

No room for complacency

Consumer expectations are rising and the customer experience bar is being systematically raised. **Michael Clark** wonders how well placed modest-sized building societies are to compete

The last decade and a half has seen a number of major brands enter the financial services market. Part of their success can be put down to brand value – Tesco is an obvious example, as is Virgin. Interestingly, Virgin is able to charge more for its Footsie tracker ISA product than other providers. How does it get away with it? A strong brand.

So what makes for strong brand values? Well, a quick review of TV advertising suggests the answer. The big players in the industry are all positioning themselves around providing a unique customer service experience. In fact, it could be argued that customer experience has become so dominant in the positioning of large organisations that it is unquestionably the crucial benchmark all players need to hurdle if they are to compete in the longer term.

Memorable advertising

Perhaps the most memorable big-budget advertising campaigns within the sector are delivered by Nationwide and NatWest. They are not selling on price, value, security or even the dream of a new car or world cruise. They are spending millions raising expectations about customer experience. This is replicated in many sectors. BT and British Gas don't advertise excellent value. They show us how customers are 'coming back to them' because they provide excellent service. Whether they actually deliver excellent service is a matter for debate.

But what about other building societies, and in particular those regional societies that represent the majority within the industry?

Building societies

In an attempt to get insider knowledge to enable me to answer the question I spoke to David Charlton, who spent over 35 years within the sector, most recently with the Skipton Group. Having

stepped out of the industry he is well placed to identify the issues.

"Building societies *should* have a unique advantage when it comes to all aspects of customer service," says Charlton. "They are local, mainly branch-based, have strong customer (and family) loyalty and have been an integral part of their communities for a century and a half. This adds up to a serious competitive advantage that bigger players will struggle to replicate. However, times are changing.

"Societies are trying a variety of approaches to improve efficiency, but many are at the expense of high-quality customer service. For example, contact centres and internet offerings are cheaper than branches on a transaction basis, but these channels do not offer the same customer experience. Societies focusing on these developments, without considering the total customer experience will pay a heavy price in the long run."

Charlton says other concerns currently dominating board-level discussions include compliance and regulation. "High street banks can afford to fund specialist departments to handle such matters, whereas in regional building societies they take up an increasingly disproportionate amount of senior management time and energy. This concern is reflected in the most recent spate of appointments to building society boards of auditors, accountants and the like – not exactly a breeding ground for the softer skills needed to major on customer service."

Customer service

David's views are interesting, and they mirror my experience in other parts of the financial services sector. I have seen numerous examples of senior managers bringing in training organisations to deliver customer service scripts, but this alone never gets the job done. Customer service excellence is a cultural phenomenon and has to run

deep to be effective – in the board room, in branches and on the telephone or internet. Only then will it translate into crucial customer retention and loyalty which will drive the future success of societies.

So, all organisations need to ask whether they have taken the customer service lesson to heart:

- Is customer service represented at board level and always on the agenda?
- Is there a measurement of how customers feel?
- Is there an approach to understanding the importance of this, driven by a detailed knowledge of the economics that underpin the cost of service failure?
- Is there an understanding why customers choose to leave?
- Are there clear targets for all components of customer service?

David Charlton's view is that the best building societies do at least some of these things some of the time, and a few leaders may do better. If this is the case, some societies will quickly be smoked out when customers learn to demand the 'better way' that is being promised on prime-time TV. Only a board-level obsession with service issues can deliver the 'better way' as customer reality.

Will NatWest and Nationwide deliver? Who knows? Either way, it is time for all societies to develop an obsession with providing their members with the best possible experience. If the larger competitors do raise the bar, all societies will need (at the very least) to match them. And if they promise and fail, then the smaller players can take advantage by winning business from them. If that isn't a good enough reason for customer service to be on all board agendas, I don't know what is. **MFG**

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