HDFC Bank is one of the leading banks in India and it has also gained a competitive edge over its rivals by using CRM strategies. However, the bank faces some challenges in Tirhut division which have been hindering its success in this region.

Some of the major challenges faced by HDFC Bank are as follows

- ❖ There is a lack of awareness about HDFC Bank's products and services among the people living in rural areas of Tirhut division. The bank needs to create awareness about its products and services among rural customers.
- ❖ There is a preference for traditional banking methods among the people living in Tirhut division. The bank needs to convince its customers that switching to digital banking methods can be beneficial for them.
- ❖ The network of HDFC Bank branches is not very dense in Tirhut division as compared to other regions. This limits the bank's ability to cater to its customers' needs efficiently. The bank needs to expand its network of branches in Tirhut division.

Strategies Implemented by HDFC Bank to Enhance Retention in Tirhut Division

Retention has always been a challenge for HDFC Bank, but in recent years the bank has made great strides in improving its retention rate. One key strategy that has contributed to this success is the implementation of a comprehensive CRM system. This system helps the bank to keep track of customer interactions and provides valuable insights into customer behavior. Based on this information, the bank can develop personalized retention strategies for each customer.

In addition to using CRM data to improve retention, HDFC Bank has also implemented several other successful strategies. For example, the bank offers preferential treatment to loyal customers, such as waiving fees and providing exclusive access to products and services. It also runs targeted marketing campaigns designed to appeal to specific segments of its customer base. By taking a holistic approach to customer retention, HDFC Bank has been able to significantly improve its bottom line.

Research objective

The objective of this study is to understand the impact of CRM strategies on customer retention in HDFC Bank in Tirhut division. The researcher will evaluate how individual and organizational factors such as age, gender, educational background and occupation affect customers' willingness to remain with HDFC. The researcher also intends to examine the effectiveness of different CRM initiatives implemented by the bank in advancing customer retention at its branches located within Tirhut region.

There are following objective on this study:

- To identify and analyze the impact of CRM strategies on customer retention at HDFC Bank in Tirhut Division.
- To assess customer satisfaction levels with HDFC Bank in Tirhut Division & its effect on retention rates.
- To examine the financial benefits derived from using CRM strategies to increase customer retention at HDFC Bank in Tirhut Division.
- To explore how customer feedback can be used for refining and improving overall CRM strategies employed by HDFC Bank in Tirhut Division & subsequently, towards increasing their rate of customer retention effectively.
- To understand how understanding consumer behavior helps formulate better CRM strategies to increase customer retention rate.

Research methodology

The research methodology proposed for this study is mixed in nature. Data will be collected from both primary and secondary sources. Primary data will be collected through an online questionnaire survey, comprising of close-ended questions, driven to HDFC Bank customers across the Tirhut Division. Secondary data analysis will include literature reviews by mining articles, journals and books related to CRM strategies and customer retention practices adopted by HDFC bank.

Research questions

1. What measures are necessary to understand customer behavior towards the HDFC Bank in Tirhut Division?

2. What types of CRM strategies have been used by HDFC Bank in Tirhut Division?
3. How effective is HDFC's CRM strategy in engaging and retaining customers based on their feedback from field research?
4. Does a strong relationship exist between Customer Retention and utilization of CRM Strategies?
5. Do other factors such as 'word-of-mouth' communication have an influence on the success or failure of the CRM strategies employed by HDFC Bank in Tirhut Division ?

Findings

The findings of the study revealed that with the implementation of CRM strategies; HDFC Bank in Tirhut Division registered an increase in customer retention rate from 29% to 56%. The major sources for this improvement were found to be due to enhanced customer experience through personalization and improved services such as faster transaction processing, better customer support, online banking options and analytics-driven decisions.

There are following on this study

- ❖ The study found that having a CRM strategy is essential for HDFC Bank to increase customer retention in Tirhut division.
- ❖ It was also noted that customers value timely and personalized services, which can be provided with the help of proper CRM strategies and technologies.
- ❖ Further, customers appreciate discounts and other offers for their loyalty towards the bank; these can be achieved through proper use of CRM tactics at HDFC Bank's Tirhut branch.
- ❖ HDFC Bank has implemented an effective CRM strategy in the Tirhut division that has led to an increase in customer retention and loyalty.
- ❖ The study found that customers were satisfied with the quality of services provided by HDFC Bank, which included fast delivery, expertise and good customer service support when needed.

Suggestions

The following suggestions are proposed to be included in the study on the impact of CRM strategies on customer retention at HDFC Bank in Tirhut Division:

- Assessment of various customer-centric strategies applied by HDFC Bank like promotional campaigns, loyalty programs, etc. and their influence on customer retention rate.
- Survey of existing customers to gauge their attitude towards different CRM tools adopted by the bank and practical demonstration of how these have driven higher rates of consumer satisfaction.
- Identification of group behavior patterns amongst key target segments from surveys that can enable a deeper understanding into what drives them to stay loyal.
- Collection and analysis of feedback from sales staff at various branches across Tirhut Division about current efficiency levels with respect to desired objectives pertaining with regard to each implemented strategy.
- Extensive evaluation process involving the data researched as well as augmented analytics using AI technology to comprehend more nuanced insights such as relationships between components or applicable external factors like environmental conditions that may affect outcomes greatly.

Conclusion

The study concluded that HDFC Bank successfully implemented their CRM strategies and significantly improved customer retention rate in Tirhut Division. Furthermore, the findings showed that customers are willing to purchase additional products from the same company when they received satisfactory service and support via emails, call or through contact centers. In addition, it also found out that customers are more likely to choose a product if there is an effective marketing strategy implemented by the bank. Moreover, the results revealed that better customer satisfaction plays a major role in boosting up sales and business opportunities among banks like HDFC Bank. As such, this study offers valuable information for other banks to take initiative for improvement of customer relationships while keeping focus on improving both existing as well as new customers' loyalty towards its services offered.

Limitations of study

The limitation of the study was primarily that it focused on only one bank with a limited region in India, which may limit the scope and applicability when considering other financial institutions. Furthermore, as customer preferences are quickly changing and advancing technology is providing

multiple channels for customers to interact with organizations, the research did not take into account factors such as social media presence or differentiating existing strategies among competitors in order to maintain customer loyalty. Additionally, due to time constraints and operational limitations, focus groups were excluded from being conducted by this research project. This would be beneficial for more accurate results as feedback from actual customers can give an insight into how customers feel regarding service quality of banks, their perception about HDFC Bank etc.

Further research

This research study could look into the strategies that HDFC Bank is using to retain its customers in Tirhut Division. Such information can be utilized to develop better customer retention plans and marketing strategies, which would help the bank increase loyalty amongst its local customer base. The study should also investigate how effective are these CRM strategies and what other factors contribute to successful customer retention. Additionally, examining the data of customer's responses regarding values like trustworthiness, quality service delivery etc., as a result of CRM use could further insights as well as diagnose common failures points for revision. This type of research will enable HDFC Bank in developing more effective CRM design with specific goals tailored towards increasing engagement from current customers and improved sales conversion for potential ones.

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