

# Offer Management

What your customer wants

WHITEPAPER



## About the Author

Geoff Nairn is a freelance journalist and copywriter who specializes in business and technology. For over 15 years he was a regular contributor to leading business newspapers such as the Wall Street Journal Europe, the Times and the Financial Times, writing over 500 articles on a broad spectrum of technology, finance and business topics. When not wearing his journalist hat, he helps commercial clients in the technology, finance and cleantech sectors tell compelling stories that reinforce thought leadership and influence decision makers. He currently lives in northern Spain.

# Introduction

## Executive Summary

**Offer management has become a key topic in the retail banking industry as institutions seek to abandon the traditional transaction-focused business model and differentiate themselves from the competitors by offering new products that better address their customers' evolving needs.**

Customer data is key to making this transformation a success, yet established banks are often handicapped by a silo-based legacy infrastructure and a product-focused organization, which make it difficult to successfully develop personalized products.

SunTec's Xelerate solution is designed to help banks extract actionable customer information from disparate silo systems and so get a complete picture of their customers across channels and touch points.

It helps them orchestrate customers' experiences and better understand their needs, while the sophisticated real-time offer management capabilities of Xelerate allow banks to develop innovative offers. Banks that have used Xelerate to design new offers have achieved significant improvements in areas such as customer satisfaction, cross-selling opportunities and average revenues.



# The Challenge

## How to create value in retail banking

The recent financial crisis has led many banks to return to more sustainable business models with less-leveraged balance sheets and a much more customer-centric approach to retail banking. In part, this “Back to Basics” trend is a response to regulatory pressure and a need to restore customer and investor confidence. But it also recognizes the fundamental shift taking place in retail banking.

Customers are both more discerning and more demanding. The internet, smartphones and social media have brought new ways to interact with a bank, and consumers expect a more interactive and personalized customer experience. In addition, incumbent banks now face growing competition from challenger banks, which hope to differentiate themselves by designing the bank around the customer instead of around products.

While the impact these startup banks have had is quite modest in terms of market share, they nevertheless have succeeded in capturing customer mindshare by demonstrating that there is a different way to do retail banking. Of course, all banks, young and old, like to think that the customer comes first. Indeed, this is a constant theme in retail bank advertising. But incumbent banks face a host of cultural, organizational and technical barriers that often prevent them executing on their “customer first” strategies.

One of the biggest challenges facing the incumbents is that they are usually organized around product-based silos, which leads to a high cost structure and a lack of flexibility, making it more difficult to innovate. A silo-based structure also prevents the bank from getting an accurate picture of the activity of a customer and, importantly, the customer’s lifetime value.

Because their siloed IT systems cannot provide a 360-degree view of the customer, banks have difficulty developing products that respond to customers’ new needs, and are susceptible to high levels of revenue leakage. The end result is growing customer dissatisfaction, greater churn rates and declining profitability as the more valuable customers switch to rival banks that they believe will better understand their needs.

Instead of creating and enhancing the value of their customer base, banks may end up, unwittingly, destroying it.

### Back to Basics

***This “Back to Basics” trend is a response to regulatory pressure and a need to restore customer and investor confidence***

### Competitiveness

***While the impact these startup banks have had is quite modest in terms of market share, they nevertheless have succeeded in capturing customer mindshare by demonstrating that there is a different way***

### Silo-based structure

***Because their siloed IT systems cannot provide a 360-degree view of the customer, banks have difficulty developing products that respond to customers’ new needs, and are susceptible to high levels of revenue leakage***

# The Solution

## Get closer to your customers to get a clearer picture

In an increasingly competitive market and one in which traditional transaction-based products are highly commoditized, banks must deploy solutions that allow them to differentiate themselves in the market with more customercentric offerings.

Banks need to put customers at the focal point of the relationship to get a clear picture of the lifetime value of each customer. To do that they need to get much better at harnessing, coordinating and promoting customer interactions across multiple channels and a touch points.

This concept, called 'customer experience orchestration' is well advanced in other industries. Amazon, for example, is a master of using different channels and the data it has on each customer to orchestrate its customer experience.

The secret to Amazon's rapid rise to dominate first bookselling and later e-commerce lies in its customer data.

Traditional book publishers didn't have any data on their customers, so the decision on which books to offer customers was based on a publisher's instinct rather than any detailed data analysis.

Book prices were usually determined by cost-plus pricing or, in some countries, fixed price agreements between publishers and booksellers rather than by market-based pricing models.

Amazon revolutionized the way books are sold and is now a master in leveraging customer data to create personalized content and promotions that encourage its customers to buy not just books but shoes, music, Kindles, power tools and a vast range of other products. Indeed, book sales make up a small part of Amazon's revenues today.

In effect, Amazon has dramatically increased the lifetime value of its customers by recognizing that while they may have originally come to Amazon to buy a book, Amazon can leverage the "stickiness" of the customer relationship and the data it has on its customers to sell them a huge range of other products. The lesson to be learnt from Amazon is that incumbent banks also need to find ways to increase the lifetime value and the stickiness of the customer relationship.

Unlike Amazon, the range of products a bank offers is relatively limited. Nevertheless, there is plenty of room for innovation in other areas, such as product bundling and personalized pricing.

Banks are still selling their products as if they were old-fashioned booksellers, with fixed prices designed to achieve internal financial goals but which fail to take account of the competition, the individual needs or the lifetime value of each customer.

What banks need is a solution that transcends traditional silo-based products and allows them to design more customer-centric offers around personalized pricing and product bundles.



To do that, they need to be able to leverage the information they have on each customer. Established banks should be at a great advantage over challengers in this aspect, as they have a wealth of data on their customers' banking transactions stretching back many years.

The problem is usually that the data is fragmented across individual product systems and there are technical and

organizational barriers to sharing the data.

The solution is to build a customer-centric data infrastructure that gives a 360-degree view of all a customer's interactions and allows them to be accessed and analyzed by different parts of the business.

In this way, banks gain a much better insight into the products that customers actually want. They can create

personalized offers which are more likely to be successful, which leads to a reduced cost per acquisition for new clients, while lowering churn and revenue leakage for existing ones.

Challenger banks are already doing this as they have the advantage of being able to design their business processes and IT systems from scratch. But what is the solution for established banks with legacy infrastructure and siloed systems?

### Customer Value

***Banks need to put customers at the focal point of the relationship to get a clear picture of the lifetime value of each customer***

### Customer Relationship

***The lesson to be learnt from Amazon is that incumbent banks also need to find ways to increase the lifetime value and the stickiness of the customer relationship.***

### Customer Oriented

***What banks need is a solution that transcends traditional silo-based products and allows them to design more customer-centric offers around personalized pricing and product bundles.***

# Xelerate Offer Management

SunTec developed its Xelerate solution to enable financial institutions to put the customer at the center of their business and so allow them to implement much more innovative revenue and offer management practices.

Offer management is built in as a core capability of Xelerate as we recognized that in a market characterized by intense competition and heightened customer expectations, the ability to tailor products to your customer's evolving needs is not an option but a key business requirement. The real-time offer management features in Xelerate include:

- Real-time personalized offers
- Real-time customer experience orchestration
- Real-time pricing & billing
- Real-time data analytics

Xelerate provides an end-to-end offer orchestration solution that covers all phases of the offer development

lifecycle, from offer ideation via real-time customer transaction tracking, through the intermediate stages of offer simulation and testing, and finally to offer fulfillment and tracking in real-time.

With real-time analysis of customer behavior, innovative offers can be rapidly developed and launched into the market to enhance customer engagement and increase customer lifetime value, so leading to increased profitability and reduced revenue leakage.

Banks around the world have successfully used Xelerate to gain a competitive advantage through better offer management and pricing capabilities:

For example, one of the leading middle eastern banks achieved a seven percent increase in credit card spending in just 18 months when it used Xelerate to implement a novel loyalty program. Equally importantly, customer complaints dropped a startling 85%.

# Success Story

## Challenge

A leading African financial services player, wanted its customers to see it as a “one stop shop” for all their banking needs and so increase customer lifetime values. But the bank’s product silos meant information was fragmented across different IT systems.

## Solution

The bank used Xelerate to obtain a 360-degree view of its customers and consolidate existing systems. Using Xelerate’s offer management capabilities, it created targeted Value Bundles with special offers and dynamic pricing designed to increase customer loyalty.

## Results

In just six months, 100,000 customers signed up for the new Value Bundles and more than 30 legacy product lines were rationalized. Development time for new offers has reduced from 9-12 months to 2-3 months.

# Conclusion

Many retail banks are looking at how they can better leverage the wealth of data they have on customers to create a different model of retail banking that adds sustainable value to their customer relationships.

Customers, too, are looking for a more personalized and satisfying banking experience that goes beyond the transaction-based, product-focused model practiced by the big established banks. SunTec’s Xelerate solution was designed to enable financial institutions to put the customer at the center of their business and take the guesswork out of offer management.

It covers all phases of the offer management process from conception through to fulfillment and reporting, and its real-time capabilities mean banks can monitor performance and fine tune offers to take account of feedback from customers and changing market conditions. By getting closer to their customers and developing product offers that better meet their needs, Xelerate helps banks reduce churn and revenue leakage, boost customer satisfaction and significantly increase customer lifetime value.



[www.suntecgroup.com](http://www.suntecgroup.com)

## About SunTec

At SunTec Business Solutions, we help our clients increase the lifetime value of their customer relationships through effective revenue management and real-time customer experience orchestration. With a legacy of deployment in over 60 countries, SunTec is a trusted partner to some of the world's leading banks and digital and communication service providers. Headquartered in India, we have our offices in the USA, UK, Germany, UAE and Singapore.

With a team of highly skilled individuals and our innovative product development models, we help our clients remain at the forefront of cutting edge technology. A stable, mature and flexible product suite, Xelerate continues to develop with the market. With insights from our industry experts, a robust future-ready roadmap and seamless integration with any ecosystem, it is one of the most effective products to leverage.

For more information, please visit us at [www.suntecgroup.com](http://www.suntecgroup.com)

If you wish to explore further on how SunTec can help you deliver what your customers are actually looking for, please drop us a mail at [contactus@suntecgroup.com](mailto:contactus@suntecgroup.com) and we will get in touch with you

You can also call us on:

US – Tel: +1 724 749 5699 | UK – Tel: +44 20 7220 3030 | Germany - Tel: +49 (0) 69 50 50 60 | UAE – Tel: +971 655 760 30 | Singapore – Tel: +65 6829 2139 | India – Tel: +91 471 2539 600

