Intro: Welcome to the Treasury Update podcast presented by strategic treasurer, your source for interesting treasury news and analysis and insights in your car at the gym or wherever you decide to tune in. Expectations around payment methods are changing and being driven by customer experience and cost efficiency concerns and insurance companies. Today, Craig Jeffery sits down with Karen Molloy, vice president and treasurer of Northwestern Mutual to discuss solving for payment challenges by taking the end to end for you. This approach provides maximum value for treasury and other payment intensive organizations. Listen,

Craig Jeffery: Welcome to the Treasury Update Podcast. This is Craig Jeffery and our episode today is called solving for payment challenges by taking the end to end view. I'd like to welcome Karen Malloy, the VP and treasurer of Northwestern mutual life to the podcast. She has 28 years of experience and has risen through the ranks with the hundred and 60 plus year old Northwestern mutual life. Northwestern mutual life has a tagline of spend your life living and some of you will end deadly. Remember the former catchphrase, the quiet company. Karen is very active in the profession, regular speaking at Treasury events on technology leadership and always finds ways to help others think more clearly and act wisely on treasury matters. Welcome to the Treasury update podcast. Karen.

Karen Molloy: Thanks Craig. I'm excited to be here and hopefully folks have noticed that we're not such to the quiet company anymore.

Craig Jeffery: That's great. So let me just provide a little bit of context than I want to bring you in on the conversation and hear your thoughts. So payments are changing in a great number of exciting ways sometimes to focuses on new formats or technology or the speed of settlement or the amount of data that can flow through the system. But what can get left off at this discussion can be the end to end view of the process and the experience of the customer, the customer experience. While that is in the background, I'd like to have you provide your view of what Northwestern mutual life does for its clients are shareholders because that seems to drive much of your thinking.

Karen Molloy: Yeah. So we're really on this mission. We believe what our mission is of the organization is really to deliver financial security. And we really believe that in order to achieve financial security, you need to have a financial plan. So all the life insurance might not feel like it has day to day relevance in that financial plan. It really is a key tool that can be used as you figure out how to get to financial security along with a wide variety of other products and services. So we want our clients to understand at the core of what they're doing, how life insurance can play a key role, but really how that financial plan is going to be, what it's going to make you successful at having their financial security.

Craig Jeffery: No one asked you some questions about what you think or what Northwestern mutual life thinks about payments. What are you thinking about payment types? And I know you'd love ACH better than almost every other payment type or maybe more than every other payment type.

Karen Molloy: Yeah. So I've been fortunate that the company has been very committed to using ACH for as long as I've been here. Um, and we, we do have a great deal of success with it, but we understand that consumer's preferences are changing and although we can steer them towards our preferences, we want to make sure that we can match up with how they want to do business with us and how they want to pay us. So currently you know, our payment structure from an incoming standpoint, we actually receive about 85% of our payments via reoccurring ACH. So a very efficient, very predictable help with that constant keeping your policies persistence. So, so ACH has been at been a great success story for us. Along with that, about 5% of our clients pay US electronically through third party providers. Um, and then the last 10% pay us still via, um, checks and we use a lock box services for that.

Craig Jeffery: On the outgoing side, we're actually about 64% reoccurring ACH. We send out about 35% via checks and then another 1% your wires. So, although we're just kind of starting this journey, we see that we have to be very open to thinking about what other payment types that we'll need to take. We recognize that the speed of payment is going to be an important factor. In last year we started experimenting. We took two of our applications and move those up to being able to do those via same day ACH method. So, um, they were on the outgoing side and getting our customers their funds faster. So the approach that we're taking to figure out what payment types or you should be taking, we do factor in costs, but there's an experience factor in when you talk about cost, you really have to understand all the costs because sometimes what might have a low cost from a bank perspective has a lot eight steps internally.

Karen Molloy: So then that drives up our costs. So you really have to understand the cost end to end before you just start looking at the one aspect of what the bank is going to charge you. The approach we're taking is to do a lot of experimenting, see what works. We started with same day ACH or doing some credit card experiments this year we're also looking at getting a, a use case together, um, to experiment with Zelle. So that's kind of our starting points. We feel like if you could get some of the things that consumers are using, then you can tie him back. If whether you want to take Zell van to a Venmo or PayPal, it's going to be a similar experience. But once we have had some background on how that works and how customers are responding, we feel we can continue to add from there. Okay.

Craig Jeffery: Very good. I like your end-to-end cost adding that onto the end to end experience. It's not just your side, it's their side. It's not just the bank charge, there's also internal costs that people run into and that can easily be overlooked. So I appreciate you do you talking about that? And so on the pilot side, you said same day Ach, some credit card, Zelle. And then you're, you know, continued to expand the, the pilots or experiments that you're doing. Correct. So you and I were at the Loma Financial in forum and I was able to serve on a panel discussion with one of your teammates who spoke on the topic of the client experience. And I know there's a lot in that, that panel discussion, but can you talk through the core concept of what the client experience is and how you use this as a key driver in your payment planning and decision making?

Karen Molloy: So the client experience we feel is really just one of those critical components to being successful with this transformation. We recognize that we have to be able to have clients pay us, you know, when they want, where they want, how they want. A lot of times what they want to do is set it and forget it. So making that process as seamless as possible is very important. And where they do it, I'm making that as easy as possible. So really looking at building out an Omni channel experience. So they may start with their financial rep and then they may go online to finish that transaction. Or they may start with a call center rep and then go to their financial rep, whatever that combination is. Each entry point has to know what the last experience was with that client. So we're looking at at making that very seamless for the client and very easy for them to do business with us.

Craig Jeffery: So if someone comes in on Ivr, they're, they're touched toning something in one time and then they're talking to their Rep. And other time, those channels have to be cognizant of what what's happened at.

Karen Molloy: Exactly. And that's a big change for us because our call center folks might have one set of screens that they're looking at. Financial reps might have a different set or they have their own set of notes on the client. So we want to make sure that everyone that that is touching or talking to that client, um, can have all those same views so that it's a very consistent experience.

Craig Jeffery: Yeah, I can imagine that's a pretty big challenge because it's not just a different set of screens. It's a different set of databases or systems. And now you've got to have some common access to multiple sets of data. Maybe one being the lead, what's the most recent way you've paid or how you selected to receive a payment.

Karen Molloy: Right. And that's why the, the financial rep notes get to be very important if they've started to have a conversation or even the call center, they've started to have a conversation and the client wants to go back and think about it. You want to be able that you can pick that right up where that conversation left off.

Craig Jeffery: Very good. So I, I've got a, I don't know if I call it a two sided question that is about partnering in a uncovering gaps in knowledge. And I'll lay out the questions there and then you can take it however you see. I know it's a little complex to throw two questions at once, but one, how do you help the business area figure out what payment opportunities exist? You know, what do they know well and what is less clear. And then how do you find out what the client experiences are the most important to the clients. So that when you render assistance to the business area or to a client experience that you can be most focused and optimally helpful.

Karen Molloy: Yeah. So although it seems like two different questions, they're very intertwined in getting to the right answer. A lot of work is done with our business areas, trying to educate them on what payment types are out there. If you're not close to the business, a lot of times you assume Venmo is a different payment channel than a PayPal. And so trying to explain to folks, you know, what are the basic rails? How do these payment types sit on those rails and how do they work? The other really, really important thing that we spent a lot of time talking about is the data. So unlike a bank deposit where you just say, I want the money to go into account number one, two, three, when it comes to our products, there may be multiple pieces of data that are needed. So if you're making a deposit to an annuity, for example, not only do I need to know your contract number, I need to know whether it's a traditional if it's an Ira, traditional or Roth.

Karen Molloy: I mean you didn't know what tax year, it's four. So there's all this extra data that that's needed. So I'm an easy example. I know we've had a lot of discussions about, um, can a client just take a picture of their check and send it to us? Um, and sure they could do that. But it's really those extra data components that go with it that we need in order to make sure we're processing that client's payment the way they want us to do it. So making them understand what has to come in with the payment because getting the deposit into a Northwestern mutual account is the easy part. But making sure it gets to our client's account, the account they wanted in for the right term or whatever other components are needed. You know, making sure that all is correct is, is the more important part.

Karen Molloy: So when it comes to helping educate treasury. So we know what payment types are out there. That's the piece we bring to the table. But we don't know what our field is hearing. We don't know what are, what are clients are asking the call center folks. We don't know what they're thinking. This past year there was a team that was put together that actually went out to clients' homes and had discussions. Now the discussions weren't just about payment types. It's really about this whole planning experience that we're trying to roll out here so that people get to financial security. And, um, but as part of that conversation we did talk about what the payment experience should be like. Um, so a lot of information was gleaned there. Those, those interviews were videotaped. So we all got to watch them sometimes. That was painful to hear them talk about that. The experience of paying Northwestern mutual isn't always a pleasant one. Um, but so, so we know we have room to grow and do better.

Craig Jeffery: Yeah. I'm not sure in pain it pain anything is a, is a pleasant experience, but especially when you're trying to reach your financial goals, you talked about set it and forget it. It's like I want to make sure I'm reaching my goal. So it needs to be consistent and easy. I think we can all think of experiences where we set something up. Let's say on a credit card there was fraud on your card so they shut it off and then you didn't realize till two months later that they're going to cancel a year XM radio or something. Right. Because there was, it was, it was failing. So watching those videos and hearing are taking part in those conversations either directly or indirectly. What are some of the things that you learn from that?

Karen Molloy: Some of it we walked away with is sometimes there's payment types that people know that consumers are using. So Venmo is one that gets talked about a lot around here and because it's such a popular consumer to consumer type of of transaction and people just assume that's how people want to transact all their business. So it was interesting when they were asked a question about that. They didn't relate that to necessarily paying a business. So I think that was good for all of us to understand. I think though that people how easy they want it to be. Although the other piece of it, they want it to be very secure. So fraud did come up in the conversation making sure that you could, you could clearly see that the clients expect, you know, tight controls and protection around their payment information is table stakes that they just expect that we're going to deliver on that they don't even think that. Why wouldn't you have that? So, um, that's, you know, good for people to understand. Those controls are important, but yet you've got to balance with not being Fort Knox but yet not being so easy to do business with that the fraudsters also are attracted to you.

Craig Jeffery: There's a lot of treasury professionals, payment professionals that are well versed on different items. But you had mentioned something that I wanted to just get you to dive in a little more deeply. You talked about Venmo and paypal and you talked about payment rails. Can you just spend a moment or two talking about the, the user interface versus payment rails and what that, what you meant by by payment rails, you know, using the same payment rails

Karen Molloy: anyway, as I see it, there's I think four payment rails. There's wire, there's Ach, there's check credit card, and now we have a fifth being real time payments. So those are the way money move. Now you have to understand right that that when you do a Venmo or paypal transaction, the rail is going to run on is a either an ACH transaction or a credit card transaction. So that's really what's happening behind the scenes. And when educating the business areas, that's where it gets to be important to say, is it important for us to have the rail or is it important for us to have the functionality that sits on top of the rail? So is it the consumers and want the credit card experience or is it that they want the Venmo or paypal experience? So really differentiating between those to get at what they're really looking for.

Karen Molloy: And I think, you know, our goal is to kind of get at maybe 80% of how clients want to pay. There's always going to be new payment types. There's always going to be these, these one off payment types that may be a small percentage want to use. So we probably aren't going to be able to build for everything. Um, and very much you're hearing the industry talk. A lot of my peers talk about using a money hub payment hub. Um, it has a wide variety of names and that's something we're certainly looking at doing just like everybody else. So the idea is that, um, we can, we can partner with either banks or Fintechs in order to allow our clients to use a wide variety of payment options, but then bring those in to the organization. So it's a layer on top of the admin systems and take them that data and send it down to the appropriate admin systems.

Karen Molloy: And the beauty of that concept is that it allows you to plug and play new payment options as they become available, whereas ones become less used. Um, you may end up turning it off. Um, whereas in the past, each one of those actions would have been built in a silo and if for that admin system and would have taken a decade to get done. So if we build that above it and drill it down into our admin systems and then as an Admin, systems are changed over time. Again, you just, you just reconnect to whatever the new functionality is. So plugin playing payment type should get easier in the future. That's been very, very difficult in the past. Again, we've, we've, you've had to do it basically product byproduct.

Craig Jeffery: Yeah. That common, a common development or use of a payment hub is a, seems like one of the key pillars and the supporting the end to end client experience and transforming your business cause there's so many moving parts. I think you explained that really, really well.

Karen Molloy: Yeah. And I think sometimes people think of a payment hub as a thing. Just so I'm clear on what that is. It's really a component of different things. Um, that'll be brought together. Um, there isn't one company out there selling you a payment hub right now. Um, although that I think a lot of them are trying so, so it may take a few different pieces of technology, but it will be located together in this central hub in order to handle payment transactions.

Craig Jeffery: In your definition or view of payment hub, will this include interacting with an Ivr system? The provide portal access if a call centers dealing it? Same thing with an agent.

Karen Molloy: Yeah, exactly. So again, does it matter where a client is? Is, is how they're interacting? It's web, telephone, financial up, face to face, call center, whatever. All of those, those touch points with a client would, would interact through this, this hub. The other thing that's really important is no matter what business line you're dealing with, this will also interact amongst different business lines. So, and when I, when I say that our broker dealer for example, is a separate entity, but from a client perspective, that shouldn't matter. What should matter is you're trying to pay Northwestern mutual. So it should be our job to get it back to the appropriate entity and get that data to the appropriate entity. But you should be able to go through a central experience.

Craig Jeffery: Karen, are there any other key pillars are elements of this transformation that you want to bring up? You talked about the payment hub, making sure it's end to end view of the experience, knowing what the clients want, helping to educate the different line areas, making sure you're aware of those things or anything else that's, that's crucial in, in this transformation experience.

Karen Molloy: Yeah. So if I kind of just take a minute and, and kind of show you how it all comes together. So the pillars of the company's transformation are around that planning experience. We want every one of our clients to have a plan because that's really what's going to lead to their financial security. We want to make sure that we have integrated advisers. So you don't have just an advisor that only knows life insurance, right? We know that a plan is going to have a multiple of different products and services to get you to your financial security. So we want to make sure our advisors are just, um, are well equipped to meet those needs. And then we know that we have to have a really good digital platform in which this all sits on. So that you do have a good client experience and it's going to take people are our talent and a culture of the organization have to be different.

Karen Molloy: You know, for example, our call center folks are really, our call center was born out of helping the field, the answer questions and when the field calls you with a question, their perspective, you know, they're just trying to get help in getting something done. When a client calls you, they're looking for a little more advice. Making sure that call center, um, is, is trained to, to think about it more from the client perspective and how can we help this client? And again, where are they trying to go with their financial plan? And again, then, you know, overarching that is this, this Omni channel concept that wherever all this interacting is happening, we understand that you're going, you're not just going to come in one way to the organization over time. You're going to come in different ways at different points in time. So then as you bring that into a money movement vision, how does that all connect?

Karen Molloy: Right? The, the goal of, of money movement is really to be a differentiator at those life changing moments. And when we looked at that, we kind of broke it down into three categories, right? That there's this, this, as you're trying to be guided, you know, you're looking for help. What should I do? You know, how, how, how does this tie to my plan? You know, how does it impact my plan? And then when you transact with us, um, so actually doing the money movement piece and then really to help inform when you're trying to make a decision, for example, like I'm thinking about taking out a policy loan to buy a car. So helping be able to inform that decision. Is it better to take out a consumer loan for that car or is it better to take out that policy loan? And if you do that, how does that impact that plan?

Karen Molloy: So I think what we're trying to do is holistically look at it's so it's not just how you pay me, but how that payment then impacts your financial plan and tying that information so that the client can see it. Um, and really that information can be fed into the plan. So as they do different transactions as they buy more insurance, okay, how does that, that help your plan? Or if you, if you need to do a withdrawal from your plan, you know, how does that change then the outcome for what you're looking at down the road? So being able to tie that together for that client and really give them that experience. Again, as I started out saying, right, that makes us more relevant than just being, um, Northwestern mutual where you have your insurance with.

Craig Jeffery: Yeah, very good. I mean that comprehensive look at how these decisions impact not only your, how you pay, but how you plan is a, a great summary. Those items. My final question is, do you have any other, any additional words of wisdom or words of caution to give to other treasury? People are payment professionals as they look to make these improvements in their organization.

Karen Molloy: Yeah, and it's really around just being a good partner. I've been at this 28 years and over that time, you know, treasury has tried to, to the business area might say, tell, um, I guess we would use the word offer, but how to do things, but I'm right. And that doesn't work because being told what to do does it, does it sync up with necessarily their goals and objectives in their priorities. So it's really getting them to be open, to be educated on what's out there, really listening to what they're trying to accomplish. And then once you have the education and you're listening to each other, um, you know, you're going to work well together and you're going to be on the same page, you're going to be thinking about the same things. You'll have all perspectives kind of covered. There won't be these, these gaps of, Oh, I didn't think about how that impacted this product or I didn't think about how that would impact the call center because you're having that holistic conversation and if you can really bring the business area and treasury, you can bring in a lot of business, um, partners that the treasury has to help give another perspective.

Karen Molloy: It will bring in some, some other perspectives, um, from vendors they work with. And in the end, this really can be a very fun experience and it really can change the organization and how we really deal with our clients.

Craig Jeffery: Karen, I want to thank you for joining me on the Treasury update podcast. Thank you for such good and rich answers that I think is going to be helpful for large numbers of people that care about payments that care about treasury. Thank you for your time.

Karen Molloy: You're welcome. Hopefully it helps and we all could learn from each other.

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