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Account Hierarchies and Relationships for Better Personalization

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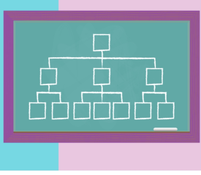


Personalized, relationship-based engagement is key for long term revenue growth and customer loyalty in the banking sector today. And the business of banking is complex, with multiple customers belonging to the same organization, or multiple members of one family banking with the same bank. One customer could even have multiple varied relationships with the same bank. The legacy infrastructure and siloed systems in use at most banks today make it difficult to get a unified view of customer engagement across business units and touchpoints. Yet, this is crucial for creating hyper personalized, relationship-based strategies. As competition increases and the fight for share of wallet gets tougher, banks must streamline operations, ensure process efficiency, and meet customer expectations of value-driven services. They must now focus on getting the overall relationship value of a customer and establish relationship-based rules of engagement.

So, how does a bank go about implementing this relationship-based strategy across both retail and corporate banking practices? A robust platform that can establish account hierarchies and relationships is important to determine personalized pricing, offers, loyalty programs and even invoicing.

Account Hierarchies

Establishing hierarchies is an essential first step. Hierarchies can be of different types, namely organizational, products and services, and legal.

Organization Hierarchies: As the name suggests, this is a useful way to establish hierarchies within an organization. Multiple entities can be part of this, and each one can be associated with its own customer or account data, reference library data, transaction data and pricing rules. With this, banks can ensure data level segregation between different entities and establish accessibility controls for staff at different levels and different organizational entities. They can also create entity specific product catalogs and pricing rules.

Products and Service Hierarchy: This is a natural extension of organizational hierarchy. In this, products and services are positioned in an appropriate order within the organizational hierarchy. For example, one time and recurring charges can be placed at any level, but usage charges must only at the leaf nodes within the hierarchy. Common charges can be configured at the appropriate parent level and can be dispersed to levels below that. The system allows for grouping of products and services at appropriate nodes for easier maintenance. It also allows for creation of pricing conditions based on the parent product in the hierarchy.

Legal Hierarchy: There can be parent customers with their children under them and the customer and account hierarchy can be expanded both horizontally and vertically. Customers and accounts can also move within or across hierarchies and personalization can be done at any level. If there are no negotiations or exceptions at the lower levels, the system can then even consider the higher levels for exceptions. The system can also configure the entity to which invoices and statements are to be sent within the hierarchy, and the entity to which debiting, or settlement can be attributed.

Relationships

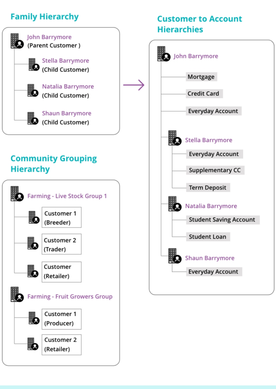
Once account hierarchies are established, the next step is to determine the relationships between the different entities. Relationships can include:

Primary and Secondary Account Holders: There can be one primary account owner with one secondary owner like in the case of a joint account. Or there can be one primary account holder with multiple secondary ones like in the case of a Board of Directors. Physically, both primary and secondary account owners are different individual customers who exist in the system. The relationship system just establishes a connection and order between them. Personalization can be done at any level of the hierarchy and if there are no negotiations or exemptions lower down the order, then the higher levels can be given exceptions. Family banking is a good example of primary and secondary account owner relationship. Individual members of a family group can unify their own banking relationships (Savings Account, Fixed Deposit, Recurring Deposit) under a single ID and avail the benefits of privilege banking. One such benefit can be that each member does not need to maintain a minimum balance while a lower minimum monthly balance is maintained at the family level.

Customer and Account Groups: These can include relationships like franchisor and franchisee or project and program entities and suppliers and vendors. Customers can create a community banking group and add their referred customers to earn bonus interest points. Customers of a bank in different regions can be grouped together for balance consolidation. There are several use cases of this kind of relationship-based groups. For example, a livestock comprising breeders, traders and retailers join into a group, to share the same tariff, making it a special tariff group. A fruit farmer's community can create a farmers group and negotiate with the banking services provider for benefits considering the aggregated deposit of all the farmers in the group. The bank can provide personalized rates to services as well as a premium rate for interest on deposits, based on the cumulated deposits of all the members in this group. The district administration can approach the bank for premium rates for banking services that can be shared with suppliers or vendors or sub vendors who are in partnership with the government for various projects. Or a fast-food chain can approach the bank for a common tariff for all their franchisees across the country. Each franchisee will be considered as an individual separate CIFs without any legal hierarchy.

Leveraging Hierarchies and Relationships

Once the hierarchies and relationships have been defined, the bank can leverage them in several ways such as for creating pricing and offers or personalized rates for family banking. They can be used for invoice points. For example, when customers want to group the charges of children in the group and bill the parent customer; or when they want to group the charges of a specific service across the accounts in the hierarchy and assign it to a specific customer. Sweeping and pooling are other ways to leverage relationships and hierarchies. Sweeping is an automated funds transfer for the concentration of balances that belongs to a company or a group of companies that move funds between their own accounts regularly. Sweeps can be executed between accounts within a group, cross-border and to accounts at other banks. Pooling is similar, but here the funds are not moved. Instead, they are notionally consolidated, and the notional balance is used for interest computations or rate resolution.



Banks across the world are already using hierarchies and relationships for providing better, personalized engagement with their customers. This central bank wanted to maintain a relationship and hierarchy structure for grouping customers within a certain segment. The hierarchies and relationships structure within the bank encompassed defined products offered to members of a group of family and categorization of a group was managed by containers within the customer care and maintenance system. Each container was offered their own pricing structure, which could be identified using the key/group identifier. They wanted a robust solution to improve the hierarchies and relationship system and ensure personalized pricing and efficient billing. The solution they deployed was able to ensure price resolution, multi-level, relationship-based invoicing, and validation of customers within a group. Modern banking must put the customer at the heart of all operations. To deliver personalized value driven services and products, banks must consider the overall relationship of a customer. This will drive better pricing strategies, better engagement models and even better loyalty and rewards. An intelligent revenue management solution that can create and manage hierarchies and relationships is a critical investment for banks.