As customer demographics continue to change rapidly in India, the demand for convenient, safe and speedy access to banking services is growing fast. In order to attract new customers and retain its existing clients, Union Bank of India wanted to develop ways of empowering its customers to use automated banking services and cut out the time-consuming and frustrating layers of paperwork that were typically involved.
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HIGHLIGHTS

THE CHALLENGE
As customer demographics continue to change rapidly in India, the demand for convenient, safe and speedy access to banking services is growing fast. In order to attract new customers and retain its existing clients, Union Bank of India wanted to develop ways of empowering its customers to use automated banking services and cut out the time-consuming and frustrating layers of paperwork that were typically involved.

THE SOLUTION
Union Bank developed its customer empowerment program using BASE24®, ACI Worldwide’s payments platform, which is used to validate and process customer applications for online, telephone and mobile banking services.

THE RESULTS
In the space of 18 months, 150,000 customers have created their own internet banking access and an online satisfaction survey has shown that 90 percent of all customers find the new service very convenient. Time delays for providing replacement PINs or new customer PINs have been eliminated. The program is also seen as a key example of the way that technologically enabled services can create a viable business model for bringing India’s financially excluded population into the formal banking arena.

Retail banking in India is a highly competitive market. A combination of customer service and product innovation is critical for attracting and retaining customers. This is something that Union Bank of India, the country’s fifth largest public sector bank, has recognized since its foundation in the early 20th century.

Over the years, the bank has earned the reputation of being a tech-savvy business and a front-runner in adopting modern-day banking trends. It is firmly committed to consolidating and maintaining its identity as a leading and innovative commercial bank, with a proactive approach to the changing needs of the society. It offers a wide range of products and services to its customers, with more than 3,000 branches, six million cardholders and more than US$80 billion in assets. It is clear that its philosophy is a successful one.
NEW GENERATION CUSTOMERS

“Our aim is to be the number one bank in terms of customer experience all the contact points,” says Mr. M. V. Nair, chairman and managing director of Union Bank. “The bank was built with the aim of gauging our customers’ needs almost before they do and to ensure that we have value-based services that match expectations. That increasingly means we have to develop user-friendly yet secure automated banking products. The Indian demographic profile is changing and new customers are looking at banks that offer the greatest convenience, whether that is phone, online or mobile banking.”

The use of automated channels at Union Bank has increased by more than 50 percent in the past few years, and the bank has seen an increase of 10 percent in the first six months of 2011 alone. The bank has also experienced a 300 percent growth rate in the use of debit cards. It has responded by boosting its ATM installation program and plans to have a total of 5,000 machines in place by the end of 2011. Similarly, its call center operations are being expanded from 70 to 800 seats.

However the bank was also aware that customer switching was becoming increasingly common and customer retention for all banks was becoming a key strategy. Union Bank recognized that for all the attractions and benefits of automation, much of the paperwork and administration still relied on old-fashioned paper-based systems, and that this was causing frustration among its customer base.

Mr. Nair explains, “Enabling our automated channels, providing user IDs, passwords and subsequent support for re-pinning was increasingly becoming a challenge. Our experience was that customers had to go through a number of lengthy processes to get services like phone and internet banking. It was normal to have a five- to seven-day delay between applying for these services and receiving the card and the PIN. We had to post these items separately and then the customer had to come back to the branch for verification. It was incompatible with the 24/7, real-time ethos of automated banking and the opposite of the convenient, rapid service we wanted to offer our customers.”

CUSTOMER EMPOWERMENT

The issue was regarded as critical, and the bank devoted considerable resources to developing an innovative customer empowerment strategy to relieve customers of the pain of excessive paperwork and to ease the process of getting access to different banking channels. Mr. Nair points out, “The name of the program says it all — customer empowerment. We wanted to give power back to our customers so that they could take charge of their own banking needs and gain access to the services they wanted at their own convenience. We wanted to do away with all the paperwork and bureaucracy that held them back.”

At the heart of the customer empowerment program is the Ready Kit debit card. These are non-personalized debit cards that are issued to the customer as soon as they open a bank account and are activated within 24 hours of an account being opened.

The card is in effect then a passport to all services that the bank offers across all channels. It enables the customer to create their own user access to other channels, including internet, mobile and phone banking. Internet banking customers can re-generate passwords using a utility on the bank’s website, which validates the customer based on their debit card. Similarly, debit card customers can go through the call center’s IVR system to obtain a new PIN, if the original has been lost or forgotten.

“With six million cards, we were getting approximately 500 re-PIN requests every day. Each one had to be sent out by post, which meant that customers had a week or so without internet banking access or the ability to use ATMs. With Ready Kit cards and our customer empowerment program, our clients are no longer required to fill in a paper application for any of these services, nor do they need to wait for PIN mailers.”

ACI: POWERING THE EMPOWERMENT

However, security and identity validation were a key concern. Mr. Lalit Sinha, general manager of Alternate Delivery Channels explains, “The challenges in implementation were twofold. The first was the security and risk concern. The process had to be foolproof, as enabling incorrect access to internet banking could be disastrous. The second related to building interfaces with multiple applications like internet, mobile and phone banking. However the solution in both cases came from the underlying payments platform: BASE24 from ACI Worldwide.”

To secure the internet banking user self creation, the bank’s technical team built in mandatory customer validations from three different sources: BASE24, the core banking host and the internet banking system. Only when all three authenticate the identity of the card is the request allowed. Mr. Sinha says, “ACI’s BASE24 solution played a pivotal role in all of these implementations. The products were designed to make card validation the primary authentication for the request and to be supported by more validations from other sources/hosts. It also achieved the multiple interfaces between
systems magnificently. Had the solution been less robust and safe, we would not have ventured into these products.”

He continues, “BASE24 is a very good, very sound and very scalable solution and we knew we could trust it to underpin everything we wanted to do. When we decided to have our own switch, we selected BASE24 because it is so reliable and so reputable across the globe. The ACI team and its Indian partners were also extremely helpful and offered us whatever customization we needed. Their support at every stage of the implementation process was invaluable.”

SATISFACTION AND GROWTH

Since implementation of its customer empowerment program, Union Bank’s mobile banking transactions have registered 100 percent growth. The program was introduced at one of India’s technical universities, where more than 100,000 students created their internet banking accounts and have used the service to make half a million online transactions for their tuition fee payments in six months. In the space of 18 months, 150,000 customers have created their own internet banking service and an online satisfaction survey has shown that 90 percent of all customers find the new service very convenient.

Mr. Nair says, “The purpose of the program was to acquire new customers as well as retain existing customers. That has been achieved, and the implementation has boosted the profile of the bank. The bank is now regarded as being the most customer-centric, while being a leader in technology among its peers and competitors.”

However, there is a wider context for the program, which Mr. Nair explains. “The majority of our customers who take advantage of Ready Kit cards are from metro, urban areas. But in India, 50 percent of the population remains outside the formal banking structure, and it is essential for our economy and our continued growth to serve those who are currently financially excluded.”

“That will only happen through the strategic use of technology and customer empowerment programs: these play a critical role in reducing the costs of providing services outside the large population centers and making accounts of smaller value financially viable for the banks. We are in the process of empowering rural customers to operate through mobile banking, and we have micro-ATMs and mobile-based POS terminals placed in small merchants across the country. It is all part of our goal of creating cost-effective, easy-to-use and flexible services that reduce dependence on traditional, but inaccessible and more costly branch banking and unreliable correspondent models.”

For Union Bank working with ACI Worldwide, this major innovation has already brought a marked change in the way customers experience getting debit cards and the way services are offered to customers. However, the empowerment program and the usage of automated channels also have a major impact on economic growth. Mr. Nair concludes, “It enables us to cut costs, improve transparency, enhance customer convenience and eventually help both urban and rural customers.”