HUMANISING RETAIL BANKING IN 2021

Balancing digital customer experience with the human touch

JAYWING

INTRODUCTION

In financial services as elsewhere, there's an ongoing trend towards digitisation. Banks have shifted their focus onto self-service, automation, and convenience. Yet there is a need to support customers through challenging and uncertain times through human contact. While this isn't new news, the pace of industry change has accelerated over the course of the pandemic and poses some interesting questions. How can banking brands balance digitisation and humanisation? Can an interface truly replace human interaction? Who does it leave behind, and how will customers be serviced in the future?

In this whitepaper, we examine the balance between digitisation and humanisation in the ever-evolving retail banking landscape.

ONE

THE LONG ROAD TO DIGITISATION IN BANKING

Rewind to the early 2000s, when lenders were falling over themselves to be part of the dotcom boom that surrounded names including eBay and Amazon. Internet banking services have been offered in the UK since 1997, but it took a challenger attitude to make this trend go mainstream. Spurred on by the likes of Egg, the established banks and challengers of the day were in a race to move online. Offerings like Smile and Cahoot cropped up, seemingly overnight, from established players, and first direct moved from offering online to true internet banking.

Digitisation had arrived, and the banks soon found that this wasn't simply a niche offering: digital engagement quickly overtook branch and phone contact as the primary means of transacting, with all the associated expectations of high levels of service, instant decisions and an increasing number of interactions possible through the banks' internet sites.

Fast forward 20 years and most of the internet banking pioneers are still thriving. But now they're joined by a raft of newer, more agile entrants who operate under a different model: new technology, digitally focused, and perhaps not that interested in selling their products when a lending commodity marketplace can pick up all the risk. Consumers like it; among the top-rated banking brands are newer entrants that have embraced online banking from the start.

There's also increased competition from tech giants including Apple, who launched its credit card in 2019, and the introduction of consumer bank accounts from Google, and who pose a threat as they are considered experts in digital transformation and data analytics. Cue the scramble for innovation through increased transactional functionality, digital payment providers, real-time updates, location mapping, automated expense management and much, much more.

THE DECLINE OF THE HIGH STREET

The enormous benefit of digitisation to customers, not to mention the banks themselves, have gone hand in hand with a decline in high street presence, as the larger banks have struggled to justify the maintenance of a large branch network, and new entrants have never had to establish one.

49%

OF PEOPLE AGED BETWEEN 65 AND 74 DO NOT USE INTERNET BANKING

This is of course has mirrored a general decline in the high street and the general trend towards a digital-first future. And with it, a reduction in the use of cash – augmented by a 10% year on year increase in the uptake of contactless payments.

For these reasons, the traditional importance of the physical presence of banks has greatly decreased, although banks are often under pressure to continue providing a service to underserved locations, and particularly free access to cash machines. The recent pandemic has exacerbated this. There's an overlap between customers who are at greater risk from exposure to coronavirus and those who do not use internet banking. 49% of people aged between 65 and 74 do not use it, increasing to 82% of over 80s.

The decline of the high street bank coupled with digital transformation within banking has had a dramatic effect on customer banking habits.

Now, many consumers are looking to bank with the most innovative, technology-enabled banks, and the established satisfaction metrics around customer service, price and branch network coverage are giving way to measures around the online banking experience – functionality, user interface design, ease of use etc.

Brand loyalty to traditional financial brands is on the wane, accelerated by rapidly changing consumer behaviour during the pandemic, and the market leaders now include some of these newer, agile entrants.

EMPATHY FOR THOSE WHO NEED IT

The best banking experiences provide cutting-edge digital solutions, rapidly executed and instantly fulfilled, and with a client-centric design - and those most able to make use of these services may be better served by the banks.

How are banks adjusting? RBS has implemented the use of 'Get Cash' mobile codes which allow users without cards to withdraw cash from ATMs. TSB has started sending cards to customers who only have passbooks so that they can use the cards for purchases and withdrawals.

The best responses have been from banks who have tackled the wider issues of exclusion with the human touch, including those of loneliness in the elderly. HSBC refers vulnerable customers to specialist support teams who can provide tailored assistance, including guidance and direction to charities for help, while Barclays has started virtual 'tea and teach' meetings to help older customers navigate internet banking whilst also providing friendly social contact during a time when it is scarce.

Barclays, and others, have also introduced video banking which allows customers to video call straight from their online or mobile banking app for face-to-face assistance and interaction when dealing with queries.

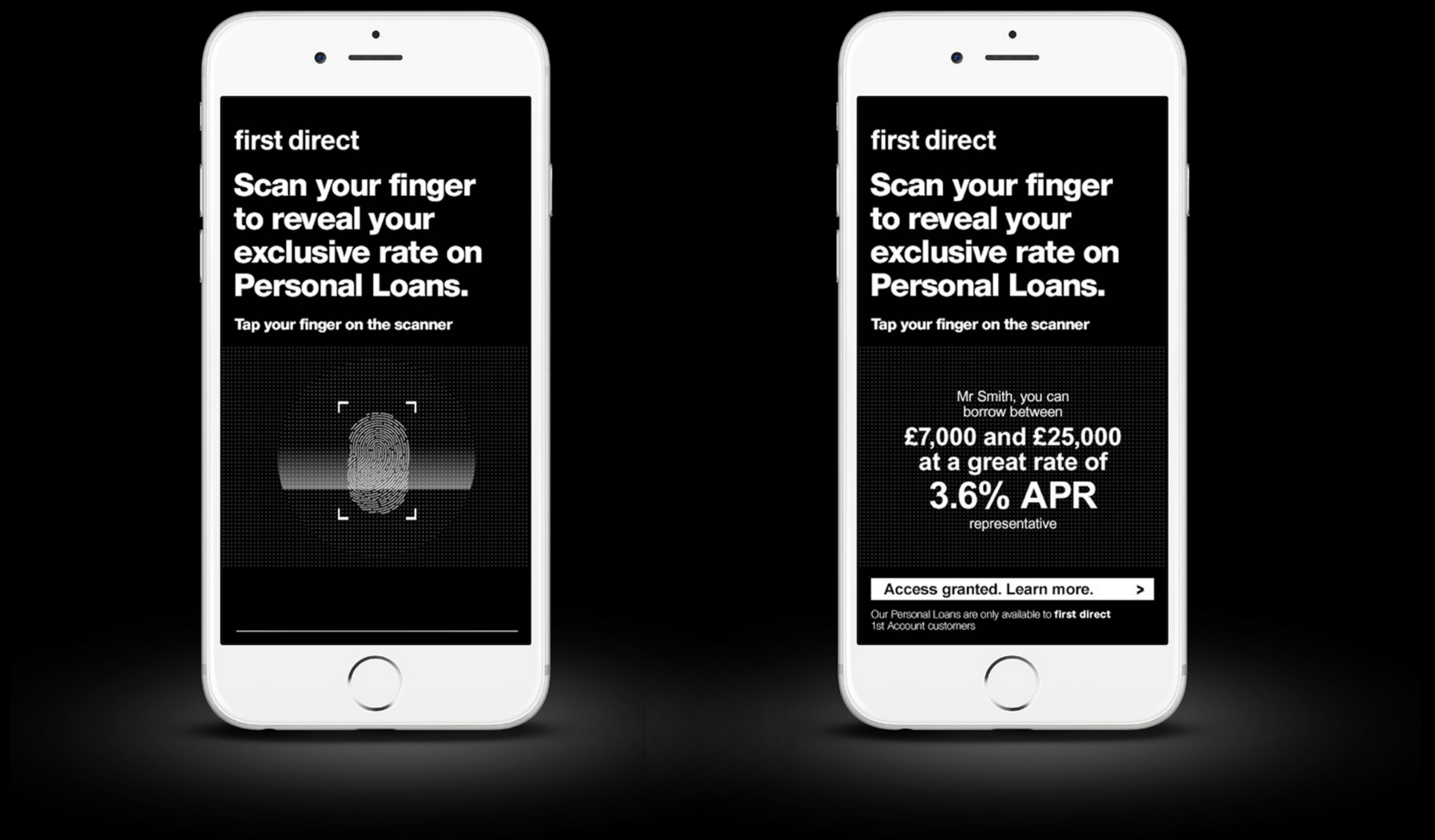
While the high street presence is rightly regarded as an essential service for some, it isn't where the banks' growth will come from. It's therefore critical that as established banks' shop windows move online, they invest in maximising their digital presence: ensuring that the process of opening and operating an account is as smooth as possible – and crucially, making it simple for those who are new to the process.

It's only by making these digital experiences as slick and functionally rich as the new entrants, that the established players will retain market share.

CASE STUDY

first direct

In today's complex world, banking brands must get the basics right first; efficiency of service, complaint handling and customer experience. On top of this, banking customers place significant emphasis on trust, transparency and an emotional connection.



Now entering its fourth decade, first direct, Britain's original branchless challenger bank, remains consistently top in customer service award ratings, despite competition from the younger, nimbler upstarts pushing their way onto our smartphones. The success of the brand in the sector is a compelling argument for how technology and humans can work in harmony to meet customer priorities and deliver a profitable business return.

first direct have always put customers at the heart of its experience, aiming to make banking both simple and human, seamlessly blending consistent communication through all channels to give customers exceptional levels of service coupled with a tailored, relevant and personalised experience, whether they choose to interact online or more directly via its call centres. Believing that what can't be automated inevitably becomes more valuable, the brand sees a customer need for empathetic, highly skilled, and empowered people.

Jaywing helps the brand guard against commoditisation through segmented communications based on behavioural triggers, which allows communications to feel bespoke and warm to the customer when coupled with first directs' distinctive tone of voice, enabling even mundane, small interactions to feel special.

The brand allows customers to self-select relevant content based on individual barriers to engagement and prioritises digital content through data and insight into consumers' behaviour on social media, FAQ's, search trends and call centre consultations, fostering self-serve behaviours through relevant and engaging video content. Use of interactive emails allows content to be both rich and digestible, with multiple formats helping content to be consumed in a way that is most comfortable and convenient for the customer.

Through its communications, the brand highlights both the practical and emotional benefit to the customer, ensuring it is transparent, is educating customers on any required behavioural change or to provide reassurance.

TWO

INNOVATING TOWARDS HUMANISATION

Whether traditional players or newer entrants, banks are certainly not oblivious to the balancing act of digitisation and humanisation. The global pandemic has meant there has been a rise of concerns about financial difficulties, the ability to make repayments and arranging payment holidays, resulting in increased demand from customers who are looking to secure financial help, and no two cases are the same.

Lenders must continue to balance the need for good user interface design with their regulatory requirements around responsible lending, treating customers fairly and a raft of other necessities.

There are new opportunities here too: those of capturing and harnessing user data to better understand customer needs and respond to them through more timely offers; building loyalty through better experiences; understanding the end-to-end customer journey and what truly drives acquisition and loyalty.

Jaywing's recent work with Virgin Money has helped the brand to understand the impact that Artificial Intelligence could have on their existing attrition process – identifying customers most likely to move their main credit card to another provider.

By using an advanced machine learning model, an improvement to Virgin's existing churn prediction of over 16% was demonstrated, making it much easier for Virgin to determine which customers would be receptive to marketing retention offers, which could drive significant marketing efficiencies and convincing 'persuadable' customers to stick with a preferred brand.

Traditional banks can be slow-moving, and a culture of innovation is needed to progress the required change at pace. This is increasingly important as multi-billion-pound technology firms are looking to enter the financial technology market. Banks may not be able to match their technological advancements, however, they can ensure that their customer offering is a slick and as profitable as can be and that their services are easy to integrate.

And there is one key area where existing banks, with their vast reserves of data, can have an innovation advantage over newer players. It's not just in the front end that banks need to innovate. With profit margins squeezed and more competition than ever, the use of technology to drive better customer-led decisions is critical too. Innovating in the space of customer decisioning – to squeeze more value from data assets, and to enable faster, more accurate decisions – is just as important as having appealing functionality and an intuitive app.

For instance, in the world of credit scoring, lenders are increasingly stepping away from a legacy scorecard-based approach in favour of newer techniques involving machine learning and AI-based modelling. Here, the critical factors are those of explainability and control: developing models that are guaranteed to behave intuitively, such that their decisions can be agreed by the regulators and explained to individual customers, but which don't compromise on the predictive power afforded by these new techniques.

Of equal importance is the need to ensure fairness in lending decisions, and the avoidance of bias. This requires that the AI modelling approach is enhanced by oversight and expertise. Enormous, double-digit percentage reductions in bad debt and huge increases in fraud detection are the standard outcomes from taking these approaches – coupled with substantial uplifts in take-up rate, and therefore more automatic accepts and a faster onboarding process. Furthermore, they are approaches which almost all banks could take without significant technological investment.

THE HUMAN IN THE LOOP

So, while AI is transforming the way lenders make decisions, the mention of AI - or digitisation more generally - often conjures up an image of a fully automated world. And it's rarely the case that consumers genuinely want that. As convenient as automated services are, and as joined up as those services can be, there are always times when face to face contact is needed, and the desired outcome will always be a blend of digitisation and the human touch.

As we've seen, high street banks will play an ongoing role in being the face of banking on the high street for those customers who need it. But equally, having real people on hand remains critical, even as digitisation accelerates.

Having the 'human in the loop' is already essential in areas like Collections, Recoveries and Debt Management. Lenders can go a long way down the road of automating Collection's decisions; payment plans can be proposed and agreed, affordability can be assessed, and the whole process can be monitored online as the debtor self-serves throughout their journey, with the lender ensuring that the rules being followed by the system are fair. But inevitably, the need to empathise with customers going through severe difficulties is something that cannot be left to an app.

In fraud, much can be done through automation. Advanced models, constantly learning from networks of suspicious transaction or application data, can quickly detect likely fraud cases faster and more accurately than any rules-based system or a person-led review of cases. Yet there is little more infuriating and stressful for a customer than trying to report a suspected fraud using a process that doesn't feed back, reassure, or explain the next steps.

The need for human reassurance means that, in many processes, lenders need to be careful that they automate what's appropriate but leave space for human interaction, developing the right level of digitisation to fit with customers' needs and expectations.

A face-to-face meeting to discuss a complex product such as a mortgage, or to reassure a grieving family member as they deal with the complexities of winding up an estate, are examples where trained staff can most tangibly prove the value of real human contact.

This principle has been further demonstrated through recent events during lockdown, where lenders had to act fast to deploy payment holidays and forbearance measures in response to the coronavirus pandemic.

In total, around 38% of consumers had some impact on their employment or income during the first wave of lockdown – with the potential to drive significant consumer behavioural changes for some time to come.

Left to their own devices, fully automated processes may have reacted harshly to these unprecedented changes.

PERSONAL, PORTABLE DATA: THE CUSTOMER IN CHARGE

An interesting feature of digitisation is the increasing focus on the value of data, and particularly of its ownership. While traditional lenders have had access for years to shared data through credit reference agencies, there was a 'closed shop' tendency that would reserve certain aspects of the data, such as detailed credit card behavioural data or affordability information, for specific members of the club. Open banking diversifies that club to include any one of the consumer's choosing – from lenders to service providers.

With the recent adoption of Open Banking, and with the proliferation of alternative data sources, there's a real potential for the dominance of bureau-based lending to be challenged through providers seeking to disrupt the market and put data ownership back in the hands of the consumer.

In this more distributed model, the consumer would choose which organisations get to see their data and have some control over what gets shared. The purpose would be the same – to enable lenders to make accurate lending decisions – but the nature of the data sharing could offer the lender or alternative service providers alternative insights to help improve that decision in the customer's favour.

If a consumer can freely share data that they hold themselves, why bother with a third party?

The bureaux are on to this risk, of course, enhancing their customer-facing offers with offers to enhance the consumer's credit score in return for access to transactional data sourced directly from their bank account, a process that may have questionable benefits for the consumer in the long term.

For lenders, the benefit is in accessing a more granular view of the customer's data. A more detailed view of transactions will enable machine-led decisioning to get closer to the decisions that a human might make when faced with the same information. It affords a greater level of visibility of affordability than has been available before and encourages responsible lending through the classification of transactions and the identification of high-risk indicators.

It's early days, but the potential for digital disruption of this market is strong. For now, many lenders are starting to explore the potential of Open Banking as a means of enhancing an existing credit scoring process, often with the view to increase the number of automated decisions that are possible. But in time, they may use it for many lending decisions.

SUMMARY

After years of incremental change, banks must plan for a fundamental rethink of operations in order to thrive in a rapidly digitised and data-driven world. This was true long before current economic and societal factors came into play with the COVID-19 pandemic, which has only crystalised and accelerated the need for better digitised customer experiences.

Customers expect a seamless multichannel experience and a consistent service. In financial services, however, the continued drive towards a digital future also comes with a responsibility to ensure that the human touch is retained in digital experiences. Even as brands take advantage of rapid advances in technology and accommodate customers' changing behaviour, it must be easy for consumers to self-serve, but equally as easy to seek help exactly where and when it is needed.

Constant improvement in computing power, the proliferation of consumer data, changing regulation and ongoing advances in AI mean that digitisation should be a rolling programme of change. Lenders must prioritise areas where current processes introduce most customer friction, and where the customer service or profitability wins are greatest. All of this must be underpinned by a communications strategy that is fit for a digital future, and which supports the need for banking to feel personal, trusted and secure.

THREE

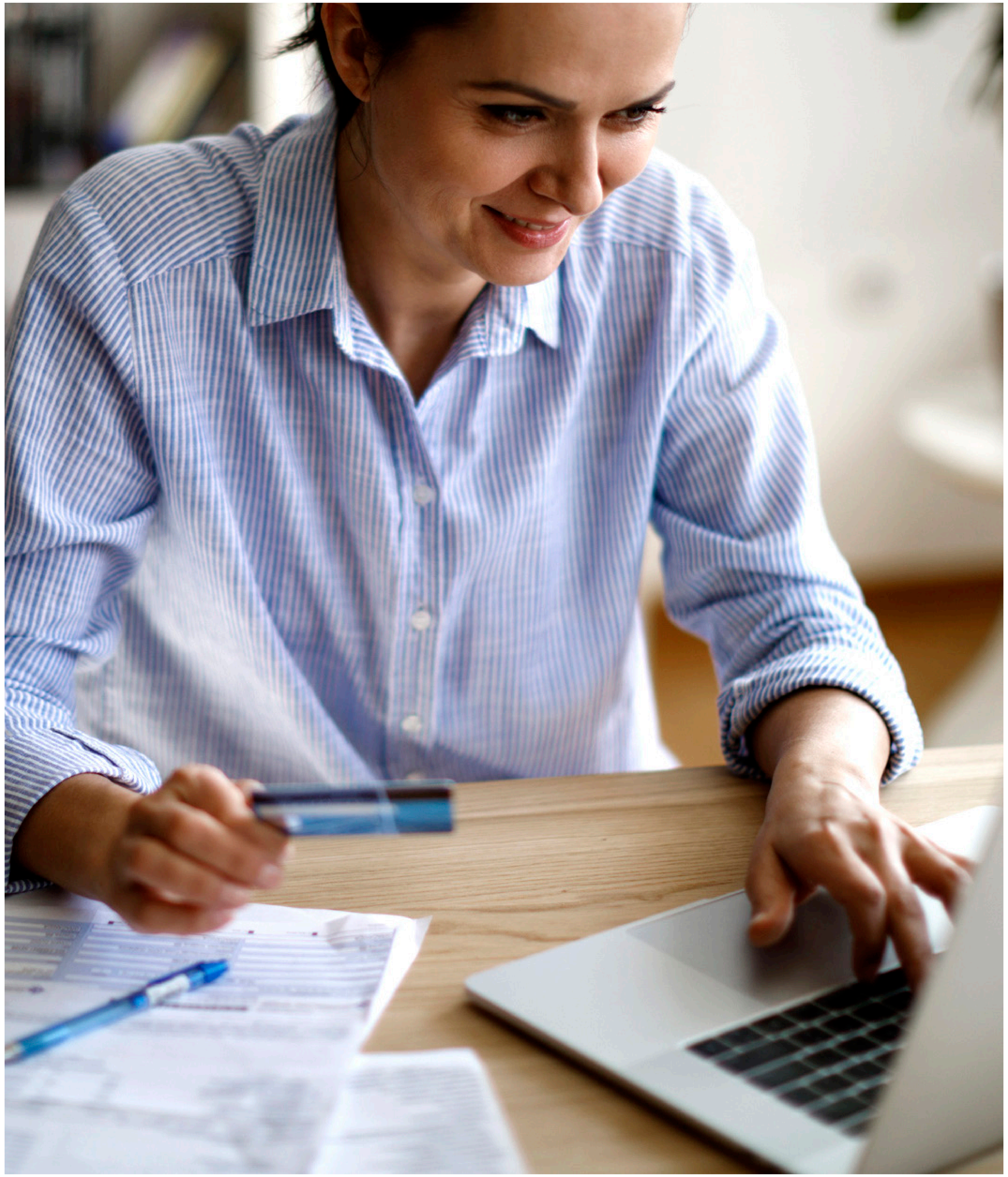
KEY TAKEAWAYS

We’ve worked with financial services brands at all stages of the lending journey to improve the end-to-end customer experience. Here are 10 areas where lenders can focus their efforts to truly humanise the customer experience:

01

FRICTIONLESS APPLICATION PROCESSES

Review your onboarding processes to ensure that the user experience is fast, efficient and intuitive, with a consistent approach regardless of channel or the stage of the journey. A review of your data and decision infrastructure will highlight where pressure points can disrupt the onboarding process, leading to lost sales and lengthier decision processes – and where new tech may be required to make the best of the data you've collected.



02

OPTIMISED WEBSITE DESIGN

With a new wave of digital tools to easily access, track, and manage money – UX is becoming a key competitive advantage within the industry. In order to compete, banking brands need to offer digital experiences that are transparent, convenient and highly accessible.

Websites should be mobile friendly, fast and secure. A simplified and streamlined online experience should enable customers to quickly navigate to where they want to be. Whether that's through a slick application process or a smooth onboarding experience, site optimisation should be conducted across all conversion funnels.

03

HARNESS YOUR DATA

Is the data you collect harnessed to make more personalised decisions and a tailored customer experience? Understand your customers through a prism of different data sources; consider how customers use your online channels and optimise them to personalise their journey. Financial data sources such as Open Banking can remove friction from income and expenditure summaries and proof of income, while in the secured lending space, the use of Automated Valuation Models can reduce the need for time-consuming manual property valuations.

04

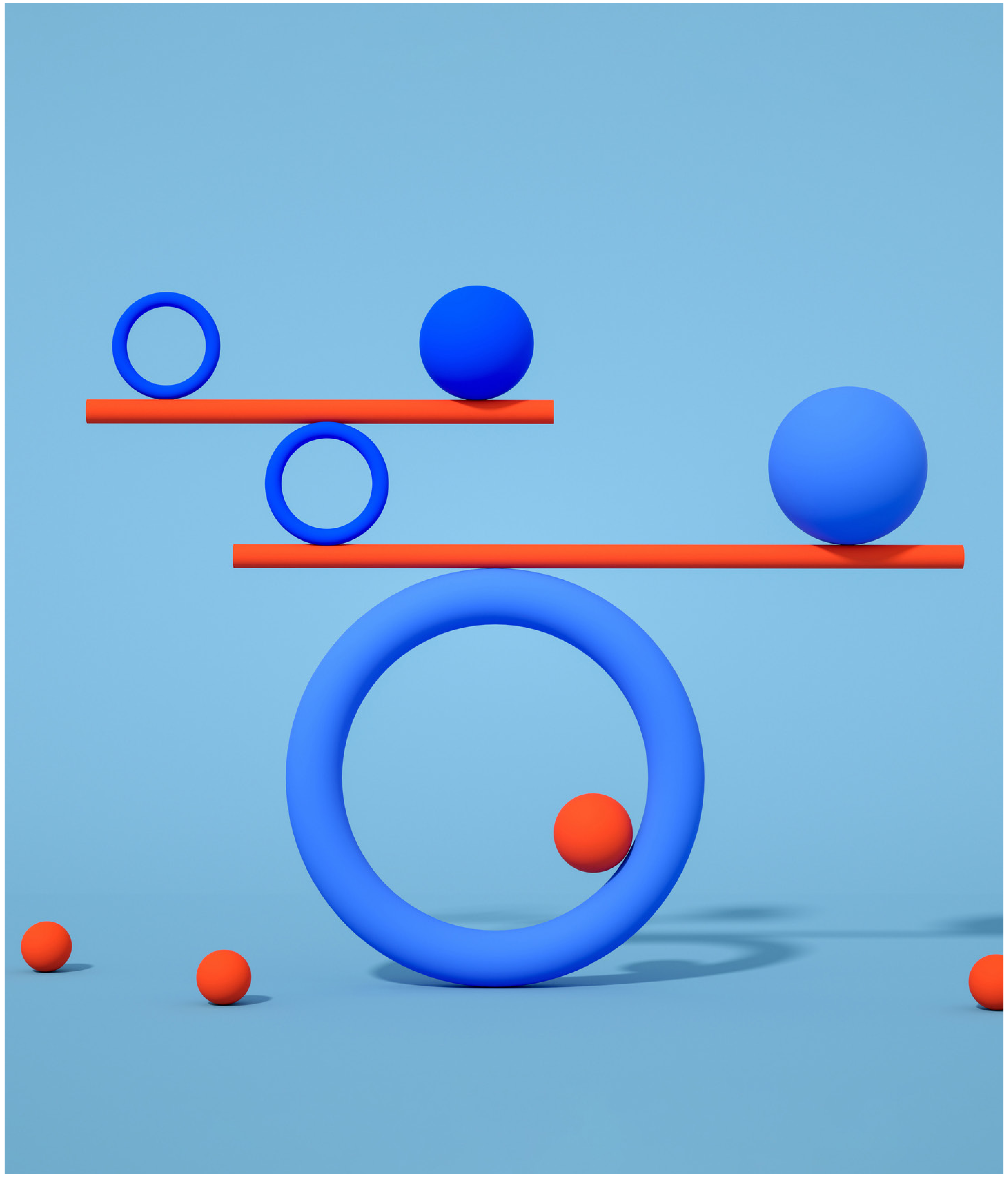
ATTRIBUTION FOR LENDING PURCHASE AND COLLECTIONS

Attribution modelling seeks to understand the role that individual actions have contributed to an outcome, e.g., a sale or purchase. By combining application, sales or Collections activity data with digital interactions, it's possible to measure the individual steps that were effective in driving the outcome, and to assign the true contribution of agent, online and call centre actions in driving customer outcomes. For lenders, it shows where the value-adding processes are, helping to drive process efficiencies and showing where digitisation can be enhanced by human interaction at exactly the right moment in the journey.

05

REFRESH YOUR RISK, FRAUD AND MARKETING PROPENSITY MODELS

The latest advances in AI-based modelling deliver more predictive models than ever before, meaning that you can take on the right customers with much greater certainty, increase the number of automated decisions and significantly reduce credit risk losses. Meanwhile, marketing models built using the same techniques mean that you're much better at predicting what products will appeal to individuals and using tailored offers. Use explainable, controllable techniques to ensure that the models are acceptable to the banking regulators.



06

RETAIN THE HUMAN TOUCH WHERE IT COUNTS

Don't leave everything to machines: make it easy for customers to engage with a real person in the moments that matter. Augment your digital channels with intelligent chatbots to handle straightforward enquiries but ensure that the human remains in the loop to pick up the conversation where the AI isn't advanced enough to handle a more advanced or requirement.

Combine automated decisions with a sensible underwriting and referral approach and ensure that vulnerable or underserved customers can still access your services via a channel that they are comfortable with.

07

DIFFERENTIATE THROUGH YOUR BRANDING

It has never been more important for banks to take their brand seriously. Trust is paramount when it comes to money matters, with customers perceiving strong brands as lower risk and higher value.

A strong brand speaks to your reputation, quality and trustworthiness - the very factors that inspire prospects to choose you over the competition. Not only that, but strong brands also position themselves as helpful resources, not just purveyors of services or products, in addition to connecting emotionally with prospects and customers. Differentiation is about perceived value, relevance and resonance.

08

INTEGRATE PHYSICAL AND DIGITAL CHANNELS

Consistent level of service across all channels is an increasingly important competitive differentiator for financial providers. Not all consumers are satisfied with their experience across channels; some say that digital interaction with financial services providers is less satisfactory than their digital experience with companies in other sectors. And there is considerable variation in the type of experience valued by different customer segments.

Ensure your brand communications serve and engage customers in ways which support them at all unique stages of their dealings with you with hyper relevance and hyper convenience. This might seem daunting, but when brands find the patterns among their consumers, they can find their way toward offering trustworthy, omnipresent, personalised communications.

09

GENUINE PERSONALISATION

Consumers have a strong appetite for greater personalisation from banks and insurers. This includes personalised offers, advice and alerts - going beyond just pointing out the facts, such as highlighting a consumer's spending patterns - to offering genuinely personalised products and services based on usage or behaviour.

To make this work, providers first require a rich set of customer data. However, the real challenge is to convert that data into actionable insight. This requires data and analytic skills, advanced modelling and the tools and ability to automatically execute the resulting communications across the customers' preferred channel. Ultimately, providers should focus on creating a 'segment of one,' where everyone is treated as unique.

10

UNDERSTAND WHAT DRIVES CONSUMER OUTCOMES

Lenders can amass huge volumes of data, and so measuring what drives sales can be a daunting task. Using an advanced attribution approach will measure the impact of each marketing touchpoint in driving sales – right down to the individual journey taken by a single applicant.

Jaywing's approach to attribution builds a customer level picture across all channels and can incorporate non-addressable touchpoints such as TV, radio advertising, and social media activity alongside the more readily measured activity such as PPC, affiliate and display advertising.

At the other end of the customer journey, the same techniques can be used to understand how effective your Collections actions are; in both cases, the understanding driven from the data provides a wealth of actionable insight to drive change and improve processes.

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