



Customer Relationship Management in the
Dutch Private Banking Market

Survey Results 2001



**CAP GEMINI
ERNST & YOUNG**



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ABOUT THE AUTHORS

This report is based on a survey conducted in the last quarter of 2001. For the survey Cap Gemini Ernst & Young interviewed 17 Private Banks in the Netherlands, including 7 of the top 10 Private Bankers in terms of discretionary assets under management.

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Senior Consultant of Cap Gemini Ernst & Young's Financial Services Sector. The authors would like to express their gratitude to the Banks and Asset Managers for participating in this survey. They also want to thank all CGE&Y Professionals that contributed, especially Dick Vlot, Hilde Meijers, Sander Van Geffen, Frederique Spannenburg and René Borghgraef.

For further information about the report: please contact the authors. Contact details can be found on page 22 of this report.

This report is also available at www.nl.cgey.com

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Preface

I have great pleasure in presenting Cap Gemini Ernst & Young's first Customer Relationship Management Survey for the Dutch Private Banking market.

This document describes the results of a survey conducted by Cap Gemini Ernst & Young in the last quarter of 2001 to analyse the Customer Relationship Management (CRM) levels in the Private Banking market in the Netherlands. It also presents a comprehensible graphical overview summarising the current results and the trends within the industry.

True relationship management is not just about implementing CRM technology and traditional customer segmentation. It's about creating a better experience for customers and thereby fulfilling their deeper goals, needs and desires. Not every financial services company is capable of producing superior customer experiences. To produce a superior customer experience, a company must leverage its knowledge of customers and align its channels, data, processes, and most importantly, its culture around the customers and their demands.

Due to their nature, Private Banks have historically achieved outstanding results in developing and maintaining customer relationships through personalised services. One of the fundamentals that has enabled this segment to distinguish itself from others lies in its ability to understand its customers and to react to their needs by offering services and products

tailored to meet customers' requirements, exceeding expectations. This thorough understanding of customer requirements is achieved by:

- strong one-to-one relationship between the customer and his/her advisor;
- personalised services;
- high availability;
- the ability to respond to miscellaneous requests, in some cases going beyond the financial scope.

Operating in this industry continues to be particularly challenging in today's turbulent world, with increased competition and a changing marketplace.

It is therefore very interesting to see how the Private Banking sector is responding to the test of producing and delivering ever higher quality customer experiences.

Sincerely,



Frank Beumer

*Vice President
Management Consultancy Financial Services
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1 Management Summary

In this report we present Cap Gemini Ernst & Young's first Customer Relationship Management Survey for the Dutch Private Banking market. Customer Relationship Management (CRM) is considered as an instrument, which manages the customer relationship by:

- creating a clear understanding of the market (**Know**);
- developing services and products based on the added value for target groups (**Target**);
- enabling the actual sale and delivery of services and products via a portfolio of channels (**Sell**);
- developing long-term profitable relationships with after-sales services (**Service**).

The overall goal of CRM is to create the maximum customer lifetime value, by creating trust, customer loyalty and long-term relationships. CRM tools assist organisations in identifying profitable and unprofitable clients, and companies will make strategic decisions about customer upgrading and potential shake-off in line with long-term ambitions.

The results of the survey are organized around five themes:

- Prospect and customer information
- Communication channels
- Customer profitability
- CRM tools
- CRM investments

Prospect and customer information

When looking at how private banks know and understand their market, 47% of the private banks segment prospects and customers solely on (potential) personal wealth and 53% of private banks use a combination of (risk) profile, lifestyle, needs and (potential) personal wealth. No bank segments prospects and customers purely on (risk) profile, lifestyle and needs. To gather and record prospect and customer information, 82% of the private banks have indicated that it is their policy to do this in a structured fashion. This recording process often takes place using automated tools, but in numerous instances paper files are still the only method of documentation. Furthermore, potential business is lost, as 'soft data' is not structurally recorded and not available for e.g. selection purposes.

Although a considerable number (71%) of the Private Banks are able to make a specific selection from their customer/prospect database, almost 50% of this group cannot make this selection online.

Many private bankers do not have an up-to-date insight into their overall client's experiences regarding service, trends, etc. For this reason, valuable feedback can only be acquired at rare moments – when there is individual client contact.

One of the strongest instruments for the relationship manager is access to a single customer view. It appears that only one bank was found with the ability to provide the relationship manager automatically with customer data on his screen when the client calls in and only 38% of relationship managers have online access to customer information from one source. In 60% of the banks, a meaningful client view can only be built from data held in different databases and paper files.

Communication channels

We have found that the use of electronic communication channels is already surprisingly well established within the Dutch Private Banking sector. Only a distinct minority (18%) of participating banks use no form of electronic communication or distribution at all.

We found that well over 50% of all private bankers use e-mail for communication with customers, and accept it as a medium that customers may use for delivering transaction orders and reporting. Nearly 3 out of 5 banks already offer Internet communication and transaction facilities to customers, thus enabling them to initiate orders and monitor the development of the value and composition of their portfolios.

When looking at the way in which, and frequency with which the channels are being used, and the costs associated with usage of these channels, we have found that only 29% of the Private Banks collect statistical information on the available channels used by the client. Less than half of the Private Bankers (47%) have an integrated view of all information communicated through all channels. Most bankers (71%) do not know how often their clients are referred to another person on the telephone before they reach their (personal) relationship managers. Maybe most striking is the fact that no Private Bank has information about the real costs of – for instance – a phone call.

Total customer value / Customer profitability

From our Dutch Private Banking survey, we have found that almost none of the participating banks have any information effectively shedding light on customer profitability. The current information infrastructure provides very poor assistance in delivering financial performance data to relationship officers. Although all Private Bankers have access to turnover figures (fees) at the customer level, 94% are not able to determine the profitability per client.

CRM Tools

Dutch Private Bankers are very active in organising campaigns for their customers such as special events and marketing activities. In many cases, maintaining the relationship by meeting the client face-to-face forms a crucial motive. 94% of Private Banks are able to organise marketing actions for

specific activities and events. Only 44% employ tools to facilitate the segmentation of customers and the processing of customer data for communication with the targeted group.

The survey results show that the supporting tools that are in place are often inadequate for acting efficiently. While only 41% of the relationship managers feel they are supported sufficiently by the existing tools, nearly 50% of them are unable to make an online selection in their customer database.

Investments in Customer Relationship Management

The managers of Dutch Private Banks recognise the importance of CRM. This can be concluded from the fact that 76% of the management of Private Banks pay attention to CRM and that 71% of the Dutch Private Banks have already made investments in CRM.

When looking at the willingness to invest in CRM, we have found out that almost 70% of the Private Bankers intend to implement CRM applications next year and 47% of these take future technologies and process changes into consideration.

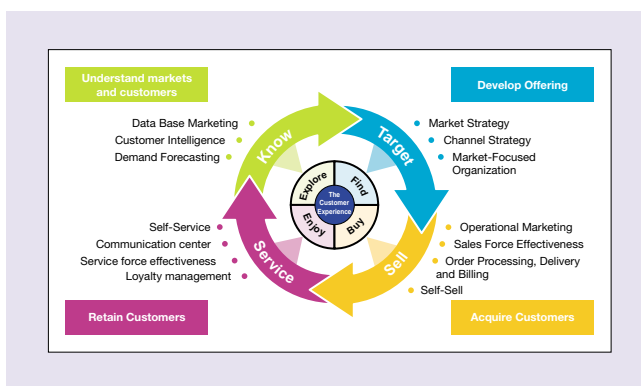
The outcome of the survey shows that in those Private Banks that have already invested in systems to support the relationship manager, the ratio of customers served per relationship manager is significantly higher. This suggests that the implemented CRM Solutions have increased the efficiency of banks in servicing their customers.

2 Customer Relationship Management

What is Customer Relationship Management?

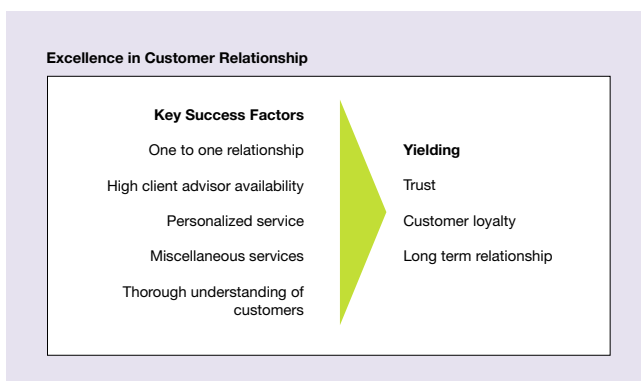
Customer Relationship Management (CRM) is key to creating a superior customer experience. It manages the customer relationship by creating a clear understanding of the market (**Know**), by developing services and products based on the added value for target groups (**Target**), then enabling the actual sale and delivery of services and products via a port-portfolio of channels (**Sell**) and finally developing long-term profitable relationships with after-sales services (**Service**). Implementing CRM in phases helps to leverage knowledge and skills throughout the process.

Companies in Financial Services recognise the need to develop CRM competencies: 34% of European companies label CRM strategy and operations as critical while 61% of the companies are allocating more ICT budget to CRM for 2002 (Cap Gemini Ernst & Young, 2001, Paths to differentiation).



Customer-oriented organisations service their clients throughout the whole consumption cycle. The overall goal of CRM is to create the maximum customer lifetime value, by creating trust, customer loyalty and long-term relationships. Companies will develop a portfolio of customers, based on their lifetime value, that reflect long-term ambitions.

CRM tools assist organisations in identifying profitable and unprofitable clients and the companies will make strategic



decisions about customer upgrading and potential shake off in line with long-term ambitions. CRM tools range from data warehouses and business intelligence to interactive voice-response instruments.

Eventually, CRM results both in higher revenues and lower costs, making companies more effective and efficient: effective in targeting the right customer base with the right services via the right channels, and efficient in doing this at the lowest costs. For example, those banks that are moving transactions from the more expensive channels to a less costly channel – like the call centre or Internet – are therefore able to save money.

At the same time, companies need to leverage their efficiency and effectiveness. Tools should facilitate the automatic recording of customer information and vice versa. They should provide insight into the customer's information, such as purchased products and services, and into identifying potential needs to increase customer loyalty and profitability.

How to make CRM work?

For effective CRM, a company must align its channels, data, processes, and most importantly, its culture around the customers and their demands. Companies should also gather meta-information: e.g. which channels are used by customers and in which proportion, and what information is distributed via which channel. This meta-information provides a company with the ability to organise the customer relationship and gain insight into what kind of systems are needed. For most companies, a major cultural change will be required to make the transition to a customer-centric organisation – a cultural change that will probably be more challenging and demanding than the requisite technologies.

The current situation of Private Banks

Customer relationships are becoming even more important for Private Banks as market conditions get harder. Competition is increasing, margins are eroding, customers are becoming more demanding and the life-cycles of products and services are shortening dramatically. All these forces make it necessary for Private Banks to intensify the relationship with their customers and offer them the services they need via the channels they prefer. Product specialists, relationship managers, and investment managers will need to operate seamlessly as a team, supported by well-conceived incentives to increase, or even just to maintain their share of business from their clientele. Private Banks have achieved outstanding results in developing and maintaining customer relationships through personalised services.

This excellence in service seems, however, to have been achieved in spite of:

- a general absence of tools to administer customer information efficiently;
- a lack of processes describing how the information is to be managed.

These shortcomings are usually compensated for by the development of multiple ad-hoc solutions by the account managers to handle information about their customers, leading to:

- the emergence of numerous customer information management solutions;
- information becoming fragmented and inconsistent (if available at all) for use at a higher level.

Although all companies recognise the need for CRM, not every organisation is implementing the complete CRM concept. The way CRM has been implemented thus far seems to depend heavily on the current balance between the discretionary and advisory services that the company provides, in combination with its philosophy regarding the type of contact that is perceived as best suited for their total client population. This, for example, varies between the provision of high-quality financial research documents and the organisation of all kinds of (non-financial) events.

The choice for the 'Open Finance concept', that some Private Banks have made in order to service their customers – meaning that the company provides products and services of other institutions in addition to their own – also has some impact on the implementation of a CRM concept.

Most companies have limited CRM initiatives to particular departments, prohibiting other departments from benefiting from the customer knowledge within the company and thus creating a less than ideal use of CRM.

Key issues / findings

The next chapter presents the detailed results of the survey. As the survey covers a broad range of topics that relate to the present CRM situation in the Dutch Private Banking market, the results are organised around five themes:

- 1) Prospect and customer information
- 2) Communication channels
- 3) Customer profitability
- 4) CRM tooling
- 5) CRM investments

Customer Relationship Management		
Impact level:	The advantage of CRM:	How to achieve benefits:
Customer	Thorough understanding of customer needs, requirements and habits	<ul style="list-style-type: none"> • Proactively provide the customer with a combination of services and products tailored to customers' needs (e.g. integrated wealth management, family offices, hedge funds, private equity, multi-manager funds) • Offer a unified information stream across different channels
User / employee	Increased efficiency	<ul style="list-style-type: none"> • Reduce response time • Automate administrative tasks • Enhance internal communication
Management / Operations	Enhanced visibility and transparency	<ul style="list-style-type: none"> • Customer 'real' profitability • Allow overview of customer base by accessing selective relevant information • Structure information management processes, thereby limiting individual solutions • Ensure quality standards to reinforce the Private Banking branding and to mitigate risk (e.g. claims)

3 Prospect and Customer Information

How do Private Banks know and understand their market:

The segmentation process

Segmentation helps banks target the right prospects and offer the right services to their customers.

Segmentation and targeting based on customer profiles is becoming increasingly important. Client profiles are becoming more differentiated and technology is enabling a more subtle differentiation between segments with more customers and prospects per relationship manager.

Private Bankers recognise the importance of segmenting and indicate that they distinguish various customer segments. The bankers use a variety of segmentation criteria for their initial selection of prospects and customers:

- No bank segments prospects and customers based purely on (risk) profile, lifestyle and needs.
- 47% of Private Bankers segment prospects and customers solely on (potential) personal wealth.
- 53% of Private Bankers use a combination of (risk) profile, lifestyle, needs and (potential) personal wealth to segment prospects and service customers.

A large group of the Private Banks could use more meaningful segmentation criteria, based on customer lifestyle and needs, to use the understanding of their customers efficiently in order to enhance their services with new products.

Using wealth as a criterium is understandable, yet insufficient as the only selection criterium: customers represent the mission and philosophy of the bank in the market and should therefore match the target groups.

All banks make a distinction between discretionary and advisory services. This is not a criterion that is used for targeting prospects. However, it is the single most important factor that determines the content, intensity and channels of the contact with the customer.

Collecting, recording, selecting and using prospect and customer information

Most Private Bankers (82%) have indicated that it is their policy to gather and record prospect and customer information in a structured fashion. This recording process often takes place with the help of automated tools, but in numerous instances paper files are still the only method of documentation. In addition, the level of detail and the characteristics vary considerably.

Most of the banks have limited access to this information. One consequence is that it takes a lot of effort to get this information available, the survey showed that most banks

will not even take this effort! Consequently, they will use an incomplete view of their customers.

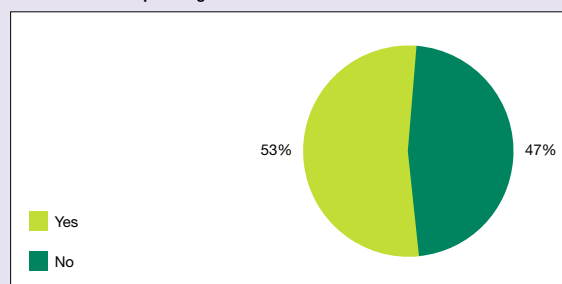
In most cases (88%) automated tools have been implemented to manage the information flow, while 76% of the relationship managers' tasks make use of automated tools to maximise efficiency. However, most relationship managers still do not feel sufficiently supported by the existing infrastructure:

- Only 41% of relationship managers are satisfied with the existing tools in their daily activities.

The ability to construct meaningful selections in their customer and prospect data differs per Private Bank:

- Almost half of the relationship managers (47%) are unable to make an online selection in their client database.
- Most banks (71%) have indicated that they are able to make a selection of relevant prospects and clients.

Can the relationship manager make an online selection of customers?



Although a considerable number (71%) of the Private Banks are able to make a specific selection from their customer/prospect database, almost 50% of this group cannot make this selection online. Next to this, 'soft data', such as the level of interest in a specific product, or the mood of the client during a personal conversation on a specific theme, cannot be recorded in (back office) systems.

If 'soft data' can be stored in a system, in most cases it cannot be used as selection criteria in automated systems, thus making part of the client database useless.

Therefore, most of this intangible information is only captured in the brain of the relationship manager. This kind of valuable and attentive information tends to be lost when the relationship manager concerned leaves the bank.

- Potential business is lost, as 'soft data' is not structurally recorded and not available for such things as selection purposes.

Client satisfaction

Over 50% of the Dutch Private Banks collect information on customer satisfaction. The frequency of surveys varies significantly. Some collect this data several times a year, others once every four years, whereas in some instances the only time client satisfaction is measured is at the exit meeting. When needed, ad-hoc surveys will be held to obtain necessary information for (re)formulating the marketing strategy.

- Many private bankers do not have up-to-date insight into their customers' overall experiences regarding service, trends, etc. For this reason, valuable feedback can be acquired only in rare moments – when there is individual client contact.

An updated view on information about customer satisfaction would benefit the management of client relationships by enabling managers to act even more proactively with regard to customer needs. At the same time, it would enable them to reduce the risk of leaving customer requirements unfulfilled.

Efficient Customer Relationship Management

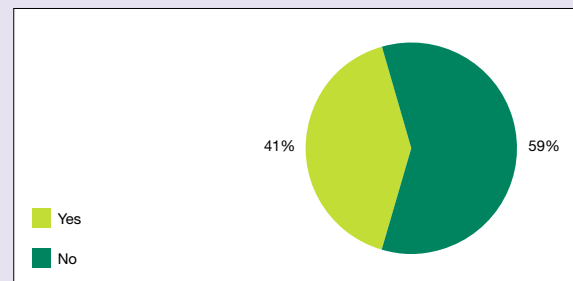
One of the strongest instruments for the relationship manager is access to a single customer view: an online profile of the client, including all information about the customers' account, portfolio and personal details combined with historical and future activities. This single customer view is consistent and accessible throughout the entire organisation, where authorised.

Even though core-banking systems meet the basic requirements of a relationship manager during client contact, service to a customer will improve when all available client information is on screen from one source. In general, available client data is fragmented and stored in several databases. The ideal situation is that all information – no matter where it originates – is presented as a total client view. This enhances the quality of customer service, because no time is wasted (in opening several applications and/or paper

files to find the right information). At the same time, the customer feels he is understood because all relevant information – which has been stored previously – is linked to a specific topic. Frequently, the reason cited for the absence of such an overall client view is the lack of a well-installed information infrastructure:

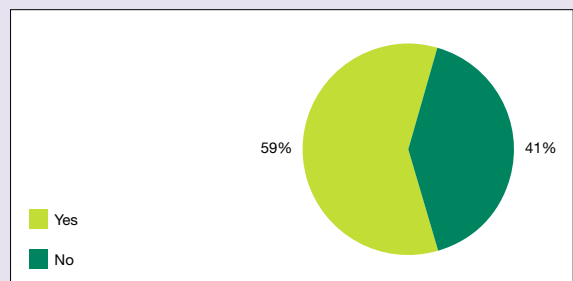
- It appears that only 38% of relationship managers have online access to customer information from one source.
- In 60% of the banks, a meaningful client view can only be built from data held in different databases.
- Only one bank was found with the ability to provide the relationship manager automatically with customer data on his screen when the customer calls in.

Are you able to make an on-line customer selection from one source?



To conclude, relationship managers have sub-optimal access to client information. Some require other departments or external sources to gather the necessary information.

Do you use all client information to understand the real needs of your clients?



Those relationship managers without the single customer view need to gather information from different sources and combine this information to provide meaningful advice to their customers. They spend valuable time creating a good customer view. If they have the time. Otherwise, relationship managers will only use part of this valuable information.

4 Communication channels

Over the past five years, the integrated multi-channel model has been introduced to the financial services industry. Although the majority of financial institutions are still in the midst of redesigning their 'customer experience' and struggling to transform their existing organisation, culture and information infrastructure accordingly, it is probably fair to say that 'multi-channelling' is now the dominant distribution model in the financial sector.

Key drivers for the adoption of this model are:

- The emergence of the Internet as a vehicle for electronic communication: the success of online brokerage and portfolio management are good examples of this.
- Consumer demand forces financial institutes to offer better accessibility and customer service. Customers have come to expect that an institution will enable them to make a transaction through a variety of channels, twenty four hours a day, seven days a week. If they provide information or perform a transaction using one channel, they want other channels to be aware of that interaction. They expect to be provided with the best available information when they make decisions.
- The need to be able to create a real time, consolidated view of the customer.
- Cost efficiency; the overall profitability of a financial institution is to a large extent dependant on the level and the efficiency of its customer service.

Although the multi-channel concept had its premier in the Retail or Consumer Banking domain, we now see that bankers in other domains, e.g. the Private Banking and Asset Management domain, are eyeing the benefits, taking to heart the lessons learned in Retail Banking and are starting to experiment with new distribution and communication methods.

In our survey, we included questions on channel strategy (what channels and channel functionality do we offer, to whom and why?) as well as on operational channel management, channel integration and customer channel usage and preferences.

Not surprisingly, within this financial services domain, we found that the personal relationship between customer and relationship officer still is – and in the perception of all participants will always be – the 'core channel' for all communication between the customer and his banker. This, of course, is perfectly in line with the very heart of Customer Relationship Management: creating the ultimate customer experience.

Nevertheless, we found that the use of electronic communication channels is already surprisingly well established within the Dutch Private Banking sector. Only a distinct minority (18%) of participating banks limit themselves in their

communication with customers to personal visits, the use of telephone and mail, and thus use no form of electronic communication or distribution at all.

We found that well over 50% of all private bankers use e-mail for communication with customers, and accept it as a medium that customers may use for delivering transaction orders and reporting.

Nearly 3 out of 5 banks already offer Internet communication and transaction facilities to customers, thus enabling them to initiate orders and monitor the development of the value and composition of their portfolios.

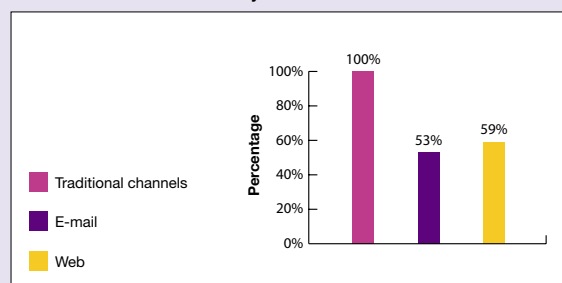
- Only a relatively small group of Private Bankers limit their external communication to traditional channels such as personal visits, telephone use and mail (18%).
- 53% of Private Bankers use e-mail as a additional communication and transaction channel.
- 59% of Private Bankers use the Internet as an additional communication and transaction channel.
- 35% of Private Bankers use both the web (WWW) and e-mail.
- 15% of the bankers indicate that they have plans to introduce Internet within one year.

Those institutions that have not yet adopted the 'new' electronic channels, state concerns regarding the security of these channels and the possibility of a breach of confidence as the main inhibiting factors. Also mentioned were non-acceptance by some of their own bankers and presupposed non-acceptance by their customers.

Differences in distribution pattern

If we take a closer look at the distribution pattern among the Private Bankers interviewed, some salient details emerge. We looked at differences in communication patterns between the transaction and reporting facilities that the banks provide, bearing in mind the difference in nature between discretionary and advisory services.

Communications channels used by Private Banks

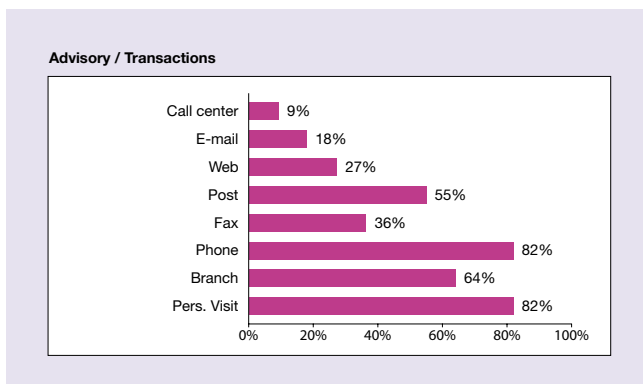


For both discretionary and advisory services, personal visits, meetings at (branch) offices, phone and post are widely used as 'core channels', with the phone as the indisputable number 1!

Transactions

The absence of the availability of transaction services for discretionary clients does not come as a surprise, since the Private Banker manages the assets of these clients.

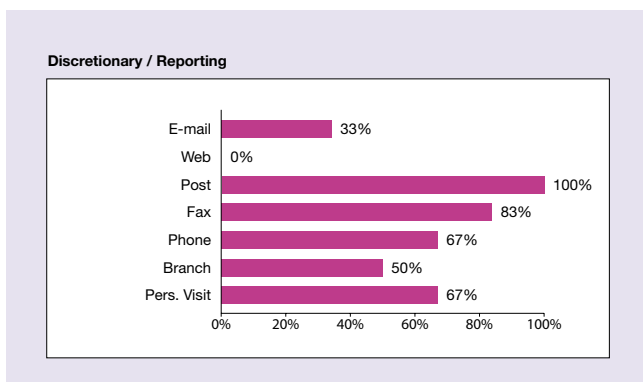
In contrast to this, Private Bankers offer their advisory clients the web (27%) and e-mail (18%) as media for making transactions in addition to the more traditional channels.



Reporting

Just like the channels used in the transactional field, personal visits, meetings at (branch) offices, phone and post are well represented when bankers report to clients about such matters as performance. Not surprisingly, post as a traditional communication channel for sending out reports, ranks first above all other media.

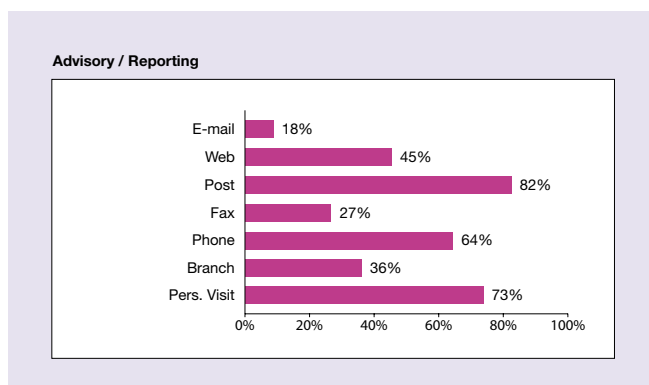
Here the difference between discretionary services and advisory services becomes significant. The score for distributing reports via fax is substantially low (27%). Clients with discretionary managed portfolios receive their performance report mainly by mail, while 45 % of the advisory clients can also access this information using the Internet.



The use of e-mail, as a substitute for traditional mail (post), has gained no firm ground as yet.

The electronic media will inevitably expand at the cost of the traditional channels such as fax and post.

Nevertheless, 'physical' personal contact by phone and personal visits, which has been the character of the private banking business, will continue to be prominent in the interaction between a relationship manager and his client.



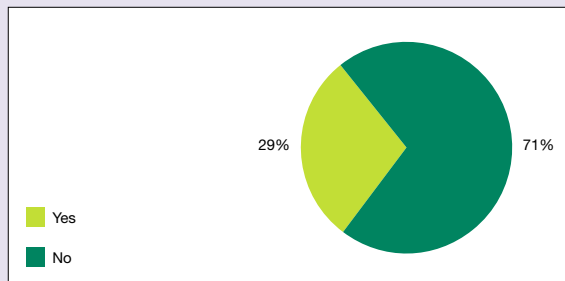
Meta-information

If one could be favourably surprised by the penetration of the Internet as a communications channel in the Dutch Private Banking sector, our findings with regard to the management of the channel mix are certainly less impressive. We have found that essential information about the way in which and frequency with which the channels are being used, and the costs associated with usage of these channels, are severely lacking.

Less than 30% of participating banks monitor channel usage by their customers at all. Not one of the banks interviewed structurally collects information on the costs of channel usage.

- Only 29% of the Private Banks collect statistical information on the available channels used by the client.
- Less than half of the Private Bankers (47%) have an integrated view of all information communicated through all channels.
- Most Bankers (71%) do not know how often their clients are put through to other persons on the telephone before they reach their (personal) relationship manager.
- No Private Bank has information about the real costs of – for instance – a phone call.

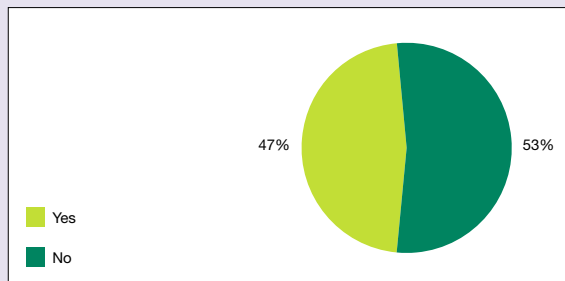
Do you have insight in the use of channels (in % terms) by clients?



banks run the risk of losing the customers who catch up with this one-stop-shop service offered by other Private Bankers.

However, it is more common among the Dutch Private Bankers (65%) to enhance their own product portfolio with products from third parties – this phenomenon co-exists with cross-selling. It is to be expected that this number will rise, as the number of new specialised and sophisticated products, like ‘alternative investments’ and theme funds, increases.

Do you know how many phone calls of clients are missed because of long waiting?



- 41% of Private Bankers use cross-selling.
- 65% of banks incorporate the products of other organisations in their portfolio.
- All Private Bankers who undertake cross-selling offer products from other financial institutions as well.

We may conclude that, at the moment, cost efficiency is not a strong driver in managing the channel mix for Private Banks. However, in our opinion, this is bound to change because, based on the pattern of customers’ needs and behaviour, the interaction process could be redesigned, resulting in the most cost-effective channel mix. This effort will be rewarded in the form of higher customer loyalty and reduced communication expenditures.

Private banking customers expect and demand more flexibility in terms of the touch points a financial institution offers. Therefore, in Private Banking, a well-defined multi-channel strategy is an indispensable attribute of the superior customer experience.

Cross-selling / Open finance

Private Bankers recognise the customers’ need for full service. Therefore, some banks regard cross-selling as a means to support their clients proactively in a broad range of financial issues. Obviously, it results in meeting the needs of individual clients while at the same time creating potential for scaling up the turnover for the bank.

Cross-selling is an instrument used to create extra revenue per customer and to enhance the customer relationship. Bankers, who limit their portfolio of services, are missing the new trend of one-stop-shop service. Eventually, these

We would like to see
one full-automated
solution for e.g. a
total client view

5 Total customer value / customer profitability

What is the 'value' of a customer for your company?

Although Customer Relationship Management is a popular topic, there is much confusion about what the term really means. In simple words, it is about increasing the number of profitable customers and retaining them, with the purpose of maximising their contribution to the banks' profitability during their lifetime or for the duration of their relationship with the bank.

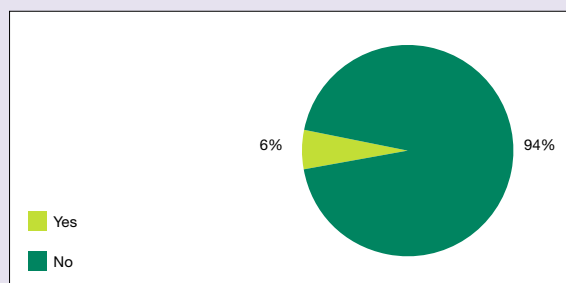
Seen in this light, it is clear that the objective of all CRM initiatives is to create a superior customer experience. CRM needs to focus on commercial values as well as human values. It does not come as a surprise that 45% of all CRM initiatives undertaken in the financial services sector are aimed at increasing customer profitability (Cap Gemini Ernst & Young, 2001 Special Report on the Financial Services Industry).

From our Dutch Private Banking survey we have found that almost none of the participating banks have any information effectively shedding light on customer profitability. The current information infrastructure provides very poor assistance in delivering financial performance data to relationship officers.

This has a huge impact on the Private Banks' effectiveness and ability to focus on their most profitable clients or upgrade clients to more profitable segments.

- Although all Private Bankers have access to turn-over figures (fees) at customer level, 94% are not able to determine the profitability per client.

Are you able to indicate the profitability per client?



It is our opinion that financial institutions could benefit enormously from efforts aimed at developing models for the calculation and/or projection of customer profitability. This information would add a new perspective for segmenting the customer base. In line with our CRM vision, the objective is

not only to raise the margins on an individual customer level, but on the total customer base as well. Therefore it is aimed at raising the retention rate for customers that are profitable and redefining the relationship with customers that are not, as well as delivering the information that is indispensable to deciding the marketing strategy for attracting new customers who meet predefined criteria.

Neither the costs
per client, nor the
required investments
to acquire new
clients are known

6 CRM tools

Dutch Private Banks use a variety of instruments and automated processing tools in order to support relationship managers in their daily activities. These tools should help them by providing the right information about their clients for optimal customer support. As we will see, the kinds of tools that are currently in use vary significantly between the banks and depend for a great deal on the size of the bank. A few essential processes – occurring in the interaction between a relationship manager with clients – will be highlighted below.

Relationship manager support

Marketing information

Dutch Private Bankers are very active in organising campaigns for their customers such as special events and marketing activities. In many cases, maintaining the relationship by meeting the clients face-to-face forms a crucial motive.

Through frequent contacts, relationship managers come to know about issues that are closely related to the personal assets of their clientele. This leads to a better understanding of the real needs, while at the same time – resulting from the contacts – Private Bankers are well-positioned to tune their service to the client.

- 94% of Private Banks are able to organise marketing actions for specific activities and events.
- Only 44% employ tools to facilitate the segmentation of customers and the processing of customer data for communication with the targeted group.

CRM tools, equipped with instruments to record all specific information within one and the same application, facilitate the fine-tuning of customer needs and interests to marketing activities and special events. Adoption of these tools prevents the undesirable situation that some target group customers are excluded from these campaigns, while some non-target group customers are included. Obviously, selecting without automated tools is laborious and time-consuming work.

Financial institutes intensify the pace of their campaigns to match their activities to the current needs and interests of customers. Customers expect direct follow up based on their reaction. Most Private Bankers have created an infrastructure for this real-time marketing:

- 59% of the Private Banks that are using tools update customers' profiles immediately when a client reacts on a marketing action.

The 41% that do not update immediately cannot provide direct follow-up based on the expressed needs of customers. Evidently, (prospective) clients would feel neglected and might consider alternatives.

Single customer view

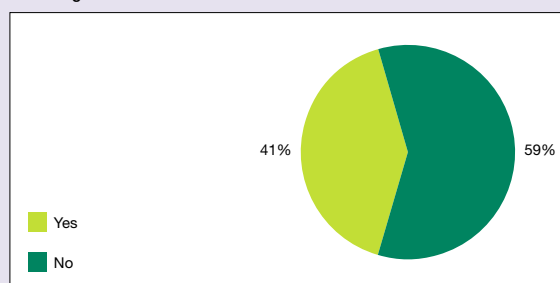
The relationship manager is the personal link between the Private Banker and the client. Providing the banker with appropriate tools for performing a customised segmentation and accessing client information offers banks the opportunity of maintaining their client potential in an efficient and effective way. One of the strongest instruments for the relationship manager is the availability of a single customer view: an online profile of the client, including all information about offered products and personal preferences and the (future) needs of the client. As mentioned earlier, the single customer view is homogeneous and accessible throughout the organisation.

The survey results show that the existing supporting tools are often insufficient to act efficiently:

- Only 41% of relationship managers feel they are supported sufficiently by the existing tools.
- Many relationship managers (47%) are not able to make an online selection in their client database.

In the section about efficient customer relationship management, we saw that relationship managers should be able to retrieve customer information via a single interface. When this retrieving process is complicated by cumbersome work before the desired information is obtained, one may well understand that relationship officers are not efficiently supported towards this goal. Most Private Bankers have indicated that their main concern lies in the use of several applications, that contain specific client information, that are not compatible with each other. Many of these applications were created ad-hoc to meet the requirements needed then without paying much attention to whether these solutions were mutually compatible.

Do the Relationship Managers feel adequately equipped with existing marketing & CRM tools?



Use of tools

In some cases when relationship managers feel insufficiently supported, they will adopt and stick to their own 'system' for recording customer information such as: Excel sheets, rolodex or agendas. Consequently, information is not digitally available in the organisation and therefore less accessible to colleagues who, for instance, are replacing an absent relationship manager.

Apart from the installation of their own 'systems' to meet specific requirements, the attitude of relationship managers could also bring about a negative reaction towards the introduction of (new) CRM solutions.

This feeling undeniably affects the attitude towards CRM tools:

- 47% of relationship managers do not make use of all functionalities provided by the marketing support systems.
- Private Bankers feel that a large number of relationship managers still have to get used to new tools or that additional training is needed.

An inadequate information infrastructure reduces the capacity of banks to leverage customer information: banks are not able to reap the maximum benefit from the valuable customer information they have recorded.

Private Banks, confronted with this situation, need to adjust the attitude of relationship managers and supply tools for efficient access to customer information. It is our experience that change management is one of the essential success factors of a CRM tool implementation and is aimed at committing the users to employ the new solutions. Change management should therefore be a well-defined stream in the implementation of CRM tools.

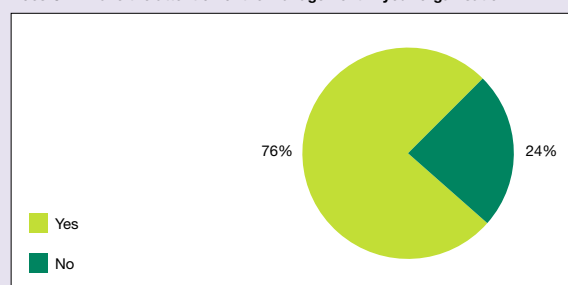
Our management
wants to have more
understanding of
CRM and is interested
in the network
behind the client

7 CRM investments

The managers of Dutch Private Banks recognise the importance of CRM and, to a certain extent, many banks have already invested in CRM:

- 71% of Dutch Private Banks have already invested in CRM.

Does CRM have the attention of the management in your organisation?



Following our CRM Private Banking Benchmarking Study, the figure for the Private Banking sector is slightly higher. No less than 83% of Dutch Private Banks whose management have turned their attention to CRM have already invested to some extent in CRM.

Strikingly, one bank has invested in a 'CRM Solution' where CRM was not a management issue within this organisation. One of the key lessons learned from our international CRM Strategy and Implementation Practice is that CRM affects all aspects of the organisational structure. Needless to say, such a change has its implications for business, cultural and technical processes. Therefore, CRM can be successfully implemented only when it is based on clear strategic choices and strong support from the top management.

New CRM applications

The willingness to invest in CRM is high among Dutch Private Bankers:

- Almost 70% of Private Bankers intend to implement CRM applications next year.
- 47% of these will take future technologies and process changes into consideration.

A significant fact is that the willingness to invest is higher among bankers who have already made investments in CRM: 83% of the Banks that have already made investments in CRM plan to implement additional CRM applications.

As a consequence, this group will extend its lead within the Private Banking segment.

A minor group of Private Bankers (30%) is satisfied with the technologies currently in use and does not feel any need to make further investments in technology at this point.

Those Private Banks that want to implement (additional) CRM applications say they expect severe challenges:

- lack of time (ad hoc solutions are often implemented);
- lack of money;
- lack of available resources;
- lack of clear responsibility and decision making for CRM within the organisation;
- lack of vision about the added value of CRM;
- lack of willingness of relationship managers to give up their own (personal) system of managing information in return for a general automated system.

Conducting a risk analysis supports the understanding of potential problems at an early stage. It helps the organisation to tackle these problems proactively.

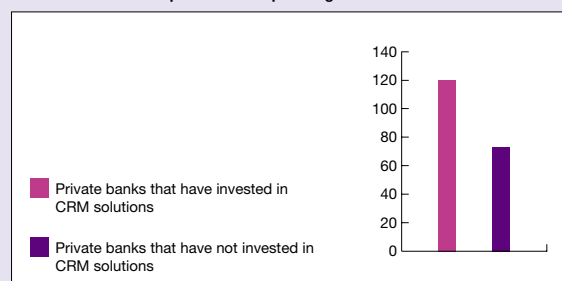
CRM effectiveness

CRM helps companies to be both more cost effective and to generate extra revenue. Cost-effectiveness is reflected in the number of customers that can be handled by relationship managers.

- The front offices of banks that have invested in CRM seem to be able to handle client relations more efficiently.

The outcome of the survey shows that in those Private Banks that have already invested in systems to support the relationship manager, the ratio of customers served per relationship manager is significantly higher. This suggests that the

Number of customers per relationship manager



implemented CRM Solutions have increased the efficiency of banks in reaching their customers.

CRM applications could be useful in taking over the traditional time-consuming tasks of a relationship manager. The administrative workload will be reduced as activities, such as collecting specific customer information is streamlined. The time that becomes available could be used for educating the clients who are becoming increasingly independent and require greater advisory content.

If your company is
small, the management
and control of CRM will
be a hell of a job

8 The CRM graphical overview

A CRM assessment matrix is drawn up in order to provide a clear comparison between the participating Private Bankers. The abilities of individual banks are assessed and measured on an index comprising two dimensions:

- availability of customer information;
- ability to use all knowledge about the customer to optimise the customer experience.

The figures compare the abilities of the banks surveyed. The squares represent the current relative positions of the Private Banks interviewed in the survey. A 100% score represents implementation of fully optimised CRM processes and tools.

Information usage axis

The information usage axis focuses on how the information is applied to maximise the customer knowledge acquired.

The main criteria were:

- understanding of client profitability (all costs included), customer's requirements and needs, segmentation (40% of weight);
- ability to target customers efficiently (25%);
- exchange of information through alternate channels (20%);
- ability to serve the customer in the absence of the key account manager (15%).

Information availability axis

The information availability axis focuses on what information is being captured and how this is being done.

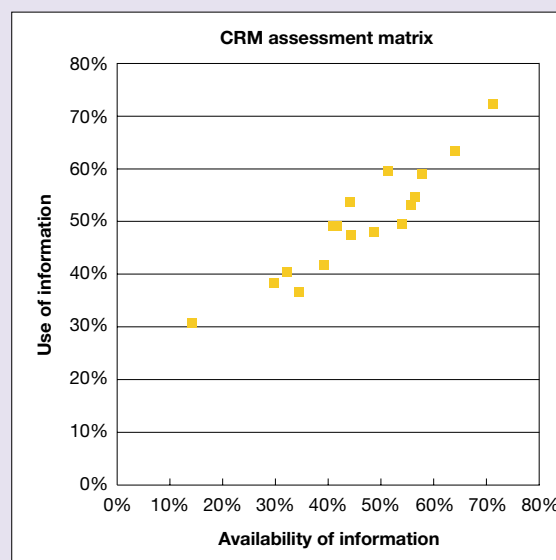
Focus areas were:

- quality of the information captured (25% of weight);
- existence of strategy and processes describing what information is required about each customer (25%);
- availability of support tools to assist the account managers, marketing managers and other operational areas (25%);
- alignment of processes and system integration (25%).

Interpretation

The results – represented by squares – seem to indicate that most of the banks interviewed are clustered in an area where a lot of qualitative information is being captured. One bank is a real frontrunner and seems better positioned than all others.

Given the lack of processes and tools to structure the data, the information is not used optimally by the banks, especially the ability to target customers and understand customer profitability is insufficient / underdeveloped.



A few banks are significantly behind the pack. These are the same banks that are now still considering CRM solutions, or not even doing that. Lessons learned from other surveys indicate that these banks will probably not undergo significant qualitative improvement within a one-year outlook. Moreover, the gap between these banks and the other, more advanced, banks will most likely increase.

9 Methodology / Contacts

For this survey, Cap Gemini Ernst & Young interviewed Private Banks in the Netherlands, including 7 of the top 10 Private Bankers in terms of discretionary assets under management (Banking Review, March 2001).

Selection criteria for the financial institutions:

- Predominantly active in the Dutch private banking market.
- Mainly located within the Randstad-area (Amsterdam, Utrecht, Rotterdam and The Hague).
- Entry level for private clients: € 500,000 or more.

Approach:

- Interviews were conducted with senior management responsible for marketing and/or relationship management using a questionnaire of 20 targeted questions.
- The questions touched on topics such as management attention for CRM, client segmentation, the collection of client information, client profitability, satisfaction of clients with the service provided, communication channels, the efficiency of the tools currently used, the ability to access client information and aspects that play a role when implementing a CRM solution.
- All collected data were processed in a general matrix, where each response was assigned a figure to indicate its value. (For the assessment method, please refer to the chapter 'The CRM graphical overview').
- The average was calculated per question and expressed as a percentage for the Private Bankers interviewed.
- Some data have been converted into graphics for ease of comparison.
- Because of the confidentiality of the survey, no information can be ascribed to a particular participant.
- The survey was conducted during the last quarter of the year 2001.
- All Private Bankers that took part in this survey will receive individual responses concerning their particular CRM-situation versus the sector benchmark.

The Private Banks interviewed for this survey*

Bank Labouchere
 CenE Bankiers
 Deutsche Bank
 Friesland Bank Securities
 F. van Lanschot Bankiers
 HSBC
 ING Private Banking
 KAS Bank
 MeesPierson
 Merrill Lynch
 Lombard Odier
 Robein Bank
 Schretlen & Co
 Staal Bankiers
 Theodoor Gilissen Bankiers NV
 Veer Palthe Voute

* one bank cooperated anonymously.

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