

## CRM Technology – Why Your Core System May Not Be the Best Solution

By Rich Weissman, DMA

CRM origins are not in banking, but in other industries which needed to manage sales/service activities in an organized and systematic way. Only recently has CRM become a focus in banking. In the broadest sense, CRM encompasses all types of external customer/prospect contact, where CRM is meant to enhance the new customer acquisition process, as well as broaden and retain existing customer relationships.

CRM is both a strategy and a technology. Most banks tend to think about CRM as only a “system” – tracking customer and prospect contacts. This is just part of the equation. CRM should also define a business philosophy about how customers/prospects are “owned” and managed over the life of that customer/prospect. Successful CRM’s integrate the strategy with the system.

Many banks look to their core processing systems for CRM support. However, core systems are fundamentally designed to provide a platform by which the bank can operate, and may not be the best solution for CRM. Use of the core system should focus on the breadth of products you are able to offer your customers through the system, and the flexibility and customization of the ways in which you can price products to your customers through the system, and other operational functionality. The core system is about your accounts/product files and your general ledger. Doing these well is what core systems are all about.

Core systems are not meant to be the foundation for your analytics, data modeling, and other sophisticated database activities. Instead, these functions are typically designed with a different focus from core systems, and for CRM, this is critical to understand. Simply having a CRM that is provided by your core system is not a reason for using it. Instead, ensuring that you have selected the optimal CRM solution, with all of the important analytics behind it, is job number one, and often that solution is not with your core system.

### Let’s Be Honest, Most CRM’s Fail

The success rate of CRM’s has been poor. Very few have successfully implemented and utilized CRM’s, and most have found that their investment in these systems has not demonstrated positive returns. Why have most banks failed in their CRM efforts?

First, many did not understand that in order for CRM to produce results, there must be a strategy behind the system, founded on the concept that customers/prospects grow in their relationships and contribution to the bank. This ensures customer/prospect “ownership” within a sales/service force.

- Many did not appreciate that simply obtaining a system was not the end-result. The hard work of transforming a culture is well beyond simply bringing the CRM system live.
- Many look at CRM’s as simply a “place” where information can be entered to help track customer contact, and these became nothing more than an “automated rolodex.”

- Many did not integrate the CRM system with other activities that support sales/service. Many did not appreciate that CRM goes hand-in-hand with MCIF, sales tracking, score-carding, customer/prospect pricing, incentive plans, and other important components.
- Many thought they could do it alone and did not utilize the resources of an outsourced provider through cloud technology, who can handhold and support CRM activity over the years.
- And, many missed the key ingredient in CRM: profitability. Without customer and prospect profitability measurements the system is not pointing officers in the right direction relative to growing customers/prospects for increased profitability contribution.

### **Critical Questions**

When evaluating a CRM system, these questions should be front and center:

1. Do we have a solid CRM strategy built (if we don't, evaluating a CRM system is premature)?
2. Is the CRM system simply a place in which sales/service officers can enter information, or is it a place where sales/service officers go to learn about the customer/prospect and enhance their knowledge about them? Does the CRM system provide intelligence that is not otherwise known about the customer/prospect?
3. Is the CRM system outsourced? Does the outsourced provider integrate lots of other data and intelligence into the system? Does it model customer/prospect behavior and point sales/service officers in the right direction?
4. Most importantly, does the CRM system integrate customer/prospect profitability into the equation?

If the answers to these critical questions are not found in your core system, it is advisable to look beyond your core system for a solution.

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