David Peterson
Chief Innovation Officer

Why the Customer Experience Matters

There is a concept that combines real and implied elements as it relates to how a customer "feels" about their primary financial institution. Marketers call this the Customer Experience (since I want to be one of the "cool kids", I will refer to this as CX for the rest of this article …). The problem with CX measurement is that it is not all empirical; you can't accurately measure someone's "feelings" and more specifically, how one "feels" about any business enterprise can vary widely even from one day to the next. I like to think of CX in two ways; first as empirical data that can be measured about attitudes towards a specific product or service and an overall satisfaction of the institution that is not empirical but that can be identified at various points of the customer journey.

If I was able to survey banking customers on specific feature and function aspects of the services they consume, it would provide a direct and empirical measure of CX. For example, ask a question like "How well does our mobile banking app serve your banking needs" that has 5 possible answers from "Extremely Well" to "Not Well At All". Suppose you asked that question on a survey that was delivered annually to all customers who use mobile banking. Would you get an answer that represented the overall experience of that customer across all mobile banking experiences for the entire year? Or would their answer be more reliant on a recent mobile banking experience? Good or bad, recency bias says that our most recent experience is what we are likely to be thinking of when we are asked about our rating of a financial service.

On the other hand, suppose after every mobile banking login, you asked that same survey question. While it would generate a much larger volume that should average out to represent the overall CX over a year's time, the mere fact that you are asking this question every time would likely drive the user to provide a negative survey result out of pique. Somehow, we need to find the balance of ascertaining customer sentiment without artificially driving that sentiment against us.

I was thinking along these lines when this article came across my newsfeed from The Financial Brand. The article was headlined: "Banks With Strong Digital CX Generate More Profits Than Peers" and that title certainly caught my attention. You can read the full Financial Brand Article. Here are the key takeaways:

- Financial institutions that are successfully achieving a higher level of CX seem to be further ahead of their peers in the following areas:
  - Deploying a modern IT infrastructure
  - Effectively mining data and applying analytics to sales and service elements
  - Partnering with Fintech and third-party providers
  - Enabling a culture of innovation
  - Achieving seamless omnichannel delivery
  - Educating and empowering a digital-ready workforce

- The article breaks down FIs as under \$10B, between \$10B and \$100B and over \$100B
  - Institutions in the \$10B and under group were overall more successful as those in the \$10B to \$100B category, but not as well as the over \$100B institutions.
  - Smaller FIs did better in the category of a modern IT infrastructure but lag behind in building an innovation culture

So what can we take away from this view of CX? Here are some immediate thoughts:

- It does not surprise me that the smaller FIs can achieve a high level of IT proficiency. The vendors that serve our markets have done a pretty fair job of giving us the tools we need to be competitive. In fact, I would suggest that it is more likely that the virtual branch options that most FIs deploy are more likely to be held back only by the FIs willingness to fully deploy these tools and avoid implementing nonsensical restrictions on their use (i.e.: like placing a ridiculously low maximum amount for a mobile deposited check or external transfer … ugh!!)
- The largest FIs have a lot of money to chase great CX and by all respects, they are doing a great job. While there are still those that abhor the idea of banking with one of the super-regionals, their virtual banking services are so good, especially in comparison with many smaller institutions, that any hesitation about service levels are replaced with amazing functionality available at a time and place of the customers choosing. Good self-service beats great personal service EVERY TIME!
- There is a great need for an authentic wave of innovation to sweep through the $10B and under FIs. I say authentic because it cannot be something that you attempt to do that is not sustainable and systemic. It needs to be enterprise-wide and something that gets ingrained into the culture, to the extent that an innovation element becomes a part of the annual review process. You have to get serious about innovation. And it yields results beyond the improvement in CX, you will attract the very employees needed to appeal to the new wave of young millennial and Gen Z customers that must come on board to fill the top of the customer acquisition funnel. Measurable, authentic, systemic … innovation.
- I have recently opined on the need for employee education so no need to repeat that content. But CX will not improve without all hands being educated on the fullness of your virtual branch experience. Get all your customer facing employees to use your virtual branch services and let them tell stories of their own experiences instead of user manual feature bullets.

There are two important points I want to impart: 1) CX is a real thing and you need to figure out how to achieve a high level of CX with your customers and 2) You must have a meaningful way to measure CX otherwise you have no clue where you are on the path to achieving #1. Sounds like a Catch-22? Maybe. Here are some ideas that might be worth exploring that can solve this conundrum:

1. Start a CX Focus Group – instead of polling all customers all the time, you can create a meaningful group of customers that would represent a reasonable cross section of the users of a particular service. You would specifically instruct them that you want them to capture elements of how a service is working for them (or not). You could meet periodically, say once a quarter, and have a focused discussion on various aspects of the CX from service Feature/Function to communication, customer service and more. You would be surprised how many customers would gladly participate in a focus group like this if asked.
2. Identify the Tech Wolves and Engage Them – Tech Wolves are super users, individuals that seem to use the system to its maximum extent. It is these users that take options that no one ever knew existed. If there is a weird error message or a bug is discovered, it is certain a Wolf will be who found it. Rather than curse these high tech users, you should harness their input and strive to overcome any and all shortcomings in your virtual branch experience. (Confession – I am a Tech Wolf: I just signed up for a new bank account and told the senior officer over operations that there was good news and bad news. The good news is that I am a SME on electronic banking and I would be communicating on my experience with their online banking. The bad news is that I would be communicating on my experience with their online banking. So far, they haven't closed my account.)
3. Understand OmniChannel and Make it Happen – Many bankers don't quite get omnichannel and how it relates to CX. Think if it this way, if there is a process for any given product or service, how consistent is that process across all channels? If I am opening a new account, how different is that process in the branch versus online? Or on my smartphone? For example, can I use an ACH debit from an external account to fund my new account online? If so, great! Can I fund a new account from an external account using an ACH Debit in your branch? If no, why not? This is but one small example of where the process for a specific activity is different depending on where you happen to execute that element. And it doesn't make sense to customers. They do not know or care that the vendor you use for new account opening in the branch is not the same vendor you use for mobile online account

opening. They expect that services are omnichannel – it doesn't matter where I am, I should have a consistent experience with my financial institution.

Regarding the 2nd element of CX that I referenced in the opening paragraph, how will you measure the overall satisfaction that isn't empirical? Some use the net promoter score concept, meaning you ask something like "Would you recommend XYZ bank to a friend or family"? The idea is that if they would recommend you, then by definition, their overall opinion would be positive. I know marketers that swear by the net promoter score and others that eschew its effectiveness. I would say that if used properly, it does represent a fair representation of customer sentiment. When I am doing a customer experience survey, I usually start with a question of overall satisfaction – before I ask any specific product or service related questions. This tends to get a genuine response since I have not introduced any other questions that might cloud the overall impression or attitude of the organization.

Maybe you have a solid program for measuring CX and encouraging it to increase. If so, let me know, I would love to showcase actual FIs and how they are faring on enhancing / measuring CX. If you are struggling with this concept, I get it, it's like squeezing a handful of Jell-O. The tighter you squeeze, the more it runs through your fingers. But handled carefully, managing the CX and further meeting and exceeding customer expectations will dramatically increase your viability in the coming years. Let me know if have any questions and it's likely that we can come up with meaningful options for you to deploy.