

Delivery

SHIFTING THE GROUND

The huge expansion in the range of contact points is making life more complicated for banks and their customers. The hub of that relationship is shifting rapidly, as Marcus Hickman explains.

Following the widespread branch closures of the late nineties, many banks refocused their efforts in rejuvenating the bank branch to make it a more effective sales environment and a financial "surgery", where customers could come for advice. Yet there is evidence that customers' use of branches is dwindling as they increasingly turn to other channels for many of their transactions.

National Australia Bank, owner of the Clydesdale and Yorkshire banks, recently announced the closure of about 20% of its UK branch network. In percentage terms, this is the biggest bank branch closure

banking, call a contact centre using his mobile phone when travelling, and make an appointment at the branch when he wants advice about managing his finances. As a result, banks are under more pressure than ever to provide high quality, integrated service through all channels. This pressure is one that will only intensify. Teenagers, many of whom will soon be banks' customers, if they aren't already, use the web, instant messaging, chat and e-mail to communicate – bank branches are likely to hold little appeal.¹

Banks themselves have also played a role in shifting transactions away from the branch. Value-seeking customers in particular have increasingly been directed on-line or to the phone when buying products.

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programme since Barclays shut 10% of its branches in 2000, and could mark a turning point as banks shift their focus from the branch to other channels.

Multiple channels are now essential for any major bank. Customers use more than one way to communicate with their bank, depending on the activity, the time of day, or where they are. For example, a customer may usually use the Internet to do his

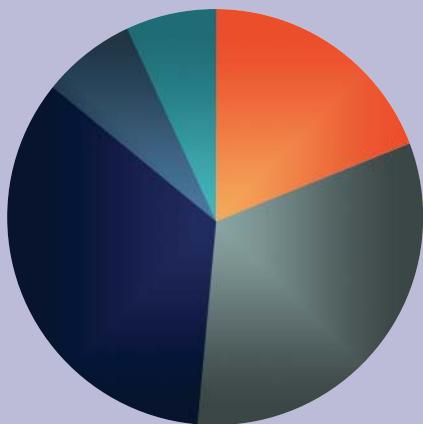
Challenges to tradition

The changing role of telephone and Internet banking in the customer relationship has created a challenge to the banks' traditional approach to managing these channels. As remote channels account for a higher percentage of selling activity, the balance of power shifts away from the branch. Contact centres can no longer be seen primarily as a cost to be reduced as far as possible by outsourcing or off-shoring, but must be considered as a source of revenue.

The increasing importance of the contact centre in selling products and maintaining the customer relationship raises the persistent problems (see Figure 1) of the comparatively low levels of service quality and fairly high customer dissatisfaction in the channel.

FIGURE 1: SERVICE RATINGS

Thinking about your last call to a business or a service, how would you rate the service overall?



- Excellent
 - Good
 - Average
 - Poor
 - Very poor
- Only half of people rated calls good or excellent.
 - 14% thought they were poor or very poor.
 - Frequent callers were most critical, with one in ten finding calls very poor.
 - 40% of people making a complaint thought the call was poor or very poor.

Source: BT/Henley Centre 2003.

Base: All consumers who made a call in the last four weeks

The problems of providing service via call-centres are not getting any easier – as customers move away from the branch for more of their transactions, calls are becoming more complex (Figure 2). This presents challenges for staff training and retention as well as technology. A badly-handled complex call can lead to total frustration:

I dreaded calling the useless contact centre. Every time I used to ask them something, they'd find a way of doing it incorrectly. If I tried to speak to the same person that had dealt with an on-going problem, they would tell me I couldn't be transferred.

Online bank customer, Which? Contact Centre Report, 2003

If the service provided by contact centres is effectively to replace the role of the branch for at least some customers, as is undoubtedly happening, ultimately the staff and management of contact centres will have to be as integral a part of a bank's organization as those in branches.

If they are to manage customer relationships effectively in a multi-channel environment, there must

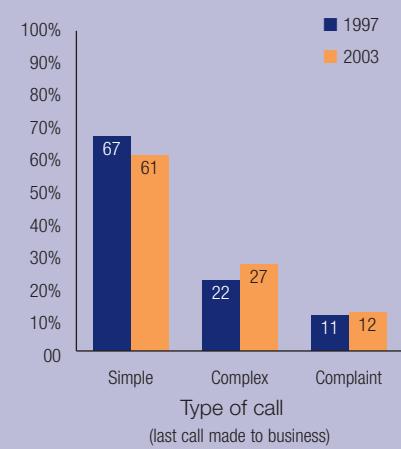
FIGURE 2: COMPLEX CALLS ARE ON THE RISE

• Simple calls:

- a request for simple straightforward information.
- to provide information eg credit card number.
- to make a simple transaction eg booking or order one product.
- to confirm receipt of something.

• Complex calls:

- a request for detailed information.
- a complicated transaction eg multi-person booking or purchases.
- to change something previously bought or ordered.



be an end to thinking of call-centres as an operational cost, and a shift towards a value-based approach that enables banks to build the case for investment.

Keeping up with the customer

In the early days, the Internet was seen as a revolution that would enable transaction costs to be slashed and yield dramatic savings for banks. The reality, of course, proved to be more complex, and has involved difficulties with security leaks and the high cost of

FIGURE 3: INTERNET SAVVY?

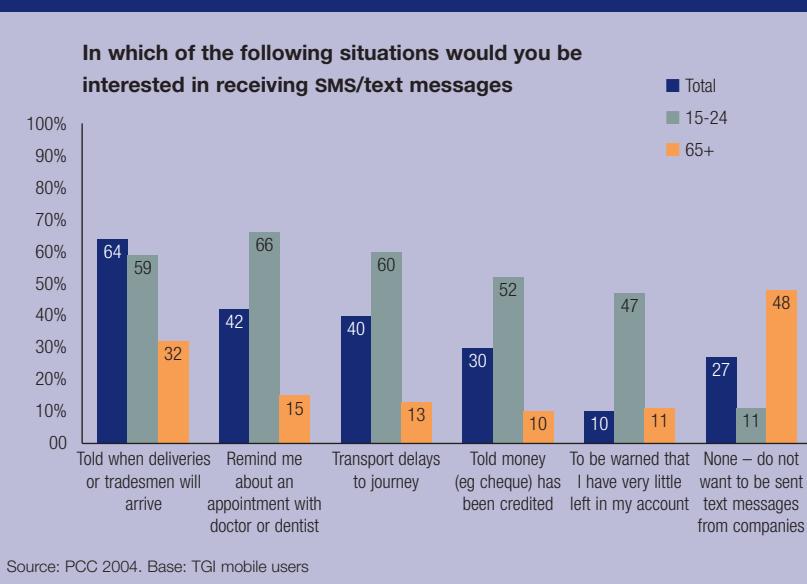
Which of the following do you generally use the Internet for?



providing a consistent service during a period of rapid development.

Now, Internet banking has shifted from being a route to cost savings to being a race to keep up with customers' expectations. Although for some customers concerns around security remain, use of Internet banking has grown from 12% of internet users in 2000 to 42% in 2004 (Figure 3).

FIGURE 4: READY TO TEXT?



Customers' eagerness and ability to use technology is now more likely to be underestimated than overestimated. They expect to be able to communicate with their bank in the same way that they do with other companies – and that increasingly includes e-mail and text messaging (Figure 4). It is difficult for banks to meet these demands whilst dealing with the complexity of existing systems and security implications, which may not be understood or accepted by their customers. It

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is not surprising that young people are keenest on these services, but the banks must also take careful note of the preferences of older customers. If 10% of over-65s would welcome regular text messages (and a third would value occasional basic information by this route), this adds up to a large number of generally very profitable customers, whose views any provider should ignore at its peril.

Increasing use of Internet banking also presents banks with the challenge of how to overcome the remoteness of the channel and build relationships with people that they may only deal with electronically. The little touches that make a website easy to use can transform the customer experience – for example, making sure that a partly filled-in form can be saved so that when a customer next visits the site the data that

they have already entered is not lost. Thorough usability testing is essential to make sure that the site works in the way that customers expect it to – rather than in the way that fits best with internal systems.

The option to call someone for help whilst using the website provides reassurance even if it is not needed, and can make customers more inclined to buy products on-line. This approach can also help address the problem of the loss of the ability to "sell" through face-to-face contact when electronic channels are preferred.

Banking customers want to see products and services directly applicable to their individual circumstances and situation. The personalization technology that has been successful for so many on-line retailers such as Amazon is now being taken up by banks – and other service companies like mobile phone providers – in order to deliver a more relevant and engaging on-line environment for their customers.

Those that could be left behind

One of the great strengths of the traditional bank branch is its ability to take care of customers with special needs, who may be less able or less confident in accessing other channels. The reassurance of face-to-face contact with local staff who become known and trusted remains important to many older customers.

Government policies such as the direct payment of benefits and child trust funds have also created pressure for banks to provide services to a wider group of customers, for whom the branch remains the easiest point of access.

In summary, the changing relationship between customer and bank presents challenges that may ultimately lead to major rethinking of how banks structure their organizations and the role played by the branch, contact centre and Internet channels.

Customers' increasingly complex and uncertain lives create financial challenges and a need for financial education and advice – the branch will still be an important channel for this, yet this situation places a different set of demands on the branch than a traditional approach to sales.

This environment will favour those that can successfully manage the cost, staff and technology implications of offering a true multi-channel relationship that integrates service across branch, call-centre and Internet to respond to customer needs. □

Marcus Hickman is managing director of Henley Centre.

¹ Except, perhaps, for paying-in. The ATM technology may exist, but most people still feel uncomfortable about putting £200 in an envelope, stuffing it in the slot, and hoping that it will turn up later on the bank statement. A better technology, one that customers trust, is needed. Ed



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