

'Customer is your Wife and she changes every day'

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'Customer is Your Wife and She Changes Every Day'

For Puri, change is constant. The founding CEO of HDFC Bank doesn't underestimate competition – whether it is from another bank or, say, PayPal. In the last six months, there has been blood on the floor: Puri has brought in dramatic changes that he believes would keep his bank head and shoulders above others in the years to come



The most successful financial start-up in the country during the last century has been HDFC Bank. Aditya Puri's bank commands the highest premium among major banks across the world, and his formula has been to keep it simple. Puri, the MD and CEO, who neither uses a mobile phone nor has a computer on his table, tells ET's **MC Govardhana Rangan and Joel Rebello** how to face the digital world and what's in store for the economy. Edited excerpts:

Twenty-three years ago you signed up for this start-up called HDFC Bank.

There are start-up banks now – what's the difference?

When we came here, we had foreign banks and nationalised banks. Foreign banks had products and services, nationalised banks had brand and money – and we said we will bring both together. That still remains but going forward we have to put these into segments. There was a time when they said there will be no bricks and only clicks. But bricks have remained and clicks are also there. I like this quote by David Ogilvy, the father of advertising, "The customer is not a moron. She is your wife." You have to understand customer needs, meet them and keep on adjusting.

Today, there are customers who want to use phones, but some want to use branches, also. There is a tremendous opportunity created through the power of network and the power of information. It creates around customers to change your operating model as well as provide better convenience. When I change my model, can you imagine what it does to my cost-to-revenue? It will go down substantially over the next three years. My customer service will increase and I will give you a better product. Even then we thought what the customer needed, and even now we are thinking about what the customer needs. Customer is your wife and she changes every day... wife ko naraz karoge toh khana nahi milega (If you upset your wife, you don't get food). So, you better keep adjusting.

The customer is king. But what has changed?

When I came here 23 years ago, there was disruption. Today, too, there's disruption and we are as excited... if not more, by today's disruption because we can make a sizeable difference. The Ogilvy research also said that when there is excessive choice, people revert to trust. That is where our brand comes in. We have the brand, the customer base, the people, the technology. Our balance sheet is not under strain and anything that you can get from anybody I can give it in a better way.

When you came in, the industry had just sleepy state-run banks and everything was regulated. What is in store now?

If they don't change, there's a problem. Everybody will face different problems. If you are a small bank and you don't offer all these conveniences, customers will go away. Like I said, we (banks) should not have allowed the wallets and

PayPal to come in. People who do not understand the new paradigm by the digital world will pay for it. Benefits can come to people as long as you understand what your customer wants because what has happened in this new world is markets are also being substituted with network of information with the customer at the centre. This blurs competition. The insurance fellow is also your competition; Airtel is also your competition; payment banks are also your competition.

So you have to make sure that in terms of convenience, brand and price, you are the best. The whole industry will change. There are no two ways about it. All big technology firms used the network and information created around customers to build a new paradigm and a new operating model which blew the old fellows out. The old fellows thought that having the distribution network, brand name and capital will help. You have to recognise that smaller companies will not remain small. The 40 and below don't want to go to the branch, and of the rest, only 30-40% are okay going to the branch. You also have people who want to do both. But the customer wants convenience. Even brand premium will disappear. Without the brand premium, you will still have to deliver a good product. This is not applicable to corporates.

What have you done at HDFC Bank to face this world?

We are using cloud for analysis. FMCG companies that are not on the digital platform are saying I have created a distribution platform with great difficulty. What happens if tomorrow a new guy comes in manufacturing soaps and does digital distribution at a different price point? What will he do? So we are recognising all that and we have changed. Everything has changed in the bank – our turnaround time, our access devices and the way we are processing. This has been a continuous period of change. In the last six months, there has been blood on the floor. Attitudes have to change as well as the process. Will Uber increase or decrease the car demand? My son in Singapore says he doesn't want a car because he gets a chauffeur-driven Uber without parking hassles and at a lower cost than a yellow cab. This change is going to be all-prevailing.

Twenty three years ago, nine banks came along with you and only three have remained. What do you think will be the state of this bunch?

Same thing. This is the law of nature. Some live, some die, some thrive. Why only payment banks? I was talking to SoftBank's Nikesh (Arora) and he says out of all these fellows few will remain and a lot will not. The fellows who understand that the customer is not a moron will win.

Some believe those (companies) with a corporate focus are different.

No, no. This is in fact more important for the corporates. We trade on the mobile; we can pass cheques on mobile. I sat in the branch to see what small banyas want from the branch. They come for cheque balances, cheque clearances, payments and statements. So, we introduced missed call banking and E-net.

On the phone, he can call and select from six options or he can log in through mobile banking. A bigger corporate wants to know about cash management, vendor payments and forex. This is also applicable to corporates.

What do all these mean for the real economy?

This improves efficiencies, distribution and communication. Everything (which is the cheapest) you want to do. This is using information, elimination of geography and reduction of costs. This is not going to substitute the physical economy. You will still need the phone but how you buy the phone, how the phone is manufactured, how they pay their vendors... new industries will develop around these. It is part of the real economy. This is using information, using the capabilities of hardware, bringing in efficiency and convenience. Physical things will still be produced. Cars will still be made. But how many will be produced? If Uber is a more effective method where everybody wants to shift, I can say that car demand will come down by 25%. That is the effect it will have. It will bring down my costs. It will make loans cheaper. It will allow money transfers to be easier; it will allow penetration to the interiors of the country.

When it comes to the economy, nearly a year and a half after the current government came to power, industrialists say that nothing much is happening on the ground?

I disagree. Government spending has started. Fiscal deficit has not gone up. Inflation is under control and current account is also under check. So, the government has to be given credit. Coal issues have been sorted out. Some power issues have been sorted. But more needs to be solved on the discom side. Telecom policy is clear. Direct benefit transfers in LPG are happening and the social security scheme is working at a low price.

They are talking about revamping the monetary policy committee. They have transferred powers to the state. Ease of doing business has improved. They are working on the rest of the areas with state governments. Some issues like GST and land need to be sorted out. I recommend to all politicians, that as an Indian, I want the GST passed. Land is a con-

current subject, so you see Rajasthan, Tamil Nadu, UP saying, come, we will give land.

They are also working on PSBs looking to see what they can do. If they bring the Bankruptcy Act in the next six months, it will be a major change. For the first time industrialists are being forced to sell and even the RBI is tightening up. I think we are on the right trajectory and I am optimistic.

But where is the evidence?

You see Hindustan Lever's results. Their topline may not have risen, but volumes have gone up. Even our results saw the topline growing 27%. Something has changed for the topline to rise after some time. I saw demand in retail, consumer vehicles and working capital. My retail people say that the current account balances have dipped a bit because everybody says this is going to be a good Diwali. The only thing left are private investments which will only come as a follow-on of the effects of government spending and good policies like unclogging of projects, irrigation and roads, etc. I do believe at the end of this year, we will be in the 7.5%-7.6% range and we will be moving up after GST.

So why the complaint?

Because demand does not exceed supply. As the GDP grows, we will need the supply fulfilment. In old days, inflation used to start when GDP reached 7.5%-8% because beyond those levels, you would see supply constraints. That is the level at which growth will be coming and demand will exceed supply.

Bihar elections are closely watched. What will be the impact on the economy if BJP loses?

I don't think there will be an economic fall-out of the Bihar elections. They have been elected for a 5-year term and as long as they get the economy running and producing enough, these things don't matter.

Even if economic activity picks up, can the banking system, dominated by state-run banks with such huge loans, support growth?

Is there an issue of NPA in the banking industry? Yes. But it is not creating a systemic risk. All banks will survive. Do they need capital? I think part of it has been addressed and if they make adjustments, which they are talking about in the functioning of the PSUs, I think in 12 to 18 months we will see a substantial change. If they get the power sector going, half the restructured loans will be addressed. Steel is an issue. They have to put in new systems. But everybody is saying we need to find a solution. In terms of making promoters worried that if they don't perform they will lose their companies, bettering approval standards and giving independence to the board. They are putting things in place and, if they work, we are moving in the right direction.



The problem that has been in the past was banks buried their heads in sand; otherwise wallets shouldn't have come. I should have introduced the wallet two years back



Imagine I go for a buffet in Sweden, I don't understand half the stuff. Where do I go? I go to the one I know. Ultimately, you go to (a place) you are familiar with and trust