Customer Relationship Management in Romanian Banks

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Abstract

Nowadays, banks noticed the importance of the CRM systems and started to implement them according to their strategy. Customer relationship management solutions help banks to raise their number of clients, retain existing ones and grow their customer lifetime value. The paper highlights the measures that banks should take in order to enhance the performance of CRM.

Customer relationship management in the banking system represents a research step in an interdisciplinary area of maximum interest. The subject is very important for researchers, as well as for bankers.

The research about the customer service in the banks measures the customer satisfaction and tries to identify the main problems that the banks are facing with and the future of CRM in banking using the new technologies.

1. Introduction

Customer relationship management represents an important subject for researchers in the last decade, both the technological processes and the activities of the CRM, but also the factors that drive to the success of CRM applications and the way that CRM influences the performances of an organization.

Internet and new information and communication technologies (NICT) are used both by companies and their customers. This is the reason why the CRM strategy evolved to e-CRM. Many companies tried to find out how the new technologies help the CRM to enhance the performance of a company.

The IT companies use the term CRM to describe the software applications that automates the marketing functions, sales functions and also the services from the specific business segment.

The management-marketing studies consider CRM much more than a technology. This concept can be analyzed with an extended perspective, understanding the strategic vision and the value of the clients.

CRM can be a strategic instrument for improving profitability, the operation efficiency and also the ROI of the marketing. CRM can also be a philosophy of doing business or the manner we can develop the organization. The CRM considers the client the center of a business, the most important factor and orientates the marketing policy in this specific way.

Nowadays, CRM is used by the companies which follow two different aspects: customer relationship service (CS) and technology. There are three business sectors that count on CRM and use it in their advantage: financial services, high-tech companies and the telecommunications industry.

The paper presents the concept of CRM and its evolution, implementation of the CRM in banks, types of CRM instruments used by the banks, CRM in the Romanian banking system and a research that evaluates the call-center service of the banks.

2. Theoretical background. The evolution of the CRM

The concept of customer relationship management appeared in the IT suppliers' community in the middle 90s. Initially, the term CRM was about implementing an IT application in order to solve problems in a specific department of the organization. This approach was limited because it defines the CRM applications as "IT solutions oriented in automating some processes that take place in the sales department or the marketing department and which are independent one to another." (Filip, A., 2011)

The researchers believe that the 90s indicate the transition from transactional marketing to relationship marketing (figure no.1). At the same time, "orientation on a high number of transaction on short term started to change gradually and is being replaced by the philosophy of promoting the medium and long term relationships, with all the persons and organizations that have a direct or indirect involvement in the company activity." (Bălan, C., 2007)

Figure no.1 Transition from transactional marketing to relationship marketing
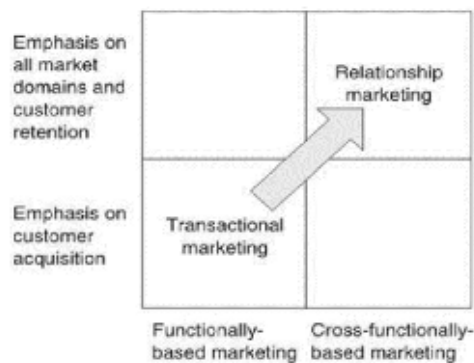
Source: Payne (2005)

According to Philip Kotler, the organizational performance is built on a relationship (Kotler, 1992). Kotler emphasizes the importance of developing stronger relationships both with customers and suppliers. Moreover, the relationships between employees and the syndicates, governmental organizations and other important entities from their business sector, must be followed up.

In the academic environment, the relationship marketing and CRM are often used with the same meaning (Sheth and Parvatiyar, 2001).

CRM aims to attract and retain profitable customers, through the development of long-term relationships and by stimulating customer loyalty. The progresses made in the field of information technology contribute to the development of strategies for managing relationships with each client in a unique, personalized way.

We propose a definition of CRM, representative for the banking system, namely: CRM is a business practice that involves strategy and operations in an integrated effort to improve customer relations through optimized sales, marketing and related services, which should to lead to increased customer satisfaction and loyalty.

True customer relationship management begins at the beginning of this century. Software companies have implemented new advanced solutions, customized on industrial branches, which helps us to use information in a dynamic way. Instead of storing information in a static database, CRM has become a way to understand the needs of customers and their behavior.

The emergence of the Internet has been an important factor in the development of these huge databases because it allows the storage of external information. Companies were having a hard time storing the large amounts of information they held, and CRM came to their aid, relying on the new possibilities that the Internet offered.

3. CRM in banking system

The process of globalization and liberalization had an influence on the banking sector. In banks, customer service should not only be considered a functionality, but should be included as a mission of banks. The success of a bank depends on how much it satisfies the needs of its customers. Thus, banks should be customer-oriented in order to survive in the competitive banking environment.

In the banking sector, the content and specification of the product are very high, and the transfer of information and operations are done with specialized tools: cards, internet-banking, mobile-banking and payment systems.

Today, companies cannot afford to ignore customers' needs for electronic devices if they want to maintain and expand their portfolio. Banks are growing rapidly and feel the need to keep their customers, in this competitive market. Thus, they chose to implement e-CRM. They have developed web pages that allow customers access to their services. Customers can authenticate themselves and find solutions to their problems without sending an email or calling. Financial institutions have combined data from across the organization so that when customers use the call centers, the representatives have the information they need. Banks pay special attention to the cyber needs of their customers and reward their customers by solving their needs.

Customer relationship management is one of the biggest challenges for the banking sector. Therefore, CRM is accustomed to receiving customer data, customer satisfaction levels, customer loyalty, long-term services, customer retention, identifying potential customers for their bank, identifying non-profitable customers.

In the work of Onut et al. (2006), the authors discuss the use of CRM in the bank, using technology and human resources to better understand the behavior of customers and focusing on the value of these customers.

Romanian banks select their clients based on the information provided by CRM. Each receives different facilities depending on its history with the bank or the profit they generate. In general, top customers are treated differently and have benefits and better facilities. Banks are divided into two main divisions: physical persons and legal entities (companies).

4. Romanian banks and customer relationship management

In 2011, the consultancy company named Ensight Management Consulting made a study that shows that most of the Romanian banks use CRM solutions that are developed in-house, mainly because of the costs. Smaller banks cannot support the cost of an external CRM solution, sometimes they can implement just some modules or isolated CRM applications. The big banks use international CRM suppliers.

Most of the Romanian banks use an IT system made by their own department. This means the architecture of the data bases and their centralization that future data that will be stored, are internally made by the IT department of the bank. Because of the complexity of CRM systems and the new technologies integrated, banks opted for CRM solution offered by specialized suppliers.

A small research on the marked emphasized that, information collected from customers through their interaction with the bank using different channels such as the branch, call center, ATMs, internet banking, it is stored in the central data base. This information can pe easily accessed by each department(sales, marketing, call-center) of the bank at any time. All the information about clients is updated continuosly, every time it is needed. At least once a year , customers ae asked to fill an update form with their data.

Depending on the type of client, legal entity or individuals, banks in Romania offer a variety of services and products. Of course, legal entities and individuals are managed differently, with different products and services, depending on the value they bring to the bank. Thus, in the Romanian banks, the customer relationship counselor deals with individuals, while the customer relations manager deals with the legal entities. In addition to the employees in branches that offer all the support for maintaining customer relationships, call centers have an important role.

In Romania, almost every bank has a call center where clients express their requests or dissatisfactions 24/24h. Due to the increased competitiveness of the banking sector, of the increasingly demanding customers, it is necessary to have a call center within the banks in order to

provide information quickly. Initially, the call center was created because of the need to supplement the staff of the banks headquarters, who could not cope with the requests coming from the customers. On the other hand, for both individuals and legal entities, it is easier and more convenient for them to solve their problems over the phone, than to go to the branch office. Currently, with the advancement of the technology, the operators of the telephone service of customer relations, can solve several requests, and can offer more information about account, credit, card, mortgages, related services of online banking, etc., they are very good prepared. In short, customers can benefit from most of the facilities offered by the branches, only by calling the customer service.

When we talk about operations with the help of new technologies we refer to ATMs and e-CRM facilities: internet banking, mobile banking, SMS alerts. There was an increase in the number of users of the new technologies: the ATM and multifunctional ATM service (self-banking), as well as the online banking service. Generally, in Romania, the traditional ATMs are used the most, the customers prefer to perform classic cash withdrawal or balance check operations, although the new multifunctional ATMs offer various services such as: cash deposit, invoice payment, phone card loading, card activation, PIN code change. , exchange currency.

To conclude, there is a very large ATM network in Romania, available in public places where customers can benefit from services without being commissioned. Banks are interested in upgrading and updating the software installed in these ATMs, and these machines are permanently monitored to make sure they work properly. Regarding the use of eCRM banking, it is observed that more and more customers use these services, the number of users increasing year by year. Most banks in the Romanian banking system offer electronic CRM services, and many clients benefit from them on a regular basis. The most popular in Romania are: internet banking and mobile banking. The banks are concerned about the security of the services offered and constantly update them to avoid fraud and to keep their customers satisfied. Phone banking services are not very popular in Romania, and the alerts via mobile phone messages are used by some users for a fee.

The research shows that banks` tendency is to use CRM systems and to improve them in order to keep their customers loyal and increase their retention rate, in order to successfully meet the clients' needs and also to increase their revenues. More and more banks are using new technologies such as: internet banking, mobile banking and multifunctional ATMs, and in the future, with the evolution of technology, these digital banking solutions will replace the traditional ones, but will not eliminate them completely.

5. Research methodology

The evaluation of the call-center service was made using a questionnaire consisting 21 questions. The sample has 62 respondents. The study wants to identify the bank with whom the subject collaborates, the way in which he prefers to carry out operations or to solve his problems in relation with the bank and the evaluation of the call-center service on the problems encountered, the response time, the training of the staff, the courtesy of the employees, the perceptions about the use of the customer call- service, in order to be able to identify the level of customer satisfaction.

The research evaluates the satisfaction of the clients regarding the call-center service by calculating the Net Promoter Score (NPS).

The NPS is calculated using the following formula:

$$NPS=\% \text{ promoters} - \% \text{ detractors}$$

On a scale from 1 to 10, the clients who give a grade below 6 are considered detractors, the ones with marks of 7 or 8 are considers passives, and the ones who gave a grade above 9 are considered promoters of the bank.

NPS can be used to predict the future of the business, if it is growing or not. When the levels of NPS are high, or above average, we can say there is a strong and healthy relationship with the customers, that can become promoters for the bank, using the word-to-mouth method, which is probably the best advertise for the company.

6. Findings

From the 62 respondents, most of them declared that they use the services of the ING Bank (19 respondents), Transilvania Bank (18 respondents), BRD (11 respondents). We can conclude that people prefer more and more the banks that focus on technology and innovation, the banks that offer good digital banking services and use the artificial intelligence in order to keep their customers happy.

Regarding the response time of the customer service representative (CSR), the majority (66,1%) answered that they got in touch with an operator in more than 6 minutes, the ones that got in touch with an operator between 1-5 minutes are 29% of the total. Only 4.8% of the respondents said that the CSR answered in less than one minute.

The courtesy of the CSR is evaluated by the respondents: the majority (46,8%) agrees it is according to expectations, 27,4% over expectations, 6,5% well over expectations, while 19,3% were dissatisfied about the courtesy and friendliness of the CSR.

When we look deeply into the promptness of the call-center service, it is obvious the dissatisfaction of the clients: 67,7% evaluated the service below expectations and 12,9% well below expectations. Only 8 respondents out of 62, which means 12.9% declared that the rapidity of the service is according to their expectations and just 4 out of 62 (6,4%) were pleased with call-center speed.

The majority of the clients were disgruntled with the customer service offered by the banks. Therefore, 83,9% answered below expectations or well below expectations.

Figure no.2 NPS score
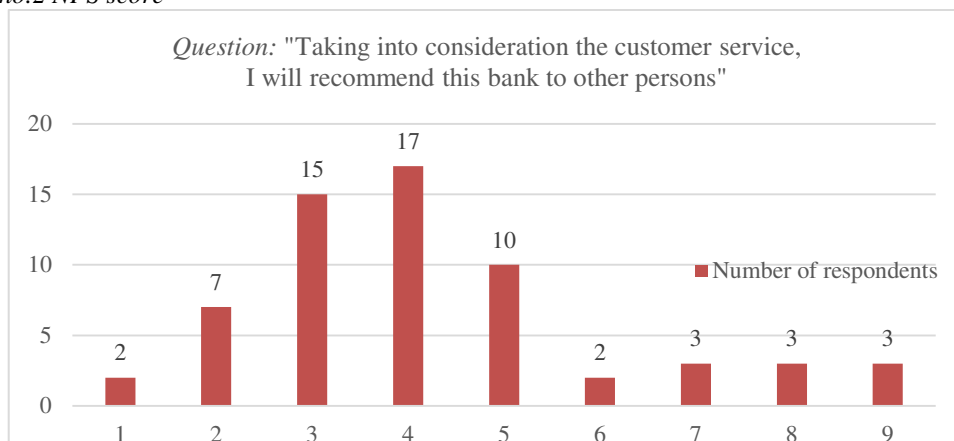
Source: Authors' contribution

In figure no.2 we can observe the grades offered by the respondents (from 1 to 9). They are very low, the clients expressing their dissatisfaction with the call center and the customer service. The mean of the grades given is 4.24.

We can calculate the Net Promoter Score to analyze the clients` loyalty and to measure their satisfaction regarding the banking services.

Customers who scored below 6 are considered detractors - we note that there are 53 subjects that fall into this category, representing 85% of the total.

Those who scored 7 or 8 are considered passive - we note that there are 6 subjects that fall into this category, representing about 10% of the total.

Those who scored above 9 are considered promoters - in our case only three people scored grade 9, no one scored grade 10, accounting for 5% of the total.

Net promoter score = promoters% -detractors% = 5% -85% = -80%

This negative score is worrying for banks in Romania, generally a score of 50 is considered an excellent score, while a score of over 70% is above expectations. This negative score means that, banks are losing a large number of potential customers because of customer dissatisfaction with customer service, and banks should take the attitude and make changes as quickly as possible. To

improve the performance of the customer service telephone service and the customer communication channels is changing their strategy, on a customer centric one, and also banks should learn that keeping their customers satisfied brings many benefits.

In terms of service availability, most banks offer 24/7 customer service, although the operators available at night shifts are not sufficient, or cannot resolve all customer requests and redirect them to another operator available during the working hours, usually between 9 and 17h.

When asked to evaluate the behavior and communication of the call center operator, the subjects expressed their satisfaction with an average score of 7.6. Of the 62 subjects, 16 gave a grade of 7, 13 gave a grade of 8, 11 gave a grade of 9, and 9 gave a grade of 10, a total of 79% gave notes over 7, while grades below 7 but not lower than 4 were 13.

When conducting a transaction, customers prefer to use the new technologies from the bank 75.8%, and just 24.2% said they opt for physical contact and prefer to go to a branch.

7. Conclusions

The sample analyzed believes that the call-center services or the customer contact centers are not satisfactory, especially the response time and problem solving times being too large.. Poorly calculated Net Promoter Scores demonstrate that low-scoring clients are likely to leave the organization. When customer dissatisfaction is correlated with low or negative NPS scores, customers can generate negative feedback for the organization. With this information, the responsible teams for managing customer relationships can improve communication channels and can generate higher revenues for the company.

The complexity of the activities that are conducted by the banking companies leave a series of particularities on the information technology, leading to the creation of a different category – informational banking system. People tend more and more to use new technologies and digital application, using the self-service applications that the banks offer. Therefore, banks should take into consideration the implementation of electronic CRM applications using the information from the new online channels offered by the banks.

The topic is analyzing a current issue, having a major interest in the financial-banking environment, the integration of CRM systems with the strategy of banks represents the most important approach, which banks adopt in order to remain competitive in the market and to adequately meet the different needs of customers. The global development and innovation of IT applications influence the strategies of the banking institutions, which require the use of new technologies and the digitalization of banking.

Storing customer information using CRM, analyzing data, helps banks create patterns and segment customers based on the profitability they generate. Focusing only on profit, banks can opt for customer loyalty, but at the same time they may lose a segment of customers that can become profitable in time by using custom CRM campaigns.

As technologies continue to develop, with a general database of online customers, companies must try to take advantage of the opportunities available, in order to provide benefits in the eCRM digital market. Regarding these strategies, there is a continuous need to examine how companies turn their profit invested in eCRM technologies into advantages. The role of eCRM in the development and management of multiple channels is an issue for which, surely, more research will be done.

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