

Opportunities for Action in Financial Services

Building a Successful Experience Brand

THE BOSTON CONSULTING GROUP



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A successful experience brand delivers effectively on its promise of a particular experience. The steps to building such a brand are straightforward but require thorough application and consistency. They are, first, to define an experience that your customers will value; second, to deliver that experience in everything your company does; third, to measure the impact of that delivery on the customer; and, fourth, to lead and motivate the organization to deliver the experience consistently.

Getting Inside the Customer's Experience

Experience branders don't just get close to their customers. They get inside the customer experience, identifying deep-seated needs and dissatisfactions, and then translating that knowledge into a brand promise. It's rare to find a financial institution with such a deep understanding of its customers. Most financial services companies undertake traditional market research that focuses on existing offerings. One company that is different is Charles Schwab.

In the more than 20 years since its founding, Schwab has shifted from being a simple discount broker (itself a breakthrough at the time) to being a comprehensive self-help financial supermarket. Schwab has used its insights into its customers as a catalyst for an array of powerful product and service innovations.

In the brokerage business, for instance, it was common for customers to call back in order to confirm

that their trades had gone through at the price requested. Schwab recognized that the ability to provide immediate confirmation of an order would save customers the trouble of making the extra calls and give the company a competitive advantage.

In addition, Schwab initially assumed that the vast majority of its customers would trade over the telephone. But the unexpected success of one local branch office led the company to realize that many customers yearn for personal contact, particularly when initiating a relationship. So Schwab invested in a network of “high-touch” branches, which focus on helping new customers understand electronic and on-line delivery channels. Today these branches serve 70 percent of new clients.

When Schwab entered the mutual fund business, it observed that most people were investing in several fund families to achieve diversification. But diversification brings with it the inconvenience of dealing with different statements, different rules, different sales representatives, and complex procedures for switching between funds. Schwab saw a way to break this compromise that the industry forced on consumers. It introduced OneSource, a single point of purchase for more than 350 no-load mutual funds offered by other companies. Schwab provided customers with one statement and positioned itself as the navigator for the world of mutual funds. In so doing, it inserted itself between the funds and its customers, allowing it to use those relationships to sell other products.

The Schwab story demonstrates that breakthrough customer insight is possible in financial services. Financial institutions can “shop the way the customer

shops,” they can conduct intensive one-on-one interviews with their customers, they can shadow customers as they do their financial planning or visit their bank or broker, and they can pay close attention to any compensatory behaviors their customers exhibit. From the deep insights they gain, they can develop an experience that truly differentiates them from most other financial institutions.

Delivering on the Brand Promise

Making a distinctive brand promise is obviously not enough. Companies must also deliver on it. Too many financial companies develop clever advertising without thinking through what it will take to live up to their promises. Experience branders deliver real value to their customers, not just rhetoric.

Delivering an experience consistently is especially difficult because the entire company needs to be involved. It’s not enough to have employees who treat customers well. The brand promise must also shape how products are designed, information technology systems configured, and business processes developed and managed. Everything needs to be delivered to specification.

Consider the recent efforts of Chase. After its merger with Chemical Bank in 1996, Chase undertook a highly structured process for turning a promised experience into reality. The bank developed a set of brand attributes—“pledges” to the customer—focusing on five in particular. First, banking at Chase would be *personalized*, based on an understanding of each customer’s needs. Second, it would be *informative*, providing customers with the information they

require to make informed decisions. Third, it would be *flexible*, tailoring solutions to customers' needs. Fourth, it would be *expert*, reflecting in-depth knowledge about the world of finance and the efficient delivery of products and services. Finally, it would be *responsible*, ensuring the commitment of Chase employees to performing the job to the customer's full satisfaction. The bank coined an acronym—PIFER—to communicate the five attributes to its employees.

Chase then conducted an elaborate exercise to determine how employees would interpret PIFER and how customers would experience it. With the insights gained, the bank began a systematic three-year overhaul of its business processes, product mix, and approach to customer sales and service in order to put PIFER into operation. Fulfilling its promise to get to know its customers as individuals, Chase developed an integrated customer information system, including a nationwide file that consistently captures all the information about each customer gained through the bank's various delivery channels. Equally important, Chase adjusted performance incentives so that 20 percent of a manager's bonus would depend on how well he or she implemented PIFER.

Now Chase is focusing on a new generation of products and on motivating, empowering, and training frontline employees to deliver the levels of service that experience branding requires. The bank recognizes that the actions of frontline staff can make or break an experience brand.

But the consistent delivery of an experience brand depends on the entire organization. This can be difficult in a traditional bank with strong product, func-

tional, and channel structures. In such organizations, it's important to create roles with responsibility for the total customer experience. Successful brand-management companies have adopted a variety of models. At some consumer products companies, a "brand czar" determines all the details of the brand from the center. At others, the business units themselves are organized as brands.

Given their products, channels, and organizational structure, banks should probably adopt an approach somewhere between those two extremes. Chase set up a companywide brand council made up of brand advocates from each of the bank's lines of business, with each advocate responsible for ensuring that his or her area is aligned with PIFER. The brand council reports to a senior management committee led by the head of retail services.

Measuring Brand Performance

Experience branders should pay particular attention to two sets of measures. The first set captures the level of their customers' active commitment to the brand. Are customers merely aware of the brand or are they loyal, returning for new products and services as their needs change? Best of all, are they advocates, who actively recommend the brand to others? The U.K. telephone bank First Direct regularly asks its customers whether they would recommend it to friends and family members. Customer satisfaction is so high that 87 percent of respondents say they would do so.

The second set of measures quantifies the degree of success in delivering the promised brand experience,

including the customer's subjective experience as well as the staff's performance. This is where most financial institutions fall short. Typically, they gauge performance by looking at error rates, the length of lines in the branch, or the speed with which loan applications are processed, for example. Such measures are useful, but they cannot really capture how things *feel* to the customer.

The most successful experience branders measure the customer's subjective experience and then focus on all the details required to get it right. For example, one leading international clothing retailer does not only ascertain whether its salespeople greet customers; it also gauges customers' perceptions of the sincerity of the greeting.

Most financial companies track customer satisfaction in some way, but the data rarely travel beyond the corporate staff. In contrast, Schwab sends the information back to the local branches whence it originated. The company gives individual employees data on their interactions with specific customers and encourages them to discuss areas for improvement with those customers.

Of course, the two sets of measures described here must be applied in addition to—not instead of—traditional measures such as market share and share of the customer's wallet.

The Need for Leadership

Because creating an experience brand and delivering it consistently involve the entire organization, senior managers must lead the effort. The inspiration and

the vision must come from the top. Leadership cannot be delegated.

First, senior managers need to stimulate the organization's appetite for innovation. Creating an experience brand in financial services is challenging. It requires stepping out of the pack, which often requires developing a new business model.

Second, senior managers must be honest with themselves about where their organization stands. Many companies make the mistake of developing a grandiose brand promise that they cannot keep. Although senior managers must combine vision with realism, they should not take weakness in any particular dimension as an excuse to do nothing. No company gets it right all the time. Indeed, the best experience branders consider recovery from service failures a critical element of the experience they deliver.

Third, senior managers must develop a shared sense of mission about the brand—especially given the cross-functional nature of experience branding.

Finally, senior managers must be persistent. It takes time to translate deep customer insights into an organization that delivers a consistent experience in everything it does.

All this may sound daunting. But everything doesn't have to be done at once. Further, most financial companies are already engaged in many components of an experience-branding strategy. They have embarked on large-scale change programs. They are trying to motivate their employees. They are working hard to use technology and frontline staff to engage with their customers. Orchestrating the efforts already under

way by means of an experience-branding strategy gives them coherence and links them explicitly to the business strategy. In this way, banks and other financial services companies may be able to deepen customer relationships, win share of wallet, and outpace their competition.

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