

# Swiss Private Banking and Customer Relationship Management

Survey Results 2000

MANAGEMENT  
SUMMARY

CUSTOMER  
RELATIONSHIP  
MANAGEMENT

PRIVATE  
BANKING'S  
CURRENT  
SITUATION

TRENDS FOR  
THE FUTURE

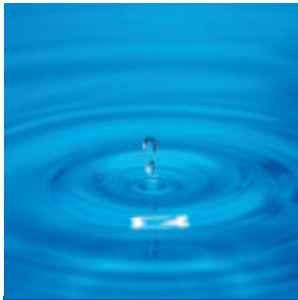
CRM  
GRAPHICAL  
OVERVIEW

METHODOLOGY



**CAP GEMINI**  
**ERNST & YOUNG**

# Management Summary



All larger banks participating in this survey, were either evaluating or currently implementing a CRM solution.

## Definition

Customer Relationship Management, in this context, is to be interpreted as the optimization of the customer relationship, with the ultimate goal of maximizing profitability at the customer level. This is achieved by integrating **technological tools, processes and resources** together in order to obtain:

- a more thorough understanding of the customer
- increased efficiency
- enhanced visibility and transparency

This document describes the results of a survey conducted by Cap Gemini Ernst & Young to analyze the CRM (Customer Relationship Management) levels in the Private Banking market in Switzerland.

It also produces a comprehensible graphical overview summarizing the current results and trends in the industry.

The results obtained are:

- Private Banks (PB) have achieved outstanding results in developing and maintaining customer relationships through personalized services
- this excellence in service seems however to have been achieved in spite of:
  - a general absence of tools to more efficiently administer customer information
  - a lack of processes describing how the information is to be managed

These shortcomings are usually compensated 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 becomes fragmented and inconsistent (if available at all) for usage at a higher level

It is in this context that Private Banks make a **sub optimal usage of the information that is collected.**

The trends observed are:

Private Banks in Switzerland are however on the verge of change. The outcome of the survey clearly points towards financial institutions looking at technological solutions to:

- support the client advisors daily tasks
- improve efficiency levels
- structure the information more homogeneously to maximize its usage

All seems to indicate towards the question of **how soon the change will occur rather than whether change will be occurring at all.**

The drivers for this change seem to be mainly imputable to:

- the arrival of technological solutions ready to sustain the PB needs within a framework ensuring data confidentiality
- competitive pressure, indicated by the trend
- management awareness of the current sub optimal usage of the information
- the need to increase efficiency
- generation change amongst the account and portfolio managers requesting better support tools

## Customer Relationship Management Definition

Customer Level	Thorough understanding of customer needs, requirements and habits	<ul style="list-style-type: none"> <li>■ Proactively provide customer with combination of services and products tailored to customer's needs</li> <li>■ Offer unified information stream across different channels</li> </ul>
User Level	Increased efficiency	<ul style="list-style-type: none"> <li>■ Reduce response time</li> <li>■ Automate administrative tasks</li> <li>■ Enhance internal communication</li> </ul>
Management/Operational Level	Enhanced visibility and transparency	<ul style="list-style-type: none"> <li>■ Customer "real" profitability</li> <li>■ Allow overview of customer base by accessing selective relevant information</li> <li>■ Structure information management processes, thereby limiting individual solutions</li> <li>■ Ensure quality standards to enforce the PB branding</li> </ul>

# The Private Banking's current situation

## Excellence in customer relationships

Swiss Private Banking is tied to a long tradition, in some cases stretching itself over two centuries, in which Swiss know-how in the financial sector has been applied to serve customers all over the world.

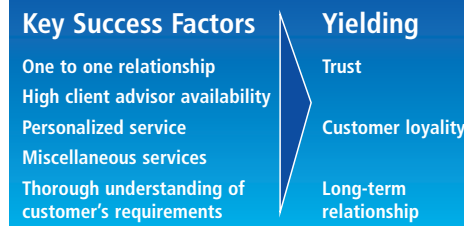
One of the peculiarities which has enabled this sector to distinguish itself from others lies in its ability to understand its customers and in reacting to those needs by offering services and products tailored to meet customers' requirements, exceeding expectations.

This thorough understanding of customer requirements is achieved by:

- a very strong one to one relationship between the customer and its advisor
- highly personalized services
- high availability
- ability to respond to miscellaneous requests, in some cases going beyond the financial scope (searching for a boarding school, taking care of standing payment orders etc.)

Direct consequences thereof are **customer loyalty, trust and long term relationships**.

### Excellence in Customer Relationship



## Managing the relationship Development of ad-hoc solutions

While it is undisputed that Private Banks have been very successful in establishing long lasting customer relationships, it must however be emphasized that:

- success depends significantly on the individual skills of the account managers
- the tools available to support the account managers are, but for a few notable exceptions, rudimentary at best, if available at all

- customer information is only available through a combination of multiple applications and paper folders

due to this, **only a fragmented view of the customer and of the customer base can be obtained.** (Graph 1)

This has led to the development of individual ad-hoc solutions by the account managers to handle the relationship.

## Sub-optimal usage of the information

Other direct repercussions imputable to the absence of support tools and to the lack of processes and strategy, **is the lack of visibility at all levels.**

Information collected is heterogeneous across account managers and a fragmented image of the overall customer base is generated. (Graph 2)

- limited segmentation capabilities (Graph 3)
- targeted marketing actions not viable
- customer profitability (all costs included) not available (Graph 4)

All of this lead to conclude that PB's currently make a sub-optimal usage of the information collected at the account manager level.

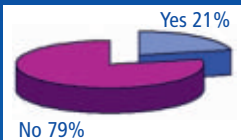
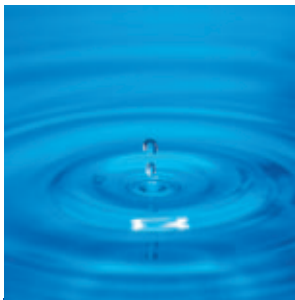
## Efficiency

The lack of support tools has important repercussions in the efficiency of the account managers:

- burdened by excessive non automated administrative tasks
- absence of a single view of the customer increases response time, since the information has to be gathered from a variety of different sources

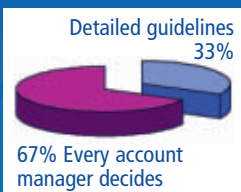
**Private Banks currently benefitting from CRM solutions have managed to maintain the same quality of services rendered, while increasing the number of customers per account manager.**

Support Tools	Customers per Client Advisor
Implemented CRM solution	220
Absence of CRM solution	140



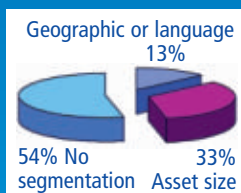
Graph 1

Are you able to obtain a complete overview of your client through a single application, on-line?



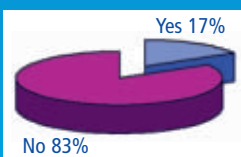
Graph 2

Do you have a strategy or guidelines about what client information should be collected, on top of the legal requirements?



Graph 3

What is the main criteria you use to segment your customers?



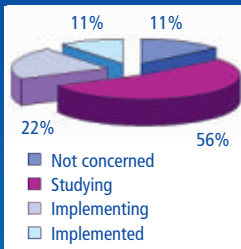
Graph 4

Do you know the profitability of an individual customer to your bank, all costs included?

# Trends for the future

## Receptiveness

While it is true that currently only a very limited number of Private Banks benefit from CRM solutions, the picture is about to change as more and more (usually a function of size) are evaluating or even implementing diverse CRM solutions. (Graph 5)



Graph 5  
CRM in Private Banking

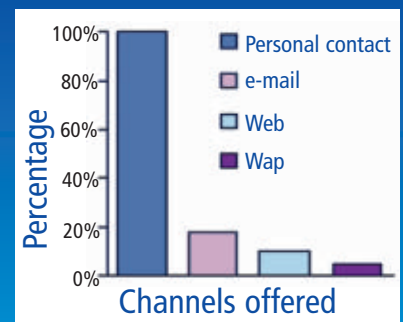
## Channel integration

Another development that is influencing the world of private banking is the arrival of new electronic channels for contact with clients. Private banking has always been very single channel oriented, the contact between the bank and the client has always predominantly occurred either through personal visits or via the phone, but always with a single contact, the account manager. (Graph 6)

However, the challenge that private banking is facing with regards to this, is to integrate the new channels while keeping the very high standard of customer service they have been able to attain over many years. The account manager will have to have online access to the client's search patterns and transactions. This will require technical and organisational changes, and an effective integration with a CRM strategy to remain as close to the client as before.

## The role of e-banking

The survey revealed that a growing portion of the clients are asking for online access to their portfolio. Many of the banks stated that between 30 and 50% of their clients are asking for such a facility. A small, but rapidly growing portion of the customer base, are demanding the possibility to trade over the internet. This type of service will be made available by the most advanced banks over the next 1 or 2 years. This will be possible, due to the arrival of e-banking solutions, viable for smaller banks.



Graph 6  
Channels offered

## Drivers for change

The drivers for this change seem to be mainly imputable to:

- the arrival of integrated CRM solutions ready to sustain the PB needs within a framework ensuring data confidentiality
- competitive pressure
- management awareness of the current sub optimal usage of the information
- the need to increase efficiency
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# The CRM graphical overview



To be able to compare between different banks, an index was composed. Abilities of individual banks were assessed and measured on an index composed of two dimensions:

- the availability of customer information
- the ability to use all knowledge about the customer to maximize profitability

The figures, expressed as percentages, serve to compare the abilities of the surveyed banks. A 100% score represents a best in class, with fully optimized CRM processes and tools.

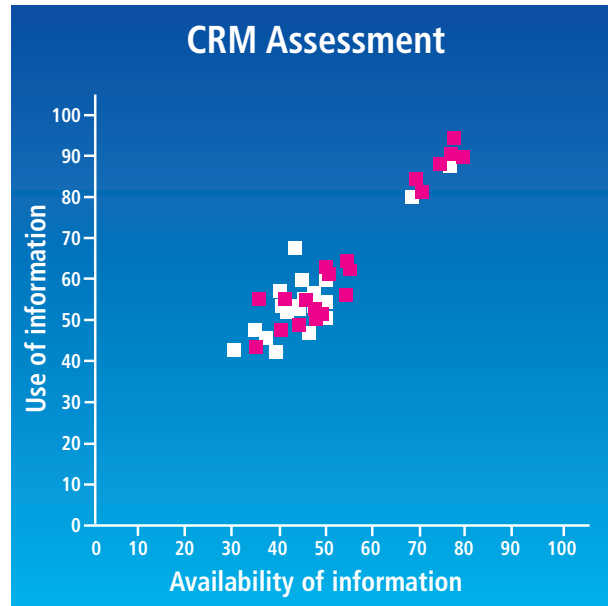
White dots plot the current situation, red dots do so for the planned situation in one year.

## Information usage axis

The information usage axis focused on how the information is applied to maximize the customer knowledge acquired. Main criteria were:

- understanding of client profitability (all costs included), customer's requirement and needs, segmentation (40% of weight)
- ability to target customers more efficiently (26%)
- exchange of information through alternate channels (10%)
- degree of capability to serve the customer in the absence of the key account manager (24%)

- current situation
- one year outlook



## Information availability axis

The information availability axis focuses on what information is being captured and how it is being done. Focus areas were:

- quality of the information captured (33% of weight)
- existence of strategy and processes describing what information is required about each customer (11%)
- availability of support tools to assist the account managers, marketing managers and other operational areas (45%)
- alignment of processes and system integration (11%)

## Interpretation

### Interpretation

The result, described by the white plots seem to indicate that, except for a notable few, most of the banks interviewed seem to cluster in an area where a lot of qualitative information is captured.

However, given the lack of processes and tools to structure the information, it remains mainly available to the account manager and cannot be capitalized upon by other operational areas of the bank.

The red plots describe the trend in the industry as they measure the same situation in one year. The banks who are making a significant qualitative jump are the ones that are currently implementing a CRM solution.

The majority of the banks that are currently only at the evaluation stage of the different CRM solutions will not have undergone any significant qualitative improvement, within our observed one year outlook.

# Methodology

The source used was "Die Banken in der Schweiz", 1999 edition, published by the Swiss National Bank

## Selection criteria of the financial institutions:

- predominantly active in private banking
- mainly located within the Geneva, Zurich and Basle area
- neither the very large banks nor the very tiny ones were included in the survey due to the significant size difference

## Approach:

- a questionnaire of 40 targeted questions was developed
- interviews mainly conducted with either the marketing director or senior management
- the survey was conducted during the last quarter of the year 2000

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## About us...

Cap Gemini Ernst & Young is one of the largest management and IT consulting firms in the world and is publicly being traded in the Paris Stock Exchange. The company offers management and IT consulting services, system integration, technology development, design and outsourcing capabilities on a global scale to help traditional businesses and "dot companies" continue to explore growth strategies in the new economy.

The newly founded organization employs more than 57,000 people worldwide and reports global revenues of 7.7 billion Euros ( 1999 ). More information about individual service lines, offices and research is available at [www.cgey.com](http://www.cgey.com).

With more than 500 completed projects, Cap Gemini Ernst & Young ranks among thlargest and most experienced CRM practices in the world.

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