

No Speed Limits

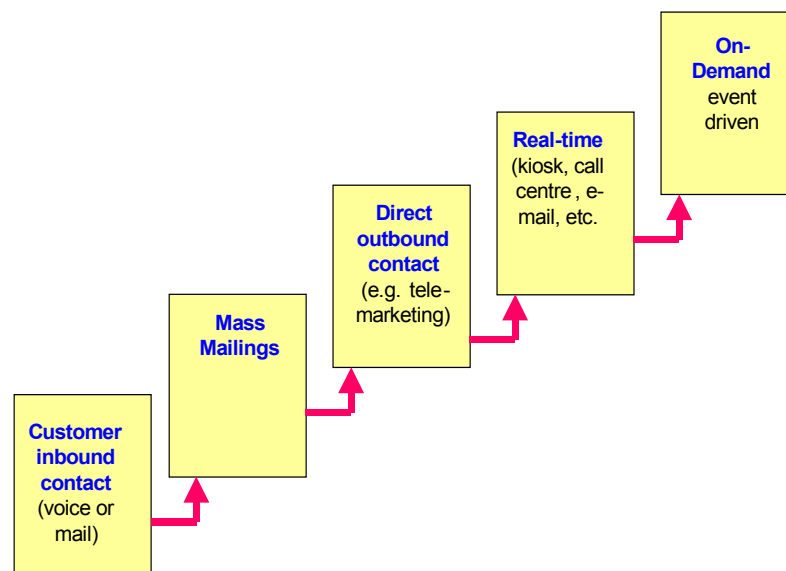
In the ultra-competitive online banking environment, this means supporting real-time actions with near-real-time analytics. Robert Angel explains

There can be little dispute that in the world of banking the e-channel is a hot issue. This has meant front-line operational customer relationship management (CRM), such as sales force automation and web-based contact management, has hogged the CRM limelight. But this is changing. Soon it will be back-end analytical CRM, based on customer data warehouses and decision support systems, that will dominate the debate. This shift of focus is inevitable, especially when you consider that 70% of the global CRM spend of retail financial service companies is on analytical CRM (Meridian Research, December 2000).

All in the timing

Traditionally, analytical CRM has relied on data being analysed periodically, often monthly or quarterly, making ongoing analysis very difficult. The problem has become more acute as online banking has grown, increasing pressure on banks to provide immediate responses. To meet these decreasing timeframes, many of today's near-real-time analytical CRM systems are highly customised to meet the specific needs of individual banks. But, as well as the flexibility, there are several key capabilities such a system should have if it is to add real value to a bank's ability to communicate the right message at the right time to each customer.

The evolution of on-demand customer communications



Firstly, it should measure right down to the transaction level. Many banks currently use summarized information – which reveals more about the bank than the customer. Banks are often dissatisfied with current real-time operational CRM because few systems can personalise cross-

channel interaction history and statistical modeling results (due to the volume and complexity of the data). Using averages based on large groups of customers is not enough – key behavioural information about a customer can remain concealed. By shifting customer valuation from product averages to individual transactions and accounts, a leading Canadian financial institution was identified a shift in customer classification by profitability, and 75% of its customers moved two or more profitability deciles when they were targeted using the new approach.

Secondly, banks need to be aware of customer behaviour as it happens. A pioneer of event-based marketing at a leading Australian financial institution recently said: “80 per cent of event significance is eroded after only five days. An event needs to be acted upon within 36 hours. Any longer, and the customer’s probably already made a decision.”

Any near-real-time analytical system worth its salt will also manage the customer communication stream selectively. The Australian bank has seen customer relationships enhanced as a result of screening and selecting leads and tailoring individual customer communications. Its experience is that behavioural leads can outperform statistical models by a ratio of three to one.

Outside view

Finally, financial services companies should seek a system that provides a comprehensive view of the customer relationship – including those outside, as well as inside, the bank. Few are even close to this. Studies in North America indicate that a typical bank customer has seven banking relationships and that no more than four of these are likely to be with one institution.

In an overcrowded market, the importance of CRM as a driver of competitive advantage will grow. Banks will face substantial challenges and must have access to individualised information on demand. Recognising this is the first step. Delivering it is the second.