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UNIVERSITY**

SCHOOL OF BUSINESS  
ADMINISTRATION IN KARVINA

# CRM AND MARKETING STRATEGY IN FINANCIAL SERVICES

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## OUTLINE OF THE LECTURE

### 1. CRM

1.1 Systems of CRM

1.2 Churn Management

2. Strategy defining, marketing planning ⇒ **Strategic marketing course!!!**

2.1 Strategic management process

2.2 Strategic marketing process



## 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.
- ...



## 1.1 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**

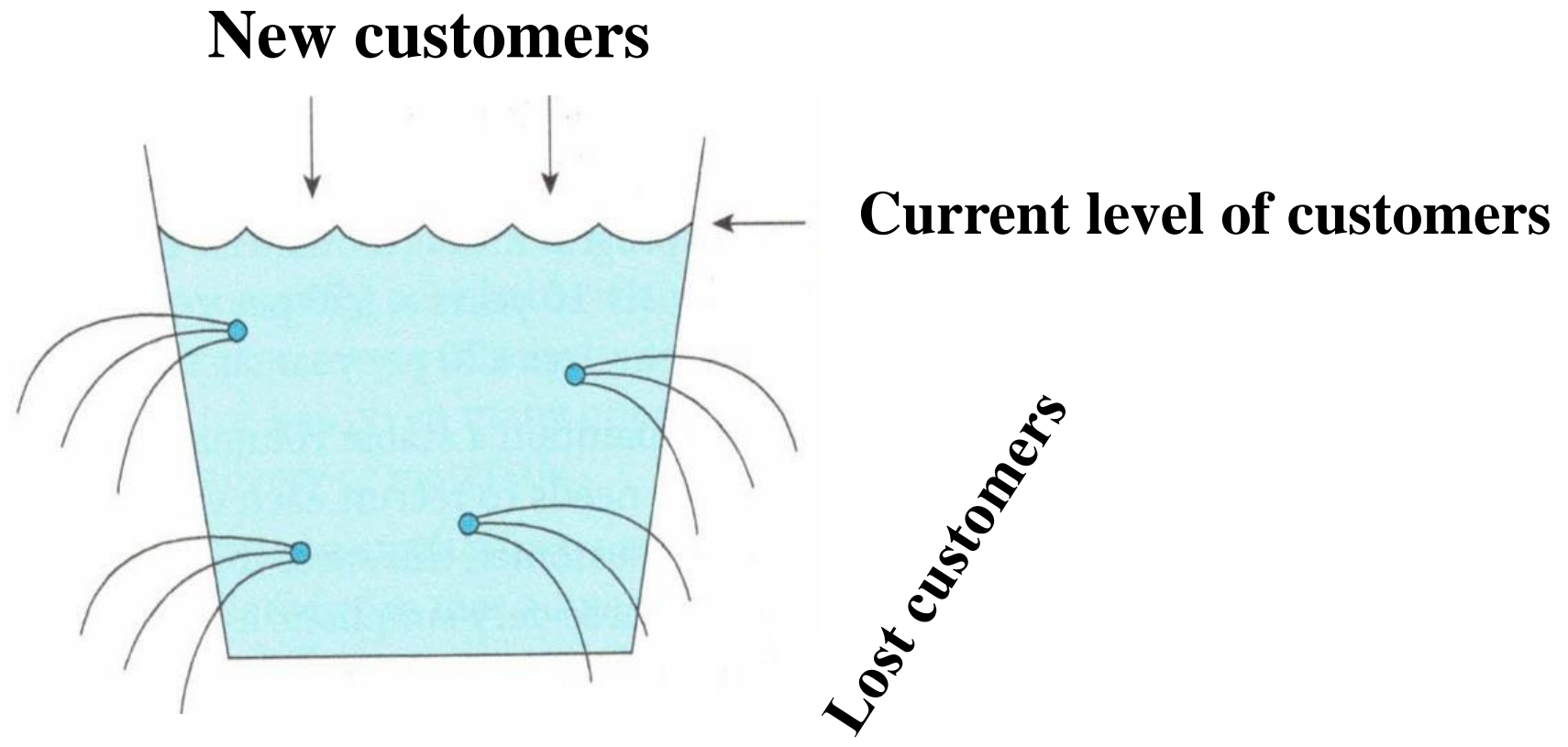
All departments in a company gather data about their customers. It is not uncommon that these departments compete or are even hostile to each other. That undermines efforts of CRM to share relevant data throughout the whole company (e.g. information from help line can help the marketing department choose 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.



## 1.2 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.



## 2. MARKETING STRATEGY AND PLANNING

HISTORY	TODAY
To produce everything within company.	To buy products – services from external suppliers.
To improve by own sources.	To improve thanks to benchmarking.
To act on our own.	To cooperate.
To cooperate with functional departments.	To manage company processes thanks to multidisciplinary teams.
To focus on domestic market.	To focus on domestic and on international market.
To concentrate on products.	To concentrate on market and customers.
To produce and offer standard products.	To produce tailor made products.
To realize mass marketing.	To realize targeted marketing.
To find sustainable competitive advantage.	To find new competitive advantage again and again.
To develop new products slowly and carefully.	To develop new products quickly.
To cooperate with many suppliers.	To cooperate only with a few suppliers.
To manage from top positions.	To manage from bottom, top and across.
To be active in the market.	To be active also in the area of surrounding environment.

## MARKETING STRATEGY AND PLANNING

- **Strategy:** the way (procedure) how to achieve defined goals!
- **Strategic marketing planning:** systematic and rational enforcement of market and corporate tasks, derived from the basic business and marketing goals. It is an essential part of corporate planning.
- **Strategic management process** ⇒ **Strategic marketing process**



## 2.1 STRATEGIC MANAGEMENT PROCESS

- **Vision:** a set of specific ideals and priorities of the company, a picture of its successful future, based on fundamental values or philosophy with which the goals and objectives are associated .
- Vision gives an answer to the question of how the business will look like in the future. The vision should correspond with the real situation, abilities and possibilities of the company.

**„We want to bring to our clients and partners simple, fast, fair and professional solutions in the field of insurance and investments in a manner that always exceed their expectations.“**

**(Insurance company)**

## STRATEGIC MANAGEMENT PROCESS

- **Mission:** explanation of the meaning, the purpose of a business, a statement of what the company wishes to achieve.
  - Sense of existence of the company.
  - Relation to other market subjects.
  - Standards of behaviour in all company.
  - A long time accepted values of the company.
- Correctly formulated mission must answer these questions:
  - Who are our customers?
  - What customer's needs do we satisfy?
  - Where do we operate?
  - What is the philosophy of company?
  - What are the strengths of the company and the competitive advantage?
  - Which products does company satisfy customers' needs with?



**"As a responsible market leader, we help our clients in the key moments of life, to ensure a better future."  
(Insurance company)**



## STRATEGIC MANAGEMENT PROCESS

### **MORTRAGE BANK - vision:**

We want to be a profitable, modern and specialized bank with a distinguished name offering a wide range of mortgage products, especially in financing residential real estate.

Thanks to our professional services and helpful approach to clients we will continue to set the tone in mortgage banking.

### **MORTRAGE BANK - mission:**

We help our clients to live.

STRATEGIC MANAGEMENT PROCESS

**VISION** – WHERE ARE WE  
GOING?

**THE PICTURE OF FUTURE.**

**MISSION** – WHY DO WE EXIST?  
**REASON FOR EXISTENCE.**

## STRATEGIC MANAGEMENT PROCESS

- **Objectives (SMART):** specific desired state which will be fulfilled in certain time.



*SMART objectives can be applied anywhere in your life, both professionally and personally.*

## STRATEGIC MANAGEMENT PROCESS

- **Objectives (SMART):** specific desired state which will be fulfilled in certain time.
- market share
- growth in revenues and profits
- cost reduction
- ROI
- strengths in relation to competitors
- technological capabilities
- recognition as the leading financial institution
- reputation
- size and diversification
- stability during economic cycles
- ability to compete in international markets
- financially strong position
- social responsibility

## STRATEGIC MANAGEMENT PROCESS

- **Identification of opportunities of the company:** they represent the finding of the right balance between the opportunities coming from the external environment and the company capabilities and resources on the other hand.
- Offer something of what is shortage in the market.
- Offer an existing product or service to a new segments or in better way.
- Offer new product or service - to find a market niche.



## 2.2 STRATEGIC MARKETING PROCESS

### 1. Planning phase

- Marketing situation analysis.
- Marketing objectives setting and strategy formulation.
- The marketing plan.

### 2. Implementation phase

- The actual implementation of a marketing plan.

### 3. Feedback phase

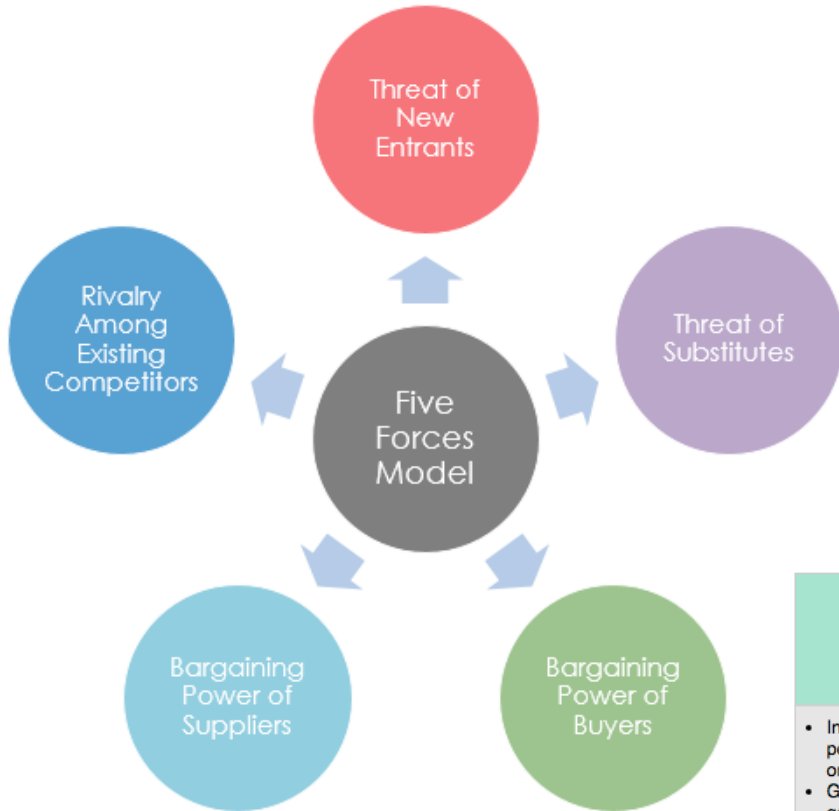
- Comparing the results obtained with the marketing plan.



## MARKETING SITUATION ANALYSIS

- **„5C“:** company, collaborators, customers, competitors, climate/context
- **Analysis of macro-environment:** STEP analysis
- **Analysis of the external microenvironment:** Porter's 5-competitive forces model
- **Analysis of internal microenvironment:** material, financial and human resources
- **SWOT analysis:** comparing, evaluating of reciprocal links!

## MARKETING SITUATION ANALYSIS



P	E	S	T	L	E
Political	Economic	Social	Technological	Legal	Environmental
<ul style="list-style-type: none"> <li>Increasing political focus on healthcare</li> <li>Global governments look for healthcare savings</li> <li>Britain voted to leave Europe causes political turmoil</li> </ul>	<ul style="list-style-type: none"> <li>Increasing labor cost</li> <li>Inflation</li> <li>Consumer confidence is low</li> <li>Low fuel prices and interest rates helps promote growth in market capacity</li> </ul>	<ul style="list-style-type: none"> <li>Increasing attention in healthcare</li> </ul>	<ul style="list-style-type: none"> <li>Opportunity: Advertise through social media</li> </ul>	<ul style="list-style-type: none"> <li>Hello World Pharmacy was fined \$450m for pollution issues</li> </ul>	<ul style="list-style-type: none"> <li>Adverse weather condition causes the temporary suspension of some factories</li> <li>Growing attention to environmental protection</li> </ul>



## MARKETING OBJECTIVES

- **Marketing objectives:**
  - What should company achieve in the target market?
  - How to get there?
  - What impression can company create?
- **Crucial market objectives:**
  - Market position of the company.
  - Customer relationship management (CRM).
  - Identity and image of the company.



## MARKETING STRATEGY

Marketing objectives	Marketing strategy	
<b>What?</b> <b>Who?</b> <b>Why?</b>	<b>How?</b>	<b>Marketing mix</b> <b>„7P“</b>

## MARKETING STRATEGY

<b>Based on market trends</b>	Growing, maintenance, retreating
<b>Based on the approach to market segments</b>	Offensive, defensive
<b>Based on the behaviour to the external environment</b>	Cooperative, conflicting
<b>Based on specific customer groups</b>	Mass market, large segments, neighboring segments, multi segments, small segments, market niches, adjustment to customer needs
<b>Based on the market life cycle</b>	Entry into new markets, growing markets, mature markets and declining markets
<b>Based on the position of enterprise in the market</b>	Market leader, market challenger, market follower, serving to market niches

## MARKETING PLAN

- **Marketing plan** - a written document showing the results of marketing planning and showing where the company wants to be at a certain time in the future and providing information what resources will be needed.
- Part of the implementation programs (subtasks and their conditions of performance for each department within the company) + budget.
- Planning process takes 6-9 months in a typical bank!



## MARKETING PLAN VERSUS REALITY

- Comparing and evaluating of the actual performance with the expected.
- Analysis and determination of the causes of deviations from the plan.
- Establishment of actions to eliminate deviations.



## MARKETING AUDIT

- It is used for planning and monitoring purposes.
- **Comprehensive, systematic, periodic and independent assessment of the business situation in a particular environment.**
- Marketing environment, objectives, strategies, systems, functions and performance ...

