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CUSTOMER REQUIREMENT

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CUSTOMER REQUIREMENT

Customers are segmented based on their income levels as their need pyramid will vary with the rise in their income levels. Banks develop and market their products based on this segmentation and target the relevant segment for maximum conversion of business. The basic segmentation of customers based on their income levels is presented below.

| Income Levels (Rs. Lakhs) | Customer Segment |
|----------------------------------|-------------------------|
| 2-10 | Mass Market |
| 10-50 | Mass Affluent |
| 50-400 | Super Affluent |
| 400-4000 | HNW |
| 4000-120,000 | Super HNW |
| Above 120,000 | Ultra HNW |

The products and services will be structured mostly to meet the requirements of the above segments.

The fundamental assumptions about customers for building retail banking products and services are briefly explained as follows:

- Customers are different.
- Needs of the customers are different
- Each customer will have different sets of need for financial services.
- The need requirements of customers for financial services will be unique.
- Customers can be broadly grouped together based on their need pyramids.

- Customers can be grouped together based on their income, age, geography, profession, employment, vocation gender and family size.
- Product and services can be developed for a single or a combination of the above elements to satisfy most of the needs.
- The above assumptions about customers help banks to develop suitable products and services to cater to the need spectrum of the customers.
- To understand this concept, 'Maslow's Need Hierarchy Theory of Motivation' is necessary.
- The theory will help us to understand how banks structure products to match the different stages of the need pyramid of the customers.

MASLOW'S THEORY AND CUSTOMER REQUIREMENTS

- Self-Actualisation
- Esteem Needs
- Social Needs
- Safety Needs
- Physiological Needs
- Abraham Maslow's Motivation Theory Maslow has defined five needs of individuals in their various stages of life.
- The needs start from the basic requirements and move up the value chain during the life stage progression.
- If bank's structure products and services to match the different stages in the need spectrum, banks will achieve the twin objectives of **customer satisfaction and business conversion**.

Physiological Needs:

- I. Core Savings Accounts
- II. Personal Accident Cover
- III. Housing Loans

Security/Safety Needs:

- I. Recurring, Fixed Deposit Products.
- II. Life Insurance Products - Endowment Products with low premium, long tenor and high maturity amounts.
- III. Tax Planning Banking, Insurance and Mutual Fund Products.

Social Needs:

- I. Consumer Loans
- II. Personal Loans
- III. Home Loans
- IV. Car Loans
- V. Loans for Professional Development for Doctors,
- VI. Engineers, Lawyers, Chartered Accountants, Management Consultants, Architects etc.
- VII. Insurance Cover tagged to above loans.
- VIII. Retail Gold Coins.
- IX. Health Policies for self and family.
- X. Investment Products like Mutual Fund Schemes.
- XI. Systematic Investment Plans of Mutual Funds.
- XII. Unit Linked Insurance Products.

Esteem Needs:

- I. Special Term Deposit Products.

- II. Term Insurance Products.
- III. Second Housing Loans/Home Improvement/Home

Self-Actualization Needs:

- I. Pensioners Loans
- II. Retirement Solutions in Banking & Pension Plans in Insurance
- III. Senior Citizens Term Deposit Products

The banks may come across all the stages run concurrently for the customer base and hence there is tremendous opportunity for banks to convert the potential available across needs for their huge customer base.

Customer Requirements about Service Quality

Service quality is what customers expect from Banks and has different dimensions. Following is some of the requirements/expectations from the customers about the service quality of banks.

Tangibles:

Appearance of physical facilities, equipment, personnel and communication materials

- Are bank's facilities attractive?
- Is my credit card statement easy to understand?

Reliability:

Ability to perform the promised service dependably and accurately.

- Where an Officer says that the amount will be sanctioned in 2 days, does he follow up and inform the status?
- Is my credit card statement accurate?

Responsiveness:

Willingness to help customers and provide prompt service.

- When there is a problem with the bank statement, does the bank resolve the bank quickly?
- Are the charges which are debited wrongly are recredited to my account properly.

(d) Assurance

- **Competence** - Possession of required skills and knowledge to perform services.
- **Courtesy** - Politeness, respect, consideration and friendliness of the contact personnel.
- **Credibility** - Trustworthiness about the service provider.
- **Security** - Freedom from risk and doubt.

(e) Empathy

- **Access** - Approachability and ease of contact.
- **Communication** - Keeping customers informed in a language that they understand.
- **Understanding the customer** - Making an effort to know customers and their needs.

Customer Requirements and Satisfaction Levels

- Fulfilment of the customers' requirements can be measured only from the satisfaction level of the customers.
- The satisfaction will emanate out of the customers' experiences of the products and services offered by different banks.
- The experiences may vary across banks like public sector banks, private sector banks (old and new generation private sector banks) and foreign banks.
- A recent study conducted by a leading research agency to measure the **Customer Service Quality** as a reflection of **the meeting of customers' requirements revealed the following interesting findings:**

(i) The study covered about 20000 customers across Metro, Urban, Semi Urban and Rural Branches of Banks having Savings Accounts, about 4000 customers who have availed Home Loans and about 3500 customers who have availed credit cards.

(ii) The objective of the study is to measure the customer service quality of the banks by creating Key Performance Indicators (KPI) on service quality and measure the quality based on the benchmark value of the KPI for that sector/segment.

(iii) The measurement of satisfaction was made on the three basic parameters viz., Overall Satisfaction, Advocacy and Loyalty.

(iv) The ratings show healthy overall performance by the industry. Ratings on the 3 overall measures are above 80% (satisfaction) for all 3-product segments.

(v) When asked how has their experience with their banks changed, in the last 1-2 years, 2/3rd customers said it has improved a lot/somewhat improved.

(vi) Almost 9 out of 10 Savings Account and Home Loan customers find excellent value in the respective bank offering. This score is significantly lower for Credit Cards.

(vii) On the satisfaction index, Private banks lead in Savings Accounts and Credit Cards; whereas public sector banks lead in Home Loans and Foreign banks in Home Loans and Credit Cards.

(viii) Banks were ranked in three clusters and ranked according to Index score for each cluster. Public sector banks lead across clusters in the home loan front. In the credit card side, foreign banks and private banks lead the rankings.

(ix) Amongst all the touch points (channels of interactions) of customers with banks, branch interactions and Communication are seen to be the key drivers of the Index for satisfaction.

SERVICE QUALITY

Savings Bank

The following dimensions revealed the service quality and delivery parameters for savings accounts:

- 1.Touch point Experience: Overall Measures - At an overall level, the PS bank is comparable to the PS banks average across touch points.
2. Branch-Layout and Cash transactions: Performance across parameters above PS banks average.
- 3.Savings Account: No serious concerns on savings account; Parameters at or above par vis-à-vis private banks.
- 4.Branch Non-Cash Transactions: Scores on most parameters at par with PS Banks average.
- 5.Communication: Communication channels available along with information flow to customer meets average expectations.

6. Problem Incidence/Recurrence - Very low problem incidence just like the industry.

Further Measures Needed to Enhance Service Quality:

- The study suggested further measures to improve the service quality to meet the customer expectations with regard to savings accounts,
- Need to improve transaction time at the branch.
- Branch offerings need to be relooked at, in terms of range of services offered, in light of people-related drivers being seen as driving overall customer satisfaction.
- Lack of adequate channels is felt by the customer, in addressing his needs.
- Need to relook at current channels and their ease of access/usage for the customer.

Home Loans

The PS Bank came second in the rankings for service quality with regard to Home Loans. Important service parameters satisfied by the Bank are listed below

1. The PS Bank index is above the average for the Cluster it belongs to.
2. Drivers of Satisfaction (Identifying the most important touch points): Product features and communication seen to be driving overall experience the most.
3. Overall Measures: At an overall level, the Bank scored above PS banks average across touch points.
4. Home loan parameters perform above PS banks average.

5. Communication channels & communication received from the bank, all score above PS banks average.
6. Loan Disbursement Time: Disbursement within the 14-day window for the bank far higher than Industry average.
7. Customer Mindspace (Image Map) - The Bank differentiated on responsiveness and customer service, amongst its customers.

Measures Needed to Enhance Service Quality

The bank has scored across parameters at par or above PSU banks' average. But to enhance the service quality, bank has to take the following initiatives.

1. Bank has to focus on strengthening performance across parameters
 2. Bank has to pay special attention to range of product features.
 3. Proactive customer communication needs to have a systemic approach.
 4. Customer-friendly modules on branch network, new products and services need to be developed.
 5. Score comparatively lower on handling special requests.
 6. Need to reorient employees, towards this key aspect of customer experience, through training and reviews around service time.
- The study highlighted that the existing product and service levels are satisfactory and above industry averages among PSBs and also highlighted the action areas in the above segments from the bank side.
 - The above points indicate that the customer requirements with regard to products and processes are generally met by public sector

banks and also indicate that there is always scope for improvement to meet the dynamic nature of the customers' requirement.

Customers' Requirement from Banks

Generally, customers require the following from their bank/s for maintaining their accounts/relationship.

- I. Right product mix to satisfy different customer segments.
- II. Right channel mix (both direct channels and e channels).
- III. Structured process time across products and adherence to the time prescriptions.
- IV. Delivery of the promises with regard to products/services and channels.
- V. Satisfactory service experience from the delivery channels and the service personnel.
- VI. Effective Communication about the different products and services.
- VII. Transparent service charges.
- VIII. Effective and time bound grievance redressal mechanism.

If the above expectations are met by the banks, customer loyalty will be at its peak and deficiency in the above will result in dissatisfaction and deterioration of loyalty and will trigger customer switching.

QUESTION AND ANSWERS

Q1. Customers are segmented based on their satisfaction levels from different products. (true/false)

Ans: False, income level

Q2. If income level fall within 50-400 lakh the customer is categorised as _____?

Ans: Super Affluent

Q3. Customers are different but their needs are homogeneous. (true/false)

Ans: False

Q4. To understand this concept of customers requirement _____ 'Theory of Motivation' is necessary.

Ans: 'Maslow's Need Hierarchy

Q5. If bank structure products and services to match the different stages in the need spectrum, banks will achieve the twin objectives of _____ and _____.

Ans: customer satisfaction and business conversion

Q6. Bank offer products and services to match the different Physiological Needs includes Core Savings Accounts and Personal Accident Cover. (true/false)

Ans: true

Q7. Pensioners Loans, Retirement Solutions in Banking & Pension Plans in Insurance, Senior Citizens Term Deposit Products are offered under _____ stage according to 'Maslow's Need Hierarchy

Ans: Self-Actualization Needs

Q8. _____ included Willingness to help customers and provide prompt service.

Ans: Responsiveness

Q9. Empathy is one of the requirements/expectations from the customers about the service quality of banks includes _____, _____ and _____ the customer.

Ans: Access, Communication, Understanding the customer

Q10. Satisfactory service experience from the delivery channels and the service personnel falls under one of the requirements of customer from banks. (true/false)

Ans: True

Q11. _____ includes appearance of physical facilities, equipment, personnel and communication materials.

Ans: Tangibles

Q12. The _____ is act as a reflection of the meeting of customers' requirements

Ans: Customer Service Quality