

PERSPECTIVE

Customer Experience-led Approach to Transformation



Banks worldwide are facing a crisis of confidence. According to a nationally representative survey in the US, less than half the customers had confidence in the financial security of banks – not a faith-inspiring number when you consider the fact that this survey was conducted a week before the Lehman Brothers filed for bankruptcy. The sub-prime fiasco, Madoff scandal and subsequent market downslide have destroyed customer faith and trust in financial institutions. They are worried about their savings and investments and will not think twice about pulling out their money from banks if they fear its safety is at risk.

Unfortunately for banks, this erosion of faith has come at a time when customers have also become more demanding. They expect outstanding service, customized products and anytime-anywhere access to their money and real time alerts on their investments and transactions across channels. Their loyalty is directly proportionate to how well banks perform on these factors. Any sign that banks are slacking, and customers will simply turn to an alternate bank they perceive as better equipped to deliver.

Therefore, customers play a major part in a bank's success or failure. As simple as the logic 'Keep them happy and survive. Make them unhappy and perish', may seem, in practical terms this is not as easily achieved. How do banks anticipate customer needs and respond to them? How do they retain old customers while seeking new ones? And that too at a time when their margins are stretched and the very foundations of trust have been shattered?

However, very few banks are in a position to keep their customers satisfied on all count. For other struggling banks it is because while the banking business has changed dramatically, banks have not adapted their IT systems and software to keep pace with this change.

A 2008 survey by a consulting firm points out that almost all top retail banks globally use legacy systems from the 1960s and 1970s. These out-dated systems lack the requisite agility, flexibility and scalability and cannot be relied on

to meet present-day challenges. Despite this, if banks continue to stick to legacy systems it is because of the high risks and costs involved in the transition. Core bank transformation demands enormous IT investments and involves substantive business risks in case of failure. A bank must also investigate the impact transformation will have on all its stakeholders – customers, partners and its own staff.

Banks choosing to take this big step have gone for one of two approaches. Those with smaller and limited operations find the 'big bang' approach, which allows for enterprise-wide core transformation, more feasible. However, data migration, change management and knowledge transfer are problematic areas in this approach.

The other approach is a phased rollout where the bank tries out a pilot project in a specific area to study its impact before a wider rollout. This approach has the obvious advantage of minimized business continuity risks but has other drawbacks of its own.

Phased Approach to Risk-managed Transformation

Knowing how important core bank transformation is to their businesses, it is clear banks cannot afford to do without it. But how do they deal with the risks involved? The secret is to pick an approach that mitigates the risk and maximizes advantages at all stages. That approach is a phased transformation. Different from the phased rollout, such a transformation is divided into several phases. The bank has its own parameters on what these phases will entail, based on criteria it believes to be the most important, such as business volumes or segment, value and priorities.

This transformation can be approached from three inter-dependent perspectives:

- Product & Services Innovation-led Transformation
- Process-led Transformation
- Customer Experience-led Transformation

While a bank may start off with any of these perspectives, it will have to concentrate on each one of these at different points of time during the transformation process.

At the same time, the bank in the process of transformation must always:

- Adhere to regulation and compliance norms
- Ensure that it makes simple but vital changes and ensure these changes are visible to stakeholders in a sophisticated manner

Product and Services Innovation-led Transformation

Banks have changed from a very product-centric, one-size-fits-all approach where the customer was taken for granted to a more customer-centric approach. To succeed in today's hypercompetitive environment, a bank has to tailor its products and services to individual customers or customer-segments. At the same time, banks must re-align their products to meet their business objectives and strategies.

Process-led Transformation

This approach streamlines and optimizes banking processes across the institution with a view to increasing productivity and enhancing customer satisfaction.

Customer Experience-led Transformation

Customer experience-led transformation, the focus of this paper, is based on the premise that customer is king. Customer patronage is paramount to a bank's survival and if customers today demand more of everything, it becomes incumbent upon the bank to honor those demands or risk their disapproval and subsequent loss of business.

What more do customers want? They want products to be customized to their requirements, ask for more simplicity, convenience and integrated offering, expect more transparency and demand that banks are more perceptive to their needs. How well a bank scores on all these fronts determines its success or failure.

A recent survey of customers from top US financial institutions revealed that more than half their clients felt that their bank was not doing what was in their best interest. This clearly shows that banks need to know what is on the minds of their customers, understand and know them well if they have to respond to their needs satisfactorily. This kind of knowledge can help them design products according to specific customer profiles thus helping them sell the right product to the right customer at the right time and allowing it to meet the most stringent of customer demands.

Embarking on the transformation journey, focused on the customer experience-led approach, the bank must make a vital decision based on its business priorities. It must clearly outline the customer segments that will first be impacted by the transformation. Some examples could be:

- High networth individuals
- Mass affluent
- Rural customers
- Customers the bank has engaged with lesser number of products vis-à-vis those engaged with a larger spread
- Corporate customers

Having established this sequence of priority, the transformation, with a robust core banking system at its heart, can enable the bank to:

- Consolidate customer information
- Leverage actionable data
- Develop customer strategy
- Redefine customer experience

Consolidate Customer Information

Banks must have an idea of who their customers are and what they expect from the bank so that they can fulfill customer needs. The first step that banks must take when starting on a customer experience-led transformation is to consolidate information about their customers

and manage it judiciously so as to provide them with the products they need.

A bank must realize that managing customer information effectively allows it to delight customers. Hence, it must build a knowledge repository of customer information that permits a holistic view of the customer. Such a view will also help banks gauge the reasons for certain customer behavior.

Information could be gathered by carefully listening to customers during their numerous interactions with their banks. Customers could also be asked for their active feedback and suggestions. One way of incorporating customer feedback is through a customer advisory board where the banks share their plans and seek customer opinion on them. Such an exercise will help a bank gain credibility with its customers.

This intellectual capital of consolidated knowledge should be centralized, allowing no room for duplication, and shared with all stakeholders – both inside and outside the bank. Armed with such knowledge, all bank employees across all branches and channels will be in a position to match customers with products.

It is also imperative that banks respect the suggestions and feedback of customers not just to gain their loyalty but also because such feedback can provide valuable inputs on its own standing with respect to competition. Customer information and feedback are invaluable in understanding changing market dynamics and reacting to them.

Much of the turmoil in the world banking scenario today is because of a fatal error on the part of financial institutions – that of not doing a thorough due diligence of the customer and his repayment capability. This led to granting of loans to those who had no way of paying them back. An exhaustive customer profile can help prevent a recurrence of such disasters.

Leverage Actionable Data

However, of what use is an extensive repository of customer knowledge if it is not utilized by a

bank for its benefit? This customer data is intellectual capital which should be mined to shape the bank's offerings to specific requirements and leveraged to define customer segments to make profits.

At a time when customers are ready to shift loyalty at the drop of a hat, acting on customer preferences can maximize a bank's competitive edge, allowing it to offer specific customer-centric products before the competition does. Once a customer's profile is consolidated, it is a simple matter of interpreting her requirements and delivering on them as quickly as possible.

Banks must also use their integrated customer profile to sort out customer irritants as quickly as they occur. Integration of a bank's multiple channels helps provide a 360-degree profile of customers, their interactions, accounts, transactions, and preferred products and services.

Banks must also leverage their consolidated knowledge to educate existing customers about the bank's prospects and products and to empower them financially. This can also be used to attract new customers.

Develop Customer Strategy

The next step for the bank is to develop a customer strategy which helps in forming a preferential pricing framework and prioritizing customers based on various segments. This ensures that customers are sold products suited to their profile while at the same time fulfilling their financial needs. For example, a bank may bundle a savings bank account and an insurance scheme for senior citizens, offer custom-bundled products created by customers for themselves, treat existing customers and their families to preferential deals or bundle a low-risk product with a mortgage to another segment.

A good customer strategy must also include respecting the customer's request for flexibility and convenience and distributing offerings to a wide range of customers – from the affluent class to the economically backward and from the old to the young.

Transformation approached from the customer experience perspective must necessarily include a phased plan to relook at products and services marketing strategies, sales strategies, and support strategies, from the vantage point of the customer.

It is also important for banks to adopt a strategy to educate customers about their products and services, empower them to take the right financial decisions and get customers to recommend the bank's products and services to friends and family. This will enable banks to extend their reach to prospective customers.

It is also critical that banks inform and educate customers about the transformation agenda. This is critical, especially in the event of a temporary service interruption, as the bank progresses on the transformation journey.

In fact, a resourceful initiative would be to conduct a small but focused formal or informal survey among selected retail and corporate customers (representative of various segments, age groups, regions and channel users), at the onset of the transformation initiative. This will be useful to help determine the top 10 desirable and the top 10 avoidable service components, from the customer perspective. A similar exercise can also be conducted among the bank's relationship managers to obtain their feedback to create the best possible customer experience.

It will be useful to add to the transformation agenda, small but useful innovations that the customer perceives as value-additions in the near term. A good example is that of online real-time alerts for transactions. These interventions will serve to build customer confidence and enthusiasm.

It is key that the bank focuses on making customers feel important and appreciated. This will go a long way in ensuring customer loyalty.

Redefine Customer Experience

For any bank, holding on to its customers entails delivering compelling customer experiences.

As a first step, simple but vital process changes that impact customers by bringing in more simplicity and convenience, with greater efficiency and efficacy for transactions, can be undertaken. These will serve as a precursor to the positive changes to come and help customers view the bank's transformation journey in a positive light.

With customers using multiple channels to interact with their banks, it is critical that they are minimally disturbed and are impacted by no loss of existed functionality. In the event that the bank augments the back-end driving the channels, it is important to ensure that the user experience at the front-end remains not impacted, unless positively. Even then, the impact must be incrementally positive. Presenting customers with a unified and consistent experience through multi-channel integration is of paramount importance. This also helps customers choose the most effective, user-friendly and convenient channel. Also, uniform interactions across channels ensure customer delight, leading to their loyalty.

Banks must keep all promises they make. This will ensure that customers stay with them and make larger investments.

Technology

For banking transformation to succeed, the business plan has to align with the right technology. Service-oriented Architecture (SOA) is the best approach in this context.

SOA enables bundling and cross-selling of products and customization of services. SOA helps banks use data mining techniques to understand customer behavior. Banks can also introduce value add-ons to offerings like personal financial planning tools in consumer online banking sites and real-time reporting and analytics for corporate cash management solutions.

Conclusion

Customers are vital to a bank's survival. To meet the needs of this core component, banks must have a complete profile of customers which will in turn help in selling the right product to the right person at the right time.

Banks must use the right technology that helps them analyze customer behavior and serve their requirements through a customized and consistent banking experience at every turn.

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Author

Rajashekara V. Maiya

Product Manager – Finacle
Infosys Technologies Limited



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

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