INFLUENCE OF E-COMMERCE AND ITS EMERGING INNOVATIONS IN BANKS

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ABSTRACT

The study pursues to stretch an overall interpretation on E-commerce as an innovative hi-tech tool with distinct concentration of the emerging influence on customer relationship management (CRM) in banks. In present contemporary globalize scenario several innovative technologies especially the internet have been changing the ways of doing businesses through E-Commerce. The E-Commerce is an extensively information- intensive and thus makes it important to recognize new development in strategy to create value through the e-commerce on customer relationship management (CRM). We live in a technological epoch and customers are now fuelled by internet-induced potentials and an even increasing mood of resourcefulness. Actually presence of information technology, internet and other associated technologies provides an extraordinary support for the growth and development of E-commerce to create value through the system. We live in a technological epoch and customers are now fuelled by Internet induced potentials. E-commerce emerges from the internet and its associated web technologies to facilitate the implementation of Customer Relationship Management (CRM). This study is an attempt to understand E-commerce in present globalize scenario. It also focuses on the E-commerce from the perspective of customers and banks in India. This study is based on Internet or web –based interaction to create a high volatile relationship in the banking sector.

Keywords: E-commerce, Banks, Customer Relationship Management (CRM), Customers, Internet, Services

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INTRODUCTION:

The commencement of Information Technology gave an immediate access to Internet. Volatile advancement of the Internet increases its users everywhere in the world at speed and due to that, E-commerce became an important part of present globalizes economy. Even though the internet has existed for several decades, E-commerce has become a reality only with the development of the World Wide Web (www), Electronic channels and its associated technologies. E-commerce acts as a commercial activity and sounds like a relatively new and emerging term which gave wide impact on the area of business management and Information Technology (Tassabehji R, 2005). E-commerce consists of businesses trading with other businesses and some other activities and mainly companies use internal processes to support them through buying, selling, hiring, planning and other activities (Schneider Gary, 2009). On the other way, E-commerce and Customer Relationship Management (CRM) jointly worked as a tool. Increased use of E-commerce makes CRM a necessary component and a strong catalyst for economic development. In CRM, customers want to be independent and desire to have an ability to manage all aspects of the purchase and their relationship with e-commerce. E-commerce mainly target customers by getting closer to customers, serving them better, cost cutting, introducing new products and services and creating new opportunities through the Internet. In banking sector, CRM is a term which has an ability to understand, anticipate and manage the needs of the customers, interaction and relationships increases the profitability through revenue and marginal growth and operational efficiencies (Kumar Narendra, Anjana & Kavita, 2006).

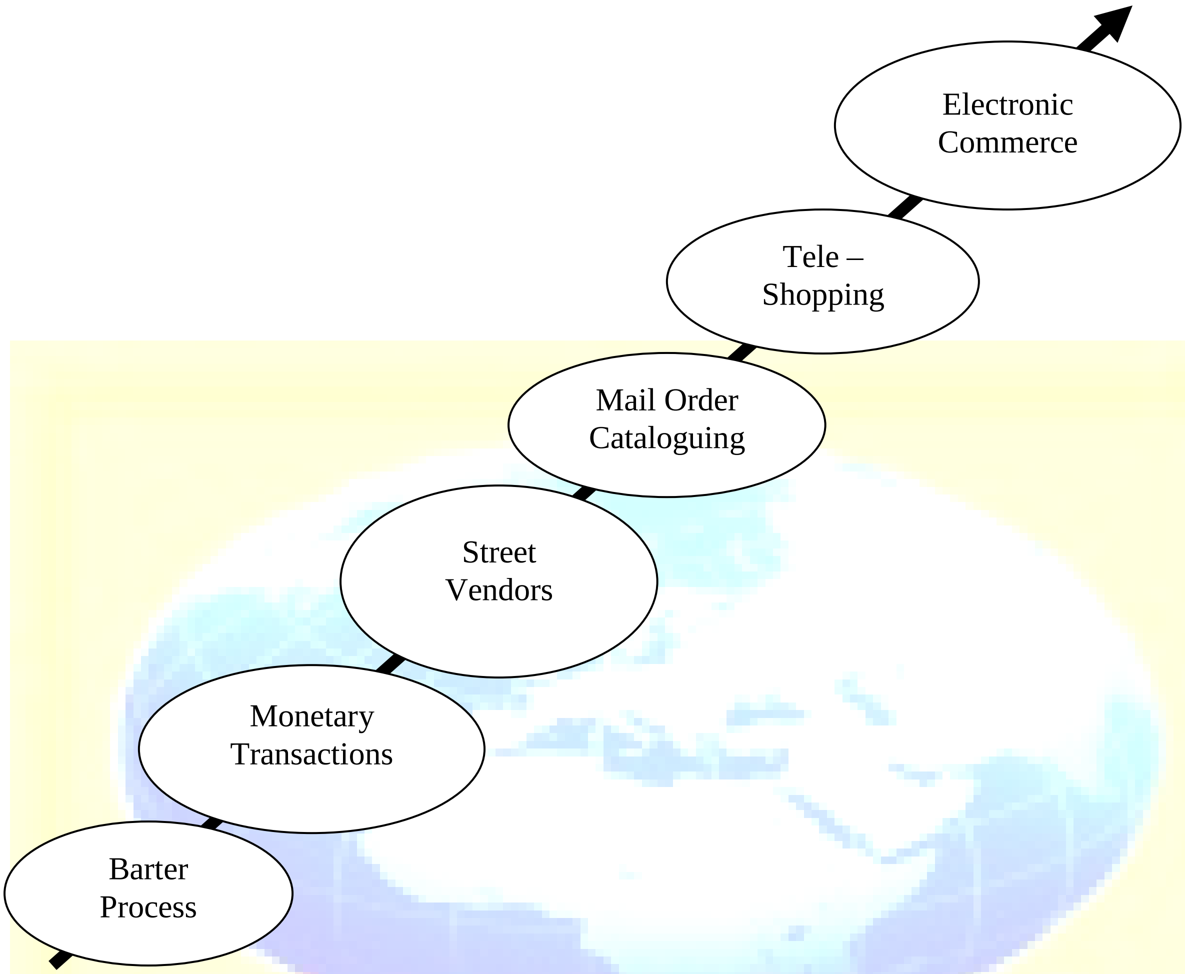
Objective of the study

1. To establish healthy relationship with the banks through the E-commerce services.
2. To know the use of CRM in the banks through e-commerce
3. To study how E-commerce has affected the efficiency in performing various customer service
4. To establish strong relationships between banks and customers

Background of E-commerce

Electronic commerce means the facilitation of profitable transactions electronically. E-commerce carries out transactions using technology such as Electronic Fund Transfer (EFT) and Electronic Data Interchange (EDI) (Wikipedia). In the early 1970's, E-commerce activities ongoing with EFT and then EDI, which allows organizations to transmit funds electronically. Advancement of Internet technology in the early 1990's, a physically powerful foundation of electronic commerce came into existence. The Internet was opened for profitable use and with the commercialization of the Internet, Web invention and PC networks millions of prospective customers understand the term E-commerce. Extension of networks, protocols, software and specifications for E-commerce activities are the main reason for the rapid expansion of E-commerce whereas increased competition and business pressures are the factors responsible for expansion. Internet provides a realistic display place where sellers and buyers can interact with each other for sale and purchase of goods and services.

Figure 1: Evolution of E-Commerce



Source: Consumer E-commerce Market in India 2006/07, E-commerce in India available at <http:// http://www.iamai.in/Upload/Research/final_ecommerce_report07.pdf >, September 2007, p.7

E-Commerce – An Overview:

In the sequence of latest developments, presence of information technology, Internet and other technologies has minimized the world into a worldwide village. Electronic commerce is an electronic medium in which two or more parties making business transactions to bring together consumers, customers, vendors and suppliers. E-commerce is a bunch of abundant opportunities and it's changing the life of people related with banking, finance, shopping and businesses. E-commerce can also be defined as sharing of business information, maintaining business relationships and conducting business transactions through electronic channels (Venkataratnam.B, Ravi.D & Reddy.M.V, 2001). In the epoch of globalization, Electronic commerce has become a buzzword for businesses over the past few years, with the increased awareness about the use of computer and other communication technologies. It mainly consists of distribution, purchase, sale, marketing and provision for supplementary information of products or services via the Internet. It is a process of buying or selling of products or services through electronic channels such as the Internet and other computer networks. As the process evolved, activities such as purchase of goods and services conducted with the purchase cards i.e. credit cards and debit cards.

E-commerce is a process of buying or selling of products and services through the electronic medium (Wikipedia). The definition of E-commerce can be divided as broad and narrow. The narrow definition includes the trading activities with the computer networks such as online advertising, online negotiation, ordering collection, payment, customer service, cargo submitted and other activities. On the other side, broad definition includes the commercial activities with the electronic networks and transactions (Meng Xiaoming, 2010). E-commerce is mainly associated with buying and selling of products and services and its related information. E-commerce has become a flourishing industry and its websites take a border hold to reach million of people looking for their kind of products or services online. Arrival of E-commerce websites has brought a vast change in the process of purchasing and selling goods through far and wide used e-commerce websites such as - *eBay*, *Amazon*, *Price line*, *Trader online* etc.

Modes of E-commerce:

Information and Communication Technologies utilizes E-commerce for doing market transactions among two or more parties – usually businesses and consumers (Maymand .M.M, 2005). E-commerce is subdivided into number of categories that is B2B (business to business: wholesale), B2C (business to consumer: retail), C2B (consumer to business: individuals) and C2C (consumer to consumer: auctions and information portals).

Figure 2: Different types of E-commerce

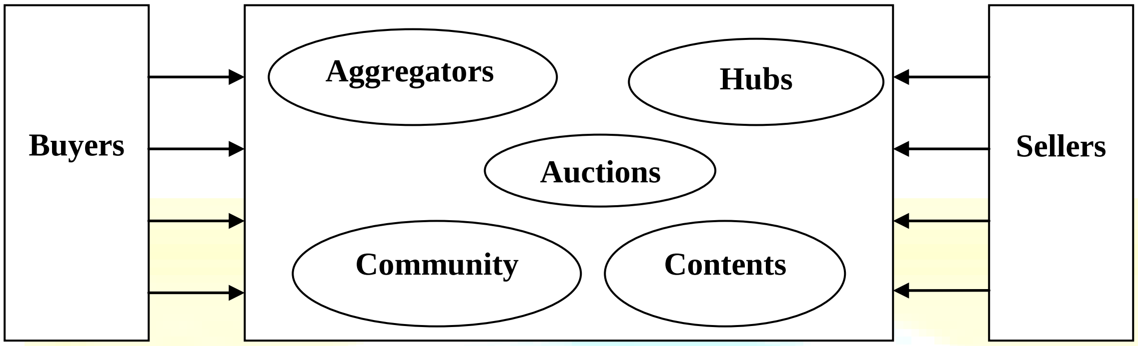
	Business (Organization)	**Consumer (Individual)**
Business (Organization)	B2B (e.g. TPN)	B2C (e.g. Amazon)
Consumer (Individual)	C2B (e.g. Price line)	C2C (e.g. eBay)

Source: Chan H, Lee R, Dillon T & Chang E (2007) "E-commerce, Fundamentals and Applications" John Wiley & Sons Inc., U.K. p.7)

- **Business to Consumer (B2C)** – It is an E-commerce model involving businesses and consumers and direct trade is conducted between companies and end consumers. Firstly, it had a small share in the market but after 1995 its growth was exponential. In B2C model, online businesses sell to individual consumer. These are retailing transaction with individual shoppers. An online shopper buying from *Amazon.com* is an example of B2C E-commerce.

- **Business to Business (B2B)** – It is the largest form of E-commerce, in which both buyers and sellers are business entities and do not involve an individual consumer. This model of E-commerce includes the interorganizational transactions and electronic market transactions between organization and businesses. It is a form of selling between companies, wholesale rather than retail. B2B involves widening the circle of suppliers and centralizing control. Many B2B sites are company and industry specific, catering to a community of users. It is a kind of combination of forward and backward integration (Joseph. P.T, 2003).

Figure3Business-to-Business(B2B)Marketplace



Source: Joseph.P.T, (2003). "E-commerce – A Managerial Perspective" Prentice Hall of India, Pvt Ltd, p.39

- **Consumer to Business (C2B)** – This model is growing at a rapid pace in E-commerce arena, it is a growing trend when consumers demands specific products or services from respective businesses. It enables the buyers to charge their own price, often binding for a specific good or service. It helps in generating the demands by collecting the "demand bids" and then offers the bids to participating sellers. *ReverseAuction.com* and *Priceline.com* are the examples of C2B models.

- **Consumer to Consumer (C2C)** – In this category, a consumer or individual sells directly to another consumer or individual. It means that a consumer would contact a business in search for customer. It facilitates the online transaction of goods or services between two people. Most of the auction websites like *eBay*, *TraderOnline.com* and matrimonial websites are working on this methodology.

G2G (Government-to-Government), G2E (Government-to-Employee), G2B Government-to-business), B2G (Business-to-Government), G2C (Government-to-Citizen), C2G (Citizen-to-Government) are other forms of E-commerce that involve transactions with the Government such as procurement of filling taxes, business registrations, renewing licenses etc. E-commerce today is very much a business-to-business affair. Much of the emphasis is made on B2B and B2C electronic commerce. B2C E-commerce is a key aspect for statistical measurement and it has the potential to directly affect the way in which people live and interact.

Influence of E-Commerce on CRM

E-commerce is defined as the activities applied on computer or internet to sell and buy the product or service. E-commerce involves in the digital or Electronic commercial activities. The concept of CRM was derived from 'contact management" in 1980 ages to collect all the information when customers connect to companies. Advances in information and communication technology create a one-to-one relationship and mass customization (Liu.H & Tang.T, 2002). CRM is a process to understand the customer's needs and behavior in order to develop stronger relationships. CRM is a process that will bring together lots of pieces of information about customer, sales, marketing, effectiveness, responsiveness and market trend. CRM helps businesses use technology and human resources to gain insight into the behavior of customers and the value of those customers. E-CRM is a combination of software, hardware, application and management commitment. These technologies emerge from mainstream use in Electronic Commerce to assess their efficacy in relation to e-CRM (Barhate.B.H 2009).

Emerging Customer Relationship Management (CRM) approach in banks

Many businesses houses, such as banks and other areas of services know deeply the importance of Customer Relationship Management (CRM). Customer Relationship Management has the capability to obtain new customers, retain existing ones and to raise their lifetime value. Customer Relationship Management is a broad approach for creating, maintaining and expanding customer relationships. It is a kind of business strategy that mainly aims to understand, anticipate, manage and personalize the needs of an organization's current and potential customers. Mainly it involves, using technology to organize, automate, and synchronize business processes – principally sales activities, but also those for marketing, customer service and technical support (Saravanakumar.S, 2009). Customer Relationship Management in banking industry is completely different from other sectors because banks and its services are financial services, which mainly point toward at creating trust among the customers. Numerous services are provided by the banking industry to the customers such as –

- Customer care support is introduced during on and off official hours
- Information is timely updated about interest payments
- Maturity of time deposit
- Issuing credit and debit cum ATM card
- Creating awareness about online and e-banking
- Including mobile request

Figure 4: Benefits of CRM for Customers and Bank

e-CRM Benefits to Banks	**e-CRM Benefits to Customers**
Relationship with the customers	Customer's interaction or satisfaction
Using e-mail for business communications	Convenience
Personalized services or one-to-one services	Speed of processing the transaction through e-response
Website to market product or services	Service quality trust

Source: Barhate.B.H (2009). "Applications of Information Technology Using E-commerce for CRM and e-CRM" Shodh, Samiksha aur Mulyankan (International Research Journal) — Vol. II, Issue-9-10 (Oct.-Nov.-2009), p.54

It is a sound business strategy which identified the bank's most profitable customers and prospects, who devotes their time and attention in expanding account relationships with customers through customized service and other delivery channels that the bank uses.

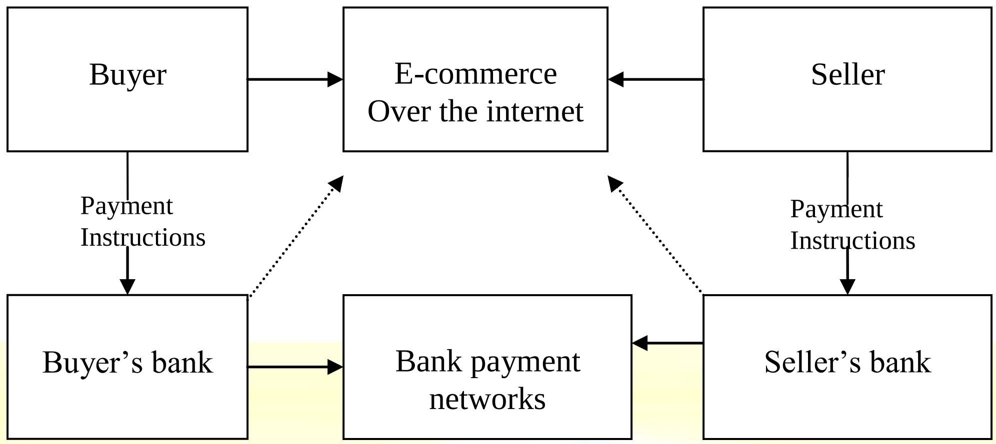
Product differentiation is considered as a major technique of service in today's competitive market. Since, product differentiation on the interest front and service charges is ruled out for Indian banks; it appears that banks have to raise their hopes on the improvement of customer services (Bharathi.G.V, Reddy.P.M& Saritha P, 2008) .The banking sector industry is now working as a service oriented industry and it render their services to the customers. In CRM, customer service is very essential and it considered as an integral part to all business operations. 'Customer Service Committee' target to monitor the quality of customer service dispensed by the branch so, every bank branch must set up this committee (Rao.K.V.B, 2006). In today's competitive environment one of the main issue which most of the banks faces is 'how to manage customers'. If the service level is not as per the expectation of the customer, they might take up his business elsewhere. So, banks must absorbed CRM systems to achieve transparency in customer interface and customers must receive their offers according to their matching needs.

Influence of E-commerce on Banks:

Globalization and liberalization have imposed the banks to imagine in terms of technology benefits and improved quality of service to customers as future is full of challenges and survival will be a difficult task (Vinayagamoorthy.A, 2008). The majority of the banks are beginning to use the Internet to deliver their services in efficient way. Several companies are embracing "E-commerce" to expand their markets, improving customer service, reducing cost and to upgrade the productivity.

E-commerce is trying to introduce new forms of competition which compel banks to make choices regarding their services offer, the size of their branch networks, and the extent of their support for interbank payment networks.

Figure 4: Role of banks in E-commerce



Source: Wenninger.J (2000). "Emerging role of banks in E-commerce", Current issues in Economics and Finance, March, Volume 6, Issue no 3, p.2

E-commerce prepared banking unproblematic and convenient with the computers or even mobile phone. Due to that a large number of transactions can be handled easily in banks. With this up-gradation, E-commerce is breaking down the barriers of time, distance and space associated with conventional banking. Energetic participation of E- commerce increases the experience of banking industry towards the technological problems; coping with such challenges will help the banks in determining the scale of influence in the electronic marketplace. Bank's entry into these electronic marketplaces brought an increased exposure to several technological failures. Continuous smooth functioning of the computer networks makes bank efforts to market products over the Internet a success. The impact of e-commerce on the banking sector potentially can be profound. Most of the assets and products of banks are primarily intangibles in nature which seem ideally suited to digitization and online distribution. Various other banking applications which are Internet based are ideal for different banking applications in banking sector (Wenninger.J .2000)

E-commerce Hurdles to customers

Information technology is emerged as the lifeblood of business in the current banking scenario. In the present competitive environment banks primarily focus on high level of customer satisfaction and fulfillment of their need and to maintain an efficient an effective banking system. With the introduction of new generation technology banking with e-commerce as a high –tech tool several problems are emerged such as-

- Security is one of the most significant barriers to e-commerce both within the organization and external. Identified as Security and Encryption; Trust and Risk; User Authentication and Lack of Public Key Infrastructure; Fraud and Risk of Loss.
- High service charges to customers on dealing electronically on products & services
- Currency handling charges
- Interoperability of systems is identified as one of the major barriers for large US-based B-to-B corporations. This refers specifically to implementation and compatibility problems of integrating new e-commerce applications with existing legacy systems and resources within organizations.
- Non-issuance of passbooks
- Currency handling charges
- Hacking and stealing of data

Suggestion for the study

In the contemporary scenario, E-commerce is a fledging, advantages and convenient hi-tech tool for customers. The future might be a more hi-tech revolution. So, e-commerce must take some suggestions for future enlistment

- E-commerce must provide meaningful objective information to enhance customer relationship management in banks
- E-commerce must used the term ‘innovative’ and ‘creative’ to make it effective in urban and rural areas among the customers
- Indian banks and foreign banks must provide effective means to handle customer complaints with improve quality of services to make customer satisfy

- Make sure with a protection program that gives power over cookies that forward information back to Web sites.
- Place firewall and develop your content off line
- Systematically confirm out the site to business regularly
- If Web site serves up active content from a database, consider putting that database behind a second interface on your firewall, with tighter access rules than the interface to your server.
- Bring into play latest anti-virus software, operating systems, Web browsers and email programs
- Make sure web servers in a row public site are physically separate and individually confined from in-house corporate network.
- Don not forgets to verify out the site you are doing business carefully, never transmit credit card information to unfamiliar sites and never reveal password with other people

Conclusion:

In this study the conceptual framework Ecommerce is a modern method of performing transactions in the business world. It is contributing to the economy at a very large scale in a significant manner but slow accessing to the information or slow downloading is an important matter of concern. E- Commerce has gained its popularity due to the fast development in the area of information technology. Customers are facing tremendous problems while dealing with their transactions in banks. They feel hesitant and also afraid to use online business because they often have limited guarantees about the privacy and security of their information. E-commerce has open up new routes for banking customers that will help in creating new forms of competition and compel banks to make choices about the services. Banks act as E-commerce facilitators and it plays a very precise role in E-commerce while managing their business in the electronic marketplace. This study has also specified some electronic crimes hurdles, identified in the specific areas of banking sector. To sum up, signifies that E-commerce in the banking sector is very progressive and continuously trying to build varying extent upon existing business, continuously. It is expected that E-commerce play a prominent role in the process with the help of some on-line and off-line banking interfaces support each other. Development of computer technology, the World Wide Web (www) has become the medium in the present globalize world. Several positive and negative issues are attached with the use of hi-tech tool. So, E-commerce creates new opportunities for customers and an appropriate system for customer relationship management.

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