

Customer retention tools used by public and private banks marketing essay

[Finance](#), [Banks](#)



Customer retention is the activity that a selling organization undertakes in order to reduce customer defections. Successful customer retention starts with the first contact an organization has with a customer and continues throughout the entire lifetime of a relationship. A company's ability to attract and retain new customers, is not only related to its product or services, but strongly related to the way it services its existing customers and the reputation it creates within and across the marketplace.

Customer retention is more than giving the customer what they expect; it's about exceeding their expectations so that they become loyal advocates for your brand. Creating customer loyalty puts ' customer value rather than maximizing profits and shareholder value at the centre of business strategy. The key differentiator in a competitive environment is more often than not the delivery of a consistently high standard of customer service.

Private and Public Banks

Banks have been broadly divided into private and public. A private bank is that in which there are but few partners, and these attend personally to its management. A public bank is that in which there are numerous partners or shareholders, and they elect from their own body a certain number, who are entrusted with its management.

he business of banking consists chiefly in receiving deposits of money, upon which interest may or may not be allowed; in making advances of money, principally in the way of discounting bills; and in affecting the transmission of money from one place to another. Banks in metropolitan cities are usually

the agents of the banks in smaller communities and charge a commission on their transactions.

The profits of a bank are that portion of its total receipts – including discount, interest, dividends, and commission – which exceeds the amount of the expenses.

List of Private Banks in India

Bank of Punjab

Bank of Rajasthan

ICICI

HDFC

Centurion bank

IndusInd bank

Federal bank

UTI bank

Jammu & Kashmir bank

South India bank

Karnataka bank

List of Public Banks in India

Allahabad bank

State bank of India

Punjab National bank

Punjab & Sind bank

Bank of Maharashtra

Bank of India

Canara bank

UCO bank

Central bank of India

IDBI

CUSTOMER RETENTION TOOLS USED BY PRIVATE BANKS

Social media major customer retention tool in private banks:

To retain more and more customers private banks use social media. In this in case of responding to customers social media is a powerful retention tool. In this before contacting to customer service department, customers can go online and can get information regarding anything.

Bank world relationship -personal banker

To retain the customer's private banks started bank word relationship in this they will do: they will assign special persons to a group of clients in which clients can mail to these persons for personal help and financial advice.

Keep customers informed

In this to retain their customers they have started their customers informing about latest schemes and offers and necessary information. For informing the customer's banks send letters, e-mails, make phone calls and send messages on their mobile phones.

Contest for customers

For existing customers to retain them they have started to reward customer loyalty by running a customer -only competition or contest.

In this the entry is free and automatic for existing customers and publicises the results in newsletter and website

Offers related or complementary products

Banks are providing complementary products or services to their customers because this helps them in retaining their customers.

Anniversary offer

In this banks are providing special anniversary offers one year exactly after the customer first came to banks.

Employee motivation

Employee morale and motivation plays an important role in customer retention. A demoralized employee tends not to listen to customer and in turn can turn away a good customer off. Empowerment of people, investment in soft skill/product and other relevant trainings and right technology to monitor the results need to be employed. Incentive schemes along with right compensation across the spectrum of staff from front office to marketing leading to documented evidence of improvement in customer retention and satisfaction leads to long term profitability and loyalty. This will also require management buy-in and commitment. In the long term loyal and motivated employees lead to more business and satisfied customer. Banks need to strive to make each employee a brand ambassador for the Bank.

Managing customer complaints

Customer complaints are identified by a number of ways in private banks: such as customer complaint box, written form, verbal form.. Customers usually make complaint about their problems telling the relevant person in the bank. Complaints are managed by taking quick actions. This helps in the retention of customers.

Relationship Managers (RMs)

The concept of Relationship Manager (RM) is used in the banks. The job of RM is generally performed by the branch officers. The interviews revealed that the main job of Relationship Managers to reach out to the customers both corporate and personal, to make sure that the job is done in a systematic manner within the client's time frame. The relationship managers

for corporate banking are very much important because during the relationship the bank attempts to solve the problems of client organization and satisfy its needs through a series of transactions. It helps in the customer retention.

INTERNET BANKING

Private Banks have their own website. Internet Banking has already been started.

Following are the common features of Internet Banking:

View account balances and transaction history

Verify deposits

Check loan balances

Check loan payment information

View interest information

Various information regarding their products

In this customers can get every information through internet. It is an important tool to retain customers.

SPATIAL CONVENIENCE

Spatial convenience is provided by branch location and technology driven delivery services such as ATM. To create spatial convenience branches and ATM booths should be established near the target customers.. ATM is used to

provide convenience by placing them in locations like shopping mall, in some central place of areas.

SEGEMENTATION

To retain the customers in banks they started segmentation. The factors that banks emphasize to identify the needs and requirements are as follows:

For corporate customer:

Financial Strength and credit worthiness

Market Positioning

Reputation & Integrity

Industries

Listed Companies

For personal banking:

Occupation

Income and Propensity to save

Attitude towards banking

Market demand

Geographic concentration

BUILDING & MANAGING CUSTOMER RELATIONSHIP

Relationship marketing encompasses activities of attracting, maintaining, and enhancing customer relationships. It is an organizational philosophy that impacts on operations and processes, employees, customer service and quality and customer retention.

Win-win rewards

It provides benefits for both the customer and the private banks Successful marketing of these initiatives means customers are encouraged to use cost-saving electronic banking services that enable maximum efficiency and profitability. For example, consumers may be required to receive statements online, use their debit card a certain amount of times each month, use online banking or bill pay and/or enrol in direct deposit. This lowers personal service costs and statement costs (for printing and mailing) and gives bankers the time and resources they need to focus on building relationships with key customers.

Technology

Telephone banking is another option for customer retention as this service is for convenience of customer. And for this purpose following technology is used:

Interactive voice response (IVR)

IVR systems are used very commonly by various service organizations for order placements, purchasing airline tickets, telephone banking, caller routing and identification, obtaining balance inquiries, paying bills,

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completing surveys and polls and looking up selective information, to name a few. IVR systems are also used at call centres to help identify customer's needs and prepare the live customer service representative by obtaining information from the caller ahead of time, such as account numbers, name, social security number, address information, etc.

IVR for short is a software application that allows telephone caller to select options from various menus. IVR systems are available 24 hours a day, seven days a week, so callers can access them anywhere, anytime. Callers may enter requested information into telephone keypad or by simply speaking commands. Commands generally consists of numbers or simply " Yes" or " No" answers. IVR systems also have voice options for " help," " speak with a customer care specialist" or other various straight forward options.

CUSTOMER RETENTION TOOLS USED BY PUBLIC BANKS

Relationship based pricing

Existing customers feel that they are being ignored by banks when it comes to pricing as competitive rates are being offered to new customers only. This forces public banks to have a pricing strategy. Customers who have multiple products with Banks across different lines of business (LOBs) expect transparency in product pricing. They tend to stay loyal and this loyalty needs to be taken care of. Relationship based pricing (RBP) is a new mantra which institutions are now trying to get into. RBP helps in evaluating the total income earned from the customer across all the LOBs and work out mutually

profitable pricing. RBP helps banks to treat each customer differently, based on the overall relationship value, with innovative pricing strategies across enterprise. Banks can ensure that the benefits and rewards are provided based on total value the customer provides thereby enriching the customer loyalty. This helps a lot in customer retention.

Employee motivation

Employee morale and motivation plays an important role in customer retention. A demoralized employee tends not to listen to customer and in turn can turn away a good customer off. Empowerment of people, investment in soft skill/product and other relevant trainings and right technology to monitor the results need to be employed. Incentive schemes along with right compensation across the spectrum of staff from front office to marketing leading to documented evidence of improvement in customer retention and satisfaction leads to long term profitability and loyalty. This will also require management buy-in and commitment. In the long term loyal and motivated employees lead to more business and satisfied customer. Banks need to strive to make each employee a brand ambassador for the Bank.

Keep customers informed

Same way like private banks they also retain their customers, they also have started their customers informing about latest schemes and offers and necessary information. For informing the customer's banks send letters, e-mails, make phone calls and send messages on their mobile phones.

Rewards management

Customers expect banks to be flexible and willing to change while offering rewards. Listening to them will go a long way in knowing what is wanted and what is not. Outdated products/service as a reward will not go down well with customers and addition of newer loyalty partners with innovative ideas will be welcome. Innovative ways of redeeming rewards like online redemption, redemption against purchases etc are the ones which will be liked. Proper segmentation of customers is required so that the right product/reward is targeted. Loyalty programs need to be constantly evolving based on the market conditions and technology needs to be used extensively in this regard.

Profitable and cost effective Customer Relationship Management has become a key strategic area with an increased focus on this issue by top management of Banks. The opportunity for banks has never been greater to assume a more customer centric responsibility. Continuous use of customer feedback, tuning loyalty programs, improving employee morale along with the relevant Enterprise wide technology platform to monitor all these will ensure in improving customer relationships with the active participation of management across the organizational functions. Management buy-in and participation across the different level in the hierarchy is important in improving customer relationships, helping to deepen brand loyalty and increase customer lifetime value. In the end loyalty equals increasing profits and a strong competitive edge which is the order of the day. Ultimately, best

strategies in customer & loyalty management reflect in higher customer satisfaction indices and improved bottom line for the Bank.

Education for the customer on products and services offerings:

Customers need to have adequate information about bank's products, services, delivery channels and the costs associated with each. However, bank does not have unlimited resources to provide personalized education at the branch level. Integrated banking platforms support Push-To-Talk and similar applications which can deliver personal interaction remotely.

Customer Empowerment with necessary information and tools to encourage independent decision making:

Customer can use calculators, simulators and modellers to compare different products understand the steps to be taken to achieve their financial goals and seek guidance in broader financial matters such as wealth creation and retirement planning.

Humble ATM's

Public banks have just introduced humble ATM's to retain its customers. In these ATM's if a person can interact with bank staff if the nearest branches are closed.

Social Media

To retain more and more customers public banks use social media. In this in case of responding to customers social media is a powerful retention tool. In

this before contacting to customer service department, customers can go online and can get information regarding anything.

CONCLUSION

There is a great competition between public and private banks.

Customer retention is their major motive. To retain their customer's banks adopted many tools and techniques.

Private sector banks focus more on customer retention as compared to Public sector banks.

Private sector bank follows the 80/20 rule which means that the top 20 customers generate the 80% of organization revenue.

It is easy and cost effective to retain the existing customers, than to gain new. This is the strategy which both Public and Private sector banks follow.