The Key to Increased Profitability and Customer Retention for Financial Service Institutions

Establishing Best Practices in Delivering Intelligent Interactions

Table of Contents

Introduction: I Am Customer, Hear Me Roar!

Remember George Bailey, the character Jimmy Stewart plays in the 1946 movie "It's a Wonderful Life"? Bailey, president of the Bailey Savings and Loan, worked tirelessly to help the bank's customers achieve their financial dreams—whether that meant owning their first home or borrowing money to start a business. Stewart's character treated each and every customer with respect and understanding. In the final scenes in the film, Bailey's customers demonstrated their appreciation of all he had done for the community.

Back in Bedford Falls, customers conducted their banking business by visiting the bank branch, and the bank manager and tellers knew them by name. Bank staff were familiar with the loans and services the customer had with the bank. They often even knew whether a family had fallen on hard times and would then offer banking products to help them through the crisis. Of course, banking as well as insurance and investment management have come a long way since the Bedford Falls depicted in the film. In recent years, that has not been good news.

Since the financial meltdown known as the "great recession," consumers have heard incessantly about TARP, bailouts, Wall Street bonuses. Consumers are angry about the financial crisis, and much of this anger is directed toward financial institutions, regardless of whether those institutions received government funds. But while the financial crisis has caused many consumers to become distrustful of financial institutions, the financial crisis isn't all to blame. Truth be told, the relationship between financial institutions and consumers has been deteriorating for some time. Negative press about high fees, overdraft charges, lack of transparency, and dismal customer service has contributed to consumer dissatisfaction with their financial institutions.[1]

According to the J.D. Power and Associates 2009 Retail Banking Satisfaction Study, customer perception of banks has declined for three years running.[2] In a recent survey from Nielsen Claritas, 40% of respondents said that their trust in the financial industry had weakened, while two-thirds said they didn't believe the financial services industry would ever help them to recoup the losses they'd incurred during the downturn.[3]

Acquiring new customers can cost five times more than satisfying and retaining current customers.

[1] Beth Snyder Bulik, "Banks Turn Message Back to What Consumers Want," Advertising Age, October, 5, 2009.
[2] J.D. Power and Associates 2009 Retail Banking Satisfaction Study (http://www.jdpower.com/finance/articles/2009-Retail-Banking-Satisfaction-Study).
[3] Kathy Chu and Sandra Block, "A Costly Crisis of Confidence," USA Today, November 10, 2008.

Leading banks, credit unions, investment firms, and insurers understand that the trust and loyalty of their current customers is essential for their success. Acquiring new customers can cost five times more than satisfying and retaining current customers. And a 2% increase in customer retention has the same effect on profits as cutting costs by 10%.[4]

Self-service channels, such as ATMs and the Internet, can satisfy a customer's need for real-time information and services, but have limited ability to personalize services. It's the contact center and branch office that can provide a "best of both worlds" scenario: a person-to-person relationship coupled with real-time customer information. The result is an "intelligent interaction" in which a financial services representative has access to the full customer relationship on his or her desktop. This includes real-time transaction data, a list of all products and services the customer uses, demographic information, and past interactions with the financial institution. Loaded with this data, a representative can cross-sell and up-sell based on a customer's unique needs. This way, the customer feels understood, and the financial institution seizes the opportunity to differentiate itself.

[4] *Business Gain From How You Retain*, CMO Council (http://www.cmocouncil.org/resources/reports.asp), April 2008.

Traditional CRM: Potholes on the Road to Success

Most financial institutions view CRM technology as critical to their success in serving customers. However, traditional stand-alone CRM fails to allow "intelligent interactions" because it cannot provide financial institutions with a view of their customer information across the entire organization. A view across the entire organization is critical because financial institutions offer a wide variety of customer products and services, each housed in a different system. For example, banks may offer lending products, such as credit cards and mortgages, as well as deposit products, including checking and savings accounts.

Traditional CRM solutions are typically stand-alone systems that have limited integration with other departmental solutions.[5] While these CRM solutions can provide insight into a customer's checking account relationship, the bank is unable to view the customer's entire relationship with the bank or to determine if other family members have bank products as well. A traditional CRM enables an insurer to view a customer's life insurance policy but not view that customer's automobile policy. And traditional CRM lacks a centralized intelligence system that financial services representatives can use to learn, serve, and collaborate more effectively.[6]

In addition, customers interact with financial institutions through a variety of channels, and CRM solutions must share customer information across all of these channels. When customers make a deposit at an ATM, they expect that the financial services representative at the other end of the phone will know the details of that transaction. Because traditional CRM silos customer data, relevant information is not available across channels, which causes financial services representatives to miss sales opportunities and mismanage interactions. The inability of traditional CRM to thoroughly integrate channel-related data often leads to uncomfortable customer experiences rather than seamless, intelligent interactions.[7]

Traditional stand-alone CRM fails to allow "intelligent interactions" because it cannot provide financial institutions with a view of their customer information across the entire organization.

[5] Amy Bethke, "CRM + BPM: Raising the Customer Experience Bar," Ecommercetimes.com (http://www.ecommercetimes.com/story/68393.html), October 16, 2009.

[6] Christopher Hall, "Get Smarter with Knowledge Management," DestinationCRM.com (http://www.destinationcrm.com/Articles/PrintArticle.aspx?ArticleID=55040), August 17, 2009.

[7] Barney Beal, "Making Real-time Information a Reality in the Contact Center," SearchCRM.com (http://searchcrm.techtarget.com/news/1331561/Making-real-time-information-a-reality-in-the-contact-center), September 2008.

Another shortcoming of traditional CRM is its lack of intelligence and analytics. While many financial services firms automate sales offer presentations for their representatives, these offers are typically based on the firm's sales goals rather than on customer needs.[8] A branch teller may offer the customer a product he or she has already declined or doesn't need, or miss opportunities to present relevant products or services associated with key life events, such as marriage, new home ownership, or a teen leaving for college. A traditional CRM's lack of customer intelligence and analytics prevents representatives from individualizing offers and recommendations, which diminishes customer relationships rather than strengthening them.[9]

Today's financial institutions recognize the inability of traditional CRM to deliver a truly rewarding customer experience. According to Forrester Research, less than 50% of CRM projects fully meet expectations.[10] Without the ability to integrate customer information across the enterprise, share information across all channels, and provide robust customer intelligence, financial firms are unable to engage customers as unique individuals, better understand their needs, and offer products and services that satisfy those desires.

[7] Barney Beal, "Making Real-time Information a Reality in the Contact Center," SearchCRM.com (http://searchcrm.techtarget.com/news/1331561/Making-real-time-information-a-reality-in-the-contact-center), September 2008.

[8] Ibid.

[9] Ibid.

[10] William Band, Sahryn Leaver, and Andrew Magarie, ***Answers to Five Frequently Asked Questions About CRM***, Forrester Research (http://www.forrester.com/Research/Document/Excerpt/0,7211,46432,00.html), August 29, 2008.

Intelligent CRM: Building a New Path to Profits

Clearly, traditional CRM solutions and implementations have failed to serve today's financial services business requirements. Yet forward-thinking financial institutions are not settling for these limitations. They are shifting their mindset and embracing the ability to interact with customers based on intelligence, rather than simply communicating various offers across multiple channels. They understand that they must respond quickly and appropriately when customers initiate contact with them in order to maximize profitability and build loyalty. They also recognize the need to focus on increasing average sales and improving retention rates with the most profitable members of their customer base.

To achieve these objectives, financial institutions need a new form of CRM technology that supports the business strategy, enables use of business data, and facilitates fluent conversations and interactions with all customers, no matter how they contact the organization. Satisfied customers reward their financial institution: J.D. Powers found that customers who reported the highest satisfaction rate with their bank actually held up to 5% more in deposits.[11] Financial institutions must empower their representatives with systems that allow them to make every customer interaction intelligent.

Yankee Group Senior Analyst Phil Hochmuth says that a successful customer experience is intelligent only when all touch points are aligned around a common goal of success. Also, the technology and processes must be in place to ensure that the entire organization can leverage the critical data gathered from each step of the customer lifecycle—reach, acquisition, conversion, retention, loyalty.[12] In today's global environment, business processes must be integrated seamlessly across divisions, so representatives can handle calls quickly and resolve issues in a single interaction. To do this successfully, representatives need visibility into all of the data and processes associated with their clients. Rather than risk losing a customer or an opportunity by presenting impersonal messages and offers, leading firms focus on personalizing each interaction based on real-time customer information and intelligence. In other words, by focusing more on critical real-time indicators, forward-thinking companies are connecting their processes with the changing expectations of those they serve. [13]

Best-in-class financial institutions that rely on individual customer profile data and analytics improve performance and drive true customer intelligence.

[11] Beth Snyder Bulik, "Banks Turn Message Back to What Consumers Want," Advertising Age, October 5, 2009.

[12] It's the Experience, Really!,Telecom Asia (http://www.telecomasia.net/content/its-experience-really-1), August 2008.

[13] Ibid.

The rewards for supporting intelligent interactions are numerous. Best-in-class financial institutions that rely on individual customer profile data and analytics improve performance and drive true customer intelligence. Financial institution marketers have already achieved significant gains using customer profile data, such as transaction volume, account balances, underwriting status, contextual data, and demographic data. The more sophisticated this customer intelligence—and the more actively financial institutions leverage it—the more effectively they can manage and strengthen customer relationships.

Financial institutions that convert to real-time, individual customer profiles often experience double-digit gains in offer acceptances, as compared to untargeted, average customer approaches. In fact, according to McKinsey, companies that restructure contact centers around a customer service strategy often cut their costs by up to 25% and boost the revenue they generate by as much as 35%.[14]

[14] Service Invention to Increase Retention, CMO Council (http://www.researchandmarkets.com/reportinfo.asp?cat_id=0&report_id=1071132&q=Service%20Invention%20To%20Increase%20Retention&p=1), August 3, 2009.

Best Practices: How Intelligent Interactions Enable Richer Customer Relationships

To achieve their objectives, financial institutions need to implement a CRM solution that enables them to optimize interactions with every customer by providing greater insight into a customer's needs and transaction patterns. The solution also must facilitate the ability to act on insights in real time. Since traditional CRM is not sufficient to enable the level of insight and interactions required for success, financial institutions need to embrace a new strategy of best practices called "intelligent CRM" that makes it possible to capitalize on inbound interactions, address the customer on a personal basis, and present real-time, personalized offers.

Capitalize on Inbound Interactions

Intelligent CRM makes it possible to capitalize on inbound interactions by enabling financial institutions to respond quickly and appropriately when customers initiate contact. It empowers representatives to rapidly answer questions and resolve issues to a customer's satisfaction. Part of retaining and satisfying a customer includes fulfilling an unmet need beyond just issue resolution. This is where cross-selling and up-selling must play a fundamental role.[15]

A key to capitalizing on inbound customer interactions is ensuring that contact center actions, recommendations, and offers are immediately updated based on new activity with customers.[16] With insight into the customer's history, preferences, and needs, representatives can first answer customer questions and then offer relevant products or services. An advanced, robust, intelligent CRM solution should draw on available data sources and guide a representative through the correct sequence of actions.[17]

For example, if a representative is aware that the customer has a mortgage with the bank, they may present that customer with a no-fee home equity line of credit. A customer who regularly deposits funds to cover checks they've written may appreciate the offer of a consumer loan. Or an insurance company may offer a customer with an automobile policy a reduced premium on an appropriate second policy.

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[15] Stephen Lawrence, *Cross-Selling and Up-Selling in the Contact Center: Transforming the Contact Center into a Profit Center,* Aberdeen Group, May 2008.
[16] Barney Beal," Making Real-time Information a Reality in the Contact Center," SearchCRM.com (http://searchcrm.techtarget.com/news/1331561/Making-real-time-information-a-reality-in-the-contact-center), September 2008.
[17] Ibid.

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Those financial institutions that can use customer data to transform interactions from problem-resolution to solution-selling opportunities are well positioned for higher revenues and retention rates across the most profitable customers. For example, First Citizens Bank found that those customers who receive more courtesy-oriented interactions keep larger balances with the bank.[18]

Address Customers on a Personal Basis

Intelligent CRM enables financial institutions to address the customer on a personal basis through a view into the entire history of a customer's relationship with the firm. This data not only identifies key customer characteristics, such as how long they've been a customer and the types of products they have, but it also guides the course of a representative's intelligent interactions with the customer. For example, a new customer requires a different approach than a long-time customer. While a new customer engagement typically requires the collection of data, contacts with existing customers provide distinct opportunities for financial institutions to deepen their customer relationships.

For example, a customer's 60th birthday could drive an offer for a retirement planning consultation with a financial advisor. The consultation allows the advisor to gather information about the other financial institutions that the customer does business with and provides an opportunity for the firm to capture more share of wallet by transferring assets held by a competitor.

By supplementing a customer's history with analytics that evaluate an individual's likely behaviors and calculate the influence of enterprise-wide trends in sales and service operations, representatives gain a sophisticated, personalized perspective that cuts across multiple departments and channels. Armed with this intelligence, representatives can introduce marketing offers and promotions at the right time, for the right reasons, and in the right way—maximizing the opportunity for success and helping to increase the value of every interaction.[19]

Washington Federal Savings Bank excels at personalizing customer interactions. The bank analyzes its customer profile information and uses this information to offer the most appropriate products and services. For example, Washington Federal analyzes customer behavior of different age groups and has determined that those customers aged 50 and above prefer more interactions from the bank than its Generation Y or Generation X customers. The bank also knows that its older customers are more profitable, so it constantly looks for ways to reach out to this customer segment and nurture these relationships.[20]

[18] Maria Bruno-Britz, "Analytics Are Becoming Increasingly Important Tools in Banks' Customer Retention Strategies," Bank Systems and Technology (http://www.banktech.com/printableArticle.jhtml;jsessionid=NUTSXLTY42EKBQE1GHPSKHWATMY32JVN?articleID=207400965), April 28, 2008.

[19] Barney Beal, "Making Real-time Information a Reality in the Contact Center," SearchCRM.com (http://searchcrm.techtarget.com/news/1331561/Making-real-time-information-a-reality-in-the-contact-center), September 2008.

[20] Sharon Tercha, "Mining for Dollars," ABA Banking Journal, June 2009.

Present Real-Time, Personalized Offers

An advanced CRM solution is also the key to presenting real-time, personalized offers. Real-time offers rely on a system's ability to immediately update all customer communications.[21] To accomplish this, contact center agents must enter new information as they receive it over the phone. Email correspondence should be captured, and all data should be available as soon as it is entered into the system. This current information allows agents to uniquely identify the customer's preferences and history, and isolate appropriate offers. Representatives can present individualized, relevant offers to customers in real time, leading to much higher acceptance rates.[22]

Rounding out the solution is real-time, predictive analytics to determine the messages that are most appropriate for the customer. These analytics drive personalized recommendations, offers, and messages based on predictive models running in the background. They also allow innovative financial institutions to experiment and test new ideas on a subset of their customers, and then rapidly leverage new insights across the rest of their customer base. Financial institutions that use predictive analytics to create a "score" based on transaction patterns for each customer can then use these scores to improve response rate and campaign profit.[23]

For example, a large US bank is using predictive analytics to help contact center representatives gauge which customers are most likely to respond to new incentives and keep credit card balances active. The results have been dramatic: Customer acceptance of retention offers has increased by 33%, resulting in an increased profitability of almost $10 per customer. [24]

By collecting customer data to capitalize on inbound interactions, using that data to address customers on a personal basis, and presenting real-time, personalized offers, financial institutions provide a more compelling customer experience and stand to strengthen their position in the marketplace.

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[21] Barney Beal, "Making Real-time Information a Reality in the Contact Center," SearchCRM.com (http://searchcrm.techtarget.com/news/1331561/Making-real-time-information-a-reality-in-the-contact-center), September 2008.

[22] Ibid.

[23] "Predictive Analytics—Example Business Case," PredictiveAnalytics.org (http://predictiveanalytics.org/predictive-analytics-example-business-case.htm), February 18, 2008.

[24] Rod Arends and Cheryl Yaeger, *IVR-CRM Integration: Migrating the Call Center from Cost Center to Profit*, Benchmark Consulting International, October 2004.

Conclusion: Take the Road Less Traveled and Reap the Rewards

It's true that financial institutions have changed since the days of Bailey Savings and Loan depicted in "It's a Wonderful Life." Today, customers are as likely to connect over the Internet as they are to actually visit a brick and mortar location. However, while financial services have changed, what customers want from their financial institutions hasn't. They want to feel that their financial institutions know who they are and understand what they need.

Intelligent interactions, the linchpin in this new intelligent CRM strategy, revolve around delivering complete customer intelligence to financial service representatives and ensuring a consistent customer experience across multiple touch points. The right solution provides a powerful, real-time decision framework that helps financial institutions manage customer-initiated interactions across various channels. It also delivers a unified view of customers across all systems and empowers representatives to shorten call times, resolve issues the first time around, and engage in seamless conversations. Plus, it combines historical, personal, and contextual information as well as real-time analytics capabilities and business rules to help customer-facing representatives present the most attractive offers.

An intelligent CRM solution analyzes customer data and recommends the next best action—either an up-sell, cross-sell, or retention offer—for each customer, matching the value of an offer to the need of the customer. The solution then tracks each customer interaction in ways that allow the Intelligent CRM to adapt offers over time, which helps financial institutions fine-tune their strategy for better results.

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By leveraging a solution that enables intelligent interactions, financial institutions can deliver customer experiences that raise customer satisfaction, loyalty, and revenues while making customer-facing employees more productive, "smarter," and happier with their jobs. Just as important, if the right strategies are employed today, then financial institutions will get a "sling shot" effect going into the economic recovery, putting them well ahead of the rivals who continue to equate CRM success with spending more money on technology.[25]

[25] "Gartner Highlights Five CRM Strategies That Cost Little to Nothing, but Will Generate Positive Results," Gartner Newsroom (http://www.gartner.com/it/page.jsp?id=992012), May 26, 2009.

Infor CRM Epiphany Interaction Advisor

Interaction Advisor is an easy-to-deploy, easy-to-use solution that helps leading financial services companies tap the potential of their existing customer base. Interaction Advisor uses a combination of historical, personal, and contextual data to create a real-time customer profile, and then applies a unique combination of real-time analytics and business rules to deliver the highest impact offers at the moment of customer interaction. It tracks each interaction and adapts and improves effectiveness over time. Benefits include:

- Increased cross-sell revenues
- Reduced churn and improved retention
- Intelligent customer interactions across multiple touch points
- Automatic and continuous learning
- Easy deployment and optimization with existing systems
- Real-time performance and enterprise scaling

Using Interaction Advisor, financial institutions have doubled or even tripled their offer-acceptance rates and cross-sell revenue. Call 1-800-260-2640, email sales@infor.com, or chat live at www.infor.com/crm/ to learn more.

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