

“Building lasting relationships in challenging times”

When regulations tie up your flexibility what can you do to continue meeting customer (think client) expectations?

Many industries have faced regulatory change over the last decade and financial services can probably claim to have had the biggest overhaul of them all. The introduction of the Financial Services Reform Act (FSRA) has changed not only the technical and educational requirements for doing business, but also the need to meet customer expectations and deliver service satisfaction without bureaucracy.

This makes the financial services industry an interesting case study for discussion on the challenges associated with building good customer relationship in regulatory environments.

The key message from all of this regulation is that the “real quality” revolution is well and truly on and it has hit the services industry. This means that while we re-design the processes to meet the expectations of the regulators we must do the same to ensure that this does not impact negatively on “customer relationship management”.

Some of the fundamentals are;

- ❑ **Develop a clear communication process**
- ❑ **Demystify the regulatory imperatives for the customer**
- ❑ **Process the imperatives not the customer**
- ❑ **Reduce the service timeline with efficiencies**

Having identified these key drivers to “building relationships” in regulatory times let us look into what they mean in a practical environment.

Develop a clear communication process:

As is often the case when a business is highly focused on administrative streamlining it forgets to communicate the changes to customers effectively. So what happens is that the administrative imperatives are implemented and the customer becomes confused and the business begins to be at odds with customer expectations.

The business must bring into play a series of communication tools that allow the customer to familiarise themselves with the changes as they occur, this gives a gradual change effect to the relationship and allows the customer what is happening and more importantly why. Sometimes a simple “newsletter” or “customer bulletin” issued on a more frequent basis may be sufficient. The important aspect of this driver is that a process be identified as suitable to your customer base and then implemented without fail. Obviously the quality of the information is of absolute importance, critical versus trivial is always a good analysis to conduct.

Creating a communications champion within the organization is also most effective, these people are usually only found in large organizations, but a part time champion in a smaller organization is better than ad-hoc approaches.

Demystify the regulatory imperatives for the customer:

Once we have a communication process that we believe to be effective and suited to our organization we need to use it in a manner that is easy to understand. Most communication gurus will tell you that assuming an average age of 12 years amongst your audience will help keep your concepts and explanations simple. In this case study of the financial services industry we know full well that communicating administrative changes can be most confusing at the best of times.

Explaining why certain rules apply in doing business can be a negative experience in the context or relationship building, it can often lead to questions that remain unanswered (mysteries) and this leads to uncertainty in the relationship.

We often have organisations present their communications via a third party who has little or no technical jargon in their vocabulary. The regulatory imperatives are there to improve the quality of the service not to confuse the customer.

Process the imperatives not the customer:

Often it can be said that in working to meet the expectations of industry regulations organizations become process mad and this overshadows their customer focus. The danger is that the customer becomes part of the process and used merely as a commodity in that process.

Following the compliance route does sometimes over focus the organization into treating the “compliance” as the primary objective which can lead to creating process that alienate the customer relationship. Once again communication and dialogue are critical.

Under the financial services model the correlation between compliance processes and “relationship management excellence” is in the ability of the organization to manage the flexibility that is required to meet all expectations.

The tip here is to devise the processes for meeting compliance but then test them by matching their deliverables against the service expectations of the customer base.

Reduce the service timeline with efficiencies:

Service quality and technical quality (competence) are not mutually exclusive, in many organizations this is sometimes not true. The delivery of quality service to customers needs to be linked to competence and capability, as research shows that only when this is the case does customer satisfaction and loyalty increase. A business out of focus in any of the three will always struggle to meet service expectations of its customer base.

Once again building efficiencies within the parameters of compliance allows the organization to deliver service within the timeframes expected. This then deletes the possibility of blame having to be apportioned to compliance for poor service performance.

The tip here is to look at response methodologies and customer service processes within the organization. Simplifying, coordinating and collaborating become key ingredients in promoting efficiencies.

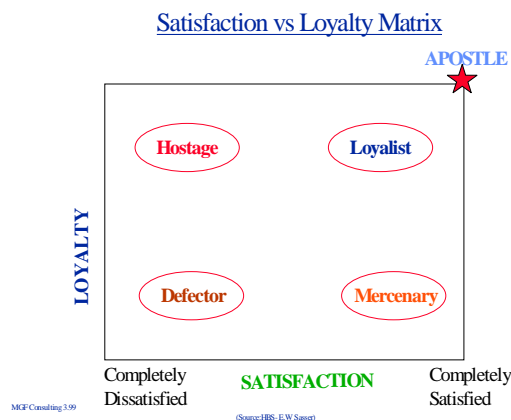
Training of staff in customer satisfaction initiatives and policies is important. Horizontal communication within the organization is as important as external communication. Promoting

latitude of decision making amongst staff interacting with customers. Efficient use of technology to empower staff and customers into anticipate and resolve service problems.

The challenges that regulations and compliance bring to organizations in meeting customer relationship management expectations are not always industry unique. However in the services industries (particularly financial services) they have the potential to destroy “relationship intimacy” and negatively impact satisfaction and therefore loyalty. Blaming compliance and regulatory regimes for this breakdown will never justify the end result, unhappy customers with high disloyalty. Organisations need to work hard at creating Loyal customers regardless of the environment in which they operate. The environmental forces and the organizations management of the customer relationship will determine whether you have hostages, defectors, mercenaries or loyalists as the majority of your customer base.

Lift out box Item:

Defining the customers you have:



The Hostage- Is with you because the switching costs to an alternative are too high or the change is too difficult.

The Defector – is with you this year but may move on depending on what is on offer unless you prove what the differentiator is for your service/ product.

The Mercenary – Chases price and bets deals and will move when a better offer comes along especially during difficult times

The Loyalist – understands why your organization is more capable, more competent, and most likely to deliver satisfaction and will only move if you move.

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