

Chapter 14 (Book)

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Customer Relationship Management (Past)

- Direct channel through branch office
 - o CRM is measured by
 - Employee performance
 - Knowledge of customers
 - Efficiency

Customer Relationship Management(Present)

- Many delivery channels (direct, indirect)
Customer relationship is based on the effectiveness of delivery of these channels

Building a CRM System and channels

- Customer Centric
 - o Easily overshadowed by the bank's objective
- Essential for customers to experience the smooth delivery of services
 - o Without realising the discontinuity between processes and channels and technology
- Delivery channels strength and weakness, customer usage patterns
 - o Customers want to have a say to use which channels
 - o Customers switch over from various of channels
- Financial institutions have to consider cost-efficiency and technology changes
 - o Customer's self-service mentality
 - o Low-cost medium to transact transaction remotely

Service channels, CRM and BI are interrelated functions to support business marketing functions

- Choice over the range of products to be offered at which channel to which customer segments
 - o Driven by needs of bank customer base and competitive strategy
- Established strategically at enterprise level to maximise scalability and cost efficiency

Financial Service Context

- Financial Institute are organised in a vertical line of business
 - o Channels, CRM and BI are embedded separately within each business unit
- Effective CRM is important in all areas of financial services
 - o Need to be managed as customer turnover rate may be high
- Meeting the needs of different Customer group sectors
 - o Retails - Generational differences
 - o Geographical - country development
 - o Commercial - operational efficiency
 - o Corporate - handling of corporate accounts and employee access complications

CRM in retail brokerage

- Introduction of low-touch channels
 - o Move from personnel RM to electronic self service
 - Reduce the cost for transaction for the bank
 - Reduce commission rate for the customers

CRM in investment banking

- Bringing securities to the market
 - o Close relationship touch points of face-to-face, phone or email
 - Capture and analyse information conveyed
 - o BI tools used to show connection of different investment bankers and corporate executives
 - Used to gain foothold or support strategically at least cost
- Provide customers with effective operational support
 - o Handling of exceptions to improve customers' relation

- SACT system to allow and tracking of queries and complains through SMS

Concepts

- Helps plan ahead effectively through
 - Analysis of customer channel information to identify usage patterns
- 1. Channels**
 - Critical to CRM
 - Customer service experience
 - Important to optimize channel use based on their relative cost
 - Customer interactions
 - Exploratory
 - Depth and quality of presentation of information
 - Routine
 - Fast and efficiency process flow
 - Channels should accommodate to the type of interaction
 - Delivering the right amount based on customer pattern usage for best service and process
 - Channels need to be integrated with each other to complete the process seamlessly
 - Customers tend to go through the course of using different channels to complete a transaction / service

The change and introduction of channels has cause the alteration of usage over other channels

2. Customer Relationship Management

- Use to retain and acquiring customers through past information
 - Essential to satisfy customer to create larger business volume
 - Develop close relationship with customers
 - Identify and customize products based on customer information and needs
- Important for financial institution to not only focus on CRM capabilities,
 - Identify important critical CRM capabilities
 - Delivering of CRM services
 - Design to facilitate flow of business process and services to customers
- Top-down approach strategy-approach
 - Business processes design to align with high level CRM goals
 - Solution and match all stakeholder needs
 - Focus on quality rather than quantity of captured information
 - Presentation of information
 - Structured information
 - Accuracy of information

3. Business Intelligence

- Supporting infrastructure for CRM, management of risk and compliance, operational efficiency
 - CRM support
 - Analytic extension to support
 - Business decision making
 - Targeting customers more efficiently
 - Predict customer behaviour
 - Analyse customer, channel profitability
 - Future value and lifetime value
 - Strategy to harvest customer profitability
 - Implementing protective measures to defecting customers based on past actions
 - Predictive BI used to provide counter-measures to prevent customers from going to competitors through their past complains and request
 - Fine-tune products
 - Suggestion to create a profitability margin between each customer group and actions
- Uses hidden information through a large volume of data
 - Obtained through advance mathematic formulas
 - Validated through front-line managers
- Uses both current real-time and past information to analyse
 - Provide quick reactive responses for Relationship managers to adopt
- BI and experiments with closed groups can be use to facilitate better customer understandings
 - Observed through closed control group on their accuracy of BI information
 - Test and observe changes based on different set of changing variables

Business Opportunities

- Applying CRM
 - o Improve convenience
 - o Lower cost
 - o Service new customer segments
- Enable cross-selling more accurately through customer needs and compatibility with their products
- Capture information about customers spending and wallet of share among competitors
 - o Allow bank to adopt strategies to increase customer's wallet of share
- Innovation helps improve customer relation through identify lapse in services and apply improvements and remedies
 - o Video chat
 - o AI services
 - o New services in old channels
- Implementing a successful CRM and BI will give a competitive advantage over its competitors
 - o Capabilities should be developed to satisfactory level aligned to strategic goal and integrated properly

Business Challenges

- Unrealistic expectation
 - o CRM is taken as the end goal
 - Business strategy should be the driver for CRM
 - Business processes must implement CRM
 - o IT can only use as a supporting tool for execution of the business process
 - o CRM cannot be substituted for a CRM oriented business strategy
 - Cannot align business processes with CRM goals
 - o Failed and underachieving CRM
 - Take CRM as end goal
- Growth in Delivery channels
 - o Supporting multi-channels becomes complex and troublesome
 - Maintenance and development cost
 - Allowance of wide range of products over channels difficult technically
 - Development in channels in each different business unit developing own channel implementation (silo-based system architecture)
 - Choosing the range of products and services over the channels proved to need focus and coordination
- Silo business process
 - o Inefficient and miscommunication during handoffs between departments
 - Causes delays and unsatisfactory services for customers
- BI is highly dependent on consolidation of information to produce accurate results
 - o Poor data mapping and communication link, ineffective operational monitoring and inadequate data models hinder BI results in speed and accuracy
- Real-time information hindered by processes and regulation that requires restricted access of crucial information
 - o Batch processing restriction
 - o Disparity between accounts, customers and system
 - Different accounts in same system
 - Multiple account spanning different system

Process Considerations

- Channels, CRM, and BI are relevant at all stages of the business transaction lifecycle
 - a. Design and Setup, Engage Customers, Capture Order, Fulfil, Maintain Review
- Design and setup stage
 - o Use of products and services over channels
 - Decision based on BI tools to analyse information during review stage
 - Customer convenience
 - Delivery cost

- Channel effectiveness
 - Optimize contact strategy
- Business rules should be implemented and defined
 - Management of channels over products communicated to customers
 - Customer's preferences
 - Channel effectiveness
 - Channel cost
 - Channel effectiveness may change due to regulations and time
- Back office functions
 - Ability to handle transaction fulfilment and maintenance effectively
 - Handling of exceptions in a timely and seamless manner to reduce customer dissatisfaction
- Methods of finding customer channel preferences
 - a. Survey
 - b. Measuring phone call conversation times
 - c. Promotional codes or identifiers to determine the point of entry
 - d. Web bugs in email to determine if the email is activated
 - e. Tracking customers' access of weblinks embedded in email, sms
- Enables BI to capture information and create customer communication to be fine-tuned
 - Improve customer communication
- User of channel feedback
 - Testing of channel's strength
 - Redirection of customers feedback can be mapped to a CSR with proper relevant skills

Architecture considerations

1. Multichannel delivery

- Identifying a target architecture that serves as better alternative
 - To rationalise channel implementations that are tightly coupled to business function
- Using of information bus to provide a centralised and standardized means of back-end system
 - Business rules to determine which channel would complete which business function
- CRM system can be placed in many different strategic architecture of the organization structure
 - Serve as or integrate with common ODS
 - Customer information captured through automated channels would be available along with information captured through people-based channel
 - Part of the branch and call centre channel interfaces
 - Capture information through CSR discussion with customer
 - Stand-alone back-end IT system
 - Repository for information collected from the Business Process Management
 - Business process orchestration systems handle the bulk of both people-based and automated customer interactions
- Benefits of multi-channel delivery platform
 - Channel-specific considerations will be decoupled through the use of multi-channel platform
 - Delivery platform of channels can be seen in one common interface
 - Exceptions handling can be reused and centralized
 - Simplify of system architecture
 - Modifying and addition of business logic will be easier as compared to silo architecture

2. Data Warehousing

- Integral to BI and CRM
 - Manages and give access to financial institutional information assets
- Provides a nexus for all customer information and foundations for BI to operate
- While ODS holds months of store customer information, data warehouse can house years
 - Provides clean and consistent view of business information
 - Business system and operational database may hold overlapping and inconsistent data
 - Data warehouses will therefore consolidate and aggregate these information and decide on the master version, and downstream this information to business application
 - Data cleansing to ensure that erroneous data does not get distributed and missing information procured.
- High level view or data warehouse architecture
 - Data sources

- Extract, transform, load
- Databases
- Client applications
- To complete a proper data warehousing architecture
 - Years of planning and complete
 - High cost
 - Support and feedback from business users
- 3. Electronic Channel Integration**
 - Integration with system to create a electronic channel
 - Little human interaction (Straight-through processing)
 - Uses robust electronic channels
 - Website access
 - File Upload/Download
 - Direct host-to-host connection
 - Consolidation of past electronic channel implementation is important to improve customer experience
 - Remove complexity and inconsistency between many different systems
 - Ensure elements of security are in place
 - Support common electronic data interchange standards and propriety formats

Solution Considerations: Mobile Banking

- New and upcoming channel to innovate
 - Supporting advancement of network and processing capability allow services and products to successfully implemented
 - WAP --> SMS --> HTML --> HTML5
 - Standardize how mobile application are developed
- Challenges
 - Customer uptake and competitors action on Mobile solutions
 - Mobile application must be fluid, and re-evaluated on a regular basis
 - Static approach might cause the end product to miss current trend and yield little benefit
 - Might be left behind if stop-and-wait approach is taken
 - Wide variety of platforms and devices resulted in financial institution to take full advantage
 - Solutions must be reengineered for mobile system to support the function
 - Vendors and service providers promote competing standards to achieve market dominance
 - ◆ Difficult to get aligned agreement of all involved party due to the share of potential profit
 - New concerns over security and operational concerns
 - Many fraudulent possibilities opened
 - Complexity as function increases and combine with other entities
 - Responsibilities of lost of mobile phones and legal liabilities between parties and customers
- Benefits
 - Huge possibilities through the use of mobile
 - Cameras (Cheque clearing)
 - Alert capabilities (anywhere anytime)
 - Near Field Communication facilities
 - Hardware add-ons
- Evolution of mobile banking differs between regions
 - Centralised VS dispensed
 - Government policies and actions