

PERSPECTIVE

Championing the Customer Cause at the Bank



There is no doubt that in most banks today there is indeed a strong realization that customer management is of prime importance and it is this realization that has placed customer management at the core of other strategies being devised by banks. Today, in many banks it would seem that while the end goal of customer centricity is much clearer, the quest of how to get there is still an enormous challenge.

Understanding Customer Centricity

Customer centricity is not about just wanting to strengthen relationships with customers. Nor is it about having a customer strategy which unequivocally states that customers are a bank's most important asset. While banks have demonstrably taken huge strides in being more customer friendly than they have been in the past, it is imperative that a quantum leap is required to make the strategic shift to customer centricity.

To start with, it is important that everyone in the bank realizes that each fragment of information about the customer is recorded, analyzed, understood and then re-used to not only develop meaningful responses but also address the needs of that particular customer. With increasing levels of sophistication, the new age customer is just not inclined to be patient in dealing with multiple levels of disconnected interactions with her bank. Towards this end, it could be worthwhile for banks to consider the requirement of someone specifically responsible for customer information and related customer experiences.

Welcome the Chief Customer Officer

The most important of all questions, is who actually owns the entire gamut of customer-centricity? Does someone need to have cross-functional responsibility, one which is obviously not limited by line of business or channel of distribution or any other delineation within the bank? The sole responsibility of this individual would be to create a 'true' 360 degree view of all customer relationships and then, on a need basis, create product and service offerings with a distinctive value proposition for each customer. This role would clearly encompass all aspects of customer relationships. This individual will recognize the role that technology has to play in all of this, but also fully understand that technology in itself is not the be-all and end-all of customer-centricity; that there is an equally important aspect pertaining to creating and

constantly reinforcing a strong and powerful culture of customer-orientation, and of processes which are meaningful.

Obviously, such a role, if created, will be supremely powerful in all matters pertaining directly or indirectly to customers and is likely to cross paths with others in the organization that also have strong customer facing responsibility.

At a time when operations, marketing, technology, information and other functions are headed by CXOs, we should ask ourselves whether or not the time has indeed come for banks to vest all customer-related responsibility in a Chief Customer Officer (CCO), acting as the CEO's 'inner circle'. With that, banks would have succeeded in taking customer management and related issues straight into the board room.

Chart Customer Strategy and Manage Shifting Demographics

Another important aspect of customer centricity relates to customer strategy and managing shifting customer demographics. Customer strategy cannot be an all-encompassing approach to deal with millions of customers in a broad sweep. The need of the hour is to cut out the noise of generic attempts and cater to the needs of the individual customer. A significant step towards this would be to segment customers; not just by age, location, lifestyle, or size of portfolio, but a complex mix of these characteristics developed through insight from the customer herself. Going further, it is important that customer strategy take cognizance of the fact that each customer is unique and therefore the bank will have to necessarily tailor its product and service offerings to suit each customer. This means that there needs to be a difference, however minute and subtle, in the way banks tailor their offerings, communicate with each customer and outline a value proposition which is clearly needs-based for that particular customer.

Besides, in a banking world where customer demographics are rapidly shifting, banks are under greater pressure than ever to offer not just products and services but to center their entire strategies around the impact that demographics will have in the coming years.

Banks can indeed ride the demographic transition and be highly successful in exploiting the potential of the region, by taking cognizance of these factors as they prepare to hit their markets of strategic choice:

- ▶ **Know your customer:** As mentioned in a preceding section, there isn't a one-size-fits-all strategy that is likely to be workable here. So it is important that banks invest time and effort in getting to know who their customers are and what they want.
- ▶ **Recognize the life-cycle hypothesis:** The Modigliani 'life-cycle hypothesis' suggests that the working population has a much higher propensity to save than a dependant population. This means the type of products and services that a working population requires are quite different from those that are preferred by a dependant population – and that banks would do well to tailor their offerings for the respective segments.
- ▶ **The customer has a choice:** Customer loyalty and stickiness are at a premium today, particularly amongst the younger, upwardly mobile population. This presents a challenge of its own to banks, given the increasingly high cost of customer acquisition.
- ▶ **Retail banking seems very lucrative:** On the liabilities side, the explosive growth of deposits in banks suggests that savings is at an all-time high. Banks sitting on a pile of deposits automatically are able to leverage opportunities on the assets side of the business as well. Mortgage lending, brokerage, and other avenues for investments all stem from a high rate of savings.
- ▶ **Corporate banking offers opportunities too:** Strong economies which have high GDP also have successful corporations. Large corporate organizations are aware that they have multiple avenues to source capital, and that the cost of capital is lower than before. These corporate entities are looking to deploy capital and optimize returns in whichever market they can get best returns. So cross-border transactions are more common today, and this offers a unique opportunity for banks.
- ▶ **The rise of a wealthy class:** Studies indicate that there is a steady shift and realignment of world wealth. As far as banks are concerned, the HNWI (High Net Worth Individuals) offers huge potential for deploying wealth in innovative ways. As against the traditional asset classes, such as equities and insurance, there has been a steady flow of money into a variety of other asset classes including private equity, art, commodities, real estate and pension funds.
- ▶ **Explore other avenues for products and services:** Healthcare, insurance, retirement-related funds, investment planning etc., offer new potential for banks too, which were hitherto not available.
- ▶ **Tailor products and services to the demographic profile of the country:** Banks cannot afford a one-size-fits-all approach. This is true not just for different segments within a country but amongst various countries in the region as well. These countries do not necessarily have exactly the same demographic profile and therefore products and services need to be tailored accordingly.
- ▶ **Invest appropriately in technology:** Banks must wisely invest in new technology to study customer behavior, adapt their basket of products and services based on customer behavior and other demographics. They should offer multi-channel integration without doing away with the need for the personal touch when dealing with HNWI and offering investment advice. While global banks beginning to enter the region possibly come with the aid of better and newer generation technology, unless they are able to deploy this to get to know the market better and thereafter be able to segment customers appropriately, they would have failed to capitalize on an advantage.

Conclusion

Customer management at banks is here to stay. So are customer strategies and strategies to manage shifting demographics. While banks have woken up to the fact that there is enough empirical evidence to suggest that customer centricity has a strong impact on the survival and success of banks, they cannot afford to take too much comfort in that. The increasing diversity in demographics even within a local region, is opening up a whole new world of challenges. Progressive banks would do well to capitalize on some key initiatives including - taking customer management and related issues straight into the board room, charting robust customer strategies and effectively managing shifting customer demographics. That by itself would be a big step forward.

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