



# Customer Relationship Management: How and why to implement CRM effectively in the Financial Services sector

Research White Paper

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# 1

## Introduction

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### The problem

CRM has been seen in recent years as the means to satisfy customers, be cost-effective, and make money. But CRM installations have a high incidence of failure, and have acquired a reputation for being a risky investment. FS companies need to learn from the repeated mistakes seen with CRM, so they can benefit from its many advantages without wasting money.

### Purpose

The purpose of this Research White Paper is to:

- Explain the commercial importance of effective CRM activity in the FS sector
- Identify the ways in which CRM installations typically fail
- Explain the key lessons in implementing CRM profitably

### Approach

The approach has involved:

- Collation of detailed information about CRM installations and activity encountered within financial services organisations, based on a combination of original research and extensive client work across numerous countries
- Identification of ways in which CRM commonly goes wrong
- Identification of key success criteria
- Utilisation of anonymous case studies
- Presentation of actionable insights, offering financial services companies the opportunity to see how the recommendations would apply specifically to an organisation like their own

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# 2

## Where CRM started: its history and commercial importance

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CRM remains hugely important to the future of financial services – but only if we separate the myth from the reality...

CRM arrived in the late 1990s in a burst of enthusiasm and marketing hype. It promised to be the answer to a huge range of perennial organisational problems: it offered a way of impressing customers, so that they stayed longer, bought more, told their friends and family about you, and as a result became significantly more profitable.

### **The vast promise of CRM**

But it also promised to create efficiencies around the organisation, by making the process of acquiring and servicing customers simpler. It would be simpler for the Operations department, but also simpler for the customer to do business with the organisation. It would link together the back-office processing functions with the front-office systems that dealt with customer enquiries and applications. It would, in all of these ways, save cost by eliminating the need for separate IT platforms, separate processes, work that was unnecessarily being duplicated, and administrative staff whose job was to hold together all these cracks across the organisation.

### **Reputation for technology failure**

It is not surprising, therefore, that CRM became the fashionable new answer within financial services in the following few years. Millions of dollars were spent on new, state-of-the-art CRM installations by the biggest companies with the deepest pockets. These also tended to be the companies with the largest appetite for technology – and who were also sometimes trapped in a technology ‘arms race’ with a similarly big-spending competitor. A typical ‘innovation curve’ developed, in which the leaders spent the largest amounts – and suffered the majority of the disastrous failures that CRM has produced; a series of ‘fast followers’ learned from these early mistakes and bought better-positioned and more cost-effective solutions; and the remainder stood on the edge and worried about the amounts of money being spent and the increasing reputation of CRM as being an over-priced technology disaster.

CRM sounds like a great idea – but has frequently failed to deliver. This is something of a tragedy, because CRM remains capable of transforming an organisation’s customer experience, its processing efficiency and its commercial performance. The secret, as shown in the section below, is in learning from the many high-profile failures,

choosing only what you absolutely need, and focusing all attention on ensuring that the system is being correctly built and used.

### Why CRM developed, and what it offers

To understand how to implement CRM correctly, organisations need to be aware of what typically goes wrong. And to understand what goes wrong, they need to understand how and why the concept arrived in the first place. The beautifully-constructed concepts that have been sold in the last ten years are actually the result of a gradual evolution from two separate initiatives – storing information and reducing operational cost – and the result of organisations trying to use this new concept to fix all of their problems at once.

#### **The strange birth of CRM**

CRM emerged from two separate trends that occurred in the 1990s. The first was the rise of the ‘data warehouse’ – the complete data source that allowed organisations to capture and store all of the information they could acquire about the customer, to analyse it, and to use it to drive sales and marketing programmes. The second (and very different) trend was the rise of Call Centres. These emerged during the 1990s as a means of reducing the cost of doing business with customers. Their purpose was to allow organisations to push transactional business from expensive branches into the less expensive telephone channel, so allowing the branches to concentrate on selling and cross-selling.

These very different trends both ran into difficulty. Customers did begin to use the telephone for their more basic needs – but unexpectedly they continued to use the branch also. In other words FS organisations discovered, as they have discovered repeatedly in the last ten years, that every time a new channel is offered to customers, they will use that channel in addition to the existing channel, not instead of it. More worryingly, the new call centres found themselves unable to handle customers effectively, because they simply did not know what else the customers were doing with the organisation. The call centre staff did not have the ‘complete picture’ of the customer’s relationship with the organisation – and it became clear that only the customer had that complete picture.

#### **Early lessons: control of information**

At the same time, the data warehouse projects tended to produce direct marketing programmes, but no real insight into what customers want from their organisation, and how to make it easier for them to do business. And this produced the first lessons for CRM:

- If you are going to handle customers at multiple points, you must give your people the information to do this properly
- The bigger the organisation, the harder this is to achieve