

CHAPTER 1: BACKGROUND

Marketing has always been an essential part of business success. Its concept had undergone four cycles of evolution namely the production era, the sales era, the marketing era and the relationship era. In the production era around 1925, most firms stressed upon the production of quality products as they believed that at whatever volume they produced, they were able to sell it because the world population at large was experiencing production shortages and intense customers demand. Production techniques became more sophisticated in the early 1950s which in turn led to the increase in output. As a consequence, manufacturers had increased their emphasis on effective sales force in order to find customers for their products. This saw the introduction of the sales era. However in the 1930s, personal incomes and consumer demands for goods and services plummeted drastically, a result of the Great Depression and the outbreak of World War II. During that period, organisational survival dictated managers to shift their focus from products and sales to customers' needs. This focus created a new area in marketing where the effectiveness and efficiency in meeting customers demands, needs and wants are the key elements in determining an organisation's long term success. This period was known as the marketing era.

The 1990s marked the beginning of the relationship era in the marketing history where organisations focus on the establishment and maintenance of mutually beneficial relationship with existing customers and suppliers. This concept was known as customer relationship management (CRM) (Boone & Kurtz, 1998). "CRM is defined as a technology-enabled business strategy whereby companies leverage increased customer knowledge to build profitable relationships, based on optimising value delivered and realised from their customers" (Sue and Morin, 2001).

1.1 PURPOSE AND SIGNIFICANCE

Undoubtedly, retaining and developing customers has been a critical success factor for businesses. The benefits of customer relationship management are not only to retain customers, but it also enables more effective marketing, creates intelligent opportunities for cross selling and opens up the possibility of the rapid introduction of new products.

Since customer relationships are essential in determining organisations success, the purpose of the research are:

- To develop an understanding on how the bankers define the concept of CRM.
- To study the level of adoption of CRM by the banks
- To study the relationship between effective CRM programme and its contribution to companies profit.
- To find out the availability of information technology i.e. software, communication links and corporate database to support the effectiveness of CRM.
- To identify the barriers of implementing CRM.
- To identify what are the benefits of implementing CRM.
- To study the type of tools that could be used to measure the effectiveness of CRM.
- To discover the measures that the banking sector in Malaysia have undertaken in implementing CRM.

The banking sector was selected for this study because the findings of a research carried out by Peppers and Rogers and the Financial Services Marketing indicated that financial services firms i.e. banks are ahead of most industries in introducing, implementing and measuring the concepts and benefits of CRM.

CRM is still at its infancy in the operations of the Malaysian businesses. Therefore it is hoped that this research may provide some insights into CRM. Entrepreneurs who are interested in implementing CRM could use this research as a guideline while those who have implemented CRM in their business could use this research as a benchmark for improvement to their programme. On the other hand, academicians could use this piece of research as a reference about CRM and also as a guide for further CRM research.

1.2 Limitations of the study

The main limitation for this research would be the limited time frame to carry out this research. Secondly, the number of responses received before the cut off date may not be sufficient to represent the entire population but only as an indicative of the banks sampled. Furthermore, for the purpose of this research other financial institutions such as merchant banks and insurance companies will not be included. Finally the questionnaires be distributed to selected personnel from the selected department i.e. personnel holding the managerial post and above from the strategic planning department, the customer relationship department and the IT department. A total of thirty questionnaires would be distributed to all the fourteen banks in Malaysia.

1.3 Organisation of the study

This paper is organised as follows: The second chapter reviews related studies in the areas of CRM (including studies in the financial services sector). The third chapter outlines the research methodology, which includes the sampling method, questionnaire design and data analyses techniques. The fourth chapter reports and discusses the results. The fifth chapter draws the conclusion and recommendations and offers suggestions for further research.