

# Win in the flat world

## Redefining Customer Experience Your Next Generation Community Bank

- Dikesh Kumar

### *Abstract:*

There is significant correlation between customer satisfaction and customer loyalty as both are intrinsically coupled for the long term growth of any company. Customer experience plays a pivotal role in the making of a satisfied customer.

In banking industry, differentiation has always been a challenge given the commoditization of products and services. However, customers derive their experiences based on the superiority and consistency of interaction channels.

The US banking industry is witnessing a huge transformation due to the current economic crisis. While most of banks are contemplating tactics to sustain through this difficult time, they must ensure that customer experience does not take a back seat. The customer would continue to expect better service offering and no corner cuts.

This paper discusses the opportunity to improve the customer experience in current context and the road ahead. The significance of channels of interaction has been studied in light of customer experience. The paper talks specifically about how Banks should go about developing their customer experience strategy discussing the key enablers and top priorities to make the customer experience pleasurable.

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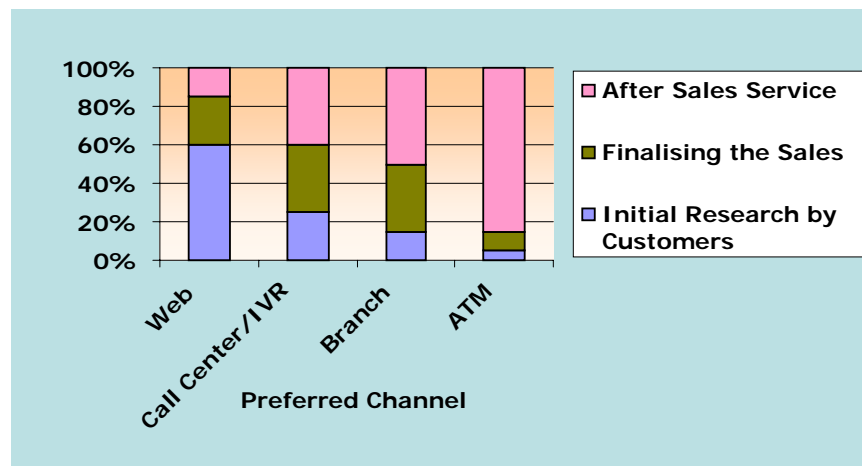


Year 2009 is going to be a challenging year for economy, especially for the financial sector industry. Consolidation in this sector has already taken place while the customers are still not clear as to how it would affect them. There is going to be cost pressure on banks to restructure their process and infrastructure to survive during this turmoil. While articulating these steps, the focus should be on customer experience which is tightly coupled with customer satisfaction. This would also give these companies an opportunity to improve customer experience while keeping the cost low.

Customer experience is a way to meet and exceed the expectation of end customer through all channels of interaction. This leads to increased advocacy and referrals for the bank, and ultimately profitable revenue growth. The customer continues to expect outstanding service, customized product, anytime-anywhere access to their money and real-time update and alerts of transaction across all channels. Customer loyalty will depend on how well bank performs on these factors and is able to build their image through referrals or simply through 'word of mouth'. In today's world, the customers have plethora of choices while buying banking products as more or less every bank offers similar products, pricing and rates. The journey towards continuous improvement of customer experience should be inculcated as a way of life and be brought in to the bank's culture. The erstwhile Wachovia Bank has been ranked number one in "The American Customer Satisfaction Index" eight years in row, Wachovia's focus on customer and bankers' experience has made it one of the favored banks among customers. The banks that can keep their customer satisfied and happy will emerge as winner after the economy will recover out of recession.

### Community banking – getting the 'customer experience' formula right

Community banks need to keep customer expectations straight; customers expect their bank to understand their financial need and the way they would like to bank. Multi-channel relationship between bank and customers is the need of the hour and a key differentiating factor. Many consumers often use online channel to carry out initial research before buying any product from the bank. These consumers prefer mix of channels as they move from researching to applying and then finally opting for a product or services (refer graph-1: preferred channel during and after the sales cycle). The customer ultimately expects a consistent experience across all channels of interaction. A growing importance for client advocacy has resulted in making the organizations customer-centric, provide innovative products and channels and increase the enterprise relevance to customers. In spite of commoditization of banking products, this differentiation is still an important factor and core to banking business.



Graph-1 Preferred channel during and after the sales process

\*The above chart is based on a sample survey conducted in the US market amongst 'mass market' bank customers

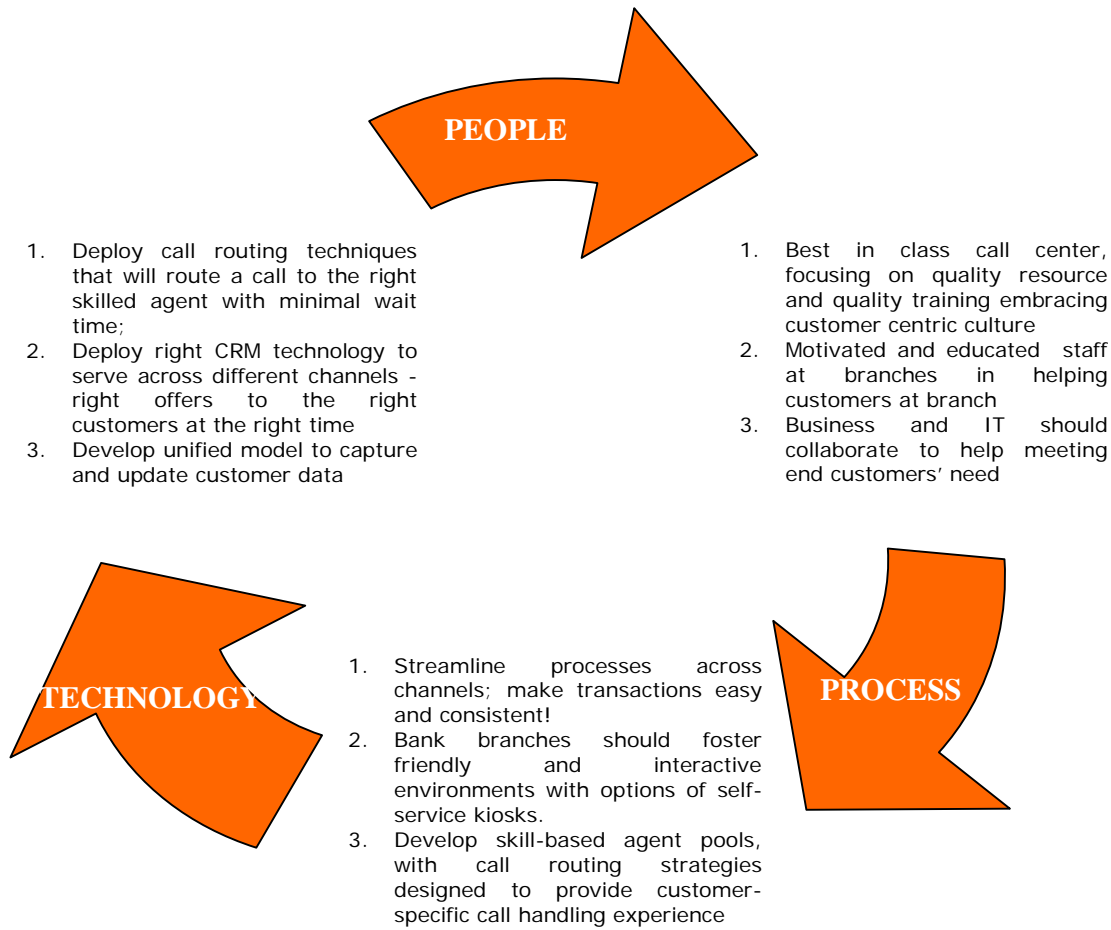
The customer prefers different channels for different products. For example, in the case of deposit products, the tendency is to walk directly into the financial center and apply for it; whereas for lending products, consumers prefer to do online research before opting the final product. The preferred channel not only varies by product but also by demography. Generation X prefers online channel over other channels for initial research as well as application. However baby boomers have different needs and preferences for channels; these should be considered while designing the channel interface for customers.

These are the three fundamental factors that influence customer experience with a retail bank

1. *Quality of Interactions:* The customer expects accurate information and quick response first time and every time. Apart from the waiting time on phone, queue at Branch/ ATM and easiness of the bank's website, there are other intangible factors like an executive's response to customer call on phone or at the branch location plays an important role in customer's satisfaction. It is desired to provide for a best-in-class operational environment (call centers) for inbound calls, to support sales, service and marketing; empower customer-facing agents in the care channel to provide optimal experience.
2. *Level of Consistency:* The customer expects real time and correct information irrespective of channel of interaction. It is important to have an integrated CRM business and technology architecture that serves across all channels. Customer may sometimes get baffled if they get different quotes from different channels. There has never been a greater need for unified customer information than now and it is imperative that the same data should be accessible through all channels. Bank should also take care while offering different rates over web vis-à-vis other channels. This approach may attract some prospects but can also keep some customers away from bank. Though it can be debated as some banks do offer differential pricing to optimize the channel utilization however this should be practiced with care and due diligence. A metrics and measurement framework to monitor and modify processes to meet customer expectations is important to the bank's business. The bank needs to be flexible and agile in modifying processes to provide desired customer experience.
3. *Differentiation:* Banks are being seen as grocery stores while almost every bank has similar products to offer. Mass customization can help banks in offering unique experience to customers. Banks need to come up with processes and systems to customize individual customer experience. The bigger banks need to shift their thinking from inside-out to outside-in. Customer segmentation is key – selective approach to customers is important for the model to increase profitability.

## Your three customer experience pillars

People, Process and Technology are the fundamental enablers in managing the customer experience. The three entities need to have a common goal i.e. customer satisfaction. The below cycle depicts the how People, Process and Technology can together be leveraged in making the customer experience special.



## CRM technology- the backbone to your customer's experience

CRM transactional and analytical applications have been traditionally used to manage customer information and get an all-important 360 degree view of the customer. The CRM application can not only help in presenting a single view of the bank across different channels but also help increase profitability by developing customer segmentation models.

It is important that the CRM technology strategy focuses on enabling a rich personal experience to each customer based on differences in demographics, transactional behaviors, income group etc. Even some of the leading banks have not emphasized enough on this aspect. The traditional pitfalls around fragmented and inconsistent channel strategies are a major challenge.

Another important dimension to note is CRM predictive analytics. Today's CRM also has data mining abilities and can use next generation predictive models to offer cross-sell/up-sell products to customers. (We've seen the effective use of Oracle's "Real-Time Decisioning" engine and Chordiant's "Chordiant Decision Management" suite in this area).

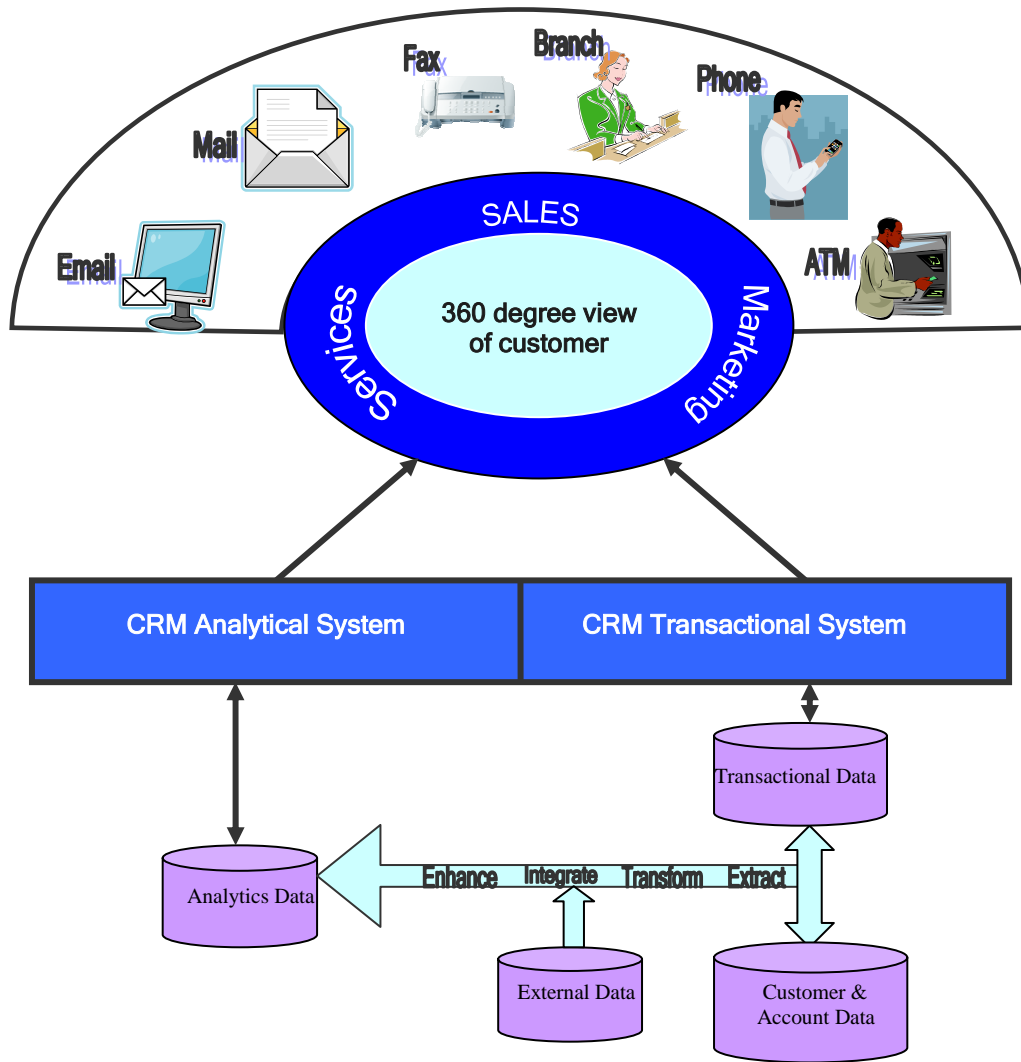


Diagram 2: CRM Architecture

### Matching information with expectation

Customer data and information collection, maintenance and utilization are key to improving revenues, provide service differentiation and achieve superior operation levels. Many big banks are still unable to share customer data across products, business units or customer channels, depriving institutions of a single 'truth' of the customer. Consistency takes a big hit here, making it difficult to field customer queries on multiple products and often obscuring potential selling opportunities. We have seen financial enterprises grow by organic and inorganic means; it becomes imperative to have consistent data across channels. Master Data Management (MDM) is a powerful technique to manage customer data to get 360 degree view of customer at organizational level; MDM tools like IBM's WCC, Siperian, Initiate, UCM etc are being considered by many banks to meet the objective. Personalization of content, offers, sales and service across channels is becoming very persistent, by utilizing customer data and business rules.

The bank's CRM architecture needs to be designed such that cross channel synchronization of data happens periodically to get the current version of truth. The CRM analytics set-up enables

segmentation to drive target strategies for products, customers, geographies, etc. Management of customer feedback helps the institution to improve upon the process, understand the customer better and bring the institution close to customer. Banks should invest in developing powerful tools to analyze and monitor the customer feedback and frame tangible process to make the feedback information actionable.

## Success factors in the downturn – is customer experience getting redefined?

The economic tsunami has caused significant damage to the confidence of the industry. Failure of some of the major banks world wide, the drying up of inter-bank lending markets and deteriorated customer faith are some of the immediate results. However, retail deposit has remained a major source of relief in this dried market liquidity. At this time, customers will be looking for value rather than luxury. Customers would like to bank with stable financial institutions and avoid risky products.

At this time, companies can not just rely on conventional method of reaching customers like mail or attractive websites, but would want to spread positive news around the bank's product and services through blogs and other online communities. The companies would resort to simple and clear marketing messages. In a crisis, people return to brands they know and trust. Budgets for marketing will be reduced and companies will look for more cost-effective ways to reach their target audiences. One of the largest US bank – Bank of America is listening and responding to customers on Twitter, a social networking site in vogue. This helps them gain powerful insight about the customer and help them in product enhancement, gather feedback and most importantly develop the relationship with the customers.<sup>[2]</sup>

The success ladder below shows the top 5 priorities for the banks to woo the customers. These are some of the fundamental objectives that would not change based on market scenario.

Know Your Customers Better	Boost Customer Confidence	System Improvement & Single View of customers	Innovative ways of reaching to customers	Sell More Products
<p>1. 'Know your customer better' by creating knowledge foundation about each customer for cross-sell and up-sell targeted marketing opportunities</p> <p>2. Active and passive customer inputs should be captured at all customer touch points and be used to enhance bank's sales and service</p>	<p>1. Effectively communicate to customers of any new developments</p> <p>2. Banks need to implement differentiated pricing schemes tailored to specific customer segments and their needs</p>	<p>1. Focus on cross-channel customer data synchronization with a 360-degree view of customer data</p> <p>2. Multiple channel integration and common processes to drive multiple channels;</p> <p>3. Real time data synchronization across channel</p>	<p>1. Use today's social network like blogs, customer review portal to reach to customers</p> <p>2. Re-design branch with modern layouts, displays, colors to aggressively promote products and services with operational effectiveness.</p> <p>3. Easy to use banks website</p>	<p>1. Focus on customer retention and increased cross-salability</p> <p>2. Get new customers by leveraging the customer experience as unique selling point</p>

**The Success Ladder**

## Myths in CRM Banking

Over the years, advocacy and hyped assertion of certain school of thoughts about customer banking experience has created raised expectations and myriad of myths. It is important to revisit these assumptions and focus on what is actually necessary.

Myths	Reality
<p>Focus just on customer experience: Often while designing process and technology the focus is only around customer experience, it is also important to consider the bankers' (including contact center executives) experience as they are the face of the bank. They should be involved while designing and roll-out of new processes &amp; technology, and get incentives directly linked to their performance.</p>	<p>A happy employee is important in the making of happy customers. It is important to focus not just on Customer's experience but also on Banker's Experience.</p>
<p>Customer don't want to buy products from contact centers: Many banks make the mistake of aligning their contact center focus mainly on customer services while sales taking the back-seat and piggy back on services. There is a feeling that customers want to buy loan and deposit face to face in branch and ultimately banks loose on sales opportunities.</p>	<p>Today's customers reach contact center due to various reasons– not just due to time constraint but some of them also feel that they get objective treatment.</p>
<p>Every customer has preference for one or few channels and sticks to it: Some banks start designing the offer for set of customers around particular channel assuming they would always reach bank via these channels.</p>	<p>Customer can resort to any channel based on their need and convenience, and expect consistent treatment across all channels.</p>
<p>CRM successes comes from full-scale implementation: The statement undermines the fact that many CRM success stories have been written around minor process improvements and tactical changes that had significant impact on bank's sales</p>	<p>Before taking the leap step it is important to look for improvements within the system and work towards long term goal. Companies should also evaluate On-Demand CRM solution vis-à-vis traditional CRM solution during new implementation; this might result in significant saving in cost and time.</p>

## Conclusion

The financial sector has undergone transformation worldwide due to current economic challenges and the bad times are not yet over. It has become all the more important for banks to be competitive and customer oriented while keeping the cost low. The customers are looking for more value out of their money and not ready to compromise on service. The banks need to remain focused on improving the customer experience while leveraging three pillars – people, process and technology. CRM can play a major role in managing customers' expectations and is tightly coupled to customers' satisfaction. It is also important to note that successful CRM initiative need not come through costly investment but can also be achieved by small improvements. The banks need to have long term customer experience vision and ready to be engaged in improving the customer experience matrix all the way. The focus should be on providing quality and consistent service to customers across all channels of interaction.

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## About the Author

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