

Changing in a World of Digital Revolution

Guest Column



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The convergence of telecommunication, media and computing has changed the way we work and live. Change, going forward, will continue to be very rapid.

One after the other, everything is being connected. Information is flowing through networks with greater intensity and changing everything. Markets are disappearing and are being substituted by networks of information with the customer at the heart. Power has shifted to the consumer who behaves as an active element of a network and not as a passive target of a market.

Consequently, traditional business models are being turned on their heads. Welcome to the instant world. Everything is moving faster — trends, novelties, new products, markets, etc. Everything is happening now. We crave for instant feedback, messaging and gratification. Markets and the world are now complex, Internet worked, adaptive systems. More like a dual pendulum — pattern erratic — rather than a simple pendulum which is predictable. Both follow laws of gravity but one of them is connected like the new world, which is, therefore, exhibiting different characteristics from the past.

Companies will obviously have to examine their business models to remain relevant going into the future. History has shown that the more things change, the more they remain the same. However, companies must recognise the new environment leading to fundamental changes in the way we deal with customers, the way we build our brands, the way we process, distribute, market, analyse information, and the way customers access us.

Let us start at the beginning. An interesting quote by ad guru David Ogilvy, “The consumer is not a moron. She is your wife that changes every day,” and you better learn to adjust. Marrying the changes that will come in our business models with the adage that the fundamentals remain the same, leads to a few key areas of change/ action:

CUSTOMER CENTRICITY

We need to move from product to customer-centric organisations. What this requires is clear identification of potential customers (target market), determining their needs and value to the company, interacting with customers to learn about them, tailoring products and services, and communicating it to them.

BRAND BUILDING

Sallience — Top of the mind recall is key. Promise and deliver meaningful and differentiating benefits which improve customers' life in some way.

Trust — Deliver on brand promise again and again and again, leading to subconscious branding. Consumer when confronted with too much choice falls back on trust. It is an established principle that our emotions influence our thinking more than our thinking influences our emotions.

Build Customer Relationships — Meet customers' needs at value price point, be a trendsetter with frictionless delivery of services coupled with the wider product range backed by trust.

Now, examining at the ground level what the digital revolution (defined differently by different people) has enabled the so-called disruptors and the nimble incumbent to do.

KEY QUESTIONS

- Is the digital revolution responsible for the rise of Netflix, Amazon and the demise of those who fell by the wayside?
- How did Facebook beat Myspace? Google beat Yahoo?

It can be attributed to a secular business shift in the industry. This was coupled with a secular shift in technology, mobility, social computing, and analytics.

While some companies understood the impact of this shift and acted, others fell by the way side. Amazon, Apple, FB, Google, Netflix, etc., have created market values of trillions of dollars. What they did was to leverage change and, in the process, transform customer expectations, create a new operating model and blow a few mature companies out of the water. Others slept. The new masters have created the ability to use the networks and information that it creates around their customers, products and services to produce a highly personalised customer experience.

Historical sources of competitive advantage, brand, consumer relationship, distribution channels, size, money — do not hold up unless you change, i.e., interface with analytics and the data/ software that surround our products to create a new experience. We are also seeing that the physical and digital worlds are starting to come together for an even more potent business model.

Coming to the business of banking that I am more familiar with, it would be worth analysing what future financial institutions will look like.

Analysts for quite some time have been talking about disruption in financial services blowing the incumbents out of the water. We decided to visit Silicon Valley to meet and see what these earth-shaking disruptors were working on and/or doing. Our examination showed that most of the disruptors were using networks and information to provide convenience, price and tailored products to the customer. But the key point was that none of them were creating basic infrastructure of a bank and payment systems. They were mainly using changes in technology to ride on the infrastructure of banks and create products/ customer experience.

However, a careful examination of the incumbents would show that they had existing strength of customers, brand, product, data warehouse and customer behaviour information, distribution and use of the same networks and information to provide an equal or better experience than the disruptors were talking about, across a much wider range of products and much more quickly.

Banks that have moved fast are now in a position to offer a better or equivalent customer experience across a wider range of products than any disruptor.

THE CUSTOMER CAN NOW EXPERIENCE WITH A BANK THAT HAS CHANGED TO THE NEW PARADIGM:

- Access to bank through branch or a device of choice - phone, tablet
- An omni-channel access experience
- Frictionless dealing at the click of a button
- A well navigated customer journey
- Product would include:
 - All routine banking
 - Loan in 10 seconds to 10 minutes
 - Instant money transfers
 - Advisory services
 - Remote relationship manager
 - Investment products - shares, MF, insurance
 - Payment of bills
 - Frictionless payment / shopping experience across all major categories viz. hotels, airlines, groceries, apparels, durables, lifestyle, etc
 - LCs and guarantees
 - Cash management
 - MIS/ information

The development of markets and institutions will be based on evolving customer needs and technologies. We will see partnerships between banks and fintech, among fintechs themselves and platform companies moving into financial services. The customer will be the king and companies providing brand, convenience, price and trust will be his or her consorts.