

New Age of Customer Service in Today's Banking: New Challengers and Challenges

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Abstract—Earlier not many people switched their banks unless any grave issues cropped up. The commitment levels were high. However, in today's banking these unflinching relationships are rare and hard to find. Aside from this, banks today face formidable competition from companies in the retail and communication sectors that have not traditionally operated in this space. A slew of new payment technologies with bolstered security features are making it easier for non-traditional financial companies to charm customers away from traditional banks. This rapidly evolving landscape, while threatening at first glance, actually holds hidden opportunities for traditional players who focus on reinventing customer experience.

This time for banks is truly different. Banks are faced with tough choices. Even as most banks do fire-fighting today, the smarter ones are looking towards the future with New Age Banking. Theories of competitive advantage help to show that banks need to either develop a cost advantage or differentiate in order to compete effectively. The new age banking will be driven by customers and will require banks to focus on creating value for its customers. The paper talks about the five customer imperatives- channel amplification, service accessibility, customer serviceability, data privacy and security, simplified banking- which would drive the New Age Banking requirements and the way forward for banks to meet the customer expectations and come out as winners. This paper initiates an important discussion about the future of the banking industry. The paper delves into the new challenges and challengers which will have a powerful say in the fate of traditional banking.

Keywords: Bank, Banking, Customer Relationship Management, Non- Traditional Banking, New Age Banking, Customer Service

1. INTRODUCTION

Traditionally customer service was defined as the process of identifying customer needs, satisfying them fully and keeping those needs satisfied. But now, customer expectations have increased manifold. The economic downturn coupled with growing competitive environment has led to the new era of consumerism. A shift in demographics, income, attitudes and behavior in addition to easily accessible information has empowered customers to demand greater autonomy, responsiveness and transparency from their bank. Today's banking is vastly different to a decade ago and will bear even less resemblance moving forward. The long term success by any bank cannot be achieved without the development of new business ideas, innovative products and services and intense

focus on customer retention. The customer service function today is one of the most important components in the marketing mix for banking products and services. Banks have to instill in their DNA the enablement of positive and consistent customer experience. This brings us back to our original definition of customer service: Ensuring that every customer is genuinely satisfied with their choice. At no point in the history has this been more important.

2. THE CHALLENGES AND THE CHALLENGERS

The increasing role of digitization, unprecedented changes in both technology innovation and usage, a crowded field of new, non-traditional competitors and digital disruptors and rising expectation among customers and prospects are just a few of the new challenges facing banks. (See Exhibit 1 and Exhibit 2)

Customer Loyalty: Customers not only want personalized products but are willing to shift loyalties and approach another bank that offers them a better deal. The customer today wants an awesome experience complemented by great follow up support. A survey reveals that 96% of unhappy customers in fact do not even complain and 91% of them will just leave and never come back. Banking customers worldwide are now exercising their 'freedom of choice'- changing their banks in search for better service and customized products. Superior customer service is the source of competitive advantage as it helps create customer loyalty. The loyal customers, in turn, are advocates who can help banks grow through favorable word-of-mouth advertising, which attracts new customers and increases the frequency and volume of transactions. The customer service is no longer about processing a transaction. A customer relationship with brand is no longer limited to buying a product. Customer service is all about being a trusted advisor to ensure people are buying the right items and that they know how to use them. Customer service is often the only way a bank can differentiate itself from its competitors. Today's customers are not only interested in the product they are being offered; they are looking for the additional service- from the greeting they receive when they enter a bank branch, to the help they receive when they register a complaint about a faulty transaction or request a refund on an erroneous fee they

were charged. Regardless of the medium- whether it is through a phone call, online chat, social media, email or web forms- customers want to be heard and receive a response without delay. In today's increasingly competitive banking climate, the ability to delight customers at every transaction, every touch point, is a key differentiator. The writing on the wall is clear: 'Keep your customers happy and survive.'

Innovation: Innovation is important to business and is recognized as having a significant impact on productivity and overall business performance and success. Innovation in banking adds immense value to customers who would benefit from new way of banking, different approaches, new products and services, which in turn can have an impact on the bottom line. Thus through innovation banks are seeking to reduce costs, improve efficiencies, reach new customers or improve customer experience and of course make money. The new mobile generation of consumers, the exploding popularity of social media and the increasing demand for self-serve channels are some key factors contributing to the ongoing shift in the way banking organizations service their customers. The innovative customer service today is not limited only to being able to contact a bank by phone but through multiple channels and platforms including email, social media (Facebook, Twitter) and mobile devices. Going forward, innovation is perceived as the key to growth and competitive differentiation. Banks that do not knock down stovepipes and do not reconstruct their go-to-market strategies along lines consumer demand will find themselves on the outside looking in, no matter how many gadgets or apps they develop. But banks face a conundrum when it comes to innovation. The regulatory pressure and the need to be seen as trusted financial institutions implies very little experimentation can take place within a banking environment. Entrepreneurs can fail and fail again; but a failed development at a financial institution attracts headlines and ultimately heads roll.

Digitization: The banking industry is undergoing a once in a generation shift. 7 out of 10 people think that online customers will dominate traditional banking within a decade. As a new breed of digital consumers has emerged, so has a new breed of competitor. These competitors are differentiated by the ability to turn big data into meaningful customer insight. In addition, as the banking industry value chain continues to fragment, more competitors are 'nipping at the edges', offering discrete financial services without becoming full-fledged banks. (PayPal, Apple etc.)

Regulatory Pressure: Regulatory pressure continues to be a top priority for firms around the world and is contributing to high stress in the banking industry. The regulatory readiness survey found that 56 percent of retail banks believe that the need to deal with regulatory change means that their organization cannot focus enough on its core business activities and 30 percent say it has limited their ability to invest in new growth opportunities. In addition, many are finding it difficult to keep up with regulatory change. In fact,

58 percent of retail bank respondents say pace of regulatory change is too rapid to prepare for adequately. The regulatory heat in banks has been turned up on capital and liquidity requirements, systemic risk, conduct and supervision. Many banks to date have focused almost entirely on meeting new and tougher capital, leverage and liquidity requirement. This may have enabled banks to meet immediate regulatory requirement but to achieve a viable and sustainable future requires banks to also have a strategic focus on their customers, business and operating models, IT systems, data management, culture and governance. On other hand, big four consumer tech companies- Apple, Facebook, Google and Amazon- and many more non-traditional banking companies have more cash than the banks and operate under a less onerous regulatory regime.

The Challengers: The non-traditional banking companies pose a formidable challenge to the banks. These new competitors have invested heavily in understanding and more importantly in predicting customer behavior. Communication service providers are eyeing the tremendous opportunity in front of them. The ubiquity of mobile phone is accelerating leaps and bounds. In many emerging markets, including India, mobile phones far outnumber bank accounts, a reality that has led to the creation of a growing 'mobile money' ecosystem that facilitates funds transfer among mobile phone users. Additionally we are seeing the emergence of 'new companies' that are using technology to create disruptive banking models that capture the imagination of consumers and erode the market share of traditional banks. A slew of new payment technologies with bolstered security features are making it easier for non-traditional financial companies. News that Apple is upping its game in mobile payments serves as another reminder that traditional banks are under siege. Further, many non-traditional players do not face the same regulatory burdens as traditional banking entities.

Disintermediation: An often ignored competitive threat is disintermediation. Disintermediation has haunted banks for a long time. This could take the form of peer-to-peer services (such as Lending Clubs), the use of capital markets or third party offerings (like prepaid cards). There is a great deal of discussion and debate around what will ultimately happen to banking as a result of the massive change in connectivity, utility, mobility and customer experience taking place right now. Today the process of disintermediation has greatly impacted the banks. It has not only weaned away the savers and depositors of banks, who have been its sole provider of cheap raw material, but also has taken away the best rated borrowers who have been its bread and butter. Now the savers find higher and higher yield on their savings. Similarly, the best rated borrowers find that they can directly approach the savers and can obtain funds at a lower cost compared to the lending cost of banks. Disintermediation has rudely shaken the banks world over and the banks had to be innovative and proactive to remain in business. Much to their chagrin, banks find that the phenomenon is gaining strength every day,

making survival tougher day by day. The last few decades, in international banking, has seen the saga of banks finding ways and means to overcome the challenges of disintermediation.

3. THE FUTURE ROAD MAP

As this customer service evolution continues over the next few years, big changes will be in store for support departments across the banking globe. How can banks best prepare?

- Customer service should not be reactive; instead should focus on building meaningful relationships with customers. Proactive support can take many forms- from working with customers to improve product and services, to using analytics to measure how bank customers are engaging themselves or even listening to them via social media.
- Consumers' increasing affinity for self service should be recognized and embraced by banks. Banking customers are becoming more and more comfortable using technology-especially mobile technology (mobile banking)- to find what they need, rather than calling or emailing with a question.
- Product Development: Customers are the best source of feedback to enhance a bank's product or service. 'Voice of the Customer' programs are now common in customer-centric companies.
- Multi-Channel Approach: The concept of multi-channel support is not new. While phone support continues to be the most popular service venue, more and more customers are turning to Twitter, Facebook and email. Therefore it is increasingly important for banks to take a specific approach to communicate with customers through each channel versus taking a one-size-fits-all approach. Every channel has different advantage and limitations, and it is important to understand and embrace them as part of overall customer service strategy.

The five imperatives thus a customer would be looking at to be addressed by their bank of choice will be:

- a) Channel Amplification: Develop the right mix of assisted and self-service channels to provide a rich, unified and consistent banking experience.
- b) Service Accessibility: Incorporate technologies which can make banking accessible for broader base of population.
- c) Customer Serviceability: Develop a responsive, reliable and competent service model, accessible via various channels that continuously take feedback and can improvise.
- d) Data Privacy and Security: Protect the identity of the customer, and ensure appropriate mechanisms are established to proactively guard against internal and external misuse of customer information.

- e) Simplified Banking: Make banking sophisticated, yet simple, in terms of processes and services, to enhance banking experience.

4. CONCLUSION

There is a sea-change in today's banking. It is digitization, changing consumer behavior and regulations that are driving the change. The silver line is that banks are responding proactively to the challenges staring them. Majority banks have identified that to succeed in new age they have to put customer first, move from traditional branch based banking to digital banking, simplify business and operating models, ensure to harness the power of big data, innovation in product and customer service and finally proactively manage risk, regulation and capital. They have also realized that the agility and omni-channel experience coupled with the security and financial excellence that today's consumer demands can be delivered most effectively and efficiently by banking system. Today banks are making many of the right investments to be able to offer the customer-centric banking services to compete successfully in the future.

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EXHIBIT 1

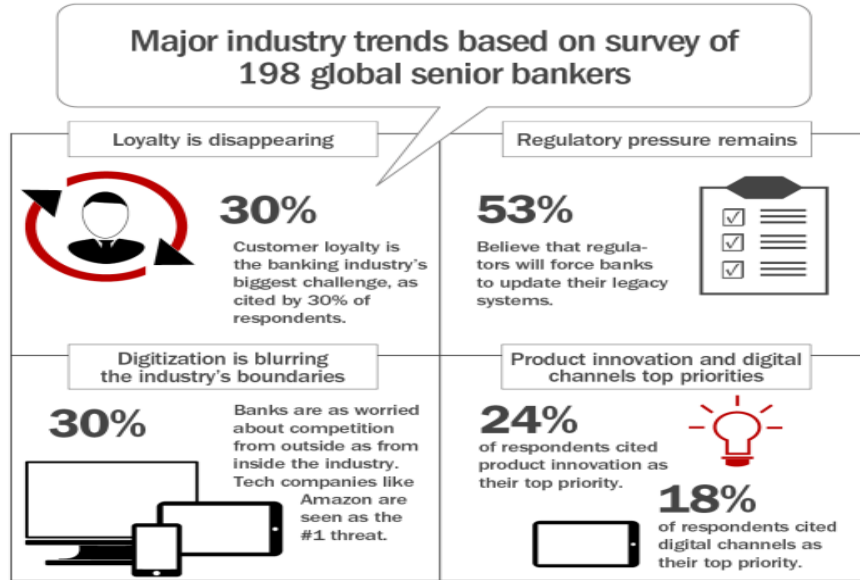


Exhibit 2

