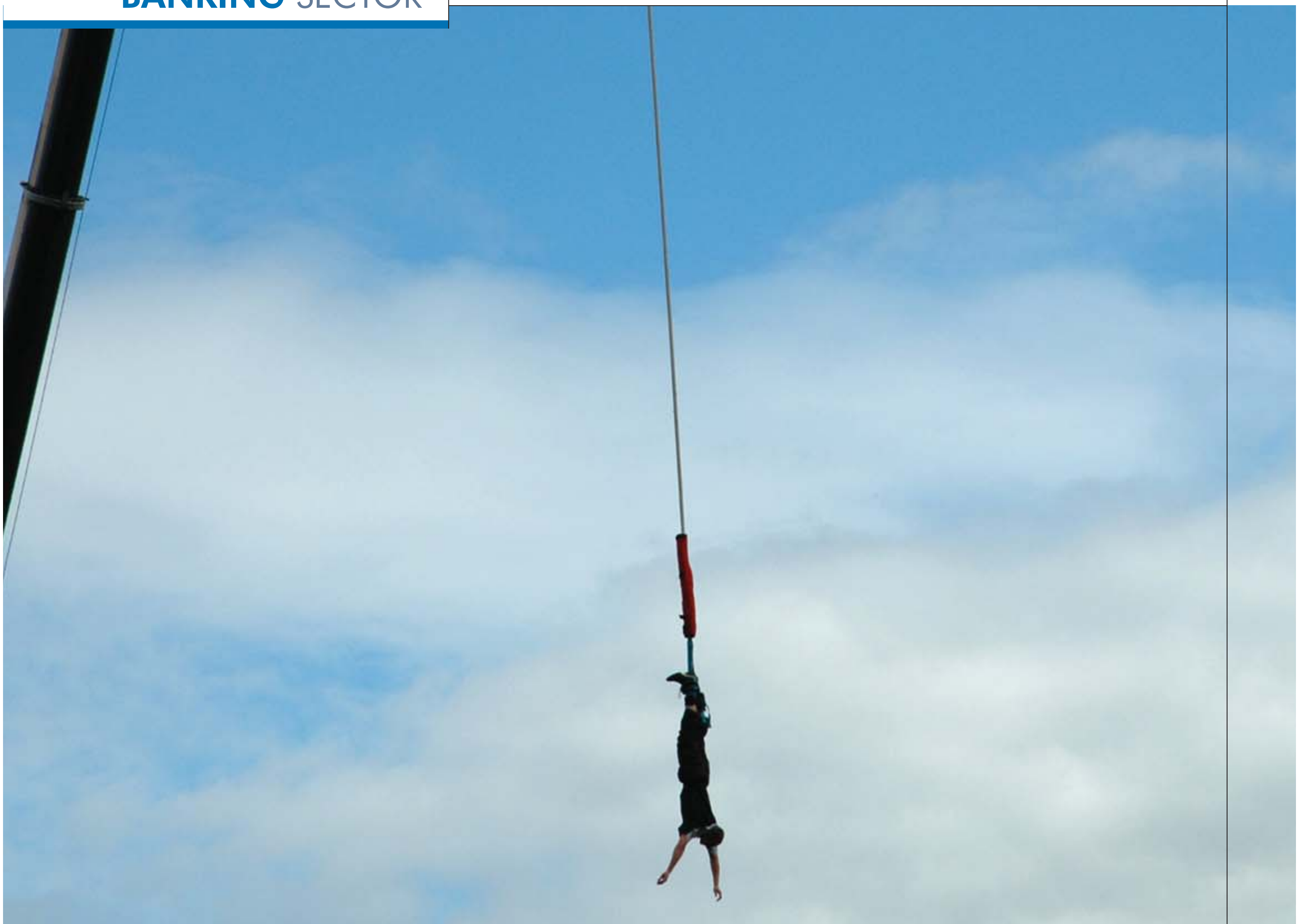

Financial Planning for Customer Delight
Challenges for Public Sector Banks

Public sector banks are trying to overcome huge challenges, many of them stemming from legacy issues, in their effort to set up good Financial Planning and wealth management practices.

Let me state at the outset that this article is not a lament. On the other hand, it is an attempt to place before the readers the path traversed by the public sector banks (PSBs) to set up a Financial Planning and wealth management practice. It is a chronicle of the resolve displayed by them when faced with hurdles. Apart from the economic scenario currently prevailing, most banks have the good fortune of being led by wise and charismatic leaders. The combination of these two factors may help ease the journey.

First things first. It took not only a lot of time but also many unsavory developments, such as loss in market share, flight of mass affluent (MA) and HNWI customers to competitors, archaic and unexciting products, and little or no growth in non-interest income, for PSBs to realize the flaw in their business model.

The diagnosis was that they had not focused on customers who were maintaining valuable relationships with them for years. They had no special treatment for these customers. The banks did not recognize that these customers were expecting

C. S. Jain
General Manager (New Business)
State Bank of India

products and services tailored to their requirements, together with preferential treatment. By this time the competitors had already forged ahead and captured the imagination of the MA/HNWI segments. PSBs came to realize to their discomfiture, that the time lost by them had spawned many other challenges. The loss of customers, market share and profitability were not the only crucial ones.

The flight of customers and the consequent loss of market share were sought to be corrected by acquiring new customers at great speed. This caused heavy crowds at branch counters and turned away good and profitable customers. Good customers understandably did not want to jostle with crowds to reach a bank counter. Even the not-so-good ones could not be serviced in reasonable time.

A flood of complaints started. Redressing complaints became a challenge. The quickest remedy was to increase the number of bank branches to take care of the increased numbers. Staffing these branches and keeping them out of red became challenges. Administrative control of a large number of branches dispersed over large geographical areas, gathering of operational, performance and customer data from them all, getting them audited within the timelines prescribed by the various regulators were the challenges caused by the single omission mentioned before.

Lack of good customers brought about many other challenges. Good customers generally ask for good service and smart, contemporary products. These demands put pressure on banks to improve delivery and processes. Standardization of delivery and processes across all the branches of a bank did not, therefore, get the deserved attention and the banks fell behind on these fronts.

The net result was that introduction of technology, which would have brought about this standardization, got delayed. The branches (large in numbers and in geographical spread) remained islands of data pools. It became even more difficult to identify valuable customers bank-wide.

Eventually when technology was introduced, issues pertaining to legacy data, availability of infrastructure and costs came up as big challenges. At the same time, dearth of knowledgeable and demanding customers allowed these banks to continue with existing products, even when the banking industry had moved on and introduced new and exciting products.

So, whatever improvement was made in product features was sporadic and not always market driven; largely the products remained old and unchanged. Product differentiation was not thought of - each customer was offered the same products and services regardless of the value of his connection with the bank and equally regardless of his needs. In any case, appropriate technology was needed to devise products for different segments of customers. As mentioned earlier, induction of technology in these banks was delayed.

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Absence of demanding (but valuable) customers from the clientele of these banks meant that there was no pressure on them to tone up the delivery of various products and services from their branches. Alternate channels were not developed because a strong technology backbone was needed to support those channels; this was not in place. Aging work force (struggling to use technology being introduced newly) also added to the discomfort to customers. Service at bank counters suffered and customers moved away to more efficient banks.

All this while the business of these banks was growing, though not at the speed with which the efficient competitors were growing. Where was this business coming from? Analysis suggests that the business was not always from the top drawer; the allusion here is not only to their credit-worthiness alone but also to their capacity to offer remunerative business to the banks. The major portion of the new business brought into their books by these banks was from new customers. There was hardly any growth in the shares of the wallets of existing customers. The impact on the banks' bottom line was marked, as the cost of acquiring new customers was substantial. Often new customers had to be attracted by sacrificing interest and charges. Profitability became a challenge, thus.

The urgent needs for business growth and improving profits were met, in the absence of quality customers, by entertaining larger and larger numbers of businesses of small value. The quickest way was to give small and comparatively easy to assess loans to customers who thronged the branches of these banks. An unwelcome effect of this development was that the frontline staff of the banks got used to dealing with supplicant (those who came seeking easy loans) customers, for whom perhaps getting the loan was more important than the manner of getting it. Such customers would not complain of delays and sloppy dealings. They would also not notice that the bank branch was not spruced up or maintained neatly and attractively. Over a period of time what was once valued as customer service gave way to indifferent service and products. This became a big challenge when these banks decided to offer differentiated products and services from their branches. The staff mindset had moved away from service and the antiquated human resource management practices sported by most of these banks were not up to the challenge.

Figure 1

Challenges for Public Sector Bank	
Human Resources Management	• Training and Competence of Employees • Change of Mindset • Shortage of Professionals
Marketing Environment	• Identification of Customers & Placing them in the Right Segments • Competition • Regulation
Product Development	• Quick Roll-out • Innovation and Customization
Information Technology	• User Friendly Technology • Financial Planning based CRM • Customer Service Support

The last but not the least of the challenges faced by PSBs in introducing Financial Planning is that of teaching suitable skills to their staff and ensuring productivity of the level achieved by the other banks. These banks had come to be perceived as inefficient by their own and generally by prospective customers as well. They were thus faced with a situation where their attempts to improve their service and products, based on new technology, were not being taken seriously by the customers even while their own staff was resisting the moves. The challenge was the need to live down the existing image of being inefficient and unfriendly.

It is for the factors mentioned above that in the present economic environment most conducive to establish and grow Financial Planning and wealth management practices, PSBs find themselves in the unenviable position of struggling to do so. The challenges that they are facing can be summarized as depicted in figure 1:

Undaunted by the above challenges, these banks have taken up the job of setting up Financial Planning practice (Figure 2). Assessment of technology to choose the most appropriate model has been taken up. In most banks, efforts have begun to set up a data warehouse, so that customer data could be mined to identify those who could use Financial Planning and wealth management services. Training of identified staff in these services has also been taken up in the right earnest. Services of teachers and trainers expert in the field have been engaged in training staff (to become Relationship Managers) and trainers. Questionnaires have been designed to assess the risk tolerance of identified customers and are being administered to them with the help of their Relationship Managers. The requirements of the customers are being recorded and the existing product suites being improved and/or modified and enhanced.

Teams of experts are being organized to develop models of asset allocation to suit the requirements of customers belonging to different life-stages, risk tolerances etc. Differentiated product offerings are being created for customers with differing sizes of investible surpluses. Where in-house expertise is not available, third party products are being offered to customers. Systems and procedures are being toned up to ensure standardization of products and services so that the customer has a uniformly good experience throughout the bank. Technology is being strengthened to provide a reliable backbone for delivery of products and services and to get business intelligence data. Customers are being made aware of the enhanced offerings through multi-media advertisements. Above all, large-scale and concerted efforts are on to bring about the mind set in the frontline staff desirable for delivery of the Financial Planning service. With all these steps the success of PSBs should be assured.

Figure 2

Financial Planning: Strategy for PSBs

Identification of Customer

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Mapping the Requirements of Customer

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Organization of Product & Offerings

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Competent Services and Information Technology Architecture

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Integrated Marketing Communication

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