

IMPACT OF CUSTOMER RELATIONSHIP MANAGEMENT ON ISLAMIC BANKS AND TAKAFUL COMPANIES: A CASE STUDY OF PAKISTAN

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ABSTRACT

In today's business environment, which is dominated by the social customer ecosystem, Customer Relationship Management (CRM) is critical for maintaining successful customer relations and sustainable growth of businesses. Although Islamic Financial institutions (IFIs) of Pakistan do recognize the importance of CRM and work on implementing its principles, they struggle to take the lead over conventional financial institutions with regards to overall market share. Therefore, this paper is an investigative study that pinpoints CRM factors which hinder local IFIs in dominating the current financial industry of Pakistan. The paper attempts to study the extent of CRM application on ground-level in various Islamic banks and Takaful companies, especially during COVID-19 times in the year 2020, when it is essential to sustain strong customer relations. Research findings indicate that although CRM implementation is heavily stressed in IFIs, the required strategic results are not achieved. This qualitative study conducts its research through a questionnaire and short surveys that were distributed out to both employees and customers. About 40 candidates volunteered in the questionnaire, which was formulated using the CRM Value chain model and the author's own proposed framework. The success stories of some of the IFIs have also been studied to propose solutions and recommendations which would assist fellow IFIs in implementing CRM strategies that are more goal congruent with the organization's strategic goals.

KEYWORDS: Customer Relationship Management (CRM), Islamic Financial Institutions (IFIs).

ACKNOWLEDGEMENT

Highly grateful to all the participants of the questionnaire. Special thanks to my sister, Maryam Azam, and my family for input of their uniquely valuable ideas in this research, and of course the supervisor of the research paper, Mansoor Danish, for guiding me throughout.

1. INTRODUCTION

In these times of globalization, IFIs have found themselves amidst unforgiving competition, increasing customer demands, and the need to keep up with new emerging technologies. The addition of the internet has proved to be yet another challenge towards the smooth running of local IFIs. Pakistan is a developing country and in this internet age, when customers have access to a variety of products and services worldwide, it is becoming increasingly difficult for local IFIs to respond to the needs of customers (Malik & Wood-Harper, 2009). Islamic banks and especially Takaful companies, instead of acquiring new customers, are struggling to retain the old ones (Malik & Wood-Harper, 2009).

Today, IFIs in Pakistan have realized this issue and are actively considering integrating Customer Relationship Management (CRM) solutions in their businesses. CRM builds business management models centered on a 360 degrees approach to the customers (Rodrigues, 2012). CRM has the potential to bring in new customers and retain the existing ones. It assists in cutting costs because customer retention is less costly and demands less resources. The whole objective of CRM is to help IFIs understand the current customer needs, get an idea about their behavior through past interactions, and what they plan to do in the future to meet their own goals (Anderson & Kerr, 2002).

CRM in Pakistan is extremely misunderstood as data collection and expensive complicated software, when the bigger picture consists of not just algorithms and charts. "It is a simple philosophy that places the customer at the heart of a business organization's processes, activities, and culture to improve his/her satisfaction of service and, in turn, maximize the profits for the organization" (Malik & Wood-Harper, 2009). Currently, in the Islamic financial sector of Pakistan, CRM tends to merely be an I.T. system that only records customer details (necessary or unnecessary), without producing the required results. It bypasses the entire aim of CRM implementation to be goal congruent with the organization's mission statement (Malik & Wood-Harper, 2009).

This research paper will delve deeper and highlight to what extent CRM is being incorporated in the organization structure of IFIs in Pakistan, specifically Islamic banks, and Takaful companies. It will identify what steps are being taken to overcome challenges in implementing CRM. At the same time, it will also investigate CRM strategies, applied by these IFIs, that have provided with most positive results. Alongside, it will also investigate challenges faced by IFIs in the current crisis of COVID-19.

CRM is like a ‘make or break’ tool that, if implemented and understood in the right manner, can give an IFI the kick start it needs to become profitable over a much shorter time period, otherwise it can further degrade business growth. IFIs must focus on CRM which encourages to work smart and see immediate results. It is important to “Make the right offer at the right time to the right customer” (Malik & Wood-Harper, 2009).

A powerful and efficient CRM in IFIs will encourage the customers to choose and make transactions via IFIs, instead of choosing conventional institutes as conventional institutes have highly effective and fascinating CRM techniques which causes an average person to get attracted towards them. This simple tool leads to customer retention, required for IFIs in the long run (Malik & Wood-Harper, 2009).

Functional and customized CRM techniques will play a gigantic and vital role towards the awareness of Islamic Banking system and Takaful companies. It is a cardinal source of strength for Islamic Financial Institutes across the globe (Malik & Wood-Harper, 2009).

Trustworthy reporting is another crucial point for increasing the firm’s good reputation and revenues. Authentic reporting will open the weakness of the institute and CRM facilitates this factor. IFI can pinpoint the weakness and work on to them to turn those weaknesses into strengths which lead to more productivity (Greenberg, 2010).

Looking at the latest and current situations of IFIs in Pakistan¹ is the main criteria of this research. The objectives of this study are to conduct an in-depth survey analysis, which presents the steps each of the IFIs are taking to acquire and retain profitable customer relations.

Other objectives of the study include pinpointing the challenges IFIs in Pakistan are facing in implementing CRM and highlight the new challenges IFIs are facing due to changes brought by the novel coronavirus of 2019 in maintaining connection with customers.

Finally, working out the best possible solutions for the above stated problems and challenges through an investigative research of success stories e.g., Meezan Bank’s increasing popularity.

The study deals with various problem areas that need improvements and greater focus. Problem statements include the failure to customize products and services according to changing customer needs. Today’s customers are more aware and educated, they expect a greater degree of variability in terms of products and services. As times are moving to favor more online facilities and lifestyle, it is becoming a need for IFIs to enhance their product and service portfolio which favor advancement.

¹ Refer to appendix section that contains pie charts indicating current market share status of Islamic bank and Takaful industry.

Other problem statements include the inability to keep up with technology, paucity of customer-centric culture in the organization, ‘Overload of outdated data with no means of processing it into clear and concise information’, misunderstanding CRM as merely sophisticated use of software and technology while failing to understand the main purpose of CRM and, inability to adopt and apply innovative ways of CRM quickly, when faced with unpredictable situations and crisis.

The subsequent sections are organized as follows: section two represents the literature review. The third section represents the research methodology and the conceptual framework that was used. The fourth section extensively analyzes the research findings and uses graphic representations. The fifth section provides with recommendations and solutions for Islamic banks and Takaful companies in problem areas that were highlighted through survey analysis. It also summarizes the key points that need to be focused and advice for future research along with the limitations of this paper.

2. REVIEW OF LITERATURE

2.1 CRM origins and evolution

According to (Rodrigues, 2012) origins of the concepts of CRM date back to the late 90’s of the last century and although it might not seem too long ago in comparison with other well-established concepts in business literature, much work has been done and value has been associated with CRM. It is difficult to trace back and authenticate who was the first theorist to define CRM, but several sources mention Lehtinen together with his colleagues to be the first ones to define and thoroughly research CRM (Lehtinen, 2007, pp. 18-19). According to Lehtinen, the concept of “CRM came into being together with development of marketing which gradually became more personal until it transformed into direct customer marketing, also known as one-to-one marketing (Lehtinen, 2007).”

Over time this concept of marketing has steadily been transformed from ‘*Transactional to Relational*’ (Dohnal, 2002). Classical/transactional marketing is now being categorized as a historic marketing tool, and new relational marketing trends are being established and favored by industry leaders. According to Dohnal et al., “Relational marketing is a process of identifying, establishing, maintaining, improving, and if necessary timely termination of economic relations with customers and other concerned subjects for the mutual benefit of all involved parties, which is achieved by mutual fulfilling of obligations and values” (Dohnal, 2002, p. 32). Kotler et al. also extensively emphasizes, that relational marketing is a key area that marketing professionals need understanding of, the author goes on to say: the seller, who knows how to build a strong relationship with customers will achieve many successful businesses in the future. (Keller, Kotler, Brady, Hansen, & Goodman, 1992, p. 731)

2.2 CRM definition

CRM definitions are diverse, and each author brings in a new dimension, yet all affirm concepts of customer relationships, customer management, marketing strategy, customer retention and personalization (Zineldin, 2005). As one of the simplest definitions says, the CRM concept helps the company in anticipating customer needs and wants, resulting in building strong customer relationships (Schermerhorn, 2008). Whereas a little more detailed definition mentions, CRM is a process of understanding customers and working toward satisfying and exceeding customer expectation through the provision of customer needs and desires (Nickels & McHugh, 2008). Nickels et al. not only mention satisfying customer needs, but going above and beyond, to exceed customer expectations. This suggests that in constantly changing market situations, merely responding to customer needs is not enough. Instead of this reactive CRM approach, companies need to take a more *'proactive approach'* towards CRM, where they anticipate and respond to future customer needs. According to Adam et al., CRM is an enterprise approach that comprehends and affects customer behavior by using effective communications to improve customer acquisition, client retention, customer commitment, and customer profitability (Lo, Lee, & Stalcup, 2010)

Perhaps a more suitable definition in the context of this specific research is defined by Ling et al. and Joseph et al., both stress on the aims of retaining customers and making long term profitability decisions:

"CRM comprises of a set of processes, which enables systems supporting a business strategy to build long term, profitable relationships with specific customers. The key objective of CRM is to enhance customer value through a better understanding of individual needs and preference" (Ling & Yen, 2001).

And:

"Management of customer relationships based on the integration of customer information throughout the business enterprise in order to achieve maximum customer satisfaction and retention." (Joseph F. Hair, Bush, & Ortinau, 2003).

2.3 Modern CRM concepts

Modern concepts of CRM are derived from the theories of total quality management (TQM) and more technologically advanced archetype (Zineldin, 2005). This is because the current marketing environment is becoming highly saturated and unforgivingly competitive (Chou, Lin, Xu, & Yen, 2002), along with continuous variation in customer preferences and purchasing habits. It comes as no surprise that constant changes in customer buying decisions are heavily influenced by the

internet which has made the world a global village and enriched us all by providing constant updates related to new trends and preferences. As a result, companies have been forced to tailor their offerings, understand customer drivers and customer profitability to maximize their overall customer portfolio (Chen & Popovich, 2003).

Consequently, emphasis on these key areas has led to heavy concentration of marketing attention on improving long-term customer profitability and letting go of the traditional ways i.e., product-centric marketing (Chen & Popovich, 2003). This also means that CRM is no longer a one way channel, in the fast-moving modern times it is crucial to understand the main purpose of CRM which is to take input from customers and give output back to them, essentially it is a two-way communication (Payne & Frow, 2004). Two-way communication is also one of the solutions for ever-changing customer preferences due to unimaginable pace of advancement in technology and the internet.

Simply put, in modern times, firms cannot compete favorably with minor advantages and ploys which can be easily replicated by competitors (Bose, 2002). To hit real long-term milestones, CRM implementation is critical. It will enable firms to rise above minor advantages and integrate real attention towards customer relationships across all areas of business. Firms that are most successful at delivering what customers want are more likely to be future leaders of the industry.

2.4 Objective and benefits of CRM in the Islamic financial sector

Islamic banks and Takaful companies of the current time are moving towards a revolutionary phase in their industry lifecycle in that they have started laying stress more than ever on building lasting relations with their customers. In his book Foss explains the objectives such financial institutions would be trying to achieve by incorporating CRM in their business, which include:

- Creating consumer-centric culture and organization.
- Procuring customer relationships.
- Expanding customer contributions.
- Aligning efforts and resources behind the most valuable customer groups' (Foss & Stone, 2002).

On the other hand, Dyché (2002) briefly presents an approach that might enable banks to achieve such objectives. He mentions the idea of collecting customer data even before implementing any CRM strategies: "The bank would need a complete view of its customers across the various systems that contain their data. If the bank could track customer behaviors, executives can have a better understanding in predicting future behavior, and customer preferences. In this way, the data and the applications will help the bank to manage its customer relationships and continue to grow

and evolve” (Dyché, 2002). Then and only then, can we make use of the CRM system and move towards gaining insight into the behavior of customers and focus on the value of those customers (Onut, Erdem, & Hosver, 2008). The “CRM system or software comes with its own privileges and benefits such as:

- Provide better customer service.
- Make call centers more efficient.
- Cross sell products more effectively.
- Help sales staff close deals faster.
- Simplify marketing and sales processes.
- Discover new customers.
- Increase customer revenues” (Malik & Wood-Harper, 2009).

There is quite a few CRM software developed to date; some of the most widespread ones are undoubtedly SAP, Siebel, Sales force, Amdocs etc, although in the Islamic banking sector SAP and Siebel Systems are very popular (Malik & Wood-Harper, 2009).

2.5 CRM components

Different authors have presented with different CRM dimensions e.g., Dyché’s approach on CRM solution/ways, categorizes it as Operational CRM and Analytical CRM (Dyché, 2002). Others have used Proactive and Reactive CRM measures to classify the former. Two main CRM elements are extensively used in many organizations including in the Islamic financial institutions are organizational and technological factors (Rafiki, 2019). Both go hand in hand, firms need to realize that simply investing in high-tech computers and up to date CRM software will not be enough, organizational factors must support and play an equal role. Some companies adopt CRM systems merely because it is the most advanced technology and they believe they should have it since their competitors have it as well (Chou, Lin, Xu, & Yen, 2002). Such actions will hinder firms from gaining real benefits of value creation from CRM.

For the purpose of this research, we will be focusing on organizational and technological approach towards CRM. Factors that contribute towards effective CRM implementation are:

2.5.1 Organizational factors

Organizational factors refer to the factors that relate directly or indirectly to the structural, operational, and managerial sides of the business (Becker, Greve, & Albers, 2009). Payne and Frow, (2004) goes on to say, major organizational factors associated with CRM success consist of the company’s structure and its operational business practices. Buttle (2001) argues that companies are being sold front-office and back-office solutions, but are missing out on the fundamental,

strategic benefits that CRM can provide. This further signifies the importance of organizational factors, which can be further divided into: top management support, customer orientation and training orientation.

2.5.1.1 Top Management role

In any type of organizational culture, top management has the most influence over its employees and business practices. Therefore, it becomes extremely critical for senior executives and officers to be involved in building up a customer-centric culture. In cultures that evolve around directive, transformational or authoritative leadership styles (Fagaly, 2018), it will be a key factor for top management to adopt high value for CRM as subordinates will follow and learn from the seniors. This will affect not only within the firm but will be reflected outside the firm, when customers feel leaders of the firm are committed towards customer value creation, long-term relations with customers will be cultivated based on trust.

This will establish a necessary level of commitment from staff, with relevant expertise to support the needs of CRM (Lo, Lee, & Stalcup, 2010). Support from top management will set stages in CRM initiatives for leadership, strategic direction, and alignment of vision and business goals (Mendoza, Marius, Pérez, & C.Grimán, 2007). And finally, it will help CRM deployments and implementation initiatives (Kale, 2004).

2.5.1.2 Customer Orientation

Customer orientation is defined as: “The set of activities, behaviors, and beliefs that place high priority on customers’ interests and continuously create superior customer value” (Cai, 2009). “Customer orientation is an imperative element for CRM achievement, and it is related to marketing and information technology, which encourages to create customer loyalty and other positive impacts to organizational performance” (McNally, 2007). Customer orientation is facilitated by the presence of social media. Companies that aim to get perfect market information can also hire special customer-oriented companies that hold data which helps in building sustainable customer relations. If the information is perfect, it can guarantee improved CRM performance and better decision-making.

2.5.1.3 Training Orientation

Creating a positive first impression is necessary in any business interaction. Therefore, employees working directly with customers need to have appropriate training and advanced problem-solving skills to serve customers in the best possible manner. Investment in training is a long-term benefit, and it helps in overall quality creation by customizing each customer experience. It brings in tangible and non-tangible advantages. “Employee training is a key factor in the implementation

process incorporating customer service, improving efficiencies, and nurturing consumer confidence, eventually leading to repeat purchases” (Reichheld, Schefter, & Rigby, 2002). The author also brings in the element of motivating staff; training helps in creating motivated staff. A demotivated employee would risk and might even deteriorate potential customer experience.

2.5.2 Technological factors

While organizational factors discussed the implementation of CRM strategy, technological factors will discuss how to formulate this strategy in the first place by gathering data and processing that data using IT software and more. Technological factors will enable data collection and processing information to create a more personal interaction with the customer (Kotler, 2002). In the context of CRM, information technology is an enterprise-focused endeavor encompassing all departments, resulting in various technologies working together such as data warehouse, websites, and intranet/extranet, phone support system, accounting, marketing, and production. According to Goldenberg, IT is not just an application but if implemented properly, it enables firms to have cross-functional, customer-driven, technology-integrated business process management strategy that maximizes customer relationships (Goldenberg, 2000). Factors that attribute directly to the technological aspect of CRM includes customer data, customer information processing, and IT system compatibility with changing times.

2.5.2.1 Customer data

The essence of CRM lies in getting the complete view of the customer. This is essentially building a customer portfolio using customer data mining retrieved from all the touch points to uncover and determine the right type of customers (Chen & Popovich, 2003). A strong customer profile will assist in making predictions of future customer purchases, eventually bringing in revenue at a higher rate than in the past.

Alternatively, IFIs can hire specialized customer data collecting companies, although this may prove to be more costly than its potential benefits. For this reason, companies are shifting to a more recent collection method known as *big data*. “Big Data is large volumes of data, extracted from a variety of sources and in various formats processed by highly sophisticated software e.g., web logs/ cookies, customer social media, customer bank transactions, government documents on customers, customer GPS tracking etc.” All this data in turn helps in predicting customer behavior and future purchases.



Figure 1: Sources of big data from Kaplan (2019).

Although big data can provide primary sources of information, it is accompanied by various challenges. It can be overwhelming for IFIs to process and store such a vast amount of data. It is definitely a costly method of data collection and so users have to specifically determine what data is needed by the firm, to make sure not just anything is being stored, resulting in a drastic increase in information storage costs. At the same time, it becomes critical to equip the IT department with more advanced data processing systems that will direct to making the most suitable decisions. Many researchers agree that poor-quality customer data and information will result in poor data analysis followed by poor decisions made (Kirkby & Nelson, 2001; Ryals & Payne, 2010).

2.5.2.2 Customer Information Processing, CIP

Professor Tom Davenport of Boston University explains, “Technology has evolved to the point where it is possible to put customer information from all over the enterprise into a single system. Until recently, we didn’t have the ability to manage the complex information about customers, because information was stored in 20 different systems” (Berry, 2003).

This advancement and innovation in technology coupled with the internet are the main drivers of present and potential customer profitability which makes it possible to appropriately apportion and allocate the firm’s resources to all departments that affect customer relationship (Chou, Lin, Xu, & Yen, 2002).

CRM systems together with Executive Information Systems (EIS), Decision Support Systems (DSS), Management Information Systems (MIS), and Transaction Processing Systems (TPS), can help not only transform customer data into business knowledge, but also integrate the CRM strategy into information system packages at every management level. This will enable the implementation of CRM strategies from a strategic level of business, all the way down to the operational level.

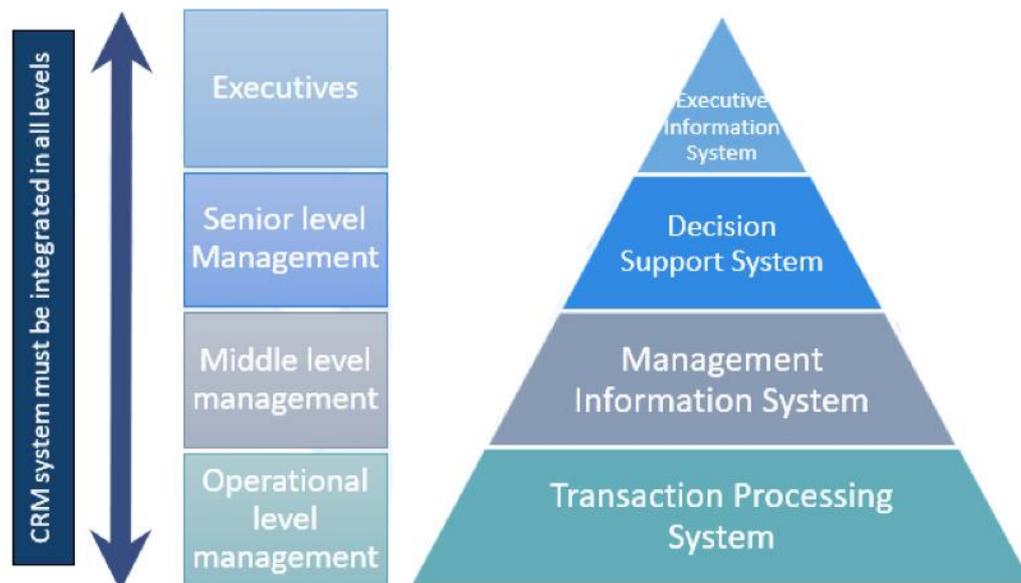


Figure 2: CRM system working hand in hand with other information systems.

Source: Anthony's hierarchical framework.

IFIs deal with constantly changing product offerings as well as increasingly knowledgeable customers, therefore, it is crucial for them to make use of these information systems (Rafiki, 2019).

2.5.2.3 IT system compatibility with changing times

Even though the pace of advancement and innovation in technology is growing exponentially, the uncertainty factor still cannot be excluded from the equation. In fact, with new emerging technology the risk and uncertainty factor also keep adding up. Volume, variety, velocity, and veracity of data is another challenge in making the future less unpredictable (Kaplan, 2019). Therefore, it becomes impossible to be prepared enough for unpredictable events. To deal with such events and scenarios, IFIs need to have flexibility in the IT system and practices. If the unpredictable cannot be avoided beforehand, it can certainly be dealt with as it occurs. IT staff need to have the necessary skills to make decisions swiftly in such critical situations to avoid losing business and customer trust. Building customer trust and loyalty is crucial as it would come

to aid of business in such unpredictable times. They need to be trained in a tough environment through sensitivity analysis and simulations that to try to replicate various scenarios to some degree. Firms' ability to be compatible with changing times is a key factor especially in these periods², as we go further into the future.

2.6 CRM Integration

CRM integration was vaguely touched upon earlier but now we will see how CRM integration across all departments helps in achieving CRM goals. "CRM needs a supportive culture, it's unlikely to yield dividends in companies which only pay lip service to customer focus" (Buttle, 2001). What the author meant by supportive culture, is that all departments must work collaboratively in a way that supports goal congruency. Goal congruence requires all department managers to focus on objectives that benefit the entire company. If the company aims on achieving strong customer relations, then all departments need to focus on practices that enable it. CRM is unlikely to flourish "if IT, human resources, and procurement processes are not aligned with the CRM agenda" (Buttle, 2001, p. 4). This also means that performance measurement of department managers must be based on indicators that are more aligned with customer satisfaction, quality, percentage of complaints received, or number of new customers acquired. In other words, performance measures need to be more non-financial than financial to promote goal congruent decisions by managers.

To identify what departments need to work together and be aligned with CRM agenda, we first need to identify areas of the business that contribute to the value creation process through the *value chain model*. 'The CRM value chain is a proven model which businesses can follow when developing and implementing their CRM strategies. The basic purpose of the CRM value chain process is to ensure that the company builds long-term mutually beneficial relationships with its strategically significant customers' (Buttle, 2001, p. 2). Strategically significant customers can be defined using the pareto principle or the 20/80 rule, which states that those 20% of a company's customers who generate 80% of total profits need to be focused on more.

² This is referring to the pandemic of 2019, which hit the business industry with a blast, resulting in requiring major changes in how businesses run. (More discussed later)

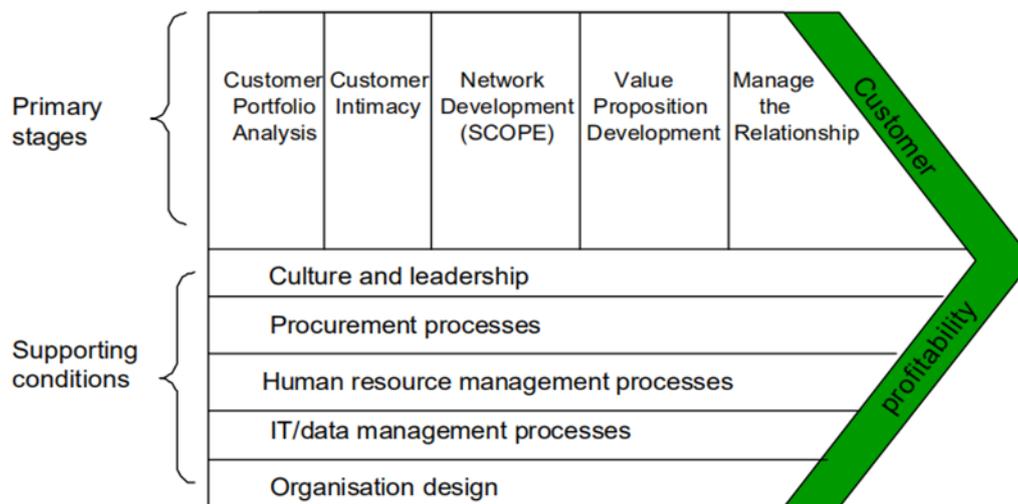


Figure 3: CRM Value Chain.

Source: Adopted from Buttle (2001).

3. RESEARCH METHODOLOGY

This section of the paper presents with how the research work has been approached. Since the nature of the paper relates to social science phenomena, it is qualitative, more specifically case study research. Qualitative data sources used online interviews and questionnaires, documents and texts, and the researcher's impressions and reactions. Furthermore, with regards to content analysis: archival records and participant-observation were also the basis for the findings.

Descriptive analysis is conducted by distributing questionnaires to support the arguments and amplification on the CRM practices in Islamic Banks and Takaful companies. The questionnaire was a combination of closed-ended and open-ended questions and was designed to have broad sections which exactly portrayed the framework used for this research. It was distributed out among employees of the research sample companies (participants of research). Employees were chosen from the departments that directly add value to the customer interaction, in this manner the value chain model of CRM has been incorporated in this research.



Figure 4: Participants/employees volunteered are in charge and associated with.

To cancel out effects of biased responses from the employees, a short survey was also prepared and distributed out to the customers. Hence, both sides of the picture are considered, and any effect of predilection, prejudice, and prepossession has been minimized. Therefore, two questionnaires were designed. In total 40 respondents participated in both the questionnaire and short survey combined. 21 of them were employees and another 19 were customers. Non-probability sampling was used; specifically, purposive sampling method, as qualitative research relies on subjective judgment.

3.1 Sample Participants

Following are the participants under this investigation:

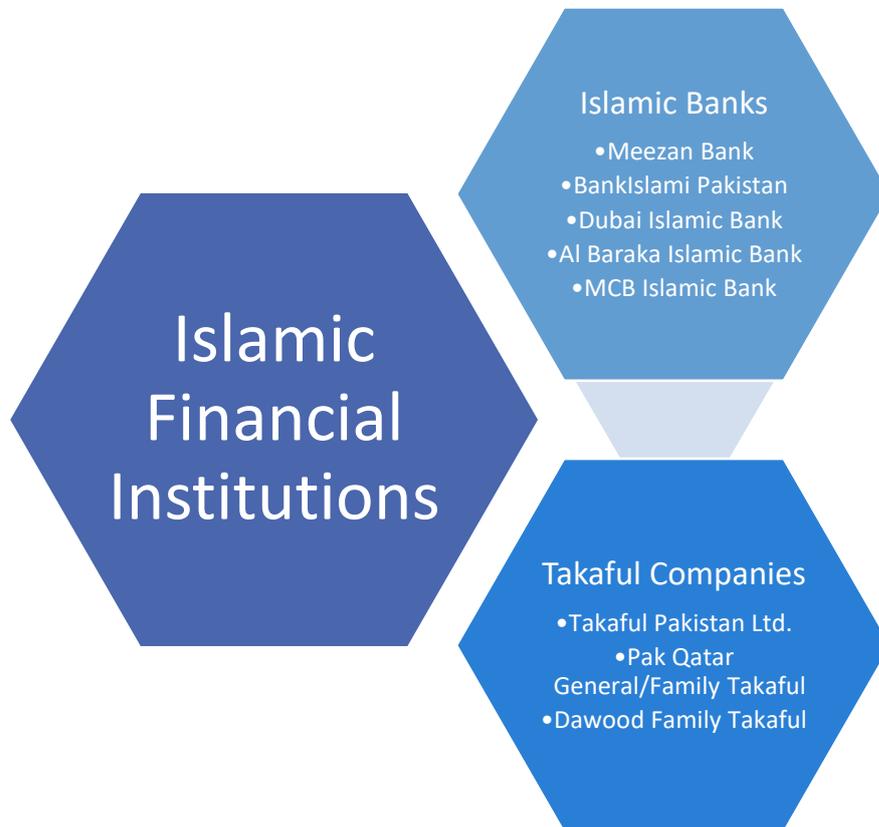


Figure 5: Study Sample

3.2 Conceptual Framework

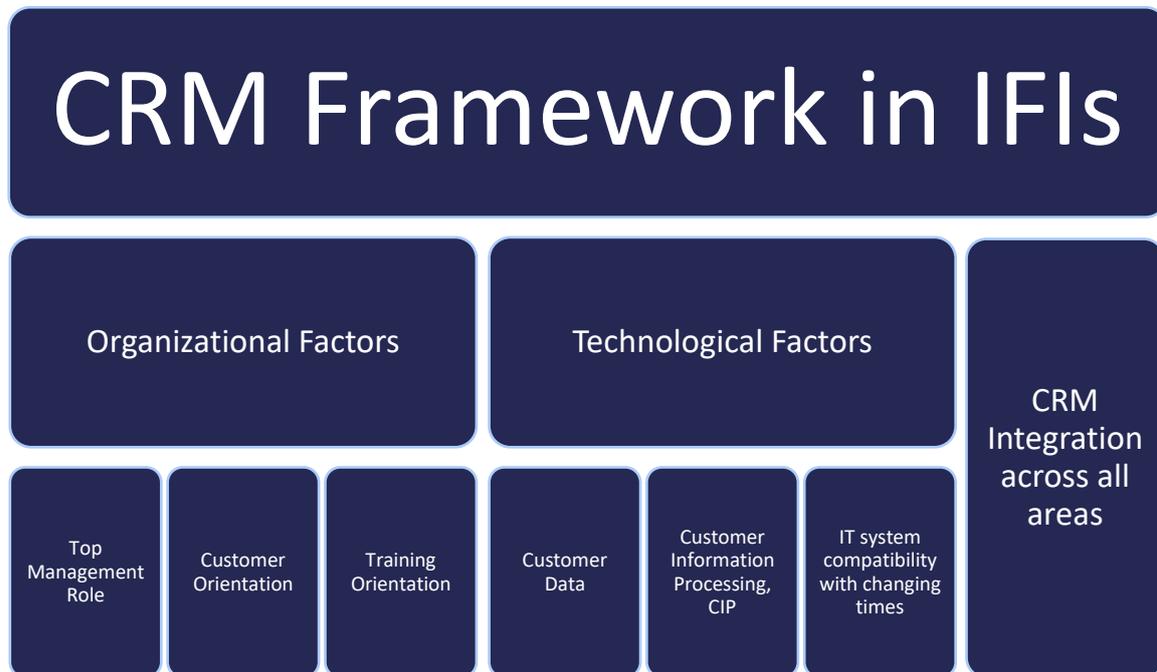


Figure 6: Proposed conceptual framework of the study.

This study uses the proposed framework in preparing the questionnaire. All findings are based around it. The framework is a modification of how CRM is traditionally applied in IFIs of Pakistan. These modifications have become necessary considering how current crisis due to COVID-19 have impacted various businesses, including IFIs. Along with this framework, CRM value chain model has also been used to target business areas and departments that play key roles in adding to customer profitability. Henceforth, participants of the questionnaire were all selected from such value adding areas/departments.

4. ANALYSIS AND FINDINGS

4.1 Questionnaire analysis from employees

4.1.1 Analysis of organizational factors

4.1.1.1 Top management role

The outline of questions in this part of the questionnaire related to how involvement of the top management introduced CRM in strategic activities of business. The top management has a key role in incorporating CRM values in the company's mission statement.

As shown by the results, most employees agreed that the top management was actively involved in incorporating concepts of CRM in the organization's statement. The breakdown of results showed that 65% of IFI employees strongly agreed with it. Even though the top management incorporated CRM in the organization's vision, it was seen that only 55% of the employees agreed with the fact that the latter played a role in encouraging and discussing CRM objectives with middle level management. Trends also highlighted that a mere 40% strongly agreed that the top management stimulated interest in the subject matter.

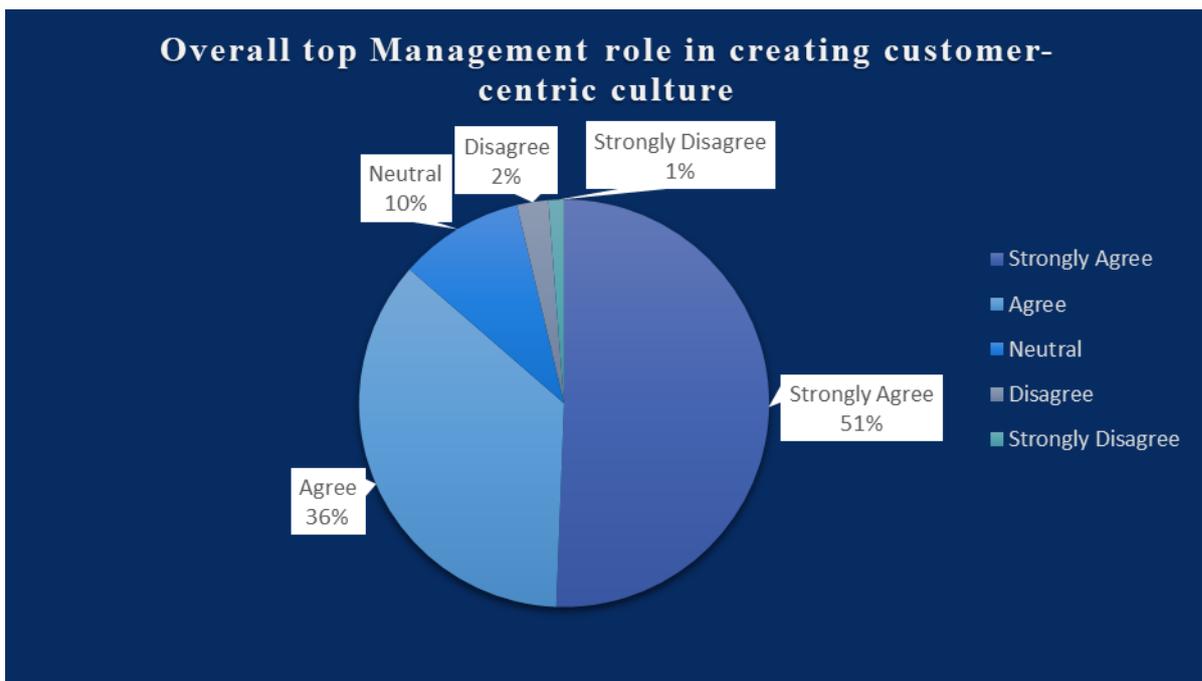


Figure 7: Overall findings in the top management section.

As seen, a majority strongly agrees that top management plays its role towards creating a customer-centric culture in the organization.

4.1.1.2 Customer orientation

A considerable majority indicated that they value customer loyalty and satisfaction but the perspective that seems to be given little consideration was being able to listen to customer feedback and promptly act on it to make changes. Through rigorous observation it was felt that employees were reluctant to express their opinions regarding this concern, therefore, it has been suggested to ask the same point but with customers that were facing issues. Later we will discuss what customers have to say on this.

Quite a few of the respondents remained neutral towards areas such as finding innovative and more interactive ways to connect with their customers. While a further breakdown also showed that 30% remained unsure whether customers were placed at the heart of the business or not. This

could indicate that senior management might have failed in delivering their CRM objectives to all middle managers or it could also indicate that improvements are needed to create a more customer-centric culture.

An absolute 100% agreed that customers were kept updated through emails, but a majority did not ponder if email was the right way to contact customers for all sorts of solicited and unsolicited updates. Employees were unsure if emails were kept customized to requirements of customers.

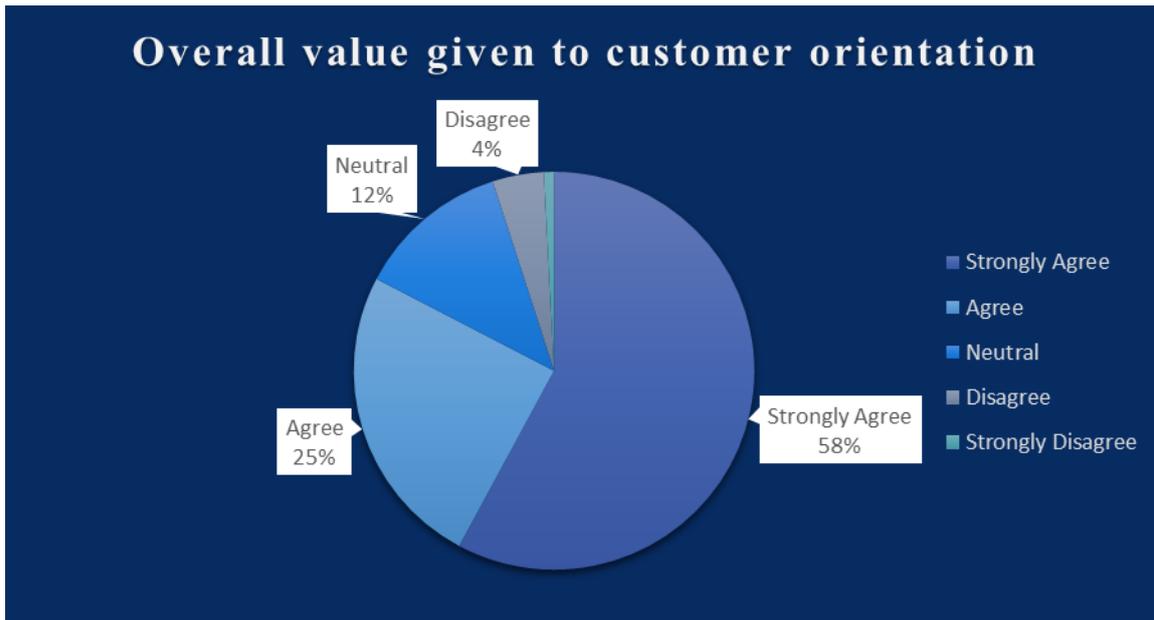


Figure 8: Overall findings in the customer orientation section.

Even though results pointed out quite a few areas that need to be delved into deeper, overall, the results showed a majority of 58% strongly agreed that customers were given top priority and all efforts were made to ensure their loyalty and satisfaction.

4.1.1.3 Training orientation

About 75% of employees agreed that their company arranges training programs periodically that helps in CRM directly or indirectly. For the rest 25% IFIs that do not conduct training programs following questions were not applied to them. Questions in this section of the questionnaire were related to the effectiveness of training programs in terms of enabling employees to address customer complaints innovatively and providing customer relation employees with a skill set to customize their responses and solutions which best serve customer interest. Questions also touched on whether these training programs equip employees with strong interpersonal skills. It also inquired if training programs directly have had a positive impact on customer satisfaction level.

Breakdown of overall results from this section pinpoint that only 21% strongly agree with training programs enabling them to deal with customer complaints effectively. Consequently, only 36%

strongly agreed that training programs have positively impacted customer satisfaction. It can be evaluated that the two are directly co-related, if employees are unable to address customer complaints more innovatively and effectively then eventually customer satisfaction will suffer.

The section also addressed if training programs educate I.T. personnel in handling CRM information packages, to which only 36.8% agreed. This is another area that IFIs seem to be struggling in. Upon observing the number of respondents, it was observed that even if companies are arranging such training programs to encourage CRM practices, effectiveness of the latter needs more focus as a majority of responses under this section were 'not sure' and resided with staying neutral to most of the statements. Again, customer evaluation has been carried out regarding this perspective to cancel out biased results.

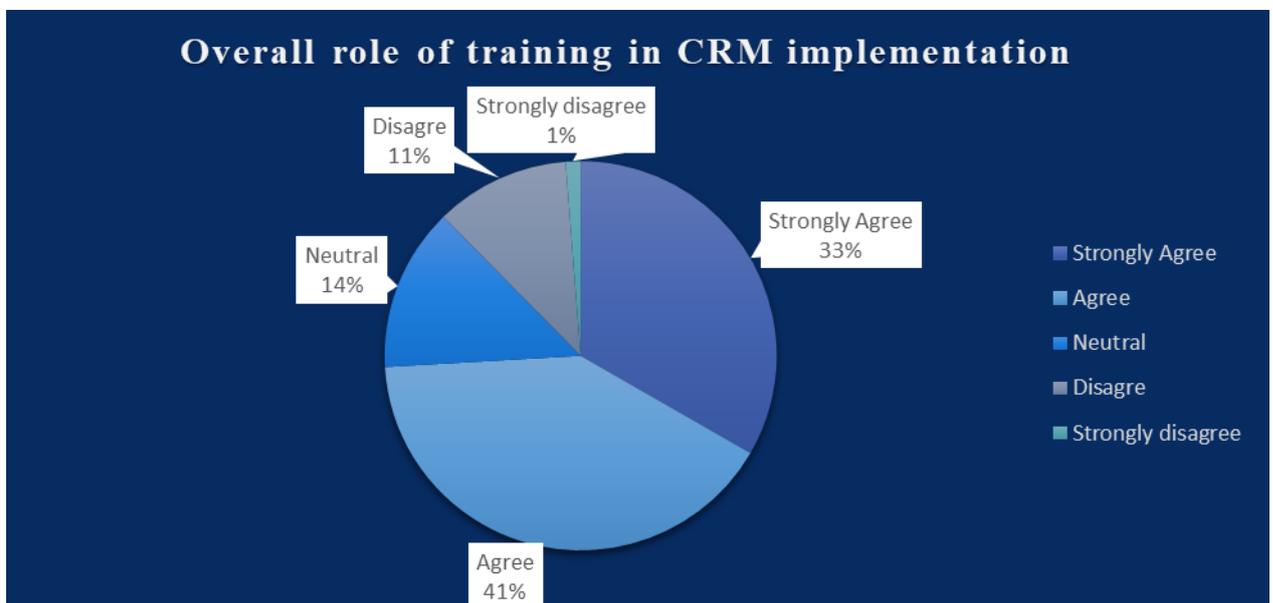


Figure 9: Overall findings in the training orientation section.

4.1.2 Analysis of technological factors

4.1.2.1 Customer data measures

Questions included in this section were about whether a reasonable investment was made in collection and storage of customer related data. If quality data required by staff in direct contact of customers e.g., call center operators had access to customer history and relevant data when responding to their queries, and if all data was updated regularly.

A big part of this section inquired about the familiarity of IFIs with the buzzword 'Big Data' and if it were utilized to extract useful information that could benefit in serving the customer well. Although 12 out of 21 respondents indicated that their organization does realize the importance of

data, only 7 of them strongly agreed that “Big Data” was used in their organization to reveal trends and patterns in the market and predict customer behavior. Further breakdown reveals that exactly 7 more respondents were unsure and indicated that their organization was not that involved in big data collection while the remaining disagreed with both familiarity with big data and its application. Big data is a new way of working out consumer behavior and it requires skilled analysts to use vast amounts of data to produce beneficial data. It can be deduced that currently more skilled data analysts are required who can make use of big data in IFIs of Pakistan.

Overall trends of responses for all above questions can be summarized as follows.

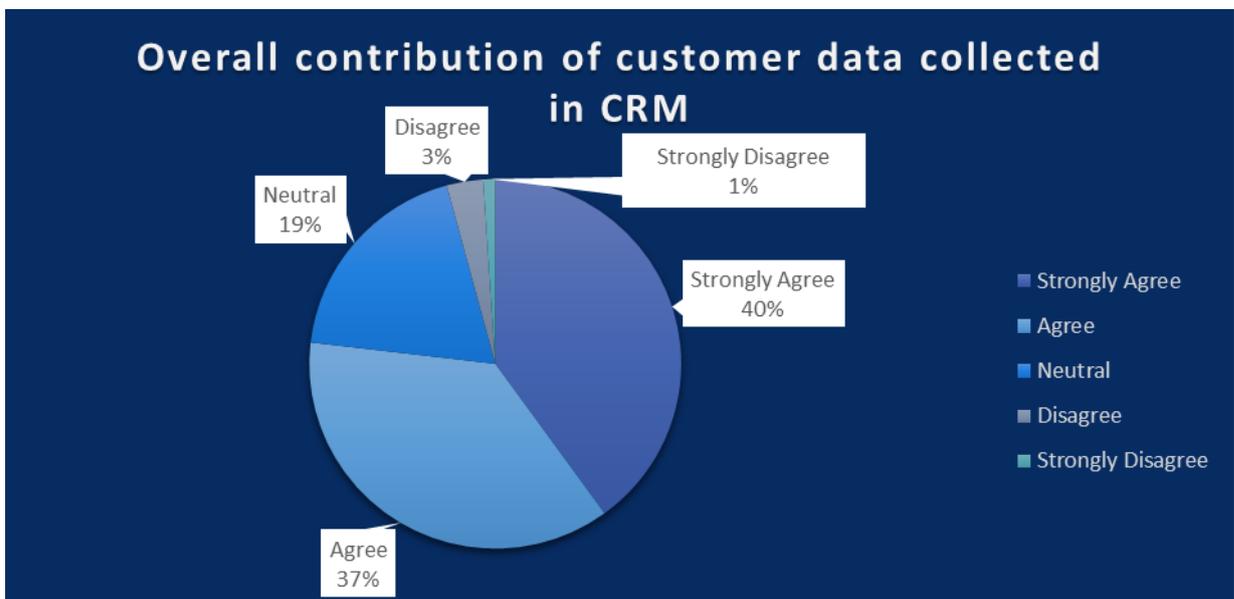


Figure 10: Overall findings in the customer data measures section.

4.1.2.2 Customer information processing (CIP)

This area of the questionnaire seems to be more challenging for some respondents than others. The questions inquired about,

- Degree of investment made in purchase and installation of CRM software.
- Whether computer-based CRM systems were used.
- If data collected was processed into clear and concise information.
- If that information was used towards product development and providing customer demanded services.
- How was this software used for customer retention?

Starting with one of the first statements, nearly 25% of the respondents stated that they were not using computer-based CRM systems at all. These were mostly respondents from the Takaful

industry. From the 75% remaining, it was seen that half of them agreed that they have made reasonable investment in CRM software. Even though half of 75% that had computer-based CRM software agreed, only 30% of them confirmed that they make use of the software to produce clear and concise information. This gives rise to another question, why are the rest of IFIs, that do have CRM software, not using it to produce useful CRM information? Are they only collecting all customer data for no apparent reason? This is the major highlight of the section and certainly needs to be looked at in more detail. These results also portray lack of knowledge about CRM packages and need to process information.

The 30% that did confirm usage of CRM software also mentioned various software IFIs are using currently for CRM. They included Siebel and IBM's CRM software, while most IFIs were using in-house CRM software. It was also observed that some respondents confused CRM software with other risk management related software, this further shows that there is little knowledge to differentiate processes that are related to CRM and other routine business managing processes.

All these statements lead to the most important question: whether CRM information was being used in product development. If IFIs are struggling with processing information and producing it, it would be even more difficult to develop products in-line with customer demand. Therefore, answering this question was challenging for the participants.

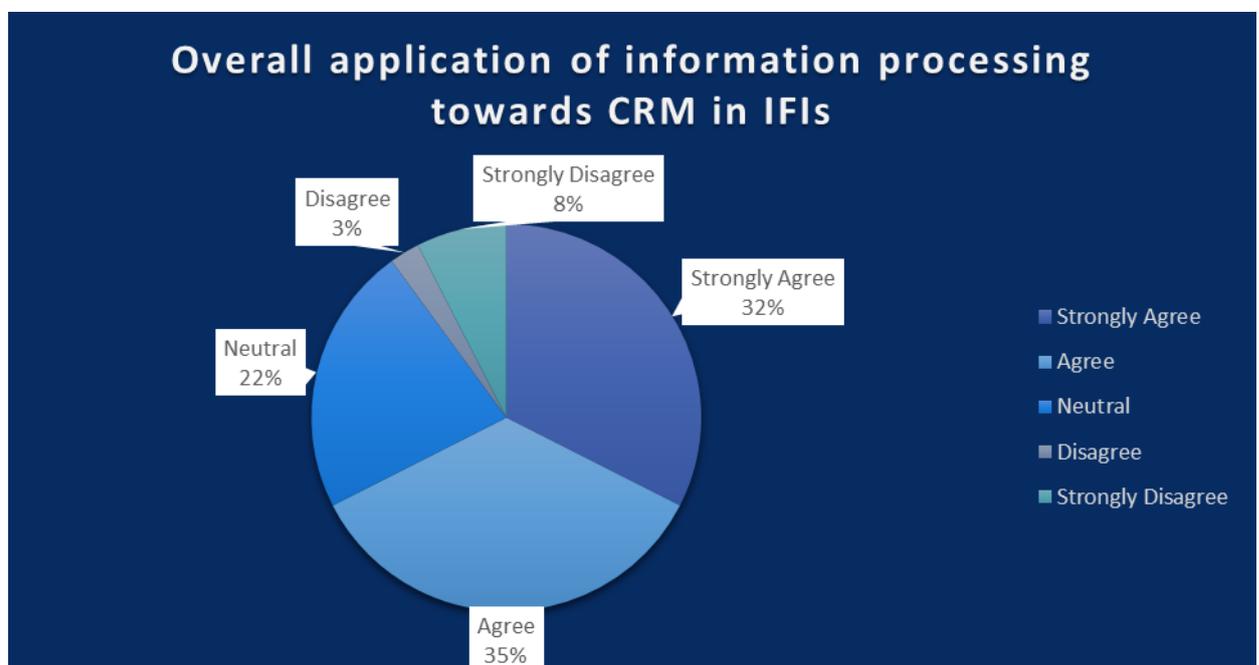


Figure 11: Overall findings in the customer information processing section.

4.1.2.3 IT system compatibility during COVID-19

This section was specifically designed to study the impact of unforeseeable conditions i.e., the emergence of a pandemic upon maintaining close customer relations. The intention behind it was to assess how compatible IT systems of IFIs are in continuing to stay in contact with customers under COVID-19.

Questions in this section included:

- How quickly were IFIs able to come up with solutions in continuing business operations because of strong back-end support from the IT department?
- Is increased online presence a sustainable change and will it continue to be part of a digitalization process (post the pandemic)?
- Have they maintained a strong connection with their customers during COVID-19, through more updated channels e.g., social media?

From the breakdown of overall results, trends show that Takaful companies were still finding it difficult to remain in close connection with their customers via social media. One of the Takaful company's Executive directors does mention that they plan to use such channels soon. Due to limited IT resources, it is found that the Takaful sector has been a little behind in continuing to remain in close contact of customers. On the other hand, Islamic banks have adjusted rather well to changes in business operations. Their support from IT has led them to be aware with regards to their customers and continue serving them.

The highlight of the section was rather odd, when asked about the sustainability of the digitalization process post COVID-19, 35% of the sample population strongly disagreed compared to only 15% who strongly agreed, and a considerate number was unsure of the future changes. It is difficult to explain why most IFIs feel that merely through a questionnaire, hence, an in-depth interview needs to be carried out regarding this matter.

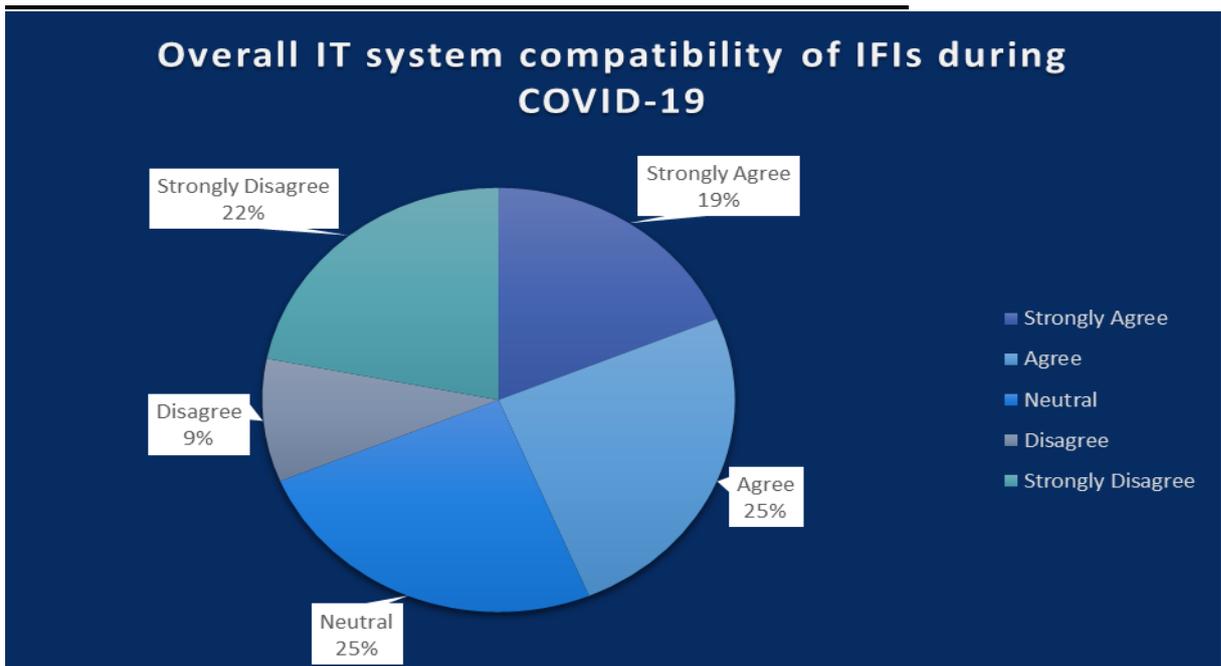


Figure 12: Overall findings in the IT system compatibility during COVID-19 section.

4.1.3 Findings from CRM integration process in IFIs

Questions in this topic area related to how sales and marketing and I.T. department collaborate in making use of the CRM process and strategies to carry out their role in retaining and acquiring customers. Most of the IFIs agreed that CRM is indeed incorporated in various sectors of their business.

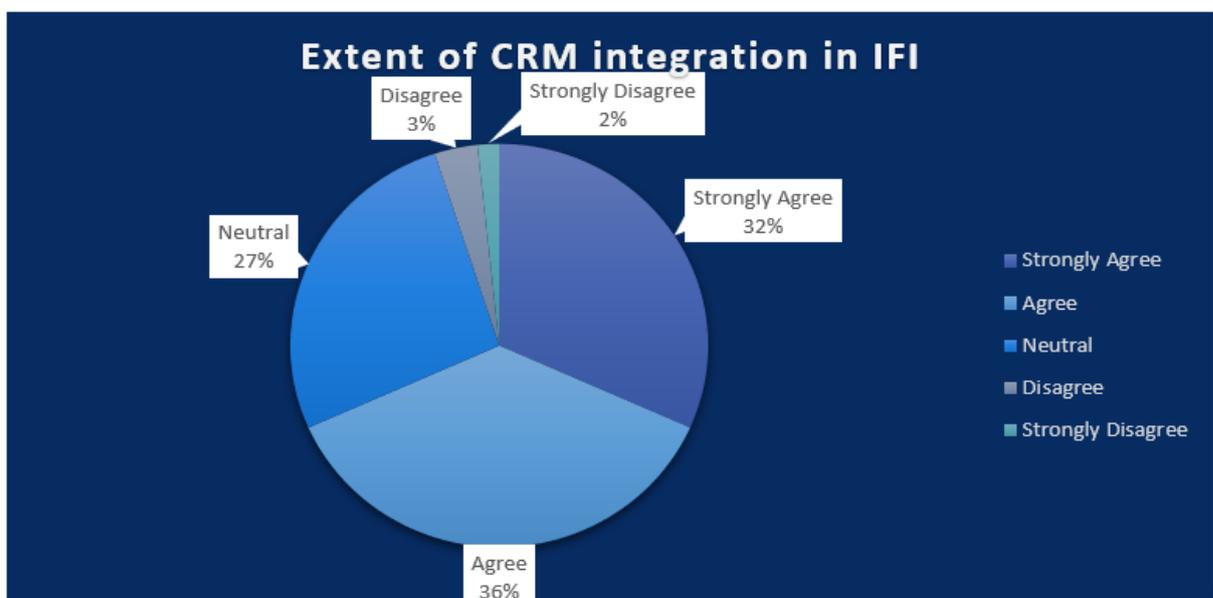


Figure 13: Overall findings in the CRM integration section.

4.2 Survey results from customers

Survey questions consisted of:

- How satisfied were they with the overall product range and service quality?
- What additional product or services that they desired were made available by their IFI?
- How convenient was it to get in touch about their problems and whether they felt their issues were resolved most of the times or not?

Overall, 62.5% of the sample population felt that there could be improvements made in the product range available of IFIs. These 62.5% also suggested additional product or services. Some of the suggestions included:

- Form filling and various administrative processes made available at home so that there is no need to go to the bank branch/Takaful company.
- Consumer product prices available on installments should be revised.
- *Al-Qard al-Hassan (interest free loan)* should be introduced especially to the employed sector.
- Upgrade of mobile banking with entry via biometric fingerprints.
- Introduce user-friendly and upgraded interface for customer mobile apps in both banking and Takaful services.
- A more accessible and quicker way to international transactions e.g., Transfer of funds needs to be introduced.
- Improved credit limit to make online purchases via Debit card.
- Time consumed for administrative processes in Islamic banks and Takaful branches be reduced.

On the other hand, 50% of IFI customers were satisfied with regards to ease of contact for problem solving matters. 30% however were not sure and remained neutral while the remaining 20% were unsatisfied. With regards to security, 75% of the customers felt financially secure in the hands of their IFI, and 25% felt improvements can certainly be made. In the discussion section of the paper, we will interpret these results and link customers and employee responses.

4.3 Success features of each IFI

The questionnaire also asked about CRM features that are unique to each IFI and that has produced extremely positive results in the form of greater customer satisfaction and loyalty for them. Some of the respondent's responses are briefed in the table below:

Meezan Bank

- Free internet banking services
- To respond timely to customer queries, required information and need-based solutions
- Meezan has Zero tolerance policy with regards to ineffective management of customer relations.

Bank Islami

- In-house discussions ,idea generations , geographically required services are part of our CRM mechanism
- Handling customer complaints effectively.

Dubai Islamic Bank

- "Resolving customers' issue in minimum time." Majority of the customers lack patience and are unwilling to understand internal documentary work and processes. **The key is to listen to their problem and get it resolved by all means in least possible time without bothering them.**
- Frequent follow ups, Retention, Proper Handling of Client Queries and Complaints and Providing prompt Solutions, Provide Best Customer Service Environment, Reference Banking, Competitive Banking are our key points of success in Islamic Banking Industry.

Al Baraka Bank

- Outbound calls through phone banking to understand customer needs and satisfaction level

MCB Islamic Bank

- To be loyal with your internal (colleagues) as well as external (General Public) customers, always keep yourself in place of your customer and do accordingly.

Takaful Pakistan Ltd.

- Always stay customer centric, trying to become a leader rather than a follower. This is exactly what we are trying to achieve.

Pak-Qatar Takaful Ltd.

- Sometimes a simple call on customer's birthday or any random call in a quarter from sales personnel have much bigger impact then emails. This call should be a thankful call not product or sale call.
- Personally approaching the customers towards their queries/concerns subsequent to their initial approach to the servicing department. Ensuring over phone that their concern or issue has been addressed satisfactorily. Though the technological advancement has its own benefits, nothing can supersede the effects of a personal follow-up, portraying your true concern for your valuable customers, more importantly in the service sector.

Dawood Takaful Ltd.

- Customer Portfolio Management

5. CONCLUSION, RECOMMENDATION AND FUTURE RESEARCH

Some of the tentative interpretations and deductions from the study findings, with solutions where possible, have been summarized in the following passages. Customer-centric culture is not fully achieved unlike what is assumed. The fact that a considerable number of employees were unsure if customers were kept at the heart of all processes further indicates that senior management of IFIs in Pakistan fall short in keeping their subordinates informed about the vision and objectives of the organization.

IFIs need to distinguish between solicited and unsolicited emails and need to customize information sent to customers. Whereas Takaful companies must divert attention on keeping their customers updated with latest developments and changes. Training programs must be provided by all IFIs especially by Takaful companies, and not just provided they need to be effectively delivered to equip staff with interpersonal skills to improve relations with customers and be able to customize support for each customer complaint or issue. Local IFIs need to understand that training is a long-term investment and should not avoid such opportunities for short-term benefit.

Rigorous training is necessary for I.T. staff, lack of experienced and skilled staff in advanced I.T. developments is apparent as most customer suggestions with regards to services were related to technology and how improvements are critical in times of COVID-19. Purposeful customer data needs to be collected to save storage costs of data and to make use of that data when the time comes. Skilled analysts and more innovative minds are needed in the Islamic financial industry, who can work with big data and use its findings to achieve a competitive edge in the entire financial industry of Pakistan.

It was disappointing when the results showed that even if the IFI had made an investment in CRM software little was done after that. Most IFIs were not even using these programs to process data they collected to produce clear and concise information which could be used to pinpoint their shortcomings and try to improve them. Trends also suggest that staff lack knowledge about CRM software and even confuse it with other management programs.

It comes as no surprise, that product development and services are not in-line with customer feedback. Even if IFIs collect customer feedback, it will be of no use to them if the data collected from customer feedback is not processed and directed to the research and development department or product development department, so that they listen to what the market needs and respond to them. CRM is all about listening to what customers need and if this is not understood it is natural that customer's satisfaction and trust would be lost, which is a long-term loss.

IFIs in Pakistan must make sustainable changes in their digitalization process as opposed to what the findings indicate. Even though the Takaful industry in Pakistan is a rather new one, it is beneficial for them to focus more towards digitalization as this will speed up their progress. IFIs must train and be ready for challenging and unpredictable situations. They can do so by using simulations and challenging themselves, so when/if faced with adverse situations they are ready and equipped.

In this era of social customer ecosystem, IFIs in Pakistan can no longer just “Make & Sell”. Current standards of CRM applied in local IFIs need to improve. This paper is based around getting an overview of CRM strategies applied currently in IFIs of Pakistan and attempts to highlight areas that need improvement while at the same time, pinpoints success features of various IFIs. It builds up on background knowledge of CRM and uncovers some of the major problems and weaknesses through questionnaires and surveys distributed among both employees and customers. There is a definite scope of further research in this area, some of the targets for future work can include:

- To design and suggest an ideal CRM strategy which covers the vulnerabilities and conforms to the requirements of CRM in retaining and acquiring new customers towards Islamic financing options in Pakistan.
- To carry a comparative analysis with IFIs in more developed countries e.g., Malaysian and Bahraini IFIs, which are more advanced in terms of CRM implementation.

This research paper has its own limitations that include: evaluated results might be inconsistent with previous research as CRM can be studied through various CRM models and frameworks. Since non-probability sampling has been used the findings of this research are not indicative of the entire Islamic banking and Takaful industry population. Sample size can be increased, and more participants can be interviewed.

The time period for the research is insufficient for a far more critical and elaborate research using a much larger and diverse sample size and focus groups. Lack of previous case studies done on the chosen focus groups, especially Takaful companies in Pakistan. Hence, there is a vast and tremendous scope of critical research on this topic for researchers. Due to the prevailing pandemic, COVID-19, Islamic banks, and Takaful operations were limited and some firms were even temporarily closed, as ordered by the government. Therefore, limitation in ways data could be collected is unavoidable.

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APPENDIX

I. Summarized Survey Questionnaire handed to employees

This Questionnaire was distributed from May 2020 – June 2020

Organizational Factors: Top Management

1. Our top management considers Customer Relationship Management (CRM) to be part of the organization's vision.
2. Top management is effectively and heavily involved in CRM implementation.
3. Top management frequently discusses CRM with the middle management involved.
4. Top management stimulates employees' interest in achieving CRM objectives.

Organizational Factors: Customer orientation

5. We attempt to understand customer needs by relying upon close interactions with them, including listening to customer feedback.
6. Our core business values involve customer satisfaction.
7. Customer retention and customer loyalty are considered to be a top priority.
8. We consider our organization to have customer-centric culture.
9. Customer-centric culture enables us to promptly encourage our employees to focus on customer relationships.
10. We pay close attention to customer service and constantly work on introducing more interactive ways to connect with them.
11. We keep our customers updated by emailing important information and letters periodically or keeping our website up to date.

Organizational Factors: Training orientation

12. Our organization arranges periodic training programs and workshops that help in CRM (directly or indirectly).
13. Our training programs enable employee's to effectively and innovatively address customer complaints.

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14. Our training helps employees understand how to tailor responses according to customer needs.
 15. Our training facilitates employees to develop interpersonal skills to build better customer relationships.
 16. Our I.T personnel are trained to handle customer's information packages including CRM.
 17. Training programs have shown improvement through increased customer satisfaction.

Technological factors: Customer data measures

18. The cost of data warehousing (acquiring and storage of data) within our company is reasonable.
19. Quality data is easily available when needed, e.g., call center operators have access to customer history and relevant data when responding to their queries.
20. Quality data is updated regularly and is available to employees, managers, and supervisors up to a great extent.
21. We are aware with the buzz word "Big Data" and its direct correlation with effective CRM. (Big Data: large volumes of data, extracted from variety of sources and in various formats processed by highly sophisticated software e.g., web logs/ cookies, customer's social media, customer's bank transactions, government documents on customer's, customer's GPS tracking etc. All of this data in turn helps in predicting customer behavior.)
22. "Big Data" is used in our organization to reveal trends and patterns in the market to predict customer behavior.
23. Customer data and feedback is the basis of developing new products and services.

Technological factors: Customer Information Processing and Availability

24. We have made a reasonable investment in purchase and installation of CRM software and packages.
25. What CRM software does your organization use? (optional)
26. We use computer-based CRM packages and systems to maintain and process customer database.
27. We not only gather customer-related data but process that data into clear and concise information.

28. We use information extracted from operational data and customer data to develop attractive offerings for our clients. e.g., internet services for transaction etc.

29. We greatly focus on customer retention strategies to offer e.g., loyalty programs to reward repeat customers.

Technological factors: Integration of CRM throughout organization.

30. Our sales force is equipped with adequate customer information.

31. Our marketing department is assisted in generating customized offers and responds promptly to changing market needs and scenarios.

32. We allow customer support personnel to access data on customer interactions with all functional areas.

Technological Factors: IT practices

33. We have maintained a strong connection with our customers during this COVID-19, through more updated channels e.g., social media (twitter etc.)

34. During this COVID-19 pandemic, we were able to respond quickly and come up with solutions in continuing our business operations because of strong back-end support from the I.T. department.

35. Increased online presence of our organization seems to be a sustainable change and it will continue to be part of a Digitalization process (post the pandemic).

36. Lastly, what CRM practice would you consider is unique to your organization and has produced extremely positive results in the form of greater customer satisfaction and loyalty?

II. Market share of Islamic Banks and Takaful industry.



Figure 14: Market Share of Overall Banking Industry.

Source: The International News, 2020

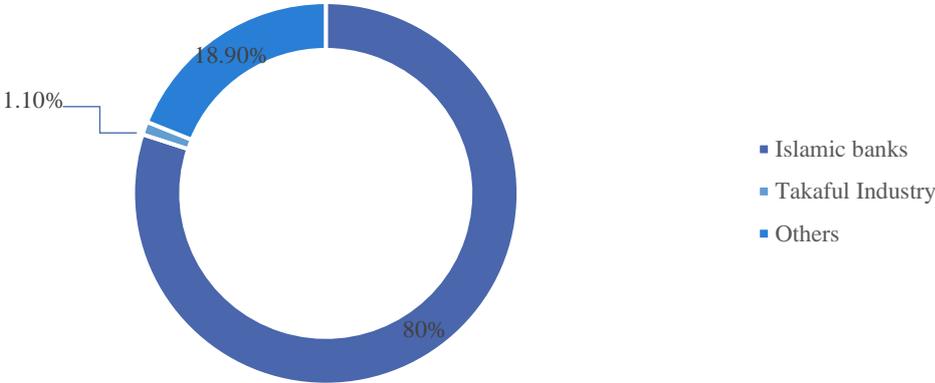


Figure 15: Market share of Islamic banks and Takaful companies in 2018.

Source: Islamic Banking Department, State Bank of Pakistan, Dec 2018.