SunTec

Retaining and Growing Customer Loyalty with Empathetic Banking

By **Puneet Kapoor,**
President – Products, Alternate Channels and Customer Experience Delivery, Kotak Mahindra Bank Limited

Avishek Nandy,
Partner, Bain & Company

The banking customer has changed. Not content to be on the periphery of the system any longer, the modern customer is demanding greater control of their interactions, hyper personalized engagements and on demand availability of services. And to meet changing customer expectations and stave off increasing competition from fintechs and technology giants, most traditional banks have embarked on their digital transformation journeys. The outbreak of the COVID-19 pandemic put digital strategies upfront and center of most banking organizations, highlighting the crucial link between digitalization and business continuity. In a post COVID-19 world, banks must reinvent their operating models and strategies with customers at their very core, and work with the objective of delivering a superlative banking experience.

Customer Centricity at the Intersection of Lifecycle, Experience and Value

For Kotak Mahindra Bank, customer centricity lies at the intersection of customer lifecycle, customer experience and customer value. Puneet Kapoor, President – Products, Alternate Channels and Customer Experience Delivery, Kotak Mahindra Bank Limited, explained the bank's customer centric transformation strategy at SunTec's webinar on Retaining and Growing Customer Loyalty with Empathetic Banking.

The bank believes that customer experience must be driven by the 3 I model – Information, Instruction, and Issue. This implies the understanding of what brings a customer to a bank – the need for information, the intent of issuing some instruction for future action, and for the resolution of issues. A consistent, secure, personalized, and user-friendly interface with the bank across all their requirements leads to a happy and loyal customer, especially when it is supplemented by value driven services – both product and value-added services.

Leveraging Customer Identity for Better Solutioning

To embark on the customer centric transformation, it is important to gain a deeper understanding of the customer and their unique requirements. This leads to better segmentation and consequently to better, more tailored services. As a result, banks can benefit from a significant increase in wallet size, and product holding parameters across the customer base. Kotak Mahindra Bank saw an uptick in digital and mobile banking usage across customer segments. The bank has created theme-based engagements instead of vanilla product-based engagements.

For example, instead of calling on customers for individual products under life insurance, home insurance and car insurance separately, the bank bundled them into one package named "Protection" and marketed it to salaried individuals, senior citizens and even to people taking home and car loans. The bank also expanded their communications strategy to include multiple touchpoints such as interactive ATM screens, phone banking messages and even brochures at their branches. As a result of this sharply defined customer-centric strategy, the bank saw an increase in relationship value, better product holding, increased primary banking and greatly improved customer experience and loyalty.

Technology as an Enabler of Customer Centricity

By leveraging advanced data analytics, the bank could not only better understand customer needs but could also correlate that information against data collected at events to come up with the best products and services. If banks have a sound digital framework in place already, they can scale it up rapidly to institute new processes and systems designed to meet the growing customer needs. From enabling remote and contactless transactions and remote working for phone banking employees, to ensuring safe banking and self-service, the pandemic has accelerated the pace of customer-centric transformation.

For example, Kotak Mahindra Bank implemented a video KYC system that allowed the customer to complete the process from the safety and comfort of their homes and speeded up the end-to-end process from 5-6 days to 2-3 days only. It also implemented an aggressive communication campaign to create awareness and protect customers from scams and fraudulent attempts to procure account information. The bank will continue to invest in technology to drive their customer-centric strategies and believes that contextual intelligence will drive the next phase of the sector's transformation journey.

A Digital Ready Value Proposition

SunTec's next speaker, Avishek Nandy, Partner, Bain & Company outlined a comprehensive framework for modernizing banking infrastructure to move to a customer-centric model. Bain & Company believes that the banking paradigm is changing, and modern banks need to think of themselves as tech companies with banking licenses. This implies that technology adoption and modernization must be a perpetual process. Banks must now focus on creating a value proposition that is digital ready and identifying the digitization roadmap that is right for them as there are no silver bullets in this journey.

Simple and Digital Customer Experience

The Bain & Company's framework for a "Simple and Digital" customer experience approach puts the customer at the core of the modernization strategy. The bank's vision and value proposition need to be revamped to align with this new focus to drive a seamless unified experience across every channel. And technology in the form of advanced data analytics solutions is the way to achieve these objectives. Of course, identifying the technology framework is easy. For a truly successful customer-centric transformation, banks must focus on creating a phase-wise delivery plan with clear achievable objectives and evaluation measures and mechanisms for course correction.

There are multiple pathways to achieving an enterprise-wide experience led operating model. For most organizations, a phased approach with small high impact pilots to test strategies and learn from the experience is the most effective. They can gauge the effectiveness of their change management approach with tools and make the required course corrections where necessary. Also, the Net Promoter System used in conjunction with the simple and digital approach is an effective evaluation metric that can predict overall company growth and customer lifetime value. It is invaluable for increasing customer delight, reducing operational costs, and ensuring enduring loyalty.

Mr. Nandy concluded by explaining Bain and Company's 4-step approach to implementing a successful digital modernization plan:

Why – Audit existing systems and identify how they are performing, which systems need to change and the critical business objectives they must support

What – Identify the parts of the infrastructure that need to be addressed

How – Understand if objectives can be met by replacing existing systems or just modifying them

Delivery – Establish a clear roadmap for migration implementation including sequential approach, priority areas, and a features and releases schedule

The modern customer demands a vastly different banking experience from their predecessors. The pandemic gave further impetus to these expectations. Over the last few months, 35 percent of customers increased their online banking usage, and Mastercard reported 40 percent growth in contactless payments.[1] As the sector moves ahead from this crisis it must step up its digitization game to offer a greater degree of self service, seamless access, and personalization. Banks like Kotak Mahindra have shown that it is indeed possible and organizations like Bain and Company have the right support systems in place to help banks make the customer centric leap.