

## Customer advocacy in financial services: rebuilding confidence after the banking crisis

**Retail banks need to reassess their sales, service and customer origination strategies as they move towards a revenue model built on strong customer relationships, rather than on 'piling high and selling cheap'.**

**By Nic Merriman, Director and Chief Architect Financial Services, Avanade UK**

Two years the world will not forget: 2008 and 2009. A global economic crisis gripped the planet. Businesses watched in horror as profits plummeted and the financial services industry lived through a waking nightmare.

Venerable retail banking institutions disappeared in all but name. Their fate foretold when the bad debt pigeons born out of poor lending decisions came home to roost. As the crisis worsened thousands of panicked-gripped customers desperately withdrew billions to protect their capital.

Despite the magnitude of the crisis, signs of improvement have emerged. Government cash injections restarted the economic cycle. Banks began to function again. But things are not what they were. One major side effect from the crisis

has been the change in the relationship between banks and their customers.

Put simply, many customers lost faith in their banks. Their opinion shifted. Previously, banks were viewed as trustworthy institutions that looked after money. Now, customers are questioning whether the banks have their loyal account holders' best interest at heart.

So what does this mean for retail banks?

Simple. Banks must rebuild relationships with their customers. They need to provide real customer service; offering products customers need and that they can understand. They also need to work harder at customer service. Customers should occupy the centre of their interest. All too often, customers are expected to make sense of their own financial complexity, dealing with a bank's disjointed channels and processes to form a view of their portfolio and to make sense of their next best action. Banks that can simplify the customer interaction process and provide clear advice will create closer, more trusting relationships. This, in turn, will lead to more profitable banks.

The good news for customers is that some banks have already started to move in this direction. Lloyds TSB has invested in 'needs-based' selling strategies<sup>1</sup>. Under the approach, when a customer buys a product, the customer receives the right information to help them select the right product. Others have started offering loyalty-based products that reward valuable customers.



<sup>1</sup> 'Lloyds TSB: 'Your finances' sales process is used in all Lloyds TSB branches to drive a needs-based selling approach based on customer information [http://www.lloydstsb.com/about\\_tsb/financial\\_inclusion.asp](http://www.lloydstsb.com/about_tsb/financial_inclusion.asp)

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In October 2009 to fight the rising bad debt RBS restricted all credit card applications to existing customers only.<sup>2</sup>

In November 2009 Abbey announced that it would be offering lower mortgage rates to customers who have held current accounts with the bank for more than six months.<sup>3</sup>

These early improvements are only part of the answer. In addition to providing more competitive products, as well as selling them through needs-based analysis, banks must also work harder at customer service. Banks need to treat customers as valued customers. They should recognize the potential in courting good customers. Inevitably, customers buy more if they feel they are valued.

Banks also need to improve their self-service and assisted service channels. By delivering consistent and coherent processes and experiences, they negate the need for the customer to be the 'glue'. All too often banks expect customers to dial multiple call centres or they force them down a particular channel to service accounts. In the new world of banking, such experiences will increasingly damage their relationship with their customer. It leads to customer attrition and it makes it difficult for banks to attract new customers as their competitors begin to deliver better service.

There is an internet bank in the UK that has provided an example of taking the right approach. It put together a strategy in the early part of the decade designed to maximise the profitability of their existing customer base. By understanding their customers' needs,

desires and financial position, they made recommendations on products customers needed and enabled them to meet their goals. They worked out that satisfied customers buy more products, bringing in more revenue. The bank delivered this through a channel strategy that put the customer at the centre of the relationship and enabled them to interact via the channel of their choice.

This example, while powerful, was unfortunately rare in a price-conscious market where debt was cheap. Many banks didn't see, or refused to invest, to realise the value of relationships. Those times are gone. Now all organisations must better understand and service their customers or they will struggle in the new world that they now inhabit. Put simply, if banks want to remain competitive and grow revenue, they must get to know their customers again, providing a coherent servicing strategy.

### Technology

Are the banks capable of responding? Can their technology support this new era? Do they have the capability to deliver an enhanced customer service? Will they provide more relevant products and offers that will develop a deeper customer relationship?

Today, much of a bank's technology exists in silos. It's spread across different channels and product platforms. As a consequence, many of them find it difficult to cross sell effectively. In addition, the diversity of origination systems means customers can be offered products that they either don't need or want. Indeed, in some instances, customers have been persuaded to accept an offer. Then the bank subsequently

rejects their application through their credit risk platforms. The result? An unsatisfactory customer experience, a wasted sales effort and missed opportunities.

The situation is often no better when it comes to servicing customers. Customer information is held in disparate platforms and managed by different applications. The result is a disconnected experience for customers. They are looking for a view of products across the bank. They don't want to phone several numbers to service different products that appear to them as being delivered by the same organisation.

*"Ultimately, the management of customer information at the point of interaction is about service, about keeping the customer happy, and, simply put, about keeping the customer. It's about strengthening the relationship and showing the customer that the bank's knowledge can lead to real benefit. It's about increasing the bank's benefit as well, and doing it in a way that does not sacrifice the customer's long-term well-being. Finally, it's about trust as a result of knowing the customer and not as an excuse for misusing information."*

Jim Eckenrode, TowerGroup

<sup>2</sup>**Confused.com:** Weighing up the best credit card deals for you Publication Date: Monday, October 12, 2009 <http://www.confused.com/featured-articles/money/credit-cards/weighing-up-the-best-credit-card-deals-for-you-3550723835>

<sup>3</sup>**TotallyMoney.com:** Abbey launches reduced mortgage rates for existing customers Tuesday, November 10, 2009, 17:06 <http://www.totallymoney.com/news/index.php/2009/11/abbey-launches-reduced-mortgage-rates-for-existing-customers/>

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### A better way

To address the challenges banks face, organisations need to look at their sales and service platforms. They must revisit their customer origination strategies. They also need to develop a vision that enables them to become more of a customer-focused, relationship-oriented banking organisation. Taking advantage of cross channel sales processes that focus on gathering the right amount of data needed to make firm and relevant offers to customers will be important. In addition, they need to capture and utilise the information they have on their customers to make relevant offers. That's what many retailers have done for years and it is these retailers are now becoming a threat as they enter the financial services sector.

Specifically banks and their IT organisations need to start looking at technologies such as:

- **BPM (Business Process Management):**  
To provide the ability to automate and drive consistency into sales processes
- **Single Consolidated Desktops:**  
To deliver coherent sales and service platforms on top of legacy applications without the need for a huge programme of redevelopment.
- **Customer relationship management:**  
Not the huge CRM implementations of the past, but a more strategic, targeted approach integrated into core customer systems to provide mechanisms for more personal sales and service experiences.

To date, a few banks have started to address the gaps - developing services that can be reused across channels. However, increasingly banks are looking at how they can use customer-centric applications to service their customers more effectively, offering them products tailored to their needs. These organisations will start to steal a march on their competitors as we move out of recession and they need to actively compete for a 'share of wallet'.

### Example – Charles Schwab

**After stumbling badly in the early 2000s, Charles Schwab bounced back, thanks to a strategy built around customer advocacy and loyalty. The strategy of driving organic growth by doing what's right for customers led senior management to sharpen pricing, improve service, and offer more investing help.**

**The result: More customers are willing to consider Schwab for a future purchase. The firm set new records for income and earnings per share in 2007.**

**Source-Charles Schwab Storms Back By Focusing On Customer Loyalty, by Bill Doyle**

### Taking the opportunity

It is increasingly important that organisations start to develop their channel strategies for customer sales and service now.

Retail banks need to work with their business, architecture and strategy teams to develop their vision. They must develop a roadmap that will be capable of delivering deeper customer relationships. Then they must work with their technology partners to deliver. Failure to do so will leave them lagging behind their more enlightened and forward thinking competitors.

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### Getting started

Embarking on a new customer sales and service strategy can seem like a huge undertaking however by starting slowly, and building experience, the journey can be more evolution than revolution.

- **Understand existing processes:** Get a clear understanding of current sales and service processes, identifying those are most key and those that cause the most pain
- **Identify and assign process owners:** IT will deliver the processes, but shouldn't own them. Processes need to be owned by the whole business, under the guardianship of someone who can ensure that any new processes directly support overall business goals
- **Develop a clear customer strategy:** Understand who owns the customer relationship, and decide how to manage it. How are you going to integrate with existing customer platforms to give a single view of the customer?
- **Select the right technology to manage process:** Process exists at many levels within the organisation from the front office through to the back-from processes being executed by a single user in a single interaction at their desk through to a complex long

running business processes executing in operations. These differences require different implementation approaches. Selection of the right technology to support is critical as forcing a one size fits all approach will lead to inflexibility in your processes and costly implementation

- **Develop a roadmap:** Work with your architects to develop a clear roadmap for any changes. Everyone involved needs a clear idea of the destination and journey required to reach it, so that solutions are developed in line with business needs
- **Invest in a Proof Of Concept:** Do not dive in at the deep end or be over ambitious; all too many initiatives fail because of miss understanding between the business and IT. By developing a POC both IT and the business can learn and develop a clear view of the challenges ahead.
- **Work with an experienced partner:** Real knowledge around customer experience, process management and channel delivery is essential. Utilising third-party expertise will reap real dividends. It will help you to avoid common issues as well providing objective advice and real delivery experience: all essential elements of success.

### The Avanade difference

Avanade is a professional services organisation with a team focused on architectural delivery in key sectors including financial services. The Industry Architecture and Design (IAD) team consists of a core group of highly skilled architects tasked with working with organisations to develop strategic architectures and associated roadmaps that can be realised.

In financial services our architects have a range of experience including product selection, strategic architecture definition and, most importantly, real world implementation experience in areas such as front office transformation, multi-channel architecture, business process management and SOA. Our real-world delivery experience coupled with Avanade's technology delivery expertise gives Avanade a unique capability to help your organisation to develop and deliver your strategy.

### About the author

**Nic Merriman is Director and Chief Architect for Financial Services at Avanade UK. Prior to joining Avanade he held roles across financial services including the Head of IT Architecture for Retail at HBOS, Head of Architecture and Strategy for Wealth and International at LBG and the Chief Channel Architect at Egg.**



#### About Avanade

Avanade provides business technology services that connect insight, innovation and expertise in Microsoft® technologies to help customers realize results. Avanade consultants apply their expertise in the Microsoft platform to create innovative solutions that enable large organizations across all industries to improve performance, productivity and sales.

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