



Banks Use CRM to Drive Profitability, Cut Costs, and Reduce Risk

Independent analysis shows that Microsoft Dynamics CRM drives tangible performance benefits for banks

According to First Research, "The profitability of individual banks depends on marketing skills, efficient operations, and good risk management."¹ Achieving that is difficult enough in a normal economy. So how are bankers supposed to optimize these competency areas in a recession?

The answer: by being agile and adapting quickly to changes in the business environment and consumer behavior.

Rather than relying on the acquisition of new, hard-to-find customers, astute executives are refocusing on existing clients. That means finding ways to optimize the profitability of every customer relationship. And it means providing high levels of service to retain those customers.

A recession also demands improvements in efficiency. Banks that streamline processes to maximize income and minimize expenses will emerge as winners. A necessary precursor to achieving this end is having a deep understanding of customers' needs, wants, and demands. That level of visibility is essential to making every marketing, sales, and service dollar count.

SOLUTION TO THESE CHALLENGES

From Global 500 banks to local credit unions, banking executives are choosing Microsoft Dynamics® CRM business software to maximize the profitability of existing customer relationships while driving efficiency improvements and cost savings. The flexible software solution delivers synergistic value by integrating with legacy systems and other products in the Microsoft® product portfolio. It extends easily to other branches, and it economically supports the acquisition of other banks.

To better understand how banks are using Microsoft Dynamics CRM, Microsoft turned to The Optera Group, LLC (Optera) for an independent assessment. Optera interviewed

Independent analysis by The Optera Group shows that banks that utilize Microsoft Dynamics CRM markedly enhance their marketing, operations, and risk management results.

¹ First Research, "Banks and Credit Unions," quarterly update, October, 20 2008, p.1.

“Microsoft Dynamics CRM is a vital tool to help us manage and grow our banking business. It gives us the visibility we need into our banking operations so that we can make better decisions.”

DAVID THROGMORTON
Senior Vice President and Chief
Technology Officer, Sterling Bank

a variety of banks to document the measurable benefits they have achieved using Microsoft Dynamics CRM. The customer profiles presented below illustrate how executives are taking advantage of Microsoft Dynamics CRM to survive in a down economy.

REAL-TIME ADAPTATION TO VOLATILE ECONOMIC ENVIRONMENT

Managers who rely on customer data derived from manual tools and processes are at a disadvantage. Using spreadsheets, paper files, and e-mail communications to gather data is slower and less accurate than using electronic systems. Consequently, managers base decisions on stale information rife with errors.

To adapt to the current economy, bankers need real-time visibility into customer information. With this information, they can make more-informed choices when managing cash positions and evaluating the risk associated with those positions.

Microsoft Dynamics CRM was developed to optimize the use of customer data. The software captures data to provide bank employees with a comprehensive view of each customer’s “life” with the bank. It includes robust reporting tools that enable detailed, accurate analysis of marketing, sales, and service activities. Such data also contributes to meeting stringent regulatory requirements.

Deployments by Sterling Bancshares, Inc. (NASDAQ: SBIB) and Sasfin Bank, Ltd (JSE: SFIHF.PK) show how executives use Microsoft Dynamics CRM business software to be more agile.

Greater Loan Pipeline Accuracy Improves Loan Production and Funds Acquisition Operations

Sterling Bank has assets of U.S.\$5.1 billion and operates 59 banking offices throughout Texas. The use of existing tools and systems failed to generate sufficiently accurate loan pipeline reports. This made it difficult for managers to manage the bank’s cash position and funds acquisition process.

To overcome this challenge the bank’s CEO decided to implement Microsoft Dynamics CRM. Managers replaced manual tools with a sales-force automation system so that, today, employees use a standardized sales process that better forecasts a loan’s potential to close.

As a result, the accuracy of the bank’s pipeline increased by 71 percent (from 35 percent to 60 percent). This improved the predictability of the loan pipeline and allowed managers to better administer loan production and funds acquisition operations.

360-DEGREE VIEW AIDS ACCURATE RISK ASSESSMENTS

Sasfin Bank is a South African bank that provides financial services to entrepreneurs. Disparate systems, data silos, and manual collation processes made it difficult to quickly analyze risk and comply with regulatory reporting requirements. To overcome these challenges, managers implemented Microsoft Dynamics CRM. The benefits include:

Improved view of risk-based decisions. With a comprehensive view of customer information, underwriters can weigh risk more accurately. Microsoft Dynamics CRM replaced the manual collation of data to provide risk exposure data to users overnight—versus the three days it took using legacy solutions. Additionally, the data collation error rate fell by 80 percent.

Dramatic improvement in regulatory reporting performance. Microsoft Dynamics CRM collates customer data for export to the bank's data warehouse. Together, the cost to produce regulatory compliance reports was cut by 20 percent.

EXTENDED OPERATIONAL EFFICIENCY ACROSS THE ENTERPRISE

While mergers and acquisitions are a boon to business, they pose significant challenges for IT departments. Microsoft Dynamics CRM can help ease these hurdles. The software was designed to rapidly and economically extend to new branches so that banks realize time-to-value much faster than using alternative solutions.

MidAtlantic Farm Credit is one of the largest agricultural lenders on the east coast of the United States. It boasts over U.S.\$2 billion in outstanding loans and serves more than 10,500 members. The day after a merger with another member group, the bank implemented Microsoft Dynamics CRM. By embedding the member group's best practices into the Microsoft Dynamics CRM system and merging them with MidAtlantic's core banking processes, the member group's best practices were maintained.

ENHANCED CUSTOMER EXPERIENCE

The banks interviewed for this study have taken measures to ensure a superior customer experience. Executives cited the need to retain good customers and expand relationships with them to increase revenues.

This strategy has merit. One recent study showed that "loyalist" customers bring 24 percent more deposits and 14 percent more consumer loan balances than the national average.²

² Paul McAdam and B. Joseph Pine II, *Banking Strategies*, BAI, Customer Experience Rule, November/December 2006.

"[Microsoft Dynamics] CRM has improved our reputational standing with our central bank. All required data is now available for reporting. The access to key data also increased the efficiency of our risk management operations."

LIZANDE VERMELEN
Manager of Basel II
Implementation, Sasfin Bank

“[Microsoft Dynamics] CRM facilitated our ability to grow while keeping the same high level of satisfaction among our customers.”

SANDY WIEBER
Director of Marketing,
MidAtlantic Farm Credit

To improve the customer experience, executives at MidAtlantic Farm Credit and Banca Transilvania implemented Microsoft Dynamics CRM.

High Service Ratings Maintained While Doubling in Size

When east-coast farmers need to finance large livestock purchases, buy a new farm machine or agricultural real estate, many turn to [MidAtlantic Farm Credit](#). The banking co-op’s customers fit within a wide array of niche segments.

The bank used low-tech tools and systems to track leads, marketing campaigns, and customers. This led to silos of “tribal knowledge” in which valuable customer histories resided with individual employees. Although account representatives provided stellar customer service, other employees lacked the visibility into customer data that would allow them to match that service.

The bank’s deployment of Microsoft Dynamics CRM overcame these shortcomings. Customer data is now a corporate asset and resides in a centralized location for current and future employees to use. As a result, bank deposits grew by 100 percent over eight years while customer satisfaction and employee headcounts remained constant.

Faced with growing competition in its market, Romania’s [Banca Transilvania](#) launched an initiative to improve the retention rate among 1.25 million customers. It converted a call center into a multi-channel contact center to handle the 360,000 customer inquiries received annually. Managers then replaced the existing telephone-based customer information system with Microsoft Dynamics CRM.

Now, more than 500 branches and about 900 employees use Microsoft Dynamics CRM to process multi-channel customer contacts. Using the software has delivered a number of benefits, including:

[A 20 percent increase in the resolution rate at branch locations](#) (1,500 contacts per month). A comprehensive customer view allows branch employees to improve their first-call resolution rates while reducing their per-instance time-to-resolution. This has improved customer experience and strengthened customer relationships with branch staffers.

[Contact center productivity increased by 30 percent.](#) The use of automated workflows and tasks, along with built-in forms and reports, in Microsoft Dynamics CRM dramatically improved service representative output. As a result, customers were answered sooner and the time to resolve issues was reduced.

OPTIMIZED PROCESS EFFICIENCY

The current recession has delivered a blow to banks. Shrinking loan pipelines and service-fee income have driven down revenues. Simultaneously, many major financial institutions have announced large-scale layoffs. In response, executives are revisiting

their processes to discover ways to boost efficiency and maximize the return they get on their budget investments.

Because Microsoft Dynamics CRM is configurable, easy to customize, and quick to deploy and integrate with existing solutions, banks can bring finely tailored solutions to market that significantly improve their ability to manage marketing, sales, and service operations. The following banks illustrate this point:

Reduced regulatory reporting staff by 75 percent to save U.S.\$625,000 over five years. Sasfin Bank managers markedly improved operational efficiency by integrating Microsoft Dynamics CRM with existing systems and automating their regulatory reporting process.

Established best-in-class telesales conversion-to-revenue rate of 6 percent. Banca Transilvania deployed Microsoft Dynamics CRM as a marketing and telesales tool. After standardizing and automating processes, telesales productivity improved by 25 percent.

Increased marketing campaign management efficiency by 20 percent. By reusing marketing campaigns that included contacts, activity lists, and notes, MidAtlantic Farm Credit cut wasteful labor hours that were devoted to recreating campaigns.

Business intelligence optimizes marketing spending. MidAtlantic Farm Credit managers used the business intelligence capabilities in Microsoft Dynamics CRM to trace \$900,000 in loan closings to contacts made at a trade show that was slated for cancellation. Consequently, MidAtlantic reversed the decision to cancel the lucrative event. Today, marketers analyze the performance of all initiatives to ensure that marketing spending supports high-value programs.

Development Tools Cost-Effectively Support Other Banking Operations

Microsoft Dynamics CRM uses industry-standard development tools and languages to make it easy for banks to adapt the software to processes other than marketing, sales, and service. This liberates executives to improve operations and customer experience in ways not normally associated with CRM systems.

50 percent increase in Internet banking sales. Banca Transilvania integrated Microsoft Dynamics CRM with the process the bank uses to issue log-on credentials to its online banking Web site. Consequently, the time to issue credentials was cut by 75 percent. Managers attribute this reduction to a 50 percent increase in sales by the Internet banking solution.

Cost of Microsoft Dynamics CRM amortized over additional applications. Sterling Bank managers used Microsoft Dynamics CRM to cost-effectively develop a "lead referrals module" that is now part of employee compensation plans.

Microsoft Dynamics CRM Configured to Boost Efficiency of Collections Operations

"Users adopted the system quickly because of its look and feel. The Microsoft Dynamics CRM solution consolidates all our operations and information through a single user interface. Many manual tasks are now automated and access to information is much faster."

IONELA ROȘ

Contact Centre Department
Manager, Banca Transilvania

“What I really like about [Microsoft Dynamics] CRM is that it’s infinitely configurable. We can do what we want with it today, and it is flexible enough as a platform to use for something else that we haven’t even thought of yet. In my 35 years in IT, this has been the best product I’ve seen in terms of the flexibility to adapt it to our needs.”

PAUL HOLLAND
Executive Vice President and Chief
Operations Officer, Southcoast
Community Bank

South Carolina–based [Southcoast Community Bank](#) implemented Microsoft Dynamics CRM to improve the accuracy of pipeline reports. However, as the recession deepened, executives noted a rise in the number of non-performing loans. Collections periods also were increasing. With only two agents working collections, the increasing workload began to take its toll. After evaluating alternatives, managers decided that the Microsoft Dynamics CRM software would be an ideal tool for developing a “collections module.” This had a number of advantages including:

Shortened time-to-use. The cost to purchase banking-specific collections applications was prohibitive. By utilizing Microsoft Dynamics CRM, managers capitalized on an existing solution to implement a collections system sooner and more economically than would have been possible with alternative options.

Increased collections productivity. With the collections module, the bank’s two agents can administer many more collections cases without the need to add new personnel.

Better collections management. With Microsoft Dynamics CRM, executives have detailed visibility into collections to help them manage for maximum profitability.

SUMMARY

With Microsoft Dynamics CRM, the six banks surveyed in this study have better tools for weathering the recession. These banks use Microsoft Dynamics CRM to optimize marketing initiatives so that budgets are applied only to high-value opportunities, and they use the workflow engine in Microsoft Dynamics CRM to automate processes to improve the efficiency of loan production, funds acquisition, and risk management operations. Finally, these banks are using a 360-degree view of clients to improve customer service. In so doing, they promote retention rates and identify opportunities to maximize the value of existing customer relationships.

ABOUT THE OPTERA GROUP, LLC³

The Optera Group is a professional services company that specializes in helping clients understand how they touch and impact their customers. We focus our services on helping our clients:

- Understand their customer experience model.
- Explain their leadership and value propositions to their customers.
- Define customer-focused marketing and sales strategies.

We specialize in applying these services in the business-to-business technology fields and have extensive experience in IT best practices, business IT alignment issues, and assessing the Definitive Economic Value of IT investments.

To learn more, please visit us at:

www.opteragroup.com

MICROSOFT DYNAMICS

Microsoft Dynamics is a line of integrated, adaptable business management solutions that enables you and your people to make business decisions with greater confidence. Microsoft Dynamics works like familiar Microsoft software, such as Microsoft Office, which means less of a learning curve for your people, so they can get up and running quickly and focus on what's most important. And because it is from Microsoft, it easily works with the systems that your company already has implemented. By automating and streamlining financial, customer relationship, and supply chain processes, Microsoft Dynamics brings together people, processes, and technologies, increasing the productivity and effectiveness of your business, and helping you drive business success.

For more information about Microsoft Dynamics, go to:

www.microsoft.com/dynamics

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