

# The Trust v Risk Dilemma in Customer Process Design

## Customer Experience Design is Addictive

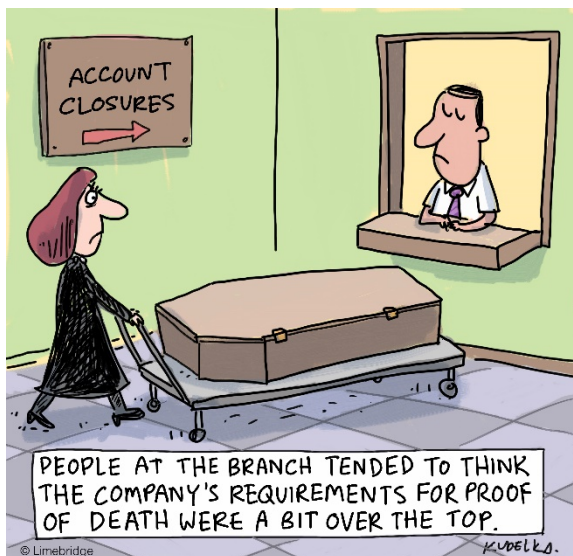
Being a customer experience designer is addictive and all pervasive. Once you understand and care about it, almost every interaction you have in life with a company or organisation becomes an opportunity to critique and learn. Walking onto a plane or into a coffee shop or a sports or entertainment venue you are continuously assessing the experience. This week the current “Hayne” Australian Banking Royal Commission has customer experience implications that provoked this white paper. We’ll explore:

1. A key issue in customer experience design that is implicit in discussions at the Royal Commission namely the “*trust v risk dilemma*”.
2. Some recent and topical examples that illustrate the problem and how to design and implement effective customer experiences recognising this dilemma.
3. Related ethical issues

### The Trust/Risk balancing Act and The Banking Royal Commission

In Australia the Hayne Banking Royal Commission is already putting the spotlight on why certain bank loans

have been approved. Some of these loan applications were supported by fraudulent proof (hence known as “liar loans”), such as; incorrect income declarations on application forms and in some cases fraudulent pay slips. The attention in the enquiry appears to be on sales targets that motivated staff to be complicit in this fraud and the lack of controls to detect the issues. In some cases, bribes were paid to get the loans approved.



We fear that the commission and government may conclude that banks and other processes require tighter burdens of proof to prevent these incidents. We’re worried that the “trust v risk” dilemma will be ignored in all this and will result in customer

experiences that are longer and arduous for all customers due to the behaviour of very few.

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## Proof of what

Loan applications are a classic example of the necessary balance between trust and risk in customer experience design. In the “good old days” customers completed an application form and signed that it was true and correct. Currently in the loan application process, customers are being asked to produce pay slips to prove their salary and statements to verify their monthly spending. This illustrates a far lower level of trust than a customer declaring their income on a signed form or stating it over the phone. Clearly that is also lower effort for the customer and company. Sighting, copying and filing pay slips is high effort all round. We’re concerned that the very few incidents of fraud will swing the risk pendulum towards even greater documentation and customer effort supposedly to reduce risk.

## Design Thinking

If we were designing the process we’d try and use the principle of “isolating the exceptions” that we discussed in **Your Customer Rules**. The idea is that we don’t want to put all customers through a burden of proof and irksome process, just because of small criminal elements. Unfortunately, the conclusions of the Banking Royal Commission may be heading that way as the emphasis is weighted more heavily on “risks to the banking system”, than improved loan application experiences.

The irony here, is that even with a risk averse process like sighting pay slips, the commission has heard that the controls still didn’t work! Fraudulent customers and employees found a way around that too. If we were designing the process we would want to bring some “trust” back into the process for most customers and look for ways to isolate the risks. For example, in many

cases the banks customers’ income will be paid into their bank account monthly and therefore the bank could check an on-line statement without forcing the customer through burdens of proof. We’d also be considering that most customers can now access their accounts in real time, so even if a customer uses other banks they could easily show a loans officer an on-line statement showing their income hitting their account. That wouldn’t work for those paid in cash but again, this is the exception that could be isolated.

## Design Trade Offs

There are some interesting possible trade-offs here. If the process for many customers applying for a loan can be simplified, then that allows more time to focus on the exceptions. The banks could use mechanisms



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like spot audits or checks of those without a regular monthly salary, as a control rather than asking all customers to show the same levels of proof.

We always look for solutions that make 90% of processes simpler so we can free up time for the complexity of the 10% exceptions (we call this the 90/10 principle). Unfortunately, many processes seem to be



designed with “exception” thinking where the fear of the risks dominates simplicity for the rest of customers. Identification of customers on “outbound calls” is a classic example. When companies call a customer on their mobile phone the customers typically pick it up and say, “hello this is Joe”. The company has called them on their mobile and the customer has identified who they are and yet, most companies insist on further identification. The only risk that remains is that someone has stolen the mobile phone or is pretending to be the customer or answering for them. We have never heard of a privacy breach where an outbound call went to a stolen mobile phone. In our opinion the risk verses trust balance here is about 100,000 to 1. A tiny chance

that on the day the company rings, the mobile has been stolen by a fraudulent impersonator. However, we struggle to persuade most companies to drop their ID processes on outbound calls. What is even more bizarre is that the extra levels of identification don't isolate the risks. Other family members know the customer's address and date of birth! These steps are pointless but they remain the industry standard.

## Ethical Implications

We also can't ignore the ethical issues that are also implied in the Trust V Risk dilemma. Customers who sign forms for incomes they don't earn or worse produce a fake pay slip are being fraudulent. Tighter controls imply that society is become less trust worthy. Why should honest customers pay, through cumbersome burdens of proof, for the sins of a few? The process can't ignore the fact that some people have a criminal intent, however processes will become far too complex for all customers if we try and preclude all fraud. We urge regulators to resist this burden of proof. Every customer form that makes a customer sign a declaration of some fact, assumes a level of honesty. Many companies now use on line or voice 'signatures or approvals' that rely on a level of honesty. The more we move to processes based on distrust and designed for fraudsters, the more onerous and expensive they will become for the company and customer.

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## Company Trust – a two-way street

Trust issues need to be a two-way street and increasingly consumer trust is lost because of limited transparency. That can also be true in complex processes. If you are declined for a loan or a product the company doesn't always explain why. Many companies play their cards close to their chest fearing potential fraud or manipulation in the future. However, the customer has declared a range of information and entrusted it to the company to take their lending or insurance decision. In good faith, shouldn't the company explain their decision? Trust and transparency need to work in both directions.



## Conclusion

Our lesson from the Hayne Commission is to recognise the Trust Risk Dilemma and to establish methods to isolate exceptions. We hope that companies will start to build more trust into their processes and marketing. We will continue to do so as we work with companies on improved service design. We are always happy to discuss how we do this. Please get in touch if you think you would like more information by emailing to [info@limebridge.com.au](mailto:info@limebridge.com.au) or calling 03 9499 3550. More details are at [www.limebridge.com.au](http://www.limebridge.com.au)