



Getting CRM Right: are you working from first principles... or are you paving the cow path?

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Implementing CRM technology on the hoof and on top of out-moded ways of covering clients cements poor practice and lower revenues into your business.

Instead, project sponsors should specify CRM requirements from first principles; prescribing technology that supports the coverage workflows that are aligned with the capabilities and ambitions of the bank and, most important, *your clients'* definition of coverage quality.

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Executive Summary

The functionality of CRM systems for wholesale, or institutional, banks is usefully grouped into three well-defined levels as listed below:

Level 1 – Universal Functions

Level 2 – Product Specific Functions

Level 3 – Smart CRM

CRM technology is essential to giving the client management program more ‘muscle’; specifically:

- discipline;
- visibility;
- accountability;
- flexibility;
- aggregated intelligence;
- and scalability.

Mathias and Co. specialises in the design of CRM programs, including training in coverage methodologies, and related technology requirements, which increase the returns on a bank's 'defining' clients. Our programs address the root causes of declining front office productivity in banks and the five failure factors that frequently de-rail client management initiatives.

Very few CRM vendors provide Level 2 and Level 3 functionality out of the box and customised development is fraught with risk. This paper examines the characteristics of each of the three levels of CRM functionality and provides two frameworks - **3 Levels of CRM** and **Why Client Management Programs Fail** - that provide a useful reference for program sponsors to reference when faced with the career-defining task of specifying CRM requirements for the bank.

The business rationale for a client management program, and the technology that supports it, is reprised below. The returns on client coverage investments are not measured in all banks, but when they are the right program can increase returns by 10%+. In the diagram (see fig 1 below) illustrative coverage workflows are depicted to illustrate the CRM functions required to support them. It shows that Level 1 functionality that supports 'Servicing' workflows can make coverage more efficient and help the bank to identify and eliminate duplicated or low value coverage activities. However, Level 2 and Level 3 functions are required for the bank to 'shape' rather than simply 'service' the relationship with the client.

This paper concludes with an overview of illustrative Level 3 functions that support the advisory or 'share of mind' selling workflows necessary to increase share in the client's 'wallet of tomorrow'.

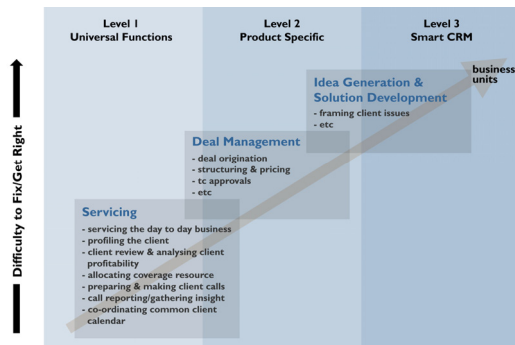


Figure 1: Illustrative Client Coverage Workflow by Level of CRM functionality

The Business Rationale for Strategic Coverage Planning

Banks have lost their traditional knowledge advantage. The ‘defining’ clients of most banks are now highly sophisticated buyers of banking services. Key staff is often recruited from leading banks and these ‘poachers turned gamekeepers’ have access to market information which, a decade ago, was the exclusive preserve of the elite banks.

This reversal of banks’ traditional knowledge advantage has compressed margins on, previously profitable, products and services at a time when coverage costs are increasing as client organizations are becoming larger, more complex and more demanding. The result is declining productivity (i.e. constant dollar revenues / front office employee) in even the best performing banks over the past decade.

However, banks may still earn a relationship premium by competing on quality of coverage; provided they focus on what the client deems as ‘critical to quality’. This means client planning and coverage activities require a renewed focus on understanding client issues, generating and selling ideas, and replicating these solutions across the client portfolio.

Collaborative enterprise planning is required – but not in its conventional form. To institutionalize coverage quality, banks must understand the five failure factors that have de-railed client management programs over the past decade and ensure that the program and the technology that supports it address the pre-requisites for success.

The challenges are significant; collaborative planning creates a ‘client organization’ that cuts across banks’ traditional product and geographic silos. However, the rewards are equally significant; 10% increases in the return on a bank’s client coverage investments, derived from increased revenues and / or elimination of non-productive coverage activities.

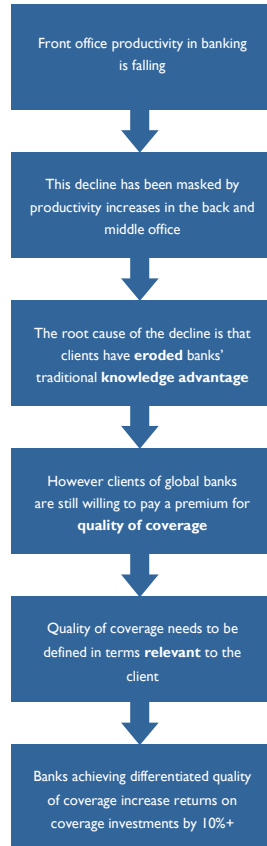


Figure 2: Synopsis of Business Rationale

The Collective CRM Wisdom of Wholesale Banks

The lessons learned by wholesale banks from their experiences with CRM technology over the past 5 years can be summarised as follows:

- Although different business areas in the bank share a common requirement for universal CRM functions (contact management, call reporting, pipeline reporting, etc.), there is considerable and significant variance around their product specific CRM requirements.
- There is no 'one-size' fits all CRM solution; in fact, just as there is no 'average client' for a bank, 'one-size' CRM technology often doesn't exactly fit *any* business area within the bank at all.
- Consequently, each of the businesses within a Wholesale Bank has very different CRM technology needs - particularly around deal management and idea generation/solutions development.
- It is unrealistic to expect one 'off the shelf' product to effectively deliver on the entire client strategy of a Global Wholesale Bank which spans diverse client segments, products, and origination, sales and distribution sales activities.
- The challenge is to design a CRM system that is flexible, low cost and directly linked to the client strategy – a system that can evolve as you do.

The 3 levels of CRM (below) provides a framework to prioritise CRM requirements over time and across product groups.

	Level 1 Universal Connectivity	Level 2 Improving Product Coverage	Level 3 Smart CRM
Level Characteristics	<ul style="list-style-type: none"> • Universal Client Information • Share of Wallet across all products 	<ul style="list-style-type: none"> • Product Focus • Maximise Product Wallet 	<ul style="list-style-type: none"> • Smart CRM • Share of Mind
Business Outcomes And Strategy	<ul style="list-style-type: none"> • Product Utilisation and Tactical Selling • Lead Indicators of Demand • Immediate Improvement in Customer Experience 	<ul style="list-style-type: none"> • Quality Idea Origination • Efficient Solution Origination • Service Quality 	<ul style="list-style-type: none"> • Aggregation and Distribution of Ideas/Solutions/ Deals • Replication of Successful Ideas/Solutions/Deals • Leveraging of Collective Experience
Client Management Processes	<ul style="list-style-type: none"> • Team interaction around common understanding of client needs 	<ul style="list-style-type: none"> • Product and Segment Specific Workflow • Custom High Quality Coverage Activities 	<ul style="list-style-type: none"> • Strategic Client Management • Managing the Idea Pipeline • Selling Milestone Methodology
Functional Areas Delivered	<ul style="list-style-type: none"> • Calls, Emails, Deals, Pipeline • Contact Management • Common client profile and client understanding framework 	<ul style="list-style-type: none"> • Product Workflow—eg Deal & Credit Approvals • Product Profiling—eg Margins & Spreads for Flow Products 	<ul style="list-style-type: none"> • 'Idea Forums' • Short Form Industry and Client Planning • Dashboards & Lead Indicators of Future Demand
Deployment Comments	<ul style="list-style-type: none"> • Link the Coverage Teams • Simple, Low Cost, Easy to Use, Fast to Implement • Roll Out Immediately 	<ul style="list-style-type: none"> • Modular Approach • One Size Doesn't Fit Anyone • Link Back into Level 1 Universal Platform 	<ul style="list-style-type: none"> • Focus on Lead Indicators • Extract Patterns and Irregularities • Aggregate Modular Info from Level 2

Figure 3: Three Levels of CRM Functions

Why Client Management Programs Fail

Client management programs fail because key issues in one or more of five failure factors are not addressed:



Figure 4: Why Client Management Programs Fail

One Size Coverage Models

- Does the firm have a coverage investment that aligns with the current and potential value of the client?
- Are the right people involved at the right time?
- Is duplicate or low value coverage eliminated?

Low Quality Coverage Workflows

- Does the bank understand how clients perceive quality of coverage?
- Are the bank's client coverage processes consistent with creating high quality coverage?
- Are metrics which indicate coverage quality available and acted upon?

Planning and Coverage Not Integrated

- Are the plans relevant to the coverage process (i.e. are they reviewed / updated before / after important client calls)?
- Can the common planning framework be customised for use in Corporate Banking, Transaction Banking and Markets?
- Can sales activity be linked to client strategy and is opportunistic selling identified as such?

Inappropriate Technology

- Does the client plan format leverage database efficiencies (i.e. can individual plans be aggregated into meaningful pictures of opportunity and resource requirements)?
- Does technology help to link up previously isolated pools of client information within the bank?
- Does it save time by automating routine tasks?
- Is the way information is presented to the user helpful for generating insight and ideas about problems the client faces?
- To what degree are differences between 'top-down' and 'bottom up' planning ideas highlighted and reconciled?

Weak Sponsorship

- Is the business rationale for client management credible to coverage staff?
- Does the planning format add value for individual bankers involved in origination as well as sales & distribution coverage activities?
- Does the sponsor have easily accessible information about the quality of individual participation in the program?

High Level Requirements for Smart CRM

Level 3 technology must help bankers translate important ideas into profitable solutions for clients. It consists of five key functions:

- Account Plan Synopsis
- Dynamic Client & Sector Profiles
- Idea Generation
- Coaching Modules
- Reporting Dashboards

Account Plan Synopsis

The Account Plan Synopsis (APS) format is the most important of these five functions. It is an analytical framework comprising two parts:

1. Forming a View - analysing client strategy and constraints
2. Setting Account Strategy – generation and development of ideas into profitable solutions through the coverage process.

Each APS contains a sequence of components (listed below) that link client strategy to targeted deals. The APS format is more concise and structured than the conventional client planning format that it replaces - which often has a bias towards free text and historical information.

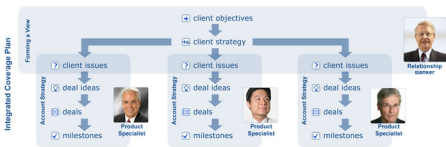


Figure 5: Sum of Parts Planning

The APS format was designed by Mathias and Co. based on its experience of:

- Interviews with over 200 global clients of large wholesale banks
- Training over 16,000 sales professionals in banking and professional services in client coverage workflows
- Observations of the behaviours of top bankers who cover important client relationships.

Mathias and Co. has translated the underlying coverage processes into platform neutral business requirements and user interface designs. It licenses these designs to banks (or their IT vendors) intent upon extending their business processes and CRM platform to embrace Level 3 functions.

Forming a View

1. Client Objectives – to what is the client committed?
2. Client Strategy – how can its objectives be achieved?
3. Client Issues – what are the constraints and obstacles?

Account Strategy

1. Strategic Objectives – Which role(s) does the bank want to be allocated by the client?
2. Deal Ideas – what are our big ideas that merit the client allocating this role to us?
3. Revenue Objectives – what is the target revenue (i.e. new and current business) for each relevant product area?
4. Deals – what deals have been identified that contribute to the revenue target?
5. Selling Milestones – for a given deal, what are the important elements of the sales campaign to close the deal?

By creating linkages between the components of the plan the banker can draw on institutional knowledge that can be used during the coverage process. For example, for a given client strategy, what issues is the client facing? What other clients that have faced similar issues? What ideas and solutions did the bank propose in the past?

The number of components used within the APS depends on the preference of the bank and the type of client being covered. For example, short-form APS can be used by markets bankers covering Domestic FI clients, whereas the APS format used for a multi-national corporate client is more likely to use all of the components listed above.

The APS format allows coverage planning to be 'the sum of the parts'; replacing ineffective 'thinking by committee'. For example, Product Specialists can construct focused product plans. Separately, the Relationship Banker can be creating linkages between the product plans and the bank's overall view on the client. This concept is illustrated in fig. 6.

“The APS format allows coverage planning to be 'the sum of the parts'; replacing ineffective 'thinking by committee'.

Each planning component is described with a short phrase and categorised with reference data customised to the bank's specific requirements. The brevity and structure of the format means the banker is free to focus on thinking and judgement instead of data entry. Information from individual coverage plans may also be aggregated into dashboard summaries of coverage quality (e.g. issues, ideas, opportunities, and sales activity) across the entire client portfolio (see fig 6, overleaf).

During the coverage process, reference data describing, say, client objectives (e.g.: 'relevance to product area' or 'performance vs. peers'), are easily updated which means that the plan remains topical

The Business Case for Level 3 CRM

Technology can be used to institutionalize the bank’s knowledge about its defining client relationships and to provide the discipline and scalability of its client management strategy. However, to leverage this knowledge and increase returns on coverage investments, banks require a *strategic* client management application that explicitly supports high quality (i.e. as the client defines quality) of coverage.

This means technology must support the day to day activities of front office staff covering clients (i.e. forming a view; determining account strategy; preparing for an important call, etc.). Three critical factors are required for a client management technology to create business value for front office staff and, just as important, the bank’s clients:

- **Impact** – content, layout, and functionality that assists the banker to:
 - * manipulate the plan data to ‘see’ the key issues facing the client;
 - * generate and replicate compelling ideas that solve these issues;
 - * ‘sell’ these ideas to the client during the coverage process to create share of mind.
- **Efficiency** - enabling front office staff to do more in less time.
- **Simplicity** – a simple, flexible user interface that bankers find easy and appealing to use.

A client management program that is underpinned by technology that supports impact, efficiency and simplicity will address the failure factors that de-rail client management programs.

Successful programs can achieve 5%+ improvements in revenues from Tier 1 clients and 10%+ reductions in coverage costs. Even for mid-sized banks this can represent savings and additional revenues of several million dollars; for larger banks, the rewards are much higher.

Business Benefits of Level 3 CRM

The key business benefits of Level III CRM are listed below, grouped by the three pre-requisites of a successful client management technology.

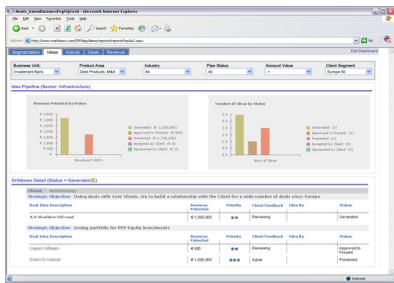


Figure 6: Idea Pipeline—dashboard and drilldown detail

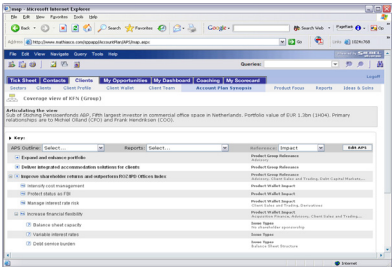


Figure 7: Account Plan Synopsis—summary view

Impact

- Planning is integrated with coverage – the APS format is an analytical framework focused around client motivations and intentions which increases the quality of the dialogue with the client during the coverage process.
- Measures quality of coverage (e.g. value and replication rates of new ideas, multi-product solutions).
- Extensive use of reference data enables individual client plans to be aggregated to show lead indicators of revenue across the entire client portfolio.

Efficiency

- Structured APS format enables plans to be created incrementally by one banker or as an aggregation of individual product plans created by different product specialists. Furthermore, these individual plans remain relevant to each product group; - increasing participation by product specialists in enterprise selling initiatives.
- Selling milestones can be linked to client strategy enabling strategic selling to be differentiated from opportunistic selling.
- Knowledge aggregation and distribution - sector ideas are ‘pushed’ into individual client plans for validation by the client team and subsequent presentation to the client.
- Speed and consistency with which ‘big’ ideas are sold to all clients in the sector can be tracked.

Simplicity

- Level III Smart CRM functions are integrated into the bank’s Level I and level II functions of its existing CRM implementation; leveraging the value of day to day CRM use.
- Short format means plans can be created in hours not weeks and updated in minutes enabling higher coverage ratios and faster response times.
- Works the way bankers work – the user interface and information is organized to support best practice client coverage workflows.