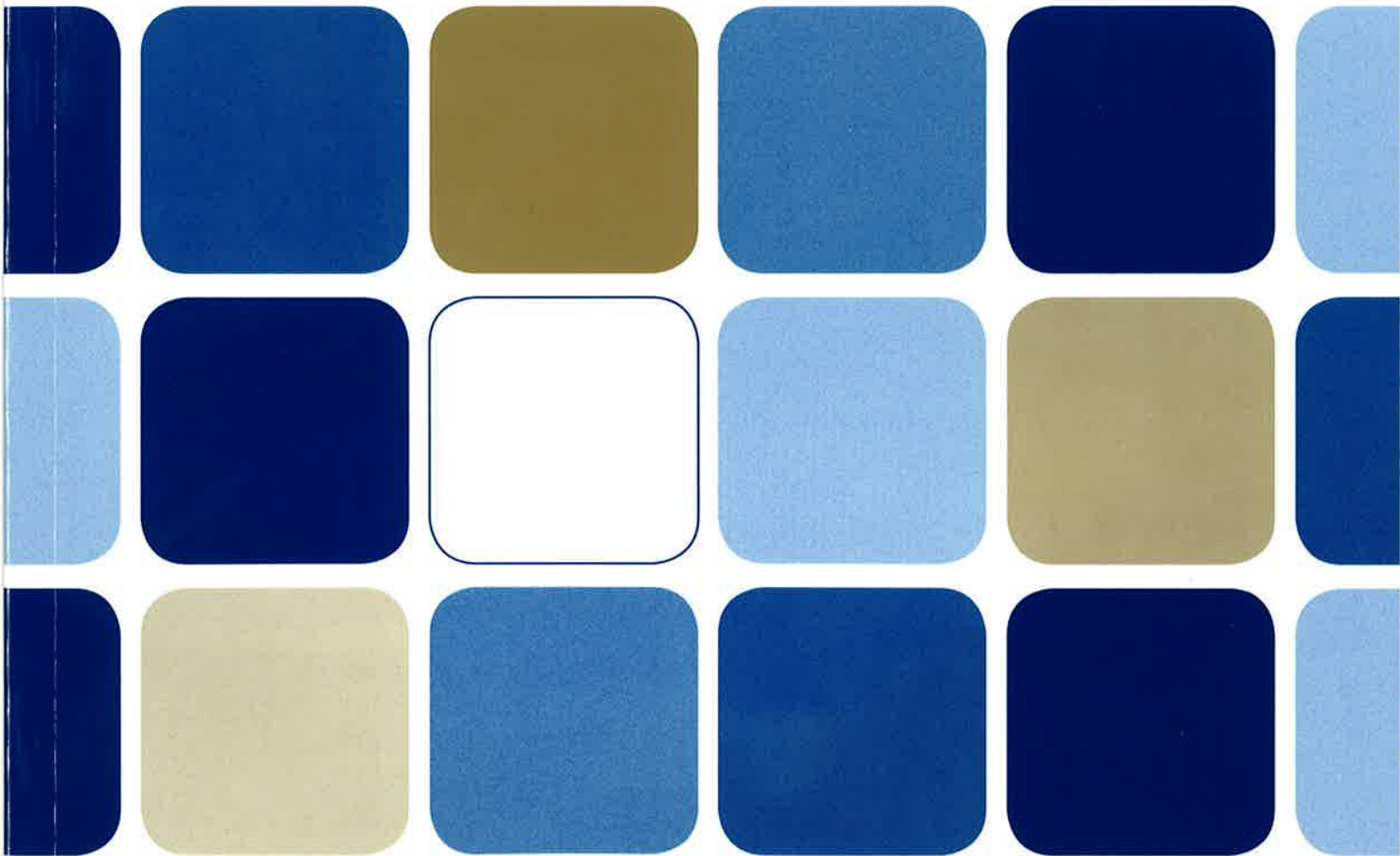


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The experience economy demands more of your service strategy

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Abstract Myriad providers have led the financial industry on a channel acquisition binge. While channel investments should be focused on growth, retention and wallet share, many financial institutions have been blinded into thinking channel access equates to true customer value. The danger? Institutions making enormous omni-channel investments are often delivering underdeveloped experiences that leave their customers disloyal and dissatisfied, ultimately exposing their business to competitive threats.

KEYWORDS: customer experience design, channel transformation, omni-channel, banking innovation, services design, branch transformation

INTRODUCTION

Take a moment to put yourself in the shoes of a consumer—it should be easy, as you clearly are one. Not just of the publication you're reading, but of a bevy of industries from retail and banking, to travel and hospitality.

Now think for a moment about the last time you, as a consumer, had a truly powerful experience. A moment when your individualised needs were brought to the forefront, or where an empowered associate could go above and beyond traditional expectations.

Try to remember how that experience surprised or impressed you. How, in that moment, a variety of elements—some of which you may have never known about—came together to craft an experience that

drove home the value of being a customer to that given brand.

Now, to make two quick presumptions about that experience.

First, you almost certainly didn't think to yourself 'wow, what a great omni-channel experience that was', because that's not how the average consumer looks at the world. You may have thought how seamless everything was, or how tailored it was to you as an individual consumer, but almost certainly it wasn't the notion that simply having a variety of channels in an interaction drove value.

And, secondly, you may want to sit down for this, I'm almost certain the experience you thought about *wasn't* in banking. In fact, in a recent poll using the same thought experiment, only 5 per cent of

respondents recalled an interaction from the financial industry. What industries stuck out in people's minds the most? Perhaps unsurprisingly, 42 per cent remembered an experience in hospitality, 28 per cent retail, 18 per cent travel, and 7 per cent from sports, entertainment and others.¹

It's not just that banking is lagging behind its adjacent peer industries, but it's the powerful nature by which new experiences are being crafted in these adjacencies that's influencing consumers. During the poll, many respondents could readily reference an impressive service moment at Starbucks or Nordstrom's, Disney or British Airways—and they were enthusiastic about how experiences like those drove their loyalty.

And this is why the experience economy is such a threat to banks and credit unions. These adjacent industries aren't simply delivering a service, they're providing an *experience*, and these inspirational moments are now required for driving customer value, growth and retention. Without them, financial providers remain exposed—no matter the size of the technological investments they've made—to ephemeral customers and commoditised offerings.

At a Glance

- At any given point, one-third of all banking consumers are open to switching to another provider.
- Seventy-three per cent of consumers would be more excited about a banking product from a technology provider than a traditional financial institution.
- Fifty-three per cent don't believe their bank offers anything different.
- Seventy-one per cent of consumers would rather go to the dentist than visit a bank branch.

THE CHANGING CONSUMER

Customer personas have seemingly presented a formidable challenge to those looking

to reshape their service delivery models in recent years. Mapping to, and grappling with, diverse and ever-changing preferences have left many a bank and credit union paralysed.

On one end, we have the Millennials, who are often considered (mistakenly) financially disengaged and disinterested. However, perhaps to the benefit of many financial institutions, this subset is getting older and entering the more mature years of personal financial management. And, as one recent study found, 64 per cent of the Millennials articulated a desire to deepen their relationship with their primary financial institution, and another 70 per cent desired greater knowledge and skills when it comes to their finances.²

The trend in those figures only looks to continue on its current trajectory, meaning, traditional competitive stalwarts like products and pricing are taking a considerable backseat to individualised relationships and education. The Millennials care less about a given product or its pricing, and more about how they're going to receive personalised treatment and attention to their unique needs.

And why would we expect anything less? In the era of Pandora individually curated radio stations, banks and credit unions are similarly tasked with migrating from broad- to narrowcasting, all the way down to unicasting sales and service offers at the individual consumer level. To meet the next generation of consumer's needs, this high watermark for service is becoming a requirement.

And it's not just the Millennials that are looking for fitted experiences. On the other end of the spectrum, the Baby Boomers of today—half of whom continue to represent a tremendous growth opportunity with over US\$100,000 in investable assets—are equally looking for improvements in experience and service quality. And nearly 46 per cent of that generation is currently *disengaged* with their primary provider.³ Although they may require a different product suite at their



stage in life, as another study found, the Baby Boomers desire just as much in terms of convenience and customer service as the Millennials do.⁴

As adjacent industries like retail, hospitality and travel undergo a surge of changes, consumers are voicing their enthusiasm for the victors of service design with their wallets. Luckily for banks and credit unions, there is consistency across even seemingly diverse generations for financial institutions to do the same. How that's accomplished is another story.

THE EXPERIENCE BATTLEGROUND

As both enterprise and consumer-IT have evolved, the notion of the omni-channel experience has become the central focus for many banking service delivery models in recent years.⁵ However, a careful look at other industries can begin to reveal the tyranny of choice that can cause service impediments in the omni-channel approach.

As identified by *The Economist* in 2010, although a world of options can seem appealing, it can have the unexpected consequence of actually *reducing* the propensity to purchase.⁶ Put in banking terms, simply providing a variety of disconnected channels, where the end consumer is uniformed and ill-equipped to make proper channel decisions, doesn't just disrupt the customer journey; it can impair loyalty and the willingness for them to do business with your brand.

The omni-channel delivery model only has success when each component is tightly choreographed. Channel convenience cannot stand alone. It must be married to journey continuity, service recovery and employee education and empowerment.

The perfect example in retail is the monumental success of the Apple stores. In 2001, Apple began reshaping physical retail delivery as we know it. The success of these stores can be directly attributed to not just their ability to simply provide digital and

physical channel choices but complement them with an exhaustive staging of the various team members involved and synchronisation of the technologies a consumer can touch in their given ecosystem.

It's this crafting of the end-to-end digital and physical customer journey that enables Apple's omni-channel strategy to succeed. There's not just seamless interplay between mobile and online and in-store, but Apple was mindful of how each needed to be tailored to adjust to a customer wanting to shop, to learn, to get support and assistance, or to transact. Their focus on the handoffs and exchanges between all of these digital and physical self, assisted and full service channels is the synchronicity that has helped Apple boast the highest per-square-foot sales value in the industry.⁷

Apple was soon followed by airlines like Delta, who married not just digital and physical channels but rethought the way a passenger's journey could be shaped with an emphasis on redeploying labour into sales and support roles. Like Apple, Delta's channels don't just work together; they create efficiencies and experience improvements.⁸ Suddenly, it becomes quite hard to remember why we ever stood in snaking queues to have someone print a physical boarding pass for us.

Most recently, Uber and Lyft began posing legitimate threats to the traditional taxi and black car service industries.⁹ The irony is neither application is truly a car service; rather, both are cloud-based platforms that synchronise a market between individuals, marrying supply and demand in an experience that considerably improves on standard models. Not only could they reshape an industry by making it more efficient, Uber and Lyft are having success by simplifying choice and packaging it in an end-to-end customer journey that looks to be dislocating the traditional approaches.

In recent years, the pace of technological innovation has only been matched by



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consumers' thirst for improved experiences, and banking looks alarmingly poised for disintermediation. With a focus on financial literacy, channel convenience and low (or non-existent) fees, new entrants like Moven and Simple are beginning to show competitive value. And announcements like Venmo's Ledge, an app designed to provide peer-sourced lending services, only further exacerbates concerns over newcomers taking aim at traditional financial providers, and they're doing so with an emphasis on experience, convenience and service quality.¹⁰

If one were to argue that a cab ride or an airline boarding pass experience was considerably different from the services of a financial institution, they'd not only be accurate, they'd be cutting to the core of the financial services predicament.

Banking experiences often come at radically more consequential moments of truth in consumers' lives. Beyond a simple ride to the airport or a digital boarding pass, our financial experiences are pivotal moments in our personal histories. These experiences extend well beyond mere transactions, and touch how and where we live, what we work for and how we reach for our goals. Consumers' expectations in these moments of truth have every right to be elevated.

THE THREE PILLARS OF GROWTH

To coalesce both the heightened demands of cross-generational consumers and the pressures of the banking industry, attention has to be refocused on a new trifecta of goals, namely, revenue growth, operational efficiency and customer experience. When one looks at a subset of the industry today, the data paint an unfortunate picture of where we're at and how far we collectively have to go.

Using the famous Boston Consulting Group matrix, Russell Lester, an industry researcher and Chief of Staff at NCR, has shown that a bevy of financial institutions are lagging in this area today (Figure 1).¹¹

With over 80 per cent showing declining revenues, perhaps the most curious segment of the study are the banks and credit unions positioned in quadrant two. This subset of financial institutions has clearly made investments in channel optimisation and is seeing efficiency gains, but isn't pairing those gains with revenue growth.

The disconnect roots back to the core issue at hand. Simply investing in new channel delivery models does not ensure growth or improved satisfaction. Although a variety of tools have provided increased access and efficiencies, those investments must work in concert to actually improve the experience, deepen relationships and drive business.

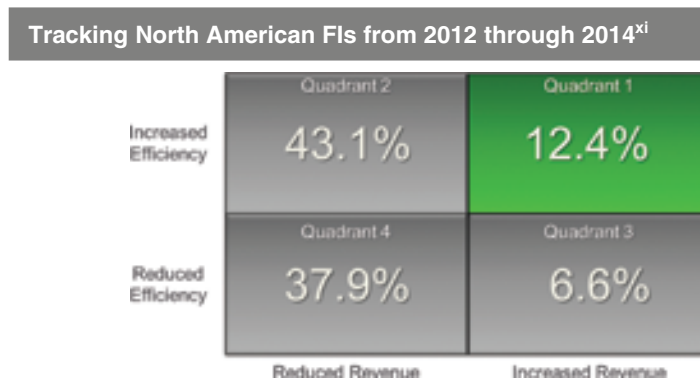


Figure 1: The Boston Consulting Group Matrix. FIs, Financial Institutions

Further complicating this is the requirement to not just add new channels to the customer journey, but to retain and incorporate the legacy points of presence. As the latest Federal Reserve channel study shows, traditional channels retain importance even as new channels come online (Figure 2). As mobile activity and user volumes grow rapidly, a traditional channel like the physical branch is still considered a primary point of interaction to over 85 per cent of consumers.¹² The translation is we're not cannibalising channels, but rather creating complementary ones that must perform as an ensemble. This is an additional complexity to achieving the core goals of revenue growth, operational efficiency and customer experience.

GOOD DESIGN IS GOOD BUSINESS

Banking is certainly not the only industry trying to combat sour statistics like the aforementioned quadrants. However, banking has often been a laggard in terms of adopting more sophisticated deployment techniques.

With the advent of eCommerce and formidable players like Amazon, the retail industry has become acutely aware of how

important well-designed experiences are. And it's important to recognise that, in turn, a provider of any good or service can't simply provide a channel, but must design an ecosystem that encourages consumption.

Although there is a graveyard filled with retailers that couldn't adapt, the traditional retail industry, some 20 years after Amazon was founded, hasn't collapsed nor migrated into a fully virtual state. Rather, by all accounts, it's pivoted and improved. Physical stores, retail associates, mobile and online shopping experiences, each one is getting more tightly choreographed to improve the end shoppers' experience and increase their propensity to buy.

Here lies the seismic difference between the members of Lester's financial quadrants. The leaders in quadrant one aren't thinking along binary lines of channel access to simply drive efficiencies, but rather in three dimensions where the aforementioned elements are grounded against the values of customer experience and growing revenue.

In Lester's findings, these industry leaders are head and shoulders above their peers. On average, they have higher mobile application scores (over 4 stars) and net promoter scores (50+ points) than their collective peers (Figure 3).^{xi}

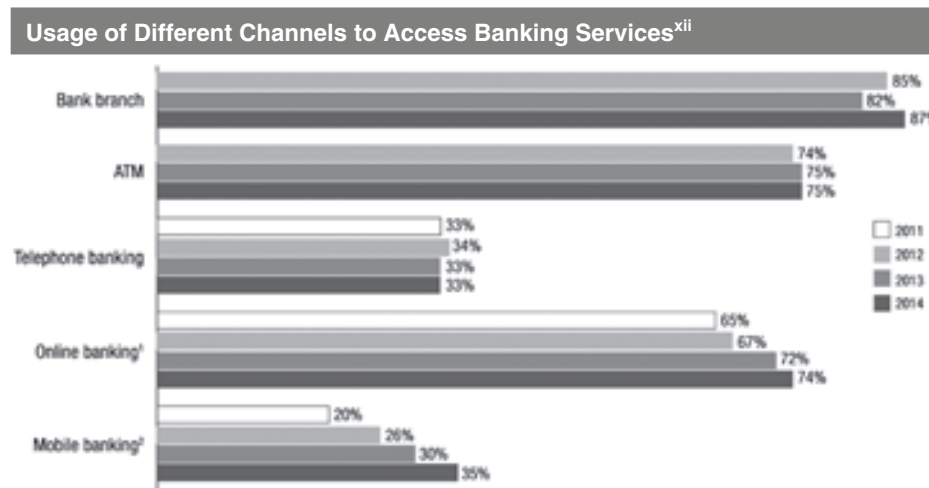


Figure 2: Different Channels to Access Banking Services

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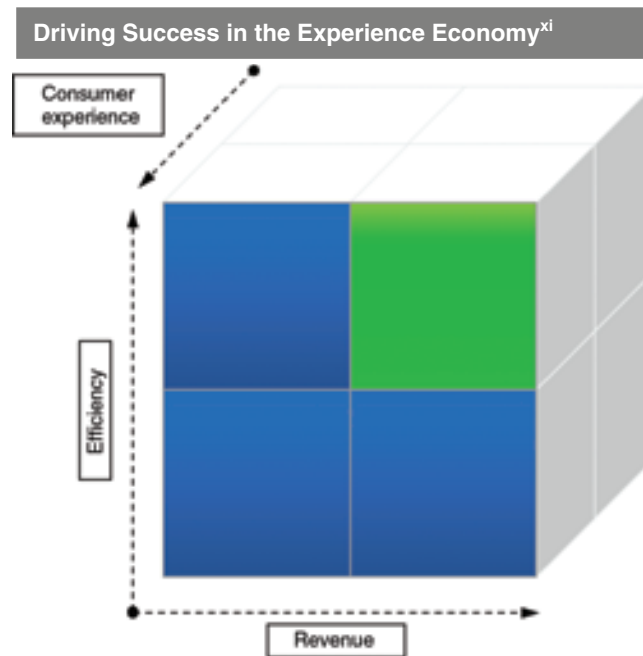


Figure 3: Aspects that Drive Success in the Experience Economy

This doesn't happen by accident. It takes intentionality and a vision that works for the end consumer as much as it does for the institution. It's this focus and process that is often overlooked by those that make surface level channel investments, yet miss the point on designing the end-to-end journey.

PROCESS OVER PRODUCTS AT PNC

Driving intentionality around experience comes from focusing less on a given channel, and more on designing services and personnel across a variety of interactions and channels.

PNC proves an outstanding case study on services design. Led by Brian Halloran, PNC's SVP of Retail Transformation, PNC recognised it couldn't simply roll out new technologies—however impressive they were—but it would also have to reshape the way the entire organisation would approach change management and craft the desired end-user experiences the business sought.

As Halloran worked to establish the principles for change of this kind, he

acknowledged that a traditional top-down approach would no longer suffice. To accomplish the goals, as Halloran would later say, the 'digital and physical fusion would be anchored in people'.¹³ And he wasn't referring simply to the end consumers.

Halloran's team at PNC recognised these experiences were as much about the employees as it was about the customers. For a successful transformation to take place, the PNC team would need employees to not just be cognisant of new solutions like mobile banking and intelligent deposit but to embrace them and serve as ambassadors to these new capabilities.

In turn, PNC began to measure *behaviours* just like it would standard quantitative success metrics. PNC deliberately choreographed both customer demonstrations and new technology conversations into the customer experience mindset.

When the bank launched intelligent deposit, it didn't just deliver upgraded automated teller machines (ATMs) to the market, it trained the team members on

them. PNC employees not only understood the technology but also used it. Then PNC empowered on-site team members with US\$1 or US\$2 checks that could be used in a demo deposit with a customer, all meant to concierge that entire first experience. It's perhaps no surprise that PNC has migrated nearly 50 per cent of all deposits to self-service, an industry benchmark.^{xiii}

In parallel, PNC began to re-engineer the approach to shaping and testing experiences. A notable example was the iLab concept. Leveraging the iLab—a customer experience think-tank of sorts—Halloran led his organisation through training sessions, role playing, shadowing and research and development activities. At each step, PNC worked to proactively tune the customer experience, whether in a branch, at an ATM, or virtually at home, to deliver the desired results.

As many banks and credit unions have come to recognise, these transformational changes bear tremendous scale and complexity.¹⁴ Halloran's team determined they'd need a different approach to embed these changes deep into the PNC ethos. To accomplish this, the PNC team built an entirely new change management roadmap for their cultural transformation.

In its first half of the roadmap, PNC would emphasise education and adjustment. No doubt, a transformational omni-channel strategy doesn't just shakes things up; it radically breaks from business as usual. As PNC employees and consumers began to adopt and leverage new technologies, and step through newly engineered experiences, PNC diligently monitored behaviours. PNC was scrutinising the changes instituted, observing if team members and consumers separated from old ways of doing business and employed the new technologies and service models.

On the back half of the change management roadmap, PNC concentrated on inculcation and enhancement. Are team members reverting to old habits? Are

they losing focus on the new technologies and techniques? Are they bumping into unforeseen challenges in the field? These were key questions that had often been overlooked before. This level of examination, instituted over a series of months, began to reveal process gaps, team member confusion or doubts, and points of friction in the consumer experience. Only by doing this analysis could PNC make the corrective actions or enhance the changes it had worked to bring to market.^{xiv}

The PNC story is a master class in process re-engineering and change management. Although equipped with outstanding technologies, PNC never lost sight of the importance of getting everything, and everyone, aligned to drive the right user experience. What starts as a digital or physical channel can now become a seminal moment of truth—the type of seamless interplay that changes an exchange and transforms it into a relationship, a dialogue, a sale.

SERVICE DESIGN THINKING

The next frontier for the retail banking industry rests on the service design principles PNC has espoused. Considering the time and energy Halloran's team devoted to customer experience, it should come as no surprise that PNC recently received the highest customer service satisfaction ranking and top Net Promoter Scores among the US major banks.¹⁵

As PNC has demonstrated, the tools of the next generation of both financial institutions, and for that matter, their technology providers, will begin to pull from the bags of architects and designers as much from traditional IT and development shops.

To work in three-dimensional service—where efficiencies meet revenue growth, built on customer experience—partners and providers will begin to map their thinking along a customer experience spectrum, composing each moment across pre-service, service and post-service.

Along each path, banks and credit unions should challenge their providers to help them understand how this experience will be woven into their larger ecosystem. Those that will lead this charge will build their business case not just on standard return on investment (ROI) or internal rate of return (IRR) (which will retain relevance to one's chief financial officer [CFO]), but will strengthen their case with assets many have not seen before.

Transformational change initiatives will begin to include *journey mapping*¹⁶—exercises that can articulate all of the theoretical service paths a consumer may take, and deconstruct each factor to understand where it's creating a more seamless experience or introducing a point of friction. Just as PNC could physically walk through an entire customer journey within the iLab environment,^{xiii} identifying these touch points and creating the coinciding visual representation will empower technology providers and financial institutions to choreograph the right branded journey for their end consumers.

Others will leverage *service safaris*—or the opportunity to get outside of the office or bank branch and out into the world to take a scorecard not just to financial experiences but to those in other consumer-facing industries. The self-generated results of these emersions can assist the financial institution in personalising its individual brand of service experience, while appropriating practices and insights from a bevy of agencies.

Finally, the thought leaders in this industry will begin to invest in *design ethnography*¹⁷—or the willingness to approach service experiences with the mindset of an anthropologist like Margaret Mead or Max Weber. The toolbox in design ethnography will leverage everything from user shadowing to experience interviews to collaborative innovation.¹⁸ This methodology marries qualitative and quantitative research. It can inform the service design process, becoming integral to those looking not just to expand

access and leverage new technology but to be fully confident they're doing so in a way that's in harmony with the wants and needs of their end consumer.

The language of both the technology companies that fuel banking channels, as well as the financial institutions that own the end-to-end relationships, is changing drastically. The tools of the next era will include not just the aforementioned notions but a plethora of others, including service prototyping, change management, storyboards, experience staging, persona development, and more.

As the migration has been made to the experience economy, these will be the engine that drives our industry past implementing next-generation technologies, and into the era of true change management and service design re-engineering.

THE ERA OF THE EXPERIENCE ECONOMY

In generations past, banking, not dissimilar to shopping at a retailer or booking a rental car, was grounded in products and pricing.

We now live in an era where one's financial rates or products feel increasingly similar to the other guys' up the block. And to consumers, seamless comparison shopping isn't just a capability, it's the expectation.¹⁹ The era of competing on pricing or products in banking has become commoditised.

The same cannot be said for your experience.

If there's an intrepid attribute for a financial brand, it's the experience. And, unfortunately, for many financial institutions, their omni-channel investments aren't delivering on customer experience expectations.

When we think less about simply deploying an ATM or mobile banking application or another 'branch of the future' concept, and more about how the said touch point is going to be woven into a complete and fluid customer journey, we not only

focus our attention less on access and more experience but we also put ourselves in a customer-centric frame of mind.

In this mindset, as an industry, we remember who enables our business and refocus on servicing that individual's true needs. It becomes less about keeping up with the technological Joneses, and more about making investments and designing service offerings with intentionality.

In this era, the experience *is* the product.

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