

## How your Service defines the customer!

By ; Max Franchitto

Financial services institutions have spent large volumes of money to try to discover why customers are no longer excited by the value proposition of their products and service.

Yet the answer is simply defined by the customer mindset they may be helping to create.

The interesting fact is that we are all probably overly focused on the products and not the service.

This is best exemplified in the way organisations divide up their strategic thinking time. Research shows that over two thirds of corporate marketing think time is spent on product design and development, the balance on promotion and precious little is on service management strategy.

So what often happens in the product lifecycle is that we become so focused on marketing a product which we believe to be terrific, for all the right reasons, that we diminish the level of after sales service to that product, to the extent that the “Unique Selling Proposition” is threatened by the negative events that take place when servicing the customer.

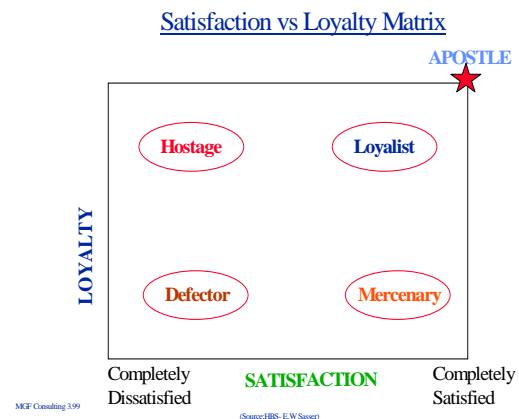
The challenge that this brings to the fore is “understanding the customer experience”, which basically means that the customer looks for experiences rather than extravagant product design in their relationship with the organisation. Dangerous as it may be to generalise, this applies to all sectors of financial services but even more so in the areas of Personal Banking as well as Personal Insurance and Financial Planning.

A great many organisations in these sectors are constantly seeking product design innovation as a way of winning market share, or share of wallet. They go about developing

products that are innovative to say the least and initially excite the customer into entering the marketing box and buying.

Once inside the customer is captured by the commitment and they then proceed to enter into one or more of four chambers within that box, here their behaviour profile is conditioned by the treatment they receive. They go on to becoming customers within the following subsets;

- The Mercenary
- The Defector
- The Hostage
- The Loyalist



In this environment the customer develops an parallel attitude toward the product value and the relationship experience. In so doing the customer makes a choice as to which chamber best represents their experiences. The truth be known in Private financial services many customers feel and become Hostages, due to product design or structures of implementation which have locked them in for a given period of time. This same design allows the provider (non intentionally of course) to diminish the effort in Service management and ignore the importance of “understanding of the customer experience”.

In other segments such as commodity products financial services, the customer plays the role of the Mercenary or Defector, which means that they are constantly

seeking to exit the box in exchange for a better experience rather than a better product. This is most obvious when a customer moves from one bank to another, or one insurer to another.

It is in this realistic model that the words “Financial Services” become a label rather than an intent to offer real service as part of the marketing equation. If however, we retain the focus on the “customer experience” rather than the development of highly sophisticated and often complicated products, we may be able to set up platforms for differentiation that are capable of yielding hard to copy sustainable competitive advantage.

The value of a sincere service management strategy within the marketing model of personal financial services will see a champion rise above all others. Unfortunately, to date we can safely assume that the focus has been on product design and sales and whenever there has been an attempt to offer superior service it has not been sustainable. This has resulted in over crowding of customers in the Hostage, Mercenary and Defector chambers.

The lesson to be learnt here we believe to be; simplistic product design supported by excellent “customer experience” drivers which will in the majority of cases create the customer we are seeking, “The Loyalist”.

The Loyalist is a great customer, for by definition they are long term, they tend to be good quality, they buy multiple products in greater quantities and they tend to refer (if you ask them) more customers much like themselves.

At the moment as an industry we lack an over supply of “Loyal Customers”, but yet we can create as many as we like if only we would realise that for every hour spent on Product strategy we should be devoting two hours to Service management strategy.

Therefore one would argue that Service in Financial Services is worth three times the profit that product design can bring.

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