The relevance of customer relationship management in the nigerian banking industry (A case study of Intercontinental Bank Plc)

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Abstract: *Customers relation management (CRM) is an emerging customer innovation focused on growing customers profitably by knowing, caring and delivering value to the customers in a bid to enhance customer intimacy, increase quality service levels and enhance business penetration supported by technological capabilities.*

The objectives of the study is to find out the relevance of CRM in the industry and the extent of the concepts adopted. Also to determine the extent to which the CRM concept assist to build up competitive advantage overtime. In order to ascertain the fact in this research work secondary data were collected and regression model technique were adopted to analyze result both in quantitatively and descriptively format. Also, the finding revealed that more resources should be invested in technology and personnel training in order to get the best out of the customer relationship management (CRM). Recommendation were equally offered for banks aiming towards crafting a niche for themselves in the turbulent industry.

Keywords: Customer Relation Management, Banking Industry, Regression model.

Introduction

In every economy, the Banking Industry plays very vital roles in the financial system and therefore is a crucial agent of the developmental process in the economy. Banks in their capacity as financial intermediaries channel savings and investment from the surplus units to the deficit units thereby increasing the volume of National Savings and investments and consequently the National output.

The organic growth of the Nigerian financial sector between independence in

1960 and the eve of SAP in 1986 was indeed remarkable; the growth in the number and variety of financial institutions as well as the financial instruments and operations during this period attests to the grave relevance of the sector in National Economy Development. The structural readjustment in the financial sector which commenced in 1986 was directed towards enhancing the Banks efficiency through increased competition, strengthened supervisory role of the Regulatory authorities and streamlined public sector relationship with the financial sector. Thus, since the early '90s', the phenomenal growth of the Banking Industry in Nigeria following the Deregulation of the industry has generated interest and enthusiasm amongst top notch stakeholders and institutions in the industry stressing the urgent need for strategic decisions.

Prior to the Liberalization of the Nigerian financial system, there was clear cut distinction between Merchant and Commercial bank. However, at the turn o the New Millennium and as a result of Liberalization, these distinctions were removed by the Central Bank of Nigeria to create a level playing field in the industry; endorsing the concept of Universal Banking in all it's ramifications, setting the stage for all players to develop niche areas where they were most efficient in the context of the philosophy of Guided Deregulation.

Most significantly in the year 2002, the Central Bank of Nigeria dismantled the divide between Commercial and Investment banking via the full introduction of Universal Banking; a culmination of a process commenced 2 years earlier with the Government's approval of the conversion of Merchant to Commercial banks. Universal Banking further heightened the competitive pressure in the banking sector with more merchant banks venturing into retail banking and subjecting operating margins to severe stress. This factor along with the new commercial banks that were licensed and the rapid branch expansion by operators in the system, re-echoed the need for banks to create more value-added services that would guarantee some competitive leverage.

Thus, Banks with a view of survival can no longer rely on their "efficient personnel" solely but must synchronize personnel capabilities with appropriate systems and structures in order to wade the storm of competition, survive the tide of changing customer needs and take advantage of emerging technology; shifting several old economy business practices towards organizing by customer segments (rather than by products), focusing on customer lifetime value (instead of transactions alone), focusing on stakeholders (and not through Advertising alone), focusing on customer Accusation, Retention and Satisfaction.

Popularized during the "internet Gold Rush" in the mid '90's, Customer Relationship Management- CRM suggests on overall shift from product-based making to a customer focused approach; rather than an "out of the box" software which can be effectively used with little or no customization, CRM expansively hinges on a technologically supported customer centric orientation that allows enterprises to take a far more individualized approach to their customers, tailor service offerings and monitor all activities from a customer needs perspective rather than from a vendor supply perspective (Paul 2001).

CRM thus, is a broad spectrum of Organizational, Operational and Technological elements; a business strategy which provides seamless integration of all areas of business that touch the customer (marketing, sales, services), through the integration of people, Process and Technology to optimize profitability, revenue and customer satisfaction (Roland et al., 2000).

The Nigerian banking industry is at the threshold of change of such a magnitude as to completely alter the fabric of business and indeed lives, this change being rooted in the competitive nature of the industry which incidentally is expected to intensify as new players of Local and Global scope permeate the market and as the competitive terrain becomes more challenging to navigate due to the ever changing customer expectations and preferences, the challenges being churned up in the operating environment, and expectations of the Regulatory Bodies, competitors in the industry will indeed need to adopt New technologies, re-design processes and excellently manage their manpower in order to secure a competitive advantage.

Objectives of the study:

The following objectives will be pursued:

1) To find out the relevance of CRM in the industry and the extent of the concepts adoption
2) To examine the relationship between the elements (Technology and Personnel) and concepts of CRM and overall performance
3) To determine the extent to which the CRM concept assists to build up competitive advantage overtime

Literature review

CRM, an emerging customer innovation focused on growing customers profitably by knowing, caring and delivering value to the customer in a bid to enhance customer intimacy, increase quality service levels and enhance business penetration supported by the technological capabilities of databases, interactivity and mass customization is a business of strategy that has up till now remained latent with a greater emphasis on Mass Marketing and subsequently Target Marketing. However, with increasing competition and changes in customer expectations, the business strategy has been positioned in the frontline across the industry with the customer at the centre of all business activities.

CRM being a strategic business option and not a technology solution enables Banks build closer relationships with each customer as an individual; learning about them and communicating messages and offers that are unique to them especially in this period of economic meltdown. This customer centric approach to relationship banking with personalized communications enhances the bank's capability to providing "human touch" to its services and thereby increasing customer retention, loyalty, and ultimately profitability.

CRM Guru.Com (2004) officially defines CRM as "a business strategy to select and manage customers, to optimize long-term value, CRM requires a customer centric business philosophy and culture to support effective marketing, sales and services processing". In the words of Philip Kotler (2005), CRM is a skill which enables companies to provide excellent real-time customer service by developing a relationship with each value involved customer through the effective use of individual account information.

Hess and Ed (2001) views the CRM business strategy as "the superset of business models, processes, methodologies and interactive technologies for achieving and sustaining high levels of retention and referrals within identified categories of values and growable customers".

In the expansive works of Peppers and Rogers (1996), CRM is viewed as the process of managing detailed information about individual customers and carefully managing all the customers loyalty. The challenge thus is to produce satisfied customers; several competitors can do this; the challenge is to produce delighted and loyal customers".

CRM thus is essentially a management initiative of developing and implementing business strategies and supporting technologies that close the gaps between a banks current and potential performance in customer acquisition growth and retention; a management approach that places the customer at the core of the firms processes. Lubin & Paul (1992) CRM leverages cutting edge technology, integrated strategic planning, up-close and personal marketing technologies and organization development tools to build internal and external relationship that increase profit margins and productivity within the enterprise.

The success of a CRM initiative however relies heavily on the Tripod connection of Systems, Technology and People within the industry. System and Processes have to be restructured to accommodate new changes and essentially give an enterprises wide picture of the bank as against a branch or zonal view to ease the collaboration of activities; acquisition of a leading edge technology to enhance seamless data integration between customer services, front office and bank office operations and marketing; and lastly securing the right crops of personnel who can be trained to merge the rudiments of banking with the art of relationship management through improved message, product and service delivery is highly enhanced. Roland et al (2000).

Challenges of CRM

If African countries cannot take advantage of the Information Revolution and utilise this great wave of technological change they may be crushed by it (World Bank Report 2003) being an enterprise wide undertaking, the installation and implementation of a CRM strategy can be very challenging and therein lies the allure. The challenge faced in embarking on a CRM strategy typically arises from the influences of Technology, process and personnel.

The success of CRM initiative is linked and enormously dependent on the quality of data and the ability of the bank to share consistent, accurate information across the enterprise. Most common among the data challenges are varied standards, bad data analysis, misspellings, misrepresentation of homonyms, missing and incomplete data. The cost implications, sourcing installation and customization of software applications is yet another challenge faced and coupled with the fact that most applications are not specific to financial services and therefore require significant customization to accommodate screens, work flow and other processes to enhance CRM. Paramount also is IT security, with the influx of hackers into IT world, security of information becomes a vital issue that must be diligently monitored; closely linked with this is the absence of software application which provides integrate capabilities for design, constructions and maintenance of scale able data warehouses and marts.

Secondly collecting an integrating customer data into single logical repository that the tellers, marketers and customers service staff as well as the front and back office staff can all have access to is crucial to the success of any Bank undertaking the CRM initiative and usually calls for process restructures; yet another hurdle to be crossed in the Nigeria Banking Sector. This involves leveraging existing customer relationships and making optimal use of customer information across the enterprise-an integration of the systems (credit, transfers, deposits etc) used for both transactions and interactions. Front and systems that interacts with the customer e.g. phones, Website, ATMs, Smart cards, E-mail etc need to be fused with the Back and Systems e.g. Billing, Statements, etc to give a well synchronized perspective of the customer. This integration posses a great challenge because it calls for restructuring; an over hauling and imminent change to which Bank are just beginning to wake up to and on which more landmarks must be made.

Thirdly and perhaps most important is the people aspect of a CRM strategy, being the most valuable asset in any firm the personnel of a bank have to be well integrated, trained and developed to face the challenges of both the Local and Global Market in terms if relationship building, customer management and versatility in handling software applications. As the environment changes, a wide knowledge of the rudiments of baking no longer yields desired results, it must be complemented with the dexterity of customer relationship management skills in order to attain cut edge performances; little wonder forward looking banks constantly expose their manpower to training programmes, seminars and developmental programmes in a bid to fuse the raw knowledge of banking with the art of relationship management, the duo which ensure ultimate performance.

The process of CRM

There are no hard and fast chronological steps to CRM because to a large extent the nature, process and both the internal and external environment of a bank sets the pace for designing a CRM strategy. However, some fireproof steps are highlighted on which premise banks can make necessary shifts to suit their divergently congruent business orientation and goals, highlight below are some of these steps;

Create a Strategic CRM Vision

Acquiring the latest CRM software will hardly solve CRM challenges. While technology certainly plays a major role in supporting the success of CRM, CRM is in the real sense a strategic alternative. A clear vision thus, articulates, the position the bank would like to attain in the future, a powerful motivator to action, setting the pace, dictating the steps, leaps and bounds to attaining envisioned goals. The vision ensures that subsequent decisions are made on the basis of the overall goals and not driven by the functionality that a particular application might provide but how in the long run the bank wants to deliver values to its customer.

Craft a Customer Strategy

Successfully, implementing a CRM strategy rests on crafting a customer strategy. The good old-fashioned segmentation analysis designed to achieve specific goals as derived from the overall vision of the bank. The complex task of crafting a customer strategy aimed at figuring out which customer to build and those to cut off from can be placed on the right track where management provides answer to 4 fundamental questions:

➤How must our value proposition change to earn greater customer loyalty?

➤What is the potential value of increasing the loyalty of the customers?

➤ And how much does it vary by customer segments?

➤How much resources can be allocated to CRM right now?

The primary goal of CRM thus- of differentiating business from competitors is achieved by customization which meets the needs of segmented customers building customer loyalty overtime.

Process Re-Design

Installing CRM technology before creating a customer- focused enterprise is perhaps one of the major pitfalls of the CRM strategy. A CRM roll-out has higher chances of success after the business and its processes of job description, job design, analysis, specification, performance measures, compensation system, work flow, training programmes etc have been appropriately re-structured to optimally accommodate customer needs.

Paramount here is the evaluation of existing department, sectional and zonal structures as well as the product/ service structures. As simple as it sounds this is perhaps the most complex stage in the process, requiring a total overhauling of the whole enterprise, large capital outlays and executive commitment. Failure to appropriately manage this stage can be disastrous to the enterprise leading to erosion of customer base, profits and ultimately the death of the business.

Acquiring Technology

In the brave world of e-commerce, entry to the digital world is the fundamental shift from being a product centric to a customer centric enterprise providing a springboard to compete not only on the local, but also on the Global market place. Thus, in installing a CRM strategy, technologies congruent with the special need of the enterprise in terms of the products and services offered in line with the fundamental vision, goal and objectives of the enterprise must be acquired. This requires interactions with multiple vendors e.g. a system integrator, a contract manager, sales force vendor etc depending on the complexities of the enterprise, these application provide 3 essential benefits:

Analytical benefits- enables the bank "know" more about their customers via house-holding, disparate customer account and adding propensity indications such as likelihood to defect.

Interactive benefits-allows for centralized business rules across both personal and self-services delivery channels. E.g. Smart Cards and ATM's relational benefits- managing employee assisted interactions with customers by providing valuable information to employees while documenting contacts and tracking referrals service escalations and next steps.

Implementation

Having re-structured processes, acquired appropriate technologies and reoriented and re-trained personnel, the final stage in installing a formidable CRM business strategy is blending these principal elements together. Management must effectively lead and manage change, employ strategies, allocating scarce resources to create competitive advantage and superior performance and support personnel. Indeed the successful implementation of a CRM initiative rests largely on the wit and ability of management to synchronize the triple elements of Process, Technology and Personnel. Blodgett and Mindy (2000).

Overtime, most executives have learnt that CRM is actually a foremost differentiating business strategy and a pervasive one of personalizing service around individual customers across the industry as opposed to the hype for manufacturing industries to tackle. Hess & Ed (2001).

The most visible evidence of a shift from the Traditional approach to Banking to a "customer centric" one is the range of products offered by Banks and the phenomenal rate at which services are brought to the doorstep of the average customer in terms of Branch networking by both the old and New generation Banks.

Intercontinental Bank Plc come into existence in March 1989 as a product of the partnership among some visionary Nigerian businessmen to provide innovative and customer-focused products and services that will satisfy the publics growing needs for sophisticated banking services via a wide array of products and services covering investment banking, retail, funds management and credit management. In July 1999, the Bank converted to a Commercial Bank and subsequently obtained the Universal Banking License to avail many more customers of it's unique and customized products and services as well as tap into other market opportunities in the Nigerian economy.

Following a resolution of the Board in October 2001, the Bank changed to a Public Limited Liability Company mid 2002, following up in July with an Initial Public Offer. From it's 5 branches as a Merchant Bank, the bank has phenomenally broadened it's Branch network to a whooping 205 branches, the fastest growth rate ever recorded in the industry, placing itself as the 4th largest bank in the country. Recognizing the diversity of its customer base, the bank has successfully developed a range of products to meet the growing needs of all it's customer segments, personalizing product offerings while extending the frontiers of baking beyond more savings and deposits, capturing the lifetime value of each customer. Some of the products include:

- Intercontinental Diamond Fund-IDF
- Intercontinental Value Yield-IVY
- Intercontinental Premium Servings Account-IPSA
- Intercontinental Classical Current Account- I-Class
- Intercontinental Instant Cash Transfer- I-Cash

Methodology

For the purpose of this paper, data were gathered from the Bank's Annual Reports and Financial statement spanning a period of 13 years (1997-2009) capturing a major proportion of the Bank's life cycle as both a Merchant and Commercial bank. These data were subjected to the Multiple Regression Analysis carried out on the SPSS upon which subsequent inferences were made.

Data presentation and analysis

Data gathered from the Financial reports of the Bank on it's Investment on Technology and Personnel and the corresponding value of it's Shareholders Equity over a period of 10 years are presented below:

N	Y	X1	X11
2009	16,067,600	2,185,670	6,110,020
2008	16,065,602	2,160,236	6,102,200
2007	15,454,340	2,086,210	5,983,540
2006	15,044,871	2,043,820	5,893,456
2005	11,956,654	1,786,430	3,118,259
2004	8,611,036	1,537,297	2,736,725
2003	7,483,757	227,804	1,575,906
2002	3,456,102	646,400	877,970
2001	2,775,957	294,231	570,790
2000	2,176,599	221,289	367,825
1999	1,905,734	120,889	268,464
1998	1662,204	87,805	192,218
1997	1,248,365	58,900	152,047

Source: Researcher's field survey 2010 (intercontinental bank), Annual Report 1997-2009

Y-represents the Shareholders Equity
X1-Investment on Technology
XII-Investment on Personnel

Data analysis

Table 1: *Model Summary*

Model	**R**	**R square**	**Adjusted R square**	**Std Error of the Estimate**
1	.972	.944	.928	1310089.67

Source: Researchers SPSS Printout 2007

Table 1: Coefficient

	Understandized coefficients		Standardized coefficients		
Model	**B**	**Std. Error**	**Beta**	t.	**Sig**
1(Constant)	1509503	572614.2		2.634	.034
X^1	1.118	1.477	.178	4.601	.474
X^{11}	2.118	.618	.805	7.575	.011

Source: Researchers SPSS Printout 2010.

From table 1 above, the R square figure of 94.4% clearly shows that the Total variation in the Shareholders Equity over the years can be rightly linked to the variation in the dual elements of Technology and Personnel; over the years, as the Investments in both forces were stepped up, the value of the Shareholders Equity geometrically increased, a strong indication that a very large extent, these elements has boosted the overall performance of the Bank. This thrust is best captured in the words of the CEO of the bank "we are reinforcing the grounding process through the exposition of our self-our most valuable asset to the latest trends in the Global as well as Local markets to imbibe them with skill and techniques relevant for excelling in today's increasingly, competitive challenging and racy financial intermediation process". Recognizing the pedestal role of Information Technology both as a key driver and platform for quality service delivery via product offering and the integrity of processes, the bank has a sturdy but flexible stock of IT infrastructure that can compete effectively in the Global arena of e-banking and e-commerce, such include the intercontinental money card.

The 't' figures shown in Table 2 also points to the strong correlation between investments in the dual elements of Personnel and Technology and the commendable overall performance measured by the Shareholders Equity over the years. Investment on personnel (X11) as shown on the table has approximately 100% significance in overall performance and as represented by the t value of 7.575 points to the predominant fact that increasing investment in the Human capital of the Bank in term of quantity and quality has over the years differentiated the bank from the fierce competition and has been a pedestal on which bank has been able to cave a niche for itself in the industry.

The 't' value of 4.601 also points the fact the Technology plays a vita role in effective Customer Relationship Management. Linking all interfaces together; providing a single repository of customer data enterprise wide while capturing the lifetime value of each customer. Overall, the dual elements of Human capital and Technology are vital as shown in the figures above in the CRM driver towards achieving and sustaining a competitive advantage in the face of stiff competition.

Conclusion

In recent times, there has been on-going flurry of CRM activities in the Banking industry with the plethora of banks creating various solutions to achieve the same results, the development is peculiar to the industry because it has unique characteristics that makes CRM particularly appropriate;

- The banking industry is highly competitive and dynamic;
- Typically the cost for customers to switch banks is low resulting in increased competitive pressures;
- The customers perception of customers service is often the key purchases influence and,
- The typical customer base is spread between high and low value customers with a small proportion of customers contribution most of the profits.

However, some of the benefits that accrue to banks undertaking the CRM initiative includes better communication with the customer, increased efficiency and effectiveness in dealing with customers' achieve via integrating front and Back office operations into a single customers focused operation which enables the Bank to collaboratively service customers and simultaneously improve customer Acquisition and Retention rates. Blodgett and Mindy (2000).

The promise of CRM is very captivating products and services based on the versatility of supporting systems and software specially designed to manage customer relationship e.g. Microsoft Great Plains Business solution and Great Plains Siebel front office etc these software also provides analytical tools for determining marketing campaign effectiveness, conversion rates, sales and performance etc.

Thus, investing in CRM strategies, banks stands greater chances of building better customer retention programs that maximizes the lifetime revenue, enabling customer relationships that "lock-in" customer to the business" gaining the customer differential as improved customer relationship tends to ultimately drive exponential business value.

Recommendations

For Banks aiming towards crafting a niche for themselves in the turbulent industry while maintaining and sustaining a competitive advantage, the following are recommended;

1) A highly qualitative and systematic means of sourcing the best hands within and outside the industry coupled with an in-depth
2) A well simulated enterprise structure, which help facilitate the diffusion of information across the bank.
3) Acquisition and installation of cut-edge technology which can be easily customized to suit the specific needs of the Bank.
4) Provision of an air tight IT security to prevent the intrusion of hackers into the Bank's Information Repository.
5) A flexible management approach so as to be able to rise up to the challenges being continually churned out in the industry given the volatility of the economic, social, political environments.

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