Quick Q&A

ON CUSTOMER ENGAGEMENT

with MATT GILLIN

CEO of Relay Network

As CEO of Relay Network, a SaaS company that pioneered feed technology for customer engagement, Matt Gillin must often first raise an unpleasant topic with bankers—disengagement. It takes the form of customers no longer responding to the bank's or credit union's email, ignoring their portal or failing to download their app.

Even worse, disengagement costs a financial services organization a fortune in terms of churn and lost opportunities to cross-sell and upsell. About 70% of a financial institution's customers are passively or actively disengaged, Gillin says. Compounding the problem, financial institutions devote more than three-quarters of their marketing budgets to acquisition instead of retention. But he maintains that with the right strategy and engagement tools, banks can reactivate their dormant customers and reap the rewards of customer lifetime value.

1 Why do you believe that customer disengagement is the greatest challenge for banks today?

Banks recognize they must focus on disengagement because disengaged customers are dormant—one step away from being churned. Disengagement represents the greatest financial risk to banks, and the data backs it up. Disengaged customers do not generate enough value and customer lifetime value as engaged customers. The best investment banks can make is taking disengaged customers and reactivating them. Eighty percent of banks' revenues come from their engaged customers. The top two metrics for banks are customer lifetime value and retention. Engagement drives both of those metrics.

2 What impact does disengagement have on banks?

First of all, disengaged customers drain your organization from an economic perspective. Banks can't sit back and allow that to happen because they should be driving more healthy and more profitable relationships. Disengaged customers are neither healthy nor profitable for a bank. The second impact is the lost opportunity to build a relationship that allows for cross-sell and upsell. Customer lifetime value—the opportunity to cross-sell and upsell those customers—is the Holy Grail for financial institutions. And that only happens with engagement. Since the world's moved aggressively to digital engagement, banks have been asking: "How can we drive cross-sell and upsell more effectively? How can we drive a more effective relationship where customers stay longer?"

3 Given the accelerated adoption of digital transformation tools over the past few years, what strategies should banks consider to re-engage with customers?

In the digital world, relationships have become very transactional. When banks were more brick and mortar, you'd walk in, you'd have a financial relationship with your banker. They would know you and know things about you. That has eroded over the last 20 years. But it was really accelerated during the pandemic. Bankers need to recognize that their digital tools are not built for healthy relationships. They were built for transactional interactions—checking balances, moving funds. They were built to teach the customers how to fend for themselves under the guise of "self-service." Digital tools weren't built for guiding, for recommending, for relationship building—the type of engagement that makes all the difference. Financial services organizations need digital tools to advise and guide their customers intelligently, to deliver relevant information that engages customers, creating trust and a stronger relationship.

4 How can banks prevent disengagement? Has there been a shift in priority from customer acquisition to customer re-engagement?

Banks have always been very focused on customer acquisition, and that trend has accelerated. But some banks are realizing the futility of spending a lot of money to bring in an account that quickly becomes disengaged. After an onboarding period, customers tend to get disengaged very quickly. We believe the best way to prevent disengagement is to set up a private, individualized feed of relevant content, built for each customer. The digital feed is deployed as soon as the new customer is onboarded. This particular digital tool—similar to social media feeds on platforms like LinkedIn and Instagram—allows banks to feed customers high-impact information that keeps engagement rates high and drives customer lifetime value.

5 How do you build and foster trust with customers and create meaningful relationships with them, especially in the digital age?

There's a huge opportunity for digital tools and content that builds trust with customers. For example, research shows that one of the best ways to build trust is to educate customers on the account they just purchased. Let them know the features and functionality immediately. Make them more comfortable with the product, which will go a long way to establishing trust. In addition, depending on where your customer is in their stage of life, the bank has a great opportunity to feed them relevant content and information. That helps them make financial decisions and better manage their financial wellness.