



Staying customer-focused and trusted

Web 2.0 and Customer 2.0 in financial services

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December 2008



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This paper is the first in the SAP Financial Services Research Programme, which aims to help senior managers in financial services companies improve customer management decisions by providing additional knowledge and support at a time when many companies are closely examining its associated benefits and costs.

The programme is based on cooperation with a number of leading financial services companies and is led by Professor Merlin Stone, Research Director of WCL. Interviews were carried out by e-mail-based qualitative research, in which respondents completed a short questionnaire.

This first research project focuses on the effect the global upheavals in financial services markets is having on customer management, how far companies are using strategies in which customers, staff and agents provide input about their needs using Web 2.0 approaches, and whether a closer mutual relationship between financial institutions and their customers could have prevented some of the problems of 2008.

The collapse of consumer trust in financial services institutions has put enormous pressure on companies to rebuild it. Consumers have responded quickly to the upheavals, shifting money away from banks where trust had fallen towards banks which had come through the 2008 events relatively unscathed. The turmoil of the last two years is clearly having its effect on customers' perceptions. They see that despite a strong focus by governments on intensifying regulation of the financial sector, serious problems have not been prevented, and some understand that many of the problems occurred because of what governments did.

Financial services companies are still perceived as contrasting with companies in other sectors that have focused on trying to create a strong dialogue with customers, where customers start to form the proposition and orchestrate suppliers' dialogue with them.

In the financial services sector, clear water has emerged between the leaders and followers in deploying CRM, so that customers who are managed by financial institutions that have deployed fully and carefully their CRM approaches do perceive they are being managed better and respond by giving increased value to these suppliers. This is reflected in the growth in market share and profitability of companies that have used CRM most effectively.

However, the aggregators have arrived, playing the role of the customer-advocate, and using information gathered from customers to help them make better choices. Aggregators have had a big impact on the way customers buy the simpler financial services – not just in general insurance where they have had the greatest impact – but also in banking, particularly for savings and loans (including mortgages), credit cards and current accounts. Web-based businesses in all sectors have continued to innovate, stimulating the customers' appetite for individualisation, personalisation, enhanced and relevant information, and feedback from other buyers.

The importance of staying close to the customer in 'interesting times' has increased. This involves several different components which have been talked about for a long time, long before the age of Web 2.0, and belonging in spirit to the world of 'Successful; CRM 1.0'. They include understanding the needs of current and target future customers – not just their needs for products, but also for value and relationships, having a customer-oriented approach that is understood, agreed and managed at board level and having the right mix of propositions which unite the idea of customer and product and which deliver the right portfolio of product profitability and customer profitability.



Recent evidence shows not only the extent of use of the Internet and its perceived importance, but also the extent of use of Web 2.0. However, call centre and branch selling have remained strong, perhaps partly because many consumers prefer to deal with people where money matters are concerned. This could also be because the Internet and other electronic channels are perceived not to allow consumers to express their needs or discuss things. Despite this, comparison sites have flourished. Initially, there was a strong focus on price, but some aggregators realised that if they just attracted price or rate sensitive customers, they were also likely to be switchers, so that aggregation would be seen as a poor channel by product suppliers.

Increasingly, they are using quality indicators and introducing ways for customers to design the level of coverage they require. Meanwhile, High Street marketing in financial services, whether through banks or through amalgamation of brokers, continues to prosper. Larger companies can invest in branding, and in the technology needed to service customers in branches, and can negotiate the margins or commissions they need from the product suppliers. Nonetheless, remote sales via telephone and Internet are still growing at the expense of face-to-face sales. Interestingly, the telephone proportion has kept up, although a large proportion of buyers research on line first before calling.

However, the effect of the arrival of the aggregators and the practices of the most advanced Web businesses in other sectors is likely to change the requirements of consumers. This is because of the significant change caused by social networking and similar developments to get insights from other customers.

The research carried out for SAP shows clearly that aggregators have taken the lead on the road to CRM 2.0 and customer 2.0. However, they are followed by the banks, and one or two insurers are on their tails. By focusing on the customer and the kind of dialogue and information they feel the customer wants, some companies are making good progress in real-time customer management.

In the long run, the progress made by the innovators will be visible in higher market share and profitability (depending, of course, on the contenders' business objectives). However, one thing is certain – within a few years, the 'buzz' on the Web and market shares – in particular the share of valuable customers – will make it clear which companies are regarded by consumers as truly responsive to their needs, and which are still trying to force products on customers.

There has been some progress with use of Web 2.0 techniques with employees. Staff are important for several reasons. For many companies, they are the prime interface with customers, and they have access to the same systems used by management. They afford a great opportunity for less risky experimentation with Web 2.0 techniques and the feedback they provide about how customers are feeling is very valuable. Because they manage customers, if they are not feeling comfortable about the situation in which they find themselves, this will get through to customers. Web 2.0 techniques provide much more open-ended ways of gathering feedback – ways which are much more likely to accurately record sensitive issues relating to ethics and governance.

Recommendations for financial services companies are that they create a stronger focus on:

1. Listening to customers, by combining classical CRM approach and Web 2.0.
2. Retention (and on minimising reasons for attrition during the 'customer journey').
3. Trust, empathy, engagement and recommendation.
4. Engagement of staff.
5. Developing a customer management business strategy at Board level – customer-focused innovation in both services and in go-to-market strategies and the governance of those processes.



About Professor Merlin Stone

Professor Merlin Stone is one of the UK's top specialists in changing organisational capability to meet the needs of customers and stakeholders. This includes key account management, sales and marketing management and delivery, customer relationship management (in particular strategies and tactics for cost-effectively attracting, retaining and developing customers of all types – from key accounts to consumers), database marketing, call/contact centre management and customer service. His experience covers many sectors, including arts and culture, automotive, charities and other not for profit organisations, energy, financial services, information and telecommunications technology and services, pharmaceutical, public sector, retailing, travel and transport and utilities. At least half of his work in the last decade has been in financial services. He also trains, coaches and mentors senior managers, especially but not exclusively in companies where he is working as an advisor.

He is Research Director and Director responsible for the Customer, Citizen and Stakeholder Management Practice at WCL, specialists in change management and customer/stakeholder management. In this role he provides consulting, training, public speaking, public relations and coaching services.

He is author or co-author of many articles and thirty books on transforming marketing, sales and customer service capabilities, including *Up Close and Personal – CRM @ Work*, *Customer Relationship Marketing*, *Successful Customer Relationship Marketing*, *CRM in Financial Services*, *Key Account Management in Financial Services*, *The Customer Management Scorecard*, *Consumer Insight*, *Marketing Revolution* and *Business Solutions on Demand*. The UK's Chartered Institute of Marketing listed him in 2003 as one of the world's top 50 marketing thinkers, he was nominated as one of the 20 most influential people in the direct marketing industry in a Precision Marketing readership poll in 2003, while NOP World nominated him in 2004 as one of 100 most influential individuals for their input and influence on the development and growth of e-commerce and the internet in the UK over the previous 10 years. He is a Fellow of the Chartered Institute of Marketing and an Honorary Life Fellow of the UK's Institute of Direct Marketing. He is also on the editorial advisory boards of several academic journals and writes for several trade publications.

He has a first class honours degree and doctorate in economics from Sussex University, UK. In parallel to his business career, he has also pursued a full academic career. He has held senior academic posts at various universities. He is now a part-time professor at Bristol Business School and a visiting professor at De Montfort, Oxford Brookes and Portsmouth Universities.