Optimal Outcomes: Creating Win/Win Relationships with Customers

A CEB Insight Brief Commissioned by

Executive Summary

A perennial top priority for retail banking executives is to improve profitability without negatively impacting the customer experience. To achieve that in today's environment, banks are focusing on improving customer-facing processes as well as making internal changes to staff incentives and risk management. At the same time that banks are taking the next steps to increase profitability, CEB research shows that customers, especially digital customers, are much more likely to spread their assets across multiple providers (Figure 1), making it harder to cross-sell to existing customers.

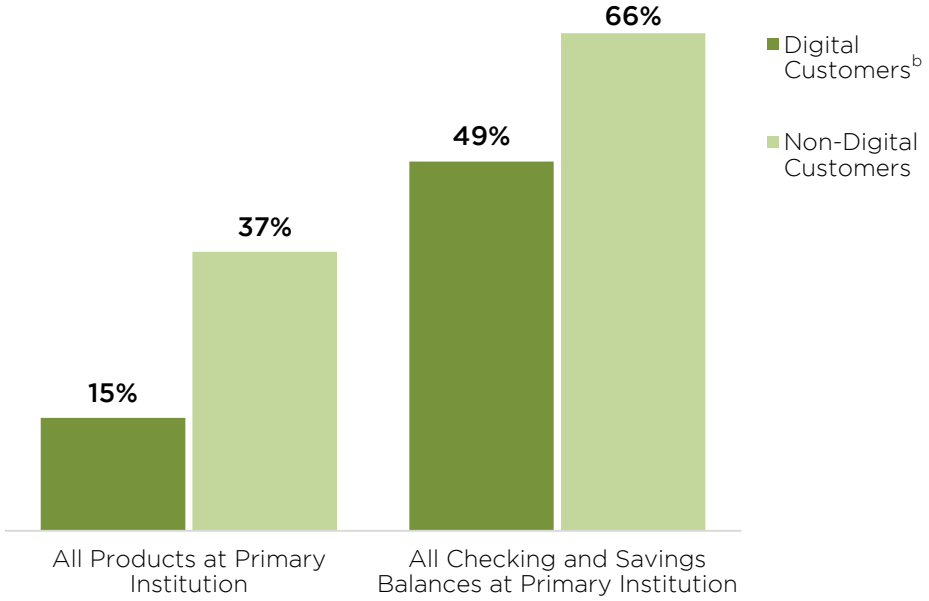
However, new technology like artificial intelligence, predictive analytics, and process automation is now being explored by retail banks and credit unions. Using these tools to equip staff to help customers better manage their finances is the key to both building lasting relationships with customers and increasing the depth of the relationship with additional products and services.

To achieve long-term benefits, traditional product offers and sales approaches also have to change. Financial institutions must create mutually beneficial relationships with customers and rebuild trust by taking the following actions:

- Understand and inflect customer behaviors essential to helping them stay on track
- Provide employees with the tools and processes to serve customers in this new way
- Restructure metrics of success and employee incentives to support a relationship sales approach

Figure 1: Financial Consolidation at Primary Institution[a]

Percentage of Customers, United States, 2013



n = 3,900.
Source: Federal Reserve Board 2013 Survey of Consumer Finances.
Note: Calculations do not include individuals with investable assets over US $1 million.
[a] Primary institution is defined as financial provider with which the consumer has the majority of their deposit and lending products.
[b] Digital Customers are defined as customers who learn about financial products and interact with their financial providers using digital channels.

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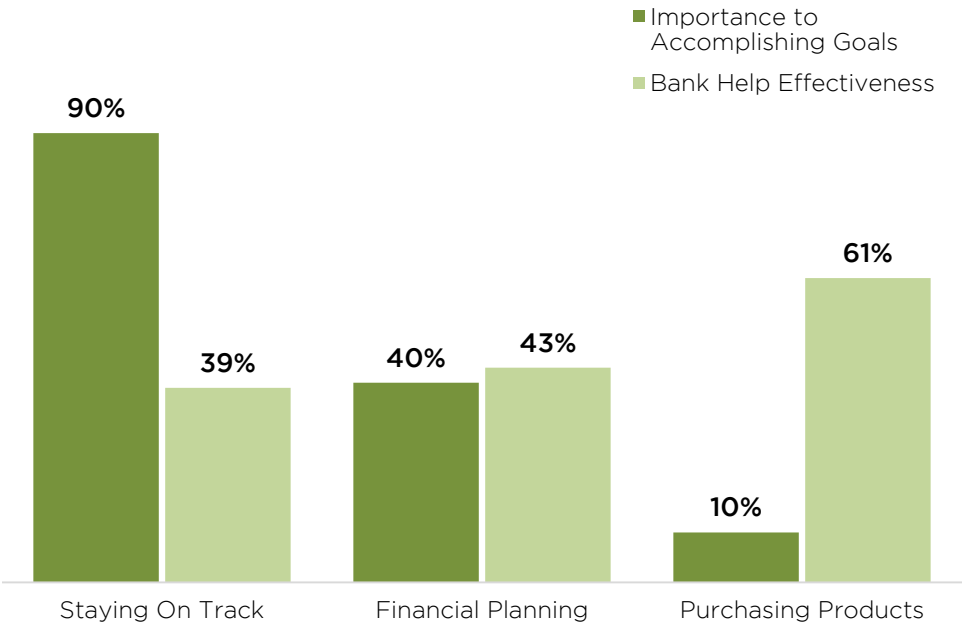
Drive Action on Customers' Pivotal Financial Management Steps

In 2015, CEB conducted a Customer Experience Survey of more than 5,000 retail banking customers, surveying them on 22 financial management steps and their criticality to accomplishing important financial goals. The research determined that of the steps customers find most significant to their ability to accomplish their desired financial goals, most are related to helping them stay on track in managing their finances as they work toward these goals. Yet the research also found that banks are not helping customers with the steps that matter most. While 90% of customers said that 'staying on track' was critical to accomplishing their most important goals, only 39% said their bank was effective in helping them with 'staying on track' (Figure 2).

Figure 2: Categories of Steps by Importance and Bank Helpfulness
Percentage of Customers Global, 2015



n = 5,383.
Source: CEB 2015 Customer Experience Survey.

Today's customer is often distracted or unenthusiastic about altering their daily routines, even though change is often a pivotal step to meeting financial goals. Financial institutions can facilitate this change by driving the customer to take action on key financial activities. CEB research has found that this is significantly more effective than simply providing financial information or making it easy for the customer to interact with the bank. Financial institutions can drive action in three different ways:

1. Proactively detect and alert customers to opportunities to better manage their finances. Proactive customer outreach programs focus on preventing outcomes that could negatively impact customer experience. Financial institutions can use data to anticipate where a customer may have issues and then design ways to preemptively intervene with and resolve these issues for customers. For example, a financial institution can determine a potential shortfall in a customer's checking account before the next payday, alert them to the shortfall, and offer to move money from savings to cover it.

2. Use artificial intelligence (AI) capabilities to provide customers with revealing insights about their finances. Financial institutions have long leveraged personal information in branches to sense and respond to event-driven customer needs and have attempted to replicate this in digital channels using data analytics. Financial institutions have been collecting and analyzing financial activity and customer channel behavior but as a bank accesses and acquires more data, it's easy to get lost in the depth and complexity of that data.

Leading institutions are employing AI systems that use machine learning and predictive analytics to make sense of the data and react in real time to provide information to customers that is relevant and actionable. Leading AI solutions are programmed to be intuitive to use, accessible through multiple formats, adaptive to prior behavior and new information, and can even express human characteristics like empathy and reason.

3. Articulate how the financial institution creates value beyond traditional banking services like checking accounts or loans. Customers have proven to be open to many other companies embedding in their lives to provide support (e.g., push notifications, mobile apps, and wearable devices that track and promote fitness activity). This provides an opportunity for financial institutions but it's important to clearly articulate how any embedded banking solution would add value to customers' financial lives. A financial institution that would like to use more customer data to provide better service and relevant product offers could create an opt-in program that highlights the benefits of sharing data. By designing messaging to let customers know the benefits of opting in to different levels of data permissions, the institution can make customers more receptive to recommendations. For example, during account opening financial institutions can communicate that providing complete contact information, including a mobile number, can activate multiple benefits. It enables the institution to reach out directly when the institution identifies suspicious activity or potential fraud. At the same time, a mobile number allows the bank to provide push notifications of low balances and activates the ability to transfer funds easily.

There's a real payoff to proactive engagement. Customers that believe their bank is effective at helping them act to stay on track with their financial goals are 1.5 times more loyal than those that do not believe their bank is effective.

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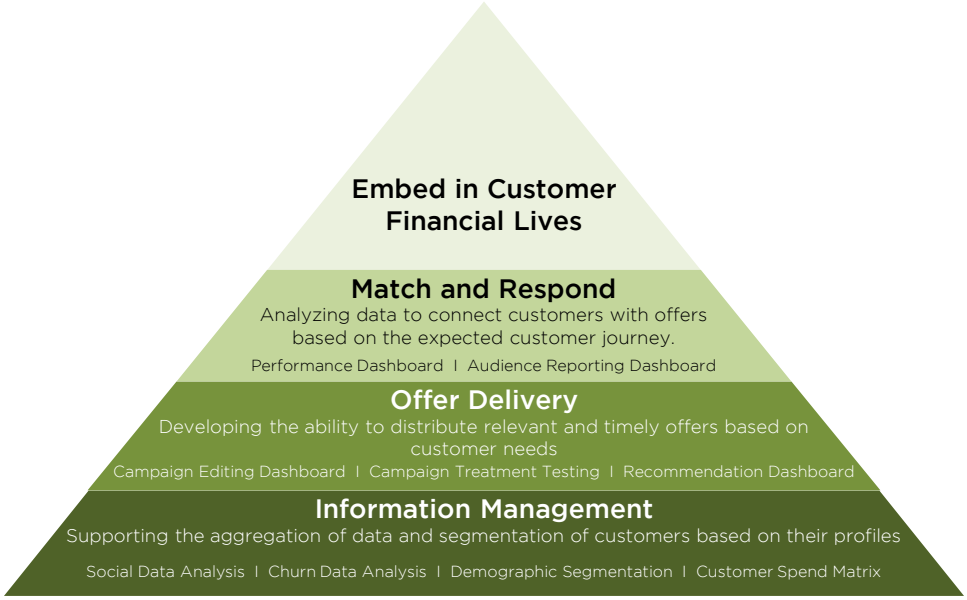
Enable Employees with Enhanced Tools

In order to provide financial management support to customers, financial institutions need to be able to anticipate what customers need and when they need it, they need to connect customers with the right people or information in the right channel, and they need to simplify the experience for both the customer and the employees. Two primary applications are being used to address these needs.

The first is a robust customer relationship management (CRM) solution. As customers use different channels and the number of interactions between financial institutions and customers increase, so do the sources and volume of data staff must manage and understand to provide relevant offers to customers.

Successful CRM solutions foster the collection and aggregation of customer data, support value creation by turning data into insight and insight into action, and enable staff to distribute timely and relevant offers based on customer need (Figure 3).

Figure 3: Key Components of a Successful CRM Solution
Illustrative



Source: CEB analysis.

These solutions should leverage predictive analytics to make sense of customer data and provide real-time decisioning across marketing, sales and service applications. Recent investment and exploration of artificial intelligence is also worth watching. The use of chatbots as a tool for branch and contact center employees is a new idea but is a logical long-term use of AI.

In addition to aiding the customer experience, CRM solutions can also help financial institutions with compliance. An audit trail, including when and how staff interacted with the customer and the products and services that were offered, can provide evidence of compliance with regulations and adherence to bank policy.

CRM solutions address many of the key performance metrics and business outcomes associated with forming customer relationships. With a better overall customer picture, staff can reduce the time it takes to spot customer issues as well as improve product targeting. Armed with guidance from a CRM solution, staff can conduct guided conversations with customers, providing the right message, offer, and level of service at the touchpoint the customer prefers. This will be particularly important as banks shift from a product push methodology to guided processes consisting of relationship-building conversations that help customers better manage their finances.

In addition to CRM, process automation can significantly improve the employee experience. As financial institutions enable and expand channels across the firm, the number and sources of processes become increasingly complex. A smaller scale approach to process automation is to employ robotics to automate repetitive tasks that staff shouldn't be asked to complete. A larger, more comprehensive approach is a full BPM solution with case management, providing consistent process workflows to increase efficiency and agility in the day-to-day front- and back-office business operations of the financial institution and reducing human error and miscommunication among staff.

Customers often use multiple channels for products, services, and problem resolution. BPM solutions help provide a seamless experience, regardless of channel. The benefit of a BPM solution is that the underlying process can be exactly the same, regardless of the channel the customer uses. For example, a customer might start a loan application on a tablet in the branch and then continue the process at home on a mobile device. Armed with the processing power of a BPM solution, financial institutions can standardize and automate thousands of processes that provide a good customer experience.

Measure and Reward Employees for Building Long-Term Relationships

Firms committed to building long-term, growing relationships with their customers need to rethink the way they train, coach, manage, and reward customer service representatives.

Top financial institutions are now shifting their training curricula away from teaching product knowledge and operational procedures. Instead they are teaching staff to apply listening techniques and frameworks for identifying what the customer needs and delivering personalized resolution. Creating a climate where staff are permitted to act in the best interest of the customer requires new ways of guiding, measuring, tracking, and rewarding individual performance and team engagement.

One way that financial institutions are rethinking their approach to performance measurements is to rely less on widget-based sales goals. The traditional method—which requires staff to offer products and services based on campaigns and sales goals – is focused on short-term numbers more than long-term relationships. Rather than scoring staff on their ability to sell products, firms should assesses them on core competencies such as negotiation and rapport building, relationship-based metrics like attrition and product usage levels, and scores such as the Net Promoter Score (NPS) and Customer Satisfaction Score (CSAT). By articulating the characteristics and metrics of high performance in each competency, firms allow staff to interpret prescriptive recommendations and make best-interest suggestions in individual customer interactions—and to be evaluated by managers accordingly. These tracking mechanisms combined with needs and goals assessment tools within the sales process ensure that staff are acting in the best interest of the customer and alerts managers and compliance staff of the quality of the customer experience.

In addition to approaching performance management differently, financial institutions need to provide rewards that support building long-term relationships. To shift the burden of product matching away from representatives, firms should reward representatives based on productivity measures and set client objectives.

For example, a financial institution can redefine their frontline roles to reward staff for competencies like customer service and deepening relationships. In doing so, the financial institution motivate staffs to perform multiple, diverse tasks.

Conclusion

As digital channel usage continues to rise and disruptive fintech companies continue to emerge, retail banking executives are increasing profitability through improvements to customer-facing processes as well as staff incentives and risk management. However, while the traditional role of bank staff may continue to exist for some time, investing in technology to merely connect customers with staff guidance and product expertise is a strategy with limited – and decreasing – returns. As banking transactions migrate to digital channels, the role of the branch is shifting to focus more on guidance and advice.

Leading retail banks are already exploring new technology like artificial intelligence, predictive analytics, and process automation to remove the burden of cumbersome processes and free up staff to focus on helping customers better manage their finances. By creating mutually beneficial relationships with customers, retail banks set themselves up to build trust with their customers and win in this new environment.

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