

**PGDM (IB), 2018-20**  
**Customer Relationship Management**  
**IB - 506**

**Trimester – V, End-Term Examination: December, 2019**

Time allowed: 2 Hrs and 30 Min

Max Marks: 50

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

**Instruction: Students are required to write Roll No. on every page of the question paper, writing anything except the Roll No will be treated as Unfair Means. In case of rough work please use answer sheet.**

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. What are the different operational CRM tools a company can use for customer acquisition? (CILO-1)

OR

Q1b. What is marketing automation? What are the various steps and processes involved in it? (CILO-1)

Q2a. Why might a company try to re-attract lost customers? What is the process a company may follow to win lost customers? (CILO-2).

OR

Q2b. Explain how FMCG companies can use CRM to gain advantage over competitors (CILO-2).

Q3a. Take a company of your choice and discuss what metrics would you use for measuring effectiveness of CRM strategies during customer acquisition, retention and development stages (CILO-3).

OR

Q3b. Take a company of your choice and discuss different strategies it can use for customer retention with suitable examples (CILO-3).

**Section B**

Read "DnB Nor Bank" case and answer the following questions

Q1. What were the business objectives of DnB Nor Bank and what were the challenges encountered by it in reaching these objectives (10M) (CILO-2)

Q2. Critically evaluate the process followed by Teradata to address the challenges faced by DnB Nor Bank. What else they could have done to help DnB Nor Bank (10M) (CILO-3)

## ***DnB Nor Bank- Achieving Excellence in Customer Management***

With about NOK 1200 billion in assets, DnB Nor Bank is the largest financial institution in Norway, after the recent merger between DnB and Union Bank of Norway (UBN). It currently serves almost two million customers and commercial businesses through a highly acclaimed financial distribution system. Customers have a choice of channels through which to interact with the bank, including a branch network, ATMs, call centres, investment centres, business centres and an Internet bank. The combined use of traditional methods of service delivery and new technologies reinforces the company's longstanding reputation for local knowledge and expertise.

DnB offers a conventional mix of banking, mortgage and other credit services, with a growing emphasis on savings and investment. Mutual funds, stocks and bonds are also offered to retail customers. The company's aim is to become the automatic first choice for retail customers and local industry throughout the country. In pursuit of its business goals, DnB has set upon a decisive customer strategy: to create, retain and expand customer relations in order to increase the bank's and the group's profitability. Product and service development is based on the company's regional bank concept and driven by a desire to meet the total needs of customers.

### **The challenge**

In 1995, as a major player in the highly competitive and fast changing financial services sector, UBN faced unprecedented challenges. An escalation in the types of channels and services available was fuelling trends of diminished customer margins and customer loyalty. The take-up of Internet banking by personal and business customers, for example, was to be matched by an incursion of rivals into the Norwegian market. The bank recognized that to improve margins and grow profitability, it needed to move away from a product orientation and towards a customer and event focus. Customers were becoming increasingly sophisticated and heterogeneous in their banking requirements and behaviours. They wanted more control over the management of their money and easy access to new financial products and services. The provision of greater individualization, however, necessitated greater customer intelligence and customer responsiveness.

A substantial decline in the frequency of branch visits by customers (at minimum, weekly in 1984 but less than monthly by 2001) meant less opportunity for UBN to elicit 'soft' data and to present a human face on what are often perceived as impersonal business interactions. The strategic importance of retaining and growing existing customer relationships was evident by a significant bias in the bank's customer portfolio: 20 per cent of customers were generating 80 per cent of profits. 'Our biggest challenge was finding complete information on our customers and making it actionable', says Torbjorn Gjelsrik, Head of Datawarehousing at DnB Nor. 'Most of our information was derived from various production systems that contained insufficient customer information. It was an information labyrinth and we didn't know how to get the right data out or even how to ask the right questions'.

The local branch network that rendered the advantage of close customer contact operated on multiple computer platforms and systems, with disparate data scattered throughout the decentralized branches. The bank could not easily gather, store and analyse customer-specific information, which limited its ability to understand individual profitability by customer, product and service. The bank wanted a means of identifying and exploiting the drivers of customer satisfaction and loyalty in a real-time operating environment. It needed a radical, customer-led solution. By tracking customer trends and understanding individual profitability, UBN reasoned it could improve revenue and margins through cross-selling and increasing customer use of its most profitable products and services.

### **The solution**

In 1996, UBN obtained a licence to build an enterprise data warehouse to consolidate its disparate data sources and thus capitalize on its key business assets: a substantial customer base; the country's best financial distribution system; and a strong financial brand image. Teradata, a division of NCR, was chosen as the principal technology partner. The data warehouse runs on a Teradata database and a massively parallel processing system also developed by Teradata. The data warehouse captures and retains all available information about customers from the bank's core data and accounting systems, including relationships in other companies in the group and various subsidiaries (unit trusts, insurance and financing), transactions over the last six years, marketing communications history, selected demographics and details from customer survey responses. Strict compliance with data protection

legislation ensures that data collection and usage conforms to current codes of privacy, security and ethical practice.

More than 1.5 terabytes of data are held in a responsive, easy-to-use format. Remote users are connected to the central database via TCP/IP. Teradata replicates information and copies it to the decentralized databases. Similarly, updated information from the branches is fed into the central database in real time by front-end staff and systematically through dataspecific daily and weekly updates and a monthly main refresh. To ensure UBN has a scalable and flexible solution, Teradata's service provision also encompasses business and information discovery, technology design and integration, database design and data transformation. With this profound emphasis on data usage, data quality is crucial to the bank's success. Staff are trained in data discipline and data management to avoid what it's CRM Manager, Kari Opdal refers to as the 'boomerang effect': 'If we gather poor data, or misinterpret or misuse data, it will rebound on us'. She adds that this is particularly true in event-based marketing, where even the strongest brands walk a fine line between enlightening and annoying customers.

According to Opdal, customer segmentation used to be 'mass market' and 'key customers'. 'With Teradata's data warehousing solution, we are now better able to analyse each customer's use of different services, as well as an individual's total net worth to the bank. We can understand the profit and costs associated with each customer, which means better, more customized services for customers and increased profitability for the bank.' The bank's approach to gaining share of wallet and share of mind is based on lifestage analyses. At any point in time, the customer relationship is seen to reside at a typical life phase. A student, for instance, might be predominantly concerned with utilizing the bank's loan and cash facilities, whereas a senior business executive may need to manage multiple accounts, mortgage repayments and insurance covers. Customer relationship development occurs along a spectrum defined by 'age' at one end and 'situation' at the other. The point of greatest potential for launching a lifetime relationship with a customer is when their financial service needs become a 'mixed bag' involving, for example, credit, savings and daily banking activity.

Importantly, the Teradata warehouse supports the proactive use of data to drive customer value, customer care and customer service. Using information from the data warehouse, the bank can identify changes in a customer's behaviour or circumstances that may indicate a change in their financial service needs. The customer is then contacted via the relevant media or distribution channel in order that the bank can find out about the apparent changes, rather than make a specific product offer. Viewing the customer as a person with individual needs and circumstances and not solely as an account with costs and risks, is integral to DnB's philosophy. The bank's dialogue programmes, loyalty programmes and product packages reflect customers' banking habits and status. The first-home loan product, for example, targets the first-time buyer segment by offering superior rates of interest normally reserved for experienced mortgage holders. 'Rather than penalize young customers for lack of a credit history, we prefer to look ahead at their value potential', explains Opdal. This insightful price benefit secured first year-end total loans disbursed of NOK 3200 million.

Managing customer relationships and company resources on the basis of complete and dynamic customer profiles, as opposed to piecemeal 'snapshots', has enhanced the bank's market relevance and performance. The launch of a customer loyalty programme targeted at the bank's most profitable customers saw approximately 70 per cent take up membership, far exceeding the typical 2 to 4 per cent response rate of traditional direct mail campaigns.

The data warehouse has also been instrumental in increasing usage of the bank's automated payment services, saving the bank – and ultimately its customers – unnecessary expense. By pinpointing which customers are not using the payment service best suited to their needs, calculating the amount of money they lose as a result and persuading them to exploit a better alternative, the bank is able to provide mutual benefit through actual added value.