Reflection 7. Build Trust

One of the most significant lessons is the importance of building trust with customers, regulators, and wider stakeholders. This is challenging because trust is a nebulous concept as there are many components, its hard to gain, and easy to lose. I'll outline why trust is so important, how it can be built or destroyed, how a provider must invest in building trust. I'll provide examples of providers that have invested heavily to build trust to bridge theory and practice.

Why is trust so important?

Deposit mobilisation: Customers borrow from many service providers but are more careful on where they deposit. Risk premiums are required to provide return based on perceptions of risk. The more trusted an institution is, generally, the lower its cost of funds and/or the higher its ability to source funds.

Cost of customer acquisition: Acquiring customers is easier with stronger brands, better channels, and ultimately where there is a higher level of trust among actual and potential customers.

Customer loyalty: Retaining customers is also much easier, customers are more likely to forgive institutions for their failings, if they feel they can trust the institution not to repeat the problem.

Goodwill: On a balance sheet brand value is often expressed as 'goodwill', very much an intangible asset, but an asset with real value.

So how do we build trust: There are many ways in which a financial service provider builds trust.

Financial strength: Customers, as much as shareholders expect financial service providers to be profitable – it's a sign of good management, and good stewardship of customer deposits. A trend of profitability builds trust.

Empowering resolution: The extent to which the provider has systems, processes, and procedures, and empowers its staff to resolve customer issues.

Brand building: Financial service providers invest in building their brand. This is a conscious and deliberate effort to continuously communicate with the market and with actual and potential customers about the institution, its values, beliefs, its actions, and its strengths. See blog: African Banks' Existential Branding Crisis.

Innovation: Today, to be trusted, a provider must be innovating, building better products and services. Delivering relevance. See blog: Seven Principles for Reimagining Financial Services.

So how does a provider invest in trust?

Commitment: Building trust is a consistent and continuous activity. It has the highest-level representation within the institution, at the Board. Strategy, resources and activities target building trust.

Build critical internal capacity: The institution builds capacity to understand and resolve customer issues, these include call centres, CRM systems, business process re-engineering, internal compliance, and quality control. See blog: Getting Real About Customer Service. Capacity is built to innovate around customer needs.

<u>Feedback loops</u>: A financial institution builds feedback loops so that problems and issues are reported upwards and so issues can be resolved expeditiously and systemically. These are not only reflected in internal systems, but also through internal consultative mechanisms.

Examples: There are trusted institutions in every market, each displaying the features above.

M-Pesa: M-Pesa was launched by Safaricom, one of East Africa's most trusted institutions. Nevertheless, M-Pesa invested hugely in its customer service, its call centres and in processes to reduce risks to customers including, straight through processing, address book look up, confirmation messaging, transaction reversals, mini statements. All to maintain and build trust.

Equity Building Society: Whilst Equity was a building society, Equity empowered branch managers to resolve customer issues, it communicated consistently to its customers, increased transparency and built its brand. When it did have issues, such as slow services during systems upgrades, it communicated with customers, and opened later to serve customers - who remained loyal.

<u>Erosion of trust</u>: Financial service providers can also lose trust, by making losses, through failing to build brands, failing to live the brand promise, failing to resolve issues, through failing to innovate. Note that it is ease to lose trust as problems are widely communicated, whilst good service is often assumed the norm.

Market position is determined by customers not by providers, brand building is the effort by providers to improve their position. Building trust, builds brands. Strong brands generally have lower customer and staff acquisition costs, higher customer, and staff retention which all feeds into profitability.

First Principles Consulting has tools and methodologies for researching and building brands, reviewing delivery channels, building staff capacity and for innovating on products and services.

If this reflection speaks to you… speak to me so that we can inspire change, together.

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