

**PGDM (IB), 2019-21**  
**Customer Relationship Management**  
**IB - 532**

**Trimester – V, End-Term Examination: December, 2020**

Time allowed: 2 Hrs and 30 Min

Max Marks: 50

Roll No: \_\_\_\_\_

Sections	No. of Questions to attempt	Marks	Marks
A	3 (Long Questions)	10 Marks each	3*10 = 30
B	Compulsory Case Study	20 Marks	20
		<b>Total Marks</b>	<b>50</b>

**Section A (answer one question from each set)**

Q1a. Discuss Woodburn and McDonald's hierarchy of relationship levels and their relationship to sales and profitability? (CILO-1)

OR

Q1b. Discuss Payne and Frow's CRM model in detail? (CILO-1)

Q2a. What are the different components of a good customer loyalty programme? What features are preferred by customers participating in a loyalty programme. (CILO-2)

OR

Q2a. What are the objectives of customer portfolio management and steps involved in it? Explain the McKinsey/GE customer portfolio matrix model. (CILO-2)

Q 3a. You have been asked by your manager to manage unprofitable customers for your company. What process would you follow to complete this task? Explain with suitable examples. (CILO-3)

OR

Q 3b. Take a company of your choice and explain with suitable examples what type of CRM tools it can use for customer development? What metrics would you use to assess the success of customer development activities? (CILO-3)

**Section B**

Read "Halifax" case and answer the following questions

Q1. What were the challenges encountered by Halifax in servicing and managing its customers? (8M) (CILO-2)

Q2. Critically evaluate the process followed by Halifax / E.piphany to address these challenges and the outcomes of this process? What else could have been done to help Halifax to improve its customer relationship management (12M) (CILO-3)

## Halifax gives extra value with E.piphany Real-Time solutions

Halifax bank, a subsidiary of HBOS Group, is the largest home mortgage lender in the UK and offers a diverse set of financial and asset management services, including retail and business banking, consumer credit, savings products, pension products, life insurance and other investment-related products. With over £300 billion in total assets, Halifax manages a network of 750 branches, more than 700 financial agencies and intermediaries and approximately 400 estate agencies. The company registered an annual profit of £3 billion (before tax and exceptional items) in 2001 and continues to build on a legacy of well-earned confidence.

The merger of Halifax plc and Bank of Scotland as HBOS in September 2001 marked a challenge to the 'Big 4' clearing banks. HBOS has a substantial customer base, comprising personal, business and corporate customers. Its breadth of reach in existing markets represents significant commercial opportunities and these are fast being realized through an active focus on personalized customer solutions. James Crosby, HBOS Chief Executive, summarizes the Group's strategy: 'We seek to be more productive, sell more and hold on to our customers by giving them real value and superb service'.

### The challenge

A prime contributor to the HBOS brand, Halifax has led from the front in turning strategic intent into business initiative. In late 1999, a group of Halifax executives seized upon an opportunity to drive steeper profit and revenue growth by managing customer relationships more proactively. The continuing rise in the number of inbound calls to Halifax's contact centre offered tremendous scope for enhancing value creation. The bank received in excess of 24 million calls in 1999 and forecast that call volume would increase by more than 25 per cent through 2002. 'We knew we were missing revenue opportunities with each inbound call and wanted a system to generate personalized offers to customers', says Ruth Southern, Manager of New Sales Solutions, Retail Sales Development at Halifax. 'We also knew that customer loyalty and profitability would grow with each product sold to an existing customer.'

In order to harness the full sales and relationship-building potential of each telephone interaction, the bank needed to be able to demonstrate individual customer knowledge and relevance in real time. Intense competition and the rapid evolution of the financial services industry had elevated customer responsiveness from a desirable characteristic to a crucial factor. Moreover, 'responsiveness' was now defined by the quality, not just the quickness, of response. The use of multiple channels and, particularly, web enabled media whose self-service dimension emphasizes ease and expedience, had set new standards of customer convenience and service coherence. Customer value was unmistakably the key driver of shareholder value.

Halifax had already made a significant investment in call centre infrastructure and inbound calls were being handled with the utmost efficiency. However, the call centre technology (a home-grown, agent desk top application) did not possess the sophisticated analysis tools to cross-sell and upsell effectively the company's array of financial products. Halifax had a separate system for reviewing customer information and a centrally controlled marketing system for developing and presenting customer propositions. In addition, it was Halifax's ultimate aim to enhance the value of interactions across all customer touchpoints, including the bank's branches, agencies and interactive voice response (IVR) system. Clearly, new tools and resources were required if these immediate and longer-term customer relationship management (CRM) goals were to be achieved.

### The solution

Determined to capitalize on the growing dialogue with its customers, Halifax chose to deploy marketing solutions from E.piphany, Inc. to meet its cross-selling objectives. E.piphany is a leading provider of CRM software to the largest global enterprises. Major businesses use the vendor's

integrated CRM suite, E.piphany E.6™, to enhance their customers' experience, enable organizational effectiveness and drive value. In Q2/3 2000, Halifax piloted E.piphany Real-Time software with 160 of its call centre agents to support cross-sell development. E.piphany Real-Time provides real-time decisioning to allow for the construction of a consolidated customer profile and the delivery of a personalized product offer.

Using the Real-Time system, the call centre agents could rapidly access a customer's information and match it to directly relevant offers in the course of conversation. In this way, they were able to demonstrate thorough knowledge of Halifax's products and customers, resolve callers' problems quickly and easily, recommend new or upgraded products where appropriate and close sales with assured customer satisfaction.

In a next step, Halifax deployed E.piphany Real-Time to its Halifax Direct IVR system, which provides targeted messages to callers using its automated 24-hour telephone service for balance enquiries, bill payments and other standard transactions. The E.piphany solution expanded the self-service

capability by leveraging customer information to deliver personalized offers, thus generating new product and service sales. For example, customers would be offered the opportunity to upgrade their bank account, based on an understanding of the amount of monthly credits made to their existing account. If the customer chooses to accept the offer, they are provided with an option to connect directly to an agent to fulfil their request. Activation of the targeted message is guided by a record of the last time the customer accessed the IVR and whether or not they have previously been offered a campaign via the IVR system.

### **The results**

Halifax's initial deployment of E.piphany Real-Time exceeded expectations. Within six months of introducing the system to the call centre, investment costs had been recouped and offer acceptance rates among some of the top-selling agents had increased by more than 55 per cent. More importantly, customer acceptance across all campaign types (mortgage, personal loan, savings and current account) has risen considerably to an above industry average of 7.6 per cent. The success of the system was measured against internal product sales targets and the volume of business generated; it surpassed even the most optimistic performance predictions.

In addition to delivering impressive financial results, the E.piphany system had an empowering effect on staff. With accurate and instructive information at their fingertips, call centre agents were able to communicate with customers more effectively and with a greater sense of confidence. Even those

who were apprehensive about selling sophisticated financial products found that the user-friendly screen prompts provided the reassurance to overcome their fears and develop their skills as sales people. As Southern explains: 'When agents became more comfortable with the system, they became more opportunistic about additional sales'. This direct and positive impact on staff morale helped ensure a smooth transition to the new system.

Potential resistance to the organizational changes required was diminished also by new-found competencies. Because E.piphany Real-Time is a self-learning solution (meaning it becomes demonstrably smarter through use), the system can recognize the key characteristics of customers who are most likely to accept a particular offer based on a knowledge of customers who have previously shown an interest in that product. This ability to distinguish purchase proclivity and act on it immediately enables the campaign conversion rate to be higher than would otherwise be the case.

Prior to deployment of E.piphany Real-Time, the company's cross-selling techniques leaned towards generic marketing or hopeful guesswork. Call centre agents were often led, unknowingly, to suggest products that customers already had or would not need. Now, fully aware of which products match which customers at the point of sale, agents make offers that are deeply relevant. The reaction of Halifax customers to the CRM initiative has been likewise encouraging. Customer feedback shows it is a welcome change and a move in the right direction. This is borne out by the

fact that 10 per cent of all sales prompts now generate a lead and a substantial 50 percent of those leads close a sale.

By adopting a phased approach, testing E.piphany Real-Time first within the call centre and then extending it successfully to the Halifax Direct IVR system, the company was able to measure performance improvement and economically reinvest incremental return. 'We started small, we proved the case and rolled out our system', says Southern. 'We've generated growth that otherwise would not have occurred and we've created much greater customer loyalty. Now, we intend to continue expanding these capabilities further utilizing the E.piphany system.'

Building on the success of the pilot project, Halifax has rolled out the system to all 750 retail bank outlets. This is giving counter tellers the customer insight to manage their customer relationships more personally and profitably. There are also plans in place to implement the same system in agencies and to expand the system to support Bank of Scotland branch and call centre operations.