



## Customer Advocacy in Financial Services

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## Introduction

As we know, today's customer is empowered like never before. Through the internet and other new technologies, they are able to acquire more detailed information about brands, products and services in order to make smarter and more personalised choices on their own terms. They can validate a company's marketing and can more easily reject claims or statements based on their own knowledge. Also, customers can access new knowledge about the behaviour of companies and can more readily question and challenge this behaviour. Similarly, they can more easily consult and collaborate with other customers. In doing so, they place higher value on peer-group reviews and dialogue than on the one-way marketing messages sent out by firms.

Taken together, today's customer is less value-taking, accepting whatever is offered them as a passive recipient of company offers and marketing messages and more value-extracting, that is, defining value on their own terms according to their personal needs and then taking more control of how this value is created, delivered and ultimately used. This value-extracting behaviour of customers means that conventional wisdom relationship marketing approaches are becoming less effective. Companies can no longer rely on crafting marketing messages and better targeting in the hope that they will persuade a sufficient number and type of customers to buy their products and services. Nor can they rely on merely satisfying their customers.

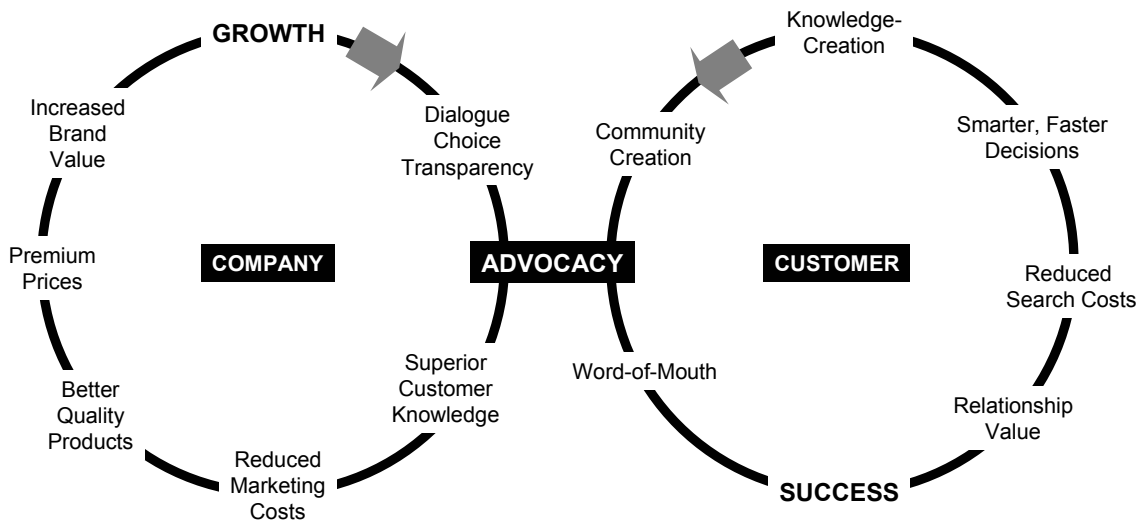
Responding to the challenge of the empowered customer, some firms are developing innovative approaches to achieve better alignment between their service, marketing and branding efforts and the needs of their customers. Collectively, these approaches aim to provide *Customer Advocacy* and in this short paper, we define and explore the unique dimensions of this emerging form of customer-focused strategy using examples of US-based financial services organisations.

## Defining customer advocacy

As Urban (2005) writes, an advocacy strategy aims to build deeper relationships with customers by earning new levels of their trust and commitment. Put simply, customer advocacy can be defined as "doing what is best for the customer" by acting as their advocate in any given market. In doing so, a company has a greater chance of earning higher levels of loyalty and has a superior ability to create positive word-of-mouth, thereby reducing marketing costs and achieving new forms of customer alignment and partnership (see Figure 1 below – the dynamics of customer advocacy).

*Note that in this paper, we focus on a form of advocacy that emphasises how firms can become a better advocate for their customers. This is distinct from marketing-oriented approaches that aim to create customer advocates in order to spread positive word of mouth*

about the company. Rather, we suggest that being an advocate for customers marks a profound shift in company efforts and approaches to provide more meaningful – and durable – value for customers.



**Figure 1 – The dynamics of customer advocacy**

In this white paper, we identify and briefly describe four, interrelated firm strategies for leveraging customer advocacy. These are: (1) Focus on customer success; (2) Create marketing context and brand community; (3) Foster knowledge-creating dialogue and (4) Enable choice transparency.

We now illustrate each with reference to companies that are able to occupy this privileged position.

## 1. Focus on customer success

The main intent of organisations with a customer advocacy strategy is “customer success”. They aim to create more authentic customer relationships by providing expert levels of individual customer protection and support. As higher levels of trust, accountability and transparency build, customer advocacy is a means for organisations to resolve their customer problems, and help them make important decisions.

Focusing on customer success requires that firms step outside the boundaries of their own market to consider the whole context in which customers use their products and services. Second it demands a focus on the experience and emotion of providing successful customer outcomes. Third, it means educating and offering incentives to business partners to align with the advocacy strategy.

USAA ([www.usaa.com](http://www.usaa.com)), an American insurance company, was founded in 1922 by a group of Army officers who could not obtain motor insurance because conventional insurers were reluctant to write policies overseas. Over the years, its members have come to believe that the company does what is right for them and not just its own bottom line. There is a real sense

that this company practices what many only talk about - real 'customer advocacy'. On the back of its customer trust, USAA has grown to encompass a stock brokerage, a family of mutual funds and a buying service plus the \$14.2 billion-asset USAA Federal Savings Bank of San Antonio. Over all, the company owns and manages more than \$71 billion of assets.

An example of what wins the company fierce loyalty was its decision during Operation Desert Storm to not invoke a "war clause" that would have excluded insurance coverage for death or injury for acts of war. In fact, USAA did just the opposite – it sold new life policies to reservists called up for the military campaign. This cost the company \$800,000 in claims but earned it the gratitude and loyalty of thousands of customers.

**Imagine  
a workplace...**

***rich in culture, diversity  
and innovation. That's USAA.***

In addition to the feel good factor that customers have when doing business with USAA, its employees also get a real kick out of doing something meaningful and doing it right as well. They act as customer advocates every day doing the right thing for their customer and taking pride in serving USAA's military members. "The company takes

every opportunity to remind employees what USAA's customers' lives are like - from movies produced for all-hands meetings to execs who are military veterans retelling their experiences during training. At the end of the day, we're all kind of wired the same way," says one USAA service rep. "We like to go home knowing that we did something worthy, that we contributed in some way that was measurable and meaningful. It's just a little more visible when you work at USAA."<sup>1</sup>

## 2. Create marketing context and brand community

The second dimension of customer advocacy strategy is concerned with brand and marketing strategy. Put simply, customer advocacy firms seek to offer incentives to and involve customers in their marketing and branding efforts. They support customers with marketing approaches that help them to proactively and voluntarily convey their experiences to friends, relatives and colleagues. To do this effectively, they must integrate new marketing techniques into the overall customer experience by creating and facilitating environments and contexts for customers to become more engaged or have to a dialogue with the brand. In this way, customer advocacy-based marketing avoids the overt "push" marketing strategies characterised by a lot of relationship marketing and targeting-centric efforts.

Based in Regina, Saskatchewan, Farm Credit Canada (FCC) ([www.fcc.com](http://www.fcc.com)) provides business and financial solutions to farming families and agribusiness across Canada. Despite boasting a

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<sup>1</sup> From Fast Company Magazine October 2005 - [http://www.fastcompany.com/magazine/99/open\\_customer-usaa.html](http://www.fastcompany.com/magazine/99/open_customer-usaa.html)

sizeable portfolio of \$10 billion (CAD), its competitors—including the Royal Bank of Canada—weigh in with portfolios nearly 20 times larger. It is also faced with some restrictions over its product portfolio as its primary shareholder is the Government of Canada; it is not allowed to offer services, such as operating lines of credit, deposit accounts, or home loans, due to the fear of unfair advantage. As it cannot compete strongly on price or products, other Canadian banks should be able to easily poach FCC's customers by bundling other banking services and facilities.

To retain its existing customers and find new ones, FCC needed a clear means to differentiate itself in the market, whilst capitalising on the biggest weaknesses of its competitors. As it happens, service-dissatisfaction ratings for all five competitors were astonishingly high. Still, customers seemed willing to accept the poor service, presumably because they didn't see an available alternative. Enter FCC. It decided to position itself as that alternative and saw customer advocacy as a means of create clear space between it and rivals.

FCC's first step towards customer advocacy was to find out what its customers really wanted from their financial service provider. "We regularly spend time going out and learning about our clients' operations," a spokesperson said. "For every major sector, there is a group of employees dedicated to learning about and from our customers. They become experts in that field. While we are talking to a dairy farmer, for example, we are not just talking as a lending institution, but also as a resource that has done significant research in the industry."<sup>2</sup>

One thing FCC realized through this research is that its clients could benefit by doing business with each other. It decided to create a series of customer events with that idea in mind, to demonstrate the stark contrast between dismal customer experiences reported at the chartered banks and the kind of personal attention and customer advocacy it promises its clients.



To make their beliefs a reality, FCC set out to bring their customers together at farm management workshops and events across Canada. Customers viewed opportunities to engage with other farmers as not only creative and innovative, but also as a way to learn and share tips and ideas about best farming practice as well as to network and build their own connections within the farming community. The learning and event programme, dubbed "AgriSuccess" has since grown to include regular newsletters, training, a monthly journal and annual

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<sup>2</sup> Travis Stanton - <http://www.exhibitoronline.com/corpevent/article.asp?ID=847>

farmer awards programmes. The result? Higher levels of customer satisfaction and a significant boost in income levels for FCC.

FCC demonstrates how customer advocacy brands can be nurtured and grown using the social relationships that surround the brand, whether between the customer and the brand, the customer and the corporation, the customer and the product in use or among fellow customers in communities.

### 3. Foster knowledge-creating dialogue

Traditionally, firms have focused on gathering extensive data *about* their customers and then using the information to segment and personalise their offer and marketing communications. However, customer advocacy firms pursue additional forms of customer knowledge. They recognise that by facilitating the creation and sharing of knowledge and competencies *held* by their customers, they are more likely to sense emerging market opportunities and to unlearn established assumptions and practices through open-mindedness, shared vision and an enhanced commitment to customer learning.

Firms practicing customer advocacy provide collaboration and problem-solving toolkits to help customers to help themselves and to learn by exploring problems together. They allow for conversations and dialogue between the firm and the customer to develop to satisfy and resolve issues and to ensure that each customer interaction is a positive one. This means that contact-centre employees in a customer advocacy organisation are encouraged to develop and apply advanced skills in servicing and resolving customer problems. They can reach outside the organisation to co-create solutions with customers. They can share knowledge with other team members and partners, enabling specialist and empowered communities of expertise to thrive; communities that can often define the external perception and experience of the company. Such organisations provide their employees with the freedom to develop relationships with their customers to correct their problems and create knowledge. In fact, the positive impact of employee empowerment on customer relationships and the firm's performance has been empirically validated in a study by Gremler et al. (2002).

Notably, these approaches to knowledge-creation and dialogue are a world apart from traditional volume and cost-based attitudes to knowledge management and customer interaction. They aim to address real customer needs rather than build customer databases or reduce call times, an investment in interaction that can deliver long-term loyalty.

*Edward Jones* ([www.edwardjones.com](http://www.edwardjones.com)), one of the only major US financial services firm advising individual investors exclusively, traces its roots to 1871. Today, it serves more than 6 million clients. The term *client* is important to the company as they see they have a fiduciary responsibility of doing the right thing for their clients and customers. The largest firm in the nation in terms of branch offices, *Edward Jones* currently has more than 9,000 offices in the United States and through its affiliates in Canada and the United Kingdom.



Through the tens of thousands of interactions face-to-face, via contact centres and via their web presence *Edward Jones* continually has dialogue with its clients that helps to refine their approach and their client knowledge. That client knowledge and active dialogue enables them to continually inform their service suppliers of what their customers really want and value. From this according to Forrester research they, “not only walk the walk but also talk the talk. Firms can't fake what's not there; by the same token, those that take customer advocacy seriously can't assume that consumers will infer the firm's values. Successful firms will advertise customer advocacy as opposed to price and rates. Edwards' current campaign does it well, saying that its brokers 'serve their clients' interests and nothing else. That means: No product sales quotas to meet. No incentive to move company products. Everything is out in the open.”<sup>3</sup>

#### 4. Enable choice transparency

A fourth and final component of customer advocacy concerns the transparency of the firm's offering and its willingness to do what is best for the customer. By emphasising positive partnership and support over traditional sales-oriented relationship strategies, customers are more likely to grant the firm their trust – and tell their friends and colleagues.

Choice transparency can be achieved through either online tools such as price comparison services, choice boards and personal decision-making guides or simply through employee recommendations derived from their own or the company's knowledgebase. It may also be provided by other customers in communities operated by the customer advocating company.



Consider U.S. auto insurer *Progressive* ([www.progressive.com](http://www.progressive.com)). It has a long tradition of innovation through customer advocacy. One initiative that has been well received is its recent move to offer a price comparison service on its web site. Previously, U.S. customers' ability to compare rates across insurance companies was both time-consuming and complex. Now, by entering their personal information, driving history, vehicle details and other data on the Progressive web site, the company enables its customers to undertake a simple and direct market comparison of rates from Progressive *and* its competitors.

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<sup>3</sup> How Financial Firms Rank On Customer Advocacy - Bill Doyle Forrester - June 2005 (see end note)

E\*TRADE ([www.etrade.com](http://www.etrade.com)), an online financial services company, provides a similar tool. Its mortgage shopping service lets consumers objectively compare E\*TRADE's offer with another lender's before applying. In effect, E\*TRADE delivers on customer advocacy by telling the shopper when its offer is not as good as the competition's.

The *USAA*, *FCC*, *Edward Jones*, *Progressive* and *E\*trade* examples all illustrate how customer advocacy is capable of unlocking new customer value. They each understand that there are mutual benefits to be realised by improving on their customer's time, involvement, knowledge and access to markets whilst providing new forms of positive context and customer relationships. For example, although it sometimes loses out to its lower-priced competitors, Progressive's customers often remain loyal simply because the service reinforces their trust in the business; this is underwritten by its brand values of openness, transparency and maverick change aimed at constantly finding ways to do things better, faster and cheaper for its 12 million customers.

Yet these are not isolated examples. Recent research demonstrates that customer advocacy can have a positive impact on a firm's performance. In 2003, Forrester Research asked 6,000 US consumers to assess the customer advocacy of their financial providers. They discovered that the firms with the best advocacy scores strongly correlate with higher satisfaction, greater cross-sell potential and deeper customer relationships.

## Summary

Building customer advocacy is one response to the vulnerabilities of CRM and marketing in the face of rising consumer empowerment and growing transparency in customer relationships. It creates new opportunities for customer dialogue, knowledge creation, more authentic brand values and, critically, the context in which the interests of a firm and those of its key customer groups can be more closely aligned. Whether customer advocacy denotes an advanced form of customer relationship management remains to be seen. It is certainly not appropriate for every company. Indeed, to get into the game, firms must have existing high levels of product and service quality and brand trust, they must have a highly embedded customer-oriented culture, their business partners must be aligned and aware of the strategy and their employee sales and service incentives must be in tune with customer advocacy outcomes. None of these are easy.

Nevertheless, we argue that by applying aspects of customer advocacy-based strategy, some firms will be able to better align their activities with the rapidly changing needs of the empowered customer – and build that elusive trust and loyalty in the process.

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