

Managing Service Encounters in Knowledge-intensive Services: Mystery Shoppers in Financial Markets

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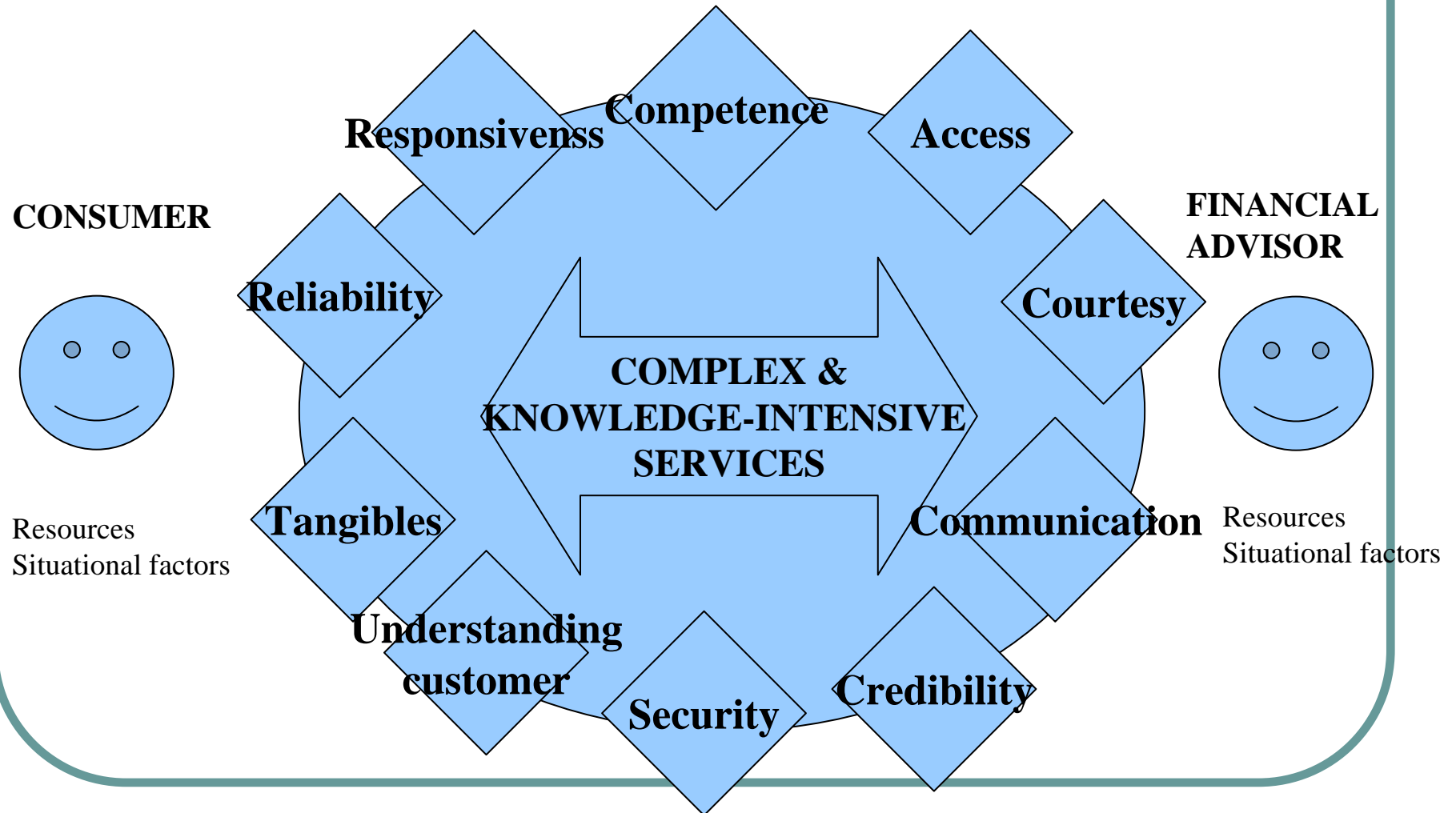
Purpose of the Study

- To analyze service encounters between financial advisers and consumers in complicated and knowledge intensive financial services
- To compare financial service encounters between Finland and the USA
- Research questions are:
 1. What activities define financial service encounters in Finland and the USA?
 2. What type of financial products are offered during financial service encounters in Finland and in the USA?
 3. What are key differences between Finnish and US financial service encounters?
 4. How quality is evaluated during financial service encounters?

Theoretical Background

- **Knowledge-intensive services**
 - As complex services
 - As expert services
- **Service Encounters**
 - Evaluated through customer profiles
 - Evaluated through given personal information
 - Evaluated through service offers
 - Evaluated through SERVQUAL

Framework of the Study



Methodology and Data

- Mystery shopping –method
- Mystery shoppers filled in structured questionnaire
- 4 shoppers executed 14 visits in Finland
- 1 shopper executed 11 visits in the USA
- Data collection January-February 2008 in Finland and June 2008 in the USA
- In the USA service encounters varied from 20 to 60 minutes; in Finland from 29 minutes to 120 minutes
- Scheduling of the appointment was quick and no extra preparation was needed
- Service personnel started the negotiations
- In the USA most of the information was available on the counter or special display rack; in Finland the advisors either gave or printed the information or it was shown on the screen

Most frequently asked personal information

In the USA (max 11):

1. Name (10)
2. Address (7)
3. Investment experience (7)
4. Investment motives (7)
5. Risk tolerance (6)
6. Interest in investing (6)
7. Profession (6)

In Finland (max 14):

1. Name (14)
2. Social security number (14)
3. Address (12)
4. Investment experience (13)
5. Investment motives (12)
6. Risk tolerance (13)
7. Interest in investing (8)
8. Profession (4)

Least frequently asked personal information

In the USA (max 11)

1. Current loans (1)
2. Type of residence (3)
3. Social security number (3)
4. Investment experience of specific products (3)

In Finland (max 14)

1. Current loans (5)
2. Type of residence (6)
3. Investment experience in specific products (5)
4. Education (4)
5. Employment (1)

Income and wealth

US results (max 11):

- Income level was covered only in 2 cases
- The amount of wealth was covered only in 3 cases
- Customer's **overall financial situation** was not covered in any of the 11 service encounters.

Finnish results (max 14):

- Income level was covered in 7 cases
- The amount of wealth was covered only in 2 cases
- Customer's **overall property** including real estates and summer cottages was not covered in any of the 14 encounters

Products offered

In the USA:

- Mutual funds (6)
- Certificate of deposits (4)
- Money market accounts (4)
- Home equity loans (1)
- Fund of funds (2)
- College funds (1)
- Life Path funds (1)
- rollovers (1)

In Finland:

- Portfolio of mutual funds (23)
- Certificate of deposits (3)
- Index loan (6)
- Pension insurance (3)
- Life/investment insurance (8)
- Other (2)

US Results: Service Quality

- Service Quality Satisfaction (1 lowest – 5 highest):

	Average	Range
● Reliability	3.55	(2-5)
● Responsivness	3.36	(2-4)
● Competence	3.55	(2-4)
● Access	3.73	(2-5)
● Courtesy	3.73	(2-5)
● Communication	3.73	(2-5)
● Credibility	3.45	(2-4)
● Security	3.45	(2-4)
● Undrstanding customer	3.36	(1-4)
● Tangibles	3.27	(2-5)

Finnish Results:

Service Quality Satisfaction (1 lowest – 5 highest):

	Average	Range
• Reliability	3,78	(2-5)
• Responsiveness	3.78	(2-5)
• Competence	3.64	(2,5-5)
• Access	4.36	(3-5)
• Courtesy	4.28	(4-5)
• Communication	3.72	(4-5)
• Credibility	3.78	(2-5)
• Security	3.24	(2-4)
• Understanding customer	3.18	(1-4)
• Tangibles	3.67	(3-5)

Comparision: A dream of the overall wealth management ..

US results:

- Financial services providers prefer to analyse the overall financial situation before offering any products.
- The goal is to offer one-stop-shopping for all financial products.
- The most important information related to customer's risk tolerance, investment horizon and financial goals.

Finnish results:

- Even though the overall analysis is made, the offer is product dominated
- One-stop-shopping is reality, the limitations lie in the capability of advisors
- The most important information related to offered financial products and it is dominated by computer programs and standardised processes

Conclusions & Discussion

SERVQUAL

- Best: easy to get access, friendly and positive attitude
- Worst: low response to customer's wishes and needs
- Private investors need to have basic knowledge of the key financial issues in order to manage financial affairs
- Extensive use of financial jargon
- Vast variation in advisors' capability
- In the USA best service providers are Financial Planners – not Brokers or Sales People.

Conclusions & Discussion

- US service providers focus more on understanding customer's overall financial needs, whereas Finnish service providers focus more on selling specific financial products regardless of a person's overall financial needs.
- In the USA the most talented advisers are able to map customer's risk tolerance, investment horizon and financial goals based on survey instruments and conversations. In Finland they are able to monitor customer's opportunities and limitations.
- **>> There is a need for holistic wealth management tool that offers various options and solve customer's problems**
- **>> There is a great potential in investing, but service providers need to think how to communicate with their customers**