

The Benefits of the Electronic Customer Relationship Management to the Banks and their Customers

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Abstract

The current competitive market in banking sector emphasizes on the interaction, relationship management and networks to identify and satisfy the customer's needs in order to achieve higher revenue and profits. The electronic customer relationship management (E-CRM) in the banking sector is implemented to serve customers and to achieve these objectives. Since the E-CRM is relatively new technology and evolves rapidly there is scarce evidence of the benefits of its implementation. The goal of this paper is to identify and describe the benefits of using these advance technologies in the banking sector and help the banks make informed decisions regarding the implementation and/or further improvement of an existing E-CRM. The research found that E-CRM have decreased the work load on the branches, decrease administrative cost, increase cross selling, bank revenues and enable the bankers to analyze the customers' needs by having access to all past transactions. The e-channels have improved the dissemination of information and enabled the management to introduce new products and schemes at faster rate. The benefits experienced by customers with these advanced technologies in the banks are convenience, time and cost savings, security, and growth of trust and hence maintaining stronger attachment to the bank. The customers experienced early response to their queries and enjoyed a faster processing speed. They were found to be more secure and have greater trust in the bank than previous as a result of more interaction points, increasing communication and closer relationship with the banking staff.

Keywords: Banking, Bank Management, Electronic Business, E-CRM,

1. Introduction

Marketing nowadays is more than the traditional 4 P's concept. It is carried out through relationship, interaction and networks (Gumesson, 2012). The concept of interaction, relationship and networking aims to increase the retention rate of valued customers (Virvilaitė & Belousova, 2005). The statistics shows that most of the fortune 500 companies lose 50 % of their customers every five years, also, selling to new customer is five times more expensive than selling to an existing customer (Thomas, 2007). The importance of retention of customers is also evident from the fact that 5% increase in retention rate increases profits by 50 to 100 % (Narayandas, 1998). This will also increase customer satisfaction. Satisfied customers would suggest the product or service to five of their friends while dissatisfied customers will forward the message to ten of their friends. Hence, creating a long-term relationship with valued customers is the key for the profitability and growth of an organization (Sewell & Brown, 2009).

Organization in the 21th century moved from human intensive to multiple electronic contact points like fax, email, phone and web, so the ability to measure, manage and develop relationship increases dramatically (Florkowski, Olivás-Lujan, & Miguel, 2006). So, the businesses move from offline customer relationship management (CRM) to electronic channels commonly called as E-CRM. The objective of CRM is to return to the world of personal marketing rather than mass marketing where person feels good to be known with his or her needs and priorities (Bhattacharjee, 2006). The E-CRM is an Information Technology (IT) system; a combination of software, hardware, applications and management commitment. Aim of the E-CRM is to improve customer service, develop a relationship and retain valuable customer to ultimately maintain and increase the organization profitability (Kennedy, 2006).

Banking is the backbone of any economy, in the competitive market the banking success lies in people, technology and its loyal customers. Relationship management, interaction and networks are the core for the success of any bank. The objective of banking marketing strategy is not only to find out the potential customer, but also to establish long-term relationship and optimize customer satisfaction. E-CRM which is one of the latest buzz in the market is perceived as one of the most effective tools to manage long-term and profitable relationship with its customers (Bata, Tahat, & Al-Refaie, 2014).

The use of E-CRM and advance e-tools has facilitated the bankers and the customers. The research objective is to identify and describe the key benefits of these advance technologies in banking sector to both of the parties.

2. Research Methodology

This paper is mainly based on a qualitative type of research where the data is collected through structured interviews. We have also consulted secondary sources from the available past researches, journal articles and other

literature concerning this topic in order to outline the research and also to draw relevant conclusions. Regarding the structured interviews we have selected five banks for conducting the interviews for this research. The sample of 15 bank officers and 50 customers were selected to be interviewed. We interviewed three bank staff members and ten customers from each bank. The bankers were chosen in a way to include both sales and operation staff in order to understand both departments' views and the customers' interviews were done on random sampling basis to include both sexes and customers in different age categories. These interviews contain open ended questions. After data gathering process, the data was analyzed and the results and conclusions are derived at the end.

3. Literature Review

The customer relationship management (CRM) is defined as business strategy that integrates internal and external networks to create and deliver value to the targeted customers at profit. The CRM is enabled by information technology and grounded on high quality customer related technology (Das, 2012). The IT enabled CRM is also known as E-CRM (or eCRM) meaning electronic customer relationship management. The successful customer relationship management (CRM) focuses on understanding the needs and desires of the customers and then placing the needs at the heart of business by integrating it with organization people, technology, strategy and processes (Lambert, 2009).

CRM is complex process depending on the requirement of the organization. Banks usually use diversified and multiple CRM by active interaction supported by networks to fulfill the needs of valued customers. The basis for implementing CRM in banking sector is information network, segmentation, algorithm, sales and customer support and IT system (Merkel, 2005). CRM is basically to do the extra mile for the customer so that they remain loyal to the organization and its products, but in real world it is about identifying those customers who are more profitable to the organization. The fundamental principle of CRM is to interact with customers, to identify and satisfy the needs of customers and retain them as the loyal customer of the organization (Zopounidis, 2002). The stored electronic data of the customers is required to analyze effectively using statistical and data mining techniques that will provide sufficient information to devise the strategies for allocation of funds to satisfy customers' needs and requirements. CRM efforts improve volume of business between bank and its clients and do influence the loyalty of customer. It is possible to consider CRM as glue that hold the relationship together (Mithas, Krishnan, & Fornell, 2005). Service quality leads to customer satisfaction that leads to their commitment with the organization. The CRM aims to offer auspicious services to the customers to add more value to the customers to enhance their commitment and loyalty (Venkatesan & Kumar, 2004).

A study of selective banks in USA reveals that a 5.4 % decline in the cost has increased in the profitability by 27.5 % due the implementation of CRM programs (Krasnikov, Jayachandran, & Kum, 2009). Advances in technology has now enabled the banks to use online monitoring, data mining technology and personalization to identify the customer's need and the use of E-CRM helps to maintain the customer relation throughout the customer lifecycle. Online banking enables customers to change their particulars, carry out online transaction, interact with the bank and be a part of virtual community that provide an attraction to stay with the bank. Web strategies appeal to the younger, highly paid, highly educated and wealthy customers (Jahanbakhshian, 2012).

Researcher suggests that technology assists CRM efforts in banks by integrating computer and telephony to support call center operation, improve business intelligence, assists in mass communication, transaction through web and customer self-service. This new approach of system and software deployed for CRM assists sales force automation, customer service and marketing automation together with channel partner management (Akhlagh, Daghandan, & Yousefnejad, 2014). A study of Bank of America about E-CRM concluded in the form of easy access to customer information, increase in quality and efficiency of communication with customer, increase service consistency, effective and measureable campaign, increased service consistency and high retention rate of customers (Jahanbakhshian, 2012). Marketing was the most often function associated with the E-CRM. Ling and Yen (2001) have described the evolution of CRM from direct selling to mass marketing, target marketing and then customer relationship (Ling & Yen, 2001). The E-CRM assists the sales force team to strategize, to make the sale process more efficient and automated and to achieve increasing sales targets (Pan & Lee J. N., 2003). In the present complete banking market, customers are more concerned with the quality of support and services that are possible with the operational integration of field services officer and the sale force. E-CRM make it practicable by integrating these groups with whole operational organization and the sales force. The research found the benefits of E-CRM to bankers as increase sales revenue, improved customer services, increase customer retention rate, increase convenience, decrease administrative cost and reduce subjectivity in operations (Grover, 2008).

Rootman (2008) suggests that knowledgeable, trained and empowered employees are the one who can deliver successful CRM. For a bank employee courtesy and justice is very important because the perception of unfair treatment in the mind of customer would destroy the relationship more quickly than anything else.

4. Result and Analysis

After analyzing the conducted interviews of bankers and customers it is found that by using E-CRM everyone in

the bank has the same information and transaction history of the customers that helps to determine the needs, identify the actual cost of the customer and profitability to the bank. The availability of same information to the bankers allow them to predict the kind of product the customer may purchase and also the timing of the purchasing the product. The analysis also revealed that the introduction of E-CRM has decreased the work load on branch level. The banks are trying to motivate customers for using alternate delivery channels (ADC) like ATM, SMS banking, Internet Banking, SMS alerts etc. that is not only a source of income for the banks, but also provides convenience by giving service at their door step 24/7. This is also a source of marketing as customer feel proud to use advance banking tools and share it with their friends and family which become a word of mouth for the bank. The use of E-CRM, E-Channels and ADC has enabled the bankers to win the customer's loyalty with little efforts at their end. The banks like Meezan Bank in Pakistan is also providing online account opening facility to its customers that is a milestone in the banking sector to give convenience and save customer time. The decrease of work load on branches enables the bankers to focus more on providing quality of services to their valued customers and market their products and services in more efficient way. There is a new concept of social CRM that has boosts the efficiency, creativity, information sharing and collaboration of banks. The bankers are now able to get the customer feedback, listen and solve their problems at earliest, convey their information and market products in the social platform to give them feel of care and maintain long-term and profitable relationship with their customers. E-mail is another E-CRM tool through which banks not only update the customer with their accounts and financial information, but also become the channel of communication and sharing of information. This channel is the most effective way that provides valued information timely, safely and cost effectively to its customers. The customers are also given the facility to interact with the banks through web channel like bank official website where they are given all the products and relevant information and even they can communicate with the relevant staff for answering queries or give their precious feedback. The bankers admit that the introduction of advance technologies in the banking sector has added value to their ability to fulfill and satisfy customer needs and maintain long-term profitable relationship. The bankers have managed to improve the cross selling and sales revenues with the help of using these advance technologies for conducting and assisting sales. The use of websites, email, social networks, SMS and internet banking has improved the dissemination of information and enabled the management to introduce the new products and schemes at faster rate. The banks has now shown more presence in the lives of their valued customers and trying to know their individual preferences and needs and hence achieved the E-CRM core objective to target the personal need of individuals in the present mass markets processes. The improvement in the customer service rating in the banks shows that the banks are managing to achieve the customer satisfaction and confidence.

On the other side, the customers are very confident and satisfied with the use of advanced channels in the banking sector as well. These facilities have saved their time, money and increase the trust on the banking transactions because of the updation of each and every information and building of closer relationship with the banking staff and management. They said that the introduction of advanced technologies in their banks have increased the convenience and also trust on the banking transactions, hence increasing their number of transactions with the bank. They have now increased the communication and interaction with the banks so this has improved the confidence in the bank and build a stronger relationship. They now feel more secure about the bank as they are well informed about the transaction history and also the presence of the banking officers is constant (as needed) when using different banking channels. The speed of transaction processes has also increased with the e-responses. ATM, e-banking, Internet banking and mobile banking has enabled them to approach the account 24/7 and make the financial transaction even from sitting at their home. Now they have no longer to stand in the rows to deposit their utility bills. The customers are also satisfied with the quality of services provided by the banks as bankers are well informed about the products and they are also given fully time and focus to solve their queries. The customers were found to be more secure and have greater trust in the bank than previous as a result of more interaction points, increasing communication and closer relationship with the banking staff.

The research showed that benefits of the introduction of the E-CRM in the banks are evident for both parties, the banks form the one side and the customers on the other side. In order to present the findings of this research in more transparent and systematized manner we summarized the benefits of E-CRM in the banking sector separately for banks and for the customers as follows below.

The benefits that banks and bankers are getting from the introduction of E-CRM in their banks include:

1. The transaction history and availability of same information to everyone enables them to identify the actual cost of the customer and profitability to the bank.
2. The bankers are now better able to predict the kind of product the customer may purchase and also the timing of the purchasing the product.
3. E-CRM in banking has decreased the work load on branches.
4. There is the increasing coordination between sales and operation staff.
5. This helps the bankers to target customer needs and get their satisfaction with the banking services.
6. The satisfied customer would market the banking products through words of mouth.

7. The bankers have improved their services and gave more focus to fulfill customer needs.
8. This new concept has increased the efficiency, creativity, information sharing and collaboration with the bank.
9. The bankers are now able to get the customer feedback, listen and solve their problems at earliest.
10. They are able to share information, products, feedback and other particulars through websites or email.
11. The bankers are able to communicate more conveniently and effectively.
12. The cross selling and revenues of banks have improved with the E-CRM technology.
13. The high quality services and secure banking increase the customer's trust on the bankers.

The customers of the banks, after introduction of E-CRM, are availing at least the following benefits:

1. Customers are well informed with the up to date financial information.
2. They have better and stronger relationship with the banking staff and management.
3. They get early and quick response for their queries and feedback.
4. They are getting more convenience and save time and money.
5. They enjoy quality of services and get more focus and attention from the banking staff.
6. Customers feel more secure in the technology oriented banking processes.
7. Customer can make their financial transaction and have the access to their accounts 24/7.
8. The speed of transaction has also increased with the e-processes.
9. They have no longer to stand in rows to pay utility bills and make any financial transaction.
10. The use of advance technologies in banking sector gives customers confidence and satisfaction.

Since the benefits of implementation of E-CRM in banks are evident, the banks should focus their efforts to maximize the positive aspects of its usage and eliminate the negative aspects if any. Anyway, this research did not investigate the possible negative aspect of introduction of E-CRM in the banking sector regarding the banks or the customers. Having that in mind future researches should focus on different functions of the E-CRM, investigate their benefits and negative aspects, and provide specific recommendations how to further improve the relations with the customers.

5. Conclusion

The introduction of E-CRM and advanced technologies in the banking sector has improved the quality of services in the banks that ultimately improved the bankers to customer relationship and satisfied the customer's needs in a better way. The E-CRM brings benefits for both parties, the banks from one side and the customers from the other.

The bankers have the ability to access the customer's historical data what enables them anticipate the customer's timing of purchase and to make better decisions about the services and products they offer. The e-channels have improved the dissemination of information and enabled the management to introduce the new products and schemes at faster rate. Bankers enjoy healthy customer relationship, reduced administrative cost, increasing revenues and cross selling and better marketing strategies.

The benefits experienced by customers with these advanced technologies in the banks are: convenience, time and cost saving, safety, growth of trust and hence maintaining stronger attachment to the bank. The customers were found to be more secure and have greater trust in the bank than previous as a result of more interaction points, increasing communication and closer relationship with the banking staff.

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