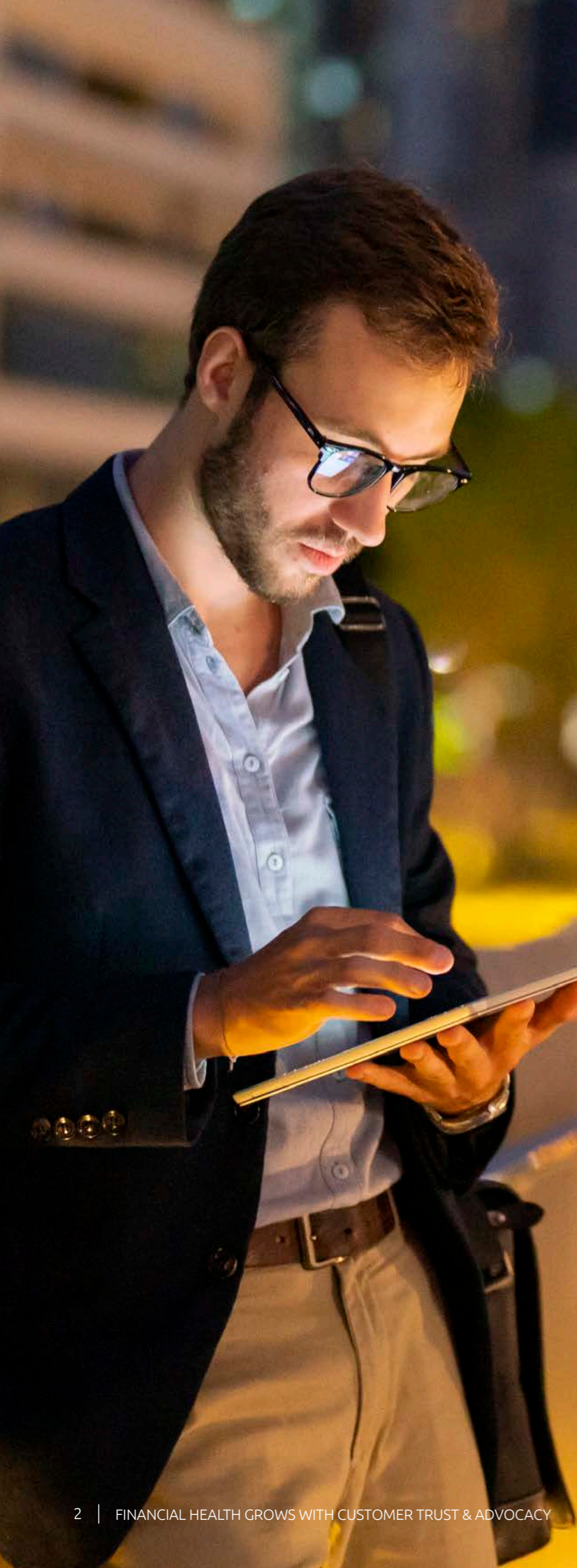




FINANCIAL HEALTH GROWS WITH CUSTOMER TRUST & ADVOCACY

A Prescription For A Beneficial Bottom Line



INTRODUCTION

While financial services firms have long spoken about the need to gain a clean and complete, 360-degree view of customers to enable provision of truly personalized services and advice over their financial lifetimes, it's fair to say that most have made only partial progress on this journey. As a result, many providers do not truly know their customers and so are losing out on share of wallet, share of mind, and long-term loyalty and advocacy. In addition, with an aging population, history's largest intergenerational wealth transfer could present the opportunity of significant inflow or outflow of assets under management by 2040: both banks and insurers have significant assets at risk as engagement with customers' beneficiaries is often slim at best.¹ Finally, unmet expectations in service and customer experience lead to attrition which can harm a company's brand and reputation.

The industry has also long understood why deepening and lengthening existing relationships is the most effective path to growth: investing in new customers is between 5 and 25 times more expensive than retaining existing ones, while increasing customer retention rates by just 5% can increase profits by between 25% and 95%.²

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This paper looks at why now is the time for financial services institutions to become true and valued advocates for their customers' financial health, meeting needs comprehensively over the long term. It also offers tangible next steps for creating a plan to meet and exceed customer expectations for service and value – building loyalty and revenue growth.

WHAT DRIVES CUSTOMER FINANCIAL HEALTH NEEDS TODAY, AND HOW CAN PROVIDERS REACT?

The pandemic and other global macroeconomic and political events during the past several years have taken a toll on all of us; and as a result, well-being – both personal and financial – is perhaps more top of mind than ever with consumers. In a very recent poll, 77% of Americans were anxious about their financial situation, including the

increasing cost of living, saving for retirement, and managing debt.³ The impact of that financial stress stretches into other aspects of life, with many respondents saying they feel fatigued, find it difficult to concentrate at work, have trouble sleeping, and that their relationships are adversely affected.³

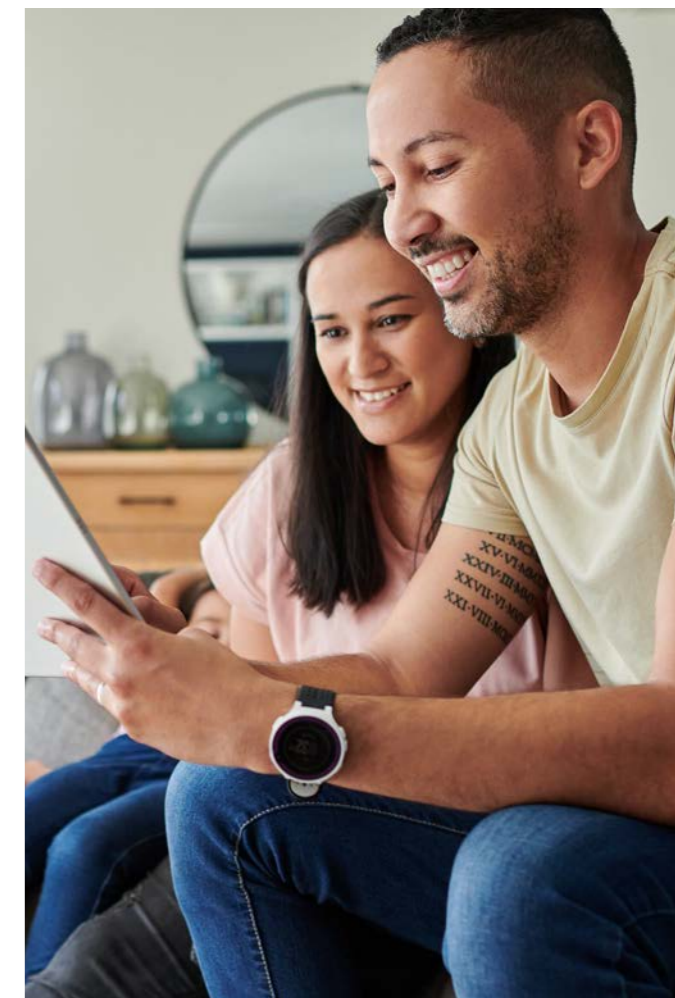
- Investing in new customers is between **5** and **25** times more expensive than retaining existing one.²
- Increasing customer retention rates by just **5%** can increase profits by between **25%** and **95%**.²
- **77%** of Americans were anxious about their financial situation, including the increasing cost of living, saving for retirement, and managing debt.³
- **67%** of customers today acknowledge a desire to find financial wellness support with banks, insurers, and financial advisors being the most preferred financial wellness partners.¹

Financial services consumers are perhaps more in need of broader and deeper financial wellness assistance than ever before. The good news is that two thirds of customers today acknowledge a desire to find financial wellness support, according to a recent Capgemini World Report – with banks, insurers, and financial advisors being the most preferred financial wellness partners.¹

It's true that achieving trusted financial health advocate status for the long term is difficult for financial institutions: among other things, consumers are fickle, plain and simple.

- Oftentimes, financial services customers have security concerns and don't want any single provider to know about all aspects of their financial lives: a lack of comprehensive data can make delivering effective financial wellness advice next to impossible.
- The old adage about not keeping all of one's eggs in one basket also comes into play: many investors diversify where they house assets and seek access to credit.

But while the challenges these customer sentiments present are real, they are not insurmountable. Indeed, recent research suggests that 78% of people are more likely to share their data with a company they trust, and 65% say trust is the determining factor in whether or not they choose to share personal information.⁴ Financial services firms could seize the opportunity while needs are high: build trust through sound advice, and build a roadmap to deliver the financial health that customers need, now and in the future.



SOLVING FOR THE CONUNDRUM OF DIGITAL MONEY MANAGEMENT TOOLS

Front and center today, in financial services and across most industries, is digital transformation: customers everywhere expect new and easier ways to conduct transactions and simplify their lives. Real-time data and enhanced and hyper-personalized customer experiences are now expected – not just nice to have – attributes of financial products and services.

Consumers expect their financial services providers to offer the advanced digital tools needed to navigate an increasingly complex financial landscape. That said, financial firms report that actual use of sophisticated digital tools offering real financial health benefits is low:⁵

- Over three-quarters of North American financial institutions offer digital money management tools for their customers, according to Forrester research⁵. In most cases, the key performance indicators include retention, engagement, and customer satisfaction to measure the impact of these tools, and requisite usage measurement is in place.
- However, 88% of financial institutions say that less than half of their customers actively use the tools offered. Forrester's research indicates uptake is low because "many of these solutions fail to drive behavioral change and deliver tangible outcomes for customers, as they are too static and generic, not relevant to customers' specific needs and unpredictable financial lives, still require a lot of manual input, and place too much cognitive load on the customer."⁵

Increasing comfort levels and engagement with digital money management capabilities is a key challenge to solve for as companies move their financial health roadmap initiatives forward.





WHAT MIGHT A PRESCRIPTION FOR SUCCESS LOOK LIKE?

While substantive time and energy and investment will be required to develop the right customer financial health plan for your organization, the potential rewards in business growth make the journey very worthwhile. Consider the following steps:

- Get your data house in order: robust capabilities and processes must be implemented from clean data integration, relationship connectivity, integrations, compliant accessibility, underwriting, and, of course, security.
- Look at your products and services to identify any important gaps. As much as possible, listen to your customers and their associates through surveys, focus groups, and discussions – to understand not only their needs but their expectations plus comfort with digital transactions.
- Ask customers for more data – but, only when you are prepared to do more with it in short order. Where you do not have data, leverage the information – from prior customer interactions to model “inferred” preferences; third-party data may sometimes be considered as supplemental information, too.
- Invest in robust analytics and AI/ML expertise, capabilities, and solutions – continue to evaluate all aspects of this effort against competition and trends, both inside and outside of your industry.
- Be realistic about what is feasible by way of economic modelling and balance what makes sense and what is “overkill.” The business goals and technology tools must work together to define the priority order in which enhancements will be deployed using logical rails of budget, capacity, largest impact to customers well-being, and return on the investment.
- Enhance products and service delivery that can create personal, relevant, and timely interactions for your customers, and their beneficiaries and heirs, that are consistent across all touchpoints – this is sometimes referred to as “serendipitous personalization.”
- As you bring on additional data and capabilities and begin to provide enhanced services to your customers it is critical to invest in effective change management for your associates before any major deployments and survey customers to continue the learning about offerings.
- The output of all of this will be a holistic, multi-year, current to future state roadmap. Ensure flexibility in your roadmap to meet the ever-changing needs and expectations of your customers and continuously evolving technologies.

IN CONCLUSION: WHAT IMPACT MIGHT YOUR ORGANIZATION ACHIEVE?

Becoming a true financial health advocate will bring numerous benefits – both for your customers and for your institution. In a recent industry association article, a senior Salesforce solutions and strategy executive captured this new reality very well:

“Creating consistent customer experiences and constantly delighting them can be very complicated if we let it. But smart data analysis that points to a customer’s needs and preferences will ensure a consistent experience across human and digital channels that delights and retains a customer.”⁶

information about share of wallet, personal financial relationship information at competing institutions, positive reviews...and the list goes on. In short, here are three key measures of why becoming a true advocate for your customers’ financial health matters:⁷

• SATISFACTION

Customers are three times more likely to be “very satisfied” with their primary financial institution.

• LOYALTY

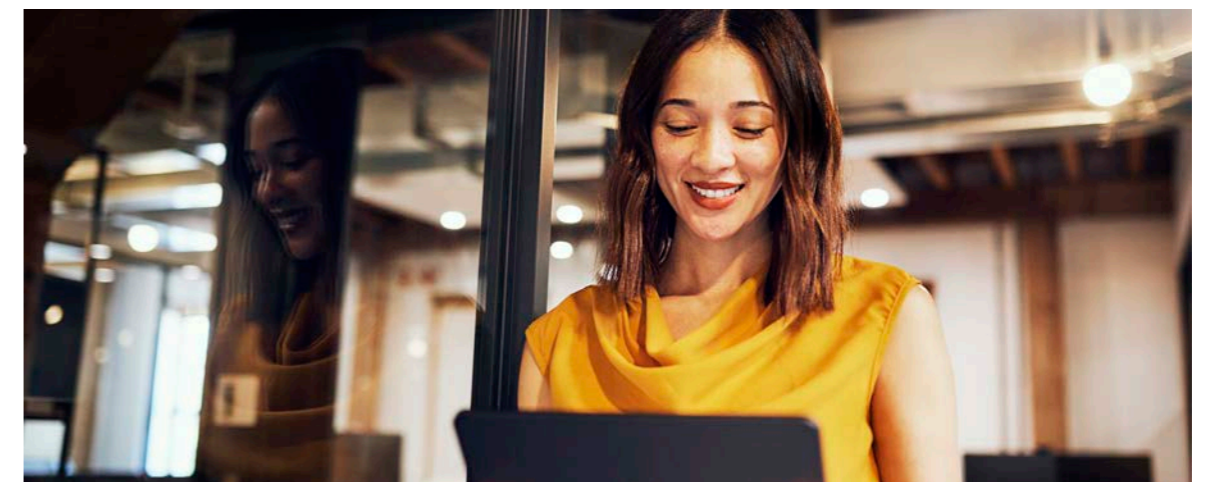
Customers are three times more likely to recommend their primary financial institution and over two times more likely to continue their relationship with them over the next five years.

• CROSS-SELL

Customers are five times more likely to report interest in purchasing additional products and services, and more likely to hold services beyond core checking and savings products.

By demonstrating empathy and delivering capabilities toward financial wellness, your institution can increase trust, customer experience satisfaction, sales, and revenues.

As trust is built and customers realize that the provided advice is helping them with their financial well-being, interactions across channels and relationships will grow — including increasing funds in existing deposit or investment accounts, refinancing of credit products, new insurance coverage to protect assets or for life events including retirement or wealth transfer to beneficiaries, willingness to provide additional first-party



Endnotes

1. <https://www.capgemini.com/insights/research-library/world-life-insurance-report/>
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