Easy Access to Information Is Good, Trusted Information Is Better

By Dean Rushton
Loan Market Home Finance Brokers

In the past year there have been a number of presentations that speak to the explosion of information technology and how mediums such as Facebook and Twitter are transforming communication as we know it.

Each new medium rewrites records around speed to market, audience reach and information accessibility. Blogs and sites such as ‘tripadvisor.com’ are also providing an avenue for readers to get opinions on products and services from other users.

There is no doubt that the landscape is changing and we can take it for granted that social media has moved beyond ‘fad status’ to a key component of any corporate communication strategy in today’s marketplace.

Last year at Loan Market we commissioned independent consumer research to look at the current behaviours and motivations of home buyers in the market.

The research included focus groups made up of first home buyers, first time investors, second and third home buyers, buyers who had used a mortgage broker and also buyers who had gone directly through a financial institution and never consulted with a mortgage broker.

Two key findings really stood out.

The first was the amount of research being conducted online by buyers to evaluate the best home loan deals. The majority of people were undertaking some form of online research as a first step in their process, every group had buyers who knew where to find the online home loan comparison sites such as Cannex and Infochoice and every group had a number of people who had even built their own spreadsheets to evaluate the different lenders’ offerings.

Interestingly enough though, most of these individuals, after investing considerable time in their own research were still using mortgage brokers to source their loan. So why go to an intermediary when you’ve already committed your own time to evaluate your options?

It generally boiled down to the same reason but expressed in different ways. The consumer’s personal research was to ensure that they were informed enough to feel...
in control of the process but ultimately they did not believe they had sufficient knowledge to make the final purchase decision.

They used a mortgage broker because they believed the broker, as a full time professional, was in a far better position to be across a wider range of options and have access to information on products and pricing that was not in the public domain.

The phenomenon of going online to improve your self awareness but speaking to a professional when things get serious is not unique to financial services. One of the fastest growing areas online is medical websites that allow users to self diagnose and research remedies. Apart from making hypochondria the fastest growing ailment, visits to medical centres and doctors most likely have not reduced.

Access to information has improved greatly but trusted advisers will always play a critical role in the decisions that can greatly affect people’s circumstances.

In times past, the bank manager had a similar status to the GP in the local community. As the distribution strategies evolved for banks, fact to face contact with the branch manager was replaced by call centres, customer service teams and online banking. Home loan enquiries were allocated to dedicated loan writers or mobile home finance managers.

These roles were designed to facilitate the home loan transaction but the ongoing servicing and management of the account was then passed to other remote areas of the bank.

While delivering cost efficiency, it eschewed the relationship and with the roles turning over, there was a good chance the next home loan enquiry could be directed to another contact. Whilst banks now provided an ever growing network of contact points, the relationship with the trusted adviser had gone.

This theme came up a number of times in and were explored further with an online survey earlier this year. The survey was conducted during January and asked the question “How often do you hear from your bank’s management on your personal and home finance issues?”

Of the 660 respondents only 12 per cent had regular contact with their bank manager and 32 per cent said they only heard from a senior bank staff member when ‘there was a problem’.

“What’s a bank manager?” was asked by 14 per cent; however the most common response at 42 per cent was ‘I don’t know who they are, they change all the time.’

Clearly at least one major bank has identified the importance of this role and there has been a major media campaign around putting people back into the relationship.

Westpac launched their campaign around restoring 600 branch managers late last year and the strategy was clear.

“Research is telling us that people are fed up with a lack of personalised service and they want to talk to a real person who is accessible, consistent and has the authority to make decisions at their local branch,” said Jason Yetton, general manager, Westpac Retail Banking.

“Unsurprisingly, it’s the Bank Manager, who ranks as the second most trustworthy community figure after the local GP and who is on par with granny and granddad when it comes to offering reliable financial advice.”

As with any new strategy, execution will be key and a lot will come down to having the right people in these roles and the bank’s ability to manage the individuals so that there tenure lasts longer than the campaign.

Assuming those hurdles can be met, the role of the branch manager will probably still be more of a generalist than an expert in one product.

Current industry statistics show that although only 40 per cent of loans are introduced through mortgage brokers, the percentage of “new to bank” customers are usually a lot higher, closer to 70 per cent.

This would underpin the fact that holding a transaction account with an institution is no longer a key factor in the decision making around home loans but also that the new generation of first time buyers are more predisposed to exploring their options.

If we assume that this research does not take them to the point of a firm decision then the next step is to either use an intermediary with a range of lenders and home loan options or to meet with a number of lender’s branch or mobile managers.

The challenge for lenders is clear but the opportunity for mortgage brokers is even clearer.

Historically, some brokers have been more transactional in focus with the perception that if the customer seems happy with the job they did on the first loan then the customer would come back to them years down the track based on that experience. That approach may have worked as many times as it failed but it left too much to chance.

Today, we work in a very different mindset and have worked with the broking team to ‘adopt a customer for life’ mentality that builds on the initial relationship. A number of key developments in the mortgage broking space have made this a more achievable ambition.

Firstly, CRM technology has continued to improve and enables customer contact programs to be managed with greater ease, even for single operators. Secondly, brokers have expanded their product offering outside of mortgages which provides greater opportunity to work with the customer on a more frequent basis.

THE THREE B’S MOVING FORWARD

The relationship between banks, brokers and borrowers will continue to evolve into a more integrated partnership.

Questions have regularly been asked around what value the banks are getting from the trail revenue paid to brokers. What ongoing service are brokers providing to the customers that they introduced to the bank?

Often, however, the same institutions have balked at the thought of providing broker access to basic customer information or promoting the broker as a point of contact if the customer needs to review their facility.

There are signs that this is beginning to change. In the past year there has been a more positive approach, by some lenders, to sharing the customer relationship with a view to delivering a better service experience.
These initiatives have included publishing broker contact details on customer statements and providing limited access to customer information with the customers’ consent.

Customers are being referred back to brokers to manage variations to their facilities and, in some instances, are being enlisted to assist the customer if they are experiencing difficulties with their loan repayment structure.

This is the right way forward as there are benefits to all parties and it will develop stronger partnerships that will benefit borrowers.

The other area of opportunity for banks and brokers is to continue to improve and streamline the home loan application process. As discussed earlier, if the broker channel is delivering the greater proportion of ‘new to bank’ customers, then the first impressions of their new lender will be through the home loan application process.

If the process is relatively smooth, then the impression would generally be that their ongoing customer service experience would be positive. Conversely, if the application process is characterised by requests for additional information, delays and a lack of communication, then the new lender is going to have to work harder post-settlement.

Furthermore, the customer will be more predisposed to refinance their mortgage if their situation changes or the opportunity arises. Even with the improvement in net interest margins, retention is a critical factor to home loan profitability and loans that leave the book within a couple of years are unlikely to break even.

There have been some good developments in improving the customer experience for new home loan applicants through the intermediary channel.

The move to online lodgement by most lenders has removed a layer of inaccuracy around completing and interpreting the home loan application. Most lenders now provide real-time updates to the broker on the loan’s progress and/or provide a website where they can obtain more detail around the loan submission.

Unfortunately in 2009, the customer experience generally took a few steps backwards as a result of the first homebuyer spike and a concentration of application volumes to a smaller spread of lenders. All of the major banks suffered “servicing meltdowns” at some point and there was a significant amount of stress on all parties – the banks, brokers and borrowers.

A normalisation of application volumes and increased competition has seen the situation improve this year but there are still some fundamental opportunities to improve the customer experience.

From the lenders’ perspective, too many banks continue to process third party loans using separate systems and processing teams to that of the retail bank. This splitting of capital and focus limits the opportunity to manage application surges more efficiently and redirect resources to problem areas.

From the mortgage brokers’ perspective, there needs to be a recognition that online lodgement does not replace the fundamentals of packaging the deal correctly the first time, managing the customer’s expectations around timeframes for approvals and follow-up communication through to settlement and beyond.

Both the banker and the broker benefit from a borrower who has had a good initial experience with their prospective new lender and are satisfied with the choice that they have made – and it just may be another opportunity for some great testimonials to go on Facebook.