SunTec

How to Build Irresistible Offers for Your Bank's Customers

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The core business of corporate banking does not leave much room for differentiation. Most banks offer similar products and services. But in the current disruptive and highly competitive market, differentiation is critical for bringing in new customers and retaining existing ones. Offers, or additional perks, are an effective strategy for differentiating a bank from others, and for ensuring long-term customer engagement and satisfaction. Offers are an excellent way to cross-sell and upsell products and services as well. Until recently, banks offered static, unchanging offers that was uniform across all customers. These do not really meet customer needs and don't work in today's context where customer demand for personalization is at an all-time high. Today, there are three kinds of offers that banks must consider– mass market, over the table and over the top offers. And they must be able to manage the different kinds of offers seamlessly, effectively, and sometimes simultaneously, to ensure there is no revenue leakage and keep customers happy.

New Age Offers

Corporate banking customers not only want more personalization but also expect greater opportunities for self-service from their banks. Modern banking offers aim to give customers what they want, and deliver relationship-based, value-driven engagement. Banks can offer 1 or a combination of 3 kinds of offers.

Mass market offers: These are pre-approved, pre-defined bundles of services that are rolled out to a customer segment. These offers are basic but comprehensive and can help drive customer loyalty and retention, increase share of wallet, cross and up-sell products, and drive sales of dormant products. Banks across the world have been deploying mass market offers successfully for a while now. For example, a leading bank in Africa offered a cash back campaign to increase transaction values at the point of sales, increase sale of the bank's branded credit cards and establish itself as a preferred acquirer of choice at merchant locations. The campaign was highly successful, and the bank achieved all their objectives. Another Asian bank offered special family packages for young families to drive new customer acquisitions. They saw their deposits increase almost four times in a short span of time.

Over the table offers: These are personalized versions of mass market offers that are tailor made to meet individual customer requirements. Modern customers in the corporate banking segment expect relationship-based engagement models and are eager to self-curate packages with hand-picked services and negotiated rates that make sense for them. Banks now offer custom-made offers that the customer themselves can choose based on their relationship with the bank and some mutually agreed upon conditions. This customization can be done by customers directly on a self-service portal or done along with a relationship manager across the table. The curated bundles are then sent for approval, after which they are synchronized with the pricing and billing systems for implementation. The customer will pay only for the services they need at competitive rates that they negotiated and approved. For their part, the bank secures the customers business based on which the tailored offer was made. This kind of offer needs to be monitored and the bank must have effective systems and controls in place to track the offer, provide timely alerts to both parties, and manage hyper-personalized pricing. The process also must be history logged and all data points must be captured and logged in a transparent manner so the customer can easily view them.

Banks today require over the table tailor-made offers to meet customer demand for hyper personalized and relationship-based engagement. For example, a large bank specializing in corporate payments and cash management in Europe offers personalized offers with pick and choose services from their global cash management services hierarchy. This offer includes services spanning payments, collections, and account management. The customer can build their own personalized package and get into a contractual agreement with the bank for it. A large Indian bank utilized data effectively to understand customer payment patterns on loan or interest payments. Based on this data, they rolled out competitive and personalized interest rates to the customer who benefitted from lower rates.

Over-the-top offers: Neither banks nor customers exist in a vacuum. There are external events, and trends that can impact and even disrupt the ongoing banking relationship and make it difficult for customers to adhere to agreements or contracts. Under such extenuating circumstances, banks can roll out over-the-top offers or a super offer that sits on top of the personalized one. It is the highest priority of the price resolution hierarchy and is a tool to cover the bulk of banking customers. These offers are only provisioned by the bank and typically involve waiving off non-usage charges for a short period. Over the last two years, we have seen several over-the-top offers as the world grappled with the COVID 19 pandemic and lives and livelihoods came under threat. One bank waived off the recurring charges on services and facilities for all their customers, including the ones enjoying personalized rates during the pandemic. Another bank took notice of the devastating bush fires in their region and decided to help people in distress by waiving off or substantially reducing some charges as an over-the-top offer. The goodwill and consequently loyalty won from customers as a result of such offers is immense and will stand the bank in good stead in the long run.

Banking on Technology

From the description of each kind of offer, it is evident that banks need advanced technology solutions to implement, manage and monitor offers. Banks usually pre-set the terms and limits of the offer themselves, but managing multiple customizations, approvals and monitoring contracts and agreements without a robust technology platform can be a significant challenge. Specifically, the solution must be able to manage:

Validity: It can keep track of market validity and offer usage validity and alert the bank when the validity term is close to ending.

Applicability: The solution should be able to define and set specific regions and customer segments where the offer will be applicable. For example, an over-the-top offer to help bushfire victims would only be extended to companies operating in a region affected by them.

Enrolment Criteria: This further refines and sharpens the parameters set down by the applicability criteria. It is an additional control that provisions the offer to only qualified customers or accounts. For example, extending an offer only to premium customers.

Eligibility: It is not enough to just determine applicability and enrolment, to avail of an offer the customer must consistently meet the pre-set conditions. If the eligibility is not met, then a customer may not avail himself of the benefits despite subscribing for it. For example, an eligibility criterion could be that the customer would have to maintain an average monthly balance of more than USD5000 to avail themselves of the offer rates.

De-enrolment Criteria: Every offer comes with the option for de-enrolment and the technology must be able to handle this seamlessly as well. Conditions for de-enrolment can be pre-set in the system and once this criterion is met then the offer will automatically be removed from the customer's account or subscription. For example, if the customer does not maintain monthly average balance of more than USD5000 for three consecutive months then they can no longer avail of the offer.

Most legacy banking cores are not agile enough to manage different kinds of offers, levels of personalization, and multiple offers simultaneously. But the good news is that banks don't have to incur the risk or expense of modernizing their legacy cores. A robust middle layer solution provided by a third-party vendor can be deployed to sit on top of the core to efficiently and seamlessly manage the bank's offers and campaigns.

Offers are not a new phenomenon; they have been in existence for decades and have proved to be an effective strategy. But now, banks need to step up the offer game to deliver a level of personalization that was previously unheard of. Banks must be able to manage complex personalized commitments and complicated offer roll outs and quickly respond to changes within the ecosystem.