

P E R S P E C T I V E

5 Steps to Deeper Customer Engagement



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It is recognized that customer engagement, or repeated positive interaction which creates an emotional connect with customers is very important to a business' success. Customer engagement studies show that it is viewed as a means to several ends, such as increasing value obtained from and delivered to customers, enriching product offerings, strengthening brand loyalty, acquiring consumer insight and improving market share.

In banking, customer engagement is closely linked with the quality of user experience. Which is logical, since a customer who has just been through a forgettable experience is hardly likely to seek a repeat instance. The following steps can help banks crack the code:

- Institutionalizing customer relationships
- Improving cross-sell ratios
- Increasing opportunity to be in touch
- Keeping track of customer satisfaction
- Building customer advocacy

Institutionalize Customer Relationships to Deepen Them

Meaningful improvement of customer experience, and consequently engagement, can only come about when the entire organization is focused on these goals. In other words, customers must have a relationship with the overall banking entity, and not merely one business unit or relationship manager. Institutionalization of customer relationships is a matter of making detailed information on every customer interaction easily and equally available to all parts of the bank and leveraging that insight to progress the engagement.

Broadly, this is a 3 step process involving conversion of customer information into insight, re-examination of segmentation strategy, and finally institutionalizing all of this knowledge so that it can be leveraged by the entire organization. Deep customer understanding is a pre-requisite for deep relationships, since it equips the bank to address a greater number of individual needs. This means that the bank must possess adequate customer and transaction information to start with. Failing that, it must create a customer data

repository and gradually upgrade its data management and analysis skills to convert data into information, then into knowledge, and finally into wisdom.

Next, broad-brush segmentation must make way for a finely nuanced approach that lays sufficient emphasis on non-financial criteria including, but not limited to, demographics, profession, behaviour, preference and other significant tacit information that is part of customers' transaction history. It is also important to redefine segmentation criteria according to the context, for example, by adjusting the definition net worth segments such as mass market, mass affluent, high net worth and ultra high net worth depending on the market.

At every stage, the bank must have a plan for how it will make best use of available information (or knowledge) to develop customer relationships across the organization. The current situation at most banks is that every customer relationship is vested in an account manager – this means that only one bank executive possesses insight about a particular customer, which is lost to the organization when he or she moves out. Therefore, the ultimate goal should be to institutionalize customer wisdom to make it equally available to all customer-facing staff across all channels as and when required, permanently. When a unified view of the customer relationship is available to the bank's employees across all channels, it erases the knowledge inequality within the organization, and enables all frontline staff to deliver a consistent and high quality experience to the customer.

Increase Cross-sales for Stickiness and Retention

Although cross-selling is commercially more attractive than originating new sales, interest in it has waned in recent years on account of lacklustre performance. Overall, the cross-selling success ratio in banking has hovered around 10%, with rare exceptions such as a large US-based conglomerate which leads the world in cross-sales, pushing between 5 and 8 products per customer. This bank boasts a cross-sales ratio of anywhere between 5.5 and 5.7 versus the industry average of 1.57; in contrast, bank Western Europe have only managed a factor of 3, at best.

Obviously, the cross-selling idea has not worked for most institutions, despite supporting it with best in class CRM solutions and other resources. What can they do to benchmark themselves against the leader?

The answer lies in right-selling. The right-selling concept differs from its predecessor in that it envisages offering the “right” (and not just any) product to the right customer, at the right time and price, through the right channel. In order to realize this, the bank must focus on giving each customer only what he wants rather than blanketing him with every offering in its arsenal.

Successful right-selling not only yields immediate business, but delivers long term advantage by way of improved customer stickiness and advocacy. This sets the ball rolling for a cycle of continuous customer engagement and sustained right-selling wherein one feeds the other. Right-selling also optimizes marketing spend by targeting the right communication to the right audience at the right time and place, replacing the carpet bombing approach of generic marketing campaigns.

In an attempt to boost profitability, banks try to push their less or unprofitable customers away from the branch towards cheaper, self-service channels. However, since these are not geared to improving cross-sales, the banks lose what little chance they had of improving product usage among these customers in a face to face interaction at the branch. Clearly, that negates any cost advantage the banks may gain by migrating users to low-cost modes.

Instead, the banks must endow their self-service channels with the “intelligence” to sense and act upon any right-selling opportunities that emerge, to increase the contribution of lower-rung customers to the bottom-line. Striking the right balance between channel, product and pricing is the key, because all products cannot be sold to all customers on all channels. This is core concept of right selling.

Increase Opportunity to be in Touch by Getting Customers to use More Banking Channels

Typically, banks take either the carrot or stick approach to drive customers to use specific channels. The former involves charging a fee from low value customers for using high-cost channels such as the branch, whereas the latter does exactly the opposite, rewarding customers for transacting via self-service modes.

Actually, banks must take it further by considering channel usage as another dimension of segmentation, designating certain channels as primary for each segment, and perhaps even creating a pricing structure to reinforce behaviour. Hence, seniors may be allowed to use branches as their primary channel, but charged nominally for transacting through the call centre, while Gen Y customers must be encouraged to use online modes as far as possible. This approach could potentially yield twin benefits – optimal distribution of customer traffic across various modes and the adoption of new / multiple channels by customers – which consequently enable banks to interact with customers in more ways, more frequently while providing better service.

But in return for making customers change their channel preference, banks must provide them a better experience in the context of every transaction. An innovative way of doing this is to provide a differentiated experience within each channel, depending on the category of the customer. For instance, the bank can fast track in-branch service to high net worth customers by recognizing them as soon as they enter, and directing them to a wealth manager or a senior executive who can help them with their portfolio. Of course, this means that the bank must provide an identification device, such as an RFID-embedded credit card to the customers beforehand. Should an executive not be available within the branch, it should be possible to connect with one over video chat.

Keep Track of Customers' Happiness

Historically, banks have employed consumer satisfaction surveys to understand how well their products and services have been received by customers.

Apart from satisfaction, a good measure of customer delight is the quality of customer engagement, indicated by the nature of the interaction and the amount of business coming in. Beyond the prospect of direct revenue, a retail customer is a potential source of new household or corporate business. A delighted customer might also refer the bank to others and act as its brand ambassador. Other quantitative measures of delight include stickiness along with the profitability pattern; the latter is especially important because, often a customer may stay on with a bank for years without significantly increasing the volume of business.

Upgrade Customers into Advocates

When the financial meltdown brought on a crisis of confidence, it led to a tightening of compliance and disclosure norms. Although adhering to regulations is important, a bank must show far greater intent of openness and transparency in order to win back customers' trust. It can do this by making voluntary disclosures about their products and associated risks, fee structure, terms of service etc., beyond that which are mandatory.

Customers' confidence also improves with empowerment – the knowledge of being in control of financial decision making – and when they are assured of easy access to the right people within the bank who can guide them in their best interests. Equally important, a bank must demonstrate through actions that customers are indeed its top consideration in good times, and more so in the bad.

Technology can play a key role in this pursuit by enabling unified education and communication across all channels, providing tools and templates for personal financial management and allowing easy access to support staff via an online helpdesk, call centre or remote advisor. It can help leverage wisdom across the organization by institutionalizing it and making it available equally to customer-facing staff on all channels.

Social media must be used to advantage by opening a direct line of communication to customers. For instance, an online closed loop

community may be set up to promote banking-related discussions among interested users. New product concepts can be tested through opinion polls or reviews. Customer service can be smoothed through FAQs and wikis. These platforms improve customer confidence through education and offer banks the opportunity to redeem their credibility in the eyes of their users through open and honest engagement, and ultimately reap the dividend of advocacy.

And that is the last word in customer engagement.

Reference

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