

ENGAGEMENT BANKING

May 2012

If you were building a credit union from scratch today to optimize member experience and engagement, what would it look like?

Is there a set of benchmarks or best-practices that we could bundle together to create the world's best credit union for your members?



Building the Best-Practice Engaged Credit Union

By Brett King (Author - Bank 2.0)

Members today are presented with a myriad of channel choices, their expectations of an institution's capability via mobile and social media are going through the roof as new capabilities come online, and members increasingly are looking to credit union whenever and wherever they are. Members are focused on the tasks they need to get done, and look for the most efficient way of engaging with service providers to accomplish those tasks.

Credit Unions, however, are still very focused on the destination. As Credit Unions we constantly talk about the product or service we want you to buy or

apply for, without thinking about the context of the product in a member's daily life or the journey a member takes to get there.

How many times do you hear a credit union say, "We are your one-stop shop for all your financial products and needs" or something similar? That sort of a statement says - we're your destination, but we don't care how you get here, or why you need it, but if you need something we are the best credit union for you to work with. Having the best product, rate, service or bundle, doesn't mean you are the best credit union for your members needs today. For that you need to think about context and engagement.

What are the best practice methods for engaging members? If you could Frankenstein a credit union together from the best institutions that are getting aspects of engagement right today, would it be possible to construct a sort of best-practice credit union?

The reality is that there are gaps in what is best-practice because by looking at other industries we find better examples of specific channels than in the credit union space.

We realize this is somewhat arbitrary and there are probably some other great examples out there. If so, we'll try to add those as we find them.

Here we go...

The Best-Practice Engagement Branch

What identifies a best-in-class branch experience?

Well, the key here is not how sexy the branch looks but whether a branch redesign resulted in a net improvement in member engagement and in resultant metrics – namely increase in acquisitions and in cross-sell or up-sell.

Recently Citi relaunched their “**Apple Store**” concept branches in both Shanghai and New York, but there is no evidence that plastering tech around your square footage is an immediate guarantee of success. Creating retail spaces that are hi-tech meccas works for Apple because they sell tech, not banking products and services. So what is the goal of the branch space?

Currently there are two goals for branches, the first is to effectively serve transaction or task-focused members as rapidly and cost-effectively as possible, and the second is to engage a member around their needs in a friendly and revenue-conducive manner. In respect to the first, it’s my belief that transactions in-branch are fast becoming problematic for most credit unions and the trend is toward strong sales and service over costly transaction handling. This is part of the reason for SNS in Utrecht, Netherlands deciding in 2009 to remove cash from their branches, and why others are focusing on strong service centers.

Metro in the UK and Umpqua Bank in Oregon unquestionably have high quality ‘store’ experiences (they don’t call their retail points of presence branches).

We use Net Promoter and currently we have a Net Promoter score of 87% which I believe is among the highest anywhere in the UK – and eight out of 10 of our new members come as recommendations from existing members – 97% of our members rate our service as being exceptional.

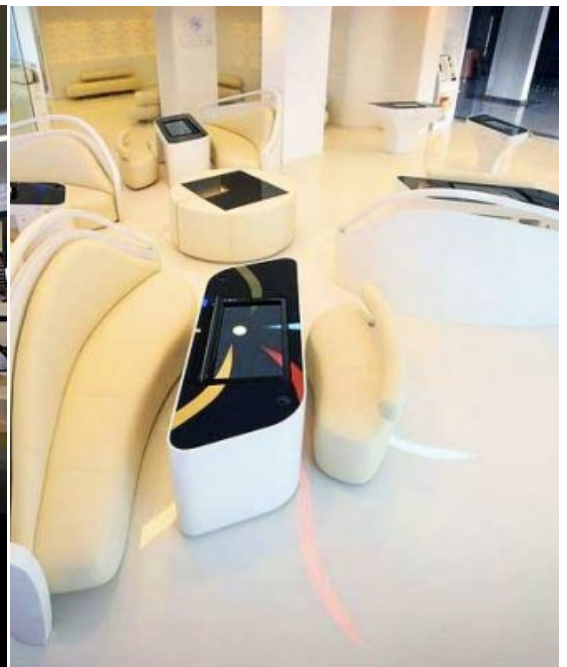
Anthony Thomson, Chairman and Co-Founder, Metro Credit Union (UK)

North Shore Credit Union in Vancouver is more like an intimate spa setting or boutique hotel rather than the typical bank branch. The space features Pan-Asian influenced materials such as carved pine columns, a granite rock garden fountain, artistic glass walls and a fireplace. Rather than the standard row of tellers, the branch has individual pods. The best branches remove the barriers to engagement with members, and are not transaction points, but conversation hubs. Some other notable designs are **Virgin Money** in the UK, Deutsche and **Che Banca** in Italy.

The key here is that the retail space is opened up, barriers to conversations are removed, and a warm space is more inviting, more engaging. Transactions which are a cost to the credit union, and are redundant for most members, are relegated to automated cash and check deposit machines or to digital channels.

Engaging Spaces

North Shore Credit Union (Left) uses a clean open space built like a ‘spa’ to appeal to their members. Qatar bank (Right) blends technology and traditional elements of middle-eastern architecture to create a modern interpretation on hospitality in the banking space.



“Awards given by EuroMoney, FT and others for the ‘Best Internet Credit Union’ or similar, are frankly laughable. Compared with the best online experience in other industries, credit unions are years behind...”

Brett King

The Best in Online Banking Experience

This is a little tough. Firstly, we don't believe that public websites and personal internet banking sites should be two separate entities, but the fact is that is the reality for most credit unions today is that their basic online banking experience hasn't significantly changed in the last 10 years since the dot com. Awards given by EuroMoney, FT and others for the 'Best Internet Credit Union' or similar, are generally laughable. Compared with the best online experience in other industries, most credit unions are years behind.

Credit Unions have to start thinking about the online channel as a dialog, as an engagement platform – not as a transactional or functional platform. The most basic logic dictates that your secure Internet banking portal should be as much about engagement, service and sales, as it is about transactions. However, the level of complexity of selling and engagement behind the login as an industry is appalling.

So who's the best? At the moment there's only one bank I would put even close to living up to the promise of User Experience on this channel, which is **Fidor** in Germany, but

even Fidor doesn't have the sales experience and recommendation engine capability, Barclays in the UK is getting close, as is USAA. **Geezeo** and others are taking on the PFM battle, to transform the advisory space behind the login for Credit Unions. Geezeo has recently launched a **referral engine** that will enable credit unions to engage members with smart selling strategies within the secure internet banking space, but also extending this out to platforms like Facebook and Twitter.

In terms of credit unions...it's very quiet. There's lots of talk about reinvigorating this space, but the only action on the horizon appears to be from start-ups like Simple, Movenbank and Fidor.

If you want best practice in online banking, there is not one credit union that has this solved today. There is best practice in functionality, there's some best practice in transactional platforms, bill payment and the like – but there is no credit union that provides a model that represents best practice of where banking should be online today from an engagement perspective.

The Best in Mobile Engagement

mFoundry has been responsible for the deploying mobile for more than 150 credit unions in the US alone, Monetize and others are also competing in this space. Here again we see the descent into mediocrity, because credit unions are mostly trying to shift their online banking experience onto a smaller screen.

We do, however, see some pockets of brilliance emerging. [ANZ's GoMoney](#) is a great example of emerging capability in the payments arena, as is [Kaching](#) for Commonwealth Bank with NFC (Near-Field Communications) enabled payments.

OCBC recently launched a “[scan and pay](#)” capability built into their App so you can scan in an invoice number from a bill. [Danske Bank has attacked this by using OCR](#) (Optical Character Recognition) to photograph the entire bill and work out whom and what you have to pay.

We've seen Citi, Standard Chartered and some others explore 'shopping' Apps – which are sort of loyalty programs built into the shopping experience. Hana Bank, which has been consistently recognized as one of the leading global banking Apps, incorporated Coupons with GeoLocation. Commonwealth's property valuation App is a great



“Most credit unions are still stuck trying to figure out how to get as much of their internet banking screens and functionality on to a screen the size of an iPhone.”

Brett King

Hana Credit Union, South Korea (Left) has one of the best mobile banking

example of how taking banking to the member contextually is the future of the mobile. Compared with Apps like Path, or Instagram, however, banking still looks really clunky and too much about functionality, and not about user experience.

Most credit unions are still stuck trying to figure out how to get as much of their internet banking screens and functionality on to a screen the size of an iPhone.

That's the wrong approach. We're making all the same mistakes we made

when the Internet came out – we're limiting development to what the credit union wants from the channel (cost migration and competitive competency) rather building an experience that is mobile, contextual and built from the ground up for mobile.

By 2016 your number one day-to-day channel will be mobile, start investing in this today - it's the future of your credit union.



BBVA ATM in conjunction with IDEO
 In 2007 BBVA asked IDEO to re-think their self-service channel from scratch. The question was not how to further automate the teller, but rather how to humanize the machine...

ATM & Self-Service Opportunities to Engage

Although in recent times we've seen credit unions incorporating check deposit, bill payments and other functionality, legacy dominates the thinking here.

Bank of America has been recently pushing their **ATM check deposit capability** in advertising strongly. HSBC in Hong Kong launched Barcode scanning capable touchscreen ATMs in December so that you can simplify bill payment.

A number of non-US credit unions are now incorporating NFC Contactless capability into their ATMs so that you'll be able to use your NFC phone or contactless card to withdraw cash.

BBVA have undoubtedly the best ATM design today out there, thanks to the design team at IDEO, and the

collaboration of the team at NCR and Fujitsu. This is a rethink of member experience on the channel and it works fantastically. It is light-years ahead of most ATM machines out there in the market today. The most impressive thing about this is that someone actually asked the question about what do members want from an ATM, and how do we humanize the experience. BBVA has made the experience of using an ATM desirable, highly usable and massively efficient at the same time.

The next big thing in ATM will be the utilization of the phone as the ATM interface, rather than an ATM screen. After all, you can do everything you can do on an ATM on your phone, except get cash out – so if the ATM just dispenses cash than that's fine. NCR has been working on this technology and [Fast Company profiled some of their imaginings in November last year.](#)



NCR is experimenting with different types of ATM hardware for different locations, circumstances and members

IVR, Contact Centre & Member Support

The best example of engagement in the member service arena to-date is **First Direct** in the UK, with a possible strong showing from Ally in the US. Simple, is seeking to push the envelop here, however. Their blog explains their philosophy in respect to member service. The challenge will be making this scalable as they grow, because undoubtedly their banking approach will be hot and result in much interest.

The biggest problem today is that the call centre is an island, and new channels like email (not so new), Twitter, Facebook, SMS and so forth are things that don't cleanly fit into the call centre infrastructure, especially if the call centre is outsourced. So as a result generally support through these new mechanisms are appalling. HSBC globally still doesn't have a Twitter presence that enables members to submit queries through this channel – that is illustrative of the difficulty in integrating new points-of-presence that support the member dialog with the credit union.

So while we have some utilizing Twitter now to answer member inquiries, you can't generally do really simple stuff like send your credit union an SMS question, get fast responses to email, use Skype, and get service! We need to completely rethink the whole service approach here. We need

“The best example comes from outside the retail banking arena with Gatorade’s Mission Control. A real-time monitoring and listening post engaging members across the brand, across channels from marketing, to social media to crowdsourcing.”

Engagement Banking Team

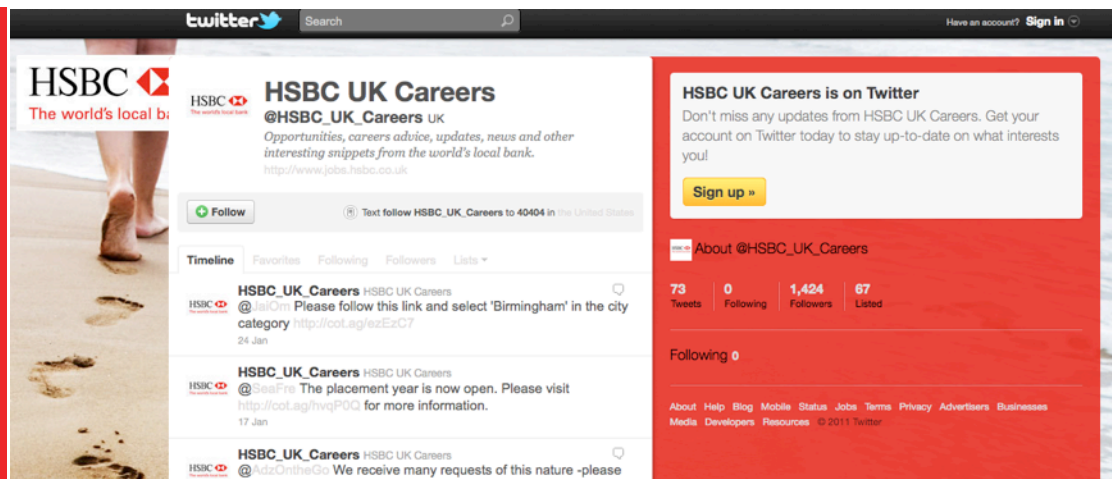
to stop thinking about these channels as separate and distinct channels we need to support and we need to simply think about a dialog with the member occurring simultaneously across the digital landscape.

There are simple things that can be fixed today like customizing IVR menus around the member. If I've called you 10 times in the last year and I always hit '1' for English, why do you ask me that same question again when using CLID (Caller-Line-Identification) you already should know? Why do you present me with an option for a lost credit card, when you know the last 5 times I've called I've request my account balance?

A multi-channel dialog with members is really critical moving forward and putting it in a 'telephone' box as the only mechanism for support is crazy. We need dialog in real-time, across every channel that makes sense.

Not part of the conversation

HSBC has a Twitter page for Careers, but no member support via Twitter in the UK or Hong Kong - their biggest retail markets



The Conclusions Building a better credit union...

The Best Practice Engagement Credit Union is one that focuses not on channel efficiency from a cost-perspective, but reducing friction between the member and the institution through that channel. Interestingly, when you reduce friction, improve the member experience, and make life easier for the member – they interact more and they buy more. So everybody wins!

The key capabilities are not functional, not “Apps” or features – but experiences.

You want to create engagements, not advertise how fantastic your products and services are and hope that members will come back to you when they need a product. Show them everyday how you can help. Go to them, don't wait for them to come to you.

You want to listen, and be ready to respond in real-time. If I send you an email or SMS, I should get the same or better responsiveness as from the call centre. You should already be supporting Twitter – in fact, you should have been on this channel for the last 3 years.

An engagement credit union is about taking financial services to members, when and where they need it, and doing so in a way that delights members, not frustrates them with KYC, process and policy. You want fans not just members.



Apple Inc
Apple doesn't just have members, they have "fans" willing to camp out to get their products.

When was the last time you saw members camping outside of a credit union to get their new credit card?



BANKING4TOMORROW.com

Produced By:

Brett King
Author - Bank 2.0

Alex Sion
Vice President, Digital Strategy
Financial Services Centre of Excellence, Sapient