



The Banking Relationship Management Experience

A Strategy for Becoming a Trusted Financial Partner and Increasing Revenue and Profitability

A White Paper by High Definition Banking®



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Important Notes Regarding Terminology Used in This Paper

Most of the research referenced in this paper includes both banks and credit unions. To simplify reading, we have used the term Financial Services Provider to refer to both banks and credit unions abbreviating the term to FSP. In referencing results that refer specifically to banks or specifically to credit unions, we have used those terms. We have also used the term “Bankers” to refer to people in both banks and credit unions and the term “customers” to refer to both bank customers and credit union members. Naturally, the term “banking” is widely used in both banks and credit unions.



Executive Summary

Credible research shows that FSPs are missing a big opportunity to expand their market and generate repeat business from existing customers because they are not in tune with what customers want. While customers are looking for vehicles that provide financial peace of mind, FSPs are more focused on their bottom line and selling product. FSPs that are able to create a memorable experience for the customer and speak to their needs in a personal way will develop customer loyalty. They will also reap the profit and revenue generating benefits that come from having customers become advocates for the FSP. This white paper clarifies how.

An IBM Global Business Services study reveals that while FSPs do a relatively good job of providing products and services that satisfy their customers' immediate banking needs, they do a poor job of meeting their customers' (unexpressed) emotional needs for financial security and dream fulfillment.

...customers who become advocates for their banks are the most desirable in terms of loyalty and profitability, and feel strongly that their bank is helping them prosper financially.

Only 26% of the respondents in the research said their FSPs succeeded at making them feel more financially secure and closer to fulfilling their dreams. Community banks and credit unions scored marginally better. That other 74% represents a rich, untapped vein of potential customers who can be turned into advocates. The research shows that customers who become advocates for their FSPs are the most desirable in terms of loyalty and profitability, and feel strongly that their FSP is helping them prosper financially.

"You can only get what you want, if you help enough other people get what they want." -- Zig Ziglar

The IBM Global Business Services study concludes that FSPs that are willing to shift their operating strategy will reap considerable benefits in *market expansion and repeat business*. Similar conclusions were made in other research studies listed in Sources on page six of this document. Some major FSP's have already implemented successful initiatives that go beyond providing their customers' immediate and rational financial needs. These organizations have built a banking relationship management culture by using banking relationship management skills to connect with customers on a more personal level meeting their customers' overriding emotional needs for financial security and dream fulfillment.

Why should this research and its conclusions be important to you? If you are like most bankers, you realize that in order to grow your business, you need to do so organically. Most FSPs have good relationships with customers who become the familiar faces. However, there is a "disconnect" with the "masses" of other customers, some of whom could potentially become key customers. This results in a huge loss of potential business. Even with key customers, there may not be a strong emotional connection and in many cases, they give some of their business to other financial service providers. If FSPs don't take action to build strong relationships with more of their customers, as time goes on, they may be earning a "satisfactory" ROA on diminishing assets and be on their way out of business.

It's undeniable that *the customer's success and the FSP's success are intertwined*. When FSPs help their customers achieve what's most important to them rather than simply selling them isolated products, those customers will increase their loyalty, entrust the FSP with more assets, become an advocate for the FSP, tell their friends and prosper the FSP.

"Financial service providers need to understand their customers' financial goals, offer advice on how customers can improve their financial well-being and offer wealth creation vehicles to a broader base of clients." – IBM finding



The Research – Customer Advocates Are Key to Success

A study by IBM Global Business Services of 3,000 FSP customers showed that 24% were advocates for their FSP, 39% were apathetic, and 37% were, amazingly, antagonistic! Community banks and credit unions had closer to 30% of their customers or members as advocates. Considering the major impact customer advocates have on a FSP's business, 30% is still missing the mark. Banks and credit unions also fared poorly on Forrester Research's survey of 5,000 customers rating financial services firms on customer advocacy.

According to these surveys and research by other reputable firms, customer advocacy has been shown to drive real loyalty, that is, "a willingness to buy and borrow more from, and save and invest more with a bank that a customer already uses." The IBM study defines advocates as "those customers who are not only willing to recommend the brand to others but also stick with the brand in the face of competition and who will also consider cross-selling opportunities".

"Converting as many customers to advocates as possible presents an extraordinary opportunity for increasing business"

(IBM Global Business Services). The IBM study shows that advocates, on average, hold 14% more products than antagonistic customers, and the profitability of products held by advocates is 21% higher. Advocates are five times as likely to be responsive to offers and communications, and over 17 times as likely to trust their bank or credit union. Furthermore, 26% of

advocates believe that their FSP's fees are too high, as compared with a whopping 80% of antagonists. From these findings, financial services executives will be likely to conclude, as does the IBM study, that **"...determining how to move customers to a state of advocacy should be paramount for banking executives."**

"A study by IBM Global Business Services of 3,000 bank customers showed 24% were advocates for their bank, 39% were apathetic and 37% were actually antagonistic!"

What's utterly revealing in the IBM research is that the three statements most highly correlated with customer advocacy are emotional drivers of the customer relationship:

1. The bank (or credit union) has an understanding of my financial goals
2. Employees provide advice to improve my financial well-being.
3. The bank (or credit union) values my business

Customers who are advocates score these three items higher than all other factors! The news on how FSPs performed on these attributes, however, is not positive. Customers give their FSPs credit for delivering on the rational factors 52 percent of the time, but only agree their FSPs deliver on the emotional drivers 26 percent of the time -- a 74 percent improvement opportunity. Again, credit unions and community banks scored only marginally better. The report states: "Advocates gave their FSPs credit for doing 'everything right' while antagonists found fault in almost everything the FSP did... **and this despite service experience initiatives, CRM systems and relationship programs to strengthen... the brand."**

This last quote is very telling. We at High Definition Banking® feel that most of these initiatives are not truly engaging the customer. We offer our insights on the next pages on why and how to build a banking relationship management culture and turn customers into advocates.

"Engaged customers are not just "satisfied" or "loyal" – they are emotionally attached to the organization's brands or services." -- Gallup research finding



Inferences and Observations

The problem is that many FSPs are much better at providing services than they are at making the emotional connection with their customers' financial goals. Most FSPs have trained staff how to find a need and fit a product to the need. This results in transactional sales that don't necessarily engage the customer in the relationship. As a result, financial services are now viewed as a commodity and customer relationships are fraying. Many customers are tired of being cross-sold and will give their business to other financial service providers even if they are satisfied with the service! *Here's why:*

- **Customers Are Disengaged** – A Bank Administration Institute study backs up the IBM findings concluding that most customers are disengaged from any banking relationship and don't view their bank as a key partner genuinely interested in their financial well-being. They view their bank as a transaction destination, like the post office. Advocates are engaged in the relationship – antagonists are disengaged.
- **FSPs are Disconnected from Customers** – Financial service providers want deeper relationships with loyal customers. To bankers, this usually means customers using more services. However, relationships and loyalty come through building trust, which comes through getting to know the customer on a more personal level.

...the ultimate and unexpected experience that will engage customers, win their loyalty, and drive all bank services and products in the future is to connect with them on a more personal level and help them achieve their financial goals.

Unfortunately, as the IBM study shows, there is a real disconnect between what FSPs say they want for their customers and what the customer actually experiences.

- **Customer Experiences Are Impersonal and Non-Engaging** – Excellent service and selling to needs no longer differentiate an FSP, but are a given just to stay in the game. One conclusion from the study of 2430 customers by BAI was that “to keep the relationship fire burning, FSPs need to create **memorable experiences** that engage a customer and speak to their **specific needs** in a **personal way** but they do a poor job at it.”

This is exactly why FSPs scored terribly on the three factors most highly correlated with customer advocacy – understanding customer financial goals, providing financial advice to improve the customer's financial well-being and demonstrating the FSP values the customer's business.

The Banking Relationship Management Experience

So what does a FSP do to become a trusted financial partner as opposed to a transaction destination like the post office? As the IBM survey concludes, FSPs need to not only improve in these three areas, but also offer wealth creation vehicles to a broader base of clients.

We at High Definition Banking® believe the best way to accomplish that is to take the focus off of pitching individual products and to implement a banking relationship management culture aimed at building deeper relationships and trust with customers.



Recommendations

To become a trusted financial partner, to make customers advocates of your bank or credit union and to develop long-term, mutually beneficial relationships, requires a shift in how an FSP views its purpose, its business model and its value proposition. Many FSPs have attempted to put a “relationship program” in place but continue to “pitch product” for short term gain. As the research shows, overall, customers have not responded positively.

What we’ve seen is that many FSPs think they will be able to develop a relationship culture by implementing a CRM software system. What happens is they focus on the technology side of CRM and neglect the “People Factor”. The latter requires proactive and periodic outreach, building customer trust and avoiding product pitching. A true banking relationship management strategy trades chasing short term results for a more consultative (and profitable) approach to filling customer needs.

To become a trusted financial partner, to make customers advocates of your bank or credit union, and to develop long-term, mutually beneficial relationships requires a shift in how an FSP views it’s purpose, it’s business model and it’s value proposition.

Following are numerous strategies that can be put in place to make this positive change. Here are some global recommendations that will help your bank or credit union develop a banking relationship management culture:

- **Reach Out to Existing Customers** – Create a structured outreach process to proactively and consistently touch neglected and/or disengaged, high potential customers who don’t necessarily come into your branches. Aim to create a memorable experience for them.
- **Build Employee Pride With The Relationship Manager Function** – Select a team of branch employees dedicated to customer outreach. Create ownership by assigning customers to each of your relationship managers and hold them accountable for managing and developing their book of business.
- **Create Advocates by Engaging Your Customers** – Train relationship managers in relationship management skills including how to ask questions that help them connect with your customers’ dreams, aspirations and emotional drivers related to finances.
- **Imbed the Process in Your Bank or Credit Union Infrastructure** – Create a process in your CRM software to capture key conversations and build customer profiles that enable all staff who talk to customers to understand the customer’s needs, build trust and offer financial solutions tied to life events.
- **Expect Managers to Reinforce Skills** – Make managers accountable for coaching staff on the relationship management skills, to jointly pre-call plan, strategize and listen in on calls with relationship managers and their assigned customers.
- **Reinforce the Right Behavior** – Provide recognition and incentives to staff for relationship building activities that support sales as opposed to product transactions.



How To Learn More

High Definition Banking® is a national training, consulting and motivational speaking firm that partners with banks and credit unions to increase sales, deepen customer and member relationships, turn them into loyal advocates and maximize our clients' investment in CRM/MRM.

If growing your business with existing customers is a strategic objective; if waning customer loyalty is an issue for your bank or credit union; if your executive team is looking for a structured, sustainable and repeatable strategy to build your revenue and profitability organically, you can leverage High Definition Banking's® proven blueprint for building a relationship building culture.

Our extensive experience with banks, credit unions, insurance companies, stock brokerage firms and other financial services providers can help you turn your customers into advocates and grow your business. We've been helping FSPs develop their sales and service culture since 1989. We now see the banking relationship management model transcending sales and service culture development as a strategic objective in many financial institutions. It's time for a successful approach that focuses on customers and members rather than simply selling isolated products.

If you have any questions or comments on the ideas presented in this paper; if you would like to discuss how High Definition Banking® can assist you through our proven member and customer relationship building process, our keynote presentations or management retreats, please call us at **858-674-5500, ext 102** and also visit **www.HighDefinitionBanking.com**.

While you're on our website, subscribe to our High Definition Banking® blog with posts on generating revenue through relationship building.

“The sales program at my previous bank failed because there was so much emphasis on pushing product. A bank has to have faith that if you develop the relationship rather than just go for the short-term sale, the customer relationship will become more lucrative than if you relied on individual transactions. – Scott Dixon, EVP Freestar Bank

Sources

Unlocking Customer Advocacy in Retail Banking, IBM Global Business Services

The Relationship Experience, Bank Administration Institute

Customer Advocacy: How Customers Rate Banks, Brokerages, Insurers and Credit Card Issuers, Forrester Research

The Customer-Led Bank: How to Retain Customers and Boost Top Line Growth, Bain Consulting Group