

CRM in Banking

Industry Round Table



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After a hiatus of nearly half a decade, CRM projects are back in favour again. In our FinacleConnect Virtual Industry Roundtable, we bring together a panel of industry experts to discuss trends in CRM, and how banks are using CRM to deepen their relationship with customers.

The acronym CRM has been around for over half a decade now and has often been overused. How would you define CRM (for banks)?

Michael Otto, Erste Bank: There are many definitions for CRM and all of them are more or less correct. It is important that the client not the product is in the center. The CRM definition we use is the following, 'having the right offer for the right client, at the right time via the right channel'. That is the reason why we tried to improve the following processes and support it with systems - customer service and advice, customer analytics and campaign-management.

Radi Badidi, ABN AMRO: We consider CRM to be a business strategy than anything else - not just

technology, not just analytics, not just an impressive story of how customer focused you are.

All major banks have invested heavily in technology and infrastructure over the last 5 to 10 years in this area, but hardly any of them have been successful in actually getting it effective. Neither has the customer felt a real difference nor has it contributed to higher ROI. I would say that optimizing every customer contact by effectively creating value for both your clients and your business, using customer knowledge, is the main differentiator compared to non-CRM focused companies.

Jose Olalla, BBVA: I would agree with my member panelist, CRM is much more than a technological solution. It is a strategy integrated in the business model of the banks and clearly oriented to value generation. CRM is a key element of differentiation that lets the bank develop its customer base and sales capacity. Today the environment is changing dramatically, and so too is banks' approach to their customers. A well thought out CRM strategy lets them improve the sales experience of the customer; develop the potential value for customers, increase sales, productivity and efficiency; and create personalized one-to-one service.

Gopal Sondur, Infosys: CRM as we see it is about enterprises collaborating across the customer value chain to develop and implement solutions that better meet the evolving preferences of individual customer groups. The C in CRM therefore has now evolved from 'Customer' to "Collaborative". The core of CRM requires various entities in a bank to work collaboratively to define and realize a series of business principles which are essential to establish customer-centric organizations. Essentially this means collaboration across those entities that deal with Acquisition (sales & marketing/distribution), Transactions (fulfillment) and Servicing (customer service). This approach is different from the past where CRM was modeled around an ad-hoc set of activities strung together to work across functions. Using the collaborative approach, leading banks are today trying to achieve a state where the customers become less aware of marketing and selling and feel a constant level of personalized, consistent, high quality service.

How important is CRM for banks? What benefits can banks hope to achieve through deploying CRM solutions?

Radi Badidi: I think it really depends on the positioning and focus of a bank. If operational excellence is your key-focus and not customer intimacy, the choices you make in terms of investments in CRM will be completely different. In strategic terms, ABN AMRO has a strong ambition to create value for our clients (especially the "mid-market" which we define as mass-affluent/private-client consumers and mid-sized businesses) by offering high-quality financial solutions that best meet their current needs and long-term goals. Knowing our client and acting on that information in every contact is essential in achieving this. For the Netherlands, it means that we aim to be "personal in every channel" and we will use CRM to create more and more clients that consider us to be their primary bank.

Michael Otto: CRM is of course very important. What banks must achieve is to improve knowledge about the clients, improve active customer contact, improve the satisfaction of the clients and improve the return per client.

Jose Olalla: There are two main points that describe the significant jump regarding CRM, customer demand for sophistication and multi-channel approach and orientation. Consequently there are four steps that banks should take to benefit from CRM, change their commercial product vision to a customer centric vision, effectively integrate different channels, ensure data quality and deploy complex marketing strategies.

Gopal Sondur: CRM is fundamental to building a customer-centric organization. With the growth of fee-based income and increasing focus on advisory services, the role of CRM in banks is now more critical and pivotal than ever before. The benefits that banks hope to achieve through deploying CRM solutions will be to arrive at satisfactory, measurable answers to questions such as 'how profitable is the customer', 'which products/services does the customer require; when, where and through which channel' and 'what risks does the customer present to the bank.'

How has the understanding of CRM in banking changed today as compared to a few years back?

Michael Otto: CRM is not technology, it is business. CRM has to improve the "moment of truth" when the client is with the bank making the contact more efficient and more satisfactory for the customer. So banks have to improve not only the technology but also the relationship skills of the advisors.

Jose Olalla: Few years ago, banks thought about CRM as just a new 'magical' software, and therefore something that should be managed within the technology and systems departments. Now it is a critical part of the agenda of business managers. Since banks pursue high growth strategies, expanding their franchises into growth segments, and are really aware of the winning concept of the multi-channel and multi-price approach, CRM becomes key and critical.

Further, today customer centric banking means a new way of thinking. Banks need to focus on relationship banking rather than traditional transaction banking and realize the importance of SOW - share of wallet. In the world of margin pressure, being a product specialist is hard, so banks need to make advice rather than product price as the basis of the added value in banking. In this situation, CRM is key because the value of retail banking lies in distribution. Knowing your client is the first requirement of a retailer. It protects your business, helps penetrate growth markets and prevents disintermediation by other players.

How has the technology matured in this time and what is the impact on banks today?

Jose Olalla: Technology was the nucleus of CRM strategies few years ago. The technology was new, sophisticated and very difficult to manage. Now it is evolving to a commodity piece within CRM strategies.

Michael Otto: The integration of different systems such as customer data and product data has improved dramatically. It is possible now to have the 360 degree view on the client. Now we have to improve the usage of all the systems we have designed and concentrate on standardisation.

Radi Badidi: Having active multi-channel customers is not in "the future" anymore, it is a fact of life today. Investing in multi-channel capabilities is not a choice anymore, it's a must. "Realtime" has been a buzzword for some time now, but is very sparsely implemented. The

benefits of realtime are there, but the costs are high to attain these benefits. Huge amounts of data are being gathered by banks, the intelligent deployment in customer related processes is where a lot of banks are struggling.

Gopal Sondur : The technology solutions available to banks will continue to improve with a noticeable shift towards integrated, broad technology solutions designed to ease enterprise integration requirements.

What are the key aspects that banks need to consider while deploying CRM solutions to achieve a positive ROI?

Radi Badidi : Whether CRM only adds to costs or generates revenues is not a technological but a commercial issue. If, for example marketing and sales do not adopt the CRM challenge, CRM will not succeed. It requires intense training, a real dialogue between marketing, technology departments and all channels, it requires commitment to document customer needs whenever possible and a proactive approach towards using customer intelligence on a continuous basis.

Michael Otto : Business requirements and targets have to be defined, technology has to make the solution, not the other way round. CRM does not solve all the problems a bank has, so first analyze the problems, and the possible impact of CRM, then prioritize. Secondly, banks need to understand that they need to make a beginning. Start small, but start. Later they can learn and improve. Finally, it is very important to communicate, train and measure all activities.

Gopal Sondur : Banks that have achieved positive ROI have focused on 4 fundamental tenets. First, they have focused on the creation of an overarching, customer-centric business strategy, streamlined operations, superior analytics and integrated collaborative channels. Second, these banks have adopted a transformational approach to ensure that all sources of value are identified and appropriately measured. Third, they have developed a value-based CRM ROI model that is aligned with the bank's strategic objectives. And finally, based on appetite and readiness for change, these banks evaluated numerous implementation options before making a final decision. They ensured that each option consisted of time-phased decompositions of an overall approach where benefits of earlier activities funded the later ones.

How will the CRM landscape in the banking industry develop in the coming days?

Michael Otto : First, as our customers use different channels to go to their bank such as the branch, self service machines, the service center or the internet, CRM goes multi-channel. Second, in addition to cross selling, the processes of client retention and improvements in client loyalty are getting more important.

Radi Badidi : In the coming years there will be more focus on the demand side of customers, they will have various channels at their disposal and have more choice than ever to purchase their products and services with a growing variety of general banks and niche players. As the customer is more in control, we will want to be "actively ready" in all channels when the customer contacts us, based on what we know and anticipate of this client. This requires different marketing skills and new ways of managing your sales. The second trend will probably be that CRM will contribute more to branding. Not just ROI on every contact will be leading, but the way we want to be perceived as a brand will become more important. Now, a lot of effort is put on being there at customers' moments-of-truth. In the future, all customer contacts will be moments-of-truth as all these contacts tell the customers who we are and what we want to be - CRM will help us enable this.

Gopal Sondur: Although the potential benefits of a CRM strategy focused on corporate banking were high, firms have been slow to adopt due to the greater complexity of the relationships and number of touch-points. With the advent of more powerful technologies and greater experience in customer relationship management solutions, we see leading banks concentrating on relationships with corporate customers in the coming days. The other area we expect to see development is channel integration. Due to lack of channel data and the dispersion of channel responsibilities throughout the organization, most financial institutions develop channel strategies and manage their channels poorly and in an uncoordinated fashion. This leads to sub-optimal resource allocation and poor customer management. Leading banks have realized this problem and are addressing this aggressively. The whole area of integrated channel management which is tightly coupled with CRM will rapidly evolve to higher levels of sophistication.



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