

# viewpoint

Keeping you connected to today's UK financial services market

## Welcome to the sixth edition of *viewpoint*, Harris Interactive's UK financial services newsletter.

In this edition of *viewpoint* we discuss managing stakeholder relationships.

With a focus on consumers, we discuss customer needs and how well the banking sector manages the different dimensions of customer relationships, making comparisons with the rest of the industry and other service based sectors.

*This edition was researched and written by Philip Brooks, Senior Associate Director, Financial Services Research Team. pbrooks@harrisinteractive.com*

Within financial services we trade upon the relationships that we hold with our customers or clients. We all know these relationships are formed and re-evaluated on a constant basis depending on how well we service customer needs.

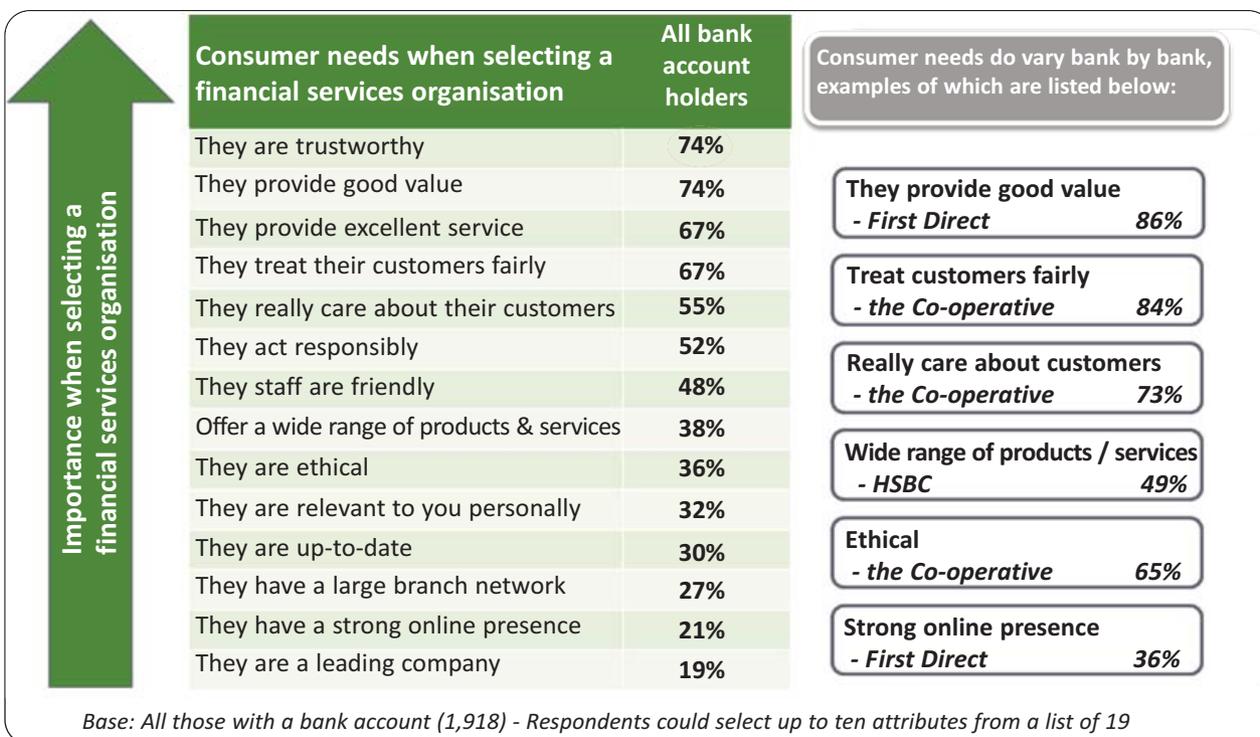
However, what do consumers really want from a financial services provider? How well is the banking sector performing? And how well does it compare to other sectors within the industry and beyond?

### Understanding Customer Needs

It's no surprise that consumers want to deal with financial

institutions they can trust and which provide good value, as can be seen in the table below.

What may be more of a revelation is that after providing an excellent service it is the softer more emotional characteristics that dominate. For example, consumers are also looking for financial institutions that treat customers fairly, act responsibly and have friendly staff. Given that these 'emotional' needs are so prevalent it leads me to ask the question, how many financial organisations are actually focusing on such needs, when designing their products, services or communications?



# viewpoint

Continued from page 1...

What stands out and signals the importance of these ‘softer’ traits to me is that offering a wide range of products and services is only slightly more important than being ethical.

In fact being ethical and relevant to *you* personally is more important than being up to date, having a large branch network or having a strong online presence.

There was a time when being big, having a large retail branch network and large number of cash machines was particularly attractive; in fact that is how I chose my bank. Today those needs are less prevalent and consumers are now looking for something different, and needs do vary bank by bank.

Some are looking for a deeper emotional relationship with their bank, one that goes beyond trust and fits with their lifestyle and priorities. Some others simply want a bank that delivers good products and services, the channels of delivery are far less important.

When analysing consumer needs by their main bank, it is clear to see that the communication strategies of both the Co-operative and First Direct are working. Both have either managed to attract customers aligned to their strategy or have effectively communicated what they stand for to their customer base and make it an important point of differentiation.

Interestingly, within the credit card and general insurance markets,

similar differences by brand exist. In particular the AA, Tesco and LV= stand out from the crowd within motor insurance.

So even on the most basic level we can see the power of brand and communications and how they have a role to play managing the customer relationship.

They help set customer expectations even within those categories that many see as a commodity product. Of course, we have to accept that there may be a bit of post rationalisation here. Despite this, clearly some banks are attracting customers who have distinctive rational and emotional needs.

### Managing Customer Relationships

Many organisations talk about how they have ‘consumer centric’ processes, some even shout about how they have recently integrated their legacy systems into a single customer voice or have developed a customer segmentation to help them effectively target profitable customers.

Managing customer relationships effectively is not simply about integrating the latest technology or software, nor is it just about data mining and finding out who your most profitable customers are. Nor dare I say it, is it about a market research project. All of the above are simply enablers.

When you actually sit back and consider what you are trying to manage, i.e. what customers think, how they feel and how they will act in the future you begin to see the enormity of the task. Most businesses can target effectively and design products to meet **rational** needs, but unless a business truly understands what makes their customers tick, it will struggle to connect **emotionally**.

Effective customer relationship management is not a process, it’s a culture. That’s why alongside welcoming innovation and change, having customer centric values such as fairness, trust and respect engrained into the ethos of an organisation are so important for a



# viewpoint

Continued from page 2...

financial services company these days.

It's only when customer centric values become part of the organisation's DNA that we can truly begin to see through customers' eyes, design products and services around their holistic needs and begin to understand and improve the third dimension of the relationship which is how they **intend to behave**.

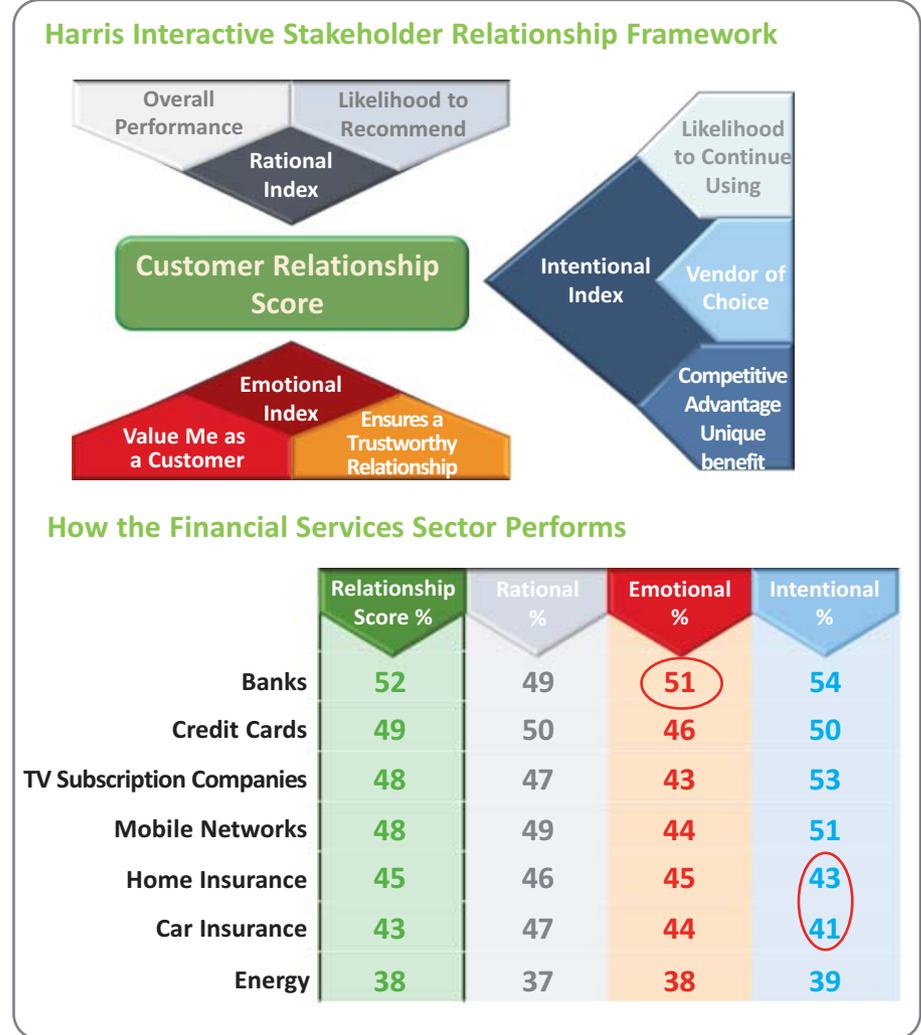
It's not just the sales, marketing and operational teams that have a role to play here. The HR department alongside Finance (both often overlooked) have critical roles too.

The HR department not only needs to carefully develop the desired business culture, it also needs to maintain it by recruiting and training individuals that share the same values and behaviours. Both tasks are a lot more difficult than they sound. Finance needs to ensure all financial information is up to date, accessible and most importantly in a format that people understand.

It's the collaboration of all these functions that helps an organisation maximise its success. A business that works in silos is mortally doomed.

**So how well does the banking sector perform?**

Historically, the banking sector cannot claim to have a strong reputation for service and putting customer interests first. We were one of the first sectors to embrace



overseas call centres and general outsourcing of back office administration.

The media has also had a field day as the big banks cut back on their retail branch networks, leaving some towns without a bank alongside past scandals of irresponsible lending, PPI, overdraft charges and ATM charges.

But how do consumers think, feel and act towards their main bank

today? Using our Stakeholder Relationship Framework, we placed some questions on our Harris Poll.

Despite the current negative perceptions of the industry, when comparing to other service based sectors the banks certainly hold their own.

Rationally, apart from the much maligned energy sector, there is very little difference across the board. Banks are particularly strong

# viewpoint

Continued from page 3...

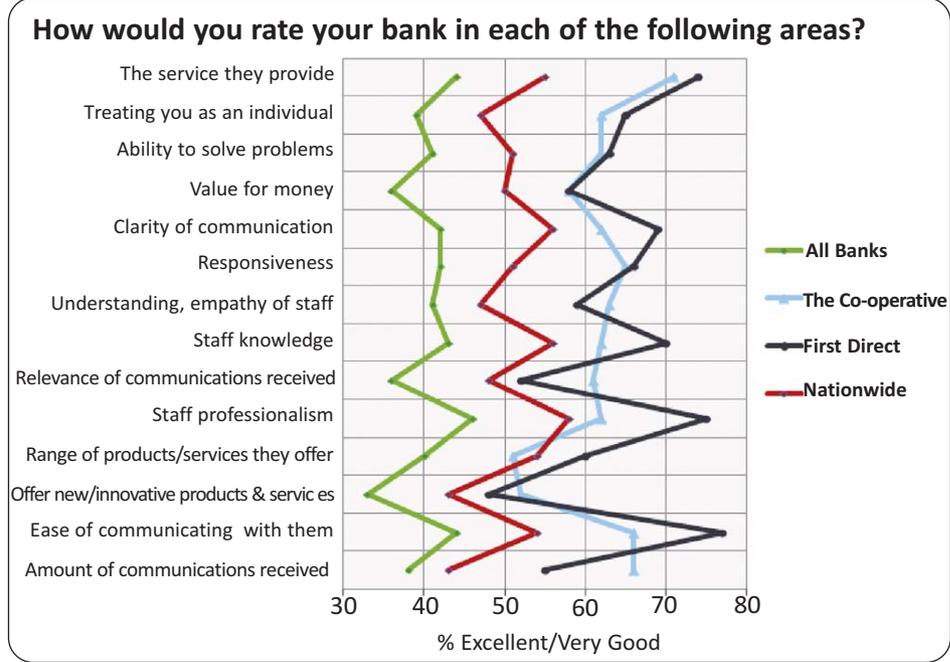
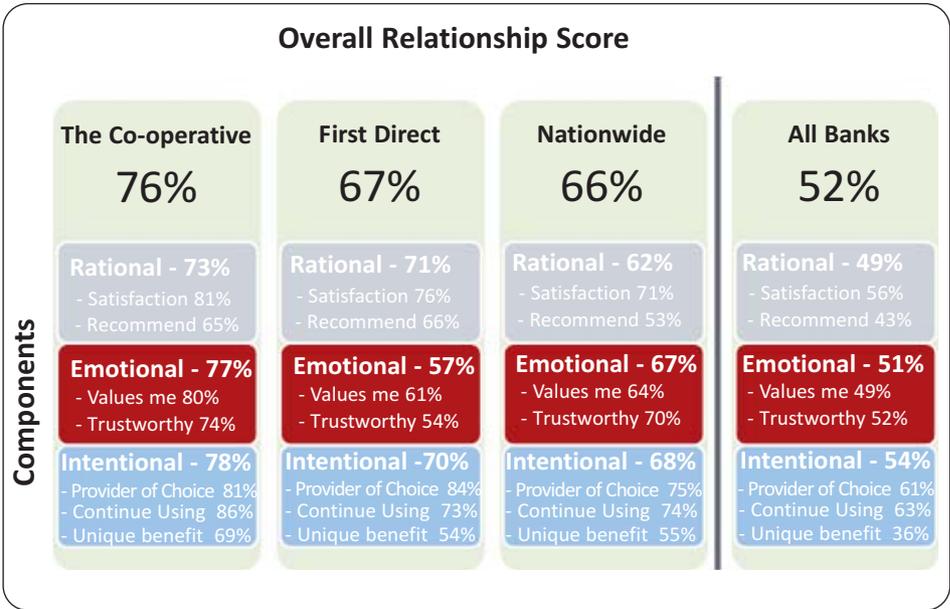
emotionally, and outscore both the mobile and TV subscription sectors, which may be deemed more engaging. Regardless of the baggage that the banking sector has, it is clear customers still have faith in their own bank which is perhaps something the industry should use in some way. Clearly enticing customers with cinema tickets, film downloads and giving priority to concerts is not as successful as general day to day interactions at building an emotional connection, even if they are delivered at an arm's length.

### So who is leading the way within the banking sector?

The Co-operative, alongside both First Direct and Nationwide are performing much stronger than the rest of the sector (as can be seen opposite).

All have succeeded in targeting customers who have particular rational and emotional needs. They have also effectively communicated what they stand for and have delivered against it. Interestingly, the Co-operative, First Direct and Nationwide are the only banks who can really claim to provide a unique benefit to customers.

Having something distinctive about you is obviously beneficial from a brand and acquisition point of view, but it also helps in terms of maintaining customer relationships. It can act as a permanent reminder as to why a customer joined you in the first place and therefore help to reduce churn.



When looking at the performance data above and comparing it to the overall relationship scores above, it leads me to ask the questions?

- Why is the Co-operative leading the market when First Direct clearly

performs best on the majority of attributes?

- Why is the relationship score for Nationwide so close to First Direct?

First Direct has clearly created a

# viewpoint

Continued from page 4...

whole proposition based around being transparent and delivering a strong service. However, the emotional bond it has with its customers is not as strong, perhaps due to its ties to its bigger parent company, and its route/channel to market. Interestingly the levels of trust for both HSBC and First Direct are pretty much identical.

Conversely Nationwide, perhaps due to its mutuality, has created a strong emotional bond with its levels of trust and although its service is not at the same level as First Direct and the Co-operative it is still well ahead of the industry average. If the Nationwide can build on its current performance and get more customers to recommend it, it will be in a very strong position indeed.

The Co-operative has created a compelling proposition around its ethical and sustainable behaviour, developing a culture that is embedded into its DNA. It has done an excellent job bonding with customers on all three dimensions rationally, emotionally and intentionally.

There is no doubt the Co-operative's positioning has helped to create a strong emotional bond with its customers. The Co-operative does things differently, it provides a unique benefit to being a customer and its service is also perceived to be very strong.

## Role of Communications

However, we must not underplay the role of communications within the financial services sector.

Communications play a massive role not only in acquiring new business but also in helping to reinforce the key reasons why a customer selected the organisation in the first place.

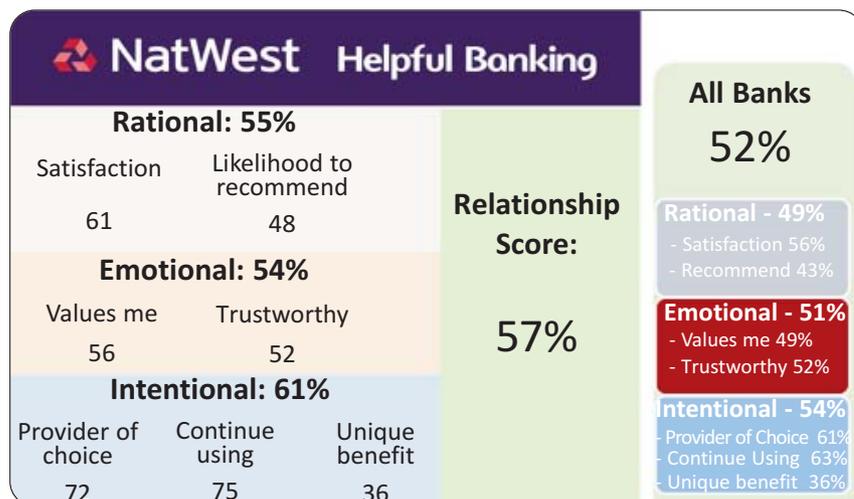
NatWest through its customer charter and its 'Helpful Banking' campaign, clearly is using communications to help reinforce key brand messages amongst its customer base and it appears to be working.

NatWest has started to pull away from the other major players on both rational and intentional dimensions. Its communications have also been supported by higher performance scores for responsiveness, relevance of communications and

professionalism of staff. Despite this, NatWest is yet to prove that there is anything unique about having a relationship with it.

Customer relationships are constantly re-evaluated based on what they see, hear and experience. As the industry reduces 'facetime' with its customers and as direct interaction reduces, service perceptions will become more and more the reality. Companies need to be as consistent and memorable as possible when they are delivering people based service as its importance is likely to be heightened for consumers.

As the 'human touch' reduces, service failures will be remembered for longer as the next staff interaction could be a year or more away. Ask yourself, when was the last time you went into your local branch or contacted your bank by phone? Therefore, more than ever before, to ensure healthy



# viewpoint

customer relationships are maintained it's important that financial organisations deal with customer complaints well, through multiple channels.

**Social Media**

Whilst you can control what you say about yourself, it is important to understand and manage what people are saying about you.

Who remembers in 2007 HSBC having to abandon its plan to scrap interest-free overdrafts for students leaving university due to a facebook campaign – I think this was the first instance of social media changing the policy of a financial organisation.

However, negative interactions with customers via social media can lead to a positive final outcome. Recently, I wasted a day sitting at home waiting for a BT engineer to turn up and I was struggling to get the situation resolved. Born of frustration, and to be quite honest wanting some sort of revenge, I tweeted about the negative experience I was having.

Donna from the @BTCare team contacted me and handled the situation superbly, taking total control, and resolved it to my satisfaction. Despite what had happened, I actually think more highly of them now than I did before. I now feel reassured that

there is the support available if something goes wrong.

That's a prime example of how you can successfully manage relationships in a service based industry following a negative experience. From a very quick scan of Twitter I noticed First Direct, NatWest, Virgin Money and the Co-op all actively doing the same thing. I only managed to find a handful of insurers, which is disappointing, and even fewer credit card companies.

A poignant tweet by @MarketforceRB about a paper delivered by @rodbutcher at a recent conference really drove this home to me *"Gone are the days when we can choose when and how we receive customer feedback."*

So how can we improve the relationships we have with our customers? Clearly we need to ensure products and services meet customer needs and expectations, but relationships are more holistic and complex than that. Organisations also need to behave how they would like to be perceived.

Ultimately it is how we make customers feel, think and act upon all three dimensions (rationally, emotionally and intentionally) via our products, services and brand and communications that drive

growth. As such customer relationships certainly cannot be explained by a single metric.

---

Researched and written by **Philip Brooks**, Senior Associate Director, Financial Services Research Team.  
**pbrooks@harrisinteractive.com**  
 Twitter: @MrResearcher

---

*To find out how we can help your organisation measure its Stakeholder Relationships contact:*

**Debbie Senior**  
 Senior Consultant, Stakeholder Research  
 dsenior@harrisinteractive.com

**John Backhouse**  
 Senior Associate Director, Employee Insight and Performance  
 jbackhouse@harrisinteractive.com

**Links to further information:**  
[Stakeholder Relationship Research for Financial Services Organisations](#)  
[Harris Interactive Stakeholder Relationship Model](#)

For further information related to this article, such as the background data, or to suggest new topics for inclusion please email [financial@harrisinteractive.net](mailto:financial@harrisinteractive.net) or call +44 (0)161 242 1360