

# Strategies for Successful Customer Retention in Multinational Bank with Reference to Standard Chartered Bank

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## ABSTRACT

*In banks the concept of customer retention is held in high esteem but most of the bankers are still not sticking to that. Customer retention is the buzzword for all times rather than the concepts as benchmarking or best practices, more than process reengineering or quality management. To meet the threat of competition and retain customer base, banks now looking at business process management (BPM) to increase returns on investment, improve customer relationship management (CRM) and employee productivity. This paper helps to know the different strategies to be followed by **Standard Chartered Bank (SCB)** bank to retain their existing customers. The arrival of foreign and private banks with their superior state-of-the-art technology-based services pushed Indian Banks also to follow suit by going in for the latest technologies, the study has been carried out to find out what can be further done. Statistical tool like Simple average and one way ANOVA methods are used to meet the objectives.*

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## Introduction

The Indian financial system comprises of four segments or components. These are financial institutions, financial markets, financial instruments and financial services. Banks come under the financial institutions segment. Financial institutions are intermediaries that mobilize savings and facilitate allocation of funds in an efficient manner. The Indian financial system was quite well developed even prior to India's political independence in August 1947. Bank is defined as a person who carries on the business of banking. Banks also execute certain activities which are subsidiary to this business of accepting deposits and lending.

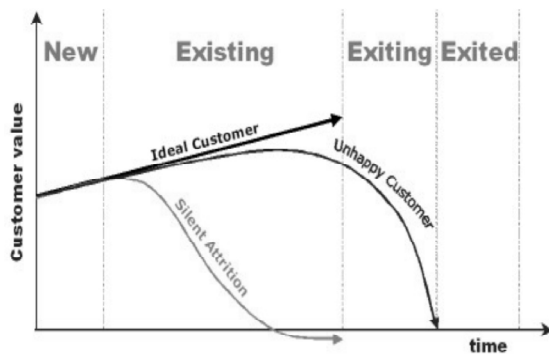
India is one of the 10 developing populations globally and 23 Indian citizens amongst the richest people on the planet. The number of companies listed on the Bombay Stock Exchange, at more than 6,000, is second only to NYSE. Each year 2,500 tonnes of gold is mined (fifth of the world's gold output) and 3,500 tonnes is consumed, of which 1,000 tonnes is consumed in India alone. MNC banks came into existence to supplement the performance of Public sector banks and serve the needs of the economy better. As the public sector banks were merely in the hands of the government, banks had no incentive to make profits and improve the financial health. Nationalized killed

competition and stifled competition in banking. Banks operated in regulatory environment with administered rate of interest structure; quantitative restrictions on credit flows, high reserve requirements and significant proportion of lend able resources going to the priority and government sectors. This resulted in low levels of investment and growth, decline in productivity and erosion of profitability of banking sector. Thus, Narasimham Committee I (1991) which recommended the free entry of new banks in the financial market provided they confirm the minimum startup capital and other requirements by the permission of Reserve Bank of India. Currently there are 31 MNC Banks, which includes 23 old, and 8 new banks. Source<sup>1</sup>. Under this huge competition, the sustainability of SCB is a question mark.

## Literature Survey

The creation and execution of financial institution customer retention strategies, includes banks customer retention strategies as one of the core strengths of the Genre organization. Banking is accepting, for the purpose of lending or investment of deposits of money from the public, repayable on demand or otherwise and withdrawal by cheques, draft, order or otherwise. There are different ranges of strategies that can be implemented and we tend to summarize them

based on a customer's status. Huge competition and saturated markets made banks as interchangeable commodities. In commoditized situations, customers are easily swayed to leave by the free offers and special rates being offered by competitors. Banks that can identify, create, and maintain a sustainable differential value advantage will be less vulnerable to competitive pressures. Therefore, one key to making bank defection-proof, without lowering prices, is deliver more value to customers. Triplett, 2010 suggested some five ways to add value to increase retention, differentiate your bank and gain a competitive advantage: 1. Provide information. 2. Create a two-way communication. 3. Communication needs to be consistent and there needs to be continuity between successive messages. 4. Consider frequent interaction. 5. Have frequent personalized communication. The lifecycle is shown below along with the value that different types of customers contribute to the business at different parts of the cycle.



Source: [http://www.genroe.com.au/services/bank\\_customer\\_retention\\_strategies.asp](http://www.genroe.com.au/services/bank_customer_retention_strategies.asp)<sup>2</sup>

The single largest group of customer maintenance strategies can be implemented in the new section of the customer lifecycle is Onboarding. Onboarding is the process of bedding a customer into the organisation and includes ensuring that their personal data is correct, that they understand the products they have purchased and how to quickly contact the organisation. We have proved time and again that customers that are properly on boarded will continue with the company longer and spend more money than other customers.

The best banks customer retention policy for existing customers is to classify each type of customer (silent attrition, ideal and unhappy) and create appropriate initiatives to change their behavior. For instance customers in silent attrition are those that have condensed or stopped using a product but where the account is still open. Examples for instance are credit card accounts with little or no spending. For these customers bank must determine why they are no longer using their product and create initiatives to change their behavior.

Customers that are Exiting are those customers who have started the process of moving their business to another company or are in the process of considering that move. The first step in creating

bank customer maintenance strategies for Exiting customers is to identify which customers are in each camp. For customers in the process of moving their business bank needs to understand the product drop cycle, i.e. the order in which customers drop its products before leaving. With this information they can create effective customer retention strategies to target those customers.

The main aim of strategies is at recapturing customers that have left the organization is called Win back strategies. This is the most expensive and lowest ROI place to try to implement the bank customer retention strategies. Mentally customers have already moved to another organization and it takes a large inducement to bring them back. If do choose execute Win back strategies then bank will need to carefully manage the level of incentive that it its staff can offer to customers.

Banks also enable customer payments via other payment methods such as telegraphic transfer. Internet banking, Mobile Banking, ATMs are the new added payment channels by the bank<sup>2</sup>. Due to the advancement of technology and the birth of competition from other banks, MNC are in the race of becoming the best in the country. With an eye upon satisfying customers they are providing best of the best services with the minimum hazards.

ATM gives the freedom to conduct most of banking transactions 24 hours a day, 365 days a year. The ATM card is absolutely free for the customers. Few banks have introduced world ATM card to make travelers across the globe more safe and secure. There are no transaction charges on the use of ATM card. Use of mobile phone to access the bank account anytime and from anywhere in the world through Mobile Banking. Online Banking is absolutely free, easy and secure, allowing access to most bank services and a host of features. Online Banking provides a range of services at customer's finger-tips. Transfer money to anyone else (3rd party\*) who maintains an account with MNC BANK. Even if the account is held in a different city, the money will get transferred immediately.

Banks like ABN AMRO made a tie-up with one of the best coffee bar in the country, and introduced banking with a coffee bar called Barista and remained open till late evening for customers with a setup of a coffee bar in the premises. Internet banking is the recent wonder which involves delivery of banking products and services through internets which is referred as e banking. Fund requirements of a corporate also possible both in long term and short term finance. Domestic Lending facilities are also easily available for different life span.

The funding avenues potentially open to a borrower in the global capital markets can be given by global lending scheme. In addition to these, export related credit mechanisms such as buyers' and suppliers' credits, general purpose lines of credit, forfeiting are other sources of Medium-to-long-term funding.

### **Objective of the Study**

The work was undertaken with a view to understand the strategies to be followed by MNC Bank (standard chartered bank) for retaining the existing customers through live experience of field work and market research.

- To know the successful strategies adopted by Standard Chartered Bank to retain their existing customers and to acquire the new one.
- To find out the means to tackle various problems pertaining to the investment.
- To decipher the needs of the customers and comprehend their perception towards enjoying various rebates on interest rates.
- To devise various strategies so as to increase the sales and augment the deposits from the new customers.

### **Research Methodology**

Descriptive research methodology is used to find out the objectives, Both primary and secondary data have been used. The primary data was collected using direct observations, Questionnaires and interview in the market area, and information given by the senior officers and staffs. The secondary data was collected from the handouts and brochures of SCB Bank.

Respondents are collected from Savings Bank account holders of Standard Chartered Bank in Chennai. Convenience sampling was used to collect the opinion of the respondents. Initially 120 questionnaires were collected out of that only 100 fully filled up questionnaires were taken for further analysis.

### **Data Analysis and Interpretation**

Statistical tools like simple percentage method and one way ANOVA are used to analyze the data collected through questionnaire. Percentage analysis is the method to represent raw streams of data as a percentage for better understanding of collected data.

It is evident from the table 1 that 60% of respondents are male and 40% of respondents are female.

**TABLE 1: DEMOGRAPHIC DETAILS**

Particulars	Options	No of respondent	Percentage %
Gender	Male	60	60%
	Female	40	40%
Age	18 – 25 Years	25	25%
	25 – 35 Years	29	29%
	35 – 50 Years	18	18%
	Above 50 Years	28	28%
EDUCATIONAL LEVEL	HSC	45	45%
	UG	25	25%
	PG	20	20%
	Others	10	10%
OCCUPATION	STUDENT	35	35%
	BUSINESS	20	20%
	PROFESSIONAL	15	15%
	OTHERS	30	30%
INCOME LEVEL	Less than 1 lakh	20	20%
	1-5 Lakh	35	35%
	5-10 Lakh	30	30%
	Above 10 Lakh	15	15%

25% of the respondents are between 18-25 years, 29% on the group 25-35 years, 18% on the group 35-50 years and rest others.

45% are HSC while 25% are Under Graduate while 20% are post graduates and rest others. 25% of them are students while 20% are doing business while 15% are professionals and rest others. 20% of the respondents income is less than 1 lakh while 35% 1-5 lakh and 30% between 5-10 lakh and rest others.

### TO THE SAVINGS ACCOUNT HOLDERS

**TABLE 2 : THE STRATEGIES FOLLOWED BY THE BANKS TO  
ATTRACT CUSTOMERS ARE EFFECTIVE**

<b>Options</b>	<b>No of respondent</b>	<b>Percentage %</b>
GOOD	38	38%
FAIR	36	36%
NOT GOOD	26	26%

### PURPOSE OF IMPLEMENTING STRATEGIES

<b>Options</b>	<b>No of respondent</b>	<b>Percentage %</b>
To enhance success and reduce problems	50	50%
Develop effective customer plans	15	15%
Describing different methodologies and resources	20	20%
Others	15	15%
<b>Total</b>	<b>100</b>	<b>100%</b>

38% say Good & 36% say fair to the strategies followed by the banks to attract customers are effective while 26% say it's not good.

50% say it is to enhance success and reduce problems while 15% say it is to develop customer plans and 20% say it is to describe different methods and rest others

**TABLE 3 : EXPECTATION OF ACCOUNT HOLDERS FROM BANKING VERTICALS**

<b>Options</b>	<b>No of respondent</b>	<b>Percentage %</b>
Accuracy of banking records	20	20%
Accuracy of transactions	30	30%
Efficiency of customer service	45	45%
Convenience of branch location	5	5%
<b>Total</b>	<b>100</b>	<b>100%</b>

Maximum respondents, 45% feel efficiency of customer service that they expect from Banking Verticals while 30% say its accuracy of transactions 20% say that its accuracy of banking records which matters for them.

**TABLE 4 : VERTICALS STRATEGIES MUST BE IMPLEMENTED**

<b>Options</b>	<b>No of respondent</b>	<b>Percentage %</b>
Efficient services	15	15%
Offering of latest products	20	20%
Flexible banking policies	60	60%
Others	5	5%
<b>Total</b>	<b>100</b>	<b>100%</b>

From the above 15% say on efficient services while 20% for latest products and 60% for flexible banking policies and rest others.



**TABLE 5 : TECHNIQUES MUST BE FOLLOWED TO MAKE  
CUSTOMER FEEL THAT THE BANK HAS COMPETITIVE ADVANTAGE**

<b>Options</b>	<b>No of respondent</b>	<b>Percentage %</b>
Excellent service quality	35	35%
Using latest technology	20	20%
Memorable advertisements	15	15%
Others	30	30%
Total	100	100%

35% prefer excellent service while 20% say due to latest technology and 15% due to ads and rest others.

**TABLE 6 : STRATEGIES MUST BE PROVIDED TO PROVIDE  
WORLD CLASS SERVICE TO CUSTOMERS**

<b>Options</b>	<b>No of respondent</b>	<b>Percentage %</b>
Single number	35	35%
Virtualization	20	20%
Verification	15	15%
Others	30	30%
Total	100	100%

35% seeks to provide single number gateway while 20% seeks virtualization and 15% verification and rest others.

Relationship between Age Group & Strategies Implemented by the Bank:

One-Way ANOVA is used to find out the Relationship between Age Group & Strategies Implemented By the bank.

**H0**-There is no Significant Difference between Age Group & Strategies Implemented by the Bank.

**H1**-There is a Significant Difference between Age Group & Strategies Implemented by the Bank

**TABLE 8**

Sources Of Variance	Sum Of Squares	Degrees Of Freedom	Mean Sum Of Square	F Value
Between	20.67	2	$20.67/2= 10.335$	$10.335 / 4.222$
Within	38	9	$38/9=4.222$	$=2.447$
Total	58.67	11		

One-Way ANOVA test Results for Age Group & Strategies Implemented by the Bank .The calculated value of F in Table value at (2, 9) Degrees of Freedom, 5% Level Of Significance is 4.26 which is greater than the calculated value 2.447. Hence H0 is accepted, i.e. there is no significant difference between Age Group & Strategies Implemented by the Bank.

Relationship between Income & Strategies Implemented by the Bank:

One-Way ANOVA is used to find out the Relationship between Income & Strategies Implemented By the bank.

**H0**-There is no Significant Difference between Income & Strategies Implemented by the Bank.

**H1**-There is a Significant Difference between Income & Strategies Implemented by the Bank

**TABLE 9**

Sources Of Variance	Sum Of Squares	Degrees Of Freedom	Mean Sum Of Square	F Value
Between	20.67	2	$20.67/2= 10.335$	$10.335 /$
Between	675.7	2	$675.7/2= 337.85$ $46.25=7.304$	$337.85$
Within	416.3	9	$416.3/9= 46.25$	
Total	1092	11		

One-Way ANOVA test Results for Age Group & Strategies Implemented by the Bank. The calculated value of F in Table value at (2, 9) Degrees Of Freedom, 5% Level Of Significance is 4.26 which is lesser than the calculated value 7.304. Hence H<sub>0</sub> is rejected and H<sub>1</sub> is accepted, i.e. there is a significant difference between Age Group & Strategies Implemented by the Bank.

### **Summary of Findings**

Out of the whole respondents maximum are male, who do transaction at banks and in the age group of 25 to 35 years and are in good profession.

To The Savings Account Holders 38% say good & 36% say fair for the strategies followed by the Banks to attract customers and the rest says not good. 50% say the purpose of implementing strategies is to enhance success and reduce problems while 15% say it is to develop customer plans and 20% say it is to describe different methods and rest others. Maximum respondents about 60% are in support of flexible banking policies.

35% prefer excellent service while 20% say using the latest technology and 15% due to ads and rest others. 35% seeks to provide single number gateway while 20% seeks virtualization and 15% verification and rest others. There is no significant difference between Age Group & strategies implemented by the Bank, but there is a significant difference between income level of people & strategies implemented by the Bank.

### **Suggestions, Limitations and Recommendations**

The limited time period was not sufficient to cover all details of existing strategies and then to design a Sales Strategy. The other one was the non-cooperative nature of the people to give information and interviews. This study is only confined in Chennai Branch, so it may not give a holistic view.

During the period of extensive research, few weaknesses in the Bank have been found. Customers have several problems regarding some products and working style of the bank, which the bank should overcome. The following strategies will help the bank to retain their existing customers. SCB Bank should try to follow the concept of KYC (KNOW YOUR CUSTOMER). The customers face problems in Documentation, for example, the passport indicates both the ID and address proof of the customer, who is accepted by the other banks, but SCB Bank considered it only for ID proof of the customer but not for the address proof. Complaints of customers must be handled efficiently and give them better facilities. The restriction amount on savings must be little waived such that more people would be investing in it. Various schemes in savings account must be provided for the benefit of the customers. New schemes for the customers should be introduced from time to time with regards to the income level of the people, so that SCB could cater all the levels of people. SCB Bank is not having much number of

branches or ATMs. So the bank must have to increase the number of branches and ATMs by which they can easily access and attract the customers.

## Conclusion

The research has given a detailed understanding of the various strategies adopted by SCB to retain their existing customers. To be a leader in the industry, the bank should apply effective Marketing & Sales strategies and targeting those customers which can benefit the bank & customer the most. The bank should satisfy their existing customers to have a major market share in the business. We see that the public players score high on trust and goodwill. Also to some extent, they are considered to provide 'value for money' products the same must be followed by the Bank. More over from the study it is evident that safety of investment is still the priority of most of the customers and the bank must work accordingly.

In today's fast-changing business scenario, consumers have also become very impatient and are looking for additional benefits from existing products. When their expectations are not fulfilled, they are ready to switch over from the current product to those of the competitors'. In such a situation, the companies in the industry have to keep upgrading their products from time to time.

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