Commercial Insights with Regions Bank

Episode #23: How to Keep Up With Digital Acceleration

By some estimates, digital-first companies will contribute more than half of global GDP by 2023. What does that mean for the average business owner or decision-maker? On this episode, we explore the next steps in digital acceleration, with tips for businesses that are ahead of the curve in their own digital transformation and those who feel they're in danger of falling behind.

Transcript

Andy Hernandez, Chief Digital Office, Regions Bank:

Where I find even the biggest firms are making mistakes is instead of chasing that shiny object, focus on the customer. Make sure that what you're designing or what you think you're building is actually something that your customers are telling you they need or that you think they need, now or in the future.

Chris Blose, Host:

You've just heard Andy Hernandez, chief digital officer at Regions, describing two core parts of his personal philosophy of digital transformation: Know the customer, and use digital to solve for that customer's needs.

It sounds simple. But in an age of ramped-up digital acceleration, it's critical that companies focus on strategic transformation rather than digital for digital's sake. By some estimates, digital-first companies will contribute more than half of global GDP by 2023. The ones who get it right stand to benefit.

Welcome to Commercial Insights with Regions Bank. I'm your host, Chris Blose, and Andy Hernandez is joining me today to talk about not only how to keep up with digital acceleration, but how to stay in front of it. Hernandez has been in the business for around 30 years, from the days of floppy disks to the days of anything and everything on your phone.

Chris:

Andy, thank you so much for joining us today. We hear the phrase "digital acceleration" a lot. What does it mean to you?

Andy:

It's a great and timely question. The adoption of technology has escalated so quickly. We spend more time understanding customer behaviors and keeping up with customer demand than we do convincing or selling anyone on anything these days. You know, this type of growth is true across a number of industries, but I think about it like the chicken and egg debate, right? The demand is there because of the rapid technological advancements, but is that demand driving the innovation?

So I'll give you a banking example of what I'm talking about. And this is gonna date me a bit, but I'm gonna go there anyway. I was among the first in the industry to introduce the concept of PC banking, as we called it back then, to our consumer customers. And in the early and mid '90s, we were literally sending our customers to big box retailers to purchase these software applications, install them on their computers using big five-and-a-quarter-inch floppy disks, then try to explain to them how to connect to their bank over the internet with very slow modem speeds, to download transactions and do things like pay your bills.

Back then, after you had it set up, the process still took a long time. If you fast-forward to present day, now you can transfer funds to your friends, deposit a check, even apply for a loan or a credit card in minutes or even seconds on the mobile app. You can get real time alerts when your balance hits a certain threshold, or on every transaction.

And even though the pace has been fast for years, Chris, the adoption and behaviors have really changed after March of 2020. You know, a very relevant segment of the population are trying things for the first time, and not just online banking, but things like curbside pickup at restaurants, groceries delivered to the house, at-home fitness. And for many people, this is sustainable behavior that's continued beyond the pandemic. I'll leave you with two stats on this question. One, and I was just reading about this recently, almost three fourths of restaurants added curbside takeout to their operations after March of 2020, and right now nearly 10% of groceries are purchased online, which is almost double from what it was three years ago.

Chris:
I think that's fascinating. I know we've taken advantage of a lot of that in our household. Some of those seem like natural fits for digital. But what about companies that never thought of themselves as a digital-first business?

Andy:
For any company, however you're delivering your product or service, digital-first mindset is simply a people-first mindset. So in acquiring that product or using the service, today's customers and prospective customers, they want and expect things to be fast, easy to use, convenient, and secure. That's nothing new,? I've been doing this for 30 years, they wanted that 30 years ago, but they're redefining, as is their right, they're the customer, redefining what those words mean.

So what was fast and convenient even two or three years ago is no longer, so being digital first allows any company to reach more people very efficiently. But we all have to balance the digital scale in a manner that we don't lose the personal connections, or become detached from our customers and prospects, in particular if you're in a relationship business.

So digital first, it means understanding the needs of the customer, how they wanna interact with you. Often, it involves multiple touchpoints, or channels as we like to call them in banking. But for me, one of the most important things about a digital-first mindset is truly listening and learning from your audience, understanding the behavior, listening to their feedback. Take all of this and remove the friction and pain points for them.

And the last thing on this question is personalization is becoming increasingly relevant across all industries. Most consumers are willing to share their data in exchange for a personalized experience, and some of the biggest retailers and big tech firms that come to mind, they're doing that the best today.

Chris:
So for a company that hasn't taken advantage of personalization in the past, right, or maybe doesn't feel like they have that access to that behavioral data or that sort of sophistication, how do they get started? What are the first steps toward making use of that sort of personalization and customization?

Andy:
Let me start with some banking examples, and then I'm gonna build on that. We're seeing an increasingly larger percentage of our new accounts originated digitally, and I'm talking about customers who are opening deposit accounts, credit cards, and loans from our website or our mobile app. And years ago, when this was relatively new, we were so focused on the technology that we forgot about the human element or the relationship.

So how this has evolved for us is by introducing our customer-facing bankers into the process. So if you think about abandoned digital shopping carts in retail, we see the same thing in banking, people who start the process and don't complete it. Our bankers are ensuring that customers have the information they need to complete the account opening process online. Furthermore, these accounts that originated online are now within the portfolio or book of business for our bankers, who are the ones managing the customer relationships, best positioned to bring that personalization, and it's a great example of bridging the digital and physical aspects of banking.

So, now bringing this all together, when you talk about companies who are succeeding in the digital-first world, they're the ones that have the data and are leveraging it, but you don't have to be big to do that.

Companies are leveraging data to provide better experiences, whether it's an online clothing site leveraging artificial intelligence to recommend new clothes, or a brick-or-mortar retailer using a mobile app to offer customers curbside pickup that we've talked about, or the streaming music app that incredibly knows more about the songs that I like than even I do. There's a number of examples by using data, regardless of size, that I think can drive to personalization.

Chris:
So, Andy, for businesses that have either started this transformation orare feeling like they must make this transformation, what are some of the kind of foundational tenets of digital transformation?

Andy:
The first thing, and I can't say this enough, is you've gotta know your customers. So many times, I see people acting out of urgency, and sometimes even panic .I've been doing this a long time, and the technology evolution and the innovation is happening as fast as anything I've ever been around, so sometimes it creates a rush to, "Well, I've gotta put something out there." Well, the ultimate failure is if you launch something, do something, implement a new process, just to get it to market, and it doesn't work.

So invest the time on the front end to get it right. But back to the customers, it's where I find even the biggest firms are making mistakes is instead of chasing that shiny object, focus on the customer. Make sure that what you're designing or what you think you're building is actually something that your customers are telling you they need or that you think they need, now or in the future.

Chris:
I think that's so key. I was actually talking with my wife about this sandwich shop she loves. They installed the little ordering kiosks, but nobody uses them. I think it's partly because their in-person service is so good, the kiosks aren't really meeting a need. But they also weren't designed very well. So that's a pitfall: not designing for a real need. Are there others people should watch for when making a digital transformation?

I love your example. Look, everything is a balance, and it's another example that's gonna date me. But sometimes you have to nudge customers, and the airlines got it right. I have this memory of walking through a large airport terminal in the South, long before online and mobile check-ins, when kiosks were first introduced. And there was this line of them sitting there that nobody was using, similar to what you just described.

Andy:
And the airlines did something very risky and very interesting. They got usage, the first airline that did it got usage, by taking the people out, away from the counter. And I'm not here saying that that's something to do, but there is some element of driving adoption that sometimes you've gotta give customers a nudge, and that's at least one example of maybe the customers back then, perhaps that airline was a little bit before their time, but they got folks to use it.

Chris:
That's a good example. I'm also curious to hear more about using data. What tools can a business use to harness the data they do have available, like customer relations management platforms, or CRM?

Andy:
CRM has been around for a long time and has evolved,, over the years, but back to this theme you're gonna feel from me throughout this interview, it's customer data. We use it across all of our lines of business to influence what I call our roadmaps on what are we gonna build next? Well, about two years ago, that was a very manual process folks walking into our branches, calling, emailing, texting, writing comments, and answering surveys.

So we invested in a CRM-like system. And, you know, people get scared with the words AI or machine learning, there's some very interesting ways to leverage machine learning and AI that sound expensive that really aren't. And in our case, I called them

listening posts, we've automated it. So now, instead of waiting weeks on what's the theme from the last 30 days, I can, in near real time, understand whether it's customer pain points or real time suggestions that feed into what we do next.

So that ties back to large or small, every company should have that kind of access to customer feedback. I would say look for ways to automate it.

Chris:
Based on all of this discussion, I'm curious too, what are you hearing in terms of how companies are shifting their investment in digital technology? Like where are they putting their money now?

Andy:
We're beyond the days of just throwing money at technology. I think a successful company will take a step back, identify the problem statement, take a close look at the strategic plans or objectives of the business, and then identify opportunities where technology may solve a business problem or give you a better chance to meet a business goal. Sometimes, it may be a process improvement.

You know, the topic of people, it's a tough topic right now because of the war for talent. I've never seen such a high demand and low supply for technical skills, so talent management is increasingly important. You know, remote working has created a talent shortage, especially for digital and technology roles. So just a few tips that I would offer up for talent in particular to retain them, digital and innovation in general is moving into uncharted territory, so ideas and concepts that are not yet proven, so take the long outlook on your associates. Be considerate that failure will occur, or that they might not yet be a subject matter expert on a topic, just equip them, train them, be patient, so let them succeed. If you think about innovation, by definition that means you're gonna fail a few times, you're gonna learn from that, and that's okay.

The second thing is ensure that compensation is fair. Perhaps saying the obvious, but, continue to get a pulse on fair market value for comparable industry roles, you know, read feedback through internal surveys or external sites where current and former associates are providing feedback. And then, the last thing I would say is just be adaptable. Yven consider making exceptions such as work accommodations for your top talent.

Chris:
So the talent market in tech is one concern. What about risk? When making a digital transformation, what added risks should companies think about?

Andy:
We've talked about personalization, where our research says, you know, customers are telling us, "Know me." Well, they're also saying, "Protect me." And as a bank, and I'm sure many other companies who are listening will feel the same, we have an obligation to protect our customers. So I can't say enough about investing appropriately in all things security and authentication.

Something as basic as multifactor is just simple, sending some kind of code or notification to somebody's phone that we know is yours, that's a great way to en- encourage people.

Chris:
You mentioned earlier giving customers a nudge on certain behaviors. Are there ways to do that related to security, as well?

Andy:
There is … It gets into the delicate balance of marketing and communication. Right? We often complain about getting, as consumers, getting flooded with material, but, you know, companies wouldn't send it if it didn't work.

So the challenge for any business, ours included, is what's the right way to communicate. And, by the way, based on segment or generation or demographic, it might be different. Our youngest customers, they want it all on the mobile device. They're not reading emails, they're certainly not reading letters in the regular mail. They're great with push notifications.

As you get a little older, not so much. So it's finding that balance, and we're back to personalization and how best to communicate with them.

Chris:
Right, and it seems like you're also talking about not only personalization, but how do you think about all of your various touchpoints along the way?

Andy:
Yeah, And there are a few, maybe some that are listening, that are digital-only players. Most of us are not. So respecting that the customer today may choose to walk into your storefront, tomorrow pick up the phone, the next day use the mobile app, offering that consistency in the experience is really key in whatever industry you're in.

Chris:
So, Andy, for a company that wants to make digital transformation stick and be really successful, what bits of advice do you have to make it really work?

Andy:
So I'll answer that in a few ways, Chris. One is let's take an enterprise view, right, let's not just create new digital channels or features, but partner with the business, help transform what already exists. It's really about culture, you know? Can you drive a culture in the company and a digital mindset.

The second is: Just appreciate the power of data. Consumer behavior and trends have created a mandate for more personalized experiences that we've been talking about, and that can only be achieved through the power of data, and it just requires us all to pull various data sources together to create rich and meaningful experiences.

Third, I would say take a business-focused view of technology. Understand the technology to be able to execute on the present needs and digitize the business, not the other way around, right? Leverage it to be able to innovate for future offerings and operating models.

The fourth thing I would say is embrace partnerships and collaboration. In any organization I've ever worked in, I can correlate success based on the strength of the partnership and the collaboration. Rarely are you in a silo successfully doing things on your own, so work closely with everyone in the organization, get folks on board. You've gotta build meaningful partnerships with leaders who run their businesses, and then be able to tell the digital story.

And then, the last thing, we've talked a little bit about people, but you've gotta bring talent into the organization. Find those resources that can help execute on the vision on the transformation to remain competitive.

Chris:
Andy Hernandez offered a lot of great insight today, but those last two words, "remain competitive," — seem crucial.

Digital transformation is not just about the latest trend or shiny new object. It's about knowing your customers' wants and needs, and being prepared to act on them so that you remain competitive as a business.

Thank you to Hernandez for joining us today, and thank you for listening. Get related resources for your business and listen to future episodes at regions.com/commercialpodcast. And subscribe to this podcast on your favorite podcast service.

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