CRM in the Banking Sector: Framework and Application

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ABSTRACT

The aim of this paper is to evaluate the practices of customer relationship management (CRM) strategy implementation in the Gulf Banking sector, contextualizing with Kuwait. There is broad consensus in the literature that improving and enhancing the relationship with customers is imperative and a determinant factor to gaining competitive edge in the marketplace. The financial sector in general, particularly the banking sector, has taken on a pro-active role in the Kuwaiti economy and, accordingly, susceptible to wide-ranging reforms which are profoundly impacting sector-specific competitive tactics and strategies. This study provides a preliminary evaluation of the evolutionary trends of CRM strategy implementation through a developed model, the antecedents and consequences in relation to competitive positioning/repositioning of organizations in the Kuwaiti banking sector.

Keywords: Banking Sector, Customer Relationship Management (CRM), Customer Relationship Management (CRM) Banking Model, Financial Sector; Kuwait

INTRODUCTION

Marketplace volatility wrought by the recent global economic upheaval and the increasing turbulence with which the global financial sector is confronted exposes financial institutions to a profoundly challenging competitive environment, regardless of operating contexts. Whilst there are bound to exist significant contextual differences in the degree to which financial services providers are impacted upon by generic global trends such as those recently witnessed in many parts of Europe and the United States, anecdotal evidence indicates that no part of the world is insulated from the ripple effects of those global phenomena (Shah, 2010). For many emerging economies such as the BRICS and the vibrant economies of the Gulf region, grappling with the tumultuously evolving trends are proving to be extremely challenging when considered alongside the embedded dynamisms and trajectories of growth and development in those contexts.

With regard to the Gulf economies, in broad terms, one of the remarkable but contemporaneous developments is the changing pattern of business development, with discernible shifts towards greater interconnection with

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the global economy. The impressive economic performances in the Gulf region (Economist Intelligence Unit, 2009; World Economic Forum, 2010) and aggressive lurch towards global expansion (especially with the launch of the novelty ‘sovereign funds’ prior to the recent global economic meltdown) resulted in the penetration of Arab investors into many hitherto unconsidered far-flung developing economies many of which are in Africa in search of higher returns that are thinning out in saturated western markets (Nwankwo, 2011). Also, prior to the ‘scramble for China’ by global investors, the Gulf States were seen to be fecund and hospitable environments for foreign direct investment, bolstered by strong international business-enhancing institutions (Al-Tuaih & van Fleet, 2011). Thus, the Gulf region has emerged as the ‘new kid on the block’ as many Arab companies seek global market expansion. Refreshingly, at the vanguard and spurring on much of this dynamism has been the financial services sector (Economist Intelligence Unit, 2000). Intriguingly, whilst much attention is devoted to the oil sector as the main growth trigger, there is very limited knowledge and appreciation of how the banking sector is helping to regenerate and bolster the Gulf economies. In the evolving economic dispensation, how the banking institutions are internally organised or re-organising themselves not only drive forward the regional growth agenda but also for organisational-level growth and sustainability remains a legitimate area for scholarly inquiry. Paradoxically, in recognition of the knowledge-gap that relatively exists in the literature, it has been argued that one of the chief causes for the scarcity of research regarding banks and financial establishments in the Middle East is largely due to the slow pace of financial reforms in majority of Arab nations until the 1990s (Jreisat & Paul, 2010).

Accordingly, set against contemporary reforms of the financial sector (e.g., Khan & Ishaq, 2008b) and firm-level competitive intensity (EIU, 2009), this paper explores the adaptive strategies used by the banks to enhance deeper levels of customer interactions. Building on the-matically pioneering work (e.g., Padmavathy et al., 2012) this paper sheds more light on CRM implementation using Kuwait as a contextual base. Focusing CRM and banking in an Arab world is premised on the understanding that implementing transactional marketing methods that are oblivious of underlying value concepts may be considered an inadequate organizational approach (Tapscott & Caston, 1993; Lindgreen & Wynstra 2005).

THE ARAB GULF REGION, FINANCIAL & BANKING SECTOR

The Arab Gulf countries, which consist of: Bahrain, Kuwait, Oman, Qatar, Saudi-Arabia and the United Arab Emirates, are considerably much wealthier than other Arab countries in the region. Equipped with economic development and abundant capital, they are also the most governmentally stable.

Due to revenues from high oil prices in international markets, and positive socio-political factors, different financial sectors have gotten the leverage and support they have needed in order to be introduced as an affective competitor in local and international markets. Such conditions have helped the growth of economies, diversification of organizations and the quality of products and services offered.

Regulatory bodies operating within Kuwait have been successful at housing local and foreign companies, making the financial market an attractive and established business environment. The government has been keen to show its support towards the banking sector and ministries such as the Kuwaiti Ministry of Awaqaf and Islamic Affairs provide complete guidance and supervision needed for Islamic Shairah supervisory boards. These boards operate as policymakers in Islamic financial institutions. The Central Bank of Kuwait also introduced new laws as a measure to ensure that organizations operating within this sector have highly regulated and transparent financial practices (Khan & Bhatti, 2008a).
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