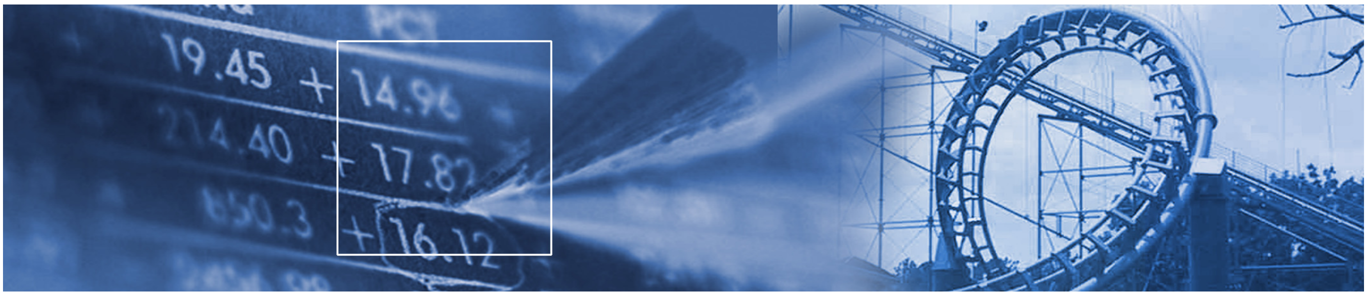
Stepping off the roller coaster

How to achieve control over client satisfaction?



Pressure to cut costs and to achieve operational excellence often pushes financial services companies to adopt a stop-start approach to actions designed to support and develop client satisfaction. The Arthur D. Little 'Net Emotions Score' concept helps companies to measure and increase the strength of their business relationship with clients by aligning internal and external perceptions and comparing delivered quality with perceived quality.

Financial services organizations invest heavily in a wide range of strategies to build client satisfaction. These include segmenting clients according to their behavior; automating client intelligence to help match clients with products; standardizing client advisory services to ensure fast and efficient delivery of advice; investing in state-of the-art branch networks and equally advanced e-channels; training relationship managers in sales excellence; and measuring client and/or employee satisfaction. However, ultimately, it is the strength of the relationship between an organization's employees and its clients that underpins and secures the business relationship.

The strength of the client/employee relationship is important for many businesses, but for service businesses doubly so. Financial services organizations are service businesses. They have no tangible products to sell – and the products that they do have cannot be easily differentiated from each other or from those of competitors. So, for the client, it is seldom the products themselves or even the pricing of products that differentiates one financial services organization from another. Rather it is the quality of service, the strength of the client's emotional attachment to the company and its employees, and the company's ability to satisfy client needs that secures each client's continuing custom.

Tough times

A saturated market, volatile stock markets, the constant pressure to reduce costs, and clients who are unsure what they want – all combine to create enormous challenges for financial services organizations and their employees. Many financial services organizations are now experiencing a sudden surge in the attrition rate which is leading to net customer losses. Many organizations assume the reason for this lies in an unsatisfactory product range, gaps in sales/after sales processes or problems with sales channels – and typically respond with short-term tactics. However, this approach upsets corporate priorities and, as tactic follows tactic, produces a roller coaster effect that wrenches control from the management team and provides competitors with the opportunity to lure away both clients and valuable employees.

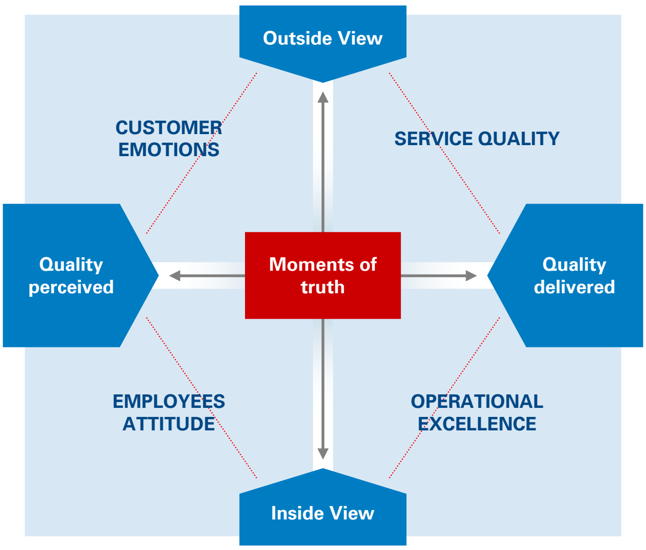
It is always wrong to cut back on initiatives designed to secure sustainable income. Financial services organizations need to stick with their long-term strategy even when they face immense pressure on costs. Clients and shareholders prefer long-term security over short-term wins and those organizations that find a balance between cost-efficiency initiatives and their commitment to strengthening the client relationship will be the winners.

The 'Net Emotions Score' Concept

To help financial services organizations make the right decisions in the face of rising attrition rates, Arthur D. Little has developed the concept of the 'Net Emotions Score' (NES). The concept is based on a combination of established methods of measuring customer and employee satisfaction but also takes into account the subjective nature of employees' and customers' evaluation of quality and service delivered. By applying the NES concept and acting on its findings, financial services organizations can protect and strengthen that crucial relationship between its clients and its employees.

The Net Emotions Score measures four client-focused dimensions from both an internal and an external perspective and compares delivered and perceived quality (Figure 1).

Figure 1: The four dimensions of the Net Emotions Score Concept



Source: Arthur D. Little

1) Customer Emotion Indicators:

- Client's experience of and satisfaction with channels and products
- Client's expectations of service
- Strength of client's relationship with company and its employees

2) Service Quality Indicators:

- Quality factors perceived by the client and benchmarked against best practice
- Image drivers influenced by service quality

3) Operational Excellence Indicators:

- Internal efficiency in client-facing and back-office processes
- Key performance indicators that influence customer satisfaction and service quality delivered

4) Employee Attitude Indicators

- Employee satisfaction
- Employee's view on service quality delivered
- Employee skill sets
- Employee emotional attitude

Why emotions matter

Studies show that emotionally satisfied clients will do more business with a company than clients that are just rationally satisfied. In addition, emotionally satisfied clients will stay loyal to a company they feel a positive connection with and will recommend its services to other. The question is: "How can organizations generate emotional satisfaction in their clients and transform this into profitable business?"

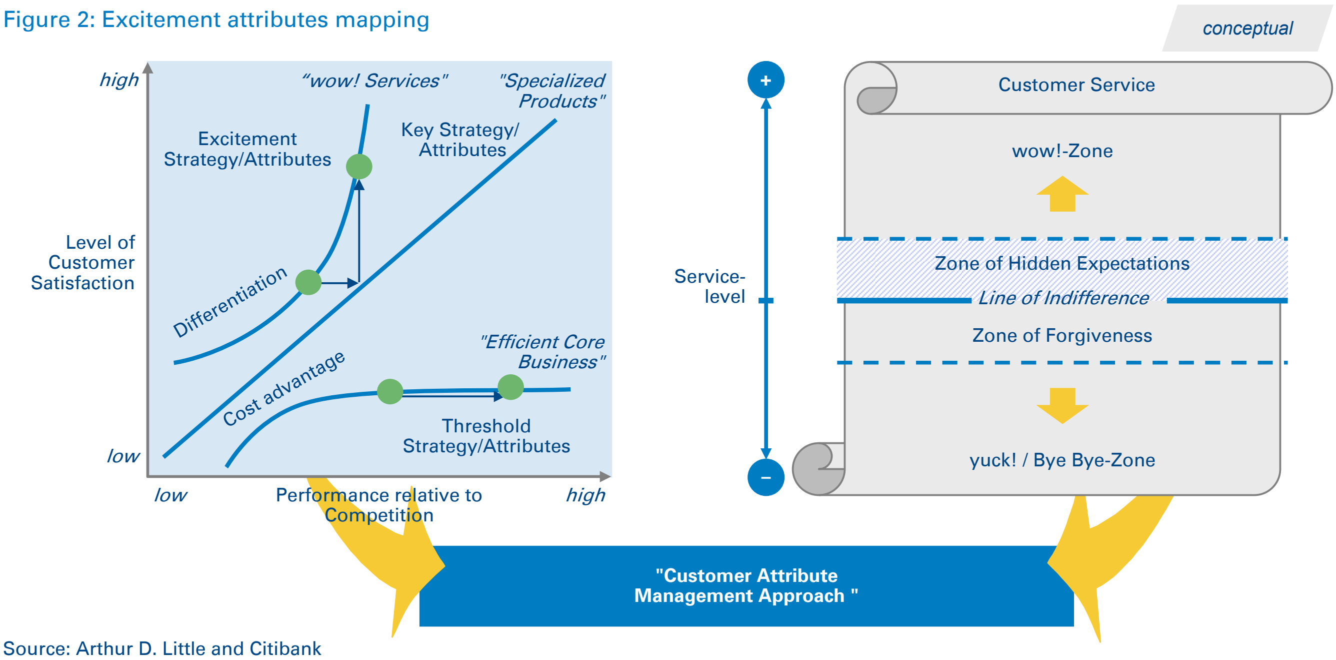
The emotional response of clients and employees to an organization are generated by the signals it sends out, either consciously or inadvertently. Aspects of its service can create either a sense of surprise and excitement (the 'wow!' effect) that binds customers and employees more tightly to the organization, or a sense of irritation and disappointment (the 'yuck!' response) that repels them (Figure 2).

By building in features that delight the client at the service interface, organizations can trigger a positive emotional response that leads to emotional rather than purely rational decision-making on the part of clients. Good examples of this are segment specific communities like the "Young Investors' Organization" of Credit Suisse or, looking to other industries, the honorary status programs of airlines.

Likewise, eliminating the elements that trigger a negative response from the service interface can help keep clients' emotional satisfaction high. Automated telephone help lines that lead clients in circles and do not actual provide any help are a perfect example of a feature that can do immense damage to emotional satisfaction.

Crucial to sending out the right signals is ensuring that all employees are committed to delivering quality service with the 'wow!' factor. Employees should be encouraged to think and act as entrepreneurs who share ownership in economic client successes, as the Franchise industry has exemplified successfully. Recruitment, development and retention programmes should be used to foster customer-focused

Figure 2: Excitement attributes mapping



Source: Arthur D. Little and Citibank

behavior at all times and in all places. Six Sigma quality management techniques can be implemented to ensure that the highest level of service becomes the standard level of service.

Install an integrated approach

Many banks regularly conduct satisfaction studies either of clients or employees. In a few cases these studies identify the true cause of low client satisfaction. A few organizations follow up with a coherent strategy to improve the situation; many more implement a series of disconnected actions, unrelated to the business's overall strategy and at odds with the organizational culture. The impact of such actions is lost during the next period of cost cutting or management change.

By contrast, the Net Emotions Score can help banks integrate measures to improve customer satisfaction into a coherent framework. It is a top-down approach that measures and continuously tracks the factors that influence the business/ client relationship. In doing so, it gives management the information it needs to respond to customer satisfaction issues logically and proactively.

For example, it can support the development of more effective customer segmentation, the definition of pricing policies and the creation of new product bundles. It can also be used to help verify product performance levels, change employee and management attitudes, underpin more effective incentive systems and shape the product development process. In summary, the Net Emotions Score concept (NES) identifies a set of measures that can be used to establish a culture of excellence regarding client service delivery.

Align your actions on the cost and income side

Financial services organizations that invest in service quality often find themselves in the position of having to explain a higher-than-average cost-income ratio to their shareholders. The Net Emotions Score concept can help organizations justify their "soft" investments by measuring the long-term impact of such investment both on income and on factors that help to differentiate the organization from its competitors.

The NES effectively provides a 'management cockpit' – a display of quantitative and qualitative key performance indicators (KPIs) aligned to each other. Managers can decide which KPIs they want to monitor daily and which they want to use to drive decision-making in the longer term. A weighting based on the long-term value of each KPI helps managers to prioritize the KPIs and identify which are the most important in terms of securing differentiation from the competition.

Examples of Net Emotions Management in Financial Services

- A private bank defined KPIs on its clients' Emotional Bonding for its Relationship Manager Scorecard.
- Another private bank lets its call center actively track client satisfaction and emotional score per sales transaction or other business event.
- A retail bank proactively fends off attrition through an alerting system which is based on the Net Emotions Score that the call center regularly establishes on the customer groups. This is regularly sampled by an independent market research company.

Conclusions

The Net Emotions Score helps organizations to measure, control and sustain the strength of the crucial employee-client relationship. It gives them control over the factors that differentiate them as a service business and delivers the emotional intelligence required to thrive in a highly competitive market.

Using the concept, financial services organizations can gain a clearer picture of the connections between operational excellence and true sales excellence, and this can help them ensure that cost-cutting initiatives do not have a negative impact on client satisfaction. In retail banking, for example, banks can reduce price sensitivity by building stronger bonds between employees and clients. Similarly, in private banking, banks can achieve much better client retention by excelling in emotional intelligence.

The key to developing customer satisfaction levels is to manage the attitude of management and employees from the top down. The Net Emotions Score allows organizations to understand the critical success factors in this respect, and secures a sustainable fit between products, services and operations, and ensures employee attitudes reflect clients' expectations and needs.

For those who lead financial services organizations, the ability to determine which factors shape the real "moments of truth" – the point at which the organization comes into contact with its clients – is one of the keys to successful management.

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