Marc:

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James Robert Lay:

Greetings and hello. I am James Robert Lay and welcome to episode 232 of the Banking on Digital Growth podcast. Today's episode is part of the Exponential Insight Series, and I'm excited to welcome, not just one, but two guests, Marc Whitehead and Nick Bond, founding partners at Emotive Technologies, Inc, who recently released the 2022 US Banking Industry Loyalty Report. Now, I read the report. I recommend you do as well because there's a ton of practical insights about how banks are failing their customers.

But there's good news. There's always good news because the report is not all doom and gloom, as Marc and Nick identified and offer three opportunities to guide you forward so that you can inject more feeling, more emotion, and more empathy into your financial brand or Fintech's experience, which is exactly what we're going to be talking about today to empower you the dear listener to move onwards, to move upwards, to maximize your future digital growth potential. Welcome to the show, Marc and Nick. It is good to share time with you both today.

Marc:

Thanks for having us on the show.

James Robert Lay:

Absolutely. Now, before we get into talking about this new report that you all have released, I always like to start off on a positive note. What is good for each of you to begin, personal or professional? It is your pick to get started. Marc, we'll start with you.

Marc:

What is good? The weather has been very favorable for a lot of golf for me, and that's a passion that I have. So when I'm not doing work on Apex, I love to get out on the links, and it's been a good season for that.

James Robert Lay:

Nick, what about you? You actually had a funny story as we were talking off air before we hit record.

Nick:

It's almost a return to routine for us with kids going back to school, we thought today was the first day of school. We got her off to school. The first day of school is tomorrow. So bit of egg on our faces.

Marc:

Talk about being overprepared.

Nick:

Bit of egg on our faces. So we'll read those emails closer next time. But yeah. No, you know what? It's excited that we had a great summer. We're excited for routine to get back. Our kids are excited to go to grade one and get her thing done. So yeah, everything's great.

James Robert Lay:

I love it. I love it. You talk about being over prepared. I'm really feeling it for my wife right now because as I mentioned, we have four kids and they're in three different schools. So we have two in elementary, one in middle school, and then one in junior high. And the volume of communication at this point... I've joked with her. I was like, "I need to hire you an executive assistant to sort through and manage all of the communication because it's just becoming overwhelming." We just sat down to do the monthly calendar and it's at this point, it's a whole new level. It's a whole new ballgame.

Nick:

At minimum, we need a fully dedicated email address just for the school communications.

James Robert Lay:

That's I think what we're going to be working towards because the inbox, particularly her personal inbox, has just become so overwhelmed with communication. I think that overwhelm, it's a great segue into today's conversation. You all just released the 2022 US Banking Industry Loyalty Report, which I found very fascinating reading through. And I liked how you framed this. It's about how financial brands are failing account holders. But the good news, and there's a lot of good news, it's like, "Okay. Here we are today in a not-so-positive place, but there's a lot of potential possibilities to transform the challenges and the struggles that we're feeling and that we're confronted with into positives going forward into the future." That's where growth comes from. To begin, why commission the report? Why now?

Marc:

That's a great question, James. And so we have actually been studying at a more arm's length a number of different categories since COVID happened. So we did a study before COVID, we did a study in the middle of COVID, and we were just curious about how things have changed as we're coming out of COVID and some semblance of normality is starting to happen. And the banking sector is one sector in particular that has leaned heavily into what we are providing. And really what we were looking for was more clues around how relationships with, as you called it, account holders have evolved through COVID. And I think we found a lot more than we bargained for in understanding the relationship beginning with the fact that too many banks still look at their customers as account holders rather than people who have emotional expectations in their relationship with a number of different brands, no more important than their banks, and how have those relationships deteriorated or changed over this period of time, and how do things need to be corrected in order for loyalty to be regained.

James Robert Lay:

That's a great point. People do business with people. People bank with people. And I think there's this piece of humanity that we're seeing coming out of the COVID experience as we're continuing to move forward into this decade. And I think that's going to be a key trend over the next eight years as we're moving towards 2030. What did you find most surprising, Nick? If you think about everything that you've learned through the research here, what is that key insight that you found most insightful?

Nick:

It's so interesting because we're in a category, and we were talking about it just before we started here, that is very numeric, very quantitative, very black and white. I'm going to offer a good product and service. It'll be at a decent rate or a competitive rate, and I'll have good customer service. And if I do that, I'm going to have my business.

And what you really see is that what's truly driving loyalty in this space doesn't have a lot to do with those things. It is actually this entire emotional side of it. People's finances, people's futures, people's planning, their confidence, their ability to take that vacation. It's all based on their finances, and their financial institutions and relationship with them is a big part of that story. It is not black and white for them. It is complicated. It is messy. And at the end of the day, they need an institution and they need products and services and people really more so than anything that they can count on that when things do get clunky or chunky or rough, they can turn to them and they think they're going to get back up. They're going to get some support. That's what they're really looking for.

And it's in these areas that we found, I think the biggest failings. And it's in these areas that we see some of the newer emergent brands in this space, some of the new challenger brands actually doing a pretty good job or doing a much better job anyways. And so you start to see this shift in terms of what are people really buying when they're going in and choosing and selecting a financial institution to work with? What are they getting? And what's keeping them there? And I think this is where we saw some really interesting insights around not just... Don't just create an emotional connection. Everybody says create an emotional connection. But do something meaningful for them. It was really interesting to get a sense of the mindset of the individual dealing with the big bank, but really wanting it to feel much more personal than they're getting today.
James Robert Lay:

I think that key insight to really hone all of that into a single point. What are they really buying? Because when people feel confused, when they feel frustrated, when they feel overwhelmed about money, and as I wrote about in Banking on Digital Growth, there's an inherent high cognitive load in finances, in money. They're looking for clarity. They're looking to feel calm. They're looking to feel confident. And there's that word that you use that I've used. It's feelings. It's emotion. And as you were hitting on before, within financial services, the conflict is in the banker's brain because bankers, very smart, analytical, left-brain-driven leaders. People buy based upon emotions. They buy based upon feelings.

I think the question, Marc, is knowing what we know through the insights that we've gained in this study, what are the biggest dangers that financial brands need to be aware of with these insights thinking about their future growth potential? What could possibly hold them back from really leveraging this? Because as Nick mentioned, there are challenger brands, FinTech, neobanks, et cetera, who we are also seeing as well doing a tremendous job of positioning more deeply into feeling an emotion than say the incumbents. What are the dangers, Marc?

Marc:

So I think first and foremost, the danger is making sure that you're always or that you're never ignoring the fact that your customers need to be at the center of every conversation that you have. So as an example, one of the things that came from the report was that consumers want forward-thinking but affordable resources. So this idea that I want you to be evolving technology in ways to be able to serve my needs through better technology, but don't make me be a guinea pig and don't make me have to pay for that. That is an expectation of what I want to come from you.

Another thing that we saw was that two specific emotions, dependability and respect, are underserved emotions that need some attention. And the way we get at those two things... I could see you're opening your book now because it's probably right in your book as if we stole it right out of your book. Dependability is uncovered by their reaction to the statement, "Does my bank have my back?" And respect is, "Does my bank treat me like a human being?" These very personal ways to describe the relationship are what many of the legacy banks are not paying attention to. They just think having people in a branch is delivering those kinds of things. But it's more around how are you having conversations with your customers around what they need out of the relationship? Don't just serve the what of a bank loan or depositing money in a bank. Understand the why behind the what and serve the why.

Nick:

Can I add one more?

James Robert Lay:

Nick, go ahead.

Nick:

You asked one of the biggest challenges or dangers. And I think when you look at a report like we've got, it'd be easy to say, "Oh. We just need to do more of what the challenger banks are doing, for example. Let's go chase SoFi around, for example." That's the mentality that hurts is you start chasing your competitors. You start chasing others.

James Robert Lay:

That's called R&D. That's not research and development. That's rip off and duplicate.

Nick:

Oh. I love it. I love it because that is a huge danger. What we're trying to get people and change the conversation to be is chase your audience around. They're telling you what they want, give them what they want. The thing is we talk to customers in this. They are people that self-selected, chosen these brands to do business with. They have done so for a reason, either because a promise that you've made or an experience that you're delivering. What we're seeing is that there are promises being made. So for example, around some of the very large brands, that you'll be happier, that this will be a nice, happy, joyful life you'll have because you do business with us. But that's the one trait we're seeing them failing really hard on, this idea of joyfulness, this idea that doing business with us is going to be a good experience is actually not a good experience.

So they're choosing you because you're saying certain things. You're not delivering on those things. If you want to build loyalty quicker with those individuals, do the things that you're saying you're going to do. And that has nothing to do necessarily with having somebody pick up the phone quickly with your call. It's not call center times. It's not having a new rate on your account. It's just doing business a little differently, using different tone, treating them like people because you are also a person. Don't chase competitors around the block. Chase your audience. Do what you say you're going to do and you're going to have a lot more success.

James Robert Lay:

Putting people at the center of all of your thinking, putting people at the center of all of your doing is a very practical way to apply this. And I think that's where we begin to put the transformation of people over the commoditized transaction of dollars and cents. And I think a lot of financial brands are product-driven. And so they operate based upon what they need versus say what their community or their audience needs. And so that's a massive shift in mindset. But I was laughing and I pulled up my book here, Banking on Digital Growth, because I have a model that my wife and I actually developed together.

It's called the pyramid of human relationships. And we created this model through marriage preparation, the work that we do through marriage preparation, helping couples prepare for marriage because we started to see these common patterns emerge in relationship.

And then it was like, if this is emerging here in pre-marriage and just couples, well, how does this emerge in other relationships? And we started putting the hypothesis to test. And so we found three common patterns that build the pyramid of human relationship. And Marc, to your point, it is respect. Respect is at the foundation of every relationship. Help me when I have a need, not when you, financial brand, have a need. Now at the pinnacle of the relationship is commitment. We'll call that love, love being commitment. And the Greeks have written eloquently about the five different types of love. But we're going to look at that through the lens of a brand as commitment. But to bridge the gap between respect and love, it's trust. Say what you mean, mean what you say, do what you say. That's trust. And so that is literally written here.

And what is trust built on? And I think Nick, you hit on this. It's built upon communication. So really it's just great to see the insights that you're gaining through the research quantifiably and how they apply to some of these other models and methods. I want to get into the why. Why are we where we're at today as a vertical? Because as you mentioned, let's not go chase other brands. Let's put the focus on people. How did we get here to begin with in the first place? Because you look at a lot of different verticals, but you're seeing some interesting patterns emerge within financial services. Why? How did we get here to begin with?

Marc:

I think in the financial services space, we got here because there is now different and distinct competition in the marketplace that is pushing legacy brands to rethink who they are and what they stand for. Secondly, I think some of the challenger brands have recognized that they are not just there to be an alternative that is cheaper, digital-based, delivering more practical solutions. They also need to understand, recognize, and empathize with the emotional expectations of their customers. And that was the other interesting thing that we found in the study was that challenger banks, almost all of whom you only deal with online, you don't go to a branch, you're still dealing with people, obviously, but you are dealing through the internet, are building a stronger emotional relationship because they understand what the customer wants to get out of the relationship. They listen differently when they are having conversations with customers about the why behind the what. And they are building products and services that are not just enabling them to deliver what they deliver cheaper, more efficiently, and to the bank's benefit, but they are actually building that technology because it serves the customer.

James Robert Lay:

Can you build upon that, Nick? Can you expand further into Marc's thinking here? Because I think there's a lot to unpack into how we got to where we're at today.

Nick:

I think it evolved over time. And yes, competitive pressures and growth. But you think back, here's the storybook version of your bank, is the Bedford Falls bank and loan in It's a Wonderful Life. Everybody knew everybody. It existed for the community. It was very personable. This is the storyboard. But of course, banks grow and they get more profitable and they get more products and services and they want new ways to separate you from your money. And they want new ways to get bigger share of wallet. Now you're a customer and you're looked at as a share of wallet metric. You're no longer a person. And over time, the person and what they came to you for in the first place and what is getting delivered, especially by the big banks that we're seeing, are just further and further apart.

The oneness that exists between a human with a banking need and the way the industry services it just gets more opaque, more difficult to navigate. Our number one... And this is for challenger banks, institutions, whatever, large institutions. The number one thing people are looking for is predictability, which we define as, "Let me look forward to a consistent experience. Let me look forward to something I can count on, because more and more, I don't know what I can count on anymore when I start to call you. I don't know." And dependability, Marc mentioned earlier. "I don't know if you'll have my back because you don't even know who I am." What people are looking for has become quite complicated. And so you start getting these challenger brands that are saying, "Hey. Let's bring it back. Let's simplify it. Let's use language that's normal. Let's use tones that feel human. Let's make sure you can actually contact a person fairly quickly."

You start to see why these brands are starting to win very quickly on their loyalty front, or at least they're starting to achieve much stronger numbers on the side of the emotional side, for example. The loyalty numbers we're seeing are strictly a lot higher. It's because they're decluttering. They're uncomplicating this thing that the industry has gone on to create all this complexity around. And I think, I don't want to be crass, but some of that might have been on purpose. And so it's not a bad thing to have a confused customer. You can take advantage of a confused customer. And I think a lot of customers are feeling a little bit fed up with that. We're seeing that in our report and we're seeing why some new banks are coming along and winning because they're saying, "No. Enough is enough."

Marc:

Just think of the typical first question you get asked when you phone your bank and you have a question or you have an obstacle. And they will say, "Let me pull up your account." They don't ask a bunch of personal questions about you and, "Tell me more about this situation," "Let me pull up the financial details of my relationship with you before I can begin to help." That's the wrong way to build an emotional relationship with your customers. You're setting off on the wrong foot right out of the gate.

James Robert Lay:

One of the most powerful questions that we can ask... Well, there's really two powerful questions. Number one is how do you want to grow? What are your goals? What are the roadblocks that stand in the way of those goals? Because number one, many people don't even think about what their goals are because they're just so busy. And so when you can facilitate their thinking, you're opening up new possibilities. You're opening up new potentials in their mind. And then you say, "Hey. That's great. Your goals are fantastic. What's going to stand in the way of them? What are the roadblocks?" And then you bring this back and it was like, "Okay. I hear you. What opportunities might be available to help you overcome those roadblocks to achieve those goals?" Now that's a conversation that can be had on an annual basis, maybe even a quarterly basis.

But to support that, we also need to, back to your point about predictability, I think predictability comes by measuring progress. Where have we come on our journey of financial growth and financial confidence? Because a lack of predictability leads to an increase in negative feeling, confusion, complexity, conflict. And when you're continuously feeling that, you're going to be stuck in this state of chaos. On the flip side, an increase in predictability leads to an increase in courage. It leads to an increase in commitment. It leads to an increase in confidence. And back to-

Marc:

And trust.

James Robert Lay:

And trust. And back to your point about the call center, when we have a conversation, whether it's over the phone, in person, through chat, I think the biggest question that we can ask is what is going well for you? Because if we can continuously train the mind to focus on the positive, particularly around money, that's... Because the mind can only hold a positive or negative thought or emotion. And we can literally program the mind to be more positive through all the interactions.

So they know. And they could be having the worst day, but they know when they call their financial brand, they're going to get a little bit of love and light in their life. And that's where I want to expand upon this because we're talking about opportunities, goals, roadblocks, opportunities here. So let's focus on the positive. Let's focus on the opportunities because you've already mentioned, Nick, about being predictable, say what you do, and do what you say. But you also see an opportunity here is to understand and overdeliver on your customer's emotional expectations. And I think about my wife. When I don't meet her expectations, it's not good. There's a gap. So what's the opportunity to bridge this gap here for people?

Nick:

I don't think it's that hard. I think you've actually touched on some of the ways to get to the promised land on that front. What's really interesting... I just want to back it up for one quick second because it helps to answer your question. The experience that people are getting... And we have our own podcast. We brought people on to talk about what makes a dependable brand. What makes a brand joyful? What makes a brand feel respectful? And it starts with the employees feeling that they are respected. It starts with employees feeling like their organization has their back, that they are empowered to have a conversation that's not strictly in the rulebook for how you need to talk to people at the call center, but it's the right thing to do because this person on the phone is asking me something that I think I can help with even if it's a bit off-script.

It's that mentality, it's that empowered employee that's going to start to make the emotional connections that we're talking about much more than a pile of policies coming down or some new language on an email. I think we need to start thinking about how we empower people internally to start making this real. When we start thinking about some of the emotional specifics, it is this idea, "How do I feel like you have my back?" Again, when I call you, when I go to the bank, even when I'm using your UI on the app using technology, how does it feel like I am Nick and that you get me and that my problems are your problems and that we are both trying to achieve the same thing? That's dependability.

The idea of joy. Don't make this a headache. Make it so that when I'm having a hard day, I have to call my FI for whatever reason, that could be the best part of my day if you do that right. It could also be an additive to the worst part of my day because you probably are going to do it wrong based on past experience, which is what people are telling us is happening. So there are ways to do this. Keep it uncomplicated. That's another one that we saw a lot of. Don't complicate. Don't make things difficult that don't have to be difficult. It starts on the inside. And then you can start to have much more empathetic, honest, authentic calls, interactions on the outside.

The other funny thing is... And I'll leave it with one, Marc, because I know Marc's probably itching to jump in. But you mentioned predictability and what predictability can give you. And it gives you courage, and it gives you the confidence in the future. We often see clients ask us, "But you're also asking me to be innovative and forward-thinking. How can I be innovative and predictable at the same time? How can I bring newness and difference and distinction, but also be something that they can count on every single time?"

And it's what you have described. Predictable is not boring. Predictable doesn't mean sameness. It means confidence. It means I know what kind of experience you are trying to deliver me and you always do your best to deliver that experience. Now, if that comes along with a new product or a new feature or a new service line that might be of interest to me, that's still within the realm of predictability because we still are working towards the same goals. So that's how they live hand in hand. That's how you can be innovative and how you can be predictable at the same time. That's really the essence of what keeps... These challenger brands are doing a great job of it, actually. You see both of them scoring high on both measures, innovation and predictability, much for that reason. So yeah, start on the inside and don't look at those two separately.

James Robert Lay:

We could put this in a formulaic approach to where EX, employee experience, plus HX is multiplied by DX. So a positive employee experience leads to a positive human experience that can be exponentially multiplied by a positive digital experience. As we start to wrap up here, Marc, let's get real practical. What is one small thing that the dear listener can do next to apply some of this thinking to capture opportunity at their own financial brand, at even their own FinTech or their own neobank? Because the third opportunity noted in the report, it's often the smallest things that can have the biggest impact. And that's where I want to leave today's conversation to give the dear listener one small, practical, next best step, something easy, because that's how transformation begins, is just what's the one small thing that they can do next on their own journey of growth?

Marc:

Here's a way to do what you already do in the banking industry, but maybe do it in a different way. So a typical exercise that you do is to know your client, the document as you are onboarding a new customer and you're trying to gather a bunch of information. Very little of that information is about the customer's feelings and beliefs. It is about their assets. It is about their behaviors. It is about when their loan or their mortgage comes up for renewal. It is very little about what are they as a human? What drives them? What motivates them? What interests them?

So we talk with a lot of clients about this. You need to rethink how you profile your customers and your prospects, less around the behaviors they take or have taken, and more around the feelings and beliefs that they want in a relationship with you because if you understand that and you... That is helping you put yourself in their shoes, understand what they want out of the relationship with you. Build a relationship that delivers against those things, and you will be rewarded with engagement and loyalty as a result of it.

James Robert Lay:

I think that right there is a fantastic, practical way to put people at the center of your thinking and of your doing. It's something you're already doing, but it's a very small optimization. One final question as we wrap up here, Apex scoring. I mean, that's what you all do. How can we use Apex scoring and the system to apply some of this thinking? Because I mean, to connect all of this back to the very beginning of the conversation, financial brands are guided by very smart, analytical, left-brain-driven leaders. People are very emotional. But now we can begin to quantify feelings and emotions through the Apex scoring system. Very practically speaking, what's the opportunity here?

Nick:

The good news is those same analytical people, those same individuals that are doing all of the work to understand the health of their business, are also very oftentimes doing research. We have two questions that we have to ask to do Apex. If you plug that into your research, you can come away very quickly, and at a cadence. We recommend that you understand it once, but then see how you're tracking through time. But what is happening? What are the emotions that are driving my relationship today? How is that evolving based on competitive pressures or based on things like pandemics or based on the changing world? How am I doing on the things that my audience is saying are important emotionally? Also those rational things like customer service, those things still matter.

But you have to understand a relationship is an evolving thing. You talked about it with your marriage. It's not the same marriage it was 10 years ago. It's a different marriage than it'll be 10 years from now. The important thing is that it's still a marriage and that you evolve together and that you understand each other through communication and trust. That happens through, in this case, one good way to do it with brands and audiences is through something like Apex that lets you keep a bead on that and lets you understand, "What kind of conversations do I need to start having?" Doesn't really add any effort, but the output gives you a lot more to work with than maybe your current research might.

James Robert Lay:

And I think that's the key. How is this different than the current research that a lot of financial brands are doing today around CX or customer experience? It's a big term that's getting thrown around. I'm telling you, though, I think EX, it'd be interesting to honestly, now that we're... And that's why I love this podcast, because we can co-create on the fly. It would be interesting to see how Apex might also be able to be turned inwards around employee experience, particularly as we're moving through the age of AI and people's... literally their professional lives are being turned upside down because of AI, because of automation. They're feeling confused. They're feeling frustrated. They're feeling overwhelmed. And if they're feeling that, as we mentioned before, that's going to bleed over into the external. So a little bit of an anecdotal aside there. But how might this be different? How might Apex be different than say NPS?

Nick:

So it's so funny you say that. We have an employee-side solution. And one of the really interesting things to look at is what are those things that is making an employee feel loyal to a brand as a worker? And then are those reflected or how are those reflected when it comes to the customer side of the equation? Because we want to ask that same question. We know just like you do that it starts on the inside. We can demonstrate that.

It's different than other research for just basically a couple of quick reasons. The first is that this is all guided by behavioral science and what makes people people, and what makes people do what they do. It is nothing to do with behaviors. It is all the things that make people behave, that make people advocate or choose to become a customer. Those are what we want to understand.

And we have really codified it to say that people are people with any brand, with any category. How are they in this category? What are the specific elements that are making your score your score, and what do you need to do more of or less of to improve that score? And the score is a proxy for loyalty. It is loyalty. You have a higher score, you have a more loyal, engaged audience. So if you want a higher score, what kind of brand do you need to be? How do you need to show up? We'll give you all of those details. We'll give you some specifics.

Marc gave you an example. We actually get into in Apex some very key specifics, some things you can do as an organization to start to engender certain feelings, beliefs, attitudes within an audience so that you're not just left with a number or a percentage point. You're left with a whole action plan of things you need to do next to start to build and foster a better relationship. So research usually will leave you with the data point. We'll take it a lot further and say, "Here's why. Here's the science behind it and here's how you can track and make sure that you're building that going forward."

James Robert Lay:

Yeah. It almost essentially connects the dot with what, Marc, you were talking about before, connecting the why into the what. And I think it's that contextual perspective of identifying common people patterns, positively or negatively, and then be able to turn that insight into action to optimize what we're doing as we go forward. This has been a fantastic conversation, Marc, Nick. Thank you very much. What's the best way that someone can reach out to you and even get the report that we've been talking through today to help guide them forward on their own journey of growth?

Marc:

Sure. If they go to apexscore.ai, they can learn all about us. And within that context, they can reach out to Nick or I and request a copy of the report, and we'd be happy to share it with them.

James Robert Lay:

And what's the best way for them to reach out to you, Nick?

Nick:

Same, nick@apexscore.ai. You can reach Marc at marc@apexscore.ai. Go to the website. Find out a little bit more about it. But we'd love to hear from anybody out there.

James Robert Lay:

Fantastic connect with Marc. Connect with Nick. Learn from them. Both grow with them both. Thank you both for joining me for another episode of Banking on Digital Growth.

Nick:

Thanks a ton, James.

James Robert Lay:

As always, and until next time, be well, do good, and make your bed.