The Synthesis of Sales, Marketing and CRM

MARQUIS

In Greek mythology, Sisyphus was condemned to rolling a rock uphill, only to have it roll back down each time. Bankers who lose good customers month in and month out may likewise feel this sense of futility. Those who respond by boosting advertising budgets, (offering low-cost, low-profitability products as a lure) may find they increase their marketing expenses only to obtain unprofitable customers.

On the other hand, a thoughtful, organized approach to marketing, sales and customer relationship management (CRM) allows a bank to make real progress toward sustained growth in profitability. In fact, it has proven to be dramatically easier than rolling that rock up that hill, or even sideways. Profitable customers are identified, targeted for relationship building and maintained through exceptional service. In addition, other worthwhile prospects or customers are identified in the hope of developing profitable relationships. The result? *Real* upward growth in profitability and shareholder value.

Inescapable Math

A bank can expect to lose 10 to 15 percent of its customers each year. At the same time, five percent of a bank's households may deliver 100 percent or more of its profits. While bankers acknowledge this reality, their solution can often be likened to *leaning into a left hook*. They spend money attracting unprofitable accounts, and hoping to replace the profitable ones that have left.

According to Alex Sheshunoff Management, it costs an average of $200 to obtain a new customer relationship. But as many as seven out of 10 of a bank's products may be unprofitable or only marginally profitable. And it is generally one of these unprofitable products, such as free checking, that is used as a marketing lure. The painful fallacy of this approach is reminiscent of the old joke about GM's logic with the Chevette - it lost money on each one it sold, but its plan was to make it up on volume.

From Denial to Acceptance

Though it's difficult for even the most skilled bankers to accept, by and large they don't know many of their best customers. In this age of ATM, night deposit and electronic banking, less than half of a bank's customers may enter the branch or access the drive-through. A wealth of information is available, however, to analyze banking relationships and investigate "what if?" approaches to improving profitability. The required steps of an effective CRM strategy are simple, but call for discipline to execute:

- Identify profitable customers
- Retain profitable customers
- Offer exceptional service
- Set reasonable goals (for retention, growth and cross-selling) that can be measured

The same cycle is repeated for customers or prospects that match the profile of current customers who have already proven to be profitable:

- Identify similar (look-a-like) customers or prospects
- Reach out to look-a- like customers or prospects
- Offer exceptional service
- Set reasonable goals (for growth and cross-selling) that can be measured

This synthesis of marketing, sales and CRM acknowledges the sequential and incremental nature of building a profitable customer base. The obstacles, by and large, are not technical. Tracking systems already exist to easily monitor contacts with existing customers, referrals for services, follow- up calls or leads with new prospects. "What if" analyses can identify the means of making relationships or products more profitable. Lists of prospects matching the demographics of the bank's profitable customers can be purchased. If these tools are readily available, what prevents a bank from taking advantage of them? In a word, *inertia*: "We've always done it that way."

Banks that choose to embark on a CRM strategy can look to the following guidelines to help ensure success:

- *Obtain and continue to receive senior management support*. The bank president doesn't need to lead the CRM effort but should make it clear that he or she fully supports the program and is receiving regular updates on progress.
- *Set clear and measurable goals.* Goals need to be clear, realistic, and measurable. If the cross-sell ratio is 1.3, ratcheting it up to 1.8 may be a solid and measurable objective.
- *Start slowly and be careful of trying too much, too quickly.* Asking for the moon in the first year will almost guarantee staff discouragement.
- *Incentive programs can be great motivators, but don't fall into the trap of making incentive programs the reason CRM has a purpose*. Incentive programs for staff *should not* be considered the *purpose* of call and prospect tracking systems. The *purpose* is to improve customer service and to build more profitable, long lasting relationships. Incentive programs may be useful at some stage, but if introduced too early or made the focal point of the project, resistance and then failure of the whole initiative is much more likely.

A Landmark Study

The Peppers and Rogers Group and Roper Starch Worldwide performed a landmark study that found a dramatic relationship between CRM and customer loyalty. As reported in *Business Wire* on December 12, 2000, one in four consumers who rate their primary service providers as poor are likely to move one or more deposit products in the coming year. Consumers who rate their primary provider high on relationship building, however, are much less likely to switch providers. Only one percent of that group says they are likely to switch away products.

Says Don Peppers, partner at Peppers and Rogers Group: "The study amplifies the point that traditional customer service expectations have been reshaped by non-banking organizations and that highly personalized service is a day- in, day-out imperative to winning, retaining and growing customers."

Exceptional Service Equals Exceptional Profits

Customer retention is about service and differentiating a bank through exceptional service. The average household has 18 accounts with 12 different financial institutions. A bank's most profitable customers are being solicited by dozens of competitors. After a bank identifies its most profitable customers, the question is, "What makes one bank different from any other?" Success will be determined by the effectiveness of the answers. The underlying equation is simple - exceptional service equals exceptional profits. And exceptional information about customers makes exceptional service possible.

Marketing Solutions

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Sales/CRM Solutions

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Comprehensive CRM Software

Cross-selling

Sales Consulting

Pipeline Management

Goal & Incentive Tracking

Contact Management

Real-Time Solutions

Compliance Solutions

CRA, HMDA & Fair Lending Software

CRA & HMDA Services

CRA Solutions

HMDA Solutions

Fair Lending Solutions

Community Development Tracking

HMDA LAR & CRA LR Submissions

Compliance Consulting

CRA Exam Management

File Reviews

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