DYNAMIC MARKETS

Financial Services Sector: Missing Customer Expectations?

Independent Market Research Commissioned by

AVAYA

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Executive Summary:

- 77% of global consumers say the way they deal with companies has changed in the last 12 months.
- 97% of business managers say customer experience management (CEM) will be important to their organisation in 2014.
- 64% of organisations have a comprehensive CEM programme in place.
- CEM programmes have delivered improvements to almost all companies and there is a strong correlation here with profit increases.
- Among those without a CEM programme, 88% have faced barriers, the main one being a lack of appropriate technology.
- 84% of organisations can only deliver on certain elements of a personalised customer experience automatically and in real time using the technology systems they have in place, and their efforts in each area fall short of what customers are now expecting.
- Among consumers who work, 78% say their attitudes towards how organisations should treat them when buying products and services are the same for work as they are when buying things for themselves as a consumer.
- 87% of organisations have seen their CEM initiatives fail in the last 3 years.
- 67% of those with failed CEM initiatives wasted money because of their efforts, but 44% of MDs, CEOs & owners admit they do not know how much was wasted.
- Just 24% of business managers believe the impact of 'Customer Effort' on their customers with respect to their spending, retention and satisfaction to be significant.
- 88% of consumers would rather spend their money with companies that make it easy for them to buy.

Background and introduction:

This research set out to investigate the emphasis financial services companies are putting on CEM and what steps, if any, they are taking to address this area. The research also aimed to measure where customer expectations currently sit with respect to how they are treated by organisations.

The research explores financial services organisations' current capabilities regarding an enhanced customer experience, how well they are able to personalise their approach to customers and what problems they encounter.

The findings show that consumer expectations are high and seem to be changing rapidly. In addition, while not all global consumer markets are the same, many are remarkably similar. Also, companies' efforts are being led from the top down, but the message is not always received in every corner of the organisation or among the foot soldiers, despite the fact that such employees have day-to-day contact with customers and prospects.

All eyes on the customer?

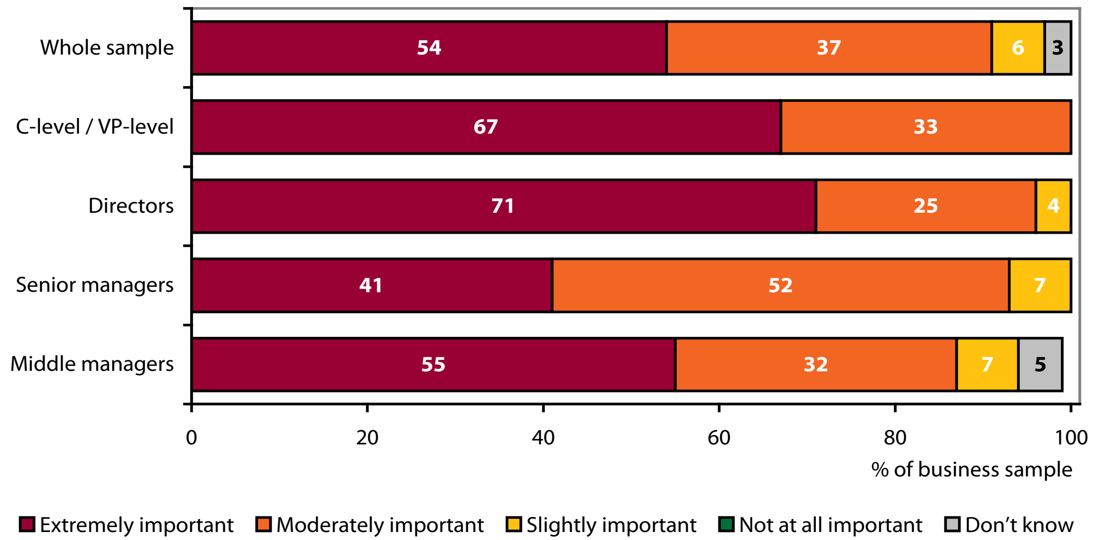
Importance of CEM in 2014:

97% of business managers in large financial services organisations around the world say CEM will be important to their organisation in 2014 and this includes 54% who think it will be extremely important. The more senior a respondent, the more importance they place on CEM, with 70% of MDs, CEOs & owners thinking it will be extremely important, as well as 71% of directors, but only 41% of senior managers and 55% of middle managers agree [Chart 1]. This suggests company leaders may need to communicate better down through the organisation their attitudes towards CEM and its importance.

CEM programmes in place:

Are financial services companies following through on this sentiment with solid and decisive action? The research shows that 64% of organisations claim to have a

Chart 1: Importance of CEM to organisations in 2014



comprehensive CEM programme in place - but this means a third of them does not. However, such programmes are especially common among companies with 50,000 or more employees (77%), and among those who focus on B2B markets (84%), compared to those who focus on consumers (67%). Also, those financial services companies that have a contact centre are also more likely to have a comprehensive CEM programme in place (70%), compared to those who do not have contact centres (44%).

Pervasive CEM:

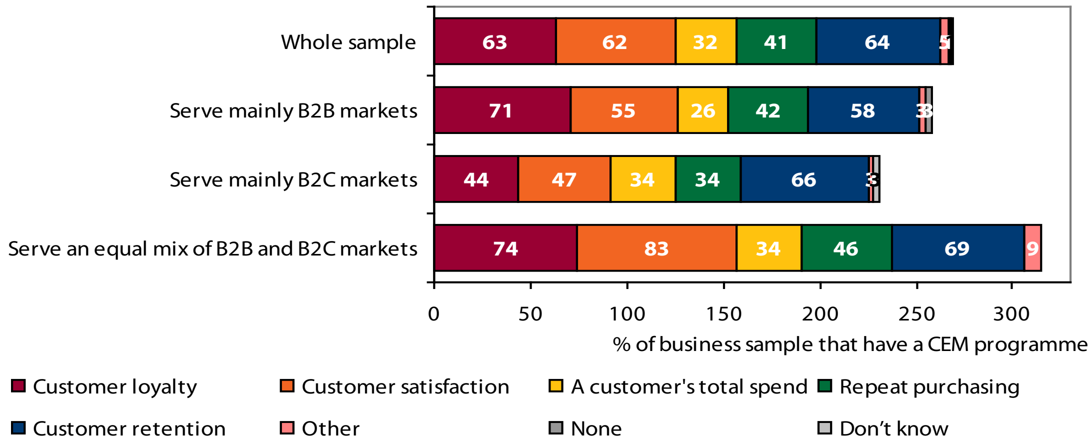
Whether organisations have a formal CEM programme or not, the research shows that financial services companies have been very busy trying to improve the way they deal with their customers. Indeed, during the last 12 months, 81% of business managers saw at least some of their department projects and initiatives aimed specifically at improving the customer experience. Indeed, on average, 52% of a department's projects and initiatives were targeted on the customer experience.

> A third of customer services / CRM departments made no effort to improve the customer experience in the last 12 months

65% of customer services / CRM departments carried out such work in the last 12 months. However, this means a third did not, and this also applies to 1 in 10 (12%) sales teams.

What is more encouraging are the high percentages for the other atypical, customer-facing departments that have been involved in such initiatives, where 75-100% of each department group has done something aimed towards this goal.

Chart 2: Improvements as a result of success with CEM initiatives



Business success:

This research demonstrates a very strong link between CEM activity and business success. Indeed, among those financial services companies with a comprehensive CEM programme, almost all of them (98%) have seen improvements to their business as a direct result.

The biggest improvements have been in customer retention (64%), but companies have also enjoyed better customer loyalty (63%), customer satisfaction (62%), repeat purchasing (41%) and increases in a customer's total spend (32%).

It seems improvements have been more common among companies that serve mainly B2B markets, or an equal share of B2B and B2C customers, especially with respect to customer loyalty and satisfaction [Chart 2].

There is also a strong correlation between CEM efforts and increased profits for companies. Indeed, in addition the research shows:

- More of those who have seen a significant (79%) or slight (70%) profit increase in the last 12 months have a CEM programme in place, compared to those who have seen profits remain static or reduced (44%).
- More of those who have seen significant (87%) or slight (86%) profit increases have departmental projects and initiatives focused on improving the customer experience, compared to those whose profits have stayed the same or decreased (69%).
- More of those who have seen significant (33%) or slight (15%) profit increases calculate all 5 elements of information about their customers on a regular basis (e.g. spend per customer, cost to supply, profitability etc), compared to those whose profits have stayed the same or decreased (2%).
- More of those who have seen significant profit increases (79%) have put in place initiatives to try and reduce Customer Effort for their target markets during the last 3 years, compared to those whose profits have increased slightly (43%) or stayed the same / decreased (28%).

Barriers to formal CEM programmes:

The news is not as good for those financial services companies without a comprehensive CEM programme in place. 88% of this group say they are being held back and the main reason that emerges is a lack of appropriate

technology (48%). This is alarming given that today's multichannel / multidisciplinary way of working with customers requires strong support from enabling technology.

In addition, 37% complain that different departments own different parts of the customer experience. Indeed, this research demonstrates very clearly that people across all departments within the company come into contact with customers and prospects, and not just the roles one might typically think of as customer-facing staff (e.g. sales, customer services and marketing). The fact that companies do not typically associate roles like finance, R&D, compliance, IT, production and operations etc as dealing with customers could be a blind spot in the way they approach and plan their customer experience initiatives.

Poor boardroom support is the least common reason given for a lack of CEM programmes

Encouragingly, poor boardroom support is the least common reason given for a lack of comprehensive CEM programmes (29%) and suggests that 71% of these financial services companies have such support, yet still lack a CEM programme. Nevertheless, a company cannot spend what it does not have, no matter how supportive the CEO, and 33% say a lack of budget is preventing their organisation from adopting a comprehensive CEM programme.

Getting personal:

A holistic personalised view?

What are financial services organisations currently able to actually achieve in terms of enhancing the experience of their customers and prospects? The good news is that 92% claim to be able to personalise at least some element of the customer experience automatically and in real time using the technology systems they have in place.

However, 84% are only able to deliver on certain elements of what customers are now expecting and cannot deliver a completely blended customer experience. Indeed, for the sample as a whole, all percentages are below 50%, suggesting that 1 in 2 cannot deliver against each element [Table 1].

Uniqueness:

Indeed, 46% of financial services companies treat each customer as 'unique' where a company can automatically deliver communications tailored to an individual's preferences. Furthermore, 48% of companies claim to be able to automatically inform customers of products / services of potential interest based on their past purchase history.

But the research also shows that 69% of consumers now expect to be treated as 'unique' by organisations, where they are contacted in a way they want, and offered products and services tailored to their preferences and previous shopping habits [Table 1]. Indeed, consumers are willing to put their money where their mouth is, with 66% saying they would rather spend money with companies that treat them in this way and as an individual.

Table 1: What companies are able to offer against what consumers expect

Treat each customer as 'unique', automatically delivering communications tailored to an individual's preferences		In light of past purchase history, automatically inform customers of products / services of potential interest		Link together in real time all threads of communication across different channels (e.g. web, phone, social media etc)		Provide customer-facing staff with a single customer view in real time when a customer contacts the company		Automatic notification by systems of potential problems (e.g. late order etc) so proactive solutions can be offered	
% of businesses offering it	% of consumers expecting it	% of businesses offering it	% of consumers expecting it	% of businesses offering it	% of consumers expecting it	% of businesses offering it	% of consumers expecting it	% of businesses offering it	% of consumers expecting it
46%	69%	48%	69%	39%	70%	48%	70%	40%	92%

Table 2: Importance of the prospect stage to future customer relationships		
Ability to automatically produce in real time a record of a prospect's contact history across all communication channels from the first point of contact		
% of businesses able to do this	**% of consumers who say it has an impact on their future relationships**	**% of consumers describing the impact as 'huge'**
46%	93%	42%

But significantly fewer consumers in Germany (40%) and Japan (33%) say this applies to them, whereas this approach is most welcome among consumers in China (85%) and Mexico (84%).

Single customer view:

In addition, 48% of financial services companies are able to provide customer-facing staff with a single customer view in real time when a customer contacts the company. Also, 39% say they can link together in real time all threads of communication across different channels (e.g. web, phone, social media etc).

However, consumer expectations are high on this front, with 70% wanting organisations to offer them a wide variety of contact methods and for customer-facing staff to be fully up to speed on past conversations, emails and tweets etc. But fewer consumers in Russia (35%) and Japan (45%) expect this, whereas this attitude is most common in the UK (81%), India (80%) and Mexico (92%).

Anticipation of problems:

Another area that technology has enabled is for companies to be proactive with customers, which has the potential to deliver an exceptional customer experience. Indeed, 40% of financial services companies say their customers can be automatically notified by their corporate technology systems of potential problems (e.g. late order, stock issues, delivery problems etc) and proactively offered solutions.

However, more than twice as many consumers (92%) already expect to be dealt with in this way and this time there are only minor differences between consumers in different countries (but again figures are slightly lower for Japan).

Early days:

Companies do not just have to deliver an exceptional experience to customers, they also need to consider their interactions across the entire customer life cycle, including when consumers are still prospects. Indeed, 46% of businesses in this sector say they can automatically produce in real time a record of a prospect's contact history across all communication channels from the first point of contact, even if they have not become a customer.

The importance of this is emphasised by the fact that 93% of consumers say the way a company treats them BEFORE they actually spend any money has an impact on how they feel about that company going forward, and 42% say it has a huge impact on them [Table 2].

It is worth B2B financial services companies taking note that among consumers who work, this research shows that 78% of them say their attitudes towards how organisations should treat them when buying products and services are the same for work as they are when buying things for themselves as a consumer. Only 17% say their expectations are different at work, compared to when they buy as a consumer.

Challenges of holistic personalisation:

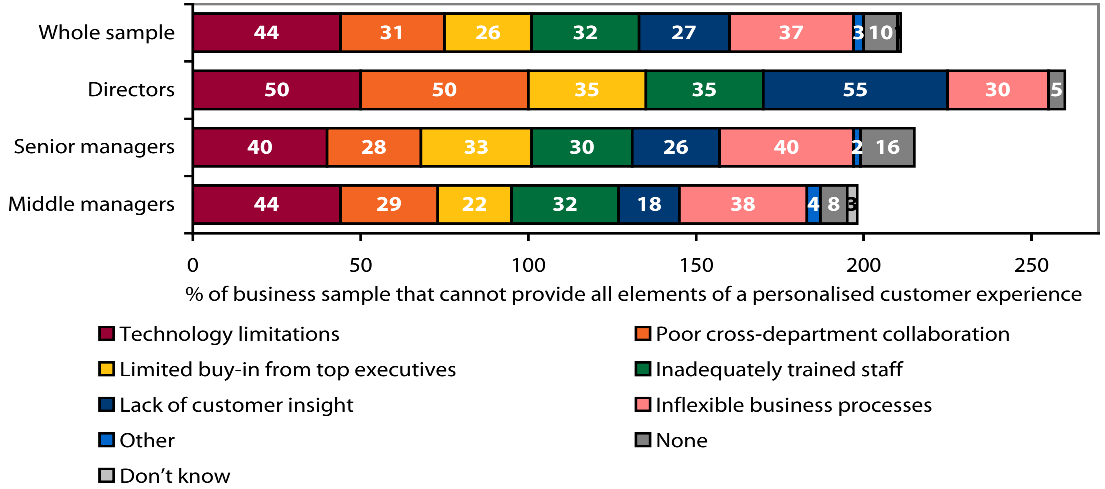
With consumer attitudes so well developed on these issues, why are more financial services companies not delivering a completely blended customer experience? The Top 3 obstacles that emerge are technology limitations (44%), inflexible business processes (37%) and inadequately trained staff (32%) [Chart 3].

Interestingly, the more senior a respondent, the more obstacles they think apply to their organisation; indeed, significantly more directors (50%) point the finger at poor cross-departmental collaboration, compared to people less senior than this (28-29%), and the same applies to a lack of customer insight, where 55% of directors think this is holding back their company, compared to people less senior than this (18-26%) [Chart 3].

Interestingly, technology is seen as a limiting factor by 68% of IT / technology professionals in this sector and this is one of the highest figures across the different departments. These IT respondents are joined by 25% of MDs, CEOs & owners, 31% of those in sales, commerce & e-commerce and 33% of those in customer services & CRM. Indeed, even 39% of those in finance agree that technology is limiting their company's efforts at personalisation.

Bottom of the list of obstacles, once again, is limited buy-in from top executives (26%) and even 38% of MDs, CEOs & owners agree with this.

Chart 3: Issues preventing delivery of a holistic, personalised customer experience



Failure:

When things go wrong:

Despite all the effort financial services organisations are clearly putting in, in the last 3 years 87% have seen CEM initiatives fail in their organisation, and no individual country has escaped.

The most common reason for failure is that projects have been misaligned with customer preferences (36%). This is followed very closely by 35% who say their organisation failed to modify business processes and procedures. Another 33% say there was a lack of employee buy-in to the new procedures and policies. 31% found that the behaviour of their customers changed too fast for them and this caused the CEM initiatives to fail. This is the most common reason for failure cited by MDs, CEOs & owners (50%).

1 in 3 respondents (31%) says choosing the wrong technology caused their CEM initiatives to fail, and 26% of IT / technology professionals agree with this, as do 30% of MDs, CEOs & owners, and those in sales (53%) and finance (25%).

Counting the cost?

Among those in the financial services sector who have witnessed failed CEM initiatives in the last 3 years (which is the majority), 67% have wasted money because of their efforts. Organisations have lost as much as £465,300 (or $775,500)[1] on failed initiatives. However, 49% say they do not know how much was lost, but they are confident some was wasted, and this includes 44% of MDs, CEOs & owners who perhaps should have a better handle on such issues.

Customer Effort:

Understanding:

While most of these business managers in the financial services sector who claim to deal with customers have heard of the term 'Customer Effort', only 24% think the impact on their customers is significant with respect to their spending, retention and satisfaction.

Perhaps surprisingly, while all MDs, CEOs & owners, those in finance and IT / technology (all 100%) believe low Customer Effort has an impact on their customers, the figures are lower for those in sales (82%) and customer services (92%). But respondents in companies with 50,000+ employees (42%) lead the way in believing the impact to be significant.

Tackling Customer Effort:

As with CEM programmes discussed above, more financial services companies think Customer Effort is important than are actually doing anything to lower it for their customers. Indeed, among those who have heard of Customer Effort, just 48% have put in place any initiatives to try and reduce it during the last 3 years. However, another 38% say they have plans to do so, whereas just 7% say they do not have any plans of this nature.

However, 88% of global consumers would rather spend their money with companies that make it easy for them to buy products and services [Table 3]. However, significantly fewer consumers in Germany (61%) would rather do this, but figures for all the other countries are consistently high (83-93%), including Japan (84%).

Table 3: Importance of Customer Effort

Customer Effort (CEf) and its impact on customer spending, retention and satisfaction			
% of businesses who think CEf has an impact	**% of businesses who think CEf has a significant impact**	**% of businesses with CEf initiatives**	**% of consumers who would rather spend money when it is easy to buy**
93%	24%	48%	88%

[1] An exchange rate of 0.6 GBP: 1US$ was used.

Rapid change:

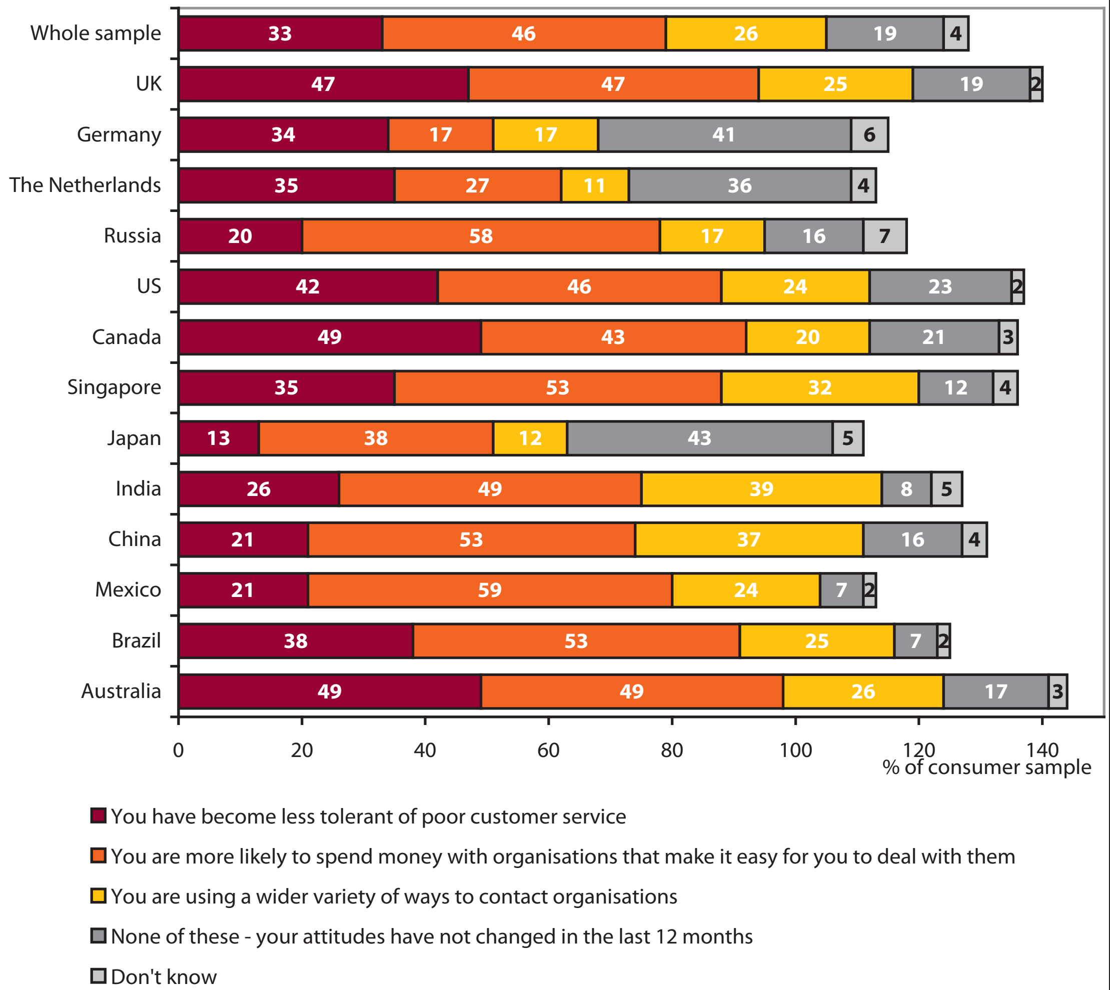
A significant 77% of global consumers say the way they deal with companies has changed in the last 12 months [Chart 4]. It is interesting to note that more consumers in Mexico and Brazil (both 91%) feel this way about themselves, but figures are especially low in Germany (53%), the Netherlands (60%) and Japan (52%).

50% of MDs, CEOs & owners think the top reason for CEM failure is that customer behaviour changes too fast

Within a short 12 months, across the globe 46% of consumers say they are now more likely to spend money with organisations that make it easy for customers to deal with them - especially in Russia (58%) and Mexico (59%), compared to 17% of those in Germany.

33% say they have become less tolerant of poor customer service - especially in the UK (47%), Canada (49%) and Australia (49%). Another 26% find they are using a wider variety of ways to contact organisations, but more consumers in India (39%) and China (37%) say this applies to them, compared to just 11% for the Netherlands and 12% for Japan.

Chart 4: Recent changes in consumer buying behaviour



Methodology:

This report was commissioned by Avaya and details quantitative research across 13 countries with business managers in large financial services companies and with adult consumers. The countries covered are the UK, Germany, the Netherlands, Russia, the US, Canada, Singapore, Japan, India, China, Australia, Mexico and Brazil.

For the **business element** of the research, a sample of 153 interviews was collected with respondents who confirmed prior to interview that, as part of their job, they come into contact with customers and / or prospects. They also confirmed that they operate at middle manager level and above, and that in total their organisation has at least 1,500 employees. [This document presents data for the financial services sector only. Other reports in the same series exist for other sectors, as well as for all 1,268 business interviews collected for this global project.]

All financial services companies in the sample have at least 1,500 employees and most (93%) have 2,000 or more. 69% of companies have more than 5,000 employees, another 44% have more than 10,000 and 20% have more than 50,000.

Within this sample, 24% of companies serve mainly B2B markets, while 31% serve mainly B2C markets. Another 44% serve an equal mixture of both business and consumer markets. Companies sell their financial products and services through a wide variety of channels, with 28% selling through a single channel and 72% selling through multiple channels. Also 48% sell via mobile. 76% of these large financial services organisations say they use contact centres and on average, these have close to 600 seats (575), but the maximum is just under 10,000.

Collectively, 52% of the sample operate at senior manager level or above, which includes 22% who are at director level and above, and the remaining 48% are at middle manager level. 37% of respondents are in roles that one would typically associate with being customer-facing, including MDs, CEOs or owners (7%), sales / commerce / e-commerce (11%), marketing, PR & communications (3%) and customer services & CRM (17%). Another 12%, while not primarily customer-facing, might be expected to have to manage customers from time to time, including supply chain managers (3%) and those in production, operations & logistics (10%). Other roles make up 50% of the sample, and include R&D (2%), finance (18%), HR (6%), risk / compliance (7%) and IT / technology professionals (18%).

The business interviews were conducted online between 23rd January and 28th February 2014. Before and during the interviews, respondents were not aware that Avaya had commissioned the research.

For the **consumer element** of the research, a sample of 8,500 people aged 18+ was gathered across the 13 countries. Some country samples have 1,000 adult consumers (i.e. the UK, the US, China and India), while the rest have 500. All the age groups are well represented and 49% of the consumer sample are men, while 51% are women. 67% work, either part-time (17%) or full-time (50%). In contrast, 33% do not work at all.

The consumer interviews were conducted online between 22nd January and 4th March 2014. Before and during the interviews, respondents were not aware that Avaya had commissioned the research.

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