**SECTION A (60 Marks)**

Answer **ALL** questions from this section.

QUESTION 1:

As a newly recruited Customer Relationship Managers, briefly advise management on three reasons why CRM should be seen as a an important asset in achieving success in a bank. (Total 15 marks)

*[*

*Total 15 Marks]*

*Answers Question 1*

|  |  |
| --- | --- |
| *No* | *Key Points* |
| *1* | * *CRM helps marketers take an asset-based view of their customers and thus make better decisions compared to managers who view their customers as products, brands or mere transactions* |
| *2* | * *Today's CRM uses computer technology to make precise customer asset management possible. CR Managers are able to efficiently obtain and process customer information and thus make informed decisions* |
| *3* | * *Changes in marketing are increasingly driven by advances in information systems, communications and production helping CR Managers to understand and manage individual customers in a focused manner that mass marketing cannot do* |

*Marks Allocation:*

*5 marks for each reason and 3 are expected. Total Marks 15.*

*QUESTION 2*

*The business of any bank is influenced by its business environment including technological, political, social and economic factors. Indentify and describe any five ways through which the internet technology has influenced the way customer relationship management is conducted within the banking industry.*

*[Total 15 Marks]*

*Answers Question 2*

|  |  |  |
| --- | --- | --- |
| *No* | *Impact* | *Discussion* |
| *1* | *More information; more control* | *Customers are more informed about almost every thing including banking products.*  *Customers are now more in control of their buying and/or experiences with banks*  *CR Managers are no longer dealing with passive recipient or users of banking services* |
| *2* | *Customer expectations* | *Customer know and expect more from their banks in terms of quality, speed and convenience of transactions* |
| *3* | *Industrial Capacity* | *Internet technology has created a "level playing field' in the banking industry rendering many of the services ordinary and competitive banks have to put more before the customer in terms of minimum standards and levels of service excellence* |
| *4* | *Impact on customer-intimacy equally strong* | *Internet technology means global operations across different cultures with different expectations that must all be met; making building global relationships a lot more harder* |
| *5* | *No direct human contact* | *Internet technology eliminates human contact between the manager and the customer making CRM more involving in terms of one's cultural empathy, language differences and thus expectations* |

*Mark Allocation:*

*3 marks are allocated for each point and 5 points are expected. Total Marks= 15*

QUESTION 3

*The Chief ExecutiveOfficer of your Bank was reading a Business Magazine in which he came across the CRM concepts listed below and he challenges you to research and explore how each can be be used in your organization. Briefly demonstrate how each concept list below can benefit your organization. Briefly describe at least five of the following terms as they related to CRM:*

1. *Just in time(JIT)*
2. *Continous Improvement(CI)*
3. *Data mining [DM]*
4. *Quality circles [QCs]*
5. *Life time value(LTV)*

*[Total 15 Marks]*

*Answers Question 4*

|  |  |  |
| --- | --- | --- |
| *No* | *CRM Term* | *Description/ Explanation* |
| *1* | *Just in time [JIT]* | * *Just-in-time is a system of working which aims to eliminate waste—i.e. the use of resources which fail to add value to a product—by means of managing workflow and is applied to four main areas of business i.e. purchasing, production, quality and modern manufacturing technology* |
| *2* | *Continuous improvement [CI]* | * *It is part of quality management recognizing the need* * *and it is a way of taping employees’ for continual examination and improvement of existing processes based on the understanding that customers need change in the normal course of events leading to cost savings or design improvements.* * *CI encourages experimentation and a scientific approach to production knowledge* |
| *3* | *Data mining [DM]* | * *Data mining is a technique dependent on models for predicting personal or business behavior based on patterns and associations that a computer finds in a customer’s data in such areas as ‘recency of purchase’.* * *Data mining looks for unexpected patterns based on a reasoned hypothesis about how we think a certain set of customers will behave.* * *It compares information on a set of customers whose behavior is already known against that of groups with similar and different characteristics* * *Patterns discovered are used to build models that can be tested against other set of customers to see if this can predict actual behavior accurately* |
| *4* | *Quality circles [QCs]* | * *This is a continuous improvement strategy based on the belief that operational-level workers know best how processes are failing and thus more able to make improvements if given some form of authority to do so.* * *QCs are groups of employees, perhaps eight in number, meeting regularly to discuss problems of quality and quality control in their area of work and suggesting ways of improving quality.* |
| *5* | *Lifetime value [LTV]* | * *LTV is the expected net profit a customer will contribute to your business over the entire time the customer remains a customer; taking into account factors such as customer defection rates and discounted cash flow, which is the current worth of revenue received in the future (net present value calculation).* * *LTV is used to determine the lifetime value for customers and segments and thus a basis for justifying investments in campaigns that have a high cost of acquiring new customers and wouldn’t normally be recouped by a single purchase.* |

*Marks Allocation:*

*3 marks are allocated for each method and 5 methods are expected. Total Marks = 15.*

QUESTION 4:

Customer relationship management recognizes that customer-company relationships, like all relationships, evolve over time. This is called the customer life cycle.

Required:

Using a bank of your choice in Malawi, briefly discuss the importance of each stage of the customer life cycle.

Answer:

There are five main stages: prospects, first time buyers, early repeat buyers, core customers, and defectors.

|  |  |
| --- | --- |
| **State** | **Key points for consideration:** |
| Prospects | These are not yet banking with your bank. But for any bank to grow it must be attracting new customers. Attractive offers better than competition must be made to ensure product adoption. However, its key to create realist expectations so that once they buy your product they become repeat buyers. Tailor made communications are also critical. |
| First time buyers | They make the first purchase but have low retention rate as they are still in the evaluation stage. Any mismatch between experience and expectation creates problem. Key focus therefore should be converting these into repeat buyers. |
| Early repeat buyers | Sales per customer increase as they gain confidence with the company but they are still evaluating the relationsdhip. They are supposed to be given special attention and ensure that their expectatios are continourly being met to convert them into Core customers. |
| Core customers | The most profitable group. Tried and tested your product and it meet their specifications and value expectations. Can withstand one of two disappointments but still should be give the focus to minimize chances of losing them. |
| Core defectors | These normally happen due to either internal or external factors. External factors are not controllable but internal are. Therefore the company must pay special attention this group affected by internal factors to adapt policy to wow them back. Often companies miss this group. |

Marks Allocation:

Four (4) marks for each correct point and 5 points are expected attracting 20 marks.

**SECTION B (40 Marks)**

QUESTION 5:

Globally the use of internet by banks to offer online services has been known to increase competitiveness and enhance customer experience. In Malawi, however, this is not yet the case. Customers are always complaining of their online experience.

Required:

Now, you have been hired by a local bank as its customer experience improvement manager, advise management on the 5 pitfalls most websites have and how to address them for an improved customer experience.

Model Answer:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Cause | Solution | Description |
| 1 | Slow or no response. Most banks do no have dedicated staff to respond to online queries as such it takes more days to respond | Rapid response time | Website visitors are very impatient they need responsive and fast response time. Almost instantly or else they go to a competitor. Dedicated staff with specific service level outputs should be deployed and assigned to assist customers. |
| 2 | Headings, titles and menus not logically arranged and linked. | Navigability | Headings and category titles should be straightforward and meaningful, not obscure and ambiguous. |
| 3 | Supporting infrastructure must be fit for purpose e.g. enough bandwidth and servers for swift operations. | Download times | This must be very fast. Most internet clients believe they are cash-rich, time-poor |
| 4 | Guarantees on security and reliability of the serve must be put in place and connected to clients so that they trust the bank and have peace of mind. | Security/trust | Ensure that you offer solid security so that customer details are safe and not stolen to be used for fraudulent activities. |
| 5 | Orders or instructions through internet not responded to. No service level standards and performance indicators set. | fulfillment | Create believability that if you place an order it will be fulfilled and timely. |
| 6 | Not updated, showing old information and discontinued products. | Up-to-date | Needs latest information and frequent refreshing to keep attracting clients |
| 7 | Frequent downtimes especially when you really need it | Availability | It is must be available 24/7 with minimal downtime. |
| 8 | Complicated nevigatability, not user friendly, menu not logically arranged. | Site effectiveness and functionality | Ease to use, user friendly content even to first time users. |

Marks Allocation:

Four (4) marks for each correct point and 5 points are expected attracting 20 marks.

QUESTION 6

Investors are planning to open a new bank in Malawi. The investors have been hiring different experts to advise them on the areas of banking specialty. The investors have approached you to advise them on Customer Relationship Management (CRM) issues.

Required:

Briefly prepare a report contrast the five key functions between the traditional and the new Customer Relationship Management roles in banking that the new bank should adopt. (Total 20 marks)

*Answers Question 3*

|  |  |  |
| --- | --- | --- |
| *Activity* | *Traditional Role* | *New CRM Role* |
| *Marketing* | *Communicating and branding* | *Customer advocate* |
| *Sales* | *Selling products* | *Selling customer solutions* |
| *Services* | *Delivering services* | *Delivering customer relations* |
| *Support* | *Supporting products* | *Supporting customers* |
| *IT. Department* | *Enabling business activities* | *Enabling customer activities* |

*Mark Allocation:*

*4 marks for each correct treatment and 5 points are expected. Total Marks 20.*

QUESTION 7

One of the biggest banks in the country has been experiencing a lot of customers’ issues regarding its services. As a newly hired Customer Relations Manager, advise Management any five key steps/measures the bank should undertake to improve service quality?

*[Total 20 Marks]*

|  |  |  |
| --- | --- | --- |
| *No* | *Action* | *Discussion* |
| *1* | *Identify key aspects of service quality* | *Identification may involve market research to determine existing levels of satisfaction and use research to identify service quality gaps between expected and actual levels of service quality.* |
| *2* | *Set standards for service delivery* | *These should be based on the SMART principle—quantifiable and attainable e.g. maximum queuing time or queue length. Maximum number of rings before a telephone is answered* |
| *3* | *Set up systems for service delivery.* | *Delivery targets are more effective if supported by an operating systems enabling service staff to meet those targets.* |
| *4* | *Analyse employee training needs* | *Analyze current practice and identify weaknesses in terms of what employees know enough about the company products and whether they have sufficient interpersonal skills. Use such information to set up responsive training programs* |
| *5* | *Develop training programs* | *Using information identified during the analysis of training needs develop training programs in areas related to the nature of the business, employee knowledge of business product, customer awareness and interpersonal skills* |
| *6* | *Set up systems to measure and monitor success* | *System to be used to measure achievements of set targets and market research may be used to examine customer perceptions of actual service quality.* |
| *7* | *Set up performance related pay and recognition systems* | *Pay and recognition system for employees is necessary to back organization’s commitment to service quality and thus motivate staff towards greater CRM.* |
| *8* | *Effect cultural change.* | *Where necessary look to restructure the organization towards a CRM employee ‘contractor’ role model* |

*Marks Allocation:*

*5 marks for each corrected treatment attracting 4 points. Total Marks = 20*

QUESTION 8

*Your bank has been traditional for the past 10 years. The growing trend in bank locally and internationally is moving towards creating lifetime value for customers through loyalty and relationships. Write a brief report emphasing five points advising your management how relationship marketing is different from tradistional marketing?*

*[Total 20 Marks]*

*Answers Bonus Question 10*

|  |  |  |
| --- | --- | --- |
|  | *Transaction Marketing* | *Relationship Marketing* |
| *1* | *Focus on a single sell* | *Focus on customer retention* |
| *2* | *Orientation on product features* | *Orientation on product benefits* |
| *3* | *Short-time scale* | *Long-time scale* |
| *4* | *Little emphasis on customer service* | *High emphasis on customer service* |
| *5* | *Limited customer commitment* | *High customer commitment* |
| *6* | *Moderate customer contact* | *High customer contact* |
| *7* | *Quality is the concern of the production department* | *Quality is the concern for all* |

*Marks Allocation:*

*4 marks for each point and 5 points are expected. Total marks= 20.*