

Delivering the next-gen customer experience: How to select the right CRM

CRM technology has evolved to support increasingly complex business needs. How do you find one that's right for you?



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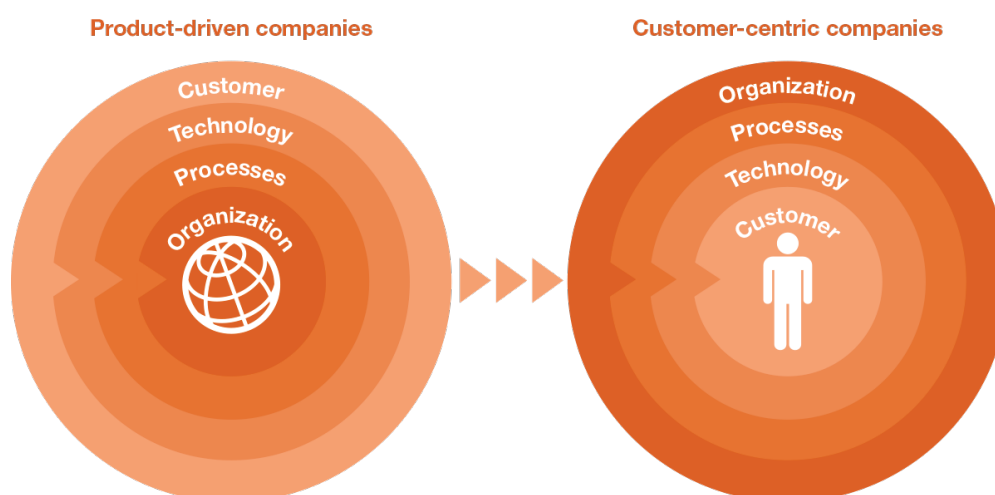
The heart of the matter

Customer relationship management (CRM) solutions are no longer the IT-centric systems of years ago. They now provide sophisticated analytics and other features that can help financial institutions meet new trends head-on, from rising user expectations to relentless regulatory demands. Organizations need a new approach to selecting a CRM solution—one that prioritizes their specific business needs. We'll explore the criteria organizations should use when making their decisions.

CRM is not a new concept in the financial services field. However, many financial institutions have seen past implementations fail to fully deliver on the goal of helping them develop deeper relationships with customers, for several reasons:

- Organizations relied on CRM solutions to help them shift from being product-driven to being customer-centric. In reality, the evolution to a customer-centric company is a sweeping change that requires much more than technology change—it also requires changes in process, incentives, structure, and culture (see figure 1).
- With no clear connections between their business strategies and their customer strategies, organizations failed to transform their operating models to better leverage CRM data and functionality.
- Organizations have let their CRM solutions determine their customer strategies, rather than determining customer strategies and choosing CRM solutions accordingly.
- The rigid, IT-focused legacy CRM solutions previously available delivered a poor end-user experience for business users, leading to low adoption.

Figure 1: Customer centricity requires processes, technology, and organizational capabilities to be built around the customer.



Evolving business needs call for new CRM solutions

In the last five to ten years, key shifts in the marketplace have stepped up the need for financial institutions to take a fresh look at their CRM solutions. Even industry leaders who were successful in their earlier CRM implementations are now considering new technologies. What factors have changed? First, new technologies, particularly mobile capabilities, have changed the rules of doing business. Second, customers and internal users alike expect more from technology. Not only do they expect CRM to deliver more sophisticated capabilities; they also want a say in how those capabilities are delivered. Finally, the industry needs better tools to manage the progressively more stringent laws that govern customer interactions.

New technologies. CRM technology is more sophisticated and more consumerized than ever, which enables it to capture a growing treasure trove of information about current and prospective customers. Organizations in most industries are racing to unearth this information for strategic gain. In fact, IDC predicts the overall worldwide CRM applications market will grow at a compound average rate of 6.9 percent annually between 2014 and 2018, with marketing automation and customer service—the two areas where CRM is most commonly used—growing at 8.8 percent and

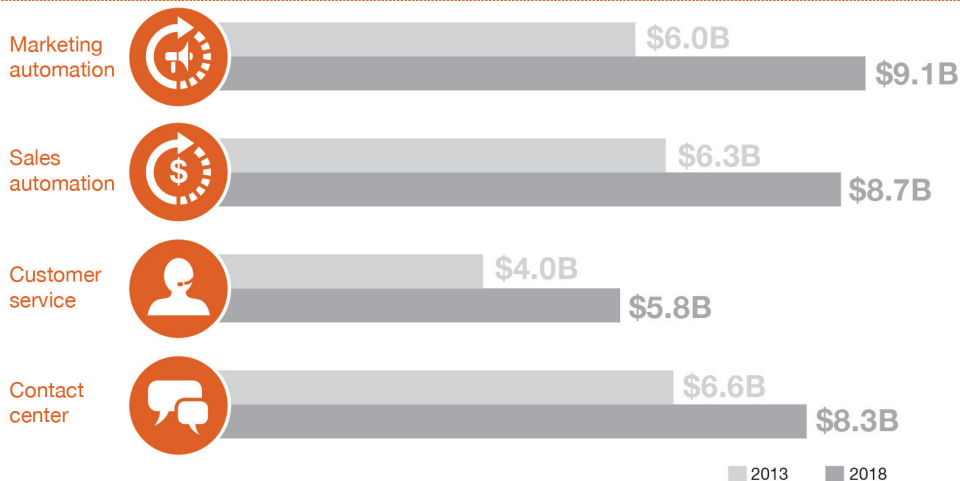
“The idea of consulting a system of record for customer information is being replaced with interaction-driven technology that is always available (mobile first in many situations) and reflects real-time customer conversations (enhanced by social).”

Mary Wardley—Program VP, CRM and Enterprise Applications, IDC¹

7.8 percent respectively.² As shown in figure 2, CRM revenues are projected to continue growing as organizations take advantage of newer and more sophisticated technologies that help them better understand and connect with their customers.³ Mobile technology in particular has exploded into the mainstream, giving employees and customers alike anytime, anywhere access to information. CRM upgrades give financial services firms a way to introduce mobile technology directly into their customer interactions.

Rising CRM user and customer expectations. Legacy CRM systems were not designed to accommodate technologies like mobile, cloud computing, and social media. Both internal users and customers now demand experiences that are more customized, take place in near-real time, and are accessible via the channels they choose (such as web, mobile, and branch), using the devices they prefer (such as phone, tablet, and PC).

Figure 2: Worldwide CRM revenue is expected to grow across all segments between 2013 and 2018.⁴



² IDC, “IDC’s Worldwide Semiannual Software Tracker,” 1H 2014.

³ *Ibid.*

⁴ *Ibid.*

¹ IDC, “Worldwide CRM Applications 2014-2018 Forecast and 2013 Vendor Shares,” May 2014.

Escalating regulatory requirements. Finally, the industry must keep up with an increasingly complex and stringent regulatory environment. Regulators worldwide are insisting on greater transparency in consumer interactions, which obligates banks to track when and how they provide customers with required disclosures. The processes and technology that support analysis of unfair, deceptive, or abusive acts or practices (UDAAP) require more detailed customer data than ever. So do customer due diligence requirements such as anti-money laundering (AML) and Know Your Customer (KYC), which CRM solutions can further streamline by standardizing the customer onboarding process. Financial institutions need these deeper insights to manage interactions for greater effectiveness and improved compliance.

Putting customers at the center

These changes, together with the accelerated pace of business change, are pressuring financial institutions to implement CRM platforms and technologies that support greater agility. Rather than allowing their products and systems to dictate their customer strategies, it's time for financial institutions to put customers at the center of their business models. In our view, there are four key steps in making this change:

1. **Clearly defining customer strategy**—How will you align business strategy with the customer journey? How will you design products that meet customers' evolving needs?
2. **Developing a more customer-centric organization**—What operational, organizational, IT, and cultural changes are needed to achieve the strategy?
3. **Building customer-oriented processes and service models**—How should you design technology and processes to create experiences that customers love? What processes, information, and incentives will foster customer-centric behaviors at all levels?
4. **Integrating next-generation technology**—What technologies, such as mobile and cloud services, do you need to make your organization and service models customer-centric?

This publication specifically addresses the fourth step by discussing a selection strategy that engages all stakeholders in choosing the right CRM solution. CRM technologies have evolved to support increasingly complex business needs. In our view, financial institutions need a CRM selection strategy that takes these changes into account and helps them choose the right CRM solution.

An in-depth discussion

Choosing the right tools

Legacy CRM systems are generally IT-centric and designed exclusively to capture and manage data. They were not designed for, and cannot deliver on, the current business-centric initiatives that financial institutions expect from their CRM systems. And while it may occasionally be possible to add functionality to an existing CRM solution, this tactical method will not enable financial institutions with the forward looking capabilities that today's industry and customer demands. It is our view that the growth of innovative tools from multiple vendors makes it likely that financial institutions can achieve greater business value by "ripping and replacing" old CRM systems with flexible new systems that can be extended rather than replaced in the future.

As seen in figure 3, leading financial institutions expect CRM solutions to deliver more business value:

Business productivity

Automated and standardized sales processes: Making sales processes more consistent minimizes sales delay, reduces sales and onboarding costs, and improves customer experience.

Useful insight

A true 360-degree customer view: While the point of CRM from the beginning has been to deliver a more complete customer view, the definition of "360-degree view" has

Figure 3: Institutions are looking to CRM solutions to deliver more business value.



expanded to include more information about customers, from more sources, and in greater volumes. Available customer data will inevitably continue to expand as new technologies emerge, so CRM applications should also be readily expandable to accommodate that new information. With a continually evolving view of client relationships that includes product purchases, exposure and risk, lifetime value, and more, business units can manage relationships for greater profitability across all channels (omnichannel).

Advanced customer analytics: An increased ability to understand customer preferences and predict customer behavior helps a financial institution develop product bundles that add more value for customers. This, in turn, helps increase cross-sell and upsell opportunities, both

within and across business units and product lines.

Consumerized user experience

Integration with mobile and social technologies: In addition to giving business users access to CRM information through their own devices, mobile capabilities let customers interact with their financial institutions on smartphones and tablets—and let banks push information to them on a mobile platform. By linking mobile technology with social media, organizations can improve their ability to communicate with customers in a responsive, timely way and provide a richer, more user-friendly experience. This generates customer insights and leads to increased efficiency as well as higher customer satisfaction.

Customer servicing: Financial institutions can save time and money while deepening customer loyalty by choosing CRM systems with self-service capabilities. Advanced CRM solutions also offer the potential of omnichannel integration—the ability to address customer needs via external social media as well as the organization’s own channels such as web and call center.

Flexibility & innovation

Scalability and integration: The size and complexity of today’s financial services industry demands systems that can operate between and across multiple business units, ensuring all units are working with consistent, current, and accurate customer data.

Marketing innovation: As shown by IDC’s prediction on the strong growth rate of CRM solutions specific to marketing and sales, organizations need sophisticated tools and capabilities that let them transform customer data into new approaches to digital marketing and sales.⁵

Risk management & security

Support for risk management and regulatory compliance: Centralizing customer data with customizable security structures helps firms manage operational risk, credit risk, and regulatory demands more effectively, while simultaneously improving the accuracy of customer, product, and transaction data.

Challenges in assessing and selecting CRM solutions

According to a 2013 study of 352 senior-level, US-based executives in organizations with \$1 billion or more in revenue, almost two out of three CRM initiatives fail.⁶ The study revealed that half of initiatives suffer due to lack of clear organizational ownership of customer insight, while two in five suffer due to lack of management bandwidth, lack of executive sponsorship, or the fact that CRM is not an IT priority. In our view, many financial institutions make the mistake of focusing on the technology and overlooking changes needed in business processes, data management, and cultural behaviors to support a successful transformation effort.

While some of these concerns are outside the scope of our discussion, they underscore the importance of confronting several challenges well before CRM deployment:

1. **Unclear customer strategy.** Different business units have different goals for customer data—for instance, customer segmentation or a more unified customer service process—and therefore different strategies for managing customer data. Customer strategy should also take into account data privacy, customer complaints management, and other regulatory issues. Organizations should define who owns the customer strategy and clarify

these various needs in order to choose a solution that addresses them.

2. **Data quality.** “Garbage in, garbage out” is as true for CRM as any other initiative. If users hope to generate meaningful dashboard reports to support effective decision-making, they need an accurate single view of customers across the enterprise—and creating that view requires their CRM solution to be populated with clean, high-quality customer data successfully imported from other systems.
3. **Poor alignment between business and IT.** Business has its own priorities. So does IT. They should work together to arrive at a CRM solution that meets both sets of needs. If the business is not fully engaged in the CRM selection process, IT won’t be able to choose a solution that meets business users’ needs, which will lead to implementation issues and, ultimately, low user adoption. Conversely, if the business opts to bypass IT in choosing its own CRM solution, it will further fragment a customer data strategy that should be unified. Strong leadership buy-in and sponsorship can help bridge the divide and align business and IT priorities.
4. **Security and architecture challenges.** A CRM selection strategy should address questions of security and network architecture. The question of whether the CRM platform should be hosted onsite or in the cloud is a critical initial question that leads to other considerations. For

⁵ IDC, “Worldwide CRM Applications 2014-2018 Forecast and 2013 Vendor Shares, doc #248875,” May 2014.

⁶ Merkle, “Customer-Centric Transformation: Five Keys to Leading Successful Change,” July 15, 2013, <http://www.merkleinc.com>, accessed August 22, 2014.

example, how easily does a given CRM solution integrate with the rest of the organization's systems, both in the cloud and on-premise? Organizations also need to assess whether, how, and to what extent a CRM application can be customized for security purposes, especially when that involves meeting various countries' regulations governing what can be stored in the cloud.

Asking the right questions

Inherent in the CRM selection process is the fact that business value does not come in a one-size-fits-all package. One organization may want to focus its CRM strategy on decreasing call center hold times. Another may want to fine-tune its marketing campaigns, while a third may want to boost its sales conversion rate. Each should choose the vendor and CRM solution with the capabilities that will deliver the specific business value it is looking for.

While this emphasis on business value should drive the search, leading institutions are also exploring the following critical areas as they assess their CRM options:

User experience and adoption

A CRM system that no one uses is a failure. Organizations should ensure user adoption by selecting and/or designing a solution that can be customized to meet the needs of various user groups and individuals. This persona-based approach to user experience and user interface design might, for example, allow a particular department to streamline workflow

by creating a one-click shortcut for a common task.

In addition, financial institutions leverage mobile and bring-your-own-device (BYOD) trends, including integration with various social and mobile platforms, to deliver an appealing experience to users. Finally, understanding how users at other organizations have used a particular CRM product in the past and considering how the product roadmap might affect future use will help organizations predict how their own users will react to the product and how it will fit their needs over time.

Platform delivery model

In choosing between cloud-based and on-premise CRM solutions, organizations should consider multiple issues:

- Data security.
- Ease of omnichannel integration.
- Scalability by number of users, user groups, software instances, geographic locations, and other relevant criteria (some CRM systems are more suited to large deployments than others).
- Frequency and ease of necessary updates and upgrades.
- Ability to set different use case requirements and workflows for different users, even where those users share the same business role.

Cost of ownership

Cost continues to be a primary driver of technology decisions. Although the pay-as-you-go (PAYG) model for software continues to gain momentum, PAYG may not be the most efficient choice in use cases that require additional components over time, thus driving up total cost of ownership. Upfront investment alone cannot be the only benchmark for costs.

Flexibility

The pace of change in technology and the regulatory environment is so rapid that flexibility is an essential requirement in all applications, not just CRM solutions. IT should partner with the business to update business priorities frequently to align with regulatory changes. Applications should be extensible, scalable, and agile to prevent technology itself from hindering organizational performance. And as social and mobile platforms evolve, applications should be easy to modify to continue integrating them.

Our recommendations

To choose an appropriate CRM solution and deploy it effectively, we recommend a three-pronged approach that focuses as much on business needs as it does on IT requirements. All three of these prongs should be pursued in parallel, with the results scored and weighted for a fit-gap analysis that meets both business and IT needs.

User adoption

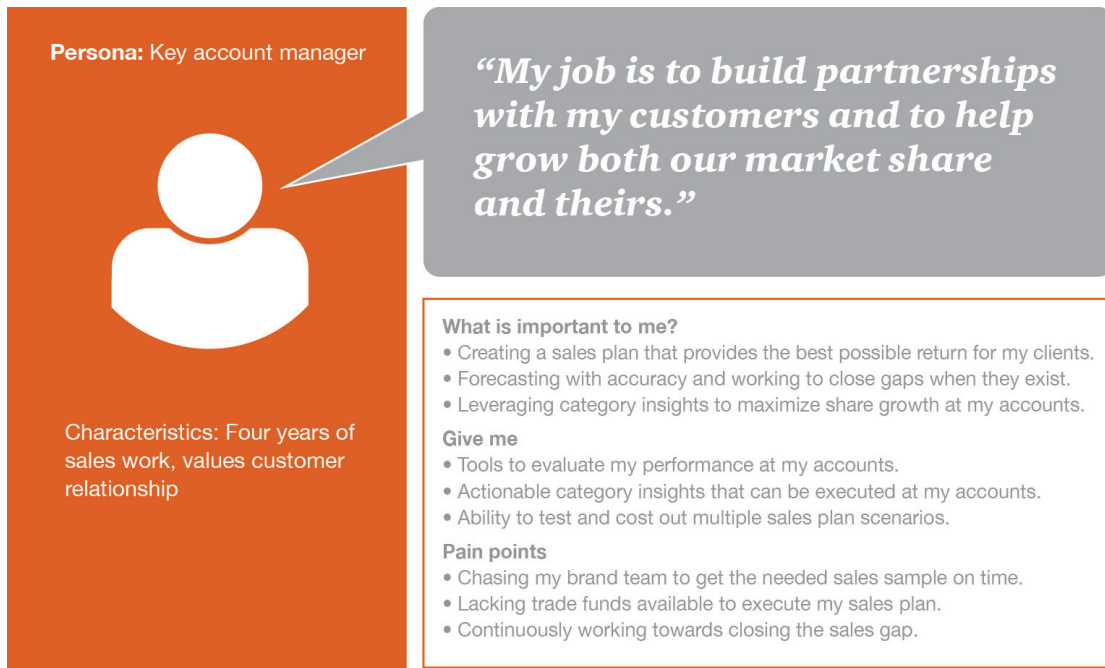
We recommend that organizations encourage high user-adoption rates by developing real-life persona-based use cases, testing various CRM solutions against them, and documenting the findings so financial institutions can choose systems that align with their actual needs. User experience and user adoption are often glossed over during the selection and implementation process in favor of focusing on functionality.

Organizations should prioritize the user with a persona-driven approach that looks beyond what the application can do to focus on what key user groups need the application to do. A user persona helps identify who key customers and employees are, their expectations of the company, what processes they do and don't like, what outcomes they want, and what would help them better achieve those outcomes.

Figure 4: Our three-pronged approach to CRM selection.



Figure 5: A persona-driven approach can improve user adoption.



Key personas should be defined by criteria that include not just job functions, but age groups, technology appetite, level of social integration needed, and more (see figure 5). Iteratively defining scenarios for each persona makes it possible to determine the process flow and test how well the CRM solution fits that user group’s needs. Verifying functionality and processes in a live demo environment with potential users then gives them a feel for the application so they can provide additional feedback.

For example, a customer service agent in a call center needs to be able to take a call, access the caller’s profile, and resolve the caller’s issue. To do this, the CRM solution should be able to associate the phone number of the incoming call with a customer record, use that information to open the customer’s

profile on the agent’s computer with history and available options, and allow the agent to record the customer’s issue. Finally, the solution should search for possible resolutions, suggest them to the agent, and create a customized upsell offer for the agent to share with the customer after resolving the issue s.

An organization should choose employees who fit the call center agent persona to test how well, how easily, and how satisfyingly different CRM candidates meet those key requirements. At the end of each demo, testers should score how well each solution met their needs, such as the ability to associate a phone number accurately with a customer record, or the speed of delivering a customer profile to the agent’s desktop. This scoring approach allows an apples-to-apples comparison of user experiences.

Business capabilities

Establish the current and future suitability of available CRM solutions by assessing their functional and business capabilities:

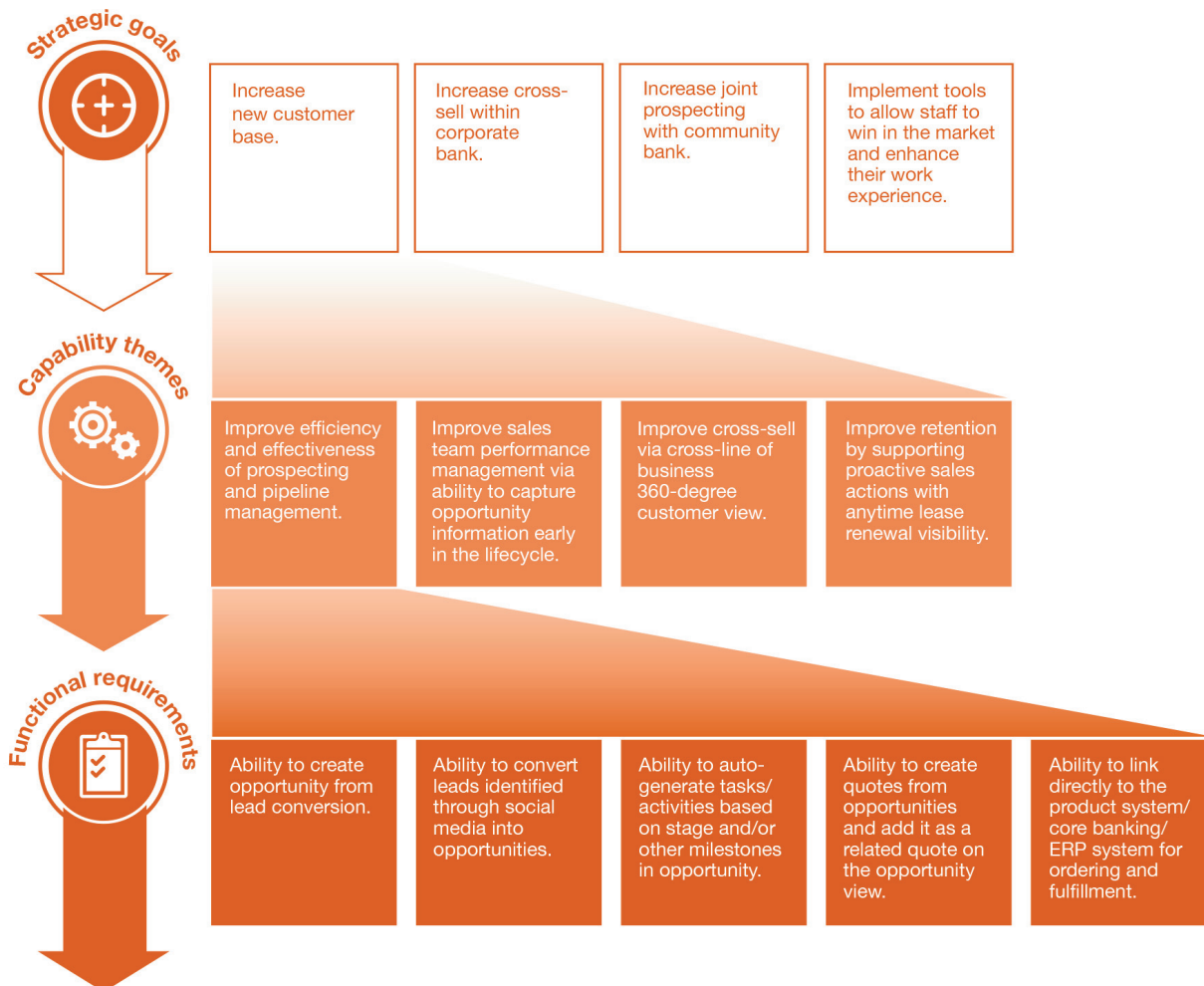
- How flexible is the solution?
- What are its functional capabilities?
- What are the results of a fit-gap analysis?
- How have other organizations used the solution to improve customer experience?

- How well defined are current features?
- Which functions and features will the vendor develop or abandon in the future, and how does the product roadmap align with the organization's needs?

We recommend that the business and IT collaborate to define the business priorities required by the organization so that this information drives the features and functionality of the CRM system. This process should occur simultaneously with the user experience testing.

This aspect of the assessment should take into account the company's strategic goals, the capabilities it needs to meet those goals, and the features and functionality a CRM solution should have to deliver those capabilities (see figure 6). As with the user experience requirements, each criteria should be weighted based on a company's desired business value to create a fit-gap analysis.

Figure 6: Illustrative top-down approach to defining functional requirements.



Technical fit

Determine technical fit based on how a CRM solution fits into the organization's technical architecture, integrates with other systems and channels, and meets data and network security requirements. While this may seem to go without saying, a solution that cannot perform within the organization's existing infrastructure will not deliver its full potential.

A technical fit analysis is not complete until it has addressed these questions about each proposed solution:

- The solution's ability to fit into the existing applications architecture and other back-end systems.
- The solution's compatibility with pre-identified data integration points to safeguard necessary communication channels between systems.
- Its application and data security features and functionality.
- Its ability to meet organizational and industry requirements for data security, governance, and retention.
- How well the solution aligns with employees' existing skills set and how difficult it will be for the organization to acquire any needed skills.
- Whether the solution can scale to meet the organization's projected future needs.
- The extent of the solution's ongoing release and maintenance support requirements.

Start the technical fit analysis by determining what the current infrastructure can support and either rule out CRM systems that cannot function well or, alternatively, indicate which other systems should be upgraded before a new CRM system can be deployed.

Next, confirm which geographies and business units will use the CRM solution. This information will help you assess whether prospective solutions can scale as needed.

Finally, estimate the money and time investments needed for upgrades or changes elsewhere in the network to support the new CRM solution in order to calculate the solution's true operational costs and total cost of ownership. These, too, should be scored against the desired business outcome as well as the available budget.

What this means for your business

Careful choices, positive outcomes

As the industry becomes increasingly customer-focused, it makes sense for financial services firms to prioritize CRM. They should evaluate their options by giving equal consideration to how each CRM system under consideration supports strategic goals, how it integrates with existing technology, and, critically, whether it delivers satisfactory results in real-world scenarios.

Our recommended approach helps organizations define functional, technical, and user requirements simultaneously. It provides a method for weighting system selection criteria that prioritizes enterprise-wide objectives, helping the organization choose a solution to satisfy both technical and end-user needs.

We have found that by taking this approach, financial services institutions can get better business results including high-quality customer experiences and effective regulatory compliance. Our clients report that following these strategies to choose and deploy a sophisticated new CRM system has allowed them to achieve these data-driven goals:

- Developing customer-centric strategies to increase share of wallet and retain profitable customers.

- Maximizing focus on customers with highest lifetime value while still developing creative, cost-effective strategies for other customers.
- Setting and maintaining acceptable parameters for attracting and retaining riskier and lower-value customers.
- Adopting mobile technology and social media to gain competitive edge and exceed customer expectations.
- Creating synergies among business units and developing bundled value propositions.

By asking questions that go beyond product features and technical integration needs, financial institutions can build the foundation for a successful transformation that promotes user adoption and creates lasting customer-focused cultural change.

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