

**The Effect of Customer Relationship Management (CRM) on the Profitability of Financial
Institutions - A Case Study of Barclays Bank Limited, Takoradi Branches.**

By

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DECLARATION

Hereby declare that this submission is my own work towards the CEMBA and that, to the best of my knowledge, it contains no material previously published by another person nor material which has been accepted for the award of any other degree of the university, except where due acknowledgement has been made in the text.

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DEDICATION

I dedicate this work to Miss Barbara Asman and my children.

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ACKNOWLEDEMENT

In presenting this study I would like to acknowledge the assistance of several persons for their support and influence during my own journey through this process.

Firstly, I would like to thank the All Mighty God for bestowing on me such a great knowledge and wisdom to put this study together.

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GOD BLESS YOU ALL.

ABSTRACT

Customers are the lifeblood of every organization, yet due to their complex nature coupled with information communication technology, it has become very difficult to satisfy and retain them. This study intended to explore and find out appropriate measures that could be adopted to satisfy the customers in order to retain them and the effect of this on profit. Since the study seeks to explore, it is therefore qualitative and for that matter the main method used is questionnaire. The study revealed that the bases of customer satisfaction and long-term relationship could be attributed to innovative products and services coupled with competent and caring staff. The results showed that customer relationship management leads to customer satisfaction which brings about loyalty and retention, thereby having the potential of increasing sales and profit by reducing customer acquisition cost. As predicted, customer relationship management is appropriate for customers who have long-term needs and willing to invest time and effort for the necessary payoff.

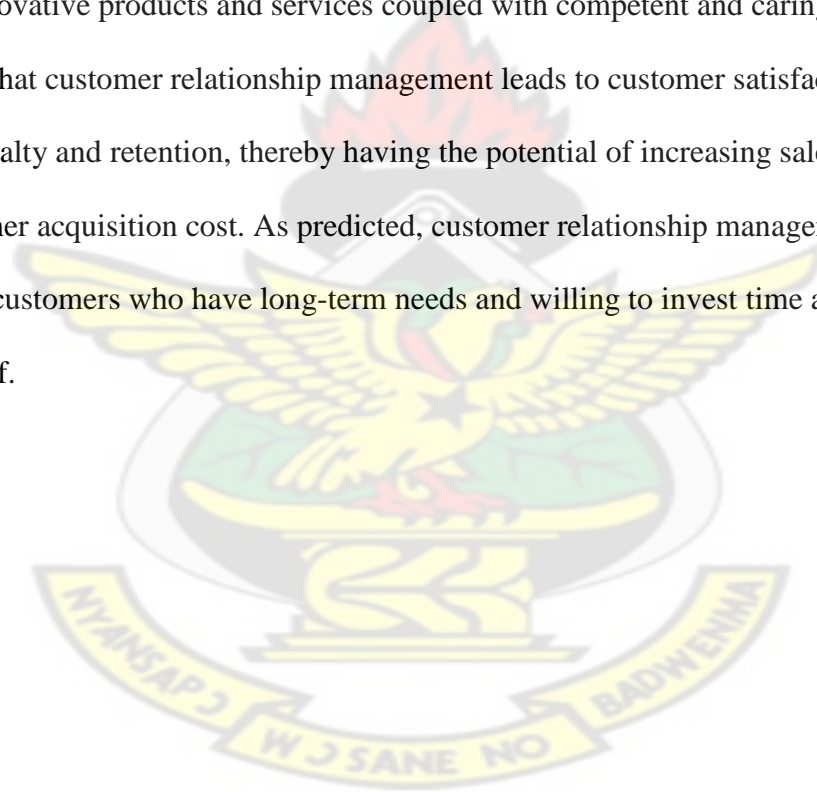


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CHAPTER ONE

GENERAL INTRODUCTION

1.1 BACKGROUND TO THE STUDY

Firms are motivated to adopt CRM strategies for both defensive and offensive reasons. Offensive arguments are associated with a desire to improve profitability by reducing cost and to increase revenues through improved customer satisfaction and loyalty. Defensive arguments apply when a firm's leading competitors have adopted CRM successfully, and it fears losing consumers and revenue (Buttle, 2004:28). The fundamental reasons why firms desire to build relationships with consumers are based on economic considerations. Firms generate better results when they manage their consumer base in such a manner as to ensure that they identify, satisfy and retain their most profitable consumers. The rationale for the implementation of CRM strategies is that it improves business performance by enhancing customer satisfaction and increasing customer loyalty (Wilmshurst & Mackay, 2002:346; Mudie & Cottam, 1999:257).

Business success is defined by a firm's ability to build and sustain long and profitable relationships with its clients (Customer relationship management, 2004:1). It is a well established fact that the best customer service can be rendered through the implementation of relevant CRM strategies.

Good customer relationships are at the heart of business success. If customer relationships are the heart of business success, then CRM is the valve that pumps a company's life blood. As such, CRM is best suited to help businesses use people, processes, and technology to gain insight into the behavior and value of customers. This insight allows for improved customer service, increased call center efficiency, streamline sale and marketing processes, improved customer profiling and targeting, reduced costs, and increased share of customer and overall profitability.

A customer (also known as a client, buyer, or purchaser) is the recipient of a good, service, product, or idea, obtained from a seller, vendor, or supplier for a monetary or other valuable consideration.

Customer relations is the process by which companies promote customer satisfaction and, moreover, loyalty. At its most basic, it involves managing communications with customers, particularly customer questions and complaints, and resolving disputes amicably. The ultimate goal of most customer relations program is to build long-term relationships with customers. To meet this goal, companies need to build a strong reputation for lavishing their customers with special services, discounts, gifts, or other benefits. Therefore, customer relationship in Barclays Bank as a corporate entity cannot be glossed over.

Barclays Bank Ghana Limited, a wholly owned subsidiary of Barclays Bank PLC started operating in Ghana on the 14th of February 1917. Its vision is to become the best bank in Ghana, making lives much easier for its customers, employees and other stakeholders.

There is no doubt Barclays Bank Ghana Limited have customer relationship management strategies and these in one way or the other, have contributed to the state of the bank in contemporary times.

1.2 PROBLEM STATEMENT

The unprecedented growth in the number of Banks in Ghana is a laudable attempt in the development of the financial sector in particular and the service industry as a whole.

Most bankers would like to believe that banks are in the finance industry, and not in the service industry. As such they compete in terms of financial prowess rather than service quality. People, resources, time, and systems are devoted more to managing assets and cash rather than managing customers and service.

In fact most bank systems are designed to control customers rather than satisfy customers. Products and procedures are set up for the convenience of the bank rather than that of the customer. A big bank may have as many as three vice presidents responsible for guarding its assets, but no one to take care of customer service and complaints. Banks usually give customer

service and satisfaction very low priority, and accordingly assign it to a low level, if not lowly-paid manager. Few or none of the bank's elaborate systems and structures is designed to monitor and maintain customer loyalty (Domingo 2010).

It must however be noted that, the lifeblood of any business is its customers. Profit comes from sales minus cost. Sales must be realized first before cost becomes relevant (Xu, Y. et al. 2002). Customers decide sales based on their perception of product and service quality. In short, quality determines profits, and customers alone define and determine what that quality is and should be. In every business organization an effective implementation of a widespread CRM ensures positive returns on investment with minimal wastage of valuable resources and cost reduction.

Therefore, there was the need to conduct a thorough study to assess the application of CRM in the financial institutions in order to ascertain a way of effectively implementing of customer relationship management within the banking sector.

1.3 OBJECTIVES OF THE STUDY

1.3.1 General objective:

The general objective of the study is to investigate the impact of customer relationship management on the profitability of financial institution-Barclays Bank limited, Takoradi branches.

1.3.2 Specific objectives: The specific objectives of the study are to;

- a. Examine the relationship between customer relation and profitability in Barclays Bank Ghana Limited, Takoradi branches.
- b. Explain the different approaches used in implementing CRM improvement initiatives in Barclays BankGhana Limited.
- c. Investigate the main areas of customer relation concentration.
- d. Evaluate customer relationship management with the view of improving profitability of Barclays Bank Ghana Limited, Takoradi branches.

1.4 RESEARCH QUESTIONS

To achieve the above objectives of the study, the following research questions outlined below were used.

1. What are the main areas of customer relation concentration in Barclays Bank Ghana Limited?
2. What are the factors that hinder cordial customer relationship in Barclays Bank Ghana Limited, Takoradi Branches?
3. Does appropriateness of CRM significantly affect profitability of Barclays bank limited, Takoradi Branches?
4. What CRM strategies should be adopted to improve profitability?

1.5 SIGNIFICANCE OF THE STUDY

Financial institutions were chosen because it mainly focuses on customer relationship and the rigour that customers are made to go through in the course of dealing with financial institutions. Building relationships with customers is significant because it provides better results to their customer base in order to identify, satisfy and retain their most profitable customers.

Cordial relationship established between staff and customers motivate employees (i.e. staff) to give off their best and this intends affect these customers positively and enhance profitability of the institution.

To the community in which the financial institution is situated, good customer relationship would make most customers of the bank living in the community feel a sense of belongingness and therefore a delighted customer would spread the effective customer relationship of the financial institution to the community and social corporate responsibility

To the country as a whole, good customer relationship imbedded in financial institutions would help bring financial stability in the country and this is an important prerequisite towards economic growth.

1.6 SCOPE OF THE STUDY

The scope of the study would be limited to the impact of CRM on the profitability in the financial institutions in Ghana. The study would focus mainly on customer relationship and its effect on profitability. The study also aims at using Barclays Bank Ghana Limited, Takoradi Branches for the sampling of opinions for presentation and analysis of data

1.7 LIMITATIONS AND ANTICIPATED SOLUTIONS OF THE STUDY

The study was limited to Takoradi branches of Barclays Bank Ghana Limited as a result of proximity of the branches, financial, and time constraint challenges that might be encountered if the study was extended to all the branches in the country.

Also, the availability and willingness of customers to answer the questionnaire is another constraint. Regardless of these challenges the researcher have anticipated solutions like involving stakeholders and staff to finance and customers to be more educated to help contribute to this study which in fact would help make the outcome of this study authentic and reliable.

1.8 ORGANISATION OF THE STUDY

The study is divided into five chapters. The first chapter consists of an introduction, problem statement, objectives, significance, scope, research questions, and limitations of the study.

Chapter two provided a review of related literature of the study with emphases on a theoretical

framework as well as an empirical analysis of the study while the third chapter outlines the methodology of the study which includes population, research design, sampling and sampling procedures, sources of data, data collection and procedures for data presentation and analyses. Chapter four analyses as well as discusses the results of data while the final chapter, summarize and offer recommendations and conclusion for the study.



CHAPTER TWO

LITERATURE REVIEW

2.0 INTRODUCTION

This chapter seeks to review related literature about CRM and its effect on profitability within branches of Barclays Bank Ghana Limited, Takoradi through historical background information of the study, a theoretical framework and empirical analyses for the study.

2.1 HISTORICAL BACKGROUND INFORMATION

Barclays Bank was started by John Freame and Thomas Gould in Lombard Street, London. The name Barclays was adopted in 1736 when the two were joined by James Barclays. The UK-based financial services group went global in 1925 with merger of Dominion Colonial Bank, Anglo-Egyptian Bank and National Bank of South Africa. It was engaged primarily in banking, investment banking and investment management. In terms of market capitalization, Barclays Bank was one of the top ten largest banks in the world. (Barclays Handbook, 2000)

Barclays Bank Ghana Limited, a wholly owned subsidiary of Barclays Bank PLC started operating in Ghana on the 14th of February 1917. Its vision is to become the best bank in Ghana through making lives made much easier for its customers, employees and other stakeholders. The

banking industry had grown competitively because of their superior financial performance as well as the output of staff. The nature of this organization was extremely different from the industrial organizations.

Barclays Bank of Ghana Limited had an extensive retail and corporate banking network in the country, comprising 59 branches, 7 agencies, 10 Premier Life Centres, 2 Premier suites and 8 Local Business Centres 135 ATMs spread across 90 locations nationwide. Barclays Bank offers a wide range of corporate, retail and treasury products and services targeted particularly at business and corporate clients, while extending personal products and services to retail customers. Barclays also offers local business banking products and services to Small, Medium Scale Enterprises and indigenous businesses. (www.barclays.com/africa/ghana/Barclay).

In Barclays Bank Ghana Limited the key value driver is “put customers first” as such there is a five-point plan that Barclays Bank works towards.

Make customer service a key business focus area which involves setting up structures within Barclays that would focus on what the bank is doing, and identify how to improve our performance; develop a service culture which is sustainable; decide on customer service measurement which is key to this initiative because we must know how we are progressing and what areas we need to improve and strengthen; use technology to improve customer service to

make it more efficient; and build customer relationships (Barclays Customer Service Toolkit, 2005).

2.2 THEORETICAL FRAMEWORK OF THE STUDY

The financial stability of a country is an important prerequisite towards economic growth. In this regard the financial institution plays a decisive role in the economic growth of Ghana. If a country wishes to attract investment it must have a solid and profitable branch of the financial services industry (Goosen, et al, 1999:187). The functions performed by financial institutions affects all aspects of a country's economy and are central to the overall performance of the economy.

Customers are the reason why businesses exist. In the past, many companies took their customers for granted. Customers did not have alternative suppliers, or the market was growing so fast that the companies did not worry about fully satisfying its customers. A company could lose 100 customers a week, but gain another 1000 customers and consider its sales to be satisfactory. Such a company believes that there will always be enough customers to replace the defecting ones (Kotler, 2001). In recent times, there has been a paradigm shift from transaction oriented to customer oriented strategies. Companies and organizations are focusing their attention on how to create a long lasting relationship with customers and how to retain them. Customer oriented

companies and organizations provide additional services; cross selling, up-selling, recognizing the needs of customers (Wayland and Cole, 1997).

2.2.1 Customer satisfaction, Customer retention, loyalty and the firm's profitability.

Customer satisfaction has a long-term financial impact on the business (Nagar and Rajan 2005). Previous research has investigated the linkage of customer satisfaction and its various outcomes, such as customer loyalty (Stank, et al, 1999; Verhoef, 2003) and profitability (Anderson, et al, 1994, Mittal and Kamakura, 2001). Highly satisfied customers of a firm are likely to purchase more frequently, in greater volume and buy other goods and services offered by the same service provider (Anderson, et al, 1994, and Gronholdt, et al, 2000). Research in accounting has also shown that customer satisfaction is an intangible asset and a leading indicator of business unit revenues (Ittner and Larcker, 1998).

Many companies focus on finding new customers instead of retaining and satisfying the existing customer base. However, since competition among companies is tough the retention of customers has become more important than the acquisition of new customers. In recent years companies have realized that a critical success factor is not a single transaction but the creation of long-term relationship.

Although there is no universally agreed definition of customer loyalty (Uncles, et al, 2003), Customer Loyalty can be defined as a situation when a customer has a positive attitude towards a company, expresses a willingness to repurchase from that company and actually does make the next purchase from that company rather than from a competitor (Chojnacki, 2000).

Customer satisfaction has a positive impact on firm's profitability due to a number of reasons. First, customer satisfaction enhances customer loyalty and influences customers' future repurchases intentions and behaviors (e.g., Stank, et al, 1999, Verhoef, 2003). When this happens, the profitability of a firm would increase (Anderson, et al, 1994, Mittal and Kamakura, 2001). Second, highly satisfied customers are willing to pay premium prices and less price-sensitive (Anderson et al. 1994). This implies customers tend to pay for the benefits they receive and be tolerant of increases in price, ultimately increasing the economic performance of the firm. The last premise is that satisfaction results in enhanced overall reputation of the firm; in turn, this can be beneficial to establishing and maintaining relationships with key suppliers and distributors (Anderson, et al, 1994). Reputation can provide a halo effect on the firm that positively influences customer evaluation. Customer satisfaction generates more future sales, reduces price elasticity, and increases the reputation of the firm.

2.2.2 Customer Relationship Management

Customer relationship management (CRM) has been called an inevitable--literally relentless--movement because it represents the way customers want to be served and offers a more effective and efficient way of conducting business (Peppers and Rogers 2004, p. 6). Underpinning the paradigm of CRM is the basic belief that customer relationships, like other important assets in an organization, can be effectively developed and managed. By better customizing product and service offerings for individual customers (Stefanou, Sarmaniotis, and Stafyla, 2003), customer retention (Parasuraman and Grewal, 2000; Srinivasan, Anderson, and Ponnnavolu, 2002) and profitability (Oliver 1999; Ryals and Knox, 2001; Sheth and Sisodia, 2001) can be increased.

In recent years, CRM has emerged as a top commercial priority. CRM is not simply a method used by leading firms to gain a competitive advantage: it has become a necessity for their survival (Buttle, 2004:1).

Review of the CRM literature reveals that ambiguous results often may be attributed to disagreement and confusion regarding the exact domain of CRM (Rigby, Reichheld, and Schefter, 2002). In other words, there is no consensus on what constitutes CRM. When asking ten experts, whether academicians or businesspeople, to define CRM, one is likely to receive ten quite different descriptions (Kopf, 2000). Some view CRM largely as a technology-focused

database management approach to gathering and analyzing information about customers in order to more fully satisfy them. (Krauss, 2002). Others think of CRM in terms of initiatives such as call centers, loyalty programs, Web sites, or personalized e-mails to implement one-to-one marketing.

Broader perspectives tend to see CRM as an overall mix of marketing strategy, organizational structure and processes, and technology--all revolved around customer data that enable executives to better manage their companies (Hair, Bush, and Ortinau, 2003). Confronted with uncertainty as to the precise meaning and domain of CRM, some executives seem conflicted and unsure about how to properly implement CRM in their organizations (Myron and Ganeshram, 2002). Later, after heavy investment of resources, they may be disappointed, or even embarrassed by unimpressive. But, what exactly is CRM? At present, in the universe of marketing management, multiple definitions abound. For instance, Kotler and Armstrong (2004, p.9) defined CRM as "the overall process of building and maintaining profitable customer relationships by delivering superior customer value and satisfaction". This definition seems to include the broad-based essence of marketing, wherein value and satisfaction are prominent.

Zikmund, McLeod, and Gilbert 2003, p.3 provided a more technology-oriented perspective by defining CRM as "a business strategy that uses information technology, to provide an enterprise

with a comprehensive, reliable, and integrated view of its customer base so that all processes and customer interactions help maintain and expand mutually beneficial relationships".

Numerous other definitions of CRM might be cited, ranging from very narrow interpretations to very broad ones--with no two being the same. Lack of consensus on the meaning of CRM not only impedes academic discourse on the subject, but also adds to business practitioner skepticism and indecisiveness in establishing CRM systems.

In view of the wide variance among CRM definitions, Yim (2002) attempts to provide more conceptual clarity, of CRM by synthesizing the relevant marketing, management, and IT literature to identify four key areas necessary for successful CRM implementation: (1) strategy, (2) people, (3) processes, and (4) technology (Crosby and Johnson, 2001; Fox and Stead, 2001; Ryals and Knox, 2001). Despite the fact that each of these components is relatively straightforward, it is only when all four work in unison that a superior customer-relationship capability is developed (Day, 2003; Kotler and Armstrong, 2004, p. 60).

Based on analyses of the CRM literature and in-depth interviews with experienced marketing managers, CRM implementations usually involve four specific ongoing activities: (1) focusing

on key customers (Srivastava, Shervani, and Fahey, 1999; Vandermerwe, 2004), (2) organizing around CRM (Homburg, Workman, and Jensen, 2000; Langerak and Verhoef, 2003), (3) managing knowledge (Stefanou, Sarmaniotis, and Stafyla, 2003), and (4) incorporating CRM-based technology (Bhaskar, 2004; Chen and Ching, 2004) results in improving customer relationships (James, 2002).

2.2.3. The Four Dimensions of CRM Implementations

A. Focusing on Key Customers

A customer-focused structure, culture, policy, and reward system should permeate any organization that strives to implement CRM successfully (Ryals and Knox, 2001; Sheth, Sisodia, and Sharma, 2000). All interactions with key customers, who are often identified by "lifetime value computations," must fully reflect this company-wide CRM focus (Jain and Singh, 2002; Schmid and Weber, 1998). The ultimate goal is to achieve deep customer relationships through which the seller organization becomes indispensable to its most profitable customers (Vandermerwe, 2004). Equipped with company-wide understanding and internal support for key customer relationships, the sales force generally is better enabled and motivated to cultivate long-term customer relationships by offering more personalized products and services (Armstrong and Kotler, 2003, p. 514; Srinivasan, Anderson, and Ponnnavolu, 2002).

B. Organizing Around CRM

With a strong focus on key customers deeply embedded throughout its CRM system, the entire company should be organized around cultivating these valuable relationships. The organizational structure needs to be flexible and, if necessary, reconstructed to generate customer-centric values (Homburg, Workman, and Jensen, 2000) and improve coordination of customer-focused, cross-functional teams (Brown, 2000; Homburg, Workman, and Jensen, 2000; Sheth and Sisodia, 2002). For CRM success, there also must be an organization-wide commitment of resources.

With concerted efforts by all organizational functions to continuously provide a stream of value-rich actions and customer outcomes (Ahmed and Rafiq, 2003; Gronroos, 1990), the company and its sales force are assured that they can satisfy customers' needs and enhance customer relationships.

C. Managing Knowledge

Strongly related to knowledge management, successful CRM is predicated on effectively transforming customer information to customer knowledge (Freeland, 2003; Peppard, 2000;

Plessis and Boon, 2004; Stefanou, Sarmaniotis, and Stafyla, 2003; Stringfellow, Nie, and Bowen, 2004). Specifically, to enhance customer profitability, information about customers should be gathered through interactions or touch points across all functions or areas of the firm (Brohman, et al, 2003), so that a 360-degree customer view is established, maintained, and continually updated (Fox and Stead, 2001).

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Customer knowledge thereby generated needs to be shared and disseminated throughout the organization (Peppard, 2000; Ryals and Knox, 2001) to address customers' current and anticipated needs. Salespeople are then equipped with a wealth of valuable customer knowledge to meticulously adjust marketing offers to fit the idiosyncratic needs of each customer (Armstrong and Kotler, 2003, p. 514).

D. Incorporating CRM-Based Technology

Many CRM-oriented activities, such as knowledge management, cannot be optimized without leveraging the latest technology. Indeed, most CRM applications take great advantage of technology innovations, with their ability to collect and analyze data on customer patterns, develop prediction models, respond with timely and effective customized communications, and

efficiently deliver personalized value offerings to individual customers (Peppard, 2000; Vrechopoulos, 2004).

With the development of sophisticated information management tools, such as database marketing, data warehousing, data mining, and push technology, companies are striving to seamlessly incorporate the latest technology into their CRM systems. In particular, salesperson frequently depend on continually updated software programs to better respond to their customers and build enduring customer relationships (Kotler, 2004, p. 141). CRM technology helps companies and their salespersons' collect, analyze, and distribute information for enhanced prospecting, improved communication and sales presentations, and tailored product configurations.

It also facilitates cross-referencing of customers within divisions of a company for greater sales opportunities (Widmier, Jackson, and McCabe, 2002). Among the major outcomes sought by incorporating CRM-based technology are enhanced customer satisfaction, higher customer retention, and more profitable long-term customer relationships (Butler, 2000).

In summary, successful CRM implementations depend on combining the four aforementioned dimensions, focusing on key customers, organizing around CRM, managing knowledge, and

incorporating CRM-based, technology into an effective over-all CRM strategy. Deficiencies in any of these areas can render the firm's CRM endeavors attenuated or even ineffectual

There are four perspectives on CRM which are outlined below. To begin with, CRM can be strategic and strategic customer relationship management is a core customer- centric business strategy that aims at winning and keeping profitable customers.

CRM can also be operational when it focuses on automation of customer- facing processes such as selling, marketing and customer service; and CRM is analytical when it focuses on the intelligent mining of customer- related data for strategic tactical purposes.

Lastly, CRM is collaborative when it applies technology across organizational boundaries with a view to optimizing company, partner and customer value. (Buttle, 2009)

Clients are willing to build long term relationships based on trust and mutual respect with firms that provide differentiated and personalised services (Customer Relationship Management in Financial Services, 2001:1). According to Finch, (1994:41), a strong relationship with clients is

one in which the client is completely satisfied; feels appreciated; has learned he/she can trust and depend on the service provider; and is satisfied that the services offered are reliable.

As CRM is a fairly recent marketing concept, limited research has been undertaken on the dimensions of a relationship between a service provider and its clients. However, five dimensions of such a relationship have been repeatedly identified in research, namely trust; bonding; concern; reciprocity; and loyalty (Swartz & Iacobucci, 2000:330-331).

1. Trust

This refers to the confidence in the dependability of one party to act in the long term interests of the other party. A party to a relationship has trust, if the feeling that the other party can be depended on exists (Beckwith, 2001:180). In the banking branch of the financial services industry, for example, clients will trust the bank if they believe the bank will always act in their best interests.

2. Bonding

The mutual state where two parties act in such a way that a bond is developed is called bonding. In the banking branch of the financial services industry, for example, clients will have a strong bond with their bank if they would not switch to another bank and if they feel part of the bank's valued client base.

3.Concern

This exists if two parties have an appreciation of, and caring, emotional feeling for each other. Based on such concern, each party will consider the viewpoint of the other party in negotiations and interactions. In the banking branch of the financial services industry, for example, concern will be evident if clients and bank employees care about each other and show respect during negotiations.

4.Reciprocity

It occurs when the cooperation between two parties leads to benefits for both parties. In the banking branch of the financial services industry, for example, reciprocity will occur when a banking relationship leads to benefits for both the banking institution (such as income in the form of bank charges) and the client (such as the security of funds).

5. Loyalty

It refers to the emotional and psychological commitment between parties. In the banking branch of the financial services industry, for example, clients will be loyal to a specific bank if they always return for existing and new banking products and services. Banks will be loyal if they always listen to their clients' enquiries and focus on assisting them in all their banking needs. Therefore, the degree of a relationship with a client will depend on the extent of these dimensions in the interaction between the service provider and the client. However, it is important to remember that many other possible dimensions exist in this complex aspect of a relationship between a service provider and its clients.

Having provided more conceptual clarity to the CRM domain by exploring the critical aspects of successful CRM implementation, we now turn our attention to the desired consequences of adopting a CRM orientation within the organization--customer satisfaction, customer retention, and sales growth.

I. Customer Satisfaction

Customer satisfaction is a vital CRM variable that must not evade our empirical scrutiny. Indeed, customer satisfaction is central to successful application of the marketing concept.

Many company mission statements and marketing plans are designed around the goal of increasing customer satisfaction (Fournier and Mick, 1999). Customer satisfaction can be defined as "the extent to which a product's perceived performance in delivering value matches a buyer's expectations" (Armstrong and Kotler, 2003, p. 10).

II. Customer Retention

One of the primary goals of CRM is customer retention or customer loyalty (Anderson and Srinivasan, 2003; Aspinall, Nancarrow, and Stone, 2001; Verhoef, 2003). Continuous advances in IT are enabling organizations to more efficiently and effectively direct their CRM efforts at retaining customers (Butler, 2000). By making skillful use of customer knowledge gathered over a series of interactions or touch points and applying CRM-based technology, companies can more effectively respond to the changing needs of customers with customized offerings. This personalization of products and services serves to further lock customers into long-term relationships by adding to customer switching costs (Burnham, Frels, and Mahajan, 2003; Vandermerwe, 2004).

Furthermore, by organizing their CRM operations around customer groups, companies can assign direct accountability, keep abreast of changing customer expectations for different segments, and obtain early warnings from customers who may be on the verge of leaving.

With this CRM knowledge network, timely remedial actions can be taken to address the specific problems or expectations of discontent customers, thereby increasing the retention rate.

Providing monetary and recognition incentives to motivate a grim orientation can help keep salesperson focused on customer satisfaction and customer loyalty (Johnson, 2004). All in all, a variety of CRM activities can work together to enhance customer retention (Pfeifer and Farris, 2004).

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III. Sales Growth

According to Reichheld and Sasser, (1990, p. 110), reducing customer defections by 5 percent can boost profits by 25 percent to 85 percent. This impressive finding has been advocated as a strong justification for increased investments in CRM systems (Pfeifer and Farris, 2004).

Recently, Gupta and Lehmann, (2003) estimated a less dramatic increase of 22 percent to 37 percent in customer lifetime value or revenue, for a 5 percent increase in customer retention.

Although the precise numbers may vary, empirical findings consistently show a substantial jump in revenue and profits with a small gain in customer retention (Oliver, 1999; Pfeifer and Farris, 2004).

2.4.2 Goals of CRM

Broadly speaking, the general aim of any CRM strategy is to develop more profitable relationships with customers. Some companies do this by taking cost out of the relationship; for example, by shifting customers to web-based self-service. Others do this by increasing the revenue earned from a customer relationship; for example, by selling customers additional products and services. Most companies use both of these approaches. This core CRM objective is noted in the arrowhead below: customer profitability. In a not-for-profit context, you would work towards different CRM objectives, such as operational efficiency or increased client satisfaction.

Measuring customer profitability implies that an organization must be able to trace revenues and costs to customers, either at a segment or at an individual level. CRM implementations, costs and revenues are more likely to be allocated at a segment level, since there are many more customers.

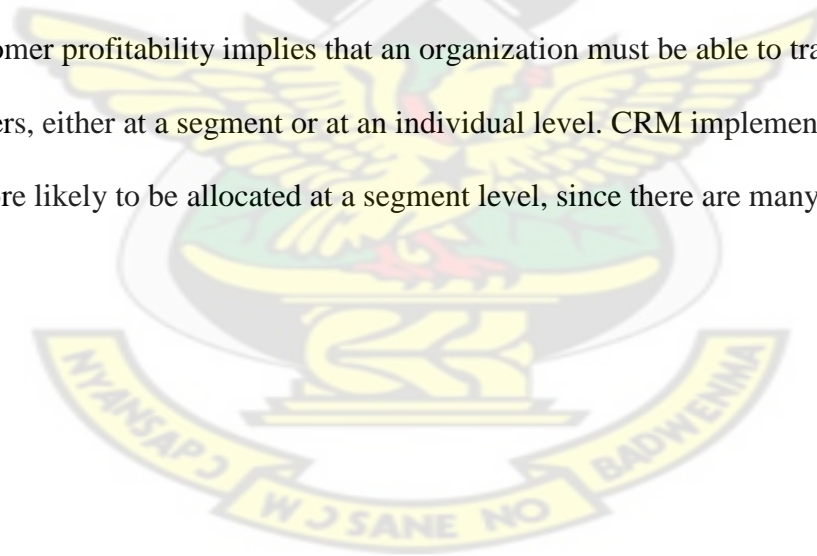
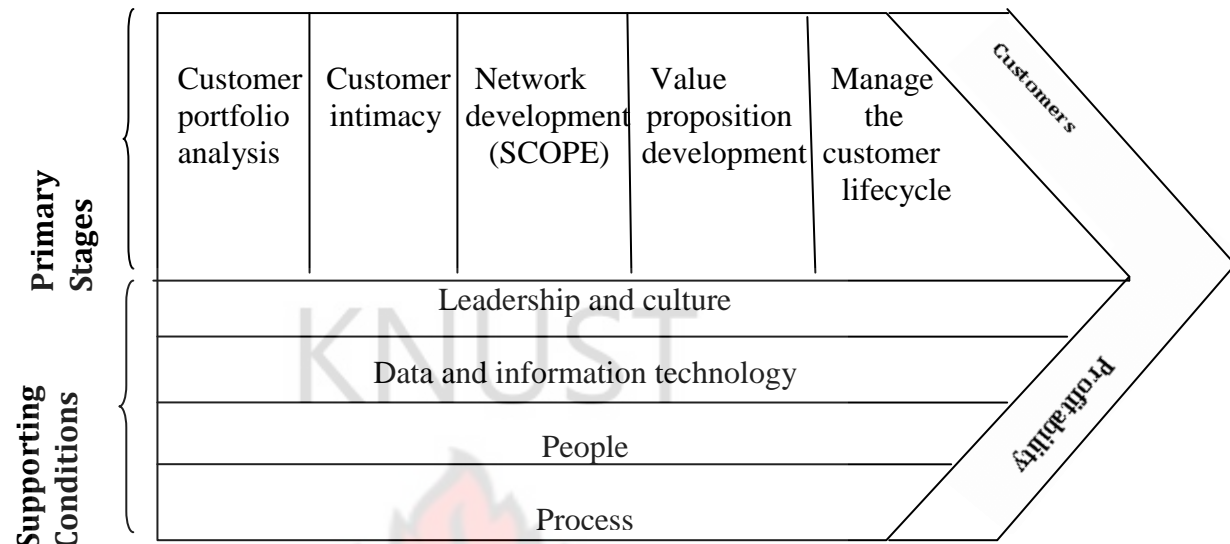


Figure 2.1: The CRM value chain



Francis Buttle 2003: The CRM value chain

2.2.4. The primary stages of the CRM value chain

The model identified five key steps in the development and implementation of a CRM strategy.

In brief, the five steps are as follows,

- **Customer portfolio analysis:** this involves an analysis of the actual and potential customer base to identify which customers you want to serve in the future. Top of the list would be strategically significant customers, including those that would generate profit (value) in the future.
- **Customer intimacy:** you would get to know and identify, profile, history, requirements, expectations and preferences of the customers that you have chosen to serve.
- **Network development:** you would identify, brief and manage relationships with your company's network members. These are the organization and people they contribute to the creation and delivery of the value proposition(s) for the chosen customers. The network can include external members such as suppliers, partners and owners/ investors, as well as one important internal party, employees.
- **Value proposition development:** this involves identifying sources of value for customers and creating a proposition and experience that meet their requirements, expectations and preferences.
- **Manage the customer lifecycle:** the customers' lifecycle is the customer's journey from 'suspect' towards 'advocate status'. Managing the lifecycle requires attention to both process and structure:

- **Process:** how will the company go about the important processes of customer acquisition, customer retention and customer development, and how will it measure the performance of its CRM strategy?
- **Structure:** how will the company organize itself to manage customer relationships?

2.2.4 Benefits from customer relationship management to customers.

Specific benefits to clients through relationships with service providers, as a result of CRM, include confidence benefits, social benefits, and special treatment benefits.

Confidence benefits represent psychological benefits to clients: they trust the service provider, experience less anxiety when purchasing a service, and are confident that the service will be delivered correctly and as desired. In the banking branch of the financial services industry, for example, a client will experience confidence benefits if he/she completely trusts the bank with personal funds and believes that it will correctly provide services regarding his/her financial matters.

Social benefits include the advantage of being recognised by service provider employees and developing friendships with these employees. An example of social benefits experienced by a client in the banking branch of the financial services industry is if a client is personally known by bank employees.

Special treatment benefits include advantages for clients such as being placed on priority lists or receiving special prices (Swartz & Iacobucci, 2000:328). In the banking branch of the financial services industry, for example, a client will receive a special treatment benefit if he/she is awarded reduced banking charges on transactions.

As a result of the above-mentioned benefits, clients specifically may experience beneficial customized and valuable services, increased customer satisfaction and decreased prices (Customer Relationship Management Benefits, 2004:1). Through CRM, firms get to know their clients on a more personal level and may even alter their service rendering process to the desired service delivery of a specific client. If a firm focuses on a specific client, the firm will provide a service to him/her with added value, according to the client's specifications.

If a firm implements CRM strategies, its clients will possibly experience higher levels of customer satisfaction and this indicates that clients will have a higher level of satisfaction at individual service encounters. The implementation of sufficient CRM strategies may lead to higher levels of efficiency and cost reduction for a firm. This may possibly lead to lower price levels for clients. Thus, in the banking branch of the financial services industry, additional benefits to clients from CRM may include individualized services, higher customer satisfaction during banking services encounters, and special decreased bank charges.

2.2.5 Benefits from customer relationship management to financial institutions

The value of CRM is well recognized by many firms, especially by service firms (Lin & Su, 2003:715). As CRM is a strategic approach incorporating a process of maintaining valuable long term relationships with clients by providing the firm with an enhanced opportunity to understand its clients (Christopher, Payne & Ballantyne, and 2002:16). It allows a firm to target clients more closely and implement “one-on-one” marketing strategies.

CRM therefore provides a firm with the opportunity to acquaint itself with its clients’ needs and change its service delivery to suit their needs. In effect, this generates substantial benefits for the firm. The fundamental motivation why firms should build relationships with clients and successfully manage these relationships is of an economic nature (Buttle, 2004:16). It is a key objective of CRM strategies that firms should generate better results when managing clients by identifying, satisfying and retaining the most profitable clients.

CRM helps to accelerate the revenue and profit growth of firms. Many owners and/or managers have stabilized or grown their firms by viewing their investment in CRM as a main priority (Kennedy, 2004:5). Firms realize that in order to remain competitive, they need to build relationships with their clients (Erwee, 2004:1).

CRM influences a firm's client retention, client loyalty and client service. The assumption is that, strong mutually beneficial relationships between service providers and clients build repeat business and promote client loyalty (Schnaars, 1998:189). The loyalty of clients is important, as long term clients ensure higher profitability for a firm. This can be attributed to the following: Regular clients frequently visit the service provider, therefore, they usually cost less to serve; longer-established clients tend to make use of more services. Satisfied clients may sometimes pay premium prices; retaining clients makes it difficult for competitors to enter a market or increase their market share; satisfied clients often refer new clients to the service provider, at virtually no cost.

In addition, the cost of acquiring and servicing new clients could be substantial (Payne, et al, 1995:249). Many firms found that it is more cost-effective to keep current clients than to attempt to attract new clients. A bank executive, for example, found that increasing client retention by two percent could have the same effect on profits as reducing costs by 10% (Lamb, Hair, & McDaniel, 1996:350).

Various authors view CRM as a complex application or process to gather client data in order to improve client retention, client loyalty and profitability (Lin & Su, 2003:715; Payton & Zahay, 2003:316). CRM is the key to the retention of clients. If the client retention rate increases, the profitability of a firm also increases. The growth of CRM has been extensive, yet the CRM opportunity is rarely fully exploited by firms (Nancarrow, Rees & Stone, 2003:26).

2.2.6 Other benefits of CRM

CRM helps you to understand, anticipate and respond to your customers' needs in a consistent way, right across your organization. Other benefits such as developing better communication channels; collect vital data, like customer details and create detailed profiles such as customer preferences; deliver instant, company-wide access to customer histories, and identify new selling opportunities.

2.2.7 GUIDING PRINCIPLES FOR CRM VISIONING AND STRATEGY

There is a Japanese Proverb which says that 'Vision without Action is Day-dreaming and Action without Vision is Nightmare'. Thus, if I may expand on the quote, Visioning is like pin-pointing your desired destination even before you take the first step of packing your suitcase, knowing where you want to go, why you choose that destination, how you are getting there, anticipating what the en-route journey is going to be like and when you would possibly be arriving.

Strategizing on the other hand, is about having an end-to-end game-plan peppered with milestones, on how you would go about making the journey so as to arrive at your desired destination, on time and in good shape. CRM, like the much-desired fruitful and enjoyable trip, need not be left to chance. Though there is no magic formula, there are certainly some guiding principles that will give you better control over your destiny.

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2.2.8 Some Guiding Principles

1. Start with a Strategic Customer Focus

Ideally, your vision should stem from a strategic customers' perspective. By identifying who they are, what they expect and the business they provide to your company ensure that your vision is charting in the right direction. One of the most common issues found is that some companies cannot agree on who their strategic customers are. Perhaps you might want to consider defining them along these three distinct criteria:

If they are generate revenue for the organization; if they make the decision to acquire a particular product/service; and if they are the 'beneficiaries' of that product/service.

By relating the criteria to the buying context, you are able to pick up key signals relating to their strategic profiles from the macro and micro environments as well as constantly evaluate and fine-tune your chosen strategy.

2. Match Your Strategic Customers to Your Organizational Competence

Sustainable competitive advantage is achieved when you are able to match unique organizational competences to these specific customer profiles. In a book written by Treacy, Michael and Fred Wiersema, published by Addison-Wesley NY in 1995; called 'The Discipline of Market Leaders' it said that organizations have a choice of three broad strategies, namely: Product Leadership, Operational Excellence and Customer Intimacy. (See Figure 2.2 below)

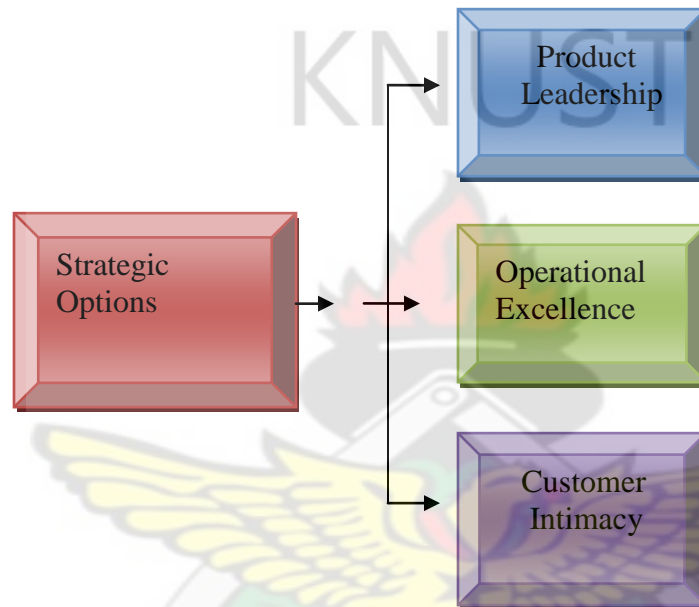
More often than not, companies tend to choose Product Leadership Strategies, as it is a natural progression from a production-driven economy. Besides, it is most visible and tangible.

However, unless your organization is very innovative and constantly has best-in-class products, or is able to pass along tremendous savings from its efficiency and scale to the consumers, you will find that it is very difficult to sustain consumers' interests. In this Information Age, product expertise can be duplicated, making its life cycle increasingly shorter. Perhaps the most valuable thing a company makes is a *customer*.

And in a consumption-led economy today, customer expertise is certainly one of the best bets for a competitively defensible, unique, and permanent organizational advantage.

FIG 2.2

Strategic Options



Treacy, Michael and Wiersema,(1995): The Discipline of Market Leaders.

3. Adopt a Set of CRM Strategy Drivers

Just as you have market strategies (market entry, penetration, expansion and diversification) and marketing strategies (product, price, promotion and place), you should also have a set of customer strategies. Depending on your business objectives, you could be focusing on a combination of these drivers:

Strategic customer acquisition (‘*Get*’);

Customer loyalty development (‘*Keep*’);

Business extension with existing customers (‘*Grow*’);

Value creation through customer experience management

Diversification of new products and services to new customers;

Provision of generic, tailored, customized or total solutions;

Customer differentiation by historical or projected lifetime values and/or needs;

Revenue or profit; Market share or Customer share measures;

Mass marketing, niche marketing, database marketing or one to one marketing.

The direction, focus and positioning of the strategies you choose will affect organizational policies and practices; business processes and implementations; people and performance measurements; methodologies and tools; customer development, marketing, experiences and management, to name a few.

4. ‘Tangibilize’ Your Vision and Strategies

Vision is a broad statement of purpose and direction. Very often, vision becomes blurred or distorted as they are passed down because misunderstanding and disagreements can occur regarding goals, roles and procedures.

To prevent the vision from being a “NATO” (No Action, Talk Only), it must be consciously, explicitly and systematically communicated to key stakeholders (shareholders, business partners, channels and customers) and team-members, laterally and down the line. Treacy, Michael and Wiersema, (1995).

Strategies are made up of specific, short to mid-range goals. Cascading of the vision is said to be successful only if the vision statement is enforced at every level of the organization. To ensure that the big vision is understood by everyone in the organization and translated into actionable tasks, management should allow various teams to discuss, suggest changes, develop their own team-specific (functional) mission statements.

For instance, the vision could mean that marketing would now have to be a lot more differentiated to reach out to the various customer segments rather than one generic market segment; finance would now have to focus on profit per customer rather than revenue per product line; HR policies and compensation plans would now have to look into beefing-up CRM skills and competency; it would now have to depart from its passive role of data management to a very dynamic role of advising and supporting internal customers so as to bring about more proactive customer interactions... and so on. Treacy, Michael and Wiersema, (1995).

As the vision is translated into actionable functional tasks, people are able to better relate it to their roles and responsibilities, identify their respective key deliverables and more importantly, appreciate the values they contribute to the fulfillment of the organization's CRM vision.

5. Reorganize Your Metrics

To monitor the progress of your CRM vision and strategy, you need to have a set of CRM Metrics such as: employees' participation in CRM and usage, strategic customer acquisition, customers' consolidation, retention, defection rates, brand impact, customer satisfaction ratings & loyalty levels, customer knowledge, customer entanglement and learning relationships, Rogers & Peppers (2000). These metrics should be linked to business metrics such as revenue, cost-efficiency, cross-sell, up-sell rate, market share, mind share, customer share, and profitability.

These guidelines are but a start and by no means exhaustive, but they do help you do your sums, assemble the resources required and prepare an achievable CRM Roadmap. While hardware (skills and tools) may be bought, bear in mind that 'heart ware' (attitude and behavior) must be nurtured. To develop a mindset that is aligned to the vision and strategy, you would need to adapt key elements of your organization's culture such as power, structure, measures, controls, processes and routines in such a way that they are able to sustain the CRM momentum.

2.2.9 The steps in the implementation of CRM strategy

The success of any strategy is determined by the success with which it is implemented. This is also true in the case of CRM strategies. Implementing CRM requires that the organisation and the associated business processes be in place in order to facilitate its success (Brunjes& Roderick, 2002). The risk in implementing any CRM strategy is when the organisation is not ready to do so and relying on technology to implement the strategy (Brunjes& Roderick, 2002).

In order to implement a CRM strategy, a key dimension is the question of customer service and the way in which it is perceived by the recipient of the service. Customer service can be defined as a task, other than pro-active selling, that involves interactions with the customers in person, by telecommunication, or by mail. It is designed, performed and communicated with two goals in mind: operational efficiency and customer satisfaction (Lovelock, 1991). The quality of customer service is determined and evaluated by the customer, and this affects the desirability of a relationship with the organisation. Customer service creates the moments of truth with the customer, and these service encounters need to be managed by the organisation (Payne, Christopher, Clark & Peck, 2001). Service encounters and CRM are thus associated.

Successful implementation requires specific actions on the part of the organisation. The implementation of a CRM strategy comprises four steps, namely the identification of customers, the differentiation of service, interaction with customers and the differentiation among customers. (Peppers, Rogers & Dorf, 1999)

Step 1: The identification of customers

The identification of customers enables the organisations to select those customers that they regard as being strategically significant and who they believe can contribute to the success of the organisation. These customers have unique needs and due to their value to the organisation, will have products developed to meet these needs. It must be possible to identify these customers and so obtain as much detail as possible. This involves collecting as much data as possible in order to obtain as clear a picture as possible of the customer and their profile. This may require the development of a database or the continued maintenance of a database in order to ensure that the data stays as recent as possible. Having this information enables the organisation to determine those customers that have been with the organisation for a long period and those that have recently started using the products and services of the organisation.

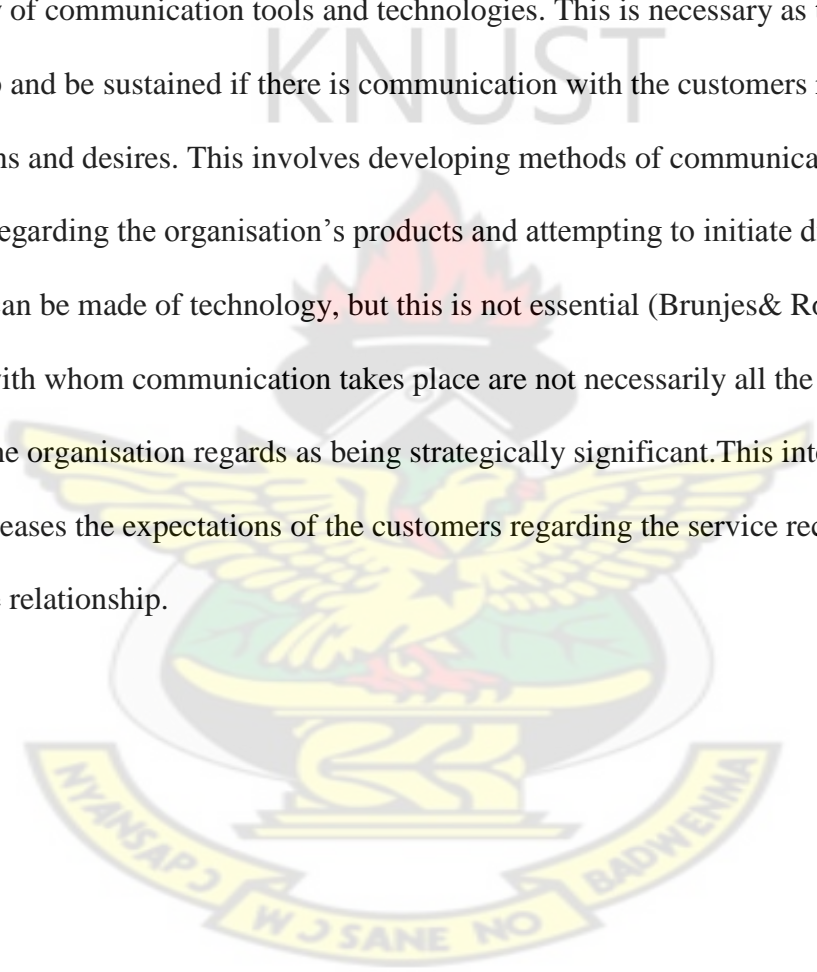
Step 2: The differentiation of service

The differentiation of service implies that different customers receive a different level of service and a different product from the organisation, depending on the value to the organisation and their specific needs. This requires the organisation to identify the top (or most significant) customers and adapt service accordingly. Identification of these top customers take place using sales figures or by calculating the customer lifetime value (CLV) associated with each customer.

As the organisation is aware of the value of their customers, service levels can be adjusted accordingly.

Step 3: Interaction with customers

This step refers to the importance of interacting with the customer in relationship building efforts through a variety of communication tools and technologies. This is necessary as the relationship can only develop and be sustained if there is communication with the customers regarding their needs, perceptions and desires. This involves developing methods of communication proactively with customers regarding the organisation's products and attempting to initiate dialogue with customers. Use can be made of technology, but this is not essential (Brunjes & Roderick, 2002). The customers with whom communication takes place are not necessarily all the customers, but only those that the organisation regards as being strategically significant. This interaction with the organisation increases the expectations of the customers regarding the service received as well as the quality of the relationship.



Step 4: Customisation of products, services and communication

Customisation is carried out by the organisation in order to ensure that customer needs are met. It requires that the organisation adapts its product, service or communication in such a way as to have something unique for each customer. Communication can be customised to address the specific needs and profile the customer, and organisation also makes use of personalisation as part of this process.

Products could be customised as to the specific desires that the customer have about of the organisation. In the case of the financial services, it refers to the product package that is offered to the customer. The purpose of customisation is to increase customer satisfaction, and the loyalty that is exhibited by customers.

With the myriad of CRM solutions available in the market today selecting the best solution is a difficult task. It is essential for an organization to clearly define its requirements before choosing a CRM solution. It is a prerequisite for an organization to indulge in CRM comparisons before actually making a choice. A vital step to ensure CRM success is CRM evaluation. Strategy chosen without sufficient scrutinizing can result in the failure of CRM implementation.

2.3 PROFITABILITY

Profitability in the case of CRM is determined in the light of the lifetime value of the customer to the organisation, taking account the income and expenses associated with each customer and their respective transactions over time (Gordon, 1998). Profitability is fundamental to provide the necessary funds to keep the business growing. Customer profitability reflects the financial performance of customers with respect to all the costs associated with a transaction (Gordon, 1998).

Profit provides financial leverage to recruit and retain employees, increase marketing efforts, develop new products and services, expand and grow the business and enter a new market.

2.3.2 The effect of CRM on profitability

CRM has a strong effect on the profitability of an organization. If implemented properly it produces positive results on the other side improper management of CRM solutions results in downfall of an organization. Management of individual customer relations results in enhanced customer loyalty, thus increasing the profitability of an organization.

In financial services due to intense competition relationship strategies plays an important role in profit generation process. Peppers and Rogers, (2000), conducted a research and find out about the effect of CRM on the return on investment (ROI) of an organization in financial services.

They found that firms with high CRM practices generate more profits than others with low CRM practices.

Study revealed that only 1% of customers from high CRM providers are likely to swift away one or more products in next 12 months as compared to others with medium 10% and low 26%.

These results are illustrated in table 2.1 below.

Simultaneously they explain the scenario by using a traditional average annual profitability of per household for U.S retail banks of \$100. According to them a profit of \$700 million will result for the households with accounts if a reduction in attrition of 9% is made. It means a financial institute can increase its profits by \$180,000 if it reduces attrition by 9% for its 20000 customers with an emphasis on strong CRM.

Table 2.1: Good customer service

	% likely to add	% likely to switch
Low CRM	15%	26%
Medium CRM	21%	10%
High CRM	31%	1%

Source Peppers and Rogers (2000)

2.3 EMPIRICAL ANALYSES

A comprehensive review of the literature showed that the rise and appeal of CRM had come from heightened competition, which had been felt by companies in all fields and of all sizes.

CRM was considered by some researchers (e.g. Raab, 2008; Kumar, Sugandhi, 2003) to be particularly building customer loyalty, retaining customers, customer satisfaction and working towards increased profitability.

For instance, some of these researches are presented as the followings: “Becker” et al. (2009) in the study Customer relationship management (e-CRM): New approach to customer’s satisfaction, could prove the positive effects of technological and organizational performance of CRM on obtaining satisfaction and customers’ retention in which they found that there was a positive relation between technological and organizational performance of CRM on obtaining satisfaction and customers’ retention.

In addition, “Murray and Howat” (2002) had evaluated the relation between the services quality and received value, satisfaction and customers’ future decision as a positive relation in a case study in Australia in which they had found that presenting high quality services has a positive effect on customers’ satisfaction and their future decision and this efficacy is obtained via establishing more value for customers.

“Trasorras” et al. (2009) had carried out a research in which the findings of the research had shown that presenting professional services to customers will lead to receiving more value by the customers and upgrading their satisfaction level. Consequently, this increasing level of satisfaction will lead to more intention of customers too.

However he failed to include in his study the positive impact of CRM on profitability which this study had sought to address

Buttle (2000) in his study about CRM, "Is it worth it? Return on investment (ROI) on CRM", at a Strategic level, an enterprise-wide view of CRM can be associated with a balanced scorecard approach to CRM metrics. Based upon the work of Kaplan and Norton (1996), the balanced scorecard classifies objectives into 4 groups, i.e. financial, customer, internal processes, and learning and growth. There is an implied, and sometimes explicit, link between these forms of objective. From a CRM perspective, highly satisfied employees may quickly convert a customer enquiry into an order, leading to high customer satisfaction and profit on sales. He further cited the Hilton Hotel group as an example. The hotel has adopted a balanced scorecard approach. It measures its CRM performance by reference to 5 different sets of metrics: operational effectiveness, revenue maximization, customer loyalty, brand standards and learning and growth.

This study on CRM and its effects on profitability is in line with Francis Buttle (2000) that there is a positive link between CRM and profitability or revenue maximization.

Bull (2003), assessment about strategic issues in Customer Relationship Management (CRM) implementation in University of Wales Institute, Wales, using the case study approach, enabled him to pose questions relating to what happened, how things happened and why. The study confirms that CRM is a complex and holistic concept requiring appropriate business processes and integrated systems. In addition the study demonstrates the relevance of the need for effective leadership and evaluation within CRM strategies.

In conclusion CRM is a very important aspect in any organisation and as such should be given all the necessary concentration. Leadership should ensure that appropriate business processes are in place to impact positively on profitability.

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CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION

This chapter discusses how the study was conducted which includes the research design, study population, sampling and sampling procedures adopted for the study, the instruments used, and procedures followed in the data collection and analysis outlined below.

3.1 RESEARCH DESIGN

The research design used for the study was the descriptive approach. This was used because it would help obtain information concerning current status of a phenomenon that describes what exists. This would help achieve the purpose of the study and draw meaningful conclusion with respect to the effect of CRM on profitability with the emphasis on Barclays Bank employees and customer relationship management.

Both quantitative and qualitative approach was also used for the study which involved collecting and analyzing the data gathered in succession. The quantitative data was collected first to find out management and staff commitment to CRM and the effect it would have on profitability in Barclays Bank.

The qualitative data was collected and analyzed in the sequence to help explain, or elaborate on, the quantitative results obtained in the first phase.

3.2 STUDY POPULATION

Population of a study is defined as the elements or people to be studied and from whom data is obtained (Keller and Warrack, 2003). The target population of this study was staff and customers of Barclays Bank Ghana Limited, especially, Takoradi branches. The staff population used for the study was 24 whilst the customers' population was 600 and this represented the average number of customers the bank serves within a day in the two branches.

3.3 SAMPLING AND SAMPLING PROCEDURES

The sample size selected for the staff of Barclays Bank Ghana Limited Liberation Road and High Street branches was 24 taken out of all the 30 staff that was 80 percent of the population. The two branches serve about six hundred (600) customers daily which are made up of 250 at high street and 350 from Takoradi Liberation Road. 90 customers were selected from the two branches which represent 15% of the branches customers' attendance daily. 32 customers were selected from Takoradi High Street branch and 58 from Takoradi Liberation Road branch to fill the questionnaires. 65 customers responded out of the ninety which represented 72% of the respondents that is 40 customers from Takoradi Liberation Road branch and 25 from Takoradi High Street branch.

Stratified random sampling method was used to select customers and this was done by putting the entire population into four main subgroups (stratum) that is Business Club members, Premier, Premier life and Standard customers, who were randomly selected from each group.

Business club are customers who have access to business customer advisors, access to information seminars, access to network club, access to quarterly business club magazine and the opportunity to participate in overseas business trips and use of Barclays' internet cafes.

Premier customers operate on relationship management banking model and exclusive to members who are invited by Barclays Bank Ghana Ltd for Business.

Premier life banking on the contrary is not by invitation basis. A customer who meets the minimum income criteria of eight hundred Ghana cedis a month and was interested can be sign on to Premier life banking by a personal banker or sales Manager. Standard customers in this category typically earn income between two hundred Ghana cedis to eight hundred Ghana cedis monthly income. They have simple financial needs in most instances and require simple solution to these needs.

Stratified sampling is a variant on simple random and systematic methods and is used when there are a number of distinct subgroups, within each of which it is required that there is full representation. A stratified sample is constructed by classifying the population in sub-populations (or strata), based on some well-known characteristics of the population, such as age, gender or socio-economic status. The selection of elements is then made separately from within each stratum, usually by random or systematic sampling methods.

The sample technique used by the researcher for the staff of the Barclays Bank(Takoradi branches) was the simple random sampling whichOakshott, (1998)argued that every member of the target population have an equal chance of being selected. This sampling method was also chosen in order to avoid the occurrence of bias in the chosen sample population.The researcherwent round and gave questionnaires to 24 staff of the bank selected at random.

3.4SOURCES OF DATA

In order to answer the objectives and research questions of this study there would be the need to get adequate information from various sources to help achieve the study objectives as well as research questions. Data was therefore obtained from two sources namely, primary and secondary.

3.4.1 PRIMARY DATA

The main source that was used for the collection of the primary data was the questionnaire. Questionnaires were administered to staff and customers of the bank personally by the researcher. Staff and management completed a questionnaire in order to ascertain their views on relevant CRM practices available in Barclays Bank. Customers completed questionnaires on how CRM would help achieve customer satisfaction, customer loyalty and customer retention.

3.4.2 SECONDARY SOURCES

Secondary data was obtained from relevant published and unpublished literature on CRM, its application and other relevant materials. These include data from the institution of the case study that is annual bulletins and yearly financial statement of the bank, books, journals, internet sources, library and other institutions of interest.

3.5 DATA COLLECTION

In order to answer the objectives and research questions of this study there was the need to get adequate information from respondents. Therefore questionnaires were administered to customers and staff of Barclays Bank Ghana Limited.

3.6 INSTRUMENTATION

Questionnaire as the instrument of choice in this study and was originally developed by Parasuraman, Berry and Zeithaml (1985).

3.5PROCEDURES FOR DATA ANALYSES AND PRESENTATION

The completed questionnaires would be checked for completeness and accuracy. The responses were quantified and coded using Statistical Package for Social Sciences (SPSS) version 17.0.

This statistical package would be used in converting the frequencies of the responses into percentages for easy understanding and comparism. Data analyses would be presented in a manner to answer the research questions.



CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION OF RESULTS

4.0 INTRODUCTION

This chapter analyses, discusses and draw conclusion from data collected from the staff and customers of Barclays Bank Ghana Limited, Takoradi branches (Liberation road and High street) on the effect of CRM on profitability of Barclays Bank Ghana Ltd using tables, frequencies and percentages.

4.1 DEMOGRAPHY OF RESPONDENTS

The sex and age of respondents were found to consist of all sex and the ages categorized for the study. As shown in Table 4.1 below, the sample consisted of all age groups which were fairly represented, as well as the sex of respondents. This fair representation may be attributed to the random selection procedures adopted for the study.

Table 4.1: Sex and Age of Respondents

Age/Sex	Male	Female	Total/Percent
18-30 Years	10	21	31(36.47%)
31-40 Years	9	14	23(27.06%)
41-50 Years	12	6	18(21.18%)
51-60 Years	7	3	10(11.76%)
60 Years+	3	0	3(3.53%)

Source: Field Data, 2012.

Table 4.1 above provided the general age of respondents of the study. Majority of the respondents (i.e.51.76 percent) were females as compared with 48.24 percent (i.e. minority) of remaining respondents being males. This shows that, there was enough composition of each sex group in the sample taken for the study.

On the age distribution of respondents, it was identified that majority of the respondents (i.e. 36.47 percent) were within the age bracket of 18-30 years as compared with only 3.53 percent of the remaining respondents who were 60 years and above. Again, 27.06 percent of the remaining respondents were identified to be between 31-40 years, 21.18 percent between 41-50 years old and about 11.76 percent of the remaining respondents were identified to be between 51-60 years. (See Table 4.2 below)

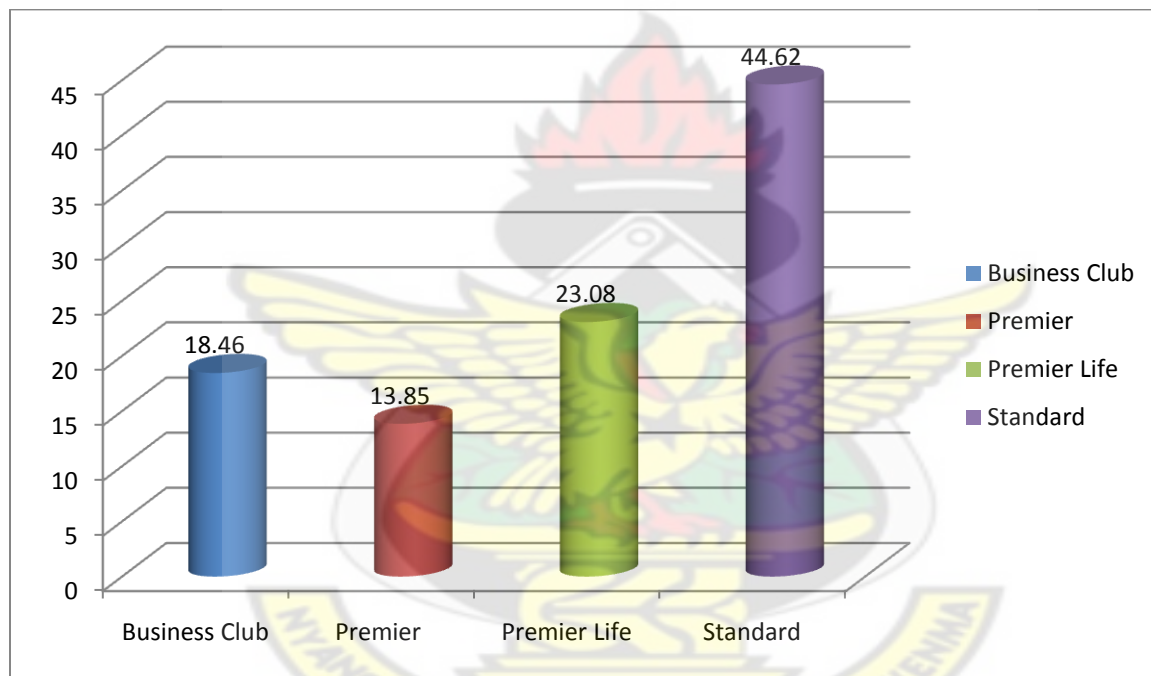
Table 4.2: Years Worked/being a customer with Barclays Bank

Detail	Customers	Staff	Total/Percent
1-5 Years	19	3	22(25.88%)
6-10 Years	12	4	16(18.82%)
11-15 Years	21	7	28(32.94%)
16-20 Years	5	3	8(9.42%)
21 Years+	8	3	11(12.94%)
Total	65	20	85(100.00%)

Source: Field Data, 2012.

These results affirmed the fact that all age groups of respondents were duly interviewed so as to have general information espoused from them to achieve the objectives of the study. The years also showed that, both customers and staff selected for the study have had enough working years with the bank. This will go a long way to help in the analysis, since majority of the respondents both side of the staff and the customers will give the exact customer relationship experiencing from the staff and rendering to the customers.

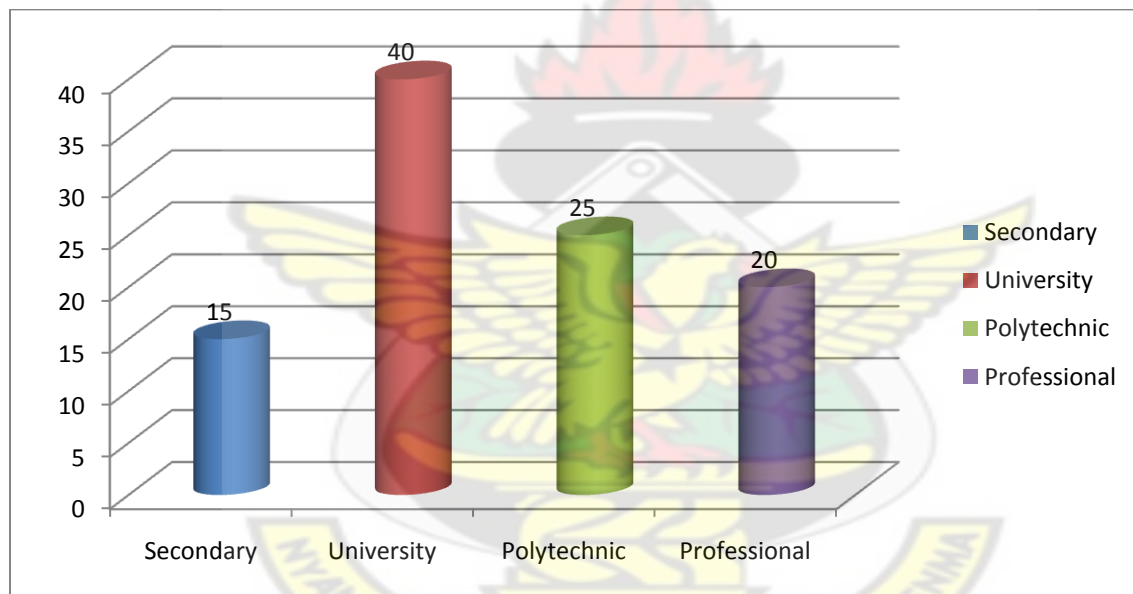
Figure 4.1: Groups of Customers



Source: Field Data, 2012.

Customer groups of Barclays Bank Limited interviewed was crucial to the entire study, which as indicated in Figure 4.3 above, it was found that majority, (i.e. 44.62 percent) of respondents were standard customers, followed by 23.08 percent of respondents being premier life customers as compared to 18.46 percent of remaining respondents who were business club members and 13.85 percent being premier customers. This assessment confirmed that, all groups of customers of Barclays Bank were duly represented.

Figure 4.2: Highest Level of Education of Staff



Source: Field Data, 2012.

Educational level of staff of the bank showed that, majority were university graduates followed by polytechnics, professional and secondary school graduates, representing 40%, 25%, 20% and 15% respectively. Figure 4.2 shows that, the bank have enough staff of relevant qualifications of dealing with customers.

4.2 RESPONDS FROM CUSTOMERS

Throughout the analysis, a descriptive statistics which was made of the frequency for each extent of agreement or disagreement was used. Moreover, a Likert scale was also assigned to each extent of agreement in order to measure the cumulative agreement or disagreement of respondents.

Basically, customer satisfaction tends to increase loyalty for corporation and firms; hence the ability for a firm to increase its customer satisfaction leads to customer loyalty and a higher performance. The factors considered for customer loyalty and satisfaction in this study reveals that, cumulatively, all factors were agreed upon by the customers of the bank which recorded a mean average of more than 3.0 for each of the factors considered. However, in terms of disagreement, not all the factors were rated the same for each disagreement. As shown on the table 4.3 below: the factor “Comparing services offered to customers from Barclays Bank Ghana Limited and other financial institutions, Barclays Bank Ghana Limited service rendered to its customers tops all” has the highest number of disagreement customers to the factor, which

indicates that, some of the customers do not agree that, by comparing services rendered, Barclays bank gives the best of services.

Moreover, all the other factors recorded a slight disagreement with the exception of the factor “Handles my request on time” which had no disagreement among the customers of the bank.

This indicates that, handling of request of customers are dispatched quickly and treated as urgent in the bank. Generally, the study shows that customers of Barclays Bank are satisfy with the level of services rendered to them and hence remain loyal to the bank.

Table 4.3: Customer loyalty and satisfaction

Detail	Strongly Agree	Agree	Disagree	Strongly Disagree	Mean
Barclays Bank Ghana Limited is customer service focused	19	45	1	0	3.28
Handles my request on time	18	47	0	0	3.28
Calls me on any problem relating to my account	14	48	3	0	3.17
Serves me with what I need	22	40	3	0	3.29
I am satisfied with the services I received from Barclays Bank Limited	29	33	3	0	3.40
I am a loyal customer of Barclays Bank Ghana Limited	12	51	2	0	3.15
Comparing services offered to customers from Barclays Bank Ghana Limited and other financial institutions, Barclays Bank Ghana Limited service rendered to its customers tops all	18	43	4	0	3.22
TOTAL	114	307	16	0	

Source: Field Data, 2012.

Customer's perception with regards to customer relationship management was recorded to be positively high. All factors for the perception were found to be highly agreed upon by almost the entire customers sample for the study, with an exception of few isolated cases of which perception was low. As shown on the table 4.4 below, most of the customers agreed to the each of the factors used to measure the perception of the customers. With a mean of more than 3.0 across all factors, it indicates that the staff of Barclays bank Ghana limited are executing just good, meeting the standards of their cherished customers.

Table 4.4: Customer Perception on Services of Barclays Bank.

Detail	Strongly Agree	Agree	Disagree	Strongly Disagree	Mean
Customer feel safe in their transactions with Barclays Bank Ghana Limited employees	23	42	0	0	3.35
Employees of Barclays Bank Ghana Limited are well dressed and appear neat always	19	45	1	0	3.28
Barclays Bank Ghana Limited honors its promises to customers	12	48	5	0	3.11
When customers have problem, Barclays Bank Ghana Limited is sympathetic and reassuring	20	42	3	0	3.26
Barclays Bank Ghana Limited has operating hours convenient to their entire customers	28	35	2	0	3.40
Customers can trust employees of Barclays Bank Ghana Limited	18	47	0	0	3.28
Employees of Barclays Bank Ghana Limited are polite towards customers	24	41	0	0	3.37
Barclays Bank Ghana Limited gives customers individual attention	27	38	0	0	3.42
Barclays Bank Ghana Limited has customers' needs at heart.	20	43	2	0	3.28

Source: Field Data, 2012.

Factors for the customer relation and profitability were found to be highly agreed upon by the staff of the bank. Table 4.5 below showed that, the management takes into consideration key factors that affect customer relationships and discussed with staff of the bank. As shown, the bank is making profit as a result of this which was agreed by mainly all the staff sample for the study.

Table 4.5 Customer relationship management and profitability - responds from staff

Detail	Strongly Agree	Agree	Disagree	Strongly Disagree	Mean
Customer relation is key to Barclays Bank Ghana Limited	8	12	0	0	3.40
Barclays Bank Ghana Limited have procedures of handling customers' complaints within the shortest possible time	10	10	0	0	3.50
Customer retention issues are discussed by staff at meetings and appropriate motivation given	6	9	4	1	3.00
Satisfied customers of Barclays Bank Ghana Limited are willing to sign on to other products	9	9	1	1	3.30
Barclays Bank Ghana Limited is making profit	8	11	1	0	3.35
Customers are treated with respect	7	11	2	0	3.25

Source: Field Data, 2012.

Policies for improvement in the customer relationship management initiatives were all greatly agreed upon; with a mean of all factors more than 2.0 showed that there is a greater effort of

management and staff of Barclays Bank towards the improvement of customer relationship management initiatives. For example "Motivating employees to delight customers is a policy in Barclays Bank Ghana Limited" was the only factor with strongly disagreement of 2 and a mean of 3.15. All the other factors had no disagreement about customer relationship management and profitability.

Table 4.6 Policies to improve CRM initiative in Barclays Bank Ghana Limited

Detail	Strongly Agree	Agree	Disagree	Strongly Disagree	Mean
Education and training for staff is a policy to improve CRM	9	10	1	0	3.40
Communicating CRM processes and results to employees is a policy in Barclays Bank Ghana Limited	9	8	3	0	3.30
Customer satisfaction is a policy in Barclays Bank Ghana Limited	12	8	0	0	3.60
Motivating employees to delight customers is a policy in Barclays Bank Ghana Limited	7	11	0	2	3.15
Commitment by both management and employees to achieve customer satisfaction and loyalty is a policy	7	13	0	0	3.35
Developing a customer retention measurement is a policy in Barclays Bank Ghana Limited	7	6	7	0	3.00

Source: Field Data, 2012.

4.3 MEASUREMENT OF CUSTOMER SATISFACTION IN THE BANK

The study revealed that, measurement of customer's satisfaction within the bank is taken in different forms. These forms were not so apparent to the extent that, some of the staff selected for the study indicated they have no idea of how this measurement is taken. However, the others indicate that, satisfaction level is measured through customer feedback in a form of complaints cards, suggestion box and recommendations. Moreover, a dedicated desk is also assign to call those with complaints to see to it that their grievanceis resolved.

In a bid to ensure loyalty of customers to the services and products of the bank, loyalty customers were rewarded, through giving of diaries, pens and loyalty bags to encourage others also to be loyal to the bank. Furthermore, dinner was organized annually to award faithful customers of the bank.

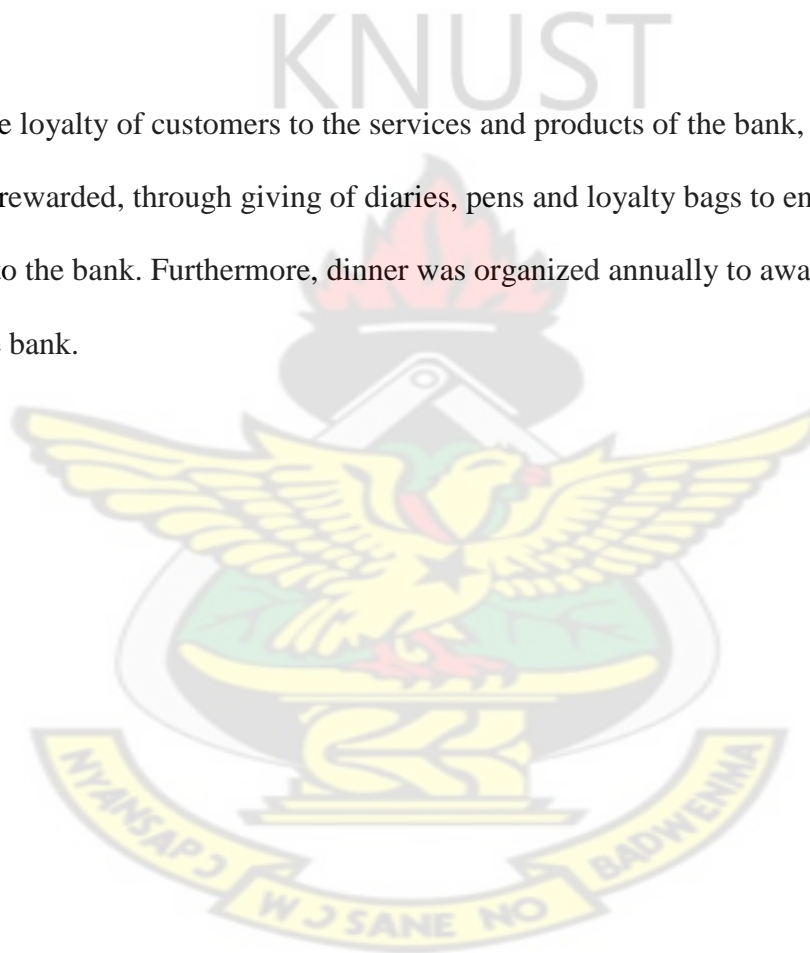
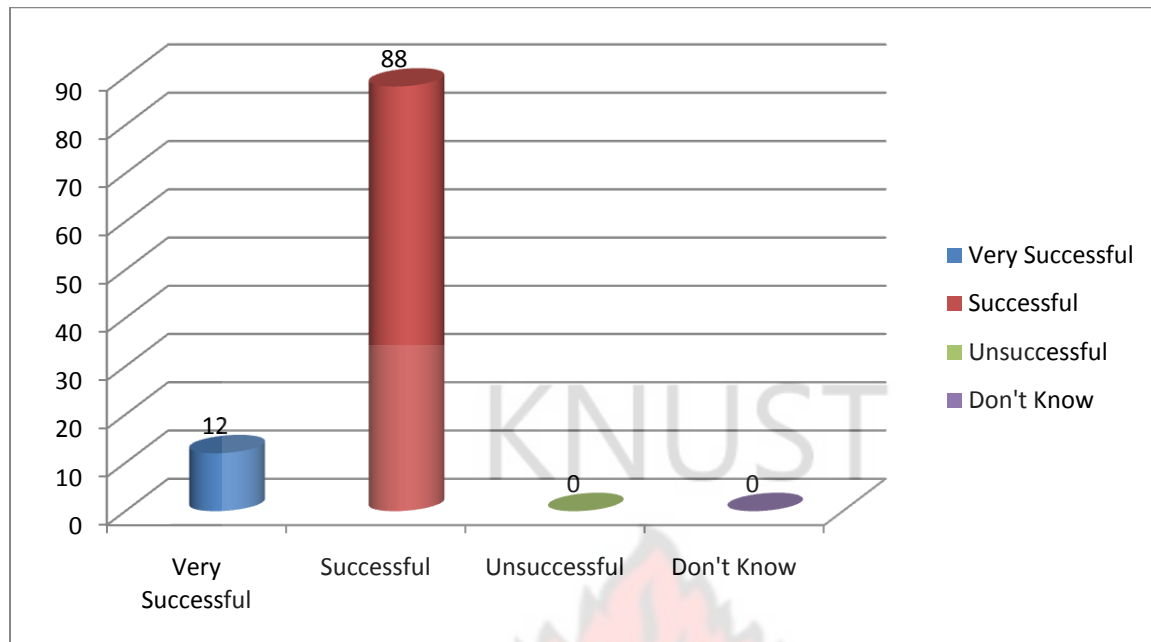


Figure 4.7: Customer Relationship Management Initiatives



Source: Field Data, 2012.

Staff of the bank indicates that, management initiative on customer's relationship management within the bank is successful. As shown in the figure 4.7 above, 12% of the staff shows that, such an initiative from the management is very successful, while the rest of the 88% indicate that, it is successful. This above analysis shows that, the relationship management initiatives are one of the paramount aspects of the management of Barclays Bank Ghana Ltd.

CHAPTER FIVE

SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.0 INTRODUCTION

This chapter summarizes all the findings made, offered some recommendations to management of Barclays Bank Ghana Limited and finally made draws conclusion from them.

5.1 SUMMARY

The study of CRM and its effect on profitability in Barclays Bank Ghana Ltd showed that, there was a positive relationship between customer relationship management and profitability in the bank as indicated in the analysis above. Staff of the bank clearly pointed out that customer retention was a key to the bank's success. Moreover, it was discovered and agreed by the staff of the bank that, the bank had procedures of handling customers' complaints. This result also indicated that, the initiatives of the management had led to an increase in profit for the bank. This was as a result of the discussion of customer retention and as well as satisfying the needs of customers.

The study also revealed that, the bank adopted different approaches in implementing customer relationship management. This was found to be done through education and training for staff

which is a policy of the bank as well as communicating customer relationship management practices and results to staff. Moreover, the improvement is also to ensure that, customer satisfaction is a policy of the bank to help meet the expectation of customers. This findings of the study further showed that, the bank has put down policies to guide the implementation of improvement initiatives or customer relationship management.

Next, the main area of customer relationship management concentration was customer loyalty and satisfaction. Responses from customers indicated that, much effort was put in ensuring customer satisfaction was met which led to customer loyalty. Loyalty on the part of the bank was superior for the growth of the customer based of the bank. Therefore, the bank ensured that concentration was put on the improvement of customer relationship in order to achieve loyalty from its customers.

5.2RECOMMENDATIONS

Based on the findings and the suggested ways to improve how customers were treated in Barclays Bank Ghana Limited, the following recommendations were made.

Firstly, the study recommended that management of Barclays Bank Ghana Limited Takoradi branches should ensure that, there is a strong interpersonal relationship between staff and customers of the bank to ensure a free flow of information and complaints from the customers to the employees of the bank in order for management to find efficient ways of addressing the day to day complaints lodged by customers.

Next, the bank should employ more staff or increase its technological service delivery platforms as well as educate its customers on how to use such devices for an effective service delivery in order to ensure efficiency and effective delivery of services to its customers.

Furthermore, there should be customer service managers to attend to customers at the various branches of the bank spontaneously to interact with customers as well as taking their complaints seriously.

Finally, it is essential to reward employees who demonstrate excellent customer service by publicizing the name of the individual or team in the bank's "wall of fame". This would motivate all staff to do likewise. When this was done, more customers would be delighted and as a result profit will be affected positively.

5.3 CONCLUSION

Customer relationship management is one of the essential skills needed to be adopted by employees of corporate world in order to retain her customers. Most studies such as Nagar

andRajan, (2005); Anderson, et al, (1994) and Peppers and Rogers, (2004) showed that, satisfaction of customers leads to retention of customers and hence a better recommendation of service provided to potential customers, most of this service satisfaction arrived from the handling of a better customer relationship management. These studies emphasized the outcome that, a better customer retention policy could be derived from managing customer relationship for a satisfaction of services rendered to customers.



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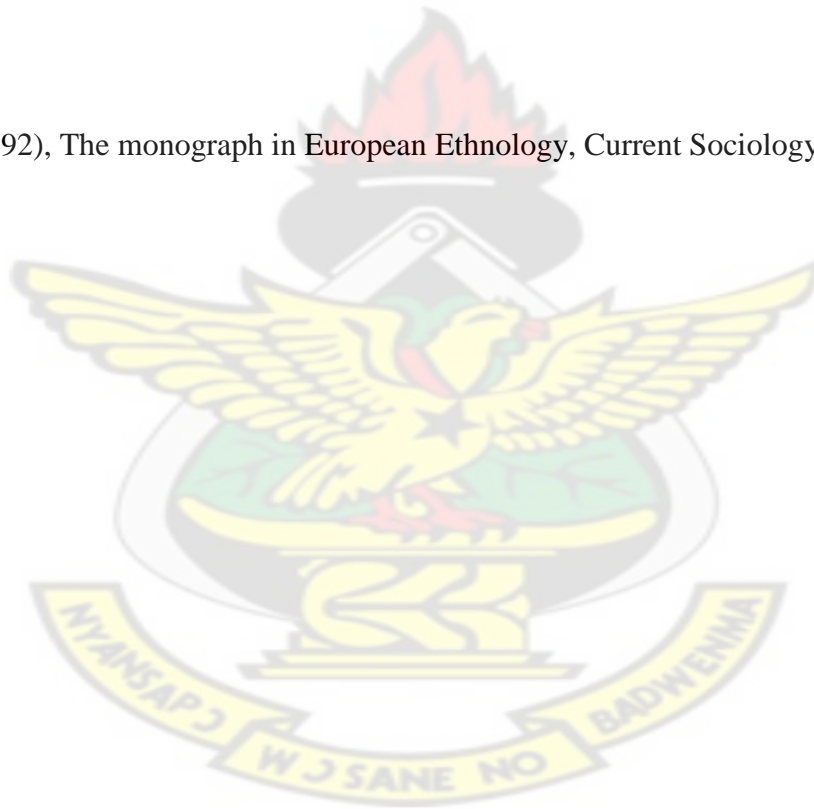
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APPENDIX A

QUESTIONNAIRE FOR CUSTOMERS

This questionnaire has been designed to obtain information on Assessing Customer Relationship Management in the banking industry. Your assistance is therefore requested in helping to make this research successful by simply completing the questionnaire provided. Any information given will be treated as confidential. Please be as candid as possible and tick (✓) by the response that applies to the questions below.

Section A- Background Information

1. Sex: (a) male ☐ (b) female ☐
2. Age: (a) 18-30 ☐ (b) 31-40 ☐ (c) 41-50 ☐ (d) 51-60 ☐ (e) 61+ ☐
3. How long have you been a customer of Barclays Bank: (a) 1-5 years ☐ (b) 6-10 years ☐ (c) 11-15 years ☐ (d) 16-20years ☐ (e) 21years+ ☐
4. Which group of customer do you belong?
(a) Business Club Member ☐ (b) Premier customer ☐ (c) Premier life customer ☐ (d) Standard customer ☐

Section B- Customer Loyalty and Satisfaction

Please tick (✓) the appropriate response that applies to the questions below

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree
5. Barclays Bank Ghana Limited is customer service focused.				
6. Handles my request on time.				
7. Calls me on any problem relating to my account.				
8. Serves me with what I need.				
9. I am satisfied with the services I receive from the Barclays Bank Limited.				

10. I am a loyal customer of Barclays Bank Ghana Limited.				
11. Comparing services offered to customers from Barclays Bank Limited and other financial institutions, Barclays Bank Limited services rendered to its customers tops all.				

Section C- Customer Perception

Statement	Strongly Agree	Agree	Disagree	Strongly Disagree
12. Customers feel safe in their transactions with Barclays Bank employees.				
13. Employees of Barclays Bank Ghana Limited are well dressed and appear neat always.				
14. Barclays Bank Ghana Limited honors its promises to customers.				
15. When customers have problem, Barclays Bank is sympathetic and reassuring.				
16. Barclays Bank Limited has operating hours convenient to their entire customers.				
17. Customers can trust employees of Barclays Bank Ghana Limited.				
18. Employees of Barclays Bank Ghana Limited are polite towards customers				
19. Barclays Bank Ghana Limited gives customers individual attention.				
20. Barclays Bank Ghana Limited has customers' needs at heart.				

Thank you.

QUESTIONNAIRE FOR STAFF

This questionnaire has been designed to obtain information on Assessing Customer Relationship Management in the Banking Industry. Your assistance is therefore requested in helping to make this research successful by simply completing the questionnaire provided. Any information given will be treated as confidential. Please be as candid as possible and tick (✓) the response that applies to the questions below and fill in the space where appropriate.

Section A- Background Information

1. Sex (a) male ☐ (b) female ☐
2. Age (a) 18-30 ☐ (b) 31-40 ☐ (c) 41-50 ☐ (d) 51-60 ☐
3. How long have you worked with Barclays Bank: (a) 1-5 years ☐ (b) 6-10 years ☐
(c) 11-15 years ☐ (d) 16-20years ☐ (e) 21years above ☐
4. What is your highest educational level attained? (a)Secondary ☐ (b) University ☐
(c) Polytechnic ☐ (d) Professional ☐
(e) Others please specify:

Section B- Customer relation and profitability

Please tick (✓) the appropriate response that applies to the questions below

Statements	Strongly Agree	Agree	Disagree	Strongly Disagree
5. Customer relation is key to Barclays				

Bank Ghana Limited.				
6. Barclays Bank Ghana have procedures of handling customers' complaints within the shortest possible time.				
7. Customer retention issues are discussed by staff at meetings and appropriate motivation given.				
8. Satisfied customers of Barclays Bank are willing to sign on to other products.				
9. Barclays Bank Ghana is making profits				
10. Customers are treated with respect				

Section C- Policies to improve CRM Initiative

Please tick (✓) the appropriate response that applies to the questions below

Statements	Strongly Agree	Agree	Disagree	Strongly Disagree
11. Education and training for staffs a policy to improve CRM				
12. Communicating CRM processes and results to employees is a policy in Barclays Bank Ghana Limited.				
13. Customer satisfaction is a policy in Barclays Bank Ghana Limited.				
14. Motivating employees to delight customers is a policy in Barclays Bank Ghana Limited.				

15. Commitment by both management and employees to achieve customer satisfaction and loyalty is a policy				
16. Developing a customer retention measurement is a policy in Barclays Bank Ghana				

17. How is customer satisfaction measured in Barclays Bank Ghana limited

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18. How are loyal customers treated in Barclays Bank Limited?

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19. Any suggestions as to improve how customers are treated in Barclays Bank Ghana Limited?

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20. How successful are customer relationship management initiatives in Barclays Bank Ghana Limited? (1) very successful [] (2) successful [] (3) unsuccessful [] (4) Do not know []

Thank you.

