P E R S P E C T I V E

CRM for SMB Banking Requirements

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In today's world, Small and Medium Businesses (SMBs) are important contributors to banks' revenue and bottom-line. Hence, it is imperative that they pay adequate attention to these customers and garner their loyalty. This paper looks at how banks can employ sound CRM practices and strategies to foster retention and growth of the SMB segment.

The Growing SMB Segment

Banks across the world are recognizing the growing clout of Small and Medium Businesses (SMBs) and its effect on their own profitability and revenues. In most developed countries, SMBs account for nearly 90 percent of the total number of corporate customers of banks. Going forward, it is estimated that the growth and employment opportunities generated by SMBs would be greater than that created by large corporate firms. While this segment consists of a lower number of customers than retail, it accounts for greater transaction volumes. On the other hand, SMB customers outnumber corporate clients, but carry considerably greater risk. While aligning small and medium businesses with retail, corporate or retail customers is definitely an option, it is advisable to consider them separately for the following reasons:

- SMB banking patterns and transactions are very different from those of a retail or personal banking customer
- Their sheer numbers hinder banks from treating them as corporate customers
- More importantly, SMB customers have different needs

Classification of business customers as corporate or SMB is quite subjective and is based either on business revenue (for example turnover <USD 2m) or structure (for example limited liabilities partnership, sole proprietorship etc.). The definition often varies across geographies, banks in the same location, as well as within a single bank. Banks tend to place SMB customers in the same bracket as 'mass market' customers, treating them similar to their retail clients.

What do SMBs Expect from their Banks?

Although the needs of SMBs vary with the nature of business, legal structure, life-cycle stage, market conditions, among others, they broadly expect the following from their banks:

- Recognition of their unique needs
- Personalized service
- Valuable, relevant and timely products, solutions and services
- Convenience of use, simpler processes and documentation.
- Access to financial advisory services
- Recognition of the value of the relationship

On the flip side, this is what SMBs do not want:

- Generic treatment of all their needs.
- Being equated to retail customers
- Lack of context awareness within the bank, which leads to an oversight of the nature of the relationship or type of business
- Aggressive and irrelevant sales pitch

Why have Banks not Delivered?

While most banks across the world have realized the potential of the SMB segment, they face the twin challenge of satisfying its needs while maintaining desired margins. Other challenges are listed below:

- Although assigning individual relationship managers (RMs) to SMB customers is ideal, the associated cost of servicing such large numbers makes it an unsustainable option. Therefore, banks have to pool RMs across multiple clients
- The high cost of training employees to improve their understanding of various businesses, products and domains so that they may render personalized service, is a hindrance to investment

- High attrition of customer-facing personnel compounded by inadequate knowledge transfer to incoming staff adversely affects customer service

- Persistence with the outdated 'one size fits all' mindset and consequent reliance on legacy CRM practices and tools

The CRM Solution

Effective CRM practices and strategies, when followed, can solve many of the problems listed above. While CRM provide an effective platform for leveraging these solutions, the actual execution is a function of process changes and the bank's internal applications and core banking platform.

The following changes are suggested in order to improve the banking experience of SMB customers.

Capture the SMB profile: All relevant details must be recorded in the system, including but not limited to KYC-stipulated information such as name, address, SIC code, relationships etc. as well as the customer's business, financial and behavioral profile in full as described below:

- Details of current business operations including partners/ owners, logistics, major stakeholders, business goals in terms of growth, quality, diversification etc. This improves the bank's understanding of the business, its potential and risks.

- The financial profile of the SMB in terms of current assets/ liabilities and their classification, relationship with other financial institutions, current product details, risk profile/ appetite and financial goals

- The customer's preference in products and services, rates, service times, channels, among others

While many of these details might not be available immediately, the bank must try to fill the gaps over time. Also, since this information is dynamic, and likely to change with market conditions, industry trends or local situations, it is important to re-visit the profile at regular intervals. A good profile is one that provides clear insight into customer needs and improves the bank's ability to serve them. It also provides a sound platform for right selling.

Offer value added products and Services: Generally, SMB customers are offered products and services similar to those used by corporate clients. However, SMBs can have very different needs besides the expectation of shorter turnaround times, which must be acknowledged by their banks. Hence, it is important to offer tailored products and services to SMBs, with configurable origination workflows.

Banks can also adapt pricing structures, fees, services, product bundles and offers to the SMB segment in order to better attract and retain this business. For example, they could bundle a current account offering with a cash management service like lock box for a lower fee.

Banks must set up special advisory teams to analyze market trends and existing customer data in order to suggest new products / services to be launched specifically for SMB customers.

In addition, the banks could also set up blogs and web sharing channels for the SMB community to air their views on current offerings / services, make suggestions or simply highlight their concerns.

Focus on sales and marketing: Relationship managers and products may be earmarked for customers based on their profile. The effectiveness of sales and marketing efforts can be improved by:

- Having a specialist team of Sales, Relationship and Marketing Managers to handle SMB customers. Ideally, one team should handle multiple SMBs of similar profile and be responsible for attending to all their sales, marketing and servicing needs

- Instituting a CRM system capable of facilitating knowledge management and communication such that the right product knowledge is delivered over the right channel

- Modeling customers based on product usage, pattern and profile, which would provide the necessary insight and recommendations for right selling

- Having an integrated workflow-based origination, triggered from the sales process, and account creation done through a configurable workflow

- Holding special events for SMBs in which they may be appraised on emerging business trends, new products and services, and in turn offer their opinion on existing offerings. Besides offering opportunities to educate or cross-sell, such events allow banks to come closer to their customers

- Increasing referral value through active sponsorship programs which recognize the efforts of advocates among existing customers

- Undertaking viral marketing on social networking sites and other channels

Offer one-stop servicing: Inadequate knowledge of SMB customers hampers banks' ability to service them. Given below are a few suggestions for improving service.

- **Provide self-service options.** Many services required by SMBs can be rendered without human assistance. Self–service options must be provided across multiple channels including the web and kiosk network. Popular service requests must be identified and provided as self-service options to customers, who can then easily log into them as required. For example, an SMB should be able to create a new checking account without outside assistance through the internet banking portal. Self-service could also be extended through social networking sites like Facebook and Twitter and banks should be able to respond to SMBs' common queries aired over blogs, posts and updates on social networks. These platforms also allow SMBs to share their knowledge and experience with peers

- **Create one-channel experience.** The CRM system needs to tie all channels together into one seamless experience, relieving customers of the inconvenience of entering data or explaining their problem each time they use a different channel. Towards this objective, the SMB customers' profile, interaction history, transaction pattern and strategic analysis etc. should be available to every client-facing bank executive

- **Improve stickiness across channels.** The CRM system should be able to route the messages / conversations of an SMB customer to the same user or group of users as far as possible so that the context is maintained. For example, if an SMB representative asks about opening a new checking account and follows it up with an email, the CRM system must record this history and route all future interactions to a single team / user

- **Knowledge at the punch of a button.** There are times when bank employees servicing SMB customers do not have all the necessary facts at hand. There must be a way for them to easily access the information or get in touch with peers / superiors who can help, during the current client interaction itself. Channels enabling chat, telephony allow such knowledge sharing. Similarly, there should be a provision to search / view data gathered during the course of similar prior situations

- **Hold special camps and events for SMBs.** Banks must dedicate some days each month to educate their branch staff about how to service SMB customers. During these camps, the banks could also arrange to discuss industry-specific developments and solutions, which may be beneficial for their SMB customers

Conclusion

Since small and medium business form an important and growing customer segment, it is in banks' interest to provide them the best services. Sound CRM practices and a shift in approach can go a long way in binding SMBs into a long and fruitful banking relationship.

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