

Viewpoints

Stop Fussing So Much Over the Brand; Differentiate by Managing Interaction

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02/28/2003

American Banker

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Something is rotten in the world of financial services marketing. Companies invest vast resources to set themselves apart from the competition -- only to end up flogging the same dead horses as their competitors. Brokerages tout brilliant financial advisers whose devotion to customer No. 1 (you) makes dreams come true. Insurers promise to be there when something happens, and virtually every mutual fund brags about savvy portfolio managers -- evidenced by great Morningstar ratings.

Why is everyone making the same vague claims? Simple: Undifferentiated products from undifferentiated companies invariably add up to undifferentiated marketing. Services marketing today amounts to an adaptation of a branding-centric marketing model developed by packaged goods manufacturers -- a model that was neither designed for services nor particularly suited to them.

The branding thesis has led to a conundrum for services companies: having to meet a higher performance bar than product companies while having less to work with. For manufacturers, growth is a matter of building more factories, and consistency a natural result of mass production.

Not so for services companies, which traditionally had to trade off consistency for scale. The bigger and more complex a services company became, the more insurmountable the hurdles to delivering consistency across departments, geographies, and products. Branding seemed a godsend because it was based on the notion that perception is reality. Claims of scaled consistency could gloss over any reality of inconsistencies and shortcomings, so went the hope.

The problem with all this: Branding-based marketing doesn't work well for services, because it demands promises that are too big for most companies to keep. Traditional marketers blame "consumer cynicism," but that's missing the point. Consumers weren't born cynics; they have been conditioned through negative experiences to be suspicious.

Branding seeks to remedy this problem with increasingly gimmicky ways to make the same old empty claims. But just as consumer disillusionment isn't the real problem, communications aren't the solution. There's only one way to inspire the kind of conviction that leads to lower acquisition costs, true loyalty, and word of mouth: a reason to choose a company over its competitors. The only way to offer such a reason is to create it within the company -- in products, services, and operations.

Thanks to advances in information technology, the unavoidable tradeoff between scale and consistency is a thing of the past. Financial services companies can now deliver on the promise of true relationships. The implications for marketing are momentous.

A new services marketing model we call "strategic interaction management" enables relationships that are differentiated in a tangible, real-life way. It focuses on interactions between a company and its customers. The role of strategy in this model: to construct a value proposition that is

relevant to customers and amounts to a tangible reason to choose the company over its competitors.

Interaction management turns this reason into a reality. The first step is to triage service interactions with customers (anything from a teller deposit to a stock trade). That way, marketers can gain highly directional insight into which interactions are most valuable -- both to customers and to the company. Implementation, then, becomes a matter of redesigning these interactions according to strategy. Under this new model, marketing evolves from a communications function to an interaction-management role.

Two retail banks in the New York City marketplace offer starkly contrasting examples of the difference between branding-centric marketing and interaction-centric marketing.

J.P. Morgan Chase & Co. trumpets "the right relationship is everything" while relative newcomer Commerce Bancorp of Cherry Hill, N.J., declares itself "America's most convenient bank." The difference is obvious: Chase's proposition is a hollow slogan, while Commerce Bank offers a hands-on value proposition with tangible benefits.

Morgan Chase appears to promise a comprehensive view of customers' accounts and unspecified advantages to being a customer. But without perceptible follow-through, it sets itself up to overpromise and underdeliver in the eyes of customers. A few months back the company installed bells at teller counters in some branches, asking customers to ring them when they received great service. One of the authors, a Chase customer, never once heard a ringing sound. The bells have since disappeared from some branches.

Commerce Bank, on the other hand, offers a value proposition worthy of the term. Convenience is fundamentally relevant, tangible, and truly differentiating. Commerce delivers it with free checking, branches that are open on Saturdays and holidays, and free coin-counting. It stresses ease and speed, and has systematically engineered its organization to support these things. Commerce lets the customer be the judge, as he or she will be in any event. This bank is poised to foster real loyalty with customers who will be open to cross-sells and willing to spread the good word.

Strategic interaction management is bound to replace the dated branding-centric approach. It is ideally suited to the needs of service marketers and it harnesses human and technological resources toward a tangible, truly differentiating reason to choose one company over another. Marketing as usual is coming to an end -- and companies that embrace the new model will leave their competitors in the dust.

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