

# Focus on needs, not desires

Strategies being reoriented to deal with reality, says Citibank official

**C**ustomer preferences are changing all the time. Especially in times like these, the changes are prominent and trend-setting. Citibank UAE has taken cue from one such trend to shift the focus of its retail business. Backed by its analytical team, the bank says it has by means of scientific tools spotted the changes in credit card usage of its customers during the recession to come up with offers and promotions to add to its customer base.

"The credit card is a very important value tool for the customer and we are trying to be where the customer wants to spend money," says Sanjoy Sen, Consumer Banking head for Citibank's Middle East Region.

The shift in customer spending is from lifestyle related goods to basic necessities. What that means for the bank is that people are going to smaller restaurants rather than real fine

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and dine, they prefer not to spend on high end brands but on goods that give them value for money.

“Instead of looking at deals in hotels, people are looking for deals at outlets like Carrefour, Spinneys or Choithram. The focus is not on desires, but needs now,” says Sanjoy Sen. The result has been partnerships and tie-ups with various businesses to facilitate and revive customer spending.

Citibank’s tie up with Virgin stores enables the customer to get specific discounts on purchases at the store. The bank’s customers can also avail of exclusive discounts at about 100 mid-market restaurants. Free air miles have been a smash hit and Citibank has realised the potential in it while co-branding with Emirates Airlines.

“The customer just loves it and it has been a great partnership. But we have also set up a travel pass. For those customers who cannot fly Emirates because of exclusivity, this travel pass helps them get specific air miles and reduce ticket prices and also get free tickets on Egyptian Air or Jet Airways on their home destinations. So we are trying to bring in value here,” informs Sanjoy.

Another deal is the zero per cent Equal Payment Plan or EPP. Thanks to the tie-up with a leading electronic store, Citibank customers can purchase goods with their credit card without having to pay any interest on the instalment or pay a fine on deferred payment.

Reorienting its focus has not meant that the bank’s high value clients are being neglected. Golfing events are being organised at clubs in the UAE, where clients get tips to improve their skills from high profile coaches. “We have recently started a concept wherein on the birthdays of our high net worth individuals, we send them a specifically designed booklet. Our customers value it a lot. It has discount coupons



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at hundred plus outlets across the UAE which include 50 per cent discounts at select restaurants, ‘buy one get one free entry’ at the Game Park at the Atlantis and many like these,” informs Sanjoy Sen.

An ‘emotional’ touch to banking is what is being practiced to ease the effects of the economic crisis. Lessons from the past have been learnt when banks also suffered because of the mad rush for customer attention. A lack of credit bureaus resulted in customers getting over-leveraged with several

banks trying to move in to get a market share and customers ending up with higher credit limits.

Citibank is now working with its customers to educate them on financial planning. They are engaging their ‘valued customers’ to ensure that if they take credit, they spend it wisely. “If they spend more, then we earn more as a bank, and that is a reality. But we don’t want them to do that. We don’t want to tip them, so we are working with our customers to make sure they are careful with their credit spending,”

says Sanjoy.

Reality of a shrinking market is staring every lender in the face, which necessitates the need to offer genuine value to the fewer 'good customers' who will be left in the bargain. Credit cards that are seen as a convenience tool by users also need to offer value to the user for it to become a profitable business for the lender.

Previous levels of growth though are not expected to return soon because of unexpected levels of credit defaults. Hence Citibank is taking up the responsibility of a regulator by proactively reducing the lines of some of its customers, who they think are prone to default.

Skip models help the bank determine a customer's spending nature. The bank is able to be vigilant of a possible default through a customer's credit card behaviour.

"Suppose you are a person using your credit card limits at 45 per cent for the past five years, and suddenly I see it has gone up to 90 per cent, so I know something is different and so the bank reaches out to you and works things out with you," elaborates Sanjoy Sen.

Delinquencies have not been stemmed and that increases the risk as far as banks are concerned. "It is not that the bank has given the money to someone who does not have the ability to pay back, it is just that the person has been using the credit card for the past eight years and one day loses his job and goes with the money," adds Sanjoy.

Customer engagement is being seen with renewed interest in times when loyalty has become a luxury. Piling redundancies have raised a question on the customers' ability to repay loans, forcing banks to rethink their strategy with regard to debt collection.

Citibank says it has been closely working with its customers to help them restructure their loans. Either their loan period is being increased or they are being given a moratorium in cases where 'genuine customers' are faced with job-loss.

Keeping customer capacity and appetite in mind, the bank has come up

with its competitive interest rate time deposit programme. "We offered interest rates as high as 6.5 to 7 per cent both on the dollar and dirham rate currencies. It is one of the highest in the market. It helped out customers to get good returns even while keeping their capital protected without taking risks," informs Sanjoy.

Consumer appetite for high risk investment products has dropped drastically, with uncertainty prevailing in the equity and bond markets. Citibank is now designing several capital guaranteed structures for its consumers, who have the capital but do not wish to take risks. The bank says that it is not asking its customers to blindly invest in its products. Customer education has also become important at a time when banks do not want to entirely take the onus if the investment goes bad.

"We are educating our customers on how to invest in a manner that protects your capital because people have seen erosion of wealth like nobody's business. That is why we have found the need to handhold the customer," argues Sanjoy.

Cutting off communication chan-

nels at a time when the customer needs help is not the method that Citi says it employs. The lender says it believes in facing a situation where the customer who has invested in Citi's products has lost money.

"We play the role of distributors of several funds that have proved to be a loss making proposition for many of our customers. But there is no point running away from reality. So we handhold our customers and guide them on how to restack their portfolios so that they can build it up again. The reality is the customers know what they are entering into," says Sanjoy.

The bank divides its customer base into the high risk and the low risk categories while helping them decide the kind of investments they should be making so that they balance their risk in their portfolios.

Emphasis is also being laid on financing SMEs that have been meted out a harsh treatment during the financial crisis. Citibank says the catch is in deciding which SME to lend money. With the market sending feelers of a slow recovery, Citi says the key to riding the storm lies in customer satisfaction and constant communication. AV

