

Doing More For The Right Customers:

A White Paper On Customer Relationship Management

In the early 1990s, a handful of senior managers at a top 50 U.S. bank analyzed their organization to identify avenues of improving shareholder value.

They determined the bank was a relationship-oriented product innovator. It boasted higher assets-per-branch than its peer banks. And it performed well despite a flat economy.

But there was room for improvement. The bank's efficiency ratio was poor compared to its peers. The bankers also noted that one-third of their customers held nearly 90% of the bank's deposits.

An opportunity existed to expand these already profitable customer relationships by increasing the bank's share of these customers' wallets and improving their retention rate.

How could this be accomplished? By doing more for the right customers through a holistic, bank-wide customer relationship management program.

**“...doing more for the right customers
through a holistic, bankwide
customer relationship management program.”**

Over the next few years, the bankers implemented “Relationship Banking,” a three-component CRM program, which seamlessly combined a relationship management system, an enterprise-wide marketing strategy and a technology platform.

The relationship management system's first task was to determine customers' profitability or value. The bank then leveraged this knowledge of customer value across multiple contact channels.

With customers' value determined, the bankers were able to segment their most profitable customer base into target audiences. They divided their audience by preferred delivery channel.

The High-Touch audience preferred dealing with people and was assigned to a relationship banker. The time-starved High-Tech audience favored PC and alternative delivery and was given priority status in call center, web and teller channels.

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The relationship management system also included an employee incentive program. Promoted by the slogan “Performance Pays,” this program objectively measured employee performance and connected rewards to accomplishments.

The marketing strategy guided the design of multi-tiered products that rewarded, and helped retain, target audiences. The more profit a customer generated, the more valuable products he or she was offered.

The bank also set service standards by segment. While all customers deserved and received quality service, the bank's best customers enjoyed a higher level of service than less profitable customers.

The technology platform integrated all customer channels to ensure that all customer impressions were managed as a corporate resource. It was designed to meet three basic business objectives:

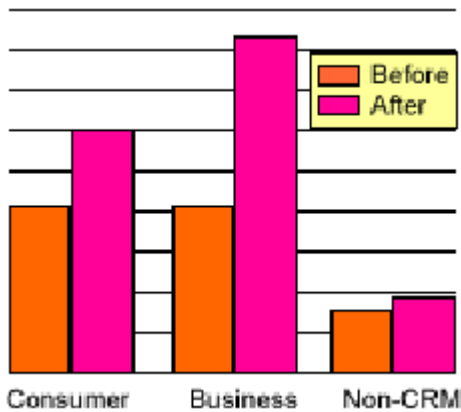
- To integrate marketing and sales.
- To manage segmented customer relationships.
- To measure and manage banker portfolios.

As a result, the technology platform gave sales management necessary employee-by-customer information and also collected consumer feedback to the marketing process.



After initiating "Relationship Banking," the bankers studied profit profiles, such as customer retention, customer share of wallet and incremental balance growth. The results exceeded expectations.

The retention rate of the target customers, year over year, had improved 20%. This improvement in customer retention translated into tens of millions of dollars in improved revenue as compared to periods before this relationship management crusade was begun.



This improvement in customer retention was directly connected to nearly a doubling in the share of wallet of the target customers (see chart above).

As target customers did more business with the bank, their balances grew by an average of 20%. Target customers transacted more business with the bank, provided a higher profitability level and remained customers longer than the non-target audience. These factors, of course, improved the lifetime value of each target customer.

Figures available through the system also identified those employees who were most valuable to the bank. This was important information as the bank

worked to improve its efficiency rate and limit its staff and distribution expenses. The bank reduced its salary expenses by 15% and its branch network costs by 40%.

The bank started down the relationship banking path to improve shareholder value. A structured CRM approach utilizing the latest technology allowed the bank to extend its knowledge of its customers to all of its employees.

In the process, the bank offered the right products and provided the right services via the right delivery channels to the right customers.

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While CRM solutions are not inexpensive, banks that want to save money, focus resources and enjoy big dividends can't afford to wait.

Their competition isn't.

by Drew Lamparello

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NCI 4700 Wizard Puts the Power in Your Hands.

If you want to retain your 4700-based loop devices and connect them to a PC-server-based LAN environment, NCI can do that, too.

NCI 4700 XOVER (an NCI adapter card that connects 4700-based loop devices to a PC server) makes the transition of B-loop devices from an IBM 4700 network to a PC LAN environment easy and cost effective.

So, if you want to migrate your existing printers (4710, 4715, 4720, 3616, 4722 and 4712) or your 4700 self-service and cash dispenser devices (3624, 4731, 4733, 4736, 4721 and 3621) to a PC LAN, NCI 4700 XOVER with NCI 4700 Wizard makes it happen.

When you combine NCI 4700 XOVER with NCI 4700 Wizard, here's what you get:

- NCI 4700 Wizard executes the 4700 applications on a PC server.
- NCI 4700 XOVER connects your 4700 devices to a PC server.
- Use of your existing 4700 applications in a PC LAN.
- Use of your existing ATMS, 4704 displays and 47XX printers in a PC LAN.
- The flexibility to run 4700 applications in both 4700 and PC LAN environments.
- Maintenance of only one application for both 4700 and PC LAN environments.
- NCI 4700 Wizard may support both 4704 displays and PC displays in an intermixed B-loop, DCA and LAN network environment.



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