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# Practice papers

## Does ethnic focus change how banks should implement customer relationship management?

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**Abstract** This paper describes the development of the ethnic banking market in the UK. It describes the main ethnic groups involved and how they manage their relationships with banks, whether as individuals, families or small businesses. It analyses the problems ethnic customers have in dealing with banks and the gaps that emerge between them and their banking providers. In addition the paper analyses what banks have done to bridge the gap, with a brief comparison with the situation in the United States. The paper then suggests which areas banks need to focus on in order to improve management of their ethnic customers, and concludes by suggesting that given the rapidly growing size and value of the ethnic segments, banks would do well to undertake an ethnic banking audit.

**Keywords** Ethnic, banking, Afro-Caribbean, Pakistani, Indian, immigration, customer relationship management

### INTRODUCTION

The UK financial services industry has gone through a period of consolidation through mergers and acquisition. It has also been subject to a variety of other pressures, including broader and tougher regulation and the need to deal with risk. In an industry in which product and brand differentiation seems hard to achieve, slow growth and slim margins have led banks

to reappraise the effectiveness of how they manage their customers. This reappraisal is visible in companies' strong focus on the cost-effectiveness of distribution channels and customer relationship management (CRM) initiatives.<sup>1,2</sup> At the heart of most of the debates about financial services marketing lies a series of age-old questions, such as 'Who are my customers?', 'How do they behave?', 'How can I attract them, keep them and develop more business

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with them, cost effectively?' Behind the many success stories in financial services CRM lie sustained efforts by teams of managers to answer these questions and apply the answers in branches and call centres, via direct mail and on the Web.

One of the obvious ways in which customers differ from each other is their demography: age, marital-partnership-household status, gender and ethnicity. Most companies' understanding of the importance of these factors has been much advanced through their efforts to consolidate their customer databases and build a more complete picture of their customers. They can now see, for example, at which age customers become profitable and how long they need to invest in customers before they become profitable. Companies that have collected data on ethnicity and used them to support the development of new channel and product offers have also had some success. This paper reviews UK progress with ethnic marketing in financial services, specifically banking, and suggests some areas for improvement.

### THE NEED FOR ETHNIC FOCUS

A recent report by the British Bankers Association (BBA)<sup>3</sup> finds the persistence of a 'communication gap' between financial institutions and ethnic customers. Given the importance of the ethnic community, initially to banks and later on to the investment sector, it is not surprising that several companies have developed a formal approach to managing the ethnic market. Most of the effort has been by the banks. This paper explores how banks in the UK have approached ethnic banking and how CRM programmes need to change to encompass the ethnic dimension. It also investigates US and Asian perspectives to help further an understanding of the UK opportunity.

Ethnic minority businesses tend to be

risk averse, relying first on personal savings and then family money, followed by community support and then bank finance. They are also more easily frustrated with bureaucracy, preferring informal relationships and a minimum of paperwork. A common problem faced by these businesses is that in starting up, many business ideas and plans tend to be too ambitious or not clearly written. In addition, the banks' reluctance to talk to potential business customers until they have produced viable business plans deters many serious business propositions. The study 'Which Way Now? Second/Third Generation Businesses'<sup>4</sup> highlights the facts that many young people have problems in accessing finance due to a breakdown of the 'family' business. Asian women in particular face cultural and family barriers and do not enjoy easy access to family or community finance and support in the same way as the men. In addition, they tend to have less personal savings and many ethnic minority businesses are in deprived areas thus affecting their credit rating and disadvantaging them. These echo the findings in 'Silent Contributors',<sup>5</sup> which highlights the invisible role of women in business and charts the hurdles they face.

Afro-Caribbean businesses (ACBs) are more likely to apply for funding through national support agencies. The ACBs that succeed tend to be run by highly qualified individuals. ACBs are more likely to turn to non-bank formal sources of start up finance, a view confirmed by Ram and Smallbone (2001).<sup>6</sup>

The definition of the ethnic community is a sensitive matter. Broadly speaking, its main constituents are the South Asian, Afro-Caribbean, South East Asian and Far East communities, but with recent surges in immigration from, for example, Iraq and Afghanistan, the make-up of the group is changing gradually. The estimated size of the minority ethnic population of Great

Britain is 4 million, 7.1 per cent of the total UK population.<sup>7</sup> Interestingly, this population also accounts for 9 per cent of business start ups. The market can be characterised as follows:<sup>3</sup> The Asian British is made up of a number of smaller groups, each with different languages. They earn an estimated £5bn a year disposable income. Some 60 per cent are aged under 30, while 12 per cent represent the UK university student population. They demonstrate a high savings rate and risk-averse tendencies; this market utilises more secure saving products.<sup>8</sup> Family values are very important to these communities. There is a significant difference in average age and life cycle from the indigenous community. Asian families are on average younger,<sup>9</sup> while demonstrating high saving rates (eg for children's education). Many younger Asians still live with their parents, increasing the household income. Well-educated, more acculturated children tend to advise their less knowledgeable parents on financial savings products. This means that marketers may need to target the younger generation, to influence the older generation.

The African Caribbean community is longer established, but showing problems in engaging with the world of financial services. For example, they appear to have less success in accessing banks loans than either their white or other ethnic minority counterparts. This 'disadvantage' is a recurring theme. There are a number of reasons why informal networks in this community are less developed. One is that most original immigrants in this group came from working-class backgrounds to work in the UK public sector. Another may be the discrimination they have experienced.

### **Ethnic small businesses**

Ethnic minority businesses rely heavily on family and friends for financial resource,

this remains especially true for the South Asian community. Asian communities (Chinese, Indian, Muslim) have always relied on extended family networks for finance. The more robust networks have global access to an established capital resource. These more established groups practise networking skills (such as passing business cards at 'dinners') and word of mouth referrals, which carry much weight.

By observing the categories of financial service product and relative purchasing patterns of a particular ethnic group some behavioural characteristic may be inferred. By mapping the 'stage of the relationship' against service expectations banks will be in a better position to 'customer manage' appropriately. For example all three ethnic (Asian, Chinese, African Caribbean) groups tend to be risk averse and to have a preference for liquidity. This means that they are more likely to use bank products or insurance products to save, than investment products. They also place a high value on service.

In the 1980s, there was strong growth in self-employment in the UK 'with an emergence and rise of ethnic minority owned firms'.<sup>10</sup> The findings show that Chinese, Indians and Pakistanis continue to have a greater representation in self-employment than whites. Ethnic minority businesses today contribute some £13bn wealth to the UK economy.<sup>11</sup> Much of their consumer spending, however, remains within the community.<sup>12</sup> Originally, most of these businesses were self-employed, cash-based, with low barriers to entry. This matched the 'temporary' mind-set of new immigrants while they settled in their host country. These immigrants could be loosely classified as 'haves and have nots'. Most people in both groups had access to 'ready made global' networks.

Although banks seek multiproduct relationships with them, these customers remain reluctant to invest further and

develop the relationship of trust that the banks seek. With robust informal networks, Asian and Chinese communities have an alternative to the high street bank. Multibanking is not uncommon in this community. They may use Asian Banks for international trade, speciality products (eg Islamic banking), flexible sources of finance and the high street bank network for convenience and lower interest rates. As many immigrants maintain relationships with home countries, the global context has become more important, with an increased demand for efficient 'global transfers'. These are often regular payments of relatively small amounts, but can be irregular larger amounts. High street banks have been slow to respond to this need.

### **Speciality products: Islamic banking**

Despite there being a large and growing Muslim population in the UK, Islamic banking has been slow to develop. A niche product, its potential market share is 5 per cent of the overall mortgage market. Called 'ijarah' it is principally a mortgage-leasing product (Islamic banking prohibits the charging or payment of interest), of which the United Bank of Kuwait is the main provider in the UK. There are a number of issues associated with its current format such as Stamp Duty charges (which under this scheme are levied twice), capital adequacy (conventional mortgages have a 50 per cent weighting while Islamic mortgages require 100 per cent weighting), and practical application of the 'Right to Buy' scheme. West Bromwich Building Society has recently introduced Islamic mortgages (acting as a broker to the United Bank of Kuwait). The Bank of England has created a working group, chaired by Andrew Buxton, to investigate legislative issues limiting its uptake in the UK. Meantime, however, informal family networks fund

much housing. Many Muslims still carry 'scars', having lost money through the collapse of BCCI, and will look for the most creditworthy options.

### **Influencing patterns**

First generation ethnic customers tend to rely on social capital ie using a delegate (accountant 'friend') to help them in their financial dealings. The degree of involvement is proportional to the degree of 'risk' involved and the length of investment sought by the ethnic consumer. This may change over time with the bank. To reach these customers, banks need to strengthen relationships with local accounting communities (as advisers or introducers) and deepen their understanding of ethnic community/business needs.

Consider the view expressed by a bank manager at Marine Midland Banks Inc, USA:

'Indian entrepreneurs tend to be very demanding, often calling their bank several times a day, but if satisfied will use multiple banking products and be extremely loyal customers.'<sup>13</sup>

A Bank of England report states:

'These businesses were less satisfied with their banks and more likely to complain than white businesses.'<sup>14</sup>

This group value service and want a closer relationship with their banks, but are banks willing to invest?

### **THE NEXT STAGE**

As this population evolves and becomes more acculturated (ie having grown up in the UK), typical ethnic traits become more salient and the business life cycle reaches maturity. A recent Datamonitor

report presents purchasing patterns of this group over a ten-year period (1989–1999), showing that ethnic customers have increased their savings rate.<sup>15</sup> One reason for this may be the relaxing of ‘the temporary mindset’ carried over from first generation immigrants (ie the need for liquidity) and perhaps the motivation to save for their children’s education. A *Financial Times* article states that some second-generation immigrants feel hampered by ‘corner shop stereotypes’.<sup>16</sup> Asians are achieving success in many different sectors and professions. Business services including IT make up 17 per cent of Asian business.<sup>17</sup>

### **THE COMMUNICATION GAP**

While the BBA report reveals a high degree of satisfaction from ethnic minority businesses as a whole, the findings do suggest a ‘communication gap’. The report found variations in practice by individual bank managers in dealing with applications from ethnic minority applicants. There was no perceived advantage/disadvantage between centralised or localised decision making, as either approach could be influenced by the knowledge and practice of individual bank managers. This variability between policy and practice affects the customer experience. Bank managers are entitled to exercise discretion when offering financial advice or recommending wealth management programmes and mortgage products, but the discrepancy between policy and practice has been attributed to individual discretionary judgment, ie suggesting racial bias. The experience of the ethnic customer is therefore often a combination of racial stereotyping (intentionally or otherwise), poor understanding, communication and/or marketing efforts, lack of consistent community involvement and inexperienced/inconsistent staff rejecting

business plans. Lack of knowledge regarding specific ethnic communities/trading practices and service expectations can lead to stereotyping. For example, in applying for a small business loan an Asian ethnic business may access its robust informal network to demonstrate equity requirements. The BBA report confirms while ethnic minority businesses (five groups) showed a higher propensity to have received some finance from family and friends, this was a strong feature in the Asian-owned businesses but a less reliable resource in the African Caribbean community, as equivalent networks were less evident.<sup>18</sup> While ethnic consumers do, however, have specific needs and service expectations, they do not want to be treated differently (a number of experts including Peter Ibbetson, Head of NatWest Business Banking, have concurred with this view).

### **WHAT BANKS HAVE BEEN DOING SO FAR IN ETHNIC MARKETING: A UK PERSPECTIVE**

The Bank of England report states:

‘Most high street banks have issued internal guides on ethnicity, in an attempt to raise branch managers’ awareness of cultural issues and how cultural difference might effect banking practice.’<sup>19</sup>

NatWest has created more than 40 centres of excellence to cater for their ethnic customer base. Drawing on in-house research instigated some ten years ago, NatWest recognised an opportunity and it remains a part of their long-term strategic approach. According to Peter Ibbetson, Head of NatWest Business Banking, the challenge:

‘is in serving the diverse financial needs of specific communities within black and ethnic minority segments’.

Based on an understanding of the distinctive patterns and cultures of various communities, NatWest has developed appropriately targeted initiatives. For example, they recognise there is still a perception in the African Caribbean community that it is hard to access sources of finance. To address this, the bank has introduced financial education programmes in the relevant geographic areas, to create goodwill and trust in the community. NatWest 'wants to be seen to play a supportive role', says Peter Ibbetson.

In the USA, banks have similarly targeted the needs of diverse ethnic groups through customer education programmes. Their programmes are focused. One example of this is the Hispanic community, where many Hispanics have no credit history.<sup>20</sup> Banks take an active role in addressing the issue of credit in customer education, educating those who were turned away in how to build up a credit rating. They take the view that customer education is a continuing process, helping customers as they move through their life cycle.

HSBC's approach has been to develop the South Asian Bank initiative, appointing specialist business managers specifically to service the British Asian business community. Lloyds TSB has begun training senior managers in 'cross-cultural awareness'. Both NatWest and Barclays have been instrumental in commissioning research on ethnic minority businesses. It should be noted the data reflect businesses with pre-existing relationships, ie no data/insight as to the potential of unsuccessful applications.

West Bromwich Building Society practises a holistic approach to servicing its ethnic minority customer needs. A strong multicultural recruitment policy, in branch tracking and market research (to monitor ethnicity), structured feedback between front-line staff and management, ethnic

marketing supported by 'in-language' call centres and visible involvement from their chief executive have helped earn them fourth place at a recent Race of Opportunity study.<sup>21</sup> Having a multicultural recruitment policy and recruiting from the local areas have resulted in<sup>21</sup> 15 per cent of the society's workforce being from ethnic minorities. As a result, front-line staff represent the diversity of the community each branch is serving. This helps build comfort and trust, especially among the less financially acculturated ethnic customer. The 'Race For Opportunity Benchmarking Report' mentions that West Bromwich also 'track Asian customers at branch level, in terms of gross numbers and a percentage of the overall branch volumes to establish potential growth and the impact of specific promotional activity'.<sup>22</sup> By recruiting from the local community, branches are better equipped to handle foreign language needs. A readily accessible in-language service in branches and call centres is a customer preference. West Bromwich also uses targeted ethnic marketing, by advertising in foreign language media. Stylistically family-centric, these messages help promote the society's offering. A recent example is a radio advertisement, which ran in both Hindustani and English on ethnic radio station Radio XL in the West Midlands. Its primary role was to build awareness. The promotions were well received, with the building society reporting a significant increase in demand at branches a week later. The advertisement was supported in the call centre with different in-house language capabilities. Communication messages demonstrate an understanding/sensitivity towards the 'ethnic experience' and its value systems. Getting it right can, however, be challenging as these communities have various life cycles and may be at different stages of acculturation. West Bromwich has also launched an

'Islamic Banking' product to serve its ethnic customer base better. Its chief executive, Andrew Messenger, is prominently involved with the Race for Opportunity campaign. A high-profile champion demonstrates leadership to the community, helping to bridge the gap between policy and practice.

Several banks are involved in 'Race for Opportunity', which is a business network of organisations working on race and diversity. According to Barclays: 'There has been a significant and consistent increase in sales and customer services satisfaction in areas where our employees mirror the diversity of the customer base, eg West London, Leicester and Birmingham.'<sup>22</sup> Deutsche Bank: 'We are a global company and we need to leverage the diversity of our people to tap into new ideas and ensure team performance. We need to project a corporate image of being forward thinking, innovative and flexible. By acknowledging and valuing the differences in our employees and customers we are able to gain competitive edge over our rivals.'<sup>22</sup> HBOS plc concurs: 'With staff who can speak a wider range of languages, ethnic minority customers have more confidence to come into our branches.'<sup>22</sup> Lloyds TSB acknowledge 'that a growth area within our customer base are members of the black and Asian community and that such communities have become more affluent and are a major source of strength for the UK economy'.<sup>22</sup>

The BBA's research finds examples of good practice, with 82 per cent of ethnic minority businesses satisfied with the service received, but relationships are variable. The responsibility for community involvement is often placed on the shoulders of local branch managers. The BBA again suggests an uneven development of the networks among intermediaries in ethnic community and enterprise agency. Banks clearly recognise

the value in building relationships, establishing profiles in these communities, networking and proactive policies, yet there remains a noticeable gap between policy and practice.

## **LESSONS FROM ABROAD: THE US MARKET**

Some 30 per cent of the US population are ethnic minorities, made up of Hispanic (homogenous), African American (homogenous) and Asian American (heterogeneous) segments. The US Asian market is a more diverse collection of smaller markets, each with cultural differences (Chinese 23 per cent, Filipino 18 per cent, Asian Indian 16 per cent, Vietnamese 11 per cent, Korean 11 per cent etc). The Asian Indian sub-segment, however, is the most affluent, with high levels of education and English proficiency. Savings levels are rising<sup>23</sup> with 42 per cent of minority households now actively saving compared with 29 per cent in 1989. One distinguishing trait of the US market is the market for individual stocks, with Asians owning 22 per cent, which is the same percentage as white non-Hispanics, demonstrating an active investing culture. Many large US banks are developing multiproduct relationships with their customers, although ethnic minorities' product ratios are still lower, so many banks have ethnic initiatives involving targeted marketing approaches; multicultural recruiting and in-language support are being used with varying degrees of success. The Liberty Federal Bank is one example, with ethnic customers accounting for 15 per cent of the bank's US\$40m in investment sales.<sup>24</sup> Liberty uses its cultural understanding to reach its ethnic customers. As ethnic groups are heavily influenced by referrals, they use a US\$20 reward scheme for employee referrals.

While segmentation can help improve understanding of purchasing behaviour,

Roger Thomas, a bank consultant, based in Columbus warns:

‘Sometimes we get carried away with the segmentation . . . Everybody wants to save for college, everybody wants to retire — these wants and needs are universal.’<sup>24</sup>

**RECOMMENDATIONS FOR BANKS**

This section identifies the implications of the issues and developments summarised above for the marketing and CRM policies of banks.

As identified earlier, however, banks have had some difficulty maintaining a consistent focus on CRM. One of the main reasons is the common expectation that focusing on systems and data alone will do the trick. In the authors’ work, assessing the quality of customer management in financial services companies, they have used QCi’s Customer Management Assessment Tool (CMAT) and its associated customer

management model to encourage a more balanced and rigorous approach. In this paper, the recommendations are structured using the ideas and customer management model behind this tool.

The Customer Management Assessment Tool is becoming one of the simplest ways to measure the quality of customer management. In its approach to assessing customer management, QCi started by developing a simple interview-based model for assessing customer relationship management practice. The starting point for this work was the company’s consulting practice, the ideas behind which have been published in several books. Lately, the work has been brought together in two books, ‘CRM in Financial Services’ and ‘The Customer Management Scorecard’.<sup>25–28</sup>

The model is summarised in Figure 1. It encompasses all of the essential elements of practical customer management — 260 factors are covered. It assumes that a company knows which market it is in and where it wants to be — but that is all it

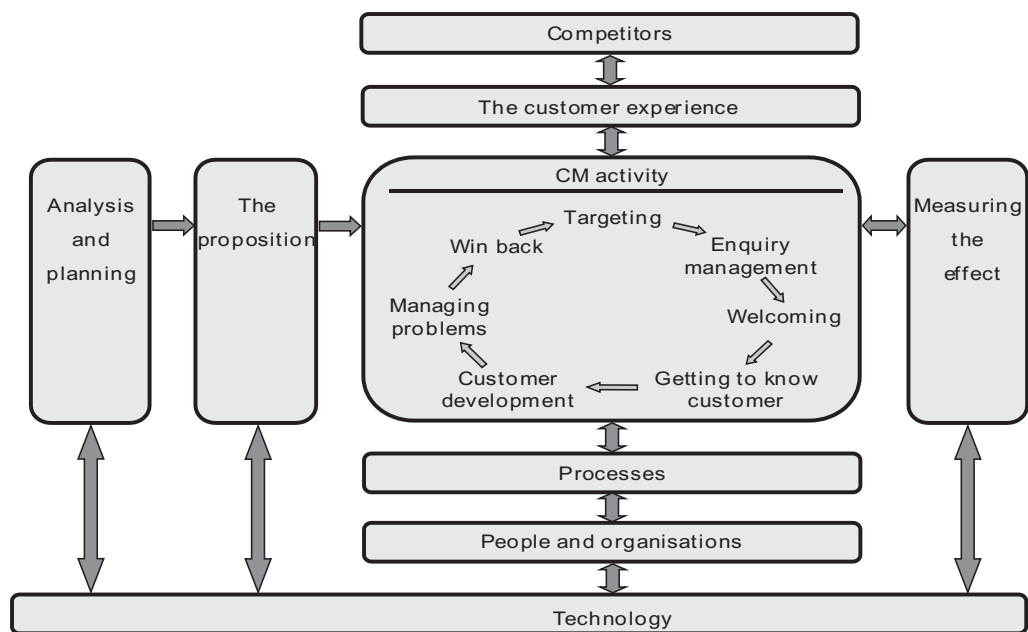


Figure 1 The CMAT customer management model



**Table 1** CMAT scoring process

No real progress: nothing/very little happening, possibly isolated small initiatives	0
Isolated activity: something happening, not systematic, not broadly deployed	15
Some commitment and some progress: concept understood, plan to implement, resource allocated	30
Full commitment and real progress: plans exist, resources allocated, implementation begun	60
Clear evidence and being implemented: doing it, can be seen, no evidence of effect yet	80
Fully implemented and having an effect: company is doing it, it can be seen, proper evidence it is working	100

assumes. Those interviewed include people responsible for analysis, for setting policy, for implementing it — through to customer facing staff. This enables the company to comment on the differences between intention and reality. QCi insists upon seeing evidence where appropriate and evaluates whether a given practice or behaviour is widespread or isolated.

The scoring criteria for each of the 260 factors are listed in Table 1 and the average results of these assessments are shown in Table 2. Interestingly, branch banking performs relatively well, although the scores in all areas are quite low, indicating that lots of companies plan to implement CRM, but few succeed.<sup>29</sup> This evidence supports intuition and personal experience, that despite ever-increasing consultancy and research support, companies are not applying the common sense business practices that will really allow them to manage customers profitably. The lack of applied best practice occurs right through the model of customer management.

Notice that banking scores higher than average and better than insurance, most of which is intermediated, so insurers focus on getting their products right, while intermediaries manage the customers. Banking, as would be expected in a more direct retail business, scores well in the people area and also in measurement.

Business performance and CMAT score are highly correlated. The authors have probed this further and while the best correlation (0.8) is between the total score for all areas of the model, it has been discovered that separate business

performance correlations were strongest with these areas:

- *People — a clear winner.* Having the right leadership, customer management competencies, people with clear objectives related to customer management and well-managed suppliers appear to have the biggest correlation with overall business performance.
- *Measurement.* Regularly measuring actual performance against specific customer behaviours, not just high-level financial targets, but having the policy deployment processes in place to action the results from the measurement (for learning and improvement) also correlates well.
- *CM (customer management) Activity — actually doing something.* Implementing some sensible customer management practices, such as targeting high life time value customers, managing enquiries well and quickly, welcoming new customers and proactively monitoring the initial transactions with the company, handling complaints well and learning from them etc, has a positive correlation.

## ANALYSIS AND PLANNING

For the national bank and local branches to be competitive in the ethnic market, they need to understand it. This understanding starts with basic statistics:

- The size and demographic characteristics of the local ethnic markets

**Table 2** Average assessment scores

	<i>Overall average</i>	<i>Insurance</i>	<i>Other Finance</i>	<i>Retail banking</i>
Overall scores	32	28	30	41
Analysis and planning: Knowing which customers you have, which you want, planning to win and keep customers	28	27	19	37
The proposition: Why customers should join, stay, and buy more	30	26	24	36
People and organisation structure: Motivation, communication etc.	38	31	40	49
Information and technology systems and data	37	32	38	46
Process management: Methodical approaches to all aspects of CRM	29	27	36	35
Customer management activity: The actual process of managing customers, as described in the customer management stages above	31	26	30	37
Measuring the effect: Whether what was planned was implemented and the results it achieved	35	29	36	49
Understanding the customer experience: ie knowing what the company and its competitors do to customers, seen from the customers' point of view	28	20	16	42

- The penetration of banking services and which types of customers are well or poorly served
- The bank's share of the penetrated market, and who is doing well in the market
- The location mapping of the banks branches (and other physical channels) to local ethnic markets
- The likely future value of current and potential customers
- The propensity of different types of ethnic customers to deal with banks and with this bank in particular.

It is not being argued here that every branch needs a detailed statistical study — rather that each branch should develop a data-based picture of the above, probably supplementing this view through carrying out both national and local market research geared to understanding these customer segments in some depth, perhaps testing certain conclusions with selected focus groups and leading members of the ethnic communities.

It is important to recognise the diversity of experience and needs of different ethnic groups. For example, Asian ethnic minority businesses and consumers may be

seen as relatively attractive, as they are younger, tend to save more for education and demonstrate high levels of home ownership, while African Caribbean consumers remain a 'difficult-to-reach group'. Bankers are experienced at making groups that seem difficult to manage more manageable through product and channel design and this approach might be adopted here as their needs and behaviours are better understood.

In Asian countries, for example, many workers need to use money transfer services for relatively small amounts of money to be transferred from casual workers to relatives 'back home' over an extended period, or to transfer a single larger amount of money at the end of the period of working in a country or place away from home. Often these individuals did not have bank accounts and were not used to regular banking services. As a result they paid relatively high commissions for alternative money transfer services (which seemed to them very effective in meeting their needs), or risked all their wealth through physically carrying large amounts of money on the long trip back home. The latter occurred because some groups of workers were paid

in cash. This meant that employers could be offered pay-related services to minimise the administration and risks involved with cash management.

### **THE PROPOSITION**

A relevant proposition comes from understanding the needs of the segment for whom the proposition is designed. This understanding comes from the analysis and depth of understanding mentioned above. Banks that adopt a local ethnic focus should consider whether a local variant of a national proposition is required. This relates not just to the product proposition, but also to customer communications, customer service (especially as delivered by local staff, but also in contact centres) and channels. Propositions need to be both relevant and practical, but not too complex to apply. Strong processes and appropriate IT systems support can ensure consistent deployment of these propositions, sometimes with personalisation.

### **CUSTOMER MANAGEMENT ACTIVITY**

This area consists of everyday working practices in customer-facing marketing, sales and service activities. The main areas likely to pay dividends in ethnic markets will be:

- identifying buying triggers for ethnic customers, across the customer life cycle (eg importance of home ownership)
- developing approaches to welcoming new customers that demonstrate accessibility and cultural sensitivity
- getting to know customers — especially cultivating long-term and multiservice relationships, before and after sales and improving information capture processes to ensure that special relevant data are captured
- improving enquiry management,

recognising the particular service expectations of ethnic customers

- actively managing dissatisfaction, to ensure that good performance here becomes a reason for customers to recommend
- identifying indicators of retention or usage issues, enabling changes in needs or behaviours to be spotted and acted on early, with appropriate follow-through propositions.

For groups with a preferred language other than English, in-language capability builds comfort levels and trust. This need is greater for first generation immigrants. It should be easily accessible, ie in branches and call centres (supporting relevant media advertisement if appropriate). As there is a risk of different interpretations, personal and technical financial terminology needs to be translated in a way that is consistent across all collateral and channels.

This needs to be supported by targeted marketing and service activity such as:

- Using ethnic media — banks can access local communities using radio stations and ethnic language newspapers and magazines for advertising and public relations
- Being involved with a national organisation such as Race for Opportunity can demonstrate both commitment and brand visibility, also providing access to better practice examples and learning
- On a local level, partnerships with ethnic organisations/intermediaries (local business clubs) can help create goodwill. This needs to be built gradually and through commitment and trust
- The context and the content of communications messages should reflect the ethnic communities' values and aspirations, while still being integrated with national campaigns. This means including values that relate to both first and second generation customers

- In-language branch service, contact/call centres and voice response systems, with options
- Customer event-based marketing programmes (eg house move, establishment of new business) — these can demonstrate community involvement and build credibility. Ideally they should operate on both local and national levels, ie as a centralised communications programme, to support local branch initiatives.

These initiatives need to be practised by agents/bank advisers (either from a particular ethnic community or who understand the community well), who know how best to approach the market and connect with the culture. Bank managers should also build rapport with local community leaders and develop a 'localised perspective'. The aim is a two-way communication between banks and ethnic minority businesses, groups and individuals.

Banks need to recognise and deal with deficiencies in relationships. The BBA report finds that African Caribbean businesses still experience difficulties accessing finance. Issues of trust persist (at least partially due to past and present-day discrimination). Banks need to build credibility in these communities to demonstrate inclusive strategies. Customer education programmes can improve understanding of bank's procedures and decision making and increase comfort levels.

### **PEOPLE AND ORGANISATIONS**

The BBA report emphasises the gaps between policy and implementation. The banks' human resource management must work to increase diversity in recruitment, as it certainly helps if branch front-line staff and management and possibly even

regional management (who may become involved in regional community relations), represent the diversity of the community they are trying to serve. This approach should result in improved understanding and performance, also increased comfort levels and trust for ethnic minority customers.

It also makes sense to develop an enterprise-wide education strategy, which includes 'cultural sensitivity' training. This should help staff of all backgrounds to understand different value systems, motivations and cultural nuances and to recognise potential pitfalls. It should also encourage sharing of experience in how to manage ethnic customers. There is room here for building in competencies and customer service goals that relate to handling ethnic customers. These initiatives need to be supported by a focus on facilitating communication between front-line staff and management to ensure that national management gets feedback about the success of ethnic marketing, sales and service policies.

### **PROCESS MANAGEMENT**

Moving from a product to a customer value focus will help, as this is precisely what most customers (including ethnic customers) value, ie the life cycle and family focus. This approach may require changes in processes relating to all areas of the model, not just customer-facing processes. In addition, banks need to demonstrate process consistency and transparency, to address the problem of mistrust in certain ethnic minority communities. This should include the monitoring and consideration of unsuccessful applications.

### **MEASURING THE EFFECT**

Here, there should be focus on:

- measuring current ethnic volumes in

- branch/geographic penetration, to help predict future value/growth patterns
- in-branch market research, to ensure understanding of ethnic customers' satisfaction levels, service expectations, customer loyalty etc
- tracking the success of ethnic advertising and PR and transfer learning into future campaigns.

Measurement is key to the understanding, learning and improvement of these marketing, sales and service processes. Routine measurements should be developed to reflect the unique objectives set for this development programme, providing a direct cause/effect linkage to the remedial actions required for improvements to be made.

### **UNDERSTANDING THE CUSTOMER EXPERIENCE**

While there is growing evidence of what best practice is (BBA report), the customer experience tends to be very varied among ethnic minorities, in different branches. To deal with this, national bank management needs actively to articulate the need for an improved and consistent customer experience and branch managers should localise this approach and coach their staff to deliver it. Improving the customer experience is essential if banks are to improve customer commitment and loyalty. This will help develop personal referrals.

The comparative customer experience depends on available alternatives, which could be competitor banks or other money service providers. Understanding the customer experience in context depends on understanding these alternatives and how they are used and perceived. Alternatives can include loans (short or long-term), money transfers, even factoring and other services.

Most banks do not focus strongly on

gathering information from ethnic groups whether through market research targeted at ethnic groups, or through analysis of customer service or response data by ethnic classification. This may be because they have made such good progress in terms of analysis of data by value segments that they have forgotten that analysis by underlying characteristics such as ethnic group or age can also yield results that are helpful in all areas, from proposition development and targeting to customer service management.

### **INFORMATION AND TECHNOLOGY**

Technology can be applied to all stages of the customer management model, for improvement analysis and planning, measurement, customer experience understanding, consistent process management, people support etc.

The BBA report finds a lack of 'robust intelligence' on ethnic minority businesses; banks must consider whether they should focus more on information capture and updating, to build their understanding of various ethnic communities rather than rely on centralised market research and statistics or informal local knowledge.

Life cycle and relationship cycle data is particularly valuable. For many younger customers, the internet and the mobile phone will be the preferred channel for transacting with the bank. Here the question is whether ethnic customers will be just like any other young customers, or whether they will, as some suggest, be among the leaders.

### **CONCLUSIONS**

According to Capon, 'Ethnic marketing has been around for some time'.<sup>30</sup> He predicts that it is likely to 'gather steam' as competition for the consumer's money toughens. Marketers have a better understanding of ethnic communities, but

interdepartmental problems often prevent banks focusing on the opportunity. If developing business with ethnic communities has been identified as a central component of a bank's strategy, the bank may need an ethnic programme. This includes a combination of efforts, ie recruitment, training, customer education, in-language capability, targeted marketing and event marketing, possibly even a dedicated team at national, local and regional level to implement the policy. The need for such a programme can easily be identified through an ethnic customer banking audit.

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