

Regaining Competitive Advantage

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He looked me straight in the eye and earnestly said, “Thank you for coming to Subway. I hope you enjoy your meal and that you’ll come back again!” My flesh tingled; his appreciation felt genuine. And appreciative he should be. Having just driven past “fast food” row, I had selected Subway for its tasty, nutritional sandwiches. Now I had another reason to return.

“A dollar five,” she grunted. It was her only utterance up to this point in the transaction. No eye contact, no smile, no “how are you doing today?” Indeed, she startled me when she managed to use a full sentence to inquire if I wanted a bag for my purchase. I surprised her back. “No thanks,” I replied, “but I would appreciate your thanking me for my business.”

These seemingly opposite scenarios share a critical common theme. They both clearly illustrate the powerful effect that quality customer service has on the growth and vitality of a business. A closer inspection behind the doors of our own establishments might surprisingly reveal growing cracks – even fissures – in what was once the steel supports in the very foundations of service industry organizations.

What has long been the hallmark of credit unions – exceptional, friendly, personal service – has more recently been usurped by record growth, high turnover, and technological advancements. This erosion began in the 1980s as credit unions grew larger, departmentalization forced employees to focus on one primary job task, and management raced the clock to bring new products to market in the face of deregulation. More recently it’s been fueled by continuing pressure on employees to do more with less. The result? Employees are frequently caught up in the daily pressures that come hand in hand with rapid change. For many credit unions, the result has been the steady loss of a major competitive advantage – a competitive edge that costs little in hard dollars to maintain, yet has emerged to be one of the two driving differentials in the financial services industry.

Differentiating for Competitive Advantage

Several proven strategies exist for differentiating a business in order to gain and sustain a competitive edge. They include:

1. Having the lowest prices.
2. Being convenient.
3. Offering unique products that the consumer can’t get elsewhere.
4. Providing high quality service.

- 1. Being the Low Price Leader.** Without substantial volume and economies of scale (which seldom occur in credit unions under \$250M), the low-price strategy usually produces fickle price-sensitive members and squeezed profit margins. This can seriously undermine your ability to stay in business. Lack of capital prevents you from employing new technologies, providing innovative or upgraded services, and paying competitive salaries to attract and retain qualified employees.

Historically, many credit unions have successfully carried out this strategy due to lower overhead costs resulting from sponsor company relationships. However, the increasing economies-of-scale created by non-traditional competitors and national banking conglomerates have escalated the competitive price wars. Continuing to compete primarily on price will result in the financial instability and eventual merger of many credit unions.

- 2. Convenience.** With 24/7 technologies increasing exponentially in availability and affordability, most financial institutions are as convenient as the next. It used to be a matter of who had the most bricks and mortar. Your physical location determined how convenient or inconvenient you were. Today, with the rapid acceptance and usage of the home banking and bill payment, not to mention debit cards, audio response, ATMs, toll free numbers, and the ever-resilient payroll deduction and direct deposit, a member's financial accounts are accessible no matter where the financial institution is located. Maintaining this "convenience" edge, however, requires a substantial ongoing financial investment.

And the next level of "convenience" is already upon us – 24/7 technologies backed-up by human service. Consider the ongoing investment required to support this "edge."

- 3. Offering Unique Products.** Let's face it - between regulation and the very nature of the financial services industry, there's nothing much novel or unique about the financial products at your credit union versus those at the bank or S&L down the street. A checking account is a checking account. It performs the same functions for the consumer. The primary way of differentiating it is on the basis of its cost to the consumer (see strategy #1), or on how convenient it is to use (see strategy #2). This same concept applies to most products available in the financial services industry today.

Even though we introduce new products from time to time (internet banking, bill payment, debit cards, etc.), it usually happens after the power players (read "banks") have spent zillions of dollars developing, testing, launching and tweaking the product. Rightly so, credit union tactics have been more of "follow the leader" than "innovator," primarily because of the high R&D costs associated with innovation and our lack of mass volume or high profit margins.

Since the mid-1980s, we've experimented with bundling products into "relationship" packages to make them appear more unique and desirable (e.g. Gold/Silver/Bronze levels, checking packages, Seniors Clubs, etc.). For a lucky few, this approach has effectively increased market share for a particular product. For the vast majority, however, this approach has generated hit or miss results primarily due to insufficient data for effective target marketing, as well as a lack of cost accounting systems to help us to truly identify the cost and profitability of individual products as well as "relationships."

Customer Relationship Management systems (CRM) and Marketing Customer Information Files (MCIF) are now widely available to offset this lack of information and give us a better perspective on the feasibility and profitability of various relationship packaging and pricing strategies. Unfortunately, most credit unions have not yet been able to justify the enormously high cost of this technology.

4. Quality Service. What is really meant by this overused buzzword? Some years ago, a client of mine realized that the quality of service being provided was not satisfactory to his membership. To begin the process of turning this around, we instituted a campaign with the theme, "We Make It Right For You," in which employees paid members a small monetary stipend for any mistake that had been made on the member's account. For this CEO, consistently accurate transactions were part of providing quality service.

Just recently, an employee of another credit union encountered a situation in which a member, who had just lost her purse with checks and credit cards, was having difficulty with replacing her return airline ticket to get home. Even though her credit union's office was closing for the evening, this employee stayed late and quickly reacted to solve the member's problem. Both examples provide us with a glimpse of what quality service is.

- A strong desire to help, to make a positive difference in people's lives.
- A willingness to provide friendly, caring, go-the-extra-mile-attitude personal service that is based on mutual respect.
- An attitude and corresponding service level that demonstrates interest in the consumer's satisfaction and well-being while showing appreciation for his/her business.

Any organization, regardless of size, is capable of successfully implementing this strategy at a relatively low cost. It simply requires possessing the proper attitude and having the tenacity to consistently breed and nurture this attitude throughout the entire organization. The smaller the organization, the easier it is to implement this strategy due to fewer employees and reduced bureaucracy within the corporate culture.

The strategy of providing exceptional, personalized quality service is a process, rather than an event, which can be implemented over time to significantly gain and retain a

loyal market share of members – members who are growing increasingly disenchanted by huge “it’s-on-the-shelf” warehouse-retailing mentalities. It is a sustainable differential that credit unions can once more employ to their advantage to offset the rapid expansion of faceless automation, non-traditional competitors, and giant national banking conglomerates. After all, the sensitive nature of an individual’s finances will always require the trust and confidence instilled through periodic personalized high-touch transactions.

Reversing This Situation

If your credit union finds itself not fully taking advantage of this competitive edge, implementing the following steps will help you to regain your leadership position.

- ***Walk Your Talk***. Consistently demonstrate to your employees the attitude and behavior you expect of them by conveying it to them through your own words and deeds. Treat your managers, staff, volunteers and members in exactly the same way as you want them to treat members and other internal employees.
- ***Accountability***. Hold your managers accountable for “walking their talk” and for expecting exceptional quality service from their employees every day, in every transaction. Just as it is vital to hold tellers accountable for balancing, or loan officers for meeting lending guidelines, so too is it necessary to hold all employees accountable for the way in which they provide members with service.

Begin with defining and incorporating your service quality expectations into job descriptions and performance evaluations. Objective means of evaluating an employee’s service performance include observation (management by walking around), “How Are We Doing” member-rating cards, direct member feedback, product knowledge testing, mystery shoppers, and full-scale membership surveys.

- ***Hire people-oriented employees***. Individuals who enjoy being around and working with other people are much more apt to provide the friendly, caring service you seek. More introverted individuals may be prone to viewing your members’ (and internal employees’) needs as an interruption to their work. Either attitude is keenly perceived by the end-user.
- ***Provide staff with advance information***. The most prevalent thing sabotaging employee morale these days is not the pace of change, but feeling as though there is no control over the impact that change will have on an individual’s life. This has been demonstrated repeatedly throughout the last decade, where employees were often informed of changes in policies, procedures or products at the same time as, or after, the general membership.

An all too common example of this occurs in marketing, when employees first learn about a campaign upon receiving their newsletter or sample brochure. Insufficient time is allotted for employees to process and integrate the goals and

focus of the promotion. Instead of supporting the promotion through their comments or behavior toward members, they push the entire thing into the back of their minds, hoping it will end before they're questioned about it.

Input into the changes being made, product knowledge, a thorough understanding of policies and procedures, and adequate time to comprehend and process changes are essential to helping your employees feel competent in their jobs. Their level of comfort directly corresponds with the quality of service they provide to members.

- **Cross-train employees to handle multiple jobs.** Studies indicate that people are more satisfied with their work when they feel as though they have opportunities to learn, to grow, and to make significant contributions through what they do. Allowing and encouraging employees to learn each other's positions provides the credit union with maximum flexibility in terms of staff scheduling and promotions while ensuring a continuum of quality service to members.

The staff benefits through added variety to the often-monotonous tasks associated with banking and through an increased sense of value to the organization. There is simply nothing more humiliating to an employee or more frustrating to a member than having to refer that member to another employee for the needed service.

- **Teach employees "sales" skills.** Not the high-pressure tactics we usually associate with the insurance and car industries, but "relationship-building" skills that help your employees become adept at unearthing members' needs so they can more fully help members manage their financial lives in the most productive, cost-effective way possible. Remembering back, this is the real reason credit unions formed in the first place: people helping one another to take care of their financial needs!
- **Recognize and reward employees.** Depending on which statistics you look at, salary or financial compensation ranks anywhere from fourth to ninth in terms of what motivates employees. Behavior modification experts recognized long ago that immediately rewarding positive behavior correlated with the likelihood that the desired behavior would be repeated. The same principle holds true in any business setting. Verbal recognition, in public or private, is often the most effective reward, as well as the least expensive.
- **Coach employees who aren't up to par.** In order to ensure dynamic results from this technique, make sure your managers are trained in the art of coaching, a skill that is significantly different from traditional supervisory and management skills.
- **Slow down a little.** Instituting change at a frenetic pace will not necessarily help you keep up with the competition. Quite the opposite could be true. Instead,

a wise manager anticipates the future and chooses the battles strategically. Doing so will enable your employees to better cope with change while allowing you the necessary time to demonstrate the type of quality personal interactions you desire your employees to have with your members.