



## **CRM application in customer service management at the Big 4 banks in Vietnam**

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### **Abstract**

Currently, in Vietnam, the phrase "Customer Relationship Management" or CRM is known and recognized by many businesses such as banks, insurance companies and other service providers. The importance of Customer Relationship Management (CRM) and its potential to help them acquire new customers retain existing customers and maximize their lifetime value. At this point, close relationships with customers will need close coordination between marketing and IT departments to provide long-term maintenance for selected customers. This article refers to the role of Customer Relationship Management in the banking sector and Customer Relationship Management needs to increase customer value by using a number of analytical methods in CRM applications. CRM is a sound business strategy to identify the bank's most profitable customers and potential customers. Therefore, the management of customer relations in banks is one of the prerequisites for getting the bank to achieve the desired goals.

**Keywords:** CRM, customer service, customer relations, Vietnamese commercial banks

### **1. Introduction**

Due to the challenging business environment, banks need to focus on attracting and maintaining customers. For banks, the benefits of customer relationships are customer loyalty and higher profits (Payton, 2003; Rootman, 2006). Customer relationship management (CRM) is the process by which a service provider (bank) tries to maintain and enhance long-term relationships with its customers (Swartz & CS, 2000). Implementing CRM well can enhance a company's level of service quality. Specifically, research has shown that CRM has a positive impact on the quality of a bank's service (Rootman, 2006). In other words, if a bank can improve its relationship with customers that bank will increase the quality of its services. Therefore, in order to attract and retain customers, banks need to perform through customer relationships. In other words, banks need to implement effective CRM strategies.

The relationship between a service company and its customers is created and maintained by company employees who interact with customers. Employees directly participate in an organization's CRM strategies, including banks. All employees are involved with CRM, either through direct interaction with customers, or involved in the application of processes, tools and methods used to enhance customer value (Buttle, 2004). Therefore, CRM is very important for banks and it is really useful to determine the influence of employees on the effectiveness of CRM in the bank to improve the relationship between banks and customers. This article discusses the need to know about CRM in the bank in a broader and deeper way. With this research topic, the author wishes to contribute some solutions to help the bank to maintain and develop relationships with its customers in a more sustainable way.

### **2. Theoretical Framework**

#### **2.1 Basic notions on CRM**

CRM stands for Customer Relationship Management. It is the strategy of companies to develop close relationships with

customers through research, thoroughly understanding their needs and habits. Establishing good relationships with customers is especially important for the success of each company, so this is a very important issue. There are many important factors related to CRM but not CRM is a purely technological term. The best way to understand CRM is: It is the whole process of collecting, synthesizing and analyzing information about customers, sales, effectiveness of marketing, adaptability of the company to Market trends aim at improving business performance, bringing the highest profit to the company. Customer relationship management is the strategy of the business to expand customer relations. Depending on the type of company, how managers apply CRM strategy to make it reasonable and effective. In essence, it is like other management strategies that are aimed at good governance, bringing maximum profits to businesses. CRM is an art-art in customer management. For customers, CRM contributes to promoting long-term relationships between customers and businesses, helping customers better understand and serve more attentively. Thanks to CRM, customers feel interested from very small things such as hobbies, needs, anniversaries. For businesses, listen to their customers more, easily manage their business and development situation in the past, present as well as in the future, helping businesses promote products and brands. For managers, providing managers with many effective support tools, helping managers to statistics, analyze, evaluate the business situation, detect potential risks to be able to promptly bring make appropriate solutions. For employees, allow employees to effectively manage their time and work while helping employees understand information about each of their customers to provide clear, fast, reasonable and quick methods to create reputable position and retain customers longer.

To build a CRM program we need to implement 6 basic steps:

- Collect database information about customers
- Analyzing database of customers

- Select target customers
- Develop policies to create value for target customers
- The tools used to create value for target customers
- Measure the success of the CRM program

## 2.2 Factors impacting CRM related activities

Awareness from managers - CRM will not succeed without a deep concern from senior managers. These characters should be willing to participate and lead the CRM system to bring the highest efficiency. Companies will help to face many difficulties and difficulties in implementing CRM. Especially the IT leadership department, human factor is a big challenge. Therefore, the requirement is that senior managers in the company need to participate in the beginning of CRM deployment process and how to make the system best applied.

- **Qualifications of staff:** These are the people who will directly design and deploy CRM strategy for the company, so their level of understanding ability greatly affects the quality as well as the public of CRM. A team of good and enthusiastic employees will be a solid foundation for CRM plan.
- **Corporate culture:** The CRM strategy built on the basis of corporate culture will ensure a much greater success. Therefore, CRM strategy will be received more easily, more quickly and uniformly. Corporate culture is formed from the first days and is the most core and characteristic value of each business.
- **Software technology:** Thanks to CRM system software, the transaction staff will easily recognize many customers, coordinate with other technical departments in the company to carry out marketing, sales and supply activities. Appropriate service level to maximize profits and benefit customers. CRM also helps company leaders to review and evaluate the performance of employees to be able to make appropriate reward policies and laws.

The CRM system includes the entire organization, which means that the entire organization is customer-oriented. Customer relationship management is not a single department's task. However, in terms of technology, CRM in banks with current support software is divided into 3 basic parts:

1. **Marketing:** potential customer management tools (Lead Management), customer profit analysis tools, marketing campaign management tools, E-marketing tools, and other marketing automation tools.
2. **Sales:** Sales force automation tool (Sale Force Automation), customer answering center tool (Call Center), supply chain management tool (demand-chain).
3. **Customer service:** Support service administration tools, hotline tools, onsite services management tools.

We can imagine the operating mechanism of CRM systems in commercial banks as follows: CRM helps customers of commercial banks can easily exchange information with banks in various types. The information that commercial banks receive will be focused on the databases created by the CRM system. Some joint stock commercial banks have initially implemented customer data warehouse support programs focusing mainly on developing information about corporate customers. Next, these databases will be analyzed, evaluated, gathered at the

processing center, and, with the support of the Marketing department, will help identify and classify importance. The types of customers are more accurate and fast. It is the maximum exploitation and continuous updating of customers' information and banking CRM is now a powerful tool to assist sales staff in finding, updating and unifying data. This information will include unrelated customers (added by customer relations officers to the system) and a customer search model in CRM for maintaining customer relations.

For managers, reports update customer information such as meeting schedules, weekly plans, etc. will support the work control of subordinate credit officers. Thereby, the person in charge will always know what staff members are doing, where and how the effectiveness of each job is. Moreover, each time there is a change of personnel, customer clues, records of sales, costs, personnel changes of the company etc. It will be easily received and monitored conveniently. This brings no small administrative benefits because in fact there have been many instances where customer relations officers suddenly quit their jobs, do not hand over the clues or drag familiar customers when the employee switch to work for rival banks. That is, the customer information that credit officers receive will no longer be their own, but will be a shared asset to everyone in the system. Most importantly, customers will be strictly managed, constantly updated with information and regular care. The problem of after-sales service, maximizing benefits for customers will be solved thoroughly in order to develop the image and brand of the bank.

Many commercial banks in the world have implemented CRM applications since the 1990s. Except for foreign banks operating in Vietnam, domestic joint stock commercial banks are now well aware of the Critical of CRM and has initially preliminarily deployed. There are also a few banks that are developing CRM in the direction of integrating with some other utilities, such as: approval of online submission. Business unit leaders can monitor the progress of submission, editing and approval on the system or set up an appointment with the bank, create a forum exclusively for maintaining customer relations.

## 2.3 Obstacles in CRM application

Misconceptions about the role of technology - most officials regard technology as a limitation in information and transaction records. The use of technology in processing and disseminating more sophisticated information is not implemented. Lack of integration - there are many channels and many technologies are used simultaneously in customer interface, services and sales. Integrating this complex technology system is a challenge.

- **Empowering front-line employees:** first-line employees have records and customer data. Most of them have no incentive to continue handling these things and make full use of these to provide better service and proactive sales efforts. They are not trained to use customer analysis as well as customized banking services provided.
- **Not in use:** customer's unique integration perspective, past favorite business practices, but no mechanism to use this with the help of software such as managing customers performance and operational management to achieve greater efficiency in sales and services.
- **Fragmented data:** banks have multiple data warehouses accumulated on many different channels. Gathering and

organizing systematically this huge data is a great challenge.

- **Inheritance system:** Historical data collected from old systems tends not to be collected in any standard form.
- **Data Quality:** because huge amount of data must be cleaned and lots of missing data must be identified and included. This process must be done on affiliates outside of their core mission to have this job.
- **Lack of knowledge, skills and initiative to manage and use data:** Employees who plan to organize and manage data in a systematic way may not score effectively due to lack of understanding about strategic point of this activity. They also lack the necessary infrastructure and skills to accomplish this task.

## 2.4 Human resource issues

Lack of knowledge and skills to convert data into customer knowledge, lack of motivation to take advantage of the CRM solution, inadequate performance management parameters, little or no decision-making authority: In order to use the CRM concept towards customer focus, decision-making is needed to provide customized, responsive and proactive services. Employees lack IT training, applications, full use of software and applications as well as marketing skills, analytical skills, use of customer information and service skills to deploy CRM.

## 2.5 Process related issues

Because CRM is an organization-wide strategy, all processes need to be organized accordingly. Some important issues related to the process are:

- **Cultural change:** The implementation of CRM requires a change in organizational culture about vision, mission, philosophy and common values. This includes a fundamental change in organizational practices and employee behavior.
- **Structural and system changes:** The success of CRM lies in the ownership of CRM of all departments with Marketing in a strategic role that combines efforts in all of these towards customer service. This fundamental structural change from product center organization to customer center organization faces obstacles in role conflict, ambiguity, resistance and attitude to solve problems.
- **Demand for more proactive and flexible:** Previously decentralized and rigid structures must be converted to flexible, responsive and proactive structures. This requires top management support, proper training and effective tracking systems. In addition to behavioral issues, the full use of CRM benefits cannot be achieved unless this is enabled.

## 3. Research Results and Discussion

Research shows us that in order to sell a product or service to a new customer, the organization must spend 6 times more than keeping and selling the product or service to an old customer. "If you keep about 5% more customers staying with the organization, the organization can increase 85% of profits. 70% of customers with complaints will be loyal to the organization if their complaint is satisfactorily resolved. That's why businesses are conscious of building customer loyalty. A loyal customer will bring a lot of benefits to the transaction room. We know

retaining a less expensive old customer attracts a new customer, which will greatly reduce marketing costs for businesses. At the same time loyal customers will be a reliable communication channel for potential customers. They will communicate about their transaction offices to their friends, colleagues and other relatives. They will be the best "word of mouth advertising" for the transaction room. In addition, having a loyal customer will help the trading room have enough time to react to the new "attack tactics" of other competitors. When the absence of loyal customers becomes stressful, the transaction department administration hopes to find a problem with the transaction department and emphasize and strengthen customer relationships. They have focused on producing and selling products to potential customers. Now, they find it necessary to focus on building relationships, providing more products and services to existing customers. They want to tighten their customer relationships to make a profit from the overall consumption of those customers, and make sure that customers return regularly. They aspire to better understand their customers and show their loyalty to them through new approaches to building relationships. The long-term success will revolve around the ability of the transaction office to manage a comprehensive customer-focused transformation. The transaction offices of the Capital require knowledge, human resources and tools necessary to select suitable products and services for customers. Retaining existing customers and building relationships with them is much more profitable than attracting new customers. And CRM was born to help businesses establish and maintain contacts with customers and loyal customers of the transaction department.

In many ways, experts look at CRM in different ways. The role of customers for enterprises in the field of material or non-material production are is important. It determines the existence of the business as well as an opportunity for competition among businesses in the current market economy. CRM system supports businesses in customer service management, it is both a business strategy, both technology and software. Strategy is the deciding factor that is effective for the entire CRM system, because technology and software depend on the organizational structure of the enterprise, but the organizational structure depends on the CRM strategy. The customer relations staff, the credit officers will be the ones who enter the input customer database. This job is the way that each salesperson identifies a customer search model in CRM for relational employees a model of finding customers in CRM for customer relations staff goods. For themselves, and also a way to inform the entire system to avoid duplication in accessing and supplementing customer information. Not only that, the customer relations staff can completely search and exploit relevant information, the nature of historical information has been archived. For managers, reports update customer information such as meeting schedules, weekly plans, etc. will support the work control of subordinate credit officers. Thereby, the person in charge will always know what staff members are doing, where and how the effectiveness of each job is. Moreover, each time there is a change of personnel, customer clues, records of sales, costs, personnel changes of the company etc. It will be easily received and monitored conveniently. This brings no small administrative benefits because in fact there have been many instances where customer relations officers suddenly quit their

jobs, do not hand over the clues or drag familiar customers when the employee switch to work for rival banks. That is, the customer information that credit officers receive will no longer be their own, but will be a shared asset to everyone in the system. Most importantly, customers will be strictly managed, constantly updated with information and regular care. The problem of after-sales service, maximizing benefits for customers will be solved thoroughly in order to develop the image and brand of the bank. Many commercial banks in the world have implemented CRM applications since the 1990s. Except for foreign banks operating in Vietnam, domestic joint stock commercial banks are now well aware of the criticalness of CRM and has initially preliminarily deployed. There are also a few banks that are developing CRM in the direction of integrating with some other utilities, such as: approval of online submission, business unit leaders can monitor the progress of submission, editing and approval on the system; setting up an appointment with the bank; creating a forum exclusively for customer relations staff to exchange. For the banking sector, the measurement of customer value will include what factors and requirements of the CRM system play on the level satisfaction of customers. Of course, to achieve such goals, there must be changes in technology, organizational structure, skills of employees, training and recruitment. Then comes the step of analyzing CRM workflows, integrating with the characteristics of the banking business type and the bank's ability to offer practical programs accordingly. Thus, the deployment and application of CRM is necessary in the current context, this is one of the effective tools to help commercial banks improve their competitiveness in the current integration context.

#### 4. Conclusions and Recommendations

Building relationships with customers has become an indispensable requirement for company's survival and development in today's customer-oriented competition. Building and managing customer relationships is increasingly invested by companies. Turning that customer relationship into sales is not a simple matter but the company needs to have specific strategies and plans. In the world market as well as in Vietnam, there have been many solutions to manage the company's customer relations system. These are solutions for customer relationship management software, solutions for information technology application in customer file management, customer database application solutions and related centers to satisfy more and more customers' needs. It is also one of the development trends of modern marketing (marketing relations and marketing on databases). Enterprises can apply appropriate solutions to implement customer relationship management in enterprises, are also implementing projects to research, test and deploy CRM solutions in banking business activities. Currently, CRM activities have had very good achievements such as implementing a call center, the upcoming contact center project. Besides, banks are also applying many smart business management solutions such as Globus core software, human resource management software, supply chain management, quality management. However, it is important for banks as well as for businesses to adopt a CRM solution that needs a clear and specific strategy. This strategy must be customer-oriented as a standard, and must become a central strategy for businesses. It is necessary to have an action plan and create standards in the

staff system for establishing, maintaining and expanding customer relationships. There is a note that banks as well as businesses need to be concerned that CRM is not necessarily a smart technology application, CRM belongs to the employees' daily communication activities with their customers. The success of CRM is the fact that customers have come to trade with us and come back to trade with us in the next time. Recognizing the essence of CRM, businesses will have appropriate strategies to retain old customers, turn them into partners, become partners and members of the company when they really become loyal customers and more, the business will also attract more and more new customers through the trust in the market. In the near future, we hope for a business environment where customers are always respected and become the center of every relationship.

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