WHITEPAPER

Analytics in CRM

Insights to Action

EVRY
Customers have grown accustomed to personalized solutions in many industries and expect the same from financial services providers.

This paper explores how banks can enhance customer satisfaction and increase revenues by integrating analytics in their CRM system. The paper also presents case studies describing what approaches banks have taken to achieve their goals by combining analytics and CRM.

The use of data analytics can help banks know their customers at a one-to-one level. This knowledge can be used in CRM systems to better manage customer relationships. Combining customer knowledge with CRM processes allows banks to take a data-driven approach in their CRM strategies.

“43% of consumers believe their bank does not know them, and consequently cannot deliver personalized service.”

- Cisco
Banks have rich customer information that can be turned into actionable insights using the right tools. Today’s bank customers have high expectations towards their banking experience and demand convenient and personalized products and services. Banks need to offer interactions that are meaningful in the right context to retain and develop customers.

The purpose of this paper is to explore how analytics in CRM can help banks drive customer satisfaction and business value by taking data-driven actions.

The focus area of this whitepaper is meeting the customers in the right context for sales, marketing and customer service.
Methodology

Primary research

- Insights from end customers in Norway.
- Analysis of CRM data from research partner in Norway.

Secondary research

- International Data and industry insights from online research papers, case studies, news articles and blogs.

Based on EVRY’s experience in Nordic markets, the findings from international sources are very much applicable in the Norwegian banking industry. This is because of similarities between Nordic market with global market in general with respect to challenges and customer expectations. However, the reader is encouraged to reflect the relevance of international findings compared to their own specific business environment.

Methods: Insights from end customers

Field interviews
12 participants, aged 18-24

Focus Group
6 participants aged between 18-35

In-depth interviews
6 participants, aged 18-24

Workshop

- 10 participants, aged 18-24.
- 3 representatives from various Norwegian banks.
- 11 representatives from EVRY with expertise in business development, technical analyses and design.
2. EXPECTATIONS AND CHALLENGES

2.1 Customer expectations   2.2 Customer Insights   2.3 Opportunities for banks   2.4 The Banks’ Challenges
2.1 CUSTOMER EXPECTATIONS

Access to information and power of choice leads to greater customer expectations.

Access to information
Today’s customers are privileged with access to vast amounts of information. This provides the customers with more independent knowledge.

Power of choice
Access to large amounts of information combined with convenience of digital purchasing gives greater power of choice for the end customer when choosing products and services.

High digital expectations
Customers have power of choice which together with availability of user-friendly experiences at different online touch points, leads to high expectations from their digital interactions.

The figure reflects how financial institutions are meeting the expectations of retail bank customers worldwide. It was measured on banking performance across a range of factors essential to building relevance and trust amongst their customers.

Banks that are meeting customer expectations

23%

FIS Consumer Banking PACE Index is built based on surveys in 9 countries with 9,000 retail banking customers.

http://closethegaps.fisglobal.com
In order to get a better understanding of bank customers’ problems in Norway, we gained insights through field interviews, focus groups and workshops. Here are some of the problems highlighted by customers:

### Customers want context-driven information

*The bank thinks of you as a customer and not as a person. I don’t have any relationship with them.*

Customers expect their banks to understand their behavior in the context of their everyday lives. They want information that is relevant, enabling them to feel in control, make sound decisions and achieve their financial goals.

### Customers desire relation-based services

*If someone provides me a good service and I need it, they get my loyalty.*

*I remember I went to a (self-service bank), but I stopped during the process because I thought "This is huge. I need to speak to someone".*

There is a high demand for quality and relation-based customer service to enhance engagement, loyalty and customer retention.
Customers have low tolerance for inefficient services, due to their high digital expectations. Services that are not immediate and proactive make a customer feel that their time and needs are undervalued.

Customers do not have faith in their banks to be a valuable partner in meeting their financial goals. They do not trust banks to be proactive in anticipating their needs. Instead, our research has shown that customers themselves have to initiate and make great efforts to get assistance from banks.

Customers want pro-active engagement from banks

“Banks know a lot about us and our spending, but doesn’t alert us when we are running low etc...”

“They should be able to predict my future.”

Customers expect efficient services

“I felt overlooked, you know. You’re not even important as a customer. They don’t even bother answering for a week and that’s bad.”

Customers have low tolerance for inefficient services, due to their high digital expectations. Services that are not immediate and proactive make a customer feel that their time and needs are undervalued.
Banks have the opportunity to meet customer expectations that are discussed in the previous section.

The growing use of channels by customers increases the opportunities for banks to engage with them at different touchpoints.

The technology is available to help banks be relevant at the right time, with the right offers, through the preferred channels and with the customers’ context in mind.
2.4 THE BANKS’ CHALLENGES

To meet the high digital expectations of customers in the right context and the right time, the banks need to focus on collecting, storing and analyzing customer data.

However, the structure of traditional banking organizations is not designed in a way that facilitates for banks to develop their capabilities in this area.

Perceived maturity of data analytics in financial services

<table>
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<tr>
<th>Overall ability to realize value from data assets</th>
<th>Relevant data skills and human capital</th>
<th>Overall leadership on importance of data</th>
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<td>20%</td>
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Only 23% of employees believe in the overall ability of their company to realize value from data assets, 22% thinks that their company has relevant data analytic capabilities, in terms of tools and people. Only 26% perceives the leadership in their company to be highly mature in understanding the importance of data analytics.

This Ernst and Young report is based on a quantitative survey of employees in 150 financial services firms in the banking, insurance and asset management sectors, supplemented by interviews with senior individuals. The respondents were split equally between North America, Europe and Asia.
2. EXPECTATIONS AND CHALLENGES

CHALLENGE AREAS

Data

“56% of financial institutions surveyed did not have the right systems to capture useful and relevant data” BAIN

Banks have rich customer data, however, it can be explored better. This is supported by an analytics survey by Bain. 56% of financial institutions surveyed did not have the right systems to capture useful and relevant data or leverage data and turn it into actionable insights. A participant surveyed, elaborates on the conclusion of the study by attributing this challenge to a lack of data analytical culture - What to look for in the data, what questions to ask and how to make inferences to draw conclusions based on data.

Tools

“Only 38% of companies surveyed are using advanced analytics and Big Data tools” Bain

As tools for data analysis are becoming more available, banks are presented with vast new opportunities to leverage data. Surprisingly however, Bain has discovered only 38% of companies are utilizing these tools.
One of the challenges in the way of adoption of data analytics is lack of resources with the right skills. Moreover, based on our research at EVRY, data analytics capability in banks is sparse and centralized in the Data warehouse department (DWH). DWH does not always communicate and collaborate effectively with sales and marketing departments. This poses a challenge where people with commercial responsibility do not have access to actionable insights from the data management team.

“Only 10% of the banks rate themselves as having strong capabilities across a range of data analytics functions”  FIS

People

A study by EY revealed that only 23% of employees believed that the leadership on importance of data analytics was highly mature. Alex Nakhapetian, who leads direct marketing efforts for Global Life at Zurich Insurance Group, states that organizations need to set a clear goal on what they want the data analytics to achieve. At the present state, an overall strategy for shaping the business performance through big data is currently lacking in most organizations.

Organizational Structure

“23% of employees believed that the leadership on importance of data analytics was highly mature”  EY
3. **OVERCOMING CHALLENGES**

3.1 The Way Forward
3.1 THE WAY FORWARD

Banks are increasingly becoming aware of the importance of analytics in customer relationship management to drive business growth. Even though there are many challenges outlined in the previous chapter, experts predict that there are several macro trends that make it safe to assume that banks will gradually overcome organizational barriers related to data exploitation. Additionally, increased application of advanced analytics in financial service is predicted to redefine the industry.

http://www.mckinsey.com/
3. OVERCOMING CHALLENGES

People and Organization

As the requirement for skills within technology and analytics is increasing for people working in finance, business and marketing, universities are evolving their curriculum to create skills that match the emerging needs. The current market trends also encourage existing professionals to seek knowledge and new expertise to keep up with new demands for output in their traditional profession.

Consequently, the new generation of professionals that will be recruited the next 5-10 years with an educational background within finance, business and marketing will have a skillset that bridges the gap between data analytics and business decision-making. This will result in increased resources having data analytics capabilities and the right mindset, moving the organizations in the right direction.

Data and Tools

With the improvement in technology, tools for analysis are becoming more user-friendly, and hence available to a larger group of professionals who do not have advanced skills within analytics. This trend has increased the market for such tools. Consequently, providers of analytic tools are encouraged to invest more in these tools, making them easier to use, and more affordable for the banks, hence making the decision process for investments easier.
The supply of CRM systems that aims to fill this demand has increased in the past few years both in quality and quantity. By using CRM applications for process management, banks can improve their products and services. However CRM alone does not know what the customer wants and when without customer analytics. By feeding the CRM applications with analytics, banks can improve their performance further.

But how to use analytics to meet the customer in the right context?

Parallel with the increase in demand for analytics, there is a shift in technology within the Financial Services related to customer relationship management (CRM). Traditional banking applications are designed to handle processes that start when the customer initiates a bank process, for example a loan application. For a bank to differentiate itself from its competitors, it needs to be aware of the process lifecycle. Banks need technology that can handle the customer interactions that take place before choosing a particular bank or product. Moreover it is equally important to nurture relations with existing customers by understanding their needs, and offering them the right product or service at the right context.
4. MEETING EXPECTATIONS: ANALYTICS IN CRM

4.1 What can Analytics do for CRM
4.2 Operationalizing Insights
Banks face challenges in meeting customer expectations due to missed opportunities in using the right tools to find out what customers want and when. Analytics help banks get deep insights about customer behavior and preferences. These insights, when integrated with CRM systems, allow banks to implement actions and build stronger customer relations.

This section will provide evidence from case studies to show how integrating analytics in CRM has helped banks implement actions based on data-driven insights. The result is increased revenues and enhanced customer satisfaction.

CRM is a system used for handling customer relationships. A well-designed CRM system with integration of relevant data can handle processes efficiently and deliver a high quality of service. However, it does not know what the customers want and when.

This is where analytics comes in. Analytics enables banks to know what is the right context, time and channel to approach a customer. Banks can turn this knowledge into actions and engage the customers at their preferred time and channels with a relevant offer using CRM system.
Moving from customer satisfaction to loyalty, and finally to business value, requires a deep understanding of customer characteristics such as demographics, behavior and lifestyle to deliver a personalized sales and marketing strategy.

Analytics allows banks to divide the customers into natural groupings that share similar characteristics or behaviors. These groups form the basis of tailoring the sales and marketing strategy to customers’ needs.

Value for banks:

- Banks can discover segments that have been traditionally underserved.
- Banks can enhance the relevance of marketing campaigns by optimizing the marketing message based on each segment’s needs and response.
- The response rate can be increased by launching new campaigns in the CRM system with a more relevant message to target unresponsive segments.
- The attributes of profitable persons can be identified, enabling banks to approach high profit potential customers.
- CRM campaigns create data about the attributes of responsive segments, customers’ behaviors and channel preferences which can be used to further improve the analytics.

"Using consumer segments based on investable assets and life stage, a financial services company converted 30% more prospects to customers than with prior mass mailings."

- Nielsen
CASE STUDY

OCBC Bank

Problem:

OCBC was achieving low revenues because of generic mass marketing campaigns, which lead to low customer satisfaction and engagement. The bank wanted to move towards personalized marketing interactions at every touchpoint to build long-term customer relationships.

Approach:

OCBC implemented a CRM system and integrated data from all the channels to see every single customer, every single product, and every single transaction that was made. The bank developed a dedicated analytics team that works with the product and segment managers to let them understand who their customers are. Using analytics and CRM system, OCBC has identified about a 100 different segments/ usages of its credit card customer base. According to the head of group analytics: “We use segmentation to influence the SMSs customers get from the card to make sure they’re relevant to the things they actually bought”.

Results:

- The granular level of campaigns based on customer actions and demographic profiles has helped OCBC improve campaign efficiency. The bank has increased its number of campaigns 12-fold and hence made the communication more personalized.
- OCBC created 19 million potential customers, generating more than $85 million in one year.
- By responding to customer lifetime events, bank achieved 20% higher customer satisfaction compared to control group.

http://www.slideshare.net/
http://www.ndm.net/
360° customer view is an approach to have individual customer views based on unified information from all available data sources.

Banks have large volumes of customer data generated at different channels. However, they also have the opportunity to leverage this data to create exceptional customer experiences. Analytics provides actionable information to banks and enhances the customer 360° view by enabling banks to know the individual customer profiles, customer sentiments and purchasing propensity better.

The 360° view can be expanded in CRM by adding insights from analytics in the customer card, by adding tags to individual customers, and adding customers to new segments.

**Value for banks:**

- Knowing the individual profile of the customer allows banks to send out personalized marketing messages through the CRM system.
- The banks are able to know how customers perceive their products & services and take relevant actions using CRM system, enhancing customer satisfaction and hence loyalty.
- The customer-facing employees are able to understand the customer context and better serve them, through quick actionable insights on the customer card.
**CASE STUDY**

**HDFC BANK**

**Problem:**

HDFC used multiple systems and processes to manage sales, with each business line having their own divergent system that was not integrated to a 360° customer view. This posed challenges in creating a unified view of sales and hindered relationship managers to obtain real-time status of customer account and other information which led to customer anger.

**Approach:**

The bank implemented a comprehensive CRM platform using analytics to obtain a 360-degree view of customers by integrating and using data from a variety of sources, including mobile and web.

**Results:**

- The analytical CRM has enabled the bank to make personalized offers to customers across their preferred touchpoints, including branches, interactions with relationship managers, call centers, ATMs, email, etc..
- «Close to 2.2 million leads (across deposit, loans, investment, and convenience products) are generated each month with high monthly conversion rates and risings»
- The customer loyalty index has increased by 92%

http://www.crmnext.com/
http://www.novobancosi.pt/
4. MEETING EXPECTATIONS: ANALYTICS IN CRM

4.3 WHAT CAN ANALYTICS DO FOR CRM?

Understand customer needs

Understanding customer needs have become crucial for banks because customers are making buying decisions based not just on price but the way bank treats them. Banks have the opportunity to contact the customers before customers approach the bank with a need.

Analytics allows banks to view the customers’ market basket and measure product propensity. Offering a customer an additional product that suits their needs helps banks enhance the opportunities to increase customers’ share of wallet and strengthen “customer stickiness” to banking products.

Value for banks:

- Understanding customer needs and using the CRM system to offer relevant products and services can strengthen customer loyalty and sales.
- There is a strong correlation between successful cross sell and up sell and customer satisfaction.

The graph shows the engagement initiation from the customers and the bank during the home loan buying process. Bank is only responding reactively to the customers’ engagement initiation 2 months before and after the loan purchase process. Hence there is an opportunity for banks to learn about the customer needs and offer them the relevant products and services at the right time.

Source: A Norwegian Bank’s customer data
Problem:

Westpac was facing fierce competition after the financial crisis so they refocussed the strategy for understanding the customer better and driving cross and up sell. The bank also faced challenges in gaining customer loyalty with the multitude of big market players.

Approach:

The bank is using analytics in CRM to drive their cross sales. Using the next best offer approach, Westpac measures each customer’s product propensity across their range of products and services. This information is used to offer relevant banking products to the existing customer base and enhance cross and up sell.

Results:

- Through next best offer, Westpac is able to cross-sell to 37% and 60% of its customers interacting through branch and call centers respectively.
- By adopting analytics in CRM and creating visibility into customer relationships, a subsidiary of Westpac was able to realize an impressive 242% ROI from its investment in Information technology.

https://www.informatica.com
Collecting data to know customers’ channel preferences is important for banks to improve service quality, availability and communication at different channels. The channel preference is measured by customer satisfaction and perceived value gained from time spent at a particular channel.

Analytics helps banks view the entire customer journey and experiences at various channels during the process of buying a product or service. The patterns of channel usage identified from analytics enable banks to engage the customers at their desired channels using CRM systems.

**Value for banks:**

- Provide more relevant content in the preferred channel. Sending the right message through the right channel can be as important as the message itself.
- Recognize multi-channel behavior that leads to sales and convert the prospects into customers.
- Measure marketing effectiveness across channels through data generated in CRM.
CASE STUDY

Problem:
Royal bank faced an issue of lack of consistency in the marketing communication across channels. The bank offers various services and each business unit communicated with the same customer base with diverging approaches. Additionally, the customers were increasingly moving to making online transactions and the bank did not know how the behavior at one channel affected the behavior on the other channel. This resulted in customer anger and dissatisfaction with the bank.

Approach:
The bank adapted the marketing strategy and implemented analytical CRM tools, evolving the digital communication from traditional banking alerts to customized mobile alerts. The new solution allowed customers to opt in to email alerts, text alerts, and push notifications based on their channel preference.

Results:
- Knowing customers’ channel journey enabled the bank to engage with them on a one-to-one level and enhance customer satisfaction.
- The bank achieved marketing response rate of 15-20%, reaching 30-40% in case of high performing cells because of targeted communication at right channels.

http://www.exacttarget.com/
http://www.ciosummits.com/
Analytics in banking enables banks to understand the customer: who to target and when, identify cross-sell and upsell opportunities and how to leverage the preferred channels.

However, this would not provide any value if the insights generated through analytics are not implemented. Integrating analytics with CRM converts the business insights into data-driven actions. It allows the bank to manage customer interactions better and improves the efficiency by automating and synchronizing the business processes.

http://www.genpact.com
Takeaways

Analytics helps banks knowing who the customers are, when to contact them, understanding customers’ context, needs and preferred channels for interaction.

However, analytics alone cannot translate this knowledge into customer satisfaction and business value without a CRM tool that enables actions based on the gathered insights.

Integrating analytics in CRM enables banks to use customer knowledge to increase revenues and develop long-term and more productive customer relations by implementing actions.
SOURCES


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Labs

Labs is conducting research and experiments to explore the future of financial services.

Labs research papers

Small Business Banking
Small businesses are not often prioritised by banks, even though they account for a large part of the GDP in the Nordics. How can banks create solutions that bring value for both small businesses and banks?

First home buying for Millennials
Buying a home is the first major financial event for the Millennials. Banks need to recognize and alleviate the uncertainty experienced by Millennials when designing digital services.

Engaging the Millennials
Millennials are not engaged with banks. This paper brings insights to how banks can engage with this generation by exploring their mindset, lifestyle and needs.

Blockchain: Powering the Internet of Value
Blockchain is poised to become a massive disruptor for the financial world. This paper describes the technology, how it will alter the financial world, and a recommended strategy for financial institutions.

The New Wave of Artificial Intelligence
Artificial Intelligence is becoming increasingly prevalent in our everyday lives. This paper investigates the possible implications of the rise of Artificial Intelligence in the banking industry.

Big Data in banking
Norwegian banks are not using their data to optimize their decision making process and improve their business. This research explores the value of Big Data in banking.
We bring information to life