

Exploiting the Single Customer View to Maximise the Value of Customer Relationships

An Experian briefing paper focusing on consumer financial services



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Executive summary

This briefing paper examines the key issues, drivers and challenges that businesses face in achieving and exploiting a single view of their customers.

The cornerstone of a single customer view is the ability to identify all the accounts and products held by a customer. Every customer wants to be treated as an individual and not as series of disconnected accounts. For organisations within financial services, telecommunications, retail, utilities and retail banking this single customer view approach will bring significant benefits.

It helps organisations to better understand their customer relationships and improve customer retention, which is imperative in the current financial climate. A single customer view also allows for better targeted cross-selling and up-selling for more profitable business, whilst at the same time supporting responsible lending, and ensuring that customers are managed in a fair and compliant way.

Within consumer financial services, the highest investment returns occur when customer centricity extends to risk management and offers the added bonus of offering the prospect of decreased capital needs.

This briefing paper explains the meaning and implications of a single customer view, how it can be achieved and the many benefits it can bring to an organisation, from simple regulatory compliance through to enhanced customer service and greater profitability.

Introduction

The impact of the collapse of Northern Rock and the ensuing financial crisis has been far reaching –making it by far the biggest driver behind the push for organisations to become more customer-centric.

The concept of a single customer view is nothing new, but the current climate has made it imperative for organisations to fully understand who their customers are, their value, to ensure responsible lending and to limit their own exposure to risk, now and in the future.

Regulation is pushing retail banks, in particular, to ensure that the single customer view becomes a reality within a specific timeframe. Most pressing of all the regulatory requirements is the January 2011 deadline for the Financial Services Compensation Scheme (FSCS) faster payout initiative. The FSCS is the UK's compensation fund, managed and enforced by the Financial Services Authority (FSA).

Under the new rules, a single customer view is now a legal requirement. Deposit takers must be able to provide the FSCS with a single customer view file containing records of eligible claimants within 72 hours of a request. This will facilitate compensation payments to eligible customers within a target of seven days and in no more than 20 working days, as required by the European Directive on Deposit Guarantee Schemes.

Implementing a single customer view for the purpose of FSCS compliance can be the foundation for a much wider reorganisation of the way businesses treat their customers, understand and assess customer needs and develop profitable offers, products and incentives. However, the benefits of achieving this view are extensive and equally applicable to any business with a diverse customer base and multiple products or brands.

Nevertheless, the challenges are great, particularly for large, long-standing organisations that have grown through mergers and acquisitions and have accumulated a plethora of customer management systems, databases and product IT platforms that may or may not be fully integrated and compatible.

Industry research and Experian's own figures taken from credit data highlight the scale of the challenge, not just for retail banking but across a wide range of industry sectors:

- Financial services and building societies have more than 20% of their customers with more than one account
- Building societies have the highest proportion of customers with three or more accounts
- Home shopping has the highest proportion of customers with more than one account (often due to multiple retail brands)
- Telco and retail banking have a slightly lower proportion of customers with more than one account – at around 16-17% – but they have higher customer volumes. So for every one million customers they have, at least 170,000 of them will have more than one account
- Monoline credit card issuers also have a surprisingly high proportion of their customer base with more than one product with around 14% of customers holding more than one card
- 40% of businesses still have more than 80% of their customer data stored in separate systems across their organisation ¹
- In January 2006, Gartner forecast that by 2010 less than 33% of global organisations would have an enterprise view of their customers.

“40% of businesses still have more than 80% of their customer data stored in separate systems across their organisation” ¹

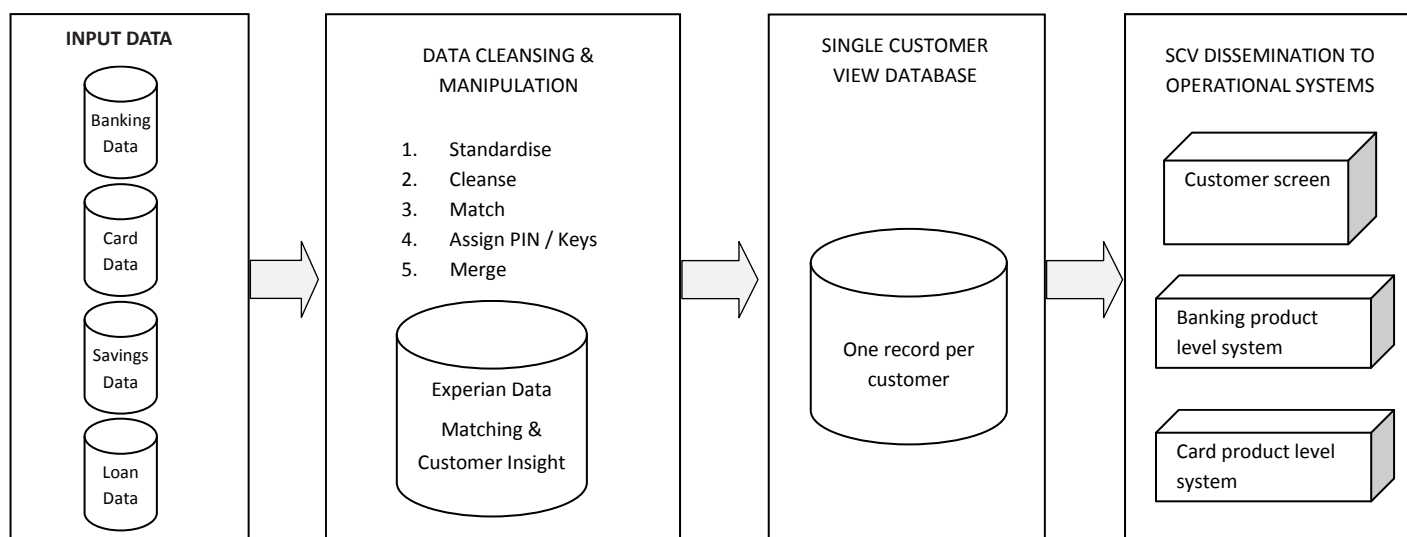
1. Software AG, March 2009

What is a single customer view?

A 'single customer view' is a readily accessible, consistent summary of a customer's product relationships with an organisation, combined with essential customer data such as name, address, date of birth and credit information.

Achieving a single customer view requires a customer's product relationships to be brought together, usually by matching name, address and date of birth, and applying a unique customer identifier (often described as a customer PIN) to each individual customer. This identifier is then appended to every item of data relating to that customer – allowing all data on an individual customer to be matched and brought together to create a single view or record of that customer.

This process is illustrated below:



A single customer view is usually most successful when all data and information is integrated and summary data is stored as a consolidated customer record – with the unique customer identifier applied.

Of course, customers' details and circumstances are constantly changing, so the data itself never remains static. However, the one constant will be the customer PIN.

Additional data and lifestyle segmentation can be applied to an organisation's single customer view records, building deeper and broader insights into the customer's lifestyle, behaviours and preferences.

By achieving this single view, an organisation is able to understand a customer's history, their lifetime value, risk, potential exposure to debt, how many products they hold, and even their propensity to buy new goods and services.

Obstacles to achieving a single customer view

The obstacles to achieving a single customer view will vary greatly between organisations. Large group companies that have evolved through mergers and acquisitions, and which may have many brands under the group umbrella, may face significant obstacles in the form of legacy infrastructures, multiple databases and diverse IT platforms. Smaller or newer organisations with new technology and fewer product relationships will find it much simpler to implement a single customer view.

The Experian statistics detailing the proportion of customers with more than one account, based on credit relationships alone, highlight how beneficial a single customer view would be for businesses across a range of sectors.

Adopting a single customer view requires a customer-centric approach to customer management, which can be a challenge to implement in product-centric organisations. For example, cards products often operate within a different silo to the rest of retail banking which can lead to difficulties in establishing who owns the customer.

Achieving highly visible, short-term results can help to get the essential buy-in needed even within those departments that may have to significantly alter their operational processes and strategies. A simple operational example may be when a customer calls in to close an account. As a result of having a single customer view, the operator is able to transfer the call to the retention team with a view of the overall customer relationship, including the customer value, so that they can execute the appropriate retention strategy.

One of the major obstacles to a single customer view is customer data that has been stored in varying inconsistent formats, meaning that the quality of data on each customer varies and records are maintained on disparate IT systems. Many organisations also hold customer data on both in-house and outsourced systems.

In retail banking, data quality may be particularly poor for deposit accounts that were opened many years ago, perhaps prior to the advent of electronic name and address verification. Often the same customer may have different identities on an organisation's systems because the company has not managed to keep up with the customer's life changes.

In the absence of a robust unique identity number in the UK, it is necessary to match customer accounts together using name and address details associated with each account. The accuracy of this matching is significantly improved when reference data such as date of birth, telephone number and credit reference files are used to resolve ambiguities.

This process can be impaired if the quality of the base name and address data is poor. As a result, there is often a need to carry out an extensive data cleansing process prior to any matching exercise.

Once accounts and customers have been successfully matched, a unique customer identifier (customer PIN) can be assigned which is then applied across the organisation's technology platform.

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Single customer view in retail banking

While achieving a single customer view will bring significant customer management benefits to businesses in all sectors, it has now – with the introduction of the FSCS’s faster payout requirement – become a regulatory imperative for the retail banking sector. In this section we will examine the particular issues faced by retail banks in implementing a single customer view.

A single customer view in retail banking can link together all the relationships each customer has with the bank across all products, including lending, savings and insurance. Achieving a single customer view will enable banks to update all of a customer’s account details following a single customer contact, such as a call to notify the bank of a change of address.

A single customer view also enables the bank to link its own internal view of savings to borrowings, so that it can manage net exposure for each customer and use this information as part of its customer decision-making process. In addition, it is important for organisations to have the ability to track and limit exposure across all credit products – regardless of savings.

It also means that lending decisions can be made much more quickly, based on all the facts about a customer’s current net position. Pricing can be set based on true customer value, with incentives and offers tailored to different customers. All this is fundamental to a responsible approach to lending, which is a major driver of single customer view programmes for large lending organisations.

The banking crisis has reinforced the need for banks to understand their overall exposure to risk. Banks with a single customer view will be able to set risk exposure limits for customers much more accurately, based on everything they know about them. It enables them to increase lending to lower risk customers and reduce exposure to higher risk customers through reduced lending limits. This can greatly speed up decisions when customers apply for credit.

Furthermore, the economic climate has resulted in a tightening of banks' lending criteria, which means they are gaining fewer new customers. This has led to a greater emphasis on deriving maximum value from existing customer relationships, which is at the heart of the single customer view.

Products can be more accurately marketed to customers. Banks have so many touchpoints with customers today, through lending, insurance, travel money, savings and so on, that it's extremely valuable to be able to identify gaps in a customer's portfolio and target them with specific and appropriate promotions.

Building up better customer relationships in this way is a major contributor to improved customer retention. And, it's widely recognised that retaining existing customers is far more profitable than acquiring new ones. According to *The Loyalty Effect* by Harvard Business School Press: "It costs 5 to 10 times as much to win a new customer as it does to keep a customer, and a 5% increase in customer loyalty can translate into a 75% increase in profitability."

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Benefits of a single customer view

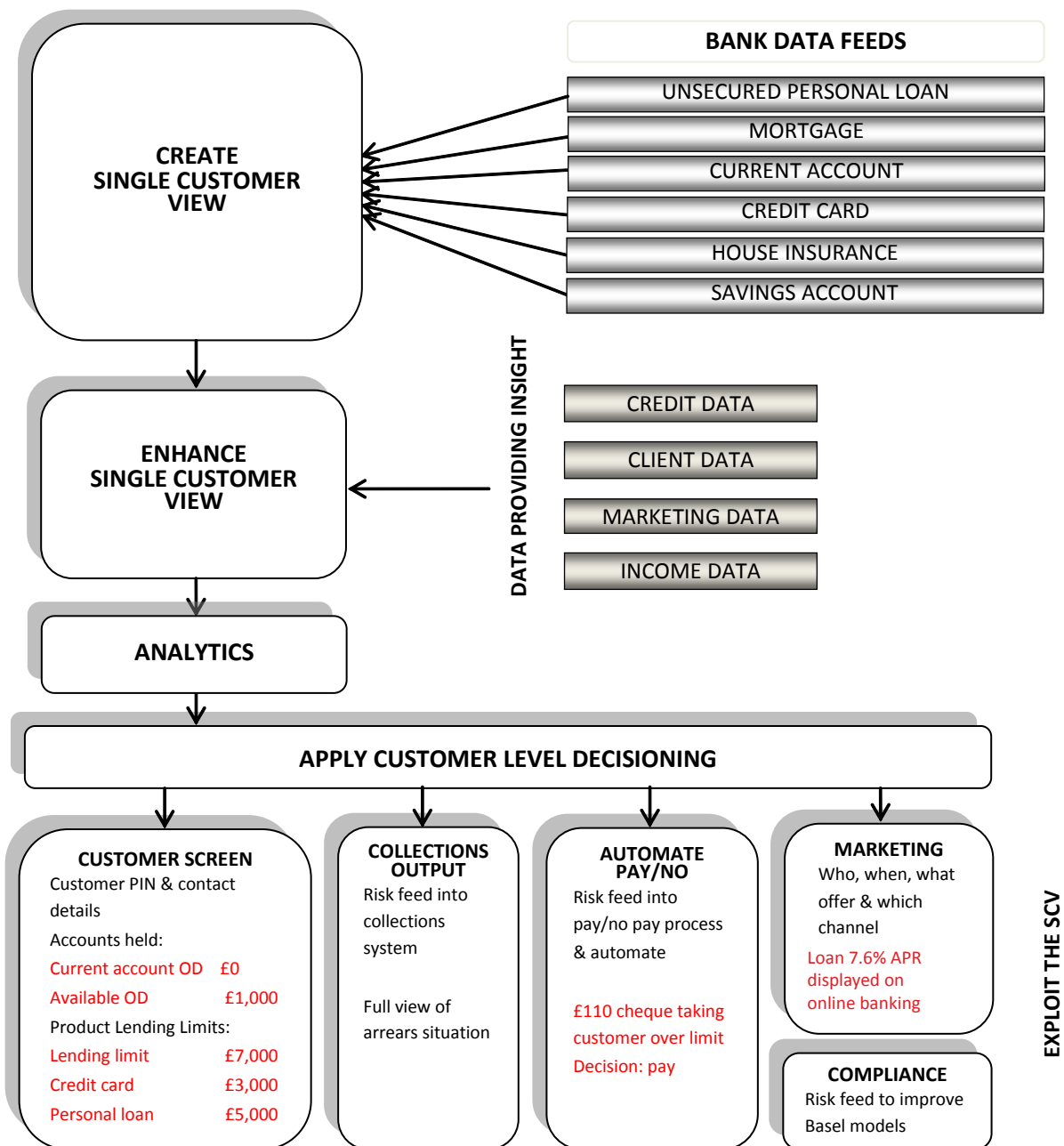
The benefits of achieving a single customer view are many and they are felt right across the business. Customers will enjoy better service levels, leading to greater brand loyalty. Better credit risk management and better targeted marketing efforts will deliver long-term improvements in profitability. As such, a single customer view should be seen as the foundation of customer service excellence.

The table below details just some of the benefits that can be gained from implementing and exploiting a single customer view:

Business benefits	Customer benefits
Short-term benefits	
Customer service agents can see at a glance a customer's complete product holdings and history, enabling them to quickly assess the relationship and take appropriate action	Enhanced customer service levels – customers expect suppliers to have a complete view of their relationship and a single customer view makes that expectation a reality
Operational cost savings, resulting from a reduction in customer call times and cost per serve	Reduction in duplicated communications
More accurately targeted marketing offers and incentives	Customer requests for further borrowing are processed more quickly
Better customer understanding drives more effective product development, ensuring the right product propositions are delivered to the right customers at the right time	Competitively priced products based on the overall customer relationship e.g. customers with significant savings could be offered discounted personal loan rates
Collections improvements – ability to prioritise high-risk collections activities and understand overall levels of debt	Data changes are simplified – a change of address notification should only require a single telephone call
Medium/long-term benefits	
Valuable customer insights allowing more effective customer-level marketing – improves relationships, cross-sell activities, product penetration and retention	Marketing of cross and up-sell offers based on the whole customer relationship, meaning that offers are much more relevant to the customer
Customer-level risk management can support regulatory compliance and ultimately lower capital requirements	
Better risk decisions – more accurate credit assessments and a full understanding of exposure leads to more responsible lending	
More consistent and effective automated decisions – leading to a reduction in bad debt and quicker renewal decisions	

Single customer view in practice

The diagram below highlights how a single customer view can be achieved in the banking sector, and then enhanced to influence customer-level decision making across all departments to optimise the value of every customer relationship.



A similar process can be applied across all vertical consumer sectors.

Exploiting the single customer view

Once the single customer view has been established within an organisation, it's essential to take steps to optimise the value it delivers to the business and win the support and buy-in of all departments. Here are a few top tips for achieving this:

1. Identify the systems into which the unique identifier (customer PIN) will be most easily implemented and focus initially on delivering the benefits resulting from its use in these systems. Often this will be in offline marketing databases.
2. Focus on customer contact points whether proactive or reactive and attempt to ensure that these contacts are based on a customer-level view. Actions should be driven through customer-level data and strategies. Outputs may be delivered back at a customer level, for instance to a customer service system or rolled out to respective product level systems.
3. Generate some interesting and useful customer insights from the single customer view and use these to publicise the benefits throughout the organisation.
4. Develop a comprehensive business case to achieve buy-in across all areas of the organisation. Roll out full training to ensure the planned benefits are realised. Monitor performance and amend strategies as appropriate.

Conclusion

Adopting a single customer view is all about maximising the value of an organisation's most valuable assets – its customers.

Moving to a customer-centric approach requires more than technology and data. To be truly effective it is likely to require organisational change, such as structuring credit and marketing teams around customer segments rather than by product portfolio. Behavioural scoring will need to be implemented by risk teams and customer-facing staff will need to be trained in new systems, so they can deliver the essential customer service benefits.

The value derived from a single customer view will also depend on the size of the customer base and the number of potential product relationships an organisation has with its customers.

Creating a single customer view is the first step. Adding supplementary data will enhance the customer view and facilitate more accurate credit policy analysis to support limit setting. Implementing the single customer view across the organisation and using it to inform all customer decision-making is the essential next step.

In short, implementing a single customer view is a journey, not a one-off project. Integrating it into your business operations is an ongoing process that requires commitment from all departments. The journey begins with good quality data and an accurate customer PIN – and everything else builds from there.

Why choose Experian to supply your single customer view?

Experian has a solution to meet any requirement for a single customer view. Hosted or on-premise solutions are available.

Experian can provide a customer PIN, exploitation software solutions and valuable customer insight data which can be used within an organisation to enable benefits from the single customer view to be realised.

Major investment in Experian's data and systems has resulted in first class matching, including data standardisation and cleansing, improved intelligent matching processes using comprehensive data sources, dynamic pinning and measures are fully in place to ensure data quality is maintained over time.

Experian's extensive data sources can provide valuable customer insight. These include credit, marketing and income data references, risk and indebtedness scores, classifications to gain insight into customers' lifestyles, behaviours and attitude, property information and much more.

Expert consultancy is available to help organisations tailor solutions to meet business needs and understand how to exploit the single customer view to maximise benefits using data and analytics.

**To arrange your complimentary consultation to see how Experian can help you exploit a single customer view please email:
CreditServices@uk.experian.com**

Riverleen House
Electric Avenue
Nottingham
NG80 1RH

t: +44 (0) 844 481 8888
creditservices@uk.experian.com
www.experian.co.uk



About Experian

Experian is the leading global information services company, providing data and analytical tools to clients in more than 65 countries. The company helps businesses to manage credit risk, prevent fraud, target marketing offers and automate decision making. Experian also helps individuals to check their credit report and credit score, and protect against identity theft.

Experian plc is listed on the London Stock Exchange (EXPN) and is a constituent of the FTSE 100 index. Total revenue for the year ended 31 March 2009 was \$3.9 billion. Experian employs approximately 15,000 people in 40 countries and has its corporate headquarters in Dublin, Ireland, with operational headquarters in Nottingham, UK; Costa Mesa, California; and São Paulo, Brazil.

For more information, visit <http://www.experianplc.com>