# Title: You on Priority! – Designing an alluring offer for retail banking

Genre: Being right keeps you in place. Being wrong forces you to explore

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## Abstract

Evolving technological capabilities, customer expectations, lifestyle & demographics are all creating an imperative to change the Retail Banking landscape in the country. Consumers are increasingly valuing experience, convenience, control, and value-added services. Hence, to be the future winners, Banks need to develop a much more complete understanding of their customers. They should understand people's needs, and present relevant solutions to them.

This paper outlines the methodology to extract the features and value trade off that helped Axis Bank position its Savings Account product appropriately, leading to a strengthened relationship with its customers.

## Introduction

In early 2000s, with advent of high GDP growth rate, per capita income registered a significant increase along with swelling of middle class proportion. This led to higher number of banking transactions along with inflow of surplus money in bank accounts.

Back then, the nature of a bank's relationship with its customer was highly transactional, with no differentiation. Thus the task at hand for Axis Bank was to strengthen its relationship with customers and to be well differentiated. With this end goal in mind Axis Bank launched Priority 1.0 in 2004 as its flagship product. Key objective behind the launch was to provide convenience in the way customers bank with Axis Bank.

Being one of the few banks to launch preferential services, we had the early mover advantage. The product continued to do well till 2010. By early 2013 with competition getting active we realized that the benefits offered are more of hygiene, which lead to slow business traction.

We found that consumer expectations were evolving faster. Our consumer work helped unearth insight about this new *next gen* consumer who was different, professional, young and tech savvy, short on time, wanted to do things on own and sought value in everything. He comes with a huge dollop of self-confidence and self-worth and expects the service provider to recognize his worth. Any signs of inefficiency were seen as a deterrent to his rapid progress.

Themes we discovered, that reflected this *next gen* mindset were "*I need to be more productive and efficient to get a better life*" , "*need to make the most of every minute and maximise returns on all my hard work*" , We arrived at the moment of truth – next gen consumers seek convenience, want quick, efficient and hassle-free financial solutions.

To make the service more relevant & compelling for the next gen consumers we beefed up the offering which provides more hooks for customers to engage with us. Intent was to give consumers more occasions to interact with the bank , we introduced host of lifestyle privileges , family banking program , door step banking and a few beyond banking services likes Will writing , financial health checkup , travel assist

## Product performance vis-à-vis the Objectives & Targets

Contrary to expectations, off-take and engagement for Priority 2.0 moved southwards! Our new account acquisition **run rate was down by 30%** and **engagement levels (3 months inactive %) declined by 20%.** So while the underlying premise around next gen and their needs was proven there was obviously something not working. Our starting hypothesis on this was that the bundle of offers (both banking and non-banking) was creating too much of a crowd and hence confusion both in the minds of the sales person as well as the potential customer. The plethora of offers was resulting in very fragmented sales pitches. In order to give customers more, we had created a product that was attempting to be everything to everybody but landed up being nothing to the individual.

## Need for Research

So 2015-16 saw us heading back to the drawing board with a determination to sharply define the purpose of the product and hence, its contours.

Some of the business questions we were grappling with:

- In the crowded feature set which features are really perceive as adding value to consumer
- Are these features strong enough a hook for them to consider us a primary banker?
- Can we let go some features benefits which are a stretch on P&L
- Do consumers really feel the benefit vis-à-vis the cash burn which bank is doing to fund these benefits
- How do we ensure that sales will be able to hold the consistent delivery at last mile , a message which is simple but yet compelling

Broadly, aforesaid business questions can be translated into 2 key research objectives i.e.

a. To understand relative importance of features in mind of consumers
b. To establish notional savings for each feature along with total package, to make customer maintain minimum required Quarterly Average Balance (QAB) of INR 2 Lakhs or pay a fee/charge to avail bouquet of benefits.

## Research methodology

Since the main objective was to arrive at a set of value added offers that consumer find most relevant to their needs and at the same time keeping an eye on cost to serve from the banks perspective ; Choice Based Conjoint methodology became the ultimate choice.

The attributes and levels were prepared ensuring a) It made business sense; b) there was a consistency in the way the attributes & respective levels were worded for ease of comprehension by the respondents.

It was also important to monetize the benefits offered in order to get consumer attention and justify the value for money; hence we showed the monetary value that each benefit carried. Monetary value was arrived basis data crunching undertaken by Axis Business Intelligence unit which looked at the actual usage of each benefit by consumers to arrive at the actual “Rupee value” benefit, which was the real value customer will save.

So each choice card was prepared mentioning the product feature, monetary benefit which translates to financial savings a person will make while selecting each product feature, the minimum balance they will have to maintain, and quarterly charges they will incur in case of non-maintenance of stipulated minimum balance while opening that Savings Bank Account.

Multiple such scenarios were prepared, and the respondents were asked to select the option that appeals to them most. One such choice scenario is *shown below (Table 1).*

**Table 1: Sample Choice Scenario**

| Now tell me, which one of these 3 Savings Bank Account options do you prefer? SINGLE CODING | | | |
|---|---|---|---|
| **Savings Acc. Features** | **Option A** | **Option B** | **Option C** |
| **10% Cash Back on Online Debit Card Spends** | Rs. 1000 cash back on quarterly spends of Rs. 10,000 | Rs. 2000 cash back on quarterly spends of Rs. 20,000 | Rs. 2500 cash back on quarterly spends of Rs. 25,000 |
| **25% cash back on Debit Card spends on Movie Tickets** | Rs. 1200 cash back on 24 tickets / year | Rs. 1500 cash back on 30 tickets / year | Rs. 600 cash back on 12 tickets / year |
| **10% Cash back on Debit Card Spends at Restaurants (Dining** | Rs. 350 cash back on monthly spends of Rs. 3500 | Rs. 400 cash back on monthly spends of Rs. 4000 | Rs. 300 cash back on monthly spends of Rs. 3000 |
| **Airport Lounge** | Complimentary Access 2 times/ year (worth Rs. 2000) | Complimentary Access 10 times/ year (worth Rs. 10,000) | Complimentary Access 4 times/ year (worth Rs. 4000) |
| **Relationship Manager** | Virtual Relationship Manager (On Call) for your account | Dedicated Relationship Manager for your account | No Relationship Manager |
| **ATM, Chequebooks & Cash Transaction at branch (Deposit + Withdrawal) benefits** | 12 Free ATM Transactions Monthly + 10 Free Chequebooks Yearly + No Fees for cash transactions upto Rs. 80,000 / | 7 Free ATM Transactions Monthly + 4 Free Chequebooks Yearly + No Fees for cash transactions upto Rs. 50,000 / | 10 Free ATM Transactions Monthly + 8 Free Chequebooks Yearly + No Fees for cash transactions upto Rs. 70,000 / |
| **Premium Credit Card** | Credit Card with an Annual Fee of 1500 | Credit Card with an Annual Fee of 1500 | Complimentary Credit Card i.e. No Annual fee |
| **Locker Charges for the first year** | No Locker Discount | 25% discount on a large locker for Rs. 10,000 (worth Rs. 2500) | 25% discount on a extra large locker for Rs. 12,000 (worth Rs. 3000) |
| **Demat Account** | No discount on Demat Account | Complimentary Demat Account i.e. no annual fee (worth Rs. 750) | 50% discount on the Annual fee amount of Rs. 750 (worth Rs. 375) |
| **Loyalty Points** | Earn 5 points for every Rs. 100 spent | Earn 3 points for every Rs. 100 spent | Earn 2 points for every Rs. 100 spent |
| **Family Banking Program** | No Family Banking Program | Flexibility of Managing the Monthly Account Balance across multiple accounts of your family members | No Family Banking Program |
| | | | |
| **Quarterly Charges** | **Rs. 250** | **NIL** | **NIL** |
| **Quarterly Account Balance** | **Rs. 1,00,000** | **Rs. 3,00,000** | **Rs. 2,50,000** |

## Research design

An extensive quantitative research program was designed and executed by Kantar IMRB spanning across 4 Metros & 4 Non metros with a total sample size of 460 respondents.

Our target was mass affluent SEC A+ consumers, a mix of salaried, self-employed and businessmen who had active savings account and key decision makers in financial decisions.

Since the goal was to source consumers from the open market, the task was to ensure that the profile of consumers we meet in research was similar to Axis Bank Priority customers. Hence a few lifestyle surrogate questions (like frequent visitors to fine dine, vacations, price limit of smartphone etc.) were included, so that we meet Priority equivalent customers.

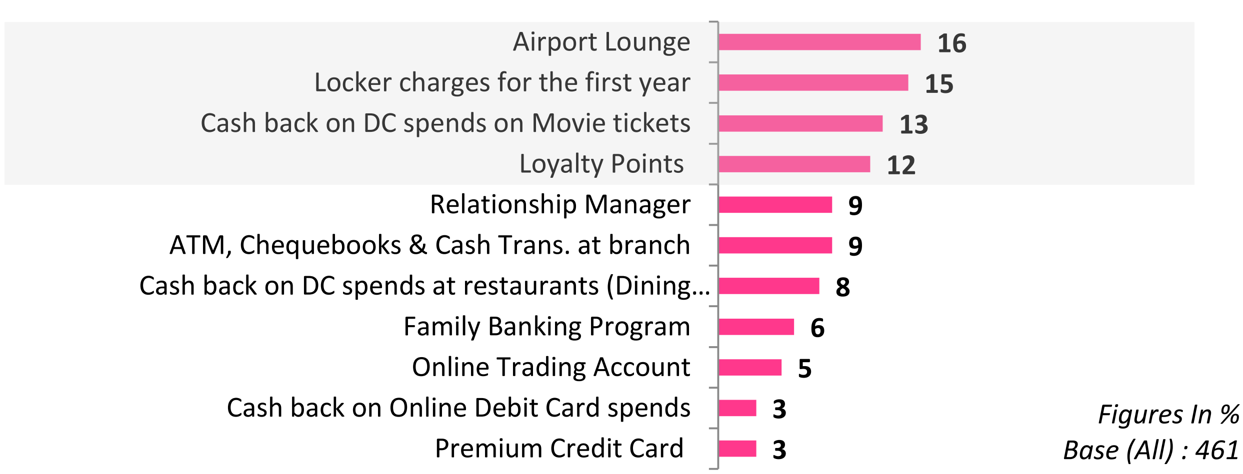
## Research findings

The conjoint output indicated the most preferred Value Benefits for each Account Feature. Understanding the perceived importance of each of these features and the ensuing value trade-off helped Axis Bank position the product offering appropriately, as well as differentiated it from the other products in the market.

1. **Deriving importance of features**

   'Airport Lounge' is the most important feature in Mass Affluent consumer's mind. This is followed closely by Locker Charges for the first year, Cash back on Debit Card spends on Movie Tickets and Loyalty points. These should definitely be considered as a hook for consumer acquisition.

**Chart 1: Relative Importance of Account Features**

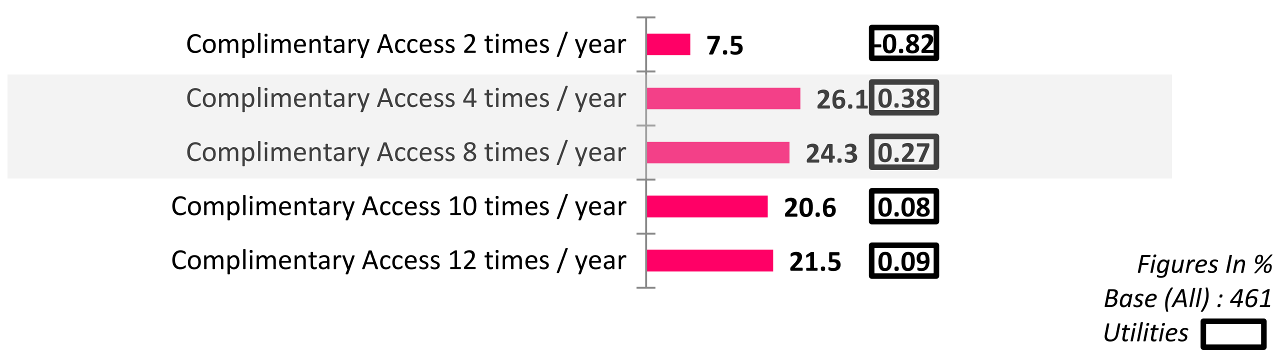


2. Within these important attributes, we identified the 'utilities' (a measure of relative desirability or worth) for each feature. The higher the utility, the more desirable the level or feature is. Levels that have high utilities have a large positive impact on influencing respondents to choose products. Since utilities are scaled to sum to zero within each attribute, negative utility does not mean that it is unattractive, but it is relatively lower than other levels

**Arriving at value benefit within each important feature**

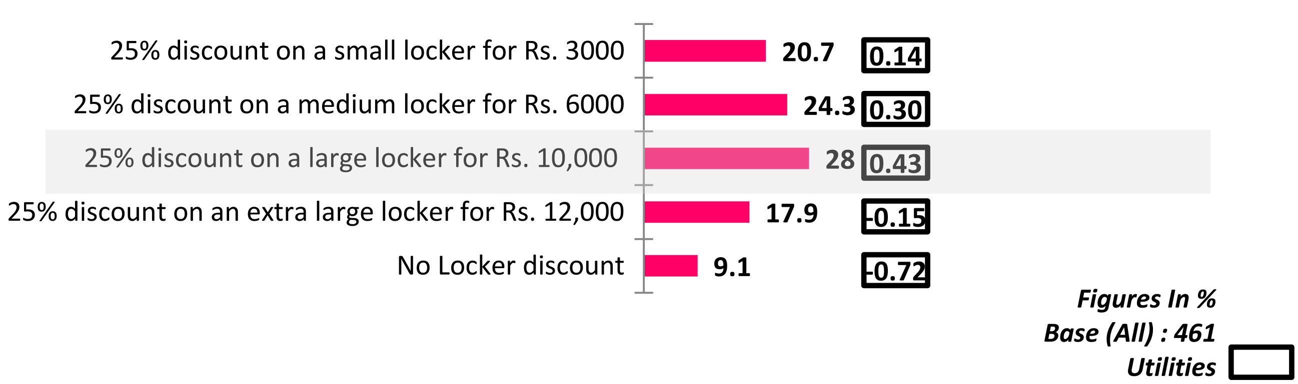
2a. **Airport Lounge:** We observed that consumers seek benefit lower than the prevailing offering at that time. With an available upper limit of complimentary airport lounge access for 8 times/year and a demand for a minimum of 4 times/ year, we had an opportunity to tweak & leverage this feature in our communication to the consumers.

**Chart 2: Utility of each benefit within 'Airport Lounge'**



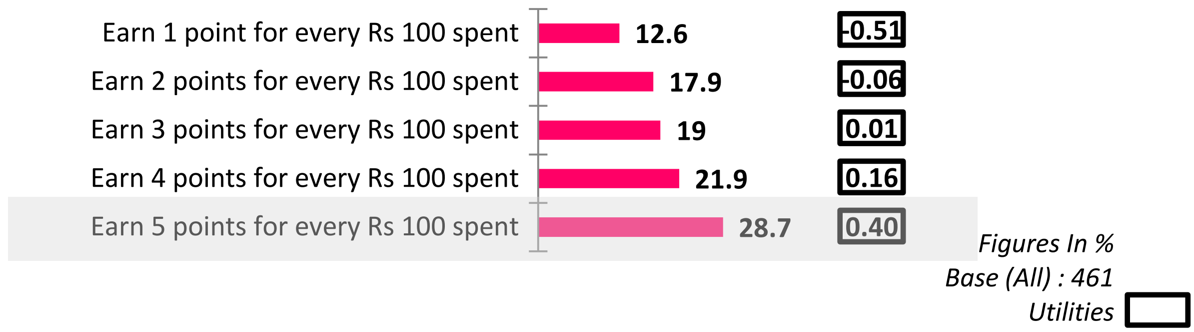

2b. **Locker charges for the first year:** A clear preference for Large Lockers was observed among the consumers. Leveraging Lockers (& attached discounts) was recommended as a hook for consumer acquisition.

**Chart 3: Utility of each benefit within 'Locker Charges for first year'**



2c. **Loyalty Points:** '5 points for every Rs 100 spent' scored the highest utility among consumers, who used to get only 2 points till then. Consumer chose the highest level - A clear function of how the value benefits in this feature were offered.

**Chart 4: Utility of each benefit within 'Loyalty points'**



3. **Arriving at the Optimum product**

   In a similar way, important value benefits within each feature were calculated to arrive at the optimum product, by picking the most preferred value benefits or 'Utility' for each account feature. *(shown below in Table 2)*

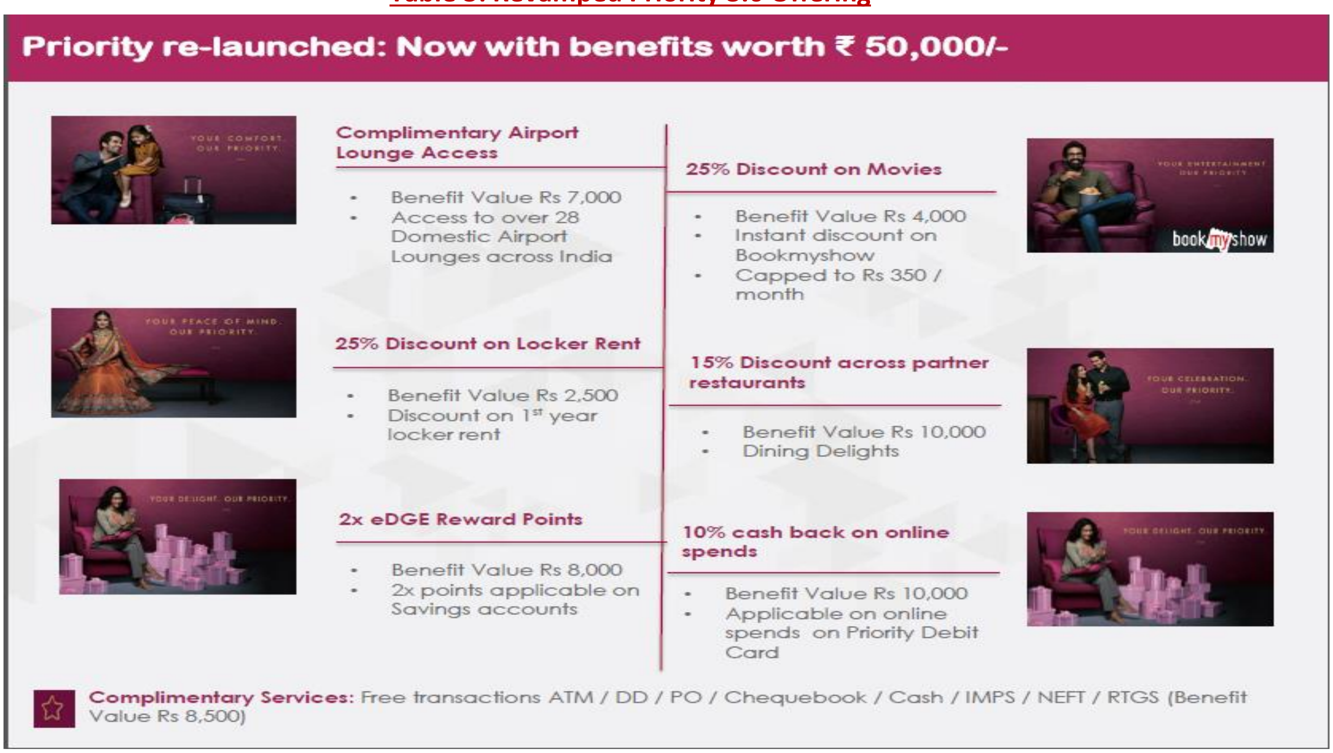
**Table 2: Optimum Product**

| Account Features (Attributes) | Pref. Share (%) | Value Benefits (Levels) |
|---|---|---|
| **Airport Lounge** | 16% | Complimentary Access 4 times / year |
| **Locker charges for the first year** | 15% | 25% discount on a large locker |
| **Cash back on Debit Card spends on Movie tickets** | 13% | Cash back on 16 tickets / year |
| **Loyalty Points** | 12% | Earn 5 points for every Rs 100 spent |
| **ATM, Chequebooks & Cash Transaction at branch (Deposit/ Withdrawal) Benefits** | 9% | 10 Free ATM Transactions Monthly + 8 Free Chequebooks Yearly + No Fees for Cash Transactions |
| **Relationship Manager** | 9% | Virtual Relationship Manager (On Call) for your account |
| **Cash back on Debit Card spends at restaurants (Dining Delights)** | 8% | Rs 400 cash back on monthly spends of Rs 4000 |
| **Family Banking Program** | 6% | Flexibility of managing the Monthly Account Balance across multiple accounts of your family members |
| **Online Trading Account** | 5% | Complimentary Demat Account i.e. no annual fee |
| **Premium Credit Card** | 3% | Complimentary Credit Card i.e. No Annual fee |
| **Cash back on Online Debit Card spends** | 3% | Rs 2500 cash back on quarterly spends of Rs 25,000 |

## Initiatives taken post research findings

- We rationalized priority offering by structuring benefits around 6 broad pillars , which talks about “You on Priority”
  - Your comfort
  - Your entertainment
  - Your peace of mind
  - Your celebration
  - Your delight
  - Your time
- Basis research findings and business feasibility an attractive offer is designed for priority customers. *(shown below – Table 3)*
- Communication pitch was simple with an arresting head line “Benefits worth 50,000 welcomes you” and a crisp RTB where~~,~~ value of the benefit is quantified for each feature**.** This is communicated via simple videos & one pagers to ensure consistent delivery of message across touch –points , this ensured that each benefit is communicated in its true essence
- By organizing the benefits around a single theme, customers & sales staff were clearly able to articulate the benefits
- To generate excitement within the sales channel, a program “Ambassadors of priority”, was crafted, winners of which are to be decided basis a mix of sales & customer feedback metrics.

**Table 3: Revamped Priority 3.0 Offering**



## Impact of the initiatives taken

The revamped Priority 3.0 was launched in April 2017 with expectation to

1. Increase engagement levels of existing customers in short term ( within 6 months)
2. To improve onboarding experience of new customers in short term ( within 6 months)
3. To increase acquisition rate in mid-term (6 months – 1 year) as new customer acquisition in this segment is a lot dependent on word of mouth / referrals from existing customers.

**Priority 3.0 managed to deliver as per expectations:**

- **Significant increase in engagement levels of existing customers measured in terms of usage of various product features& benefits**
- **Onboarding experience of new customers registered a sharp positive movement measured via Customer transaction surveys conducted by Kantar IMRB**
- **Significant improvement in customer acquisition rate observed post launch of Priority 3.0 in Apri'17.**

**Performance on each objective is detailed below**

1. Significant increase in engagement level of existing customers observed on 5 out of 6 key features
   a. Number of customers accessing airport lounge saw a growth of 125*%. (Chart 5)*
   b. Customers booking movies using debit card increased by 54 % *(Chart 6)*
   c. Customer booking locker saw a decline of 14 % *(Chart 7)*
   d. Increased observed in number of customers using partner restaurants by 23 % *(Chart 8)*
   e. Customers redeeming eDGE reward points surged by 48% *(Chart 9)*
   f. Customers availing 10% discount on online spends registered increase of 64% *(Chart 10)*

*To evaluate impact of revamped Priority 3.0, we have compared performance on various measures on like to like to 6 months where, Apr – Sep'16 is considered as pre-launch phase and Apr – Sep'17 is considered as post launch phase.*

*Further, performance of Priority 2.0 in Apr-Sep'16 is considered as base and is indexed to 100. Any change in performance in Apr-Sep'17 is calculated basis indexed value of 100. Calculation of Indexed value is illustrated in Table 4 below.*

**Table 4 – Illustration to calculate indexed value for Apr-Sep'17**

| Time period | Actual usage | Indexed Value |
|---|---|---|
| Apr-Sep'16 | 48359 | 100 |
| Apr-Sep'17 | 54659 | 113 i.e. (54659/48359) X 100 |

**Chart 5: # of customers availed complimentary lounge access**

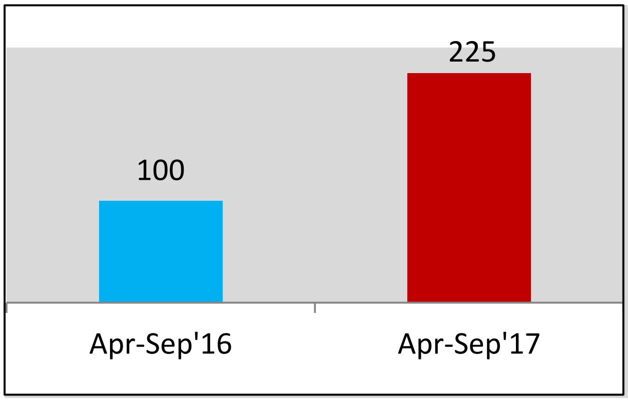



**Chart 6: # customers availed 25% Discount on Movies**

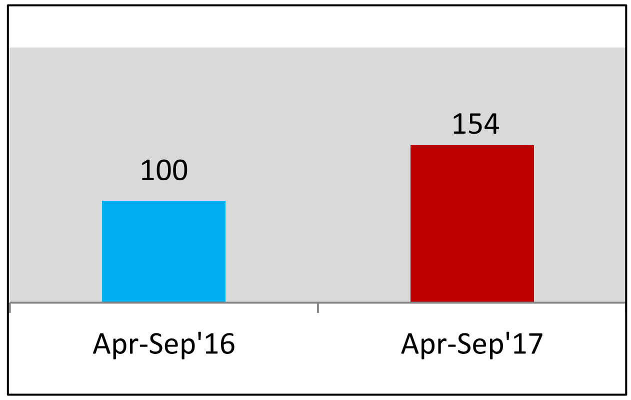



**Chart 7: # of new customers availed 25% Discount on locker rent**

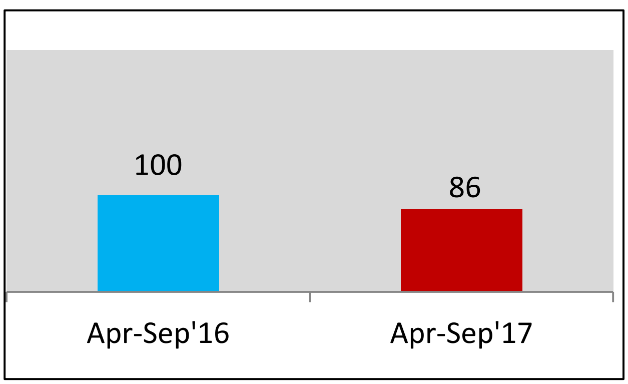



**Chart 8: # of customers availed 15% Discount on partner restaurants**

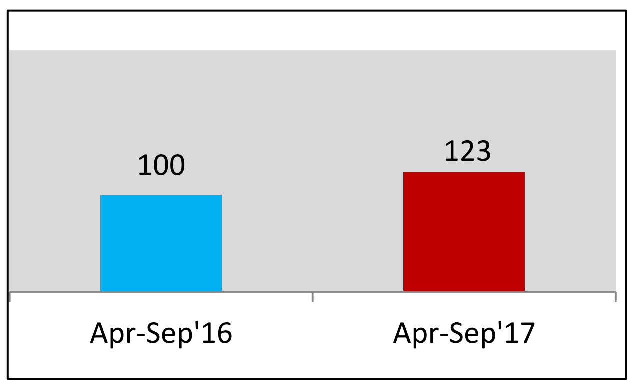



**Chart 9: # of customers redeemed eDGE Reward Points**

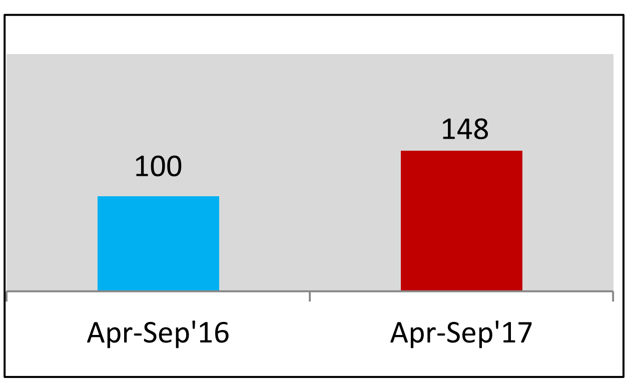
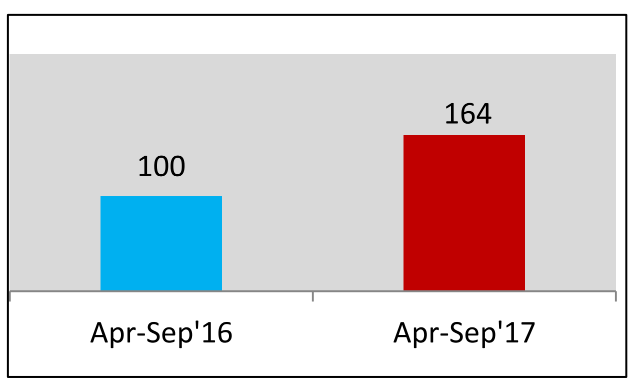



**Chart 10: # of customers availed 10% cashback on online spends**



2. Onboarding experience registered significant increase driven by improvement in scores of both aspects i.e. interaction experience with sales executive and Overall quality of account opening kit.

*Performance on onboarding experience is evaluated basis Customer Transaction Assessment (CTA) carried by IMRB for Axis Bank on recently acquired priority customers. Experience is gauged on 5 point scale where 5-Excellennt, 4-Very Good, 3- Good, 2-Fair & 1 – Poor. Scores shown in Chart 11 & 12 is for Top 2 Box (Excellent + Very Good)*

**Chart 11: Overall Interaction Experience with Sales Executive (T2B% – Excellent + Very Good)**

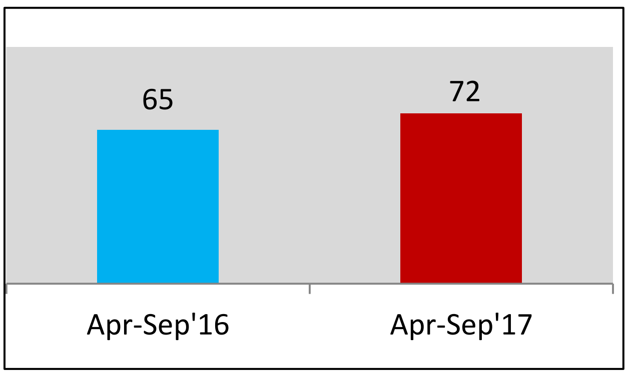
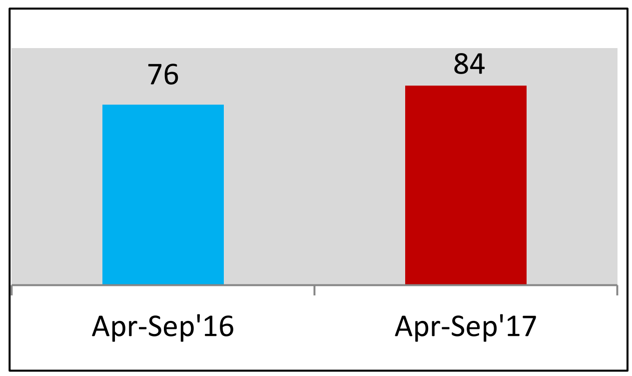



**Chart 12: Overall Quality of Account Opening Kit (T2B% – Excellent + Very Good)**

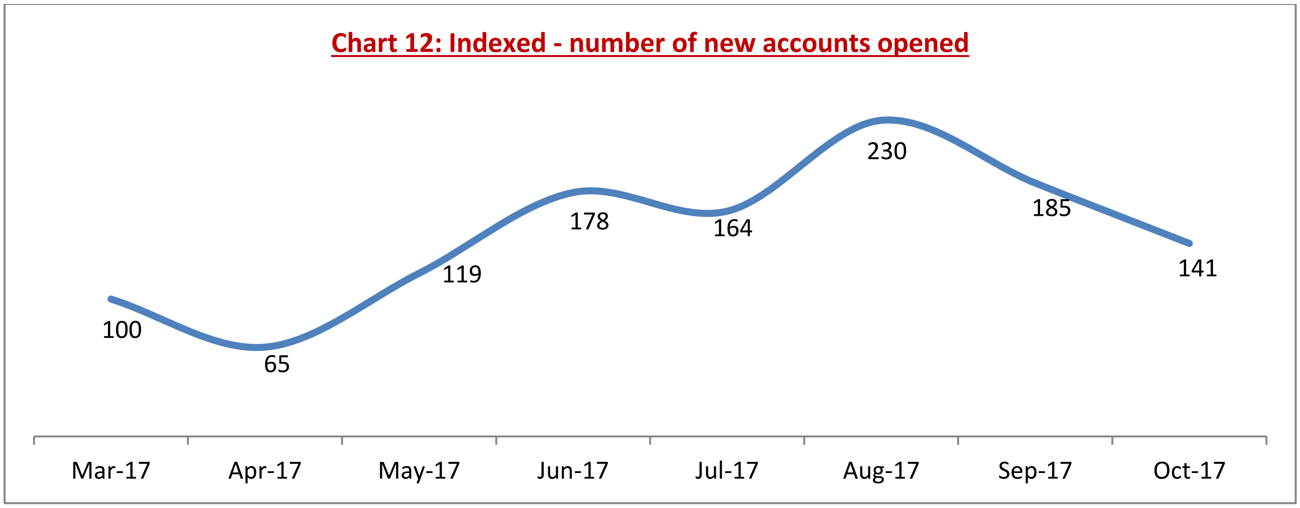



*Source: IMRB Customer Transaction Assessment(CTA)*
*Base: Apr-Sep'16 ( 987) : Arp-Sep'17 (1310)*

3. Significant improvement observed in customer acquisition rate post launch of Priority 3.0 in April'17.

*To evaluate performance on customer acquisition rate Apr'1 7 (launch of Priority 3.0) to Oct'17 period is considered. Due to demonetization, average number of accounts opened got disrupted in Nov'16 to Apr'17 period. Hence, we have not considered like to like time period (i.e. Apr-Sep'16 vs. Apr-Sep'17) for performance evaluation.*

*Further, performance of Priority 3.0 in Apr'17 is considered as base and is indexed to 100. Any change in performance in from Apr-Oct'17 is calculated basis indexed value of 100.*




## Conclusion

Priority 3.0 performed as per expectations by registering significant improvement on engagement with existing customers, improving onboarding experience and customer acquisition rate on new customers.

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