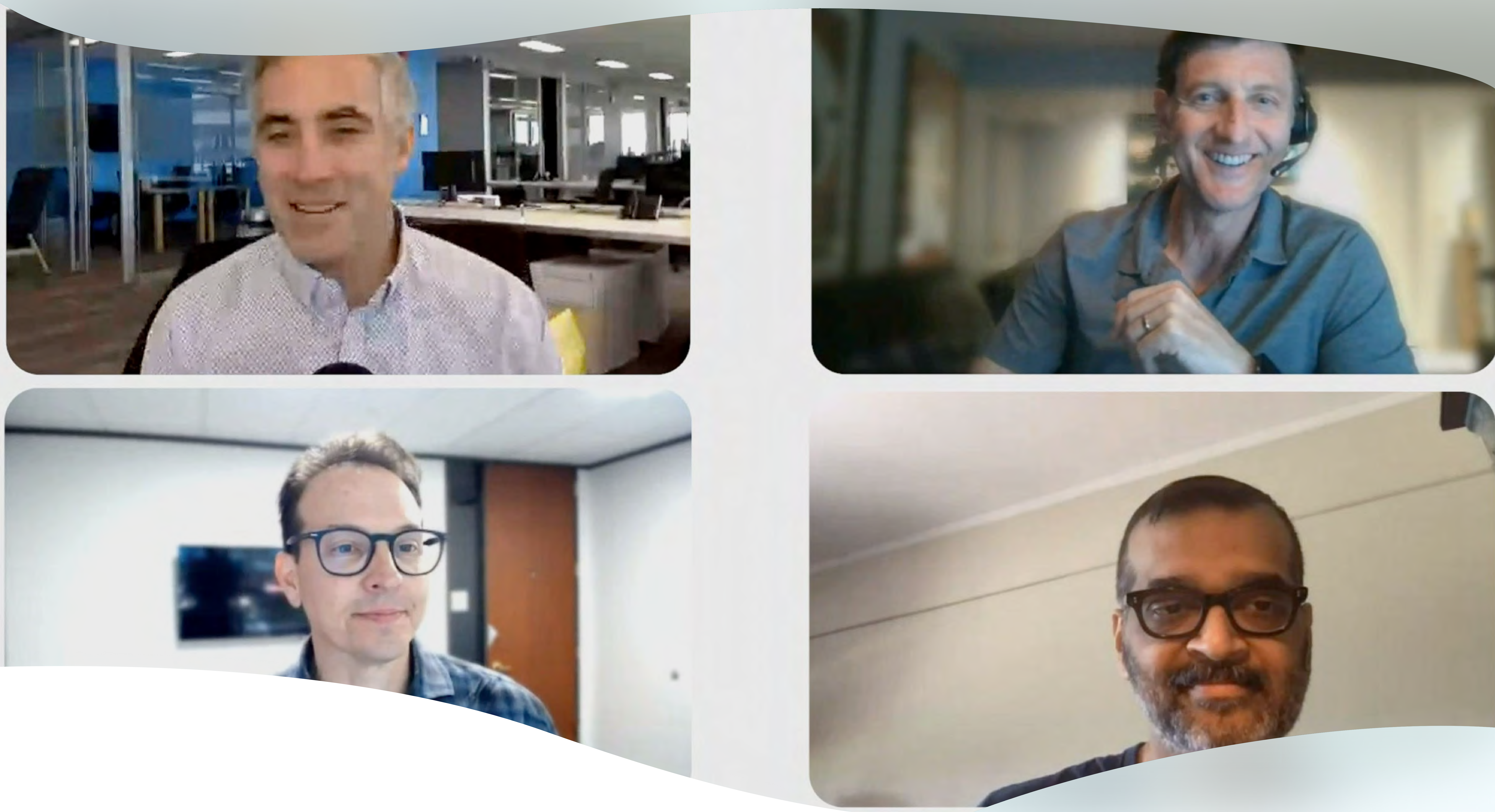
Why Financial Services Need to Digitally Transform the Client Experience



Every industry and sector,

regardless of product and service, is facing higher expectations regarding digital customer experiences.

Many banks, financial institutions and credit unions, however, are struggling to keep pace with digital customer-oriented transformations, but those forward-thinking enough to have invested in the right agile technologies have become stronger amid the shift to service-first and digital-first channels.

A **recent Statflo webinar** brought to light many of the barriers holding back client experience and digital transformation in banks, credit unions, and regional financial institutions. To this end, **Scott McArthur**, Statflo's Chief Revenue Officer, hosted three experts in digital client experience and financial institutions:

Bijon Mehta, Global Head of Financial Services, **Twilio**

Keith Brannan, Chief Marketing Officer, **Kasasa**

Rob Assimakopoulos, Principal, **Silver Scion Inc.**

The four shared their experiences of and expertise on digital transformation in the financial sector, touching on a wide array of critical issues - including removing legacy obstacles, improving the client experience, and building customer trust and loyalty – that will be reviewed and elaborated in this whitepaper.

Barriers to revamping the digital structure

The task is daunting, the stakes are high and, above all else, the barriers to revamping the digital structure of FIs are numerous and often entrenched. Legacy-minded leaders, structures, processes, and technologies continue to keep FIs mired in old ways of thought and action, and either reticent or unable to embrace digital change.

Most FI leaders are not digital natives

In most cases, financial institutions were not created to be digitally native companies, and therefore, technology is rarely, if ever, woven into the DNA of the business or its leaders.

FI leaders tend to be business-to-business (B2B) oriented, with less involvement in marketing or client facing roles. Consequently, they tend to have a more targeted focus on business initiatives that are geared towards the bottom line. So instead of charting their own technological path, they rely on what vendors are telling them about what digital solutions are already in the market.

As Keith Brannan - Chief Marketing Officer of Kasasa - remarks, this is “a very B2B-focused limitation, making decisions based on lack of knowledge, [and] not a consumer-oriented focus.”

In other words, too often FI leaders “don’t even know what they don’t know” when it comes to digital transformation and have trouble seeing the ROI in shifting towards a more customer-centered orientation.

No internal adoption model to reframe risk into opportunity

Since FI leaders don’t have much experience with digital technologies, they can be unsure of how to manage the risks associated with new digital capabilities. Most importantly, FIs don’t often have the infrastructure or the in-house skill sets to tackle, champion, and implement new technology, critical to its adoption. In short, without an internal adoption model, FIs are simply not equipped to manage the new tech, even less so when its effects will quickly spill over into marketing and customer service.

Digital moves very quickly, much quicker than FIs, so as Brannan notes “the curve of internal adoption [is seen to be] super steep and fraught with risk for many FI leaders.” Seeing the breadth of transformations, decision-makers take too much time weighing their options which, in a fast-paced, highly-competitive sector where time is of the essence, puts an FI even further behind.

Barriers to revamping the digital structure

FIs rely on legacy tech and legacy structures

Many large FIs structurally operate as legacy institutions, relying on both a 30-to-40-year-old technology stack and a rigid series of top-down silos where expertise and ownership of responsibility is not distributed across teams within the organization. A **recent study** details the costs of such organizational complexity and legacy IT systems: increased transaction costs, unexploited customer data, impediments to innovation, and a degraded customer experience.

Legacy structures make it difficult to push for change, to get things done, and to understand another group's position – all of which, most critical to this discussion, prevent FIs from anticipating customer needs. When banks, for example, make a potential client come into a branch to verify their status to avoid potential fraud, this is a legacy process that fails to support straight-through processing, digital fraud monitoring, or meeting the consumer digitally after normal bank hours. Demands like this result in banks losing 80% of people at the top of that onboarding funnel when, in all likelihood, that same person would be approved in a digital model.

Legacy technology, just as damaging, slows down time to market for new products that could improve the customer experience. According to a **2019 McKinsey study**, "the lack of microservices and APIs...the reliance on non-cloud-enabled data and analytical packages, and the lack of 'agile-scrum' ways of working—all conspire to hamstring efforts to be nimble." In other words, to modernize the customer experience, your technology needs to be modernized first.

Whether structure or tech, moving away from the 'old way of doing things' requires, as Bijon Mehta, Global Head of Financial Services at Twillio points out, "a cultural shift", a full-blown rethink of "business mix [and] customer engagement" that, ultimately re-orients the priorities of the organization.

Leaders need to address the gap between knowledge of the technology and knowledge around customer experience, between rigidity and reaction time, and shift towards a service-centered orientation in how digital capabilities are employed throughout the organization.

Analyzing data to improve customer experience

In the absence of data analytics and expertise, many FIs fail to effectively utilize the information that is available to them. Most lack an empowered customer experience group, a dedicated data analysis team, or even people within the organization that can conceive of and generate data-based 'service design' solutions.

In the words of Rob Assimakopoulos, Principal, Silver Scion, "[FIs] have a lot of data, but not a lot of insight into that data."

Without a true, data-based understanding of the customer experience, FIs are not even aware of the problems they are trying to resolve.

The better usage of technology leads to predictive data analytics that identifies customer service problems before they occur and aims to correct them before they affect the customer's experience. The increased availability of data and computing power makes it possible to better price risk, tailor products or services to the needs of the consumer, and improve the overall experience.

Key challenges to improving the customer experience and personalisation

When people are privy to a few exceptional digital experiences, say food delivery from Uber Eats or streaming entertainment from Netflix, they will quickly expect the same high-quality customer experience in all aspects of their lives. People's expectations of the customer experience – seamless, personalized, omnipresent, consistent - have evolved quicker than the capabilities of FIs to deal with, which have often neglected CX in the strict pursuit of bottom-lines.

Blind acquisition or a balanced mindset?

Many leaders in FIs are more concerned about getting to the next customer rather than making sure the one they onboarded is happy. The pursuit of new business comes at the expense of never really considering what it takes to retain that business over the longer term.

As Asimakopolous points out, "FIs have to think about how they rebalance an acquisition mindset with an experience mindset and make sure that the customers that they spent money acquiring, they spend a little more on to keep." Neglecting customer retention translates into a disproportionate amount of attrition early on in the relationship. A more balanced mindset involves better appreciating the high costs of acquiring a new customer and having processes to keep them happy through the whole customer lifecycle.

Doing this often only requires the minimal effort of small, meaningful gestures like checking in with the client soon after onboarding to see if they have any issues. These small acts - an inexpensive and simple investment, given the technologies readily available to make them happen – help open up productive lines of communication between the FI and the customer.

Create feedback loops to generate more information from the customer

More organizations are adopting diverse channels like email, phone and text messaging to reach customers, which allows FIs to better understand their needs and preferences. This information can be used in subsequent outreach to generate more personalized messaging to better capture the customer's attention. Over time, this builds a pipeline of feedback loops that continually generates more refined data about a customer's preferences that can be used to increasingly fine-tune offerings.

At that point, Bijon Mehta sees subsequent outreaches "now start to form something that we all refer to as a more personalized form of engagement which we are all trying to do ultimately, and that captures a customer's attention."

According to the **Bank for International Settlements**, one of the world's most important financial institutions, banks that pull ahead in terms of digitization will be able to leverage this feedback loop to grow market share.

But this growth isn't just reserved for the big players. Opting to be tech-forward and agile, smaller or newer banks will also be able to ride this wave if they capitalize on thoughtful and strategic digital transformations of the client experience.

Key challenges to improving the customer experience and personalisation

Misunderstanding the customer

Too many FIs fear losing customers if they reach out to communicate with them, assuming that customers will be bothered or disturbed. A related misconception is that many financial institutions believe themselves to be their client's only financial services provider, when they may be only one of several banks the client is working with.

Evidence from a **2019 survey by the Federal Deposit Insurance Company** suggests that customers often have multiple financial service providers who are all vying to establish themselves as the 'primary' service provider. But as Brannan rightly declares, many banks have "totally missed the concept of the complexity of the consumer's financial life today."

However, by employing trigger-based marketing that identifies key events in a customer's lifecycle and delivers the right kind of marketing message at the right time, it is possible to engage the consumer on a consistent basis to share information and find out what they're interested in, all while being unintrusive .

And given the low cost and accessibility of technology, it is now easier for smaller and midsize banks, as well as specialized segments like commercial lending or advisory wealth management, to begin investing in these kinds of low-stakes, high-yield tactics.

Disruptors

Disruptors are everywhere and, as long as digital innovation continues, will never stop appearing just on the horizon. In many parts of the world, for example, telecom providers are breaking into the banking industry. According to **Reuters**, African mobile phone network providers have amassed more account holders than the continent's major banks.

Closer to home, whether fintech startups or digital giants like Apple, Google, and Amazon, a host of players are rushing into the financial services sector, leading a CX revolution and beating FIs at their own game.

Leveraging digital technologies has enabled these disruptors to better adapt and respond to both customer needs and unforeseen events like the global pandemic. Their growing influence is a healthy reminder to FIs that their market share is not inevitable and they too need to adapt and respond, because the next disruptor is always right around the corner.

Best practices to build trust and nurture the customer relationship

Digital-savvy customers, with elevated and shifting expectations about how they should be talked to and treated, have increased the importance of building trust. To do this well, FIs need to invest in the tools that can guarantee them the right kind of returns – better customer data, personalized messaging, consistent data security and compliance – so that they can grow that trust into lifelong relationships.

Understanding the demographics of your customer

Any organization looking to be client-centered needs to understand the demographics of their target audience and what that audience prefers and expects, from the tools it wants to use to the communications it receives.

To know customers better, FIs must make better use of digital technologies to leverage data into 'feedback loops' that can better shape the client experience to existing and projected needs.

For example, personalizing service according to customer preferences starts by simply asking clients a direct question, the response to which is measured against actual behavior. Evaluating the gap between claimed versus actual response immediately lets you know how to fine-tune a particular service and is one of the quickest and easiest ways to use the data that emerges from digital tools to re-orient service and CX.

Anticipating the dread of the fine print or the "catch" of what seems like a deal, customers exhibit a skepticism towards even their primary FIs. But using data to understand your audience means that you can begin to build relationships with more transparency, engagement, and personalization.

Messaging that reassures

Simple, reassuring messages that acknowledge the consumer (and any difficult position they may be in) convey an authenticity that builds trust. For example, during stressful events like the global pandemic, it is important to let consumers know that you are always there to help them and are open for business through online, telephone, or brick-and-mortar branches.

Integrating an ever-present awareness of customer needs into other processes is an essential step to becoming a service-oriented company. A business culture and mindset that centers around improving the customer experience through agile, digital technologies and authentic, personalized communication is always primed to put customer expectations first while having the tools to meet them, day in, day out.

Virtual banking and security

Providing privacy and integrity of data is paramount for establishing trust between a bank and its clients. For that reason, implementing a secure virtual banking method is now a standard practice in the sector - but some FIs are reluctant to adopt new technology due to security and governance concerns.

Innovation and security are not at odds with each other. In fact, the reverse is true. There are digital technologies specifically designed for FIs, such as Statflo's enterprise-grade business messaging platform, that have built-in features that automatically ensures the security of data and regulatory compliance.

Yes, all players in this sector face these issues, but those FIs who are already able to handle the magnitude and complexities of virtual banking both securely and remotely are better positioned to address evolving customer needs during any period of disruption.

What is your future?

In the last few years, every FI has faced a crossroad. Some have chosen a brighter path to a digital future, others are paralyzed with indecision, some remain hidden behind the crumbling walls of their silos. Digital transformation, however, is necessary for FIs to survive.

It will be next to impossible for financial services companies, big or small, to make it through the current wave of changes without a digital overhaul that addresses legacy shortcomings and widening gaps in providing the digital experience customers expect.

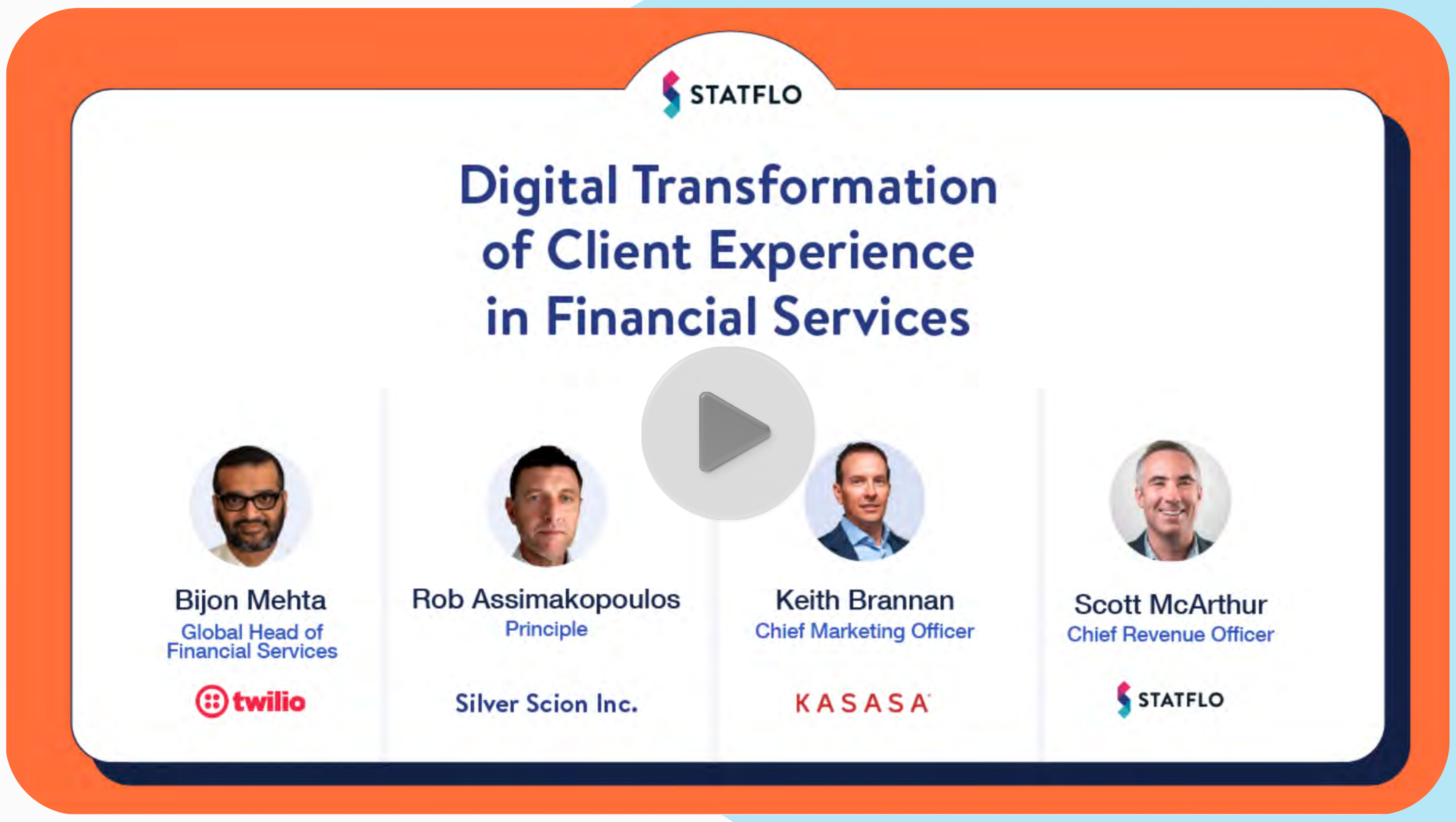
This is neither hyperbole nor fear mongering – it is simply the writing on the wall, because change never waits for you to decide.

Thankfully, with a little imagination and the right tools, FIs of any size can emerge from this precarious era, not just unscathed, but with increased revenues through digital efforts and personalized customer service, stronger and better positioned.

As the only fully compliant enterprise-grade customer engagement platform designed for frontline teams, Statflo has built the world's leading technology-enabled, compliant, data-driven messaging solution that lets companies maximize the full potential of their customer relationships.

Additionally, we enable financial institutions and many other industries to take advantage of our ability to communicate with customers via personalized messaging on their preferred medium.

For more information and to watch the webinar follow the link.



To learn more about using texting to communicate with clients, check out our [texting for Financial Services page.]

Find out more

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