

FOCUSING ON THE CUSTOMER LIKE WACHOVIA

by [Steve Brown](#)

Several years ago Wachovia was struggling. A lack of culture, ambiguous economic objectives and poor customer service caused performance problems throughout the organization. By 2006, the bank was on the path to turning performance around, garnering over an 80% return on their stock price over the prior 3Ys, boosting ROE and placing #1 in the University of Michigan Customer Satisfaction survey of banks. They also placed in the top 3 in many of JD Power & Associates ranking of banking categories. To turn things around, Wachovia underwent the following changes: 1) devoted more resources to its core business; 2) increased focus on building a corporate culture; 3) updated technology; and, 4) enhanced the customer experience. Of those factors, the change in customer service is the most fascinating because the solution was so different. Traditionally, when a bank wants to improve customer service, management measures products-per-customer or revenue-per-customer. While this may help boost profitability on the margin, it does little to improve customer service and may actually hurt the effort. The eager sales associate that tries to get a new checking customer to purchase overdraft protection runs more of a risk of damaging goodwill than enhancing it. No customer, no matter how satisfied, ask to be sold more products or services. The problem in many customer satisfaction attempts is that bank management thinks like bank management instead of like a customer. Measuring employees on revenue-per-customer, may increase revenue per customer, but it does nothing to increase satisfaction. Worse, placing a strong emphasis on selling metrics does little to incent line personnel to execute strategic objectives. To truly change behavior, metrics should focus on what is important to the customer. To get to the heart of the customer, banks like Wachovia focus on what is important – reducing wait time, following up after a loan closing to see if the process met expectations, correcting problems with a single visit or phone call and making sure profitable customers are recognized. The next time your bank comes up with explicit goals, ask yourself 3 questions: 1) Is the metric important to the customer? 2) Does the metric define our unique value proposition?; and, 3) Does the metric support a stated strategy? If the answer is "yes" to all 3 questions, you are most likely on the right track to properly measuring customer satisfaction. If you answer "no," then some alignment to a more customer-centric set of objectives is required. Ask the average community bank what their value proposition is and they will most likely say "customer service." Our point here is that banks need to figure out what service really means from the customer perspective and then measure it. It's easy to talk about being focused on the customer. However, as Wachovia found out, creating a top performing bank centered on the customer is difficult, but well worth the effort.

BANK NEWS

M&A

The HC for Lexington State Bank (\$987mm, NC) will merge with the HC of FNB Southeast (\$1B, NC) in a merger of equals' transaction. The combined organization will have 42 branches and 20 directors (10 from each bank).

Warning Sign

Former FOMC Chairman Alan Greenspan said in a speech that signs tilt toward a U.S. recession that could come as soon as the end of 2007.

Survey

A survey of CEOs and senior bank officers by Grant Thornton finds 40% of bankers are uncertain about the national economy this year, 73% plan to increase IT spending to keep pace with changes, 55% said ID theft was a concern, 62% planned to open branches in new geographic areas to attract clients, 62% plan to offer business credit cards in the next 3Y and 33% said they now offer HSA's.

Competition

A new study of consumers with one or more checking, savings, or money market accounts and who used online bank bill pay during the 4Q, finds Bank of America captured 65% of such clients, followed by Wells Fargo (18%), Chase (13%) and Wachovia (13%). Experts say BofA's astounding growth was driven by its large customer base and ongoing marketing campaigns enticing customers to use the bank's online bill pay service.

Economy

An economic study finds pockets of growth across the country including the Northeast (Wall Street bonuses), Rocky Mountains (mining, tech and energy), LA (rebuilding) and MS (rebuilding). Meanwhile, weakness can be found in MI (auto industry), OH (manufacturing), AZ (housing), NV (housing), FL (housing) and CA (housing). Finally, areas expected to see ongoing stability include NC, SC, GA and TX.

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