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Optimizing the Customer Experience –
An Opportunity for Retail Banks to Rebuild Trust and Create Differentiation

By David Hicks and Simon Turner

Executive Summary
More effective management of the customer experience is an opportunity area for retail banks seeking to rebuild customer trust and create sustainable competitive differentiation. It has the potential to help customer retention, create better internal alignment of actions, identify cost savings, and drive incremental revenue growth. The practical first step towards achieving these goals is Customer Journey Mapping. Contact David Hicks, CEO of Mulberry Consulting at david.hicks@mulberryconsulting.com to schedule a no-obligation 30 minute online demonstration of how "best practice" customer experience companies are using Customer Journey Mapping to get ahead.

See also the new paper from Forrester Research Inc, ***"Mapping the Customer Journey – Best Practices for Using an Important Customer Experience Tool"*** which cites Customer Journey Mapping from Mulberry Consulting as a best-in-class example.

Context

The global recession has provided a sharp reminder for retail banks of the fundamental importance of maintaining open, honest and fair relationships with customers. The combination of highly publicized bank failures, government bailouts, public outrage at senior executive compensation, and growing consumer resentment of constantly-increasing fees for everyday transactions has significantly damaged the trust on which banks' relationships with their customers are built.

Those relationships are the accumulation of every contact, exchange, transaction and perception that customers experience when dealing with a bank. As technology and globalization continue to drive commoditization and consolidation, governments prepare more stringent regulations, and new players enter the industry, the strength of a bank's customer relationships - and its ability to deliver an optimal experience to customers (in order to develop and drive those relationships) may well be its most important asset.

The point is underscored by the 2009 J.D. Power Retail Banking Satisfaction Study[1] which shows decreasing customer commitment to US banks, caused by declines in both satisfaction and brand image, a trend which has accelerated since 2007. These findings reflect not only negative media coverage of the industry but also the effect on the customer experience of bank mergers, higher service charges and staff cuts. The negative impact of staff cuts should not be underestimated – those more complex touch points which require direct interaction between bank staff and customers also have the greatest potential to create or destroy equity.

In truth, despite industry protestations to the contrary, most banks have done little in the last few years to become more customer-focused. Many initiatives presented as such have been attempts to put a positive spin on efforts to reduce costs via branch closures, staff layoffs and greater automation. But as the industry moves from "what happened?" to "now what?' it seems to us that whatever brand positioning and service model a bank adopts, and whether its geographic reach is

[1] Source: J.D. Power & Associates press release, May 2009

local, national or multi-national, there are three operational components which are absolutely essential to maintaining or rebuilding customer trust:

- back-office operations which minimize friction and enhance service delivery
- a coherent brand positioning
- a superior customer experience, delivered consistently across channels and touch points

What's needed is not one or two of these in isolation – it's all three together. Anything less is a compromise which will not differentiate or create value over time. And it is the last of these - the customer experience - which seems to be the most problematic for banks.

In an industry where parity products are the norm, and where product innovation is swiftly copied, a purposefully constructed, persistently delivered superior customer experience, aligned with a bank's overall value proposition remains one of the few sources of sustainable competitive differentiation. But while the need for a clear end-to-end view of the customer lifecycle and experience is greater than ever, the reality remains elusive.

Industry Challenges

Let's look at some of the causes of this. A number of industry-wide challenges now face banks seeking to rebuild trust and improve the customer experience they deliver:

- **Short-term management focus**. The global recession continues to create huge challenges for banks. Amidst ongoing bad publicity, increased capital requirements and greater regulatory scrutiny, risk management is diverting senior executive time and attention away from focusing on the customer. Additionally, the immediate challenges of rebuilding capital, repairing balance sheets and repaying government loans are creating a short-term financial focus which may well be at odds with the longer-term interests of the customer. It is also worth noting that the banks for which this is the greatest challenge tend to be the largest ones.
- **Internally-focused product and service propositions.** Innovations in retail banking have historically been designed to benefit the bank rather than the customer – and have been highly profitable as a result. To rebuild damaged trust and credibility, banks need to listen – very carefully – to what customers tell them is most important, and then make sure that initiatives positioned as improving the customer experience actually do so. A good example of an organization really listening to its customers is Canada's TD Bank, a winner of J.D. Power's Retail Banking Customer Satisfaction Award (2009) for the fourth year in a row. Their convenience-based value proposition (originated by Commerce Bank in the US, which TD acquired) comes directly from the insight that they're fundamentally a retailer rather than a bank, which has allowed them to align their operations behind that powerful idea, from end to end and across multiple touch points.
- **Multi-channel delivery**. The critical need is no longer to expand functionality across touch points. Rather, it is to deliver consistency of experience across branches, websites, call centers, wireless devices and ATMs. This remains enormously difficult. Because of the scale of the infrastructure challenges involved the decision-making tends to be centralized, which can lead to a very impersonal "one size fits all" customer experience. This is also an area where customers' ever-rising demands for speed, quality and transparency of information create immense IT challenges. Looked at from a customer experience perspective the real want here is for personalized access – to whatever functionality or information is needed, via whatever channel the customer chooses. Organizations need to ask not just about the additional cost of

providing this, but whether personalized multi-channel access can yield more incremental income than additional costs. For example, one of the new UK start-up banks has stated that it actually plans a higher-cost operating model than some of its competitors, but that the incremental revenue generated will more than outweigh the costs.

- **Customer acquisition and retention**. Constrained lending strategies and continuing low interest rates will remain key challenges for banks seeking to retain customers and build commitment. On the other hand those banks able to shift from a distribution mindset to an access mindset may be able to increase loyalty by innovating in ways that customers actually value – for example by forging effective partnerships with wireless carriers and digital platforms to provide a seamless mobile experience. However, customer inertia and the sheer "hassle factor" of changing banks will continue to represent an advantage for incumbents and a hurdle for insurgents seeking to build a customer base of depositors. And it's worth noting that the bigger challenge here is how to grow the core retail deposit base so that asset (and profit) growth doesn't have to be funded by raising costlier wholesale deposits. Having customers open an account is one thing; getting them to move their money into it is another.
- **Unclear accountability.** Banks tend to be built around strong "functional silos" and such organizations often end up with fragmented responsibilities when it comes to managing the customer experience. The consequence can be that no-one has overall accountability for the customer experience, significantly limiting an organization's ability to create and manage a consistent experience across functions and channels. The underlying problem for many banks however is one of technology. Particularly in organizations which have grown via serial M&A activity the reality can be legacy systems and platforms which don't work together. One major UK banking group has eight separate mortgage platforms and four general insurance platforms, and significant customer experience problems as a result.
- **New market entrants**. As if this wasn't enough, the industry is under unprecedented pressure from emerging non-traditional competitors, including supermarkets, online banks and an array of start-ups. Among the players smelling blood in the waters of UK retail banking are Tesco and Virgin – two of the strongest and most customer-focused brands in any category – plus start-ups including Metro Bank (stressing extended opening hours and using the slogan: "Love Your Bank At Last!") and Home & Savings Bank (backed by private equity giant Blackstone), all promising step-change improvements in the retail banking experience. If Tesco is able to leverage its formidable customer database behind its banking initiative it could well become a highly disruptive force in the UK industry. In the US Ally Bank, a new online entrant built on the remains of GMAC Finance, provides a good example of a brand making customer focus intrinsic to its value proposition. Ally promises transparency, vows not to hide behind jargon and legalese, and employs the slogan "Straightforward." Its website offers such customer-friendly gestures as a 24-hour service line that connects to live representatives, complete with a "current wait time" indicator. In its mission statement Ally say that they want to "find the pain points of traditional banking and improve them." It sounds to us as though someone there understands customer experience best practices!

It's clear from all this that there are still a variety of viable business models and value propositions in retail banking which can be effectively leveraged to exploit current levels of customer discontent. A good customer experience is certainly not predicated on a labor-intensive "high touch" service model. HSBC for example has had success internationally by building its branch network, investing in technology, and providing good service in a largely automated context. The point is twofold – that whichever model a bank decides upon needs to be purposefully constructed and consistently delivered, and, that each business model triggers varying expectations from the customer with respect to price, service, value and brand. But in both cases the customer experience remains one of the very few sources of sustainable differentiation for retail banks.

A Practical Approach

Optimizing the customer experience does NOT mean “gold plating” everything that the customer touches. Rather, it involves systematically measuring and understanding the rational and emotional drivers that customers care about most, and then “operationalizing” consistent delivery of the intended experience persistently across the bank. In simple terms, the key is to understand what matters most to customers and then to deliver the appropriate experience, consistently and persistently over time and across multiple touch points.

Our experience suggests the best method for addressing this is Customer Journey Mapping, which is a practical way to capture what customers experience when dealing with a company, looked at from the customers’ own perspective. Customer Journey Mapping provides a visualization of all the touch points and interactions between an organization and its customers. The process of mapping shows where service delivery is valued by the customer and where it matters less or falls short, allowing for the creation of an operational framework with descriptions of the actions needed to deliver a desired experience. In a new white paper “Mapping the Customer Journey” [2] Forrester Research notes that “*Mulberry Consulting has customers rate relationships in terms of importance and company performance to identify broken moments of truth”* which Forrester sees as a best-practice approach.

Retail banks tend to be organized around strong “functional silos”, so a major challenge to delivering an optimized customer experience is ensuring that the whole organization acts in concert, and indeed one of the internal benefits of Customer Journey Mapping can be to achieve better operational alignment across functions.

Getting Started

For organizations considering a new or revised customer experience effort there are a number of pragmatic questions that will help establish the starting point:

- Have we defined who our customer is? What are their expectations and how do they want to interact with their bank?
- Do we treat our customers equally or equitably? Do we have an effective customer segmentation framework in place that differentiates our offer?
- Has the bank broken down its brand promise so that it is easy to see how the customer experience should support and enable the value proposition? Is there visibility as to which touch points have the greatest impact on customer retention, persistency and advocacy?
- Are the customer-facing capabilities across the bank aligned to provide a seamless service experience regardless of product or channel?
- Does the bank understand the rational and emotional components of its service proposition, and does it know what customers do and do not value? Is the business able to measure whether equity is being created or destroyed at key touch points?
- Do individual staff members understand the purpose of their individual role in delivering a component of the overall customer experience, and how that fits into the bigger picture?
- If the answer to many of these questions is “no”, then **Customer Journey Mapping** is a good way to start to get an objective and customer-centred view of what’s currently in place, what’s working and what’s not.

[2] Copyright of Forrester Research 2010

Business Benefits

The business benefits for banks of effectively mapping and optimizing the customer experience for key customer groups are significant and compelling:

- **Return on investment**. Every major bank has invested enormous resources in IT infrastructure to support the information needs of current and potential customers. A fully mapped and operationalized customer experience can provide a guide to the deployment of IT solutions and a clear framework against which to measure return on investment. This also helps ensure that IT resources are deployed in the areas of the business that have the greatest impact on the customer.

- **Internal alignment.** Clear agreement of the desired customer experience and a comprehensive map of the customer journey are powerful tools for achieving internal alignment of functions, with a consequent positive impact on staff morale, motivation and effectiveness. The credit card companies have found Customer Journey Mapping particularly effective in this respect. In highly complex organisations a Customer Journey Map enables bank staff to "see" their role in the context of the end to end customer journey, and provides an objective framework within which managers can identify and share best practices.

- **Customer retention.** Studies consistently show that a positive service experience helps banks maintain customer retention rates, and conversely, that a poor service experience drives these metrics down. Every company operates with a unique set of circumstances but our experience suggests that the financial business case for Customer Journey Mapping is very strong, with a single percentage point improvement in customer retention adding significantly to both the top and bottom lines. This also holds true for cross-sell and up-sell opportunities. The January 2010 UK Customer Satisfaction Index [3]underscores the primary importance of customer retention, and indicates that many organizations – banks and others – are focusing on this as we emerge from recession.

- **Cost control**. Delivering a poor customer experience is in fact significantly more expensive than optimizing it as money is often wasted in over-servicing areas not valued by customers. A poor service experience adds cost when - for example - a customer has to call back or schedule a follow-up meeting in-branch to resolve an outstanding issue. Additionally, Customer Journey Mapping can help businesses build and operationalize better models of customer behavior, thereby reducing costs over time. Again, we are talking about very significant sums of money in large organizations.

- **Segmentation.** Customer Journey Mapping can reveal the flaws in some segmentation models and can also provide data and insights leading to more nuanced strategies. For example, banks tend to segment customers around attributes rather than circumstances, which can easily lead to a "one size fits none" outcome, even within a single customer segment.

- **Differentiation**. Increasingly, neither number of branches and ATMs, nor product innovation nor price alone represents sustainable differentiation for a bank. As more players enter the industry and technology continues to level the playing field, delivering an optimized Customer Experience in support of a clear brand value proposition remains a clear route to sustainable differentiation.

[3] Available online at http://www.ukcsi.com/executive_summary.php

Mulberry Consulting

Since its start-up in 2002 Mulberry Consulting has been retained by senior management at some of the world's largest organizations to provide advice on optimizing the customer experience and driving customer-centered change, a process we think of as helping our clients become more ***Customer Intelligent***. Our proprietary tools and processes have been used successfully by many companies to develop frameworks within which disparate internal activities can be effectively connected and aligned behind a clear customer experience proposition. Headquartered in the UK, and with offices in New York and Toronto, Mulberry Consulting has significant experience in the financial services industry, in both Europe and North America.

For more information please visit us at www.mulberryconsulting.com or contact David Hicks, Mulberry Consulting CEO, at david.hicks@mulberryconsulting.com to schedule a no-obligation 30 minute online demonstration of how banks and other "best practice" customer experience companies are using Customer Journey Mapping to get ahead. Our existing clients are also available to talk directly about the impact this type of work has had on their businesses.

About the authors:

David Hicks is Chief Executive Officer of Mulberry Consulting and has led the business since its inception in 2002. He has over 20 years' experience helping organizations measure, manage and optimize the customer experience they create. He has led many major customer-focused change initiatives and has worked with companies in financial services, auto, retail, publishing and technology in the UK and abroad. As a board level executive at The Royal Mail, he built and deployed a service specification used by 280,000 staff nationwide. David has an MBA from the IBM Business School at Southampton University and a post-graduate diploma in Strategic Marketing at Harvard. A respected and accomplished speaker and writer on CRM and Customer Experience, David regularly speaks at events all over the world.

Simon Turner heads Mulberry Consulting in the USA. An international marketing and consulting professional with over 20 years experience building and managing major brands in financial services, B2B and consumer goods worldwide. Most recently, as International Marketing VP for insurance company MetLife, Simon was responsible for marketing strategy, brand communications and customer intelligence across the 14 countries which comprise MetLife's $10BN+ International division. He previously held a number of senior marketing positions at Mars Inc., the privately-held, $25BN packaged goods giant. Simon started his career in the advertising business, first in London and then on Madison Avenue in New York. Born in England, he has an MA degree from Oxford and has written extensively on marketing topics.

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