

Whitepaper

MATURITY FRAMEWORK FOR CRM IN BANKS

in collaboration with



IBSintelligence



CRMNEXT

CONTENTS

Introduction	4
Approach to Defining CRM Maturity Framework	4
CRM Maturity Framework	6
Potential Pitfalls while Implementing a CRM System	10
Outlook	11

INTRODUCTION

Competition in financial services is at a peak. Customers today have a powerful arsenal of tools to instantly compare banks and their offerings. The banking sector is in an upheaval, thanks to regulatory changes in the form of PSD2 (Revised Payment Services Directive), increased fintech disruption and changing customer preferences. With an ‘individual customer’ being the key focus, banks with a long-term customer strategy are preferred over ones having a transactional attitude towards customers. Thus, adopting digital technology in recent years have empowered banks to harness Customer Relationship Management (CRM) to deliver a positive customer experience.



In this digital age, banks have the capability to effectively capture customer data and establish personalized relationships with their customers by analyzing their behavior and preferences. However, the main challenge is to convert such data assets like behavior and transaction patterns into meaningful communication that contribute to maximizing customer lifecycle value. By implementing a unified platform, banks are trying to achieve outcomes as mentioned in the infographic – CRM Outcomes. This paper deals with the evolving role of Customer Relationship Management in the banking sector and provides a CRM framework for banks based on their maturity levels of technology adoption.

Figure 1. CRM Outcomes

APPROACH TO DEFINING CRM MATURITY FRAMEWORK

The level of technology adoption across the banking industry, in regard to customer experience, is varied. Some banks are beginning their journey towards digitalization, while others are already operating with a modern technology infrastructure and now looking at the next level of innovation. Banks are increasingly setting aside large amounts of their IT budget for technology transformation. When it comes to deploying

an effective CRM system, it becomes critical for a bank to identify where it lies along the maturity levels of technology adoption and align its CRM strategy accordingly. In identifying the said maturity level, it is important to not only look at technology systems and processes but also the bank's overall business strategy which guide them to fully exploit their technology investments. IBS Intelligence has identified 11 key metrics across financial, customer, process and organizational perspectives to measure the level of technology maturity that can help bank executives identify their organization's level of technology adoption for customer centricity and use the right CRM framework.

	Metrics	Definition	Aspirants	Adopters	Innovators
Financial	% IT spend towards transformation	Percentage of investment budgets allocated for IT transformation in past 3 years	Up to 20%	20% – 40%	Above 40%
	% Investments in emerging technologies	Percentage of investments in emerging technologies such as AI, RPA, API platforms, among others in past 3 years	Up to 20%	20% – 40%	Above 40%
Customer	Voice of Customer (Customer Feedback)	Ability to take customer feedback on products and services across all channels	No	Partially through limited channels	Yes
	Personalization (Personalized Screens)	Ability to provide customers with personalized screens and experience based on past behavior	No	Partially	Yes
Process	% Simple Processes - Automated	Percentage of simple processes made STP with zero TAT E.g. Customer data update	Less than 20%	20% - 60%	Above 60%
	% successful applications processed digitally	Ability to onboard new customers and apply for products digitally across customer's lifecycle	None	Up to 30%	Above 30%
	% Complex Processes - Automated	Percentage of complex processes made over 80% STP E.g. Loan application form	None	Up to 30%	Above 30%
	Data Centralization	Ability to store, maintain and process complete data through master data management	Unorganized data in spreadsheets	Department-wise organized Data	Centralized Master Data Management
Organization	Digital Transformation Team	Dedicated team to lead technology advancements, real-time performance measurement through analytics	No	Partially Available	Yes
	Architecture	System architecture with ease of integration	Legacy	Under transformation	Modular/Open
	Operations	Centralized department that performs operational tasks for all business verticals and departments	Siloed	Centralized	Centralized

Table 1. Metrics to measure banks' technology adoption levels for customer centricity

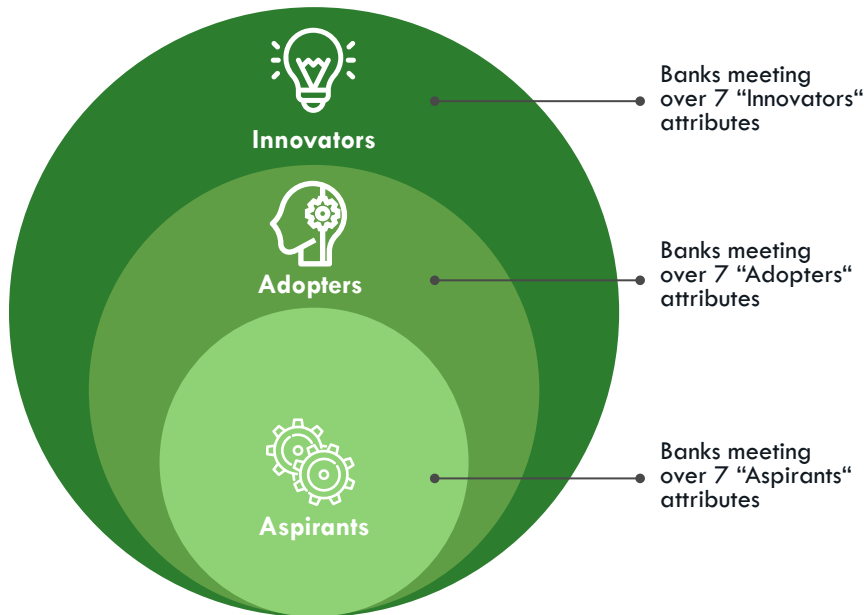


Figure 2. Categorization of banks by technology adoption levels

For each of the 11 metrics defined above, we have provided qualitative and quantitative measures that will help banks easily categorize themselves as either an Aspirant, Adopter or Innovator. While it may be unlikely for a bank to perfectly fit into any one category, a bank that meets the criteria for at least 7 of the 11 measures can identify itself as belonging to the respective category. This categorization has been further used to develop maturity framework for CRM systems.

CRM MATURITY FRAMEWORK

Aspirants:

Aspirants are financial institutions still at initial stages of digitalization, with most of their operations residing in a legacy environment. They typically start on the CRM journey by implementing basic system that provides only operational CRM functionalities, with focus on customer facing activities.

In this CRM maturity phase, the institution will have a CRM system with basic functionalities such as 360-degree view, lead management, basic reporting facilities, campaign management, improved documentation management, partner management among others. These functionalities will result in a few realizable benefits for the various departments. For instance, the sales department will have better visibility of their pipeline, the customer care will be able to deliver faster service to the customer due to centralized information, and marketing department will be able to run a more focused campaign. In spite of these advantages, the fragmented nature of CRM systems will result in dilution of the outcome as the business processes are not aligned to derive the maximum benefit from these systems.

AI, NLP etc has definitive use in CRM systems, to automate lead management processes such as identifying leads, optimal routing to sales person resulting in opportunity conversion.

- Chief Marketing Officer,
a leading bank in Malaysia

The lack of a comprehensive strategy for the CRM implementation often leads to unsatisfactory outcomes. Resulting into project objectives not being sufficiently met. For these financial institutions to move up the maturity curve, they will need to start looking at CRM from a holistic perspective. Initially these institutions

CRM Maturity Model

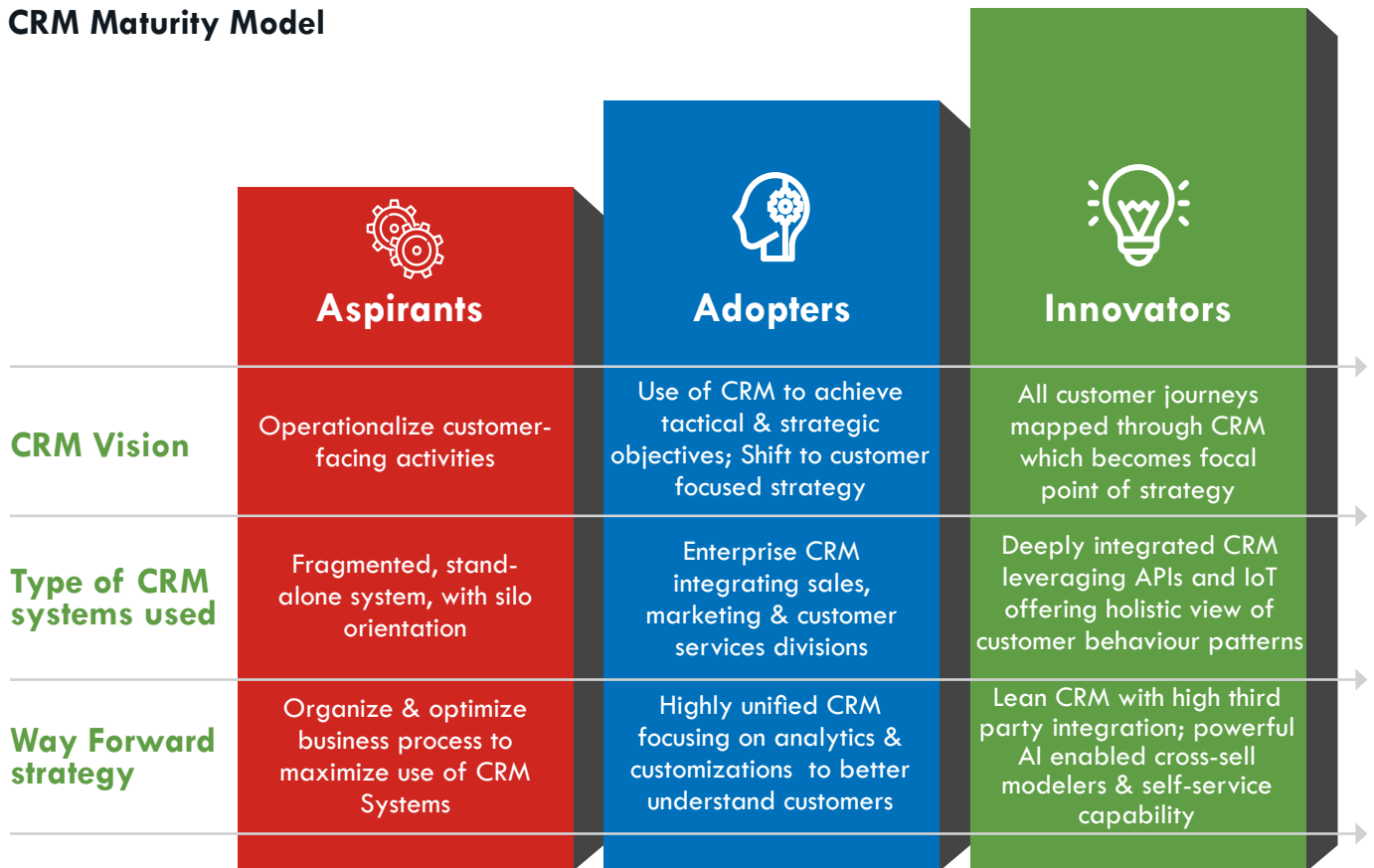


Figure 3. Categorization of banks by CRM Maturity Levels

should focus on strengthening the core processes, with informal applications to achieve specific objectives. These changes will initially be driven by managers who act as technology evangelist creating critical mass of support for the initiatives to drive organization wide change. This will evolve the processes, where CRM was being applied informally to become better defined processes, thus moving the bank up the maturity curve.

Adopters:

Adapters are the financial institutions that are at a critical juncture of upgrading their legacy systems to a digitized environment. They are already at a phase where they have gone beyond utilizing CRM system as a data management solution and are looking at tactical and strategic objectives to leverage CRM systems. These institutions realize that CRM cannot be restricted to siloes defined by different departments and that a holistic approach is required to integrate sales, marketing and customer service. During the later part of this phase there is also a notable

Implementing a robust CRM system is a key strategic objective in a bank's digital transformation journey

- Eugene Galligan, General Manager, Kuwait International Bank

strategic shift within the company, where it moves from being a product focused company to a customer focused company.

As the aspirants move to the adopters stage, the focus for CRM transforms from implementing software systems to seamlessly integrating them with other business systems to allow for front-to-back workflows. These workflows are designed to cross departmental siloes to ensure organization-wide, need-based access to customer data and information. Such level of maturity is essential to optimize the processes through process automation to reduce turn-around time and ensure maximum straight through processing. Functionality such as marketing automation, sales team & customer opportunity management, customer service automation, improved contact and case management in addition to the basic functionality are the hallmark of the CRM systems in this phase aimed to make the workforce smarter.

Another area of focus for CRM systems at this level of maturity will be on engaging the customer. As organizations transform to being customer centric, customer relationship will no longer be defined by internal stakeholders, with outside customer perspective playing a larger role. Organizations will give added attention to improving customer experience with smart CRM systems supplemented by CX strategies. Functionalities such as social CRM, omnichannel CRM, sales analytics to improve personalization will be driving force for the CRM systems.

In this phase of maturity, as organization-wide strategies are rolled for CRM systems, there will be structured performance measurement. Key indicators such as customer feedback management, Straight through processing (STP), Turn Around Time (TAT), increased sales, efficient lead management, improved conversions will be feed back into the CRM system to augment the workflow processes, improve customer segmentation and have better BI & reporting.

For the financial institutions to move into the next phase of CRM system maturity, along with standardizing, managing and measuring the processes, there will be need for increased automation and customization. The CRM system and other business applications will be intricately linked to provide real-time, accurate data to all the relevant stakeholders irrespective of where the customer data is captured and stored. These organizations will need to use sophisticated analytics to understand customer requirements, define customer segments on basis of behavioral personas and use predictive analytics to increase their share of the customer wallet.

Case study: Stefczyk Savings Bank, a Polish retail bank implemented a CRM system to reduce 40% user time spent on switching applications & to become a leader for customer service and satisfaction. The results included simplifying user interface for bank employees, reducing from nine customer apps to one and improving overall customer experience.

Innovators

For this segment, CRM becomes a focal point of the bank's strategy. Innovators typically invest very heavily on technology and deeply integrate the CRM systems into a single solution with the goal of achieving higher Customer Lifetime Value (CLV) and a high level of efficiency. The solution is designed to focus across the entire customer journey – allowing the bank to understand the customer's behavior, anticipate needs and devise a consistent engagement strategy across the bank's ecosystem – resulting in a high probability of a cross-sell or up-sell.

In this maturity phase, banks have a unified platform that have most of the relevant basic features from in previous stages, augmented with predictive analytics and artificial intelligence, social media listening, and integration with third-party ecosystems such as wearables and smart speakers – allowing the systems access to a wider range of data points from a customer's day-to-day life. By developing a holistic view of the customer's behavior patterns, predicting and enabling customer evolution, banks can better engage their customers, influence spend behavior, grow their market share, increase CLV, and retain customers longer. Increasing prevalence of APIs, adoption of IoT, and predictive analytics has opened up avenues for banks to generate new revenue streams by integrating with third-party services, leveraging new data streams such as customers' geo-location and IoT data – enabling banks to generate timely, personalized, and highly relevant engagement, such as offers, instant line-of-credit, or even shopping recommendations. This will position the innovators as the hub of a customer's lifestyle, differentiating them from their peers, fintech startups, and challenger.

Having a powerful cross sell modelers and building intuitive self service capability is the next big bet for CRM in Banking. CRM solution will become leaner, as providers move from a single, complex CRM system to API-based architecture to connect with all the data sources in the bank. This will also enable deeper

Case study: Case Study: HDFC Bank, a tier-1 bank in India implemented a CRM system solution that provided a Private Cloud, a digital banking CRM solution along with other comprehensive CRM functionalities. With challenges arising in information visibility for cross-selling & up-selling, fragmented customer information, the bank was able to attain 208% increment in lead conversion, 370% increase in lead generation, & 40% increase in cross-selling while 73% of bank users using the CRM system. Advanced CRM also allows customers to access certain banking operations via Alexa, Amazon's voice assistant available on smart speakers and mobile devices, making banking voice-based and extending the reach of the bank into their customers' homes

integration with third parties to offer services, as well as allow banks to leverage providers of emerging technology solutions such as data aggregators, machine learning capabilities and AI platforms.

POTENTIAL PITFALLS WHILE IMPLEMENTING A CRM SYSTEM

Technology over strategy focus

Banks deploy CRM systems in the hopes of gaining a better picture of their customer portfolio. They view the implementation of a CRM system within their banking technology architecture as a win, however failing to realize that the execution of the system doesn't support or accompany a CRM strategy. Often, the implementation of a CRM system is viewed by banks as a substitute for defining a CRM strategy.

It is essential for banks to formulate an effective CRM strategy to communicate the right product or service to the right customer at the right time. Business-aligned CRM system will aid the bank but choosing the right strategy will help it realize a sustained growth, meet profitability targets and transform its customers. Furthermore, a CRM system accompanied by a CRM strategy will support the bank by capturing new markets and new customers without disruption or putting its existing clients at risk. An integrated CRM strategy will give a consistent base for improving its customer relationship base despite maintaining multiple channels for capturing these clients. With the right strategy, banks will be able to break down silos, understand the specifics of its market segments, and deliver a reliable customer experience by providing a unified system and interface to the entire bank.

Adapt to the intelligent consumer

The CRM system should be capable enough to adapt to the ever-evolving modern customer of the future. Banking consumers of today's age aren't limited to the marketing techniques used 20 years ago. In the world of mobile technology and the fast-paced internet world, customers can weed out flawed and weak mass marketing techniques used by different banks. Banks that target the right customers and implement the right CRM strategies for such intelligent and informed customers will be at an advantage.

Regulatory and risk compliance

It is vital for banks to safeguard its banking organization and customer information repositories from cybersecurity threats. By implementing a CRM system that is compliant to existing security regulations and equipped to adapt to future security concerns is highly effective in protecting customer information.

OUTLOOK

The holy grail for banking customers are tightly integrated care channels, seamless onboarding, and a unified 360-degree profile view. Banks need to be capable to align with sweeping digital transformation and make 'individual customer' the critical ingredient for its customer relationship strategy. Dumping the 'One Size Fits All' strategy, they need to adopt a change ready solution that is in sync with the maturity of the bank for optimally leveraging the technology capabilities.

A CRM solution is undergoing rapid transformation with cognitive and predictive capabilities and effectively pushing the maturity frontier. This is made possible through proliferation of customer data from multiple touchpoints that a unified CRM is able to integrate with for providing better customer insights.

As banks traverse along digitalization journey, they will expect a single platform to provide them with change ready, robotic automation and deep integrated journeys that have deeper insights of their customers and equip them with the ability to provide a hyper-personalized customer experience. CRM solutions are already exploring the use of technologies such as artificial intelligence and predictive analytics to solve the complexity of data collection and analytics. Furthermore, they are also looking at AI driven chatbots integrated into the CRM solution to assist in campaigns, sales and help understand their customers by analyzing data patterns from interactions at multiple channels.

While the CRM ecosystem for a bank can be demanding, with the right systems in place, the banking industry is likely to observe a shift from adopting basic CRM functionalities which are more transactional to a transition towards including more intelligent and integrated platform to power their vision with an execution platform to match and change with changing customer demands and behavior.



“The industry is looking at APIs to support speed of execution & innovation. However, open API architecture creates challenges in data security & customer confidentiality and thus robust security governance mechanisms are a must.”

- Shanti Ekambaram,
President Consumer Banking,
Kotak Mahindra Bank Ltd



CRMNEXT

 www.crmnext.com |  highimpactcrm.com |  [@crmnext](https://twitter.com/crmnext)