Equifax, Claritas secure M&S deal

The UK’s Marks & Spencer Financial Services has appointed Equifax, the $1.6 billion global information solutions provider, and Claritas, a major consumer information company, to build it a marketing database in a three year project. The deal represents the biggest marketing contract for the two vendors in the UK.

The database will bring together data that was not previously available in one solution, and will be used by M&S Financial Services to target its 5 million plus customers and millions more prospects.

By bringing together solutions from Equifax and Claritas M&S Financial Services hopes to better position itself to target the large number of people, around 60 per cent of M&S’ customers, who will typically go to a bank for loans and other financial services products, and then to benchmark the findings.

M&S Financial Services believes it will be able to poach some of the business from the more traditional providers of such services.

Simon Rushton, head of credit marketing at M&S Financial Services, says: ‘This contract will in due course enable us to create a dialogue with our customers, by marketing to them with the right offer and at the right time. We have over 5 million customers who obviously have varying spending habits. By understanding more closely our customers’ spending patterns we aim to keep them more informed about the products and services of most benefit to them.’

The aim is to create a large prospect database consisting of up to 44 million UK adults, profiled using Equifax’s Dimensions database and data from Claritas’Lifestyle Universe database.

By mining a wide range of information from Equifax and Claritas on consumers, distribution channels and products, the two companies aim to help M&S Financial Services create the right marketing programmes to deliver the products and services their customers want, when they want them.

Siebel kit unites Chase’s CRM

Chase Manhattan Bank, which has more than $365 billion in assets and quarterly net income close to $1 billion, has selected Siebel Sales Enterprise and Siebel Call Center solutions as the cornerstone of its efforts to unite customer relationship activities across various departments.

In the first instance Chase will roll out the Siebel applications to its telesales units, field sales organisation and branch offices within its regional consumer bank, and will use Siebel’s ERM solution to manage its business and product lines, including traditional branch offices and small business financial services.

Another US CRM vendor, ActionSystems, has been working with Chase to implement its business methodology with branch managers and their teams to enable them to appreciate the diversity of their client base and create different value propositions which reflect that diversity. Other CRM solutions in place at the bank include the Chase Relationship Management System, which was implemented for the bank’s middle market banking group, and was developed using software tools including Visual Basic, Visual C++ and Lotus Notes. Chase is also using Information Advantage’s data mining product on Sequent hardware.
In search of the experience economy

It’s not the financial part of financial services we have a problem with; it’s the services. They were fine in the heyday of the service economy (those halcyon days of the 1970s and 1980s), but today they’re no longer enough. Consumers don’t want services, financial or otherwise – they want experiences.

Consumers dine at theme restaurants such as the Hard Rock Cafe or Planet Hollywood, shop at experiential destinations such as Universal CityWalk in Los Angeles or Beursplein in Rotterdam, and vacation at a Disney theme park or other venues that stage a feast of engaging sensations and dramatic stories for them.

Experiences are a fourth economic offering, as distinct from services as services are from goods, but one that until now has gone largely unrecognised. They’ve always been around, but consumers, businesses and economists lumped them into the service sector with such uneventful activities as dry cleaning, auto repair, telephone access or banking.

When a person buys a service, he purchases a set of intangible activities carried out on his behalf. But when he buys an experience, he pays to spend time enjoying a series of memorable events that a company stages as in a theatrical play to engage him in a personal way.

Experiences have always been at the heart of entertainment, from plays and concerts to movies and TV shows. Over the past few decades, however, the number of entertainment options has exploded. Today, the universe has expanded to encompass a vast array of new kinds of experiences, as new technologies encourage whole new genres of experience, such as interactive games, World Wide Web sites, motion-based simulators, 3D movies and virtual reality.

The end result? Just as the service economy commoditised goods, so the emerging experience economy is rapidly commoditising services. Telephone companies sell long distance service solely on price, price, price. Airplanes resemble cattle cars, with a significant number of passengers flying on free awards. Fast food restaurants all stress value pricing. And a price war looms in financial services as first discount and then internet-based brokers constantly drive down commissions, in some cases charging as little as $8 for a service for which a full service broker would charge over $100. The chairman of AmeriTrade Holding Corp, Joe Ricketts, even told Business Week: ‘I can see a time when, for a customer with a certain size margin account, we won’t charge commissions. We might even pay a customer, on a per trade basis, to bring the account to us.’

In the face of rapidly commoditising services, bankers, brokers, insurers and all other manners of financial service providers must figure out how to compete in the experience economy. One key: charging admission. Several years ago First Chicago Bank created a public relations fiasco because it decided customers that used its tellers would pay a fee, while those that used ATMs would receive their service for free. It presented the programme as a cost saving endeavour, encouraging customers to use the cheaper human free distribution channel. Instead, if First Chicago had viewed (and presented) it as an admission fee, then the bank would have designed a compelling experience for which customers gladly paid. After all, consumers are used to paying admission at movies, concerts, nightclubs and sporting events, and now are even paying to get into or enjoy certain activities at shopping malls, retail stores and restaurants.

OK, that’s certain to seem far fetched. But even if you reject for now charging admission out of fear, uncertainty or doubt, it should still be your design criteria. Ask yourself: what would we do differently if we charged admission? This exercise will force you to discover what experience will engage guests in a more powerful way. Bottom line, your experience will never be worth an admission fee until you explore how to stop giving it away for free. And you’ll never envision educational offerings and other appropriate experiential events in which today’s services can be subsumed in order to ward off commoditisation.

But most financial institutions are so far removed from this level of economic value that they must heed a fundamental principle: the easiest way to turn a service into an experience is to provide poor service – thus creating a memorable encounter of the unpleasant kind. And the surest way to provide poor service is to treat individual clients via rote, impersonal activities that do not vary no matter who they are or what they really need. Customers have received such treatment ever since service providers embraced the very same principles of mass production that manufacturers used to dramatically lower costs. And it’s become even worse as the forces of commoditisation that hit manufacturing now attack services as well.

But the inverse principle holds true: mass customising a service can be a sure route to staging a positive experience. See the Progressive story on page 7 for an example of one company embracing this principle.

Financial companies that wish to enter the experience economy should first get their act together by mass customising their services (see, for example, the story on the Union Bank of Norway, page 8). But what about customising the experience itself? When you customise...
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an experience to make it just right for an individual – providing exactly what he needs right now – you cannot help changing that individual. When you customise an experience you automatically turn it into a transformation, which companies build on top of experiences (you’ve heard the phrase ‘a life transforming experience’), just as they build experiences on top of services. The figure below illustrates each echelon of economic value from commodities to transformations.

With transformations, the economic offering of a company is the individual person or company changed as a result of what the company does. With transformations, the customer is the product! The individual buyer of the transformation essentially says, ‘Change me’. The company’s economic offering isn’t the materials it uses, nor the physical things it makes. It’s not the processes it executes, nor the encounters it orchestrates. When a company guides transformations, the offering is the individual.

Once the experience economy has run its course, the transformation economy will take over. Then, the basis of success will be in understanding the aspirations of individual consumers and businesses, and guiding them to fully realising those aspirations.

Let’s examine how the insurance industry, as just one readily discernible example, will make the transition through successive economies. As seen on page 7, Progressive’s claims adjustment process shifted the company into the experience economy, because it provides the customer with the time and means to settle his nerves, and the on the spot claims check relieves him of all worry about how he’s going to get the situation handled.

Traditional policy carriers merely insure their policy holders – meaning clients only secure a payment in the event of a loss. Something happens, they get money, that’s it. The Progressive experience assures its policy holders – meaning guests secure confidence, encouragement, trust or a feeling of satisfaction. When something happens, Progressive assures that they not only get their money, but they feel better about the whole unfortunate situation.

In the transformation economy, even that won’t be enough. In addition, carriers will ensure their policy holders – meaning aspirants will secure an actual event, situation or outcome. For example, Skandia of Stockholm, Sweden, introduced an ensurance concept that they (still, unfortunately) call Competence Insurance (see page 8). Flowing out of the company’s focus on intellectual capital, it aims to eliminate the problem of workers falling behind in the level of competence and knowledge required as their jobs change over time.

Now, think of your own business. What are the equivalents to insure, assure and make their policy holders – meaning guests secure confidence, encouragement, trust or a feeling of satisfaction. When something happens, Progressive assures that they not only get their money, but they feel better about the whole unfortunate situation.

The Progression of Economic Value, in Full

Source: The Experience Economy, page 166
Such a firm might think of shifting to higher echelons of economic value in this way: experience – envisioning – the activity of seeing how current investment patterns may turn out in the future; transformation – investiture – the formal consummation of a pre-ordained aspiration.

Or, it could choose a slightly different route: experience – environing – staging the means by which aspirations are discovered; transformation – attainment – the achievement of an end aspiration.

Or perhaps a third alternative would better capture the way the firm sees its industry going: experience – advesting (adventure + investing) – an engaging simulation of living through alternative investment scenarios; transformation – envestment (ensure + investment) – a guarantee that investment-paid-for aspirations are in fact attained.

The key insights common to all three of these possibilities are that, one, the higher echelon offerings must be grounded in great service – making investments that pay off well – and two, people do not make financial investments primarily for financial reasons; they wish the investments to pay for other, non monetary, aspirations.

Those firms that shift beyond delivering financial services to staging financial experiences and guiding financial transformations will ward off the commoditisation that threatens service firms everywhere. Those that do not will find themselves subject to the vagaries of a very competitive and ruthless marketplace.

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The secret of Schwab’s success

Schwab began offering electronic trading more than 14 years ago but it is really only since the introduction of e.Schwab that a whole new experience has evolved, which has created an even stronger Schwab brand.

It is not just that Schwab caters to online customers, nor that it has a much lower price point. It is the level of service you get at $29.95 per trade which sets it apart from many other brokers. From January to December 1998 Schwab added 1 million customers. In January 1999 it experienced an average of 184,000 trades per day – up 144 per cent from January 1998; it handled 1.2 billion hits in January 1999, double that of October 1998. Some lessons learned, according to David Pottruck of Schwab, include: price counts but brand matters; innovate or immolate; embrace IT and embrace the Net; and culture is the key.

Schwab’s success lies in its new mix of using the phone, Web and branches as service delivery channels; services such as 24 hour, toll free access and an automated quotation service; specialised services for more affluent investors; and help and advice delivered in a way which respects the intelligence of customers.

‘Ensurance’ Skandia style

In October 1998 Skandia in Sweden implemented its Competence Insurance concept. To date 33 per cent of its own staff have joined the scheme. Externally, the concept has been signed up for by Ernst & Young and Bonniers, a media company in Sweden.

The Competence Insurance scheme is designed to eliminate the problem of workers falling behind in the level of competence and knowledge required as their jobs change over time. The purpose is for the individual to have sufficient financial resources to be able to acquire new skills, by being able to stay away from regular work while still receiving a full salary. The investment is made by both employer and employee. In Skandia’s case the employee pays up to five per cent of his gross salary into a fund, and Skandia pays the same. For anyone aged 45 or over, who has worked with Skandia for at least 15 years, and has only a primary school level of education, Skandia will set aside three times the amount that the employee saves.

A highly Progressive approach

Progressive Insurance of Cleveland, Ohio places its claims adjusters in vans fitted out with a PC, a satellite uplink and everything else needed to efficiently resolve a claim from an actual accident site. While the other party may wait days or weeks for his insurance company’s cost conscious adjuster to fit him into the schedule, the Progressive claimant finds his particular needs handled right then and there: he receives not only a cheque, but a cup of coffee as well, and, if need be, time to settle his emotions inside the van and reassure loved ones of his safety (or arrange for a ride) over the adjuster’s (free) cellular phone. Because Progressive customises its claims service to the specific individual insured, its offering goes beyond the expected service to provide an experience appropriate to the physical and emotional needs of the claimant.