IDC Financial Insights

# Perspective: A New Customer-Centricity Agenda for 2012 — What Asia/Pacific Banks Are Up To

PERSPECTIVE #FIN230273

Michael Araneta

## IN THIS PERSPECTIVE

This IDC Financial Insights Perspective highlights five social technology themes that have become increasingly resonant in the banking industry. We discuss how and why these themes can transform the agenda of customer centricity in banking, and the successes that banks can achieve if they focus their resources on these areas. We also cite the experience of early adopters among Asia/Pacific banks.

The emergence of the social and technology phenomena, alongside dramatic shifts in customer preferences, presents a profound opportunity for banks to change their proposition to customers. This includes creating new ways to design products, push cross- and upsell opportunities, and manage customer relationships. Organizations should effectively respond to the changing times and the new trends that come with such changes.

### Mobility: More Mobiles, More Mobile

Mobile penetration in the Asia/Pacific region continues to grow, with seven markets seeing penetration rates (determined by the number of mobile lines divided by total population) that are greater than 100% (in order of mobile penetration): Singapore, Hong Kong, Australia, Taiwan, Malaysia, Thailand, and South Korea. Other emerging and less developed markets such as China, Indonesia, the Philippines, and Vietnam are leaping toward the 100% threshold. Furthermore, there will be an upsurge in the take-up of other mobile computing devices such as tablets and tablet PCs — the "cool" devices in vogue at present.

Moreover, the Asia/Pacific region is seeing robust traffic and subscriber growth in mobile data services — which is important for the development of mobile applications, in particular, Internet browsing over mobile devices. IDC forecasts that by 2014, the overall nonvoice penetration rate in Asia/Pacific will reach an impressive 81%, indicating that mobile phones, already prevalent across the market, will be widely used for nonvoice, data-based services.



Global Headquarters: 5 Speen Street Framingham, MA 01701 USA P.508.620.5533 F.508.988.6761 www.financial-insights.com

The prevalence of mobile devices and nonvoice data plans is one thing, but it is how these create mobile lifestyles that should more forcefully call for change among banks. In this area, banks' first recourse is typically in adapting their PC-based, old Internet banking to new mobile form factors. However, banks recognize that they have to offer something more. They have to more closely integrate financial services to their customers' mobile lifestyles and growing expectations of mobility. Thus we see the rollout of financial management tools on mobile devices, smartphone applications to facilitate bill payments, and mobile-based account transfer facilities, including mobile person-to-person payments, mobile augmented reality (AR), and Near Field Communications (NFC). Mobile application wars are heating up as banks race to be seen as the most technology-savvy institution in their respective markets and be able to come up with the app of choice for financial transactions over iPhones, Android mobile devices, or iPads.

*The prevalence of mobile devices and nonvoice data plans is one thing, but it is how these create mobile lifestyles that should more forcefully call for change among banks.*

One other area of focus is the rollout of mobility strategies to cater to banks' enterprise users. These include provisioning for more work to be done on mobile devices, keeping enterprise productivity strategies along increasingly mobile work styles — after all, new classifications of staff have been created, such as "mobile workers," "road warriors" or, simply, "roaming personnel." Banks will also respond to the growing trend of staff doing work on their own personal devices, especially their mobile phones. This trend of "bring your own device" (BYOD) is gaining momentum in large and small banks alike.

Last, the IT division has to make available enterprise applications on an expanding array of mobile devices, at the same time ensuring uptime, reliability, and security of these systems. Good performance of systems is crucial especially as their usage moves closer and closer to the frontlines, in close contact with the customer. Applications that have typically been made "more mobile" include various tools within relationship management systems, lead management, sales force automation, customer onboarding, and loan origination systems.

Ensuring that these mobile-exposed applications maintain a consistent and converged experience across the various channels and platforms is the new challenge for these disparate applications.

Leading references in the Asia/Pacific region are:

- Australia and New Zealand Banking Corp.'s iPhone application in Australia
- Standard Chartered Bank's Breeze mobile banking application
- Commonwealth Bank of Australia's Property Guide iPhone application

 

## Analytics: Banks Getting Smarter

The quantity of data that banks are able to gather about their customers has increased dramatically. Greater automation in banking processes, an increase in points of data capture, and more customer transactions undertaken via self-service channels have resulted in richer sources of data on customers. If it is their desire, banks can dig into transaction patterns and behaviors of customer segments, or of specific customers within those segments.

The richness in data is not limited to quantity. There has also been an explosion in the forms and types of data available. Because of the prevalence of mobile devices, banks can gather geospatial information and locational intelligence on their customers and track not only banking-related information but lifestyle-type information. Banks can work on transactional data, behavioral data, demographics, and even more predictive information.

Today, there are technologies that enable banks to analyze this data more effectively. The concept of "big data" is taking hold quickly — although the phrase is commonly referred to as strategists' talk about the vast quantities of data suddenly available, big data refers to the class of technologies that enable management, access, and analysis of much larger sets of data than had been conventionally possible until recently. Indeed, huge technology leaps have been made in analytics, business intelligence tools, and visualization techniques.

Big data, therefore, adds layers of opportunity (or complexity) to the single customer view program. More than ever, banks can understand their customers thoroughly. Of course, banks have had some experience in working on integrated customer views, especially in risk management. The recent crisis, after all, forced banks to work with customer risk profiles to have a sense of total risk exposures in their customer relationships (especially corporate lending relationships) and to understand risks in specific customer segments. With big data, work on single customer views will extend beyond the area of risk management toward a fuller understanding of customer relationships. Banks can gain insights into behavior and preferences unique for each customer. They can then deepen the customer relationship further by accurately predicting customer demand and identifying and spotting cross- and upselling opportunities.

*Big data, therefore, adds layers of opportunity to the single customer view program. More than ever, banks can understand their customers thoroughly.*

Leading references in the Asia/Pacific region are:

- HSBC's One HSBC program on single customer views for its premier banking customers
- Fubon Financial Holding's Customer Single View
- In India, HDFC Bank's Customer Value Management Program

## Community and Collaboration: No Customer Is an Island

Web 2.0 technologies have fostered the concepts of community and collaboration. The notion of community finds reality in customers' social networks, the rise of online communities in chat rooms and Web boards, and personal financial management sites' network of peers on which a customer is supposed to benchmark his or her financial standing. Two characteristics of this notion of community need to be noted by banks: first, that these communities span the globe and are not limited by geography. Suddenly, the bank's audience is not limited to a certain country or market — if they are not held back by regulations and jurisdictions, banks can have a much wider audience for customer acquisition, prospecting, or brand building. Second, because these communities are ultimately self-defining and self-selecting, the propositions of banks need to speak uniquely to this community. The message has to stick; otherwise, the bank loses a group or a segment of customers entirely. More than ever, the industry calls on a long-held marketing ideal: that banks need to move away from marketing to one large group of customers and instead cater to many distinct groupings or segments.

One new area of focus is social network analysis — tracking, discovering, and making sense of what is being said in social networks. Banking executives can gather feedback of specific products and services, or of the bank as a whole. They can also gain new ideas on product features in the process.

*One new area of focus is social network analysis — tracking, discovering, and making sense of what is being said in social networks.*

Furthermore, banks are also looking to reach the intended social network by taking on "advocate" strategies, believing that customer networks give great regard to the opinion and advice of influential individuals or influence nodes within their social networks. The advocate is the most ideal customer (more important, in fact, than the customer who simply has multiple product holdings within the financial institution) because he or she is fiercely loyal, not only in terms of product holdings but also in being willing to recommend the organization to his or her network of friends and peers. Financial institutions are building their base of advocates. Some marketing-savvy banks, for example, have identified Gen Y spokespeople who are able to promote the "cool" factor of the bank's brand and image.

Collaboration takes the notion of community further, as like-minded individuals or parties act together. We see the possibilities of group-based negotiation of products and services, similar to what Groupon is able to offer — group privileges for credit card usage, a cut in fees as a reward for desirable customer segment behavior, or shared mortgages. Other activities relevant for banks include customers pushing specific advocacies, banks building active communities in support of their corporate social responsibility programs, and customers actively giving feedback on new products and services or, in some cases, suggesting product features and pricing. "Crowdsourcing" is another activity that banks can undertake as they seek new ideas or concepts through more formal collaboration platforms.

Leading references in the Asia/Pacific region are:

- DBS Bank's Design-a-Branch Contest in Singapore
- In Thailand, Kasikornbank's KBank Live Facebook site, which has more than 180,000 fans as of September 2011
- National Australia Bank's Breakup Campaign

### Instantaneous Response: Speed Wins

Either because customers have become accustomed to the speed by which technology responds to them (email, text messages, instant messaging, and gaming) or because of the characteristic impatience of the Generation Y culture, banking customers demand instantaneous response in their interactions with financial services institutions.

*We have seen the most ambitious banks ramp up their capabilities to serve customers in as short a period of time as possible.*

In 2010 and 2011, we have seen the most ambitious banks ramp up their capabilities to serve customers in as short a period of time as possible — or at least be perceived as doing so. This effort in operational efficiency is manifested in banks' "customer promise" to shorten waiting times, cut queues, serve customers in branches by a certain number of minutes, open accounts within a certain time frame, or approve credit quicker than usual. Key performance indicators (KPIs) concerning turnaround time, time to completion, and resolution times will be invoked, underscoring how the "time" element is intrinsic to the propositions of banks moving forward.

The focus on speed will impose more requirements on the technology division. It will not be enough to ensure the security and uptime of systems and applications. IT teams have to meet more stringent demand for availability and performance, especially for customer-facing applications.

Leading references in the Asia/Pacific region are:

- RHB Bank's Easy Banking in Malaysia
- Standard Chartered Bank Singapore's Eight-Minute Service Pledge
- Citi Singapore's Ready Credit "A Loan in an Hour Approval" program

## Personalization: The Pursuit of Hyper-Personalization

The Web 2.0 phenomenon, of which a leading element is user-based content and steered to its extreme by Facebook, has dramatically changed the notion of interactions. Customers judge the "quality" of interactions based on how personal these interactions are — the more personal an interaction is, the better. From now on, banks have to keep this ideal of hyper-personalization in mind. In other words, banks cannot be impersonal to customers when customers have become used to hyper-personal interactions.

The pursuit of personal, and thus more meaningful, interactions is seen in various situations — from banking staff calling the customer by name and sending birthday greetings to customized and consolidated statements to targeted cross- and upsell campaigns. Several banks are also working on personalized pricing and in the process applying the notions of personalization to a more challenging and strategic area within banking institutions.

*The goal of personalization forces the organization to have an effective single customer view.*

The goal of personalization forces the organization to have an effective single customer view, a view that has to be unique and singular to each customer, covering many facets of the customer himself or herself — transaction preferences, total financial standing, habits, likes, dislikes, and so on. More importantly, this single customer view needs to be "operationalized" through all the channels. The organization has to map out what various units are supposed to do with the single customer view and the customer insights unique to each customer after having it. Ultimately, all customer touch points should be able to relate to the customer in as personal a context as possible, underscoring how the relentless focus on customer centricity has transformed the customer touch point into the most important battleground for competitive differentiation.

In addition to personalizing the service and presentation elements of customer interactions, there is a growing need to enable customers to customize product features to match their lifestyle and transaction behaviors. This brings a whole new level of personalization and brings the bank to the long-held dream of serving various "customer segments of one." Product customization requirements will place increased focus on the core product factories that support today's banking systems.

Leading references in the Asia/Pacific region are:

- In Malaysia, CIMB Bank's consolidated statements for private banking, preferred banking, and lower mass affluent segments
- HSBC Bank's ClientSphere
- In the Philippines, RCBC Bank's e.Woman Account

 

### *The Approach to Innovation*

Supported by upward-moving trends, the five themes discussed in this document will only grow in prominence within the banking industry. There will be more mobile devices in the market, technologies to handle big data will only grow in sophistication, and customers will become more accustomed to speed, reliability, and hyper-personalization. Banks can focus on an individual trend and build their core competencies around it and, thus, take on the customer proposition that will take them into the future.

Of course, it is also possible for banks to build capabilities in more than one area. Focusing on the trends of mobility, analytics, and community, for example, banks can deploy "socialytic" applications: mashed-up business applications that leverage social and collaborative networks and integrate analytics to drive intelligence. These are then subsequently delivered to mobile devices. The next generation of banking applications needs to have these socialytic functionalities.

However, especially because of a buoyant economic environment, many banks will be launching customer acquisition and customer retention programs. Many institutions will compete to be truly, or at least perceived to be truly, customer centric. Increasingly, it will be very difficult to stand out from the crowd. Whether it is to work on a single trend or to focus on multiple trends, each bank needs to design its own brand of customer centricity quickly and deploy it well.

Ultimately, the challenge of building and executing a new customer-centricity agenda should not be underestimated. Success demands a combination of new technologies, a rethink and automation of business processes, a shift in mindset with regard to innovation, and working with the right partners.

In this regard, the most dynamic Asia/Pacific banks have seen that a well-managed approach to innovation will hold them in good stead. Some banks have wisely taken on a portfolio approach to innovation that gives them confidence in taking risks on certain projects. The underlying belief is that out of many projects and experiments, one or two will be successful and will significantly lift the bank's competitive positioning vis-à-vis its peers.

Several banks meanwhile have set up innovation centers headed by very senior executives, some of whom have recently shifted from CIO or CTO roles. These centers are tasked to roll out their bank's response to social and technology phenomena and thus prepare their institution for a much changed market dynamic in the future.

Furthermore, banks realize the virtues of working with the right people. They have created a culture of openness that encourages them to work with third parties and technology vendors that can help them understand technology phenomena and make sense of how these phenomena will impact banks' technology strategies. The right technology vendor will not be talking about the deal for the next quarter but will be willing to take a long-term view of the bank's future and the future of banking at large.

## LEARN MORE

### Related Research

- *Perspective: Eight Early Principles in the Use of Social Media in Banking* (IDC Financial Insights #FIN230167, September 2011)
- *Business Strategy: Innovation in Banking, Part 1 — How Are Banks in Asia/Pacific Driving Innovation?* (IDC Financial Insights #FIN229770, August 2011)
- *Business Strategy: Top 10 Strategic IT Initiatives for Asia/Pacific Banks in 2011 — New Pursuits and Priorities* (IDC Financial Insights #FIN226446, January 2011)