



# Customer Experience in Retail Banking

Understanding the Drivers of Growth

PRESENTED BY



Peppers & Rogers Group

## Preface

# Improving the Customer Experience is Not an Option. It is an Imperative.

The subject of customer experience in retail banking has never been more important, never been more timely, and never been more essential to achieving and maintaining business success. Banks win by getting, keeping, and growing customers. How to get more customers, how to keep them longer, and how to increase the value of each individual customer—that is the critical challenge that must be met in order to grow organically. Overcoming that challenge starts with the realization that the quality of customers' experiences is key.

Customers create value for a bank in two ways. First, customers buy more (or less) products and services today and thereby increase (or decrease) the bank's current-period cash flows. Second, customers change their intention to buy products and services tomorrow and thereby impact the bank's future cash flows. And, what influences both of these factors? The quality of the customer's experience. When a customer of a bank has a poor experience and decides to reduce future purchases as a consequence, the bank has lost value at that very instant.

To help banks descriptively understand the state of the customer experience and to guide improvements through prescriptive recommendations, Peppers & Rogers Group and Efma (European Financial Marketing Association) joined forces in a cooperative effort to conduct primary research. The result is this white paper, which is founded upon a rich set of qualitative and quantitative data gathered from more than 100 banks in 37 countries. We are grateful for the willingness of each of these banks to participate in the research, and sincerely appreciate and acknowledge all of their contributions.

In summary, we are pleased to share the 2010 edition of the *Customer Experience in Retail Banking* white paper and are confident that the findings—together with each of the corresponding recommendations—will be of practical assistance in helping all retail banks strategically consider and tactically implement enhancements to their own customer experience plans and initiatives.



Don Peppers & Martha Rogers, Ph.D.  
Founding Partners  
Peppers & Rogers Group



Patrick Desmarès  
Secretary General  
Efma



### The Time is Now

Customers have memories, and will long recall dissatisfactory experiences at a retail bank. They will not hesitate to share their frustration with family, with friends, and with their community through social networks. Rebuilding a damaged customer relationship—if it can be done at all—is far more challenging and far more arduous (and ultimately far more expensive) than strengthening an existing bond.

If your retail bank is seeking to grow organically, then urgency is paramount: build and sustain strong customer relationships today by focusing on the quality of customers' experiences.

# Customer Experience in Retail Banking 2010

## A Customer Experience Benchmark Report

### Executive Overview

Managing and monitoring the quality of customers' experiences with a bank continues to grow in importance. With every passing day, the financial savviness of customers increases, their choices for banking products and services proliferate, and their tolerance for inferior experiences diminishes. In this environment, the formula for success is simple and straightforward (but deceptively difficult): deliver exceptional customer experiences in order to improve getting, keeping and growing customers—a bank's most prized asset.

Achieving that success requires a holistic focus upon three dimensions of customer experience identified as crucial by Peppers & Rogers Group: (1) the delivery of operational excellence, (2) the creation of customized value propositions, and (3) the maintenance of a strong reputational presence. The correlation between the quality of customer experience and the willingness to buy again (and the reluctance to switch business away) is higher for banking than for cell phone service providers, TV or Internet service providers, or retailers.<sup>1</sup> These facts have not escaped the attention of astute banking professionals, who overwhelmingly rate the managing of the customer experience as the most important factor of success.<sup>2</sup>

"Among our member banks, customer experience is a top-of-mind topic," explains Patrick Desmarès, Secretary General of Efma (European Financial Marketing Association). "Awareness and interest is high, because increasingly banks have come to understand that the consistent delivery of superior customer experiences is the key to differentiation—a strategy that represents the path to sustained success." For these reasons, Peppers & Rogers Group partnered with Efma to explore the practice of customer experience in retail banks across Europe, the Middle East and Africa. The study generated insights from more than 100 banks in 37 countries using qualitative and quantitative research. The findings both describe the current challenges faced by banks as well as prescribe a set of actions to advance progress on the journey toward delivering superior one-to-one customer experiences.

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### Research Highlights: The Urgent Need for Change

Peppers & Rogers Group defines customer experience holistically to include (1) the delivery of operational excellence, (2) the creation of customized value propositions, and (3) the maintenance of a strong reputational presence. Taken together, these are the crucial dimensions of customer experience about which this research uncovered the following:

#### **Banks struggle to build a solid foundation**

**Focus.** Although improving the customer experience is a priority, only one-third of banks have a formal definition of customer experience and few have a dedicated budget and team focused on customer experience improvement.

**Measurement.** Banks' ability to quantitatively measure changes in the quality of customers' experiences is an area in which few excel.

**Employees.** Banks need to focus on equipping and empowering employees to improve customers' experiences.

#### **Banks are challenged with 1to1® interactions**

**Information.** Continuously collecting and integrating customer data, analyzing data to generate insights, and transforming those insights into actions that enhance the customer experience are all weak capabilities.

**Actions.** Anticipating and capturing Moments of Truth in a timely manner is a key differentiator for banks with excellent customer experience levels.

**Interactions.** Customizing interactions for different customer groups in order to deliver differentiated customer experiences is a challenge for all banks.

#### **Banks need to listen better**

**Feedback.** Only a minority of banks have both a formal voice-of-customer and a formal voice-of-employee program.

**Social Networking.** Few banks rate their own social maturity as "developed" or "exemplary."

**Dialog.** Even among banks now actively using social networking, most of the communication is static and one-way.

# Understanding the Essence of Customer Experience

Peppers & Rogers Group's view of customer experience holistically includes (1) the delivery of operational excellence, (2) the creation of customized value propositions, and (3) the maintenance of a strong reputational presence. Taken together, these are the crucial dimensions that drive customer experience (see Figure 1 on page 5).

## 1. Operational Excellence

Ensuring excellence in the delivery of a bank's products and services—for both common transactions and critical Moments of Truth—is the foundation for successful customer experiences. It is the most basic element of customer experience, and one that is a necessary (but not a sufficient) condition for achieving marketplace differentiation.

Customers expect a bank to have working ATMs, to have modest wait times for service in a branch, and to provide 24x7 Internet account access. Flawlessly delivering these and other elements of a bank's operation are taken for granted—until such time as problems arise. Failing to achieve operational excellence, therefore, contributes to a negative customer experience; but meeting those service expectations *only* does not contribute to a competitive advantage.

Delivering operational excellence requires consistent service across channels under both usual and exceptional conditions. It entails seamless service across channels; continuous monitoring of processes for improvement opportunities; the existence of contingency plans for disruptive events (e.g., a lost/stolen card); and closing the loop with a customer following a problem to ensure satisfaction has been achieved.

## 2. Customized Value Propositions

When considering the "value proposition" issue, a common mistake is to assume that there exists "the value proposition"—a single statement applying uniformly to all customers. Because the assessment of value is the difference between a customer's perception of benefits and costs,<sup>3</sup> effective value propositions must be tailored to an individual based upon knowledge of that person's specific needs. As a corollary, it follows that customized value propositions must be dynamic, because the needs of individuals change over their lifetime and in response to situational events.

Understanding and acting upon these differences among customers (and with the right customers over time) in order to create actionable, customized value propositions requires the use of microsegmentation (i.e. the formation of subsegments within each primary segment). Through this process, a monolithic collection of customers is divided into smaller and even more homogenous groups based on the needs, behavior and value of each individual.

Exceptional customer experiences are characterized by a bank providing the right product or service, to the right person, at the right time, through the right channel and with the right tone. The receipt of a customized value proposition confirms to the customer that the bank has been attentive to the individual's needs—and, that the bank is respectful of her or his time by ensuring that each communication is relevant. Financial firms struggle in this area, unfortunately: for example, 70 percent of UK consumers perceive the majority of direct mail they receive from these companies as irrelevant.<sup>4</sup>

## 3. Reputational Presence

More than ever before, a company's reputation—what customers communicate with one another socially and what they believe individually as a result—matters. For example, among British consumers the source of information most trusted when choosing a product or service is almost never what the company claims about itself in advertising. Instead, almost half rely upon personal recommendations from friends, family or colleagues.<sup>5</sup>

And, they are willing to talk. Among European consumers nearly half regularly share their experiences, knowledge and opinions about finance with friends and family.<sup>6</sup> For US consumers, one-quarter told someone about a bad experience with a bank in the past 90 days—and, over one-third did so for

**"To win in this new world, banks must enhance customer experiences to boost business results."**

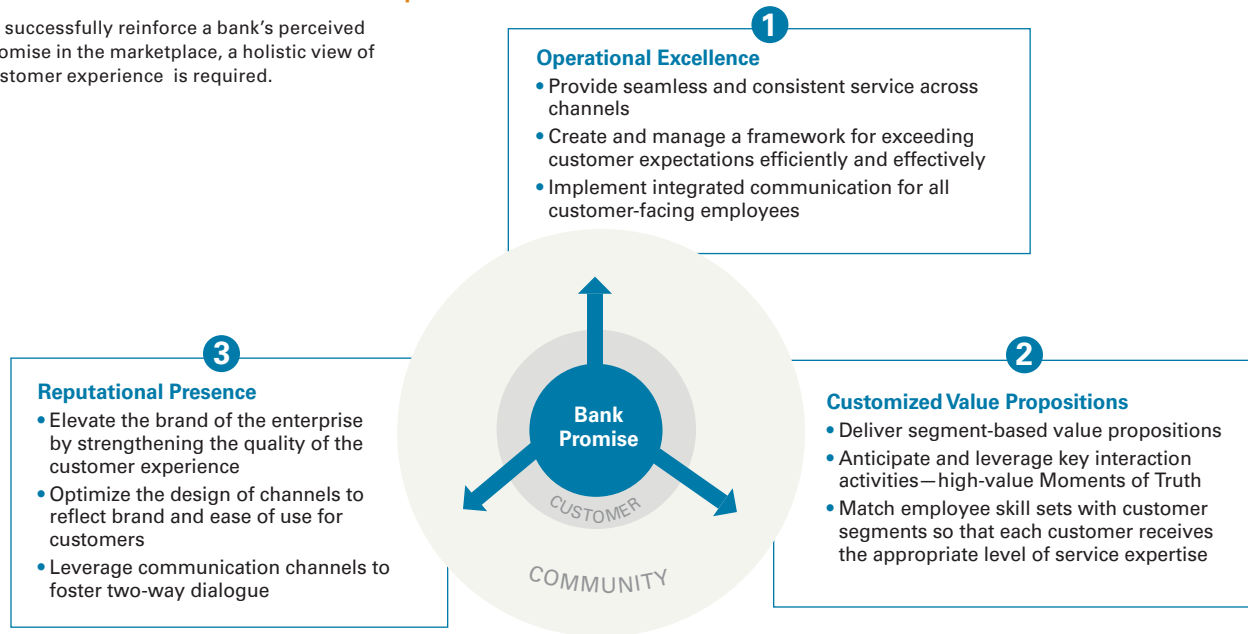
— Çağlar Goğus, *Finance Practice Leader, Peppers & Rogers Group*

**"Superior customer experience is the key to differentiation. It is the path to sustained success."**

— Patrick Desmarès  
*Secretary General, Efma*

**FIGURE 1: The Dimensions of Customer Experience**

To successfully reinforce a bank's perceived promise in the marketplace, a holistic view of customer experience is required.



Source: Peppers & Rogers Group

**It's all in the details:**

The 3 dimensions of customer experience are relevant in every industry. Below are some specific examples for retail banking:

**1. Operational Excellence**

- Contingency plans for disruptive events like a stolen credit card
- Follow up processes for complaint resolution
- Consistent channel-agnostic customer service support

**2. Customized Value Propositions**

- Design value propositions based on customer value, needs and behaviors
- Deliver products and services based on customized channels, communication and pricing strategies
- Leverage life stage Moments of Truth — graduation, marriage, etc. by anticipating and responding to them

**3. Reputational presence**

- Align the image and layout of the branches with customer expectations
- Build a social platform to interact with media-savvy influencers
- Cultivate brand ambassadors to reinforce the reputation of the bank in the market

a good experience.<sup>7</sup> The value of these positive referrals can be equal to (or greater than) the value of the actual behaviors of the customers themselves,<sup>8</sup> and are more likely to be based upon the receipt of outstanding service than either product price or quality.

In today's experience economy, exceptional customer experiences require building a solid reputational presence coupled with authenticity:<sup>9</sup>

*Goods and services are no longer enough; what consumers want today are experiences—memorable events that engage them in an inherently personal way. As paid-for experiences proliferate, people now decide where and when to spend their money and their time—the currency of experiences—as much if not more than they deliberate on what and how to buy (the purview of goods and services). And in a world increasingly filled with deliberately and sensationally staged experiences—an increasingly unreal world—consumers choose to buy or not buy based on how real they perceive an offering to be. Business today, therefore, is all about being real. Original. Genuine. Sincere. Authentic.<sup>10</sup>*

Delivering excellence and being real in all interactions builds a bank's reputation and reinforces the brand—among both *customers* as well as *prospects*. Yet, while about two-thirds of top executives from around the globe wisely regard their company's reputation as vulnerable, most still appear to be in denial concerning the reality of today's connected consumers: only about one-third believe that new media—websites, blogs and social networks—have a greater role in building reputation than traditional media.<sup>11</sup> And, it matters. Within the banking industry, research has shown that corporate reputation impacts both customer loyalty and customers' willingness to recommend the bank.<sup>12</sup>

"Reputation—a key driver of customer experience—is tightly linked to trust, and the success of a business in turn is tightly linked to its ability to earn and to keep the trust of their customers," explain Don Peppers and Martha Rogers, Ph.D., Founding Partners of Peppers & Rogers Group. "Customers prefer to deal with companies they trust, so if you want to sell more, to more customers, then you have to increase the level of trust your customers have in you. It's really that simple. It would be hard to name any management task more important than simply building and protecting your reputation among customers and prospective customers, so that they continue to keep you in business."<sup>13</sup>

# Customer Experience in Retail Banking

To enhance the delivery of operational excellence, the creation of customized value proposition, and the maintenance of a strong reputational presence, attention must be paid to a multifaceted set of factors simultaneously, since each is dependent upon (and reinforces) the other. Chief among these are three: (1) organizational and managerial enablers, creating the overall environment in which customer experience initiatives may be nurtured; (2) capabilities and competencies, providing the infrastructure to positively affect the strength of customer relationships; and (3) customers’ trust and its impact upon a bank’s business outcomes.

To shed light on banks’ efforts to design and deliver exceptional customer experiences, research was conducted to investigate each of these three factors.

## 1. Organizational and Managerial Enablers

Three aspects of organization and managerial enablers were explored in this research: (a) the definition of “customer experience,” (b) the resources invested toward customer experience, and (c) the accountability for the achievement of exceptional customer experiences.

### Definition of customer experience

As Lewis Carroll, a 19th century English mathematician and novelist, once observed, “If you don’t know where you are going, any road will get you there.”<sup>14</sup> Clarity of destination begins with clarity of definition and direction, and this is especially true in the realm of customer experience. Without a formally written definition of what constitutes “customer experience,” progress is hindered. Clear definitions provide three key benefits:

- **Vocabulary.** Only when all employees across all functional areas—from senior management through frontline personnel—share a common understanding of the key components of “customer experience” can meaningful and purposeful strategic planning and tactical execution occur.
- **Visibility.** A written definition of “customer experience,” when commonly communicated, provides top-of-mind awareness of its ongoing importance to the success of the bank.
- **Visualization.** A concrete understanding of “customer experience” allows employees (especially those with direct customer-facing responsibilities) to have an internal image of the end-in-mind, guiding their decisions at each Moment of Truth.

Today, however, only about one-third of banks report that they have written a formal definition of the term “customer experience” (see Figure 2). Many appear to be in a transitional

**“Reputation—a key driver of customer experience—is tightly linked to trust, and the success of a business in turn is tightly linked to its ability to earn and to keep the trust of their customers.”**

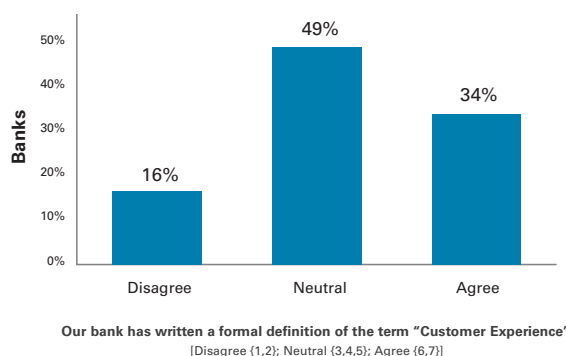
— Don Peppers and Martha Rogers, Ph.D., *Founding Partners, Peppers & Rogers Group*

### TAKE ACTION NOW Achieve Definitional Clarity

- Go beyond a narrow perspective of “customer experience,” and embrace operational excellence, customized value propositions, and reputational presence.
- Fix the basics to achieve operational excellence as a foundational requirement for exceptional customer experiences, but more must be done: to succeed, identify and implement customized value propositions.
- Focus on your bank’s reputation, among both prospects as well as customers, by earning and keeping customers’ trust.

**FIGURE 2: Few Banks Have Formally Defined “Customer Experience”**

Wide variation in the extent to which banks report having a formal definition of “customer experience” exists, with only a minority indicating that this organizational enabler has occurred.



Source: Efma and Peppers & Rogers Group

state in which the definition is either not formally developed or is present only within a single department.

Among those banks participating in this research with a formal definition of “customer experience,” nearly four-fifths (79 percent) incorporate within their definition the concepts of establishing a positive reputational presence and of delivering operational excellence in every interaction. Only about half (55 percent) reference the importance of customizing products and promotions to meet the needs of individual customers, a condition that may reflect the difficulty faced by many companies in obtaining, analyzing and acting upon one-to-one insights.

RESEARCH FINDING: Qualitative Responses from Bank Interviews

**Definition of Customer Experience**

- Bank A’s definition is the “impact of all contributing factors in a customers’ interaction with the organization. It is ultimately the way he/she feels about that interaction.”
- Bank B defines customer experience as “a systematic measuring and understanding of the rational and emotional drivers that customers care about most, and using those insights to consistently deliver the intended experience across every touchpoint.”
- Bank C views customer experience as the “internal and subjective response customers have to any direct or indirect contact with the company.”

**“The vision of customer experience must be clearly defined, explained and shared across all divisions of the bank.”**

—A bank executive’s primary recommendation for enhancing the quality of customers’ experiences

**Resources allocated toward customer experience**

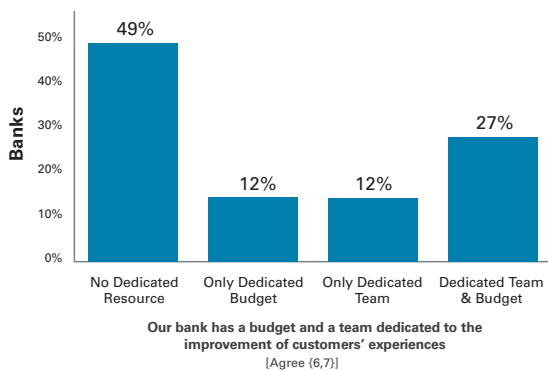
A second enabler involves resource allocation: both financial resources as well as human resources. Although customer experience is often a stated priority, nearly half of all banks report having neither a dedicated budget nor a dedicated team for the improvement of customers’ experiences (see Figure 3). In many cases, this may be a reflection of the struggle to “walk the talk” and to provide a tangible commitment to customer experience excellence, and may also be due to a lack of a cross-functional governance structure for customer experience.

**TAKE ACTION NOW**  
**Allocate Resources to Maximize Impact**

- Critically examine the budgets of all functions and initiatives that directly or indirectly impact customers’ perceptions of the quality of their experiences with the bank, with the goal of achieving a holistic prioritization of (and leverage across) resource investments.
- Establish clear roles for the delivery of exceptional customer experiences, including the expected behaviors and attitudes to be displayed by customer-facing personnel.
- Create a single point of focus into which all customer experience initiatives flow, such as the establishment of a CXO (chief experience officer) position or the formation of a cross-functional customer experience council.

**FIGURE 3: Dedicated Budgets and Teams for Customer Experience Remain Elusive**

A minority of banks report having both a budget and a team dedicated to customer experience excellence.



Source: Efma and Peppers & Rogers Group

experience management—a critical organizational component for improving customers’ experiences. Fortunately, about one-quarter of banks have succeeded in securing budgets and personnel focused upon enhancing the experience of customers, and over half (55 percent) of these anticipate increases in their budgets in the next fiscal year.

**RESEARCH FINDING: Qualitative Responses from Bank Interviews**

**Resource Allocation Practices**

- Bank A established a Group Customer Experience department to support the Group’s strategic direction by focusing on building a customer-centric culture, providing leading edge intelligence on customer experience, and enabling the bank to excel at customer service and recovery. Each business unit and support function has appointed a customer service champion within their respective divisions to assist with drive and implementation for service-related initiatives.
- Within Bank B, a Customer Experience Unit has been established with its own budget that is annually reviewed and managed.

**Accountability for achievement of exceptional customer experience**

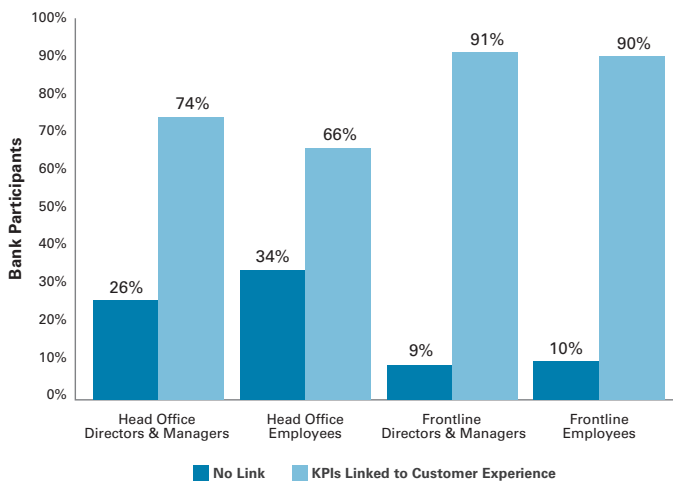
When asked the percentage of the performance appraisal assessment that is contingent upon delivering exceptional customer experiences, a majority of respondents indicated the existence of some level of accountability for personnel at both the head office and at the front line, and at director/manager and at individual contributor levels (see Figure 4). That level was highest at the front line for both director/manager personnel and for employees below the manager level, signifying widespread accountability for the achievement of customer ex-

**TAKE ACTION NOW**  
**Require Accountability**

- Define responsibilities for the achievement of tangible improvements in customers’ experiences at every job level, from frontline staff to senior management; and for each function.
- Quantify those responsibilities into observable objectives, and include those specifications in the performance review process.
- Make it matter, by linking success in the improvement of customers’ experiences with the personal success of each individual (e.g., through promotions, salary raises, and incentive bonuses).

**FIGURE 4: Accountability for Customer Experience is Widespread**

A majority of respondents report that employees—across levels and locations—have some percentage of their performance assessment that is contingent upon delivering exceptional customer experiences.



Source: Efma and Peppers & Rogers Group

perience excellence among customer-facing employees. One-third of respondents report that more than 20 percent of the performance appraisal assessment for frontline staff is focused on customers' experiences. Although comparatively lower, accountability in the head office is still strong. This pattern of results is promising—there is a durable link between customer experience and performance management, driving improvements in the awareness of and responsiveness to changes in customers' experiences.

RESEARCH FINDING: Qualitative Responses from Bank Interviews

**Accountability Practices**

- In Bank A, employees are recognized for going the 'extra mile,' and KPIs are used to track employee performance against Net Promoter Score targets.
- Measures of the service quality gathered through customer surveys are part of the basis for branch employees' bonuses in Bank B. "That is the only way to really get things done."
- Bank C uses a "scoring system for each and every customer facing staff and rewards are based on targets and achievements of both individual and the team." The score includes "how staff meet and greet the customer, how they conduct sales, how they close out sales, how they cross sell. They are also measured for dress and politeness. There are also items related to the branch in this score like tidiness and cleanliness, and adherence to branding and merchandising standards." The bank incorporates a composite customer experience score within the balanced scorecard for each staff member that takes "a minimum of 20% weighting and rise to 50% for some functions."
- Each employee has a customer satisfaction KPI within her or his scorecard, based on customer satisfaction surveys and other tools for branch personnel in Bank D. For head office units, internal customers' satisfaction is rated with a survey and through upward evaluations.

**2. Capabilities**

Three general facets of banks' capabilities related to the design and delivery of exceptional customer experiences were investigated—(a) organization, (b) process and (c) information & technology—together with specific measurement, feedback, and social networking abilities. Banks were asked to rate the current quality of these capabilities and the quality of their customers' experiences.

**Organization**

Banks' self-reported rating of several facets of their current organizational capabilities were generally moderate on an overall basis, not deviating far from the midpoint (4) of a scale ranging from "poor" (1) to "excellent" (7). As a consequence, there exists substantial room for most banks to improve these capabilities. Consider, for example, that the highest rated capability—sustaining a strong customer-focused culture—was rated on average at only 4.5 (see Figure 5 on page 12).

A culture that embraces the importance of customers' experiences is critical. "The culture at your firm will reflect how you measure success, how you reward people, what tasks you consider to be important, what processes you follow to accomplish those tasks, how quickly and effectively you make decisions, and who approves decisions," explain Don Peppers and Martha Rogers, Ph.D. "Your culture will reflect how friendly or competitive employees are with each other, how trusting they are, how much disagreement is tolerated, how much consensus is required, what privileges go with rank, what information is available to whom, what customers or suppliers are the most valued, and what actions are considered out of bounds. You can write down the values you aspire to for your firm, but if you want these values to become part of the real culture, then you'd better make sure all your systems, metrics, processes, and HR

**TAKE ACTION NOW**

**Align the Organization**

- Enumerate the organizational capabilities that impact the delivery of customer experiences, to understand the entire consideration set of potential points of improvement.
- Quantify the "as is" and set target "to be" states for each capability, based upon an understanding of the dependencies among organizational capabilities, the ease of improvement, and the resulting repercussions on customers' perceptions of the quality of their experiences.
- Infuse customer experience considerations into all existing organizational capabilities, such as evaluating job candidates on their ability to detect customer dismay and convert it into delight.

policies are aligned with them, too.”<sup>13</sup>

Achieving that alignment occurs in part through training. Training employees for delivering excellent customer experiences was comparatively highly rated by banks overall and even higher by those banks now delivering an excellent customer experience. Training, when done well, helps employees to understand what to do, how to do it, and why to do it—thereby strengthening the company’s culture.

Comparing all banks against those now delivering excellent customer experiences, noteworthy gaps in performance appear (see Figure 5 on page 12). In particular, hiring employees who have a strong focus on customer satisfaction and empowering employees to treat the customer right are two organizational practices that are known to be crucial success factors. When employees have the right *attitude* coupled with the right *authority*, the quality of customers’ experiences improves.

The key struggle for banks, however, is adequately equipping their employees with customized tools in order to enhance customers’ experiences. This suggests that improvements may be needed in the ability of banks to identify and anticipate the needs of their customers; to translate that insight into differentiated product, pricing, channel and communication strategies; and to develop and deploy those strategies consistently across all relevant channels. Even among those banks now delivering excellent customer experiences, this is an area recognized as needing improvement.

**“Through our education initiatives, we help every employee to understand their role in creating value for customers”**

—Federica Mele, *Customer Satisfaction Manager, ISBD CS Office*

#### RESEARCH FINDING: Qualitative Responses from Bank Interviews

##### Capabilities: Organization

- In Bank A, the “most important and differentiating competency lies in providing comprehensive training programs for its employees, which in turn reflects in superior treatment of customers and increased customer satisfaction.”
- Bank B has codified its organizational orientation toward customer experience into five principles:
  1. I understand that to the customer—I am the Bank
  2. I am passionate about always delivering on my commitments to customers
  3. I take ownership of customers’ issues and I keep my customers informed
  4. I strive to further my knowledge and skills so I may provide my customers with the right solutions
  5. I treat customers with respect and empathy

Guided by these principles, Bank B has authored a “book of behavioral guidelines designed to show the staff at each touchpoint how to treat customers.”

##### Process

Customer-centric business processes align the internal organization with the external needs of customers.<sup>15</sup> Among those processes identified as most in need of improvement are identifying and capturing key life stage events and customizing interactions for individual customers (see Figure 5 on page 12). Both are essential for delivering a differentiated customer experience, based upon knowledge of each customer’s value and needs. Even among those banks now delivering excellent customer experiences, both of these processes exhibit significant room for improvement.

The ability to deliver seamless and consistent service across channels is a third aspect of achieving differentiated customer experiences—not only by improving experiences *within* channels, but enabling experiences *across* channels to complement one another by providing relevant information in one channel when a need has been previously detected through another channel. This cross-channel coordination enables a bank to treat different customers differently.

#### TAKE ACTION NOW Inspect Processes

- Do not focus exclusively on the complaint management process itself, but look more deeply to identify and address the root causes of why complaints occur.
- For each process that visibly impacts the customer experience, set a quantifiable process improvement objective and ask: “If we could do this well, then how would it enable an exceptional customer experience?”
- Build a cross-functional team to inspect the existing processes, and to identify the root causes hindering progress.

Banks now delivering excellent customer experiences report a higher quality of performance in providing prompt and effective complaint resolution than banks overall, a key consideration since resolving complaints in a timely and thoughtful manner may actually increase the loyalty of a customer.<sup>16</sup> However, while it is important to solve customers' complaints and to improve the complaint management process itself, it is more important to prevent complaints by identifying and addressing their root causes.

RESEARCH FINDING: Qualitative Responses from Bank Interviews

**Capabilities: Process**

- For Bank A, the “real success for customer experience is it becomes company-wide and that our processes should also be customer oriented and not bank oriented.”
- Customer satisfaction information is used to identify experiential areas in need of improvement and to then guide process improvements in Bank B. “We examine the data to understand exactly which process they are not happy with—that’s the one we change.”

**Information & Technology**

On an overall basis, banks struggle most with transforming comprehensive insights into relevant action. The continuous collection and integration of customer data to reflect the complete relationship history is an area of improvement for banks generally and even for those now delivering excellent customer experiences. This capability is a foundation for the continuous analysis of collected data to generate customer insights and for transforming derived insights into proactive actions to enhance the customer experience, both of which are rated moderately low for banks overall. Maintaining the relationship history also has consequences for providing consistent and seamless service, the absence of which hinders the continuity of interactions over time and across channels (see Figure 5 on page 12).

This process of becoming ‘smarter and smarter’ about each individual customer over time is known as a *learning relationship*. “The more you can get a customer to ‘teach’ you about his needs—provided you can actually meet them with an increasing degree of customization or an increasing amount of service—the more loyal that customer will become, because he won’t want to have to expend the time or take the risk to relearn some other firm what he’s already taught you,” explain Don Peppers and Martha Rogers, Ph.D. “In effect, a learning relationship dramatically increases a customer’s cost of switching companies or brands. Success depends on learning how to serve this particular customer better than any of your competitors can serve him, because you know more about him, through direct interaction, than anyone else can know.”<sup>17</sup>

RESEARCH FINDING: Qualitative Response from a Bank Interview

**Capabilities: Information & Technology**

- “We have a large amount of variables for our millions of customers. The goal is to use all the information we have about our customers to create not only value propositions in the different segments, which we do, but also to create specific opportunities for the branches and their financial advisors.” The process is also a closed-loop system of iterative improvement. “We analyze, analyze, and analyze with our typical tests and methodology to determine if something works or not.”

**The “real success for customer experience is it becomes company-wide and that our processes should also be customer oriented and not bank oriented.”**

—Bank executive

**TAKE ACTION NOW**

**Transform Data into Actionable Insight**

- Create a data strategy, documenting which pieces of information for which customer segments would enable the delivery of exceptional customer experiences; and identify the opportunities where these data may be captured and subsequently updated.
- Distill and distribute analyses of customer information throughout the organization, and equip those individuals involved in the design and delivery of customer experiences with business intelligence tools to mine the data at greater levels of granularity.
- Use historical customer information to predict customer behaviors, allowing the bank to proactively address emerging customer needs and thereby improve the perception of the quality of the experience.

**FIGURE 5: Customer Experience Capabilities**

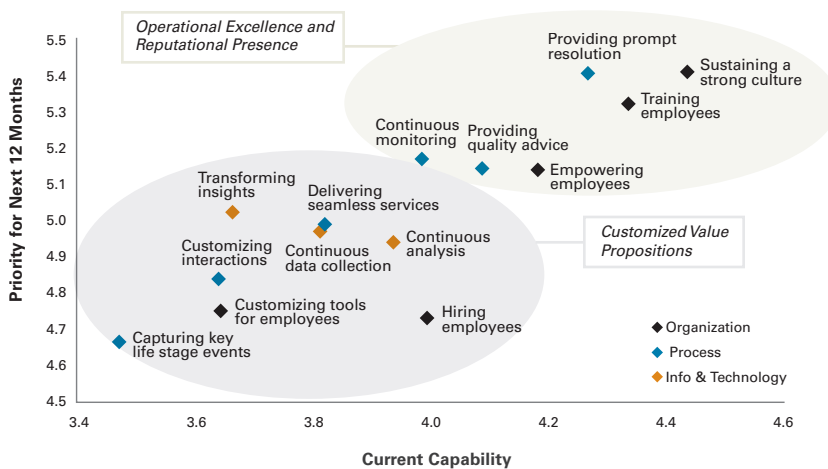
Across the realms of organization, process, and information & technology, banks' ratings of their current capabilities for delivering exceptional customer experiences (CE) are generally moderate, with substantial room for improvement for all banks as well as for the subset of those banks now delivering excellent customer experiences. [Score Range: 1 "Poor" – 7 "Excellent"]

Organization	Overall Score	Score of Banks with Excellent CE
• Hiring employees who have a strong focus on customer satisfaction	4.0	5.3
• Training employees to deliver excellent customer experiences	4.4	5.4
• Empowering employees to treat customers right	4.2	5.5
• Equipping employees with <b>customized tools</b> to enhance customers' experiences	3.6	4.9
• Sustaining a strong customer-focused culture	4.5	5.5
Process	Overall Score	Score of Banks with Excellent CE
• Continuous <b>monitoring</b> of processes to improve customers' experiences	4.0	5.2
• Delivering <b>seamless and consistent service</b> across channels	3.8	4.5
• <b>Customizing interactions</b> for individual customers	3.6	4.7
• Identifying and <b>capturing key life stage events</b>	3.5	5.3
• Providing <b>quality advice</b>	4.1	5.5
• Providing prompt and effective <b>complaint resolution</b>	4.3	5.7
Information & Technology	Overall Score	Score of Banks with Excellent CE
• Continuously collecting and integrating data to <b>reflect the complete relationship</b> history	3.8	4.5
• Continuous analysis of collected data to <b>generate customer insights</b>	3.9	5.1
• Transforming derived insights into <b>proactive</b> actions to enhance the customer experience	3.7	4.9

Source: Efma and Peppers & Rogers Group

**FIGURE 6: Best Current Capabilities are Also Highest Priority for Improvement**

The quality of banks' current capabilities for delivering exceptional customer experiences—and the priority for improvement placed upon them—are moderate and positively related.



(X) The current capability for delivering exceptional customer experiences is [1=Poor, 4=Good, 7=Excellent]  
 (Y) The priority for improvement in the next 12 months is [1=Very Low, 4=Moderate, 7=Very High]

Source: Efma and Peppers & Rogers Group

**TAKE ACTION NOW**

**Mind the Gap**

How should a bank act upon these gaps in customer experience excellence?

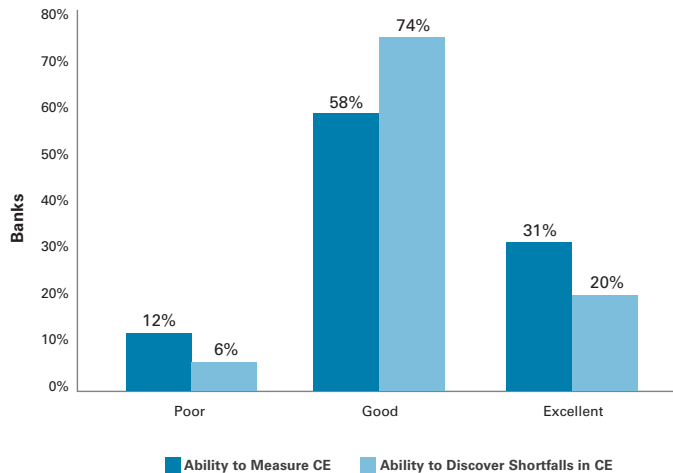
- **Prioritize by customer impact.** The elasticity of the customer-facing consequences of the level of excellence in customer experience capabilities is the key criterion for selecting capabilities to improve. Ask: which improvements will be the most influential in enhancing customers' perceptions of experiential quality?
- **Sequence by ease of implementation.** Among the customer experience capabilities identified as the most critical to improve, first focus on those for which the impact will be most quickly achieved. Ask: which improvements can be most readily and rapidly realized? Establishing 'early wins' will serve to secure the long-term success of investments in improving customer experience capabilities.

## Measurement

Measuring the quality of customers' experiences not only enables a bank to detect changes, but may also suggest the root causes contributing to those changes. Nonetheless, banks' ability to quantitatively measure changes in the quality of customers' experiences is an area in which few excel—and in which even fewer are able to promptly discover difficulties in delivering exceptional customer experiences (see Figure 7).

**FIGURE 7: Few Banks Achieve Excellence in the Measurement of Customer Experience**

Only a minority of banks have achieved excellence in the measurement of customers' experiences (CE) and in their ability to promptly discover shortfalls in delivering exceptional customer experiences.



Source: Efma and Peppers & Rogers Group

In the absence of quantifying the quality of customers' experiences (across the entire customer base, and by customer segment and by channel), it is difficult to identify areas in which success is occurring and which can be replicated more broadly across the enterprise through the sharing of best practices; to support accountability for performance (see Figure 4 on page 8); to sustain continued investments in customer experience through a rigorous business case; and to most effectively allocate resources to experiential touchpoints in need of improvement. Among banks now delivering excellent customer experiences, however, a majority (69 percent) report success with the measurement of customers' experiences—more than twice the overall average. As a consequence, there exist considerable opportunities for improvement for those banks in which the measurement capabilities are at or below average.

The most significant obstacles to measuring customer experience are often tracking customer experiences that span channels, measuring the financial impact of changes to the customer experience, and getting alignment across the organization on which metrics to use.<sup>18</sup> Additionally, while almost three-fifths of marketers around the globe indicate that the need to measure and report effectiveness is higher, these same individuals also report lacking the budget to support those measurement efforts.<sup>19</sup>

### TAKE ACTION NOW

#### Measure and Monitor

- Achieve internal consensus on a measurement model, specifying the set of indicators (i.e., metrics) that collectively capture the richness of the construct of "customer experience."
- Author a measurement plan, specifying the data sources used by each metric and the frequency with which they are calculated in order to consistently track changes in the quality of customers' experiences over time, by products, by channels and by branch.
- Build the case that changes in the quality of customers' experiences predict future business outcomes, by demonstrating a longitudinal association; and use these insights to justify enhanced investments in customer experience initiatives.

## RESEARCH FINDING: Qualitative Responses from Bank Interviews

### Capabilities: Measurement

- Bank A collects feedback from its customers through quarterly customer satisfaction surveys, allowing the bank to compute Net Promoter Scores for each individual branch. The customer satisfaction index is reported by the Customer Experience team to top management and is shared with the rest of the organization.
- Bank B measures customer service quality using mystery shoppers, data from whom allow the bank to quantify “quality for each and every customer facing staff, and the criteria include, dress, politeness, welcome, cross-sell effort, etc. The bank also has a brand protection program which focuses on the branch environment in terms of cleanliness. Customer complaints are also factored in.”
- Bank C is building the link between the quality of customers’ experiences and business results. “Customer satisfaction surveys are conducted and reported by branches; each branch receives a report with correlations of satisfaction scores against controllable (i.e., sales, number of customers, etc.) and non-controllable (i.e., location, opening hours, etc.) variables.”
- Bank D has observed a “positive correlation between customer satisfaction and product usage, and between customer satisfaction and tenure.”
- Bank E is gathering data from randomly selected customers immediately following branch and call center interactions to compute an “empathy index,” which is being tested as a potential metric to add to its measurement of customers’ experiences. The index is designed to capture and track the ‘soft-side’ aspect of interactions with the bank. The bank also has a mystery shopping pilot research program underway in 50 branches, recording on video 600 points of interaction that are examined and scored from a customer’s perspective. The findings are expected to be used in the training and coaching of employees.

**“Measurement not only guides experiential improvements, but it also changes the culture to one that is more customer-focused.”**

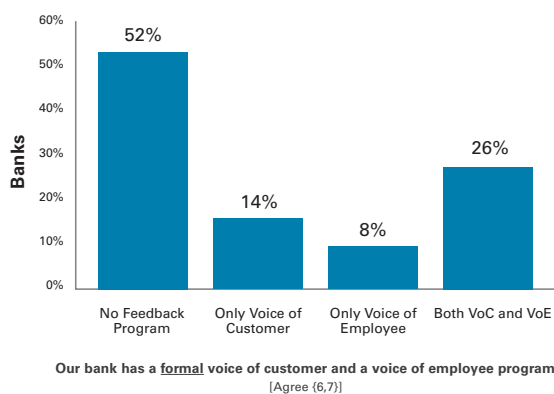
—Kim Verhaaf, *Head of Customer Intelligence, ING Retail Banking in the Netherlands*

### Feedback

Listening to the voice of customers and of employees is an essential capability for understanding and reacting to changing circumstances, yet only about one quarter of banks do both (see Figure 8). Listening to employees provides an “inside-out” perspective and, when coupled with the “outside-in” feedback from customers, yields a holistic understanding of how customers’ experiences are being delivered and how customers themselves perceive

**FIGURE 8: Feedback Programs are Not Yet Commonplace**

Only a minority of banks have both a formal voice-of-customer (VoC) and a formal voice-of-employee (VoE) program.



Source: Efma and Peppers & Rogers Group

### TAKE ACTION NOW

#### Listen and Learn

- Collect solicited and structured feedback from customers using a quantitative survey, to provide a consistent means of identifying shifts and trends over time; and collect unsolicited and unstructured feedback from customers whenever and however they choose to share these qualitative comments, to provide a highly valuable means of uncovering the unexpected.
- Enable employees with an avenue to anonymously submit candid assessments of “what’s working” (and what is not) in the bank’s attempts to improve the quality of customers’ experiences, in order to leverage the insights of those personnel who interact most closely with customers.
- Act upon customer and employee feedback, and communicate back to these audiences those changes that have been implemented as a result.

those actions. Less than half of all banks report having a formal voice-of-customer program, and nearly the same proportion state that a formal voice-of-employee program exists. However, among banks that are able to successfully measure changes in the quality of their customers' experiences, nearly all (85 percent) also have formal feedback programs, suggesting a disposition toward appreciating the importance of fact-based "knowing" versus "guessing" for decision making.

Voice of customer (VoC) programs are more important today than ever before. As Peppers & Rogers Group's Don Peppers explains, "The era of the silent customer is gone for good. Customers will make their voices known one way or another. With a VoC program, a company can channel some of that energy and maximize its value to the firm. In a time when the business environment is extremely volatile, it's important to understand what your customers like, what they don't, and why. A company cannot settle for 'reading the tea leaves' of transactional databases anymore in an attempt to detect customers' needs—it's critical to hear directly from customers. Companies should hear what customers want to say, in all its unstructured richness. Filtering feedback through the lens of what companies want to ask has its place, too; but never forget that qualitative input can be especially valuable. The objective is to get the most honest and straightforward feedback as possible, from as many customers as possible, as quickly and continuously as possible—all with the ultimate objective of enhancing customers' experiences with your company in order to build stronger relationships."<sup>20</sup>

**"The era of the silent customer is gone for good. Customers will make their voices known one way or another."**

—Don Peppers, *Founding Partner, Peppers & Rogers Group*

#### RESEARCH FINDING: Qualitative Responses from Bank Interviews

##### **Capabilities: Feedback**

- Bank A has "suggestion boxes in branches; asks customers to provide feedback throughout the website; and advises customers how to lodge a complaint as well."
- "We listen carefully and respond quickly to both our employees and our customers.... Employee rewards, promotions and the evaluation system are linked to these values," according to Bank B.
- Bank C has implemented a customer feedback system that "enables staff to more efficiently address customer complaints and in many cases preempt customer attrition." As a consequence, customer attrition has been "reduced from 1,000 to 200 customers per month over the period of one year." To capture voice-of-employee, the bank "conducts an employee survey every month to gauge employee morale and satisfaction.... The results from the survey are used to implement any corrective actions and enhancements to the existing system."
- Bank D has implemented a closed-loop case management process to record, monitor and resolve complaints from customers. "Tracking of customer incidences has greatly enhanced the customers' perception, follow-up and expectations of the bank's services.... Prior to implementing the tracking tool, the bank had no means of tracking the incidences across systems. With today's integrated tracking tool in place, customer complaints are logged into the system and the branch staff are able to trace and resolve the issues in a timely manner. All complaints are followed up on with the customer until resolution is reached." The bank also collects and analyzes employee feedback, and "the relevant challenges and suggestions are published in the bank's newsletter and are also presented to top management."

**"Consistently get into dialogue with customers, proactively ask for feedback and act on it to establish a long-term relationship between clients and the bank."**

—A bank executive's primary recommendation for enhancing the quality of customers' experiences

## Intesa Sanpaolo: Listening 100%

*"...the customers should always be at the centre of our attention and... only through on-going dialogue can we truly understand their actual expectations and maintain excellent relations..."* –Intesa Sanpaolo '07-'09 Business Plan

Formed in 2007 through the merger of Banca Intesa and Sanpaolo IMI, two leading Italian banking groups, Intesa Sanpaolo is now ranked among the top European banks, with a net income in 2009 of €2.8 billion. As a local bank with both a national and international presence, it serves over 11 million customers through a network of more than 5,900 branches. As a consequence of its scale, it is able to offer highly competitive pricing coupled with excellent products and services that are enhanced through significant investments in technology and innovation.<sup>21</sup>

To ensure a superior customer experience, the International Subsidiary Banks Division (ISBD) of Intesa Sanpaolo has embarked on a commitment to "Listening 100%" by first hearing and discerning the voice of its customers and second, by improving its service as a consequence of gathering and analyzing both quantitative and qualitative customer feedback. Whether that voice is in Italian or Albanian or Egyptian or Russian or in any of a number of other languages, the first phase implements the same four steps:

- **Monitoring** customer satisfaction at both the bank and branch levels, using consistent metrics
- **Comparing** customer satisfaction results against both national competitors as well as against other Intesa Sanpaolo banks, in order to identify best practices and emerging trends
- **Detecting** the causes of dissatisfaction and launching specific improvement programs and campaigns to reinforce customers' loyalty
- **Promoting** the full commitment of the bank to collecting suggestions and resolving complaints from customers

Through a survey process using both telephone and web channels and reaching across nine countries and involving 300,000 customers to date, data are gathered on customers' satisfaction with (and loyalty to) the bank, on customers' perception of the bank's products and processes, and on the key drivers of customers' dissatisfaction.

Through a careful analysis of all of these data, the bank is able to improve its customers' experiences by:

- **Reinforcing** a customer-centric culture, by sharing the survey results across all levels of the organization and actively incorporating those insights into its planning process and its incentive system
- **Launching** specific improvement programs and campaigns to reinforce product and service quality
- **Implementing** specific improvement plans at all organizational levels
- **Launching** communication campaigns and programs to improve the perceived quality of the bank's products and services, and thereby reinforce customers' loyalty

To sustain and enhance its emphasis on the importance of listening to customers, the ISBD of Intesa Sanpaolo has established a voice-of-customer unit called the Customer Satisfaction Office. "Our goal is to embed customer satisfaction and loyalty in the bank's business strategy," explains Federica Mele, Customer Satisfaction Manager at ISBD CS Office, "in order to establish a customer-centric culture throughout the enterprise that is founded upon increasing customers' satisfaction and loyalty." This unit's main activities include not only the gathering and analyzing of customer satisfaction information, but also handling complaints and suggestions, monitoring quality, and managing the improvement process.

In addition, the CS Office works to build awareness and relevance of the importance of customer satisfaction to the bank across all levels and functions. "Through our education initiatives, we help every employee to understand their role in creating value for customers," says Mele.

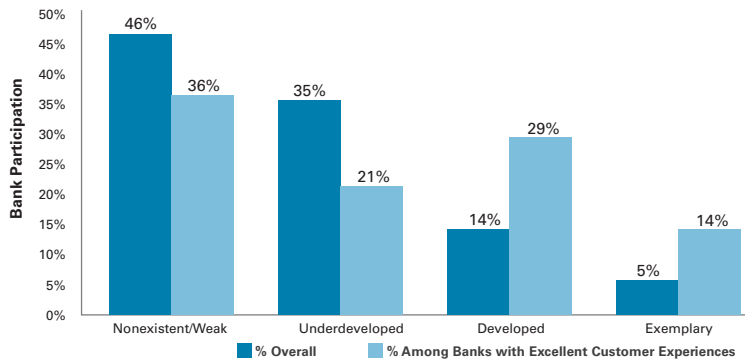
At Intesa Sanpaolo, voice-of-customer is a two-way process. Not only does the bank listen to its customers, but it also communicates back to them and informs them of the changes and the actions that have been instituted as a result. "Externally, we communicate a consistent customer-centric value proposition; and internally, we instill a collaborative and constructive attitude based upon clear and easy-to-understand customer feedback," notes Mele. It all adds up to "Listening 100%" that strengthens customer relationships with the bank.

## Social Networking

Although the prevalence of social networking continues to increase, few banks rate their own maturity in this area as “developed” (i.e., competent in the use of social networking) or “exemplary” (i.e., possessing considerable expertise in using social networking). Among banks currently delivering excellent customer experience, however, this percentage more than doubles, indicating a leadership position for these banks against their competition in using social technologies to listen, to learn and to respond to their customers (see Figure 9).

**FIGURE 9: Social Networking is a Maturing Capability**

Across the social networking maturity continuum, few banks have “developed” or “exemplary” capabilities.



Source: Efma and Peppers & Rogers Group

Even among banks now actively using social networking, most of the communication is one-way—either the bank communicating information to the consumer, or the consumer providing customer feedback to the bank. Using social networking to engage in customer dialog is an area for development for almost all banks. Supporting two-way social communication has many potential benefits for a bank, including the ability to collect feedback from a wider selection of customers, to react on an individual basis to that feedback more quickly, and to detect and respond to emerging issues and considerations in near real-time.

Banks would do well to enhance their presence (and the sophistication of the participation) in social communities. Across the globe, one in every 11 minutes spent online by consumers is with member communities such as Facebook or MySpace.<sup>22</sup> On average, web users now spend almost five and half hours on social networks per month, an increase of two hours from one year ago.<sup>23</sup>

### TAKE ACTION NOW

#### Participate in Social Conversations

- Determine the social networking communities in which customers participate, and identify those in which the bank's involvement will be most welcome and beneficial.
- Be authentic in all social media conversations, acknowledging shortcomings (and correcting misperceptions); and respect the written rules and the unwritten cultural norms of each community.
- Listen and learn from social media conversations, to hear the issues of importance to customers without preconceived filters and biases.

#### RESEARCH FINDING: Qualitative Responses from Bank Interviews

##### Capabilities: Feedback

- Bank A has a team that monitors the social networks for customer feedback and prepares formal responses, and maintains a profile on Facebook used to encourage people to share their experiences.
- “We just check on what people say about the bank to understand what the feeling is, what things we are doing wrong,” according to Bank B.
- Bank C is “in the process of selecting a social media team which would be responsible for ‘listening’ to what the customers are saying online about the bank; collecting and analyzing customer feedback to use in future communications, product development, etc.; and proactively managing the brand and generating leads via the social networks.”
- Bank D uses a text mining tool to gather and analyze trends within comments made on Facebook or through Twitter—as well as on the HelloPeter website, which allows customers to publicly convey their service experiences.

### 3. Trust and Business Outcomes

The importance of trust to business success is both intuitive and empirical. In general, over three-fourths of individuals refused to buy a product or service from a distrusted company over a 12-month period;<sup>24</sup> and, more specifically, trust has been shown to be significantly related to loyalty among bank customers<sup>25</sup> and to be significantly correlated with increases in banks' sales.<sup>26</sup> Across all banks, only about one-third (36 percent) considered their customers' trust to be at the highest level, suggesting the need to focus upon this critical driver of business success. When examined by the quality of customers' experiences, banks that are now delivering excellent customer experiences report substantially higher levels of customer trust than those delivering poor or good customer experiences (see Figure 10). Surprisingly, however, the linkage between trust and business outcomes is acknowledged by only about half (56 percent) of banks that consider their customers' trust to be low or medium.

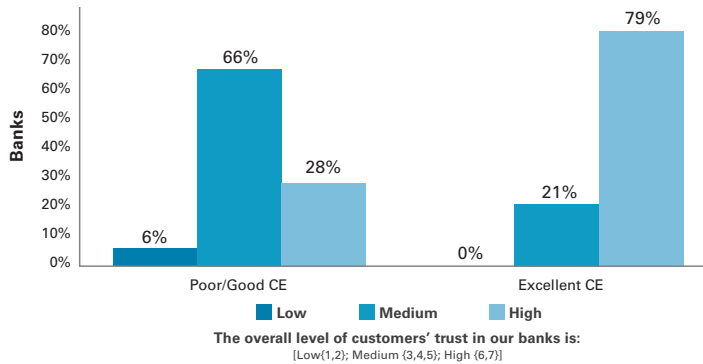
Trust is, in fact, linked to business outcomes. Banks with high levels of customer trust are more likely to enjoy excellent success in acquiring, retaining and growing the lifetime and referral value of customers than those banks with low or medium levels of customer trust (see Figure 11). Not surprisingly, the effect of trust is weakest (but still important) when considering

**“Customer experience acts as ‘glue’ between sales, marketing and service; and helps banks to foster trust that drives a long-term relationship with customers.”**

– Çağlar Goğuş, *Finance Practice Leader, Peppers & Rogers Group*

**FIGURE 10: Customer Experience Excellence Magnifies Trust**

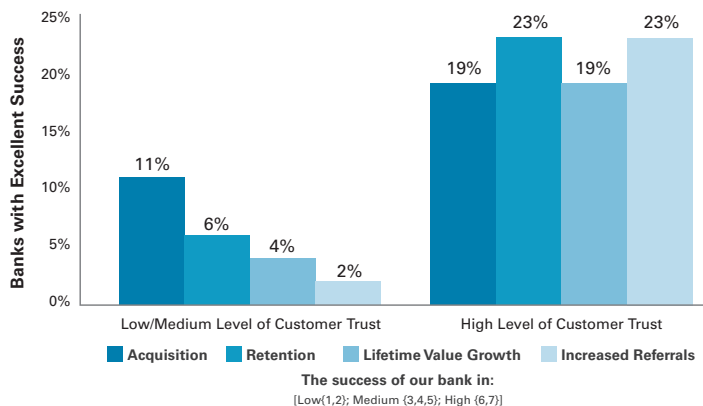
Banks now delivering “excellent” customer experiences (CE) report substantially higher levels of customer trust than those whose quality of customer experience is “poor” or “good.”



Source: Efma and Peppers & Rogers Group

**FIGURE 11: Customer Trust is Associated with Solid Business Outcomes**

Banks with “high” levels of customer trust are more likely to enjoy a higher level of success in acquiring, retaining, and growing the lifetime and referral value of customers, as compared to those with “low” or “medium” levels of customer trust.



Source: Efma and Peppers & Rogers Group

**TAKE ACTION NOW**

**Be Trustworthy**

- Assess the extent to which the two core elements of trust exist in the bank: goodwill (e.g., intent to genuinely care about customers) and competency (e.g., making it right when a problem arises for a customer).
- Measure trust on a periodic basis, and use the insight as an early warning indicator of changes in the bank's business outcomes—especially among the bank's most valuable customers.
- Through ongoing longitudinal analysis, assess the changes in the level of customers' trust that impact customers' behavior (e.g., enhanced likelihood to respond to promotions) which in turn impact business outcomes (e.g., willingness to recommend and loyalty).

customer acquisition, because of the lack of an established relationship with the bank. In the area of retention, the proportional impact of trust is more than two-fold; for growing customer lifetime value, it is more than three-fold; and for customer referrals, it is over ten-fold.

The new mental model for business success is based on two very straightforward principles, according to Don Peppers and Martha Rogers, Ph.D.—each of which are founded upon trust:

1. “Customers will do business with you tomorrow only if they (and their friends) trust you today. Therefore, customer trust is a prerequisite for long-term business success.”
2. “Your employees will work to earn customer trust only if they trust you, their employer. So your job is to (a) motivate your employees to treat customers fairly and (b) enable them to do so by providing the right tools, training, and authority for taking action.”<sup>13</sup>

RESEARCH FINDING: Qualitative Responses from Bank Interviews

### Capabilities: Trust and Business Outcomes

- Bank A believes that an increased level of customer trust in the bank will facilitate the retention of customers, the growth of customers’ value through repeat sales, and the design of service offerings from the customer’s point of view.
- “Trustworthiness definitely plays a part in the quality of customers’ experiences.” Bank B believes that “focusing on its customer-centric capabilities and its brand will increase the level of customers’ trust in the bank, resulting in increased customer acquisition, longer customer retention, increased cross-sell and up-sell for existing customers, and increased customer referrals.”
- “Branding and reputation has helped earn and keep the trust of its customers, which in turn creates the most possible value for the company,” according to Bank C.

**“Previously, too many banks too often relied on ‘customer inertia’—I would not call it ‘loyalty,’ because it was a commitment of convenience and not of conviction on the part of the customer. Today, customers are more willing to shop around because banks’ products are perceived as commodities. Under these circumstances, banks are being reminded of the importance of investing in customers and in the quality of their experiences.”**

—John Kirkbright, *Senior Retail Banking Adviser, Efma*

## CASE IN POINT

### ING: Measuring Customers’ Experiences

*“Our customers are our reason to exist. We strive to be a partner that delivers on its promises and is easy to deal with.”<sup>27</sup> —ING Business Principle*



ING Group, founded in 1991, is a major financial services company with over €48 billion in income in 2009 and about 105,000 employees worldwide, two-thirds of whom work in ING Bank with the remainder in ING Insurance.<sup>28</sup> Together, ING serves 85 million customers around the globe and seeks to succeed in the marketplace by “putting our customers first, developing long-term relationships and providing products and services that are competitive and easy to understand.”<sup>29</sup>

To achieve continued success, ING in the Netherlands pursues a “clear and consistent customer focus strategy,”<sup>29</sup> a key component of which is concerned with customer experience. “To succeed in enhanc-

ing customers’ experiences, it is necessary to know the state of those experiences today and the drivers of delight and dismay,” explains Kim Verhaaf, Head of Customer Intelligence at ING Retail Banking in the Netherlands. Accomplishing that goal is achieved by executing about 500 research investigations annually, using data collected directly from customers through surveys as well as indirectly through their interactions with the bank—a total of over 28 terabytes of customer information per day.

“At ING, a successful experience is one that results in an enthusiastic customer,” says Verhaaf. And, to quantify enthusiasm, customers’ willingness to recom-

mend the bank to family and friends is measured. The ‘Net Promoter’ question is asked not just once on an overall basis, but 47 times—within segments, by products, and across channels. This level of detail is necessary to understand the specific *drivers* of satisfaction and dissatisfaction, knowledge of which guides all investments in customer experience improvements. “In this way, ING is able to focus its resources and its attention on those facets of customers’ experiences that are most important and meaningful to the customers themselves,” notes Verhaaf.

For example, it was determined that the delay from the time an account was opened to the time it was fully operational was a key customer concern. As a consequence, the Dutch bank is now rolling out a new process across its branches that reduces this wait from days to only 30 minutes. “You go into one of our branch offices, and one half-hour after opening a new account, you leave with a functional debit card, your Internet banking works, etc.—you can use it all instantly,” explains Verhaaf. “And, it already has had a major positive impact on our Net Promoter scores.”

At a more granular level, the bank also measures customers’ perception of each contact in each channel by asking a few specific questions following the interaction. For example, after an appointment to apply for a home mortgage, the customer is asked about her or his satisfaction and what could be done to improve. These measurements are tracked and monitored continuously not only by channel and by product, but also to the level of individual employees—allowing a closed-loop improvement cycle of a single day.

In addition to keeping its eye on quantitative changes in willingness to recommend, the bank also scrutinizes qualitative customer sentiments. On a daily basis, the bank searches for comments throughout the web about the brand and automatically classifies the sentiment as positive, neutral or negative. In the case of blog posts written by dissatisfied customers, where they indicate that they want help, the bank’s Web Care

team will proactively reach out and ask, “Can we help you?” This single simple step helps to enhance customer enthusiasm.

Nearly all of the measurements of customer experience are converted into financial estimates, in order to support the ongoing business case for the bottom-line impact of the initiatives. For example, customers’ willingness to recommend the bank lowers the cost of acquisition of new customers through powerful word-of-mouth referrals, increases the likelihood of purchasing additional products to grow share-of-wallet, and

enhances the longevity of the relationships. Making the connection between customer enthusiasm and Euros is critical at ING, because it enhances the visibility and the importance of customer experience internally among management and frontline employees as well as externally with shareholders.

“Measurement not only guides experiential improvements, but it also changes the culture to one that is more customer-focused,” says Verhaaf. At ING, the subject of customer experience is relevant for everyone in the organization at every level, because 35 percent of the targets on a performance appraisal are related to customer experience—with 17.5 percent specifically focused on improvements in customers’ willingness to recommend the bank. This culture extends throughout all functional areas of the bank, an effort initiated and guided by a company-wide steering committee whose membership includes the COO, the CMO and other members of the ING Retail Board in the Netherlands. The existence of this cross-functional executive committee is one of the critical success factors for customer experience at ING, according to Verhaaf. “Each month, I report on the measurement of customers’ experiences and on our initiatives to improve those metrics to this committee,” says Verhaaf. “Through our measurements, we are equipped with the fact-based insights necessary to ensure that we are maximizing the effectiveness of our investments in customer experience.”

**Measurement not only guides experiential improvements, but it also changes the culture to one that is more customer-focused.**

## Perspectives from an Industry Expert



For over two decades, **John Kirkbright** has worked in strategic and marketing roles within European and other international banks. He now serves as the Senior Retail Banking Adviser to Efma (European Financial Marketing Association, a non-profit organization founded in 1971 whose membership includes 80 percent of the largest retail financial institutions within Europe); as well as the Chief Executive of K-Strat International, a consultancy providing advice to the worldwide financial services industry. In this question and answer dialog, John shares his expert insight on banks' efforts to enhance the quality of their customers' experiences.

**Q: What is hindering the success of retail banks in today's challenging circumstances?**

**A:** One key factor has been the significant reduction of customer confidence in the financial services industry over the past 18 months. You can lose a customer's trust overnight, but regaining it takes time. Accomplishing that objective requires a revitalized attitude toward customer centricity. Previously, too many banks too often relied on 'customer inertia'—I would not call it 'loyalty,' because it was a commitment of convenience and not of conviction on the part of the customer. Today, customers are increasingly willing to shop around because banks' products are perceived as commodities. Under these circumstances, banks are being reminded of the importance of investing in customers and in the quality of their experiences, in order to build long-term relationships that drive the purchase of additional products—and, that ultimately drive profits. Simultaneously, banks also recognize the need to achieve quick customer wins in the short term, because the pressure to perform is intense. In summary, banks are renewing their emphasis on first principles: building a better customer experience, integrated over all channels, is the means to the end of enhancing the likelihood of their success.

**Q: What has propelled the renewed interest of banks in investing in customers and in the quality of their experiences?**

**A:** Over the past 12 months or so, the product-push model within banking has almost disappeared. Before the recession, many banks were too willing to lend money to almost any customer in order to maximize their profits, even when those same customers could not necessarily afford to pay back the debt. Now, the model is one built upon a customer's needs: understanding those needs, and selling the proper product to each individual customer, taking into consideration her or his risk profile. As a result, the subject of customer needs has now become part of the strategic agenda of many senior executive committee meetings.

A second reason is that too many banks, along the way,

had lost a clear vision of what they wanted to achieve, what their brand represented, how they differentiated themselves from the customer's perspective, and how to deliver a quality customer experience that is integrated across channels. Because these considerations were viewed as too "long term," banks were not appropriately focused upon them. However, current circumstances have caused banks to be reminded of the fact that a short-term fix isn't a solution, and that delivering a better standard of service is the way to engender true customer loyalty. Otherwise, banks are at risk of losing customers—not only to other existing institutions in the marketplace, but to the nimble new entrants in the industry.

**Q: What distinguishes an excellent customer experience from an adequate one within retail banking?**

**A:** The situation within retail banking today is characterized by complexities and challenges. From the bank's perspective, there are more customer segments, buying and using more products, over more channels. From the customer's perspective, however, the expectation of a consistent, integrated and quality experience with the bank (wherever and however an interaction occurs) has become heightened. Customers want the same service, whether it is delivered at a branch, through a contact center, or online. Yet, only a small number have been able to achieve that goal. Most banks deliver the best experiences in the branches and the worst online—however, for a few, exactly the opposite is found. In both situations, technology systems and internal processes have been an underlying cause of the challenges.

**Q: What are some of the most innovative approaches within retail banking to achieving customer experience excellence today?**

**A:** Banks are realizing that customers want to do more things, more quickly, in a more integrated way; and, to be treated as individuals. These are the realms within which some of the most exciting innovations are occurring.

For example:

- One bank is now able to open a new demand deposit account for a customer within 15 minutes, and to equip that customer with everything needed to fully use that account. In contrast, for many banks, this is an effort that may take weeks.
- Another bank is excelling in complaint management. The bank allows customers to complain through *any* channel they prefer: in the branch, online, using email, with SMS, or in the contact center—and, regardless of the source, guarantees a response to resolve the issue within 48 hours. This is a key area of customer experience, because successfully hearing and resolving a customer's complaint enhances loyalty.
- A third illustration involves staffing and supporting customer relationship managers for more profitable customers, providing a single point of contact for the customer across all facets of the relationship. A small business owner, for example, interacts with the same bank representative to manage both professional as well as personal accounts and services.
- While publishing a customer charter with specific service commitments isn't new, one bank has done so and also taken the innovative step of hiring an independent auditing firm to publically report progress against those commitments (e.g., the promptness of servicing customers at the branch and the rapidity with which lost or stolen credit cards are replaced). This level of open and transparent commitment to the customer is exhilarating.
- Finally, innovations are occurring in the realm of customer feedback. While historically the process of gathering, analyzing and acting upon customer feedback took weeks, one innovative bank is allowing customers to speak into a kiosk to record comments about their branch experience as they depart, and these insights are quickly examined to reduce the 'sense-and-respond' continuous improvement cycle time.

**Q: What might retail banking learn from other industries concerning the design and delivery of excellent customer experiences?**

**A:** Banks are looking to other industries for "lessons learned." One area, in particular, concerns their employees—especially the recruitment of the right employees with

a strong customer orientation. Banks are increasingly looking to hire people who are empathetic and who can communicate with customers effectively. For this reason, some banks are recruiting personnel from retail. One executive recently told me, "I don't want bankers—I want to recruit people that have the right attitude and empathy with customers at the front line."

A second area is the design of the physical environment of the branch. Banks are more aware of the emotional experience of visiting a branch, and are learning from retailers how to create a welcoming environment for customers to feel more comfortable.

It is not sufficient, however, just to improve the look and feel of the branch—the ambiance of the branch must be reinforced by the attitude of the employees interacting with customers at that branch. This is why some banks are now benchmarking the quality of their customers' experiences against companies like Disney rather than against other major competitive banks.

**Q: What are the most important pieces of advice you can provide to retail banks wishing to enhance the quality of their customers' experiences?**

**A:** First, know that it won't happen unless customer experience is driven by the CEO or by another top executive, unless real commitment is demonstrated, unless measurement and reward systems are aligned, and unless it is clearly and consistently communicated that customer experience is the way that the bank will differentiate itself in the marketplace.

Second, a bank must have a clear vision of what it is seeking to achieve. More specifically, how will things be different—from a customer's perspective—6, 12, 18 or 24 months from now? Mapping the set of interactions that customers have with a bank is a good tool for this step, and developing the measurement plan to assess achievement of each milestone along the way is key. Communicating the overall vision and progress toward each of the milestones, both internally and externally, helps to maintain momentum and to demonstrate continued commitment to the goal of enhancing customers' experiences.

And, finally, banks must be clear about the role and the responsibilities of each employee in achieving that vision—and equipping employees with the tools, the technology and the training to succeed.

# Recommendations to Realize Results

Seeking success in the delivery of exceptional customer experiences is a journey, but one that starts from a foundation of three fundamental practices.

## 1. Organizational Leadership and Ownership

Customer experience success isn't managed—it is led. It requires senior organizational leadership to break down internal barriers and to coordinate efforts across functions, all of which are obstacles to delivering exceptional experiences and all of which are ultimately of no concern to customers.

Customer experience success also requires vision; a clear roadmap (that integrates internal customer experience processes and external best practices); consistency of purpose; the establishment of measurable and achievable milestones; and the alignment of financial and human resources, performance appraisal, and incentives systems with the goal of achieving business success through the execution of a customer experience strategy.

Companies with a customer experience executive are more likely to have a disciplined approach to customer experience management, and are more likely to avoid significant obstacles to improving their customers' experience, including the lack of a clear strategy, of customer experience management processes, of cooperation across organizations, of understanding about customers, of executive involvement, and of urgency.<sup>30</sup>

## 2. Provide Customized Value Propositions

In order to deliver exceptional customer experiences, a bank must be able to deliver customized value propositions. This requires the enterprise to take customer behavior and needs into account. The more customized the value proposition, the more difficult it will be for the competition to recreate it.

Personalized value propositions help lock in loyalty and so does the proper handling of "Moments of Truth." Succeeding at Moments of Truth has significant business consequences. Research has shown that the distinguishing factor between the best and the worst performing bank branches is the ability to solve problems effectively at Moments of Truth. Among customers who experienced a positive Moment of Truth in the past 24 months, over half increased the value of products purchased at the bank and nearly one-third purchased new products.<sup>31</sup> The negative impact of failing at Moments of Truth is especially strong for affluent customers who are twice as punitive to a bank as mass-market customers—especially distressing, because these high-value customers generate 13 times more profit.<sup>32</sup> And, by building an emotional connection with customers, the perception of a company's products and services as commodities may be lessened.<sup>33</sup>

As a consequence, it is essential for banks to identify these Moments of Truth for their customers—on an overall basis, and also those that are specific to each customer segment. To do so, begin by examining customer complaint data to generate a candidate list of potential Moments of Truth, and use qualitative focus group research among customers to narrow the set to those that are most salient. Next, employ quantitative customer research to understand the magnitude of each problem and its prevalence within each customer segment. Finally, consider the bank's capabilities to address each Moment of Truth and create a two-dimensional matrix of opportunities defined by the axes of customer impact and ease of implementation. Those Moments of Truth that are both high impact and comparatively easy to address should be first priority.

**"Succeeding at Moments of Truth by the bank has significant business consequences."**

—A bank executive's response on the financial importance of Moments of Truth.

### 3. Measurement

The goal of measurement is to enhance the quality, the certainty and the speed of business decision making. In the context of customer experience, measurement should seek to clarify the current state of the three critical dimensions of customer experience: (a) the delivery of operational excellence, (b) the creation of customized value propositions, and (c) the maintenance of a strong reputational presence.

By focusing on root causes or the factors that contribute to fluctuations in customer experience performance, measurement becomes actionable. To be actionable, a measurement of customer experience cannot be *generic*—it must be *granular*, such as: (a) the friendliness and helpfulness of staff when assisting a customer whose debit card has been lost, (b) the customization and personalization of services for a demand deposit account provided to a high-value customer, or (c) the monitoring of—and participation in—customer social networking communities to answer questions and offer advice. For each of these illustrative cases, metrics must be developed that reliably quantify the underlying construct; and, for each metric, documentation created that defines the metric, the data sources used, the method used to compute its value, the frequency of its update, the person responsible for the reporting of the metric, and the manager responsible for setting the target goal of the metric. In total, it constitutes a *customer experience measurement plan*.

That plan must encompass not only the customer experience metrics, but also the measurement of the associated drivers and business outcomes. For example, in the case of assisting a customer whose debit card has been lost and needs to be replaced, a driver of improvement in the metric might be completion of training by staff on how to recognize and calm customers' fears in an emotional situation; and, a business outcome might be enhanced loyalty. While some of the metrics, drivers, and business outcomes in the measurement plan may be specific to each customer segment of interest to the bank, the *analysis* of that information should always be performed at the segment level to better understand differences in customers' value, behaviors, and needs. When senior management actively supports customer experience measurement, loyalty is enhanced.<sup>34</sup>

**“Have a strong measurement process to improve! Measurement is the first step.”**

—A bank executive's primary recommendation for enhancing the quality of customers' experiences

#### CASE IN POINT

## Banco Santander: Driving Business Results with Superior Service Quality



Since the signing of a royal decree by Queen Isabel II of Spain in 1857 that founded the bank, Banco Santander has grown to become one of the largest financial groups on the globe. Today, it employs over 169,000 personnel and has over 13,000 branches across three continents, producing a gross income of more than €39 billion in 2009 by serving 92 million customers. The first pillar of the bank's successful strategy is founded upon being “customer-focused” with the objective of “capturing, linking and increasing the loyalty of our individual customers.” A relentless fixation on service quality is the means to that end,

with over 90 percent of retail banking customers reporting that they were satisfied, generating improved loyalty and higher revenue per customer.<sup>35</sup>

How did Santander achieved improved business performance through service quality? “About five years ago, the bank lost more clients per year than its competitors,” explains Jorge Martinez-Arroyo, Channels Director at Santander. To combat churn, the bank launched the “We Want to Be Your Bank” strategic plan in 2006, a key component of which involved the elimination of commissions paid by most customers. At that time, the action erased

the commission income from 3 million customers with a direct revenue impact of about €82 million—no small act of faith in criticality of the quality of customers' experiences, indeed. The program pays back in terms of retention and wallet share, Martinez-Arroyo says. "This idea is, you improve quality and you [increase revenue] through retention and through share of wallet. In fact, the program paid off in less than a year." But, the bank has been able to achieve even more by leveraging its detailed knowledge of the needs of each individual customer to enhance the relevance of both service and sales experiences. "You have to communicate it to clients to be sure they know and appreciate what you are doing. This helps clients feel part of the bank, otherwise it's a waste of money," notes Martinez-Arroyo.

It's important not only to know what the customer thinks at a specific moment, but also to know their ongoing preferences. For instance, "right now our customers want more secure offers in everything," says Luis Colorado, Marketing Director at Santander. "We learn their needs and expectations, and we try to set our value proposition to those needs." The goal is to use all the information the bank has about its customers to create customized value propositions for its different segments while creating specific opportunities for the branches. "This is very important, because it assists the branches in doing what is best for the business and for the customers." These opportunities identify which product, which value proposition, which promotion, and which price should be communicated to which customer of a branch. "Every week we send many different opportunities to the branches, which they are required to execute." Sometimes these communications focus on sales and sometimes on service. The bank also gathers information about the customer's reaction to these proposals—most importantly, if the customer perceives it as relevant. "Customers may say, 'No, I am not interested right now, but the offer is interesting.' We want to know if they feel comfortable with the different sales and service offers that we are presenting." Through a rigorous testing and analysis process, the bank is able to quickly determine what works (and what doesn't), and adjust its actions accordingly.

These and other aspects of excellent quality service are achieved through the Corporate Model of Customers and Quality—a philosophy and a process that is now installed in most branches in Spain, the United Kingdom, Portugal

**It's important not only to know what the customer thinks at a specific moment, but also to know their ongoing preferences.**

and Chile. The model provides a consistent framework for Santander to quantify and to measure service quality, to define specific targets for improvement in both the short- and long-term, and to more thoroughly understand customers' perception of the bank's products, channels and services.<sup>36</sup>

Central to the success of the model are the Quality Tables, multidisciplinary committees composed of marketing, operations, technology, and contact center personnel; and led by a representative of a business line. These committees establish and communicate the customer-focused vision, together with specifying the prioritized tactics for improving the quality of service.<sup>36</sup>

The model also encompasses the capturing of suggestions and the solving of complaints, a process that drives continuous improvement. Any channel may be used by a customer to register a complaint, over 70 percent of which are resolved in less than 15 days. The bank seeks to maximize not only the timeliness of a response to a complaint, but also the tailoring of a solution that is based upon the individual needs of the customer.<sup>36</sup>

Improving service quality may manifest itself through a variety of initiatives, depending upon the specific situation of each branch network in each geography. For example:<sup>36</sup>

- In Spain, over 100,000 customers are surveyed annually to understand the drivers of customer delight; and among the largest branches, a plan is in place to reduce waiting times and to improve the quality of advisory services.
- In the United Kingdom, a complaints helpdesk unit has been launched, together with supporting technology systems, to improve the quality of employees' responses to customer concerns.
- In Portugal, all employees participate in a quality training program that has maintained good levels of customer satisfaction in an increasingly competitive marketplace.
- In Chile, a simplified set of customer-focused indicators have been adopted for use by management.

Through these and other initiatives, the Corporate Model of Customers and Quality has enabled Santander to pursue a commitment to "the highest level of customer satisfaction, creating lasting relations and offering the best products and maximum quality service."<sup>36</sup>

## ABN AMRO: Culture is Critical



With a history dating back to 1824, ABN AMRO now serves over four million retail customers in 15 countries and manages total assets of €202 billion.<sup>37</sup> The company's success has been due in no small measure to the emphasis that it places on "starting and maintaining long-term relationships; about being reliable, safe, and honest; as well as being close to customers and employees."<sup>38</sup>

The focus on customers and the strength of their relationship with the bank has led to improvements in the contact center, one of the most important channels of interaction influencing retail customers' perception of their experience. With about 1,000 advisors in four locations, the center handles general questions and comments, resolves complaints, and answers inquiries about products including insurance, investments and mortgages. "Our unique viewpoint on customer experience is that it is about *really* helping people—and, doing it from the customer's perspective," explains Michel Driel, Manager, Customer Contact Center at ABN AMRO. "Excellence in customer experience is not only about reactively addressing the customer's reason for calling, but is also about proactively sharing information and suggestions that you know will be interesting and valuable." This requires a change in the mindset of the contact center staff: "We seek to have our advisors think in terms of *possibilities* rather than *impossibilities*, to suggest what we *could* do for this customer rather than what we *cannot* because of limitations and constraints," explains Driel.

Securing a sustained shift in mindset necessitates a change in the culture of the contact center. Today, ABN AMRO is implementing a broad collection of initiatives to achieve that cultural change:

- **Focusing on quality.** Previously, performance management practices exclusively tracked quantitative metrics such as call duration. Now, these are supplanted by assessments of the quality of the contact—encompassing not only the perspectives of the advisors' supervisors, but also those of the advisors themselves on their own success (and, in the near future, the viewpoints of customers as well).
- **Being enthusiastic.** The bank actively seeks to create an environment in which advisors can become genuinely enthusiastic about their work, and it encourages that enthusiasm to be openly expressed to customers.
- **Telling stories.** Descriptions of cases where customers are served exceptionally well are recorded and shared among

advisors, in order to help them bridge the gap between an intellectual understanding of the theory of "customer experience" to the practical reality of how to positively strengthen a customer's relationship with the bank.

- **Supplying the right tools and training.** ABN AMRO has equipped its advisors with a 'toolbox' of techniques and technology. For example, when a customer expresses a concern, advisors will use a positive language so that the customer rationally understands and emotionally appreciates what the bank is going to do to address the issue. Plus, advisors use a system in which issues are recorded so that the continuity of the conversation can be maintained.
- **Coaching supervisors.** Through the character of the day-to-day work environment, frontline supervisory personnel play a significant role in the success of customers' conversations with advisors. ABN AMRO coaches its supervisors on ways to create an atmosphere that recognizes the successes of advisors, that assists them in achieving those successes, that demonstrates interpersonal warmth, and that encourages fun. To demonstrate their commitment to this environment, supervisors have increased their visibility on the floor among the advisors.
- **Involving advisors.** Rather than issuing top-down managerial proclamations of what "customer experience" means, ABN AMRO has actively involved the advisors in a feedback process in which their inputs have been gathered—in order to enhance ownership in the outcome, and to secure practical insights about how best to make it work.
- **Beginning with the end-in-mind.** ABN AMRO conducted 35 half-day workshops among employees to pursue a deceptively simple question: in our own lives as customers, what is an excellent customer experience? This "reverse thinking" exercise helped the bank to identify many of the most important dimensions of customer experience.

Together, these actions are succeeding in altering the culture of the contact center by moving the mindset of advisors from simply serving customers to delighting customers. The scope of the bank's consideration of customer experience doesn't end with the contact center, however. "It is crucial to secure senior management's visible commitment to the enhancement of customers' experiences, and to expand the scope of these initiatives to encompass the entire enterprise," says Driel.

## Overcoming Obstacles

When banks were asked to name the single greatest obstacle currently hindering the design and delivery of exceptional customer experiences, three themes emerged. In their own words, this is what banks had to say—together with the associated actions to overcome those impediments.

### Common Obstacles

#### Lack a consistent customer focus

- “Having a clear vision and executing it”
- “Making customer experience a real business priority”
- “Our strategy and top management speech are not in line with practices”
- “Resources”

#### Build a customized relationship

- “Managing the knowledge of the customer”
- “Avoid jumping to conclusions based on past solutions”
- “Consistency ... across segments, channels and geographic areas”
- “Differentiating customer experience for Moments of Truth”

#### Measure and align

- “Lack of centralized monitoring of customer experience”
- “Main KPIs are still mainly related to sales, brand equity and market share”
- “Diversity in terms of customer base and the staff and the two are not aligned”

### Key Drivers of Success

#### Persuasively infuse the importance of customer experience into the organization

- Achieve clarity on “customer experience”
  - Establish a common and persuasive direction-in-mind
- Dedicate resources to advance on track

#### Use customer insights to enhance relevance

- Emphasize capabilities outside comfort zone
  - Recognize the whole relationship
  - Transform insights into proactivity
  - Customize interactions
  - Capture key life stage events

#### Quantify and assess performance against key metrics of success

- Prioritize measurement
- Receive and utilize continuous internal and external feedback
- Keep social media in mind

Source: Peppers & Rogers Group

## Conclusion

Banks are at a precipice. Focus on what matters most to customers—the quality of their experiences—or, prepare for a precarious future. Five years ago, the editor of the *Journal of Financial Services Marketing* asked a prophetic question:

*Will the next 10–15 years of marketing be different from the last 10–15 years? Or will the long-standing lack of interest, apathy and inertia of so many financial services customers continue unabated, remaining a major driver of customer retention, despite dissatisfying customer experiences and competitive recruitment efforts?<sup>39</sup>*

His prediction now seems to be a certainty:

*With the imminent onslaught of messages, in all places, at all times, ‘Moments of Truth’ will occur increasingly for all customers, and the immediate relevance and service they experience will increasingly determine long-term loyalty and advocacy.<sup>39</sup>*

Thus, the choice has become clear: evolve quickly—or, die slowly. Banks that deliver operational excellence in every interaction; that customize products, pricing, and promotions to match the needs of each individual customer; and that establish a positive reputation are on the path to success. Begin by adopting a broad perspective for customer experience that encompasses all three of these components, by setting a clear direction and developing a roadmap to guide the journey from today’s state to tomorrow’s future, by making sure that all customer experience initiatives are supported by a cross-functional team with dedicated resources, and by linking performance management to customer experience success with measures and incentives to increase awareness and responsiveness within the organization. And, begin now. ■

**“Customer experience excellence for retail banks is no longer an option—it is an imperative.”**

—Patrick Desmarès, *Secretary General, Efma*

## About the Research

Data were collected during the period from March 24<sup>th</sup> through May 10<sup>th</sup>, 2010 from retail financial banks belonging to Efma (European Financial Marketing Association), a non-profit organization founded in 1971 whose membership includes 80 percent of the largest retail financial institutions within Europe. An initial invitation to participate in the research was emailed on March 24. Non-responders (plus new members in Efma) received an email on April 19. In total, 3,407 individuals within 793 banks were asked to contribute their expertise and insights through the survey, with an additional 274 individuals receiving a request to take part in a qualitative interview.

Both the survey and the interview gathered self-reported information on six themes:

1. Organizational awareness and managerial ownership
2. Capabilities
3. Measurement
4. Business outcomes
5. Wisdom and advice (open-end, verbatim comments)
6. Respondent and company information

Responses to the survey were collected online, and one-hour qualitative interviews were conducted either in person or through a telephone conversation. The information gathered through the survey was individually identifiable but confidential, and has only been reported in a summarized format in order to protect the anonymity of each contributor.

A total of 165 individuals participated in the survey, 106 (64 percent) of whom also disclosed the name of their bank and were included in the analyses. These individuals represented 85 banks in 37 countries from Europe (84 percent), Asia (12 percent) and Africa (5 percent). Across job levels, 4 percent of these individuals held a president or C-level position; 11 percent, vice president; 25 percent, director; 43 percent, manager; and the remainder (17 percent) were individual contributors.

Most of the 33 questions in the survey used a seven-point Likert scale to measure *agreement* (1 = strongly disagree, 4 = neither agree nor disagree, 7 = strongly agree); *quality* (1 = poor, 4 = good, 7 = excellent); *change* (1 = decreased significantly, 4 = remained the same, 7 = increased significantly); *relative performance* (1 = significantly below average, 4 = average, 7 = significantly above average); or *absolute performance, importance or priority* (1 = very low, 4 = moderate, 7 = very high). In cases in which two or more individuals from the same bank in the same country participated, responses to rating questions were averaged when analyzing banks. Within this report, each seven-point scale has been collapsed into low (1, 2); medium (3, 4, 5); and high (6, 7) categories to simplify the discussion of the empirical findings. With the exception of questions on themes 5 (wisdom and advice) and 6 (respondent and company information), all questions on the survey were mandatory and required a response from the participant.

A total of 14 individuals from 12 banks courteously provided their insights through qualitative interviews.

All of the information gathered through this research represents the perspectives of the respondents on their bank and on the customers of their bank, and has not been independently audited or verified.

### A Special Thanks...

Peppers & Rogers Group and Efma wish to gratefully acknowledge the contributions of the many individuals who provided both qualitative and quantitative information on their banks through this research. Without their participation, the findings documented in this report would not have been possible. In particular, the involvement of ABN AMRO, Banco Santander, ING Bank and Intesa Sanpaolo are most appreciatively recognized.

## Peppers & Rogers Group

Peppers & Rogers Group is dedicated to helping its clients improve business performance by shifting focus from transactions to managing relationships. As products or services become commodities and globalization picks up speed, customers have become more demanding and harder to satisfy. They hold the keys to higher profit today and stronger enterprise value tomorrow. We help clients achieve these goals by building the right relationships with the right customers over the right channels.

We earn our keep by solving the business problems of our clients. By delivering a superior 1to1® Strategy, we remove the operational and organizational barriers that stand in the way of profitable customer relationships. We show clients where to focus resources and efforts to improve the performance of their marketing, sales and service initiatives.

### **Institute for the Advancement of Customer Centricity**

As part of Peppers & Rogers Group, the *Institute for the Advancement of Customer Centricity* (IACC) is a global association of practitioners, strategists and scholars dedicated to empirically exploring the current state of the practice of customer centricity—and to advance that state through original rigorous research in order to confirm, to challenge or to cultivate the most promising and insightful concepts on the horizon. In its capacity as a catalyst, the institute widely shares those research findings and their implications through publications and presentations, with the expectation that the knowledge will serve to make the world a more pleasant place for customers—and, a more profitable place for those companies adhering to the proven principles and practices of customer centricity.

For more information, visit [www.peppersandrogersgroup.com](http://www.peppersandrogersgroup.com)

## Efma

The European Financial Marketing Association (Efma) has been an unfailing observer of the numerous transformations that the retail financial services sector has experienced over the years and has demonstrated its ongoing commitment to providing a forum for professionals from the sector. Formed in 1971 by bankers and insurers to encourage their colleagues to share experiences, promote the best practices of their institution and collaborate through alliances and partnerships, today the non-profit association's members include over 80 percent of Europe's largest retail financial institutions.

Through regular events, publications, and its comprehensive website, the association provides retail financial service professionals with answers to their questions about the main issues at stake in their business: multidistribution strategies, customer approaches, product and service marketing, risk management or operational excellence, to name a few.

Efma is above all a dynamic association, providing a great opportunity for discussion and exchanges without any commercial constraints. For the past 40 years, the loyalty of its members as well as their permanent financial support are the best proof of its efficiency.

For more information, visit [www.efma.com](http://www.efma.com)

## Research Team

The quality of the research was greatly improved through the experience and contributions of many experts within Peppers & Rogers Group, most notably including: Mine Bayrak, Senior Consultant; Aysegul Bahcivanoglu, Director; Marji Chimes, Vice President, Media & Marketing; Tulay Idil, Partner; and Thomas Lacki, Ph.D., Executive Director.

## Author

With over 15 years of marketing experience and advanced study in cognitive psychology, research methodology, and statistics, Thomas Lacki, Ph.D., is privileged to contribute to the creation of higher value solutions through best thinking for Peppers & Rogers Group. In the role of Executive Director of the Institute for the Advancement of Customer Centricity, he leverages his own expertise in understanding individuals behaviorally and analytically to achieve measurable relationship marketing results today, and to elevate the practice of relationship marketing tomorrow. Tom has shared his insights with conference audiences throughout the world, and has published numerous research and white papers.

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