

Financial Planning Services – A Boon for Banks

The demand for advisory services from retail banking customers is steadily on the rise, owing to increasing market transparency. In this scenario, it is imperative for a progressive bank to transition from transaction oriented banking to relationship oriented banking, to differentiate itself from competition.

The benefits for banks providing financial planning services to customers and prospects are manifold.

Quality time for relationship manager with clients

Adequate availability of relevant customer, product and research information could cut work time by approximately 10%, states a recent Swiss private banking study.

Financial planning entails significant communication between the customer and the bank's relationship manager. This dramatically reduces time consumed by the relationship manager to initiate customer transactions, on subsequent occasions. Armed with a clear understanding of the customer's goals and requirements, the relationship manager can invest this saved time to enhance the bank's relationship with the customer and to seek references from the customer.

Stronger customer relationships

Delivering financial planning services helps the bank understand the customer's requirements clearly. This empowers the bank to strategize better means to deliver customer satisfaction and improve customer stickiness. In a manner, it increases exit cost for the customer considering a move to another bank, as that would mean a reinvestment of time with the second bank to start the financial planning exercise afresh.

Ease of providing timely and customized services

The bank can provide customized services to customers faster and with ease, based on the understanding of the goals and financial standing of customers, ascertained from the financial planning exercise. For example, on the specific requirements of sporting champions, in May, the French private bank unit of BNP Paribas announced that it had teamed up with a legal practice to offer money management services specifically for top athletes.

Result-focused product promotions

The bank can effectively segment promotion of new product launches based on comprehensive, up-to-date customer profiles, and ensure a greater strike rate for the communication program. For example, a high risk product like hedge funds can be promoted to customers with higher risk propensity and capacity rather than to the general risk-averse customer base.

Prioritization of customers based on relationship value

Customer segmentation can be streamlined based on the potential relationship value ascertained through data collected from delivering financial planning services. Most often, banks invest significant time and energy resources to accurately peg a customer's relationship value. Financial planning helps the bank understand the customer's potential even before a financial transaction is consummated.

For example, a customer with lower income/assets and lower expectation of growth can be serviced by the front office executive, while a customer with high income/assets can be assigned an exclusive relationship manager.

In conclusion

While it's undeniable that offering financial planning services to customers can prove a worthy investment for banks, it must essentially follow a careful consideration of the bank's readiness to take on the rigors of the task. Any bank that hopes to profit from this strategic move must first ask itself whether its financial consultation and planning regime is up to the challenge. Most clients make their investment decisions or seek financial advice without providing sufficient information about their goals and requirements. Providing financial advice without insight into the customer motives is akin to medical assistance provided without a sound diagnosis, and inevitably counter-productive. However, armed with the relevant expertise, exploring service possibilities with disciplined, yet groundbreaking thinking, and then harnessing the insight gained, banks can effectively leverage the advisory service advantage, to gain an edge over competition.



Infosys Technologies Limited, Plot No. 44, Electronics City, Hosur Road, Bangalore - 560100. India • Tel.: +91 80 28520261 • Fax: +91 80 28521747
e-mail: finaclemktg@infosys.com • www.infosys.com/finacle

"COPYRIGHT NOTICE: Copyright ©2009 Infosys Technologies Limited, Bangalore, India. ALL RIGHTS RESERVED." Finacle logo is a registered trademark of Infosys and Infosys acknowledges the proprietary rights of the trademarks and product names of other companies mentioned in this document. Infosys believes the information in this publication is accurate as of its publication date; such information is subject to change without notice.