

CRM Initiatives of Banking Sector in Saudi Arabia

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Abstract- Banking sectors in Saudi Arabia are increasingly deploying Customer Relationship Management (CRM) to produce a better connection between business and improve customer satisfaction. To ensure effective and guarantee a successful implementation requires identifying the potential information needs of these consumers. In this paper we focus on the the factors contributing to success implementation of CRM initiatives in Saudi Arabia's banking sector. The results show that banking success in implementing CRM because clear strategy that focuses on the goals of maintaining customer loyalty and of using complains handling data to solve problems and address issues raised by customers. These results provide insight for banking sector, consultant or system developers for enhancing their understanding of CRM innovation and significantly contribute to successful CRM initiatives.

Keywords- Saudi Banking, CRM Initiative, CRM Model.

I. INTRODUCTION

CRM is any business strategy for managing customers and customer relationships where the relationship between the customer and buyer does not end with the sale being made [6, 10, 12]. Jutla et. al. define CRM as a front-end tool that ensures acquisition, detainment and expansion of long-term relationship with potential customers. It is all about moving from being product centric to customer centric [6]. Pushman et. al. [8] argue that CRM is not

only a strategic concept, but it is built on clear understanding of the underlying processes and information systems where all customer contact points rely on the same information in these integrated information systems. However, Fjermestad et. al. insists on keeping economically valuable customers and eliminating invaluable ones [3]. There are many technological components to CRM, but thinking about CRM in primarily a technological term is a mistake. The more useful way to think about CRM is as a process that will help bring together lots of pieces of information about customers, sales, marketing effectiveness, responsiveness and market trends. The biggest returns come from aligning business, CRM and IT strategies across all departments and not just leaving it for one group to run [2, 6].

As a technology, CRM is considered a new in Saudi Arabia. It is a long way to adopt and effectively implement this technology to provide first class service to customers. The intension of this research is to identify the current status of CRM implementations in the Saudi Banking Sector focusing on critical success factors that were mentioned in the literature.

II. CRM IMPLEMENTATION

CRM has become a top priority for companies seeking to gain competitive advantage in today's economy. Big success stories continue to attract investments in CRM. CRM is more than just software; it is a business strategy supported by software not the other way around. However, implementing CRM systems tend to be a complicated and expensive endeavor. Even after investing hundreds of thousands, if not

millions, of dollars in CRM implementation, only 30 to 50 percent of CRM initiatives meet company objectives [7]. Confusion rises about what exactly CRM is and how to successfully implement it.

A. CRM Lifecycle

The CRM lifecycle denotes the phases at which CRM can be implemented on the various processes of a system to obtain a beneficial output for the organization. These phases can help the organization to arrive at solid quantifiable conclusions that will further refine processes and improve lifetime value of the customers by enhancing relationships with them. For instance, CRM Lifecycle adapted on to the situations of call center improvements, customer profiling, eBusiness effectiveness etc., helped organizations make some important decisions on how to go about the process in the most cost-effective and efficient manner [5, 9].

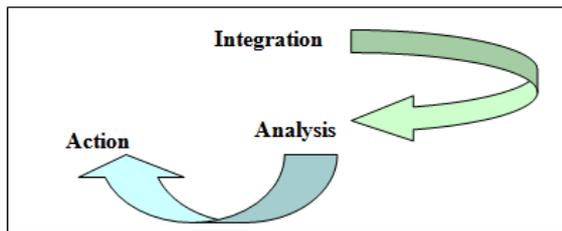


Fig. 1 CRM Lifecycle

These components form important elements of a CRM solutions platform. What has been learnt of customer’s preferences and behaviors can be used to improve the customer’s experiences with and perceptions about the business and customer relations can be greatly improved [9]. See Figure 2.1.

TABLE 1
The CRM LIFECYLCCE

Phase	Process	Output
Integration	Front office systems and centralization of customer data	A systematic arrangement of centralized customer data
Analysis	Analysis of data for: behaviors buying patterns, casual relationships	Model and predict customer behavior and satisfaction, lay foundation for strategic decision making
Action	Action, decision making, refining processes and org. structures	To cash, on the valuable insights of analysis

B. How to Implement CRM?

In a research conducted by Gartner [4], 70 percent of CRM projects fail. Failed implementations (projects) are each unique in the aspects that contribute to their failure. The objective, therefore, is to be on the 30 percent succeeding side and the challenge is how. One should not think that excellent CRM capabilities constitute a successful strategy [12]. First of all, organizational and/or marketing problems must be solved before a successful CRM initiative takes place. It is critical to know that technology alone will not solve problems. CRM is a long-term technology driven approach that is not easy to implement [10]. Customer demands for greater quality at lower cost with accurate delivery dates and order status information are becoming the critical success factor to compete globally [1, 6].

C. Implementation Models

Due to the high possibility of a CRM implementation failure, the framework proposed by [7] can be used to measure the readiness of an organization before starting the CRM initiative. The result of using this model will reflect the organization’s current CRM capability and what changes must be made before starting CRM. The model is composed of three alignment dimensions: intellectual, social and technological. Each dimension is comprised of three complementary categories, represented as a triangle, where the driver of each appears at the apex of the triangle as shown in Figure 2

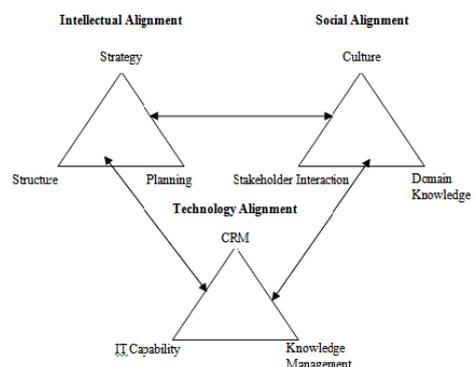


Fig.2 Three Dimensional Alignment Model

Based on the fact that any system designed for people to use should be easy to learn, easy to remember, contains the necessary functionality and pleasant to use, the integrated framework of [3] is used for designing and implementing information systems that will minimize resistance and maintain high usability standards. It highlights the importance of making users part of the design and using an iterative incremental design approach.

III. SAUDI BANKING SECTOR

Saudi banks have a big weight in the Gulf and Middle East regions. Currently, ten banks are operating in the Kingdom, where nine of them are publicly listed. The only privately owned bank is The National Commercial Bank (NCB). Regulating the banking sector is the responsibility of The Ministry of Finance, operating through the Saudi Arabian Monetary Agency (SAMA), which was established in 1952 and acts as the central bank of the Kingdom. The shares of three banks are 100% owned by Saudi nationals whereas strategic foreign partners hold shares in the remaining seven banks. Foreign shareholdings in Saudi banks range between 5.8% and 40% [11].

There is a current consolidation trend in the banking sector to create larger banks that can compete against foreign banks, which are expected to enter the market as soon as the Kingdom joins the World Trade Organization (WTO).

TABLE 2
SAUDI BANKS CATEGORIES

Categories	Banks
Large Banks	National Commercial Bank Saudi American Bank (SAMBA) Riyad Bank Al Rajhi Banking & Investment Corp
Medium Banks	Banque Saudi Fransi Saudi British Bank Arab National Bank Saudi Hollandi Bank
Small Banks	Saudi Investment Bank Bank Al Jazira

Based on total asset and equity Saudi Bank, It shows from the table 2 above, Saudi banks are divided into three categories: Large Banks include the National Commercial bank, SAMBA, Riyad Bank and Al Rajhi Banking & Investment Corp. Medium banks include Banque Saudi Fransi, the Saudi British Bank, Arab National Bank and The Saudi Hollandi Bank. Small banks include Saudi Investment Bank and Bank Al Jazira [11].

On a regional level and with the exception of Arab Bank of Jordan, the largest four Saudi banks have a better ranking than all other Arab banks in most areas. Medium Saudi banks ranked equally with the top other Arab banks. This bears testimony to the importance of Saudi banks on a Pan-Arab level [11].

IV. SURVEY RESULT & DATA ANALYSIS

Key persons within each of ten surveyed banks, most of whom are Chief Information Officers, participated in this study. Considering the time and resources available as well as the effort that bank employees were willing to put in this research, we have chosen to submit a questionnaire and to do a number of structured interviews with key persons within each bank.

Several issues about the CRM project in each bank were asked about. These were the used CRM software, the current stage of the overall CRM implementation and the amount spent on CRM. Ten percent of the surveyed banks were in the pre-implementation stage (Planning). Thirty percent of the surveyed banks were in the implementation stage that ranged from Vendor selection, Testing and Customization to Integration with other software. However, 60% were in the post implementation stage.

Type of CRM software indicates that of the 60% of the banks that are in the post implementation, 17% used Siebel, 33% used the Oracle e-business suite and 50% used other software that ranged from software that was built in-house from the bank's

partnership to software that was presented by different vendors.

The amount spent on the CRM implementation, all of the surveyed banks agreed that most of the amount spent on CRM implementation went to things related to the CRM software such as buying, customizing and maintaining it. It revealed that none of the banks spent over 10 million Saudi Riyals on their CRM implementation. However, 33% had spent less than 1 million Saudi Riyals because the CRM software was either built in-house from the bank's partnership or because they have implemented CRM in the form of phone banking or using the Internet to provide services to customers but have not yet adopted specific CRM software and 67% spent between 1 million to 10 million Saudi Riyals.

Several issues about the CRM project implementation in each bank were examined. The interviewees were asked questions such as ways of collecting customer data, top management support, clear CRM strategy, strategic changes that resulted from CRM and factors that contributed to the CRM success and its effectiveness.

The primary ways used for collecting customer data, purchased data and e-mail were the least used ways of collecting customer data with 6% for each. Web-collected data was used by 12% of the surveyed banks while 18% used ATM transactions. It shows that the most used ways were phone and teller transactions with 27% and 31% respectively.

The channels that were often used for maintaining customer relations, channels such as Mobile phone and the Internet were used by 13% of the surveyed banks. This was because no one can predict the right and suitable time for calling a customer on his/her mobile phone and that not all customers have Internet access. Direct contact was used by 15% of the banks. Call center was used by 17% slightly followed by direct mail with 18%. The most used channel

for maintaining customer relations was branch location with 24%.

Reasons for adopting CRM, five banks adopted CRM to reduce operating costs and to improve the organization's decision support. Six banks adopted CRM to customize products and services and as a new model that will replace old-fashioned marketing. To improve responsiveness to customers, to improve quality and visibility of information and to create more efficient and effective ways to reach the customer were reasons to adopt CRM in 7 banks. Eight banks adopted CRM to develop a continuous relationship with customers across a range of financial services. Nine banks chose delivering timely services to customers.

Who was primarily responsible for the CRM project management? Some of the surveyed banks chose more than one person as a CRM project manager. Chief Executive Officer (CEO) and Chief Information Officer (CIO) were chosen by 15% of the surveyed banks. The IT/IS manager was responsible in 31% of the surveyed banks. In 39% of the surveyed banks, the person who was responsible for the CRM project management ranged from Head of consumer banking, Head of retail banking marketing to CRM software provider.

The survey shown the surveyed banks all had a clear and adequate vision/scope of CRM implementation and strong top management support. These are some of the critical success factors that were mentioned in this study where there has to be a clear CRM strategy and top management support.

It revealed also how many banks have evaluated their CRM software/vendor. Twenty two percent of the surveyed banks did not perform a CRM software/vendor evaluation because either they have not reached this stage of the implementation or their software is built in-house from the bank's partnership. Seventy eight percent have performed an evaluation, which highlights the importance of doing so (a critical success factor).

The service quality is the foremost in attracting and retaining customers in all of the surveyed banks. Again, this proves that these organizations are customer centric (a critical success factor) where all of the surveyed banks said that they aim all their efforts at satisfying their customers and improving customer service to gain revenue.

All of the surveyed banks used the Internet to provide services to their customers with extremely tight security and privacy measures, which is a critical success factor. The kinds of services provided by each bank can be found in the bank's websites.

Forty four percent of the surveyed banks hired consultants during their CRM implementation. Fifty six percent did not hire consultants simply because they did not reach that stage of the implementation in which consultation is required but they do have it in their CRM project implementation plan. All of the surveyed banks agreed on the fact of choosing highly experienced consultants to help them with their implementation and that inexperienced ones are considered an early sign of failure.

It shown, 40% of the surveyed banks did not reward their employees based on their knowledge and communications skills because they have not reached that stage of the implementation or because they thought that this is their job and that they had to do it. Sixty percent have rewarded all CRM-related employees based on their knowledge and communications skills and said they gained a lot of cooperation from their employees because of this reward. This proves the incentives and rewards factor of the model presented by [7]. It is also a type of top management support (a critical success factor) thru the commitment of time, resources and money.

In term of employees were openness to change found that 30% of the surveyed banks employees were not open to change. Seventy percent were open to change with a positive attitude towards technology, which is the culture factor of the model presented by [10]. As mentioned in this study, people

resist change and are always afraid of everything new and that might make them loose their jobs.

With the implementation of the CRM technology, it is important to train the users of this technology so they can use it easily and get maximum benefit from it. The result was 40% of the surveyed banks did not train all the CRM-related employees because they have not yet fully implemented CRM. However, 60% have used various training programs to train their CRM-related employees.

The banks that have had training programs to train their employees have been asked about the nature and effectiveness of their training programs. It showed that 4 banks have trained their employees thru instructors assisted by project managers where 2 of them ranked the effectiveness of this service as major and the other two as moderate. However, all of them used onsite courses, administrator training and train the trainer where 4 of them ranked the effectiveness of these training programs as major and 2 as moderate.

Strategic changes that resulted from CRM and its effectiveness were five banks have chosen advantage over new entrants, where 3 of them ranked the effectiveness of this strategic change as major and 2 banks ranked it as moderate. Helped expand customer base was chosen by five banks where 4 of them ranked it as major effect and 1 bank as moderate. Five banks have chosen facilitated differentiation of products and services from competitors as a strategic change that resulted from CRM where 3 banks have ranked its effectiveness as major, 1 bank as moderate and 1 bank as minor. Six banks agreed that the major strategic change that resulted from CRM was helping enhance customer satisfaction levels, which is one of the critical success factors that were mentioned in this study.

Factors for evaluating the potential of CRM were twelve percent of the surveyed banks said that they were currently successful in similar installation. Fifteen

percent of them said that CRM significantly reduces cost and Return Of Investment (ROI). Most of the surveyed banks, with 27%, agreed that CRM provides information required to make key decisions. All of the surveyed banks, 31%, said that CRM significantly impacts and improves existing processes.

The performance factors that were achieved by implementing CRM and its effectiveness. Six banks have chosen relevant training to CRM implementers in the organization, where half of them ranked its effectiveness as major and the other half as moderate. From the six banks that chose the performance factors Using CRM implementation to capture new territories, developing targeted marketing programs to match customer buying patterns and using CRM to reduce direct marketing costs and enhance ROI, 2 have ranked their effectiveness as moderate and 4 banks as major. However, all banks that have fully implemented CRM agreed that the major performance factors achieved by implementing CRM were maintaining a complete database of all customers and providing personalized services and offerings to customers. Again, this proves that these organizations focus on customers and are customer centric (a critical success factor).

The survey shown that the contribution of some factors to the success of the CRM implementation. Only 4 banks considered hiring consultants as a contribution to their success where 2 banks said no contribution. Customer segmentation and customer satisfaction (critical success factors) were chosen by 5 banks and only 1 bank said no contribution to its success. All of the banks with a fully implemented CRM system have chosen the following factors as contributors to their success: Integration with other software, adequate testing, adequate training, communication, phased implementation approach, employees acceptance, adequate software selection, strong top management support and clear project vision/scope.

V. LIMITATION OF STUDY

There were limitations associated with this study. First, generalization of the conclusions of this study to all successful CRM implementation of Banking Sector in Saudi was limited because; the chance to participate in the survey was only subjected to CIO of the bank. The survey has not gone through to the second level management and operational level staffs.

Second, the response bias from those who returned the questioner and the overall response rate were the factors that may have influenced the representative of the data. There was potential for participant bias with respect to privacy and security reason from the surveyed banks.

Third, the limitations were related to the instrument, the questioner has not been subjected to rigorous and extensive testing in a variety of situations. Moreover, the link between value creation and CRM success/failure has been quite unexplored. Future research on these areas is therefore expected

VI. DISCUSSION & CONCLUSION

The results of the CRM implementation in Saudi's banking sector brought about an interesting point. When asked reasons for adopting CRM, these results prove that these organizations have a customer centric strategy, which is one of the critical success factors that were mentioned in this study and one of the readiness factors of the model presented by [7].



Fig. 3 CRM best practice implementation model

This proposed implementation model can be seen as a best practice model (see Figure 3). It is composed of three basic elements. These are CRM Strategy, Implementation Issues and Measuring success. The first element, CRM Strategy, has a number of factors that are required for the success of this element. First of all is the top management support that should be won and should be part of the whole implementation from the first step until the whole project is finished. Second, there is the clear CRM vision and scope where a good understanding of what is wanted from CRM is required. Third and fourth are the well-defined business processes and a good understanding of the requirements, respectively. Last but not least is the customer centric strategy of the organization and that it revolves around the customer.

The second element is the implementation issues. It has a number of factors that are related to the success of this stage of the implementation. These are the same project champion thru the whole project, employees acceptance of the new technology and CRM training, vendor selection and evaluation, testing of the systems and customization, integration with other systems such as ERP and consultation whom role is defined in this study.

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