Implementing a CRM Program

In this case study, students look at a successful implementation of a CRM program and how it was able to transform the success of a credit union.

About the Credit Union

Hinterland Credit Union was founded in 1964 to serve the financial needs of workers in the coal industry in a regional area. Since then, it has broadened its target market and grown to meet the needs of around 50,000 members. *(Please note that credit unions often refer to their customers as members.)*

George Mannix joined Hinterland Credit Union in mid-2015 as their marketing manager. This newly created role was deemed necessary because the credit union had struggled to grow in the previous five years. George was successful in landing the job primarily because of his background in financial services, along with his expertise in CRM and direct marketing.

High Customer Satisfaction, but Poor Sales

The credit union had conducted an annual member satisfaction survey for the past seven years, which showed high satisfaction levels. Not only did this survey measure satisfaction, but it also measured product relationships (both with the credit union and with competitors).

As George read through the reports, he was puzzled by two of the findings. The first was that many results did not alter much each year. And given the high overall satisfaction results, the other puzzling element was the relatively low level of product take-up by members. For example, the best result the credit union achieved was winning about 1/3rd of its member's saving account business.

It was clear that George needed a better understanding of these two situations. The first one was solved during a meeting with the CEO, who told him: "We are so pleased with our satisfaction scores that we don't want to make any major changes to upset those results."

This statement explained why the survey results were very similar each year. George had also noticed that the CEO's attitude was also reflective of the corporate culture, and, in many ways, the staff were simply content with the current situation of the firm. And he, as the new marketing manager, seemed to be the only one who really wanted the place to grow and go places.

For the second puzzle, George was reminded that satisfaction is derived from a comparison between expectations and the customer's actual experience. Therefore, he determined it was likely that expectations were relatively low – this would help explain the high customer satisfaction result combined with low product usage.

Upon closer review of the credit union's previous promotional activities, it did appear that they had inadvertently positioned themselves as a "second" financial institution. Some of their print ads had used messages such as “a great place for your spare savings” and “it’s always a good idea to have a second credit card”.

A New Marketing Direction

These findings led George to revise the marketing objectives of the credit union, which included: to increase the take-up of key products and to reposition the credit union as a main financial institution in the local community.

In support of this new direction, George reallocated a significant proportion of the marketing budget from advertising into email campaign, as he believed that the focus should be on existing customers rather than trying to win new business.

Over the following months he organised several email campaigns with attractive offers. However, the results were, in his opinion, just okay. While they were profitable and did achieve some sales, he knew from his previous experience that the results should have been much higher.

A Front-line Roadblock

In order to identify where the campaigns were failing, he commissioned a market research firm to conduct mystery shopper research with the branch staff. This research highlighted a major problem with some of the counter staff, who were not overly enthusiastic in discussing products with customers.

In fact, a few staff members even referred the customer to the brochure stand for the information. And to make matters worse, the branch managers didn’t really see a major problem with this – “the customers get the information from the brochures, they don’t waste time on the counter and when they are ready to apply for a new product, they can come back and see us then”, said one branch manager.

For a quick solution, George thought that the staff’s motivation would be enhanced by the introduction of a sales bonus scheme, where staff could earn an additional 25% of their salary. However, despite the sales bonus level being set at a reasonable level, this incentive plan failed to change behaviour to any great extent.

Frustrated by this outcome, George decided to talk to some of the branch staff about their sales concerns. He found that the staff were generally uncomfortable with selling, which they regarded as pushing unwanted products onto customers.

The CRM Program

George knew then he had a big problem. He needed to find a way of changing the staff’s attitudes staff towards sales and he needed to generate a greater level of sales, as he had now lost several months with the poorly performing sales bonus scheme.

Due to his background in CRM programs, he believed that this would be a good solution to the challenges he was facing. As this would take time to set up, he hired a sales trainer to conduct on-the-job training in the branches, to slowly build sales skills and confidence.

He then set about constructing a key product package to be the centrepiece of the program. He knew that the credit union had previously set up a financial "club" for members aged 50 years and over, targeting them as they had significant funds to invest.

While this club offered special interest rates on investments, insurance discounts and a financial newsletter, it had never really taken off. Of the around 10,000 members or so who were eligible to join, only around 800 had done so.

George liked the idea of the club but knew that the existing offering was not suitable as a relationship vehicle in its current form. Therefore, he set about augmenting the club's package to change its offering from just being a financial club, to being more lifestyle oriented. His main improvements included the following changes:

1. The club's newsletter was redesigned to include a broader range of topics of interest to this older age group. This included information on travel, movies, gardening, cooking, and so on. It virtually became mini magazine.

2. Local businesses were approached to offer discounts to the club's members. Over 40 businesses were willing to participate, including restaurants, hairdressers, bottle shops, the local cinema, and so on.

3. Free bi-monthly seminars were introduced, which like the newsletter's lifestyle focus, also focused on issues such as travel, health and wellbeing, and the Internet.

4. The final part of the club's package was organised social activities. These would include trips to events, such as major theatre shows, Christmas in July, and special restaurants, and other events. These events would not be free but be offered at-cost to the member.

Once the product offering was developed, George got approval to hire a dedicated relationship manager. The purpose of this role would be to build relationships with the club's members through interaction at the social events and seminars.

George was lucky enough to find an existing staff member who was perfect for the role. She was in her early 50s herself, was in an administration role and was certainly good people and quite outgoing.

With the club now ready to be relaunched, a series of staff training days were conducted. The main purpose of these seminars was to "sell" the benefits of the club to the branch staff, so that they saw real value in the package and would talk to members about it.

Fortunately, the staff's reaction was very positive, and along with the sales training they had been receiving, many were confident about signing customers up to the club.

The Outcomes

The results substantially exceeded expectations. Within two years, there were around 8,000 members of the club and the financial growth of the credit union was phenomenal. Previously the deposit growth rate had only been 3-5% per annum; it now exceeded 25%.

While most of the growth was generated from existing members, many new customers also joined the credit union. This was because the seminars and social events generated significant word-of-mouth, as club members chatted about these activities with their friends and some even became advocates for the credit union.

These seminars and social events also enabled credit union staff to get to know members. As a result, the credit union did not have to be as competitive on interest rates, as members felt a strong social bond with some of the staff.

Marketing costs were also reduced, as the credit union now had 8,000 responsive club members who were progressively bringing funds across from other financial institutions over time. And an analysis of behaviour on member's accounts indicated that retention of the funds was very high (well over 90%).

Note: While the name of the firm has been disguised, this case accurately reflects the actual decisions within a real credit union.

Student Discussion Questions

1. Do you agree with George's assessment that customer satisfaction was high because expectations were low? What other explanations could there be?
2. To what extent do you agree with George's decision to reallocate much of the marketing budget from advertising to email marketing?
3. Could the CRM program be successful without the firm's internal marketing efforts?
4. Do you think that sales training was enough to change the behaviour (culture) of people in the front line? If not, what else was needed?
5. Overall, how would you define the key success factors of the credit union's CRM program?
6. Other than implementing a CRM program, what other approaches could have been used to successfully grow sales?