Why financial institutions are failing to transform the client experience

Executive Summary

Between stay-at-home orders and health safety restrictions, the global pandemic dramatically accelerated the adoption of digital technology. This is proven by the staggering numbers of consumers who migrated to virtual channels looking for rapid, personalized services and products, including their finances.

Financial institutions quickly spoke to how eager they were to leverage the benefits of digital solutions, and it looked like they were finally realizing both the urgency and untapped potential of seamless, cross-channel interactions to improve customer experience.

And yet, despite digital transformation being one of 2021's most talked-about business imperatives across the financial industry, studies show only **14% of financial services companies are actually in the process of implementing digital strategies.**

The wide discrepancy between rhetoric and action raises a troubling question: If it is paramount for financial institutions to leverage technology so they can meet changing customer needs - and they openly recognize this - then why are so few doing it?

To answer this, we need to delve inside the inner workings of financial institutions to find out what barriers are stopping them from embracing the change. What we'll see is that transforming the customer experience is not simply about adding new digital to a technology stack, but about initiating and then implementing a widespread cultural shift within an organization. Only when you change how you look at customer experience can you make the right decisions about the tools to rebuild it for the digital age.

So, what are some of the key internal and cultural barriers to digitizing client experience in financial institutions?

From whence you came...

When you consider the experience they have accrued and the culture they have been immersed in, one of the first and most consequential barriers to change are financial leaders themselves.

To put it bluntly, most financial services leaders lack the fundamental understanding of what technology can do to elevate client experience.

In most cases, decision-makers at financial institutions were hired, weaned, and rose the ranks on the financial side of the business. Very rarely have they worked in marketing or client-facing roles, much less grown up in a digital business where everything is built up from and around customer experience.

Conversely, the leaders of digitally native companies understand the importance - and means - of connecting customer experience to technology. They are already well-versed in how critical tactics like UI, design, layout, loading speed, and more – used by digital-first companies for years – go into making up a holistic and seamless customer experience.

But without that first-hand experience of a digital business, or the norms that come along with it, the leaders responsible for making key decisions about digital strategies are often ill-equipped, and yet still required, to do so.

We see this play out when, at the critical juncture to evaluate and decide on exactly how to digitize effectively, financial institutions often simply rely on the good word of what a vendor is telling them, or else end up “browsing” whatever solutions are available in the market, hoping that a quick digital makeover will be enough.

Support networks

Even if they have decided or are poised to implement new technologies to modernize the customer experience, financial institutions come face-to-face with the next barrier, one that might prevent them from moving forward at all. The decision to adopt new technologies often means agreeing to also provide for the ongoing financial and material support that such implementation usually entails, from initial setup through to the intermittent maintenance and constant monitoring of the systems themselves. In many cases, this requires hiring a dedicated person who knows the technology inside out and can handle any variety of servicing or support issues that come along with it.

Reticent to re-distribute precious resources or accrue additional or ongoing costs, financial leaders – again, enculturated with a more business mindset – may decide to double down on their legacy technology system where the costs are already well known and accounted for.

Yes, there are digital tools right now that can integrate with the existing technologies of legacy systems, with virtually no coding and without the need for dedicated help. But until the cultural values of an institutions shift enough to displace old mindsets, key decision-makers won't even be able to see the readily available solutions right before their eyes.

Cost benefit paralysis

Whether lacking digital business experience or a digital growth mindset, when key leaders face digital strategy decisions, they often frame the issue as representing bifurcated, or even competing, objectives.

For financial leaders, it's about balancing objectives that are consumer-oriented against other objectives that are more core to the financial industry, measured in yearly bottom lines. And from this standpoint, believing themselves caught in a zero-sum game, it's difficult for them to see the ROI on making an investment in technology to improve customer experience.

This becomes a critical dilemma for financial institutions. They know that they must digitize but lack the in-house people, skills and mindsets that truly understand the less immediate but much more profitable ROI of implementing new technology in the long term.

The end result? Decision-makers that believe themselves to be caught in this bind see the curve of internal adoption for new technologies as both very steep and fraught with risk. Fearing this – while still knowing that something needs to be done – leaders of this stripe become trapped in a cycle of indecision that is further perpetuated by the risk-averse nature of large organizations.

Unfortunately, the irony of the situation is that these objectives are not competing at all – consumer-oriented solutions will help achieve financial objectives - and ultimately reinforce each other for a better, more vibrant and agile business model that takes the customer experience seriously.

The odds are stacked

As an institution grows, so do its processes, tools, ways of thought, and cultural norms - all of which spread and become entrenched as “the way things are done” in all the micro and macro-operations of company, from tactic to strategy.

Many of these shortcomings are quickly coming to light as digital fintech tools become the solutions of choice, exposing how financial institutions are sitting on a technology stack that is decades old, sometime up to 40 years. And on-premises, main frame technology is not going to get an organization where they ideally want to be in the current climate of instant and personalized expectations of consumers.

It’s become very clear now, that to gain and retain customers, financial companies need digital tools that are agile, micro-services driven, and anticipatory around customer needs.

However, despite its necessity to move the financial services industry into this century, this issue is not about procuring new technology. This is a culture issue. Financial institutions need a full cultural rethink that, first, prioritizes how to engage customers in the best possible way and, second, reorients the technology priorities of the organization to meet that. Before getting agile tools, people need to know why they need them and how those tools will get them to where they want to be.

Going in blind

Despite access to troves of customer data, large financial organizations – siloed, matrixed, reactive – have little to offer in terms of actionable insights into the current customer experience. With their data bound to rigid, slow-moving structures, it remains trapped and unused, and represents a major barrier to digital transformation.

Unless they have a very focused and empowered customer experience group dedicated to developing an understanding of how current consumers want to be treated on their purchasing journeys – and know how to leverage the right data to do so – most large organizations don't even know what the problem is.

With only vague notions of what customers truly want, the best financial institutions can offer are reactive measures, band-aid solutions followed by a "wait and see" approach to what is, in fact, a whole series of interconnected and complex issues that make up a truly contemporary digital customer experience.

We see this play out when financial companies – knowing they have to digitize, but unsure how – simply take an analog process and put a digital wrapper around it. They do so without rethinking the process of why it needs to be there, or what consumers want and expect in the first place.

For example, most clients now expect to interact with their financial providers via mobile. But, if all financial institutions do is "make an app for that" without truly optimizing mobile engagement to make it more user-friendly, intuitive or accessible for easy, self-service help, their efforts will yield little but a frustrating customer experience.

Without true insight into the customer experience - and the consequences of what the experience has on their business - large organizations don't even really know what they're solving for.

Fortress mentality

After years of bureaucratic and process creep, large organizations often find themselves structurally trapped in fortress-like silos and webs of sluggish, distributed decision-making.

So, when it comes to finding and deciding on technology solutions, different groups naturally come to the table with their own opinions: a digital team, literate in the nuances of technology; a business team focused on business goals; and neither have the same outcomes in mind.

When third-party digital vendors make their case, they'll argue that their technology can cut costs or improve ROI by 10 percent and the business leaders are all ears, while the tech team didn't even know that it was a problem. In the next breath, when the vendor presents complex UX and technology flows, it's the business side's turn to be flummoxed while the tech team nods in agreement.

In situations like this, when two sides only see each other through the lens of their own silos - at odds and maybe even as "competitors" - it often spurs endless conversations about what to do next, conversations that ultimately go nowhere. Transcending silos and distributed decision-making, forward-thinking financial leaders need to step forward and accommodate these two different sets of expectations or else the fortress mentality will always be a real barrier to transformation, played out over and over again in heated conference room debates.

Building bridges

Trust is the beating heart of a financial institution's ethos, which prides itself on building lifelong relationships and caring for their customers – and their customer's data.

Protecting this trust is imperative. The idea of adopting technology that may cause compliance and data security challenges certainly raises questions in an industry as highly regulated and sensitive as banking.

Understandably, then, institutions are often wary of adopting digital tools whose security measures don't mirror their own legacy measures and need to be assured that their potential partners have the right processes and policies in place to mitigate risk.

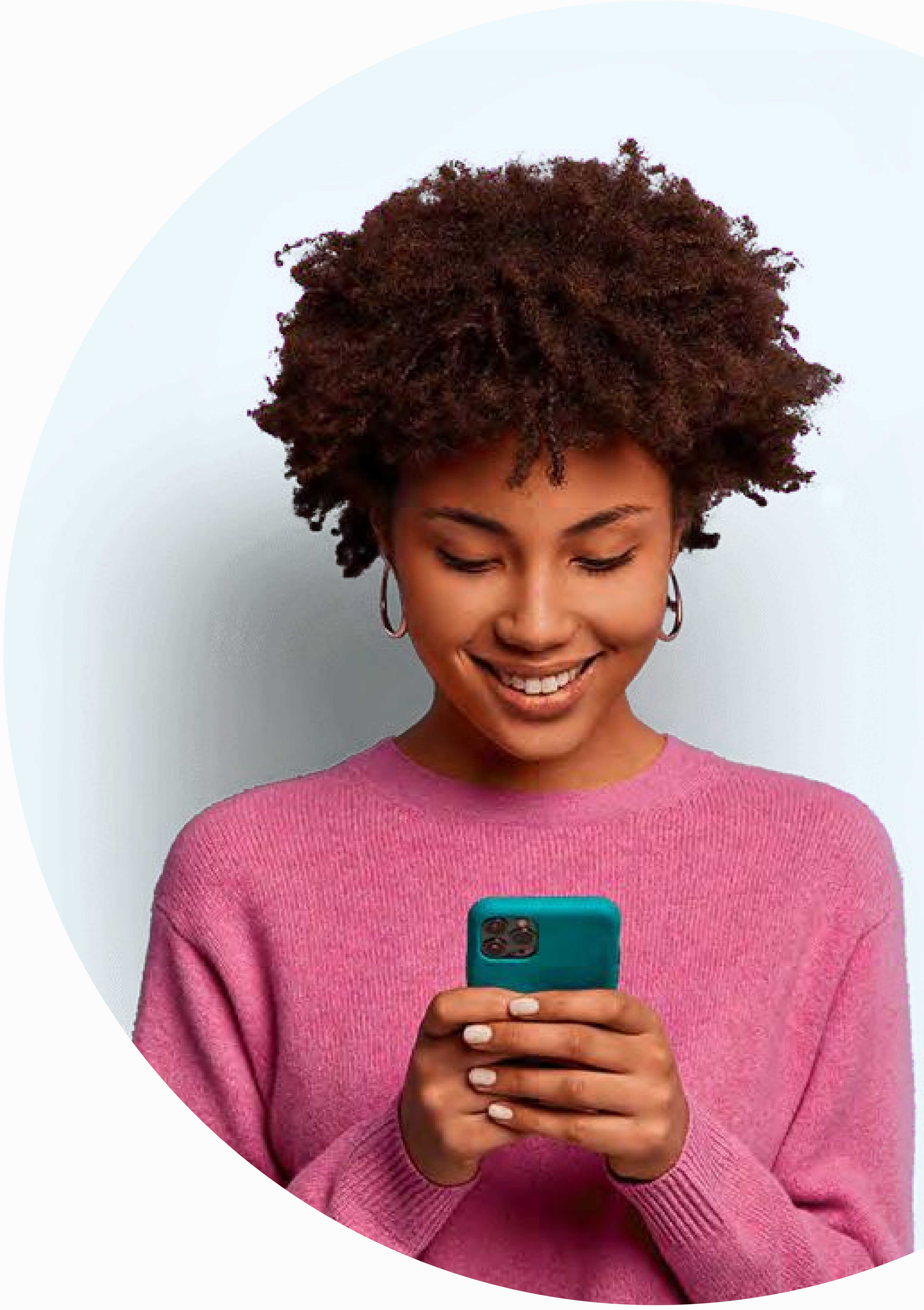
Security certifications like SOC2 – issued when outside auditors assess that a third party meets the strict regulatory requirements to guarantee secure data management and privacy measures – are exactly the bridge that builds trust between fintech, vendors, financial institutions and third parties.

To get their buy-in, financial leaders need to be made aware of the reach and rigor of security accreditation measures that are baked into many digital tools, so that they can extend the same trust placed in their institution to the right digital partners.

Secure your place in the future

Consumers expect their financial company to deliver exceptional digital experiences across a variety of digital and in-person channels. And if financial institutions fail to do so, or further neglect the evolving needs of today's customers, they will end up losing the business of these unsatisfied clients.

Top to bottom, across department and rank, financial service providers need to align on what a great customer experience looks like, more so for those saddled by legacy systems. To do this, however, organizations first need to examine how their culture directly or indirectly erects the internal barriers to digital transformation, and only then can they cultivate an in-depth understanding of how they should build their customer experience. From here, it's a short step to implementing the technology that delivers the seamless experiences so crucial to ensuring customer satisfaction.



Digital change continues to move at a rapid pace and, rather than be cowed by the fear of being left behind, financial institutions need to reframe this as a unique opportunity to embrace the culture that will build the customer experience of the future, so they can secure themselves a place in it.

Learn more about how Statflo helps financial organizations transform their client experience.
Book a demo today.

Find out more

statflo.com