

INTRODUCING THE CONCEPT OF CRM IN BANKING SECTOR

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Abstract: Banks are primarily focused on satisfying needs of clients. Nowadays the banks are faced with the unfair competition more than ever before. CRM (Customer Relationship Management) is a recent concept, which completely replaces the traditional approach to satisfying needs of bank clients, which have been individualized. The competitiveness in the banking market has created such a business environment banks, where there is a need of rapid tempo of creating loyal customers of the bank. The use of this concept will be provide improvement of customer loyalty, minimize operating costs and increase their profitability in the long term. CRM concept is a complex business strategy of the bank, which in his development was conceived as a software, and eventually developed into a comprehensive philosophy, which is focused on the client. Due to the variable and unpredictable conditions that exist in a globalized financial market, banks are increasingly attach importance of developing and improvement of the CRM concept. Three key factors for successful CRM are: people, processes and technology. This paper will attempt to explain the importance of managing relationships with customers, improve the CRM concept and its application in banks.

Keywords: the CRM concept 1; banks 2; Bank's clients 3;

INTRODUCTION

The development of information technology has led to the establishment of a new strategy for managing relationships with clients which has long-term character. To a greater extent, this CRM concept relies on relationship marketing, but there are also essential differences. The aim of this paper is to discuss the purpose of the application of the concept CRM in the banking sector. Then, in order to point out the advantages and disadvantages of its implementation. Other objectives of the study suggest that the process of managing of relations with clients was developed as a response to the requirements of bank. These requirements and needs are constantly increasing. The business strategy in the bank integrates processes and technologies, in order to create a database, to secure the mutual benefit and good relations between clients and the bank in the long term. If we perceive at CRM as a concept, then it represents the alignment of business strategy and objectives through consideration of the needs and demands of clients. Therefore, in the focus are clients, they represent the center of all business

events and activities. Without using of appropriate information and communication technologies it is not possible to conduct a quality analysis of the market and clients. This means that there have been significant changes in the approach of marketing, strategy development and the development of institutions. So, through the developed information and communications networks institutions have at their disposal information about each client, and the database is constantly updated. The emergence of the CRM concept has resulted in the emergence of various software packages that support the implementation of the CRM strategy, and this process is automated.

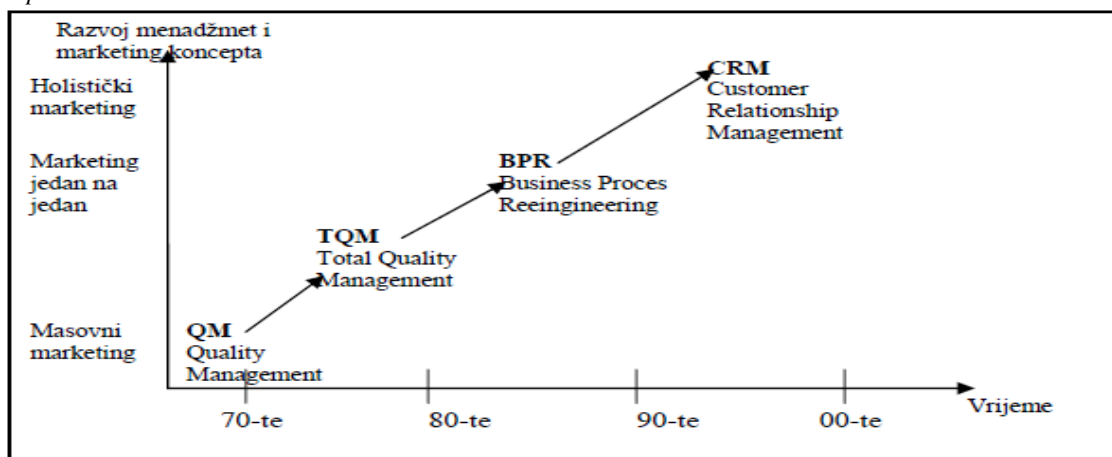
In this paper were applied the following methods: historical, descriptive, comparative, analytical, synthetic and inductive.

1. DEFINITION OF CRM CONCEPT AND ITS DEVELOPMENT IN BANKING

The CRM (Consumer Relationship Management) concept is differently defined in the literature which is dealing with this issue. In recent years, the importance of this method of managing customer relations in all organizations, as well as in banks, is increasingly being emphasized. Kotler and Keller (Kotler and Keller, 2006) define customer relationship management as a process of managing detailed information with clients and carefully managing in all "touch points" with clients in order to maximize their loyalty. The German Direct Marketing Association (DDV) (Reichardt, 2002) points out that the continued application of the CRM concept would bring the company to the position of a leader. According to Adrian Payne (Payne, 2002, p.4), CRM's approach to the business of modern companies is aimed at

creating, developing and strengthening the company's business relations with carefully selected segments of consumers, all that for achieving customer value and profitability for the company, but also maximizing value for all stakeholders in the company. In a different way, this phenomenon is explained by Parvatiyar and Sheth (Parvatiyar and Sheth, 2001), who define CRM as a comprehensive strategy. CRM is a process that is aimed at attracting, retaining and building partnerships with selected segments of consumers in order to create superior value for them and the company itself. Based on a specific database and appropriate CRM software, it integrates and optimizes processes related to client relationships in various areas: marketing, distribution, customer service, and research and development. In the banks application of this concept and its development is more recent date. One of the first solutions related to improve the competitiveness in the market in the management area there are in the 70s, as reflected in the application of the Quality Management times (QM), and still in the 80's it was developed across the Total Quality Management (TQM). Then, in the 1990s, the Business Process Reengineering (BPR) developed. Highlighting the forefront orientation to customers, to improve business processes within the company management and to build and maintain customer loyalty, leads to the development of Customer Relationship Management's (CRM) at the end of the 90s of the last century. Along with this concept, the concept of marketing has evolved, starting with mass marketing, one-to-one marketing, to holistic marketing. The development of the concept of marketing management and the concept of quality improvement is presented in Figure 1.

Figure 1 - Comparative development of the concept of marketing management and the concept of quality improvement



Source: Ermina Smajlović; Bahrija Umihanić: "Application of CRM in the Function of Improving the Quality of Banking Services"; Scientific conference with international participation "QUALITY 2007", Neum, BiH, p. 45

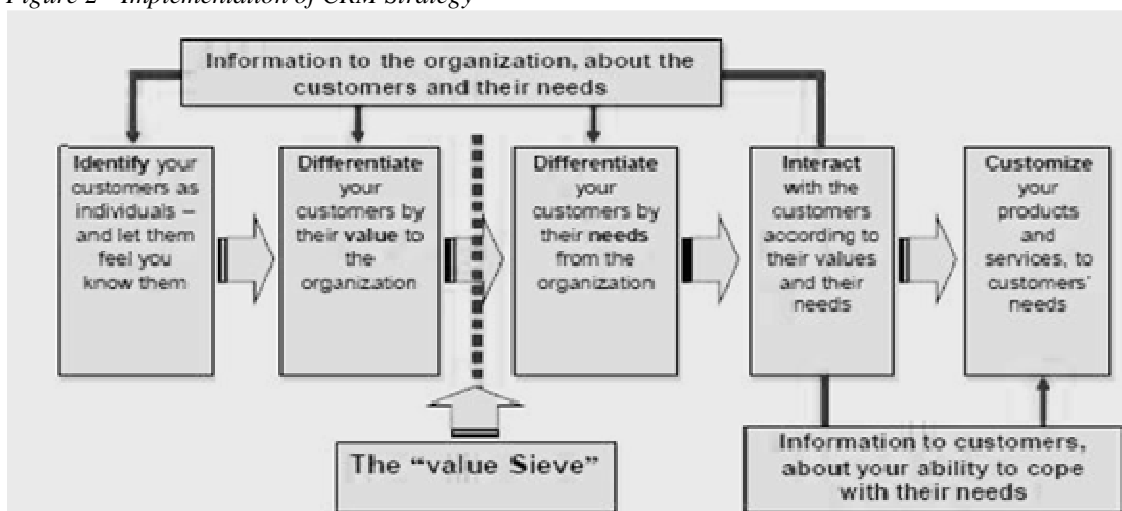
Essentially, CRM is a business strategy of the bank, which requires a complete reorganization of business processes in the bank. In order to implement successful implementation of this strategy, it is necessary to implement appropriate software solutions and information technologies tailored to specific business operations of individual banks. As the main motivation of each company is the profit, which can be present in their business in the long run if models are found for the long-term successful satisfaction of the needs of the clients of the bank. The realization of long-term relationships with clients is possible with good practice and experience with the appropriate CRM software, which can lead to realization of the vision of the bank. The basis and support in the conception and implementation of the CRM strategy of the bank is provided by the so- IDIC model, which includes four elements or steps (Peppers and Rogers, 2004, p.68):

1. (Identify customers) - Identifying clients;
2. (Differentiate customers) - Differentiation of clients and their needs;
3. (Interact with customers) - Interaction between employee and client;
4. (Customize treatment) - Customizing service to the specific needs of the client.

These phases in the process of implementing the CRM strategy is based on the details of the marketing strategy and the establishment of appropriate relationships with clients, which imply the specificity, diversity, individual needs and requirements of clients.

Within the IDIC model, the first two phases relate to business analysis, while the other two phases reflect the concretization of the activities of both the employees and the bank as a whole. Figure 2 shows the implementation of the CRM strategy in the bank.

Figure 2 - Implementation of CRM Strategy



Source: "Application of CRM and improvement of electronic banking in order to increase the satisfaction of Banca Intesa clients", Ana Jerotijević, Belgrade, 2003 p. 60

Implementation of CRM in the business system of the bank's is in long-term, which was never fully completed. The fact is that customer demands increase in parallel with the growth of innovative technologies, and consumer awareness should be seen as the most important link in the production chain and maintained at a high level.

2. STRUCTURE OF THE CRM CONCEPT

The structure of the CRM is composed of three components, so that we can speak of: 1) operating, 2) assay and 3) a collaborative CRM. By any of these three elements represents a strategy for the CRM, i.e.. Customer Relationship Management.

1) Knowledge-driven marketing or operational CRM involves the processes of collecting, storing

and sorting data and information that are performed using appropriate client tracking programs. For example. When a client of a bank requests information through the call center of a bank to inspect the balance in its current account, in front of the bank's operator on the computer screen, in addition to all customer data, about its previous queries, objections, suggestions, etc., add new client characteristics that complement his profile (user profile). The newly created data, as well as those of the previous ones, are stored in a database without certain analysis, for which the analytical part of the CRM is in charge.

2) The customer support service or collaborative CRM is based on establishing interactions with the bank's clients, through all available media networks, where clients are introduced through a

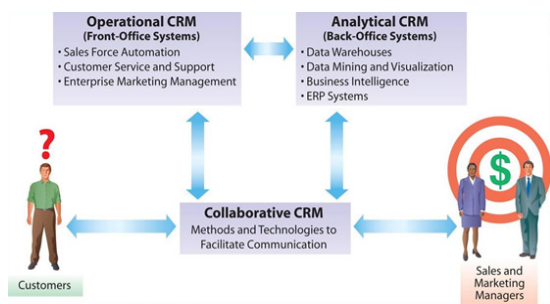
marching approach with all the features of a bank or a financial institution. In this process, clients' personal contacts, e-mail addresses, phone numbers, and all over the Internet, mail and specialized propaganda institutions (SMS, WAP, GPRS) are used. All communication to clients is done through a collaborative CRM, while their responses, responses, and attitudes to IS arrive via an operational CRM.

3) Automating Sales Force, Sales Effectiveness, or Analytical CRM - represents the most complex component of the CRM process. This segment is also the most complex and costly part of the entire CRM system. Analytical CRM is a database, in which all data is collected from internal and external sources. Based on expert evaluation and analysis of data from the created database, opinions are made about each individual client, about his needs, requirements, all in order to achieve better quality interaction with them.

The performance of the CRM concept imposes the requirement that all of its elements be harmonized into one whole.

The following illustration shows a classification of the field of action of CRM.

Figure 3 - Classification of CRM (https://www.google.ba/search?q=clasificacion+of+CRM+colaborativ+operational+crm&safe=off&source=lnms&tbm=isch&sa=X&ved=0ahUKEwikipbTV2Y3WAhUISRoKHd09DqYQ_AUICigB&biw=1366&bih=638#imgrc=ubsoY_Slx6-j0M)



The CRM structure is very complex, and its basic components and processes are (Zelenovic, 2012, p.126):

1. Transaction base - CRM architecture is always compiled with a top-up transaction database, which collects and stores information and data from different touchpoints.
2. Data warehouse - is the analytical basis of CRM architecture. Through the transaction database, data transformation and storage are carried out,

where they integrate with existing data and the process of analysis begins.

3. The analysis process - done with stored data, this will all contribute to discovering the client's profile.
4. User profile database - this database contains already processed client data, which is the basis for creating client profiles.

3. Previous experience of banks in the implementation of CRM strategy

In order to successfully implement the CRM strategy in banks, of crucial importance is the trust factor. In this sense, this represents the ability to create long-term loyal clients, where the sense of closeness and affiliation will develop. The most common "reason underlying dissatisfaction and leaving customers is that customers were not satisfied with the value they received" (Arsovski, 2002, p.98) This confidence stems from the common goals, respect of the same value system as well as the ability to predict the reaction of the other side.

The introduction of CRM concept and philosophy in a banking processes is of great importance, because studies have shown that in today's time bank clients less loyal and more dynamic. Due to the galloping development of information and communication channels of distribution, promotion and in general technology, the clients of banks easily switch from one bank to another (Gupta and Shukla, 2002, p.99).

Due to this expansive growth and development, there is an accelerated development of electronic banking. According to data presenting growth in the use of e-banking services, it was estimated that in the year 2000, around 34.4 million people used electronic banking services, and by 2004 this number was increased by 122300000.

To implement the concept of CRM in banks, required high financial investment in information technology, a software and staff training. Banks are using CRM to achieve some of the following goals (Sexauer and Reimann, 2006):

- Retaining customer loyalty;
- Personal customer service;
- Better customer knowledge;
- Increase the profitability of an individual client;
- Differentiation from competition;
- Identification of profitable clients;

- Attracting new clients;
- Lowering costs by improving customer service;
- Lowering the costs of attracting new clients.

The realization of these objectives allows the networking components of CRM.

However, as the implementation of CRM strategy requires banks to introduce new hardware and software systems, there is a neglect of other important components that are important for this project. The most common elements are omitted in this implementation are reflected in the lack of motivation and training of staff or reorganize business processes.

Reichardt (Reichardt, 2002) believes that the successful implementation of CRM depends on the following elements:

- ✓ Development of strategy directed at clients;
- ✓ Comprehensive analysis of customer satisfaction and loyalty;
- ✓ Building and managing the client loyalty program;
- ✓ Initiating one-to-one marketing dialogue and
- ✓ Continuous learning from customer relationships.
- ✓

Today, various software is available on the market that implement the CRM concept in the processes and activities of banks and other institutions. For example, the market CRM.COM (<http://www.crm.com>), whose CRM software was successfully implemented by the Greek bank Eurobank EFG. The CRM application presented by this company provides complete functionality, which is very easy to use and which is firmly integrated in all processes of the bank, payments, successful sale and marketing, and on the other hand, there are rewards for loyal users of the bank for mutual satisfaction.

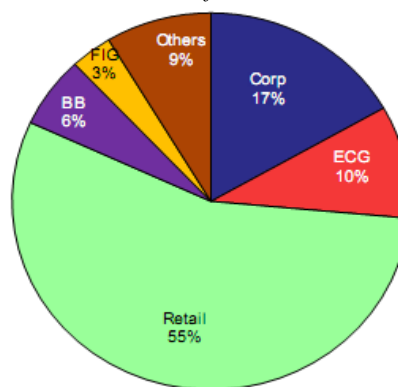
Eurobank EFG Bank represents the second largest bank, which has branches in Bulgaria, Serbia, Romania, Turkey, Poland, Ukraine, Great Britain, Luxembourg and Cyprus. One of the successful implementation of CRM software was implemented by the Indian bank HCDF Bank.

This bank decided with CRM.NEXT (http://www.crmnext.com/customers/hdfc_bank), with a focus on implementation in 11 different spheres of operations. With the application of this software, the Bank achieved improved

performance in the following segments: management - sales management, management - customer service management, and management - management of marketing activities.

In order to achieve the vision of the "Unified Bank", HDFC Bank directs its activities towards increasing profits and customer satisfaction.

Figure 4 - Distribution of HDFC Bank in 2012



Source:

<http://www.hdfcбанк.com/aboutus/awards/default.htm>

The successful implementation of CRM software to all users provides secure access to create, access and modification of all relevant data, non-stop from any location via a web-enabled devices.

Seven steps for the successful implementation of HDFC Bank

(<http://www.hdfcбанк.com/htdocs/common/pdf/corporate/HDFC-Bank-AnnualReport-2012-13.pdf>):

1. CRM vision dictates what should be done, in order to create a unique experience and CRM to be inculcated in culture consistently.
2. Creating a "core team". This refers to the entire members of the organization share the inputs, which apply to all relevant customer information.
3. Properly configure the system. All stakeholders must be involved in the study and communicate with them in order to receive feedback, and thus form a "captain" of the CRM department, who will manage all advice and suggestions to improve the implementation of CRM.
4. Understanding all stakeholders. HDFC Bank has clearly specified and explained the benefits of CRM implementation in relation to each role and function of the banking business, because customers better cooperate if they are motivated but not forced.
5. Identify "Smart Automation" shortcuts. CRM enables the integration of multiple systems to serve as a regular record and update customer information.
6. Maturity of the CRM plan. It is necessary that the bank understands which is its key role in the

CRM process and what its benefits are from applying it, and then progress step by step.

7. Continuous maintenance of excitement and desire for development. One of the tips is to set a two-week focus on the results achieved with a regular update of the data.

CONCLUSION

Business Strategy in banks today is created by emerging changes, trends and developments in the globalized, visokokurentnom market. The focus of all processes is placed on the client, his needs and wishes. The aim is to keep loyal customers long-term and that this interactive relationship is developing in the future. All this is linked to the success, growth and rising income of the bank. CRM concept or concept of customer relationship management, primarily started as a philosophy, and today it is presented in the form of various software and hardware solutions for implementation in the process activities of the bank and other institutions. Nowadays, CRM can bring many benefits to the organization. Model is not entirely without risk, but each bank may implement a successful CRM, but must have a good basic strategy and plans. Question: "Will CRM implementation succeed?" Is a question of a million dollars. Today there are many companies that offer various software solutions, such as CRM.COM, CRM.NEXT and others. There are many institutions that have successfully innovated their business using the CRM concept. Some of the most successful examples of good CRM strategy implementation in banks are its application to the HCDF Indian bank, then to the second leading Greek bank, Eurobank EFG. In Bosnia and Herzegovina is rather complex situation in the banking sector, which according to many studies characterized as unfair and under-developed. The beginning of the CRM application is linked to the Western European market, which in time has expanded into other markets. In order to successfully realize the implementation of CRM in the bank, it requires not only the separation of the high financial investment, but also the willingness and motivation of employees in the bank. The point is that the CRM strategy as integrated set of activities leading to the improvement of all business functions through the identification of its customers, targeted sales, keeping a current and attract new customers, conducting marketing activities to gather information relevant to the creation of the database. The CRM concept today is presented as a series of software, through which banks are able to dispose of a large amount of data related to their clients. In this way, the bank builds trust and loyalty of its customers, and all this leads to deepening relationships with customers with the intention of duration.

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