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The Importance of Digital Customer Engagement – Now, More than Ever

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The global coronavirus pandemic has touched virtually every aspect of consumer life — not the least of which being personal finances. A high unemployment rate and economic uncertainty have prompted consumers to evaluate which service relationships truly provide value to them — and which they'll leave behind in their transition to the "new normal."

What does this mean for financial institutions? In short, it means those institutions that deliver an experience that meets the changing needs of consumers in the age of social distancing will be rewarded with new business and greater loyalty. Those who don't will struggle to remain competitive.

Shift to digital — now

Social distancing guidelines have caused many consumers to trade face-to-face branch visits for digital interactions with their financial institution. Indeed, the digital channel is a useful and efficient one — but only if it is user friendly and meets their needs. After all, consumers who have a frustrating digital experience may not have the option to easily visit a branch to get assistance in person. If these consumers can't find the help they need via the digital channel, they're likely to feel frustrated and stuck — and that's very bad news.

There's certainly room for improvement in the industry, it seems, as only 52 percent of consumers report their institution was "very effective" in meeting their online or mobile banking needs. Mid-size institutions particularly have more room to grow, with significantly lower satisfaction rates than larger institutions.[1]

In the end, consumers who have a poor digital experience during a crisis are likely to be left with a bad taste in their mouth about that brand. That's particularly bad news for the offending brand, which is left in a doubly vulnerable position — not only is the consumer not happy with that brand, they're also more receptive to offers from competitors.

Conversely, financial institutions that invest in optimizing their digital channel and expand digital options to deliver the best experience possible will be well positioned to attract and retain customers. In fact, with interest rates at record lows, your digital experience, not cost, will become a major differentiator for loan acquisition. That means ensuring your digital experience is smooth, seamless, efficient, and of course, useful.

A slick digital interface is of no use if it doesn't provide the functionality consumers are looking for. Providers should closely evaluate their digital channel for opportunities to meet their needs and consider making modifications like the following:

- Adjust remote deposit dollar limits to make it easier to deposit checks without having to visit a branch or ATM
- Offer multiple options for convenient loan fund disbursement
- Use e-signatures and touch-less loans to facilitate remote document completion
- Utilize a convenient digital chat feature to quickly resolve previously mundane issues like duplicate charges

Actionable strategies for serving customers now

Of course, there's a fine line between being seen as helpful and being viewed as opportunistic, so it's vital financial institutions be intentional about taking steps to show you have your their best interest in mind.

Some 34 percent of Americans only have enough savings to cover three months of expenses.[2] As the economy reopens, consumers may need help bridging paychecks or managing bills. Be sure to market a variety of tools, such as skip-a-payment and missed payment forgiveness programs, to ease near-term financial needs.

Offer special, unsecured personal loans at a low rate. These flexible loans are attractive to borrowers to help cover living and other expenses that arise from an unexpected change in financial situation. Regional financial institution M&T Bank, for example, introduced an unsecured $5,000 personal loan product at 2.99 percent rate.

Consider proactively reaching out to your most vulnerable borrowers. Have a conversation with them about how they have been affected and their current and potential financial challenges. Let them know you're available as a resource to help navigate changes in their financial situation and determine their eligibility for alternative repayment or other loan relief options that might work better for them. Auto refinancing is a potential tool for this, as the rate differential is minimal. This means consumers can lower monthly payments by lengthening the loan term without experiencing a significant increase in the overall amount paid.

Prepare for the new future

As financial institutions focus on boosting their digital experience and settle into serving consumer needs in the realities presented by the global pandemic, it's important they continue to position themselves for growth in the changing economic conditions. This means asking questions such as:

- Are there particular audience profiles that we should acquire that will help us weather similar crises in the future?
- Are we prepared for business in the "new normal?" What will our customers need? What can we offer them and how can we grow the relationship as they reorganize their finances?
- How can we grow new deposits and help customers achieve savings goals that will help them be better prepared for a future crisis?

The global pandemic will not only change how people view personal finances, but also how financial service providers respond to consumers' urgent needs. The digital experience you provide and support you offer today will determine how you retain customers, deepen relationships and acquire new customers in the future.

Stephenie Williams is the Executive Director of Acquisition Solutions for Harland Clarke. Stephenie has over twenty years of experience in Direct Marketing, Strategic Planning, Product Management, and Promotions in the financial services, retail and automotive industries.

[1] Marous, Jim. "Big Banks Benefiting Most From COVID-19 Digital Shifts," April 2020

[2] John W. Schoen and Crystal Mercedes, "Americans expect to burn through their savings quickly, survey finds," April 2, 2020

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