

The Prophet Customer Experience Report



In 2009, Prophet's UK office will be releasing a series of reports on how the UK customer is being treated by some of the most frequently encountered brands in the land.

The reports focus on brands in consumers' everyday lives—brands they have experience with and opinions about across different sectors, including banking, credit cards, supermarkets, department stores, restaurants and fast food chains, online retailing, hairdressing, and mobile operators.

Prophet's findings will be released in monthly reports between now and October 2009. Going forward, Prophet is also inviting broader participation in the research, details of which can be found at the end of this article.

Why are we doing this? As consumer spending declines, it is becoming more difficult to get them to part with their hard-earned cash. Consequently, the loyalty and trust they have in the brands they interact with is becoming ever more important.

Prophet, a strategic branding, innovation, and customer experience consultancy, believes that developing loyalty and trust today goes beyond marketing messages to the very relationship between the customer and organisation. This

relationship is fostered through every interaction with the brand, so it needs to be nurtured and mined at all key contact points.

Furthermore, real brand value lies not only in the promises the organisation makes to its customers but also in its ability to deliver on them. These promises are fulfilled through multiple experiences and delivered across all touchpoints at a consistent level of quality and value over time. Managed properly, they will ultimately result in deep, trust-based relationships, which generate loyalty, profits, and hence financial returns.

For certain sectors, where the interaction between the brand and customers is an almost everyday event, effective management of touchpoints is particularly critical. It is in these sectors that customer experience has the most impact on brand perception.

Prophet's aim for this exercise will be to focus on the sectors whose perception is most impacted by customer experience, using mystery shopping and our own experience and insight. We will highlight which sectors are delivering great customer experiences, which ones are not, and what lessons can be learnt to help brands survive the downturn and emerge stronger in 2010.

The Prophet Customer Experience Report: Retail Banks

Our first report of the year examines the customer experience in the UK's retail banking sector. Under the microscope for months and the subject of intense criticism over its role in the current economic crisis, the banking sector perhaps has most to fear in terms of customer backlash.

With trust in bank brands at an all-time low and staff morale also under strain, surviving 2009 and emerging strongly in 2010 is a big challenge. But, what are UK retail banks doing to build customer relationships and confidence, and which are set to emerge from 2009 in the best shape?

HSBC Offers Best Customer Experience

Prophet's research into customer experience in UK retail banks was carried out in the first quarter of 2009. A group of mystery shoppers was asked to grade ten organisations on four criteria: branch experience, website experience, service speed, and service quality.

They were also asked to make an overall judgement on each bank as to whether the customer experience it provided was

"above expectations," "at expectations" or "below expectations." These were personal judgements made on the basis of their expectations of service while conducting business with the bank, and covered products, staff responsiveness, branch environment, website experience, and consistency of service.

The research concluded that only two banks, HSBC and Citi, offer customers an experience that is "above expectations," with "the world's local bank" coming out just on top.

HSBC won praise for its friendly welcome and its personal, attentive, and knowledgeable service, as well as its pleasant branch environment and online banking service. A foundational aspect of any relationship a brand has with its customers is to ensure employees are polite, responsive, and knowledgeable. Managing these foundational elements and delivering them across a network like HSBC's is a massive challenge but the bank has clearly grasped its importance.

Not all was perfect, however, with customers picking up on HSBC's practice of offering savings interest rates in branches that were considerably lower than those available

online. In many retail sectors, cheaper online prices are expected because offering an online service is cheaper. However, trust in the banking sector is so fragile at the moment that care needs to be taken to assure customers that banks are being nothing less than completely open and honest about their products.

Vanessa Cohen, Partner at Prophet, said, "Everyone knows that customers are more knowledgeable and more sceptical than ever before, and that in today's environment they do a lot more homework before committing to a bank's service. Many consumers will check products and prices online before making a decision about what to purchase. HSBC probably has a business objective to drive more transactions to its website which is understandable, but if you want to maintain trust, you should aim for maximum transparency."

Citi also won praise for its excellent branch environment, prompt service, and competitive pricing. A dearth of literature on available accounts and associated rates proved to be the biggest source of complaint. Being well stocked is vital to a good customer experience. Going into a bank branch and not finding the information you need wastes customers' time, which is never good.

UK Retail Banking Sector Offers

"Below Expectations" Customer Experience

The generally positive tales of HSBC and Citi are unfortunately not matched by the customer experience in the rest of the sector. Prophet's mystery shoppers found that out of the eight remaining banks—Barclays, NatWest, Northern Rock, Halifax, Abbey, Alliance & Leicester, Lloyds TSB, and the Post Office—only Barclays offered a customer experience "at expectations." The rest were all "below expectations."

Jessica Holdcroft of Prophet, who also worked on the project said, "It is clear the sector has yet to address many of the negative experiences customers face in their day-to-day interactions with banks. Staff indifference, long queues, and confusing advice highlight the failure of the sector at a time when customer reassurance is paramount."

Barclays was praised for the quality of service it provides and for the competitive pricing of its products, but was criticised for long queues and out-of-date branch environments, although the latter is now being addressed. "How long must I wait to actually speak to someone?" became a refrain among Prophet's mystery shoppers visiting Barclays.

Classified as being slightly below expectations, NatWest and Northern Rock did win plaudits for certain aspects of

their customer service. NatWest's telephone banking service, for instance, was given positive reviews, while Northern Rock's website also performed well. Both, however, were on the receiving end of criticism for the actual quality of service provided in branches, with mistakes being made in executing transactions and poor advice being given on which products suited particular individuals.

Holdcroft said, "For a bank like NatWest—which has heavily advertised the quality of its impartial advice and customer service—failing to deliver is detrimental to the brand and customer trust, not to mention a waste of advertising money."

In Prophet's experience, banks understand what their customers want. They have access to excellent data and use it effectively in their marketing messages. However, great advertising is not enough. It needs to be reinforced with customer experiences delivered at every touchpoint.

This research has shown that while HSBC and Citi have grasped this fact and worked to deliver a customer experience which matches their messages, the UK retail banking sector as a whole has not.

The customer experience at Halifax, Abbey, Alliance & Leicester, Lloyds TSB, and the Post Office was even worse. All came in for heavy criticism throughout the research although Abbey can take comfort from the positive response to the value of its products and telephone banking service.

For all five banks, however, the poor level of service offered to customers seriously affected their results. Waiting times in excess of 10 minutes, unhelpful or rude staff, and poorly or inappropriately decorated branch environments were among the many problems experienced, with the Post Office ranking the worst of the lot.

Offering competitively priced products provides an advantage, but it's an advantage that can quickly be lost if a branch is dirty, the in-store branding is inappropriate, and the staff is unfriendly. This applies to banks just as much as it does to any retailer. UK retail banks have not been able to deliver on these essential ingredients.

The Prophet Customer Experience Report: League Table

On the selected criteria—branch experience, website experience, service speed, and service quality—shoppers were asked to grade each bank with a score between 1 and 5, with 1 meaning the experience or service was extremely below expectations and 5 being extremely above expectations.

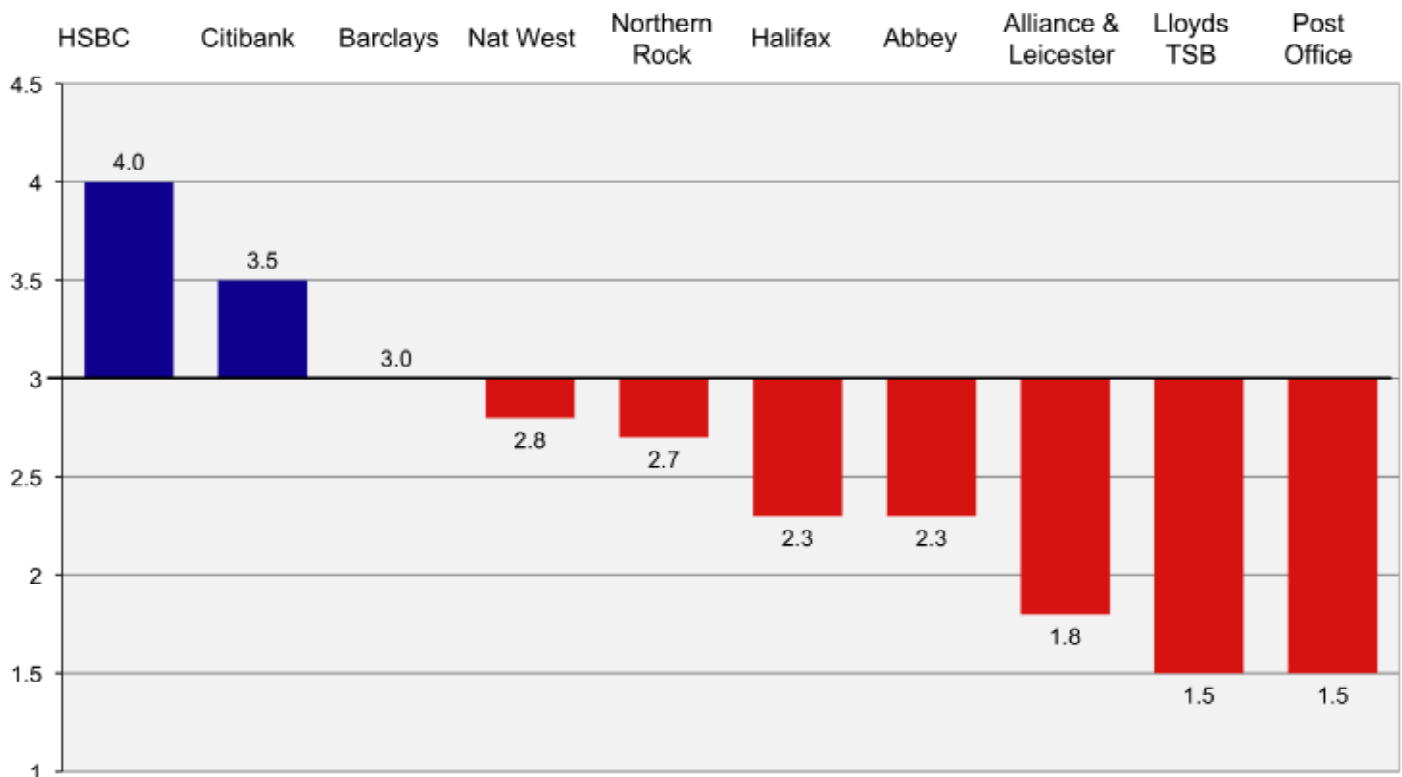


Figure 1: Prophet's UK Banking Customer Experience League

All the banks were given an overall score between 1 and 5. The field research was followed up by random visits and analysis from Prophet's team of financial service sector experts.

Cohen commented, "The banking sector has been under severe scrutiny in recent months. With taxpayer money now keeping many of our banks alive, demands from customers have increased. Staff motivation is a problem in many banks, and while some are performing well in areas they are not giving customers good quality service across the board. With customers searching for a safe home for their money, banks which seize the opportunity to up their game could see a great return."

UK Retail Banks: What Next?

Back to basics. With their reputation in tatters and above-the-line marketing budgets under pressure, banks can no longer rely on high-profile advertising or sponsorship campaigns to build their brands. In a sea of other marketing messages and surrounded by a bombardment of negative coverage, banks need to think of new strategies.

Banks should get back to basics, focusing on spending what marketing budgets remain on areas which can deliver better results. This means restoring their reputations through

attentive customer service, an appropriately reassuring branch environment, an easy-to-navigate and feature-rich online presence, and differentiated products and services which are tailored to the needs of the customer segments they are targeting.

Understand which touchpoints matter.

Understanding which touchpoints are most important to customers is key. How are brand opinions formed and what specifically drives customer decisions? Armed with the answers to these questions, programmes, systems, products, and processes can be built to deliver what is truly important to the customer and banks can avoid wasting money on what is not.

Meet customer expectations. Customers have basic expectations. When they walk into a branch they expect someone to ask them whether they need assistance or to respond politely and helpfully to their questions. Delivering on these "foundational experiences"—which represent the minimum standard customers expect in their everyday contact with a brand—does not define it or differentiate it, but is an essential building block and, if not present, will turn them away.

Beyond this, banks have to develop "differentiating elements." These are important experiences which have the

potential to separate the brand from competitors. They can be relatively small things, like installing a coffee machine, which pleasantly surprises customers and makes them feel valued.

Finally, “signature elements” are experience elements which are essential to defining the brand uniquely. HSBC’s ability to deliver on its commitment to local knowledge is a key example of a signature element. One mystery shopper in our research made a complicated request for funds to be transferred from an HSBC account held in an EU country outside the UK to a third-party account in Cuba. All banks in Cuba are nationalised, which means that the transaction has to go through government filters. The HSBC clerk was able to access the information required immediately through their internal networks and conclude the transaction quickly.

All three of the “experience” elements highlighted above need to be combined and delivered flawlessly to create sustainable differentiation with which it will be extremely difficult to compete.

Deliver the necessary change. Delivery is a challenge which all banks face. Successful customer experience implementation depends on whether or not staff at the delivery point understand it and, more importantly, feel motivated to support it. Translating marketing-speak into language relevant to front-line employees is a critical task.

Telling front-line employees they need to behave “according to the brand identity” will not light the fires of change. Banks should excite employees about the contribution they make in delivering the brand promise. This entails educating them on messages to communicate to different

customer groups, the behaviours and experiences customers will value, and why these messages and experiences matter.

Managing the customer brand experience across a large organisation with multiple touchpoints is extremely demanding. The key is to be clear, concise, and consistent, and support—as necessary with appropriate training—processes, measures, and reward systems.

Ultimately the most reliable way to deliver excellent customer experiences is to reach the point where employees are able to decide for themselves what the “on-brand experience” is for any given situation. This behaviour is typically inspired by a vision, which excites and motivates, and in which the contribution of employees is acknowledged and respected—not enforced through management procedure.

Measure success. Through measurement, managers can monitor individual or team-based performance, publicly rewarding brand-aligned behaviour and encouraging a culture which embraces brand-led change. Managers can also understand how effective the different levers of experience are at driving customer perceptions and behaviour, and hence financial returns.

Conclusion

The UK retail banking sector has a way to go before it delivers a great customer experience. But all is not lost. Some have realised the importance of touchpoint experiences and have acted. These banks are in a much better position to emerge stronger from the current crisis. For the rest, time is running out.

Customer Comments

Following is a selection of comments from mystery shoppers that reflects the overall feedback.

HSBC

“The physical environment of the branch is pleasant and user-friendly.”

“In-branch the savings rates are considerably lower than online. It made me question whether I was getting a good deal—but at least I was told this by the woman who served me.”

Citi

“Their staff are professional and friendly, making suggestions for me without being pushy.”

“The way I was being treated and having my questions answered made me realise that I was being treated as an individual customer, and the products that were being recommended really did suit my needs.”

Barclays

“It doesn’t matter what time of day you go to Barclays; the queues are always very long.”

“What impressed me the most, though, was the service which I received. Despite a lack of formality, the services provider was exceptionally helpful, taking the time to listen to my needs and making a very good recommendation. The clincher was that she gave me her card and told me that if I had any further questions to call her directly.”

NatWest

"I have tended to find that the telephone banking is more helpful than in the branch where, at times, staff seem to have a lack of ownership."
"I have yet to experience a waiting time of longer than five minutes, but the service quality can be poor—especially when dealing with more complicated matters."

Northern Rock

"They have products that are suitable for my requirement, but the advice I got was poor:"

Halifax

"It felt like I was in a discount store with huge signs everywhere advertising rates, which as it happens were not the best anyway!"
"There was no one around to serve at the dedicated (not so helpful) help point."

Abbey

"Couches were old, worn, and stained. The service in the branch was almost nonexistent."
"The area to wait in was highly unpleasant due to the presence of litter on the floor; and my refusal to sit on the couch as it was so dirty and very worn."

Alliance & Leicester

"Staff at the branch seemingly found it impossible to answer the few queries I had about a transfer I wanted to make, so I left. Remarkably, their call centre answered my subsequent call quickly and gave me the information I needed."

Lloyds TSB

"The branches generally seem outdated, and my visit there was a highly unpleasant experience due to both the physical environment and the atrocious level of service I was given. My first experience of the service was to be told by the staff in a slightly aggressive tone, 'look I am just trying to help you here!'"
"I did not feel like my requests were treated compassionately at all. The overall impression I got is that the staff did not want to help me."

Post Office

"Branches feel very low-end as a place to do your banking, and it is rarely a good—or quick—experience when you visit."
"The queues are intolerably long. There are no dedicated staff to help with your banking needs, which gives me the feeling they are not focusing on the service—and in today's uncertain banking world, that undermines my confidence considerably."

Would you like to take part in future research?

Prophet is always keen to find new people willing to share their customer experiences and contribute to our ongoing research. In the months ahead we will be looking at supermarkets, fast food chains, mobile operators, and the UK's leading department stores, amongst others.

If you would like your views to be heard in any of this research, or would like us to keep you updated on the results, please visit www.prophet.com/customer.

About Prophet

Prophet (www.prophet.com) is a global consultancy that helps senior management more effectively use branding, design, marketing, and innovation to drive profitable growth. Prophet has established a successful track record with a growing roster of global companies such as American Express, Cartier, Capital One, Charles Schwab, Diageo, GE, JP Morgan, Johnson & Johnson, Kellogg's, NBC, Tata, United Airlines, and Zurich Financial.

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