

# CRM at Chinatrust Commercial Bank: Winning, One Customer at a Time

Asia/Pacific IT Benchmarking Advisory Service

CASE STUDY

#FIN202027

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## FINANCIAL INSIGHTS OPINION

This Financial Insights report discusses how Taiwan's Chinatrust Commercial Bank (CTCB) has strengthened its CRM capabilities by rolling out best-practice marketing and campaign management, allowing the bank to truly understand individual customer behavior and propensities. Key points in this report include:

- CTCB enhanced its existing enterprise data warehouse infrastructure and built a campaign management system that automates event-based marketing campaign execution, customer contact optimization, and channel capacity and workload optimization. This is supported by customer profitability models (CPM) and modeling automation.
- CTCB is on its way to achieving a more in-depth understanding of customers as it builds on current customer profitability measurements to develop lifetime value models. Lessons learned by the bank in understanding and serving VIP segments will also be useful in other customer segments.
- Banks should take a more thought-out approach to modeling, segment rollout, and channel prioritization. Because the benefits of CRM initiatives, such as customer acquisition and retention, take time to build, effectiveness should be prioritized over expediency.
- There is a resurgence of CRM initiatives of banks across the region. Aside from the top banks in Taiwan, other markets that will be especially active are Korea, Singapore, Thailand, and Malaysia. Leading players in other markets will also make significant CRM investments. Financial Insights believes that analytics will set the most effective banks off from the rest of the pack.

## TABLE OF CONTENTS

	P
<b>In This Report</b>	<b>1</b>
Brief Description of the Solution .....	1
<b>Situation Overview</b>	<b>1</b>
Key Notes on Chinatrust Commercial Bank.....	1
<b>The Approach</b>	<b>3</b>
Business Drivers.....	3
Solution Description.....	4
Selecting the Solution.....	10
Implementing the Solution .....	11
Business Value.....	11
Chinatrust Commercial Bank as the Benchmark in Taiwan .....	13
<b>Future Outlook</b>	<b>14</b>
<b>Essential Guidance</b>	<b>15</b>
Actions for Financial Institutions .....	15
Actions for Vendors .....	16
<b>Learn More</b>	<b>17</b>
Related Research.....	17

## LIST OF TABLES

	P
1 Chinatrust Commercial Bank's Customer Programs and Program Triggers .....	6
2 Key Activities of Chinatrust Commercial Bank's Best Practice Campaign Management Environment.....	9
3 Chinatrust Commercial Bank's Lead Management Rules .....	13
4 CRM Capabilities of Chinatrust Commercial Bank Versus Peer Banks in Taiwan .....	14

## LIST OF FIGURES

	P
1 Chinatrust Commercial Bank's CRM Journey Toward Best Practice Marketing.....	5
2 Chinatrust Commercial Bank's Path from Event Discovery to Needs Fulfillment .....	7
3 Key Stages of Chinatrust Commercial Bank's Best Practice Campaign Management Environment.....	8

## **IN THIS REPORT**

Continuing a series of reports that recognize the best technology initiatives of banks in the region, this Financial Insights case study discusses the achievements of Taiwan's Chinatrust Commercial Bank in implementing a CRM system to achieve best-practice marketing capabilities.

The bank's goals to deepen customer relationships, particularly with its most valuable customer segments, and effectively track the success of this effort, was led by the business side of the bank. However, the bank's efforts imposed strong demands on technology, requiring the bank to develop an implementation strategy that carefully took into consideration the bank's technology and business needs.

This study follows a series of interviews undertaken by Financial Insights Asia/Pacific IT Benchmarking with senior executives of banks in Taiwan, including Chinatrust Commercial Bank. We derived benchmark data from these interviews as well as from publicly available information.

As a technology initiative, CRM automates the various processes and activities that an organization undertakes throughout the life cycle of customers. As such, CRM encompasses multiple areas and technology pieces. CRM applications, for example, span several key segments: sales management (from account management, to leads tracking, to territory management); marketing (including a wide range of individual and collaborative activities associated with various dimensions of the marketing process, including analytics); customer service applications (from customer information management, to problem tracking, to incoming contact management); and contact center operations. Initiatives in channels is also a key component.

This report focuses on CTCB's successes primarily in the marketing area of CRM, but we also refer to the bank's successes in other aspects such as sales, contact management, and channels.

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### **Brief Description of the Solution**

Taiwan-based Chinatrust Commercial Bank deployed Teradata's data warehouse CRM system to build what it envisioned to be a best practice marketing capability. The bank wanted to roll out event-based marketing (EBM) campaigns that were to be truly responsive to the specific needs of its customers. The CRM system combines analytical intelligence tools with automated customer communication capabilities. The user interface provides multiple views of data, customer analysis, campaigns, workflow, and metrics.

## **SITUATION OVERVIEW**

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### **Key Notes on Chinatrust Commercial Bank**

Chinatrust Commercial Bank, founded in the late 1960s, is Taiwan's seventh-largest bank in terms of assets in a country that has long been described as "overbanked." CTCB's 111 domestic branches make up the eleventh-largest domestic branch network, and CTCB's 58 overseas branch network is the most extensive among all Taiwanese banks. It currently holds about 5.4% of deposits and loans in the market.

CTCB is owned by Chinatrust Financial Holdings, the sixth-largest financial holding company in the country.

The bank is primarily a consumer bank, with more than half — about 54% as of the first half of 2005 — of its loans in consumer products. Mortgages take up about 33% of the bank's total loan portfolio. The bank continues to compete aggressively in credit cards (about 7% of its portfolio), car loans (about 2%), and other consumer loans (about 12%). CTCB in fact is the largest issuer of credit cards in the country, with about 7 million credit cards in force. The bank has also built the country's largest ATM network, with an install base of about 2,670 ATMs.

### **Key Themes in the Market**

CTCB's efforts to take a much stronger hold of the consumer banking space take place amid what may, in years, be the most change-filled period in the Taiwanese banking sector. The themes discussed in the sections that follow prevail in the market.

### **Government Push for Consolidation Is Succeeding**

In early 2004, the five largest of Taiwan's 51 banks held only 35% of loans in the market. This is a much lower figure than the market share in loans in the top 5 players in Taiwan's peers: Singapore (81%), the People's Republic of China (62%), South Korea (60%), and Hong Kong (58%). Following Taishin International Bank's acquisition of a controlling stake in Chang Hwa Bank in 2005, Taiwan's figure had gone up to 41%. The government's Financial Reform Program, implemented since 2002 to cut the number of banks in the system, is at last gaining ground.

The government still owns nine financial institutions. It plans to offload five or six of those. Of course, CTCB will be keen to grow through acquisition, especially as some of its fiercest rivals have made bold acquisitions and have quickly become so much larger. Taishin International Bank in particular grew from just 100 branches, after it

gained control of Chang Hwa Bank, to have the largest branch network in the country.

CTCB has itself already been involved in recent market consolidation. The bank merged with Grand Commercial Bank in December 2003 and acquired Fengshan Credit Cooperative in late 2004. More acquisitive growth is expected — Chinatrust Financial Holding Company already holds about 15% of the government-owned Mega Financial Holdings, the second-largest holding company in the country. Chinatrust Financial has also been reported to be keen in the share sale of another government bank, Taiwan Business Bank.

### **Credit Card Space Less Appealing**

Taiwan, long held as a market that peers should emulate for encouraging the adoption of cards for payments, saw increases in credit card delinquencies in 2005. The increase has been substantial. From the latest figures of the Financial Supervisory Commission, we note that the average credit card delinquency ratio stood at 3.17% in March 2006, up from 0.53% a year earlier. Delinquencies for cash cards (essentially debit cards with credit lines) rose to 4.4% in March 2006 from just 0.88% a year earlier.

These delinquency rates are expected to drop by the middle of this year after more judicious credit card issuance and improved risk management. However, several banks and credit card companies have already pulled out of the card business and have decided to focus on other product offerings. The largest banks have also expressed their intentions to focus on the more affluent end of their credit card customer portfolios. CTCB, the largest issuer of credit cards in the country will compete head-on with the likes of Citibank, Cathay United Bank, Taishin International Bank, and Taipei Fubon Bank.

### **The Race for Dominance in the High Net Worth Space**

There are an estimated 200,000 people in Taiwan who have a net worth of more than US\$300,000. Foreign banks like Citibank and Standard Chartered Bank, and some select local banks such as Taipei Fubon Bank, have been dominant in this VIP space.

Furthermore, in the past, banks typically used elite credit cards, and not much else, to capture their VIP segments. However, the problems seen recently in the cards space have forced banks to develop new propositions. We expect intensified competition in wealth management. We also expect banks to race in deepening relationships with their most profitable and most important customers.

## **THE APPROACH**

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### **Business Drivers**

In the next few years, CTCB will see fewer but more aggressive competitors. Furthermore, banks in Taiwan face fewer customer segments and product lines that will deliver profitability.

CTCB remarked to us that one major area of focus will be on improving its proposition to the affluent segment, ensuring that these customers are served effectively, ultimately resulting in a deeper relationship between the bank and these VIP customers. VIP customers have been defined by the bank as having more than NT\$3 million (approximately US\$95,000) in disposable assets. The bank has also identified the VIP-to-be segment, comprising customers who have NT\$1 million to NT\$3 million (approximately US\$31,000 to US\$95,000).

Of course, the bank also recognizes that other banks will go after these same customer segments. CTCB believes that improvements in marketing effectiveness will help the bank tremendously, ensuring that the bank wins customers in the most effective, most efficient manner. For now, CTCB's event-based marketing programs have been focused on the VIP and VIP-to-be segments.

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### **Solution Description**

CTCB has taken bold steps to enhance its CRM system as it has progressed from a traditional marketing/campaign environment (periodic campaigns based on simple customer segment selection and data mining scores) to a best practice environment (campaigns generated daily based on customer behavior that indicated the customer was in decision mode).

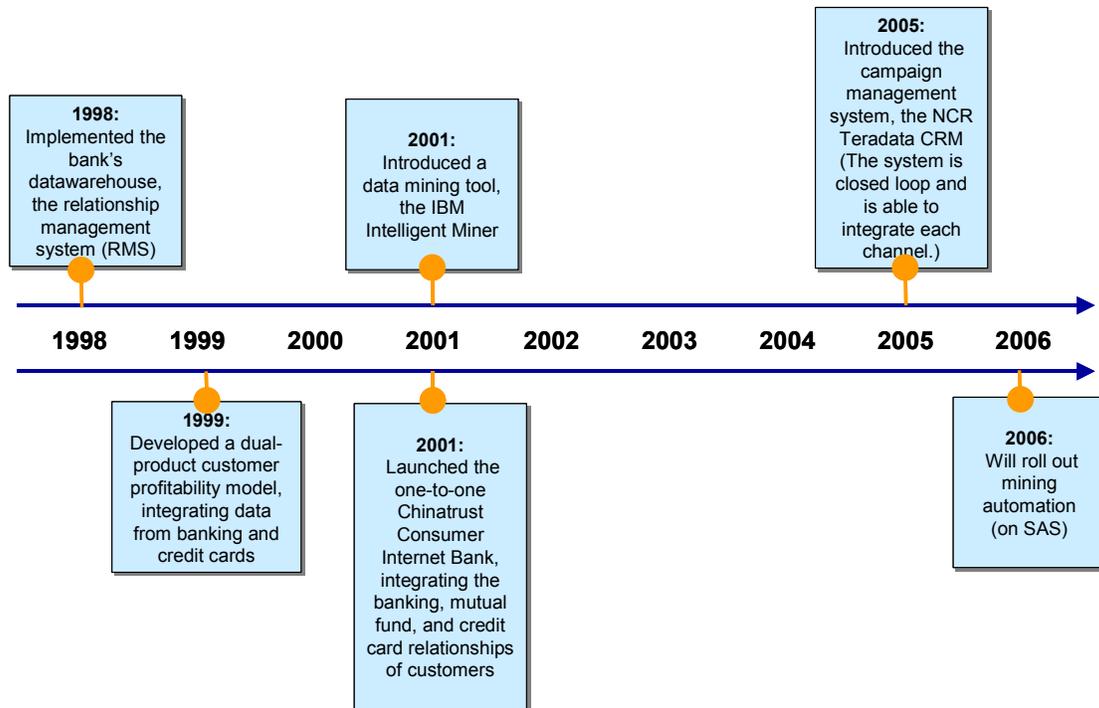
Daily transaction data is captured within the existing enterprise data warehouse (provided by Teradata, a division of NCR), which the bank began to invest in as early as 1998, and which has since then been continuously enhanced to become more responsive to business users. The bank uses a campaign management system, Teradata CRM (TCRM), which automates event-based marketing campaign execution, customer contact optimization (for current and previous campaigns), and channel capacity and workload optimization. This is supported by modeling automation on the bank's SAS Enterprise Miner.

On channels, the sales automation piece for wealth management is currently on PeopleSoft, used by a growing network of financial advisers. Telemarketers make customer contacts using Unisys' CTI system, which is also used by telemarketing team leaders to manage

the performance of their personnel. Chinatrust's Internet banking system is on BroadVision and Mail Hunter. See Figure 1.

**FIGURE 1**

Chinatrust Commercial Bank's CRM Journey Toward Best Practice Marketing



Source: Financial Insights, 2006

Financial Insights is not at liberty to reveal how much has been spent by the bank to build these tools into its CRM system. Our assessment is that the bank's spending is at par with similar deployments in other banks in the region.

**Building Best Practice Marketing Capabilities**

Several key elements, discussed in the sections that follow, have fallen into place to create a best practice environment for marketing at CTCB.

**Triggers and Customer Strategies**

CTCB's event-based marketing campaigns essentially begin with current customer behavior being analyzed against account-level trends to historical patterns. This calls up significant triggers — where a

change has occurred, and where that change indicates that the customer is in a decision mode. These observations, or triggers, can then commence retention, loyalty, cross-sell, or migration programs, which allows the bank to respond effectively to the unique conditions concerning one particular customer. In short, the bank is able to develop the most appropriate and the most customer-responsive campaign, based on observations made (see Table 1).

<b>TABLE 1</b>	
Chinatrust Commercial Bank's Customer Programs and Program Triggers	
Program	Description
Retention	Customer activity or behavior that indicates a customer is leaving the bank (for example, when assets under management [AUM] levels are declining) is flagged, and a retention program is commenced — usually for VIP customers — by the financial adviser.
Loyalty	This is not an attrition-gating program, but it is a means to identify customers who are "advocates," possibly the most valuable customers a bank could have. Customers who respond positively to member-get-member campaigns are identified and made the appropriate offer. The bank also picks out VIP or VIP-to-be customers from the credit card business, checking their credit lines and behavior. These customers are then invited to be "VIP" customers, with a possible requirement of introducing another friend to the bank.
Cross-sell	A cross-selling propensity model is used to identify customers who may need additional products, such as a wealth management product, a mortgage, a new car loan, or short-term loans.
Migration	A migration trigger is used to identify which customers can be receptive to upselling programs or can be promoted to more privileged customer segments, following top-ups in AUMs for example.

Source: Financial Insights, 2006

Data mining scores based, for example, on segmentation or churn are used to filter customers and to define different customer approaches at the campaign level. The leads are then automatically sent to the operational CRM environment — as a first step, "not directly to a sales push team," CTCB says, but to the General Inquiry team. This General Inquiry team will call the customer, asking if the customer is, for example, interested in a new product (as in the case of a cross-selling program). This team can then make referrals to the bank's channels that can fulfill the customer's requirements. Offers can be made by the General Inquiry team, but the customer is ultimately led to the sales-capable channels.

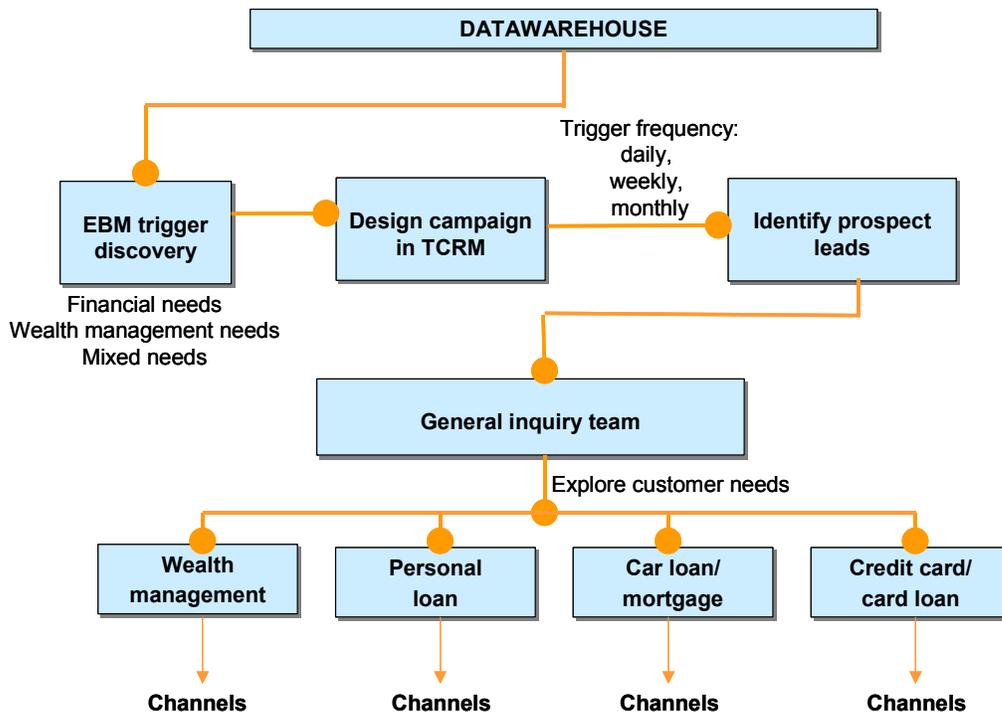
The TCRM system manages the multistep and multichannel process throughout, automatically routing the customer to the most appropriate channel based on the response from the customer. The TCRM system has integrated financial advisers at the branches, telemarketing teams, electronic direct marketing (email), and ATMs. The bank recently deployed campaigns through text messaging "to increase contact rates and keep costs down." Direct marketing is still used, primarily to

enhance the efficiency of marketing already achieved in other channels.

Figure 2 illustrates how event triggers progress from identification or discovery to the General Inquiry team to the appropriate channels.

**FIGURE 2**

Chinatrust Commercial Bank's Path from Event Discovery to Needs Fulfillment



Note: EBM = event-based marketing; TCRM = Teradata CRM

Source: Financial Insights and Chinatrust Commercial Bank, 2006

### The Benefits of a Closed Loop System

Campaign reporting is established within the Teradata environment, where all leads are measured according to the number of responses and the number and value of successes at each step in the multistep and multichannel campaign flow.

CTCB decided to invest in a closed loop system, which allows the bank to see the campaign results quickly and make the appropriate changes just as promptly. The success of a campaign across all channels is measured, providing metrics around contact rates, conversion rates, and strike rates. Michael Sung, senior vice president

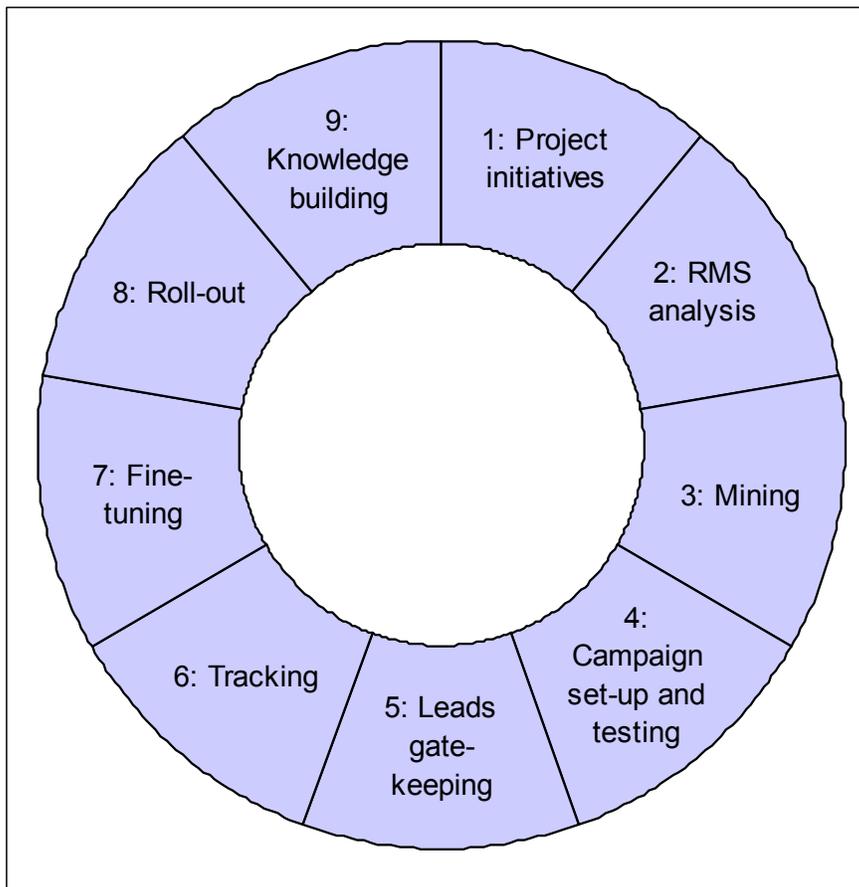
of the bank's strategic marketing department told us, "The closed loop system provides a lot of information to the channel management and marketing executive," allowing them, he says, to check daily results for contact rates, positive or negative responses, or the number of orders closed.

### Effective Campaign Management

Figure 3 illustrates a view on the key stages in a best-practice campaign management environment. Table 2 highlights the activities that CTCB has undertaken in each of these essential stages.

**FIGURE 3**

Key Stages of Chinatrust Commercial Bank's Best Practice Campaign Management Environment



Note: RMS = relationship management system

Source: Financial Insights and Chinatrust Commercial Bank, 2006

**TABLE 2****Key Activities of Chinatrust Commercial Bank's Best Practice Campaign Management Environment**

Stage	Key Activities
Project initiatives	A particular strategic marketing project is inspired by a focused study of the customer. Using market research, survey results, and feedback from previous campaigns on the closed-loop system, marketers can decide on project initiatives and the hypotheses for campaign design.
Relationship management system analysis	Rigorous analysis of the project initiative is necessary and involves extensive use of the data warehouse, the relationship management system, primarily using customers' behavioral or transactional data. The data warehouse contains information from both the credit card and banking business, thus data is more extensive than peer banks' data. In this second stage, focus is made on confirming customer selection criteria, the estimated number of leads for the campaign, and clarification of the customer impact assumptions in the first stage.
Mining	The bank has a dedicated team working on data modeling, using advanced datamining techniques or different algorithms to generate sophisticated campaign leads for precision marketing. Clustering models, prediction models, and segmentation models are built for various campaigns or marketing applications. Moreover, the bank has developed mining automation capability by integrating a mining tool (SAS Enterprise Miner) and the data warehouse. The bank is able to automate data extraction to modeling to storage. The campaign's results can be stored in the data warehouse for marketing applications or references.
Campaign setup and testing	The Teradata CRM system is used to set up an automated marketing campaign environment, providing multistep and multichannel functions for campaign design. Marketers have the flexibility to design different campaigns with different channels and offers and target customers to collect their responses. A test campaign is undertaken to check channel readiness and to ensure that channels and marketing communication aspects are tuned properly. It also aims to uncover unforeseen problems and issues with the campaigns themselves. While event-based campaigns have been run through the system since 2005, the bank is currently implementing traditional campaigns using the TCRM system.
Leads gatekeeping	To improve campaign efficiency and reduce product conflict and overcontacting issues, CTCB has initiated leads gatekeeping policies, which keep to four lead elimination rules: the exclusion list rule, the recency rule, the global rule (customers cannot be contacted more than 3 times a month, or more than 30 times a year), and the priority rule. Currently, campaigns with cross-selling, upselling, or credit line adjustment objectives have to keep to this gatekeeping policy.
Tracking	This performance measurement phase involves assessment of the offer, and the product- and channel-fulfillment performance. The bank has developed cubes and reports to quantitatively measure campaign success and qualify customer responses. A sales funnel management report provides up-to-date campaign information, and marketers are able to adjust the campaign process according to the report information. A postcampaign report provides an end-result assessment, which marketers refer to as they design and execute subsequent campaigns.
Fine-tuning	Based on the postcampaign report and the response analysis, marketers are able to find out the best way to design campaigns and improve campaign profit and marketing return on investment (MROI). Financial Insights believes that campaign measurement and refinement activities should be an ongoing process.
Rollout	When a campaign has been through test and refinement and has been able to generate a certain level of profit or MROI to reach the standard, it can be fully rolled out. However, periodic observation is necessary to ensure the quality of the campaign.
Knowledge building	The last step is knowledge sharing. Once the campaign is fully rolled out, marketers prepare a report that includes all information, including ideas and campaign rollout. For CTCB, this knowledge-building initiative is supported by reward programs and an elearning Web site.

Source: Financial Insights, 2006

## **Customer Profitability Models**

CTCB has already developed propensity models for different products and has arrived at segmentation models based on customer behavior. The bank claims that response rates for model-based campaigns are 50% higher than campaigns that do not use models. In the future, CTCB can further automate the data mining process to execute high-priority campaigns automatically.

The bank has also succeeded in building and using customer profitability models. Soon after the bank made a significant investment on its data warehouse in 1999, the bank started to develop CPM metrics. Currently, the bank integrates data from banking transactions and credit cards to look at profit contribution per customer — a more extensive source of information compared with those of most banks in the region. CTCB has rolled out customer profitability models to the entire customer base.

The bank anticipates that its team of modelers, currently five, will be able to develop reliable customer lifetime value (CLTV) models. The first CLTV iteration is expected within a year. It will be built from the bank's credit card portfolio and will be used to develop attrition and retention models. In particular, a customer lifetime value model will allow the bank to estimate the length of time customers of its various products will be with the bank, and how much profit these customers will contribute to the organization throughout the banking relationship. The model will add another dimension to the underwriting process — allowing the bank for example to make decisions on near-risk but potentially profitable customers.

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## **Selecting the Solution**

It was around 2003 that CTCB management was ready to move from the traditional marketing approach and go into event-based marketing, allowing the bank to "offer the right product to the right customer at the right time." The bank required an environment that automated the campaign process as well as scaled quickly to meet the needs of event-based marketing, which would have meant many complex selections running in parallel. We believe that some capabilities were most crucial. The system had to:

- Utilize detailed transaction data for analysis and customer selection
- Execute many complex selections in parallel
- Manage customer and channel optimization rules
- Report on successes (at the treatment, campaign, and marketing level) and measure the return on investment (ROI) at each level, or even up to every step of the campaign

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## **Implementing the Solution**

The continued enhancement of CTCB's CRM capabilities is a clear example of an effective bank-service provider partnership. What was also commendable about the initiative was that the strategic marketing team took the lead in project management.

By engaging Teradata for business consulting, CTCB was able to create a CRM road map laying out the technology, people, and processes required to achieve what to them had to be "best practice marketing." There were key elements to the process, and the business consulting arrangement had to:

- Identify and prioritize the best EBM campaigns, given the marketing objectives of the bank, execution capability of internal marketing teams, and prevailing market conditions.
- Establish an efficient campaign design process with the appropriate sign-offs and ROI estimates.
- Design and build standard procedures to be followed for EBM campaigns, from idea generation to analysis, design, building, testing, measurement, and refinement.
- Design execution scripts and train channels for effective customer contact.
- Establish a robust campaign reporting environment to measure responses and success at each step and compared with the control group.

In a few months, CTCB's strategic marketing team had become self-sufficient in running the marketing and campaign management system on its own.

The bank has increased its focus on making the entire organization embrace the use of event-based marketing. CTCB claims that there are currently 500 users of its CRM system. This will increase very quickly. Approximately 10 marketing personnel at a time — from different business units — get a full five-month hands-on training with the strategic marketing department, allowing them to understand the discipline of event-based marketing and gain experience in building an effective campaign using the bank's new system — "how to design, analyze, test, refine campaigns" states Sung.

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## **Business Value**

CTCB has given us a clear picture of the benefits it has seen out of the event-based marketing-enabled CRM system.

### ***More Effective, More Cost-Efficient Campaigns***

The new system has ramped up the marketing return on investments. Sung states that the direct marketing ROI (average) has been pushed up to as much as 1,400 from a range of 200–400 previously. This means that every dollar spent on direct marketing now yields the bank about 14 dollars in recognizable revenue. Sung also cites that an electronic direct marketing campaign targeting customers browsing over the bank Web site had a response rate of 25%, resulting in a marketing ROI of 1,900. This campaign reached about 1,000 customers — at the lower end of the typical campaign target size of about 1,000–1,500 prospects.

Of the 30 event-based marketing campaigns that ran from June to December in 2005, the total leads volume was about 355,000. The success rate was 16% — generally higher than the 5–10% success rates that Financial Insights has seen from other leading banks in the region.

CTCB's plan is to quickly accelerate the number of EBM campaigns to 100 out of a total of about 300 campaigns per year.

### ***Increased Effectiveness of the Marketer***

CTCB says that it has enhanced the effectiveness of the marketer. The standard procedure for banks was — and probably still is — to have as many prospects to keep the strike rates of the campaign at acceptable levels. The EBM approach ensures that the bank became more scientific, relying on more effective datamining and analysis.

Banks like CTCB are ensuring that they make the wisest use of leads. Deploying campaigns through a much larger pool of leads understandably cost more than campaigns deployed through carefully selected, more targeted prospects' lists. Also, overcontacting customers has resulted in many aggravated and dissatisfied customers.

CTCB believes that marketers should understand that "leads actually cost money." The bank has instituted several lead elimination rules that ensure that only the right number and the right kinds of leads are used for each campaign. Table 3 elaborates on the four lead management rules that CTCB follows. This list will be instructive to banks that aim to roll out similar lead management practices and thus improve the effectiveness of their marketing units.

**TABLE 3****Chinatrust Commercial Bank's Lead Management Rules**

Rule	Description/Guideline
Global rule	Each campaign employs a key "rule of engagement." In CTCB's case, its global rule is specific — no customer is to be contacted more than 3 times a month or more than 30 times a year. This number would exclude service-, credit check-, or research-related contacts.
Exclusion list rule	Customers who are not eligible or have indicated that they are not to be contacted need to be eliminated from the leads list.
Recency rule	Customers are to be offered similar products only after a specific period has elapsed.
Priority rule	The bank uses the relationship management system to calculate marketing ROI for different types of campaigns across different units. These different ROI measures come from postcampaign data that is reloaded into the system and used to prioritize different campaigns accordingly. The campaign with the highest MROI has the right to use all campaign leads. Lower-priority campaigns have to eliminate leads already used by higher-priority campaigns. In the end, the system resolves who-goes-first issues among business units that want to contact the same customer.

Source: Financial Insights, 2006

***Improved Customer Satisfaction***

CTCB claims that the reduction of customer contact traffic and the rollout of more relevant offers have resulted in improved customer satisfaction. The bank cites how the General Inquiry team, which assesses the individual customers' needs, has led to less harangued, more responsive and, thus, more satisfied customers.

In our conversations with CTCB's peers in Taiwan, we note a recognition of how CTCB appears to have become more adept at serving the VIP segments and how the bank has strengthened its hold of the retail banking market.

**Chinatrust Commercial Bank as the Benchmark in Taiwan**

In Table 4, we present the CRM capabilities of Chinatrust Commercial Bank and other leading banks in Taiwan and see how Chinatrust compares favorably to its peers.

**TABLE 4****CRM Capabilities of Chinatrust Commercial Bank Versus Peer Banks in Taiwan**

	Chinatrust Commercial Bank	Taiwan Bank A	Taiwan Bank B	Taiwan Bank C
Users	At least 500	Fewer than 30	Estimated at 35	Estimated at 50
Modelers (staff)	5	0	0	5
Contact policy	Yes	Yes	No	No
Event-based marketing skill	Yes	No	Yes	No
Data warehouse	Yes	Yes	Yes	Yes
Campaign management tool	Yes	Yes	Yes	No
Modeling tool	Yes	No	No	Yes
Modeling Automation	Yes	No	No	No
Campaign management integrated with channels	Branch, DM, TM (only outbound), EDM, SMS, ATM	No	Telemarketing (outbound) only	No

Source: Financial Insights, 2006

We believe that CTCB stands among leading banks in the Asia/Pacific region that have developed very impressive CRM-supporting technologies. Watch for a report by Financial Insights' Asia/Pacific IT Benchmarking on how these banks have been aided by CRM technology to achieve sales effectiveness and excellent customer service.

## **FUTURE OUTLOOK**

As the entire CTCB organization enhances its CRM capabilities and continues to build best practice marketing, we expect it to take advantage of the active data warehouse capabilities of the established system — customer transaction data can be fed into the data warehouse, significant events can be processed, and opportunities can be acted on — all in near real time. All of these activities need to comply with the "significant event" methodology, in which the most recent transaction is compared with the historic patterns, the current account holdings, and the other descriptive data about the customer, such as recent campaigns, interactions, or segmentation scores.

Other areas that will receive focus include:

- **Improving models.** We expect the bank to fine-tune its propensity and profitability models. It will be the first bank in the market — and among the first in Asia — to have credible customer lifetime value metrics, and the bank will be wise to keep mastering the science of understanding its customers as deeply as possible.
- **In-bound marketing.** We also expect that the bank will be focusing on an in-bound marketing system that will enable the bank to code customers at the point of inquiry and thus escalate the call or the face-to-face meeting (at the branches) to an effective cross-selling activity.
- **Areas beyond retail banking.** As the number of EBM campaigns increases, we also expect CTCB to roll out EBM capabilities beyond the VIP segment and to other areas of the bank. The bank will more actively manage customer communications within its organizationwide segmentation strategy.

## **ESSENTIAL GUIDANCE**

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### **Actions for Financial Institutions**

The experience of Chinatrust Commercial Bank is useful for Asia/Pacific banks that are thinking of improving their ability to understand their customers, and serve them accordingly. We point out the following insights:

- A resurgence in CRM initiatives is expected from banks across the region, particularly those that intend to take advantage of retail banking opportunities. In the recent past, CRM initiatives were sidelined for other priorities such as data warehousing, financial systems overhaul, core banking, or even Basel II. Ironically, the end result of these projects is that banks now find themselves with much improved data resources to leverage.
- To be sure, many banks will still be focusing on the fundamentals around data warehouses and customer information repositories, but a growing number will be looking at sophisticated analytics to support a variety of tactical CRM initiatives. We believe that capabilities in analytics will set the winners apart from the losers as they compete to launch credible CRM propositions.
- The resurgence in CRM in the region might result in a shortage of knowledgeable and experienced partners and consultants. Banks are advised to lay out their CRM plans quickly so that they will be able to plan their resources accordingly.

- CTCB's strategy of having the business side take the lead in a this CRM initiative is worth emulating, especially because the business side will be able to articulate what could be quickly changing requirements for data, usability, and functionality. Strong support from the IT department, as well as from technology partners and consultants, will be crucial to the business side's succeeding.
- We advocate a long-term, phased approach to CRM implementation instead of the big-bang alternative. Because the benefits of CRM initiatives, such as customer acquisition and retention, take time to build, effectiveness should be prioritized over expediency. A more thought-out approach to modeling (CTCB built on knowledge from present customer profitability to build lifetime value models), segment rollout (CTCB had the VIP segment as priority and testbed), and channel prioritization is advised.
- CTCB's decision to use a General Inquiry team for needs assessment seems to be working, especially as this has led to improvements in customer satisfaction and campaign effectiveness. However, we believe that this model may be ideal only for a bank's VIP segments. Certainly, different strategies for needs evaluation, communication, and customer offers should be implemented for different customer segments — and especially for the mass market customer base.

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### **Actions for Vendors**

Vendors and service providers will be wise to consider the following:

- We expect a revival of CRM initiatives in banks across the region, not only in marketing-related initiatives similar to that of CTCB, but also in other CRM areas such as sales management, contact center, and customer service. Aside from the top banks in Taiwan, banks in other markets — South Korea, Singapore, Thailand, and Malaysia — will be especially active.
- Banks are expected to take the CRM initiative further from the technology side toward the business side of the bank. Vendors are thus advised to build relationships among business unit heads and learn how to articulate vendor propositions through themes that will resonate to these nontechnology executives.
- CTCB's experience proves that banks are indeed willing to work closely with third parties, even in laying out very detailed strategies that affect the competitiveness of the bank itself. Banks are willing to pay top dollar for experience in delivering results, the ability to work around unique conditions surrounding the bank, and commitment to project success.

- Banks will take a long-term, phased approach to rolling out CRM initiatives. Vendors are advised to plan resources accordingly.
- In our interviews, we note an increasing willingness of some banks to outsource some CRM components — even analytical processes and campaign management. Interestingly, responsiveness to the outsourcing alternative is observed across all banks — regardless of size, maturity, or customer focus. Vendors should be able to position themselves effectively vis-à-vis this trend.

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