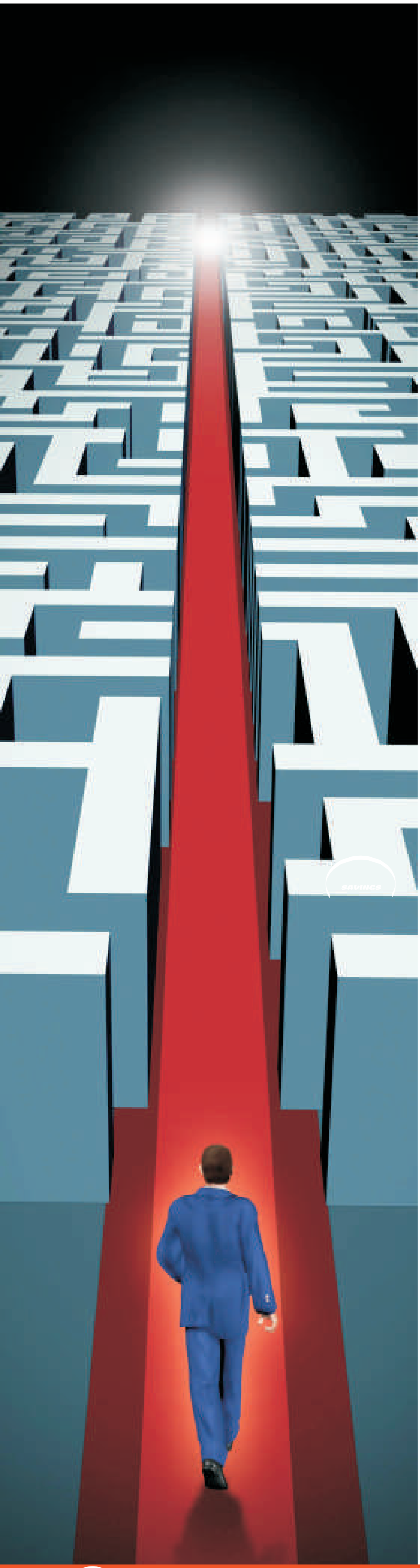
Towards Customer Insights

WHITEPAPER

Written by Madhur Jain-Global Pre-sales Head, SunTec Business Solutions



Introduction

Every bank understands the imperative need to get closer to its customers to increase retention and maintain a competitive edge. Banks are increasingly facing more challenges in their effort to be closer to their customers. Customer expectations are changing rapidly being influenced by the fast change of pace in the industry as well as the increased quality of service they get from other industries. Also,the market has recently seen the uprising of several disruptive non-traditional players who are more agile and are altering the playing field dramatically. The above means that higher rates of customer churn is a reality today leading to flat lining or even decreasing growth.

Moreover, a challenging macro environment compounded by ever increasing regulatory scrutiny and control (more so in the aftermath of the Global Financial Crisis) imply that banks are making less money from their customers, with a number of countries mandating and controlling what types of fees a bank can charge. On top of that, with the ever increasing regulatory needs, banks are spending a lot of their time, attention and budget dollars on compliance, putting immense pressure on their bottom lines.

This situation, where banks are getting squeezed both on the top line (with flat-lining growth) and on the bottom line (with increased costs) is resulting in reduced profitability, and it can no longer be business as usual for banks. Banks must radically change the way they do business.

Customer Focus

Banks understand that the only way they can change this trend is by increasing the value of the services they provide to their customers which would enable them to retain their customers and improve their profitability. Banks are focusing on their customers with attempts made to improve the customer experience and in the process build a truly customer centric organization. A lot of time and money is being spent by banks in making their organization customer focused and improving the customer experience. According to Gartner's 2012 CIO Survey, CIOs regard customer experience as the greatest opportunity for IT innovation. Accenture's 2012 Global Consumer Pulse Research Study revealed that 62% of consumers switched companies due to poor customer service, with 85% saying their provider could have done something to prevent them from making this switch, clearly outlining to banks the perils of ignoring their customers.

However, banks are hampered in being truly customer centric by a number of reasons.

- Legacy architectures – Most large banks continue to use decades' old systems that are rigid and siloed and are usually product centric. Customer data is distributed across multiple systems making it a nightmare for banks to recognize and consolidate data across a customer.
- Internally focused processes – Banks business processes are mostly internally focused and reflect organization structures and internal system architectures. These processes are not effective from a customer perspective and result in sub-optimal results for the customer. One reason quoted by customers in switching providers in their increasing frustration in getting the services they want in a smooth and easy-to-understand manner which clearly reflects the nature of processes being pursued by banks
- Legacy organization structures – Most banks are organized around products leading to measurements, analytics, and structures and processes all being product-centric. This result in behavioral practices that are not necessarily customer focused (e.g. banks are mostly organized around products). One of the key indicators of customer's satisfaction with a provider is the depth of the relationship – loosely translated, it is the number of products a customer has with a bank. The current organizations of most banks are in contradiction to their stated goal of increasing the breadth and depth of relationship with their existing customers as no customer wants to deal with different parts of a single organization and finds it much better to shop for better deals for each need
- Lack of actionable data - The single biggest obstacle for banks to be truly customer centric is the lack of true, real-time, actionable data on their customers. Banks continue to operate on data that is dated, incomplete, inconsistent and non operational and this clearly hampers their ability to take customer-centric decisions

Moving from customer view to customer insight

A survey of banks would reveal that amongst the single biggest projects where banks have spent their discretionary budgets, would be projects to enable a '360 degree view of the customer'. Banks have spent hundreds of millions of dollars with varied degrees of success – very few banks can be deemed to have been successful in a getting a good view of their customers. More so in case of corporate customers whose complexity & sophistication of operations increases the challenge for banks in truly putting together a complete view.

The result is that very few banks are geared to meet today's challenges. With the increasing pace of change, it is inevitable that the banking environment would look completely different by the next decade leaving even these few banks (let alone the majority) ill-equipped and agile enough to be 'on the curve' if not 'ahead of the curve' in meeting these demands.

What would not change, though, is the need for the banks to understand their customers – this truism will remain true irrespective of the pace or degree of change. Banks need to move from thinking of a customer view, essentially a static picture of their customers, to understanding their customers holistically – move towards 'customer insight'.

The data that most banks use today to drive decisions (not only customer decisions but also other management decisions) is

Batch driven – Given the legacy architecture of banks, most data that is available to banks is batch driven. Whilst banks have invested in creating architectures that result in giving customers a true view of the balances in real-time, the fact remains that the bank's insight into customers is dated and not real-time – driven by customers' behavior as apparent from their real-time transactions and other interactions

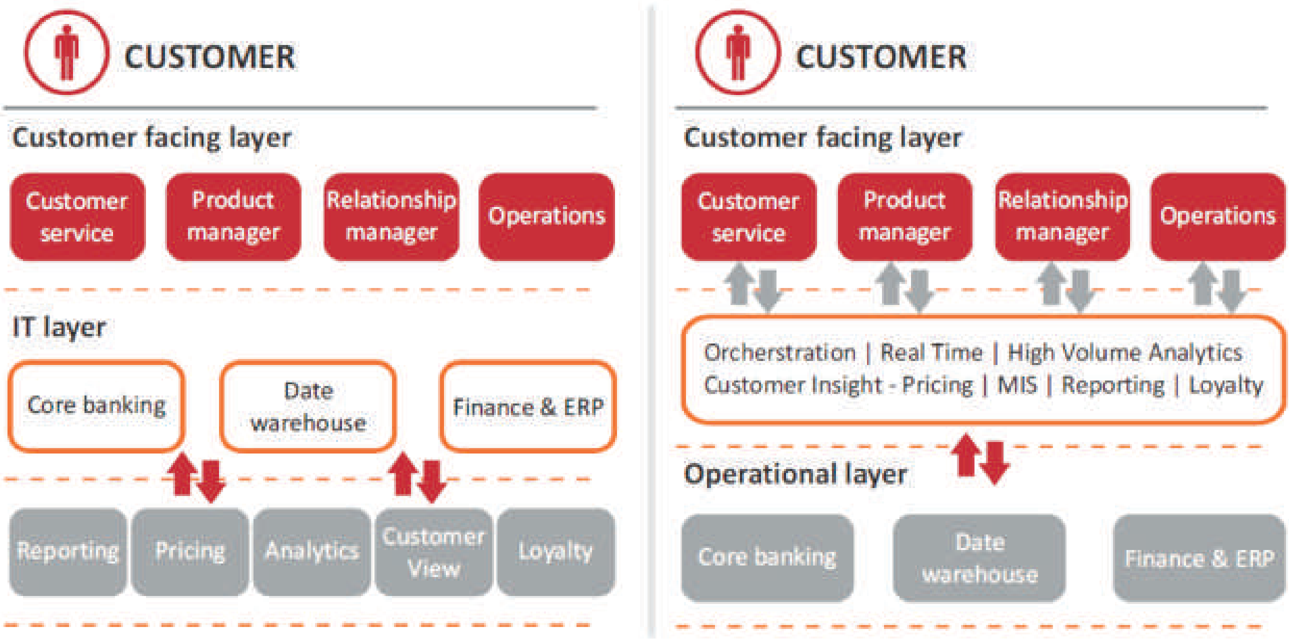
Fragmented – Customer data is fragmented across myriad systems, channels, geographies and other dimensions resulting in scenarios where identifying, collating and consolidating data across specific customers is a challenge that most banks have not been able to satisfactorily solve, in spite of years of spending on this problem. This problem will continue as long as the data architecture remains fragmented and can only be solved if tackled holistically at its source and not treated as a problem of collation and consolidation

Not useful operationally – The irony is that banks have the maximum information on their customers but minimal actionable data. As mentioned in the above paragraph, the fragmented nature of data inherently prevents banks from getting data that is actionable – most data that is available is already past its 'sell by date' and is no longer operationally actionable

Reactive – Most data or analytics available with banks is reactive, drawing a picture of the customers based on past behavior. As would be obvious, this data, while useful, is of limited help in understanding, and more importantly predicting, the customers' changing behavioral patterns

What the above paragraphs outline is that for true customer insight, the data must be real-time, holistic, operationally actionable and predictive. Most banks, however, depend on data that is drawn from their data warehouse, finance and similar systems for decision making-all data that is 'batch' driven. In using data from what are essentially downstream systems (mixed up in some cases with so called 'real-time' data from the likes of CRM systems), banks are ignoring the fact that they have all the real-time data they need to be able to not only understand but also help them predict their customers' behavior – data from services and transactions that are real-time.

What banks need is a business architecture layer that allows the delineation of the customer facing layer from the underlying operational systems, orchestrates the transactions and services but most importantly provides real-time, high volume data analytics that enables decision making, which is of mutual benefit to both customers and the bank (refer below picture).



The benefits of customer insight as outlined above are manifold and would deliver a fundamental edge to banks in surviving and competing in the current environment. Let us take a look at some of the main benefits.

Improve customer retention and profitability – Banks will be able to truly know their customers enabling delivery of products and services which are of value to them. This will dramatically alter customer experience and hence improve loyalty. Moreover, customers would be more willing to pay for services that they value, offsetting the effect of the reduction in incomes from traditional fees and other areas.

Mitigate the risk of current system architecture – Use of the business architecture outlined in the previous sections would largely make the current legacy core architecture irrelevant in delivering customer experience. Not only will it allow banks to transform at their own pace (mitigating the high risk and cost inherent in every core transformation), in some cases it will obviate the need for a transformation.

Transform regulatory reporting and risk management – The ability of having all customer data in real- time would enable banks to be much more agile in their reactions to the changing regulatory needs. Banks will be far more able to report on customers (or segments or in fact any other dimensions) in a much more transparent and easy way, thereby significantly reducing the challenge of what is one of the most stressful things that banking executives have to deal with today.

The capability of analyzing real-time data on customers and transactions would also allow banks a far better control on operations leading to better fraud management (e.g. AML monitoring can become more real-time), which in turn would lead to considerably reduced risk.

Conclusion

The above sections are focused mainly on the obstacles to true customer centricity from an IT and systems perspective. There are other serious challenges that include business processes, current organizational structures and other dimensions which banks would have to realign if they need to become truly customer centric.

Banks must gain a real-time insight on their customers that will then allow them to understand (and predict) customer behavior which in turn will allow banks to be agile enough to meet their customers' needs. For a bank to be successful and continue to be successful, the value of objective, real-time and actionable customer insight cannot be emphasized more.

SunTec™

www.suntecgroup.com

About SunTec

At SunTec Business Solutions, we help our clients increase the lifetime value of their customer relationships through effective revenue management and real-time customer experience orchestration. With a legacy of deployment in over 60 countries, SunTec is a trusted partner to some of the world's leading banks and digital and communication service providers. Headquartered in India, we have our offices in the USA, UK, Germany, UAE and Singapore.

With a team of highly skilled individuals and our innovative product development models, we help our clients remain at the forefront of cutting edge technology. A stable, mature and flexible product suite, Xelerate continues to develop with the market. With insights from our industry experts, a robust future-ready roadmap and seamless integration with any ecosystem, it is one of the most effective products to leverage.

For more information, please visit us at www.suntecgroup.com

If you wish to explore further on how SunTec can help you leverage customer insights to achieve customer centricity, please drop us a mail at contactus@suntecgroup.com and we will get in touch with you

You can also call us on:

US – Tel: +1 724 749 5699 | UK – Tel: +44 20 7220 3030 | Germany - Tel: +49 (0) 69 50 50 60 | UAE – Tel: +971 655 760 30 |
Singapore – Tel: +65 6829 2139 | India – Tel: +91 471 2539 600

/SunTecGroup /SunTec-Business Solutions /SunTec Business Solutions /SunTecGroup