

Melina Palmer:

Fear really propels our subconscious to go into overdrive.

James Robert Lay:

Greetings and hello. I am James Robert Lay and welcome to another episode of the Banking on Digital Growth podcast. Today's episode is part of the Exponential Insights series, and I'm excited to welcome Melina Palmer to the show. Melina is the founder and CEO of The Brainy Business, and also the host of The Brainy Business podcast. I believe her work and the insights that she shares as a behavioral economist are now more important than ever before in a post COVID-19 world for financial brands. Hello, Melina.

Melina Palmer:

Hi, thanks for having me.

James Robert Lay:

Thanks for being here. To begin, in the midst of all of this confusion and chaos caused by this COVID-19 crisis, let's start with the good. What is one thing that you're excited about, or maybe see some opportunities for even amidst all of this chaos and crisis?

Melina Palmer:

I think it's a really good opportunity for all businesses, not just financial institutions, to look at shaking things up. Our brains really love the status quo and I just did an episode on normalcy bias, which is this tendency to think that things will always stay the same. And then once change is upon us, we don't think that the new world will ever ... we're waiting for things to go back to way they were. In this case where banks and credit unions are being forced to shift into this digital offerings and electronic notaries and not having wet signatures, and what does that mean? And if our staff is working remotely from home where it really pushed things forward to see what matters and what doesn't, and how you can provide better service when it's forced upon you, instead of letting us drag our feet over a long period of time. So you can see what's going to be beneficial for people in the new normal, and then you can adopt and keep some things and let some things revert back to where you were before, what was working better.

James Robert Lay:

I'm with you. We will never go back to what the world once was. I'm seeing this in all facets, education, health care even, there's going to be a lot of changes and transformations happening there. Work, banking, entertainment, everything is really getting turned upside down, but there are the opportunities there to transform ourselves. You did an episode recently about how the human brain responds to crises and pandemics. I recommend anyone listening to this podcast, go hop over and listen to that one because I took away so much from that. You talked about two key points. Number one, there's a framing issue at hand in this crisis, in this pandemic. And number two, there's something that you noted as a framing illusion. What are these and why is it important to note these points?

Melina Palmer:

So the thing about a pandemic like coronavirus, and I talked about that in episode 91 of The Brainy Business, is that our brains, when we don't have control, you start to freak out a little bit. And this is where people go out and buy exorbitant amounts of toilet paper and hand sanitizer

and make risky decisions and do strange things. Even where you know it's irrational, but you just can't stop yourself because you're in this place of uncertainty. And the only way you feel like you're protecting your family or doing something is to stock up on canned goods or bottled water or whatever that happens to be.

Melina Palmer:

Our brains get overwhelmed incredibly easily and quickly and so when someone has their conscious brain full of what's going to happen? What's happening with my job? What about my kids? Their school's going to close, all these different pieces, Then you start to have your subconscious take over and it makes these sort of silly, irrational choices that help it to calm and feel good. The framing piece, I believe what you're referencing in this case is having to do with talking about the hand washing versus the masks and whatnot.

James Robert Lay:

Yes.

Melina Palmer:

So what feels like the easy thing to do would be to do hand sanitizer or get a mask. And then actually now, since that was recorded, CDC is saying we should be wearing masks and whatnot, but you think about ... So handmade masks that someone would make at home is what we're saying you should be buying now. And those are actually, as far as what research is showing, not really actually effective against viruses. And so you ask, "Why would the CDC be recommending people wear those?"

Melina Palmer:

Then it's this thing about priming the brain and thinking things are more serious than they are, adding a little bit of a scare tactic to keep people home and make social or physical distancing more impactful because you look outside and don't want to be walking around with lots of people wearing masks on their faces, because it just feels worse. Again then this difference with the flu and that people didn't feel the need to wash their hands in the same way, even though it's potentially more contagious and it's the same stuff that you're supposed to be doing. But it feels so different because it's new and we don't know what could happen and where you think you'd probably be okay if you got it. You just don't know. There's no way to know so that fear really propels our subconscious to go into overdrive.

James Robert Lay:

You speak about the media. And one of the things that you noted in this particular episode 91 was that we have the availability for bias when our brains believe what we hear most to be true. And right now there is, to the point that you just made, there's a lot of fear, there's a lot of negativity. Is there a way for a financial brand marketing team, a sales team to possibly paint a different picture to tell a different story? Maybe a story of help, a story of hope? What could you recommend for a financial brand marketing sales team to optimize communication strategies, messaging strategies over the next 12 to 18 months because I don't really see this going away anytime soon.

Melina Palmer:

Agreed, unfortunately I think we're here for a while. But like you said, it is a really good opportunity to find those stories of hope and support that you are giving to people in your

community, that are able to maintain their income or have loan products available that are bridging the gap or other support that you're creating. I know that some financial institutions right now with the loans that, as of recording, we don't know exactly how that's going to work, but a lot of big financial institutions are saying only people that are existing businesses with us are eligible to then get a loan from us because we don't even want to deal with that headache. And I know that there are some that are talking about being ones that are offering it to people that weren't already having business accounts with them. So if you're one of those, spreading that word to say, "Hey, we're here for everybody. Not just for people who were with us on the front end," can definitely make a difference.

Melina Palmer:

And if you look at the types of things that have been trending and been shared, actually some of the fake news that was positive in its vibe was this dolphins have returned to the canals in Venice and the world is rising up now that humans aren't everywhere, which has been proven to be false, right? That's not actually what's going on, but people wanted to share that. You wanted to put something nice out there and all the memes and humor. So if you are able to make something that is not making light of the situation, but it's positive and showing change and strategic forward-thinking, I think that can help some brands to stand out and gain loyalty that there'll be able to keep on the post side of this crisis.

James Robert Lay:

Because I mean, you study the brain. You study the mechanics and it goes so deep and it's like, are we wired as human beings to continuously get out of this mucky place and try to ascend to something better? Is that what we all hope for?

Melina Palmer:

Yes. It's an interesting ... We do want to be on the other side, but that normalcy bias again, where it's this remembering ... Like I'm just going to wait until things are normal again, is what our brain wants to be doing. And so it's almost this reminiscing problem that's getting you stuck to where ... Because our brains love status quo. Everything that we do, everything ahead of us is actually set up based on what has worked in the past. So your subconscious is not making decisions on the exact information that's ahead of you and what's going to be best in the future, but what has worked before.

Melina Palmer:

So knowing that this is unlike anything any of us have ever seen or been in before, if you stick with that and are letting your subconscious run the show because you're cognitively bogged down with this fear and all of these other things, versus sitting down and questioning yourself, having bigger conversations about what's next, what it could look like, how this might be, you're going to get stuck in that trap of not being able to get out of what was, into what could be. And seeing it as an opportunity, because not every business ... And again, obviously with the caveat of this is a terrible thing and we all wish it hadn't happened ... but not every business is struggling right now.

Melina Palmer:

If we look at Zoom, which was a business that they actually signed up more new active users to Zoom by the end of February of 2020, than they signed up in all of 2019. It's a lot of people on Zoom for the first time ever and figuring that out. And they're just huge amounts of business

they're having to figure out. And Instacart and other things with Amazon, people that weren't using streaming television services are maybe using that now. And so there are things that we can all be offering to be of service and of benefit if we are able to take that step back and really purvey the entire surroundings, versus what we've been used to.

James Robert Lay:

I want to talk about that, taking that step back, because what you said, I think is key. Our brain is designed to protect us and we're making decisions upon past experiences, what worked, what didn't work. Fear, that human emotion, it does protect us. But to the point it can also hold us back. In the podcast you noted that a lack of control that we're all kind of feeling right now, whether it is in business, whether it's on the home front, whether it's homeschooling for kids like my wife is right now. That lack of control is a breeding ground for not necessarily making the best decisions.

James Robert Lay:

Taking time to stop, pause, think, review, reflect, how can a financial brand have the awareness that, yeah these are scary times for ourselves internally, but they're also scary times for those in the communities that we serve. So that we don't get stuck internally because now we can help other people escape those fears. What do you recommend to have that conversation?

Melina Palmer:

One of the things I've been recommending to my financial institution clients is to look at the staff that you have, because whether it's because you have a lack of laptops that can be running VPN, or you have any lack of staff that they're not able to be functioning in a branch in the way that they had, and that you're probably still paying them a salary versus laying them off. I know there are a lot of financial institutions in that space right now. So you're putting money toward people that don't feel like they can do anything, but they might want a higher level project, something to take their mind off of what's going on.

Melina Palmer:

Those people are really primed, they're completely out of their element, they're looking at something different. What are the pieces that you have of policies and procedures that are outstanding, that need to be updated, that they can be doing without access to a core system and be up-leveling the business and this sort of a down time? If you have people that could be writing blog posts or researching what other institutions are doing or what the needs are, and finding if you were going to apply for grants. Or if your customers are going to be applying for grants and loans, how you can be supportive, what people are looking for, the words they're using.

Melina Palmer:

Giving them research tasks to where they feel like they're doing something and then you can help that resonate back with, "You are doing this thing to help us help our communities moving forward. And it's this bigger picture of something that we're going to be doing. We're a team. We're working together." You're getting that message of unity forward and helping them to feel like they're of use at this time, instead of just sitting idle.

James Robert Lay:

That idea of keeping people busy with giving them a sense of purpose, tying that back to the organizational purpose. I think a really interesting example of this is what I've seen with [Zappos 00:14:06] and how Zappos is literally like, "Guys, pick up the phone, give us a call. If you just need to talk, we're here to listen. It's not about selling shoes anymore. It's about connecting with another human being. If you need us to order groceries for you, we will do that." And it's taking out the old playbook that that was pre COVID-19, and developing a new one for this new reality. James Robert Lay:

But what I see sometimes, and maybe you do as well, is the fear of change. So there's the fear of the unknown is one part of this, but then there's the fear of change and how that can hold us back. Why is change so hard and what habits can we establish to make change easier, both for ourselves, for our teams and for the people in the communities that our financial brand might serve?

Melina Palmer:

Change is believed to be hard traditionally. And if we look at the way that we approach how we think we should be best at changing, because we do it wrong, it's very difficult to do. There are some really great books on habits from James Clear and Charles Duhigg that get into some of this and I have some episodes on habits that gets into that as well. But understanding the cue that gets you to the next step of the reward that your brain is trying to get, understanding how habits actually work in the brain is important to be able to change them more appropriately. I do a lot of work with mindset as well and knowing that you can't have as many goals.

Melina Palmer:

We all think that we've got 8,000 projects and we're multitasking and doing all of these things and that's just a recipe for your brain to keep you stuck and constantly productively procrastinating, I like to call it, on a busy work that's not actually doing much of anything. So if you just have one, two, no more than three goals of things that you're working on in your life and business, that you're able to really be focusing on and working toward, and that keeps the message clear. It keeps you moving forward.

Melina Palmer:

The example that I want to share about change and how it can be easy when you work with the brain is a business that's called The Littery And I interviewed them on the podcast as well. They are in Europe and they are trying to tackle this problem of people that litter, which is everywhere. It's a huge problem for communities and cities and everything. If you were to say, getting people to recycle properly and throw things away, it's a change that's difficult and possibly impossible to do and tackle.

Melina Palmer:

But what they have done is understanding the way that the brain actually works, created a process of turning litter into lottery tickets. And then if you pick up garbage and properly sort it into these smart garbage cans, you can get a lottery ticket. And that's created with the city to where you could win a million euros from this piece of litter that you properly threw away. They tested that in movie theaters, which are traditionally the grossest places of all time, and that no one ever picks up their garbage, and they had 100% compliance over an entire month, across four different movie theaters of people throwing everything away and searching through their

bags and running through the aisles to try and find as much garbage as possible to throw away. So when you work with the brain, change doesn't have to be difficult.

James Robert Lay:

You speak to mindset, and I've read the work of Carol Dweck, I mean it's fascinating. I can remember my fourth grader starting school this year and they spent the whole first month of school not learning any new subjects. They spent it on mindset. They spent it on goal setting. The big three for the day. I'm going to get these three things accomplished. If I get those three checked off, boom, boom, boom. Not this litany of lists that's overwhelming and in the day you feel defeated.

James Robert Lay:

There was a study, that's why I'm going to talk a little bit about mindset here. There was a study that was done by TD Bank, and I love it when financial brands are starting to do these anthropological studies, these psychology studies around people and their relationships with money. What TD Bank found is that people who visualize their goals are less anxious about budgeting than those that don't. And they feel more accomplished and they feel happier. Talk to me a little bit more about this idea of mindset and goal setting, because I think that is a key opportunity that financial brands, we transcend the conversation beyond the traditional promotion of dollars and cents, but we're moving into a new age of coaching, empowerment. Not even financial wellbeing, but coaching.

Melina Palmer:

Right. I love that that was what your fourth grader went through, by the way, that is awesome, and something that will be definitely serving all those kids well in the new normal that we have here. So just think about when you set your to-do list in a traditional method of which we all suffer from optimism bias so you think that even though I only accomplished one thing today, tomorrow I'm going to get all these 20 things done that are on my list, which never happens. And so you keep moving, you have the long to-do lists and then you go and you'll get three things done. And you feel like a big, giant failure because you only got three things done.

Melina Palmer:

Whereas if you start the day and say, "There's one thing," or up to three, I prefer the one thing method. But if you have your big goal, this is the important thing that I'm trying to accomplish over the next 90 days. So what are we doing for tella services or updating our branding or getting new content that's out there? You have this big goal and you have one thing a day that you're going to be doing. Once you get that done, then you get to tackle everything else that's on your list.

Melina Palmer:

When you've framed it with this anchor of one item you're going to do and you get three done, you feel amazing. Like, "Oh my gosh, look at all this stuff we got done and now I'm already three days ahead, and I can do this next thing," and you're just going to snowball on that momentum. Versus feeling like a big flop because you had even just five things on your list and only got three. It feels completely different even though you accomplished the same amount of things, but it's the way that you approach that day that can totally impact whether you're in a vicious or a virtuous cycle.

James Robert Lay:

What you just said, momentum. I think one of my favorite exercise ... And that framing of 90 days is very different because normally in financial services, we've looked at three to five year strategic plans and now in this dynamic of post COVID world, 90 days is a lot more realistic, but it's every 90 days. Simple exercise. What worked well? What are you working on right now that you're excited about and what are you excited about in the future? Using those moments in time to build momentum going forward. I love that snowball effect.

James Robert Lay:

You talked about the bias of optimism. There was another research study that was conducted by Frost Bank out of Texas. And I thought this was very interesting. It'd be good to get your perspective on this, to where they worked with a couple of behavioral psychologists and behavioral economists to where they found that optimists are seven times more likely to experience financial wellbeing. Optimists experience 145 fewer days of financial stress per year than pessimists, and optimists have half the number of financial setbacks as pessimists. So there's the opportunity once again, of looking at a financial brand, becoming more of that coach, providing someone with accountability. What are your thoughts on that, of helping someone move from a fixed mindset to a growth mindset, and the financial brand is facilitating that type of transformation?

Melina Palmer:

I'll need to check out that study because I'm not familiar with it. But I did do an episode at the end of last year about the benefits of gratitude and having this positive mindset. There are so many studies that look at, when you behave in this gracious gratitude-driven space, you become happy. You're happier. And then people that aren't practicing regular gratitude will say, "Well, okay Oprah," because she's a big proponent of this, and so is Tony Robbins and Arianna Huffington. It's like, "It's easy for you to say that because you have all of the success already so you're definitely happy and grateful for it," but they all say you start gratitude first and move your way in.

Melina Palmer:

If you have this optimism and you behave in this way, the brain gets what it expects. So to talk a little bit about how the brain is sorting information, 99% of what's happening for our brains at any given time is subconscious processing and just it's a very small amount is happening in the conscious. So what has been found is your subconscious can process 11 million bits of information per second. Your conscious can only do 40, just 40, which is very sad. So if you think every bit of information your subconscious is looking at, it has confirmation bias. It's finding what's going to prove itself to be right, because it likes this. So if you're looking for negatives, you will find them and you'll find the whoppers that are out there. If you're looking for positive reinforcement, you're going to find that too, because for every one thing that gets through to your conscious brain, 275,000 other things didn't make it.

Melina Palmer:

So if you're looking for the good that's out there and the things that can help you to succeed. And in a meeting, I give this example of if you feel like your boss is out to get you back when we were in physical meetings in the same room, and then they look toward you while they're talking and you would say, "Oh man, he's looking at me. He must think there's probably something on my shirt. I can't believe he noticed that, it's so bad and I'm just not going to speak up." Whereas

the person who has the positive might say, "Oh, he looked in my direction. He must want my input. I'm going to step up and say something now." The same action when filtered through the different lenses of the person can have a really big impact on those steps that you make.

James Robert Lay:

It's a matter of perspective, and perspectives, it becomes one's reality. That's one of the reasons, when we're talking about all of this fear and negativity that we're just bombarded with, all of this information. The bites and the bits, and it's subconscious I've made recommendations for financial brands to do a seven day gratitude social challenge. Help get people out of the muck and elevate them to a new place. Not everyone's going to want to play or not everyone's going to want to participate.

James Robert Lay:

But for those that do, they will thank you for thinking more than just about what's in their wallet. They will thank you for thinking about my physical wellbeing, my mental wellbeing, and then also my financial wellbeing, which is an area that I know that you've been working on with some recent research with Filene, and that's where I want to transition the conversation. You've been looking at how does behavioral economics increase savings? Does it increase savings? What are the opportunities here?

Melina Palmer:

It definitely can and that research study I did with a small credit union, the white paper came out last year and we went over a six month period of time that we had three groups. So in one was just control, we watched them. The second group got a letter at the beginning saying, "Hey, we're initiating this savings challenge based on research. If someone gives you a goal and you break that into sub goals, it can help you to save more. So it's 24 weeks and a recommended amount, and just try to save and pick your number. And you do the same amount every week."

Melina Palmer:

And then the third group got basically the same letter with a slight tweak that they also got this refrigerator magnet that went with it that helped them to track their savings along the way. Around the edge of the magnet, where it was broken into wedges so you could actually scratch lottery tickets if you saved and then it had little like, "Awesome, way to go, yay for you," if you saved throughout the process.

Melina Palmer:

The reason it was a magnet instead of an app or something like that is because our brains are constantly scanning the environment around us. And this is a physical reminder, a representation, a manifestation of this idea of saving. So having the magnet on your fridge versus a card in your wallet or whatever it is, every time you walk by or you see it, you think, "Oh yeah, I'm committed to saving for kid's college or for that emergency fund," or whatever it happens to be. And it's triggering reminding you, even when you don't realize it. And the people in that group had higher NPS scores and they had a higher savings rate at the end of the six months.

James Robert Lay:

That's a very interesting perspective that I agree strongly with. Because I've always advocated, yes, we do all of our work in the digital world, but it's two sides of the equation. It's the DX or the

digital experience plus the HX or the human experience. Both are required and really the human experience, that's the physical world and the opportunities come from looking to make the intangible of digital tangible. So something as simple and almost archaic as a refrigerator magnet created positive change for these people. Looking at the other opportunities, what do you see from your perspective or through the work that you're doing to help consumers transform behaviors, make positive changes, little bets, little wins, every step of the way? And how can a financial brand facilitate that journey?

Melina Palmer:

I'm definitely feeling all of our same wavelength as we're talking, we're definitely jamming on the same concepts, I think. So I did do an episode on how to make concepts tangible and one of the examples I gave in that episode that I always thought was one of the smartest things I had seen, is when Progressive did their ... So the price gun is one piece, but also if you notice they have just stacks and stacks, like a big library, or if you were in a bookstore, of the policies as boxes that you could go and grab off of the shelf. And so making this concept of where, oh that's a thing I could go grab and touch, which triggers loss aversion, and perceived ownership, and having you realize what's there. And the vastness of what they are and all the different types. It's making that into something that your brain can just instantly understand that there's more to it than just digital.

Melina Palmer:

They didn't have to actually create boxes, even though they turned it into a character and things like that. But whether you're turning digital things into an experience in a video that you can kind of understand, or if you're able to relate by story and helping people to activate their mirror neurons, to where they feel like they're part of what's going on, they're a bigger piece of something that you're putting together. Or if it is physical things that you're sending to people that they can have to remember you by. If you happen to have a whole hoard of hand sanitizer, I know back at my days at the credit union, we had a bunch of individual hand sanitizers. It seems like it would be a good time to put those in the mail for people right now, if you have them around.

James Robert Lay:

I mean, what you talk about, that idea of mirroring and story and placing yourself into that story. I just had a conversation for the podcast recently with Andy Janning and some of the work that he's been doing, where he's been doing deep research around photography and the images of people and the stories that financial brands are subconsciously communicating with stock photography and how that's causing more harm than good. Even the Harvard Business Review, they say that faces of people who look like us release oxytocin, and it's that feel good connection, that chemical, that creates empathy. And empathy today in this digital world, this post COVID-19 digital world, let's call it for the time being.

James Robert Lay:

You mentioned video, I've been a big advocate and a proponent for video as a communication channel from a marketing standpoint, from a sales standpoint and in the future, a coaching standpoint. How can a financial brand capitalize on that video? Because I'm seeing you face to face right now, not only are we recording the audio, but we're recording the video. I had an interview with [Jim Marusa 00:00:31:47] a while ago, and we did the audio and he's like, "Look,

no, we got to rerecord this thing. We need the video." I was like, "Let's do it." And that video, it just added so much more.

Melina Palmer:

Yeah.

James Robert Lay:

Because I'm seeing-

Melina Palmer:

Being able to see and relate to people and you get those triggers and pieces, our brains are wired, I think it's 80% of that sensory information that we're bringing in at any given moment is through our eyes sensing what's there. So the visual cues, the things our brains are picking up on where a slight, you can tell I'm starting to smile, or if I kind of scrunch my nose or whatever it is, it changes everything and the way we perceive information. Which is why people aren't switching to just being on phone calls right now but we're looking for video options to be able to have conversations, you relate to the person. But this priming piece is also, it's very important and it's a very dangerous spot for a lot of brands to be in if they don't understand the way that the brain is interpreting that imagery.

Melina Palmer:

I was working with a client recently that, it's a financial investment firm and talking about rising up and elevating what you're working on. It was like a sunrise in the background, but the woman, it's her back, you can tell she's sort of looking down and you can see that her arms are crossed. And I said, "No, you can't do this. Even though we can't see her face, you need her head to be angled up. You need to have her arms down at her side or something else because it's triggering this very depressed, feels more like a sunset than a sunrise, or she's not in a really good spot." And those slight tweaks can have such a huge impact on the next steps.

Melina Palmer:

One of my favorite studies looks at, there was a backpack in a room and a briefcase in a room and they had people working on cooperative projects. And those in the backpack room were much more collaborative than the briefcase room even though everybody said they never saw it. Our brains are picking up on all these things all the time.

James Robert Lay:

I mean, hearing just the small little nuances, those things that we typically would overlook. I can tell you through all the digital secret shopping studies that we continuously do for financial brands, small changes have incremental results. I mean, even like the idea of cognitive load. Financial services money is inherently a very complex subject, but we don't do it on purpose. We add additional elements of confusion and complexity. So the more that we can simplify, and that's where I'm seeing video communication in this post COVID-19 world. This is going to last for 12 to 18 months. It's going to change the way that people shop by not only financial services, but everything.

James Robert Lay:

I still want to talk with someone. I still want to connect with someone on the other end. That's video communicating ... Umpqua Bank has already been doing a great job with this in their mobile app. This has been such a wonderful conversation and I appreciate you taking the time to have this discussion. One last recommendation. I'm a financial brand marketing team, sales team leader, leadership team member, what's the one thing that I should really focus on and take action on? If it's just that one thing over the next say, 12 months?

Melina Palmer:

I think for now, the biggest thing to look at is framing and the context of trying to get into the mindset of the person on the other side. Which we're all sort of in this right now and so you're able to think about how you're able to relate to your potential customers, members, whatever it is much more than ever before. And so if you think, what are the things you're stressed about? What are your friends concerned about? What are they needing help with? What would be alleviating for them? What are they sharing on your social channels? What do you feel inclined to share and click on?

Melina Palmer:

How can you incorporate that into your product services offering, messaging, updating your website, whatever that is? And as you get all of that together, to know that just being thoughtful. I end every episode and all of my email signatures, this message of be thoughtful. So put a little bit more thought in because those small changes do make a very big difference.

James Robert Lay:

Thank you very much Melina. Anyone listening who wants to connect with you, who wants to continue the conversation with you, what is the best way for them to do that?

Melina Palmer:

You can find me on LinkedIn just as Melina Palmer and find me in that way. I'm on all the socials as The Brainy Biz, B-I-Z, and you can also get the podcast of The Brainy Business or thebrainybusiness.com.

James Robert Lay:

Melina, thank you again for joining me on another episode of Banking on Digital Growth.

Melina Palmer:

Thanks so much.

James Robert Lay:

Until next time, be well, do good and wash your hands.