BUILDING TRUST (AND LOYALTY) IN RETAIL BANKING: THE CRITICAL ROLE OF CUSTOMER COMMUNICATIONS MANAGEMENT

EXECUTIVE SUMMARY
HOW WELL DO YOU COMMUNICATE WITH CUSTOMERS? YOUR COMPANY'S FUTURE DEPENDS ON IT

It shouldn't come as a surprise to anyone who works in retail banking that a lack of public and client trust is one of the biggest challenges this industry is facing. According to the 2011 Edelman Trust Barometer, the financial sector (including insurance, banks, and other financial services) is lowest among all industries with respect to trustworthiness.[1]

Without trust, clients are hesitant to let financial firms manage their assets or guide their financial decisions. Clients are also less likely to remain loyal to brands when trust erodes. The recent financial crisis can certainly be blamed for eroding trust. But these concerns persist today, even as economies continue to improve in developed countries. Ernst & Young reports, for example, that nearly 40% of survey participants in Europe and the US changed their main bank in 2010, a quarter of them citing loss of trust as the reason. Summarizing this report by E&Y, American Banker notes that "while banks have always sold the notion of trust, they will now have to take more concrete steps to back it up."[2] The good news, as the Edelman study shows, is that trust and loyalty can be regained.[3]

In this whitepaper, we'll explore the tenuous relationship many clients have with companies in the retail banking sector. We'll look at why these relationships are difficult to maintain today and how companies can significantly increase trust and loyalty through a strategic approach to customer communications — a strategy that yields dividends for the business.

1. For more information about the 2011 Edelman Trust Barometer: http://www.edelman.com/trust/2011/
2. "Walk the Walk: Regain Customers' Trust," American Banker, April 20, 2011. Accessed online: May 23, 2011. http://www.americanbanker.com/issues/176_76/regain-customers-trust-1036289-1.html
3. The automotive industry, surprisingly, shows what can be achieved through a renewed focus on customers. According to the 2011 Edelman Trust Barometer, trust in the US auto industry rose 17 points (a 53% gain) between 2009 and 2011.

Fig 1
How much do you trust [banks] to do what's right?
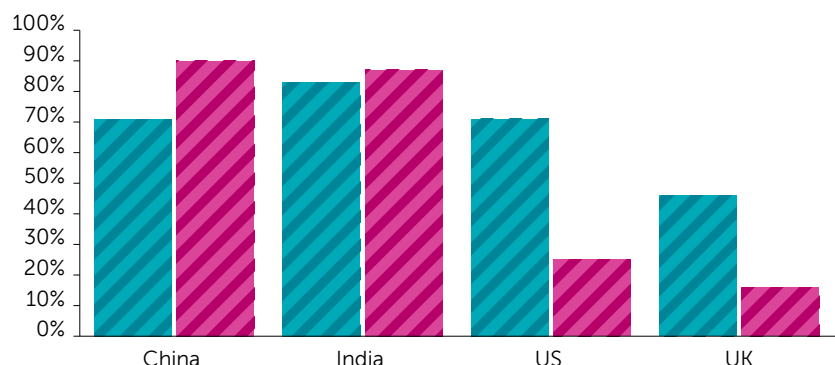
01
DOES ANYONE BELIEVE IN LOYALTY ANYMORE?

The recession that began in 2007 has shaken the foundations of the financial services industry generally – and its effects are still with us. But if the economic crisis hadn't occurred and led to a general erosion of trust, retail banks would still be fighting harder than ever to hold on to customers, much less acquire new ones. The fact that 40% of customers changed their bank in 2010 is indicative of waning customer loyalty, undoubtedly due in part to a lack of trust. Rebuilding trust will help revive customer loyalty – indeed, trust remains a critical part of the customer experience for clients. But organizations need to be aware that there are other factors besides lack of trust that are draining away loyalty.

For one, banking services are becoming commoditized, making it more difficult for customers to distinguish between competitors. One characteristic of commodity markets is an increased need for differentiation and a strong brand, as companies can no longer compete on product or service alone. The ABA Banking Journal describes today's environment this way: "Competing solely on the quality of products offered or service delivered is insufficient to differentiate a firm in the face of a changing industry and increased client scrutiny. Successful firms need to move their business models beyond simply products and service and deliver a differentiated client experience."[4] In commodity markets it's more important than ever to establish an emotional connection, to create a perception of distinct value in the mind of the customer. Thus, how you communicate with clients becomes critical.

Second, the lines between traditionally separate businesses have become increasingly blurred as competition has become stiffer. Banks "are fighting to stay relevant in a world where the line between traditional banking and nonbank entities is more perforated than ever," writes Matt Gunn of Bank Systems & Technology.[5] For example, customers

4. "What are the new best practices," ABA Banking Journal, March 2010, p. 22. Accessed online: May 23, 2011. http://www.ababj.com/wealth-management-trust/wealth-management-the-new-best-practices-march-10.html
5. Things Everyone In Banking Is Talking About," Bank Systems & Technology. April 20, 2011. Accessed online: May 23, 2011. http://banktech.com/management-strategies/229401957

find it difficult to tell the difference "between a PayPal or a bank" when it comes to moving money or purchasing goods and services, he says. As a result, companies are now competing for customers not only with similar businesses in the same vertical, but also with businesses in adjacent or previously unrelated industries. To this competitive environment add disintermediation, which allows consumers to bypass banks and advisers as they purchase financial products directly.

Third, it's simply easier than ever for customers to defect. "Consumers have more power to walk than they've ever had," says Martha Rogers, of Peppers & Rogers Group.[6] The Internet makes it easier to compare products and services, read reviews by other customers and experts and switch brands online.

Fourth, because of the increased competition, the erosion in loyalty and ability to easily switch brands, customers are less forgiving. They have little patience, for example, when their bank or credit card company — no matter how large — treats them impersonally or fails to recognize their interactions or history. Companies need to ensure that every communication, every interaction reflects what they know about each customer. Consumers see this personalized attention and communication as a measure of service — and as one analyst

has noted, when it comes to service customers "vote with their wallets."[7] At the same time, customers are more sensitive to communication blunders. The Internet — and social media in particular — makes it easier to spread complaints and negative reviews about a company. Social media "magnifies the importance of customer experience," says Bruce Temkin in an interview with Insurance & Technology.[8] "If you treat one customer poorly and he tells five friends, that's quite different from an unhappy customer going viral with a video on YouTube."

The speed with which news travels, in other words, puts added pressure on companies to manage their communications and respond quickly when errors do occur. As the Dow Jones report noted, lack of communication and contact during a crisis can have a devastating impact on confidence and loyalty.

What can banks and other financial services organizations do? Martha Rogers of Peppers & Rogers recommends that companies "embrace today's empowered customers. Doing so means understanding when, where and how customers want to be communicated to, and then personalizing conversations to improve relevancy." This approach, she says, allows you to "drive favorable customer behavior, improve retention and encourage advocacy."

6. "Tackling the Three Toughest Communication Challenge." © 2011 Peppers & Rogers Group. For more information, see http://www.1to1media.com/customregistration.aspx?itemid=32771
7. In fact, 78% of consumers "have bailed on a transaction or not made an intended purchase because of a poor service experience," according to a survey released in the American Express Global Customer Service Barometer, as reported by RetailCustomerExperience.com, May 3, 2011. Accessed online: May 23, 2011. http://www.retailcustomerexperience.com/article/181034/Survey-Consumers-will-pay-a-premium-for-good-service
8 "On Customer Loyalty: Q&A with Bruce Temkin." Insurance & Technology. September 2, 2010. Accessed online: May 23, 2011. http://www.insurancetech.com/management-strategies/227300027

02
HOW TO RECOVER LOYALTY – AND RETAIN YOUR CUSTOMERS

"Saga customer loyalty is high. With Thunderhead, we can build on this customer loyalty by being able to treat every one of our customers as an individual."

Saga Insurance

The good news is that a determined focus on the customer experience – including how you communicate with customers in every channel – can help you regain trust and boost loyalty. The return on that investment is customer retention and long-term profit as customers who have a great experience with your brand reward you with loyalty. Indeed, says analyst Bruce Tempkin, creating a strong customer experience is a competitive advantage that can lead customers to purchase additional financial products and recommend a financial provider to friends and families.[9]

How can companies in the financial sector improve the customer experience? One way is through relevant, personalized communication, which can bolster customer loyalty, according to Peppers & Rogers. In an executive dialog with John McGee, president and chief operating officer at Thunderhead, Martha Rogers highlighted the three toughest communication challenges organizations face: building loyalty throughout the customer lifecycle, meeting customers' needs through relevant messaging and improving agility by staying current with the tools and processes needed to keep pace with market changes and evolving customer preferences.[10]

No question: these are indeed tough challenges. But they can be solved by companies that make customer communication management a strategic priority. Using the right technology is crucial. Thunderhead NOW, a customer communication management platform, is a strategic investment for companies in the financial services sector (and other industries). Thunderhead NOW gives businesses the ability to deliver the right message, at the right time and in the right format, over the right channel. It enables organizations to communicate with consistency across all channels, delivering messages to your customers according to their preferences – through your website, in email, on third-party sites or through mobile apps on smartphones and tablets.

In the next section we'll focus on how customer communication management software enables financial services organizations not only to create a measurably better customer experience and competitive advantage, but also to meet other priorities, such as regulatory compliance, cost containment and faster time to market.

9. Ibid. Insurance & Technology.
10. Ibid. Peppers & Rogers.

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BENEFITS OF CUSTOMER COMMUNICATION MANAGEMENT

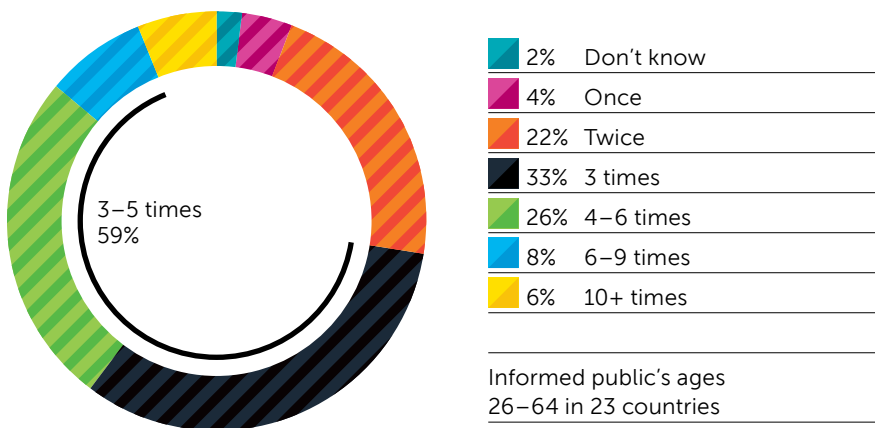*"Companies that fail to learn from their customers do so at their peril."*

Martha Rogers,
Peppers & Rogers Group

Because companies have limited opportunities to communicate with customers, they must take advantage of every opportunity to speak directly to the customer's needs and preferences while reinforcing the brand message in a consistent and trustworthy way. Broadly speaking, this requires that you understand what a customer wants to hear, how they want to hear it, through which channels they want to receive communications and when it's best for them to receive information from you.

How do you do that? Start by integrating everything you know about your customers. In theory, companies have three types of customer data they can leverage to improve communications. One is profile information, the second is transactional and the third is historical. It's important to integrate these views of the customer, mine data for patterns that help you understand customer needs and then share that insight with call center personnel who interact with customers as well as business users who design communication strategies. The result will be a more personalized and compelling experience for customers – one that positively influences perceptions of your company, increases customer loyalty and encourages the purchase of additional financial products.

Fig 2
Reinforcing the brand message in a consistent and trustworthy way.

	2%	Don't know
	4%	Once
	22%	Twice
	33%	3 times
	26%	4–6 times
	8%	6–9 times
	6%	10+ times

3–5 times
59%

Informed public's ages
26–64 in 23 countries

In a nutshell, that's what Thunderhead NOW customer communication management software enables you to do. It gives you the tools to develop a two-way conversation with customers that is as much about them as it is about you. That's vital because trust isn't built on one-way communication; it requires that a company learn about its customers, adapt to what the company has learned and demonstrate that new understanding in future interactions. "Understanding needs, value and behavior is part of the process of building relationships with customers," says Martha Rogers. Companies need an ability "to recognize customers or each individual customer every time we communicate with them," she says.

We need an ability to differentiate customers from each other, remember what they tell us and "change our behavior and do something different for each customer as a result of what we learn."

Thunderhead NOW enables organizations to learn from every interaction with their customers to better target and tailor their communications. By capturing intelligence on a customer's responsiveness to different channels and messages, Thunderhead NOW allows you to increase the level of personalization – and ultimately, continuously improve the performance of your customer communications.

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ADDITIONAL BENEFITS OF CUSTOMER COMMUNICATION MANAGEMENT

With 90% of customers preferring to use direct channels to apply for a loan, speed of communication is a key element to help convert an offer into a loan agreement. Alliance & Leicester Commercial Bank uses Thunderhead to rapidly generate loan offer documents over multiple channels, including SMS and email.

Besides helping retail banks rebuild trust and loyalty among their customer base, customer communication management provides additional benefits that organizations in this industry are particularly interested in.

MOBILE COMMUNICATIONS

The ability to manage communications in a mobile world is increasingly important. By 2015 the number of mobile users who access the internet will surpass the number accessing it from desktop or laptop computers. As a result, companies must be agile in how they communicate, must be prepared to change tactics based on emerging technology and must invest in future-proof platforms that easily integrate into customer data repositories.

REGULATORY COMPLIANCE

From a compliance standpoint, the ability to record what you have communicated to customers, down to the paragraph or sentence, is a powerful tool. Having a single platform to handle all of these different communication channels for compliance can save your organization significant amounts of time.

Thunderhead provides a powerful tool for analyzing and demonstrating compliance in customer communications. Within its Context Engine, the NOW platform contains a complete transactional record of Thunderhead-managed communications, including complete communication content as well as processing information, such as the original transaction data, communication channel or channels and the source Thunderhead template. This information can be readily mined to provide instant insight into communication compliance.

COST CONTAINMENT

Deploying technology to support your customer communication strategy is an investment, but it should not cost an arm and a leg. In fact, it should significantly reduce your costs. Thunderhead NOW helps you contain or reduce costs in a number of ways:

- Increase your ability to leverage online channels while reducing printing and postage costs, a significant expense in many large organizations
- Eliminate redundant requests for information, pre-populate forms, support electronic signatures and enable seamless transitions between different channels
- Improve productivity within the customer service organization by streamlining communication processes and automating certain document process steps
- Reduce localization costs through globalization and multi-language capabilities

INNOVATION AND TIME TO MARKET

For a highly regulated industry such as banking, making changes to existing financial products or introducing new products and services can be a slow, painstaking process because of the need for regulatory scrutiny and approval of communications. Banks and other financial organizations can speed this process by demonstrating an ability to ensure consistency through all customer communications. Reducing regulatory hurdles can directly result in faster time to market for new financial products.

Thunderhead customers typically experience a 12% to 15% increase in customer service/call center productivity.

05
RECOMMENDATIONS AND BEST PRACTICES FOR CUSTOMER-CENTRIC COMMUNICATIONS

At Thunderhead, we have discovered six best practices that companies can follow to build customer-centric communications.

The first is to take a multi-channel perspective, meaning that you communicate with and respond to customers through different avenues. Of necessity, this means emphasizing the online channel – including web, mobile and social media – and rely less on print-based communications, which limit dialog. This approach enables you to reach customers where they are while driving down communication costs.

Second, you must consolidate data across the entire customer lifecycle. That data could be in marketing, the call center, in sales or on web portals. You need to be able to capture and integrate the data that is most pertinent to the customer experience and describe an ideal experience that anticipates the kind of information a client is seeking at various points of engagement.

Third, it's similarly critical to overcome silos that naturally develop within any organization. In developing a customer-centric focus that looks at all aspects of the customer journey, you want to make sure that there's nothing internally, either culturally or technically, that could hinder that process. Your communication platform, for example, must be flexible enough to leverage customer data from any data source in the organization.

Fourth, you need to empower business users – the people in your organization who are on the front lines of the business, the people who are closest to the customer. The closer you can get to the customer, the more you're going to understand what he or she needs. For some companies, empowering business users with customer data requires a cultural shift within the organization.

Fifth, you need to become agile. For customer communications, agility means that you can rapidly update messages as business needs change, unhindered by technology. It means that you can target your message to the preferences of individual customers, and optimize the message for any channel or device. Agility requires that your communication creation, management and delivery tools are integrated with your existing business processes so business users can easily design and execute campaigns.

Sixth and finally, be realistic in your plans. Your strategy needs to be fluid, because the market and customer needs are constantly changing. It's about understanding these complexities and knowing that successful strategies take time. But with the right level of discipline, the right area of focus and the levers that make the difference, every company can create a world-class client communication strategy.

CONCLUSION
CREATING COMMUNICATIONS THAT INSPIRE TRUST

If anyone understands the importance of customer loyalty today, it's retail bankers. Organizations in retail banking increasingly compete in commoditized markets where the timely and effective delivery of products and services is vital to attracting and retaining profitable customer relationships.

In fact, industry metrics indicate that acquiring a new customer costs 5 to 10 times more than retaining one. Moreover, in the financial services sector a 5% increase in customer retention produces more than a 25% increase in profit – and repeat customers spend 67% more on average.

In this environment, a multi-channel customer communications strategy plays a critical role in inspiring trust and cementing loyalty. Thunderhead NOW enables retail banks and other financial services companies to increase customer satisfaction, trust and loyalty by communicating with customers in a way that is highly personalized, contextual, timely and accurate:

- **Highly personalized:** Thunderhead NOW enables organizations to leverage customer knowledge in each and every customer communication.
- **Contextual:** Thunderhead NOW can dynamically assemble information based on context to create communications that are relevant to each customer's needs.
- **Timely:** Thunderhead NOW automates the communication process so your organization can respond more rapidly to customer inquiries.
- **Accurate:** Thunderhead NOW allows organizations to exercise an unparalleled level of control and accuracy over all of their customer communications.

THUNDERHEAD NOW
Leading the way in customer communications management
Thunderhead NOW is a time-tested customer communication management platform that delivers proven value:

- Designed to serve your business and its customers: Thunderhead NOW has been designed from the ground up to ensure ease of use based on business rules, putting control of your communications in the hands of your advisers, rather than IT – increasing your business agility and reducing costs.
- True multi-channel communications delivery: We help our customers migrate their communications from traditional, print-centric channels to a truly integrated, multi-channel strategy, so they can seamlessly manage communications according to their customers' preferences and not the limitation of their current systems.
- Rapid return on investment: Thunderhead NOW delivers a rapid return on investment – typically well within 12 months. Importantly, our software significantly changes the economics of communicating with your customers – reducing your costs while enabling you to improve service quality.

- Advanced personalization: Learn from every interaction with your clients to better target and tailor future communications. By capturing intelligence on their responsiveness to different channels and messages, you can increase the level of personalization – and ultimately, continuously improve the performance of your communications.
- 100% Customer Referenceability: Financial services companies across the world are reaping the benefits of Thunderhead NOW, and our clients include leading companies such as AMP Financial Services, BNP Paribas, Deutsche Bank and HSBC. Every Thunderhead customer to date has agreed to serve as a reference site for our software.

ABOUT THUNDERHEAD
Thunderhead changes the way companies engage with their customers, enabling measurement and learning from every interaction to drive greater loyalty and profitability. Our innovative business user–driven software, Thunderhead NOW, delivers new levels of personalization, context and compliance with true multi-channel capability – the right information, to the right person, at the right time, in the right format. Founded in 2001, Thunderhead now has insurance, retail banking, government and capital market customers on three continents. They optimize their customer engagement – we help them make every communication count.

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