Creating a 20/20 customer experience: From customers to advocates

Top banks are topping out at finding new ways to build competitive differentiation through conventional customer relationship management (CRM) plays. Are they missing part of the picture? By understanding the entire customer experience, banks can explore a new frontier of true customer advocacy.

The customer is on to you
Although many in the industry suspected it, recent IBM research on banking consumers confirmed it: the customer is on to you. Customers know about loyalty and retention programs, especially at big banks, so they expect big banks to be customer-loyalty focused. They have grown accustomed to “the customer is always right” slogans and to hearing how important they are.

It’s little wonder. Banks have been working hard to improve CRM operations over the past decade and have been letting customers know it. Billions of dollars continue to be spent annually on CRM initiatives. The years of investment have made an impact on the customer operations of banks: they have successfully delivered account transactions over the Web, improved how call centers operate, optimized customer databases and equipped front-line personnel with torrents of customer information.

Little room for differentiation
Now, when most banks have made significant improvements in customer operations, it becomes more difficult to differentiate themselves simply by focusing on incremental improvements. With banking products often viewed by customers as a commodity, service and treatment have become key differentiators. When these levers also become commodities, competitive advantage can be lost. Real innovation and value rarely come from deeper exploration of a single, maturing field – such as CRM – but rather from the exploration and integration of related fields. This is often referred to as the “white space,” or, more literally, “the new frontier.” As CRM is a maturing discipline, with well-established boundaries, technologies and value propositions, finding new frontiers for improvement must happen beyond the historic purview.

Building advocacy
Banks need to elevate their aim beyond traditional CRM goals such as cross-sell, retention or satisfaction, and focus on building customer advocacy. By understanding the discrete stages of the customer experience, and by including emotional attributes, banks will be able to achieve advocacy, which in turn can more consistently deliver against base CRM objectives, such as more revenue with less cost.
Based upon the customer’s feelings, or attitudes, toward a company, they can be described along a behavioral continuum that ranges from advocate to antagonist, (see Figure 1). Building advocates, or at least moving customers toward advocacy, should be the goal of banks. Additionally, companies must think about becoming advocates on behalf of their customers. For example, when banks have information on a customer’s credit rating, or other information about his or her total financial picture, that information should be used to demonstrate the bank is looking out for the customer’s interests.

Are emotional connections being promised?
Brand promises are also what set customer expectations of the brand. Banks are frequently using marketing to establish an emotional connection with their customers, and to communicate that they are dedicated to attributes such as trust, caring, respect and dignity. Their operations, though, typically focus on functional delivery and operational metrics.

When banks promise emotional connections but deliver poorly against satisfaction indices, a rift can happen in their relationships with customers. An emotional connection may imply that a bank needs to be sensitive to the customer’s true state, such as understanding when the customer is in a state of “buying” versus an active service mode. It may also mean that banks must respond emotively to customers, understanding what’s important to them and delivering beyond operational proxies and metrics.

Figure 1. The goal: Create advocate-level feelings

By improving the customer’s attitude, companies can promote customers up the relationship scale towards advocacy.

Source: IBM Business Consulting Services, 2005 CRM Done Right Executive Decision Maker Research, Institute for Business Value
Customer experience tops business leaders’ CRM priorities

It may not be a surprise that business leaders consider the customer experience a top priority (see Figure 2). What is surprising is that they find customer experience issues, including delivering on brand promises, a higher priority (cited by 19.1 percent) than acquiring customers (15.7 percent) or gathering customer information (16.9 percent).

Trying to “ensure promises” has profound effects on the customer experience, as promises set experience expectations.

Figure 2. Decision-makers’ top CRM concerns

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<thead>
<tr>
<th>Ensuring promises</th>
<th>19.1</th>
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<tbody>
<tr>
<td>Firm’s share of customer base</td>
<td>18.6</td>
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<tr>
<td>Improving total customer experience</td>
<td>17.8</td>
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<tr>
<td>Gathering More &amp; better information</td>
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<tr>
<td>Capturing &amp; leveraging customer insight</td>
<td>16.8</td>
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<tr>
<td>Predict loyalty &amp; retention</td>
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<tr>
<td>Acquiring new customers</td>
<td>15.7</td>
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<tr>
<td>Measure business outcomes</td>
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New challenges

These new customer expectations present several key challenges for major banks today:

- How do banks differentiate their customer experiences when the customer already assumes competitive sameness?
- How do banks formalize and operationalize the advocacy-building, higher-order emotive attributes, such as dignity or empathy, as promised by their brands?
- How can banks transform ordinary experiences so they are consistently received by customers as positive experiences?

We address each of these challenges in turn.
Customer attitude = customer expectations +/- experience delivery

A customer’s attitude is the result of how experience delivery either fulfills, exceeds or falls short of customer expectations. The result is the customer’s attitude or feeling for the company.

Important considerations on customer’s expectation and attitude

The customer’s attitude is created out of a complex mix of different components, with most of them outside of any one bank’s control. The customer’s mindset can be described as a combination of interaction expectations and importance and relevance (see Figure 3, Five Dimensions Sidebar). Interaction expectations are what the customer expects when communicating or interacting with the bank, its products and service providers. There are two primary types:

- Brand-specific delivery expectations are attributes that customers expect because of what they know about that specific bank. They can be created by brand promises, reputation and past experience. These expectations might be about quality, service level or value. For example, a national bank will be expected to offer a broad array of products and have a transactional Web site. A specific bank might run commercials that say “free checking and attentive service,” both of which may set brand-specific expectations.

- Baseline expectations are what customers expect automatically in dealing with any bank, and in most cases, any business. Simply put, customers expect the branch to be open during the day and they expect polite service from tellers. Although these are obvious, baseline expectations increase daily, with such once-futuristic features, such as integrated online statements and electronic bill-pay, now becoming part of the baseline.

Importance and relevance weigh each interaction in the minds of the customer, answering the customer question “This is how much I care about how the interaction happens”. IBM views importance and relevance in three, co-mingled categories:

- Interaction criticality measures how important it is that the interaction be completed or completed in a certain fashion. For example, it may be critical for a customer to transfer funds to cover a check, but not critical that it be done online.

- Intrusiveness of interaction measures how difficult, complicated or significant the interaction is. Completing a mortgage application is intrusive because it takes a lot of time, a lot of personal information, the interaction is critical (the customer must borrow money), and the result (approval or rejection) may have significant emotional relevance. Non-intrusive interactions may include receiving a mailed statement or hearing an advertisement on the radio.

- Emotional relevance and personal importance describes the emotional impact the customer perceives the interaction to hold. For example, a customer may respond emotionally to personal information being collected, find it extremely important to be treated with respect or find a loan application rejection very emotionally jarring. On the other hand, a customer may find a misspelled name on a bank statement emotionally irrelevant, or may even find access to a live teller unimportant if that customer only interacts via the ATM.
A 20/20 customer experience from banks

“20/20” means “with sharpness of vision,” or as IBM defines in this study, “with clear understanding of the customer.” Providing a 20/20 customer experience creates an opportunity for differentiation. While delivering quality products, helpful services and multiple, functionally-rich channels is still critical, these offerings have become commonplace. The new view of 20/20 customer experience includes:

- Addressing the entire customer experience, including emotive attributes, and applying a cognitive science mindset toward understanding what truly motivates customer behavior.
- Going beyond understanding customer expectations to discover which events have a lasting impact.
- Focusing investment on those moments that have a lasting impact (moments of truth).
- Transforming the bank organization to deliver these customer experiences by raising operations to meet the brand promise.

This view presents a new frontier for improving customer experiences. New IBM research into customer experience delivery and design shows that some experiences are more important to customers, or have a higher emotional relevance. There are emotional attributes to experience delivery that become critical for companies to recognize and act upon.

Moments of truth

The importance and relevance of an interaction is often the sole reason why an interaction may leave a lasting impact and change a particular customer’s attitude toward the company. Interactions that do this are called moments of truth.

Understanding moments of truth is vital toward the success of banks’ customer experience initiatives. From a customer point of view, they are the most critical interactions when it comes to creating advocates or antagonists. From an operational point of view, they allow a company to prioritize investment and resources on interactions that really matter. For example, if the loan application process is a moment of truth, then that should be the process the bank focuses on improving, to meet customer expectations and fine-tune emotive delivery attributes.

This understanding also allows the bank to determine which interactions not to prioritize. The best-designed and most elaborate mailed statements are non-events if the customer throws them away before opening the envelope. Over-delivering on emotionally irrelevant events will not make any advocates and is a waste of resources.

A note of caution: focus on the basics

Moments of truth can and are generated by brand-specific or baseline expectations, but only when the delivery is botched enough to disrupt the customer’s attitude. Even the most unimportant or emotionally irrelevant interaction can be soured into a disaster if there is unexpected rude treatment or a fundamental breakdown in delivery against the rational attributes of the relationship. For this reason, basic delivery against brand-specific and baseline exceptions is absolutely critical. Most banks still must make this a consistent priority. This point is understated in this document, and many banks would be vastly improved by making progress on just baseline and brand-specific delivery. However, progress can and should be made on the delivery of the emotive attributes, even while pursuing delivery excellence against the rational relationship attributes.

Customer experience defined:

The customer experience is the impact that certain interactions make that create a lasting feeling or attitude toward a bank.
Customers cite higher-order emotive characteristics, such as dignity and empathy, as top preferences. Characteristics such as friendly and informed are less important. This may suggest that customers believe qualities like friendliness, professionalism and being informed are baseline characteristics, or automatic. Interestingly, the more sophisticated, emotive attributes have traditionally been ignored by bank CRM initiatives, despite being more important to the customer.

1. Emotive attributes are the intangible, subjective dimensions that make up the relationship between the bank and the customer, such as being perceived as trustworthy, genuine or empathetic. These attributes present the greatest opportunity for differentiation in the marketplace, largely due to their lack of operational attention by most banks.

According to the 2005 research, banking customers experience and respond to a broad array of emotive attributes when interacting with the bank (see Figure 4).

2. Rational attributes are the tactical qualities of the customer interaction, such as consistency, speed or completeness. These attributes are often easily measured and have been the focus of CRM engagements over the past decade. While these attributes are critical, there is increasingly less opportunity for banks to differentiate in these areas because of long-standing focus on improving them.

Research showed that although dignity, empathy and responsiveness were most important, less than half of customers had experiences that exceeded their expectations for the delivery of these attributes. This could be a natural result of many banks’ inability to operationalize or purposefully deliver on these attributes, instead being forced to leave it up to chance and the character of branch staff (see Figure 6).
Understanding the difference between emotive and rational attributes is essential to delivering the right customer experience. When banks are able to operationalize both types of attributes, they will then be better able to elicit the higher-order emotive responses from bank employees, such as dignity or empathy, and have a higher probability of achieving customer advocacy.

Understanding the proper mix of emotive and rational attributes changes the way banks should handle various dimensions of the traditional customer experience, such as interactions, channels or products. Listed below are the traditional elements of experience design that should be viewed under this new lens.

3. Customer segments represent different types of customers. They may be treated differently based on their value, preferences and emotional profiles. In the past, two customers may have seemed the same because of their demographics or purchase history, but they may be wildly different in terms of what is important to them or which emotive attributes most strongly influence their banking behavior patterns.

4. Interactions are the individual events that a customer has with the company. Some are critically important, such as opening an account or receiving a fraud notice. Others are less so, like getting a credit card offer. Interactions are central to understanding the customer experience.

5. Channels and touchpoints are where interactions take place and how they are executed and enabled through the specifics of the medium. There has been much focus on the rational attributes of customer experiences, but new channel competencies require delivery to also extend to the emotive attributes.

6. Products and services are the tangible goods or saleable services provided to the customer. Traditionally, companies focused on products and services as the core of their business and competitiveness. In banking, many products – such as accounts, CDs, insurance or basic investment products – have become commoditized. Product experiences then become secondary to other factors when considering the customer experience.

Raising operations to meet the brand promise

Raising operations to meet the brand promise requires that a company that understands the 20/20 customer experience and delivers against it to build customer advocates, while deploying resources effectively and smartly. New competencies and practices into the bank that make leading-edge customer experience strategies viable and operational are required.

The competencies that a company must focus on include:

- End-to-end customer design: A consumer-driven, “outside in” approach to design customer interactions that delivers against the specific emotive attributes that drive optimal customer banking behavior.
- Threaded channels: Channels support specific steps in the customer life cycle. Channels are integrated to support a consistent experience, and allow intelligent, cross-channel execution of customer interactions.
- Event driven communications: Capture discrete behavioral triggers, secondary events and patterns, and generate specific communication. Then route interactions in a seamless multichannel fashion based upon complex business rules, channel capacity and customer preference rules.
- Human performance: An approach to sustaining employee commitment and engagement that stimulates attitudinal change to allow knowledge workers to better meet personal and organizational objectives. Cognitive
and behavioral science is used to assess and deploy staff against customer experience objectives and initiatives.

- Segment influenced operating model: Transform from product to customer-oriented P&Ls that support a focus on managing the business by customer segment; includes customer governance and ownership models, new metrics and organization design.

- Distributed delivery (virtualization): Create an environment and business model where business activity can be completed with less or no physicality, creating new interaction modes for customers and more effective resource delivery for banks.

- Innovation and collaboration – both company and customer: Establish an environment that promotes new ideas by combining insight with invention.

By embracing these characteristics, leading banks can develop into customer-centric organizations that strive to deliver 20/20 customer experiences.

**Conclusion**

By addressing the entire customer experience, there is a new frontier for companies to create profitable customer advocacy, differentiation and competitive leadership. This new approach can be described as the 20/20 customer experience, which takes into account emotive attributes and focuses on key moments of truth – the interactions that will have a lasting impact on the customer’s attitude toward the company.

IBM believes that companies should act on customer experience strategies. Beyond delivering against baseline expectations, being able to operationalize customer experiences by raising operations to meet the brand promise is essential to finding success. Companies who successfully transform their operations toward creating 20/20 customer experiences should find advantages in building customer advocacy, and ultimately, greater returns on their customer investments.

**About the authors**

**John Armstrong**
Partner, CRM Strategy (jarmstro@us.ibm.com)

**Steve LaValle**
Partner, Global CRM Strategy Leader (steve.lavalle@us.ibm.com)

**Scott Lieberman**
Managing Consultant, CRM Banking Solutions (slieberman@us.ibm.com)

**Scott Walters**
Associate Partner, CRM (scott.walters@us.ibm.com)

**Wayne Wilczynski**
Partner, Banking Industry Leader, CRM (wayne.wilczynski@us.ibm.com)