

WHITE PAPER

An Extraordinary Turn of Events... A Discerning Course of Action

Engaging Customers When and How It Matters Most

What can financial institutions do in a national health crisis...one for which we cannot yet make any clear predictions? One during which many customers are whipsawed by rapid-fire reporting on virus proliferation, panic buying of everyday essentials, and adjusting to 24/7 life at home?

As bankers and partners we, as a practice, look at both financial institutions and other industries for learnings—which we think are illuminating for financial services firms. In the midst of the current crisis, we think it is instructive to look not only inwardly, but also beyond for cues and insights to dealing with such challenges.

Comcast® has removed broad-band data caps while speeding internet access for customers. Airlines are shifting from irritating, rigid, rules-based pricing models to consumer-friendly fee waivers on cancellations and changes. Movie studios are releasing new movies direct-to-home... simultaneous with theatrical releases. These

companies are zigging off their usual course, for this moment in time, to make life better for their customers. The pay off? Stronger brands, and deeper customer relationships. The value of this goodwill is incalculable.

At Harland Clarke, we are urging our financial institution partners to step back and consider similarly unique ways to strengthen business for the long term. The opportunity is here now to **1) Build brand equity with your existing customers by acting as a trusted resource during the crisis;** and **2) Focus on household acquisition at a time when your marketing message isn't diluted by oversaturation.**

Building Brand Equity

This is the time to engage more with your customers and further build your brand. Here are three primary areas of focus, with more detail below:

1. Highlighting the myriad of access options to your institution and your services

2. Partnering with your customers to help them in this time of need
3. Reinforcing the consumer protections uniquely available to them because of your state or federal charter.

1. Access to your institution and your

services: Many of our financial institution partners have invested heavily in improving digital access for customers over the last few years. Never have those investments been more important for both you and your customers than right now.

This is the time to work with your customers to ensure they are fully utilizing those tools. Full engagement with digital tools has proven to be a powerful retention indicator for financial institutions. We recommend that you take a multichannel approach (Display Advertising, Email, Direct Mail, Secure Messaging, Local Listings, Contact Center, and Social Media) to reinforce the message of access points to meet the needs of customers. This messaging should reinforce:

- Digital and Mobile Banking providing always-on access to your accounts
- Mobile Deposit from anywhere for those needing to deposit checks
- Under-utilized features of digital banking such as budgeting tools and account aggregation
- Bill Payment from the comfort of your home and all behind one single secure login

- Person-to-Person transfers (possibly at no fee)
- Drive-Up access to bank in-person without direct contact
- Branch Hours reinforced, kept visible, and—most importantly—reported accurately on your website and across the internet. Note that this might require the use of a third party, such as Yext®, with direct access to the digital properties that you don't control - such as Google® My Business
- ATMs as a source of quick access to funds without human contact

PLUS...we strongly encourage institutions to create a single page on their websites to serve as a repository for all items customers need to know in the current situation.

2. Partnering with your customers in this

time of need: We feel this is a golden opportunity to establish deeper bonds with your existing customers. First and foremost, this is an opportunity to be their banker not just their transaction account provider. We recommend three strategies to further your efforts to become a trusted partner for your customers:

In times of turmoil, your bankers can provide a steady hand to help customers navigate the current challenge:

- Empower your entire organization, particularly your front line, to respond to customers' needs and concerns. Educate all employees on your preparedness plan

and best practices on communicating with upset or stressed customers.

- Offer calls with a personal banker to discuss the current situation and the resources you have available for customers.
- Use any currently idle time amongst staff to “reach out and check in” with customers.
- Educate customers on the value of using more of your digital tools – maybe a round-up savings plan.
- Help customers take advantage of free credit reports and help them interpret.
- We strongly encourage a robust social listening effort to understand the conversations and emerging topics amongst your customer base.
- Plan for how your contact center is going to route calls and leverage Interactive Voice Response as part of this event. Utilize the full capabilities of your IVR, including providing estimated wait times and auto-callback.

Utilize your existing capabilities to provide true banking solutions to address their current issues:

- Offer short-term loans to bridge potential financial challenges.
- Promote skip-a-payment to help reduce short-term financial challenges.
- Add overdraft protection.

- Take a long-term view of your customer relationships by focusing on lifetime value. Don’t hesitate to waive fees on overdrafts, late payments, account maintenance, and early CD redemptions. And it is OK to take credit for your customer-supportive actions during these times.
- Help them create a *rainy-day* fund.

Provide valuable tips as a trusted resource on how customers can make the most of their new-found free time.

- Encourage your customers to be extra vigilant regarding fraudsters – they will be attempting to prey on people’s fears. This might be another opportunity to leverage your human presence and offer a call with a banker if they need a sounding board to help thwart potential fraud.
- Consider the following customer messaging. *Take the extra time at home to focus on you: Update all of your passwords (provide best practices); make sure all of your virus protections are up to date; make sure your Wi-Fi router firmware is up to date; change your Wi-Fi password; close old/unused accounts; activate multi-factor authentication on any accounts where personal information is utilized.*

3. Reinforce the message of safety and soundness inherent in traditional financial institutions: Most critical is the protection afforded by the FDIC and NCUA. Within the confines provided by these agencies,

there are few safer places to keep money than within a federally insured account. In all likelihood, a new fondness for CDs and Savings accounts will become a much more critical component of customer portfolios. Additionally, it is important to remind customers of the protections afforded by both Regulation E as well as purchase protections on card transactions from Visa® and MasterCard® branded cards.

The safety and soundness messaging may become even more important when consumers evaluate their non-traditional Fintech relationships. Have the NeoBank, rent-a-charter institutions been fully tested in a major crisis? Most Fintech companies bleed cash, and their ability to continue to receive funding in the near term is likely to put extreme pressure on the financial viability of cash-strapped Fintech firms.

Focusing On Acquisition

It might seem counterintuitive right now, but your voice can actually be better heard now, because there is less marketing saturation... less marketing "noise." Why the reduction in noise? Many marketers have moved to the sidelines. They have shifted to a short-term focus in the midst of the crisis, and one of the first things they do is cut their marketing budgets. Harland Clarke advocates, based on experience, that this is the time to speak up, not retreat...the time to acquire, not take a pass. An effective, properly targeted, marketing message that helps your

customers during these uncertain times is a positive customer experience...not a sales pitch.

We expect a significant spike in customer dissatisfaction. Many are going to have negative customer experiences throughout this crisis. They will experience long hold times, fee assessments, and challenges finding quick answers to their pressing questions. The industry as a whole isn't prepared to deal with this likely dramatic escalation in dissatisfaction. If you are, that spells competitive advantage.

Consumers are looking for reassurance, support, and a financial partner who knows them. As a financial institution with a proven history of weathering economic challenges, you are well positioned to seize this opportunity with highly targeted marketing to focus on acquisition – not just during the current crisis, but when the crisis subsides and economic activity returns. Harland Clarke recommends focusing limited marketing dollars in three primary areas:

1. Community involvement and engagement
2. Bundling of products and services for the benefit of the customer
3. Concentrating marketing spend on highly efficient consumer targeting as opposed to mass marketing

1. Community involvement and engagement:
With a highly visible and physical presence in your markets, you have a unique

advantage to further elevate your brand to the top of financial consumers' minds. With the proliferation of Fintech companies competing with you for customers, the branch network and local presence has felt like a liability in recent times. That was then, this is now. We believe your local presence is now a remarkable advantage and has never been more valuable. Why? Because within your brick and mortar walls are the beating hearts of real people. Consumers need that assurance right now.

Here are some of our recommendations to leverage this advantage:

- Promote your position in the community and proven track record of weathering numerous economic cycles and challenges.
- Promote your ability to interact and consult with your customers, even if by phone, which is a true advantage over your NeoBank challengers. You are here to help during challenging times, not just to handle a transaction.
- Refer a Friend messaging: Leverage the existing customers you have served well at this time to spread the word to their friends and neighbors.

2. Bundle products and services for the benefit of your customer: We encourage you to think about your lead product and create tailored product bundles around your lead product. With interest rates at historic lows, mortgage refinancing is likely to drive mortgage loans to the lead-product

position. But don't just push additional services, create a portfolio to support and help the customer. Think about a product portfolio that inverts the historical thinking. As bankers, we typically think: Transact, Save, Borrow, Invest and Protect — in that order. With mortgage refinancing as a potential lead product, we suggest re-ordering as follows:

- **Borrow:** Create greater financial flexibility for your new or existing customer by taking advantage of historically low rates.
- **Transact:** Utilize the obvious opportunity to add a depository account and reward them with a rate advantage on their loan if they also bring direct deposit.
- **Protect:** In this time of uncertainty, think differently about Protect from insurance. Think about non-insurance based forms of insurance. Offer overdraft protection and do so in a non-punitive manner for the next six months. Pair that with a home equity line of credit to provide cushion in future storms.
- **Save:** It is hard to save in the midst of challenges like these, but it clearly highlights the need to save for a rainy day. Help your new customers establish a budget and one that includes automatic savings.
- **Invest:** FDIC and NCUA insured Savings, Money Markets and CDs may very well become the new FAANG (Facebook® - Amazon® - Apple® - Netflix® - Google®)

Stock as the in-vogue investment as frightened investors reassess their investment risk profile.

3. Concentrate marketing spend on highly efficient audience selection: Now that you have determined your consumer portfolio strategy, it is critical to identify those consumers that meet your lead product profiles. Mass marketing has its time and place, but we feel that in times of major economic disruptions, a highly efficient marketing approach can provide superior results and returns on precious marketing dollars.

- Partner with firms that can help you identify your ideal segments and those that can specifically reach potential customers in those segments.
- Be extra vigilant regarding losing customers. Make no mistake, your customers will be evaluating refinancing alternatives. During the refinancing, if their new partner isn't you, the odds of your retaining their depository relationship are not in your favor. Do not allow your customers to take their mortgage business elsewhere or the entire relationship may follow.
- In acquisition messaging, reinforce all the ways new accounts can be opened without the consumer needing to come into branch. If your online account opening experience is subpar, immediately focus on enabling account opening via phone with both your contact center and your branch network.

A Positive Message to Propel You Forward

We recognize that we are in uncharted waters. But remember...we as an industry and an economy have weathered tumultuous periods in the past. Fortunately, when the current turmoil began, U.S. companies were the strongest they have ever been. This is a fact. That, and the resilience of the American spirit, *will* get us through these challenging times. We believe the strength of the greatest banking system in the world will help lead the way through our current disruptions.

Those institutions that take this opportunity to **build brand equity with customers as a trusted partner during this crisis** and **focus on acquisition while your marketing message is not diluted by oversaturation** will come through this. And they will come through it with stronger customer relationships and accelerating customer acquisition above and beyond their peers.

And don't forget, a critical part of managing through a crisis is preparing for the inevitable exit from it. If you wait until the crisis subsides to plan for a return to business as usual, it is too late—you will be flat-footed and will have missed a golden opportunity. You cannot save your way to prosperity, but thoughtful investment in your current customers and acquiring new customers can help pave the way.

This is also a great time to reconsider the business case for making channel and customer experience investments, which may not have been a priority in the past.

All the way up to the Chairman of the Board, executives are likely wishing those critical investments had been made.

Customer experience is make or break at critical times such as these. Your actions must be consistent with your message, so make sure you are walking the talk. Take a very critical eye towards messaging and actions and be relentless on consistency across all departments and all channels. Critics will be quick to turn to social media if you miss the mark. This may also be an opportunity to determine the experience now that you would like to deliver in future, then plan, prioritize, and maximize those investments. You will reap the long-term benefits of hitting the mark on customer experience.

Regulated financial institutions are in a completely different position going into and coming out of the current crisis. These institutions were, arguably, the catalyst for what is now known as the Financial Crisis of 2008. The industry was crippled coming out of that crisis with capital constraints, stress testing, added regulatory burdens, and endless negative publicity. It took years to regain firm footing. The situation can be very different this time, because financial institutions are well positioned to do what you do best to lead the economy back. Be a hero!

Find out more about how Harland Clarke can help you explore the exciting benefits of delivering world-class customer experiences.

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