

## Viewpoint: Fatal Flaws in Personal Finance Management

American Banker | Thursday, June 24, 2010

By Jeff Maling

Picture yourself in line at Starbucks and ask yourself a simple question. How much have you spent on Starbucks this year? Last year? Coffee in general? You can figure it out ... if you have a few hours and you're pretty good with Excel.

Now picture yourself at Starbucks in a more ideal world. On your mobile phone, you see that you have spent \$200 against an annual coffee budget of \$350, and \$175 has been spent at this particular Starbucks. How might this information impact you? Would it change your purchase decision? Would the store treat you better if they knew you were a good customer? Would you feel more in control of your finances? Your life?

Now multiply that by all the financial interactions in your life. How does your health club membership impact college savings? How does eating out impact buying a new car?

Despite 30 years spent automating financial transactions, financial institutions offer consumers no more financial insight than when people used passbooks and accordion files. The first institution to buck this trend will redefine the industry. And there is no guarantee that it will be a bank ... or credit card company.

Consumers hunger for ways to manage their finances. A recent Forrester study found that five of the top 10 iPhone applications are personal finance-related, including basic things like electronic check registers. Quicken remains widely popular despite having a significant learning curve. Mint.com surpassed a million users in a year with its slick view of finances yet no transactional capabilities.

If you think this problem exists only for the mass market, think again. In more than 500 interviews Roundarch conducted with high-net-worth individuals, the most requested feature was a complete financial picture. The most popular method for getting that full picture ... nothing. Second-most popular ... Excel. Third-most popular ... Yahoo! Finance. Where does the bank rank in solving this problem? Near the bottom!

The fact is that tech-savvy consumers spend 10 times longer managing their iTunes playlists than managing their finances. Is this because they value music more than financial freedom? Doubtful.

Banks may have several fatal flaws when it comes to dealing with this problem:

Misreading consumer behavior. If customers spend 10x more time on playlists than financial management, then it is easy to assume they don't want help. However, evidence shows that customers who want to understand their finances will go to extraordinary lengths. How fast would they move institutions if someone made it easy for them?

Being product-driven instead of experience-driven. Banks drive deposits by touting products and product features. Focusing more on experience requires banks to think outside of product silos and to design experiences. It is not something that comes naturally.

Overreliance on current revenue models. Banks struggle with linking an experience to revenue. They find it much easier to link products to revenue. But when someone creates the experience, no feature will stem the tide of lost deposits.

Banking needs to look no further than the music industry in the late 1990s to understand what is at stake. Major distributors resisted digital and early MP3 companies focused on product features versus the experience of buying and consuming music. Sound familiar?

Apple did not invent the MP3 player, and the iPod had fewer features than most of its early competitors. But Apple created an experience that integrated buying, organizing and consuming music.

The challenges facing the banking industry are similar:

Merging existing technologies. The technology has been invented. We have great mobile devices, most transactions are already electronic and websites like Mint have introduced innovation in the space.

Creating an integrated experience. Piece solutions exist, but no one has solved the whole problem.

Acquiring new skills. Most banks don't have the expertise or mentality required to create meaningful customer experiences. If banks don't step up, it's a matter of time before someone steps in.

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