CAFRAL CONFERENCE OF
CHIEF CUSTOMER SERVICE OFFICERS

Customer Service a Business Philosophy

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Objectives of Customer Service

- To Build Trust and Encourage Repeat Business
- TO Determine What Customers Really Want .
- To Meet the Needs of Customers.
- To Increase Customer Satisfaction.
- To Resolve Grievances of Dissatisfied Customers .
- To Adopt a Professional, Friendly approach
- To Work Toward Positive Outcomes.
- To Retain Existing Customers and Bring Back Dissatisfied Customer

Definition of customer service

- **Customer service** is traditionally defined as the provision of services to customers before and after purchase of Goods or Services .
- The objective is achieved through fair treatment without discrimination and through series of activities including , timely availability of products at right pricing besides robust Delivery infrastructure that enhance or facilitate the level of customer Satisfaction i.e. a level that has met the customer expectation.
- Almost all service providers provides products and services at same terms and conditions What distinguishes one from the other is the <u>way they treat their customers</u>
- The quality of customer service that differentiate one business from other business becomes key component of Brand Building.

Definition of Customer

- As per RBI circular on Customer Service, a Customer of a Bank may include:
- A person or entity that maintains an account and/or has a business relationship with the bank;
- One on whose behalf the account is maintained (i.e. the beneficial owner);
- Beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors etc. as permitted under the law, and
- Any person or entity connected with a financial transaction which can pose significant reputational or other risks to the bank, say, a wire transfer or issue of a high value demand draft as a single transaction.

Changing Environment of customer service

- Before 1990 it was Licence Regime that controls, directs and ultimately decides the fate of business.
- Hence under monopoly and restricted licence regimes it uses to be that, ‘simply being in business was enough to make a profit .‘
- But business environment now is changing.
- Market forces ensure that those who remains committed , adjust with changing economic environment continue to do business and those who could not disappears without any sign.

Restricted Market access

- However still there is a barrier to entry to many businesses including Banking and licence is required to do business leading to Oligopolistic competition.
- Monopoly, Oligopoly, Monopolistic and free or perfect competition
- Monopolistic competition is created through cartalisation that ignores customer's interest and leads to customer's complaints .
- Whereas Monopolistic competition give No choice in the absence of competition , Oligopolistic markets limits the choice of customers to very few players but do not restrict competition . Indian Banking Sector at present resembles Oligopolistic markets.
- The competition among such businesses is so fierce and tough that only the strong will survive.

Financial Services and the Customer

- Significance in Financial Services Market in India.
- Reach and Impact of Financial Services on Economy and people's lifestyle.
- Restricted Entry Barrier for Banks and hence Customer Care does not get due attention notwithstanding Banking services do not technically fall in oligopolistic category (Market Share of 4 Big Players is 38%) but Market feel that their behaviour leads to such conclusion.
- Restricted Competition and hence inefficient are also surviving.

Financial Services and the Customer

- The Market is Changing fast .
- Licensing of New Generation private Sector Bank in nineties has brought not only improvement in customer service in the industry but has led to introduction of technology based products as per needs of customers. Attracts large no young amd affluent customers .Their share is increasing.
- RBI has Decided to licence more banks .
- Market looking for entry of Foreign Banks

Financial Services and the Market

- Affordable Pricing and availability are important so that Nobody is denied facility on the plea that market may decide the price and Imbalances in bargaining power of different kind of customers is a natural
- Some Free Market players in this oligopoly market argue that there is a price for convenience and hence Customers pay for good customer Service they receive .
- Some even will argue that there should be no free facilities and fees and charges as per transparent tariff schedule may be levied to the extent market can bear the same.
- Some may argue that those who cannot pay may not avail , even forgetting such brazenness may disturb social harmony, commitment and public order.
- These arguments do not hold true in imperfect Oligopolistic competition with entry barriers

Financial Services and the Regulator

- The Regulator Role in such imperfect markets is not only to ensure that rules of game are agreed to by all but also the violators are taken to task by fines or suspension or cancellation of License.
- Role of Reserve Bank of India in ensuring good customer service as well as adequacy of Financial services at affordable terms is well known and has been appreciated by all.
- Financial Inclusion Project/Treating Customers Fairly

Financial Services and the Regulator

Reserve Bank, as the regulator of the banking sector has been actively engaged from the very beginning in the review, examination and evaluation of customer service in banks. It has constantly brought into sharp focus the inadequacy in banking services available to common person and the need to benchmark the current level of service to the best of international practices.RBI has been expressing its concern many times besides intervening in the market time and again to ensure good customer service through various committees and institutional mechanism.

REGULATOR’S CONCERNS

- Mis-selling of products and services- Misleading advertisements, unsolicited products, forced bundling
- Transparency and Disclosure – Complex terms and conditions, MITCs/ Penalties not disclosed, hidden fees and charges, usurious penal charges
- Consumer Education – Lack of awareness of Rights despite existence of Citizen’s charter and Codes of BCSBI and MITCs, poor customer responsibility
- Collecting Dues – Harassment/ Intimidation, conduct of recovery agents
- No. of customers approaching Banking Ombudsman still high, indicating inadequacy of bank’s internal redressal system.

REGULATOR’S CONCERNS

- Bundling of insurance with bank’s regular products
- Perverse incentive structures encourage mis-selling-Sales target for front desk staff!
- Charges for not serving:-

  - Non-maintenance of minimum balance

  - Charges for no transaction in accounts

  - Prepayment penalty

  - Annual charges for renewal of loans

REGULATOR'S CONCERNS

- Levying of charges for banking through other than Base Branch despite ONE Nation ONE ACCOUNT claim
- Floating interest rates – Sticky on the downside !
- Wide range on interest rates charged for retail loans- Customers discriminated in spite of similar risk profile
- Discrimination in rates offered to old and new customers with identical risk profiles
- Discount on rate of interest charged during festivals

Financial Inclusion

- Banks are considered as drivers of Indian economy.
- In a country of 1.21 billion people, the banking system has about 105000 branches serving 12500
- Till 2010 banking services has reached 30000 villages out of 600000 comprising 30% of rural population
- Thus a large population has remained excluded

Financial Inclusion

- Union Budget 2010 sets a target to cover all villages with population of 2000 and above with banking facility 2012
- Reserve Bank of India immediately took steps

  and advised banks to set up shops through Ultra small branches, Business correspondent models, Brick and Mortar branches etc.
- As on March 2012, the number of touch points through the above models has increased from 77300 to 243300 in 147500 villages
- Licensing of new Private sector Banks

Treating Customers Fairly

- Products and Services are designed to meet Customer needs and are not complex and the Customers understand the features, benefits, risks and costs of products they buy.
- The Managers should apprise the Customers and give them appropriate advice on suitability of products as well as about the Risk they face in subscribing to Complex Products

Treating Customers Fairly

- Transparency and non-discrimination in pricing through access to adequate, comparable information
- Honest and ethical dealings
- Effective, responsive and robust grievances redressal system

Committees on
Customer service

- Reserve Bank Initiatives on Customer Service
    1) Talwar committee in 1975
    2) Goiporia committee in 1990
    3) Tarapore committee in 2003
    4) Damodaran Committee in 2011

Govt.'s Initiatives on Customer Service

Citizen Charter in 1997

Banking Codes and Standards Board Of India.

- Banking Codes and Standards Board Of India.
- Roles and function.
- Volunteer Membership with 127 members with 98% of banking business.
- Two Codes 1) Bank's commitment to Customers and 2) Bank's commitment to Micro and Small Enterprise
- BCSBI in Existence for the last 7 years
- Lack of awareness among staff and general Public

Banking Codes and Standards Board Of India.

- Why Code?
  - Code complementary to regulations
  - Is a positive and voluntary commitment.
  - Promotes good and fair banking practices
  - Increases transparency
  - Promotes a fair and cordial relationship
  - Code does not replace regulatory or supervisory instructions
  - Code may set higher standards

Banking Codes and Standards Board Of India.

- To act fairly and reasonably in dealings with the customers
- To help customers through direct interaction, advertisement, literature
- Giving information on various products, how to get them, their financial implications
- Applicable to branches/subsidiaries, Agents

Monitoring and Measurement of customer service

- Annual Compliance Statement
- Survey of Branches of different banks
- Started with 700 branches in 2007-08, the sample increased to 3000 branches.
- Visits are undertaken by retired senior officials with questionnaire for observations and verifications/discussions as appropriate.
- Visits are not audit but no compromise with data integrity.

Monitoring and Measurement of customer service by BCSBI

- Findings are converted into numerical score.
- Survey Findings has revealed improvement in performance of all Banking Groups in the area of customer service
- Dialogue was held with 16 banks whose performance was in the lowest percentile.
- Rating the Banks in Customer Service

Why Customer service is important?

Survey of dissatisfied customers by a reputed agency has revealed that :-

- 70% of people who took part in survey had stopped dealing with an organisation in the last year.
- An amazing 54% of people stopped not because of price but because of poor service.
- 26% did move because of price,
- But tellingly, 12% of those people wouldn't have looked for a cheaper price if they had been happy with the service provided.

Impact of Adverse Customer service

Similarly an Research Study on the Cost of Acquiring new customer'

- 91% of unhappy customers will not willingly return to you to do business.
- Customer are 40% more likely to tell other about their bad customer service experience than a good one
- An unhappy customer will tell 9 to 15 people about his negative experience whereas a happy customer may tell 4 to 6 persons about his good experience.
- 86% of customers completely quit doing business with a company because of negative customer service experience.

Impact of Good Customer service

- Whereas you have 50% chance of selling new product to existing and satisfied customer, the chance of selling new product to new customer is 15%
- It takes 12 positive good customer service experiences to make up for one negative customer service experience.
- 73% of customers are reportedly spending more because of a history of good customer service.
- Loyal customers becomes unsolicited Brand Ambassador i.e., they don't just spend more and not only simply recommend you but ensures also that their families and friends to do business with you

Customer’s Wish list

- Customer Centric Policies
- Basic Bank Account and No suo -moto offerings of bouquet services
- Fair Customer’s Grievance redressal System
- Transparent, Objective, Non discriminatory and Non exploitive.
- Proper briefing of new products being offered.
- One stop window in a Branch
- Secure “ IT Transactions “ and protection with Zero Liability.
- Reasonableness of charges.

Some Questions For Policy Makers

- Do you keep your organization ahead of yourselves?
- Do you have a vibrant customer redressal grievances Department .
- Do you follow a system of face to face appraisal of Employee performance
- Are you as determined to take hard decision for the development of your organisation by punishing delinquent employee

New GenNext Customers

- Till 1990 the Indian Economy was strictly controlled and so the Indian Banking system which was dominated by Public sector old generation private sector banks.
- Customers have virtually NO say in the conduct of their bankers.
- Licensing of New Private sector Banks.
- New types of Products/Technology

New GenNext Customers

- Retaining customer confidence and loyalty and Trust in the aftermath of 2008-09
- More than 50% of our population is the young generation, called GenNext.
- The behaviour of GenNext is quite distinct from the approach of their elders.
- The needs and aspiration of GenNext are quite different.

New GenNext Customers

- New generation customers are tech savvy, widely travelled, intelligent customers.
- Instant delivery of services through ‘always on’ connectivity
- Demat account, Mobile Banking, online trading, life insurance products, health insurance, mutual funds   wealth management,

GenNext Customers

- GenNext understand business and articulate their aspiration without fear and reservation.
- This change in the scenario is a paradigm shift from earlier way the banks functioned and operated in India.
- PSB banks and old generation private sector Banks also changed and adopted technology

Philosophy of Customer service

- The purpose of a business is to create a mutually beneficial relationship between itself and those that it serves
- As Shri Azim Premji said
- ”In our way of working, we attach a great deal of importance to humility and honesty; With respect for human values, we promise to serve our customers with integrity.”

Philosophy of Customer service

- **Sam Walton,** CEO and Owner of Wal-Mart,
- "There is only one boss whether the person shines the shoes for the living or heads the biggest corporation of the world, the boss remains the same, and it is the customer!"
- "Literally everything we do, every concept perceived, every technology developed, and associate employed, is directed with one objective clearly in mind- Pleasing the Customer "

Philosophy of Customer service

- It is said that the price of greatness is responsibility with which you conduct yourselves within in your organization.
- You have the responsibility to see that customer service policy of the bank should have the customer at the centre of your Policy.

Philosophy of Customer service

- For the customers you are not a mere salaried Executive but a company and be accountable for deficiency in service.
- Serving customer is therefore neither a burden nor a compulsion.
- Customer retention is based on personal relations build by bank's executive.
- Only excellence in customer service will build a relationship which creates Loyal customers e.g. Mumbai Dabbawala

Philosophy of Customer service

- Customer relationships are a strategic asset of the organization.
- Biggest challenges for managers is to sustain customer satisfaction.
- Positive relationships can create customer’s higher commitment.
- People don’t want to communicate with an organization or a computer.
- Hence Retention and bringing the customer back to your business should be the main philosophy of customer service.

CUSTOMER SERVICE POLICY

- Mahatma Gandhi Statement in South Africa in1890.
- "A customer is the most important visitor on our premises. He is not dependent on us. We are dependent on him. He is not an interruption in our work - he is the purpose of it. We are not doing him a favour by serving him. He is doing us a favour by giving us the opportunity to serve him.”

Mission Vision Statement

- **The Mission Statement is nothing but sharing the corporate culture** of the company and is defines in a paragraph the reason for existence and clearly stated beliefs and values that guide the business; it embodies its philosophies, goals, and ambitions. The company without a mission statement runs the risk of wandering,
- **The Vision** statement states to reach the pinnacle of glory and therefore to do the best in the business by providing customers with innovative solutions and services and thereby creating value for all stake holders by providing faultless service. The message of a vision statement in a single word speaks nothing but to provide excellent Customer service

CUSTOMER SERVICE POLICY

- Excellent customer service is achieved by a three-dimensional process that includes a well-conceived service strategy, customer-driven systems, and customer-friendly people. Each dimension must reflect the important needs and wants of the customer.
- A well-conceived service Policy includes three important elements: market research to discover the customers' needs and wants; a clear vision of the company's "reason for being"; and last but not the least the clearly stated beliefs and values that guide the compan

CUSTOMER SERVICE POLICY

- inverted Triangle or Pyramid structure which should place customers at the top of inverted pyramid. Next are those who directly serve customers —our front line counter employees and those who support them i.e., senior Managers followed by Branch managers, Zonal Managers, Head office executive team and board of directors

CUSTOMER SERVICE POLICY
ROLE OF STAFF

- Role of Board of Directors
- Role of Top Management and General Managers
- Role of Zonal Managers and Regional Managers
- Role of Branch Manager and supervisory staff.
- Role of Front line counter Staff.
- Training of front line Staff.
- Encourage employees besides Motivating and Mentoring

Professional and Friendly Tips

- Focus on Service .
- Acknowledges the problem and--where appropriate--makes apology for it.
- Educate and train your staff about the product.
- Mystery Shopping.
- Respect the precious input received from customer and act on it.
- Be honest with customer and communicate with him in the manner you would like to be communicated .

Professional and Friendly Tips

- Staff should have the ability to resolve small customer complaints/challenges on their own.
- Managers and leaders should live a customer service oriented philosophy.
- Do not score point or try to win argument with a customer.
- Simple surveys and customer service audit are sure ways of assessing customer satisfaction.
- Visit by senior officials from controlling offices and Head Office to branches at periodical intervals .
- Rewarding the Best branches from customer service point of view
- Peer evaluation is another sure way of measuring customer service.

Professional and Friendly Tips

- Common sense: treating your customers the way they want to be treated depending upon their needs, status, age and value of relationship.
- Flexibility: Rules and policies are nothing more than guidelines. Company policy" should not stand in the way of making a customer happy
- Helping customer differently and out of way.
- Grievances Solving.

General Management of Branches

- Providing adequate space, proper furniture, drinking water facilities at the Branches.
- Providing separate counters at large / bigger branches manned by Floor manager or Relationship Manager for ensuring proper response by employees.
- Wearing on person an identification badge.
- Appointing Quality Assurance Officers.
- Holding customer relation programmes and periodical meetings to interact with different cross sections of customers

CONCLUSION

Customer satisfaction is a business philosophy which tends to the creation of value for customers, anticipating and managing their expectations, and demonstrating ability and responsibility to satisfy their needs. Qualities of service and customer satisfaction are critical factors for success of any business. In order to achieve customer satisfaction, it is important to identify and to anticipate customers' needs and to be able to satisfy them. Enterprises which are able to rapidly understand and satisfy customers' needs, make greater profits than those which fail to understand and satisfy them

Thanks