Using SAS® gives DBS Bank a differentiator – a true understanding of its customers

Leveraging customer intelligence in one of Asia's largest banks

Industry
Banking

Business Issue
Narrow margins, harsh competition. Needed to enhance customer profitability.

Solution
SAS® Enterprise Miner™

Benefits
Detailed customer segmentation, better understanding of customer behavior.

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> **Wilson Lo**
> **Head of Business Planning & CRM**

In the current harsh reality of the banking industry in Hong Kong, banks are facing challenges such as global competition, a rising trend in mergers and acquisitions, an increasing need for cost reduction and a heightened demand by customers for more personalized services. To remain competitive, it is crucial that banks be able to understand customer needs and behaviour and how they change over time. Hence, customer-focused CRM models are necessary for the purpose of increasing customer satisfaction and customer value as well as to deepen the customer relationship.

"Nowadays, banks usually have their eyes on the wallet share of their own customers," explains Mr. Sunny Cheung, Head of Consumer Banking, DBS Hong Kong Limited. Customers might have relationships with more than one bank for their various needs: bank accounts, credit cards and other financial services. Most banks offer similar types of products and services at similar quality levels. From customers' point of view, they have plenty of choices and no longer need to be loyal to one bank since they can easily compare prices and service offerings in a short period of time. The core question for survival/success is how we differentiate ourselves through our customer relationship development process."

Data mining via a dynamic segmentation process

Like other industries, banks have a lot of data about their customers' banking habits or product usage, which could even be identifiable at an individual level.

"The challenge for banks, however, is to know how to organize and analyse such data in a systematic manner so that a customer knowledge base could be built for developing customised customer programs," says Cheung. "Another key attribute of a valuable customer knowledge base is that it must be actionable, enabling us to generate unique intelligence that facilitates the business to design and implement strategic customer value-enhancing initiatives." Like other banks, DBS has been acquiring customers and promoting their products and services via advertisements, branch sales and sometimes even massive direct mails. With the focus on analytics, "we have established a structured process for integrating knowledge management with quantitative marketing applications and, through the deployment of pigeon-hole micro-segmentation targeting, information-based sales leads are proliferated to frontline staff for cross-selling and customer relationship development," Cheung adds.

"For pigeon-hole micro-segmentation, we have developed a unique methodology named 'dynamic segmentation', which is a continuous and ever-evolving process for segmenting our customer base," says Mr. Wilson Lo, Head of Business Planning & CRM at DBS. From this process, the unique CRM lifecycle model for each customer segment can be built. It's dynamic because our segmentation process takes into account changing customer needs and specific behavioural patterns, as well as varying business contexts, hence reflecting the heterogeneous nature of

customer expectations." DBS customers are segmented into small groups, called "pigeon-hole" micro-segments. Then, appropriate customer management and cross-selling programs addressing the specific needs of that segment are designed and implemented. Different programs will be launched for different "pigeon-holes" in turn. With such a dynamic segmentation and CRM lifecycle model, many unique and targeted marketing campaigns can be tailored for different segments in small batches and timed accordingly.

Undoubtedly, such customer intelligence is impossible to create manually, and relying purely on intuition is out of the question. Customer analysis needs to be handled by powerful analytical technology. "DBS chose SAS to help calibrate our data management and analytical capabilities," says Lo. The Business Planning & CRM team (BP & CRM) has been using SAS® Enterprise Miner™ since 2000. We are now able to analyse complicated customer data and transactions and convert them into valuable customer intelligence with the various SAS Enterprise Miner modules. After each campaign, we can then fine-tune our analytics with the campaign results, which allows us to learn from each campaign and apply those lessons to improve the next campaign."

DBS' BP & CRM team is working closely with the marketing department to design the best marketing programs. BP & CRM acts as the central unit for handling customer data and simulating different behavioural analyses, and then they make recommendations to the sales and marketing departments. This collaborative process helps strengthen and accelerate the company's strategic decision-making process. "In fact, when

DBS prepares management reporting and business reviews for comparison, SAS can help process the analysis that will allow us to provide meaningful explanations about the scenarios and to explore more information for planning future campaigns," states Cheung. Significant improvement has been achieved with this CRM process, and the time to market for customer programs has been reduced from a couple of weeks to just one to two days.

Analytical intelligence, a critical component for growth

"One of the potential pitfalls for customer analytics is that, if applied indiscriminately, it could be misinterpreted as it is all about a particular customer's relationship with DBS and not how that customer would behave as an individual," Cheung continues. DBS has also integrated some external customer data into its own customer database to enable an enhanced holistic view of the customer. "This greatly facilitates the design and construction of our CRM lifecycle model for individual segmentation by providing a reality check on our internal analyses and procedures, ensuring that we maintain an accurate rather than an insular view of our customers.

"As an ongoing objective, DBS will continue to place great emphasis on our analytical capabilities. New tools, technology and external customer data will be explored and tested to help identify new methodologies and customer behaviour, which will strengthen our analytical capability not just for improving customer services and relationships, but also in managing performance parameters," says Cheung. In the future, Cheung foresees that mergers with, and acquisitions of, banks in Hong Kong will continue. There

will be fewer small banks, while larger banks will dominate the market as regional or global players. If this trend continues, it implies that banks must allocate more resources to people and technology for implementing customer-focused CRM models.

"After all, it is critical that customer intelligence should not be dealt with as an isolated back-room discovery, and such analytics need to be at the fingertips of frontline staff so that they can utilize such intelligence to manage customer relationships effectively," Cheung says. We will continue to strengthen our technological arsenal, as well as to train our people to enrich their knowledge and skill sets in order to provide consistently excellent service to our customers. With timely customer analytics and customer intelligence, I believe that our cross-selling capabilities and customer satisfaction will continue to improve greatly. DBS values its people, its discipline and the processes that set us apart from others."

About DBS
Headquartered in Singapore, DBS Bank is one of the largest financial services groups in Asia. The largest bank in Singapore and one of the top five banking groups in Hong Kong as measured by assets, DBS has dominant positions in consumer banking, treasury and markets, securities brokerage, equity and debt fund raising. Beyond the anchor markets of Singapore and Hong Kong, DBS serves corporate, institutional and retail customers through its operations in Thailand, the Philippines and Indonesia. The bank's credit ratings are among the highest in the Asia Pacific region.