
Using digital business engagement for customer partnership—Part two

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The use of digital business techniques, such as experience design, mobile and social media leverage, and information and systems integration across the enterprise can produce unified business and customer relationship views. There are several valuable initiatives underway in the industry today. These include product bundling and innovative stickiness-generating features, as well as advanced analytics for granular segmentation. In this follow-on report, we show how digital business best practices can complement and enhance value to customers.

Just as acquisition sets the foundation for a strong relationship, it's equally important to ensure that the customer stays and maintains an active profile. While the traditional principles for retention strategies and creating value for customers remain strong, we consider them in a closed-loop fashion throughout the relationship lifecycle.

Experience:

Optimal customer experience is often explained as one generating high levels of emotional intensity leading to a favorable pattern of consumption behavior. Branding and other design aspects no doubt play a role here. However the need we are looking to address is more direct. Borrowing from the Hierarchy of Needs principle we look at meeting progressively higher expectations of a customer that prevent them from becoming disillusioned with a product or simply getting attracted to a different one.

Almost all products offer the customers a full spectrum of their core banking needs (account balances, transactions, payments, deposits, statements, alerts). And almost all communications and interaction channels address to a reasonable degree the conceptual needs

of customers necessary to buy your product and stay with it (security, reliability, confidentiality, intuitive). What's still evolving is the addressing of "peripheral" needs in today's connected world. A salient example of that is the online and mobile experience today.

Organizations differ very slightly in the spectrum of capabilities offered to their customers thus downgrading these channels and experiences to commoditization. What was pioneering two years ago such as "single sign on", "mobile banking", and "multiple accounts in one place" is fairly common place today.

Digital business philosophy extends beyond these catch-up efforts and attempts to address the peripheral needs of customers. And these needs are met through a constantly evolving and seamlessly integrated ecosystem. A salient example is a multinational company such as American Express offering the same customer experience to customers in different countries with locally issued cards. While certain capabilities, messaging and offers remain localized, this will have the effect of dramatically reducing costs by a single, standardized, and configurable platform. We know the word "platform" is overused, but for a customer like me with Amex cards in multiple countries, it was frustrating to create and maintain two different accounts. What's the size of the population like me? Small but growing in different ways than just being in different countries; and the real short term benefits come anyway from savings in technology investments.

Using digital business engagement for customer partnership—Part one

Another example of unified experience is the loyalty program, often a step child. Very few, if any financial services organizations have these reflected on primary account pages, customer communications or service related transactions. Even fewer use these as a lever to actively spur spending and engagement other than periodically mass mailing offers. An even smaller cross section uses aspiration-based rewards to boost retention and a confirmed pipeline of high engagement levels. Digital business provides the tools to achieve the holy grail of marketing: higher confidence levels on future spend or engagement by knitting together the customers' touch points and behaviors.

The optimal experience that digital business promises is a continuous reinforcement of value and the joy of engagement. If we expand the above examples to channels such as mobile and social media, do we have a winner?

Switching barriers:

This is a subject closer to home than others. Significant progress has been made on this front and constant innovations take shape every day. Some examples are:

- Multiple relationships
- Account services like bill pay
- Add-ons such as spending report, financial planning tools
- Win-back strategies such as teaser rates
- Offers at the time of attrition
- Accumulated loyalty points

Digital business has the potential to take these further. At issue here is the opportunity to meet the customers' need for self-expression and contribution. Every major business today has isolated campaigns underway to tap into social media. They have started to move beyond their status as awareness-generation machines. Stage Coach Island from Wells Fargo is an example. So are the "Make a Difference" from Citi on Facebook and the "Members Project" from American Express. The question to ask is how well rounded are these campaigns? For example, once you get a new card customer from Citi's Facebook campaign, what are the supporting processes in place on Facebook (in this case presumably "this customer's channel") to maintain the customer engagement and prevent loss of wallet share? Similarly, do card members on the Members Project help Amex reduce costs and generate higher earnings such as enrollment into e-statements, reduce service costs, and use their card more often than those who do not participate? Could the Member's Project more directly link rewards and spending to the noble causes advertised instead of listing out hundreds of charities that will accept Amex? How could social networks be leveraged to enhance these individualistic engagement channels?

While detailed metrics and measurement frameworks obviously must exist behind these initiatives, a case can still be made for a well-rounded integration with the secure account section, customer service processes, or linkages to reducing paper and inbound call volumes. Social media provides a way to get an additional relationship going with the customer, as do the mobile channels. Each of them, contrary to the traditional channels, presents switching barriers that need explicit and tangible efforts by the customers to overcome. For example, the act of downloading a mobile app to interact with their networks, or monitor spend patterns and travel related behavior will need a higher incentive level to switch and reset these settings. Facilities like bill payment online accomplish the same, but do not yet leverage the social network effects.

The greater question is about self-sustained engagement beyond the initial trigger. Technology integration plays a big

role. And partnering with one's technology organization to proactively look for ways to integrate data and processes is a first step. With all the recent advances in digital space, the technology organization will play a major role in the realization of emerging business models.

Broad based personalization and targeting

The underlying theme cutting across all business operations is advanced analytics brought about by the coveted "One Customer" view and the "One Business" slogan. As discussed before, the future lies in integration and convergence of rich insights that individual accounts and offerings hold in store. For discovery of new retention strategies, knowledge of the customers' ecosystem and how the organization plays into it results in early stimulus-based systems.

Boundaries between core businesses are fading fast. Retail is merging with payment systems built on traditional telecom provider models which are being increasingly linked to value being generated through integration of online and offline distribution channels. Geographical boundaries are merging as a growing population of customers on the move look to simplify their engagement through products that offer location-based services and seamless product applications and unified customer service. Life-stage models which try to predict what a customer is likely to buy next are being made possible through centralized repositories and advanced analytics.

The customer is at the center of it all. Credit card companies are partnering with retailers, which are partnering with travel companies which in turn are building their offerings on the ubiquitous communication channels made possible by 4G mobile computing. Common retention tactics and win back strategies used by financial services organizations today are set to undergo a sea change. Upgrades, freebies, lower rates, and material discounts are being commoditized and are last on customers' priority list as they look to increasingly satisfy the needs of their larger ecosystem. It is often the case that stated or expressed needs may not be the drivers of retention.

In addition, traditional analysis based on discovering profitable segments of customers are misleading in the absence of a relationship view of customers. A "transactor" on a revolving credit card is in theory less profitable to a bank than someone who carries a balance, but how about the additional bank account or home loan relationships that they also hold? Organizations should shy away from analysis-in-silos of their customers to avoid the risk of leveraging the wrong retention tactics. Intelligent uses of Digital Business, harnessing the social channels and securing a place closer to customer at the various life stages, requires a strategic alignment of technological capability to the evolving business landscape.

Conclusion:

Each of the above factors can and should be considered or treated in unison because the strategies and tactics overlap significantly across the relationship life cycle. A business is a machine with interdependent parts which must move in synch to enable a smooth and enjoyable experience for both employees and customers. Marketing, operations, and technology brought together by collaboration and analytics are key pillars of Customer Partnership. Without one the other falters. The first step is to assess where one is on this journey towards Customer Partnership and then chart a practical path that accounts for market evolution and changing customer preferences.

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