The art of managing your customers is hardly a new concept. From the local branch to Wall Street, understanding your customers and treating them right was deemed the surefire way for building and sustaining loyalty. However, as markets became global and the competitive influences of diverse economies grew, often it was quantity of customers, not the quality of relationships, that drove marketing practices. But as customers grew more savvy and bolder about their own buying power, the subtle shift from loyalty to fragmented relationships transpired. Running rapidly alongside globalization came technology innovation, taking marketing, sales and service techniques to new levels of sophistication. Since the last decade declared the birth of CRM as we know it, few businesses have found themselves short of customer data or the means to use it. Increasingly, banks and other financial services companies are beginning to organize and analyze customer data in order to drive marketing targeted to customers’ needs and preferences. But is understanding what your customers want enough to enable you to develop and retain profitable relationships? And if not, where are financial services organizations heading in the race to win and retain a high-value customer base?

Where We Are Today
Accenture believes that the key to effective CRM is to cultivate meaningful insights about customers; insights that reveal not only what makes the customer satisfied, but that can also bring profitability to the organization. Although most companies understand that developing insights about individual customers can increase satisfaction and drive sales, few truly understand which insights are critical, how to use them to deliver value, or how to develop them in the first place.

Through more than a decade of work in this area, Accenture has identified six key insights that enable companies to obtain a more accurate reading of their most valued customers – who they really are, their needs and their wants and, importantly, the degree of investment justified by their value and potential (see Figure 1).

In a typical bank, one-third of the customers may account for nearly all of the profits, while subsidizing a substantial number of unprofitable relationships. By understanding which customers to target with which offerings and communications, financial services companies can make more intelligent marketing decisions and allocate resources to maximize profitability across the customer base.

For example, take Peter, who's wondering what to do with his stock options. He's already valuable to his bank, due to the size of his

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**Figure 1: The Six Key Insights And Their Benefits**

| Current value | How valuable is this customer to the organization right now? |
| Share-of-customer | How much of the customer’s financial services activity is with this organization? |
| Future value | How valuable is this customer likely to become in the future as life stage and wealth change? |
| Best next product | Which is the next best product or service for this customer, the one that will increase value for the customer and the organization? |
| Attrition risk | How likely is the customer to leave? |
| Channel preferences | How does this customer prefer to receive communications and services? |

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account and mortgage, but most of his assets have been invested elsewhere, with competitors snapping at his heels for his business. Customers like Peter are leaving clues about their financial plans with every click through the bank's Web site. If the bank fully understood his potential value and its share of that value, it could invest in ensuring he knows about the organization's investment expertise and product range.

Customer insight goes beyond just data gathering – it's about transforming this data into valuable insights and using it to better target and tailor marketing efforts. It's about combining near-real-time analytical capabilities with existing enterprise transactional systems to observe current situations and respond appropriately. It's about using descriptive and predictive modeling techniques to identify who your customers are, what they want, and to determine how they are likely to respond to a particular offer.

Take, for example, a real-time tracking engine on a Web site that helps collate information to populate banner advertisements, which are then viewed by the Web visitor. Statistics show that customers click through on a mere 0.75 percent of standard banner advertisements. But when these same advertisements were personalized based on the pages the client had previously viewed, the click-through rate rose to an impressive 1.5 to 2.5 percent. The sales-generating potential of these advertisements can be further increased by taking into account the latest trends – such as an increase in interest rates – and building these into the final offer.

By building intelligence from customer insight, financial services companies stand to reap the benefits of:

- Predicting what customers need and want on a more personalized level;
- Understanding how much should be invested at the individual customer level;
- Understanding how to cost-effectively allocate marketing, sales and service resources;
- Measuring the effectiveness of resource allocation decisions;
- Driving intelligent decision making across channels and contact points; and
- Aligning value delivered to customers with value generated from customer relationships.

But even if sales and service efforts are tiered based on customer potential and preferences, will competitive pressures demand a level and sophistication of customer contact that rapidly becomes cost prohibitive? How realistic is it to assume that Best Bank will ever be able to effectively monitor Peter's desires or keep pace with their expectations? As they look to the future, financial services companies will find themselves grappling with how to build on their CRM capabilities to accommodate an ongoing increase in the standard of excellence in customer management. As resources are stretched to new limits, the costs to attract and retain customers will continue to rise, and banks will be forced to rethink how they can leverage the investments in CRM capabilities and infrastructure. What should financial services organizations be doing to address this challenge?

**Where We Will Be Tomorrow**

We believe the answer lies in the new wave of technology innovation that promises to help transform CRM yet again. Reality Online – Accenture's vision of the future of business – will be instrumental in enabling companies to further enhance their ability to build and maintain lasting, profitable customer relationships. Bringing together the virtual and the physical worlds, the next generation of CRM embraces technology as the critical enabler. Reality Online envisions a world where objects will sense, reason, communicate and act, where every physical entity or event has a corresponding “virtual double,” and where the time between stimulus and response approaches zero. In this world, insight will be bought and sold in a market that rewards those who build trust and harness the real-time economy.

**Sense, Reason, Communicate and Act: Intelligent Objects**

New developments in technologies such as sensors and actuators, RFID and wireless communications – coupled with the merging standards for application-to-application communication via the Web – will make it possible for financial services companies to gain access to even more types of data about their customers than ever before.

Making decisions related to customer treatment based on truly real-time data should help create more compelling customer experiences. Given that brand wars among the leading financial institutions seem inevitable in the future, positive customer interactions and experiences will be a key weapon in the battle for customers.

**Virtual Double: Sound Too Futuristic For You?**

Whether you realize it or not, if you're handling retail or commercial banking, you're already dealing in virtual doubles. Through checking accounts and other products and services, you can see a mirror image or virtual double of what the customer owns and how he or she operates. A vivid example of the virtual double at work today is online bill payment, which offers you a virtual double of the expenditure of your customer. Question is – what are you going to do with that knowledge?

How about using it to create an entanglement that generates value for the customer and helps reduce customer attrition? When you think about it, using a check to pay a bill has become completely commoditized. If a customer decides to change banks, it's a relatively easy and painless process for them. Online bill payment, on the other hand, is deceptively easy to set up but complex to re-assign and therefore creates a barrier to switching banks. This is one form of entanglement – customers benefit because their bill-paying process is simplified, and banks benefit because they lower the risk of attrition.

So the real challenge for financial institutions is to figure out how to apply the virtual double across their entire product range and create entanglement in the process. The virtual double concept is about customer stickiness. If future technology can make customers less prone to attrition, there is huge value for banks, especially for those that are the first to embrace the technology.
Response Time Approaches Zero

As a financial services organization, you may know your customer’s purchase history over the last 10 years, but can you anticipate what they need in the next 10 minutes?

Reality Online envisions a world where everyone and everything is online. The ability to interact in real time escalates the transaction process and has dramatic implications on the speed of the decision-making process, both for the customer and the financial services company. In the past, predicting and presenting the “best next product” was based on historical relationship data or on live transactional data. In the future, thanks to the exponential growth of processing power, insight processes can be performed instantaneously or repeatedly as they happen. This means that both historical and real-time data can be leveraged to make more accurate and timely decisions on best next products.

Such levels of sophistication can open up new ways of doing business. Consider the idea of dynamic product bundling. A customer who obtains his homeowners’ insurance from Insurance Inc. may also need to take out car insurance and perhaps life insurance. Through customer insight, Insurance Inc. can optimize the price and attractiveness of bundled products, drawing the customer in to a commitment around what Insurance Inc. has to offer. The customer is happy to be drawn into such an offer because they realize that they won’t get better value by splitting the bundle up or by looking elsewhere. It’s a win-win situation – customer insight is used to create value for the customer and profitability for the organization.

Banks could equally consider such dynamic bundling techniques and, with enhanced customer insight, the bundles need not be static packages but rather offerings based on real-time information about consumer behaviors and product economics. This is where customer insight can lead when the Reality Online vision kicks in.

Privacy And Trust Issues

In a world where information is abundant, privacy becomes synonymous with trust, since both are automatically at stake once customer information is used for marketing and commercial purposes. Without trust, customers will feel deeply protective of their privacy. Once you have gained trust, then privacy issues lose their significance. Embedded in the privacy and trust psyche is the need for an exchange of value. Information gathered should generate value for the customer and inspire mutual trust. So if financial services companies articulate both their intention and the value to the customer from permission-based information, then privacy and trust issues are no longer barriers to customer insight, now or in the future.

This is becoming increasingly pertinent in the United States with the new and more stringent legislative demands of the Gramm-Leach-Bliley Act on the use of customer information. Whether operating in the real or virtual worlds, it is essential that banks are viewed as a trusted keeper of information. The financial collapse of the Great Depression aside, customers trust banks with their money because it’s been proven that customers will continue to have access to it. The question that the world of Reality Online poses to the future role of banks is, can they now translate customers’ trust in their ability to protect monetary wealth into a new kind of trust, one that assumes their ability to protect information wealth? This alone will rapidly identify the key market players.

CRM For The Next Generation

So how do financial institutions convert the nemesis of data overload to the nirvana of customer insight? Without a doubt, there is both an opportunity to be realized and value to be unlocked. If you can tap into the immediate value of the six customer insight building blocks, your organization is well positioned for the longer-term opportunities such as increasing customer retention, fighting the brand wars, protecting your customers, gaining greater value from your customer base, and creating a new set of offerings in the future. If you understand the potential value of your customers, you can make decisions about where not to invest as well as how to draw even greater reward from the high-potential-value customers.

Thinking creatively about Accenture’s Reality Online vision while maintaining a laser focus on the customer and on value will position your organization to compete effectively now and in the new world of financial services. Traditional one-to-one customer interaction is unsustainable as customer numbers grow. The goal for the financial services sector therefore is to use customer insight to understand how to create an effective multichannel customer experience that is personalized and relevant, differentiated by value and respectful of privacy concerns.

As technological advances continue, many more applications will emerge. One thing is clear for now – the Reality Online vision has tremendous potential to make the next-generation CRM initiatives more effective and more profitable than those of the past. New capabilities will be required for capturing, storing and analyzing greater amounts of data. But by making Reality Online part of the future of CRM strategies, financial services companies will be much better positioned to keep pace with the demands of their customers and competitors and, above all, grow profitably in the years to come.

Accenture Technology Labs

Accenture Technology Labs, the technology research and development (R&D) organization within Accenture, has a 16-year track record of turning technology innovation into business results. The Labs create a vision of how technology will shape the future and invent the next wave of cutting-edge business solutions. Working closely with Accenture’s global network of specialists, Accenture Technology Labs helps clients innovate to achieve high business performance. The Labs are located in Chicago, Ill.; Palo Alto, Calif.; and Sophia Antipolis, France. For more information, please visit our Web site at www.accenture.com/accenturetechlabs.