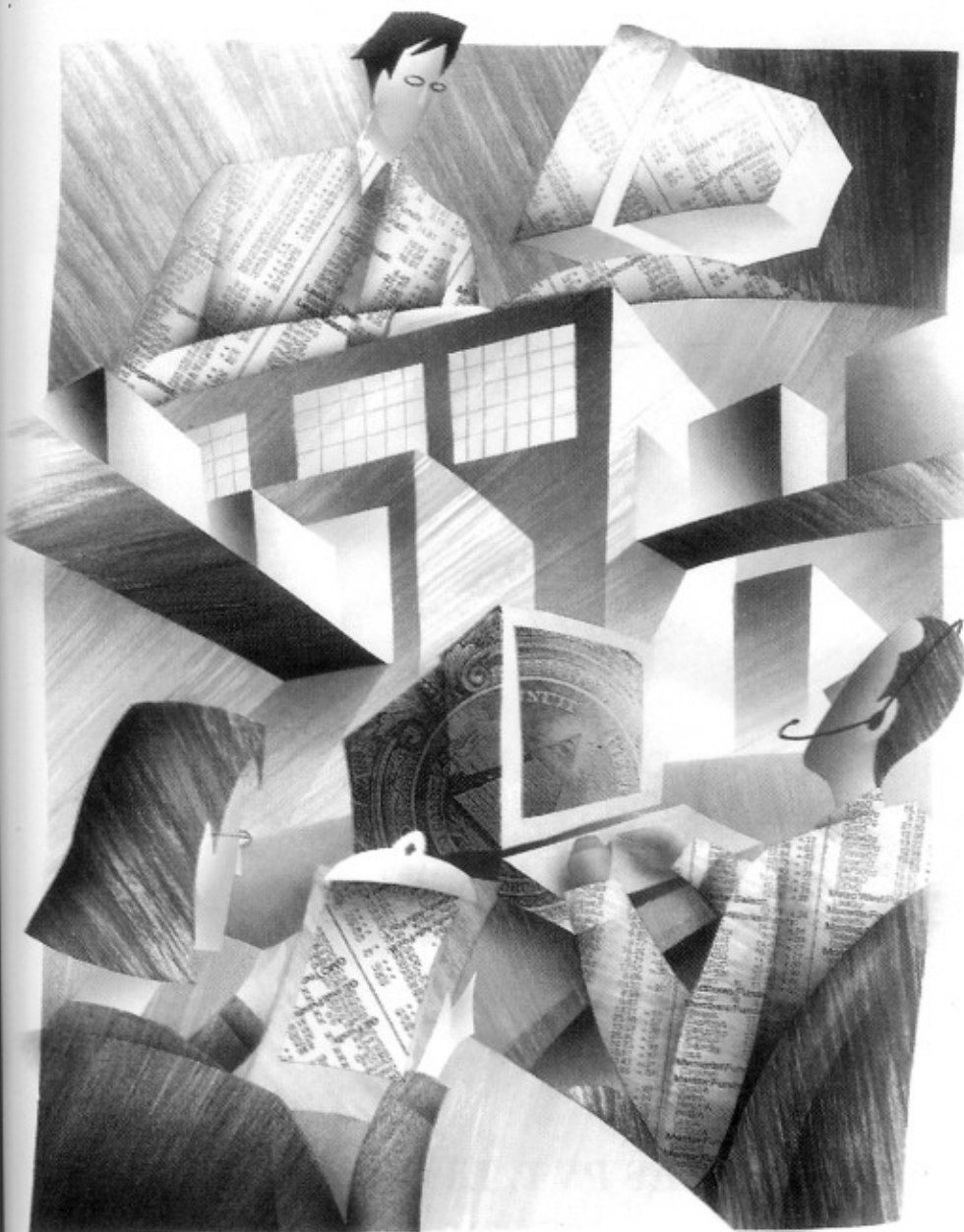


Care to CRM?



Customer Relationship Management or CRM is the most talked about subject in the business circles these days.

Amidst all the hype surrounding CRM, there is little doubt that it is an invaluable

tool for all businesses, including banking.

- G P Vinaybabu

The new age has brought with it a transformation in the customer behaviour. Slogans like 'customer the king', 'customer the indispensable' are long passé. What we have today are customers who are not satisfied just with better choice and better service but who are looking at better relationships with the company that serves them. A relationship that lasts long and delivers the promise of quality. Enter customer relationship management.

When customers demand more, what do the suppliers do? Rely on the promise of advanced information technology solutions. Customer savvy businesses today are using scientific techniques to analyse the status of their sales and profits, to learn more than ever about their customers, and then to put that knowledge to work. Armed with a strategy for Customer Relationship Management (CRM), these businesses are winning new customers, delivering highly targeted solutions to existing customers, and building the type of customer loyalty that will increase sales and profitability for years to come.

CRM is being echoed by almost all companies these days. But the real value of CRM in retaining customers has not been fully understood by many. The new millennium companies no doubt understand that communication is the cornerstone of effective customer relations. But despite using multimodal communication channels companies are yet to enjoy the fruits of CRM. With customers demanding recognition, value, quality and respect for their patronage, companies are finding it difficult to effectively meet them. Look at these examples:

- Banks know your name through your ATM card—but not which language you prefer to speak.
- Technology companies ask repetitive questions through various communication forms before extending customer support
- Phone companies offer an array of new services to give customers more convenience but only during business hours

The utility of CRM comes to the fore

when the companies understand that not all of a business's customers are of equal value—and that it is essential to pay the most attention to the most valuable customers. For example, a leading U.S. airline estimates that six percent of its customers represent 24 percent of all miles flown and 37 percent of all revenue. Given that industry's high fixed costs, these

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customers probably represent half or more of the airline's profits. Other companies and industries have similar statistics.

CRM doesn't just help companies to analyse customer demands and behaviour for better co-ordination, but also devise ways to identify ways to bring occasional customers into the tier of more valued and more-profitable customers.

A historical perspective

CRM is a natural corollary of the sweeping changes being witnessed across the globe. The essential shift has been brought forth by the businesses turning from being predominantly manufacturing to more of a service-oriented approach. Recognizing that their most profitable or potentially profitable customers are among their existing customers, companies are trying to learn to sell multiple products to those same customers. The result: lower cost of acquisition and some increase in the customer switching cost. But even the best customers in this model can still be lured away by new products or promotions elsewhere.

Not long ago, only a few product categories entailed lifelong customer relationship like the cars. But the challenge of today is to extend the same to all product categories irrespective of the length of its utility. The point in question is not the product itself but the brand identity and the relationship that company enjoys with the customer. Instead of

adding some relationship value to a product-based customer interaction, companies need to focus first on the customer, and on adding maximum value to the customer's relationship to the company. Selling multiple products to the same customer, generally through campaigns or promotions, gives way to developing an understanding over time of

who each customer is and what he wants, and then using that knowledge to sell better service to him.

The business drivers of CRM

Companies are spending \$3.5 billion per year on relationship marketing, according to the Gartner Group. They're doing so because CRM is delivering quantifiable business benefits. Value-chain analysis helps to show why.

Internet and multicom channels

The Internet by its very nature is a powerful driver of CRM. Web puts tremendous product and supplier information into the hands of consumers and corporate buyers. A range of reporting and analysis services—from Consumer Reports to million-dollar consultants—do the same. Customers have more information than ever before on which to base their purchase and relationship decisions, which makes those customers more sophisticated.

Customers also have more access and interaction points with their suppliers. In addition to getting more information from the companies with which they do business, customers today have more ways to interact with those companies—including phone, fax, email, Web, mail, on-site and more. That's encouraging businesses to customize and maximize their use of each of these avenues and to build profitable relationships with

customers who prefer to use these new channels of interaction.

The power of Choice

In today's competitive business environment, offering a choice of methods of communication, and ensuring that high levels of customer service are provided, whatever method the customer chooses to use, is essential.

The number of customers wishing to use e-mail and communicate directly through Web sites is growing daily, and the imminent arrival of interactive television, with its potential to open up Internet access, will introduce these channels to new mass markets. There is a real need to invest in customer contact strategies that allow highly personalised and integrated levels of service across all contact channels. The customer interface widely seen as being the key to providing this kind of truly world-class customer relationship management, is the Web-enabled call centre.

Back to basics

It is easier for new companies entering the market to get this right. They have a clean slate and can adopt the right culture and processes from the outset. For existing businesses that are trying to turn themselves into modern CRM organisations, the issues are more complicated. To succeed in the long term they need to go right back to basics and redefine their vision, taking into account all the new ways of doing business and the new tools available. They then need to assess how their organisation must function to support this vision. They need to define their culture, customer groups, propositions, competitive positioning, routes to market, sales, service - everything - and work out where changes need to be made

and where gaps need filling. The message is really very simple. CRM tools and processes will improve efficiency, but long-term effectiveness in delivering benefits to customers and the business, and thereby creating and sustaining relationships, will only be achieved if the thinking is clear right from the start.

CRM in banking

While the Internet revolution has captured the hearts and minds of many consumers, eager to use it for buying goods and services, one sector has proved slow to hook the buyers: the finance market.

Research has shown that customers prefer to be able to speak to an adviser when making a major investment, such as mortgages or loans. Some 63 per cent of online users stated that they would be more inclined to buy with "human interaction" (source: Yankelovich Partners, 1998). This is what makes CRM in banking a challenging proposition.

But solutions have been developed that help bankers leverage the benefits of CRM. Cytek's Banker's edge is an example. It is a decision support system developed for retail and commercial banking institutions. The solution aids decision makers by capturing key data and allowing managers to "slice and dice" the information in virtually any way they choose. For example, users can make up queries on the fly, searching for the information that lets them identify which customers to target with a new product or to find out which bank branches have high loan default rates. Users can just as easily save their search queries and use them as templates to generate additional query reports from the same data metrics. At the back end, the system provides analysis that can be tied to geographic, product,

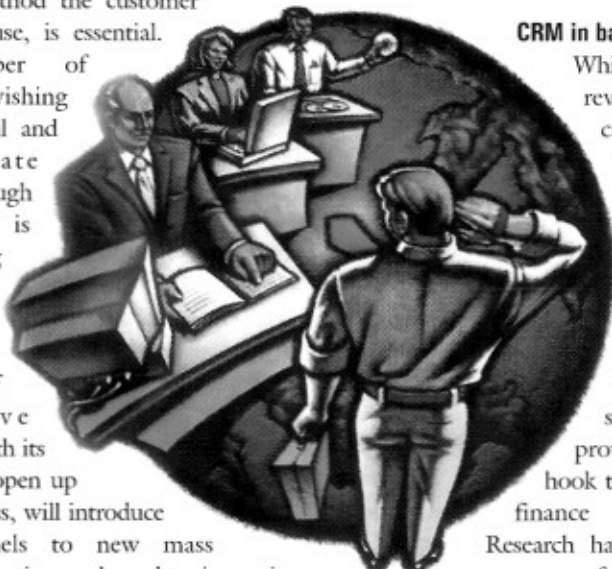
channel, and customer dimensions. It uses Informix MetaCube, whose relational online analytic processing capabilities enhance overall performance and automated administration.

Banker's Edge offers complex revenue and expense hierarchies that allow close examination of complex indicators such as risk factors, payment amounts, and interest rates, as well as computed indicators such as counts, averages, and percentages. In addition, users can modify the database to accommodate additional metrics and dimensions. The system can handle unlimited amounts of data. The front-end application makes data accessible on the Web or a client-server system. Users can choose from more than 50 predefined reports or create their own. Having the right data at their fingertips, after all, helps managers make informed decisions. As more companies enter the financial services arena to compete directly with banks in traditional and e-commerce markets, banks must find new ways to differentiate their products and services.

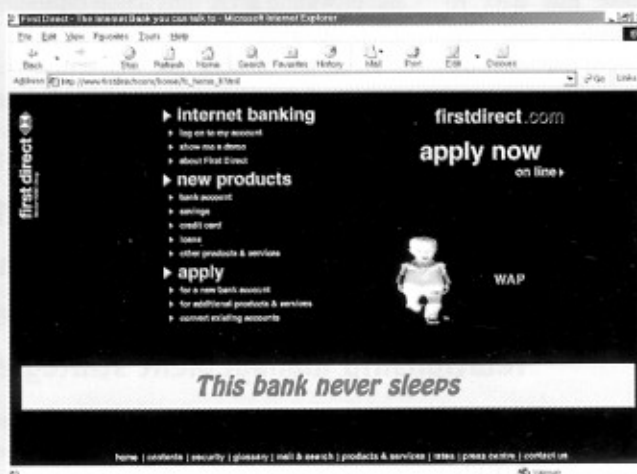
Call centre approach

With customer in charge of the marketplace and companies having several communication avenues to serve the customer needs, the problem of integrating the two came up. That led to the emergence of the call centre concept. A modern call centre must be able to cope with the ever-increasing growth in channels of communication, and data volumes that are highly flexible and offer reliability, integrity and security; these are absolutely essential components to any business strategy for the new millennium. The current focus is on improving the quality of customer service; but customers expect the levels of service to improve dramatically. This means a business with a flexible, pro-active and responsive service.

Pro-active pursuit of customers is also changing customer relationship management, especially from non-traditional market entrants. New drivers require businesses to focus on such external measures as share of customer spend, mass personalisation, lifetime customer value and value chain management. The



FirstDirect.com



First Direct's philosophy is to recognise what is driving people's lives in the 21st century. Issues such as time, the shortage of it and the increasingly busy lives. In this environment your bank should be there when you want it. If all one wants is simple, fast and efficient banking then firstdirect gives it. If you want to bank at 2.00am, then bank at 2.00am. If you want to review your accounts in depth on the net, do it. If you want to contact the bank on your mobile, why not? In short, First Direct is an out and out customer centric bank of the new digital era. First Direct delivers greater control to the customer through computers, by telephone, and by mobile phone. The bank calls itself *the Internet Bank you can talk to*.

When First Direct launched on 1 October 1989, telephone banking was untested and to the majority of people, a completely new idea. Today, the impact of First Direct extends across the whole of the financial services industry. Offering direct financial services is no longer unusual, and far from being the choice of the few, it is becoming the preferred method of banking for a growing number of the UK's 38 million banking customers.

First Direct began this revolution in banking by offering customers the services they wanted, available when and where they chose to have it. But for First Direct, direct banking today doesn't mean just telephone banking. First Direct now offers customers a fully integrated banking service that can be accessed by telephone, Internet or mobile phone 24 hours a day, seven days a week, 365 days a year. TV banking will follow shortly.

When First Direct first started over 10 years ago, it was first built from the ground up, starting with the proposition that there had to be a viable alternative to branch banking and that the alternative should put the customer first. In 1988, a development team at Midland Bank, now HSBC Bank, called Project Raincloud, inspired by an awareness of customers' deep rooted frustrations with the traditional banking system, was given the task of creating a bank that revolved around the

customers and offered outstanding service and access. After extensive research and analysis through the research company MORI, it was found that:

- ☐ one in five people had not visited their branch in the last month
- ☐ 51% said they would rather visit their branch as little as possible
- ☐ 48% had never met their branch manager
- ☐ 27% wished they were able to conduct more business with the bank over the telephone.

The results of this research led to the concept of a new bank which would offer direct access 24 hours a day, 365 days a year. First Direct is now a profitable division of HSBC Bank plc, a member of the HSBC Group, one of the world's largest banking and financial services organisations.

Banking ways

First Direct believes that customers should be able to have greater control, convenience and choice when they decide how they wish to manage their money.

Mobile Phone Banking

The Mobile Phone Banking service allows customers to receive text messages using the Short Messaging Service (SMS) on their digital mobile phone. Customers are able to choose what type of messages they wish to receive. This can range from receiving mini-statements on up to three accounts, to being advised when credits and debits - including salaries, expenses and other receipts - enter or leave the account. Customers can also ask to be notified when an account reaches a specified limit. This can prevent them from going over their overdraft limit. Any customer with a digital mobile phone can access the service, which is free of charge.

Internet Mobile Phone Banking

Mobile Internet Banking will compliment the existing mobile phone banking service. In addition to the existing SMS text service, customers with WAP enabled mobile phones will be able to carry out transactions at a push of a button.

Internet Banking

In April 1998, following a trial by 2,000 First Direct customers, PC Banking was launched. In November 1999, Internet Banking was launched. The Internet Banking service and the telephone service are fully integrated, so customers can swap between the two without any problem.

TV Banking

A TV Banking service is currently being developed on the Open platform and will be launched in the autumn.

challenge with the new focus assumes that the organisation is able to share information about the customer, track customer habits, tabulate and utilise spend data on a large scale. Addressing these requirements means a more fully integrated and intelligent approach to customer contact.

There are a few critical contact points that a customer has with the organisation. Those critical points form the customer's opinion of the organisation, and allow the organisation to get to know the customer better. Errors in handling the call are generally fatal business moves. The number of channels into and out of a call centre is increasing dramatically, and technology is playing a significant role in facilitating that change. The nature of the channels is changing from just voice to more and more data.

'Customer-Centric' Consumerism

The ability to gain access to products and services around the clock means a new consumer society is emerging, one that is far more demanding. People expect to earn money, plus having the time to enjoy it. Hence consumers are becoming more



specific in their needs and demanding more of service. The trend which tell now was moving from mass to customisation will henceforth move towards mass personalisation.

Call centres will be central to providing business intelligence and customer relationship knowledge. Retailers need this information to better understand their customers and their transactions. This information will be used to improve both the merchandise and services to the customer. Indeed, the trend from mass to custom will continue and will be based on the need for availability of customer-specific data. To enable this, call centres

will need to become more sophisticated to capture the data needed to perform such detailed and complex analysis. Call centres will also need to utilise this data to improve customer relationships and offer cross-selling opportunities to maximise the lifetime value of the customer.

Mass personalisation will also impact significantly on the call centre Agent. A

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more 'emotional' relationship will begin to develop resulting in more intense customer interactions. To date, Agents can 'hide' behind the phone call relatively easily. The advent of new technologies will start to break down these barriers.

Web-enabled call centres

Reflecting a growing feeling that merging call centres and corporate home pages will allow companies to communicate much more effectively with their customers, research indicates that hooking call centres up to the corporate Web site will be central to the customer relationship management strategies of the future.

A recent Forrester report projects that, by the year 2001, Web applications will grow from being an interesting experiment into an essential part of companies' customer relationship management strategies. According to Forrester, by 2003, they will almost completely define how a company works with its customers. The report concludes that companies that fail to take on the challenge of making their customer relationship management applications Web-centric are destined for failure, stating: 'in the Internet economy, high-quality, synchronous customer service is an absolute requirement.'

Although it is unlikely that most

companies will limit themselves to taking orders exclusively over the Internet it is clear that linking call centres to Web sites and providing agent interaction capabilities offers significant benefits to business.

While it is obvious that Web-enabled call centres can build customer loyalty and value, it is important to realise that this will only happen if they are used within the

context of an integrated customer relationship management strategy. Colleen Amuso, CRM consultant for the Gartner Group points out: 'it's not about the technology, it's about how clients utilise it. There needs to be a lot of internal training and marketing. An agent who takes calls over the telephone may have a specific skill set, but it will not be adequate if they need to write e-mails or deal with customers over the Internet.'

Lifestyle marketing

There is no doubt that CRM is a hot business topic. All recent market research indicates that today's customers expect to interact with organisations in ways that fit in with their lifestyle. Many people just don't have the time to shop in the way they used to and, because of longer opening hours and a choice of delivery channels, have higher expectations than ever before. Hard experience shows that, if they don't get products they want – and the level of service they expect, they will go elsewhere – fast.

The growth of the Internet and the advent of the 24-hour society have profound implications for customer relationship management. When you create a Web site you create a 24-hour presence and you automatically create the expectation that there is 24-hour support. The reason First Direct bank (see box) is so successful is that it can say it never closes. People know that they can find out what they need to know, when they need to know it; that's a powerful advantage over their competitors.