



CUSTOMER RELATIONSHIP MANAGEMENT WITH KNOWLEDGE MANAGEMENT IN THE BANKING SECTOR

Dr. D. Vimala

Hod, Department of B.Com, Bank Management, Anna Adarsh College for Women, Chennai.

Abstract

The Concept of customer relationship management (CRM) and Knowledge management (KM) have been recently gaining wide attention in business and in banking sector. CRM focus on managing the relationship between a bank and its present and prospective customer base a key to success. A good relationship with the customer leads to higher customer satisfaction. Content customers are loyal and therefore more valuable and have a direct effect on the revenue of the banks. KM sees the knowledge available as a success factor. Knowledge about customers, markets and other relevant factors of stimulus allows faster utilisation of opportunities. CRM and KM with CKM model consist of two factors. They are communication channel management and marketing channel management. The paper identified the benefits of implementing CRM and KM in banking sector from different point of activities including creation of customer profile by gathering customer information in one place, making it extensively obtainable, classifying the best customers, identifying their wants, and finally turning forecasts and first-time customers in to long time loyal customers.

CRM and KM will improve customer satisfaction by increasing customer retention, income, faithfulness, satisfaction and, most highly, delivers workers with knowledge. CRM will support business intelligence and problem solving task and access to relevant information to the banks and helps the banks staff to organise the problem solving process by showing the customers which stages he should go through in order to reach the solution. CRM with KM is regarded as a source for competitive advantage because it enables banks to foster more profitable methods.

Key Words: *Customer Relationship Management, Customer, Knowledge Management, Banking Sector, Customer Knowledge Management, Customer Profile, Customer Information.*

Introduction

Things have started changing with the entry of numerous non- banking financial companies as well as private and foreign banks. Similarly, the nature of business of the banking sector has also undergone a lot of changes over a period of time. Customers are the fulcrum on which the banking industry revolves. Customers, faced with an increasing array of banking products and services, are expecting more from the banks in terms of customised offerings, value, ease of access, and personalised service. Banks using its greatest asset—knowledge of the customer ---can turn the customer relationship into a key competitive advantage by retaining those customers who represent the highest lifetime value and profitability.

The last few decades in our country are the decades of the customer. Two major developments triggered Customer Revolution. First, the process of Liberalisation and Globalisation: and secondly the invasion of information technology and large scale disintermediation. These developments have unleashed competitive forces and seller's market has been transformed into buyer's market.

CRM in Banking Sector

For more than 200 years, banks were using branch based operations. Since the 1980s, things have been really changing with the dawn of multiple technologies and applications. In this Technology revolution, technology based remote access delivery channels and payment systems surfaced. ATM displaced cashier tellers, telephone represented by call centers replaced the bank branch, internet replaced the mail, credit cards and electronic cash replaced traditional cash transactions, and interactive television will replace face-to-face transactions (Sherif,2002). More emphasis on CRM is the only way the banking industry can protect its market share and profitability. CRM is indispensable for the banks to attain the competitive advantage over one another or for sustaining the survival in competition. Drucker said twenty five years ago, that the purpose of a business was to attract and retain customers.

There has been a phenomenal change and paradigm shift towards customer focus during the past five decades in the Indian context.

1961-1970	Servicing the customer
1971-1980	Satisfying the customer
1981-1990	Pleasing the customer
1991-2000	Delighting the customer
2001 and beyond	Relating the customer

Source: R.K. Uppal, 2008, Customer Relationship Management in Indian Banking Industry, New Century Publications, page.230.



Indian Bankers realised that the purpose of their business is to create and retain a customer and to see that the entire business process is consistent with an integrated effort to discover, retain and satisfy customer needs. But the success of CRM depends upon its ability to understand the needs of the customer and to integrate them with the strategy, people, and technology and business process. Here arises the need for intersection of Knowledge Management (KM).

Objective of the Study

Knowledge and having a knowledge network (with customer, business partners, competitors) in business, environment has become an important strategic resources in organisations in the recent past. Therefore, KM capabilities enable organisations in the decision making process to achieve competitive and innovative position in competitive environment. Many investigations have been made on the readiness of the customer relationship management system and its implementation in the organisations. The earlier researchers did not study the application of KM in the implementation of CRM in Banks. Hence, this paper attempted to study the dimensions of KM in implementing CRM.

Definition of CRM

CRM is an organisational philosophy that seeks to build long term relationship with the customers. CRM can be defined as the development and maintenance of mutually beneficial long term relationships with strategically significant customers (Buttle, 2002). CRM is defined as “a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the organisation and the customer. CRM involves two steps:

- Proactive customer business development,
- Building relationship with most important customers. (Sudhir Sharma and Akash Kumar,2008)

“CRM is the business strategies designed to optimize profitability, revenue, retention of customers, and customer satisfaction. When used to describe software, rather business processes, CRM applications are those that focus on relationships, rather transactions.” Edward.D.John.

“CRM aligns business with customer strategies to build customer loyalty and to increase profits overtime.” Rigby Reichheld & Scheffer.

Definition of KM

Knowledge management has displaced “information for competitive advantage” as a vital source of value creation and market differentiation. Customer knowledge management transforms customer information into a competitive advantage, discovering new knowledge assets for banks in order to develop a greater understanding of what influences the customer and in turn, predict new ways to interact and service their experience.

To achieve sustainable competitive advantage, considering the available knowledge and make effective use of it is very important as well as creating the structure to use modern knowledge (Davenport, 2001).

Knowledge management in one hand can be an important changing factor in organization through taking new knowledge into system and on the other hand by effective management of this knowledge. Because of the proximity to corporate decisions and actions, knowledge can far more improve performance than data and information and consequently can improve the quality of services in organisations in general and public organisations in particular (Jennex,2008).

Knowledge management is the process which helps the organisations to identify, select, organise, disseminate and transfer knowledge and skills that are part of history of the organisation and generally are Unstructured (Manning,2009).

Today, creating and maintaining relationships with customers, not just to sell products and services, but also to access their knowledge, is a new concept discussed in knowledge management systems (Retna and Tee, 2011).

How Knowledge Differ from Information

Information provides a new dimension for interpreting events or objects, which makes visible previously invisible meanings or open links on unexpected connections. Information is a necessary medium or material for stimulating and constructing knowledge. It affects knowledge by adding something to it or restructuring it. Information is, commodity capable of yielding knowledge, a signal carries is what we can learn from it knowledge is identified with information-produced (or sustained) belief (Dretske, 1981). Davenport and Prusak (1998) define knowledge as “... a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information.....” Dr.Carla O’Dell, President of American Productivity and Quality Center, states that “Knowledge is information that has value.....”



Knowledge can be conceptualised as tacit knowledge and as explicit knowledge. Polanyi (1958) first distinguished between tacit and explicit knowledge. Explicit knowledge is formal, systematic, and explicitly recorded. It is easy to articulate, capture and communicate. Tacit Knowledge resides in the heads of people as insights and intuition. It is gained mainly through experience.

Nonaka and Takeuchi (1995) found out the often overlooked asset of the companies are intangibles like insights intuitions, hunches, gut feelings, values, images, metaphors, and analogies. Mining this intangible asset can add great value to the daily operations of a company.

KM Intersects with Marketing and CRM

KM is a business discipline that attempts to:

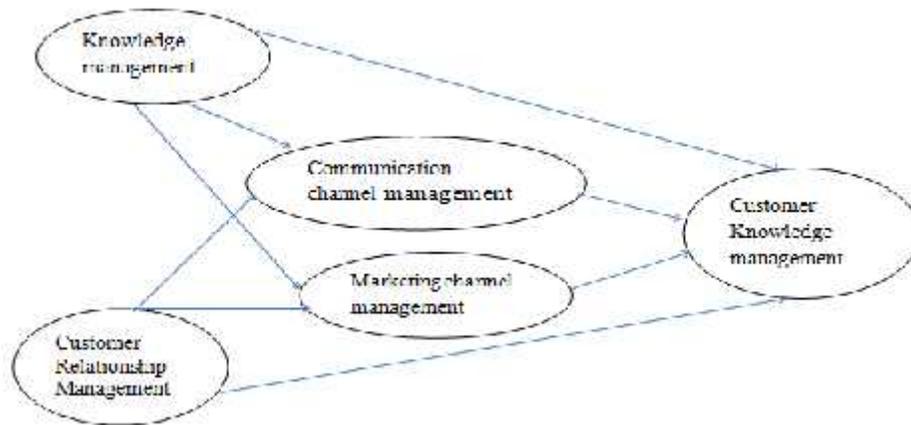
- Identify and capture knowledge ;
- Promote the sharing of knowledge between individuals;
- Utilise the existing knowledge for the creation of new knowledge ;
- Use knowledge to define and improve business practices (Gallagher 2001)

KM is therefore like any other business asset to be used, maintained and exploited to the advantage of the customers and thereby to the organisation.

Allen (2000) found KM and marketing intersects when businesses use database technology to aggregate customer information, position products and services to serve profitable segments and to communicate with markets using integrated strategies and then measure the results.

Customer Knowledge Management (CKM) is a process to help integration of customer relationship Management and Knowledge Management (Gibbert, 2002).

Conceptual Model of Customer Knowledge Management



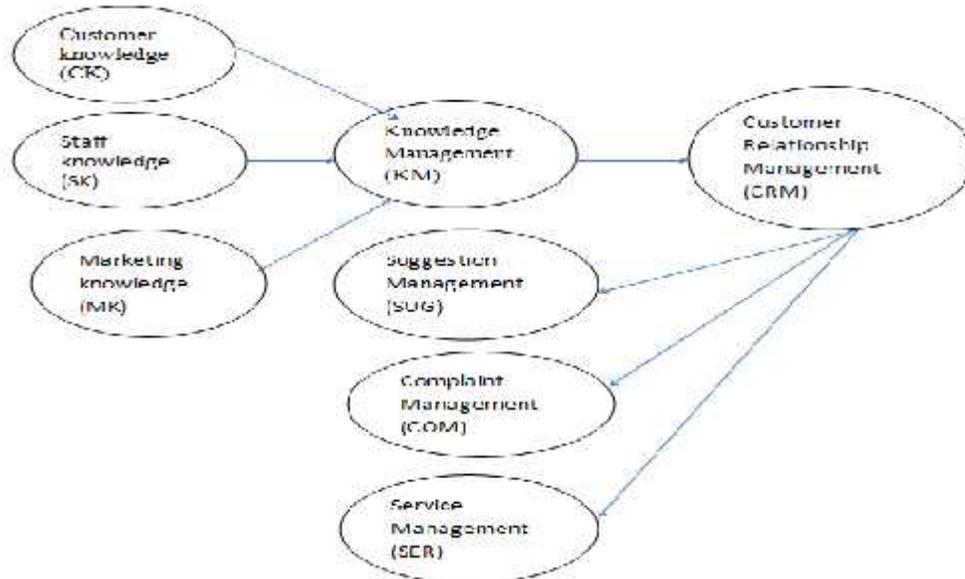
Thus, CKM is a strategic process that organisations use it to aid their customers from passive receptor of products and services and make them powerful knowledge partners (Paquette, 2006). Marketing channel is a way or duct that products and services move from manufacturer to final customer (Rajiv et al, 2000). Marketing channel management is a set of analysis process, planning, organising, and control of distribution channel. If an organisation wants to be successful, based on its impression on its customer and establish a relationship with them through the communication channel, it should ensure the message stability provided by them. Many authors have used the term Interaction management instead of communication channel management. Channel Management is used synonymously for marketing channel management. Customer Knowledge management is a combination of CRM and KM and a fitting strategy to obtain knowledge from customers and deliver the apt knowledge to them. CKM can be featured as follows:

- Crafting proper communication with customer and gaining organisation's vital knowledge of him.
- Summarizing and documentation of knowledge and share it with other staff of the organisation

- To transfer this knowledge to the upper layers of organisation for subsequent decisions which are tailored to customers' needs.
- Translating this knowledge to customers by presenting products and services according to customer's requirements.

The above model says that there is a relationship between CRM and KM with Customer Knowledge Management and make association between the banker and customer. The exchange of knowledge is through the said channels namely marketing channels and communication channels.

R. Radfar and N.Rezaei-Malek (2012) in their research work titled "Improving performance of customer relationship management through applying knowledge management" found the following model for CRM with KM.



KM competency for CRM success: KM feature is the ability of an organisation to take, manage and deliver real time authenticated customer, products and services information to improve customer response and provide quick and right decision making based on believable and authentic information. CRM and KM initiatives are directed towards the delivery of uninterrupted improvement towards customers. Creation and transmission of knowledge is one of the fundamental processes that identify the ability of organisational learning and innovation.

Customer Knowledge (CK)

It is all about developing and maintaining profitable business relationship through a complex stream of information about and from special and valuable customers. Banks can develop and improve their products and services, facilitate innovation and learning from the information obtained. Consequently, the banks can improve customer satisfaction and customer performance. KM gives power to CRM to expand towards more holistic, complex, and understanding ways of developing and using customer knowledge. CKM is described as an on-going process of generating, disseminating and using customer knowledge within in an organisation and between the organisation and its customers. Customer knowledge identify the key customers and their point of contact, rate customers trust, assess the basic needs of the customer and evaluate customer lifetime duration and profitability.

Staff Knowledge

Staff or employees of the organisation are the most important resource for real knowledge of CRM. They must interact with each other in order to obtain and share knowledge. Knowledge relationship among members should be considered in investigating knowledge sharing in CRM. **Tacit knowledge** is instinctive knowledge, unarticulated, non-verbalized. These are knowledge imbibed in the social and administrative practices of an organisation. Tacit knowledge cannot be translated into a formula and usually subjective, cognitive and experimental learning. **Explicit knowledge**, in contrast, deals with objective, logical and technical knowledge. Explicit knowledge can be codified, and it tends to be easily documented and more available in public forum. It is easy to spread and less unique to the knowledge holder in terms of creating competitive



advantage. Staff knowledge contains both tacit and explicit knowledge and by managing those banks can improve their CRM ability and make satisfied customers for banks.

Market Knowledge

When faced with profound competition, more and more banks realize that it is decisive to continuously acquire up-to-date market knowledge and monitor market trends, demands to improve their competitiveness. Therefore banks should take the advantage of distribution channels to obtain timely, valuable and accurate market knowledge, improve product or service innovation, reduce introduction time, and be motivated for increased performance (Liu et al., 2010). Hence, $CK+SK+MK=KM$. Therefore, KM provides the input for CRM i.e, information from and to the customers which facilitate Suggestion management, complaint management and service management. Efficient management of SUG, COM and SER leads to new customers, retained loyal customers and thereby profitability for the banks.

The ten domains in which banks put knowledge concepts into practice are as follows:

- Sharing knowledge & best practices
- Instilling responsibility for knowledge sharing
- Capturing and reusing past experiences
- Embedding knowledge in products, services and process
- Producing knowledge as a product
- Driving knowledge generation for innovation
- Mapping networks of experts
- Building and mining customer knowledge bases
- Understanding and measuring the value of knowledge
- Leveraging intellectual assets.

Banking, being a service industry, offers very little scope in terms of product differentiation and the bankers can compete only through improved efficiency, effective service standards and lower costs supported by higher volumes. It is in this context that better understanding of the customer and his needs comes to play a major role in the survival and growth of banks. To be precise, bankers would be able to do better business if and only if they could understand their own business from their customer's perspective. And Business Intelligence would help them do just that, if not more.

CRM Strategies

- **Improving Customer Knowledge:** capturing more relevant information, integrating this information for creating customer profile, then customer segmentation.
- **Targeted Customer Contact:** improved customer knowledge based on customer segmentation design a relationship programme to suit the targeted customers. Multiple channels can be developed. Banks would be able to understand the contribution from each customer group/segment.
- **Meaningful Marketing:** The customers would be able to relate and respond to the initiatives readily and willingly. The customised and need-based marketing approach would also attract the appreciation of the customers and improve brand loyalty and equity.
- **Strengthening Customer Base:** Banks would be able to add a large number of customers by working on target group's, able to shift more customers from the captive group to the loyal group. This is feasible with the help of loyalty programmes, incentives, attractive pricing and flexible delivery channels.
- **Impact Analysis:** CRM would help the bank managements in making key decisions and impact analysis on various groups of customers and their contribution to the bank. Impact analysis can be on any heading like pricing, profitability, product innovation, marketing strategy, etc.

Benefits of Implementing CRM with KM

Creation of Customer Profiles: The tasks that can be achieved by combining CRM and KM in the banking sector include gathering customer information in one place, making it easily accessible, identifying the best customers, defining their requirements, and finally turning forecasts and first-time users into long-term loyal customers. These tasks will allow banks to create their own detailed customer profiles.

Improvement of Customer Satisfaction Level: The use of CRM with KM will maximize the profits of the banks. It gives the employees the necessary knowledge and procedure to know their customers, understand their requirements and efficiently build relationships between the bank and its customers.



Increase in the Effectiveness of e-Banking Services: Today's e-banking customers want instant access to the banks with which they do the business and expect each person in the bank they contact to have full knowledge of their account. Interactive customer relationship management (ICRM) is enabled through customer's interacting with banking websites.

Improvement in Customer Centre Efficiency and Profitability: A good KM strategy enable the call centre to answer customer questions efficiently and customers themselves can benefit from call centre KM via self –service applications.

Predictive CRM Data through the use of KM: Predictive analytics is a type of data mining that reveals new insights or new knowledge from existing knowledge.

Helps in Building Business Intelligence (BI): BI system helps the banking sector in building a central knowledge source. The use of CRM with KM can **support decision making** and **problem solving** by providing flexibility and innovation.

Conclusion

In an information economy, knowledge is becoming a source of competitive advantage. However, increasing uncertainty and complexity in the environment requires continuous adaptation and strategic change, obliging banks to renew the basis of their competitive advantage. Consequently, the bank's knowledge base should be continually fed and enriched. The models stated in this paper for appreciation of CKM helps the banks use the knowledge for, from and about the customers to attain their goals. The integrated approach of KM and CRM as a strategic process could assist the banks to have more customers and better products and services. Therefore, the banks need complete integration between KM and CRM to become successful in competitive markets. The unity of CRM and KM results in gaining profit. On the other hand, KM focuses on most valuable knowledge, (i.e. Customers' knowledge) and on the other hand CRM utilises a conceptual frame work to increase the quality of relationship. Consequently, an integrated model of CRM and KM will be the success formula for any bank.

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