

Aligning Product Development with Your Customer Base

Financial Institutions have always aspired to develop lifestyle brands that speak to their customers and reflect who they are, creating a bond between the institution's brand and the consumer's needs, ideally intertwined where one cannot determine which defines the other. Though humble and admirable in its intentions, this goal is not being achieved. If it were, why would financial institutions so often miss the mark by offering the wrong product delivery channels, thus requiring them to invest in non-profitable "sky's the limit" marketing or customer awareness campaigns – watching margins and products per-household loyalty erode?

Background

For years financial institutions have spent inordinate amounts of time and money trying to improve the efficiency of their internal operations; aligning their Product Design, Development, Branding, Marketing, and Supply Chain teams. Some have now expanded these efforts to also collaborate with their trading partners. They share product channels, work from a common time and action calendar, and track revenue milestones to unearth potential problems before they affect product delivery. These are all worthy pursuits, and the institutions that do them more effectively than others have a more responsive and loyal customer base.

But what about the top market share holders? What capabilities are in place to tap into the minds of the consumer? All of this effort to deliver product channels correctly and to deliver them more efficiently only to find out that they may have targeted the wrong market or even worse the wrong consumer at the wrong price point. How can financial institutions ensure their products will hit the mark? To best determine what customers want or their motives behind decision makings, today's institutions must create vehicles to capture the voice of the customer.

Recommendation

So how does an institution marry its product design activities with the constantly evolving desires of its consumers? Although there is no prescriptive way of doing this and ensuring alignment, the following are five increasingly innovative and effective tactics institutions can and should pursue to bridge the gap between their product design channel teams and their customers:

1. Customer surveys, focus groups and employee feedback

Post transaction surveys and focus groups, though not very sexy and innovative, can still provide valuable insight into the customers' buying behavior and their perception of your brand. The trick here is to not alienate the customer by intruding but rather finding an appropriate means to connect and get their feedback. For example, an "X-generation focused business channel should utilize technology based communication with a link to a survey site. Or, collecting comments directly from "Baby-Boomers" through front-line customer facing associates also remains a viable method for understanding what your customers may want you to know. Although it is often logistically difficult to

execute, some institutions have tackled this challenge by providing systematic ways collect valuable resources to “brain dump” what they have seen and heard into a central repository for review by leadership teams. Newer methods of incorporating customer feedback into the product design process, as described later in this point of view, may prove more interesting and engaging to your customers, but a simple survey or input from a customer facing associate who just engaged that customer can still be quite effective at uncovering a customer’s likes and dislikes.



2. Product Reviews

After an initial introduction to e-commerce, product reviews have become ubiquitous in the digital world. As reported in Business Week, “some 70% of Americans say they consult product reviews or consumer ratings before making a decision to engage a particular financial institution.” These product delivery reviews can provide valuable information that can be directly incorporated into the product development process. For example, a Massachusetts based community bank monitors customer feedback trends on its website and passes them along to division heads for “real-time” customer facing delivery. In doing so, they have allowed themselves to operate in a “current customer needs” platform; verses data amassed by a Q4 2010 customer needs survey. While it may seem risky to solicit uncensored public commentary, institutions need to embrace this new reality and provide an open forum for customers to rave or vent about their brand. After all, if customers cannot communicate directly with an institution or through e-commerce and mobile sites, they will just do it somewhere else, and a golden opportunity for an institution to directly connect with their customer that could otherwise have been lost. Institutional leadership and division heads can build product review capabilities in-house or get started more quickly by outsourcing the entire function to a company like OPTIS Group, LLC that seamlessly integrates into any website and provides detailed reporting and data analysis. The key here is to avoid “Analysis-Paralysis (*“Building a bigger model doesn't add knowledge - it destroys knowledge.”*)”. For an institution to monitor the reviews, actively address any complaints, and incorporate the feedback into future product channels, they must think small, local and direct. “What works in Boston may not work in Seattle”. Why implement a change that has inherent challenges based on simple geographic business or social demographics? The consumer has other options and they are all too aware of you dragging your feet!

Simply implement the following: Quarry, Analyze, and Adjust (locally).... “Repeat.

3. Social Media Monitoring

Product reviews, surveys and focus groups provide division heads with an in depth source of direct customer feedback from controlled interactions, but what about all of the other discussions about an institutions brand that customers engage in with friends and family (and increasingly strangers)? It used to be that a company lacked any vehicle for ascertaining the content of these discussions, but with the rapid rise of social media, the financial community can now “eavesdrop” on their customers’ conversations. For example, Google alerts can be easily set up to track the appearance of any desired string of text, and social media monitoring services offer even more robust insight. Companies like OPTIS Group, have technology to track mentions of a company across millions of data sources including not only social networks but also news sites, blogs, forums, videos and photos. We provide analytics that enable an institution to “hear” not only who is talking about their brand but also the tone and sentiment of the conversations. This information can drive a deeper understanding of why certain products hit or miss and can guide the development of future deliverables. It can also be used in the initial stages of product design to identify customer needs that are not being met. A southern

California Credit Union, for example, engaged OPTIS Group social media monitoring to help it generate the initial concepts for a the launch of a new business channel. Financial institutions who continue to rely solely on direct collection of customer feedback risk missing the majority of the discussions taking place about their brand. Social media monitoring represents a critical new source of insights which can be leveraged to connect product development with their customers. But the use of social media should not be limited to monitoring; social media's real power comes from enabling customer collaboration.



4. Collaborative Design Feedback

Customer feedback regarding prior and current customer product usage represents an excellent source of information to guide current strategies , but new technologies are now making it possible to easily and affordably incorporate customers' input into the pre-launch product development process. More and more financial institutions are utilizing Facebook and other social media sites to connect with their current customer base; they however, are often challenged with “what to do now?” How can we utilize the feedback or should we? When the information collected is negative we tend to ignore the underlying causes which very well may have a simple fix. Financial institutions should open this up to the general public, not just their “fans” or further control the process by inviting only those customers whose opinions they deem to be the most valuable or promoting the activity as an exclusive perk for their best customers. Consider for a moment the introduction of “Connect®” in 2012. Through a “Product Launch” campaign application on Facebook, the institution presented its customers with options for the new product, or fee structure and then let them vote for their favorite, helping stake holders determine the benefits and provide suggested designs for the product launch. A Florida based mortgage lender has been an early adopter of this technology, creating opportunities for its current and former customers to interact directly with its lending staff. Through this process, the customer essentially becomes a part of the design team, but the lender maintains control over their level of influence. This collaborative approach enables an organization to build a greater connection with its customer base, create a more relevant data-set and reduce its risk of targeting the wrong products. Our client now utilizes this methodology as it expands into new markets which are likely within *your* organizations footprint.

5. Crowdsourcing – Your Customer is Your Designer!

Instead of just incorporating direct or indirect feedback into the business channel development process, imagine if customers provided an institution with product designs that they wanted to see, utilize and purchase. That is how bold financial institutions are crowdsourcing. In this model, the institution retains the decision-making authority for what it ultimately delivers, but its customers serve as the source of potential concepts. A Utah based bank, utilized and crowdsourcing by accepting submissions from would-be customers in resort communities regarding ATM placement, which in turn, ensured high traffic usage equaling increased profitability. They then replicated the “placement process” in the most popular sister destinations as the data-set applied to multiple markets with similar demographics. While few institutions will go so far as to hand over their entire strategic design function to their customers, this form of crowdsourcing represents an intriguing tactic to explore as one component of the overall product development process.

Conclusion

Technological advancements coupled with strategic management planning provided by OPTIS Group are now making it possible for institutions to finally gain a deeper understanding of who their customers are and what they want. Attitudes are also shifting, with new generations shunning privacy concerns and expecting to be engaged in active dialogue with their favorite service providers, they themselves contribute to a more pointed solution delivery mechanism. Twenty-first century financial institutions that adapt and begin to incorporate these five tactics for involving their customers in the product development process are likely to reap the benefits of a fresh customer base, while consistently maintaining existing relationships.



More importantly, these institutions will have strengthened the linkage with their customers, enhancing loyalty and lifetime value.

OPTIS Group, LLC is a strategic growth management consulting firm. We are a leading provider of strategy and business consulting services to the financial sector as well as private & public industries. We work with our clients to help them research and develop strategies, design improved processes and execute change. We specialize in integrating customer insights and multi-channel business models. If you would like to learn more about our vision or understand how you might take advantage of this strategy, contact us at:

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Philip R. Foss - Chairman & CEO

As the founder, Chairman and CEO of OPTIS Group, LLC. Philip R. Foss is responsible for running all facets of the business. Phil has a proven executive management track record with over 22 years of mortgage banking origination & management experience. Mr. Foss focuses on enterprise-level business model construction and deployment throughout the financial community, leading the marketing and customer strategy practice, and directing sales within customer service go-to-market issues helping our client partners realize higher return-on-market and CRM investments.

Prior to founding OPTIS Group, LLC. Phil had been on both sides of mortgage banking origination and management with Banc One Mortgage & Washington Mutual Mortgage allowing for a comprehensive view and balanced approach to business development. Mr. Foss has been published in various industry specific periodicals as well as in the Denver Business Journal, Seattle Post Intelligencer, and the Kansas City Star, focusing on topics ranging from "Change Management", "Strategic Growth Management", "Sales Platform Training" and a four part "2008 Leadership Series". Phil holds a Masters of Business Administration from the University of Colorado at Denver and obtained his Bachelor of Science in Business Administration-Strategic Management Planning from the University of Washington, Seattle Washington.

OPTIS Group, LLC is headquartered in picturesque Colorado Springs Colorado at the foot of Pikes Peak, where Phil enjoys his two children, plays golf at high altitude, and participates as a volunteer member of the National Ski Patrol, Winter Park CO.