



Bespoke offers – it's what the customer expects

Understanding the consumer is vital to every business and the level of tailoring it delivers is now a given for your customers. However many organisations fail to take simple steps to ensure that customer analysis helps them to develop offerings that are targeted and fit for purpose. Michelle Cracknell offers insight on how consumers make choices and what organisations should be doing about it.

It is not about what the customer can afford to pay it is about what they are prepared to pay.

In financial services, customer segmentation is almost always based on the size of his wallet and therefore the potential sum available for investment. Segmentation talks about higher net worth customers being able to receive the more expensive face to face advice whereas this is not available to mass market customers. It does not take into account the customer preference. In research carried out for J P Morgan by Ledbury research, email communication was selected as the most popular means of communication by both asset-rich elders and young high earners. Surprisingly, younger respondents appear keener than older investors for face to face meetings.

This approach to customer segmentation is used by supermarkets, who work hard to understand their customers' needs and wants. Supermarkets are clearly influenced by prosperity of the neighborhood but also consider other non-income related social demographics such as cultural behaviors. Yet the decision on which supermarket to use is entirely in the hands of the customer. Regardless of his level of wealth, customers can shop in the same supermarket, buy the same goods, receive the same levels of service and then have to pay whatever is the cost for that product and service.

The choice made by the consumer whether he is choosing which supermarket or where to get financial advice is driven by philosophy and psychology.

Philosophy is the analysis and interpretation of values and standards, within the customer's experience of reality. For example; does the customer value advice and which method of delivery is most effective? These and many more views will have been formed from the customer's first hand experience or knowledge of experiences of others.

Psychology sets the boundaries within which philosophy can range and is more dependent on the customer's imagination and prejudice.

Philosophy provides most of the framework for making the selection of possible options and psychology provides the content that takes the customer from his list of options to selecting his preferred choice.

One size does not fit all and one customer does not want to use the same channel all the time

Financial service companies have been guilty of designing their systems and customer journeys by channel with no cross over between channels. A customer who chooses self

serve has all his records held by this channel. If he chooses to access advice, it is a new relationship and a new record. Not a very customer centric approach.

In 2008-9, Aegon tested some concepts for different channels to receive financial advice and buy products. The customers spontaneously recognised the benefits of the different channels and could see how they may use the channels in different situations but did not associate themselves with one channel as their preferred channel for all their requirements. The customers, regardless of income level, understood the need to pay for different levels of service and were prepared to take responsibility for buying decisions, as long as it was sufficiently clear about the risk, protection (if any at all) and return that the customer was being asked to take. Just like supermarkets, there was an acknowledgement that 'you get what you pay for'.



Technology segments and delivers a segmented service

Technology now gives financial services companies the opportunity to deal with the customer in the way that they want to be dealt with and if the technology has been built with the customer as central to the records, it should be possible for the customer to choose different channels for future transactions regardless of the channel where the product was originally purchased.

Technology serves two purposes in client segmentation; firstly it provides the data to understand the philosophy of the customer and records the behaviours that enable a picture of the customer's psychology to be built. With a greater understanding of the needs and want of the customer, technology gives options for the delivery mechanism of the service ensuring that it is profitable. The delivery mechanism could be for advice, communication and marketing activity.

Two examples of where technology has been deployed to segment the customer are:

- a non financial services company that uses the MI that it has on its customers behaviours to deliver finely targeted communication – this process has been developed to such an extent that any email to more than 1% of its customer base is queried
- a financial services business that is using a form of WebEx conferencing facilities to deliver client meetings that has the benefits of face to face meetings but at lower cost and the customers are benefiting from shorter, more frequent, more convenient and more productive meetings.

The customer experience in other retail sectors is now very sophisticated. Using only customer value as the tool for segmentation is a very blunt instrument. Simply separating people into the 'haves' and the 'have-nots' by size of their wallet will not optimise business. Instead, financial services should be using technology as (i) the means of better understanding the customer's philosophy and psychology and (ii) the enabler to

- deliver useful information to customers rather than lots of information,
- offer a dialogue with the customer in a cost effective and profitable manner and
- provide evidence of listening by building data records of the customer

The stark reality is that customers are experiencing this level of tailoring from other retailers ranging from supermarkets to online stores. The challenge is for financial services companies to do the same. If we do not, someone else will....

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