Marketing strategy with introduction of Customer Relationship Management
-Case of Japanese financial institutions-

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Abstract: Also in the financial institution of our country, the measure for relationship marketing (customer relationship management) is progressing by leaps and bounds in the past several years. So, in this paper, the customer relationship management strategy of financial institutions was studied by conducting questionnaire surveys and company interviews. In order to operate overall structure changed by customer relationship management implementation effectively, clarify missions of each departments and employees. Moreover, it is important to evaluate fairly to raise awareness and motivation of employees.

Keywords: Customer relationship management, marketing strategy, IT strategy, retail banking, financial institutions

I. INTRODUCTION

1. Awareness of the issue

Environment surrounding corporate, from service providers to industrial manufacturers, in present Japan, 1) more competition because of ripe markets, 2) price competition, 3)difficulty in differentiation of products and services as shared issues.

In order for corporate to survive in the difficult business environment in which such issues are exist, I thought it was very important to maintain long-term relationships with existing customers and came to believe the need for conducting research "Relationships marketing (Customer Relationship Management)" that puts focus on long-term business relationship and customer sharing.

2. Selection of Research subject

Recently, also in Japan, the number of corporate that implements "relationship marketing" by introducing customer relationship management system (herein after referred to as "CRM") from USA to manage and analyze customer information is increasing.

However, as indicated by a study conducted by Rigby et. al ("DIAMOND Harvard Business Review" July, 2002 issue) which concluded 55% of corporate implemented CRM had not achieved certain success", it is a fact for many corporate introduced CRM have not been able to maintain relationship with their customers.

By studying series of researches on relationship marketing conducted so far, following questions were raised. "Is customer relationships maintainable by utilization of CRM?" "What do corporate successfully introduced CRM use as the basic strategy for CRM utilization?" So, I decided to conduct research on corporate that have introduced CRM.

3. Hypothesis

While studying about "relationship marketing" and CRM, I came up with an idea that successful corporate in CRM introduction might reform whole business processes to address CRM introduction in order to utilize customer's information inside the corporate and I established the following hypothesis.

(Hypothesis) "The company which reforms its operation processes to address CRM introduction has been successful in maintaining relationships by utilization of CRM".

II. Company questionnaire survey and interview

In Japan, the effort by financial institutions for CRM has been growing rapidly in the past several years. Then, I conducted "Questionnaire survey on the actual status regarding CRM" (26 items of question, 116 banks in total, consisting of five major banks, 64 regional banks, 47 second regional banks, 94 effective replies (among them, 12 replies contains partial deficiencies)) and interviewed by visiting 11 regional financial institutions in which whole components of CRM system have been introduced. Then, I selected a regional financial

institution (Tottori Bank) that has realized profitability increase by CRM implementation in order to verify the hypothesis.

1. Customer Relationship Management in Tottori Bank

Tottori Bank, a regional financial institution, its headquarter is located in Tottori-city Tottori, has declared its specialization in retail banking and has achieved 47% of personal loan ratio that ranks one of the highest among regional financial institutions (as of September, 2007). Moreover, it has realized high profitability since CRM system introduction in April 2004. So, it can be called as a company successful in CRM introduction.

Purposes of CRM introduction are to sophisticate and streamline its sales promotion activities and to establish long-term trust relationship by unification of customer information including customer needs and constant and timely approaches. Moreover, all customers information are integrated in CRM and customer data and contact histories can be browsed on real time at all customer contact points (Fig. 1).

2. Success factor

Analysis of Tottori Bank's success in CRM introduction shows, as in Fig 2, following five factors; "personal loan specialization strategy", strengthening "customer contact points", "products and services development", "awareness and system reforms" and "system evolution" as its success factors.

2-1. personal loan specialization strategy

Tottori Bank's target customers are not one who are considered as excellent customers by other banks including salaried-workers employed by major companies and government officials but who borrow money even if the interest of loan is little bit higher because other banks are reluctant to lend even though they have repayment capacities. This is why Tottori Bank does not need to participate in lower interest competitions and is able to maintain high profitability.

(Example of target)- single working female, customer who is having health problem and whose loan application is rejected by other bank. system engineer or employee of foreign-affiliated firm who tend to change workplace repeatedly , salaried worker who considers purchasing apartment not for habitation but for an investment purpose (target in urban markets),etc.

2-2. customer contact points
2-2-1. customer contact points' excellent ability in proposal

Compared with other banks, Tottori Bank is superior to in the proposed type business at each shop front by utilizing CRM. Sales activities are efficiently performed by registering the customers information obtained at all customer contact points including information gained through conversations with customers at branches and call centers to CRM and sharing such data among all customer contact points. For example, existing customers are categorized into five classes according to their contents of dealings, and profitability. And with understanding of each customer's position, employees perform sales activities. Moreover, it has developed systems that utilizes customer contact point's capabilities at maximum extent by CRM, which includes displaying of cross-sell (recommendation of related products) products on a CRM system screen based on each customer's dealing history.

2-2-2. expansion of sales channels

Housing loan centers have been established in Tokyo and the urban areas of Osaka, in where many target customers reside, and employees with specialized qualifications are assigned there to strengthen housing loan sales channels in urban areas. As of April 2004, housing loan for urban area accounts for more than 30% of its total housing loan. Moreover, it started banking business on the internet earlier than other neighboring banks and has created easy-to-use environment for customers. User application is acceptable from nationwide.

3. Products and services development capability

Headquarters is developing new products and services based on proposals that reflect customer's opinions gained at customer contact points through the built-in board established on CRM and shared by headquarters and branches.

4. Awareness and system reform
4-1. awareness sharing /motivation improvement

Company-wide issues are studied with CRM and younger employees' opinions and suggestions are actively harnessed in management through the built-in board that has a function to make proposals to management and age-based trainings. Realization of

proposals especially contributes to establish trust relationship between employees and management in a way that management listen their opinions and corporate culture in which branches actively express their opinions to headquarters.

4-2. clarification of roles of organizations and each employee

In accordance to CRM introduction, whole operation processes were reconstructed and missions of branches and employees were clarified. For example, branches as "sales and service channels", clerks of each branches as "who perform sales activities" and headquarters, by transferring backyard/examination businesses of branches to headquarters, as thoroughly supporting body for branches. Furthermore, function and target customers of each branch were reviewed and clarified. Various branch styles including "In-store branch" in hypermarkets, opens on Saturdays and Sundays, small scale "Money plaza" operates only retail banking around station areas and "Loan plaza" specializes housing loans were successively established. To address these changes of missions of branches and employees, organization and evaluation system are under reform. Quick management decision is secured by Flattening of the organization and efforts for fair and highly transparent personal evaluation has been made by adopting balanced score cards.

5. System evolution

5-1. evolution of CRM

CRM is continuously evolving in easier-to-use way with each employee's ideas and various know-how. Function addition and display change to CRM are always made to reflect requests and opinions from branches.

5-2. Upgrading of automated screening system

Based on the accumulated data through personal loans, products that utilize automated screening system and self-line examination are developed and very quick screening of loan not available at other banks has became possible. This screening is based on repayment capability of each individual in stead of collateral and effectively used in new products development.

III. Verification of hypothesis

1. Operation process reform

In Tottori Bank, whole operation process of the bank has been reformed and missions of branches and bank clerks were clarified. These measures are considered to

have established the basis of effective implementation of CRM.

2. About customer relationship

In Tottori Bank, it is possible to make suggestions on products suitable to customer's needs on time through appropriate channel by clerk's active utilization of accumulated customer information on CRM at customer contact points. CRM-strengthened proposing capability of customer contact points realizes maintaining relationship with existing customers. Moreover, taking advantage of the ideas obtained from the data analyzed by CRM and dialogues with customers etc., it has created products and services other banks do not have or cannot imitate. These have brought success in acquiring new customers as well as maintaining existing customers.

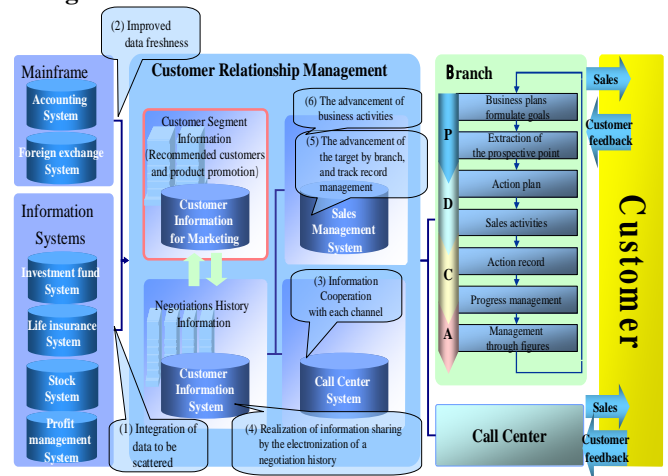## . Figures/Tables

1. Figures

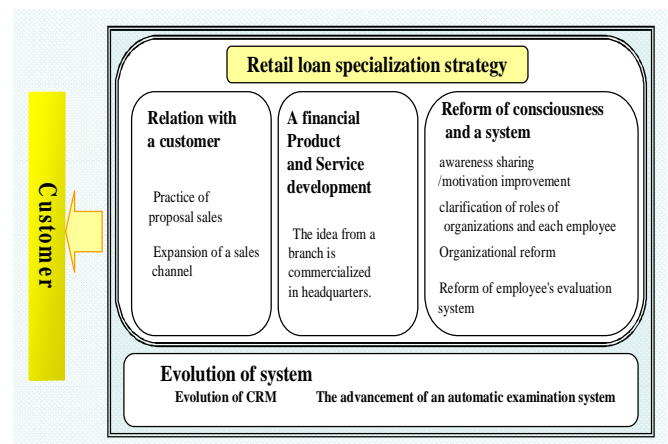
Fig.1. CRM in Tottori Bank

Fig. 2. Success factors of Tottori Bank

. Conclusion

The questionnaire survey and interviews brought me the following two strong impressions. 1) In order to utilize CRM and maintain relationship with customers, it is important not only to introduce the latest CRM but to reform whole business process of a company and to clarify missions of each business units and employees. 2) In order to operate effectively overall structure changed by CRM, it is important by fair evaluation in accordance with each mission of business unit and employee to raise awareness and motivation of employees. The importance of clarification of missions, fair evaluation and raising awareness and motivation of employees was re-recognized by this survey and research.

Tottori Bank analyzed in this paper shares and utilizes integrated data collected from all customer contact points including teller, call center operator, internet banking and ATM as well as branch clerks in charge of personal and corporate and branch managers. This example of new usage can be called "Real CRM" and will attract big attention from now on with many financial institutions have not been able to expand system implementation since CRM introduction.

CRM is not a strategy of which result shows up quickly. In implementing CRM, it is important to keep tolerance and energy to repeat continuously the basic cycle of "collection and accumulation of customer information", "Analysis of customer information", "Customer approach based on the analysis" and "measurement, evaluation and feedback based on the results of approach".

For that purpose, company-wide awareness reform should be promoted under management's understanding and strong support, need of CRM etc. should be thoroughly discussed until consensus are obtained from all employees, and if necessary, organization structure and performance evaluation should also be reformed.

Approximately 10 years have passed since the first introduction of CRM in financial institutions in Japan. And even in this 10-year, lifecycle of customers and environment surrounding financial institutions are rapidly changing in line with the development of information society. From now on, financial institution's way of communication with customers is believed to change dramatically along with further development of infrastructure for realization of ubiquitous society.

Meanwhile, it becomes important for each financial institution to review preconditions constantly for establishing relationship that has been considered as given nature. Furthermore, I would like to study further in future research about the state of CRM from the viewpoint of "Relationship".

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