



WHITEPAPER

How Customer Experience Is Driving the Future of Financial Services

Creating a dynamic bank experience that meets customers' needs can reduce churn, improve interactions and help build brand loyalty

AMERICAN BANKER.



DIGITAL TRANSFORMATION HAS NOT NECESSARILY CHANGED THE CUSTOMER EXPERIENCE - YET

While banks have spent considerable time and resources in a race to undergo digital transformations—in an effort to meet consumers’ evolving needs, grow their businesses and reduce customer churn—most still don’t ultimately understand what drives customer satisfaction and brand advocacy.

In order to better understand the bank-customer relationship and create a framework for how banks deliver a humanized customer experience (HCE) that fuels financial institution (FI) satisfaction and advocacy, American Banker partnered with Monigle—a creative experience agency which explores how to humanize brands that move people—to conduct two large-scale surveys among a nationally representative sample of financial consumers. These surveys collected responses from a combined total of roughly 8,500 U.S. adults aged 18 years and older. The first survey, with 3,480 respondents, focused on the trends and attitudes shaping consumer expectations and behaviors in financial services today. The second survey, with more than 5,000 consumers, evaluated 50 leading FIs, such as large retail banks, small community banks, credit unions, online-only banks and challenger banks, on the factors proven to drive customer satisfaction and brand advocacy.

The ability of an FI to deliver an HCE was measured by using a model that was developed by Monigle. The HCE model’s framework examines four unique dimensions that feed into an overall HCE score. Each of these dimensions examines how an FI performs to better diagnose a prescriptive course of action to boost where an organization may be lagging in humanizing their customer experience.

FIs that lead in humanizing their customer experiences are able to deliver on what motivates and engages consumers through all of the human senses—behavioral (physical and digital interactions), intellectual (the functional benefits of what people think), emotional (the implicit motivators on how people feel) and sensorial (the visual, auditory and olfactory cues on how people sense a brand).

The key to a meaningful banking experience that deepens relationships and drives customers into action is delivering on the whole experience in a unified and integrated manner when a customer needs it—not just in individual channels or how the bank wants to engage

“Consumers want to access and manage their finances in a way that fits their personal needs and life goals.”

— Mike Santos, CEO, Technisys

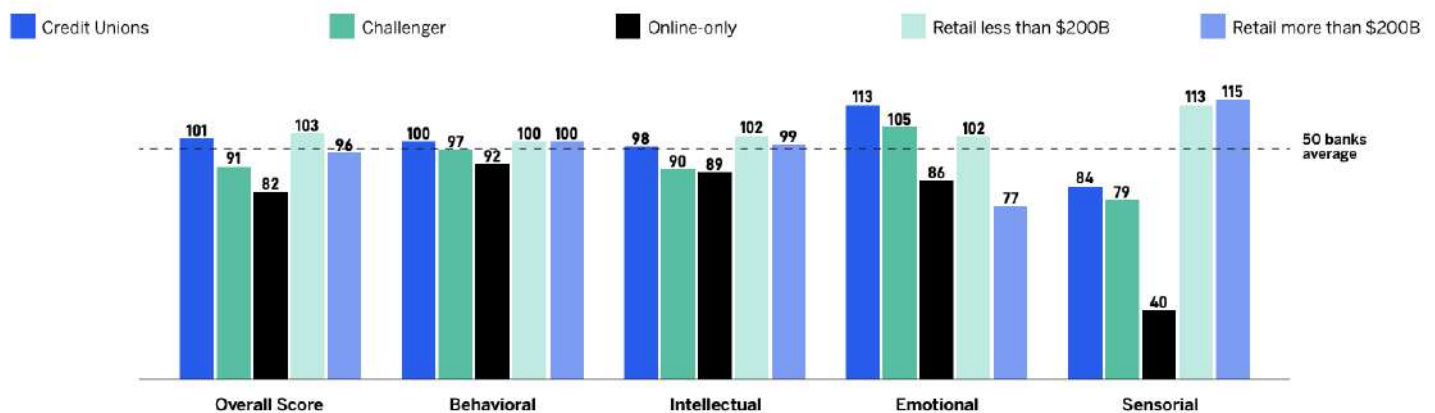
Successful FIs have learned how to humanize the bank-customer experience in a way that has created satisfied customers who advocate for their brand.

Take, for example, the fact that online-only and challenger banks receive lower HCE scores than traditional banks and credit unions because they don't deliver an omnichannel service with call centers and branches, which are still important, even though customer experience in these legacy channels is poor (see Figure 1). According to the HCE model, online-only and challenger banks (which tend to have few, if any, branches) suffer from low scores emanating from the sensorial dimension where consumers use visual and auditory cues to sense a brand.

Cues that typically occur when you walk into a branch or dial into a call center to speak with a human agent. Credit unions score almost as poorly since they have fewer branches and less robust call centers.

While not having branches or fully-fledged call centers can potentially impact an FI's overall HCE score, a better balance can be achieved when an FI can integrate human interaction into digital channels. For example, consumers often want to self-service managing their finances and are willing to use digital channels to do so. However, when questions arise or advice is desired, an FI needs to be able to recognize when the customer experience should transition from digital dashboards and chatbots to a human agent who can provide personalized guidance or faster problem resolution.

Figure 1. Indexed Scores Reveal Differences Across The Dimensions Of The Customer Experience



Behavioral

The Physical, Intentional Brand Interactions Are What People Do With Your Brand; It's Where The Rubber Meets The Road And Engaging, Two-Way Experiences Really Happen

Emotional

The Implicit Brand Motivators That Define What People "Feel" About Your Brand

Intellectual

The Functional Bread-And-Butter Benefits Offered By Your Brand; It's What People Think About When They Go Through Their Mental Decision-Making Checklists

Sensorial

The Visual, Auditory And Olfactory Brand Cues, These Drivers Are All About How People 'sense' Your Brand

CONSUMERS WANT EXPERIENCES TO FIT THEIR NEEDS USING A MIX OF DIGITAL AND HUMAN INTERACTION

There is no “one-size-fits-all” or silver bullet solution that improves or humanizes the customer experience because what works for one person may not be the tailored experience desired by another. For example, younger generations prefer mobile interactions and older generations prefer an online experience, yet all still engage with physical points of the bank which may include branch, ATM or debit card. This demonstrates the need for an FI to offer an integrated experience and not simply deliver a siloed experience.

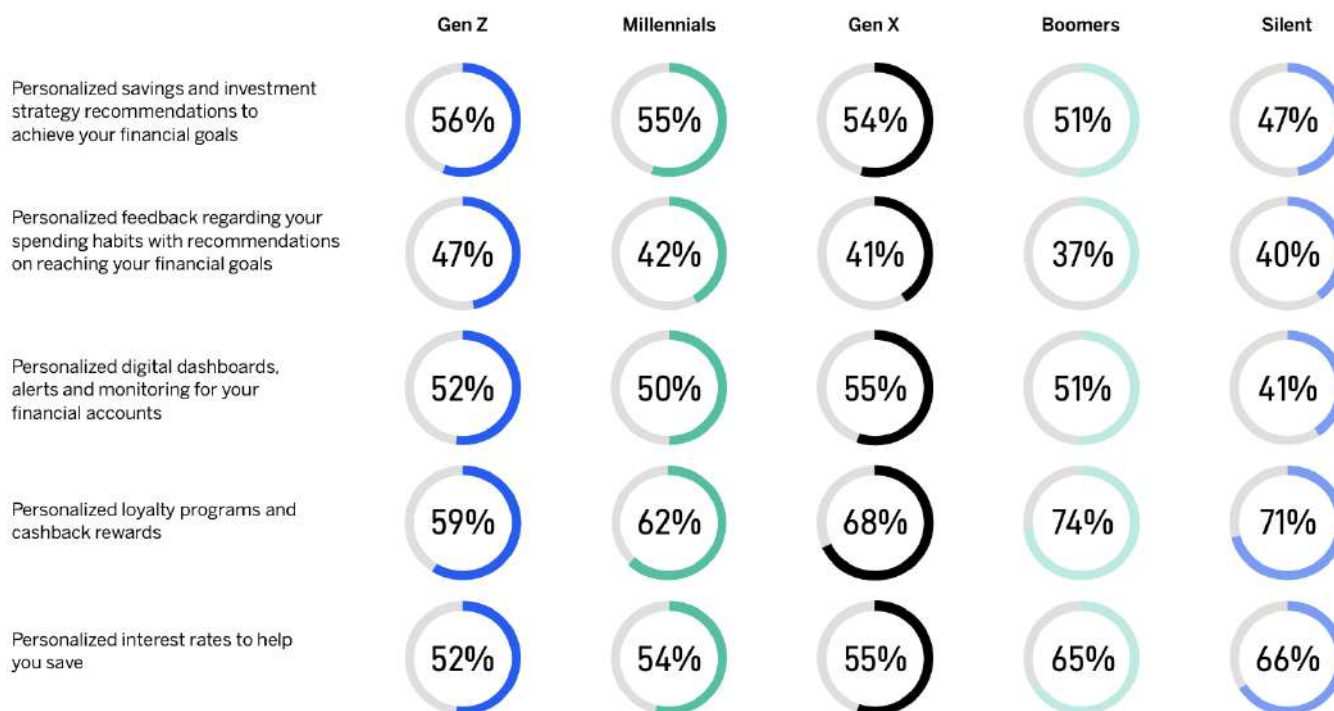
Despite the common myth or belief that branches are no longer needed or even desired, the reality is that there continues to be consumer demand for them. The most common reasons for branch visits are centered on the increased trust and value gained from speaking with someone who can provide financial guidance or problem resolution. These insights reveal a need for a human connection that is not currently being met by digital channels.

While digital channels are expected to rule the post-pandemic banking landscape, there remains a desire for a physical experience, stressing the importance of embedding tailored financial services, as well as integrating human interactions, within the digital channel.

One example of how a bank can create and distribute tailored financial products and services at point of need in the customer’s channel of choice could be a personalized buy now/pay later (BNPL) offer sent to a smartphone. In the case of a consumer who is making a \$2,000 television purchase using a debit card, the bank could easily convert that transaction in real time to a low-interest BNPL offer that allows the consumer to pay off the purchase in monthly installments based on their existing cash flow. Such an offer could easily be sent to the customer’s smartphone while still in the store. Not surprisingly, many consumers want personalized savings and investment strategy recommendations that will help them achieve their financial goals.

Gen Z and millennials have a higher preference for advice compared to boomers and the silent generation, yet it’s still about half across generations seeking advice (see Figure 2). There is also significant interest in personalized digital dashboards for monitoring financial accounts, as well as obtaining alerts. Finally, younger consumers are more open to receiving personalized feedback on their spending habits that could impact their ability to reach goals.

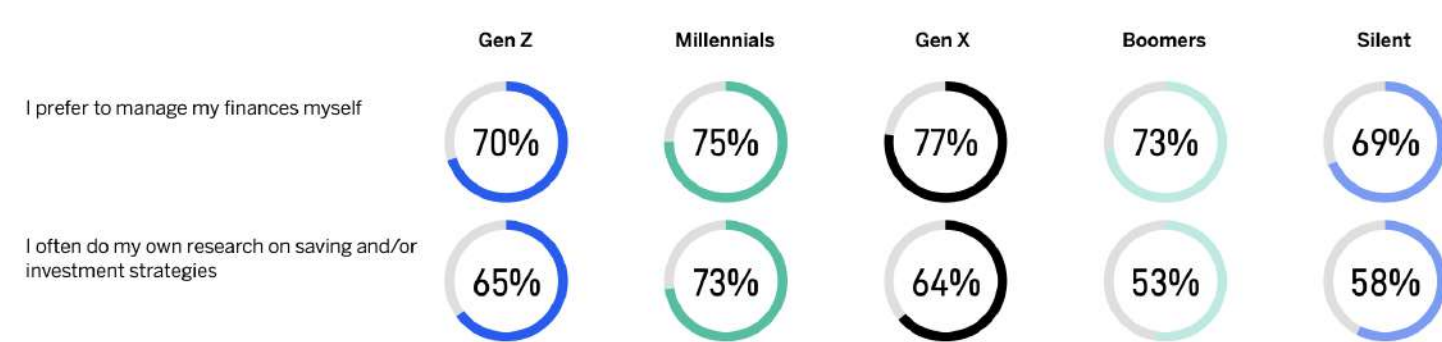
Figure 2. Younger Consumers Want Personalized Advice While Older Consumers Want Better Rates



It's important to recognize that consumers are independent beings and not only want, but also expect FIs to provide them with tools that will enable them to manage their personal finances (see Figure 3). While many value the personalized recommendations mentioned earlier, they still want to do their own research into the best saving and/or investment strategies, as noted by 65% of Gen Z, 73% of millennials, 64% of Gen X and 53% of boomers.

They desire easy-to-use digital tools to help them manage their money, which is an area where challenger banks are well-versed. Unfortunately, despite the massive investments by FIs into providing world-class online banking, there is a notable opportunity for financial firms to better address these needs.

Figure 3. Consumers Want To Manage Their Money And Do Their Own Research



Source: American Banker And Monigle, Humanizing The Bank Customer Experience, 2021

In general, consumers feel that online banking quality is mediocre, representing a clear opportunity for financial institutions. Among Gen Z, 61% feel online banking, when accessed through a laptop, needs improvement, compared to 50% of millennials, 34% of Gen X and 24% of boomers. When online banking is accessed through a mobile device, the percentage feeling it needs improvement rises—66% of Gen Z, 61% of millennials, 40% of Gen X and 33% of boomers.

Elements in successfully delivering in digital channels would be to mirror consumers' need for digital servicing and digital education or guidance. For example, in servicing, banks could consider AI-based conversational banking which can be seamlessly integrated into digital channels using tools such as chatbots, where customers speak with an intelligent virtual personal assistant or eChat and can transition to a video chat with a live bank agent when the situation warrants it.

Regarding digital education and guidance, there is an opportunity to proactively push actionable insights through data visualization and alerts, while monitoring a customer's financial health and progress toward goals. Since most consumers, across generations, want to manage their finances themselves and conduct their own research on saving and investment strategies, banks can humanize the experience through proactively engaging with a customer by pushing contextual and timely information—for example, suggest specific steps to increase savings, reduce debt and improve financial outcomes—versus being reactionary and serving up data only when the customer requests the information. Similarly, guidance on choosing the right products or investment strategies can be served with actionable offers and recommendations, coupled with automated money management that may be aligned with an investment strategy or monetary goal.

AN FI THAT USES INSIGHTS CAN BETTER HUMANIZE THE BANKING EXPERIENCE

Small banks and credit unions that are performing better to humanize the customer experience are doing so because of their history of offering personalized service to a smaller set of customers. This allows them to focus more on understanding a customer's individual financial needs. Along those same lines, credit unions and community banks that focus on a specific population, whether it's a credit union focused on teachers or local customers in a specific geographic location, are better able to tailor their products and interactions with their specific customers being served. The key is scaling this level of tailored services/experiences across any financial firm—both large and small—with the support of modern-day digital innovations that can be delivered via cloud-based, next-gen digital banking platforms.

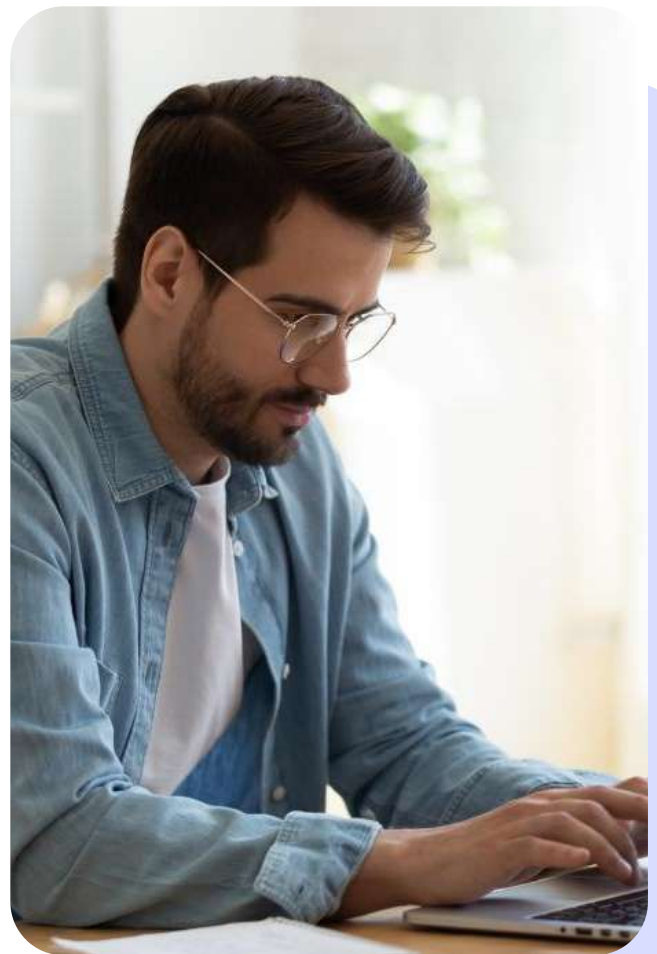
Most consumers trust their banking provider and appreciate the fact when their bank makes banking simple and demonstrates genuine concern for them. However, many don't believe FIs provide high-quality products, beyond better rates and terms. But what if these organizations used AI and personalized predictive analytics—backed by a next-gen digital core platform—to not only drive optimal customer experiences, but also deliver financial innovation? By being able to deliver relevant and bite-sized insight and advice, customers can take action tailored to their specific financial situation.

"Our stance is that next-gen digital banking technology support the customer journey seamlessly at every stage."

— Mike Santos, CEO, Technisys

Since consumers want personalized savings and investment strategy recommendations to help them achieve their financial goals, particularly among Gen Z and millennials, banks which can translate that need into realistic, actionable decisions will humanize the banking experience best. For example, a customer who wants to take a vacation in a few months and sets that as a financial goal is going to benefit the most when the bank analyzes their spending and makes practical recommendations (e.g., eating out less to boost their savings). This sets up the customer for success, improves customer satisfaction and drives brand advocacy.

There is a sentiment that credit unions and challenger banks don't provide as wide a range of products as retail banks and that many lack distinction or uniqueness. Furthermore, many consumers feel that the financial advice being offered is weak or generic, especially among challenger and online-only banks. However, if banks could offer personalized contextual guidance to suggest taking certain actions toward achieving financial goals or strategies, such as reducing overall debt, this could overcome these perceived weaknesses.



CONSUMERS WANT GREATER CONVERSATIONAL ENGAGEMENT TO HUMANIZE THE CUSTOMER EXPERIENCE

When interacting with a financial institution, consumers want to bank with one that is easy to contact, something that challenger and online-only banks tend to struggle with compared to retail banks and credit unions. While online-only and challenger banks score poorly on the in-person and telephone experience, there is an opportunity to improve the conversation using tools such as an AI-powered engine that recognizes voice and text, understands intent, deciphers different languages and knows when to provide AI or human-based support for every customer engagement.

This type of engagement can start with a customer initiating a conversation by using the chatbot on the bank's website and then being transferred to an online agent or video conference when needed—all within the same conversation stream. This seamless transfer allows for an elevated customer experience since the bank is able to address the customer's needs proactively and efficiently.

For example, imagine your customer is in a bind. He finds out that an important package is delayed because a payment was not yet received. He quickly opens his bank app to check if payment was sent and discovers it was not. Your customer writes a message in the chat: "Help! A payment to my shipping company was not received and my package is stuck in Customs. This is urgent!" The AI-powered virtual personal assistant notes the urgency and directly transfers the customer to a live online agent. The agent discovers that the account number is incorrect, he updates the information and immediately releases payment. Problem solved. The customer is relieved and thankful for the fast actions of the agent

"Memorable experiences happen when customers are free to speak naturally."

— Mike Santos, CEO, Technisys

KEY TAKEAWAYS

Humanize the experience across all channels by delivering differentiation with tailored financial offerings.

FIs that can meet the needs of the modern-day consumer by being able to create and deliver tailored financial products and services at point of need, in any channel of the customer's choice, are set up to be the clear winners in an increasingly digital world.

Transition from chatbots to intelligent virtual personal assistants.

Raising the quality of digital tools (e.g., virtual personal assistants) and creating digital financial health dashboards can keep customers informed, while reducing call center overload. Improving digital servicing quality and integrating across multiple channels (e.g., mobile, online) can raise the overall quality of the customer experience. A key element is to enable digital innovations that tap into an AI-powered engine that recognizes voice and text, understands intent, deciphers different languages and knows when to provide AI or human-based support for every customer engagement.

Create provocative, everyday engagement with predictive analytics.

FIs that use personalized predictive analytics and AI to support product innovation and advice personalization can notably elevate customer engagement. For example, when a bank proactively suggests specific, personalized actions to help a customer to achieve a financial goal, such as reducing overall debt or increasing monthly savings. Progressive banks that have these capabilities can proactively provide information to customers and help ensure that recommendations are more meaningful and actionable—ultimately increasing customer satisfaction and loyalty.

Methodology

In March and April 2021, American Banker/Arizent and Monigle, a creative experience agency, collaborated to conduct two large-scale surveys among a national representative sample of financial consumers. These surveys collected responses from a combined total of roughly 8,500 U.S. adults aged 18 and older. The first survey, with 3,480 respondents focused on the trends and attitudes shaping consumer expectations and behaviors in financial services today. In the second survey, more than 5,000 consumers evaluated 50 leading FIs on the factors proven to drive customer satisfaction and advocacy. The result is a prescriptive, data-driven framework based on the latest social science and customer experience thinking, highlighting the experience-driven actions needed to deepen customer relationships with FIs and move people to action



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