



THE IMPLEMENTATION OF CUSTOMER RELATIONSHIP MANAGEMENT WITHIN TAIWANESE BANKS

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ABSTRACT

More and more organisations and companies have realised that they need to put their customers at the front and centre of their businesses, and to support an effective customer care process, while customer relationship management (CRM) becomes essentially about better managing all aspects of a company's relationship. CRM is not a new concept for organisations or companies. Nowadays, many businesses such as banks, insurance companies, and other service providers realise the importance of CRM and its potential to help them acquire new customers, retain existing ones and maximise their lifetime value. Particularly within the mass consumer banking sector, where customer numbers are large, these need to be managed systemically by information technology applications. Senior bank staffs, from seventeen Taiwanese banks, were interviewed about their understanding and performance of CRM. This finding discovers that CRM systems have been applied for at least two decades in Taiwanese banks. Specifically, banks often provided their CRM experience for their marketing strategies in order to evaluate valued customer and create customer relationship portfolios by understanding individual needs and preferences. However, the result also indicated that CRM has provided limited success expected. More specifically, the finding suggests that people-driven CRM is capable of the responsibility of the executives or front-line service staffs. Banks should apply not only the technological aspects of CRM, but also people-driven aspects in their marketing strategy. Customers, employees, and bank managers are all key parties in this process of CRM implementation.

Keywords: Customer relationship marketing, People-driven processes, Banks

INTRODUCTION

Over the past two decades, there has been an explosion of interest in customer relationship management (CRM) by both academics and executives. CRM was popularised in the 1980s and derived from an earlier concept called contact management (Ling and Yen, 2001; Goldenberg, 2006) which took place through contact channels (or media) to provide goods or services. More and more organisations and companies have realised that they need to put their customers at the



front and centre of their businesses, and to support an effective customer care process, which includes profiling customers, segmenting customers, researching customers, investing in technology, and managing customers (Brown, 2000).

CRM is not a new concept for organisations or companies. Nowadays, many businesses such as banks, insurance companies, and other service providers realise the importance of CRM and its potential to help them acquire new customers, retain existing ones and maximise their lifetime value (Wang and Ma, 2005; Blery and Michalakopoulos, 2006). Particularly within the mass consumer banking sector, where customer numbers are large, these need to be managed systemically by IT applications. Some Western studies (e.g. Ryals and Knox, 2001; Blery and Michalakopoulos, 2006) have demonstrated that CRM is intended to identify the most profitable customers and prospects, and devotes time and attention to expanding account relationships with customers. Meanwhile, implementation of CRM in the banking sector was considered by Blery and Michalakopoulos (2006), whose study focused on the evaluation of the critical satisfaction dimensions and the determination of customer groups with distinctive preferences and expectations in the private banking sector. In Taiwan, studies have showed that CRM is the feature that banks most care about, however, but banks are short of knowledge and professional support for implementation of CRM (Chen and Popovich, 2003).

The purpose of this paper is intended to extend the understanding of the CRM performance in the consumer banking sector, especially with these mass consumer banking sectors, where customer numbers are large, these need to be managed systemically by information technology applications of CRM. More specially, this paper concerns the investigation of how CRM is implemented in the Taiwanese consumer banking sector in order to identify alternative perspectives of CRM.

LITERATURE REVIEW

Defining Customer Relationship Management

In the literature, there have emerged many definitions of Customer relationship management. However, to date, although CRM has become widely recognised as an important business approach, there is no universally accepted definition of CRM. The main differences among these definitions are related to the technological and relationship aspects of CRM. Some authors from a marketing background emphasise the technological side of CRM while others consider the IT perspective of CRM. The following section will discuss the definitions from the technological perspectives and marketing perspectives of CRM.

The Technological Perspectives of CRM

The increased accessibility of information technology (IT) coupled with increasingly sophisticated software allows for the capture of data from customers, its storage and its retrieval for marketing purpose in order to provide customised products and services. Ngai (2005) identifies 205 CRM articles published between 1992 and 2002 covering 89 journals, and implies that IT and Information System (IS) play an important role in the development and implementation of CRM. The three most popular topics addressed in IT and IS for CRM are 'software, tools, systems (e.g.



decision support system, expert system, IS, enterprise resource planning, etc.), which can be viewed as technology-based applications to support the CRM process. These application systems should include database capabilities to collect and analyse customer information using statistical techniques such as data mining. Data mining plays a fundamental role in the overall CRM process and is a critical component in the CRM system (Rygielski et al., 2001). It helps transform customer data into useful information and knowledge. Customer information and knowledge is a company asset that must be managed. A deeper understanding of data mining and knowledge management in CRM is necessary in today's highly customer-centred business environment (Shaw et al., 2001).

Hence, from a technological perspective, CRM was claimed as the market place of the future and is undergoing a technology-driven metamorphosis (Peppers and Roger, 1995). Consequently, IT and marketing departments must work closely to implement CRM efficiently. Furthermore, there are two different interpretations of CRM in the literature to comprehend the technological perspectives of CRM: data-driven and process-driven CRM (Greenberg, 2004). Data-driven CRM focuses on CRM systems that integrate customer information using applications, interfaces, and automation tools (Greenberg, 2004). Process-driven CRM pays attention to the business integration process between people and systems which use data mining to enrich the process for the profiling of their customers (Little and Marandi, 2003; Greenberg, 2004). Mostly, the application of CRM is focused on technological application. For example, Battery (2003) asserts that CRM is only a technological infrastructure, comprised of both hardware and software, with the purpose of managing a large quantity of customer data. Hence, to most academics, CRM is technology-enabled RM (Little and Marandi, 2003, pg.198).

To summarise, from a technological perspective, CRM is a kind of technology approach to analysing customer behaviour for the purpose of better targeting customers, and so in this sense, 'CRM is essentially database or direct marketing' (Parvatiyar and Sheth, 2001). In fact, if CRM is to be successful handled, there has to be an aspect of marketing thinking in all business functions, and this may be one of the key aspects of the relationship perspective (Grönroos, 2007). The next section will discuss the marketing perspectives of CRM.

The Marketing Perspectives of CRM

From a marketing perspective, CRM is a managerial philosophy that has been defined as a combination of business processes and technology that seeks to understand a company's consumer behaviour. This viewpoint focuses on the relationship with the customer that integrates database knowledge within a long-term customer retention and growth strategy (Peppers and Rogers, 1995). For example, Jackson (1985, p.2) applies the individual account concept in industrial markets to suggest CRM to mean, 'Marketing oriented toward strong, lasting relationships with individual accounts'. In other business contexts, O'Neal (1989) and Doyle (1995) have proposed a similar view of CRM. Others, such as Swift (2001, p.12) consider CRM as an enterprise approach to understand and influence customer behaviour through by continue meaningful communications in order to improve customer acquisition, customer retention, customer loyalty, and customer profitability. Parvatiyar and Sheth (2001) indicates the potential of CRM to offer better customer service and to improve marketing effectiveness thorough a more focused approach. Kincaid (2003) emphasises the importance of viewing CRM as a comprehensive set of strategies for managing



those relationships with customers that relate to the overall process of marketing, sales, services, and support within the organisation. Information technology (IT) and information systems (IS) can be used to support and integrate the CRM process to satisfy the needs of the customer.

In summary, by integrating these definitions, this study proposes that CRM is about focusing on the needs and values of individual customers to maximise long-term profitability. This is achieved by attracting the right customers, enhancing life-time value through cross selling and up-selling, and by maximising the loyalty and retention of the right customers. It is about creating a new value with individual customers and sharing the benefits of the value over a lifetime of the relationship.

Additionally, most previous studies have focused on characteristics of CRM strategy, especially on the link between customer loyalty and profitability (Reinartz and Kumar, 2000). However, there is no clear indication of what specifically constitutes the implementation of CRM process. Some companies view CRM primarily as investments in technology and software, whereas others treat CRM more expansively and are aggressive in developing sound and productive relationships with customers. In addition, some companies have implemented CRM processes to a greater degree than others. Previous studies show that although the promises of how CRM can improve the performance of a business are many, the practical guidelines on how to design and implement CRM successfully are few, and that, as a result of this, practitioners have been struggling. Moreover, many banks are still following the traditional ways of marketing and only few banks are making attempts to adapt CRM. The lack of understanding on CRM is always a concern among the service providers especially banks. Lu et al. (2002) suggest that when implementing a CRM system, Taiwan's banking industry would normally focus on the customer-service system rather than on the overall strategies. Banks have their own way of managing their relationships with the customers. Therefore, what do these marketing managers in Taiwanese banks, who are in the front lines of implementing CRM think it is? This study provides empirical proof to fill these research gaps in the extant literature.

DATA COLLECTION AND ANALYSIS

Data collection took place between August 2010 and April 2012. 17 banks agreed to take part in and 34 in-depth interviews were conducted. All managers interviewed claimed to have knowledge of their marketing strategy, and typically occupied posts such as Marketing Manager or Vice President Personal Banking Division. An interview guide was used during the interviews which included questions asking what the interviewee understood by the term 'customer relationship management', what circumstances and how bank apply CRM to identify their customer segmentation and profitability. All interviews were taped, transcribed and analysed using thematic coding.

FINDINGS

The results of this study demonstrate that customer relationship management (CRM) systems have been applied for a long time in Taiwanese banks, so the finding data shows it's manifestly affected from both concepts and implementation of marketing strategies. Specifically, nearly all interviewees mentioned about CRM in their marketing strategies whether in relationship creation,



enhancement, or maintaining.

Banks Place over Emphasis on the Functions of CRM

This study finds that the majority of interviewees placed considerable emphasis on the functions of CRM such as allows gathering customer information and customer segments. The findings show that banks often provided their CRM experience within their marketing strategies implement in order to evaluate the valued customer and create the customer relationship portfolio by understanding individual needs and preference. However, some participants of this study indicated that CRM imitative have not reached the success expected from their bank because they regarded technology as an isolated element, without taking into account determining factors on which a relationship must support itself. For example, one interviewee stresses although CRM is so important, their bank consider different uncontrolled variables and makes the decision by human-being not just only with it.

Applying both Technology and People-driven CRM

Many interviewees also indicated their consideration about their disadvantage on lacking the knowledgeable staffs to manage and identify the mass customer information. In the literature on CRM, there are two kinds of interpretation of CRM: data-driven and processes-driven CRM (Greenberg, 2004), however, this study finds people-driven CRM in order to fill the lack of CRM which over focused on its technological facet. More specifically, this study suggests that people-driven CRM is capable on the responsibility of bank managers and operational staff in using nearly face-to-face communication and emotional contents establishment and their customer knowledge to process CRM with their customers. In other words, this kind of processes highlight on CRM on human side. Therefore, people-driven processes need that bank manager and service staff owning the capabilities of understanding and analysing customer knowledge to face and satisfy customer needs in CRM-using organisation.

CRM should be a Strategy not just a Solution

Many interviewees did however recognise that they required more employees to carry out data mining from CRM systems. In other words, people-driven processes need executives and front-line service staffs sharpening their capabilities and understanding with regards to manipulating, and analysing knowledge to face and satisfy customer needs in a consumer-oriented culture. These include processes that are difficult to implement or that cannot be carried out using technological solutions alone, such as planning customer strategy (Rigby et al., 2002), making critical decisions, and coping with customer problems (Chen and Popovich, 2003). Hence, bank managers conceive of CRM as a strategy rather than as a solution, and there still needs to be executives and front-line service staffs who understand customer needs and handle communications and responses.



Key Parties of CRM System

This study finds that many Taiwanese bank managers were applying CRM without any academic background, they still capitalised on a variety activities such as face-to-face interaction and emotional content linked with *guanxi* development (e.g. friendship) to understand customer needs and handle various communications and responses, especially when the greater customers' emotional needs, the greater the dependence on people-driven process in CRM. Therefore, this study suggests that customers, employees and bank managers should be the key parties in the CRM system. Not only bank managers and service personnel should take a proactive stance. Banks should pay more attention to the growth of knowledgeable customers and encourage their customers to engage actively in relationship development with their financial service provider.

DISCUSSION

Since many companies would like to better understand their customers, the focus of CRM turns to the implementation of sophisticated software for analysing different kinds of data. This situation has also been found in this study. Taiwanese banks place too much emphasis on the methods of analysis and adopt them as tools to provide value to customers. This is one of the key misinterpretations of CRM. Rigby et al., (2002), and Little and Marandi (2003) point out that more than half of all CRM initiatives fail to produce the anticipated results. Therefore, CRM is combination of people, processes, and technology that seeks to provide understanding of customer needs (Little and Marandi, 2003), to support a business strategy (Ling and Yen, 2001; Bull, 2003), and to build long-term relationships with customers (Gummesson, 2003). Although enabled by information system, CRM is not a technology solution (Rigby et al., 2002; Chen and Popovich, 2003). The system process cannot manage customer relations (Rigby et al., 2002; Chen and Popovich, 2003) because customer knowledge needs to be comprehended busy business managers and the face-to-face communication needs to be performed by front-line operation. Hence, the key processes are performed by human beings and required clear understanding of the goals and contents of key decisions and system-people interactions (e.g. Ling and Yen, 2001; Rigby et al., 2002; Chen and Popovich, 2003). In order words, companies are integrating operations and investing in information systems that share data from customers. The potential of CRM lies in its ability to help company increases the profits by identifying profitable customers and tailoring company offers to customer's needs, willingness to pay, and profitability.

Moreover, this study proposes the people-driven processes in CRM could provide a reference for planning effective RM for customer relationship and can supplement existing studies on data-driven and process-driven CRM. 'People-driven processes' in CRM emphasises that executive and service encounters in face-to-face interactions and customer knowledge to process CRM. The human side of CRM processes should receive greater attention in CRM studies.

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