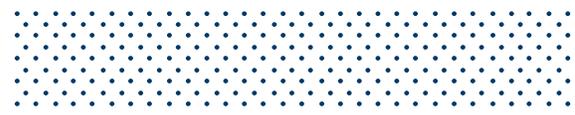


COVID-19's Impact on Financial Institution Customers

CAPTECH TRENDS | PODCAST | EPISODE 7 TRANSCRIPT

**Vinnie Schoenfelder**

Hello and welcome to CapTech Trends, a place where we meet with thought leaders and subject matter experts to discuss emerging technology, design, and project methodology. I'm your host Vinnie Schoenfelder, Principal and Chief Technology Officer at CapTech Consulting. Today, we're discussing a couple of recent surveys CapTech conducted in order to understand COVID-19's impact on financial decisions and banking habits. The initial survey was conducted at the end of March, and the second survey in mid May. This was done to help establish some trends during the pandemic, as opposed to just a couple of data points. I have with me Bree Basham, a managing director at CapTech who leads our Customer Experience practice, and LesLea Carey, a manager on the CX team who co-leads our insights team; by the way, both of them are in our Charlotte office, so welcome.

Bree Basham

Thanks, Vinnie.

LesLea Carey

Thanks, Vinnie.

Vinnie Schoenfelder

Bree, why don't you kick us off. Give us a little intro as to why we even took on this research in the first place.

Bree Basham

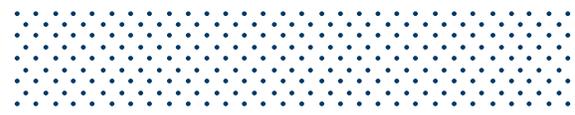
Sure. We were really interested in discovering some insights on the impact of COVID-19 on customer's financial lives and also how innovation can help bridge that gap between a financial institution and their customers during these challenging times. We were hoping to get specific insights around customers' financial decisions, on their attitudes towards their future, and on their perception of their financial institution's response to the pandemic. And hopefully, in turn, that would show us how and where financial institutions should innovate around COVID-19 and beyond.

Vinnie Schoenfelder

Great, and we'll dive into some of those individual things. But from a high level, what what'd you find out?

Bree Basham

The first and most general thing I think we would say we found out was just that we do see the



effects everywhere of COVID-19, and not necessarily where we thought we would in terms of the groups that were most impacted. So, I'll touch on one example here. Most recently, we heard that 64% of the respondents felt that COVID-19 has had an impact on their finances – that was in May. These numbers have trended down slightly since we ran the survey in late March, where 71% indicated an overall impact. But between the two surveys, the impact on young to middle-aged adults remains particularly acute. So, in March, we found that Gen Z, which is ages 18 to 26, was the group most impacted. And in May, Gen X, which is ages 38 to 50, was slightly more impacted than Gen Z, but pretty closely tied at 78% versus 77% for most impacted.

Vinnie Schoenfelder

Was there any indication as to why that was? Was it the types of jobs they had? Was it the amount of savings they had? Was it their income level? What kind of what's behind those numbers, LesLea?

LesLea Carey

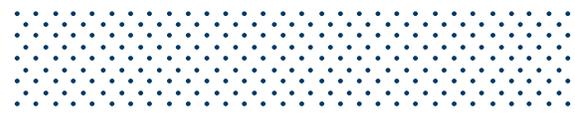
Those factors that you mentioned and more are really behind some of those factors. We also noted that for Gen X they're in the unique position of likely supporting some of their Gen Z children but may also be supporting their adult parents who are in the older demographics. So, they're feeling the burden from both sides and therefore having that added pressure as they're trying to juggle all of these new normals and new complexities.

Vinnie Schoenfelder

Gotcha, how has that changed? One of the things that I think is interesting when I read through this is that we seem to be rather optimistic, to your point Bree, the numbers came down as the pandemic stuck around. And two, maybe LesLea can speak to this, it seems like people are more optimistic about their own finances than they are of the country's finances.

LesLea Carey

Yeah, absolutely. That was an interesting trend that we saw in both March and May, that overall individuals were very, very optimistic about personal recovery. In fact, a strong majority even indicated they're not putting financial decisions on hold. However, when asked about the overall economic recovery, it trended between three and six months. And then in May, that actually extended to six to 12 months. So overall, they're very excited to make these financial decisions. They feel like this is something that's not having a huge impact on what they want to do in the next few months, but looking at the economy as a whole, that's going to be a little more stretched.



Vinnie Schoenfelder

Right, I find that interesting too. You know, I feel a little bit more cautious as a result of this. And maybe you can discuss it by demographic, but the fact that in the near term, the next three to six months, people feel as if this pandemic is not going to greatly affect their financial decisions. They were going to make buying a car. I know car sales continued to be strong. Retail is down obviously, but home sales are relatively strong. So that talk about that from a demographic standpoint, I find that compelling.

LesLea Carey

So, what we found is that in March a third of respondents were going to put large financial decisions on hold. So that was across all different age demographics. And then as it drilled down to those in the Gen Z and Millennial, we found that they were much more optimistic, but also more willing to put those decisions on hold compared to those in the older age demographics.

Vinnie Schoenfelder

It'd be interesting to see a kind of Venn diagram of how that overlays with people who are going out to bars now and not wearing a mask versus those who are staying home. I'm sure there's some trends between how people view their financial life and how they're behaving socially as a result of that.

Bree Basham

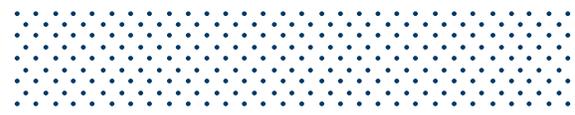
One of the things LesLea touched on a minute ago was around recovery time. We did find that within the breakdown of that recovery time, that the younger respondents tended to be more optimistic. So that was 80% of Gen Z and 77% of millennials were the ones that believe the economy will recover in under two years. Then the older demographics, especially the 70 to 75 age group, expected the economy to take that longer period of time to recover, more than six months.

Vinnie Schoenfelder

People who have more experience in these types of things are a little more pessimistic.

Bree Basham

Yes, and to your point, probably the Millennials and Gen Z's are more the ones in the bars right now.



Vinnie Schoenfelder

Correct, so all of this is interesting data. Some of it validates what people are already thinking, right. What was surprising?

Bree Basham

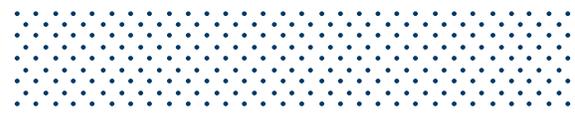
One thing that was surprising to me, just to touch back on the impact that people are feeling, was around the salary demographics of those who were feeling the most impacted. So for respondents with incomes between \$100,000 and \$125,000, which is on the higher tier of what we asked, 74% in March of those respondents felt that COVID would have a medium to major impact on their finances. That did slightly increase even in May to 76% of respondents now making over a \$100,000 expressing concern over the impact of COVID. So, when you think about who you would expect COVID to impact the most, for me, I wouldn't have said it was necessarily the higher income brackets. I would have thought it was maybe some of the folks in the lower income brackets that might've felt the pinch a little bit more, but it does seem like it's spread in surprising ways.

Vinnie Schoenfelder

That's interesting, because from a media perspective, you know, the reports I've read it is that it does impact people below the \$100,000 more because it's a lot of people in retail, hospitality, et cetera. So, it's interesting that the people in that group were more confident than those above. We can talk about this a bit more, but how does that affect how financial institutions address these different demographics? Are people changing their behaviors from being more physical to virtual? Do you think that's going to continue? Do people miss the human experience? So, given the mental state of people in these different demographics, how are banks or financial institutions changing their connection points? What's working, and what's not?

Bree Basham

I think a big takeaway overall for us on this was around the humanizing of interactions on digital channels. And we can talk about some of the data that backs that up and we'll share some of those details in just a minute. But we believe that bringing that live personal touch back to digital experiences, particularly for customers in the older demographics that are really craving that live connection, is going to be really important. And one of the things you touched on was just how do you know what your customers want? And for us, a way to really fully understand with data what customers want would be through making sure these financial institutions understand who they're talking to, who is most impacted, and how that journey is for those folks. So, we use journey mapping and in our Customer Experience practice as one of



the things that can help identify those pain points and show opportunities. Journey mapping could be used, for example, to understand and streamline how a customer can navigate a new or existing channel that they may have recently opened up. And this is going to be crucial as we're relying on new channels right now.

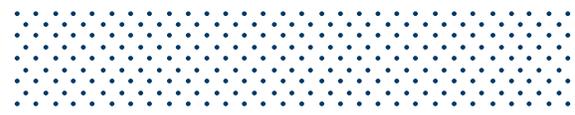
Vinnie Schoenfelder

Yeah, as you say that the technologist in my brain goes down a little flow chart. The first is every company from a CRM perspective wants to increase the number of people they can support without increasing the number of humans doing that support. So, hearing that you want to have more people on the phone, talking to people is not what most organizations want to hear because that's the most expensive way to handle a customer, right? So then you come down one level and you say, "okay personalization," to what you said, how do we know as much about the customer as we do so we can automate a lot of those responses as opposed to asking for the same information three or four times, or every time you're transferred? And then, one level maybe in between there is when we talk about chat bots and voice interaction from smart speakers and integrating that personalization with perhaps some Machine Learning, so that we're taking a more human response before we actually have a human responding. So, I know that goes beyond the extent that we've researched, but I guess my question to you would be based on your expertise in this field, along that spectrum, are people adopting personalized smart chat bots? They know chatbots are an intermediary step to this, I know we'll always need the human. But is that working, is that getting traction? Is that something people should be paying attention to?

Bree Basham

I think the part of that I can speak on is not whether people are doing it, but whether we feel that they should be doing it; and we absolutely do. So, regarding chat specifically, we feel like now is the time for adding new features and functionality. Or for smaller financial organizations that maybe haven't yet dipped their toe into chat, it's certainly a great time to get a quick pilot up and running. Chat is something we can do quickly. We can get something up in a short amount of time, get an MVP out there, test, and iterate on it. And we'd absolutely recommend doing it that way.

Vinnie, I know you recently had our CX colleague, Jason Snook on the podcast and he was talking about conversational technologies and chat specifically. And I'd definitely recommend for the listeners here to listen to that episode as well around best practices with conversational technology.



Vinnie Schoenfelder

One of the big things – not to cherry pick, but I will – is when you have a personalized, intelligent chat bot, don't pretend you're a human. If you're not a human right, have the chat bot have a personality and a voice that your company reflects. But, have it be clear that you're actually talking to a chat bot. So, there's a part of the human brain that wonders, "Am I talking to a machine or a person?" And until that's satisfied, you're not really fully paying attention.

Bree Basham

That's that transparency that customers really want from their brand. And if we try and cover that up, then the in-authenticeness of the situation will come through and that will be something that turns customers off instead of drawing them in.

Vinnie Schoenfelder

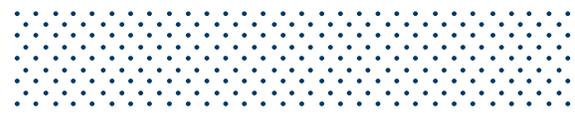
Something you mentioned before – when we were discussing about whether or not we should put this into a podcast form – was about people interested in using a phone to speak to a financial advisor, I'm thinking like four to 40%. Can you speak about that increase as well?

Bree Basham

Yeah, that was the the data I was referring to when we touched on journey mapping a bit ago. So, the numbers that we found were that the desire to speak to a live person had significantly increased during the pandemic. 47% of our May survey respondents indicated a preference for speaking with an associate on the phone, and that is compared with just 4% pre-pandemic. So, that's a considerable difference to layer onto that. We also found that customers may be more open to the nontraditional communications that can still provide that personal touch, such as chat. So, when we talk about the digitizing human experiences – chat would certainly fall into that group. But back to the live connection, how do we give those customers exactly what they're looking for with that phone/human on the other end of the line?

Vinnie Schoenfelder

Yeah, and one of our messages on our other podcasts and the thought leadership we're putting out there is that when we go back to normal, many things will go back to normal, but some things are not going to go back because people have found that they prefer some of these different interactions, whether it be curbside pickup or telemedicine or remote meetings through Zoom. I know for me, for example, I've had a couple, especially for my son, telemedicine consultations over Zoom that were far more effective because we didn't have the 45 minutes in the waiting room ahead of that. So, I don't know if you have the information from this survey or just kind of personal thoughts on it, but as we get back to a normal having



someone on Zoom versus having someone on the phone versus having something in person, do you think we're going to go back to a full normal where people still want to go to the bank and have face-to-face meetings? And, if so, is that broken up by demographic, LesLea?

LesLea Carey

Sure, that's a great question and a great point, too, that you made. Our research actually found that 58% of Americans, so the majority, expect to return to their normal banking behaviors. We focused specifically on those in this research to kind of understand how they would be comfortable banking once we returned to our new normal, and this was across all age categories. One thing that was really to note too, is that those who were the most impacted – so if you recall, that was more Gen X in May and Gen Z and Millennials back in March – those areas are really looking for their financial institutions to offer smarter personalization (so tailored to their unique situation), more security and privacy (that's always going to be top of mind for those younger generations) and better integration with digital assistants. So, I think that really speaks to the chat that we were just speaking with as well as how they're looking to continue some of these behaviors and expand them in the future.

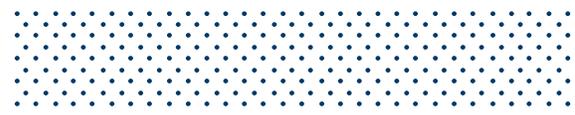
So, they're very open to returning to the financial institution, banking as normal. But now they're starting to consider, "Okay, how can I do this in a more convenient way for me?" So that was interesting. And we also found that those who are majorly impacted are more likely to change their banking behavior than any other demographic. So, they are more likely to go back into a physical branch than any other demographic. But just overall, they're taking a step back and considering, "how am I conducting financial transactions now? And how do I want to do that moving forward?"

Vinnie Schoenfelder

Yeah, I wonder if that's going to drive people changing banks, if they're going to be seeking out those opportunities somewhere else, or if they're just going to wait it out where they are; that's interesting. You mentioned security and this is a tough one. And I know it came through the survey as important, but it's one of those questions where I guess no matter when and how you ask it, people are going to say security is important, right? And then they're going to give away all their personal information for a coupon. But, that aside, was there any indication that people are taking a tighter look at security given more remote connectivity? Or do we feel, it's just kind of something that anyone's gonna check that box when they're asked that question?

LesLea Carey

Yeah, I think anyone's going to check that box when asked that question. One thing we did



have is a few write in answers that really spoke to, "I had previously had my identity stolen. So, this is top of mind for me." So, it's really looking at those prior personal experiences that's kind of driving that security and privacy. But as a whole, that tradeoff of convenience, flexibility, and also now more of a health security, is a great motivator to start to use some of these technologies that financial institutions are putting out there.

Vinnie Schoenfelder

This may be obvious to some, but I just thought of it, so it's new to me. You mentioned personalization as a tie into people whose security has been compromised in the past. And that's a really interesting thought too, if someone, especially within your own organization, security compromises in the past put them in a more human pathway, Bree to your point, and bypass some of the automated stuff. That may be an appropriate assumption to make, at least for a time, to get that comfort level back.

Bree Basham

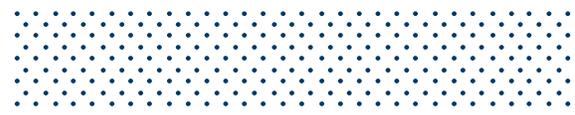
Yeah, that's not one of the interesting things around the privacy and security. You know, we learned that those things were of the utmost importance to customers. As LesLea mentioned, we also heard how important reputation was. So, in both surveys the reputation box was checked as the top priority that customers consider when they're choosing a financial institution. And so they choose reputation even over things like rates or special offers or the factor of how convenient the branches are to them, which was a little surprising to me that reputation would trump all of those things that make your life easier or cost you less. And it just shows that brand reputation is so important and that must be earned consistently and collectively over time. And a key takeaway to do that is by providing great experiences.

Vinnie Schoenfelder

So, let's stick with that then. So, looking over the next six to 12 months, are banks and financial institutions – who probably agree with you on that statement – are they changing or adapting their roadmaps because of this change and a new normal? Or are they pretty much staying the course? And are those things largely the same? What did our data indicate – that people should be changing behaviors?

Bree Basham

We definitely saw in the data that people were looking for how their financial partner responded to COVID and how much importance they placed on that. And for us, just in the practice of what we do every day, we've seen a couple of ways that our own financial clients are doing that. And so, I'll share a couple of examples of areas where I think financial



institutions should be looking to make an immediate impact and then as they evaluate the longer-term road. So, the first area is around financial associate tools. So, we've heard that it is important for people to be able to speak with a financial associate and that they want that live connection. And they're even interested, perhaps more so than previously, to enter a physical branch. So, as you look at what that conversation looks like between a financial associate and a customer, do they have the right tools – digital tools and apps – that they need and the right platforms on which to interact with customers to make that visit extra special and an extra seamless one for the customer? Or are there opportunities there to help them enhance that customer interaction and conversation? And we can use things like technology to make that connection even stronger and give the personal touch to that situation that those customers are looking for? So that's one area.

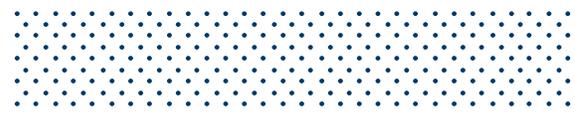
Vinnie Schoenfelder

When you say that I got a visual in my brain: my wife and I, if we go to the grocery store, choosing a grocery store now comes down to which one more obviously is taking COVID-19 seriously, right? So, having markers on the ground is a good thing, having them properly on the ground, right? I've seen some that like intersect with each other. And having someone there walking around making sure people are complying with what the signs on the door saying, "We require you to wear a mask." Every single time someone goes through the checkout of this particular store, there's an associate there spraying down any touch surface that could be touched. And so, it's very, very visual.

I'm thinking banking would be the same way, especially with things like making that reservation to speak with somebody, it needs to be seamless online. Then when you get there, there's not a line out the door that's compressed, right? And virtual queuing can help with that. I know we've spent some time before talking about virtual queuing. Much like at an amusement park, you show up for your time slot and you get right on the ride as opposed to these long, complicated lines. So, I'm trying to think of very obvious visualizations we that can put in our head as to when you say improve that in-person experience, what does that mean in terms of physical things people can do?

Bree Basham

Yeah, and virtual queuing is a great example and one I was gonna mention as well. And I think that the reason virtual queuing has been successful, especially for some of our financial customers, has been because it appeals to multiple demographics that are looking to visit a branch in the near future, but are looking to do so safely. And it also protects the associate as well as the customer. So, thinking about the benefits of virtual queuing, you know, it makes it a



safer, more efficient experience for both parties. We have partnered up to deliver this app to one of the top US banks, which is customer of ours. And one of the funnier, unexpected outcomes we heard from the pilot was that customers in warmer locations, let's say Texas for example, are very excited about the queuing app, because it allows them to stay in their car in the air conditioning longer than having to stand outside to wait and get into the financial institution. So that's been just something we've been laughing about.

Vinnie Schoenfelder

That'll flip flop in January.

Bree Basham

That's right.

Vinnie Schoenfelder

Do the research in Chicago in January.

Bree Basham

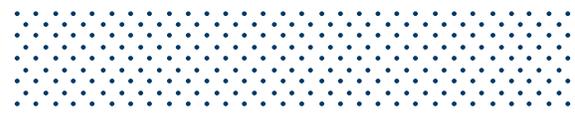
Lots of benefits to that.

Vinnie Schoenfelder

Yeah and for those listening, virtual queuing, obviously smartphones make that super easy, but there are other ways in addition to smart phones for people who don't have them to participate in virtual queuing. So, it's not just a "who has a smartphone" solution. So, Bree and LesLea as we wrap up, I heard some things, I want to make sure we have the right closing thoughts. So, I'll let you go through that. I'll kick it off, focus on humanizing the interactions and combining those with digital channels. That seems to be the biggest one I'm hearing through and through here. What would you say about that in a closing thought? Or are there additional points that you want to drive home before we wrap up?

LesLea Carey

So, with the humanizing the interactions, we found that lot of respondents are open to new technologies and new channels, but as Bree mentioned earlier, they just want to know who they're talking with, someone on the other end to feel like that they're being heard. This is a very uncertain time we're going through right now. There's a lot of unknowns and there's that extra assurance of "someone is listening to me; I'm talking to a person or a smart chat bot who's going to be able to get me the answers that I need." So, that was really a key takeaway.



Bree Basham

I think the only one we didn't cover as we move through the conversation was just a recommendation we were coming up with based on a lot of the data that's really around technology and internal systems – making sure those are optimized because there is this huge influx of communications that we know is going to be coming in the next six months as these individuals begin acting on these decisions they've temporarily paused. So, making sure again, that associates are supported to handle those. And there's many ways to do that through customer dashboards and that sort of thing. But just thinking about all the things that'll need to be in place for that to be effective is something that I think financial institutions need to be prepared for.

Vinnie Schoenfelder

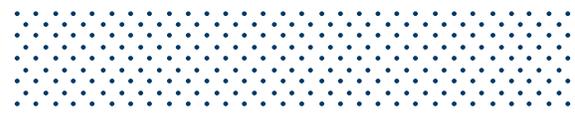
And again, as a technologist in my brain, I'm thinking of the intersection of the technology and the human because it's not just about some of these technical solutions for their own sake. But to your point, LesLea, having someone on the phone who is competent and understanding of your needs, especially when you're nervous, personalization goes a long way. Preparing that person in the call center to know what your accounts are or your balances are on your recent transactions. And if there's been fraud history without having to click, click, click, and look things up and transfer, that feeling of connectedness, because I know who you are, improves that human experience you know? Bree and I talking about virtual queuing, that increases the personal experience, right? Because you're not replacing one to one, you're not replacing a human interaction with a digital interaction. You're using digital tools to improve the experience.

Bree Basham

That's right. And I think for all the financial institutions out there, and for really every industry, in times of chaos like this, we see an opportunity in these spaces and not only that, but really the need to pivot and to deliver more innovatively. So, it's a great time to think big and act bold. And as a creator myself, and as all of us in the creative and innovation space, these times are a lot of fun. You know, it's been fun to play in the space with things like the digital queuing app. And it's also been fun to watch others in the industry and see what they come up with as well as look forward to what's next.

Vinnie Schoenfelder

Yeah, I moderated a panel discussion in Charlotte actually recently where we sort of borrowed the gardener phrase of “winning in the curves.” And the idea being that on the straightaways, when everything's perfectly easy and happy, it's hard to make big gains in disruption. But



outbreaking, out cornering, out accelerating your competition when problems come in; it's a really great way to use a macro disruptive, in this case the pandemic, to allow you to innovate and gain traction on your competitors. And you do that through innovating and engaging your employees and engaging your customers. And so CX is sort of on the forefront on both of those areas. And you can look at the companies who are doing that well and they're winning on that experience. The technology supports it, but you're winning on the experience. So, with that, I'll wrap up. Bree, LesLea, thank you so much for joining, great insights. I love the research. Bree, is there a place we can find this research?

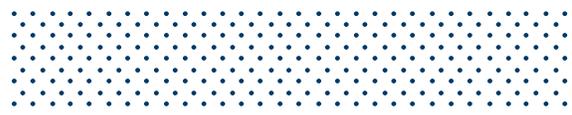
Bree Basham

You can find this research on the CapTech Consulting website, that's [capttechconsulting.com](https://www.capttechconsulting.com). And if you actually just look on our homepage and click on the COVID section, you'll be taken to a page with many resources, including the full report of these surveys. And there's some pretty cool infographics to dive into at that location as well.

Vinnie Schoenfelder

Well, thanks everyone for listening. Please, if you haven't had a chance to yet subscribe to the podcast, it really helps us out. And that way you'll be notified when we have future discussions. Thank you.

This document contains general information for educational purposes only. In posting this document CapTech is not providing business, financial, investment, tax, legal, or other professional advice or services and should not be used as a substitute for those services or should not be used for any



decision or action that may impact your business. This document is not a solicitation for business for any of the companies or the organizations included in it, nor does CapTech recommend or endorse the services or products provided by these companies or organizations. CapTech provides this document on an "as is" basis and makes no representation or warranty as to its suitability or validity for any specific purpose. CapTech is not responsible for any loss sustained by any person or company who relies on this document for making business decisions.

This contains CapTech's copyrighted material. If you wish to use copyrighted material from this site for purposes of your own that go beyond fair use, you must obtain permission from CapTech.