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Changing Customer expectations & preferences in Indian Banking

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ABSTRACT

There is a gap between the Customer expectations and services offered by Banks, especially after the technological adoption by Banks. With the increasing commoditization of Banking products, it has become essential for Banks to understand the changing Customer preferences. Among the Customer grievances received during the late 90s, majority of them were relating to the quality of service then rendered across the Bank counters. The Customers then had limited expectations from the Banks and most of the grievances received had emanated from the Depositors. With the introduction of Core Banking Solution the Bankers would have assumed that the major causes of Customer grievances would have been taken care due to technological interventions. However, the Customer expectations have simultaneously increased and a new set of complaints emerged. Banks should learn from their satisfied Customers' experience through feedback to gain insights with the view towards increasing satisfaction across the entire Customer base. Banks also need to combine their knowledge of the Customer base with the technology available to improve their service offerings. With the changing preference of the Customers and emanating challenges thereof, the Banks may convert the same into opportunities by rebuilding trust, focusing on loyalty and enhancing customer experience. Banks must identify key changes in Customer expectations and work on the ways in which these changing demands can be met by offering Customer – focused innovative services. Future success will come through combining Customer knowledge with technology to make Banking easier and more accessible. Banks are also investing in more precise measurement of Customer satisfaction, the number of products they hold, finding the reasons for attrition and cause for complaints.

Keywords : Customer relationship, Customer experience, Customer preferences, Brand perception, Customer attrition

1.0 Introduction

The service standards in Indian Banking industry have substantially improved by leveraging technology. At the same time, the Customer expectations and services offered remain to meet at a logical point and there is a gap between them. The practices in operational Banking have taken a complete change so have the expectations of the Customers.

With the increasing level of cut throat competition, decreasing Customer loyalty and the increasing commoditization of Banking products, it has become essential for Banks to proactively understand the changing Customer preferences. This would enable them to build a value proposition since Banks are flexible enough to align their products towards the value needs of the Customers.

An attempt has been made in this Paper to crystallise the issues involved in Customer experience/ expectations and management thereof in the changed economic order with focus on economic growth.

1.0 Banker – Customer relationship

The term 'Customer' has been derived from the word 'Custom' meaning 'habit'. In general, a Customer is a party that receives or consumes products/goods or services and has the ability to choose between different products and services. In other words, a Customer is a person who has some commercial dealing.

As per section 131 of 'Negotiable Instruments Act (NIA) of 1881, a Bank gets protection when it collects instruments like cheque, draft etc for and on account of its Customers. A person need to have an account with the Bank for depositing a cheque or draft with the Bank and therefore a Customer should have 'Account relationship' with the Bank. However there are many Banking services for which account relationship is not required. For example: For issuing a Banker

Cheque, Demand Draft, Travelers Cheque etc.

Banks are using multiple delivery channels to offer its products and services. Customers can therefore be classified into following three broad categories :

- Existing Customers, already having account relationship with the Bank.
- Those who do not have account relationship, but are using services provided by the Bank.
- Prospective Customers, who have been motivated to have 'Account Relationship' with the Bank through advertisements, personal contacts etc.

The Banking Industry is playing vital role in economic development of the Country and thus has popularized the Banking services with unlimited scope for growth and expansion of Banking business.

2.1 Changing nature of Customer grievances

It was observed from the analysis of Customer grievances received during the late 90s that majority of them were relating to the quality of service then rendered across the Bank counters. The Customers then had very limited expectations from the Banks and most of the grievances received had emanated from the Depositors. The common complaints were -

- Passbook not filled up immediately
- Illegible handwriting
- Delay in issue of cheque books
- Undue delay in payment of cash cheques
- Delay in collection of outstation cheques
- Employees not fully conversant with the Bank's schemes/ rules & regulations etc.

With the introduction of Core Banking Solution (CBS), the Bankers would have assumed that the major causes of Customer grievances would have been taken care due to technological interventions. However, the Customer expectations have simultaneously increased and a new set of complaints emerged, as could be evidenced from the following –

2.1.1 Levying of higher service charges - The cost of adopting technology is very high, leading to higher operating costs. Bank had to, therefore, hike their service charges, while sometimes levying charges for services which were earlier provided free to the Customers. This is one area causing concern as several complaints of this nature are being received by the Bankers.

2.1.2 Stealing of personal data – Though Banks are making all efforts to ensure appropriate safety for on-line transactions by routing through secured sites, hackers are finding new methods to steal Customer's personal data including password and misusing the same for unauthorised withdrawal of money from account. Banks need to find effective anti – phishing measures for preventing personal data of Customers from being stolen, so that the Customer confidence can be built up. In the recent past large number of complaints have emanated from Customers on the above grounds.

2.1.3 Failure of ATMs – With the increased number of ATMs being installed by all the Banks, failure of ATMs is simultaneously becoming a routine matter. Many of the ATMs have been found cash starved, especially on holidays or during peak withdrawal season like first week of the month, festival season etc.

2.1.4 Refusal to issue Pass Book – Refusal to issue Passbooks is a major concern encountered, despite instructions of RBI to all the Banks to issue Passbooks when demanded. Many Banks are still mailing to the Customers statement of account periodically and are refusing to provide its copy on demand to the Customer, leading to complaints.

2.1.5 Ill - equipped Call Centers – Almost every Bank has its Call Center to attend to the routine queries. However, Call Center employees have been found to have inadequate knowledge, due to which they are not in a position to answer a different query, which they have not been tutored, leading to complaints. Besides, the time taken for answering to the call/query is at times too long or reply to the complaints is unsatisfactory.

2.1.6 Unwanted calls from Marketing Agencies – Most of the Commercial Banks are focusing to increase their fee-based business which includes Credit and Debit Cards, investment in Mutual Funds, Insurance (General & Life) etc. The Bank Customers are receiving frequent calls from the Agents appointed to develop such business, which amounts to indirect harassment or disturbance to Bank Customers. The personal information taken during the opening of account is often shared, without consent of the Customer, for canvassing of such business, resulting in Customer complaints.

2.2 Changing Customer preferences – An Insight

A Bank typically offers a variety of products and each of these products can have multiple features. Such offers/features may vary like maturity, interest rates or other conditional rewards etc.

Behavioral psychologists explain that human beings are highly influenced by the external competitive offers, which are available in the market. Human behaviour is to make rational economic decisions based on how much value is sought to be derived from a Bank's product as compared to the others. Therefore, the Bank needs to determine what to offer to its Customer. The entire process of determining product attributes and mapping them to the behavioral needs of a Customer can be called 'Value building'.

In view of the above, there exists a need to test for an expected Customer response rather than designing a product to be offered to the Customer, in the hope that someone will buy the product. This could improve efficiency and provide rollout opportunities for greater benefits within the Banks. Besides, by recognizing the changing customer needs and preferences, Banks can make efforts to satisfy the same and in turn ensure that their satisfaction prevails. Banks may also reward loyalty among customers.

Banks should incentivise satisfied Customers to access more products, and tailor their product offerings to create further Customer Advocates. Banks can also learn from their satisfied Customers' experience through feedback to gain insights with the view toward increasing satisfaction across the entire Customer base. Banks also need to combine their knowledge of the Customer base with the technology available to improve their service offerings. Internet technologies can be employed to give a better Customer experience online. While Internet Banking is reducing the need for Call Centers, Customers are still demanding greater access and availability to Advisors on the phone, and it is the Call Center channel that most customers want to see improved in terms of service quality.

Customers globally are seeking better service quality and increased access to their Bank branches, ATMs and Call Centers, and they want internet and mobile Banking services to be easier to use. Customers expect the convenience and reliability that they receive from digital channels to be replicated alongside the enhanced personalised delivery.

3.0 Improving the Customer experience

3.1 Simplified processes and reduced Customer efforts

– Banks may simplify their internal processes and improve online capabilities using methods such as digital Banking to help create a consistent and integrated personalized service, without the need for extensive manual intervention for time-starved Customers. This would demonstrate the Banks' visible commitment to a more responsible Banking approach.

3.2 Higher personalization across Delivery channels

– Banks should make better use of Customer information and leverage new technology capabilities such as Web 2.0 to increase the level of contact and personalization in Customer interactions through various Delivery channels.

3.3 Differentiated Customer value propositions

– Bank should focus on increased Customer loyalty by offering individuals a combination of product bundling, pricing and access to value-added services to make multiple product holdings more attractive and rewarding.

3.4 Adapt future – ready Distribution channels

– Bank may invest in its staff training and their knowledge updation, while a strong mobile strategy will help meet the need for personalized services at a low cost.

4.0 Reorientation of Bank's Brand perception

While adopting advanced technology for Banking delivery channels, the Customers have reaped several benefits and also have encountered numerous problems arising out of technological gaps, which have at times lowered the Customer confidence in e – Banking / Internet Banking, leading to customer attrition. This calls for steps to be initiated by the Banks for strengthening Customer confidence and preventing Customer attrition.

4.1 Strengthening Customer confidence

- i. Brand enhancement programs: All elements of the Customer experience, at both, national and local level, need to be reassessed with continued investments made in Customer charters and innovative approaches to marketing the Bank's ethos and service offerings.
- ii. Personalizing Banking: Personalization is a vital element of a successful Customer relationship and a cohesive ap-

proach to the development of tailored products and services will help to improve brand perception.

- iii. Create Brand Ambassadors: To ensure that the Sales Force represents the Bank's Brand, there needs to be a continued focus on transparent and sustainable incentive models and an adequate Customer relationship model.
- iv. Embrace online innovation: Adopting a coherent social media approach will help improve Brand perceptions and leverage the benefits of online advocacy.

4.2 Preventing Customer attrition

- i. Invest in Customer analysis: Capturing and successfully leveraging Customer information and insight to optimize offer development, pricing decisions and rewarding loyalty will be a major competitive differentiator.
- ii. Identify Advocates: Make it easy for Customers to provide feedback at all touch points with the Bank. This will allow a better understanding of which Customers are likely to promote, detract or be passive and will give Banks an opportunity to proactively engage Customers that are at risk of attrition.
- iii. Target switching offers: This will maximize the opportunity to acquire new Customers and prevent the most damaging impacts of attrition.
- iv. Review Employee Key Performance Indicators: Setting and consistently delivering clear, market leading Customer standards will pay dividends with Customer acquisition and retention

5.0 Action points to capitalize on emerging opportunities

With the changing preference of the Customers and emanating challenges thereof, the Banks may convert the same into opportunities by adopting the following -

- a. Rebuild trust – By refocusing on the Customer relationship, paying particular attention to clarity of language, transparency of pricing and simplicity of interaction
- b. Focus on loyalty – By building Customer insights, tailoring offerings, incentivizing Customers to access more products and effectively responding to complaints
- c. Enhance the Customer experience – By investing in branches, delivering personal attention across channels and combining Customer insights with technology to im-

prove offerings. A clearly articulated Customer strategy should be at the core of all Banking Organizations. Enhancing the Customer experience is now a crucial component of attracting and retaining Customers in order to grow and protect a profitable business.

6.0 Conclusion

Customer behavior in retail Banking has changed dramatically over the past few years. Banks must identify key changes in Customer expectations and work on the ways in which these changing demands can be met by offering Customer – focused innovative services. The banks which would do so will be able to differentiate their Organization and drive growth in this competitive age.

Banks have recognized that future success will come through combining Customer knowledge with technology to make Banking easier and more accessible. Such an approach relies on Customer analytics, and Banks are also investing in more precise measurement of Customer satisfaction, the number of products they hold, the reasons for attrition and complaints.

Banks must introduce new products and services and increase their focus on marketing, as innovation is becoming increasingly important for survival in the market. Customer focused innovation will drive success in retail Banking in the years ahead. Banks cannot take the Customer relationship for granted but must identify and respond proactively and innovatively to their Customers' needs.

Customers are expecting the technologies behind the convenience and reliability of digital channels to deliver the same quality and personalization they have come to expect across other Channels. Practical innovations across channels that leverage technology to deliver a more seamless and personalized experience will therefore be a major competitive battle ground in all retail Banking markets. This means building on existing internet applications to drive enhanced Call Center and branch fulfillment, which will in turn enable a fresh look at segmented Customer communications. This will allow the deployment of new Customer treatment strategies – using mobile, email and social media – to drive appropriate cross sales and retention outcomes. Services and applications that allow Customers to better manage their finances will be significant Customer satisfaction differentiators, and will simultaneously reinforce a Bank's commitment to more responsible Banking.

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