

PERSPECTIVE

Transformation: Enabling Customer Retention During Tough Times



Today, when bank after bank has fallen in the face of subprime-inflicted mayhem, customers may not have a high opinion of the institution in which they are parking their money.

Net value of banks continue to fall, markets are plummeting and investors fleeing over solvency and liquidity fears. The credit crunch is eating into the vitals of financial bodies.

The simple fact is that the intangible foundations of trust and faith, on which banking rests, have been vaporized. Customers, crucial for the bank's survival, are worried and frightened. They are poised to snatch away their money at the slightest rumor of trouble. The decline in customer satisfaction and loyalty has put enormous pressure on banks which face numerous other challenges in terms of cutting costs, boosting revenue, and ensuring agility and efficiency.

It is clear that banks will need to retain their customers to ensure a sustainable business. But how are they to do that? To meet this challenge, banks must transform their customer retention strategies, supported by technology. Let us go down this transformation path, milestone by enabling milestone.

➤ **Make and Keep Promises**

Each bank is after all a promise the customer can 'bank' on. However, recent events have demonstrated that banks have failed to make good on their promises. Vows of value-driven operations, best-of-class products, and of participating in the financial growth of their customers have remained, in many cases, just vows.

Customers have become wiser and have scaled down their expectations in tune with their banking experience. But lowered expectations do not mean that customers accept or like these less stringent standards of service. While it is easier for a bank to win customers back given their reduced expectations, a bank needs to ensure that now it does not just talk the talk but also walks the walk.

➤ **Go Back to Basics**

As the pressure to sustain business in a difficult banking environment increases, banks must go back to basics and examine the premise on which the business operates, and where the customer fits into its scheme of things – in its strategy, vision, operations, and mission.

Banks need to focus on building customer relationships and making customers stakeholders in growth. Making customers happy by meeting promises and fulfilling needs is directly proportional to growth – customers who are satisfied with the bank's products and services will forge a stronger bond with the bank and make greater investments. So, add value by concentrating on customers.

➤ **Shift from Customer-Centric to Customer-Specific**

For any organization to succeed, the customer must be the king. And in troubled times, banks must realize that they need to take a leadership position in making customers feel wanted, by effectively meeting their needs.

Customer relations have evolved from a product-centric, one-size-fits-all approach, where the personalized needs of customers were not considered. Banks graduated to considering customer segment-specific needs but this was found wanting since customers within each segment have diverse requirements. Today, banks must listen to individual customer needs. Customer-specificity is the mantra, and a bank must mold operations to answer each client's requirements to retain customers.

To satisfy customers and sell products, banks need to work on the basis of tacit information gathered in interactions with customers. With such dynamic knowledge, banks can ensure an unmatched singular experience and reduce churn. Analysts estimate that banks able to decrease customer churn will ensure a better growth rate compared with competitors unable to do so. This difference represents a significant chunk of assets across insurance, banking, and brokerage.

Banks will also do well to invest energies in making customers realize that they are vital to its survival, and appreciated for the business they bring.

➤ **Align Organization to the Customer**

Banks are trying to operate when resources are limited, competition is fierce and customers distrustful. To retain customers

and attain its objectives, a bank must utilize its organization to the greatest possible extent. Thus, a bank needs to align its entities and departments, products, services and processes, along with strategy and management in a unified manner towards the goal of working seamlessly for customer retention and growth.

Significantly, this needs to be showcased to customers to make them realize that the bank is making every effort to work to promote their interests.

➤ **Design-Develop-Deliver-Distribute with Customer Focus**

To retain customers, banks need to demonstrate their commitment to meet client requirements and fulfill their needs. This can be done through the 4Ds: Centering the design, development, delivery and distribution of products and services around the customer. Thus, banks must:

- Design flexible solutions customized to the needs of specific customer segments and individualized to the tastes of particular customers through dynamic knowledge
- Develop products focused on the customer and offer niche products and services. Thus, a bank may offer bundled products (like a savings bank account with a bundled insurance product for the graying segment), custom-bundled offerings (created by customers themselves), and relationship and preferential pricing (treating existing customers and their families to preferential deals)
- Deliver solutions respecting the customer's requirements for convenience and flexibility, such as payments through mobile banking and funds transfer through internet banking
- Distribute offerings to a wide range of customers across demographic segments from high net worth individuals to the unbanked and from the middle-aged to youth. A streamlined partner ecosystem can also play a pivotal role to facilitating effective and efficient distribution.

Such efforts make customers realize that they are the focus of a bank's entire machinery and predisposes them towards continuing their business with the bank, even when offered options.

➤ **Educate-Empower-Embrace-Extend**

To keep customers on board during these troubled times, banks must refresh the 4 Es – educate, empower, embrace and extend.

- Banks must educate customers about products and services, values and financial options, to set the stage to 'right-sell'
- Customers must be empowered to take the right financial decisions. From this must emerge the confidence that the bank is committed to meet their needs and is a dependable partner in their financial success
- This leads to a wealth-creating cycle wherein customers embrace the bank and bring in more customers through advocacy, recommending the bank's products and services
- Thus, banks can extend their reach by right-selling products to existing customers, to the extended contact circles of individual customers and the companies of corporate customers

Integrate the afore-mentioned 4Ds with the 4Es and we can see how a bank can design customer-specific products and educate the customer about them. Or, a bank can take the help of its distribution capabilities to extend its reach. Working in tandem, these principles can significantly enable a bank to retain customers in tough times.

➤ **Elevate Customer to Partner**

Banks need to consider customers not merely as clients but as partners with whom to embark upon a collaborative exercise in wealth creation. Therefore, it is imperative that banks respect customers, their suggestions and feedback.

Incorporating these into products and services, into the 4D and 4E strategies, the value structure and ethics, and the bank's business and technical processes helps the organization gain customer's respect and retain their business. After all, each individual customer is a representative of the bank's market base and understanding the customer's needs and utilizing feedback allows a bank to serve more effectively.

When banks take such steps in the current downturn, it will help them establish credibility and add value in a world of lost trust. They are sure to bring in rewards when the going gets good.

› Value Customer Feedback

A bank must value a customer's feedback for it helps the organization gauge where it stands vis-à-vis competition. This allows it to react quickly to changing market demands and avoid adversity.

To retain existing customers, banks must put in place a continuous customer focus strategy. This involves getting feedback from customers and putting that into action to delight them through improved products and services. The strategy must be to listen to customers and then exceed their expectations.

Banks must operate with transparency and educate customers even as they showcase how they are taking customer feedback into account. This will help them win back waning confidence.

Customer Advisory Board

Perhaps the best way to incorporate customer feedback is through a 'Customer Advisory Board'. Customers can voluntarily participate in this unique initiative. A bank may put forth its plans before this board, which can validate it, give suggestions and offer active feedback. Such a partnership will not only help banks forge strong bonds with customers and retain their business, but also enable it to gain credibility in a difficult environment.

This must be done with simplicity inside and sophistication outside. It is best that a bank does not radically change the way it conducts business. However, the simple yet vital changes it makes must be visible to the outside world.

Banks must also define a rational forecasting strategy which helps in developing and disseminating information to customers on where the bank is and where it is slated to go in the context of risks and challenges, and the mitigation strategies and practices adopted. Banks can do this by asking customers about their strategies and projections and taking customers' opinions into reckoning when preparing a budgetary forecast which shows all stakeholders – both internal and external – where a bank is headed over the next six months or year.

› Learn from Global Leaders

Banks must look outward to captains of industries across sectors and see how they deal with crises and strategize to create trust. Customer retention strategies can also be emulated.

This will pave the way for banks to assume a leadership position in the economic recovery process, enabling them to emerge winners when things get better, as they will.

› Ensure Robust Governance

The financial system was run off the rails because financial institutions and their governing bodies failed to ensure governance.

Banks urgently require a robust governance framework that is strictly adhered to. Customers can be made part of this framework, perhaps through a Customer Advisory Board, so that they help ensure promises are kept, regulations are followed, and business proceeds in accordance with prudential norms. The credibility this will bestow will not only help retain existing customers but also attract new ones.

› Scorecard

Retaining customers requires a shift in priorities: Focus on customers will bring in rewards, that will in turn ensure growth for

the bank. To ensure this, banks may do well to keep a scorecard of the above-mentioned points – everything from promises made to organizational alignment and from using customer feedback to the 4Ds and 4Es.

Even if a bank is able to meet 50% of its goals, it will be well on the way to retaining customers in difficult times. However, banks must communicate these scores and disclose shortcoming to build trust. Such transparency will further set into motion a cycle of retaining old customers and attaining new ones. Ensuring growth in good times will then be truly simple for the bank.

➤ **Get IT Right**

Customers hold the key to a bank's survival. To satisfy them, banks must have an integrated view of customers – a complete customer profile that allows them to sell the right product to the right person at the right time.

Right-selling calls for customer-centricity – which includes customer profiling and, improving customer service and cross-selling. Banks must have the technology to allow them greater insight into the drivers of customer behavior by having an integrated view of customers. This includes know-how that enables the bank to incorporate tacit feedback into the customer relationship engine. Thus, operations and processes, powered by an able technology engine at the bank's core, must be linked through to the goal of maximizing customer satisfaction and increasing profits.

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