



THE  
BANKER'S GUIDE  
TO  
DIGITAL  
ADVOCACY

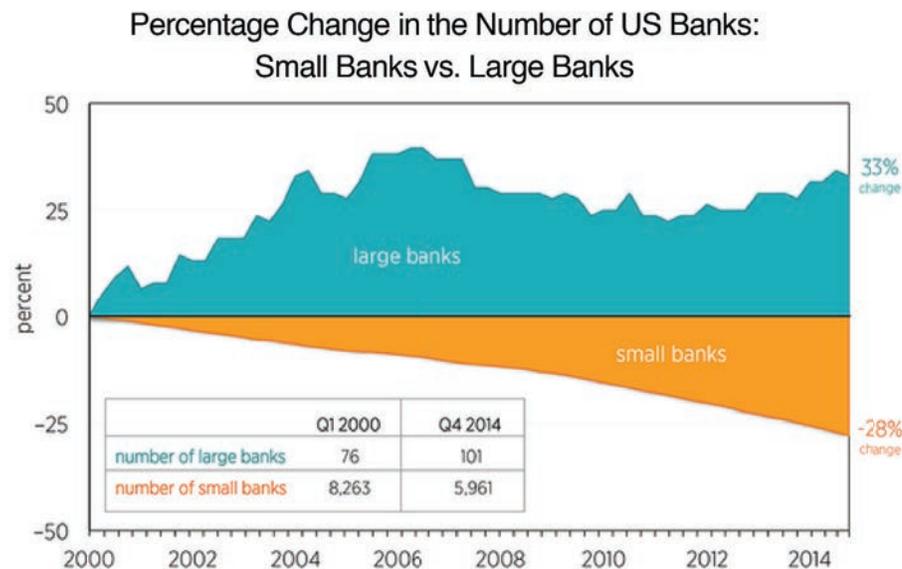
# The State of Banking in the Digital Age

The years following the 2008 financial crisis haven't exactly been shining years for the banking industry. The rise of new digital technology caught many institutions off guard, the Dodd-Frank Act exacerbated the industry's regulatory complexities, and certain banks committed adversarial practices such as:

1. **Rearranging debit card transactions** so they received more overdraft fee income from customers
2. **Forging documents** so they could foreclose on customers more quickly via court proceedings.
3. **Forcing customers to use arbitration firms** that they had hired to fight against their own customers.

Add to those practices the rampant foreclosures, and you can understand why all 4 of the biggest banks in America are on the list of the 10 **least loved brands**. Rightly or not, many account holders perceive that they've been mistreated.

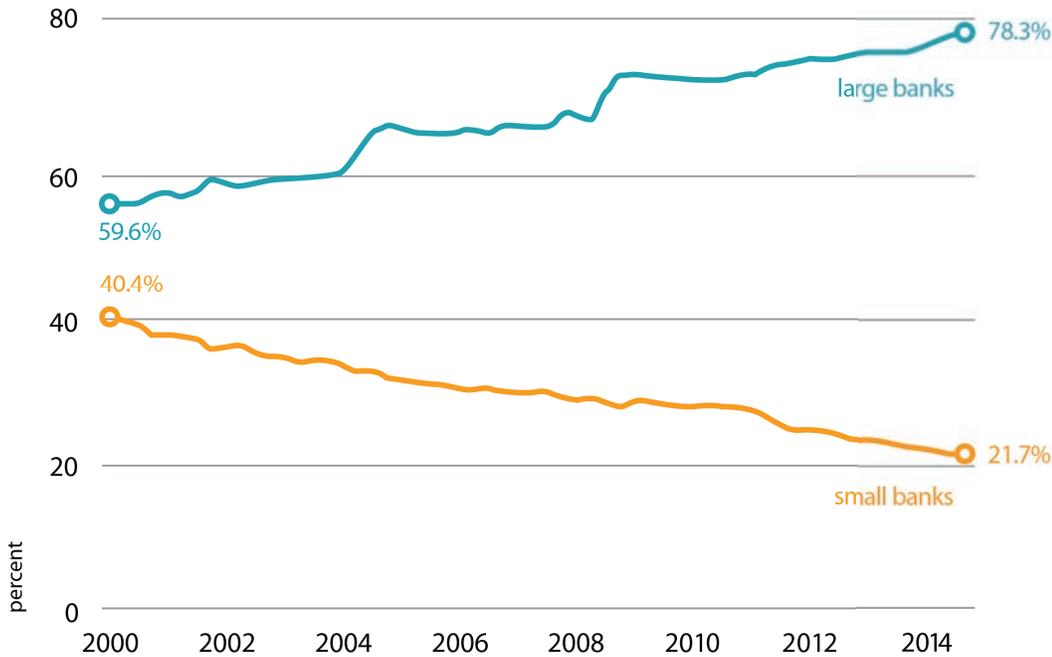
In the midst of all this, the industry has also been consolidating. Year after year, the number of small banks (those with \$10 billion or less in assets) decreases.



Source: Mercatus Center

In addition, the share of total domestic deposits held by small banks dropped from 40.4% in 2000 to 21.7% in 2014.

### Share of Total Domestic Deposits Held by Small Banks vs. Large Banks, 2000-2014



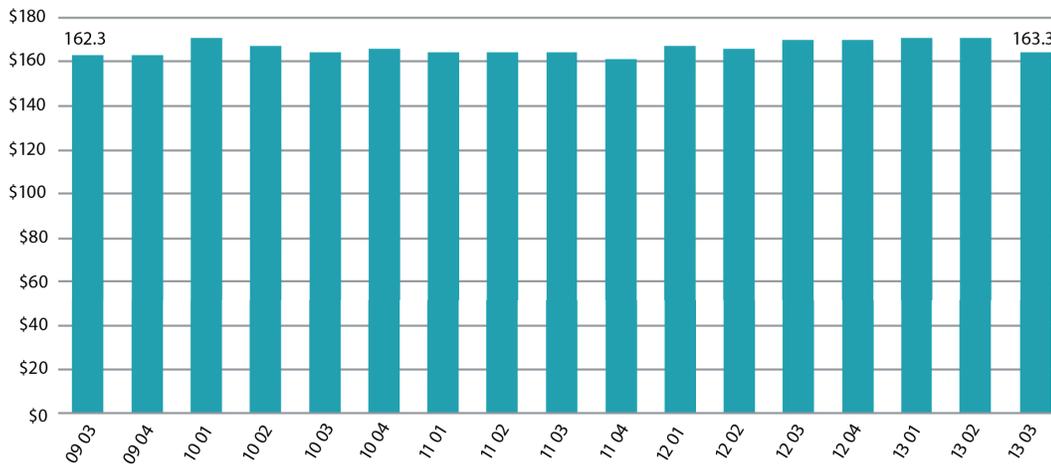
Source: Mercatus Center

“Focusing on customer loyalty is no longer just a smart strategy. In an age of empowered customers, it is an imperative.”

**Forrester**

And perhaps most disconcerting of all for the industry, revenue has essentially flatlined.

### Bank Revenue 2009-2013



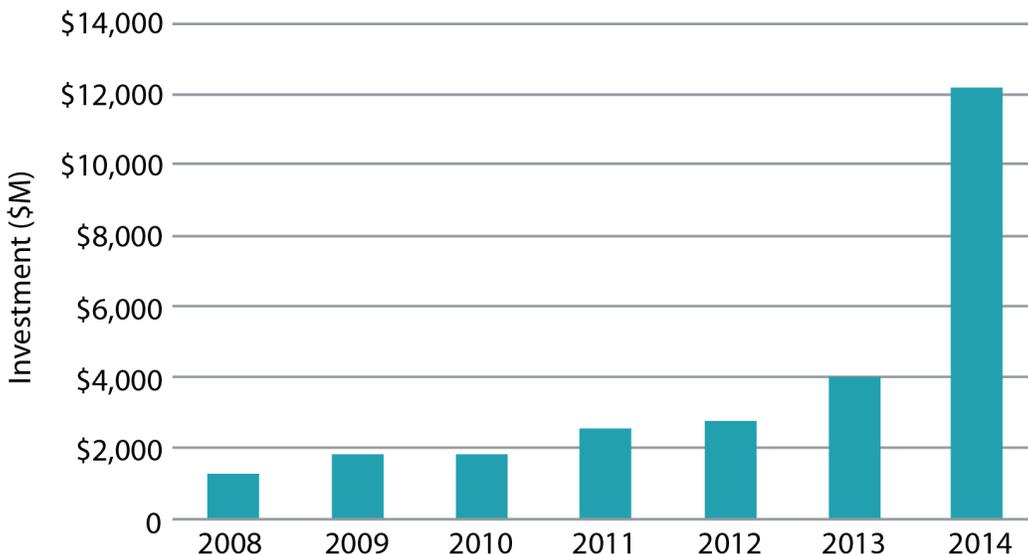
Source: Federal Deposit Insurance Corp., Via KPMG

If all of that isn't enough, digital technology has magnified consumer choice, enabling account holders to bank wherever they'd like. Consumers can now open a savings account with **Capital One 360**, a checking account with **Ally Bank**, an investment account with **Wealthfront**, and a credit card with **Chase**. They can pay their bills on **Mint.com**, get a loan from **Lending Club** and make payments with **Venmo**.

The industry has shifted on a fundamental level. As Chris Skinner, author of Digital Bank, puts it, "We built an industry on the physical distribution of paper in a localized world, and we're now having to get to grips with the digital distribution of data in a networked world." In this networked world, consumers aren't limited by geography, and that changes everything. Venture capitalists have recognized this, and that's why they've starting pouring billions of dollars into financial technology.

Given all of these changes, it's clear that the banking industry needs to pivot

## Global Fintech Financing Activity



somehow. And that's the question everyone is asking:

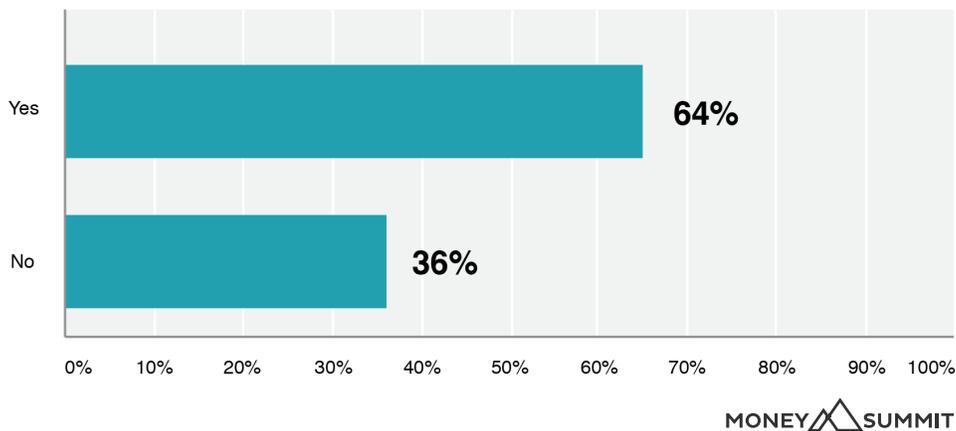
How?

As we show in this white paper, banking should pivot toward adopting a model that embraces digital advocacy.

# Why Digital Advocacy Is the Best Hope for the Banking Industry

In an age of consumer choice, anything that hints of hurting the account holder is a big mistake. If consumers think that you're out to get them, you'll lose their loyalty. As proof, we surveyed 504 random US consumers about their banking experiences and found that 64 percent of consumers have decreased how much they bank somewhere because of a bad experience with a fee. In light of this, if banks and credit unions double down on fee income, they're certain to lose the long game.

## Have you ever decreased how much you bank somewhere because of a bad experience with a fee?

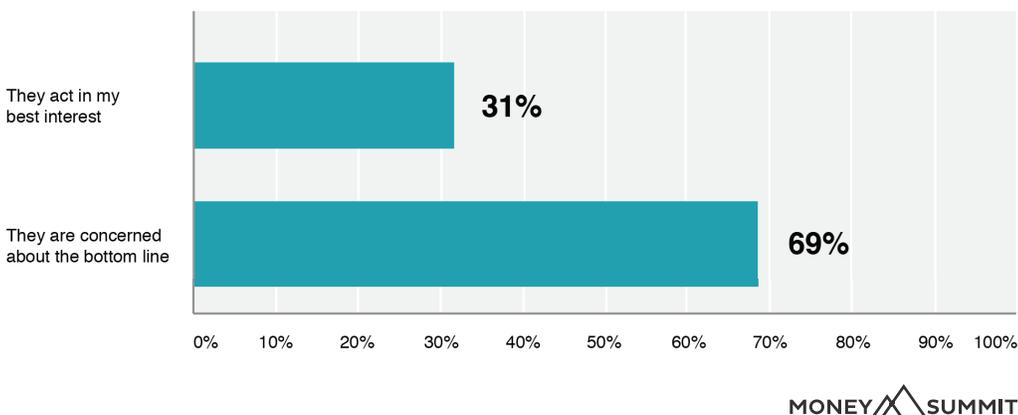


“Those that continue to ponder—or worse yet, resist—change will suffer.”

- KPMG

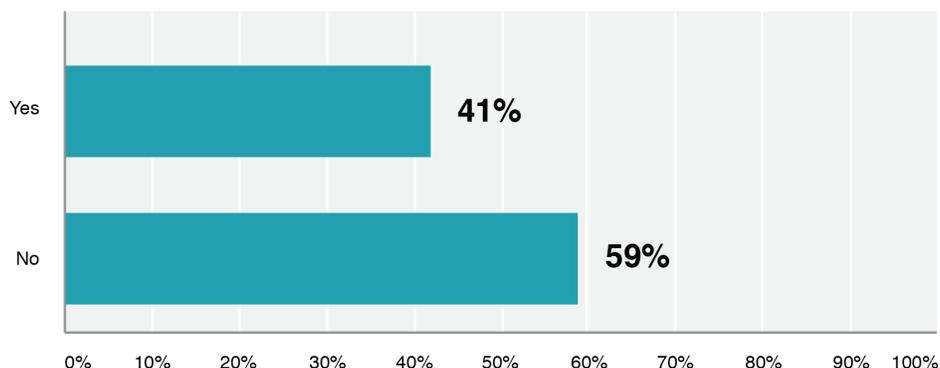
We also found, unfortunately for financial institutions, that a full 69 percent of consumers believe that the industry cares more about their bottom line than they care about their account holders.

## In your experience, do financial institutions act in your best interest, or are they just concerned about their bottom line?



And 59 percent say that their primary financial institution doesn't actively help them improve their financial health.

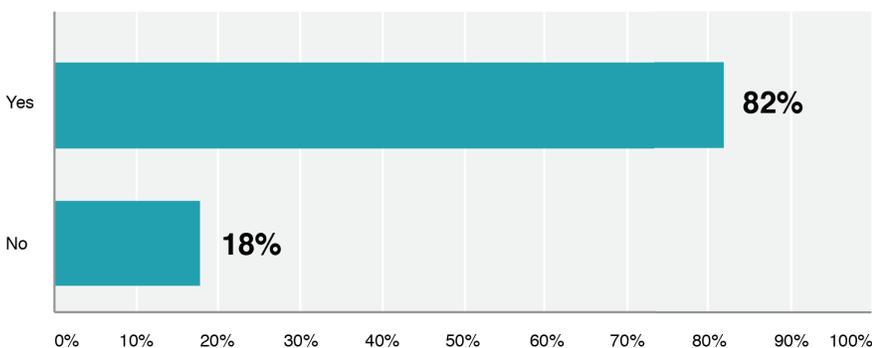
### Do you feel your primary financial institution actively helps you improve your financial health?



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With all the fintech companies popping up, financial institutions can no longer afford the status quo — especially because 82 percent of consumers say that if tech companies like Google offered banking services such as loans, they would consider using such services.

### If a tech company like Google or PayPal offered banking services such as payments or loans, would you consider using those features?



MONEY SUMMIT

This heightened competition means it's time for financial institutions to pivot from focusing on fee-based revenue to advocacy-based revenue.

As Bradley Leimer, Head of Innovation at Santander, N.A., says, "Fee income is not the long term answer, especially in an age where the consumer has a louder megaphone than ever." Leimer calls on banks to "flip the customer value on its head."

He asserts that whereas banks have typically focused on the value they get from the customer, they should instead focus on the value they give to the customer. By doing this, Leimer reasons, financial institutions will better develop long-term relationships. He adds, "People live long lives, and they shouldn't be at their bank or credit union for just 5 or 7 years. The relationship should be a multi-decade, multi-generational relationship. This is why you need to flip customer lifetime value on its head."

Once you establish multi-decade loyalty, you will reap tremendous profits. But it all starts with advocacy. The account holder has to know that you have their best interest in mind before they trust you. And they have to trust you before they're willing to give you their loyalty.

This isn't just a nice idea. Major analyst firms across the industry have repeatedly found that advocacy is the best way forward.

Here are seven strongly worded examples (of dozens) that legitimize this view:

#### **Forrester Research**

"**For 11 years** Forrester has shown that **customer advocacy is the key driver** of loyalty at retail financial services firms. Loyalty, in turn, yields the most sustainable revenue growth for these firms. ... Focusing on customer loyalty is no longer just a smart strategy. In an age of empowered customers, **it is an imperative.**"

#### **KPMG**

"Banks that embrace change and systematically transform themselves to **meet new customer demands** will achieve a competitive advantage in the marketplace. **Those that continue to ponder—or worse yet, resist—change will suffer.**"

#### **Infosys**

"With the increasing commoditization of banking services, banks today need to look beyond their traditional goals – like driving customer satisfaction, customer revenue, and customer retention. Instead, **they must focus their energy on winning customer advocacy.**"

#### **Deloitte**

"Becoming more customer-centric **should be a priority for all financial services providers.** In the current challenging economic environment, it can be a driver for growth and profitability, help defend against competitors and ensure financial services institutions meet their regulatory obligations."

"Focusing on the customer experience is paramount to establishing complete trust"

**Ernst & Young**

### Accenture

“Banks are at a tipping point. Their historically stable customer base could erode steadily if banks cannot deliver the service proposition that customers demand.”

### Bain

“Retail banks have long been more preoccupied, appropriately, with countering threats of fraud and satisfying regulators than focusing on the damage that their me-too products, hidden fees and indifferent service have done to undermine consumer trust. **They now face unprecedented customer unrest.**”

### Ernst & Young

“**Focusing on the customer experience is paramount** to establishing complete trust and, in turn, creating customer advocates who will both refer business and expand their own relationships.”

These analyst firms make such statements only after crunching industry data. For instance, Forrester surveyed account holders at more than 70 institutions and asked whether they thought the institution did “what’s best for them, not just what’s best for the firm’s own bottom line.” Forrester then tied the responses to that question

## Customer Advocacy Drives Future Purchase Intent for Banks



Source: Forrester’s North American Consumer Technographics

to responses about how likely the account holder would be to buy their next product at the institution. What they found was that there was a strong correlation between the two data sets. That is, account holders who say their financial institution cares about what's best for them are the same account holders who are likely to buy the next product from that institution.

Based on this data, Forrester says, "In the age of the customer, the only true source of sustainable organic growth will be the loyalty of customers."

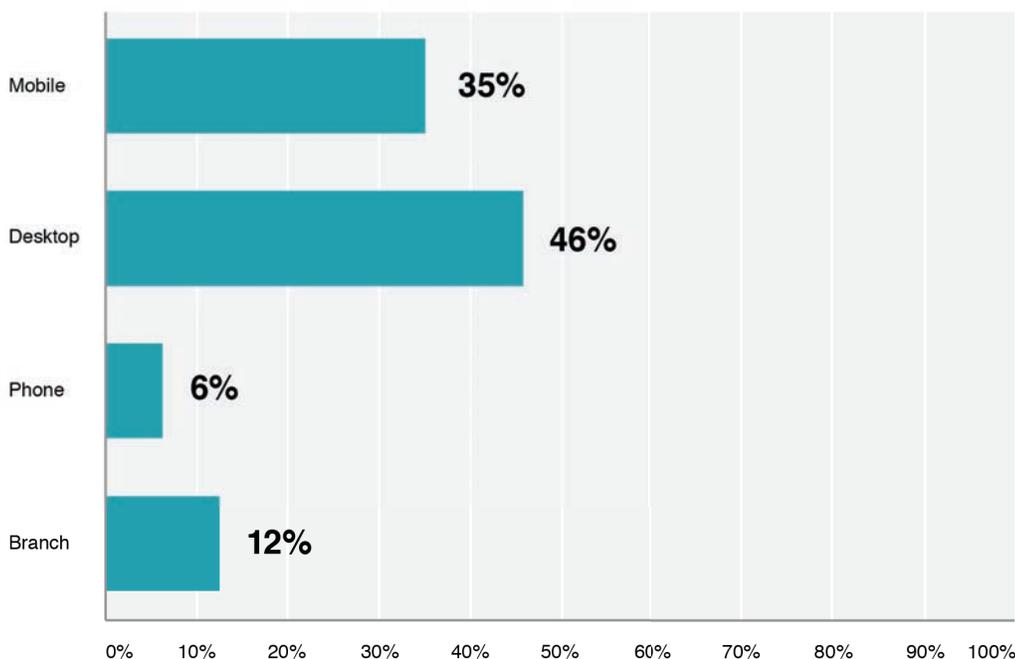
The prime examples of institutions leading on this front are Navy Federal and USAA. Both have the highest marks on customer advocacy and the highest marks on being the first place account holders turn for their next product. What's critical here is that both institutions are also noted for leading digital initiatives. For example, USAA led the way on remote deposit capture, video chat, mobile bill pay, and they invest in leading fintech companies such as MX and Coinbase. It's no surprise then that they're able to exceed consumer demands. In addition, [USAA has 98% customer retention](#), and 95% of their customers say they will stay with USAA for life. That's loyalty — and it will result in profits for decades to come.

At this point, the question becomes less about whether advocacy is the most important task for financial institutions and more about how financial institutions can actually enact efforts that build their role as digital advocates. That's the topic we turn to next.

"Banks now face unprecedented customer unrest"

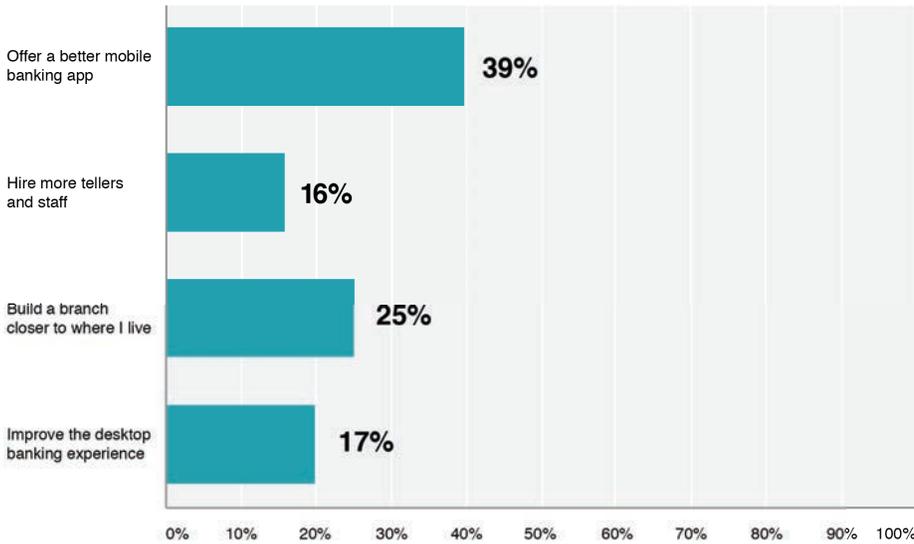
Bain

## Why Digital Advocacy?



To learn more about how consumers interact with digital channels, we posed a series of questions to 504 random US consumers. First, we asked which channel they preferred the most and found that desktop and mobile were clear winners.

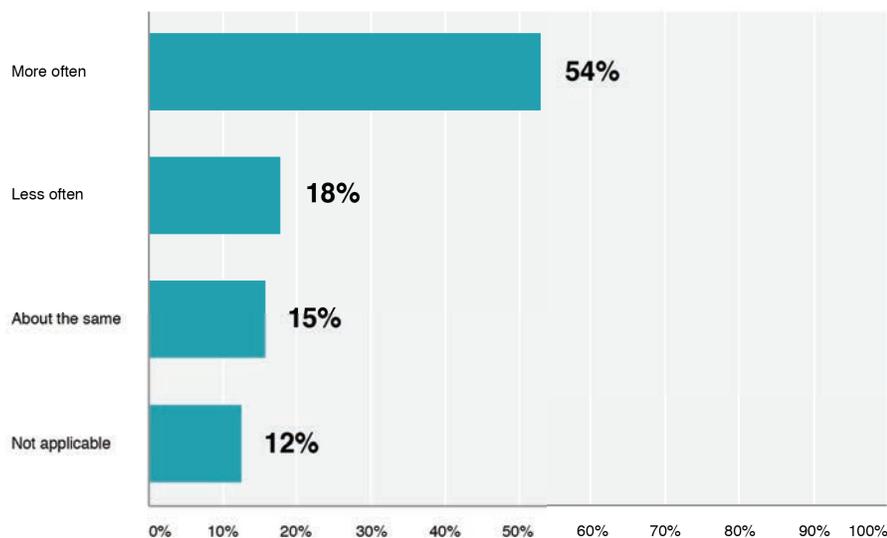
### What is the single best improvement your primary financial institution could make to give you better service?



MONEY SUMMIT

We also found that 39 percent of consumers say that offering a better mobile banking experience is the single best improvement their primary financial institution could make to offer better service.

### In the past two years, have you used mobile banking more often or less often?



MONEY SUMMIT

Taken together, this data highlights that while digital isn't the only thing financial institutions need to worry about, it should be the first thing they worry about. Digital is the future, and those institutions that become digital advocates will win the future.

## How Financial Institutions Can Become Digital Advocates: A 21-item Checklist

Let's walk through some specific suggestions on how financial institutions can be true consumer advocates. We've created a checklist of 21 items directly from industry thought leaders so you can measure the specific ways your institution is or is not being a true digital advocate for account holders.

In [The 10-Step Digital Customer Service Manifesto](#), Jim Marous outlines the best steps to take to become true advocates. We've written a question next to each idea so you can know whether you can add a checkmark to each item.

- 1. Extend Customer Service Beyond 'Banker's Hours'** — The digital age has changed expectations to full-time service. Are your support lines available beyond 9 to 5?
- 2. Focus on Speed of Response** — Are your response times comparable to the time it takes for account holders to hear back from their friends via email and text?
- 3. Monitor Social and Online Conversations** — Are you engaging with account holders where they are, in real time?
- 4. Provide a Multichannel Customer Care Experience** — Can account holders contact support from all your digital channels?
- 5. Simplify Mobile-First Options** — Are all mobile experiences responsive?
- 6. Understand the Multiplier Effect of Bad Experiences** — Are you actively monitoring bad reviews and quickly addressing the complaints that spark them?
- 7. Hire For Tomorrow's Consumer** — Is your support staff well versed in technical issues?
- 8. Leverage Big Data and Remove Silos** — Do account holders have to repeat their info when they switch departments during a support call, or is the experience seamless?
- 9. Turn Customer Service Into Revenue Opportunity** — Are your digital cross-sell offers more about your bottom line or about providing legitimate value?
- 10. Remove Paper** — Do you offer a completely digital signup process for new accounts?

To dig into the full list of suggestions from Marous, download the 57-page [Customer Service in the Digital Age](#) report.

"They must focus their energy on winning customer advocacy"

Infosys

Here are seven additional suggestions from Deloitte, each followed again by a guiding question.

- 11. **Make the customer an executive priority** — Does your executive team agree that the customer experience should be a top priority? If not, do you have a plan to get them there?
- 12. **Use insights to tailor the individual customer experience** — Do you have access to actionable data that you can use to create targeted and individualized offers?
- 13. **Bring the brand to life**— Does your brand energize your digital channels, or does it feel dated?
- 14. **Use customer-centric measurement and reward** — Do your rewards systems improve the financial health of your account holders, or are they focused on your bottom line?
- 15. **Build customer-centricity into all operations** — Have you thoroughly used each of your digital channels yourself, as though you're in your account holder's position?
- 16. **Embed customer-centricity in every team and individual** — Has your back office caught the vision of becoming advocacy-centered?
- 17. **Use technology to bridge the gap with consumers** — Do your digital products exceed consumer expectations or merely meet them?

And here are [three suggestions from EY](#):

- 18. **Make banking simple and clear** — Do you offer your account holders "seamless 24/7, real-time access" for support?
- 19. **Help customers make the right financial decisions** — Do your account holders believe that you are actively helping them become financially strong?
- 20. **Be proactive in anticipating and solving problems** — When you resolve problems, are your account holders satisfied with the process? Do you have a way to track satisfaction levels?

Finally, Duena Blumstrom, an independent digital banking consultant, wrote an article for The Financial Brand titled [Banks Need to Put Emotion into Customer Experience](#). This is the 21st item on our checklist, and it is a terrific guidepost for all the other items.

- 21. **Put emotion into the customer experience** — When account holders interact with your digital products, what do they feel? Are they delighted? Apathetic? Frustrated? Are you tracking the emotional responses to the experiences you offer?

That's it. As you look over the checklist, ask yourself how you're doing — whether you are a leader, a learner, or a laggard, as industry thought leader JP Nicols puts it.

Here's our grading rubric, where one checkmark equals one point:

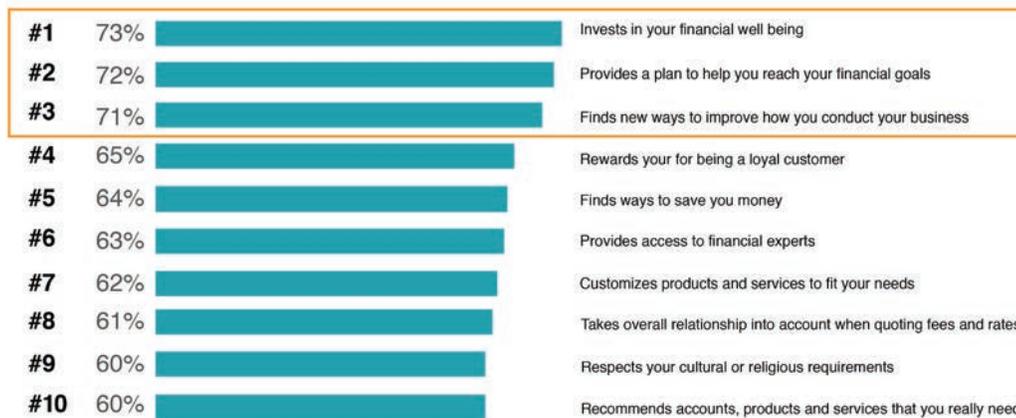
16-21 Points: Leader

10-15 Points: Learner

1-9 Points: Laggard

How did you score? If you are a leader, congratulations! You'll be well prepared to advocate for your account holders. If you are a learner or a laggard, you might feel overwhelmed. Where do you start? One place to start is to look at how Ernst & Young prioritized engagement drivers in the financial services industry. Their data shows that the top three engagement drivers all have to do with helping account holders improve their financial health.

**What customers would be willing to do: pay a little more, add more accounts/services and increase deposits/investments if their primary financial institution offered a much better experience**



Source: EY

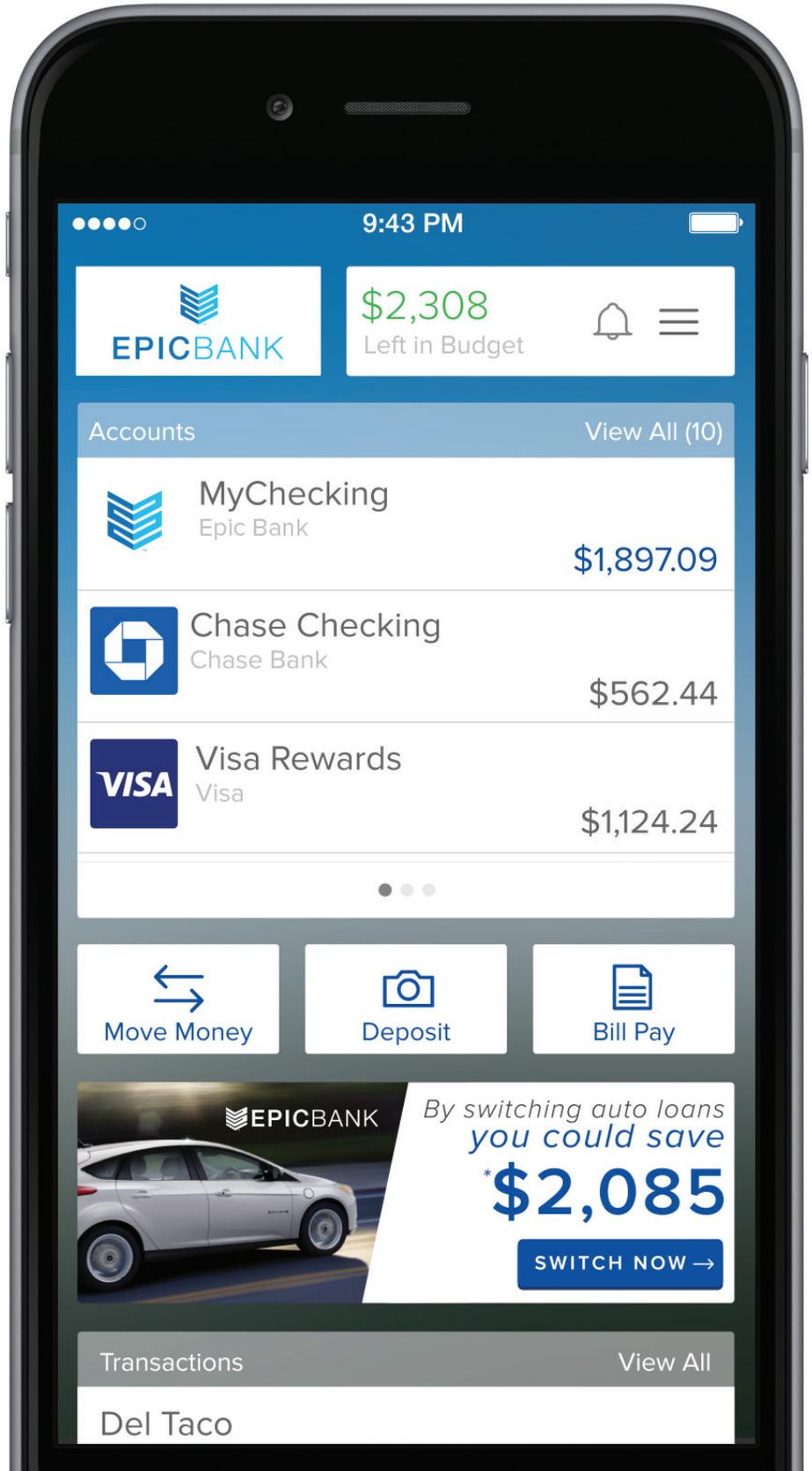
If you can legitimately help your account holders become financially strong, you may have done enough to be considered their advocate. It's the best place to start.

## Conclusion

It's clear that consumer advocacy must be the main goal for banks and credit unions, and it's clear that there are specific tasks financial institutions can do to improve the customer experience.

“Becoming more customer-centric should be a priority for all financial services providers”

Deloitte



See how MX can help you better advocate for your account holders.

Contact us at 801-669-5500 or set up a demo at MX.com