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REVIEW OF LITERATURE ON CUSTOMER RELATIONSHIP MANAGEMENT OF COMMERCIAL BANKS

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Abstract: An institution which accepts deposits, makes business loans, and offers related services. Commercial banks also allow for a variety of deposit accounts, such as checking, savings, and time deposit. These institutions are run to make a profit and owned by a group of individuals, yet some may be members of the Federal Reserve System. While commercial banks offer services to individuals, they are primarily concerned with receiving deposits and lending to businesses. Bank that offers a broad range of deposit accounts, including checking, savings and time deposits and extends loans to individuals and business. Commercial banks can be contrasted with investment banking firms, such as brokerage firms, which generally are involved in arranging for the sale of corporate or municipal securities.
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Introduction: Contemporary financial service industry has become highly dynamic and turbulent, with many changes in form of new regulations, changed consumer behavior, increased usage of information and communication technology and intense competition (Lymperopoulos et al., 2013; Heinonen, 2014). Banks have to invest great eforts to create added value and one way to do that is to generate and support the development of long-term customer relationships that provide greater value than the value provided by the banking product itself. Building of any added value is hard to achieve nowadays since competitors' activities, which are often very similar, erode added value of any business (Zineldin, 2005). Even though banking industry has faced significant changes in different business segments during the last two decades, such as: distribution changes (with greater usage of ATMs, PCs, Internet, mobile banking), reduction of transaction costs, increased speed of service substantially, managing of supplier-customer relationships is still one of the crucial issues in banking industry (Ndubisi, et al., 2007). Besides such changes on the providers' side, important changes appeared also on the customers' side. Customers have become more demanding, empowered to perform some activities that were previously handled solely by banks, more knowledgeable, sophisticated, aware of available alternatives, independent, in a position to negotiate with many different service providers and similar (Heinonen, 2014). Under the influence of such changes in customer behavior and their needs, and with the goal to gain and maintain market competitiveness, banks invest a lot of financial, technological and human resources in customer relationship management (CRM) (Jugovic, et al., 2015). Relationships must be such that both banking service providers and customers benefit from it on a long turm (Dimitriadis, 2011). As a result of such relationships, productivity and quality of banking services is rising based on the progress of relationship between banks and customers (Brige, 2006)

Review of Literature

The issue of customer relationship management has become the subject of research of many scolars and practitioners. Dimitriadis (2011) found out that customers are able to clearly identify benefits linked to potential or existing relationship and separate them from the offered products and services. The perceived benefits were put into the following categories: trust (based on the customers' opinion that relationships generate a perception of security); customization and special treatment (customers' expectations are focussed in the way services are delivered and adjusted to specific situations); social bonds (customers think that investments in establishing and maintaining of relationships are based on their personal importance for banks) and convenience/responsiveness (doing business with already known service provider makes such activities more easier). Zineldin (2005) pointed out that banks must always keep in mind that they are not only offering and selling their products and services, but, they are also offering their organization reputation in every relationship established with customers. That is why banking service providers have to make aditional efforts to incorporate special values into their offer and relationships they establish with customers. Values such as: friendliness, politeness, helpfulness, transaction accuracy and carefulness, efficiency in correcting mistakes, speed of services and decision process were found to be more important to customrs than price of services (Zineldin, 2005). Besides that, aushors Shakil, Shahid and Ehtisham-Ul-Mujeeb (2012) pointed out the importance of adoption and implementation of electronic banking, as a manner of reduction of operational and transactional costs and increasing of customer satisfaction. But, the prequaisite for this is to provide enough support to customers to adopt and use new technologies. On the other hand, some authors among which (Herington & Weaven, 2007) found out that online service has no significant impact on customer satisfaction and development of solid relationships with customers since online bank services are today considered to be everyday practice and, therefore, are not the part of special customers' expectations when it comes to banking services.

Effective customer relationship management is surely of a strategic importance, but relationships with customers are operationally managed by personal bankers who operate as advisers, responsible for managing relationships with customers on a daily bases, establishing of a two-way communication with customers and providing customized information and advices on various issues that are bank-related. Advising process usually occurs in direct meetings, since it is the best channel of communication when personal bankers' commitment to relationships with each of customers is manifested in a best way (Strandberg, et al., 2012). In the research of Wisskirchen et al. (2006), obtained results showed that banks perceived six crucial imperatives for attracting new customers and strengthening relationships with existing ones: appealing marketing messages, precise targeting of prospects, managing the experience, providing extra services along with basic ones, being different, allowing customers lead conversations and making the foundation for customer- led growth. There are many elements of customer-perceived value, including: faster service delivery, greater revenue, lower costs, availability of information, security of personal and transactional data, privacy, service quality and perceived usefulness (Shakil, et al., 2012). In literature is often pointed out to the connection and inter-dependance of customer relationship management and relationship marketing. Relationship marketing enavbles banks to detect and better understand customers' needs and consequently offer and deliver superior value that will make customers satisfied and make them loyal in the long-term. Taking into account that the cost of serving one loyal customer appeared to be less than the cost of attracting and serving one new customer, it is obvious why it is important to invest in relationship marketing instead of traditional marketing and advertising options (Ndubisi, et al., 2007). These authors also defined following factors that have an impact on the outcomes of relational efforts and relationship quality: competence, communication, commitment, and conflict handling (Ndubisi, et al., 2007). Mishra and Vaithianathan (2015) also supported the fact that "it costs less to retain a customer than acquire a new one" and, therefore, underlined the philosophy of importance of enhancing customer life-time value and generate customer loyalty instead of implementing traditional, short-term transaction-oriented marketing activities. As stated by Brige (2006), one of the outcomes of effective and quality relationships is that both parties that are involved will reduce the possibilities of mistakes and problems, unnecessary costs and other negative impacts on service quality which will further deepen the connection between banking institution and customers. Banks today have recognized customers as their most important partner in business conduction and perceive customer relationship management as profitable and benefitioal (Plakoyiannaki, 2005). The customer relationship systems must be supported by other bank's main activities especially in the fields of marketing, sales, and customer information services and analytics (Ling & Yen, 2001). Banks need to develop a coherent CRM system in order to manage to effectively use the existing information and sources (Ekhlasi & Al-Badawi, 2007). One of the most comprehensive definitions of contemporary customer relationship management is given by Rezghi, et al. (2014) and it said that "is a customer-focused business strategy that dynamically integrates sales, marketing, and customer care service in order to create and add value for the company and its customers. This process includes perpetual recognition, attraction, development, and maintaining successful customer relationship for increasing profitability due to repeating the purchase and word of mouth advertisements will directly affect a company's maintenance and profitability". The research of Dahlstrom et al. (2014) showed that trust is an element of a crucial importance in banking industry since establishment of relationships between customers and banks appeared to be a double-sided problem, since both parties can appear differently depending on the level of trust they have in other party. Heinonen (2014) pointed out that it is wrong to observe relationships mainly from the one side - either from the provider perspective (considering what providers are doing to make and maintain relationships with customers) or customer perspective (what customers are doing on their side). Instead, between these two extremes is the dyad, or the perspective on customer relationships which "focusses on the dualistic interaction between the customer and provider, and how the relationship may create value for both actors". As noted by Tang and Ai (2013), customer relationship management also can contribute to the reduction of many negative notions and reduce the possibilities of suspicious transactions, false reporting rates and many other malpractice.

Customers' needs could be met with greater understanding of customer demographics and behavioural patterns (Estrella-Ramón, 2017). Banks, therefore, should invest in more thorough penetration and analytics of the existing customer database. A comprehensive customer database will allow a company to understand better customer's needs and provide them with proper services. The data about customer's needs and behaviour will enable banks to identify their key and most profitable customers, develop relations with potential customers and precisely calculate the revenue that is generated by individual customers and estimate opportunities for future business activities towards those custiomers (Zineldin, 2005). Therefore, in CRM context, the database is used mainly as a resource for achieving of benefit by leveraging customers' behavioural patterns (Cvijovic, et al., 2014). In order to effectively collect all necessary customer data, it is necessary to first create such internal organizational environment where everyone must be committed to collection of all available customer data, respecting the criteria of credibility and valuability for analytics and decision-making (Brige, 2006). Contemporary views on CRM has "driven a re-evaluation of the role of customer data within the CRM framework" (Saarijärvi, et al., 2013). However, this approach of collecting and using customer data is nowadays criticized as being "a heavily firm-oriented construct" since customer data were used for a long time just to to serve banks' purposes. From the establishment of the CRM concept, supported by communication and informational technology, banks used available customer data in order to acquire new customers, retain current ones and deepen relationships with customers. Customer data served (and still do) as a tool for developing customized communications and cross-selling. Despite the constant development of CRM as a theoretical and practical concept, the role of customer data during its evolution remained somehow limited. However, contemporary views have challenged such traditional usage of customer data, "by shifting attention towards sharing data with customers rather than using it only for firm purposes" (Thaler, 2011). Besides the customer data usage, it is still necessary that banks perform the segmentation of their customer database and construct different groups of customers based on the used criteria. Contemporary models of segmentation are mainly value-based which supports banks to facilitate customer management process. For example, (Ekinci, et al., 2014) recommended measuring potential value of current customers instead of current value and performing segmentation in accordance to that criteria. Additionaly, EstrellaRamón et al. (2017) proposed a customer lifetime value (CLV) model for classifying individual customers into groups and developing customized products for each of them. Application of CLV criteria in segmentation resuls in better customer related decisions due to application of more customer centric approach, focusing on most promising customers and more efficient budget allocation (Agaliotis and Hadzic, 2015).

From the organizational aspect, successful CRM system adoption is determined by three fundamental and three means objectives. The three fundamental objectives are: maximization of CRM organizational culture; ensuring of an effective relationship with CRM providers; and minimization of CRM adoptation risks, while the three means objectives are: maximization of CRM usage, maximization of relational marketing capabilities and maximization of CRM orientation (Pedron, et al., 2016). From the customers' aspect, development of effective and long-term relationships with banks is affected by many factors, such as: trust in bank and its services, existing loyalty and satisfaction, percepcion of efficiency of communication channels, existing sutomer knowledge of banks' products and services (especially in case of Internet and mobile banking etc.) The importance of trust as a basic factor for the development of long-term customer and bank relationships is often highlighted in research. These realtionships are highly influenced by the "ability of bankers to understand and meet the specific needs" of customers, which, in return affects the overall customers' perceptions and attitudes towards banks (Vegholm, 2011). The role of trust is often observed two-fold, as a trust between consumers and the bank and interpersonal trust (e.g. trust of users to employees in banks), which mainly depend on competence of service providers and trust in their honesty and non-rebellious intentions. In addition to trust, customers' satisfaction is also significantly covered in literature as main predictor of the possibility to develop long-term relationships between organizations and customers (Komazec et al., 2015).

Ofori et al. (2017) found out that information quality, service quality, privacy and security concerns significantly predict both customers' trust and satisfaction, while structural assurance and situational normality significantly affect trust. In the context of Internet banking, trust is often stated to be the most important factor for greater adoption of online banking services, and it develops on the basis of consumer familiarity with internet banking, perceived structural assurance, perceived website quality, bank reputation and relative advantage (Kaabachi, et al., 2017). Furthermore, when observing trust in mobile banking, Arcand et al. (2017) found out that mobile banking service quality dimensions have an impact on trust and satisfaction. While trust is more associated with utilitarian factors (security/privacy, practicity), they noted that satisfaction is associated with more hedonic factors (like enjoyment and sociality). Developed relationships with customers are found to be in positive association with customer loyalty which is expressed as "intentions to continue their relationship with and cross-buy other products from their bank" (Hoffmann & Birnbrich, 2012). Greater customer satisfaction, loyalty and opportunities for cross-selling related and unrelated products of banks to their customers are to a large axtent affected by following five dimensions of effective customer relationship management: organizational commitment, customer experience, process-driven approach, reliability and technologyorientation (Padmavathy, et al., 2012). The loyalty has become important issue due to rising customer switching, therefore, banks make attempts to maintain a loyal customer base, in order to hold market position and be profitable (Lymperopoulos et al., 2013).

Research results showed that customers' "intentions to switch banks" are mainly affected by their "price satisfaction". (Lymperopoulos et al.,2013). Paul, Mittal and Srivastav (2016) indicated that consumers' satisfaction is associated with a large number of factors that can contribute to it. It was found that "knowledge of products, response to need, solving questions, fast service, quick connection to the right person, and efforts to reduce queuing time" make the positive impact on the overall satisfaction, while "assistance to the customer, appearance, and follow up" influence the satisfaction negatively. Considering the greater rate of usage of electronic banking, achievement of satisfaction of customers, as the outcome of their experience with online products is gathering the attention of authors (Liébana-Cabanillas, et al., 2013). The satisfaction of customers with online banking, is greately influenced by factors such as security, available infrastructure, regulatory norms, etc. (Saxena & Al-Tamimi, 2017). Today, users are mostly familiar with the use of online banking as their daily routines and consider it the main link with their bank. Their attitudes to online services, as well as the trend of "self-service" in banking are generally positive (Kaushik & Rahman, 2015). In the context of the future of online banking, video calls and mobile banking are positively evaluated by users. Stone et al. (2017) noted "that digitalization, cloud computing and new information-based platforms are beginning to change how customer information is being managed, creating new opportunities for improving marketing, customer relationship management and business strategy" in online environment. Brun, Durif and Ricard (2014) pointed out the similarities and differences between relationships of banks and customers in traditional and internet context. When it comes to similarities, it was found that development of relationships is based on achieved customer satisfaction and bank while the simplicity and ease of the customer's web experience represent factors connected with e-banking. However, customers may be concerned about the alienation and impersonal relationship with the bank. Customers often express concern that, compared to traditional channels, it is much more difficult to get help in self-service channels, and thus resolving the problem takes longer period of time. For this reason, it is not considered justified to automatically assume that users want to give priority to online banking.

When it comes to mobile customer relationship management (mobile CRM), empirical findings indicated perceived utility value to be the most important factor for mobile CRM services, followed by: ease of use, context, compatibility, cost, risk and personal innovativeness. On the contrary, negative attitude towards technology represent a restraining factor (Sangle & Awasthi,2011). Sampaio, Ladeira and Santini (2017) emphasized that the benefits related to the usage of mobile banking are positively associated with customer satisfaction, which leads to the development of: trust, loyalty and positive word-of-mouth. In the context of mobile banking, better CRM strategies are definitely dependent on the adoption of mobile channel by greater number of customers. Therefore, perceptions, attitudes and intentions of mobile users are important detreminants of relationships development (Chawla & Joshi, 2017). Research findings indicate that the greater adoption is crucialy influenced by: perspective of benefits, perceptions value, perceived usefulness and context, while also being significately influenced by perceived security assurance, perceived trust, perceived cost and perceived risk on perceived value and perceived usefulness (Awasthi & Sangle, 2013). Bhat and Darzi (2016) provided empirical evidence that the customer knowledge is the CRM dimension that has the most positive effect on the development of customer loyalty and competitive advantage of the bank. The customers' knowledge as the root for greater adoption of digital banking and development of digital CRM was noted by Larsson and Viitaoja (2017). The importance of various communication channels in customer relationship management in banking market was investigated by certain number of authors. For example, Amoako et al. (2017), emphasized the importance of advertising communication in this context, as it was found to positively influence bank preference and customer loyalty in mobile banking. KosticStankovic (2013) emphasised the importance of integrated marketing communications in customer relationship management, especially when it comes to the influence on the behavior of heterogeneous customer segments.

Despite the increasing role of self-service in banking, personal contact and efficient contact services are still considered to be extremely important factors in the development of long-term relationships with customers. The role of contact centres in banking industry, as a means for establishment of better relationships with customers is pointed out by Stefanov and Kostic-Stankovic (2014) and Stefanov, et al. (2015). Contact centers often represent "main touch points of customers in an organization" and are, therefore, important factors of customer satisfaction. Due to the higher usage of information and communication technologies, contact centres evolved in operational terms and have become strategic element of customer relationship management (Saberi, et al., 2017). In relation to meeting customers' needs, additional services offered by banks are often considered necessary for the development of long-term relationships with customers. However, this context, it is crucial to explore customer opinions on new services that banks can offer in the future since customers may be skeptical of non-traditional services, and two main reasons for this are the lack of trust and general resistance to change. Although some additional services, such as the sale of insurance, are often considered favorable by consumers, there is certain concern over the fact that banks are tending to lose their focus with the inclusion of unrelated services (Lee & Liu, 2017). So, inclusion of additional services, as means of establishing more solid relationships with customers, needs to be carefully analysed and reconsidered by banks, so those services meet the needs of different customer segments

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