

# THE COST OF BEING COMPLACENT

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**Why Your Financial Institution Can't Afford  
Not to Use CRM**



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*“We’ve been in business for over 100 years and so far, so good.”*

*“We just opened a new branch so all our resources are focused there.”*

*“We don’t have the marketing resources to learn and use a CRM system.”*

*“We already have an MCIF system.”*

*“Our sales people use ACT or some other sales force automation system.”*

If one or more of these sentences applies to your institution, please read on.

Customer Relationship Management (CRM) is now a proven and affordable means to improving customer/member retention and overall institution profitability. Despite so many success stories from banks and credit unions all over the country, why are some financial institutions still hesitant to use CRM?

In working with community banks, credit unions and insurance companies for many years, we’ve heard a lot of different reasons why financial institutions are not ready to invest in CRM. Some hesitate because they cannot firmly project a specific return on investment (ROI) that the new system will bring. However, the real reason why many organizations hesitate to adopt CRM is that it requires change. With CRM in place, people and processes can be measured and managed, thus potentially affecting day-to-day operations and exposing their inefficiencies. As such, CRM removes the likelihood of human error and the ability to create excuses. As the Internet has been for individuals, CRM is the great equalizer for all companies to be competitive and customer focused.

It is clear that successful CRM requires commitment in an organization from the top down. This means: 1.) committing the time and resources to select the best technology and CRM provider, 2.) setting up the system and developing the desired processes, 3.) learning how to use it, 4.) using it, and 5.) reviewing results up and down the organization regularly towards continuous improvement.

A CRM culture also requires conveying to everyone in the organization that they are accountable for loyal, profitable customers – with *accountable* being the operative word. This may require changes in employee compensation, standard operating procedures, hiring practices, and even possible changes in existing personnel. All this can sound scary and painful. However, is it any more painful than losing increasing numbers of your most valuable customers and employees? If your competitor is using CRM and you are not – now that can be scary.

Often times, marketing managers will see enormous value from CRM that will dramatically improve their own jobs as well as the effectiveness of the entire organization. However, the marketer often finds it difficult to convince his/her colleagues and executive management that CRM is a “need to have”, versus a “nice to have” capability. Herein, we will discuss some real, bottom-line cost savings and revenue opportunities that marketers as well as their management should consider.

So, boiled down, what does a CRM initiative buy you?

- 1. Reduces customer attrition by proactively identifying high-value customers at risk.** While a CRM system can flag a customer that appears to be at risk, ideally the system will also help you to focus on those customers that are worth the sales and marketing efforts to retain their business with you. While financial institutions focus on increasing new customer acquisition, it is often at the expense of some of their best customers leaving. M & I Bank stated that it takes them 20 new customers to bring in the profit that they lose when one of their best customers leaves. A CRM system can help identify who those most important customers are and help you focus on those customers differently. A CRM system can also help you monitor customer attrition versus customer profitability versus customer acquisition so that all three are balanced appropriately.

**2. Increase profits through proper cross sales.**

Many CRM systems will identify the next best product to offer to any specific customer or group of customers. A few CRM systems will also ensure that the cross sell offer is going to be profitable to the institution. Selling the wrong product to a customer

could mean draining money from one profitable account to fund a second, less profitable account. So while your institution may be doing a great job increasing the number of products that customers have on average, is this improving profitability of each customer and the institution as a whole? Having the information in

the marketing department as well as on the front line will help employees make better decisions at critical times while interacting with customers? As an example, Central Bank of Kentucky implemented a highly-targeted home equity program. They generated 79% more closed equity lines last year. The average outstanding on new equity lines rose 50% and overall equity lines rose 20% in outstandings. CRM allowed Central Bank of Kentucky to strategically identify the target customers and monitor the sales activity around the offer as it was rolled out to their various financial centers. This is one example highlighting that with the right information and tools within a CRM system, your organization can know what to sell and to whom. This saves valuable sales and marketing time and most importantly, it can ensure that you don't cannibalize existing, profitable customer relationships.



**3. Improves sales efficiency and customer satisfaction.**

By providing your employees with a complete picture of the customer's status and history, they can see exactly what has happened over time and what is happening currently with a particular customer or household. This includes their accounts (banking and others such as trust, investment and insurance), transactions, balances, contact information, household, commercial affiliation and so forth. It also includes the personal interactions they have had with various employees at the institution. This helps your sales people see if a customer has been offered which products and when. It will show how the customer responded or if they didn't. It will also note that the customer has or has had service issues so the salesperson can be aware of the customer's disposition. The sales person doesn't want to contact a customer who has had many offers thrown at them recently or if the customer is currently waiting for resolution to a major problem. This type of process information saves valuable sales time as well as prevents a customer from getting upset because of too much contact from your institution.

**4. Optimizes marketing & sales resources.**

With better data aggregation and cleansing such as customerization and householding together with industry-specific analysis (profit, cross sell, retention, etc.), marketing departments can dramatically improve the overall productivity of mailings, telemarketing, and other outbound programs. It is quite common to save hundreds, if not thousands, of dollars for each mailing just from having better household information. Because the organization has a better database of customer and prospect information, sales and marketing can conduct better analysis to zero in on real opportunities. Sales can avoid wasteful calls and are able to tune their message for the specific targets they are going after.

CRM enables marketers to track campaigns and act during (not after when it is too late) the campaign to adjust unexpected results. It also helps validate marketing budgets with the data needed to show ROI, process efficiencies (or inefficiencies), and definitive opportunities in which the organization can apply its limited sales and marketing resources.

5. **Improves executive reporting and decision making.** In the age of real-time computing, managers at all levels must have timely information to make effective decisions. The ability to see into the operation at all times is critical. While many Boards of Directors still wait for weeks or even months before key performance reports are in hand, it is no surprise that goals are missed and market share is lost to other institutions that are using hands-on CRM to plan and execute their organizational objectives.
6. **Less administrative overhead.** CRM users find that in general, by having the information and tools available, they can make better decisions. For example, CRM helps them screen donation requests more effectively, conduct asset/liability analysis more accurately, do branch planning with more variables considered, and provide commission reporting that can easily be shared with the appropriate people to manage and motivate the sales initiatives established. When used properly, CRM helps execute corporate strategies and organizes the entire institution so that both management and employees are involved and empowered.

At the expense of their competitors, CRM-enabled institutions can have:

- **Greater profit per customer**
- **Less turnover of valuable customers and employees**
- **Lower new customer acquisition costs**
- **Higher returns on marketing efforts**

At SEDONA, over the past five years we have seen our financial services clients grow and dominate major markets - even competing against national institutions. In some cases we've had banks and credit unions call us to get the same CRM that their competitors have so they can try to catch up or maintain their current market share.

So what is the real cost of being complacent and not using CRM?

Unless your institution is happy to stay at the same size and profit margin that it enjoys today, the cost of not having CRM is significant. To determine a quantitative answer, add up the following for your own institution:

**Cost of not implementing CRM =**

Lost profit from incorrect cross sales  
+  
Wasted money on poorly-targeted marketing programs  
+  
Wasted money paying sales people to call on poorly-targeted people or people that they are ill-informed about  
+  
Lost revenue from a highly-profitable customer who leaves because of lack of appropriate service  
+  
Cost of acquiring more non-profitable customers  
+  
Loss of productivity of everyone trying to get disparate information together in making decisions  
+  
The cost of making a wrong or untimely decision  
+....

**A**ccording to a Hewson Group June 2005 report, “...within two to three years as many as 200 of the worlds biggest companies will have customer management of a very high order which means that in any given sector there will be organizations who can execute really effectively – this has profound implications for those who can’t.”

CRM systems are now mature and affordable. For as little as a few hundred dollars per month, the ability to gain some of even the minor benefits quickly outweigh the installation costs to deliver immediate ROI.

Undeniably, bankers are paid to be conservative but ironically, it actually may be more radical to try to run your financial institution without CRM.

Without CRM, you are asking your employees to make gut, rather than informed decisions. You’re betting on human nature to get things done on time and without letting anything fall through the cracks. Without CRM, you’re hoping that the new million dollar branch brings in profitable, new customers and that just because of location, you will be able to hold onto your best, existing customers.

In today’s times where executive decisions are publicly scrutinized and careers depend on measurable track records, can you justify why you don’t use CRM?

## About SEDONA Corporation

Community and regional banks, credit unions, and insurance companies utilize SEDONA® Corporation’s (OTCBB: SDNA) multi-vertical, web-based customer relationship management (CRM) solution, Intarsia®. Intarsia is specifically designed and priced for small and mid-sized financial services businesses and is easily tailored for each individual organization. The software includes state-of-the-art features such as next best product and customer retention analytics, profitability management, and lead and referral tracking. By utilizing SEDONA’s CRM software and complementary services, SEDONA’s clients effectively identify, acquire, foster, and retain loyal, profitable customers.

Leading financial services solution providers such as Fiserv, Inc., Open Solutions Inc., COCC, Sanchez Computer Associates, Inc., and AIG Technologies leverage SEDONA’s CRM technology to offer best-in-market CRM to their own clients and prospects. SEDONA Corporation is an *Advanced Level Business Partner* of IBM® Corporation.