

P E R S P E C T I V E

Future Co-Creation Must Facilitate
Customer Self-Determination



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The co-creation of today is limited.

In the seven years since the renowned duo of C. K. Prahalad and Venkat Ramaswamy made the term 'co-creation' famous, what has been its progress, especially in the banking context? And where is it headed? Let us take stock.

For a customer shopping for banking products – whether online or across the table – the choices are fairly limited. So is the flexibility to create the ideal, completely customized product. When the customer is allowed to bundle a few products together, it is the bank that has the last word in what is permitted and what is not, and therefore, that decision usually goes in favor of products that need pushing.

What's more, because product information available online is often quite thin, the customer needs to visit a branch or physical outlet in order to put a suitable package together. More often than not, the only value of a bundled offering is a price discount. Any greater innovation is usually initiated by the customer who is trying to fulfill a specific need; unfortunately, banks don't make it easier by providing tools to facilitate the process. This is the extent of co-creation that most banks – give or take a few – offer their customers today.

We give a broader meaning to co-creation of the future.

It is probably evident by now that this paper assumes a broader definition of co-creation than that which we are used to. Indeed, here we take co-creation to mean enabling a customer to define banking products and services – whether at a broad or granular level – to suit every need and context. This is a vision of co-creation in the future when a customer will not only be able to put together banking products ground-up, but also negotiate (or co-create with the bank) a unique tariff where the pricing is based on the consumption of products, services and transactions. Hence a co-created 'product' of the future will be a combination of customized offerings as well as a very specific, customer-determined menu of charges and rates that will be applied to his account depending upon his utilization of services. The product definition will have minute details about the expected

monthly usage of different services including the number of check leaves, online bill payment transactions, ATM withdrawals, and so on, based on which the fees that the customer must pay or the interest that he will earn, will be decided. Hence, the customer is able to determine charges and interest rates along with his pattern of usage of the bank's products and services. On top, a basic account or deposit product may be clubbed with mortgage, insurance, cards, etc., each one made available to the customer at a unique price.

In fact, this concept is not as far-fetched as it sounds. The hospitality industry is among those to have taken the lead – some restaurants around the world allow patrons to pick every ingredient that they would like put into their food. Why not banking?

Co-creation must also be about experience.

Extending this thought, co-creation will also encompass the channel of banking that is used to consume the bundle of products and services – indeed the entire experience itself. The customer will co-create the screen that will greet him at the ATM, choose the technologies he will be exposed to, and select other attributes of his usage experience (for example rich versus fast, assisted versus self-service). Just like a fine dining establishment that panders to the seating, lighting, food, beverage and service preferences of its customers, in future, a bank will be able to provide exactly that kind of experience which the customer co-creates.

Banks must provide the necessary tools of co-creation.

In addition to providing the facility to create personalized products and experiences as described above, a bank must enable the customer to analyze the efficacy of his creation. This entails making detailed information about others' co-creation experiences – gathered from various channels including social networks – available to the customer to help him assess which options work best for him. One way to do this is to bring customers with a similar profile and financial need together in a closed loop online forum where they can trade notes about their past attempts at co-creation and help each

other refine their approach. Blogs, ratings and reviews, FAQ and contextual search are other options worth considering.

Providing such support to customers becomes more and more important as the choice and complexity of co-creation increases. Besides discussion forums, tools such as illustrators and virtual advisors can also improve customers' success at co-creation.

Illustrators are simple applications, also available online, which can project the outcome of bundling together a set of products, services, channels, and so on. In the case of a basic banking product bundle, an illustrator will be able to calculate the charges that the customer will have to bear or the interest that he will earn. As the co-created bundle becomes more sophisticated – comprising wealth management products or stocks and shares, for instance – so does the projected outcome, to include parameters like annualized return, capital appreciation and tax savings.

At the same time, banks must be there “in person” to help customers co-create well. Towards this, they must have a team of virtual advisors, who as the name suggests, are financial experts who provide guidance over online channels, through the medium of text, web and video chat. The advisors' role must be to direct customers towards choices that are best suited to their circumstances, help them take decisions and gradually give them the confidence to act on their own. On a related note, even front line customer service executives must be trained in the use of various tools through which they can assist customers in co-creation.

Finally, there must be a way for a customer to refine his approach to co-creation, as he progresses through his financial lifecycle. This is possible by providing him with easy to use dashboards or graphical reports comparing intended and actual scenarios of product, service and channel utilization as well as the corresponding outcomes in terms of charges and earnings.

Co-creation is a continuous journey.

However, putting the above measures in place alone does not guarantee co-creative success. Banks need to take a planned approach – founded on clear communication, market knowledge and keen awareness of intellectual property protection – to sustain co-creation over the long term. Motivating co-creators is equally important. Banks that have encouraged co-creation by inviting customers (and also ecosystem partners) to participate in their innovation and product development processes have lowered their product development cost and lead-time besides gaining advance insight into emerging market trends. They must exploit these advantages to fuel further innovation by passing on some of the benefits to co-creators in the form of incentives, or in the future co-creation scenario, share the fees that they earn by selling a co-created product to other customers, with the customer who helped design it in the first place.

Going ahead.

By expanding the scope of co-creation as per the definition used in this paper to allow customers a much bigger say in the products and services they consume, forward looking banks can reap several additional benefits, including but not limited to, differentiation, loyalty and business growth. And although the focus of this paper is customer-driven co-creation, banks can apply the same principles to nurture innovation within their partner ecosystem by supporting participation from the likes of independent financial advisors, mortgage consultants and direct selling agents who carry a wealth of new ideas.

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