



Customer Relationship Management and Challenging Aspects in the Banking Sector: Case of Albania

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Abstract:

The banking sector is one of the most dynamic and innovative sectors regarding the economic development in the Balkan region during recent years. The attention of international banking groups accompanied by significant influx is also evident. The banking sector is regarded as the main pillar of the economy, so all indicators of growth and strengthening of this sector are the basic elements of modeling the expected economic growth. Recent Albanian statistics highlight that the profit level of all banking system during the last year was about 5.2 billion lek (about 50 million dollars), this level being two times higher than in 2009, but lending policies do not reflect the same positive situation. On the other hand, banks in our country, as representatives of the banking service, operate in an increasingly competitive environment and therefore they seek to pursue new development strategies. From this perspective, the function of banking marketing applied by the banks that operate in Albania constitutes the core of this paper. Our goal is to analyze banking marketing as manifested in the Albanian environment not merely as trading techniques, but as meeting the needs of clients. Furthermore we want to outline our observations about how the political and customer loyalty, CRM (Customer Relationship Management) is followed in the last decade (2002 - 2012) by banks that operate in Albania, issues and implementation strategies to ensure sustainable growth sector. More detailed, our analysis will focus on the customer perspective of facing CRM policies respectively in the Albanian banking system.

Key words: Customer Relationship Management, banking marketing, customer loyalty, management tools, IT database, customer relations.

JEL Classification Codes: M31, G21

Introduction

A lot of books, articles and papers are written about customer relationship management and customers as well as companies' employees are hearing this phrase more and more in today's business world. However, if different people are asked about what customer relationship management (CRM) represents, it is mostly possible that one could get different answers with different meanings depending on who is being asked. Some people might say that CRM is a way to computerize someone's business, others would think of a series of tools and techniques, a marketing program designed to attract customer loyalty etc. (Robert-Phelps 2001).

Different authors and researchers have also given different definitions of CRM. Some of them are of the opinion that CRM is a process or methodology belonging to the information industry methodologies or integrated information systems that can help a company to manage its customer relationships in a managed way (Buttle 2009). Other definitions relate the CRM process with the management of interaction aspects of a company with its customers, including prospecting, sales and service across multiple channels, departments, lines of business. In this context, CRM is seen as a business strategy that can maximize the profitability and revenues for a company as well as customer satisfaction by organizing around customer segments (Buttle 2009). As it can be noticed, it is important for companies to properly understand the CRM process in order to successfully implement and adopt it accordance with their specific needs. This is also the case for the banking sector and especially for the banks operating in Albania, as a relatively new market (developed after 1990). That is why it is important to investigate on how the CRM strategy has developed during these years in the banking sector in Albania and how banks

and their staff understand, implement or develop effective CRM strategies.

This paper has the following research objectives:

- To present some considerations on banking marketing and the role of CRM. The issues from different scientific papers related to this topic are presented.
- To analyze how the Albanian banking system has implemented CRM programs. There are significant studies of CRM in the banking sector, but we don't find publications and studies of this topic in the Albanian banking system. On the other hand, during the last period, the Albanian banking sector is characterized by a significant progress and there has also been accumulated significant experience in the aspect of customer services.
- To demonstrate positive and negative aspects of implementation of CRM in the Albanian banking system based on empiric analysis of results of our questionnaire.

General considerations on customer relationship management

The expression of customer relationship management (CRM) has been in use since the 1990s. A lot of attempts have been made since then to define the domain to which CRM belongs and no consensus exists yet among researchers regarding this issue. Even the acronym CRM itself is sometimes contested. If most of the people would understand customer relationship management by this acronym, other people use this acronym for customer relationship marketing (Gamble, Stone and Woodcock 1999; Jain 2005; Evans, O'Malley and Patterson 2004). People operating in information technology (IT) industry tend to describe CRM as software applications that automate different functions of businesses such as selling, marketing and service. Other people emphasize the managerial rather than technological role of CRM in a company, having the consideration that it is an approach to developing and maintaining profitable customer relationships. These differences in opinions can be explained by the fact that a

number of different CRM types like: strategic, operational, analytical and collaborative CRM are identified (Buttle 2009).

However, different authors agree that customer relationship management is an important strategy in managing customers, as it focuses on understanding customers as individuals instead of as part of a group and each of these individuals has a choice (Lambert 2010; Robert-Phelps 2001). Because customers have a lot more choices and they may decide not to stay loyal to any company in particular, companies on the other hand are trying to find new ways to effectively manage customer relationships, consisting not only in acquiring new customers but also in retaining their existing customers (Jasola and Kapoor 2008). According to Robert-Phelps (2001) there are three main elements to take into consideration when aligning a business towards a customer relationship format: retention, developing customer potential and de-selection of customers. This means that companies seek to achieve growth in the number of new customers they acquire and a reduction in the number of customer defections, and thereby to achieve net growth in the total customer base (Ennew and Waite 2007). CRM identifies the present and future markets, selects the markets to serve and identifies the progress of existing and new services.

Thus, CRM is the core business strategy that integrates internal processes and functions, and external networks, to create and deliver value to targeted customers at a profit. It is grounded on high quality customer related data and enabled by information technology (Buttle 2009). Successful customer relationship management focuses on understanding the needs and desires of the customers and is achieved by placing these needs at the heart of the business, by integrating them with the organization's strategy, people, technology and business processes (Kanti 2012).

CRM as a pillar of Banking Marketing

Different authors and researchers of marketing have argued that in the last two decades, businesses in different sectors will have had to change their approach regarding marketing. According to them, marketing should be carried out through

relationships, networks, and interactions (Lindgreen and Antiocho 2005). This approach appears to be different from the traditional marketing based on transactions affecting the four P-s (Product, Price, Promotion and Place). However, some businesses use both models in their marketing practices, carrying out transactions based on 4 Ps, combined with relationships, networks and interactions marketing (Lindgreen et al. 2000)

The concept of CRM derived from different theories of the firm that have argued diverse approaches which can evaluate the evolution and performance of organizational structures of companies. As part of banking marketing, the policy of CRM integrates the marketing process with the dynamic of banking services and customer care service in order to create efficiency. On the other hand CRM is considered a pillar of banking marketing.

There are now more evident facts about utilities of CRM in general. We outline some of them from BPmonline on its web site (<http://www.bpmonline>):

- Most of the Fortune 500 companies lose 50% of their customers every 5 years.
- Selling to a new customer is 5 times more expensive than selling to existing one.
- Satisfied customers report their customer experience to 5 friends, unsatisfied – to 10.
- 5% increase in customer retention rate produces a 50-100% increase in company profits.

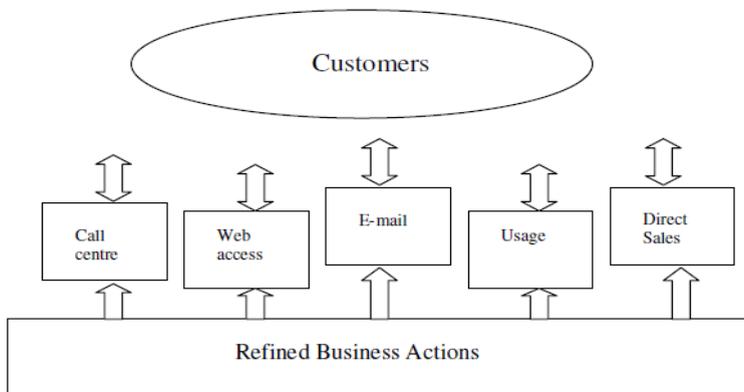
From this perspective, the policy of CRM has revolutionized marketing in all kind of companies, but more particularly in the banking sector. If the CRM technique is valuable for every organization, the implementation of CRM in banking sector is more practicable conditioned by the huge number of costumers.

There are a lot of arguments developed by different authors why banking system uses CRM. The studies have demonstrated that long-term customer relationship is necessary for many banks to update with continuous changes inside and outside their environment.

In the current competitive world the aim of banking marketing strategy is not only to find the best customers, but also to build the long-term collaboration with them and to optimize customer satisfaction. The use of CRM in banking marketing as a tool of coordination and development emphasizes the relationships with the customer. This tool can be compounded of many applications in order to achieve a double growth: the market share and financial profit.

In fact, CRM is a complex process that depends on the characteristics of the form of the organization and its culture (Parvatiyar and Sheth 2001). The models that banks have used to implement CRM are multiple and diversified by active interactions supported by networks. Furthermore, banking marketing has developed a Multi-Channel-Distribution strategy. Consequently, CRM is supported by new technology as well as internet and other communication instruments. In fact, the basis of CRM implementation on the banking sector is segmentation, information network, algorithm, IT system and sales and customer support.

Figure 1. CRM and relationships actions



Source: Shahzeb Ali Malik based on Dyche', 2002

The use of CRM in the banking marketing is needed to orientate the bank on financial performance (the high profit and quality/price ratio) in a determinant environment. For this,

CRM components are related with good information about banks' customers, their habits, their profiles and the types of services they use. The cultural component of services is another component that orientates continuously the knowledge of customers' needs. All components can contribute on the opportunities and the filling of gaps for a durable and profitable life-long relationship. The opportunities and problems of CRM implementation are also related to the asymmetry information and the level of technology used.

Evolution of Banking System in Albania

The banking sector in Albania is one of the most important sectors of the economy and its role is steadily increasing. During the last 20 years a huge structural reform has been based on restructuration process and privatization of ex state-owned banks. Consequently, currently, the banking sector is characterized by an enlarged number of banks with consolidated assets and profit. The Albanian banking sector is a dynamic sector and this is demonstrated by the efforts to be better positioned in the market. By the end of 2011, about 85% of country's GDP assets belong to the banking sector (Bank of Albania, 2011). At the end of 2011, the Albanian banking sector continued to be composed by 16 commercial banks, totally privately owned, with around 92 percent of the total assets invested by foreign capital. In 2011, the total assets in the Albanian banking system increased by higher rates than in the previous year. The structure of the banks' assets is mostly founded by households' deposits and is mainly focused on lending to the private sector. Although there is an increasing trend in according loans, the risk of bad credits is also imminent. Some of the main indicators on their activities are shown in Table 1.

Table1. Main indicators of banks operating in Albania, 2011

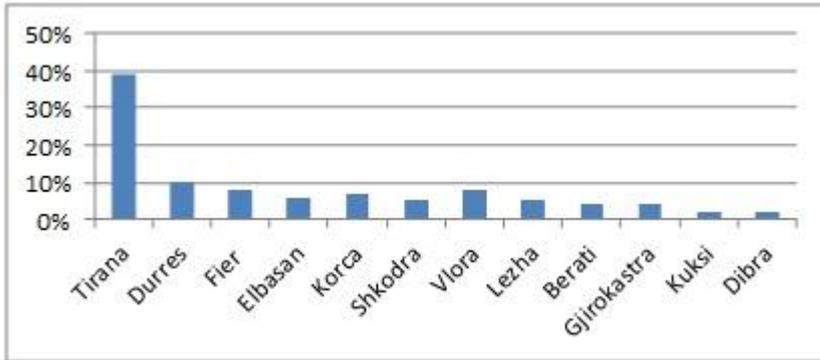
Indicator	2009	2010	2011
Total assets (billion ALL)	886.3	990.6	1,120.2
in % of GDP	77.5%	79.7%	84.6%
Total Deposits (billion ALL)	694.3	816.7	924.1
in % of GDP	60.7%	65.7%	69.8%
Credit to Economy (billion ALL)	449.4	490.9	566.2
in % of GDP	39.3%	39.5%	42.8%
Shareholders' Equity (billion ALL)	84.8	93.1	97.3

Source: *Bank of Albania, Supervision Annual Report 2011.*

According to the latest Annual Report of the Albanian Association of Banks (2011), the banking activity expanded and was reorganized during 2011 in terms of opening new branches and agencies and closing some of the existing ones. The total number of outlets and agencies reached 552 (compared to 548 in December 2010). In addition, banks have reached closer to their customers by enhancing the financial infrastructure through the deployment in the country of 34 new ATMs and 223 new POS-s throughout the year. Usage of credit and debit cards has increased over the year, in response not only to the better acquaintance of the public in this regard, but also as a result of the policies of banks to reduce maintenance and usage costs of these cards.

It is also important to emphasize the fact that there is a discrepancy in the distribution of banks' branches all over different prefectures of Albania. Almost 39% of all branches are situated in the prefecture of Tirana, followed by the prefecture of Durres where about 10% of the banks' branches are situated. This situation is presented in Chart 1.

Chart 1. Distribution of banks' branches by main prefectures in Albania



Source: *Bank of Albania, Supervision Annual Report, 2011*

The network of the banks in Albania can be seen in Table 2.

Table 2. Network of Banks in Albania

Indicator	2010	2011
No. of Outlets	548	552
No. of ATM	771	805
No. of POS	4,903	5,126
No. of Cards	694,848	731,851
- debit	667,548	693,958
- credit	27,300	37,893

Source: *Bank of Albania, AAB, 2011*

Survey Results and Discussions

Methodology of study and objectives

Motivated by the substantial changes in the Albanian banking system, a questionnaire was designed to evaluate CRM components and its effectiveness as seen from the bank employees' (junior managers in different departments) perspective in a survey. For the survey, we used a questionnaire composed of 42 questions to be rated in a Likert scale from 1 to 5 where: 1=strongly disagree; 2=agree; 3=neither agree nor disagree; 4=agree; 5=strongly agree. The questionnaire was divided in three categories: in the first

category, employees were presented to 23 statements on different CRM issues and they were asked to give their opinion from 1 to 5 as mentioned above. The other two remaining categories were questions evaluating CRM models and processes in the banks surveyed, as well as CRM implementation issues. Data was gathered from 72 questionnaires distributed in 7 banks (headquarters and branches) in the city of Tirana. Data collected were processed in SPSS using factor analyses as a statistical method. This method could give us an idea of how different elements of CRM within banks are related and combined to each other for a successful implementation.

Overall results from the study show encouraging levels of the use of CRM, but empirical resultants are discussed taking in consideration some limits. In conclusion, we give some recommendations for a better understanding and implementation of CRM in the Albanian banking system.

Findings from the Survey

The first part of the questionnaire is composed of 23 statements and banks' employees holding positions of junior managers at branches and branches managers were asked to give their opinion from 1 to 5. These statements are related to different aspects of a successful CRM process and they could identify the perceptions of the employees on how CRM is performed at their bank, and what is their knowledge of CRM and its elements. Statements of this part of the questionnaire were related to CRM processes like: banking services and products customization; understanding of customers' needs; standards of performance regarding customer care; expertise on sales and marketing related to CRM; employees training on customer relations; existence of business goals related to customer acquisition, development, retention and reactivation; competencies and use of IT department and design of software and hardware to properly serve customers, etc. Some of the most important statistical findings regarding these questions are shown in Table 3.

Table 3. Statistical Indicators on the first group on CRM Statements

Statements	Mean	Median	Mode	Std. Deviation	Variance	Skewness	Range	Sum	Percentiles
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									25	50	75
My organization provides customized services to our key customers	3.88	4.00	4	0.887	0.787	-0.496	3	279	3.00	4.00	4.75
My organization makes an effort to find out what our key customers need	4.13	1.00	4	0.821	0.674	-0.709	3	297	3.00	4.00	4.75
Customers centric performance standards are established and monitored at all customer touch points	3.82	4.00	4	0.877	0.770	-0.407	3	275	3.00	4.00	4.00
My organization has the sales and marketing expertise and resources to succeed in CRM	3.68	4.00	4	0.901	0.812	-0.622	4	265	3.00	4.00	4.00
Our employee training programs are designed to develop the skills required for acquiring and deepening customer relationship	3.69	4.00	4	1.184	1.286	-0.679	4	266	3.00	4.00	5.00
Employee performance is measured and rewarded based on meeting customer needs and on successfully serving the customers	3.53	4.00	4	1.074	1.154	-0.424	4	254	3.00	4.00	4.00
Our organization structure is meticulously designed	3.68	4.00	4	0.990	0.981	-0.476	4	265	3.00	4.00	4.00
My organization has the right software/hardware to serve our customers	3.78	4.00	4	1.038	1.077	-0.470	3	272	3.00	4.00	5.00
My organization maintains a comprehensive database of our customers	3.76	4.00	4	0.957	0.915	-0.596	4	271	3.00	4.00	4.00
My organization fully understands the needs of our key customers via knowledge learning	3.78	4.00	4	0.967	0.936	-0.399	3	272	3.00	4.00	4.75
Customers can expect prompt service from employees of my organization	4.03	4.00	4	0.855	0.732	-0.610	3	290	4.00	4.00	5.00

According the statistical indicators as shown above, it is confirmed that a great part of banks' employees have general knowledge about CRM tools and they successfully use software and other instruments in enforcing CRM strategy at their work.

In the second part of the questionnaire our focus was on some questions regarding customer retention, customer satisfaction, referrals etc., as shown in Table 4.

Table 4. Questions on customer retention and satisfaction

Statements	Mean	Median	Mode	Std. Deviation	Variance	Skewness	Range	Sum	Percentiles		
									25	50	75
Do you know the profile/trend of our customers?	3.86	4.00	4	0.564	0.318	-0.031	2	278	4.00	4.00	4.00
Do we know exactly how many customers visit our outlet daily?	3.53	4.00	4	1.061	1.126	-0.402	4	254	3.00	4.00	4.00
Do we know exactly how many visitors actually buy?	3.50	4.00	4	0.904	0.817	-0.235	4	252	3.00	4.00	4.00
Do we know how much each visitor bought?	3.96	4.00	4	0.830	0.688	-1.291	4	285	4.00	4.00	4.00
Do we know how many repeat customers we have?	3.86	4.00	4	0.893	0.797	-0.818	4	278	3.00	4.00	4.00
Do we know how many customers actually generate referrals?	3.25	3.00	3	0.884	0.782	-0.393	4	234	3.00	3.00	4.00
Do you know how many items the customer wanted and how many he actually got?	3.75	4.00	4	0.884	0.782	-0.362	4	270	3.00	4.00	4.00
Do you have a customer database?	4.15	4.00	4	0.730	0.533	-0.703	3	295	4.00	4.00	5.00
Do you monitor customer satisfaction levels?	3.79	4.00	4	0.934	0.871	-0.635	4	273	3.00	4.00	4.00

Data results show that managers pay attention and agree with the aforementioned checklist as they tend to use these tools in customer retention, customer satisfaction and customer management portfolio. However it is shown that most of these managers do not have the required information on referrals and daily visits of their customers.

Table 5. Questions on actions regarding CRM Implementation

Statements	Mean	Median	Mode	Std. Deviation	Variance	Skewness	Range	Sum	Percentiles		
									25	50	75
Have you calculated the lifetime value of the customer?	3.60	4.00	4	0.833	0.695	-0.168	3	259	3.00	4.00	4.00

Do you plan your existing customer marketing as carefully as you plan it for new customers?	3.74	4.00	4	0.872	0.760	-1.026	4	269	3.00	4.00	4.00
Do you stress value over price in your marketing endeavour?	3.49	4.00	4	0.919	0.845	-0.350	4	251	3.00	4.00	4.00
Do you work hard to establish social bonds with the customers?	3.96	4.00	4	0.701	0.491	-0.448	3	285	4.00	4.00	4.00
Do you see structural solutions to customer problems?	3.86	4.00	4	0.698	0.487	-0.314	3	278	3.00	4.00	4.00
Do you focus on fairness in your company?	4.07	4.00	4	0.738	0.544	-0.977	4	293	4.00	4.00	5.00
Do you focus enough in competitive differentiation?	3.85	4.00	4	1.002	1.004	-0.979	4	277	3.25	4.00	4.75

In this part of the questionnaire, it can be seen that some of the managers have issues regarding the estimation of the lifetime value of the customers and the marketing endeavor in stressing value over price.

Beside the statistical indicators shown above, the output of factor analysis in order to identify the main factors contributing to CRM according to the questionnaires is presented in Table 6. Explained variance of this output was at the level of 54.8%.

Table 6. Rotated Component Matrix – a

Questions/Statements	Component			
	1	2	3	4
Through ongoing dialogue we work with individual customers to customize our offering		,294		,534
My organization provides customized services to our key customers		,583		
All people in my organization treat key customers with great care	,445	,426		
My organization makes an effort to find out what our key customers need	,416	,586		
Departments in my organization coordinate to modify a product/service	,668			
Customers centric performance standards are established and monitored at all customer touch points	,748			
My organization has the sales and marketing expertise and resources to succeed in CRM	,626	,373		
Our employee training programs are designed to develop the skills required for acquiring and deepening customer relationship	,595	,368		
My organization has established clear goals related to customer acquisition, development and retention	,592	,426		
My organization commits time and resources in managing customer relationship	,655			
Employee performance is measured and rewarded based on meeting customer needs and on successfully serving the customers	,689			
Our organization structure is meticulously designed	,723	,343		
My organization has the right personnel to provide technical support for the utilization of IT in building customer relationships	,667			
My organization has the right software/hardware to serve our customers	,641		,530	

Organization has the right hardware to serve our customers	.605		.476	
Individual customer information is available at every point of contact				.717
My organization maintains a comprehensive database of our customers	.645			
Customers can expect exactly when services will be performed	.507	.489		
Customers can expect that my organization employees respond to their requests promptly	.354			.155
My organization's employees are willing to help customers in a responsive manner	.483	.452		.290
My organization fully understands the needs of our key customers via knowledge learning		.586	.267	
My organization provides channels to enable ongoing two way communication with our customers	.512	.393	.309	
Customers can expect prompt service from employees of my organization	.566	.544		
Do you know the profile/trend of our customers?		.504		
Do we know exactly how many customers visit our outlet daily?		.535	.470	
Do we know exactly how many visitors actually buy?		.617	.500	
Do we know how much each visitor bought?			.856	
Do we know how many repeat customers we have?			.820	
Do we know how many customers actually generate referrals?		.582	.324	
Do you know how many items the customer wanted and how many he actually got?			.676	
Do you have a customer database?			.751	
Do you monitor customer satisfaction levels?		.627		
Have you calculated the lifetime value of the customer?			.439	-.337
Do you plan your existing customer marketing as carefully as you plan it for new customers?		.599		
Do you stress value over price in your marketing endeavour?	.472	.461	.262	
Do you work hard to establish social bonds with the customers?	.403	.383		-.402
Do you see structural solutions to customer problems?		.580	.360	
Do you focus on fairness in your company?		.531	.433	
Do you focus enough in competitive differentiation?	.422	.607		

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 10 iterations.

In Table 6 we have presented only the factors with the higher weights on each statement or questions in order to identify the four main components that are to be taken into consideration regarding the CRM implementation in the banking sector as identified by the data provided by the questionnaire. From this output, four main factors regarding CRM in the contacted banks can be identified as follows:

1. Customer satisfaction
2. Customer retention
3. Hardware and software implementation
4. Transparency regarding procedures

Conclusions

This paper is a modest contribution to the CRM study in Albania. There is a lack of related academic studies regarding this issue. On the other hand, the reality presented in the Albanian banking system, presents positive efforts and contribution from different banks in CRM implementation.

Our scope of the empirical work was mainly focused on the perception and knowledge of managerial staff in the Albanian banking sector. From the empirical study, we can conclude that CRM has caught the attention of managers in the improvement of their tools and strategies development as part of their marketing. The main factors to be taken into consideration according to the managers exposed to the empirical research are, among others: customer satisfaction, customer retention, implementation of hardware and software and the transparency regarding procedures.

Banks in Albania are investing on CRM models and techniques and they emphasize the role of specialized employees which can be observed in CRM training programs and IT use on customer database. However, in most of the cases, database elaboration and customer portfolio management is still a new process which must increase the performance and transparency regarding the bank customers. This is reflected in the neutral responses of the questioned managers.

The use of CRM in Albanian banking marketing is needed to better orientate the banks on financial performance and increasing their assets.

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