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Increasing Customer Satisfaction in a Highly Competitive Market

Executive Overview

Customer satisfaction and confidence in financial services institutions has reached an all-time low in light of bank failures, controversial policies and economic uncertainty. Financial institutions must adopt methods for increasing customer satisfaction through swift execution and planning of new products and services, which can best be accomplished with project portfolio management.

Introduction

The U.S. banking industry has struggled to recover its reputation in the years since the financial crisis in 2008. By October 2010, the American's trust in banks fell to an all-time low of 18% -- lower than at the height of the global collapse.[1] Today, with customers unhappy with some banking policies and continued economic uncertainty, institutions are still struggling to redeem themselves.

Ernst & Young surveyed more than 28,500 global banking customers in 35 countries in March of 2012.[2.] Some 40% of customers reported losing trust in the industry over the past year and only 22% were gaining confidence. Despite improvements in the U.S., customer trust is falling in many other mature economies. The trend is strongest in the European Union. In Italy, for instance, 72% of banking customers have lost confidence, up from 48% in 2011, and in Spain 76% of customers report less confidence in their banking institution, up from 58% in 2011.

Small businesses have also lost confidence in banks. Fewer than one in three small business owners trust banks, according to a poll by Gallup Economics.[2] This lack of confidence not only contributes to today's overall economic crisis, but it also contributes to a slow growth in the U.S. economy and fewer jobs.

In discussing the topic with many bank leaders, Gallup has found that rebuilding trust is a top priority. Yet bank management's response has been ineffective in changing the public opinion. As a result, public opinion continues to decline, even with initiatives like community activities, advertising campaigns and lobbying efforts.

All of this dissatisfaction and financial turmoil has helped lead to new regulations focused around consumer protection and financial stability in the markets -- primarily through the Dodd-Frank Act and creation of the Consumer Financial Protection Bureau. While some details of these regulations still need to be ironed out, and implementing changes to adapt to them may be difficult, the long-term benefits for both banks and the customers they serve may be significant, according to a report by Deloitte LLP.[3] For instance, data quality and transparency are two areas where banks have been looking to make strides for years. There may be benefits from embracing, and maybe even surpassing, these transparency expectations. Those banks that can adjust their strategies over the next few years as these regulations continue to unfold may be in a position to benefit.

In order to successfully gain and retain customers, financial services organizations must rapidly identify and address attractive market and business opportunities and accelerate the delivery of new products and services. Effective portfolio and project management will be a critical capability in helping financial institutions.

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The Customers' Point of View

Several customer trends point to the challenges faced by financial institutions and the opportunities they can also present.

Customers are increasingly likely to use other banks.

The overall proportion of customers planning to change banks has increased from 7% to 12% since 2011, according to Ernst & Young. In half of the cases, customers are retaliating for fees and charges by leaving. Customers with only one bank have fallen from 41% to 31%, while those with three or more have increased from 21% to 32%.

Nearly 80% of all small business customers are also vulnerable to switching banks, according to the Gallup report, adding that now is arguably the best time banks have ever had to expand their small-business portfolios.

Customer advocacy is becoming a dominant force

Websites and social media have made word of mouth a growing and powerful influence. Customers are listening to each other more than their banks or financial advisors, according to Ernst & Young. Globally, 71% seek advice on banking products and services from friends, family or colleagues, and 65% use financial comparison sites to find the best deals. The views of online communities are also gaining importance. The use of social media as a source of banking information (by 44% of customers) is amplifying customers' voices, giving them greater power as advocates or critics.

Both situations stated above create great opportunity and urgency for financial institutions and will require swift execution and planning of new products and services.

What Consumers Want

Greater personalization and flexibility

Globally, only 44% of customers surveyed by Ernst & Young say their bank adapts the products and services to meet their needs. The majority of customers are willing to provide their banks with more personal information. And, in return, customers expect to receive tangible improvements in the suitability of products and services that they are offered.

Pricing and service quality

Customers want lower costs and better service. Improving fees and charges is the top priority, as cited by 22% of customers. Customers also want banks to strengthen online and mobile banking. But customers want much more than just a better deal. They want the flexibility to shape the relationship, contacting their bank whenever and however they choose. Customers prefer online channels for simple transactions, but they also demand high-quality, personal service for more complex transactions and advice.

Different Models for Different Customers

Banks are competing for the business and loyalty of increasingly demanding customers. In response, different models are emerging to serve different customer needs. Some are based on low-cost competition, some on high-touch service and some on accessibility. Large, full-service banks need to defend market share against specialist competitors focusing on particular products or customer segments, as well as new entrants in the payments space.

At the same time, full-service banks need to retain the ability to meet a huge range of customer needs. For large retail banks, choosing where and how to compete is a complex challenge. They need to deliver the level of personalization and flexibility customers want, and develop differentiated products and services — all while lowering costs and generating sustainable profits.

The Solution

In the current environment, understanding customer behavior, attitudes and requirements is more vital than ever for banks' strategic thinking, operational planning and day-to-day customer treatment, according to Ernst & Young.

To respond to customers' needs and deliver on them quickly, financial institutions must have the agility and transparency to choose the right initiatives, execute them with the right people and within the right timeframe, all while keeping a sharp eye on budgets and resources. These projects can be delivered with the help of a project portfolio management solution.

PPM can be a potent weapon to ensure an organization's investments work together and deliver true business results. Some 73% of 443 global portfolio managers surveyed by the Portfolio Management Institute say they practice project portfolio management in order to increase customer satisfaction, with more than half also saying that PPM provides cost reduction and revenue growth. According to PMI's 2012 *Pulse of the Profession Portfolio Management* report[4], organizations with little variation in their project portfolio management practices see 64 percent of their projects meet expected ROI—17 percentage points more than those companies with high variability.

Portfolio managers in the survey also revealed potential gains going forward. They believed that the number of projects completed on time and on budget would likely increase by about one-third with more effective portfolio management. They also anticipated similar gains in achieving objectives and ROI goals.

A project portfolio management solution provides many benefits, including driving business growth and efficiency.

- A PPM solution drives business growth by turning insight to foresight through project lifecycle reporting with actionable data for improving project performance. An organization will achieve the greatest value with PPM, including a greater competitive advantage, by managing all of its projects, programs and resources in a centralized system.
- A PPM solution also enables organizations to have the visibility to ensure sufficient capacity, utilization, and availability of people, skills and other resources to meet current commitments and take on more work as needed.
- A PPM solution provides a platform for establishing standards critical to business success, while enabling the deep understanding and insight to move projects forward to successful outcomes. With consistent project-based processes, businesses will be more efficient and able to deliver projects faster, with higher quality and at lower costs. Built-in reporting and configurable dashboards provide the analysis, reporting and monitoring to ensure everyone is kept appraised of project performance. In addition, they are kept aware of any issues requiring action, and they have the information needed to make the right decisions.
- A PPM solution gives all appropriate participants access to vital project and portfolio information. Participation is also enhanced with integration to mobile devices. By connecting everyone involved in the project process both information velocity and decision-making are faster and more accurate.
- With greater visibility, performance and costs are easier to track and control. With a PPM solution, executives can quickly identify root causes of problems and adjust plans -- ultimately helping to drive ROI.
- Risk is a recurring theme with all projects. PPM allows executives to track, model and mitigate risk with industry-standard qualitative risk management capabilities. Executives can evaluate major risk factors and their effects on costs and timing. Based on these risk models, executives can reduce project and financial risk consistently over time.

Conclusion

With new regulations in place and customers looking for new banking opportunities, bank leaders have the opportunity to influence their future now more than ever. Banks' independence and financial futures depend on increasing trust and customer satisfaction with its consumers and small businesses.

The Dodd-Frank Act has imposed significant challenges to the banking industry. But those who look beyond compliance to find opportunity will benefit the most. But this will require a shift in approach.

A project portfolio management solution provides the vital tools needed for project success and will give financial institutions the ability to capitalize on customers' wants and demands by delivering new products and services quickly, expertly and within budget.

1. “The customer takes control: Global Consumer Banking Survey 2012,” Ernst & Young, March 2012.
2. “Trust in Banks,” John Wood & Paul Berg, Gallup Economics, October 2010.
3. “Future Tense: What Two years of Dodd Frank may tell us about the future,” Deloitte LLP, 2012 http://www.deloitte.com/view/en_US/us/Industries/Insurance-Financial-Services/center-for-financial-services/7070181af3c68310VgnVCM1000001956f00aRCRD.htm
4. “Pulse of the Profession Portfolio Management Report,” Project Management Institute, 2012. http://www.pmi.org/~/media/PDF/Business-Solutions/The%20Power%20of%20Portfolio%20Management%20-%20June%202012.ashx

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