

# White paper summary

## Customer management for retail banking



### The issues of customer management for retail banking

Retail banks are continually striving to improve their risk adjusted return on capital. Bank profitability is driven by revenue, costs and bad debt losses whilst maintaining high levels of customer satisfaction and regulatory compliance.

All of these are directly influenced by the daily decisions made in managing relationships with customers. These decisions are powerful levers in managing the ultimate profitability of the bank. In many cases growth strategies have sought to strengthen relationships by increasing the number of product held by each customer, however this increases the complexity of the customer relationship.

Most banking organisations have some level of automated decisioning in place but few do this in a holistic way. Banking organisations have tended to develop on a “silo” or product-level basis, with risk (and other) managers within each silo being responsible for decision-making, scoring and strategies for their silo alone. Whilst this gives clear line of sight to roles, responsibilities and objectives at the product level, it has often led to a confusion of approaches to decision-making for customers when looking across silos. The fact is that a customer’s performance on their current account gives the organisation meaningful insights into the customer’s likely performance on their credit card or their personal loan, and vice versa. And yet, how many organisations take the full

customer view into consideration when making credit risk and other decisions and interacting with their customers? Those that do, report that the potential benefits can be realised across a range of profit drivers. To make these decisions accurately it is essential to truly adopt a customer-focussed approach. In practice this involves gathering all the information on the performance of the customer together and using analytics to drive customer focused strategies.

The implementation of a customer level decision-making approach is a major change programme given the product silo legacy in many banks, but one with significant rewards. Overall the bank is able to make better and more consistent lending and management decisions as well as delivering a high standard of customer service, because decisions are made based on the relationship the bank has with the individual customer, not the account.

#### Want to read more?

This executive summary is taken from the Decision Analytics white paper [Customer Management for Retail Banking](#).

Access a copy of this, and other Decision Analytics white papers, at: [www.experian-da.com](http://www.experian-da.com)

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