

# PUTTING THIRD-PARTY FIRST:

## Delivering Customer Experience in a Third-Party Financial Services Model

In the highly competitive financial services industry, third-party providers have emerged as the go-to source for organizations looking to do more with less: less distraction from core functions, less capital investment, less internal acquisition of specialized functions. Sixty-five percent of financial services firms now use third parties, and the majority plan on maintaining or increasing third-party involvement in the future.<sup>1</sup>

Over the last few years, as financial organizations began outsourcing more sensitive functions—mobile banking, payment processing, customer service or data processing—their risk exposure has broadened. In an effort to mitigate growing risk factors, the rising tide of regulation stemming from the 2008 financial crisis has extended to third-party organizations. Security breaches, compliance issues and service interruptions are among the more high profile—and highly regulated—risk factors financial services firms accept and manage as a function of the third-party model.

Yet in their diligence around risk management, financial services firms are too often failing to manage against one glaring and equally significant risk factor: experience leakage.

In 2016, nine out of 10 companies planned to compete primarily on the basis of customer experience. Today there is nothing, not even price or quality, that is more important than the experience you provide.<sup>2</sup> And in an increasingly commoditized financial services marketplace, providers must differentiate with experience, education and relationships.

Experience leakage, where in a third-party model the primary organization loses control of the customer experience, steals value with inconsistency. In Customer Experience (CX), consistency is central to trust, and is the foundation on which CX's four core dimensions—empathy, ease, orchestration and relevance—are built and delivered.

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1. "Financial Services Firms Expect to Work More and More with Third Parties," CFO Publishing, July 3, 2014

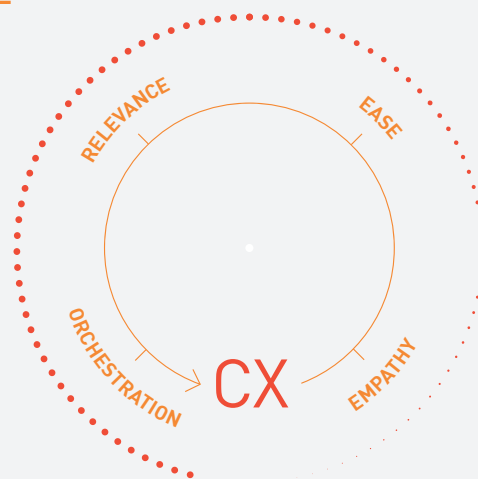
2. "Gartner Survey Finds Importance of Customer Experience on the Rise—Marketing Is on the Hook," Gartner, Sept. 29, 2014

A recent study of US retail bank customers found the annual revenue potential between those receiving the best and the worst CX was \$300 *per customer*.<sup>3</sup> In order to capture revenue potential and to differentiate in an increasingly commoditized market financial services organizations must now develop new strategies and management techniques to deliver a consistent high quality customer experience across party lines.

## THE FOUR DIMENSIONS OF CUSTOMER EXPERIENCE

An exemplary customer experience delivers on four primary dimensions:

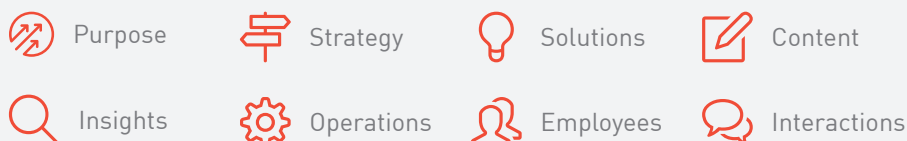
- **Ease:** It is simple for customers to derive value from experiences. They are apparent, accessible, effortless and uncomplicated.
- **Empathy:** Experiences are based on an in-depth understanding of customer behaviors, feelings and motivations.
- **Orchestration:** Specific interactions and touch points are designed and delivered as a system instead of a discrete transaction.
- **Relevance:** Solutions and services add value through utility and by meeting basic customer needs and expectations—all at the right time and the right place.



Customer experiences that deliver on these dimensions are more valuable: US banks with at least \$1 billion in annual revenue gained an incremental \$579.9 million over three years by improving their CX ranking from “moderate” to “good.”<sup>4</sup>

## EIGHT CX ENABLERS

Eight enabling building blocks help organizations deliver on the required dimensions of CX. These eight enablers, when executed consistently and holistically, create end-to-end CX and brand alignment across an entire customer journey and lifecycle.



3. “CX Industry Spotlight: Retail Banking,” Forrester, Aug. 14, 2015

4. “ROI of Customer Experience, 2015,” Temkin Group, October 2015

## PUTTING CX ENABLERS TO WORK: Third-Party Partner Selection Criteria and Service Level Agreements

For financial service organizations, multi-party CX alignment starts at the very beginning of an engagement. It is far easier to create a cohesive CX framework at the outset of an engagement than it is to try and patch one together after-the-fact. That means incorporating CX enablers into your third-party selection criteria and initial Service Level Agreement (SLA), and establishing ongoing measurement against them.

In this section we provide guidelines for doing just that, spotlighting best practice examples of each enabler in use by USAA's Car Buying Service. The service effectively combines third-party offerings, like price negotiation, with USAA's financing and auto insurance offerings to facilitate a full car buying experience for its military members. While functionally separate, USAA's well-executed CX across partners creates a powerfully holistic customer experience that delivers across CX's four dimensions:

**Ease:** Members are able to virtually shop for automobiles around the world, lock-in guaranteed low pricing, and secure financing and insurance without leaving the comfort of their home or military base.

**Empathy:** USAA's Car Buying Service puts its military members, who move frequently and have evolving transportation needs, at the center of the strategy. USAA members do not have the time or desire to develop long-term relationships with dealers, or do a lot of research. By partnering with TrueCar, USAA's Car Buying Service vets all parties in the car buying experience, delivering confidence and time savings to its members.

**Orchestration:** Full integration between USAA and TrueCar removes friction for an end-to-end experience that feels cohesive, and is delivered through tools, services and a user experience that USAA members are already familiar with. The USAA/TrueCar integration is so strong that USAA brands TrueCar's dealers as "USAA certified dealers."

**Relevance:** Because of the seamless integration of TrueCar into USAA's experience, USAA is able to anticipate and meet customer needs as they price their vehicle with TrueCar. Offered along the way are opportunities to customize financing, get auto insurance, analyze used cars, or sell an old vehicle.

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Well executed CX across multiple parties requires the strategic consideration of CX's eight enablers. The following outlines the function each enabler should play, and how to best put each to work at the outset of a third-party engagement.



### Putting Purpose to Work

**What:** An ideal customer experience is the final manifestation of a clear reason for being: an organization's purpose. This purpose permeates an organization, and is at the heart of every single business decision.

**How:** First, don't partner with a third-party vendor that will be unable to align—either culturally, physically or functionally—to your purpose. Before entering into a partnership, test their corporate values against yours. Make a clear assessment of their understanding of and willingness to adhere to your purpose. If there is initial misalignment against this core enabler it will be very difficult to course-correct effectively.

**Purpose in Action:** USAA's mission to "facilitate financial security" is delivered through TrueCar's ability to provide best-in-market pricing and dealership connections. Conversely, TrueCar's mission to "transform the car buying experience" is smoothed by USAA's financing role. Ultimately, the two are connected by a mutual purpose to provide a unique experience at an unmatched price point, with core functions that complement and support each other.



### Putting Insights to Work

**What:** Sustained, seamless CX success is predicated on an organization's ability to turn customer insights into impactful experiences.

**How:** For financial services organizations, incorporating customer insights across partners requires the creation of mandates and mechanisms for information sharing.

**Insights In Action:** USAA holds a wealth of data which could be used to signal both buying need and credit worthiness. When legally and seamlessly shared with TrueCar, this type of customer information, plus data related to buying habits and relocation information, are invaluable in creating customized experiences



## Putting **Strategy** to Work

**What:** To be effective, an organization must have a CX strategy that every team member—from the boardroom to front line employees—can get behind and is responsible for delivering on and continually improving. It should be integral to the overarching business strategy, and enabled with functional roles and metrics.

**How:** Again, CX alignment should be vetted and established prior to the final agreement. Financial service organizations should gain a clear understanding of their potential third-party partner's CX strategy, and determine the synergies (or blockages) for a consistent experience at the outset.

To truly understand a third-party partner's capacity for strategic alignment, consider identifying one customer pain point across the hypothetically aligned journey. Have your third-party prospect create a case study around how they would resolve it, with criteria and accountability for both customer needs and business metrics.

**Strategy In Action:** In the USAA/TrueCar partnership, TrueCar had to be radically transparent to ensure its business strategies wouldn't inadvertently trump USAA's deep commitment to CX. Understanding in advance how business strategy and CX could clash allowed the two entities to work together to create a comprehensive business strategy with CX at the core to ensure short-term financial gains never took precedence over experience.

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## Putting Operations to Work

**What:** The operational systems, processes and tools that enable an organization's CX strategy.

**How:** Operational alignment is one of the most powerful enablers of well-executed CX. Everything from how the business is organized to how technology solutions are developed and integrated will have an impact on the collective ability to deliver a consistent, quality experience. When evaluating a vendor these types of criteria must be on the table, and planned against before entering into an agreement. Consider blind testing your potential partner's call centers and other customer touchpoints to gain an objective view of their operational competence.

**Operations In Action:** The operations of USAA and TrueCar must be carefully synced to ensure financing, payment and insurance coverage is timed to meet the needs and demands of TrueCar's dealer partners.

A clear understanding of timing requirements, and a willingness to develop the operational solutions needed to meet them, is critical to keep all parties happy and successful.



## Putting Solutions to Work

**What:** Solutions are the combination of products, services and their surrounding method of consumption and/or delivery that provides overall value to customers.

**How:** Solutions are a powerful enabler of CX and, for most financial services organizations, are the reason for entering into third-party engagements. Delivering CX across partners at the solutions level requires securing a commitment to delivering a holistic solution above-all, even if that means the role of an individual third-party provider is diminished as a result.

**Solutions In Action:** For USAA, a stand-alone auto trade-in program would not be enough to meet the dynamic needs of its military members. Its Car Buying Program is an exemplary example of a solution in its ability to meet the end-to-end needs—car shopping, price negotiation, financing, insurance, and trade-ins—of its car-buying members.



## Putting **Employees** to Work

**What:** Employees—not just those that are customer-facing—have the ability to single-handedly make or break your CX strategy.

**How:** Effective multi-partner CX requires breaking through several common barriers around employee engagement. First, cultural fit. A cohesive customer experience can only be delivered with cultural commitment to customer centricity. Does your third-party prospect embrace customer centricity, in practice and philosophy? If no, this alone may be a legitimate reason to walk away.

The second barrier is time. To enable an experience, financial services organizations sometimes become more focused on vendor management than on their customer. When entering into third-party arrangements, financial service organizations need to staff accordingly and designate sufficient time for both.

And the third barrier is change. The willingness of a third-party partner to deliver the change needed—through tools like training and incentives—should be assessed and tested in the procurement stage.

**Employees In Action:** Working with military families requires specialized training and education to ensure front-line employees are enabled and empowered to deliver on their unique needs. TrueCar's dealer partners understand that their USAA Car Buying Service customers have different needs than their civilian counterparts, and are prepared to proactively deliver on them. requires securing a commitment to delivering a holistic solution above-all, even if that means the role of an individual third-party

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## Putting **Content** to Work

**What:** Consistent and quality CX is supported by a business-aligned, insights-led content and knowledge management strategy.

**How:** The best experiences can be ruined by the wrong content. When assessing a partner, determine their experience in migrating content between environments and in weaving supplementary content into their existing brand materials.

More and more, content development is also an outsourced function. Providing sufficient context to content developers is critical to creating consistent experiences.

**Content In Action:** In addition to USAA, TrueCar partners with numerous organizations, including AARP and Boeing, so its content across all mediums must maintain a certain level of homogeneity. A consistently strong brand voice, even one that is quiet by design, ensures TrueCar can easily assimilate against the content of any one of its partner organizations.



## Putting **Interactions** to Work

**What:** Interactions are the culmination of an aligned ecosystem. Successful interaction design and delivery demands a holistic understanding of customer needs, expectations, and context within the entire journey and across the entire relationship.

**How:** In assessing partners, drill deep on how all players in the ecosystem—which could include multiple third-party partners—come together. Conduct a comprehensive journey mapping exercise to identify and correct points of friction before the engagement begins.

**Interactions In Action:** USAA's Car Buying Service is an exemplary case of what a well-mapped customer journey looks like, even while the potential for integration breakdowns are plentiful. Insurance requirements, for example, vary widely from state-to-state and country-to-country. Highly detailed journey mapping can highlight and account for those types of friction points well before the customer has to experience them. insights-led content and knowledge management strategy.



## CX ACROSS PARTNERS FOR FINANCIAL SERVICES MARKET DIFFERENTIATION

The third-party financial services model, executed in a market where nothing is more important than the experience we deliver, requires a new way of doing business. Financial services firms must go beyond simply meeting the legal and regulatory requirements of today, stretching their CX purview across partners to enable innovative and exemplary customer experiences that differentiate. They must capitalize on the ROI of CX by establishing clear rules of engagement and metrics for measuring success with their third-party partners. And they must integrate the eight enabling building blocks of CX into every third-party business strategy.

Putting your third-party engagements first with effective CX across partners means putting your customer—and the future of your organization—first, in an increasingly commoditized and experience-driven financial services market.

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## ABOUT NORTH HIGHLAND

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