Financial Health Is The New Marketing

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A Snarketing post by Ron Shevlin

According to an article in Bank Technology News titled KeyBank Hopes Financial Health Scores Get Clients' Number:

> "KeyBank customers have a new way to track their financial health: the bank will be publishing scores meant to show them how they are doing financially and how they stack up to their peer groups. The new stats, which are not credit scores, are a result of KeyBank's new exclusive partnership with HelloWallet, a provider of financial advice. KeyBank online and mobile customers will gradually be invited to test the new services by filling out a three-minute survey through HelloWallet and connecting with a bank adviser. The questions include answering things like whether they pay off their credit cards bills or how much they have in savings. Phase two of the project, expected to hit later this year, will integrate the scores and financial guidance insights into KeyBank's mobile and online banking experience."

MY TAKE: 1) This is a good move on KeyBank's part; 2) Hello Wallet's approach to calculating financial health raises a few question; and 3) This is a signal of a deeper change in bank marketing: Financial health is the new marketing.

Why Is This A Good Move For KeyBank?

Providing customers with this score could produce a number of benefits for KeyBank and its customers:

1. **For the bank, creating new marketing moments of opportunity.** Marketers' worse self-deception is thinking they can reach customers or prospects a right time in the right channel with the right message. Good luck with tha moment is fleeting, and nearly impossible to identify. But a change in so financial health score (negative or positive) is a trigger to have a conver

conversation that can identify what the offer, action, or message should be.

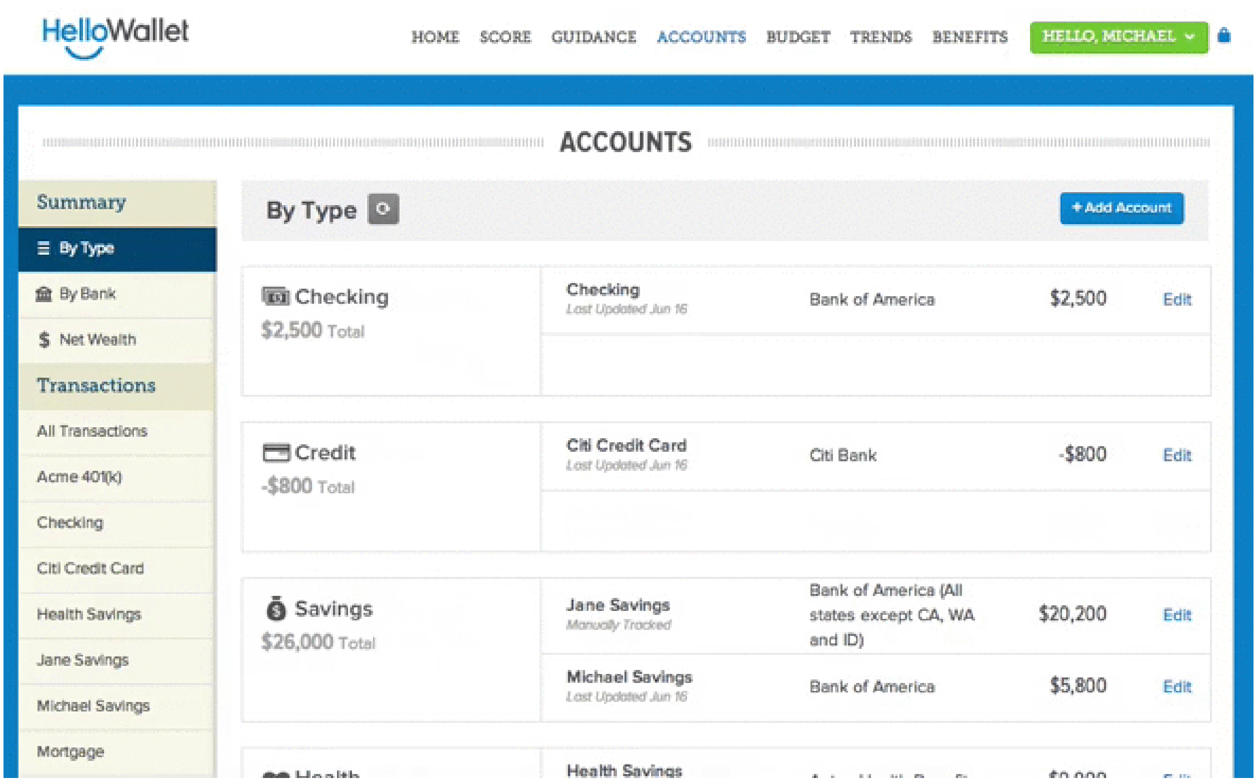
2. **For the customers, tying financial decisions and actions to the "bottom line."** Should you increase your 401(k) contributions? Should you pay off some of your credit card debt? The answer is probably yes, but what's the real impact of doing so. The ability to link an action with one's financial health score (their "bottom line") tangibilizes the impact of one's financial decision.

How Good Is Hello Wallet's Approach?

According to Hello Wallet's site:

> "Your Score is calculated based on a holistic view of your current financial situation including your account balances, income, spending, and profile information. The more information you input about your financial life, the more accurate your HelloWallet score will become."

From what I can tell without actually going through the process, consumers link accounts to Hello Wallet which enables it to determine account balances and transaction history.



I do, however, have a few questions:

1) What about account cost and performance? If you and I had only one account each, say, a retirement account, and we each had $1000 in our accounts, would we have the same financial health score? If you're paying out less in fees to your account and generating a higher return on investment, then you should have a better score. This is an important aspect across a range of account types, like checking accounts, insurance policies, loans, and investments. I may be wrong, but I don't think Hello Wallet captures this.

2) What kind of, and how much, manual input is required? Automatically linking accounts to pull balances and transaction history is a good start. According to the BTN article, consumers will have to complete a "three-minute survey answering things like whether they pay off their credit cards bills or how much they have in savings." Wait a sec, shouldn't savings amount be pulled automatically from linked accounts? And shouldn't the platform figure out itself whether or not someone pays off their credit card bills without asking? And I don't know about you, but it would probably take me three weeks to pull all my financial details together, not three minutes (and I still might miss that secret Norwegian bank account my wife has).

3) How does this integrate into online banking and/or PFM? KeyBank has a PFM-like tool called myControl banking already deployed. Do consumers really want yet another tool, site, or page to view their finances? There was no indication in the BTN article regarding how KeyBank plans on integrating the HelloWallet health score. Maybe they've got this covered already, I don't know.

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My concerns aside, the key (pun intended) to making a financial health score work is gaining widespread acceptance. It doesn't really matter if the algorithm is "correct" or not.

If you need proof of that, simply look at the Klout score which purports to measure social media influence. The score is the 2nd biggest bunch of BS on the measurement planet (after Net Promoter Score), yet plenty of people track and brag about their Klout score.

Becoming the industry standard is more important than being mathematically right.

There are some alternatives to Hello Wallet worth looking at: 1) A company called FlexScore has a financial health/performance score (they call it the FlexScore, who woulda thunk?); 2) I'm very interested to see what the Center for Financial Services Innovation (CFSI) is developing; and 3) I'm still hoping Moven will do something with the Cred concept put forth a while back.

What Does Mean For Financial Services

Marketing?

BOTTOM LINE: The concept of measuring financial health will have a huge impact on how banks and credit unions compete.

Mobile banking functions like “safe to spend” are nice, and fill a need some people have. But one or two new mobile banking functions won’t make consumers leave their existing banks, and fall over themselves in their rush to open accounts with you. Oh, and to you start-ups: One little mobile banking function does not make you disruptive.

New PFM-related mobile (and/or online) banking functions need to be part of a more holistic set of capabilities designed to help consumers better-manage their financial lives (i.e., their financial health). With a commonly-accepted, industry-wide financial health score, applied across a meaningful percentage of consumers, a number of things can and will happen:

1) Changes in financial health become marketing triggers. No more guessing about life stage changes, or hoping that a marketing message is sent “at the right time, in the right channel.” Two straight months of 10-point declines (or increases) in someone’s financial health score is a good reason to initiate a conversation about what’s going on and what needs to be done.

2) Improving financial health becomes the new basis of competition. The past 70 years of banking have been characterized by two dominant phases of competition: 1) competing on location (who had the most branches in the best locations), and 2) competing on price (who has the best rates or fees). Branches aren’t dead, but quantity and placement of branches has diminished in importance. Rates and fees are still important, but are hard to compete on, and aren’t transparent enough for consumers (proof point: how free is “free checking” when you add in all the overdraft charges, ATM fees, etc.?).

When the industry has a widely-accepted financial health score, banks and credit unions will compete not on who has the best rates and fees, but who can best improve someone’s financial health score for a given cost. If someone’s financial health score is truly meaningful to them, is it worth $5 or $10 month in order to get a 50-point improvement each year? The answer to that remains to be seen. But there is one thing you can bet on: Consumers will pay for things they perceive to get value from them.

(Side note: And therein lies the industry’s biggest problem: Today, consumers just don’t perceive getting much value from something called a checking account. So they don’t want to pay for it. Having to pay $30 for an overdraft charge is just rubbing salt on the wound).

3) The winners are the FIs who can deliver on improving financial health. In all this excitement about “safe to spend” features and financial health scores, we shouldn’t overlook the fact that if a customer’s or member’s financial health (or performance) doesn’t actually improve, what good is the feature or score? One of the more interesting parts of KeyBank’s announcement was the part about “connecting to an adviser.” How good are (or will) these advisers be? Are they primarily focused on asset allocation and stock picking?

My bet: Most people who measure their financial health score won’t be millionaires looking for help managint their portfolio. And they won’t necessarily be the financially-distressed in need of debt management services or bankruptcy guidance.

Instead, it will be young consumers looking to make smarter financial decisions, understanding which financial products and services are best for them and how to best choose those products and providers, and better managing their everyday finances.

The key question is: Can banks and credit unions provide this advice and guidance? In other words, what are they going to *do* with a financial health score?

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There are people out there who would like to tell you that “customer service is the new marketing.” That’s nonsense. Financial health (or performance) is the new marketing in financial services.

Ron Shevlin is Director of Research at Cornerstone Advisors. Check out Ron's book, Smarter Bank.. According to Brett King, “Ron is famous for his snarky sense of humor, and his well-researched, well-considered takes on banking and customer behavior. If you are in banking, you should read it — you will come away smarter and better informed." New! The Kindle version is here!