



LIVING FOR THE MOMENT:

**Achieving growth through customer insight
and moment-centric offers**

BRUCE HOLLEY
BANKING GROWTH FORUM 2019

VIDEO TRANSCRIPT

VIDEO TRANSCRIPT

BRUCE HOLLEY: Now, what I wanted to do is talk to you about, just to open up, a discussion that I had and there were three themes in this discussion.

The first is that you had a move from products to solutions, and you wanted to target someone's lifecycle, so...I graduate from school...I get married...I buy a house...I prepare for a trust...and that we wanted to make this shift.

The second thing that we wanted to do with this whole idea of segmentation. It was like using data to get down to a segment of one. I mean people were talking about mass customization. It was the buzzword at the time. And, it was this whole idea of instead of approaching the clients as this "block" that, in fact, you wanted to take it down and personalize it.

And the third thing was that clients were really happy to pay as long as it was linked to value, and so this whole idea of the value-based pricing was critical.

I gave that speech in 1994 when I was a second-year consultant. I'm going to let that sit just for a second. A lot of the themes...that theme, I probably have given that speech every year during my consulting career, and so what I'm going to try to do now is not to talk about why but actually talk about how.

I always found no one ever goes wrong if they listen to their clients, and I think that this is not an exception, this is actually et etre.

The second point is really how do you change? And the third is, you know, how do you apply real research and actually take it to insight and then decision taking.

And, the other is how do you actually...there are many things that you can do, but how do you actually start to prioritize and focus on those things that are really moving the needle?

The first is that people wanted integrated propositions for addressing core needs.

Now, I made it very simple to fit on a slide.

I'm going to tell you, it's only sort of one line per point, but I think this is, especially in this group, as we think about what opportunities are, I think this is really powerful.

When you actually get to the specific data, one of the things that you hear is that clients want banks to be "more".

I think in some ways we use the term "bank," and I think it's about sticking to your lane, but they actually want it to be more. What they actually want is something to be solved.

VIDEO TRANSCRIPT

BRUCE HOLLEY: Now, you're going to hear examples around, houses, house-buying, and that there's a whole ecosystem around that. Or, car buying, or as I said, starting up a new job, and coming out of school...And, it involves, you know, if I take just start-up in terms of getting out of college, you know, you need credit...You need a checking and savings account to get your money in... You need a credit card, because you typically don't have money...You're typically moving cities, and so you need a broker to get an apartment...Oh, by the way, you need insurance for that. And, that's beyond what banking is, and I think this is this idea of "How do we reinvent?" People always talk about different sectors coming into financial services, and I think that there is a very powerful driver and rationale for banks to go out and attack other sectors.

Not necessarily, you know, targeting one in particular, but this idea of "I want to solve a need of a client, and I'm not going to put boundaries on in order to do that." Now, clearly, in doing that you have to make money, and you've got to create value for the client, so they will spend with you, but thinking through that.

There's an interesting bank in Spain, for example, and what they've done is they have their top ten products, and what they do is they curate a list of products, and you can buy them on their banking site.

It has driven a ton of traffic into the site, and people come to the site and stay on the site.

The second thing is really around personalization, and it's this idea of taking...I talked about a segment of one jokingly before, but now I really mean it in all seriousness...is this whole idea of getting data and making an offer that is specific to you.

When you talk about people and junk mail, for example, it's the bane of their existence.

Now, the fact of the matter is, and the dirty little secret is, that in terms of new client acquisition, direct mail is a very powerful channel even though it's shrinking. The idea that you could actually take that mail and specifically tailor it to an individual client, so it's relevant for them, is incredibly powerful to the client.

The third point is...and this was something that I was surprised by...but it was really around, you know, clients are willing to share information with institutions, specifically banks, if they can get better pricing. So, we talked about behavioral pricing and value-based pricing, or if they can get better solutions for their problems. It's 80 percent of the participants of our survey said they'd be willing and happy to give over data. Now, in this day and age of data security an issue, I find that quite powerful. And, they're willing to give the data to banks.

VIDEO TRANSCRIPT

BRUCE HOLLEY: The fourth point that comes out is really around this mix of channels.

Now, we have this term called “phygital.” I don't know if it's catching on that much, but the idea that, you know, clients are becoming agnostic to channels. They just want to do what they want to do. Now the challenge is, how do you make a consistent client experience across those channels, right? Because, many people have failed, and you'll hear me say this again. You know, it's like trust...you gain it in tablespoons and lose it in bucketfuls...that's what my father tells me...but, this is something, as you start thinking, they want this. They see it in other industries, and they want to see it in financial services.

And then, finally, trust is increasing with banks. It is the number one trusted sector from a consumer point of view. That is incredibly powerful.

Now, we've done some discussions around, “why is that so?” And, there are a couple of things we think that drive it, although we haven't been able to prove it quantitatively. The first is it's a highly regulated business, and so people feel very...they trust the institution, because they feel as though they're regulated in a good way.

The second thing is they give their life to the financial institution, so you sort of have to have a feeling of trust, but it is a position of power when you think about, for example, data security.

It's a position of power if you think about going outside just the financial realm, and just think if you could create a trusted environment where data was flowing.

What does that mean; so that you become a place of transactions not only just financial but all types by leveraging the trust, and your clients have given you that trust? And there are very few sectors that you can see it in.

And, in fact, banking and insurance are the only sectors that are increasing over time. When I walk...when I take this in its totality, these five key messages, what I find is this: there is an enormous opportunity for banks to create a lot of value for their clients and create value for themselves. And the question is, “how do you do it?” Now, what I would like to do is talk about one of the ways to do this is segmentation. And, Frank mentioned segmentation before. And, before I dive into that I'd like to say a couple of things about segmentation.

Actually, I'd like to say two things...don't worry. You're fine...The first is, what makes a really good segmentation scheme? A good segmentation scheme helps you make a better decision at the right time, and these are just some examples...How do I acquire better? How do I cross-sell better? How do I provide service and experience better? How do I retain better? How do I price better?

VIDEO TRANSCRIPT

BRUCE HOLLEY: What I found though is that most segmentation schemes are very descriptive. It's typically "how big are your assets" and we have these ongoing discussions around "is it net worth, or is it liquidity?" "Is it net worth?" It's typically, "What is the size?" It's typically source of wealth. You know, am I producing money because of my job? Am I an entrepreneur? Do I come from multiple generations of money? But, these things don't necessarily tell you how to acquire better, or to price better, and so thinking about what is the right information you need in order to do those things is really critical.

The second point I'll make is that, you know, Accenture talks about personas, and there's a theme about how do you capture more data to do better pricing? And I'm going to start introducing this idea of that behavioral data is equally as important as other types of data. And, you need all of this data to actually deliver the results to your clients in terms of value and capturing it for yourself.

Now, I'm going to walk through these four personas. What we did was we applied this...a couple of things as you think about these personas is, not surprisingly, they vary by country, and I'll show you some of that data there just so you get a sense of how the variation occurs.

But, more importantly, I think why you have to think about personas is what does your mix look like? And the reason why I say that is, you know, many people like to go after opportunities that everyone else is going for, but if it's not important to you then you shouldn't do it. And, the way you do it is you want to see...and however you use your segmentation and whatever behavioral characteristics you capture...you want to really understand what your portfolio of clients look like, because that's going to change where you go.

So, I'm going to give you an example where we were working with a firm that wanted to go after digital, and they said, "The way that we're going to go after digital is we're going to focus on Millennials, because they're the ones that are using digital."

So, we said, "Well, let's understand the client base." And, what we found was the biggest user of digital were business retirees over the age of 62. They were on their mobile the most. They were on their desktop the most. They were incredibly savvy; didn't really care about look/feel. And, what we said was, "Look what you should actually focus on is this group, because it's a large group of your business and then use that to go after the Millennials." Now the Millennials want that, but they want things that look prettier, more interesting to use. But what you wanted to do is you want to shore-up the clients that you had and drive more cross-sell, larger opportunities. You want to drive better pricing, larger opportunities there.

VIDEO TRANSCRIPT

BRUCE HOLLEY: Then, after going after a new segment that takes time...and I'm not saying you shouldn't go after a new segment but typically that takes time to go after...and so this whole idea of understanding where you're starting from and where you want to go will start shaping how you prioritize your investments, how you organize, etc.

But, the Pioneers, I think this is a very interesting group. They're younger, as I said. They're between 18 and 34. They're risk takers, so they're the ones that feel like people come to me for advice. You know, they're the ones that want innovation. Eighty percent of them want something new. They're very interested in doing something new. They are the ones, not surprisingly, that are on their smartphones all the time. Eighty-seven percent of them are on their smartphones all the time, so just incredibly digitally savvy. They're the ones that actually switch. About 33 percent of this group globally switch providers in a year, which is actually a really high switch. If you see, and what they say is, "Look, I am hunting for the next new." And, while, you know, they're not necessarily loyal, but they're still a good group if you can serve them correctly.

Now, this group also really likes corporate responsibility...think social ideas are really important. Sixty-seven percent, almost two-thirds of them, were in favor of that. And, once again as you start thinking about adaptive segmentation, you can immediately start thinking about what types of products and services that you need. You know, asset management that's driven around more corporate responsibility is a great way to target this group, and they really value it. In fact, they're willing to give up some BPS in return in order to get the product, because they think it's important. If this was a large part of my portfolio as a bank, it means that you have to really start pushing the envelope in terms of interaction, new engagement models, you need that omni-channel.

And, this can be actually a really good group for a longitudinal study where you interact with these clients, a group of clients over time as you test and learn. And, I love what Frank talked about, this idea of testing and learning. I think organizations should do it more of this, and I think when it comes to segmentation, as you test not only pricing levels but new products, new service offerings, I think it's important.

In terms of the Pragmatists, they are probably the most diverse of the group. Both from a geographic perspective...you know it's pretty balanced between male and female...and, in fact, the Pioneers skew a little bit more towards male but not by much...They're actually pretty channel-agnostic. You know, they just want it once and done, and they really don't care how it's done. They just want to get it done as quickly as possible, and this [persona], in particular, really values in-person advice. Now others value it a lot, but actually leading with an advice offer front and center with this group is actually quite important.

VIDEO TRANSCRIPT

BRUCE HOLLEY: The Skeptics are a group that are just very wary. I mean not that I'm a psychologist, but this is a group that has...that would say that only about 40 percent of them are content...40 or 45 percent...they are probably, when you think about trust for banks, they're the ones that still put banks number one, but it's much lower. So, while it's like 88 percent for Pioneers, 89 percent for Pragmatists would vote on banks as being the number one trust provider, Skeptics would be in the 60s.

They're quite unhappy with their branch service. They're unhappy...they will tell you they've had bad customer experiences. You know, this sounds like this is a retention issue, but I also think it's an attacker issue as well. If Skeptics are at your competitor's bank, they are ripe for targeting and going after. What you need to do, though, is you need to address their dissatisfaction straight-on.

The Traditionalists are probably the oldest group. They skew...the average age, they are 55 and above. They really don't want to share data that much. They really don't care about solutions. They're actually focused on products. They have a relatively simplistic approach to, you know, wealth management if I use that as a concept. And, not surprising, they are very much dependent upon in-person channels.

And so, really, depending upon what your mix is as you look at this group, you can start imagining what type of...you know, do I have to make an omni-channel effort, or do I just lock and load on the branches that I have and make other things not a priority?

You can start realizing solutions are very important for the first three groups but not necessarily for the last group. There is a willingness to share data in the first two groups, and it starts tapering off for the others. So, depending upon what your sweet spot is for your client it actually starts dictating what you need to do to take this forward.

When you look at global versus the U.S. what you'll find is that...I mean, there's not large differences...I mean with Canada, with the Traditionalists, you probably see the biggest one; movement there as well as with the Pioneers. I was actually surprised by this data...I would have thought...the Pioneers actually skew really heavily for Latin America and Asia. The Pragmatists are pretty constant across all the regions. And, believe it or not, in the Skeptics, we actually skew lower in the Skeptics...and slightly lower on the Pioneer front, but the Skeptics you'll see it in the U.S. at 16 is by far the lowest of any of the groups.

Once again, I think these are interesting compare and contrast type of things. I mean, in terms of behavior, what you find, as I said, Asia has very much a much larger group in Pioneers, but they act very differently.

VIDEO TRANSCRIPT

BRUCE HOLLEY: You know, what you find is that a great way...one of the great opportunities to actually acquire new clients is by going after the children of wealthy parents. And, the way they do that and to engage them is actually to do mock trading, scenario testing trading.

So, they get used to brand imaging, they get used to the tools, and they start being sold on the product and how it operates, so that when money is transferred, it's a much smoother, as you know, as you start switching generations you typically have a lot of leakage. You know, they are very much focused on the Pioneers, and that's what I'm saying as you start thinking about your clients, how do you focus?

I'm not going to go into the car part, but I'm going to actually talk about the home-care proposition. Once again, this is done by...there are a couple of things to notice, not surprisingly, if you think about home care and a product that's, for example, you can imagine going from soup to nuts...I'm interested in buying a house. I get a broker. I get a mortgage. I get insurance. You know, if you're buying a house that has been previously owned, you know, typically you're doing construction and so there are ways to do deals in terms of renovations in this group.

What you find is, for example, and the Pioneers are very interested in this...what I would focus on is what they're willing to pay. And, once again, as you start thinking about not only value for the client but for yourself, I think it's very important you see the 82 percent/64 percent. You know, it's a drop-off by about a quarter. As you go towards the Traditionalist, it's almost a 50 percent drop.

These solutions can be very, very interesting and sexy, but you've got to make sure that there's real value there. And how are you capturing value and how are you providing value for your clients? And, as you go through all the solutions that people talk about this is one of them.

And, so I've done a lot of qualitative and quantitative interviews with clients like that you have, and we've talked to sales forces as well, because it's that one-two punch of actually creating change at the rock face that will actually deliver the promise. And, there are a couple things that come out.

Number one: about 90 percent of your clients will not remember the pricing that you negotiated and agreed to a year after. Now that will sort of vary by product. They're in the moment, but once it's done, they don't remember. And so, when you start thinking about creating new pricing models and new ways to deliver value, actually engaging clients on that is important.

VIDEO TRANSCRIPT

BRUCE HOLLEY: The second thing is most sales forces...once again, this won't work for deposits, but will actually reduce prices in increments of around 25 basis points. And, what you find is that what clients want is when they're negotiating with you, they want you to give, and so that's important as part of the process. The question is, how much? And most sales forces will drop by just standard lock-step amounts, and in fact, instead of going from 25 to 5, you actually address their need around pricing, but you still capture more value.

Clients usually don't give their business to the lowest cost provider. Now, I know that there are some segments that are out there that are actually about looking for the lowest price, but generally speaking, most of your clients are actually looking for intangibles, and as long as you're within a certain ballpark, they're pretty happy with it. Now, there are other things as well that I would talk about just in terms of behaviors of the sales force and behaviors of the client that you need to do. I mean, a lot of times what we find is, even when you have a very compelling value proposition, sales forces don't do it, because they're either uncertain and unsure and don't know how to do it. And so, it's not just about showing them the tool, but it's actually giving them scripts.

You know, what we found is that we use the best pricers in the firm to actually...we take their IP and actually make it part of the training...What we found is usually people used to always say, "Oh, I want to know what my competitor is doing," and as soon as you give them that information, what they typically do is they tell you that it's not relevant. You know, it's not the same brand. It's not the same performance. It's not the same product. But, when you can actually see price variation within the same sales force, you normalize for all of that. And then, you have some really outstanding pricers and cross-sellers and people who just give an amazing customer experience, and it's these battle-tested, battle-proven tactics that will actually help you deliver the value, the enormous value, that we talked about that's out there.

The second reason why people leave banks, once again it's around information, is data security. You know, you read in the press this is a huge issue. And, the idea here is that banks are well suited for this. You know, and how you actually talk about it, it can be a double-edged sword, but it is critical.

And the third thing is really around the complaints not being taken specifically. I dealt with one provider that had a group that tracked complaints that came in, but they only tracked it through things that came through the bank itself and not social media. And, in fact, when people are unhappy and when people are really happy, they have a tendency to post on social media. And this idea of not just being internally focused on your own data that you produce... not necessarily solely what you as an individual or firm get from client, but what are they putting out there?

VIDEO TRANSCRIPT

BRUCE HOLLEY: As you can imagine, if you're looking at the Pioneers and others, they're going to be very fast to go on social media. And, the idea of how do you actually address issues, and how do you actually address really great things that happen as well when people are liking the service or liking the product that you have out there, how do you use it? And, what we're finding is very few firms...you see it in the airline industry, for example, quite a bit. They're actually really on the cutting edge there. You don't really see it in financial services yet, and, once again, as you start thinking about data that's important.

So, there are ways in which you will be working with other partners in a space. And, the way this works is really around how many...You know, if you think about joint ventures, it's typically a small group. We're sharing...You can do, you know if you go to the upper right-hand corner, what you do here is you see sort of a Linux-type style where people just contribute to it...There's licensing. The thing here is that you're going to find different ways to actually partner with in order to deliver an ecosystem.

And, we've been talking a lot about data and data security, and what we found is from another banking report that we did in 2019 talking to banks, is that they found that only a little over 30 percent of their partners had the level of data security efforts that they were comfortable with...about 30.

And so, once again, as you think about your brand, if you think about how you build it, and how you lose it, you know all the sudden, understanding the veracity of your partners and what they're doing on the data security side is really important, because you are in that pivot position on the trust side.

And, this sounds very motherhood-and-apple-pie. It seems like it's very basic, but the idea of who is responsible? What is the chain of command for ensuring that pricing policy policies, for example, are being followed is actually really important. And, what you find is that...I always ask a couple of questions of a firm. I ask them do they have it in place, and a lot of them now do have a process in place.

I ask the next question, which is, "how many times has something been violated where you had to do something?" And, they typically don't know the number, and if they know the number, it's relatively small. And, my feeling is, I know sales. I work a lot with sales forces, you know. And, I know that there's a lot of, you know, if you have 1,500 relationship managers, you have 1,500 pricing machines. And so, this idea of, you know, when you're checking the box versus actually living it, I think is really important.

And, I think that this is one of those capabilities that banks, in particular, need to start building and leading with and to make it much more dynamic.

VIDEO TRANSCRIPT

BRUCE HOLLEY: I mean, one of the things that I found is that even if you're really good at locking in, you know, pricing what you find is it's not very dynamic. And so, for example, I come in as a very large client I get a good pricing and I take half my assets away and things are changed. Now, that has its own set of challenges as well, because you have to tell the client, "We are going to have to increase your pricing," but sometimes that's a great conversation to have, because it's about your relationship and how it started out and where it's going. Those conversations are nothing to be afraid of, but I think that having much more of a dynamic process is important, and this is all around how firms start really reimagining what pricing is all about.

What I find is that...and I am actually seeing some real innovation going on. Number one: what I'm seeing is that you give the sales force the ability to be flexible, but they share in the discount. So not only do they get, as the price goes down do they just get less, but in fact, the percentage goes down as well.

And so, if they're investing in a client, what we found is the argument for what sales forces usually use is, "If I go low now, I'm going to get more assets and I'll get higher pricing later on," and, in fact, when you actually go through and do an analysis of that, that never happens. That when they stick with a low price with a set of assets, you don't see more assets coming over, and you don't see an increase in pricing.

And so, this idea of sharing in the pain and then having floors in order to, you know, just say, "You get nothing, so if you really want to make this investment, your incentive can go nothing." And, what's important about that process, which a lot of firms are now really working about is thinking about what is the profitability?

And, we were talking about this at lunch yesterday, which is understanding the value of the customer and what you can do and can't do. More of something that is losing money, are just more losses and not profit. And, I don't mean to be glib about it, but it's about really applying a screen...and you can imagine also, it's not just in the pricing as you start thinking about, you know, the client experience and the cost-to-serve, what channels do you give people access to? Whether it's a digital-based one or in-person-based one, really understanding the economics and what drives growth and profitability is really important.

In terms of the branch experience, it's something that...this is something that it's one of my favorite things. You know, in the 80s when the advent of the ATM came around, they said that the branches were dead, right? ATMs we're going to take over. It's the end; and branches have still stuck around.

And, I think that one of the things, when you look at the data, is that regardless of what persona segment you're in, about 60 to 70 percent, they still want a branch or use a branch. And the fact is, how do you start rethinking what the branch is?

VIDEO TRANSCRIPT

BRUCE HOLLEY: We did some very interesting work with Virgin. We created this set of Virgin lounges in the U.K. You know, Virgin has this incredible brand in the U.K., and what they wanted to do is they went into financial services, wanted to take advantage of that brand. And so, what they started doing was they started creating these lounges that would actually bring people in, give them an experience as though they were in the airport, but actually started cross-selling a lot of their products. And, what you found by this experience is you actually saw the lead generation with the branches that were close by started going up by anywhere from 150 to 200 percent.

And while they didn't have a broad base of products to really cross-sell, what you started to realize and what they start to realize is they could really take advantage of this experience to drive revenue. So, it wasn't just about we were creating a great client experience, it was actually linking customer experience to revenue growth and profit expansion, and that was a very powerful dynamic for them.

And so, we see that there, as you think about branches and reinventing branches, we've talked about if you look at the personas, generally people still like in-person interactions. Now, there are some, like the Pioneers, that like an omni-channel experience, but the fact of the matter is most people still like an in-person interaction, and the question is: how do you do that?

If we riff off of the omni-channel, and this is something that I thought was really very interesting to see. What we did was we looked at the countries, and you can see on the X axis, it's the digital banking preference. The Y axis is the preference for branches.

And, I talked about this idea that about 50 percent of the survey customers really wanted both, and you see that in the middle. When you look at this, you know...when we had our internal discussions, which is what's the trajectory of the points?

If you're looking at the points, are they at an end state, or are they actually moving to another space? And so, there might be markets where it's going to be more digital or more branch. There might be markets where it will be combined, and as you start thinking about bringing the omni-channel experience together, you know, understanding where your market is going is really important.