FINANCIAL & PROFESSIONAL SERVICES

RESHAPING THE FUTURE

INTRODUCTION

In response to the overwhelming economic impact of the Covid-19 pandemic, the American financial services industry has shown resilience and flexibility as public safety concerns drove accelerated adoption of digital / mobile services along with new protocols for in-person encounters. Many in the industry also demonstrated a genuine commitment to corporate citizenship. Banks of all sizes met the crisis with policies and programs that created goodwill in their communities and helped reverse banking industry reputation declines experienced over the last several years.*

*2020 Annual American Banker/RepTrak Survey of Bank Reputations.

INTRODUCTION

Customers today expect seamless digital experiences across channels, including mobile. Yet they also demand a human and, sometimes, an in-person touch for critical transactions. Post-pandemic solutions in financial services, and many other industries, will be a hybrid of digital and in-person services as companies evolve from traditional “B2B” and “B2C” services and communications to more personalized “B2I” services and communications – Business to Individuals.

In all channels, B2I is defined as gathering and understanding the preferences and requirements of current and prospective customers in order to provide precisely what they want, how and when they want it. In-person selling has always been the personification of B2I, but digital B2I is rapidly catching up and, in some respects, surpassing it. G&S has identified four significant trends and opportunities for adapting to – and capitalizing on – the new rolling realities of the financial industry.

WITH DIGITAL SERVICES CONSIDERED TABLE STAKES BY CONSUMERS, THE PANDEMIC UNDERSCORED THE NEED FOR DRIVING THE “LAST MILE” OF DIGITAL TRANSFORMATION

CUSTOMERS EXPECT AND DEMAND SEAMLESS DIGITAL AND MOBILE SERVICES

Years of advertising by banks, mortgage lenders, insurance companies, and investment brokers highlighting slick, innovative tech services have paid off.

Today, consumers consider advanced digital services across multiple channels to be table stakes. In fact, only one percent of consumers identified “the latest technology” as an important attribute for choosing a financial institution.

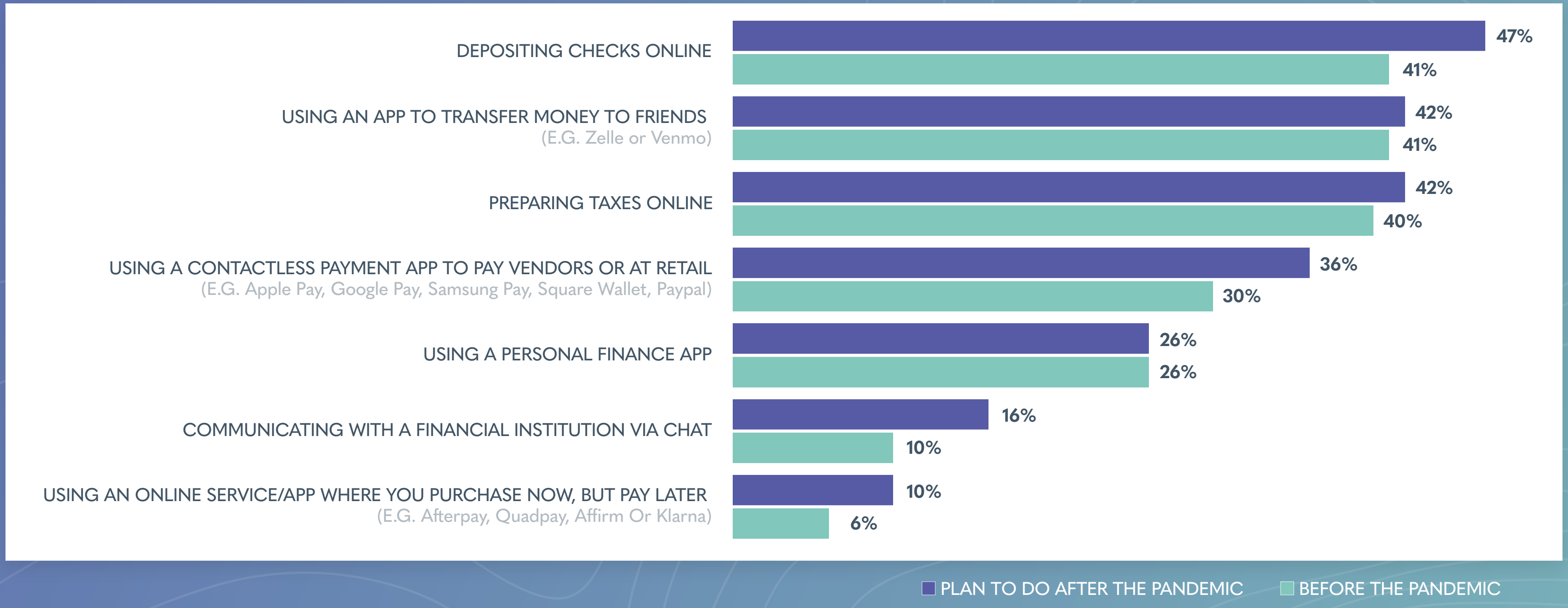
Yet the pandemic has also shone a spotlight on aspects of financial tech services that lag behind the seamless experience consumers expect, and receive, when ordering food delivery, summoning a car, or instantly streaming their favorite show. Ironically, sometimes larger financial institutions that adopted digital services early using in-house resources can end up lagging behind smaller competitors who leap-frogged them with access to newer platforms, services or apps.

These lags in digital transformation add friction to both consumer and business experiences of financial services offerings: banks that still do not offer in-app access to peer-to-peer payments; loan originations that still require in-person signatures; or small business lending operations that still cannot compete with alternative finance providers in offering quick, short-term funding lifelines to well-qualified local businesses.

If customers are complaining about gaps in digital experiences or services, it is time to ante up again – before it’s too late.

USE OF DIGITAL APPS WILL CONTINUE TO GROW AS MILLENNIALS AND YOUNGER GENERATIONS AGE

WHICH OF THE FOLLOWING FINANCIAL ACTIVITIES DID YOU REGULARLY DO ONLINE BEFORE OR PLAN TO DO AFTER THE COVID-19 PANDEMIC?



DIGITAL TRANSFORMATION IS NOT A DESTINATION, BUT A PERPETUAL PROCESS OF LAYING DOWN NEW TRACK AS THE TRAIN IS MOVING. IT REQUIRES YOUR CULTURE TO EMBRACE DISRUPTION TO PROPERLY IMPLEMENT THE TYPE OF INNOVATION THAT WILL APPEAR THROUGH A SUCCESSFUL TRANSFORMATIVE EXPERIENCE.

Nicholas Love, Vice President of Digital Marketing

MAKE YOUR DIGITAL SERVICES SEAMLESS AND INTUITIVE ... (ASAP!)

Digital services have become table stakes for financial institutions because consumers increasingly expect speed, ease, flexibility and a personal touch aligned with the technology they use on a daily basis. Reliance on digital services and channels for preparing taxes, depositing checks, transferring money, paying bills, signing leases or mortgages, buying at point of sale, and many other transactions will only increase in coming years.

To win and maintain customer loyalty, financial brands must demonstrate a clear focus on consumer needs and preferences, supported by an array of digital transaction options that provide a superior customer experience. How to do that well and consistently, and with ever-greater levels of personalization, is the challenge.

Now is the perfect time to double-down on technology that analyzes behavior and engagement data to provide more nuanced interpretations of user preferences. This approach will better enable financial services organizations to provide highly-personalized services and communications using a combination of advanced technology and more intuitive and in-the-moment customer engagement – which is a true B2I strategy. Companies in the vanguard of their industries are already doing this.

CAN YOU THRIVE IN TOMORROW'S MARKETPLACE WITHOUT PERSONALIZATION OR AUTOMATION IN YOUR DIGITAL APPROACH? NO, AND THAT'S WHY BUSINESSES MUST THINK AND OPERATE DIFFERENTLY, LEVERAGING BEHAVIORAL DATA TO CREATE SEAMLESS EXPERIENCES THAT MAXIMIZE IMPACT.

Kerry Radigan, Multichannel Excellence Supervisor

THE FUTURE OF FINANCIAL SERVICES IS HYBRID

DIGITAL AND IN-PERSON ... CONSUMERS WANT IT BOTH WAYS

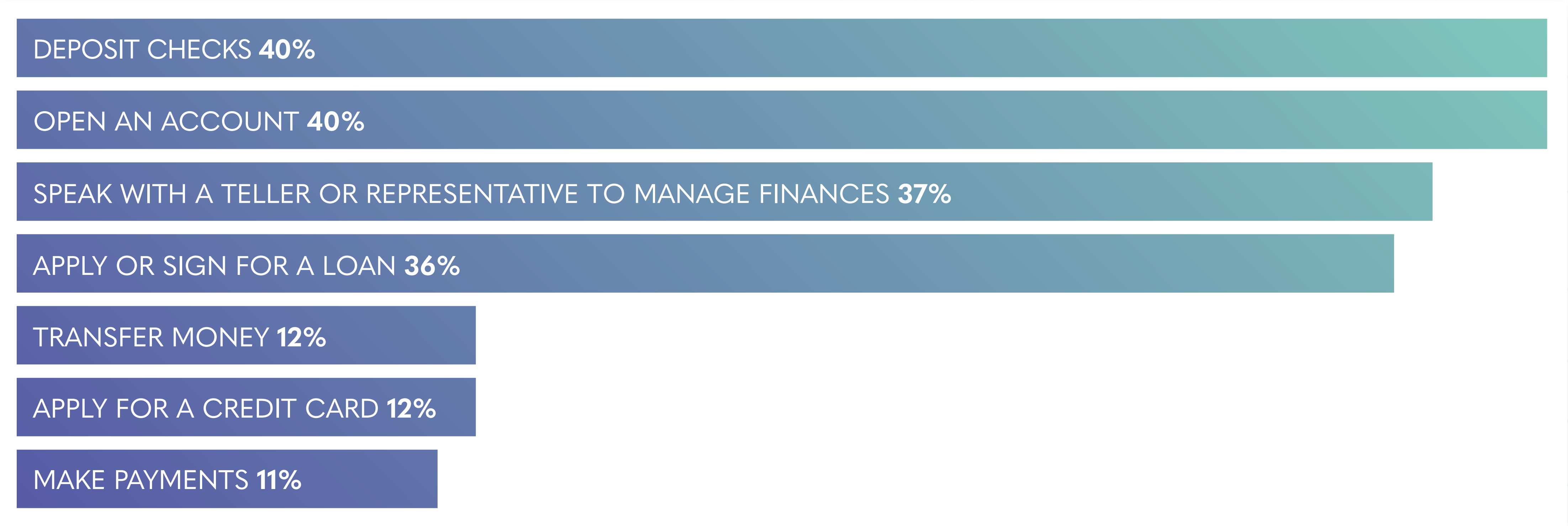
Financial services is clearly a tech-led industry today, a fact underscored and accelerated by the pandemic. But the pandemic has also reminded us that financial transactions sometimes require direct, in-person service. They always will. Apart from factors like regulated limits on the permitted size of digital transactions, customers still prefer in-person service for activities ranging from opening a new account and depositing checks to applying or signing for a loan.

Even with the risk of COVID-19 infection, people are still cautiously visiting their local bank branches and touring houses for sale. And this behavior is not found only among older consumers. People of all ages want the metaphoric human hand-holding that experts with a depth of knowledge and the right expertise provide to make customers feel safe, reassured, and comfortable with their financial choices.

The bigger challenge is how to continue humanizing digital engagement to provide increasingly seamless B2I service and communication. That's especially tough if your services or brand are viewed as commodities, like the basic retail checking account. How can you position your brand and services as unique, and then communicate to stakeholders that you can uniquely serve them?

FINANCIAL TRANSACTIONS WILL ALWAYS REQUIRE VITAL IN-PERSON SERVICES

FOR WHICH OF THE FOLLOWING ACTIVITIES DO YOU PREFER TO VISIT THE PHYSICAL BRANCH RATHER THAN CONDUCT THEM ONLINE?



THE GOOGLE-APPLE-ANDROID EFFECT HAS TRAINED US TO FEEL TIME IN MILLISECONDS. WHEN A CUSTOMER WANTS TO TALK TO A LIVE PERSON, THEY'RE ESPECIALLY IMPATIENT ABOUT WASTING TIME WADING THROUGH DIGITAL OBSTACLES, NO MATTER THE NUMBER OF NON-HUMAN SERVICE CHANNELS YOU'VE PROVIDED TO THEM OR THE SOPHISTICATION OF THAT TECH.

Anne Green, Principal & Managing Director

HUMANIZE YOUR CUSTOMER ENGAGEMENTS AND COMMUNICATIONS

Clearly, digital and human services are both a necessity in today's financial services landscape. Yet companies have been singing the virtues of expanding digital channels for years, often at the expense of the human element. Constant cycles surrounding bank branch strategy are just one example, where waves of branch constriction or elimination were followed by re-expansions based on customer demand for that in-person venue.

During the pandemic, customers have focused on virtual services out of both preference and necessity. As we emerge from the pandemic in the months ahead, there is likely to be a pent-up demand for more of a human touch, for human contact, for *personal* service.

Financial service enterprises have an opportunity to shine a light on their *people* – their greatest asset and front-line differentiator. This can mean making it easier for customers to get through to a customer service specialist during telephone encounters. Or offering non-AI live chats online with human experts. Organizations can differentiate by promoting this human touch and focusing external communications on the talented team of people serving customers. They are the faces and stories who can define and differentiate you from competitors.

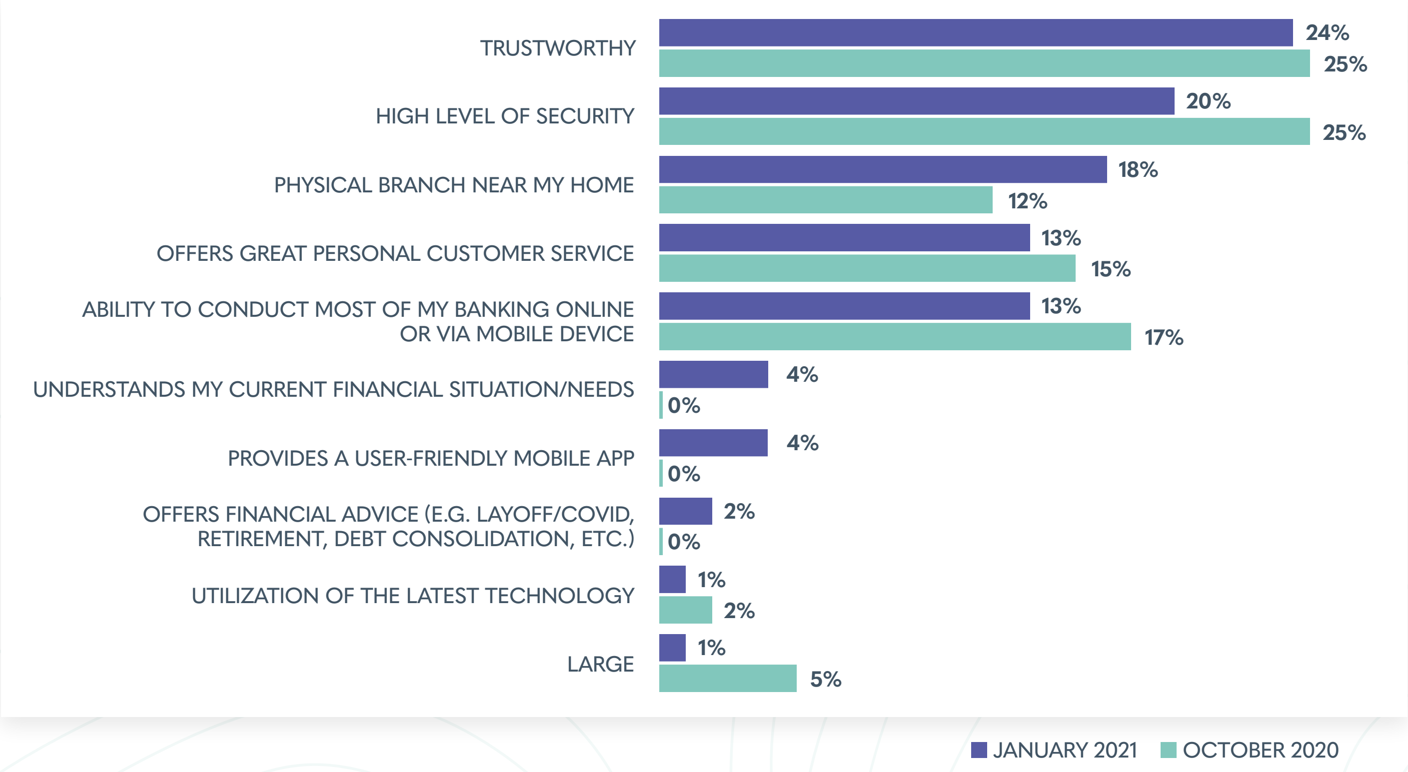
ACHIEVING MEANINGFUL PERSONALIZATION FOR YOUR CUSTOMERS IN FINANCIAL SERVICES STARTS WITH HIGHLIGHTING THE REAL PEOPLE SERVING AND BUILDING RELATIONSHIPS WITH THEM – YOUR EMPLOYEES.

Chelsea D'Amore, Account Supervisor

THE TOP ATTRIBUTES FOR CHOOSING A FINANCIAL INSTITUTION TODAY WOULD RESONATE WITH YOUR GRANDPARENTS

TRUSTWORTHY, SECURE AND NEARBY ARE THE LEADING ATTRIBUTES FOR CHOOSING A FINANCIAL INSTITUTION

WHEN SELECTING A FINANCIAL INSTITUTION, WHICH OF THE FOLLOWING ATTRIBUTES IS THE MOST IMPORTANT TO YOU?



Certain values don't change, especially when it comes to choosing a partner for something as sensitive and vital as personal finances. It goes without saying that trust, safety and convenience remain core to financial services value propositions. Yet note that the other two attributes scoring in double digits are personal customer service and online banking – two sides of the ongoing B2I evolution.

BEDROCK VALUES LIKE TRUST, SAFETY, CONVENIENCE, AND OUTSTANDING PERSONAL SERVICE REMAIN CONSTANTS IN A SEA OF CHANGE. THE FINANCIAL INDUSTRY UNDERSTANDS THIS BETTER THAN MOST.

Anne Green, Principal & Managing Director

COMMUNICATE THE ATTRIBUTES MOST IMPORTANT TO CONSUMERS OFTEN AND CONSISTENTLY

Organizations in financial services should never rest on their laurels or assume that proximity to consumers means they know what your brand represents.

It's critical to reinforce all communication efforts by including true stories and examples that bring to life your track record of trust, security, service, and seamless digital convenience. While the pandemic has brought all of these qualities back into the spotlight, their value is timeless.

CORPORATE CITIZENSHIP REALLY MATTERS TO CONSUMERS

CONSUMERS ARE REWARDING COMPANIES THAT SUPPORT A MORE EQUITABLE FUTURE

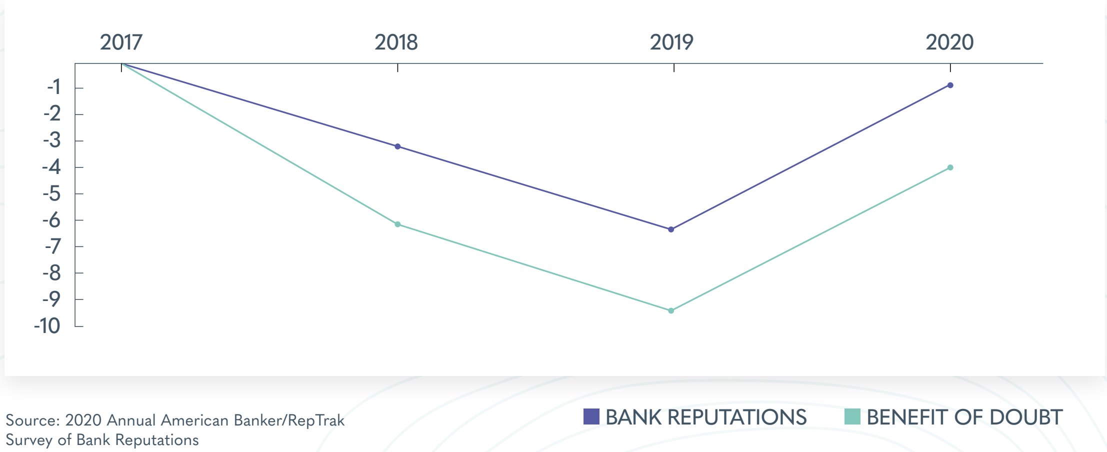
The pandemic, social and racial justice movements, #MeToo activism, new leadership in Washington – all these and more have made the American and global public acutely focused on where private sector enterprises stand on social issues. The goodwill that many banks of all sizes experienced in 2020 was the result of humane policies and philanthropic programs designed to help those most impacted by the pandemic:

- PHILANTHROPIC SUPPORT OF FOOD BANKS AND OTHER COMMUNITY ESTABLISHMENTS.
- ACTIVE SUPPORT OF EMPLOYEE COMMUNITY VOLUNTEER PARTICIPATION AND LEADERSHIP.
- ONGOING FORGIVENESS OF TEMPORARY MISSED LOAN PAYMENTS WITHOUT PENALTIES.
- SMALL BUSINESS SUPPORT WITH PAYCHECK PROTECTION PROGRAM LOANS.

In addition to existing internal inclusion/anti-discrimination employment policies, many financial institutions are working to more actively diversify their leadership and Boards of Directors. Others have initiated programs to seek and root out possible systemic bias in policies and penalties for consumers based on income, age, gender, race, or ethnicity.

TURNAROUND

THE BANKING INDUSTRY HAS RECOVERED MOST OF THE REPUTATION LOSSES IT HAS SUFFERED SINCE 2017. THAT TRANSLATES INTO RENEWED GOODWILL FROM CONSUMERS, AS MEASURED BY THEIR WILLINGNESS TO GIVE BANKS THE BENEFIT OF THE DOUBT IN A CRISIS.



Source: 2020 Annual American Banker/RepTrak Survey of Bank Reputations

SUSTAINABILITY IS ALREADY HARD-WIRED INTO CORPORATE POLICIES AND CULTURE. SOCIAL JUSTICE POLICIES AND INITIATIVES ARE BECOMING EQUALLY IMPORTANT AS THE PUBLIC DEMANDS A MORE EQUITABLE FUTURE FOR EVERYONE.

Luke Lambert, President and CEO

REDUCE RESTRICTIVE BARRIERS TO HELP DISMANTLE SYSTEMIC BIAS AND BUILD TRUST

Too many Americans remain unbanked or underbanked. Many factors have made access to financial products and services challenging for segments of the U.S. population: traditional banking account balance requirements and fees; restrictive and sometimes punitive credit policies; implicit bias in assumptions regarding various consumer demographics; and, at times, the very culture of the financial industry itself relative to who feels comfortable in navigating it.

These dynamics can create a negative impact on the financial stability and social mobility of large segments of the population. They also represent a significant opportunity to broaden customer bases while contributing to a stronger, more equitable economy and society.

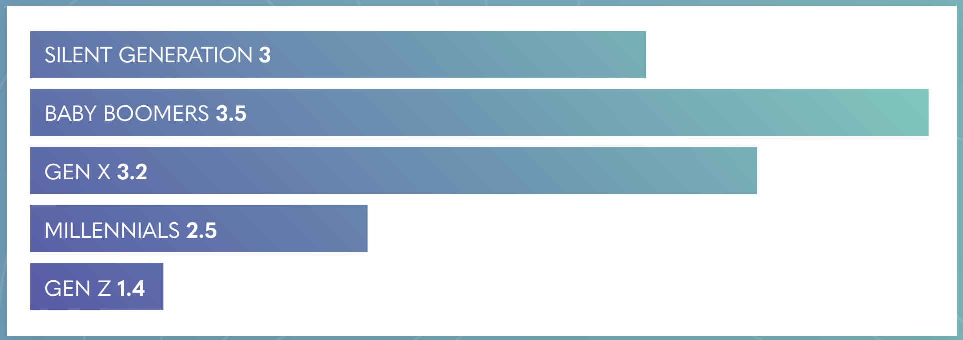
One enormous opportunity for credit card companies is consumers in their 20s and 30s. The convenience of Venmo and ApplePay are not the only reasons young people have avoided credit cards (or faced challenges in obtaining them). Promoting the reduction of restrictive barriers or elimination of “gotcha fees” among Millennials and Gen Z are examples of how financial institutions can broaden their customer base while helping fledgling financial consumers at any income level become responsible, economically stable citizens. This shift is particularly critical as more workers move from more traditional full-time employment to less codified roles in the “gig economy.”

AGEING MILLENNIALS WILL NEED MORE ACCESS TO CREDIT

THERE ARE MORE THAN 72 MILLION MILLENNIALS IN THE UNITED STATES TODAY, AND MOST OF THEM NEED TO ESTABLISH STRONGER CREDIT RATINGS. CAN YOU AFFORD TO IGNORE THIS OPPORTUNITY?

Steve Halsey, Chief Growth Officer

AVERAGE CREDIT CARDS PER PERSON BY GENERATION



Source: Shift Credit Card Processing, January 2021

SURVEY METHODOLOGY

The G&S Snap Poll was completed by a representative U.S. sample of 1,041 adults aged 18+ and has been balanced for age and gender based on the Census Bureau's American Community survey to reflect the demographic composition of the U.S.

Based on a series of research polls conducted between October 2020 and January 2021, we uncover the greatest trends shaping the financial services industry along with expert insights about how to plan for the years ahead.

WHO WE ARE

G&S is a business communications agency helping innovative companies change the world.

As a team of researchers, media strategists, storytellers and engagement experts, we help inspire people to take action, resulting in business growth for our clients.

As we look ahead to the horizon, we asked ourselves: what has changed forever, and what is here to stay? This question formed the basis of our 2021 Reshaping the Future Report, a review of how consumer behaviors changed over the course of the pandemic to help business leaders plan for the years ahead.

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Learn more and connect with an expert at www.gscommunications.com

RESHAPING THE FUTURE

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