

Customer Service Programs: Success Must Begin in the Trenches

Madison Consulting Group works with financial services organizations to develop customer service strategies to further our clients' overall business objectives. To augment our industry knowledge of best practices, we recently reviewed the business press and academic literature on customer service.

What we found was an almost archaeological layering of once-hot trends, with very little consistent proof of lasting value.

- Quality programs of the 1980s and early 1990s purported to improve customer service while decreasing cost and increasing employee satisfaction. These well-intentioned "culture busters" rarely achieved the desired goals, and the multi-year effort required was often eclipsed by management changes due to industry consolidation.
- In the mid-90's, the dot-com and telecommunications industries introduced notions that a customer was for sale, and that a company could treat customer data as a corporate asset. Then, the bubble burst.
- "Relationship Marketing" strategies hatched in the mid to late 1990's led corporations to invest billions of dollars in CRM systems. Today, industry experts estimate that 70% of CRM efforts fail to meet management expectations, largely because the technology initiatives were often the primary drivers and not the result of a well-defined client service strategy.

We were interested to see what research was available to support the "intuitively obvious" notion that good client service results in positive economic value to the enterprise. Quantitative results varied from study to study, but indicated that a 5% increase in client retention can increase profits from 30% to 70%.

We were surprised at the dearth of literature about providing service to institutional clients. Most research was done in a retail environment. We debated the portability of the research results from retail to the institutional realm. But our own experience and the literature both offered methods of calculating the cost to acquire a client -- a high-stakes activity when selling products and services to large institutional customers. So while we will not testify to specific quantitative impact of improved institutional client retention, we would pose a question: if we discount the research results obtained in the retail realm, and assume that a 5% increase in client retention could yield a 10% increase in profitability, would value be created? We think so.

Even in complex institutional client service relationships, the heart of the client's desire is to be treated well. Our preliminary research indicates that buyers of institutional asset management services look for values like respect and trust when selecting service providers. *In the spring of 2002, the treasurer of a multi-billion dollar international firm told us that investment performance was a commodity. Trust was the linchpin of her firm's relationships. Difficult market conditions only served to increase her desire for honest information, delivered in a timely manner.* To further support this position, a study conducted by a consulting firm demonstrated that second quartile performing institutional investment firms with superior client service had **better asset retention and faster asset growth** than top quartile performing firms with average to poor client service.

Developing a clear customer service strategy is clearly paramount. But at Madison, we prefer to focus on developing well defined tactical action plans to support strategy. Action plans must include clear, measurable activities, timeframes and expected results. Carefully conceived and managed, a well-defined action plan will ensure that the client service function in your organization can achieve a very low-tech, but very high touch objective: to act in accord with the Golden Rule -- "thou shalt not treat clients in ways thou wishes not to be treated by others". .

This discussion purposely omits significant discussion of technology. We view technology as the last consideration in servicing clients. It is infrastructure that helps to facilitate the core of servicing clients--managing human behavior.

Client service strategy is largely a function of overall market strategy. If your business decides to service, for example, only Fortune 100 clients, your service strategy needs to be aligned accordingly to your overall sales, marketing and relationship management approach to this market segment.

The components of a client service action plan can be applied to any business, regardless of strategic considerations. A complete action plan involves consideration of:

- Client Service Culture
- Client Satisfaction
- Client Concerns and Complaints
- Performance Management
- Client Service Staff Development

Client Service Culture

Firms create strong service cultures by artfully managing qualitative and quantitative factors. On the qualitative side, the strongest basis for service excellence is how you value your own employees. Consider the fabled man whose boss yells at him, so he goes home and kicks the dog. And then consider reality. Your employee may not wait to get home. He may kick your client, instead. You can ask your people to treat your clients better than you treat them, but you won't be satisfied with the outcome. So make sure that your internal management practices toward the client service function model the behavior you expect your people to exhibit with clients.

Management's expressions of the desire for service excellence need to be backed up by attention to critical metrics, which measure client satisfaction and client concerns. Throughout this discussion, we refer to factors that should be subject to periodic management review. This is your opportunity to "walk the talk." If management reviews focus solely on the end result – financial or operational performance – the attention on your customer service front lines will be directed accordingly. In strong client service cultures, providing service to customers is considered a means to that end, and senior management directs attention towards both ends and means. Formal senior management reviews should incorporate critical customer service measurements.

The ability to actually deliver top-notch service to your clients actually creates a positive feedback loop. Service excellence serves two masters; studies show that employee satisfaction can be a result of client satisfaction.

Client Satisfaction

If you choose to believe the academics – and we do – increasing client retention will improve financial results. Although retention can be affected by factors unrelated to satisfaction (i.e. you may lose a client due to a merger) retention statistics are a key quantitative indicator of satisfaction. Management should measure and monitor retention at all levels of the firm, down to the results of individual client relationship managers.

Client satisfaction is often assessed on an informal basis. The lack of formality, however, can be a barrier to early warning signals. Many client service professionals develop friendships with clients, which can be an enormous asset in managing and retaining relationships. But the downside of these close relationships can be clients that are afraid to offend by delivering bad news. It is important to use a standard system for monitoring client relationships; this is best delivered in a formal manner that can provide distance from the subjectivity that often exists at the front line.

Calling programs offer management an opportunity to interact with client contacts and their managers. They also offer a first-hand opportunity for management to observe the elements underpinning client satisfaction. All who have a hand in providing service to the client should review written call reports on a regular basis.

Survey design is a science, and truly effective survey design and statistically significant results is the realm of professionals, and can involve a costly and time-consuming process. With a firm understanding of service features valued by your clients, you may choose to develop a very simple, basic feedback form for your clients. Use care in deciding to implement formal feedback or suggestion programs, as timely action and response to client feedback is imperative. A failure to respond to feedback in a straightforward and timely manner will not increase anyone's satisfaction.

Client satisfaction data should be disseminated to the people who are responsible for satisfying the client. Measures of client satisfaction should be incorporated into your internal individual and group performance management processes. Your management reviews should include analysis correlating client satisfaction with the standard metrics used in managing your business.

Client concerns and complaints

Denial is one of the biggest barriers to customer satisfaction.

A damaged relationship in the trust unit of a large financial services firm put the entire banking relationship in jeopardy. The trust relationship alone represented over a million dollars in fee revenue. Tensions reached the stage where client representatives routinely raised their voices in frustration in discussions with the trust department's management team. Yet the seasoned, high-performing client relationship manager literally counted on his friendship with the client contact, and the longevity of the relationship between the two companies to drive and maintain the relationship. By the time the bank's senior management team forced the trust department management to take action, it was too late. Futile attempts to salvage the relationship diverted resources and attention from the bank's more fertile client relationships.

Even mundane client concerns and complaints need to be assigned a high priority, and considered a reason for action and response to the client. Even when your client service people feel very secure in the relationship, they need to be trained to address concerns both small and large with a standard analytical process, and results closely monitored by senior management. The analysis should include a description of the issue, actions and timeframes required for resolution, and ownership for resolution. Additionally, analysis of cause and effect should be performed, and actions proposed to prevent recurrence. Follow up should include a timely response to the client, and determination as to whether the client is satisfied with the outcome. If not, other steps should be taken to ensure a positive outcome. Finally, the impact on the client relationship should be assessed, and mediated if necessary.

Beyond the analysis of individual concerns or errors, it is important to maintain an overview of trends across the business. Management of client concerns should be incorporated to management reviews of standard business metrics, so that systemic or recurring problems are identified and resolved, solutions are shared within and across affected organizational units and institutionalized, and ownership established for resolution of issues that cross organizational lines.

The process for addressing client concerns should be considered a venue for identifying client accounts that are at risk of being lost. Client account managers should have a standard planning process for converting "at risk" accounts to satisfied clients. Discussion of accounts at risk should be part of management's periodic review process.

Performance Management

Individual performance reviews are rarely used to their fullest advantage. Instead of an opportunity to develop higher levels of individual and team performance, performance reviews are often written after the fact merely to fulfill the administrative need to put something in the file – or to document steps required to fire someone. This missed opportunity prevents many organizations from achieving objectives and growing to their fullest potential. While the process of setting and managing to performance objectives is straightforward, it is rarely simple. Even many seasoned managers would like to avoid difficult discussions about people's individual performance. And there is no silver bullet. Using performance objectives and reviews to achieve changes in behavior is a painstaking process that cannot be rushed.

A bank's equity services client service department had a team that had not met financial goals in several years. Dissatisfied blue chip, Fortune 100 clients were lobbing calls to senior management at the bank about service shortfalls. A new department head was brought in. After interviewing customers, reviewing the financials, and seeing that the team members had not received periodic performance reviews, the department head decided to use the performance review process to leverage higher performance. Working with her client service team, she crafted objectives that balanced individual performance with the team behavior required to meet the team's revenue and client service goals. She also made it known that no bonuses or raises would be paid to the team unless all team members met goals; in the months that followed, this incentive was repeatedly reiterated. She held monthly progress reviews with the team, and with each individual. When the first review cycle rolled around, the team had not met its goals. Team members expressed shock that they did not receive raises or bonuses. But at the time of the next review cycle, 18 months after implementing the performance management process, the team exceeded its goal and this time around, received commensurate raises, bonuses, and recognition for their efforts

Management should formally review the metrics used to manage the business, and performance against goal measures for each metric. Gross measures matter, such as assets under management, but next level measures can often be more meaningful. Client service teams should be able to review their own performance as a group, and individual managers should understand their own results and where their function fits into the overall organization and its mission.

Alignment is key. There has to be consistency between written job descriptions, performance objectives, and job duties, as perceived by individuals, by clients and by internal service recipients. Again, there's no easy path to finding this alignment. Managers of the client service function need to invest the time to understand all of these factors, and to weave them into a cohesive unit, along with critical business metrics and other outcomes expected by clients and senior management. Managers need to take frequent opportunities to discuss performance with the people responsible for results. And senior management support of this process is critical. The equity services manager achieved the desired results only with senior management support for what was initially considered a radical course of action.

Client Service Staff Development

Recent market conditions presented new client service challenges in a variety of businesses. In the 1990s, companies experienced tremendous growth while competing in a tough market for entry-level talent. Results in financial businesses were directly tied to stock market returns at historically high levels. The late 1990s fattened the retirement accounts of many experienced client service managers. Relatively high-priced, senior staffers had opportunities to take packages; many opted for retirement over retrenching after yet another merger. Consequently, many of today's customer service professionals at the front lines have never lived through a down market. With the experienced client service managers gone, firms have to contend with the loss of institutional knowledge, and fewer mentors for the new generation of talent.

Those of us who have managed client service functions recall the surprise we felt when we learned that not everyone with client contact had the same "common sense" notions required to manage a customer relationship, even at the most basic level. Shouldn't all telephone calls be returned the same day? Maybe it wasn't common sense! Training classes offer an opportunity to communicate with employees about an organization's client service values. In large organizations, they also offer an opportunity for people from different groups to share best practices.

However, an academic approach is insufficient to fully inculcate behaviors that support high levels of client service. Organizations need to identify the client services professionals who excel at servicing their clients, even down to the level of identifying people who would be considered "subject matter experts" on complaint resolution. There is no substitute for coaching and mentorship that can be provided by experienced professionals. Management needs to value these skills as much as industry research expertise or capital raising experience, and recognize that they must be codified and shared.

Despite the shortage of research to point to quantifying the economic benefit of superior client servicing, the intuitive notion is still correct. Senior management, though, needs to recognize that good client

service is more than instructions to employees on telephone etiquette and better handholding of client contacts. It needs to be aligned with the sales and marketing strategies, and requires demonstrated management commitment levels commensurate with its position of importance to the enterprise. Clearly, client service has a significant qualitative aspect, but the more difficult, and probably more important, aspect is the measurement of service quality to a defined set of standard metrics. Without taking a disciplined approach to identifying, monitoring, and managing both qualitative and quantitative factors of the client service function, there is no objective method to evaluate client satisfaction and the service quality. In the absence of this discipline, an organization might one day be unpleasantly surprised when their "best" relationship requests a divorce.

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