



A STUDY ON THE CUSTOMER RELATIONSHIP MANAGEMENT AND CHALLENGING ASPECTS IN THE BANKING SECTOR

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Abstract: *The banking sector is one of the most dynamic and innovative sectors regarding the economic development in the banking region during recent years. The attention of international banking groups accompanied by significant influx is also evident. The banking sector is regarded as the main pillar of the economy, so all indicators of growth and strengthening of this sector are the basic elements of modeling the expected economic growth that the profit level of all banking system during the last year was about 5.2 billion lek (about 50 million dollars), this level being two times higher than in 2009, but lending policies do not reflect the same positive situation. On the other hand, banks in our country, as representatives of the banking service, operate in an increasingly competitive environment and therefore they seek to pursue new development strategies.*

Key words: *Customer Relationship Management, banking marketing, customer loyalty, management tools, IT database, customer relations.*

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INTRODUCTION

A lot of books, articles and papers are written about customer relationship management and customers as well as companies' employees are hearing this phrase more and more in today's business world. However, if different people are asked about what customer relationship management (CRM) represents, it is mostly possible that one could get different answers with different meanings depending on who is being asked. Some people might say that CRM is a way to computerize someone's business, others would think of a series of tools and techniques, a marketing program designed to attract customer loyalty etc. (Robert-Phelps 2001). Different authors and researchers have also given different definitions of CRM. Some of them are of the opinion that CRM is a process or methodology belonging to the information industry methodologies or integrated information systems that can help a company to manage its customer relationships in a managed way (Buttle 2009).

Other definitions relate the CRM process with the management of interaction aspects of a company with its customers, including prospecting, sales and service across multiple channels, departments, lines of business. In this context, CRM is seen as a business strategy that can maximize the profitability and revenues for a company as well as customer satisfaction by organizing around customer segments (Buttle 2009). As it can be noticed, it is important for companies to properly understand the CRM process in order to successfully implement and adopt it accordance with their specific needs.. That is why it is important to investigate on how the CRM strategy has developed during these years in the banking sector

OBJECTIVES OF THE STUDY:

- To present some considerations on banking marketing and the role of CRM. The issues from different scientific papers related to this topic are presented.
- To analyze how the Albanian banking system has implemented CRM programs. There are significant studies of CRM in the banking sector.
- To demonstrate positive and negative aspects of implementation of CRM in the banking system based on empiric analysis of results of our questionnaire. General considerations on customer relationship management

REVIEW OF LITERATURE

The expression of customer relationship management (CRM) has been in use since the 1990s. A lot of attempts have been made since then to define the domain to which CRM



belongs and no consensus exists yet among researchers regarding this issue. Even the acronym CRM itself is sometimes contested. If most of the people would understand customer relationship management by this acronym, other people use this acronym for customer relationship marketing (Gamble, Stone and Woodcock 1999; Jain 2005; Evans, O'Malley and Patterson 2004).

People operating in information technology (IT) industry tend to describe CRM as software applications that automate different functions of businesses such as selling, marketing and service. Other people emphasize the managerial rather than technological role of CRM in a company, having the consideration that it is an approach to developing and maintaining profitable customer relationships.

These differences in opinions can be explained by the fact that a Manol Simo, Magdalena Bregasi – Customer Relationship Management and Challenging Aspects in the Banking Sector of different CRM types like: strategic, operational, analytical and collaborative CRM are identified (Buttle 2009). However, different authors agree that customer relationship management is an important strategy in managing customers, as it focuses on understanding customers as individuals instead of as part of a group and each individual has a choice (Lambert 2010; Robert-Phelps 2001).

Because customers have a lot more choices and they may decide not to stay loyal to any company in particular, companies on the other hand are trying to find new ways to effectively manage customer relationships, consisting not only in acquiring new customers but also in retaining their existing customers (Jasola and Kapoor 2008). According to Robert-Phelps (2001) there are three main elements to take into consideration when aligning a business towards a customer relationship format: retention, developing customer potential and selection of customers. Number of new customers they acquire and a reduction in the number of customer defections, and thereby to achieve net growth in the total customer base (Ennew and Waite 2007). CRM identifies the present and future markets, selects the markets to serve and identifies the progress of existing and new services.

Thus, CRM is the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customers at a profit. It is grounded on high quality customer related data and enabled by information technology (Buttle 2009). Successful customer relationship management focuses on understanding the



needs and desires of the customers and is achieved by placing these needs at the heart of the business, by integrating them with the organization's strategy, people, technology and business processes (Kanti 2012).

CRM AS A PILLAR OF BANKING MARKETING

Different authors and researchers of marketing have argued that in the last two decades, businesses in different sectors will have had to change their approach regarding marketing. According to them, marketing should be carried out through Manol Simo, Magdalena Bregasi – Customer Relationship Management and Challenging Aspects in the Banking Sector Performance in the Context of Gender among relationships, networks, and interactions (Lind green and Antico 2005). This approach appears to be different from the traditional marketing based on transactions affecting the four P-s (Product, Price, Promotion and Place).

However, some businesses use both models in their marketing practices, carrying out transactions based on 4 Ps, combined with relationships, networks and interactions marketing (Lind green et al. 2000) The concept of CRM derived from different theories of the firm that have argued diverse approaches which can evaluate the evolution and performance of organizational structures of companies. As part of banking marketing, the policy of CRM integrates the marketing process with the dynamic of banking services and customer care service in order to create efficiency. On the other hand CRM is considered a pillar of banking marketing. There are now more evident facts about utilities of CRM in general. We outline some of them from BP online on its web site (<http://www.bpmonline>): - Most of the Fortune 500 companies lose 50% of their customers every 5 years. - Selling to a new customer is 5 times more expensive than selling to existing one. - Satisfied customers report their customer experience to 5 friends, unsatisfied – to 10. - 5% increase in customer retention rate produces a 50-100% increase in company profits.

From this perspective, the policy of CRM has revolutionized marketing in all kind of companies, but more particularly in the banking sector. If the CRM technique is valuable for every organization, the implementation of CRM in banking sector is more practicable conditioned by the huge number of customers. There are a lot of arguments developed by different authors why banking system uses CRM. The studies have demonstrated that long-



term customer relationship is necessary for many banks to update with continuous changes inside and outside their environment.

In the current competitive world the aim of banking marketing strategy is not only to find the best customers, but also to build the long-term collaboration with them and to optimize customer satisfaction. The use of CRM in banking marketing as a tool of coordination and development emphasizes the relationships with the customer. This tool can be compounded of many applications in order to achieve a double growth: the market share and financial profit. In fact, CRM is a complex process that depends on the characteristics of the form of the organization and its culture (Parvatiyar and Sheth 2001).

The models that banks have used to implement CRM are multiple and diversified by active interactions supported by networks. Furthermore, banking marketing has developed a Multi-Channel-Distribution strategy. Consequently, CRM is supported by new technology as well as internet and other communication instruments. In fact, the basis of CRM implementation on the banking sector is segmentation, information network, algorithm, IT system and sales and customer support. The use of CRM in the banking marketing is needed to orientate the bank on financial performance (the high profit and quality/price ratio) in a determinant environment. The cultural component of services is another component that orientates continuously the knowledge of customers' needs. All components can contribute on the opportunities and the filling of gaps for a durable and profitable life-long relationship. The opportunities and problems of CRM implementation are also related to the asymmetry information and the level of technology used.

EVOLUTION OF BANKING SYSTEM

The banking sector is one of the most important sectors of the economy and its role is steadily increasing. During the last 20 years a huge structural reform has been based on restructuration process and privatization of ex state-owned banks. Consequently, currently, the banking sector is characterized by an enlarged number of banks with consolidated assets and profit. The banking sector is a dynamic sector and this is demonstrated by the efforts to be better positioned in the market. By the end of 2011, about 85% of country's GDP assets belong to the banking sector .At the end of 2011, the banking sector continued to be composed by 16 commercial banks, totally privately owned, with around 92 percent of the total assets invested by foreign capital. In 2011, the total assets in the banking system



increased by higher rates than in the previous year. The structure of the banks' assets is mostly founded by households' deposits and is mainly focused on lending to the private sector. Although there is an increasing trend in according loans, the risk of bad credits is also imminent.

According to the latest Annual Report of the Association of Banks (2011), the banking activity expanded and was reorganized during 2011 in terms of opening new branches and agencies and closing some of the existing ones. The total number of outlets and agencies reached 552 (compared to 548 in December 2010). In addition, banks have reached closer to their customers by enhancing the financial infrastructure through the deployment in the country of 34 new ATMs and 223 new POS-s throughout the year. Usage of credit and debit cards has increased over the year, in response not only to the better acquaintance of the public in this regard, but also as a result of the policies of banks to reduce maintenance and usage costs of these cards.

SURVEY RESULTS AND DISCUSSIONS

Methodology of study and objectives Motivated by the substantial changes in the banking system, a questionnaire was designed to evaluate CRM components and its effectiveness as seen from the bank employees' (junior managers in different departments) perspective in a survey. For the survey, we used a questionnaire composed of 42 questions to be rated in a Likert scale from 1 to 5 where: 1=strongly disagree; 2=agree; 3=neither agree nor disagree; 4=agree; 5=strongly agree. The questionnaire was divided in three categories: in the first Indicator 2010 2011. of Outlets 548 552 No. of ATM 771 805 No. of POS 4,903 5,126 No. of Cards 694,848 731,851 - debit 667,548 693,958 - credit 27,300 37,893.

The employees were presented to 23 statements on different CRM issues and they were asked to give their opinion from 1 to 5 as mentioned above. The other two remaining categories were questions evaluating CRM models and processes in the banks surveyed, as well as CRM implementation issues. Data was gathered from 72 questionnaires distributed in 7 banks. Data collected were processed in SPSS using factor analyses as a statistical method. This method could give us an idea of how different elements of CRM within banks are related and combined to each other for a successful implementation. Overall results from the study show encouraging levels of the use of CRM, but empirical resultants are discussed taking in consideration some limits. In conclusion, we give some



recommendations for a better understanding and implementation of CRM in the banking system.

FINDINGS FROM THE SURVEY

The first part of the questionnaire is composed of 23 statements and banks' employees holding positions of junior managers at branches and branches managers were asked to give their opinion from 1 to 5. These statements are related to different aspects of a successful CRM process and they could identify the perceptions of the employees on how CRM is performed at their bank, and what is their knowledge of CRM and its elements. Statements of this part of the questionnaire were related to CRM processes like: banking services and products customization, understanding of customers' needs, standards of performance regarding customer care, expertise on sales and marketing related to CRM, employees training on customer relations, existence of business goals related to costumer acquisition, development, retention and reactivation, competencies and use of IT department and design of software and hardware to properly serve customers, etc.

According the statistical indicators as, it is confirmed that a great part of banks' employees have general knowledge about CRM tools and they successfully use software and other instruments in enforcing CRM strategy at their work. In the second part of the questionnaire our focus was on some questions regarding customer retention, customer satisfaction, referrals etc. Data results show that managers pay attention and agree with the aforementioned checklist as they tend to use these tools in customer retention, customer satisfaction and customer management portfolio. However it is shown that most of these managers do not have the required information on referrals and daily visits of their customers.

CRM in the contacted banks can be identified as follows:

1. Customer satisfaction
2. Customer retention
3. Hardware and software implementation
4. Transparency regarding procedures

CONCLUSION

The CRM study is a lack of related academic studies regarding this issue. On the other hand, the reality presented in the banking system, presents positive efforts and contribution from



different banks in CRM implementation. Our scope of the empirical work was mainly focused on the perception and knowledge of managerial staff in the banking sector. From the empirical study, we can conclude that CRM has caught the attention of managers in the improvement of their tools and strategies development as part of their marketing.

The main factors to be taken into consideration according to the managers exposed to the empirical research are, among others: customer satisfaction, customer retention, implementation of hardware and software and the regarding procedures. Banks in Albania are investing on CRM models and techniques and they emphasize the role of specialized employees which can be observed in CRM training programs IT use on customer database. However, in most of the cases, database elaboration and customer portfolio management is still a new process which must increase the performance and transparency regarding the bank customers. This is reflected in the neutral responses of the questioned managers. The use of CRM in Albanian banking marketing is needed to better orientate the banks on financial performance increasing their assets.

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