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BANKS AND CRM

THE UNMET CHALLENGE

CUSTOMER RELATIONSHIP MANAGEMENT IS A POWERFUL MARKETING TOOL BUT MANY BANKS HAVE YET TO DISCOVER THE KEY TO SUCCESSFUL IMPLEMENTATION.

Competition in the financial services industry has intensified in recent years, owing to events such as technology changes and financial industry deregulation. Conventional banking distribution has been gradually supplemented by the emerging use of electronic banking. Many bank customers prefer using ATMs or a website rather than visiting a branch, while technology has also reduced barriers to entry for new customers.

Today, customers have more power in deciding their bank of choice. Consequently, keeping existing customers, as well as attracting new ones, is a critical concern for banks. Customer satisfaction is an important variable in evaluation and control in a bank marketing management. Poor customer satisfaction will lead to a decline in customer loyalty, and given the extended offerings from the competitors, customers can easily switch banks. Banks need to leverage effectively on their customer relationships and make better use of customer information across the institution.

CRM – a powerful tool

CRM is a powerful management tool that can be used to exploit sales potential and maximise the value of the customer to the bank. Generally, CRM integrates various components of a business such as sales, marketing, IT and accounting. This strategy may not increase a business's profit today or tomorrow, but it will add customer loyalty to the business.

In the long term, CRM produces continuous scrutiny of the bank's business relationship with the customer, thereby increasing the value of the customer's business. Although CRM is known to be a relatively new method in managing customer loyalty, it has been used previously by retail businesses for many years.

The core objective of modern CRM methodology is to help businesses to use technology and human resources to gain

a better view of customer behaviour. With this, a business can hope to achieve better customer service, make call centres more efficient, cross-sell products more effectively, simplify marketing and sales processes, identify new customers and increase customer revenues.

As an example, banks may keep track of a customer's life stages in order to market appropriate banking products, such as mortgages or credit cards to their customers at the appropriate time.

The next stage is to look into the different methods customers' information are gathered, where and how this data is stored and how it is currently being used. For instance, banks may interact with customers in a countless ways via mails, emails, call centres, marketing and advertising. The collected data may flow between operational systems (such as sales and stock systems) and analytical systems that can help sort through these records to identify patterns. Business analysts can then browse through the data to obtain an in-depth view of each customer and identify areas where better services are required.

CRM and banks

One of the banks' greatest assets is their knowledge of their customers. Banks can use this asset and turn it into key competitive advantage by retaining those customers who represent the highest lifetime value and profitability. Banks can develop customer relationships across a broad spectrum of touch points such as at bank branches, kiosks, ATMs, internet, electronic banking and call centres.

CRM is not a new phenomenon in the industry. Over the years, banks have invested heavily in CRM, especially in developing call centres, which, in the past, were designed to improve the process of inbound calls. In future, call centres will evolve to encompass more than just cost reduction and improved