MicroSave
Market-led solutions for financial services

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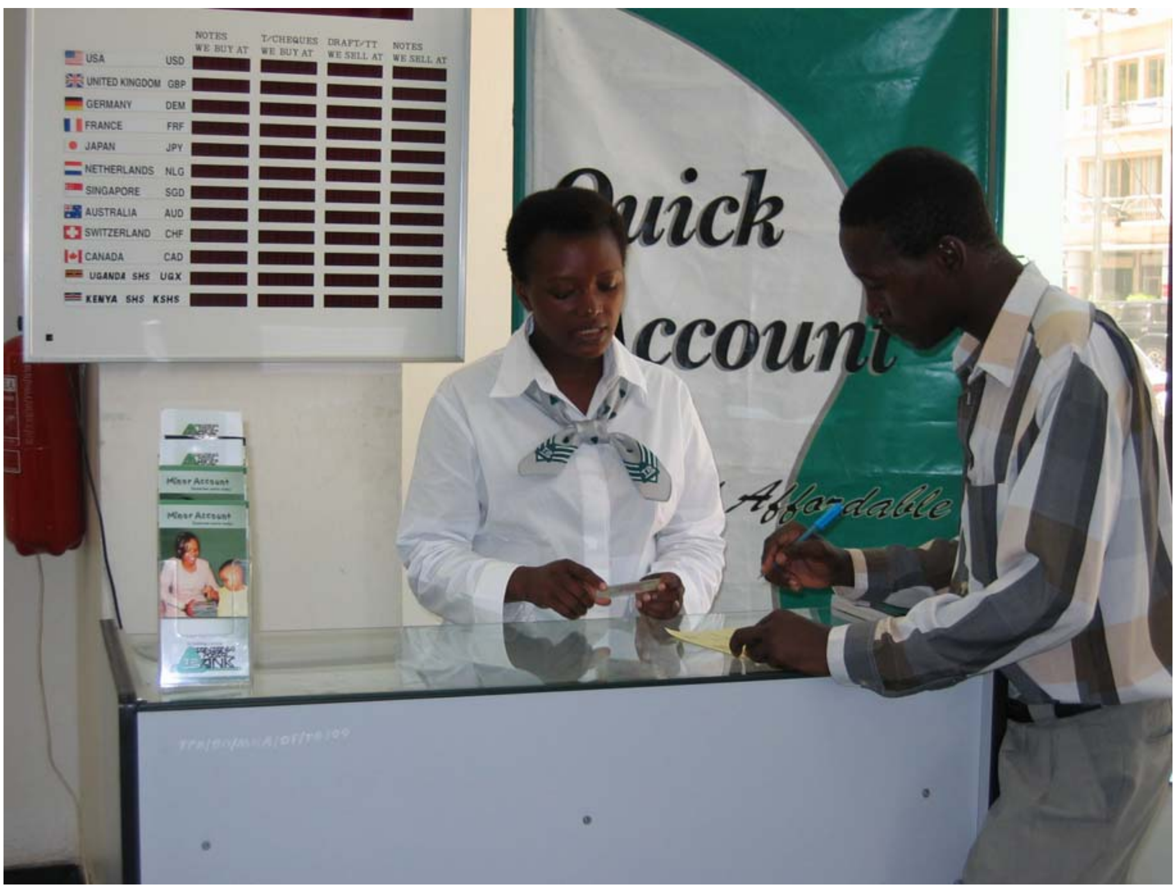
# Customer Service Toolkit

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All errors, omissions and howlers remain the property and responsibility of *MicroSave*.

## Acronyms

| | |
|---|---|
| 8 Ps | Product, Place, Price, Physical Evidence, Positioning, Promotion, Process, People |
| AIMS | Assessing the Impact of Microenterprise Services |
| ATM | Automated Teller Machine |
| CI | Credit Indemnity |
| CRM | Customer Relationship Marketing |
| EBL | Equity Bank Limited |
| ERM | Employee Relationship Marketing |
| FGD | Focus Group Discussion |
| FINCA-Tz | FINCA Tanzania |
| KPOSB | Kenya Post Office Savings Bank |
| MFI | Microfinance Institution |
| PDA | Personal Digital Assistant |
| POS | Point Of Sale device |
| PRA | Participatory Rapid Appraisal |
| SEEP | Small Enterprise Education and Promotion Network |
| SWOT | Strengths, Weaknesses, Opportunities, Threats |
| TEBA | Teba Bank |
| TPB | Tanzania Postal Bank |
| UMU | Uganda Microfinance Union |

# Table of Contents

# *Putting Customer Service Strategy into Context*

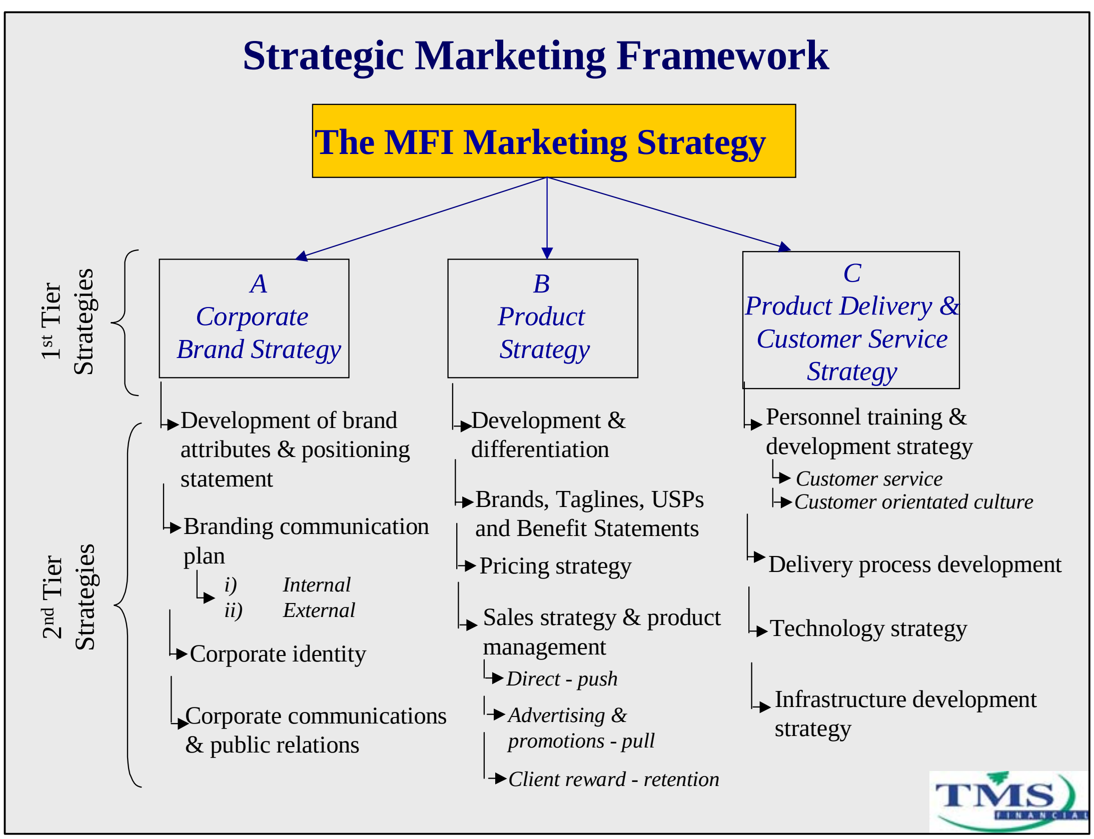
## Where Does Customer Service Fit into a Market Led Financial Institution?

Many financial institutions find it difficult to place customer service within their organisation. It largely, though not completely, falls into the delivery of services. *MicroSave* and TMS Financial (a South African marketing company with extensive experience in marketing financial services) developed a framework called the Strategic Marketing Framework that seeks to explain the components of a market led financial institution. The three main pillars of that framework focus on:

1. ***Corporate Brand and Identity,*** which is the design and presentation intended to differentiate the MFI from its competition.
2. ***Product Strategy,*** which encompasses product development and differentiation, as well as costing/ pricing and sales/promotion strategies used by MFIs.
3. ***Product Delivery and Customer Service Strategy,*** which focuses on how and where the MFI's products are delivered and the customer experience.

All three components are vital if an institution is to become truly market led.

This Customer Service Toolkit focuses on the third component, "Product Delivery and Customer Service Strategy," but does not do so in isolation. It is important to recognise that although customer service is described as a separate strategy in the framework it is intimately related to both "Corporate Brand Strategy" and "Product Strategy." Many Corporate Brands are defined partly by high levels of customer service and brand promises must align with actual levels of service being delivered. In turn, careful product based communications help to align customer expectations with respect to customer service and delivery. Later in this toolkit, we'll look at how to align your Customer Service Strategy with your overall business strategy, so that the customer service you deliver supports your brand, your products, and the achievement of your institutional objectives.



## What Is Customer Service?

Customer service has been defined in many ways (see box). The challenge is that appropriate service means different things to different people. It is often easier for customers to identify inappropriate service, than to define what they should experience.

> **Some Common Definitions of Customer Service**
>
> "Customer service is a commitment of all employees in a company to make being a customer a completely positive experience one that everyone customer will want to experience time and time again." ~ *Jack Ferreri*
>
> "Customer service is the ability of an organization to constantly and consistently give the customer what they want and need." ~ *ACA Group*
>
> Customer service means exceeding customer expectations. Service is judged by how it matches expectations. If the treatment the customer receives is better than his or her expectations, this is excellent service. ~ *From Be Our Guest, Disney Institute*
>
> "Excellent customer service is the process by which your organization delivers its services or products in a way that allows the customer to access them in the most efficient, fair, cost effective, and humanly satisfying and pleasurable manner possible." ~ *Jack Speer, BizWatch Publisher*
>
> "Customer Service is the collection of skills, knowledge, and attitudes presented to your customers by your staff." ~ *Center for Business, Industry and Labour, St. Louis Community College*

In this toolkit, *MicroSave* seeks to ensure that service levels in a financial institution exceed customer expectations despite the continuous challenges of growth and change. This has multiple implications. First, financial institutions need to understand customer expectations. Second, they must understand the internal factors that drive an appropriate institutional response to customer expectations. Third, performance needs to be continuously monitored and communicated to ensure it meets required service levels. This process occurs in a dynamic environment and therefore needs to be driven by an appropriate strategy.

## Why Invest in Customer Service?

The simple answer is because your customers want you to. Quality of customer service consistently ranks high on any list of customer preferences for financial services. In a qualitative study in Uganda in 2003, Mukwana and Grace found staff attitude, flexibility of terms and speed of service to be key reasons for choosing a particular financial institution. Similarly, the companion quantitative survey found that the second most common reason for customers to leave financial institutions was congestion in branches and the poor service associated with it.

Competing financial services often don't differ greatly from each other, so the way that a financial institution supplies its customers can become more important than the service itself.

There are five compelling reasons why excellent customer service must be a "prime directive" for any market led MFI:

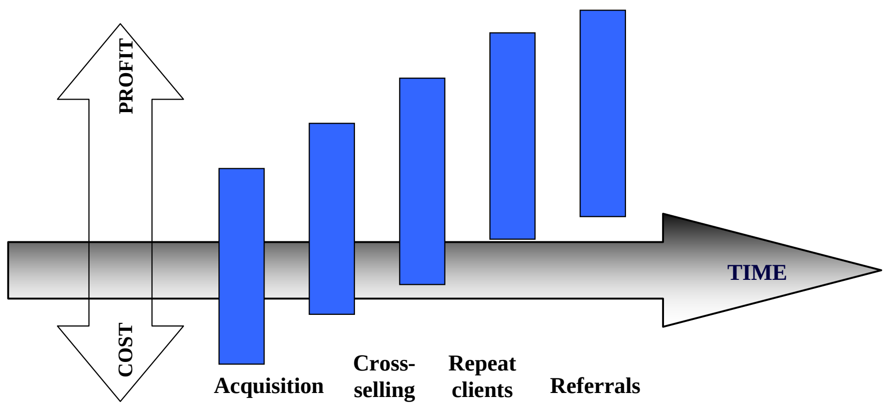
1. Good service keeps customers
2. Good service builds word-of-mouth business
3. Good service can help you overcome competitive disadvantages
4. Good service is easier than many parts of your business
5. Good service helps you work more efficiently

## We All Know that Customer Retention Is Important, But Is It Really THAT Important?

Absolutely! Repeat customers are of vital importance to microfinance programmes. As a rule of thumb, it is 5-10 times more expensive to attract a new customer than it is to retain an existing one.[1] Furthermore, reducing customer defections can boost profits by 25-95%.[2]

There are many reasons why retaining customers is so profitable. These include the ability to retain business, to cross sell products to existing customers, and to amortise initial costs over a longer period. Satisfied customers are also more likely to provide referrals and may be willing to pay a price premium.

As a general rule, the longer an institution retains a client the lower the costs of serving and the greater the opportunities for earning income from that client. This concept is illustrated in the following diagram:




Source: Neil Russell-Jones and Tony Fletcher, *The Marketing Pocketbook* (1998)

*Acquisition*: To acquire a new customer, a typical bank undertakes expensive marketing campaigns. A credit-based microfinance programme often performs even more expensive one-on-one personal selling or client mobilisation. After acquisition, the customer has to learn the bank's processes, or has to receive training from the loan officer. Early in a new customer relationship, these costs can be greater than the revenue generated.

*Cross Selling*: Once the customer is with an institution, there are frequent opportunities to sell additional products to the same customer. These opportunities can be enhanced through carefully targeting products towards customers that are more likely to need or want that product. The more products that an institution can sell to a single customer, the more profitable that customer will be.

*Repeat Clients*: Repeat customers are those customers reusing the same services. Often the customer initiates the transaction, so acquisition costs for the financial institution are very low. Moreover, since the customer has already established a history with the institution, it can make informed lending decisions and reduce loan losses. Typically, it can also process transactions more quickly than it could the first time around.

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[1] Frederick F. Reichheld and W. E. Sasser, "Zero Defections: Quality Comes to Services," *Harvard Business Review*, September–October 1990, 105–111. Wendell J. Brown, President, Customer Retention Company, Inc. "Retaining Clients Is as Essential as Getting New Ones," *Business Review*, Albany, NY, June 19, 1998. See also the American Marketing Association's website at: www.marketingpower.com/content24416.php; a 2003 McKinsey report put the cost of acquiring customers at 10 times the cost of keeping them.

[2] Frederick F. Reichheld, *The Loyalty Effect* (Bain & Co., 1996), 46. Frederick F. Reichheld and W. E. Sasser, "Zero Defections: Quality Comes to Services," *Harvard Business Review*, September–October 1990, 105–111.

*Referrals*: The longer customers stay with an institution and the more business they transact with satisfaction, the more likely they are to actively refer friends and relations to the institution, generating new business with much lower acquisition costs.

It is noteworthy, therefore, that in East African microfinance programmes client turnover rates of 50-80% per annum are common. This results in high costs for group mobilisation and training and weakens group solidarity. It also reduces average loan size as new clients cycle through low value loans in the early stages of their relationship with an MFI, and it limits cross-selling and referral opportunities.

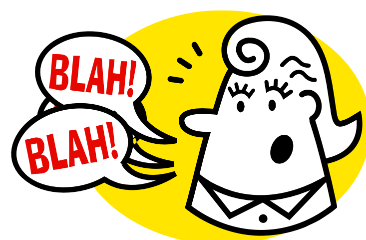
If microfinance programmes could retain more customers, the benefits could be significant. Judging from Reichhfield's study of customer retention within deposit-taking bank branches, if institutions could increase their retention rates by just five percentage points (say, from 50% to 55%), then total lifetime profits generated by a typical customer could increase, on average, by 85 percent.

## What's the Big Deal about Word-of-Mouth Business?

Word of Mouth is the most valuable form of marketing available to MFIs. In a competitive market, the majority of customers seeking services from an MFI make the choice based on other customers' recommendations.

> "In a competitive environment MFIs will need to pay increasingly close attention to how clients get information about their services. The quantitative research suggested that word of mouth from family and friends was the dominating factor. 58% of respondents cited this as the key factor that influenced their decision to select a specific financial institution."[3]

The best way to stimulate referrals is to provide memorable customer service; however, the opposite is also true – the best way to destroy business is to provide bad service. Marketing texts refer to more than satisfied customers as "Ambassadors" who typically inform 3-4 people about the memorable service they receive. Dissatisfied customers, however, inform as many as 8-9 people.[4] Given the relationship between customer service and Word of Mouth, investing in high-quality customer service should be a significant part of your marketing budget.




## How Can Good Service Make Us More Competitive?

The delivery of quality customer service can help you create competitive advantage in two important ways. First, it can help you build a strong brand—a reputation and image in the market that distinguishes your institution and its products from the other offerings available to your customers. A reputation for being a caring, customer-oriented institution is often a key aspect of an MFI's brand.

Second, good service can help you become strong in areas that are difficult for competitors to copy. It is much easier for a competitor to copy product design than it is to copy the intangible elements of service delivery. When Federal Savings in Bangladesh tried to copy the products and services of Safesave, for example, it was unable to copy the market research ethos that kept Safesave innovating to meet the needs of its clients, or the back office systems and procedures which enabled it to operate safely.

Beware, however, because customer service can only create competitive advantage if you are able to deliver on your promises and consistently demonstrate strength in an area of customer service that actually matters to your target market. Your service levels need to be continually reinforced to ensure that brand promises are met, ensuring as far as possible that products and services are delivered right the first time. In a situation of growth, this implies almost continuous change and improvements to the operation of the microfinance programme.

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[3] Graham A.N. Wright, and Paul Rippey, "The Competitive Environment in Uganda: Implications for Microfinance Institutions and Their Clients", *MicroSave*, Nairobi, 2003
[4] European Society for Opinion and Marketing Research (ESOMAR), www.esomar.org

## Is Good Service Really Easier?

It's certainly easier than trying to recover clients after they've received bad service. According to a 2003 McKinsey report, rescuing defected customers costs 100 times more than keeping customers.[5]

Good service is also easier than trying to successfully sell yourself as something that you're not. Advertising can reinforce excellent service levels and excellent products, but it cannot replace them. Take, for example the case of Nissan, which launched an advertising campaign in the United States that won Best Ad of the Year from Rolling Stone Magazine, Time and USA Today. Adweek called it "The most talked about ad campaign of 1996." However, Nissan's product did not meet competitive standards. As a result, Toyota sales increased 7%, Honda sales 6%, the industry average 3% while Nissan sales declined by 3%. To maintain profitability, Nissan cut white-collar jobs and the Nissan president left under pressure.

## How Can Good Service Help Us Work More Efficiently?

Key answers to this question have already been suggested above. First, good service can help you retain more customers and generate both repeat business and more referrals. Second, where good service is complemented by considerate collection and analysis of customer information it becomes much easier to cross sell new products and services to existing customers. Together, repeat business and cross-selling significantly increase profits derived from individual customers because acquisition costs and risks are lower than with new clients.

In addition, good service can help you increase efficiency in the following ways:

***By increasing staff morale*:** High levels of customer service generally result in high levels of staff morale and thereby increase employee satisfaction and retention. Staff turnover at Equity Bank in Kenya is low despite a very demanding environment caused by rapid expansion. This is partly because the customer is very much part of how Equity Bank lives its mission, vision and values.

***By fostering internal customer / supplier relationships*:** If internal customers understand the customer service chain and the degree to which they must provide quality service to each other in order for the institution to be able to provide quality service to its clients, staff will be more likely to invest in building stronger relationships with each other and with the individuals and institutions that supply goods and services to the institution. Stronger relationships help information flow faster and better, which facilitates wiser, faster decision-making and follow up.

***By increasing productivity*:** Heightened awareness of the significance of customer service can make it much easier to identify areas where productivity can be enhanced. A customer service culture combined with high levels of staff morale, make it much easier for staff to "go the extra mile" when necessary.

## What's the Price for Ignoring Customer Service?

There are numerous financial and non-financial costs when customer service is ignored. These include:

**<u>Customer desertion</u>**: A recent survey conducted by *MicroSave* in Uganda showed that service levels, in particular service time and attitude were a major reason for customers choosing to leave a particular institution.

*"91% of unhappy customers will never buy again from a company that has displeased them."*
~ Technical Assistance Research Programs Institute

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[5] Referenced on the American Marketing Association's website, www.marketingpower.com/content24416.php; and in an article by Michael Fischler of Markitek, a strategic marketing consulting and coaching firm in Los Angeles, February 9, 2005, http://www.marketingprofs.com/ea/qst_question.asp?qstID=5545

**Cost of attracting new clients**: There is usually a cost associated with attracting new clients, whether this is through marketing activities or whether it is time spent by staff on group formation. Once clients have been attracted, they often need basic financial literacy training, or as a minimum need an introduction to the products and services of the institution.

**Lower income**: Lower income derives from several factors. These include: smaller average loan size as clients fail to graduate to larger loans; increased levels of delinquency and default, as clients fail to value the service they are receiving; increased levels of dormancy as clients choose other providers for their savings; and less ability to cross sell new services.

**Loss of image**: An appropriate image is vital to a financial institution as a strong image significantly reduces the cost to acquire new clients and is likely to make clients more forgiving when there are service delivery problems.

**Lower staff morale**: Poor levels of service result in customer complaints handled by front line staff. Continuously defending an institution against charges of poor service saps energy and morale from staff.

## So, What Are the Main Challenges to Watch Out For?

As mentioned above, different customers define customer service differently, so the first challenge of delivering quality service is determining what your customers' expectations are and keeping track of changes in those expectations over time. Then, of course, you have to find a way to exceed your customers' expectations and, to the extent possible, shape their expectations so that they don't come to expect what the institution simply cannot achieve.

Customer service challenges will always exist. They are heavily influenced by the current circumstances of an institution and, thus, will change over time. The depths of the challenges faced can be seen in the following two examples: Teba Bank in South Africa which converted to a commercial bank; and Equity Bank Limited in Kenya which is expanding rapidly.

***Teba Bank – Conversion to a Commercial Bank*** [6]

Teba Bank in South Africa was formerly Teba Cash Financial Services. It provided payroll management services to South African mines. As of December 2002, it had approximately 345,500 miners' accounts, and 51,500 alternative accounts. In the mining sector Teba Bank handled mostly withdrawals, predominantly from 2pm to 4pm between shifts on the mine. Outside the mines Teba Bank had developed a network of 25 branches and 125,000 accounts. Transactions both on and off the mines concentrated towards month end peaks.

The management of Teba Bank identified seven key customer service challenges.

Reducing pressure on facilities: Microfinance is a volume business, but competition and service quality produces huge logistical demands on staffing and infrastructure. Growth necessitates additional front line staff positions, maximising utilisation of existing infrastructure and developing new infrastructure.

Changing the mindset of the customer: Teba Bank mineworkers fail to manage their financial behaviour resulting in queues at peak periods. ATM based accounts are often underutilised with some customers perceiving security risks from ATM usage and others being techno phobic.

Changing the mindset of front line staff: Teba Bank has to change the mindset of front line staff from managing payroll services to sales and service. This mindset is difficult to change when the reality of long queues needs to be dealt with. Worse, on the mines there is limited competition so front line staff have little sensitivity towards customer retention.

Reducing pressure on front line staff: Front line staff are alienated by the sheer pressure of work during peak periods and the reduced opportunity for communication with customers. This has created a

[6] Source: Teba Bank presentation at *MicroSave*'s CEO workshop in 2003.

perception of reduced control of the interaction with customers reducing buy in and interest in problem solving. A climate survey held by staff indicated only marginally positive attitudes towards different elements of work satisfaction.

Managing stakeholders: Teba Bank has to carefully manage its stakeholders. It is seen as an infinitely flexible delivery mechanism by the mine management and union leadership. They sometimes have unrealistic expectations of the delivery capacity of the bank or what the bank can do and remain profitable.

Awareness building: Generic customer service courses can sharpen awareness of customer care issues, but they have a short-lived impact and are often of a feel good nature. In-house customer care training courses need to be developed to help front line staff address customer care.

Streamlining processes: Existing systems have remained fundamentally unchanged since 1984. Compliance, system and MIS requirements place considerable pressure on tellers to the detriment of financial transaction efficiency.

***Equity Bank - Maintaining Customer Service Levels***

During periods of rapid growth it becomes especially difficult to maintain levels of customer service. From 2003-5 Equity Bank has grown by approximately 15,000 depositors a month. Customer service challenges experienced by the bank during this period include:

Inexperienced staff: Newly appointed staff are much less knowledgeable and less efficient than their more experienced counterparts. For example, a 2004 study showed that new tellers at Equity perform half as quickly as experienced tellers.

Lengthening queues: Drawn by very positive word of mouth, some Equity Bank branches were serving more than 50,000 depositors and customers were regularly experiencing lengthening queues and slower service.

System instability: As a banking system handles more data, all transactions occurring on the system take longer to perform. The problem is magnified where communication links are slow; for Equity Bank this problem manifested itself on inter-branch transactions using V-SAT communications.

Poor internal communications: Informal communication mechanisms that characterise small financial institutions become unworkable as the institution expands. New communications mechanisms are required.

Process irregularities: Pressure to deliver fast efficient service places considerable demands on staff. Employees often, either deliberately or inadvertently, develop new ways to manage transactions and thereby change the risk profile of the institution.

## How Can this Toolkit Help Us Deal with those Challenges?

This toolkit is designed to help you create a Customer Service Strategy. It is through the preparation and execution of such a strategy that you will be able to confront the customer service challenges that your institution faces and, more importantly, be able to take proactive steps toward the achievement of your customer service goals.

This introductory section of the toolkit has hopefully convinced you of the need to invest in customer service. The next section will provide an overview of the process that *MicroSave* recommends for optimising your customer service investments, whatever they may be. The remaining sections of the toolkit then address each step of this process in more detail. We'll begin by looking at the role of customer service within your institution; then at identifying your customer service strengths, weaknesses and priorities for action; constructing a strategy document including an activity plan and budget; implementing your strategy; and finally, monitoring and communicating your progress.

Within this general flow, there are four additional sections of the toolkit which focus on strategy implementation issues. Each of these sections is designed to give you further tools and guidance in areas that are critical to the successful implementation of customer service strategy in a microfinance institution: the setting of customer service standards, the leveraging of technology, the training and motivating of staff, and the creation of a customer service culture.

The main product of the toolkit will be your written Customer Service Strategy, a document that the toolkit will help you to build and which can serve as a valuable tool for planning, implementing, monitoring and adjusting performance in pursuit of your customer service objectives. Before getting into the details of how to construct such a document, we must first consider what a strategic approach to customer service should look like in general. That is the focus of section to follow.

# *The Strategic Dimensions of Customer Service*

## Why Aim for Excellence?

If your customer service is merely "adequate" then it is probably invisible to customers. Where service is adequate it will rate as poor in comparison with institutions that offer good service. Only excellent service that exceeds expectations gets noticed.

Customer service needs to be a purposeful pursuit, not a by-product—you want to influence it. Customer expectations evolve and grow more demanding, so you can never sit back complacently. You need a strategy; you need commitment; you need continuous improvement.

Excellent Customer Service
Means Exceeding Customer Expectations

Service is judged by how it matches expectations. If the treatment the customer receives is better than his or her expectations, this is excellent service.

## How Can We Create Excellent Customer Service?

That's what the rest of this toolkit is about! From a strategic perspective, we can offer four general recommendations:

1. Banish the four fallacies
2. Create a customer-centric organisation
3. Be proactive about managing customer relationships
4. Adopt a customer service strategy that motivates continuous improvement in pursuit of defined standards

## What Are the Four Fallacies?

These are four myths about customer service that financial service providers often perceive to be true, but are actually false. As a first step towards creating excellent customer service, it's important to recognise these statements and to understand why they are false. Doing so will help you to design a more effective Customer Service Strategy.

***Fallacy #1: To provide excellent customer service all we need is excellent staff***
When asked about customer service in banking, many people will say that it is <u>all</u> about how you are treated by staff, but that is incorrect. People are often the most visible part of delivering financial services, but to meet client expectations and provide excellent service you need more than just friendly, professional, competent people delivering your product. You also need an excellent product, delivered in an efficient manner, at an appropriate price and in an easy to access location with clearly communicated benefits. Customer service depends on all of the 8Ps.

*Product*: The design and range of products and services offered, including customer rewards and incentives

*Price*: What customers have to pay to access your products and services; this includes transaction costs

*Process*: The speed, accuracy, responsiveness and reliability of your delivery systems

*Promotion*: Information about who you are and what you have to offer

*Position*: The expectations you raise about who you are and what you deliver in relation to the competition

*Place*: The location, operating hours and comfort of your service outlets

*Physical Evidence*: The visible presentation of your products and services

*People*: Employees role in customer care cannot be overstated

This is clearly demonstrated through the experience of many Postal Savings Banks that offer passbook savings products. Their price is competitive and access is unparalleled. However, service is typically slow, driven by manual procedures and strong internal controls; staff attitudes are variable; and the physical environment is unappealing.

Tanzania Postal Bank (TPB) is an example of one such institution that has been improving customer service by acting on a range of issues that emerged from recent process mapping exercises. The bank mapped a total of four processes which included deposits, withdrawals, end of day and micro-credit. It then implemented improvements in all of the 8P areas which collectively reduced processing time, reduced customer complaints and increased service levels:

- Transaction time for passbook based deposits has been reduced from more than 30 minutes to less than 5 minutes.
- Processing time for passbook withdrawal transactions has been reduced from more than 45 minutes to 10 minutes (this is for transaction within a teller’s transaction limit; currently 72% of transactions are within this limit).
- Speed is expected to increase further as tellers become familiar with the new processes.
- Queuing time has been significantly reduced, and transactions have increased by 25%.
- Extensive customer seating is no longer required.
- End-of-day processes have been reduced to one hour meaning that staff leave the branch much earlier and are far less stressed.
- Greater decentralisation of transaction processing has freed up supervisors to fulfil other duties in the branch.
- Additional system based controls have been and are being introduced to manage the different risk profile of the new procedures.

***Fallacy #2: Customer service is mainly the responsibility of frontline staff***

No! Customer service is too important not to be everyone’s job. No matter where you sit in the institution, if customers don’t come back you won’t *have* a job. To deliver excellent customer service, everyone in the institution must play his or her part. For example, the personnel department needs to ensure that members of staff are capable and are appropriately trained. Operations must ensure an appropriate infrastructure. Internal Audit must balance internal control and efficiency. Marketing must be careful not to over-promise or create false expectations.

Internal customers matter just as much as external customers. You cannot deliver quality customer service unless departments are delivering quality to each other. The marketing department requires detailed customer information from operations in order to cross sell products, the operations department requires timely promotional materials from marketing, the finance department needs realistic projections about cash flow needs, etc. To deliver excellent customer service an institution needs to carefully communicate its internal customer needs and plan how to respond to them.

***Fallacy #3: Only customers who buy our products deserve high quality service***

No again! Those who inquire about your services but don’t buy can still refer others to your institution (or steer them away from it). These customers, potential customers and internal customers deserve quality service as well. Resist the temptation to view customer service as something you provide only to external clients who pay you immediately for your service. After all, customer service is not just a product delivery function; it is a key part of doing business. It influences loyalty amongst staff and customers; it drives Word of Mouth; it increases efficiency; it affects the strength of your brand; etc.

***Fallacy #4: “A smile is sufficient”***

Customer service is only partly about attitude; it’s also about the quality of what you deliver and the quality of how you deliver it in comparison to customer expectations. No matter how nicely you smile, customers will not be pleased if they must return to your branch on multiple occasions to check the status of their loan application, if they must wait in long queues, if you are unable to process their insurance claim within the time period promised, etc. Most everyone appreciates a smile, but the smile alone does not constitute quality customer service.

## What Does It Mean to "Create a Customer Centric Organisation"?

Excellent customer service flows not from a limited approach to customer service as outlined in the four fallacies above, but rather through the creation of a customer centric organisation. It is possible to explore what this might mean by looking again at the 8P's:

**Customer focused people**: Employees who are caring, competent, informed, motivated, respectful, attentive and welcoming.

**Customer focused promotion**: Clear and accurate communication of benefits, costs, conditions and procedures in an easy to understand language and format. This includes the timely communication of any changes that might be made. (See *MicroSave*'s Product Marketing Toolkit.)

**Customer focused process**: Procedures are as simple as possible, confidential and reliable. They are fast, with no unavoidable delays or bottlenecks, minimal handovers and no redundant steps. They are also flexible enough to accommodate special needs or circumstances. (See *MicroSave*'s Process Mapping Toolkit.)

**Customer focused products**: Products are clearly focused on meeting customer needs, solving their problems and enabling opportunities. (See *MicroSave*'s Market Research for Microfinance Toolkit.)

**Customer focused positioning**: The organisation commits itself to delivering a particular type of value and consistently delivers what it has promised.

**Customer focused physical evidence**: The environment is clean, well organised, attractive and where possible, creative.

**Customer focused price**: The cost of accessing the product or service is transparent and easy to calculate. Prices are affordable, taking into account both the direct costs and the opportunity costs of accessing the service.

**Customer focused place**: Services are accessible through nearby locations and convenient opening hours. The environment is secure and comfortable.

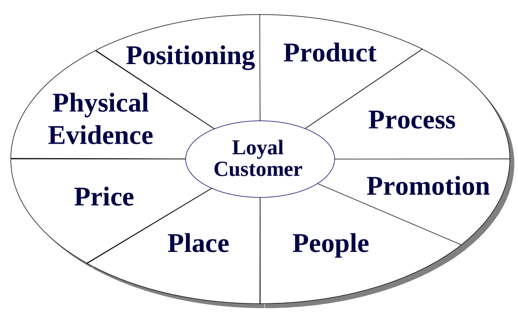
## What are the 8 Cs?

The 8 Cs are a customer-focused version of the 8 Ps. While the Ps help you think about what you are offering to the market, the Cs help you think about what your customers want to receive. Looking at the 8P's from a customer rather than an institutional perspective places a slightly different focus on the delivery of financial services, one that can be very useful for improving customer service. After all, the customer is interested in solutions not products, costs not prices, and so on…

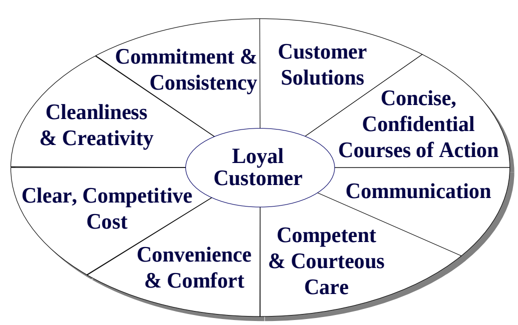
- *Product*: Customer solutions
- *Price*: Cost
- *Physical evidence*: Cleanliness and creativity
- *Positioning*: Commitment and consistency
- *Promotion*: Communication
- *Place*: Convenience and comfort
- *Process*: Courses of action
- *People*: Competent and courteous care

This is summarised by the illustration on the right; each of the 8Cs is explored in more detail in the table which follows.

**You create great customer service not by delivering this…**




**…but rather, by delivering this:**



## The Eight Dimensions of Customer Service

| The 8 Ps of Marketing | "P" Description | The 8 Cs (the 8 Ps from the customer's perspective) | What an MFI Must Deliver in this Dimension of Customer Service | Strategies for Improving Performance in this Area | Tools |
|---|---|---|---|---|---|
| **Product** | The design features and range of products and services being offered | **Customer Solutions** | • Products and specific product features that respond to customer needs and wants<br>• Products and services that can solve customers' problems and/or enable them to take advantage of opportunities | • Increase MFI's knowledge of customers' needs, wants, preferences, environment<br>• Improve internal dissemination and application of information about customer wants, needs and preferences | • Market Research for Microfinance<br>• Customer Relationship Management<br>• Feedback Loop |
| **Price** | What the customer must pay to access the products and services being offered | **Cost** | • Clear, competitive pricing<br>• Product features and delivery mechanisms that minimise other customer costs, including transaction and opportunity costs | • Increase efficiency or productivity (and lower the product price or opportunity cost of transaction)<br>• Make delivery channels more convenient or more easily accessible<br>• Make prices more transparent<br>• Adjust pricing policies to match preferences of specific market segments | • Process Mapping<br>• Performance Incentives<br>• Technology<br>• Costing and Pricing Toolkit<br>• Mystery Shopping Guide |
| **Physical Evidence** | Includes the tangible, visible presentation of products and services offered | **Cleanliness & Creativity** | • Clean, tidy, well-maintained branches or outlets<br>• Attractive, eye-catching marketing materials<br>• Professionally dressed, well-groomed staff<br>• Physical proof that the MFI is who it says it is and delivers what it says it will<br>• Tangible representations of the brand that customers will want to hold on to (and can use to make referrals) | • Develop product marketing and corporate branding strategies that pay attention to physical evidence<br>• Motivate staff to care about the physical evidence<br>• Set standards and regularly monitor and evaluate performance against the standards<br>• Post dated responses to suggestion box submissions next to the box<br>• Post or circulate materials that outline the MFI's accomplishments (e.g., describing how it met its goals or responded to customer demands) | • Product Marketing Toolkit<br>• Product Marketing Review<br>• Corporate Branding Toolkit<br>• Mystery Shopping Guide<br>• Branch Infrastructure Review<br>• Strategic Marketing Toolkit |

The Eight Dimensions of Customer Service (continued-2)

| The 8 Ps of Marketing | "P" Description | The 8 Cs (the 8 Ps from the customer's perspective) | What an MFI Must Deliver in this Dimension of Customer Service | Strategies for Improving Performance in this Area | Tools |
|---|---|---|---|---|---|
| **Positioning** | An MFI's effort to occupy a distinct competitive position in the mind of the target customer (e.g., low cost, high quality, security of savings, etc.) | **Commitment & Consistency** | • A clear indication of who it is, what it will deliver, what it stands for in the market<br>• Promises that it can meet<br>• Consistent and reliable execution of what it has promised | • Obtain institution-wide commitment to a corporate strategy that aligns operations, marketing, brand and customer service strategies in the pursuit of identified objectives<br>• Set standards in alignment with institutional objectives and regularly monitor performance against the standards | • Mission, Vision, Values, Objectives<br>• Strategic Marketing Strategy<br>• Product Marketing Strategy<br>• Customer Service Strategy<br>• Corporate Branding Strategy |
| **Promotion** | Includes advertising, public relations, direct marketing, publicity, and all aspects of sales communication | **Communication** | • Clear, accurate information about the benefits, costs, conditions and procedures of accessing the institution's products and services<br>• Information in a language and format that is easily understood<br>• Timely notice of any changes<br>• Feedback on recommendations and other input | • Carefully craft the messages delivered<br>• Use communication channels preferred by clients<br>• Provide customers with several communication options<br>• Build systems for regular as well as "one-time-only" communication<br>• Ensure staff are up-to-date on core product knowledge<br>• Promise only what you know you can deliver | • Product Marketing Toolkit<br>• Strategic Marketing Toolkit<br>• Corporate Branding Toolkit<br>• Marketing Communication Mix<br>• Feedback Loop<br>• Branch Staff Questionnaire<br>• Mystery Shopping Guide<br>• Product Marketing Review |
| **Place** | Refers to distribution channels (e.g. branches, outreach agents, mobile bankers, partnerships, ATMs, etc.) | **Convenience & Comfort** | • Access to products and services when and where customers need it and want it<br>• Convenient operating hours<br>• Delivery outlets in locations that are close to customers' work or home<br>• Safety in the locations where transactions are conducted<br>• Well-lit, well-ventilated, pleasant delivery environment | • Use technology and partnerships to expand the number and geographic breadth of service outlets<br>• Extend opening hours, or structure schedule to provide service during times of the day when clients are most available<br>• Make the environment in which products and services are delivered more comfortable<br>• Introduce a customer service desk | • Branch Infrastructure Review<br>• Mystery Shopping Guide<br>• Technology<br>• Strategic Marketing Toolkit<br>• Briefing Note #38 |

The Eight Dimensions of Customer Service (continued-3)

| The 8 Ps of Marketing | "P" Description | The 8 Cs (the 8 Ps from the customer's perspective) | What an MFI Must Deliver in this Dimension of Customer Service | Strategies for Improving Performance in this Area | Tools |
|---|---|---|---|---|---|
| **Process** | Includes the way in which, or the system through which, the product is delivered | **Courses of Action** | • Speed and simplicity: concise, streamlined procedures, minimal handovers, delays or bottlenecks<br>• Reliable systems: accuracy the first time around, consistency of results<br>• Confidentiality<br>• Clear documentation and instructions<br>• Realistic conditions and controls<br>• Sufficient flexibility to respond to customer needs or special circumstances | • Analyse existing processes and look for delays, redundancy, excessive controls, opportunities for combining activities, eliminating unnecessary steps or running activities in parallel rather than one after another<br>• Use technology to speed up activities and/or safeguard confidentiality<br>• Train staff using process maps<br>• Redesign branch layout or customer traffic flow<br>• Empower staff by driving decision-making and responsibility as close to the point of customer contact as possible | • Process Mapping<br>• Technology<br>• Back Up Systems<br>• Standards<br>• Code of Ethics<br>• Mystery Shopping Guide<br>• ERM |
| **People** | Includes how the clients are treated by the people involved in delivering the product or service offered | **Competent and Courteous Care** | • Respectful, attentive, polite, friendly, caring, competent, informed treatment of the people who come into contact with the institution<br>• Staff who are welcoming, ready, willing and wanting to provide excellent service<br>• Staff who believe in the value of each customer relationship<br>• Staff who are easy to approach, eager to listen, and will ensure that feedback is acted upon and responded to | • Train, develop and regularly inform staff so they are knowledgeable about the institution, the features of its products and services, and the needs, wants and preferences of its customers<br>• Include staff development as part of your performance management system<br>• Lubricate the internal feedback loop<br>• Set standards and regularly monitor and evaluate performance against the standards<br>• Train staff in front-line customer service skills<br>• Develop an employee relationship management programme | • Staff Incentive Schemes<br>• Loyalty Programmes<br>• Feedback Loop<br>• FAQ Sheets<br>• Teams<br>• Standards<br>• Job Descriptions<br>• Policies and Procedures<br>• Mystery Shopping Guide<br>• Support and Training Review<br>• Branch Staff Questionnaire |

## How Can We Be Proactive About Managing Our Customer Relationships?

First of all, know your customers. Then group them into market segments and target your products, services and communications to the needs, desires and preferences of specific segments. Third, SELL! Don't just wait for customers to come to you. And finally, aim for customer loyalty.

***Know Your Customers***

You can get to know your customers through market research, customer profiling, segmentation, customer satisfaction surveys, data-mining, suggestion boxes and/or customer complaints. No matter how you gather it, this information can help you to:

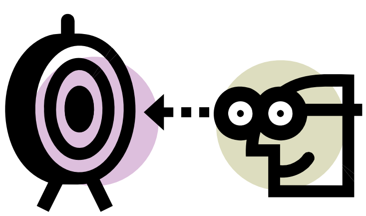
- *Anticipate future needs*: thereby design new products and services
- *Define service expectations*: the service level the institution should reach to meet the majority of customer expectations
- *Refine marketing communications*: determine key benefits that your customers require, and communicate these benefits back to them (see *MicroSave*'s Product Marketing Toolkit).
- *Personalise each customer interaction*: use names and titles to communicate with to the customer

This information can be shared across the organisation and updated automatically every time the customer contacts any part of the organisation. To do this effectively, however, it is necessary to manage customer data well. For larger institutions, data warehousing might be an option worth considering.

Data warehousing is the storage of electronic data in an organisation's computer system in such a way that it is easy to search the data and extract from it information that could be useful to people in the organisation. Once you have the data appropriately stored, then data mining becomes possible. Data mining is the extraction and manipulation of data to enhance the marketing process. It can allow a financial institution to extract information about customers from across its business, to segment its customer base, and predict individual customers' behaviour. Information from third-party sources, such as 'lifestyle' data, can also be used to help refine customer segments and to increase knowledge of customers' individual needs.

***Target Segments***

Segmentation means analysing the different submarkets in your overall market and then giving selected submarkets (or segments) the right level of marketing attention. The process includes defining your overall market to include all segments, picking the segments that offer the greatest opportunity, researching those segments in detail, describing target customers in those segments, and designing specific campaigns to address them.



Segmentation implies placing customers in groups that respond to and interact with the MFI in similar ways. By dividing customers into smaller groups with similar characteristics, you can design products, services, pricing schemes and communication to better meet their requirements and preferences. You can set different customer service standards for different segments, e.g., giving a higher level of service to those who are willing to pay for it, or emphasising different customer service dimensions depending on the priorities of a given segment. Examples of financial institutions that use segmentation effectively include Cooperative Bank in Kenya, which offers business customers a separate counter, and Equity Bank, which offers unsecured lending for SMEs. More information on segmentation is available in *MicroSave*'s Product Marketing Toolkit.

***Sell to Your Customers***

Customer focused selling requires a shift from reactive to proactive involvement with customers. MFIs can embrace Customer Relationship Marketing (CRM) not only to manage the databases of information that they collect about their customers' preferences and behaviours (a process often referred to as Customer Relationship *Management*), but also to use that information to effectively market products and services to customers over the long term.

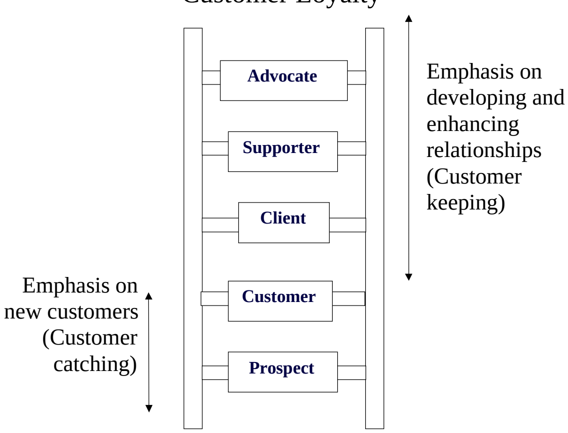
In the United States, the supermarket chain Wal-Mart discovered that sales of beer rose on Fridays if the beer was positioned next to disposable diapers/nappies. This was because fathers tended to do more shopping on Fridays than any other day of the week! MFIs can use similar insights to target the sale of school fee-focused products, pension products, etc. to appropriate market segments at an appropriate time in an appropriate package. Intimate knowledge of the seasonality of clients' businesses can help ensure that institutions provide high quality service to customers at their peak periods of business (e.g. firecrackers for New Year season, candles for All Saints Day, sweets for Navruz).

***But How Can Selling Be Customer Service?***
Selling can constitute customer service under many circumstances:

- If what you're selling solves a customer's problem
- If what you're selling enables a customer to take advantage of an opportunity
- If you can articulate why a particular product is the right one for your customer and help him/her choose wisely from among the many different options available in the market
- If you can identify what a customer is likely to need in the future and help him/her plan for what is to come

***What Does It Mean to Aim for Loyalty?***
Given the importance of customer retention to the overall success of financial institutions, a key part of proactively managing customer relationships is seeking to build loyal and long-term relationships from the very first interaction with a potential customer. The more loyal the customer, the more positive their behaviour towards the financial institution is likely to be. This is clearly demonstrated by the relationship marketing ladder of customer loyalty described below.

The Relationship Marketing Ladder of Customer Loyalty




<u>Advocate</u>: A supporter that goes further and actively influences others to participate in a product or service. Opinion leaders' recommendations are especially important in this respect.

<u>Supporter</u>: The more customers like a financial institution, the more likely they are to talk favourably about it; they become supporters. They are likely to be repeat customers and to consume a range of services.

<u>Client</u>: A more in-depth relationship than with a customer. Companies with clients know much more about them individually and are able to tailor their services.

<u>Customer</u>: A consumer of an institution's products or services.

<u>Prospect</u>: A prospective customer. It is important to take care of prospects in order to promote long-term business growth.

***How Can We Aim for Loyalty?***
There are many things that you can do, but perhaps the best place to start is to make loyalty an explicit objective. Measure it, monitor it, plan activities to help you achieve it, etc. Towards this end, here are a few general strategies that you may want to keep in mind:

- <u>Actively solicit customer suggestions for improvement</u>. Something as simple as providing new customers with a satisfaction questionnaire when they have completed their first purchase can show them that you value their input; it can also provide you with valuable information to improve future service delivery.

- <u>Communicate regularly with regular customers</u>. Regular contact is important if customers are to feel that they have an ongoing relationship with your institution. This communication can take many forms: letters, customer newsletters, postings on a banking hall bulletin board, announcements during centre meetings, focus group discussions, visits by field staff, etc.

- Treat complaints as gifts. After all, complaints help you identify where your performance is failing, they give you the opportunity to restore relationships, sometimes they even tell you exactly what you can do to improve performance and they don't charge anything for the advice!

- Say thank you. Responding to customer input in a personal and appreciative manner demonstrates that you value customer contributions. This helps to encourage future communication and can even motivate customers to become problem solving partners. Rather than leave you when something goes wrong, they'll be more likely stick around and help you fix the problem.

- Provide products and services that develop as your customers develop. Even if your customers want to remain loyal to you, the only way they can do so is if you offer the products and services that they need, not just today but also in the future.

- Adopt an image that clients like to be associated with. If clients like the way you look or are proud of your reputation in the marketplace, they are more likely to find the idea of building a relationship with you more attractive. Take, for example, an institution with a reputation for investing in the community or celebrating client success. Customers won't just want to shop at such institutions; they'll want to be publicly associated with them because the association itself gives them status or pride – benefits that go beyond the value of their financial transactions.

- Reward customers who are loyal. If what you're after is long-term relationships, then design your customer service strategy to reward loyal customers with higher levels of service. You might consider giving long-term customers some of the following:

  *Access to additional financial products*: Many microfinance institutions "graduate" their customers to increased loan sizes or to new loan products. A common approach is to retain customers by moving them from group loans to larger individual loans.

  *Access to preferential services*: Preferential services can include lower interest rates, faster processing or dedicated teller windows. Centenary Rural Development Bank created an "automatic credit" product for repeat borrowers. Subject to the borrower meeting certain conditions on number of loans and repayment history, the borrower could obtain a loan without paying a monitoring fee.

  *Public Recognition*: Awards can be given to customers who achieve certain milestones, for example, if they have been an active client for five years or have successfully repaid ten loans without delinquency. Such customers could receive certificates, be congratulated in the local press or on a poster in the banking hall, etc.

  *VIP status*: Status levels can be given to customers that allow differential services to be provided. Credit Indemnity, for example, rates customers according to their repayment history. It has tested a new product that provides differential interest rates according to status.

## Remember, Customers Act on Perceptions

The perception of the service that customers receive is dependent upon their expectations. If the treatment that the customer receives is better than his or her expectations, this is likely to be perceived as excellent service. Conversely, if the treatment that the customer receives is lower than his or her expectations, this will be perceived as poor service. To be perceived as providing excellent service an organisation needs to ***under-promise, over-deliver***.

## So, How Do We Design an Optimal Customer Service Strategy?

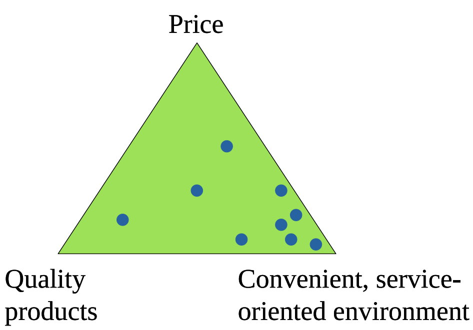
Optimising customer service is a "journey", not a "destination." Thus, the single most important step you can take is to embrace a continuous improvement approach to customer service. The second most important step you can take is to define specific customer service objectives or standards that you want to meet and to regularly monitor performance against those standards, designing your reward or incentive systems so that they motivate staff to achieve them.

To optimise customer service, you need a systematic, progressive process that will continuously improve your relationships with all stakeholders. This process is outlined in the following diagram and will guide our discussions throughout the remainder of the toolkit.

# *The Process: Determining the Role of Customer Service in Your Institutional Strategy*

## Customer Service and Differentiation

In competitive markets, financial institutions need to differentiate themselves from competing institutions. A simple approach is to differentiate services based on price, quality products or service. To differentiate on the basis of price, in other words, to be the cheapest in the market is dangerous because when another institution offers similar products more cheaply, your institution will have to respond in order to retain its reputation. Each time it responds margins, and potentially profitability, fall. It is possible to distinguish oneself on the basis of quality products, but these take considerable time to develop and can be copied by competitors with relative ease. A convenient, service oriented environment, by contrast, can be developed more quickly and be much more difficult to copy.




Indeed, when MFIs plot themselves on a simple positioning map to indicate the value that they aim to provide in the market, most institutions place themselves near the customer service point of the triangle. However, in terms of strategy, there is a major difference between plotting oneself at the very tip of the triangle and plotting oneself halfway between service and price, or between service and quality products.

How much service value do you want to provide? What percentage of your resources do you want to spend on creating excellent customer service? By how much are you willing to have prices rise in order to finance improvements in customer service? How great a priority should customer service be? These questions can only be answered by determining the role of customer service in your overall institutional strategy.

## Why Start Here?

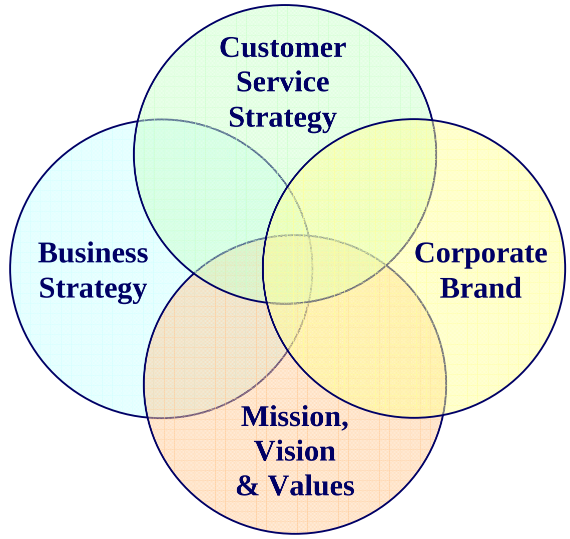
What distinguishes one bank/MFI in the market will not distinguish another. Each institution must decide how it wants to position itself – how it wants to make what it is offering look better than what the competition is offering. Customer service strategy should support that position. It should not come out of thin air; it should not be an independent undertaking.

To be effective, an organisation's commitment to customer service must be part of its overall commitment to the market, to society, to its owners and to its employees. The commitment must make sense given who the institution is, what it wants to achieve, and what resources it has to work with. Ultimately, the organisation must be able to deliver on its customer service commitments, and doing so should help it achieve its overall objectives. It would be counterproductive for the institution to commit to levels of service that it cannot deliver or for which its customers are not willing to pay.

Thus, before considering the details of which customer service investments you want to make, it is critical that you clarify the role that customer service will play in helping you achieve your overall goals and, therefore, the degree of commitment to and level of investment you wish to make in customer service. Once this role is clearly defined, decisions about what to invest in become infinitely easier.

## How Can We Decide What the Role of Customer Service Should Be in Our Institution?

Perhaps this has already been decided. Take a look at your current marketing strategy, customer service strategy and/or business plan. See what has been written about the current role of customer service. Then feel free to question whether that is the right role given your competitive strategy and objectives. If your institution has yet to define what the role of customer service should be, then make this discussion part of your next strategic planning session or, if you're keen to get moving, organise a special meeting of the institution's top leaders to address the issue.




However you go about it, make sure that your approach to customer service aligns with:

1. your mission, vision and values;
2. your corporate brand; and
3. your short, medium and long-term business strategy.

## Is Misalignment Common?

Unfortunately, yes. There are many reasons for which an institution's customer service strategy might not fit with its stated mission, vision and values, with its brand or with its business plan.

***Never thought about alignment***: Perhaps the customer service strategy was developed in a silo – either in marketing or in operations. Maybe it was developed at too low a level within the institution and merely presented to senior management for endorsement. Either of these scenarios can create a situation in which alignment simply does not get on the agenda.

***No strategy exists***: In many cases, customer service is part of the strategy of each department, without becoming an explicit strategy for the institution as a whole.

***Weak customer service culture***: While an institution with a strong customer service culture, such as Equity Bank in Kenya, can develop a reputation for excellent service without a customer service strategy, an institution with a weak service culture faces many difficulties – even with a plan. The challenges start with persuading staff that investing in customer service is the correct course of action. Microfinance programmes with a historical focus on operations and beneficiaries (rather than customers), often face this challenge.

***Past strategy no longer appropriate***: Strategies need to change as an organisation grows and develops. If an institution's leaders haven't taken a look at alignment in some time, the customer service strategy that used to fit well with the institution's goals and competitive positioning may simply not fit any longer.

## How Can We Ensure that Customer Service Plays the Role that It Should Play within Our Institution?

There are several steps that can be taken to ensure alignment between your Mission, Vision and Values, your Customer Service Strategy, your Business Strategy and your Corporate Brand.

- <u>Get senior management to articulate the role of customer service</u>: The role played by senior management in creating and maintaining a customer service culture within a financial institution is critical. The importance that management places on customer service is quickly telegraphed throughout an institution. Thus, management should articulate the role and importance of customer service in what they say and in what they do. This means developing and communicating customer service strategies, and maintaining mechanisms for listening to both clients and staff.

- <u>Involve different levels of staff</u>: All levels of staff are ultimately involved in producing quality financial services, directly or indirectly. Therefore, all staff should have mechanisms for contributing to the development of the Customer Service Strategy, and mechanisms for providing feedback on the Customer Service Strategy.

- ❖ Have SMART objectives: Focus the strategy on Specific, Measurable, Achievable, Realistic, Time-bound objectives.

- ❖ Hold people responsible for achieving those objectives: If everyone in your institution is supposed to be responsible for customer service, make sure your performance appraisal and reward systems are designed to hold everyone accountable for their customer service contributions. This can go beyond mere individual performance to include the signalling of problems and the identification of solutions.

- ❖ Build on existing capacity: Few financial institutions have the capacity they wish to have to deliver customer service, especially at the start of a transition to becoming more customer focused. By necessity, financial institutions need to build gradually. Their strategy needs to be grounded on a realistic assessment of current capabilities and capacity will need to be grown as required to create better alignment.

- ❖ Nurture an institutional culture: The culture of the institution needs to be shaped and nurtured so that it embodies an appropriate customer service attitude and approach. This can be especially challenging for financial institutions which, in part because of a positive customer service approach, have grown quickly.

- ❖ Put commitments in writing: Senior management commitments relating to customer service should be placed in writing.

**Articulating a Customer Focused Strategy: Teba Bank**

The needs of our customers are the primary business driver:

- ➢ This value is demonstrated in our cash planning, our backup system, the alliances we form, investment in the reliability of our systems, and dedicated service advisors.
- ➢ Our products are designed around their needs.
- ➢ A customer-oriented attitude is developed and expected from all staff supported by continued customer care training and regular customer service feedback.
- ➢ All employees demonstrate acceptance, respect and understanding for the culture, customs and needs of our clients.

Teba Bank Annual Report 2002

## Why Put Commitments in Writing?

***To commit the institution to an appropriate level of service***: Beware, however, even in a written document commitment can be poor unless it is communicated widely to staff and to customers, though customer service standards, and a customer service charter.

***To be clear about what the institution is committing itself to***: A successful long term strategy to improve customer service will impact on much of the institution, in front and back office, in operations, in marketing, in information technology. The strategy will need to be carefully integrated into other complementary initiatives.

***To facilitate communication of the commitment***: The extent of change necessary to continually deliver good service will not be apparent to many within the financial institution. Careful communication of the commitment must be made and having something in writing can help facilitate this. Management and staff throughout the institution need to visualise their role in delivering service excellence.

***To guide strategic investment in customer service***: Once the strategy has been written, informed decisions can be taken with respect to allocating the resources required to implement the strategy. Activities will require careful phasing to generate low cost quick wins, and to ensure long term maintenance of service levels.

## Where Should Customer Service Fit in Our Organisational Structure?

The answer to this question will depend heavily on the role that you have defined for customer service within your overall institutional strategy. Is customer service the single most important factor that distinguishes you in the market? If so, you might want to create a separate office staffed by employees who focus on customer service all the time. For most institutions, however, this option will not be viable. Customer service will become one of many functions carried out by an existing department, most likely by marketing or operations.

Where you physically locate the function is not nearly as important as two other factors: 1) making sure that someone, or some unit, coordinates and safeguards the role that customer service is intended to play; and 2) making sure that whatever entity assumes this role is both capable and properly positioned to facilitate collective effort. The entity must have authority, resources and excellent communication skills.

## Consider a Customer Service Team

Because of the diversity of customer service drivers, some organisations choose to establish a customer service team lead by a senior manager who acts as the “customer service champion”. The customer service team is drawn from many departments, including operations, information technology, marketing and human resources. The cross functional nature of the team increases its legitimacy, its resources and its ability to communicate with various parts of the institution. The presence on the team of a senior-level leader is critical, however – someone who can motivate the team, who can set a very visible example, and who can ensure that customer service issues are paid attention to by the most senior decision makers of the institution.

## Remember, Customer Service Begins at the Top

The role of senior management in defining, directing and modeling the customer service strategy is critical; success depends on this high level commitment. Management sets the tone for how staff should treat the customer by how the company treats its staff. It needs to ensure that the head office provides its internal customers with quality service so they can in turn provide their external customers with the best possible service.

## How Can We Achieve Buy In from Others?

Involve all staff in discussing the benefits of a customer service focus and create a vision of how they see customer service in their institution. This can be achieved in multiple ways:

- Emphasise that everyone has a part in customer service because of internal and external customers
- Empower staff to be responsible for customer service in their area/branch
- Ensure staff helps set and revise standards for excellent service
- Engage staff in the design of customer service monitoring (objectives and tools) and involve them in measurement. For example, at one MFI, management is required to serve customers one day in each month.
- Recognise everyone who contributes to excellent customer service

## Ready to Move On?

If you have defined the role of customer service in your institution and your senior leadership has made a commitment to that role; if your commitment is genuine and specific and goes beyond mere lip service; if you’ve identified where in the institution the customer service function will sit and who or what entity will ultimately be responsible for monitoring performance and signalling problems; then you’re ready for the next step: diagnosis and analysis.

# *The Process: Diagnosis and Analysis*

Once you have determined the role of customer service in your institution, the next step in the process is to conduct diagnosis and analysis to understand how you can best improve your customer service. To do this, you need to know the answer to the following key questions:

- What do your customers require?
- What should be driving your customer service?
- How are you currently performing?
- What are the root causes or reasons for this performance?
- What could you do to improve your customer service?
- What should your priority actions be?

This diagnosis and analysis has to be conducted in the context of three key larger business drivers:

1. Your institutional priorities and business strategy (as discussed in the previous section).
2. Commitments you have already made to your customers (perhaps as part of previous customer service reviews/activities or as a result of over-zealous marketing departments).
3. Service factors that are critical to the strength of your brand or the achievement of your institutional objectives.

And of course, customer service is in the eyes of the beholder – the customer. Customer priorities and requirements are what matters – not what you think the customer thinks!

## How Does *MicroSave* Recommend Implementing this Step?

The diagnosis and analysis process recommended by *MicroSave* is summarised by the diagram below.

*Clients/Staff*: Identify Service Level Drivers

⇩

*Management/Staff /IT Systems*: Assess the Operating Environment

⇩

*Staff/Management/IT Systems*: Diagnose Current Performance

⇩

*Management/Staff*: Identify and Prioritise Possible Actions

⇩

*Management/Staff*: Prepare to Monitor

## What Is a Service Level Driver and How Do We Identify Them?

A service level driver is something that "drives" or heavily influences the nature and degree of service that your institution will deliver. As alluded to previously, such drivers are typically found in one of three places: in the priority demands of your customers, in the competitive requirements of the market environment, and in your own institutional objectives and priorities.

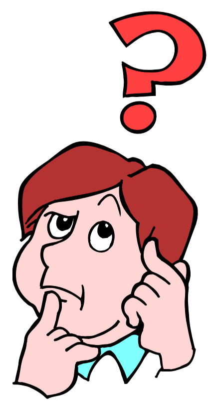
Unless you're going to guess, the only way to identify your service drivers is to do some research. In fact, the only way to answer any of the key questions posed above is to do some research. Once you've decided which question(s) you want to answer, there are a number of different tools that can help you do the work. We look at these in just a minute.

As you move forward with your research, however, it is important to choose only the most appropriate tools. Using all the tools is likely to take time, increase costs and result in a blizzard of data. That said, many of the tools can inform other parts of the institution for other purposes (for example, rollout, product marketing or corporate brand monitoring reviews), so you should also look for synergies.

If you're keen to do a holistic review of your customer service, see *MicroSave*'s Customer Service Diagnosis and Analysis Workplan for guidance. If you want/need to focus on some specific issues or areas, you will have to prepare your own research plan (*MicroSave*'s Market Research for Microfinance Toolkit can help you with the process).

As you prepare the plan, remember: conduct research on/with current, past and potential clients!

## The Questions You'll Want Answers To



Irrespective of your research objective, the research plan will probably have to focus on allowing you to answer the following questions:

- What is important to clients?
- What do staff think is important to clients? (does this differ from what is important to the customers?)
- What quality of service are we currently delivering to our customers (internal and external)?
- What is the quality of service being delivered by our competitors?
- What has already been done in an attempt to improve service quality?
- What could we now do to improve our customer service?

## How Can We Use Our Existing Information Systems?

Valuable information is likely to be available from your existing information systems – and as usual, it is important start with this secondary data before investing in primary data collection. Indeed, the secondary data will probably affect the primary data you chose to collect and the research tools you will use.

Secondary data will be available from:

- ✓ Your client database, which should provide information on client descriptors (age, sex, occupation, place of residence, activity at other financial institutions etc.) and behaviour (dormancy, size and regularity of loans taken etc.)
- ✓ Client exit/account closure forms, which will yield similar information together with a basic analysis of reasons for leaving and to which (if any) other financial institution they are taking their business.
- ✓ Complaints and suggestions registers in the branches.

The collective management information system generates huge amounts of information. However, information needs to be carefully gathered and analysed if it is going to generate change. In too many cases information is gathered with good intent – but it is not used to inform decision-making and to effect change. Some examples of the type of information that a banking system can provide are given below, along with the potential use of that information in improving customer service.

| Information Gathered | Implications for Customer Service |
|---|---|
| Number of transactions per day per teller in different branches | To identify factors affecting the speed of delivery of front office services. To identify efficient tellers. |
| Dormancy analysis | To identify the extent of dormancy in savings accounts; clients rarely close accounts instead they run them down. Increasing levels of dormancy can indicate silent dissatisfaction with the service. |
| Dropout numbers | To identify the trend in group based programmes of clients leaving the programme. |
| Portfolio at Risk (PAR) | Clients receiving excellent service are much more likely to repay their loans. An increasing portfolio at risk across the institution can indicate problems with a product or service. A high PAR for an individual loan officer can indicate problems with a particular member of staff. |
| Transaction timings generated by system | To identify the speed that transactions are occurring, to ensure speeds meet customer service pledges. |
| System downtime | To monitor the time that service to any location was disrupted for whatever reason. Significant disruptions should be investigated and reported. |
| Stratification of account balances | To understand the type of customers that the financial institution services, this then can be used to improve marketing and communication campaigns, and as part of wider segmentation analysis. |
| Contact information | Useful in customer service surveys, complaint resolution, service recovery. |
| Payment analysis | Useful when considering cross selling campaigns, for example when selling school fees loans. |

## How Can We Gather Information from Clients and Staff?

Primary data collection at this stage will involve interviewing/conducting participatory exercises with customers and staff. Below are brief descriptions of some tools you might use.

***Customer Service Questionnaire*** (Handout 6.3)
This tool is a simple mini survey instrument that measures the degree to which customers are satisfied with the product(s) or service(s) being provided and solicits recommendations for improving customer service. The tool can:

- Be applied by the financial institution's staff conducting interviews with customers at their homes, at meetings, or in the banking halls; or
- Be given to customers to fill out themselves and return to the institution anonymously.

***ServQual*** (Handout 6.4)
This tool is a slightly more complex survey instrument that measures the importance of various service factors for customers and asks the customer to evaluate the institution's performance against each factor. It is best applied by well-trained staff to customers and should not be self administered by clients.

***Focus Group Discussions (FGDs)*** (Handout 6.5)
Well moderated Focus Group Discussions will allow the financial institution to better understand the complex perceptions, beliefs and financial behaviour of its customers (past, current and potential). There are two basic types of FGDs:

1. Guide-Led – a moderator uses a prepared list of questions to facilitate a discussion with 6-8 clients about their understanding of Customer Service and their expectations
2. PRA Tool-Led – a moderator uses a participatory rapid appraisal (PRA) tool to facilitate discussion around Customer Service themes, for example:
   - *Attribute Ranking* – clients rank different elements of Customer Service in order of their importance
   - *Relative Preference Ranking* – clients compare the level of Customer Service in competing institutions around key criteria
   - *Time Series of Customer Service Analysis* – clients track changes/improvements in Customer Service in an institution over time

The planning, moderation and analysis of FGDs is discussed at length in *MicroSave*'s "Market Research for MicroFinance" Toolkit and on the "Listening to Clients" video compact disk series.

***Customer Exit Surveys***
Client exit surveys are performed to understand why clients leave a particular institution. They are of several types: they can be quick, tick-the-box questionnaires that are used whenever a customer closes an account, or they can be very detailed questionnaires designed to be employed during exit interviews.

There are several challenges in using exit interviews. The tick box type is often completed quickly if at all. Departing clients may not care very much about responding or alternatively may not be prepared to provide the real reason for their departure. The more detailed exit survey requires time from the institution and its departing clients and is probably best suited as an ad hoc or sample survey.

The AIMS/SEEP Client Exit Survey is a good basis on which to start to develop an exit survey tailored to your institution. The planning, moderation and analysis of client exist surveys is discussed at length in the AIMS/SEEP "Client Assessment" Toolkit and on the "Listening to Clients" video compact disk series.

***Customer Consultative Groups***
Customer consultative groups are used by a growing number of financial institutions to develop an informed picture of their clients' perceptions of the strengths, weaknesses, opportunities and threats facing the organisation. Customer consultative groups meet every month or quarter to provide structured feedback on the institution's operations – including customer service.

***Solicit Suggestions***
Many institutions solicit suggestions from their customers or from their staff, often by using special forms or competitions to encourage response. Some even give small rewards (monetary and other) for ideas that get implemented or recognise the contributors of ideas in the banking hall.

Feedback forms communicate the importance of customer service to the customer. In addition to asking customers for their suggestions, the form can include a sentence soliciting more sensitive feedback, for example:

> *"If your suggestion is sensitive in nature or you wish to discuss this with someone outside this branch you can contact… Telephone number…. Email address."*

The form should ask for customer name and contact telephone number so that any action taken can be reported back to the customer, or so that the customer can clarify their problem. It can also include a short space on the bottom of the form for noting actions taken against the issue.

***<u>Serviced</u> Suggestion Boxes***
Most financial institutions have suggestion boxes positioned around their offices and branches. However, few give active consideration to how the humble suggestion box can best be used. In some institutions, feedback from the suggestion boxes is very positive raising some cause for concern that negative suggestions may not be captured by the time the suggestions arrive at the head office. To control for this, often the keys to the suggestion box are held by a regional manager or by the head office.

There are many ways in which attention can be drawn to the Suggestion Box:
- Strategically place the suggestion box within the branch so that it is noticed
- Attract attention to the suggestion box through posters asking for customer suggestions
- Ensure that the poster creates a call to action
- Design a suggestion box feedback form
- Create a writing shelf by the suggestion box with suggestion papers and pens available
- Ensure that there are alternative mechanisms for the client to provide feedback if they feel that they will not receive proper attention at the branch
- Place a framed plastic notice board by the suggestion box where selected responses to customer suggestions can be displayed and routinely rotated to demonstrate a "listening" ear.

Suggestion boxes can yield excellent information – if they are serviced. It is important to demonstrate to the customers (and staff) who place suggestions in the boxes that their ideas are collected, read and responded to. Market-led institutions will "service" their suggestion boxes by:

1. Having well-defined procedures for the emptying of suggestion boxes
2. Clearly assigning responsibility for the collation and analysis of the contents of the suggestion boxes
3. Ensuring that valuable suggestions (positive and negative in nature) are acted on
4. Communicating the action taken (or decision not to take action and the reason) to the customers – either by placing a notice next to the suggestion box or by letter to the person who made the suggestion (or sometimes even to the entire clientele)

## What About Gathering Information on the Operating Environment?

The second step in the diagnosis and analysis process is to examine the operating environment within which your customer service is delivered. Once again, it is important to choose only the most appropriate tools and to start with the secondary data already available. Relevant sources of secondary data that can shed light on your internal operating environment will include:

- Operations manuals, policies and procedures
- Business plans, marketing plans and other planning documents
- Customer service strategy and/or customer charter

Sources of secondary data that can help you understand your external operating environment include:

- Sector and demographic studies, especially those that forecast future trends
- Local microfinance network or association events and publications
- Donor surveys and evaluations

The latter in particular can be used to gather information on the competition, macroeconomic, microeconomic and industry trends as well as opportunities for product development. When possible, use these evaluations to review your internal environment as well – just make sure to negotiate appropriate terms of reference to get practical advice on ways to improve your systems and service.

The secondary data gathered can inform and guide any primary research that you may want to organise in order to better understand certain aspects of the environment or to explore in more detail some of the factors that are likely to drive growth and customer choices in the future. Towards this end, one-on-one interviews can be very useful, perhaps with sector experts, government officials, professors or local consultants. FGDs with staff, clients and non-clients can also be helpful at this point in the process.

## Assessing Current Performance and Identifying Possible Actions

The research conducted thus far should have enabled you to identify internal and external service level drivers—the factors that are most important to clients and those that are most critical to success in your operating environment. Once you have done this, you'll be ready to assess your current performance in those critical areas and to identify possible actions for leveraging your strengths and improving your weaknesses.

*MicroSave* has found that it is probably best to start this part of the diagnosis and analysis process with the *Customer Service Diagnosis and Analysis Tool* (Handout 6.6) as this tool provides a rapid and holistic analysis of customer service, thus providing an important overview of the issues.

## What Is the Customer Service Diagnosis and Analysis Tool?

This tool considers any issue, from a staff perspective, that can affect the level of service received by customers. It has been developed based upon the experience of *MicroSave* with its Action Research Partners – it will need to be further tailored to a particular institution or methodology.

The diagnosis and analysis tool is focused around a range of common customer service issues organised by the 8Ps of marketing. Respondents are asked how much impact a typical customer service issue has, and how often it occurs. On the basis of this information, it is possible to develop a matrix to analyse the key challenges/issues in customer service as well as the solutions that can be applied to address them.

Whilst the tool can be sent around for staff to complete individually, much higher quality responses are gained by using the tool in a workshop setting and facilitating feedback section by section. The Customer Service Diagnosis and Analysis Tool comprises two parts:

PART A: *Customer Service Questionnaire*
PART B: *Customer Service Matrix*

The ***Customer Service Questionnaire*** focuses on a rapid appraisal of the extent and impact of generic customer service issues within the financial institution. The questionnaire is used to focus additional research rather than being authoritative. Users of the questionnaire are asked to make two ticks. First, users give their opinion of the impact of the event when it occurs:

- *High Impact*: It is likely to have a significant impact on the bank when it occurs
- *Medium Impact*: It is likely to have a moderate impact on the bank when it occurs
- *Low Impact*: It is likely to have a low impact on the bank when it occurs

Second, users indicate how frequently an event occurs:

- *Very Common*: This happens every day
- *Common*: This happens several times a week
- *Sometimes*: Once a week
- *Rare*: Once a month
- *Very Rare*: Less than once per month

The ***Customer Service Matrix*** provides suggestions on which additional tools might be used to research the customer service issues identified through the customer service questionnaire. It provides some generic recommendations that are intended to stimulate discussion.

This analysis then allows the institution to assess which (if any) additional tools to use to:

- Further analyse the key challenges/issues and their root causes
- To collect baseline data on key indicators that will be used to monitor progress

## What Other Tools Can We Use to Focus Our Research and Analysis?

There are many. In addition to the tools already mentioned above, we can recommend several others that can help you analyse your environment and/or gather additional information from staff. As you focus your research, be sure to look at your internal environment (your own branches or outlets) in comparison with your external environment (the branches/outlets of major competitors). Here's an overview of some the tools that you may find useful:

***Mystery Shopping Guide*** (Handout 6.7)
This tool is used to guide "mystery shoppers". Mystery shoppers are people unknown to the branch staff who are sent in to conduct transactions or seek information and observe the processes and performance of the branch around six of the eight Ps. The mystery shopper follows a guide and typically interacts with a wide variety of staff before assessing the branch infrastructure, marketing efforts, etc.

***Physical Infrastructure Review*** (Handout 6.8)
This tool uses a detailed questionnaire administered by the institution's staff to assess branches' physical infrastructure on the basis of four key Ps:

1. Promotion (or from the customers' perspective Communication)
2. Place (or from the customers' perspective Convenience)
3. Physical Evidence (or from the customers' perspective Cleanliness and Creativity)
4. Process (or from the customers' perspective Course of action, Consistency and Confidentiality)

***Product Marketing Review*** (Handout 6.9)
The tool assesses the adequacy of marketing materials in a branch. Opinions are gathered on the quality of materials, content, types of materials available and sufficiency of materials. It also produces an

indication of whether staff can provide advice across a range of products and services. An interview with the branch manager concludes the tool. During this interview, the branch manager describes the range of marketing activities that have taken place in the branch and details the support received from the head office with respect to these activities. The branch manager is asked to comment on the effectiveness of branch marketing activities, as far as possible providing appropriate evidence. S/he is also invited to give recommendations on how to improve levels of customer service.

***Branch Staff Questionnaire*** (Handout 6.10)
This questionnaire assesses the level of product knowledge by staff. During interviews it notes concerns that have been raised by customers. It also identifies service delivery challenges faced by staff and solicits suggestions from staff for service improvements.

***Support and Training Review*** (Handout 6.11)
This tool is focused around an individual product. It ascertains whether staff have been trained in the product and tests their knowledge of it. It examines whether targets have been set for the product, whether staff know how to communicate pricing issues around the product, whether staff are aware of marketing strategies for the product, and whether they comply with standard processes. The support and training review is particularly important for new product development. It is often used when products and services have been rolled out across the institution to test that appropriate support has been provided and has produced the desired results.

***Solicit Suggestions***
As noted above, many institutions solicit suggestions from their staff – often through competitions to encourage response. Some even give small rewards (monetary and other) for ideas that get implemented or recognise the contributors of ideas in the banking hall.

***Internal Audit Questionnaires*** (Handout 6.12)
These tools evaluate internal systems and procedures and can reveal areas for systems improvement.

***Observation and Timing of Transactions***
This activity is particularly useful in measuring performance against specific standards.

***Process Mapping*** (Handout 6.13)
Process mapping is a technique that makes workflows visible. A process map is a flowchart that shows who is doing what, with whom, when, for how long and with what documents. It shows how operational decisions are made and the sequence of events that leads to a completed transaction.

*MicroSave* goes beyond drawing flowcharts, adopting a four-tier approach to process mapping. The four tiers are: the flowchart, a description of the process, potential risks in the process, and possible controls. This approach enables efficiency and internal controls to be carefully balanced, to the benefit of the institution and its customers. Process maps allow you to:

- Cross check maps with written policies, procedures and staff training materials
- Compare maps of the same process drawn in different branches
- Compare your processes with those of other institutions that have a similar product or delivery channel
- Identify redundancies, bottlenecks, risks, activities that add value for customers and opportunities for streamlining procedures
- Illustrate what new and improved processes could look like – the “Could Be” maps.

While maintaining the balance between efficiency and risk mitigation, continually question your assumptions about the value of each activity/step in the process:

- “What value does this activity add?”
- “Which stakeholder benefits?”
- “Do our clients care enough to pay for it?”
- “What could we do differently at this step to attract and keep more customers?

Process maps allow you to analyse and consider:

- **C**ombining activities
- **A**dapting activities
- **R**unning activities in parallel rather than one after the other
- **E**liminating activities that are not required
- **S**peeding up activities through technology or other innovations

Thus, process mapping is a tool used to simultaneously improve both the flow of processes and reduce the risks associated with a process. *MicroSave* has had considerable experience in using process mapping to improve service levels within an institution. The technique is described in "A Toolkit for Process Mapping for MFIs" by Pamela Champagne, et al. and the initial benefits experienced by Action Research Partners are recorded in a paper entitled, "Process Mapping in Practice" by Henry Sempangi, et al. The scope of benefits experienced is considerable, as demonstrated in the table below.

| **Area of Benefit** | **Strategic Benefit** | **How is this Achieved** |
|---|---|---|
| Human Resource Management | Improved allocation of human resources | Improved assignment of tasks between individuals; assessment of process related blockages often leads to reallocation of staff. More efficient use of staff through process improvement. |
| Standardisation | Consistent processes and procedures throughout the institution | Process Maps can act as reference points for day-to-day work as they are easy to refer to, read and understand. |
| Feedback Loop | Improved decision making | Properly drawn maps identify information flows to and from management and thereby can guide and improve decision-making. |
| Customer Service | Better client oriented operations and banking environment | By examining processes for bottlenecks, sources of delay, preventable errors, role ambiguity, duplications, unnecessary handovers and cycle time an institution will improve service levels. |
| Change Management | Informs change management | Highlights process and many non-process areas for change and provides a structure for process related changes to be tested. |
| **Area of Benefit** | **Management Benefit** | **How is this Achieved** |
| Cost Control | Reduces product delivery costs | Increasing efficiency through the identification and elimination of duplications and/or unnecessary procedures while managing risk. |
| Banking / Management Information Systems | MIS audit and improvement | Operations inefficiencies can be linked to MIS limits and weaknesses. |
| Staff performance | Increased ability to monitor and maintain performance levels | Enables staff performance to be monitored through rationalising tasks performed and by developing performance based indicators. |
| Staff training | User-friendly training materials | Flowcharts are easy to understand and to share across organisation. |
| **Area of Benefit** | **Operational Benefit** | **How is this Achieved** |
| Documentation | Rationalised documentation.<br>Improved and more user- friendly manuals. | Identification and removal of unnecessary documentation.<br>Flowcharts provide process oriented, easy to read and understandable procedure manuals. |
| New product development | More effective product processes | Engineering and refining processes to ease service delivery, avoid risks and overall system change. |
| Product and process knowledge | Improved understanding and implementation of products /processes | Through simplifying procedures and making product delivery more consistent and through using improved documentation for training and reference. |
| Maintaining service quality | Getting recognition and establishing quality | Following standard process, adhering to statutory requirements |

Source: Process Mapping in Practice, Sempangi et al (2005)

***Successful Process Mapping Example 1: Lloyds TSB in the UK***

As a result of process mapping in the home-buying market at Lloyds TSB, three separate processes (managed across four functions) were reduced to one process. This was then managed in a consistent and logical fashion by one function which:

- Reduced the time it took from an average of 30 days to formal offer to an average of 7 days to formal offer
- Reduced five forms with 167 questions and four or five interviews to one application form with one interview

❖ ❖ ❖ ❖

***Successful Process Mapping Example 2: Equity Bank***

At Equity Building Society, process mapping results were used to reduce total customer time in the bank by more than 2 minutes. Equity estimates that this improved efficiency will save them 28,612 days of staff time in a single year. Note that the time actually spent with the cashier has risen by a small amount as Equity put in an additional step in the process to strengthen internal controls.

| **Activity** | **Pre-pilot** | **Post-pilot** |
|---|---|---|
| Account opening | 12.6 minutes | 9.78 minutes |
| Cash transaction (time with cashier) | 1.96 minutes | 2.17 minutes |
| Cash transactions (total cycle time) | 7.14 minutes | 4.96 minutes |
| Magnetic cards – Card issue | 1 month | 2 weeks |

## Confused and Do Not Know Where to Start?

Use the examples below to get you thinking…

| Research Question | Sample Research Tools |
|---|---|
| What has already been done? | Interviews with senior staff, Support and Training Review, FGDs with staff |
| What is important to clients? | ServQual, guide-led or simple attribute ranking FGDs |
| What do staff think is important to clients? | Staff complete ServQual as they would expect clients to respond, Simple attribute ranking with staff |
| What quality of service are we delivering to our customers (internal and external)? | ServQual, Mystery Shopping, Customer Satisfaction Survey, Physical Infrastructure Review, Marketing Review, Branch Staff Questionnaire, Internal Control Questionnaire, *MicroSave* Diagnosis and Analysis Tool Part A |
| What are we delivering at this level of quality? | *MicroSave* Diagnosis and Analysis Tool Part B, Support and Training Review, Time Series of Customer Service analysis through client FGDs, Process Mapping |
| How can we improve our customer service? | Suggestion Box, FGDs, Exit Interviews, Process Mapping, Customer Satisfaction Survey, Branch Staff Questionnaire |
| What is the quality of service being delivered by competitors? | Relative Preference Ranking, Mystery Shopping, Physical Infrastructure Review, donor evaluation / sector studies |

## Who Should Collect and Analyse the Data?

There are varying approaches to collecting the data and these are outlined below.

| Staff (internal) | New Recruits (internal) | Consultants (external) | Interns (external) |
|---|---|---|---|
| Cheaper in cash terms, but may be expensive in terms of opportunity costs | Cheaper – indeed can be an excellent part of the in process | Must pay more for this | Cheaper |
| Difficult to get unbiased, objective information | More objective; often (but not always) bring little or no experience and perspective from other institutions | More objective; bring experience and perspective from other institutions | More objective; bring little or no experience and perspective from other institutions |

| **Staff (internal)** | **New Recruits (internal)** | **Consultants (external)** | **Interns (external)** |
|---|---|---|---|
| Takes time and requires training | Takes time and requires training | Faster; they already know how to use the tools and don't have other responsibilities in your institution | Takes time and requires training |
| Can learn more through the process than by simply receiving the results | Can learn more through the process than by simply receiving the results | May not understand your history and culture; could share information about you with your competition | May not understand your history and culture; could share information about you with your competition |

**Case Study: Kenya Post Office Savings Bank KPOSB)**

In March 2004, KPOSB spent two days on the Customer Service and Analysis Tool. *MicroSave* facilitated two groups of around 30 participants each. One group comprised senior/middle management and the second comprised front-line staff and Head Office support services staff.

As a result, KPOSB able to complete an analysis of key challenges as well as the identification of many potential "quick wins" and some strategic issues. On the basis of these, the bank developed an extensive recommendations matrix that drove the work on customer service for the following year.

After efforts to improve customer service, they returned to the field in March 2005. A 15-member team (including 6 new KPOSB customer service officers, 7 KPOSB frontline staff, the KPOSB customer service manager and 1 *MicroSave* staff) worked using the following tools:

- Mystery shopping guide
- Branch infrastructure review
- Product marketing review
- Customer service questionnaire
- Branch staff questionnaireServQual questionnaire

They gathered information from each other, 19 additional PostBank staff and 89 customers in four PostBank branches, four competitor banks branches over a period of 2 days.

As a result of this follow up field research, the team became significantly better informed about KPOSB's strengths and weaknesses in customer service, clients' perceptions of these, as well as the implications for the bank. It was able to make recommendations structured around each of the 8 Ps, and identify which were most critical in order to respond to clients' requirements.

## How Do We Analyse All This Data?

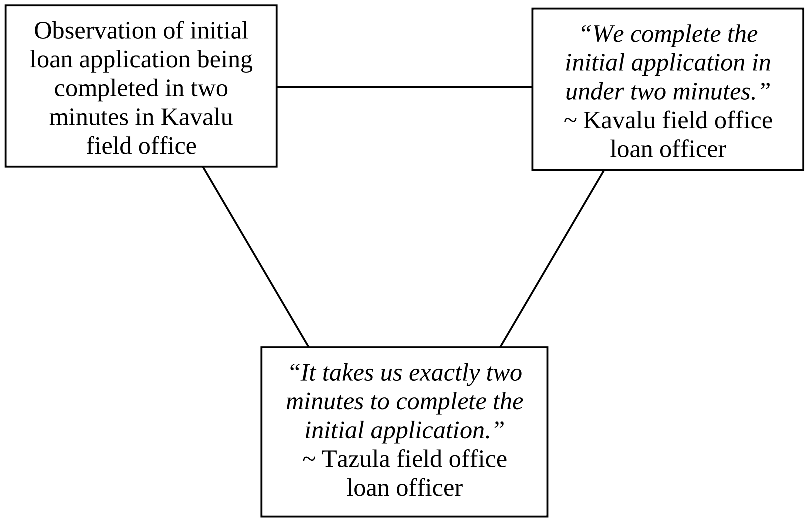
There are several tips that we can offer to help you analyse the data:

1. Organise qualitative research results, including FGD tally sheets, quotes and notes, around the 8Ps/8Cs
2. Hold workshops to discuss Part A of the *MicroSave* Customer Service Diagnosis and Analysis Tool
3. Triangulate your data!
4. Try the *MicroSave* Customer Service Assessment Tool (an Excel spreadsheet) to make comparisons (and later to monitor performance)

It is important to note, however, that the analysis of qualitative data is complex and you may need to refer to *MicroSave*'s "Market Research for MicroFinance" Toolkit or the "Listening to Clients" video compact disk series. Additional guidance on the analysis of the quantitative data is also available in the MicroSave/MFC "Quantitative Research Toolkit".

## What Does it Mean to “Triangulate Data”?

Triangulation refers to the process of cross-validating the information you gather until significant differences are no longer observed across data points. As long as you continue to hear substantially different stories from different sources, or are drawing substantially different conclusions using different tools, more inquiry is needed to understand the situation**.**




## How Do I Use the Customer Service Assessment Tool?

The Customer Service Assessment Tool is an Excel spreadsheet that allows data from six questionnaires to be triangulated according to the 8Ps/8Cs. Data from each questionnaire is entered into a separate worksheet. The tool automatically organises the data into various summary worksheets and charts. This assists in the analysis of quantitative aspects of the research tools.

The tool contains a total of 12 different worksheets which need to be adapted for use by your institution. Customisation is relatively easy.

- ***Model Worksheet*** – this summary worksheet functions like a table of contents and links to all other worksheets in the tool
- ***Description Worksheet*** – this captures the name of each internal branch and each competitor branch being assessed.
- ***Sampling Worksheet*** – helps you calculate the appropriate sample size of customers to interview, based around a simple percentage
- ***Questions Worksheet*** – allows you to modify the questions used in each questionnaire that is included in the tool
- ***6 Monitoring Tool Worksheets*** – each provides a separate page for entering data from each questionnaire.
- ***Branch Summary Worksheet*** – compares branch performance in each of the 8P/8C areas.
- ***Competitors’ Summary Worksheet*** – compares the average performance of your institution in each 8P/8C area with the average performance of each competitor
- ***Category Questions Worksheet*** – allows you to analyse detailed performance results in each 8P/8C area for your individual branches, your institution as a whole, and your competitors

The tool also contains three charts that graphically display the performance results, they provide:

1. A comparative analysis of your individual branches
2. A comparative analysis of your institution’s overall performance against that of your main competitor
3. A comparative analysis of your institution’s overall performance against all competitors

## How Can We Use the Data and Analysis Tools to Identify Strengths?

The data you have collected and the analysis you have subjected it to should have allowed you to assess your areas of strength in customer service. These are particularly important since they must be preserved and, where possible, enhanced.

To assess your areas of strength, answer the following questions:

- In what areas were customers pleased with your performance?
- In what areas did you deliver what customers wanted you to deliver?
- In what areas did you deliver what you wanted to deliver?
- Did the achievement of those goals actually help you to meet your institutional objectives?
- Where did you deliver better service than the competition?
- Where are you performing better than in the past?

## How Can We Use the Data and Analysis Tools to Identify Weaknesses?

The data you have collected and the analysis you have subjected it to should also have allowed you to assess your areas of weakness in customer service. These are the areas that you will seek to improve in the future – your main challenge will be to focus on the high value, quick wins that address these areas of weakness.

To assess your areas of weakness, answer these questions:

- In what areas were customers dissatisfied with your performance?
- In what areas did you fail to deliver what customers wanted you to deliver?
- In what areas did you fail to deliver what you wanted to deliver?
- Where did the competition deliver better service than you?
- Where are you performing worse than in the past?
- Do you see any of the gaps that typically appear between service providers and customers?

***An Institution's Strengths and Weaknesses – The Customer Perspective***

A bank needs to know its strengths. Traditionally this is performed in strategic management sessions through SWOT analysis. However, what this reflects is the view of the institution looking from the inside out. Customers may well have a different perspective. When Equity Bank conducted research with its customers in late 2001, it discovered—contrary to expectations—that clients found the institution had a confusing range of fees and prices that were not transparent. Worse still, many perceived Equity Bank's prices to be exorbitant as a result.

## What Should We Do With Our Strengths?

First of all, question them:

***Q. Do they lie in areas that are high priority for customers?***

If yes, leverage them. Use them to build your brand, to market your products and services, to strengthen your areas of weakness, etc. If no, consider changing your market. For example, if your strengths are in fast service but your customers want an in-depth relationship, you may have the potential to change or expand your market to serve another market segment that values fast service more than an in-depth relationship.

***Q. Do they support your institutional strategy?***

If yes, leverage them. If no, consider reengineering – either change your strategy or restructure your capacity to implement your strategy as it is currently designed.

***Q. Do they give you competitive advantage?***

If yes, leverage them. If no, invest less in preserving existing strengths and more in developing customer service dimensions in which your competition is not strong.

***Q. Are they new strengths?***
If yes, focus on preserving and growing them. If no, focus more on leveraging them.

Once you have ascertained your strengths from a customer perspective, you need to carefully communicate these both internally and to the market.

**Make them particularly visible in your marketing**: Institutional and product strengths should form a major part of the marketing campaign. For example, Cooperative Bank in Kenya expects to have 100 ATM machines in operation before the end of 2005, which would make it the bank with the largest number of ATMs in the country. It has launched a major campaign communicating its ATM presence.

**Build your brand around them**: A brand is a careful attempt to manage the perceptions of the target market towards a particular product or institution. ***Communicating strengths changes perceptions.*** CRDB Bank in Tanzania was privatised in the late 1990s, but it still had to manage the perception of being a bureaucratic state owned bank. It launched the Tembo Card in 2002, which was one of Tanzania's first ATM cards. Combined with a gradual programme of branch refurbishments, the Tembo Card has been attributed to changing public perceptions of the institution. CRDB is now growing rapidly and reported record profits in 2004.

**Ensure solutions to problems won't damage existing strengths**: Teba Bank in South Africa was perceived to serve customers very quickly. Thus, when it upgraded its information system it spent a considerable amount of time and money ensuring that the new banking system would be able to process basic transactions rapidly.

**Build your customer charter around them**: When the customer charter is built around the strengths of the institution, promises made in the customer charter should be achievable. However, often customers want action in areas of perceived weakness, so the charter may need to go beyond strengths.

**Measure and communicate their impact**: Set standards, monitor key performance indicators and ensure that staff are aware of the importance of your main strengths. This will help motivate everyone to protect and nurture them so that strengths are maintained over time and don't deteriorate due to neglect.

## What Should We Do With Our Weaknesses?

First of all, check that these are weaknesses that matter to the customer. If it is, take the time to discover the ***root causes*** of the problem using the tools outlined above. Then, brainstorm and analyse possible solutions, and finally, prioritise possible actions based on impact, cost and speed of implementation.

A series of practical actions are possible:

1. Ask customers (both internal and external) what they think the causes of problems and potential solutions are.
2. Look at the results of previous research.
3. Examine the results of the Customer Service Spreadsheet Assessment Tool.
4. Implement the Diagnosis and Analysis Tool.
5. Consider gaps between service providers and customers (more on this below).
6. Analyse potential solutions and act immediately on identified "quick wins".
7. Process map procedures identified as causing bottlenecks.

## Is There An Alternative Approach?

Yes – it's called Gap Analysis. This approach has been used extensively by customer service specialists and provides a relatively simple framework within which to analyse your data and prepare an action plan. Just keep your eyes open for gaps between what you are providing and what your customers want you to provide. Once you find a gap, pinpoint the root cause(s) of the gap and then take actions to eliminate it. In general, there are four main gaps between the providers of services and their customers: 1) not knowing what customers expect; 2) not selecting the right designs or standards to meet those expectations; 3) not delivering to the selected standards; and 4) not matching performance to promises.

## Can You Give Us More Information on the Four Main Gaps?

Sure. The following table lists each of the four main gaps and indicates some of the reasons for which they tend to occur.

| The Gap | Reasons for the Gap | Possible Problems |
|---|---|---|
| 1. Not Knowing What Customers Expect | Inadequate Marketing Research Orientation | • Insufficient marketing research<br>• Research not focused on service quality<br>• Inadequate use of market research |
| | Lack of Upward Communication | • Lack of interaction between management and customers<br>• Insufficient communication between contact employees and management<br>• Too many layers between contact personnel and top management |
| | Insufficient Relationship Focus | • Lack of market segmentation<br>• Focus on transactions rather than relationships<br>• Focus on new customers rather than relationship customers |
| | Inadequate Service Recovery | • Poor knowledge/skills for handling complaints and conflict<br>• Weak understanding of the importance of customer retention |
| 2. Not Selecting The Right Service Designs and Standards | Poor Service Design | • Unsystematic new service development process<br>• Vague undefined (or non-existant) service plans<br>• Failure to match the service design to the desired positioning in the market |
| | Absence of Customer-Defined Standards | • Lack of customer defined service standards<br>• Absence of process management to focus on customer requirements<br>• Absence of formal process for setting service quality goals |
| | Inappropriate Physical Evidence and Services-cape | • Physical evidence of the service inappropriate or inadequate – e.g. no customer service staff when needed or appropriate materials for product delivery |
| 3. Not Delivering to the Service Standards | Deficiencies in Human Resource Policies | • Ineffective recruitment<br>• Role ambiguity and role conflict<br>• Poor employee-technology job fit<br>• Inappropriate evaluation and compensation systems<br>• Lack of empowerment, perceived control, and teamwork |
| | Failure to Match Supply and Demand | • Failure to smooth peaks and valleys of demand<br>• Inappropriate customer mix<br>• Over-reliance on price to smooth demand |
| | Customers not fulfilling roles | • Customers lack knowledge of their roles and responsibilities<br>• Customers negatively affect each other |
| | Problems with Service Intermediaries | • Channel conflict over objectives and performance<br>• Channel conflict over costs and rewards<br>• Difficulty controlling quality and consistency<br>• Tension between empowerment and control |
| 4. Not Matching Performance to Promises | Lack of Integrated Services Marketing Communications | • Tendency to view each external communication as independent<br>• Not including interactive marketing in communications plan<br>• Absence of strong internal marketing programme |
| | Ineffective Management of Customer Expectations | • Not managing customer expectations through all forms of communication<br>• Not adequately educating customers |
| | Over-promising | • Over-promising in advertising<br>• Over-promising in personal selling<br>• Over-promising through physical evidence cues |
| | Inadequate Horizontal Communications | • Insufficient communication between sales and operations<br>• Insufficient communication between advertising and operations<br>• Differences in policies and procedures across branches or units |

## Remember: Prioritise Customer Service Quick Wins!

There are 1,000 things you ***could*** do to improve customer service, so how can you decide what you ***should*** do? Look for “high-impact, quick-wins”:

- ✓ Actions that will solve problems the fastest
- ✓ Actions that will solve the most problems at once
- ✓ Actions that will solve the biggest problem or the issue that is most important to customers
- ✓ Solutions that cost the least to implement

## How Can We Identify High Value, Quick Wins?

To identify high value, quick wins, go through these 8 steps:

1. Apply *MicroSave*’s Customer Service Diagnosis and Analysis Tool.
2. Organise the list of customer service issues that you identified using the tool in order of their importance to your customers.
3. Create a matrix that plots the top 5-10 customer service issues against possible solutions (see the simplified example below).
4. Use the matrix to identify actions that can impact the most key issues at once.
5. Consider repeating the same exercise but rank the list of customer service issues according to their impact and frequency, or in order of their strategic importance to the institution, using output from Part A of the Diagnosis and Analysis Tool.
6. Look for actions that can resolve an important problem (or lessen its impact) quickly.
7. Evaluate anticipated costs and benefits of the priority actions.
8. Choose the actions with the best cost/benefit ratio that can be implemented in the shortest amount of time.

The institution represented in the simplified example below would be able to improve its image through almost all of the potential solutions proposed, so how can it decide which solutions to actually implement? To begin with, it might note that the most important issue on the list is poor product knowledge, which could be solved through four possible solutions. Three of those solutions (product training, customer service training and customer feedback) address at least three other priority issues as well, including the institution’s poor image. The institution might then look in more detail at the costs and benefits of those three solutions to find a strategy that can be implemented quickly and with high impact.

| **Major Customer Service Issues** | **Potential Solutions** | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Intranet | Improve procedures | Product Training | Re-price products | Move branches | Improve Marketing Material | Branch improvement | Prod. Dev | Customer Service Training | Imp. Customer Feedback | New MIS |
| Poor product knowledge | ✓ | | ✓ | | | | | | ✓ | ✓ | |
| Inappropriate infrastructure | | | | | ✓ | | | | | | |
| Long queues | | ✓ | | | ✓ | | ✓ | | ✓ | | ✓ |
| Poor products | | ✓ | ✓ | | | | | ✓ | ✓ | ✓ | ✓ |
| Poor image | | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Poor staff attitude | ✓ | ✓ | ✓ | | | | | | ✓ | ✓ | |

## Can You Give Us Some Examples of High Value Quick Wins?

Below are some of the many examples of high value, quick wins that financial institutions have identified and implemented in the recent past: [7]

- Simplify and speed up processing of normal transactions through careful observation of the current practices – often through simple changes to remove batching or raise tellers' disbursement authority levels (TEBA, EBL, UMU, FINCA-Tz)
- Reduce the number of people queuing at the counter to make enquiries – through process mapping to improve the procedures and thus reduce time to serve the customers and through increasing staff assigned to the customer service counters (TEBA, EBL, KPOSB)
- Communicate prices transparently so that customers understand them better and do not feel that there are many "hidden charges" (EBL)
- Salary boards to allow people to see if their salaries have been remitted without queuing to ask tellers (EBL)
- Putting in dedicated customer service staff to attend to the customers in the banking hall instead of making customers queue to get to tellers to make enquiries (TEBA, EBL, KPOSB, UMU)
- Development of improved (and tested!) FAQ guides and other information packages to facilitate the communication with customers (TPB, KPOSB, EBL)
- Information boards outside the office – thus making information available to clients outside opening hours (Fundusz Mikro)
- Hiring a dedicated notary to speed up loan processing (Rural Development Fund, Tajikistan)
- Ensuring that loan officers always have extra application forms with them whenever they are in the field – thus making it easier for clients to apply for loans without coming into the branch office (Inicjatywa Mikro)
- Conduct process mapping to reduce account opening formalities (EBL, TPB, KPOSB, FINCA-Tz). This resulted in many changes including:
    - Installing and using digital cameras to capture clients' pictures for immediate incorporation onto the account holder's card (EBL)
    - Improving the clarity of communication of account opening formalities – in particular the documentation required to open an account (TPB, KPOSB, EBL, TEBA)
- Dedicated product tellers for specific products – thus allowing specialisation of knowledge and processing skills and reducing queues for key or flagship products (TPB/KPOSB)
- Hiring part time staff at month ends to reduce the long queues as borrowers repay when they get their salaries (CI)
- Preparing an improved, customer-friendly application form with clearer instructions and fewer questions to answer (CMC)
- Clearer communication of the requirements for people to qualify as clients thus reducing the number of rejected applicants as well as queues and increasing the speed at which eligible clients were inducted into the programme (MI Bospo)

## What about the "Prepare to Monitor" Step? What Does that Involve?

The last step of the diagnosis and analysis process is identifying the elements of customer service that you will monitor over time. In general, you will want to monitor both processes and outcomes with respect to your service drivers, your operating environment, and your current performance.

This can be done using a selection of the tools outlined above to focus on key customer service variables or indicators. We'll look at how to construct of a full-fledged monitoring plan in the final section of this

[7] CI = Credit Indemnity; EBL = Equity Bank Limited; FINCA-Tz = FINCA-Tanzania; KPOSB = Kenya Post Office Savings Bank; TEBA = Teba Bank; TPB = Tanzania Postal Bank; UMU = Uganda Microfinance Union

toolkit, but it's important to emphasise here that the process of identifying what and how you will monitor begins during your diagnosis and analysis of strengths, weaknesses and priorities.

## Two Case Studies

To give you an idea of how MFIs have used the diagnosis and analysis process to find ways of meeting their customer service challenges, we invite you to take a look at two real life case studies: KPOSB and Equity Bank Limited.

***Kenya Post Office Savings Bank's Challenge: Poor Product Knowledge***

Kenya Post Office Savings Bank (KPOSB) offers its customers 7 savings products and a money transfer service. The Ordinary Savings Scheme (OSS) is the most popular account and has been since 1910 when the bank was established. Customers are able to access their accounts anywhere in the country using their passbooks and the minimum operating balance is affordable. The *Bidii* account is more flexible since customers can withdraw any amount any time during opening hours and the service is much faster than that of OSS; it is seen as the future flagship product of the bank.

<u>The Issues</u>

Although KPOSB had a range of products to offer customers, it faced a problem that is common among many financial institutions – its staff had poor knowledge of those products. Focus Group Discussions with customers revealed that many staff had limited information about the range of products on offer, as well as the terms, conditions and pricing structure of the products they were aware of. Since staff members were unaware of the products that KPOSB offers, they we unable to communicate them to customers.

From its recent customer service Focus Group Discussions and interviews, KPOSB learnt that the majority of its customers are aware of a maximum of two products offered by the bank, typically the Ordinary Savings Account and *Bidii* savings account. Some customers requested that the bank's management consider giving customers other choices that would meet their needs. Participants were genuinely surprised to learn that the bank has 7 savings products on offer.

In addition, customers wanted to be more informed about the rates of interest on, and all the deductions made from, their accounts. Not all front-line staff were giving customers all the information required regarding their accounts. Staff, especially cashiers who have to deal with the long queues, often refer customers to the enquiries counters when customers require additional information regarding PostBank's products. Even then, changes in fees and interest are not communicated to customers on time. As a result there is an accumulation of charges, which the customer only discovers when he/she comes to the bank to transact with their passbook.

<u>The Causes</u>

The lack of product knowledge amongst KPOSB staff had arisen over many years, during which time there had been no product guides for staff and no proper training during product launches. This had been exacerbated by a lack of timely and effective communication of product changes (in particular, tariffs). Furthermore, the staff's job descriptions did not focus on a complex product environment and the bank lacked the staff incentive schemes to encourage and reward product knowledge and cross selling.

<u>The Consequences</u>

As a result of the poor product knowledge amongst employees, staff members did not respond to customers' questions because they did not know the answers, and when they did respond, it was often to give poor or erroneous information. As a result, customers were unable make informed decisions, and were moving to other banks to access products that they believed KPOSB did not offer.

The lack of product knowledge also resulted in inefficient processes since it encouraged repeated referrals to other staff. This created customer dissatisfaction with the experience in KPOSB as well as poor customer-staff relationships. The lack of knowledge of terms, conditions and processes also created great dissatisfaction among customers who remained unclear about the product they were buying and thus could not make an informed buying decision. Indeed, when customers did buy, they often expected more interest than they received or were unpleasantly surprised by fees and charges.

Lack of product knowledge also weakened marketing efforts since staff could not cross-sell products that they did not understand and poorly communicated products reduced the effectiveness of word-of-mouth marketing, which drives nearly half of KPOSB's business. And of course, with very few staff knowing the technical aspects of its products, this left the organisation open to fraud – particularly where managers were unaware of some of the technical details of the products.

The Solutions

As part of its broader customer service strategy, KPOSB decided to:

1. Design an information package for each staff member especially the front-line staff. In this package, KPOSB included a summarised product guide, a FAQ guide and some customer service guidelines.
2. Introduce product knowledge tests (results go into the personnel file and affect promotions and salary increments) and quizzes (offering on-the-spot prizes) on the benefits, features and requirements of the banks' different products.
3. Deploy sixty new customer relations officers to KPOSB branches. These customer relations officers aim to give customers full information regarding the products offered at the bank as well as assist them their transactions. The officers were selected on the basis of having "passion for customers / customer service".
4. Prepare and install strategically placed framed posters outlining the bank's products in all branches.
5. Strengthen the bank's systems to track product sales by branches and to compare these with targets - looking for trends/patterns in these and using new staff incentive schemes to reward the high performing branches.
6. PostBank is also considering "product promotion months", where a branch picks one of the bank's products and promotes it actively during the month by having big banners and a product-specific display stand in the banking hall.
7. The bank is instituting pre- or post- branch opening meetings to discuss product/customer service related issues with branch staff.
8. Mystery shopping, "Servqual" and customer satisfaction reviews are to be performed on a six monthly basis to ensure that staff know the products and fully communicate information to customers.

***Case Study #2: Equity Bank's Communication Challenges***

Historically, Equity Bank has communicated well with clients (for example, having conducted FGDs on client perceptions of the bank, it then sent a letter to each and every customer outlining the results, and the resulting changes they could expect to see). Equity's "feedback loop" – the communication flows from Head Office through the branches to the clients and then all the way back up from the clients to Head Office – had functioned extremely well in the past. Indeed, the feedback loop has been a "secret" of the institution's success, primarily because it had given clients what they want: fast, clear, convenient, accessible and friendly responses to their questions, comments, concerns and suggestions.

Equity's recent and rapid growth was largely due to its ability to listen to clients, analyse the information gathered in the context of its own capabilities, and develop the infrastructure, resources, products and services to satisfy client needs and preferences. Equity used a variety of different channels for gathering and disseminating data, and this had given clients and employees a number of options for sharing information as well as alternative perspectives for interpreting and understanding that information. Person-to-person channels of communication had been used with particular success to facilitate appropriate, rapid responses and the development of loyal, personal relationships.

The Issues

In early 2005 Equity converted into a bank and significant changes occurred in the institution and in the clients' expectations of it. Customer service research soon after the transformation demonstrated that clients no longer had clear information on product prices and offerings or on the revised procedures and changes that had been implemented after Equity received the banking license. Staff knowledge about prices, the timeline for bringing new services online, etc. varied and, therefore, the messages given to clients also varied.

Customers reported dissatisfaction with the confidentiality, consistency and fairness of Equity's communication. Furthermore, some customers were disappointed as they had expected Equity to offer all banking services as soon as it became a bank – whereas in reality it took time to get into the clearing system and offer foreign exchange services. Finally, the stress on the system was resulting in slower and less effective customer service.

The Causes

As successful as Equity's feedback loop had been in the past, growth was straining the old way of doing things. The bank's clients increased from around 105,000 to over 413,000 in 3 years and with projected growth of 40% per year, the bank had many more people to communicate with. Furthermore, the number of staff had increased from 210 to 560 in the same period and the new staff members all needed to be trained adequately to pass on clear information and understand Equity's customer focus.

In the push for efficiency, standardised offerings and new work procedures had been implemented and these had resulted in less personalised service to customers. Yet tools to facilitate standardised (rather than only personal) communication were not yet in place. Clients preferred person-to-person communication, but growth had made these channels more expensive and more difficult to manage – and clients claimed they lacked attractive channels to use as substitutes.

The Consequences

As a result of the declining quality of communication, Equity and its customers were experiencing longer queues and customers had to wait for a longer period of time to get clear information on products. In addition, more of the Branch Manager's time was spent dealing with customer issues; long-time clients demanded to see the Manager to discuss their case as policies changed. Given the importance of word of mouth marketing at Equity, misinformed customers were amplifying the confusion in the market place.

The Solutions

As part of its on-going commitment to optimising communication and customer service Equity has:

1. Implemented queue management systems and deployed Floor Managers to organise and assist customers in banking halls.
2. Prepared product marketing brochures and tariff sheets for customers.
3. Developed a new approach (and backing documentation) to explain new policies to customers
4. Instituted staff training on products and how to communicate features and benefits – discussion guides for branches so that Managers can hold meetings to discuss the products, their benefits and features as well as terms and conditions.
5. Set and enforced standards in product knowledge.
6. Developed and distributed FAQs on the institution (and products) for staff to use with customers.
7. Sent a letter to all customers explaining the changes as Equity has become a bank, and the services they can expect from it.
8. Used its internal communication channels – intranet and weekly letter from the CEO – to communicate changes to staff and assist them in talking to customers.
9. Developed and implemented an overall external communications strategy, including media planning with specific community-based initiatives for rural markets.
10. Published an annual report describing the direction of Equity Bank and printed the bank's quarterly results in the newspapers.

# *The Process: Developing a Strategy, Action Plan and Budget*

Once you've determined the role of customer service in your institution, and you've diagnosed your current customer service strengths, weaknesses and priorities, then you're ready to articulate a strategy and define an action plan for improving customer service within your institution.

## Why Develop a Customer Service Strategy?

There are hundreds of steps that you could take to improve customer service, but you can't implement all of them, at least not all at the same time. The challenge, therefore, is to identify which steps you ***should*** take now. A customer service strategy helps you choose the highest-impact steps, rather than the easiest steps or the most obvious steps.

Taking easy and obvious steps will not necessarily result in failure, but it will usually result in a reactive approach to customer service that focuses on resolving the crisis of today rather than preparing for the success of tomorrow. Since strategy is all about planning, the process of preparing a customer service strategy will present you with opportunities to consider where it is you want to be in the future (not just where you are today) and how you might be able to get there. It will help you take a more proactive approach to customer service.

The process of developing a customer service strategy can also help you identify more effective solutions. By encouraging you to dig beneath the customer service problems that appear on the surface and identify root causes, you will be in a much better position to be able to deal with the source of your problems rather than just their symptoms.

There are many other compelling reasons to develop a customer service strategy:

➔ Doing so helps to ensure that your customer service investments will support your institutional goals and brand. This is important for the overall success of your institution.

➔ It will help you focus on delivering the type of service that your customers actually want, and not waste resources delivering nice things that don't really matter much to them.

➔ The process of developing a customer service strategy can be a very useful tool for raising staff awareness and motivating employees at all levels to improve customer service. The nature of the process makes those who participate in it more cognisant of what customers look at with respect to customer service, what performance they expect to see, what they actually do see, and how that affects their perception of the institution. It raises awareness of the opportunities that exist for making the institution's service more attractive and stimulates ideas about how to go about improving it.

➔ If employees are involved in developing the strategy, they will be much more likely to want to implement it. And when they do implement it, the strategy will help keep them focused on specific, measurable, achievable, realistic, time-bound objectives.

➔ Because it is a planning process, the development of a customer service strategy will assist you in getting the right human, financial and physical resources in the right place at the right time to be able to effectively implement the activities you have chosen.

➔ Finally, having a customer service strategy can help you finance your customer service investments. Although these investments should pay for themselves over time, they require an up-front payout and, thus, must compete with every other request for funds from every other department. Since budget constraints are a reality, you must make a business case for spending money on customer service rather than on something else, and your customer service strategy should articulate that case.

## Why Go Through All the Trouble to Put the Strategy in Writing?

There are three important reasons to put your customer service strategy into writing. First, it will make the task of communicating your plans and expectations much easier. A written document that brings all relevant information together in one place – that clearly explains the institution's intentions, priorities and rationale – can be a very useful tool not only in disseminating information but also in marketing the contents of the plan and the need for everyone to be involved in its implementation.

Second, a written document will help make customer service – and your institution's commitment to it – more tangible. People cannot see a service (they can't kick the tyres like they can on a car), so they judge it by what they can see. Putting your strategy in writing makes it more visible, and it makes your promises more real.

Third, there's something about having to put your ideas into writing that forces you to refine and clarify your thoughts. The process helps you to think through the details, to make sure your overall design makes sense, to consider the most effective way to present your ideas, and to carefully choose language that will resonate with your audience. Sure it takes some effort, but you only have to do it once, and then you have a tool for clearly communicating a consistent customer service message to every single person in your institution.

## Who Should Develop the Strategy?

Ideally, you'll find a way to involve everyone in your institution in the development of the strategy. If you do, then everyone will be more committed to implementing whatever product results from that process. Of course, this does not mean you should bring every single employee into a room together to draft a strategy document. It does mean, however, that everyone in the institution should have an opportunity to contribute, preferably via more than one channel since, for example, some customers may find it difficult to provide input through a face-to-face interview, but would be very comfortable in a group meeting. For internal customers, the issue of multiple channels is particularly important because broken or poorly functioning communication channels are often important customer service issues that need to be addressed and the institution will only find out about them if it gives employees at least one functional channel through which to communicate.

It is also important that an individual, department or unit in your institution accepts responsibility for coordinating the development of the strategy, both for administrative reasons and for strategic reasons. Although the strategy document may ultimately be quite short, a tremendous amount of information will be generated in the process of writing it and someone has to coordinate all that input and guide it toward a useful conclusion in a timely manner. Someone needs to regularly encourage the process, keep momentum going, follow up to make sure deliverables are received, help everyone stick to deadlines, etc. The person responsible for writing the document may not be the same one who is responsible for developing the strategy, but there should be close coordination and communication between the two.

The implementation of the strategy will be made easier if the person or unit coordinating the development of the strategy also coordinates its implementation. Thus, it is worth giving careful thought to who in the institution should play this role. Look at the strengths and competencies of different departments to lead the customer service agenda and consider, in particular, whether there is an opportunity to create a bridge between marketing and operations. These two functions have the most influence over customer service strategy implementation, yet there is often considerable tension between them. Your customer service strategy could provide a tool for bringing the two functions closer together.

Last but not least, make sure that the person or unit coordinating the development of the strategy has sufficient authority, influence and control over resources to provide both the carrots and sticks that will be necessary for effective implementation. By definition, this will need to be someone inside the institution. If you wish to hire external consultants to help you gather information or analyse your options, great; the external perspective can be very helpful. But by all means, have someone inside the organisation work together with that consultant and take responsibility for coordinating the process as well as for writing the actual customer service strategy document. Failure to do so creates the very large risk that your new strategy will be perceived as something imposed from the outside rather than built from within.

## How Long Should the Strategy Document Be?

There is no ideal length for a customer service strategy, but as a general rule, make it as succinct as possible while addressing all of the key areas of content described below. We've seen good customer service strategies that were only 10-12 pages long, including the budget.

## What Should Be Included in a Customer Service Strategy?

Your Customer Service Strategy document should address nine main areas: who are your customers and what are their service priorities; how does customer service fit into your organisational structure and overall strategy; what are you committing to deliver in terms of customer service; what kind of service are you delivering today; what are your key objectives for the period; how will you measure and communicate results; what is your plan for implementing the strategy; and what resources will be required to implement it. In addition, your document should have an executive summary that clearly and succinctly reviews the main components and rationale of your strategy.

Your table of contents might look something like this:

I) Executive Summary
II) The Role of Customer Service in Our Institution
III) Who Are Our Customers and What Do They Want?
IV) Our Customer Service Commitment
V) Our Current Performance
VI) Strategic Objectives for the Period
VII) Key Indicators and Targets
VIII) Monitoring and Communication Strategy
IX) Activity Plan
X) Resources Required

Of course, you might choose to elaborate on any one of these areas, breaking it into multiple sections; or to combine two areas into a single section. You may also wish to change the order of the different sections. That's fine; just make sure that you cover all ten areas somewhere in your document. We'll look at each of these areas in more detail below.

## I. Executive Summary

Although this is the first section to appear in your document, it is the last one you will actually write. Only after you've finished preparing the other nine sections of your document will you be ready to highlight their content here. Use the executive summary to summarise, in one page or less, the main components and rationale of your strategy. Be sure to include the following:

- A concise statement of the role of customer service in your institution and the commitment your institution is making to customer service;
- A clear definition of your 2-6 key customer service objectives and the time period over which those objectives are expected to be achieved;
- An overview of how success will be measured; and
- A listing of the departments or units that will be involved in implementing the strategy with a summary of the responsibilities being assumed by each.

Use bullet points, short sentences and bold type for major points. Consider using a matrix to present important information at a glance, for example, a table listing each department of an institution on the left with a description of its responsibilities on the right. If there are important deadlines to be met in order to achieve the objectives as planned, these should also be highlighted.

Remember, the executive summary may be the only page of your document that some employees will take the time to read, so make sure that anything really important gets included in this section. Also, look for ways to use the executive summary as an opportunity to market the rest of your document and encourage its being read. One effective way to do this is to make it clear in the executive summary that every single employee of the institution will be evaluated on his or her contribution to the strategy's implementation (and then refer readers to the main document for details).

The process of writing the executive summary can be quite useful, as it forces you to boil your thoughts and plans down to their richest and most flavourful essence, which is always a good thing.

## II. The Role of Customer Service in Our Institution

***Why Should the Role of Customer Service Be the First Area We Discuss?***

As noted previously, your approach to customer service and the resources you invest in it should align with your overall institutional strategy and contribute efficiently to the achievement of your institutional objectives. Doing this requires that you clarify the role of customer service in your overall strategy and the nature of the customer service commitment you want to make BEFORE you start to discuss how you want to deliver on that commitment.

If you want customer service to be your number one brand differentiator – the one thing that most sets you apart in the market or the one factor upon which you will compete – then you'll need to pay more attention to customer service than to any other implementation strategy. You can legitimately invest a significant portion of your budget in making your customer service the best it can possibly be. If, however, you are choosing to focus on providing a quality product or a low cost product – if that is how you intend to compete in the market – then your customer service strategy will not be your number one priority. You'll invest less in this area and you'll be less ambitious because all you really need to do is meet the market's minimum standard of acceptability. You don't need to lead the way or be particularly innovative in the area of customer service.

***What Should Be Discussed with Respect to the Role of Customer Service?***

This section of your strategy should address two main questions: 1) what is the role of customer service in your institution; and 2) who plays this role (or has responsibility for making sure that this role is played)? Be sure to describe the relationship between customer service and your mission, vision, values, business goals and brand. To what extent does customer service define who you are, and how critical is it to achieving your mission and objectives?

If customer service is not currently playing the strategic role that it should be in terms of helping you to achieve your mission and objectives, be sure to explain "why not" in this section, and then define the role that customer service will be expected to play in the future.

As you answer the second main question – who is responsible for making sure that customer service actually plays its assigned role – think about your institutional structure, your organisational chart, individual employees and their job descriptions. Every employee in the institution should be held responsible for delivering quality customer service, but it is important to have someone, or some unit, coordinate and safeguard the function that customer service is intended to play. This person or unit will bring together the many different parts and people of your organisation to collectively ensure that customer service makes an appropriate contribution to your overall strategy. Thus, make sure you assign this role to an entity that is both capable and properly positioned to facilitate collective effort.

When writing this section of the document, consider where the customer service function is currently located in your institution and whether or not that is the right place for it. Look at the physical location as well as the institutional location (i.e., out of which department and at what level of the organisational hierarchy is it operating). If the customer service function is not currently located in the right place, explain "why not" and then describe where the function will be moved to and why. If the current location is already strategic, use this section of the document to describe that location and to explain why it is strategic. Describe what it is about the position or composition of the chosen focal point that gives it sufficient power, influence, control over resources, etc. to implement your strategy. Of course, the more central customer service is to your overall business strategy (the more important its role in achieving your institutional objectives), the closer the function will need to be to core decision-makers and the higher it will need to be in the organisation's power structure.

As you describe the role of customer service in your organisation, you may find it useful to provide a brief history of how the role of customer service has evolved in your institution and how it has become what it is today. This "storytelling" can help with the marketing of your strategy and the building of a customer service culture because it helps people understand why customer service is important and why it has been assigned its current role. Institutions that take this approach sometimes choose to name this section of their strategy "Background," but the content of the section should focus on the role that customer service plays in your institution. The clearer you can be about the importance (and therefore the level of resources) that should be strategically devoted to customer service, the better. Remember, if you are planning to compete on the basis of your customer service, then customer service needs to have a stronger role!

## III. Who Are Our Customers and What Do They Want?

***Who Are Our Customers?***

This can be a much more difficult question to answer than you might initially expect, yet answering it is critical to developing a customer service strategy that can actually work. Unless you are clear about who your customers are, it will be impossible to design a customer service strategy that meets their needs.

As you define who it is you aim to serve, consider dividing (or segmenting) your customer base into smaller groups, each of which has some core needs and/or preferences in common. Check whether these groups have different customer service priorities. If they do, you can design a customer service strategy that caters to these different market segments more effectively than a strategy that is designed to treat everyone exactly the same. (For more information on market segmentation, see *MicroSave*'s Product Marketing Toolkit.)

Don't forget that you have internal customers as well as external customers and this is the section of the document for you to declare that you recognise this fact. Take some time to articulate why internal customers are important in your institution and to clearly commit to making internal customer service just as much a part of your strategy as external customer service.

***What Do Our Customers Want?***

If you haven't done it already, you'll need to do some market research to establish what your customers' customer service priorities are. The word "priorities" is important here. Remember, there are hundreds of things you could do to improve your customer service, but you can't do all of them, at least not all at the same time. To help you decide which actions to take first, it is essential that you find out what your customers most want you to deliver. Then you can gear your strategy and your specific objectives to make sure you are delivering those things.

Use this section of the document to summarise the key findings of any research you have done with respect to customer priorities, their expectations, and the way in which customers define customer service. Articulating your customers' priorities near the front of the document will help to ensure that the rest of your document (and indeed, the rest of your strategy) addresses these priorities.

Again, don't forget that you need to be attentive to the priorities of your internal customers as well as your external customers. Find out what employees most want or need in order to deliver the customer service that external customers most want to receive. Then make sure that your strategy incorporates activities to meet these internal requirements.

*MicroSave*'s Market Research for Microfinance Toolkit can help you with the research that needs to be done in order to construct this section of your strategy. Consider in particular, the use of guided focus groups discussions and PRA tools such as simple ranking, relative preference ranking, and time series of customer service analysis. Appendix 5 of the Customer Service Analysis and Diagnosis Workplan provides sample discussion guides and some additional explanation regarding the application of the three

PRA tools mentioned above in the customer service context. You should also consider the use of an organisational climate survey and/or a ServQual questionnaire. The ServQual tool is especially helpful because it can simultaneously gauge customers' service priorities and their perception of your current performance in each priority area.

## IV. Our Customer Service Commitment

***What Is the Difference between this Section and the "The Role of Customer Service in Our Institution" as Described in Section II?***

As explained above, Section II should describe how customer service fits into your overall strategy and organisational structure. It will not necessarily detail WHAT your institution is committing to deliver with respect to customer service. We recommend that you state exactly what it is that you are committing to in a separate section of the document so that it grabs the attention of your reader and conveys as clearly as possible what the institution's commitment is (and therefore, what each employee will be expected to commit to as well). If this information gets wrapped up into the discussion of the role of customer service in your institution, it can easily get lost.

***What Does a Commitment to Customer Service Look Like?***

The "commitment" section of your document should essentially convey: 1) your customer service mission statement or promise; and 2) the general approach, strategies or mechanisms through which you will achieve that mission, or deliver on that promise. Your commitment to customer service could take the form of a customer service charter. It could be a description of the main pillars or building blocks upon which your customer service delivery rests. Or, it could be a statement of the core principles or standards that you intend to maintain when delivering your products and services.

Whatever form it takes, this commitment should reflect and respond to customer priorities in a way that will help the institution achieve its overall business objectives while supporting its vision, mission, values and brand. Try to write this section of the document so that your internal strategic alignment and your response to customers' priorities is clear. This may be as simple as a half-sentence reference to the previous sections of the document or it could be a paragraph that carefully articulates how your customer service commitment ties into customer and institutional priorities. <u>This connection is critical because it will justify the existence of your strategy and help you to sell its implementation</u>.

***What Do You Mean by "General Approach, Strategies or Mechanisms"?***

The "commitment" section of your strategy must not only make a promise, but also convey how your institution is going to be able to deliver on that promise. This section is not the place to list specific activities that will be implemented or to discuss the details of how a particular mechanism will work. Rather, it is a place to present and simply explain the principal methods you will use to ensure your commitment is met.

Perhaps it will be easier to understand what we mean if you look at some of the different approaches, strategies or mechanisms that could be mentioned. For example, "Our MFI will... (state your promise or customer service commitment)…

- …by establishing and maintaining quality standards;
- …by monitoring performance against those standards and rewarding or disciplining performance;
- …by holding each and every employee responsible…;
- …by creating multiple communication channels and strong, fluid feedback loops;
- …through continuous improvement;
- …through mentorship programs; or
- …by leveraging technology and loyal employee relationships; etc.

***What Is a Customer Service Charter?***

A customer service charter is a set of promises between an institution and its customers related to service quality. The promises should be stated from a customer rather than an institutional perspective, i.e., they stipulate what customer can expect to receive from the institution. For example:

"African Microfinance Bank promises you, our esteemed customers, that:

1. We will greet you warmly and listen to your concerns before taking action.
2. We will personally respond to your questions regarding your accounts with us.
3. We will provide accurate and reliable information about all our products and services.
4. We will inform you of wait times for all services and strive to serve you within these times.
5. We will encourage customer suggestions and let you know how we will use these recommendations to improve our bank.

*If we fail to meet your expectations please tell us about it and let us know how we can improve."*

***Can You Make a Commitment Without a Charter?***

Sure. Sometimes banks have been able to build a customer service commitment into their tagline. The best example of this is Standard Bank in South Africa, whose tagline is "Simpler, Better, Faster." Consider also the following example of a pro-consumer pledge that has been adopted by members of the ACCION network.

"By adopting this pledge, the members of the ACCION Network agree to do the following:

- To apply these principles in their own organisations.
- To promote the widespread application of these principles among microfinance institutions in their countries.
- To engage with regulatory authorities in their countries where needed to promote effective yet non-burdensome policies or rules.
- To raise awareness in the global microfinance industry about the importance of pro-consumer principles.

Principles

1. Quality of Service. Network members will treat every customer with dignity and respect. Members will provide services in as convenient and timely matter as possible.
2. Transparent Pricing. Network members will give clients complete and understandable information about the true costs they are paying for loans and transaction services and how much they are receiving for savings.
3. Fair Pricing. Network members will price their services at fair rates. Their rates will not provide excessive profits, but will be sufficient to ensure that the business can survive and grow to reach more people.
4. Avoiding Overindebtedness. In order to avoid customer overindebtedness, Network members will not lend any customer more than the customer can afford to repay.
5. Appropriate Debt Collection Practices. While debt collection practices must include energetic pursuit of defaulters, Network members will treat customers with dignity and will not deprive customers of their basic survival capacity as a result of loan repayment.
6. Privacy of Customer Information. Network members will protect the private information of customers from reaching others who are not legally authorised to see it.
7. Ethical Behavior of Staff. Network members will hold their employees to a high standard with respect to conflicts of interest and unethical behavior, especially behavior that harms customers (such as taking kickbacks). Employees who breach these standards will be sanctioned.
8. Feedback Mechanisms. Network members will provide formal channels of communication with customers through which customers can give feedback on service quality. These channels will include mechanisms for responding to specific customers regarding their personal complaints.
9. Integrating Pro-Consumer Policies into Operations. Network members will make pro-consumer orientation a hallmark of the way they conduct business, though efforts such as staff training and incentives, financial education for customers, customer satisfaction programs and the like."[8]

[8] "ACCION Network: Pro-Consumer Pledge," ACCION International, July 26, 2004

***Should There Be a Difference Between What We Commit to Internally and What We Promise Externally?***
There doesn't have to be, but an increasing number of microfinance institutions are choosing to make this distinction. They will under-promise externally so that they can over-deliver externally when internal promises are met as planned. This can be a very effective strategy for exceeding customer expectations, but it is effective only when the difference in commitment is about the degree of performance and not about the nature of the promise itself. For example, whether you commit to a one-day or two-day turn around time on a loan application, you are still committing to fast loan processing. The issue is simply *how fast* you can deliver. However, promising speed to the external customer and quality to the internal customer can create significant problems because it creates very different expectations about what service delivery priorities are.

One word of caution with respect to under-promising and over-delivering: make sure staff performance is measured on the basis of internal standards and not just external promises. If performance is measured according to the less ambitious "under-promise" then there will be little or no motivation for employees to actually "over-deliver".

## V. Our Current Performance

Once you have defined your commitment to customer service, you will know what you want your customer service performance to look like. But the only way to define strategic objectives for the coming period is to first take a look at what your performance has been to date. Use this section to point out the areas in which you are already delivering on your commitment, the areas in which you are not, and the areas in which you most need to improve.

If you haven't been regularly assessing your customer service performance (or even if you have and you want to see how you can do it better), take a look at *MicroSave*'s Customer Service Diagnosis and Analysis Workplan and, in particular, the Customer Service Diagnosis and Analysis Tool. Drawing from a variety of different assessment tools including a branch infrastructure review, a product marketing review, a customer service survey, FGDs and PRAs, these documents can help guide you through an assessment of your current performance.

Once you have gathered and analysed your data, summarise your findings as succinctly as possible, highlighting your institution's key strengths and weaknesses. Focus on any major gaps between what customers have said is important and what you are actually delivering. If relevant, feel free to comment on the context in which your customer service is being delivered and the constraints that the environment may place on the institution and/or the opportunities it may present. For example, if you are experiencing exponential growth or have recently hired a large number of new staff, you can comment on the particular challenges of maintaining service quality under those circumstances.

What is important in this section is to help readers understand the current state of affairs with respect to your customer service delivery so that they will be in a position to comprehend and support your choice of strategic objectives.

## VI. Strategic Objectives for the Period

Once you have identified your current strengths and weaknesses, you will be ready to define a set of specific objectives for leveraging those strengths and improving those weaknesses in order to better deliver on your customer service commitment.

In this section of the document, articulate each strategic objective and the time period within which it should be achieved. Make sure the objectives are SMART: Specific, Measurable, Achievable, Realistic and Time-bound. Also take care to clearly present the rationale for selecting your chosen objectives—how will they help you achieve your institutional goals? You may find it useful to reference content from earlier sections of the document in order to justify your selection..

***Over How Long of a Period Should Objectives Be Set?***
Typically, a strategy document covers a two- to five-year period of time and several sets of objectives will be defined within that time period in order to deliver the overall commitment to customer service. In general, we recommend setting objectives on an annual basis, but the implementation of those objectives may take a few months or a couple of years depending on the scope of the objective.

***How Many Objectives Should We Focus On?***
Two to six seems like a good target. Any more than six gets unruly. It is important to limit the number of objectives you commit to in a given year so that you'll have the resources (human as well as financial) available to meet them. The more objectives you have, the more difficult it will be to focus staff on their implementation and the more likely they are to have to compete with each other for resources.

***How Should We Decide Which Objectives to Focus On?***
Having defined your customer service commitment and having identified your greatest areas of strength and weakness, you'll have a pretty good idea about where you'll want to focus your energies in the coming year. In areas of weakness, you will probably have to do additional analysis and perhaps even additional research to pinpoint the root causes of weakness and then to brainstorm possible solutions or actions that you can take to strengthen performance. As discussed previously, the *Customer Service Diagnosis and Analysis Tool* can be very useful in helping you to identify and prioritise possible actions.

Once you've identified your priority actions, you can set objectives that focus on implementing those actions (if individual actions require significant effort to implement) or on raising the quality of performance in a particular area of weakness (using several small, sequenced actions to collectively achieve your desired result).

***Can You Give Us a Few Examples of What an Objective Might Look Like?***
Sure. Take a look at the following:

- To install the new computerised management information system to meet speed of service expectations of our clients in eight urban branches and four rural branches by August 15, 2005.
- To reduce the amount of time that a customer must spend in a branch in order to complete a withdrawal transaction to under 10 minutes by June 2006.
- To increase accuracy on communicating product benefits to clients, every employee will obtain a score of 90% or higher on product knowledge as part of the branch staff questionnaire by October 1, 2005.
- To develop and pilot test an internal customer loyalty programme by December 15, 2006.
- To develop and disseminate a customer service charter by May 30, 2005.

## VII. Key Indicators and Targets

***Why Do You Recommend that Indicators and Targets Be Placed in a Separate Section?***
If you write your objectives in a SMART manner, you may be tempted to omit the "Key Indicators and Targets" section from your strategy document, but doing so would be a mistake. First, your objectives may not be as smart as they could be and forcing yourself to think about how you will assess whether or not you have achieved them may help you to make them smarter, or at a minimum, to clarify how you intend to measure results.

Second, your strategy needs to identify indicators and targets for measuring whether or not your overall commitment to customer service is being met, not just your 2-6 objectives for the current period. This section of your strategy document gives you an opportunity to define indicators and targets for measuring whether important strengths are being maintained, whether you are meeting the promises made to your customers, whether customer service investments are generating sufficient returns to justify their continued support, etc.

***What Is the Difference between an Indicator and a Target?***
An indicator is something that you measure, for example:

- Number of new branches

- Number of loan officers trained
- ServQual score
- Total process time to complete a withdrawal transaction

A target is the standard of performance that you want to achieve at the time an indicator is measured, for example:

- 8 new branches
- 35 loan officers trained
- An average ServQual score of 4.5
- Total process time of 10 minutes or less

## VIII. Monitoring and Communication Strategy

This section of the document should describe how you will monitor your performance to ensure that you deliver excellent customer service—not only your 2-6 key objectives for the period, but also your larger customer service commitment. It should define:

⇨ What monitoring tools will be used to measure performance, in how many locations or with how many people, with what frequency, by whom; and

⇨ What communication channels will be used to give performance feedback to internal and external customers.

The feedback component is critical because it is what will enable employees at all levels to adjust and improve implementation of the strategy over time; and also because it plays an extremely important role in building strong internal and external customer relationships.

Since you will have already presented the indicators to be monitored along with the targets that you aim to achieve, what this section of your document needs to do is focus on the ***process*** through which your institution will measure those indicators and assess the progress it is making in comparison with its desired level of performance. Your monitoring and communication strategy should describe the measurement process, the data analysis process, and the rationale for your particular choice of tools and channels. Remember, monitoring and communication activities cost money, so don't try to apply all the tools possible through as many channels as possible every two months. Be strategic.

***Why Do You Recommend Combining the Discussion of Monitoring and Communication into a Single Section?***

Simply gathering data through monitoring activities doesn't add value for anyone—not for your customers and not for your institution. You have to do something with the information you gather. You have to put it into a format that can be useful to decision-makers and then get it into the right decision-makers' hands as quickly as possible, which is what communication is all about. Monitoring without communication is worthless, so as you consider your monitoring strategy, think also about how you can disseminate the information you gather to make it as useful as possible.

***Shouldn't the Monitoring and Communication Strategy Come AFTER the Activity Plan?***

No. Monitoring and Communication Activities need to be included in your activity plan. If they are not, you risk them being forgotten. Indeed, in many microfinance institutions, they are forgotten. So take the precautionary and strategic step of describing your monitoring and communication strategy before the activity plan and then use the activity plan to detail the activities through which you will implement that strategy.

***Which Monitoring Tools Should We Use?***

Every organisation must answer this question for itself based on its specific objectives, the tools it finds easiest to administer, the resources available for monitoring, and its cultural preferences, among other factors. See *MicroSave*'s Customer Service Diagnosis and Analysis Workplan for guidance on the many tools available for monitoring and how to apply them. You can also take a look at the sample tools introduced earlier in the toolkit, namely:

- ServQual Questionnaire

- Branch Staff Questionnaire
- Support and Training Review
- Product Marketing Review
- Internal Control Questionnaire
- Customer Service Questionnaire
- Mystery Shopping Guide
- Physical Infrastructure Review
- Customer Service Assessment Tool

The last tool on the list, the Customer Service Assessment Tool, may be particularly useful because it is designed to help you organise and analyse the information that you collect with many of the other tools. Once you start monitoring in earnest, you may quickly find that the stack of completed questionnaires, surveys and suggestion box entries becomes overwhelming. The Customer Service Assessment Tool can help you process that stack and turn it into summary tables and charts that facilitate analysis and action.

***What Do You Mean By "Communication Channels"?***
Communication channels are the means by which you get information from one part of the institution to another, both among internal customers and from internal customers to external customers. There are numerous options for communicating information, for example:

- Internal newsletters
- External newsletters
- Frequently Asked Question guides or posters
- Financial education pamphlets
- Marketing materials
- Intranet
- Suggestion boxes
- Meetings (by location, personnel function, of committees, working groups or teams, etc.)
- Road shows
- Mass media, such as newspapers, billboards or television
- Notice or bulletin boards
- Telephone hot-line
- E-mail

The trick is to choose those communication channels that will be most cost-effective in your organisation—those that will actually facilitate the flow of information, ensure that the feedback loop is somehow completed every time input is given, and strengthen your institutional culture at an acceptable cost.

Without a communication strategy, information may never flow. It may be passed through channels that are slow or that direct information to the wrong place. Since staff will use whatever happens to be available in an effort to make their point heard, try to make sure that "what is available" works, both in terms of effectiveness and in terms of efficiency. Another useful strategy is to offer every customer at least two channels with which to communicate with you. That way, if one is broken or has become uncomfortable, there is always another option for keeping the feedback loop rolling.

## IX. Activity Plan

Whereas the previous sections of your document focused on the 'what' and the 'why' of your strategy, this section focuses on the practical areas of 'who,' 'where,' 'when' and 'how.' The key task is to take each objective and lay out the steps you intend to take to reach it. Then look at your monitoring and communication strategy and identify the activities required in order to implement it. Include all of these steps and activities in your activity plan. One of the best ways to handle these details is through an activity matrix that lets you clearly and visibly plot actions across time. You can make the matrix as detailed or as big-picture as you want.

One of the best things about working with a matrix is its adaptability. Individual blocks on the matrix can lend themselves to another chart providing more detail. The primary matrix, however, should include everything that's scheduled in the big picture, when it's scheduled and who the responsible party is.

Because of the cross-functional nature of the customer service role, it is particularly important that you clearly indicate the responsibilities of each department or unit that is involved in implementing the plan. This is especially relevant for those departments that may not see themselves as core customer service delivery points, for example, the IT Department or Finance. You may want to introduce your activity matrix with a narrative component that details this information. For instance:

> "The IT Department is responsible for ensuring that the technology in use is up to date and is able to provide reliable and efficient support to all branches and the Head Office. The Department shall ensure that the technical team responds to branch requests for hardware and software and any other issues arising from the use of computers to maximise up time. It shall inform employees in advance of any new development that will impact service delivery. The Department shall aggressively pursue new ways to enhance the quality of service delivered at all levels. It shall also ensure the security of equipment, software, and data backup systems. A disaster recovery plan shall be in place to support any part of the organisation affected in the recovery of data."

When you're developing your activity plan, remember to include activities for the development of systems, the setting of standards, the training, development and motivation of staff, the strengthening of your customer service culture; the testing and roll out of new programmes, and the measurement of actual benefits or returns. Remember also to plan for some high-impact, quick wins early in your strategy's implementation to help build momentum and demonstrate the benefits that can result from implementation.

## X. Resources Required

***Why Not Call the Last Section "Budget" Instead of "Resources Required"?***

The last section of your document should do more than just present a budget. Before looking at how much implementation is going to cost, this section should first describe the human and physical resources that will be required to implement the activity plan, for example:

- One Customer Service Officer in each of the eight branches that have more than 3,000 customers
- Two Customer Service Support Staff at HQ with computers and access to branch offices for effective monitoring, feedback to the branches, and customer service support
- Suggestion boxes in each branch with a place to post responses or instructions
- Customer feedback forms, surveys and monitoring tools
- Customer Help Desk, where possible
- Internal Help Desk at Head Office, etc.

Developing this narrative helps you plan to ensure that the right people and equipment are in the right place at the right time in order to effectively implement the strategy. You will be able to identify whether sufficient human and physical resources already exist inside your organisation and how much purchasing and recruitment needs to happen and when. If you want to "borrow" resources from other departments (e.g., to serve in a customer service unit on a rotational basis), you may need to negotiate a service level agreement with the departments who will be "lending" their staff. You'll want to consider whether your existing employees have the necessary skill base to implement your plan or whether you need to add training activities to your activity plan in order for them to properly carry out their responsibilities.

Only after you have considered all of these factors will you be in a position to calculate the sum of financial resources that you will need to implement your plan. If you move straight from the activity plan to the budget, you run the risk of funding your activities, but not the people and things that you will need to implement those activities. Take the time to think about your human and physical resource needs first and then build your budget.

***But Don't You Need to Know What Your Budget Is BEFORE Developing Your Activity Plan?***
Well, yes, to some extent. The general level of funding that will be made available for customer service activities will largely be determined by the role that customer service plays in your institution and you will probably find it useful to obtain a high level estimate of the funds available before you begin drafting your plan. However, budgets are always constrained and decision-makers will be unlikely to approve large sums of money to implement plans they haven't yet seen. Also, it is difficult to know how much money you need to implement a plan until you have a plan to implement. In reality, activity plans and budgets tend to be developed in an iterative manner, i.e., they are constructed more or less at the same time so that one can inform and feed off the other.

Another reason to work on your budget AFTER you've sketched out a fairly detailed implementation plan is so that you can build your budget on the basis of the resources required to implement each activity rather than allocating lump sums for activity categories or departments. Building an activity-based budget helps you to be more objective in estimating your costs, rather than budgeting to use up the money that has been allocated to you. Clearly defining the resources that will be available for each activity in the plan also makes it easier for whoever is implementing that activity to know what funds are available to them.

## Is There Anything Else We Should Keep in Mind?

Perhaps it's worth mentioning a couple of points. First, don't try to sit at your desk and write your customer service strategy. You need to get out of your office, talk to your customers, find out what their critical issues are and how you can best respond to them given your available resources, your corporate objectives, etc. You also need to talk to staff, both frontline and back office to find out where the challenges are to delivering excellent service. What works well? What needs to be improved? Begin drafting your strategy only after you've collected data, analysed it and diagnosed what needs to be done to achieve your mission and customer expectations.

Second, bite off manageable bits. There's nothing wrong with a healthy challenge, but be realistic about what you can actually implement and plan your implementation so that you can make fairly regular, steady progress. If you aim for lofty and inspiring goals but never achieve them, customers inside and outside the institution will quickly become discouraged. Along these lines, remember to look for a mix of "quick wins" and long-term solutions. Quick wins can create benefits for the organisation, achieve staff buy-in and create momentum to move ahead with other activities.

Third, involve all levels of staff as well as customers in your diagnosis, analysis and development of recommendations. This will not only inform your customer service commitment, objectives and activities, but will also increase employees' desire to deliver on that commitment. Never forget that everyone from the CEO to the office cleaner and security guards are part of your customer service strategy.

Fourth, don't let your strategy be reactive. Compare where you are with where you want to be and determine the skills, attitudes, systems and resources that can get you there. Simply responding to the noisiest customers or senior managements' latest idea won't necessarily help you achieve your institutional objectives. You will also spend a lot of time playing defence when you should be moving offensively towards your clients' desires and expectations.

Finally, make your strategy a strategy of continuous improvement. Most of what is needed to achieve excellent customer service requires very small changes in the way things are done on a day-to-day basis, not mega-projects to change the universe. Measure your progress, collect feedback and ensure that customer service is part of the way you do business.

As you develop your customer service strategy, consider using the following checklist to help ensure that you are producing a quality document that will get results.

## Final Checklist

- ☐ Is your customer service strategy grounded in the diagnosis, analysis and market research you have done?
- ☐ Does your strategy reflect and support your organisation's values and brand?
- ☐ Will it help you achieve your corporate objectives more effectively than other options?
- ☐ Does your commitment to customer service take into account your customers' experience of all 8Ps?
- ☐ Does everyone in your institution understand their role in implementing the strategy? And how their performance will be measured?
- ☐ Is management willing to commit themselves and their human, physical and financial resources to implementing the strategy?
- ☐ Does the strategy clearly define what constitutes excellent customer service? Can internal customers easily determine what is expected of them?
- ☐ Have you defined how you will measure success?
- ☐ Have you set mile markers or progress posts to gauge the effectiveness of the strategy over time?
- ☐ Will you implement at least one high-impact quick win at the beginning of your strategy implementation?
- ☐ Is there a system in place to ensure that the feedback loop is completed each time customer input is provided?
- ☐ Are employees motivated to implement the strategy?
- ☐ Have you planned to market the strategy internally before committing to it externally?
- ☐ Have you planned to test the strategy before rolling it out? Have you received feedback from various levels of staff on your draft?
- ☐ Does the strategy take into account your current customer service culture and define ways to reinforce what is strong about that culture while changing what is counter-productive?
- ☐ Have you clearly identified a person or unit to coordinate the implementation of the strategy? Does this person or unit have sufficient power, influence and control over resources to see the strategy through?

## Can We See an Example of what a Customer Service Strategy Might Look Like?

Of course. Take a look at Appendix 1, which presents a customer service strategy for Africa Microfinance Bank.

# *The Process: Implementing a Customer Service Strategy*

When the time comes to implement your customer service strategy, there are four main activities that will consume most of your effort and resources: setting customer service standards, leveraging technology, training and motivating staff and creating a customer service culture. Because of their importance, each of these main activities is discussed in a separate section of the toolkit. Before exploring them, however, it is worth taking some time to think about the implementation process in general and the factors that might be critical to the success of that process.

## If You Were to Give Us Your Top Ten Implementation Tips, What Would They Be?

It is always a risky challenge to come up with a list like this, but our experience with banks/MFIs and the recommendations of the mainstream customer service literature suggest that the following steps are key to the successful implementation of any customer service strategy.

***1. Establish a Steering Committee***

This is the group that will guide and coordinate the implementation process. It does not have to be a large group, but members should be influential within the organisation and should be drawn from a range of job grades and functions. If your organisation already has a customer service team in place, and if this team has the right composition, it could serve as your steering committee.

***2. Adopt a Continuous Improvement Approach***

Research shows that the approach adopted in first introducing a strategy often determines its success. Thus, it is worth the investment to create a service quality philosophy in your institution so that service excellence is not perceived to be a novelty or special promotion, but rather, as a logical and strategic extension of what your institution is already doing or should be doing. Companies that are successful in installing a service philosophy ensure that this is marketed throughout the organisation as a continuous process rather than a one-off campaign. If this is not done, as was the case in one East African financial institution that spent considerable time “training” staff in customer service, staff and clients may feel better for a few months, but soon things return to normal as the training fades.

***3. Set Standards***

We’ve said it before and we’ll say it again: set specific objectives and standards to define the customer service performance you want to achieve. If you don’t, no one will know what you want, you’ll be less efficient in your customer service delivery because you won’t be focused, and you’ll risk being ineffective with your strategy because you won’t be aiming for specific results that you know are important to your customers and to the success of your overall institutional strategy.

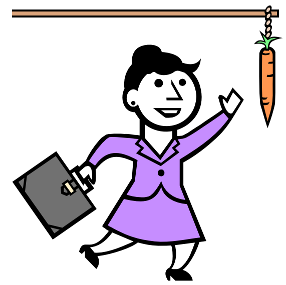
***4. Get Employee Ownership***

Ideas owned by staff are more likely to be accepted and implemented. The more employees feel involved in the development of a service strategy, the more likely they are to feel ownership of its principles. Involvement doesn’t necessarily mean “sitting in the room with the boss making decisions”. It means keeping staff advised about what is under development and giving them an avenue (or avenues) for being able to contribute to that process.

***5. Market Your Strategy Internally***

For employees to believe in and act by the principles of a service philosophy, they need to understand: a) why the strategy is necessary; and b) what is expected of them in terms of implementation of the strategy. To achieve this, you need to make sure that the rationale, objectives, performance expectations and timing of the strategy are clearly communicated to ***everyone*** in the organisation. Educate management first, as this is usually more successful than introducing a strategy to all employees at the same time. Staff can then see management as fully supportive of the customer service plan. Workshops and seminars are often used to introduce the service philosophy to employees, who are later involved in adjusting their own job descriptions to accurately reflect their customer service responsibilities. This technique can assist greatly in creating employee ownership of core customer service principles.

***6. Make Sure Staff Are Capable AND Motivated***



Staff performance is a function of both ability and motivation. If either is missing, you can't achieve your goals. Training in customer service skills, product knowledge, communication, etc. will be necessary if employees are to know **HOW** to achieve your customer service standards, but feedback, incentives and other forms of motivation will be necessary if employees are to **WANT** to achieve your customer service standards and objectives. Your service standards will get more attention if you reward employees who exceed them.

***7. Define How Success Will Be Measured***

As recommended previously, do this **BEFORE** implementation begins so that performance can be measured objectively, strategically and regularly. Look for ways to link your existing performance measurement processes with whatever customer service standards you develop.

***8. Plan for Quick Wins***

Quick wins demonstrate the value of your strategy and can motivate further implementation. Win quickly early on and schedule, or look for, regular quick wins throughout your implementation timeline. The range of tools explored in the diagnosis and analysis section of this toolkit can help you identify these "quick wins."

***9. Regularly Review and Communicate Progress***

Monitor the achievement of short-term goals as well as progress towards longer-term objectives. Then give everyone in the institution feedback about the progress made thus far and do so in a format and via a channel that facilitates positive action. What does this mean? It means celebrating success as you achieve it because celebrations help build and maintain momentum. It means rewarding and complimenting excellent performance so that employees are motivated to deliver more of the same in the future. It also means providing constructive criticism accompanied by specific, practical recommendations for improvement so that implementation weaknesses can be strengthened.

***10. Think about Communication as a Loop***

Rather than focus on the flow of information from one person or group to another, or from a starting point to an ending point, think about how the flow of information into, out of, and within your institution will influence decisions and generate responses. For implementation to be successful, the content of your customer service strategy needs to inform day-to-day decision-making and action, it needs to hold staff responsible for generating results, and the lessons learned and new information gathered each day need to be fed back through your systems to influence future day-to-day decision-making and action by your staff and your customers. We'll look at this in more detail in the final section of the toolkit.

# *Implementation: Setting Customer Service Standards*

## Why Set Standards?

Financial institutions set standards to ensure that acceptable levels of service are maintained. If no standards are set, then each event will be determined by the prevailing attitude of the employee at the time the event happens.

Standards need not be set to provide the highest quality at any price – they should be set to meet or exceed customer requirements. If setting a higher standard will not generate additional benefits for the MFI or the customer, it would be wasteful to do so. Alternatively, if setting and maintaining a higher standard will give you a competitive advantage, carefully consider whether the likely benefit exceeds the additional cost of achieving that standard.

## What Makes a Service Standard Effective?

Service standards are measures against which actual performance can be judged, for example, the time it takes for a teller to complete a withdrawal transaction. For these standards to be effective staff must understand what you want them to do and how often you want them to do it. Your policy should be spelt out carefully, and should indicate the relative priority of different standards.

Part of what your service standards need to do is to specify standard actions that employees should take in response to customers. Whenever possible, you can involve customers in measuring and providing feedback on the achievement of these standards.

In general, effective service standards will be SMART, that is: **S**pecific, **M**easurable, **A**chievable, **R**ealistic and **T**ime-bound.

## What Should We Measure?

Clearly, institutions need to measure against both their current strengths and against the factors that they or their clients feel need to be improved. There is a range of factors that could be measured; the following is a non-exhaustive list that can provide you with some ideas.

- ***Reliability*** – ability to keep promises on a consistent basis
- ***Flexibility*** – speed in changing and adapting to new requirements
- ***Accuracy*** – lack of mistakes and defects, precise corrections
- ***Responsiveness*** – willingness to help and provide what's needed
- ***Empathy*** – giving individual attention to customers
- ***Tangibles*** – equipment, communication media, physical environment
- ***Time*** – minutes, hours, on time, overtime, time saved
- ***Quantity*** – over-budget, under-budget, profit, loss, break-even
- ***Quality*** – type of material, finish and durability

## Can You Give Us Some Examples of Service Standards for a Financial Institution?

Sure. Here are some examples of ***process standards***…

- Cash deposit: Time at counter less than 1.5 minutes
- Cheque deposit: Time at counter less than 1 minute
- Cash withdrawal: Time at counter less than 2 minutes
- Cheque withdrawal: Time at counter less than 3 minutes
- Account opening: Time at account opening desk 10 minutes
- Balance enquiry: Time at counter less than 30 seconds
- Other customer enquiries: 80% of enquiries at enquiries desk less than 5 minutes
- Number of transactions per teller per day: 350

- Accuracy of processing: More than 97.5%
- Loan processing: 90% of customers receive initial decision on loan within 3 days

…and here are some examples of ***transaction standards***:

- Dress: Suit, clean shirt, tie (M) or Suit, clean blouse (F)
- Teller station/counter: Tidy and clean with no food, drinks, cigarettes or mobile phones
- Demeanour: Interested, smiling, welcoming
- Standard Greeting: "Good morning/afternoon Sir/Madam, how may I help you?"
- Receipt of card/passbook/other documentation: "Thank you"
- Completion of transaction: "Thank you – please come again to MyMFI soon."
- Score on Mystery Shopping: More than 8.5

Service standards will differ according to the nature of the institution, its procedures and its transactions.

## Why Do We Have to Prioritise Our Customer Service Standards?

To help staff resolve conflicts that will inevitably arise as they try to implement all of your standards at once. Consider what might happen in the relatively simple case of a financial institution with two customer service standards:

1. Courteous service standard: requires the Customer Care Officer (CCO) to escort all new clients to the teller window and help them with their first deposit.

2. Fast and equitable service standard: requires tellers to assist clients in the order in which they queue and complete transactions within two minutes of client arriving at the teller counter.

A new client has just opened a savings account at this institution with the Customer Care Officer. It is peak hours in the banking hall and all the tellers have queues; the CCO has two other clients waiting at her desk. What should the Officer do?

If staff know that fast and equitable service is valued more than courteous service, the CCO will escort the client to the proper queue, invite him to refer to back her if he experiences any difficulties, and return to help other customers at her desk. If she is not clear about this being the priority, she could end up waiting in line with the client while other customers continue to queue at her desk (an inefficient and, one could argue, ineffective use of her time) or she could end up breaking the queue in order to quickly assist the customer at the teller window and return to her desk, but leave other customers in the queue feeling as if they had been treated unfairly. The CCO could experience a high level of stress as she attempts to make her decision about how to act since there is no way that she can achieve both standards simultaneously. A clear statement of institutional priorities could relieve much of this stress and provide guidance with respect to how such conflicts should be handled.

## What Is Benchmarking All About?

Before setting standards, it is important to know the performance levels currently being achieved by your institution. Benchmarking is a process that establishes this current baseline performance. It can allow you to set standards through:

- ***Timing operations***: Recording samples of the time taken for individual transactions. Sometimes this can be obtained through investigation of timestamps on banking systems; in other cases it is performed through observation. Careful observation is required to determine the type of transaction being performed at any one time.

- ***Timing customer flow***: This records total customer time in your branch or service outlet and is typically obtained through direct observation. It is an especially valuable measure when branches become very busy, but one must be careful with the analysis as different branches – even in the same bank – can have very different customer flows at different times of day, at different times within the month, or according to season.

- ***Quantified mystery shopping***: Numerical scores are attached to different attributes that are surveyed during the mystery shopping visit.

- ***ServQual Questionnaires***: Direct opinions of customers are obtained and scored, producing a satisfaction score for a branch or a service.

## An Example of Benchmarking at Equity Bank

As part of its drive to improve service levels, Equity Bank decided to perform a benchmarking exercise, measuring its current level of performance against that of key competing institutions. To do this, Equity decided to measure a range of common transactions. These transactions included time taken for:

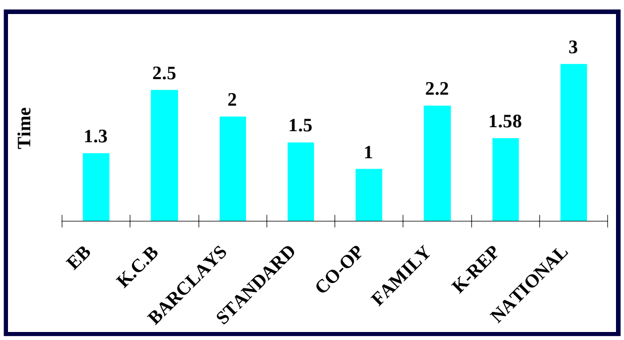
- Cash deposits and withdrawals
- Cheque handling
- Account opening
- Balance requisition
- Credit service time
- Customer enquiries

Once Equity had selected the type of transactions to benchmark, it had to select a range of competing institutions to measure itself against. It selected these based on two criteria: the level of direct competition and the institutions that were seen as leaders in providing customer service.

A team of staff was then formed to perform direct observation and mystery shopping of transactions at a range of different branches of the competing institutions, and at the majority of Equity Bank branches. The direct observation process took three staff members three weeks to complete.

Next, team members performed telephone based mystery shopping to assess staff knowledge in different areas of operations, account opening, products and services and access to credit. Telephone etiquette was monitored as well as command of languages. Results from each benchmark were presented graphically, for example:

**Cash Withdrawal Time Benchmark**




## Is a Customer Charter a Service Standard?

A Customer Charter is different from a customer service standard in that customer service standards are internal performance targets. A Customer Charter is an external promise. It is a commitment that a bank or MFI makes to the customer in terms of:

- Security/reliability banking and payment systems
- Accuracy of processing
- Transparency of product pricing and features
- Quality of customer service
- Steps to rectify any errors or omissions

Customer Charters may contain standards, but these are normally set at a lower, much more achievable level than internal customer service standards. In the example below, a high level of professionalism has been promised, but it is difficult for the customer to establish what the bank means about professional, understanding, reliable, etc.

**Anglo Irish Bank**
**Personal Deposits Customer Charter**

**Mission Statement**: We commit to providing our customers, internal and external, with a standard of service that is so exceptional that they will consider us, and only us as The Bank with which to conduct lump sum Personal Deposits business. ***They will experience the difference.***

Our agreed standards will have individual and collective responsibility from each member of staff and will be continuously reviewed to benchmark our progress. At all times and in all our interactions with customers, we take responsibility for being:

**P**rofessional
**U**nderstanding
**R**eliable
**F**lexible
**E**fficient
**C**ourteous
**T**horough

This is a **commitment of intent**, and not just a statement of words.

## What is a Banking Code?

In many countries banking industry associations have established banking codes. These seek to establish common standards for banking practice. In the United Kingdom, every bank is required to comply with the UK Banking Code, which is intended to provide guidance to banks and customers on how services should be delivered. The code is regularly sent out to customers alongside regular bank correspondence so that customers are more aware of the responsibilities of their bank.

**The UK Banking Code**

1. Act fairly and reasonably in all dealings with their customers
2. Ensure that all their products and services they offer comply with the code in addition to their own terms and conditions
3. Give information to customers about their products and services in plain language and help if there is anything the customer does not understand
4. Help customers to chose the product or service that fits their needs
5. Help customers to understand the financial implications of:
    a. A mortgage
    b. Any other form of borrowing
    c. Savings and investment products
    d. Card products
6. Help customers understand how their account works
7. Ensure that customers have safe, secure and reliable banking and payment systems
8. Ensure that the procedures that the company sets out for its staff to follow reflect the commitments set out in the banking code
9. Correct any errors they make and deal quickly with customer complaints
10. Consider cases of financial difficulty and mortgage arrears sympathetically and positively
11. Ensure that all products and services comply with the relevant laws and regulations

## The Power of a Service Guarantee

Where promises set out in charters, codes and guarantees are met, this sends powerful messages to customers. Consider the example set by Cooperative Bank in the UK. Notice that the bank's Customer Service Charter is very exact, and creates a series of measurable promises.

**Cooperative Bank's Customer Service Charter**

Should any of our services not live up to any of the following promises we will put the problem right, say sorry and give you £10:

- *Account opening*: We promise we will deal with your current account application within 48 hours of receiving it
- *Statements* – no ifs or buts
- *Chequebook and cards*: We promise we will automatically issue you a cheque book and cards to make sure you always have them available
- *Standing orders and direct debits*: We promise to set up and pay your standing orders and direct debits as instructed and without any mistakes
- *Personal loans*: Any requests from our current account customers for an overdraft or personal loan will be dealt with and, if approved, made available within one hour.

Although such charters and guarantees can help build customer relationships, our experience is that unless employees are involved in their development and believe they can keep the promises, charters and guarantees are not properly implemented. Furthermore, don't forget that even a customer service charter like Cooperative Bank's, which gives the impression of a highly responsive institution, does not cover all of the bank's operations. For the bank to actually ***be*** customer responsive will require the setting of internal standards that rise above and beyond what is stated in the external charter.

## But Shouldn't Our Internal and External Standards Be the Same?

Not necessarily. What many institutions do to ensure that they meet customer expectations is to set internal standards ***higher*** than their external promises. In other words, they promise less than they expect to be able to deliver. For example, they might promise their customers, "You will be served in less than ten minutes," when they know standards have already been set to serve customers within five minutes. Another example of this would be that to say, "Your loan application will be processed within 2 working days," knowing that the internal standard is to process loans within a day. Once again, it's about under-promising and then over-delivering on your promises. That's how you create excellent customer service that exceeds expectations.

Of course, you have to be careful about how much you under-promise and whether what you are promising is attractive enough to get customers in the door. If everyone else in the industry is promising a loan processing time of 24 hours or less, you'll find it difficult to attract business by promising 48 hours or less. Few customers will want to give you a chance to exceed their expectations under such conditions.

What you definitely ***do not*** want to do, is to set external promises higher than your internal standards, or set external promises without setting internal standards at all. This only increases the risk that you will raise customer expectations (by making external promises) and then not be able to meet them.

## What Happens if We Fail to Meet Our Customer Service Standards?

There are congestion points in every process – even finely tuned processes break down. The goal is to stop unplanned and poor customer service from turning into an explosion point, which could potentially drive customers from your institution. Therefore, sometimes you must focus on service recovery.

Service recovery is a planned process of returning an unsatisfied customer to a state of satisfaction with your service or company. How can you develop service recovery procedures? Well, first, you need to identify where your customers typically experience problems. This can be done through Focus Group Discussions with staff and clients, through ServQual questionnaires, through mystery shopping, or through your complaints and suggestions database, if you have one. Second, staff should be advised on the typical process to take to resolve each typical problem. Let's say, for example, that customers have identified the following as key problems…

1. Delays in processing inter-branch transactions
2. Unusual fees and charges appear on my statement!
3. My account card has not yet arrived

Staff would then be guided on an appropriate response to give to the customer, and who problems should be escalated to if the customer is still not satisfied after that response has been provided, for example:

- ***Delays in processing inter-branch transactions***
  If the delay is caused by slow system speeds, explain to the customer the current difficulties we have in the connection to the other branch. Say that we are working to resolve this issue, but it will take several months before the telecommunications provider can improve the connection to that branch. Where necessary escalate your customer to your supervisor.

- ***Unusual fees and charges appear on my statement***
  If the customer is not familiar with our fees and charges, she may occasionally be subject to a fee or charge that she does not recognise. If the fee appears to have been charged legitimately, then refer the customer to the price list hanging in every branch. If the fee appears to have been applied incorrectly, take down details and refer them to the branch manager. Collect the client's telephone number, if available, and call them when the charges have been corrected. Where necessary escalate the problem to the assistant manager who can reverse the charge.

- ***My account card has not yet arrived***
  This is a relatively common occurrence at the moment. Explain to the customer that at the moment very high demand for our services does occasionally cause delays in the delivery of cards. Take down their details. Record the promise that was made to them relating to delivery time. If the card is less than a week overdue, apologise to the client and suggest that she returns in a week. If the card is less than two weeks overdue, take down the card details, forward to the card issuing department with a request for follow up, take down the customer's telephone number and call after receiving the report from the card department. If the card is more than a month overdue, refer the customer to the manager.

Some financial institutions play a very active role in service recovery; they do this by installing a help desk. There are two types of help desk: an internal help desk which is often focused on helping staff manage systems and procedures, and an external help desk which is focused on assisting customers with any problems.

## Why Is Service Recovery So Important?

The vast majority of dissatisfied customers (one study puts the number as high as 96%) do not inform the institution that provided the service about their dissatisfaction.9 Only one out of 27 will complain. The good news, according to Churchill and Halpern (2001), is that when customers do complain, and their complaints are received, responded to and fixed, there is a 90% chance that those customers will return to do business with the institution that had made them unhappy. Interestingly, the converse is also true. Ninety percent of dissatisfied customers whose problems are not resolved will never do business with the institution again.

Recent research on financial service institutions and banks by a customer service research firm in South Africa tells a similar story. One of the principal ways banks lose/gain customers is how they handle

[9] A 1980s study put out by the Technical Assistance Research Programs (TARP) commissioned by the White House Office of Consumer Affairs; see http://answers.google.com/answers/threadview?id=527120.

mistakes and complaints. If the mistake/complaint is handled well and the issue is resolved completely and promptly, the client actually becomes more committed to the institution, while poor handling of the mistake/complaint is a key reason for which customers leave the institution.

# *Implementation: Leveraging Technology*

Electronic Banking (or e-banking) offers huge potential to improve customer service through the development of cheaper, more efficient forms of financial intermediation. In doing so, it opens up opportunities for financial institutions to increase accessibility, provide advanced functionality, achieve higher levels of efficiency, and lower costs.

Currently, e-banking is revolutionalising banking in developed countries. It is doing this by substituting banking hall transactions and paper cheques with all manner of electronic transactions. These include widespread use of ATMs, debit cards and credit cards, the internet, and telephone based bank accounts.

In developing countries, solutions are gradually being developed on the basis of local business models, to respond to local realities and local concerns. ATM usage is expanding rapidly as the cost of ATMs decreases. Already ATM based products such as Standard Bank of South Africa's e-plan account reach million of customers.

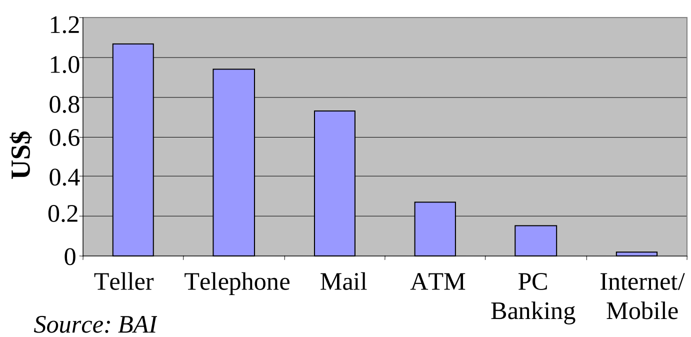
*Does e-banking not offer the prospect of substantial, if not massive,*
*progress in banking the poor, provided certain threshold conditions are met?*
-David Porteous, FinMark Trust

Increased competition combined with heightened levels of awareness is driving rapid change. Most banks, and several microfinance programmes in East Africa have already or have plans to operate ATM machines. There are still more ambitious plans in South Africa – for a fully functional card based bank account. Such change is driving unparalleled improvements in access, and through reducing congestion in banking halls is improving service levels even for some without direct access to electronic solutions. Looking to the future, e-banking is likely to become a significant component of the product delivery and customer strategy of cutting edge microfinance institutions.

## Why Consider E-Banking?

One of the key advantages driving change from an institutional perspective is the reduced cost of electronic transactions. This is seen clearly in the graph below.

**Transaction Cost Per Distribution Channel**

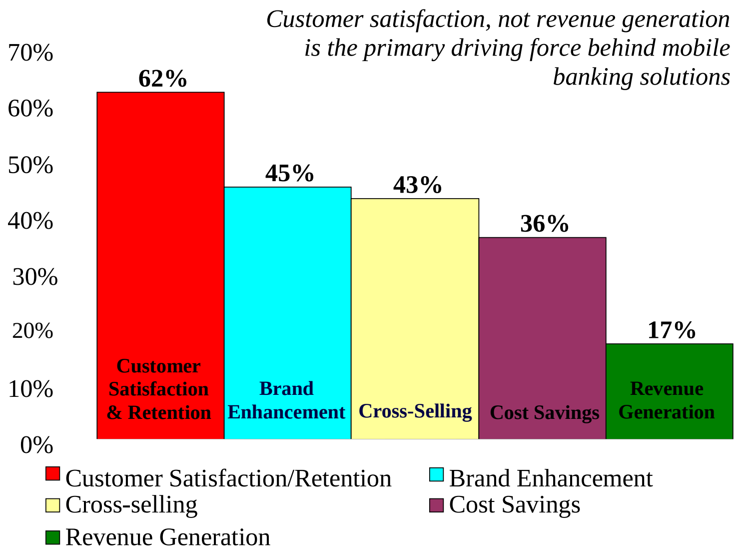



*Source: BAI*

The drastic reduction in transaction costs can lead to increased outreach, increased efficiency and productivity, and of course increased profitability. But that is only part of the picture.

One of the key drivers of change is improved customer satisfaction and retention. In a 2001 IFC/Tower Group survey to establish why banks offer mobile banking solutions, the most significant factor identified by banks was customer satisfaction and retention; the second was brand enhancement. Cost savings and revenue generation ranked as the fourth and fifth most important reasons.

**Why Banks Offer Mobile Banking Solutions**




Source: IFC Tower Group Survey, 2001

## What Can Technology Do for Customer Service?

E-banking can help you improve your customer service in any of the 8P areas. Take a look at the table below for an overview of the benefits it can provide.

| ***Attribute*** | ***Customer Benefit*** |
|---|---|
| Product | • Provide a wider range of delivery channel choices<br>• Improve knowledge of the customer (through data warehousing and data mining) |
| Price | • Lower the price of products and services (by making it less expensive for an institution to produce them)<br>• Lower transaction costs by delivering products faster and closer to customer |
| Process | • Improve efficiency and, thus, the speed of delivery<br>• Increase confidentiality and security of information |
| Promotion | • Integrate internal communication<br>• Provide more channels of communication<br>• Facilitate targeted marketing to specific segments<br>• Supply additional opportunities to promote customer relationships (e.g., SMS greeting on a customer's birthday) |
| Positioning | • IT systems can significantly modify the position of an institution (must ensure that this position aligns with the brand)<br>• Improve consistency through automation |
| Physical Evidence | • Free up space for front-office operations<br>• Provide proof that a transaction has been made |
| Place | • Increase the number of access points (e.g., through mobile banking or cash machines), making it easier for customers to use products and services when and where they want them<br>• Decongest banking halls |
| People | • Improve quality of work for staff; repetitive, mechanical transactions can be done by machines<br>• Free up staff to spend more time building customer relationships, adding a personal touch<br>• Make it easier for staff to access product information and be informed about product changes |

## What Are the Key Challenges?

Surprisingly, technical issues do not appear to be the major constraint in the successful adoption of electronic banking initiatives.

The most fundamental challenge is developing a solution that has enough intrinsic value to match the flexibility and accessibility of cash. The value that a customer places upon the attributes or features of a financial product is called the customer value proposition. Simply replicating an institution's internal systems is unlikely to provide sufficient value for the customer to use the electronic solution. It is vital, therefore, to design products that offer a balance between competitive pricing, functionality and sufficient access points for basic transactions like deposits and withdrawals of cash.

The next biggest challenge is to generate sufficient volume of transactions to support the development and operating costs of the system. This is not as easy as it sounds, particularly as financial institutions develop and rollout electronic payment mechanisms.

## What Technology Options Do We Have?

We'll provide a very brief overview of some of the technology-based options for improving customer service through electronic banking below. For more detailed information about these options see "Electronic Banking for the Poor: Panacea, Potential and Pitfalls" (Cracknell, 2004), available on the *MicroSave* website.

***Point of Sale Devices (POS)***: POS devices facilitate payment transactions without cash, using either magnetic stripe or chip-based cards to perform transactions.

***Automated Teller Machines (ATMs)***: ATMs are used with either magnetic stripe or chip-based cards to perform basic transactions, such as deposits, withdrawals and balance enquiries. Increasingly, ATMs are used to perform other services such as airtime top up and the payment of utility bills. In a move aimed at increasing the usability of ATMs, Prodem in Bolivia developed a talking ATM which makes it easier for semi-literate clients to use the machine. ATMs and especially the cheaper cash machines (which don't accept deposits) are gradually being introduced in larger microfinance programmes as the cost of the technology reduces.

***Personal Digital Assistants (PDAs)***: PDAs are small, handheld personal computers. They are used to improve loan processing and data collection. A good example of the application of this technology can be found at Safesave in Bangladesh (see Handout 10.3). In general, the device is a low cost, moderate return option that is appropriate for a wide range of microfinance programmes.

***Mobile (Phone) Banking***: Mobile phone banking enables customers to make payments directly from their mobile phone, either through SMS or menu-based systems, thus eliminating the need for customers to physically travel to the bank or ATM to receive or deposit cash (e.g., CelPay in Zambia). Many mobile service providers are currently experimenting with mobile phone transactions.

***Credit Scoring for micro-loans***: Credit scoring is a technique used for screening loan applications and repeat applications against a predetermined set of criteria. The major benefit of the technology is the reduction in time required to appraise and approve loans. The major difficulty is establishing the credit scoring model, in particular, the identification and testing of appropriate criteria or predictors to score against in a particular low-income market.

***Biometrics***: Biometrics includes using fingerprints and iris scans for customer identification. It enhances security and can improve accessibility for illiterate customers. However, biometrics comes at a cost, as it requires integration into banking systems, fingerprint or iris readers, and more expensive smart cards.

***Microfinance institutions as issuers of their own cards through a wider initiative***: In this case, MFIs do not need to develop their own back office systems because they use someone else's infrastructure, for example, Opportunity Bank in Malawi uses Malswitch to provide electronic banking solutions. The challenge in this case is likely to be the relatively weak negotiating position of the MFI, and the high level of counterparty risk.

***Microfinance institutions operating low-end closed loop ATM systems***: A relatively low cost ATM system can be built, as PRODEM did in Bolivia, for example. Many of *MicroSave*'s Action Research Partners in East Africa are in the process of installing closed loop ATM systems. This is made possible as financial institutions network branches and upgrade their banking systems.

***Groups of Microfinance programmes implementing a focused programme***: In this case development costs are shared through a joint initiative such as Ferlo-MEPS in Senegal or RTS Uganda.

## How Can We Choose from Among the Many Options?

Choosing from among the many technology-based options available is very challenging. Aside from implementing ATM machines, there are a limited number of visibly successful initiatives using e-banking in the low-income market. Given this reality, any e-banking initiative needs to be carefully examined. We recommend that you take the following major steps:

1. Establish how technology can meet your customer service objectives.
2. Examine the customer value proposition for the option chosen.
3. Produce a cost / benefit analysis.
4. Prepare careful business cases for each of partner initiative.
5. Ensure that your technology choice aligns with your business strategy and with any other technology already in use.

## Make Sure You Pilot Test!

Pilot testing e-banking initiatives to test for viability as well as functionality is critical. Consider two cases from MFIs that tested handheld devices, Share MicroFin and SafeSave.

***Share MicroFin*** operates a Grameen-based approach in Andra Pradesh, India. It introduced handheld computers to reduce processing time. Processing time was, in fact, reduced because less effort was required to update books in the office, but the new technology did not help field officers handle more groups and transactions in the field during the critical three hours before clients go to tend their fields. Thus, it reduced staff working days from 8 hours to 6 hours but did not allow Share MicroFin to serve more customers. It stopped the pilot test.

***SafeSave*** introduced a similar handheld computer with its field staff. Unlike Share MicroFin, SafeSave is based in urban slums in Dhaka and provides services to individual clients. For SafeSave, handhelds have reduced transaction time and have increased interest and confidence in the service provided. This has increased transaction frequency and resulted in greater transaction volumes. Clients are interested in the device and they have learned to recognise screens and sounds, which enhances transparency and enables at least some client audit. In fact, clients say they trust the handheld more than paper. SafeSave has decided to keep the device, but recognising the additional demands it places on staff, it also knows that carefully trained and self-disciplined field staff will be needed to use the handheld system properly.

## Are There Customer-Related Issues that We Should Be Aware Of?

Absolutely! A point of failure in many electronic banking projects is that the solution has been designed largely around the institution and not its customers. From a customer perspective, there are a range of strategic, technical, social and communication issues that need to be considered. The following four sub-sections have been written as a non-exhaustive series of questions that anyone introducing an electronic banking solution should consider. Those seriously considering the introduction of an e-banking solution should read "Electronic Banking for the Poor: Panacea, Potential and Pitfalls," where these issues are discussed fully, and additional references can be found.

***Strategic Issues***

- Regulation and supervision: Does the regulatory environment allow deposit taking through intermediaries, or assistance at ATM machines? What registration and reporting requirements are imposed by regulations? What is the likely impact of Know Your Customer regulations? How can challenges of Know Your Customer regulations be most effectively worked around?
- Pricing policy: Is the pricing model based on value of transactions or volume of transactions? Does the price create barriers to entry or usage? Are prices appropriate for the market targeted? Is it possible to differentiate prices for services between different target markets?
- Issuing network and distribution network for point of sale devices: Is the network of issuers and merchants sufficiently widespread to provide access to customers? Is the distribution network targeted on locations that the target market actually uses?
- Value proposition for the end customer: Is the value of the solution to the customer sufficient for them to move their transactions away from cash?

***Technical Issues***

- Cost of infrastructure: Has the solution fully considered and factored in the cost of the supporting infrastructure, ATMs and POS devices? This cost can be considerably more than the cost of developing the basic solution, but the value proposition to the customer will expand as the network of access points expands.
- Existence of national infrastructure: Is there a national infrastructure of ATMs or POS devices that your solution could be linked into, quickly creating an effective distribution channel? What is the price of joining the national infrastructure?
- Communications infrastructure: Is the national communications infrastructure sufficiently developed to service the target market?
- Offline solutions: If offline solutions are being considered, how does this affect usability for the clients and the institution? Transactions sometimes take days or weeks to be recorded on the master system; are procedures for reconciling value established? What challenges are timing differences in recording transactions likely to create?

***Marketing and Communication Issues***

- Acceptability of e-money: Most developing markets are largely cash based (“cash is king”); what is the acceptability of e-money as a store of value and as a medium of exchange?
- Full usage of the service: Is the service fully used across its range of functions? Do clients understand the functions that they are not using? How are the functions of the system communicated? Is this communication effective?
- Communications: Are communications in clear, concise and client friendly language? Is there a proactive research agenda that explores client issues? Is this proactive research agenda used to improve customer communications?

***Practical Issues***

- Training of issuers, customers, and staff: Are procedures in place to adequately train issuers, customers and staff? Is the training effective? Is the quality of the training being monitored? Do customers know and use all the features of the solution? Have Frequently Asked Questions guides been provided to issuers and staff?
- Accessibility: Is the system accessible to customers? Is it reliable and constantly available? Is the distribution network sufficiently widespread to provide hassle free access to customers? Is accessibility affected by opening times (for example, POS-based solutions)?
- Usability: How easy do clients find it to use the solution? What modifications can be made to make it more usable? Do clients receive sufficient training and exposure for them to understand how to use the system?

- Maintenance: Are the POS devices or ATMs physically robust, and able to operate in less than perfect environments? Have maintenance and service contracts for the POS devices and ATMs been signed that ensure minimum downtime? Are spare parts available? Is the POS software upgradeable? Is appropriate technical support available? If the POS device runs on batteries, do they last long enough?

## Is There Anything Else to Consider as Technology Becomes Part of Our Solution?

Yes. Customers remember bad experiences and those experiences are often related to systems breakdowns or slow transaction updating. A common complaint of customers from a bank in Tanzania was non-working ATMs, which were taken offline everyday at 5pm for system updating. System downtime causes major embarrassment and frustration, and is typically outside the ability or knowledge of the operations staff to fix. The customer does not understand or care to know what the problem is – s/he simply experiences it as "poor service." Front-line staff take the brunt of the customer's frustration and anger, but often can do no more than report problems. Morale and commitment to customer service are severely affected.

It is critical, therefore, to extend awareness of customer care beyond front line staff to the employees and partners who support your technology systems. Then, back office staff can ask themselves two key questions, and their performance can be evaluated in part on their ability to answer these questions:

1. "What can we do to improve the customer experience?"
2. "What can we do to facilitate the ease of interface between front-line staff and customers?"

Internal users of any new technology need to be involved with it early and regularly. As you roll the technology out, make sure you have a plan for ensuring that both internal and external customers are able, willing and (ideally) keen to use it. The following questions can help you think through the key issues that need to be considered in that plan:

- How will technology change your interaction with customers?
- Will your definition of excellent customer service need to change as a result of the technology?
- What standards will need to be set for system performance and reliability?
- What kind of marketing will be necessary to successfully sell the solution?
- How will customers experience the changes?
- What can be done to ensure that the personal interface with customers remains strong despite automation?

# *Implementation: Training and Motivating Staff*

## Why Focus on Staff?

In a service industry, staff are primarily responsible for delivering the service (even with ATM and e-banking solutions staff are an important part of the sales and follow-up service team). They deliver the products, resolve service issues, define the corporate image, make or break the brand and provide quality and commitment (or the lack thereof).

Focusing on staff involves ensuring that they have the proper motivation to serve the customer; the knowledge, skills and attitude required for the level of service expected; and the belief that the customer relationship is all important to your business. This requires institutions to optimise employee performance through:

- Clear expectations and standards
- Training and skill development
- A conducive work environment
- Support and encouragement
- Rewards and recognition

Many institutions are fooled into believing that customer service training is all that employees need to become customer-centric. Employees also need motivation, leadership, tools and an understanding of how (and why) to make the service delivery process as effective as possible. Rather than managing employees as any other resource, customer-centric institutions focus on proactively managing relationships with their employees in order to maximise performance.

***Equity Bank's Climate Survey***
Equity Bank used a climate survey during a period of intense expansion when they sensed there may be changes in the corporate culture. They were able to identify areas where staff were dissatisfied and unmotivated around customer service, and then took actions in response. The same survey administered six months later revealed improvements in the attitudes towards customer service, a key differentiator for the bank.

***UMU's Staff Satisfaction Questionnaire***
UMU found that climate surveys produced positive results even though new staff were not pleased with some internal issues. Thus, they decided to move to a simple satisfaction questionnaire, with lots of space for feedback. The compiled results provided rich information for their ERM programme and allow UMU to monitor staff commitment over time.

## What Is Employee Relationship Marketing (ERM)?

ERM is one way to create and maintain value-laden relationships with your staff so they are motivated to deliver the customer service that you expect. In other words, ERM draws staff into a relationship with your institution so they care about their performance and the institution's effectiveness. It encourages them to remain loyal to you – they want to work for you because you recognise and reward their service performance. ERM can also influence employees to want to protect and enhance a positive image of your institution in the marketplace. It means marketing – your brand, your products and the principle that customer service excellence drives your business – to your staff.

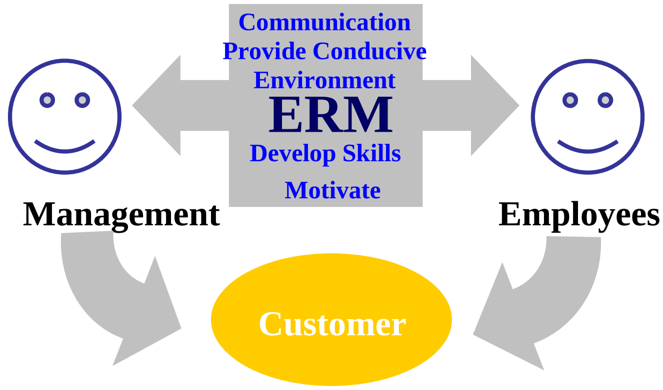
ERM involves:

- Selling a vision
- Getting staff buy-in to support customer relationships
- Providing motivation
- Promoting staff development
- Creating a pleasant, supportive and productive work environment

## How Can We Implement ERM in Our Institution?

Employee Relationship Marketing can be accomplished through the following strategies:

- ***Temperature taking (and following up on problem areas) – climate and attitude surveys:*** These are typically anonymous surveys that gauge satisfaction levels of staff on various parameters. They use multiple questions to triangulate data and give overall scores for specific areas (e.g. internal




***If you take care of your employees, they will take care of your customers.***

communication, service issues, teamwork, etc.). Given periodically, such as every two years, these can measure changes in employee attitudes and corporate culture. Results and planned actions should be shared through the organisation to complete the feedback loop. (See the sample climate survey Handout 11.2 and report provided in Handout 11.3.)

- ***Inviting and providing feedback – including employee suggestion schemes:*** Inviting staff to provide feedback on everything from current service levels to proposed standards gives them an opportunity to contribute and increases their commitment to whatever results are produced. If incentives are provided for employee suggestions that improve customer service and the service culture, they should be perceived to be fair and transparent.

- ***Empowering employees*:** Wherever possible drive decision making down to your frontline staff. Empower them to resolve customer issues and take steps for service recovery. If staff know that they can be flexible and actually provide solutions to customers, instead of passing the customer to another person with whom they have to start their story again, service in your institution will become less bureaucratic, more responsive and, inevitably, more effective.

- ***Developing customer service skills***: Set standards and provide training so that employees can meet and exceed those standards. In determining the training needed follow the basic process of: assessing what knowledge, skills and attitudes are needed; conducting an audit to evaluate current staff competencies; analysing the gaps between the two; implementing a training programme to fill the gaps; and evaluating the results of the training. Don't forget to monitor and provide feedback on staff performance.

  Be careful with "off the shelf" customer care training programmes. Often their content is not relevant to the specific standards and processes of your institution. Many of the general course offerings focus on a warm smile and a handshake. Fortunately, there is a move away from these generic courses to tailored and practical programmes, run in-house and geared to the expectations of your customers.

**Sources of Staff Development**

- Courses – In-house/External
- Profession/management education (MBA, CPA, IB etc.)
- Evening classes on IT
- Conferences
- Secondments – Internal/External
- Profession Group/Institute meetings
- Job shadowing
- Learning from own job – careful self analysis
- Mentoring
- Coaching
- The Media

- ***Supporting your staff*:** There are many ways you can support your staff in customer service initiatives. Develop "Frequently Asked Question" (FAQ) guides so they know exactly how to respond to customers. Provide clear guidance on customer-focused policies and procedures, standards, etc. Listen to what employees have to say about client interactions and help them in problem solving. Provide feedback and guidance on what you have observed of their performance both to internal and external customers. Recognise their accomplishments, especially in public or in front of their peers and supervisors. Create a social support infrastructure in your institution. Encourage teamwork when it streamlines work and better serves the customer.

- ***Team building*:** High-quality customer service is inevitably delivered by teams. Teams succeed when there is an indication of the team's importance to the institution's customer service (it is part of job descriptions, incentives, etc.). Effective group dynamics, the right personal characteristics/abilities and leadership are also critical success factors.

- ***Motivation and reward schemes***: Once you have established the vision of customer service within your MFI, the next step is to select incentives which motivate staff to achieve greater customer satisfaction. It is helpful to ask the following questions and think about what will satisfy the company as well as your employees:

  - Why - What behaviour you are supporting? What is the objective of the reward?
  - Who - Individual, team or company?
  - What - Money or other type of reward?
  - Where - Which department or branch?
  - When - Monthly, quarterly, or annually?

  Both financial and non-financial rewards can have an impact on employee behaviour. Remember that the goal is to recognise and promote positive customer service. Management input is normally felt to be an important element of an award scheme because managers are able to take into account special service efforts which can affect performance. Nevertheless, award schemes should not be based on management judgment alone. The more people you involve in your scheme, the more the process can help you strengthen your corporate culture. Just make sure that your scheme is **transparent** and **fair**. These two factors are essential to the success of any award program.

**Examples of Motivation and Rewards**

- ⇨ At Condant UK, a 'caught in the act' scheme allows employees to nominate colleagues for awards and give on-the-spot prizes of sweets, teddy bears and tee-shirts.
- ⇨ One restaurant chain has developed an award scheme based on feedback from customer questionnaires, mystery visits and phone calls, plus management reports. The award takes place quarterly and the best performing branch, as well as the branch which has made the greatest improvement over the last quarter, receive commemorative plaques. Members of staff from the winning branches each receive a special badge and a prize is also given to the team. The finalists are entered into a national award drawing.
- ⇨ UMU in Uganda holds a "Core Value of the Month" competition and each month awards the staff member who best represents that core value in each branch. Staff nominate one another and a Branch Committee selects the winner who receives high quality branded merchandise.

- ***Loyalty Programmes***: Some institutions include a loyalty programme in their ERM strategy through which employees can earn points for customer service excellence and for staff development initiatives. Points can be awarded for excellent service delivery based on standards the institution has set and/or specific criteria that are transparent to all (for example, 100% correct answers on product knowledge quizzes over the quarter). Employees can then "cash-in" their points for branded merchandise, corporate sponsored events, or to support community initiatives sponsored by the bank/MFI.

One loyalty programme awarded points for the following range of activities:

| Activity | Points |
|---|---|
| Receiving a Moment of Beauty voucher in the Reward programme | 25 |
| Achieving a 100% rating in the Mystery Shopper programme | 50 |
| Facilitating a departmental training course and providing follow up | 10 |
| Successfully completing approved job related external course | 10 |
| Entering internal newsletter competitions on product knowledge | 5 |
| Participating in Corporate Social Investment initiatives | 10 |
| Achieving 100% attendance record over a three month period | 50 |
| Achieving an A rating on performance appraisal | 100 |
| Achieving a B rating on performance appraisal | 50 |

## What Are the Principles for Launching an ERM Programme?

- Get management buy-in and commitment
- Create an ERM champion/task force: someone needs to take responsibility for moving it forward
- Start small: surprise and delight employees; show them that you appreciate them
- Set in motion “revolutionaries”: train and motivate those who will lead the way
- “Sell” your values in clear, concise statements
- Make your service standards regular business practice: “You can be fired if your till doesn’t balance, but can you be fired for being rude to a customer?”
- Provide incentives
- Set standards, and hold staff accountable to them
- Close the gap between frontline and supervisors
- Hire/train the right people
- Brand it!  Give your programme a personality that staff can get excited about

**An Example of ERM at Montecasino**

Montecasino in South Africa used ERM to improve customer service and turn its gaming business around from major annual losses to being one of the most profitable casinos in the region.  It began small by just recognising staff for their contribution on the job.  One supervisor took the lead in developing a system for identifying customer service “moments of beauty” during shifts and logging them into a database so employees could be rewarded for their excellent performance, as recognised by supervisors.  The programme grew and is now branded as TIMM (This is My Moment). The TIMM programme includes:

- “Loyalty” Club: staff earn points for excellent performance, then cash in on branded merchandise
- Standards set for individual positions: staff is then Mystery Shopped once a quarter.  Managers provide feedback and plan improvement strategies.
- Mirroring corporate promotions for staff
- Staff newsletter highlighting desired job attitudes
- Reinforcing brand everywhere EMPLOYEES look
- Modeling of values and mission by managers
- Community service events for staff
- Birthday cards to all staff

Remember, ERM is not a switch system in which you do “X” to receive “Y.”  It is a combination of factors that reinforce the values of the institution and excellence in achieving objectives of the job.  It allows staff to build up credit over time for repeated efforts that demonstrate desired attitudes and behaviours towards customer service.  Staff are able to work towards and choose rewards that they would like to receive from the offer.

## How Can We Measure the Effectiveness of ERM?

Try using some of the following measures.

- ***Staff retention figures*** – increasing numbers can demonstrate positive outcomes
- ***Mystery shopping*** around specific, measurable standards
- ***Climate/satisfaction surveys*** can measure employee satisfaction with various aspects of their working environment
- ***Your performance management system*** – annual and semi-annual monitoring provides check-in points for measuring effectiveness
- ***Process mapping*** – to evaluate system improvements, particularly those with heavy back office support to gauge changes in service to both internal and external clients
- ***Client perceptions*** **–** focus group discussions, customer feedback groups, serviced suggestion boxes and comment cards collect information on client perceptions of service quality (which is what really counts), reflecting on the effectiveness of ERM

## What about Staff Incentive Schemes?

Of course, it is also possible to motivate staff through an appropriately designed staff incentive scheme. Well-designed schemes can have positive and powerful effects on productivity and efficiency. Conversely, poorly developed schemes can have seriously detrimental effects.

As with any system designed to motivate or reward staff, your incentive scheme must be transparent and fair. It should contain objective variables and the rules should be well-known and not changed arbitrarily. Staff members involved in the scheme should be able to easily understand how rewards are calculated. Goals set for the scheme should be achievable, with better performance resulting in higher rewards. Everyone should be able to achieve higher compensation by working better and harder.

There are basically five types of staff incentive schemes.

- ⇨ Individual Schemes: Under an individual scheme there is a direct link between individual performance and remuneration. However, it can lead to a narrow focus and reduce teamwork. Individual schemes are often used for credit officers.
- ⇨ Team Based Schemes: These schemes are used to increase cohesiveness of staff and to foster cooperation and joint effort. The chief drawback is the free-riding effect: if the payout of the individual depends on the performance of the group, there is a huge temptation for an individual to reduce his or her contribution.
- ⇨ Employee Share Option Schemes (ESOPs): ESOPs motivate staff members through symbolic and motivational effect. Employees become owners, and as owners, it should be easier for them to internalise the interests of the firm. However, ESOPs are not well suited for boosting long-term institutional performance
- ⇨ Profit Sharing Schemes: These schemes typically share a percentage of the profit made by an institution. They increase identification with the organisation and reduce the barriers between owners and employees. They are often used for middle and senior management. However, they have a disadvantage in that most individuals have little control over the generation of annual profit. Free rider problems also arise.
- ⇨ Delayed Benefits Schemes: These schemes include pension and other social security contributions that a firm makes on behalf of its employees. Pension benefits typically rise with tenure and thereby reduce staff turnover. Intelligent benefit plans can increase motivation and reduce turnover, especially at the middle management level.

For more information on Staff Incentive Schemes see *MicroSave's* "Designing Staff Incentive Schemes Toolkit."

# *Implementation: Developing a Customer Service Culture*

## What Is Corporate Culture?

Corporate culture is the sum of behaviour, beliefs, values and purpose that are passed on by communication and imitation within an institution. It is "the way we do things around here". Culture can be found in your policies and procedures, the way your staff dress, your marketing materials, your organisational structure, your communications, and the way you treat your customers.

## So, What Does a Service Culture Look Like?

Your customer service culture will reflect your corporate culture. Good customer service is not based solely on the knowledge and skills of individuals, but rather on the extent to which your whole organisation pulls in the same direction and presents a clear, positive message to customers.

What does this mean in practice?

- Policies need to reflect clear corporate standards of quality and behaviour, linked to consistent marketing messages – remember, whatever your organisation promises it must deliver.
- Procedures should not hamper employees' efforts to be responsive to customers.
- The management style should not allow short-term actions to undermine long-term credibility.
- Values of respect, cooperation, learning, long-term relationships, attentiveness, efficiency and care need to be part of your corporate culture.
- In rapidly growing institutions, a culture that is solution focused, rather than problem focused is important.
- There needs to be a commitment to continuous improvement, where the ideas and opinions of staff at all levels are listened to and respected.
- Finally, there needs to be a belief that the "customer is king or queen".

## Is It Possible to Systematically Build a Customer Service Culture?

Indeed, it is. The following 8 steps offer one approach.

A. Obtain management buy-in
B. Start early—from recruitment
C. Clearly and regularly communicate total commitment to customer service
D. Ensure that everyone keeps in touch with customers
E. Continuously plan, act, measure and review
F. Optimise client and staff feedback mechanisms
G. Develop customer service awareness and skills among all staff
H. Motivate / provide incentives for good customer service

## Step A: Obtain Management Buy In

Excellent customer service will not become part of the culture of an organisation unless service is seen as valued by the leaders of the organisation. Management must not only agree that customer service is important; they must model it to both their <u>internal</u> and <u>external</u> customers. A manager in a bank, for example, serves no purpose by putting a service statement on the wall and telling his or her staff to give good service to customers if he or she then shuts him/herself away in the office and is reluctant to help out when the counter is busy at lunchtimes or the branch is short on staff. In another case, a large bank in Uganda sends mixed messages to its customers when its managers talk about the importance of customer service, but its banking halls are crowded and its reputation is one of slow service.

Managers can and should set a clear example to their staff. There are many ways they can do this. Wherever possible they should:

- Treat employees as they would like employees to treat their customers

- Spend more time listening than talking
- Be available
- Eliminate the special status of any one group within the organisation
- Identify key employees that demonstrate excellent customer service, and have the ability to influence other staff, and invite these champions to be "revolutionaries" that will test, disseminate and provide feedback on customer service initiatives
- Regularly visit customers (and not just external customers – it is equally important to visit internal customers who depend on their management services)

## Step B: Start Early—From Recruitment

It is much easier to build a customer service culture within your institution if you start with staff who are already committed to the kinds of values, attitudes and behaviours you want to emphasise. Recruit employees who demonstrate a commitment to customer service and use the induction process to strengthen this commitment. For example:

- Use role plays or hypothetical interview questions to assess how applicants would behave in typical customer service situations.
- Involve customers and/or peers in the selection of new employees.
- Incorporate a probationary period into the recruitment process and have specific customer service standards that potential employees must meet in order to become full-fledged staff.
- Make customer service skill training part of the induction training agenda.
- Invite top managers to welcome new employees and impress upon them the importance of service quality.
- Encourage new recruits to sit in on service improvement meetings.

## Step C: Clearly and Regularly Communicate Your Customer Service Commitment

Your customer service commitment should be widely communicated in writing. This can be done in a customer service strategy, in mission statements and corporate objectives, in a customer charter and through marketing materials. Distil the essence of your key values or promises into one or two simple statements, and then market those widely to your staff. Employees should be able to articulate your principles at any time: "We are committed to speedy, honest, customer-friendly banking. I deliver on this promise by being FAST! (Friendly, Accurate, Skilled and Trustworthy)." The importance of customer service can be further communicated to staff through the setting of internal customer service standards, and by developing customer focused policies and procedures.

If you clearly communicate your customer service commitment, but you only do it once a year, that commitment will not carry much weight; it certainly won't stay at the forefront of employees' minds given all the other information and responsibilities they have to think about. Your key customer service message needs to be regularly reinforced. This can be done by:

- Posting the message in places where staff congregate (e.g., toilets, lunchroom, screensavers, staff newsletter, etc.)
- Making customer service a regular agenda item during departmental meetings, presentations and training sessions
- Asking employees to keep a log of service improvements and reviewing this regularly
- Reminding employees at the bottom of each pay slip that it is the customer that pays the salary
- Using signage in the banking hall or meeting area to communicate customer service issues to the customer and staff at branch level, etc.

## Step D: Ensure that Everyone Keeps in Touch with the Customer

As employees move behind the frontline, they can lose touch with the challenges faced in providing excellent service. One quick-win strategy is to simply move a supervisor's desk into view of tellers and clients to better position them to help with service. "Back to the floor" days can also get supervisors on the frontline: require managers to work as loan officers, cashiers and in other key roles that demand a solid day of customer interaction. Some institutions require managers to be in the banking hall during peak periods, such as end of month or Friday afternoons, to handle the influx of customers. Such strategies not only create solidarity with frontline staff, but improve customer service and connect managers more closely with the clients.

## Step E: Continuously Plan, Act, Measure and Review

Your institution needs to embrace continuous improvement. This means setting up and encouraging problem solving teams, which help to ensure that your institution learns from its mistakes so that they don't happen again. You can plot results from customer service measurements on a regular basis and use those visible results to facilitate planning and action towards improved performance.

At Teba Bank, for example, call centre software enabled the institution to identify the extent to which call centre employees met established standards. This included the number of problems handled, how quickly staff answered the phone, the percentage of problems they were able to resolve themselves, and the total problem resolution time. Three months after publishing performance statistics on a company notice board performance levels had significantly improved. At another bank, this one in Uganda, detailed information is collected on the number and type of transactions handled by each teller at the branch level. This information is then remitted to the head office, but it is not communicated beyond that and statistics between branches are not regularly compared. This approach makes continuous improvement much more difficult.

## Step F: Optimise Client and Staff Feedback Mechanisms

The two sections of this toolkit that focus on Diagnosis and Analysis, and Monitoring and Communication explore feedback mechanisms in some detail. However, from the perspective of creating a customer service culture, there are five general points that you'll want to keep in mind:

- ***Make it easy for customers to give you information***, either directly to staff or through dedicated phone numbers and email addresses. You might even go out of your way to solicit customer feedback, possibly through contests or rewards for the best customer suggestions during a particular period. Customers keep quiet for all sorts of reasons – they might think it will be too much hassle to give you feedback; they might not know who to give information to; or they might not believe that sharing information with you will change anything. If you can eliminate these barriers to information flow, you can significantly expand your opportunities to make meaningful improvements in your customer service.
- ***Respond as quickly as possible*** to issues that customers do raise, and communicate the actions you have taken or will take. Even if the response isn't exactly what the customer hoped for, the communication of a response is critical to maintaining your relationship. What's more, if customers see that you take their suggestions seriously, they will be much more likely to give you feedback in the future.
- ***Provide more than one channel*** for communication. If customers have only one way to communicate with you and that mechanism breaks down, you won't receive their information. If you offer customers multiple communication options, you allow them to choose whatever mechanism is most convenient, comfortable or efficient at that particular moment.
- ***Report on the progress of customer service initiatives*** at regular intervals to all employees, and to clients. Keeping customers informed of your efforts helps them to understand the continuous effort you're making to improve your performance, and can encourage them to be an active part of that process.
- Last but not least, ***have a system for keeping track of the customer service issues raised*** so that you can do your best to ensure that those issues are resolved to the customer's satisfaction.

## Step G: Develop Customer Service Awareness and Skills among All Staff

Make sure that everyone in your institution feels responsible for ***and*** capable of providing quality customer service. You can do this by integrating customer service into everyone's job description, by providing appropriate training and development opportunities for staff at all levels of your organisation, and by encouraging managers to model excellent service and provide on the job training rather than simply depend on classroom-based instruction to develop customer service awareness and skills. You may want to develop a programme of coaching and facilitation for managers, since excellent "doers" will not necessarily be excellent "teachers". Follow the process recommended in the previous section on training and motivating staff to regularly assess needs and competence, identify gaps, implement training and review its effectiveness.

## STEP H: Motivate and Provide Incentives for Good Customer Service

The section of this toolkit looking at the training and motivation of staff largely addressed this issue, but in the context of creating a customer service culture, it is worth highlighting three points in particular. First, think ERM – Employee Relationship Marketing – and strive to build long-term, empowering relationships with your staff. If you create a culture of treating internal customers well, it will be much easier for internal customers to treat external customers well.

Second, hold employees responsible for their side of the relationship by making service quality an important part of your performance review system and remuneration package. Involve staff in the setting of standards and the evaluation of performance, as this facilitates buy in and can encourage the achievement of those standards. Consider also including customer satisfaction scores in management reports.

Third, be careful which incentives and rewards you choose in an attempt to motivate customer service because the choices you make will affect your culture. If, for example, you are striving to build a culture that is based on teamwork, you probably won't want to use individual incentive schemes to motivate performance. Remember that rewards don't have to be financial – compliments, celebrations, and public recognition can also be motivating and can create a culture that is grounded more in relationships and long-term commitment than in short-term financial gain.

## Doesn't the Creation of a Customer Service Culture Seem Like a HUGE Undertaking?

It certainly can be. But recognise that changing corporate culture takes time. Start small, with a long-term vision of the kind of culture you want to create and launch simple initiatives at first to signal the spirit with which you want to make changes. For example, your could organise an employee picnic at which upper management mingles with staff and provides positive feedback on their contributions, or when your institution celebrates its next milestone, you could recognise the contributions made by all staff by giving a gift to each employee that's stamped with the institution's values. Then you can slowly build on this foundation by giving larger rewards to employees who surpass your "basic" service standards.

If you're looking for a place to start, you might want to begin by conducting some research, or a cultural audit, to get an idea of how employees feel about working in your institution, what they're proud of, where they're unsatisfied or disappointed and why. Be sure to give them the opportunity to identify solutions as well, as this participatory and customer-responsive approach is a major part of the culture you will no doubt want to build.

# *The Process: Monitoring and Communication*

After spending several sections of this toolkit exploring some of the main issues involved in implementing a customer service strategy, we're now ready to return to the larger process of optimising customer service within your institution. Once you've made your commitment to customer service; you've analysed and diagnosed your strengths, weaknesses and priorities; and you've developed and implemented a plan for improving your performance; all that's left for you to do is to monitor and communicate the results of your plan's implementation.

## Why Monitor?

There are several important reasons for monitoring the implementation of your customer service strategy and activity plan.

❖ ***To check strategy alignment***: Monitoring is necessary in order to know whether your strategy is working as planned. Only if service levels are monitored can appropriate adjustments be made, either to the strategy itself or to the implementation plan, in order to achieve your desired objectives.

❖ ***To fine tune actions***: By comparing performance against expectations, and perhaps between the strategies adopted at different branch locations, it is possible to discover additional actions that could be taken to improve performance even further.

❖ ***To inform and motivate staff***: Monitoring service levels allows everyone to know that what they're doing is working – that progress is being made. This can be very helpful in building or maintaining momentum as your strategy implementation continues.

❖ ***To identify stress***: If you're continually alert to signs of stress, such as lengthening queues, you can take action quickly to address the cause(s) of the stress before it becomes severe or renders your strategy ineffective. Some common signs of stress to watch out for are summarised in the table below.

| Sign of Stress | Identification | Possible Cause |
|---|---|---|
| Lengthening queues | Direct observation | • System difficulties<br>• Many new customers<br>• Fewer tellers, or change in tellers |
| Decreasing new customers | MIS | • Inappropriate products and services<br>• Increased competition |
| Falling activity rates | MIS | • Inappropriate product design |
| Longer working hours | Staff | • Increased activity rates<br>• Poor processes<br>• New staff |
| Increased dropout | MIS | • If localised – staff issues<br>• If institutional – inappropriate product design or inappropriate staff incentive scheme |
| Performance targets not reached | MIS, service level monitoring | • Investigate depending on type of target |

❖ ***To provide timely, specific, actionable feedback to staff on their performance***: This feedback can be used to regularly recognise and reward staff who have excelled, to motivate others to reach that standard, and/or to change staff behaviour that is counter-productive.

❖ ***To measure results of specific initiatives***: While many customer service initiatives are ongoing and measure continuous improvement, you may have also included some ad-hoc or one-time initiatives in your plan. Monitoring allows you to gauge the results of such initiatives, for example, by measuring performance before and after a revised process has been introduced.

- ***To facilitate better alignment between functions or departments (e.g., marketing and operations)***: Monitoring can achieve this in a couple of ways, first, by helping to identify the stage at which a customer service difficulty is being experienced and, second, by sensitising departments to any inter-dependency in their actions. If Service Level Agreements are in place, which specify the performance that departments can expect from each other, monitoring can also help to ensure that these internal commitments are met.

- ***To keep track of customers' changing expectations***: Regular monitoring gives you information about your customers' perceptions of your customer service levels. This is the critical indicator for whether your customer service initiatives are working.

## What Tools Can We Use to Monitor Effectively?

The tools that can assist you in monitoring customer service are the same tools we looked at in the Diagnosis and Analysis section of this toolkit, namely:

- Branch Staff Questionnaire
- Product Marketing Review
- Customer Service Questionnaire
- ServQual Questionnaire
- Mystery Shopping Guide
- Physical Infrastructure Review
- Guide-led FGDs with staff or clients
- FGDs with clients led by a PRA tool, in particular, Customer Service Attribute Ranking, Relative Preference Ranking, or Time Series of Customer Service
- *MicroSave*'s Customer Service Assessment Tool
- Suggestion Boxes
- Exit Interviews
- Organisational Climate Surveys

## How Do We Move from Monitoring to Communication?

Once you've gathered information through your monitoring activities, there are two important things you need to do:

1. Format it for analysis, diagnosis, decision-making and action.
2. Get it into the right hands, as quickly and clearly as possible.

The tools introduced in the Diagnosis and Analysis section of this toolkit are designed to make the formatting step relatively simple. Most of those tools either include a sample reporting template or offer guidance on how to organise and present your results.

Getting those results quickly and clearly into the hands of people who can act on them is a separate issue, one which deserves special attention. After all, you can collect as much information as you want and format it as nicely as you want, but if you can't get that information into the hands of someone who can use it, then all your effort is wasted. There is a variety of different mechanisms that you can use to communicate your results, including customer service focal points, help desks, intranet, internal newsletters, and customer communications.

## What Is a Customer Service Focal Point?

Customer service often does not have a home within a financial institution; this is partly because service issues arise in all departments. However, establishing a customer service focal point is one way of ensuring that customer service is at the heart of your institution's business strategy. This focal point can be a person or a team, and is held responsible for day-to-day implementation of customer service processes, and for monitoring customer service levels.

In addition to focusing the institution on customer service, the focal point provides a mechanism for concentrating and coordinating information, questions, and initiatives that relate to customer service. It can serve as a communication hub, facilitating both analysis and dissemination because it understands who uses what customer service information and why, who is capable of taking action, and how all staff can benefit from certain kinds of information to improve their own performance and/or the performance of their unit. A focal point not only helps information get to the right place, but can also help keep valuable customer service information from being lost, as everyone knows who the focal point is and, if worse comes to worse, knows where to send information that doesn't have a clear destination.

## What Is a Help Desk?

A help desk is a central point for internal and/or external queries. Many customer service issues can be resolved directly by help desk staff, as long as they are familiar with the operations and procedures of the financial institution. Towards this end, the help desk's design is strategic. It is accessed via frontline staff, but is connected to expertise in the Operations, Information Technology, Marketing and Human Resource Departments. When help desk staff cannot resolve issues, they are able to escalate problems to an appropriate expert. Specialist software is used to log problems when they are reported and at each stage of the problem resolution process. Common problems are then analysed and where generic solutions are found, these are provided to the appropriate staff, and procedures and policies are updated as necessary. The next time a similar problem occurs, help desk staff are much more likely to be able to resolve it directly.

A help desk has a range of advantages:

- ***Efficient and controlled use of staff and resources***: A help desk is able to resolve many problems without escalating them, therefore allowing key staff to work more effectively on their core responsibilities.
- ***Improved identification and analysis of problems***: Having a central point for the logging and recording of issues allows the institution to analyse new issues as they arise.
- ***Consistent process for problem resolution***: The help desk is able to promote a consistent process for the resolution of problems.
- ***Prioritised problem resolution***: Greater analysis of problems allows for better prioritisation of resources in problem resolution.
- ***Improved processes***: Systematic problem identification and resolution will identify areas where processes and procedures need to be improved.
- ***Improved training***: Greater knowledge of how to resolve issues and problems should lead to improved training for new and existing staff.
- ***Effective escalation and resolution***: Where the help desk staff cannot respond to a query the help desk software ensures that the problem is tracked and not forgotten. Problems that cannot be resolved by the help desk staff will be escalated to a higher level for resolution.
- ***Improved communications***: As a central point for problem resolution the Help Desk can be part of an overall strategy to improve internal communications.

## What Resources Does a Help Desk Require?

For a help desk to work effectively it needs to be appropriately resourced. Some indicative resources are identified below:

- Help desk staff: Help desk staff need to have or develop a breadth of knowledge about how the institution operates and who is responsible for key functions within the organisation. They also need to have or develop detailed knowledge of any banking and MIS systems in use.
- Banking system terminal: The help desk will need to have extensive permissions to view data on the system.

- Intranet: The help desk will need to make extensive use of any internal Intranet system and will be a key resource in deciding what requires updating on the Intranet.
- Software: Specialist help desk software is necessary to manage problem resolution.
- Key contacts: The help desk needs to know how and when to escalate problems. This will involve knowing who to pass a particular problem to.
- Help desk hours: Problems do not keep standard office hours. In many busy help desks it is normal to operate beyond the normal hours of business. Hours can be further extended during times when key changes are being introduced.

## Should the Help Desk be Focused Internally or Externally?

A decision will need to be taken at some point as to how much the help desk is focused internally (on staff) or externally (on customers). If the help desk is focused internally, help desk staff will need to be able to handle frequently asked internal questions, for example, on procedures, products and services; and to manage queries relating to the banking system.

If the help desk is focused externally, it can have a slightly different focus, namely on complaint resolution and information management. Whilst most customer complaints can and should be dealt with at the branch level, there must be a mechanism through which customers can report issues in confidence directly to the head office. Such issues could include fraud, corruption, dishonesty or failure of the branch staff to successfully resolve a problem. In terms of information management, the help desk could provide information to customers on products and services, frequently asked questions, and suggestions.

## What Is an Intranet?

An Intranet is an internal Internet site. It can significantly improve internal communications, as the following examples can illustrate.

- ***Policies and procedures***: Policies and procedures manuals and flow charts can be viewed over the intranet, and can remind staff what they are supposed to do in case of an infrequent transaction. Often policies and procedures manuals cannot be printed or saved to other media for security reasons.
- ***Frequently Asked Questions***: Answers to Frequently Asked Questions can be posted to the intranet site.
- ***Products and Services***: Detailed descriptions of products and services can be held on the intranet, including key benefits, product based Frequently Asked Questions and fees and charges.
- ***Communications and announcements***: A common service problem is a failure to communicate between head office and front line staff and vice-versa. Historically, communications often relied upon branch management to filter knowledge to front line staff. Using an intranet, communication can be channelled according to the access level of every single individual. This should ensure that all staff members have timely access to the information they require to be effective.
- ***Performance statistics***: Publishing performance statistics on a regular basis can engender internal competition that ultimately benefits customers, for example, publishing service times in different branches, mystery shopping scores or compliance rates.
- ***Staff profiles***: In a rapidly expanding institution, there comes a point when staff can no longer recognise each other, or keep up with every movement around the branch network. Maintaining staff profiles on the intranet enables staff to identify colleagues and their locations. It also enables branch staff to identify key individuals at the head office level who can respond any problems.
- ***Newsgroups***: Newsgroups enable particular groups of staff to interact with every member of that group, to ask queries, brainstorm solutions to a common problem, etc. For example, a bank could establish a newsgroup with credit staff to share knowledge on credit best practice.

## What about Internal Newsletters and Customer Communications?

As organisations grow and informal communications are no longer adequate, internal newsletters are a common mechanism used to maintain communication with staff. Often these newsletters feature company news and frontline staff rather than senior management. Successes and awards are highlighted. Competitions on institutional or product knowledge can also be run as part of an awareness campaign.

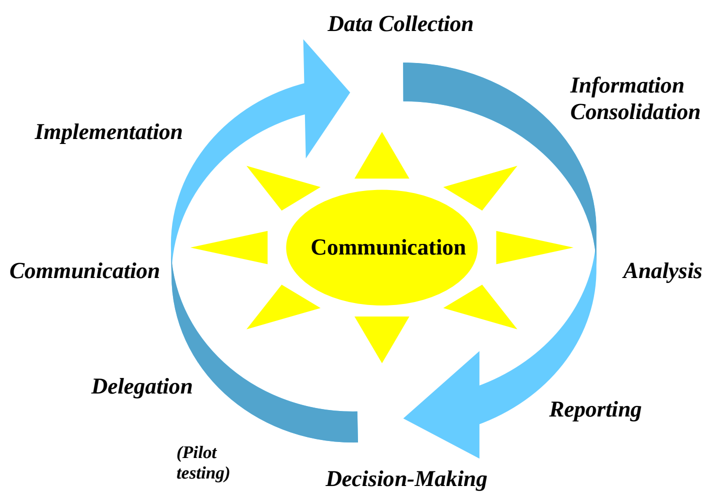
With respect to communication with external customers, a range of materials can be produced which are specifically targeted towards the customer. These include Frequently Asked Question Guides, tariff guides, financial education pamphlets and newsletters. For more information on these see *MicroSave*'s "Product Marketing Toolkit."

## Beware! One-Way Communication Is Not Enough

It may be tempting to believe that once information has been collected and sent somewhere for action that the monitoring and communication process is complete. However, if you think way, you'll be making a grave mistake. To optimise customer service, financial institutions need to go further than this. They need to know whether action was ever taken as a result of the communication, whether that action responded appropriately to the information collected, whether customers were satisfied with the action, whether the action moved the institution closer to achieving its objectives, etc. If the action was successful, the institution will want to celebrate it and publicise it, so as to encourage similar performance in the future. If the action was unsuccessful, it will want to figure out why, and then adjust its plans or strategy as necessary take actions in the future that will enable it to achieve its objectives.

One-way communication is clearly insufficient. What institutions need is a feedback loop.

## What Is the Feedback Loop?




The Feedback Loop is a continuous, action-based approach to gathering and processing information in order to respond as effectively as possible to the changing needs, desires and preferences of both internal and external customers. As shown in the diagram on the right, the feedback loop begins with data collection and continues with the consolidation, analysis and reporting of information to make, communicate and implement responsive decisions. It then returns to data collection to gauge the level of customer satisfaction and the effectiveness of the institutional response. This structured looping approach has been used by financial institutions to identify how they can make better use of information to improve their responsiveness to customers and, ultimately, their competitiveness. The eight stages of the loop are briefly described below.

**1. Information collection** is the gathering of data,

a. Either formally through surveys, studies, and information requests, or
b. Informally through management and staff interaction with clients, non-clients, local officials, board members, and others.

**2. Information consolidation** turns the raw data into usable form.

a. The researcher or the person commissioning the study usually consolidates data gathered formally.

b. Informal data is typically consolidated at branch staff or management meetings when employees comes together to discuss client issues.

**3. Analysis** forces an institution to assess the information in terms of both client and institutional needs, and helps in developing a recommendation to satisfy these needs.

**4. Reporting** is the synthesis and summary of the analysis prepared in a form that is useful to decision-makers. Ideally, that reporting will consist of four parts:

a. An explanation of the issue, and why it is important
b. A description of the recommendation
c. A synthesis and summary of the analysis
d. A framework for an implementation plan

**5. Decision-making** is based on the product of the reporting phase. Among MFIs, there are significantly different levels of centralisation and decentralisation, and thus where decisions are made varies widely. It is important to recognise (yet all too often forgotten) that decisions should frequently lead to prototype and pilot testing of a solution, before full rollout.

**6. Delegation** occurs once a decision is made. It is most effective when information and guidance are given to the person(s) who are tasked with moving the decision to implementation (even if implementation is a testing phase).

**7. Communication**, in this case, refers to all the preparation that goes into implementation, from conveying the issues to staff, to training, to marketing and the development of activity plans.

**8. Implementation** includes all forms of response to internal and external customers. This could mean the introduction of a new product, changes in an existing product's fee structure, or the simple communication of an action taken in response to a customer's suggestion or complaint.

## Why Study the Feedback Loop in Our Institution?

✓ To strengthen contact with your customers and markets
✓ To avoid collecting unnecessary information
✓ To get more value out of the data that you are collecting
✓ To increase staff productivity
✓ To improve customer service

Examining what's happening at each stage of your feedback loop process can help you identify where communication is breaking down and how you might be able to improve the flow of information so that the loop is actually completed within your institution in a productive, timely manner. Doing so can produce powerful returns, as Equity Bank and Tanzania Postal Bank can both demonstrate.

***Equity Bank*** has built a feedback loop that is so strong it actually results in customer loyalty, not just customer satisfaction. Clients remain with Equity, at times even when they are dissatisfied, because they believe that Equity will eventually solve their problems or fix whatever it is that isn't working. They trust that Equity listens to them, that it wants to listen to them, and that it will respond. Why does it believe this? In part, because Equity's feedback loop has given them what they wanted in the past—fast, clear, convenient responses to their questions, comments, concerns and suggestions.

***Tanzania Postal Bank*** recognised that its feedback loop was not working as well as it could so it researched why and identified eleven major actions to take in response. The somewhat generic nature of its observations will make the recommendations useful for many financial institutions.

1. <u>Develop a customer service focal point through which the bank consolidates all client feedback</u>. By creating a customer service focal point, TPB could consolidate the information collected from clients, to regularly assess their changing needs and expectations, and make sure that this analysis is disseminated in a relevant form to all other Departments.

2. Delegate more deliberately. By ensuring that responsibility is delegated with guidance, gaps and delays in information flow could be eliminated and operational efficiency can be increased.

3. Hold committees accountable. Although committees make many positive contributions to TPB operations, they delay decision-making and action and are sometimes used by individuals to avoid taking responsibility. Increased accountability may be required to make committees function more efficiently.

4. Resolve issues as locally as possible. Not only should clients be able to resolve their issues at their local service outlet, but also it is much less expensive to resolve issues locally than at the Head Office level.

5. Seek out cost-effective mechanisms for mass distribution of information. By communicating with as many clients as possible at the same time, TPB could respond more quickly and consistently.

6. Involve more people in analysis. The more employees are involved in relevant analysis of TPB's performance, the more they will be able to understand the context of the work they are doing and the more empowered they will be to help deliver what clients want.

7. Strengthen performance standards and evaluation. A strong system of performance evaluation enables every employee to: a) assess the extent to which the Bank as a whole, and he or she as an individual, has succeeded in responding to client expectations, and b) to make adjustments towards better performance in the future

8. Reward superior performance. By rewarding superior performance, TPB could provide staff with an added incentive to achieve institutional objectives and to improve performance in general.

9. Give more feedback. Feedback motivates performance and loyalty of internal and external clients alike. Customers and staff greatly value feedback and it would cost TPB very little to provide.

10. Improved follow up to make sure that important information is received. Follow up helps prevent information and people from getting left out of the loop and facilitates more rapid and effective decision making.

11. Lubricate the feedback loop. The faster TPB can gather, consolidate, analyse and present information to guide effective decision making, delegation and action, the faster the Bank can identify what clients want and the more capable it is of actually delivering what they want at a price and a level of quality that they value.

## How Can We Help Information Flow Faster?

Being able to move quickly through your feedback loop is key to customer service success, but there is no single way to get information to flow faster. Solutions will vary depending upon the context within your institution –your policies and procedures, where you're experiencing blockages, where there might be personality conflicts or weak communication channels, etc. Having said this, we can offer a few ideas that seem to be widely applicable.

- ***Effective computerisation***: Use technology where possible, whether this is intranet, email or through maximising the use of the banking system for data mining, etc.

- ***Morning meetings***: Gather staff before the branch opens every morning to disseminate information and to listen. Provide guidelines for making the morning meetings effective.

- ***Product development committee***: Have an identified entity receive ideas for potential products and services and information on the performance of existing services.

- ***Corporate culture***: Have a corporate culture that values communication.

- ***Employee Relationship Marketing***: Look for the right mix of awareness-raising, education, motivation and reward to generate stronger performance and commitment through stronger employee relationships.

- ***Multiple communication channels***: Using a variety of communication channels will give decision-makers a multi-dimensional view of any situation and will provide both internal and external customers with multiple options for getting information to the next stage of the process as efficiently as possible.

Whatever you do, don't try to speed information flows by cutting stages out of the feedback loop. We often see decision-makers latch onto information before it has been consolidated or analysed and make poorly informed decisions as a result, or move straight to implementation after making a decision and not delegating or properly preparing the institution for implementation. While these strategies certainly speed up information flow, they tend weaken customer service.

# *A Final Word*

If a critical aspect of customer service is exceeding customer expectations, then customer service is not a single discipline. High levels of service are only delivered and maintained when the whole institution strives for high standards. A range of skills will be required in customer-focused institutions to know what customers expect, to develop efficient processes, and to motivate staff to deliver high levels of performance. This is where *MicroSave*'s suite of tools comes in.

## The Relationship between *MicroSave* Tools and Customer Service

The combined experience of its core research and the action research programme has enabled *MicroSave* to develop and test a series of practice-based and practitioner-focused, training curricula and workshops. When used correctly, most of the tools have improved service levels. Information on all of these toolkits can be found at www.microsave.org.

| **Toolkit** | **Use in Customer Service** |
|---|---|
| Market Research for Microfinance | Obtaining client and staff feedback, image analysis and customer service monitoring tools |
| Process Mapping | Improving efficiency of service delivery whilst managing risk |
| Strategic Marketing | Providing a reference framework that ensures the institution is market led and customer focused |
| Costing and Pricing of Financial Services | Setting appropriate and transparent prices |
| Planning and Conducting Pilot Tests | Ensuring products are designed, tested and refined for the market they operate in, and operate with appropriate delivery channels |
| Product Rollout: A Toolkit for MFIs Expanding a Tested Product Throughout its Market | Ensuring tested products are rolled out appropriately |
| A Toolkit for Designing and Implementing Staff Incentive Schemes | Aligning institutional goals with those of staff, and aligning rewards with levels of performance. Customer service measures or proxy indicators can be designed into the staff incentive scheme. Conversely, a poorly designed scheme will distort performance. |
| Product Marketing Strategy | Focusing the marketing of products and services on the benefits experienced by customers in using the product or service. Expressing benefits in clear, concise, client friendly language. Minimising over-promising. |
| Corporate Brand and Identity | Aligning customer service levels with brand promises |

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# Annex 1: Sample Customer Service Strategy
# Africa Microfinance Bank

## EXECUTIVE SUMMARY

In the past, Africa Microfinance Bank (AMB) has differentiated itself in the market as the financial institution that is efficient and serves customers in a timely manner, but maintains a warm, personal approach in service delivery—a position we want to retain. Customer service is a key differentiator and the means through which we plan to maintain our edge in the market despite the challenges of transformation to a regulated institution. The bank's mission is to "…provide customer-focused safe savings and credit services that will maximise value and economically empower microfinance clients and other stakeholders." Because customer focus is so important to AMB, it is important that we have a complete customer service strategy.

## THE ROLE OF CUSTOMER SERVICE AT AMB

Africa Microfinance Bank recently converted into a commercial bank from a non-bank financial institution. This change was in legal status only; the business focus remained the same. However, with new banking regulations, AMB is required to adopt risk controls and procedures that make it difficult to deliver the same level of service as before—service that is efficient, personal and allows wide flexibility in policies. In addition, as a new entrant in the commercial banking market, AMB is now operating in a very competitive environment where there are over 25 commercial banks with more superior products and service, stronger balance sheets and many years of experience in commercial banking. The commercial banking sector is also becoming more demanding as customers require greater attention to service and lower fees. To survive in such an environment and attract higher value deposits from these more discriminating customers AMB needs to ensure a competitive edge for itself. In the past AMB differentiated itself as the approachable financial institution that listens and cares about its customers. We plan to build our name in the banking industry by maintaining customer service as a key differentiator.

AMB has been offering financial services to microfinance clients for more than 15 years. It has the vision of being the preferred microfinance service provider in both rural and urban markets, contributing to the country's economic prosperity. This ambitious vision is supported by the bank's mission: providing customer-focused safe savings and credit services that maximise value and economically empower microfinance clients and other stakeholders. Because customer focus is so important to AMB, it's important that we have a complete customer service strategy to guide decision-making and operational approaches in the institution.

More than ever, AMB is making every bank employee responsible for delivering excellent customer service and helping to implement this strategy. Additional efforts and motivational strategies, outlined in our action plan will ensure customer service remains a top priority, especially the introduction of the AWARE programme. In addition, the customer service function will be coordinated by a customer service unit with two co-chairs, one from the marketing department and one from the operations department, since these two departments are responsible for implementing the bulk of the activities contained in this strategy. These two co-chairs are senior managers from each department, seconded to the unit for a one year renewable period. The role of the customer service team will be to develop the strategy and activities for implementation with other departments, as well as consolidate and disseminate research findings on satisfaction levels.

## OUR CUSTOMERS AND WHAT THEY WANT

AMB serves both low and middle income earners in urban, peri-urban and rural locations. The bulk of the depositors are small business owners, farmers and teachers. Some government employees are paid through AMB and maintain modest savings accounts with the institution. A large portion of our clients need access to their savings at the end of the month, either to withdraw salaries, or to purchase supplies for month-end sales peaks. In the past there have been three official savings products: ordinary savings deposits, term deposits and "Save to Achieve" (STA) that allowed clients to set a goal and save towards it in regular instalments. However, staff were very flexible in designing savings plans to meet any sort of client needs. New banking regulations are requiring the institution to define and categorise its products into specific categories and only open accounts within the given terms.

In addition to its three savings products, AMB offers a choice between two basic loans – a six-month multi-purpose loan and a 12-18 month investment loan. These loans are typically extended during planting seasons, at the time of paying school fees and in October and November when businesses stock for holiday sales.

The majority of AMB's customers have used informal savings services, with varying degrees of satisfaction prior to joining the bank. They appreciate that the bank is approachable and "speaks their language" in that it will communicate using language that clients understand. They also like the safety of their savings, and the ease of accessing credit once they are known by the bank. The fact that they can access their accounts and speak directly to staff about any of their transactions gives the institution a good reputation. Often clients cannot tell you exactly which products are offered or which they have – they simply know that they have a savings account and/or a loan.

As part of the transformation to a commercial bank, AMB conducted research with clients on the bank's image and current levels of customer service. Focus groups and individual surveys with customers, along with observations in banking halls and interviews with customers completing transactions, revealed that our customers perceive AMB to be an institution that is:

- Dependable: "There when we need it"
- Safe
- Like home: "Speaks our language"
- Friendly
- Service oriented
- Relaxed
- Down to business
- Accessible
- Non-threatening
- Flexible

People choose AMB because they feel they have a personal relationship with the bank: it's the bank where staff listens, and tries to resolve their problems. They like that they don't have to meet difficult terms to open an account and that the procedures are straightforward. One client summarised it as: "If you want a safe place to put your money, and answers to your questions, go to AMB."

AMB customers also have some expectations of the services that should be offered by the bank. These issues, raised during discussions with current clients, illustrate gaps between what is offered and these expectations:

- Return to simpler procedures (new banking regulations require more extensive credit applications and account opening forms)
- More information on what the new banking status means for customers: "Can't you reduce your loan interest rates to the level of other banks and pay more for savings?"
- Understanding which of the new product categories they have: "Staff seem confused about the savings and credit products – they don't explain them as nicely as they used to."
- Ensure wait times are not becoming too long: "Before you were so fast, now we have to fill two forms for savings transactions and wait longer."
- Offer more types of loans
- Speed up processing of cheque deposits like other banks

In addition, AMB desperately needs to penetrate a slightly more stable and affluent market to grow and maintain financial strength, especially after the investments in more infrastructure and IT solutions to become a bank. In interviews with the type of client AMB would like to attract, we discovered that the needs of this market are even more specific:

- Professional looking staff

- ATMs to provide access at all times: "Like all respectable commercial banks they would have to have ATMs before I would open an account."
- Salary advances
- Faster loan processing and approvals
- Better interest rates paid on savings
- A more sophisticated image in the marketplace: "AMB is for small people; I am a big business person so I want to bank where it looks like serious people go."

## OUR CUSTOMER SERVICE COMMITMENT

Moving forward with customer service is a priority for AMB. We realise that there are challenges surrounding the new banking regulations and that the addition of new staff to meet these requirements is putting pressure on policies and systems that used to be flexible. New staff members do not always understand the importance of taking time with customers and listening, which has been the tradition of our institution. However, we are prepared to make a commitment to customers through a customer service charter that promises service levels will remain strong in our institution.

The following customer service charter will be posted in all our banking halls and will be used in promotional materials for the bank:

**African Microfinance Bank's Customer Service Charter**

African Microfinance Bank promises you, our esteemed customers, that:

1. We will greet you warmly and listen to your concerns before taking action.
2. We will personally respond to your questions regarding your accounts with us.
3. We will provide accurate and reliable information about all our products and services.
4. We will inform you of wait times for all services and strive to serve you within these times.
5. We will encourage customer suggestions and let you know how we will use these recommendations to improve our bank.

***If we fail to meet your expectations please tell us about it and let us know how we can improve.***

While the Customer Service Charter projects the external commitment to service, we will summarise and communicate this commitment to our staff through the newly created "AWARE" campaign that addresses the key priority areas of our clients. We are AWARE of the following:

**A**vailability: our staff will make an effort to be available to clients in the banking hall and to address questions and concerns. When staff cannot serve customers directly, clients will be referred to the new customer hotline.

**W**ait times: we will focus on maintaining short wait times for transactions in the banking halls, and constantly reducing wait times when new procedures or volumes of clients extend beyond our targets.

**A**ccuracy of information: we will provide customers with accurate product, process and pricing information at all times.

**R**esponsiveness: we will maintain flexibility by responding to customer feedback and suggestions and explaining what can be done within our new legal framework.

**E**fficiency: we will be dedicated to a high level of efficiency in transaction processing, both front office and back office, to ensure our customers receive the services they desire when they need them.

In summary, our commitment to customer service includes our Customer Service Charter and the on-going promotion of customer care internally through the customer AWARE programme.

## OUR CURRENT PERFORMANCE

To bridge the gap in commercial banking knowledge and to cater for the entrance into this new market, AMB is aware that we have to continuously introduce the customer service standards as new members of staff come on board and begin to more closely monitor current service levels. Our policies and procedures were revised in the last year to ensure they measure up to the commercial banking standards thus introducing some changes in the way things have always been done in the past. With these changes in the work methods, introducing more formal procedures and stricter guidelines, it is important that we measure customer satisfaction to ensure that all staff measure up to the desired level of service (as reflected from our customers) to maintain our edge in the market. This coupled with key indicators and targets will ensure that AMB becomes the leader in customer service.

Research conducted over the past four months indicates that our current performance levels have dipped, especially in areas critical to customers:

- 82% of customers reported being able to speak with staff to get their questions answered, down from 95% one year ago
- 79% of customers agreed that their questions were adequately answered, compared to 97% at the same time last year.
- Average wait times for services in branches:

| | August 2005 | August 2004 | August 2003 |
|---|---|---|---|
| **Teller Transactions** | | | |
| Urban branch | 16.4 mins. | 12.3 mins. | 12.6 mins. |
| Peri-urban branch | 12.3 mins. | 11.6 mins. | 11.6 mins. |
| Rural branch | 18.7 mins. | 20 mins. (installed online IT system in December 2004) | 22 mins. |
| **Loan Approvals** | | | |
| Urban branch | Next day approval | Same day approval | Same day approval |
| Peri-urban branch | Next day approval | Next day approval | Next day approval |
| Rural branch | 4 day approval | One week approval | One week approval |

- 62% of existing staff received at least a 90% score on product knowledge test, while 95% of staff hired in the last 6 months received at least 90%. Further investigation into this issue shows that new staff are given a better orientation on the product features and benefits, as well as a scored exam before being confirmed as frontline staff.
- 19 of the 25 branches had suggestion boxes in their banking halls, but only 10 were opened on a regular basis. Those who review feedback reported that they are to send feedback to the Head Office. So far Head Office has received only 12 suggestions and 43 official feedback cards in the past six months.
- The computer network was extended to the 14 rural branches in December of the past year. However, expected efficiency gains have not yet occurred as tellers are still processing transactions at roughly the same rate.

## STRATEGIC OBJECTIVES FOR THE PERIOD

The customer service strategy that we believe will make us number one in service delivery in the banking industry rests on five key strategic objectives. We will strive to meet these objectives in the next three years.

1. All staff, from senior management to frontline and administration, will have a customer focus built into their job description by the end of the first year and will be evaluated on their customer service performance annually.
2. Induction programmes for newly hired employees and on-going training courses will be revised by the end of the first year to include customer focused strategies and benchmarks, along with product knowledge.
3. Targets set for the AWARE campaign are met at levels of 90% or higher in Year 1, 95% or higher in Year 2 and 97% or higher in Year 3.
4. Policies and procedures will be processed mapped by the end of the year and improved processes implemented by end of Year 2 to ensure Central Bank compliance and maximise flexibility for customers.
5. Customer satisfaction with staff responsiveness will be increased to 95% by the end of Year 3.

## KEY INDICATORS AND TARGETS

Ensuring that we meet our five strategic objectives requires measurement of our performance in the areas outlined above, as well as the specific targets for the AWARE programme. We will focus on staff commitment to customer service, staff knowledge and attitudes; performance on AWARE strategies; and customer satisfaction. The indicators are listed below. Targets for both Head Office and branches are listed for each indicator.

**Staff commitment, knowledge and attitudes towards customer service**

- Staff scores for customer service on annual performance evaluations (Minimum average score of 4.2 out of 5)
- Climate survey (Minimum 10% improvement in the average number of “Agree” and “Strongly Agree” responses at the branch level; minimum 5% improvement at the Head Office level)
- General knowledge on FAQs (95% correct answers on questions 2 and 3 of the branch staff questionnaire; 99% correct answers for Head Office)
- Employee turnover (less than 10% per year at the branch level; les than 4% per year at Head Office)

**Performance on AWARE strategies**

The indicators for each component of AWARE will be measured with the goal of achieving 90%, 95% and 97% of the targets below in years 1, 2 and 3, respectively.

**A**vailability:

- Customer surveys (95% “yes” response)
- Results of mystery shopping (95% “yes” response)
- Customer hotline “hold time” (2 minutes or less)

**W**ait times:

- Accuracy in posting wait times in branches (80% “yes” response on customer feedback cards)
- Actual customer wait times in queue at branches (maximum 12 minutes)
- Loan approval time (1 day or less urban and peri-urban branches, 2 days or less rural branches)
- Loan processing time (disbursement of funds within 1 hour of approval)

**A**ccuracy of information:

- Results of mystery shopping (95% “yes” responses)
- Product knowledge scores (95% correct answers on questions 2 and 3 of the branch staff questionnaire; 99% correct answers for Head Office)
- Transaction accuracy (Error rate < 1%)

- Compliance to policies & procedures (internal audit rating of 93% or better)

**R**esponsiveness

- Written response time (less one month)
- In branch response time (less than 15 minutes)
- Turnaround time on hotline (less than 5 minutes)
- Product development process (input processed through product development committee and decision noted in meeting minutes within one month of idea being received)

**E**fficiency

- Transaction speed: withdrawal (10 minutes or less), deposit (8 minutes or less), loan processing (1 hours or less from approval and customer coming to branch), salary processing (24 hours or less)
- Transaction volumes teller (60 per day or more) and branch level (200 per day or more)
- Branch satisfaction with Head Office departments' service times (Minimum average score of 3.5 out of 5)

### Customer satisfaction levels

- Customer satisfaction surveys (average overall satisfaction rating of 8 or above)
- Customer feedback cards (95% "yes" response)
- Suggestion boxes (>50% of slips provide positive feedback or constructive suggestions)
- Physical appearance and cleanliness of branches (>90% "Good" and "Excellent" responses on relevant questions of branch infrastructure review; 95% "yes" response on mystery shopping guide)
- Focus group relative preference ranking exercises (overall ranking of 1 or 2 in the top three areas of customer priority)

## MONITORING AND COMMUNICATION STRATEGY

Monitoring and measurement of the customer service and customer satisfaction levels will be carried out on a continuous basis. Different tools will be used at different intervals as follows:

1. **Annual Performance Evaluations –** Staff's commitment and delivery on customer service will be measured annually on targets set for their job description and actual performance/contribution to the service strategy.
2. **Suggestion boxes** – Customer feedback cards will be provided in all branches for the customers' use. The suggestion boxes should opened on a weekly basis at the unit level and customers should be responded to on within 48 hours. The copies of the contents together with the feedback to the customers should be sent every Friday to Customer service manager for analysis.
3. **Customer satisfaction survey questionnaires -** At least 5 customers per unit will be selected at random every month and will be sent a customer satisfaction questionnaire to complete. Another 5 per unit will be identified every month and interviewed on phone on customer satisfaction.
4. **Staff climate survey questionnaires –** in conjunction with the Human Resource department, staff climate surveys will be carried out yearly to identify issues affecting internal customer service. Areas receiving poor scores will be explored in staff focus groups highlighting these customer service challenges.
5. **Focus group discussions & PRA –** Focus group discussions and/or PRA tools will be carried out once every year to discuss customer satisfaction and service issues with the customers in different branches. This tool may be employed more frequently in units where customer satisfaction issues are noted and we may need to understand the problem for better solution implementation.
6. **Mystery shopping and branch visits –**Mystery shopping will be carried out on a quarterly basis to check the knowledge level of the staff in various branches on general knowledge of products and services as well as basic information about the organisation. It will also be used to evaluate physical appearance of the AMB brand and the unit under evaluation.

7. **Compliance to policies & procedures** – will be carried out by compliance department on a quarterly basis. The results will be a good measure of the level of professionalism being exercised. Non compliance leads to inconsistencies, reworks, and thus dissatisfied customers.
8. **Customer Hotline –** The customer hotline will be used in case of referrals of questions or information that cannot be handled at the branch in a timely manner. Branch staff will place a call and hand over the client with an introduction to the hotline.
9. **Transactions speeds and volumes –** teller and branch reports will be consolidated on a monthly basis. Each branch will look at its levels for tellers and head office will look at performance across branches. Branches will be advised how they are performing against other units and targets by the Head of Operations on a monthly basis.
10. **Client wait times –** client wait times for teller transactions and loan approvals will be monitored monthly and charted across branches. Targets will be set and each branch will receive feedback on their performance.

To complete the feedback loop and ensure customers understand our efforts at service delivery, we need to communicate to our customer on the feedback they give us. Various methods will be used to achieve this as follows:

1. **Branch notice boards –** These will be used to communicate new products and services and changes to the customers, as well as the current products and fee structures. It will also be used to communicate general information to the customer that may concern them in the various branches. They will also be used as a method to give feedback on issues raised by the customer through the suggestion box and other modes the customers may use.
2. **Wait time boards in each branch –** queue systems will be designed to post average wait time for key transactions.
3. **Media –** The media will be used from time to time not only as marketing tool but also as a means of information dissemination to customers from time to time as need arises.
4. **Customer stationary –** slips and statements will from time to time be used as an external communication tool to customers.
5. **Customer Service Charter –** the charter will be posted in all branches for customers to understand the promise AMB makes on service delivery.
6. **Feedback cards –** Special cards will be printed for customer feedback on each of the AWARE principles and to measure responsiveness. These will be placed at the suggestion boxes for ease in feedback. For all clients leaving their contact information, AMB will respond with a personal letter or phone call.
7. **Customer Service Hotline** – the hotline will be a method to communicate and respond directly to customer feedback.
8. **Monthly branch meetings** – for internal communication of performance on transaction and wait times.

## ACTIVITY PLAN

*NB: The frequencies indicated below refer to the frequency at which each activity will be carried out per branch / unit.*

| **Activity** | **Frequency** | **JAN** | **FEB** | **MAR** | **APR** | **MAY** | **JUN** | **JUL** | **AUG** | **SEPT** | **OCT** | **NOV** | **DEC** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Incorporate customer service into each job description | One-time | | | X | | | | | | | | | |
| Create job performance criteria around customer service for annual review forms | Annually | | | X | X | | | | | | | | |
| Conduct annual reviews of staff contributions to customer service | Annually | | | | X | X | | | | | | | |
| Hold branch informational meetings to begin integrating AWARE concept | Each month 8-10 branches, 1st quarter | X | X | X | | | | | | | | | |
| Install/up-grade suggestion boxes in all branches | One-time | X | X | | | | | | | | | | |
| Analyse suggestion box contents | Weekly | | | | X | X | X | X | X | X | X | X | X |
| Customer satisfaction questionnaires | Monthly | | | | X | X | X | X | X | X | X | X | X |
| Suggestion Box feedback consolidated – provided to Managers | Monthly | | | | X | X | X | X | X | X | X | X | X |
| Telephone Customer Satisfaction Calls | 10 per month | | | | X | X | X | X | X | X | X | X | |
| Customer Care reviews with branch AWARE representatives | Bi-monthly | | | X | | X | | X | | X | | X | |
| Mystery Shopping | Quarterly | | | X | | | X | | | X | | | X |
| ServQual | Quarterly | | X | | | X | | | X | | | X | |
| Carry out product and institutional basic product knowledge test. | Quarterly | | X | | | X | | | X | | | X | |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Design training materials on customer service for staff induction (each position) | One-time | | X | X | | | | X | X | | | | |
| Design AWARE training workshops and integrate principles into other in-service trainings (i.e. loan appraisal, branch manager, etc.) | | | | | X | X | | | | X | X | | |
| Customer AWARE workshops | Quarterly | X | | | X | | | X | | | X | | |
| Carry out staff climate survey on communication and customer service orientation | Annually | | X | | | | | | | | | | |
| Develop & review product discussion guide | Quarterly | | X | | | X | | | X | | | X | |
| Focus group discussions & PRA | Annually | | | | | | | | | X | | | |
| Attend *MicroSave* process mapping training | One-time | | | | X | | | | | | | | |
| Map “as is” processes for the bank | Annually | | | | | | X | X | | | | | |
| Implement changes for “could be” processes | Annually | | | | | | | | X | X | | | |
| Install hotline services in each branch (technology, posters and publicise phone numbers) | One-time | | | | | | | | | | X | X | X |
| Nominate and confirm two co-chairs for customer service – Operations and Marketing | Annually | X | | | | | | | | | | | |
| Compile and print staff newsletter with customer service focus | Monthly | | X | X | X | X | X | X | X | X | X | X | X |
| Hire 2 support staff for Customer AWARE | One-time | X | X | | | | | | | | | | |

## RESOURCES REQUIRED

AMB is intent on delivering this customer service strategy and will dedicate the following resources in terms of time, physical infrastructure and budget items to ensure that excellent customer service levels are achieved and maintained. The resources are:

- Customer Service Manager – HQ (1) with visits to branch offices during the year and responsible for providing training and orientation to the AWARE programme
- Customer Service Co-chairs – HQ (2) involved in implementation and monitoring of the strategy while coordinating between other departments, especially Operations and Marketing
- Customer Service Support staff – HQ(2) with computers and access to branch offices for effective monitoring, feedback to the branches and customer, especially involved in monitoring the AWARE campaign
- AWARE champions – each branch will nominate annually a customer care champion with the defined role/responsibility of being trained in the customer service strategy and monitoring tools and to be responsible for leading the AWARE campaign in each branch
- People whose primary job is customer care:
    - Floor managers – manage queues, fill stationary, monitor information posted on the notice boards, help monitoring staffing needs in during the day.
    - Customer Care Desk – officers who handle all enquiries at branch; provides the friendly face as the first contact point
    - Security guards – will need to participate in training to understand AMB's focus on customers and AMB customer cares standards.
- Suggestion boxes and place to post responses or instructions
- Forms (customer feedback and survey forms) and monitoring tools
- Customer Help Desk in all branches serving more than 3,000 clients or more than 500 transactions a day
- Quarterly customer AWARE awareness workshop budget
- Meetings of customer AWARE representatives every 2 months to review progress
- Resources to run focus groups / PRA once per year per branch
- Plaques with customer service charter for the walls of each branch
- Branch notice boards and snapper frames to post customer communication.

## CUSTOMER CARE BUDGET FOR YEAR 2005

| ACTIVITY | FREQUENCY | AMOUNT | ASSUMPTION |
|---|---|---|---|
| Branch AWAREness building workshops | 8-10 month for first quarter | 200,000 | Average travel and per diem for two staff to all branches is 10,000 times 20 branches outside capital |
| Mystery Shopping | Quarterly | 96,000 | Assuming 1 mystery shopper visits 2 branches / day and spends 3000 per day for 8 days for meals, accommodation and transport. |
| ServQual and Product Knowledge Tests | Quarterly | 96,000 | Assuming 1 evaluator visits 2 branches / day and spends 3000 per day for 8 days for meals, accommodation and transport. |
| Telephone Customer Satisfaction Calls | 5 per month | 112,000 | Each Call 3 min @ 30 for 25 branches |
| Suggestion Box feedback consolidated and provided to Managers | Monthly | 6,000 | Installation of boxes in some branches and hanging frames for feedback to be posted. Collection of suggestions will be done by existing staff |
| AWARE Customer Care workshops | Quarterly | 192,000 | Assuming 1 staff per branch attends the 2 days workshop and spends K.Shs. 3,000 for meals, accommodation and transport. |
| Customer Care reviews with branch AWARE representatives | Bi-monthly | 48,000 | Assuming each of the 16 representatives from the upcountry branches spends 500 on transport. |
| Focus group discussions & PRA | Annually | 96,000 | Assuming 2 evaluators visit 1 branch / day and spends 3000 per day for 16 days for meals, accommodation and transport. |
| Installation of customer hotline system | Annually | 500,000 | Assuming 2 staff and training costs |
| Telephone bills for customer hotline | Monthly | 58,000 | Assuming four calls per day of 6 minutes (average call cost 60) |
| Carry out product and institutional basic product knowledge test. | Quarterly | 2,500 | Assuming cost of photocopying 2 page questionnaire is 5 times 3 questionnaires are administered per branch |
| Carry out staff climate survey on communication | Quarterly | 2,500 | Assuming cost of photocopying 2 page questionnaire is 5 times 3 questionnaires are administered per branch |
| Send customer satisfaction questionnaires | Monthly | 88,200 | Assuming cost of photocopying 2 page questionnaire is 5 times 10 questionnaires are administered per branch the cost of postage for replies is: postage = 27, cost of 2 envelopes per questionnaire is 10 for ten months. |
| Print product discussion guides and posters for branches | Twice per year | 28,000 | 5,000 brochures per branch and 6 posters each |
| Get 2 support staff for Customer AWARE | | 600,000 | Assuming their basic pay is Kshs. 25,000 per month |
| Staff newsletter | Monthly | 60,000 | Each edition is 5,000 to print |
| Branded promotional gifts for strong performing staff | Quarterly awards | 40,000 | 10 awards per quarter – 1,000 each for gifts |
| Contingency allowance | | 70,000 | |
| **TOTAL** | | **2,295,200** | **The cost covers the first year of the programme** |