

Customer Experience Management in Banking Sector

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Abstract

Globalization and the advent of Internet technology has radically changed the way businesses are conducted across the globe. Earlier companies were talking about how to deliver a differentiated product offering and constantly improve customer service in order to achieve customer satisfaction. However, products and services are no longer the primary differentiator, since they are commoditized to a form of almost uniform blandness. Today the differentiator that companies rely on to achieve a competitive advantage is the experience created with a brand (product/service) that a customer carries in his head. A great experience has to be created, because it doesn't happen by accident. Thus 'customer experience' and Customer Experience Management (CEM) is becoming the new frontier for customer-centric organizations.

Keywords:

Customer Experience Management;
Banking Experience;
Experiential marketing;
CEM;
Bank Marketing.

The research paper – '*Customer Experience Management in Banking Sector*' highlights the domain, importance and implementation of this emerging marketing practice. Taking the case study of banking industry in the service sector, the author has given an example of a private-sector bank that has already tried to continuously improve customer experience at various touch points. The paper also highlights the implications

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drawn from the findings of a primary (descriptive) research study conducted by the author in order to explore the different avenues for providing a positive customer experience by the banking industry.

1. Introduction

In today's globalizing economy, competition among businesses is getting fiercer. It is becoming increasingly difficult for products and services to differentiate themselves from other offerings than ever before. In such a scenario, the development of a strong relationship between customers and a company can likely prove to be a significant opportunity for competitive advantage. But this relationship can no longer be based on features like price or quality. Today, it is the perceived experience that a customer has in his various interactions with a company that can make or break the relationship. Problems encountered during a single transaction can damage a so-far favourable customer attitude. The consequence is that companies have to adapt their ways of competing for customers.

Not so long ago, companies were considering how to improve customer service, but today service is a commodity. Today the leading edge has moved further. New competitive pressures are growing around the customer's experience, thus giving rise to the concept of CEM; with the key issue before organizations as to how to provide customers with compelling experiences that create enduring memories and lasting relationships.

Customer Experience Management is a very different and complementary approach (Erin Kinikin, 2005). CEM focuses on figuring out who your customers really are and making sure that they get what they need out of interactions with your touch-points like web sites, retail outlets, kiosks and call centers - from the customer in. According to Michael Maoz (2005), CEM is a specific aspect of the much talked about Customer Relationship Management, that looks at how to create a consistent view of, and approach to, the customer. Bob Thompson (2006) feels

that CEM is an integral part of CRM, because the health of a business-customer relationship depends on how good a job that business does in delivering on promises and because customer interactions with a company form a critical part of the customer perceived value.

Thus, theoretically CEM should be a subset of a company's CRM program since CRM would not be CRM unless it improves the customer's experience with the company. However, most people consider CRM in practice to be an information-driven approach to customer analysis and process automation. CEM, on the other hand, concentrates on the customer's value proposition and includes all interactions, not just those that can be automated.

2. CEM: The Concept

Customer Experience Management involves creating positive and memorable customer experiences, which is quite challenging since experience is an intangible quality and is different from one person to another. Experiences are built around feelings, emotions, smells, colours, spaces, sounds, human contact, branding and a thousand other factors including time.

Bernd Schmitt (2003), defined CEM as “the process of strategically managing a customer's entire experience with a product or company.” Building further on Schmitt's definition: “The term ‘Customer Experience Management’ represents the discipline, methodology and/or process used to comprehensively manage a customer's cross-channel exposure, interaction and transaction with a company, product, brand or service.”

CEM helps the enterprise see the customer with the ‘right brain’ – concerned with perceptions, feelings and interactions that are harder to quantify. CEM focuses on all points of customer interaction: in person, telephone, website and email. Instead of just looking at how valuable the customer is to the enterprise, CEM requires an inspection of the enterprise's value to the customer.

Customer Experience Management has become the latest buzz phrase among marketing professionals in Indian business today. It is not only the service sector enterprises such as hotels,

retail stores, airlines or banks, which are ‘experiential’ in nature, that have understood the importance of delivering a positive experience; but the manufacturing enterprises selling physical products have also realized that they need to deliver a really powerful and pleasant customer experience and reinforce it in as many ways as possible in order to enhance their competitiveness.

In the banking sector, Kotak Mahindra bank is a good example of a company that has learnt to improve customer experience from various fronts. In the section below the author has highlighted important aspects of CEM at Kotak Mahindra bank, considering the fact that its basic offerings are experiential in nature.

3. CEM in Banking

Kotak bank offers a wide range of banking products and financial services to corporate and retail customers through a variety of delivery channels and is a leading player in the retail banking market.

The senior officials at the bank regularly look at branch-wise customer-satisfaction metrics like the average time spent by customers at bank counters, the time taken to open new accounts, the number of unresolved customer complaints, etc. The employees are trained in such a way that they have to always strive to make customers feel that banking with Kotak is more convenient than cumbersome, and that it is a warm and comfortable place to come for business. Customers should not take bitter memories even if they do not want to avail their services at any point of time.

To continuously improve customer experience, the bank monitors service quality and customer satisfaction is one of the key result areas for top executives’ performance appraisals. The bank also continuously tries to eliminate dysfunctional experiences across its various channels. Moreover, after each transaction, the customer receives a few questions on his/her mobile related to the service provided by the employee during the transaction and is asked to rate these services and provide a candid feedback.

The bank has evolved a dynamic queue management system at their branches since during peak hours, customers often physically push each other and create an unhealthy environment. Thus customers are given tokens and they have to wait for their turns without pushing one another. This simple solution has helped to reduce customer unhappiness to a great extent.

The bank also found that it is easy to offer the latest technology and ATMs to serve but difficult to offer complementary services. For example, ATMs may give out cash at the drop of a card, but a customer who fails to find a parking place for his vehicle near the ATM may not think all that greatly about the bank's ATMs. The bank had found that many customers came to ATMs in two-wheelers or four-wheelers. To make it convenient for them to park their vehicles, most ATMs are located on the main road or arteries linked to these roads.

The ultimate key to improved customer experiences is improving the skills of employees. The company takes due care in recruiting people and also provides extensive training to them not only to become efficient and competent, but to also develop empathy for customers and behave in a disciplined manner. Thus Kotak bank can be considered as a noteworthy example of a company that has put significant efforts to deliver positive customer experiences by improving the quality of its services.

In order to have a feel of customers' attitudes towards the quality of experiences provided by their banks, and to explore different avenues to create positive customer experiences, the author has conducted a simple primary research of some customers of banking services.

4. Objectives of Primary research

1. The prime objective of primary research was to identify customers' feelings towards the key aspects of experiences created/provided by banking companies.
2. To identify the difference between customers' feelings or attitudes towards the type of experiences created by private & public sector banks.

5. Research Methodology

Type of Research Design: Descriptive

Data Collection

Primary data was collected from customers of banks with the help of a structured Questionnaire using a self-administered survey.

Sampling plan

350 Customers (126 customers of public sector banks, 132 customers of private banks and 92 customers who utilized services of both types of banks) in Mumbai were sampled using Non-probability sampling technique - Convenience sampling.

6. Data Analysis and Findings

(A) Customers' feelings towards the key aspects of experiences created/provided by banks.

A set of 30 statements related to different aspects influencing customer experience in case of banking services were prepared as a part of the questionnaire and administered to the respondents. All these 30 statements were rated on a 7-point scale where 1 point stood for minimum and 7 represented maximum of each variable being rated by the respondents (customers who utilized services of both public and private banks were administered two sets of the same questionnaire and were asked to rate both types of banks separately).

The different aspects (presented through 30 variables) were consolidated under the broad variables (shown below in Table 1) which influence customer experience in case of banking services.

Variables affecting customer experience

(Figures indicate the average scores across different variables)

Table: 1 Analysis of customers' feelings towards key aspects of customer experience

Variables affecting customer experience in banks	Public Sector banks	Private Sector banks
Tangibles	4.8	6.3
Quality of interiors and equipment	4.3	6.5
Clarity and quality of written materials – forms, slips, etc	4.4	6.2
Clarity of signboards	5.4	6.3
Type of sitting arrangements while waiting	5.6	6.8
Availability of parking space near ATMs	4.6	6.4
Availability of parking space near branch	4.5	5.6
Technology	6.2	6.45
▪ User friendly IVR/technological systems	6.1	6.4
▪ Problem-free ATMs	6.2	6.5
▪ Availability of Internet banking	6.7	6.6
▪ Integration of services across various channels	5.8	6.3
Bank Atmosphere	4.2	6.13
▪ Warm and comfortable environment	4.2	6.2
▪ Cleanliness of bank premises	5.5	6.4
▪ Friendly atmosphere	3.7	5.8
▪ Easy accessibility (a related	3.4	6.1

aspect of environment)		
Services experienced	4.5	5.54
▪ Convenient banking hours	6.1	6.2
▪ Individualized attention of employees	3.3	5.4
▪ Promptness of services	4.3	5.2
▪ Waiting time	4.8	5.7
▪ Interest rates on different deposits	4.7	5.8
▪ Interest rates on loans	3.9	4.7
▪ Capability to customize services according to customer's needs	4.4	5.8
People	4.41	6.1
▪ Neatly/decently dressed employees	5.3	6.5
▪ Proactive staff, interested to work	3.3	6.1
▪ Willingness to help	4.4	5.8
▪ Reassuring behaviour	3.2	5.9
▪ Quality of response to queries/problems/complaints	4.6	6.2
▪ Competency/efficiency of employees	5.4	6.3
Knowledge of employees	4.7	5.9
Marketing communications	5.45	5.7
▪ Type and attractiveness of promotional offers	5.6	5.8
Effectiveness of marketing communications	5.3	5.6

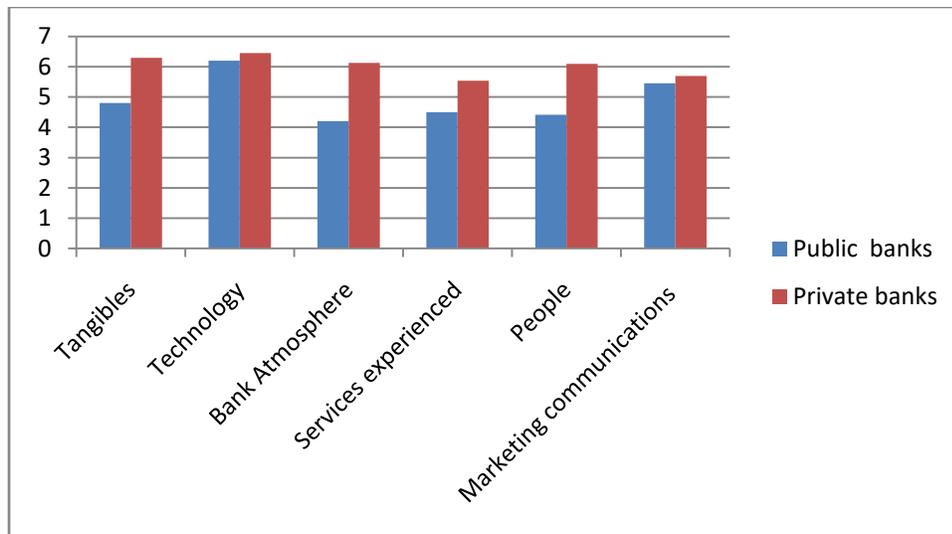


Chart 1: Customers' ratings on experience variables for public banks vs private banks

(B) Importance of variables related to the banks that create positive experiences

The importance of all the above factors that influence customer experience were also checked through a ratio scale from 0-10 by asking the respondents to allocate points to each of the factors out of 10. These were then averaged down and the following results were obtained.

Table: 2 Importance score of various experiential factors

No.	Factors / Activities	Average score out of 10
1.	Appearance of physical/infrastructural facilities, equipments, written materials & personnel (Tangibles)	8.5
2.	Technological support	7.8
3.	Bank Atmosphere	8.8
4.	Services experienced	9.5
5.	Competent & well-trained personnel	8.9
6.	Marketing communications	5.5

7. Implications of the Study

1. Private banks seem to have put a lot of importance on the *tangibles*, which may influence the environment also and since they are in the service business, they may be considering it essential as a part of their physical evidence. Moreover, public banks need to improve on this front since customers make a comparison on this aspect and that may influence those customers who get influenced by the physical environment/evidence.

2. Customers seem to be realizing the due importance and convenience of *technological support* for improving efficiency of banking operations and for providing seamless and comfortable services, which is reflected in the importance score. Both the types of banks have got sufficient scores on the technological platform suggesting that they have been successful in harnessing technology for creating a unified and holistic experience.

3. Private banks get a higher score compared to public banks on the '*bank atmosphere*' aspect. Moreover the type of atmosphere in the banks is important in influencing customer experience as reflected by the importance score of 8.8. Thus it is necessary for public sector banks to improve these aspects in their banks to make it more conducive for customers.

4. *Services* fetch the highest importance score since basically banks are in the service business and the product offerings are almost me-too in nature. Again, public sector banks carry lower scores than private ones on the service platform. Even private banks have not obtained very high scores though they are quite dynamic compared to public banks. Thus it is highly imperative for both the types of banks to improve on the services front, especially on parameters such as promptness in serving, waiting time, individualized attention and customer feedback systems.

5. *People* factor play an important role in managing customer experiences which is reflected by the importance score. However public banks are way behind in having the right kind of people required to create the right kind of positive experiences for customers. They need to train their employees for cultivating the right kind of approach and attitude and empathy for their customers. Public banks need to reorient the thinking of their employees. Incentive systems can

be planned out for employees to motivate them not only to improve business but to provide quality service also. The number of times a person may defect from a service, the incentives may be reduced accordingly as per the system.

6. *Marketing communications and promotional offers* receive very less importance from the customers indicating they play minimal role in influencing customer experiences. Perhaps customers are trying to convey that -Don't tell us how great you are, Show us. However banks have fared well on this front in comparison to the importance score showing that the communication factor, especially the advertising aspect has been taken care of.

Thus it can be concluded from research that banking companies need to be 'right-brained' as discussed in the earlier part of the research paper. They need to recognize the value of competent, caring and helpful employees. They need to understand the importance of individualized attention and the quality of interactions between customers and employees in creating the right kind of memorable experiences. Rather than focusing on functional aspects of business, they need to respond to the emotional and personal aspects of customer experiences

8. Conclusion

The idea that customer experiences can be strategically managed is not entirely new. In a sense, companies have always tried to influence and manage their customers' experiences through advertising, innovations, physical evidences, support services, etc. They have always tried to deliver a consistent set of cues, messages and human interactions that, taken together, create 'the customer experience.'

In recent years a number of fundamental changes have occurred in the business environment that have led to the emergence of Customer Experience Management as both a strategic discipline and a fast-growing industry, complete with a wide array of tools and solution sets. The changes have been fueled by technological advancements, which have expanded the range of services available to customers, and simultaneously led to escalating customer expectations.

To conclude, it can be considered that CEM is an approach that focuses on the *experiences* of customers and how those experiences affect their behavior. It aligns customer needs with the company's ability to fulfill those needs, leading to business relationships that are mutually beneficial and that both the parties, i.e. company and customer — are motivated to improve. Indeed, CEM can become an important strategy for competitive advantage for businesses in the present day environment.

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