Financial sector crm in the financial sector marketing essay

Like every other industry the financial services sector is also witnessing a plethora of changes. Facing umpteen challenges, the industry despite its phenomenal growth, has witnessed a slump in some areas. The main reason? Changes, vast competition, increased costs, decreased efficiency, inadequate client relationships and poor sales processes. Something vital is needed to cut through the waves and make the sector boom. Organizations need to basically better their relations with their customers in an effort to sustain them.

Financial firms find it almost impossible to have a complete and holistic view of their customers and that puts them at a disadvantage when knowing their customers is a criteria. More often than not selling financial services and products is infinitely more difficult than the work other industries face. The past decade has seen companies in this sector slowly realizing that there is an answer. The financial services industry is now looking at customer focus as a means by which it can achieve lost profits. The result ? An acute focus on customer relationship management – CRM. Adopting this strategy has slowly resulted in financial firms, venture capital, private equity, investment banking institutions etc, achieving an increase in overall productivity.

CRM for financial services enables the financial firm to know the customer better. In addition it helps uncover potential customers and improves overall customer service. It helps build an advantage over competitors as firms are enabled to increase their intelligence about the customer. CRM manages to provide this information to almost every employee. CRM for financial services endeavors to improve and encourage relationship building with existing and potential customers, the various departments within the organization, management etc.

The dilemma that most financial institutions face is that they do not store their valuable customer data in a comprehensible or easily assessable manner. In financial firms this intelligence is generally scattered throughout the firm and is almost unusable. CRM encourages financial services firms in changing their scattered data into something that can be used by every employee in an easy manner. Who does it benefit? Analysts, asset managers, financial professionals all stand to benefit from the implementation of customer relationship management.

CRM'S BENEFITS TO THE FINANCIAL SERVICES INDUSTRY IN A NUTSHELL ARE:

Identification of potential customers

Provision of data regarding history and preferences of investors

Increase of customer knowledge of employees

Provision of an excellent view of customer relationships

Encouraging customer relationships

Increasing and improving financial productivity

Storage and provision of financial data of customers

Easy assess to collated financial data

Managing financial deals

Evaluation of a potential investment

Aiding client acquisition

Investment selling

Tracking and monitoring financial deals

Aiding the sales team in the provision of customers needs

Encouraging and assisting the increase of cross selling and upselling

Enabling the building of trust for brokers, agents and financial planners etc

GUIDELINES FOR FINANCIAL FIRMS OPTING FOR CRM:

It is imperative to pay additional attention to what other means the organization can adopt in order to maintain and build customer relationships. Every possible means by which this can be achieved should be scrutinized and indulged in.

Financial institutions implementing CRM need to realize the importance of online banking and indulge in it. Since almost 55 million is being spent on it firms opting for CRM need to focus more on online banking and understand that it benefits the customer enormously , indirectly giving a hand to customer management.

It is highly important for financial institutions to analyze and understand the needs and preferences of their customers. The data that CRM provides should be scrutinized and studied sufficiently so as to really know the customer.

Segmentation should be undertaken with sufficient focus being made on each segment and the right communication within the segment . The right marketing efforts should be made as well so that the adequate balance between customer focus and profitability is achieved.

Firms need to focus their marketing efforts far more on the customer than on the product itself.

It is imperative that sufficient and frequent customer retention programs are initiated.

Technology should always be incorporated in all business efforts to ensure the right implementation of CRM.

Focusing more on the hottest trend – relationship banking will go a long way in the successful implementation of CRM.

Sales and service should be carried out only after sufficient customer knowledge is obtained and scrutinized.

Holding onto traditional practices is something most banks do. This should be avoided as much as possible.

PITFALLS OF CRM FOR THE FINANCIAL SECTOR :

The complexity and magnanimity of this particular industry makes it harder to adopt a holistic and integrated customer approach.

Financial firms tend to focus more on the product than on the customer. In this respect they are almost oblivious to them.

Since most financial organizations are considerably big in size, the cost involved is considerably higher.

There are various challenges facing the industry and these all need to be overcome in order to actually succeed at the implementation of CRM.

THE BOTTOM LINE?

Is CRM for financial services actually benefiting the financial services sector? The answer is yes. Obtaining, maintaining and basically utilizing a customer database in an effort to maximize or improve customer relationships will go a long way in increasing overall productivity. A failure to focus on these relationships can prove detrimental while knowing and indulging your customer preferences can go a long way in securing and raising profitability.

The financial services sector has been perceived by many as leading the adoption of CRM, and defining many leading practices, and there are certainly case studies to support this notion. However, while financial services companies, have pioneered in some cases, in others they have fallen victim to common mistakes in there approach to CRM investments. I would generally categorize these short comings as relating to " how" they went about applying CRM services to their CRM program, and on " what" objectives they focused these activities.

THE" HOW":

A recently published global survey (conducted by IBM Business Consulting Services in conjunction with The Economist Intelligence Unit) revealed the primary culprits responsible for under performing CRM programs. The study was able to statistically define 79% of the difference between success and failure, and of this percentage, 70% of the difference between high performing and low performing CRM initiatives were attributable to how well, or badly they executed in the below five dimensions of a typical CRM project approach:

- CRM strategy and value prop development (22%)

- Budget process management (20%)

- Process change (12%)

- Governance (9%)

- Change management (7. 1%)

What immediately jumps out of this analysis is that project execution in areas like " IT implementation", and " customer data integration and data ownership" had a much lower impact on success or failure of the initiative, yet, most would agree that these were the precise areas where most of the CRM services investment was made.

The " What":

So, one might conclude that shoring up the services effort in the " softer" project dimensions would make CRM the sustainable competitive advantage it was promised to be. Unfortunately, emerging research suggests that this will not be enough, and that competitive advantage depends increasingly on “ what” the company defines as the ultimate aims of the CRM program.

Most of the CRM investments to date have focused on improving internal measures of customer management success such as cross sell conversion rates, and sales force productivity. To be sure, these are worthy goals, and have delivered much in terms of the efficiency and reliability of customer facing operations. One might call these the “ hygiene” aims. Over time, however, these efforts have become “ table stakes” in how a company interacts with a customer, and have proven to be easily replicable by competitors, therefore producing little sustainable competitiveadvantage.

So to move ahead of the pack again, leading financial sector companies are beginning to direct attention, and CRM services effort to gaining deeper insight into what motivates a customer to become a true advocate of the company and its services. These are often referred to as the “ emotive” attributes of the customer relationship. New customer insight techniques, enterprise communications frameworks, and human performance programs are the means to this end. Understanding and applying CRM services investments to these areas are where the financial sector will gain real competitive advantage.