Laurie McLachlan:

If you have to pay customers to go through the pain of using your product, your product is broken.

Apple doesn't pay you $600 to fire up your new MacBook and start using it. You know why? Because it's easy and it's actually kind of fun, that's how banking should be.

James Robert Lay:

Greetings and hello. I am James Robert Lay, and welcome to Episode 276 of the Banking on Digital Growth Podcast. Today's episode is part of the Exponential Insight Series. And I'm excited to welcome, Laurie McLachlan, to the show. Laurie is the Chief Marketing Officer at Digital Onboarding, who is making financial services accessible by empowering financial brands to make it easy for people and businesses to adopt products and services that make life better. And today, Laurie and I are going to work together to make life even better for you, Dear Listener, by guiding you forward on your own journey of growth as we discuss where you're losing opportunities at your financial brand. While also, providing a path forward to quickly recapture those lost opportunities so that you can maximize your future growth potential. Welcome to the show, Laurie. It is good to share time with you today.

Laurie McLachlan:

It's great to be here. Thanks, James.

James Robert Lay:

Before we get into talking trends in, not just digital onboarding and onboarding as a whole, but maybe even diving deeper into the world of deposits, the growing need for deposits from financial brands. Let's start off on a positive note. What is good in your world, right now, personally or professionally? It is your pick to get started.

Laurie McLachlan:

Well, what's good in our world is we just hit our 100th customer a couple months ago. And so, we're pretty thrilled to be helping banks and credit unions around the country turn those account openers into real, long-lasting relationships.

James Robert Lay:

Congratulations. That is a big milestone, for sure. And if you think back to the start of this decade, 2020, we thought, "Well, it's just going to be another year." And then obviously, in March of 2020, things changed greatly. Let's look back to that point in time, particularly through the lens around just digital onboarding as a whole, from an organizational standpoint, from banks, from credit unions. What has surprised you most, in reflection of the past three years?

Laurie McLachlan:

What surprised me? I will say that, even though we all saw that quicker shift to digital channels, you know consumers not wanting to leave their houses, I understand that was somewhat forced. But I've been around in this industry for a while, and read the news of people predicting that things are going to change, and it always seems to take decades longer than it really does. In this case, I think we saw some shifts happen pretty quickly. And even I was a little surprised by that, even though I understand the reasons for it.

James Robert Lay:

Well, I want to give some context there, because I think you're right with an observation. Historically, the transformational shifts in banking, very slow moving. But writing, Banking on Change, I've been going back and looking at the turn of the century, 1800s going into the early 1900s, just looking for patterns. Looking for trends that are practical and applicable, even today, in 2023 and beyond. And one of the things I found was, literally two decades, almost two decades after Thomas Edison invented the light bulb and was starting to install it, about two decades post that, only 3% of businesses in the United States had electricity. And then, I think this is the most dangerous part of any type of exponential transformation, and then it exponentially exploded. And it's that exponential explosion of growth, and really of adoption, that is what catches most people, I think, off guard. And COVID, I think, was a preview of all of the exponential changes that we will be experiencing in this decade to come, at a macro level, that will then impact us at more of, say, a micro level, through the lens of banking.

Laurie McLachlan:

I think sometimes, I think that, that 3% is going to increase more rapidly. I think back, a great example is, I joined a company called Andera in 2011. It was one of the first digital account opening platforms for the industry, at the time. Just about all of the reporters and analysts were predicting that by 2020, almost all the accounts will be originated digitally. That didn't happen. I wish that acceleration were a little quicker and less like the light bulb.

James Robert Lay:

What is it, that you think, going back to previous experiences and then also current experiences, that delays the adoption of new ideas, of new thinking? What stands in the way here, at a macro level?

Laurie McLachlan:

How do I say this? I think ordinary people, ordinary citizens, would assume that banks of any industry know their numbers, and they know their data, and that they see the opportunities and they see the problems. Unfortunately, I think it's difficult for a lot of institutions to see what they're losing by not moving forward with change. And so, if they can't see the problem, "Eh, I'm not going to get fired for not solving the problem," or they can't measure the opportunity. So they want certainty and reassurance. And I think, when it comes to brand new things, like digital account opening or text messaging your customers, the risk function can take over. And they can really focus on all the things that can go wrong, instead of prioritizing what's to gain if they do it right. I think data is the big problem.

James Robert Lay:

That's a fantastic point about seeing things, observations. Because if you can't see things, then you don't know that there's a problem that even exists to begin with in the first place. It's almost like, it's what you don't know, it's the unknown that's going to get you. And when it comes to practices, like onboarding, what are some of the trends that the Dear Listener needs to be aware of? What are some of the patterns, particularly patterns of people, of consumers, of account holders when it comes to onboarding that, I think, that there are losses that they might not be aware of, that could be costing them hundreds or millions of dollars in loans and deposits, that they just don't have that perception yet?

Laurie McLachlan:

Yeah, I'm glad you asked that question. So onboarding has a broad definition, and a lot of people in the industry include account opening in that definition. So I'm going to start there. Based on my experience at Andera, I can tell you that most institutions do not know what their online application abandonment rates truly are, because their vendors don't report true abandonment. They'll report abandonment after a certain step in the process, after an applicant's data is saved. I can tell you, with relative certainty, that your online application abandonment rates are probably north of 65%. And I wouldn't be shocked if they were 90%. So just to put this into context, if this is a checking account opener, the average American has had their checking account for 17 years. You finally got the average Joe off the dime and attracted him to your institution, and 9 out of 10 times you're losing him. All that money you spend in marketing doesn't matter. And so, there's a lot of things that you can do to your digital application to reduce abandonment. But even before you do that, implement a retargeting campaign. We did that successfully for banks, like TCF back in the day, and it works wonders.

James Robert Lay:

I want to make this hurt. I want to make this hurt a little bit more. Because that is what I have found, the desire, the feeling, the emotion to change is often inspired because something hurts. And what I mean by that is, it's not in a nefarious way, but let's go back to your numbers. And I can concur with the research that we've been doing, we do digital secret shopping studies, et cetera, and let's just take that 90% because I think it makes the math easy. You know what? Let's round down, maybe let's make it 80% abandoned, just for example's sake. Let's say, each month you have 100 people that click the apply button on opening a new deposit checking account. Well, 80 people then go off to abandon that process. So you can take 80 times 12, that's 960 lost opportunities for conversion. But from what I have found, working with financial brands and their marketing teams, and their sales teams, their ops teams, their leadership teams, take that and assign a lifetime value to that number. And through some of the research that we've done for, say a consumer account, the lifetime value is, we'll just call it $2,500. So you take 960 times $2,500, that's a $2.4 million problem, right there.

Laurie McLachlan:

Yeah. And also, considering the fact that you just spent all this money in advertising to convince Joe to come in, and that money is now wasted. So back to your question, let's just start from the top of the funnel. That's probably your biggest opportunity, because that's where the most people are getting lost. There are certainly other places in the application process where you can affect drop off rates. Things like, requiring challenge deposits to verify identity. Don't do that. It's going to lead to drop off, we've tested it. My personal opinion is, it's not worth it. The decision of whether to require funding, at the time of account opening, is a big decision. Not requiring funding can certainly lead to higher throughput, but you've got to have a process on the backend to collect that funding.

James Robert Lay:

To collect those funds. Yup.

Laurie McLachlan:

Correct. Now, once the account is opened, I would love to focus on that. Because there is a hidden number that, I think, is really important to every bank and every credit union in America. And that is, of all the people that open accounts, what percentage of them are actually using their accounts actively, let's say, in the first 90 days and forward? Because hidden attrition… So there are a bunch of people that will just outright close a checking account in the first year. And the research shows that, it's anywhere from 25 to 40%. So forget about all the drop-off in the application process, now you've got 20 out of 100 to actually open their accounts. Well, a heck of a lot of them are going to be gone within the first year. Then there's another bunch, that their accounts will still be opened. You're paying money to service those accounts, but they're not being used. And so, this gets back to the data question. I guarantee that if you ask 10 or 100 institutions, right now, what their attrition rate is in the first year, they couldn't tell you. Almost every institution can tell you what their blended attrition rate is, but that doesn't tell them the story. And you're losing a heck of a lot, simply...

I mean, these people took time out of their day to open an account, probably in a branch, it probably took an hour, they wanted that account. And it's really important that you make it easy for them to start using it.

James Robert Lay:

So a couple of follow-ups to that, to dive deeper. Why? Why the attrition? And it's almost kind of like the big trend, that quiet quitting or they're ghosting here.

Laurie McLachlan:

Yup.

James Robert Lay:

Why? Why do people do that? What happens?

Laurie McLachlan:

They don't want to deal with it. So the research will frame it as, they found it too difficult or it was too hard. It doesn't actually mean it was complicated and they couldn't figure it out, it just means it seemed like work to them, right? It seemed like work to switch their direct deposit and figure out where to switch all their bill payments. And, "I'll do that Saturday." Saturday rolls around, it's a sunny day, I want to go to the ballgame. This is what happens in life. And it's easy for a banker or a credit union exec to say, "Well, it's not that hard." But to them, it feels hard.

James Robert Lay:

There's that word again. And that's feeling, that's emotion. And how much of that feeling and emotion drives into change management or transforming behaviors? There's a lot of behavior transformation, like you said, "Transferring direct deposit requires some work." And if there's a pain associated to that, I might not want to take that action because it's not as good as what it was before, right?

Laurie McLachlan:

I'll tell you how big of a pain it is. Chase, right? One of the biggest banks in the country outright admits that it is so painful to switch, that they're willing to pay their customers $600 if they actually follow through with switching the direct deposit and using the card. What is that admitting? I call that a bribe, not a cash bonus. That is a bribe. And if you have to pay customers to go through the pain of using your product, your product is broken. Apple doesn't pay you $600 to fire up your new MacBook and start using it. You know why? Because it's easy and it's actually kind of fun, that's how banking should be.

James Robert Lay:

It's easy and it's fun. And I think about the unboxing experience of an Apple product. Whether it be the phone, the MacBook, the tablet, that is all part of the experience that has been really well thought out. And I think if we take a moment to define experience, at least the way that we do it here at the Digital Growth Institute, experiences are well-defined systems and processes that have been strategically mapped out, then applied. And the secret here is, then continuously optimized over time, resulting in either a positive or negative emotion. But hopefully, more positive emotions. And then, taking those negative emotions and learning from them and what we can do to make people feel even that much better going forward into the future. So if we're thinking about the onboarding experience here, where are opportunities to optimize to make it even that much better going forward?

Laurie McLachlan: Oh, let's dive into that.

So the average Joe just took probably an hour to open his new, let's call it a checking account. What happens next to Joe? He's got a lot of stuff he's got to do, he probably doesn't even realize it. The bank probably hands them a folder with a bunch of brochures and says, "Good luck. Go and enroll in a bunch of stuff." They might send him a mailer a week or two later, and fire off a couple emails. They consider their job done, "Joe's got all the help Joe needs." That could not be further from the truth. Communicating with someone is not the same as helping them. Telling somebody that they have 10 things to do is not helping them do the 10 things. Banks and credit unions need to help make that onboarding process feel mindless. It should feel like zero work to the new account opener. If they feel like they have to take an hour to switch all their bills, and fill out a PDF form in 2022 just to switch their direct deposit... I mean, PDF form is fine in 2005, but it's kind of embarrassing now, right? There's technology that could make that switch instant.

James Robert Lay:

What you just said, "Communicating with someone is not helping them." That's a big perspective shift, I think, for many, or it could be for many. Because I can hear some of the Dear Listeners saying, "Well, we are communicating with them through the onboarding process. We have a two, two, two or a three, three, three program, and we're communicating with them," right? But I think what you just said, that's a whole different way of looking at, not just the problems, but really the opportunities to begin to solve the problems. Because it goes beyond just communication, it's the help. It's the guidance that is required to make someone feel good about the next steps going forward, almost back to your point, it being mindless. So how do we do this?

Laurie McLachlan:

First off, you can't show off your digital capabilities with a stack of brochures, right? It's kind of embarrassing. If you want to get people excited about banking digitally, you need to communicate, well digitally. That can feel hard for a lot of institutions. Particularly because, I'm going to make my next point which is that, that communication should feel personal. It used to be a lot harder than it is today. There's lots of platforms, not just ours, that make personalization easy. But I'm not just talking about the words on the webpage, I'm talking about how you're guiding them. So for example, if Joe is new to your bank and he doesn't have any of the services, you're going to help him in a different way than if James has been a customer for years and just added an extra savings account. He's already got online banking, he's got direct deposit. So it's giving people help where they need it, and reminding them when they forget. Because Saturday is going to roll around, and it might be sunny out, doesn't mean he doesn't want to still switch his direct deposit. So having timely reminders. And now my third point, and I think the most important point, is helpful tools. A tool, in this case, could be an enrollment tool. "You want to sign up for eStatements? I'm not going to make you log in to online banking to sign up for eStatements. Just give me an e-signature and we'll get you on your way and off to the ballgame." "You want to sign up for direct deposits? You don't need to hand fill out a PDF form and figure out who to send it to in HR. We can get that done for you, right now, in about a minute and a half." It's giving them the tools so that they can do something in a few clicks, where it doesn't feel like a lot of work.

James Robert Lay:

You mentioned something in point number two about looking at personalization, based upon their relationship. Is this someone who is new to the organization, new to the financial brand? Is this someone who's had a relationship and they're getting a second or a third product? And I think, it's that idea of not just onboarding, but reboarding, based upon the product adoption. Not just the cross-selling, but the cross-helping potential right there to create additional value for an account holder.

And when you look at that, these three steps, how important is it? And I think this comes back to your point number three, to just take some time to pause and to review, and to reflect on what you have in place today. To assess it, to audit it, to look for gaps. But I think the concern is that, if someone is trying to do this themselves, is it possible for them to miss something? Because it comes back to a point that we were talking about before, they're just not seeing things.

Laurie McLachlan:

It can be really hard when you're too close to it. It really can. Because something that, to you, only looks like three clicks and an e-signature might seem easy-peasy, but to someone else it might not. So it can be difficult, doesn't mean you shouldn't do it. It's absolutely important to at least know what your account openers are experiencing. You brought up my least favorite earlier, the two by two by two, either having to wait two days just to hear their account was open. Amazon lets me know I bought paper towels five minutes ago, why do I have to wait two days to hear about my bank account? And why do they have to wait two more weeks to hear back from you? So if you really can put yourself in your customers and members shoes, see what they're receiving and when they're receiving it, I think you ought to do it. But it could be helpful just to bring an outside party, just to give it a fresh look and make sure that you're not too close to it.

James Robert Lay:

I think about the greatest growth that I've had for my own organization here, has always been when I've worked with an objective external outsider. To come in and look at what we're doing, and then tell me the truth. And for me, it's important because it's so easy to miss things. Because like you said, "We're just so close." We're stuck in the bottle, but we can't read the label on the outside of the bottle. I want to transition here, because there's a tremendous amount of opportunities that I see, from our discussion, for the Dear Listener to take action on. To apply based upon some of the diagnostic and the assessment work that we've done, over time, with organizations. I think that, why this is becoming an even more pressing conversation to have, within an organization, within a leadership team, a marketing team, a sales team, an ops team, an IT team, is because of deposits, the need for deposits now. What's driving that need, now, more than ever before? Because if we look back over the last decade, it was a lending environment, now we've had rate shift. What's happening here and what can the Dear Listener do to capture deposits? Because you, as an organization, y'all have put out a tremendous resource, How Banks and Credit Unions Can Raise More Deposits in 2023. It's a playbook. Highly recommend, Dear Listener, grab a copy. And maybe, we'll wrap up there of how they can do that. But what's happened, and what can they do?

Laurie McLachlan:

Yeah. So a lot has changed in the last few years, right? So we had COVID come in, March 2020, stimulus payment checks were going out. The government thought that, that would help stimulate the economy. But instead, consumers kind of kept the money in the banking system. They saved it or they paid rent with it. So during COVID, banks and credit unions, they didn't have a deposit problem, they had tons of deposits. Now, things are a little different. Inflation, obviously, has been rising. Consumers are now pretty much out of cash, and they're looking for short-term liquidity. They're looking for, how do I make it through the next few months? Or how do I fund my summer vacation? And that's where financial institutions can help with that short-term liquidity problem.

James Robert Lay:

You look at some of the practical recommendations in the guide, one that stuck out to me, personalized rates. Because it almost kind of connects back to what we were talking about before, this idea of personalization. But where's the opportunity with personalized rates?

Laurie McLachlan:

A lot of people might just think, "Well, I just go to the bank's or credit union's website and I can see, say, what their CD rates are." And that's true, those are called disclosed offerings. And certainly, there's specials that are run during certain points of the year. But institutions can also be smart. So if they think that high valued relationships might be ready to jump ship to go find a higher rate elsewhere, they can kind of privately offer them a special rate just to keep them as a customer or a member. And I think that's a really smart thing to do, use rates as a retention lever.

James Robert Lay:

And that's taking a proactive stance in a person's financial life. I think a lot of financial brands, and there's multiple reasons for this, they're very reactive. But in this guide, you provide a path and a recommendation to be a trusted advisor in... I want to read from the guide here, because it really connected and resonated with a lot of the writing and the thinking that I share. But you said, "Just as a pharmacist would not allow a customer to choose their medications, banks and credit unions need to help customers and members choose the products that will do the most to improve their financial situations." And it's taking a very clinical diagnostic, if you will, approach to providing the next best step forward, a plan, a path, a prescription to help people. How can financial brands take on the role of the trusted advisor? Or how we speak, here at the Digital Growth Institute, The Helpful and Empathetic Guide?

Laurie McLachlan:

I guess, I just want to first start by saying, in a climate like this where Americans are strapped for cash, now is the time for community institutions to shine. This is your moment. Consumers are looking for help, and they haven't traditionally gotten it from their banks and credit unions. Particularly from their banks, unless they're high net worth customers. Why is that? So we have customers that use data in interesting ways. I recently spoke with a financial institution executive, and he explained that they look at transactional data and they'll look for large purchases at places like Home Depot. And then they'll say, "Well, jeez, maybe they need help with a HELOC. Maybe they need to make home improvements." And so, they're looking for signals from their customers and members. I think that's a great way. We also strongly support the position that Jonathan Fischer from Timberland Bank has, which is, don't underestimate the power of a survey, right? With all the talk of big data and AI, you can feel like you have to be really sophisticated about discovering needs. But to be honest, just asking someone what their goals are, or what they're struggling with can be one of the best ways to figure out what someone needs. I know that John Huntinghouse from TAB Bank also made this same point. And we use surveys a lot, for that reason.

James Robert Lay:

We've actually been teaching a methodology to financial brands that is an extension of how we're working with financial brands. So to take that knowledge into their local markets, it's a very simple question, it's a framework. By just sitting down, and you can sit down, this could be done via a survey, asynchronously, multiple ways to apply this. But you mentioned goals, and the question is, is how do you want to grow? And a lot of this provides context, it provides framing for an individual to really think through. But grow is an acronym for goals, and everyone thinks through goals, that's the easy part.

The follow-up to that though, are the roadblocks. You have this future that you want to create, but based upon what you can perceive, right now in the present moment, what are some of the roadblocks that could get in the way of that future that you're wanting to create? Like you mentioned, I want to improve my home, I want to build a pool for the summer, whatever that might be. Well, let me think through some of those roadblocks. And then, as that trusted advisor, that expert, well, here are some opportunities to help you overcome those roadblocks to then move forward and make progress towards those goals. It's a fantastic simple framework that is easy to communicate and then deepen that relationship at more of a human level. Like you said, "It goes beyond just the AI and the big data." This is the thick data, that I wrote about in Banking on Digital Growth, because the big data, what are people doing? But this is, why? What's the story behind the story here?

James Robert Lay:

No. I think a great example to take that matrix and apply it is a methodology that we teach called, Guided Selling. So it takes the matrix and then it uses more of an interview style of questions, inputs. And then, based upon the inputs of a prospective account holder, here's what we recommend to you based upon your unique situation to help you get to where you want to go next. So I'm in 100% agreement here. One of the other points, before we start to wrap up, that you share in this guide that once again connects to a lot of the thinking that we share, is around referrals. Which is the R in our BANCER Strategy Circle. BANCER being an acronym, B-A-N-C-E-R. And the R is to repeat the process through ratings, through reviews, and most importantly, through referrals. Because people trust people. People, I think, are still the most influential marketing channel on planet Earth, in today's digital world. It's just the way that we refer, we rate, we review is maybe different than how it was a decade, two decades ago. What's your take on referrals here, for the Dear Listener?

Laurie McLachlan:

Well, my take on referrals is, I think, what your take is. Which is, get as many as you can. Not only are they a cheap source of new relationships, but they tend to be better relationships. Simply because people tend to hang out with and refer people that behave like themselves. From my experience at Andera, and here at Digital Onboarding, most institutions that don't have a referral program wish they had one. And usually, what's holding them back, is the tracking. That they can't figure out how to associate the referral and then pay out. Usually, there's some sort of bonus or a carrot that's given out. Ideally to both parties, the refer and the referee. And there's technology that can help with that, and I wouldn't let that hold you back anymore. Because sure, some people just go out and tell their friends about you without you asking. But if you give them the tools and materials to do it, it's going to happen a lot more often.

James Robert Lay:

It'll happen more often, and it becomes part of the system, it becomes part of the process. Which you come back to the definition of experience, well-defined systems and processes that have been strategically mapped out, defined, and then optimized over time. I think about one community financial brand that applied this thinking. And they ran a pilot program because they were curious and they generated around 650 referrals. And their concern, too, was around tracking. And I said, "Put the tracking off to the side. Don't let that be an impediment. Don't let that be a roadblock. What if we just did more of a sweepstakes? If you refer someone, you're entered in for a chance to win $1,000," whatever it was at the time. And so, they generated around 650 referrals. And the automation workflow then extracted out people who were already in their database. Because they don't want it to be awkward saying, "Laurie, your friend James Robert referred you to open an account at Community Financial Brand, but you already have an account there." That would be totally odd.

So they've extrapolated out that data. So we're left with about 600 now, actual active referrals in the workflow. And around 15% went on to convert, to open an account with an average product per household, about 3.5. Super successful. Total cost, $1,000 to pay out for the sweepstakes.

Laurie McLachlan:

Oh, yeah.

James Robert Lay:

And the retention, once again, much higher 12 months later when compared to others within the organization. So I think, it's totally doable. Like you said, "Don't let the perceived roadblocks hold you back from anything that we've talked about here today." And on that note, as we start to wrap up, I always like to send the Dear Listener off with something actionable that they can take, something that they can apply, something small to continue to move forward and make progress on their own journey of growth. What would your recommendation be, that one small thing? Because all transformation that leads to future growth begins with a small simple step today. What's one thing that they can do, right now, to just move forward and make progress?

Laurie McLachlan:

Well, I'm going to focus on the burning issue, I guess that's in my mind. Which is, do the work to understand your attrition situation. Acquiring an account is not a win. You've just earned the chance to either make money or lose money servicing a dormant relationship. So if you can't answer the question of what your first year attrition rate is, say on checking accounts, go get that answer. Because if you can't measure the problem, if you can't see the problem, you can't fix it.

James Robert Lay:

Gain understanding into how many accounts that you're losing, that already have converted. But I say take that to a deeper level, why? Because that that's then also coming back to maybe some exit service or something along those lines because I'm always, and maybe that's just the kid in me, that I still ask why to almost everything. Well, why? Why is that? I want to know the why.

Laurie McLachlan:

I love, why, questions. Because a lot of times, institutions rely on acquiring new accounts for growth. And so, if you're giving your CMO a goal to acquire 10,000 checking accounts in 2023, but 8,000 of them never become real relationships, you're losing money. You're not growing. And if you can't see... If you're just looking at blended attrition, you can't see the problem.

James Robert Lay:

No, that's a fantastic takeaway. Fantastic recommendation for the Dear Listener to apply on their own journey of growth. Laurie, this has been such a wonderful conversation. For someone who is listening, what is the best way for them to connect with you to maybe perhaps continue the conversation that we've started here today, if they'd like to?

Laurie McLachlan:

Sure. You can email me at, laurie@digitalonboarding.com. And you can also find me on LinkedIn, L-A-U-R-I-E. Yep.

James Robert Lay:

Connect with Laurie, learn with Laurie, grow with Laurie. Laurie, thank you so much for joining me for another episode of Banking on Digital Growth. This has been a lot of fun today.

Laurie McLachlan:

It's been a lot of fun. Thanks, James.

James Robert Lay:

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