

Accenture in India

Achieving High Performance in Banking in India through customer centricity



accenture

High performance. Delivered.

Boosting revenues in difficult times by transforming the front-office to deliver a more compelling and consistent customer experience

• Consulting • Technology • Outsourcing

Rising to the challenge of today's customers...

Across the world, financial services customers are changing and customers in India are at the forefront of this shift. As well as becoming increasingly well-informed and demanding, customers today are more likely than ever before to grow dissatisfied and switch their financial services suppliers, if the experience and service they receive fails to meet their expectations.

These rising levels of customer dissatisfaction and switching reflect several wider trends. Many customers perceive no differentiation between different banks, meaning they feel little sense of loyalty to those they do business with. As a result, banks are relatively lowly-ranked in terms of customer advocacy, with few being willing to actively recommend their provider to friends or colleagues.

Historically, financial services companies themselves have contributed to the problem by failing to focus sufficiently on customers. Performance-driven customer experience has not yet been identified as a top priority for most banks, and the financial services industry in general is characterised by relatively low levels of investment in customer experience management and innovation.

Furthermore, while cost reduction has been a focus in many parts of the business, banks have failed to keep a firm grip on distribution costs, amid the ongoing proliferation in the channels used to connect to the customer. These new channels have often been constructed as separate silos, with little exchange or flow of information between them. The results are higher distribution costs

and an incomplete and inconsistent customer experience, critical failings at a time when customers are increasingly engaging in 'window-shopping' and comparing prices, rather than buying the first product they are offered.

...by seizing the front office opportunity

Given this background, many banks face three key impediments to High Performance in delivering their customer service experience, each related to different forms of complexity. These change drivers are summarised in the accompanying information panel and in combination they create major challenges around retaining existing customers and growing the share of wallet. However, more positively, these challenges and change drivers also signal a significant opportunity for those players who differentiate themselves successfully by getting the customer experience right and turning their customers into active advocates.

Three key issues driving change in the front office

Increasing Customer Complexity

- Confusion caused by multiple products that meet the same need
- Frustration caused by duplicated information requests
- Inefficiency caused by dealing with different applications/ platforms to complete a business process

Increasing Back-Office Complexity

- Duplication of processes and resources
- Over-sized products catalogue, with many unprofitable products

Increasing IT Complexity

- Duplication of 'siloed' capabilities without industrialisation via sharing of a central data warehouse
- Multiplicity of application interfaces

Many of these changes are common to banks around the world, such as struggling to get the best out of branch networks; however banks in India face their own particular challenges. As Indian banks expand their presence in semi-urban and rural areas, they will need to meet a range of new and distinct needs and opportunities, particularly those of small borrowers. And as leading banks adopt the agency model, banks can greatly extend their sales reach, but face new challenges in achieving quality sales, managing the network and sustaining high customer service standards from disparate providers.

In the past several years of heady growth, banks have spent a lot of money on acquiring customers, however as growth slows and competition intensifies, banks are now faced with the challenge of retaining their customers and

getting more out of their relationships. Historically, Indian households have high levels of savings but low levels of investment assets. This presents opportunities for Indian banks to sell additional products to their customer base and build their wealth and asset management businesses through identifying these customers and their investment needs.

Put simply, in today's financial services marketplace, treating existing customers well is often the best source of profitable and sustainable business growth. The tools and technologies are now available for banks and other financial services companies to deliver highly personalised products, services and experiences to specific customers. Technology enables Indian banks a way to differentiate their delivery of financial services. To illustrate, only

those banks which have implemented core banking solutions would be permitted to provide mobile banking services under RBI's directive of October 2008. The test for Indian banks will arise on integration of core banking with multiple channels including mobile and para-banking outlets. Banks have the opportunity to transform the customer's experience of the sales process and build durable, long-term, one-to-one customer relationships helping to power the businesses' drive towards High Performance.

How can banks achieve this? By seizing on the opportunity to improve both their business performance and customer experience through a targeted transformation of their front office operations. Accenture's High Performance Banking framework defines how to put all the components of customer centric



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Sanjay Tugnait leads Accenture's Financial Services practice in India. He has extensive experience in helping global financial services companies transform to meet the complex challenges of today's market.

"When it comes to building customer-centric financial services businesses, technology is a key enabler rather than an end in itself. So it is vital to strike the right balance between best practices built into software and organisational business processes. The front-office transformation programme also presents great opportunities for weeding out inefficient processes that actually do little to improve the customer experience.

Furthermore, there are many quick-wins available for banks who want to create a leading customer experience. These range from learning from best-in-class practices across different industries – like Telco call centres; or harnessing the potential of the bank's own staff as both customers and advocates for the bank's products."

banking together – the operating model, architecture and business processes. Our many years of experience of working with leading banks worldwide on such projects has enabled us to define three key imperatives that banks need to address to differentiate their customer proposition and progressively improve top-line performance. These are:

- Clearly define the customer experience to maximise customer advocacy.
- Create a permanent uplift in sales performance by transforming the human capital capabilities of the sales workforce.
- Drive up the bank's share of customer wallet by focusing holistically on the customer's lifetime value to the business and aligning lead generation, sales and servicing activities accordingly.

The prize on offer: Winning hearts and minds

A bank that achieves these imperatives will be well-positioned to win the battle for customers' hearts, minds and wallets. As well as delivering higher levels of customer satisfaction leading to greater customer advocacy, building a customer centric bank can boost revenues and margins by increasing cross-selling and reducing the costs of distribution. At the same time, the simplification and streamlining of front-office processes means front-office staff

are freed up from routine administrative tasks, enabling them to focus on understanding and meeting the changing needs of customers at various stages in their lives.

The case studies throughout this paper illustrate the scale of benefits that Accenture has helped many banks to achieve through front-office transformation. More generally, we find that a transformation programme can

deliver dramatic improvements across both operational and financial KPIs, including a 20% to 30% uplift in the cross-sell ratio, a 20% decline in customer churn, and revenue growth of 5% to 10%. These benefits are summarised in Figure 1

Multi-channel interactions for marketing, sales & service

In 2005, a leading French retail bank, with a large customer base served through hundreds of branches across the country, completed a four-year programme to refocus on providing quick and personalised customer service, including strengthening its front-office capabilities and outsourcing non-differentiating activities. To support this strategy, the bank needed a new IT system that could enable multi-channel customer service and information sharing with external producers. The bank turned to Accenture for help.

The Accenture team helped the client develop a new IT architecture and related processes, de-couple distribution from production, and create an integration hub that

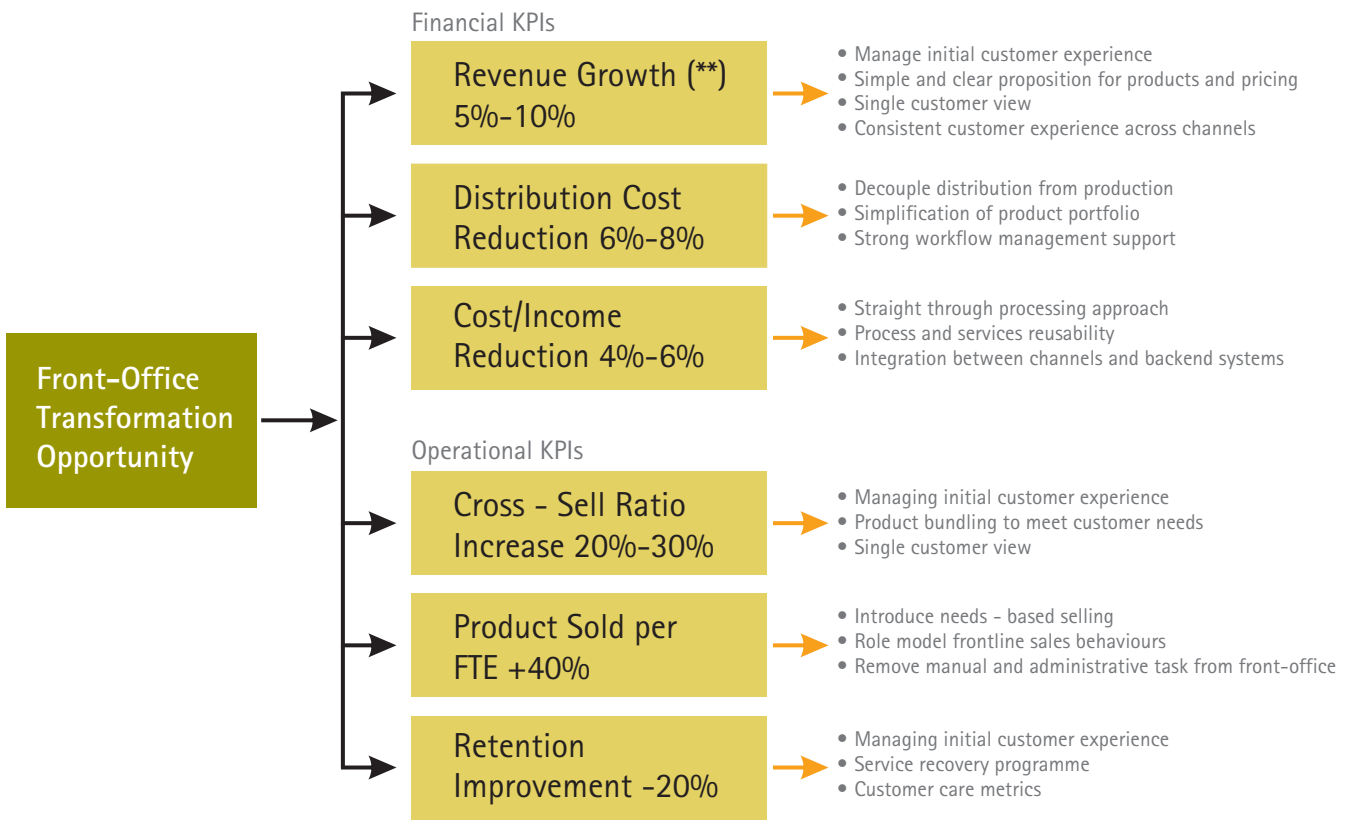
enabled easy communication between the bank's distribution channels and third-party support providers. The result was dramatic efficiency improvements, better customer service, and lower costs and administrative effort in three core business areas: client, contract, and credit management.

By separating its distribution and production activities, the bank is now able to focus its investments on critical customer-facing activities while maintaining tight communications with third-party providers. The business benefits included the automation of all administrative work linked to sales and credit; reorientation of two thirds of the middle-office agents towards pure sales activity; and

two-thirds of new customer relationships (100,000 per year) generating 40% of additional sales. These gains are expected to result in a decrease of one point per annum in the bank's cost-to-income ratio.



Figure 1. Front Office Transformation leads to dramatic performance improvement
Benefits achievable with a 2-3 yr Transformation Program(*)



(*) Based on Accenture client experiences
(**) Above inertial growth rate



The gathering momentum for change

Not surprisingly, several leading financial services institutions around the world have now identified this opportunity, and are putting programmes in place to realise the resulting benefits. Many Indian banks' have well developed customer franchises and IT capabilities and combined with the ongoing growth in the Indian marketplace this puts them in a strong position. However, after years of investment in customer acquisition many still struggle to create a world class customer experience.

The difficulties can include challenges getting the desired return out of investments in branch networks, and other channels, or sales staff that spend too much time on administration. These opportunities mean banks in India are well-positioned both to implement front-office transformation and reap major benefits from it.

Transformed sales and service

Accenture worked with one of Australia's leading banks to transform the sales and service programme of its three UK banks. The Accenture-led team replaced the banks' existing technologies with new, more efficient internet-based sales and service software applications, new hardware and a robust communications infrastructure. The team also developed a custom-built, component-based customer and account maintenance solution, and a management information system that provides an accurate snapshot of sales performance. As the programme progressed, further enhancements over and above the original functionality were identified, resulting in a world-leading sales and service initiative that spanned over three years. The integrated solution has enabled superior customer service by

providing a complete picture of each customer's financial position, and enables the bank to service every aspect of the sales process, from customer acquisition through to account open and drawdown. More importantly, the client's bankers are now better able to understand their customers' needs and provide the most appropriate products and services.

Transforming the customer experience

A leading European retail bank had developed an enviable record of growth and customer acquisition across central and eastern Europe, but had experienced disappointing sales results in its home market for three consecutive years. To correct this downward trend, the bank wanted to reengineer its sales and marketing capabilities and become a customer-centric organisation that could respond effectively to evolving customer and business needs. To achieve this, it partnered with Accenture.

Accenture began by analysing the effectiveness of the bank's existing sales and marketing efforts. Then, in a proof-of-concept phase, Accenture conducted three key initiatives: analysing the bank's customer data to identify customers with the highest probability of buying; developing a new campaign platform to enable the bank to

deliver leads to front-line employees and manage campaigns more effectively; and coaching regional sales directors. This initial phase quickly produced US\$19 million in additional revenues for the bank, but there was more to come. In parallel, Accenture developed a master transformation plan for implementing a new sales and marketing model, and has been working with the bank to implement this plan, focusing on five areas:

- Implementing new strategic segmentation and customer-orientated marketing methods.
- Organising the sales force, marketing and the product development to align with strategic customer segments.
- Developing a new reporting system, including pipeline management and a new incentive system.

- Creating and embedding a sales culture, with the development of change management measures, coaching of regional and branch directors and the definition of a new job-advancement system.
- Standardising processes, developing an end-to-end integrated POS front-end and optimising and automating sales and administration processes.

As a result of its work with Accenture, the bank has dramatically improved the effectiveness of its sales force. Two years after the start of the project, it has seen a 79% leap in sales volume, and more than US\$260 million in additional revenues.

Key focus areas for differentiation and simplification...

So, what will the banks that successfully harness these benefits look like? Accenture's research into High Performance Banks together with our wealth of experience working with financial services companies globally shows that the key to future High Performance lies in industrialising the bank's operations. Industrialised banks are more simplified on the inside in terms of their operating model, helping to minimise costs and optimise efficiency and flexibility. They are more differentiated on the outside than their competitors, enabling them to build a unique customer franchise. And they are outstanding at execution, demonstrating not only higher operational performance but also excellence in delivering complex business change.

To achieve industrialisation in the front-office, in terms of differentiation, the first strategy is channel 'transparency', the implementation

of fully-integrated channels that deliver a consistent experience to customers throughout the end-to-end sales process, across all touchpoints. The result is attractive, accessible and flexible channels that are fully interoperable, enabling customers to deal with the bank when, where and how they choose. This is accompanied by the second differentiation strategy, needs-based selling and servicing. This involves creating compelling, simple and clear product and pricing propositions, with a mix of products and services clearly matched against varying customer needs. These offerings should also be made customisable at the point of sale, though dynamic bundling of products and flexibility in pricing.

In terms of simplification, the first strategy is 'no frills' processes and execution excellence, by implementing optimised and efficient processing that minimises the customer's 'time to yes' and the

bank's 'time to issue'. This often involves decoupling product distribution and production, and moving to an industrialised approach based on automated workflows and process-driven applications. For many banks, a key part of achieving excellence in processes and execution is selective outsourcing, with an intensive focus on Business Process Outsourcing (BPO).

Transformation to a customer-centric enterprise

A large Hong Kong-based bank offers a comprehensive range of financial products and services to retail and corporate customers. It recognised that to become a high-performance business it will need to transform itself into a truly customer-centric organisation. For help in achieving this, it turned to Accenture.

Accenture partnered with the client to develop a customer management solution that would balance potential benefits against possible risks. The first step involved establishing a comprehensive implementation plan that confirmed the business objectives, assessed the bank's existing business and technology

capabilities, and defined the customer-centric strategy and business architecture. Building on this, Accenture is now helping the bank design its customer management operating model, define the technical requirements and design the technical architecture.

The result will be a comprehensive implementation plan to transform the bank to a customer-centric enterprise with superior capabilities in customer insight and interaction. The anticipated benefits include dramatic improvements in customer satisfaction and sales, and equally impressive reductions in cycle times and campaign costs.

...to create and sustain an enhanced front- office architecture

Successful industrialisation through these strategies creates an enhanced architecture for the front-office, embedding four crucial capabilities for identifying and meeting customer needs on a continuing basis. This capabilities blueprint is described in the accompanying information panel.

The capabilities blueprint for the enhanced front-office

The enhanced, industrialised, customer-focused front-office architecture encompasses four critical capabilities for growing customer advocacy, boosting revenues and minimising costs.

Customer Centricity

- A single bank-wide, cross-channel view of the customer.
- Standardised business interfaces.
- Latest industry-standard technologies.

User Friendliness

- Process-orientated workplaces based on role-based scenarios.
- Strong workflow management support.
- Standardised and familiar graphical user interfaces (both for front-line and back-office resources).

Efficiency

- Automated Straight-Through-Processing (STP) wherever possible.
- A single point of data entry to ensure data integrity.
- Reusable and optimised processes and services.
- Industrialised product development, through a model-driven development approach.

Functional Scalability

- Complete and transparent integration among all channels and all backend systems, both internal and external.
- Multi-platform interoperability through industry-standard technology platforms.

In terms of IT infrastructure, these four capabilities are underpinned by two key components. The first is the implementation of a 'business hub' between the distribution and production systems, to ensure the necessary decoupling between the client-facing processes and the product factories. The second is the adoption of a Service Orientated Architecture (SOA), to ensure that separate business functions on autonomous systems can interoperate in an industrialised way.

Building a successful customer-centric bank also requires the creation of a single bank-wide, cross-channel view of the customer. This provides the bedrock for a consistent and coherent customer experience based on the same data across all touchpoints and requires the implementation of a central data repository or warehouse and seamless data integration across the various channels. Overlaid with

sophisticated data modelling and analytical capabilities this can ensure decision-makers have access to the right business intelligence (BI) when and where they need it, enabling them to understand, predict and respond to customers' behaviour and life stages with appropriate offerings via the most appropriate channel.

To measure and sustain the benefits of this new architecture over time, the bank will also need to refine and realign the relevant accountabilities and metrics. Firstly, customer care metrics need to be improved to reflect the fact that active management of the individual customer experience requires specific data at branch level and direct channels, updated at least quarterly. At the same time, customer satisfaction KPIs must be monitored in combination with operational and sales metrics to drive ongoing cultural and behavioural change.

Secondly, customer-centred KPIs such as customer life-time value and a customer satisfaction index are needed. Ideally, these should encompass only a handful of KPIs, but with strong sensitivity analysis to reveal trends clearly and early. And thirdly, transformed front offices need end-to-end process measurement, using customer-centred KPIs and 'Six Sigma'-style measurement to improve key front-line processes such as account origination. The leading banks in this regard have gone so far as to formalise their operational KPIs in a 'charter of services', effectively a true service-level agreement (SLA) with customers.

Making front-office transformation happen

In approaching a front-office transformation programme, Accenture's experience has consistently highlighted three key success factors:

Set precise goals

For most financial services businesses, the front-office and customer advocacy strategy should be multi-channel and supported by concrete, measurable goals. These goals can be used as reference points during the implementation process and as success criteria for the finished customer management solution.

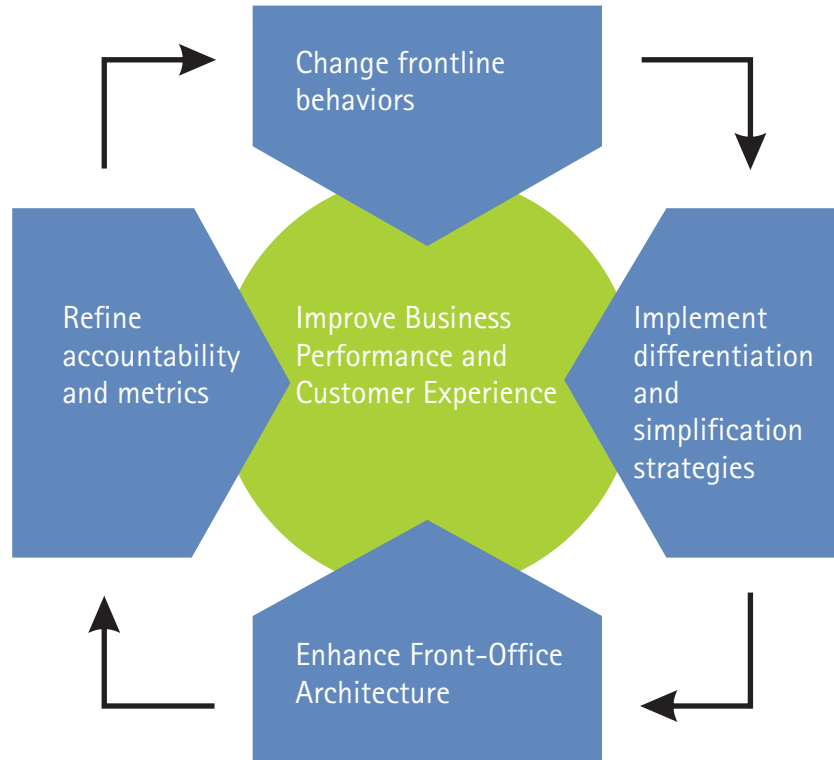
Involve all affected departments

The impact of front-office transformation is felt in processes and culture across the entire organisation, both in customer-facing functions and those involved in the order fulfilment process. The success of the programme depends on the active buy-in and involvement of the relevant managers and staff.

Use the best available employees

The programme should be run by people with the deepest possible understanding of the business, working in cooperation with technical and customer management specialists to define and implement the transformed business processes. The key advantage of using business-aware employees as process owners is that the solution is much more likely to live up to the daily requirements of users across the business.

Figure 2. The virtuous circle achieved by front office transformation



By adhering to these three principles, the bank can drive the fundamental changes demanded by front-office transformation, thereby creating a first-class customer experience that in turn furthers the organisation's journey towards High Performance. The required changes can be categorised into four main elements (illustrated in Figure 2), which combine into a virtuous circle driving customer experience and business performance progressively higher over time.

When implementing the transformation, it is a good idea to focus on quick wins. These ensure the benefits begin to flow quickly, and form a powerful argument to sell the transformation to interested stakeholders across the organisation. Delivering several large quick wins at the start of the project will help to create the momentum needed to drive the programme through to realisation of the full benefits. In some cases, the improved earnings from the quick wins at the beginning will virtually pay for the whole programme.

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How Accenture can help

In Accenture's view, banks in India are at a defining moment in their relationships with their customers. As they face up to the unique combination of rising expectations of customers and the post credit-crunch costs squeeze, Indian banks have a major one-off opportunity to drive a radical front-office change programme that will simultaneously transform their customer experience and their cost base, thereby positioning them for future High Performance.

The case studies throughout this point-of-view paper provide insights into many real-world case studies where Accenture has helped financial services organisations enable deeper, more responsive and more profitable cross-channel relationships with customers at lower cost. Accenture's approach includes a portfolio of tools and

assets that have already helped many banks worldwide achieve dramatic improvements in customer advocacy, and our specialist team can do the same for your bank.

To find out more about how Accenture can help your business transform its front-office and move towards High Performance, please contact:

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Achieving High Performance

Accenture works with financial institutions to help identify and execute opportunities for cost reduction and efficiency. We have a comprehensive suite of offerings and assets covering all key areas of the bank, ranging from short-term tactical initiatives to longterm strategic transformation programs. We would be delighted to discuss how these could help your bank achieve high performance.