

P E R S P E C T I V E

## Winning and Keeping Customers' Trust



YOUR INNOVATION PARTNER

IT'S SOMETHING that makes a serious difference to building and maintaining customer relationships. It is part of every organization's priority list. It's the glue without which any relationship would fall apart.

We're talking about trust, the bedrock of all relationships, especially those involving money.

Different organizations have taken different approaches to building trust. Some have intensified their customer focus, taking greater care to see things from their customers' perspective, understand their needs, and work in partnership with them. Others have improved communication by developing practical skills such as listening, probing, summarizing, and rapport building.

Historically, banks have thrived on the implicit trust of their customers. That changed dramatically in the recent financial crisis. A recent report confirmed what we already knew - that despite banks' attempts at building public confidence, it was at a low, particularly in those countries that had been most impacted by the economic crisis. Specifically, the report highlighted that:

- Globally, 44% of customers felt less confident about the banking industry in 2010
- Within Europe, the UK (63%), Germany (61%) and Spain (58%) saw the largest fall in customer confidence
- Globally, 36% of customers had changed their main bank, and 7% were planning to do so
- Indian and Chinese customers were most likely to switch, with 11% and 13% respectively, declaring their intention to do so

This leads us to ask an obvious question, namely, what can banks do to rebuild customer trust?

### Customer Satisfaction

Few things are more important than the customer, to any industry. The business of banking cannot function without customers, nor can it sustain without constantly acquiring more. However, because a long-term banker-customer relationship evolves over many years and many transactions, keeping existing customers happy

is more important than getting new ones. An equally compelling argument in support of this statement is the fact that the cost of retaining a customer is only one-tenth that of acquiring a new one.

From the above, it seems self evident that banks should try to satisfy their customers. Satisfied customers usually stay longer and buy more; they tell other people about their experiences; and they may well pay a premium for the reassurance of doing business with a bank they trust.

Therefore, besides launching innovative measures to acquire new customers, banks must direct their efforts at retaining existing customers and reclaiming those that have gone away.

### Winning Customers

Although banks do recognize the importance of winning loyal customers, they find it difficult to earn their trust, which takes deep understanding of customer needs and attitudes. There are four pivotal steps that banks can take to address customer-related challenges and channelize their efforts to garner customer trust:

#### 1. Assess customers' perception of the bank and set a plan of action

Banks must act quickly to understand the reasons behind customer churn and demonstrate their ability to recognize changing behaviors and meet new needs. By developing a more accurate picture of various customer relationships, banks can determine those most at risk and accordingly align retention strategies to those "priority" segments. This is possible through various statistical modeling tools, which perform predictive analysis to indicate which customers are likely to attrite and why, and suggest possible strategies for retaining them.

Customers' attitudes are not static. The customer relationship lifecycle is punctuated by "moments of truth" when customers may change their attitudes or behaviors on account of a shifting context or need. Banks must set up a proactive Customer Relationship Management System to capture such opportunities when they arise.

## 2. Identify priority customer needs and mobilize to meet them

Once a bank has developed a stronger understanding of their customers, it can respond to their changed needs with innovative measures, such as product and service solutions or pricing and marketing campaigns, coordinated across the organization.

A proactive move by banks to offer products based on customer need awakens trust as customers acknowledge these efforts. Intuitive, relevant and compelling offers can not only boost the loyalty of existing customers, but also increase the effectiveness of marketing activities targeted at prospective ones.

Two factors are crucial to the creation of the most profitable offerings. The first is the enablement of customer-facing sales and service representatives such that they can identify customer needs and attitudes. The second is the provision of sophisticated pricing tools. Advanced pricing capabilities can help banks steer clear of simplistic and costly incentives, such as fee discounts and waivers, reduced lending interest rates or higher deposit rates.

## 3. Execute across the right channel mix

Banks must focus on delivering their innovative solutions through the right mix of channels – targeting the right offering to the right customer over the right channel – to maximize customer convenience and improve their own profitability. For some customers, the branch will always be the primary banking channel; however, the proportion of consumers who prefer the Internet for most interactions is growing. By understanding how each person wants to transact, and tailoring interactions accordingly, banks can not only strengthen customer loyalty and trust but also reduce product and service delivery costs.

That being said, banks must realize that the human element is the key to winning customer trust; in most countries, even today,

it is the branches that nurture it. Therefore, it is important to bring the human touch even to electronic channels, by providing a facility to connect customers to relationship managers over video calls or soft phones, and improving service by responding quickly over email to customer queries and complaints.

## 4. Establish ways to measure and monitor customer satisfaction metrics.

Banks should continuously monitor customer satisfaction metrics to gauge whether their action plan is achieving its intended result in terms of improved trust and customer satisfaction.

To ensure that new customer initiatives achieve the desired effect, banks must implement comparable metrics to track other key parameters, such as customer attrition, revenue velocity and revenue volume. When a bank invests in a more customer-centric approach, it needs to know which elements of customer experience are making the greatest impact on loyalty, satisfaction, profitability and growth. As it implements improved metrics, the bank must determine whether to use them at the individual customer level or the broader segment level — a decision that largely hinges on its resources and competitive situation. It must then decide how frequently to measure results — for example, quarterly or monthly — and to what degree of detail. By doing so, it can alter course quickly in response to rapid changes in market conditions, segments or customer demands.

## Customer Loyalty

Winning customers is only half the battle won, the task is not only to win the customer but also to keep them for lifetime, this is achieved by gaining their loyalty. Customers are more likely to be loyal in a customer oriented climate, one in which products are designed to satisfy their genuine needs. This applies even more to high-value customers requiring personalized services. Recognizing their likes and dislikes and catering to their requirements will go a long way in retaining them.

Customer acquisition is a costly exercise that can turn highly unprofitable when not integrated with Retention Marketing. Retention marketing ensures that the bank generates profit from existing customers while keeping them happy. Some of the major benefits of customer retention include greater customer predictability and insight which allows the bank to target their offers better and increases customers' trust in them.

### Keeping Customers

To retain more customers and gain their loyalty, banks should do the following:

1. Begin to track customer retention as a key performance indicator. The ability to accurately measure customer retention on a regular basis quantifies its ROI.
2. Get regular context specific feedback from their customers on the services consumed. Feedback is all the more important in cases where the bank feels that a particular product or service did not perform well with the customer. Upon receipt of feedback, banks must respond with a thank you letter citing how they will implement the suggestions.
3. Understand how customer retention rates vary by vertical to determine which ones are not being effectively addressed. More importantly, vertical analysis allows banks to appropriately allocate resources to their most valuable customers.

It is not possible to attain high levels of retention overnight. Institutionalizing customer retention as a key means to measuring and improving business performance takes time and energy. The best way is to establish customer retention as a goal, define relevant metrics and track performance against the same.

### What to do when things go WRONG?

Service recovery is an umbrella term for systematic efforts by an organization to correct a problem following a service failure, in order to

retain customer goodwill. Service recovery effort plays a crucial role in achieving or restoring customer satisfaction. In every organization, certain events may negatively impact customer relationship. A bank's commitment to satisfaction and service quality is reflected in the way it responds when things go wrong for customers. Effective service recovery requires thoughtful procedures for resolving problems and handling disgruntled customers. It is critical for banks to have effective recovery strategies, as even a single service problem can destroy customers' confidence in them. In case of service failure, they may have to apologize, repeat the service to achieve the desired solution, or offer some other form of compensation to retain customers.

### What more can be DONE?

The banks should maintain transparency in their transaction with customers. For instance, at times, banks collect "junk fees" from their customers in the form of hidden charges, thus making the customer feel cheated. Banks should avoid any steps that might confuse customers or raise doubts about their credibility.

Paying close attention to Compliance and Risk Management is another way to improve customer confidence. Banks are now required to meet a number of regulatory requirements and follow contractual obligations such as TCPC (Tele-marketing and Telephone Consumer Protection Act), Basel II and the Sarbanes-Oxley Act. Basel II requires organizations to collect and store a minimum of three years' worth of historical data. The Sarbanes-Oxley legislation (SOX) aims to make companies' accounting procedures more transparent to investors and regulators. It also requires stricter disclosure within company financial statements and sets out ethical guidelines to which senior financial officers must adhere.

This helps banks to collect better information on their customers, improve internal processes and identify new revenue streams as an extension of their strategies for addressing risk, money laundering, and fraud, in addition to helping them garner the trust of their customers.

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