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CUSTOMER ACUMEN

INSIGHTS TO BUILD CLIENTS FOR LIFE



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EDITORIAL



Dear Reader,

Businesses go through various challenges and there is ongoing competition to constantly acquire customers. While retaining customers is ideal, the cost of acquiring new ones can be an expensive affair. Therefore, it becomes vital that companies continuously strive to create a market for their existing/new products and services to grab a wallet share of the competition.

For a customer-oriented business such as the banking sector, good customer service is an assurance of repeat business and can often be an indicator of an established long term relationship. Today's customers are aware of the various options that are available to them and can quickly switch to your competitor who is probably offering the same service in a timely and cost effective manner (and probably technology driven).

Customer service tends to be a differentiating factor in the banking realm. This quarter, **Customer Acumen** looks at **Market Creation & Customer Service in the Banking Sector**. **Jay** shares his thoughts on building Relationship Capital and connects it with Andrew Sobel's six categories of individuals for maximizing your firm's value. The Head of the Bharat Banking business at IDFC Bank, **Ravi Shankar**, shares some nuggets of knowledge on how to create a market and enhance customer experience in the banking sector. **Prasad Deshpande** reviews Dr Robert Cialdini's book, **Pre-Suasion: A Revolutionary Way to Influence and Persuade**, and unveils the secret that effective persuasion does not lie in the message itself, but in the key moment before that message is delivered. Cartoonist **Vikram Nandwani's** toon values her bank even more!



Thank you for your continued relationship with us. We value your feedback and your comments on what else you would like us to feature for your benefit for the upcoming issues of **Customer Acumen**!



MUSINGS



The Quest to Build Relationship Capital

- Jay

Capital is often considered the life-blood of a business. And, by this, one is usually referring to Money. However, a comprehensive examination will bring to light the reality that Capital for a firm is much more than Financial. Two other key elements are Intellectual Capital & Relationship Capital. Let us examine the latter.

At a simplistic level, the term Relationship Capital is the aggregation of goodwill generated by the firm from its key stakeholders or constituencies. This is an intangible feeling of positivity towards the firm, and its personnel, that is manifested in the way the constituents view it and respond to it. Consequently, the firm reaps multiple benefits due to the constructive outlook towards it from those who interface with it. Those who interface are typically external agents like customers (or potential customers), suppliers, government, etc., whose positive stance can generate material value to the firm. Hence, forward-looking firms are always keen to take the right steps that would signal to these partners that the firm's actions are aimed at value accretion and not value dissipation, or worse, value destruction.

Given this holy grail of value accumulation, the critical question is how does a firm develop its Relationship Capital, and in particular, Client Relationships (which is the most strategic of all value creators)? Take a look at how Andrew Sobel, who has spent a lifetime in studying Client Relationship & is an acknowledged master of the field, views the subject: 'Each client-facing professional has the responsibility of building a strong network of what I call "relationship hubs" - those critical, few individuals who can really make a difference. A firm's total relationship capital is, naturally, the sum of all of these.'

First, an important point: Relationship Capital (like other forms of capital) needs to be consciously generated. Without determined intent, this Capital will not grow. Therefore, leaving it to chance or luck is not a sober option. Besides, Sobel emphasizes that you need to have an appropriate strategy for developing the 'right' relationship - and not be satisfied with just 'any' relationship. Further, every firm needs a network of relationships with a variety of individuals to be truly able to leverage its Relationship Capital.

Having said that, it is also important to recognize that in any network, what is central to the firm is a small core or 'critical few' relationships. This is a small group of about 15-25 very trusted individuals whom you can bank on to come through for your firm (& you) if ever needed, in any situation. These individuals are the bulwark of your firm's value efforts and hence, rightfully demand your attention & energy. Ineptitude to prioritize their needs is tantamount to neglecting the important from the mundane and trivial activities that dot your daily diary. Experts suggest that you should invest at least 60 to 75% of your time in initiatives that either sustain or strengthen relationships with these 'critical few' firms or individuals.

Sobel also stresses the need for developing relationships with six segments or categories of individuals for generating maximum value for a firm. Briefly, let us examine this listing:

The first type is obviously, Clients, and this does not need much explanation. Suffice it to remember that not all clients necessarily belong to the 'critical few' list!

The next group is Prospects - those with the potential to become our clients, and who we are courting. This is in keeping with the growth principle that every firm must rejuvenate its business by bringing new client relationships on board, as not all old relationships are tenable forever. Some will wither, end or get terminated; hence, new ones need to be added to the firm's bouquet.

The third group is Catalysts. True to their name, they play a vital role in connecting you to those who matter - the influential decision-makers who are often difficult to access. Catalysts tip the scale in your favour because a word from them opens new relationship nodes for you and your firm.

Moving on to the final three categories, we have Collaborators (think, fellow-travelers who are your associates, like Investment Bankers, Law firms, Academicians, etc.), Colleagues (this is where your relationships with internal team members can offer you leverage with external targets) and Counsellors (who may well be mentors or patrons, who are rooting for your success, and who guide you to places where you are unknown or come forward to assist you when you seem lost).

A wise man once said that you should create Relationship Capital even before you start a business. Truly so, as an early lesson that all businessmen & professionals realize is that you need well-wishers in your business journey. At the end of the day, your personal brand should shine through in all transactions: are you seen as a trustworthy person of unquestionable merit & integrity who values relationships over material gain? If yes, then your firm - and you - will be seen as a sustainable and worthwhile partner for the long-run rather than a mercenary who will shoot & scoot at the end of a hurried deal.

Choose to wisely build your Relationship Capital through sustained, planned & systematic investment in your business career by honoring your commitments in good measure. This intangible can be the key to fashioning substantial financial gains for you by creating win-win deals. In the final analysis, it would be worthwhile to remember Michael Porter's words, 'The purpose of the corporation must be redefined as creating shared value, not just profit per se.'

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SPOTLIGHT



Ravi Shankar

Head - Bharat Banking, IDFC Bank



*At IDFC Bank, **Ravi Shankar**, heads the Bharat Banking business, which provides banking services to the urban and rural mass market. The Bharat Banking division runs a network of bank branches, dedicated BC branches & Micro ATMs, in towns and villages across the country offering banking services to low and middle income households, farmers and micro enterprises.*

He has over 30 years of marketing & sales experience across sectors including retail finance, business consulting, advertising, automobiles, aviation, etc. Prior to IDFC Bank, he has worked in Marketing and Business roles in organisations like Fullerton India Credit Co Ltd, TNS Global, Publicis Communications, Eicher Group, ModiLuft & Living Media.

CA: Technology and innovation are at the core of the business strategy in the banking sector. How do these help in creating a market and enhancing customer experience?

RS: India has a large and growing population. Providing banking services to a large customer base efficiently is important. With a large number of consumers who range from the low income to the affluent with varying needs in banking services, it is imperative to develop customised solutions that can be accessed by each segment easily. All this has to be delivered at low cost

as well to make it cheaper for the customers and viable for the banks. Therefore, innovation in simplifying products and processes and innovatively using technology become imperatives in designing solutions in the banking sector today. All this should be done to create a customer interface and experience that removes the drudgery from everyday banking.

CA: The Indian rural market is an untapped source of potential banking business in India. What are the challenges in creating a market in an unbanked population?

RS: Rural households in India require basic banking services. In most places this is not available. If it is available it is not accessible. Firstly, making it available within easy reach is a challenge. Bridging the gap between availability and accessibility is the next challenge.

It is not possible to cover every one of the 600,000+ villages with physical branches. Innovations in banking technology today have helped create 3 distinct points of interface for the consumer - physical, phy-gital and digital. Physical include branches and ATMs. Phy-gital are the new assisted technology use points where people can help access their bank accounts with the help of a person who uses a digital device - like micro ATMs or kiosks. Digital channels include all internet and mobile applications that help do banking easily. However, the accessibility to all of these can only improve when the channel is simple to understand and convenient to use. This is where innovations are being made to tap into the large rural market.

CA: As a senior Banker, how do you read the future of Banking institutions?

RS: Banking in India is undergoing rapid changes with FinTech innovations. Coupled with that is the coming together of the JAM trinity (Jan Dhan, Aadhaar and Mobile) subscriber base. This has helped to create digital KYC (Know Your Customer) that makes accessing banking services easier. The large mobile subscriber base makes it easy for consumers to do mobile and internet banking transactions. All this means innovations in the banking sector are going to ride these developments creating both new products that are far more convenient to use and delivered speedily and efficiently. All this is likely to result in increasing the velocity of money in the economy.

CA: What is your advice to young professionals who are new to the banking sector?

RS: Banking is undergoing rapid changes due to technological innovations. So it is important to keep abreast of them. However, it is more important to have a finger on the pulse of the changing Indian customer and his rapidly changing needs and requirements. Over 60% of the population are tech savvy youngsters who are going to avail of banking services for the first time over the next few years. Therefore, we must know and understand this new consumer segment and their needs to help create services that fulfil their ever changing needs and aspirations.

CA: IDFC Bank is a relatively new entrant in the Indian banking space. How do you differentiate yourself from other Banks in creating lasting customer relationships?

RS: Being a new entrant, it was imperative that IDFC Bank created a differentiated product and service offering to make inroads into the industry. It had the opportunity to think freshly and innovate products and services from scratch. After understanding customer needs and "pain points" in each segment, the Bank focussed on product innovation to create customer delight, channel innovation to improve accessibility and technological innovations to create ease and convenience in its banking services. Many of these innovations are considered industry firsts. All these were done to differentiate its service offerings to its target customers.

One of the innovations of IDFC Bank was in creating last mile banking access through its "Bank in a Box" Micro ATM. This is an interoperable banking application on a bio-metric enabled tab. It allows customers of any bank to perform basic banking transactions on it in unbanked villages and remote towns. Technology innovations like these and several innovations in products and service delivery have helped IDFC Bank in building strong and enduring relationships with its customer base.

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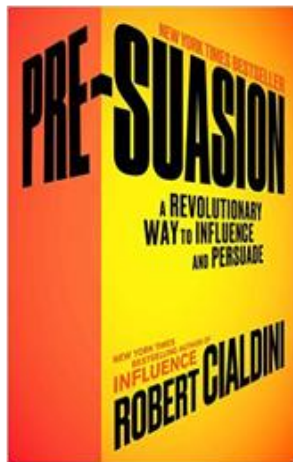


RESOURCES



Pre-Suasion: A Revolutionary Way to Influence and Persuade

- Dr Robert Cialdini



When Dr Robert Cialdini wrote his path breaking book, Influence: The Psychology of Persuasion, he firmly established that there is a science to how we are persuaded. His 6 principles of influence: Reciprocity, Scarcity, Authority, Consistency, Liking and Consensus are recognised as universals. Understanding these shortcuts can significantly increase the chances that someone will be persuaded by your request.

Pre-suasion, Dr Cialdini's latest work, which he wrote 30 years after Influence, is a tour de force. Not only has he expanded the boundaries of his original work but has discovered fresh insights and principles. Ideas that will help us to better engage, persuade and protect ourselves in a world dominated by the 'attention merchants' - Facebook, Google et al. This book is a masterful study of communication and how understanding the inner workings of pre-suasion can amplify the power of our communication.

What does pre-suasion mean and how is this different from persuasion?

When a communicator gets an audience to focus on a key element of a message, he pre-loads it with importance. Timing is everything. A beautifully crafted persuasive argument can completely fail, even backfire, if you don't control what is happening

in the moment before you deliver that persuasive argument. In other words, you have to pre-suade before you can persuade.

This "privileged moment for change" prepares people to be receptive to a message before they experience it. In other words, to change "minds" a pre-suader must also focus the attention of the person in that moment.

Incredibly, altering a listener's attitudes, beliefs, or experiences isn't necessary, says Cialdini - all that's required is for a communicator to redirect the audience's focus of attention before a relevant action. 'What is salient is deemed important and what is focal is deemed causal.' The basic idea of persuasion is that by guiding preliminary attention strategically, it's possible for a communicator to move recipients into agreement with a message before they experience it.

A delightful anecdote captures the essence of pre-suasion. Dr Cialdini was attending a conference where the redoubtable Daniel Kahneman was asked to specify the one scientific concept that, if appreciated properly, would most improve everyone's understanding of the world. A great question to which Kahneman replied "Nothing in life is as important as you think it is while you are thinking about it."

The book is divided into three parts.

In the first part, Dr Cialdini describes why attention is important and how is it preloaded. And how savvy practitioners use very effective techniques, some seemingly innocuous, to channel our attention.

In the second part, Dr Cialdini explains the processes, how persuasive messages can profit by association. In fact, he asserts that the 'main purpose of language is not to express or describe but to influence - something it does by channelling recipients to sectors of reality pre-loaded with a set of mental associations favourable to the communicator's point of view.'

The metaphor therefore is one of the few powerful linguistic devices which directs people to think of one thing in terms of their associations to a selected other thing. He describes a number of delightful examples of metaphors being used to pre-suade.

In the third part, Cialdini devotes several chapters to the question of how to optimize "pre-suasion", and also tackles some of

the ethical issues involved in trying to persuade (and pre-suade) others.

The book is full of real-world examples and ideas backed up by research.

Here's a fascinating example - filling out surveys.

The prevailing problem for consumer research organizations is participation. We, the public, can't be bothered to participate in their surveys, focus groups, and taste tests.

Even with sizable inducements, the percentage of people agreeing to cooperate can be as low as 29%. Without resorting to any inducements, marketers began the interaction with a pre-suasive opener: "Do you consider yourself a helpful person?" Following brief reflection, nearly everyone answered yes. And, in that privileged moment after subjects had confirmed privately and affirmed publicly their helpful natures - the researchers made their move, requesting help with their survey. 77.3% volunteered.

Who we are is where we are. In large measure, Dr Cialdini concludes, who we are with respect to any choice we make, is where we are, attentionally, in the moment before we make the choice. We are channelled to that privileged moment - the moment of choice - by cues which we either bump into in our daily settings or by cues a savvy communicator has intentionally and tactically used. In each case the 'made moment' is pre-suasive.

To know of pre-suasion is to be better prepared either as a recipient or as a communicator.

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