

P E R S P E C T I V E

Using Technology to Focus on
the Banking Customer



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We are in an age where customer focus is a key objective of banks. Until the advent of the technology era, the customer was given a little personal touch, but the customer service efforts were disjointed. This was because banks used customer data gathered on different occasions, or occasionally employed traditional tools like surveys to get customer feedback, and used these disparate insights to improve their level of service. Some branches provided better service by building a rapport with customers over the years. Although such repeated interactions enabled bank staff to develop intimate knowledge about customers and offer them personal attention, this knowledge was not shared with the institution and was certainly lost when the employees moved out. As size and scale increased, it became impossible for bank staff to keep track of each customer.

Information technology has helped banks overcome these shortcomings by facilitating the capture, retention and institutionalization of customer data and even made it possible for them to project future customer behavior. Rapid advancements in this space and back-to-back innovations have helped banks pay greater attention to the customer and indeed, center banking activity round him.

How can banks follow the customer-centric path? Banks have a natural advantage over other business organizations in that they gather huge volumes of data during the course of day to day operations, which when mined correctly can yield a wealth of customer insight. The first step in this process is to find out what the customer wants. For instance, is it a simple banking process, personalized service, the ability to use the latest devices for banking, security, a facility to view updated banking information or all of the above? Banks should first satisfy these needs and then proceed to engage the customer and enhance his banking experience in innovative ways.

Technologies for Customer Focus

High customer expectations, intense competition for market-share and the desire to find new ways of delighting the customer have resulted in banks adopting various technologies.

Core Banking Solutions

In the pre-technology days, customers had to visit the home branch for almost every transaction and wait long to be served. Core banking solutions have revolutionized banking by automating core banking operations such as deposits, withdrawals and interest calculations, unifying various processes and allowing a single view of customers' various accounts with the bank. Non - branch channels have also been integrated with this system making it possible to use them for transactional as well as non-transactional services, rendering a branch visit almost unnecessary. This technology has almost made the "home branch" concept redundant; if at all customers need to visit a branch, they can go to any one of them because the staff at all have equal access to their details.

Channel Related Technologies

The explosive growth in the information and communication technology space has resulted in the introduction of new devices and applications, which have evolved into banking channels. Banks have worked towards making these channels not just service points but also platforms which enhance customer experience.

Also, branch banking is not the time-consuming process it used to be. For instance, technology has helped to simplify, truncate and quicken the account opening process. Also, when an existing customer buys another product, on boarding is simpler as the bank already has most of the data required to process the new product application.

Today, customers have a number of alternative channels at their disposal. Banks have introduced new channels and propped up existing ones with additional features. For instance, the humble ATM which was primarily used for drawing cash can now be used for purposes ranging from initiating a funds transfer to opening a fixed deposit. Similarly innovations in payment processing technology have resulted in banks offering electronic payment products such as debit and credit cards with enhanced features. And now, devices like the mobile phone and tablet are adding to the choice by doubling as banking channels.

Initially, the different channels of banking were disparate and operated in silos, which meant that transactions completed on one were isolated from those completed on another. As customers started to use more than one channel regularly, banks realized the need to converge their channels in order to provide true multi-channel banking. Thanks to channel integration, banking is not a fragmented process anymore and customers can switch between channels seamlessly, even during the same transaction.

Banks are using channel technology not only to provide convenience and meet customer expectations, but also to continuously engage with the customer. For instance, Personal Financial Management tools placed in banking websites and financial forums in social media are significantly enhancing customer experience.

It is not only the urban customers who have benefitted from technology. Banks have deployed handheld devices (which function like micro-ATMs) to reach remote villages and have set up kiosks at central rural locations. The penetration of the mobile phone in unbanked areas has provided banks and telecom operators the opportunity to deliver basic mobile banking and money transfer services to their residents.

Customer Analytics Software

While core banking solutions record customer data, customer analytics software enables banks to gain deeper insight into the mind of the customer. Predictive analytics solutions enable forecasting of customers' likely behavior, need for new products and risk of attrition. Armed with this information, banks can make the first move instead of waiting for customers to initiate a transaction. They can either proactively reach out to customers with their proposition, or broach the subject when they visit the branch or ring the call center.

Technology for Security

While the use of high-tech channels has brought unprecedented gains, it has also introduced new security risks. Fear of ID theft and financial fraud has prevented many customers from adopting these channels. On their part, banks

and security technology vendors have invested huge efforts to make multi-channel banking highly secure through multi-factor authentication, instantaneous transaction alerts and so on.

Benefits of Customer Focus Endeavors

Leveraging technology for improving customer focus benefits the bank in various ways.

Cost Reduction

Although technology is a big ticket investment, it yields a substantial return by way of huge reduction in transaction and maintenance costs. Use of automated procedures and introduction of non-branch channels – in addition to making banking convenient for the customer – have drastically cut employee costs. The emergence of new channels has led to fewer footfalls in branches. Branches are therefore smaller, spending less on real estate and rent. Technology also helps analyze as well as predict customer behavior, which helps banks improve resource utilization and efficiency by selling the right product to the right customer through the right channel at the right time.

Performance Improvement

Take the example of the processes underlying a product purchase. Existing customers feel quite frustrated when they are asked for the same information each time they take up a new product. The issue is compounded when they make simultaneous purchases offered by the bank's different business lines. From the bank's point of view, customer information silos and disparate processes across business units or product categories mean higher cost and longer delay in fulfillment. Technology can alleviate this problem by integrating data and processes across the banking organization, to deliver a smoother experience to the customer and better performance to the bank.

Customer Loyalty

When customers see their bank going the extra mile to meet their expectations, they become more loyal and might even turn into advocates.

Improved Revenues

Ultimately, technology that is used to improve customer focus leads to higher revenues by way of better retention and cross sales.

Challenges Faced by Banks

Although widespread use of technology has enabled banks to focus on customers, it is not all smooth sailing, as the following list of challenges shows:

Heavy Investment

Investing in new technology – for software development, new device adaptation and so on – is an expensive proposition and requires huge capital outlay. Moreover, it might take several years to yield a return.

Keeping Pace

Development and adoption of the latest technologies render the old ones redundant. Banks have no choice but to budget for repeated investment and technology upgrades.

Trained Staff

While it is true that technology helps customer focus, it cannot achieve anything on its own. Ultimately, it is the bank employees who are responsible for the quality of service. Even when customers use self-service channels they require human assistance, especially when they encounter a problem. Therefore, employees must be trained in functional aspects as well as in soft skills like communication and customer handling.

Security Risks

As mentioned earlier, use of technology in banking has its share of risks both for the customer and the bank. These manifest as ATM fraud, phishing, smishing, or data theft, to name a few. The bank can address these risks by maintaining a strong security framework and educating customers about safe banking practices.

The Road Ahead

With fast-paced developments in information technology and new communication devices regularly hitting the market, customers' expectations are changing constantly. Conducting a transaction is just one of their many banking activities, which range from product research to retirement planning. Today's customers want every interaction with the bank to be engaging, informative and useful. Technology is the tool with which banks can fulfill these expectations.

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