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The Customer Relationship Management Practices in Banking Industry

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The Customer Relationship Management Practices in Banking Industry

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Chapter No.01: Background And Statement Of The Problem.

Introduction

Evolution of CRM

Present status

Statement of problem

Significance of the study

Scope

Delimitation

1.1 Introduction

The 1990s have been a dynamic period with in the information systems field. One of the most exciting uses of new technologies has been in the area of *Customer Relationship Management (CRM)* systems. Today the availability of econometric, demographic, lifestyle and psycho graphic data, decision support systems, the Internet, and other customer access techniques are helping marketing and senior management make customer care a reality rather than just a vision (Figure 1). Companies no longer want to treat their customer base as a homogeneous collection of revenue generating units; they want to get up close and personal with each of them individually.

Demographic	Lifestyle	Purchase Behavior	Automotive
<i>Who They Are</i>	<i>How They Spend Their Money</i>	<i>How They Buy</i>	<i>You Are What You Drive</i>
Female/Male Age Income Marital Status Children & Ages Occupation	Frequent Flyers Gardening Arts and Crafts Mutual Funds Home PC	Shops by mail for: Home Furnishings Children's Apparel Power Tools	Make/Model Year Bought New/Used Leased Lease Expiration Date

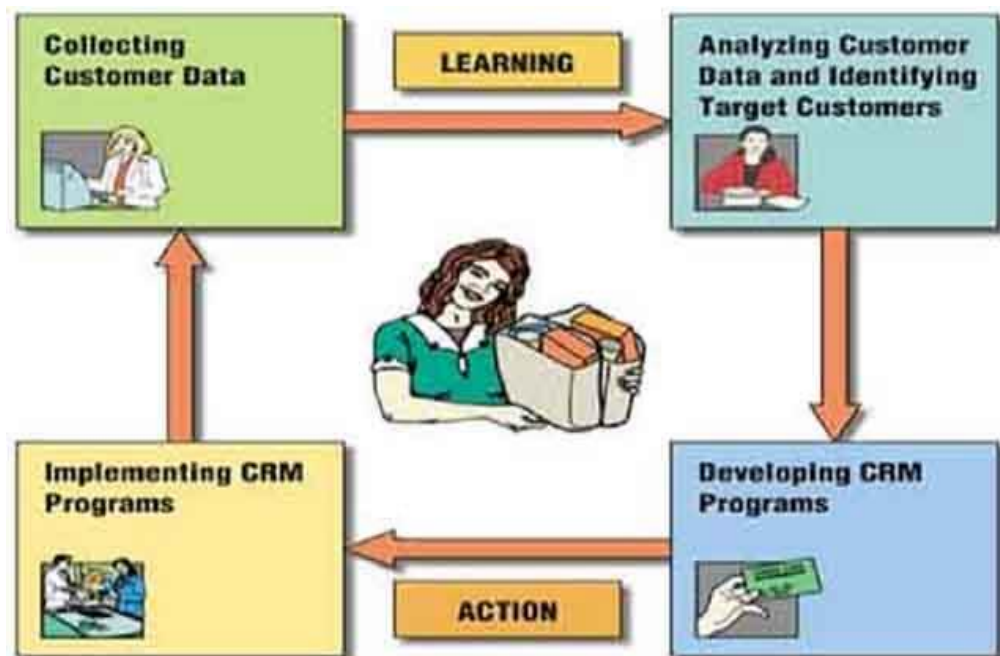
Figure 1: Typical Demographic and Lifestyle Data

The mailings from banks offering special interest rates, phone companies offering incentives to switch to their services, etc. At the core of all of these is the offering company's desire to develop a "relationship" with a target audience. Today's technology has reached a price/performance point where it is possible to acquire, consolidate, analyze, and manage the volumes of information that make this concept possible.

1.1.2 what is CRM?

First of all, it must be understood that at its core, CRM is more than just a set of technologies: it is a process. This fact will be of significant importance to Information Technology (IT) professionals who will be asked to support CRM with information and applications. Furthermore, it is intended to be a *repeatable* process to ensure ongoing, continually improving, and consistent results. Simply stated, CRM comprises the acquisition and deployment of knowledge about customers to enable a company to sell more of their product or service more efficiently.

CRM begins with in-depth analysis of customer behavior and attributes to achieve complete knowledge of the customers, their habits and desires, and their needs. It then applies this knowledge to the formulation of marketing campaigns, strategies, and treatment plans. However, managing the relationship also implies customer interaction. Therefore, CRM also encompasses enabling a network of “touch points” by which the organization can establish, cultivate, and maintain long-lasting and mutually beneficial interactions with the customer. These are the two cornerstones of CRM—the knowledge or customer information platform and the customer interaction platform.



1.2 Evolution of CRM

While revolutionary in many respects, CRM is also a natural and predictable extension of how marketing and sales have evolved over the years, and in many ways, are coming to a full circle.

In the past, the corner store and door-to-door sales forces served customers. The corner stores were small, intimate, and provided one-on-one service to their clientele. The door-to-door salesperson was the other face of any company and the personal relationship established by the salesperson was the key to success. This model provided, through personal interactions, an intimacy and knowledge about the customer and developed customer loyalty and trust.

1.2.1 Mass Marketing

The age of mass marketing replaced the intimacy of a direct sales force in many organizations. Centralized large-scale production, wide-geographic distribution, and one-way communication on a grand scale created a tremendous variety of easily available, affordable goods. This put pressure on the relatively inefficient corner store and door-to-door models. Over time, the local corner store gave way to the supermarkets, malls, and mega stores of today. While society has benefited from the cost efficiencies of these arrangements, something was lost in the bargain. That loss was the sense of connection customers had with the local storekeeper—personalized service.

Mass marketing was enabled through technological improvements in TV, radio, and the printed press, all of which created simple and powerful means to communicate a company's message to millions of people at once. Marketing's major goal was to push product and create brand recognition. The main measure of success for this business strategy was market share.

1.2.2 Target Marketing

In the mid 1980s, with the advances of technology and refinement in direct mail and telemarketing, another approach to communicate directly with the customer evolved. The use of Information System technology allowed the selection of specific (“targeted”) customers via mail or telephone. Unlike mass marketing, targeted marketing had the advantage of potentially receiving a direct response from a customer. The general strategy was to unearth potential customers by canvassing large numbers. Response rates became the central metric in gauging success, with response rates of two to three percent being considered successful. Market share still remained the primary measure of business success.

Target marketing recognized the need to interact more with customers, albeit at a very superficial level, but did not go far enough. There was a lack of specific data as it relates to responses from the targeting means resorting to “averages” for response rates, customer purchases, and other data. Nonetheless, target marketing was a significant step in the evolution to today’s CRM in that it moved the relationship between producer and consumer one more step towards a personal interaction.

Obviously, mass marketing has not vanished, nor have sales forces or telemarketing efforts. In many companies, all of these techniques are still used in combination but with no cohesive overall plan between them. This leads to confusion as customers receive multiple, uncoordinated messages through separate channels.

1.2.3 Customer Relationship Management

CRM is the next step in the evolution, and it moves us back towards developing an intimacy with today's customers, using today's tools, and maintaining our mass production and distribution systems. It recognizes that the equation that yields trust and loyalty from a customer has two variables. The first variable is information and analysis (knowledge): one has to know what the customer wants, needs, and values. The second variable is the need for interactivity and personal contact and the way in which the customer wants to be contacted. The success of a customer-centric business strategy is measured not only by "share-of-market" but also by "share-of-customer".

1.3 Present status

Retail banking refers to mass-market banking where individual customers typically use banks for services such as savings and current accounts, mortgages, loans (e.g. personal, housing, auto, and educational), debit cards, credit cards, depository services, fixed deposits, investment advisory services (for high net worth individuals) etc.

Before Internet era, in the world consumers largely selected their banks based on how convenient the location of bank's branches was to their homes or offices. With the advent of new technologies in the business of bank, such as Internet banking and ATMs, now customers can freely chose any bank for their transactions. Thus the customer base of banks has increased, and so has the choices of customers for selecting the banks.

This is just the beginning of the story. Due to globalization foreign banks have also entered the market and they have brought with them several useful and innovative products. Due to forced competition, local banks are also becoming more technology savvy and customer oriented.

Thus, Non-traditional competition, market consolidation, new technology, and the proliferation of the Internet are changing the competitive landscape of the banking industry.

With increased number of banks, products and services and practically nil switching costs, customers are easily switching banks whenever they find better services and products. Banks are finding it tough to get new customers and more importantly retain existing customers.

According to a research by Reichheld and Sasser in the Harvard Business Review, 5% increase in customer retention can increase profitability by 35% in banking business, 50% in insurance and brokerage, and 125% in the consumer credit card market.

Therefore banks are now stressing on retaining customers and increasing market share.

1.4 Statement Of Problem

“As Banks encounter obstacles – whether commercial bank, investment bank, or diversified financial services company – The future depends on one critical factor – *strong customer relationships*. And those relationships depend on banks ability to provide personalized service to every customer, every time, everywhere.

So in this research “*Customer Relationship Management practices in Banking Industry*” The researcher have to find out the ways, the tactics that banks are using to cope with global competition.”

1.5 Significant of the study

This research study will help the Banks, Bankers, and Bank Customers because in this study the aim is to find out those CRM practices that can help banks to create a competitive advantage and with the help of those tactics bankers provides he more customized products and services to their customers.

As the research is studying the CRM practices in local banking industry, this study will mostly help the local banks of Pakistan.

1.6 Scope

In this study “The CRM practices in banking industry” The researcher study the local banks of Pakistan.

- MCB
- UBL
- ABL

1.7 Delimitation

In the starting of this chapter we have discussed the evolution of CRM, that is ----- Door-to-Door sales — Mass marketing — Direct marketing — CRM — what will be the next technology, And now we can say that new technology mostly decrease the effectiveness of older one, so we can say that emerging of new technology can decrease the effectiveness of this study and its recommendation.

Chapter # 02: The Research Design

2.1 Research design

2.2 Respondent of the study

2.3 Instrument

2.4 Treatment of data / information analysis

2.1 Research design

In this study the research describe the CRM practices in banks, so the purpose of this study is Descriptive, and we are interested in this study is to find out how much CRM practices and customer retention is correlated with each other, so the type of investigation is co relational study, and we know that there is a minimal support for research work in our society, so the extent of researcher is minimal, the study setting is non-contrived, as the research is on banking industry, so the unit of analysis is local banks, and the time horizon is cross-sectional because the research will collect data once through questionnaire and interviews and the sample size is at least 3 local Banks.

2.2 Respondent of the study

The respondent of this study are banks Officers / Managers.

2.3 Instruments

The instruments that the researcher will use in collecting the data are, Questionnaire, Interviews (both structure and unstructured) as the primary data sources, and the researcher will also use newspapers, magazines, articles, books and Internet as the secondary data sources.

2.4 Treatment of data or information analysis

The data will be analyzed qualitatively. The information will be shown in the form of graph, charts, and percentages.

Chapter # 03: The Review Of Literature And Studies

3.1 Related literature

3.1.1 Foreign literature

3.1.2 Local literature

Foreign literature

Article # 3.1

The banking industry has long had a reputation of being slow to response to customer concerns. A common and apparent characteristic, which exists today among most financial institutions. Banks neglect customer concerns because traditionally banks have had no perceived need to be responsive to consumers. The frustration and anger illustrated due to the lack of customer service by many consumers against the banking industry because of the many mergers and/or failures is undeniable. Many consumers do not like and do not trust their banking service provider because of the perceived lack of needs fulfillment. Who enjoys waiting in line for service simply to be met customer service that is equivalent to that of the telephone industry? Even members at Credit Unions feel similarly towards the customer service at credit unions. Who enjoys waiting is long as three to six days to get a auto loan or for that matter receiving an incomprehensible and unexplained set of documents? There is and has been no incentive for banks performing better because there was no risk of losing customers or revenue. Why? Because most bank's perceive that "customers need banks more than banks need customers". This attitude has evolved over decades and is constantly illustrated by many bank executives has bred bank business cultures and perceptions that now hamper the very essence of a bank existence. The irony is that many bank executives could easily solve many of their problems if they would simply change this perception. More times than not the problem is not solved not because there is no incentive to solve it. But rather because the banking industry has develop cultures and infrastructures that are resistant to change, hesitant to change, and often, unable to change.

The environment in which Banking and its employees shape its business practices, its structure, and its culture will always be a critical component to any bank's future. Even if a bank is not burdened with the normally developed complacency inherent to the banking industries, which is the Hallmark of a conservative bank, even if they want to change, they would have significant difficulty doing so because of its culture. Banking cultures shape thinking. Many banks developed cultures and perceptions, which were forged or evolved in noncompetitive environments. Management becomes programmed or conditioned to respond to certain situations in certain ways. In many ways, their

knowledge and outlook affects the characteristics they look for in new hires and just as important, it affects how they train their subordinates. One-way of thinking rarely gives birth to or even accommodates a different way of thinking. Largely, or in one-way or another all banks developed cultures that can be traced back to the old slow moving reacting conservative operating bank companies. Further, the few more aggressive banking cultures created by pioneering entrepreneurs newcomers have for the most part been diluted, absolved, or dissolved by the larger banking corporations which acquire many of the new comers.

“Success breeds arrogance and arrogance many times breeds stupidity” Established banks both small and large tend to believe that new smaller competitors cannot threaten them. It is extremely ironic that companies like Sprint, MCI or the Bell operating companies felt they would dominate the telephony marketplace and that smaller competitors without their strong brands cannot succeed. .

New entrants into Banking can and will succeed. This has been proven repeatedly in nearly every industry. In the computer industry, Compact proved it to IBM. In the copier industry, the Japanese proved it to Xerox. In the automobile industry, the Japanese proved it to the big three. In the airline industry, Southwest Airlines proved it to everyone else. In the software industry, Netscape proved it to Microsoft. .

Herein lies the marketing opportunity for any new comer Bank to enter into markets with existing and predetermine cultures and awaken banking consumer expectations to new heights and reap the rewards for its efforts. In essence, to create and maintain a marketing strategy and cross-selling culture based on face-to-face service that aggressively seeks to understand and satisfy consumer needs which will attract and retain consumers through the building of relationships and needs satisfaction.

Article # 3.2

In general, customer relationship technology has three basic objectives:

- Reduce customer service transaction costs through automation and efficiency. This has been the long-standing mission of workflow technology, and the focus of most Web workflow to date. Its application in call center applications, described in last month's column, typifies how workflow supports this objective of customer relationship solutions. Workflow can consolidate and automate tasks, eliminate expensive callbacks and shift work to the customer through intelligent Web forms for data entry and self-service.
- Sell more to existing customers, turning service requests into revenue opportunities. Every request for service through the Web represents a customer who is willing to describe, in some fashion, his organization, business problem, technology environment and needs, along with a direct electronic path--in the form of an E-mail or IP address--to his desktop. Marketers can't ask for more than that.
- Find new customers, by integrating sales and service delivery directly into marketing activities. Where company Web sites once focused mainly on simple information and advertising, now the entire customer demand chain--from need recognition, to solution search, to selection, purchase, ongoing support and upgrade or replacement--can be integrated, personalized and executed via customer self-service solutions.

The latter two objectives, with their emphasis on revenue and customer retention rather than costs, is giving new strategic purpose to workflow technology. Workflow provides the task automation and integration, business rules, scheduling and tracking engine, role-based security model and process management metrics needed to transform company Web sites into a switchboard for customer relationship management. But because customers are external to the company's computing infrastructure, network and security model, a new form of workflow technology is needed.

Article # 3.3

Today' banking sector is characterized by following:

- Multiple products (deposits, credit cards, insurance, investments and securities)
- Multiple channels of distribution (call center, branch, Internet and kiosk)
- Multiple customer groups (consumer, small business, and corporate)

Today, the customers have many expectations from bank such as

- Service at reduced cost
- Service “Anytime Anywhere”
- Personalized Service

The banks now need to find out what to sell, whom to sell, when to sell, how to sell and how to be different to increase profitability. Banks need to differentiate themselves by adding value-added service, offerings and building long-term relationships with their customers through more customized products, enhanced value offerings, personalized services and increased accessibility. Banks also need to identify customers and products that would be most profitable and target customers with products that are most appropriate to their needs and serve the customers with greater cost efficiency.

Banks also need to find out the ways for increased customer satisfaction, which leads to increased customer loyalty. This may be explained better from two initiatives bank took in the past:

1. Earlier what drove many bankers to invest in ATMs was the promise of reduced branch cost, since customers would use them instead of a branch to transact business. But what was discovered is that the financial impact of ATMs is a marginal increase in fee income substantially offset by the cost of significant increases in the number of customer transactions. The value proposition, however, was a significant increase in that intangible called customer satisfaction. The increase in customer satisfaction has translated to loyalty that resulted in higher customer retention and growing franchise value.

2. Bankers invested in Internet banking, believing that the Internet was a lower-cost delivery channel and a way to increase sales. Studies have now shown, however, that the primary value of offering Internet banking services lies in the increased retention of highly valued customer segments. Again customer satisfaction drives the value proposition.

Thus, banks need to retain existing customers with enhanced personalized services and products, which best suits their needs and satisfies them the most.

How can CRM help banks?

CRM primarily caters to all interactions with the customers or potential customers, across multiple touch points including the Internet, bank branch, call center, field organization and other distribution channels.

CRM can help banks in following ways:

1. **Campaign Management** - Banks need to identify customers, shape products and services to meet their needs and sell these products to them. CRM achieves this through Campaign Management by analyzing data from banks internal applications or by importing data from external applications to evaluate customer profitability and designing comprehensive customer profiles in terms of individual lifestyle preferences, income levels and other related criteria. Based on these profiles, banks can identify the most profitable customers and customer segments, and execute targeted, personalized multi-channel marketing campaigns to reach these customers and maximize the lifetime value of those relationships.
2. **Customer Information Consolidation** - Instead of customer information being stored in product centric silos, (for e.g. separate databases of savings account & credit card customers), with CRM the information is stored in a customer centric manner covering all the products of the bank. CRM integrates various channels to deliver a host of services to customers, while supporting the functioning of the bank.
3. **Marketing Encyclopedia** - Central repository for products, pricing and competitive information, as well as internal training material, sales presentations, proposal templates and marketing collateral.
4. **360-degree view of company** – This means whoever the bank speaks to, irrespective of whether the communication is from sales, finance or support, the bank is aware of the interaction. Removal of inconsistencies of data makes the client interaction processes smooth and efficient, thus leading to enhanced customer satisfaction.
5. **Personalized sales home page** – CRM can provide a single view where Sales Managers and agents can get all the most up-to-date information in one place,

including opportunity, account, news, and expense report information. This would make sales decision fast and consistent.

6. **Lead and Opportunity Management** - These enable organizations to effectively manage leads and opportunities and track the leads through deal closure, the required follow-up and interaction with the prospects.
7. **Activity Management** – It helps managers to assign and track the activities of various members. Thus improved transparency leads to improved efficiency.
8. **Contact Center** – It enables customer service agent to provide uniform service across multiple channels such as phone, Internet, email, Fax.
9. **Operational Inefficiency Removal** – CRM can help in Strategy Formulation to eliminate current operational inefficiencies. An effective CRM solution supports all channels of customer interaction including telephone, fax, e-mail, the online portals, wireless devices, ATMs, and face-to-face contacts with bank personnel. It also links these customer touch points to an operations center and connects the operations center with the relevant internal and external business partners.
10. **Enhanced productivity** – CRM can help in enhanced productivity of customers, partners and employees.
11. **CRM with Business Intelligence** - Banks need to analyze the performance of customer relationships, uncover trends in customer behavior, and understand the true business value of their customers. CRM with business intelligence allows banks to assess customer segments, which help them calculate the net present value (NPV) of a customer segment over a given period to derive customer lifetime value. Customers can be evaluated within a scoring framework. Combining the behavior key figure and frequency to monetary acquisition analysis with a marketing revenue quota can optimize acquisition costs and cut the number of inefficient activities. With such knowledge, banks can efficiently allocate resources to the most profitable customers and reengineer the unprofitable ones. Data warehousing solutions have been implemented in Citibank, ReserveBank of India, State Bank of India, IDBI, ICICI, MaxTouch, ACC, National Stock Exchange and PepsiCo. And Business Intelligence players hope many more will follow suit.

Local literature

Article # 3.4

Asiamoney ranks MCB as the “Best Domestic Bank in Pakistan”

May 2005: MCB has once again received the award of the “Best Domestic Commercial Bank in Pakistan” from Asia Money. This is the second consecutive year that the bank has earned this prestigious award for its leadership position in the banking industry of the country.

The award has been conferred up on the Bank for its consistent growth and staying ahead of the increasing competition. Asia Money commends the Bank’s strategy of focusing on fee based income by expanding its investment banking and cash management services at the time of low interest rates during the past year to increase its revenue and profitability. It further elaborates that the Bank has introduced several new derivative and hedging products for its corporate clients, which were previously offered only by a few foreign banks. It added that now Pakistan’s top corporate depend on MCB to provide first rate syndicated lending services.

MCB is the only bank that has received two Asia Money Awards for the best domestic bank in Pakistan besides four Euromoney Awards in the last five years for “The Best Bank in Pakistan” in recognition of its consistent and enviable performance.

Chapter # 04: The CRM Technology

4.1 CRM The Technological aspect.

4.2 The Holistic CRM “Ecosystem”

4.3 Definitions

4.4 CRM Technology

4.5 Current status

4.6 CRM in banking

4.7 Technology in banking

4.8 Future of CRM

4.1 CRM The Technological aspect.

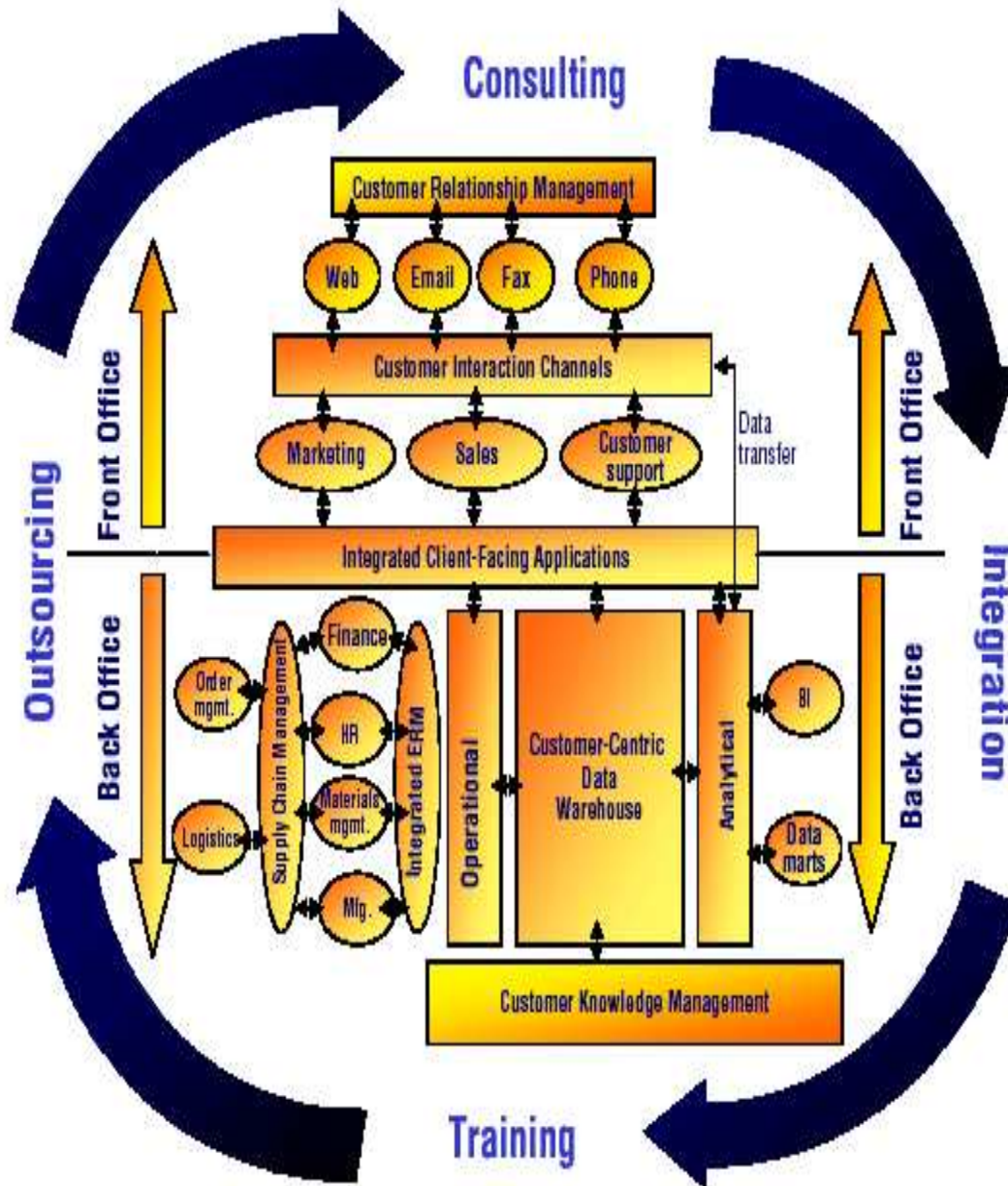
Business solutions such as CRM illustrate the changing role that “information technology” is increasingly assuming in the world of business and the global economy at large. The use of technology is steadily shifting away from its past focus on the products and services in and of themselves and the efficiency gains they offer. Rather, society will soon adopt views that perceive technology as a merging of products and services that seamlessly enable new approaches to business activities and redefine how people work and interact with each other. Excellent examples of this trend include customer relationship management, enterprise relationship management, supply chain management, and ebusiness. Although in the future we can expect to see less clearly defined distinctions between what we today consider “products” and “services” — especially in relation to business solutions — these distinctions continue to characterize current markets. In studying the area of CRM, for example, two camps of players can be clearly identified: those that offer products and those that offer services.

4.2 The Holistic CRM “Ecosystem”

The holistic CRM ecosystem shown in Figure 1 is a graphical representation of how CRM can be viewed as the missing link between back-office activities (including integrated enterprise relationship management, supply chain, and business intelligence) and front-office activities (including sales, marketing, customer support, and ebusiness). For example, a contact center with varying interactive channels, such as the Web, email, phone, and fax, collates customer information that can be directly fed into a customer-centric data warehouse. The data can then be extracted from the data mart and translated to serve marketing, sales, or customer service goals. By using more information, customers can expect to be offered customized products and services while simultaneously building interactive relationships with the company. This goal can be achieved only if the right enterprise relationship management and supply chain tools are in place, as the entire customer experience must travel through the enterprise supply chain to achieve the desired effect. CRM has mainly been associated with front-office enterprise applications, but it is critical to extend this view because the CRM arena encompasses a broader array of activities. Back-office applications such as data marts

and business intelligence are critical elements and will continue to play an important role in the enterprise supply chain. However, analytical tools need to go deeper and analyze buying behavior, using predictive measures and thus gaining a fuller understanding of customer needs and desires.

Figure 1
The Holistic Customer Relationship Management Ecosystem



Source: International Data Corporation, 1999

To track the CRM services marketplace, IDC's CRM services programs focus primarily on customer-facing activities, which include sales, marketing, Web-based customer service, and contact centers. Our research also addresses the points of intersection between front office and back-office activities, such as the integration of CRM and enterprise resource management (ERM) applications and processes. This approach aligns with CRM initiatives currently underway at many companies. Typically, companies begin enhancing their customer service processes by addressing these front-office activities, viewed as the customer touch points. IDC believes that although the holistic CRM ecosystem presented in Figure 1 is a more advanced model, it reflects how companies will approach CRM in the near future. At the same time, consulting, integration, training, outsourcing, and support in all the facets of the CRM solution will become more sophisticated, and the end-to end delivery model will reflect the maturity of the market.

4.3 Definitions

IDC defines the CRM services market as follows:

The consulting, systems integration, outsourcing, training, and support required to design, build, and operate customer care processes and systems that help companies attract, retain, service, and expand relationships with customers in order to generate business benefits and to improve the consumer experience. These systems and processes typically involve customer contact centers, sales force automation, marketing automation, and Web-based customer service.

Following are definitions of the competitive service categories that apply to the CRM services market:

CRM consulting:

This involves system design, contact handling strategies, product evaluation and recommendations, benchmarking, operational optimization strategies, change management, process redesign, knowledge management, architectural design, site selection, and others.

CRM systems integration:

This involves the design and implementation of new facilities/systems, upgrading existing facilities/systems, consolidation of facilities, networking of disparate facilities/systems, design and implementation of computer telephony middleware solutions, installation of and training on front-office software applications, design and implementation of online customer care functionality and systems, development of data warehousing/data mining systems, integration with enterprise resource management (ERM) systems, and others.

CRM outsourcing:

CRM outsourcing typically involves either the complete or partial transfer of a client's actual customer care operations, systems, and processes to specialized service providers. While the more established segments of this market continue to grow rapidly, newer models of CRM outsourcing are emerging to influence market dynamics. Examples of CRM outsourcing include the following:

- Complete contact center operations, including building, staffing, operating, and managing contact centers and customer interaction processes on behalf of clients.

Typical areas of support provided by these companies include sales, customer service, billing, and technical support.

- Email and Web-based customer contact, with newer companies emerging that specialize in handling only email and Web-based customer interaction on behalf of clients.
- “Insourcing” or “operations outsourcing,” whereby a client company retains its own contact center facilities and staff and outsources only the center’s operations and management to an outside service provider.
- Technology outsourcings, whereby the CRM market sees the emergence of service providers that are “pre-integrating” and hosting various components of CRM solutions, including front-office applications and call and email routing technology. These companies primarily focus on technology outsourcing and do not assume responsibility for the operations of contact center staff and processes.

CRM training:

CRM training services primarily focus on the training of the end users of CRM front-office applications and processes (e.g., customer service representatives and sales professionals). This segment involves training in the following areas:

- Business/professional skills
- Technology skills
- Client products and services

4.4 CRM Technology

Dewhurst *et al* (1999) says IT can facilitate and enhance customer relationships in various ways, but mainly enables companies to attain customization, the essence of the customer-centric orientation, through the deployment of sophisticated customer relationship management (CRM) systems. Yong (2003) says that when companies have big volume of customer data, they can perform customer management more easily and efficiently using data warehousing, data mining, and other information technologies. Greenberg (2003) takes CRM as a business philosophy and strategy, supported by a system and technology, designed to improve human interactions in a business environment. Janice (2002) says CRM technology is not a piece of software snapped into an IT ecosystem, but through integration within a company's IT infrastructure, enables a business to develop, archive, and share customer information throughout a business to:

- Customer specific need identification,
- Offer personalized business view to the customers,
- Most profitable business customer identification,
- Efficient and standardized customer care delivery,
- Most risky customer identification.

Janice (2002) CRM technology helps organizations to organize customer touch points. A properly customized and integrated IT ecosystem can make a business to respond to a customer's needs instantaneously (e. g. keeping its catalog, web and sales team continuously updated on the changes of products and prices). For instance, a company can set up CRM tools to send reminders about new products, services to existing customers. And it can implement One-to-One marketing, sorting through online customer profiles and purchase history to adopt new offerings to each customer's individual preferences. According to Janice (2002) Customer relationship management applications can commonly include:

- Call Center Automation,
- Campaign Management,
- Contact Management,
- Data Warehousing,
- Email Management,

- Field Service Automation,
- Knowledge Management,
- Marketing Automation,
- Personalization,
- Sales Force Automation.

Rapidly improving technology has allowed organizations to make the best of each customer contact. New technology has made it possible to capitalize the information held in back office systems (accounting, purchasing material management, distribution), as compared to previous technology when only front-office (sales, marketing) information was available. Customers expect to speak immediately to a person, who already knows all about them. A website or telephone system is expected to provide complete information that meets their needs. CRM tools also enable customers to get assist themselves through a company's website from anywhere, at anytime. Customers can gather information about products, update billing information (even pay bills), review account balances, and check orders on their own — and then immediately receive more personalized help from a call center agent, if needed, with a single click of a button. This capability allows businesses to improve customer service with reducing costs and improving productivity (Janice, 2002). An inevitable consequence of most CRM strategies is the need to collect more data and then derive additional information from that data. If a company changes to a customer centric strategy, it must plan for more data and greater integration of that data — from both its front-office (e. g. call centers and other customer-facing applications) and back-office (accounting, order process, logistics and fulfillment, for example). Once that is accomplished the system must be able to distribute this parsed data to more people (employees and customers). According to Janice (2002), the most common technology options are:

Tactical Databases:

These type of databases are used to support specific needs, such as a marketing campaign Management, sales force automation, analysis of product sales and other transactional data.

Data Marts:

Data marts are specialized in specific subjects and are independent on the operational systems, which is separately built to store all the data to support activities, such as a sales and marketing CRM initiative.

Data Warehouses:

The system serves as a single repository of data. When data warehouse is up and running With clean data, it provides a single version of a customer or group of customers. The appropriate query and analysis tools and data mining software enable a business to make a better understanding of its customers' needs, allowing it to plan more advanced CRM strategies.

Integrated CRM Solutions:

System with the ability to incorporate both data warehousing and web-based technology. It usually requires the integration of several customer-facing systems and e-commerce applications, with data warehouse technology. This system enables the company to provide its customers with personalized and coordinated service across all channels. Integrated CRM solutions can tightly link both front- and back-office applications. So that a company can gather data to:

- Provide responses to sales and marketing campaigns.
- Concern shipping and fulfillment dates.
- Provide customer sales and purchase data including notations on increase/ decrease in volume and time of year most purchases are made.
- Compile account information including payment/ credit history.
- Integrate web registration data.
- Provide service and support records.
- Take into account demographic and web sales data.
- Calculate why a customer buys from the company.
- Determine if a customer is an advocate for the company refers others to the company and even whether a customer is influential within his or her specific industry or niche.

(Janice, 2002)

4.5 Current status

The organizations have started realizing that they have ignored their most important asset—the customer; now the organizations are trying to remedy the situation by using technology that can proactively manage this important asset. But the controversy is still there, how to manage them? (Janice, 2002).

Data-enabling product-centric processes

Technology with efficient vs. effective issue is used to collect information who ever needs it, for example, the focus is still on internal processes and people, and the customer is only secondary. Often few try to put it under CRM cover, but it is not more than a business management. (Janice, 2002).

Customer-centric processes

It has more focus on managing processes rather than managing departmental issues. Customer interactions are managed as part of well-defined corporate processes. The emphasis is on effectiveness with efficiency taking the back seat; specifically, the focus is truly on the customer (Janice, 2002).

One-to-one philosophy

One-to-one marketing technologies are making inroads in areas such as email and data marketing. CRM applications that are put into place today should place the customer at the center of the corporate universe and, if feasible, coordinate multiple business functions so they focus on satisfying the needs of the customer (Janice, 2002). Many CRM applications, which historically looked only at the customer interaction area, now include all transactional data and processing along with the very important role of supply chain and collaborative working. Since today's CRM technology with its analytical, collaboration and multi channel help complements the traditional operational processes involved in supporting all aspects of customer-facing interactions. Now the Meta Group identified three CRM segments: operational, analytical, and collaborative. See Figure 2.3.

Operational CRM

The automation of customer-facing processes. It handles the customer contact and processing. It manages and synchronizes customer interactions in marketing, sales, and service (Janice, 2002).

Analytical CRM

The use of customer data to create a mutually beneficial relationship between a business and its customers. This analysis, modeling and evaluation help to optimize information sources for a better understanding of customer behavior, so that enable the contact to be highly personalized (Janice, 2002).

Collaborative CRM

Makes interaction between a business, its channels and its customer's possible. It provides the means for the customer to contact the company. It enables collaboration between suppliers, partners, and customers, which not only can improve processes, but also can serve to better meet customers' needs (Janice, 2002). According to Janice (2002), each component is dependent on the others. For instance, analytics drives the decision making in operational CRM for the deployment of marketing, sales and customer service processes. But without the data collected via the operational CRM processes, analytical CRM wouldn't have any data to work with. And the data processed by the analytical CRM tools couldn't be effectively disbursed and strategic decision-making wouldn't occur, without collaborative CRM. Collectively, Operational CRM, Analytical CRM and Business Intelligence work at the same time to drive the customer life cycle, see Figure 2.3.

In the past the business community concentrated on operational and collaborative tools, but this is rapidly changing. Businesses realize that analytical tools are necessary to drive the strategic and tactical decisions, related to customer acquisition, retention and enhancement. Analytics also allow a company to listen to its customers and to learn from an existing customer base (Janice, 2002), see Figure.2.3

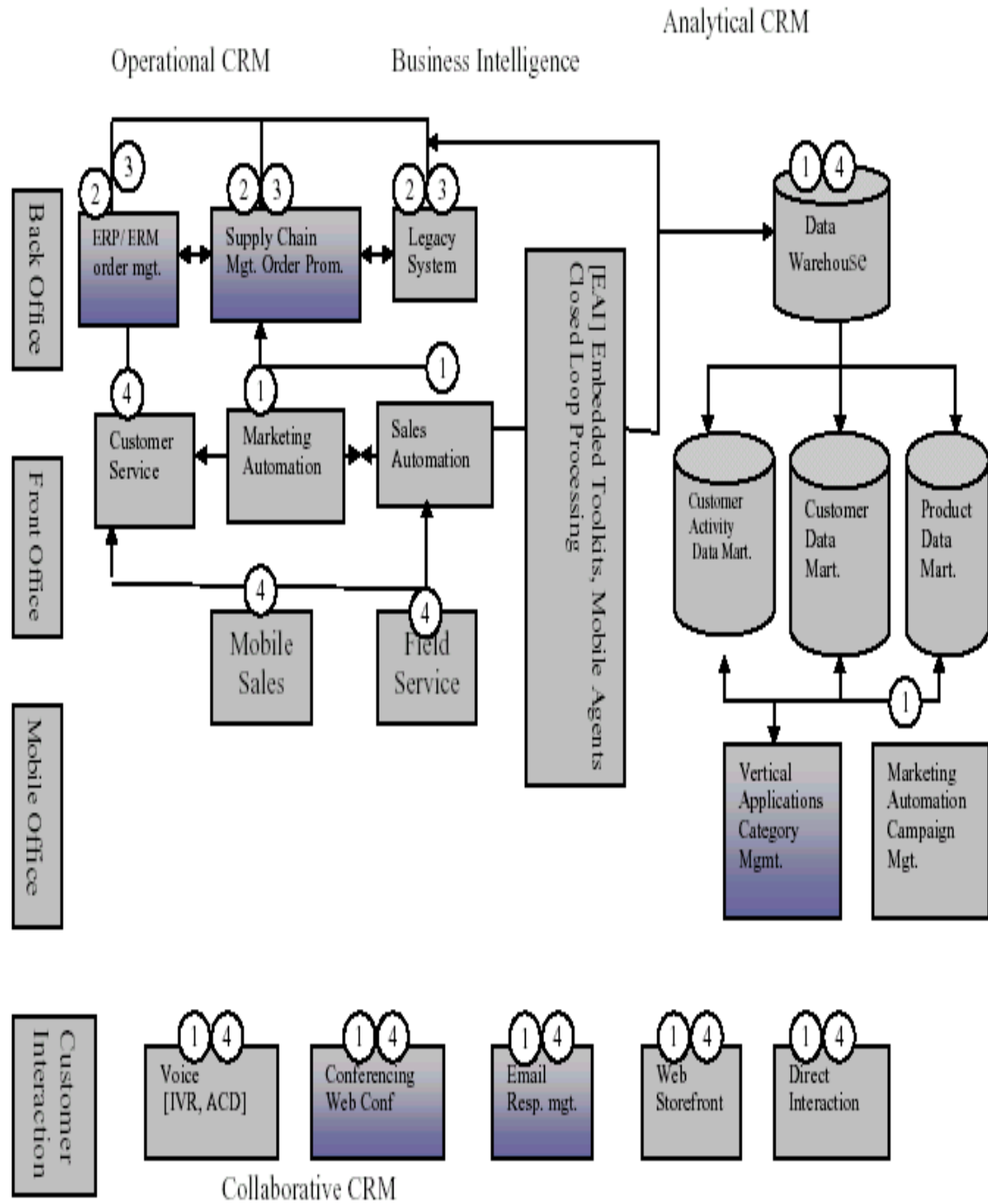


Figure 2.7. The CRM Ecosystem. Courtesy of Meta Group Inc.
 Source: Reynolds, Janice (2002), p 94.

4.6 CRM in banking

In banking industry, the nature of customer relationship has changed due to change in bank's business dimension. Banks are highly focusing on CRM for the last five years that is expected to continue (Foss, 2002). According to Foss (2002) most of the financial services industries are trying to use CRM techniques to achieve varieties of outcomes. These areas are:

- Creating consumer-centric culture and organization;
- Securing customer relationships;
- Maximizing customer profitability;
- Aligning effort and resource behind most valuable customer groups. To implement strategies these aspects must be considered:
 - Communications and supplier – customer interactions through channels;
 - Identifying sales prospects and opportunities;
 - Supporting cross- and up-selling initiatives;
 - Managing customer value by developing propositions aimed at different customer segments;
 - Supporting channel management, pricing and migration. (Ibid)

It is possible to identify four stages (Foss 2002), as follows:

1. Building the infrastructure and systems to deliver customer knowledge and understand customer profitability;
2. Aligning corporate resource behind customer value – developing segment management Strategies to maximize customer profitability and satisfaction;
3. Incorporating a market perspective into understanding of customer value, to avoid any Possibly adverse effects and maintain customer relationships;
4. Integrating strategic planning and customer value management. Foss (2002) points out that the four stages are usually sequential, but not always so.

4.7 Technology in banking

Egan (2001) agrees that IT, if effectively used, has enormous potential for relation building. Advancements in IT allow a relationship-oriented management to store and manipulate information their customers to provide those customers a better service. Foss (2002) says that a lot of factors have conspired to result in the improvement of IT and the business in the financial sector, such as bank system. In the last few years, IT improvements and overcoming challenges; CRM systems integration programmers have put infrastructure issues on the business agenda provide effective platforms for enterprise-wide initiatives. If IT directors with the necessary backing and funding to rationalize their systems maps and unravel the spaghetti (to undo some sweater or something), IT with more rational architecture and platform, has been able to reduce the costs and ensure quicker and more effective delivery. (Foss 2002) The key growth area for IT services organizations is outsourcing. Outsourcing is the process of finding another organization to supply the buying organization with a product or service, usually one that was previously created in-house. (Dwyer, 2001) Outsourcing had introduced a transparency of costs and a financial discipline that transformed the relationship between the front and back office. Front-office personnel, who had previously been accustomed to having their own way, whatever the cost, became aware of the implications of their demands and started to enjoy the prospect of IT costs reducing instead of rising increasingly (Foss 2002). While evaluating long-term concerns about the cost, quality and delivery of service, IT directors have been able to raise the profile of IT within their businesses by delivering necessary business information. They can also increase their status within an organization. In addition to unlocking information assets and delivering them to a business, IT functions have also collaborated at strategic levels with the product development and customer service and sales in the financial services and markets sector (Foss 2002). A lot of large banks have been adopting information-driven customer acquisition and CRM, but at this stage few can show clear bottom-line rewards from this effort. However, a number of large banks in the USA, UK, Europe and Australia have invested in data warehouses and data-mining tools in the past few years. They have been building models of consumer-segment profitability and behavior, which help them target direct-marketing campaigns for the “right” groups of customers. They have been

analyzing and classifying consumer needs, assessing the risk of loss and trying to predict demand and delivery methods for various types of customers. They have been leveraging information for selling and for enhancing the effectiveness of new-customer marketing campaigns (Foss2002).

4.8 Future of CRM

According to Bose (2002) three trends are going to affect CRM in future. However, Bose emphasizes that “no one can predict the future with certainty”. The trends are presented below:

Extend CRM to channel partners:

CRM is already capable of integrating companies horizontally and vertically as long as the chain is a single firm. However, firms can benefit from increased sharing of information between each other (Bose, 2002). According to Papazoglou *et al.* (2000, quoted by Bose, 2002) unlike previous decades where enterprises prized independence, the next decade will be one of business alliances and competing, end-to-end value chains. Enterprise value chains comprised of powerful business alliances partners will exceedingly compete as single entities for customers. According to Bose (2002) CRM can provide a substantial competitive advantage to most firms. However, as more and more firms implement such systems, the advantages will begin to decrease. The next logical step will be to extend the technology to business partners within the product value chain in the expectation that sharing the information will make all channel partners more competitive.

Visual Tools:

Interpreting data and relationships between data can be difficult, especially while analyzing "soft" data such as consumer preferences and marketing effectiveness. New visual tools specifically for analyzing large data warehouses are now more widely available (Whiting, 2000). Previously, database administrators had to tediously pull names from the database using SQL queries. Most visual tools go quite a bit further than traditional OLAP (on-line analytical processing) technologies (Bose, 2002).

CRM Vendors Consolidation:

Integration of a complete CRM solution can be a difficult task given the large number of packages and the diverse vendors that IT managers must coordinate with. Waltz (2000, quoted by Bose, 2002) discusses the massive scale of vendor consolidation within the CRM industry. Every company is seeing the value of CRM. Companies offering "core technologies" such as Oracle, Lucent and Cisco, are acquiring or partnering with CRM specific vendors to ensure smooth integration of both hardware and software.

Chapter # 05: The Presentation Analysis

Questionnaire

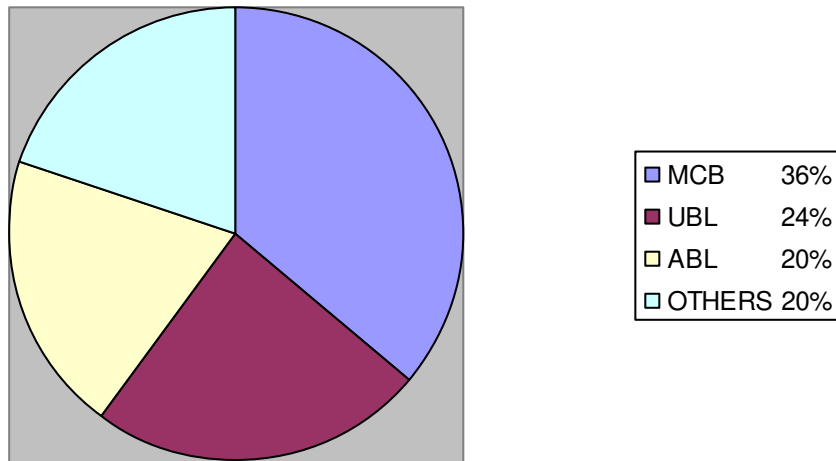
Graph

Findings

5.1 Question.

1. Which of the following bank do you use?
 - a. MCB
 - b. ABL
 - c. UBL
 - d. OTHERS Please specify_____

Graph.



Findings.

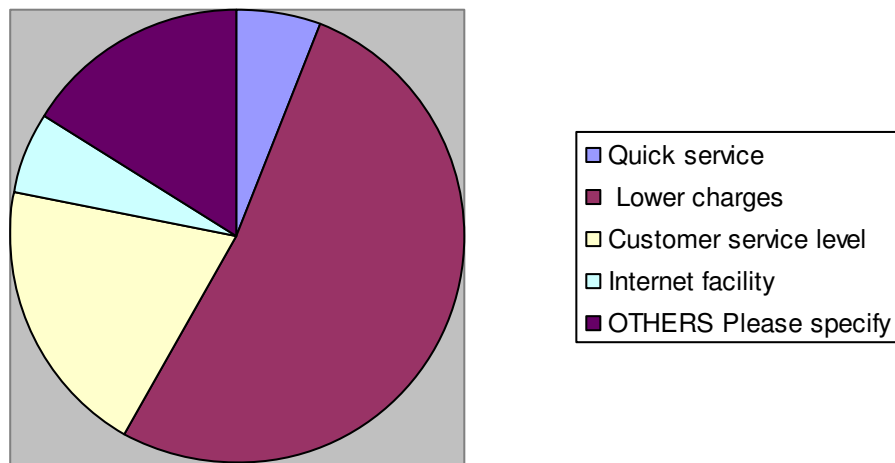
The sample size used in this research consists of "50 Questionnaire", and the above graph shows that 36% of questionnaires were filled by MCB Bank customers, 24% by UBL customers, 20% by ABL customers, and the remaining 20% by OTHER BANK customers.

5.2 Question.

2. Why do you prefer the particular bank?

- a. Quick service
- b. Lower charges
- c. Customer service level
- d. Internet facility
- e. OTHERS Please specify _____

Graph.



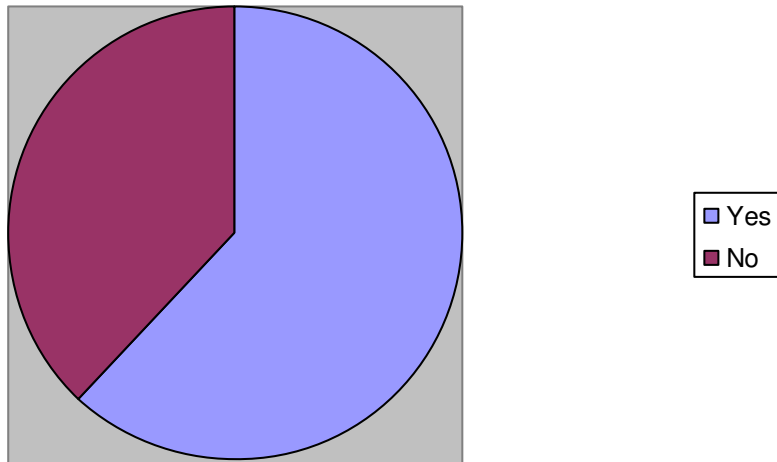
Findings.

On the question of preference the 6% bank customer says, they prefer the particular bank because of their quick services, 52% says lower charges, 20% says customer service level, 6% Internet facility, and 16% says others.

5.3 Question.

3. Have you ever use the customer service provided by your bank?
 - a. Yes
 - b. No

Graph.



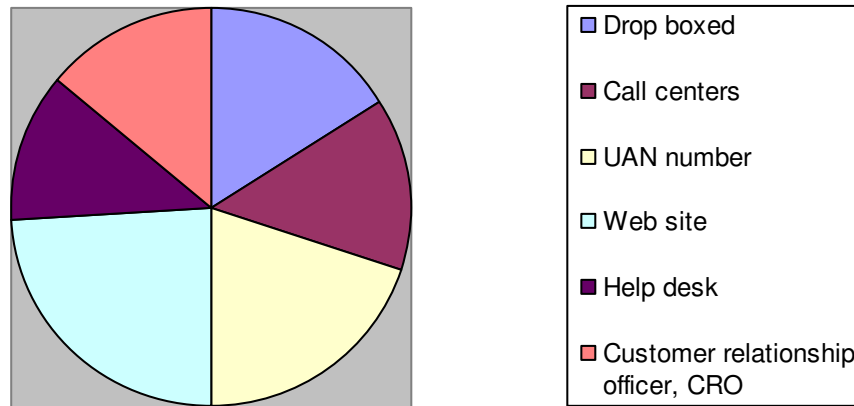
Findings.

The 62% Bank customer says they use the customer service provided by their banks, while 38% says they never use it.

5.4 Question.

4. Does your bank provide you the following services?
 - a. Drop boxed
 - b. Call centers
 - c. UAN number
 - d. Web site
 - e. Help desk
 - f. Customer relationship officer, CRO

Graph.



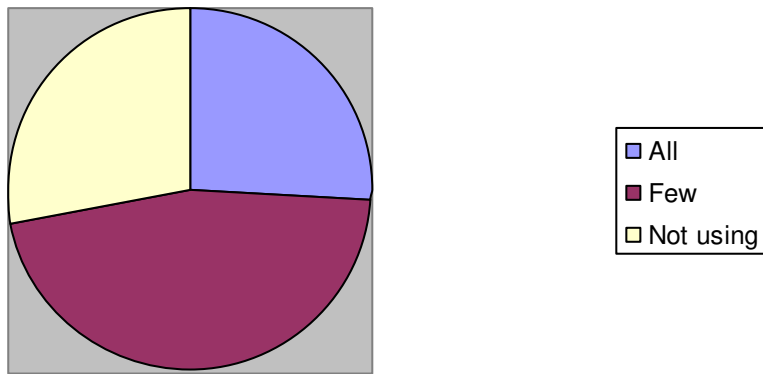
Findings

On the response of above question the 16% customer says their bank provide Drop boxes, 14% customer says their bank provide Call centers, 20% customer says their bank provide UAN number, 12% customer says their bank provide Help desk, and 14% customer says their bank provide Customer relationship officer CRO.

5.5 Question.

5. Which of the above-mentioned services do you use?
- All
 - Few (a, b, c, d, e, f)
 - Not using

Graph.



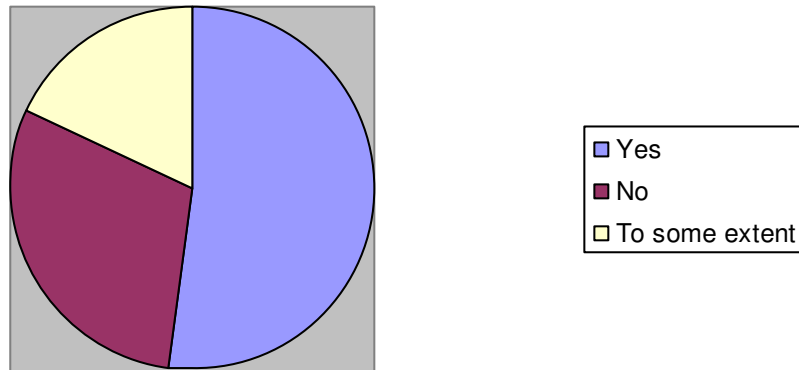
Findings.

The 26% bank customer says they use all the customer services provided by their bank when they face a problem, and other 46% customer says they use few customer support services, while 28% customer says they don't use any customer support service.

5.6 Question.

6. Are you satisfied with their services?
- Yes
 - No
 - To some extent

Graph.



Findings.

The 52% bank customers says they are satisfy with the customer support services provided by banks, and 30% says they are not satisfy, while other 18% customers says they are satisfy with customer services to some extent.

5.7 Question.

7. Any improvement that you want? Please recommend your suggestions.

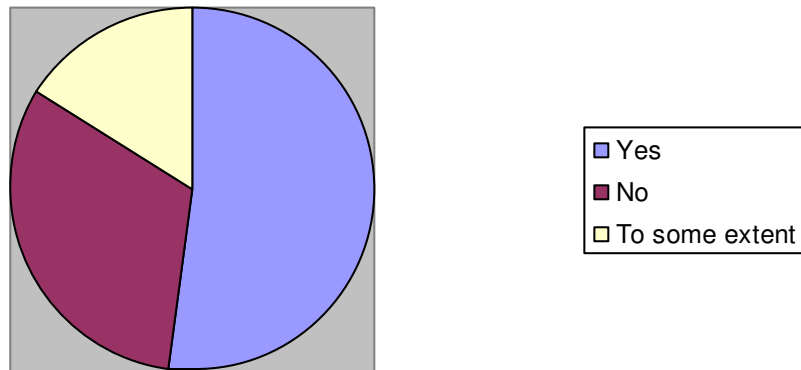
Findings.

1. Bank should increase timings
2. Improve their staff attitude
3. Increase efficiency in operations
4. Improve customer satisfaction level

5.8 Question.

8. Does your bank provide you with accurate information?
- a. Yes
 - b. No
 - c. To some extent

Graph.



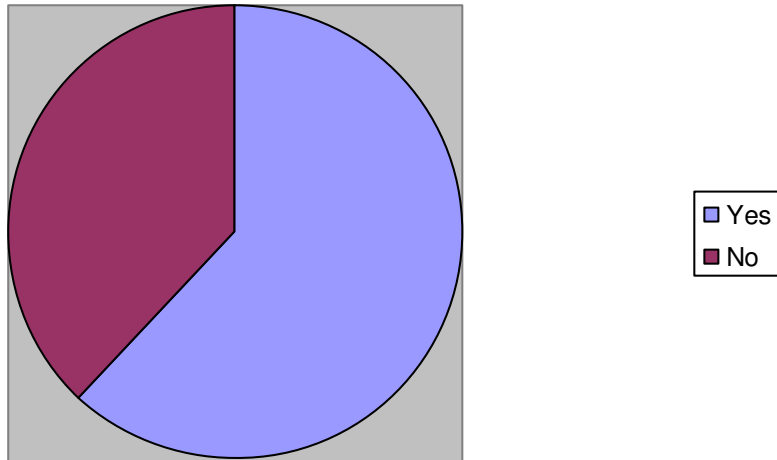
Findings.

The 52% bank customer says that their banks provide them accurate information on their queries, while 32% says they don't provide, and other 16% customer says they provide but to some extent.

5.9 Question.

9. Whether the bank resolves your complaint on first account?
- a. Yes
 - b. No

Graph.



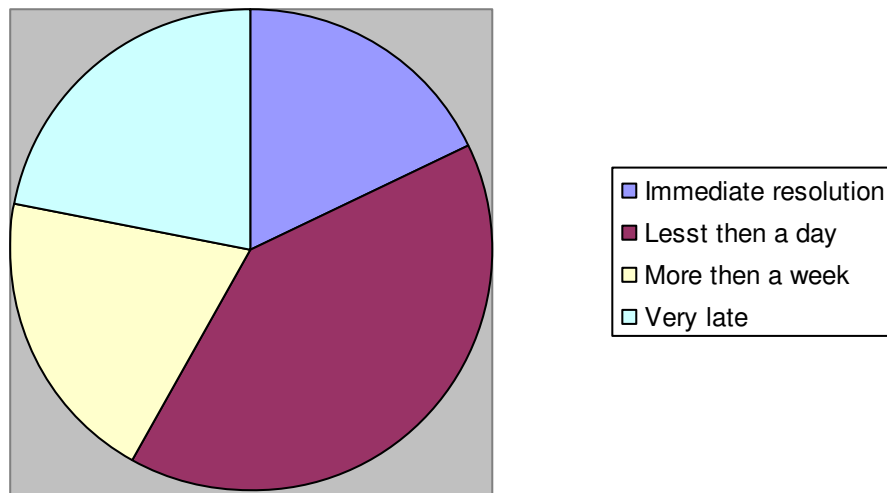
Findings.

The 62% bank customer says that their bank resolve their complaint on first account, while other 38% says their banks don't resolve their problems at first account.

5.10 Question.

10. How long did it take to get the problem resolved?
- a. Immediate resolution
 - b. Less then a day
 - c. More then a week
 - d. Very late

Graph.



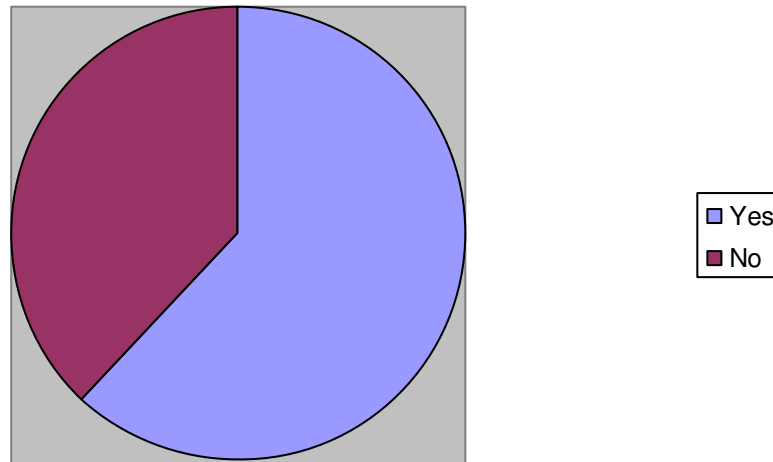
Findings.

The 18% bank customers says that their bank resolve their problems immediately, and the 48% says it take a day to solve a problem, while 20% says bank take more then a week to solve a problem, and other 22% says banks take too much time to resolve a problem.

5.11 Question.

11. Does the bank make the follow up calls to you to check weather the work is being carried out correctly or not?
- a. Yes
 - b. No

Graph.



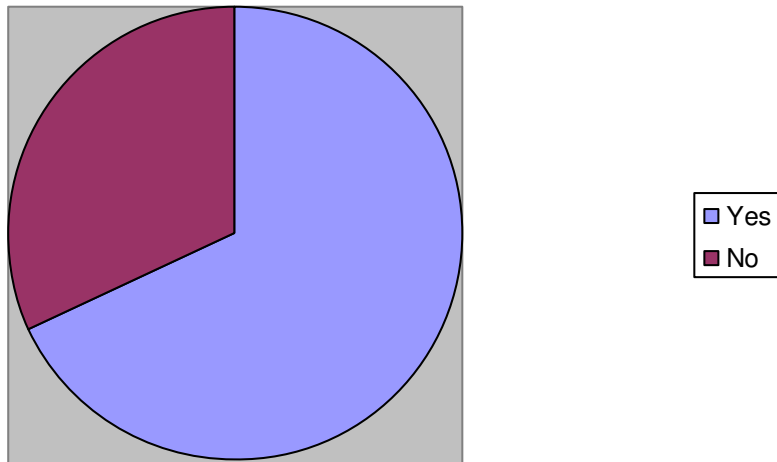
Findings.

The 62% bank customers says that their banks make follow up call to check either their problems are solved or not, and other 38% says banks don't make follow up calls.

5.12 Question.

12. Would you prefer to continue the same bank in future?
- a. Yes
 - b. No

Graph.



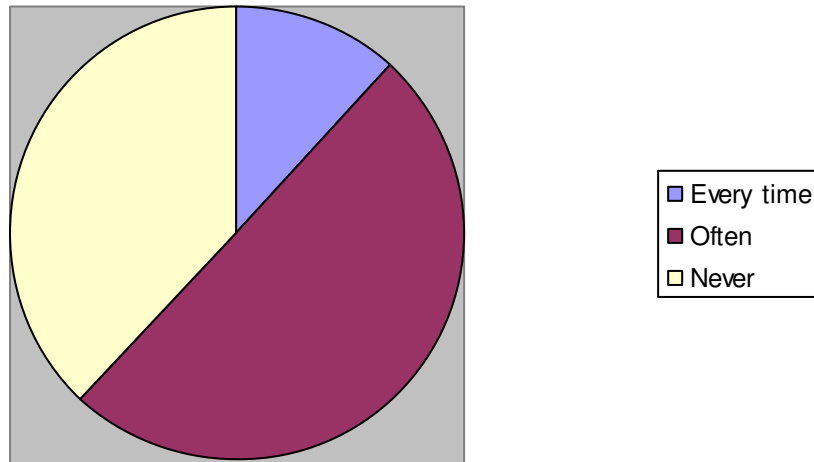
Findings.

The 68% bank customers says that they prefer to continue the same bank in future, while other 32% says they don't prefer to continue with the same bank.

5.13 Question.

13. How likely would you recommend your bank to your friends or colleagues?
- a. Every time
 - b. Often
 - c. Never

Graph.



Findings.

The 12% bank customers says that they every time recommend the same bank to his/her friends and colleagues, while 50% says they often recommend the same bank, and other says they never recommend.

Summary of interviews:

The findings of interviews shows that managers are aware of the term and concept of Customer relationship management, they are trying to convert their organization into a customer centric organization rather than product centric organization. They tells the researcher they are doing their best in providing customer support services to satisfy and retain their profitable customers. When the researcher asked the question that why people thinks that local banks are not providing good service, so bank officers reply no that is not right our customers are satisfy with our products and services, the phenomenon of dissatisfaction arise when people compare us to the foreign banks with out considering the realities that foreign banks have few numbers of branches, charge high charges on transaction, cater only rich peoples, their minimum account opening is 50,000 rupees, most of their customers are literate and know how to use technology. Instead of this we have large network of branches, open account with least amount i.e. Rs500, and cater all people who have the ability to open a bank account, most of our customer are not literate and don't know how to use technology. There was another factor because of which people are not satisfy with our services that was previously we were working under public sector that destroy our image in peoples mind, but now we are working under private sector and now we are doing all our best to satisfy and retain the customers.

Chapter # 06: The Closing Up

5.1 Summary of findings

5.2 Conclusion

5.3 Recommendations

6.1 Summary of Findings:

- The charges of local banks are low said by most of the customers as compare to foreign banks, and this is the major reason, they prefer the local Pakistani banks.
- The local banks are providing all type of customer services such as call centers, customer's relationship officer, and online banking etc. to establish and maintain good customer relationship.
- The findings also tell the researcher that the customers are frequently use customer services provided by the banks and are satisfy.
- Most of the customers said they are satisfy with the services provided by local banks, and through these services they can resolve their problems whenever they face any problem in any transaction or about any policy or scheme which is not clear to them.
- As we have found that local banks are now providing good customer support services and because of these services customers says now they can get full, accurate and reliable information on time or when they need any information they can get it through call centers, customer relationship officers etc. without any cost.
- Because of their good customer relationship services banks are now able to resolve customer complaints as quick as possible to satisfy their customers said by most of the customers
- Most of the local bank customer says now the local banks are also effective and cares the customers and make follow up calls to know weather their problems are solved or not.
- Because of their good customer relationship management now the local bank have a large number of satisfy customer which says that they want and prefer to continue their dealings with local banks in the future.

- The above summary describe the fact that our local Pakistani banks are doing well and satisfy their customers by providing good and effective products and services, and now they are able to compete with foreign banks.

6.2 Conclusion:

In this study there are many findings. Firstly, banks know the term CRM very well. Secondly, banks have implemented CRM processes that are a condition of being a Customer centric organization. Thirdly, banks have integrated technology with the business process in a very good way and exploiting technology for becoming true customer oriented. Fourthly, the banks are following the CRM organizational structure, different banks have given different designations but they are doing the same work. So when we talks about financial institutions especially local Pakistani commercial banks most of us says we are not satisfy with their services without knowing what services are they offering. In this research the researcher has found that the local banks customers are satisfy with local banks services.

6.3 Recommendation:

1. Start with a clear vision of a customer-centric, as opposed to a product-focused approach
2. Hire qualified professionals that increase the reputation of the banks.
3. Provide trainings to the current employees to improve their attitude.
4. The local banks should improve their image in customer perception.
5. Retain business focus—don't get distracted by the technology
6. Recognize that multiple steps may be required to move from the current state to the ideal
7. A marketing warehouse infrastructure must exist for any serious CRM initiative.
8. Banks must realize the term CRM in its broader term. No doubt personal interaction, marketing and sales are the right view of CRM but CRM includes a lot more than that. In its vital sense CRM includes persona interaction, marketing and sales, IT, customer knowledge, people, process and technology. There can also be some other dimensions of CRM. Banks not only just concentrate on one

segment of CRM, but by using a mix of different elements they can get a real customer oriented services, with a long term relationships.

9. Customer is only loyal when the bank have the through understanding of the customer's requirements, if banks don't have enough information about customer, it is impossible to understand customer's business problems. It is recommended to keep on tracing the customer and get through knowledge about customer's problems.
10. CRM is not just a technology or some sort of equipment to buy and implement it, it is a total philosophy. To implement the sole of CRM it is recommended to make changes in each and every department and from top to bottom management. The whole organization organized according to CRM requirements.
11. Every one working in the organization must have a very clear goal in mind; the whole organization must be working as a single unit. It is not affordable that the higher management is looking CRM as marketing and sales and middle management looking towards personal interactions and so on. At every level CRM definition must be very clear, here definition does not mean by few written words, but it's sole. Why we are sitting in the market? Who are our customers? Why to make contact with them? How to make contact? How to make it long? How to make customer satisfied? How these satisfied customers make to come again and again? These and other questions must be very must clear in every one working in the bank.