

# Customer Care in Financial Services: Set Customer Data as the Foundation



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September 2007

If you ask any two executives from a financial institution what “customer care” means, you are likely to receive two different answers. Customer care is one of those business phrases that sound simple and intuitive but elude definition. Customer care, customer experience management, and customer relationship management (CRM) all suffer from a similar challenge: None of them has a single, agreed-upon definition. And yet, all of the terms are absolutely integral to success in financial services. The lack of a uniform definition has not prevented the ready acceptance of customer care (or any of the other terms) in the financial industry, but it does foster a sense of opacity and confusion.

## **Customer Care vs. Customer Experience Management**

For the sake of clarity, let’s define customer care as a business function that focuses on fostering stronger relationships with customers. Regardless of whether a customer is new to the institution or has been associated with it for years, there will always be a need for enriching the relationship. Only in fiction (and old movies) does one find a perfect relationship, a match made in heaven. As a business function within financial organizations, customer care is devoted to building stronger relationships through proactive outreach for sales and service opportunities, effective problem resolution, attrition management, development and refinement of customer-centric policies and procedures, and general oversight of the customer experience.

Customer experience management is also a business function commonly found in financial institutions, but one with a much narrower remit than customer care. Financial services institutions (FSIs) recognize that the quality of a customer’s experience depends on the performance of the delivery channels, regardless of whether they are staffed or self-service. And to complicate the matter further, the quality of the experience is contingent on channel performance either singly or when a combination of channels is used during a complex interaction such as a 401(k) rollover. Managing a customer’s experience also means optimizing communications performance among the channels because some interactions start in a single channel and then move to another for completion.

While the goal of improving the customer experience is certainly worthwhile, providing excellence in customer care is a far more complex challenge, one that requires a nuanced approach. In customer experience management, FSIs dissect the types of interactions available in each of the channels and search for means and methods to enrich the quality of

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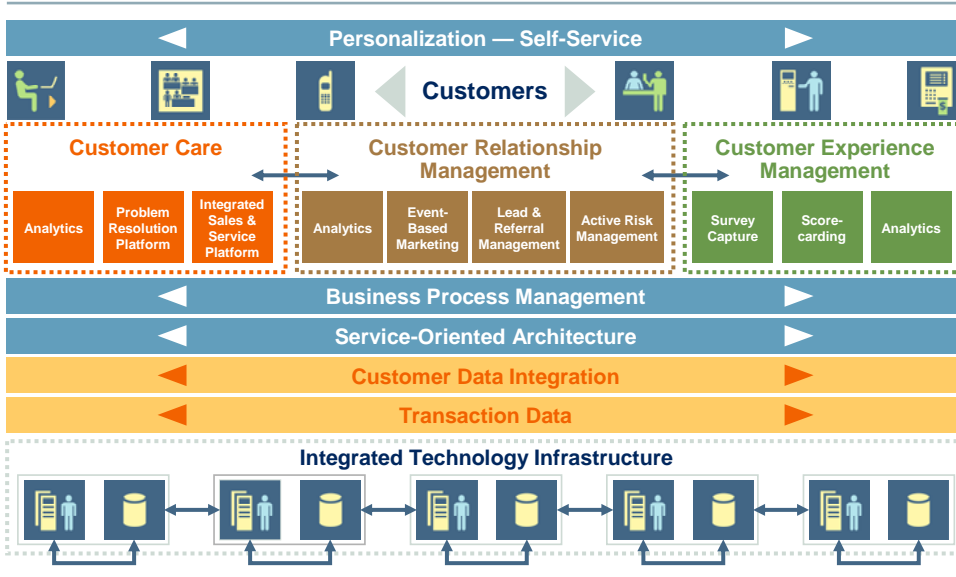
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the “average” or “typical” interaction. The challenge in improving customers’ experience is mapping each possible interaction between a customer and the institution, for all self-service and staff-assisted contacts, and creating appropriate service levels for each. The relationships between customer care, CRM, and customer experience management are shown in Exhibit 1.

**Exhibit 1**



**Customer Care, CRM, and Customer Experience Management Are Data-Driven Business Functions**



Source: TowerGroup

To be sure, customer care and CRM are also highly dependent on the effective performance of delivery channels; however, the key variant is that customer care efforts are directed specifically at the level of individual customers. Customer care in FSIs comes to the fore when an exception/opportunity, problem, claim, or misunderstanding occurs. The goal of customer care is stronger relationships through proactive outreach and effective problem resolution, which are processes that are most efficiently driven when customer data is reliable, timely, and appropriately aggregated. For all these reasons, rigorous and robust customer data integration (CDI) is the cornerstone of excellence in customer care.

**Putting the Spotlight on Customer Care**

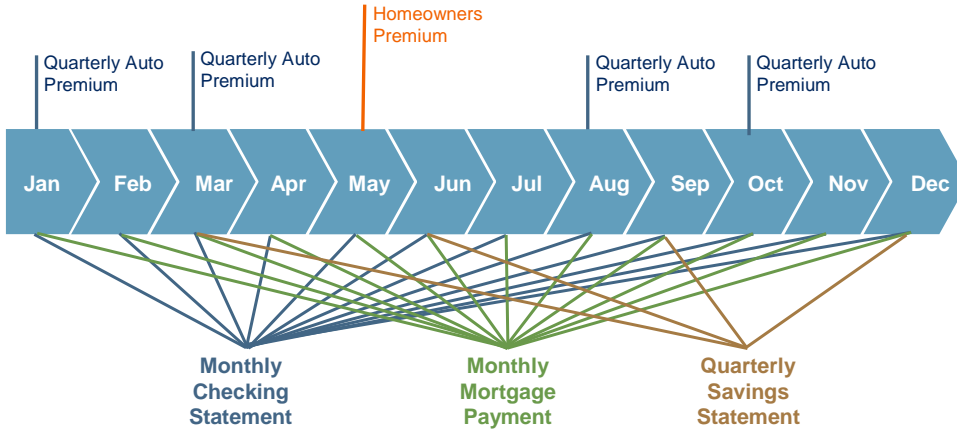
Customer care is not the same from one sector of financial services to the next. Just as two financial executives from the same firm can define customer care differently, so can an executive from a retail bank have a very different sense of customer care than an executive from the property and casualty (P&C) group of an insurance underwriter. The very different business models of these two sectors of financial services have shaped the provision of customer care. Exhibit 2 compares the challenges of providing customer care in retail banking and in a P&C insurance environment.

## Exhibit 2



### Customer Care Opportunities Differ by Sector of Financial Services

#### P&C Insurance



#### Retail Bank

Source: TowerGroup

As indicated in the exhibit, the volumes and patterns of customer interaction are distinctive in the two sectors of financial services, and as a result, the nature of customer relationships is diverse as well. Since the goal of quality customer care is to foster stronger relationships, the provision of customer care and customer service in financial services is frequently dissimilar across financial sectors. Customer care is integral to relationship building in retail banks and insurance organizations; it just is dispensed differently.

Regardless, financial institutions that are serious about customer care understand that three ingredients are critical to their success: customer data, channel performance, and staff optimization. The interdependencies of these three components are multifaceted and robust; clearly, no one aspect can support customer care single-handedly. Yet customer data integration represents the *primus inter pares* and serves as the core foundation of all customer care efforts. To be truly effective in any sector of financial services, customer care needs to be data driven. And the data most valued is trusted, enriched, aggregated, and timely customer data.

Aside from fostering stronger customer relationships, excellence in customer care provides a myriad of attendant benefits for a financial organization. Perhaps first and foremost is the creation of advocates in the customer base. Customers who receive exemplary customer care often become an FSI's champions, solidifying their own relationship and actively recommending the institution to their family and friends. Not only are attrition threats lessened, but new revenue also is often created through vocal advocacy. USAA (United

Services Automobile Association) provides a striking example of a financial institution that directly benefits from the positive recommendations of existing service members.

A secondary advantage that accrues to FSIs that provide strong customer care is related to operational efficiencies and process improvements. As consumers encounter challenges with products, processes, procedures, policies, or claims, the institution has the opportunity to capture the information and pursue a root cause analysis. Tackling product and service failures yields a surfeit of information that FSIs can later use to reform inefficient or broken processes. Dealing with problems effectively means fixing them, and fixing problems can lead to enhanced institutional efficiency. A common example of this type of efficiency involves processing of change-of-address requests. Rather than having customers change their address in multiple applications or processing systems, customer-centric financial institutions have developed the facility to have a single instance of address change populate all affected systems automatically.

In addition, top-shelf customer care can provide a point of differentiation for an institution. As noted in research published in late February 2006 by JD Power and Associates on banking satisfaction in the US market, there is a direct correlation between effective problem resolution and high levels of customer satisfaction. Financial organizations such as Wachovia Bank and Amica Mutual Insurance have found that superior customer care, when demonstrated consistently year over year, provides a point of differentiation unparalleled in the industry. Many may covet their positioning, but few institutions have taken on the not-inconsiderable task of augmenting their customer care resources.

Finally, there is the prospect of further enhancing the FSI's knowledge of the customer through the real-time exchange of information. The provision of high-caliber customer care is usually a one-to-one engagement. Often, during the course of conversations between the institution and the customer, new, previously unknown information about the customer and the customer's financial needs comes to light. As an example, during an online banking session the customer may indicate a change in surname, which could indicate a recent marriage. Marriage is a major life event change that could signal additional opportunities for the institution in the near term, such as the need to review life insurance coverage or the desire to review joint savings and investment strategies. The new intelligence may result in current or future revenue opportunities, or it may simply provide indispensable data on how the customer prefers to interact (or not) with the institution. In either event, it rounds out the institution's view of the customer, adding pertinent data to what should already be a 360° customer view.

### **The Underpinnings of Customer Care**

As noted earlier, the cornerstone of effective customer care is customer data, followed closely by channel performance and staff optimization. Taken in concert, these three components provide the structural support for winning customer care organizations. Institutions that enjoy the luxury of a knowledgeable and emotive staff, with access to pertinent customer data from across all channels and product systems, have a tremendous advantage over their rivals. But customer care of the highest caliber is not a fluke; FSIs invest precious resources when they choose to pursue a strategy of customer care and problem resolution.

#### ***Customer Data Integration***

Customer data integration refers to the collection of technologies, processes, and services needed to create and maintain an accurate, timely, and comprehensive representation of a customer when data originates in multiple applications and databases both within and

external to the institution. Thus the institution's internal data needs to be aggregated across products, divisions, applications, channels, and entities. Yet for large, diversified financial institutions, the clear emphasis must be on the fact that some customer data may well reside outside the walls of the institution. As an example, a large diversified bank may have entered into a joint venture with a third party to provide annuities, insurance products, or mutual funds. FSIs cannot afford to limit their CDI efforts solely to internal data sources because such efforts are myopic and overlook the additive value of customer data.

This is not to say that all customer data is created equally; clearly, some data is more valuable than other data. Thus, all customer data that is external to the institution need not be sought for CDI purposes; however, the institution must evaluate the data elements that are external and understand the cost trade-off inherent in aggregating external data. The goal of aggregating customer data is achieving a 360° view of the customer. Once the comprehensive view of customer data has been created, additional analytics can be used to determine customer profitability, appropriate retention efforts, and cross-sale messaging. Exhibit 3 provides an overview of the value of a 360° customer view.

### Exhibit 3



## A 360° Customer Profile Informs Multiple Actionable Business Functions



Source: TowerGroup

As is clear in Exhibit 3, the effort to aggregate customer data into a centralized repository results in a richer and more actionable view of customers and their relationships. And while there are compelling benefits for sales, marketing, and service functions from an integrated view of customer data, the advantages to the institution go well beyond those realms, resulting in stronger compliance and risk assessment. Financial institutions are becoming increasingly sensitive to fraud and financial crime — a comprehensive view of customer data,

including transactions, provides the basis for the algorithmic tools that are used every day to prevent money laundering and other forms of malfeasance.

**Channel Performance**

Channel performance and, more specifically, the lack of complete integration among delivery channels continue to plague FSIs in their attempts to manage customers' experience and provide excellence in customer care. The problem is particularly pronounced in the sectors of financial services that have high transaction frequency in the consumer base. Sectors such as retail banking have seen a proliferation of delivery channels and a marked increase in the volume of customer transactions in the past 30 years, and banks have struggled to create a holistic view of the customer not only within each channel but among all the channels as well. Exhibit 4 provides an overview of the channel environment commonly found in a retail bank.

**Exhibit 4**



**The Quality of Customer Care Improves with Multichannel Integration Capabilities**



Source: TowerGroup

The quality of customers' experience is severely constrained by a fragmented delivery architecture that does not benefit from complete integration of information among all the delivery channels. On a practical level, this lack of complete integration among channels has made it entirely possible for a bank customer to get an account balance from one channel such as the ATM and get a completely different balance in another, just minutes later. The customer's experience suffers as a result. And to go a step further, these same issues detract from the FSI's ability to provide effective customer care or problem resolution. In the retail banking arena, case management is often a channel-centric capability, so a case record opened in one channel may not be available in a related channel. Customers are forced to tell their story again and again, compounding their irritation and eroding goodwill.

### **Staff Optimization**

Within the context of customer care, staff optimization carries two very separate meanings. On one hand, it can refer to the staffing models that FSIs employ to ensure adequate coverage in contact centers. On the other hand, and equally important, staff optimization refers to professional capabilities of customer care staff. Thus, staff training in product and service knowledge, empathy, and access to appropriate data sources and tools is also integral to a customer care center. Excellence in customer care goes well beyond staffing models that determine the right number of resources given anticipated volume trends. Aside from ascertaining the right number of resources, FSIs must ensure that the right types of resources are available at any given time. Language capabilities, advanced training on complex products, and current, appropriate professional licensing are quantifiable skills/measures that can be factored into staffing decisions.

The more difficult and less easily quantified measure associated with staff optimization involves an individual's empathy and emotive skills. Problem resolution and customer care may be routine transactions in many industries, but not in financial services. Victims of severe hurricanes, floods, and tornadoes do not consider themselves a policy number; rather, they are devastated customers looking for solid advice, professional assistance, and the swift assurance that their premiums haven't gone for naught. In financial services, perhaps more than any other industry, the quality of customer care and problem resolution resides in the quality of the institution's staff. In financial services, the monetary and emotional stakes can be extremely high.

Thus, customer care and problem resolution require a multifaceted approach. Technology can provide a solid underpinning for an institution's efforts with:

- Comprehensive views of integrated customer data
- Multichannel integration
- Real-time transaction processing
- Advanced data analytics
- Case management/workflow
- Staff optimization models

However, technology is not a panacea. Having the right people with the right attitudes, training, technology tools, and information access is the answer to providing consistently high-quality customer care.

### **Weighing the Benefits of Improved Customer Care**

Customer care is a critical business function in financial services, regardless of the frequency of a customer's interactions with the institution. The primary goal of customer care is to build strong relationships with customers through proactive customer outreach, effective problem resolution, attrition management, development of customer-centric policies and procedures, and general oversight of the customer experience. Since customer care is predicated on a firm foundation of customer data, the benefits that accrue to a financial institution that invests in customer care are closely tied to enhancements to customer data. The benefits of improved customer care and problem resolution are legion, rewarding FSIs with both direct

and indirect dividends. Although the costs associated with investments in customer care and problem resolution are not immaterial, the business benefits are substantial.

### **Direct Benefits**

As noted above, investments in customer data integration yield numerous dividends for the provision of quality customer care. Perhaps the most noteworthy of these is the improved insight that an FSI obtains from having a more detailed understanding of the customer. Improved customer insight not only fosters better problem resolution, but it also permits an FSI to retain customers more effectively. And once an organization has a fuller understanding of a customer's total relationship, the following direct benefits become manifest:

- Marketing messages are more targeted
- Channel preferences and privacy requests are honored
- Customer service levels are appropriate
- Customer interactions are more efficient

Gathering customer data into an accessible repository provides numerous points of leverage for financial institutions.

Whenever a financial institution interacts with a customer, the interaction holds the promise of everything between tremendous success and abject failure. Each interaction has the potential to be a moment of truth in the eyes of the customer. Customer data, employed knowledgeably, can transform these moments of truth into a stronger relationship. Time and again, this reality has been proven in the insurance industry, particularly during the claims process. Filing insurance claims is incredibly stressful, even in the aftermath of something as mundane as a fender-bender. The high quality of the personalized claims adjustment services provided by firms such as Progressive has won those firms legions of admirers and advocates. Customers who have positive experiences during the customer care process are more likely to be satisfied, more inclined to be committed to the institution, and more ready to act as an advocate of the FSI.

### **Indirect Benefits**

While the direct benefits of customer data integration and improved customer care are compelling, the indirect benefits are equally worth exploring. Customer data is a corporate asset whose true value is often underestimated or unrecognized in the institution. Optimizing customer data and augmenting the FSI's overall capacity to exploit customer data has a number of ancillary benefits, particularly within the realm of compliance. Since the introduction of the USA PATRIOT Act in October 2001, considerations surrounding "Know your customer" (KYC) requirements have taken on new urgency. Similarly, FSIs have become more attuned to requests for privacy and the sharing of customer information since the introduction of the Financial Services Modernization (Gramm-Leach-Bliley) Act in 1999. These two acts have mandated a renewed focus on the sources and uses of customer data as a corporate asset. Compliance with the regulations eases when institutions have a robust and mature plan for managing customer data.

A secondary benefit that must be acknowledged involves the opportunities for business transformation that take place as customer data governance matures. As noted earlier, a key ancillary benefit of customer care is the ability to understand systemic weaknesses in business processes and implement improvements. Financial institutions with a mature approach to customer care and problem resolution spend considerable time and resources in

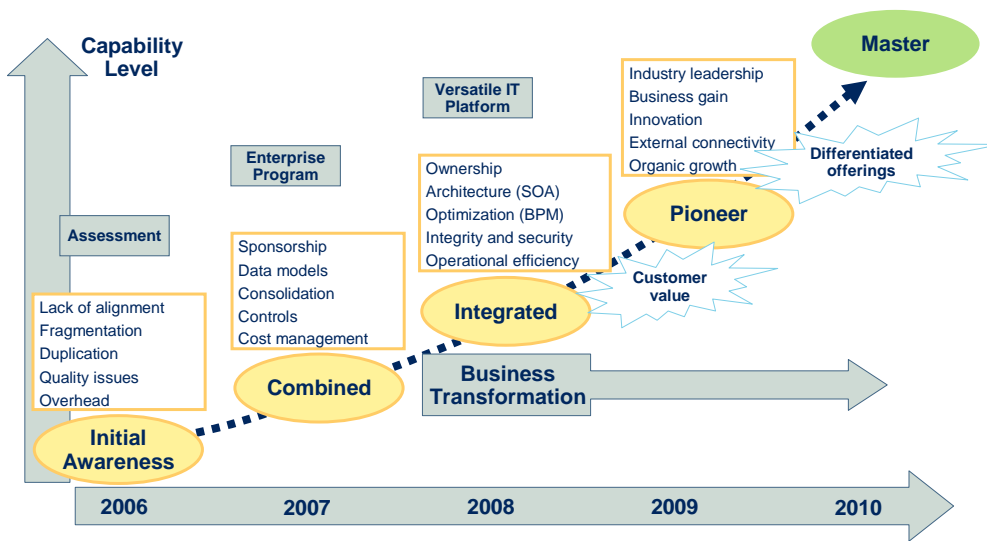


root cause analyses, searching for common threads or challenges that recur in the customer base. Creating a single, streamlined process for all new account opening typifies the type of process improvement that can result from an institution reviewing customer feedback on account opening procedures and understanding an existing customer’s frustration with filling in forms with data that the FSI already has on file. Exhibit 5 provides a framework for understanding how a maturing view of customer data can result in increased customer value, differentiated product and service offerings, and opportunities in business transformation.

**Exhibit 5**



**Improving Data Governance in the Banking Industry Enables Business Transformation**



Source: TowerGroup

**Summary**

In a landscape of commoditized products and services, financial services institutions (FSIs) continue to search for the means to differentiate themselves from both their established peers and new entrants into their markets. A focus on customer care and problem resolution provides a point of contrast that buttresses an institution’s decision to adopt a customer-centric business model. But improving customer care is not simple. FSIs must address issues of customer data integration, channel performance, and staff optimization as part of any initiative to improve customer care. The benefits, however, are significant and well worth the investment of the resources required.



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