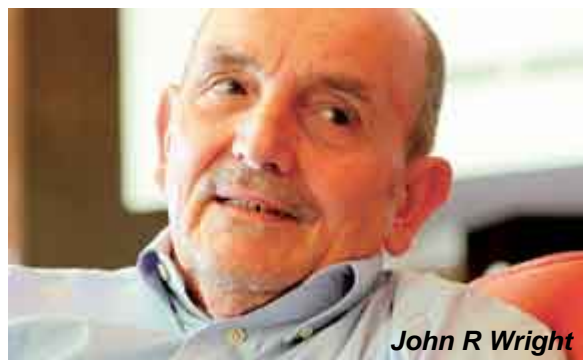


Banks need to restore 'personal touch' with investors

By John R Wright

John R Wright, an internationally reputed banker, was the Chief Executive Officer of Oman International Bank and Gulf Bank, Kuwait. He has worked with many other banks in the UK and the US.



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Banks around the world are now experiencing an unprecedented breakdown of trust and confidence. What on earth can the industry do to restore this?

Unfortunately for quite a number of years now, the banking industry has done its best to alienate millions of loyal Customers! This has been done through a process of "dumbing down" the point of sale, removing experienced staff and managers from the customer interface and "migrating" millions of customers into call centres without ever seeking their views on this. This has been done in the name of "improving customer service." Customers, however, are intelligent and they can see right through all this and have become progressively more and more cynical about what is going on.

How many of us have received calls at night saying "Mr Wright would you like to have a new credit card with a limit of X thousands of pounds or would you like a personal loan or home loan" - often from your bank where you are maintaining substantial deposits! The effect of this is to cheese off Clients even more, if that were possible!

The move towards "product pushing," instead of providing "solutions" for customers' problems, has been an insidious one over the past 15 years or so. This has resulted in creating a vast amount of disloyalty and what the marketing gurus term "promiscuity" on the part of customers, i.e. they are very willing to go and shop about. There is hardly a bank on the planet, which is able to actually identify individual customers, look at their total activities with the bank through a "single customer view" and manage the relationships on an intelligent and proactive basis.

The UK's Financial Services Authority has exacerbated the problem through its bureaucratic "KYC" (know your customer) regulations, which require voluminous bits of paper to open a new account or even take out a new product. The regulator has made it extremely difficult for individuals to move from one bank to the other. Banks can explain this away on the back of FSA regulation but nonetheless it affects the reputation of the banks as well.

Added to this of course, is the 'subprime catastrophe' that has created a very real sense of 'fear' among the depositors: "is my bank safe?" For me as a lifelong commercial banker, this concern would have been unimaginable only a year back or so. Controversial bank executive pay and bonuses have further served to alienate the general public, who have reacted with utter disbelief to some of the disclosures.

In addition, those of us who enjoy the services of a "dedicated relationship manager" - either personally or business wise - are subject to the imposition of new personalities sometimes several times a year at the whim of the bank. Again this has a very negative impact on credibility.

Where do we go from here? Many banks have reconfigured their computer systems to allow what is called a 'single customer view' and are able to tell from this what products are used by which customers. However what they almost all fail to do is to use this information! Why? The reality is that the staff don't have time or budget to do it properly. Making carefully planned, well informed and well executed contacts with customers costs time and money! The philosophy is "drive down the unit costs of doing business as low as you can." Sad, really.

If one is willing to invest sufficiently to achieve this, then it is quite possible to implement decision support tools at the point of sale or point of contact where again relatively “dumbed down” staff can actually make simple, basic decisions to meet customer enquiries and needs.

This done, the call centres and their product pushing activities can at least be done in full awareness of the relationship the target customer enjoys with the Bank. With the use of new technology, it is possible to start eliminating call centres altogether. Customers using hand-held functionality on their mobile phones can be tracked right through to their branch or to their relationship managers.

As an industry, banks need to understand more about what customers’ channel preferences are: do they really want to be shoved into a telephone or electronic channel or do they really want to deal face to face with human beings (bankers are after all human beings!). Some basic market research can support this kind of understanding and the banks could get much smarter.

There is a massive requirement for better training and development, reintroduction of basic courtesies and ethical behaviour and relationship management.

There is no quick fix here. The present crisis has got to run its course. That does not mean we shouldn’t immediately start fixing the issues.

I do believe that as we go forward the regulators must enact laws, which prevent commercial banks from engaging in investment banking business which has in effect “sunk” so many institutions. To have individuals making vast personal profit based on the strength of a balance sheet funded by millions of individual depositors is absolutely unethical and inappropriate. I’m sure there will be those who will castigate me for making this statement but investment banking and basic commercial banking do not co-exist comfortably and the regulators must take steps to segregate them again. It is this mingling that is at the root cause of the greed-driven rush for growth and profit that has brought our institutions down to their knees.