



## **Better customer care and insight**

New intelligence for banking  
with IBM Cognos software

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## Overview

Ask most financial services executives about their key strategies for growth, and the same answers tend to pop up: increase wallet share, improve customer satisfaction and loyalty, serve mass market customers more cost-effectively and know customer needs so the institution can offer the right product at the right time. This is amidst a customer base that is more savvy and price sensitive than ever before, and far less loyal.

Indeed, 50 percent of customers would give their bank only two chances to fail.

The rewards of a good customer experience are straightforward: a satisfied customer is more likely to be loyal and generate more repeat business. There are related benefits:

- Customer retention is far cheaper than customer acquisition.
- A loyal customer is a strong competitive advantage.
- A satisfied customer can become “part of the team,” helping to sell your value proposition by word-of-mouth referrals.
- Customers are also a great source of market intelligence to generate feedback on service standards.

Taken as a whole, the benefits of delivering great customer care are like a multi-tiered annuity stream. Wall Street rewards annuities because they reduce uncertainty and volatility. The risks of poor customer service are greater and more insidious because they are less visible. For every unhappy customer you hear from, there are countless more who are silent. Negative word of mouth can damage years of good reputation and ripple through countless prospects who never become customers. Ultimately, unhappy customers result in lower revenues for you and higher market share for your competitors.

In this paper we will explore:

- The importance of properly managing the customer relationship by delivering on promises.
- The massive data volumes that exist and the resulting barriers that are created.
- How performance management software is helping leading banks turn data into insight and win the war for customers.

## Delivering on brand promises

The global financial markets industry has been experiencing significant turbulence over the past 18 months, and executives in the sector are understandably nervous. The current crisis is transforming the competitive landscape, how the industry operates and the way in which its clients behave. Given these changes, many senior executives are wondering how their firms will make profits in the future.

If the financial markets industry is to prosper again, it must fulfill the promises it makes. Most financial markets firms have brands that implicitly promise to provide agility and stability, and to focus on the interests of their clients. In practice, however, the opposite is often true.

In a recent IBM Institute for Business Value study entitled *Toward transparency and sustainability: Building a new financial order*, the banking industry executives polled place great weight on various activities that underlie their ability to honor such promises. Yet very few believe that their firms are proficient at performing key activities that build customer loyalty.

Only 12 percent think that their firms are effective at capitalizing on new technologies, for example, even though 39 percent believe that this is a key attribute. There is an even bigger gap (29 percent) between those who think their firms are effective at forming successful strategic alliances and those who think that the ability to do so is important.

Similarly, only 21 percent of respondents believe that their firms are proficient at managing systemic risk, and only 18 percent that their firms are proficient at managing the risks associated with new products or markets, even though 52 percent and 43 percent, respectively, place a high premium on such skills.

The gulf is equally marked when it comes to understanding the needs of clients (23 percent), providing unbiased, high-quality advice (18 percent) and managing client relationships effectively (26 percent).

## New intelligence: from data to insight

Thanks to banking technology, few transactions actually use cash. In fact, hard currency represents only 11 percent of the money supply in the U.S. The rest of our “money” flows digitally from a paycheck to a bank to a retailer, and then through the retailer’s supply chain, to be deposited in another business’ account... to start the journey over again.

That means our money has been transformed into zeros and ones. It’s intangible, invisible. It’s information. But it’s coming in fast. To keep up with the speed of transactions today, systems may have to take in all types of event information in real time, correlate it, analyze it and take an action more than 60,000 times a second – or 300 times faster than a hummingbird can flap its wings.

Which is central both to the problem we face – and to its solution.

The technology exists to capture and process all this data, and turn it into not just organized information, or even knowledge, but actual intelligence. We can spot patterns with unprecedented detail. We can capture and analyze changes in markets, trends and consumer preferences faster than ever before. And highly complex systems and large organizations can now be optimized in entirely new ways.

We can see new intelligence making an impact with the emergence of smart banks. For instance, the Operational Riskdata eXchange Association, a consortium of 52 leading financial institutions, uses blinded data to improve statistical modeling, more accurately quantify risk exposure and address regulatory compliance needs. We even see intelligence transforming entire global markets. Consider foreign currency exchange, the world’s largest single market. Intraday settlement risk of more than \$2 trillion in daily volume – more than 60% of foreign exchange transactions – has been reduced to zero.

Bringing this same capability to the customer relationship is fundamental to profitability. By bringing all the zeros together and creating insight, banks can retain and grow their base and serve customers in a way the competition simply can’t. This new kind of new intelligence is how smarter banking technology is leading to smarter money.

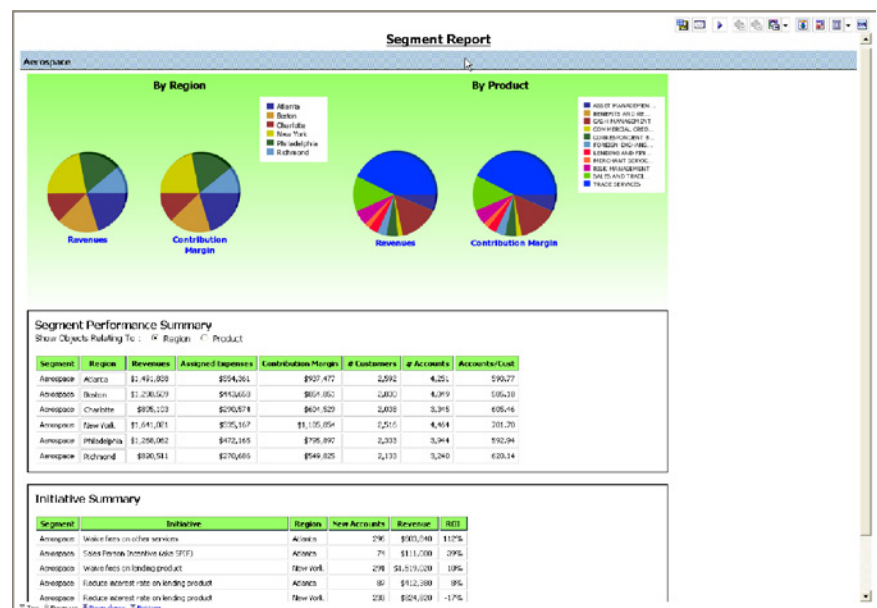
## The power of performance management

Creating a more customer-centric strategy is predicated on having customer segment or individual customer data available, using the data to understand the behaviors and profitability of customers or groups of customers and then developing strategies and plans that maximize the institution's success.

The tools to perform these tasks have existed for years, but in most cases, these technologies have failed to recognize the central issue. Data resides in disparate systems, and customer profitability solutions exist in relative isolation from the financial planning process. Customer relationship management (CRM) solutions have been cost-prohibitive and rarely lived up to their promise, and initiative planning and tracking has been an afterthought. Consequently, many institutions have failed to meet their growth and profitability targets.

With IBM Cognos® software, banks can consolidate customer data, understand customer segments and individual customers, and set and monitor specific targets that improve segment profitability:

- Customer segment reporting, analysis, dashboards and scorecards let managers see at a glance how individual customers and customer segments are performing across measures such as customer profitability, customer lifetime value, risk grade and products most likely to be purchased next. Banks can also identify the customers and customer segments to target for product or service initiatives, based on the performance of past initiatives.



- Initiative planning lets you perform what-if analysis and plan marketing initiatives by product within customer segments.
- Customer segment P&L calculation and forecasting is created dynamically from revenue, balance and cost information to provide customer segment profitability information.

With IBM Cognos software, banks can tap into vast amounts of customer data and create real intelligence on behavior, revenue streams and profitability by customer or groups. They can empower segment managers to report on and analyze profitability down to customer or household and create regional and product P&Ls within a segment. Banks can also more effectively plan sales and marketing initiatives and monitor the success of these plans and initiatives to feed information gained back into the process, creating a closed-loop cycle for continual performance improvement.

As an example, using the analytical capabilities in IBM Cognos software with the data warehouse, Laurentian Bank of Canada's credit and marketing departments have learned more about their customer base. Previously, this demographic information was not easily available. Department members can also create their own reports, saving the Business Intelligence Competency Center from fulfilling three ad-hoc requests per week on average. "With IBM Cognos software and our data warehouse, we now have just in-time access to customer statistics and information, which has helped us provide more personalized customer service," states Serge Couture, Senior Manager Business Intelligence Competency Center, Laurentian Bank of Canada.

With IBM Cognos software, Laurentian has gained a competitive advantage in the banking industry, where it is a challenge to expand the client base and retain clients against some of the bigger banks. The bank's marketing team has leveraged IBM Cognos software to provide weekly feedback on its marketing campaigns, enabling it to easily change its strategy. Branch sales team members can also now easily monitor their progress against campaign goals with weekly performance reports. "With IBM Cognos software, sales representatives are more proactive and can refine their strategy at any point during a campaign, which they were not able to do as quickly before," explains Couture.

## Faster methods

One of the biggest challenges banks face is not only selecting the right software but finding new ways to get faster time to value. Available at no additional cost to IBM Cognos customers, IBM Cognos Performance Blueprints are predefined data, process and policy models.

These Blueprints are created in collaboration with industry thought leaders and some of our most successful customers, including 9 of the top 10 banks in the United States and Europe. Blueprints pre-populate your IBM Cognos environment with common operational drivers and business structures, dramatically reducing the time required to deploy a new performance management process.

For better customer care and insight, IBM offers quick ROI in the following key areas:

### **Customer segmentation**

The IBM Cognos Customer Segment Performance Blueprint incorporates banking industry best practices for consolidating customer data, better understanding customer segments and individual customers and putting strategies in place that offer them the right product at the right time via the right channel.

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### **Client servicing**

The IBM Cognos Client Servicing Blueprint helps financial institutions increase customer satisfaction and service for their clients.

By using the IBM Cognos Client Servicing Blueprint, companies can:

- Improve customer service, satisfaction and profitability by providing timely, comprehensive end-user customer reporting.
- Deliver client statements through multiple delivery mechanisms.
- Reduce operational expenses through client-servicing process monitoring, reporting, analysis and forecasting.
- Improve customer segmentation and customer-segment management.
- Enhance cross-selling.

The three key components in the IBM Cognos Client Servicing Blueprint include:

- Wealth Manager Dashboard
- Statement reporting
- Self-service and extranet capabilities

**Relationship pricing**

In this climate, effective pricing of products and services for customers is critical. With more competitive pricing, banks can increase organic growth and drive new customer acquisition and cross-sell opportunities. Pricing deals consistently and uniformly leads to improved efficiency and better predictability, therefore driving better financial management. And pricing at the relationship level – where the bank can understand the total profitability and risk of a customer relationship – improves both overall profitability and risk management.



The IBM Cognos Relationship Pricing for Commercial Banking Blueprint addresses this need. The Blueprint provides a quick-start solution that provides discipline and consistency to pricing both credit and non-credit deals, and helps align daily decisions with performance management objectives. It further supports relationship pricing and analysis with the ability to combine existing deals with proposed deals.

The solution enables relationship managers to conduct pricing activity at the product or facility level by customer, with multiple pricing alternatives to ultimately decide on a price that is economically sound and meets or exceeds a bank's defined earnings hurdle rates. The solution also provides a real-time profitability calculator to quickly evaluate new business pricing scenarios and their profitability impact at the facility, product or overall relationship level.

The tool also:

- Incorporates existing customer relationship profitability information.
- Includes key risk performance indicators such as risk-adjusted return on capital (RAROC).
- Allows managers to efficiently review and monitor RM business pricing activity.
- Enables efficient administration of incentive compensation plans for deals sold by relationship managers.
- Provides an administrative function to maintain a centralized pricing model.
- Deploys easily to very large user bases.
- Provides an effective workflow process to support loan pricing approvals.

### **Branch performance**

With the IBM Cognos Branch Performance Blueprint, branch managers can view and evaluate performance management by looking within the walls of the bank and combining that information with the external factors that will impact the profit and growth potential for any Branch location.

The Blueprint addresses the following key performance metrics:

- Profitability by branch, customer and product (ranking best and worst performers)
- Sales monitoring by product, customer and sales representative
- Operational efficiency by branch, staff position, transaction and activity cost information
- Customer satisfaction and loyalty
- Profitability comparison of actual versus plan and forecast
- Comparative reporting by branch type
- Local market share analysis for deposits and loans
- Competitive landscape
- Population density
- Median age
- Median income level
- Unemployment statistics
- Number of households
- Market share by product

## Summary

While financial services institutions must address the current economic situation and react to the far-reaching underlying changes to the banking ecosystem, they must also look beyond today's crisis and prepare for tomorrow through innovation and new business models.

Offerings may vary from bank to bank, but what will truly set your bank apart is the experience you create for your customers. In the IDC Asia/Pacific Advanced customer care and Retention 2009 poll, nearly 50 percent of the respondents saw customer care as a way to generate revenue – and many are ready to go beyond traditional customer relationship management. Information and analytics hold valuable insights into improving products or generating leads for the sales and marketing departments.

Banking Customer Care and Insight solutions from IBM allow your bank to become highly sensitized to ever-changing customer intelligence, so you can respond at every opportunity with exceptional service across all channels.

IBM technologies help create a highly interconnected hub of internal and external service providers, bank employees and bank assets, bringing all the elements together with the common goal of serving the customer through a real-time, thinking network.

IBM Cognos software provides an integrated, best-practices solution for banking performance management. It integrates and extends your critical data, and delivers the scorecarding, reporting, analysis and planning tools you need to manage and enhance profitability and performance. With integrated plans, business intelligence and metrics, you can dramatically improve your understanding of the current state of your organization and improve your ability to make timely, informed decisions in all areas – operations, sales and marketing, risk management, customer service, finance and more.



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## About IBM Cognos BI and Performance Management

IBM Cognos business intelligence (BI) and performance management solutions deliver world-leading enterprise planning, consolidation and BI software, support and services to help companies plan, understand and manage financial and operational performance. IBM Cognos solutions bring together technology, analytical applications, best practices and a broad network of partners to give customers an open, adaptive and complete performance solution. Over 23,000 customers in more than 135 countries around the world choose IBM Cognos solutions.

Only IBM with its end-to-end capabilities can help develop a superior performance management system that will drive more efficient operations, organic revenue growth and better risk management. As part of the IBM's industry frameworks for banking, IBM Cognos software delivers tangible and real business results to our clients, combining platform independence, banking-based solutions and Innovation Centers.

More than 3,500 financial services firms have selected IBM Cognos software to increase customer, product and channel profitability; manage and reduce risk; address compliance issues; and improve the predictability of financial performance. Among them:

- Nine of the top 10 banks in Europe.
- All the top 10 banks in the U.S.
- Six of the top 10 Asian banks.
- Ten of the top 10 Chinese banks.
- All of the top four Japanese banks.
- All of the top four South African banks.
- All of the world's top 10 investment banks.

## For more Information

For more information on IBM Cognos solutions for financial services companies, please visit [www.ibm.com/cognos/banking](http://www.ibm.com/cognos/banking).

## Request a call

To request a call or ask a question, go to [www.cognos.com/contactme](http://www.cognos.com/contactme). A Cognos representative will respond to your enquiry within two business days.

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