Customers First and Digital Second

Customers First, Digital Second

We spend a lot of time in the financial services digital space. The banks we work with are spending hundreds of millions of dollars on digital with the intention of creating new sources of revenue. This strategy is a good one, but would be more powerful if banks put customer relationships first and digital second.

Stemming from my experience in the industry, it is of my opinion that the banks are investing in digital and yet are leaving money on the table every second of every day with every customer they interact with. Why? Because it seems like they have no enterprise/integrated/repeatable client relationship management strategy or if they do, it appears not to be institutionalized at a level that would reap the intended benefits.

Here are a few pertinent examples of major gaps in customer relationship management based on my own experiences and that of other colleagues who are also business owners as well. My intention is to highlight these gaps or weaknesses and recommend some solutions to maximize the best interests of both the bank and the customer.

According to a ranking produced by Standard & Poor's, in 2017, the Big Five are among the world's 100 largest banks, with Toronto-Dominion Bank, Royal Bank of Canada, Bank of Nova Scotia, Bank of Montreal, Canadian Imperial Bank of Commerce at 26th, 28th, 45th, 52nd and 63rd place, respectively.[5]

With digital channels and the introduction of “Open Banking” there will be more new entrants/competitors, and banks will be under considerable pressure to demonstrate their value and differentiate themselves from a plethora of competitors like Fintechs. One of the major ways banks will have to differentiate themselves will be through the development and retention of strong, long-term customer relationships.

Here are some of the challenges we have observed…….

1. Non-repeatable Customer Relationship Management by Individual Heroics

There are no evident, repeatable, formal, consistent client relationship management practices to deal with a variety of customers: entry-level customers, private client, commercial client, etc. If you get great service, it is because of the individual that you are lucky enough to deal with and not because there is corporate/cultural/repeatable practice of client relationship management.

Client relationship management is carried out on a best-effort basis by individuals who may or may not be suited at all for a relationship management role. If they do a great job or a sub-par job, the result is the same from a compensation/reward perspective. Accountability for client relationships is an esoteric term with very little meaning for the actual client.

Case in Point #1: An expensive marketing firm is engaged by a major bank to interview their commercial banking customers because they responded negatively to a survey sent to them by email. The customer receives a call from the marketing company and spends over 45 minutes explaining their issues and even suggests solutions.

The follow-up consisted of an email by the account manager several weeks later, stating that they are sorry to hear that the customer is not happy with commercial banking's services and what can they do to make things better. No phone call, no request for a meeting.

Further, the customer gets an email from someone unknown to them asking them for financial statements (part of the annual process). The customer sends corporate financial statements to the account manager, asking for a touch point to discuss their needs, given some major positive changes for the business. The response: an email back to the customer from the account manager telling them that he has moved on to another role and letting them know that the individual who asked the customer for financial statements is now the new account manger. In spite of being copied on this email, the new account manager never responds to the customer by email or phone.

Why invest lots of money in a marketing survey/focus firm and data mining if you don't follow-up on the results of your client relationship management diagnostics and actually resolve the problems?

If 25 years as a commercial banking customer earns you the same concern and attention as someone applying for credit for the first time based on an online advertisement, why would small and mid-size companies continue to do business with the major banks?

I get emails on a daily basis from US-based capital firms offering financing on large dollar amounts at 3 - 4% with minimal paperwork/bureaucracy. Even the BDC, which is a Federal Crown Corporation is more client-focused and easier to deal with most of the major banks.

Case in Point #2: A private wealth client moves from one bank to another bank because of poor customer service. The relationship manager assigned to this client was keen to build a great relationship and try to serve their every need. Once she retired and a new account manager was assigned, the focus of the new account manager was to execute transactions from the client, only when the client initiates discussion.

No one asks the client about their needs or has proactively responded to any requirements, in spite of tremendous data mining about this bank's highest value customers, their transactions with credit cards, investments, mortgages, cycle of life/estate planning, foreign real estate investments in the US.

The irony is that this bank just acquired another bank in the US to be able to service Canadian and US mortgage customers. The clincher-this client has been telling their bank that they are unhappy with their current mortage provider in the US and their mortgage is up for renewal. If you buy US entities with the goal of increasing your mortgage base, wouldn't you reach out to your current, high-value customers that you know have a US mortgage and get them to consolidate all their business with you? So far not one relationship manager has reached out to the client to see how they could add more services for a client who is literally ripe for the picking.

2. Customer Relationship Management because of Complaining or Catastrophe

In order to get better products or services from your bank you have to seriously threaten to leave or actually leave.

Case in Point #3: Ironically, when one of my colleagues told one of their Bank IT clients of their struggles with their commercial bankers, the client contacted one of the most senior executives in the commerical banking business unit and asked them to intervene. They aske my colleague to meet with the senior executive team and when they found out what another bank was offering, offered to match their services. There was a lot of fuss about providing great service to our colleague's company, but once they were re-engaged and new financing vehicles set-up, things basically went back to normal which is that they are basically back to being ignored unless they complain or make a lot of noise. Unfortunately, this bank has set-up a toxic relationship where positive attention occurs when the customer complains, argues, and threatens to leave.

If these poor relationships describe some of the banks' highest value relationships, one wonders what is going on with the average customer?

3. Digital Only Service Delivery with no Human Account/Customer Relationship Possible

Just because 95% of a bank's services are delivered digitally, that is, online or by call centre, doesn't absolve them of the need to have real people managing real customers with some degree of continuity.

Case in Point #4: A number of years ago, I read the account of a customer who was an existing customer of a bank and had a mortgage with them in the US. When it came time to renew their mortgage, there was no Relationship Manager they could speak to, but instead were forced to call the bank's call centre to renew. After being bounced around from one call centre to another, they were told (quite smugly in fact) that they would have to re-apply for the mortgage again and complete all of the paperwork they did several years before when they got the mortgage. Oh, and did I mention, they were private wealth customers of the Canadian entity for many years, but were treated like absolute nobody's by the US entity?

After that bank saw the social media post, they contacted the customer and created a one-of process and assigned a relationship manager to speed these clients through the renewal process. In other words, if the customer had not screamed so loud, they probably would have moved their mortgage to another bank since they would have to go through the same process nonetheless.

On-going relationship management with this bank and their customer consists of letters from the bank, informing the customer of news or demanding some type of action. Needless to say, this relationship and the hundreds of thousands of customers that are handled like this is doomed long-term.

4. Certain Life Events Should not be Handled Digitally

We just recently went through the process of trying to sort out my father-in-law's assets that were held by a variety of banks, as well as insurance entities within those banks.

When people are dealing with the grief of death, is it humane to have them call in to a call centre, be left on "death" hold (no pun intended), and then when they get a live human being, give them a long list of all the reasons why they can't be helped unless they have all the right paperwork?

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If the customer(s) are beneficiaries of large sums of money, do you think they will be inclined to invest or deposit those monies with a bank that basically treats them with zero humanity? I think we all know the answer to that one?

Outlining some of the problems with digital first and customers second also means thinking about some of the potential solutions. I have suggested a few interventions, which are not comprehensive by any means but could definitey start the ball rolling……

Possible Solutions:

1. Create relationship management processes for major customer interactions. Set goals associated with these processes. Train bank staff to follow these processes and best practices. Compensate and reward bank employees who provide consistent, repeatable customer relationship management. Analyse the outcomes of these practices by understanding how many new accounts, mortgages, revenue, investment income was generated by these individuals. Reward high performers accordingly. In other words, tie the performance measures to customer-centric goals, and compensation. Get rid of marginal/bureaucratic performers who go through the motions but achieve "table stakes" results.

2. Cross reference digital data with customer relationship managers so that they can target the appropriate customers with the appropriate products/services. Chart all customer interactions/use cases from an enterprise perspective and ensure that the digital strategy supporting the interaction helps the bank to achieve increases in market share/revenue/profitability, etc.

3. Ask your customers how your relationship managers are doing. If the feedback isn't good, do something about it and communicate this to your customer. If the feedback is good, reward your staff and your customers with additional incentives and services. The key here is that every piece of customer feedback must be actionable and there must be governance/oversight to ensure that follow-up actually occurred and the loop was "closed". Otherwise customers get frustrated and angry with feedback that appears to be a "token" instead of really for their benefit.

4. It doesn't take much to establish a special process for special life events like death, marriage, birth. A digital and human concierge can be assigned to help the customer navigate through all the bureaucracy and minutae so that customers don't have to wait for hours on hold or be passed around like a hot potato from one channel to another. That same concierge can follow-up with the customer after that painful or happy process has been concluded and offer support and help in the form of financial advisory services to invest monies appropriately for the customer's needs.

5. Always compliment or pair a digital channel with a human channel. This risk management and customer service delivery strategy ensures that no money is left on the table and that the bank doesn't lose a valuable customer because of poor communication or empathy for their particular situation.

6. Take a good hard look at the existing risk management frameworks for long-term, private wealth, and commercial customers and make adjustments, especially as they relate to borrowing/financing/mortgages. If new competitors are going to take away long-term customers from you, isn't it time that you re-evaluate how risky your customers really are and keep those that are a good bet? Do you really want to lose retail and commercial customers that have been with you for decades so that you can pick up anonymous digital deposits' customers that may give you limited sources of revenue?

7. The question must be asked as to how are banks gathering the voice of the customer, other than through complaints or when a customers' hair is on fire? How are the banks benchmarking themselves against best in class, including the US banks who at some point will become true competitors.

8. Lastly, if a bank thinks they are doing all these things already, why not invest in an oversight role to ensure that a customer centric program is allowing nothing to fall between the cracks/gaps between organizations, and that customer feedback and actions are supporting the strategy. Where is the feedback and accountability loop and action plan for continuous improvement from an enterprise level crossing all channels and customer segments?
   Trust but Verify……

Again, these are not comprehensive solutions, but are a good starting point. I would love to hear from others about their experiences and suggestions on how to make the Customers First and Digital Second.