

Back to Basics – Mastering the Art of Experience Banking

CUNA White Paper

John Hyche

Principal, Strategic Consulting

LEVEL⁵, LLC

jhyche@level5.com

Experience-driven banking, or banking with the focus on how your members feel about their experience, was once a cornerstone for credit unions. Now, as competition increases, credit unions are forced to battle against community banks and mega-banks for accounts, and all financial institutions risk losing market share to non-banks: retailers, automobile manufactures, secondary and tertiary financiers, and even neighborhood pawnshops. Many credit unions have altered their business plans to be more business savvy and results-oriented. Executives need to remember that it is critical to emphasize the concept of experience-driven banking while they strive to compete in this industry.

The experience-driven banking concept comes from fundamental macroeconomics; the exchange of goods and services for some consideration. Adding experience to the basic exchange of goods and services can heighten premiums for those that evoke a certain emotional or psychological rush or brand preference and loyalty. Credit unions need to grow and have grown market share, or wallet share, by expanding fields of membership, diversifying through complementary services and diving into vertical channels; however, all of their competitors are doing this as well, and the need for growth continues. The concept of experience banking is branded deeply into the credit union image, and it can be used as a strong advantage if applied properly.

Today's society is primed to maximize the benefits derived from experience banking. Dan Pink, in his book, *A Whole New Mind*, believes that our society has passed through several macroeconomic epochs; beginning with the Agrarian phase, through the Industrial and Technology Ages. Pink claims we are now in the Conceptual Age, a time when creativity and right-brained thinking rules the day. Having a master of fine arts degree suddenly trumps the master of business administration, Excel jockey mired in

generating non-interest income revenue models that wholly and unwittingly neglect the member's experience. A consistently negative experience will drive the member to your competitors, and even worse, out of the credit union arena altogether.

Is experience banking the Holy Grail for credit unions? Only in part - it must be coupled with positive performance as well. The performance-banking approach, which focuses attention on growth and wealth, both for the credit unions and their members, needs to be balanced. It is important to deploy a strong performance-banking approach and balance it with positive experiences to ensure your credit union's success.

Bankers as advisors

One goal of experience banking is to gain enough mindshare to *make* members want to call you or your credit union first. This is the initial benchmark of success – members who call with their woes and call most often tend to be long-term members. So, the first stage of performance-oriented banking is lifting the credit unions to the position of *consigliere*, from the Latin *consiliarius*, or advisor. The ascension of credit union representatives to advisors or consultants takes primacy in the shift from commoditized products and services to focused planning and implementation.

Now, one might listen to the radio or watch TV and see dozens of advertisements declaring financial institutions as consultants or trusted advisors, but a majority of them do not live up to this claim. The most pressing issues here are the well-established system of silos in credit unions. Take lending, for example, where departments are divided up into numerous categories with experts to advise on one area and one area only: first, there is simply loans versus deposits, then commercial versus retail, and even consumer versus auto versus mortgage. To truly advise and gain quality mindshare, one must consider the team approach to providing advisory services. With a lead, or alpha, team member in play, the member should feel absolutely overwhelmed with service delivery, competency of various disciplines, and the comprehensive nature of resultant solutions.

Performance Scorecard

Stage two of performance-oriented banking is creating the scorecard. This scorecard is two-sided scorecard – one side for the credit union and one side for the member. This

is a fairly simple approach and does not need to be difficult. Remember, to Keep It Simple Silly (KISS) and always think SMART (specific, measurable, attainable, realistic, and time-based). The scorecard should have as its focus four primary areas:

1. Member Service
2. Operational
3. Product and Innovation
4. Financial

The example below shows a sample scorecard that the credit union can use as it contemplates performance-oriented banking. Note that financial performance is the last component of the scorecard. Ultimately, all roads lead there. However, be careful not to start here. Build your scorecard model and your member's based on the other components. Financial performance is an effect of great service, great products and markets, and exceptional operations. There are certainly more performance factors to consider in each of the four quadrants. However, for the sake of your employees and members, keep it simple.

<p>Customer Service</p> <ul style="list-style-type: none"> - Customer retention - Customer satisfaction - Customer Wealth Rating (MWR) 	<p>Operational</p> <ul style="list-style-type: none"> - Employee retention - Employee satisfaction - Throughput Q/Q (quality/quantity) - Design, functionality
<p>Product and Innovation</p> <ul style="list-style-type: none"> - Sales from new products - Sales from new markets - Return on investment 	<p>Financial</p> <ul style="list-style-type: none"> - Return on assets - Asset growth - Customer growth - Market share growth

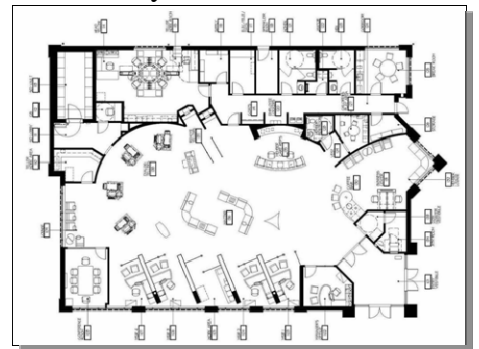
Theoretically, each member has a unique scorecard as well. This is hard work compared to the business scorecard. Historically, and to a fault we believe, financial institutions have been creative and exhaustive in their development of financially

oriented scorecards. The missing component is determining the member's scorecard first and then aligning the credit union's products and services, operations, and financials around their needs. So, how does one do that? There is not a straightforward answer. However, it begins with a very good listener and ends in a very sound plan, lined with milestones and performance targets. Though this is similar to what a financial planner does, it is the credit union's place to be the consultant as it relates to finances. The team approach discussed earlier reemerges as the qualified methodology to get the right plan in place.

The Performance Experience

Now it is time to consider the performance experience and what that entails. Ultimately, convenience, ease of doing business and performance are the key considerations the prospective member uses when determining the choice of primary financial institution (PFI). Though the Internet and telephony services have gone a long way to mitigating the convenience conundrum, human beings are ultimately social creatures, seeking close interaction with trustworthy advisors that provide comprehensive solutions.

The modern financial branch needs to become the epicenter for delivery of the performance experience. Providing a place to seek sound, professional financial advice, life planning, and perhaps a cup of coffee or the morning news program are all important. The orientation of the physical place should be geared to increase earnings for the financial institution as well as for the member, first and foremost. Members seeking transaction expediency should be satisfied. Those seeking financial counsel should receive that as well. Do both in an environment so that employees are cross utilized, space is open and welcoming, and the member readily understands that they have come there to solve a problem, to enhance financial performance.



Will this give us the Holy Grail? Not likely. However, we need not be in a position to always carry around a time bomb, wondering whether the experience-oriented preferred

choices we made will some day explode on us, creating a need to reorient places, operations and people to understand what others will come to know and live by:

“What gets measured gets done.” – Peter Drucker