IMPORTANCE OF CLOUD BANKING IN CROSS-SELLING: A SECONDARY STUDY

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Abstract : Today's consumers are WiFi-enabled, socially connected and bind to their mobile and PC devices. They want control over their financial transactions, delivered in the form of effortless, direct and immediate interactions that don't disrupt their lives. Consumers that utilize digital banking channels are more prone to adopt other financial products. Current study shows that marketers will find fertile ground targeting this audience for cross selling through cloud computing.

I. INTRODUCTION

In today's world development of any banking business depends upon how effectively it ensures that its customers are engaged in the various products being offered by the bank. This engagement is often done through cross selling of multiple products to the existing as well as new customers of the bank. In other words cross selling determines the customer engagement and proves as a vital instrument in defining the banks revenue generation which in turn leads to its profitability. Cross Selling is in fact persuading customers or sometimes pushing customers to purchase additional products and it becomes the prime objective of any banking company to achieve its cross sell numbers. In order to achieve this, banks often define the numbers of products which for that matter should be owned by any customer depending upon their suitability and customer need .These numbers differ from one bank to the other.

According to a 2011 report from Forrester Research, the average bank owns 2.1 financial products out of the approximately seven owned per-household .This need of cross selling has also been understood by many other businesses also. For example if you go to buy a car you would end up purchasing not only a car you desired but also many such products as music system, car covers , car insurance ,alloy wheels etc . These additional products bought or sold were a part of companies cross selling objectives. Similarly when you open a bank account ,you will not only have a simple savings accounts but linked debit cards , credit card offers, fixed deposit, Recurring deposit and many loan offers depending upon your individual profile . Sometimes banks even go up to an extent of going through the individual account statements for understanding customers profiles, their life styles and accordingly persuade customers to buy well suited products matching their life style.

Not only in the banking industry but the need of Cross – selling is also seen in other industries like accounting, airlines, financial services, retailing, health care and telecommunication. The real challenge being faced is to enhance the cross sell numbers firstly and then the repeated usage of the product being cross sold. For example in banks it would be most important to cross sell credit cards, demat and trading accounts however on the other hand the focus from just increasing the cross sell numbers must get changed to developing the strategies wherein the repeated usage of these cross sold products can get enhanced. Thus banks often tend to launch various campaigns for this purpose by way of mailers, phone calls or at personal touch points.

Apart from the Banks perspective we also find that cross selling helps individuals meets their various requirements under one umbrella only. A good banking history helps individual get credit card or loan offers which in turn fulfil their specific needs. It increases the customer loyalty and reduces the chances of shift. The more the products get sold the more is the customer loyalty and also more is the cost of switching thereby leading to customer retention.

Having said that cross selling is the back bone of business it sometimes undermines the customers interests and needs and is being pushed to a level where persuading becomes so aggressive that customers are pushed with unwanted products which perhaps are never needed by them. This flip side of cross selling is not only dangerous but also can prove fatal for the existence of any organisation in terms of the loss of reputation and business. This has been seen in the case of American wells Fargo bank which drove worldwide criticism.

1.1 Present scenarios:

Banking companies have come up with the concept of cross buying by offering convenient, easy to apply and buy products online. In this system approach banks usually help educate their customers on internet banking and then guide them to have a easy access to their accounts . While making available all the required information which may be needed by the account holder banks have started floating soft loans, applications for credit cards , insurance products etc. online . The availability of such soft loans at the hands of the customer ultimately prompts the users to buy these online. It adds to the time saving at the customer level and also cross-selling automatically happens in the shape of cross-buying by the customers.

1.2 Role conflicts

With the ever increasing and rapidly changing banking scenarios there is often role conflicts on the part of employees .On the one hand they are given the task of satisfying the customer needs which translates into efficient and accurate transaction processing of the lobby customers and on the other hand they are under tremendous pressure of their managers to generate cross sales. This often put employees in a very stressful situation and employees find it difficult to strike a balance.

1.3 Mis-selling

Cross-selling is a part of customer service however in today's scenario it has come on the forefront even putting the basic services behind. "**Any customers who walk over must be cross sold** "is the cry of the present day managers. This confuses the front line managers and they keep on wandering if cross selling is a result of customer service or customer service is the result of cross-selling so as to reap more and more products thus creating a thin line of difference between Mis-selling and cross-selling. Mis-selling is an outcome of the pressure cooker cross-sell scenarios developing in the banking industry. Cross-selling otherwise is an outcome of better service and increase in the tendency of cross-buying behaviour of the trusted customers.

John G Stumpf-Chairman and CEO, Wells Fargo well includes cross-selling in the banks Vision and Values and defines it as "The result of serving the customers extraordinarily well, Understanding their financial needs and goals over lifetimes, and ensuring the bank innovate its products, services, and channels so that it earns more of their business and help them succeed financially"

The consumer Financial Protection bureau (CFPB), The Office of the Comptroller of the Currency (OCC) and The Los Angeles city Attorney did not think on the similar footing and slapped fine to the tune of $185 million on Wells Fargo for its alleged fraudulent Cross-selling practices and defined these as improper in its 8Sep, 2016 consent order.

1.4 Scope of Cross-selling

The scope of cross selling is just not limited to the Banks in today's world. The same has been incorporated by all business houses across industries. To quote a few we see following industries indulging in high cross sell when engaging their customers.

a) Banking
b) Insurance
c) Consumer durables
d) Automobile Industry
e) Tour and travel
f) Hospitality
g) Footwear industry
h) Garment Industry

The list given above is not exhaustive but is ever increasing and is spread across all industries literally. Off late all these industries have well understood the significance of cross selling and have put various measures into practice to engage their customers starting from customer on boarding to the making of their preferred customer and owning their needs by understanding them better.

1.5 Objectives of the study

The present study will keep a focus on the various benefits of cloud banking in cross-selling.

1.6 Research Methodology

This study is based on secondary data collected from the magazines, websites and other sources like internet, published reports and the fact sheets.

II CLOUD BANKING

In this rapidly changing world, where non-traditional competition prevails and even dominates, latest technologies are required either in banking system or in a market to satisfy the consumer who, too have become complex in the complicated world society. Now a days regulator are coming up in the modern set up and banks are required to make necessary technological changes to survive in this nontraditional competition. **Cloud computing** can help the banking sector to introduce the unconventional business model for delivering the better services, better data security, reduced operating cost. Under this model various noncore applications and business operations such as recruiting, billing and organization wide travel management are easily moved to cloud. Because of its own computing power, it can store the information about users preferences which can enable product and service customization. It is internet based system whereby shared resources, software and information are provided to computers and other devices on demand. Banks using this system are able to develop new customer experience, effective collaboration to earn maximum profits and respond to current economic uncertainties.

Public cloud services offer rapid provisioning, flexibility, simplification, agility and cost savings. Globally, 89% of banks used at least one cloud application in 2015 (57% in 2009), but only 1% were running "core" banking applications in-cloud, while most banks were hesitant to move customer or financial data to cloud (Temenos & Capgemini 2015). There is, however, great interest in banks' secure use of cloud, to which end the Cloud Security Alliance (CSA) established a Financial Services Working Group in 2015.1 According to an adviser we interviewed, "They [banks] are going to have to do it [use cloud]", but the biggest problem is a "lack of understanding, inertia, and confusion about what the restrictions are" (Kuan and Millard, 2018).

2.1 Consumers can be segmented by various digital banking behaviours.

(https://thefinancialbrand.com/53373/digital-consumers-ripe-with-cross-selling-pportunities/)

- **Online Banking** — Consumers who view their account activity, transfer money between accounts or pay bills on a financial institution's website.
- **Financial Institution Bill Pay** — Consumers who pay bills from their financial institution's website.
- **Financial Institution e-Bill** — Some bank and credit union bill pay services allow consumers to receive and view online versions of bills in addition to being able to pay them online. Electronic bills are online versions of the paper ones you receive from billers, but are sent directly to the user's bank or credit union bill pay service.
- **Mobile Banking** — Consumers who access their bank or credit union accounts, pay bills and manage your finances from their mobile device.
- **Personal Payments Service (or P2P)** — Consumers who send/ receive money electronically to/from anyone they know, donate money to a charity or pay a local business (e.g., for lawn services or rent), using either their bank's website or mobile device.

2.2 Understanding the Lives of Today's Digital Consumers

Broadly speaking, adoption of digital financial services continues to increase. Fiserv says online banking is in the late stages of the adoption cycle, while mobile banking continues gaining steam. Online banking continues to grow, with 86 million households now using the service. Also according to Fiserv, someone is now using online banking in eight out of every ten households in the U.S. that have internet access. Roughly half (48%) of respondents with smartphones reported using mobile banking.

Consumers clearly value the role these digital services play in helping them to manage household finances. For example, more than half of online banking users say a reason they use the service is because it "helps me keep track and manage my household finances," while 57% of those who receive bills electronically through their financial institution say the same thing. And mobile banking users who access via smart phone cite the ability to access their bank account from anywhere as the top benefit of the service (73%).

83% of consumers believe that receiving and paying bills is a pain in the neck, requiring somewhere between a medium-to-high amount of effort (i.e., it's a tedious chore). What concerns them most? Missing due dates and making late payments. In fact, 36% confess they've paid a bill late because they had problems managing their cash flow (https://thefinancialbrand.com/53373/digital-consumers-ripe-with-cross-selling-pportunities/).

2.3 Digital Bankers Hold More Products

Fiserv in his study mentioned that the relationship between digital banking services and other revenue generating services is becoming clear. According to his findings, online banking, online bill pay and e-Bill strongly correlate with other revenue generating services like savings accounts, loans and credit products.

For example, users of online bill pay use an average of 33% more services than non-users while bill pay services are associated with significantly higher rates of savings account and credit card adoption. In addition, eBill is one of the strongest predictors of revenue generation, with recipients having an average of 1.3 more services than customers who do not use online banking.The implication is that users of digital banking and payments are among a financial institution's most valuable customers. Use of these services often predicts the use of other revenue-generating services and offers a critical opportunity to deepen relationships with customers. The results of his study are shown below in the diagram.

2.4 Digital Bankers Are More Satisfied

Online banking usage is high, with the customers accessing accounts through online banking an average of 10 times per month. Nearly one quarter (24%) of users access their accounts every other day or more.

Overall, 92% of users reported they are satisfied or very satisfied with online banking. When asked to compare their online banking website to the retail site they used most in the past three months, nearly two-thirds (61%) indicated the two sites were equally good, while 21% said their online banking site is better than their most frequently used retail site.

Mobile banking continues to grow steadily with a 17% increase in adoption between 2013 and 2014 (from 30 million households to 35 million). Not surprisingly, increases in smart phone ownership are driving increases in mobile banking usage, with 48% of smart phone-owning households using mobile banking in the month prior to the survey.

Satisfaction with mobile banking is comparable to that of online banking, with 92% of users indicating they are either satisfied or very satisfied with the service. These figures are also consistent across generations. For example, 88% of Millennials respondents report being satisfied or very satisfied with their mobile banking service, while 87% of seniors say the same.

2.5 Marketing, Enhancements & Education Will Drive Adoption

To succeed with today's digital consumers, Fiserv outlines three key areas where financial institutions need to focus their attention (https://thefinancialbrand.com/53373/digital-consumers-ripe-with-cross-selling-pportunities/).

- **Cross-sell services to current customers with high potential.** Understanding consumers' motivations and preferences for digital financial services provides an important basis to help financial institutions drive adoption and strengthen relationships with consumers. For this year's survey, Fiserv used the data to create an index of cross-selling opportunities. For instance, the use of online banking and bill pay was indexed against the presence of other revenue-generating services. Users of online banking are 53% more likely to have overdraft protection, and 62% more likely to hold investments with their primary institution.
- **Drive adoption through marketing and education.** To those of us working in the financial industry, it seems improbable that anyone could still be confused about services like online banking — it's been around now for over a decade. But there is a significant opportunity to better educate consumers on how eServices work. For example, 25% of those who are not interested in online bill pay say it is because they don't want payments automatically withdrawn. This suggests significant confusion since bill pay does not require automatic withdrawal. And in a previous Fiserv study, 40% of check users said some billers only accept checks, but they were not aware that online bill pay does not require billers to accept electronic payments. Among those who say they are not interested in using mobile banking, the majority (52%) say they don't use the service because they are concerned about the security of their financial information. It is hugely important that financial institutions focus on educating consumers about their mobile security features.
- **Consumers desire an on-demand, just-in-time experience.** Same day posting of online banking transactions is the most desired enhancement for all respondents. Similarly, Millennials want same-day posting of electronic bill payments and the ability to view bills electronically on their smart phones. Given that many people are living paycheck-to-paycheck, the popularity of these desired enhancements do not come as a surprise. In mobile banking, security alerts, bill reminders and balance alerts were all among the enhancements smart phone users hope to see. Likewise, the addition of identity protection services is among the most desired enhancements to online banking. If your institution provides services like these, you should emphasize that fact in your marketing.

III CONCLUSION

Thus we can say that cross-selling has both positive as well as negative aspects effecting consumers, employees and organisations and hence there is great need to strike a relationship amongst these so as to draw results which may prove beneficial to the society. Banking firms have many of the same IT challenges of any other industry, infrastructure scalabity requirements, the need for application modernization and a pressure to use data to build better customer experiences. At the same time, banking firms also face some of the most stringent security and compliance standards of any industry. Cloud technology can be a powerful tool for meeting these demands simultaneously. To successfully make a transition to cloud-based core banking, bank IT leaders need to educate themselves, find the right technology partners and be open to a new way of doing business.

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