

The Mutual Experience?

In a recent report from Harvard Management Update, Bain and company highlight a significant discrepancy between Customers expectations and actual experience vs what companies actually deliver in reality.

Eighty percent of companies believe they deliver a superior customer experience, but only 8 per cent of their customers agree.

They go on to highlight that - *the larger a company's market share, the greater the risk that it will take its customers for granted.* As share and profit grow, management begin confusing customer profitability with customer loyalty, never realising that the most lucrative customers may also be the angriest and most alienated.

As we heard at the recent Building Society Association conference in Bournemouth, the Mutual Building Societies continue to consistently outscore the big banks for customers satisfaction and their likely hood to tell their friends about their excellent experiences. This is excellent news but hardly surprising given all the bad press the big banks have been receiving over the last eighteen months.

Let's get real for a moment, consumers do not expect five star services from every brand or company but they do bring with them certain expectations based upon the expectations set by the organisation. Getting the human customer facing elements of the experience right brings considerable benefits by influencing customers attitudes to the brand and the organisation positively.

We believe the mutual societies in general are pre-occupied with their direct competition and missing key opportunities for competitive advantage.

However, are we really seeing the "bigger picture" here?

Mutuals are doing well and have an inherent 'customer experience' advantage over their more financially driven competition. The way to build on this and make sure the mutual message is getting through is to focus on building and developing a uniquely different customer experience, so.....

When looking at benchmarking your customer experiences shouldn't you be looking wider than merely the big banks? You clearly cannot ignore what your competition is up to, but can stop being obsessed about it and focus instead on being 'best in class'.

If you want to be the best you need to both compare your self to the best and take a truly aspirational approach to the development of your customer experience. Only by doing this can you ensure you are continually moving forward ~ setting the agenda not following it.

So.....to begin with it is important to understand just who represents 'best in class' at each touch point where a customer has the potential to experience you as an organisation.

Touching The Stars – Lessons in Customer Experience from the Big Brands. Mark Hollyoake argues that just benchmarking yourself against the competition is not enough. The aspirational business will be doing it against the best. You have to have the smooth retail experience of Starbucks coupled with the comprehensive offer and convenience of Amazon.

Once you have done this you need to identify what they are doing to set the customer agenda or type of experience we aspire to. For instance it may be Amazon, CD 101 or SAS for the web based experience? It may be Starbucks, Prêt à Manger or Waterstones for the retail experience.

By comparing yourselves to the Big Banks you assume that they are setting the customer experience agenda and expectations. It is quite obvious from the mountain of negative customer feedback which continually appears in the national press that much of what the big banks are doing is creating negative customer experience, soplease don't follow them.

Before you even try to benchmark yourself you need your own clearly defined customer expectations translated into an experience. If you fly Virgin Transatlantic Premium, you will receive a consistent end to end experience that starts from your Home and finish's at your ultimate destination. This isn't just happenstance, but a well thought through, defined and planned customer experience. The expectations that Virgin then develop around flying with then Transatlantic reflect the experience they will receive.

The Internal View of Mutuality

A mutual society is run in the interests of its members, the savers and borrowers - and is not listed on the stock market or owned externally.

The key advantage of this over a stock market listed or 'plc' bank is that a mutual does not have to pay dividends to its shareholders. This means that the surplus funds or profit a society makes can be invested back into the organisation or given to its members either via improved interest rates, as a cash bonus[ref the Britannia] or through better services.

Evidence from the annual reports of banks which were previously building societies shows that the extra cost of paying dividends to shareholders, who are not always the bank's customers, raises their running costs by around 35%. As banks make their money from their customers, it is they who are paying the increased prices that result.

A building society's board of directors in effect act as trustees, holding the society's assets in trust so that future members also have access to cheap mortgages and attractive savings accounts.

Building societies offer cheaper mortgages, high interest savings accounts and a range of other attractive products. They have a strong share of both the savings and mortgage markets and continue to win awards from independent bodies for both service and interest rates. The future for building societies looks positive.

Source: - Building Society Association web site.

The above statement is great as a foundation for the mutual business and should form the basis of the organisations culture, values and raison d'être.

But, what does this mean to the average person in the street – the External view of mutuality?

At a time when trust in large financial institutions is at an all time low and the FSA has an initiative called 'Treating Customers Fairly' you would think that the mutual societies would be 'making hay while the sun-shines' and enjoying enormous growth.

The translation of mutuality into a superb customer experience is one area where mutual building societies can still differentiate themselves from their private sector competitors AND so grow their business and profitability if they truly deliver. From our perspective, this issue boils down to five key questions for the man in the street :-

Question 1. What does really it mean to be mutual?

Question 2. How does this translate into customer experiences and expectations that we can differentiate upon?

Question 3. Where does this offer us competitive advantage and create value for us?

Question 4. How do we let our members and potential members know about the great Customer Experiences they can expect?

Question 5. What do we need to do to deliver the experience effectively across our organisation on a consistent basis?

This needs to be viewed from an external [customer] perspective, not as an internal charter.

The society needs to understand what their members can expect [experience wise] from the relationship they have with you?

The values and culture that encapsulate mutuality will have an external manifestation and benefit for customers. Through the experience and offering given, you are providing current and future society members with the reasoning behind why mutuality is important to them and how it differs from the offerings of other [non mutual] financial services providers.

2. How does this translate into customer experiences and expectations that we can differentiate upon?

With an external perspective of what it means to be a mutual organisation, it is possible to determine the type of experience a current/potential member should expect. This evaluation needs to be undertaken right across all the face to face and non customer facing (eg account queries) customer touch points and is not a simple or quick exercise. The process should ensure that it focuses on customers views as to

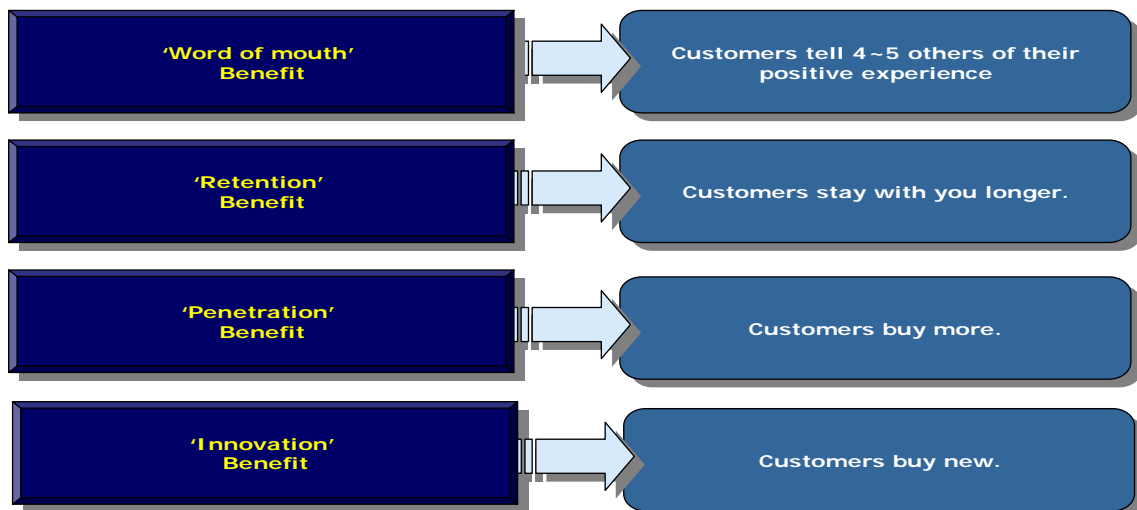
where 'moments of truth', points of influence' and 'bonding opportunities' exist – all are critical to the future action planning for the society to extract maximum benefit from Customer Experience assessment.

3. Where does this offer us competitive advantage and create value for us?

Once you have defined the desired Customer Experiences and how they should vary dependent upon the member's profile you can start to identify the experiences that match (or even exceed) customer expectations. It is possible to map these experiences against both your competition and 'best in class' target companies so providing a view of where you are meeting or exceeding the market by 'touch point' and where you can focus to drive advantage.

Lastly, and critically, you need to be clear where improved experience has potential value(profit) attached to it. Financial services companies are not charities and customers will vote with their feet if the costs of providing positive experiences exceeds the customers perceived value over time. Whilst the exact measurement of added value in Customer Experience initiatives can prove difficult – it is an exercise which is necessary in order to keep "feet on the ground" and ensure that PROFIT growth remains the ultimate objective. So.....as an example. One customer tells 4~5 friends about their positive experiences and half of those become your customers. These customers have an average worth of £ 2k per annum and a potential life time value of £80k this has the potential to deliver an additional £160k. What's even more important is the cost of acquisition; 'word of mouth' marketing is far more cost effective than above and below the line marketing expenditure.

'Where does this offer us competitive advantage and create value for us?'



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4. How do we let our members and potential members know about the great Customer Experiences they can expect ?

You now start to manage the expectations that the current and potential members can expect from your organisation.

You need to communicate how the experience is likely to differ from that offered by other financial services providers and key target 'best in class' companies?

Communications should focus on what members are likely to 'feel, hear and see' from the experience of being with you as a mutual organisation.

The experience, to warrant strong communication, needs to be reflected through every touch point at which a current or potential member can interface with your organisation in order to avoid disappointment.

A word of warning

It is often in this area that inconsistent messages emerge and the members / potential members get confused. For example, the branches communicate a clear mutual set of expectations yet the web site is purely rates and product focused. The society needs to ensure that the Customer Experience message permeates every aspect of their business and is reflected in a consistent way.

5. What do we need to do to deliver the experience effectively across our organisation on a consistent basis?

With the expectations set, you need to be confident that you can deliver them in a consistent and relationship enhancing way. You need to make sure that the expectations you develop can be delivered every time a member or potential member touches your organisation. The expectations need to be translated into experiences and then encoded into: -

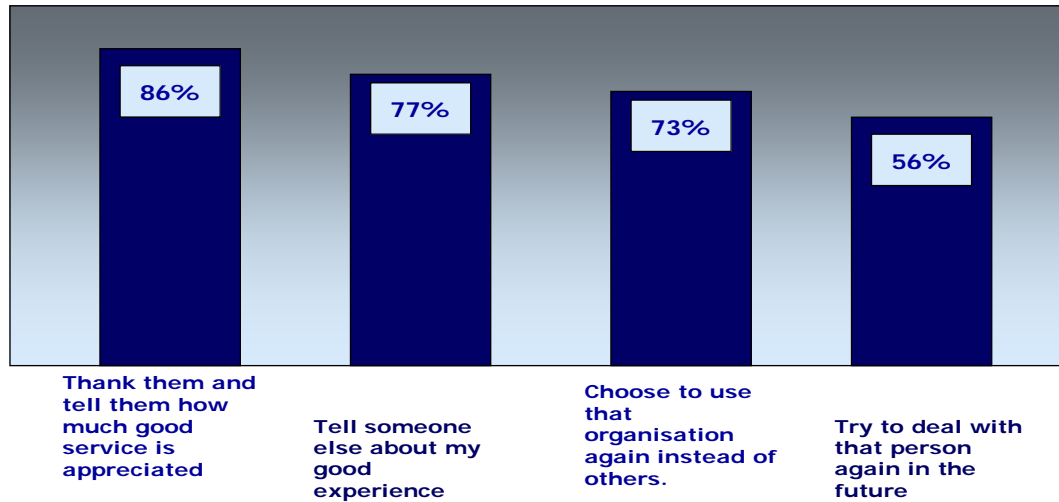
- ✓ Behaviours
- ✓ Systems
- ✓ Processes

..and critically embedded within your culture.

Recent research¹ shows that you should never underestimate your customer facing staff and their ability to make the difference between good, great or memorable or terrible experience from the customer's perspective – you can invest thousands in training and scripting your staff but without a welcoming smile all is lost.

The following charts clearly demonstrate how customers react to helpful staff and what happens if you get it wrong.

'How do consumers react to really nice or helpful staff?

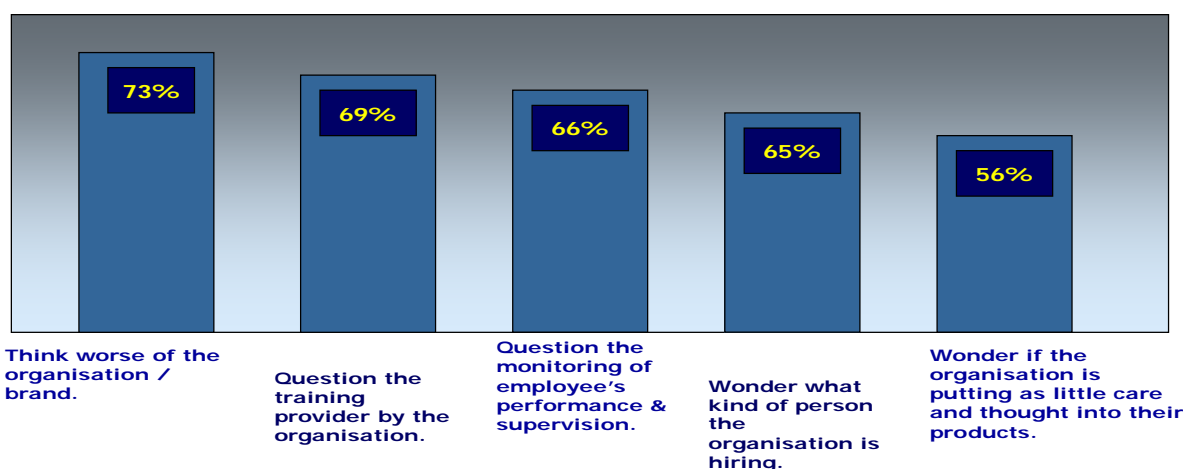


Source:- NKD Group

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The biggest turn off for customers comes across clearly as; staff standing there and chatting amongst themselves, while you stand waiting. How many times does this happen and how do you feel when it happens to you?
The impact of this on your organisation / brand is wide ranging and could undo all the hard work you put into acquiring and developing the customer.

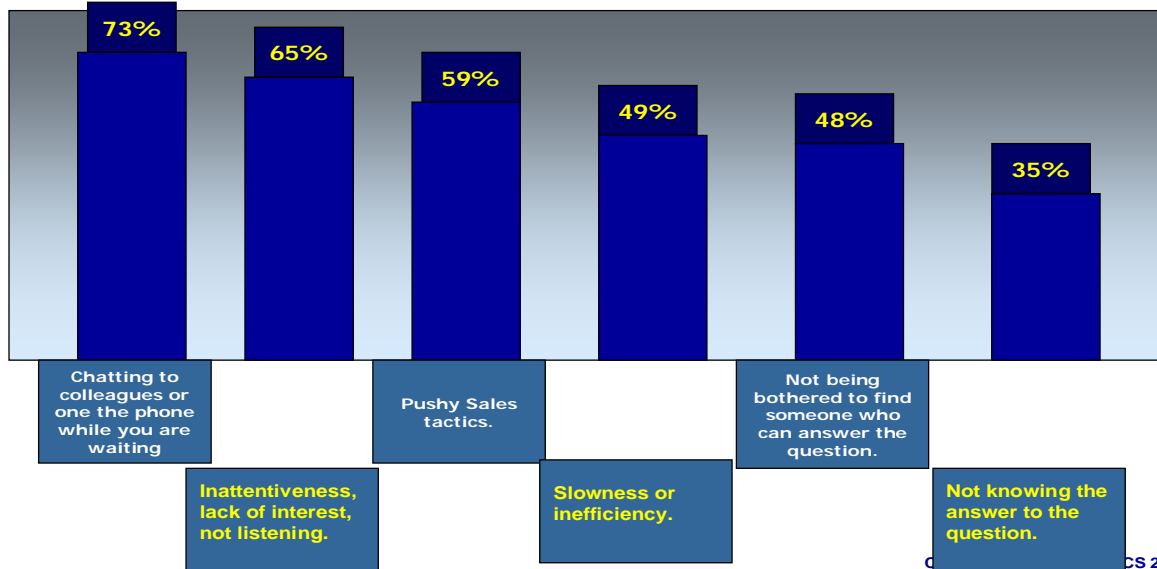
'What impact do rude or unhelpful employees have on the brand?



Source:- NKD Group

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'What makes for an unsatisfactory or annoying experience?'



Source:- NKD Group

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A Final Thought!

The research shown above all points to the simple equation of: -

Set realistic customer expectations and then develop the organisation to deliver on the experience. Do this consistently and customers will tell their friends about you. Focus on 'best in class' to develop your standards and get obsessed about this rather than the big banks.

Above all start to identify where a mutual customer experience differentiates you from the competition or sets the agenda. If a shareholder driven organisation finds it difficult to copy the experience and it delivers you an advantage, then build upon it and make it your own.

Once Again!

The translation of mutuality into a superb customer experience is one area where mutual building societies can still differentiate themselves from their private sector competitors AND so grow their business and profitability if they truly deliver.

Source: -

1. NKD Group
2. BSA web site. www.bsa.org.uk/
3. SCS Report: - standing out in the building society crowd. www.springboardcs.com