Changing attitudes

Banking on DELIVERY

Banks are generally held to have entrenched attitudes about customers and marketing. But, in conversation with the chief marketing officers of several leading banks in Europe, Christian Dörffer and Jeff Smith found refreshing evidence of a willingness to embrace the new customer realities.

Although most European banks today claim that they are customer-centric, that "we will listen to you better than anyone else" and that "our products are designed for you", the fact is that most customers today would not rate bankers high on the "professionals I trust list".

The industry has a serious problem. In times of high customer and employee churn, how can banking be turned into a differentiated, personalized and trustworthy experience when dealing with something as impersonal as money? Financial services brands are built and destroyed every day, in every branch, with every customer. It is essential that the values of a brand are transmitted consistently and the expectation given to the customer is met every time a customer interacts with the bank. This paper draws upon current initiatives of some of Europe's leading banks, including HSBC, Barclays, National Australia Bank and UBS, based on conversations with Prophet.

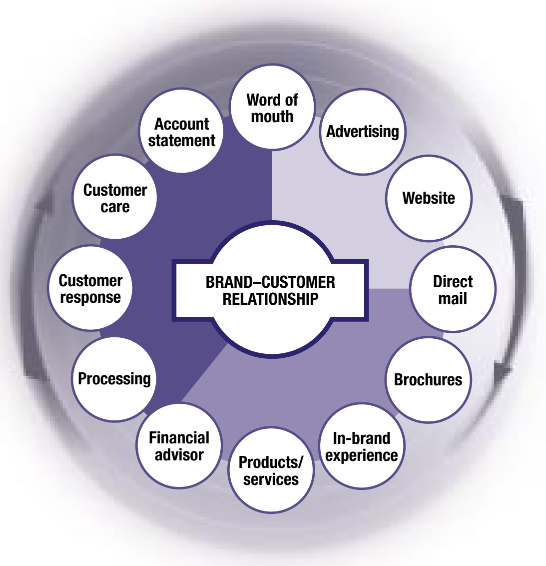
Bad experiences

An old marketing adage has it that people tell seven others about a bad experience but only one about a great experience. Today, most people share their banking experiences because they fall into the negative or neutral category. One important reason is that most banks suffer from a lack of differentiation throughout the customer relationship cycle, as shown in Figure 1.

The cycle starts with a customer as a prospect, before he has actually engaged with any of the products and services of the firm. From here, the relationship moves to a more serious level, where the prospect now considers and makes a choice to bank with a particular organization, its people, its products and its services. Finally, the relationship moves into its most profitable stage, when loyalty can be built and sustained.

A closer look reveals the difficulties customers have in considering and making choices about their banking relationships. The pre-purchase experience is typically driven by similar campaigns (put another logo on the ad and you would not know the difference); the purchase experience by a generic bank branch or generic employees; and the post-purchase experience by the monthly statement and the occasional sales call for another credit card.

FIGURE 1: THE TOUCHPOINT WHEEL



Adapted from: *Building the brand-driven business* Scott Davis and Michael Dunn San Francisco John Wiley & Sons Inc 2002

The truth is that most customers are unable to tell the difference between banks and their offers. Even the latest trends, such as on-line banking and warm and simple branch experiences, are easily copied by the competition. Leading banks are now taking the first steps in developing customer experiences that stand out from the rest – customer experiences that are actually built to deliver on the promises made.

From our conversations with senior executives from several leading European and global banks, it is apparent that these firms are not focusing all of their attention on new products as a means of distinguishing themselves. Instead, they are all moving aggressively to create and sustain a differentiated offering through all of their customer interfaces. Insights from these banks as they have forged their way into the customer experience world have identified a number of key success factors that will help others considering such a move.

Focus your efforts

Focus is an important element that is closely linked to the business strategy of the firm. It is here that a firm must make trade-offs – the tough choices as to whom they will and will not target. Leading banks have found that successful differentiation requires a clear and concise customer strategy – one in which the bank knows who its best customers are and how to attract and retain them. As Simon Gulliford, the out-going marketing director at Barclays, put it:

> Brand is probably the most over-used word in financial services. Unless a well thought-out customer strategy is in place, the opportunities for the brand to "make a difference" are slim. You cannot be all things to all people and still be considered different from the other bank down the street.

However, as the executives we spoke to agreed, it takes courage to build a differentiated experience only to priority segments.

Knowing who you want to target is not enough. You need to know everything about the preferences of your

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most valuable customers. Banks, and the most successful companies in general, must develop a deep understanding of the relationship drivers (as in Figure 1) that matter most.

What specifically drives customers' decisions? What is most important to them, and what doesn't really matter? With this kind of knowledge, programmes, systems, products and processes can all be built to deliver what is truly important to the customer, and banks can avoid spending their marketing budget on segments that cannot be justified in economic terms.

Make sure it makes sense

The actual success of a customer experience initiative depends on those at the delivery point both understanding it *and* feeling compelled to support it. This is a challenge that all banks face – making

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marketing-speak relevant to front-line employees. How do you make a financial advisor and a bank clerk see that the brand is something that has value and meaning for each of them? Marten Hoekstra, head of market strategy and development at UBS's wealth management and business banking group in Switzerland, commented:

> The client experience is designed to bring the brand to life through actual deeds, not just words. The only way a firm can make this happen is if the words used to describe, motivate and reward make sense to the recipient. Telling front-line employees that they need to start behaving "according to the brand identity" isn't likely to light the fires of change.

FIGURE 2: ASSIMILATING THE BRAND

BARCLAYS – *Annual Marketing Excellence Award*: Each of the 440 marketing staff can submit a detailed list of the top best practices they have identified during the year. Last year, this generated 550 detailed proposals. The winners are recognized in a prestigious annual event with awards presented by the chief executive of Barclays.

BARCLAYS – *Friday Afternoon Ring-around*: All directors in marketing are tasked with identifying "success stories of excellence behaviour" from each team. This can include actions by other functions, or even third-party providers, if these make the marketing department more effective. Every Friday, the group marketing director personally calls the employees across all teams to compliment them on their performance.

NAB's *Hero Recognition Programme* is very similar to the Barclays initiative.

HSBC – *Global Internal Brand Survey*: This is conducted periodically to test how well all 300,000 employees "understand and live the HSBC brand". This is judged from answers to ten questions, with the responses compared with a customer metrics system. The results correlate strongly – branches that score highly on "living the brand" tend to score more highly on both customer satisfaction and brand purchase consideration.

NAB – *Score on the Board*: Each branch applies a "football metaphor" and has a team captain. This system scores each individual player and each team on customer satisfaction, and on team and individual performance as it relates to the brand. The system has been very successful, as it instils a healthy competition amongst both teams and individuals to provide the target brand experience to customers. Results have been impressive, as nearly three-quarters of all employees can tangibly demonstrate their brand performance in branches.

NAB – *Annual National Stars Award Ceremony*: All staff are evaluated by their peers for their performance with customers. According to Glenn King, the award has had a tremendous impact. The National Stars become part of the Brand Champions programme, and are assigned roles helping to educate other staff.

It must make sense, not only from a language and content perspective but also from a business perspective. When you ask someone to behave differently, you need to define a relevant business outcome. Peter Stringham, Group General Manager, Marketing at HSBC, told us that they are focused on ensuring that the brand is clearly tied to business objectives within the organization:

> Without a direct connection between what we are asking of people relative to delivering the brand and the actual business objectives by which they are measured, there is no chance we will see the changes we seek.

Get employees ready to face the customer

One of the most common success factors identified by leading banks is getting it right internally before announcing it externally. Glenn King, European head of marketing at National Australia Bank (NAB), said:

> Complete the brand roll-out internally before going external. It is the employee that delivers the brand. Without creating the internal capabilities, offering something externally is risky. No matter how much time is put into developing external programmes or how much the messages are tested, if the customer has a bad experience with an employee, all of that effort is for nought.

Whilst it may sound simple, rolling out a brand across a global organization is most definitely not. The key to bringing employees to a point where they are able actually to understand and deliver against a new brand is to be clear, concise and consistent in communications. Peter Stringham again:

> All communication must be consistent. With several hundred thousand employees, just 10% miscommunication gives unacceptable room for misinterpretation and confusion.

Additional complexity and difficulty are added when firms have multiple businesses and multiple customer touchpoints that need co-ordination. UBS has found that, in order to achieve a change in behaviour, it has to enable employees to decide *for themselves* that it is the right thing to do. UBS strives to craft compelling stories and examples that enable their client advisors to appreciate themselves the value of the requested changes.

Lead and empower front-line management

A bank must have strong leadership to ensure that communications efforts are accepted and acted upon – the kind of leadership team that motivates people, walks the talk, and makes certain they are effective role models for the organization. Many firms have good front-line managers but lack true leadership skills.

With good managers, staff are told what they should

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do. With great leaders, employees are inspired to act differently. Marten Hoekstra asserts that:

> Leaders engage employees with a vision that drives behaviour – managers force employees to follow a set of requirements. Differentiation through the customer experience requires strong leadership.

Managers are experts at identifying procedures and requirements, and at asking people to perform against a checklist of desired behaviours. Peter Stringham argues from recent experience that you cannot regulate or proceduralize a roll-out. Simply *requiring* behavioural change does not mean that people will follow. A successful brand roll-out is *led* from the top down, not managed. Furthermore, a key factor in the success of the current HSBC brand strategy is that site and branch managers are given the freedom to tailor the brand experience as appropriate to the unique markets they serve.

Measure and reward “on brand” performance

Another discipline that is rapidly gaining acceptance in leading banks is measurement and reward. Measurement comes in many flavours – some designed to measure progress of an initiative (eg measuring the acceptance of the customer experience initiative by employees), others measuring the tangible results of a customer experience initiative (eg ROI on specific touchpoints or increase in net new money).

Measurements designed *to monitor results* are powerful tools in gaining firm-wide support for a customer experience initiative. They enable the bank to tell relevant stories that prove the business value of changing the behaviour of each employee. These kinds of stories can be instrumental in moving even the most stubborn employees (and executive colleagues).

Measurements designed *to monitor progress* are also powerful tools in driving organizational change. These measurements enable firms to pinpoint where they are succeeding and where they are struggling at the different stages of implementation. Regardless of which measurements are used – and we would recommend both – the key to success is how a firm uses the information. Simon Gulliford advises:

> Get the right measurement system in place and recognize good behaviour continually.

Measurement systems enable organizations to reward and recognize desired behaviours more effectively over time. At several of the banks we spoke to, the measurement and reward tools have resulted in three out of four employees being able to assess their own bi-weekly performance in terms of the brand. According to Simon Gulliford, employees at Barclays are “gagging for more support to implement the customer experience”. These methods (Figure 2) contribute significantly to the momentum of change.

Lessons for the future

Leading banks are betting on the customer. They are trying to achieve true differentiation through actual experiences. From a customer’s point of view, banking today is a lot like going to the cinema in the 1970s – few cinemas to choose from, and all showing the same film.

There is still a long way to go for most banks.

In the eye of the customer, the change all starts in one place – in the experience provided by front-line employees.

Building the brand through a consistent, differentiated, and relevant experience for each segment, covering all priority points of interaction, is a major undertaking, particularly in a sector that, until recently, was mainly considered a *manufacturer* of financial products.

The cultural heritage, organizational structures, systems, and in many cases business models, of today’s banks make reinvention beyond marketing a daunting endeavour, but one that will reward customers, employees and shareholders in the long-term. In the eye of the customer, the change all starts in one place – in the experience provided by the front-line employees. And as we have shown here, “living the brand” provides real potential for building sustainable competitive advantage. ☐

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