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# CRM IN FINANCIAL SERVICES

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## OUTLINE OF THE LECTURE

1. CRM explanation
2. Systems of CRM
3. Churn management



## 1. CRM IN FINANCIAL SERVICES

- **CRM** = customer relationship management.
- **CRM** is interaction (one-to-one marketing) with a customer.
- **CRM** is the active management of relationships with individual customers at all points of contact, with a view to creating a mutually beneficial relationship.



# CRM IN FINANCIAL SERVICES

- **Customer Relationship Management is a strategy that focuses on building and supporting long-term customer relationships. It's not just about technology. It is change in the philosophy of the company when the emphasis is given to the customer.**
- There are very important good relations with clients in the area of financial services. Therefore, there should be considerable difference between the financial institution with CRM system and a financial institution without a quality CRM system.



## CUSTOMERS MARKETS

Transactional marketing	Relationships marketing
Focusing on one-off sale.	<b>Focusing on customer retention.</b>
Focusing on product features.	<b>Focusing on product benefits.</b>
Short-term.	<b>Long-term.</b>
Little emphasis on customer service.	<b>Crucial emphasis on customer service.</b>
Limited liability to the customer.	<b>High liability to the customer.</b>
Economical contact with customer.	<b>Intensive contact with customer.</b>
Quality is primarily a matter of production.	<b>All departments of company are interested in product quality.</b>

# ADVANTAGES OF CRM IN FINANCIAL SERVICES

- A satisfied customer does not plan to change the product provider.
- Product development can be defined according to the actual needs of customers.
- Rapid increase in the quality of products and services.
- Ability to sell more products.
- Optimizing the cost regarding communicating with customers.
- The right choice of marketing tools (communication).
- Smooth running of business processes.
- A larger number of individual contacts with customers.
- More time for the customer.
- Differentiation from competitors.
- Strengthening the image.
- Access to information in real time.
- Reliable and fast predictions.
- Increase in staff motivation.
- ...



## 2. SYSTEMS OF CRM IN FINANCIAL SERVICES

### Operational



Helps with day to day sales, marketing, and customer service activities

### Analytical



Collects data to improve customer satisfaction and retention rates

### Collaborative



Provides customer facing departments information to offer a positive customer experience

## SYSTEMS OF CRM IN FINANCIAL SERVICES

- **Analytical CRM**

**The work of analytical CRM is customer data analysis, its evaluation, modelling and prediction of customer behavior.** In real life situation the analytical CRM can for example gather all the data about customers inquiring a specific product by using data mining (tool for data gathering), what services they purchased right away and what services they purchased eventually. It can find patterns in their behavior and propose next steps during up-selling or cross-selling. It can evaluate efficiency of a marketing campaign, propose prices or even develop and propose new products. **This way it serves as some sort of help during decision making, e.g. manuals for employees working in services concerned with how to react to certain customer`s behavior.**

- **Operative CRM**

**It mainly supports the actual contact with customers conducted by front office workers and general automation of business processes including sales of products, services and marketing.** All communication with the customer is tracked and stored in the database and if necessary it is effectively provided to users (workers). The advantage of this approach being the possibility to communicate with various employees using various channels but creating the feeling that customer is being taken care of by just one person. It can also minimize the time that the worker has to spend typing the information and administrating (the data is shared). This allows the company to increase the efficiency of their employees work and they are then able to serve more customers.

- **Collaborative CRM**

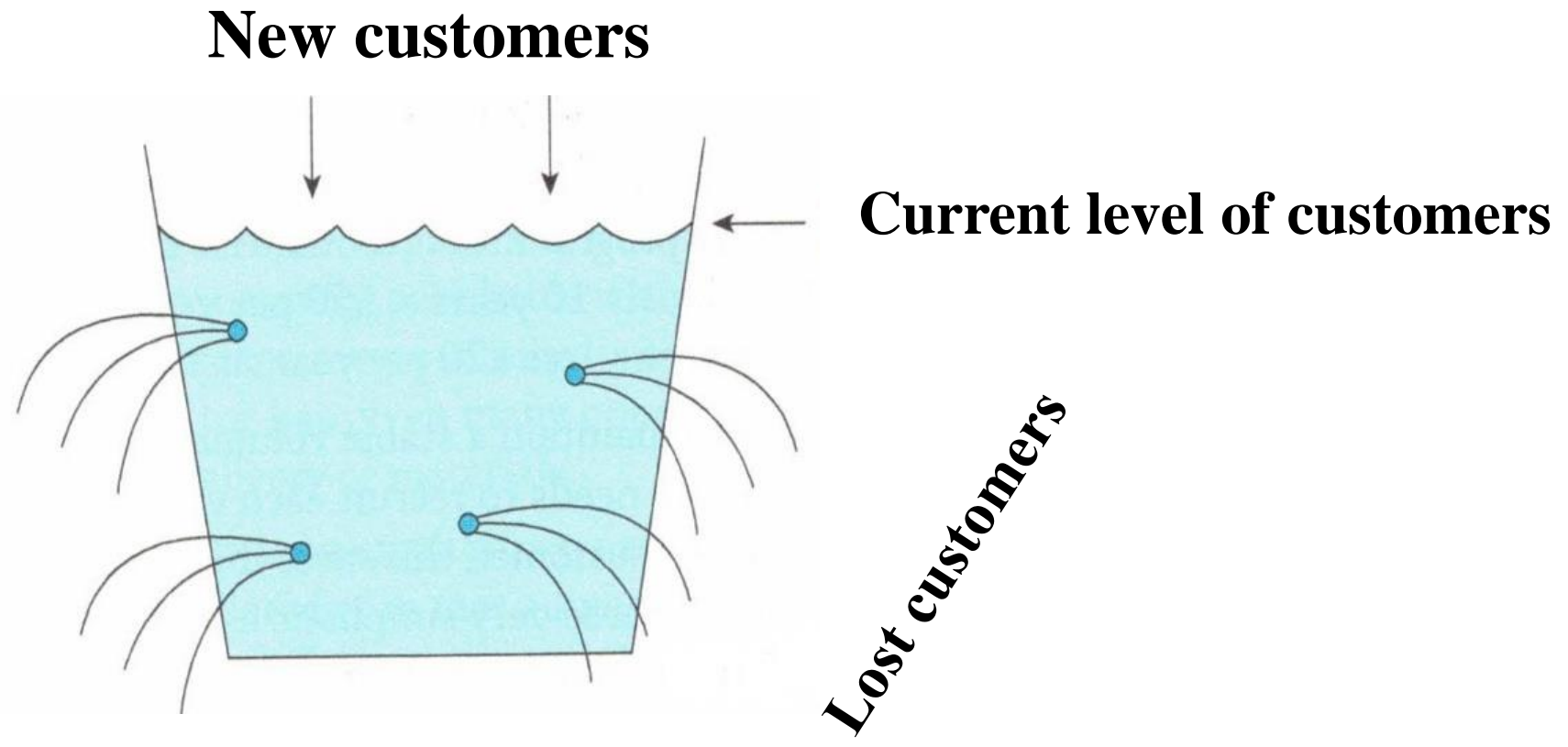
All departments in a company gather data about their customers. It is not uncommon that these departments compete or are even hostile to each other. That undermines efforts of CRM to share relevant data throughout the whole company (e.g. information from help line can help the marketing department choose a point on which it will focus during the next campaign). **The goal of collaborative CRM then is maximum sharing of relevant information acquired by all departments with the focus on increasing the quality of services provided to customers.** The ultimate outcome of this process should be an increase in customer`s utility and his loyalty.



## 3. CHURN MANAGEMENT

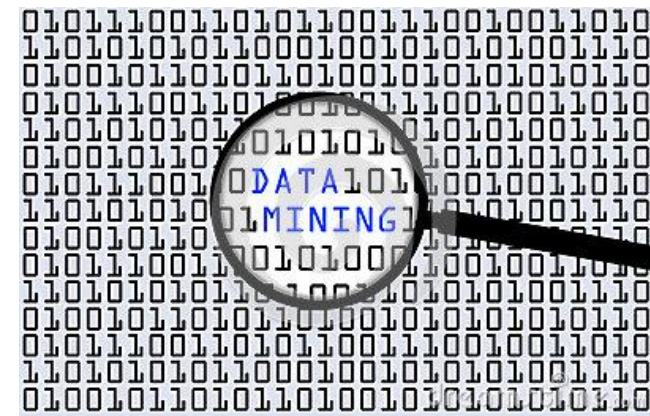
- **Churn management identifies valuable customers in company who are likely to churn and executes proactive as well as reactive actions to prevent them from churning.**
- **Reactive retention programs** = dissatisfied customer wants to change the financial service provider.
- **Proactive retention programs** = prevention, identifying vulnerable customers in a timely manner and reversing their dissatisfaction.
- Analysis of customers behaviour who in the past have switched to a competitor can help to reveal the patterns how to fight against this situation and how to implement effective retention programs properly.

# CHURN MANAGEMENT - LEAKY BUCKET THEORY



## CHURN MANAGEMENT

- Methods of data mining can identify the customers in terms of their leaving and determine the causes of their behaviour.
- **Data mining** is defined as „non-trivial process of identifying valid, unknown (hidden), potentially useful and easily understandable dependencies in the data.“ In most cases, in a large volume of data.
- Data mining methods are based on statistics, new knowledge of artificial intelligence and machine learning. Since the late 90s these methods have been put in practice in many cases.



# PRINCIPLES OF CHURN MANAGEMENT

- To know own customers and know who of them left and who stayed.
- Be able to collect and analyze historical data about these customers.
- To be able to determine typical loyal and disloyal (endangered) customers.

