



Improving Marketing Effectiveness for the Financial Services Sector

Fierce competition in the banking sector is driving the emergence of complex, highly interdependent products and relationships that need a higher speed to market than is facilitated by the legacy back office. Challenges with flexibility, timeliness, innovation and inter-operability are just some of the issues listed by leaders in the banking sector¹. While management action in global purchasing and work effort centralization has realized productivity gains in several banking areas, there is yet room for improvement within the marketing function.

Summary – Operational consolidation in marketing operations delivers significant productivity gains. To realize the benefits, the enterprise can disaggregate redundant, non-crucial tasks from the marketing function and consolidate under a separate entity (within the enterprise or without). The consolidation must address productivity gaps through one or more of the following tactics.

1. Engage and stimulate cross-function interaction among Consumer/Brand management and Customer Relationship Management operations.
2. Consolidate marketing operations wherever non-customer-facing skills are fragmented across geographies and channels.
3. Break down data silo's.

The Process Gap – The dominant and most fundamental productivity gap in several marketing organizations is a detachment between brand/consumer management and customer relationship management (CRM) functions. Figure 1 below illustrates the roles played by the respective organizational units. The gap is fundamentally that in processes and the inability of the organization to leverage the core competencies of the respective functions towards revenue growth.

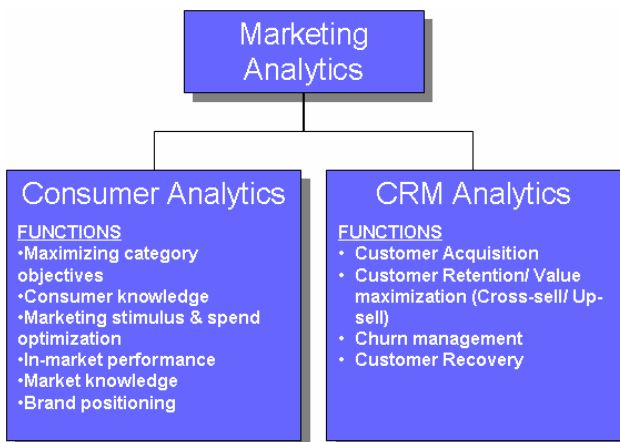


Figure 1: Effective marketing organizations facilitate cross-communication between their brand management and customer relationship management functions.

An office products company realized this issue and invited Marketics to facilitate the cross-function communication. Marketics provided the solution expertise to merge the company's market intelligence with customer intelligence. The company's behavioral segmentation (a CRM function) was merged with its attitudinal segmentation (a Brand/Consumer management function). Though simplistic, this solution is a huge breakthrough for many retailers who undertake a survey to understand customer attitude but can not map it to the customer base for 1-1 marketing. The inability to do so is a huge tactical hole in the skills suite of the organization. What Marketics delivered to the company was not only "what do customers want", but also pinpointed "which of your customers, identified by name and address, have those needs" so they can be served to the best of the company's abilities.

The Organizational Gap – Another productivity hole is organizational redundancy. We have seen organizations that have fragmented their marketing operations across multiple geographies or customer channels. Such organizations typically replicate skills across the fragmented operations. These are huge operational inefficiencies, especially if the redundancies are in the non-customer-facing organization. Additionally, the fragmentation in the marketing tactics compromises the integrity of the marketing vision and leads to tactical inconsistencies.

A typical example is the bank that has had to bootstrap marketing effort around a new line of business, a result of consolidation or acquisition. Another example is a company with a broad footprint that has to deploy a varying marketing strategy in all its regions of operation. Marketics has fielded several such requests from organizations that need to localize and consolidate their decision support operations. For a consumer goods company, Marketics has fielded a 60 member team to service its client's operations in 40 countries. The value realized through such operational consolidation goes beyond costs savings. This strategy creates a virtuous circle and productivity gains finance further investments in marketing and product innovation. Even in the fiercely competitive consumer goods sector, such a strategy has

yielded as much as 12% annually in returns on shareholder investment from 1993-2003ⁱⁱ.

The Technology Gap – Information technology may be a facilitator but is not essential in bootstrapping productivity gains. Once the bank has addressed the gaps listed above, information technology has a key role in delivering new insights into consumer needs and customer behavior. A challenge, typical of companies that have pursued growth aggressively, is data management and integration across multiple data sources. It is not uncommon for a bank to manage different data repositories for its retail operations, customer service, credit sales, marketing operations and customer profiles. Various organizations have engaged sophisticated customer data integration solutions in support of these objectives with varying degrees of success. Marketics' point of view is that the scale and the direction of this effort should be dictated by an analytic vision to realize returns on the investment. This consolidation vision is represented in Figure 2 below.

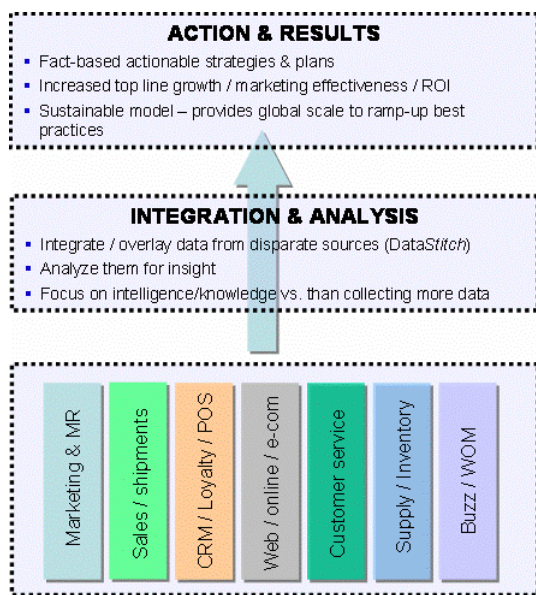


Figure 2: Effective marketing organizations facilitate cross-communication between their brand management and customer relationship management functions.

Consolidation through Disaggregation – The common plank to improving marketing effectiveness is consolidation – in organization, in processes, and in technology. To realize this goal, the enterprise has to first “disaggregate” and then consolidate redundant non-crucial processes under a single entity within the enterprise (or without). Business practicesⁱⁱⁱ are pushing for the “totally disaggregated corporation”, wherein every function not regarded as crucial to the organization is stripped away for outsourcing.

If looking to outsource core functions, here is a set of common expectations that a vendor (internal or external) must be prepared to fulfill, as adapted from an IBM paper^{iv}.

- Thought leadership driven by a deep reserve of intellectual capital and resources, and supported by

best-in-class technologies, methodologies, skills and practices

- A willingness to share both risks and rewards
- Ability to close gaps between legacy systems and new technologies and applications.
- Domain expertise to align IT strategies and applications with business and market concerns.

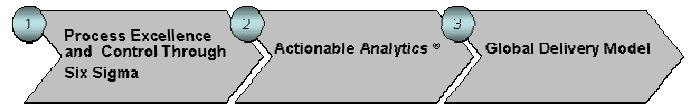


Figure 3: Marketics Scalable Analytics (M-Scan) methodology ensures quality control, transparency and scalability in engagement delivery – thereby ensuring success in outsourcing marketing analytics

Marketics' Methodology – Marketics deploys the Scalable Analytics (M-Scan) Methodology (Figure 3) in alignment to the expectations listed above. The three pillars to the M-Scan methodology are explained below:

1. Process excellence and quality control through six sigma delivery management.
 - Adequacy, accuracy, timeliness framework
 - Automation and standardization
 - Learn/Crawl/Walk/Run approach to phase transition
 - Intellectual property creation and codification.
 - Analysis transparency.
2. Actionable Analytics®.
 - Customer centricity
 - Business consulting layer
 - Breaking the silo's – data integration from multiple sources
 - CRISP-DM process for analytical process management
3. Global delivery model.
 - Center of Excellence deployment
 - Scalable on-site/off-shore delivery model
 - Global scale to every client/geography
 - Experience in scaling-up for market leaders in industry verticals
 - Automation and standardization.

About the author - Varun Madhok heads Marketics' North American CRM Analytics practice from Toronto. He specializes in analytics strategies for growing operational productivity across a range of industries. Dr. Madhok also leads the Marketics Strategy Forum which develops fact-based strategic insights for senior business executives on industry specific and cross-industry issues. He can be reached at varun@marketics.com.

ⁱ “On demand banking”, IBM Institute for Business Value, 2004.

ⁱⁱ “New strategies for consumer goods”, P.D. Haden, O. Sibony and K. D. Snead, McKinsey Quarterly, December 2004.

ⁱⁱⁱ “The future of outsourcing”, P. Engardio, M. Arndt, D. Foust, Business Week Magazine, January 2006.

^{iv} “Transformational Outsourcing: Responding to change in the e-business marketplace”, IBM Global Services, G510-1871-00, May 2001.

