

# ФІНАНСИ ТА БАНКІВСЬКА СПРАВА

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## CLIENT-ORIENTED APPROACH: FORMING THE SYSTEM OF MANAGEMENT OF THE BANK RELATIONS WITH CLIENTS

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### Client-Oriented Approach: Forming the System of Management of the Bank Relations with Clients

The aim of the article is to develop the theoretical principles of forming the bank relations with clients as part of the client-oriented strategy implementation. As a result of the conducted research there has been presented the definition of client-orientation, mechanism and system of management. The system of management of the bank relations with clients, the purpose and objectives of its formation have been substantiated. The hierarchy of subjects of forming and managing the process of the bank relations with client has been presented. The ways of implementing in practice the functions of the mechanism of managing relations with clients have been revealed. It has been proved that for implementation of the client-oriented approach the banking institution should have a comprehensive view of its clients' behavior, which detailed understanding will allow for a more accurate segmentation and building individualized partnership relations. Implementing the principle of totality of client relationships level and comprehensive knowledge, development of employee behavior techniques and special techniques for working with the most valuable clients, the use of analytics and forecasting tools will provide targeting of marketing campaigns and lead to minimization of additional costs, satisfaction of every client, loyalty, increase in the market share, growth of sales volume, increase in profits of the banking institution.

**Key words:** client-oriented bank; system of management of the bank relations with clients; mechanism, functions and links of management; subjects and levels of the system for managing the client-oriented relations

**Pic.:** 1. **Tabl.:** 1. **Bibl.:** 10.

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#### Завадская Д. В. Клиентоориентированный подход: формирование системы управления отношениями банка с клиентами

Целью статьи является разработка теоретических аспектов формирования системы отношений банка с клиентами в рамках реализации клиентоориентированной стратегии. В результате проведенного исследования было предоставлено определение клиентоориентированности, механизма управления и системы управления. Обоснована система управления отношениями банка с клиентами, цель и задачи ее формирования. Представлена иерархия субъектов формирования и управления процессами отношений банка с клиентами. Раскрыты пути практической реализации функций механизма управления отношениями банка с клиентами. Доказано, что для реализации клиентоориентированного подхода банковское учреждение должно иметь всестороннее представление о поведении клиентов, детальное понимание всех аспектов которого позволит осуществить более точную сегментацию и выстраивать индивидуализированные партнерские отношения. Реализация принципа тотальности уровня клиентских отношений, всесторонней осведомленности, разработка технологий поведения сотрудников, особых технологий работы с наиболее ценными клиентами, применение инструментов аналитики и прогнозирования обеспечит адресность маркетинговых кампаний и приведет к минимизации дополнительных расходов, удовлетворенности каждого клиента, лояльности, увеличению доли рынка, объемов продаж, росту прибылей банковского учреждения.

**Ключевые слова:** клиентоориентированный банк; система управления отношениями банка с клиентами; механизм, функции и звенья управления; субъекты и уровни системы управления клиентоориентированными отношениями

**Рис.:** 1. **Табл.:** 1. **Библ.:** 10.

#### Завадська Д. В. Клієнтоорієнтований підхід: формування системи управління відносинами банку з клієнтами

Метою статті є розробка теоретичних засад формування системи відносин банку з клієнтами в рамках реалізації клієнтоорієнтованої стратегії. У результаті проведеного дослідження було надано визначення клієнтоорієнтованості, механізму управління та системі управління. Обґрунтовано систему управління відносинами банку з клієнтами, мету та завдання її формування. Надано ієрархію суб'єктів формування та управління процесами відносин банку з клієнтами. Розкрито шляхи практичної реалізації функцій механізму управління відносинами банку з клієнтами. Доведено, що для реалізації клієнтоорієнтованого підходу банківська установа повинна мати всебічну уяву про поведінку клієнтів, детальне розуміння всіх аспектів якої дозволить здійснити більш точну сегментацію та будувати індивідуалізовані партнерські відносини. Реалізація принципу тотальності рівня клієнтських відносин, усебічної обізнаності, розробка технологій поведінки співробітників, особливих технологій роботи з найбільш цінними клієнтами, застосування інструментів аналітики та прогнозування забезпечить адресність маркетингових кампаній та приведе до мінімізації додаткових витрат, задоволеності кожного клієнта, лояльності, збільшення частки ринку, обсягів продажів, зростання прибутків банківської установи.

**Ключові слова:** клієнтоорієнтований банк; система управління відносинами банку з клієнтами; механізм, функції та ланки управління; суб'єкти та рівні системи управління клієнтоорієнтованими відносинами

**Рис.:** 1. **Табл.:** 1. **Бібл.:** 10.

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**General formulation of the problem.** The specifics of banking activities lies in the fact that an important role in its implementation is played by credibility of the bank management both among the shareholders and clients, investors and partner banks. All the bank activities are aimed at maximum satisfaction of the demands for quality services, assistance in the development and optimization of industrial and financial activity of the clients and strengthening mutually advantageous and long-term cooperation. Under current conditions the bank competitiveness is associated with implementation of the client-oriented approach, which will allow the clients to get support and satisfaction of their demands at all levels.

**Analysis of recent research and publications.** A significant amount of scientific works by such researchers as: Luchkov V., Makota O., Mann I. Priianishnikova N., Ryzhkovskiy B. and others are devoted to issues of interaction of banks with clients. Despite a wide coverage of problems of ensuring a sustainable market position, increase in volume of active operations of banks, the economic literary sources mainly deal with issues of constant expansion of the resource base by attracting more clients, increase in sales, and, consequently, increase in profits. But the problem of creating competitive advantage by means of the client-oriented approach with determination of the client's place in the system of priorities of the bank activity has not been paid sufficient attention yet.

**Formulation of aims of the article.** The aim of the article is to develop the theoretical aspects of forming the bank relations with clients as part of implementation of the client-oriented strategy.

To achieving the aim there contributed the following tasks: studying the most common definitions of client-orientation, mechanism and system of management; system of managing relations with clients, formulation of its objectives and tasks; developing the theoretical scheme of the system of managing relations with clients based on the client-oriented approach; providing a hierarchy of subjects of forming and managing the process of the bank relations with clients, disclosure of the practical implementation of the functions of mechanism to manage the bank relations with clients.

**Statement of the basic material of the research.** The profound structural changes in the global economy associated with the development of international business lead to integration of separate, geographically distinct markets, unification of international, national, commercial and consumer space, and contribute to the transformation of the basic principles of marketing activity in the bank.

Globalization is changing the nature of competition, as now it takes place between companies from different regions. International supply networks are being formed, as manufacturers seek to work with suppliers of the cheapest resources. A proportion of buyers from other countries is growing. The progress of information technologies and telecommunications has also changed marketing activities — software suppliers;

contractors on marketing research, development of advertising campaigns or rebranding can be located in other countries. Each of these trends is true for banking business.

The entrance to the market of new powerful financial companies, reorientation from manufacturing to adapting to the customer needs, development of remote client service channels, formation of highly qualified personnel, and other factors have greatly increased the intensity of the interbank competition. The level of competition is a fundamental factor at choosing the bank marketing strategy. Under conditions of information development of society banks face an important task of working out a client-oriented strategy, which will ensure creation of distinctive competitive advantages and enhance competitiveness. Relationship marketing, which has been actively used in the period after the 2008 crisis, is inextricably linked with the term of client-orientation. Let us consider examples of the most common definitions of client-orientation. According to the opinion of Priianishnikova N., in recent years there appeared trends to use two basic approaches to the definition of the term of client-orientation. The first one assumes that client-orientation is a business characteristic reflecting the company's desire and ability to build mutually beneficial relations with its clients — both external and internal ones. The second definition is based on perception of client-orientation as fundamentally different approach to marketing than the classic «4Ps» mix. A characteristic feature of relationship marketing is to focus attention not on the product, but on the client with his/her needs, interests, expectations and behavior, which includes: a variety of discounts and gifts for purchases; additional services and SMS-congratulations on holidays; use of CRM-systems; attitude to the client as a partner; marketing strategy providing for an increase in the number of loyal clients and growth of profits [1].

Makota O. gives the following definition of client-orientation: «It is the company's ability to obtain an additional long-term profit as a result of deeper understanding and effective satisfaction of clients' needs, and also due to predicting their desires» [2].

There is no objection to the opinion of Luchkova V. that client-orientation is the company's ability to create an additional flow of clients and additional profits due to understanding and meeting the needs of clients [3].

Ryzhkovskiy B. believes that client-orientation is a tool to manage relations with clients aimed at obtaining sustainable profits in the long term, based on the three criteria: the key competencies, target clients and equality of positions [4].

Mann I. is of the opinion that client-orientation is the initiation of positive emotions and capture of potential and existing customers, which contributes to the choice of goods and services of your company among its competitors, encourages repeat purchases and provides for attracting new customers owing to recommendations of existing clients [5; 6, p. 2].

The mentioned interpretations allow us to make a conclusion concerning the need to focus attention on the implementation of the bank development strategy considering individual approach to the client, forming the system of management actions with the purpose of predicting, satisfaction of the needs and adequate evaluation of effectiveness of the introduced techniques of working with clients, which in the future will contribute to creation of competitive advantages and growth of the banking establishment.

Also it should be noted that the inflated expectations of the clients caused by the growth of social and mobile technologies make it difficult for Ukrainian banks to be client-oriented. This leads to the need to form client-orientation throughout the whole banking organization, not just in those departments that are directly related to working with clients. Application of the system of interrelated, interdependent forms and methods of managing relations of the bank with clients, where the mechanism of management is the way of the system functioning, in our opinion, will contribute to the formation of a client-oriented approach.

Mechanism of management is a tool, by means of which the management system influences the management object. In the management process the mechanism performs the two functions: supplies the administration with the information on the status of the management object and ensures the implementation of decisions made by the administration [7, p. 122].

According to the source [8, p. 1226], the system of managing relations of the bank with clients will be considered as a combination of the management object and management mechanism (complex of collecting, processing, transmission of information and forming managerial decisions), which action is aimed at maintaining or improving the object operation (Fig. 1).

An important feature of the system is availability of the task system. It is purposefulness of the processes, which occur in it, that provides efficiency of its operation. The overall objective of the bank within the administrative system is to build long-term mutually beneficial relations with clients by means of maximal satisfaction of their demand for products and the level of service that will improve the profitability and efficiency of the bank as a whole [9, p. 2-5]. To specific tasks in achieving the set objective we designate the following:

- implementation of the principle of totality in client management;
- development of the corporate culture in working with clients, ensuring client's rights;
- timeliness, completeness in collecting and using the information about clients and channels of communication with them, the implementation of communication with clients.
- development of techniques of employee behavior and special techniques of working with the most valuable clients;
- increasing loyalty and satisfaction of each client at minimizing additional costs;
- monitoring the service quality and developing criteria of the bank clients' satisfaction;
- activity on development of the bank as a client-oriented organization.

The system of management of the bank relations with clients is built according to the client-oriented and chosen competitive marketing strategy of the institution development in the three main areas: attraction, retention and development of the client base (strategic management level). At the tactical level the tasks are solved according to the stages of forming relations with clients. The operational management level is associated with implementing tasks relating to working with certain clients. At each of these levels responsible persons are appointed and their functional duties are determined (Table 1).

Each of the selected subjects at the appropriate level of the system of client-oriented relations of the bank with clients affects:

- 1) strategic management: statement of mission and corporate values; formation of strategic plans; identifying the market trends; control over the achievement of strategic objectives; definition of the basic approach to personnel management;
- 2) tactical management: developing a set of marketing activities; organization of working with personnel; formation of corporate culture together with HR-department; control over the implementation of tactical plans; identifying and eliminating systemic problems; establishing feedback between the strategic and operational levels of management;
- 3) operational management: developing individual plans for regional units; implementation and control of operational plans; identifying client needs and studying trends of their change; working with reclamations of clients; forming ideas to improve the product or service of the bank.

Correspondingly, the stages of the management process according to the impact on the management object, are the following (7, p. 122): analyzing the state of the managerial decision object; developing and making the managerial decision; appointing the executor of the managerial decision; control over the implementation of the made managerial decision; evaluation and adjustment of the made decision.

Practical implementation of two functions of the mechanism of managing the bank relations with clients is based on the formation of a unified information system (function of the impact on the management object). This system allows creating (function of collecting and supplying information about the management object):

- systems of front offices (departments organizing the work with clients);
- CRM (customer relationship management);
- ERP (enterprise resource planning — a system of planning and controlling the bank resources);
- MIS (management information system);
- risk management system (single data repository);
- pass-through systems of reporting and client relations management: MDM (master data management — a system ensuring data uniqueness), DWH (data warehouse — allows the bank to «know» their customers, consistently improve and expand sales of products and services, improve client service quality [10, p. 18].

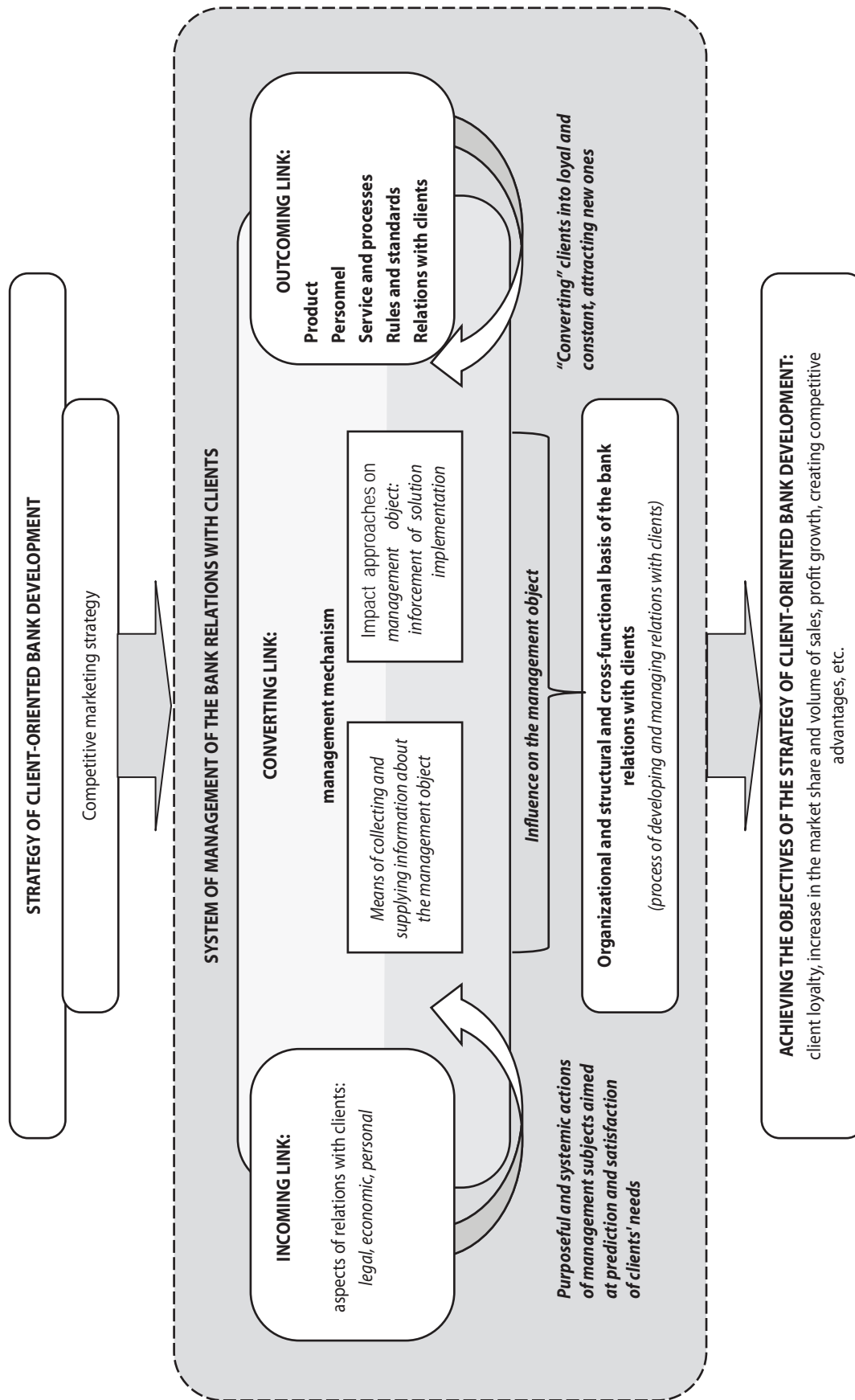


Fig. 1. Scheme of forming the system of managing the banks relations with clients as part of the client-oriented approach (developed by the author)

**The hierarchy of subjects of forming and managing the processes of the bank relations with clients**  
(developed by the author)

Subject level	Subjects
Strategic	Member of Management Board responsible for client relations; heads of food departments; Head of Marketing Department; Head of Client Relations Department
Tactical	Marketing Department; Client Relations Department
Operational	heads of regional units; managers working with clients, mobile agents; cashiers; call-center managers, etc.

The result of operation of the system of managing the bank relations with clients is a more balanced policy of attraction, retention and development of clients; providing estimation of the «cost» of a lost client; identifying the most interesting categories of clients in real time; using a personalized approach to the client; reducing budgets for marketing, advertising, sales, the number of complaints; creating competitive advantages; penetration to international markets with minimal costs.

#### Conclusions and prospects of further developments.

Based on the results of the conducted research we can make the following conclusions.

1. The main directions in the strategic development of Ukrainian banks are related to carrying out quality monetary policy, developing innovations and IT technologies, introducing modern risk management systems, management and operational processes, adaptation of the innovative client-oriented approach.
2. The result of implementing the customer-oriented strategy is creation of competitive advantages, saving resources, ensuring the balance of the bank priorities, satisfaction and loyalty of clients, optimization of business processes.
3. The main problems in organizing the bank relations include the lack of: professional client departments responsible for establishing client service; the bank strategy of interaction with clients; adequate response of the bank to requests of their clients; the detailed plan for implementing the client-oriented approach as well as lack of understanding the importance of developing the client policy.
4. At present there have not been developed any uniform criteria for determining the bank client-orientation. Primarily this is connected with the fact that this area of marketing is still developing.
5. The effectiveness of the system of managing the bank relations with clients is possible under conditions where the subjects of influence at each level will be able to anticipate and predict complex economic phenomena of the external environment, taking into account changes in the internal environment of the bank.
6. The system of client relations management in banking institutions is a daily, continuous process ongoing during the whole period of its operation, an effective management tool, where the subject is bodies of bank

institutions appropriate to the levels of management, and the object — process of formation and management of client relations.

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