Customer experience is becoming an increasingly important factor in the global retail banking market and that’s where CRM tools hold many of the answers.

Customer experience is an increasingly important task for any business, especially in retail banking. The sector is still working to repair its reputation in the wake of the financial crisis. New technology increases the avenues of engagement and customers are becoming more connected, more demanding and less forgiving. With new players entering the market, they are also faced with more choice. Banks need to place customer experience at the front and centre of their operations to make sure their customers remain their customers, as well as to protect a reputation which can quickly become fragile, especially when exposed to online communities. One of the best ways to do so is with the right Customer Relationship Management (CRM) software designed for banks with tools that are flexible and adaptable to the ever changing ecosystem. Of course, software alone is not enough and it is crucial to have a customer centric strategy that is supported by the right CRM tool.
THE CUSTOMER IS CHANGING

Today’s customer is more empowered and armed with much more information before even the first contact; they are less loyal as they search for the best deal and are likely to maintain a relationship with more than one financial institution, which means customer experience becomes a key competitive consideration. Retail banks, therefore, need to see the world from their customers’ point of view, understand what competitors are doing and develop an effective customer relationship strategy which maximises value for all sides.

The importance of positive customer experience was revealed in a recent report from Deloitte (Reshaping the retail banking experience for the customer of tomorrow). 90% of customers trust peer reference; they are seven times more likely to trust a reference from a peer than an advertisement. If a customer experiences poor customer service, he or she may never return and will advise their friends to do the same.

Customers are sceptical about financial services with only 44% saying they trust financial services institutions, and when they complain they make a bigger impact; 44% said they use social media to make complaints. With social media use doubling between 2006 and 2012, word of mouth advertising is stronger than ever before.

A NEW AGE OF RETAIL BANKING

A more demanding environment means the retail banking sector has to change. As PwC’s report (Retail Banking 2020 Evolution or Revolution?) acknowledges, retail banking will have to contend with a number of issues over the coming years including the tightening grip of regulation, the rise of Fintech, low growth and costs which are difficult to contain. Customer confidence remains shaky and banks are still battling to win back their position of trust.

Some of these issues will be challenges, others will offer opportunities. The rise of Fintech, for example, sees smaller, mobile financial institutions offering a faster and more affordable service than traditional banks. At the same time, it provides opportunities for growth and new revenue streams.

It is less so a disruptive technology, rather a collaborative opportunity to build value for a bank’s client base. Santander, for example, partners with several Fintech firms including the biometrics firm Socure, and investment firm SigFig. It holds Fintech Venture days and has a $100million Fintech fund in the shape of Innoventures. Citi, meanwhile, partners with credit scoring firm Demyst Data and is developing its own digital payments infrastructure.

Retail banking may face challenges but the outlook is still reasonably good. Analysts at Wise Guy Reports suggest the global retail banking market will grow at CAGR 6.08% to 2020. It will, however, change significantly, both in the way it uses technology and in how it presents itself. When Metro Bank became the first new UK highstreet bank in 2010, it presented itself as a fresh face relying on transparency, friendliness, accessibility and strong customer service. TSB did much the same thing when it returned after the split with Lloyds; its marketing focused on strong community values. The message is very different and the focus clear – the customer comes first.
All this contributes to added choice and opportunity for the customer. Even so, it still has some way to go. The Capgemini World Retail Banking Report found that banks admitted they had not yet got a grip on the emerging Fintech revolution. Furthermore, while attempts to improve customer services were bearing fruit, they had not yet had a major impact on revenues.

The report found that although the Global Customer Experience Index improved by 2.9, it has failed to increase customer behaviours that lead to improved profitability. Customers are more likely to refer friends to their Fintech firm than to their bank.

REGIONAL VARIATIONS

The experience of retail banking also varies considerably from region to region. More developed Western European and North American institutions are already coping with regulations and are putting technology to good use. In Eastern Europe the picture is more mixed. In Russia the banking sector was severely affected by the financial turmoil of 2014 including the rapid devaluation of the Ruble. Funding has been hard to come by and assessments by ratings agencies have been negative sparking a decline in revenues. Banks downsized their branches, restricted their lending and moved customers to remote servicing.

Banks in Poland, on the other hand, have been very effective in managing their customer experience. They have focused on segmenting their customer bases using customer management software. They have made highly effective use of digital technologies including mobile banking, digitally driven simplification and more effective on-boarding.

One thing to also note is the MiFID (Markets in Financial Instruments Directive) II regulation that will be applied to all European Members in January 2018. This new regulation aims to improve the functioning of financial markets making them more efficient, resilient and transparent. This new regulation will have a huge impact on CRM implementations in the financial services industry as it will require tools that are able to handle risk assessments, data analyses, segmentations, recordings of conversations with customers… in other words, this is where a CRM solution will be crucial and mandatory.

THE ROLE OF TECHNOLOGY IN CUSTOMER EXPERIENCE

Poland’s example illustrates the ways in which technology can be used to drive better customer experience. This begins with defining what good customer experience looks like. Banks will have a traditional view of customer experience: good rates, easy access to staff, support and their accounts. However, in an evolving marketplace, the customer is becoming more segmented and complicated. Retail banks need to get to know their customers and understand what they are looking for – in other words, they have to see life from the customers’ perspective.

Plus, it is not enough to only provide good rates and good service. A customer experience focus should strive to delight customers with every interaction. The Ernst & Young’s Global Consumer Banking Survey highlights a number of strategies which can improve customer retention.

Blueshore Financial, a full-service financial institution offering a wide range of banking, borrowing, wealth management, insurance and business solutions, uses Apteans’ Pivotal CRM solution and is a great example of how important customer experience can be. Before implementing their CRM solution, the company’s main challenge was to compete with other financial institutions that were globalizing, reducing costs and therefore providing their services at a cheaper price. Chris Catliff, CEO and President of BlueShore Financial, said that in order to compete on price, they had to provide better service. They needed a way of managing their expectations and providing service that was notably better than their competition. “And our CRM strategy was the answer. It was a simple solution to a very complex problem. We have grown between 20 and 25 percent each quarter— on an annualized basis—since we implemented Pivotal CRM,” says Chris.
GIVING CUSTOMERS WHAT THEY HAVE ELSEWHERE (ALREADY)

Banks, suggested the Global Consumer Banking Survey, should make banking simpler. People are bombarded with information in all areas of their life. What they want is something which is concise, transparent and clear. Banks should be open about the fees they charge, rates, services and communications.

Customers also want a choice of ways to communicate with their banks. They are digitally-minded and want to be able to communicate through a choice of channels – social media, web, email, text and in-person. Customers expect to be replied to on their channel of choice. If you can’t fulfil that expectation, there will be someone who can.

They also want a more interactive two-way relationship with a bank, particularly when it comes to customer support. The survey found that banks can grow their business if they offer more financial advice. More than 70% of respondents said they would increase the amount of business they do with their bank if advisory services improved. A bank can improve this service by making use of a combination of internal and external resources. They can make use of a network of financial advisors and experts – using technology to connect them more easily with customers. They can use big data to increase their knowledge of customers and their behaviour; they can provide personal finance tools to help people invest and spend more wisely.

Finally, banks can be proactive in addressing issues and resolving problems. Although there will inevitably be problems from time to time, customers showed a surprising willingness to reward behaviour from banks which they viewed as positive. Of those customers who were very satisfied with the way in which a problem was resolved, more than half (58%) gave most, or all, of their business to that institution. By making it easy to raise queries, get support and see how a problem is resolved, banks can win back customer trust and make great strides towards retaining their business.

It is crucial to come up with a strategy that will allow banks to reach customers based on their habits and preferences. The survey helps banks by breaking customers down into different segments in the following way:

- **Upwardly mobiles**: Young, highly educated and have significant levels of income. They use the most services but are the most likely to defect because they see banks as simply another service provider.
- **Elites**: They are older, highly educated with high household incomes. They are likely to act as advocates and to offer repeat business to those institutions which help them achieve their financial goals.
- **New World Adopters**: Young, highly educated with moderate incomes, but high levels of savings. They are big users of technology and are very receptive to new entrants.
- **Balancers**: They use remote channels but value a long-term relationship with a trusted bank. They place a strong emphasis on transparency over fees and problem resolution.
- **Safety Seekers**: The largest group – they are less educated and have limited cash. They enjoy using a local branch for their services and value banks which can keep personal information safe.
- **Traditionalists**: As the name suggests, they have a very traditional approach to banking. They have the lowest remote channel usage and are heavy users of ATMs. They have few products but are willing to increase engagement when offered new products.
- **Self-Sufficients**: They have low levels of trust, little money to spend and rarely open or close accounts.
- **Unhappy and unmoving**: The most difficult group to reach; they are unhappy with their service provider yet unwilling to move because they believe all financial institutions are as bad as each other. This segment is the oldest, and least educated.
THE FUTURE OF METRICS

As we move into the future, the advent of big data is changing the way banks measure aspects of their customer engagement. Why simply ask them about their intentions when there’s so much information about what they actually do? Actions speak louder than words and customers’ actions often differ to what they say.

The majority of financial institutions use multiple measures to assess their customer performance such as retention rates, customer satisfaction scores and the number of products per customer. Others use their net promoter score. Surveys are popular; banks will often ask their customers how likely they are to recommend the service to a friend, but this has one clear weakness in that it measures intention rather than action – and so can be misleading.

Responding to a survey requires relatively little thought. What a customer actually does, though, reveals their intentions. Banks need to look at the issue from the customers’ perspective and ask how they show their loyalty. Two of the key indicators are that they buy more products and refer the service to a friend. Looking at which customers have actually made referrals, rather than intend to, gives a much clearer answer.

With so much data around there is always a risk of data overload. When using multiple factors to measure customer satisfaction, you will get multiple answers, not all of which will correlate.

Banks should work out a way to bring all this information into a more coherent view. For example, they could multiply the number of people who recommend their service, with those who buy more services, to come up with a single customer experience rating.

CRM tools can also play an important role in collecting and segmenting all the information around customer needs and expectations. They amalgamate all the disparate information coming into a business from multiple sources, such as customer surveys, sales figures, social media, the web and much more and can present this in clear, accessible and easy to understand charts.

It can give banks a truly 360-degree customer view. Because of the complexity of the bank/customer relationship this can be extremely difficult using conventional tools. CRMs, though, give banks all the information they need to be transparent and customer-focused. It operates as a single central hub creating a single source of truth and a repository for all customer interactions.

Banks can gather information from the first time they interact with a customer during the on-boarding process about their financial goals and requirements. This enables the bank to sell products and sell messages based around the tailored profile of each customer. It helps them provide information and services which enhance the customer experience. CRM is not only about capturing interactions but using this information to go above and beyond customer expectation.
MOBILITY, E-BANKING AND CROSS-SELLING

The rise of e-banking is having a profound impact on the relationship of the customer and the bank. A new interaction process has risen and the point of contact has changed. No longer is the banker to be found behind the counter: they will be in your phone, computer or tablet. CorpBanca, a leading banking group in Latin America, uses Aptean Pivotal CRM to cover all the processes the bank needs. The implementation of the CRM solution has resulted in the company being above the average customer satisfaction rate for banks in Chile. CorpBanca is now looking into migrating to a new version of Pivotal CRM, designed specifically for mobile applications. With a new customer UX and many features such as support for tablets and mobile phones, Pivotal will continue to provide even more reactivity for Corpbanca.

CONCLUSIONS

To maximise customer ROI, banks need to think of a new way to cross-sell. CRM tools enable banks to gather huge amounts of information about the customer and deliver a service tailored to their needs. The balance has changed. Traditional banking models were based around a suite of services which suit the bank. The future of retail banking will be one in which consumers receive a bespoke relationship with their bank with services and information tailored to their profile.

Entrenchment is the biggest problem. Banks have been used to working in their own way and have had the market very much to themselves. This is, in part, why they face a crisis of confidence among their consumers. Traditional retail banking is seen as a model which does not put the customers first. The future will see consumers receiving the range of flexibility and personalisation they expect in other areas of retail. In this challenging and uncertain future it will be those institutions which adapt most successfully that will have an edge.

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