

Enhancing Customer Satisfaction in Retail Financial Services

How Financial Services companies can differentiate through delivering a superior sales and service experience.

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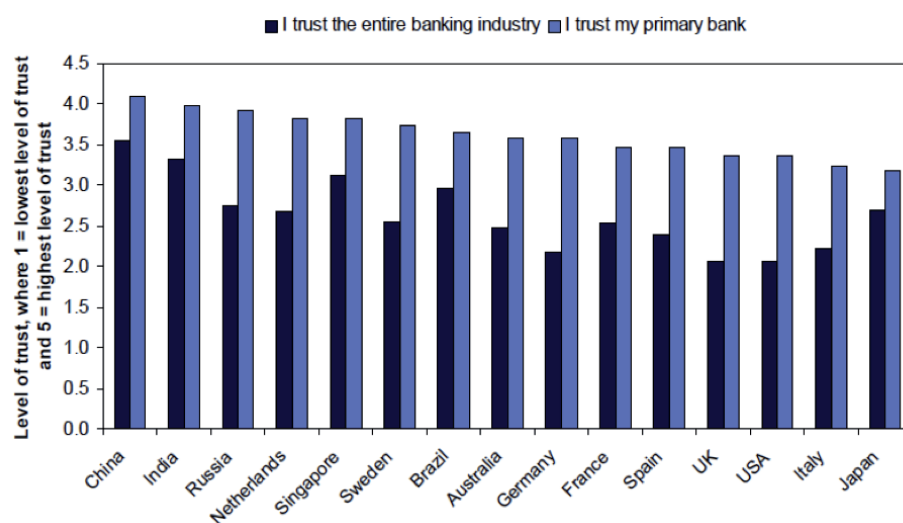
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Financial Services in 2010 is not an easy environment. The credit crunch has had a significant and deleterious impact on customer relationships. According to research conducted by Datamonitor, UK consumers now trust the banks less than their counterparts in any other leading market (with the possible exception of the US). But where to go? With product offerings apparently so heavily commoditised, how should a customer with a propensity to switch go about selecting a new bank? And what can the banks do to rebuild existing relationships and attract new customers?

The stock answers to these questions are likely to revolve around ‘improving the service model’, but what does this really entail? And how can it be done? It is our contention that the level of ability to provide exemplary customer service will be the critical factor in determining which banks gain and lose market share over the next five years.

Branch networks in particular represent a huge cost base for the banks. Those who offer a great service experience to their customers will retain them. They will also see higher rates of advocacy. This will result in a higher customer share which will, in turn, result in higher sales and, finally, a higher ROI on their investment in branches. This sounds simple, but reality suggests otherwise. As we will discuss in this paper, our research indicates that the major players in the UK banking sector still have some way to go to offer a great customer experience. However, the potential is there to get the customer model right. And the benefits in doing so can be truly significant.



Source: Datamonitor Financial Services Consumer Insight Survey 2009

ROOM FOR IMPROVEMENT – A MYSTERY SHOPPER EXERCISE

We decided to put the leading UK banks and building societies to the test through a mystery shopper. How would they react when our researchers engaged them to ask for a financial review? Would they provide a fair, tailored and value-add customer experience? Or would they see this as a golden opportunity to sell high margin profits whatever the customer’s true needs? Or would they fail to recognise this as an opportunity to provide a great customer experience at all?

We researched three key customer experiences:

- **Requesting a meeting in branch:** a customer goes into a branch and asks for an appointment to discuss their financial needs. How quickly do branch staff react to their customer's request? And how quickly do they see a Relationship Manager?
- **Requesting a meeting through telephony:** a customer calls their bank to ask for the same as above. How well do telephony and the branch network work together to ensure a customer can see an appropriate Relationship Manager in the branch of their choice and at the time of their choice?
- **Taking part in a Financial Review:** What happens when a customer comes face to face with a Relationship Manager in a financial review? How adept is the Relationship Manager at identifying and responding appropriately to their needs

REQUESTING A MEETING IN BRANCH

"I waited for 20 minutes near the welcome desk along with three other customers, but no member of staff approached us. Everyone left in the end without speaking to anyone."

Converting branch footfall into sales opportunities has long been an issue. Many customers use their branch simply for transactional purposes. So how can the banks turn branches from cost-centres to profit-centres? Clearly, it would not be practical to view every customer who enters a branch as a sales prospect (and nor would it represent a good customer experience) but the key is to identify those customers who have unmet financial needs and to respond to them. We asked our mystery shoppers to join the queue to see a cashier. If they were approached by a floor walker, they were to ask for a financial review meeting. If not, they were to proceed to the cashier and request the same. To this extent, we were taking away from the banks the dilemma of determining which customers to approach with regard to product needs and which to view as pure transactors. Our researchers were presenting the banks with a golden opportunity to deliver a great customer experience and, potentially, to make a sale. The experiences our researchers had were mixed. Some of the main issues we identified were:

- **Queue management:** All of the banks in the study were trying to meet demand by flexing the number of cashiers on duty according to the time of day. Their success in doing so whilst maintaining high levels of customer service was mixed at best. In one bank, queuing time to see a cashier was 14 minutes. In another one of our mystery shoppers waited for 20 minutes at the welcome desk
- **Customer triage:** None of the banks in the study deployed floor walkers. As a result, no triage system was in place to identify customers' needs
- **Cashier responsiveness:** Cashiers appear to be strongly focused on the efficient processing of transactions. In only two of the eight banks involved did they try to engage the mystery shopper about broader financial needs
- **Same day response:** In addition, only two of the banks were able to offer an immediate appointment with a Relationship Manager. Of the others, one bank could not offer an appointment at the time of day of the mystery shopper's choice. One commented "we don't do lunchtime appointments", and another could not offer an appointment until over a week later
- **Appointment quality:** There appeared to be an inconsistent focus on maintaining the quality of the appointment book. Only two of the banks made confirmation calls to ensure that their customers intended to keep the appointment

"I was told that if I wanted to see someone to discuss my financial needs straightaway I should 'go over there and wait in the corner'. I did so and was eventually approached by a junior member of staff. I got the impression his motivation was less to understand how he could help me and more to make sure I had a legitimate reason for being there."

Conclusions

A mixed report. Some of the banks efficiently processed the transactional business. They can also be forgiven for not attempting to drive a sales opportunity from every customer interaction they undertake. However, too many opportunities to deliver a great customer experience were missed. Not one bank attempted to encourage further customer contact from any of the interactions they were offered.

Some also performed poorly at the basics, specifically managing queuing times. As a result customers could understandably want to leave the branch as soon as possible in spite of the best efforts of staff to engage them about their broader financial needs.

Across the board, our research suggests there is considerable room for improvement.

REQUESTING A MEETING THROUGH TELEPHONY

“I was put on hold 3 times whilst the customer services rep rang the branch to book an appointment. Each time they couldn’t get through. In the end I was told I’d get a call back to confirm my appointment – this never happened.”

Getting different channels to work together in harmony and deliver a high quality, consistent customer experience across channels has long been a challenge for the banks. And our research suggests that significant challenges remain to be addressed.

We defined a first class experience as being able to call central telephony and arrange a meeting at the branch and time of our choice with an appropriate Relationship Manager.

To be fair to the banks, our research found that three of the eight banks tested performed well at this. However, at two banks, our mystery shoppers did not succeed in booking an appointment at all. They were told that it was not immediately possible to arrange a meeting over the phone and that they would receive a call back to make arrangements - a call back which never materialised. One thing was clear – the customer experience was significantly better at banks which allowed the customer to speak directly to someone in branch rather than in central telephony. Where a hand-off between channels was required, the process was not efficient. At one bank an operator tried and failed three times to contact a member of branch staff and eventually abandoned the call.

As in branch, the ability of the staff to recognise and respond to the customer’s needs at first point of contact was mixed. At five of the eight banks, staff did attempt to pre-screen customer needs. In one of these, however, those needs were incorrectly identified, meaning that an opportunity to sell appropriate products was lost. At another bank, the mystery shopper told the operator that she held both a current and a savings account with the bank. She was subsequently called by a Relationship Manager and was told that unless she wanted to take out an ISA, there was little point in them conducting a review “as she already held the products that were most appropriate to her needs”. There was no discussion of her credit requirements.

“I told the person on the phone that I had a wide range of financial needs I wanted to discuss. I did mention an ISA, but I said I wanted to discuss credit as well. When I turned up for my appointment it was with a regulated seller and so when I wanted to talk about credit cards, he couldn’t help me.”

Conclusions

Frustration was our mystery shoppers' overriding experience in booking a financial review through the telephony channel. When speaking to a call centre operator there were significant difficulties in achieving the desired outcome. The banks struggled either to contact a member of branch staff directly or lacked access to Relationship Managers' diaries. Their commitment to confirmation calls and call-backs was mixed. Whilst some can be congratulated on a fairly sleek interaction between telephony and the branch network, the evidence suggests that the goal of having a seamless multi-channel customer experience is still some way off.

TAKING PART IN A FINANCIAL REVIEW

"The Financial Adviser lacked the ability to understand my needs fully. He recognised that I wanted to invest my savings but my motivation for doing so – the why and how – was not covered in the review."

To this point, our research focused on the processes and activities through which customers come into face-to-face contact with Relationship Managers. But how good are the banks at providing a great customer experience once the meeting actually takes place?

We considered three key areas of investigation:

- strict adherence to regulation
- process efficiency
- relationship-building ability

None of the banks achieved a world-class score in all three. Our main findings included the following:

- Only two of the banks researched fully met their obligations with regards to disclosure and the limits of the advice their Relationship Managers were able to give
- At five of the banks, the Relationship Manager failed to explain his or her level of experience and qualifications
- Only four of the banks used an on-screen 'fact find' to structure the discussion. Without such a formal structure in place, Relationship Managers tended not to identify all the customer's financial needs
- Relationship Managers at several of the banks failed to make the customer feel relaxed through positive body language with several mystery shoppers commenting that no eye contact was made and, in one case, that "the Relationship Manager gave the impression she wanted the meeting to end as soon as possible"
- Finally, and most critically, at only two of the banks did our mystery shoppers feel the financial review resulted in recommendations which responded fully to their financial needs

Our shoppers experienced both extremes of the sales process. One received a 'hard sell' for an unsuitable product whilst, at another bank, the Relationship Manager missed clear buying signals and failed to discuss specific products at all.

Conclusions

It would be easy to be overly critical of the banks in relation to the Financial Reviews. Customers and Relationship Managers alike are not machines and a review is a conversation, not an automated process. As a result, it would be unfair to expect a perfect outcome from every customer meeting. However, the fact is that significant issues were identified at every bank, suggesting that there are real opportunities to increase the number of positive outcomes from financial reviews.

HOW BANKS CAN IMPROVE SALES AND SERVICE EFFECTIVENESS. THE HITACHI CONSULTING APPROACH

Finding that 'magic service' touch is exceptionally difficult in today's financial marketplace. It would be easy to feel that few things are harder than improving and maintaining customer satisfaction ratings.

Hitachi Consulting believes that enhancing the customer experience does not need to be expensive nor does it have to take forever.

Our mystery shopper exercise suggests that there is real value both for the banks and their customers in getting the basics right.

This involves:

- identifying customer needs and then responding to them appropriately
- freeing up the operating model by making processes lean and customer-focused
- up-skilling staff to provide great customer service
- empowering them to do the right thing by their customers

Using proven methodologies and techniques to increase customer loyalty, satisfaction and profitability, we can work with you to deliver a significant improvement in bottom line performance, even in year one.

Our approach resolves problems on three fronts:

- **Staff:** in our experience, a relatively small number of customer-facing staff tend to provide the lion's share of great customer experiences. Hitachi Consulting's solution is to identify your top performers across all elements of your customer-facing processes and to enable the rest of your staff to replicate their methods
- **Processes:** sometimes staff deviate from your process – but are they delivering better experiences or breaching regulations? Are non-core activities diverting too much time and effort from the real job of delivering great service? Knowing these answers is halfway to resolving the issues
- **Systems:** great improvements can be made by simply optimising your infrastructure and making sure your people are properly trained. Even replacing or updating your infrastructure need not be as costly as you might expect

WE BELIEVE WE ARE IDEALLY PLACED TO HELP YOU.

Hitachi Consulting offers you:

- **Global brand and local presence:** We have the flexibility and agility of a small organisation yet with the backing of one of the largest companies on the planet
- **Proven track record with leading banks:** Under the highly respected and previous names of Impact Plus and Edenbrook, Hitachi Consulting has undertaken many projects for a range of tier 1 and tier 2 financial services institutions spanning 20 years
- **Breadth of services:** Hitachi Consulting offers a full suite of consulting services. We have the expertise to be able to identify all of the challenges your customer-facing team is dealing with. And we devise innovative and practical solutions. Areas in which we can work with you include operating model and business process redesign, IT optimisation and BI strategy, and staff performance enhancement
- **Specialist methodology:** Hitachi Consulting has developed a tried and tested methodology. Wherever appropriate, we customise our approach to ensure you get the right result. We do not impose a set approach, rather we work with you to ensure project activity is focused on delivering results quickly and cost-effectively
- **Our people:** Whether long standing consultants or experienced industry professionals, all our people have extensive sector experience and a deep understanding of the challenges you face

FREE CONSULTANCY

Hitachi Consulting is offering a free 2 hour best practice workshop with our Financial Services Experts to identify where changing your sales and service practice will bring benefits to your business. For more information, please contact our Financial Services Team on 020 7947 4500 or eMail ukinfo@hitachiconsulting.com

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