Point of View

Building Strong Relationships in the Digital Age

In an age of easy come, easy go attitudes, people seem to change spouses more often than they change banks. Once they make a commitment to their bank of choice, they don't let go easily. That means financial institutions need to perfect the art of wooing customers while maintaining their long-term relationships against the backdrop of the anytime, anywhere mindset created by digital technology.

Consumers today are constantly presented with a myriad of choices and opinions, from which shampoo works best for their hair type to which cell phone provider offers the best coverage. They easily switch from one brand to the next to get the better offer or the latest upgrade. But when it comes to their financial institutions, consumers are looking for more. Institutions that take the time and effort to not only attract customers but then nurture those relationships will reap the benefits for years to come.

Make a Great First Impression

The first step in any new relationship is to make a connection. From the outset, consumers are looking for signals that the bank will be easy to do business with, will anticipate their needs and will keep their best interests at heart. Many institutions have tried to make their branches welcoming places where customers can linger. They've created airport-style lounges and opened coffee bars, but is the high-street branch really where people want to go to relax or get their caffeine fix? Do a large waiting area and coffee stains create the best first impression in the digital age?

Instead, equipping sales staff with technology that helps them interact with consumers in a more welcoming, personal way can go a long way to engaging new customers. With a tablet in hand, a salesperson can meet consumers where they are – whether in the branch or at their home or workplace -- and get straight to the heart of their needs. You prefer to conduct transactions online? Let me demonstrate our mobile app. You're not sure if you can afford that new car? Our pricing and loan repayment calculators can help you make an informed decision. You're ready to buy a home? Let me help you get an agreement in principle for a mortgage right now.

When thinking about the first impression, banks should consider it might not be in person at all. The mobile sales branch and the bank's online presence are more important than ever. Consumers have come to expect clean design and user-friendly interactive technology – such as real-time chat and video conferencing. Financial institutions should take advantage of these technologies.

Really Get to Know Them

Consumers appreciate providers who understand what they need when they need it, and financial institutions are no different. Traditionally, banks have been successful at cross-selling in the branch, where agents engage the customers in conversation and use questioning techniques to determine what products or services fit the customer's situation. But as more and more consumers prefer Internet and mobile banking, opportunities for those personal, one-on-one interactions have dwindled. Financial institutions must find new digital avenues to replace that personal contact.

A strong analytical engine can help identify which products and services are mostly likely to be relevant to an individual customer. Most banks use that insight to serve targeted adverts, but even the best analytics can't get beyond likelihood to certainty.

What is needed is the tried-and-trusted questioning technique delivered in digital form. A 10- to 20-second digital interview enables the bank to really determine which customers need, and are in the market for, each product or service. Armed with that insight, highly targeted offerings can be presented to exactly match the customer's situation and needs.

With the right solution and real-time availability of information, financial institutions can successfully move traditional cross-selling techniques into the digital environment.

Show Them You Care

Let's face it: Managing finances is not a favourite activity for most people. That's why providing something seemingly small -- account alerts – can make a big impact on a bank's relationship with its customers.

Alerts give financial institutions the opportunity to proactively communicate with customers, providing them with important information exactly when they need it. In-app alerts provide significant advantages over SMS technology. They integrate with the smartphone app, allow for response tracking and are so cheap to provide that they are almost free. The possibilities are endless. Whether it's a low-balance notice, a reminder an automatic bill payment is about to be processed, or an antifraud check, never before has the bank had the opportunity to interact with customers on such a frequent basis. These little notes communicate a bigger message, too – that the financial institution cares about customers and what is happening with their accounts.

Be There When It Matters

Hand in hand with proactive communication comes the freedom to make informed choices. A strong relationship requires some give and take. Traditionally, the financial institution has held all the cards when it comes to determining a course of action when an account has insufficient funds. But by giving customers the information and power to make those decisions themselves, the bank takes a big step in cementing the relationship for the long term.

If a customer swipes his or her card and there's not enough money to cover the transaction, the bank could send an immediate SMS or in-app alert asking the customer what should happen next. Is it important enough to justify the bank paying and levying a fee, or is it better that it is just declined? Alternatively, maybe there's an impending automatic payment but insufficient funds to cover it. Many banks already send alerts to advise of shortfalls, but do little to offer the customer a real solution. Why not provide the solution, too, all via the same mobile phone? Make an instant transfer from another account? Have the bank cover the payment and charge a fee? Apply for instant loan approval? Register for an automatic sweep facility?

In the customer centric informed decision model, the bank decides the availability and the price of the service, but the customer decides which path to take.

Be Ready to Change and Grow

In a relationship, it's easy to get stuck in old habits. That's fine as long as the circumstances don't change. The same thing happens to banks. Existing processes get ingrained into the DNA of the organisation and don't adapt to meet the changing needs of the customer. The "this is how we do it here" mindset is exacerbated by the extensive legacy branch networks of the larger banks. If you're already paying for a large branch network, you may as well use it, right? Wrong!

The simple truth is that if customers want to transact digitally, banks need to enable them to do so no matter what investments they have made in the past. If a U.S. customer can deposit a cheque by taking a photo with a smartphone and logging into a banking app, why is it so hard in other countries? The same principle applies to ID verification for account opening. Sure, regulation plays an important part. But are banks driving the agenda for the benefit of the consumer (and ultimately their shareholders), or are they just sitting back and waiting for change to be forced upon them as the more nimble entrants get ahead and force a reaction?

Value the Total Relationship

When customers consider their financial institutions, they think of their bank – not the vehicle finance department, the mortgage department, the current account department, the savings account department and so on. The bank must look at the customer in the same way: one person with many characteristics and needs.

No matter what the marketing spiel says, customer-centricity is counterintuitive for most institutions because bank systems are based on product-level architecture. Creating truly integrated systems that provide the holy grail of the single-customer view through all touchpoints can stretch even the deepest of pockets, but there is an easier way to make a real difference for customers whilst leveraging the operational stability of core systems. By creating a layer that sits across all products and focuses on pricing and communication, the bank can relate to the whole customer while leading to more engagement and a deeper relationship. For example, pricing an overdraft to take account of the customer's existing home loan and investments – and communicating all the holdings in a single combined statement – provides convenience, value and evidence that the bank really does value the customer's business.

Set a Good Example for the Children

Most people's first account is opened at their parents' bank. If the bank does a good job of nurturing that relationship, they stay. Financial institutions who meet the needs of both parents and their children have a great opportunity to build strong, life-long relationships with young consumers.

Focusing products and services, as well as educational outreach, on youth is a wise investment. Understanding how the next generation chooses to interact with the bank is critical. In today's world, digital purchases require matching payment methods. A cash allowance cannot be spent online, so an iTunes® purchase requires a trip to a retailer or a request to borrow a parent's card. Surely it's better to start with a reloadable card that can be used in physical and digital stores alike. With today's technology, card safety controls can easily be set (and adjusted) with a few swipes on a smartphone screen, providing the parent with peace of mind that the card can be used for only authorized spend categories.

Worth the Effort

Building strong, longtime customer relationships takes an investment of time and resources, attention to detail and a willingness to innovate. Financial institutions that do it successfully reap the benefits of loyal customers who look first to their bank for their financial services needs rather than to the plethora of new competitors in the market.

About the Author

Jon Causier has been working in the financial services industry for over 17 years, both as a practitioner within a major U.K. bank and as the leader of an international consulting team providing advice to some of the world's leading financial institutions. He held a number of roles within the NatWest/RBS Group, most recently as head of strategy for transactional accounts. At Fiserv, Causier leads the ongoing development of the transactional banking proposition across personal and business segments. He earned a Master of Arts degree in social and political science from Cambridge University and a Master of Business Administration (with distinction) from London Business School.

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