

# A collaborative partnership

‘We only do what’s right for you’ is more than a tagline at Tata Capital as it rolls out a business model with the customer at the core

**A** diversity, to paraphrase an old and well-worn proverb, is the mother of all innovation. For Tata Capital, the global financial crisis in 2008-09 turned out to be just such a trigger. The storm that blew away large tracts of the financial landscape and razed several big names to the ground, allowed Tata Capital, an industry fledgling at the time, to think fresh and act fast. The result was a strategic initiative that has helped the company carve out a niche for itself in the overcrowded financial services sector.

The innovative approach adopted by the company has led to a four-stage customer connect programme. It starts with a simple contact programme and evolves into a relationship where the customer decides on the pace and depth of his or her association with Tata Capital. At each stage, the company and the customer move a step closer towards a lasting and mutually beneficial partnership.

The programme is structured such that there is a single point of interaction between the customer and the company. The front-end company representative, who is the via media between the company and the customer, is backed by an invisible and seamless team of experts and advisors, and a robust technology backbone.

## The initial years

Two years ago, the global financial crisis sounded the death knell for many companies. Tata Capital reworked its strategy and approach, and strengthened its resolve to become a customer-centric organisation. Says Praveen P Kadle, MD and CEO, Tata Capital, “Initially when we started out, Tata Capital was operating in vertical product silos and developing a customer base for each product independent of the other.” The financial

crisis made it impractical to adopt such a model. For one, the cost of customer acquisition and retention was too high. And secondly, it was not in the best interest of the customer who would have to interact with different product groups within one company to meet his or her different financial needs. The market and the customer were both looking for a change.

Tata Capital saw this as an opportunity to come up with a unique proposition that was both cost-effective and customer-centric, and truly reflective of the company’s brand promise — ‘we only do what’s right for you’ — and thus was launched the Consumer Finance and Advisory Business (CFAB).

## A new approach

Jamshed Daboo, head, CFAB, says: “As a relatively late entrant in the financial services sector, I think it was extremely important to have strong differentiated products and service offerings, which would hold good stead in the long run.” It was simpler for Tata Capital to adopt a new model because it was still setting up.

The company came up with a four-stage customer engagement model. The initiative envisaged the following stages:

- ▶ **Contact:** The company establishes the first contact with a customer through a variety of channels. Says Mr Daboo, “We do direct marketing and local lead generation activities, and approach customers through institutions and channel partners.”
- ▶ **Connect:** This is when the company does a first transaction with the customer. “We close the first sale and the customer enters the fold,” says Mr Daboo.
- ▶ **Retain:** At this stage Tata Capital starts building a relationship with the customer via extensive customer service and cross sell. Based on the customer’s profile, the nature of his / her past transactions and the potential to generate future business, the customer is offered a range of products and services to meet varied financial needs.
- ▶ **Partner:** Gradually the customer forms a deep-rooted relationship with Tata Capital and by the time he reaches this stage he becomes a collaborative partner. A range of products and



services are then developed for the customer — right from financial planning and advisory, to execution of every financial requirement for joint wealth creation, protection and enhancement.

“The nub of the whole thing is that the end-retail consumer is looking for a partner who not only serves the gamut of financial needs but is also someone they can trust, not just at the stated level but at an intrinsic level,” adds Mr Daboo.

Executing this model has two broad components. The first step is establishing reach. This, Mr Daboo explains, has led to setting up branches all over the country. “Tata Capital set up its hundredth branch in less than nine months. In addition, Tata Capital has a ‘key client group’ with handpicked managers who keep in touch with our customers.”

A third key customer acquisition channel is to capitalise relationships with institutions to serve their employees, customers and ecosystem. Currently there are 270 institutional relationships that Tata Capital has made inroads into, out of which 60 are within the Tata group.

As a second key step, the company has set up a customer relationship management (CRM) function at the corporate level. The CRM function works on lead generation using own / third party database. “An important element managed by the CRM cell is the customer query resolution process,” Mr Daboo says. Thus on one hand, the company reached out and connected with the customers and on the other it set up the framework for a collaborative relationship.

### The upper hand

The company has also developed a four-stage customer engagement model that offers several

advantages:

- ▶ The customer has a single point of contact with the company.
- ▶ The company has a single and complete view of the customer and therefore the quality of the interaction is not unilateral or silo-based.
- ▶ It brings down the cost of acquisition of customers and if managed well, generates a word-of-mouth sales play that helps the company.
- ▶ It helps create innovative ways of reaching out to customers. For instance, the company has currently launched Unnati, a programme for relatives of Tata employees, under which Tata Capital trains select customers to also function as agents. The company thus gains customers as well as referral business.

To start with Tata Capital is focusing on the Tata ecosystem for strengthening its customer base. Says Mr Daboo, “Our desired goal is that a significant portion of our business will come from Tata employees and their families. This in essence is what we are planning.”

### Race to the future

Tata Capital has set itself an ambitious growth plan. Says Mr Daboo, “From a business perspective, we are in the full gamut of products. We have also launched our mortgage business where the stickiness factor is high. We are strengthening our asset-based business and are simultaneously developing our wealth management business as well as the equity brokerage offering.”

At the same time, the company is clear that these growth initiatives should not impede the delivery of its brand promise of ‘doing what’s right’ for the customer.

Keeping the two firmly aligned is the challenge as Tata Capital gets on track with its plan titled Race 2015, under which the company has set itself four goals that “will be the cornerstones for our journey to be the leading financial services company in India”, says Mr Kadle. The goals are:

- ▶ Achieve total revenue of Rs60 billion.
- ▶ Enhance the asset base to create total advances of Rs500 billion.
- ▶ Ensure contribution in terms of profit after tax of Rs10 billion.
- ▶ Build highly engaged stakeholders.

Tata Capital is confident that it will be able to leverage the trust that consumers have in the Tata brand and back it up with an exhaustive product portfolio and a service standard that surpasses customers’ expectation. And of course, as Mr Daboo clearly states, there is another milestone that he would like the company to go for with equal zeal and that is winning the JRD QV award by 2015. The race for that has already begun. ●

*Arundhuti Dasgupta*



# From good to great



**Praveen Kadle,** CEO of Tata Capital, reveals an ambitious growth plan as the company plans to race past its competitors by 2015.

## **What would you consider to be the high and low points of the Tata Capital experience so far?**

Our journey since inception has indeed been momentous. Changes in the market and operating environment, coupled with our learnings over the last three years, have helped us realign our business model to enable us to keep growing profitably in the future.

We have maintained a consistent profit track record and expanded our branch network — we are now present at 65 locations in India through a footprint of 100 branch offices. We have witnessed strong growth of the corporate finance business, ensured successful closure of the first fund from the Tata Capital umbrella and have been listed in Debt League Tables for an investment banking advised deal.

We have also established our international presence, and the institutional equities and distribution businesses have gained traction within the industry. In fact, we mobilised the largest fixed deposits for Tata Motors and Indian Hotels.

We have had our disappointments too. There were significant market shifts in our embryonic stages, and we were negatively impacted by the liquidity and credit crisis in the market in our first year of operations.

## **What was the impact of the credit crisis on the company?**

Tightened liquidity did impact growth. But we undertook several measures to counter this. We moved from a 70 per cent short-term and 30 per cent long-term liability mix to a 30 per cent short-term and 70 per cent long-term

liability mix. We also came out with an innovative financial offering in terms of launching a public issue of non-convertible debentures (NCDs).

No private sector company in India had introduced NCDs in the retail market in the last few years. We were confident that this instrument would be well accepted by investors, and could lead to the development of a strong corporate bond market. The Rs5 billion NCD issue was oversubscribed by six times, demonstrating the investors' confidence in Tata Capital.

## **Is the cash crunch within the banking system a nightmare of the past?**

Banks indulged in 'lazy banking' over the last couple of years. However, with interest rates moving up, this era is likely to come to an end. Our financial system is still credit averse but credit confidence is coming back. NBFCs like Tata Capital can potentially benefit from the lack of lending appetite as demonstrated by the banks. It would, however, be prudent to have robust collections and a strong credit underwriting prior to aggressively growing the advances book. I genuinely feel that liquidity is no more a concern for good quality corporates.

## **What are your plans for the future?**

Going forward, our strategy will be to consolidate the existing lines of business, explore new business opportunities, pursue strategic acquisitions and alliances, leverage the technology advantage, keep attracting and retaining talented professionals and expand our client base and geographical presence. We have identified five key pillars for growth comprising commercial finance, infrastructure finance, private equity and investment banking, retail lending and advisory, and equity and debt broking.

We aim to become the leading financial services company in India with a global footprint. To achieve this, we have identified a set of four goals called Race 2015 (*see main story*), which should help us realise our vision.