

PRIVATE BANKING

Microsoft Dynamics CRM

CRM for Wealth Management Firms

White Paper

Setting New Standards in Financial Relationship Management

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www.microsoft.com/crm



About the Author



In addition to being the director of Academy for CRM in Central Europe, Max Fatouretchi is President of First City International (www.first-city.com), a Microsoft Dynamics™ CRM Partner in Austria.

Max focuses on CRM projects and CRM Process Management for clients in the financial industry. For more than 6 years, he has managed client projects for sales force automation in the finance industry as well as written, spoken, given seminars, and provided educational services on CRM strategies for vendors and banking customers around Europe.

Considered one of the leading authorities on CRM strategy and state of the market, Max has been quoted in multiple national magazines and newspapers as a subject matter expert and writes a number of regular columns for publications such as *BANKinsider* in Austria. Max is a frequent speaker at conferences and seminars across Europe.

Prior to his current position as President of First City International and director of the Academy for CRM, Max worked 7 years with Digital Equipment Corporation and 7 years with Microsoft Corporation, where he was responsible for sales and solutions marketing as well as vertical initiatives of the company.

Away from work, Max stays busy with hobbies such as mountain biking, running, traveling, and reading.

Max has years of experience with both CRM and Enterprise Resource Planning (ERP). He has built Microsoft® CRM banking practices (www.crm4banks.com) and has extremely deep ties with the CRM and enterprise applications communities.

Max received a Bachelor of Science in computer technology with majors in commercial data processing from the Technical University of Vienna in Austria.

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Introduction

Over the past 10 years, the number of individuals classified as having ultra high net worth has increased while the liquid assets owned by that group have remained constant. This trend has prompted private banking and wealth management firms to concentrate on the critical strategies necessary to find, acquire, and keep this lucrative client base while at the same time generating better returns on other investments at the top of equity returns. To do this, financial advisors need to build relationships across many individuals, banks, asset managers, accountants, tax attorneys, family offices, and government agencies (IRS or tax offices).

Thus, the new private bank needs to be able to deal with the crossover between the client's private and corporate interests; it needs to offer a wide range of complex alternative investments; and it needs to use technology to understand its client's complex financial positions in order to maximize returns for them.

In addition, financial institutes seek to create transparent operations that will allow internal divisions to reduce complexities and customers feel that they are dealing with a single organization. The road to transparency begins with data infrastructure– the rationalization and centralization of customer information for use throughout the organization– and continues to integrated customer and business processes.

The banking community is aware that customer relationship management (CRM) is more than a computer system or an approach to serving customers, and that CRM is a business strategy that uses integrated customer information to improve sales and services. In this light, CRM in banking could be a powerful tool that enables financial institutes to increase the value of advice and service through the effective use of customer information.

First City International has developed CRM4Banks, a set of CRM solutions based on the Microsoft Dynamics™ CRM software. The solution helps financial institutes to discover new business opportunities and to grow.

CRM4Banks:

- Helps financial institutes and wealth management firms create the relationship intelligence they need to uncover new business opportunities and enhance client service.
- Allows wealth management and financial institutes to differentiate themselves through new standards in customer relationship management.
- Provides financial advisors with an intuitive interface that incorporates detailed insight into customer information and full integration with the Microsoft® Office programs.
- Provides management functions and helps enable confident decision making by providing better insight across the organization.
- Provides full-featured CRM capabilities tailored to finance industry requirements, including financial risk management and customer financial planning features.
- Integrates fully with core banking applications and with the Internet and corporate intranets through the use of Web services.

This paper provides financial industry customers and partners with examples of how Microsoft CRM can work in the banking environment. Common business scenarios, particularly the First City CRM4Banks implementation for the largest private banking institute in Austria,

Raiffeisenbank Kleinwalsertal, demonstrate the business value that can be gained by utilizing Microsoft CRM.

For over six years, First City International has provided full-lifecycle CRM implementation services to the financial industry. As such, the company demonstrates excellence in sales force automation initiatives for this industry.

About Raiffeisenbank Kleinwalsertal

Raiffeisenbank Kleinwalsertal is the largest private bank in Austria, with branches in Austria and Lichtenstein and serving international customers from Europe, Asia, and the Americas. With a deposit of over €2.8 billion (U.S.\$3.53 billion) in stock and investment and more than 25 years of private banking experience, Raiffeisenbank Kleinwalsertal is one of the leading wealth management firms in Europe.

Why Microsoft CRM?

Raiffeisenbank Kleinwalsertal has dedicated more than 10 years to employing key CRM strategies to better serve customer needs and to increase customer satisfaction. Through the active use of CRM systems, Raiffeisenbank Kleinwalsertal aims to:

- Be customer-oriented instead of product-oriented
- Better compete with banks offering similar products
- Compete with new market players– mostly from segments outside of the banking industry, such as insurance
- Increase sales and marketing effectiveness
- Increase customer loyalty and retention
- Win new customers

Raiffeisenbank Kleinwalsertal relied on two other CRM systems before switching to Microsoft CRM software. The main features of Microsoft CRM that led the bank to choose it as the new CRM solution included:

- Interoperability with Microsoft Office programs, such as the Microsoft Outlook® messaging and collaboration client
- A familiar user interface similar to that of Microsoft Outlook
- The use of Web services to integrate core banking applications
- Improved price and performance on total cost of ownership
- Ready-to-use vertical solutions for banking
- Shorter time to implement and deploy the solution

Customer “Lifetime Value” and “Share-of-Wallet”

Integrated client data is one of the essential building blocks of a CRM solution and is a main objective of many CRM applications. Naturally, integrated client data also is useful for developing client profiles and segments as well as for providing added value and for serving customers individually. Client value traditionally depends on customer equity, which means that the customer monetary value to the bank must be determined. Effective CRM gives the bank a view of the client and client profitability without neglecting client needs and requirements, and it provides a general approach for putting the customer at the center of attention.

All CRM processes employed by the bank derive from the bank’s CRM strategy and vision and the company’s focus on customer needs. Through CRM, the bank can better provide customers with the appropriate products and customized services. To do that, the bank must know its customers and their needs. Customer profiles can be developed to establish customer segmentation so that the bank’s products and services can be tailored to customers, with the goal of increasing the lifetime of customer relationships and raising the so called “share of wallet.”



Figure 1. CRM operational processes

CRM Business Process Management

Private banks that seek to benefit from CRM should take a step in the direction of business process management and should, by the means of CRM-based business processes, embed CRM in all areas where doing so would be profitable to the bank. The implementation of a CRM application is a way to be customer-orientated and to optimize these processes, and therefore

a way to secure a competitive position in the global and transparent market. That is why a CRM application cannot be an isolated solution but should optimize and integrate all processes across all departments. This way, the bank can put these processes at the center of attention.

A great challenge in analyzing, modeling, or operating CRM processes is the optimization of all channels over which the interactions with clients happen. Today, banks are process-oriented and run on automated, integrated, and synchronized processes. This is one of the main prerequisites for fulfilling short-term profit goals through revenue maximization and cost reduction. Yet, to ensure long-term success in the market, a flexible business process infrastructure or, so to speak, a CRM process infrastructure, enables banks to react quickly to customer needs and market changes. Operating this way, customer satisfaction can be improved continuously.

CRM and Return on Investment

However, costs and the return on investment (ROI) should not be neglected. Management has the full right to ask, "What are the benefits of implementing CRM?" A CRM implementation is costly. Therefore, the ROI should always be calculated for a CRM implementation. The ROI of CRM is calculated by "monetary returns induced through CRM implementation" divided by the "costs of the system and the system implementation." The ROI is simply the interest collected from the CRM investment.

CRM success depends on measurable ROI over a short period. Expenditures and prospective earnings over a certain period must be defined, and the return flow from a CRM investment should ensure that a project is headed in a right direction.

When it comes to private banking and wealth management, it is important to be well prepared before entering financial advisory sessions with the customer. At Raiffeisenbank Kleinwalsertal, more than 100 sales and financial advisors use the CRM solution daily to prepare for each customer visit. On average, advisors have about five customer visits per day. In some scenarios, the preparation time may take up to several hours of researching, choosing the best products, and preparing individual offers for each customer based on customer data and profile. By using CRM, the bank saves an average of 25 percent on each preparation session, which results in a 12 percent overall increase in sales, because the preparation time and customer visit are equal in terms of time spent on customer consultation. The result is more time for the customer visit and less preparation time. All this saves money and increases revenue for the bank every day.

The benefits of implementing a CRM strategy can be grouped into the following categories:

- Capturing core data and customer visit information at the front office and directly through the CRM system eliminates most paperwork.
- Improving efficiency and quality of the customer advisory sessions at both the preparation stage and the financial advisory visits.
- Eliminating, improving, and automating key business processes through the integration of the CRM system and the back-office and front-office systems.
- Access to high-quality management information to provide accurate and timely reports as a value-added product.
- Facilitating cohesive and consistent customer service by managing Customer contacts and correspondence through a centralized database.

-
- Improving the efficiency and quality of communication with customers through the use of easily accessible customer information on the computer.

Benefits Summary

In summary, these specific benefits have the potential to add up to larger organizational benefits such as reduced costs; faster, more accurate service for customers; greater sales penetration into target groups; improved opportunities for staff promotions (hence, improved customer retention); and the achievement of cross-selling and up-selling objectives. Finally, strategic benefits such as increased compliance with bank policies and improved relationships with external partners and vendors should be considered.

Customer-Centric Banking Experience

Because private banks have face-to-face relationships with customers, bank staff are uniquely positioned to promote new products and services, uncover problems, and increase customer loyalty. To do so, bank staff need to deliver fast, personalized client services. CRM processes can help them to achieve this.

CRM4Banks streamlines advisor operations, and, because it is built with Microsoft® .NET technology and Web services, it integrates across applications. Staff gain real-time access to customer history, accounts, activities, and interaction information, regardless of the customer's point of contact with the bank. This combination of transactional efficiency and customer-centricity creates real benefits for the bank and its customers.

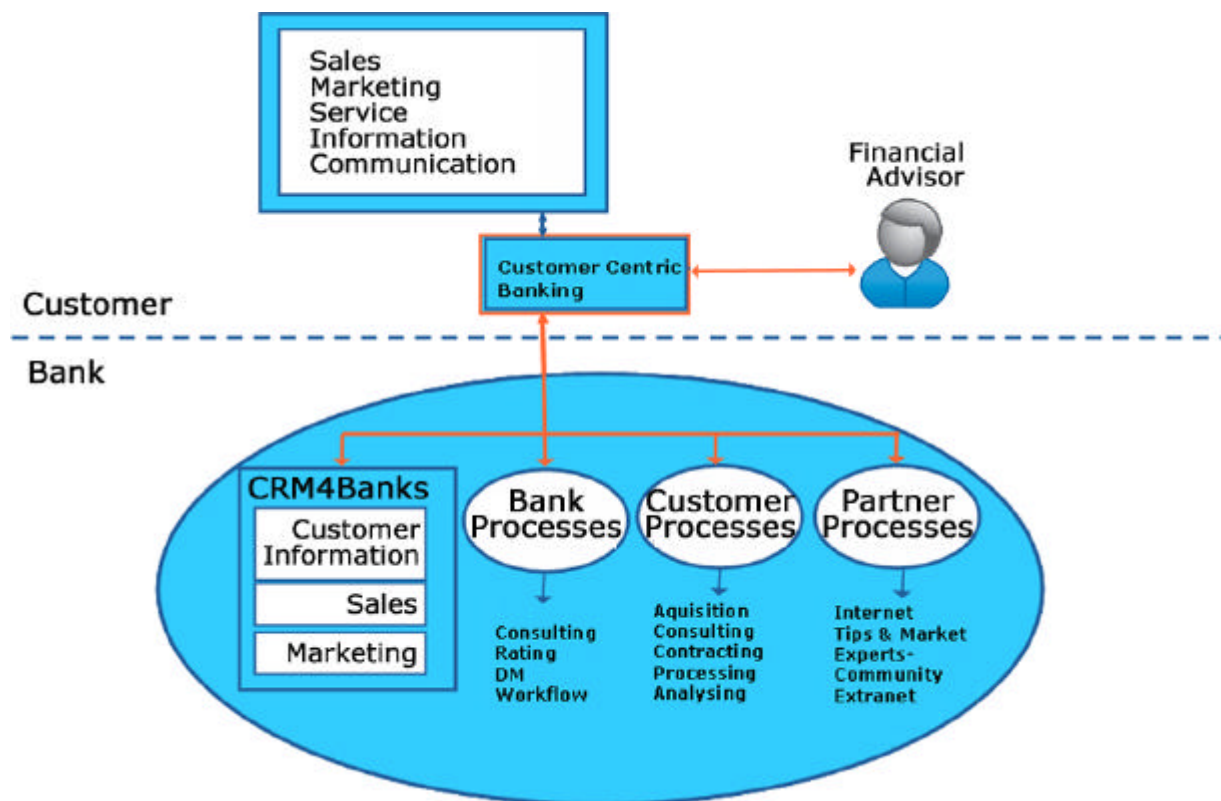


Figure 2. Built on Microsoft CRM software, CRM4Banks provides extended functionalities and it integrates with core banking and partner applications to provide a single view of important customer data.

Setting New Standards in Platform Management

Business decision makers at financial institutes want a single platform on which to integrate services and information across multiple applications, core banking legacy systems, and the

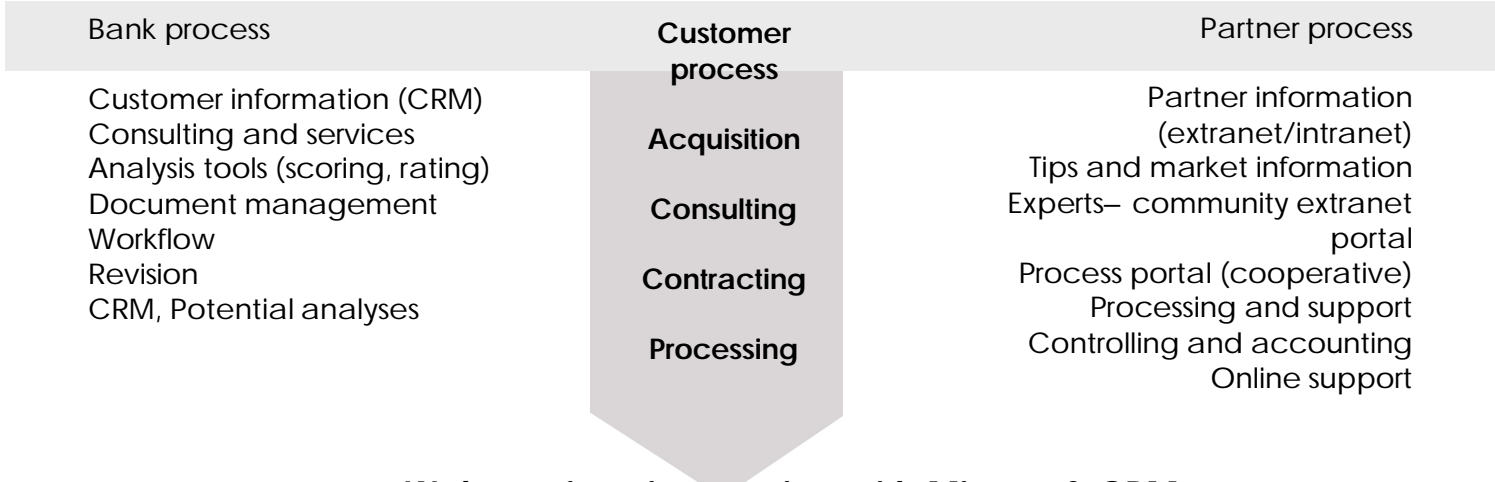
Internet. This single platform can provide all business groups with a single, common view of customer relationships to help the organization provide higher quality and more personalized service.

CRM4Banks is a scalable solution based on Microsoft CRM software and Web services that gives financial institutions the flexibility to customize processes and workflows to meet the precise needs of the organization. CRM4Banks provides:

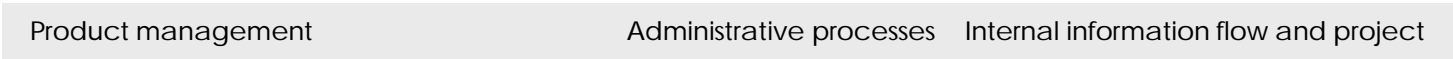
- o An enterprise repository for common components, functions, and data elements used across channels and applications.
- o A process-oriented management system that provides the ability to create, extend, reuse, and deploy workflows across channels and applications.
- o Cross-application features such as reports, benchmarks, alerts, and auto-enrollment.
- o Centralized event logs and auditing systems for effective management of security and privacy compliance and internal risk management activities.
- o Interoperability with Microsoft .NET technology and Web services for faster development schedules and improved integration of legacy applications.

In addition, CRM4banks extends .NET technology to provide real-time connectivity and a multitude of offline capabilities that enable staff to conduct business when host communications are not available or when traveling. This means that the bank also benefits from lower cost of ownership, competitive agility, and rapid deployment of changes and enhancements.

CRM4Banks Customer-Centric Application



Web services integration with Microsoft CRM



Familiar Look and Feel

CRM4Banks delivers a functionally complete set of financial management tools, as well as all of the standard Microsoft CRM functions in a single user Interface with a familiar look and feel—similar to that of Microsoft Outlook® without sacrificing the requirements for financial transaction entry that is appropriate for users of a banking application. In addition, numerous service functions, such as 360-degree view of the customer, campaign management, and full integration with the Microsoft Office System are incorporated into the user interface to improve service delivery capabilities. A familiar user experience can help lower training costs while empowering users to get more out of the application.

CRM4Banks integrates core banking applications in a transparent manner; and it provides a single solution to help financial advisors provide improved customer service, generate new business, and work more efficiently.

CRM4Banks provides critical functions for financial institutions to:

- Manage customers' financial profiles
- Establish a financial sales and service culture
- Develop an investment and profitability plan
- Develop a revenue plan based on customers and products
- Integrate thoroughly with core banking applications

Conclusion

CRM4banks was developed with Microsoft CRM software and takes advantage of the experience of First City International with CRM projects in the banking sector to create a best-practice model for Private Banking CRM. With this product, banks and wealth management firms can increase the productivity of employees throughout the business while saving time. With a familiar user interface, financial advisors will be able to take advantage of Microsoft CRM features with a minimal amount of training time. Microsoft CRM is designed to create easily specified user roles based on an individual's job function in the bank, and it is designed to help banks customize and automate processes throughout the business according to preference and business styles. CRM4Banks means business management solutions for the bank. That can mean an accelerated return on investment— and a bank that is managed more smoothly, more effectively, and more profitably.

Microsoft Dynamics is a line of integrated, adaptable business management solutions that enables you and your people to make business decisions with greater confidence. Microsoft Dynamics works like and with familiar Microsoft software, automating and streamlining financial, customer relationship and supply chain processes in a way that helps you drive business success.

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