

AMERICAN BANKER

Customer Centricity's Hard to Define, Hard to Find – November 15, 2010

Heather Landy – American Banker

Prepping his speech to fellow marketing executives this month on the topic of customer centricity, Ally Financial Inc. Chief Marketing Officer Sanjay Gupta wasn't sure where to begin. So he consulted the most customer-centric resource he could think of: Wikipedia.

The online encyclopedia, whose end users double as the site's suppliers and product developers, currently describes customer centricity as "the orientation of a company to the needs and behaviours of its customers, rather than internal drivers (such as the quest for short-term profit)." It goes on to note that "[u]nfortunately, most companies are not practitioners of 'customer centricity,' although they pay lip-service to the concept."

That definition, which Gupta cited at the start of his Nov. 4 presentation at American Banker's annual financial services marketing symposium in Orlando, Fla., drew a knowing laugh from the audience members, whose employers — primarily banks, wealth managers and card companies — are getting increasingly vocal about their desire to think more about customers than product lines.

It's one thing to finally decide to put customers front and center, and another thing to figure out how to do that in practical terms.

For most banks, becoming customer centric will require a wholesale change in orientation, and a willingness to get a little uncomfortable. As Oliver Wyman banking consultant Timothy Spence put it during a separate panel at the same conference, customer centricity requires that banks be OK with the idea of "not coming at [customers] from our own point of strength, which is our knowledge of our own products."

Abandoning that advantage doesn't have to mean sacrificing profits at the altar of customer centricity. Look no further than the grocery store for proof of that. Those bags of salad that have come to populate the produce aisle? Pound for pound, the sacks of prepared greens fetch three to six times the price of unwashed lettuce sold by the head.

"Someone figured out a fundamental frustration and addressed it," said Ranjay Gulati, a Harvard Business School professor who specializes in organizational behavior and has written about customer-centric strategies. But until then, he said, "lettuce companies could never get to bagged salad, because all they were asking in their focus groups was, 'Do you like my lettuce? What do you like about my lettuce?' They weren't asking the deeper questions: What do you do with lettuce? How do you eat it?"

Gulati, who has done consulting work in financial services among other industries, said banks misunderstood customer centricity for years. They equated it with cross-selling, and bundled products without solving problems for customers. Banks now understand the concept better, Gulati said, but they lack the means to implement it when organizational silos remain and cultures stay rooted in selling instead of solving.

Private bankers and other front-line staff can help bridge the silos, but they often lack the clout of product-line rainmakers, Gulati said.

"When I call with a question about my emerging-market fund, [the banker] says, 'Let me get our emerging-market bond fund manager on the phone for you.' He's more like a phone operator than a solution creator," Gulati said. "He's not trying to figure out my bagged salad."

Of course, good wealth managers provide a crucial advantage in the quest for customer centricity: they keep their firms directly in touch with clients, or at least the affluent ones.

But wealth management firms "will need to assure that the institutional connections [such as] the Web, 800 numbers and communications materials, reinforce the existing human-level connection," said Craig Pfeiffer, director of marketing and client experience at Morgan Stanley Smith Barney. On the flip side, he said, in sectors of financial services lacking strong, direct relationships with customers, firms "will need to provide connections at a human level, [and will be] challenged with training and quality of delivery."

Ally Financial had an advantage in that it was essentially starting a bank from scratch.

Though the company had been financing automobiles since 1919 as General Motors Acceptance Corp., and branched into mortgages and insurance, it didn't start selling deposit products until the financial crisis prompted GMAC to seek bank holding company status.

The new, online Ally Bank had no entrenched organizational silos, no legacy infrastructure or incentives threatening to carve up customer relationships by geography or product.

Aside from the routine regulatory considerations, the business model wasn't beholden to much beyond a desire to accumulate customers.

So Ally offers a certificate of deposit with no early-withdrawal penalties. It opens accounts with no minimums and no monthly fees. It puts phone numbers for customer service on every page of its website, and posts the estimated wait times for calls.

The customer, Gupta said, was the primary focus around which the company designed nearly all its products, policies and tools.

Original post: http://www.americanbanker.com/issues/175_219/customer-centricity-hard-to-find-1028658-1.html