

40 Banking Alerts

Counterparty Credit Risk – A Primer - An introduction to the learnings from the financial crisis of 2008



43 Tech Talk

The Time is Now... - Banesh Prabhu, Chairman & Global CEO, AurionPro emphasizes on focusing effectively on certain verticals to achieve success



45 Economy Watch

Environment and Economic Growth Conundrum - Dr. Arun Singh, Senior Economist, Dun & Bradstreet India speaks on the wide-ranging environmental risks and challenges that have come about due to population growth



47 Customer Service

Defining Customer Loyalty - Ravi Teja, Senior Associate Vice President, Country Manager - India & Head - Enterprise Transformation Group, Nihilent, speaks about the significance of transforming customers to gain ground in a competitive environment



51 Cash Management

The Future of Cash Management - Sathyan Gopalan, Managing Director, Wincor Nixdorf India speaks on how modern cash management is no longer restricted to the simple management of payment flows and account balances, it now relates to manipulating working capital to achieve greater business efficiencies and increase revenues



53 YFP

This month, The BFSI World focuses on Ravi Kumar, Senior Vice President & Chief Internal Auditor, Development Credit Bank Ltd (DCB) as the 'Young Finance Professional' for August 2011

Defining Customer Loyalty

Carol Pereira



RAVI TEJA

In conversation with the Banking & Financial World, Ravi Teja, Senior Associate Vice President, Country Manager - India & Head - Enterprise Transformation Group, Nihilent, speaks about the importance of turning customers as the key factor in winning market share and developing a sustainable competitive advantage

How do you define customer loyalty?

The term customer loyalty is used to describe the behaviour of repeat customers, as well as those that offer good ratings, reviews, or testimonials. Some customers do a particular company a great service by offering favourable word-of-mouth publicity regarding a product, telling friends and family, thus adding them to the number of already existing loyal customers. However, customer loyalty includes much more. It is a process, a program, or a group of programs geared toward keeping a client happy so he or she will provide more business.

What does the “customer experience” mean in financial services? Do financial institutions actually understand this?

Customer experience is the sum of all experiences a customer has with a supplier of goods or services, over the duration of their relationship with that supplier. Customers who have positive interactions with their financial providers are more likely to purchase additional products, less likely to move business away, and more likely to recommend the financial institution to their friends and families. Thus good Customer experience means loyalty. Many financial institutions are figuring this out. They are increasingly understanding that customer experience is a critical lever in

building relationships with - and retaining - customers.

What are some misconceptions that banks and insurers have about the customer experience?

Amid the economic turmoil, many people simply want a stable financial services relationship. Creating a strong customer experience can be a powerful competitive advantage in optimizing this valuable relationship. Sometimes financial institutions think too narrowly about customer experience, as if it's a channel-specific issue. So they think about usability of the website, fine-tuning scripts for the call center, and training for agents and tellers. But they miss the big picture.

Customers often run into problems when they cut across channels. Everyone from product development to management to marketing communications to legal has an impact on the customer experience.

Our research showed that the existing conventional customer satisfaction surveys that are conducted by either companies themselves or by independent institutions invariably capture the superficial and on-the-moment mindset of the customer. They never attempt to dig out the facets of the promised experience and the insights into what the customer is really looking to get in the future. Thus, they make it

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impossible to predict the future course of action of the customer and hence loyalty. Nihilent's Customer Loyalty Evaluation model analyzes customer expectations and experience based on 14 signals. Our intensive research over the years shows that these 14 signals are the aspects on which the customer makes a buying decision and evaluates his experience.

What key tools and technologies enable a positive customer experience?

There will be a continued investment in moving inflexible applications onto business process management platforms. Companies will put more emphasis on business intelligence tools, especially to analyze customer-facing activities. Companies will also need to invest in text-mining tools, since the richest feedback from customers is often in unstructured form, such as comments via e-mail, calls into the call centres and most importantly, use the fast catching social media tools to deliver and impinge the positive experiences through social media discussions.

How much of providing a great customer experience depends on technology, and how much depends on factors like corporate culture?

Customer experience requires a blend of both technology and corporate culture. There are four key competencies that companies need in order to be good at customer experience: purposeful leadership, compelling brand values, employee engagement and customer connectedness. IT issues can cause major customer experience problems, but technology isn't often the key driver. A company with good customer experience competencies can overcome technology shortfalls, while a company with poor competencies can mess up even the finest technology. This is exactly why, 14 signals not only captures the tangible monetary factors but also intangible aspects, which are a part of the corporate culture, such as emotional, psychological and ethical factors.

Do large and small companies face the

same customer experience challenges?

The buzzword for any organization is customer loyalty and retention. The goal for customer experience is to consistently deliver on brand messages that resonate with customers. Fundamentally, large and small organizations face similar customer experience challenges, in case of large organizations, they need to work harder at implementing systems and processes that can deliver consistently good experiences across many more customer interactions through various customer contact points that involve more employees. Small and medium enterprises need to regularly evaluate the customer loyalty drivers which will help in customer retention.

Our web-based tool named www.14signals.com is built to specifically target the Micro, Small & Medium Enterprises (MSMEs). The core element of the unique web based tool 14signals.com is its simplicity that will successfully identify loyalty drivers and drive customer retention and help in forecasting trends and customer preferences over a period.

Do special promotions such as reward cards really increase revenue for companies?

They can when they are executed effectively and build long-term loyalty. For a customer loyalty program to be successful, the basic requirement is accurate data about the customer. Various departments of an organization might have different data about the same customer, but, there is no means to collate these bits and pieces and form a complete picture. Thus, Lack of centralized database leads to ambiguity and makes it difficult to have a 360 degree view of their customer. The need is to have a centralized customer database which helps to avoid fragmentation and duplication of information, thus helping in effective execution of the program.

How can emotional loyalty be generated? What might the different stages look like in terms of generating that loyalty?

Clients should be encouraged to think

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The only real path to building loyalty is to continually uncover the needs of customers and then deliver to those needs

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about the development of loyalty in stages. Focus should be on identifying the emotional cues that are going to deepen the relationship from one stage to the next. Businesses can distill this emotional bonding by looking at three key questions. Very early in the relationship, when you're trying to turn someone from a prospect into a first-time customer, the question that has to be answered is, why should I trust you? You've got to be offering the cues that show that you are worthy of trust. After someone has bought for the first time, the customers' next unspoken question is who's looking out for me? Oftentimes customers have an incredibly good experience with a process or a person on that first purchase, but as they move into continuing customer status, the players that serve them may change. So the organization has to create emotional cues and experiences that positively reinforce that the new team is capable of providing a great experience. The third unspoken question arises in the later stages of customer development at the client and advocate stages. At this point the customer wants to know, what have you done for me lately?

The biggest mistake an organization can make is to believe that a customer's needs in the early stages of the relationship are the same as the customer's needs in the later stages of the relationship. That is simply not true. The CLE Framework helps an organization to overcome this problem

as it assists to successfully identify loyalty drivers and drive customer retention, forecast trends and customer preferences over a period, predict the future course of action of customers and make the right pitch, make the right offers to the right customers at the right time

How do workforce issues relate to building sustained customer relationships? How can banking and financial institutions satisfy and retain staff?

Generally, companies that enjoy high levels of customer loyalty also have high staff loyalty. According to me, a company can enjoy customer satisfaction and loyalty only through satisfied and loyal employees. Customer service comes first, but one should put staff loyalty processes in place so as to create an environment where employees want to perform on behalf of the customer. There is nothing that can replace the good feelings, the empowerment and the zeal that employees can feel about their workplace when they feel well-treated. That spills over into how they service customers, and nothing can replace that. Employers need to think in terms of, how do I make sure the needs of my employees are met so that they in turn can serve customers? Teaching managers to get into the hearts and the minds of the employee is the key. It's a simple formula for all the organizations across sectors, 'treat the employees well,

and the customers are taken care of'.

What are some innovative approaches that help companies gain loyalty?

The only real path to building loyalty is to continually uncover the needs of customers and then deliver to those needs. Taking one-on-one interviews with customers to entirely new levels in regard to understanding how customers think and what's on customers mind (unconsciously in many cases) is the approach to gain loyalty.

What are the three most important things a company can do to provide great customer service?

The first is to understand that the frontline manager has everything to do with how that employee is going to perform on behalf of the customer. Number two is having an ongoing process for uncovering how customers define value. Companies today are very guilty of using old definitions of value. Number three is that a firm's systems (good or bad) drive employee behaviors. Systems should be in places that support the customer-centric mission and values the company says it stands for. Mission, values, relevancy and metrics together create systems that drive employee behaviors. Firms must look constantly at employee performance and how their systems are encouraging that behavior.

Do you think most companies do an adequate job of connecting with their customers?

Some companies do it very well, but most are average to mediocre. Every company now has a huge upside opportunity to get better. Today's stars are successful because they've seen the necessity and are relentless in pursuit of what's next. The technology to gather customer information and turn it into insight has become affordable for even the smallest of companies. Customer-centricity starts at the top with the CEO. Its one thing to give lip service to being customer-centric, but it's another thing altogether to lead the firm so that it truly practices customer-centricity day to day.

Are more banks going to be moving

toward enterprise-wide loyalty strategies?

The time is right to move faster toward enterprise-wide loyalty strategies. The holistic customer concept of an enterprise relationship-in which customers are rewarded for participating in multiple banking products from deposit demand accounts to retirement investments to mortgages-must be turbocharged. This idea is called the "total relationship banking." In such a strategy, banks aren't building the business model on the back of one piece of plastic. As a result, reduced rewards on credit and debit transactions would be more than offset by the earning potential for rewards on a multitude of banking activities.

Please shed some light on Nihilent's Customer Loyalty Evaluation (CLE) and the Predictive Loyalty Index (PLI)

Nihilent's Customer Loyalty Evaluation™ (CLE) is a patented predictive model that helps businesses to identify the loyalty drivers and build enduring customer loyalty. CLE determines customer loyalty by analyzing the 'experience' of customers in comparison with their 'expectations' for a product/service. The model analyzes customer expectations and experience based on 14 signals. Our intensive research over the years shows that these 14 signals are the aspects on which the customer makes a buying decision and evaluates his experience. The 14 signals not only capture the tangible monetary factor but also intangible aspects such as emotional, psychological, ethical factors.

This model comes up with an exclusive Index for loyalty termed as "Predictive Loyalty Index" (PLI). Customer Loyalty Evaluation (CLE) is thus a unique model designed and developed to make customer loyalty measurable and predictable.

We have recently launched a unique application on IPAD called '14Signals for Women' which helps women to gauge the relationship harmony between their partners. This too is based on the patented CLE framework '14Signals'.

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