

LECTURE NOTES

Customer Relationship Management

DAF II • Banking Operations

How banks acquire, understand, serve and retain customers profitably

Learning Objectives

By the end of this topic, students will be able to:

1

Define Customer Relationship Management (CRM)

2

Explain why banks need CRM

3

Understand banking customers' needs, expectations, and basic behaviour

4

Describe the practical applications of CRM in banks

5

Measure the success of CRM initiatives

Customer Relationship Management

CRM in banking refers to the strategies, processes and technologies banks use to acquire, understand, serve and retain customers profitably over the lifetime of the relationship. It marks a shift away from transaction marketing — where each sale is treated as a one-off event — towards relationship marketing, where the value of a customer is measured over years, not single visits.

i

***In simpler terms for banking:** CRM is the organized way a bank gets to know its customers, builds long-term relationships with them, and uses that knowledge to offer better service and more suitable products.*

Why Banks Need CRM

Banks face strong competition from other traditional banks and other financial institutions, mobile money, etc. Acquiring a new customer also usually costs significantly more than keeping an existing one.

1

Increase customer loyalty and reduce the chance of customers leaving (churn).

2

Sell more products to existing customers.

3

Improve service quality and customer satisfaction.

4

Support long-term profitability.

Key takeaway: Banks that manage relationships well tend to keep more of their customers and also sell more products per customer.

Understanding Banking Customers

Needs, Expectations & Basic Behaviour

CRM works best when banks are able to understand what customers want and how they make decisions.



Customer needs in banking

Customers need financial solutions that help them manage money, save, borrow, invest, transfer funds and protect against risks.

Needs change with life stages:

Starting work

Buying a home

Starting a family

Retirement

Customer Expectations

Modern banking customers generally expect:

1

Convenient & fast service

Especially digital channels like mobile apps and internet banking.

2

Safe handling of money

Customers expect their funds to be secure at all times.

3

Clear information & fair treatment

Transparent terms and honest dealing.

4

Personal attention when needed

Especially for complex products such as loans or investments.

5

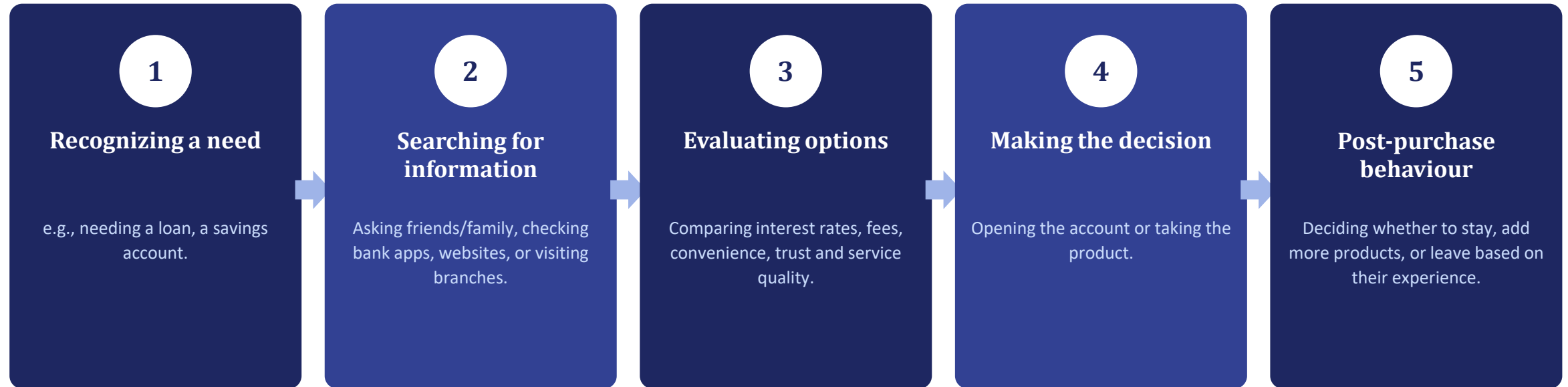
Value for money

Reasonable fees and competitive rates.

When banks fail to meet these expectations, customers become more willing to switch banks.

Customer Purchasing Behaviour

Customers typically go through these stages when choosing banking products:



Key takeaway: Successful CRM starts with knowing what customers need, what they expect, and how they decide.

Practical Use of CRM in Banks

Key ways that CRM can be implemented in the banking sector include:

1 Customer Segmentation

This means dividing customers into groups that share similar characteristics or needs (for example: young professionals, small business owners, high-value customers, salary account holders, or customers who mainly use mobile banking).

Segmentation allows the bank to offer more relevant products and service levels instead of treating every customer the same.

2 Personalization

Personalization means using customer information to tailor the experience. Examples include:



Sending relevant product suggestions based on the customer's existing accounts or life stage.



Addressing the customer by name and showing their preferred products in the mobile app.



Offering financial advice that matches their situation.

3 Cross-Selling and Up-Selling

Cross-Selling

Offering a different but related product.

Example:

A customer with a current account is offered a savings account, insurance, or a loan.

Up-Selling

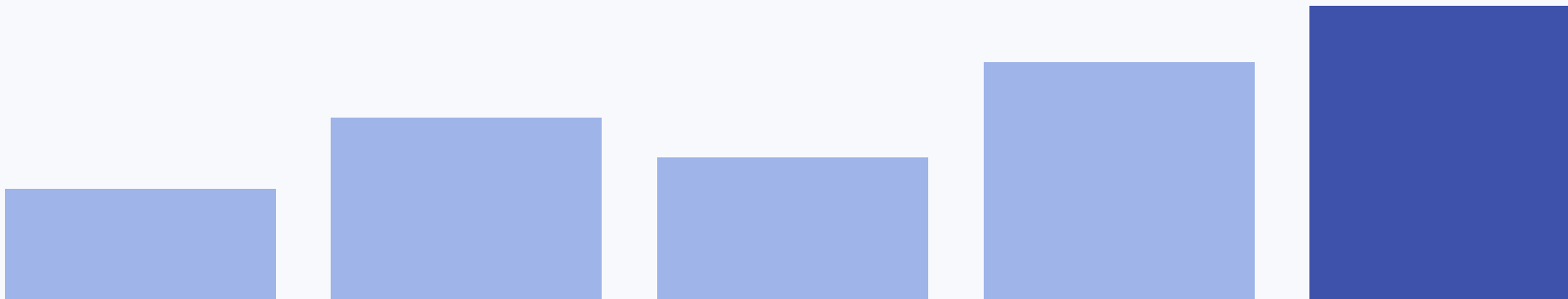
Encouraging the customer to take a higher-value version of a product.

Example:

Moving from a basic account to a premium account with extra benefits.

4 Data Analytics

CRM can help banks analyze customer data to identify trends and patterns in customer behavior. This can help banks to anticipate customer needs and respond to them proactively.



Customer behavior trends over time

Measuring CRM Success

Banks use simple but important indicators to check whether CRM efforts are working:

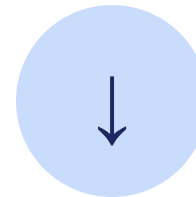
Customer Retention Rate

The percentage of customers who stay with the bank over a period.



Churn Rate

The percentage of customers who leave.



Conclusion

Overall, CRM is a key strategy for the banking sector, as it allows banks to provide personalized and tailored services to customers, which can help to increase customer loyalty, retention, and revenue. By using CRM to analyze customer data and provide personalized services, banks can strengthen customer relationships and drive business growth.