

FSDT

Financial Sector Deepening Trust
“Promoting greater access for more people to the
financial system in Tanzania”

DO's and DON'Ts of CRM

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**CREDIT BANK
OF MOSCOW**

Why CRM?

Some Reasons

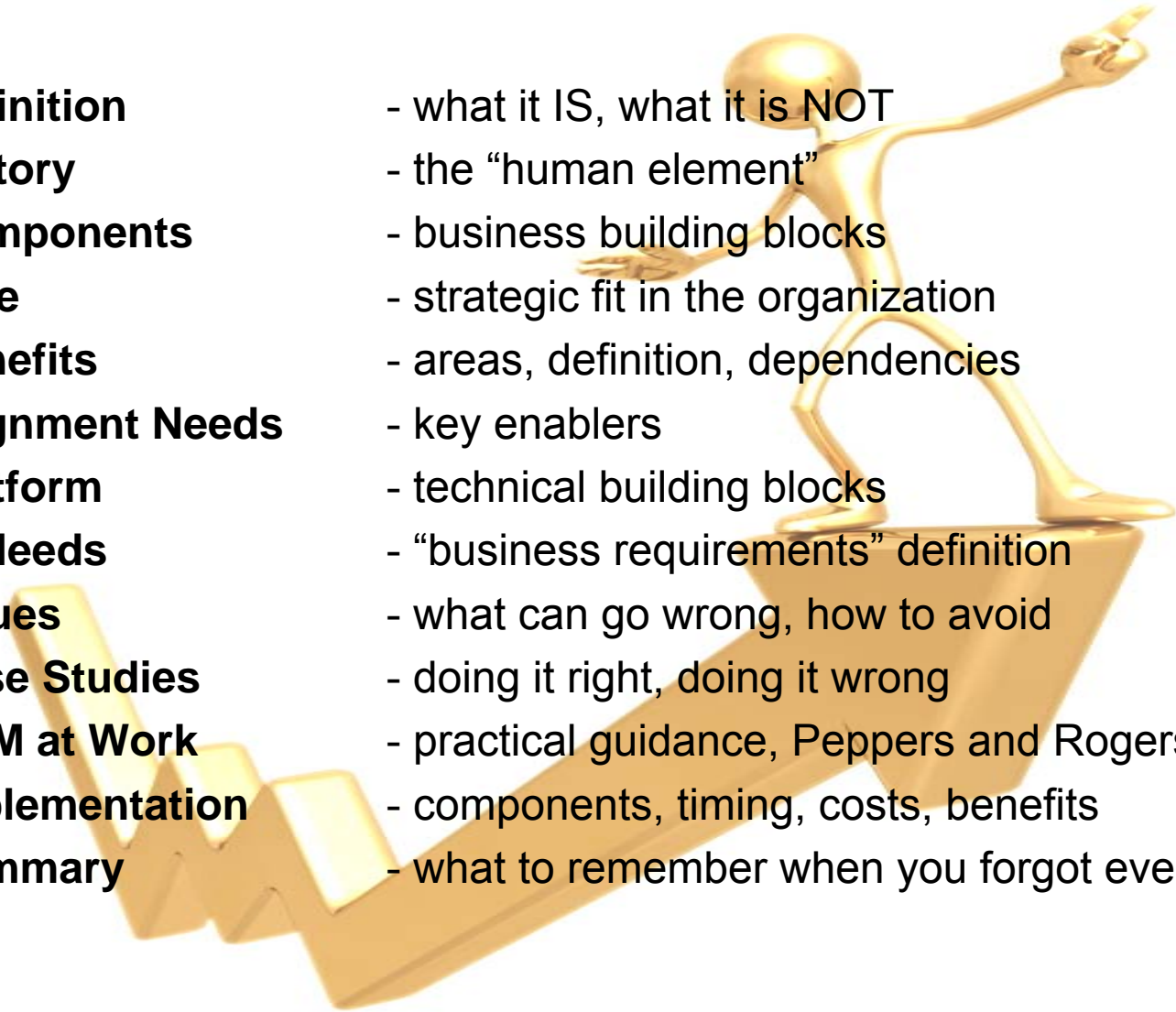
- Need to get both the personal and business holdings of MSME owners
- We have a lot relationships already that we are not exploiting
- Have to deliver offer consistently across all channels
- No business disruption if bank advisor is away
- Need to “grow with the customer”

“Deep Dive”

- Focused and structured review of CRM essentials
- Enough breadth and depth to allow for implementation

Let's Start!

Agenda

- 
- ✓ **Definition** - what it IS, what it is NOT
 - ✓ **History** - the “human element”
 - ✓ **Components** - business building blocks
 - ✓ **Role** - strategic fit in the organization
 - ✓ **Benefits** - areas, definition, dependencies
 - ✓ **Alignment Needs** - key enablers
 - ✓ **Platform** - technical building blocks
 - ✓ **IT Needs** - “business requirements” definition
 - ✓ **Issues** - what can go wrong, how to avoid
 - ✓ **Case Studies** - doing it right, doing it wrong
 - ✓ **CRM at Work** - practical guidance, Peppers and Rogers
 - ✓ **Implementation** - components, timing, costs, benefits
 - ✓ **Summary** - what to remember when you forgot everything...

Definition

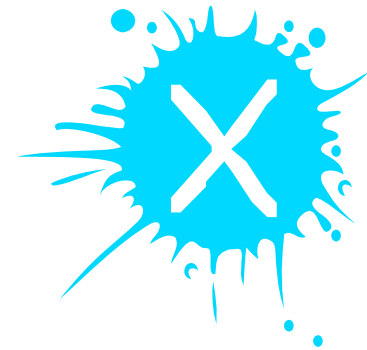
What it IS

1. Customer Relationship Management optimises the acquisition, relationship building and retention processes to maximise profit per customer
2. It creates an optimal full cycle of managing our interaction with our future and present customers
3. It links all processes and operationalizes them for high quality, no exception execution
4. It makes the life of staff easier



What it is NOT

1. Stand alone initiative, like Sales Force Automation or Call Centre management
2. Technology platform, software, hardware, etc.
3. Automation of existing processes (without optimizing them first)
4. Something simply defined by “gurus” or “management”



History

In the Beginning...

- “The Story of John, Joe and Jane”

Evolution

- More customers, more channels
- High staff turnover
- Predictive modeling, credit risk management, middle-ware IT
- B2B payback



Conclusion

- Meeting of technology and human element
- Full cycle of history
- Sinister or benevolent?



Components

- **Institutional memory** – history of contacts, behaviour, holdings, issues
- **“Full View”, personal and business** – as above, plus next steps, potential
- **Identical information at all contact points** – with scripts for each event
- **Proactive and reactive “best practices”** – cross sell, up sell, retention...
- **Analytical capabilities, geared to actions** – events, “what if”, etc.
- **Key information at any level** – profitability, potential, elasticity, intent, etc.

Role



Guru

- Philosophy

CEO

- Control and reporting tool

IT

- Technology platform

Marketing

- Database marketing taken one step further

Operations

- Process re-engineering

Etc, etc...

Benefits



Summary

1. + 10 % new acquisitions
2. + 2% incremental volume retained
3. 3 years to fully realise gains
4. Assume slower benefit growth (at 50% rate) in later years
5. 2/3 of extra sales from cross selling, 1/3 from new acquisitions (with average set up)
6. 2/3 of benefits can be planned with process mapping

Influencers

1. Portfolio: growing or mature, small or large
2. Market: emerging or developed
3. Target: customers or prospects
4. Opportunity: needs disconnect or behaviour profitability

Benefits Planning

Process Mapping

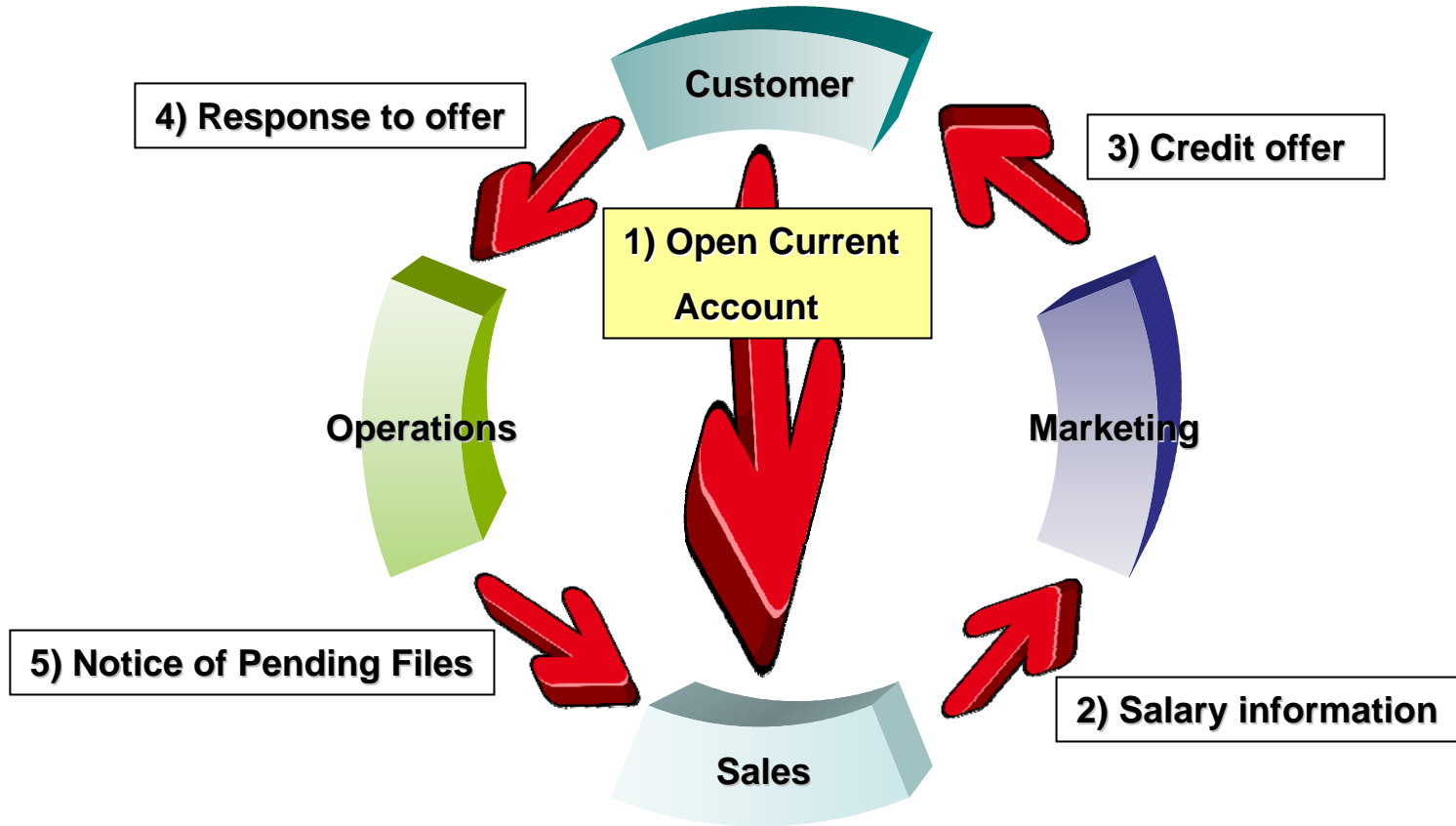
- 2/3 of total benefits
- Focus on break points in processes

Other

- Faster time to market
- Direct marketing cost savings
- Reduced fraud and losses
- Reduced errors, higher service quality
- Cross referencing processes (marketing and other)
- Link internal and external variables
- Easier learnings transfer
- Higher motivation, easier job



Process Planning – Simple Example



Disconnect:

- Up to 50% of forms incomplete (no salary information, no credit offer possible)

Delay:

- Files pending up to 30 days, customer changes his mind

Process Planning – Slightly More Complex Example

Attachment B - Revenue Planning, Belgium: Full Implementation Assumptions

<u>Benefit Area</u>	<u>Planned Action(s)</u>	<u>Svgs (\$M)</u>	<u>Rev (\$M)</u>	<u>Delivered by</u>	<u>Comments</u>		
Instalment loans	More customers targeted for cross sell	(13)	120	Valex/DataMart	Better data use identifies more (+7%) low risk customers to sell to		
	Higher reactivation booking rates	--	174		+10% with more complete data		
	Higher reactivation response rates	47	24		25% lower mail volume, 35% higher response, with better scoring		
	Activate pending applications faster	(11)	1569	Siebel/DataMart	+5% disbursements, from 25% of applic'ns pending 1 mo+, due to instant customer relationship view		
Credit	Better cross sell to card base	78	378	Valex	Assumed only credit cross sell, other cross sell benefits TBD		
Relationship account	Faster / higher upgrade to fee-waived rel'n	(80)	326	Siebel/Valex	Assumed extending current plans, new initiatives yet TBD		
Misc. products	Better tracking and mktg/sls coord'n	(76)	235	Valex/Siebel	Better capture and faster response to consumer info requests		
Credit products	Reduce attrition	TBD	1883	Valex/Siebel	Targeting only those we want to keep, among those who went to comp'n. Only yr 1 benefit, LTV is 2x		
Misc.	Lower direct mail volumes, higher responses	815	--	Valex/DataMart	10% improvement assumed. Note: hi end rev/exp is 48, lo end is rev/exp 5. Thus max hypoth'l impro is 1000% (unrealistic).		
TOTAL		760	+	4709	=	5469	
TOTAL Yr 3 Benefits in MEP:						8200	
% of MEP Benefits Already Identified:						66%	

Notes: - Conservative assumptions used, details available on request
 - Modelling done by Belgium Database Marketing

- Exchange: \$1 = BEF35
 - Benefits after 3 yrs, to allow scoring, learning and building expertise

Process Planning – More Complex Example, with Cross Checking

Attachment C - Revenue Confirmations and Cross Checking

1) Examples of Database Activities and their Benefits to Date

<u>Activity</u>	<u>Market</u>	<u>Benefits, Comments</u>
New indirect loans conversion system	Germany	\$5.8 mill, 6QR, 20%+ increase in booking rates, from 1.03% to 1.26%
Deposit account overdraft increase	Germany	\$9.9 mill, 6QR
Event driven sales lists - Credit	Germany	\$6.7 mill, 6QR, delivers 10% of all credit bookings
- Investments	Germany	\$6.0 mill, 6QR, 3x increase in reinvestment rates, from 6% to 18%
Improved prospect scoring for direct mail	Germany	2x response rate increase, to 0.28% from 0.15%
Weekly, POS level revenue tracking/reporting	Germany	\$8.9 mill, 6QR, with credit products only (not yet expanded to full base)
Credit line anti attrition modelling	Belgium	Decrease attrition from 24% to 6%, 10x response vs. average, +44% credit among responders
Geo-code segmentation of door-to-door	Belgium	2x response rate allowed 30% cut in materials, for \$40M cost savings and same revenue
Vintage analysis for loan renewal actions	Belgium	50% response rate increase, to 1.8% from 1.2%
Combined geo / behavioral scoring for credit	Belgium	2x response rate increase, to 0.35% from 0.15%
Cross-sell targeting with behavioral scoring	Belgium	10x response rate increase, to 1.0% from 0.1%

2) Cross Check: Germany Experience Projected to Belgium Base

Germany:	\$26.9 mill / yr incremental revenue, within 1.5 yr after implementation of focused plans / improved architecture +2.5% revenue
Belgium:	Projecting German revenue lift to 3 years: +5.0% +5% revenue lift = +\$8.8 mill / yr, by year 3, applying German projection to Belgium, ie same relative improvement MEP assumption= +\$8.2 mill / yr, by year 3, in-line with German experience (full implementation model) Benefits planned= +\$5.5 mill / yr, by year 3, remaining \$2.7 mill yet to be identified

Notes: Sources - Belgium and Germany Marketing Departments, 6 QR, financial reports

Alignments Needed

Strategic

- Proactive business development focus
- Integrated data driven approach

Organizational

- Dedicated Database Marketing and Sales Process Teams
- Coordinated multi channel approach
- Extra support in developing bottleneck areas (ops, admin, credit, etc)

Process

- Marketing processes (e.g. retention)
- Sales processes (e.g. leading indicators)
- Commitment to optimize processes before operationalizing them



Platform Needs

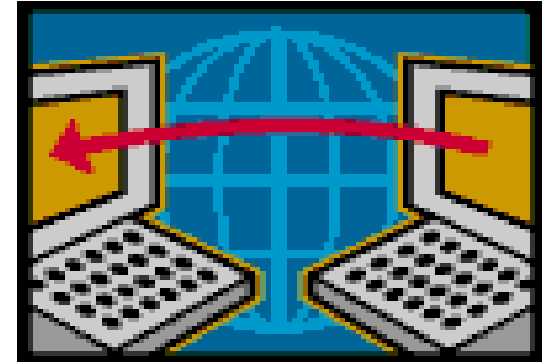
Key Components (architecture)

1. Marketing DataMart
2. Contact Management
3. Marketing Planning

... in this order of priority and implementation

... linked to operating system(s) and each other

... Data Warehouse is nice to have but not essential upfront



General Guidelines

- Single log in
- Everything is “3 clicks away” or less
- Options for both “self initiative” and “hand holding”
- Automatic data transfer for field updates
- “KISS” & common sense



Business Requirements

1. Marketing DataMart

- customer and prospect database, with relationship view at individual level, plus related party and house hold views
- deduplication facility
- easy use with SAS, SPSS or similar
- fast updates, at variable intervals (e.g. contact info daily, profit info quarterly)
- demographic, contact, profit (or proxy), behavioural information
- flexible fields for both internally and externally obtained info (e.g. sales cue, credit score, geo-code, warning flags)
- institutional memory: contact info, follow up calendarization
- link to all customer contact points

Business Requirements

2. Contact Management

- capture and allocate sales leads
- link to DataMart, two-way update (e.g. sales leads *from* DataMart, contact info *to* DataMart)
- link to all customer contact points
- link to operation system, one-way update (e.g. account is opened in the core system on line, but account opened status fed back to Contact Management system overnight)
- provide “shell” screen for other systems (single log on, security shell, single info entry)
- referral pass-over and follow-up
- leading indicator tracking (workload management)
- cascading, variable access (e.g. Branch manager vs. sales person, branch A vs. branch B, etc)
- sales help modules (e.g. industry profiles, form printing, e-signature, product literature, sales scripts, etc.)

Business Requirements

3. Marketing Planning

- automate data analysis to be done in future: pre-program events
- allow sequential campaign planning based on results of previous one(s)
- variable campaign planning based on both defined and undefined data
- plan direct marketing events, highlight conflicting actions
- “what if“ capability, on screen campaign planning
- automatic tracking, monitoring and reporting
- link to DataMart and contact management systems

Issues

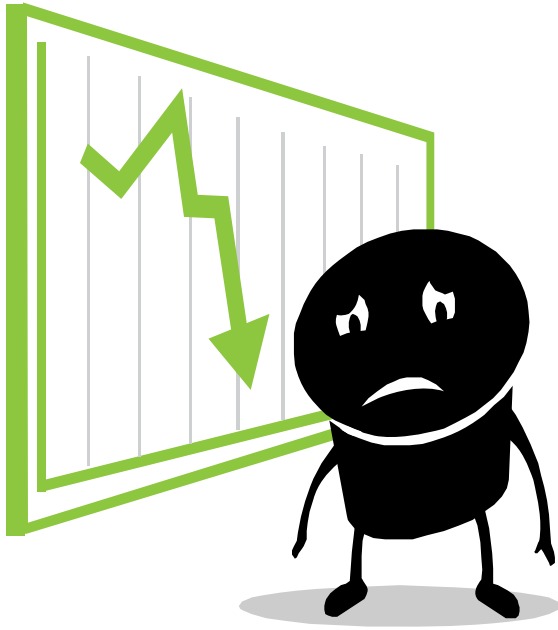
What can go wrong?

- Over-engineer
- Define CRM as “what it is NOT”
- Ignore alignment needs
- Make staff’s life more difficult
- Allow no time for learning
- Do everything at once, no scaling up
- Change operating systems
- Over promise
- Do not plan data cleansing
- Automate “as is” instead of “should be”



Case Studies, Anecdotes...

Specific



- Spanish bank – SFA decreased sales
- UK advertisers – 10% of call centres shut down on weekends
- US multi – international help line with “1-800” access only, need SSN, etc.
- Asian service regional - \$10 million for DWH, without contact info
- Asian Telco – 60% of urban users as “farmers”
- Greek bank – wealthy pensioners, 60% of income “9999”
- Belgian insurer – no catch for 60+ qualified internet leads per day

Case Studies, Anecdotes...

General

- Charge for calls (90% will cut off)
- Long list of phone options (3-4 max, then people tune out)
- Ignore that company servers do not allow e-mail replies
- “With CRM in place”:
 - 50% of Management has no profitability figures
 - 70% of Management has no cross sell ratios



Putting CRM to Work

- Use common sense and direct marketing skills
- Basics: correlation analysis
 - Purchased items / services and other variables
 - Customers vs. consumers
 - Cross channel
 - “Whatever” (open mind!)
- Go for “low hanging fruits” to generate support
- Do it yourself or ask for help (search: “Peppers and Rogers” → see side box)

Our FIVE Guiding Principles

Peppers & Rogers Group adheres to a set of five guiding principles for every client engagement:

- 1. Connect all recommendations, programs and results to corporate strategy**
- 2. Support 1to1 Strategy with a proven business case**
- 3. Incorporate data, people, process and technology into the 1to1 Strategy**
- 4. Deliver quick wins within 6-12 months and validate financial assumptions**
- 5. Leverage existing assets across the enterprise**

“Okay, so now *WHAT?*”

- Good news: “**sneaker brigades**” and “**cloud computing**” (hosted services) to the rescue!
- E.g. “Sneaker Brigades”: Amazon.com, CitiBank India, Albanian National Post
- E.g. “CRM Providers”: 21.2 million hits on Yahoo...



Solution Providers

Three Main Types

- 1) *Consultants*: e.g.: Sophron, Peppers&Rogers, CapGemini, IBM...
- 2) *Evaluators*: e.g.: comparecrm, Silverpop, Business-Software, technologyevaluation...
- 3) *Solution Providers*: Watch out! Some provide own solution, some host others' (e.g. SAP, Oracle, Microsoft) → extra (hidden) costs?

E.g. SalesForce, Intuite, eSalesTrack, StreamlinedFusion, Kliptix, Oracle, SAP, FinancialForce, Sage, NetSuite, Microsoft, AgileWave, Secure24, etc.

(Note: Being mentioned above is NOT an endorsement of any Provider!)

Implementation Issues

Evaluating Providers

- Support – implementation, training, ongoing technical
- Ease of set up / ongoing use
- Features – matching business requirements
- System security
- Uptime, recovery issues
- Cost – N.B. “own solution” vs. “guest hosting”



Business Case

- Robust medium scale solution: \$25 to 50 per month per user FTE
- At 5% NIM (IMF SSA Review, 2009) this needs \$500 – 1000 / FTE / mo extra sales to justify

Implementation Issues

Timing

6 – 12 mo	Business planning – business case, vendor selection
3 - 6 mo	Process optimization
3 - 6 mo	Solution implementation – integration, testing
1 - 3 mo	Training – sales force, marketing, support functions

- Total time required: 1 to 2 years
- Bottleneck is usually own resources, not provider's
- Hosted services cut both time and implementation effort by 50%
- Phased implementation may not be needed – flexibility is given



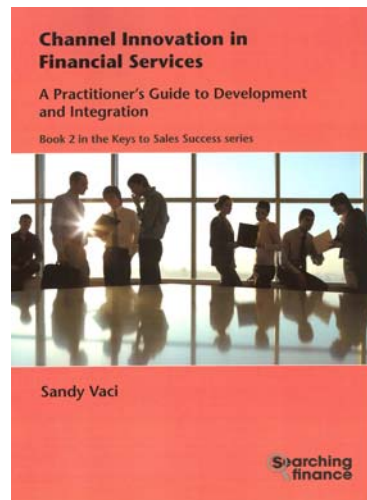
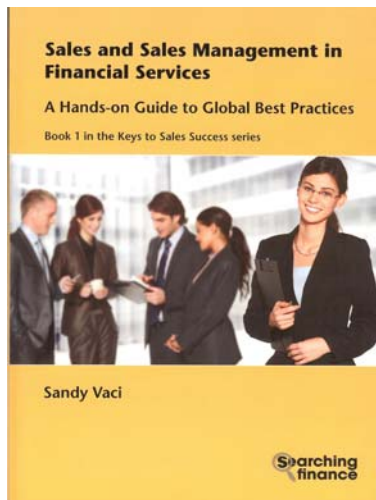
Summary

- Do not be intimidated and do not overcomplicate
- Keep in mind the human element, simplicity and common sense

- *Any questions?*

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***Thank You
for Your Attention!***

