TrendWatch2018

Year of the Customer

HARLAND CLARKE®

American consumers are feeling confused, beaten down, and shaken up.

Their personal angst is understandable, even in the face of good economic news:

- Robust consumer sentiment index scores[1]
- Consistent gains in the stock market[2]
- Historically low unemployment rates[3]
- Steady (if slow) economic growth[4]

But what, realistically, can a bank or credit union do to help their account holders feel better?

For our annual TrendWatch report, Harland Clarke has identified six trends that illuminate what consumers are looking for. It's not rocket science, and it's not magic. It's good old-fashioned, authentic service.

By being helpful and taking care of their customers, financial institutions can be that safe harbor in an uncertain world — where consumers feel valued, where their needs are met, expectations are understood, loyalty is rewarded, and experiences are outstanding.

[1] Goldstein, Steve, "Consumer sentiment at a 13-year high in October," *MarketWatch*, October 27, 2017

[2] Domm, Patti, "Stock market poised for a 'melt-up' as it begins strongest months of the year," Market Insider, cnbc.com, November 1, 2017

[3] McCue, Dan, "Jobless Claims Edge Up by 10,000 But Unemployment Remains Low," *CourthouseNews.com*, November 9, 2017

[4] "US economy grows faster than expected in third quarter," *BBC News*, October 27, 2017

Trend 1.

Greater Emphasis on Individual Account Holder Needs

Make 2018 *your Year of the Customer.*

In today's digital world, there's a fine line between knowing your customers and intruding on their privacy. While customers want to be remembered, they don't want to feel like they're being spied on — especially in sensitive areas like banking.

So where does service end and intrusion begin?

The golden rule is that you should collect and use only the data you need to provide your account holders with the products and services they expect.

From their perspective, this is reflected in what you don't try to sell them as much as what you do try to sell them. For example, your customers who don't own their homes don't want to receive offers for HELOC loans. If they just activated a new credit card, they don't want to receive offers for another one. This type of tone-deafness isn't just irritating; it shows you don't know enough about them to understand their true needs.

The Harland Clarke Perspective:

With the plethora of account holder data, and business intelligence tools to help mine and utilize it, there's no excuse for offering products and services that account holders neither want nor need. Data analytics, including fine-tuned propensity modeling, help financial institutions market in an insight-driven manner, offering the right product or service at exactly the right time.

For example, it's easy to find out when an account holder is shopping for a loan at another institution. The credit bureaus report this activity every day. Armed with this knowledge, a bank or credit union can immediately offer a credit-screened, preselected loan by phone, mail, or email while its account holder is still shopping. This is exactly the type of service that makes a customer feel known.

Trend 2.

Increased Value of Personal Interaction

This one may seem counterintuitive. After all, aren't in-branch visits on the decline? Indeed, they are. According to a study conducted by Kronos® in 2017, the number of transactions processed by tellers in credit union and community bank branches has dropped by 19 percent since 1992.[5]

But that doesn't mean consumers value personal interaction any less. In fact, even though in-branch visits are waning, branches still matter — a lot. According to J.D. Power, 71 percent of bank customers visited a branch an average of 14 times in the last year.[6] And, overall satisfaction with their bank is higher among customers who visited a branch than those who didn't.[7]

Contact centers also play a big role in customer satisfaction. While account holders like to make transactions digitally, when they need to solve a problem they want to talk to a person. And when they open a new account, a welcome call is actually welcomed. The data bears this out. Customers who experience a satisfactory interaction with a contact center are 14 times more likely to be engaged with their bank.[8]

With more and more interactions moving to online and mobile channels, digital interactions can't be put on autopilot. An increasing number of consumers — primarily Millennials — are seeking an improved online account opening process.[9]

The Harland Clarke Perspective:

There are several ways that financial institutions can optimize personal interactions. Some "low-hanging fruit" in this area include:

- Use research, such as customer experience surveys and mystery shopping, to find out how you're doing — and adjust accordingly. Use your contact center to enhance sales and service outreach and to proactively manage change or crises.
- Connect marketing with retail so your in-branch and phone follow-up service is flawless. (And, again, be sure to offer the products and services your account holders want so that your cross-selling is perceived as valuable instead of a nuisance.)
- Try new avenues to build connections in meaningful ways. For example, check packaging and messaging can be customized to engage with check writers, who are still the most valuable account holders.

[5] "FMSI 2017 Teller Line Study," Kronos®, 2017

[6] "J.D. Power U.S. Retail Banking Satisfaction Study," J.D. Power, 2017

[7] Ibid.

[8] Clayton, Lee, "Bank Call Centers May Be the Key to Revenue Growth," Gallup, 2013

[9] Marous, Jim, "Is Your Online Account Opening Process Driving People Crazy?" *The Financial Brand*, September 17, 2017

Trend 3.

Maintaining Data Security and Account Holder Trust

The recent data breach was a disaster for Equifax®, the 145 million American consumers directly impacted,[10] and the reputation of the financial services industry as a whole. While the breach was not the fault of banks or credit unions, much of the compromised data originated with a financial institution.

Fair or not, your bank or credit union's brand may have been sullied. In 2018, your job will be to help your affected account holders deal with the aftermath of potentially the most damaging data breach in U.S. history. The fallout will be felt for years.

The Harland Clarke Perspective:

This is an opportunity to nurture your account holders. To demonstrate with your actions that you care about them as people and not just account numbers. They need to know that you take their security seriously, so be sure to reiterate it in your communications with them.

Most importantly, get your governance, risk, and compliance efforts in order. Make sure you can document the required steps to protect your account holders' personal information.

Last but not least, don't neglect this staffing lesson: Equifax call centers were completely overwhelmed after the breach. Be sure you have a contact center resource vetted and ready to go in case of a short-term inbound or outbound need.

[10] Blanco, Octavio, "Millions of Consumers Still Unaware of Equifax Data Breach," *Consumer Reports*, November 9, 2017

Trend **4.**

Banking As A Hyper-Convenient Activity

ATMs are 50 years old. The iPhone® is 10 years old. These are just two examples of banking technology (yes, smartphones are, in fact, banking technology) that most consumers can't live without.

According to Accenture®, customers are seeking greater control over their banking experience. Thirty-nine percent cite speed and convenience as their top considerations when it came to banking.[11]

Bank of America Chairman and CEO Brian Moynihan said, "You have to be able to meet every customer, everywhere they want, and no one channel wins."[12]

We've gone from multichannel to omnichannel to optichannel experiences.

Multichannel strategies involved educated guesses as to what channels your account holders use and making as many of them as viable as possible.

Omnichannel meant account holders could engage with you on their preferred channel at every touchpoint.

With **optichannel** (which is the direction Moynihan was pointing to) you should already know which channel which account holder prefers (based on their history and contextual data) and be able to provide a highly personalized, one-to-one experience.

The challenge is knowing where you can meet your account holders, and what you can offer them that will be speedy and convenient for them while being profitable for you.

The Harland Clarke Perspective:

Mobile check deposit offers the perfect convergence of speed, convenience, and profitability. There's nothing speedier and more convenient for the account holder; for the bank and credit union, it costs a small fraction of an in-branch deposit and is a critical gateway to mobile banking, which is a hallmark of primary financial institution (PFI) status.

The challenge is that many account holders still aren't aware of the convenience (and security advantages) of mobile deposit. Trigger campaigns using low-denomination checks enable account holders to experience firsthand the speed and convenience of mobile deposit.

Instant card issuance is another convenience to consider. Once thought of as an EMV® compliance solution, or a response to reactionary issues like breaches, instant issuance has matured into a key differentiator for financial institutions looking to build loyalty by delighting account holders.

[11] "Beyond Digital: How Can Banks Meet Customer Demands?" *Accenture Financial Services 2017 Global Distribution & Marketing Consumer Study: Banking Report*, 2017

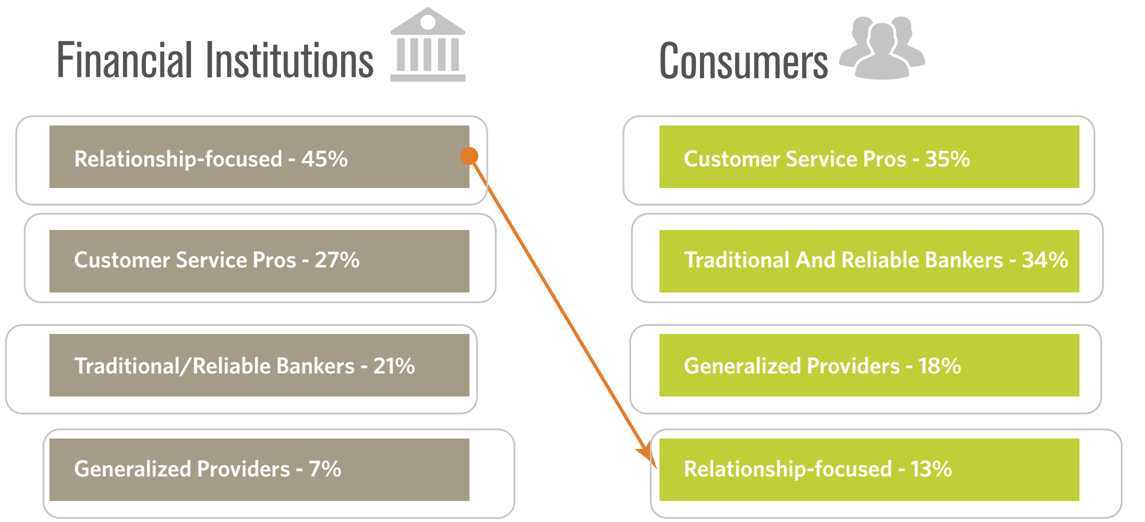
[12] Gurdus, Elizabeth, "Bank of America CEO Brian Moynihan sees banks benefiting from faster growth," *CNBC*, December 6, 2016

Trend 5. From Financial Service to Financial Advice

A familiar statistic that has been floating around the banking world in recent years says that 45 percent of financial institutions believe they are relationship-focused, while only 13 percent of consumers agree.[13]

Nowhere has this borne out more than in the area of advice and consultation. Consider that only 37 percent of account holders are getting the wealth-building advice they want.[14] Or that only 34 percent are satisfied with their financial institution's effort to detail their spending and offer savings advice.[15]

How Financial Institutions View Themselves VS. How Customers View Them



Financial institutions are trying to bridge this gap.

Many are embracing the "universal banker" concept of talent management, where one banker can serve any need an account holder has, from opening an account to processing a loan to offering wealth-management advice.

Other institutions are reformatting branches according to the needs of the communities where their branches are located, hiring specialists to provide specific services where the need is highest.

The Harland Clarke Perspective:

Being helpful comes back to using business intelligence to its fullest advantage. You must continually evolve to keep up with your account holders' evolving needs.

One way to do this is by assessing your customer experience, which involves gathering, measuring, and interpreting feedback at every touchpoint (branch, web, contact center) and every encounter.

Where are you most successful? Where have you missed the mark? You won't know until you ask.

Don't neglect in-branch training to ensure your frontline staff is fully prepared and knowledgeable to provide account holders with quick answers and efficient service when desired as well as in-depth consultation and advice when requested — and how to know the difference.

[13] BAI Consumer Market Pulse Survey

[14] "Understanding Financial Consumers in the Digital Era," CGI Group Inc., 2014

[15] Ibid.

Trend 6.

Keeping Abreast of Trends While Preparing For What's Next

It's no secret that legacy financial institutions are threatened by non-traditional players like never before. Fintechs, Google, Facebook, Apple, Amazon, PayPal, and others are encroaching on territory formerly exclusive to banks and credit unions. In fact, in the coming years, the financial services landscape may be unrecognizable to today's observers.

This is nothing new. Industry experts have been sounding the alarm bells for several years. In a 2014 study, Pricewaterhouse Cooper® reported that fewer than 20 percent of banking executives felt prepared for the future.[16] The following year, McKinsey predicted that legacy financial institutions would see profits decline 20 to 60 percent if they failed to evolve digitally.[17]

In a recent article in the *Harvard Business Review*, Nadeem Shaikh, founder and CEO of Anthemis Group, argued that financial institutions needed to "organize around long-term strategies for growth and partnership" instead of creating short-term fixes.[18]

The Harland Clarke Perspective:

In an industry as highly regulated as banking, financial institutions need lots of lead-time to adjust and course-correct. You need to be planning not just the next fiscal quarter.

Some of the technical innovations on the horizon include:

- Intuitive self-service
- Biometrics
- Mobile wallet
- Cryptocurrencies
- Artificial intelligence
- The Internet of Things

The list goes on, of course. Every financial institution can't possibly keep up. But by knowing your account holders and prioritizing resources accordingly, you can implement long-term strategies for growth and innovation.

This involves working with suppliers that can provide competitive advice based on a track record of success.

[16] "Retail Banking 2020: Evolution or Revolution?" PwC, 2014

[17] "Strategic Choices for Banks in the Digital Age," McKinsey & Company, 2015

[18] Shaikh, Nadeem, "The Financial Industry Needs to Start Planning for the Next 50 Years, Not the Next Five," *Harvard Business Review*, July 17, 2017

Be More by Doing More

The financial services industry is in a period of flux. Consolidating in some areas, expanding in others. As a response, it may be tempting for institutions to focus their attention inward — on profitability, revenues, and growth. No doubt, inward-focus is important for long-term success.

But just as important is not losing sight of your account holders. What are they going through? What are their concerns, challenges, hopes, and dreams?

Their lives, after all, provide the context for which they need your products and services.

The better you understand them, cater to them, and make them feel valued and secure, the more they'll reward you in the long run.

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