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Three Key Strategies for Customer Engagement Success

Introduction

The financial services landscape has experienced a fundamental change in the last few years. Increased regulation, thinning margins, the entrance of fintechs and start-ups, and the interest of Big Tech firms have created a heady mix of challenges for banks at almost every level.

However, the core services for customers remain largely the same. Financial institutions are beginning to realise that providing exceptional customer experiences can be a true differentiator in the market.

Customer service has emerged as one of the most highly valued attributes in a bank by consumers, while every point dropped in a bank's customer experience score can lead to up to $124 million lost.[1]

The most forward-thinking of CEOs must be asking the question "what do my consumers really want from their bank?". Yet that question often ends up simplifying things. Banks need to be asking "how can I understand what customers are trying to achieve, and help them achieve it?"

"When I started out in the 90s user experience didn't really exist as a discipline, we had graphic designers and technical information architects, but those skills were really quite niche. Now when you're developing a product UX and product design are absolutely mainstream.

Ken Johnstone, chief product officer, Mettle by NatWest

Banks once relied upon reputation and pedigree to get the job done, gain market share and build up the loyalty of their customer bases. Times have changed, and financial institutions are changing with it. Trust was once built on the bedrock of the branch. That rock has eroded away, creating a more complex and competitive landscape where the best bank wins.

Financial institutions are facing increasing competitive pressure from new entrants, diversified needs of their younger customers, and a rapidly changing economic and sociological landscape. Pivoting to create better customer experience will be crucial to ensuring future success.

"In the past UI and CX were primarily activities that were outsourced to a third party company, as they were deemed non-core. Today financial services firms have extensive in-house design teams, and delivering a great experience across all channels has become the epicentre of customer centricity.

Reginald Warlop, group head of design, wealth and personal banking, HSBC

[1] Forrester, "Customer Experience Index 2019", 2019 https://go.forrester.com/press-newsroom/cx-index-2019-results

The Key Strategies

1. Understand your Customers

It should not come as a surprise that age plays a major role in the difference among customer expectations and experiences. According to an Adobe survey of 1,500 US adults found that half of adults aged under 35 would rather engage with a computer than a human being.[2]

Chatbots and artificial engagement are popular among brands because they enable interaction in real-time with customers. Yet the implementation of single-system solutions like this don't solve all problems. On top of this, young people are more likely to take action if they have a bad experience with a brand, in the form of telling friends, stopping purchases, or posting negative reviews.[3]

The truth is that consumer's digital needs have undergone a rapid and dramatic acceleration over the course of 2020. Even prior to the arrival of the coronavirus, customers were beginning to value digital banking experiences as a major factor in their choice of financial institution. A survey conducted by the Competition and Markets Authority (CMA) saw customer place three digital banks at the top for overall service quality.[4]

" What is the job the customer is trying to do? It's less about taking a journey and refining that journey. It's really about starting from a blank sheet of paper and saying 'okay, if I want to get them up and running as quickly as possible, what are the minimum number of steps that can make them go through to achieve that goal.

Ken Johnstone, Mettle

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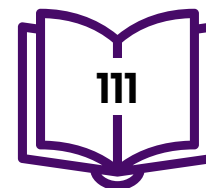
Windows 95 manual[3]

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Windows 10 Quick-Start Guide[5]

That has been compounded by the pandemic, which has shifted operations into the digital space in an unprecedented manner. Relationship creation and retention was once centred around the branch. It used to be all about someone shaking your hand as you walk in the door, sitting you down and engaging a personal experience.

Now consumers are reluctant to visit branches, with 26% saying they want to avoid face-to-face banking altogether going forward. Almost 80% of low and middle-income Americans want more digital processes from the banks that represent them, while 47% want more "touchless" banking.[6]

While the sit-down relationship may be headed towards extinction, there remains a handful of technological opportunities to require it. Differentiation through value-added insights into spending habits, financial management, planning, and transparent communication can all be built into a digital front office.

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[2] https://cmo.adobe.com/articles/2019/3/millennials-have-higher-expectations-for-cx-than-older-generations.html#gs.j69fqw

[3] Microsoft, "Introducing Windows 95", 1995 http://toastytech.com/manuals/Windows%2095%20Manual.pdf

[4] Ipsos, "Personal Banking Service Quality", 2020 https://www.ipsos.com/ipsos-mori/en-uk/personal-banking-service-quality

[5] Microsoft, "Quick Start: Your Desktop", 2016 https://compass-ssl.microsoft.com/assets/a9/0e/a90e9ef3-402e-4258-a31f-0a023989d4f1.pdf?n=Windows_10_Desktop_QS.pdf

[6] https://www.lightico.com/blog/new-survey-shows-low-mid-income-families-ready-to-dump-inefficient-banks

After all, consumers have made themselves clear: digital and remote services are not a temporary and makeshift solution; they look to be the default state of play for now and the future. The importance of honing and improving on customer-facing digital products and experiences is paramount.

63% of bank users are open to trying out new digital experiences[7]

82% expressed concerns about visiting a bank branch during the COVID-19 pandemic[7]

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The industry has become more fragmented. Now niche providers perfect [experiences] for a particular need, such as accounts for teenagers or car loans. Customers have been more willing to embrace the fragmentation because mobile operating systems have forced a fundamental alignment on CX.

Whether it's a music app or a hiking app, both will function in a similar way. The same can be said for an app that provides a car loan, which means a sizeable barrier to adoption of "yet another app" has been removed.

Reginald Warlop, HSBC

2. Utilise new technology

For corporate institutions and customers taking weeks to get up and running with their bank is no longer acceptable. Experience doesn't have to focus on colourful user interfaces and flashy graphics but on meeting the fundamental needs of the customer.

Great customer experience is about breaking down the big questions like "what do people want from their bank account or advisor?" into specific segmented processes that keep customers awake at night, and then solving them. So how do banks go about that? Through technology. Smaller companies have stolen the initiative. They can focus on specific needs and develop a great user experience for a niche product or segment.

Yet many financial institutions are burdened by back office systems and infrastructure sometimes decades old. This makes revamping customer engagement at scale a massive challenge at a time when three-quarters of bank operations leaders say that customer experience is their top priority.[8]
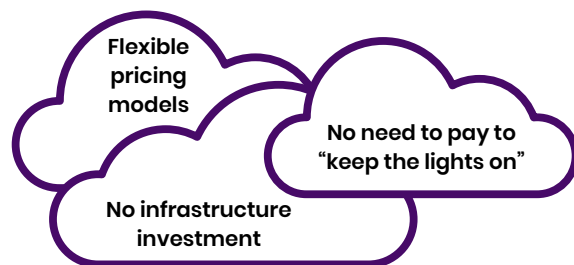
Financial institutions have increasingly turned to cloud-based solutions. Banks traditionally relied on their own datacentres, and a heavyweight technology footprint based in-house. Yet storing and hosted data within the cloud offers an opportunity for development acceleration.

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[7] Economist Intelligence Unit, "Forging New Frontiers", 2020 https://eiuperspectives.economist.com/financial-services/forging-new-frontiers-advanced-technologies-will-revolutionise-banking

[8] Accenture, "Customer First Has Reached The Back Office", 2018 https://www.accenture.com/t20180404T034452Z__w__/us-en/_acnmedia/PDF-72/Accenture-2018-North-America-Banking-Operations-Survey.pdf#zoom=50

Meeting that need for acceleration are a host of Software-as-a-Service cloud providers offering an ability to cover all but the most mission-critical of processes. The hosting giants compete to provide the fastest speeds, the best development times, and the most efficient monitoring systems. It's estimated that those who utilise new technology like the cloud could see profit increases of up to 40%.[9]

A shift in IT spending? Why banks move to cloud

Flexible pricing models

No infrastructure investment

No need to pay to "keep the lights on"

Embracing best-of-breed cloud solutions enables freedom for a financial institution to refocus itself on its core goal: meeting the customer's needs. A bank which embraces the cloud can adjust its expenditure in cash and manpower from running data centres and in-house technology maintenance and put it towards creating market-leading products and services.

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Bigger banks have very diverse customer bases with very diverse needs. So, making changes in one place can impact a different group in a different way and it's just more difficult. This is where the breaking out of different functions into different entities under one umbrella can work. It's a sensible kind of best of both worlds approach.

Ken Johnstone, Mettle

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When you sign up for a long-term product you want to be assured that at the end of the digital journey, you've successfully signed up for what was originally offered. If the processing in the back end is partially augmented with a human intervention to close the mapping gap with a back-end system, the customer is not impacted.

Reginald Warlop, HSBC

3. Realign with collaborative tools

Customer experience has become a greater focus of corporate strategy. There's no doubt there are executives deliberating how to commit their businesses to a full-scale transformation towards it. Among their immediate concerns will be structuring the organisation, and where to start.

Automation could take over between 10 and 25% of all work across bank functions in the near future.[10] As manual processes become automated, leaders in the market will seek to empower their workforce with new skills and responsibilities across the front office and customer-facing functions.

Collaboration tools are crucial in the current climate. 84% of tech executives consider collaboration tools important or mission-critical in 2020.[11] As a result of the remote-first work environment, the functionalities needed include internal and external communication, simplified workflows, and secure remote collaboration.

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[9] https://www.mckinsey.com/industries/financial-services/our-insights/strategic-choices-for-banks-in-the-digital-age

[10] https://www.mckinsey.com/industries/financial-services/our-insights/banking-matters/how-digital-collaboration-helps-banks-serve-customers-better

[11] Box, "Collaboration in a Work-from-Anywhere World", 2020 https://cloud.app.box.com/s/lzljlf9hw2g9mw8ai1geb7mtknxpz57w

In a world where consistent face-to-face collaboration is no longer guaranteed, the ability to replicate processes digitally is paramount. The uploading, editing, and sharing of financial documents online enables faster client onboarding and accelerated processing of applications for products like loans and mortgages.

The tools of the past restricted communication to text, rudimentary chat, and email. These often meant back-and-forths between employees and clients, unnecessary tangential chains and hand-offs, and other problems bringing productivity to a stuttering halt.

**Average time colleagues and customers expect a response over email: One hour or less**[12]

Average response time for a business email: 1 hour 52 minutes[13]

Average response time to customers over email: 12 hours 10 minutes[14]

New software and services have emerged to answer the need for rapid-fire resolutions. Tech firms have borne the brunt of the need for quick and easy collaboration, their usage figures surging by up to 30 times.[15]
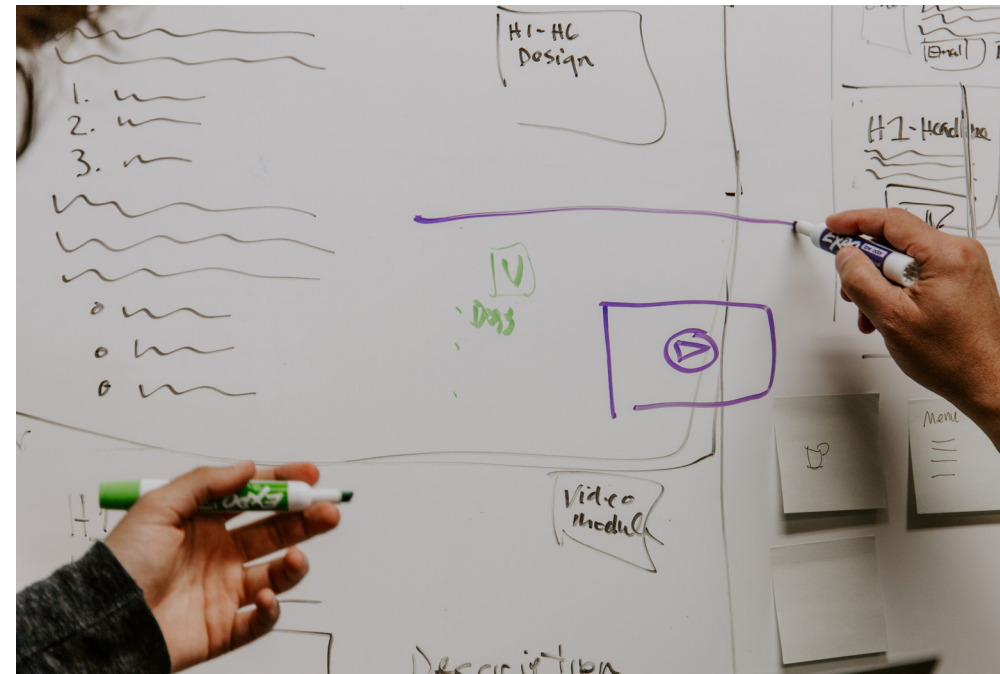
" Innovation is part of it but innovation doesn't always come from within. You also have to leverage best-of-breed... the way we run our business wouldn't be possible without the tools we're using today, such as Box.

Souheil Badran, COO, Northwestern Mutual

[12] https://www.toistersolutions.com/blog/how-quickly-should-you-respond-to-email

[13] https://blog.polymail.io/post/how-long-do-people-take-to-respond-to-a-business-email

[14] Super Office, "Customer Service Benchmark Report", 2018 https://www.superoffice.com/blog/customer-service-benchmark-report

[15] https://cloud.google.com/blog/products/g-suite/keeping-google-meet-ahead-of-usage-demand-during-covid-19

The ability to share data and insights quickly and securely with clients and colleagues is a key factor in acquiring or reacquiring new business. The importance of seamless collaboration across an organisation, internally and externally, between stakeholders, clients, accountants, customers, and corporates, cannot be understated.

Digital collaboration applies to all segments of the financial services sector. Commercial and corporate banking involves multi-process onboarding cycles. Consultations, documentation, approval, training, testing, and go-live. All can be shifted to an online environment, where securely hosted documentation can be viewed and edited by all parties.
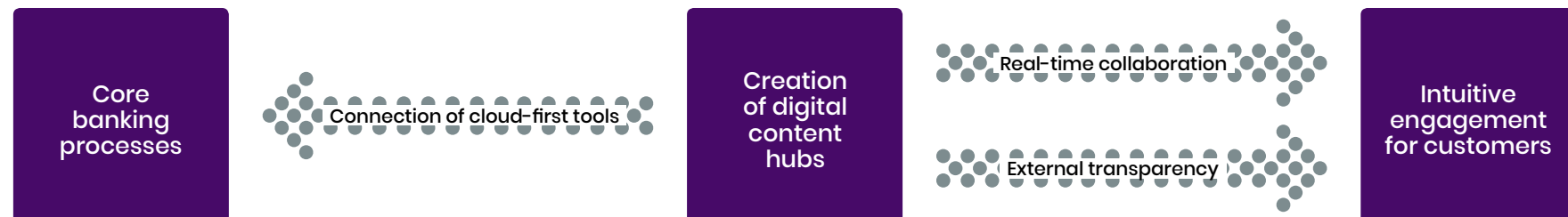
The creation of central hubs like these can be used as engagement portals between customers and the institution. Connecting customers with their relevant representatives on internal teams with a few clicks could drastically reduce cost per customer, and slice onboarding time.

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When you used to buy a secondhand car it always involved going to visit the seller yourself. Only recently are there fully online car buying platforms which deliver the car you want to buy to your door – with the option to send it back right away. The same is true for mortgage applications, which are complex, multi-step journeys spanning many departments and including external parties.

"Many of the steps are determined by regulations and it's tempting to approach any redesign of a mortgage journey as an evolution of the past. Challenger banks have less "legacy thinking" and have been able to approach banking products like booking a hotel, with some great innovation coming along the way. We've hired many non-bankers to bring new ideas – like using insights from the travel industry to create a totally new experience to buy structured products online.

Reginald Warlop, HSBC

| Core banking processes | → Connection of cloud-first tools | Creation of digital content hubs | → Real-time collaboration / External transparency | Intuitive engagement for customers |

Conclusions

The benefits of implementing superior customer experience touch upon all aspects of the bank. It can impact the bottom-line in the boardroom and the satisfaction of front-line staff who interact with customers daily in challenging times.

By instigating a process through which they can understand their customer, embark on targeted technology improvements, and invest in collaborative technology, banks can tap into the benefits on offer. This will result in a long-lasting competitive advantage and serve as a base through which to match and supersede pressures from new entrants and technology firms.

As the industry comes to grips with the ramifications of the COVID-19 pandemic, the fog has lifted on what is necessary to achieve lasting success. The digital future is laid out before financial institutions who must realign themselves to meet the upcoming needs of a digital workforce and customer base. It comes down to a matter of execution and selecting the right technology to use as a springboard into future innovation.

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The bar is definitely higher across the board. I think businesses and banks are getting better in general, in line with customer expectations. When a user can jump into a new product and intuitively know how to use it, you know that problems are being solved.

Ken Johnstone, Mettle

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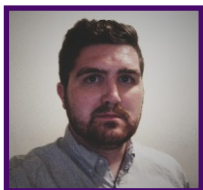
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Alex Hamilton is deputy editor at FinTech Futures. He has been reporting on the financial technology sector for more than five years across a variety of industry publications and has written extensively on digital transformation, cybersecurity, and enterprise technology. He holds a masters degree in ancient history from the University of Nottingham.

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