

Emotional Engagement: Differentiate Your Members' Experience

Discovery Conference

Aug 13, 2020

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Agenda

01 | Financial Anxiety

02 | Emotions & Customer Experience (CX) Events

03 | Consumers' Suggestions for Improving Customer Experience

04 | Key Take-Aways

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Bain: Reducing Anxiety is a Top Five Driver of Net Promoter Scores

Top Five Customer Experience Elements Linked to Net Promoter Score in Banking



Quality – Does the FI have first-class products/services needed for financial success?



Simplifies – Does the FI make it easy to bank with them?



Saves Time – Can a person conduct their financial business quickly with this FI?



Heirloom – Does the FI represent a good investment for future generations?



Reduces Anxiety – Does the FI make me feel confident in managing my finances?

Source: "In Search Of Customers Who Love Their Bank", Bain & Co., 11/18/2018

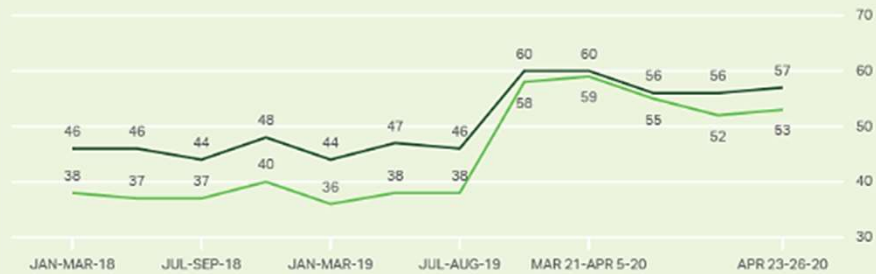
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Gallup: "Worry and Stress Fuel Record Drop in U.S. Life Satisfaction"

Daily Emotional Experiences of U.S. Adults, Trended (Jan 2018- Apr 2020)

Did you experience the following feelings during a lot of the day yesterday?

■ Worry ■ Stress



*Data from Jan 2008 to Aug 2019 are based on the Gallup National Health and Well-Being Index; data from Sep 30-Oct 14, 2019 and from Mar 6-20, Mar 21-Apr 5, Apr 7-14, Apr 15-22 and Apr 23-26, 2020 are from the Gallup Panel.

GALLUP

Source: "Worry and Stress Fuel Record Drop in U.S. Life Satisfaction", Gallup, May 8, 2020

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COVID-19 Has Even Created Anxieties About Basic Needs for Some Consumers



"I got laid off from my job since I work in retail. I am really worried because I don't make much, as it is, and now because of COVID, I'm out of a job. I started spending on only food and necessities - mostly buying the cheapest canned foods I can find so my savings could last longer."

-Munira
Age: 27
Gender: Female
Race / Ethnicity: Asian

Source: CUNA Mutual proprietary consumer qualitative research conducted April 2020

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Many, But Not All, Consumers Are Now Anxious or Struggling Financially

Some are financially comfortable, but many are experiencing feelings of uncertainty as the economy has taken a sudden drastic turn.

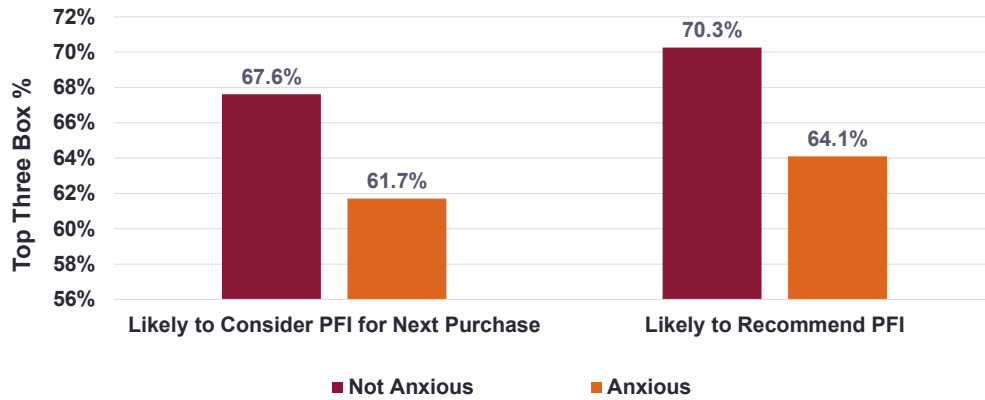


Source: CUNA Mutual proprietary consumer qualitative research conducted April 2020

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Higher Anxiety About Financial Situation = Lower Loyalty Ratings

Anxious Customers/Members “Ding” Their PFIs By Giving Lower Loyalty Ratings



N=1,367

M9: Please indicate the degree to which you agree or disagree with each of the following statements regarding money and finances: I feel anxious about my current financial situation

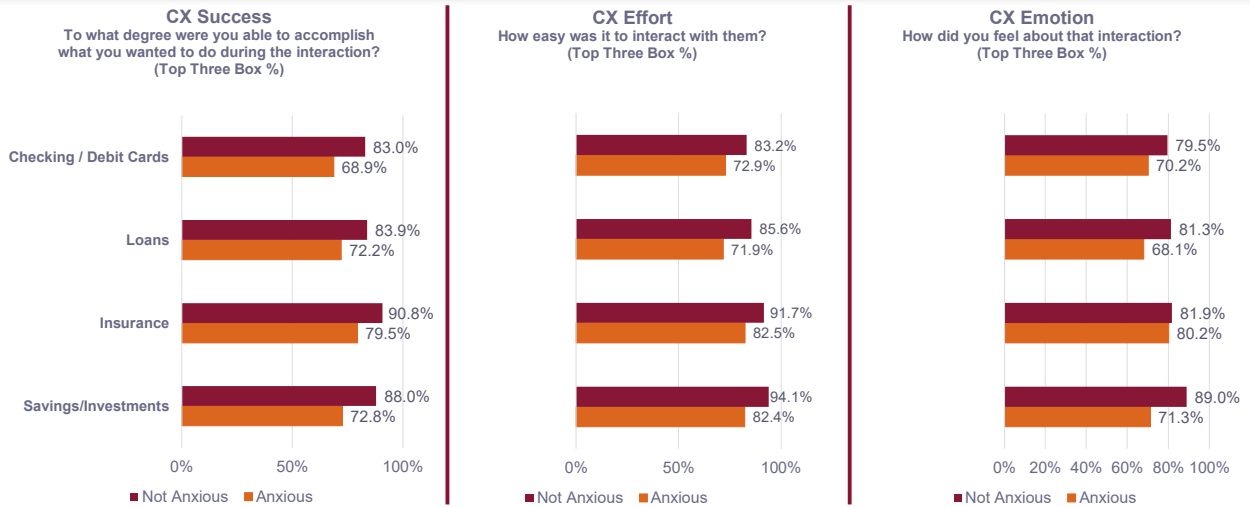
M8A: How likely would you be to consider this financial institution for your next product or service?

M8B: How likely would you be to recommend this institution to a friend or family member?

Source: CUNA Mutual proprietary consumer research conducted March 2020

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Higher Anxiety Also Leads to Lower CX Ratings for Individual Products



N= 478 – 958

M9: Please indicate the degree to which you agree or disagree with each of the following statements regarding money and finances: I feel anxious about my current financial situation

Source: CUNA Mutual proprietary consumer research conducted March 2020

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Turning Anxiety-Provoking Situations into Positive Emotional Experiences

"Our credit union deferred our car payments for 2 months interest free as a result of the hardships related to the covid-19 shutdown. This was not requested or prompted by us but instead initiated by the credit union. It was such a relief to know that there was one less payment we would have to make right now..."

-Josh
Age: 34
Gender: Male
Race / Ethnicity: White

Source: CUNA Mutual proprietary consumer qualitative research conducted April 2020



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Negative Experiences: Examples of Verbatim Comments

Customer Service

"The customer service at my institution could have more compassion. When you contact them, they sound like you are bothering them and wasting their time."

- Doneva, 62, Female, White

Fraud

"I only found out [about the fraud] when I looked at my statement and noticed almost \$2,000 in charges I did not make. It took several months and countless hours of phone calls and emails to get back my hard-earned money."

- James, 39, Male, White

Product Functionality

"I couldn't activate my debit card because I didn't have the PIN. When I called the bank, they told me they had mailed the PIN to me. I never received it, so I asked how to reset it. They told me I had to wait 30 days or to go into a branch."

- Jessica, 27, Female, White

Fees

"I have overdraft protection on my account that will pull money from savings if my checking account overdrafts. There is a fee for this every time it occurs...if all that is happening is a computer somewhere moves some numbers from one line to another, it shouldn't cost me anything."

- Josh, 34, Male, White

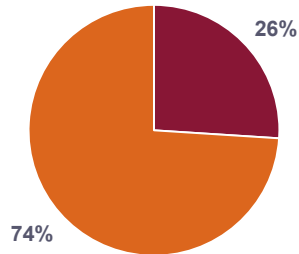
Source: CUNA Mutual proprietary consumer qualitative research conducted April 2020

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Good News - CU Members Have Fewer Negative Experiences

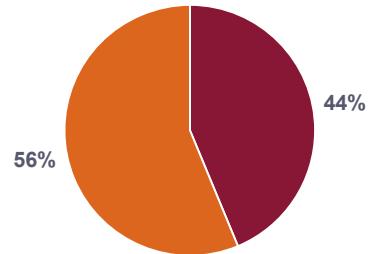
Who Provides Respondent's Primary Checking Account / Debit Card:

Credit Union



- Had a Negative Experience
- Did Not Have a Negative Experience

Not a Credit Union



- Had a Negative Experience
- Did Not Have a Negative Experience

N= 958.

Base = Assigned Checking/Debit Account Product and felt negative about last interaction or ever had a negative experience

M4. Again, of the financial institutions where you said you currently do business, which one provides the CHECKING ACCOUNT OR DEBIT CARD YOU USE THE MOST?

M15. How did you feel about that interaction?

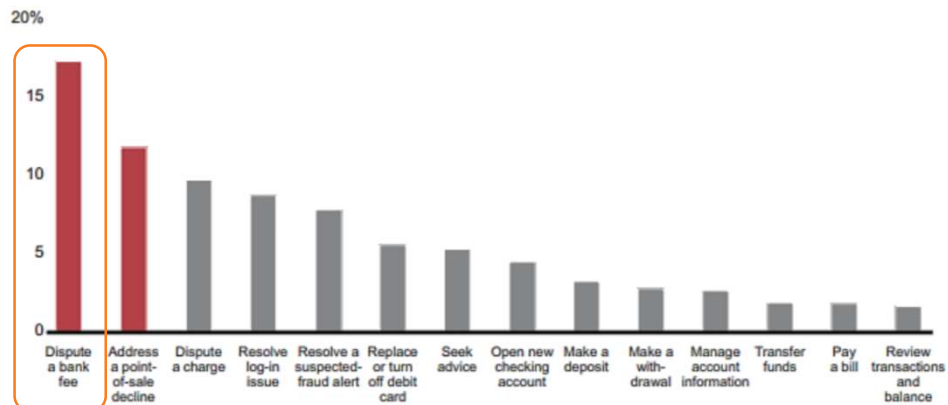
M16. During the time you've had this account, have you ever had a negative experience with this financial institution regarding this checking account or debit card (even if the issue was successfully resolved)?

Source: CUNA Mutual proprietary consumer research conducted March 2020

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Loyalty Suffers When Members Dispute a Fee

Percentage of US respondents who said their experience with these checking-and-savings episodes made them less likely to recommend the bank



Sources: NPS Prism; US Consumer Banking and Wealth Management Study, 2019

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Overdraft & Other Surprise Fees: Current Situation

Overdraft and surprise fees are a real burden for some consumers

Seem to be fees for everything – account minimums, direct deposit requirements, out-of-network ATM usage, account inactivity, etc.

Fees are continuously being raised, and customers are often unaware of the changes

Not all consumers receive alerts when accounts are at risk for overdraft

When fees are incurred, customers often call the PFI to explain the issue hoping the fee will be removed

Source: CUNA Mutual proprietary consumer qualitative research conducted April 2020

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Overdraft Fees: Member's Voice

“Ensure transparency on how all transactions will be handled.”

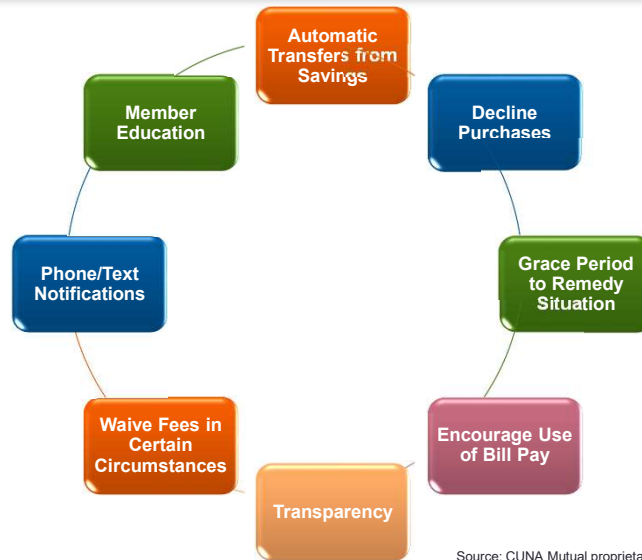
“Educate customers on balancing a checkbook. Offer overdraft fee forgiveness for the first time.”

*- Matthew
Age: 46
Gender: Male
Race / Ethnicity: White*

Source: CUNA Mutual proprietary consumer qualitative research conducted April 2020

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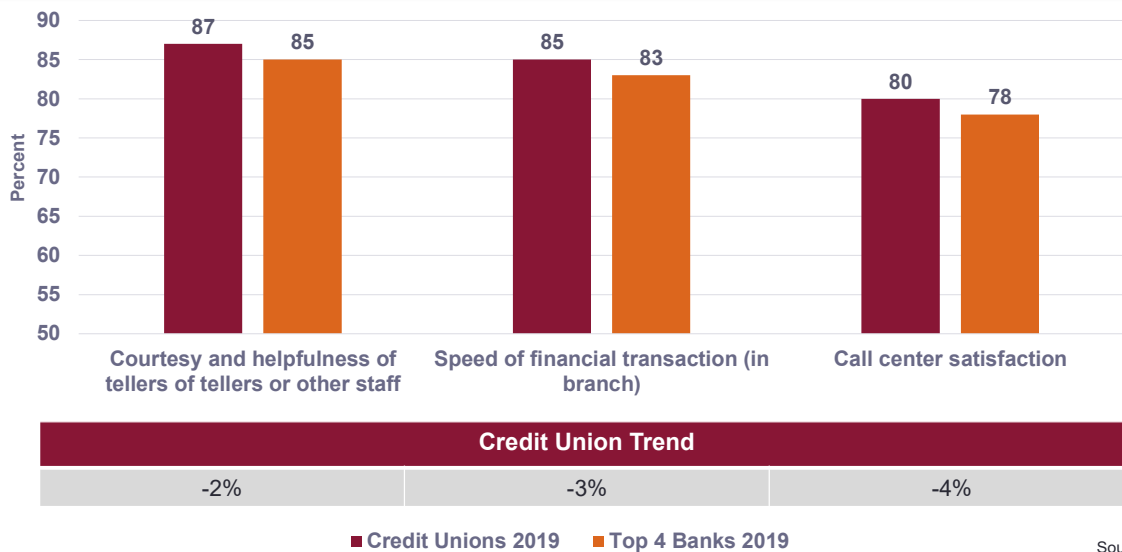
Overdraft & Other Surprise Fees: Consumers' Suggestions for Improvement



Source: CUNA Mutual proprietary consumer qualitative research conducted April 2020

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Member Service: CUs Trending Down But Still Lead Top 4 Banks



Source: ACSI

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Branch Transactions Down, But Pay is Up

FIGURE 2: Average Branch Monthly Volume — Teller Transactions
Credit Unions and Community Banks

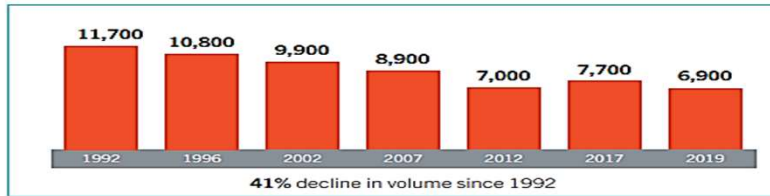
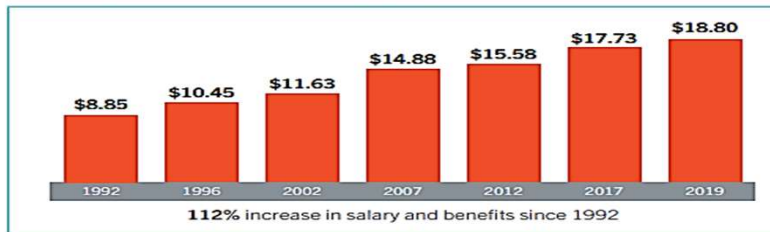


FIGURE 3: Salary and Benefit Hourly Pay Rate
Credit Unions and Community Banks



Source: "2019 Kronos Teller Line Study"

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Decline in CU Teller Productivity Impacting Speed of Transactions?

FIGURE 8: Teller Productivity – Average Transactions Processed
Per Teller Hour Worked



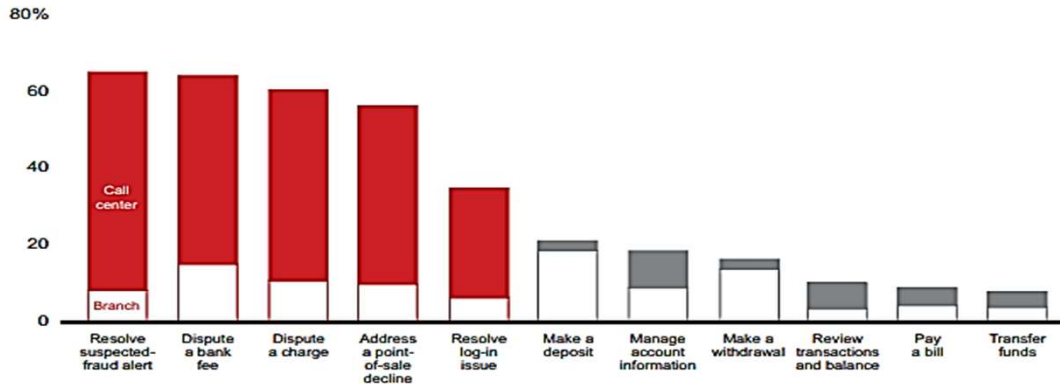
Source: "2019 Kronos FMSI Teller Line Study"

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“Annoying Events” Could Be Driving Down Satisfaction

Many annoying episodes are initiated in the call center. Credit unions should strive to avoid these episodes in the first place.

Percentage of episodes initiated by checking-and-savings customers at a major US bank, by channel



Sources: NPS Prism; US Consumer Banking and Wealth Management Study, 2019

Source: "As Retail Banks Leak Value, Here's How They Can Stop It", Bain & Company, Nov. 18, 2019

Customer Service: Current Situation

Poor customer service is viewed as commonplace

Many feel that representatives are not taught to listen to problems and speak empathetically to customers

Some feel like they are inconveniencing the representatives with their problems

Some find sales pitches aggravating when calling in with a problem or for info

If customer service does not dramatically improve over time, many will try to do anything they can to try to solve the problem themselves before asking for help

Source: CUNA Mutual proprietary consumer qualitative research conducted April 2020

Customer Service: Sampling of Verbatim Suggestions

“Build strong relationships with customers so you **know** their needs and their **current financial situations** as well as potential goals.”

-Tahira
Age: 23
Gender: Female
Race / Ethnicity: Asian

“The best preventative action is training. In my industry, we have the LEARN model when we encounter a problem with a guest. L is for **listen**, E is for **empathize**, A is for apologize, R is for reaction (by offering a solution), and N is for notifying (rest of team, follow up with guest). The LE in the model is the bedrock of any conversation.”

- Cory
Age: 32
Gender: Male
Race / Ethnicity: White

Source: CUNA Mutual proprietary consumer qualitative research conducted April 2020

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Customer Service: Consumers' Suggestions for Improvement



Source: CUNA Mutual proprietary consumer qualitative research conducted April 2020

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Key Take-Aways

Financial Anxiety

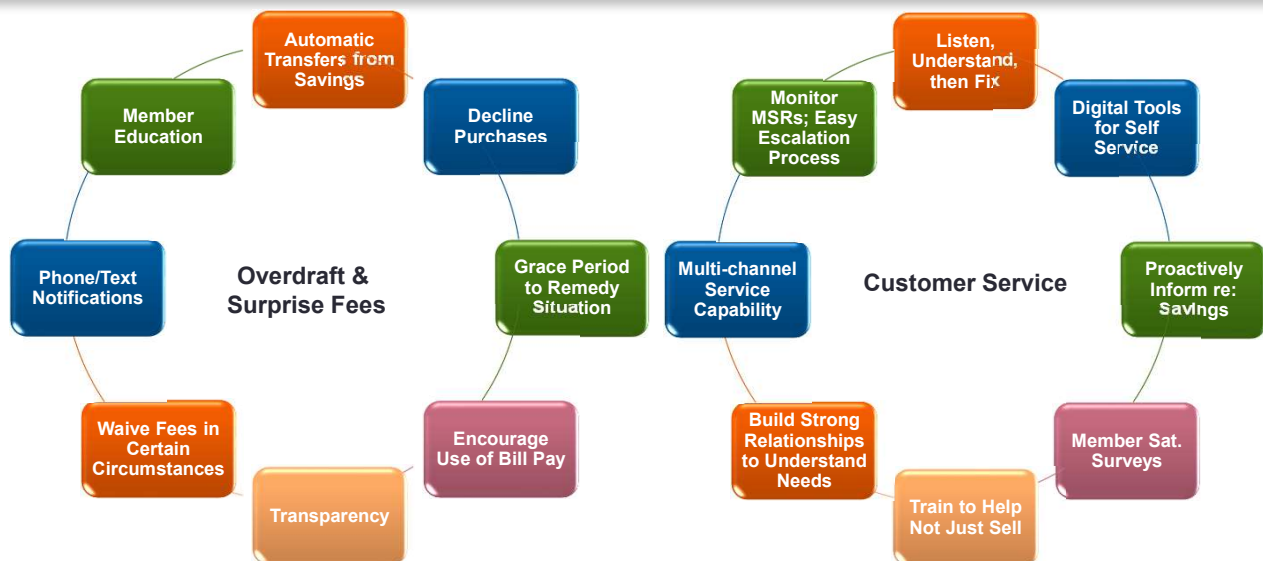
- COVID-19 and the resultant economic shocks have elevated financial anxiety levels
- Higher anxiety leads to lower loyalty ratings overall and lower CX ratings
- CUs have an opportunity to turn anxiety-provoking situations into positive emotional experiences

Anxiety Provoking Events

- Most common negative experiences involve customer service, product functionality, fraud and fees
- Negative experiences with fees and customer service lead to negative emotions
- CUs have an opportunity to differentiate by proactively knowing member needs and creating exceptional experiences.

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Key Take-Aways: Consumers' Suggestions for Improvement



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Potential Actions for Delivering Positive Emotional Experiences

To Do List

Financial Anxiety

1. Identify members who may be experiencing financial anxiety

Emotions & Customer Experience (CX) Events

2. Determine the most common & irritating negative experiences members encounter using your products and services
3. Use member input to re-engineer CX events with the greatest negative emotional responses

Overdraft Fees & Member Service

- ✓ Compare consumers' suggestions for improving member experience
- ✓ Consider addressing any gaps that were identified and ensure members know you implementing improvements

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“Emotion moves faster than logic, and that’s invaluable to brands who speak to the heart and character of the customer.”

- Melissa Bolton, Brand Therapist

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