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Customer Relationship Management (CRM) in Serbian banking sector: Case study of Bank's customer support improvement

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Abstract: Customer Relationship Management (CRM) strategy is extremely important in the banking sector, given the number of customers and their needs that are rapidly changing and evolving. The goal that banking organizations want to achieve is to gain potential customers, and maintain their loyalty over a long period of time, thus improving their competitive position. The process in which the potential customer becomes real, and improves banks' business results with his loyalty, is based on Customer Relationship Management (CRM) concept. The aim of this paper is to present the advantages and disadvantages of CRM concept of sales promotion, through its analysis in the banking sector of the Republic of Serbia. The process of customer support improvement will be analyzed through a case study investigation of Addiko bank AD. The findings of this study can benefit banks to provide better and faster services and achieve sales growth.

Keywords: Customer Relationship Management, banking sector, CRM, Republic of Serbia

1 Introduction

The core value of a business organization derives from the value of their clients, who represent the users of products and services, and the basis for profit creating and organizational survival. The modern age is characterized by informed clients, they recognize quality, follow the competition; they are informed about the advantages and disadvantages of products and services. If client gets the product or service he/she wants, accompanied by quality customer experience, then he/she will be satisfied and remain loyal to business organization. This is exactly what the business organization strives for, to serve its client in such a way as to ensure a long-term business relationship and loyalty, which will lead to survival and profitable business in the long run. The fact that the cost of acquiring new clients is five times higher than the cost of retaining existing ones have to be seriously considered [11].



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Customer Relationship Management (CRM) is a business strategy aimed at creating and maintaining long-term profitable relationships with customers. According to Carroll, CRM is based on managing product sales and managing the delivery of services, and these are the key tasks of business organization [4]. The literature also defines CRM as a strategic approach that develops and improves relationships with key customers, and thus increases customer value and shareholder value [10]. Strategic CRM generates value for stakeholders, developing customer relationships [6]. The basic dimensions of CRM that serve to improve the competitive position of business organization are, according to [13, p.1]: Customer selection; Customer acquisition; Customer retention; Customer growth.

CRM business strategy is a significant feature of modern financial services sector, which serves a large number of clients, and their needs are not constant but are characterized by a high degree of variability. The implementation of CRM strategy in the financial services sector is carried out with the aim of gaining a wider base of new clients, as well as retaining existing ones, achieving high level of their loyalty in the long run, in order to achieve profitable business and strengthen competitive position. In future time, which is characterized by increasing competition, the application of CRM in business strategy will be "a point of differentiation between successful and less successful banks" [8, p.107]. CRM and client value management is of great importance in the financial services sector, because with its help the commercial banks can focus on critical moments during the relationship with clients, where they can create added business value. Focus of commercial banks on customer demands will be in future "crucial for the growth of their revenues, as well as the precondition for their sustainability and survival in the market" [9, p.39].

2 Customer Relationship Management in financial services sector

Banking is a business sector that has been active for centuries. The business model has not fundamentally changed since the emergence of banks, and although modern technology has been inevitable in financial institutions for many years, they are traditionally slower when it comes to change. However, the modern business environment, and especially consumer habits, has changed significantly in recent years. This forces the rapid change of banking business. The implementation of CRM strategy is carried out with the aim of increasing sales, which can be achieved by winning new, potential customers from various sources (promotions, social networks, digital marketing, contact center, blog from the website ...), as well as maintaining existing loyal clients.

The benefits of applying CRM concept are many, and according to [7, p.11] they can be classified into the following segments: financial, customer, product/service,

processes, strategic, marketing and social. These authors conclude that the decisive factors for the success of CRM strategy are as follows: strategy, resources, business processes, products/services, customers and external factors [7, p.12].

Research on the application of CRM strategy in European business organizations has shown that organizations that have implemented CRM “grow 60% faster than the competition, expand the market by 6% per year, achieve ROI higher for 12%, charge 10% more for their products, compared to organizations which do not have CRM” [12, p.186]. The advantages of CRM are especially pronounced if the management is committed to the practical application of this concept, and employees are adequately educated. By persistently emphasizing the advantages of CRM concept and insisting on it, commercial banks will soon see the benefits of the process in which the potential client becomes existing one. Then the existing satisfied customer becomes loyal, and with his/her loyalty improves the business of commercial bank.

Successful implementation of CRM in the banking sector requires appropriate business processes that will contribute to value creation [3]. Resources that are important for the successful implementation of CRM in commercial banks are the following [2, p.111]:

- Human factors, that include the quality of human resources in bank, teamwork and support of top management
- Organizational resources, that include organizational structure, organizational culture, organizational processes, corporate governance, partnership with other sectors, identification of market opportunities
- Technological resources, that include the application of information and communication technologies that will lead to the creation of innovative products and distribution channels to customers, with the help of human and organizational resources

The application of CRM in commercial banks largely depends on adequate organizational culture, and on continuous education of employees, because it is important that each employee understands and accepts the importance of improving customer experience, as well as the importance of retaining and increasing loyal customers. Important factors of the bank's business success are the employees and adequate organizational culture, and they are of great importance for the success in the application of CRM concept. The implementation of CRM concept in a commercial bank depends on the bank size, organizational culture, the bank's focus on a particular business segment, as well as the development of market in which the commercial bank operates. The modern multidimensional approach to client orientation implies strategic, operational and analytical CRM [5]. In commercial banks, which are characterized by a very intensive process of digital transformation, CRM contains: Client analytics & modeling, Campaign management and Operational CRM (Figure 1).

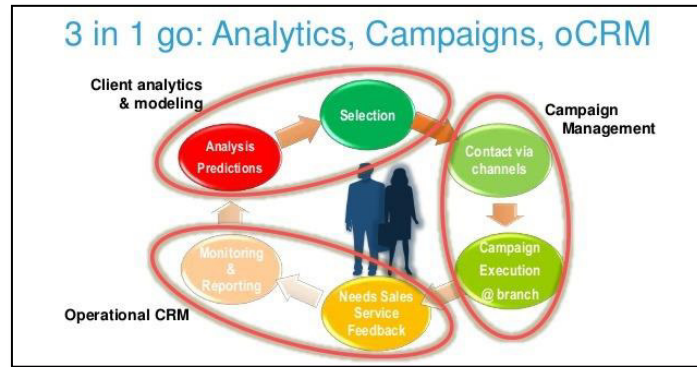


Figure 1

Analytics, Campaign, oCRM in commercial banks [1]

Source: Addiko Bank Digital Transformation Experience. (2018). *Microsoft Sinergy 18*, [https://www.slideshare.net/VladoB/addiko-bank-digital-transformation-experience-microsoft-sinergija-](https://www.slideshare.net/VladoB/addiko-bank-digital-transformation-experience-microsoft-sinergija-18)

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3 Specifics of Customer Relationship Management in Addiko Bank AD

Addiko Bank AD Belgrade is part of the Addiko Group, a banking group specializing in retail and small and medium enterprises in Central and Southeast Europe. Addiko Group consists of Addiko Bank AG, the fully-licensed Austrian parent bank registered in Vienna, Austria, listed on the Vienna Stock Exchange and regulated by the Austrian Financial Markets Authority, as well as six subsidiary banks, registered, licensed and operating in five CSEE countries: Croatia, Slovenia, Bosnia & Herzegovina (two banks), Serbia and Montenegro. Addiko Group, through its six subsidiary banks, services approximately 0.8 million customers in CSEE, using a well-dispersed network of 178 branches and modern digital banking channels. Addiko Bank AG manages its subsidiary banks through group-wide strategies, policies and controls and manages Addiko Group's liquidity reserve [14].

In the last 10 years, Addiko Group has implemented modern technological solutions in its business processes, as part of its digital transformation, with part of these solutions aimed at improving the customer experience. The goal of improving the business of Addiko Group is innovation in terms of providing simpler products, practical and fast services that are in line with customer needs. For Addiko Group

customers, the introduction of CRM means that any direct communication with the bank is based on the existing business of clients with the bank. Regardless of whether the client visits the branch, sends a message through one of the digital channels, or calls the contact center, based on the information from CRM system, they will receive the best possible support or response, as well as get offer for the appropriate product or service. This increases the value not only for customers, but also for Addiko Group, because it improves the experience of customers, changes their opinion about the bank, and this leads to an increase in value and profitability.

If CRM process is approached seriously, and it is not understood as a mere automation of sending e-mails, but as the use and consequent enrichment of data provided by CRM, then this process can significantly save resources, provide the client with a quality user experience, and high indicators of bank's business success. That is why Addiko Group has continued the process of its digital transformation with the desire to put the emphasis on improving the customer experience [15]. The main goals of the introduction of advanced CRM process in Addiko Group are presented in Figure 2:

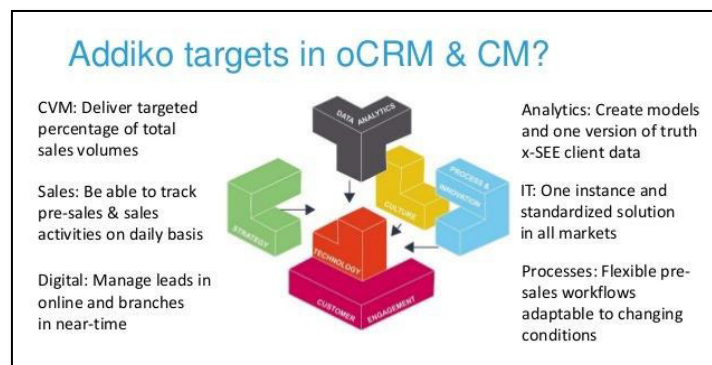


Figure 2

Main goals of introducing advanced CRM in Addiko Group [1]

Source: Addiko Bank Digital Transformation Experience. (2018). *Microsoft Sinergy 18*, <https://www.slideshare.net/VladoB/addiko-bank-digital-transformation-experience-microsoft-sinergy18>

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The specificity of the application of CRM in Addiko Group lies in the analysis of all direct and indirect channels of communication with clients, both those used for campaigns and those less formal. In doing so, Addiko Group acquires knowledge about potential clients who communicate through various channels, so the improvement of their customer experience is done in accordance with their preferences. A well-managed user experience process creates a sense of

understanding and respect for the potential and existing client. The CRM database enables the Addiko Group to collect all customer interactions, so that it is very easy to spot customers who already have a particular product, and customers who need to be offered a cross-sell or up-sell product. Based on the data and information obtained by applying CRM, Addiko Group performs quality targeting, segmentation of its clients, offers the products it want to sell, or uses this data to improve products, services and communication with clients. The importance of unique view of each client is given in Figure 3:

Challenges and Needs for the Single View				
Long Turnaround Time	Error Prone & Manual processes	Lack of Cross-sell & Up-sell	Neglected Prospects & Opportunities	Lack of Monitoring Tools
Application turn-around time is quite long due to paper-based processes, and lack of streamlined and standard flows. Many times customers are contacted again to gather information that was missed in initial contact.	Errors are likely to occur in processes where data is entered and forms are filled manually. Lack of automation of processes and checks on the customer increases errors and returns in the process.	Lack of insight into customer's wallet and not knowing what to sell to the customer and when, results in losing many cross-sell and up-sell opportunities.	Lack of prospect management processes, SLAs, escalations and proper routing and assignment results in neglect and loss of many prospects and sales opportunities.	There is no visibility into how sales teams are spending their time, what they are selling, who they are visiting. Without real-time reports and dashboards, timely actions and performance analysis is difficult.

Figure 3

Importance of unique customer view in Addiko Group [1]

Source: Addiko Bank Digital Transformation Experience. (2018). *Microsoft Sinergy 18*, www.slideshare.net/VladoB/addiko-bank-digital-transformation-experience-microsoft-sinergy-18

As shown in Figure 3, the advantages of a unique view of each client in Addiko Group are significant because they shorten the time of communication with the client, while in a smaller number of contacts sales of banking products are realized, and the client's needs are met. With the traditional way of communicating with the customer, bigger mistakes happen, this can jeopardize the sales process and the customer experience. The application of CRM process in Addiko Group enables quality monitoring of the results of sales staff, in terms of encouraging and rewarding good results, and improving poor performance.

After the introduction of CRM in Addiko Group in 2018, significant attention has been paid to retail segment (private individuals and SME clients). Proper and adequate communication has led to a better sales result, which was also contributed to by the greater commitment of sales staff, due to transparent measurability of their results and rewarding for achieved sales goals. Table 1 shows the change of loan portfolio in Addiko Group.

Table 1

Change of unique loan portfolio in Addiko Group 2018-2019 [16]

Gross performing loans by segment in EUR mil.	2018 YE	2019 YE
Consumer & SME	2.116	2.401
Consumer	1.188	1.342
SME	928	1.059
Retail business volume in EUR mil.	2018 YE	2019 YE
Loans and receivables	2.048,2	2.063,1
Gross disbursements	589,6	646,1

Source: <https://www.addiko.com/static/uploads/20200305-Addiko-Group-Key-Financial-Data-YE19-1.xlsx>

As presented in Table 1, after the introduction of CRM in Addiko Group, growth was achieved in Gross performing loans, Consumer & SME, as well as in Gross disbursements (rise from 589,6 mil EUR in 2018 to 646,1 mil EUR in 2019).

The contribution of CRM to the improvement of key financial data, in Addiko Group in 2019, is shown in Table 2.

Table 2

Key financial data of Addiko Group 2018-2019 [16]

Selected items of the Statement of financial position in EUR mil.	2018 (YTD)			
	1Q	2Q	3Q	4Q
Loans and advances to customers	3.697,7	3.772,2	3.776,4	3.787,3
Deposits of customers	4.916,4	4.907,1	4.959,9	4.836,7
	2019 (YTD)			
	1Q	2Q	3Q	4Q
Loans and advances to customers	3.864,9	3.896,6	3.904,2	3.871,9
Deposits of customers	4.855,5	4.864,7	4.908,9	4.831,2

Source: <https://www.addiko.com/static/uploads/20200305-Addiko-Group-Key-Financial-Data-YE19-1.xlsx>

As presented in Table 2, key financial data were improved in Addiko Group in each quarter of 2019. The growth has been achieved from quarter to quarter during 2019,



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in the Loans and advances to customers, as well as in Deposits, and at the same time the growth in relation to 2018 was accomplished.

Conclusions

The financial services sector, in order to maximize its business performance, is making maximum efforts to gain new and retain existing customers. Various technologically advanced platforms are of great importance for the financial services sector, which encourage the exchange of information with clients, service users, and improve the user experience, all in order to increase the value and achieve business goals. In order to improve and technologically modernize its way of doing business, the banking sector has been applying various technological innovations in the process of customer relations for the last ten years. These technological innovations enable quality communication and relationships with all categories of clients, even those who are insufficiently available or very demanding.

Through the application and strengthening of CRM techniques, Addiko Group improves its business process, identifies the needs of its clients and provides them with a better service. In this process, the integration of the complete organizational structure of Addiko Group is of the utmost importance, so that all employees involved in a particular business process have the same information, which allows for better improvement of the relationship with the client in a short time.

Based on the above analysis, it can be concluded that most commercial banks in the Republic of Serbia use CRM techniques to improve the customer experience of their customers and increase sales of their own products and services. In this way, commercial banks in the Republic of Serbia focus on the needs of their clients, try to achieve long-term profitable business relationships with them, which increases the value of clients and achieves the set goals, i.e. profitability and competitiveness in increasingly demanding markets. It can be concluded that CRM techniques enable commercial banks to manage the value of their customers, and to increase business value by increasing their customers' value.

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