

Bankinter Differentiates Itself by Focusing on Innovation and CRM

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Bankinter successfully competes in the Spanish banking market by being different. It grows organically, instead of by acquisition, and it uses innovation to gain first-mover advantage. A strong focus on customer relationship management enables Bankinter to meet its customers' needs.

WHAT YOU NEED TO KNOW

Bankinter has succeeded in using customer relationship management to create competitive differentiation in the Spanish banking market. The bank provides excellent examples of best practices in executive support, strategy definition, focus on having the right people with the right talents, understanding customer profitability and industrialization of processes. However, its focus on CRM metrics and the customer experience particularly stands out. Bankinter is a worthy winner of Gartner's 2005 Europe, Middle East and Africa CRM Excellence Award.

CASE STUDY

Bankinter is Spain's fifth largest banking group, with assets of 26 billion euros and 530,000 customers in 2004. It was founded in 1965 and has grown organically at an impressive 23 percent compound annual growth rate in assets since its inception in the Madrid Stock Exchange. It provides commercial, private and personal banking; corporate and small-and-midsize-business (SMB) banking; and mortgage provision. In recent years, Bankinter has taken 9.5 percent of the Spanish mortgage market, has become the leader in online brokerage and is the fastest growing player in the car insurance market. More than 50 percent of its customer transactions are via the Internet, and 3 percent are via mobile phones. More than 10 percent of customer contacts are via mobile phones.

Problem

Bankinter is a relatively small bank, operating in a highly competitive market that is dominated by:

- Multinational giants, such as Banco Santander Central Hispano (BSCH) and Banco Bilbao Vizcaya Argentaria (BBVA)
- Large national players, such as Banco Popular Espanol and Banco de Sabadell
- Local savings banks

To compete and succeed, Bankinter has to differentiate itself, identify new trends and leverage new profitable opportunities before its competition.

Objective

Together with the innovative use of new technologies, Bankinter sees customer centricity as an essential way of creating differentiation and maintaining valuable, long-term relationships. It sees customer relationship management (CRM) as a key enabler for:

- Focusing and aligning the organization on the profitability and experience of its customers to develop value for customers and the bank
- Supporting the drive into new market segments, which enables organic growth and the creation of specialized markets
- Responding quickly to market conditions, enabling Bankinter to take advantage of market opportunities and defend its position

To deliver on these objectives, Bankinter believes that CRM must be pervasive throughout the organization across all market segments, including mass-market, foreign, private, SMB and corporate banking.

Approach

Bankinter has a relentless approach toward doing things differently and better. CRM has been a central part of its business strategy for years, although there has been greater investment in technology recently to automate CRM. Bankinter's president and CEO are strongly involved in the CRM initiatives, and CRM is one of the bank's top five business initiatives. Bankinter defines CRM as "a set of intelligent business, marketing, communication and technological infrastructure strategies designed to forge a lasting relationship with customers, identifying, understanding and meeting their needs. It is an approach that, underpinned by multichannel processes, seeks to create and add value for the company and its customers."

Creating the CRM Strategy

The top three goals for Bankinter's CRM strategy are to:

- Achieve customer profitability levels that are twice or three times higher than its main competitors'.
- Provide a quality customer relationship that is at least eight points better than its competitors', as measured by an external survey organization.
- Support the bank's key business and strategic goals, including selective growth, credit quality, respect for risk and SMB focus.

The main CRM projects, chosen on the basis of business impact and expected return on investment, focus on:

- *Insight-Driven Marketing and Sales:* Understanding current customer value, net benefit analysis, uncaptured/potential customer value, next-best product to offer and loyalty/attrition risk, and then launching the most suitable actions
- *Sales Effectiveness:* Focusing on selective growth and long-term client retention, and linking sales performance to CRM goals
- *Multichannel Interactions:* Providing satisfying and profitable customer experiences via integrated, multichannel options (for example, branch, phone, ATM, Internet and mobile banking)
- *Next-Generation Mobile and Internet Banking:* Offering clearly differentiated products and services, and delivering real-time, context-specific offers wherever and whenever needed

Customer Experience

Each business, distribution network and service platform regards quality as the key factor in dealing with customers. An external independent panel routinely surveys Bankinter's and competitors' customers to produce 17 customer-level quality performance indicators. More than 78 percent of Bankinter's customers are highly satisfied, compared with the market average of around 70 percent. All customer-facing employees are evaluated against these indicators.

Bankinter uses customer experience surveys to drive product innovation, process redesign and distribution choices. To respond to customer needs, Bankinter heavily invests in innovation (for example, Bankinter is the only bank in Spain using mobile banking to service and sell to customers) and multichannel integration. All customer-facing employees have access to a 360-degree view of customers, including information on their current and potential value, financial

indicators, history and opportunities. This gives staff a greater understanding of the customer's situation, how to treat the customer correctly and what opportunities can be leveraged.

Organizational Collaboration

CRM is driven top-down from the president and the CEO, and there is a strong level of personal buy-in across the organization. The multidisciplinary CRM team has a strong focus on analytics and processes, and works closely with CRM liaisons across the different lines of business (LOBs) that promote the CRM program within their teams.

In 2003, Bankinter was reorganized around customer segments that work in a matrixed fashion with the networks, the product factory, shared services and the channels. Bankinter's CRM Steering Committee meets regularly to assess progress and priorities, and to align business owners with the CRM program work. A cross-enterprise technology working group ensures that technology standards are established and best practices are shared. The CRM program is strongly promoted within the organization, with publicity around CRM events and results published via a CRM scorecard. Employees are offered incentives to adopt new systems, and CRM-related measures and objectives have been built into each LOB's responsibilities. Communication and feedback is very important, with employee feedback collected via an information center, mailbox and online forums. Bankinter's employees have proposed many service quality improvement measures.

CRM Processes

Bankinter has identified its critical customer processes and is focused on improving them. By building processes that work seamlessly across channels and use a single customer view, Bankinter can give customers a consistent experience. Incremental process improvement is ongoing, and customers and staff are involved in the process changes through surveys and feedback mechanisms. Process re-engineering in customer care has led to a significant improvement in response times to customers, and the back-end fulfillment systems have been re-engineered to process orders and address customer needs in near-real time.

Bankinter has focused a lot of effort on designing processes around the areas of customer behavior modeling to support the offer recommendation process. This enables Bankinter to understand the present and potential value of personalizing product offerings to specific customers (for example, personalized pricing based on customer profitability, flexible payment and risk).

CRM Technology

The majority of Bankinter's operational CRM applications have been built in-house, starting in the mid-1990s when packaged CRM applications were in their infancy. Bankinter's mainframe-based transaction systems, based on CICS, COBOL and DB2, have been extended with more-visual, browser-based systems, based on Java 2 Platform, Enterprise Edition (J2EE). These provide integrated customer sales and service support for multiple channels, including branch, call center, Internet and mobile phone.

The data-warehouse environment is based on Oracle's relational database management system, with tools from Ascential Software (now owned by IBM) used to extract data in batch from the operational systems, transform it and load it into the data warehouse. Data-mining tools from SAS Institute are used to perform predictive analysis. Epiphany's data mart is implemented as a dependent data mart, and Epiphany is used for managing e-mail and mobile-phone campaigns. There are plans to introduce Epiphany's Interaction Advisor for leveraging inbound interactions.

Customer Information

Information and insight flow through the organization and form a closed-loop cycle that includes the following processes:

- Capturing and enhancing customer data
- Creating a single intelligent view of the customer for analytical and operational purposes
- Building an understanding of customer profitability, based on net present value, and the segmentation of customers
- Identifying each customer's needs and the opportunities associated with them
- Giving each bank employee access to a 360-view of the customer and associated opportunities
- Responding to customer needs and opportunities, reactively and proactively
- Analyzing the results and collect of the feedback
- Incorporating the feedback, and making adjustments as required

The main data source for the single view is mainframe-based transaction systems. The single view includes the customer profile, history, current and future profitability, financial indicators, external demographics and attitudinal data, and analytic model scores, including propensity to defect or take up offers.

CRM Metrics

The main metrics for the CRM initiative are as follows:

- *Customer Contact Intensity*: Designed to avoid overcontact and undercontact with each client.
- *Customer Satisfaction*: Measured by the Net Satisfaction Index that was created for Bankinter by an external independent panel. Bankinter is the top-ranking bank in Spain, based on this index. It has the leading position in customer treatment, training and professionalism, advice, attitude during interactions, transaction speed and clarity of statements.
- *Customer Profitability*: Bankinter's customer profitability is double the Spanish market average (Source: JPMorgan, 2004).
- *Customer Penetration*: Bankinter has developed success metrics for all products and services. The success ratios are tracked in each channel, segment and product. The product penetration is double the Spanish average (Source: JPMorgan, 2004).
- *Customer Loyalty Index*: This is an internally created measure relating to the probability of customer attrition. It is used for retention actions.

There is a weekly reporting cycle via a central information center, which enables staff to keep in touch with the latest status and any actions that need to be taken.

Results

Bankinter's ability to track and manage its business based on a strong set of metrics, particularly the customer strategic and operational metrics, is a key differentiating part of its CRM program.

All of the following figures relate to changes between calendar years 2003 and 2004, except for the corporate metrics, which relate to changes between calendar years 2001 and 2004.

Corporate

- Market share increased from 4 percent to 4.4 percent.
- Revenue increased from 509 million euros to 605 million euros.
- Brand awareness was maintained at 99 percent.
- Assets increased from 21 million euros to 26 million euros.
- Earnings per share increased from 1.4 million euros to 2.3 million euros.
- The number of customers increased from 464,000 to 530,000.

Customer Strategic

- Customer loyalty index increased from 40 percent to 49 percent.
- Customer profitability increased from 468 euros to 540 euros.
- Customer satisfaction increased from 76.8 percent to 78.1 percent.
- Cost to serve decreased from 58.6 percent to 53.1 percent (cost to income).
- The number of products per customer increased from 5.5 to 6.1.

Critical Success Factors/Lessons Learned

- It is important to listen and learn before developing CRM initiatives. Customers and staff usually have a clear idea of what they want and expect from the organization and the CRM teams.
- CRM should be adapted to the organization's needs. The CRM team should provide customers and staff with what they need and not force them to adopt a preconceived set of technologies and processes.
- Bankinter has a modular approach to CRM with "one common system, but different modules and applications for every LOB." This enables the CRM team to continually enrich the organization's CRM capabilities.
- Generating ideas is an art. CRM is not just about technology and organization. More importantly, it is about people and talent. Bankinter takes great care in selecting, training and developing the people on its CRM team.

Key Issues

What is a customer relationship management strategy, and how is it created?

What are various industry sectors doing relative to customer relationship management?

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