
FINANCIAL IMPACT OF CUSTOMER EXPERIENCE MANAGEMENT - EVIDENCE FROM KOSOVO BANKING MARKET

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Abstract: Customers are becoming increasingly sophisticated in their expectations. Customers are seeking engaging experiences that stimulate, entertain, educate and/or challenge. In the minds of customers brands that can provide such experiences are clearly more valuable as compared to brands that don't was written in the research paper of Schmitt in year 1999.

Consistent delivery of outstanding service has become a must for every organization. Customer experience is considered as a key determinant of customer satisfaction and loyalty and with high impact on the financial growth of the organization. With its exceptional impact on customer behavior, companies are utilizing customer experience for gaining market differentiation through superior services and relationship management with their customers.

Designing and mapping right customers' journeys for their key processes and products is enabling companies to improve their market position through better customer experience provided to their customers. Additionally, companies are positively changing customer perception by increasing their product and service value for the price that customers are paying. As a result, this approach is enabling companies to improve their market position by improving their recommendation scores.

This research paper showed that financial institutions operating in Kosovo market have a great opportunity in investing in loyalty, better experience management as well as in improving their recommendation score. Findings showed that a customer centric culture within the organization that puts customer at the heart of everything that company is doing is lacking. Customers perception toward banks in Kosovo is negative since there is no value for the money their spent however they strongly believe that a better experience offered from the bank will change banking in Kosovo.

Keywords: banking market, Kosovo, financial impact

INTRODUCTION

The world in which companies today have to do business is certainly changing. Changes on the economic climate, globalization and democratization of the information have impacted customers to become part of every business strategies. As they are having more access to the company's information, customers are becoming more empowered. With these changes, companies can no longer provide and compete on products and price alone; they have to work in creating and selling experience to their customers that are highly valued and difficult or impossible to replicate from others. They have to work in creating memorable experiences in each customer interaction by managing the emotional and rational situations.

According to different studies, customer experience has emerged as the single most important aspect in achieving success for companies across all industries. Additionally, it is believed that customer experience is a strategy that focuses the operations and processes of a business around the needs of the individual customer. *Sharma and Chaubey, 2014* in their article "An Empirical Study of Customer Experience and its Relationship with Customer Satisfaction towards the Services of Banking Sector" explained that simple term Customer Experience Management' represents the discipline, methodology and/or process used to comprehensively manage a customer's cross-channel exposure, interaction and transaction with a company, product, brand or service.

It is believed that companies who invested on the customer experience and provide high quality of service have better position on the market if compared to other companies that do not invest in customer experience. In service industries, especially in banking sector it is essential to provide and maintain high quality services, to increase the satisfaction level of the customers and to create values that generate profit.

RESEARCH OBJECTIVES

The purpose of this paper is to present a research idea in area of Customer Experience Management (CEM) and its financial impact in Financial Institutions, banks.

The objective is to analyse and elaborate the CEM impact ing customer buying behaviour and its financial impact to the organization by analysing key elements in customer journeys that determines the overall experience with the institution.

METHODOLOGY IN BRIEF

In order to meet this paper objective, this research is conducted employing a quantitative methodological framework. The research strategy is going to be building upon the combination of exploratory, descriptive and explanatory study.

Initially, the research on the topic will begin with desk research through published academic literature of different authors in regard to the selected topic, by confronting and examining their findings and conclusions. With the idea gathered from these readings, research will continue with quantitative approach when customers of three leading banks in Kosovo will be interviewed immediately after their interaction with the bank. Whereas the qualitative research is going to be completed with interviews organized with management of the banks selected for the research.

LITERATURE REVIEW

Customer Experience Management has been mentioned for the first time as the term in year 1982 by Holbrook and Hirschman and it was considered as integrated part of the customer satisfaction (Holbrook and Hirschman, 1982). As its importance increased, the customer experience as an emerging area of competitive advantage is clearly documented in the literature now from different authors and academics (Johnston and Kong 2011). According to Bernd Schmitt, the term ‘CEM’ represents the discipline, methodology and/ or process used to comprehensively manage a customer’s cross-channel exposure, interaction and transaction with a company, product, brand or service (Bernd Schmitt, 1998). As the literature explained, customer experience is a journey and it begins when a good turns into service, service turns into an experience and experience turns into value and satisfaction.

According to Anil Pillai research study, a customer experience is not just about a rational experience (e.g. how quickly a phone is answered, what hours you’re open, delivery time scales, etc.) (Pillai, 2009). A customer experience is not just about the ‘what,’ but also about the ‘how.’ A customer experience is about how a customer consciously and subconsciously sees his or her experience while interacting with the organization.

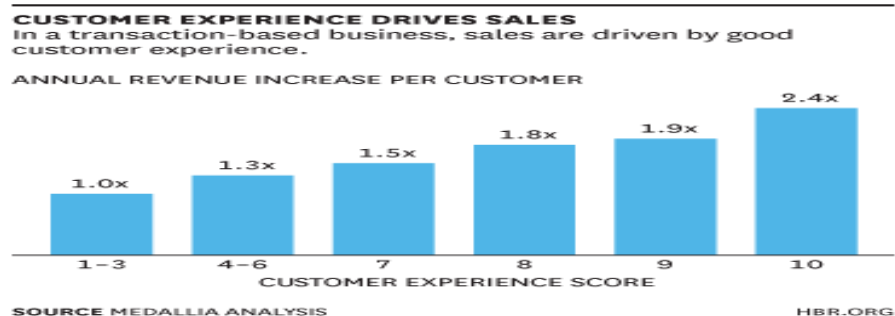
CEM plays a very crucial role in the development of the business since it directly impacts the consumer spending, the loyalty and net promoter score. Walter and Ostrom (2010) in their article remarked that to be competitive, service companies need to understand the uniqueness of their customers and what contribute to their value. In other words, Shein in year 2001 explained that businesses have to understand the needs and requirements beyond the product by identifying key interactions of the customers with the organization and by defining the moment of truth for their customers. Defined Moment of Truth (MoT) create possibilities for measuring, monitoring and enhancing their customer experience since it is believed to be an interaction that leaves a profoundly negative or positive long standing impression and these moments are the make or break interactions in which a customer is most likely to form a strong opinion for the organization. Additionally, the role of the CEM is to help companies to use each interaction with a customer, no matter how insignificant, as an opportunity to create value and leave a lasting, favorable impression that further solidifies a long-term relationship said Gary Nieboer in his article of year 2011.

Additionally, it is believed that satisfaction also influences the likelihood of recommending a bank as well as repurchase (Sivadas and Prewitt, 2000). It fosters loyalty to the extent that it is a prerequisite for maintaining a favourable relative attitude and for recommending and repurchasing from the bank. Evans and Lindsay (1996) stated that companies with satisfied customers have a good opportunity to convert them into loyal customers who purchases from those firms over an extended time period and the possibility being recommended from this group of these customers is very high.

In financial service industry, according to Forrester report of year 2011, loyal customer are willing to buy more, borrow more, invest more and stay longer with the organization they already use. Even small shifts in customer loyalty can translate into billions of dollars of incremental revenue each year for firms in some industries say the report.

The revenue benefits of customer experience improvements are well documented said Goodman; as the trust and loyalty will drive customers to buy more value added products at higher margins or be the first to buy your newest products or services. Statistically it is presented that super-loyalists customers recommend the company at 56 percent, make more frequent purchases at 185 percent and gives feedback for all organization incentives at very high percentage.

Additionally, according to Harvard Business Review, customers who had the best past experiences spend 140% more compared to those who had the poorest past experience (fig 1.0). A member who rates as having the poorest experience has only a 43% chance of being a member a year later.



RESEARCH FINDINGS

With the aim of understanding the factors that impact on customer decision to start cooperation with a bank, the quantitative data demonstrated that brand image and others recommendation are the main reasons that make customer to become the customer of a specific organization.

Statistical data reveals that 53.4% of the customers decided to open their bank account because of brand, 33.2% because of other recommendation which recommendations are mainly based on their experience they previously have and only 13.3% because of no specific reason, which declare that they need to have a bank account and they went to the nearest branch to look for.

Additionally, answering questions related to the reasons behind customer decision to work with the bank they use to have their products and services, respondents name the first reason “they have very good advertising and brand image”, “their customers, a friend of mine are very satisfied with their services and products” and “their offers are most appropriate for my needs, considering the price and the benefits from the offer”.

By analyzing the data from quantitative research and cross checking it through the qualitative data it proves the above; brand image and others recommendation are the two first reasons that customers provide to the bank employees when they open their bank account.

The impact of CEM in organization financials and profitability was assessed through several questions; each presented differently. However with the aim of evaluating direct impact, customers were asked if the banks impact them in any way through their service, products or offers. The data shows that quality of service is mentioned by 94.3% of respondents.

In addition, survey showed that price is an important element, however is not considered to be the main factor that impact their decision, statistically, 28% of the respondent will change the bank if they will receive less expensive products/services, 60% will not change the bank only because of the prices, 12% are not sure. More than 80% believe that if they will receive lower prices they will buy more products and expend their product rage.

Considering that customers are the lifeblood of any organization and without customers, a company has no revenues, no profits and therefore no market value; providing good experiences to customers is considered as a competitive advantage for most of the organizations. X Bank representative stated that “Board Member support in every customer experience initiative, we have become customer centric organisation”. This approach directly impacted our position in the market by becoming the most recommended financial institution in 2018.

According to the data presented in Central Bank of Kosovo annual report, it is proven that number of customers is increased for a specific percentage, Raiffeisen Bank Kosova experienced increase by 4%, ProCredit bank 26% whereas TEB Bank a slight decrease from Y13 to Y14 by 20%.

CUSTOMER TURNOVER & COMPLAINT COST REDUCTION

What financial impact does customer dissatisfaction management has to customer experience and how do you measure the impact was a question addressed to the bank. Research data shows that, customer dissatisfaction management have a direct impact in customer turnover and complaint cost. As customer complaints are managed properly, they impact to decrease the percentage of customer turnover as well as to decrease the complaint cost.

For financial impact calculation, banks were asked to presented number of active customer, number of complaints on yearly basis, cost per one complaint and the benchmark for number of complaints for 1000 active customers. According to the data collected, the average number of total customers per bank is 255tsd customers; average number of complaints in yearly basis is 7,500, whereas the benchmark per 1000 active customers is 7 complaints. With three FTE (Full Time Employees) responsible for complaint handling and 640 employees responsible for

complaint registration; the cost per complaint is 33.00EUR. Information on Gross Margin was not provided, the author presented 11% Gross Margin for calculation purposes.

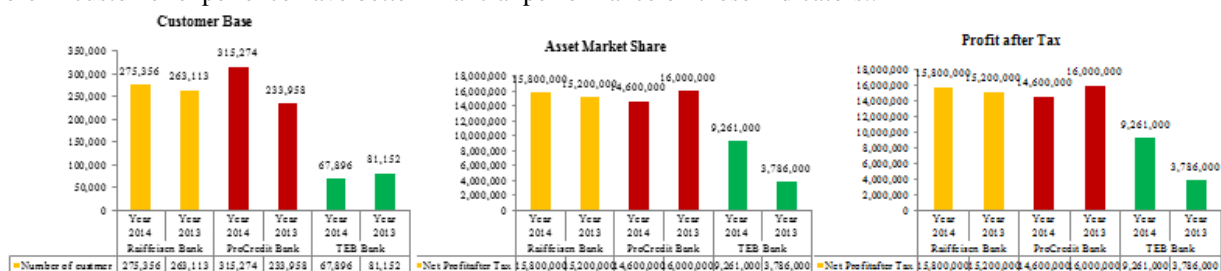
In the table below is presented financial impact of customer dissatisfaction management in cost reduction by calculating the turnover and complaint cost. To calculate the impact of customer dissatisfaction cost; data are presented as average.

Current Situation		New Situation	
Cost of Dissatisfaction		Cost of Dissatisfaction	
Customer Turnover			
Customer Turnover Rate	2.5%	Customer Turnover Rate	2.0%
Turnover in EUR	€ 446,600	Turnover in EUR	€ 357,280
Gross Margin	11%	Gross Margin	11%
Cost of Turnover	€ 49,126	Cost of Turnover	€ 39,301
Cost of Complaints			
Number of Complaints	7,000	Number of Complaints	7,200
Cost Per Complaint	€ 41	Cost Per Complaint	€ 33
Cost of Complaints	€ 287,000	Cost of Complaints	€ 237,600
Total Cost of Dissatisfaction	€ 1,536,126	Total Cost of Dissatisfaction	€ 1,176,901

RETURN IN INVESTMENT, PROFITABILITY, QUALITY, REVENUE GENERATION, MARKET SHARE AND CUSTOMER ROTATION

Based on the qualitative data, customer experience foundation is composed of sufficient budgets, systems, processes, and plans. 50% of the banks have customer experience a strategic priority and 72% of the financial institutions consider it as competitive advantage which confirms that customer experience is very closely linked with the financial performance.

Statistics on Net Profit after Tax, Market share and Customer Base, shows that financial organizations that invest more in customer experience have better financial performance on these indicators..



DISCUSSION, CONCLUSIONS AND RECOMMENDATIONS

Considering this paper research finding and the data from literature review we can conclude that CEM has direct impact in organization’s financial growth.

Additionally, we can declare that the old approach toward business development was completely different from the new one which proves to be the more promising and the right one. Companies focus on machinery, quality of people, processes and products no longer are the key elements and moments that determines customer behavior and decision. As a result, investing in better customer experiercer, improving customer perception and recommendation scores toward the organization are resulting in a better profit growth and market share. Since organizations are operating at the “customer age” and they no longer have the comfort to promise under delivery, it proves that focusing on CEM matters more than any other strategic imperatives.

In the other hand, considering finding from the research conducted it is confirmed that CEM has become an important strategic priority for Kosovo financial organizations and even more than half percent of the organizations believe that CEM provides competitive advantage. However, it is not a surprise then that CEM is a challenge for all organizations. Maximizing CEM Return in Investment, achieving a “single-view” of customer experience and building customer centric culture within organization were some of the challenges that organizations face when it comes to implementing it correctly. In the other hand, consistent customer experience through system integration and multichannel complexity is considered as an obstacle of the CEM.

Having in mind the difficulties and challenges identified for implementation on the right customer centric culture in the organization that leads to better CEM, banks are strongly recommended to focus in implementation and improvement of below mentioned elements.

Improve Net Promoter Scores to become the most recommended financial organization in the market. By becoming the most recommended bank in the financial market, banks archive to change perception of their customers and this lead to bigger market share, higher profit and better ROI.

Implement customer centricity culture within the organization. Make every level of the organization understand and feel the needs and expectations of the external customer. Implement processes and policies that enable seamless experiences for the external customer by improving internal customer experience.

Consider voice of customer for every strategic change. Collect customer feedback and consider it in phases of new product lunch, process change or initiative taken. Since almost all of the changes are made for the final customer experience makes sure to understand their needs and feedback before implementing it in the market.

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