

P E R S P E C T I V E

Making Banking Innovation Count



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Banking innovation is subject to closer scrutiny during tough times when there are larger hopes pinned on favourable outcomes, and greater concerns regarding resource utilisation. Arguably, service and product innovation are at the forefront of most change-bearing initiatives.

Service Innovation Must Focus on Customer Delight

While quality of service has seen an upswing in recent years thanks to technology, further innovation is required to produce a giant leap. At the highest level, a bank may believe that customer satisfaction should be its key differentiator; however, that value is watered down to speed and volume of query resolution at the point of customer interface. If banks are to truly deliver their promise of customer delight, they must ensure that customer relationships are made and managed well across the enterprise.

Before a bank can plot its roadmap towards the achievement of high customer satisfaction, it must assess its current standing in that area. Surprisingly, most banks do not measure this parameter at the time when it matters most, and is likely to yield the truest result, which is at the point of contact. The focus is on expediency, leaving no room for a more rounded, possibly productive extension of the call and a chance to understand what the customer truly felt at the end of the interaction.

Banks can follow the example of many other service-led industries wherein employees conclude each interaction with a quick question on how satisfied the customer feels. The customer's reaction is meaningful, since it is immediate, spontaneous and can be directly correlated to a specific set of events. When such information is analysed across the enterprise, it can yield valuable insight that could fuel service innovation.

Banks' commitment to service can be underscored by the introduction of Service Level Agreements (SLAs) which clearly specify the level of service their customers can expect from them. SLAs need not have universal application – in fact, just as banks use preferential interest rates to privilege loyal customers, service levels can be employed to similar effect. For example, a request for a new chequebook could be attended to on the same day for customers of a certain standing, while taking twice as long for others. Neither do SLAs need to be formalised as an agreement with the customer

– it is more important that these are viewed as internal performance benchmarks rather than legally binding statements.

Since the cost of enlarging business with an existing customer is lower than that of acquiring a new one, banks are always eager to exploit cross-sell opportunities. Regrettably, such calls are made at the banks' convenience, and not at their customers' invitation. The result – a poorly timed call when the customer is in no frame of mind to listen, spelling the end of any opportunity.

Instead, a service channel can be enhanced to act as an auxiliary sales channel during an inbound call. A word of caution – before such an innovation can be launched, the channel must be specially readied for this purpose. Infrastructure apart, this will involve the deployment of trained personnel or the re-training of existing staff at the very least. Customer facing executives must not only know their products in detail, but also how to right-sell them.

It is evident that a cross-selling pitch can only be made upon successful resolution of the customer's existing complaints. Thus, the executive must have visibility into the customer's complaint resolution status to determine whether this is the time to make an approach; in addition, he or she must have a 360-degree view of the customer's relationship with the bank in order to identify potential selling opportunities.

Most importantly, the bank may also have to amend its personnel policies to align itself with the service innovations discussed so far. Incentive structures that are based on speed of call resolution will have to be modified to include qualitative criteria. Service executives must be given some latitude to deal with situations on the spot, rather than have to consult a chain of command. For instance, banks can learn from the retail industry, wherein store managers are empowered to offer a refund or a replacement in the event of a customer complaint. They recognise that speedy resolution of the issue not only goes a long way in mollifying an aggrieved customer, it may actually secure his loyalty. Banking customers are no different.

Ironically, better service could even mean less service. Customers need to be satisfied, at the same time, they want to guard their privacy. It is also in the banks' interest to empower customers

to fulfill routine transactions by themselves and thereby free up capacity in cost-heavy assisted channels. Late last year, a bank in Omaha launched a futuristic “self-assisted branch” – customers entered a welcoming and spacious branch ambience, made a choice of product or service by stepping on to projected buttons on the floor, and were directed to the appropriate terminal among a bank of kiosks. Not only were they walked through the entire transaction, it could be completed on the spot! (For example, a debit card can be printed immediately after account opening).

Product innovation must be expanded

While product innovation is a continuous process in the banking world, it rarely heralds large-scale change. Rather, banks have always innovated in increments. If customer delight is the end goal, then along with service innovation, banks must launch a product innovation drive that is big on imagination and wide in scope.

Just as improved service can ease customer discontent, innovative products can address their pain points. It follows that these products must be creative, flexible and personalised to a large extent. Within the boundaries of what is legally permitted, the customer must have the freedom to tailor-make his or her products. In turn, the bank has to ensure that its processes and systems can accommodate this requirement and that its people are empowered to ‘create’ products as and when the need occurs. A bank can approach product innovation in several ways:

On the basis of relationship value

Bank staff should be able to offer additional value in terms of preferential pricing, softer conditions or loyalty points to customers on the basis of their entire business with the bank. For example, a customer with a home loan and insurance policy from the bank could be given a gold or platinum credit card straight away.

By bundling products

While bundled products are not a new idea, there is room to expand their scope. Bundling brings about several advantages for the bank – higher revenue, locked-in customers and the ability to de-risk individual portfolios. The customer finds it convenient to deal with only one entity for all his financial needs. When banks bundle products, they

immediately raise the relationship value per customer, and can therefore offer extra value as detailed in the preceding paragraph. Once again, industries such as telecom, aviation or retail can serve as useful references.

By adapting across geographies

Product innovation is often the result of a reactive process – one bank leads and others follow. Instead, banks can pro-actively look for innovation ideas outside their immediate geography, and find ways to bring the same within their country of operation. For example, offset loans, which originated in the United Kingdom, have made their way to other parts of the world. Banks with a multi-national presence have an advantage over their regional or local counterparts, and can capitalise on the same to assume a product leadership role.

By leveraging technology and trends

Technology has changed the way people go about their business. Although Internet and mobile banking made their appearance some years ago, these platforms continue to facilitate further innovation. Last month, a large global bank launched its SMS Banking innovation in the Philippines – a two-way mobile banking service that allowed users to confirm the available limits on their credit cards. The bank claims that the knowledge of most of its customers carrying telecom gadgets was the driving force behind the innovation.

Innovation will lead the way forward

Banks are under unprecedented pressure today – from customers demanding more for less, from regulators expecting tighter compliance and from competitors vying for market share. In order to stay on top of their game, banks need to take innovative action, and make it count. This calls for some lateral thinking, and they may do well looking at innovation in other industries or geographies for inspiration. By leveraging their collective wisdom, techniques and technology at their disposal, they can emerge winners, ready to face a brighter future.

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