5
The Modern Bank Customer

5.1 What you will find in this chapter

From the previous chapters we have learned that retail banks around the world are facing intense margin pressure, slow balance-sheet growth, an uncertain economic outlook, and a growing threat from new entrants, especially in the payments arena. Banks are also facing growing regulatory costs and demands for greater fairness and clarity in their interactions with customers. All these factors drive them to increase their focus on the most important stakeholders – their customers. Understanding customer behavior, attitudes, and requirements is more vital than ever for banks’ strategic thinking, operational planning, and day-to-day customer interaction. This is particularly relevant when retail banks are looking to win the war for the modern bank customer, as other retailers are already facing the same issue.

Even though customer challenges may vary from market to market, there are some common key themes, which are often remarkably consistent across continents and between countries. Some of these themes will be presented in this chapter to try to answer some of the following questions:

- Who is ‘controlling’ the bank–customer relationship?
- What is driving customer satisfaction, and what improvements do customers want to see?
- Is customer behavior toward banks changing, and if so, how?
- What steps can banks take to enhance their customer-centricity?
5.2 Who is ‘controlling’ the bank–customer relationship?

For many years, controlling customers was the main issue for most industries, including banks. Now things have changed, and this can no longer be sustained. Now a different bank–customer relationship needs to be developed.

According to the definitions given by the Oxford dictionary, the term ‘control’ as a noun means ‘the power to influence or direct people’s behavior or the course of events’; but it can also mean ‘the ability to restrain one’s own emotions or actions.’ The verb ‘control’ can mean ‘to determine the behavior or supervise the running of, maintain influence, or authority over someone or something.’

Control has been the essence of management; and this is because we have been trained to measure inputs, throughputs, and outputs, and to look for increasing efficiency and produce the desired results. All this made sense during the Industrial Age. But everyone is working in today’s network economy, the next evolutionary step after the knowledge economy (see Box 5.1). In this historical period, enterprises are complex and need to be adaptive, so to look for control may be counterproductive.

**Box 5.1** Knowledge economy versus network economy: a personal revised definition from www.wikipedia.org

The knowledge economy is the use of knowledge to generate tangible and intangible values. Technology, and in particular knowledge technology (artificial intelligence), help to transfer a part of human knowledge to machines. This knowledge can be used by decision support systems in various fields and generate economic values.

The initial notion of the knowledge economy was introduced in 1966 in the book *The Effective Executive* by Peter Drucker. In his book, Drucker described the difference between the manual worker and the knowledge worker. The manual worker, according to him, works with his or her hands and produces goods or services. In contrast, the knowledge worker works with his or her head, not hands, and produces ideas, knowledge, and information. A key concept is that knowledge and education can be both a business product (and this happens when educational and innovative intellectual products and services can be exported for a high-value return) and a productive asset. In the service economy, services are, broadly speaking, the output of knowledge acquired and developed through competences. In fact, the key component of the knowledge economy is a greater reliance on intellectual capabilities than on physical inputs or natural resources.

The knowledge economy (late 1900s–2000s) is the step before the network economy; it is strictly linked to the upheavals in technological innovations and the globally competitive need for innovation with new products and