



White Paper



Six Ways to Improve Customer
Loyalty and Drive Retention
with Integrated CRM

Six Ways to Improve Customer Loyalty and Drive Retention with Integrated CRM

TABLE OF CONTENTS

6 Ways Integrated CRM Can Drive Customer Loyalty:.....	4
1. Provide Consistent Customer Service Across the Enterprise	4
2. Segment Clients and Tailor Service Accordingly	5
3. Provide Personalized Support in Context of the Household	5
4. Improve Client Onboarding	6
5. Implement a Coordinated Customer Communications Strategy	6
6. Enable Customer Self-Service	7
NexJ Contact for Finance	7
Case Study	9
Conclusion	10

Customers come and customers go. It's a fact of life. But it doesn't mean organizations should quietly accept high turnover rates without attempting to mitigate losses.

The average financial services firm turns over customers at a rate of 12.5% per year. That's a lot of revenue (current, future, and referral income) to lose – even before the cost of acquiring new customers is considered. In fact, organizations are significantly more likely (60 to 70%) to increase sales to a current customer than to win back a former customer (20 to 40%) or close a sale to a prospect (5 to 20%).¹ Keeping customers loyal helps reduce the expense and effort of finding new customers to replace the revenue. This is particularly important in wealth management, where Bain & Company's analysis finds that loyal affluent customers are nearly 3.5 times more profitable for organizations than the average customer.²

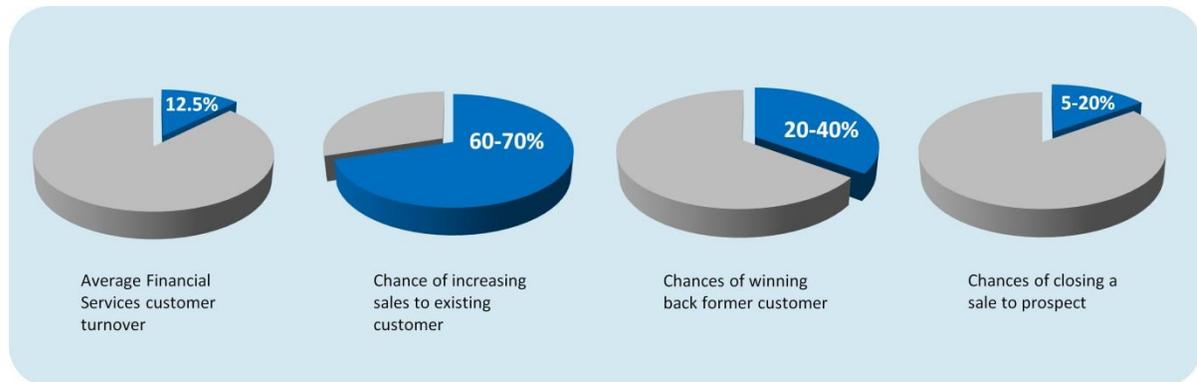


Figure 1: *The Cost of Customer Churn. Financial Publishing Services*

Large banks are having a particularly tough time, with customers defecting to credit unions and smaller banks, says Claes Fornell, founder of The American Customer Satisfaction Index (ACSI), a national economic indicator of customer evaluations of consumer products and services in the U.S. Fornell speculates that it is easier for smaller banks to provide personalized service than their larger counterparts. Wealth managers are having an equally difficult time, notes Bain & Company, whose Global Wealth Management study of 20 companies and 100 senior executives found that more customers are seeking professional wealth management but are doing so with less trust and more skepticism than in the past.³

This makes minimizing customer churn and improving customer loyalty hot topics in the financial services industry these days, as companies seek to stem the flow of customers and reduce associated costs.

While a 2008 global customer satisfaction survey conducted by Accenture found that poor service prompted more customers to change service providers than in each of the four years previous⁴, there are a number of other factors contributing to the high rates of customer turnover, including:

- ▶ Increased competition on all fronts, including online brokers

Six Ways to Improve Customer Loyalty and Drive Retention with Integrated CRM

- ▶ Disappointing returns caused by the credit meltdown and low interest rates
- ▶ Limited differentiation between offerings
- ▶ Easy access to competitors, social media commentary, and information via the Internet
- ▶ Consolidation of corporate customers through mergers, and resulting consolidation of banking partners

While some degree of customer churn is inevitable, an integrated enterprise-wide loyalty management strategy can help identify valuable clients and keep them loyal and profitable. To this end, successful companies are embracing a customer-centric service model, stratifying customers by their value to the company, identifying customers at risk of churn, and tailoring service accordingly to increase the loyalty and engagement of customers across the enterprise. Accenture's survey also identified customer centricity as a critical element in gaining and retaining profitable customer relationships.⁵ This principle applies to customers across the board. Referring to high net worth individuals, Bain & Company noted that, "A strong customer experience creates high levels of customer loyalty, which is vital to increasing profitability ... loyal customers give their financial service providers a larger share of their business, recommend them to friends and colleagues and cost less to serve."⁶

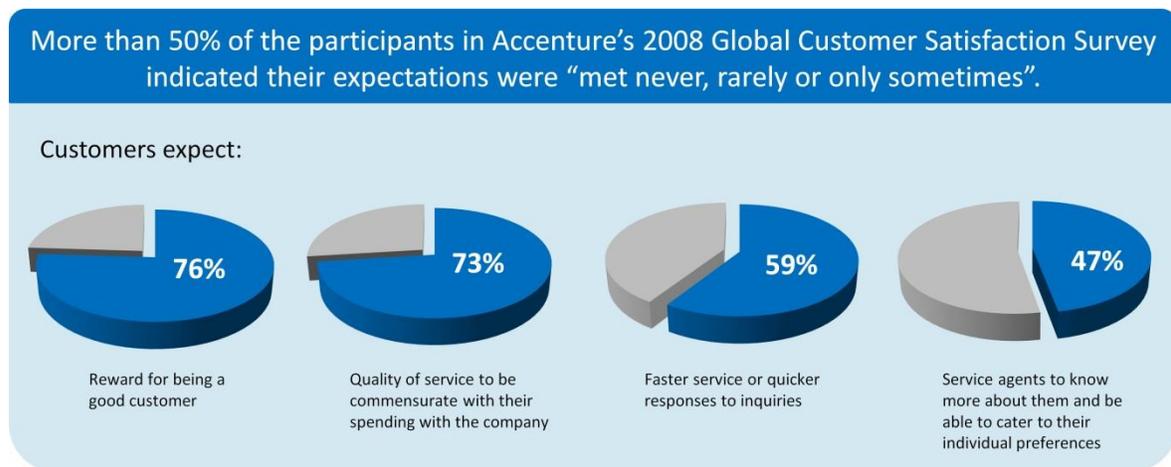


Figure 2: High Performance in the Age of Customer Centricity, Accenture 2008 Consumer Satisfaction Survey⁷

Developing loyal relationships is not an overnight process. To be successful, personalized interactions and consistent service must be seamlessly embedded into the very fabric of company processes. In 2003, Wells Fargo put this premise to the test, by linking its business units to deliver a more seamless experience its customers.

The goal was to decrease customer churn, as the company estimated that every 1% reduction in customer turnover would increase net profits by \$20 million. According to Financial Publishing Services, Wells Fargo raised its customer retention rate by 6% in the first year of the initiative.⁸

An integrated enterprise customer relationship management (CRM) solution provides the tools and information organizations need to eliminate common causes of customer churn and foster enduring customer relationships.

6 WAYS INTEGRATED CRM CAN DRIVE CUSTOMER LOYALTY:

1. Provide consistent customer service across the enterprise

Customers want to receive personal, efficient service, no matter what department they contact or channel they use (e.g. telephone, email, social media). There's only one way to achieve this, and that's to ensure every user in your company has access to the same, comprehensive customer information.

Essentially, this means shifting from an account- or product-centric paradigm to a customer-centric model by integrating all data sources and applications to create a single true view of the customer across the enterprise. Traditionally, divisions, departments and even users have maintained independent data stores, resulting in inconsistent customer service, an inefficient customer experience, and failure to address the client's needs – all of which chip away at a customer's loyalty over time.

Integration resolves all of these issues by combining all information stored in back-office systems and databases into a single unified view of a customer across the enterprise. Integrated enterprise CRM provides all users with access to the same customer information, as well as the ability to supplement it with newly captured information and make that data immediately available across the organization. This eliminates the need for customers to repeat their information to different departments or service reps. It allows users to record valuable insight on a customer's goals, buying triggers, and future needs and leverage this information to personalize communications. Most importantly, it enables any user in the company to recognize the value of the customer to the organization, based on business with other departments or branches, and tailor service accordingly. This level of efficient, personalized service is vital in promoting customer satisfaction and enduring relationships.

Any integrated data, including revenue, assets under management, and value of referrals, can be used to segment customers by value to the organization, implement tiered loyalty programs, and create inter-departmental coverage teams delivering specialized expertise in support of client needs to manage the frequency and type of customer touches. An integrated customer-centric system enables users to base their services on a holistic view of the client's lifestyle, relationships, and interests and plan interactions accordingly. The key is in making every interaction relevant, insightful, and efficient in the eyes of the customer. Integration provides intelligent opportunities for interactions and prevents frustration caused by too many communications,

or conflicting or duplicated requests. According to the Accenture 2008 Global Consumer Satisfaction Survey, "Consumers who did not believe the customer service experiences were usually relevant and meaningful to their expectations were three times as likely to change providers as consumers who believed their service experiences met their expectations."⁹

Leveraging information from across the enterprise is even more important in selling more products to solidify the customer relationship, as customers with more than one product or service with an organization are less likely to migrate elsewhere than those with products based on a

one-off sales opportunity. For example, a wealth advisor may learn of a customer's interest in a vacation property. While this information may not fit the advisor's products, it provides a meaningful opportunity to deepen the customer's engagement with the organization's mortgage or insurance department.

To be successful, personalized interactions and consistent service must be seamlessly embedded in the very fabric of customer processes.

Six Ways to Improve Customer Loyalty and Drive Retention with Integrated CRM

2. Segment clients and tailor service accordingly

Customers are more at risk of defecting than ever before, as pushback on fees, low returns, and actively poaching competitors drive down satisfaction. Organizations looking to stem the flow have turned the spotlight squarely on customer retention strategies but a sweeping, 'one size fits all' program is not the answer.

Quite simply, not all customers are created equal. Losing a small percentage of high value customers can be catastrophic, while letting go of low value clients can actually raise profitability. For example, JPMorgan Chase & Co calculates that 70% of its customers with less than \$100,000 in deposits and investments would become unprofitable in light of regulatory caps on lending and banking fees. Not surprisingly, the company is looking to deepen relationships with affluent customers, says Todd Maclin, Chief Executive Officer of Consumer and Business Banking.¹⁰

Customer turnover rates are highest in the first three months of the customer lifecycle, before loyalty is established.

This makes it essential that organizations calculate the lifetime value of each customer, define tiers, and set service levels accordingly to engage the resources and implement strategies that cement loyalty in the most profitable manner possible.

"Maximizing profitability is about achieving a balance between what your clients need, want and expect and what you can deliver efficiently and profitably," says Julia Littlechild, President of Advisor Impact.¹¹ Littlechild

recommends that organizations identify their client profitability drivers, which could include assets under management, revenue, referrals, potential, time to service, and connection to a top client, then score each dimension to tier each client. Segmenting customers in this way enables organizations to streamline communications, automate interactions, manage expectations, and improve loyalty.

With integrated CRM, organizations can leverage information stored in multiple applications and databases to segment customers by any criteria ranging from assets under management to a complex weighting of volume of asset, number of referrals and types of accounts.

An integrated customer-centric system enables users to base their services on a holistic view of the customer's lifestyle, relationships, and interests.

Organizations can define rules for the types and frequency of interactions per tier and use automation or intelligent prompting to deliver intelligent interactions that prove to customers that they're valued and understood. Integration across the enterprise ensures that any feedback or changes to customer needs can be respected and leveraged during every interaction. For maximum success of the tiering strategy, managers can track performance against targets for both the customer and the advisor, revise rules on the fly, and easily roll out new strategies across the company.

3. Provide personalized support in context of the household

Loyal customers hold the key to a wealth of opportunity in their relationships with family, friends, and colleagues. Not only are these customers likely to entrust more accounts to an organization, they're also more likely to recommend the company to friends and family members. Leveraging this information not only contributes to the bottom line, it also helps create a self-propagating cycle of loyalty. For example, a rewards program for referrals would reinforce the customer's feeling of being valued. At the same time, adding products for family members to the customer's portfolio deepens the customer's attachment to the organization, as customers with more products are less likely to defect. Providing support in the context of the household also enables organizations to identify and segment valuable households, thus ensuring appropriate service is provided to all members of the household, regardless of their individual value to the organization. For example,

placing the child of a wealthy parent in a higher tier than she would otherwise qualify for based on her own assets under management not only raises the parent's satisfaction, it also positions the organization to increase assets under management for the child in case of an inheritance. Finally, organizations providing service in the context of the household also have the opportunity to create loyal customers from the cradle by leveraging early opportunities to provide products to children of clients.

Therefore, for maximum success, loyalty must be fostered by providing support tailored to the individual as well as to the customer's sphere of influence. Unfortunately, companies that lack the ability to coordinate the efforts of advisors and departments can easily miss valuable opportunities to capitalize on these relationships.

An integrated CRM solution can help users record additional information about family members. A solution with intelligent business logic can recognize specific items such as life events or specific areas of interest and drive users to take proactive action, such as sending a card or contacting a new parent to set up a savings plan for the child's post-secondary education. Integration and visibility to all customer information within the firm is the key driver in ensuring users are proactive and providing the customer with the right product or service offering at the right time to improve loyalty and customer satisfaction.

**Attrition rates decline
dramatically when customers
feel connected to the brand.**

4. Improve client onboarding

Onboarding is a frequently overlooked but critical stage in building loyalty. Onboarding represents the first major interaction with a customer and it's critical that it be a positive experience, as the relationship is most at risk in this early stage and loyalty is not yet established. In fact, The Aite Group found new wealth management customer

attrition rates to be highest in the first three months of the customer lifecycle. At the same time, this time period is responsible for the greatest rate of asset growth in a customer lifecycle – 3.7 times higher than in the first three years for one bank's wealth management clients studied by Aite.¹²

Therefore, the customer's experience during onboarding can not only set the tone for the relationship and determine the amount of business provided by the customer, it can actually shorten or extend the duration of the relationship.

Onboarding is more than just a matter of opening a new account. It can last an entire service cycle which can extend beyond the first year. Properly managed, onboarding can help organizations gather the information they need to provide full, personalized service and to tailor the products and services they offer to customers throughout the relationship. This process saves the customer time and creates a solid first impression with efficient, streamlined service and helps keep clients satisfied in the early stages of the relationship before loyalty is established.

An integrated CRM solution that automates account opening and streamlines the onboarding process is particularly helpful in standardizing and presenting all the information (life events, interests, goals, and household information) users need to tier customers, increase assets under management, and provide high quality service that fosters loyalty throughout the customer lifecycle. The customer need only provide information once to have it accessible throughout the organization. This time saving convenience plays a big role in making future interactions convenient and valuable which, in turn, promotes customer loyalty.

5. Implement a coordinated customer communications strategy

Customers are bombarded with advertising and information on alternative products from multiple fronts, including television, radio, pay-per-click advertising, social media posts, and search engine results. Organizations must therefore stay in touch with their clients, as customer attrition rates decline dramatically when customers feel connected to the brand. This has created a challenge for organizations as they walk the fine line between staying topical in their customers' minds without cluttering their lives with impersonal or irrelevant communications.

Six Ways to Improve Customer Loyalty and Drive Retention with Integrated CRM

To be effective in building loyalty, all touchpoints must be personalized and meaningful to the customer. This is tricky enough when dealing with customers face-to-face, but the difficulty ramps up even more for “cooler” interactions such as email communications.

An integrated CRM solution can help organizations implement a coordinated, company-wide communications strategy that delivers well-targeted messaging at a pace that suits the customer’s preferences and value to the organization. This is key, as siloed departments and advisors run the risk of peppering customers with too many messages, conflicting messages, or irrelevant messages, which is ultimately more likely to aggravate than build loyalty. An integrated solution, by contrast, can prompt users across the enterprise to engage in proactive, intelligent interactions at the appropriate times and automatically send personalized communications tailored to the customer’s needs.

The Bank of Montreal put this personalized communications strategy to the test in 2005, when it segmented its customer base into a range of customer profiles, and used these to drive regular meaningful communications. According to the company’s Senior Manager of Customer Acquisition and Development, the initiative has resulted in a 10 to 15% increase in market share and 30% decrease in customer attrition.¹³

6. Enable customer self-service

Today’s customer values choice – specifically the opportunity to select how and when to communicate with service providers. With their ‘anytime’ availability, web-based communications are increasingly popular, which makes a customer self-service portal a ‘must have’ for organizations looking to ensure customer satisfaction.

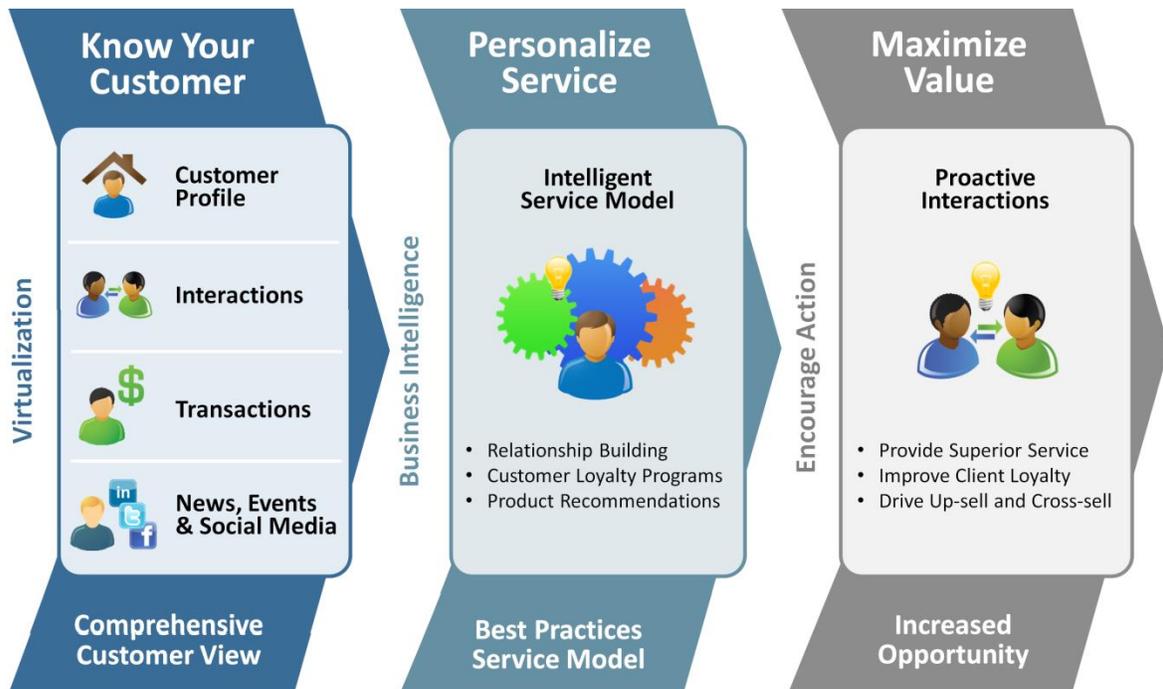
A branded portal allows customers to update information, request service, and access trusted content at their convenience. Portals can provide the right information for the customer, which serves the dual purpose of offloading minor administrative functions from the user while simultaneously empowering the customer to receive and provide information over a preferred channel. Provided the customer service portal is useful and easy to use, this ability for customers to take action for themselves can be a powerful tool for improving the customer experience and contributing to a loyal relationship.

At the same time, organizations must be wary of taking the advisor out of the equation by providing too much information through self-service. An integrated CRM solution with a self-service portal allows the customer to view a select portion of the same information as the advisor, records activities within the portal for internal review, and enables the advisor to provide added value to the customer by following up with more detailed information. Secure communication exchange within the customer portal is another opportunity to add value while accommodating the customer’s preference for self-service.

NEXJ CONTACT FOR FINANCE

To successfully support customer loyalty and retention initiatives, a CRM solution must integrate multiple applications into a single desktop and automate key workflows that support a positive customer experience.

NexJ Contact for Finance is a next generation enterprise CRM solution designed for tight integration, massive scalability, and easy customization. NexJ Contact combines best-of-breed CRM functionality with industry best practices and data from back office and legacy systems, customer interactions, and third party news feeds. This enables NexJ to deliver a comprehensive customer view to users across the enterprise, including advisors, call center agents, and customers themselves via a secure self-service portal. This holistic customer-centric view of the customer includes typical CRM data like contact information, activities, tasks, past conversations and emails, as well as the key information that resides in back office systems across the enterprise, such as portfolio management, book of record, compliance, etc. Users in the office and the field can access the same data on a desktop, mobile device, or web portal.



Customer self-service can be a powerful tool for improving the customer experience and building loyal relationships.

NexJ Contact automates workflows and delivers a wealth of actionable information and insights directly to users to facilitate intelligent interactions, personalized communications, enhance customer service, and dramatically increase customer loyalty and profitability. Financial services industry best practice functionality, such

Six Ways to Improve Customer Loyalty and Drive Retention with Integrated CRM

as onboarding and customer loyalty management, enables users to incorporate customer loyalty initiatives seamlessly into every interaction with customers.

NexJ Account Opening for Client Onboarding is designed to streamline and enhance information capture, automate interactions and form fill requirements, and improve the customer experience during this high turnover stage. When ATB Investor Services implemented NexJ Account Opening for Client Onboarding, for example, an advisor was able to open an account and execute \$1 million in trades on the first day – a process that would previously have taken 3 days.

NexJ Customer Loyalty allows users to segment customers and manage key interactions based on defined service levels. Service levels can be automatically set based on configurable criteria or rules. NexJ will then schedule activities, such as KYCs, next proactive touch, or quarterly review, automatically assign users, and prompt users for overdue tasks.

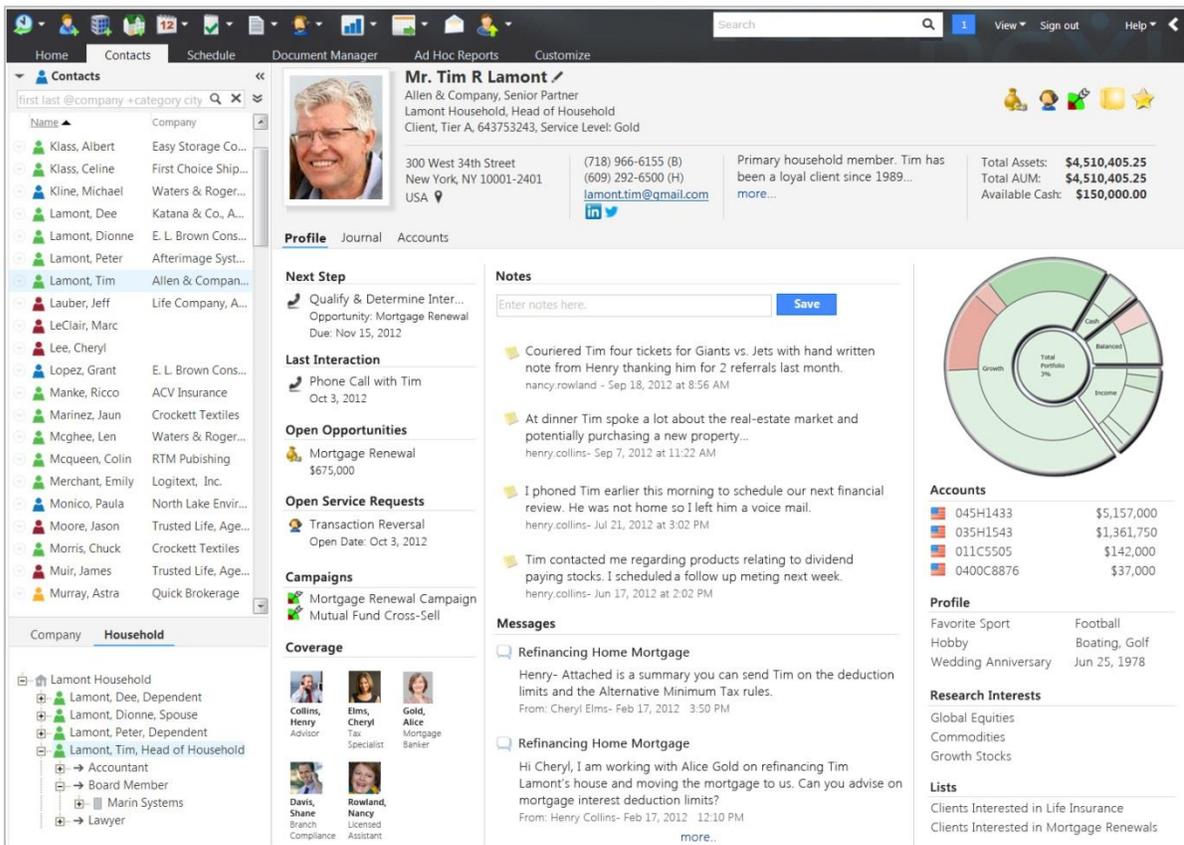


Figure 3: Integrated Advisor Desktop

With NexJ's integrated desktop, every interaction with customers can be automatically personalized and meaningful. Whether the interaction occurs over the phone, Internet, customer self-service portal, or other channel, users can immediately leverage the wealth of data stored about the customer to streamline and tailor service.

CASE STUDY

Wells Fargo Advisors was interested in implementing an integrated client loyalty program. The organization saw an opportunity to begin developing client loyalty during its onboarding process by treating onboarding as a yearlong process and managing the customer's first impression throughout the year, including how she feels she is treated each quarter, how informed she feels, etc.

Wells Fargo Advisors selected NexJ Customer Loyalty to administer and automate its loyalty program. Using NexJ Customer Loyalty, Wells Fargo Advisors was able to define customer segments and apply structured service programs to each segment. NexJ Customer Loyalty coordinates and prompts users for key checkpoints and non-financial touches to ensure a positive client service experience over the long-term. This enables users to spend more time on top tier clients, e.g. provide Tier A clients with a monthly proactive touch and quarterly financial review. Users are also prompted to conduct non-financial, proactive touches to learn about life events that drive product cross selling and deepen customer engagement with Wells Fargo Advisors. With NexJ Customer Loyalty, service models are seamlessly embedded in the company's processes, ensuring that commitments to firm- and advisor-defined service models and customer loyalty programs are met, and progress is tracked over the each sales cycle.

CONCLUSION

"Customer relationship management has become a key process in the strengthening of customer loyalty and in helping businesses obtain greater profit from low-value customers ... Customers no longer guarantee their loyal patronage, and this has resulted in organizations attempting to better understand them, predict their future needs, and decrease response times in fulfilling their demands."¹⁴

When profile, account, and interaction data resides in multiple disparate systems, the inability to coordinate interactions and provide holistic service becomes a real barrier to fostering these relationships. An integrated customer-centric CRM system, by contrast, delivers key data and analysis directly to the advisor's fingertips to support intelligent proactive advice and differentiation on the basis of value-added service.

An integrated CRM system is critical in creating a unified view of the customer and ensuring each customer touch is productive, appropriate and appreciated. Without clear information on the last customer touch, advisors risk irritating clients and creating a poor impression of the firm. Integrated CRM enables advisors to easily review the customer's holdings, recent transactions, interests, notes, etc. prior to a sales call or check-in phone call. This ability to understand and safeguard the client's best interests deepens the client-advisor relationship and strengthens the engagement between the organization and the customer.

As increased competition, a shrinking customer base, and limited differentiation inflate customer churn rates, successful companies are retaining valuable clients and driving revenues with loyalty programs driven by integrated CRM.

NexJ Systems delivers enterprise CRM to financial services companies with sophisticated customization and integration requirements, including three of the top six global wealth management organizations. NexJ's CRM solutions are specifically designed to address complex information management problems, promote advisor and customer loyalty, and drive revenues in an increasingly competitive marketplace.

END NOTES

- 1 The Cost of Customer Churn. Financial Publishing Services. www.fpsc.com.
- 2 Chishty, S., Erasmus, M., Oberstein, J. (2011). Winning in wealth management. Bain & Company, Inc.
- 3 IBID
- 4 High Performance in the Age of Customer Centricity. (2008). Accenture 2008 Consumer Satisfaction Survey.
- 5 IBID
- 6 Chishty, S., Erasmus, M., Oberstein, J. (2011). Winning in wealth management. Bain & Company, Inc.
- 7 High Performance in the Age of Customer Centricity. (2008). Accenture 2008 Consumer Satisfaction Survey.
- 8 The Cost of Customer Churn. Financial Publishing Services. www.fpsc.com
- 9 High Performance in the Age of Customer Centricity. (2008). Accenture 2008 Customer Satisfaction Survey.
- 10 Marcinek, L. (2012, Feb.). JPMorgan: Clients With Less Than \$100K Unprofitable. Bloomberg L.P. Laura Marcinek.
- 11 Littlechild, J. Laying a Foundation for Improved Profitability. Advisor Impact for NexJ Systems.
- 12 Schmitt, S. (2011, July). Wealth Management Onboarding: Expanding Beyond Account Opening. Aite Group LLC.
- 13 The Cost of Customer Churn. Financial Publishing Services. www.fpsc.com.
- 14 Barko, C., Moosa, A., Nemait, H. (2011, Jan.) E-CRM Analytics: Leveraging Data Integration for Prospective Customer Insight and Breakthrough ROI.



NexJ Systems Inc.

10 York Mills Road, Suite 700,
Toronto, Ontario M2P 2G4

P: (416) 222-5611 F: (416) 222-8623
info@nexj.com www.nexj.com

About NexJ Systems

NexJ provides enterprise customer management solutions to the financial services and insurance industries. Our solutions, which integrate information from multiple systems into a unified view, include industry-specific customer relationship management (CRM) for multi-channel engagement and collaboration; customer process management for client onboarding and KYC; and customer data management to better understand customers across line of business and regional data silos.

Copyright © 2015 NexJ Systems Inc. All rights reserved. NexJ and the NexJ logo are either trademarks or registered trademarks of NexJ Systems Inc. All trademarks are the property of their respective owners. 15/10/12