

THE CHANGING ROLE OF THE BRANCH OFFICE IN SUPPORTING BRAND IMAGE AND CUSTOMER LOYALTY

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This paper discusses how the role of the branch office needs to be recast in order 1) to complement, not compete with, electronically delivered services; and 2) to better support the significant number of self-directed investors, including a growing high net-worth self-directed segment. Opportunities for change are described along several key dimensions – physical/functional aspects, general ambience, services provided, and personal and professional style of representatives – all with a view not only to achieving better integration of the company’s in-person, telephone, and online services overall, but also clarifying and enhancing the role of the branch in its own right.

INTRODUCTION

Marketers in virtually all industries are struggling to deal with the sea change in consumer attitudinal and behavioral orientations that has been occasioned by increasingly sophisticated interactive telephone technology and, even more so, by “critical mass” Internet penetration. For companies with a long tradition of service through branch offices, one of the most pressing challenges is how to sort out and restructure the relationship between telephone, online, and branch office service provision so as to maintain, or even enhance, customer satisfaction and brand loyalty – and to do this with an eye to cost effectiveness in an increasingly competitive business environment. While this issue is of interest across the board, it is particularly relevant to the financial services industry – in the case discussed here, a leading U.S. investment company that commissioned the qualitative research on which the paper is based.

BACKGROUND

More so than most other asset management firms, the company discussed here, from its beginnings, sought especially to attract self-directed investors; that is, people who are unwilling to relinquish responsibility for their portfolio to a hired “money manager,” but rather who themselves seek to exercise some greater or lesser degree of direct control over their investment activities. These investors span a continuum of information- and advice-seeking; many, at the least, are “validators” (i.e., have a need for consultation/confirmation regarding their decisions). Although the realities of the business dictated that branch offices be provided, the firm placed its main service focus on the telephone channel – which offered its self-directed clientele convenient, quick access to much if not all of the information and transactions they were seeking.

Despite the company’s best-of-industry standard for telephone service, a great proportion of customers, including many self-directeds, felt at least an occasional need or desire to visit a branch office – where, as it turned out, they did not always encounter the attention, efficiency, and responsiveness they had become accustomed to on the phone.

Now add to this mix the advent of the Internet. Although perhaps a mixed blessing at best for some businesses (department stores, for example, or book sellers), the Internet could be described as “made in Heaven” for financial services. Companies scrambled to build online infrastructures. And once sufficient Internet penetration was established – and we can infer that self-directed investors were among the leaders in going online – a customer could sit at the computer, check the markets, do any amount of research, pull up his or her investment account, and telephone his investment firm with questions, instructions, or requests for information.

The question was: Where did that leave the branch offices? They couldn't be counted obsolete, because they still generated traffic. But who were these customers? And how were their desires and expectations regarding the branch changing, now that they had two other channels at their disposal – both quite highly evolved, and both presumably geared to the orientations of self-directed investors? Finally, I should note that the company had carefully and systematically over the years established an overarching reputation for service and trustworthiness; now they needed to know how to position the branch office in this new environment, such that the three service delivery channels would mutually support one another as well as reinforce the brand image overall.

WHY DO INVESTORS VISIT A BRANCH?

By design, all the participants in our research were at least occasional visitors to a branch office. The purpose of these visits varied. Some were for specific information gathering or problem solving; others were for very routine transactions, such as making a deposit or picking up or filling out a form; still others were for periodic account review or general guidance – or reassurance – regarding one or another aspect of the visitor's investment portfolio. Irrespective of their self-directed versus advice-dependent orientation, many investors expressed a preference to establish a relationship in a branch office, even if they were seldom or never to use it again. All these customers, by definition, were willingly engaged in some sort of relationship with the company. They were familiar and satisfied with the company's 800 number telephone service, and many were practiced users of the online channel as well. Nevertheless, their basic (more or less) "self-directed" orientation notwithstanding, they all seemed to look to the branch for a sense of institutional substantiveness – reassurance that the disembodied voices they dealt with by phone, as well as the account records they accessed and the transactions they made via cyberspace, were in fact backed up by a visible presence: real buildings staffed by real people. Illustratively:

“Buying and selling over the Internet is easy – that's the way I always do it. But I want somebody to share the big picture (of my account). With a personal contact in the branch, I feel there's a shared responsibility – somebody I know, who I can call.”

“When I'm talking to somebody about my money, I want to know who I'm talking to.”

Thus, any notion that a state-of-the-art web site combined with a first-rate telephone service channel would largely supplant the branch office any time soon proved to be fanciful. (And indeed, the perception that the branch was

“just for dummies” was widespread in the mid-90s, as online brokerage companies mushroomed on the scene.) As it turned out, even knowledgeable Internet-savvy investors continued to use the branch – although their expectations and requirements regarding their experience there were changing. Currently, the branch is a key element in the firm’s customer experience strategy.

The expectations and requirements of current customers can be sorted into four categories:

1. Physical/functional
2. General ambience
3. Nature of services provided
4. Personal and professional style of the representatives

Physical/Functional

The qualities in this category that customers were looking for are quite basic, and include practical/convenience oriented issues:

- Convenient locations, both downtown (near work) and suburban (near home);
- Parking on-site or nearby – and validated by the branch, if payment is required (an issue for downtown locations);
- Hours of operation geared to busy lifestyles (e.g., at least some evening and Saturday hours);
- No long lines (as sometimes encountered at banks);

... as well as aesthetic considerations:

- Attractive surroundings/neighborhood
- Clean, well lit
- Nicely furnished/professional; no “factory-like” rows of cubicles

Bear in mind that the company’s customers – especially the more self-directed investors – accomplish most (by far) of their investment account interactions online or by telephone. Visits to a branch are neither regular nor frequent. From the customer’s perspective, such a visit is something of an “event,” in keeping with which the branch must project a credible and reputable institutional presence that reaffirms the customer’s good judgment in entrusting this company with an extremely important aspect of his or her life’s affairs.

Thus, it's worth noting that while the characteristics just reviewed seem like common-sense standards that ought to go without saying, that isn't always the case. Busy managers are typically focused on "taking care of business" and are not necessarily as sensitive to shortcomings in these basics as are customers who are seeing the branch with fresh eyes.

General Ambience

What customers are looking for here is a welcoming, cordial atmosphere – professional but not "cold" or "sterile" – words actually used by some respondents who found the branch somewhat forbidding. There are a number of cues to the desired feel, including a low-key "buzz" of appropriate activity as opposed to either a sepulchral bank-like silence, on the one hand, or a sense of harried, frantic scrambling, on the other.

More specifically, visitors' perception of the branch ambience also is affected by the design and placement of the reception desk – it shouldn't be too far back from the entrance such that visitors have to traverse a desert of open space to be greeted; and it shouldn't be constructed so high as to suggest a barrier rather than an invitation to initial communication. Similarly, the computer stations and literature racks should be convenient to entering visitors who may want to do a little last-minute information-gathering, but should not be perceived as a necessary first recourse to be navigated before earning a personal welcome.

Nature of Services Provided

The physical and ambience-related criteria for a favorable experience at the branch are fairly straightforward; they make common sense, and – except insofar as they fit, or fail to fit, with overall company brand imagery – they are not directly related to the other service delivery channels. But this changes when we come to the services that visitors expect, or want, to be provided at the branch.

Customers tend to use the online channel to the extent of their comfort level with the Internet in general and the company web site in particular. For many, their use doesn't go much beyond account review, simple transactions, and perhaps some research. Because they rightly suspect that this company's state-of-the-art web site offers far more richness and depth than they are likely to take advantage of – and also because it is difficult to fault any good web site for "bad service" (since there's no personal interaction involved) – customers tend to exempt the online option from their evaluative comparisons of the different channels' range and quality of service.

This leaves the telephone channel as the main basis of comparison for visitors to the branch. As a general rule, consumers tend to regard in-store interaction as a more flexible and thus more certain route to satisfaction than the telephone. This perception very likely derives from their experience, in other industry contexts, of lengthy automated menu choices, long periods on hold bombarded by music not of their choosing, culminating in a not-necessarily successful conversation with a not-necessarily-competent (or even comprehensible) representative.

In this case, however, the company's exceptionally advanced and professionally staffed 800 number telephone system was designed as a virtually complete and sufficient service channel. Indeed, for most customers, telephone is the most frequent mode of contact with the firm, and satisfaction levels are consistently very high. This put a burden on the branch not only to present a physical facility and ambience in keeping with the company's stature (as already discussed), but also to at least meet, and better yet exceed, the favorable expectations that visitors were harboring based on their extensive telephone experience.

Beyond prompt and competent attention to whatever specific issue might have brought them there, visitors wanted to feel that the branch covered the full range of company products and services. In their telephone experience, they understood and accepted that no one representative could be expert on every issue in every product or topic category; and they were comfortable with the efficient system of cross-referrals on the telephone.

In the branch, however, they seemed to expect that the representative be a more senior individual than the telephone representatives, and thus more broadly knowledgeable; for example, able to handle inquiries related both to a retirement plan and a retail account. Still, if the branch person needed to call in special expertise, it was all right with the customer, provided that the issue be pursued "all in one place" and that the representative act as involved networker or facilitator all the way to resolution. This was an important distinction in customers' expectations of the branch versus telephone: With telephone, assuming basic competence, one faceless and anonymous agent was as good as another; the focus was on the task. In contrast, at the branch the focus was on the person; the customer wanted to view the representative as "my guy," who would "work the system," find the right specialists, cut through the red tape, and stay with it for the duration of the episode.

What emerged as a corollary of this was an opportunity for the branch representative to provide advice and counsel – specific, if desired, but more likely general guidance, direction, or reassurance on issues such as overall goals, asset allocation, the types of funds available, tax implications, etc. Customers welcomed this additional service; since the branch representative

was not himself a broker, he was not seen as commission driven, but rather as a true ally of the customer. It turned out that this role, perhaps augmented by a periodic (semi-annual) unsolicited “check your pulse” telephone call from a customer’s branch representative, resulted in new investment volume – in many instances, transfers from customers’ “hard-sell” brokerage accounts.

A further outgrowth of this was the potential for occasional seminars held at the branch on evenings or weekends. In addition to providing an appropriate and convenient forum for investors to educate their spouses, this prospect was especially appealing to retirees, who have more time (and in many cases, more immediate motivation) to focus on investment matters. The idea was to tie into customers’ interest in various basic investment issues via informational and educational sessions. Offering more personal interaction than the web site and more depth than the telephone, these sessions not only would contribute to customers’ understanding of the particular topics covered, but also would serve to reinforce their sense of positive relationship with the company – or brand – overall.

While most branch visits are walk-ins whereby the customer is introduced to the first available representative, a good experience sets up the possibility of continuing contact with that same representative which could result in both a direct telephone relationship that supplants much of the 800 number calling, as well as periodic review meetings initiated by the customer or the representative. Either way, the ongoing relationship with a branch “point person” at a minimum enhances the customer’s satisfaction with the company overall, and at best may encourage additional business from the customer.

PERSONAL AND PROFESSIONAL STYLE OF THE REPRESENTATIVES

Since virtually all customers visiting a branch were familiar with the company’s telephone service, they had reason to expect at least an equal level of personal courtesy and professional competence at the branch. On the personal dimension, respondents mentioned desired attributes both from the positive perspective...

- welcoming,
- respectful
- polite
- patient, willing to listen
- offer of coffee or a soft drink

... and also from the negative perspective:

- don't make me wait (especially if I've made an appointment)
- don't rush me, make me feel I'm taking too much time

It's worth underscoring that visitors' impressions of the personality of a branch are projected not only by the professional representative, but also – and indeed first – by their entry contact: the person at the reception desk. If the visitor has come to talk with a professional investment representative, he doesn't want to be shunted off to the self-service kiosk or the information brochures – even temporarily. The receptionist should listen attentively to the visitor's purpose, then make him or her comfortable while calling the appropriate representative. For his or her part, the representative can enhance a good entry impression (and maybe even offset a bad one) by greeting the visitor promptly and, if the meeting was previously arranged, coming already prepared with the customer's account information and any other materials pertinent to the visit.

Another aspect of the branch's business and personal style has to do with the immediate setting. Except for routine, errand-type purposes such as filling out a form or making a regular deposit which typically can be accomplished at the front desk, most customers most of the time prefer a closed office or conference room rather than an open area with multiple desks or even a row of cubicles that is psychologically exposed. An interesting finding that came to light in this connection is that customers are not simply seeking privacy for their own comfort; they feel that the closed room also reduces the chances of the representative's being interrupted or distracted.

Another insight that came to light was that a branch visit had the potential almost automatically to convey to the customer a sense of smooth integration of the company's service channels. The representative would be calling up the visitor's account on his computer and perhaps working the web site in ways appropriate to advancing the discussion. This in itself could be instructive to the customer (that is, learning new ways to use the site). Moreover, the representative might also find it convenient to use the telephone to find a particular piece of information. So the customer is witness to the mutually supportive role of the three service modes in the efficient delivery of customer satisfaction. The representative might further evidence the company's wealth of resources by pulling out a pertinent piece of literature, perhaps even marking it up on the spot to draw the customer's attention to the key portions.

Beyond the basics of courtesy, patience, and attentiveness, branch customers were favorably impressed by the representative's invitation to ask questions, express doubts and uncertainties, and his volunteering additional related information that could be relevant. These interactions often uncovered a

customer need that led to additional business, as new product or service solutions were identified. As already noted, if something comes up that calls for special expertise, customers would rather that the first representative call the specialist into the meeting – preferably in person, but via conference call, if necessary. In any event, it is important that the main representative doesn't simply hand off the customer to the expert and disappear; rather he should follow through to resolution with the customer, even if the resolution can't be accomplished during the visit.

This particular company has long enjoyed a reputation for a “service” versus “sell” stance vis-à-vis investing – a stance which not only speaks to the firm's main target of self-directed (including validator) investors, but also serves to differentiate the company from the hard-sell, commission-driven style of traditional brokerage houses. The branch afforded an opportunity to leverage this strength by providing the customer with an in-the-flesh personal contact (vs. whoever might answer the phone) whose role is to inform ... to advise (if and as desired) ... and, importantly, as we have seen, to act as the central source for referrals to specialists within the company, if and when needed.

BARRIERS TO BRANCH EFFECTIVENESS

The research uncovered certain obstacles to the firm's ability to capitalize more fully on this distinctive strength. For one thing, despite the incremental advantage to the customer of having a dedicated individual at the branch, the inherent infrequency of branch visits, on the one hand, and the normal turnover of branch personnel, on the other hand, made it unlikely that the same representative would be available to a given customer for more than a limited number of visits.

This turnover, combined with some visitors' less-than-optimal experiences at a branch – especially when compared to their routinely satisfactory (or better) interactions via the 800 number telephone channel – tended to foster in some customers the unfortunate impression that the branch was used by the company as a training ground for newer employees; that as soon as a trainee had acquired a degree of competence, he or she was rotated out and replaced with a new novice.

As a practical matter, the solutions here necessarily had less to do with enhancing positives than with offsetting negatives – damage prevention and control. Certainly, a good impression at the front of the branch – meeting and greeting – could help create a favorable mindset in the visitor. And certainly, every representative had to be trained sufficiently to cross the threshold of basic competence. Beyond that, assuming his or her possession of the desired personal qualities already reviewed; and further assuming a good command of

the various resources at his disposal ... the representative could underscore his role as networker or ombudsman for the customer, calling on the appropriate specialists and acting as coordinator.

As for the issue of turnover, if a branch representative had been successful in establishing a relationship with a customer – and especially if the relationship entailed occasional phone calls between visits – then it was important that the customer not be blindsided by the sudden disappearance of his branch contact.

Instead, either the departing representative himself and/or the branch manager should take the initiative to inform the customer of the impending change and invite him or her in to meet the new representative – perhaps using the opportunity to offer a general account review. People understand that businesses have turnover; they just don't want to be lost in the shuffle. Proactively arranging to “pass the baton” in this way can help focus attention on the “customer care and continuity” policies of the company rather than on the departure of a valued contact.

KEY FINDINGS AND IMPLICATIONS

The most noteworthy and strategically useful learning to come out of this research was rather dramatically counterintuitive. Conventional wisdom had it that a company mainly targeting more self-directed investors was quite right to concentrate its service delivery efforts on the telephone and Internet channels – continually upgrading them in terms of robustness, responsiveness, and ease of use. And there was nothing wrong with that, as far as it went; indeed, those were, by far, customers' most frequently used modes of interaction with the company.

But the conventional wisdom went on to assume that, therefore, the branch office was largely irrelevant to these investors – nice to have, to be sure, for the occasional need to exchange or sign documents, make an immediate deposit, or some other “nuts-and-bolts” errand, but otherwise mainly geared to the firm's minority of novice or tentative investors or “old-fashioned” types not yet comfortable handling money matters in anything other than face-to-face fashion (people who, for example, might still be loath to use bank ATM machines).

The breakthrough insight in the research had to do with the revised understanding it produced about the company's main customer base. As mentioned earlier, these investors collectively reflected a wide range of self-direction, but very few, if any, were pure free-lancers. Even the more independent-minded among them considered themselves to be in some sort of relationship with this major investment institution.

As it turned out, paradoxically, these customers were turning to the branch not in spite of their self-directed bent, but rather because of it. Whether for information of one or another kind, for confirmation or reassurance – again, “validation” – regarding their investment thinking and decisions, or simply for a more direct and personal affirmation of their standing as real flesh-and-blood customers of a real investment company with real brick-and-mortar buildings ... the branch was the only place to go. In short, these customers were looking for a quality and degree of interaction with their investment company’s professionals that were inherently unobtainable online or by phone.

This new understanding led to strategies for repositioning the branch office vis-à-vis customers (and prospects) as more than simply a back up to the telephone and online channels. Beyond indications for refreshing the physical, functional, and ambience-related aspects of a branch visit, as reviewed earlier, important new implications came to light regarding the role definition of branch representatives.

As we have seen, paramount among these was the opportunity for the representative – analogous to the “personal banker” at a bank – to serve as the customer’s “point person” in orchestrating the provision of all requested information and advice, as well as ombudsman in solving problems. Moreover, this consistent point of contact could serve not simply to respond to customers’ needs, but also, within bounds of the company’s respected service versus selling reputation, to proactively introduce new information and opportunities to the customer.

The findings strongly indicated that recasting the role of the branch office in accordance with the new understanding of customer needs that emerged from the research not only would reinforce customers’ appreciation of the interrelation among the three delivery channels, but also would afford a likely opportunity for generating new business volume in its own right.

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