Friction and the Account Holder Experience
TRANSCRIPT

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Nathan: Good day and welcome to Harland Clarke's, *The Informed Banker Webcast*, friction in the account holder 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 question 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 Christine Ahlgren of Harland Clarke. Christine, you have the call.

Christine Ahlgren: Thanks, Nathan, and welcome to everyone who's joining us today for this month's installment of *The Informed Banker*. This series is designed to cut through the noise and bring you succinct, timely information on topics that are critical to community financial institutions. Today's session, reducing friction and the account holder experience, is presented by Alix Patterson. This session is showcasing how financial institutions identify sources of friction and the methods they use to reduce it. Alix Patterson is the chief experience officer at Callahan & Associates. She's a lifelong credit union member and has over 20 years of professional credit union experience. Alix has a keen ability to see the story within the data and has a firm grasp on the numbers credit unions need in order to make important decisions. Alix, we're thrilled to have you with us today. The floor is all yours.

Alix Patterson: Thank you so much, Christine. Thank you, everyone, for joining us today. This topic is near and dear to my heart, so I really appreciate the opportunity to present today. Let's go ahead to the first slide. I want to talk a little bit about why we're seeing such a blossoming of the member experience or customer experience titles that we see today. Part of that is because of the way that businesses are looking to create value. Now, this is a slide--This concept here is not new. It was created in 1999 by two men, last names Pine and Gilmore, where they coined the phrase, the experience economy.

What they were trying to define here was how goods move through this pipeline of value. What we're seeing today if we could go to the next slide, this example really helps to explore what this means. In the first stage, you can extract a commodity, those would be the coffee beans. The second phase is that you make goods, so you're creating goods that you can buy in the store, and the third level is the services that you deliver. The reason I think that we're seeing so much discussion today about experience is that for a long time people in financial services by virtue of its name, kind of viewed ourselves as stopping at that third level of value where we were providing a service to the community.

Today people are realizing at all levels that you really need to start competing in that experience economy. It was a lot easier to define as you can see in the slide here. It's a little small, but you can see that's actually a coffee shop where you don't go just to get a good cup of coffee, of course, you're going to talk to your friends, you're having a meeting, you're maybe working alone because you need to get out of the office and need a creative place to think, but you're having an entire experience all wrapped around what was originally a commodity, a coffee bean.

Most community financial institutions talk about competing on service but have maybe trouble defining it. What does that really mean? Is it polite? Is it friendly? Is it helpful? Is it being efficient? The retail arms often define what the service standards might be, but when you're thinking about experience there is so much more than just that physical space. Let's go to the next slide and take a look at how we might define all of the elements of experience that go beyond the concept of just service.

In my view, the elements of experience are really threefold. Many of us focus on the top circle there, the technology, or the facilities, the physical and the other elements that you can touch within the client experience. That might be your branching network. It might be your digital mobile channel. All of those are really valid elements of the experience, but they're only one piece of it. People and processes also impact the entire experience. People encompasses things like your organizational structure, your culture. The employee experience is tremendously important. On the process side, there are things such as training, performance evaluation, how decisions are made, where you spend your research and development dollars.

If you're thinking about financial services in terms of experiences, you may say, we're never going to be at the level of an amusement park. We're not going to have the same type of experience that maybe creates deeper meaning like a vacation might, but I would beg to differ. Because if you think about the emotional energy that goes into for example buying your first home or maybe buying any home having just moved myself, there are so many emotions involved with that, that it is an experience from end to end.

There's anxiety, there's excitement, there's joy, there's despair, all of it happening in sequence. You can have an up-day when you find your dream home, and then you go into anxiety when you lose that dream home. The question is, where is your financial institution going to play in the story that I or anyone else tells about buying their first home? Have you created an experience rather than a transaction that makes you part of the client or member story, so when they're telling it you are part of the experience?

Now you can be part of the experience in a good way. We're talking about how easy the financial institution made it get my mortgage. Or you could be part of the story in a bad way where friction was created and you actually almost stood in my way of completing the transaction in time. Things like that are what we're talking about and how financial services can be part of a broader experience, and why I think we're seeing such an expansion of roles in the member and customer experience today.

Let's go to the next slide. I think for credit unions and other-- excuse me for financial institutions, credit unions, community banks, that it's really important to view the customer and member experience in two directions. There's a top-down approach as well as a bottom-up, and they play together in a very important way. On the left side here you see the top-down.

An experienced program in a financial institution is not going to be successful if it doesn't have executive support, and it has to go beyond the words that are used to say, we want to create whatever kind of experience it is that you want. Is it simplicity and ease of use? Is it joyful? What is your brand's personality? But we have to get beyond the word and actually create a vision, and then clarify the expectations for the employees within the organization and even for your members. You're not creating an experience for everybody, you're creating one that works with your brand and your institution in your marketplace.

Then most importantly you need to make investments to make it work. This all happens from the executive level down. On the right side of the screen, you can start working from the bottom-up. When I talk to institutions at the roundtables that we host, we see a wide variety of institutions doing both of these things. From the bottom-up approach, there's all sorts of methodologies that you can use such as, journey mapping, mystery shopping, even the Six Sigma approaches. The key thing here that they're looking at, is finding places where friction exists in the member experience or the customer experience and finding ways to reduce that so that you become part of the story in the positive sense.

Let's go ahead and look at how some institutions are actually implementing a customer or member experience program within their institutions. Now Callahan & Associates does work largely with credit unions and vendors that serve them but these stories resonate across both for-profit and not-for-profit industry, in that we're always looking to create in the community space an environment in which we are competing and in ways that are all about the service and the experience. The first two examples here, are going to be a blend, I would say, of both the top-down and the bottom-up approach. Let's go ahead to the first slide here. The next slide excuse me.

Georgia's Own is a credit union down in Atlanta. It actually just purchased a bank as well, so it's got sort of both sides of the coin here. They decided to put their money where their mouth was. I had the opportunity to meet Shelley Mullett who is their vice president of member advocacy, that's the title they used to talk about experience at Georgia's Own, at roundtable that we hosted last year and they established a two-member advocacy team.

Now you may be saying two members or two employees, how is that putting your money where your mouth is? Well, it's a really interesting structure that I found because it may be small in bodies but it is huge in influence. Organizationally, Shelley's team sits in the marketing and sales department, but in practice, it works across all departments and tackles challenges from anything in, for example, the member complaints, all the way to working with new product deployment. Her job and the job of her team is to always be there to advocate on behalf of the members to say, what would make it easier to do business with us? How do we measure that? How do we build it out, and how do we actually hold our team's feet to the fire to make sure that we really are focused on reducing friction and making our member journey as smooth as possible?

Now market research firm, IDC, says that it's also seeing a lot of these customer advocacy programs on the rise, and the lack of internal alignment across areas, lack of employees time and energy and conflicting internal priorities are really the barriers to advocacy. This is where I think Georgia's Own really does a good job. As I mentioned, it's a team of two but they have large influence. One of the examples that she gave, was their deployment of a new digital banking platform, and they had defined a service level and a member experience that they wanted to deploy for their members with the new technology. Partway through the deployment the technology team came up and said, "Okay here's where we are, this is what the experience is going to look like." Things have changed from the original discussion of what they experience was they wanted.

Shelley's role there was to advocate and say, "But we made a decision about what we want our members to experience, and the technology may not allow us to do that out of the box, but if we're going to commit to this sort of environment, how do we make sure we're staying true to those principles that we stated at the beginning?" Same thing on internal process efforts that they look at. She will work internally with departments to evaluate processes that may be below the waterline. By that, I mean members may not be seeing things that are happening, but they are impacting their members at the end of the day because of decisions that are being made or the way things are being communicated.

She's got influence over a whole host of different departments and roles within the organization, even if it's not a role where she can say, "I'm telling you what to do." She's saying, "We're advocating for our clients and this is the type of experience that we want to provide." I think Georgia's Own took a very interesting approach to ensuring that once they had the executive vision and decision about what the experience was they wanted to provide, and how they were going to ensure that the credit union actually lived up to that.

Now a totally different approach comes from TwinStar. This is a little bit more of a bottom-up approach. The executive team has lived and breathed experience since the beginning, but as their CEO often says the best ideas come from the least expected people. You can't just have your executive team sitting around a room and thinking that you're going to come up with the best experiences, or that you even have a glimmer of insight into what may be happening in the back office or across an institution at a really detailed level. What TwinStar did was to create a group of 10 employees that they call the imagination lab whose job it is to identify friction for both members and employees, and then take the ideas they have for improvements through a process to figure out what's doable and what isn't, and also what's worth it. That's something that's very important to think about.

There may be friction in a lot of experiences that you don't bump into every day. Are you going to take a lot of time and energy to fix a process that maybe 10 people experience in a year, or are you going to spend time and effort on those where people are sort of bumping into them every day? I'd also say that there are sometimes good friction. There is good friction in some transactions. There's the example of a credit union that actually implemented friction when consumers were trying to come in and cash their checks because they realized that they weren't saving. So by creating a little bit of friction and asking if they wanted to deposit the money into their savings account not just turning over the cash, but actually going through a process of questioning that they were helping consumers save more money. Sometimes friction can be good but oftentimes we think of it in a way that's not.

What TwinStar has done, is they have 10 employees in the group at any time. They must apply to participate. They are vetted using the Wonderlic test. That's one of those personality or assessments of intelligence and motivation and things that you can use any sort of model that works for you. It is a two-year commitment. The employees they rotate five out every year, so there's always a group of experienced people who know the processes and how the evaluation works along with new people who are coming in with a totally different lens that may not be there so far.

It's really important, and the thing that they emphasized in this group is that they need to understand that the problem they are trying to solve, or the friction they are trying to remove from a process before looking for a solution. They have an efficiency matrix impact scoring spreadsheet, that's a really big word. But one of the key columns that they have to fill out before they can move forward on a project is the problem that they're solving and where it reduces friction for both members and for employees. Because it's really important to remember as I mentioned earlier that friction that affect your employees may be below the waterline, but they could really be impacting your customers as well.

Creating environments in your institution where you have dedicated resources, the time and energy to spend fixing the friction that you find is really important, but how do you go about finding where there are problems in your processes, or where you can make your customers' experiences better? Let's go to the next slide because I think the best way to do that is to walk in your customer's shoes.

Now it's easier to say this than to do this. Working in a financial institution we have sort of the curse of knowledge. We know or we think we know everything already. We may be too familiar to even see things that are right in front of us that someone that's entirely new to the process would spot immediately. Let's go to the next slide. These two credit union examples as well talked about how do they do this and they do it in two different ways. Mystery shopping and journey mapping. Orange County does both, but when we talk about mystery shopping often we talk about doing it to your own employees or staff. You're saying I'm going to hire someone to come in and see what sort of service standards that we're getting.

Civic took a different approach. Civic is a de novo credit union that was started-- well, it was conceived of about five years ago. It just launched last fall. It took quite a while to get through NCA approval process but it was actually the vision of another credit union. Its parent credit union is local government in North Carolina, and it came from the vision or from this challenge of, if we could start all over, what would we do differently? What they did is that Pete VanGraafeiland went out and interviewed or opened accounts at 15 different financial institutions.

He was mystery shopping for other experiences. Rather than just looking at their own processes or where they wanted to be and where they could improve their own processes, they went on but how does everyone else do it? What is good? What is bad? Bringing the bad in with the good is just as valuable because it tells you what not to do. I thought it was really interesting that in the four years it took to get approval from NCUA, they had a lot of time and energy to go out and look and say, what is the best sort of experience that we can create?

They started thinking about technology, what is it that we're touching? This is a digital credit union, what are the buttons that they're pushing? What is the process by which we can use data and technology to improve the experience? But then they also realized there were processing that they needed to consider. It wasn't just the digital experience but it was questions like, do we need to pull credit or not? Does that create friction in the account opening process that is necessary or is that only necessary when they're going to apply for a loan? Can we eliminate things that we assumed were a natural part of the process because it doesn't actually add value at that stage, and creates friction or a pain point that doesn't need to exist?

Orange County does a very similar thing. Orange County actually pays its member service representatives to go out and visit financial and non-financial institutions to witness firsthand their customer experience and bring back those ideas. They give $50 cards to say a Chick-fil-A or another local venue, and they go have the experience come back and tell us what you like and what you don't like, and everyone can contribute regardless of title. In a very similar way to TwinStar, they're trying to bring everybody into the process to say, maybe we in the corner suite don't have all the answers, we know you guys are the one standing on the front line experiencing things day to day, you need a voice in the process.

But the other thing that Orange County has done and they've been doing this for about five years now is journey mapping. They take the process from end to end and document everything that a member goes through, and then in parallel they document all of the steps that the financial institution is doing behind the scenes, at the same time to see where there might be conflict or where there might be ways to create a more streamlined experience. By charting the steps from the members perspective instead of the organization, they're really able to see areas for opportunity.

It's so important that it's all across the different sectors of the economy that we're looking at this because they've shown that the customer experience scores have skyrocketed over the last couple of years. Those industries that everyone likes to complain about: health insurance, IFP, your wireless carriers, their customer service scores have skyrocketed since 2013, as everybody realizes that they need to compete on experience, not just price or product features. Because of that, our customers are comparing us against a higher benchmark every single day.

Speaking of benchmarks, let's go to the next slide. How do we actually make sure that we are reducing friction, and that we're creating a better member or customer experience at the end of the day? Well, really there's two ways to do this, qualitatively. This is often where you identify the pain points in the area for improvement. Now two of these have the word score in it, so net promoter score and member efforts score. That sounds like a quantitative measure, and to some extent it is, but I think the value of those efforts is probably not just the score.

Does it really help you to know your score is seven or eight? It is a good trend to follow to see that you're making a difference, but when you're starting this program, what you're looking for is a qualitative feedback to actually identify where you need to start.

Because if you're not sure which processes are broken or which ones your members are complaining about the most, you don't know where to put your effort. That's why I've included those in qualitative.

I think employee surveys are tremendously important as well. As I've said a couple of times, they are on the frontlines and they are dealing with things, and they may be questioning processes or procedures or why decisions are being made the way they are, but not speaking up. They may hold the keys to the quickest improvement in reducing pain with your customer experience. Then to overlook things would be your social media engagement and your online customer ratings.

We actually have a service that we offer called brand monitor, and its value is in looking at all of the sentiment that's being talked about online around your brand and reputation, to identify where there are opportunities for improvement that you may not even know about, because your consumers are having conversations online that you may not be part of. How do you identify where those are and hope that those conversations are part of the joyful home buying experiences as I talked about earlier, versus the frustrated one?

On this next slide, we go over some quantitative ways because again experience is really hard to measure, but these are sort of the traditional financial metrics that indicate whether or not consumers are voting with their feet. That is a key indicator. If you're going through an experience improvement process and your churn starts to skyrocket, maybe we're moving in the wrong direction. Having averages account balances go up may be a good indicator of success, but unless you're benchmarking against other institutions to know whether or not you're growing faster or slower, it isn't a complete picture.

These are just some of the ways that the our clients have talked about metrics that they're trying to measure in a very financial way about the impact of something that's very qualitative. At this point I know we're almost out of time. I want to leave time for Christine for questions. Do we have anything that you wanted to ask?

Christine: Thanks, Alix. That was a great lot of information. I do have a few questions here. Folks if you have a last-minute question feel free to enter it in the chat box on your go-to webinar panel. The first question, Alix, is if you haven't started a comprehensive account holder experience team, do you recommend starting with a top-down approach or a bottom up?

Alix: If you have limited resources that's a tough question. I actually think they go hand in hand. At a really straightforward level you can start journey mapping things where you know you've got customer complaints. If you're monitoring your complaints hotline or whatever you want to say your call center queue for where are consumers having the most challenges, you can go ahead and create a small team to actually journey map those experiences, and find ways-- low hanging fruit so to speak, but that's only one piece of it. That will fizzle up over time as other priorities take precedence.

You also need as an executive team to be saying, how important is this? How much time and energy do we want to dedicate to it and set a vision for it? It can happen in parallel. I think if you try and do the top-down approach without even starting, the low hanging fruit, then you may just be spinning your wheels where it feels like you're talking about creating better experiences and you're trying to set a vision, but you're not actually creating small wins that your employees can see and grab hold of and actually experience themselves, so that they understand where you're trying to go. I would say sort of both.

If you're in the C-suite and you're talking about creating better remember experiences, that's great. That's a vision, start that conversation, but also try and create a bunch of small wins across your organization in different departments to show everybody in your organization what you mean and how they can participate, because they will help to accelerate it once you actually have a more comprehensive vision for where you want to go established.

Christine: Thanks, Alix. I'm here to race into these last couple of questions and pose them to you together in the interest of time. They are the following. What do you think the biggest hurdles to success are, and what metrics do you recommend specifically as being the best metrics to leverage for tracking?

Alix: I think the biggest hurdle to success is not having fresh eyes on processes. Anywhere you can engage outsiders, whether that's people literally outside of the institution or cross-departmental outsiders into the process where they will bring fresh eyes to it I think is really, really critical. That's where I think these programs can stall. That and lack of executive support. At some point, the priority becomes loan growth or deposit growth and you take your eye off the ball.

The second question was on metrics. That's a harder one for me. I think that really depends on your institution. I would say focus on the qualitative things where you can start to see real progress being made. The other things like account growth, member growth, loan growth, those should all be later indicators of success, but they may take longer to achieve as you're going through this process.

Christine: Thanks so much, Alix. Unfortunately, it's 1:30 and it's all we've got time for today. But for the folks on the phone as a follow up to today's program, we'll send an email out to you with links both to this recording and a transcript of this recording as well as the two-minute survey soliciting feedback on today's program, and any ideas you have for future topics. Please feel free to share those with any one of your colleagues who've missed today's sessions. Also on May 23rd, our next *Informed Banker* will be presented, focused on successful social media strategy. We hope to see you there.

Alix, thank you again for all you shared with us today, and I'd like to extend a very sincere thanks to all the financial services professionals who made time to be with us today. We hope to see you again at future *Informed Banker* sessions. That concludes today's program. Thanks for joining us.