Opinion piece

Managing branch customers

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In the last few months, we have been working on several financial services projects in which the main focus was achieving customer relationship management (CRM) objectives in branches. The objectives are the classic, simple ones — up-sell, cross-sell, retention — but with a strong focus on efficiency. We have found ourselves saying to clients — ‘You do realise that you are both a bank and a retailer, don’t you? Do you talk to retailers about their experiences of branch CRM? Do you learn from them?’ Nearly always, the answer has been ‘No’. Banks benchmark against each other, and that is it. Of course, the two domains are not the same. Visiting and transactions patterns are different — though this depends on the type of retailing. Buying a new kitchen has many similarities to buying a pension, for example, in terms of frequency, outlay, after-sales requirement and need for advice. There are of course other reasons for bankers to look ‘over the fence’. Grocery retailers and others are selling banking products using techniques that are not that different from those they use to sell their core produce. Franchising techniques developed in areas such as fast food and consumer services are also being used by banks.

Both communities are affected by the internet. Although we no longer expect a complete bypass of branches by the internet, it has nonetheless made a big difference to the way branches are evolving, not just in changing the economics of distribution (CRM and transactions management), but also in terms of enabling partnerships with all kinds of other businesses, from retailers to internet-enabled aggregators. Combining e-business techniques with other developments in marketing and service technology (such as advanced analysis and profiling techniques) has allowed branches to focus on the needs of different target customer segments (geographical, demographic, needs-based) and individuals. Branches can be more closely attuned to the needs of their customers. Banks and retailers can and do promote products more suited to the needs of customers — through in-store promotions to overall segments and individually-targeted cross-sell. In banking, individual marketing works mainly via prompts to customer service assistants in branches, calls from call centres, and sometimes from the branch, to customers who fit particular profiles. In retailing, it works mainly via mailings of coupons or in-store printing of coupons through insertion of a loyalty

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card into a kiosk, or at a till. The more successful practitioners of these approaches have increased branch throughput (both sectors need to maximise their yield on expensive real estate), and also allowed reductions in other marketing expenditures, further increasing efficiency.

In banking, however, current distribution channels (branches, call centres and e-channels) are the largest operating expense but are not delivering the growth and profitability banks want. In the UK, most customers use physical branches. Even for customers who rarely use them for transactions, they are still seen as the embodiment of the bank, and often the place at which significant changes in the relationship take place (eg account openings, complex financial products bought or at least investigated, serious problems resolved). They are changing, but most banks have more or less finished their big programmes of branch rationalisation (in rural and certain suburban locations). So, despite the prediction of the branch's demise and the forecast of branches being overtaken by internet, wireless and call centres, many institutions plan to increase their number of branches over the next years, sometimes in joint ventures with, for example, retailers, or as franchises.

Branch delivery of service has developed through several stages, from the old 'bricks and personal service only', through introduction of self-service branches, to sales branches with transactions handled in other channels. In the future we may see proliferation of the so-called Branch Portal, combining the best of all approaches but still clearly centred on the branch. This approach will include reviving the human touch,

empowering staff to give better and different sales and advice, and integrating e- and call centre channels with the branch approach. Some customer types, however, will move fully to e-banking and abandon the branch altogether. Banks will still continue to be challenged by the fact that these tend to be higher-value customers. This trend is not so evident in most areas of retailing, where the physical nature of the product favours browsing and the 'see-touch-feel' approach.

Perhaps the most interesting fact in all this, however, is that banks that have used absolutely classic database marketing and retail techniques — cleaning databases, profiling, targeted cross-selling, combined with appropriate staff policies (remuneration based on customer value rather than product, branch scorecards balancing product, customer and cost indicators, motivation and training focused on customer value and customer service) have had great success in moving away from the awful situation where 10 per cent of customers produce more than 100 per cent of the profits. In this respect, most (but definitely not all) UK banks are some way behind certain Canadian and Australian banks, though in the UK a couple of leaders have broken away from the pack. In the USA, perhaps surprisingly, the exceptions prove the rule — there, most banks are emerging from a period when they dominated their individual state and are learning to compete for customers using these classic techniques.

Conclusion — branch banking CRM is not magic, and some companies are doing it quite well. As in all other sectors, however, companies that rush at it are not.