

High-Yield Methods

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CRM Success In Financial Institutions? Don't Bank On It—Yet

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CRM has a very checkered past in financial institutions, particularly banks. Well, I guess you could call it "checkered," although most of the squares on the results board are different shades of black. Surprising? Only if you confuse sending recycling bags full of cross-selling junk mail and junk folders full of cross-selling spam with customer relationship building. Or you feel warm and fuzzy facing a full-scale sales assault every time you dare enter a lobby. But if you base your perceptions of successful relationships through customer eyes and customer experience, no surprise—especially if you're entrusting your financial affairs to anything much larger than a community bank or credit union. And this is one case where size does matter, because customer satisfaction scores trend inversely proportional to the size of the bank or FI.

So what's a big bank to do? Or even a middle size bank? Hey, if you're public, you're quarterly profit driven. And your staff members have to meet sales goals or look for new employment. And your individual product silos will cut each others' throats over a scrap of business. Amidst all this, who has time for niceties like relationship-building? And who has time for unprofitable customers? Better to just fee them to death until they are profitable. At least these are the responses we get when we cut through the CRM buzz words and talk turkey about customer-centricity with folks from major banks.

That's very unfortunate, because the way larger banks treat customers in order to achieve short-term financial goals makes it progressively more expensive to retain customers and expand relationships, if the latter is even an option after subjecting

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customers to endless cross-selling, endless fees and endless rules and regs, all designed to whack customers upside the head every time they slip up.

Unfortunate or not, that's the status quo. And things will remain that way until: customers are buying only deals (which they're damn close to now); a slight interest rate advantage triggers rate-shopper migration; community banks and credit unions keep gaining market share and; and one major bank or another starts suffering so much from the commoditization and hyper-competition in consumer banking that it decides to break ranks. And when that happens, this "risk-taking" bank will have only one option, and that's to achieve differentiation by meeting customer preferences of how a bank should operate.

What would this look like? Let's start with adopting a customer-centric culture that permeates the organization (rather than sales quotas that drive employees to do anything to customers to ring up numbers); well-designed, appropriate products (not zero-down mortgages that are now costing customers their homes); empowered, customer-facing employees (rather than human rule books); honesty and transparency (no backdoor fees); and of course, consistently competitive rates (but not necessarily highest or lowest). In other words, CRM—holistic CRM focused on adding value to customers in ways that add value back to the bank, rather than technology-centric CRM designed to automate away jobs.

Realistic scenario? By now, more than a few readers may suspect that I've been munching on magic mushrooms. Especially considering the lack of precedents—with the exception of some community banks and many credit unions that don't worry about quarterly earnings. Nonetheless, large banks are in a vicious endgame, and something has to give before the remaining big banks have to consolidate themselves into even *more* customer-remote *über*-banks—while consumer customers increasingly consolidate their financial dealings with community banks and credit unions.

What remains to be proven is whether large and larger banks can actually make the transition to a more customer-centric state. And I believe they can, if they go about it the right way. Here's a potential scenario.

First, the bank that's breaking ranks, which we'll call "Customerbank," needs to research its markets to learn—and accept—how customers want it to behave towards them. Based on this input, Customerbank should engage in serious planning to identify how to deliver new value to customers.

Next, Customerbank should assemble a cross-functional team of its key managers *and* customer-contact staff to design the new work policies, workflow and information flow required to meet customer expectations and deliver new value to customers—of course, deliver new value in ways that would deliver value back to Customerbank.

Then, Customerbank should select two or three pilot branches—rather than the entire system—to test whether and how increased customer-centricity leads to increased profitability. Managers and employees of these branches would not only have their positions and incomes guaranteed, but they'd receive a substantial bonus for participating in the test.

Within these branches, Customerbank should train all customer-facing employees, including customer service center staff, in a relationship-building sales/service approach with heavy emphasis on customer needs identification. An essential component of this training is communicating and reinforcing the concept that without a legitimate customer need, there is no sales opportunity. And Customerbank should also redesign employee compensation plans to further motivate staff to "do it the customer's way.'

Further, Customerbank should empower test branch employees to flex on policies and even interest rates when mitigating circumstances occur (without taking undue risks or violating regulatory standards). Customers desperately want to interact with people who can help them, rather than puppets who recite rules.

And finally, Customerbank should establish clear metrics—both leading and lagging indicators—to gauge the outcomes of new customer interactions with the bank. Properly implemented, a customer-centric approach to customers should increase, not decrease, profitability. But traditionalists within the bank won't believe it until they see hard numbers (and in some cases, not even then, but that's another article).

Oh yes, a seemingly minor but important point, Customerbank should reconfigure the branch interiors to improve the customer experience (and eliminate the "we-them" environment).

Hard work for Customerbank? You betcha. But easier on the bottom line than slipping into an unprofitable, commodity, consumer banking market. The time is ripe for a Customerbank to emerge from an undifferentiated, commoditized retail banking market.

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