Assessment of Customer Relations in Commercial Banks

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Abstract- **The article explores theories of customer relationship management in commercial banks. Methods of assessing the process of customer relations in commercial banks are classified. Conclusions have been drawn that certain dimensions exist when the relationship between the bank and the consumer is established. In the practice of commercial banks of Uzbekistan, proposals and recommendations have been developed to study the state of customer relations, the provision of new banking services and the use of the GAP model in determining consumer satisfaction with existing services.**

Keywords: Bank, marketing, banking marketing, customer relations, marketing strategy, marketing research.

I. INTRODUCTION

International experience shows that the stability of banks in the market depends primarily on their competitiveness in this area, the chosen strategy, as well as their relationship with customers. In the context of the global COVID-19 pond, the rapid adoption of online forms of banking services by consumers has set the task of introducing effective innovative solutions in the process of working with customers in banks. Nearly 85 percent of retail bank customers will use online banking services in the next 6 months of 2020 [1], providing flexibility to consumers and increasing competitiveness in the banking services market as a result of increasing customer competitiveness based on customer-oriented marketing strategies.

In the world practice, the development of new approaches to customer relationship management and customer service in the field of banking services has become a pressing issue. The proliferation of new startups and non-bank institutions entering the global financial market makes it increasingly important for traditional banking service providers to develop marketing strategies aimed at attracting new customers and retaining existing customers.

On the basis of the development of modern banking services in Uzbekistan, large-scale reforms have been carried out to increase the competitiveness of commercial banks and the introduction of modern banking services. In reforming the banking system of Uzbekistan, it is necessary to develop customer-oriented marketing strategies in a competitive market environment as a key condition for ensuring the stability and liquidity of banks. These cases make it urgent to develop methods for assessing the state of customer relations in commercial banks.

II. LITERATURE REVIEW

The process of commercial banks working with customers is focused on the following four important tasks: attracting, retaining, developing (growing) the customer, and abandoning unprofitable customers. At the same time, its involvement in the system of work with customers is a priority. To do this, banks need to be competitive and make effective use of the innovative marketing concept. Well-known scientist Peter Drucker points out [2] that the attraction of new customers is therefore necessary due to the need to develop related activities and, at the same time, to improve banking performance. Therefore, along with the amount of funds raised, banks are also interested in the benefits of selling banking services and products to new customers.

The practice of customer relationship management (CRM) is widely used in the banking system of developed countries. Banking services are a constantly evolving industry and the needs of consumers for new services are constantly growing. According to the scientists 'analysis, Sears, Roebuck Co., Burger King Corp. and marketers of other well-known U.S. companies have come to the conclusion that based on the growing demands of their companies based on the results of their activities, they need to obtain accurate and important information about their customers using customer feedback methods. They operate on the basis of a methodology that, knowing all the information about the client, the client can not refuse and when the company offers him his services.

The famous American H.J. Heinz Co. Casey Keller, CEO of the company, emphasizes that "If you don't understand who and what your customers are dealing with as a result of interacting with your customers at least one day a week, then you are considered unworked." [3]

CRM (Customer Relationship Management) is, in essence, a principle based not on a software product or technology, but on 'customer orientation' and the formation of a targeted strategy for the continuous development of the business. This business strategy uses advanced management and information technology to collect and

analyze data on the implementation of purchases in all processes of any customer activity.

The CRM system technically consists of special tools and software that enable the collection, processing, analysis and constant updating of all information about the commercial bank's customers. In addition, technically allows customers to fully automate the business process in the field of financial and economic activities, marketing, sales, services.

The example of banks in the United Kingdom, Sweden, and the United States explored Internet-related marketing tools in consumer relations in a study by Mark G. Durkin and Barry Hawkroft [4]. The study examines the form and direction of interaction with customers via the Internet, its main features. However, the effectiveness of establishing relationships with customers over the Internet has not been determined.

Iftikshar Hussein, Majar Hussein, Shahid Hussein and M.A. Scholars such as Sajid [5] have studied the strategic importance of introducing CRM in commercial banks on the example of Pakistani banks. The study identified success and failure factors in customer relationships. He also suggested the introduction of models aimed at establishing effective relationships with customers in the software, citing the high impact of CRM on the bank's competitiveness. He argued that the use of CRM in the Pakistani banking system should be identified as a key strategy.

Kallol Das, Jitesh Parmar, and Vijay Kumar Sadanand [6] explored the relationship between CRM software and customer loyalty to it. The research is divided into two parts, the first part is called the best research in CRM practice. The second part is additional applied research. The analysis conducted using the detection of latent variables shows that the introduction of best practices of CRM in commercial banks does not have a strong relationship between the levels of loyalty of retail customers in high- and medium-level relationships. The results showed that CRM in Indian banks is important not only for large banks but also for retail banks, especially small credit institutions.

R.K.Uppal's research [7] focuses on comparing customer services across the public and private sectors and foreign banks. There was a significant difference between the three groups. Determined the efficiency of e-banking services over time. Based on the results of the analysis, it was suggested that remote banking services should play a key role in customer relations and be considered as an important factor.

S.S. Ksugar and Nancy H. Vaz and D. Costa [8] argued that India's current position in the global market, especially in the emerging global competitive environment for the banking sector, is that the use of customer-oriented marketing principles is a key condition for competitive advantage. He argued that banks 'CRM practices could help them retain their existing customers in a competitive market.

Edwin Theronand and Nic S. Terblanche [9] studied the state of marketing of relationships in the financial services provided to corporate clients of commercial banks. The Analytic Hierarchical Process (AHP) model was used to determine the most important dimensions. A total of 23 determinants of relationship marketing were identified in the marketing literature, and after empirical research, the size of these determinants was reduced to 10.

Studies have shown that certain dimensions: trust, commitment, satisfaction, and communication are more important than others when establishing a relationship between a bank and a consumer. Additional determinants that are important in the field of financial services in the B2B market are the maturity of the bank, the advantages of the relationship, communication, flexibility, attractiveness and common values. The research provided recommendations for decision-making on key aspects of building effective relationships with customers in the banking sector.

Relationship marketing emphasizes the establishment, maintenance and development of beneficial relationships with bank customers and other partners, achieving the goals of the parties involved. The relationship between the bank and the client is strengthened through mutual agreement and fulfillment of contracts. According to Kotler, "Customer satisfaction is also important because satisfaction reduces the likelihood that customers will switch to a competitor." [10]

When the concept of relationship marketing was formalized in the early 1990s by financial services, airlines and other service institutions to reward existing customers through the introduction of loyalty programs, CRM was only the end product of the 90s. The purpose of this document is to find out the differences in services in an organization that apply CRM to other organizations that the client is aware of. It also seeks to define the relationship between understanding, satisfaction, and loyalty.

In general, the main methodological approach to relationship marketing is the activity aimed at establishing relationships with consumers and other stakeholders, creating them, earning income through strong relationships between stakeholders.

III. METHODOLOGY

Since one of the important elements of customer policy in commercial banks is the interest rates set for banking

operations and operations, it is expedient to first analyze the methods of assessing the pricing process for banking products and services. In this regard, AI Borodin [11] and VM Poletaeva [12] propose to use the mechanism of pricing optimization, taking into account the level of limitation to determine the optimal interest rate on deposits of individuals.

A.M.Smulov and E.I.Abdyukova [13] propose the following formula for setting interest rates based on the wishes of customers and agents.

$$\begin{cases} \pi_{\text{к}} = \dfrac{S_n \lambda_k \beta_d + 2\delta S_{\text{в}} \mu_d \alpha_k}{2(S_n \lambda_k \beta_d + S_{\text{в}} \mu_d \alpha_k)} \\ \pi_d = \pi_{\text{к}} - \delta \end{cases} \qquad (2.2)$$

here,

$\pi_{\text{к}}$ − average interest rates on loans;
π_d − average interest rates on deposits;
S_n − consumer demand for loans;
γ_k − bank loan repayment intensity;
β_k − customer return intensity;
δ − the difference between deposit and loan interest rates;
$S_{\text{в}}$ − customer solvency;
μ_d − intensity of bank deposit acceptance;
α_d − the intensity of loan repayments from customers.

The Price Sensitivity Meter (PSM) model was proposed by Dutch scientist P. van Westendorp to determine whether banks 'interest rates meet customer requirements. The main feature of the model is based on the study of consumers 'attitudes towards marginal prices.

Another of the most common methods used to determine customer satisfaction is the Net Promoter Score (NPS) method, introduced in 2003 by American researcher F. Reichel [14]. According to the author, the success of any organization is largely based not on customer loyalty, but on the likelihood of recommending it to "someone else".

The NPS method of determining the attitude of customers to the bank also has its own advantages and disadvantages, mainly due to the effectiveness of its application in banks for certain types of services. In international practice, the study of bank-customer relations is widely used by the method of "Customer Satisfaction Index, CSI" [15]. This method consists of assessing customer satisfaction with banking services and products in banking practice on the basis of a 10-point scale of 3 categories, which are:

- Satisfaction (1 - completely dissatisfied; 10 - completely satisfied);
- wait (1 - short wait; 10 - long wait);
- norm (1 - far from the norm; 10 - norm).

The survey results are calculated using the following formula:

$$\text{CSI} = ((X1 - 1) * W1 + (X2 - 1) * W2 + (X3 - 1) * W3)/9 * 100, \quad (2.3)$$

here,

$X1$ − overall score for the satisfaction category;
$X2$ − total score for the waiting category
$X3$ − total score for compliance with the sample;
$W1, W2, W3$ − weight coefficients of each category;

The weighted coefficients adapted to determine customer satisfaction from the services of commercial banks are as follows:

1) $W1 = 0{,}3885$;
2) $W2 = 0{,}3190$;
3) $W3 = 0{,}2925$

Prime and Brand Analytics have developed a special rating in the framework of the project "Banks in the eyes of consumers" to determine the loyalty of bank customers. Its main indicators are calculated on the basis of a multi-level model, as well as the number of applications to the bank on social networks, as well as their activities and the total number of authors. The following formula is used to calculate the fidelity level [16] :

$$L_i = \frac{0{,}35 * \left(\frac{TP_i * 100}{S_i} - \frac{TN_i * 100}{S_i}\right) + \frac{0{,}45 * S_i * 100}{\sum_{i=1}^{N} S_i} + \frac{0{,}2 * A_i * 100}{\sum_{i=1}^{N} A_i}}{3}$$

(2.4)

L_i − degree of loyalty;
TP_i − number of positive appeals;
TN_i − number of negative appeals;
S_i − total number of applications;
A_i − the number of specific appeals;

For a comprehensive assessment of customer policy, it is recommended that commercial banks take into account the cost-effectiveness of customer relations. TrastKonto and Intersoft Lab offer a five-step system for analyzing the profitability of clients by consulting companies. [17]

1)   calculation of direct income and expense flow for customers;
2)   calculation of the flow of transfer income and expenses;
3)   calculation of additional costs;
4)   calculation of the risk of unexpected losses;
5)   calculation of economic benefits from customer service;

The final result of the level of profitability of customers is calculated on the basis of the following formula:

$$ЭП = СПД + СР + СКД + СТД – НР \qquad (2.5)$$

here:
ЭП – economic income;
СПД – the balance of direct interest income of consumers;
СР – the balance of the movement of reserves on the customer's loan portfolio;
СКД – the balance of commission income and expenses received from the customer;
СТД – the movement of customer resources, the balance of transfers;
НР – overhead costs.

In our opinion, the advantages of the method include the calculation of the risk of losses in operations performed on the client, which helps to minimize possible losses when working with customers.

IV. ANALYSIS AND RESULTS

In the practice of commercial banks of Uzbekistan, it is advisable to use the model "Servqual" to study the state of relations with customers, to provide new banking services and to determine consumer satisfaction with existing services. This model was proposed by W. Zeithaml, M. Bitner, and D. Graham [18] and was developed to determine the five differences between customer expectation and the service company provided. Customer requirements represent pre-service desires and expectations as well as an evaluation of the service for which the end result is provided. If the expected results are greater than the actual performance, customer dissatisfaction will arise. On the contrary, the smaller these gaps are, the better the quality of service will be.

As shown in Figure 2.5, the model presented by H.Strong [19] is based on the measurement of five gaps that allow analysis of the quality of banking services from a customer perspective.

GAP 1 - Expected service - Management of the process of providing promising services to consumers - this means the difference between the service expected by consumers and the services provided by banks. If banks do not understand the wishes of customers, a gap will appear. This situation is observed as a result of insufficient research on customer satisfaction and failure to introduce new types of services.

In addition, bureaucratic situations are also the basis for a large gap because it is an inefficient means of communication. To prevent disruption, the bank should always conduct various research and develop new types of services in accordance with customer requirements. Banks that are well aware of this gap should look for the best ways to communicate with consumers and be aware of their requirements. To maintain a small gap, the company needs to introduce a variety of services that establish a strong connection with customers. The need to avoid multiple layers of governance and to strive to create an effective method of higher communication is realized, according to the research of W. Zeithaml, M. Bitner, and D. Graham. [21]

GAP 2 - The status of the process of providing promising services to consumers - are service characteristics, it is important to understand the needs of customers, although banks also need to know in advance what services will be provided to customers. GAP 2 appears to be designed without considering customer needs. This can occur due to lack of service scope, lack of target parameters, or inadequate task standardization. To reduce this gap, banks need to maintain customer perception and account of banks 'business processes.

GAP 3 - As a service delivery problem, even if the bank has overcome the first two shortcomings, it may face problems in providing services that meet customer requirements. GAP 3 is a problem that arises in the process of not providing services to meet customer needs. This gap indicates that the services provided do not meet the standards. In this case, the analysis of supply and demand occurs due to its incompatibility, as well as ineffective personnel policy. To reduce this gap, banks need to create their own strategy to deliver the perfect service.

It is safe to say that such a gap is not observed in banks, where employees are motivated and designed to provide quality service. Banks need to hire staff with the necessary skills and interests to do the job. It is also important to remember that banks should reward and encourage employees to keep them.

GAP 4 - On internal and external communications in the delivery of the service, if the bank has provided all services to close the previous gaps, the expected results from customers can not be obtained if they are not consistent with the messages about the service provided. GAP 4 can also be referred to as a communication gap: when banks advertise different services, customers expect the same quality of service. Otherwise, customers will not accept these services and will take into account the low quality of service. Therefore, banks need to focus on developing a strategy to reach customers to ensure proper service. Banks need to have a clear idea of how the new services will be implemented. Only then will it be more important for consumers to respond positively to these new services.
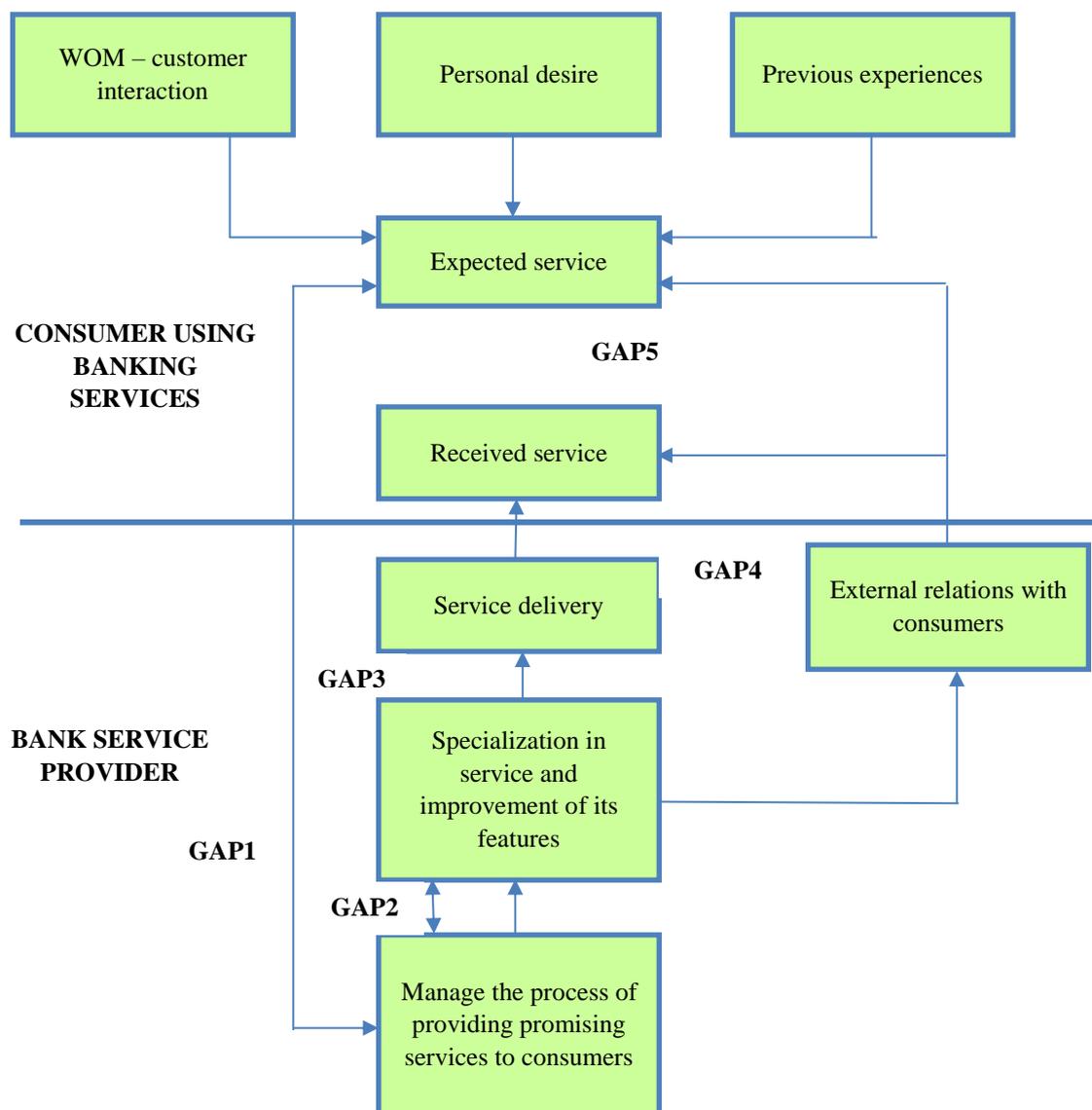

Fig.1. GAP model for the quality of banking services [20]

GAP 5 - expected service - refers to the situation in which the received services define the difference between the previous gaps, the expected services and the concept of service received by the consumer. The key to closing

GAP 5. is to close the four front spaces. The bank needs to conduct various surveys to know the prospects of the customers in order to provide the right service in a timely manner while working with the staff.

After the GAP model was presented, he proposed five levels for measuring the above sections and scales for the Servqual model, which are described as follows:

1. The value of tools: personnel, technology and physical aspects.
2. Safety: Employees 'confidence, knowledge and ability to be polite.
3. Reliability: the ability of a company to deliver services accurately.
4. Empathy: individual attention to customers.
5. Responsiveness: Research by J. Iwaarden, T. Wiele, L. Ball, and R. Millen [22] has shown that customer support and preparation processes for quality service should also be included.

In the course of the research, the Servqual questionnaire was developed to identify all the factors, taking into account the above factors, ie based on the questionnaire questionnaire on the above deficiencies and registers to understand the client's expectations and the service provided.

Heskett, Sasser, and Sklensinger [23] argued that the service value chain has a strong relationship primarily between revenue growth, profit, customer loyalty, customer satisfaction, employee qualifications, value and efficiency of services provided [24]. The main goal of the effective organization of the service value chain is to create a business environment in the company based on the interaction of a highly motivated and satisfied employee with customers and customer experience.

According to the value chain model of service and profit, the right-hand components, such as revenue growth and profitability, show that the value of a company depends on the value of its customers. The elements on the left explain how customer value is created, i.e. customer loyalty, the higher the relationship between customers, the happier and more loyal the customers are and the better the service is received, the more satisfied the customers will be. In short, customers value services, and if evaluations are positive, customers are loyal. As a result, the company's efficiency increases.

In companies that use a service-benefit chain, more customers will be loyal, they will use more services, and they will tell others about the company's positive services. They need to develop various strategies and policies to support the company's employees as they constantly deliver the company's activities to customers. Employee motivation is measured by the feelings associated with their work and relationships with other employees.

To create employee motivation, the company needs to create a comfortable work environment, provide training, rewards and benefits, as well as bonuses and tools for customer service. The service-benefit chain is a model that reflects why employees 'motivation and satisfaction levels are important for generating revenue.

Consumer satisfaction with banking services allows them to clearly identify areas for the introduction of new services. In order to carry out quantitative research methods to assess consumer satisfaction and the level of services from the point of view of consumers, banking services are required to inspect the services provided by banks in accordance with relevant state standards or ISO standard requirements.

International standards for banking services primarily define the level of activity in accordance with the views and needs of potential customers or users within or outside the organization. Based on this information, organizations are required to understand the needs and preferences of customers so that they can better position themselves in the market and be flexible to change. The standard is also based on studies by Mutafelija and Stromberg [25] that organizations should constantly take steps to meet and improve customer needs.

V. CONCLUSIONS

The results of the GAP analysis provided an insight into the pre-service desires and expectations of customer demand in commercial banks. It is based on the fact that the results expected by consumers are not higher than the actual performance, although there are differences. The main narrow gaps by type of service were identified, which allowed us to identify five gaps that allow us to analyze the quality of service from a customer perspective. In particular, each direction offers specific directions for the analysis of the state of relations with customers:

GAP 1 - Expected Service - Manage the process of providing promising services to customers. Understanding the wishes of customers by commercial banks provides an opportunity to feel the gaps in this regard.

GAP 2 - Management of the process of providing promising services to consumers - The gap between the characteristics of the service is high, and understanding the needs of customers in banks should be important. To reduce the gap identified in GAP 2, banks should approach their customers based on the principles of openness and transparency.

GAP 3 - Service Delivery Problem. Some of the services provided by the Bank are problems that arise in the process of not providing services to meet the needs of customers. This gap is mainly reflected in the low speed of services provided. That is, the bank does not have enough capacity to operate at the speed required by the consumer, and this is mainly due to external and internal factors. To reduce this gap, banks need to develop

targeted strategies to deliver the perfect service, motivate their employees, and hire employees with the necessary skills and interests.

GAP 4 - Service delivery - external relations. It examines the communication processes between commercial banks and consumers. If a gap is identified, it will slow down the process of consumers adopting new types of services and consequently increase the gap.

GAP 5 - expected service - received service. These cases are taken as generalized indicators of the gap between previous gaps, expected services and the concept of service received by the consumer and provide an opportunity to make appropriate strategic decisions.

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