

James Robert Lay:

Jon asked, "How can banks and credit unions create "true relationships" without human contact? Well, that's a great question, Jon. And one that I looked forward to talking through with you on this episode of Banking on Digital Growth.

James Robert Lay:

Greetings and hello, I am James Robert Lay and welcome to the 122nd episode of the Banking on Digital Growth podcast. Today's episode is part of the brand new Clarity Call series, and I'm excited to welcome Jon Voorhees to the podcast. Jon is the Director of Distribution Strategy and Business Development at TerraStrat, a new kind of strategy firm where human intelligence meets artificial intelligence. Welcome to the show, Jon. It is good to have you today.

Jon Voorhees:

Yeah, great being here. Thanks for having me.

James Robert Lay:

Before we get into your question, and a mighty good question it is for this Clarity Calls. I always like to start out on a positive note. What is going well for you? What is just good and positive in your world right now, personally or professionally, it's your pick, man?

Jon Voorhees:

So I'll give you two, a personal note, I became a grandfather 20 months ago for the very first time.

James Robert Lay:

Congrats.

Jon Voorhees:

Thank you. And two weeks ago, my granddaughter brought her parents, but my granddaughter came up and visited for a week and she's basically grown up during COVID, which has severely limited her interactions with other people and the like. And every time we've gotten together, it's as if we're strangers, and she understands the danger-stranger kind of concept. But this last time, she'd let me pick her up and hold her and walk her around. She took me by the hand and went and showed the animals at a park we went to. It was heavenly, being able to make that breakthrough. And then professionally, I think that the thing that I'm most blessed with is I'm a trained geographer.

James Robert Lay:

Really?

Jon Voorhees:

Yes, my degree is in economic geography. And it's one of those degrees that people go, "Well, how do you make money at that?" Well, I've made a career over 40 years doing distribution strategy, which is economic geography, right? It's the retail side of urban planning. And I've been able to use it for my entire 40-year career. And so, every morning I wake up doing the thing that I love to do, and I'm planning on continuing to work as long as I continue to love what I could do.

Jon Voorhees:

If you can find that in your career, go with it. But if you wake up every morning hating your job, you got to go do something else. I have the same sense that you love what you do, James.

James Robert Lay:

I do, and it's such a blessing because it's not work. I'm in an executive coaching program and they've always talked about retirement. And I see this with people, I see people that retire and things just don't go as well as they thought or they had expected. And so, for me, my mindset, and I think that's a unique opportunity because when you're working with your mind, say more than your body, as long as your mind stays healthy, you can do this as long as possible. So people have always asked, "Well, when do you want to retire?" I was like, "I don't. I don't. I want to keep doing this, as long as I'm having fun and creating value and finding enjoyment." Because it comes back to the point of your question here. And the question that you had asked me, it's about relationships.

James Robert Lay:

And to me, that's what this is all about. Just the amount of people that I've been able to meet through this podcast, and we're almost approaching 150 episodes now, in a little bit over a year. Just to be able to meet new people and have good conversations, it's fantastic. And your question that you asked, and we'll talk through this, is you said, "How can banks and credit unions create "true relationships" without human contact? And can you provide some context into this question for some just additional clarity here?"

Jon Voorhees:

Sure. So you're talking about loving what you do. So I've spent some, I don't know, 80,000 hours studying distribution strategy and there's always new things to learn. So I basically wake up in the morning and I get to read, I do research, I write, I craft speeches and I think that's my job. So keeping my brain focused on those things, on whatever the new topic is always keeps me charged. So when I was thinking about what's happened over the last couple of years. So when you think about the banking and credit union industry. And so, I'm all about the physical channel, right? The physical channel branches exist together, low cost deposits, which can then be used to fund lending in a variety of other ways, right? You don't always have to do a loan through a physical channel. It's easier to give money to people digitally than it is to gather money from people digitally, right?

Jon Voorhees:

But what's happened is that there are factors that are influencing your ability to do that. In fact, I'm working on an article around this. So think about like this, you've got, how do you grow a new branch? Well, you acquire new customers. You cross-sell existing customers additional accounts, try to get more and more of their business. And by keeping your customers longer, you grow their balances over time as their incomes go up and things like that, right? So those are the three principle drivers. Well, the last 20 years, the number of people who move, who change residences, which is the number one driver of people changing the bank has gone from 16% a year to 9% a year. So there's far fewer people moving, therefore there's far less turn, therefore it's harder to acquire the customer, right? And then the industry has done it.

Jon Voorhees:

We keep introducing digital channels to drive people away from us. Right. Well, we really don't want to talk to you. You can just do it on your own. And in fact, if you try to talk to them, as I did recently with a financial services firm. You call up the 1-800 number and you have to answer 27 layers of questions. And while you're waiting for each of the next layers, they keep reminding you, you could do this on our online or mobile channel. It's like, I don't want to do that. Right? So they're doing things to drive traffic away. Well, number one way you cross-sell accounts is through teller referrals. Guess what? Teller [inaudible 00:07:31] going away. So it's harder to get new customers. It's hard to do cross-sell. And then the third is

growing balances. Well, in the last two years, all of a sudden we've seen huge stimulus payments being pushed out.

Jon Voorhees:

So balances are up that it's artificial. It's not going to last. It's basically, it's covering an underlying issue which is your ability to drive sales to gather people is getting harder and harder. And then you layer in external things like all these fintechs and neobanks that are coming in. And what they're doing is they're stripping off the fringes, right. They're going after time, their target audience is younger, lower income people living paycheck to paycheck and the like. So all of these factors going on, and yet everyone is saying the future is digital. The future is digital banking. I often get into debates about branches going away, they're not going. So it was all that context I kept thinking about it because if people really want to create a relationship with their customers, which is what everyone, if you listened to them, it's relationship banking is the key to do this. Then how do you do that when you don't actually want to talk to me? Right.

James Robert Lay:

Yeah. It's a fantastic question. And it's one of the reasons why I wrote Banking on Digital Growth and have a formulaic approach DX plus HX equals growth. The digital experience plus the human experience will lead to growth, because I don't believe digital alone, digital in a silo will lead to any growth. I'm even seeing now, in doing research around the digital only experience, and why people keep coming back and saying, "Oh, Amazon's a threat." And I'm like, "But are they?" Have you tried to get in touch with a human being at Amazon, even Chime, research is now coming out showing Chime, there's a level of friction and frustration, when everything's fine and dandy, everything's fine and dandy. But when you need to get in touch with a human being at Chime, Chime is sending them through chat bots.

James Robert Lay:

Chime is sending them through email. And that's frustrating a lot of people who, well, wait a minute, the grass isn't necessarily greener on the other side. I even take a step back further in learning through the COVID experience, that formulaic approach of DX plus HX equals growth. I want to add another variable in there. EX, EX plus HX plus DX equals growth. Meaning the employee experience must precede a positive employee experience, must precede a positive human experience that may or may not be delivered through a positive digital experience because it could be a face to face. It could be video, but the human element still has to be very, very real, particularly in a complex buying journey like a financial product. It's like healthcare. You can have remote digital healthcare up to a certain point, but then you're going to have to actually sit down and have some heart to heart conversations, do some diagnostic work and really dive deep.

Jon Voorhees:

Someone's going to have to be hands-on at some point.

James Robert Lay:

At some point, exactly. And we've, financial bread, there's \$6 billion bank. And they're looking at maximizing their digital growth capabilities. And I said, it's not going to be done by digital alone. You're going to have to build this human element into this. And they said, "Well, what do you mean?" I said, "Well, you've got lead generation. Who's going to pick up those leads?" A human being has to pick up those leads. You got to actually talk to them, schedule an appointment, whether that be through Zoom or in-person, it doesn't matter. You still have to bring that human connection. And what we have found through our studies is the faster that you can get one human being in contact with another human being

through a digital medium, there's a higher natural propensity for, and it's a human element, I would say right here.

Jon Voorhees:

I agree with you 100% that the answer to the question is our future digital or physical is both. They have to compliment. So here's a couple of different things. One is you mentioned Chime, right? Chime is, I think there are 12 million customers or something like that. And so, if you go back and look at Chime's advertising of a year or so ago, right, it was all about, we'll get you your paycheck early, you'll get a debit card. Your life is easy, no fees, all that kind of stuff. And what they were fighting at the time though, is that through different research companies have come back to conclude that, yes, but the customers of mobile or digital only banks hate their banks. Right. They don't like them as much as they like, right, those who still have branches and the like.

Jon Voorhees:

And the reason because is they don't feel they have a relationship with them. Right. It's very transactional, right. It's like, I don't really have a relationship with Amazon, but I probably order something three times a week. It's very transactional. And when I have a problem, they actually do make it easy for me to return something and things like that. So they've sold that account management side of the issue by easing on the back end. So you apply that to banks now. Well, Chime, as they found out through all of this growth, they haven't staffed up the human side of the equation enough. And so, they actually had more complaints to the consumer financial protection board than Chase did.

James Robert Lay:

Yup.

Jon Voorhees:

And Chase has got five times the customers. So you start thinking about, well, what are the ramifications? It's not an either or, it can't be an either or, but it has to be a both. Because what's happening is that as we've introduced, from a customer's perspective, and this is where I do a lot of my thinking. I put myself in the customer's shoes. As they been afforded new ways to transact, they don't trade off. What they do is they add the new channels to their menu of options. And you've now given them a selection of options. And depending upon what I'm doing during the day, what my need is, let's say it's to make a deposit. Well, I may choose to do it with my phone. I may choose to drop it in ATM. Or if it's a big deposit, I may chose to go into a branch.

Jon Voorhees:

By having those options, that's that layer of convenience. Just like having a lot of branches and ATM's layer convenience. That's what people want. They want to have choices for doing it. However, that deals with only the transactional side of the business. The number one reason people go to branches is because they have a problem. Right. I screwed up. In fact, some of the research I recently did, it's hard to believe, but Gen Z uses branches as much as Baby Boomers. It's for different reasons, right? Gen Z does it because I screwed up, I don't know how any of this stuff works. How can I be out of money and I still have checks, right. But whereas boomers do it for the security reasons. And so, in-

James Robert Lay:

Yeah. And I think that's where the opportunity lies though, particularly with a new line of possible income, non-interest income. And you see Ally going away from NSF, you see a lot of larger nationals starting to move that direction. So what's going to, that impact and to drive down to say the community bank and the credit union level, are they going to follow suite with that? Well, then how are they going

to replace that? For me, it's almost financial coaching, financial actual coaching to where I have a coach, you got the financial gym out of New York who's doing this.

James Robert Lay:

They get a monthly membership fee of about \$95 a month. That coaching can be delivered digital, remotely or maybe you sit down on a quarterly basis with your coach, a monthly basis, whatever the cadence is. And you go through and you solve the tough problems together. And you give people a choice too, maybe you charge a premium if they want that face to face in-person experience. And then maybe if it's a digital or remote, well, maybe it's a different level of membership. So to me the-

Jon Voorhees:

Yeah. I totally agree. I'm sorry to cut you off. I think in fact, the way you do... So advice, right, people are talking about banks to go to government advisory centers, but the type of advice someone who's 25 needs is different than the type of advice someone who's 55 needs, right?

James Robert Lay:

Absolutely.

Jon Voorhees:

So Gen Z is looking to become educated. They recognize they don't know everything. Millennials think they know everything and they want transactional convenience. Gen X is sitting there going, oh my God, retirement is coming up and I haven't saved anything. Right. So they're the ones who truly needed advice, financial advice, investment advice and the like. And boomers are sitting there, half the boomer, I'm a peak Baby Boomer, right. And I'm the youngest of five kids. So all my siblings are the front edge of the boomers. And they're looking for security. Listen, I've built up enough wealth. I can retire. I just don't want to screw it up. And I want you to be there to... I want you to have my back. Right.

Jon Voorhees:

And so, you need different things at different times. So thinking about education, well, how does it take in information, right? So why are banks and credit unions doing 90 second or a three minute short videos. I bought a new house recently. And so, there's always new things to learn like how do you adjust these brackets on your kitchen shelves and things like that. Well, there is, you go to YouTube, you type it in and there's a little video about it, right? So how do checking accounts work? How do late fees work? All these different things could be a suite of educational things for the younger generations who want it. But then you can think about, as you go up, it could be one-on-one advice for Gen X, right.

Jon Voorhees:

It could be, without having to sit down with a financial planner or something, it could be just help me understand these kinds of things. But it all gets back to, there's a human doing, right. It's not a chat box. There's a human who is educating these folks. But the other big piece of this is if you put yourself in the shoes of the consumer, right, I'm willing to give up my contact with humans at my financial services provider for all the routine stuff. But when I have a problem and I choose to solve it by either picking up the phone or going into a physical building to talk to someone, that better be a perfect experience. You better solve my problem and make me really happy because otherwise, that's the only thing I'm going to think of.

James Robert Lay:

Yes. And that is where I believe that I did have experience, the micro experience, and the micro experiences has the potential to beat the macro. Micro in a digital world can beat the macro. My wife

ordered some towels off of an online retailer, not Amazon. She was looking for something very specific, Matouk is I believe the brand. And this brand's been around for a very long time. And ended up getting handwritten thank you note delivered with the towels, beautifully wrapped like high-end retail, but it was through an e-comm experience and it really left an impression. Zappos, for example, right, digital e-com retailer, but staffed by an amazing... And Tony Hsieh passed away too early, but his mind was so far ahead of this idea of humanizing a digital shopping experience to where they wrote about it, Delivering Happiness.

James Robert Lay:

I even think about this idea of financial coaching, it's more than just showing someone what to do, but probably helping them reimagine their relationship with money because that you're getting into a whole psychological discussion rooted in family of origin and childhood and environment. But it's something that we just can't do alone. It's why we go to the gym. It's why we get that trainer. It's why we get that additional layer of expertise. But I think about the fitness industry and what the fitness industry has undergone. You've got Peloton. Peloton has been successful, not because of the bike, but because of the accessibility to a human being, a coach. That's why they have the live classes.

James Robert Lay:

And also the community, because there's that accountability factor too, I think, that I'm more likely to be held accountable by Jon. Even if Jon, you're through Zoom. The fact that Jon, I know you're there. You're a real person. I can call on you. You can call on me and hold me accountable. I'm more likely to transform positive behaviors because I don't want to let Jon down, versus say a chat bot. It's a chat bot, who cares, right? So I think this, the flesh and blood, even if it's not in the physical context, it's still knowing that Jon is going to be there. And you said something too, before we hit record, it's this idea of people say that, "Oh, I got all these friends on social media." But is that really a relationship? Is that someone who's going to be there for you in your most dire time of need?

Jon Voorhees:

Yeah. What defines a relationship, right? Psychologists say that you can't have a relationship without human interaction. And does, even now, you and I are looking at each other and we're talking and we're many miles apart, we have a relationship. Well, we may for this moment, right. If we do this enough or if we talk enough, we may do that, but we'll see each other at conferences and the like. But it's not the same kind of relationship I think you have with, say your family or your friends or your people that you work with and the like.

James Robert Lay:

Absolutely.

Jon Voorhees:

But I think the industry in total has been so cost avoidance, right. Has it been the mantra? And that's like digital it's coming in and all these other kinds of things. And it's been great, but there's a limit because the other side of it is this balancing act. And I don't think anyone's got it right yet. None that I've met here. So I was with Bank of America for 17 years. And so, almost all my relationships are with Bank of America, lots and lots of accounts. And I know the products really well. So when I pick up the phone because I have a problem, you know I've explored all the other options, right.

Jon Voorhees:

And I'm one of their preferred clients and they send me all these nice notes and everything. It will take 10 minutes to get through their phone tray to be able to get to talk to a person. And then oftentimes the

person I get on the other end of the line, I realized, I may know more than they do. And it's like, no, no, when I choose to talk to a person I want someone who's really good operationally. Right. They know how things work because I want them to fix something. Right. And so, that I may have no issues at all, all year. And I interact with the bank every day via the mobile device or my computer. But that one bad experience, it's going to stick with me. And I had one of those earlier this year and I can't keep letting it go. It got me point of, should I go through the pain and suffering of changing all my relationships. Right.

Jon Voorhees:

And it was like, well, no. So what I ended up doing was, I called the people I know within the organization still and I said, "Listen, I think you've got a problem you may not be aware of." And I told them the story. And we'll see if they do anything with it. But the new firm that I joined, the reason I joined is because we have some AI based programming tools that help make the decisions about where you put branches and ATM's, so much more scientific than we could in the past. But even within that, part of my role at the firm is I bring in 40 recent years of experience. I think I've opened over a thousand branches and I've closed over a couple of thousand. I've analyzed pretty much every market in the country. So I'm a sounding board for the models, right?

Jon Voorhees:

So when the models generate an output it's, Jon, do they make sense? You know this market really well. And so, combining the human intelligence or human experience with the AI intelligence and AI experiences, I can't do what the models can do, and the models can't do what I can do. It's that combination. It's your formula. But for each of those interactions, there has to be an ease and a comfortability with it. And so, I think there's going to be a smart bank out there who's going to be heavy in digital, but they're going to say, we're going to build up the biggest baddest staffed call center that's ever existed. And we're going to pay more, so we're going to get pros. We're going to get the best people we possible can.

James Robert Lay:

That right there. Yeah. Absolutely.

Jon Voorhees:

And so, when a call comes in, the call gets routed from the first grade, not from 87 and the layers to get it to the right person. It's a good to go to a person and they're going to say, "How can I help you?" And when you tell them what the problem is, they help you.

James Robert Lay:

Yes.

Jon Voorhees:

That's where we have to be. And someone's going to say, it's worth it to build that model because I can take out some physical costs because I'm going to be able to serve those issues via the phone, which should still be cheaper than the physical. But I'm not going to sacrifice the experience we used to have when you would walk into the bank and sit down and talk to Mary your banker.

James Robert Lay:

Yes, absolutely. And we were just having that conversation in a peer group this morning, talking about how we must become more proactive in these relationships, whether they be in the real physical world or in the digital world when somewhat... And that's where the data and the AI can come back into play because I can utilize some of that context, that history of who that person is and their behaviors and

where they're at, where they're looking to go to facilitate a dialogue, to facilitate a conversation and then take a proactive stance in their life to provide that level of guidance.

James Robert Lay:

And maybe even accountability, because I'm being reminded that I need to do an outbound outreach just to check in on, Jon, to see how his progress is going. Based upon what we had talked about three months ago, that type of an experience, I think you're right. It's to me, those that can solve that problem will be far ahead than those who are just thinking about digital alone or thinking about physical alone. But the bringing the best of both worlds together as a hybrid.

Jon Voorhees:

Imagine a future where you call and you talk to someone at your bank and they resolve a problem for you. And then two weeks you get a call from them asking, did everything work out right and the like? Now you've got a friend, a relationship who's checking up on you.

James Robert Lay:

Accountability.

Jon Voorhees:

And you are much more receptive to having a second conversation with them. And that's how you ended up doing cross-selling and the like, you acquire more of the business. One of the research things that I still remember, it was early in my career, we were studying what happens when someone walks into a branch on, how do you place advertising in a branch? And we did in-depth studies with people. We'd have someone stand inside and outside of a branch and we'd interview people as they're going in and coming up. What we found was, when someone's coming in to use a teller, their mind is engaged in one purpose.

Jon Voorhees:

How long is the queue? How do we get to the teller? That kind of stuff. All our advertising was facing the door so people would see it when they'd walk in. But what we learned was, they don't take it in at all. We flipped the sign so they would see it as they're leaving the teller station-

James Robert Lay:

Different mindset.

Jon Voorhees:

... and we found that recall from those people was significantly higher because they're mind had cleared of the task, and now they're open to something. The same thing happens when you're on the phone and you've got a problem, right? If you've made a problem, a positive experience for me by solving it quickly and correctly, then my mind is going to be open to all sorts of ideas. But I don't see that happening, at least at the big players. And it could be a scale issue or the like, they've got to solve it because if they want to keep reducing branches to limit your options with people, and they want to make it almost impossible to get someone on the phone. They're basically saying, well, we value your business. We just don't value you. Because we really don't like you to talk to us, we want you to go away and just... It's a friend of mine was shopping at Walmart and posted a picture of their local Walmart.

Jon Voorhees:

They had closed down all the manned checkout lanes and everything was self-service checkout. And so, she was showing pictures of huge lines of people with big shopping carts doing self checkout. And she



goes, whoever thought this was going to be more efficient has to be fired. Because I didn't know, when I came in here shopping, I didn't know I was going to become an employee at Walmart. Right. So it's the, does the technique fit the expectation of your customer? And I think it's, people need to really step back and say, human interactions are getting fewer and fewer. How do I make them the best possible interactions? Because those moments of truth are what people will remember, and that's what they'll talk about. I still talk about my bad customer phone experience months after it's happened. And because it just ticked me off so much.

James Robert Lay:

And when you think about those moments of truth, five pop to the top of my head. And this has been such a fantastic conversation with a great question today, Jon, but for the dear listener to really go back and review you, obviously you have the in-person physical experience. You have the phone call center experience, you have the video experience, you also have email and SMS. You've got chat, and then there's the AI component. But I think that's only one half of the equation because even then, how many times do those AI chat bots end up connecting over to a real life person to resolve that situation, to provide that help, to provide that hope. Jon, this has been a fantastic conversation and I appreciate you joining me on another episode of Banking on Digital Growth.

Jon Voorhees:

Mr. Lay, thank you.

James Robert Lay:

If anyone is listening, has a question like Jon about digital marketing, digital sales, digital leadership, please reach out to me, text me that question to gain clarity at through (832) 549-5792. And I look forward to answering and talking together with you on a future episode of Banking on Digital Growth. Until then, and as always be well, do good and make your bed.