

Think Atomistic not Holistic: A Better Way to Manage Customer Experience at Royal Bank of Scotland (RBS)

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Abstract

Customer experience is heralded as the a competitive battleground; however, it is defined so broadly, so “holistically”, companies struggle to scope and implement it through a well-defined program with granular performance measures. Research provides incomplete part-definitions; framed either as customer perception, service design or quality management. We propose a framework that integrates the various perspectives in a managerially relevant fashion and illustrate its development and implementation through three divisions of the Royal Bank of Scotland. We identify a pragmatic approach to scoping and managing customer experience, identifying typical pitfalls and providing guidance to organisations trying to understand where to start.

Main Article

The Board knew that our customer experience had to improve. We just did not know where to start and our customer data was not providing the right guidance. Vague notions of experience being “holistic” were not helping. We had to dig deeper into how we delivered services, we had to think more atomistically.

.... Steve Whitty, Design and Transformation Lead, reporting to senior management

Experience is much heralded as the new competitive battleground of marketing; the next “big thing” beyond product or service quality and more predictive of customer loyalty than either satisfaction or net promoter score. In their highly influential article, Pine and Gilmore¹ proclaimed the dawn of the “experience economy”; a natural evolution of competition from trading commodities, to developing branded products, to personal services and ultimately generating experiences that create sustainable competitive advantage. Originally, experience pundits pointed to highly immersive contexts: e.g. Disney, American Girl (doll) Store and white water rafting. As interest grew, marketers extended their interest to more everyday services such as retail, banking and telecommunications. So widespread and important is the practice, that Gartner cites that 86% of firms expect to compete on the basis of customer experience by 2016² and Forrester Research claims a profit impact for experience programs between \$177 to \$311 million for large firms³. Yet, Forbes reports on a survey suggesting that 86% of buyers will pay more for a better customer experience but only 1% feel that suppliers consistently meet such

expectations⁴. So why the large apparent gap between firms' ambitions to compete on the basis of experience and customers' perceptions?

The challenge of implementing experience successfully is that it is defined so broadly, so "holistically" as to exclude almost nothing; it has become the theory of everything⁵. Anything that explains customer dissatisfaction, or delight, be it in the control of the firm or not, is part of experience. Experience starts from the time the customer becomes aware of the firm, through all the encounters across all its channels and post purchase – using the product or service over time. Experience is influenced by the firm, its partners, peers, the environment, the nature of the task and the customer's character. It results from customers' emotional, spiritual and physical engagement. Experience management requires companies to stage memorable service encounters and turn "holistic experiences ... into a holistic Gestalt"⁶ through purposeful management of corporate culture, strategy and capabilities⁷. Whilst conceptually right, advising managers that customer experience is so all-encompassing does not help them scope, design, implement and assess a manageable experience program. We propose that building experience from the bottom up, thinking atomistically rather than holistically, is a more practical means for creating a systematic and sustainable program for change.

Incomplete Perspectives

The issue of how to create compelling customer experiences has been addressed by academics and leading management thinkers who have generated partial answers.

Marketing researchers, unsurprisingly, hold a customer-centric view of experience. They seek to identify the causes and effects of experience in order to distinguish it from its related concepts of customer satisfaction and service quality. The management issue that they address is: can experience explain customers' behavior and attitudes better than other tested constructs such as satisfaction and service quality?⁸ Laudable and necessary, most marketing research neither helps managers understand how to make operational such a wide-ranging concept nor determine at what cost.

Service Operation Management⁹ scholars take a design outlook, creating process flowcharts, supplier-customer networks or service blueprints¹⁰ that allow managers to visualize customer journeys and the processes required to generate the desired experience throughout. This helps managers with their staging problem, how to integrate channels, processes and people to provide the best possible opportunity for customers to appreciate that which is intended. While many companies (and consultants) claim successful deployment of service blueprinting, the peer reviewed research is largely conceptual and cost / profit issues associated with the design are not examined.

Finally, there is a traditional operations focus on quality, particularly its marketing equivalent "service quality"¹¹. The quality movement offers an extensive toolkit of measurement and interventions. There is excellent empirical research establishing a causal chain of quality, customer satisfaction, customer loyalty and profitability¹². Quality management helps managers address the problem of how to make their customer experience consistent, but does not help managers identify

which experiences are most important to customers, how to build them and at what cost.

Therefore, customer experience champions are left with many unanswered questions:

1. Where does one start? In our involvement with managers, it is managers' first and most difficult challenge. Is there a universal roadmap with defined start points? Are there prerequisites that must be in place before an experience program even gets off the ground? Do different start points and paths engender different success rates?
2. How does one set a realistic scope for experience management? Trying to manage everything that can affect customers' cognitive, emotional, sensorial assessment over an extended timeframe is beyond the capabilities and resources of most companies. How does one set realistic priorities? Where are the most important parts? Are there hard-to-manage areas that have limited impact on experience? Can one define a tight scope initially and extend it over time as one's capabilities grow?
3. How does one allocate resources to different parts of the experience? Pundits and scholars exhort managers to be ever more imaginative in enhancing the experience, doing more for customers and creating truly memorable engagements. Whilst one can always find anecdotal evidence of successful companies doing exactly that, one can find similar evidence of companies being highly successful through ruthless cost management and standardization of experience. No experience manager will have unlimited resources with which to work and knowing from which pocket to take money

and where to invest it for best return is not addressed in the experience management literature.

Our research suggests that answers to these questions rarely lie in top-down transformational change programs: exhortations to change corporate culture, strategy and capabilities are too generic¹³. Rather it is middle management, being close to customers and the operational capabilities of the firm, that can be more successful initiating customer management programs than overly ambitious, holistic change programs. Effective customer experience management, rather than being based on holistic, ideal and all-encompassing definitions of what “experience” should be, is built on an atomistic analysis of a company’s quality, cost and operations.

We illustrate this principle through the experience of a very large, complex organization which implemented a comprehensive customer experience program in the most challenging of environments. One of Europe’s largest banks, Royal Bank of Scotland (RBS) developed a systematic and achievable method for improving customer experience across a number of its businesses over a two-year period. The size of the business (approx. \$29bn in revenues), the number of employees (over 100,000), the pressure its management faced in the public spotlight, the regulatory environment and the complexity of its services makes this a particularly instructive case study. The Bank developed its own methodology, an amalgam of the three approaches that deals with customer assessment of experience, cost and quality. This illustration of a pragmatic, measured program of evidence-based change provides managers with a more achievable pathway towards improved customer experience versus the less defined “customer centric” mantra one encounters often. The RBS approach has been effective within its retail business, wealth and small-to-

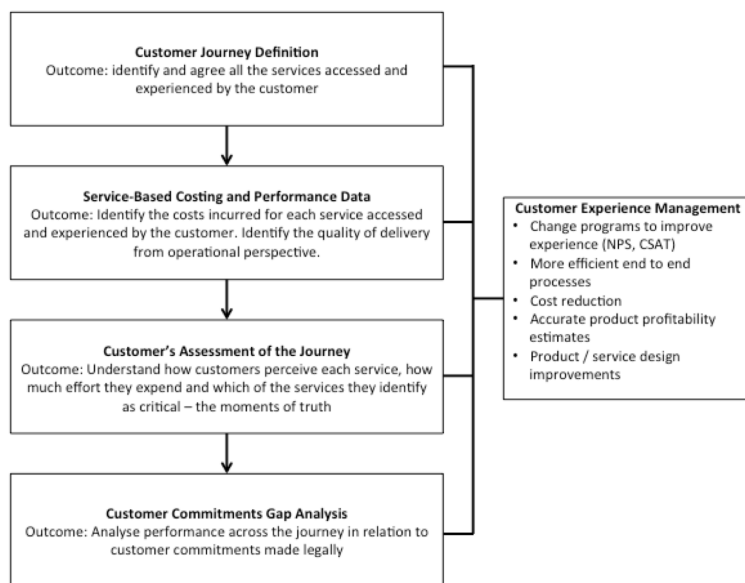
medium-sized enterprises businesses demonstrating that it is robust. We describe its method and illustrate how it integrates the multiple perspectives of customer experience successfully and pragmatically¹⁴.

A Systematic Method for Implementing Customer Experience

The approach (Figure 1) starts from what the organization already does, gathers and analyses the right data so as to improve that and build from there. This stands in sharp contrast to the more “holistic” or comprehensive customer centric culture change approach often espoused by experience experts¹⁵. The RBS program began by defining the customer journey from its current product set and attendant services. It estimated the cost and performance of each service and contrasted that with customers’ assessments of performance. The data was set against the Bank’s publicly stated commitments to customers and considerable misalignment was identified. This analysis lead to an experience program that reduced costs where possible to focus on improving the customers’ critical moments, improved end-to-end processes and redesigned products. Finally, the resulting service levels and experiences were contrasted with the Bank’s promise to its customers, its customer charter, to ensure that the revised experience aligned to the promise¹⁶.

The article shows how RBS’ framework was developed; initially in the consumer side of its business and how the approach was then extended to incorporate the luxury (wealth) and business-to-business markets as well. What results integrates existing complementary views of experience and has wide applicability because it offers managers a practical, operationalized way forward in scoping, measuring and managing customer experience.

Figure 1: An Atomistic Framework for Implementing Customer Experience



RBS - Royal Bank of Scotland

At the time of the case, RBS had operations in Europe, the USA and Asia, serving more than 13 million customers and employing more than 100,000 people. In Great Britain, it operated mainly as Nat West Bank (England), RBS (Scotland) and Coutts (high net worth).

The Bank, rescued in 2008 by the largest ever injection of public money in British history, found its role and performance under public scrutiny as never before. The Government demanded it return to basic banking in the service of the taxpayers now financing the Bank and de-emphasize its lucrative but high-risk commercial and investment banking; that which the UK’s Minister for trade and commerce famously termed “casino banking”¹⁷.

Changing the focus of such a large organization is inevitably difficult and the former CEO of the UK Retail, Brian Hatzler, elected to accelerate change by

announcing publicly in 2010 a new “Customer Charter” for both RBS and NatWest, the two largest brands operated by the group in the UK. The Charter represented an unprecedented level of commitment to customer service coupled with annual, published external audits of the Bank’s achievements against its own Charter. Some Charter elements are reasonably straightforward, such as, reduced queues; other targets relate to broader experiential dimensions of customer relationships.

The decision to launch the Customer Charter was taken before defining, let alone testing, a clear platform for the delivery of the new service proposition. Customer experience was understood and managed differently, and for exclusively tactical purposes, across individual marketing/product management teams. Moreover, Marketing’s efforts to improve experience were disconnected from the powerful service operations groups at the Bank, so whilst the new charter could create a customer promise, there was no means to ensure that the promise was delivered from the perspective of the customer. Such a visionary approach to the transparent assessment of customer experience generated the need for a systematic, scalable and robust management of customer experience; shortcomings would be very public and attract widespread condemnation. The stakes could hardly be higher.

The Board of UK Retail Division asked its central services function, Strategy and Architecture, to propose a method for managing customers. A new unit was created, Customer Experience and Service Definition Measurement & Costing (SDMC), staffed initially with twelve analysts acting as internal consultants. A chartered engineer with a six sigma Master Black-belt who had designed and built aircraft wings prior to joining the Bank, led the new unit.

Getting Started

SDMC needed to define experience and scope its efforts carefully given the limited budget and resources available.

“We started with current personal accounts because that was the biggest cost base for retail banking, more than 50% of its cost. It was the core of our “main bank strategy”, so that was the place to look first. However, it was evident that we had multiple surveys, multiple insights, no process, ownership or single view of the customer. We had no basis for determining where to invest for the maximum return.”

... Peter Norris, Director of Group Lean and Service Management

It first reviewed all the existing research and academic frameworks which were being applied at RBS realizing that the Bank had limited in-house customer insight capabilities and relied too much on black-box, third party methods whose output was hard to integrate into Retail Division’s decision-making processes.

“We thought we must have sufficient insight with all the activity and money spent [on research] over the past years. However, when we started to look at individual services the Bank delivered, the customers’ moments of truth, we realized the limitations of our data. We could not determine how customers felt we performed at each customer contact, how much it costs to deliver that service or how well we delivered each step of the customer journey.”

..... Steve Whitty

Another critical decision was made early. Traditionally, managers start experience development by identifying critical incidents¹⁸ through workshops and consumer research and then create an ideal blueprint of activities, processes and

appropriate functional and emotional clues¹⁹. SDMC's key unit of analysis was the individual services delivered by the Bank to customers. Services associated with each product were mapped out in a logical chain and analyzed from three perspectives: (1) the real cost of delivery, (2) customers' appreciation of each service delivered and (3) the operational quality of same. Merely identifying an idealized customer journey that is neither deliverable nor affordable, was a common mistake in previous related programs at RBS. Equally, following a purely operational perspective that generates inexpensive standardized services, might meet cost and reliability targets, but was unlikely to meet the experience goals embedded in RBS' customer charter. With all three perspectives, the Bank could assess the most practical way to meet its new charter.

Working collaboratively with Retail, the team was asked to focus on current (i.e. chequing) accounts initially. At this juncture, SDMC was a small team and its methods were being developed iteratively with the gathering of new data and the development of its understanding. Full cost data, for example, was not yet available and service level and customer research were not comprehensive. Nonetheless, the team arrived at some obvious but powerful conclusions. Merely linking cost with customer appreciation identified immediate savings and investment priorities. For example, new customers would receive a 500 gram (one pound) welcome pack which was very expensive to produce and deliver and yet it generated a negative sentiment that was even stronger than that recorded amongst people leaving the Bank. It was replaced with an online joining pack generating a quick, but valuable, "win". This first study generated confidence in the emerging customer experience diagnostics whilst highlighting some of the resource and capability shortages around

the customer experience model that would be addressed with each subsequent product investigation.

Building a More Comprehensive Framework - Mortgages

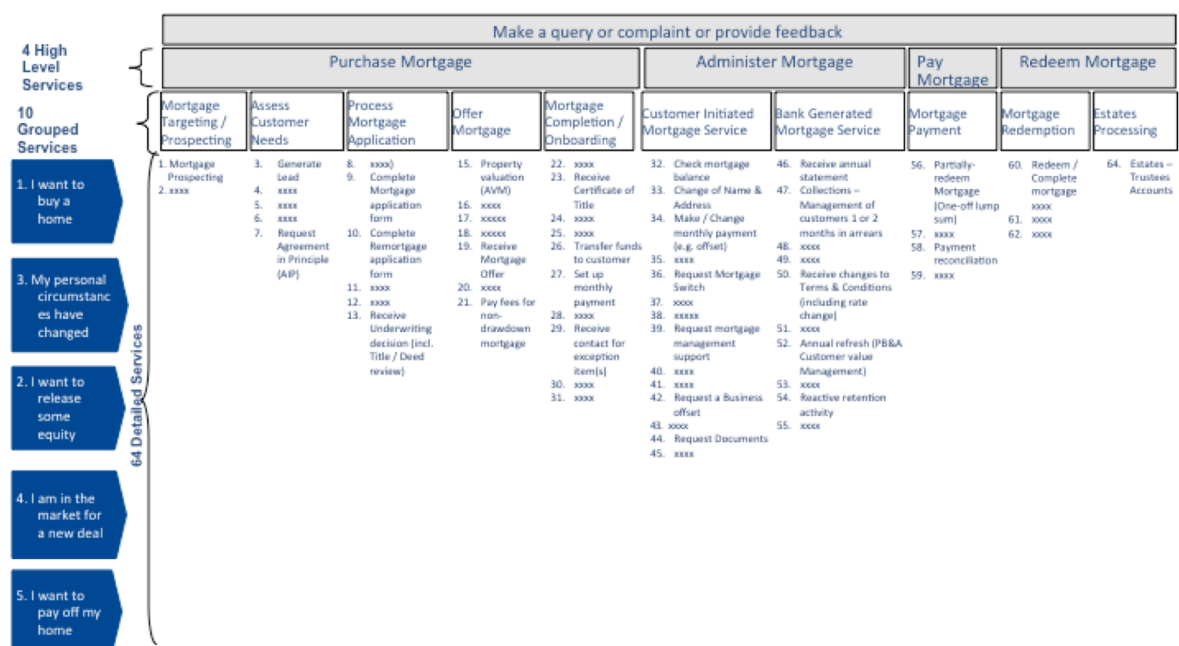
The findings from the current account experience analysis generated an invitation from Retail to then analyze mortgages, by far the most profitable product for the Bank. The unique nature of UK residential housing puts great pressure on banks to process mortgages quickly so as not to jeopardize the buyer's chance of securing the property. The market is dominated by short-term mortgages renewed every two to three years creating a continual issue of retention. Mortgages are therefore a good test bed for customer experience programs and one whose results can be assessed relatively quickly. The Mortgage product group was keen to work with the central experience team and this was crucial for a small team just building its capabilities. By the time mortgages were being analyzed, the customer experience framework (Figure 1) was at a more advanced stage of development and next we discuss its four major steps.

STEP 1: Customer Journey Definition

The customer journey definition defines the key services provided by the bank in helping customers achieve their objectives. The key customer journeys for mortgages were determined through a series of workshops internally, informed with consumer research. A hierarchy of services per product area was determined. For example, the mortgage journey is defined by four high level services: purchase, administer, pay and redeem. Under these are ten, second-level services, and under them 64 more granular level services (Figure 2). This was the first time that those in

charge of the mortgage business had mapped all the services delivered to one customer throughout the customer journey. Previously each of the Bank's service delivery groups addressed its narrow areas of competence independently whilst working to agreed operating level agreements (OLAs in the Bank's parlance). If the OLA's matched customers' expectations of service commensurate with the Bank's promises to its customers, this would have sufficed. However, the reality of such a complex network of services is that customers' overall experience reflected the service policies of independent RBS product groups and business process owners.

Figure 2: Mortgage Service Profile



STEP 2: Service Based Costing and Performance Data

Once the mortgage services had been mapped out, the next step was to calculate their cost and how well they were delivered.

Identifying the costs associated with delivering each service represented a significant challenge because the Bank's accounting systems do not accumulate costs by customer journey-defined service. For example, Retail might have just one line for IT and another line for Property costs. Such allocations represent 60-70% of the total cost of delivering most services yet were not visible to those making decisions about customer management. SDMC converted this simple overhead allocation approach to consumption volume cost accounting. It allocated the large central costs by product (e.g. mortgage, credit cards), journeys within each product and finally by individual services in each product-journey. SDMC used a commercial software tool to build a model that allocated cost by number of customer interactions and the resources they drew. A full 50% of the SDMC's people were allocated to working with cost data to make the necessary calculations and ensure that the findings were credible throughout the business.²⁰

We felt that analyzing all the data internally was the best solution. It allowed us to develop analytical skills that could be replicated across the business. It would also make sure that customer experience is analyzed within the broader business context and the understanding of cost-to-serve and service provision. External providers cannot offer this type of analysis.

... Steve Whitty

Aside from cost, it was important to know how well services are delivered; does spending a lot of money to deliver a service ensure that the Bank meets its operating

targets? Retail had dashboards monitoring the operational performance of activities it felt were indicative of service quality, such as, days from application to mortgage offer, number of applications sent by branches that were incomplete (needed rework) and incorrect property valuations. The dashboards identified which measures were performing outside the accepted range of outcomes. However, the team found that much of what was tracked did not align fully with that which customers found most important and therefore many of the Banks operational KPIs were not aligned to the desired customer experience. As the team's work progressed, the operational dashboard was updated to reflect its findings about the aspects of experience that mattered most to customers.

It was this detailed level of cost and quality analysis that truly brought all the operational stakeholders of the Bank together and extended the reach of the customer experience program well beyond the Marketing function.

The relatively small central experience team becomes a larger team working on the SDMC project – They will all meet together, Marketing, Operations, etc., and agree the list of services... and how the customer sees them. This is an exercise to break internal departmental barriers and adopt the perspective of the customer.

... Peter Norris

STEP 3: Customer's Assessment of the Journey

When SDMC, for the first time, gathered all the customer related data the Bank had from its operational systems and customer research, it found that its data focused on product sales rather than the customer experience.

We really did not have a real end-to-end picture of the customer experience.

The data was high level and all about sales, customer acquisition and products. Our measurement models were fragmented hence we were looking at experience inconsistently across our products and services. In mortgages alone, we looked at 27 different customer surveys that cost us a lot to maintain. Our methodology ends the fragmentation and we gather a much more complete picture of the customer experience at about 5% of the cost.

... Steve Whitty

To understand how customers assess each service, RBS adopted three measures: Customer Satisfaction, Net Promoter Score (NPS)²¹ and Customer Effort Score²² (emotional, physical, mental) as a proxy for the customer's cost of complying with each RBS service. The choice of measures was derived pragmatically.

We borrowed shamelessly from academics, thought leaders and experts. We consulted with a few Universities, read widely and determined that these measures represented the state of play for customer experience. This ultimately led to a playbook, a group wide method, for managing customer experience.

... Kevin Hanley, Chief Architect RBS

Whilst the customer data gathering remains with external market research agencies, SDMC staff conducts the analysis internally. They feel it is particularly important to learn from data actively, test hypotheses and experiment with alternative ways of analyzing data. For each service, the team identified either the level of customer satisfaction achieved, the Net Promoter Score associated with that service or the perceived effort expended. In some instances, they measured two or all three. Then, the impact of individual services upon satisfaction (or NPS) for the journey

was estimated through regression analysis which identified the events that were most important, called moments-of-truth (MOT) by RBS. Subsequent qualitative research identified approximately 10 to 14 attributes for each MOT which divided into experiential (e.g. friendliness, helpfulness) and outcomes (e.g. right first time). Further regression analysis determined the impact of the attributes on the MOT creating a form of Root-Cause Analysis (RCA). The results for each MOT were banded into three categories color coded red, amber and green in an admittedly judgmental manner. However, traffic lights are an established visualization to help managers make sense of large amounts of findings and facilitate meaningful discussion and actions.

The result is a diagnostic tool indicating whether consumers are satisfied with current service delivery and which areas are improvement priorities. Figure 3 illustrates one such example for credit cards. A green colored box indicates that at least 80% of customers were very satisfied with the service. RBS's research suggests that this benchmark represents good performance within retail banking. Results show that, at the level of detailed service, customers are satisfied with their ability to make a purchase, withdraw cash (in the 'make transaction' category) and change their details (within the 'customer initiated service' category). A red box indicates poor performance (60% or less satisfied). Many customer-initiated services, especially customer enquiries, did not meet customers' expectations. Orange boxes indicate that 61% to 80% of customers are satisfied. The blue boxes have not been assessed because Root-Cause Analysis did not identify them as critical for customers.

Figure 3: Credit Card Customer Experience

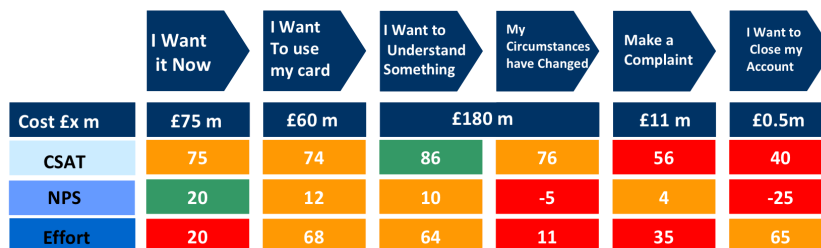
3 High-Level services	Queries & Complaints (Cost of non-conformance)										
	Purchase Credit Card			Administer My Account					Close my account		
9 Grouped Services	Research Credit Card Options	Assess Customer Needs	Open Account	Make transactions	Customer Initiated Service	Bank Initiated Service	Fraud & Debt Management	Close account	Estate Management		
Detailed Services	1. Review product marketing /	XXXXX	7. Complete application	18. Request balance transfer	24. Check balance	XXXXX	48. Receive marketing communication	55. Receive replacement Card (on)	63. Raise concerns about making	72. Account closure	75. Notify Bank of deceased
	XXXXX	XXXXX	XXXXX	19. Make purchase with card	25. Check interest rate	XXXXX	XXXXX	XXXXX	64. Receive support on debt	73. Receive retention communication	XXXXX
	XXXXX	6. Request / receive Upgrade to	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	XXXXX	
I Want # Now			10. Receive confirmation of application	XXXXX	27. Change Address	40. Enrol/ re-enrol in a new channel	XXXXX	XXXXX	XXXXX		
I want to use my account			11. Receive Credit Card	22. Make one-off payment to account	XXXXX	41. Request statement	53. Receive payment reminder (from)	XXXXX	67. Receive contact for suspected		
My circumstances have changed			12. Receive PIN	XXXXX	XXXXX	XXXXX	61. Receive response to complaint	XXXXX	XXXXX		
Close my account			XXXXX		XXXXX	XXXXX	XXXXX	XXXXX	XXXXX		
Make a complaint			XXXXX		XXXXX	XXXXX			70. Report theft of Card	XXXXX	
			17. Sign up for text alerts		XXXXX	XXXXX					
					XXXXX	49. Make a complaint					
					XXXXX						

Starting with mortgages, and then extending to other Retail products (savings, credit cards and loans), SDMC helped product directors assemble and visualize detailed information on the performance of each service determined at the first phase of service identification mapping.

The next step was to translate (potential) increases in NPS and CSAT to revenue. The Bank picked up on an academic publication and consulted its authors to build its own model based on each services importance, determined by RCA, and the frequency with which the service has been undertaken over one year, multiplied by the number of customers receiving it to estimate the impact of (potential) service improvements upon detractors and promoters. Two multipliers are used to translate the change in NPS to incremental revenue; one for the number of detractors moved to neutral and one for neutrals becoming promoters. The advice RBS received is that the former impact is far greater and hence it focused its efforts on reducing the number of detractors²³.

In addition to the revenue enhancing effect, RBS estimated the impact of improved customer experience on costs. Benchmarking determined that its retention rates were lower than the industry average. It assumed that by addressing the services most responsible for generating satisfaction, it would reduce its churn to the industry average. It was further assumed that RBS would maintain constant customer numbers, therefore, lost customers were always replaced at a cost of marketing and on-boarding. The reduction in customers replaced reduced these costs and became savings attributed to customer experience investments. The steps discussed above were integrated into a powerful summary analysis (Figure 4) that galvanized managerial response, in this case for Cards.

Figure 4: Summary of Cards Customer Experience Analysis (disguised data)



The customer journey is summarized at the top. Service-based costs are absorbed within the journeys. For example, £180 M (\$270 M) (disguised data) is the cost for managing account changes, and whilst it may seem high relative to the other steps of the journey, it is important to note that the vast majority of RBS’ interactions are with existing customers. The important findings include that the Bank spends a lot on-boarding new customers (“I want it now” and “I want to use my card”), and does it well as evidenced by number of green boxes for NPS, satisfaction and effort. Building upon this strong start is challenging. As customers use more services and have individual requirements, any cracks in the Bank’s ability to provide a seamless

experience across a wider array of processes are surfaced; more amber, and even some red boxes appear. The analysis identified less glamorous account maintenance services that nonetheless required enhanced attention and investment. Much of the customer relationship literature assumes customer longevity and increased product portfolio automatically engenders satisfaction and loyalty, however, it also places more demands on a service company’s systems and this relationship cannot be taken for granted.

Such analysis has been produced for all products within the UK Retail Division and they have been welcomed by the category directors for the simplicity of presentation and the granularity of the analysis, allowing managers to focus immediately on rectifying problems.

STEP 4: Customer Commitments Gap Analysis

The experience analysis generates credible data to help UK Retail assess whether the commitments made to customers as part of the Customer Charter were aligned with a) what customers want and b) the areas where the Bank’s performance needs to improve.

Table 1: Customer Commitments – Mortgages

Charter Commitment	Aligned to MOT	Measured
Telephone banking 24/7	No	No
Served in branch within 5 minutes	No	No
Rated friendly and helpful by 90%	No	No
Answer telephone calls in less than one minute	No	Yes
75% customer satisfaction with complaint handling	No	Yes

For example, there were five Customer Charter commitments relevant to mortgages (Table 1). None of the five were aligned to the identified moments of truth, three were not measured and therefore only two charter commitments were partially supported by the Bank's internal OLAs. The analysis also identified seven marketing promises made to customers via the website; all were supported by OLAs and aligned to customer-defined moments of truth. The result of the analysis was that existing customer promises were rationalized and aligned both to moments of truth and the OLA's thus measuring and rewarding service delivery that matters to customers.

Outcomes of Customer Experience in UK Retail

The benefits of customer experience management were categorized into four groups: customer experience, cost, revenue and process improvement.

Customer Experience

Understanding the customer journey encouraged the Mortgage product group to introduce near-immediate agreement in principle for a mortgage within certain limits and for those qualifying online. This program enabled customers to continue home hunting immediately knowing they likely qualified for the mortgage they needed. The program improved satisfaction and promoter scores generating approximately £50 M (\$75 M) of estimated new business. Areas where the Bank over-delivered on service without commensurate impact on satisfaction and revenue were reduced and the funds saved reinvested more productively. For example, complaint handling time on current accounts was reduced by 20% along with a reduction in repeat complaints, this reduced man-power expended worth an estimated £14 M (\$21M). Instead of

reducing headcount, the Bank used this saving to increase its service capacity. The top three most frequent mortgage complaints were reduced by 56% through targeted remedial activities. Over the period mid 2011 to mid 2013, complaints per thousand customers fell by 33% for the RBS brand (Scotland) and almost 20% for the Nat West Brand (England).

Cost and Revenue

The total impact of the program is estimated at £350 M annually. This represented between 15-20% of the total operating income (before impairment charges) of the business unit at that time. It is all the more impressive because during this recessionary period, income was falling approximately 4% per annum. The estimated revenue impact of improved customer experience is approximately £180 M broken down (Table 2).

Table 2: Summary of UK Retail Revenue Increases (Ranges)

Product	Key Sources of revenue gain by customer journey	% of total revenue potential
Current / chequing account	Complaint handling, account switching	30-35
Mortgages	Application handling, change in circumstances	25-30
Credit cards	Complaint handling, lost/stolen cards	25-30
Savings	Application handling, on-boarding process	3-10
Loans	On-boarding, suggesting next best action	15-20

Overall there was a reduction in cost for UK Retail in excess of £170 M (\$255 M) due to improved customer experience reducing customer churn by over 6%. The revenue increases are divided almost equally between current accounts, mortgages

and credit cards. Revenue increases are calculated by measuring the estimated improvements in Net Promoter Score and described earlier.

Process

The experience management program has generated a systematic and replicable framework for analysis and generating evidence-based recommendations. Service definitions and customer moments of truth profiles were generated for each product. RBS Finance has developed a service-based-cost model for product groups' use. Customer research has been consolidated around customer experience generating greater value for the investment and improved use of the findings through exception reporting and data visualization. Equally, the Bank is developing new capabilities in the management of end-to-end customer processes and the governance thereof.

Extending Experience Management to Small and Medium Sized

Businesses

Approximately 18 months into the Retail experience program, SDMC was invited by Corporate Division to work on the Money Transfer Account (MTA): a business version of the private saver's current account.

The experience methodology now needed to incorporate a more complex definition of "customer". Instead of a solitary consumer as decision maker, businesses have a Decision Making Unit (DMU) comprising the customers' operational staff ("transactors"), influencers in the choice of banking partner and ultimate decision maker. The concept of the DMU, and its distinctiveness from

consumer behavior, is well documented in the marketing literature²⁴.

The team began with the service definition phase, mapping out the customer journeys and hierarchy of services delivered down to a granular level as it had with the Retail Products. Then SDMC worked with the business unit to develop the service-based-cost of each service and measured performance.

The third stage of the method, the customer assessment of the journey, required SDMC to extend their methodology and innovate data collection. The Bank had never collected data for a DMU; instead, business customers were managed as an amorphous entity whose desires were approximated by the Banks' customer relationship managers (RM). Customer data was gathered in an ad-hoc, inconsistent manner; RMs ability to assess feedback critically was selective and variable. The sample size was limited. RMs measured what they felt to be important rather than that which the customer values. In effect, the Bank measured that which was under the control of the RMs rather than the end-to-end customer journey. Hence, RMs tended to believe that the Bank's services were all meeting or exceeding customer needs and wants, but the experience analysis challenged this on the basis of broader, more systematically gathered evidence.

SDMC identified teams of Bank employees serving individual customers and gathered their views of the customer service the Bank provides through a program called "Voice of Business" (VOB). Employees serving customers were asked what works and does not work well for each defined service, would they recommend RBS for business banking and to project how the customer will rate them. In parallel, SDMC identified the members of each DMU. The decision makers were known to the relationship managers as were the key influencers. The transactors were

identified by the Bank's staff. Customer interviews included multiple people from each customer to cover the various viewpoints across the decision-making unit. The VOB and customer interview data sets allowed SMDC to contrast the customer and Bank perspectives of each moment of truth.

The moments of truth traffic light visualization for presenting the Bank's performance of key services revealed a big gap between the Bank's perceptions and that which customers felt.

"Green, green, green... really? Red, red, red. We were thinking that we were customer centric but we were not. Our data was biased, there was no rigor or standards for its collection and analysis so we did not even know."

... Steve Whitty

The contrast between VOB perceptions of employees with customer NPS and satisfaction scores highlighted where the two perspectives were unaligned. This enabled the Bank to focus on the key attributes wanted by customers that had been hidden prior to the experience program. For example, staff had been measured on the speed of completing tasks whereas the customers valued their problems solved with one intervention more than speed. Clearly, the message to staff was to take more time to help customers and KPIs changed to reflect that customer perspective. With the ability to measure consistently and systematically against that which customers want, the division is confident about improving its performance year on year.

Lessons Learnt

The Bank realized, much as with Retail, that it lacked the customer insight it felt that it had. The bankers did not have the end-to-end picture of the customer's appreciation of the Bank's performance. They tended to sell a similar set of products consistently leaving some clients to feel that they were not getting best, customized advice. At times, the RMs made promises that the Bank could not fulfill effectively and or profitably simply to close an important piece of business; this put pressure on delivery and lowered customer satisfaction when the Bank struggled to deliver on the promises. The Bank makes available to each RM a range of experts that they can call upon to help develop more imaginative and tailored customer propositions, but that help was being underutilized.

Outcomes

In total, for the Money Transfer Account only, the financial value of the experience program was estimated at approximately £30 M (\$45M). Similar to Retail, the gain was generated equally between cost reduction and revenue enhancement. Revenue was estimated by calculating the value of increased Net Promoter Scores inherent in the recommended service improvements. Analyzing services where the gap between the VOB and customer appreciation was highest identified priorities for investment. Areas of underperformance that mattered to customers were improved, enhancing revenue, funded by reductions where the Bank over serviced in less critical areas. Inevitably in such cases, one finds that the processes supporting the service had been parsed over too many different process owners who were uncoordinated. Creating the end-to-end customer journey framework identifies important cost reduction opportunities. In particular, rework, that is correcting errors,

was costly; SDMC estimated that 40,000 calls per month were avoidable if the processes would be more comprehensive and integrated.

Extending the Method to a Third Business Unit - Wealth

The SDMC's final project was to consider the experience at an iconic brand that is part of RBS: Coutts. Established in 1692, it targets individuals with over £1 million (\$1.5m) in net assets. The cachet of banking with Coutts is unique in the UK market. Coutts represented an amalgam of Retail and Commercial. Its customers are served by relationship managers as per Commercial banking, but it was essentially a retail bank providing accounts, credit cards, mortgages and savings products.

To the basic UK Retail experience methodology, SDMC added that which it had learned about RMs from Corporate and deployed the method in the context of luxury branding. For example, gathering customer input into assessing journeys and moments of truth was different from Retail; the target market was not amenable to normal surveys or interviews. There were 24 pieces of customer insight regularly collected that the team felt was ad hoc and incomplete. The team worked hard with private bankers to create the right venue during which customer feedback could be gathered.

“The results of our customer research were really illuminating. The brand is so strong, the status of banking with Coutts so powerful, NPS and Satisfaction were off-the-scale: like nothing we had seen elsewhere. There was no way to go up from here. Our traditional approach of improving NPS and counting the benefits would not work. What we did find however, was room for improvement on customer effort required. Customers told us “we

don't fill in forms, that's not what we do.”

.... Stuart Newey, Channel Director Coutts Bank

The service model was very high cost, but it was not evident that the Bank was allocating resources to their customers' priorities. The experience methodology developed by SDMC had become very sensitive to the alignment of cost with customer satisfaction at a fine-grained service delivery perspective. Specifically, the customer experience program made recommendations for improving client communications throughout each journey and left a more systematic customer experience research regime that captured how well Coutts met its customer commitments as perceived by customers. Governance for end-to-end processes was established as a catalyst for subsequent process reengineering that would fund investments in services where the customer effort score was deemed too high.

The outcomes from the program include the simplification of documentation across the client journey and for product management thus reducing customers' effort completing multiple documents often asking for the same information. The reduced focus on administration has increased front line staff time with customers. Back office administration and risk assessment complexity has been reduced thus speeding up processing of applications. The project has highlighted the need to increase the range of channel options and contributed to a significant increase in new channel investments.

Perhaps as importantly, the process is building managerial competencies within Coutts. The Coutts brand is so strong in the UK, that it generates extremely high Net Promoter and Customer Satisfaction Scores. So much so, that these

high scores had masked significant service improvement opportunities. For the first time, management thinks about customers' end-to-end journey when developing services, organizing for service delivery. Equally, the allocation of large, largely indirect costs, to specific services has made transparent true product profitability. Management understands and places higher priority on assessing customer experience when investing in service delivery.

Summary of Outcomes at Group Level

The RBS customer experience program generated a number of outcomes. Above all, for a limited investment in people and skillful leveraging of internal resources, £380 M (\$570 M) annual income was expected roughly split equally between cost reduction and revenue enhancement expected as the result of improved customer satisfaction and promoter score (Table 3).

Table 3: Summary of Outcomes Across the Customer Experience Program

Division	Customer Type	Learning	Tools Developed	Outcomes
Retail	Consumer	<ul style="list-style-type: none"> Customer research at journey level Cost data aligned to customer journey Performance data aligned to journey Need for end-to-end process ownership 	<ul style="list-style-type: none"> Service Based costing Effective cost to sell and cost to serve Cost consumed at point of delivery Customer research to cover CSAT, Customer Effort and NPS 	<ul style="list-style-type: none"> £170 M cost savings £180 M revenue gain from improved NPS CSAT improvements Reduced Customer Effort Experience management capabilities (processes, research and costing)
Commercial	Small and Medium Sized Companies	Data quality biased results Product profitability	Relationship Service Model	<ul style="list-style-type: none"> £30 M 50/50 split cost and revenue CSAT, NPS, Effort Extend experience management method

				to complex buying units (B2B marketing)
Wealth	High wealth individuals	Brand and customer experience overlap	Private banker relationship service model	<ul style="list-style-type: none"> • Simplification • Reduced customer effort • Improved service

In addition to the estimated financial gains, the Bank built important capabilities embedded in the SDMC method. It can now define and map its services in a manner relevant to its customers allowing for end-to-end management. It is able to determine the cost and performance of each service it delivers and map that against the impact of the service on customer experience. Customer research, fragmented and incomplete, has been rationalized and focuses on measuring that which matters for customers.

Next Steps in the RBS Customer Experience Program

Subsequent to the events described above, RBS has restructured to simplify its structure and align more closely with its focus on traditional banking. Retail and Small – Medium Enterprise businesses have been combined into the Personal Business Banking Division. Commercial (that is larger businesses) and Wealth (Coutts) are now combined as Commercial and Private Banking. Corporate (the largest businesses) and International is the third business unit.

Coming out of the restructuring is an increased attention to the customer experience program. The SDMC group has been merged into a larger customer experience department lead by the same people at executive level. The reorganization seeks to create one group that has the full range of expertise needed to design experiences at RBS, namely identifying cost, understanding how

customers appreciate and react to services, operational excellence and developing appropriate operating models to deliver customer experience. The tools, processes, people and expertise are underpinning RBS' ability to design and deliver enhanced customer experience and it is this larger capability that will allow the Bank to compete more effectively. The manpower and resources have increased dramatically commensurate with a revitalized mandate to accelerate the pace of change, broadening and deepening the influence of customer experience design upon the Banks offers and business processes.

The customer experience team has been invited back into Personal Business Banking to build upon the initial work and results. Whereas the initial SDMC work identified the quick wins, now the mandate is around change management; designing better customer experiences, increased use of new technology and improved risk management. The SDMC diagnostic tools are the basis of the work. Now, the customer experience team runs experience labs where cross-functional teams are co-located to engage in rapid prototyping of new customer experiences. The team is deploying the SPRINT / SCRUM method²⁵, an agile development approach popular in the software industry. This potentially adds a fourth domain to RBS' customer experience management approach; a new product development lens in addition to the cost, quality and customer perspectives combined in the original SDMC experience management framework.

Managerial Implications for Developing Customer Experience

RBS illustrates the process of a management team getting to grips with this important, yet ill-defined concept through a pragmatic integration of the customer

perspective, cost and operations. It built a systematic approach by analyzing its services (the “atoms”) and building up towards the bigger picture of customer experience (the holistic). This approach worked across mass market and luxury consumer sectors as well as business to business. Across these different markets six themes emerge to provide practical advice to companies embarking on customer experience programs.

1. Be pragmatic – there is no one right way to approach the customer journey

Too often, in the authors’ experience, organizations get bogged down trying to map out too many possible customer journeys, contingencies, points of contact, clues etc. This harks back to the early days of quality management programs complete with extensive process decomposition, often to little benefit. *Not all journeys matter, not all contacts are really critical incidents or moments of truth.* RBS moved quickly to identifying how their services are structured and which are more important than others.

2. There is no ideal starting point – context matters

Management pundits and academics alike would generally advise starting experience analysis from the main benefits customer can gain from the service. Contrary to this established view, RBS started by examining the existing service offering; yet that approach was the most achievable in what is a very large, product-dominated banking context. *Experience management need not be a crusade against the ancient regime of product marketing.* SDMC grafted an experience perspective onto a very traditional product-defined environment. Dealing with key products such as mortgages and customer accounts, the actual services provided and their real

costs, engaged the organization much more than would have been the case if SDMC followed the very high-level customer defined objectives (e.g. financial security, prosperous retirement etc.) suggested by some management texts. There may be alternative ways to approach the experience program that are more theoretically robust, customer centric and future proof. However, the bottom up, services approach of RBS allowed the Bank to realize considerable benefit quickly whilst developing capabilities that are supporting its new and more ambitious experience-led change program.

3. You are probably managing with the wrong data

The most powerful contribution of SDMC was the unique data set it assembled for each product and its presentation to the product groups. Evidence based conclusions about where money was wasted, where the Bank failed to deliver, where internal performance targets were not aligned to customer commitments galvanized the Bank to act. It was not as if RBS' Marketing teams had not been aware or convinced of the importance of customer experience, they lacked the right data to understand all three aspects of experience: customer, cost and quality. Hence it was not marketers that created a systematic program of change.

For example, there was nothing in the Bank's general customer satisfaction surveys that highlighted problems. Overall satisfaction is something that we believe almost all companies measure and report to their Boards. However, it is an aggregate figure and generally disconnected from the end-to-end customer journeys that create the type of experience companies believe will generate competitive advantage. Companies need to disaggregate that type of customer data, satisfaction, promoter score or effort score, to a granular level of service delivered and how that

roles up into longer customer journeys. *Only at that granular level does the data guide investment and decision-making.*

Equally, cost accounting systems do not capture data commensurate with customer-defined experiences, moments of truth or journeys. The logic of cost accounting is not aligned to the aforementioned theories of how customer experience is generated: over time, across all moments of truth.

4. To address the triple agenda of customer, cost and quality, you need experience specialists

The original experience literature focused upon particularly immersive experiences, such as, Disneyland, Niketown, American Girl (doll) store where customers are ready to be entertained and imbue the brand. Where the physical location of a business traditionally served functional objectives and is managed for cost effectiveness, the advice of experience experts was to build theatres for the brand to engage the customer more profoundly than ever thought possible.

Whilst we will not argue against the extraordinary success of, for example, Apple Store or Starbucks, we must acknowledge that most managers will work within more mundane, mass appeal brand environments where customers are less likely to value immersive experiences: utilities, banks, phone companies, Government agencies etc. In such environments, we argue that exhorting managers to reimagine their offers experientially may be ineffective. *Instead, incremental improvement, but systematically directed, might be the best way to begin a customer experience change program.* In so doing, one needs to engage in the detail about performance at every point: customer experience, operational effectiveness and cost. This process is as much about auditing as it is about breakthrough imagination.

Marketing departments take note, at RBS customer experience was led by people with engineering, accounting and statistics backgrounds. Traditional brand-led marketing often focuses on innovative communication strategies that generate dramatic improvements in revenue. *Customer experience development work requires a different set of capabilities than those which are present in most marketing groups.*

5. Build customer experience management at a pace commensurate with the development of your capabilities

The case study illustrates the development of new organizational capabilities around customer experience commensurate with academic research in the area²⁶. The method and attendant framework were key assets built through cycles of reflection and action with the data; trial and error but with a conscious learning stream captured systematically and codified by SDMC. This learning might have been accelerated with more resources; a larger team for example, but *proceeding too quickly would more likely have short-circuited the invaluable learning process* within SDMC and between it and the product groups.

6. Don't be distracted by technology

Often, discussions about customer experience and management focus overly on issues of technology, and technology-enabled new channels; this holds true particularly in this industry where traditional banks are challenged to manage “legacy” back-office IS whilst competing in the new mobile payment systems. It would have been far too easy for this program to divert towards blueprinting ideal, technology-enabled customer experience “fixes” for the Bank’s problems. The SDMC approach

to assessing and improving customer experience was decidedly low technology and low investment. A small team of analysts, using little more than spreadsheets and statistical packages available widely, built the methodology. Undoubtedly, new technology will alter future customer journeys, however that which the customer seeks to get done – their goals – may not change as quickly²⁷; the way in which the Bank allows them to do so, will. *The lesson from RBS is to start from the quality, cost and relevance of services you deliver to customers, rather than the technology for delivering them.*

Conclusion

Customer Experience management is undoubtedly complex and difficult, and not made any easier by the poor definition of the term, the over reaching scope of its ambition and the lack of a broadly agreed starting point. The advice of academics and consultants is often to start with a blank sheet and design ideal, transformative customer experiences almost irrespective of cost and capability to execute. Given the context in which RBS found itself, it was not able to follow the orthodoxy and thus innovated pragmatically. Starting with what it knew, its products and the services required to deliver them, it built a more comprehensive diagnostic capability than that found in either academic or practitioner literature. Understanding the quality of its service delivery, customers' appreciation of the services and their cost, the Bank was able to make evidence-based decisions about product design and customer service that both reduced costs and improved sales. Moreover, it was achieved relatively quickly and with minimal organization disruption. Its approach has worked across customer segments: retail, small business and wealth. It now has a base for taking

this forward and making effective customer experience management one of its core competencies. Few organizations have the “luxury” of starting with a clean sheet of paper, most have established customers, processes and assets that need re-orientation to achieve specific customer experience strategies. Working from “what is” may be a far less disruptive and ultimately more successful approach to change than the top-down revolutions espoused by many writers and consultants.

Endnotes

¹ Pine, I. & Gilmore, J.H., 1998. Welcome to the Experience Economy. *Harvard Business Review*, 76(4), pp. 97–105.

² Sorofman, J., Gartner Surveys Confirm Customer Experience is the new Battlefield. *Gartner Blogs*. Available at: <http://blogs.gartner.com/jake-sorofman/gartner-surveys-confirm-customer-experience-new-battlefield/>.

³ <https://www.forrester.com/Customer+Experience+Boosts+Revenue/fulltext/-/E-RES54750>

⁴ Crandell, C., 2013. Customer Experience: Is it the Chicken or the Egg? *Forbes*, p.21 January. Available at: <http://www.forbes.com/sites/christinecrandell/2013/01/21/customer-experience-is-it-the-chicken-or-egg/>.

⁵ To illustrate this point, we identify a prominent thread in the academic discourse that seeks to define and scope customer experience but in doing so builds an ever more expansive and comprehensive definition from which nothing can be excluded.

Gentile et al. suggest that customer experience includes a person's full range of involvement: rational, emotional, sensorial, spiritual and physical. It covers all direct or indirect company contact, through purchase, use, service, word of month, physical evidence and company representatives. See: Gentile, C., Spiller, N. & Noci, G., 2007. How to Sustain the Customer Experience: An Overview of Experience Components that Co-create Value with the Customer. *European Management Journal*, 25(5), pp.395–410.

Verhoef et al., citing Gentile, add that the total experience covers all that is under the supplier's control as well as all that is not. For example, the customer experience of an airline might include the journeys to and from airports and the airports themselves. See: Verhoef, P. et al., 2009. Customer Experience Creation: Determinants, Dynamics and Management Strategies. *Journal of Retailing*, 85(1), pp.31–41.

Lemke et al. (2011, p. 848) cite Verhoef and expand upon the scope to define customer experience as the "customer's subjective response to the holistic direct and indirect encounter with the firm, including but not necessarily limited to the communication encounter, the service encounter and the consumption encounter." See: Lemke, F., Clark, M. & Wilson, H., 2011. Customer Experience Quality: An exploration in business and consumer contexts using repertory grid technique. *Journal of the Academy of Marketing Science*, 39(6), pp.846–869.

⁶ Schmitt, B., 1999. Experiential Marketing. *Journal of Marketing Management* 15, 15, pp.53–67.

⁷ Homburg, C., Jozi, D., & Kuehnl, C. (2015). Customer Experience Management: Toward Implementing an Evolving Marketing Concept. *Journal of the Academy of Marketing Science*.

⁸ A highly cited article makes the claim that marketing scholarship focuses on measuring customer satisfaction and service quality rather than consider customer experience as a separate construct. The authors propose a definition of the concept on the basis of a review of literature, see: Verhoef, P. et al., 2009. Customer Experience Creation: Determinants, Dynamics and Management Strategies. *Journal of Retailing*, 85(1), pp.31–41. A similarly well-cited article overtly links customer experience to performance, at least conceptually, arguing that experience is a broader concept than satisfaction or quality alone, see: Grewal, D., Levy, M. & Kumar, V., 2009. Customer Experience Management in Retailing: An Organizing Framework. *Journal of Retailing*, 85(1), pp.1–14.

⁹ Service Operations Management (SOM) scholars bridge Marketing and Operations Management fields and build upon process flowcharting tools; from paper based, through computer based tools (IDEF, EPC, UML, BPMN) through swim lanes. Notable contributions that focus on marketing and service operations include: Roth, A. V., 1991. Operations as Marketing: A Competitive Service Strategy. *Journal of Operations Management*, 10(3), pp.303–328. Patricio, L., Fisk, R. & Cunha, J., 2008. Designing Multi-Interface Service Experiences. *Journal of Service Research*: 10(4), pp.318–334. Sampson, S.E., 2012. Visualizing Service Operations. *Journal of Service Research*, 15(2), pp.182–198. Bitran, G.R., Ferrer, J.-C. & Oliveira, P.R. e., 2008. OM Forum: Managing Customer Experiences: Perspectives on the Temporal Aspects of Service Encounters. *Manufacturing & Service Operations Management*, 10(1), p.61.

¹⁰ Building upon the work of Shostack (1984), (see: “Designing Services That Deliver,” *Harvard Business Review*, 62(1), p.133.), Bitner et al. developed a comprehensive approach to service operations that incorporates that which the customer tries to achieve, the visible and invisible service agents and the business processes that support them. See Bitner, M., Ostrom, A. & Morgan, F., 2008. Service Blueprinting: A Practical Technique for Service Innovation. *California Management Review*, 50(3), pp.66–94.

¹¹ The integration of quality and service was popularized by Womack and Jones who felt that the quality management concept of “lean manufacturing” had its parallel in the design of effective customer services, see: Womack, J. & Jones, D., 2005. Lean Consumption. *Harvard Business Review*, 83(3), pp.59–68. Although one could go back much earlier to similar assertions by others, see: Levitt, T., 1976. The Industrialization of Service. *Harvard Business Review*, 54(5), pp.63–74 and Reichheld, F.F. & Sasser, W., 1990. Zero Defections: Quality Comes to Services. *Harvard Business Review*, 68(5), p.105.

¹² This casual chain is referred to as “The Service Profit Chain”, a series of relationships that link the quality of the employment environment, employee motivation, service quality delivered, customer loyalty and ultimately business performance. The concept is attributed most often to: Heskett, J. et al., (1994). Putting the Service-Profit Chain to Work. *Harvard Business Review*, 72(2), pp.164–175. It has been tested empirically by HR, Operations and Marketing scholars. There are many constructs in the chain, each subject to different interpretations as how to make operational, therefore individual scholars tend to conclude with a “yes it works, subject to some conditions”. However, overall, the academic community supports the linkage between employee quality, service quality and business performance.

¹³ Brakus, J., Schmitt, B. & Zarantonello, L., 2009. Brand Experience: What is it? How is it Measured? Does it Affect Loyalty? *Journal of Marketing*, 73, pp.52–68.

¹⁴ The validity of single case studies is much discussed in academe. In this article, the authors do not attempt to create generalizable theory. Rather, we consider three business units from one organization in order to understand better the challenges of implementing Customer Experience. The limitations of trying to generalize and build theory from a single study are obvious, however the value of privileged access to generate rich data is widely acknowledged as a means of generating insight and understanding of complex phenomena. For further discussion of this, see: Oakes, L., Townley, B. & Cooper, D., 1998. Business Planning as Pedagogy: Language and Control in a Changing Institutional Field. *Administrative Science Quarterly*, 43(2), pp.257–292. Langley, A., 1999. Strategies for Theorizing from Process Data. *Academy of Management Review*, 24(4), pp.691–710.

¹⁵ The literature on changing organizations, for example to become customer-centric, focuses on how a Chief Executive directs the firm’s culture with frameworks that identify and close the gaps in the culture, routines and capabilities demanded by a new competitive environment and that which is ingrained in the business. Company culture, in the literature, is underpinned by unquestioned, taken for granted beliefs, thoughts and feelings. It is this underpinning that manifests itself in more visible layers of values, strategies, norms and behaviors. Changing behavior is the role of the most senior leaders and involves surfacing the taken for granted beliefs, encouraging employees to critique them and collaboratively create a new set of assumptions better suited for the new environment / strategy of the firm. The most cited books provide frameworks to both manage this process and monitor the degree to which culture is actually changing:

1. Denison D, Hooijberg R, Lane N and Lief C (2012), *Leading Culture Change in Global Organizations: Aligning Culture and Strategy*, Jossey-Bass, San Francisco provides a comprehensive benchmarking and measurement system for diagnosing and monitoring culture change,
2. Kotter J (1996), *Leading Change*, Boston Mass: Harvard Business School Press provides an eight step plan to overcome resistance and inertia.

This research represents a holistic approach to change, a company creates great customer experience by developing new beliefs about what is important and employees' roles in creating those experiences as a necessary precursor to the successful implementation of experience initiatives. The RBS customer experience change, however, started with the "atoms" of the customer journeys: measures, data, insight and is building up to business processes, experience design and employee behavior. Its focus was not overcoming ingrained assumptions, rather to focus on the "atoms" of the Bank's service delivery and letting that roll-up into a broader program of change.

¹⁶ The approach has many similarities to the gap analysis framework popularised in a very well-cited that identifies a series of gaps that explain how customer expectations may not be met and how this leads to dissatisfaction. The gap between expected and perceived service can be managed by improved communication of service delivery to consumers, translation of customer expectations into an effective service quality program and executing that program. Each of these steps is identified as a potential "gap" to be reduced in: Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1985). A Conceptual Model of Service Quality and Its Implications for Future Research. *Journal of Marketing*, 49, 41–50.

¹⁷ Vince Cable, at the time of the case the UK Government's minister for trade (official title - Secretary of State for Business, Innovation and Skills) famously compared investment banking with "casinos", ones that were gambling with depositors' money and ultimately required public bail outs. The term "casino banking" has since entered the common lexicon in British discussion of banking legislation, see: <http://www.theguardian.com/politics/2010/sep/08/vince-cable-barclays-banking>

¹⁸ The Critical Incident Technique was developed firstly in the context of the US Army Air Forces in the Second World War. Psychologists analyzed specific reasons for pilot failure (e.g. learning to fly, successful bombing, disorientation whilst flying) so as to improve selection process for air force pilots. It has been adapted by service marketing scholars to examine service episodes or clues that have the greatest impact upon customers' overall assessment of their experience, see: Van Doorn, J. & Verhoef, P., 2008. Critical Incidents and the Impact of Satisfaction on Customer Share. *Journal of Marketing*, 72(4), p.123. Gremler, D. D. (2004). The critical incident technique in service research. *Journal of service research*, 7(1), 65-89.

¹⁹ Clues are core to understanding how customers form their overall impression of the customer experience. The extensive literature on clues can be characterised by two approaches. Firstly, there is a view of the customer as detective, finding and making sense of clues about the functional and emotional aspects of engaging with a supplier. Leading literature in this area includes: Verhoef, P. et al., 2009. Customer Experience Creation: Determinants, Dynamics and Management Strategies. *Journal of Retailing*, 85(1), pp.31–41.

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- Bitner, M., Ostrom, A. & Morgan, F., 2008. Service Blueprinting: A Practical Technique for Service Innovation. *California Management Review*, 50(3), pp.66–94.
- Gentile, C., Spiller, N. & Noci, G., 2007. How to Sustain the Customer Experience: An Overview of Experience Components that Co-create Value With the Customer. *European Management Journal*, 25(5), pp.395–410.
- Berry, L., Carbone, L. & Haeckel, S., 2002. Managing the Total Customer Experience. *Sloan Management Review*, 43(3), pp.85–89.
- Berry, L., Wall, E. & Carbone, L., 2006. Service Clues and Customer Assessment of the Service Experience: Lesson from Marketing. *The Academy of Management Perspectives*, 20(2), p.43.
- Parasuraman, A., Zeithaml, V. & Berry, L., 1985. A Conceptual Model of Service Quality and its Implications for Future Research. *Journal of Marketing*, 49(4), pp.41–50.
- Shostack, G.L., 1984. Designing Services That Deliver. *Harvard Business Review*, 62(1), p.133.
- Juttner, U. et al., 2013. Customer Service Experiences: Applying a Sequential Incident Laddering Technique. *European Journal of Marketing*, 47(5/6), pp.738–768.

The other key perspective is to relate the provider to a theatre impresario staging the customer journey so that customers will pick up the clues designed to create the targeted experience. Research in this area includes:

- Pine II, B.J. & Gilmore, J.H., 1999. *Experience Economy: Work Is Theatre & Every Business a Stage*, Cambridge, MA: Harvard Business School Press.
- Pine, I. & Gilmore, J.H., 1998. Welcome to the Experience Economy. *Harvard Business Review*, 76(4), pp.97–105.
- Grove, S. & Fisk, R., 1992. The Service Experience as Theatre. *Advances in Consumer Research*, 19, pp.455–461.

²⁰ RBS' approach to service-based-costing attempts to get towards customer activity based costing (ABC) which has been discussed in the literature as an important tool for managing customers profitably. It did not go all the way to measure the level of activity, it stops at the service. Nonetheless, it offers many of the benefits of ABC. Cooper and Kaplan of Harvard, are influential in popularising ABC to general managers:

- Cooper, R., & Kaplan, R. S. (1988). Measure Costs Right: Make the Right Decision. *Harvard Business Review*, 66(5), 96–103.
- Cooper, R., & Kaplan, R. S. (1992). Activity-Based Systems: Measuring the Costs of Resource Usage. *Accounting Horizons*, September, 1–13.
- Cooper, R., & Kaplan, R. S. (1991). Profit Priorities from Activity-Based Costing. *Harvard Business Review*, 69(June), 130–135.

²¹ Net Promoter Score is attributed to F Reichheld of Bain Consulting. It is arrived at by asking customers to rate their likelihood to recommend on a score of one to ten. The total of all nines and tens are subtracted from the ones through sixes; sevens and eights are discarded. See: Reichheld, F., 2003. The One Number You Need to Grow. *Harvard Business Review*, 81(12), pp.46–54.

²² RBS calculated Customer Effort Score as a ratio of how much effort customers perceived they had expended versus how much they had expected to expend; a higher number is better. See: Dixon, M., Freeman, K. & Toman, N., 2010. Stop Trying to Delight Your Customers. *Harvard Business Review*, 88(7/8), pp.116–122.

²³ RBS was influenced by this article: Marsden, P., Samson, A., & Upton, N. (2005). Advocacy drives growth. *Brand Strategy*, (September), 45–47. Academics have long argued for a causal chain of service quality to customer satisfaction to loyalty and then to financial outcomes. The links between each component is contested by some and there are competing definitions of each construct as well. However, the weight of evidence strongly suggests that such a causal chain does exist and that improving service / experience generates customer satisfaction, loyalty, enhanced financial performance. This relationship is replicated in generalised models linking all marketing activity to business performance. Some of the relevant literature is identified herein.

A general review of the literature is provided by

- Morgan, N. (2012). Marketing and business performance. *Journal of the Academy of Marketing Science*, 40, 102–119.
- Stewart, D. W. (2009). Marketing Accountability: Linking Marketing Actions to Financial Results. *Journal of Business Research*, 62(6), 636–643.

The link between service quality and financial performance is discussed by:

- Rust, R., Zahorik, A., & Keiningham, T. L. (1995). Return on Quality (ROQ): Making Service Quality Financially Accountable. *Journal of Marketing*, 59(June), 58–70.

The link between the duration of custom and satisfaction is discussed by:

- Bolton, R. (1998). A Dynamic Model of the Duration of the Customer's Relationship with a Continuous Service Provider: The Role of Satisfaction. *Marketing Science*, 17(1), 45.
- Johnson, M. D., & Selnes, F. (2004). Customer portfolio management: Toward a dynamic theory of exchange relationships. *Journal of Marketing*, 68(2), 1–17.

The link between satisfaction and business performance:

- Fornell, C., Mithas, S., Morgeson, F. V. I., & Krishnan, M. S. (2006). Customer Satisfaction and Stock Prices: High Returns, Low Risk. *Journal of Marketing*, 70(1), 3–14.
- Anderson, E. W., Fornell, C., & Agarwal, S. (2004). Customer Satisfaction and Shareholder Value. *Journal of Marketing*, 68, 172–185.

The link between marketing activities to performance:

- Rao, R., & Bharadwaj, N. (2008). Marketing Initiatives, Expected Cash Flows, and Shareholders' Wealth. *Journal of Marketing*, 72(1), 16–26.
<http://doi.org/Article>

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- Krasnikov, A., & Jayachandran, S. (2008). The Relative Impact of Marketing, Research-and-Development, and Operations Capabilities on Firm Performance. *Journal of Marketing*, 72(4), 1–11.
 - Rust, R., Lemon, K., & Zeithaml, V. (2004). Return on Marketing: Using Customer Equity to Focus Marketing Strategy. *Journal of Marketing*, 68(1), 109–127.

²⁴ Johnston, W.J. & Bonoma, T. V., 1981. The Buying Center: Structure and Interaction Patterns. *Journal of Marketing*, 45(3), pp.143–156.

²⁵ Frustrated with the seemingly long, sequential new product development process, the software industry has developed agile development processes to better support the intense time pressure and “continual beta” nature of their product life cycles. SPRINT refers to an approach of creating tight time-boxed schedules for delivering software features. A “main” sprint might last two to four weeks to clear a backlog of software requests and during that time nothing can be added to the list and the sprint ends on time regardless of how much of the backlog is cleared. In this process there are daily “sprints” that are equally time-boxed, e.g. we will sprint for 15 minutes on this and no more. The process is very intense, team based and comprises regular but very short focused meetings. Sprints are part of the “SCRUM” approach which includes guidelines for sprinting and the governance around it; apparently the name is derived from Rugby scrums. The nature of SPRINT and SCRUM, and how they relate to the traditional, sequential, Stage and Gate development process is discussed in:

Sommer, A.F. et al., 2015. Improved Product Development Performance through Agile/Stage-Gate Hybrids: The Next-Generation Stage-Gate Process? *Research-Technology Management*, 58(1), pp.34–45.

Those authors identify as the definitive guide to SCRUM, a website run by the two co-founders of the method: Jeff Sutherland and Ken Schwaber.

<http://www.scrumguides.org>

²⁶ The area of dynamic capabilities, the ability to reconfigure critical assets to maintain competitive advantage, is discussed widely in the strategy literature: Augier, M. & Teece, D.J., 2008. Strategy as Evolution with Design: The Foundations of Dynamic Capabilities and the Role of Managers in the Economic System. *Organization Studies*, 29(8-9), pp.1187–1208.

Helfat, C., 1997. Know-How and Asset Complementarity and Dynamic Capability Accumulation: The Case of R&D. *Strategic Management Journal*, 18(5), pp.339–360.

Makadok, R., 2001. Toward a Synthesis of the Resource-Based and Dynamic-Capability Views of Rent Creation. *Strategic Management Journal*, 22(5), pp.387–401.

Maklan, S. & Knox, S., 2009. Dynamic capabilities: the missing link in CRM investments. *European Journal of Marketing*, 43(11/12), pp.1392–1410.

Newey, L.R. & Zahra, S.A., 2009. The Evolving Firm: How Dynamic and Operating Capabilities Interact to Enable Entrepreneurship. *British Journal of Management*, 20, pp.S81–S100.

Teece, D.J., 2007. Explicating Dynamic Capabilities: The Nature and Microfoundations of (Sustainable) Enterprise Performance. *Strategic Management Journal*, 28(13), pp.1319–1350.

Teece, D.J., Pisano, G. & Shuen, A., 1997. Dynamic Capabilities and Strategic Management. *Strategic Management Journal*, 18(7), pp.509–533.

²⁷ The notion of goals, “jobs to get done”, offering a more stable basis for providing customer insight for innovation or segmentation, has been developed in the following:

Christensen, C.M., Anthony, S., Berstell, G & Nitterhouse, D., 2007. Finding the Right Job for your Product. *MIT Sloan Management Review*, 48(3), pp.38–47.

Ulwick, A.W., 2002. Turn Customer Input into Innovation. *Harvard Business Review*, January, pp.91–97.