



Rise of the new age customer - Are Financial Institutions ready for them?

A Talisma Corporation white paper

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Introduction

“Financial services customers are fed up” reads a Forbes headline – a telling commentary on the state of affairs in an industry that touches the lives of almost 2/3rds of humanity. To make matters worse, a new age customer has emerged who is more aware, choosy and demands bespoke products and service on her terms. The era of complacency is long gone; financial institutions (FIs) can no longer rest on their reach or brand equity to be assured of a significant share of their customer’s wallet. Such trends are driving FIs to revisit their practices, technology eco-systems, employee training initiatives and more.

The new game

We have been reading a lot about the new age customer. But how much do we know her? A survey carried out by a software vendor in the US in 2014 offers a clue. Nearly 56 percent of the respondents stated that their expectations from their FIs have increased in just one year. Now, service providers can claim that this means that they have been delivering on customer expectations (which accounts for the increase in expectations). However, this is not true as the survey goes on to highlight.

In the financial services sector, the focus has always been wallet share. This has led to processes, employee orientation tactics and products and services that firmly entrench the FI in the wallet of the customer. Only a handful of FIs could look beyond expanding the top and there has indeed been a price to pay. The Forbes headline is a clear indication of that.

While FIs were busy figuring out new ways to expand their wallet share of the customer, the customer service landscape around them was changing. Traditional barriers that prevented or scuttled competition are no longer around or are less impactful as before. With the emergence of digital sales and engagement, branch and distribution strengths are rendered less useful.

New nimble players appeared on the horizon. “Banks are being unbundled” says CBinsights.com listing out nearly 75 fintech players (in US alone) that have entrenched themselves in areas such as lending, payments, remittance and personal finance, among others. Most fintech start-ups are ultra-focused on a specific area and able to exploit gaps with apt products and services.

UK Fintech is currently energised by the cumulative effect of digital connectivity, customer dissatisfaction with banks, and a lack of innovation and investment by incumbent providers.
- Landscaping UK Fintech Report, 2014 - Ernst and Young

Rising competition

Lending Club operates an online lending platform that enables borrowers to obtain a loan, and investors to purchase notes backed by payments made on loans. Lending Club is the world’s largest peer-to-peer lending platform.

TransferWise is a peer-to-peer money transfer service launched in 2011 with headquarters in London and offices in Tallinn and New York. More than £3 billion has been transferred through TransferWise so far.

Coinbase facilitates exchange between bitcoin and fiat currencies in twenty-six countries, and bitcoin transactions and storage in 190 countries worldwide.

Alipay.com is a third-party online payment platform with no transaction fees launched in China in 2004 by Alibaba Group. Alipay has the biggest market share in China with 300 million users and control of just under half of China’s online payment market in February 2014.

Complex reality

The scene on the technology front is not much inspiring. Thanks to IT fragmentation, many FIs are having to deal with less collaboration and siloed decision making. This has had a telling impact on customer service with bulky IT systems and diverse processes placing a premium on faster and relevant customer transactions. Some of the sources for complexity in financial institutions include

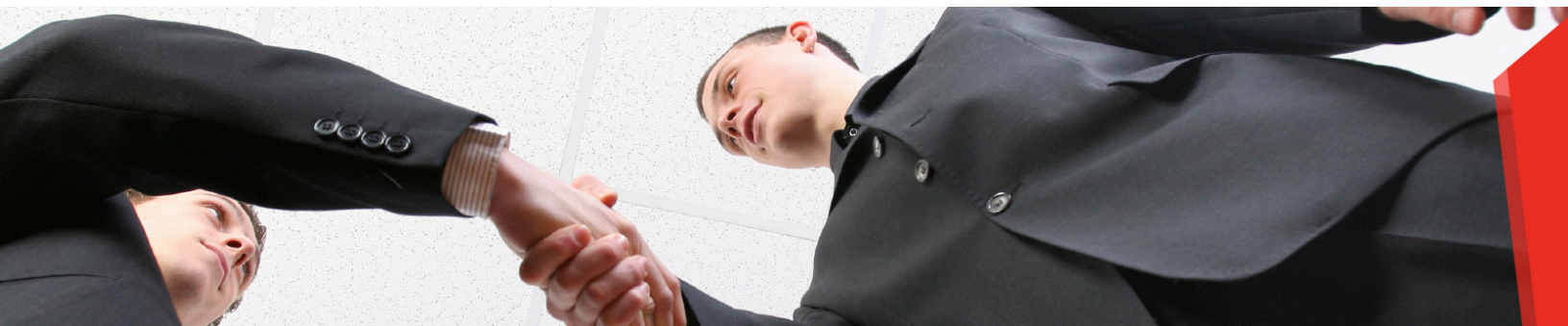
- Compliance mandates (Regulatory compliance now requires much more: more data gathering, more analysis of risk, and more monitoring and reporting)
- Fragmented IT infrastructure (Data about the same customer or products from the same family residing in different systems; sometimes spreadsheets)
- Customer product/service demands (Over the last 2 decades, the number of products offered by financial firms has increased dramatically.)
- Expansion into new geos/segments

The new customer

In the past, till the point of an actual sign on, all decisions were carried out by FIs. Which meant there was no scope for a customer getting a product customized for her. But today, thanks to the proliferation of sources and influence, customers and prospects have access to more information than ever. The characteristics of the new age customer are largely defined by:

- Immediate access to a range of choices and options
- Journey towards a purchase decision is more complex
- Loyalty is momentary
- Influence
- Use the path of least resistance to close a transaction
- Tricky to sell to

Customer-centric attitudes and behavior and a willingness to tilt the balance decisively in favor of the customer are must have attributes for an FI now. The new age customer is willing to extend the buying cycle just to ensure she gets a great deal. This means that FIs will have to look beyond traditional approaches to reach out to, serve and retain such customers.



Emerging reality

This is the era of contextual engagement. FIs need to engage customers with less marketing and more relevance. FIs should let the customer's context define the engagement roadmap with significant brand influence. So the target should be to strike a healthy balance between customer's needs and business goals.

Remember, nothing matters except customer centric practices that are empathetic to customer preferences. However, no matter which evolutionary path an FI chooses to become more customer-centric, without customer engagement at various levels (emotional for instance) in this journey, the destination will still be unreachable. This is one of the reasons why FIs are experimenting a lot with gamification. Gamification gives the customer a sense of control and makes her a willing partner in helping the FI map the customer lifecycle journey and preferences. There is very little that many FIs know about their customers and gamification is fast turning into a way of knowing more about them.

A leading Spanish bank has a game tied to a points program, all based around driving website usage. Customers get points based on simple activities like transaction, as well as downloading and using the bank's mobile app and watching financial education videos. The end game is elevating customer experiences and retention levels. (thefinancialbrand.com)

Where does technology fit in?

Any talk about customer centricity is incomplete without technology. Proactive customer care is the way to go with relationship based interactions reducing any damage arising out of negative reviews. This needs to be scaled up for covering a spectrum of interactions, channels and customers leading to positive impact on the brand and healthy ROI.

On the compliance front, customer facing processes need to be simplified to ensure customers get more comfortable with sharing data that is needed for regulatory reporting. CRM systems can be fine-tuned to bring in a greater degree of collaboration with the customer so that data gathering and storage can be simplified. Fragmented IT setups cannot support such a need. So data management should be centralised in a hub with scope for access on a need basis. Data flows need to be automated so that information flows into systems (such as reporting, customer service etc.) in a streamlined manner.

Essentially, there is a need for systems that can learn from every customer interaction and validate customer data, study campaign responses, suggest campaign parameters (time, segmentation, target profiles) and engage customers and prospects in automated help sessions. This will free up your customer service staff for engaging in other high value activities designed to improve customer experience and keep the customer locked for a longer duration of time.

Expansion and launch of new products should be insight and scalability driven. Which means that for every level of growth a baseline should be established for minimum level of information that will be generated and made available whenever needed. Data (at a baseline level) for customer service or up-sell data will be accessible for those employees or systems that need them and alerts will be generated when such baselines are breached.

In addition to the above, Talisma suggests a roadmap they can pursue to cater to the needs of the new age customer. This roadmap covers areas that are critical from a revenue and customer engagement perspective and there will be an impact on the margins in the days to come.

Steps to deepen customer engagement

- Deploy adaptive models of engagement that evolve with the customer
- Move away from product/channel centricity to delivering consistency in customer experience across touch points and products
- Simplify IT infrastructure to target reduced transaction complexity
- Availability of choices matter
- More customer-centric roles will help
- Convenience matters more than channels
- Figure out customer's best interest and motivators before they do
- Passive satisfaction doesn't help; advocacy does
- Engage outside the buying cycle to begin with
- Offer the path of least resistance for every transaction

The new customer represents an evolutionary milestone for the changing customer landscape. FIs that don't match pace with the needs of such customers will find the going tough in the days to come.



About Talisma Corporation Pvt. Ltd.

Talisma Corporation Pvt. Ltd., is the leading provider of Customer Experience Management (CEM) software for a wide range of industries. Talisma CEM enables organizations to deliver an exceptional customer experience on a global scale across engagement channels and interactions. Our solutions improve customer satisfaction by integrating the power of email, phone, chat, SMS text messaging, portal, social media and Web self-service with a robust and mature Web services platform, comprehensive analytics, and an intelligent CRM solution. Talisma serves a variety of industries through its vertical solutions, including financial services, travel and leisure, government, retail, business process outsourcing (BPO), and manufacturing.

Talisma also delivers a combination of advisory/consulting and services support under one roof to enable enterprise level CEM transformation initiatives.

For more information, visit www.talisma.com/cem



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