

Bank of Oklahoma Deploys EnAct To Rival Large Banks

The EnAct success story is making the rounds among mid-sized banks, and Bank of Oklahoma is the reason.

When American Banker asked Norm Smith, executive vice president of Bank of Oklahoma, to speak at the Customer Relationship Management Symposium, he checked to see who else was on the agenda. Mainly very large banks, compared to his \$7 billion bank. Banks such as FleetBoston Financial, Canadian Imperial Bank of Commerce, Abbey National.

But he easily deduced why he had been selected. Like the others, he had a unique and compelling CRM story to convey. Like the others, his bank's investment in ActionSystems' EnAct was delivering standout results.

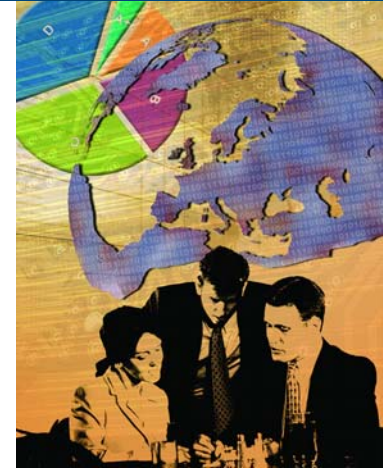
Bank of Oklahoma is the largest bank in Oklahoma, with branches in Texas, Arkansas and New Mexico. For several years, according to Smith, the bank had been focused on sales. As he told the story to the conference delegates: "We had put all of our people through sales and sales management training, established sales goals for every sales individual, and measured them monthly. We had sales campaigns and a fairly lucrative incentive program. Over the years, we were quite successful. We doubled our loans outstanding each year, and our core deposit growth was on a straight incline.

"And then all of a sudden a couple of years ago that graph just plateaued on us. I had to get that thing going back up.

"I happened to attend a small business conference where the luncheon speaker was Robert Hall. He was saying all of the things we were thinking and identifying what was happening to us, which caused us to think that maybe the company knew what it was doing. So we called on them and asked them to come up to Tulsa and meet with our management staff and talk through the deal.

"I was probably sold when, in their introduction, they identified the plateauing phenomenon. They recognized that we had achieved our sales results just by sheer effort, or as my boss likes to call it, 'brute strength and ignorance.'"

"So they introduced EnAct, and we kicked off with a pilot, putting one district of branches in Tulsa through the whole process. We were frankly wildly impressed with the change in behavior and the change in attitude in the 15 pilot offices. So we accelerated the roll out across the rest of Oklahoma."



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**Customer Relationship Management:
Bank of Oklahoma Uses EnAct to Zero in
on Customer Segments**

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BOK's Smith was such a big fan that he bet his bonus it would up profitability.

How many bankers put their money where their mouth is? Norm Smith, evp of consumer banking at Bank of Oklahoma (BOK) did. He believed in the customer relationship management (CRM) technology of EnAct so firmly that he bet his boss his bonus that the software would pay for itself - and then some - within a year. He won.

...EnAct made the cut with BOK because of its breakthrough strategy, according to Smith. Improving profitability by knowing which customers were profitable made sense. By contrast, other CRM systems that the bank considered focused on training tellers to cross-sell customers while using the PC. "They were just as expensive...but nowhere near as large" in scope, he says.

...The branches entered 142 criteria for each customer household into computers, from homeownership to ATM use patterns. EnAct divides customers into five groups. Level ones are the most valuable; level fives may cost the bank money.

It's important to know who the most valuable customers are since retaining those customers is as – if not more – important as acquiring new ones, says Smith. "If we just retain all our level ones [who contribute \$200 or more a month net each] we would be winners."

Smith says the bank found other powerful, eye-opening data. BOK ran all product sets through the system and saw that some actually cost the bank money. For instance, of 8,300 free group-banking checking accounts, only 300 made it to level one or two. BOK offered its very popular Club Account at a 25 percent discount, \$7.50 vs. \$10 per month, instead. The companies involved agreed. Last summer, letters went out to 5,700 unprofitable customers. As of January 1999, 91 percent had accepted the new account and fee structure, making those customers marginally profitable, he says.

...A key element to success is putting CRM information at the fingertips of branch managers, according to Ron Leffler, svp of consumer banking. "We had been data rich and information poor. This allows us to take powerful decision-making information into the field. ...Similarly, tellers identify the level of customer at the window and get guidelines for responding accordingly. They cannot say "No" to level one customers, for instance. Tellers who cannot complete a transaction efficiently must refer those customers to supervisors.

...Smith met both challenges: He recouped the cost and generated \$1 million in revenue. Profitability increased 10 percent on an annualized basis last year. This year's target is 15 percent. (by Pearl Bosco)

NEW LEARNING ABOUT CUSTOMERS CONTRIBUTION

"We ran all our customers through the EnAct matrix and identified five levels of contribution. Look, we read the American Banker and all the other magazines - we knew what to expect. But I'll tell you quite frankly, it's shocking when it is your own bank and you realize that 1.4% of your households contribute almost 22%. Or that segments 1, 2, and 3 add up to 11.5% of households and contribute 58.4%. And if that wasn't bad enough, a full 29% of our households were negative profit contributors - they weren't even keeping enough balance or using enough product in our bank to cover the cost of printing and sending a statement."

EMPLOYEE EMPOWERMENT

"There are huge benefits to having this information at the branch manager's fingertips. First of all, you want to talk about feeling empowered, if you don't even know who your customers are, it's pretty hard to make any rational decisions about what you should be doing with them. So the managers feel extremely good just having the knowledge of what's happening."

NEW LEARNING ABOUT PRODUCT PROFITABILITY

"We also screened all of our products through the EnAct matrix. That is a wild experience that will shock you, if you haven't done this already. We identified 12 other product initiatives worth about \$1 million in new fee income in 1999."

NEW SERVICE STANDARDS BY PROFIT SEGMENT

"We added the profit levels to all of our systems. When a customer comes to a teller or to the platform, in the upper right corner of the screen, it says Level 1, Level 2, Level 3, Level 4, Level 5. That changes behavior, believe me. How you deal with customers, complaints and sales activities changes fundamentally when you know the value of that customer. And we have set new service standards by segment. Myself, I have done things that I never would have done in a previous life - waiving fees or giving a discount rate on a loan or bending a rule for a customer who I now know is pumping in a ton of money. In the old days, you knew it if you were commercial, but you don't know it if you're on the consumer side."

TARGETED RETENTION DURING MERGER

"When we acquired Bank of Albuquerque, we decided to roll out EnAct instantly. With all the merger activity, there wasn't time for training or PCs. We just ran their portfolio through the matrix, gave every branch a list of their customers ranked Level 1 through Level 5, and said to the regional manager, 'Your job over the next 90 days, is not to lose 1s or 2s.' So even though they were bombarded with the stuff that you go through when you change from one bank to another, they concentrated on the Level 1s and 2s. They called them, talked them through the conversion in many cases. 'We're having some problems, but if you have any problem please make me aware of it and I'll fix it.'

"By using EnAct early in the acquisition, we stemmed the loss of customers – from minus 15% to plus 15%. We increased our profitable segments by 13%, decreased our unprofitable segment by 15% – with total households down 6%. Overall branch profitability in Albuquerque branches increased by 11% in 90 days. I think you have to call that a success by any standards."

NEW FOCUS ON RETENTION

"We also have a very high focus now on retaining 1s, 2s, and 3s. In fact, if we lose a 1, it's an event and not a positive one. With the reports I get from the system, I can pinpoint which branch lost the Level 1. Believe me, I follow up and ask the manager what happened and why."

COMMON LANGUAGE

"We absolutely have a common language. I can go into any of our branches and we can talk Level 1, Level 5, target, tactic – and there's no confusion. Some of the managers are enthusiastic enough that they will start the conversation by telling me what their target and tactic was for the particular week. Best evidence: in the past year, nobody has ever asked me for an exception to something without first noting the customer's profit level. Well, think about that. That's pretty darned dramatic behavioral change."

FINANCIAL RESULTS

"We increased our best customers (who contribute at least \$200 in profits) by 13%. We decreased our unprofitable customers by 5%. And those tiers in the middle, we increased by 2-4%. You can see we were allocating our efforts where we saw the potential. I don't know about you, but I'm impressed that we even know this."