

## Customer Relationship Management (CRM) in Banking System

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**Abstract:** In past years, banks of country have not considered customer-centering and its components due to different social and economic problems and dependency of banks on the government and more important due to excess of supply on demand, then couldn't use modern marketing well. People don't have any motivation to go to banks since that no one considered them and their needs and also because all branches of banks offer same services. So, they have to go to banks just to supply basic needs and in other words it can be said that now customers offer service to banks not banks to customers. According to environmental changes we will face, banks should consider some issues beforehand such as equipping themselves, recognizing customers' expectations and needs, and even market condition, because each bank which can recognize these needs and meet them sooner than the competitors will be success in this competition. In this article it was tried to assess role of Customer Relationship Management and its weakness and strengths in Banks of Iran then finally some recommendations are offered in order to modify and improve quality of services in Bank.

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### Introduction:

One century ago and before Super market, market and automobile evolution, people went shopping from public markets next to their houses. Retailers knew customers by name and were aware of their needs. Customers also kept their loyalty to those markets and repeated their shopping. This ideal relation with customer was changed by economic growth of countries, migration to cities from villages and increase in competition, then the customers were more dynamic and many chain shops and supermarkets were built in result of Benefit due to mass marketing. In such conditions the prices were low, quality of goods was high and similar but customer relationship was established without name and personal confrontation.

Consequently, customers were disappointed and inclined toward those suppliers who offer intended goods and services by lower prices and by most desired specifications. In current years and after occurred revolutions in the field of IT, we have seen rise of Customer Relationship Management concept (CRM) as an important approach in business, which its intent was to refer to individual marketing. This is a simple concept which states that different customers claim different productions and services

and we should seek to market each individual customer instead mass marketing. In this person to person approach, data obtained from each customer (such as previous purchases, needs and requirements) will be used for framing used goods and services which finally increase probability of acceptance. This approach is the result of progresses in the field of IT. Necessary and basic point which should be noted here is that CRM means Customer Relationship Management not customer relationship marketing.

Management includes more extensive concept than marketing and contains production, human resources, management, services, selling and inspection and development thus CRM requires organizational approach over all levels of business that should be customer-centering for conducting business not for simple strategy of marketing. CRM includes all functions of organization (marketing, production, customer services and etc.) which requires direct and indirect contact with customers.

Transiting from traditional economy and removing geographical borders for business and consequently increased competition caused that the customer as basic component being represented as central focus of bank activities. In other words, marketing is now in its evolutionary path it means that

finding new customers isn't its only goal and the main focus is on the demand management through growth and directing customers toward loyalty ladder of Banks.

Nowadays, customers' satisfaction isn't sufficient for them to be loyal to banks and in addition their confidence also should be established. In this communication, the aim is to establish long-term and mutual connections with bank stakeholders and specifically the customers so that more customers being maintained and less leave bank and the result is more market share and profitability for bank [2].

### **Definitions for customer relationship management:**

CRM includes three main components: customer, relationship and management. Here customer is final user who plays role of supporter in value-maker relationships. Relationship means to establish more loyal and beneficial customer through learning communication and finally the management means creativity and leading one customer-centering business process and putting customer at the center of processes and experiences of organization.

Today, strategic importance was given to Customer Relationship Management in organizations. In hard competition conditions, on time and organized relationship with customer is the best way for increasing customers' satisfaction, increased selling and decreasing costs as well. According to this, CRM is considered as kind of commercial strategy [1, 3].

To recognize customer; factor for strengthening relationship:

Previous ideas about customer relationship considered CRM as a factor for satisfying customer, in other words this assumption existed that when customer face with best type of services will choose it and won't refer to other competitors, in simpler words customer satisfaction which is the result of service quality equals customer loyalty.

But the fact is that customer satisfaction isn't always equal to loyalty and there are some probabilities as following:

- About 40% of satisfied customers change their selections without any reason and doubt.
- Between 65% through 85% of customers that select new manufacturers claim that satisfied with previous selections and had no problem.
- 85% of satisfied customers however incline to other manufacturers.

### **Certain services for specific customers:**

Customers' data gathering process for providing preliminaries of recognizing customers usually face with certain issues. Naturally, question-answer process by organization will create some considerations about customers' privacy and shared area. This question will be presented that how we can collect customers' databank without any violation. In other words aim of accessing to planning goals of customers databank is presence of confidence in data security and organization trusteeship is considered important by customers. At the other hand it can be said that all customers also won't affect organization in a same way and certainly attracting key customers' satisfaction contains higher sensitivity.

In psychology perspective, customers are classified to 4 main groups:

- 1) Loyal customers: those who recognized organization services totally better than other organizations
- 2) Relatively loyal customers: those who recognized these services a little better than other competitors
- 3) Unfaithful customers: those customers who didn't recognized organization services better than other competitors
- 4) Loyal customers of competitors: those customers who recognized competitors' services totally better than organization services.

So it is necessary to plan and implement efficient system for attracting and keeping key customers in addition to recognize each group of customers so that especial program being planned and finally organization can change lower customer groups to higher ones during evolution process of this communication.

Establishing loyalty is process which will be created through progressive process. Yet, certain services are offered in order to keep key customers.

### **Goals of CRM:**

Goals of CRM in Noll's perspective:

Noll (2000) stated that key point of CRM is to identify things that make value for customers, then offering them. In this perspective, while customers held different attitudes toward value but there are many ways to satisfy them. So the goals of CRM are:

- Identifying certain values of each part of customers
- understanding relative importance of those needs for each customer part
- Determining whether offering such values will be effective in positive way

- Communicating and offering suitable values of each customer in a way that they want to receive data
- Measuring results and proving efficiency for investment

Main goals of performing CRM in financial institutes and banks are:

- 1) Identifying certain values of each part of market and customers
- 2) Offering customers desired values in their requested way for receiving data
- 3) Dividing different parts of market and improving process of target customer relationship
- 4) Increasing income obtained through commission fee for delivering services
- 5) Increasing satisfaction and customers loyalty
- 6) Optimizing canals for delivering services to customers
- 7) Attracting new customers based on obtained experiences with previous customers
- 8) Obtaining customers comments and interests in order to optimize strategy and operation process

#### **Strength and weakness points of CRM in Iranian banks:**

Strength points:

- 1) Saving in time
- 2) Offering services fast and accurately
- 3) Improvements in staff treatment with customers
- 4) Offering certain services to key customers
- 5) Offering consultation services
- 6) Having databank of customers' history
- 7) Increased profitability
- 8) Increased customers satisfaction level
- 9) Establishing useful and mutual communication
- 10) Increased customers' values and greatness

#### **Weakness:**

- 1) Time consuming and costly
- 2) Lack of accepting CRM implement by managers, personnel and customers
- 3) Lack of proper infrastructure for implementing CRM
- 4) Time and place conditions of branch which affect possibility of customer access to bank
- 5) Offering certain services with higher quality by peer banks
- 6) Presence of unfaithful customers and presence of loyal customers of peers

#### **Conclusion:**

CRM system can help to keep current customers and attract new ones. One of the most important customers' expectations from banks is speed and decreased waiting time. Obtaining customer and keeping them aren't easy task. Clerks of bank consider bank services asker as client not customer and if customer being considered as client such as many organizations, so personnel know them who need to clerks and treat in every way they want and even they don't answer them, and never people's confidence means customers who are sources for obtaining profit. Whenever we consider them as customer whom our life depends on them, so marketing and ways of dividing market will finds meaning. In banking system, customers are at main focus and all jobs will be done to satisfy them and attract them. Therefore, those banks will be success in computational space among banks, who can gain more customers loyalty. At the other hand, according to more sensitivity of customers against service delivery by banks, they always ask better services.

#### **Suggestions:**

- 1) Establishing data bank of key customers: preparing one data bank of fixed and key customers history
- 2) Offering extensive and needed educations to bank personnel (especially to cashiers) about how to treat customers : cashiers are personnel of bank frontier so it is necessary to educate them when face with customers in certain circumstances
- 3) Use active experts personnel in banks
- 4) Use more developed and advanced equipment
- 5) More control personnel performance
- 6) Establishing workgroups and/or committee which deal with customers' demands and complaints which requires time and investment
- 7) Imagine yourself as a customer in order to better understand his/her type of feeling

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