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September 2011

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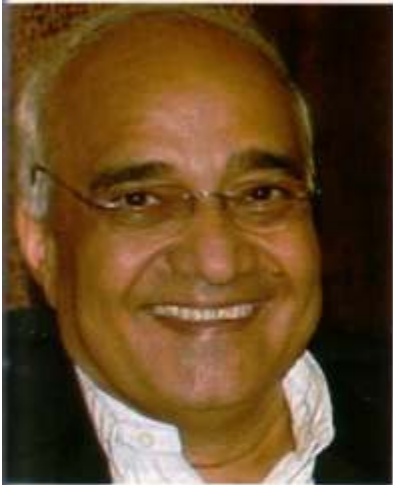
This month, The BFSI World focuses on Neeraj Dutt, India Finance Controller, Virtusa (India) Pvt. Ltd. as the 'Young Finance Professional' for September 2011



# Maintaining the 80:20 Rule for Growth in the Banking Sector

L.C. Singh,  
President and CEO, Nihilent Technologies

*Nihilent has emerged as one of the most creative consulting and IT companies in India. LC is the author of Nihilent's patented change management framework MC<sup>3</sup> and a distinguished alumnus of the Institute of Technology, Banaras Hindu University and the Harvard Business School*



L.C. SINGH

“The key to a successful business is a steady customer base. After all, successful businesses typically see 80 percent of their business come from 20 percent of their customers”

The last three decades have demonstrated a significant increase in the size, spread and scope of activities of banks in India. The Indian banking story is running in parallel with India's growth story. With economic growth of India expected to average at double-digit for the current decade, the banking sector is also poised for growth as the factors contributing to the growth of GDP would act as catalysts for the banking sector as well – in retail, corporate as well as rural banking.

This influx of growth in the banking sector has compelled the banks to increasingly become customer dictated. The demand for 'banking supermalls' offering one-stop integrated financial services is well on the rise. The ability of banks to offer clients access to several markets for different classes of financial instruments has become a valuable competitive edge. The various activities

viz., service quality, ambience and other loyalty building programmes provide a pleasant banking experience but does it really help in building customer loyalty, is still a question mark. The working of the customer's mind is a mystery which is difficult to solve and understanding the nuances of what customer loyalty is, a challenging task.

The key to a successful business is a steady customer base. After all, successful businesses typically see 80 percent of their business come from 20 percent of their customers. Loyal customers are central to optimal performance and financial returns. In many places in the world, business organizations have been elevating the role of the customer to that of a key stakeholder over the past twenty years. Customers are viewed as a group whose satisfaction with the enterprise must be incorporated in strategic planning efforts. Forward-looking companies are

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Conventionally customer loyalty has been captured with surveys that invariably capture the superficial and on-the-moment mindset of the customer without attempting to uncover facets of the promised experience or the insight into what the customer is really expecting

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finding value in directly measuring and tracking customer loyalty as an important strategic success indicator. Evidence is mounting that placing a high priority on customer loyalty is critical to improved organizational performance in a global marketplace.

But also on the other hand too many businesses neglect this loyal customer base in pursuit of new customers. As a result, sometimes brands are constantly imposing themselves on customers to gain their attention through various mediums. With the extensive assortment available, consumers find it difficult to stick to one brand and are always moving on to new ones. The brand world is thus always on a constant customer loyalty war. In such situations, where every brand is trying to stay prominent in people's memory, measuring customer loyalty and developing a retention strategy are critical to an organization's success.

Customer Loyalty is quite a complex

issue and there is a lot of debate and confusion about what exactly is required and how to go about it. Conventionally customer loyalty has been captured with surveys that invariably capture the superficial and on-the-moment mindset of the customer without attempting to uncover facets of the promised experience or the insight into what the customer is really expecting. And hence is not only important but a necessity given the current dynamic market conditions in understanding the 'experience' of the customers in comparison with their 'expectations' for a service / product.

As we must always remember that loyal customers don't leave even for an attractive offer elsewhere. At the very minimum they will give you the opportunity to meet or beat the other offer. Thus evaluating and maintaining a loyal customer is an integral part for the sustained growth of any business.