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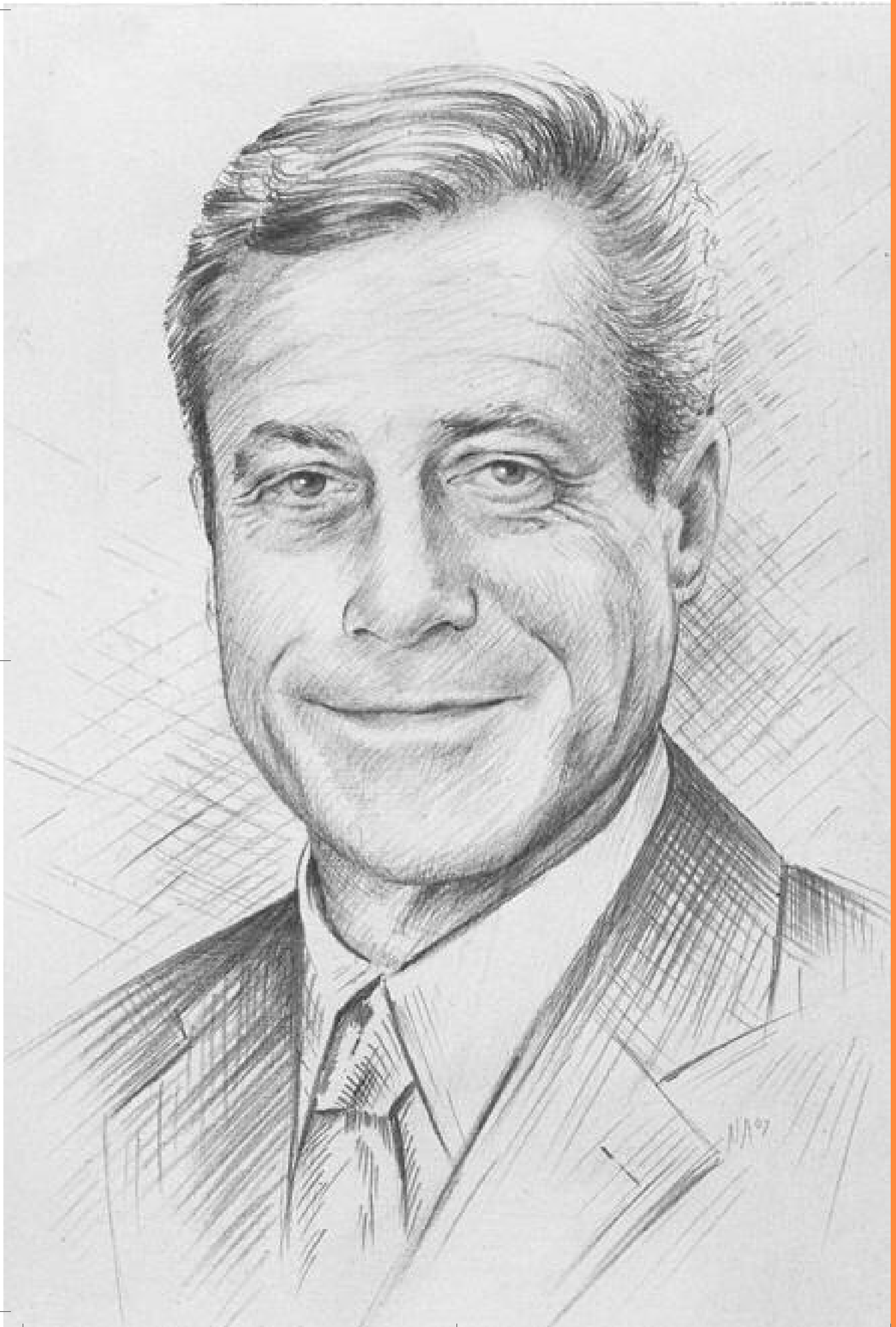

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Jim Garrity: Gold-Standard Customer Experience

by Paul Hyde and Barbara Bacci-Mirque

The retired CMO of Wachovia Corporation explains the bank's bold gamble on a postmerger corporate brand.

Reporter: Geoffrey Precourt

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WHEN FIRST UNION Corporation merged with Wachovia Corporation in September 2001, many thought that the first step was the simplest: Take the equity of the venerated 93-year-old First Union bank and use it as the foundation for the new entity. The bold — and, as it turned out, brilliant — step was to turn the deal on its head. A new, national "Wachovia" might not have the brand recognition of a similarly constituted "First Union," but it would offer a chance for a fresh start. And, in the 21st century, the chance to create a new national brand rooted in the friendliest kind of customer service was an irresistible challenge.

Since the First Union merger, Wachovia has completed a series of acquisitions and has increased its visibility in a number of new markets. But, says Jim Garrity, the organization's venerable chief marketing officer who retired from his position in the summer of 2007, the M&A phase is coming to an end; instead of introducing itself to new customers, Wachovia will focus its marketing on keeping its current customers happy, while the bank grows organically.

To accomplish this, Wachovia's Charlotte, N.C. marketing group will continue to provide executive leadership to five business unit marketing teams and to centers of excellence that include advertising and media, sponsorships and alliances, customer communications, online marketing, and creative services, as well as

meetings and events services.

Wachovia's corporate marketing culture is a fact-based decision-making system grounded in a truly exceptional triumvirate. Because Garrity believed so strongly in getting a return on his marketing investment, and because he was the consummate team player, his marketing group has the legacy of working hand in glove with the corporate finance and analytics departments. Indeed, in his years as the CMO of Wachovia, Garrity set the standards for a new kind of marketing ROI and accountability.

Jim Garrity joined First Union as CMO in 1997 from Compaq Computer Corporation in Houston, where he had served as vice president of communications. Previously, he held various sales and marketing positions at IBM Corporation, where he was director of advertising for IBM–U.S. from 1988 to 1992. Garrity, who holds a B.S. in management from Fairfield University, was a longtime board member and past chairman of the Association of National Advertisers and a longtime chairman of that organization's new technology committee. Upon retirement, Garrity joined the ANA's training faculty.

S+B: *Let's turn the clocks back to 2001, to the time of the First Union/Wachovia merger: Two banks, but one with significantly stronger brand recognition than the other. The decision is to move ahead with the institution whose brand recognition is significantly less than that of a bank closing in on its 100th anniversary. Some traditional marketers are left scratching their heads by the boldness of the decision.*

GARRITY: Our decision to move ahead with the Wachovia brand explains much of what we are about as a company and much of what we are about in marketing. In fact, a large part of Wachovia's marketing platform remains very strongly influenced by many of the decisions that were made in 2001.

First Union was a national — and, in many ways, international

— player. Wachovia was a fairly small regional bank, known only in five southeastern states. But, candidly, First Union had been struggling in the late 1990s. The bank had paid a fairly high premium to acquire a company called Core States, which was in the Pennsylvania/Delaware region. And there was a mandate to get costs down quickly. One of the ways that happens is workforce reduction. Unfortunately, we reduced the number of our customer-facing employees too quickly, and customer service took a real hit. We saw it in our attrition numbers. We saw it in our brand equity scores.

Even though Wachovia was not really well known, it had developed the reputation for gold-standard customer service throughout the South. And its name had cachet, whereas First Union was a bland name that didn't conjure up much more than a company with "First" in its name merging with a company that had "Union" in its name. (In fact, that's actually what had happened.)

Most importantly, since we took the name of a virtually unknown company, we had a chance to build a Fortune 100 brand from scratch. It gave us a clean sheet of paper to create a different kind of financial-services brand and a different kind of financial-services company.

It was difficult to tell a First Union customer, "Okay, we're going to be converting, and you're going to be a Wachovia customer." We had to work very hard to make sure the customer experience was as good — if not better — and to make sure that the same people who served you so well yesterday would be serving you even better tomorrow. We were building a fresh culture around a fresh brand, and a fresh brand around a fresh culture, so we spent a great deal of time internally getting the culture and the employer brand right before we went external with a brand launch. It was a good start for us: The new Wachovia got the credit for a smooth transition; whatever goodwill or ill will there might have been in the First Union space was superseded by a better experience with Wachovia.

S+B: *A merger is an expensive marketing proposition. How did you get buy-in from senior management to invest the kind of money you needed to support a fully executed program?*

GARRITY: The opportunity to begin a marketing literacy journey for the entire company was a key side benefit of the adoption of the Wachovia name. To illustrate the implications of having selected the Wachovia name — and what that selection would mean to all stakeholders, including customers, prospects, and employees — we assembled a dramatized presentation in storyboard form. "A Day in the Life of the Johnson Family" was the story of a family that had multiple business and personal relationships with both legacy Wachovia and legacy First Union. And they were all going to be touched one way or another by this merger, and some of those ways were potentially negative.

It was a pretty complicated family: Mr. Johnson was CEO of a midsized company headquartered in Palm Beach, Fla., where the Johnsons had their primary residence. They also had a summer home in Connecticut. They had one child in a Pennsylvania college and another at a private school in Florida. And Mr. Johnson's elderly mother — who required special care and services — lived with them.

And so they were going to experience legacy Wachovia and legacy First Union in parallel. And then the new Wachovia was going to come into their lives at different times, depending on which state they were in. It was a potential nightmare.

We made the presentation to our CEO, who sat back and said, "You know what? I've got friends and family that have every one of those relationships today." And that helped set the stage for the work in front of us. The discussion moved to how we really needed to spend some money to build a new brand. The merger didn't simply mean that we could just take the Wachovia brand and slap it over the doors of the existing First Union.

S+B: *Was there a challenge getting everyone moving in the same new direction at the same time? How did you get the message out to your people — from your management down to your tellers?*

GARRITY: Three months before the public launch of the new Wachovia, our CEO delivered a video presentation to every employee. It connected all the dots of the new company: the employees, the vision for the future, and what our culture would be based on.

In the summer of 2001, each of the legacy companies surveyed its key people with such questions as, "What do you like about the current culture? What would you like to walk away from? How do we take the best of two companies to create something even better?" The answers provided the new Wachovia with a statement of our core values. It was an integral part of that pre-launch video, and we still have not modified even one punctuation mark since then.

The presentation discussed what a brand is and what a brand stands for in very general terms and moved on to consider more specifically what the Wachovia brand is and what the Wachovia brand stands for. The video ended with a very dramatic unveiling of the new logo.

We often talk about how we can create more defining moments like that. From that single event, we picked up momentum that lasted for almost two years. Since then, there's been a lot of work around role definition and role clarity in the restructuring. And that's a real challenge in any company, where you're trying to clarify and be very deliberate about roles and responsibilities with no ambiguity. Ambiguity leads to friction, and it leads to counterproductivity. Clarity leads to more harmony.

S+B: *You attribute the strength of your marketing organization to its day-in, day-out partnership with finance and analytics. Was that part of the new culture from the get-go or was it an element that evolved over time?*

GARRITY: It was indeed a strong partnership of three organizations: analytics, finance, and marketing. The success of this partnership would not have been possible without the strong performance of the marketing leadership team at Wachovia. This is a team that was formed in 2001 by combining the best of the two former marketing leadership teams from First Union and Wachovia into a unified, engaged, and powerful team. We have since grown this team with internal and external additions. At the time of my retirement, I managed what was by far the strongest leadership team I'd had the pleasure to work with in my entire career.

Now, regarding the three-party partnership in 2001 and 2002 — between the time we announced the merger and the time we put together our plans to implement and execute it, we brought the functional areas from the two companies together and designed a new organizational structure featuring the best of the two approaches. In the case of marketing, it wasn't very difficult; they were fairly consistent and common.

We had planned to launch the new brand externally in May 2002. But, as we were putting together the budget for that program in the fall of 2001, we realized we were going to need a lot of money to build this new brand — a lot more money than either company had ever spent before on marketing.

The marketing group and our partners in analytics and finance were all reporting to the same member of the operating committee, the executive who largely oversaw line revenue-generating positions. He looked at the size of our media budget and it made him very uncomfortable, largely because he had no idea how to account for it and demonstrate the return on the investment. So he passed that discomfort on to us and asked us to help him figure out how we could justify the expenditure.

In the past, marketing expenditures had been considered expenses — not investments — and they were decentralized across

four revenue-producing lines of business. That was one problem. We also found we had no common vocabulary for marketing expenses in the company. One group might have been fairly granular and broken down its budget to the level of having direct mail and sponsorships as separate line items. Another group might have rolled it all up into one "advertising" line. The result: We had no good, transparent way to understand what we were spending. And we certainly had no way to be accountable for returns on those investments.

On the finance side, we needed to get a governance model in place. That started by literally creating a common vocabulary, with definitions as simple as "pure media." And it had to be that direct because we wanted to know what we were buying — we needed to break out an agency fee or a production cost from the investment in paid advertising. By becoming very granular, we were able to become very consistent across the enterprise. And we earned the confidence of the business units to have them give us the budgets.

On the analytics side, we had the good fortune of having direct relationships with tens of millions of customers. We knew each customer's account balances and how they compared to the prior year's. We knew who had opened up a new bank account with us and who might be a good candidate for a brokerage account.

On top of that, we had attitudinal information about brand awareness and brand equity — attributes we could track by market and by business unit. All this helped us evaluate such variables as the relative value for acquiring new customers and retaining existing customers. We knew we had a lot of dots. We just needed to connect them.

Our analytical partners were able to identify that the density of financial centers in a market — the "convenience factor" — was the most valuable driver for acquisition and retention. The second most significant driver for acquisition, and it's a not-too-distant second,

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was advertising, which conveys brand positioning. The second most significant driver of *retention,* however, seemed to be media coverage — the "reputation factor," which affects how favorably or unfavorably a customer views the company.

In addition to the big picture, Wachovia also is getting a very detailed look at some of the returns on its investments. It now can get down to a very granular look at marketing cost per acquisition of new accounts by market, in real dollars, with a valid "here's-what-it-costs" dollar figure. And that lets the marketing group know what the five-year net present value is for a new account. The result is that they know the limitations of what they can spend to get an acquisition profitably.

Wachovia today has more of a rifle-shot approach to media, and the marketing group is asking itself some long-term questions for which it can reasonably project answers: "Do we want to grow twice as many new accounts by investing in a market like Charlotte or Atlanta, or would it make better financial sense to invest the same money in New York, where we may get half as many accounts, but gain more of a presence in that market?" They know what it costs to gain an account in New York City. They know what it costs to do the same thing in certain southeast states where Wachovia has much stronger brand equity. The difference is literally two to one.

S+B: *Your analytics enable you to discover key customer attitudes and preferences. How do you integrate that information into an efficient marketing program?*

GARRITY: In late 2005, our model was telling us that we would improve our media effectiveness by 40 percent if we revised our existing plans to follow a new direction the model had charted.

We didn't go ahead and do that. "Let's hope it's true," we said, "but this model is too new. Let's test some of its recommendations to see if we can verify and validate this need for change."

So we did an experiment during the fall of 2006 in several Florida markets. The model was telling us that we needed to rethink our media mix: We were spending too much in spot radio in one market and too much in spot TV in another market. So we cut the spending in spot TV and spot radio in those two markets. We followed the model's direction by reinvesting the money we had saved from those first two markets into a cable buy in a third market.

We conducted a 10-week test, and although we probably needed at least six months of analysis to have conclusive evidence, we learned relatively quickly that we had no brand equity loss in the two markets in which we had decreased our investment. And we did see a lift in Miami, the third market where we had reinvested the savings. Based on the success of that test, we will definitely be more strongly influenced by the model as we plan for future years.

Our brand equity model gives us a numerical score, and we track it. We measure it against our competition. And we measure it from one market to the next. We now can tell ourselves what it costs over time to create one point of brand equity by market.

S+B: *At Wachovia, marketing has a seat at the senior management table. In many other financial-services institutions, we see support — rather than leadership — as the role for marketing. How do you account for the difference in function?*

GARRITY: Five or six years ago, within First Union, marketing did not have much credibility. The department had a fair amount of baggage that went back many, many years, which was difficult to overcome. With the merger, that changed: Taking the best practices of two groups and supporting the department with rigor built around financing, governance, and ROI allowed us to strengthen marketing's internal reputation.

But there was one event that also contributed to the change in perception. A few years ago, I was asked to champion an efficiency

initiative. It was the seed of something we were building into our culture: The way to build your empire is by reducing its size. The way to increase your personal capital internally is to become an efficiency expert, not an empire builder.

And when we began, I had assumed that we already had centralized much of marketing. So I figured 80 percent of all the marketing people were already part of the 120-person corporate marketing team. That would have meant I'd find a total marketing universe of 150. When we finished our inventory, however, the count was 260 people. We had some corporate marketing units that had a direct line to revenue-producing lines of business; we had others that were just asked to do what they were told and contribute nothing more. When we discovered we were so functionally dispersed, we decided to centralize our operations.

The new organization has five business unit marketing teams, ranging in size from five to 25 people. And, although they report to this office, they are embedded in the lines of business they support. And they're becoming indispensable business partners to the lines of business, fully accountable for the results of the unit they support.

Additionally, we created a number of centers of excellence organized around specialized skill sets. There's an advertising and media group. There's a sponsorships and alliances group. There's a marketing services group, which spends half of its time on meetings and events, and half on creative services. There are the centers of excellence working together with the business unit marketing teams to more thoroughly align their work with the individual business units. That helps build marketing's credibility throughout the enterprise.

S+B: *In the years since the First Union merger, the marketing group at Wachovia has been working at a frenetic pace. What are the prospects for its next growth phase?*

GARRITY: We used to be able to acquire customers by acquiring the institutions they had a relationship with. The future for Wachovia is going to be all about growing organically by acquiring customers one at a time. And that puts a huge additional emphasis on marketing.

The key to growing organically is being innovative and differentiating on innovation. It's possible, for instance, that Wachovia's brand positioning isn't as well suited for organic growth as it could be. It served us really well to build the new company, to gain awareness, to establish the fact that we were going to be the leader in customer service. We did all that in the last five years. If you know us, you love us. But our analytics tell us that if you don't know us, you have no idea if you should or could love us.

Wachovia has a differentiator that nobody else in the category has: It's the leader in customer service. The bank needed to turn that into a message platform that would allow prospects to say, "Gee, if they're that good, maybe next time I need a financial service or product I ought to think about them."

So, a year ago, we changed our brand campaign for the first time in about five years to include customer testimonials featuring real people telling stories on camera with the bankers who performed some kind of heroic act for them. The bank also is trying to be more contemporary and relevant to a broader set of audiences. In the past, we probably had been thinking much too narrowly about baby boomers as our primary target and leaving some other audiences behind.

S+B: *With a change in your brand campaign, what new channels are you using to get the new message out?*

GARRITY: We took a fairly good chunk of traditional media dollars and moved them to online services. When we looked at cost per acquisition in terms of the levers, online media offer some of

the strongest players.

We did a video-on-demand test with Comcast a year ago, with pretty interesting results. It was very contained and very inexpensive, using repurposed content that we already had on video. It was three or four minutes of advice on a particular topic. We had 40,000 viewings during a limited test period.

The marketing group is also looking at a potential program where the bank would be involved as an endorser/sponsor/supporter/authenticator of a community space where people might get some recognition for financial intelligence and for providing advice to others.

In simple point of fact, Wachovia is trying to engage as much as it can with any company that might help it figure out the next big idea. The bank's partnership with a company called Visible World will allow it to have a program that dynamically assembles commercials from modular components, allowing it to deliver tailored messages to specific households.

S+B: *Wachovia has a number of new ways to stay in touch with a customer base you already know pretty well. How did that affect your agency mix? Ten years ago, it was big news when marketers began unbundling media services. Now marketers often pull out a variety of pieces of creative as well as media services. The option, of course, is staying with one central integrated service supplier. What's Wachovia's perspective on managing its agencies?*

GARRITY: I've never seen one agency capable of doing it all well. I start with a bias that you need more than one agency. If you want some portion of our business, you need to figure out how to make it work with the other agencies.

Mullen, with an office in Winston-Salem, N.C., is Wachovia's lead agency. More than 100 people in that office touch our business every day. It's the best of both worlds: an agency with Madison

Avenue capabilities that has absolute focus on our piece of business. They have very strong creative capabilities and very good media. They're very well integrated, so we don't have a meeting where we talk separately about media or creative. It's always one and the same. Wachovia's online agency is Carat Fusion in Boston. And the bank has chartered Mullen and Carat to work as if they were one unit.

The marketing group also complements its traditional advertising mix with something very low-tech. Guided by our model, it's continuing to shift dollars into event marketing. Planning is done internally by a group of 45 meeting and event planners. They're located all around the country, and they are aligned somewhat with business units. But every one of them is here in Charlotte in the first week of May for the Wachovia Championship golf tournament. We had more than 5,000 customers and clients at the 2006 event.

A couple of years ago, the head of our corporate and investment banking group had a modest advertising budget that took care of some ads in the *Wall Street Journal* and some high-end publications. We were also doing some high-end direct mail for the group. Then he came to us with a proposal. "I want to do virtually no advertising. I want to do more events. I want to do them bigger and better." We doubled the size of the team that supports events for that group now, and we developed a number of metrics that prove the events program is working great. In a world of continued discomfort about putting dollars against broad media and really not knowing if people are being influenced by it, having a very valuable customer prospect come spend two days and nights at the Wachovia Championship here in Charlotte is a good investment in quality time. Two years ago, I watched a customer who was walking along with his relationship manager. He was about to get on the executive coach to take him back to his hotel when he said, "God, this is fantastic. How much business do I have to do with you next year to get

invited back?" He said it with a smile on his face, but you know what? I think he was more than half serious.

S+B: *In the whole financial-services sector, it's a challenge to keep ahead of an increasingly well-educated customer base. As this group of customers learns more, it asks for more. Wachovia's new strategy was to use marketing to grow organically — one customer at a time — as opposed to organizationally — one merger at a time. How did you stay ahead of customer expectations?*

GARRITY: At the heart of most of our more valuable relationships are customers who really value the in-person experience of coming into a financial center. There was a false notion here six or seven years ago that it was too expensive to have people come into the branches. The feeling was that we had to drive them away to the phone and to the Internet. And we totally missed the inherent desire that people have to be able to sit down and look somebody in the eye to talk about something important and complex to them.

They might be able to do some searching online and get some ideas, but this business is so much about trust that I think there's the human dynamic and the dimension of in-person contact, body language, and attitude. It all plays in. I didn't want to migrate to some tool that's the next gee-whiz relationship tool because it's cool and walk away from the tremendous asset we've got with our employees and our bricks and mortar.

We concluded that people really want to go where they are treated right. We wanted to be the place where they genuinely feel our people know them, have their best interests at heart, warmly greet them and treat them well, give them great advice; and where they believe that they're better off as a result. Innovation may enhance a customer's experience. If it does, that's great. But it won't displace it.

S+B: *You've been inside the marketing engines at IBM, Compaq, and Wachovia. Are there any overriding lessons you've learned that cut across the various points in your career?*

GARRITY: Never put the customer anywhere but in the center of everything you do. It really needs to be something you totally believe and are passionate about. Get all of your employees passionate about it as well. If you're in the technology business, ignore that for a while and start with your customer's point of view, not your technology. Think about how you can change your customer's experience, not how you can change the technology.

Really dwell on what consumers need and whether they know they need it or not, instead of what you think they need. +