

The Evolution of the Customer Experience in Financial Services

By: Tom Blackett
Non-Executive Chairman, United Kingdom

www.siegelgale.com

This white paper is based on comments made by Tom Blackett, Non-Executive Chairman, Siegel+Gale UK, for the Financial Services Forum on October 13, 2009.

Blackett discussed how to make the customer experience count, opening with thoughts on the long road the financial services industry has taken toward competitiveness and the acknowledgement that customers really matter. Blackett later addressed the concept of 'touch points'—specifically the experience customers have at these touch points and how they affect brand loyalty and customers' willingness to recommend products or service to others. He concluded with an introduction to simplicity – arguing that the more accessible companies make things like statements, application forms, customer agreements and contracts, the more likely they'll have happy and trusting customers.

+ FINANCIAL SERVICES BRANDS LIVE OR DIE BY THE QUALITY OF THE CUSTOMER EXPERIENCE THEY DELIVER.

The Past: Several Degrees of Separation between Banks and the Customers Who Matter

The last 25 years have revealed the interesting trajectory that the financial services industry has taken toward cultivating the customer experience. Most brand consultants know by now that the degree to which financial services companies handle the customer experience directly affects their customers' perceptions of the brand.

The typical experience is rooted in the outcomes – the consequences so to speak – of companies' attempts to serve their customers well. In financial services, the brand is essentially the icing on the cake – it's the bit that encapsulates the experience that awaits customers and hopefully differentiates the brand owner in a positive way. The cake itself is the organization, the way it functions, its products and services, and the way it serves its customers.

'The icing on the cake' implies something very thin – and indeed it is. Not so many years ago, the icing hardly existed at all. In the 1970's it wasn't unusual to walk down the high street of any provincial town in the UK and find the National Westminster branch next door to the Midland, and the Midland next door to Lloyds, and Lloyds next door to Barclays. All similarly designed and built, with little external differentiation between them. Step inside: the same again. The staff? Drawn from exactly the same gene pool. The services? Identical.

How then, as a potential customer, did anyone know which bank to choose? Most likely by where one's parents or employer banked. There was little reason to choose Barclays rather than Midland, or NatWest rather than Lloyds. It was almost as if the banks thoroughly disliked the notion of competition and huddled together for comfort.

For more information
contact us:

New York
T +1 212 453 0400

Los Angeles
T +1 310 312 2200

San Francisco
T +1.415.284.9715

London
T +44 (0) 208 735 8950

Dubai
T +971 4 425 8841

And then they discovered advertising – or rather the advertising agencies discovered the banks. Remember great campaigns like Midland Bank’s ‘Come and talk to the listening bank’, or Trustee Savings Bank’s ‘The bank that likes to say yes’? Brilliant, engaging, stuff that promised a customer-friendly approach and probably won loads of advertising awards. But the problem was that nobody told the staff, and the promises these ads made weren’t delivered.

One could argue that only after Big Bang did the retail banks discover the need and the will to compete with each other, and they began to acknowledge that the customer mattered. They also discovered market research – and the beguiling concept of ‘segmentation’, which notes that there are economically important divisions amongst customers – segments which have different needs. Hugely complicated ‘families’ of current account products appeared on the market – does anyone remember Midland’s ‘Orchard’ and ‘Harvest’ brands? Or Barclays ‘Premier’ and ‘Prime’? A product for one of these leading retail banks (which shall remain nameless) was so arbitrary and counter-intuitive that customers in focus group discussions just totally failed to understand it.

Basically, the thinking was that the world was divided between people who lived their lives on credit, and those who didn’t. So everyone opted to be either a credit customer or a debit customer: Individuals committed themselves in perpetuity to a life in the black or a life in the red, and were rewarded, or charged, accordingly. There was no crossover point, no absolution for the sinner who turned from his wicked ways and moved from overdraft to credit. Why? Because the mainframe computer couldn’t handle it! Well, it’s no surprise that the product never saw the light of day!

The Present: Turning Up Customer Loyalty by Heating Competition

Nowadays customers are very savvy, products are relatively simple, and the banks are much more competitive. There’s a lot more competition and this has made life better – marginally better – for the customer. And this is the most opportune time to introduce John Kay: academic, thinker, writer, and commentator on the world of banking.

In his *Daily Telegraph* article recently – headlined ‘Banks must learn to put the customer first’ - he wrote:

“Technology is creating a revolution in financial services, and it’s easy to envisage a world in which all payments can be made with the wave of a card or the click of a mouse, and cash is only used for illegal transactions.”

He thinks this would create a social and economic transformation.

“Powerful retailers like Tesco and Marks & Spencer use their market position to assess the needs of consumers and to get the required goods at the lowest possible cost”, he writes. “Their focus is on developing a relationship with customers based on reliability and value for money. The focus of such specialist retailers is on the needs of consumers rather than the remuneration of producers. That is what we want from the banks in the future.”

“The needs of consumers rather than the remuneration of producers.”

The Future: PinPointing the Hottest Touch Points to Create Lasting Experiences

Many banks have had a tough time over the last few years: Customer loyalty is at an all-time low, and too few brands are making a case for themselves. Customers are frustrated by the quality of the experience they get and by the lack of alternatives. They've got nowhere to go to – yet. And if Professor Kay is right, when Tesco, Marks & Spencer, and Virgin gear up, large-scale defections may seem inevitable.

But recent research says that customers will not defect in large numbers. Maybe this is because moving a bank account, with all those direct debits spread across the month, is just too difficult to contemplate. Maybe it's because, for all their siren calls: Tesco, Marks, and Virgin have their principal business interests elsewhere or are being just a little too opportunistic – and people sense this. Perhaps this gives the banks a 'window' to put their affairs in order and repair their brands.

And not to go on harping on the banks, but it seems that the lessons to be learned in retail banking can be generalized across the financial services industry. Regardless of one's operating sector, it is critical to touch the customer at the two most sensitive points – trust and security.

It's all about rebuilding trust, because a trusted brand not only retains customers but also opens the door to acquiring new ones.

Rebuilding trust can't be achieved by launching huge campaigns saying how much an organization cares about its customers and how valued they are. People have rightly come to judge the banks by their actions: Financial services brands live or die by the quality of the customer experience they deliver, and the customer experience is delivered through the interaction that customers have with a company every day. These encounters – or 'touch points' – should reinforce a company's positioning by helping to fulfill the brand promise.

For a retail bank or building society, the key touch points would be the website, advertising, direct mail, statements, cash machines, premises, the branch interior, counter staff, the relationship manager, back office staff, the call centre, etc.

Very frequently, companies just don't know which touch points contribute most to building trust and loyalty. Furthermore, they have absolutely no idea how well their brand delivers at these touch points; therefore they don't know where to focus their resources in improving customer service.

Siegel+Gale has the answer to this: It's a research tool called 'Pinpoint'. Pinpoint effectively deconstructs the customer experience and reveals which touch points deliver the highest and lowest levels of customer satisfaction, and how important these touch points are to shaping the customer experience. It allows companies to perform analyses on its own brand and its competitors, including how well the brand delivers what matters most to the customer.

And critically, from a customer recruitment point of view, Pinpoint highlights the impact of each touch point on a customer's likelihood to recommend a particular company or brand.

Net Promoter Scores

Top 20

	2006	2005	Change
Cafédirect	82	74	8
Google	78	n/a	n/a
Waitrose	73	53	20
Toyota	70	75	-5
Vodafone	67	56	11
Virgin Mobile	67	66	1
O2	66	54	12
Olay	64	59	5
Volkswagen	61	79	-18
Douwe Egberts	60	69	-9
Sensodyne	60	54	6
Nokia	60	65	-5
Microsoft	59	37	22
Clairol Herbal Essences	58	46	12
TRESemme	58	59	-1
Samsung	57	69	-12
Lucozade	57	43	14
L'Oreal	56	46	10
Colgate	56	53	3
Starbucks	56	38	18

Bottom 20

Royal Bank of Scotland	15	20	-5
Halifax	12	18	-6
Jet	12	16	-4
Bank of Scotland	10	15	-5
McDonald's	67	15	-5
Somerfield	10	-3	13
McAfee	10	20	-10
Esso	10	11	-1
Maxwell House	9	16	-7
Imperial Leather	9	16	-7
Abbey	8	11	-3
Lloyds TSB	8	22	-14
Total	6	16	-10
Palmolive	6	10	-4
Lexmark	5	20	-15
CO-op	3	0	3
NatWest	3	43	-6
Texaco	1	7	-6
Spar	-2	n/a	n/a
Barclays	-3	-3	0

Source: Millward Brown

'Likelihood to recommend' has been shown to be amongst the most powerful predictors of customer loyalty, and is used to recommend the basis for calculating the 'Net Promoter Score' – NPS. NPS is nowadays used by thousands of companies as the number one customer measurement. Quite simply, it's calculated by taking 'promoters' or customers with a strong inclination to recommend a company to others, and subtracting the 'detractors'. The higher the score, the stronger the brand.

The tables to the left are based on research published by Millward Brown.

They show the Net Promoter Scores for a mixed bag of product and service brands. One could expect to see product brands higher up the scale because, in quality terms, they lack the volatility of service brands. This, however is not the case, as Cafédirect is up there with Waitrose; while the banks, unfortunately, languish down there with the likes of McDonald's, Somerfield and Spa.

Likelihood to recommend is key – and the greater a customer is inclined to recommend a brand – the easier it will be to retain them. We live in a world in which social media have become so important in communication, and where word-of-mouth recommendations play a vital role in the acquisition of new customers. Therefore, understanding a brand's ability to leverage 'likelihood to recommend' is vital.

Within these touch points, there is a frequently overlooked category that referred to as 'unheralded'. These unheralded touch points are repetitive and important to customers but not as visible or prominent as advertisements or the retail experience. They include such functional communications as applications, contracts, proposals, instructions, bills, statements, warranties, correspondence, and call centres.

Large tracts of the financial services industry – the insurance sector in particular – rely heavily on these unheralded touch points for delivering a satisfactory customer experience and shaping perceptions of their brands. Applications that are easy to complete, bills and statements that are simple to understand, and contracts that are written in plain language, alleviate the need to tell customers that an organization is easy to do business with. They'll experience it for themselves.

5 Tips for Making the Customer Experience Count:

1. There is a direct correlation between customer satisfaction and trust. Most players in the financial services industry should look to rebuild customer confidence and trust to improve satisfaction and the customer experience.
2. Understanding which of the many 'touch points' an organization has with the customer is critical, but understanding how organizations perform at these 'moments of truth', is key to future success.
3. Consider Siegel+Gale's 'PinPoint' research technique, which increases organizations' understanding of the impact key touch points have on the customer experience and identify where to allocate resources to strengthen customer loyalty – and customers' willingness to recommend an organization to others.
4. When dealing with customers remotely, the message is 'keep it simple'. Clarity and transparency help build confidence and trust.
5. Make the customer experience count – because those organizations who don't – make it easier for the likes of Virgin, Marks & Spencer, and Tesco to capitalize on deep cost savings and huge financial gains.