

Web Content and Development

The Great Dilemma: High-Touch Customer Service and the Internet

By Jeremy Bachmann

Espenschied-Bachmann Group, Inc.

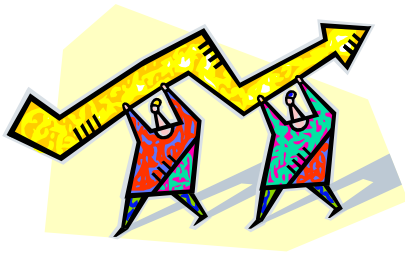
jeremy@e-bgroup.com

Among the many technology initiatives at small banks, Web site enhancement gets little respect. Why?

- Most small banks believe their sites are unprofitable but necessary services that customers expect.
- Most small banks feel their key differentiator is their high-level of customer service—and the Web is the antithesis of that.

The strategic response is to offer online banking from one of the core providers, put a quick template around it, and keep Web expenses to a minimum after that. Many financial services firms believe they are meeting customer needs solely with the online banking and bill payment capabilities they now have on their sites. In-depth product information and selling remains offline—in the branch, field sales, and call center channels.

Yet, most evidence suggests *the opposite* is true—robust online services and content enhance the customer experience, resulting in greater loyalty, higher customer satisfaction, and greater profitability. In our years working in online financial services, we have seen countless sites serve as primary lead generators that deepen relationships and keep customers in the portfolio.



“Robust online services and content enhance the customer experience resulting in greater loyalty and profitability.”

A wide-reaching University of Maryland business school study found that users of online services are significantly more loyal and have significantly higher rates of customer satisfaction. Furthermore, a Business Banking Board report demonstrated that banks with the highest customer satisfaction levels experience greater deposit growth rates. The inverse is true as well; those with low satisfaction rates experience the highest runoff rates. More evidence exists—in a study of business banking services, researchers found businesses that bank online maintain higher deposit and loan balances than those that do not. Looking at the research together, a pattern emerges; in the banking space, online customers are more satisfied and loyal. They borrow and deposit more money from their bank than those who do not use the online channel.

Yet, to say *online customer* is a misnomer—online financial services is past the point of Internet users as a customer segment. These are regular folks. Consider these numbers:

- 22% of US adults use online account management and bill payment solutions.
- One-third of Wells Fargo commercial banking customers use its Commercial Electronic Office

portal.

- 4.35 million Bank of America customers bank online. 34% of them are enrolled in the free Online Bill Pay service.
- E-commerce fundings represent roughly 50% of Countrywide Home Loans' total loan fundings.

Clearly, saying "Web users" has begun to sound as odd as saying "phone users."

More customers use online financial services and they reward handsomely those companies that allow them to transact online. Yet, banks are in danger of losing these customers because of commoditized, "me-too" offerings. As businesses grow, so does their need for more complex online offerings. A study published in *Bank Marketing* showed that, as they grow, business-banking customers require access to advisory services and assistance with marketing strategies.

"Banks are in danger of losing customers because of commoditized, 'me-too' Web offerings."

Small banks must now evolve and differentiate their Web offerings to retain customers. Online strategies must reflect the business's commitment to the customer experience not a technology-driven transactional encounter. How?

- **Provide rich, useful content on your site.** The aforementioned University of Maryland study found depth of information at a Web site has a positive impact on service encounter satisfaction. It is not enough just to have standard online banking services. Banks need in-depth information about products, customer service, and rates. Your Web site is probably your most active branch and almost any business that customers can conduct in a branch should be available on your site. Make it easy for customers to speed up and improve the quality of transactions through Web services.
- **Examine which parts of all service transactions you can put online.** Look for areas where the Web can facilitate customer interaction and free up employees to handle complex, information-intensive transactions. In the high-touch hotel industry, for example, guests using the Internet to book their reservations report greater satisfaction with the accuracy of the reservation—a key determinant of service quality in this industry. Apply this to banking—a customer who has been with you for 10 years should not have to fill out a loan application as if you have never seen her before. The Web can tackle redundant administrative tasks and free up employees to spend more time on high-value activities such as working with first-time home buyers, explaining variable and fixed annuities, or following up on customer requests. Service levels and customer satisfaction improve as a result.
- **Consider how internal use of the Web can improve customer service levels.** One small bank employs a searchable customer service database for its call center. Reps search for answers in the database when faced with a difficult question, such as rules for taking a bank-leased car into Mexico on vacation. Representatives continually enter new questions into the database, which indexes them for quick searching. Service managers check answers for accuracy and include a name of the in-house expert on the topic. Efforts are underway to push a version of the database online for customers to use, if they wish.

What customers want is excellent customer service. Your Web site can be a key component of

your customer service quality initiatives through improved convenience, flexibility, and accuracy. Budget time and money to enhance Web content and services outside of the traditional online banking components. Then measure the results. In most cases, you will find rich content and services improve satisfaction, increases balances and number of products, and boosts retention.

Jeremy Bachmann is Principal and Co-Founder of the Espenschied-Bachmann Group, Inc., a management and technology consulting firm specializing in financial services. EBG delivers a wide range of specialized capabilities and solutions for clients, including CRM, business intelligence, Web services, and marketing technology. He can be reached at (805) 494-9343.

Notes

Venkatesh Shankar, Amy K. Smith, Arvind Rangaswamy, "Customer Satisfaction and Loyalty in Online and Offline Environments," University of Maryland, October 2000.

"E-Banking: The Key To Courting Small Businesses," *Corporate EFT Report*, June 21, 2000.

Ann Kessler, "Internet Banking for Small Business Customers," *Bank Marketing*, June 1, 2002.