

# Customer Care and Insight: Strategies to Secure a Profitable Recovery



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## **Customer Care and Insight: The Cornerstone of a Service Business**

Whether banks are experiencing the best of times or the worst of times, one fact remains immutable: Banking is a service business. For all its 21st century complexity and increasing intricacy, banking can still be reduced to two fundamental activities: accepting deposits and lending funds to customers. Banks are financial intermediaries that survive and prosper when they accurately price these two types of products and services. Banks also must execute transactions in ways that customers deem convenient and appropriate, for banking is a people business.

Success in a service industry depends on excellence in customer care and insight. Banks are most successful when they couple a deep understanding of their customers' financial needs and preferences with a commitment to be best in class in sales and service quality. Banks must do more than just "know" their customers; they must also have the capability to "serve" them effectively, regardless of the channel the customer uses or prefers. Effective, customer care and insight focus on both knowledge *and* action.

### ***The Importance of Customer Care and Insight***

Customer care and insight are widely recognized as critical components of consumer banking, yet execution of the strategy has been constrained in many large, tier 1 global banks. For some, the issue is gaining a 360° view of customer holdings and relationship ties. For others, the customer profile is complete, but the inability to use the data to drive marketing efforts or to integrate the data into everyday interactions with customers is the sticking point. A bank may have begun to infuse its knowledge of customers into its operations and interactions but limited its focus to a single channel. Regardless of where a bank falls on the maturity curve of customer care and insight, customer knowledge is the hub from which those strategies and activities radiate.

The 360° customer profile is central to the strategies and tactics of a customer-focused bank. As many banks have come to realize, customer care and insight require a harmonious blending of people, process, and technology infrastructure to be effective. The ability to make data-driven decisions, whether for expanding customer relationships, driving relationship profitability, or managing branch franchises efficiently, will always depend on timely, accurate, and accessible customer data.

Banks that have embarked on the journey to customer-centricity understand that customer care and insight can differentiate them from their competitors by providing proof of the bank's commitment to customers. Organizations that can interact with customers effectively and efficiently according to individual preferences and circumstances are still rare. However, even

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banks that have not fully mastered customer care and insight can demonstrate to customers that they intend to “walk the talk.”

The benefits banks can derive from customer care and insight are legion, but the most fundamental is the capacity to interact with customers proactively in a manner that reflects the customer’s needs and preferences. Proactive marketing is common in banks, but those efforts are usually motivated solely by sales directives. In contrast, the purpose of customer care and insight communications is to provide more appropriate service or to uncover opportunities to better serve the customer (which includes selling additional products or services). A classic example of this type of bank-initiated outreach occurs when a bank has noticed a shift in customer behavior and interprets the triggering actions as an opportunity to prevent attrition. Banks that are adept with customer care and insight capitalize on their understanding of customers to deepen their total relationship.

### ***Understanding the Customer’s Perspective***

Of the many disastrous byproducts of the recent financial crisis, one that continues to haunt the banking industry is the loss of consumer trust. Today, consumers and investors around the globe are far more likely to turn a jaundiced eye upon the pronouncements and proceedings of bankers. Not only have consumers lost faith in bankers’ competency to manage financial transactions, but also they are doubtful of bankers’ motivations. Their doubts have only been reinforced by the onslaught of bank notices revoking their lines of credit or raising interest rates to alarming levels. Many consumers feel that their relationship with banking institutions has evolved from benign neglect to adversarial.

Customer care and insight enable bankers to redeem their reputations with customers. Banks that have started on the path to customer care and insight have the motivation of ensuring that all interactions with customers demonstrate a commitment to best-in-class sales and service quality. The hallmark of these interactions is that they are always based on a deep understanding of the customer and the customer’s individual needs and preferences. In an environment focused on customer care and insight, the bank fixates on the customer’s perspective and acts accordingly.

This means the bank is able to structure and execute transactions and interactions appropriately across a widely diverse customer base. Not all customers value the same thing from their bank; successful banks recognize the perspectives and behavioral drivers of customers and act accordingly. As an example, different types of customers have different tolerances for liquidity in savings and investing. Banks that can recognize their customers’ liquidity preferences will be far more successful in pricing savings products when seeking to attract more deposits. Customer care and insight in deposit generation couple pricing with consumers’ liquidity sensitivities.

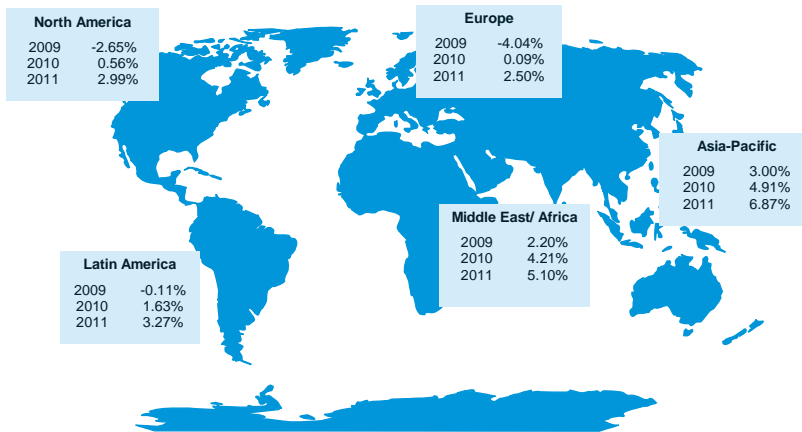
## **Economic Recovery in 2010**

It has been a very long time since the global economy presented banks with such a challenging operating environment. As we approach 2010, it is apparent that economic recovery is beginning. Government intervention in the global financial markets during 2008 and 2009 has taken hold, and the first green shoots of a recovery are becoming evident, although the nature and strength of that recovery are still unclear. Economic indicators of future growth are inconsistent across regions, as can be seen in Exhibit 1.

**Exhibit 1**



## Gross Domestic Product Growth Rates in Major Regions (2009–11)



Source: International Monetary Fund

The International Monetary Fund expects North America and Europe to have the slowest growth in gross domestic product over the next few years, as the exhibit shows. However, the critical insight from the exhibit is not regional variation but the fact that all regions will experience economic growth. The message for bankers is clear: Although the economic crisis has battered banking institutions and eroded customers' trust in them, economic recovery is inevitable. Unfortunately, customers cannot be expected to revert completely to their previous banking relationships because too much damage has been done to their trust in financial institutions. The impending economic recovery provides bankers with yet another opportunity to focus more concretely on their customers and solidify relationships.

### Establishing an Infrastructure for Customer Care and Insight

Implementing customer care and insight requires a supporting infrastructure that optimizes people, process, and technology resources from across the organization. The strategies and tactics of providing best-in-class sales and service interactions to customers based on understanding of their individual financial needs and preferences can be executed only as a cross-functional, enterprise-wide endeavor. All customer touch points, lines of business, operations centers, sales/service capabilities, and supporting technologies must be engaged and coordinated.

Customer care and insight will not be fully effective if customer data is analyzed in isolation. Performance data from operations and regional territories are also critical. A prerequisite for customer care and insight decisions, whether for effective relationship cross-selling or efficient call center staffing, is a comprehensive view of internal data, which must be synthesized from all customer data, including appropriate external data. To grow the franchise profitably,

decision makers in banks need access to data that is timely, relevant, reliable, consistent, and applicable in different contexts.

**Technology**

Several technology components are prerequisites for any successful implementation of a customer care and insight strategy. Not surprisingly, they deal with data for making decisions in regard to unique customers and franchise management decisions that affect specific segments of the customer base. The data-intensive applications frequently used by banks for those decisions include:

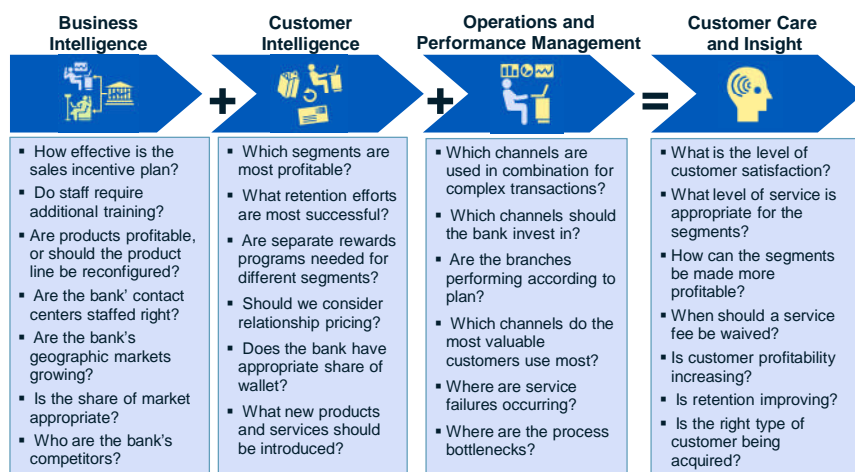
- Customer data integration
- Business performance tracking and reporting
- Business intelligence
- Profitability measurement
- Marketing campaign management
- Case management and problem resolution
- Workforce optimization

Exhibit 2 provides an overview of some of the decisions enabled by a customer care and insight infrastructure.

**Exhibit 2**



**Key Business Questions Answerable with a Customer Care and Insight Infrastructure**



Source: TowerGroup

The goal for a bank is to develop a data environment and capabilities that support customer care and insight on behalf of both the individual customers (such as when deciding whether to

waive a service fee) and particular customer segments (such as when creating a segment-specific rewards program).

### **People**

Besides involving customers and prospects, customer care and insight are profoundly dependent on the participation and performance of bank employees. Decision making at the customer level relies heavily on the skills and training of customer contact personnel. A common challenge for many banks is assessing the efficacy of past training courses to determine whether additional training is required. Performance management reports for call centers or branches can alert managers if a particular employee is struggling to explain product features or if an employee is taking longer than normal to complete routine tasks. Sales performance reports and incentive management plans are also invaluable to bank managers seeking to understand the proficiencies of their customer contact personnel.

Bank managers seeking to optimize customer care and insight are also acutely involved with staffing issues. Service levels in branches, call centers, and online banking all depend on staffing to some degree. Customer care and insight forces bank managers to optimize the efficiency of the channel with respect to quality of sales and service interactions while ensuring that contact personnel with appropriate training and language skills are available during peak volume periods. Banking is a people business, and bank staff plays an undeniable role in elevating an institution's customer care and insight capabilities.

### **Process**

Business processes, whether automated or manually executed, have an indelible impact on customers' perception of the bank's ability to provide customer care and insight. Customers evaluate a bank based on daily operations. Customer satisfaction is therefore inextricably linked to business processes. Performance management reporting of process efficiency and efficacy provides critical input to efforts to improve customer care and insight. Timely reporting on key performance indicators in operational units provides bankers an early warning system for possible sales and service failures. As an example, many banks are finding that customers are avidly taking advantage of low interest rates to refinance mortgages. Performance management reports can alert bankers to process bottlenecks that can erode customer satisfaction.

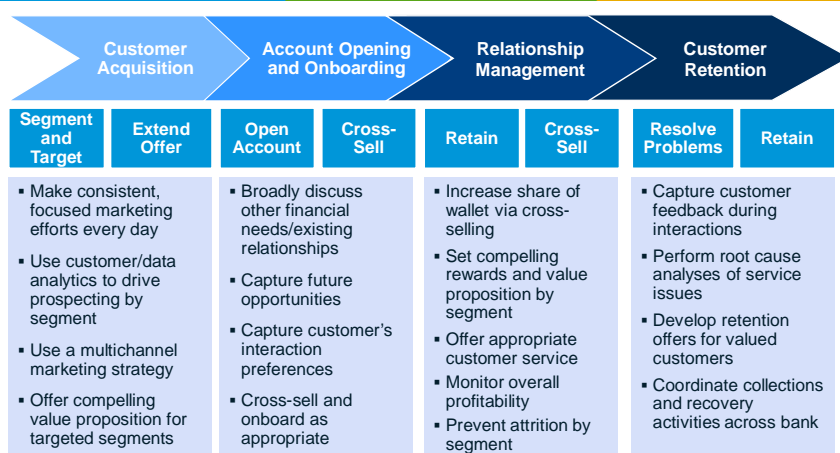
## **Customer Care and Insight: Key Strategies for Banks**

Customer care and insight are the cornerstone of a service business. Organizations, particularly banks, will weather the financial crisis and subsequent recovery on a sound financial footing if they keep the concerns, needs, and preferences of their customers at the forefront of their operations. Customer care and insight have been highlighted in this paper as of the foundation of a customer-focused banking strategy because they enable a bank to play both offense and defense when competing for customers and solidifying customer relationships. An emphasis on customer care and insight fosters proactive strategies to bolster relationships with both customers and prospects. Exhibit 3 provides an overview of the customer life cycle and identifies the strategies and activities that customer-centric banks should focus on at each stage of the life cycle.

**Exhibit 3**



**Strategies for the Customer-Centric Bank to Focus on at Each Stage of the Customer Life Cycle**



Source: TowerGroup

As is evident in the exhibit, banks pursuing customer-centricity must master a considerable number of strategies and activities. It is the very multiplicity of strategies and activities that makes customer care and insight so challenging. Many banks have achieved success with a few of these items once they established a robust 360° view of customer data, but no bank has mastered synchronizing all these elements of people, process, and technology. For large banks that operate across multiple regions or nations, synchronization of these resources will be an even more daunting challenge. For most banks, the vital task is to determine which of these areas offer the greatest room for improvement or return on investment, and to focus intently on the strategies and activities particular to those areas.

**Focus on Existing Customers**

It is a truism in banking organizations that customers are more valuable than prospects. The rationale behind this thinking is that customers have chosen to do business with a particular institution, whereas prospects have yet to be convinced. The customer in hand is believed to be more valuable than an unknown prospect. Although this principle holds generally, it doesn't necessarily prove true in all cases because not all existing customers are profitable. Still, the existing customers of a bank are valuable as long as the bank can optimize the depth of the relationship, stressing loyalty and profitability.

Following are the key customer care and insight activities and strategies for use with existing customers.

- Capture data on relationships with other financial institutions to facilitate increasing share of wallet (particularly deposits) and profitability

- Discuss near-term financial needs to facilitate increasing share of wallet and improve loyalty
- Capture channel preferences to enhance customer satisfaction
- Create meaningful rewards programs that appeal to diverse segments to increase customer satisfaction and loyalty
- Implement retention programs for key segments to facilitate loyalty and improve profitability
- Capture customer feedback during sales and service interactions to improve service capabilities and customer loyalty

As 2010 nears, existing customers will continue to be the foundation for the bank's profits. The customer care and insight activities noted above support the banking institutions' goals of deposit generation, customer retention, improved relationship profitability, relationship duration, increased share of wallet, customer satisfaction, and enhanced customer loyalty.

### ***Converting Prospects to Customers***

Even though prospects provide no revenue to banks until they convert to customer status, it would be foolish to overlook the revenue potential they represent. As the title of this paper indicates, banks need to adopt proactive customer strategies if they wish to secure profits in the coming economic recovery. Given the loss of trust that some institutions have sustained due to the credit crisis and the intervention of governments and regulators, banks would be wise to actively pursue prospective clients in 2010. Following are the key customer care and insight activities and strategies for use with prospective clients.

- Develop prospect data base strategy to ensure a consistent source of appropriate acquisition targets
- Use existing customer data and analytics to create profiles of desired prospects in conjunction with prospect data base for the disciplined acquisition of profitable customers
- Develop onboarding strategies and tactics for various segments to ensure relationship profitability and the satisfaction and loyalty of new customers
- Create ongoing marketing programs that are deployed across channels to appeal to desired demographic segments
- Develop compelling value propositions for various target segments to ensure long-term customers satisfaction and customer profitability

Customer care and insight strategies, whether used with existing customers or with prospects, are most successful when the bank operationalizes them and embed them in its daily operations. The task for the bank is to translate what could easily become a series of one-off tactics into a well-developed set of disciplined, knowledge-based processes executed daily.

## Conclusion

Customer care and insight are critical components for customer-focused banks. The core of customer care and insight is customer data, but customer data in isolation is insufficient. Banks need to synthesize customer data with other internal performance data and external data if they are to be successful in acquiring new customers and optimizing their relationships with existing customers. Leveraging internal and external data is also crucial to making franchise management decisions that affect specific segments, channels, or groups of customers.

Customer care and insight also require a sophisticated supporting infrastructure that includes data-intensive applications, appropriately trained and compensated contact staff, and streamlined, transparent processes. Simply put, customer care and insight do not occur by chance or in a vacuum but demand the involvement and coordination of resources from across the enterprise. In a service industry, any less of a commitment of resources would signal an acceptance of mediocrity.

The economic crisis presents banks with a compelling rationale for investing in customer care and insight. The economic crisis has destroyed customer trust in financial institutions. Today, customers doubt banks' competency and motivations. As we move into 2010 and the inevitable economic recovery, banks have an opportunity to demonstrate their commitment to customers. Given the breach of trust that has occurred, customers cannot be expected to revert to previous banking relationships. Customer care and insight can position banks to acquire new customers and cement existing relationships as the economy strengthens, generating profits for institutions into the future.



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