

P E R S P E C T I V E

The Importance of Customer Centricity in Internet Banking



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Demographic change and technology innovation have left a visible impact on the way that customers interact with their financial service providers. Today, customers rarely step into a branch, preferring instead the convenience, ease of access and all time availability of online channels. Not only that, they are demanding that these channels provide increasingly better functionality, service and experience. The below mentioned facts underscore these statements:

- By 2020, 31% of the world's population will be between the ages of 15 and 34, also known as Generation Y. Generation Y is the most educated and digitally networked in the history of mankind. Although estimates vary, they stand to inherit several trillion dollars in wealth by 2020.
- The number of Internet users doubled in 5 years to cross 2 billion in 2010.
- A worldwide survey of more than 30,000 consumers showed that nearly 50% were willing to use 2 or more technologies to shop in 2010, up sharply from the previous year. This trend was strongest in countries like Brazil, China, Chile and Mexico and amongst the younger consumers.
- Another survey of over 1,000 U.S. consumers revealed that Generation Y was in real need of financial advice to help them manage both day-to-day finances and future savings. Despite the erosion in consumer trust in banks, these youngsters considered their bank as their primary financial advisor. Not surprisingly, they were very open to the idea of receiving advice through online channels.

Further, these numbers can be distilled into the following insights:

- The younger generations will be a force to reckon with in the near future.
- This will intensify the trend of digital consumerism, that is, the use of the Internet and other online channels for learning, communicating, sharing, transacting and deciding.

From a banking perspective, these trends foretell a rise in the use of Internet banking and

other online channels as more members of Generation Y turn into active consumers of financial services. Banks therefore need to focus on enabling their channels to suit the needs of the digital banking consumer. One way of doing this is to make Internet banking more customer-centric, an idea that we will explore in the rest of this paper.

Demography and Internet Banking

What impact does the demographic shift towards younger age groups make on the banking business? To answer that question, we must first understand the expectations of these young consumers.

Having grown up on a digital diet, these consumers expect to accomplish every activity, including banking, online. They like to take informed decisions, based on research - mainly on the Internet - and especially the advice of family and peers, most of which is sought over online social networks. They crave simplicity in transactions, expecting not to use more than a few clicks or a single touch to fulfill them. Last but not least, they have a strong sense of individuality, which they want their service providers to recognize.

Hence, when it comes to Internet banking, these customers demand convenience, ease of use and the ability to personalize the experience.

Limitations of Internet Banking

Unfortunately, current Internet banking solutions don't quite meet these expectations. Most offer every user the same experience, with very little scope for personalization, if at all. Another problem is that the Internet banking experience is fragmented and not integrated with that provided by other channels.

These shortcomings can be partly attributed to the limitations of banks' IT systems which are unable to support the recognition of each customer as a unique 'segment of 1' or the provision of a highly customer centric user experience. Therefore, banks' first step towards creating a customer centric banking experience must be to provide adequate technology and operational infrastructure.

The next, more important step is to change their mindset. The previous approach of devising IT strategy to reduce operating cost or support business processes must make way for a new one that is focused on providing superior experience to customers, founded on empathy, consistency, relevance and personalization.

Imperatives for Customer Centric Internet Banking

Establishing an empathetic relationship with customers is central to customer centricity, but hard to achieve in a self-service, impersonal channel like the Internet. Banks have to look for innovative ways to create a personal rapport with customers online, similar to that achieved within a branch. Some of these include enhancing Internet banking customer support with facilities like online chat and screen sharing.

Also, customer centricity is not just about providing consistent and unified information across channels, although that is important too. Rather, it is about ensuring that every interaction on every channel is designed from a customer perspective, and is convenient, uncomplicated and user-friendly.

Customer Centric Product and Customer Life Cycle

How can banks make Internet banking customer centric?

Equipped with the right infrastructure and mindset, banks must leverage these first to enhance their customer awareness. This means being able to identify each customer and knowing what he or she wants from the Internet banking relationship.

Next, banks must deploy this customer awareness into their product and service offerings by embedding that knowledge into every stage of the lifecycle, from design to distribution. Thus, products that are offered through Internet banking must be designed for convenience, relevance and simplicity. Product design must be 'personal-driven', taking into consideration the target users, their pattern of interaction and navigation, the Internet banking features that they use most frequently, and so on. The subsequent stages of development, delivery and

distribution need to be equally customer aware. For example, when a product is being promoted online, the bank must know exactly whom the communication is directed at and how much education he or she will need before becoming confident enough to try it out. IT systems have a key role to play in enabling this.

Last but not least, banks must not reduce the intensity of customer centricity at any point in the customers' life cycle. Banks pay a lot of attention to prospective customers' needs before they come aboard; they must not allow it to wane subsequently. Customers have different requirements at the acquisition, development and retention stages, which must be factored into the respective experiences. Hence, a bank aiming to achieve a customer centric approach must educate customers about its products and services in the early stages; it must gradually develop these customers by empowering them to take financial decisions independently; and finally, having gained the loyalty of their customers, must extend that into advocacy.

Measures of Customer Centricity in Internet Banking

Today, every bank claims that it is customer focused. While it is true that banks are a lot more customer centric today than in the past, this does not mean that their Internet banking offerings are too. The following indicators can help a bank assess the customer centricity of its Internet banking solution.

Adoption: Adoption of Internet banking, reflected either as an increase in the number of users, or increase in the intensity of activity of existing users is a good indicator of customer centricity. In contrast, a stagnant or declining user base is symptomatic of a customer-unfriendly Internet banking solution.

Interaction: Research studies show that Internet banking users are generally more satisfied with their bank than non-users; also, users of advanced Internet banking services find it harder to switch banks. It is fair to conclude that higher satisfaction and retention translates into higher product purchase and interaction with the bank. Therefore, an increase in customer interaction across all channels can possibly be

linked to the degree of customer centricity of Internet banking.

Utilization: Continuing the above thought, a customer centric Internet banking solution is likely to be used for fulfilling a wide number of transactions including fund transfer, stock trading and investment, product purchase and account aggregation.

Maturity: Maturity, reflected in the products per customer ratio, revenue and profitability of Internet banking is another measure of its customer centricity.

Summary

With demographic shifts putting greater power and influence in the hands of young digital consumers, it is becoming imperative for banks to pay attention to their specific needs. Since these consumers use the Internet extensively to fulfill day-to-day activities, banks must ensure that their online channels including Internet banking are sufficiently geared to meet their expectations. They must make the Internet banking experience customer centric, endowing it with the attributes of simplicity, convenience and relevance, besides enabling customers to personalize its features to their liking. Most important of all, the Internet banking experience must be seamlessly integrated with that provided by other channels.

However, it must be said that customer centricity cannot be achieved by the Internet channel alone; banks must make products and services equally customer centric by deploying customer

knowledge into all stages of product development – from design to distribution.

By making Internet banking customer centric, banks will not only satisfy their customers, but also reap other benefits. This is because a customer centric Internet banking experience will lead to greater channel adoption, and eventually, higher revenue and profit realisation for the bank.

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Author

Sai Kumar Jayanty

Lead Product Manager, Finacle
Infosys Limited



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Infosys Limited

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

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