Unlocking customer advocacy in retail banking

The customer focused enterprise

We consistently hear banks touting their commitment to being customer friendly and going the extra mile for their customers. Accordingly, branches are once again in vogue, and executives have declared that improving the customer experience is the priority for the organization. As mergers and acquisitions become less attractive, leading financial institutions look increasingly to their existing customer base for growth. Critical organic growth measures – cross-sell, retention and new customer acquisition – dominate nearly every retail bank’s agenda. However, many banks have yet to identify the right mix of customers, marketing and sales programs, employee incentives, and process and technology improvements to produce higher returns.

To enable a customer strategy that creates a more receptive relationship between a bank and its customers, bank executives need to adopt a new view of customer attitude. We define customers who have a positive attitude toward the bank as advocates, while those whose experiences shape negative opinions, antagonists. As such, a bank’s ability to effectively manage and influence customer attitude becomes paramount to achieving organic growth.

A new metric – Customer Focused Insight Quotient

IBM’s Institute for Business Value surveyed over 3000 banking customers to analyze their perceptions of their bank’s capabilities and as a result created an advocacy measure that includes key customer relationship attributes. Termed the “Customer Focused Insight Quotient” or CFIq™, this measure captures and integrates key relationship attributes by asking customers to state their level of agreement with the following three 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 results of this study are eye-opening – according to the CFIq measure, only 24 percent of U.S. banking consumers are advocates of their bank (see Figure 1).

FIGURE 1.

Banks are disadvantaged in achieving organic growth.

Less than one quarter of all U.S. bank customers are “advocates” of their bank...

Percent of all U.S. bank customers who are advocates

Advocates = customers who would:
1. Recommend their bank to others
2. Look to their bank for future financial services products
3. Stay with their bank if offered competitive products

n=1615 customers
Source: IBM Customer Focused Enterprise Retail Banking Study 2006.
What’s more telling is that the smaller players, such as credit unions and community banks, have a higher proportion of advocates than the national and regional banks - thirty-six percent of all credit union customers and 30 percent of community bank customers are advocates of their bank – 50 percent higher than customers of regional and national banks.

Although community banks and 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. So, as banks assess the best way to grow organically, understanding what attributes motivate and drive 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.

**Becoming a customer focused enterprise**

Creating both meaningful and profitable customer experiences is a significant challenge, particularly given the typical volume of customer interactions. Based on the IBM study completed earlier this 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 that enhances customers’ perceptions and builds a competitively superior experience, while prioritizing resources and investments. IBM calls companies that excel in the customer experience arena “customer focused enterprises”. This framework – in combination with CFiq advocacy scores is critical in structuring customer relationship management improvements.

**How can banks capture the opportunity?**

As banks consider their position in the market they must carefully evaluate following questions:
1. Are our customers our advocates?
2. What should we be doing to increase our advocacy share?
3. What do we get from improving our advocacy share?
4. How should we be doing it?
5. How do we rally the organization for sustained action?
6. When should we be implementing critical capabilities?

For banks to grow organically, a strong commitment to strategic customer growth options must be articulated through a well-structured approach, designed to improve customer attitudes toward bank capabilities and assess their potential value. Those institutions that understand their CFiq scores and the impact these measures have on their customer 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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**Reference**