



The Banking Experience Reimagined

To compete in a digital world at a time when global events have accelerated the shift in customer expectations and habits, banks must focus on personal and emotional connections with customers to strengthen their trust and grow.

Banking customers are re-examining their relationship with money, their financial resilience and their relationships with institutions after a year in which global events massively accelerated change and shifted customer expectations and habits.

Today, businesses, society and individuals need banks to step forward as full partners and align purpose with profit. This presents banks with an opportunity to emerge from a global crisis as heroes, or at least valued partners—a far cry from their personas during the 2008 global recession.

Momentum for change has been building for years, but the conditions are now perfect for an ambitious and fundamental rewriting of old rules. Banks' compass for success should orient around how their customers and employees are experiencing their brand.

Now is the time for us to step up and reimagine the banking experience. This requires organizing the whole business around the delivery of exceptional experiences, which is what we call the

[Business of Experience](#). It entails the rewiring of the customer-facing functions of the organization: marketing, commerce, sales and service. The Business of Experience is an approach that allows organizations to become customer-obsessed and to reignite growth.

Here, we identify four opportunity areas for reinventing the banking experience. Each is significant and important. Combined, they represent a reimagination of banking as we know it.

- 1. Credit Where It's Due**
- 2. Pay It Forward: Embracing The Shifting Payments Paradigm**
- 3. Banking with Purpose: Values-Based Growth**
- 4. Banking On Personality: Investing In Empathy**

The waves of change

Banking today is a macro-environment where customer and employee expectations are rising even faster than profits. Many banks, which have accelerated their digital transformation, removing the human touch from many interactions, are now facing the danger that customers will perceive them as

commodities and seek out the lowest-cost providers rather than trusted advisors for their financial health.

COVID-19 has accelerated change in banking, and customer behavior and demands have shifted rapidly. Digital engagement during the pandemic increased—50 percent of consumers now interact with their bank through a mobile app or website at least once a week, compared with just 32 percent two years ago.¹ Branch transactions have significantly reduced.

All of this has forced those who have been reluctant to digitize—customers and banks alike—to embrace digital for its convenience, availability and accessibility.

Now, a year on, with customer behavior shifted, new digital-first habits established, and new ways of working adopted, things will not revert to pre-pandemic norms. The rapid uptake of digital wallets and non-cash payment over the past 12 months, for example, has resulted in new ways of paying that will remain popular well into the future as new payment paradigms emerge.

Today, banks must find more empathetic, personalized and engaging ways of operating and servicing customers.



To sustain relevance and profit, they must reconnect meaningfully with the minds, hearts and wallets of customers. They can begin by reimagining how their purpose and personality come to life in their products, services and operating models—especially their credit and payment products.

Time to rethink credit and payments

Obtaining traditional credit can be a draining, confusing process for customers. Even in segments with all the necessary financial history and means to obtain credit (those who anticipate a “yes”), customers can face challenges, including:

- Antiquated, confusing application and decisioning processes
- Complicated terms and conditions
- Burdensome duplicative documentation
- Unclear credit criteria
- “One-size-fits-all” products

For mid-market borrowers with responsible financial behavior but limited credit history, or those who are adversely affected by risk models, rejection helps shape their perception that traditional banks are not their ally. By deeply understanding these

segments and how they use money, however, banks can develop new credit products and risk frameworks that can responsibly provide more people access to credit and, in doing so, reimagine these customers’ credit experiences.

Banks have also not always been in the forefront of reducing the friction and waste of time that many people experience around payments. They have not provided sufficient new propositions in the payments domain to show a commitment to providing new value to their customers—whether it be the end consumers or the merchants who depend on payments for their commercial health.

Digital disruptors and non-banks have been actively innovating with new formats and propositions, going after payment “replacement revenue” in the form of value-added services and experiences. However, no single player in the ecosystem of issuers, wallet providers, payment facilitators and retailers has delivered a holistic solution for enabling a frictionless connected-commerce experience. This is an opportunity for banks to step in and provide this kind of experience for consumers, small businesses and merchants alike.



Purpose and personality

Banks that aim to be more than a utility need to face up to some challenging facts:

- While money is essential and powers people's lifestyles, people rarely find banking and banks relevant, let alone exciting.
- Those who stand for nothing increasingly stand alone.

Banks need to connect more authentically and emotionally with the communities and individuals they serve; functional competence isn't enough to drive human connection and loyalty.

Yet banks' traditional reticence about many issues has made it hard for customers and employees to tell if their bank really cares about or stands for anything. This matters, as across every sector, the pressure is on for all organizations to take a stand on topics ranging from the environment to social justice, and to ensure their operations benefit all stakeholders, not just shareholders.

Purpose should not merely be claimed, however. It should be experienced. To feel authentic, purpose should pervade every

interaction, internal and external, and be sustained over time. To be experienced, it should be woven into the core of a company's business model and operations.

In an increasingly digital world, where people are left seeking more empathetic, human connections, banks have become functionally complete yet emotionally detached. The resulting vicious cycle—where banks are seen as largely homogenous, offering similar products and services—leaves them heading into a commodity and margin trap.

Banks have a unique opportunity to align value and values, by focusing on consumers' and communities' financial well-being in a win-win relationship that delivers long-term trust, relevance and profits.

Our opportunity areas highlight where banks can reinvent the banking experience for the next era.



01

Credit Where It's Due

Banks are falling short when it comes to meeting customer expectations around product variety and accessibility. By addressing these needs, banks can reimagine their credit products, models and corporate culture to deliver the next-generation credit experience.

In a world in which customer expectations of having their needs meet instantly are constantly rising, the credit experiences provided by most banks are falling desperately short.

Klarna and Affirm have set the standard for streamlining short-term credit in the form of “buy now, pay later” loans. Yet most legacy banks find themselves stuck with outdated data and risk models, and credit propositions and products that don't align with what people need and expect.



In short, the credit experience is antiquated. And for customers, obtaining credit—especially for homes, autos or businesses—can be a draining and confusing process. Even in credit segments which have all the necessary financial history and means, making a “yes” likely, customers face many challenges.

Terms and conditions are often difficult to understand. The process can be drawn out with seemingly endless requests for additional documents. There are lengthy processing times, with little indication of when a decision will be rendered. Credit decisions are made by faceless, nameless individuals. And despite the needs of each borrower being unique in a number of relevant ways, credit products are often one-size-fits-all.

Further, a substantial portion of the population is overlooked by traditional lenders—despite the fact they have sound money habits.

For a variety of reasons, these are individuals and small business owners who may possess a bank account but have a thin or non-existent credit file. Many adults are unable to obtain personal credit due to a lack of a robust banking and credit history.

In the US alone, 45 million people are considered “credit invisible.”¹ This means they lack enough information to generate a FICO score, which is required to obtain credit. Globally, meanwhile, roughly 1.7 billion adults with a net worth of \$10,000 to \$100,000—dubbed “the neglected middle”—lack financial products and services that adequately meet their needs.²

These neglected-middle³ customers—also known as “thin-file” or “no-file” customers—are not simply high-cost, high-risk credit seekers. Rather, they represent a pool of diverse potential borrowers, many of whom exhibit financially responsible behaviors.

This group includes, among others, immigrants and foreign workers who often lack the local financial data needed to obtain credit⁴, women⁵, and Centennials—the generation born after 1997 who have not yet developed a credit history.

The credit needs of these segments are varied yet vast—they encompass personal credit cards, unsecured personal loans, home financing, auto financing, point-of-sale financing and other short-term and long-term instruments. Small- and medium-sized businesses (SMBs) face similar challenges in acquiring financing.

Slowly but surely these segments are beginning to attract the attention of new entrants and incumbents alike. The foundation is in place for a fundamental shift of power away from banks, which were previously the only option for this segment, and toward consumers, who are now able to find dignified financing from progressive institutions like Capital One or fintech disrupters like Kabbage.



Financial institutions should also take to heart the idea that serving these segments can be good for both business and society. Consider, for example, the US Paycheck Protection Program (PPP) which, under the new administration, is likely to focus more on businesses led by women and minorities. Banks that focus on them now will be positioned to win in the future.

To close the gaps in credit provision, what is needed is nothing less than a rethink of banks' value proposition as well as the end-to-end customer journey—from application to the decisioning process to the reinforcement of loyalty.

Several promising developments in credit innovation—the use of alternative data, new risk analysis techniques and credit products, and greater automation—can, and have already started to, provide the cornerstone for the solution. UK-based OakNorth Bank, for example, leverages alternative data to keep non-performing loans at an incredible rate: just two defaults in four years of lending a net of €3 billion (\$3.6 billion) to individuals and SMBs.



Information gathered by lenders will be even more valuable over the long term. As they use greater quantities and varieties of data—spurred by API infrastructures, regulatory evolution and shifting consumer sentiments—lenders' ability to find new areas of growth will only increase.

Developing solutions for thin-file and no-file customers is possible. Lessons learned from such pursuits may ultimately provide new approaches for traditional audiences as well, as we pivot to the next-generation credit experience.

Inspiration:

Braviant Holdings looks beyond credit scores to provide lending options to those who might otherwise be shut out.⁶ Using automation, machine learning and alternative data sources, like cash flow, the lender has built models to predict both willingness and ability to pay, providing their customers a path to better credit scores.



Challenge

Building a next-generation credit experience, especially for neglected segments, requires thinking about new products, services and underwriting decision-making to leverage existing and alternative data and new technologies. The challenge can be broken down into three parts:

Understand neglected segments, scrutinize their experience of seeking credit, and use the findings to create new products and services.

- What does human-centered research tell us about the traits, behaviors and pain points of neglected segments?
- How can we develop new products, services and models for underserved borrower segments?
- How can we create seamless experiences that are transparent, inclusive and convenient?

Shift your organizational mindset and encourage new behaviors that leverage new tools and processes that extend the reach of credit.

- How can we empower employees to match the creativity of the new tools and processes?
- How can we train them and build the skills they need to make better credit decisions?
- How can we set appropriate incentives for employees to think differently about credit?

Leverage technology and existing and alternative data to reinvent credit models and processes

- How can we ensure the scale and efficiency of new credit models, and apply them to traditional segments?
- How can we leverage open banking as well as new, robust data sources to update risk models, boost predictiveness and improve services?



Solution

To address this challenge and pave the way to next-generation credit, banks can:

1. Create new credit-related products and services

Banks need to acquire both a qualitative and quantitative understanding of underserved borrower segments to design new credit products that reduce, transfer or share risk and deliver a better customer experience.

By identifying and understanding customers' beliefs and behavior patterns relating to money, banks can use their new products and services to more effectively establish credit profiles for underserved segments.

From special-purpose loans that customers truly value, for needs such as medical emergencies, auto emergencies or vacation planning, to supply-chain loans attached to small sales for businesses, the range of options is limited only by the creativity of solutions.

Amazon Lending, for example, is described as offering “working capital loans designed with your business needs in mind.” Meanwhile Prosper, a fintech that connects people looking to borrow money with individuals and institutions looking to invest in consumer credit, has facilitated more than \$12 billion in loans to more than 770,000 people.⁷

Even “buy now, pay later” (BNPL) arrangements—such as those championed by online lenders like Klarna—should be considered when factoring in credit decisions. Currently, many BNPL providers do not help customers build credit history. Yet the potential of using this information could be differentiating for traditional players aiming to attract new customer groups while managing risk.





2. Shift the decisioning mindset

By implementing a more informed decision-making process, lenders can transition from a hard “yes or no” decision based on a traditional scoring mechanism to a more nuanced “yes, but/no, but” framework.

Banks should encourage employees to adopt a new mindset, creating a corporate culture that facilitates a new customer experience, after the appropriate tools are in place.

From credit decision makers to relationship managers—and, even, chatbot coders—the principle of supporting applicants through the whole process with a mindset of “yes” will require creativity, flexibility and other skills that help transition from a rigid credit process to a new credit experience that increases new-borrower conversion and retention.

This can be achieved in many ways:

- Encourage creative thinking by loan officers, relationship managers and other employees to challenge current paradigms and shift from thinking

about whether it is possible to give credit to exploring ways to make it possible. Building a culture of ideation, experimentation and learning will help identify behaviors that can be replicated and scaled across the organization.

- Train employees, building new skills that will provide the tool set for them to ideate and operate differently. Skills such as design thinking will allow employees to gain a deep understanding of customer needs and mindsets, and design and execute new experiences based on empathy.
- Set incentives to reward innovation, and incorporate performance metrics that measure the progress towards an “always yes” mindset. Explore new ways of encouraging the search for customer needs and pain points in the credit process and how to solve them.



3. Rethink credit decisioning frameworks to increase reach and access

Lenders need to leverage years of data aggregation differently. This will reveal patterns that fundamentally change the structure and accuracy of risk models for both underserved segments and traditional customers.

Extracting meaningful information with a different perspective can expand the reach of credit and allow access to segments that currently are not served.

This can be done through a variety of means:

- More widespread use of new analytical techniques—such as association tests based on natural language processing, or other empirical testing frameworks—to extract meaningful information from existing and new data sources.
- Enriching scoring through data augmentation, given consumers' rapidly expanding options to access credit. This will provide the robust models necessary to play in a world where customers will have more and more credit alternatives.⁸
- Updating existing risk models through alternative scoring methods to complement traditional credit decisions. In a reality where historical information—the main assumption of current risk models—is failing to predict the future, many banks are finding other types of predictors, such as social or lifestyle data, to be increasingly relevant.⁹
- Leveraging bias testing frameworks to understand where new or future risk models may unnecessarily and adversely affect protected groups. These methods can leverage qualitative and empirical dimensions including biases in trust, fairness, model, data or operations, revealing practical opportunities to expand service.





4. Reinvent credit processes to ensure scale and efficiency

Automated digital workflows with built-in controls can enable the provision of credit to underserved segments at scale, with a cost to serve that is attractive to incumbents. These workflows can be created through:

- Straight-through processing design principles and segmentation of credit lines (by type or amount).
- Intelligent automation that enables automated processing and human intervention for exceptions-handling only.

We have identified four enablers that can be harnessed to achieve this:

Deliver financial education to support business development, data collection and the communities you are looking to serve.

In the current COVID-19 environment, it has become clear that technology can play a major role in the democratization of education. The case for financial education and digital literacy will be no different.

Providing financial education to potential customers is a proven way to bolster relationships and improve creditworthiness. By leveraging digital channels to deliver education at scale, banks have an opportunity to influence behavior, convert new borrowers and create new data stream.¹⁰

Inspiration:

Mosabi is a digital platform which blends fintech and edtech to provide emerging-market citizens with the skills and services to better manage their businesses and money. Rather than viewing financial education as a nice-to-have that is offered only after the provision of credit, Mosabi flips this around. Its solution uses data generated by e-learning to drive decisions for financial institutions and help match potential customers with the financial products and services they need.¹¹



Partner with external data providers to boost predictiveness.

Access to alternative data will become essential to the value chain of next-generation credit products.

The expansion of APIs has enabled partners to gain an early foothold into valuable pools of alternative data—Experian leveraging Plaid, for example. This is just the beginning; we are likely to witness an expansion of such partnerships in the near future, such as:

- Telecommunications providers (for example, data about financial transactions done via mobile phone serves as an indicator of cash flow).
- Utilities (whether and how often bills are paid, as a proxy for willingness and ability to repay).
- Wholesale suppliers (payment histories for small businesses, as a proxy for revenue estimation).
- Retailers (data about customer purchases, which can help to estimate income levels).
- Government agencies (demographic and census data, which can indicate default risk).
- Financial institutions' own, previously overlooked data (paper records that have not been digitized).

Inspiration:

The Australian government recently enabled real-time economic data monitoring across the country to visualize how the economy is performing and take action in areas that need immediate support.¹² It worked closely with the financial sector to help financial institutions use this data to assess and respond appropriately to the needs of SMEs nationwide.

Turn to social.

As social media continues to maintain its hold on our daily lives and interactions, lending instruments will need to account for and integrate social data in a meaningful way. In consumer insurance, Friendsurance has long shown the efficacy of socially structured financial instruments at scale.

By creating pooled insurance deductibles among friends, fraud can be substantially reduced. Similarly, lending circles have long leveraged the notion that social capital can build credit histories among those who would otherwise struggle to pay back loans.

Historically, community lenders have taken a similar approach, knocking on proverbial doors to understand whether peers believe

an individual or business is a good credit risk. Social data from social networks, internet service providers and telecommunications companies have the potential to be analyzed and used to create the 21st century version of this risk assessment practice, quantifying the qualitative elements of risk analysis that have thus far been elusive.

As customers become more comfortable with data sharing between third parties and scaled community-based lending becomes better documented, direct or partnership offerings are on the horizon.

Change the corporate culture.

Along with a change in bank employees' mindset, new behaviors and values will be key to driving and sustaining the changes that will shape an improved credit experience.

Initiatives that empower employees, build skills that enable creative thinking, and strengthen employees' ability to work with technology, will be key to the delivery and scaling of a new credit experience. By nurturing a corporate culture that is more empathetic, lenders will ensure that, once new tools and methods are in place, credit is given where it's due.



Inspiration:

Nubank, Brazil's biggest digital bank, has a culture articulated by mission statements such as "We are hungry and challenge the status quo" and "We want our customers to love us fanatically."¹³ The bank, which grew from 5.9 million clients in late 2018 to 25 million by June 2020, is recognized for empowering all employees to be customer-focused—to consider the customer from product development all the way through to the provision of customer services.

A Final Thought

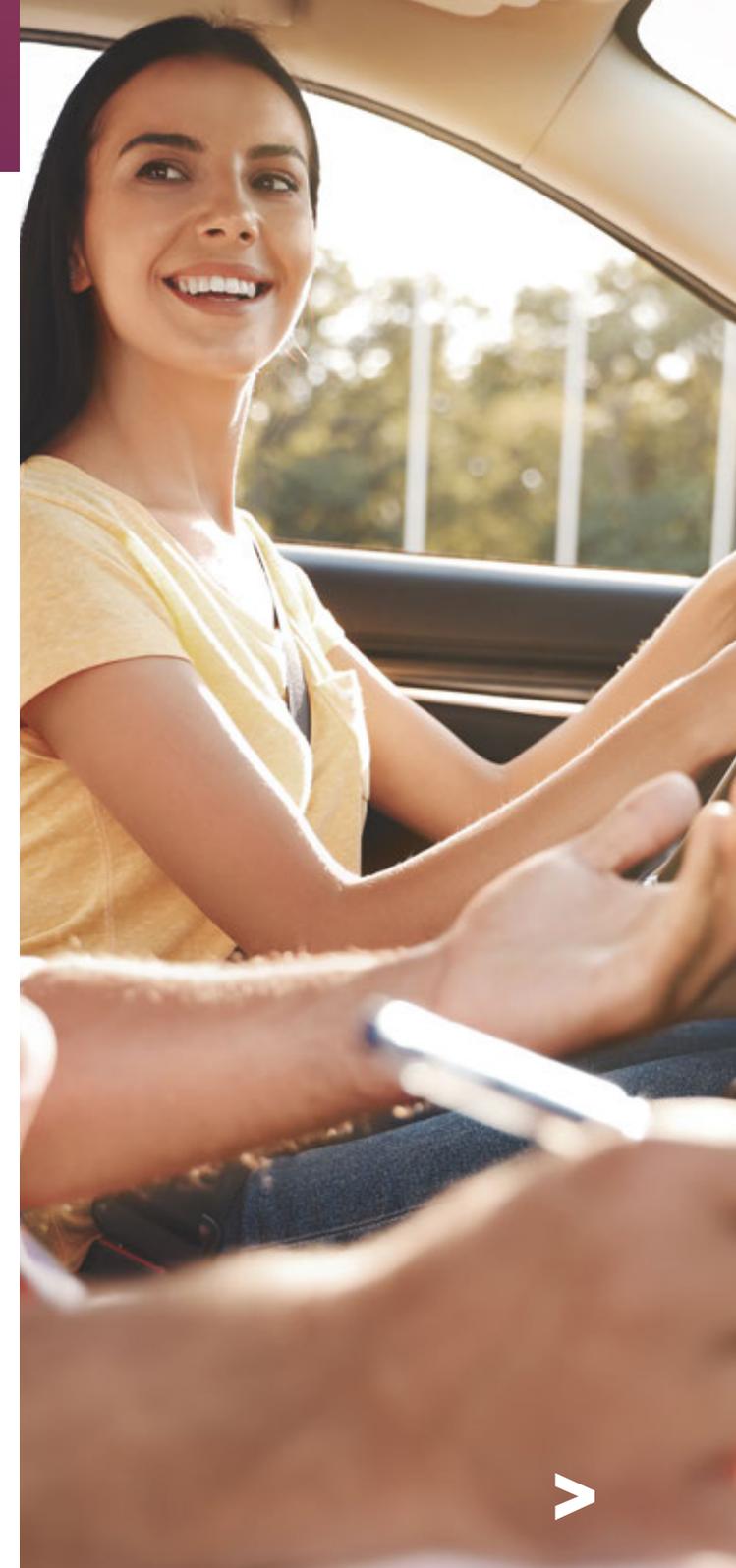
Lenders of the future have an opportunity to deliver a seamless credit experience in which customers feel able to put their best foot forward without any missteps. And they can be confident of having the insights they need since customers have shown more willingness to share the alternative data that will drive this transition¹⁴

Caution will be needed, however, as all involved will need to contribute to a responsible future.

Practices such as instant credit decisions, data augmentation and shared-responsibility or socially-backed loans have the potential to improve financial inclusion and bottom lines. But they also have the potential to be misused.

Traditional lenders will need to tread a fine line between making it easy to get credit and too easy to get into debt; between using data to make better decisions and using information that's too private; and between leveraging the community and putting the community at risk.

By accounting for these risks and starting with underserved borrower segments, lenders can achieve growth and develop a proving ground for alternative data and risk models. Using this experience, they can apply their learnings more broadly to establish efficient next-generation credit models.





02

Pay It Forward: Embracing the Shifting Payments Paradigm

A new payments paradigm is emerging where payment is no longer the final obstacle to obtaining an item purchase. Rather, it's an enabler of a more integrated commerce experience in which customers themselves become part of the payments infrastructure. To stay relevant, banks must drive this shift and adapt commerce experiences accordingly.

Payments are evolving to the point where a new paradigm is emerging. Payments used to be the final obstacle to taking possession of a product or service; now they are becoming an enabler of a seamless, connected commerce experience.

Traditional payment form factors such as cash, check or plastic are becoming obsolete. Payment transactions are increasingly independent of a physical checkout counter or online checkout page, and money is increasingly not the medium of exchange at all—instead, data is becoming the key instrument of trade in a modern barter economy.



In the future, consumers themselves will be the form factor—completing a transaction with the blink of an eye or the touch of a finger, so a payment may occur at almost the same time a purchase is desired. Payment options will be flexible, simple and tailored to the transaction at hand.

Imagine a time when a longstanding relationship with a bank will not be needed to ensure access to financing because the consumer will be in control and able to select the financial institution of their choice on a per transaction basis. Banks are vying for the consumer's attention at point of purchase, but the time and place where payments occur are rapidly shifting, as retailers and brands proactively send products to customers to try out and sample before a payment occurs.

The payments infrastructure will no longer be just a cumbersome conduit for payment authentication. Instead, it will facilitate greater transparency and traceability through a frictionless commerce experience.

If banks are to continue to play a valuable and central role in the payments domain, they should focus on ruthlessly removing all unnecessary friction and automating the mundane and repetitive experiences that waste time and mental bandwidth.

Simultaneously, banks should use data in smart ways to surface insights and knowledge, and partner with the consumer to nudge them into smarter and better spending behaviors that allow them to control and optimize a personalized commerce experience.



Challenge

A seamless and connected commerce experience will be a reality in the near future as digital innovations keep coming, heightening consumers' perceptions around the art of the possible and driving the expectation that all things digital should be seamless and connected.

For now, however, the payments infrastructure largely consists of fragmented legacy systems designed for plastic cards and real-time bank payments, resulting in a lot of friction. Everyday annoyances that have plagued payments for decades are still prevalent, and some of the new innovations introduced have unintended consequences.

Subscription plans with automatic recurring payments provide welcome respite from going through the motions of paying the same bill every month, for example. Yet keeping track of all instances where the card is on file, being aware of how much is actually being spent on recurring payments and making changes—such as cancelling the service—remains an onerous exercise.

No single player in the payments ecosystem—issuing banks, processors, acquirers, networks, wallet providers, payment facilitators and retailers—has been

able to leverage and integrate the many new innovations to deliver a holistic solution that enables a connected commerce experience.

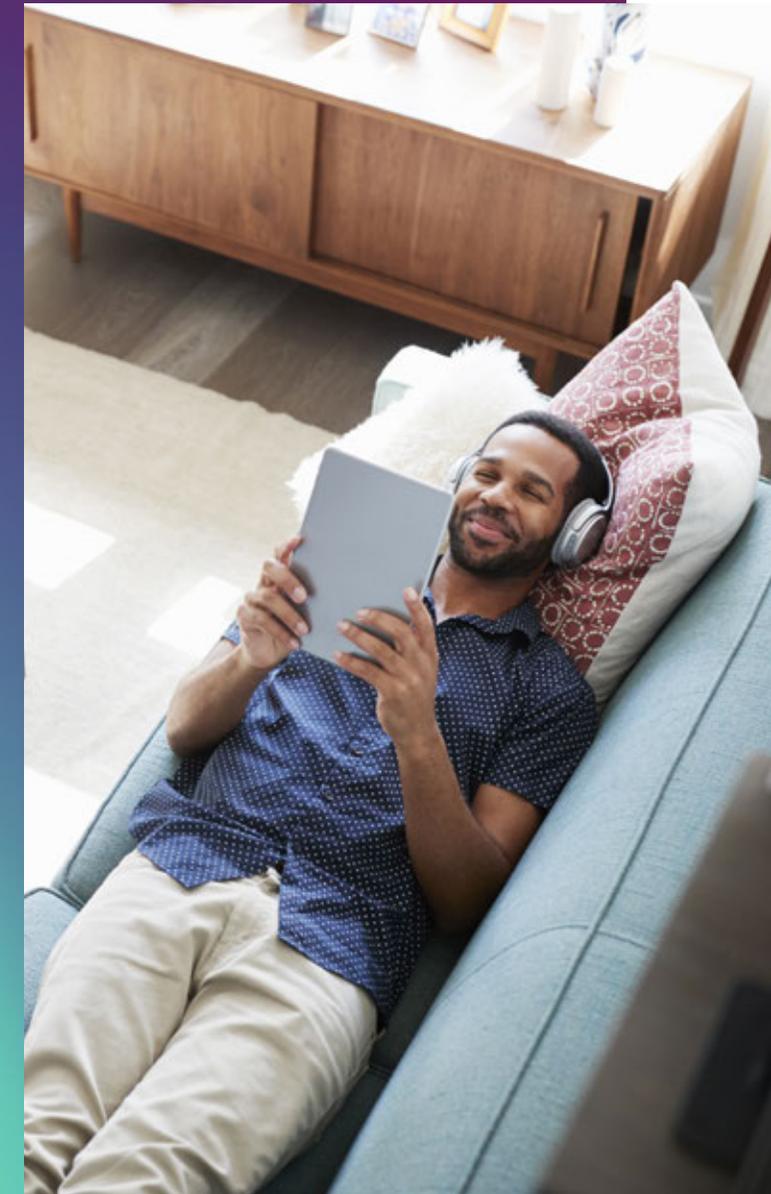
Solution

Consumers are clamoring for a fluid, seamless and connected commerce experience and will gravitate to businesses that enable this future state. New entrants are harnessing technologies to meet this demand, but their advancements are singular, independent solutions that simply lay the foundation.

The opportunity exists for any player in the payments ecosystem to lead the charge in assembling these building blocks into a cohesive, frictionless, integrated commerce experience.

If banks want to be the leaders driving this change, they must step up and embrace the new paradigm. If they don't and do nothing, they will inevitably be pushed aside—forced to watch from the sidelines as non-banks capitalize on what the future has to offer.

There are four enablers to reduce friction and, in turn, create a more fluid, seamless, and connected commerce experience.



1. Liberate Point-of-sale

Typically, point-of-sale is a prescribed moment at the end of the commerce journey. Increasingly, point-of-sale will occur before or during the shopping journey—with or without a store associate and regardless of the device they are using to shop.

A fixed physical checkout area can create long lines and, like a digital checkout, introduces a moment for consumers to leave the store before making their final purchase. Both interrupt the shopping experience by establishing a gate or barrier to taking possession of a product or receiving a service.

Opportunity lies in removing the physical checkout counter or online checkout page by using handheld devices and AI-enabled sensors and simplifying online checkout to one click.

To make the shopping experience more fluid, some retailers provide handheld point-of-sale devices so that shoppers can register their purchases as they fill their basket. Apart from eliminating queueing, this has the advantage of minimizing any time lag between the decision to purchase and the actual payment transaction.

Equipping store associates with point-of-sale devices allows the retailer to further

personalize the in-store experience and deepen the relationship with the customer. This reduces the risk of customers leaving a handful of items behind and exiting without making a purchase because the checkout line is too long.

Inspiration:

Gap began to roll out handheld devices to its in-store sales associates in 2018 to better serve customers not just at checkout but with better information, such as price checks and inventory availability.¹



Where a self-service shopping experience is preferred, some retailers have begun to integrate payments into the entry-point of the store. This has the benefit of giving the retailer an introduction to its customer early in the commerce experience, opening an opportunity to activate loyalty programs or personalized recommendations before the moment of payment.

Some grocery stores have in-aisle scanners that also dispense digital coupons. Other “smart” stores enabled by AI sensors and cameras are combining the payment and the shopping experience to eliminate the need to scan items at the checkout.

Some online retailers have been able to simplify the checkout to a mere one-click process by pushing the payment transaction into the background. In-app purchases are as simple as a fingerprint, relying on auto-fill integrations for the shipping and payment credential information stored on the shopper’s phone. Linked devices such as e-readers or connected cards require only a one-time set-up for the first payment.

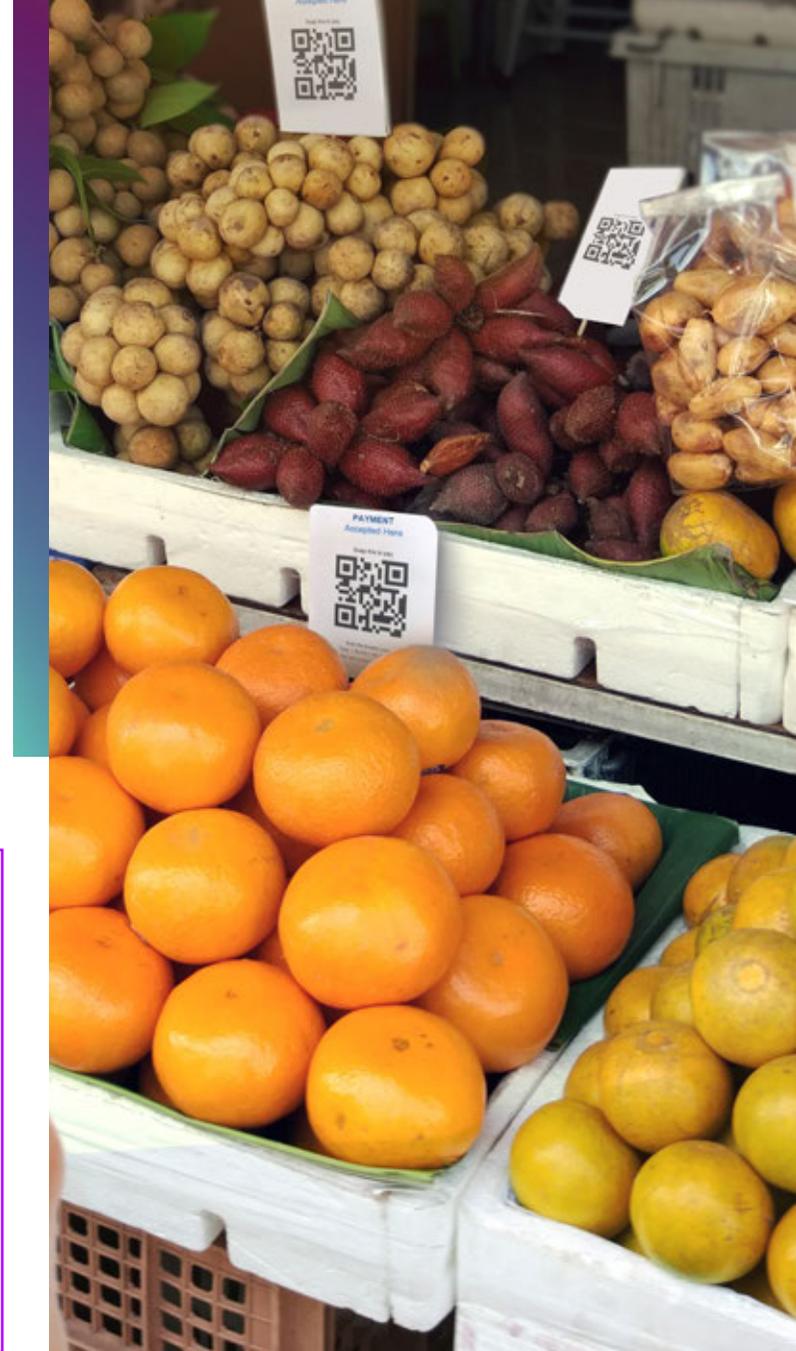
Banks should consider ways to support retailers, helping to drive the evolution of seamless checkout rather than scrambling to keep up.

Inspiration:

Amazon offers “Just Walk Out Technology” to retailers to enable them to provide the Amazon Go store concept in their own locations. It also provides “Dash Carts” with AI and sensors installed in the shopping cart, to provide the same experience without the retailer needing to modify its store.²

Inspiration:

Amazon’s Kindle e-reader automatically enables one-click ordering after the payment method and shipping address have been added during the first order. Future orders are then placed merely by clicking “Buy now with 1-Click” on any product page. The order is then automatically charged to the payment method and shipped to the address associated with the initial once-click settings.³



2. Provide Diverse and Instantaneous Financing Options

A good place to start connecting the commerce experience is by providing a variety of immediate credit options—installment payments, for example—to consumers when they want and need them, instead of a credit line disassociated from the purchase.

Whether online or in-store, a consumer no longer needs to have a credit card at the ready. Nor do consumers have to apply for credit long before they have a need. A number of retailers, by partnering with fintechs or e-commerce platforms like Shopify are able to extend instant credit to shoppers, even in some instances sending products to customers without first securing full payment.

Developing and offering holistic financing options that go beyond credit and debit cards is a good way for banks to avoid disintermediation.

Inspiration:

Affirm provides consumers with immediate, transparent installment loans. This is not a new credit option—loans must be repaid in installments over a set period of time, with all terms outlined and agreed to upfront at the point-of-sale. But by being transparent ahead of the purchase about exactly what customers will pay each month, Affirm has created an experience that has no surprises.⁴

American Express provides an alternative payment option at point-of-sale by allowing customers enrolled in Membership Rewards to use accumulated points to instantly pay for purchases when checking out at participating retailers. To date, Amex has partnered with 14 retailers.⁵ On average, the value per point is approximately \$0.70, but depends on the arrangement with each retailer.



3. Eliminate the Need to Present Traditional Payment Credentials

The use of on-file payment credentials in-app, online or in-store enhances the commerce experience by making payments seamless after the credentials have been provided for the first time. Specifically, on-file payment credentials help enable recurring payments for subscription services or for buy-now-pay-later financing options.

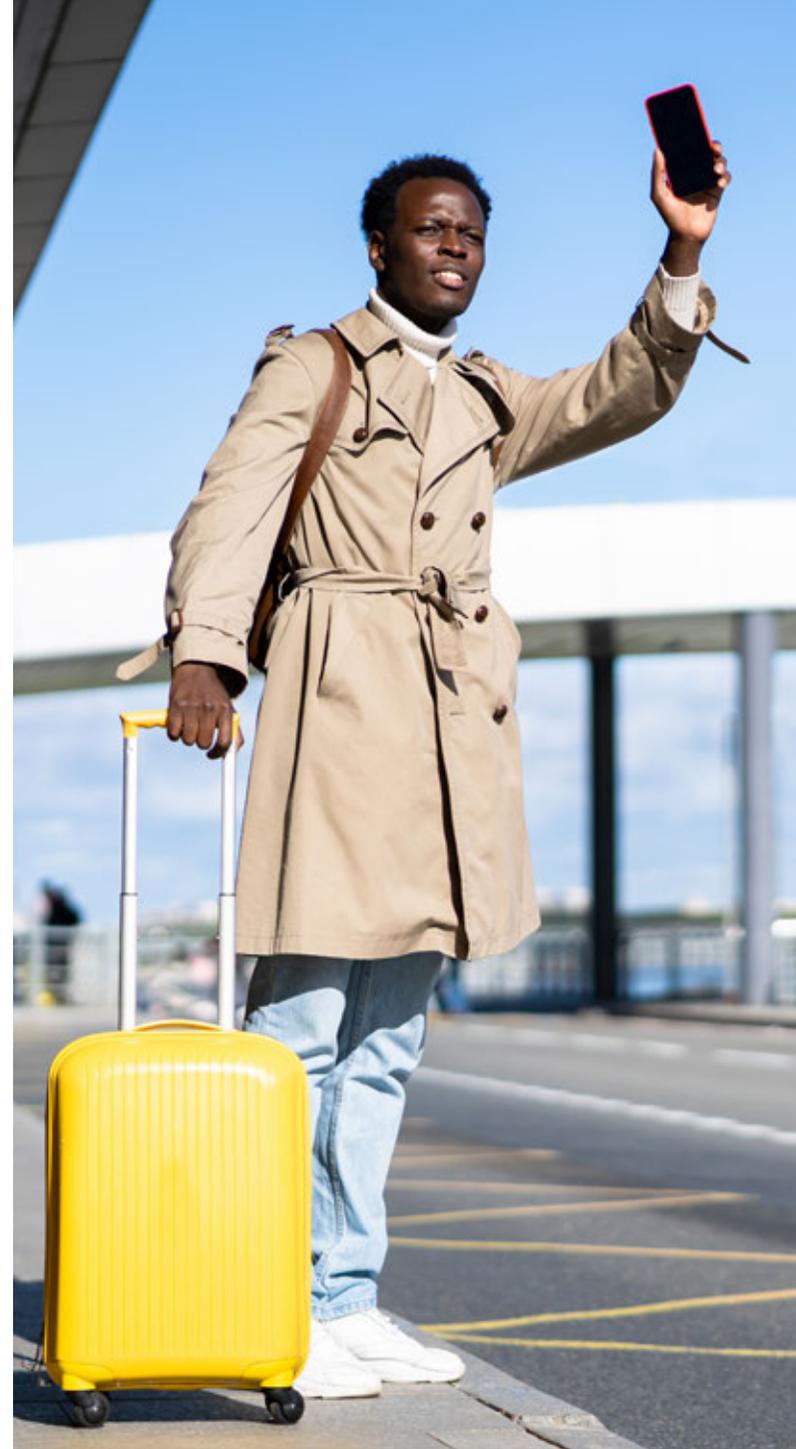
For consumers, on-file payment credentials allow the payment to fade into the background—an important component of a convenient payment experience. For example, being able to quickly exit a taxi at the airport without having to think about the payment reassures the consumer that nothing will hinder the mad dash to the airport security line. Similarly, eliminating the mundane task of actively paying bills by ensuring monthly payment deadlines are met automatically gives consumers peace of mind.

Devices enabled by the Internet of Things (IoT)—such as smart parking meters, smart refrigerators and voice-activated assistants—extend the capabilities of payment credentials on-file.

A single authenticated on-file payment credential can affect payment to multiple online and brick-and-mortar retailers across different payment channels and to different physical locations. All relevant purchase information is stored in one place and payment happens in the background as a seamless response to the customer's desire to make a purchase.

An unintended consequence of a frictionless experience is invisible or unnoticed fraud. As the number of stored payment credentials increases, security and authentication become ever more important.

To ensure that a seamless payment does not compromise the security of the transaction, banks should spearhead the development of technology that is tied to a consumer's identity—for example, biometric behavioral authorizations, integrations across platforms for single sign on, or gestures. Consumers have come to expect this of their banks.



Inspiration:

Bank of America, through its virtual assistant Erica, can tell customers what subscription services are tied to their cards. They can use its budgeting and spending tools to discover where recurring transactions are taking place and take back control of their expenses.⁶

The **Groceries by Mastercard** app, the first to be integrated into a refrigerator, connects consumers to leading grocers so they can order groceries direct. It learns the family's shopping habits and makes personalized suggestions on items and brands.⁷



4. Make The Digital Wallet Truly Integrated And Flawlessly Operable

The digital wallet—or e-Wallet—is the backbone of the connected commerce experience when truly integrated and flawlessly operable. If the next-generation point-of-sale bypasses the idea of a checkout line, then the integrated wallet is the common denominator between all points of purchase.

Today's e-Wallet is housed in a consumer's mobile phone, with apps from Apple Pay to Google Pay enabling consumers to securely store credit card data and transact.

In the not-too-distant future, AI may be leveraged to automatically optimize a consumer's e-Wallet. It will take into account the maximization of rewards, interest payments, fees and other benefits, like free shipping, to establish a waterfall of preferred payment types that potentially changes with each transaction.

Since e-Wallet apps are agnostic with regard to payment type, banks have an opportunity to vie for the top of the integrated wallet. Providing customers with more targeted rewards that surprise and delight, offering more financing options and, subsequently, creating a more personalized experience at every transaction are all ways they can earn top position.



Inspiration:

Apple Pay offers an easy, secure and private way to pay in-store, online or within apps, using an iPhone, iPad, Apple Watch or Mac rather than a physical card or cash. Any credit, debit or pre-paid card may be uploaded to the e-Wallet. Apple Pay can also be used to send and receive money in the Messages app with Apple Cash. Every transaction requires authentication with Face ID, Touch ID or a passcode.⁸

Capital One Shopping—formerly Wikibuy—is a free browser tool that makes it easy for consumers to save time and money while shopping online. It does this by automatically searching for online coupons, better prices and rewards at over 30,000 online retailers. Capital One purchased the technology so it could better serve its existing customers. By anticipating and solving users’ needs before, during and after point-of-purchase, it’s building customer loyalty to its checking accounts and cards. It is also gathering rich data on non-customers’ shopping behavior—information it can potentially leverage to proactively attract new customers.⁹



A Final Thought

The ambition for payments needs to be to be frictionless and integrated in the broader customer experience. As such, the payment experience should not be divorced from the broader commerce experience and should not just mark the end of a transaction. Also, payments can no longer be specific to just one channel or payments form factor.

There is technology that is helping to evolve the payments infrastructure, yet many of today’s innovations are one-off solutions that only set the stage for what is to come.

Fintechs have been at the forefront of technological advancements in the payments space. Yet no player in the ecosystem—issuing banks, processors, acquirers, networks, wallet providers, payment facilitators or retailers—has been able to remove the friction and fully integrate the infrastructure that would support a seamless, connected commerce experience. There is still an opportunity for banks to step up and be the ones who drive this shift in the payments paradigm.





03

Banking with Purpose: Values-Based Growth

Customers and employees expect the organizations they deal with to stand for something beyond selling a product or service, with relationships built on shared values and empathy. For banks, this means truly standing for something or standing aside. Now is the time to reframe purpose.

To most people, banks are by default neutral and impartial. This is a double negative. It makes them bland and boring from both an employee and customer experience standpoint. It also means they are perceived as indifferent financial enablers of evils ranging from environmental harm to social injustice.

Purpose has been the corporate buzzword for some time. There has been plenty of talk about purpose and business responsibility, but it has been outpaced by demands from customers, employees, regulators and investors—spurred by a new generation of social activists—that companies scale up their corporate social responsibility (CSR) policies and initiatives and, generally, abandon traditional practices designed to advance only their own interests.



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COVID-19 has accelerated this, pressure-testing the talk beyond CSR in healthcare systems, governments and also banking. As banks were called to the frontline of supporting economic life upended by the crisis, many stepped up by forgoing fees to provide advice and access to government-sponsored assistance programs—especially those for small businesses.

Historically, very few companies have managed authentically to live up to their stated purpose—their expensive communication campaigns are often perceived by customers and employees as shallow or, worse, as purpose-washing. This dissonance can erode trust in any industry; in banking, which people and businesses depend on to safeguard their livelihood, this erosion is even more problematic.

In the summer of 2020, according to our Global Banking Consumer Study¹, 29 percent of customers trusted their bank to look after their long-term financial wellbeing, down from 43 percent two years before. This is a critical finding, not least because our Purpose-Driven Banking Survey revealed that the most trusted banks achieve revenue growth that is on average one-third greater than that of their peers.²

On the employee side, one in three employees worldwide strongly agrees that the mission or purpose of their organization makes them feel their job is important.³

As the recession brings additional financial pressure and banks need to improve profitability, it will be tempting for banks to revert to business as usual. This means the purpose momentum built during the pandemic might dissipate quickly.

Committing to an enduring purpose-driven approach will require bold leadership and, at least in the short term, economic trade-offs. It also means navigating an uncertain political landscape and balancing the interests of customers and shareholders. This is more challenging for traditional banks, which need to manage the transition from their legacy model, than it is for newcomers, many of which have designed their business model around helping customers manage their finances more effectively.

Building on our Purpose-Driven Banking Survey, we believe that banks now have a unique opportunity to reframe purpose from a branding exercise to a strategic asset, to drive enduring business value.⁴



Challenge

Purpose should not be claimed, it should be revealed and experienced. To feel authentic, it should pervade every internal and external interaction and be sustained over time. To be experienced, it needs to be woven into the core of a company's culture, business model and operations. In the US, 89 percent of consumers surveyed agreed that the most important way for a company to articulate its purpose is from within, operating in a way that benefits society and the environment.⁵

Banks can become hyper-relevant by embracing their meta-purpose—being the infrastructure for systemic values-driven growth. Banks are uniquely positioned to influence the direction of capital in their

ecosystem toward more equitable and sustainable value-creation opportunities.

Banks also have a unique opportunity to align value and values. They can do this by focusing on customers' financial well-being in a win-win relationship that delivers long-term profits through increased retention and long-term customer value. This value is driven by increased trust, which makes it easier for banks to cross-sell advisory and other products, and by more entrenched relationships with customers whose financial status improves steadily.

The challenge is to build experiences that bring purpose to life.

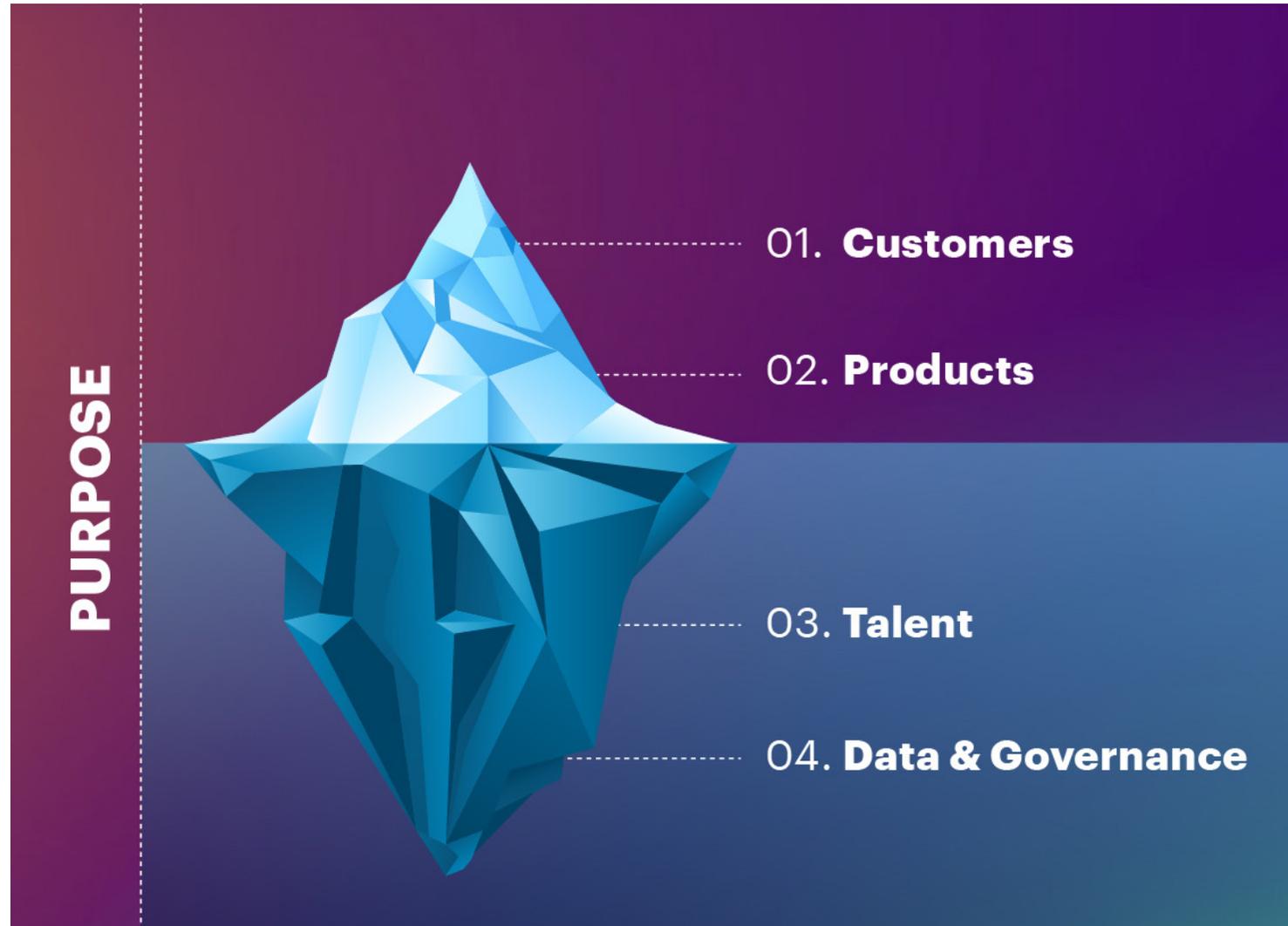


Solution

Banks can build experiences that bring purpose to life by capitalizing on opportunities in four areas of their business.

How Can Banks Build Experiences that Bring Purpose to Life?

Connect the front-end (product, services, communications) to the back end (operating model, governance, data) to create fundamentally differentiated value propositions for all stakeholders.



1. Customers: Re-establish the role of the banker as a trusted financial wellness partner for customers and communities.

Historically, the bank—along with a place of worship and a market—was a pillar of town, and the banker was a key figure in a community’s local economy. With increasingly diverse communities served by large and often impersonal, homogenous bank networks, this connection with local communities has been lost for the next generation of customers.

Low-income communities in particular lack safe and reliable access to personal and small-business banking services. As of May 2019, 21 percent of Americans were “underbanked,” meaning they need to use alternative (often predatory) financial services to make ends meet. It is a phenomenon that is twice to three times as likely to affect Hispanic and Black communities compared to white communities.

This disengagement from the bank is also problematic among mid-market communities.⁶

There are 2.2 billion people worldwide whose net worth in 2019 was between \$10,000 and \$1 million.⁷ Those above \$1 million typically have access to financial advice, but this group does not. As a result, many consumers from this “neglected middle”—especially the younger ones—don’t see the value of having a relationship with a bank and turn to neobanks to minimize friction.

Relying on predatory strategies with these segments is not sustainable. Some 5 percent of banks’ retail revenue is at risk as regulators and digital competitors act to help consumers avoid the cost of bad decisions, our analysis shows.⁸ The real opportunity lies in re-establishing a trusted partner relationship by proactively helping customers avoid the fees that these decisions result in and, generally, become better at managing their finances. This is a long-term play that will require banks to invest in these relationships in the short term.



In the past few years, banks' response has been to start reimagining their branch concepts into "lifestyle spaces," offering convivial perks such as co-working/coffee spaces. COVID-19 has put a stop to these efforts, however, raising questions about their future business case.

We can reinvent the role of the banker as a trusted financial wellness partner by:

Anchoring local relevance not on a physical space but on personal intimacy.

This is enabled by the right blend of digital and physical.

- Combine the convenience of digital channels for everyday efficiencies with meaningful human touchpoints supporting key "moments that matter" in the consumer's life, where advice and education are best delivered in-person (face to face or remotely).
- Engage customers on tailored "financial wellness" learning paths by combining rich immersive digital experiences and community connections, taking inspiration from fintech players such as Ellevest, a membership-based financial coaching app for women.⁹

- Optimize branch formats to ensure maximum accessibility (with a virtual branch combined with a service kiosk, for example, or a "bank on wheels" that can rotate across neighborhoods).

Embracing long-term strategies to co-develop wealth locally.

This involves empowering customers to build up their wealth, something that will also benefit the banks that serve them, as they graduate to become higher-value customers with better prospects of contributing long-term profits.

- Develop affordable banking offerings leveraging digital-only models, as Banco Santander, with its Superdigital platform, has done in Chile, Mexico and Brazil.¹⁰
- Develop credit access programs. Open up access to financing to otherwise excluded consumers and small- and medium-sized businesses (SMBs) by building new approaches to underwriting, leveraging new data sources and the power of artificial intelligence, and equipping customers with the financial literacy and nudging mechanisms to pay back in time.



- Adapt payment form factors to support local ecosystems—from mobile-based money transfers such as M-Pesa in Africa—to local currencies based on distributed ledgers that support the constant flow of cash within communities, as with the Bristol Pound.

Inspiration:

American Express has a "Designed for Small Business" mantra and, with its seven-year-old Shop Small campaign, it has demonstrated a long-term commitment to SMBs that is now deeply associated with the brand and perceived as authentic.¹¹ In response to COVID-19, Amex committed \$200 million to Shop Small and \$1 billion to an action plan to promote racial, ethnic and gender equity for colleagues, customers and communities.¹²





2. Products: Differentiate offerings with purpose.

Until now, competitive rates and convenience have been the leading criteria in customers' choice of banking services providers. But soon, neither will be a sufficient differentiator.

Some eight in 10 consumers say purpose is at least as important to them as customer experience, according to our Business of Experience study.¹³ And when it comes to their banking habits, consumers are growing increasingly uncomfortable as they suspect their money might be working against their own values.

Mighty Deposits¹⁴ in the US and Moralscore¹⁵ in France are among the growing resources now emerging to help customers analyze corporate practices that conflict with their set of priority concerns and values.

As this accelerates, customers are adding ethical considerations to the value they expect from banking products. Some 57 percent of consumers would want advice and tips from their bank or insurer on how to act more sustainably, our 2020 Global Banking Consumer Survey found.¹⁶

We can help customers put their money to work in alignment with their values by:

Recognizing consumers' unique sets of values

- Articulate transparent investment principles, explaining how the bank's funds are used and allocated and clarifying trade-offs, using plain language and relatable examples.
- Allow customers to prioritize the dimensions that matter the most to them (local community support, environmental impact and so on) by selecting from a set of differentiated, modular product offerings.

Innovating with "win-win" offerings

- Harness the power of community banking by offering customers the opportunity to invest in their community, taking inspiration from successful initiatives like immigrant saving groups.¹⁷ Envision new models, such as adapting micro-credit to the developed world through crowdfunding-type platforms. The Italian banking group Intesa Sanpaolo's For Funding¹⁸ crowdfunding initiative is one example.



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- Develop targeted savings products, including savings accounts and CDs, taking inspiration from green deposits, that enable companies to contribute towards projects that benefit the environment.¹⁹

Developing tools that help consumers align their spending behavior with their values

- Offer checking accounts that help track carbon footprints, as well as offer a credit card that prevents customers from overspending their carbon budget—as Mastercard did with its DO Black card²⁰—or reward them with carbon offsets.
- Offer preferential mortgage rates for energy-efficient properties, like Barclays has done with its Green Home Mortgage in the UK.

Inspiration:

Triodos, a Netherlands-based bank with over 720,000 customers in five EU countries, is a pioneer of a new approach to banking. It commits to lending money deposited by consumers (through certificates of deposit, checking and savings accounts) exclusively to positive-impact projects, and provides transparent visibility into the companies and organizations where it is invested.²¹

New players emerging in this dynamic market segment include Ando, which launched in the US in January 2021 and offers best-in-class mobile banking services paired with transparency of initiatives supported through their deposits.²²



3. Talent: make banking a dream job again, super-charged with purpose and diverse perspectives.

Banking is no longer the dream job for top university graduates; tech is. This is because there is a crisis of purpose. Banking jobs used to have huge prestige, earning bankers social currency in addition to financial rewards. But since the financial crisis of 2008, both seem to have diminished.

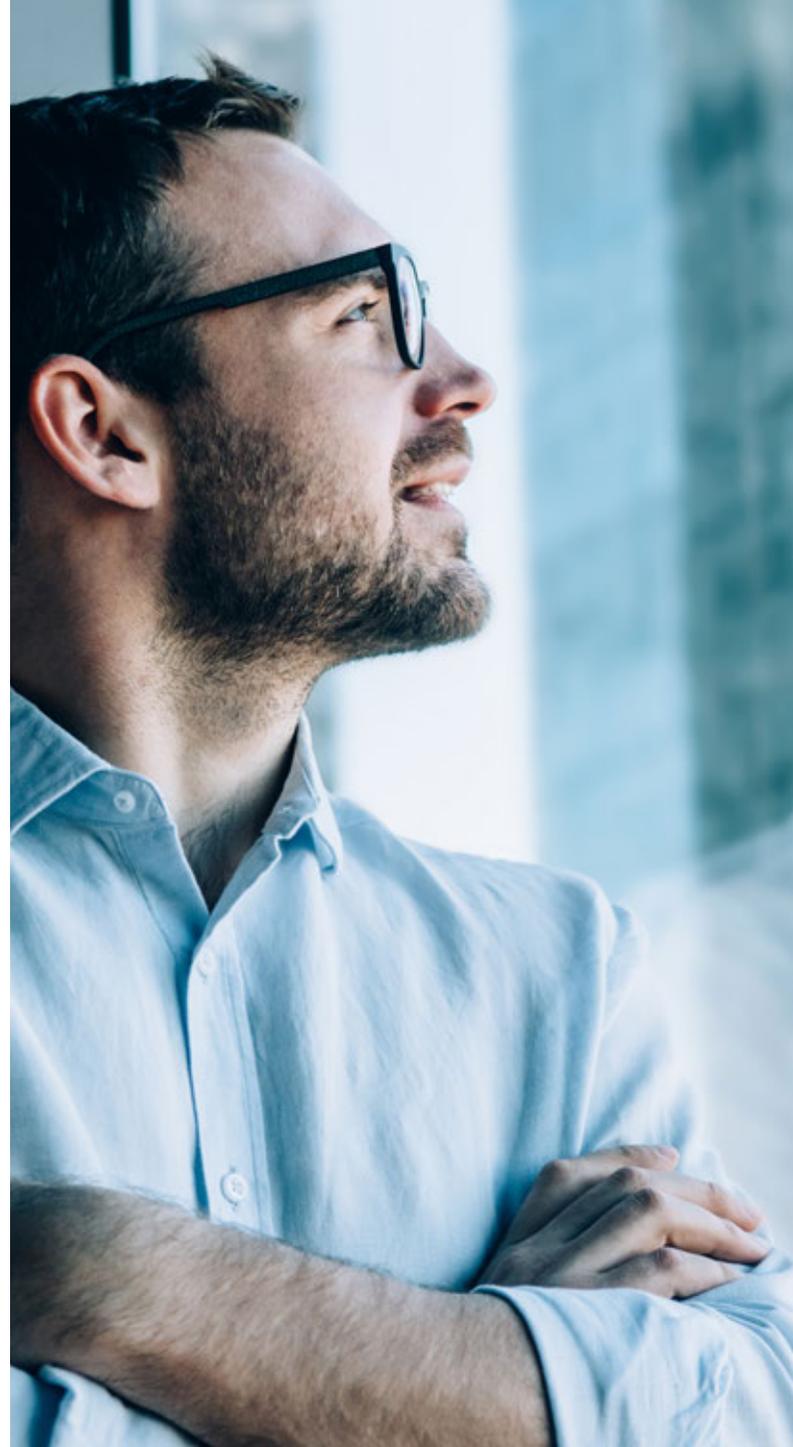
This talent appeal crisis is even more problematic at a time when banking is under pressure to reinvent itself and needs top talent to do that.

In order to become the systemic infrastructure of more responsible capitalism, banking needs to broaden its approaches and skillsets to include non-traditional disciplines such as behavioral science and environmental sciences. The new emerging roles that require these skills and outlooks don't have a pipeline of senior talent ready to step in. In this respect, diversity is the answer. Diverse teams are proven to solve problems more creatively and to reach better outcomes, starting with the ability to attract a more diverse customer base.

Until now, inclusion and diversity policies have failed to penetrate most organizations and meaningfully transform banking culture. Companies and regulators may have set quotas around diversity, but minorities and women are still starkly underrepresented and experience higher-than-average turnover rates.

In the US, the boards of directors of the largest financial institutions are comprised of only 29 percent women and 17 percent minorities, compared with the population make-up of over 50 percent women and 40 percent minorities. Further, less than 1 percent of megabank spending is devoted to diverse asset managers and suppliers.²³

We can make banking the dream job again by crafting purpose from within, co-creating jobs of tomorrow and investing in diversity as a core differentiator.



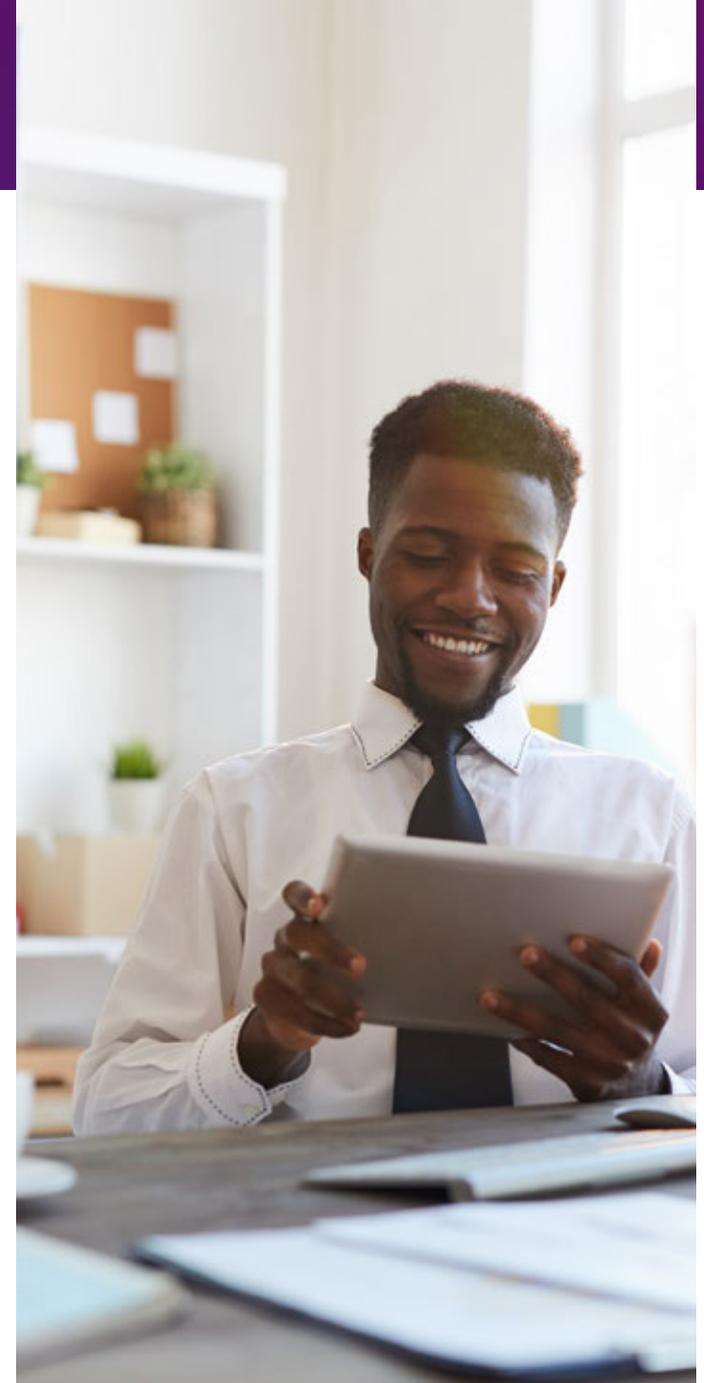
Crafting purpose from within before communicating it externally.

- Lead by example and tangibly connect employees to the bank's purpose by incorporating clear, relevant metrics into their performance evaluation criteria. This is an essential step to making purpose a core part of employees' jobs, rather than a nice-to-have distraction from the real business priorities. It also connects them meaningfully with the concrete impact their job is having on customers and communities.

Co-creating the jobs of tomorrow in collaboration with employees, putting in place apprenticeship programs with individuals from diverse backgrounds, and creating a stronger culture of experimentation and innovation, all with the goal of incubating the next generation of values-driven bankers.

Investing in diversity as a core differentiator at every point of the employee lifecycle, creating a long-term symbiotic relationship with the communities served:

- **Connect and educate:** Proactively develop and mentor talent early on, partnering with community youth programs to prepare and connect students with internships, for example. Initiate programs aimed at spreading financial literacy in underrepresented communities.
- **Attract and recruit:** Broaden talent pools and redefine "target schools" in order to hire from historically black colleges and universities, for example. Eliminate bias in intelligent recruiting algorithms and leverage them to prioritize potential over pedigree.
- **Engage and develop:** Create networks for rotational programs and develop new ways for workers to explore career pathways. Encourage courageous conversations about identity and equity.
- **Measure and retain:** Deploy a data-driven approach to staff retention, acquiring insights into the drivers of high engagement for diverse groups in the workforce. Use root-cause analysis to identify bias points and progression gaps in the employee experience, and then address them overtly and wholly.





4. Data & Governance: drive purpose-led data and governance.

The crux of the challenge for business leaders seeking to achieve values-driven growth is, in Peter Drucker’s words: “If you can’t measure it, you can’t improve it.” Like their counterparts across industries, bank leaders currently lack the tools to build successful purpose-driven strategies and articulate them to their customers and employees.

Environmental, social and corporate governance (ESG) criteria remain a marginal risk-mitigation consideration for top management when they should be a core driver of value-creation in day-to-day field operations. This is because of the absence of a universally recognized framework to measure and compare impact-related performance, and the lack of reliable data to integrate into employees’ workflows.

Some 94 percent of financial companies in the S&P 500 delivered an ESG report in 2019—a dramatic increase from the roughly 60 percent that did so in 2014. But the reports generated today still use disparate frameworks, making the data inconsistent and hard to compare.²⁴

As banks have usually been at the forefront of adopting innovative information systems to track and commodify financial flows, we believe they are uniquely positioned to pioneer best-in-class systems that can normalize non-financial currencies into authenticated, actionable frameworks.

Banks can lead or join a coalition of players capable of establishing a specific impact measurement framework for banks, implementing a purpose-driven infrastructure and realigning incentives.

Inspiration:

Arabesque is working with Accenture to help banks diagnose and continuously monitor ESG data of 7,000+ of the world’s largest listed corporations. The Arabesque S-Ray™ intelligent platform allows banks to maximize their sustainability portfolios by leveraging UN’s Global Compact scores, ESG data and unique preferences filters allowing the bank to define screening criteria and revenue thresholds.²⁵



Establishing a specific impact-measurement framework for retail banks.

- Co-create at ecosystem level by including a diverse set of stakeholders, leveraging inputs from field employees, financial inclusion advocacy groups, local government and so on.
- Establish a common set of definitions and performance standards that can be reported against and audited to measure impact across multiple dimensions that are most relevant to a bank's activities.
- Recognize the long-term vs short-term tension. Purpose-driven opportunities are a long-term play and banks need to evolve their metrics to accommodate performance horizons that span beyond the standard reporting cadence. This new framework also needs to empower banks to transparently communicate, to shareholders, their environmental business case and how the sacrifices made today (such as renouncing the share of the lending market that is not aligned with the bank's ESG standards) are an investment in tomorrow's performance.

Implementing a purpose-driven data infrastructure.

- Build the foundational data collection and analytics and visualization platforms that

will empower employees and corporate leadership to access, analyze and build intelligence around these matters, and then use it as a core management tool.

- Make impact visible and relatable by communicating against this framework to every stakeholder: most importantly shareholders, employees, customers and regulators. Do this using plain language and relatable comparison points. Also report on progress made, with transparent acknowledgement of setbacks and improvements yet to be achieved.
- Develop human-centric learning experiences, adapted to each stakeholder, to enable cross-industry adoption. Draw inspiration from initiatives such as Kering's Environmental Profit & Loss initiative²⁶ and The SASB Materiality Map[®].²⁷

Realigning incentives.

- Integrate holistic purpose-driven KPIs at the core of every key process and workflow, by aligning internal and external reporting and redesigning individual and collective incentive structures across customer-facing and leadership positions.



A Final Thought

Banking is the next frontier of responsible capitalism.

It is becoming the focus of customers' scrutiny, as people grow more mature in their sustainable expectations and expand them to more and more domains. Banking is also a systemic industry that has cascading effects on all others, so that change can have an exponential impact.

While it became synonymous in recent decades with the aggressive pursuit of financial returns, banking has a unique opportunity to restore the original meaning of the word fiduciary: "trust."

To achieve this, banks need to rediscover their holistic purpose of promoting the financial wellbeing of their customers, and reconnect with their social values. Those that succeed will unlock the true ROI of purpose.



04

Banking On Personality: Investing In Empathy

We are in a digital era where engagement is primarily virtual. Yet, while banks have become functionally complete, they are emotionally detached. They must act now to forge a personal and emotional connection with customers to keep them and gain their trust.

Digital personality matters. In an era of hyper-digitalization where engagement is primarily virtual, an organization's ability to preserve personal and emotional connections with its customers plays an increasingly important role in its ability to compete.

On top of this, banks face increasing pressure from new fintech players and companies outside the industry—such as Amazon and Apple—which are raising customers' expectations.

Banks are struggling to respond. In an increasingly digital world, they have become functionally complete but emotionally detached. Worse, they now find themselves in a commodity trap.

Few have successfully infused their digital interactions and marketing touchpoints with the humanity, personality and customization that knowledgeable staff members can give. Many are seen as largely homogenous, offering similar products and services with undifferentiated experiences.

COVID-19 has accelerated the switch to digital. Capabilities, function and experience are now under a spotlight. And under pressure, cracks in both the experience and in banks' ability to meet the needs of today's customers are widening.



With 50 percent of customers currently interacting with their bank via web and mobile applications at least once a week,¹ banks have an opportunity to respond to consumers' evolving needs by adapting their business, brand and experience. To do this effectively, their every plan and action must be underpinned by human understanding.

Challenge

Banks enable people to use their money to unlock opportunity and empower themselves daily—an essential function. Yet banks have a problem. Currently, they are over-indexing on functionality (IQ) and under-indexing on empathy (EQ).

Banking and banks risk becoming largely invisible infrastructure. Just 29 percent of consumers trust their bank a lot to look after their long-term financial well-being, compared with 43 percent two years ago.² In the absence of trust, banks will find it hard to retain customer relationships and may increasingly become the back office of more engaging, trusted organizations that seek to embed banking into their offerings.

A single-minded rush to compete on functionality has slowly eroded customers' personal connections with their banks, weakening the relationship and leading to similar features across digital experiences.

Continuing to over-index on IQ and under-index on EQ degrades meaningful connections, making banks more vulnerable to new players who will increasingly own the relationship and compete on that basis.

New entrants to retail banking have pounced on opportunities to create innovative digital propositions and change the tone and nature of their customer interactions. Emphasizing a collaborative and empathetic "we're in this together" brand positioning has resonated with many customers—20 million accounts were opened with challenger banks operating in the UK in 2019.³

New-breed entrants are poised to bridge the empathy gap and pick up market share with a relentless customer focus that is reinforced throughout the design, function, tone of voice and experience of their offerings.

While primary account switching has decreased—just 3.8 percent of consumers globally switched their primary account in the last 12 months—27 percent opened a new account during the same period.⁴ This points to an emerging behavioral trend as customers accessorize their main account with accounts with others, such as Revolut, to deliver the day-to-day banking experience that meets their needs.



Even the best incumbents with markedly improved digital experiences have struggled to deliver the right navigation, tone of voice and content. In removing humans from the front lines, banks have inadvertently removed humanity from the experience.

Inspiration:

Aspiration is a digital banking and investment service with the motto "Do Well, Do Good." It allows customers to fund planet-friendly causes, shows them an impact score for each of their purchases in their transaction record, and promises never to fund the fossil fuel industry.

Nubank, a Brazilian digital entrant, positions itself as offering fair, uncomplicated and transparent financial services. It promises to treat people as humans, not numbers, and to help them reinvent their financial lives.⁵



Solution

To raise their EQ index and preserve and build personal and emotional connection with customers, there are a number of opportunity areas banks should consider:

1. Trust, a bank's most valuable asset?

In today's uncertain world, brands need to demonstrate empathy and human connectedness more than ever. Clear, sincere, empathetic communications are the basic modern building blocks for trust, and banks need to cultivate this if they are to connect with people authentically and emotionally.

There is a positive empirical relationship between trust and revenue growth. Companies with a distinctive and relevant purpose as well as high levels of trust generally achieve better financial results. Trust-based propositions can boost incumbent banks' retail revenue by an average of 9 percent, our research shows.⁶

Increasingly, banks must humanize their services. This means making them more nuanced and empathetic. By enabling genuine connections around customer outcomes and goals, they can play a greater role in looking after customers' financial well-being and earn their trust.

Inspiration:

Greenwood Bank, which describes itself as "a Black-owned banking system developed by us, for us," offers a digital banking experience made for Black and Latinx customers. Its offering includes peer-to-peer and early payday advances as well as other banking services that go with helping a community achieve its financial goals. Greenwood aims to be best in class and has a clear purpose—to facilitate re-circulation of wealth within minority communities. This is encapsulated in its statement "Greenwood Bank – Modern Banking for the Culture. You made it. You keep it. You prosper." As a bank derived from the community with a purpose to serve the needs of the community, it is well placed to earn trust.⁷



2. Time to (re)invest in brand

Banks have a choice. They can either stand out by having a defining purpose and brand personality to differentiate them in a sea of sameness, or they can risk relegation to the status of nuts-and-bolts utility provider. Few banks would willingly embrace a commoditization strategy.

Yet it takes more than the pursuit of product-centric and rational, efficient interactions to win hearts and minds. That's why the principles of branding and the role of the Chief Marketing Officer (CMO) are more important than ever.

We believe in a unified brand experience, and that focusing on activating brand purpose is the key to accelerating growth in today's experience landscape. While it is the CMO's role to lead the evolution of the brand and personality, it is the responsibility of everyone in the organization to lead with humanity and personality.

3. Activate brand purpose

Customers don't necessarily expect brands to adhere to or follow a public purpose statement. But they do choose to deal with brands that act with clarity, recognize their responsibilities and are honest and helpful in addressing people's liquid expectations. Brands that are transparent, enable mutually beneficial experiences and support relationships where both participants succeed will generate strong brand affinity. Three out of four customers globally in 2018 said that experience is key in influencing brand loyalty.⁸

Typically, new competitors have a clear mission to fill a market gap, and a purpose that entails giving customers something that doesn't yet exist.

Increasingly, financial institutions will need to create defensible, ownable brand experiences that build trusted relationships with customers. They will need to express their brand and connect with people differently, and go beyond customer-centricity to focus on customer empathy.



To achieve this, they must remember that differentiated brands adhere to their brand purpose while adapting to changing client and customer needs. They are nimble enough to weather volatile markets and activate purpose in everything they say and do as a brand.

4. Connect personality to purpose and values

Human brands are authentic.

To communicate authentically, a brand must reconnect with its core purpose – the original values that justify its existence beyond simply generating a financial return. Brands that do this build trust, remain relevant and adapt to new behaviors. Characteristics should be consciously selected and deliberately designed. They must draw on the past, present and future stories of the bank in order to represent the brand's authentic self.



An important first step when humanizing a brand is to bring design and communications closer together. As voice technology increases and artificial intelligence becomes more prevalent in everyday interactions, a well-designed, empathetic and entertaining personality can attract and engage users. The effectiveness of messages will depend on style and content.



Inspiration:

Amazon Alexa has become a trusted voice in many households, and is regularly asked to settle a friendly dispute or answer a pop quiz question. By successfully creating a distinct pattern of tone and language, Amazon ensures Alexa drives the engagement required to learn from high quality user interactions and shape more lasting relationships.

Ask Alexa about her personality and she'll tell you she's ESFJ on the Myers-Briggs Type Indicator.

Amazon states that Alexa strives to be clever, relevant and to make the customer smile. She will respond to questions about herself, reply to a declaration of love, tell jokes and even sing a song. Her humor shines through, but never at the expense of efficiency. She is approachable, efficient, trustworthy and natural.⁹

Ask Alexa if she has any pets and she'll tell you no ... but that she used to have a few bugs that kept getting squashed. Ask her her weight, and she will reply, "I am weightless, like a cloud. Wait a minute, clouds actually weigh a lot, so that's not quite right. Let's just say I'm more sass than mass."

Personality is an extension of the values of the brand. It brings those values to life through the language and tone of voice used across every touchpoint and in every interaction. Words and language matter. Tone of voice is an important building block, too. Brands are being judged on what they do, what they say and how they say it.

While there are risks and compliance considerations in banking, it doesn't mean that all personality must be regulated out of communications. The right tone and message via the right channels matter now more than ever. Customers need a trusted advisor with whom to navigate their financial wellness. To build trust, every pixel of your experience must express who you are.



5. Richer data enables more contextual experiences

Simple segmentation is not enough to drive a communications strategy. Customers' relationships to products and services are changing along with the very nature of everyday work and play. Determining what to say and when to say it based on customers' functional and emotional needs will be key for banks to tap into what is truly helpful and relevant.

An experience that can adapt to its audience is critical. The experience needs to be adaptable to the sophistication of its user. Some users will regard plain speaking and simplification of complex concepts as building blocks of trust, others will draw comfort from being able to drill into the details at will.

The same applies to cultural and contextual nuance. A bank's personality needs to reflect its values as perceived by and within the markets it serves. Digital experiences can flex and respond based on data and user cohorts to express the brand's core purpose with a personality that is vernacular to the audience and its needs.

As they imbue their digital brand personality with greater humanity, brands must also embed personalized experiences in digital customer journeys at moments that matter.

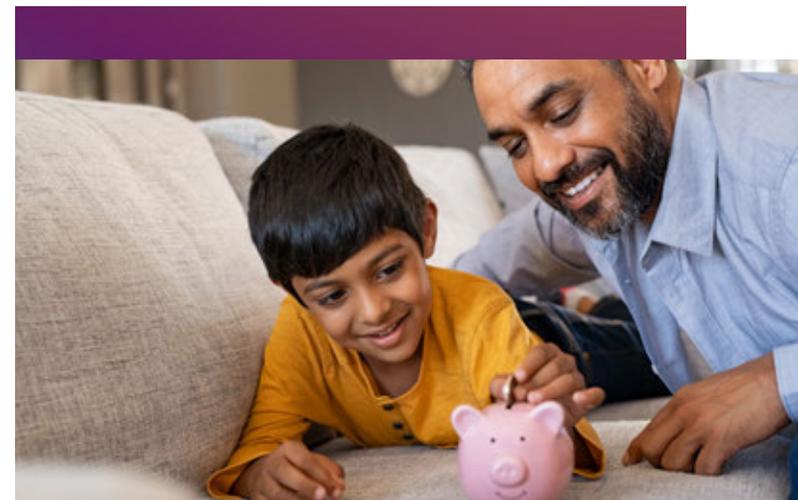
The tone of conversations with customers should be approachable, relatable and consistent across channels without losing context or intimacy. Banks that successfully use personality to create more engaging communications and spark conversations will help to make financial topics more approachable and accessible to all, particularly across the neglected middle market.

A bank's ability to do all of this will require it to go beyond traditional methods and channels to gather meaningful feedback. Better data analysis will be needed to extract richer insights that will provide greater opportunities to create intimacy with customers.

Rather than using a data-driven segment of one for targeted product marketing, data should be used to respond appropriately and empathetically with personalized experiences. Conversations with chat bots should be as natural and free-flowing as possible, while human conversations should be technology-enabled.

Inspiration:

The Financial Gym builds connection and community through goals-based money literacy classes and one-to-one relationships with dedicated trainers called Best Financial Friends. Paid members learn, get advice, set goals, confide and share.¹⁰ The end result is that members feel they are supported, not alone.



Final Thoughts

Banks have an opportunity to forge strong customer connections, build trust and ultimately drive growth by infusing humanity and personality into digital channels where they have the most impact.

Capable agents—virtual, live or in-person when customers need it—are table stakes. But banks can find more opportunities to engage beyond basic banking, by fixing what's broken. While customers are looking for more from their banks than simple issue resolution, they may not realize that the bank has more to offer.

In increasingly uncertain times, banks can offer wisdom and guidance to help customers make sound decisions and move with confidence.

Whether customers are planning for the future or focusing on the moment, banks can create open channels for dialogues with them to help them get ahead. Creating those forums for dialogue can ensure that the bank is one of the first places customers turn to for advice and community.

And just because an experience is virtual doesn't mean it should be any less human. To grow long-term loyal banking relationships, take inspiration by looking back—to the branch manager relationship of yesteryear, where sage advice was delivered with comforting language. Balance technology with empathy to create experiences that feel personal and as human as possible. With the right approach delivered swiftly, a virtual experience can be just as authentic, personal and warm.



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