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WHITE PAPER

How Financial Services Can Embrace CPQ to Become Customer-Driven

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What's Inside?

- The current state of the financial services industry, including market disruptors
- The role of technology in rebuilding customer confidence
- The impact of CPQ on customer experience and market competitors

For decades, if not centuries, the banking and financial services sector depended upon three overarching features as the foundation of its image and to ensure confidence in its products. **Throughout years of plenty, recession, depression, war and peace, the message has always been one of stability, trust and security.**

Almost every outward-facing image of this industry, from the architecture of its buildings, the design of its business dress, the format of its advertising collateral and tone of its correspondence, conveyed the same timeless, boringly dependable and utterly humorless, no-nonsense message: Our consummate stodginess is your guarantee that we will be stable, trustworthy and secure.

Wikipedia tells us that there are 328 licensed banks operating in the financial mecca that is Switzerland today. Aside from UBS and Credit Suisse, how many others can you name?

Consumers and businesses largely bought into this concept and in many ways, embraced it. A flashy banker or a snazzy savings and loan building was a lot like a "cool" doctor or a "with it" cleric; they might be kind of interesting, but ultimately, there was just something a little bit wrong about it.

We all seemed to like the button-down, Brooks Brothers, wing-tipped image when we handed over our money for safekeeping.

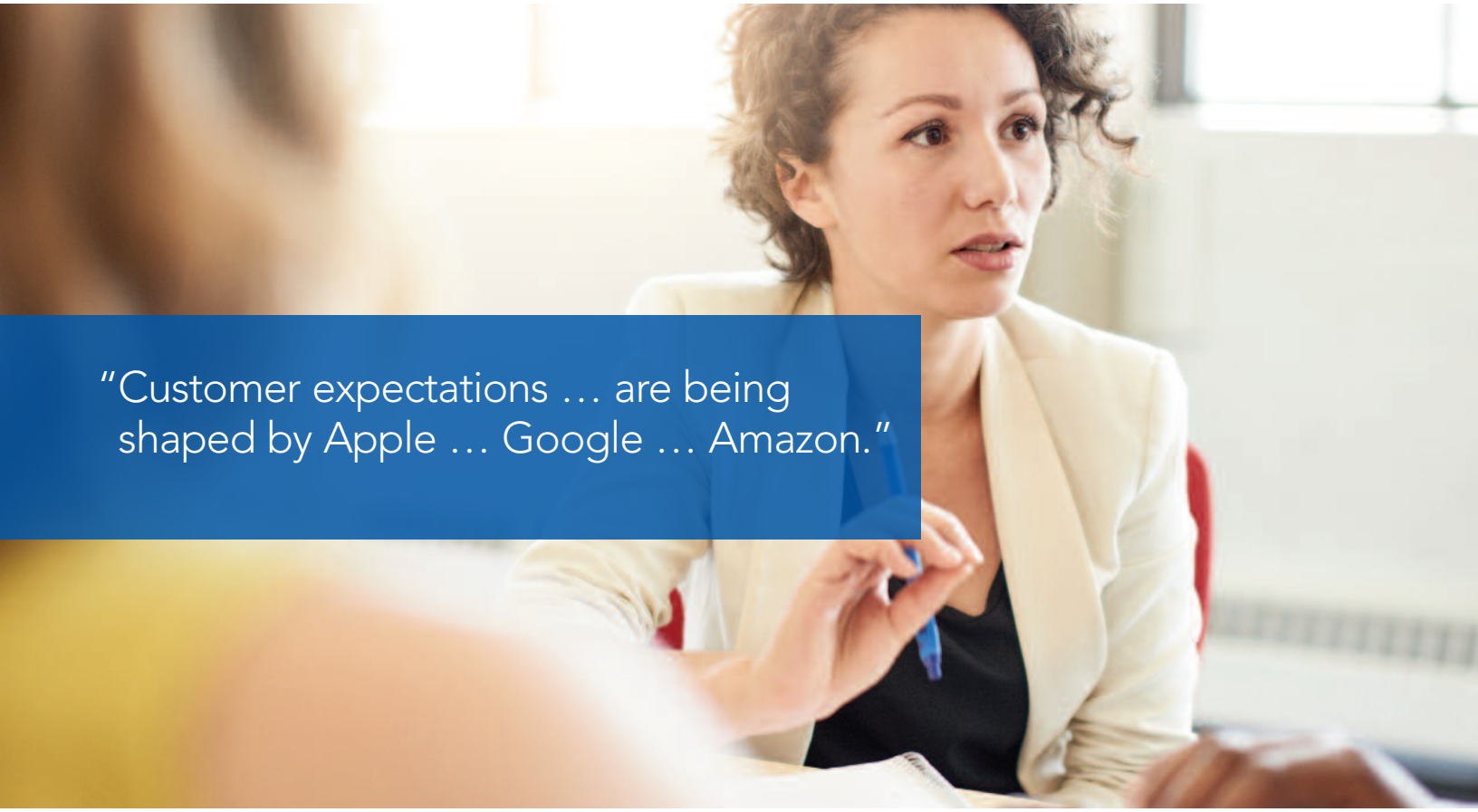
Self-Disruption and Redemption

During the late twentieth and early twenty-first centuries, mergers and rapacious acquisition activity, poorly conceived credit instruments and finally deceptive investment products combined to give the entire industry a bit of a black eye.

What does this mean in terms of consumer confidence? A full seven years after the great 2008 collapse, a U.S.-based Gallup Poll sees fewer than 30% of respondents having great confidence in banking institutions.[1] The sector doesn't fare much better in other areas of the world either.

For the industry and for those responsible for developing and marketing products within the industry, this has been a challenging time.

But, in many ways, great progress is being made in terms of responding to customer demand for a more responsive industry. The better news for financial services is, there are more and more tools available to help continue the progress.



A Customer-Driven Financial Services Industry?

The industry gained an understanding of the necessity of listening to the customer, hearing what it is they want and delivering it to them faster and better than the competition.

Customer expectations for the banking and financial sectors are tightly tied to the development of technologies that enable those expectations.

Jim Smith, Executive Vice President of Virtual Channels at Wells Fargo, was recently quoted saying, "Customer expectations are shifting dramatically. They are not being shaped by peer-competitor banks. They are being shaped by Apple. They are being shaped by Google. They are being shaped by Amazon."[2]

The message is, consumers expect the same level of convenience, responsiveness and access that they experience from other businesses via the technology they use to engage with those businesses.

Financial Technology (Fintech)

Fintech provides the industry with a means to meet those demands. The industry regained its footing with consumers and with business as well by improving the customer experience through existing technologies.

A recent Blumberg survey supports the notion that customers are ready to embrace technology in the context of banking and finance. Of those surveyed, 59% have a positive or somewhat positive view of financial technology.

The survey also saw Fintech as a democratizing force with 65% seeing it deliver services previously only available to the wealthy and 76% of respondents seeing it as enabling them to gain control over their financial positions.[3]

Banks and other financial services providers are delivering more convenience. They are delivering on connectivity through online and mobile facilities. And finally, they are facilitating on-time payments through assorted automation and scheduling systems. To that degree, consumers are satisfied with the level of innovation delivered by their financial services partners.[4]

> *How can the financial services industry address these complicated transactions and make them more transparent to consumers?*

While this facilitates a more service-oriented, consumer-friendly customer experience, these technologies don't address the fact that mortgages, investment portfolios and other financial services products are complex products that many find opaque if not intimidating.

How can the financial services industry address these complicated transactions and make them more transparent to consumers? How can they better qualify prospects earlier and more accurately?

These outcomes are tied directly to our variables for sales effectiveness, at last providing a direct link between guided selling and improved sales effectiveness.

New Tools for a New Market

The big lesson for this industry is that they are not unlike any other industry by most calculations. They develop products; they sell products. They prospect for new customers; they reward loyal customers. They want to know what their customers and market segment are thinking and wanting. What are they unhappy about? What are they hoping for in the future?

For the mainline financial services providers, the competition is already making disruptive inroads into their historical turf. Examples include bitcoin, crowdfunding and peer-to-peer lending.[5]

The good news for the financial services world is that this same technology is available to help them achieve their goals in the face of upstart competitors.

These tools will help them leverage their strength, existing market position and knowledge base to compete effectively with anyone in their space.

CPQ – Configuration Pricing Quotation Technology

Discreet product manufacturers have embraced CPQ for some time as a great way to handle complexity within a product or application of a product to mitigate a customer issue. CPQ allows products to be as complex as necessary and at the same time, it ensures that the actual product delivered contains precisely the correct features and attributes to serve the customer's needs.

CPQ also mitigates customer fear or reluctance to consider complex products because it shields the buyer from that complexity.

Financial products are a natural for CPQ. FICA scores, income, existing debt load, assets and all of the other variables that go into a credit-worthiness decision or risk assessment can be built into a CPQ tool. Most CPQ includes an interviewing format interface to collect data from the potential customer either directly or through a question-and-answer discussion. The variable data is input during this questioning process, and it can also be available via query.

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All of the right questions are asked, the answers are collected and the recommendations are rendered based upon the information supplied.

Which Services Will Be Most Impacted by Technology?

Life Insurance: First-time buyers of life insurance are often overwhelmed by the industry "lingo" and the differences between the options available.

Whole life, term life, annuities, TSAs and credit life are just a few of these product classifications. Young couples or even singles buying in early are truly at the mercy of the agent they are dealing with. It will no longer be appropriate for agents to simply push the product du jour or go with whatever the company is pushing for end-of-quarter results. Too many folks have horror stories of trusting the old family friend agent and finding out later that the product they bought is not really appropriate to their needs.

A whole generation of insurance buyers purchased insurance based on how their parents bought it. What served folks in 1950 is likely not useful in 2017.

Insurance selling at this level is ripe for disruption. CPQ provides the means of looking at the individual from the standpoint of income, plans for kids, life risks and potentials. Matching this with miscellaneous product features and costs will result in a customized insurance product that exactly matches the needs and future needs of the insured.

Once consumers experience this, the days of pushing this product or that will be over with. Buyers will behave like buyers and make their selections based on what is best for them.

Mortgages and Other Credit Instruments: This is another area pregnant with potential for disruption. Lenders will offer credit instruments as products just like any other item is sold. Needs of the buyer, features and benefits all contribute to the determination of what product is right for this customer.

In addition to the amount needed, other variables are critical to the buyer and lender. Things like the term of the loan, interest rates, collateral options, interest variability and track record will impact the product selection options. Affinity programs are fine, airline miles are wonderful, but, in the future, the winners will offer the best deals on money.

Buyers do not have to slink into a big marble building, endure the abuse of officious loan officers and then consent to a loan package that contains high interest and ridiculous penalty clauses just because the lender feels like they can ask for it.

CPQ will sort through the assorted options of credit cards; short-term, secured loans; high-interest, low-payment, long-term loans; and everything in between. The "riskiness" of a given applicant will obviously be important, but competitive factors will be just as important.

Financial institutions have already learned the value of marketing their credit products. Using tools like CRM that maintain intelligence on potential customers based on financial variables, lenders can produce lists of potential borrowers that match a specific set of criteria. An example would be refinance offers based on changes in prime or other forces at work in the market.

Investment Options: This segment is very important to younger folks because they are faced with having to fund their own retirement programs. Fewer companies are offering funded pension programs or even matching contributions in 401K programs.

With this level of importance and the lack of transparency currently clouding the processes related to attaching one's hard-earned cash to a futures option, stock, fund or bond, it will be critical for everyone to better understand what it is they are investing in.

Again, many of these products are available only through brokers who are paid commissions for pushing one issue versus another. That's not good enough for people who are trying to stabilize their long-term futures.

Investing over the long term and for growth is wholly different from betting on a single stock or day-trading and returning to a cash position at the close of each day.

CPQ scripts can prompt the buyer toward a product suitable to their needs.

The investor's age, family situation, disposable income, goals for retirement and other factors all contribute in a dynamic way to each investor's needs. An acceptable level of risk for one person is foolish for another. A CPQ solution can sort through all of these variables and deliver portfolio recommendations.

> *Technology is helping both buyer and seller to make a smart choice.*

Wise counsel is an essential aspect of any investment program, but ultimately, the investor has to make the decisions. Technology is also available in the form of CRM to assist brokers with the task of finding potential investors that match a specific profile. Factors like age, income, family size and other elements can be used to produce candidate lists for offering specific products or securities.

The new investor may be evaluating options via an ecommerce front end with CPQ technology guiding their way, or CPQ may be guiding the conversation between a broker and a potential investor. Either way, technology is helping both buyer and seller to make a smart choice.

Technology and the Selling of Financial Services

The actual process of selling these services will continue to change. Online services will help consumers plow through all of the lingo and grey text that seems to accompany any document related to this field. These will be powered by CPQ and CRM tools. Instead of a quota-based sales rep, pushing a product based on what is good for themselves, consumers will be answering questions and reviewing options online.

There will be more choices available. Choices will be made with less pressure and with far more knowledge. Money is a product. It can be sold as future security in the form of insurance or an investment, or it can be sold as present capability in the form of credit. Regardless, it will be sold like any other product.

> *An acceptable level of risk for one person is foolish for another. A CPQ solution can sort through all of these variables.*

Risk will always play a role in our financial system. Risk is necessary. Risk will continue to drive value, but the after-risk reward will need to effectively balance that risk. Risk should be transparent to all parties and when it is not, problems arise.

Predictive analytics is another technology that will continue to evolve and support the risk/reward analysis of any given transaction.

Ironically, many would cite financial services as the place where predictive analytics first enjoyed widespread commercial acceptance in the form of insurance actuarial tables.

It is indeed time for more visionary thinkers in the financial services arena to look at new technological options as well as commonly available options, and think about how they can exploit those capabilities in the form of new and better products that serve a connected, tech-savvy customer base.

About the Author

Lou Washington has had multiple roles in his 30 years in the manufacturing industry, including project management, field sales support and customer implementation, as well as pricing, contract management and product security in the software business. He currently works with Cincom, offering his expertise and perspective on issues relevant to complex manufacturers and enterprise businesses alike via the Cincom blog and other popular trade publications.

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