Customer Service Week Again – Get Real About Service in Financial Institutions

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Service excellence is so much more than a smile campaign

Customer service matters for financial institutions. It is celebrated every year through customer service weeks, where staff are lauded for their customer focus and customers are thanked for their faithful patronage. And yet poor service continues.

Let me first illustrate personal examples of poor service, all of which are based on real-life examples from Kenyan financial institutions. First, I asked one bank to change my email address. I asked through the bank's secure messaging app. I was told it would be changed. Nothing happened. I asked several times, nothing happened. I asked through the call centre. Nothing happened. I asked through the call centre several times nothing happened. I went into my branch, detailed how I had lost faith in the bank in being able to change one small detail and listed the multiple occasions the bank had failed to respond. Eureka. Problem solved.

Another occasion, different bank, I made an RTGS transfer through a branch. It didn't go through the treasury department had stopped the transfer because it failed against certain KYC guidelines. This was fine. The failing was alerting me of the failed transaction by post, the alert took four weeks to reach me. The irony is that I had personally known executives of this bank for a decade.

Another occasion, different bank, I was trying to perform multiple internal transfers through internet banking, there was a system failure, I tried later – still a problem. I decided to go to a branch over the lunch hour. They tried to contact the internet banking team. They were all unavailable. Eventually my branch, after some problems of its own – related to an email system failure, had to call up the 'home' branch and manually intervene for the transactions to go through. Another irony, this bank had won awards for its internet banking.

I could give more examples. All the examples are from leading institutions. Service failings have led me to change my behaviour towards at least two of the three banks concerned. Poor service has consequences.

So, what are the learnings from these failings.

Customer service is transactional, it is why financial institutions have customer service staff at branches and call centres operate 24/7, and why most problems are resolved rapidly and well. However, customer service is also systemic. So, for example a bank has a service issue that happens often – but the service failing is treated as a transactional issue. It keeps on happening. Why, because the cause of the failing has not been addressed. Customer service is also cultural – its not my problem, let me refer it to someone else, an endless passing of the proverbial buck. Customer service is also about responsibility – the bank staff member liaising with the customer has no real power to change why things happen all they can do is apply a patch to a particular problem – the person or department responsible is never called to account.

However, a customer relationship is not transactional, it can be destroyed by poor service.

The greatest irony when dealing with my customer service experiences. Is that I have studied why service delivery fails in financial institutions for more than twenty years. Notice I've not called it customer service, but service delivery. If bank services always work so called 'customer service' is much less required.

If delivering excellent service is so important, then why is it so difficult to deliver consistently?

<u>The multidisciplinary nature of service delivery</u> Service delivery failings happen for many reasons. People do the wrong things, fail to communicate, or fail to act. Processes and procedures may fail. Systems fail. Communications fail or are incomplete or misleading. Pricing may not be transparent, or charges may be wrongly applied. Systems for service recovery may be under-developed. Third parties may fail to deliver.

<u>The lack of a consolidated view of service delivery</u> Beyond system failures, service failings often occur on a transaction-by-transaction basis, so it is not always easy to understand what is driving service failings. The major strategy driving customer service, is not 'service excellence', rather it is 'service recovery' – what to do when things go wrong. This means insufficient attention is focused on causality.

<u>A failure of feedback mechanisms</u> The best feedback mechanisms are able to create channels for communications from the low-level staff experiencing problems, to those who can solve the problem. Whilst this exists for resolving service issues on a transaction basis, feedback mechanisms on fixing the underlying service issues are often poor.

<u>Leadership and resourcing</u> A narrow definition of customer service as a transactional activity, rather than a core focus, means that service delivery excellence is often poorly resourced, at all levels. It is often coordinated through the marketing function, as the 'customer champion' within the bank.

Customer service leadership is often provided by someone who has limited seniority of ability to effect change wherever problems are detected.

Can digitisation improve our service delivery?

Technology removes transactions from the banking hall Digital finance has had a huge impact on how banking is performed. This can be seen in how agent banking and the growth of digital payments have collectively removed manual transactions in the banking hall. Certainly, this has reduced service failings. But it has also moved failures further towards technology and it risks making the consequences of failures bigger.

CRM systems can log and track the resolution of service issues: Customer Relationship Management (CRM) systems help financial institutions to manage their service issues better and facilitate the collection of data on which issues have arisen but may not provide information on causality. So again, they are part of a solution, but not a total solution.

Outsourcing is increasing and along with-it outsourcing risks As financial institutions digitise their operations, they are increasingly reliant upon third parties. However, while a financial institution can outsource how it works, it cannot outsource responsibility. Unfortunately, in many African markets there is limited guidance provided to financial institutions on how to outsource, including selection, contracting and management of outsourcing relationships.

Where does fault for the most service failings lie?

Over fifteen years I've run as many as twenty, rapid, but intensive service delivery diagnostic exercises with financial institutions across Africa. This diagnostic areas considers service delivery issues categorised under the 8 Ps of financial services, namely, people, process, product, price, promotion, place, physical evidence, and positioning. The results are remarkably consistent. The most common issues are derived from failings which can be traced back to people, accounting for about 50% of all service delivery issues. The next most common set of service issues relate to process, accounting for about 25% of service delivery issues. I suspect over time, that people issues are reducing, but process issues – related to how we do things as digitisation takes root, are increasing. The next most common set of issues relate collectively to products, price, and promotion. It's how products work or don't work, how pricing is applied, and failures of communications. There are consistent issues with place, but the nature of these issues are changing as channels evolve and more transactional processing is outsourced to third parties.

So, what can we do to improve service delivery?

1. **First ensure that decision makers, and staff internalise the following**

a. An exclusive focus on the incidence of service failings – cannot remove the causes of poor service. Instead, it perpetuates an institutional acceptance of a level of sub-standard service.
b. Institutions must spend time isolating and dealing with the underlying causes of poor service.
c. The causes of poor service are derived from all aspects of operations, and predominantly in people and process.
d. Digitisation can improve service levels, but it also creates and concentrates new points of failure.
e. CRM systems can help to isolate the causes of service failings – but only if the causes of service failings are recorded.
f. Customer service surveys and Service Quality (ServQual) questionnaires can identify where service is failing, but usually not why.

g. Staff within the institution already know where most of the failure points exist, but the staff who experience service failings are not those with the power to influence the rate of these failures.
h. The cost-of-service failings is tangible and real, in terms of lost customers, lost business, lost profits. Most customers don't announce their departure, rather their accounts go dormant, and they chose other service providers. So, the financial cost of service failings will show in higher dormancy levels or low cross sales.

2. Diagnose the common reasons for service failings

a. Define what a service failing looks like across a wide range of issues. This helps to create a benchmark against which diagnosis can happen. Ensure this exercise considers the internal customer too.
b. Diagnosis of service failings needs to involve a wide range of staff. Staff experiencing the failings, and staff with the authority (and budget) to solve these issues.
c. Notice that customers are not included in this analysis, they could be, but my experience is that institutional staff already know where the institution is going wrong! So, its quicker and easier to consult internally.
d. Document what is failing, if possible, document why it is failing. Collecting actual examples of service failing is useful here.

3. Categorise and prioritise the service failings so that common solutions to the service failings can be identified and assigned within the institution.

a. Review service failings as a management team.
b. Ensure a culture which is conducive to fixing problems, rather than blaming individuals or departments, especially where this type of comprehensive analysis has not previously been performed.
c. Multiple service failings can derive from one issue, so having perspective is important. It also means that common solutions to service failings can be identified and actioned.
d. Prioritisation is important due to the very large number of issues which will be identified in the discovery process. Have a sense of the potential impact of specific failings in this prioritisation exercise.

4. Review measures for monitoring service delivery for adequacy.

a. Establish a baseline for customer service, including external and internal customers.
b. Create expectations for the outcomes that can be anticipated from improvements that are made. If the institution is not monitoring service delivery, it could continue to get worse, or stagnate. Actions taken to mitigate service delivery should (usually) have a positive impact that can be measured. Note there can be trade-offs when improving one measure of service delivery involves a compromise, worsening another measure of service delivery.
c. Implement tools to measure both drivers (lead measures) and outcomes (lag measures).
d. Continue to measure customer satisfaction, it is important as an outcome measure for service delivery, but usually does not provide the granularity required to drive service excellence.

5. Review the extent to which technology can assist in addressing service failings

a. Technology is certainly an aspect of delivering service excellence, straight through processing, back-office automation, decisioning systems, scorecards, can all reduce failures and improve turn-around time.

b. Review and cost technology solutions to determine whether they are likely to be cost effective.
c. Most institutions are usually already in a digitisation process – and have further digitisation planned. So, its important to review the existing plans, to see whether new aspects need to be added, or advanced.
d. Increasingly as third parties, impact on service delivery – they will need to be included in strategies to address service failings. In taking on new service providers very deliberate care needs to be taken in accessing and addressing outsourcing risks.

6. Review the culture of customer service within the institution

a. If a financial institution had a true culture of service excellence, it would likely have many of the components outlined in this blog already. So, presumably the institutional culture needs to be addressed.
b. Carefully consider how service delivery is led within the institution, in particular the individual's seniority, their cross functional experience, and their ability to effect change through the senior management team.
c. Communicate with your customers to say, "we've listened, we are changing, this is what we are doing". And do it. This will be some of the best value for money marketing that the financial institution has ever done.
d. Communicate with staff to say, "we are listening, we are changing, this is what we are doing". And do it. Turn previous staff frustration into positive energy benefiting the institution and its customers.

7. Repeat steps 1-6

a. Service delivery is a perpetual issue. Over time, a commitment to service delivery is often overtaken by other institutional priorities. Issues evolve. Delivery will be impacted.
b. So, the service delivery diagnostic exercise will need to be repeated.

Any financial institution committed to improving service levels, can approach me to perform a delivery diagnostic with their team. It is a cost-effective exercise, which delivers rapid returns.

This blog is one of a series of blogs, should you wish to sign up to receive additional blogs, please write to David Cracknell at david@firstprinciples.consulting. David Cracknell is the Director of First Principles Consulting Limited, based in Nairobi, Kenya. He advises financial institutions, governments, policy makers and donors on financial services, including digital finance, policy and regulation, and inclusive finance.