

Maximizing Customer Lifetime Value Through Financial Wellness

Vibhas Ratanjee
Senior Practice Expert
Financial Services Practice
GALLUP

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Moments That Matter

People we enjoy being around

- 1. Friends
- 2. Relatives
- 3. Significant Other

3rd From Last: Customers
2nd From Last: Coworkers
Dead Last: Bosses

Housecleaning

Source: Kahneman, D., et al. (2004). A Survey for Characterizing Daily Life Experience: The Day Reconstruction Method. Science. 306. 1776-1780.



Customer Expectations

PAST PREMISE



What You Offer
Cost
Function

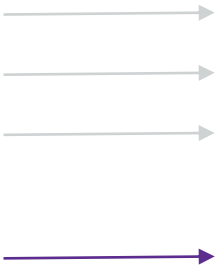
Satisfaction

TODAY'S PREMISE



Why You Offer It
Meaning
Relevancy

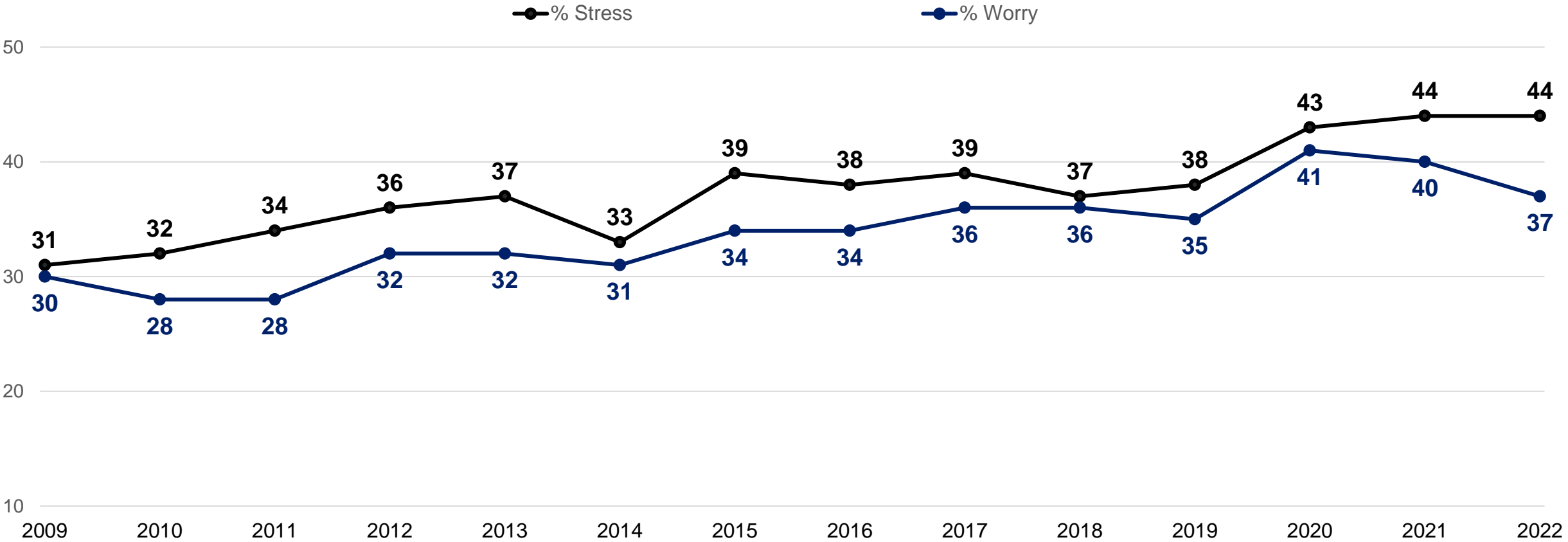
Engagement



Rational factors and measurements simply do not reveal the deep emotional underpinnings of engagement.

The Unabated Rise of Worry and Stress

Emotions Experienced a Lot the Previous Day:

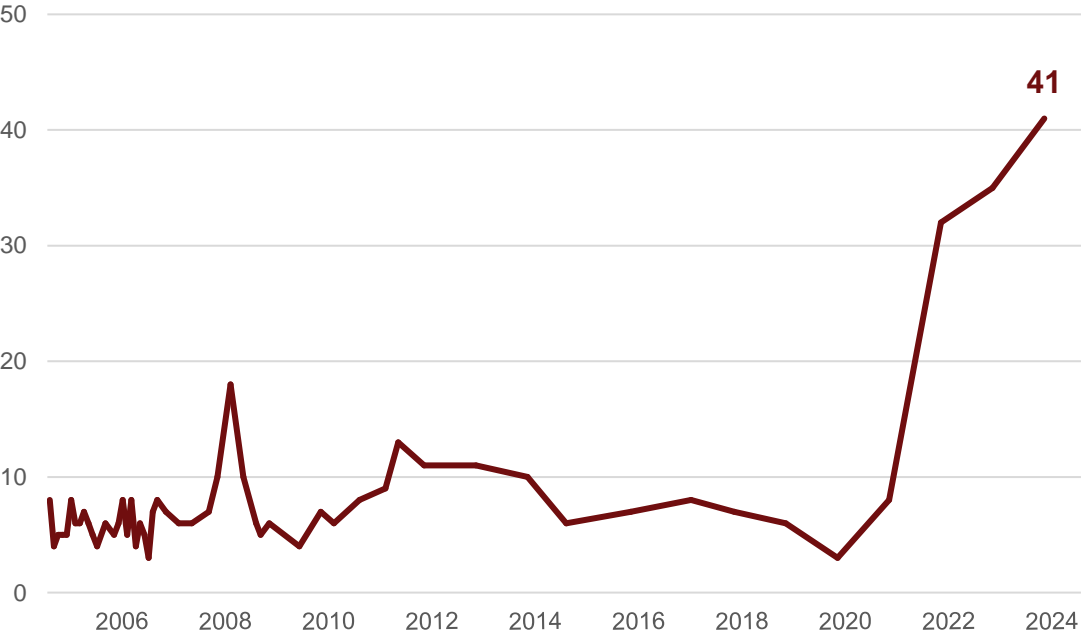


Source: Gallup World Poll, Global Employees. Gallup's 2024 State of the Global Workplace Report will premier June 11th.

Inflation Tops List of Most Important Financial Problems in 2024

Mentions of Inflation Over Time

What is the most important financial problem facing your family today?



Financial Worries

% of Americans who are Very or Moderately Worried

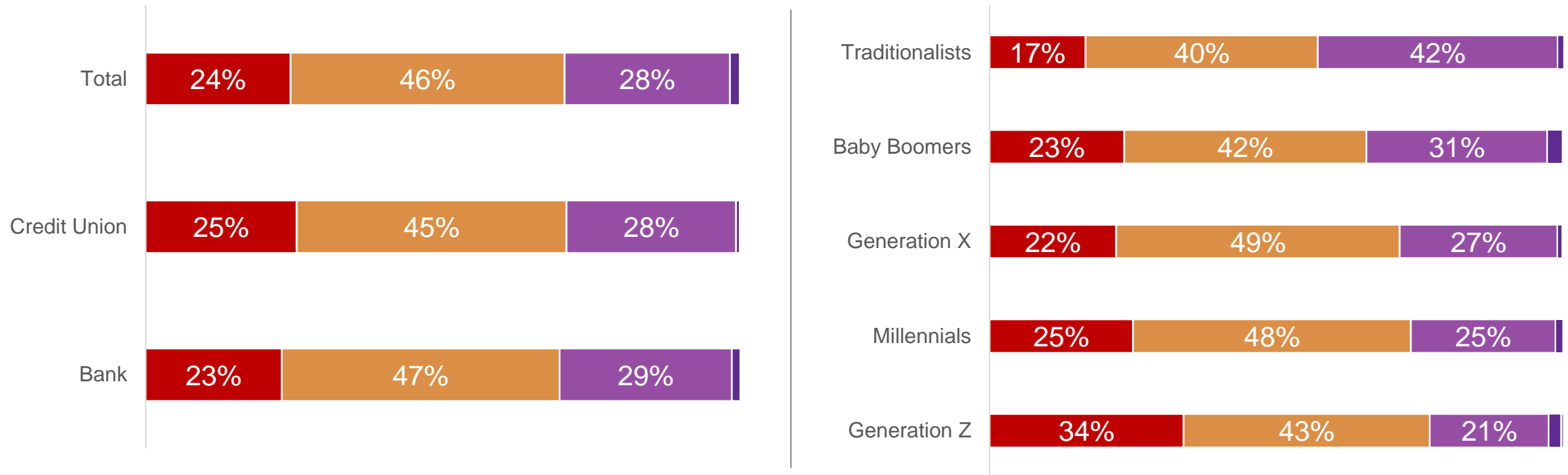
- Not having enough money for retirement **59%**
- Not being able to pay medical costs of a serious illness/accident **56%**
- Not being able to maintain the standard of living you enjoy **55%**
- Not being able to pay medical costs for normal healthcare **43%**
- Not having enough money to pay your normal monthly bills **42%**

Source: Gallup's annual Economy and Personal Finance poll, conducted April 1-22, 2024, phone.

Younger Generations More Concerned about Economic Conditions

How would you rate economic conditions in this country today?

■ Poor ■ Only Fair ■ Good ■ Excellent ■ No Answer



Source: Gallup Panel Q2 2023

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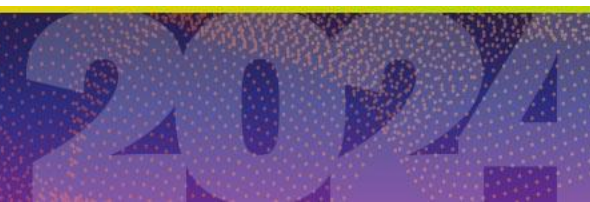
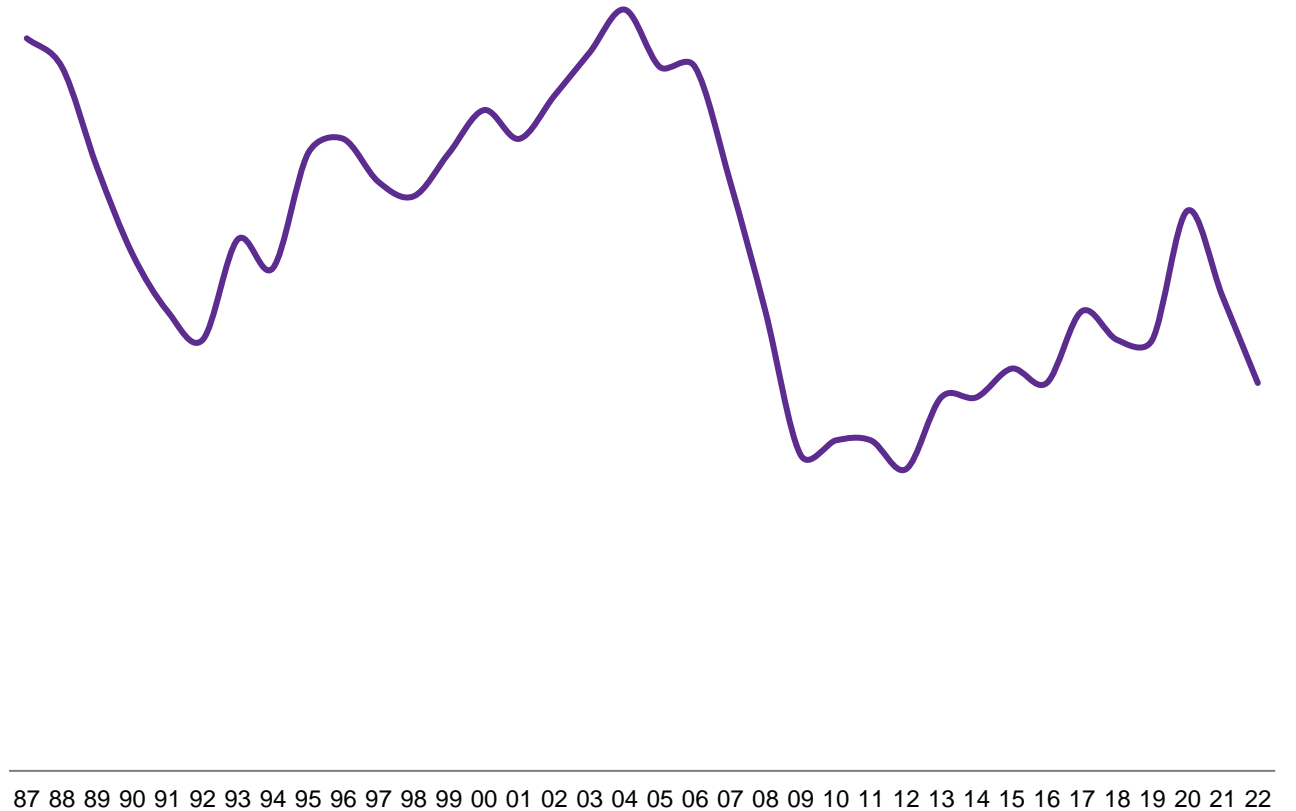
2024

Confidence in Financial Institutions is Declining

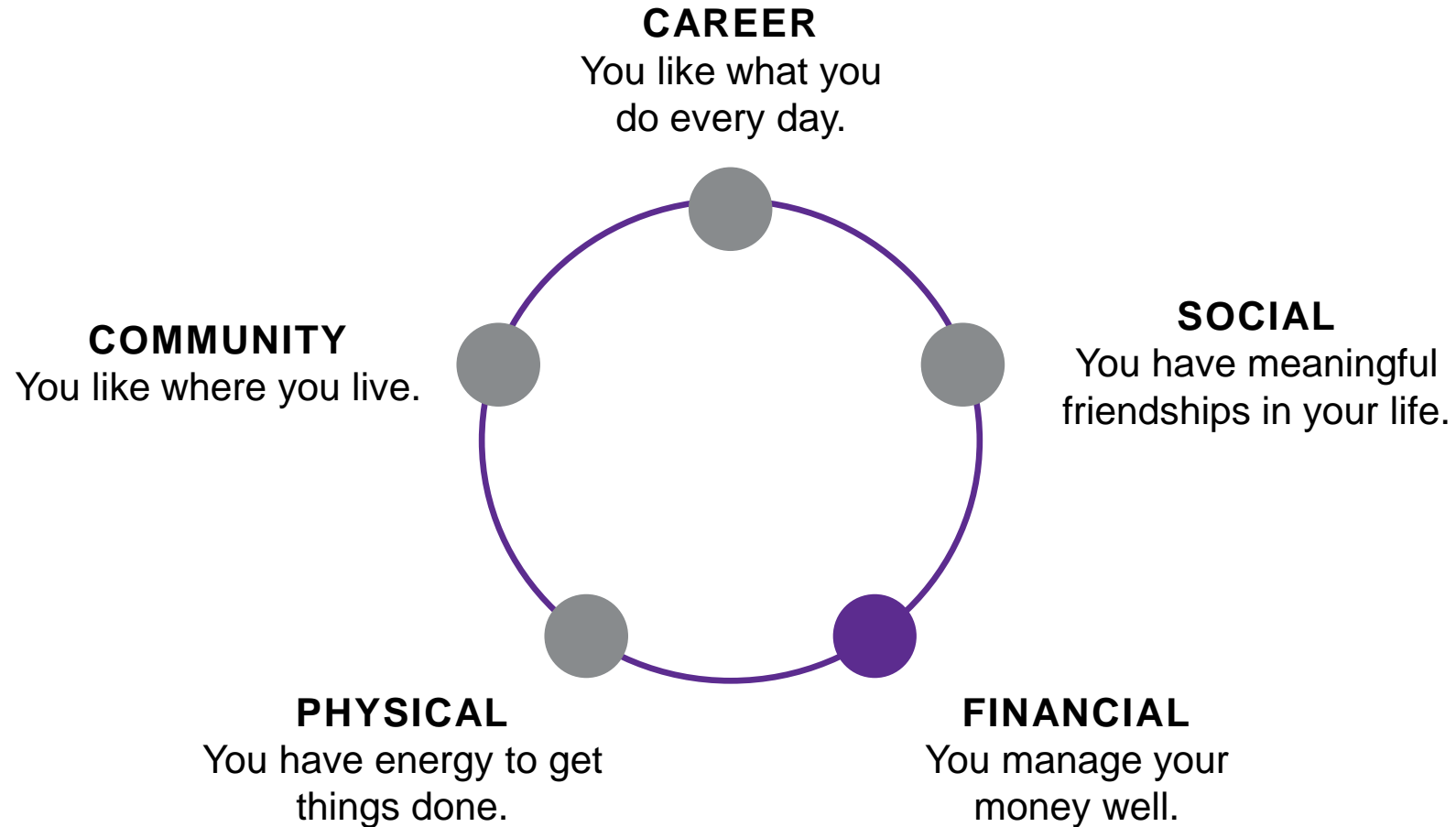
AMERICANS' CONFIDENCE IN U.S. INSTITUTIONS, 2021

| | June 1-22, 2023 | All-time low |
|-------------------------------|-----------------|--------------|
| Small business | 65 | 57 |
| The military | 60 | 50 |
| The police | 43 | 43 |
| The medical system | 34 | 31 |
| Organized religion | 32 | 31 |
| The U.S. Supreme Court | 27 | 25 |
| Financial Institutions | 26 | 21 |
| The presidency | 26 | 23 |
| The public schools | 26 | 26 |
| Large technology companies | 26 | 26 |
| Organized labor | 25 | 19 |
| Newspapers | 18 | 16 |
| The criminal justice system | 17 | 14 |
| Television news | 14 | 11 |
| Big business | 14 | 14 |
| Congress | 8 | 7 |

Gallup Poll — Confidence in FI Trend (% Great Deal/Quite a lot of Confidence)

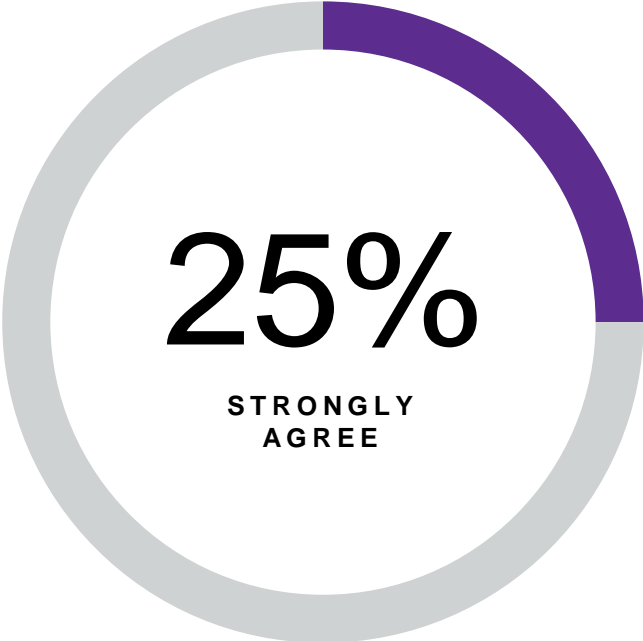


Five Universal Elements of Well-being Differentiate a Thriving Life From One Spent Suffering.

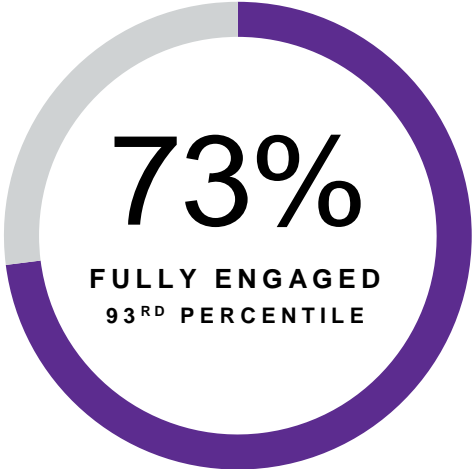


Financial Wellbeing Support Is the Source of Consumer Engagement with FIs

“My FI looks out for my financial wellbeing.”



When FI consumers strongly agree their bank looks out for their financial wellbeing...



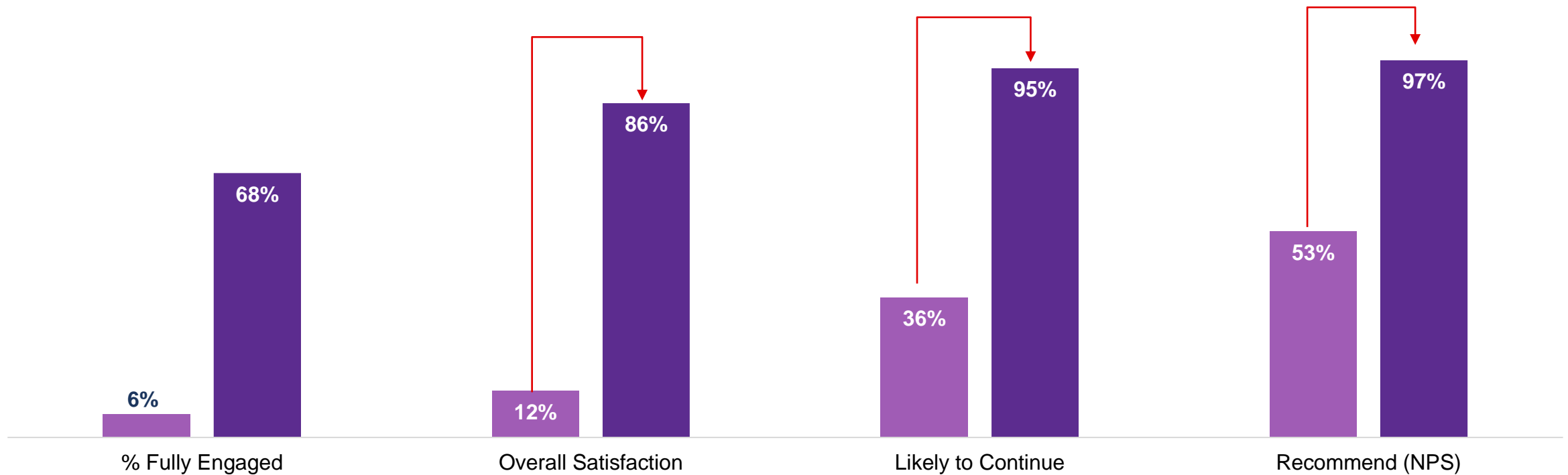
...But when FI consumers do not strongly agree:



Those Thriving in Financial Wellbeing Have Higher Engagement, Satisfaction and Advocacy

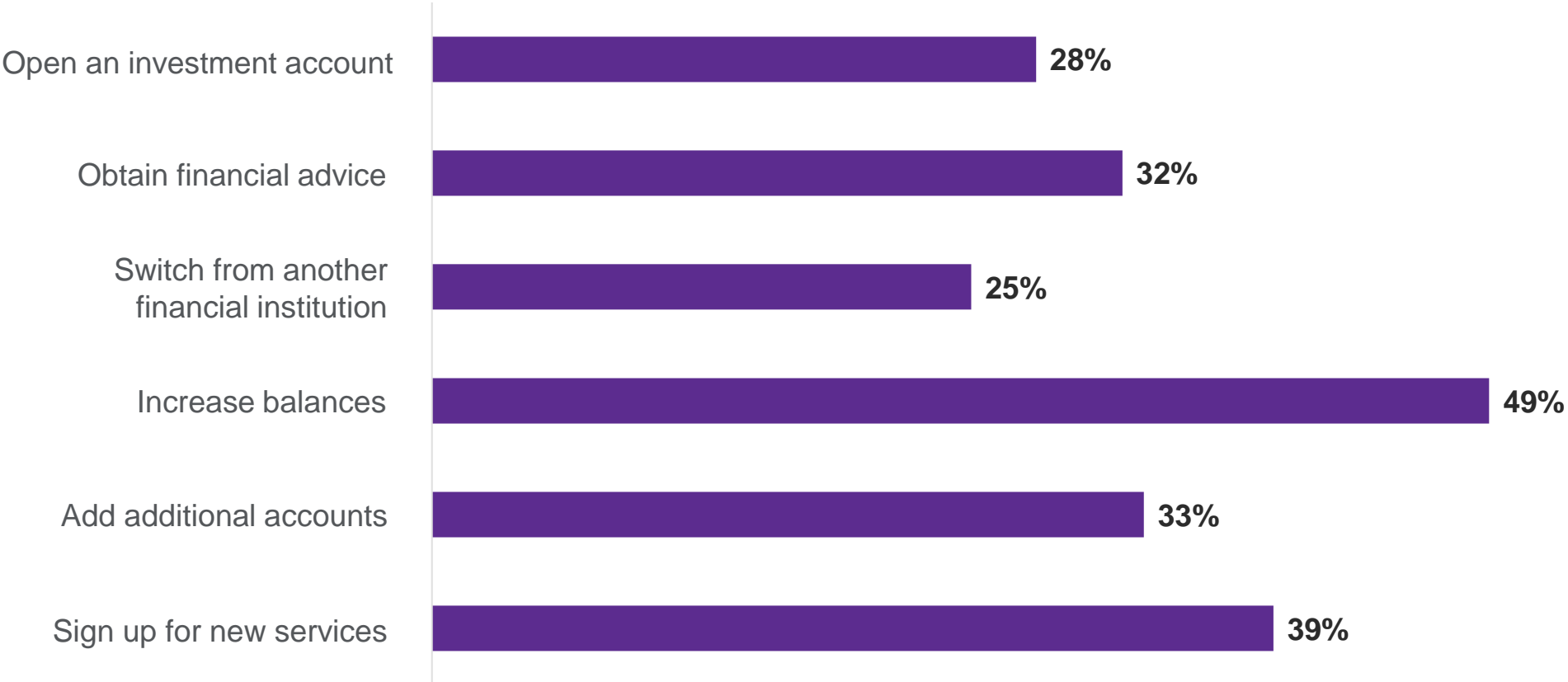
Overall Financial Services Market

■ 1-3—Looks Out for My FWB ■ 5—Looks Out for My FWB



...And They Plan to Go Deeper..

% More likely in the next 12 months



FINANCIAL HEALTH

The state of a person's financial situation (**facts**)



FINANCIAL WELLBEING

A person's emotional relationship with money (**feelings**)

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Reaching Beyond Financial Health

Financial wellbeing is not about a number — it's about an emotional relationship with money.

FINANCIAL HEALTH

Discretionary Income

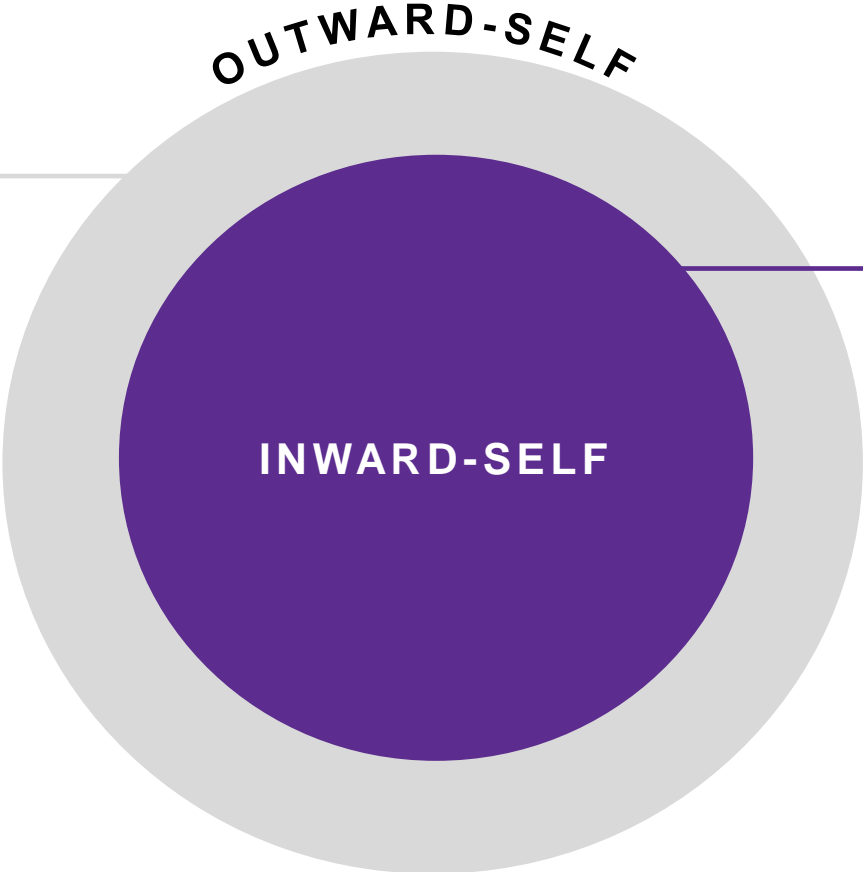
Budget for nonessentials

Financial planning

Retirement, investments, etc.

Standard of Living

Income, debt, savings, etc.



FINANCIAL WELLBEING

Enjoyment

Am I free to spend money on experiences?

Confidence

Am I saving for significant life milestones?

Worry

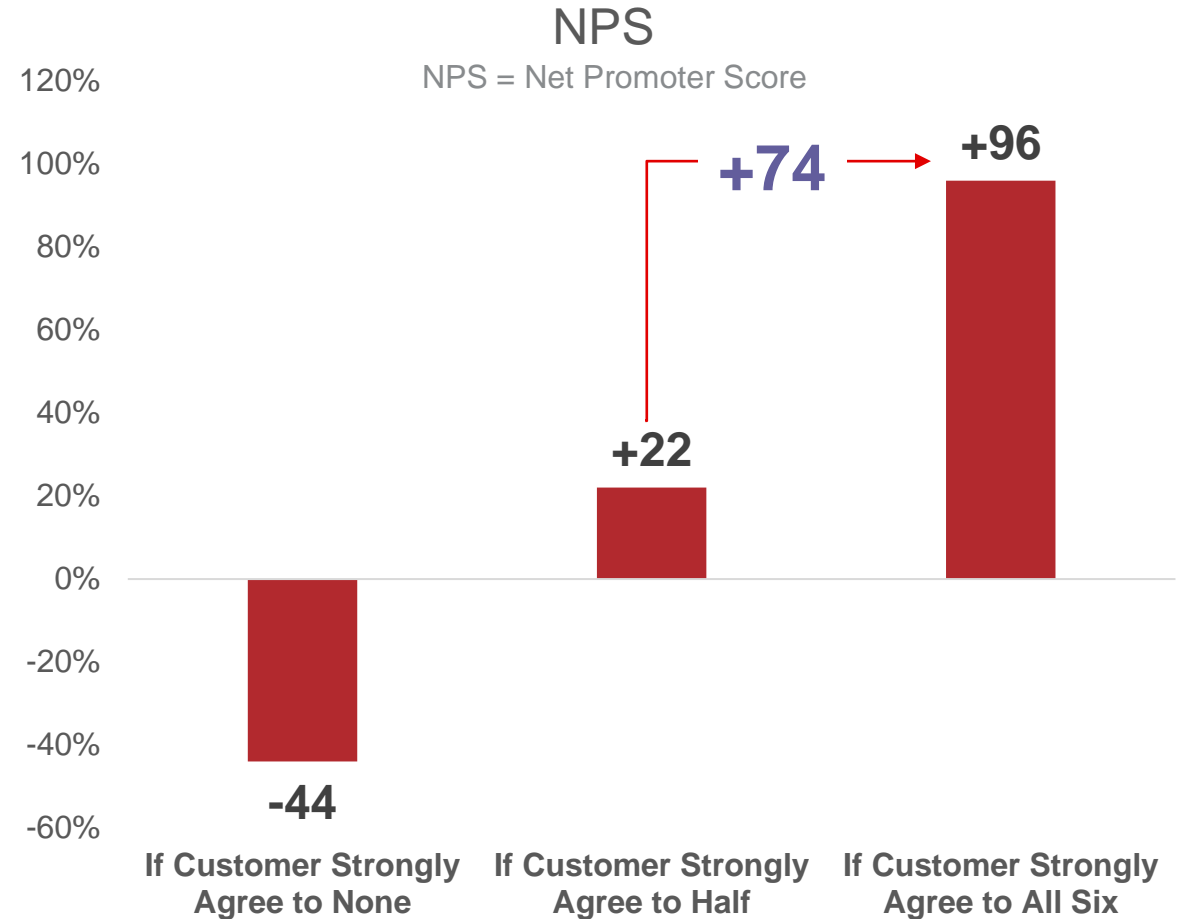
Do I have enough money for daily life?

What Does Thriving in Financial Wellbeing Look and Feel Like?

Gallup research finds that customers feel a deeper sense of financial wellbeing when they can strongly agree that their primary FI:

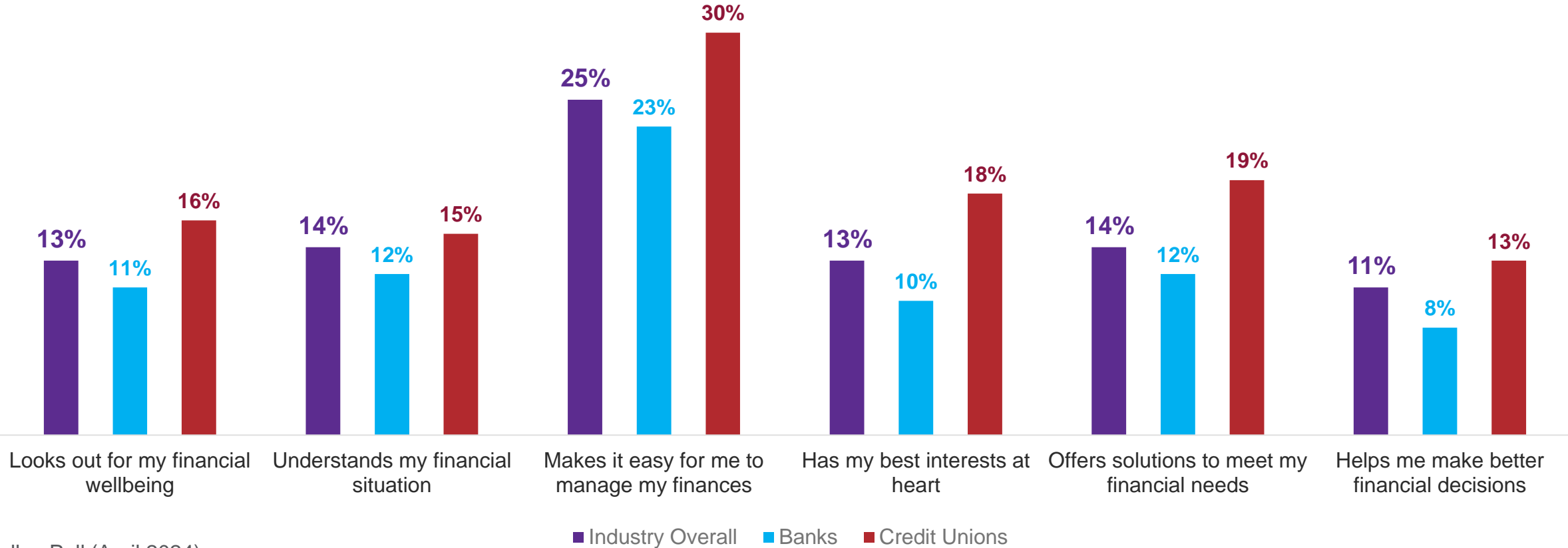
1. **Looks out** for my financial wellbeing
2. **Understands** my financial situation
3. **Makes it easy** for me to manage their finances
4. **Has my best interests** at heart
5. **Offers solutions** to meet my financial needs
6. **Helps me** make better financial decisions

Gallup Poll (April 2024)



Concrete Factors like Easy Financial Management Rate Highest; Room Exists to Improve Softer Skills Like Helping Consumers Make Better Financial Decisions

% STRONGLY AGREE TO STATEMENT



Gallup Poll (April 2024)



The Financial Wellbeing Support Trifecta



HIGH CHANNEL CONSISTENCY

Issues, Friction, Effort



HIGH DIGITAL ADOPTION

Routine and Complex



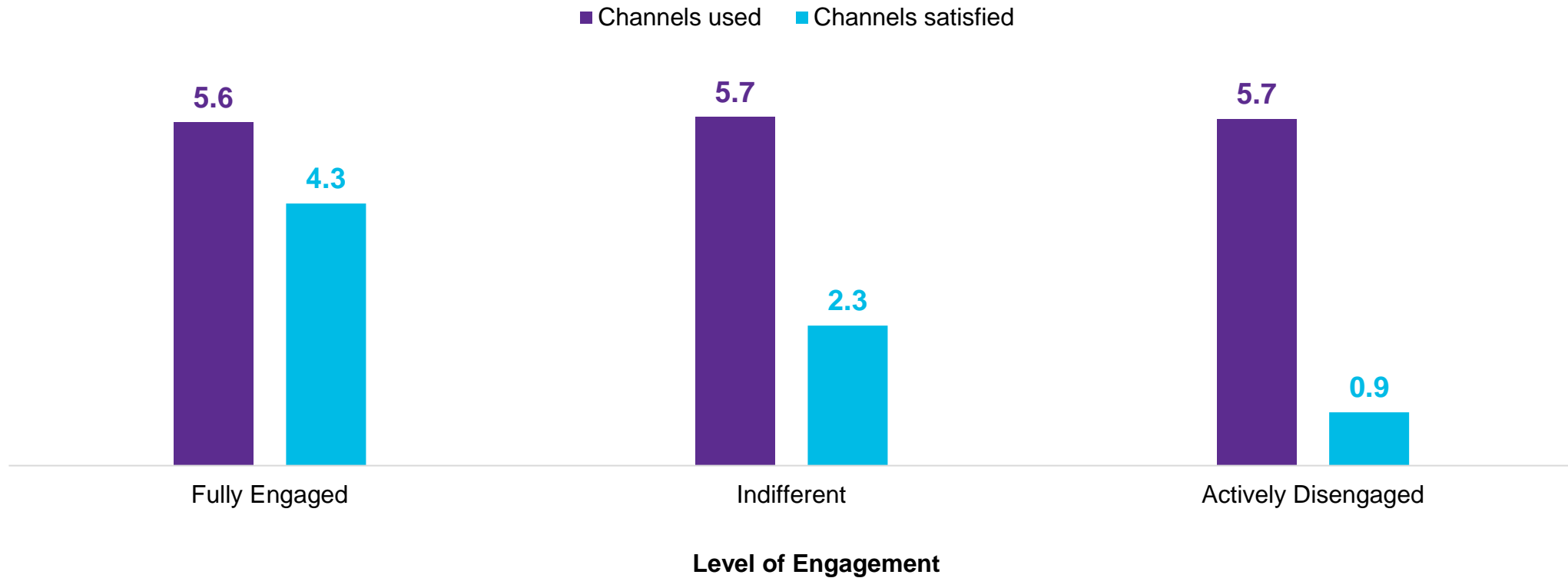
HIGH QUALITY CONVERSATIONS

Financial Advice
and Wellbeing

Focus on Consumers' Channel Experience — Not the Number of Channels



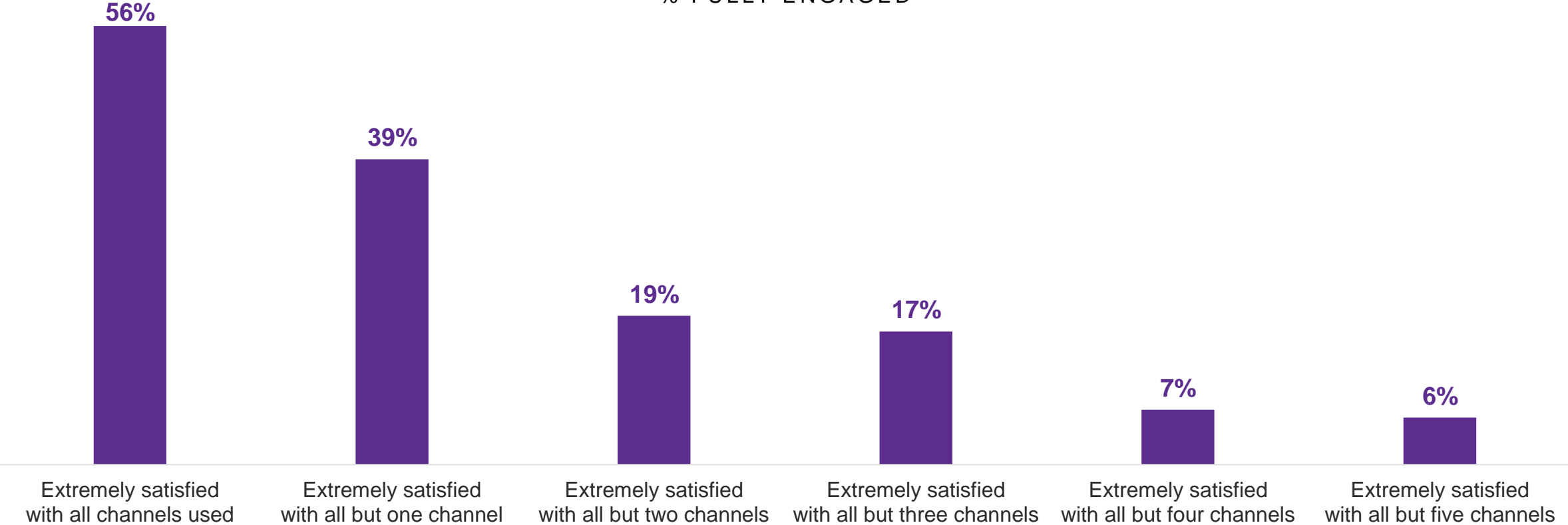
AVERAGE NUMBER OF CHANNELS USED, COMPARED WITH THE AVERAGE NUMBER OF CUSTOMER-SATISFYING CHANNELS



Consumers Experience the Entire Organization Locally

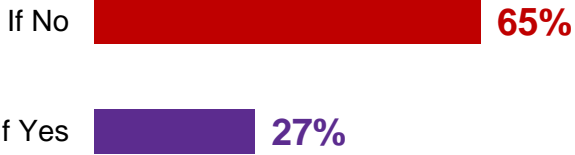
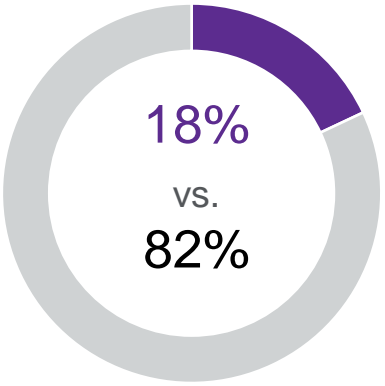


% FULLY ENGAGED

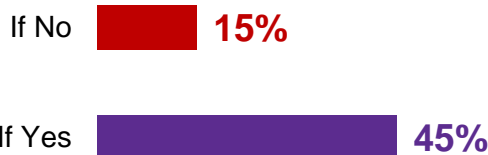
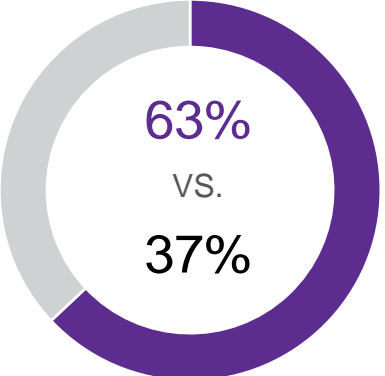


Managing Problems Impacts Engagement Significantly

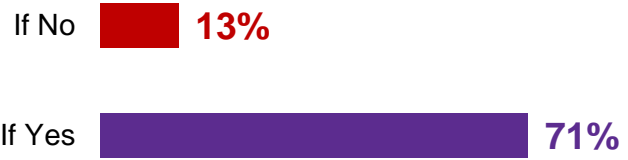
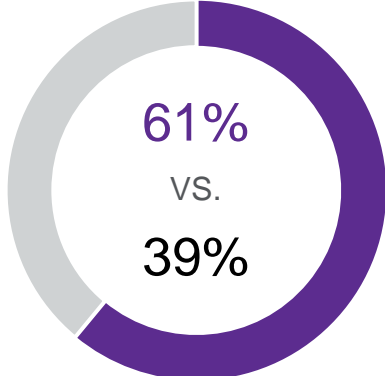
EXPERIENCED A PROBLEM



PROBLEM RESOLVED?

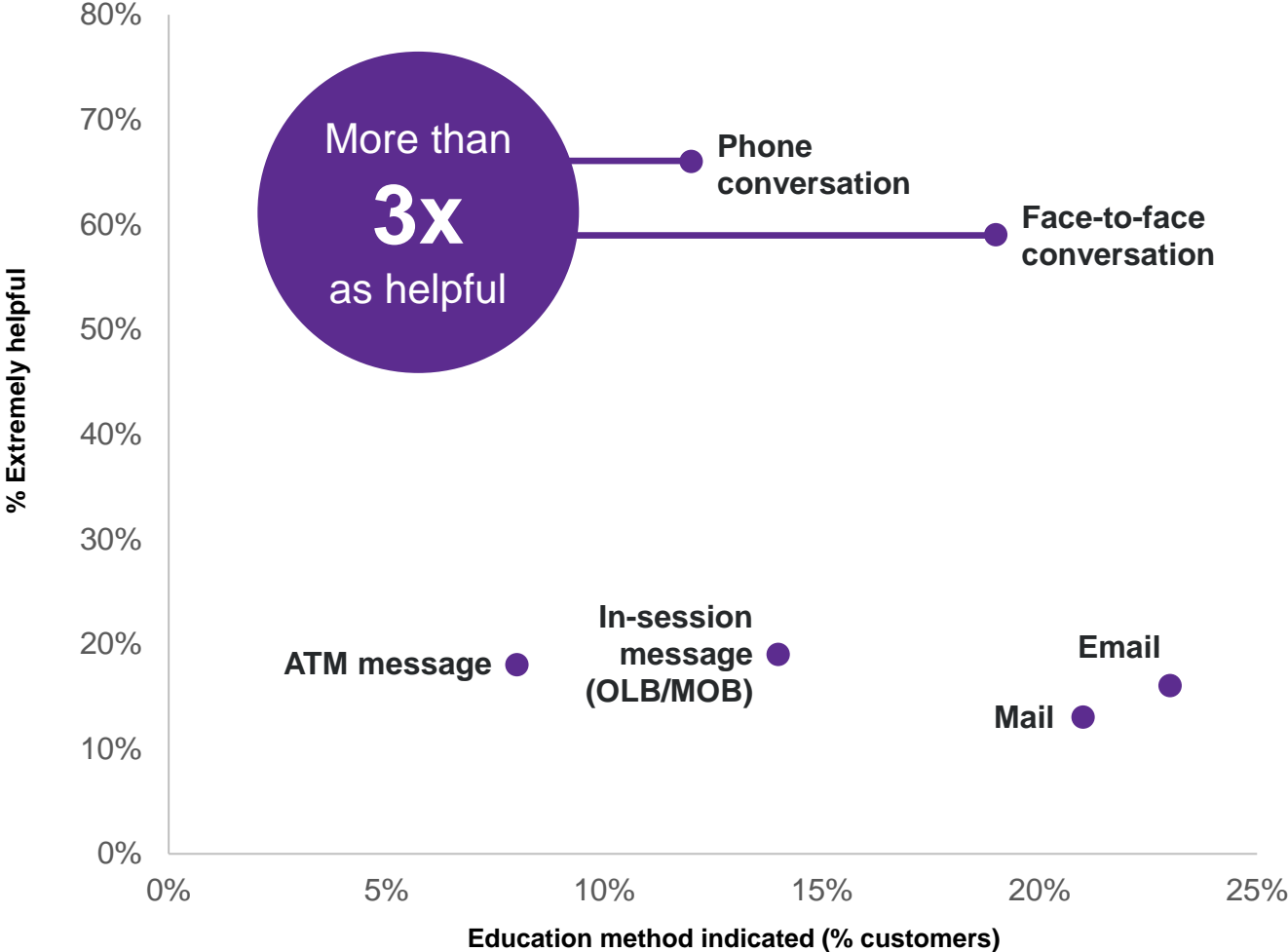


SATISFIED WITH HANDLING?



Digital Education

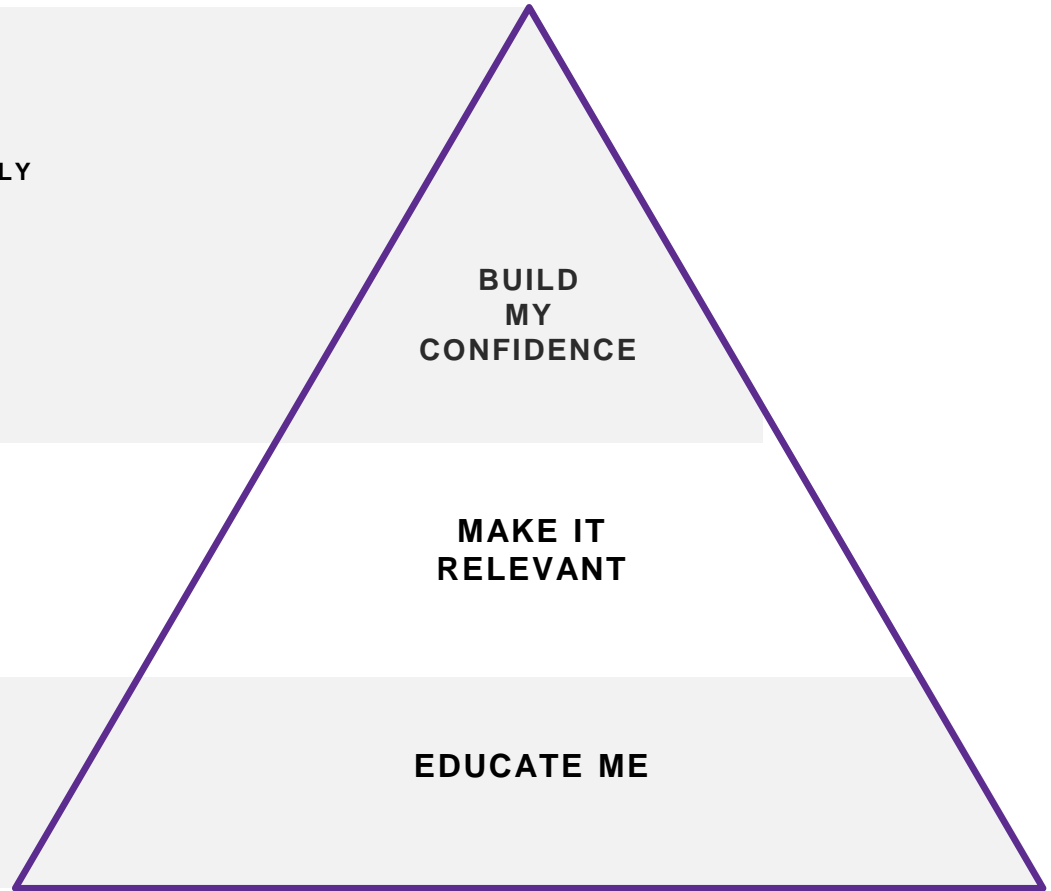
Methods and Helpfulness



High Adoption Levels Depend on Digital Conversation Quality

Digital Conversation Quality Hierarchy

| | LIFT IN READINESS & SUCCESS | %STRONGLY AGREE |
|--|-----------------------------|-----------------|
| Made you feel confident information would be secure | +64 | 44% |
| Hands-on or step-by-step directions | +63 | 32% |
| Made aware of tools & features you didn't know about | +56 | 28% |
| Clearly explained how digital could simplify banking | +54 | 45% |
| Asked questions to understand digital banking needs | +48 | 44% |
| Was knowledgeable about the bank's digital tools | +47 | 55% |



“Finfluencers”

GEN Z IS

5x

more likely to get financial advice from social media platforms than people aged 41 or over.

\$104B

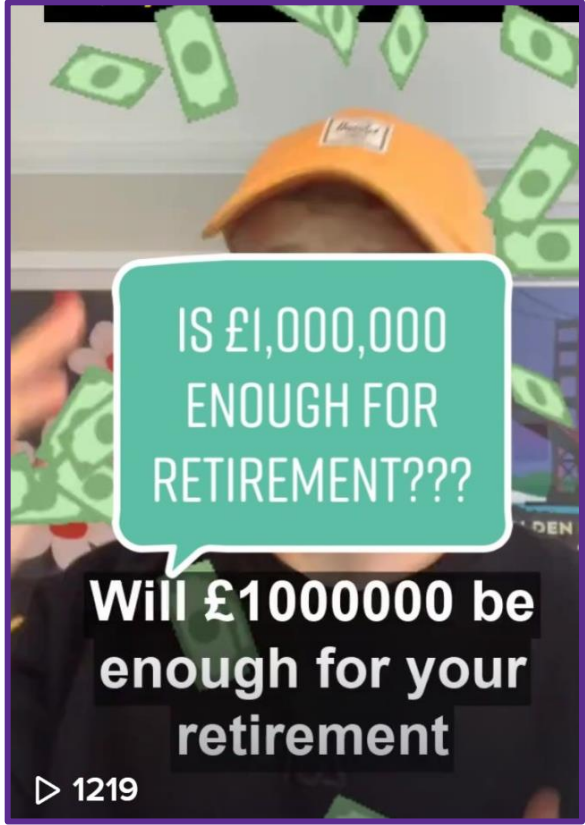
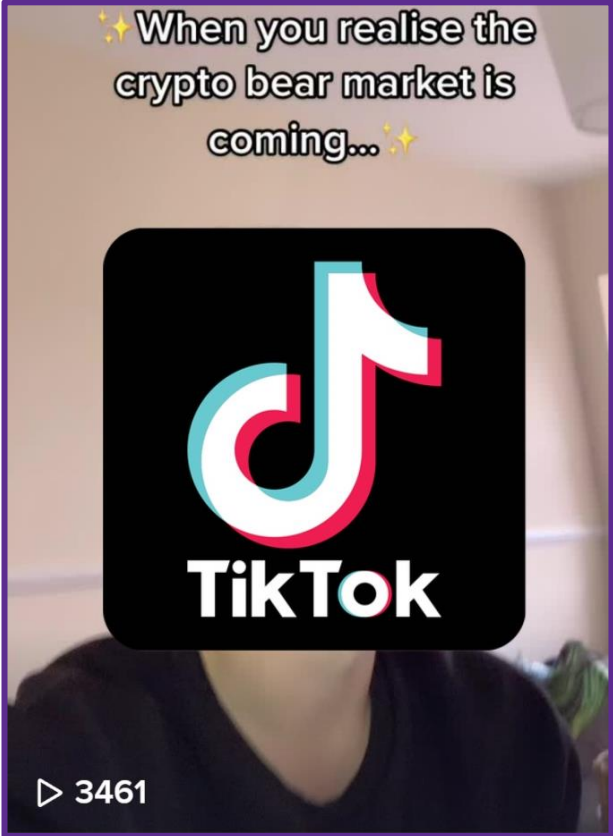
Estimated market size of “finfluencers”

37%

Share of investment scam losses started on social media

Source: World Economic Forum
<https://www.weforum.org/agenda/2022/08/finfluencer-gen-z-financial-advice/>

#FinTok



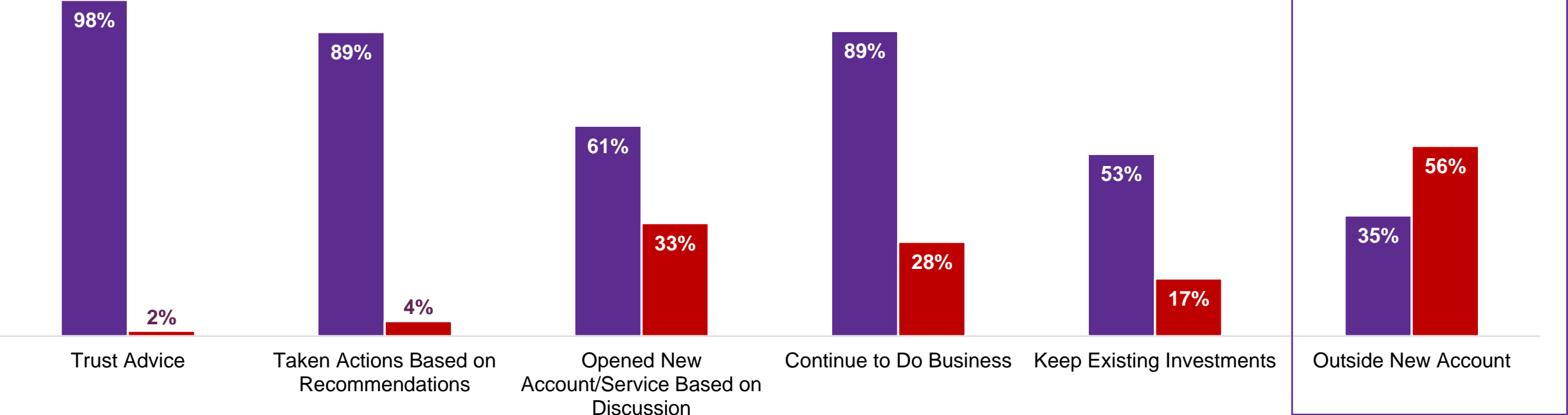
Consumers Are Shopping Conversation Quality

Consumers may build a consideration set based on products, rates and digital banking tools, but ultimately, they choose based on conversation quality.



Sales Conversation by Conversation Quality

■ Strong ■ Poor

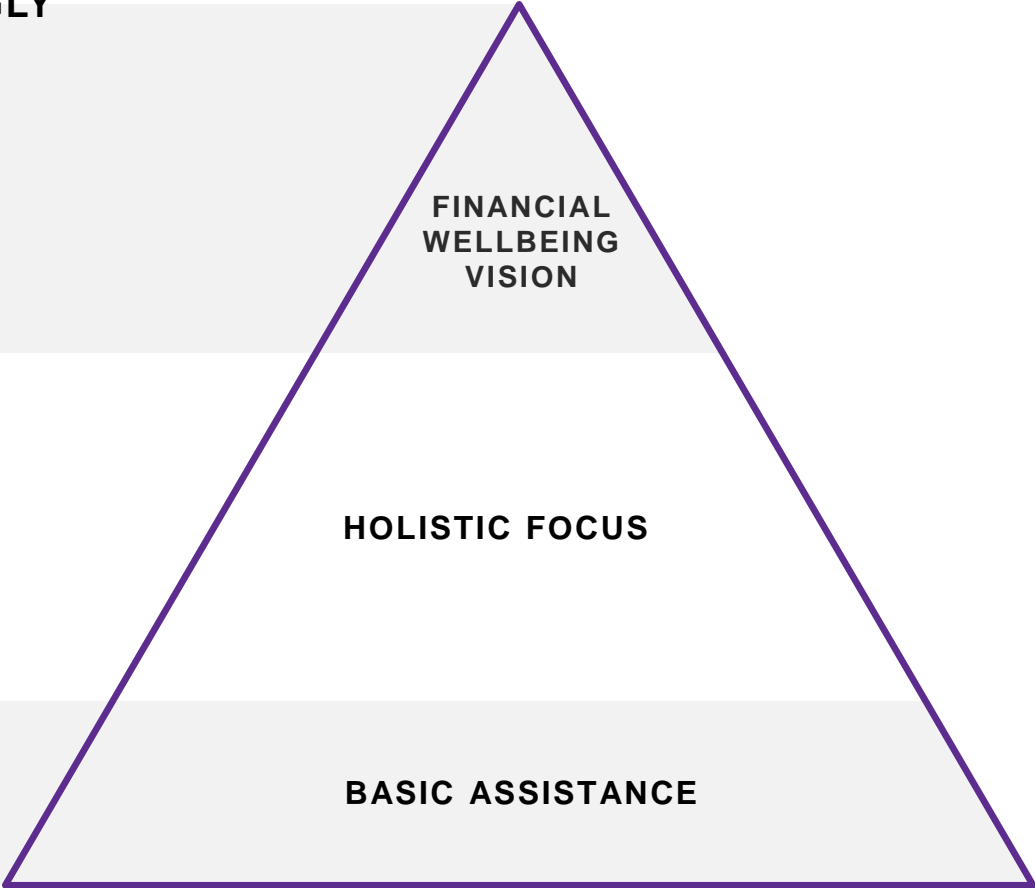


POOR CONVERSATIONS LEADS TO LOSSES

Opportunity to Aim “Quality Consumer Conversations” at Financial Wellbeing



| | % LIFT IN SALES | % STRONGLY AGREE |
|---|-----------------|------------------|
| Provided solutions aligned with needs | 27% | 31% |
| Helped you see your financial needs differently | 19% | 17% |
| Discussed how products fit within your lifestyle | 16% | 24% |
| Asked questions to understand your needs | 19% | 45% |
| Demonstrated an interest in your Financial Wellbeing | 12% | 41% |
| Discussed how your needs may change over time | 10% | 22% |
| Ensure they knew your financial goals | 10% | 38% |
| Clearly explained the product benefit features | 17% | 32% |
| Was knowledgeable about products | 9% | 50% |



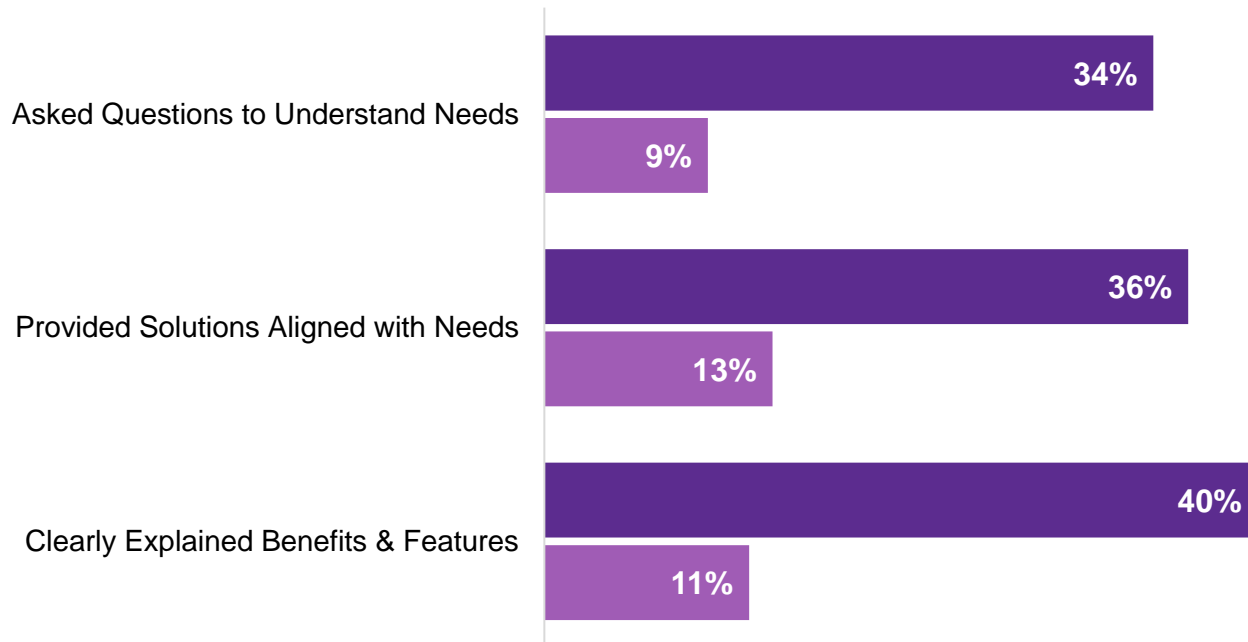
Win-Win: Quality Conversations Makes Customers Feel Financial Wellbeing Support



Each aspect of conversation quality increases consumers' belief that an FI supports their financial wellbeing. Perfect scores across all aspects of conversation quality boost these scores **more than six-fold**.

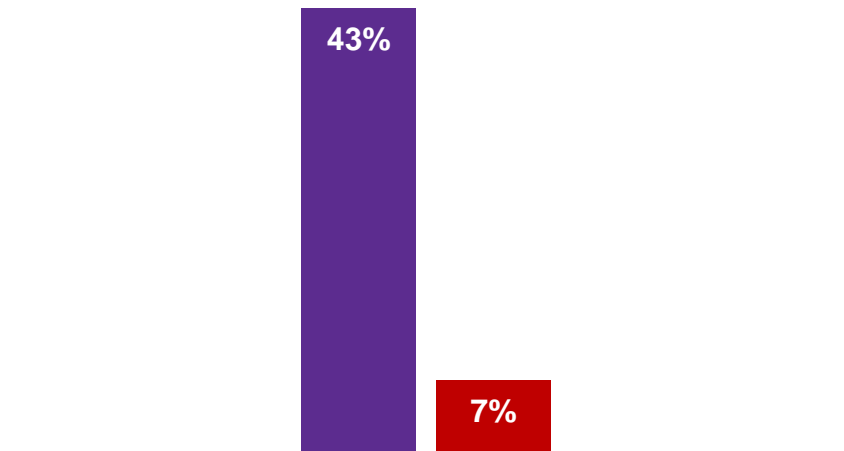
Looks Out for My Financial Wellbeing (%5, Strongly Agree)

■ 5 - Strongly Agree ■ 1-4



Overall Conversation Quality

■ Strong ■ Poor

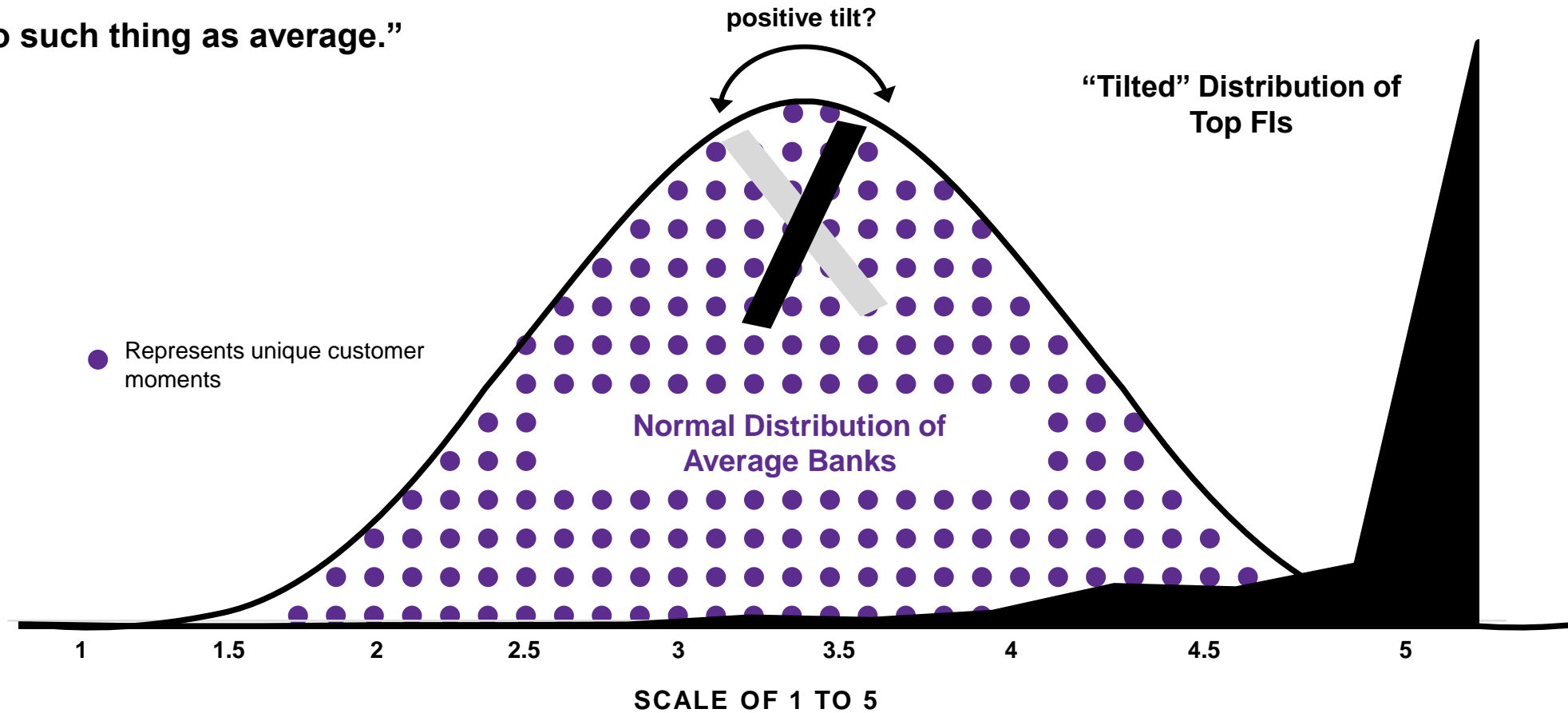


Looks out for Financial Wellbeing (%5, Strongly Agree)

"High" = 'Strongly Agree' to *all* aspects; "Poor" = 'Strongly Agree' to *no* aspects.

The Rampant Variation in Quality Customer Conversations

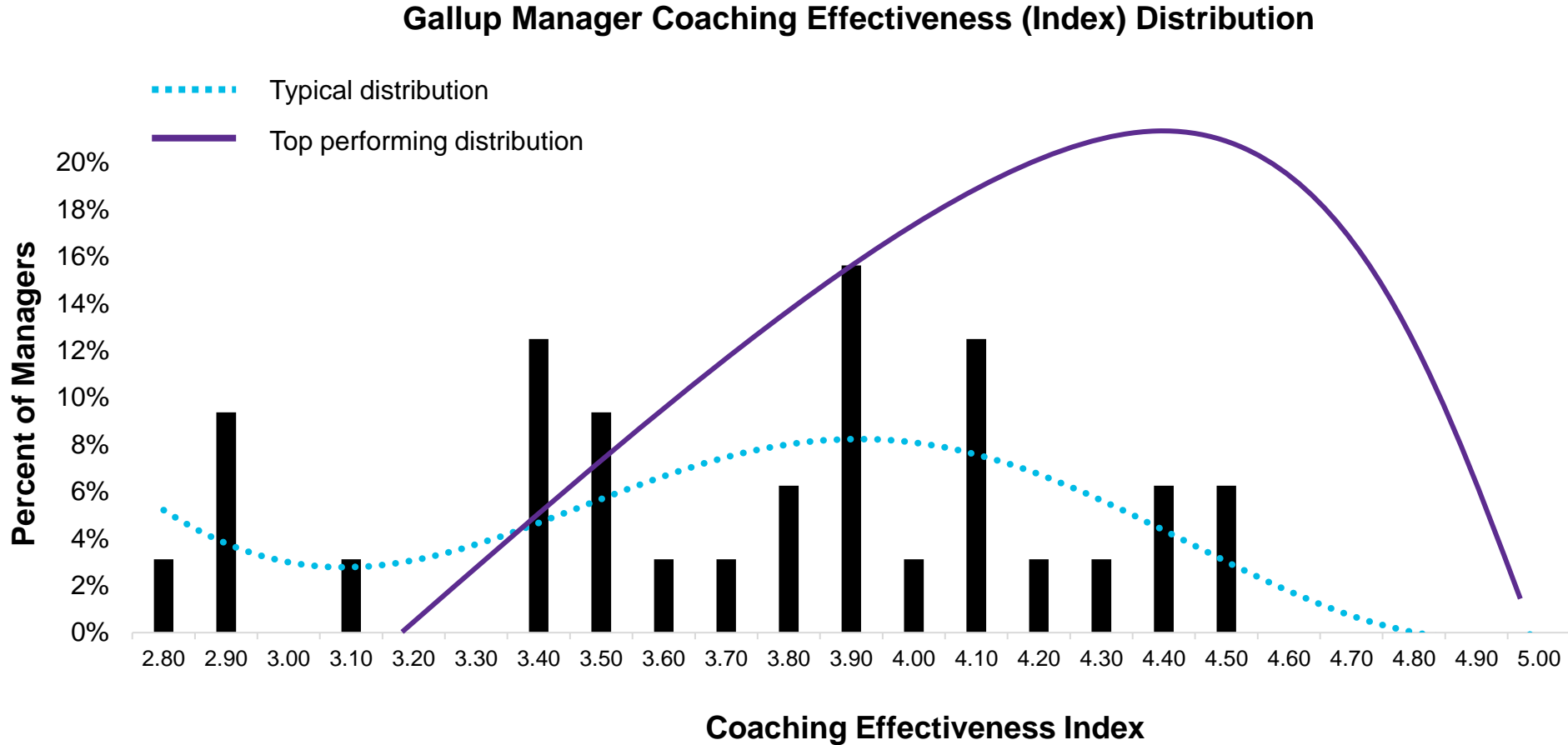
“There is no such thing as average.”



Meaningful Coaching Just Doesn't Happen

My manager provides meaningful feedback to me.

| | |
|---------------------|-----|
| Daily | 7% |
| A few times a week | 19% |
| A few times a month | 27% |
| A few times a year | 28% |
| Once a year or less | 19% |



ACTION ITEM #1

Creating the perception of improved financial wellbeing **takes a lot more than an ad campaign** – implement a consistent approach in every channel, encompassing multiple products and services, and individualizing Wellbeing to consumers in ways that feel meaningful to them.

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ACTION ITEM #2

Financial Wellbeing is **inherently emotional** - generalized service standards will fail to change customer perceptions and lagging indicators of financial health will not provide valuable insights. Relook at measures of Engagement and Wellbeing that are predictive of future success.

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ACTION ITEM #3

Building Financial Wellbeing requires the addition of digital technologies (**high-tech**), as well as upskilling and empowering employees to deliver on education, support and impact (**high-touch**). Consider an 'opti-channel' strategy to help support Financial Wellbeing.

ACTION ITEM #4

Customers are shopping for conversation quality as much as they are shopping for products, services, rates and features. FIs need to **develop coaching as an operating discipline** – directly tied to helping consumers advance their Financial Wellbeing goals.



Questions?

#fbforum

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Thank you!

VIBHAS RATANJEE

✉ vibhas.ratanjee@gmail.com

🐦 [@vibhasratanjee](https://twitter.com/vibhasratanjee)

☎ 949-350-2184

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