RAIS RESEARCH ASSOCIATION for INTERDISCIPLINARY STUDIES
MARCH 2020

DOI: 10.5281/zenodo.3751059

Contemporary Models of Access to Customers in Serbian Banking Sector

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ABSTRACT: Globalization and increasingly intense competition have led to a new concept of access to bank customers. The new approach involves increasing the sales of banking products and services, maintaining existing customers, attracting new customers, and at the same time maintaining a high level of competitiveness. The new approach to bank customers is using contemporary Customer Relationship Management (CRM) models, which support cross-selling processes. In the banking sector in Serbia, different forms of promotion are used in sales strategies: advertising, sales promotion, public relations, directs sales, direct marketing, sponsorship, and other forms. In the constant search for new clients, emphasis is placed on the predictive CRM environment. The predictive environment, by collecting and analyzing data from the media, from social networks, various services and other sources, better defines needs, and creates personalized offers for bank customers. The aim of this paper is to analyze the application of contemporary models of access to customers in the banking sector of Serbia, primarily the “Banking CRM model”. The paper will make a significant contribution in terms of understanding the CRM concept in Serbian banking sector, and the possibilities of its application in contemporary banking practice, in order to improve that the bank's sales message reaches the customer in the form of integrated personalized campaigns.

KEYWORDS: CRM, banking sector, Republic of Serbia, customer relationship

Introduction

In ever-changing market conditions and dynamic competition in banking sector, one of the most important capabilities is not only creating quality products and services, but also building a strong business relationship with clients. Customer Relationship Management (CRM) concept is important tool that puts clients at the center of banking activities (Marinković & Senic 2012). It is a policy towards attracting and retaining organizational customers (Abbas & Hafeez 2017). Customer Relationship Management in the banking sector involves understanding the customer’s changing needs, developing services to satisfy these needs by building long term relationship with the customers (Abbas & Hafeez 2017)

Today, banks need a whole new strategy to keep their customers loyal. More than ever, meeting customer needs seems to be an impossible mission, and CRM strategy emerges as a solution that helps attracting and retaining the most profitable customers (Ćirić 2009). Critical factor in effective implementation of CRM concept, in addition to an adequate strategy, is educated workforce, who will increase and maximize efficiency of CRM strategy. Meeting the needs of clients leads to the improvement of bank's profitability and better market position.

CRM in modern business organization

Customer Relationship Management (CRM) is a managerial approach that involves identifying, attracting, developing, and maintaining customer relationships to meet the goal, i.e. retain clients (Bradshaw & Brash 2001). Modern business operations are aimed at creating, strengthening and developing strong client relationships, carefully selected to improve profitability, and also to create more customer value (Payne 2002). McKenzie views Customer Relationship Management as a combination of organizational strategy, information systems, and technology that is focused on providing better customer service (McKenzie 2001).

Based on the above, CRM represents the alignment of business strategy, organizational structure and information technology. When establishing a CRM concept, it is necessary for the organization to specify the most relevant business aspects, the information that clients' need, the client's financial history, but also the identification and elimination of information that is not needed. There are several commercial CRM software packages on the market that support the CRM strategy, but the essence is by no means anything *technological*, but a fundamental change in organizational philosophy, with an emphasis on the client (Ćirić, 2013). The basic structure of CRM concept consists of operational, analytical and collaborative CRM (Payne 2002).

Operational CRM is the basic feature of which is the existence of a single integral database in which all customer information is stored. Operational CRM collects, stores and sorts it through a client monitoring program.

Analytical CRM includes the activities of collecting, storing, selecting, interpreting, processing and using the data obtained for different purposes (e.g. quality of service analysis, risk analysis, customer profitability analysis, customer departure analysis, etc.). Analytical CRM is a database collected from internal and external sources. On the basis of expert analyzes of these databases, attitudes are created about the clients, about each individually, his needs, all with the aim of developing relations on quality bases. Analytical CRM is the most complex and responsible part of CRM system. The development of successful consumer relationships, and thus the success of CRM concept, requires that all elements of an institution be integrated into one whole.

Collaborative CRM enables direct interaction, i.e. communication between clients and the bank through different channels. Introducing the offer to customers is done through a marketing approach using all the benefits of advanced technology. Personal contacts, telephone, e-mail, internet, mail and specialized propaganda institutions are also used. Collaborative CRM is in the function of communication to the client, while their responses are registered through operational CRM.

Although the concept of CRM can be made as a whole new story, it has actually been around for a long time and has become a daily focus of bank employees, thanks to modern and accessible technologies. Today's clients are sophisticated, informed, and have a huge choice. If a bank wants to be part of that choice, it must address and respond to clients' needs. CRM is focused on the needs and desires of clients, not the service itself (Smajlović & Umihanić 2007). For this reason it is necessary to reorganize the present way of doing business in order to realize CRM strategy. The success of CRM in the banking sector requires the application of appropriate information technology and software solutions, tailored to the specifics of the banking customer service process.

Role of service quality in Customer Relationship Management

Contemporary business organizations are constantly looking for new managerial techniques and tools to enhance customer relationship management and meet customer requirements for new products, processes and services. The fact that customer satisfaction is one of the measures of business organization's success, and is of great importance for achieving a competitive advantage, puts it into the focus of every organization's business strategy (Marinović Matović 2019). Service quality is a category that is of great importance for business performance in financial institutions (Reza & Bita 2019). Providing high quality services enables the bank to achieve its basic business goals, such as customer satisfaction, market share growth, attracting new clients, profitability. In increasingly competitive business environment, building close relationships with clients is essential for business development and success. The ability to provide a high quality service, that will meet or exceed the customer's needs, is the basis for building competitive advantage in banking sector (Enew & Waite 2007). A great deal of effort and knowledge is required to provide quality service in the highly variable environment in which banks operate in the Republic of Serbia, since banking market in Serbia is relatively limited, and Serbian banking sector shows signs of saturation (Marinović Matović 2018a).

When it comes to banking services, special attention should be paid to the qualitative and quantitative benefits that can be achieved by improving quality. Regarding the qualitative benefits, it was found that the quality of services contributes to customer satisfaction and vice versa (Dašić, Mihić, & Supić 2014). In addition, customer satisfaction greatly influences the business operations, image, and new customers' inflow in a bank (Zairi 2000). Regarding the quantitative advantage of bank services, they contribute to the profit increase. The bank spends far more money, time and resources to attract new customers than retaining existing ones (Zairi 2000; Dawes & Swailes 1999).

In banking, it is much more difficult to determine the criteria of service quality, since any encounter with a client may differ from the previous one, depending on the needs of service users. The service quality may be different, depending on the service provided by the bank employee. The service quality is evaluated after the service is completed, which is referred to as *service result quality* by some authors, and as *physical technical service quality* by others (Parasuraman, Berry, & Zeithaml 1985). Service users are not only interested in service itself, but also in the way it is provided, which largely depends on the banking workforce. The service quality is mostly influenced by the nature of relationships that arise between the bank employees and the service users, for this reason mystery shopping is one of the best ways to check the banking service quality (Pinar, Eser & Strasser 2010).

One of the most commonly used instruments for service quality measurement is the Servqual model (Hoffman & Bateson 2011). The Servqual model is a 44-item scale that measures customer expectations and perceptions regarding the five dimensions of service quality. The dimensions on which this model is based are: reliability, assurance, tangibles, empathy and responsiveness. This is a diagnostic tool that reveals the strengths and weaknesses of businesses in the field of service quality (Parasuraman, Berry, & Zeithaml 1985). The Bankserv scale for measuring service quality has compensated for the shortcomings of previous measurement instruments (Avkiran 1994). This scale is an attempt to adjust the scales to measure the service quality in the banking sector. The basic determinants of the Bankserv scale are: staff conduct, credibility, communication, and access to teller service (Avkiran 1994). However, an objection may be made to this scale, as well as to Servqual scale, that it neglects the output of service process. As a result of this objection, the Bankperf scale was formed. The Bankperf scale differs in two basic elements from the Bankserv scale. In this scale, preference is given to the output in the service process over expectations and service impression.

In practice, other instruments are also used to measure the service quality in the service industry and therefore banking sector. Some of the methods of service quality research are: post-transaction research, new and existing customer surveys, focus groups, as well as customer satisfaction surveys through CRM, mystery shopping, as well as many telephone surveys of customer satisfaction, and meeting client expectations at banks (Lovelock & Wright 1999).

Key performance indicators of CRM success

There is growing skepticism in the scientific and professional literature about the value of CRM concept and achieved improvements in business performances (Garrido-Moreno, Lockett & GarcíaMorales 2014). Research, however, confirms that effective and efficient implementation and management of customer relationships using CRM tools can affect competitiveness. Customer databases are a mechanism for creating knowledge about them, which is the basis for making business decisions (Peltier, Zahay & Lehmann 2013).

Customer Relationship Management relies on the collection and processing of data to help organizations identify target groups and adapt to market needs. In a time of globalization and ever-changing environment, new technologies play a key role in implementing the CRM strategy. In addition to technology, investment in human and organizational resources is needed to help organizations make the most of CRM benefits (Keramati, Mehrabi & Mojir 2010). Many authors emphasize the importance of human resources and employee commitment when it comes to managing customer relationships and improving bank performance (Kim, Suh & Hwang 2003; Ghalenooie & Sarvestani 2016; Santouridis & Tsachtani 2015). The implementation of CRM system is closely linked to the Human Resources (HR) department. It is very important that employees are trained for the use of CRM systems and receive sales promotion training. Employee compensations are desirable as a motivation to focus on customer satisfaction and provide them with long-term support (Chen & Wang 2006). Employees of bank branches are of particular importance for effective Customer Relationship Management, since they are directly related to customers (Boulding, Staelin, Ehret & Johnston 2005).

Successfully implemented CRM system requires changes in the organizational structure and resources. Organizational resources include culture, structure, knowledge management, support and involvement of top management (Araya, Chaparro, Orero & Joglar 2007). Management support is especially important when introducing CRM system, and later, teamwork, networking and employee collaboration, to meet client expectations (Becker, Greve & Albers 2009).

Organizational commitment and knowledge management are identified as fundamental factors that influence the success of CRM system, which are directly influenced by CRM technology infrastructure (Garrido-Moreno, Lockett & GarcíaMorales 2014). Technology infrastructure includes customer service technologies, adequate hardware and information system. The organization's commitment is reflected in the understanding and implementation of CRM initiatives by all employees of the organization. The same is confirmed by Shang & Lin (2010), who state that the success of CRM depends on employees, their understanding of the importance of customers, and their focus on customers. This is in line with the Resource-based management approach, which emphasizes the importance of employees in the strategic positioning of organization (Hooley, Piercy & Nicouloud 2008). The organization's commitment involves all levels, from top management to operational functions (Mendoza, Marius, Perez & Griman 2007). The organization's commitment is also reflected in Customer Relationship Management training, as well as a compensation system for successful CRM system (Garrido-Moreno, Lockett & GarcíaMorales 2014).

In order to be able to implement CRM system, it is necessary for the organization to have knowledge, that is, information about its customers. In Customer Relationship Management, every piece of information and knowledge that client brings is valuable, in order to shape the offer according to the characteristics, requirements and preferences of individual customer. Extensive information technology development enables the accumulation and management of a large amount of data on business, clients, etc., which further provides an important basis for support in making various management decisions (Shaw, Subramaniam, Tan & Welge 2001). In addition to tools for collecting and storing large amounts of data, techniques for analyzing, understanding, and even visualizing large amounts of data are important to support decision making (Marinović Matović 2018b).

Customer Relationship Management processes takes into account all activities within the bank that affect the quality and duration of customer relationships (Santouridis & Tsachtani 2015). The processes are divided into activities that are necessary for the sale of products and services, support activities, and data analysis from the previous two processes (Geib, Reichold, Kolbe & Brenner 2005). Customer Relationship Management consists of four dimensions: customer identification, acquisition, retention and development of customers (Ngai, Xiu & Chau 2009). Customer identification is the identification of clients in the acquisition process. At this stage, a target group is defined, made up of people who are most likely to become clients of the bank, or who will make the most profit. This dimension analyzes the customers who have left the bank, as well as the steps that should be taken to get them back. Elements of customer identification are target group analysis and segmentation of leads (Wu, Kao, Su & Wu 2005). The identification of potential clients is followed by the phase of customer acquisition in different ways, depending on the available resources of the bank. Customer retention involves marketing campaigns with individual clients, loyalty programs, personalized campaigns and the proper handling of customer complaints (Kracklauer, Mills & Seifert 2004). In this way, banks are able to analyze, detect and predict changes in customer behavior. Customer development involves analyzing customer needs depending on the life stage they are in, offering other bank products, and analyzing purchasing power and market conditions (Ngai, Xiu & Chau 2009).

There is no single definition of the success of CRM concept, but success can only be measured through the degree of business goals achievement (Eid 2007), such as customer acquisition, customer retention, customer satisfaction, customer loyalty, etc. Bank profitability is influenced by customer satisfaction and loyalty (Ozatac, Saner & Sen 2016). Customer satisfaction is important for banks as service organizations, and it is linked to the service quality (Anderson & Sullivan 1993). Customer satisfaction leads to a more stable and long-term relationship between the bank and customers, which ultimately leads to an increased degree of loyalty and consequently bank profitability (Ozatac, Saner & Sen 2016). This is why customer satisfaction is most often highlighted as the first indicator of Customer Relationship Management success (Chirica 2013).

Conclusion

Further economic growth of banking sector in the Republic of Serbia will depend to a large extent on the dynamics of doing business, in order to meet customer expectations as successfully as possible. The essential focus of banks on customer requirements will be crucial for the growth of their revenues, as well as the precondition for their sustainability and survival in the market.

Customers' needs are the essence that defines every industry, especially those that are in direct contact with their customers, as in the banking sector. If banks do not focus on customers' needs, customers will feel that they are buying products and services they do not really need, and do not address their needs. The result can be a failure to meet customer expectations leading to disloyalty and even leaving the bank. In order to prevent these unfavorable situations, it is important that banks actively use the CRM concept in their business and that the implementation of CRM approach is taken most seriously from the top to the bottom of the banking organizational structure.

It is very important for employees at all levels of the bank organization to understand the importance of Customer Relationship Management, and to adopt a software solution and implementation of its use. CRM collects detailed data in relation to customer behavior, purchase of products and use of services, as well as information provided to a commercial bank, such as income level, job position, employment status, qualifications, marital status, and the like. Based on the information collected, personalized customer service is offered, that is, a product exactly created for a specific customer. In this way, the customer satisfaction with the service received is far beyond the expectations, and the customer is very satisfied with the quality of service provided by the bank. These processes require investment in information technology, in order to generate higher revenues, increase customer satisfaction, increase customer base, and expand market share. These processes also require additional employee training, a change in awareness of working with clients, greater transparency and openness to clients, as well as a client's trust in banks for disclosing personal information.

CRM is a management tool that seeks to build long-term customer relationships. An effective relationship depends on understanding the different needs of clients at different stages. Banks' ability to provide the right answers to their customers' needs makes customers feel like valuable individuals, not just as part of a large number of users. Banking and financial institutions are constantly searching for a new clients, as well as ways to retain existing ones. In the future, high emphasis will be placed on the predictive CRM environment, which will better define needs, create personalized products, and allow the message to arrive at the right place in the right time, by collecting and analyzing media data, from social networks, various services and other sources.

It is necessary for the banking sector in the Republic of Serbia to ensure a high standard of quality and professionalism with customer as a central point. The goal begins with each employee, so individual performance should include qualitative goals such as: integrity, kindness, responsibility, professionalism, knowledge, training, consistency, discipline, and most other positive qualities.

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