



Attracting and Retaining Customers in Financial Services through CRM IT Solutions

Strategic technology and solution investments drive revenue, improve service and reduce costs

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A more competitive and complex landscape for financial services providers is forcing many organizations to reevaluate existing channel strategies. This is especially true of small and medium sized organizations looking to remain a viable alternative to their larger counterparts.

Strategic investments / upgrades in CRM systems can help smaller financial organizations such as independent financial advisors, life and pension brokers, general insurance companies, building societies and similar firms improve revenue generation while reducing costs and maintaining superior customer service advantages.

Publication Date: December 2006

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ABOUT DATAMONITOR

Datamonitor plc is a premium business information company specializing in industry analysis.

We help our clients, 5000 of the world's leading companies, to address complex strategic issues.

Through our proprietary databases and wealth of expertise, we provide clients with unbiased expert analysis and in-depth forecasts for six industry sectors: Automotive, Consumer Markets, Energy, Financial Services, Healthcare, Technology.

Datamonitor maintains its headquarters in London and has regional offices in New York, Frankfurt and Hong Kong.

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Growing need to focus on sales and service maximization

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INTRODUCTION

As one can easily notice, the financial services industry has undergone sweeping changes over the last few years. The current landscape constantly makes reference to the maturity and siloed nature of technology applications that reside within many financial services organizations. Furthermore, as financial institutions assimilate legacy systems through M&A, add new customers in new markets, and begin to offer a wider array of new products, such as brokerage and insurance services, they (in particular the larger players) are reevaluating how they manage customer relationships and taking an integrated look at customer value.

Small and medium sized organizations (SMBs) such as building societies, general insurance brokers, life and pensions brokers, fund managers, foreign banks with a UK presence, independent financial advisors and so forth, which are traditionally known for excellent customer service and at times, niche loaning characteristics, are under increasing pressure to remain viable as large banks and insurance companies continue to make inroads into their markets. Furthermore, demanding compliance requirements and increasing competition from within their ranks are placing additional pressures on these organizations to remain viable. Their overarching goal is to maintain their appeal as the local market alternative to upper tier firms and in order to do this, they need to be proactive in how they manage their customer relationships and also how they can derive more accurate customer value. A logical solution for the two aforementioned issues comes in the form of Customer Relationship Management (CRM) systems, which may come as no surprise to many readers. In light of this, effective and efficient CRM solutions that are specifically created for and targeted at the SMB space, can help smaller financial organizations increase revenue while maintaining their forte of superior customer service.

BUSINESS ENVIRONMENT

The accelerating trend towards consolidation is the source of much of the upheaval in the financial services industry today. Large financial organizations with tremendous marketing and operating leverage are being created through M&A activity and migrating into areas once considered the niche for SMBs within this industry.

Enabled by technology, larger participants are finding it easier to efficiently integrate new customers and business lines into their operations, creating overwhelming economies of scale. Furthermore, large financial organizations are bringing one-stop financial shopping to these areas, offering a wider array of products, such as brokerage and insurance services.

This is forcing the smaller players such as foreign banks with a UK presence, general insurance firms, life and pension brokers, to name a few, to find new revenue sources while retaining customers.

In these increasingly tough conditions, companies must ensure that they are able to grow revenue by extracting the maximum value from each customer through the up-selling / cross-selling of new products, and by improving customer retention. Additionally, financial organizations must leverage their staff to the best effect, by making sure that they are available to provide value-adding customer service at all times, regardless of the employee's location or channel. Furthermore, the performance of SMBs is even more critical now for them to remain in business, as the larger firms are those who have already adopted more advanced customer relationship management systems and solutions.

These challenges are causing smaller organizations to reevaluate traditional approaches to branch operations paying particular attention to CRM.

SMBS NEED TO UNDERSTAND 'TRUE' CUSTOMER VALUE BY ESTABLISHING SINGLE VIEW OF THE CUSTOMER

Growing need for improved customer service and sales effectiveness

As one will easily notice, retail customers are becoming increasingly savvy when it comes to researching and ultimately purchasing financial products and services. Furthermore, this has become child's play with the advent of the internet, in terms of speed, efficiency and the low cost of internet usage. Additionally, it could be argued that the internet is the most cost effective delivery channel for SMBs in particular, as many firms within this segment do not have the luxury of multiple branches based across regions, which many of their larger counterparts offer. Hence, a key requirement for improved customer service is optimizing channel delivery by clearly defining purposes and expectations of both remote and direct channels. Smaller financial organizations must be able to deliver the flexibility of both on-line services such as on-the-go transactions and account information as well as sales and customer service at the branch. However, even though the internet is a significant and cost effective sales and service delivery channel, fund managers, independent financial advisors (IFAs) and other smaller players cannot afford to rely only on one channel over another because this would limit functionality and product options and hence, customer service. With customers using any combination of the channels available to them, it is essential that SMBs

form a coherent multi-channel strategy. While offering a range of channels may be seen as a positive attribute, if they remain siloed and are not fully coordinated they can have a negative impact on customer experience and ultimately on the financial organization itself as well.

The challenge for financial firms, in particular SMBs, lies in the growing need for more effective analytical CRM systems. CRM solutions coupled with integrated systems, data and processes can result in a single view of the customer. This in turn would allow firms to conduct coordinated marketing campaigns where the right product is targeted at the right customer. Evidently, a tier 1 UK bank explained to Datamonitor that, *“migrating all branches to a single, CRM-enabled system has allowed us to boost cross-sell rates.”* The respondent within the bank in question went on to add that general market sentiment was that traditional CRM solutions were good and successful but many found them to be highly restrictive whereas the new array of advanced / analytical CRM solutions available on the marketplace allows for sales and service maximization. It should be noted that it is these solutions that offer advanced functionalities and ease of integration into existing infrastructures and applications, which SMBs within the financial services space should be adopting.

Moving on to the growing need for improved sales effectiveness, financial organizations without an integrated customer information network are more prone to employing a shotgun approach to sales. An example of this would be where staff push single products during campaigns instead of consulting based on a complete understanding of customer needs.

One should bear in mind that smaller firms such as building societies, insurance brokers, life and pension brokers and so forth, cannot afford to be reactive when it comes to their sales effectiveness strategies. SMBs should be more proactive and invest intelligently when it comes to their sales and service maximization strategies, when compared to their larger rivals that naturally have larger budgets and can afford to *‘get it wrong once or twice.’* Having said this, if these smaller firms neglect investment in integrating networks and deploying advanced CRM solutions, they will stand to lose important revenue generating opportunities.

MICROSOFT DYNAMICS 3.0 CRM SOLUTION

A sound CRM strategy

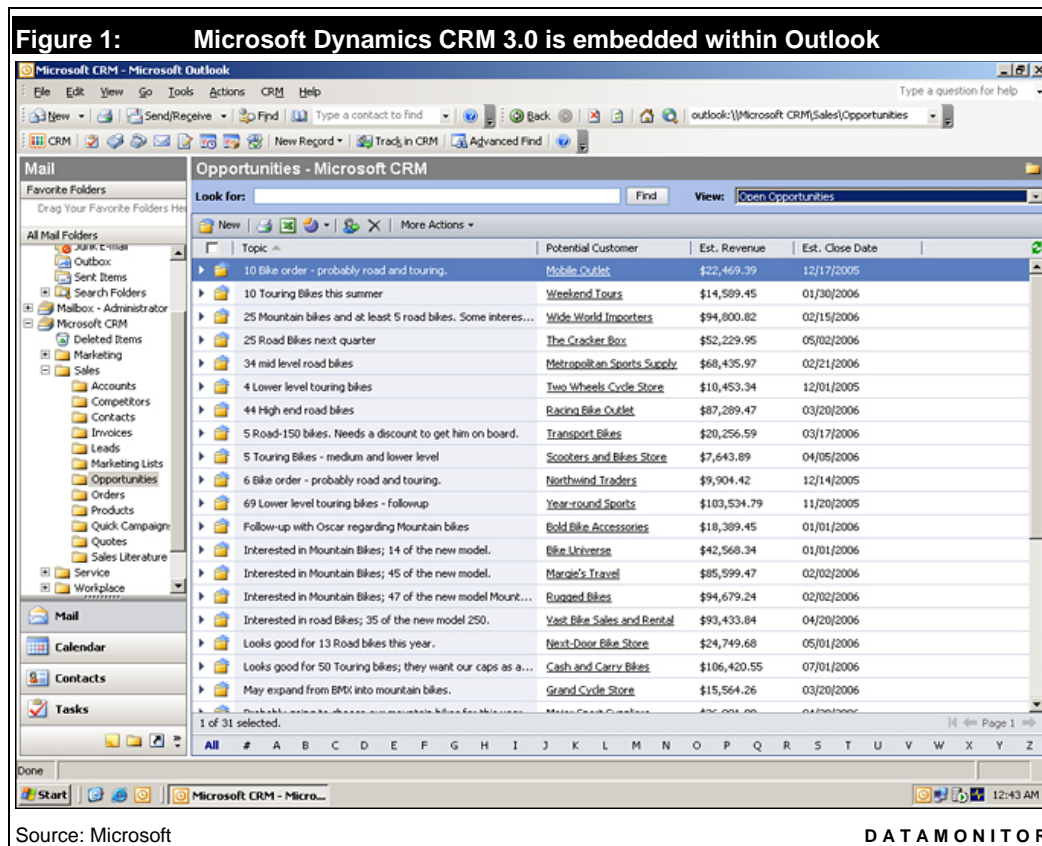
Recently developed, the Microsoft Dynamics 3.0 CRM solution is designed to enable financial services organizations, in particular, SMBs, to significantly improve sales and service effectiveness.

Growing need to focus on sales and service maximization



A key element of maximizing sales and service effectiveness is to have a single view of the customer and if financial organizations are to achieve such a state of play then the need to have scalable, robust and advanced CRM solutions in place is of paramount importance. On a separate note, if systems' functions overlap, costs rise as each system must be supported separately, hence this drives the need to integrate disparate systems as well as channels. Furthermore, superior benefits, such as fully / better understanding the value of a customer, can be derived from aligning advanced CRM solutions with integrated channels.

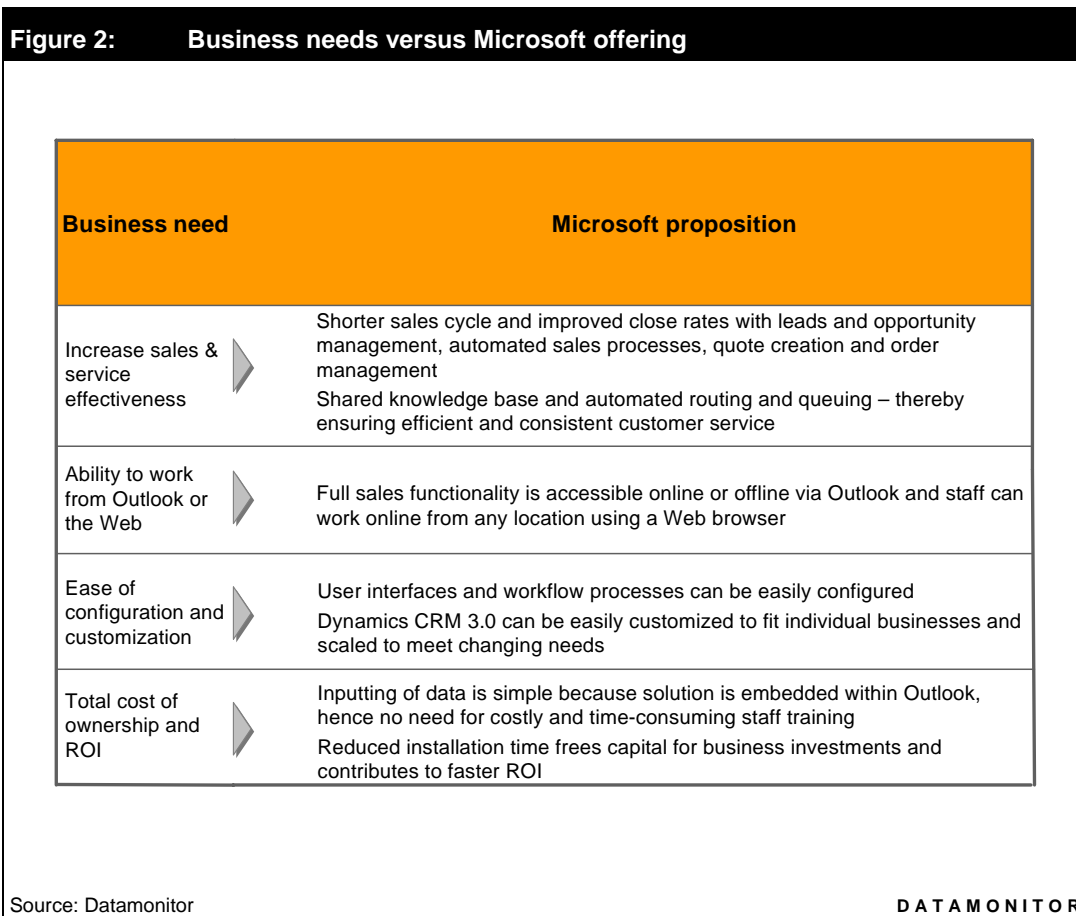
As one would expect, cost plays a significant role in any financial services organizations' sales and services maximization strategy and as such numerous large firms have spent millions trying to establish solutions without achieving the desired result. However, as one would suspect SMBs have rather limited budgets and resources and therefore cost of ownership and deployment can at times be a crucial deciding factor. This is one factor amongst many that the Dynamics CRM 3.0 solution has taken into account and because this system is embedded within Outlook, the inputting of data is made child's play so to speak and hence the cost of ownership is significantly reduced as the need to train staff is no longer a requirement as most staff would already be familiar with Outlook.



Having said this, another key characteristic of Microsoft's solution is that it is built from the ground up on the .Net framework which allows business value to be delivered through easy integration with third party applications and Web services. Furthermore such integration significantly helps not only SMBs but also their larger counterparts in their strive towards establishing single views of their customers.

Solution alignment with current business needs

Microsoft Dynamics have developed and tested a CRM solution to address the sales and service effectiveness needs of financial organizations and this offering has been created with the SMB audience in mind as this is one segment that many leading vendors do not cater for effectively and efficiently. The Microsoft product aims to meet a number of needs, some of which are outlined below:



CONCLUSION

The growing presence of large financial organizations has begun to diminish smaller financial services organizations' advantage as low cost service providers, while more effective channel strategies and the implementation of more efficient CRM systems has begun to offset their reputation as superior customer service providers. However, the changes that have benefited the largest financial organizations also provide the promise of transformation for small and medium sized institutions. By embarking on a sound sales and service effectiveness strategy, coupled with efficient and advanced CRM solutions, these smaller firms can begin the transformation from transaction-oriented providers to fully integrated and automated sales and service providers.

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