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FINACLE CONNECT

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Inside Talk

Interview
Gerd Schenkel
Paul Newton
National Australia Bank

Cover Story
2nd Generation of CRM

INDUSTRY ROUND TABLE

Customer Relationship Management
Expert's View Point

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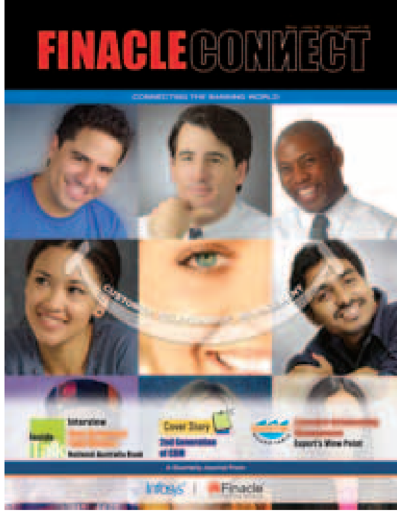

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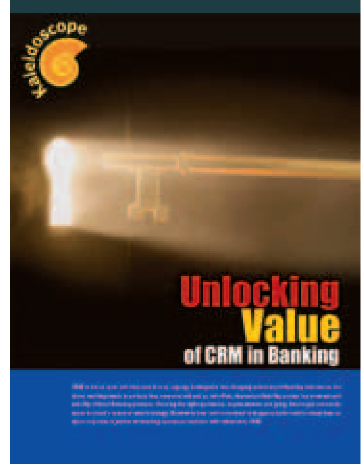

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CRM: Leveraging Relationships

The customer is the king, so goes the popular adage, describing very aptly the attitude of most progressive banks today as they try to woo customers and meet their demands, be it for new products, personalized service or providing a single view of financial information across relationships. Customer Relationship Management (CRM), as the name itself implies, is a powerful ally in these efforts. Not only does it help banks gain better insight into customer behaviour and craft appropriate strategies to meet each customer's unique requirements, it also enables banks to interact with customers in a consistent manner across delivery channels and products. All this obviously leads to higher customer satisfaction. However, while banks have long appreciated the benefits of CRM, it is only now that they have understood how best to leverage CRM strategies and technologies to achieve better stickiness and garner a greater share of the customers wallet.

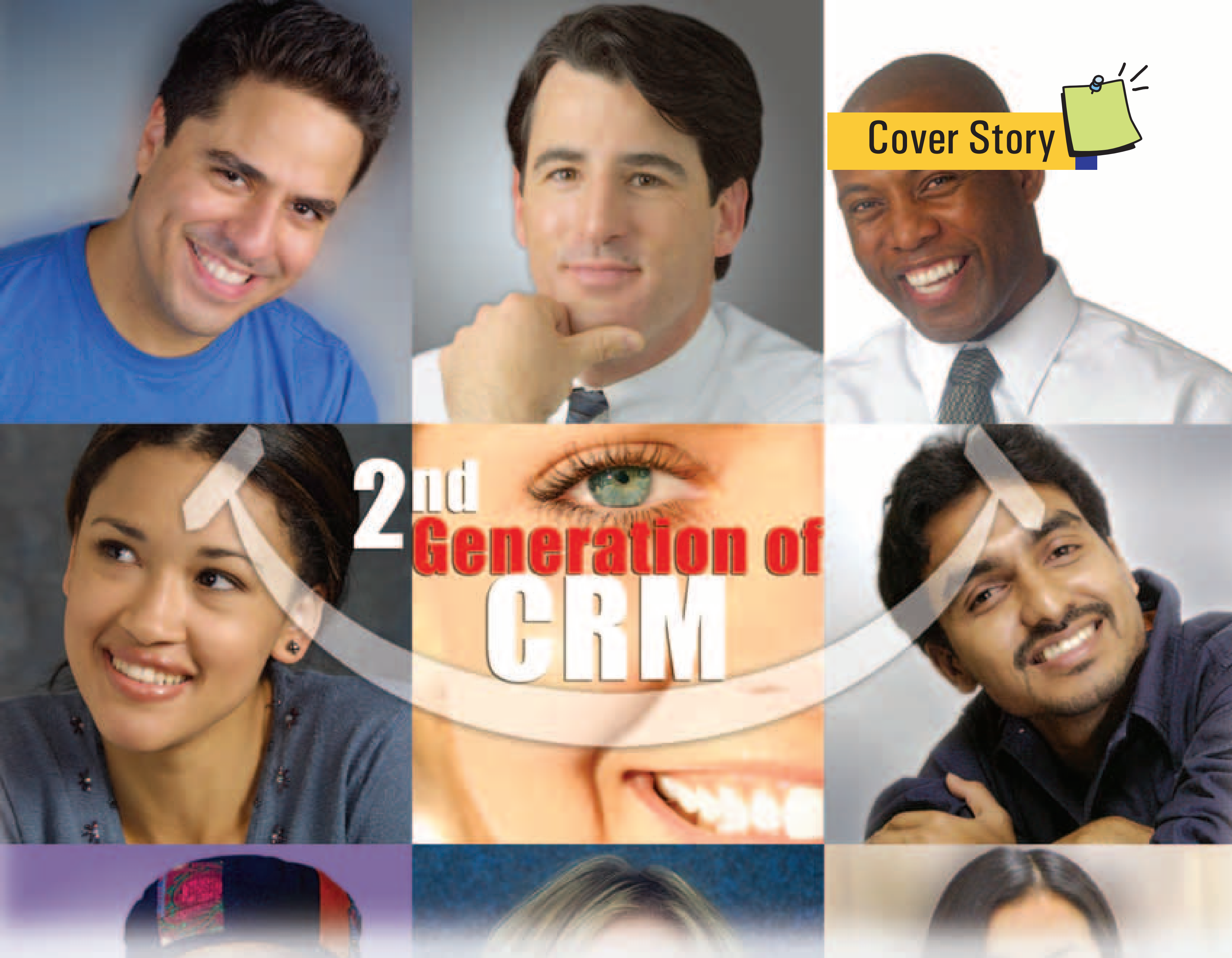
This issue of FinacleConnect evaluates recent developments in the field of CRM. The cover story explores how CRM strategies today call for the right confluence of culture, process and technology, while in TechWatch we look at the role of predictive analytics in unlocking the power of customer relationship management solutions.

In this issue, we also bring forth unique insights from National Australia Bank (NAB), a pioneer in the field of CRM. NAB first deployed a CRM solution way back in 1988 and is among the few banks worldwide that had a positive experience with their early CRM strategy. "For the banking industry where there is a wealth of information about customers, CRM is vital for success. It enables banks to meet customer requirements by demonstrating that we understand the individuals' needs and can bring relevance to our marketing messages. This is essential if we are to ensure business growth," notes Paul Newton, head of customer knowledge and analytical marketing at National Australia Bank in the UK. The FinacleConnect Industry Roundtable brings together a panel of experts from banks around the world to discuss the latest trends in CRM in banking and how banks are using CRM to deepen their relationship with customers. "We consider CRM to be a business strategy than anything else - not just technology, not just analytics, not just an impressive story of how customer focused you are," says Radi Badidi, Vice President Marketing Intelligence/ CRM at ABN AMRO Bank.

No doubt, CRM is a strategy whose time has finally come and we hope you enjoy discussing the pertinent points raised in this edition of FinacleConnect. It is our effort to debate issues of immediate relevance to the banking industry and we look forward to your feedback.

Till next time!

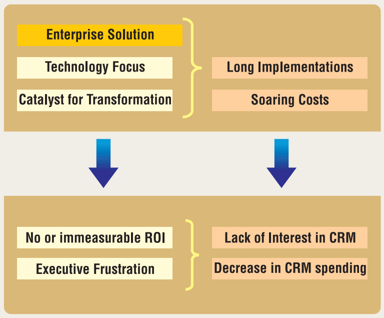
Merwin Fernandes
Vice President and Business Head - Finacle
Infosys Technologies Ltd.



Customers and customer relationships lie at the very core of the business of banking. It is therefore not surprising that CRM (customer relationship management) solutions promising banks the ability to manage customer relationships were instantly popular when they were launched over a decade back. The mid-1990s saw several banks going in for large scale deployments of CRM technology. Unfortunately, a majority of these initiatives turned out to be costly, complex enterprise-wide projects with lengthy implementation time and banks did not get adequate returns from their massive investments. So much so, that by the early part of this century, CRM had gained a bad name in the banking industry with most banks washing their hands off anything to do with CRM technology.

Looking back, experts suggest that where banks floundered was firstly having too many expectations from the CRM solution and secondly not having the right internal processes that could complement the CRM system. Jacob Jegher, senior analyst at research firm Celent, notes in his report, ‘A Fresh Start to Customer Centricity – The Journey to Crowning the Customer King’, that, in its early days, CRM tried to attack and solve all company-wide issues related to managing customer relationships, and some banks even viewed CRM as an end-all solution for poor bank performance. “While this all-encompassing enterprise view had grand intentions, the associated technology, people, and business complexities were often too much to handle. In addition to taking on an enterprise focus, CRM was touted as a technology issue and vendors were quick to offer technology-focused solutions geared at building and managing customer relationships,” states Jegher.

In those early days, neither banks nor the vendors realized that CRM goes much beyond technology. The organizational structure and processes at the bank need to change to adequately support a CRM solution. As expected, without these process and culture enhancements in place, the ambitious enterprise-wide CRM programs fell flat.



Banks have been forced to learn hard lessons regarding CRM

Source: Celent

Despite these flawed experiences with CRM in the past, banks are realising that they cannot afford to ignore the philosophy behind CRM – that the customer lies at the very heart of their business activities.

Given the competitive nature of the banking business with its intricate diverse demands today, nurturing and deepening customer relationships is integral to any bank's success. After all, satisfied customers are loyal customers, their retention rate is much higher and so is their overall profitability for the bank. As it happens, CRM offers the most holistic route for banks to enhance customer relationships. A powerful CRM solution provides a complete perspective of a customer's relationship with the bank across multiple channels like e-mail, telephone, IVR, branch, web chat and accross multiple products ensuring that every bank employee is better informed to deal effectively with customers and their needs. It enables banks to understand their customer's expectations and preferences better and offer the potential to deliver higher levels of personalized service amd more effectively implement cross-selling and up-selling strategies. By doing so, banks can enhance customer retention, profitability and loyalty and get an increased "share of wallet" from their customers. Further, in the face of the recent spate of Know Your Customer (KYC) regulations, CRM systems provide the optimum solution to the need for unified customer data, information and intelligence.

"Banks need to embrace CRM as a philosophy and adopt a strategy for managing customer relationships that effectively addresses three key areas, people, processes and technology."

The second wave of CRM - New approach

While their first brush with CRM might have been tainted with failure, several banks are now beginning to rethink their overall approach to CRM. They realise that CRM is a continuous process - it is a journey, not a destination. To be successful in this arena, banks need to embrace CRM as a philosophy and adopt a strategy for managing customer relationships that effectively addresses three key areas, people, processes and technology.

It is important to understand that customer centricity touches all facets of a bank, not merely the IT department. It is the business and sales people at the bank who interact with customers on a regular basis and they need to be able to gather data about customers and implement CRM strategies. A CRM program will never be successful without their complete commitment and participation. Hence, banks need to focus on creating a customer-centric culture right from the administrative staff to the senior executives. While this is often easier said than done, customer centricity can be achieved through a strong top management focus, comprehensive communication and training programs that teach their employees how to use CRM applications, the benefits of doing so along with appropriate incentive policies. At National Australia Bank, one of the few banks that have consistently invested in CRM for over a decade, and often regarded as a case study of successful CRM, training and development is regarded as a very important element of the bank's overall CRM strategy.

Along with gaining the commitment of bank staff, banks need to simultaneously re-engineer their processes so that they enable, not obstruct, the smooth flow of customer information throughout the organisation. It calls for breaking down of product silos and sharing of data across business units. "Banks need to determine the processes they want to work on as well as those that will be affected as a consequence of embarking on customer relationship strategy projects. In addition, they have to be set up to manage this transformation and ensure that it stays within pre-determined parameters," says Jegher.

Finally, banks need to invest in the right technology solution to complement its people and business process transformation. Notably, there has been a remarkable shift in the perception about CRM technology over the past decade. While earlier, the focus was on large-scale enterprise-wide implementations, banks are moving away from monolithic solutions and are increasingly looking at componentized, modular solutions that can complement their incremental approach. With this, there is a growing appreciation of CRM solutions that are specialized and well integrated into other banking applications such as the core banking system, thus enabling quick time - to - market.

In terms of deepening customer relationships and creating a differentiating customer experience, specialized banking CRM solutions provide several benefits. In addition to the sales, marketing and service capabilities inherent in a generic CRM solution, these specialized solutions offer banking specific features like a CIF tailored to the banking enviornment, ready- to- deploy banking templates and requests, origination integrated with sales and service and comprehensive support for call centre agents. Further, banks can easily gain the long sought after 360-degree view of customers real-time. This includes a customer's entire relationship details such as multiple product holdings, sales opportunities, marketing campaigns, support and service incidents and the history of all interactions with the bank.

Conclusion

Although the history of CRM in banking is dotted with failures, there are a few pioneering banks that succeeded in creating successful CRM programs, such as, Royal Bank of Canada, National Australia Bank, Lloyds TSB and US Bank. These examples only serve to highlight the need to create an enriching confluence of people, process and technology. Kathleen Khirallah, Director at research firm, TowerGroup, who has long tracked the CRM initiatives of these banks says that they have taken a very long term view of CRM at the onset itself. Along with focusing on customer data and technology, they also understood the need to change the culture within the bank.

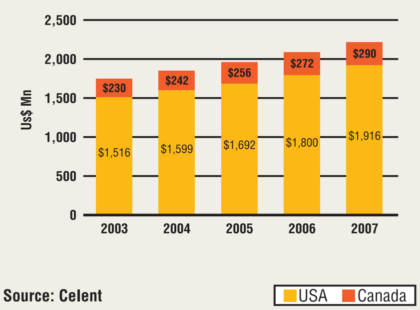
This knowledge is now permeating down the rest of the industry. Buoyed by developments in technology that has made CRM deployment much simpler than before, banks are all set to ride the second wave of CRM■

Merwin Fernandes
Vice President and Business Head - Finacle
Infosys Technologies Ltd.

PREDICTIONS ABOUT CRM IT SPEND

While estimates vary, industry experts are unanimous in their view that having learnt from their mistakes of the past, investment in CRM technology in the pursuit of enhanced knowledge-based customer experience is going to increase. Estimates by Celent suggest that North American banks are expected to spend USD2.2 billion on IT to support their customer relationship strategy in 2007.

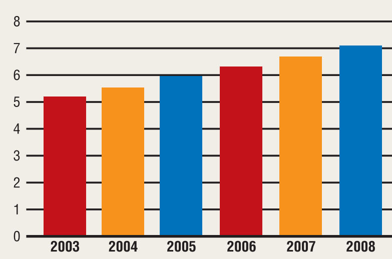
IT Spending on Customer Relationship Strategy By North American Banks



Source: Celent

TowerGroup on the other hand predicts that globally the IT spending on the customer knowledge side of CRM in retail financial services institutions will grow from over USD 5 billion in 2003 to USD 7 billion by 2008. (TowerGroup traditionally defines a CRM business strategy as being highly dependent on two broad classes of software, customer interaction and customer knowledge technologies. Broadly, customer knowledge is defined as the gathering and manipulation of raw customer data into targeted customer strategies, while customer interaction is defined as the execution of the strategies with appropriate information delivery, timing, and channel usage, etc.)

GLOBAL RETAIL BANKING CUSTOMER KNOWLEDGE TECHNOLOGY SPENDING ($M)



Source : TowerGroup

Inside Talk

Maximizing Customer Relationship

Gerd Schenkel
General Manager, Customer Strategy & Cross Marketing
NAB, Australia.

Paul Newton
Head of Customer Knowledge & Analytical Marketing
NAB, UK.

Headquartered at Melbourne, the 150 year old National Australia Bank (NAB) is the largest financial services organization in Australia with total assets over USD 420 billion. The bank is organized around three regions, Australia, New Zealand and the United Kingdom where it owns the Clydesdale and Yorkshire Banks. With more than 7.7 million retail and business banking customers and over 2.3 million wealth management customers globally, maximizing the bank's relationship with its vast customer base through investment in Customer Relationship Management (CRM) tools and strategies has long been a core focus area.

Rekha Menon, Research and Controbuting Editor at FinacleConnect, talks about the bank's CRM strategy to Gerd Schenkel - general manager, customer strategy and cross-marketing at NAB Australia, and to Paul Newton - head of customer knowledge and analytical marketing at NAB UK. Schenkel's role at the NAB encompasses customer strategy development and implementation, market research, CRM & National Leads, as well as cross-marketing for the Australian Region. Prior to joining NAB, Schenkel was the director of strategy and business development for Citigroup in Australia. Newton, on the other hand, manages the customer knowledge and analytical marketing team at NAB in the UK. He has over 10 years experience in financial services industry and is an expert on analytical marketing, customer knowledge and customer relationship management.

Q What is the importance of CRM for banks?

A ***Paul Newton:*** CRM is a very broad term. Essentially, it is a key enabler demonstrating that banks understand their customers. For the banking industry, where there is a wealth of information about customers, CRM is vital for success. It enables banks to meet customer requirements by demonstrating that we understand the individuals' needs and can bring relevance to our marketing messages. This is essential if we are to ensure business growth

Q How has CRM in the banking industry evolved in recent years?

A ***Paul Newton:*** Overall there is an enhanced degree of maturity in bank's understanding of CRM. For example, there is a realization of the increasing diversity of customer touch points and the complexity involved in gathering data. Banks, therefore realize that there is a need to have proactive interaction with customers. The technology too has evolved. There is increasingly a move towards real-time solutions. The quality of interrogation and targeting methods has improved considerably. In addition, technology solutions have become more comprehensive. For example, in a call center environment, intelligence that was once used to support only outbound calling is now being used to improve service and sales effectiveness for inbound opportunity where the rewards are potentially much greater for both customer and the bank.

Q What is National Australia Bank's strategy with regard to CRM and CRM technology?

A ***Gerd Schenkel:*** CRM has been part of our strategy for the past 15 years. We were among the first few banks to focus strongly on CRM across all businesses. Back in 1988, we designed the first formal system to support relationship banking and a year later we developed a relationship management and customer profitability system.

Initially we had an in-house developed CRM solution, but later adopted a state-of-the-art best-of-breed approach. Currently our technology infrastructure consists of a global data warehouse; a dedicated CRM database; a data mart for analytical and predictive modeling; and a campaign management system that determines the information and delivery channel through which to communicate with our customers. Solutions like our award-winning National Leads system have been very effective in helping us generate personalized and relevant leads for the bank's relationship managers and customers.

Around 18 months back, there was large scale organizational change at NAB. The bank moved from a functional structure to a regional structure where our operations were split into three regions, Australia, UK and New Zealand. Under this new structure, we are collaborating on our CRM work between the different regions so as to share the knowledge and experience gained over the years as well as leverage the infrastructural investment across the group.

Q What challenges did NAB encounter while implementing contemporary CRM technology?

A ***Gerd Schenkel:*** There have been a number of changes at NAB, starting from changes in the organization structure to expansion of delivery channels. Our CRM infrastructure had to evolve with these changes and robustly cope with and take advantage of new interfaces and the increase in the amount and richness of data. Currently our system looks at around 1 billion items of data every night including every customer's past year transaction history.

Q What benefits has NAB achieved through its CRM strategy?

A ***Gerd Schenkel:*** If a CRM system is deployed correctly, it improves overall productivity of the sales force by helping them prioritise activities. Further, rather than simply generating generic sales calls, our solution generates very targeted focused opportunities that show a real understanding of customer requirements. It may be related to an existing product, a change in the service being used or simply some advice. This approach is really appreciated by our customers.

Paul Newton: We believe that we have in place a solution that puts the NAB, UK at par with the leading competitors in the market. Our plans for the next 12/18 months should see us move ahead. Our TOPs (Tailored Opportunities) programme helps us to understand our customers' requirements, identify opportunities and learn more about the drivers of value for NAB. We deploy events such as 'understanding customer profit', 'the impact on profit of various actions', 'customer appetite for various products and services', 'risk profiles' and 'life stages' to tie everything together. The team works across all customer segments, products and services irrespective of channel. Our progress to date is strong. Last year, in the UK, income generated downstream from outbound calls, direct mails and other marketing programs doubled. And we are starting to see much higher levels of customer satisfaction.

Q What in your opinion is the key factor banks should consider to leverage the power of CRM technology to the fullest?

A ***Gerd Schenkel:*** The CRM solution needs to support the bank's needs. For instance, in retail banking there are a large number of customers in a banker's portfolio while in business banking, there are fewer customers but with larger balances and often with more complex requirements. The CRM system has to be used differently for both segments. For the solution to be effective, a bank needs to know how best to use the technology for different business needs.

Paul Newton: It is also important to realise that CRM is a solution to real business problems. And that it is not just about technology. CRM's success lies with the people using the technology. I think that was the problem with a number of CRM deployments earlier. Within a bank, staff buy-in into a CRM program is extremely important. Otherwise, either they will not use the CRM tools, or the quality of the experiential and contextual customer data that is collected will not be good enough. At NAB, UK we have therefore made sure that investment programmes in creating CRM technology have also taken account of the cultural changes we need to achieve through training, performance measurement and reporting tools■

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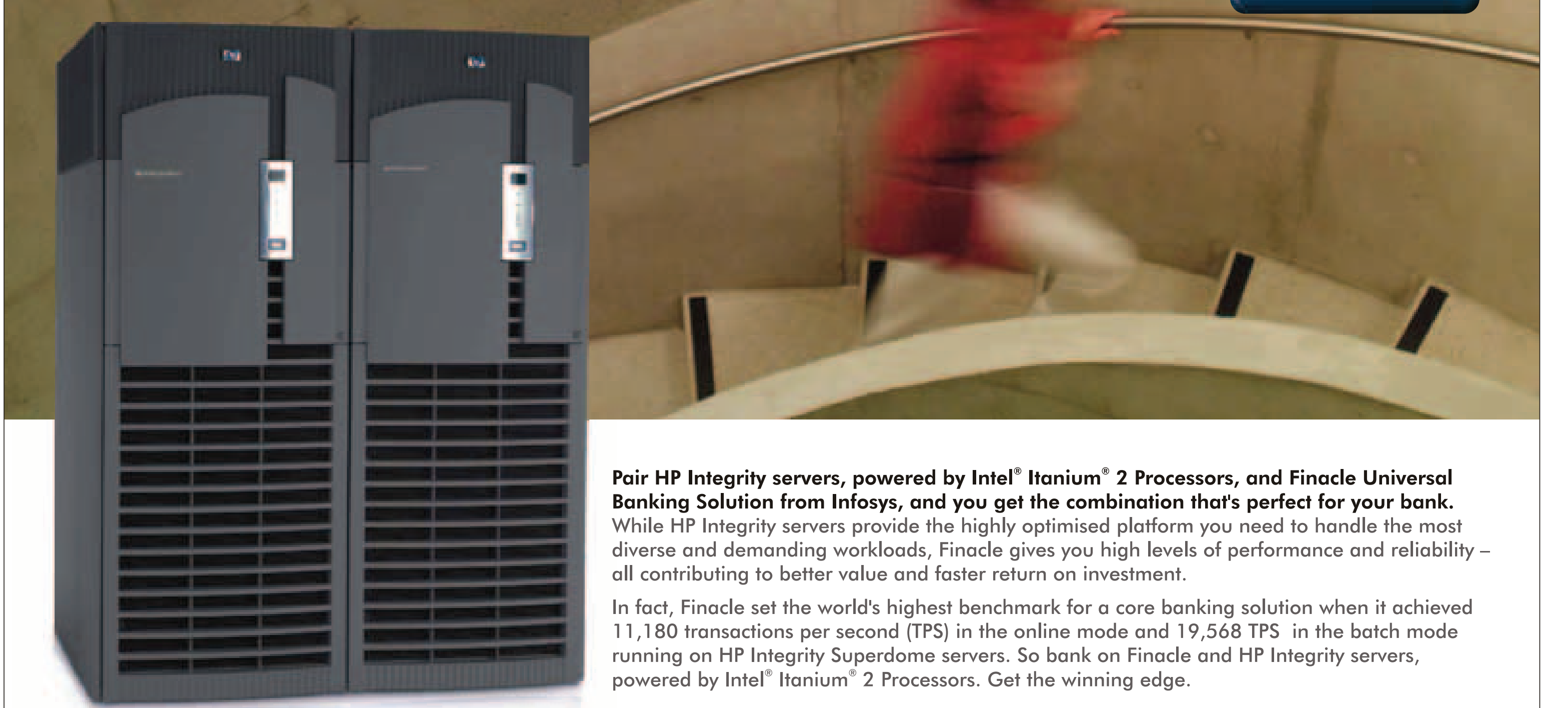

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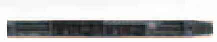

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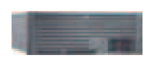

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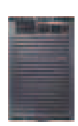

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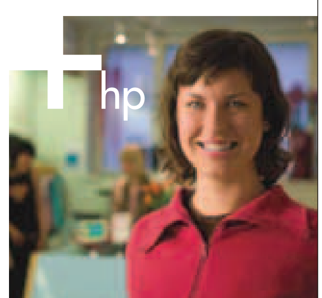

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Unlocking Value of CRM in Banking

CRM is not an open and shut case. It is an ongoing investigation into changing customer profitability, new reasons for churn, evolving trends in product lines, new cross sell and up sell offers, channel profitability, process improvement and usability of the software application. Choosing the right application, implementation and going live are just some milestones in a bank's customer centric strategy. However to keep one's nose ahead in the game, banks need to always keep an eye on business objectives while taking operational decisions with relevance to CRM.

From Business Goals to CRM Functionality

There are primarily four goals that banks pursue and the entire customer relationship management initiative needs to be driven by these.

- ☑ **Growth in revenue**
- ☑ **Growth in customer base**
- ☑ **Growth in margins**
- ☑ **Increased customer satisfaction**

To work towards any of the four strategic objectives, it is important to aggregate and consolidate customer data that is distributed in multiple host systems. The single view of the customer thus obtained can then be utilized for focused marketing, sales and customer service activities. Table 1 is an illustration of the types and benefits of customer data integration.

Table 2.0 in the next section aims to provide you with a framework for drilling down from corporate objectives to the choice of specific CRM modules that can enable the business strategy. While the business objectives or goals are the pivots of the table, the 'X' axis represents the various levers that need to be operated to achieve the goal. The activities under each lever are not exhaustive but they are fairly detailed and represent what '*CRM centric*' banks do to unlock value from CRM.

TABLE 1

Typical contents of Single or 360 Degree Customer View	Benefits of Single or 360 Degree View
Accounts held by a customer aggregated across host systems	Channel and bank wide access to identical, updated information about a customer eliminates information asymmetry and resultant inefficiencies.
Sales opportunities being pursued for a customer	Viewing all open opportunities for a customer/prospect allows front office and sales personnel to give an up to date account of the progress of the application filed by a customer/prospect
Offers targeted at the customer	Visibility into offers allows front office staff to sell at each customer contact
Service requests or complaints filed by the customer	Visibility into service requests and complaints filed ensure that branch, call center and contact center employees can quickly check status and resolve queries instead of asking around
Details of the loyalty points aggregated to date by the customer	Front office staff can manage queries and redemption requests on loyalty points.
List of notifications on important customer events such as birth day, term deposit expiry, large withdrawals, deposits, etc.	Relationship managers and front office staff can greet customers, alert them that term deposits are due for renewal, and with their proactive behaviour contribute to improved customer satisfaction.
Customer profile information such as segmentation, profitability, product holding, length of relationship, household data, etc.	Knowing who they are dealing with allows employees to tailor their behaviour suitably.

TABLE 2

Business Goals	Goal Influencers	Analysis Required	Goal Metrics	People to Execute Analysis/Strategy
Grow Revenue	From existing customers by selling existing products	Identify high value and high potential customers	Profitability; share of wallet	Sales agents, relationship managers, business analysts, product managers, statisticians
		Identify density and type of products held by high value and/or high potential customers	Average number of products held by all high value and/or high potential customers	
			List of products most often held by high value and/or high potential customers	
	From existing customers by selling new products	Use competitive information to create new products	Uptake of new products; new products contribution to revenue	Relationship managers, sales agents, business analysts, product managers, statisticians
		Conduct customer surveys to gather inputs on ideas/needs for new products		
	Acquire new customers	Profile of targets to be similar to existing high value and/or high potential customers	High contribution to fee/ interest income; potential for high contribution	Sales/marketing, statisticians
			Low cost to serve/sell	
Grow Customer Base	Acquire new customers	Profile of targets to be similar to existing high value and/or high potential customers	High contribution to fee/ interest Income/low cost to serve or sell; high future potential	Sales/marketing, statisticians
	Decrease churn of high value/ high potential customers	Measure churn rates by product, customer segment etc	Identify patterns in customer behavior pre churn: non renewal of deposits, cancellation of credit cards, large withdrawals, regular inflows stopped, increased number of complaints, frequency of contacts reduced, recency of transactions low	Relationship managers for high value, high potential customers; statisticians
Grow Margins	Decrease service costs	Analyze patterns in service related calls; analyze investments in call center technologies: CTI, IVR, VR. Make a list of customer service technologies invested in: email, chat; analyze cost elements in servicing	Number and cost of FTE call center staff/ shifts and utilization rates of call center staff/time spent by staff in handling customer service issues in branches/ ratio of customer value to cost of service channel: The ratio needs to be high to justify the use of that channel for that customer. Based on potential for automation to reduce costs, check actual benefits post implementation of automation tools	Business managers, MIS
	Decrease marketing costs	Measure costs incurred in each and every marketing activity; track productivity of marketing activities	Productivity of offers; productivity of channels; conversion ratio of campaigns; return on purchased target lists; are campaign results flowing seamlessly into sales funnel?	Business managers, MIS

Tools for Analysis	Tools to Execute Strategy	Process to Execute Strategy	Metrics for Post Activity Analysis	CRM Modules Required
Data warehouse/data mining; complex reports on OLTP database;risk analysis	Campaign management tools that use offers	Analyze and identify target market; check offer relevance: opt in-opt out info/channels/time/ design/ response collection /response analysis/store offer for future reference	Measure effectiveness of analysis to identify target market; measure conversion ratio; change in average number of products per customer	Offers, campaign management, templates, tele marketing, branch, inbound call center, list management, customer information file, CTI, IVR, opportunity management, product master, notification tools for RMs; dynamic scripting; interaction management (optional), CIF
Data warehouse/data mining on survey output. Manual analysis of qualitative feedback	SFA, lead management or CRM software to capture competitor data in a structured format; to capture customer feedback on issues with existing products	1) Capture the list of competing banks and their products that each customer holds 2) As a periodic initiative, capture all competing product data	Most common competitor, most common competitor products	Webforms to build survey questionnaire (Templates), webforms on channels: Internet, email campaigns, outbound/inbound tele marketing, print, fax, branch, campaign management, list management, templates, dynamic scripting, interaction management (optional)
	Campaign management tools with survey forms	Design survey forms; choose channels to execute; plan some incentive to encourage response; capture survey response in suitable database	Statistical analysis of survey response	
	Branch and inbound call center CRM software			
Data warehouse/data mining; complex reports on OLTP database	Advertisements: newspapers, Internet, TV, radio, billboards, email and telemarketing campaigns, POS displays at all physical channels	Buy lists with content having high similarity to desired target list. Apply same filter on this list as obtained from analysis of high value customers	Conversion ratio; value per target (list wise)	List management, campaign management, channels, templates, offer management, opportunity management, interaction management (optional), CIF
Data warehouse/data mining; complex reports on OLTP database	Branding exercise: newspapers, Internet, TV, radio, billboards, email and telemarketing campaigns, POS displays at all physical channels	Buy lists with content having high similarity to desired target list. Apply same filter on this list as obtained from analysis of high value customers	Conversion ratio; value per target (listwise for list value add metric)	List management, campaign management, channels, templates, offer management, opportunity management. Interaction management (optional), CIF.
Data warehouse/data mining; complex reports on OLTP and on CRM database for interaction data	Campaign management, alerts and notifications, relationship management, customer support	Alerts and notifications to RMs for on time corrective action; re-segment customers based on high value but high churn potential and design new SLAs for the segment; conduct CSAT surveys using channel of customer choice; attach a risk rating 'potential churn' for each customer	Run reports to see if high risk individuals are renewing deposits, etc and change the risk of defect rating of these. Ratio of number whose risk has lowered to those who are still high risk will give success of churn management program. Measure RMs on churn ratios pre and post program introduction	Offers, surveys, SLA, RM module, alerts, notifications, periodic reports, CIF segmentation, campaign management
Interview front office staff; analyze process flows; metrics obtained through reports	BPM tools; self service technologies	Design work flows to drive efficiencies; rationalize channels; charge for different channel usage based on customer profile; decide on where to automate and where not to automate processes	Rationalization in number of customer service staff; utilization rates for self service channels; employee productivity rates in the customer service function	Customer support, SLA, CIF, call center, e-mail, web self service, IVR, VR; workflow /process management; BPM tools may need to be integrated if CRM does not have its own process management tool; each service user to have views/dashboards that make most sense to her daily work. Service managers to have real time views;360 degree views so that agents know all pending issues of all customers
Reporting tools	Pricing and offer generation tools; predictive analytics; progressive or predictive dialers; email campaigns	Predictive analytics to guide building target lists; opt-in, opt out data to be strictly used; maker - checker for offers; reuse successful offers and successful campaign designs; no spam or random tele marketing	Conversion ratio of campaigns and offers; productivity of channels; return on campaigns	CIF, multi wave, multi channel campaign management, offer management, list management, templates, sales (lead/opportunity) management

TABLE 2 Continued

Business Goals	Goal Influencers	Analysis Required	Goal Metrics	People to Execute Analysis/Strategy
Grow Margins	Decrease selling costs	Measure staff productivity; collect sales processes followed for different territories, business units, product lines, channels. Check if there are any ad hoc sales processes followed; check if there are defined sales processes for all product lines in all territories with identified roles and sales stages identified for each activity in the process. Check if escalation mechanisms are in place to handle any major exceptions in the selling cycle. Is there a channel sales strategy? Is the web being used? Are customer service operations doubling up as sales channels? Are SMS, offline clients, hand held devices, email and web chat technologies being used effectively?	Sales productivity per sales person; analyse if there is a revenue or a margin focus by the sales person; measure performance by territory, by business unit, by product line. Turn around time for opportunities by sales person, sales process, product line	Business managers, MIS
	Weed out low value customers or low potential customers	Identify dormant, inactive accounts, accounts with low balances; identify low value customers / low potential customers who use costly channels or services; analysis of transaction patterns and channel utilization	Reduction in count of dormant, inactive, low balance, low potential customers over time	Relationship managers, branch managers, business managers, statisticians
	Increase sales productivity	Analyze the volumes at which higher margin products are being sold; if more lower margin products are being sold then there needs to be a reorientation of efforts. Analysis of the cost of selling specific products	List of high margin products; list of low margin products; analyze cost and price drivers for both types of products; Increase the ratio of earnings from high margin to earnings from low margin products	Business managers, MIS
	Increase service productivity	Measure turn around time for standard complaints and service requests; check utilization of call center, email contact center; analyze processes for bottlenecks, automation possibilities, analysis of ratio of self service to manual assistance offered	SLA by customer segment, reduce TAT by product line, rationalize call center costs, increase number of requests, queries and complaints that are handled by self service channels	Business managers, MIS
	Increase marketing productivity	Analysis of purpose of previous marketing programs; revenue generated from previous programs	Costing of every activity and resource in marketing programs; evaluate return on marketing programs on a per customer basis, per segment basis, per product, per channel, per territory, etc	Business managers, MIS
Increase Customer Satisfaction	Customer service	Identify loyalists and advocates; analysis of the feedback provided by customers on products, channels, processes, people; analyze issues leading to repeated customer dissatisfaction	Recency & frequency of transactions, duration of relationship, value of relationship, response to survey questions	Relationship manager, channel managers, branch managers, statisticians
	Pricing	Identification of bargain hunter profiles in customer base; compare with competitors on cost V/s pricing of products and analyze reasons for any trends observed	Return on Investment: cost, efforts, quality	Statisticians, product managers

Conclusion

For more than a decade now CRM software has looked like a magical potion that bestows immense powers on corporations to grow their revenue, customer base, margins and that ultimate corporate fantasy: customer satisfaction, loyalty and advocacy. CRM applications have worn so many hats that it is not hard to realize why the category has been so heavy on promise and weak on delivery. But vendors are consolidating, analysts' predictions are less futuristic and corporations have been so hurt by the dollars they have burnt that on the rebound they are asking smarter questions. Is the magic potion at last revealing its powers? The verdict is not yet out but everyone, from vendors to purchasers, appear to have stopped getting sold on the sales pitch and as the success stories reveal, seem to have started

Tools for Analysis	Tools to Execute Strategy	Process to Execute Strategy	Metrics for Post Activity Analysis	CRM Modules Required
Manual work of interviewing stakeholders, collating data and analysis of process flows; channel and people metrics obtained through reports	BPM tools; self service technologies	Re-engineer sales processes, sales organization, create processes, repair broken processes, develop and articulate channel strategy, launch new products, de-emphasise or phase out low margin products, outsource some sales activities, use the Internet/VR/IVR more effectively	Analyze if the new processes are improving sales productivity	Workflow/process management; BPM tools may need to be integrated if CRM does not have its own process management tool; sales or SFA module of CRM software needs to be deployed; each sales user to have views/dashboards that make most sense to her daily work. Sales managers to have real time sales pipeline views;360 degree portfolio views so same product on same terms is not pitched again to same customer
Data warehouse/data mining; complex reports on OLTP database	BPM tools, list builders for campaign management	Charge for accessing high touch channels; make few transactions available only over self service channels; policy decisions on minimum balances to be maintained; exclude low value customers from all marketing campaigns and sales initiatives	Conversion ratio from low value, low frequency interactions to non-low value, higher frequency interactions	Exclusion filters in list builders so low value customers are excluded from all marketing efforts; offers should not be targeted to them in call centers or branches; low value customers if they are high potential can be part of campaigns
Data warehouse/data mining; BI, Complex reports on OLTP database	SFA tools, CRM software, channels: handhelds, note books, offline, web chat, co browsing, simple to use interfaces, dashboards for summary data with drill down capability, embedded predictive analytics	Build sales processes (if non existent); re-engineer sales processes (if present and not working well); build incentive plans in consonance with business strategy; provide simple screens for both sales personnel and their managers to manage the funnel; set up suitable triggers for alerts and notifications so sales staff don't have to hunt for data but the s/w will do it for them	Sales person productivity; measure turn around time with new sales processes; analysis of incentives on performance; pipeline depth and quality; ratio of high margin to low margin product sales	Sales module, interaction management, notification server, Incentive and quota management, CIF
Data warehouse/data mining; BI, Complex reports on OLTP database	CRM software, channels: CTI, IVR, VR, email, web chat, co browsing, simple to use interfaces for front and back office personnel, dashboards for summary data with drill down capability, embedded predictive analytics	Build service & complaint handling processes; create SLAs that match customer profile and biz strategy; building escalation mechanisms as disincentive to shirk work; build simple screens for front office, back office customer service officers and for their supervisors to collaborate seamlessly and manage work	Change in TAT, customer service representative productivity, ROI on all channel investments	Customer support, call center, e-mail, chat, Internet, interaction management, SLA, workflow engine or BPM tool, CIF.
Data warehouse/data mining; BI, complex reports on OLTP database	CRM software, channels: email, phone, dialers, sms, simple to use interfaces, dashboards for summary data with drill down capability, embedded predictive analytics	Use predictive analytics to guide definition of all target lists, offers and channels	Return per customer/prospect marketed to (i.e. revenue/cost); return per media; return per territory; return per product	Campaign management, offer management, list management, sales management, channels, incentive and quota management, CIF
Data warehouse/data mining; BI, complex reports on OLTP database	Surveys administered over all channels	Customer satisfaction survey among all customer segments; analyze response based on products held, length of relationship, exposure, gender, age group, income, channels frequently used	Change in satisfaction ratings post program introduction; correlation between satisfaction, advocacy loyalty ratings and number of products held, profitability	Customer support, SLA, BPM/workflow tool, survey tools, channels, CIF
Data warehouse/data mining; BI, complex reports on OLTP database	Dynamic pricing tools, pricing and product configurations	Redesign products, rules based pricing which varies with channels	Benchmark with industry and own cost structure; customer feedback; margins extracted from repriced products; customer churn rates; customer acquisition rates	Campaign management, survey forms, templates, list management, offers, channels: email, call center, web, etc. scripting, dynamic pricing tools, BPM, SFA, CIF

drilling down into details - from overall corporate objectives right up to choosing the right CRM module. And that appears to be a fairly sound method to unlock the value in CRM■

Sunil Bannur
Senior Consultant, Solution Delivery- Finacle

Acronym Key and Glossary Terms

CTI - Computer Telephony Interface	**BPM** - Business Process Management
IVR - Interactive Voice Response	**CIF** - Customer Information File
VR - Voice Response	**BI** - Business Intelligence
FTE - Full Time Equivalent	**TAT** - Turnaround Time
OLTP - Online Transaction Processing	**ROI** - Return on Investment
SFA - Sales Force Automation	**CSat** - Customer Satisfaction
RM - Relationship Manager	**SLA** - Service Level Agreement
POS - Point of Sales	

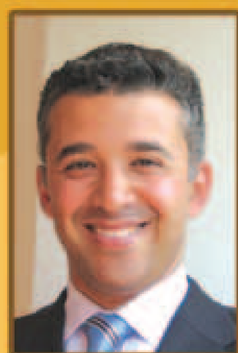
INDUSTRY ROUND TABLE

CRM in Banking

Expert's View Point

After a hiatus of nearly half a decade, CRM projects are back in favour again. In our FinacleConnect Virtual Industry Roundtable, we bring together a panel of industry experts to discuss trends in CRM, and how banks are using CRM to deepen their relationship with customers.

Jose Olalla Hevia
Director of Comercial Development, Retail Banking Spain and Portugal, Banco Bilbao Vizcaya Argentaria (BBVA)



Radi Badidi
Vice President Marketing Intelligence/CRM
ABN AMRO Bank, Netherlands

Michael Otto
Head of CRM
Erste Bank, Austria

Gopal Sondur
Group Head- Products & Strategy, Finacle, Infosys Technologies Ltd.

The acronym CRM has been around for over half a decade now and has often been overused. How would you define CRM (for banks)?

Michael Otto, Erste Bank: There are many definitions for CRM and all of them are more or less correct. It is important that the client not the product is in the center. The CRM definition we use is the following, 'having the right offer for the right client, at the right time via the right channel'. That is the reason why we tried to improve the following processes and support it with systems - customer service and advice, customer analytics and campaign-management.

Radi Badidi, ABN AMRO: We consider CRM to be a business strategy than anything else - not just technology, not just analytics, not just an impressive story of how customer focused you are.

All major banks have invested heavily in technology and infrastructure over the last 5 to 10 years in this area, but hardly any of them have been successful in actually getting it effective. Neither has the customer felt a real difference nor has it contributed to higher ROI. I would say that optimising every customer contact by effectively creating value for both your clients and your business, using customer knowledge, is the main differentiator compared to non-CRM focused companies.

Jose Olalla, BBVA: I would agree with my member panelist, CRM is much more than a technological solution. It is a strategy integrated in the business model of the banks and clearly oriented to value generation. CRM is a key element of differentiation that lets the bank develop its customer base and sales capacity. Today the environment is changing dramatically, and so too is banks' approach to their customers. A well thought out CRM strategy lets them improve the sales experience of the customer; develop the potential value for customers, increase sales, productivity and efficiency; and create personalized one-to-one service.

Gopal Sondur, Infosys: CRM as we see it is about enterprises collaborating across the customer value chain to develop and implement solutions that better meet the evolving preferences of individual customer groups. The C in CRM therefore has now evolved from 'Customer' to "Collaborative". The core of CRM requires various entities in a bank to work collaboratively to define and realize a series of business principles which are essential to establish customer-centric organizations. Essentially this means collaboration across those entities that deal with Acquisition (sales & marketing/distribution), Transactions (fulfillment) and Servicing (customer service). This approach is

Jose Olalla

"CRM is a key element of differentiation that lets the bank develop its customer base and sales capacity."

Michael Otto

"CRM has to improve the "moment of truth" when the client is with the bank making the contact more efficient and more satisfactory for the customer."

different from the past where CRM was modeled around an ad-hoc set of activities strung together to work across functions. Using the collaborative approach, leading banks are today trying to achieve a state where the customers become less aware of marketing and selling and feel a constant level of personalized, consistent, high quality service.

How important is CRM for banks? What benefits can banks hope to achieve through deploying CRM solutions?

Radi Badidi : I think it really depends on the positioning and focus of a bank. If operational excellence is your key-focus and not customer intimacy, the choices you make in terms of investments in CRM will be completely different. In strategic terms, ABN AMRO has a strong ambition to create value for our clients (especially the "mid-market" which we define as mass-affluent/private-client consumers and mid-sized businesses) by offering high-quality financial solutions that best meet their current needs and long-term goals. Knowing our client and acting on that information in every contact is essential in achieving this. For the Netherlands, it means that we aim to be "personal in every channel" and we will use CRM to create more and more clients that consider us to be their primary bank.

Michael Otto : CRM is of course very important. What banks must achieve is to improve knowledge about the clients, improve active customer contact, improve the satisfaction of the clients and improve the return per client.

Jose Olalla : There are two main points that describe the significant jump regarding CRM, customer demand for sophistication and multi-channel approach and orientation. Consequently there are four steps that banks should take to benefit from CRM, change their commercial product vision to a customer centric vision, effectively integrate different channels, ensure data quality and deploy complex marketing strategies.

Gopal Sondur : CRM is fundamental to building a customer-centric organization. With the growth of fee-based income and increasing focus on advisory services, the role of CRM in banks is now more critical and pivotal than ever before. The benefits that banks hope to achieve through deploying CRM solutions will be to arrive at satisfactory, measurable answers to questions such as 'how profitable is the customer', 'which products/services does the customer require; when, where and through which channel' and 'what risks does the customer present to the bank.'

How has the understanding of CRM in banking changed today as compared to a few years back?

Michael Otto : CRM is not technology, it is business. CRM has to improve the "moment of truth" when the client is with the bank making the contact more efficient and more satisfactory for the customer. So banks have to improve not only the technology but also the relationship skills of the advisors.

Jose Olalla : Few years ago, banks thought about CRM as just a new 'magical' software, and therefore something that should be managed within the technology and systems departments. Now it is a critical part of the agenda of business managers. Since banks pursue high growth strategies, expanding their franchises into growth segments, and are really aware of the winning concept of the multi-channel and multi-price approach, CRM becomes key and critical.

Further, today customer centric banking means a new way of thinking. Banks need to focus on relationship banking rather than traditional transaction banking and realize the importance of SOW - share of wallet. In the world of margin pressure, being a product specialist is hard, so banks need to make advice rather than product price as the basis of the added value in banking. In this situation, CRM is key because the value of retail banking lies in distribution. Knowing your client is the first requirement of a retailer. It protects your business, helps penetrate growth markets and prevents disintermediation by other players.

How has the technology matured in this time and what is the impact on banks today?

Jose Olalla : Technology was the nucleus of CRM strategies few years ago. The technology was new, sophisticated and very difficult to manage. Now it is evolving to a commodity piece within CRM strategies.

Michael Otto : The integration of different systems such as customer data and product data has improved dramatically. It is possible now to have the 360 degree view on the client. Now we have to improve the usage of all the systems we have designed and concentrate on standardisation.

Radi Badidi : Having active multi-channel customers is not in "the future" anymore, it is a fact of life today. Investing in multi-channel capabilities is not a choice anymore, it's a must. "Realtime" has been a buzzword for some time now, but is very sparsely implemented. The benefits of realtime are there, but the costs are high to attain these benefits. Huge amounts of data are being gathered by banks, the intelligent deployment in customer related processes is where a lot of banks are struggling.

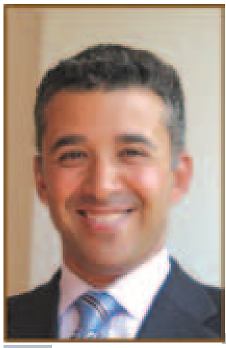
Gopal Sondur : The technology solutions available to banks will continue to improve with a noticeable shift towards integrated, broad technology solutions designed to ease enterprise integration requirements.

What are the key aspects that banks need to consider while deploying CRM solutions to achieve a positive ROI?

Radi Badidi : Whether CRM only adds to costs or generates revenues is not a technological but a commercial issue. If, for example marketing and sales do not adopt the CRM challenge, CRM will not succeed. It requires intense training, a real dialogue between marketing, technology departments and all channels, it requires commitment to document customer needs whenever possible and a proactive approach towards using customer intelligence on a continuous basis.

Michael Otto : Business requirements and targets have to be defined, technology has to make the solution, not the other way round. CRM does not solve all the problems a bank has, so first analyze the problems, and the possible impact of CRM, then prioritize. Secondly, banks need to understand that they need to make a beginning. Start small, but start. Later they can learn and improve. Finally, it is very important to communicate, train and measure all activities.

Gopal Sondur : Banks that have achieved positive ROI have focused on 4 fundamental tenets. First, they have focused on the creation of an overarching, customer-centric business strategy, streamlined operations, superior analytics and integrated collaborative channels. Second, these banks have adopted a transformational approach to ensure that all sources of value are identified and appropriately measured. Third, they have developed a value-based CRM ROI model that is aligned with the bank's strategic objectives. And finally, based on appetite and readiness for change, these banks evaluated numerous implementation options before making a final decision. They ensured that each option consisted of time-phased decompositions of an overall approach where benefits of earlier activities funded the later ones.



Radi Badidi

"As the customer is more in control, we will want to be "actively ready" in all channels when the customer contacts us"

Gopal Sondur

"The C in CRM therefore has now evolved from 'Customer' to "Collaborative". The core of CRM requires various entities in a bank to work collaboratively to define and realize a series of business principles...

How will the CRM landscape in the banking industry develop in the coming days?

Michael Otto : First, as our customers use different channels to go to their bank such as the branch, self service machines, the service center or the internet, CRM goes multi-channel. Second, in addition to cross selling, the processes of client retention and improvements in client loyalty are getting more important.

Radi Badidi : In the coming years there will be more focus on the demand side of customers, they will have various channels at their disposal and have more choice then ever to purchase their products and services with a growing variety of general banks and niche players. As the customer is more in control, we will want to be "actively ready" in all channels when the customer contacts us, based on what we know and anticipate of this client. This requires different marketing skills and new ways of managing your sales. The second trend will probably be that CRM will contribute more to branding. Not just ROI on every contact will be leading, but the way we want to be perceived as a brand will become more important. Now, a lot of effort is put on being there at customers' moments-of-truth. In the future, all customer contacts will be moments-of-truth as all these contacts tell the customers who we are and what we want to be - CRM will help us enable this.

Gopal Sondur : Although the potential benefits of a CRM strategy focused on corporate banking were high, firms have been slow to adopt due to the greater complexity of the relationships and number of touch-points. With the advent of more powerful technologies and greater experience in customer relationship management solutions, we see leading banks concentrating on relationships with corporate customers in the coming days. The other area we expect to see development is channel integration. Due to lack of channel data and the dispersion of channel responsibilities throughout the organization, most financial institutions develop channel strategies and manage their channels poorly and in an uncoordinated fashion. This leads to sub-optimal resource allocation and poor customer management. Leading banks have realized this problem and are addressing this aggressively. The whole area of integrated channel management which is tightly coupled with CRM will rapidly evolve to higher levels of sophistication■

tECH WATCH

Predictive Analytics

Predictive Banking: One to One Intimacy on a Global Scale

Financial products have grown beyond simple savings and deposit offerings to sophisticated financial instruments, stock trading, investment funds and insurance.

At the same time technological advances have allowed automation of banking processes in the back and front office, as well as self-service customer access through ATMs and Internet banking.

In spite of these developments, banking has become commoditized during this period of change. Many banks offer the same access and delivery channels, products and services to the market. In this process, customer relationships have lost the “personal touch” despite the breadth of “touch points” available to customers from the traditional branch to “mobile” phone banking.

How to differentiate? How to be a “one to one” personal bank while also being a global player? Why should a customer choose one bank over another? How can individual relationships be maintained, satisfied, and grown profitably over time?

Can today’s predictive analytics unlock the power of Customer Relationship Management Solutions to provide true “one to one” personal banking on a global scale?

Yes, predictive analytics is the key for banks to unlock valuable insight from their oceans of data about their customers and make better decisions for themselves and their customers. It also enables to leverage and increase ROI from substantial investments already made in operational, data warehouse and business intelligence systems.

Operational systems collect all information about customer transactions. CRM systems collect information about complaints, service requests, inquiries, customer profile, customer surveys and sales related customer interactions. Data warehouses rationalize data from all these systems and Business Intelligence solutions provide enterprise reporting and dashboards for executive management. **These systems provide the data used by predictive**

Predictive Analytics: CRM ROI

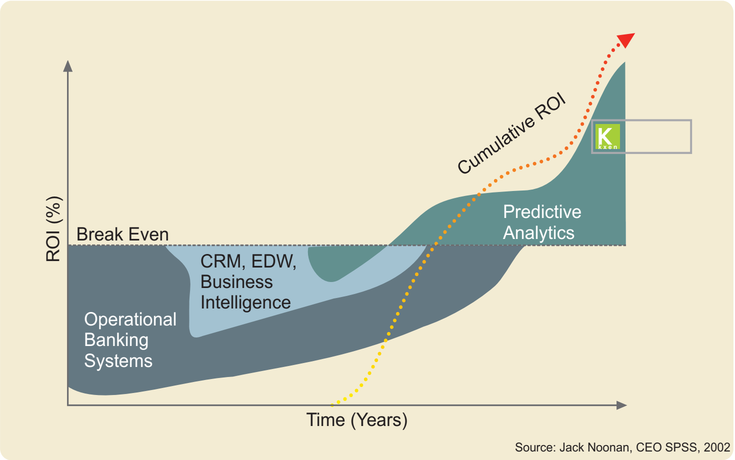


Figure 1. Operational banking, CRM, Enterprise Data Warehousing and Business Intelligence systems provide the foundation data and communication infrastructure for Predictive Analytics.

analytics to provide insight and specific recommendations to truly implement a "one-to-one" approach to customer relationships.

In the last decade, the most advanced banks have used traditional predictive analytics to improve targeting for a few of their largest marketing campaigns. Though traditional predictive analytics require too much time and expertise to be used on all marketing campaigns, it has ben used increasingly and stories of success proliferate.

Early predictive CRM success stories involve large statistical staffs and expensive specialty warehouses to develop and maintain predictive models.

- Capital One conducts more than 30,000 experiments a year, with different interest rates, incentives, direct-mail packaging, and other variables. Its goal is to maximize the likelihood that potential customers will sign up for credit cards and that they will be able to pay back Capital One.
- At Royal Bank of Canada, increasing customer value through predictive offer management is combined with pricing strategies based on predictions of customer risk and value over time.
- National Australia Bank is well known to use predictive modeling in marketing campaigns and has won multiple awards from the industry, independent analysts and marketing associations for their leading work in and application of CRM analytics.
- Wells-Fargo uses predictive analytics to successfully focus on the breadth of customer relationships, measured in part by the number of Wells-Fargo accounts owned by each customer
- Banks use predictive analytics in real-time for credit risk solutions for credit cards. At the time of charge, transactions are "scored" for credit risk and are either approved or declined, thereby substantially reducing credit card fraud.

It has become clear that predictive analytics brings in competitive advantage in banking and analytics can be the core technology helping banks move from product centric to customer centric operations.

With all these success stories, why haven't predictive analytics been applied more broadly to personalize banking operations? Partly, data was not available or collected for analysis. Also, traditional predictive analytic technology is too slow and labor-intensive to be useful for most business problems. Finally, executives have not fully understood and, therefore, not championed CRM business strategy.

For a CRM strategy to succeed it must involve cultural and business changes and it needs to be **a business strategy and not a technology solution.** Treacy and Wiersema, in their widely accepted Discipline of Market Leaders, point out that leading businesses have one of three primary competitive advantages that are identified and leveraged.

- Operational excellence
- Product leadership
- Customer intimacy

I suggest that 1 and 2 are required disciplines and some differentiation can be achieved, but the concentration on customer centricity and intimacy will define the bank and achieve loyalty to boost growth and increase shareholder value as a high performance organization.

Customer intimacy is a CRM strategy that requires executive commitment and operational focus. Products must be developed for each market segment and offered to individuals based on their personal profile and history. Performance must be measured in terms of customer satisfaction, acquisition, retention and profitability. Employees should know what to offer to satisfy their customer's needs and help them plan for their financial future, creating a lasting and trusting relationship. Today's new class of predictive analytics can make all of this possible, unlocking the power to provide true "one to one" personal banking on a global scale.

Why is this possible now?

Consulting companies and software vendors are automating specific predictive solutions and providing broad statistical toolsets to empower experts to build sophisticated predictive solutions. KXEN Inc. (headquartered in San Francisco, California USA with research and development based in Paris, France) has developed a new approach to predictive automation. Based upon recent advances in Structured Risk Minimization Mathematical theory (see sidebar), KXEN's Analytic Framework automates many of the most difficult processes in predictive analytics, reducing the risk of error and omission, and dramatically scaling up the number of models that may be built and used. Modeling is very fast, making it possible to model business questions previously not practical, in a timely and cost-effective way.

The components and models can easily be embedded in current business and software processes for bank operations, risk management and marketing.

Predictive analytics help experts to be at least ten times more productive, solving more business problems and building "predictive modeling factories", while business managers can use predictive applications to gain insight, predict results, monitor progress and make better decisions in everyday operations.

This new breed of automated and advanced predictive and descriptive analytical tools are suited for today's fast paced business and can be embedded in enterprise applications. **Customer intelligence can now be delivered to the right customer at the time he is actually interacting with the bank, through the delivery channel of choice with consistent advice based on predictions derived from enterprise data.**

Banks are embracing these new advanced predictive and descriptive analytics to enhance the ROI on existing in-

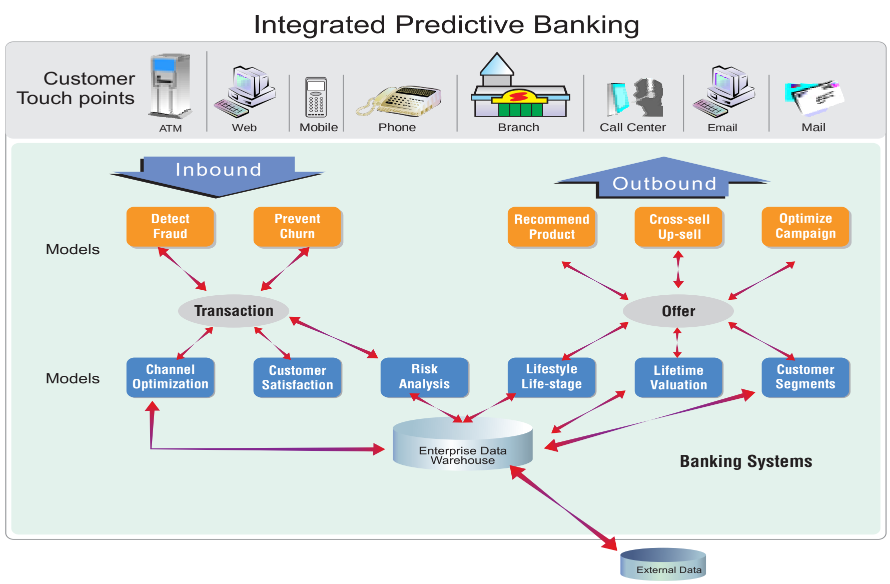


Figure 2. At each customer touch point, predictive models provide recommended actions, offers, and responses based upon each customer's unique history and predicted activity with the bank.

vestments in Core Banking Systems, Marketing, Financial Systems, Anti Money Laundering Systems, Anti Fraud Systems, to assist in Basel II and Sarbanes Oxley Compliance, Audit Systems, Business Intelligence Systems, Analytical Data Warehousing Systems and particularly Customer Relationship Management Systems.

Software vendors are beginning to use, embed or integrate these robust predictive components in specific banking applications.

Predictive Banking:

Today, banks can use predictive technology for every business decision supported by data. Analytic framework enables banks to uncover opportunities, explore trends and make predictions in minutes or hours instead of days or weeks. By adding such a framework to their existing applications, banks can dramatically scale up their predictive analytics to automate enterprise-wide decisions. Major banks are already scaling up predictive analytics for CRM and credit risk analysis.

Banks are also expanding their use of predictive analytics into pricing, human resources, asset management, cash-flow predictions, investments, anti-money-laundering, identity theft and other business areas supported by data. Insight from predictive modeling can help executives identify winning strategies, core metrics, and key performance indicators, as well as be alerted to anomalies and competitive and consumer trends.

From marketing optimization to executive dashboards, predictive analytics can unlock the power of information within corporate data for better execution of CRM strategy and beyond! ■

Milovan Puz
Managing Director, Australia / New Zealand
KXEN Inc.

Predictive Banking: Adoption Lifecycle

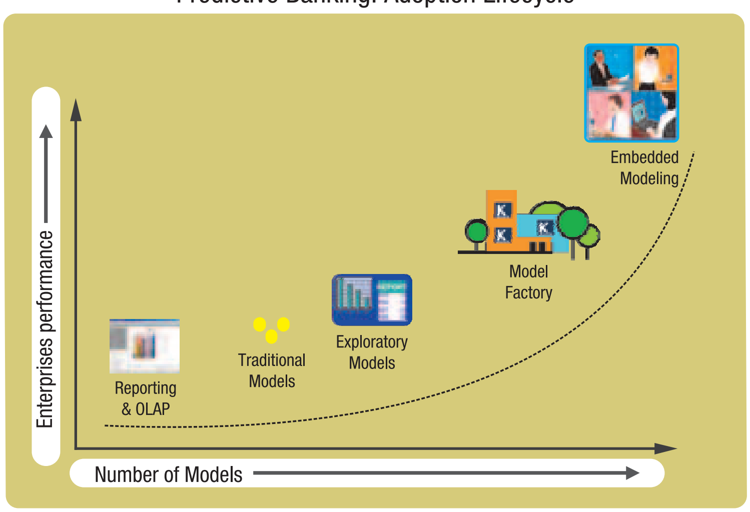


Figure 3. The value of predictive analytics for the enterprise increases directly with the number of models developed and deployed. Automation and embedding of models in applications and business processes increases the number of models that can be used effectively.

Statistical Learning Theory:

Vladimir Vapnik is the father of Statistical Learning Theory, which is the foundation of KXEN components. With the concept of the VC (Vapnik-Chervonenkis) dimension, Vapnik introduced a new paradigm for data modeling. Instead of having to make assumptions on the underlying data distribution, this theory leaves data as it is, and allows modeling without having to limit the number of attributes. The resulting algorithms produce robust and high quality models in a fraction of the time it takes with traditional tools. Vapnik showed that many modeling techniques, such as controlled (e.g. weight decay) neural networks, are part of this theory. In a sense, he is the first to have proven in a mathematical way "why" neural networks provide high quality predictions when properly tuned.

Infosys in the news

Fiscal 2006 revenues of $ 2.15 Billion. YoY growth of 35%

Infosys Technologies Limited announced financial results for its fourth quarter ended March 31, 2006. Revenues for the quarter aggregated $593 million, up 30.0% from $455 million for the quarter ended March 31, 2005. Net income was $152 million ($ 127 million for the quarter ended December 31, 2005). Thirty eight new clients and 5170 new employees were added during the quarter.

Nandan Nilekani features in TIME 100: The People Who Shape Our World

The Time 100 is now a much anticipated annual issue, and in its third year presents the list of 100 most influential people in the world today. Nandan Nilekani, Chief Executive Officer, President and Managing Director, Infosys has been featured in the category of 'Builders &Titans'. He was sought out because of his unique ability not simply to program software but also to explain how that program fits into the emerging trends in computing, how those trends will transform the computing business and how that transformation will affect global politics and economics.

Finacle – The Universal Banking Solution from Infosys

Recent Wins

- **Banco Continental de Panama (BCP),** a leading universal bank from Panama ranked among top 1000 banks globally by The Banker, has selected Finacle universal banking solution to power its operations across Central America. Finacle will replace the bank's legacy core banking systems in Panama and other Central American countries. The bank will also deploy Finacle CRM, e-banking and alert solutions.

Finacle Conclave

The inaugural Finacle Conclave, the client forum of Finacle was held in Goa from March 20-22, 2006. Close to 100 delegates from 27 countries, including global banking leaders, leading analysts and renowned experts from the banking sector attended the conclave. Finacle Conclave 2006 began on March 20 with an address by Mr. Ricardo Semler, President, Semco S/A and author of famous books 'Maverick' & 'The 7 Day Weekend'. Mr. N R Narayana Murthy, Chairman and Chief Mentor, Infosys Technologies, who was the keynote speaker, outlined the critical role of the transformation mindset that differentiates the winning organizations from others. Mr. K V Kamath, Managing Director and CEO, ICICI Bank, another keynote speaker, set out the ground rules for doing banking for the masses. Outlining his bank's new growth horizon, he said that the bank is now focusing on rural banking as a key growth driver and there is need for new business model and distribution strategy to reach the un-banked world. In a debate on retail banking growth drivers, Mr. Octavio Marenzi, CEO and founder of Celent Communications predicted that retail banking will increasingly continue to be the key driver of growth for banks in coming years. Mr. William Conner, Lead Analyst, Financial Services Technology, Datamonitor, outlined that majority of upper tier banks are expecting SOA to impact their business in the next three years and see web services as having the most significant impact.

Spread over 3 days and hosted at the idyllic Intercontinental Grand Resort in Goa, the Conclave provided the perfect backdrop to debate and discuss how banks worldwide are innovating to maximize opportunities to drive growth and efficiency while minimizing risks of business transformation.

Glimpses from Finacle Conclave



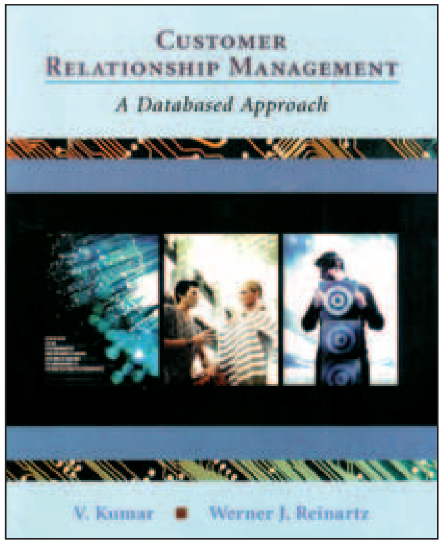






FIRST LOOK

V.Kumar,
Werner J.Reinartz



Customer Relationship Management A Databased Approach

It is widely accepted today that the failure of several CRM implementations in the 1990s was due to organisations focusing on technology to the exclusion of strategic elements such as organisational culture and staff commitment. *In Customer Relationship Management – A Databased Approach,* the authors Kumar and Reinartz explain that CRM as it was practiced earlier was based on an IT view of the world. Too often, the introduction of CRM was viewed as a technological project and a temporary activity, with many managers believing that CRM equalled software or technology. Fortunately, these misconceptions are no longer evident. Firms realise that technology is a tool, an enabler to help them deepen their customer relationships. Pointing out recent trends such as micro segmentation of customer databases and synchronisation of customer information across all channels, Kumar and Reinartz say that organisations now need to focus CRM initiatives on creating profitable customer relationships.

The basic premise of the book, *Customer Relationship Management – A Databased Approach,* is that a customer-centric philosophy lies at the heart of a successful CRM program. According to the authors, the product should no longer be the key focus. Rather, each customer should be treated as an asset and as the source of wealth generation. The goal of strategic CRM is therefore to shape the interactions between the firm and its customers in a way that maximises the lifetime value of each customer to the firm. "The ability to know exactly who is going to buy what product and when, and the resources and communication strategy needed to make it happen, will no doubt be on the top of the wish list of CEOs. This ability will help the firm invest on the most profitable customers at the most appropriate time and in the most effective way," states the book.

To leverage the full potential of their CRM strategies, Kumar and Reinartz advise firms to adopt new metrics, implement new techniques and undergo organisational reorientation. For instance, a powerful marketing metric highlighted in the book is customer value, which the authors define as the economic value of the customer relationship to the firm, expressed on the basis of contribution margin or net profit. A firm can both measure and optimise its marketing efforts by incorporating the concept of customer value at the core of its decision making process, they explain.

Customer Relationship Management – A Databased Approach is an in-depth treatise on CRM, right from defining CRM and designing and implementing a CRM strategy, to explaining concepts of database management and data mining. Along with reviewing traditional CRM practices, the book illustrates new metrics like past customer value and customer lifetime value. The book goes on to analyse the implementation of CRM strategies through loyalty programs, marketing campaigns and channel management projects. Despite the often rigorous analysis, the simple, lucid style of the text ensures that the book will appeal to both beginners and experts. Further, throughout the book, the authors use real-life examples that cut across industries to back up all their theoretical observations. This adds credibility and depth to their analysis.

In the introduction, the authors state that the goal of this book is to be a useful learning companion to teachers, students and practitioners of CRM. *Customer Relationship Management – A Databased Approach,* certainly achieves these goals and much more■

Rekha Menon

Research and Contributing Editor
FinacleConnect