

Aliyev A.G.¹, Soltanmoradi A.T.²

Institute of Information Technology ANAS, Baku, Azerbaijan

[1toosae@yahoo.com](mailto:toosae@yahoo.com), [2depart8@iit.ab.az](mailto:depart8@iit.ab.az)

SOME FEATURES OF CUSTOMER RELATIONSHIP MANAGEMENT IN FINANCIAL INSTITUTIONS

This article is devoted to customer relationship management systems (CRM-system). The importance of the research is substantiated and the purpose of the study is explained. The article reveals the essence of CRM-system and investigates the motivating factors for the use of these technologies. It describes the CeRM-solution features and benefits of the CRM-system in the process of application for financial institutions e.g. banking sector. The recommendations on the effectiveness of decision-CRM-systems are presented.

Keywords: Customer Relationship Management, e-commerce, e-banking, e-marketing, banking, financial system, business information, CRM-strategy, CRM-solutions.

Introduction

Many companies today are racing to re-establish their connections to new as well as existing customers to boost long-term customer loyalty. Some companies are competing effectively and winning this race through the implementation of relationship marketing principles using strategic and technology-based customer relationship management (CRM) applications.

Relationship marketing is becoming important in financial service. If a bank develops and sustains a solid relationship with its customers, its competitors can not easily replace them and therefore this relationship provides for a sustained competitive advantage. They have suggested relationship concept in the banking sector which states that banks can increase their profits by maximizing the profitability of the total customer relationship over time, instead of seeking to get more profit from any single transaction [1].

Problem's importance and motivation

CRM is an attractive area for research because of its relative novelty and exploding growth. Competition is escalating, both from traditional players and new entrants, owing to deregulation. Changing consumer behavior and needs, globalization, deregulation, disintermediation and the emergence of new financial service models are all dynamics in the financial services industry. Information technology is also having its impact.

The more a marketing paradigm evolves, the more long-term relationship with customers gains its importance. CRM, a recent marketing paradigm, pursues long-term relationship with profitable customers. It can be a starting point of relationship management to understand and measure the true value of customers since marketing management as a whole is to be deployed toward the targeted customers and profitable customers, to foster customers' full profit potential. Corporate success depends on an organization's ability to build and maintain loyal and valued customer relationships. Therefore, it is essential to build refined strategies for customers based on their value. The motivating factors for companies CRM technology are presented in Table 1.

The data shows that a major consideration for companies in using CRM is to improve customer satisfaction level, to retain existing customers and to improve customer lifetime value. Providing strategic information from the CRM systems appears less important than improving satisfaction level and customer lifetime value.

Table 1.

Reasons for implementing CRM [2].

<i>Reasons for implementing CRM</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>
Customer satisfaction	4.00	4.44	4.19
Retaining Existing customer	4.16	3.90	3.95
Customer life time value	4.22	4.36	3.48
Gaining strategic information	3.88	3.82	4.08
Attracting new customer	3.60	3.48	3.50
Cost saving	3.33	2.98	2.98

Using CRM for cost reduction is ranked the last in the four-year survey. This suggests that most managers do not perceive CRM systems as simply a means of reducing the costs of customer service. It reports that specialist software supporting CRM operation such as contact management systems are perceived as important by 66 per cent of the respondents, 52 percent of the respondents regard the call centre as important [3].

The focus of CRM helped companies to understand the customers' current needs, what they have done in the past, and what they plan to do in the future to meet their own goals. The intelligent use of information about customer needs will create long-term, two way relationship with customers [3].

CRM enables organizations to set up such strategies by managing individual customer relationships. From the service oriented industry perspective, customer satisfaction and retention is ensured by solving customer problems quickly. Customer satisfaction is made certain by allocating, scheduling and dispatching the right people, with right parts, at the right time [3].

Research purpose and goals

Every company has to consider how to enter a market and then build and protect its competitive position. Banks begin to realize that no bank can offer all products and be the best/leading bank for all customers. They are forced to find a new basis for competition and they have to improve the quality of their own products/services [3].

In this internet age, when the customer is having access to a variety of products and services it is becoming very difficult for banks to survive. In this situation, when customer inquiries are not met easily or transactions are complicated, the customer will ask for new levels of services, and only choice for those institutions who are making a real effort to provide a high level of quality, fast and efficient service through all the banks touch points, call centers, ATMs, voice response systems, internet and branches. Managers really need to look at areas where opportunities lie because industry consolidation, virtual delivery channels and the ability to move money around at the click of a mouse are making it easier for customers to pack their bags and say bye to the bank. Of course, only depending on technological capabilities we can't ensure

customer service. Company need to analyse the business situation and understand the real requirement for automation [3].

Banking has traditionally operated in a relatively stable environment for decades. However, today the industry is facing a dramatically aggressive competition in a new deregulated environment. The net result of the recent competition and legislation is that traditional banks have lost a substantial proportion of their domestic business to essentially non-bank competition. Competition will undoubtedly continue to be a more significant factor. Finding a place in this heating sun becomes vital to the long-range profitability and ultimate survival of the bank. Those banks that are not considering the new atmosphere to build and protect their competitive position will likely become victims of that heating sun.

Many banks have found themselves in this position with many of their customers. Unlike manufacturing and some service industries, bankers are not only selling products and services. First and foremost, they are selling their organization reputation with every “customer relationship”. A bank has to create customer relationships that deliver value beyond the provided by the core product. This involves added tangible and intangible elements to the core products thus creating and enhancing the “product surrounding”. That is the nature of competition. If there are many others who can do what you do, then you do not have many added values. This dynamic erodes your added value. To protect its added value, a bank needs to manage, create and enhance long-term customer relationships. The aim of this research is to investigate customer relationship management opportunities and challenges in financial organizations.

Solution and applications of CRM

Customer Relationship Management (CRM) has become a leading business strategy in highly competitive business environment. CRM can be viewed as ‘Managerial efforts to manage business interactions with customers by combining business processes and technologies that seek to understand a company’s customers [5]. Companies are becoming increasingly aware of the many potential benefits provided by CRM. Some potential benefits of CRM are as follows: (1) Increased customer retention and loyalty, (7) Higher customer profitability, (8) Creation value for the customer, (9) Customization of products and services, (1) Lower process, higher quality products and services [10].

CRM technology applications link front office (e.g. sales, marketing and customer service) and back office (e.g. financial, operations, logistics and human resources) functions with the company’s customer “touch points”. A company’s touch points can include the Internet, e-mail, sales, direct mail, telemarketing operations, call centers, advertising, fax, pagers, stores, and kiosks. Often, these touch points are controlled by separate information systems. CRM integrates touch points around a common view of the customer [6].

Customer relationship management (CRM)

Customer relationship management (CRM) has been widely regarded as a company activity related to developing and retaining customers through increased satisfaction and loyalty. Customer relationship management (CRM) is a customer-focused business strategy that dynamically integrates sales, marketing and customer care service in order to create and add value for the company and its customers.

There are various definitions of CRM in the literature. Among the most representative, we could quote, who defines CRM as “a set of business processes and overall policies designed to capture, retain and provide service to customers”, or, for whom CRM is “a coherent and complete set of processes and technologies for managing relationships with current and potential customers and associates of the company, using the marketing, sales and service departments, regardless of the channel of communication” [11].

By analyzing this definition, it can be deduced that CRM systems basically make three things possible.

- Having an integrated, single view of customers, by using analytical tools.

- Managing customer relationships in a single way, regardless of the communication channel: telephone, website, personal visit, and so forth.
- Improving the effectiveness and efficiency of the processes involved in customer relationships.

At a tactical level, CRM may mean database marketing or electronic marketing. At a strategic level, CRM may mean customer retention or customer partnering. At a theoretical level, CRM may mean an emerging research paradigm in marketing. Sin and Tse (2010) hypothesize that CRM is a multi-dimensional construct consisting of four broad behavioral components: key customer focus, CRM organization, knowledge management, and technology-based CRM [3].

For a business to maximize its long-term performance in such aspects as customer satisfaction, trust, return on sales, and return on investment, it must build, maintain, and enhance long-term and mutually beneficial relationships with its target buyers. We will discuss each component and then describe our research methodology along with the findings from our analysis.

1.Key customer focus: Key customer focus involves an overwhelming customer centric focus, and continuously delivering superior and added value to selected key customers through personalized/customized offerings. Key facets of this dimension include customer-centric marketing, key customer lifetime value identification, personalization, and interactive co creation marketing.

2.CRM organization: CRM essentially means fundamental changes in the way that firms are organized and business processes are conducted. Firms should pay heightened attention to the organizational challenges inherent in any CRM initiative. The key considerations to successfully organize the whole firm around CRM include organizational structure, organization-wide commitment of resources, and human resources management.

3.Knowledge management: According to the knowledge-based view of the firm, the primary rationale for a firm’s existence is the creation, transfer, and application of knowledge. From a CRM perspective, knowledge can be understood as what has been learned from experience or empirical study of consumer data. Key facets of “knowledge management” include knowledge learning and generation, knowledge dissemination and sharing, and knowledge responsiveness.



Figure 1. The four dimensions of CRM [12].

Characteristics of CRM

Sweeney Group defines customer relationship management (CRM) as “all the tools, technologies and procedures to manage, improve, or facilitate, support and relate interactions with customers, prospects, and business partners throughout the enterprise” This broad definition involves CRM in every process of a business transaction [13].

A well designed CRM shares the characteristics as:

1. Communicational/collaborative CRM for building online communities, developing business-to-business customer exchanges, personalizing services, etc. It makes interactions between a business, its channels and its customers possible
2. Operational CRM for improving customer service, online marketing, automating sales force, etc. It is the automation of customer-facing processes.
3. Analytical CRM for building data warehouses, improving relationships, analyzing data, etc. It uses customer data to create a mutually beneficial relationship between a business and its customers.

E-CRM (Electronic Customer Relationship Management)

Jill Dyché considers e-CRM as a mean of selling, serving, or relating with customer through the web. Further he takes e-CRM as a subset of CRM strategies. Beyond that, e-CRM is a fast and cost-effective means of personalizing customer communications for the companies, on a large scale. The goal of e-CRM systems is to improve customer service, retain valuable customers, and provide analytical data. Further, it helps to increase customer value by motivating valuable customers to remain loyal [9].

The benefits of CRM

According to Newell (2000) the real value to a company lies in the value they create for their customers and in the value the customers deliver back to the company. Accordingly, it is important to mark that the value does not lie in more information and in more advanced technology. The value lies in the customer knowledge and in how the company uses that knowledge to manage their customer relationships. Knowledge is the sole of CRM [14].

If companies are transforming the customer data into knowledge and then uses that knowledge to build relationships it will create loyalty, followed by profits as:

1. Lower cost of recruiting customers: Customer recruitment cost will decrease and there will be savings in marketing, mailing, contact, follow-up, fulfillment, services, and so on.
2. There is no need to recruit so many customers to preserve a steady volume of business: Increase in long-term customers' relationship will ultimately minimize the need for new customer recruitment.
3. Reduced costs of sales: Long-term customers are more responsive than the newer ones that decrease the selling cost. As well as marketing campaign cost will also decrease due to familiarity with the distribution channels.
4. Higher customer profitability: Customer profitability will increase by higher customer wallet-share, up-selling, cross-selling and follow-up sales and satisfied customer refers more customers.
5. Increased customer retention and loyalty: The retained or long-staying customer buys big quantities frequently. The customers initiatives increases bounding relationships and as a result- loyalty.
6. Evaluation of customer profitability: The Company evaluates which customers are profitable, going to be profitable in future and never will be profitable in future. The key to success in business is to discover economically beneficial customers, acquire them and never let them go [15].

As we now all the customers are not beneficial; if the customers are taking company's time energy and recourses without generating enough business, they are dangerous customers. Company must use CRM where they can get good profitable customers.

CRM activities and applications in banking

The recent academic focus on customer self-service technologies (SSTs) highlights the importance of exploring research issues where technology acts as a service enabler for the customer. The benefits of such technologies are argued to be centered on the fact that “customers can access services when and where they want without some of the complications of interpersonal exchanges” [7].

CRM techniques will help banks if they improve the bank’s ability to:

- Select and then manage the right client set (coverage);
- Determine which products and services should be sold to which client, profitably, and then help the bank implement this sales plan (profit planning and implementation);
- Reduce the cost of coverage, in particular by improving the productivity of sales professionals covering those with small wallets, while maintaining quality of coverage (one day the wallets may be big!);
- Coordinate the multi-product, multi-country relationship in real time.

For CRM to work, banks must have a very clear view of what their clients want from them.

Four of the most important needs of clients are:

- Cost reductions and efficiencies in services delivered;
- Control and transparency resulting in accountability for delivering results;
- Greater convenience in having to deal with fewer banks;
- Bank know the needs of clients intimately, so that the latter are offered the right products, at the right time and the right price, with appropriate associated service [3].

There are different CRM activities which are already used in banks. Some of them are the communicational CRM and the others are some how operational CRM. Some of these activities are just for view such as check balances, view statement/account, historical records. The others are for account controls which are some CSS activities of operational CRM such as, accounts amendment, order cheque books, transfer funds, pay bills to third parties, standing order/print statements send messages and pay credit card bills [16].

There are seven distribution channels - contact points - with the organization.

Agencies: The interactions with the client are conducted face to face.

- Call centers: There is easy and fast access to products or advice from the bank without having to go to the agency.
- Self-banking: These are contact points between the client and the bank that can be reached through their bank card enabling the client to make payments, draw cash, etc., and eventually interact with the bank.
- Home banking: The client can reach these contact points via a PC.
- Technical support: It is composed of employees who can give technical advice and support regarding an eventual problem as well as giving technical support concerning the bank’s products.
- Communication and advertising: This department is responsible for the campaigns and client communication.
- Client service: This service helps client understand complex products and provides them with after-sales service [17].

Conclusions

This research is to investigate the customer relationship management situation banking activities. By motivations that are already discussed banks have already adopt themselves through this mindset more or less. Bank proceed to this important issue differently with different rates of success in customer satisfaction and customer relationship management. So, with a comparative approach their attitudes toward CRM will reveal and embrace their success and failure factors. In the similar approaches that researchers have done in the case of Pakistan, UK and Ireland the touch points and services that connect the banks to their customers were investigated. Based upon this discussion the problem area has formed as:

By motivations had been discussed in the literature review banks are already adopt themselves through this mindset more or less. Banks proceed to this important issue differently with different rates of success in customer satisfaction and customer relationship management. So, with a comparative approach their attitudes toward CRM will reveal and embrace their success and failure factors. So, the future research problem can be described as “How CRM activities in banks can be described?”

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Əliyev Əlövsət Q.¹, Soltanmoradi Əbuzər T.²

AMEA İnformasiya Texnologiyaları İnstitutu, Bakı, Azərbaycan

¹toosae@yahoo.com, ²depart8@iit.ab.az

Maliyyə təşkilatlarında müştərilərlə münasibətlərin idarə olunması sistemlərinin tətbiqinin bəzi xüsusiyyətləri

Məqalə müştərilərlə münasibətlərin idarə olunması sistemlərinin (CRM-sistemləri) tətbiqi ilə bağlı problemlərin təhlilinə həsr olunmuşdur. Problemin aktuallığı əsaslandırılmış və tədqiqatın məqsədi şərh olunmuşdur. CRM-sisteminin mahiyyəti şərh olunmuş və texnologiyalarının tətbiqi üzrə motivasiya faktorları araşdırılmışdır. CRM həlləri, CRM-in xüsusiyyətləri və üstünlükləri təhlil olunmuş, maliyyə təşkilatlarında, o cümlədən bank sistemlərində CRM üzrə tətbiqi proqramların xüsusiyyətləri göstərilmişdir. CRM-in səmərəli tətbiqi üzrə bəzi tövsiyələr verilmişdir.

Açar sözlər: Müştərilərlə münasibətin idarə olunması, E-kommersiya, E-banking, E-marketing, bank işi, maliyyə sistemi, biznes-informasiya, CRM-strategiya, CRM-həllər.

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Алиев Аловсат Г.¹, Солтанмореди Абузар Т.²

Институт Информационных Технологий НАНА, Баку, Азербайджан

¹toosae@yahoo.com, ²depart8@iit.ab.az

Некоторые особенности применения системы управления отношениями с клиентами в финансовых организациях

Статья посвящена анализу проблем применения системы управления отношениями с клиентами (CRM-системы). В ней обосновывается актуальность и формируются цели исследования в данной области. Раскрывается суть CRM-системы и исследуются факторы мотивации по применению указанных технологий.

Описываются CRM-решения, характеристики и преимущества CRM-системы в процессе применения в финансовых организациях, в т.ч. в банковской сфере. Даны рекомендации по эффективности применения CRM-системы.

Ключевые слова: управление отношениями с клиентами, э-коммерция, э-банкинг, э-маркетинг, банковское дело, финансовая система, бизнес-информация, CRM-стратегия, CRM-решения.