

The Customer Centric Approach to Designing a Millennial Bank – A Perspective



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Abstract

“Banking is necessary, Banks are not”

– Bill Gates, 1994.

Great customer service is no longer a competitive advantage for competing firms. Technology adoption impacting the rapid pace of the business has made the firms constantly ask “How do we impact the customer in our role?” The answer to this pertinent question defines the customer journey that the firms re-define to enhance customer experience that further impacts loyalty. Encouragingly, millennials are about to become the business’s most important customer’s world over and they command the largest spending power as well. Primarily, they foresee value before purchase and question the viability of a product or service. Relevant research estimates that this unique cohort will spend \$300 billion annually by 2020 and \$10 trillion over their lifetimes as consumers, across the world. With millennials only in their early thirties, most members of this generation are at the beginning of their careers and, as such, will be an important engine of the economy in the decades to come. The article attempts to reinforce the belief that understanding the financial requirements of millennials requires specific evaluations vis-à-vis their values and lifestyles.

Keywords: Millennials, Customer Centricity, Service, Value, Experience

Introduction

Circumstances and environment ideally shape every generation and millennials are no exception. They are more ambitious than previous generations and more than half want to earn high salaries and be wealthy. But their priorities have evolved and they find value in whatever they purchase. They are also tech-savvy individuals who find several ways to communicate, shop, and interact with the company of choice. They have re-defined a unique perspective and have forced industry and firms to take notice and learn their spending behaviour. Importantly they engage with the companies through technology and expect perfect service with extreme personalization. Alternatively, millennials also expect to reach out in moments of despair regardless of the organization’s limitations. For them, Customer Experience is for real and user experience triumphs over all else. As per a recent Gartner study, millennials decide regarding re-purchase from a company basis the previous experience. The study reiterates that 64% of millennials consider customer experience more important than price. In fact, 70% of customers reiterate that a seamless shift within channels and conversations supported by a valid context are crucial to winning business opportunity. Significantly 33% of the customers have switched a brand owing to poor user experience. When millennials do have to reach out to a company, they prefer to communicate in this order:

1. Text and messaging apps (like WhatsApp)
2. Email – when it’s delivered with a snappy subject line
3. Social media
4. Phone call
5. In-person

Objectives of the Study

The review article endeavours to understand the need for banks to adapt to a customer-centric culture to satisfy the financial needs of millennial consumers. Significantly, millennials constitutes the business’s most important customers today as they command the largest spending power as a demographic group. The article attempts to reinforce the belief that understanding the financial requirements of millennials requires specific evaluations vis-à-vis their values and lifestyles.

Communicating Value to Millennials

The millennial generation creates its own rules and it is more evident in the communication channels that they use. With unprecedented access to media and digital technologies, millennials are exercising strong views on how they want to receive firm communications and are developing their distinctive style of accessing and assessing information. They are quite satisfied to interact with financial services companies via multiple online and offline channels but anticipate quick responses and seamless user experience. They are more proficient than older customers at handling multiple conversations simultaneously. More so, they favour e-channels, such as web portals, e-mail and mobile apps, creating urgency within the financial services industry to digitize communications.

Comprehending the Paradigm Shift from CLTV to BLTV

The pervasive impact of technology has made it difficult to predict the way forward for digital retail banking. Although the banking industry in India is putting its digital agenda re-defined vis-à-vis the value delivery to millennial customers just beyond simpler access to financial products and thus exploiting the larger opportunity to reinforce the promise of ensuring wealth creation and improved financial wealth. Essentially, the banking industry is

constantly viewing digital banking as an opportunity to understand the niche millennial demands to enhance customer lifetime value (CLTV).

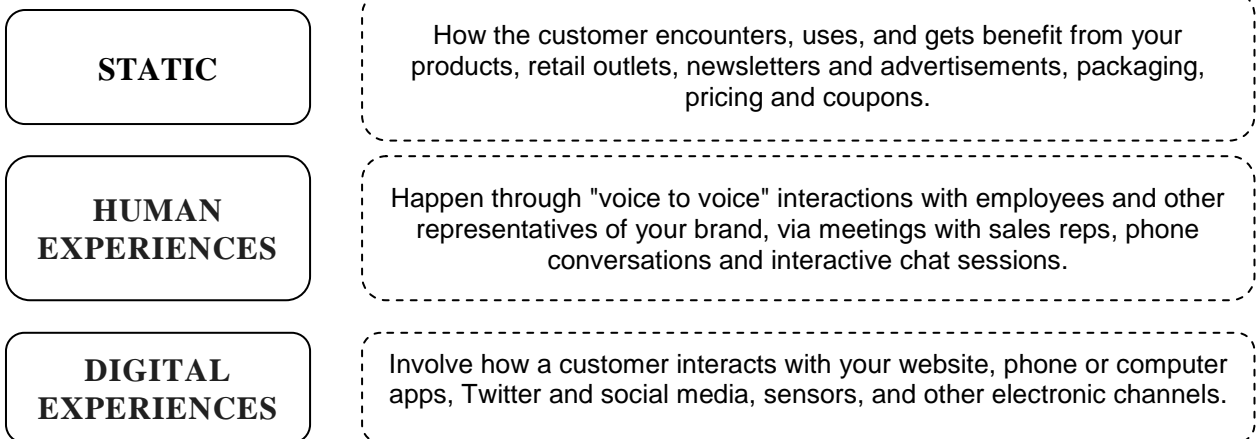
As reiterated by Sudhir Kesavan (VP - Design, Engineering & Transformation, Wipro Digital), today, understanding the unique financial requirements of millennials requires a completely different vision to make the relationship last a life-time i.e. enhanced CLTV. But from a customer perspective, it isn’t CLTV that is important but rather Bank’s Life Time Value, to the customer. Today the millennial cohort has specific demands and worldwide the banking services are being challenged to answer the question of what is the “Bank Life Time Value” (BLTV) for them. To be more specific, while CLTV is about lifetime value captured, BLTV is about lifetime value delivered. And value delivered is what translates into customer advocacy. Although the concept of BLTV is stimulating and unique, value proposition regarding financial health will have no meaning unless it is engaging and follows a context as millennials take decisions in moments and look for perspectives.

The connect of Customer Experience and Customer Centricity: The Millennial Demand

Interestingly, the terms “customer centricity” and “customer experience” are quite often considered as same with further meanings similar to terms such as “customer service” or “customer satisfaction”, the fact is that these terms have different meanings and perspectives. The domain of “Centricity” captures the trust earned and “Experience” captures keeping the trust of its customers. Primarily, customer experience involves what that customers get and customer centricity is the why that motivates companies to provide the experience.

As stated by authors, Henshaw, M and Kasanoff, B (2012), customer experience can be divided into three categories:

Customer Experience Categories



(Source: Smart Customers, Stupid Companies. Authors: Michael Henshaw and Bruce Kasanoff - 2012)

With the millennial demand for enhanced digital experience, it is indeed a no mean task to strategize and manage how Omni-channel service is delivered in the most personally relevant and value-creating ways. Essentially, the internal systems have to connect seamlessly and customer-oriented processes need to be re-designed and executed flawlessly. Delivering great customer experience requires the company to be customer-centric and it's the customers themselves who judge the success of the connection. To achieve a customer experience that is way beyond the realm of a simple transaction, the organization has to have a customer-centric mindset. This symbiotic relationship between customer centricity and customer experience relate to the ultimate notion of trustability.

Handling the Customer Centric Millennial

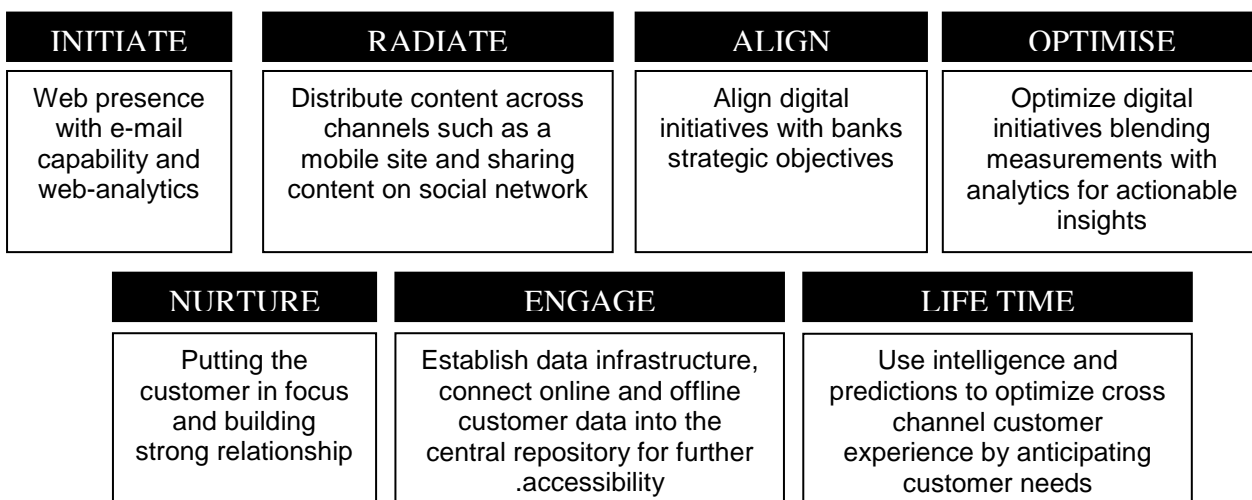
Millennials are considered as the first fully digital generation and for them, banking is an experience. They want their financial experiences to be seamless, effective, and in line with their lifestyle preferences. As a digitally native generation, technology plays an important role in their choice of financial institutions. A research study conducted by software firm Intellias reveals that 57% of millennials would switch to a competing bank offering better technology. Among millennials, 92% already use their smartphones for banking activities even more frequently than for other services such as online shopping. In fact, by 2023, 73% of the UK's adult population (35 million people) will likely use mobile banking apps. The shift towards mobile is happening on a global scale as well. During a typical month, US millennials access their bank accounts an average of 8.5 times via a mobile app versus 3.1 times for non-millennial demographics. Opening a credit card

account is primarily a digital activity for millennials as well, with 61% opting to do so electronically last year. Millennials demand an omni-channel experience customized to their personal goals as they constantly crave for experience-driven banking within the channel of their choice. In the EU (the UK, Norway, the Netherlands, France, Switzerland, Germany), Australia, the US, Canada, Singapore, Brazil, and India, the majority of consumers embrace the internet and demand that banks provide a superior customer experience (CX) through digital channels. The mandate for the banking industry is to collect data, constantly learn about the customer hurdles, and redefine solutions that can reduce friction or help them overcome those hurdles ranging from buying a house to getting a better grip on their savings.

Re-defining the Customer Experience Maturity Model for Millennials Digital Demand

When living in the era of customer empowerment, it is pertinent to understand the customer's voices, opinions and desires and use them to provide great customer experiences. Providing customers with the best experience in the industry means gaining the upper hand and having repeat and happy customers. Although the desire to design appropriate customer experience is there, the question of how to execute it often remains. Firms earlier followed the approach of Customer Experience Management (CXM), but in a technology-centric environment, such a reactive approach to customer experience will not suffice the experience required. As an alternative, a more appropriate framework would be Customer Experience Maturity Model (CXMM) for understanding the current state of your customer experience and setting goals for how to improve.

The Customer Experience Maturity Model



(Source: <http://mediacontent.sitecore.net>)

In most scenarios, firms that strategize user experience through CXMM model usually explore areas that need relevant up-gradation and planning for execution. Ideally, the need of the hour demands that banking firms comprehend the consumer's customer experience vision and move closer to provide a better experience that is personalized and value-driven to gain competitive advantage.

Conclusion

With millennials vouching for user experience (UX), apart from embracing mobile solutions, the mandate is to study the competitive landscape as disruptors de-bundling services to attract niche customer segments. Achieving competitive advantage demands more sophisticated personalization strategies enabling targeted marketing and personalized experiences. Exploiting technologies like Artificial Intelligence (AI), Machine Learning (ML) and Predictive Analytics, the banking industry can take a more social approach to product development that prioritizes easy access to money and fluid exchange impacting payment convenience.

Unlike other generations, millennials are not worried about risks, not afraid of technology and are more focused on user experience. This love for user experience motivates this cohort to make memories and not just simple transactions. From a strategic perspective, banks need to make banking fun via gamification and offer incentives or rewards to gain loyalty. The race to win millennials is not easy but a unique banking opportunity awaits banks willing to

forge the right relationship. Significantly, just because millennials have been un-served by big banks, they have not committed their loyalties to one particular bank. That should drive banking firms attention on millennials to create value-driven, long term relationships and further ensuring a future of mutual success.

If banks want millennials to engage for building financial stability and security, the industry must find more effective ways to promote products and services that provide a solution and not just a sale. Alternatively, branch banking needs to be educational, interactive and engaging. Only then, banks will have more opportunities to build a relationship with millennials that is way beyond a mere transaction.

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