

## India's largest private bank renews brand, stays relevant

### C-SUITE Q&A by BrandZ India's Most Valuable 75 Brands 2018

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#### **Aims to preempt competition with exceptional experience, says Aditya Puri, Managing Director, HDFC Bank**

Aditya Puri has been managing director of HDFC Bank since its inception in 1994. He is credited with building HDFC Bank into India's largest private bank, delivering reliable profitability while widening the customer base to help more of the nation's population gain access to financial services and a better life.

#### **THE COMPANY**

##### **Your career parallels the story of India's growth. How have India and the bank changed since you started?**

Both the country and the company have changed rapidly. The country has become a mature democracy. We are growing fast. The growth is happening with equity. The growth is based on manufacturing as well as digital innovation. And the growth is happening with consideration of sustainability concerning climate change, water scarcity, and other issues.

Within this growth, we at HDFC Bank see an opportunity to be at the cutting edge of offering a financial experience to our customers that builds both on our existing business as well as the opportunities that changes in technology and the micro environment bring to us. This way we remain relevant as a brand.

##### **What has remained constant since you started?**

When we were set up, we said we would be a world class Indian bank that secured cutting-edge technology to provide financial services for the entire spectrum of customers, from a poor woman weaving or inlaying on marble to a major petrochemical business or the government. We accomplish these goals within our culture, which is based on trust, competence, and social responsibility.

#### **SOCIAL RESPONSIBILITY**

##### **What is the bank's responsibility to help develop India?**

Being one of the largest banks in India, our development and the development of the country are intertwined. We do believe that we need to give back to society. There are two ways to be a socially responsible corporate citizen: one is to become a profitable business; two is to actually help the underprivileged. We have had strong programs for the last 10 years. For example, our Sustainable Livelihood Initiative empowers people, mostly women, who are uneducated but skilled. We believe they need to be financially empowered for the overall benefit of the society.

##### **Can you quantify the bank's impact?**

We've brought around 40 million people to a good standard of living. And we plan to help another million families each year. And this is not even what we call Corporate Social Responsibility. This is our Social Business. With scale, adjusted for higher processing costs and delinquencies, we would

still be left with an asset that would be Triple A, and it would be a profitable business. At the same time, we have major programs supporting health care, education, and natural resources management where we help farmers with their crop patterns, water conservation, and in getting higher yields. About 12,000 people on the bank payroll work on the Sustainable Livelihood Initiatives. Approximately 10 percent of our workforce works on an initiative that accounts for 2 percent of our business.

### **How do these initiatives affect the bank's performance?**

This is the agenda of HDFC Bank. We believe as a socially responsible corporate citizen, we should be giving back to society. Now, despite doing this, we have a margin of 4 percent and a return on equity of 18 percent, and we've been growing consistently at 20 percent. So, I don't think the shareholders could have done better. They should be very satisfied that they've made money, but they've also done some good.

### **THE FUTURE**

#### **After last year's tax reform and demonetization disruptions, where is India headed?**

There were disruptions, but the disruptions are behind us now. And no one denies the benefits of the reforms. No one can dispute that we want proper infrastructure, we want subsidies to reach the right people, and we want greater formalization of the economy, so a larger number of people pay taxes that can be used for development. We need national health care. We need a more modern economy. We need to use digital to be able to provide better services for the customer.

#### **When you look at how the market is changing, what worries you?**

We do not want to be among the companies that have failed to change. When you see the convergence of telecommunications, media, and computing that has changed the way we live; when you see the advances that have happened in mobility, artificial intelligence, the cost of computing, and the ability to reach the customer—it is clear that our business model needs to take into account all these external developments that will alter the way our business runs.

It is important to consider who will be the competition. I think one of our major competitors going forward will be the e-commerce heavyweights. I'm looking at the Googles and the Apples. I don't believe that Apple has gone into Apple Pay as a way to help banks sell to their customers; at some point, Apple financial services will be very lucrative.

#### **What steps is the bank taking to preempt new competitors?**

We look at what Amazon, Google, Facebook and these other companies are doing. They use technology to make their business model more efficient and cost effective and, at the same time, provide a more personalized product. Faced with these competitors, it is important not to be complacent. But it is also important not to dismiss our long-term distribution and product advantages. We asked ourselves, why don't we learn to operate our business the same way as these guys? Why don't we have a frictionless customer interface? This led us to change all of our operating systems, the way we market, the way we do our credit, the way we do our fraud monitoring, the way we analyze data. We have already made these changes.

For instance, now we do a loan in 10 seconds. We have the ability to give a loan for the smallest item. We are not a retailer, but we have a portal called SmartBuy, where customers can buy apparel, home appliances, computers, and many other items. We compete with major e-tailers, but we also partner with them. We encourage people to shop and compare. And when they need to checkout, we can help them pay or finance their purchase. We want to provide customers with the most

holistic experience they can have, whether they want to shop, want a loan or financial advice, or want to pay their taxes.

We will provide all of that with as simple an interface as you would find on Google. And we will dominate the payment space. The customer can pay through online banking. He can pay with a debit card. He can pay with a credit card. He can pay with a digital wallet. We don't care—but pay through us.

## **TRUST**

### **What is your view about the importance of brand trust?**

Trust is a critical issue that no brand can afford to ignore. You cannot expect trust to override the fact that the customer wants convenience and a good price. But if you provide these basics, it is more likely that the customer will feel comfortable with the brand and trust it. On the flip side of the coin are the questions raised by digital change. There are issues of cyber security and whether people feel that their money is safe. Brands need to get their values across and avoid the mistake of saying they are so powerful they can do whatever they want. Ultimately, there are two components to trust. First, you need to be among the best in the market. Second, you need to deliver a differentiated product again and again with consistency. This is important in all markets, but especially in India, where not too many brands offer a financial services experience.

### **Are the attitudes toward trust the same across your customer segments?**

Attitudes vary across the many segments we serve, and we need to present the brand to each segment in the way it is understood by the customer. For example, millennials don't want to be controlled. The millennial customer wants to exercise choice. To make that choice, he wants to have access to information whenever and wherever. We use digital and physical channels to make sure that the millennial customer has access to information anytime. In our shopping portal we give the option of comparing items and prices, so the millennial customer decides what's best for him. The physical presence is important. It makes the customer feel he can see the bank anytime he wants to. These are aspects of trust built into our brand. And, increasingly, they also work for our older customers as they become more digitally competent.

## **CONSUMERS**

### **How have the vast changes in India created new customer segments, and how is the bank responding?**

The aspiration level is changing. We are moving from a save-and-buy society to a buy-and-then-save society. The young guy wants to buy a car today. He doesn't want to save and buy a car in five years. He wants an air conditioner and a smartphone. He wants all of that. And he wants it now. So, our consumer product offering is moving to a much smaller ticket size as well. We can do 12,000-to-15,000-rupee (\$175-to-\$220) financing. And if the customer wants to get these items while he's doing his shopping, we have the ability to give him the loan while he's in the store. Similarly, aspirations in semi-rural and rural India will be changing. And we are working there to create digital connection in the vernacular languages.

### **How will you reach all of these people with these new opportunities?**

Over the next three-to-four years we will increase our touchpoints in India by 150,000. These will be places where the customer can interface with the bank on obtaining a loan, face-to-face touchpoints backed by the bank's digital capabilities. We are working with the government on this initiative. In addition, we continue to add two-to-three hundred branches every year.

## **BRAND BUILDING**

**To build and sustain the brand, what do you see as the right balance between using the brand's touch points and using advertising and marketing, paid media?**

We think that people are skeptical of the old-style "Don Draper" ads that really don't say much. We want our advertising to be meaningful. We want to cross channels that people are touching and believe in. We want to be focused on the benefit the customer gets from dealing with us. He's not impressed that he's dealing with a big bank. He's asking, "What's in it for me?" And he should ask. So, we carefully look at a combination of editorials and advertisements that communicate that we are at the cutting edge of various initiatives intended to provide the customer with a better product. Then we supplement these efforts by advertising the umbrella brand across multiple media.

**How do you ensure that the customer understands the many improvements the bank is making?**

We are making software, communication, and campaign changes. And we are able to quickly understand whether a campaign is working or not. If you look at the customer journey, it begins with discovery and eventually the customer will buy something, and a transaction will happen in a physical store or online. Our advantage is that we have so many points of interaction, 300 moments, let's say, every time the customer wants to check an account balance or ask a question. These interactions produce many more moments than are available to most brands. And this is our key challenge—to capitalize on each moment, each interaction with the bank. The moments have a cumulative effect. And over time the customer understands that the bank today offers much more than its traditional range. Ultimately, what we're saying is that all these interactions add up to a frictionless brand experience.

**How does the bank's message change to align with tomorrow's needs and the changing competitive set, which can include brands like Amazon?**

We are working on this and plan to announce a new message before the end of the year.

Link: <http://brandz.com/article/india--s-largest-private-bank-renews-brand-stays-relevant->