CRM Usage Rising

When financial institutions want to retain customers, they turn to technology

When Champion Mortgage Co. needed to generate a higher return from delinquent accounts from its Parsippany, N.J., loan servicing call center, it did not hire additional customer service representatives. And when Mapother & Mapother Attorneys needed to increase the yield from its outstanding accounts, the Louisville, Ky., retail collection specialists did not recruit more collectors.

Both companies turned to technology instead.

Champion and Mapother are among the growing number of companies in the lending sector counting on technology to shore up shortcomings in customer service and account management. Customer relationship management, or CRM, technology, may never turn heads as the sexiest advancement in history, but it is becoming one of the hotter technologies in financial services today.

Essentially, CRM encompasses a wide array of strategies and technologies designed to maximize customer interaction. For a sector as dependent upon customer interaction as credit collections, implementing CRM-based technology usually means outfitting agents with IT tools to make the most of the brief time they spend on the line with delinquent borrowers.

Depending upon the number of users, amount of features, customizations and integration, CRM pricing can run from a few thousand to several hundred thousand dollars up front — with most vendors charging an annual maintenance fee.

According to a report on CRM released late last year by Needham, Mass.-based consultancy TowerGroup Inc., spending on CRM by retail financial institutions will exceed $4.3 billion this year, with more than 50% ($2.2 billion) coming in North America alone. Champion Mortgage, a subsidiary of KeyCorp, Cleveland, for example, outfitted its 125 customer service representatives with access to systems from Davox Corp., a telecommunications technology company. In essence, the system automatically identifies incoming callers, routing those calls to available agents, while simultaneously pulling up the corresponding account information on the agents' desktop PCs. By instantly routing the calls to available agents, and not keeping the borrower on hold for long, the company can handle a higher volume of accounts, said Sharon Nieuwenhuis, a spokeswoman for Champion.

Previously agents would have to manually

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dig the account information out from either a database or a file cabinet.

To achieve this seamless CRM infrastructure, Mapother first needed a built-in interface linking its call center technology to its collections systems. Adopting CRM technology, meanwhile, helped Mapother avoid a looming staffing crisis.

"During the last year, it became clear that to grow we were going to have to add a lot of people, or add technology," said Don Haunz, Mapother's manager. "Considering labor costs today — salaries, office space, equipment, training and supervision — adding people was not the way to go."

In fact, similar considerations are prompting some lenders to not only opt for CRM technology, but to contract out all interactions with customers to a growing number of CRM vendors — a move that just a few years ago would have been unheard of.

"Traditionally, any processes that involved direct contact with customers were considered too critical to trust to anyone outside the organization," said Tom Wilson, executive vice president of Outsource Financial Services, in Phoenix.

Not everyone in the collections sector is leaping onto the outsourcing bandwagon. Some lenders see risk associated with ceding large chunks of data to an outside entity, which a company must do when it signs on with a service provider. The ever fluctuating flow of business in the collections sector is also an important consideration.

"It comes down to capacity management," Wilson said. "Let's say a lender has a spike in home equity lending one month, but then a few months later that volume severely tapers off. It is difficult to anticipate such swings, and difficult to staff accordingly. By using an [outside service] provider, variable staffing costs never enter into the equation."

With most companies either tinkering with homegrown solutions, or implementing a slew of vendor offerings which have sprung up recently, the use of outsourcing should climb in the near future. From now until at least 2005, TowerGroup estimates North American spending on CRM technologies will rise at a compound annual growth rate of 6%. That is significantly higher than the expected growth for the economy as a whole during the same period. Furthermore, it will not be just deep-pocketed larger retail financial institutions, which, until recently, have accounted for the bulk of CRM spending, expending cash on customer-relationship tools.

Typically, with a call center solution, such as the Davox system, when a call comes in, it is routed to the first available agent. Many lenders are now looking to inject artificial intelligence into that initial connection to avoid bouncing clients to multiple agents.

Getting the client on the phone, though, is only half the collections battle. Automating proven collections strategies, and piping the account information instantly to the agents when they need it the most is the future for credit collections.

– **CRAIG MCGUIRE**