

# PERSPECTIVE

## The 2<sup>nd</sup> Generation of CRM



Customers and customer relationships lie at the very core of the business of banking. It is therefore not surprising that CRM (customer relationship management) solutions promising banks the ability to manage customer relationships were instantly popular when they were launched over a decade back. The mid-1990s saw several banks going in for large scale deployments of CRM technology. Unfortunately, a majority of these initiatives turned out to be costly, complex enterprise-wide projects with lengthy implementation time and banks did not get adequate returns from their massive investments. So much so, that by the early part of this century, CRM had gained a bad name in the banking industry with most banks washing their hands off anything to do with CRM technology.

Looking back, experts suggest that where banks floundered was firstly having too many expectations from the CRM solution and secondly not having the right internal processes that could complement the CRM system.

In those early days, neither banks nor the vendors realized that CRM goes much beyond technology. The organizational structure and processes at the bank need to change to adequately support a CRM solution. As expected, without these process and culture enhancements in place, the ambitious enterprise wide CRM programs fell flat. Despite these flawed experiences with CRM in the past, banks are realising that they cannot afford to ignore the philosophy behind CRM – that the customer lies at the very heart of their business activities. Given the competitive nature of the banking business with its intricate diverse demands today, nurturing and deepening customer relationships is integral to any bank's success. After all, satisfied customers are loyal customers, their retention rate is much higher and so is their overall profitability for the bank. As it happens, CRM offers the most holistic route for banks to enhance customer relationships. A powerful CRM solution provides a complete perspective of a customer's relationship with the bank across multiple channels like e-mail, telephone, IVR, branch, web chat and across multiple products ensuring that every bank employee is better informed to deal effectively with customers and their needs. It enables banks to understand their customer's expectations and preferences better and offer the potential to deliver higher levels of personalized service and

more effectively implement cross-selling and up selling strategies. By doing so, banks can enhance customer retention, profitability and loyalty and get an increased "share of wallet" from their customers. Further, in the face of the recent spate of Know Your Customer (KYC) regulations, CRM systems provide the optimum solution to the need for unified customer data, information and intelligence.

### **The Second Wave of CRM - New Approach**

While their first brush with CRM might have been tainted with failure, several banks are now beginning to rethink their overall approach to CRM. They realise that CRM is a continuous process – it is a journey, not a destination. To be successful in this arena, banks need to embrace CRM as a philosophy and adopt a strategy for managing customer relationships that effectively addresses three key areas: people, processes and technology.

It is important to understand that customer-centricity touches all facets of a bank, not merely the IT department. It is the business and sales people at the bank who interact with customers on a regular basis and they need to be able to gather data about customers and implement CRM strategies. A CRM program will never be successful without their complete commitment and participation. Hence, banks need to focus on creating a customer centric culture right from the administrative staff to the senior executives. While this is often easier said than done, customer centricity can be achieved through a strong top management focus, comprehensive communication and training programs that teach their employees how to use CRM applications, the benefits of doing so along with appropriate incentive policies. At National Australia Bank, one of the few banks that have consistently invested in CRM for over a decade, and often regarded as a case study of successful CRM, training and development is regarded as a very important element of the bank's overall CRM strategy.

Along with gaining the commitment of bank staff, banks need to simultaneously re engineer their processes so that they enable, not obstruct, the smooth flow of customer information throughout the organisation. It calls for breaking down of product silos and sharing of data across business units.

Finally, banks need to invest in the right technology solution to complement its people and business process transformation. Notably, there has been a remarkable shift in the perception about CRM technology over the past decade. While earlier, the focus was on large-scale enterprise wide implementations, banks are moving away from monolithic solutions and are increasingly looking at componentized, modular solutions that can complement their incremental approach. With this, there is a growing appreciation of CRM solutions that are specialized and well integrated into other banking applications such as the core banking system, thus enabling quick time-to market.

In terms of deepening customer relationships and creating a differentiating customer experience, specialized banking CRM solutions provide several benefits. In addition to the sales, marketing and service capabilities inherent in a generic CRM solution, these specialized solutions offer banking specific features like a CIF tailored to the banking environment, ready-to-deploy banking templates and requests, origination integrated with sales and service and comprehensive support for call centre agents. Further, banks can easily gain the long sought after 360 degree view of customers realtime. This includes a customer's entire relationship details such as multiple product holdings, sales opportunities, marketing campaigns, support and service incidents and the history of all interactions with the bank.

## **Conclusion**

Although the history of CRM in banking is dotted with failures, there are a few pioneering banks that succeeded in creating successful CRM programs, such as, Royal Bank of Canada, National Australia Bank, Lloyds TSB and US Bank. These examples only serve to highlight the need to create an enriching confluence of people, process and technology.

This knowledge is now permeating down the rest of the industry. Buoyed by developments in technology that has made CRM deployment much simpler than before, banks are all set to ride the second wave of CRM.



Infosys Technologies Limited, Plot No. 44, Electronics City, Hosur Road, Bangalore - 560100. India • Tel.: +91 80 28520261 • Fax: +91 80 28521747  
e-mail: [finaclemktg@infosys.com](mailto:finaclemktg@infosys.com) • [www.infosys.com/finacle](http://www.infosys.com/finacle)

"COPYRIGHT NOTICE: Copyright ©2009 Infosys Technologies Limited, Bangalore, India. ALL RIGHTS RESERVED." Finacle logo is a registered trademark of Infosys and Infosys acknowledges the proprietary rights of the trademarks and product names of other companies mentioned in this document. Infosys believes the information in this publication is accurate as of its publication date; such information is subject to change without notice.