Venture
SOLUTIONS™

Digital Communications Done Right:

CX Lessons Learned From 6 of the Top 10 Market Leaders

Executive Summary

Going digital creates incredible value, faster originations, happier customers, lower costs and lower default rates. However, these are only some of the proven advantages of moving to self-serve digital channels. For the mortgage industry, every misstep in digital migration can be quite costly due to underlying customer mistrust that is reinforced by poor digital service experiences.

Digital migration is a journey, not a destination. It requires building and maintaining a deep understanding of the customer and designing customer-centric experiences to engage with customers when, where, and how they expect to interact. These processes often involve multi-year IT projects costing many millions of dollars and an unclear ROI.

Finding quick wins along this long path is critical not only for the short-term value they create, but also for keeping the momentum throughout this challenging process.

> **"Digital migration is a journey, not a destination."**

> **"Industry leaders including Quicken Loans, Guild Mortgage, J.P. Morgan Chase, United Wholesale Mortgage, Mr. Cooper, PennyMac, AFN, Barclays, USAA, Navy Federal, KBC and others have shown that by simply changing the medium through which they engage with customers, they can quickly beat their engagement benchmarks and drive impressive business results."**
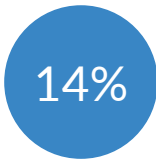
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Shifting from a text-based interface to using data-driven video has helped these companies migrate to a truly customer-centric digital engagement model that works ... because it's what customers want.
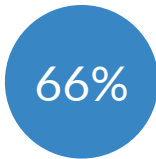
It's simplest to demonstrate this impact through a brief list of results obtained by merely changing the engagement interface from text to data-driven video:
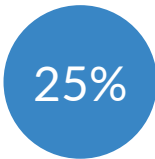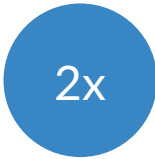
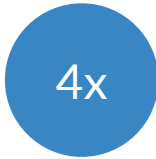|		
25%	**14%**	**66%**
Uplift in Retention	Drop in Call Center Volume	of Customers Clicking on CTA
2x	**5x**	**4x**
ROI in Less Than 3 Months	Increase in CTR	Uplift in Brand Recall

The Unfairness of Customer Expectations

Consumers increasingly expect to receive outstanding customer experiences, wherever they are. Today's consumer orders a ride on demand with a single click on Uber, effortlessly takes care of their shopping on Instacart, gets immediate access to information with Siri, and manages her finances directly on her bank's mobile app.

Is it any wonder then that customer satisfaction rates are often so low across all industries? The leading causes **of these low ratings are poor communication and a lengthy, obscure process**. For example, the issue is common to all players in the mortgage space but is further accentuated for customers that are handed off to mortgage servicing companies — a shocking **54% of first-time homebuyers report feeling angry or confused when their mortgage was handed off**.

This improved agility is highly valued by customers. According to J. D. Power, **the faster speed of contact offered by online players is an important driver of their higher customer satisfaction scores**. And as if shorter sales cycles, lower default rates and improved customer satisfaction weren't enough, an effective digital migration also promises to reduce costs. Reducing the cost basis is an important business driver in industries suffering from margin compression.

As profitability shrinks, companies look for opportunities to slash costs and one of the first candidates is inevitably the budget dedicated to customer service. Why? Because customer service is relatively easy to scale up and down, its direct ROI is hard to quantify, and maybe even because it can be conveniently considered as a natural result of an online migration, which of course promises less face-to-face and phone interactions.

However, believing that lower spending on customer service is simply an automatic byproduct of a online migration would be naive and this conclusion is simply not backed by the facts. This is due to the immense indirect (but indisputable) costs associated with an ineffective migration to a digital customer service model.

> **63% of customers indicate they would switch companies they do business with — even when the transfer is tedious — to find improved customer service.**

Customer Experience: A Deep Dive

Getting the customer experience right is the new battlefield **with as many as 89% of companies today believing they are competing primarily based on customer experiences**.

Yet companies seem to be woefully unaware of just how poorly they are faring in this area. **While 80% of companies believe they deliver a "superior experience" to their customers, only 8% of customers agree**. This mismatch is, simply put, dangerous for business as the lack of perceived urgency hinders creative, dynamic solutions.

Before looking at how leading companies are addressing the customer experience challenge, let's look at why these challenges are more pronounced in the first place. Let's consider what this means in a field that is very competitive, highly regulated, and offers a very long sales cycle like mortgage companies.

> **"While 80% of companies believe they deliver a 'superior experience' to their customers, only 8% of customers agree."**

It comes down to a fatal combination of unforgiving customers who want desperately to understand and control the process, paired with an incongruous, extremely complex and hyper-regulated process.

First, the stakes are higher. Buying a house is far and away the biggest financial decision a person makes during his or her lifetime. People may overlook a poor customer experience when it comes to an app they purchased for $1.99 but are far less likely to do so when buying a $500,000 house. Not-so-long-ago market downturns have served to demonstrate to buyers just how high the stakes are of not understanding their mortgages.

Second, the immensely complex process drives customer confusion and frustration. Few people understand even a small percentage of the forms they are asked to sign during a loan application process. Even fewer people understand complex concepts like escrow accounts or the difference between a loan originator and a servicing company. Not many products or services can challenge the level of complexity inherent to the mortgage industry.

HIGH STAKES + **HIGH COMPLEXITY** = **UNHAPPY CUSTOMERS**

Unfortunately, much of the complexity is structural or regulated, meaning that it's here to stay for the foreseeable future. Worse still, customers won't make any discounts in their expectations of superior service to account for this complexity. If anything, the opposite is true. People's expectations are defined by their most recent experiences, even if they only involved hailing a ride or buying groceries.

Traditionally, the way to bridge this gap and attempt to provide exceptional "hand-holding" service meant beefing up in-office staff and scaling up call centers. But the margin compression, as well as shifting customer expectations and preferences, deem these approaches unfeasible.

The challenge of moving such a high-stakes, complex process to an agile, self-serve model can seem insurmountable. Certainly, many of the stats mentioned here would seem to indicate it just might be. Fortunately, however, there is a light at the end of the tunnel.

A Silver Lining: Customer Desire and Early Signs of Success

Perhaps the most encouraging news in this sea of challenges is that not only are customers open to self-serve models, but they are also clamoring for them. According to PWC's Digital Mortgage 2.0 Study, the question is no longer if customers want digital tools, but rather when, why, and how. That same study establishes a high level of correlation between the offering of digital tools and customer satisfaction, or in their own words: "Simply put, lenders who offer high-quality digital tools have higher customer satisfaction."

Unfortunately, the required "pivot" isn't as simple as adding a comprehensive laundry list of digital tools to the offering and then expecting customer satisfaction to improve. The study found a correlation between the offering of high-quality digital tools and experiences, and providing that level of quality can, as discussed, be challenging given the complexity.

Customer desire for these cheaper, more scalable self-service experiences is very good news, and some leading players in the space are already capitalizing on it. Companies like Quicken Loans and Guild Mortgage, who place first and third place in J.D. Power's Primary Mortgage Servicer Customer Satisfaction Survey this year, both excel at providing industry-leading digital experiences. These companies, by their success, prove that it is possible to work through the challenges and push the boundaries of digital customer experience, even in a complex and high-stakes environment.

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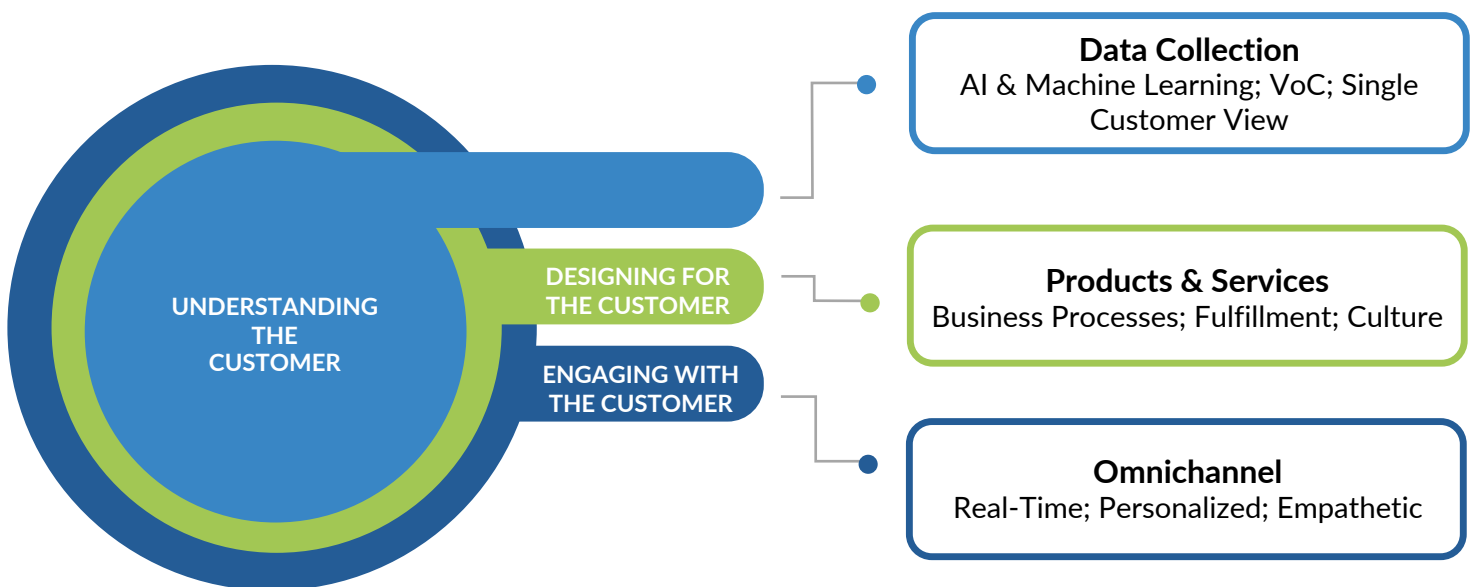
Going for the Win: Delivering Outstanding Digital Experiences

It's now time to explore what makes for an outstanding customer experience. What can companies do to drive usage of their self-serve channels, reduce customer frustration, lower call volumes to their call centers, and drive customer satisfaction?

Delivering a seamless, personalized end-to-end customer experience across digital and non-digital channels should always be the end goal. It is a multi-stage process, and it is therefore critical to prioritize the elements of a successful customer experience and aim to find some quick wins that create value throughout the progression.

Elements of an Outstanding Customer Experience

Exceptional CX always starts with a customer-first approach. The customer-centric mindset goes beyond the "what" and into the "how": **Customer journeys and pain points must be understood with empathy, through the eyes of the customers.** (Remember the statistic above, where companies can't even recognize that their customers aren't satisfied?) A convenient framework for thinking about customer-first CX must therefore start with a deep understanding of the customer.

Data Collection
AI & Machine Learning; VoC; Single Customer View

Products & Services
Business Processes; Fulfillment; Culture

Omnichannel
Real-Time; Personalized; Empathetic

UNDERSTANDING THE CUSTOMER

DESIGNING FOR THE CUSTOMER

ENGAGING WITH THE CUSTOMER

1. Understanding the Customer

The effort involved in truly understanding customers at scale is massive and ongoing. It's a massive and growing high-tech industry of its own. Finding the right structured and unstructured data, extracting it in real time, and cross-referencing and analyzing it to gain valuable customer insights are gargantuan tasks. They often involve costly multiyear IT projects and seemingly endless integrations with an ever-changing technology suite. But as complex and costly as it may be, gaining a deep understanding of your customer is imperative and lies at the foundation of any successful CX approach. Skipping it makes the next steps riskier and potentially very expensive when based on guesswork rather than empirical facts.

2. Designing for the Customer

Using the insights gained by in-depth research and analysis, the next step is to design for the customer. In short: Everything. Products and service offerings, internal and external processes, customer journeys, policies and procedures, service, and even fulfillment and distribution.

The customer-centric mindset must permeate throughout the organization, bringing tweaks to certain processes and mindsets and revolutionizing others. However, since mindsets, processes, habits and corporate culture are very slow to change, these processes also tend to be very long, costly and often offer an unclear return on investment.

Much like Understanding the Customer, Designing for the Customer is another critical component of a successful CX strategy, but one that is, without exception, challenging to implement.

3. Engaging the Customer

The end goal of any CX strategy is to provide an exceptional experience in the various touchpoints between customer and company. In other words, to engage the customers on their terms, to provide them the answers they need when they know they need them... or when they don't even know they do.

Customers are engaging with their mortgage lenders and servicers in a growing number of ways. In the past, the options were finite and clearly defined: in person, phone or mail. But now customers use many different direct and indirect communication channels and touchpoints including mobile apps, email, chatbots, agent-powered chat, social media and more.

These channels all offer valuable opportunities to engage with customers on their terms, but also to drop the ball in disastrous and damaging ways as new scenarios emerge. With so many moving parts, it can be overwhelming to keep track of the "what," the "when," and the "where," let alone think of the "how."

But as shown above, a successful CX strategy must cover the "how" and must do so from an empathetic view of the customer. While a seamless, holistic and omnichannel deployment of all customer touchpoints can also be complex and costly, a focus on the "how" can, in this case, open some meaningful opportunities for quick wins.

Digital Communications — Quick Wins

As you've picked up on by now, there's no way to sugarcoat it: The road to a successful digital customer experience strategy is long and arduous. Beginning and then maintaining the course requires deep pockets, perseverance, and a strong commitment from leadership. Even the most committed may find themselves wavering after their nth attempt at "fixing things" if they have nothing to show for it.

Therefore, identifying "quick wins" is so crucial. A quick win not only creates immediate value but also helps keep the momentum, convince the organization of the real value of getting CX right, secure budgets and prove that there is a path forward even to the most skeptical of stakeholders. The value of a quick win in such complex, costly, and protracted processes cannot be overstated.

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In this section, we will cover some quick wins and low-hanging fruit that we have identified through our work with some of the world's leading mortgage companies. We will examine how some market leaders are identifying opportunities for immediate value creation and capitalizing on them by addressing how they engage with their customers.

But first, a word about what effective, customer-centric engagement looks like:

WHAT?	What do we want to tell the customer? What action do we want the customer to take?
WHERE?	On what device or in what location?
WHEN?	At what point in time do we want to engage the customer?
HOW?	What medium will we choose to engage the customer with?

When we think of customer engagement, we generally focus on the first three: The What, the Where and the When. We try to use what we've learned about each customer and about the customer journey to perfect our messaging and timing. However, we too often neglect the How. This is a mistake for two reasons:

1	**2**
Making the wrong choice as to how we engage customers results in massive value destruction. If the right customer, at the right time, isn't receptive to the message via the medium we choose, there will be no resulting interaction.	Making the right choice of medium is far easier than figuring out the What and the When, as the How is common to all customers.

Through hundreds of thousands of years of consuming, synthesizing and acting on audiovisual data from the world around us, humans have evolved to be very adept at processing this sort of content.

Written communications, on the other hand, have only been around for a few thousand years. Consequently, our brains process visual data faster than written communications and retain it far better.

> **"Our brains process visual data faster than written communications and retain it far better."**

When faced with written communications, we are slow, inefficient and reluctant to engage. It's simply a result of evolution.

Maybe because our brains have become so good at processing audiovisual data, they have come to crave it and naturally opt for this sort of content and experiences when given the chance.

However, when we look at the media that most mortgage companies choose to engage their customers with, we find that it is typically some form of written communications — an email, a text message, an alert.

Why is that, given our general ineptitude and disinterest in reading? Essentially because that is easiest. And what happened to being customer-centric? What about understanding our customers, designing for them, and engaging them on their terms, with empathy? All too often, those lofty ideals are ignored when choosing the simplistic path to engaging customers.

In the past, most customer interactions were face-to-face, which of course meant they were "audiovisual." As more and more interactions migrated online, companies replaced these interactions with text-driven communications, involving one-size-fits-all standardized texts, endless legalese, disclaimers and complex terminology.

> **"Text-based communications are easy to personalize and iterate, making them an ideal tool to work with (except for the fact that nobody reads them, that is)."**

There used to be a justification for this; basically, there was no other way. Text-based communications are easy to personalize and iterate, making them an ideal tool to work with (except for the fact that nobody reads them, that is). Video, the most engaging medium by far, could not be personalized — its use was limited to creating branding and awareness, rather than being applied to transactional use cases.

However, advancements in video rendering technology have now made it possible to render video in real-time, unlocking all the personalized, transactional or interactive use cases that were previously impossible. Onboarding new customers, educating them, addressing their concerns, answering their questions ... these can all be performed using data-driven video that is rendered in real-time for every customer, using their names, personal data, account specifics, location, or any other available data point to generate impactful audiovisual experiences that people want to engage with.

> **"Our A/B testing has shown that as much as 75% of the value of a customer-facing initiative can reside in the last mile – the interface used to engage customers."**

Now, back to our mortgage industry example. Our A/B testing has shown that as much as 75% of the value of a customer-facing initiative can reside in the last mile — the interface used to engage customers. Escrow statements provide a powerful example of why:

This typical escrow statement does as good a job as it can to explain the escrow account balances, terminology, and required actions. However, it provides little clarity to all but the savviest customers.

Deciphering escrow statements with their pass-through payments and menacing terminology is a known pain point for many customers and a great source of frustration. Yet attempts to educate and explain escrow statements to customers in a scalable way (i.e., without the intervention of live agents) have largely failed and, if anything, have generated even more frustration.

Understanding their customers' pain points, companies like Quicken Loans, Chase, Mr. Cooper, PennyMac and SLS found a solution: personalized videos offering a visual walkthrough of each customer's actual escrow statement.

These companies understood that one of the many advantages of video is its ability to reduce complexity and use visualizations or animations to effectively engage people and communicate vast amounts of information in a simple, easy-to-understand way. This applies to any industry that has complex communications and spends a lot of money explaining them to customers.

Forrester claims that a single minute of video packs the same amount of information as 1.8 million words. So, what's three pages of an escrow statement in comparison?

Even a relatively straightforward video can educate, explain and engage in a way that would be impossible for any form of written communication. On average, these long and data-heavy videos were watched to completion by over 80% of customers, with roughly two-thirds of them clicking on the call to action at the end of the video.

> "These long and data-heavy videos were watched to completion by over 80% of customers, with roughly two-thirds of them clicking on the call to action at the end of the video. But maybe the most compelling evidence of the effectiveness of these videos is the 14% average drop in customer calls to the call center."

AnyBank
Logo Placeholder

1927 Main Street
Mankato, MN 56001-1938

1-192-19281938-191-0198-000-000-000

John Harper
Jill Harper
182 Raintree Drive
New Ulm, MN 56073-1928

Annual Escrow Review Statement

Loan Number:	192819271903
Property Address:	182 Raintree Drive New Ulm, MN 56073-01928
Escrow Analysis Date:	10/10/2021
New Payment:	$716.84
Effective Date:	01.01.2021

1 Why am I receiving this statement?

We review your escrow amount every year to ensure it is properly funded, based on your upcoming taxes and/or insurance premiums. This statement provides details of any changes in your escrow account and resulting changes to your mortgage payment.

But maybe the most compelling evidence of the effectiveness of these videos is the 14% average drop in customer calls to the call center.

That's a powerful example of a case where complex and hard-to-understand messaging was made accessible simply by using a different communication medium.

The explanations are no different from those that have been provided in the past, to little effect. The only factor that changed was the use of data-driven video to engage customers rather than a text-based interface. This is the definition of a quick win – making a small tweak to obtain immediate results.

But explaining an escrow statement is only one example of how market leaders are using data-driven video to deliver short-term results while building long-term equity.

Another case where we've seen this approach used very effectively by companies is during the customer onboarding process.

> The effectiveness or the solution can be shown by looking at customers' interest in viewing the content (average CTOR of 55%), the way they engage with the content (over a third of customers click the call to action) and ultimately, the business results (such as a double-digit reduction in call volume)."

Think about it – customer onboarding is the quintessential case that would, in the past, always involve face-to-face interaction. The jump from that experience to a cold and faceless welcome email was never going to cut it. As we've seen, companies have a trust crisis with their customers.
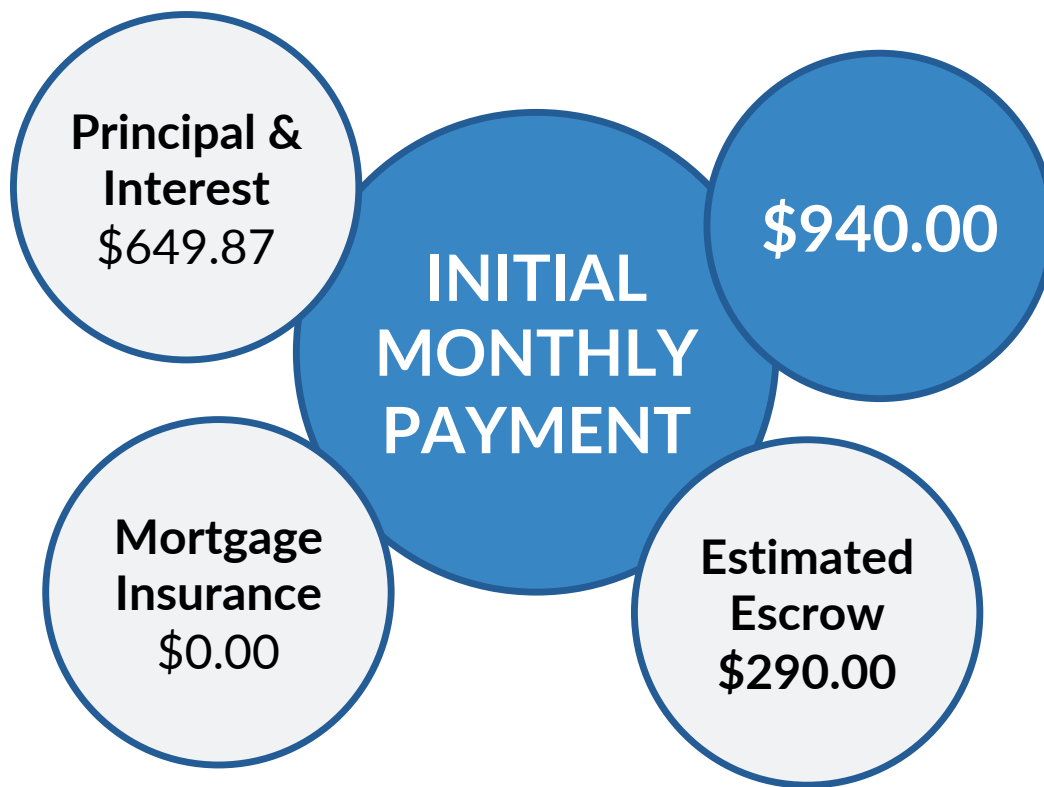
Personal relationships build trust but are virtually impossible to scale in the digital world. Luckily, video has proven to increase trust and confidence in online transactions and also serves to build the relationship between brand and customer. While it may not be the same as a cup of coffee and handshake from a familiar mortgage broker, it's the next best thing – and it costs far less.

Again, the effectiveness of the solution can be shown by looking at customers' interest in viewing the content (average CTOR of 55%), the way they engage with the content (over a third of customers click the call to action), and ultimately, the business results (such as a double-digit reduction in call volume).

The escrow use case leveraged video's ability to communicate large amounts of information in a more comprehensible way. The onboarding use case leveraged the video's ability to build trust and establish an empathetic connection with the customer.

The next quick win leverages both of these characteristics: closing disclosures. Closing on a loan can be overwhelming both in terms of the amount of data a customer needs to process and in terms of the "what have I gotten myself into?" moments that require a trusted advisor for guidance and support.

Greasing this critical touchpoint with the right communication medium can work wonders and help build the trust that is so lacking in many online interactions. J.P. Morgan Chase, USAA, American Financial Network (AFN) and others have used personalized video to explain the closing disclosures and make sure the relationship is off to a strong start from the beginning.

Principal & Interest $649.87

INITIAL MONTHLY PAYMENT

$940.00

Mortgage Insurance $0.00

Estimated Escrow $290.00

But as we work our way up from escrow to welcome to closing, why stop there? Data-driven video can be used even earlier as a very effective customer acquisition tool. This can be accomplished through a dynamic video ad campaign that delivers hyper-targeted and engaging messaging to potential customers, or by using data-driven video as an output for a mortgage calculator.

Why limit yourself to giving customers the dry numbers when you have an opportunity to get them excited about the prospect of embarking on their house buying journey with you?

That's what effective visualization can accomplish, and it explains why dynamic video campaigns achieve uplifts of up to five times in CTRs and four times in brand recall.

But back to existing customers. Are there additional places in the customer journey that are causing frustration, friction or churn?

The answer may differ between companies, but some market leaders such as Navy Federal, Barclays, Chase and KBC bank in Belgium have found that proactively connecting with their customers using personalized video to help them through other key moments such as an upcoming end of term, refinancing options, or a loan modification can deliver immediate value.

By so doing, these companies have achieved some impressive results, such as a 20%-25% improvement in retention and refinancing, or a doubling of ROI in less than three months.

These are powerful examples of how understanding the issues that customers are likely to encounter — and addressing them using the right offers, at the right time and using the right medium — can deliver an amazingly effective quick win.

CUSTOMER ACQUISITION

Personalized quote videos generated in real-time are a great way to acquire new customers. Also, dynamic video ads on Facebook beat out all legacy video formats, delivering vast improvements to CTRs and brand recall.

ONBOARDING

Closing on a house marks the single biggest purchase most people will make in their lives, and that can be scary and confusing. Personalized videos are a great way to turn a stressful moment into a positive and engaging customer experience.

Key Moments in Mortgages

CROSS-SELL AND UPSELL

A happy and engaged mortgage customer is much more likely to also become a retail customer. Help your customers see the value in contracting additional products or services by explaining them in context.

ESCROW ANALYSIS

For most people, escrow statements might as well be written in Dothraki – they would be able to make about as much sense of them. Personalized videos offer a great way to explain these statements and avoid surprises, resulting in happy and engaged customers.

END OF TERM

A rate change in a variable rate mortgage can be a delicate topic if not handled with care. Proactively explaining upcoming rate changes and providing options using personalized video is a proven way to avoid unpleasant surprises and help customers make the best decisions.

The Case for Investing in Rich, Data-Driven Communications

We've seen the impressive quick wins achieved by leading mortgage lenders who understood their customers' pain points and changed the way they communicated with them. But even these impressive uplifts, click-throughs, and conversion rates don't tell the whole story.

Delivering personalized experiences that empower the customer creates value and goodwill that goes beyond the transaction. Customers increasingly expect to be treated as a person, not a number.
The bad news is that customer expectations (or entitlement, depending on who you ask) are only going to continue becoming more demanding.

"68% of prospective home equity and 84% of prospective refinance customers consider their current mortgage lender. Their prior servicing experience was the most cited reason for sticking with that lender — at over 67% and 80% of borrowers, respectively."

While the mortgage industry scores poorly on digital experiences and customer trust as a whole, the situation becomes even more concerning when we look at Gen Y or Gen Z customers. **For these customers**, a great digital experience is the basic price of entry for building a strong relationship. It is no longer optional. This explains why the digital transformation of the customer experience is now one of the mortgage industry executive's top five imperatives.

But wait, there's more. Servicing is the longest-lasting relationship between mortgage company and customer, as it spans the lifetime of the loan. Too often, the servicing "relationship" is limited to collecting checks and sending statements, meaning there is no actual relationship being formed or maintained at all. The consequence of that is that every customer is one misstep away from becoming a problem or churning if they have the option.

It should therefore not be surprising to learn that the servicing experience has a clear impact on customer retention and loyalty – both in refinance and home equity and in purchases for repeat buyers. 68% of prospective home equity and 84% of prospective refinance customers consider their current mortgage lender. And their prior servicing experience was the most cited reason for sticking with that lender at more than 67% and 80% of borrowers, respectively. Using any opportunity to build trust with the customer can not only deliver immediate dividends in the form of customer satisfaction or call volume.

CX: The Social Angle

We mentioned social media earlier, as an indirect touchpoint between customer and brand. It's considered indirect since, more often than not, the customer isn't engaging directly with the brand but rather sharing with the world an experience – positive or negative – that they had. But those positive and negative experiences are not shared equally.

Unfortunately, a negative experience is far more likely to spark outrage and attacks on social media. It's just the way of the world. But it also significantly increases the table stakes for any customer interaction. A poor user experience is likely to be amplified and shared on social. **And these amplified negative experiences can really hinder a mortgage lender's growth**.

The surest way to deliver a negative customer experience is through lack of communication (or by using the wrong communication medium, which amounts to the same thing). This is the single biggest driver of customer dissatisfaction, but also one of the easier ones to address. That's why it represents such a perfect opportunity for finding those elusive quick wins.

Final Remarks

Delivering consistently outstanding customer experiences is critical to the success of any company. Creating digital interactions that build relationships rather than generate frustration is one of the most important key success factors which will define success or failure in the years to come. And while the road to excellent CX may be long and arduous, following a simple framework greatly improves the chances of finding quick wins along the way:

1. Understanding the Customer

What do I already know about my customers' pain points and common issues?

2. Designing for the Customer

Is there anything I can do to offer quick or temporary solutions to known issues? For example, if I know that customers reaching their end of term are likely to get upset and possibly churn out if not proactively addressed, what solutions can I offer them to prevent that reaction?

3. Engaging the Customer

Building on existing insights and leveraging existing or slightly tweaked solutions, be sure to use an effective customer engagement platform. Text is easy for you, but not enjoyed by customers. Use data-driven audiovisual solutions where possible.

While continuing to build an ever-deeper understanding of the customer and redesigning products, services, and business processes around it, companies can identify and capitalize on relatively easy opportunities for quick value creation and for building long-term equity with customers — by focusing on how they engage customers. Market leaders have shown that by simply switching over from text-based communications to data-driven video, they can drastically improve their engagement metrics and business results.

To learn more, contact info@venturesolutions.com.