

Special Report

On-Demand Customer Knowledge Management in Financial Services

Moving Towards the Customer

The financial services industry is a highly dynamic and competitive marketplace. As the fight for customers intensifies, it is increasingly important for banks and brokerages to attend to customers' needs while ensuring customer information is shared with the right people at the right time across the institution.

Financial Insights believes the technology supporting the front office in wealth management, for example, will grow to over \$5 billion by 2009. Front office systems include: customer relationship management (CRM), client/account data management, interaction management and product information management. These systems have increased in importance as trends in personal investing move towards broader services and integrated product offerings.

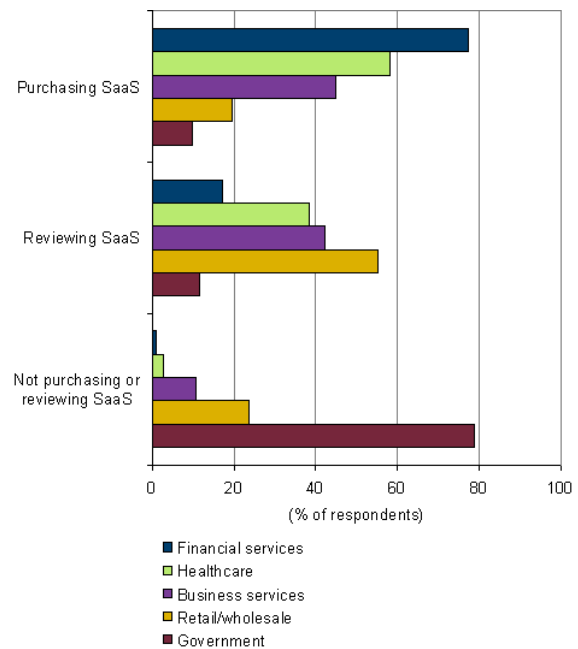
By utilizing a customer-focused, integrated customer management system, all employees interacting with a customer will have up to date knowledge of that customer's breadth of relationship and experience with the institution. This helps the institution with cross selling, up selling and reporting on the effectiveness of any new customer initiatives.

The Rise of SaaS

In the past, for many financial services front office deployments, CRM installations have had integration and productivity challenges both in technology implementation and across business functions. There are a number of failed examples across the industry where the integration costs for a CRM system far outweighed the benefits, or usability concerns derailed wide adoption of the solution. However, the introduction and growing popularity of "on-demand," software-as-a-service (SaaS) CRM solutions has re-energized many

financial institutions' interest in CRM capabilities. A recent IDC survey on SaaS by Amy Konary and Erin Traudt shows financial services companies are leading adopters of SaaS solutions (Figure 1).

Figure 1.
Software as a Service Adoption by Industry



Source: IDC's *Software on Demand's Impact on the Software Industry: Transformation, Extinction, or Rebirth?* (IDC #33558, July 2005) from IDC's *Software as a Service Continuous Intelligence Service*.

Deploying SaaS CRM solutions generally has low lead-time due to little overhead and easy integration into existing systems. There is no hardware or software to install, so the system is up and running much faster. SaaS may be used as a platform to consolidate home grown applications thus reducing the risk of incompatibility. This plays into a lower total cost of ownership as the SaaS provider's success is tied to the bank's success. SaaS also supports a

measured implementation schedule with pilot programs to test and refine functionality and prove out integration before broad rollout across the institution.

The Benefits of SaaS

Financial Insights has identified some of the components existing in high-value deployments of SaaS practice management and CRM solutions, including 'ease of use', 'ability to customize', and 'multi-tenancy capabilities'.

- **Ease of Use.** In the past many CRM systems were difficult to use and so adoption rates were low, and return on investment was not easily quantified. SaaS enables CRM to be deployed and used with ease.
- **Ability to Customize.** Since the financial services industry changes so rapidly, it is very important to be able to customize the system quickly and easily. Few institutions find that "out of the box" solutions meet all of their needs. And, extensibility into existing applications and databases is a crucial part of the required customization.
- **Multi-tenancy Capabilities.** New features, functions and upgrades are automatically added without the risk of downtime. Multi-tenancy reduces the need for additional resources in upgrades and deployments, thus lowering the cost of the system.

Finding the Right Answer

The need for banks and brokerage firms to integrate customer data across all their front-office systems, in fact across the entire enterprise, is practically an imperative for doing business today. It is a challenge that all functional areas in the entire financial services industry are grappling with. Complicated by the rising complexities and overall cost of IT systems, Financial Insights believes that financial services institutions must select solutions that minimize both these significant integration and

adoption challenges that span the enterprise and impact all aspects of customer management and customer service strategy at every financial services firm.

“Salesforce.com was the only on-demand CRM to offer the service expertise, enterprise functionality, and integration and customization capabilities required to handle the complexities of our multi-thousand user implementation. We've been very pleased with the time-to-value and user adoption.”

—Jim Wilson, Group VP
SunTrust Banks

The advantages and attributes of externally hosted, on-demand, SaaS CRM applications provide a strong solution to meet the need for flexibility, ease of use and lower TCO that all firms face. Many leading banks and broker-dealers are now successfully utilizing SaaS by working with providers who have extensive experience in integrating that service across large institutions and have demonstrated significant adoption patterns across their implementations. Financial Insights believes that it is important for financial services firms to understand the underlying approach to SaaS that any provider bases their offering on, as well as their experience set within the industry – and ultimately how those capabilities translate into the specific application and integration needs of the institution.