IBM Global Business Services

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Customer Relationship Management

Unlocking client advocacy in Canadian retail banking

The client focused enterprise

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The client focused enterprise

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Canadian banks may find new opportunities to gain marketshare, attract new clients and improve client retention if they increase their awareness of their clients' attitudes toward their organizations and the impact these perceptions have on profitability. By identifying which clients are advocates, apathetics and antagonists, banks can more precisely target client experience improvement initiatives based on a more informed understanding of client preferences and future value. To boost the bottom line, we believe banks must instill a cross-functional, cross-channel discipline to better understand – and act upon – clients' perspectives of their banking experience.

Introduction

We consistently hear banks touting their commitment to meeting the needs of their clients and putting their clients first. Accordingly, branches are once again in vogue, and executives have declared improving the client experience is the first priority for many organizations. Building the base one client at a time through cross-sell, retention and new customer acquisition is a top priority in nearly every retail bank's agenda. However, many banks have yet to identify the right segment-based strategies, marketing and sales programs, employee incentives, and process and technology improvements to produce higher returns.

Despite significant investment, the largest banks are not well positioned to grow their client bases: our research shows the majority of clients will be reluctant to commit to a deeper relationship as a consequence of their cumulative experience with the bank.

In order to acquire more clients and keep the ones they have, bank executives need to understand client attitudes and their impact on behavior. Clients who have a positive attitude toward the bank are *advocates*, while those whose experiences shape negative opinions become *antagonists*. As such, a bank's ability to effectively manage and influence client attitudes becomes paramount to sustained growth and profitability.

In this study, we establish the link between advocacy and higher profitability, and explore three critical questions:

- How well are banks positioned to grow on a client-by-client basis?
- Can a focus on improving advocacy unlock growth potential?
- How can banks capture and exploit this opportunity?

Identifying bank clients who can be converted into advocates must be a tenet of any customer focused growth strategy. To move customers into advocate-level relationships, the customer experience must be well understood, continuously monitored and proactively managed. We believe banks that effectively improve operations to align with the desired customer experience can create a new and sustainable competitive advantage.

About the research

The goal of this study was to understand clients' perceptions of their primary bank's performance based on their ranking of key attributes of what we've defined as the customer focused enterprise (CFE). Canadian banks were categorized into four tiers based on asset level and geographic presence: National, Regional, Non-Traditional Banks and Credit Unions.

This quantitative research is part of the IBM customer focused enterprise study completed in 2006.[1] Over 1,500 Canadian banking consumers were surveyed via telephone and the Internet. The questionnaire consisted of 28 questions about interviewees' perception of CFE operational characteristics as they pertained to their primary bank, as well as their purchase intentions and some general financial services profiling questions.

Clients were classified into advocacy segments based on their answers to three questions: those who would recommend their bank, those who would go to their bank first for a new financial services need and those who would not switch if offered a competitive product. Advocates, the top tier, have a high likelihood to recommend, high purchase intent and low switching intent; apathetics comprise the middle tier, and antagonists are the lowest tier and most likely to switch banks and to not recommend their existing banks. To measure clients' perception of bank performance, we asked clients to rate their primary bank on a number of rational and emotive CFE attributes. The rational attributes were used to evaluate clients' perception of their physical interactions with the bank and included statements such as: my bank corrects errors when they occur; my bank uses the information it already has received from me, rather than asking for me to provide it repeatedly; my bank gives me plenty of ways to bank, including in person, on the phone or online. The emotive statements were designed to provide understanding of how clients felt toward their bank and included statements such as: my bank values my business; my bank understands my financial goals; my bank weighs both sides of the issue when I have a problem and resolves it fairly.

Workshops were held with a team of senior IBM Financial Services and CRM consultants, along with statistical analysts, to review the research findings and develop recommendations for banking operations.

This study is a continuation of the IBM "CRM Done Right" series, following 2004's "CRM Done Right: Executive Handbook for Realizing the Value of CRM," as well as the 2006 executive handbook, "Advocacy in the Customer Focused Enterprise."[2] A version of this study based on U.S. respondents was completed in 2006.[3]

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Emergent growth strategies offer short-term differentiation among banks, but quickly lose their appeal as they become widely adopted throughout the industry.

Are banks fully positioned to grow on a client-by-client basis?

Customer acquisition and retention are becoming more complex

In recent years, the tactics Canadian banks have used to grow their businesses have been largely a mix of channel innovations, conventional advertising and branding efforts and product extensions/pricing changes, all while working within the various regulatory constraints of the Canadian marketplace. Additionally, on the domestic front there are very few attractive "land-grab" growth strategies available through the acquisition of other banking interests or tapping underserved markets. Banks find themselves working against competitors for the same clients, enticing clients to leave their existing banks while at the same time trying to maintain a grip on their captive client base.

Perhaps the most divisive industry adaptations of late have been the introduction of non-traditional banks and the entrance of non-traditional players into conventional banking. Some non-financial companies, such as grocery brands or home goods stores, are finding innovative hooks into the banking market by offering banking services and convenient banking locations to their already populous and loyal base of clients. Other providers, such as insurers, are expanding their product lines into traditional chequing, savings and mortgage products. At the same time, product expansion strategies related to being a "one stop shop" (such as offering insurance), with all of their provocative up-sell and cross-sell opportunities, are denied to traditional players due to regulation.

Other emergent growth strategies quickly lose their charm as they become widely adopted across the industry and lose their competitive differentiation. Arguably, the last 20 or 30 years have seen the largest growth in new banking channels and access points. Mobile devices and the Internet have joined the complex channel mix in which the phone, ATM and the branch were already providing client experience challenges to Canada's banking arena. While each newly enabled banking mode has the potential to provide short-term differentiation, each ultimately becomes a "must-have" within the industry, providing new costs and challenges without always providing sustainable competitive advantage.

During this time, economic segmentation also became a growth strategy, as banks began looking to appeal to the high-net-worth segments. At the same time, some banks found new markets within low-income groups and the under-banked (such as immigrant populations). In both cases, the acquisition and retention puzzle became more complex, not easier.

Products and fee strategies have their limits

Changing products and product features has had varying impacts on becoming more competitive. In some instances, banks have only devised incremental changes to base features and fees, such as changes found in basic savings and chequing accounts. Other products, such as lending vehicles, have seen more dramatic changes in features, including creative payment schedules and incentives. In the case of incremental change, banks have found little competitive differentiation as products become more commoditized. When they do, copycat strategies often cause the advantage to be short-lived. When products become more complex, banks may often find themselves with more challenging communication problems with their clients, both in terms of providing information to clients and equipping front-line staff to tell the story.

Banks have also sought to derive new sources of revenue from existing products by establishing what have become known by consumers as "nuisance fees." However, clients have become sensitive to these fees; our study showed that 69 percent of clients agreed that their bank's fees are too high. The increase in fees, coupled with little new product innovation, has affected customer perceptions of banks.

"Fees go up, service stays the same… I am expected to do more, yet fees go up."

– Canadian banking customer, IBM survey

The impact of fee income is compounded by the fact that banks are facing increased competitive pressure from other entities, such as insurance companies and non-traditional banks providing cash management-like products (e.g., chequing, bill payment) with lower-fee and no-fee structures. These competitors may be able to attract traditional customers irritated by higher fees, as they are able to supplement revenue streams from their core businesses.

Finally, cost containment efforts made in the "name of the client" have had little impact on differentiating the client experience. Many banks have dramatically improved operating efficiency, but lost connections with their clients. Banks continue to invest in call centre consolidations, channel integration and client service improvements, but we see little improvement in clients' attitudes and perceptions of service capabilities.

Becoming a customer focused enterprise

Banks continue to explore how to create more meaningful client experiences to enhance client relationships. However, for banks, creating both meaningful and profitable client experiences is a significant challenge, particularly given the typical volume of customer interactions, the complexity of client access points and the limited purview of decision makers on how their choices affect client experiences. Based on the IBM study completed last year, *"Advocacy in the customer focused enterprise: The next generation of CRM Done Right,"* a new approach has been developed for delivering customer experiences – one designed to enhance clients' perceptions and build a competitively superior experience, while prioritizing

An outside perspective

By Susan Fournier, Associate Professor, Marketing, Boston University School of Management

This research is a must read for anyone that is serious about becoming a “customer focused” firm. It deals with a timely metric (advocacy, supposedly “the one number that matters”) in a powerful marketing paradigm (relationship marketing and CRM) and explores this within a customer-facing service industry (retail banking) that faces significant imperatives for organic growth.

IBM’s study fine-tunes and advances our understanding of the real content and process issues that are at play in the pursuit of strong customer relationships. It sensitizes us to the emotional and experiential elements that truly drive the quality of customer relationships, but on which most firms do not perform. The research refines our understanding of “advocacy” and the attitudes and behaviors that comprise it. There is much added value in IBM’s three-part advocacy model: wherein advocates are those not only willing to recommend the brand to others, but who also stick with the brand in the face of competition, and consider cross-selling opportunities to boot. Companies can get greater predictive and diagnostic power from this more complex attitude-plus-behavior metric and the segmentation schemes that derive from it. All of this is guaranteed to improve the relationship strategies and executions that retail banks develop for their brands.

Perhaps most importantly, IBM’s research makes us ponder a very perplexing conundrum: how could so many banking service providers re-brand, re-engineer, strategize and act in the service of enhancing consumers’ relationships … and yet get it so very, very wrong? The results are striking: nearly 50 percent of customers of national banks have antagonistic relationships with their banks. Let me repeat: one out of every two customers harbors an adversarial relationship with their retail banking brand! These customers are not simply disinterested in developing deeper relationships with their banks. They are not simply non-responsive to the outreach and relationship-expanding efforts of the firm. These consumers harbor very deep and strong negative feelings toward their banks; they essentially find fault in everything that bank might do. These current customers see their banks as opportunistic, self-interested parties looking only out for themselves. And this despite service experience initiatives, CRM systems, and relationship programs intended to strengthen partnerships between customers and the brand.

I for one am looking forward to future extensions of this research into other industries and settings. I am particularly excited by the prospect of moving beyond our fixation with leveraging advocates on the positive side of the relationship continuum and learning to deal effectively with the “disengaged” and “antagonists” that this research identifies as significant customer segments for the firm. Current wisdom suggests we fire “high-cost-to-serve” customers such as these. But with upwards of 70 percent of your customer base in these two segments, this hardly seems a viable alternative for the firm.

Most customer satisfaction measures look back; customer attitude measures like CFiq look forward.

resources and investments.[5] IBM calls companies that excel in the client experience arena "customer focused enterprises" (see Figure 1).

This framework – in combination with advocacy scores discussed in the following paragraph – is critical in structuring customer relationship management improvements.

Unlocking client advocacy: The IBM Customer Focused Insight Quotient (CFiq)™

A commitment to the client experience is the foundation of an effective growth strategy. To move from a client strategy focused on efficiency to one that creates an effective, mutually beneficial relationship between bank and client, we believe bank executives need to adopt a new view of client attitude. Traditional client satisfaction measures result in a historical view of client attitude and are not enough and, in many cases, not included in making strategic business decisions for future operational enhancements.

Our study tests different attitudinal statements in an effort to identify the attributes that contribute to positive client behavior patterns and future intent. Accordingly, through statistical regression analysis techniques, we derived a combined measure that captures key indicators of client relationship health: clients' likelihood to recommend; their intent to purchase; and their willingness to stick with their bank even when confronted with competitive offers. Termed the *IBM Customer Focused Insight Quotient (CFiq),* this measure

FIGURE 1.
Competencies of a customer focused enterprise.

Customer authority

Companies who understand ***customer authority*** are able to approach their customers in ways that build advocacy through understanding their customers' perspectives, while simultaneously linking the value of the customer to the enterprise.

Customer dialog

Customer dialog is a business' ability to communicate and transact with customers intelligently and responsively during each interaction on a customer-by-customer basis.

Integrated execution

Integrated execution allows companies to integrate channels to support a consistent experience, and allow intelligent, cross-channel execution of customer interactions.

Solution experience

Solution experience is about understanding the impact that products and services have on the overall customer experience. By solution, we refer to products and services that address broader customer needs and desires.

Human performance

Customer focused companies commit to a ***human performance*** approach to growing and sustaining employee commitment that allows employees to better meet personal and organizational objectives, all while better serving the customer and being a stronger customer advocate.

Customer focused organization

Customer focused companies should transform the ***organization*** so that functional groups and lines of business collaborate to fulfill customer-centric strategies and initiatives.

Source: IBM Global Business Services.

captures and integrates these attributes by asking clients to state their level of agreement with three simple statements:

- I would recommend my bank to friends and family.
- I would go to my bank first for future financial services needs.
- I would stick with my bank if offered a competitively priced product.

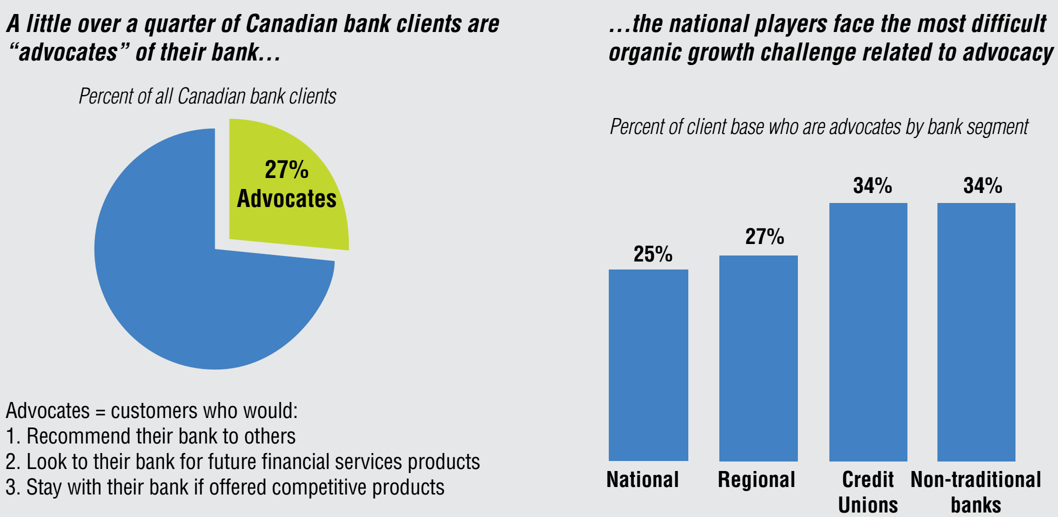
The CFiq results are eye-opening – according to this measure, only 27 percent of retail banking clients are advocates of their bank (see Figure 2).

What's more telling is that the smaller players, such as credit unions and non-traditional banks, have a higher proportion of advocates than the national banks when segmented by CFiq scores. Thirty-four percent of all credit union clients are advocates of their bank – 36 percent higher than customers of national banks (25 percent). This suggests that the largest banks – by our estimates – are disadvantaged in achieving sustained growth by attracting and keeping clients, despite advances in back-office and client-management capabilities.

For example, if a bank needs to increase wallet share by 15 percent on average, it would need to achieve significant success (wallet share increase in excess of 50 percent) with the 24 percent of clients who are advocates and most receptive. A bank would likely have little success gaining ground with apathetics and antagonists.

Therefore, as banks continue to explore traditional organic growth levers, the business case for growth initiatives should include a realistic view of the potential economic value, based on both customer value and attainable advocacy measures (such as CFiq), by moving those levers on a bank-by-bank basis.

FIGURE 2.
Banks are disadvantaged in achieving client-by-client growth.



note: =1415 customers
Source: IBM Customer Focused Enterprise Retail Banking Study 2006 (Canada).

Can a focus on improving advocacy unlock growth potential?

The possibilities are tremendous

Although the challenge appears daunting, with an understanding of the critical drivers of client attitude and the economic potential associated with improving those factors, banks *can* begin to position their organizations to realize improved growth potential.

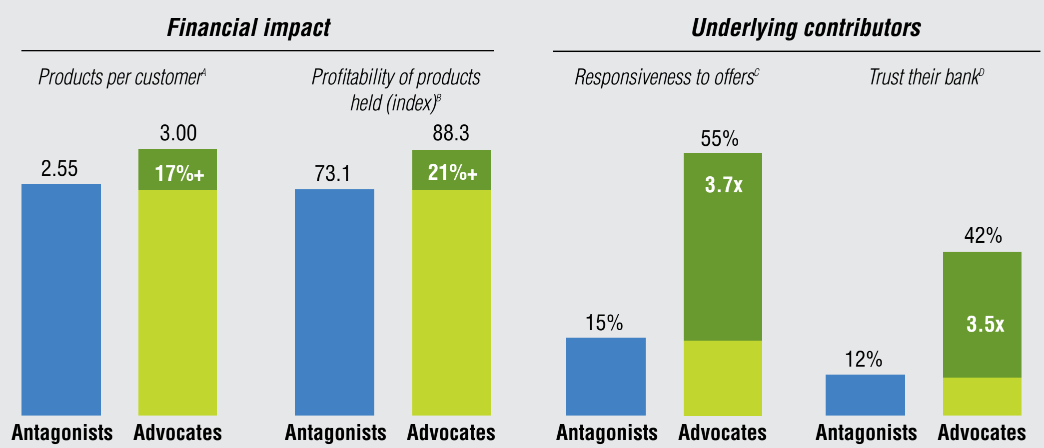
Our study shows that advocates, on average, hold 17 percent more products than antagonistic customers, and the profitability of products held by advocates is 21 percent higher (see Figure 3).

The factors that contribute to this economic value are also encouraging. Clients who are advocates of their bank are almost four times as likely to be responsive to offers and communications, and over 3.5 times as likely to trust their bank. Further, application of the CFiq shows that only 20 percent of advocates believe their bank's fees are too high, as compared to 52 percent of antagonists. Indeed, as banks look to drive organic growth, it should be paramount for banking executives to determine *how* to assess and invest in improvement opportunities to both maintain high-value clients and/or migrate lower-value clients to a higher state of advocacy.

Although credit unions significantly outperform larger banks in terms of proportion of advocates, the profile of the advocates of both small and large banks is similar. Advocates respond positively to statements about their experience with their bank (e.g., seeks my input to develop new products and services, creates customized offers), whether they bank with credit unions or national

FIGURE 3.

Significant value can be unlocked for banks that proactively grow their share of advocates.



note: =1413 customers

Notes: A) calculated average number of products held by consumer, B) weighted profitability index created for each retail product based on industry product profitability IBM project experience, C) responsiveness is a combination of customers who strongly agreed with 'bank understands my financial goals and 'bank provides relevant offers', (9,10 responses) D) trust based on customers who strongly agreed with "I would trust my bank to manage my information on behalf of other companies' (9, 10 responses).

Source: IBM Customer Focused Enterprise Retail Banking Study 2006 (Canada).

Understanding the economics associated with different advocacy levels can help banks identify the most effective growth initiatives.

banks. So, as banks assess the best way to grow through client acquisition and retention, understanding what motivates and drives behavior among different advocacy levels, and then executing the right set of strategies to increase advocacy, will likely prove a viable avenue for achieving growth.

Leading banks often use different approaches for achieving client advocacy. One national Canadian bank focused on the customer experience as it is delivered by the advisor, enabling it to track relationships and increase internal referrals among its existing retail and investment customer base. Another bank invested heavily in cross-channel technology, but is still lagging in advocacy measurements.

Actively manage the entire customer portfolio

Focusing on expanding the pie of advocates is only one side of the equation. When we evaluated the national banks (which included RBC, Scotiabank, CIBC, TD, and BMO), we found that 36 percent of the surveyed clients of the largest banks are antagonists. Thus, understanding and managing the economics of antagonistic clients could yield better profit margins because it helps reduce poor investment choices and their associated costs. A poor client experience – a primary trigger that develops antagonists – not only creates negative impressions with clients, but is often more costly to deliver. Poor experiences can result when a client needs to contact the bank multiple times to resolve an issue, or when a process that is supposed to tie together different areas within the bank is broken. Fixing broken processes and understanding how to better resolve client issues can directly impact the bank's cost to serve and build a platform for winning customer advocacy.

A significant opportunity

According to our research, the three factors most highly correlated with advocacy are emotive drivers of the client relationship:

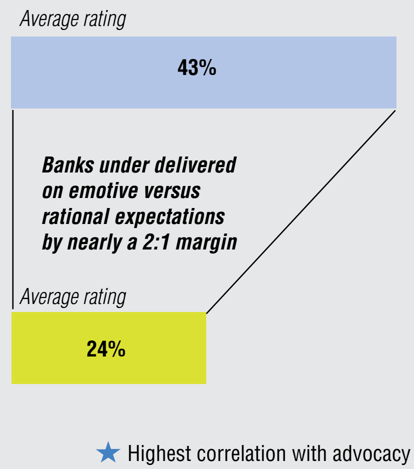
1. The bank listens and follows up.
2. The bank values my business.
3. The bank provides relevant offers.

Clients who are advocates of their bank score these items higher than all other factors. The news on how banks performed on these attributes, however, is not positive. In total, clients give their banks credit for delivering on the rational factors 43 percent of the time, but only agree their banks deliver on the emotive drivers 24 percent of the time – identifying the opportunity for a 76 percent improvement (see Figure 4).

FIGURE 4.
Banks leave money on the table by not focusing on client emotive needs – a 76 percent improvement opportunity.

Rational attributes (efficient)	*Percent agree (weighted index)**
Provides plenty of ways to bank	66%
Corrects errors when they occur	65%
Uses information already received	42%
Consistent level of knowledge	35%

Emotive attributes (effective)	*Percent agree (weighted index)**
★ Employees listen and follow-up	38%
★ Values my business	29%
★ Relevant offers	28%
Resolves fairly	26%
Understands my financial goals	25%
Employees provide advice	23%
Seeks my input	13%
Creates custom products	11%



note: =1413 customers
Note: Percent of clients who agree (9 or 10) with the attributes weighted by the level of importance of each attributes, as defined by the regression analysis correlating rational/emotive attributes with advocacy.
Source: IBM Customer Focused Enterprise Retail Banking Study 2006 (Canada).

This gap in emotive delivery is indicative of banks traditionally investing in more rational operational improvements. Accordingly, as banks have invested in improving the efficiency of front- and back-office operations, clients have seen a positive impact in the bank's ability to serve their daily transactional needs across channels and deliver faster and more consistent answers to routine inquiries. However, from a clients' perspective, factors that contribute to building meaningful relationships have been less of a focus (e.g., emotive attributes such as listening and provide advice), resulting in the current gap. Going forward, bank executives should consider how improvements on the emotive side of the equation can yield net increases in the depth of individual relationships. For example, they should explore how to increase communications with their clients and provide more meaningful financial advice that may impact a client's sense of value and turn him or her into a more profitable advocate.

A polarizing effect

As banks evaluate ways to better manage their client base, executives should also consider the differences in profile between advocate and antagonistic clients. While we did not find demonstrable differences in the demographic profile of clients who were advocates versus antagonists (i.e., antagonists are just as likely to be high-net-worth customers as advocates), we did find significant differences in how each group felt about the bank. While the gaps related to individual drivers are significant, we found even greater contrast in aggregate (see Figure 5). Advocates of banks gave their bank

Banks need strategies that take into consideration the polarized attitudes -- and behaviors -- of advocates and antagonists.

credit for doing “everything right,” while antagonists found fault in almost everything their bank did. It is clear that clients who take an advocate posture are attuned to the actions of their bank and are open, willing and positive toward interactions. However, antagonists who may have had a number of potentially bad experiences or ineffective interactions don’t give their bank credit for even the fundamental attributes of a bank’s delivery system (such as providing plenty of ways to bank with it) and in many cases are not responsive to new improvements or tactics.

“I don’t think any bank values your business. We are only cogs on a wheel, and if we leave, someone else will sign up!”

“Big name banks…are not worthy of my spit, never mind my business.”

“I would dump them in a heartbeat.”

– Antagonist quotes from IBM study

“I believe all banks enjoy the business of the individual; however, I believe my current bank actually focuses on individuals.”

“I have been dealing there so long I trust them completely.”

“I would not go to another financial institution at any time, for any reason.”

– Advocate quotes from IBM study

When building communications strategies and evaluating front-office operational improvements, bank executives must consider client advocacy scores and their impact on customer strategies and business case assumptions. For example, consider a company that seeks to improve the service it provides clients through its contact centre. By recognizing that a portion of clients are already antagonistic, a bank may choose to make a small investment to test and improve

FIGURE 5.
Significant gaps should be addressed in the attitudes of banks’ client base.

	Antagonists *Percent who agree*	*Percent points difference in responses*		Advocates *Percent who agree*
Larger gap	13%	Bank values my business	59%	72%
	23%	Employees listen and follow-up	51%	74%
	22%	Same level of knowledge across channels	49%	70%
	28%	Proactively corrects errors	47%	75%
	16%	Provides relevant offers	43%	59%
	17%	Resolves fairly	38%	54%
	14%	Bank understands my financial goals	37%	51%
	53%	Provides me with plenty of ways to bank	36%	89%
Smaller gap	57%	Bank uses the information it already has received	24%	80%

Find fault with “everything” their bank does

Give the bank credit for doing “everything” right

note: =1413 customers
Source: IBM Customer Focused Enterprise Retail Banking Study 2006 (Canada).

processes associated with key "moments of truth" to help contact centre employees deal with antagonistic clients and keep a broader problem from recurring. In addition, as banks begin to understand the triggers of advocacy and antagonism in specific environments, management will be able to build mechanisms to predict when customers are likely to move toward an advocate relationship, as well as identify and proactively address high-impact service failures.

How can banks capture the opportunity?

To change customer attitudes, leaders must first change the mindsets inside their organizations.

In order to increase your share of advocacy and increase the odds that your bank will be successful at growing organically, you'll need to act decisively:

1. Adopt a transformative mindset.
2. Apply an outside-in perspective.
3. Break traditional design approaches and constraints.

"When you create your own destiny, you prevent others from doing it for you."

– Anonymous

Shift mindset

The foremost consideration executives need to accept is that improving client attitude must start at the top. A mindset shift is required, beginning with executive management; it must become a "way of life" for the organization and central to the culture. This implies it is a "top-down" led strategy. Banks must create the culture and organizational model needed to promote greater commitment, accountability and competency for leaders and staff – allowing large organizations to become more agile in delivering consistently in spite of the natural barriers size and silos can create. This means the CEO and senior executives need to practice, encourage and reinforce positive behaviors that increase the value of the customer experience. Without the support and true belief in this strategy for growth from senior executives, it can not sustain itself and will likely fail.

A few companies successful at building long-lasting relationships with clients have charismatic leaders who inspire ongoing innovation and passion for the client. Take, for example, Donald Bell of WestJet Airlines. Mr. Bell has set the tempo for his customer focused enterprise. He is known as the "spiritual leader" and "culture guru" of his organization. Bell leads his customer focused mission by experiencing his business and customer base (or "guests", as they call them) first-hand: he pilots a plane once a week to discuss experiences with front-line employees and customers.[6] Most organizations may not need a culture guru *per se* to be successful, but need to capture the essence of these leaders' commitment and approach to inspire change.

Apply an outside-in perspective

Brand communications set expectations, but clients' experiences shape their attitudes. A client's experience is based on the specific interactions he or she has with the bank. These interactions differ by client segment. When delivery is not aligned with expectations, a moment of truth can turn into a bad experience for the client and negatively impact his or her attitude toward the bank. But when experience exceeds expectations, and is aligned to benefit both the client and the bank, sources of delight can emerge to positively impact a client's perception of the bank and alter corresponding patterns of behavior.

Leaders must tailor customer experiences for different advocacy levels – and implement the operational changes needed to deliver these experiences.

For example, for a high-net-worth client, a moment of truth might occur when a large transfer of funds is completed. This moment of truth may be a source of delight when the transaction is completed the same day, preventing loss of interest income. For a college student, a moment of truth may be when he is out with his girlfriend and uses his credit card to pay for their pizza. This interaction could be a source of frustration if his card is rejected due to a bank error, negatively affecting his attitude and receptiveness toward the bank for years to come. The interaction may be very positive, however, if the bank, for example, allows the transaction to complete and later sends a warning e-mail with payment options.

To understand and effectively manage client attitude, banks need to identify specific moments of truth by advocacy segment and design competitively superior target experiences, while prioritizing resources and investments.

Break the traditions

As banks seek to improve the operating model that supports client interactions, executives should work to relieve traditional design approaches and constraints. Real areas for improvement can be found in the competencies of human performance, solution experience and operating model innovation.

- **Human performance:** In the realm of meeting emotive needs, human performance is still the most impactful and effective means of conveying important attributes such as empathy, dignity, value and responsiveness. Front-line employees must understand the strategy and the implications for their behavior in order to achieve tangible results. A new methodology has been developed to help understand customer behavior. Customer Experience Management (CEM) has emerged to focus on the fundamentals of understanding customers – not simply from an analytical perspective but from a relationship point of view, and not as an alternative to having a competitive product or reasonable price, but as a differentiator. CEM is about understanding that the attitude of customers (based on their cumulative experience) affects their behavior and willingness to deepen their relationship with the bank. Whereas, knowing customer profitability profiles and segments are valuable, truly understanding the attitudes and resulting behaviors of customers is fundamental to how an organization brands, sells, services and retains relationships. To accomplish this, companies are transforming their organizations from a traditional internal orientation to an external, customer perspective and relationship structure.

Personnel who interact with customers through a bank's many touchpoints have the profound opportunity to improve the customer experience by understanding customer perceptions, attitudes and behaviors. While technology and process play a key "enabling" role, the human conveyance of genuine service and relationship is critical. This discipline must include visibility of the client experience as well as well-defined roles to provide leadership in this area.

For example, a major Canadian bank recently appointed leadership roles within each channel and created a framework for customer-facing employees to collaborate and design targeted client experiences.

- **Solution experience:** Banks need to provide easily accessible mechanisms to capture and integrate client needs into the overall banking experience – not just into elements of the product design and sales approach. The experience needs to include listening to and understanding clients' financial and other needs, dispensing appropriate advice and customizing services that are relevant and appealing.

  For example, one of the leading banks in Canada orchestrates its customer experience to reduce the overwhelming number of offers its clients receive. The bank focuses on less frequent, but more meaningful, interactions with the client, as opposed to a more typical barrage of generalized communications and product promotions.
- **Customer focused organization and operating model innovation:** Banks need to assess what customer relationship attributes make them different or especially valuable from the clients' perspective. Then they must deliver consistently on these attributes at the point of interaction. When they deliver on these attributes, they must understand what value accrues to both the banks and their clients, continue to improve the experience and integrate the positive attributes across the enterprise.

To drive the customer experience operating model, banks must create internal operational benchmarks that include customer metrics that are easily understood and can be acted on. From an external perspective, banks need to assess the inclusion of client advocacy and profitability metrics from other banking segments, as well as within the retail segments of other industries. Internal performance metrics need to include key operational metrics such as customer profitability and channel measurements. The customer strategy should create differentiation through the bank's own operational strengths and by emulating the capabilities of leaders outside of its peer group. Additionally, the customer strategy needs to be supported by a governance model that supports action.

A telling example of the need to have more meaningful customer experience metrics is that of a particular Canadian bank. Because the bank's campaign budgets were allocated by product lines, it struggled to deploy non-product-specific, relationship-based campaigns, thereby making it difficult to obtain funding and improve the overall customer experience.

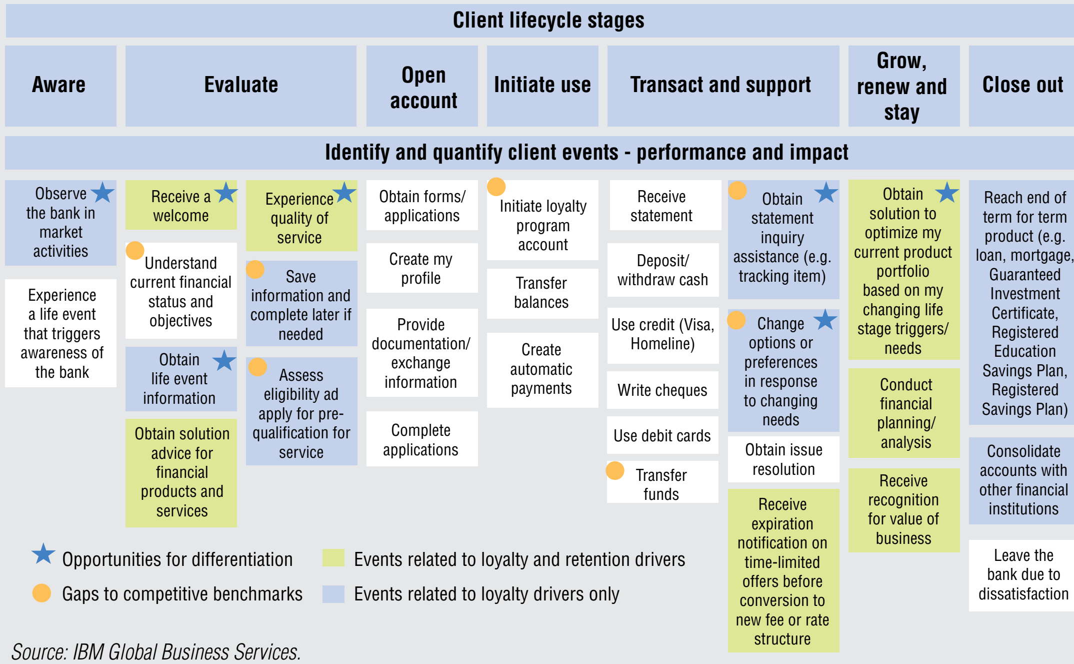
Getting started: A practical approach to driving customer advocacy

At first glance, delivering the right client experiences to build client advocacy seems intimidating and laborious, especially given the modern bank's complex mix of client segments, product lines, interaction points and relationship cycles. The first step has to be one of understanding and analysis, one that takes an outside-in view of the client experience, both in terms of what the client expects it to be and what the operational reality currently is. This, in turn, provides the organization a basis to define a forward-looking operational blueprint of the new client experience delivery capabilities and ultimately prioritize investments toward actions that will have the greatest impact on the experience, as well as the greatest return for the company. At a high level, the Customer Experience Management discipline includes the following steps:

1. Perform a baseline advocacy measurement analysis, such as the CFiq, by selecting an appropriate client sample set from a bank's database that draws from the bank's collective lines of business and channels.
2. Apply customer experience principles to customer events, aligning the company's brand promise with the customer's expectations.
3. Identify key experiences and events for each customer segment, creating a comprehensive catalog of moments of truth in a Customer Event Map.
4. Understand customer expectations, needs and wants in order to develop an outside-in view and distinguish which actions will change client attitude toward advocacy. To quickly focus on the key experiences among the thousands of customer interactions, we recommend both an internal and external data overlay on the Customer Event Map to develop a prioritized Customer Event Heat Map (see Figure 6). This will highlight the most significant value propositions for the bank and its clients.
5. Blueprint the customer's "target experience," or in other words, describe the type of interaction that will build advocacy in the future client-facing operation.
6. Perform a gap analysis to determine the operational shortcomings and requirements needed to fulfill the target interaction.
7. Develop the operational blueprint that will allow the organization to deliver the target client interactions with the desired attributes. The operational blueprint includes business rules, process and organization, data, application and infrastructure decisions.
8. Develop a value case and refine the target to determine the interactions that will deliver the most for the client and company and, ultimately, prioritize the areas the company should focus on first, those they should implement later, and those not worth doing. A value case should be developed to show the economic returns on customer experience investments.
9. Implement the capabilities, deliver and measure these intentional client experiences. Begin rolling out the new interaction capabilities and measure their results on advocacy and client attitude. As a key measure, continually run advocacy analysis, such as CFiq, in a similar fashion to the baseline in step 1 to obtain a living trend line of advocacy performance over time (every three months, six months, etc.) and to respond in realtime to customer needs and make appropriate corrective actions.

Figure 6 shows an example of one type of client experience analysis and plan. The "client event heat map" provides a multilayer level of detail for client events, with the top level of client lifecycle shown at top, and events shown below. The map is keyed by priority, showing areas that contain loyalty and retention drivers, opportunities for differentiation, and the company's relative maturity compared to competitors. A map like this can have multiple uses. At the strategic level, this map can be used to show stakeholders, both leadership and field staff, how the entire client experience comes together. At the tactical level, the map provides clear categorization of bank activities that can be planned for operationally and prioritized.

FIGURE 6.
Client event heat map for retail banking (illustrative partial sample).



Source: IBM Global Business Services.

The Customer Experience Management discipline is aligned with IBM's CRM Done Right framework for developing sustainable, successful CRM operations (see Figure 7). It can be applied to both day-to-day decision making and to a large-scale transformation program.

The CRM Done Right framework has five main interlinked components that describe key steps to completing transformation projects at large companies. A complete, detailed account of this approach is available in the "CRM Done Right: Executive Handbook For Realizing The Value of CRM."

Conclusion

For banks to grow, a strong commitment to strategic client growth options must be articulated through a well-structured approach, designed to improve client attitudes toward bank capabilities and assess clients' potential value. Banks must break with traditional, one-sided, inwardly focused client initiatives and drive toward a well-balanced, customer focused model to capitalize on the potential of their most valuable asset – their clients.

Unlocking this growth potential is not easy. We believe it can be more effectively accomplished through the adoption of a client-advocacy-based measure, such as the *CFiq*, that highlights the operational improvements key to enhancing the client experience and the value of the relationship.

With the right approach, sustainable organic growth is more attainable. Those institutions that understand their advocacy scores and the impact these measures have on the client base, develop a compelling customer experience, and operationalize the necessary improvements to create a customer focused enterprise will have a distinct advantage.

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With business experts in more than 160 countries, IBM Global Business Services provides clients with deep business process and industry expertise across 17 industries, using innovation to identify, create and deliver value faster. We draw on the full breadth of IBM capabilities, standing behind our advice to help clients implement solutions designed to deliver business outcomes with far-reaching impact and sustainable results.

About the CRM Practice

IBM clients – businesses worldwide, across industries – are today reaping the rewards of a self-sustaining approach to CRM that enables them to accurately assess their strengths and weaknesses, calculate risks, control investments, manage change and set reasonable expectations from the start.

- Customer Focused Strategy spans the breadth of CRM transformation – from planning through implementation and value realization – to help companies develop and manage customer focused and CRM programs in a thoughtful, informed way using a practical, focused, best practices-based process.
- Marketing and Sales Transformation focuses on solutions for improving the effectiveness and efficiency of marketing and sales professionals to help organizations utilize customer-related data to uncover patterns of behavior, deploy marketing programs, increase sales productivity and accurately measure the success – and returns – of customer focused initiatives.
- Service Transformation helps clients transform service operations to create customer value, based on reduced service cost and improved customer satisfaction. Service Transformation drives effectiveness and efficiency through the many stages and channels of the post-sales service lifecycle.
- Contact Center Optimization improves the efficiency and effectiveness of contact centre operations. It covers inbound and outbound, sales and service contact centres and their related self-service channels.
- Business Intelligence describes an environment where relevant, accurate information is provided in time to respond with speed in making decisions and taking action, enabling companies to learn about their customers via a readily available and information-rich environment.

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