



# CUSTOMER RELATIONSHIP MANAGEMENT

## THE IRISH FINANCIAL SERVICES SECTOR

The creation of a Single European Market, which was augmented in May 2004 with the addition of 10 new member states (bringing the total number of countries in the EU to 25) has had a profound but positive impact for businesses throughout the European market. In addition, the rollout of the euro, which is an ongoing process, has facilitated price comparisons by consumers across European borders and enhanced the transparency of price points for everyday consumer goods and services.

One perspective on the Irish Financial Services Market is that it displays some of the features of a textbook oligopoly.

*Oligopoly* is a market form where market share is divided among several competitors. In an oligopoly, the main focus of a business is maintaining, and where possible, growing its market share. Price wars are unusual in oligopolies, since businesses have little to gain from either raising or dropping their prices. If a business increases its charges, its competitors would likely keep theirs fixed, in hopes of picking up disgruntled customers. Likewise, there is little to be gained if dropping charges causes the competition to respond in kind.

Banks basically sell variations of the same service, i.e. they lend money, accept deposits, and move money around. While Irish Banks have, particularly in recent times, initiated price-led strategies there is an increasing need to provide more customised products and higher quality service not just to retain customers but also to attract new ones.

This case study will show how AIB Bank have done just that, through their Customer Relationship Management (CRM) initiative. It will show why CRM can be used effectively to improve services for customers, employees, and the bank and provide a distinctive and sustainable competitive advantage.



## THE CHANGING ENVIRONMENT

The environment within which financial institutions operate has changed in recent years. It is now one of:

- ▶ increased competition,
- ▶ growing product **commoditisation**, and
- ▶ diminishing margins.

Banking customers have also changed in recent years. Customers are more knowledgeable, sophisticated, and assertive. They demand higher levels of customer service, are less loyal, and more inclined to switch to a competitor. Modern customers require flexibility in hours of operation, greater convenience, customisation, transparency, accessibility, and control.

Competition to attract new customers is fierce. Customer defection rates are higher than ever because of increased market competition. With so many different financial institutions to choose from, consumers can now demand better quality services and more customised products from their banks. In this consumer economy, attracting and crucially keeping customers for the long term is a key challenge for all businesses. Within AIB, this has led to a shift in business focus from **transactional to relationship marketing**. At AIB the customer is at the centre of all business activities and the bank has organised to position staff to meet the needs of customers in a highly customised and responsive manner.

### MANAGING 1.5 MILLION CUSTOMERS

AIB Group is Ireland's leading banking and financial services organisation. It employs approximately 25,000 people worldwide in more than 800 offices. AIB has approximately 1.5m active customers.

Every customer is important. Maintaining an existing customer base, who have already chosen a particular business over its competitors, is an invaluable asset and an investment in the future of the business. Research shows that it costs far less to retain existing customers than win new ones.

AIB has access to information about its customers' financial history and their dealings with the bank, as well as demographic information. This information is updated regularly. Analysing this data can help the bank identify the customers' present and future financial needs. This deeper understanding of customers helps the bank provide solutions to meet individual customer needs.



## WHAT IS CUSTOMER RELATIONSHIP MANAGEMENT?

Simply put, Customer Relationship Management (CRM) is the term for a company-wide system used by businesses to seek, obtain, and maintain customers. CRM helps businesses manage customer relationships in a more organised way. A successful CRM system involves all people, processes, and information technology associated with marketing, sales, and customer service.

According to CRM consultants, "The idea is to have the same information available to everyone in the company so that every product or service need of the customer is met. CRM implies that everyone in the enterprise is focused on the customer."

### AIB'S CRM STRATEGY

AIB recognises that customers are the lifeblood of the business and that the way to protect and grow its customer base - and ultimately its profitability - is to build strong customer relationships through delivery of superior quality service and to meet customer needs better than the competition. The CRM approach adopted by AIB focuses on maximising value for the customer and the bank.

Research has shown that the key drivers of customer loyalty are:

- ▶ positive staff attitude;
- ▶ honesty, integrity, and reliability;
- ▶ proactive advice and delivery of promise;
- ▶ consistent delivery of superior quality service;
- ▶ simplicity and ease of doing business;
- ▶ good after-sales service; and
- ▶ a fair and efficient complaints resolution policy.



### CRM NEEDS & REQUIREMENTS

#### Personal Customer Needs

Personal contact  
 A knowledgeable reliable banker  
 Relevant information  
 Customised & timely solutions  
 Value for Money

#### Business Customer Needs

A professional partnership approach  
 High levels of information  
 Customised and highly responsive service

#### AIB Requires

Quality customer information  
 Product knowledge  
 Consultative selling/relationship management skills  
 Proactive approach

#### AIB Requires

Strategic thinking  
 Understanding the business  
 Industry knowledge  
 Quality customer information  
 Partnership skills

## ROLES AND RESPONSIBILITIES

AIB has approximately 1500 Relationship Managers, each designated as the prime contact for an assigned group of customers. Relationship managers proactively contact customers and offer customised products and services in a timely manner. Understanding the customers growing needs for choice, convenience, and an anytime/anywhere banking service, AIB provides access for customers to products and services through a number of other delivery channels such as the 24-hour call centre, internet, and ATM network.

The relationship managers, branch service staff, and call-centre staff have participated in CRM training and have developed their relationship and service skills, to enhance their customer interactions.

## INFORMATION QUALITY MANAGEMENT

Accurate customer information is crucial to providing effective customer service. It is just as important to update customer information regularly as it is to get the information in the first place. Quality customer information provides a better understanding of what each customer wants so businesses can offer customers the right products and services, at the right time, through the right marketing channel. With poor quality customer information, a business may miss out on the potential to add value both for customers and its own business.

### EXCELLENT INFORMATION QUALITY

There are 6 areas critical to building excellent information quality:

Completeness	Is some information missing or incomplete?
Conformity	Is all information uniform and does everyone understand it?
Consistency	Does all the information make sense or do some parts conflict with others?
Accuracy	Is all the information up-to-date and accurate?
Integrity	Does the information make sense in terms of personal knowledge of the customer?
Duplication	Is the same information being held in different places?



## BUSINESS INTELLIGENCE

As part of the CRM Framework, AIB has set up a Business Intelligence Centre. A team of highly skilled analysts interpret customer information and distribute it to the appropriate relationship manager or business area for action. Their analysis of reported information focuses on key customer relationship management strategies including:

- ▶ Dynamic Customer **Segmentation**
- ▶ Customer needs analysis
- ▶ Customer Retention
- ▶ Customer Value Management
- ▶ Customer Contact Programmes
- ▶ Development of tailored propositions, encompassing the appropriate **marketing mix**

## BUSINESS REPORTING AND RESULTS

Ongoing support and information for CRM is provided by way of weekly, monthly, and quarterly performance reports. Reports can help with day-to-day customer contact planning, encourage sharing of best practices, and strengthen business performance. The success of AIB's CRM strategy is also measured through annual Customer Service Research, Market Share Research, and Annual Results.

AIB had record levels of business in 2003, particularly in the areas of business lending and personal mortgages, as a result of having more time to engage customers in a more focussed way. AIB customers can choose from an extensive range of financial products and services. Recent customer surveys show increased satisfaction towards the bank from customers around the country.

## BENEFITS OF CRM

Customers can now visit any branch and AIB customer service representatives can access customer information efficiently and securely. Customer service representatives can avoid double selling and offering unrelated products and services to customers.

By listening and reacting to customers, businesses can develop customer centric products and services based on customer wants, tailored to their needs. Through its relationship management programme, AIB maintains and builds on existing customer relationships, adds value by retaining clients and cross sells products and services.

### BENEFITS FOR CUSTOMERS

- ▶ Customers feel empowered if they have greater access to products and services e.g., 24-hour banking.
- ▶ There is a more coordinated and professional approach to customer contact.
- ▶ Targeted product and service offerings can be timed to coincide with customer events and life stages e.g., educational loans.
- ▶ With up-to-date customer information, businesses can prepare more personalised services.



### BENEFITS FOR EMPLOYEES

- ▶ Employees have more time to serve customers and fulfil orders.
- ▶ Employees are empowered with the information to deliver high quality service and meet customer expectations.
- ▶ Employees have higher satisfaction ratings.

### BENEFITS FOR AIB

- ▶ There is optimum use of resources.
- ▶ Customer satisfaction and loyalty is increased by providing consistent personalised experiences.
- ▶ There is improved customer acquisition, retention, and cross-selling.
- ▶ Managers are empowered with information that can help them manage customer relationships and make better decisions faster.
- ▶ Executives are empowered with information enabling them to capitalize on short windows of opportunity in the market.

## CONCLUSION

By developing and utilising an effective CRM system, AIB has positioned itself as a leading provider of superior quality financial products and services. AIB observed the changing financial services industry and its customers and adapted accordingly. It has been successful because AIB was flexible enough to change its overall business strategy. Staying abreast of current industry and market trends while focusing on your most valuable asset, your customers, is proving a smart way to stay ahead in business.

## EXAMPLES OF EFFECTIVE CRM

### BUSINESS SECTOR STRATEGIES

One of the sectors researched as a part of the Customer Relationship Management Programme was the Dental sector. A key issue, which emerged from this research was that the start-up costs Dentists faced were significant. In response to this, AIB now offer Equipment Finance to Dentists, where repayments are matched to the life of the asset being financed. This spreads the cost of the asset, e.g., the dentist's chair, over the economic life of the asset and relieves the up-front cash flow pressures.

### AIB STUDENT CREDIT CARD

The new AIB Student credit card is specifically designed to meet the lifestyle needs of third level students. Its design is translucent and curved, reflecting a youthful, funky feel. The card facilitates a student lifestyle, which nowadays involves purchasing online and travelling. Market research revealed student concerns about getting too much into debt so the card has a credit limit of €600. Among other services it offers eligible full-time, third level students:

- ▶ access to AIB internet and telephone banking,
- ▶ free MasterCard Travel Assistance Cover, and free Global Emergency Cash Service within 48 hours in most countries.

## GLOSSARY

**Commoditisation:** A product that becomes commonly used or available in the market place.

**Transactional to Relationship marketing:** Where the customer, rather than a product or service, is the centre of all marketing activities.

**Segmentation:** This is the identification of specific market segments within a market and the development of different marketing offerings for each segment. To maximise their ability to satisfy consumers, marketers divide up or segment the market for their products according to different consumer needs and preferences.

**Marketing Mix:** Any combination of the various elements of marketing – *product, price, place, and promotion*.

## TASKS & ACTIVITIES

### Economics

- 1 (a) How does oligopoly differ from other forms of market structure?  
(b) Apart from the financial services market list two other industries you consider to operate in an oligopoly market?  
(c) In what ways did the Single European Market impact on the commercial banks like AIB.

### Business

- 1 (a) Outline the main ways you consider that bank customers have changed in recent years.
- 2 (a) Distinguish between tactical and strategic planning.  
(b) Do you consider AIBs CRM initiative to be an example of tactical or strategic management? Explain your answer with reference to the case study.  
(c) From your reading of the study evaluate the benefits of CRM to both consumers and AIB?



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