

**Harland Clarke Webcast**  
**Taking the Mystery Out of the Consumer Experience**  
**TRANSCRIPT**

Presenter Stephen Nikitas, Senior Strategy Director, Harland Clarke Presenter Linda Schrock, Director of Research & Mystery Shop, Harland Clarke

**Speaker:** Good day, and welcome to Harland Clarke’s webcast, “Taking the Mystery out of the Consumer Experience.” This webcast is being recorded, and a replay will be provided to you within a few days. If you have questions, please use the chat box located in the control panel. The questions are private and are only seen by the presenters. I will now turn the call over to Stephen Nikitas, Senior Strategy Director at Harland Clarke. Stephen, you have the call.

**Stephen:** Great. Thank you, and welcome, everybody. Good morning to our webinar where our focus today is going to be mystery shopping, something that’s obviously of interest to a lot of folks out there because we’ve got dozens of attendees for today’s webinar. As you heard, my name is Stephen Nikitas. I am the gentleman on the right-hand side of this particular slide. I am a senior strategy director with Harland Clarke. In my role as a senior strategy director, I help financial institutions to understand how Harland Clarke Marketing Services programs can help them to continue to grow and prosper.

My colleague and co-presenter today is Linda Schrock. Linda is Director of Research & Mystery Shop for Harland Clarke. Linda, would you be kind enough to give our attendees today a little bit of background information about yourself?

**Linda:** Yes. Thank you, Steve. Good morning, everyone. My name is Linda Schrock, and I am the Director of the Mystery Shopping & Research Program here within Harland Clarke. Our role is to work with clients so they have a better understanding of their overall quality of service they’re providing, but also, to help measure and help educate the staff as they move forward with the Mystery Shopping Program.

**Stephen:** Great. Thank you very much, Linda. Let’s take a moment, and talk a little bit about what today’s session is going to be all about. I’m going to provide everybody with some insight on what’s going on out there in the financial services world that I think you’ll find very interesting. It really ties into the value of conducting Mystery Shop programs, which I’ll touch on later on in the presentation. At that point, I’m going to hand the reins of this presentation over to Linda who’s going to talk about the Harland Clarke program. She’ll talk about competitive comparisons and how Harland Clarke has the capability when we conduct mystery shopping endeavors for financial institutions to, at the same

time, look at your competitors and shop them as well. Linda will then talk about our online reporting tool called EnGauge, which I think you'll all find to be a really pretty neat tool and a very helpful tool. Then, throughout the presentation, we'll make sure that we stop at various points to address any questions that you may have, and of course, at the very end of this presentation, we'll take some time to address any questions that we're not able to get through as we go through today's presentation.

With that, let's go to our next slide. On our next slide, I thought it would be helpful to just share some industry information with you, and this slide is looking at financial institution priorities for 2017. These are priorities combined both bank and credit union, so those of you who are on the phone who are from either type of financial institution, these priorities pretty much run true to your bank or your credit union. Here are the top ten priorities for 2017. No surprise, right? Number one and it's been number one since 2013 is we've got to cross-sell and deepen relationships with our existing account holders. The second priority, we've got to grow the credit portfolio. We've got to strengthen the asset side of the balance sheet, right? We know that loan yields are really what drive revenue in financial institutions, so no surprise. Our financial institutions are focused on bringing more mortgages, more ARM loans, more home equity, more credit cards in the door.

We also want to focus on driving consumers to adopt digital channels as a method to transact accounts with us. I've got a slide in a little bit here where I'll talk a little bit more about the importance of digital channels, and what it means for financial institutions. You can see, in 2017, that is the third ranked priority for financial institutions. Really up dramatically from prior years. Of course, you can never have enough account holders. You can never have enough customers or enough members. High up on the list of priorities is acquiring new customers and members, as well as growing deposits relative to bringing in low-cost deposits to continue to fund our lending machines.

When we look at the top ten priorities, no surprise. They've been among the top ten going back the past several years. My key takeaway from this particular slide is the fact that our employees in the branch on the contact center have so much to do when it comes to deepening relationships with our account holders in cross-selling products and services. Not simply for the sake of cross-selling but addressing the needs of our account holders. Our employees in the branch at the contact center have input in helping us grow in loans, have input in steering our consumers to easier ways of doing business with us. We'll talk more about that when we get to how Harland Clarke conducts our Mystery Shop campaigns.

Let's go to our next slide. In our next slide, we're looking at the key things consumers are looking for from their financial institution, and these are the blue bars on this particular slide. First and foremost, all the way over to the left-hand side, consumers want to be rewarded for doing business with their bank or with their particular credit union. Next, consumers want any time and any place access to their accounts. They want their financial institutions to recognize them as an individual knowing that that individual has needs that are going to be different from any other consumer out there. They want their financial institution to provide them with information and consultation on how to build well and how to make sure that they're living to a budget and spending money within that particular budget. Those are the things that consumers are looking for in the blue bars.

Unfortunately, the green line shows consumers level of satisfaction, if you will, in our ability to deliver on their particular lifestyle needs. You can see that, other than giving me any time access to my accounts, for the most part, consumers are telling us that we're not doing such a good job of rewarding them for their business or looking at their individualized needs and addressing those particular needs. That's where our branch employees, that's where our contact center employees can make a big difference for our financial institution when we roll up our sleeves, and we have those need-based conversations with our account holders in order to make sure that we're understanding what they're looking for financially and matching the capabilities of our financial institutions to those particular needs. In fact, we know from the break out box here that, fully, 55% of American consumers are dissatisfied or ambivalent about the service that they're getting from their financial institution. We've got an opportunity to really strengthen that, and that's where mystery shopping comes in. To help us understand what our strengths and weaknesses are when it comes to serving the needs of our account holders.

Let's go to our next slide. In our next slide, I wanted to put this slide in for today's presentation. Again, talking about or really solidifying the conversation when it comes to the changing nature of the employee in the branch or on the contact center. This doughnut chart, if you will, looks at the cost of making a deposit through various channels. The big slice of the blue doughnut is the cost for a consumer conducting a deposit in a branch location at a teller line. What is it costing that particular bank or credit union on average (a whopping \$8 per transaction)? That's a lot of money. Look what happens when we're able to steer that consumer to do that same deposit but at an ATM machine. We bring the cost of that transaction down to just 80 cents, and when we move that transaction down to our smartphone and let that consumer do it through a remote deposit capability, we're able to bring the price of that transaction down

to just 8 cents, to just 8 cents. A real dichotomy in the cost of conducting a transaction that our employees in a branch location can tell a big difference when it comes to driving the consumer to the particular channel that we know from an economic standpoint is going to help our financial institution.

Let's go to our next slide. On our next slide, we're going to talk about the value of mystery shops. We're going to talk about how important mystery shops are relative to helping our financial institution to be more effective in the way we serve our consumers. Let's go to our next slide. On this particular slide, what is the value of that mystery shop from a sales and service perspective? It comes with ensuring, among other things, that there is consistency in the way service is delivered to our account holders, to our customers, and to our members. It also provides us with those differentiating tools that help to make sure that our bank or our credit union is providing sales and service to our consumers in a way that positively differentiates our financial institution from our competition. At the same time, we're able to with mystery shopping identify those ways that we can ensure that we are retaining our existing account holder base in order to make sure that we keep attrition to an absolute minimum.

Let's go to our next slide. We've talked about how mystery shopping can help with sales and service challenges. At the same time, mystery shopping can be very effective when it comes to understanding what the competition is doing. You'll hear Linda in a moment talk about the way Harland Clarke can conduct competitive mystery shops to help a financial institution understand what kind of service, what kind of sales delivery the bank or the credit union down the street, around the corner, on the other side of town is providing to its particular account holders in order to help us understand where those opportunities exist within our financial institutions to positively differentiate ourselves from the competition within our market footprint.

Let's go to our next slide. At this point, what I'm going to do is I'm going to hand the reins of this presentation over to Linda Schrock, and Linda, if you would, talk to our guests today about Harland Clarke Mystery Shop services.

**Linda:**

Thank you, Steve. We could go to the next slide, please. Why Harland Clarke? Number one is that Harland Clarke has had – is a sole provider for our financial industry. Excuse me. We have all types of programs and solutions within our company that can help and benefit you to help your teams grow and be successful within the realm of what we're trying to do on a day-to-day basis for our clients.

The Mystery Shopping Program has been around for 20-some years, and this is my 17th year of directing the program. We offer a very customized program.

We work with each individual client to consult with them to have a better understanding of what their specific needs are, and then devise that program around exactly what they're looking to uncover. We want to provide a very detailed and timely reporting. As Steve mentioned, it's becoming more and more important that, that individual, if you're spending that \$8 per transaction for a teller to have that conversation with the person coming in, whether it be a member or a customer, you want that individual to be prepared. You want them to feel comfortable in presenting solutions and products. You want that individual to be able to refer them to another representative to have that needs-based conversation.

Within our program, I feel like we want to tell you the story. We want you to feel as if you're sitting there with the representative that we're interacting with at that time, so you have a full understanding of the big picture, the overall experience that's taking place with that individual. With our mystery shoppers, we have – we're growing. We have 13,000 or 15,000-plus mystery shoppers all over the United States and growing every day. Our approach to everything is really that consultation to really understand what you're looking for, and provide you back with the data so that you are able to continue to help your team with the training process. Harland Clarke is a member of the national Mystery Shopping Providers Association, and we offer a great tool. An online delivery reporting tool that's very interactive, very easy to use, and I'll go over that in a moment here.

Next slide, please. As I'm mentioning the shoppers earlier, we really look for three criteria when we're picking out mystery shoppers. I think that's very important to any client that comes on with our program. Number one, I mentioned that MSPA certified. I have a lot of shoppers that also have gone through this certification courses with the MSPA, but there are a lot of other vendors that we use to shop too that also offer certification programs, so we have a good base when we're looking for mystery shoppers. We have, like I mentioned earlier, mystery shoppers all over the United States. Our database grows as I'm speaking right now. Right now, we have about 13-plus shoppers that are included in our database alone and then access to thousands of other mystery shoppers across the United States.

One of the items is that we do look, and we always start our recruiting process with the MSPA. I'm looking for someone that has experience in shopping a financial institution. Again, I want to make sure that that individual coming into the branch or speaking to someone on the phone will hold themselves high to what I'm looking for them to do, but also be able to sit across from a banker and have a discussion about a mortgage. Be able to ask questions intelligently, but be able to answer those questions intelligently as well. Be able to get in and out

of there, and find the story. Help all of you understand where your needs are without drawing attention to themselves as well. All of our mystery shoppers are community-based, and what I mean by that is that we do not fly anyone across the country to do mystery shops. We will be pick and choosing; looking for shoppers within the community where the branch is actually located or within the surrounding area, somewhere within your footprint. If you're a credit union, they have to fit within your field of membership. That is very important to us. On the bank side, we're looking more for someone that's in the surrounding area in the community base.

You do have the option to recruit account holders. It is something that some of my clients want. Some of them don't want any account holders at all, so we give the option. I will tell you it is an option available, but it also comes with a red flag. What I mean by that is that we look, and we recruit, and we ask. If there are shoppers out there that are willing to open an account so that you have the information about the actual account holding process and what is out there for you, even some of the onboarding processes as well, then we will hire those shoppers to do so. Some shoppers are very willing across the board to do. Some are a little bit more hesitant.

Most of our shops are information only, if you will. The training that goes involved, my team here spends a lot of time with these shoppers. Yes, they come knowing about mystery – how to be a mystery shopper, but now we want them to really understand the sales and service process, which our program has been developed upon. We spend a lot of time making sure that we understand the focus that each client wants, their organization, their shops, the criteria their looking for, and the scenario clues that their asking us to utilize. Also, we're looking for any service standards. I call them "we will statements" that they may have been designing to help their staff on a day-to-day basis and what they're looking for them to do when those customers come through that door.

We really spend a great deal of time with the shoppers so that they understand the focus of each client. That they understand our expectations and the experience that we're looking for but they also understand the sales and service. What is a probing question? What are the features and benefits? What is a cross-servicing or cross-selling or understanding a different solution that needs to be addressed or offered while we're discussing these programs? Again, we spend a lot of time with these individual shoppers looking for specific things within them, and it's a trust-based thing, if you will. We're looking for individuals and speaking to individuals that we have the confidence in to send out to your locations to perform the function that we're looking for.

Next slide, please. When we begin, we work with every single client to come up and formulate a plan and develop the evaluation form. Again, we're following a sales and service format. The individual questions are really based on a sales and service format, but each of the forms and each of the evaluations or each of the questions that are on those evaluations are fully customized to meet every single client's needs. Yes, we have a set of standard questions that every client starts with, but then you can go from there and rework, change, develop, cross out, whatever you may like to have to do. Typically, with our program, we are looking at doing multiple channels within each organization, so we're looking to do in-person branch shops, which always include a facility shop, a teller shop, and a banker or new account representative. It can be a loan officer as well, but those are the three primary evaluation forms that are completed in an in-person branch shop. Phone shops, you have the option to do branch phone calls to call your call center. We even do back office calls. Lately, we've been doing some mortgage loan origination calls as well, so you have an opportunity to mix and match what is really going to specifically suit your needs.

We also do a website evaluation, so shoppers are logging in to the website and reviewing every single page on your website. They are making sure that it looks well. It reads well. It's very user-friendly. The applications that are there look like they would be very easy to complete. The big part of that too to go along with the whole service portion of this and the sales portion of this is that we're sending an email to the individual through your contact area and requesting information about a product and service, and we're measuring the timeframe that it takes to actually get a response from a human being.

Then, also, what is the content of that email? Does it read well? Does it sound friendly? Is any information given? Is an invitation to come into a branch or call coming in? What type of a communication is being done by email so, again, just another part or another avenue that you can use to measure that overall experience that anyone that reaches out to you is having.

Other services that you have is the new customer experience audit. Opening that account and following the process that it takes to actually complete the account opening process. The competition shopping we'll talk about more in a moment and then a live chat. We're also doing some mobile app mystery shops here lately too. Clients are asking us to download the mobile app, see how easy that is to do, and then begin to maneuver through that. Are they able to get information, get to their account very easily and so forth? There's a lot of new – with all the new inventions coming out, the modern technology, you have to move in that direction too to make sure that those channels are also representing you well as a financial institution.

Next slide, please. I mentioned, with some of the opportunities, again, what we're trying to do is look at and analyze the current skillsets that your employees have on what you're asking us to shop. In today's world, your team needs to be able – they need to stop being order takers, and they need to start doing a needs assessment. They really have to be able to focus in on this particular customer. Do a consultation with them. Understanding not only that I came in here today to get information about a checking account, but what is my need as a full person here? Spend that time to develop that relationship so that that customer or member has a very good understanding of why I should come to you and why I should begin to do business. Not only with the in-person branch shops and the alternative delivery system and understanding the current skillsets that your team needs, but we're going to measure all of that. For us, the Mystery Shopping Program has really always been about a measurement tool. Being able to measure not only what your team is doing well – and that's how we really project this to the shoppers going in here. Look for what's going on, what is doing well, but the what is not and where you need to improve upon, that will come out in the story that we're telling you and the questions that we would develop with you to get that information.

We want to reward those individuals that get 100% on their evaluation, and we have what we call our Certificate of Excellence Program. Anyone that is in the program and does receive 100% on their evaluation form, we provide a certificate for you laid out and to be able to present to that individual to recognize them for upholding not only the service standards that you are asking them to do, but because we believe what we're doing in a sales and service model, we want to reward those individuals too. A lot of times people – it takes a lot to move and to change the environment into more of a sales process if the focus has only been on the service area for a long time. Even if you have focus on the service areas, there are details within that program that people forget to do, or they're so used to doing it in one way. We need to revert that, and get them into doing the more needs-based assessment, making a recommendation and so forth. For us, those people working hard to make that adjustment and move, we really want to hone in and recognize those individuals.

Steve, at this point, do we happen to have any questions about what we've discussed so far?

**Stephen:**

We do, Linda. This is a good point I think to stop and address some of the questions that have come in. Just a reminder to everybody, if you do have a question, feel free to type it into the chat window in your GoToWebinar toolbar. Let's go to our next slide where we've got our – there we go, Linda, a handful of questions, a good place to start. We've got several dozen folks on the phone call today, so I'm sure people are waiting to hear these answers. You may have

addressed some of them, but I don't think it hurts to reiterate what you brought up. First question I have is what is the average tenure of our mystery shop clients?

**Linda:** I have clients that have been with us for over 10 to 12 years, but the average is around 5 years.

**Stephen:** About five years.

**Linda:** Yes.

**Stephen:** Next question, when you conduct a mystery shop, do you use shoppers within the financial institution's footprint?

**Linda:** Yes. That's our goal. Especially if you're a credit union, we look for and recruit individuals that actually fit within the field of membership. Whether it's a SEG group or an open community membership, then we're looking for those individuals that can go in and represent the credit union that way.

**Stephen:** Super. Linda, one more question, and we'll get going, get back into the presentation. Are we able to script scenario clues the shoppers use when interacting with staff?

**Linda:** Yes. In fact, we make recommendations to our clients on a monthly basis for scenario clues that we feel might meet their specific needs at that time during their next shopping session, but I do have some clients that get very creative in the scripting. If we're looking for a mortgage, they will script it down to how much they're looking for, the credit score. If they're owning a current home and they're looking to refinance, what is their current balance? What did they pay for the home? We can get very detailed in the scripting portion of that, and the client plays a big role in that. It can follow their marketing calendar if they're running specific promotions. Using those promotional items within the scenario topics for a shopper is a great way to find out how your staff are presenting that information. Are they presenting it correctly? Just get a complete overview of what you might need to go back and change before the promotion is over on how the team is presenting that material. Yes. Every client has the option to pick and choose, and create their own scenario topics.

**Stephen:** Fantastic. Linda, the next question I think is for me. This one I think I can handle. Will we be getting a copy of today's slides? The answer to that is absolutely. Within the next week, everyone who's signed up for today's presentation will get a recording of the presentation, so you will be able to see all of these great slides and hear all this super information. With that, Linda, tell us about competitive comparisons.

**Linda:**

Perfect. Within the mystery shopping, you have your regular normal mystery shop that you can go in and actually have your own shops done on your own location. However, you always want to know what the competition is doing, and so within that, we would take – we would develop your questions and then – or develop questions if you’re going to only shop the competitive, but start to learn more about the products and solutions that those particular competitors offer. What is the overall experience that one has when they go into a branch or speaks to someone over the phone? We have the capability to – like I mentioned, some shoppers are willing to open an account and follow that process. We’re looking to really understand what is happening in the environment around you with your competitors.

We’ve recently been doing some merchant services competitive shops where we’ve actually sent shoppers in to the competitive market to inquire about their merchant services and what is available, any information possible that we can capture for the client who has hired us for that information. Really understanding the application process, the fees, comparing prices and solutions within the competitors to be able to guide your own and simplify the process that you’re doing. Anything that we can do for you, we can take out and understand the customer. I will tell you too, though, in the past when mobile banking first started coming out and online banking first started coming out, that was one of the hot topics for competitive shops. We wanted to really understand for our competitors what they were looking for. Capture all the information possible. Take back any marketing material that was presented to the shopper. They would send those directly to us. It’s really about honing in on a specific area.

Some clients, though, just want to understand the overall experience. Is that experience better than we are providing, like the amount of time that I spend in a teller line to be served in comparison to how long you stood in my teller line to be served? It can be as simple as that, but it can be as big as looking into merchant services, opening an account, understanding the application process. What is involved? What is needed to open the account? How long does it take to open the account? It can be a lot of different items, but it’s something that we’re finding very exciting to help our clients better understand what they need to do to gain that edge in the competitive market.

With any Mystery Shopping Program, we have a stepping process or an implementation process that we do. Number one, we’re always going to consult with all of you in the financial – with our financial institutions. Understand exactly what they need. Make a recommendation for a program, and provide a cost analysis based on that recommendation. Once that has been completed and we’ve confirmed that we’re going to go ahead and begin the program, then

we want to make sure that we're consulting with the financial institution again, and so we have a really good understanding, looking at the evaluation forms, making sure that those are customized to meet the client's need, picking out the scenario clues, scripting those if necessary. Providing name lists to understand the number of people that are in each branch, who's available to speak to.

Anything that evolves around the community, what do we need to know about your community as far as going in? If you're a farm-based related bank or credit union, then we're not going to send someone in there – we want to make sure that that person meets the criteria for that particular area and that the scenario clues are based on that. If you're focused on business and small business areas, then those clues need to really be focused on that, and that individual needs to hone in and portray themselves as that type of a person as well to really have a good understanding of what I'll find or what our shoppers will find when they go into the branch, when they make that phone call, how to maneuver through the branch and the best people to speak to while we're in there. Then we'll go out and we complete – we typically like to complete what we call a baseline. Within that baseline, we want to – for our regular program, we send two shoppers out to each location so that you have the opportunity to see both evaluations side by side done on different days, different times of days by two different shoppers. With the competitive shop, usually what we like to do is we like to start the program and get it rolling. Maybe after the fifth or tenth evaluation form that has come in and been completed, we like to connect again with the client that has hired us to do that program, and show them the results that we have now. Just focus back in on are we doing, are we capturing? Is there something we need to adjust and change, again, so that we're making sure that we are moving forward and making sure that we are capturing all the information that we need?