The Ten Minutes That Will Save Retail Banking

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Before unveiling the 'ten minutes', consider two services, mailing a letter and buying a book. Two common activities, two completely different reactions by the providers of those services. Mailing a letter hasn't changed in 100 years. Buying a book has transformed through Amazon so completely, it now involves the entire retail experience.

Why the analogy? To point out that banking is more like the Post Office. Amazon thought broadly about the business they were in, and then did their best in that new definition. The Post Office has not looked more broadly – they didn't even see email as the game changer for "person to person communication", the business that they should have realized they were in but somehow missed. The Post Office is stuck in the letter movement business just like the retail banking industry is pretty much stuck in the money movement business.

What's worse - FinTech firms are taking over the money movement business.

The ten minutes. Consider the period from five minutes before a person makes a financial transaction, through the five minutes after the transaction - making ten minutes. The focus of retail banking has been on just one minute of those ten, the one minute when the transaction takes place. Branches, checking accounts, plastic cards, lines of credit, savings accounts, have all basically been tools to enhance the transaction. They provide a vehicle to do the transaction, a place to hold your money, someone to execute it, and someone to post it to your account. Banks get heart palpitations when consumers move money out of their bank accounts into investment accounts, even into their own investment divisions. Why? Because the bank is worse off, even if the consumer is better off. This is a dangerous value proposition in a world where customers are demanding, and getting, exactly what they want.

What do consumers really want? Research is digging up all sorts of answers to this, but it suffices to say that they want the same thing from banks that they want from all their interactions – they want to get more value than the cost. Or put another way, they want to be *better off for doing business at the bank.* Are they?

The five minutes before the transaction: These are the precious moments when a person decides *whether to buy something*, and then *what exactly to buy*, and finally *where to buy it*. Imagine if the bank could address these. Think of the power of a bank that puts a **little angel** on consumers' shoulders:

- "Johnny, you'll break your budget if you buy this"
- "Why not get a used one instead of new, like these . . . ?"
- "This is great, and cheaper than you estimated, so go for it!"
- "You know you can get the same thing down the street for less."
- "80% of other people looking for that feature buy product B, not product A."

Sadly, banks are more likely to put a little devil sitting on the consumers' shoulders saying, "Buy it! Buy it! Buy it! Worry about paying for it later! You can borrow from us if you don't have the money!" This may make the consumer temporarily happy, but it's the opposite of good financial advice, and ultimately takes away value instead of adding value. This is not sustainable.

The five minutes after the transaction: These are the minutes dedicated to finding the best way to pay for, or deposit, the item. What do consumers want? They want to do the best thing for themselves financially, and they would hope the bank would help them do that, since they are the <u>bank</u> after all, their trusted advisor. But banks do <u>not</u> do what's best. Banks let consumers decide, and if they want to use their most expensive source of funds, then the banks won't say peep. Banks should offer advice on the cheapest and most opportune way to help their customers. The bank "angel on the shoulder" should be whispering,

- "Instead of taking this all out of your credit card, want me to pull half of it from your checking account since you have room above your minimum balance?"
- "Instead of putting that in your savings, you will be better off if you pay down the principal on your line of credit."
- And this, which would never happen today, "The other banking relationship you have is a better place to put this deposit because you will earn more interest."

A bank that makes a consumer less efficient with their financial transactions is a travesty of "fiduciary responsibility" and will destroy the long term prospects of banking. But here's the good news - banks have the perfect perch from which to transform, if they can get their head around those ten minutes.