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PLAYING THE NUMBERS GAME

After several years of buoyancy and growth, the financial services sector is battling against a global recession. At this critical time, Jaqi Brown explores how companies in the sector can take steps to streamline business processes and retain customer loyalty.

Much has been written about the financial services sector in the past year as it has battled against the demise of the sub-prime market in the US and a global fall in share values. And many argue that there are further tough times ahead as the US creeps into a recession. We are already seeing far-reaching consequences for the global economy, but more specifically, what does this mean for financial services providers?

The sector is facing increased competition as a result of new government legislation, the '1% world' and a number of significant mergers and acquisitions. It is in this type of environment - where many product or service lines are becoming commoditised - that the cost of customer acquisition and ability to secure and retain 'life-long' customers is all-important. Organisations are now facing a dual challenge as they strive to create strong, recognisable brands whilst also trying to drive through process efficiencies and reduce operating costs. Striking the right balance is critical.

The effect of wider-reaching global issues must not be overlooked. The latest credit crunch faced by the financial services sector marks the end of an era. Years of buoyancy and easy credit created an unnatural bubble, whereby people bought houses in anticipation of refinancing their mortgage at a profit. This was a high risk strategy, as last year's issues in the US made apparent.

Defaults on sub-prime mortgages in the US and the subsequent ceasing of inter-bank lending have had a wider impact on the global credit market. Many mortgage, loan and reinsurance companies are now in financial difficulty themselves and there is no guarantee of customer loyalty when times are hard - financially savvy customers are always on the lookout for a better deal.

So how do financial services providers retain customers in times of economic uncertainty? Organisations that leverage customer data to cross and up-sell products and services are more likely to secure brand loyalty and maximise lifetime value. It's therefore crucial that the services used by businesses to gather this customer knowledge and insight provide a seamless, simple and cost effective solution, while mitigating exposure.

The outsourcing of non-core, back-office functions can have a major, transformational impact on a company. Processes such as e-procurement, printing, online initiatives and brand creation can all be implemented externally, with no disruption to business. Outsourcing allows companies to focus on the vital business of customer relationship management and grow customer loyalty.

Developing carefully targeted direct marketing campaigns also plays a key role in cross-selling and customer retention. Customers appreciate the personal touch and specialist external consultancies can provide insight and expertise to put customer-relevant strategies in place – whilst also reducing lead times for literature production and response rates.

Speed of response is key in today's 24/7 culture but compliance processes are also becoming increasingly strict and accountability is vital. The financial services sector is more global and more exposed than ever before – which inevitably brings associated risks and challenges. Business Process Outsourcing (BPO) severs front and back-office functions, creating a much stronger Chinese wall, helping to smoothly circumvent compliance processes and ensure FSO's have the right support 24 hours a day.

By utilising the strengths of BPO, a business is free to focus on the customer facing, front office 'coal face' – which is crucial for maintaining customer loyalty. And in times of uncertainty, improved customer retention can only help grow the bottom line.