

# Hsbc subprime mortgage crisis

Business



The HSBC Group was named after its founding member, the Hong Kong and Shanghai Banking corporation Ltd.

It was established in 1985 with the objective of financing the so growing trade between China as and Europe. The bank recently has implemented very successful stringent corporate branding strategies. This research paper focuses on how HSBC has become a victim of the recent Subprime Mortgage Crisis, despite having a history of surviving other major financial down turns and learning from those times. The company chose to improve its knowledge of customers and therefore its decision making through the following dimensions; management, organization as well as technology. Through the management dimension, the mangers of HSBC carried out a more product and well as service awareness campaign. In addition, it critically evaluated the deviations in means to ensure that it has created a balance in all dimensions of customer satisfaction measurement tolls.

The management also increased the level at which it provided personal attention to individual clients, (DiMartino & Duca, 2007). On the other hand, as an organization, HSBC has acknowledged that its operations are in countries with diverse social ethical as well as environmental challenges. In addition, it has been structured depending to the client's group, providing a very comprehensive range of financial products. It has clearly identified its top priority as a financial return to its shareholders. It has also recognized that, its objective is not profit, other than building trust. As an effect, it has taken customer satisfaction as the important strategic objective for it to run successfully.

Improvements in technological advances have enabled the company to centralize much of its data processing. HSBC has centralized the security preparation process for residential mortgages. To be specific, all of its mortgages security documentation as it is sent to one location where specialized teams get responsible to ensure that every thing is right. It has also centralized its commercial banking processes. The HSBC choose the best solution to its problems. This is based on the fact that, they concentrated more on customer needs, as well as corporate business.

As a business, HSBC is striving much to ensure that it has maximized its revenues, while boosting cash flow at the same time. Under similar circumstance, the bank is working very hard, to attain optimum productivity levels. HSBC business solutions have been dedicated towards the provision of flexible, full service, best-in class in programs that are dealing with financing programs that aims at helping individuals achieve their business objectives. Over the past years, the bank has been partnerng with other leading corporations, and as an effect, the management is in a position of understanding that, every business has different requirement that is much new as well as much unique. It provides its partners with a broad set of products, having flexible programs, as well as strong customer management abilities.

It doesn't matter if the business customers are much lower in number or in other words, regardless of the business customers; medium or even larger in a larger organization; they have created customized credit programs that suit their distinct business requirements or needs. Their programs aim at driving their incremental sales. Apart from that, they also aim at increasing <https://assignbuster.com/hsbc-subprime-mortgage-crisis/>

margins from the current sources, as well as making other business to stand out as much distinct from the competitors. As an effect, it can be considered as a delivery company. It is evident that, HSBC has a lot of positive features and as result, customers are in most cases satisfied with their services.

It has also been observed that, many customers are not even informed of all products or facilities that are provided by HSBC, (Gold &Feldman, 2007). The website used in research provides several opportunities for HSBC regarding the strategy of collecting data about its customers and using it to improve on its business performance. the process of gathering information especially the one on the customers of a given company or organization is called data mining and it involve using various methods like customer feedback, suggestion boxes, complaints desk, volume of sales among others relevant sources like frequency of customer visit to company website and volume of incoming calls regarding customer care services obtained from the company's customer desk (DiMartino & Duca, 2007). The type of the customer data collected from the website that can be used to improve business performance includes information: data information on text mining where a software is used to filter the calls that are inbound, outbound and internal and the information obtained helps the company to identify and understand the groups of its customers and the issues they face when dealing with the company through the business service center. Such information helps in understanding the profiles of different customer groups and thus the company is able to change processes to meet the needs of its customers thereby increased customer satisfaction hence improving the business performance (Gold , 2007).

The business should also data mine on customer information regarding to customers purchasing habits, opinions as well as preferences. Another opportunity for the company to improve its business is performance is by acquiring information on its customers by profiling the individual customers and groups of customers to use its data in marketing itself effectively as to improve its sales hence improving its business performance. The advantage of gathering information of the customer is to identify factors that can be used by the company to strategize on its marketing, product and service mix and finally on devising ways of improving its customer service hence through a changed business running. These ensure customer satisfaction hence increased customer loyalty thus improved performance of the business. It is recommended that the website be redesigned to capture on other types of customer information like their frequency of their visiting of the business premises, the amount of good purchased, trend of purchases for instance time of the day, favorite day of the week among other related factors.

It should also capture information on the level of customer satisfaction as well as loyalty as this type of data will help the business to get a comprehensive understanding of its customer's and how it affects the performance of the business operations (Laudon & Laudon, 2010). Prior to its financial down HSBC decision making tools were present but were inadequate in ensuring sustainability of the lending business. The sub prime lending model targeted the poor working class who had history of bad credit and who normally don't qualify for prime loans. The company during the making its business decisions failed to accept the power that lies in understanding the needs of its customers. This is evident from the fact that

the company sales people sold the mortgages to its customers without considering explaining to them the proper repayment structure which eventually led to defaulting which ended up in property re-possession and hence the financial down of the company. The company decision making tools before the crisis literally ignored the impending catastrophe.

After the financial melt down at the sub prime new business decisions was considered on tackling the past flaws in the process and one of its strategic measures was to introduce the new Experian-Scorex software into its decision making processes (Kolb, 2010). This software will enable the company to make superior risk predictions and it is a cost effective solution which is capable of providing a stronger separation of both the good and the bad accounts while in addition to that conducts classification of the bad accounts into the worst scoring ranges. Finally the software will promote decision making process as it helps effective scoring of customer in order of their rank of risk and provides superior decisioning through elimination of bias towards the company existing accounts.