



Social CRM: a Solution for Realization of Virtual Banking

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Abstract

Customer Relationship Management (CRM) has three main sections. First section is customers, other one is any service provider that provides services or products to customers that should be responsive for them and last one is relations between those two parts. Banking Customer Relationship Management follows this dominant too. Customers are in one side and the other side is the bank or financial institution. However in the current days due to the variety of interests, customer orientation and increasing the market competition, uncertainty and complexity, efficient and more innovative tools to meet that challenges are required. For this reasons and manifesting of new technologies in the virtual world such as Web 2.0 and social networks, we can improve quality and the satisfactory level of CRM.

Keywords: CRM, Virtual Banking, Electronic Commerce, E-Banking, Social CRM.

1. Introduction

Customer Relationship Management (CRM) is a philosophy and a business strategy supported by a system and a technology designed to improve human interactions in a business environment [14]. This is a primitive definition of CRM. CRM in early days of usage was not implicated with Computer and information technology, but nowadays IT is a basis part of that. In these days and after implications of electronic CRM and customer orientation, a new perspective on customer relationship management has been created. Social CRM is coming from Social networks and Medias that can impact to CRM and make its definition changes. Gartner report [1] estimated though 2011, business-to-consumer (B2C) or business-to-business-to-consumer (B2B2C) enterprises will account for over 90% of spending on social CRM. During the next five years, community peer-to-peer support projects will replace Tier 1 contact center support in over 40% of the top 1,000 companies with a contact center. Though 2012, 90% of social CRM projects for sales organizations will focus on aiding prospecting and internal collaboration. IBM and infosys mentioned three strategy for future banking that one of them related to CRM concepts [9], [8], [11]:

- Customer oriented and advanced customer management
- Reducing IT costs along with increasing flexibility
- Risk management and regulatory compliances

For a banks or financial institutes, earn a vast source of data, relations, customers and other key elements with a great user friendly interface seems to be good opportunities. In this paper we focus on a new concept of CRM in bank industry and we have discussed that social media helps the financial organizations to increase their Knowledge about customers and also help them to keeping customers. Structure of this paper is as follows. In Sections two we have discussed about CRM and its evolution to social CRM. In section 3, is an overview on CRM systems in banking, its structure, Challenges and benefits. In Section 4, we discuss about designing Social CRM for banks and financial organizations, And in Section 5, we have concluded with future works.

2. CRM: FROM TRADITIONAL TO SOCIAL

2.1. CRM: in traditional way

CRM has developed as an approach based on maintaining Positive relationships with customers, increasing customer Loyalty, and expanding customer lifetime value [17], [16], [8], [22]. CRM's main functionalities are Marketing, Sales and Service. These three section can be important or not in different applications," Figure 1".for example in bank industry service is the important part but in online stores each of parts are very important. CRM means an enterprise wide integration of technologies working together such as data warehouse, web site, and intranet /extranet, phone support system, accounting, sales marketing and production .CRM has many similarities with Enterprise Resource Planning (ERP) where ERP can be considered back-office integration and CRM as front-office integration. A notable difference between ERP and CRM is that ERP can be implemented without CRM. However, CRM usually requires access to the back-office data that often happens through an office data that often happens through ERP-type integration [15]. Customer Relationship management (CRM) originated from the contact management in 1980s, evolved into a development mode centered on customer through the customer care in 1990s, and nowadays becomes the focus of attention and development trend of global enterprise circles as a brand-new business philosophy [2].

2.2. Social CRM: create a collaborative customer experience

Social CRM is a philosophy and a business strategy, supported by a technology platform, business rules, processes, and social characteristics, designed to engage the customer in a collaborative conversation in order to provide mutually beneficial value in a trusted and transparent business environment. It's the company's response to the customer's ownership of the conversation [14].

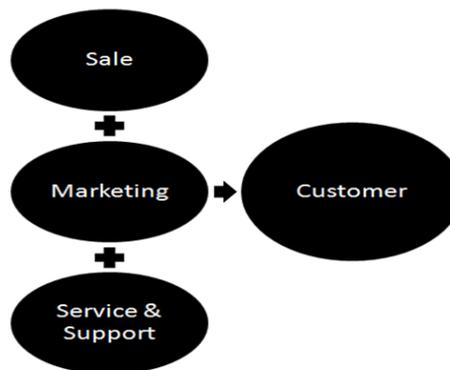


Figure 1: CRM's main functionalities [14]

Before 2004 our exception from web and internet was a static environment that only for publication of news & reports and a one direction connecting. Web 2.0 technologies or what almost universally has been called social media is becoming accepted as an important digital tool used by firms partially with CRM [19]. A Social CRM system is designed for business to collaboratively manage business relationships and to create a collaborative customer experience initiatives to improve customer-organization relationships [13]. In this situation Social customers are more knowledgeable, empowered and connected than ever before. prior to marketing any kind of purchasing decisions, customers now turn to peers and non-traditional industry influencers for answers through very public social networking platforms-more so than any other source for information gathering. Customer is a critical objective within any social business strategy. Social CRM strategies and technology offering should complement, but not replace traditional CRM software –the platform business have traditionally used to hold and analyze customer data, "Figure 2". While many traditional CRM solutions are highly regarded and excellent at automating processes, managing the

customer data and provide management reports to track sales, social CRM focuses on the relevant conversations taking place online and offline [4].

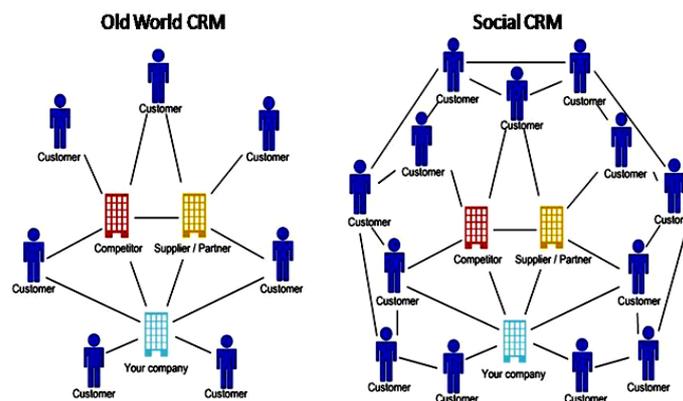


Figure 2: Evolution of CRM & Customer relationships

Social CRM adds a new dimension and focus that works best on top of a solid foundation. This includes an easily accessible centralized customer database, keeping track of events and coordinating activities, and managing important sales and marketing processes. With the internal operational aspects being addressed by traditional CRM tools and strategies, the social layer aimed at engaging the wider Internet-based community can smoothly transition external conversations inward, continuing on the path towards a meaningful business relationship [3]. As mentioned, with the birth of the Web 2.0, social CRM was close to the time of its implementation. However wide variety of choices in Web 2.0 such as Social networks, wikis, media sharing, and blogs was made a difficult situation to identify appropriate strategies to implement the Social CRM. But what does that make Social CRM more powerful, is the power of relationships between its users. Due to this fact, social networks have the greatest role in creating Social CRM, though other Web 2.0 technologies can also be involved to some extents.

2.3. Social CRM VS. Traditional CRM

The focus of social CRM differs from traditional CRM in a few fundamental ways [13]:

- **Data driven vs. Content driven:** traditional CRM grew out of this need to store, track, and report on critical information about customers and prospects. Social CRM is growing out of a completely different need – the need to attract the attention of those using the Internet to find answers to business challenges they are trying to overcome.
- **Process centric vs. Conversation centric:** Traditional customer relationship management is heavily focused on implementing and automating processes but in successful social CRM strategy, conversations are at the heart of it.
- **Operationally focused vs. People/Community focused:** Whereas traditional CRM activity focused heavily on operational effectiveness and its impact – both internally and on the customer – social CRM is all about people and community.
- **PPT (People, Process, & Technology) vs. AAA (Automation, Analysis, & Audacity):** While any definition containing the importance of people, process, and technology captures the spirit of CRM, many were constructed before the Web became central to our lives. The philosophy behind social CRM is built upon a Web-powered foundation, and its impact on how we relate to each other. And with content being central to bringing people together, three other words become important to the equation – Automation, Analysis, and Audacity.

Also Küpper et al shows some difference on performance in their Research about Social CRM that illustrated in Table1 [20]:

Table 1: Social CRM VS. Traditional CRM in performance [20]

Categories of the performance measurement system	Definitions in the Social CRM context	Social CRM performance measures
Infrastructure	The category describes the resources, and cultural aspects of a business that are necessary to implement Social CRM.	Social Media Monitoring
		Online Brand Communities
Process	The category describes aspects that relate to the processes and activities of Social CRM.	Customer Insight
		Customer Orientation
		Customer Interaction
		Market and Customer Segmentation
		Customer Co-Creation
Customer	The category describes the effects of Social CRM on the customers (customer perception) and the aspects, which are perceived by customers.	Customer-Based Relationship Performance
		Customer Loyalty
		Peer-to-Peer-Communication
Organizational Performance	The category describes the effects of Social CRM on the company success and business results.	Customer Lifetime Value
		Financial Benefits
		Brand Awareness
		Organizational Process Optimization
		Competitive Advantage
		New Product Performance

2.4. Benefits of Social CRM

Social CRM applications as easy-to-use standalone applications that can be layered on the structured processes of existing CRM to help end users better leverage social networks, internal and external data and news feeds, and existing sales and marketing content [18]. Social CRM applications share two key attributes. First, social CRM encourages organizations to share data by ceding control to a community through user-controlled mechanisms. The community is part of the process and decision making. Second, successful social CRM implementations provide clear benefit for an organization and its customers Benefits to customers using social CRM applications are:

- Access to more trusted and independent information on products, services and organizations (including individuals inside an organization) through many-to-many participation.
- Personalization of interactions with an organization and products or services offer.
- Fulfilling emotional needs, such as self-esteem, respect, belonging and friendship. [1]

Social CRM system also can help organizations in following ways too:

- **Single view of Online and Offline Constituent:** Social CRM allows organization to capture variety of online interactions such as e-mail activity and Web form donations automatically and Offline activities such as event participation or volunteer hours are also tracked.
- **Provides Overall View of the System:** Social CRM serves not only its organization but its constituents also with a total view of their relationships with each other. This may include preferred methods of giving and visibility into how their contribution was used. This may also include tools that help organizations better manage and communicate with individuals in the same household, place of work, or alumni group.
- **Comprehensive Knowledge and Oversight:** Social CRM provides the comprehensive knowledge and oversight of not just your constituents, but all of your fundraising efforts. Since most business processes are managed online, real-time reports such as integrated campaign activity statistics or customizable dashboards are always at fingertips [4].

3. CRM in Today's Banks

Since the early 1990s, computer, the Internet, and information technology have been merged to become a viable substitute for labor- and paper intensive financial processes between and across financial service providers. This has been seen in the widespread use of credit cards, debit cards, smart cards, and lending through CRM via the Internet. This computer-based transactional and informational exchange can be between each of financial service providers and also consumers, so it take place out of CRM and benefits of CRM to financial services providers and its customers [12].

Evolution of CRM in banking industry can be categorized in two phases:

- Need of a place (system) where customer related information can be saved and extracted from here in raw format (as entered earlier) whenever needed.
- Need of analytics based on customer information available. This analytics is supposed to be used by marketing, sales and support team in such a manner that it should result in increased campaign responses, increased opportunity closure and reduced turnaround time for service requests [10].

3.1. Systematic Structure of Banks' CRM

Banks' CRM refers to the promotion and application of CRM in the banking field of banks and falls into three levels: communication-level CRM, operation-level CRM and support-level CRM. "Figure 3" shows these levels.

- **The communication-level CRM** : the interface of CRM to interact, collect and output information with customers, including phone, fax, Internet, Email, wireless network, traditional counter, branch and others; customers can use various ways to get contact with customer service center, to retain the required information and service; thus, integration between advanced technology and all kinds of bank resources is effectively realized.
- **The operation-level CRM** : made up of each sub module executing fundamental functions of CRM, including sales management module, marketing management module, customer service & support module, business intelligence management module, call center management module and E-commerce management module.

The support-level CRM The support-level CRM means data warehouse ,data mining technology that can consider this as a Business Intelligence system , operating system, network communication protocol and others, which are used in CRM, and is the foundation guaranteeing the normal operation of the whole CRM system. In the whole CRM structure, support-level CRM completes processing information accumulated from communication-level and operation-level, and then produces the analytical information based on the two. This information can be transferred to each functional module and front-consumer service system of the bank through systematic integration, and finally forms internal dynamic, integrated consumer's analysis, management and service of the bank [2].

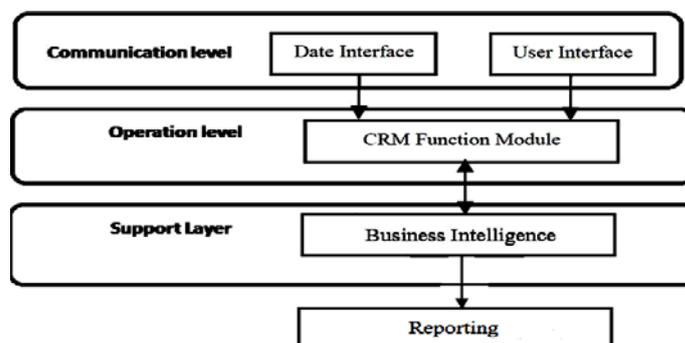


Figure3: Systematic Structure of Bank's Traditional CRM[2]

3.2. Challenges with Traditional Banking CRM

Many analysis are of the view that CRM is currently seen as an administrative burden by the user. This is because of the fact that much of the CRM software is focused towards process automation and that does not necessarily provide incremental value back to the user. Sales people often see CRM as a reporting tool instead of sales generating tool and hence adoption wanes. There are two major challenges with traditional banking CRM system:

- It was assumed that banking CRM system needs to own the data (of customers and prospects) to do analytics. Today, people may hesitate in providing their personal data to bank's call center executive but they would like to enter the same information on social networks without even being asked to necessarily do so! In other words, customers prefer separate bank system, to interact, that space is not owned by banks.
- Solution providers used to compete in banking sector based upon their product's features such as scalability and performance. Little emphasis was given to User Interface (UI) [10].

4. Leveraging Social CRM for Banks

Given what was said, Social CRM, a more complete relationship between organizations and customers to communicate. However the with Social CRM, Traditional CRM, should also continue to its functions, because the Social CRM, which entail information customers want to publish and Traditional CRM entail the information that banks need. However, banks can use the additional information through Social channels to achieve a better strategy and decisions.

4.1. Responding to challenges of Traditional banking CRM

Web 2.0 websites allow users to do more than just retrieve information. It can be built on the interactive facilities of "Web 1.0" to provide "Network as platform" computing, allowing users to run software applications entirely through a browser [21]. Users can own the data on a Web 2.0 site and exercise control over that data [5]. These sites may have an "Architecture of participation" that encourages users to add value to the application as they use it [21]. Web 2.0 sites often feature a rich, user-friendly interface based on Ajax, Flex or similar rich media.

The sites may also have social-networking aspects [5]. For implementation of social CRM, we can Use two different approaches. First one is a private Social networking Sites –like bank mellat Customers Club [9] in Iran that however uses Web 2.0 opportunities but is not very user friendly for Social customers . Other Way that we focused in this paper is using a public Social networks like Facebook, LinkedIn, twitter and some places same these. In this way we have some problems too. Outside data may threat security issues but for earning more information from customers it can be worth to have some risks.

4.2. Shapes of Social CRM in Banks

Consider, the bank enters to a social media like social network. In social network about a bank's services, a debate arises among customers. After being exchanged comments from customers to reach results that enhance the quality of its services banks are very important. Here are two cases. The first is that the bank is passive in terms of passes and the social network is only used as a base for advertising. And another case that using a system of information exchanged and the desire to gain useful information from users.

Even taken the information from the social network and existing user information in traditional systems can be integrated together. For example, a bank intends to make awards based on the needs and tastes of its customers to donate. By the traditional system can be aware of the age, occupation, and its social conditions, but cannot be the best gift for him to consider, at this time that the Bank

can best make use of customer information in social networks take. Perhaps at first glance it seems not very efficient, but should not forget that market competition is much more complex and more attention to any customer, whether or not he will result to customer loyalty and maintain.

Point to be cautious here is how the information obtained from different sources is used by the banking system. This information, if not used in correct manner may result in loss of trust in relationship between banks and their customers and hence the loss of business for banks. Conclusively, it makes sense to upgrade banking CRM with Web 2.0 capabilities and to assume that customer data may not be owned by CRM itself [18].

4.3. Conceptual Systematic Structure of Social CRM for banks

The structure as a conceptual structure for Social CRM we have presented, in the same Classification with traditional system structure and fall into three levels: communication-level CRM, operation-level CRM and support-level CRM, “Figure 4” shows these levels.

- 1) The communication-level CRM: the social network as an interface of CRM to interact, collect and output information with customers. Customers have wide Choice to entering data
- 2) The operation-level CRM: The main operations that the system can be used to extract data from social networks. This extract can also be performed by human factors and also by data mining tools.
- 3) The support-level CRM: Here is also a business intelligence system that helps banks in decision making.

Our output in this way is some recommendations that can join with reports of traditional CRM.

4.4. Benefits of Social CRM for Banking

As mentioned, Social CRM in banks is not an alternative or better solution for relation with customers But also a way to complete the connection between the bank and its customers. Traditional and old functions would remain, but new data will be integrated with those. However, there will be several benefits to this evolution:

- 1) Use more information to identify customers by banks.
- 2) New Advertising– Marketing Opportunities.
- 3) Possibility to outsource applications and features in social networks.
- 4) Encourage greater involvement of customers in the database through a user-friendly environment.

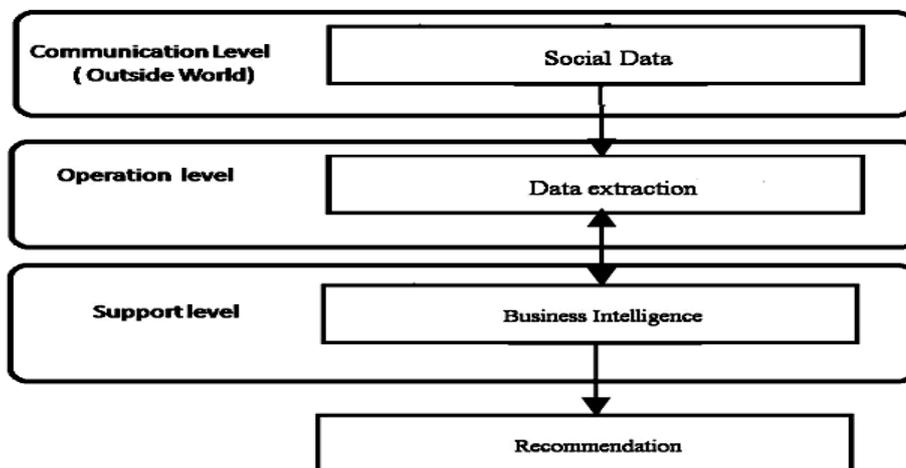


Figure 4: Systematic Structure of Banks' Social CRM

Conclusion

Using Web 2.0 tools like social networks has created a situation that People with organizations and service providers have been closer. In this paper some of the situations mentioned in the banking and financial services. Despite the benefits of Social CRM, there are challenges such as inappropriate Rules in developing countries For Social networks and lack of trust and also technical complexity in data mining and data Extraction are the most important of these scope. In our future works we intend to eliminate this technical complexities and investigating in trust. Our goal to writing this paper was review and employing a comprehensive approach on Social CRM in a banks. We know that banks need their customers so each tools that earn more information about customers can improve their level of trust and services.

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