



The Modern Mutual

WHAT'S YOUR STRATEGY?





There is a risk involved in transforming your Society, and a risk involved in staying as you are today – the question is: which risk are you more prepared to accept?

This is a sentiment that was shared throughout our discussions with Building Societies, underscoring the need for this report.





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1. Executive Summary





Foreword

Rob Pheasey
CEO, Marsden Building Society and Chair, Building Society Association



In the heartlands of our Building Society community, where tradition meets innovation, conversations have sparked a tapestry of shared insights, challenges, and a collective vision for the future.

In recent dialogues with CEOs of Building Societies, a distinctive narrative has emerged – one that echoes the vital importance of addressing risks head-on and embarking on bespoke transformation journeys that honour the unique essence of each Society.

These discussions have been more than a mere exploration of challenges; they have been a collective introspection into what defines the Modern Mutual. This whitepaper stands as a synthesis of those conversations and a roadmap for Building Societies as they navigate the currents of change while staying true to their roots.

At the Marsden, we've always believed in the power of mutual support and community resilience.

As we navigate this transformative landscape, the Modern Mutual emerges not as a departure from tradition but as an evolution – a continuation of our commitment to serving the financial needs of our communities.

This document is not just a report; it's a testament to our collective dedication to the Modern Mutual ethos.

It shines a light on our sector, offering pragmatic solutions and strategic insights. By sharing experiences and lessons, we contribute to the ongoing narrative of modernisation within the mutual sector.

The Modern Mutual is not a destination; it's a journey – one that we, at Marsden, are proud to be part of.

We've witnessed positive changes in our sector, and this whitepaper serves to keep that momentum going. It's a commitment to further supporting the modernisation of Building Societies, ensuring their resilience and relevance for future generations.

We see an exciting future for the sector rooted in tradition, fuelled by innovation, and guided by the principles of the Modern Mutual.



Introduction

Why have Woodhurst written this report?

At Woodhurst, we believe that everyone should have access to better financial solutions, and we recognise the integral role that the Building Society sector plays in delivering this in the UK.

Having spoken to more than half of the Building Society CEOs in recent months, we have observed common trends, challenges, and concerns.

One recurring topic is the importance of addressing risks and embarking on a suitable transformation journey that aligns with each Society's unique circumstances.

We have also been exploring what defines the Modern Mutual and how it differentiates from traditional Building Societies. We believed it would be valuable to distil these discussions into a whitepaper that contributes to the ongoing transformation efforts within the sector.

We are confident that by publishing this whitepaper, we can provide answers to these critical questions and offer guidance to Societies navigating their transformation paths. This will ensure they are around to support future generations to save and get onto the property ladder.

This is an exciting time for the mutual sector, as we have witnessed positive changes in recent years.

However, we want to further support the sector's modernisation, ensuring its ability to continue playing a vital role in Society for generations to come.

Scope

This whitepaper is our practical advice and guidance to help this sector in its ongoing efforts to transform and serve the UK population in the best way possible.

We want you to be well prepared in board meetings, well prepared for modernisation, and ultimately well prepared for change.



View from Ben Nadel



Ben Nadel
Co-founder of Woodhurst

Modernising a business is hard; it is risky. But not doing it is more than risky; it is an issue. If things aren't brought up to date they eventually cease to be. It's sad, but it's a fact. We can fight it and prolong the inevitable, but we can't run from modernisation forever. What's fantastic to see in 2023 is that most Building Societies tell us exactly that.

But what do we mean by a "Modern Mutual"? In my opinion, modern is not, outdated, slow, stuck in the past, irrelevant, hard to deal with, convoluted, boring... modern is current, relevant, simple, personal, contemporary, and engaging...

A Modern Mutual makes it easy for customers to get what they need, when they need it.

Beyond that, it can surprise and delight its customers by being proactive. It can send a personalised nudge that helps them reach their savings goal. It has an app for the things people don't want to do in branch or over the phone. It maintains the same great brand experience digitally and in person.

Many mutuals today are held back from doing a lot of the good things that they want to do because, like many organisations that have been around for a long time, their technology is outdated. This means that complex and manual processes have grown making operations unscalable. The exciting things that they want to do are out of reach until the technology is upgraded and processes are simplified. One Building Society calls this "arriving at the playing field".

The view that Building Societies don't want to change is nonsense.

Having spoken to more than half of the CEOs in the sector we've struggled to find one that doesn't see

the value in making this investment in the future. It's no surprise that Building Societies want to change, because they derive their sense of purpose from going above and beyond for their customers in ways that a PLC can only dream of.

Over the past two years we have seen many more Mutuals leaning into the challenge of modernisation.

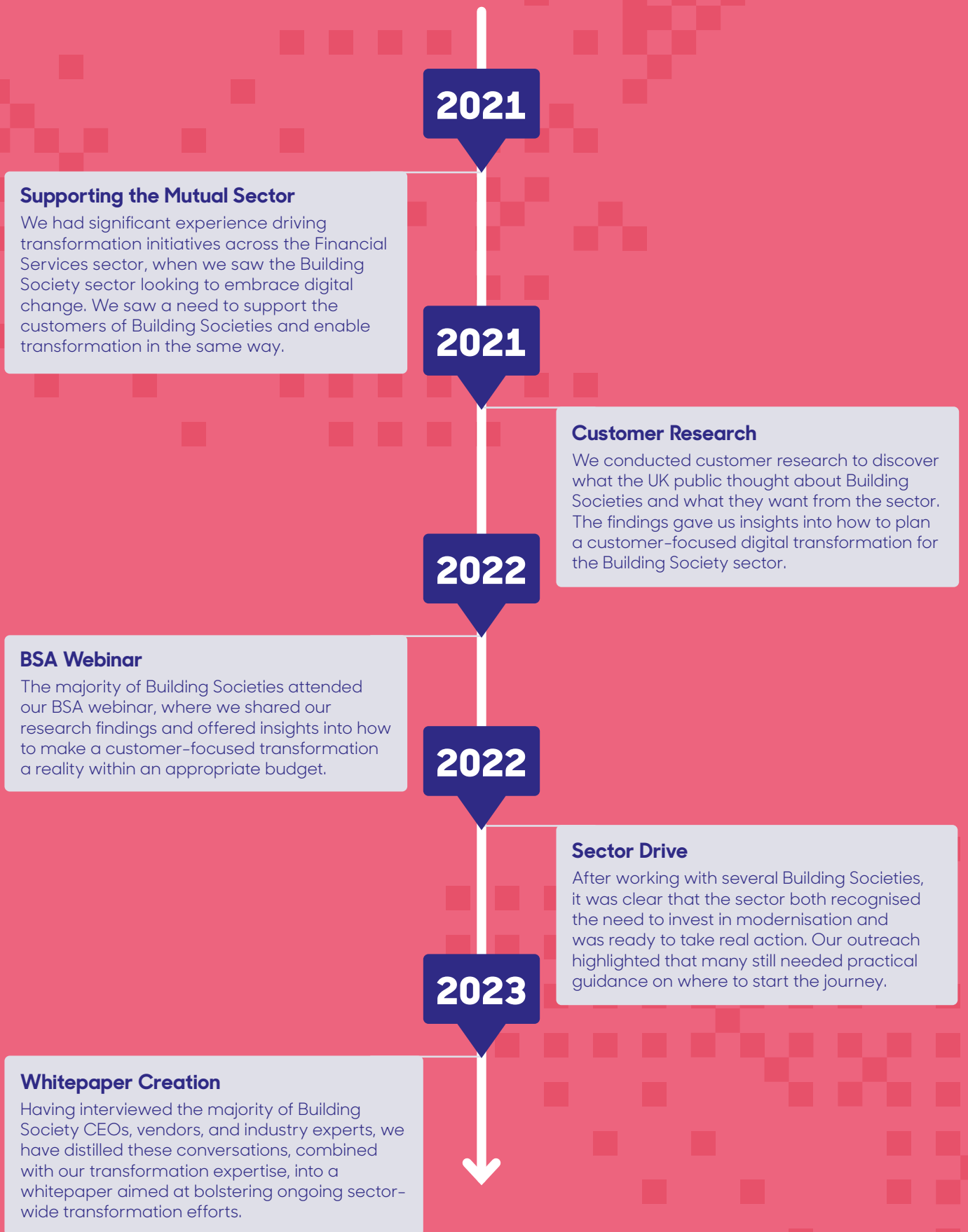
As each Building Society embarks on its modernisation journey it can benefit from the lessons learned by those that have gone before it. You can't fully de-risk a transformation, but you can mitigate many of the risks if you work with experienced delivery partners.

Don't leave it too late though, as the queue for modernisation is growing longer.

Woodhurst has partnered with several Building Societies to help with their modernisation journey and we want to partner with others too. We believe in a future where the sector is thriving and benefiting communities even more – and Woodhurst wants to help ensure that the investment you make in your people, processes and technology delivers the return you hope for.

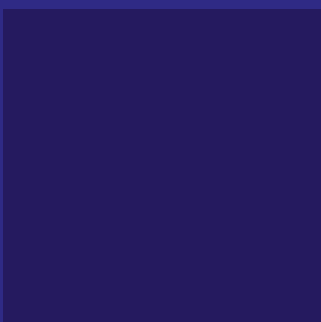


Background to this report





2. Customer and Colleague Research

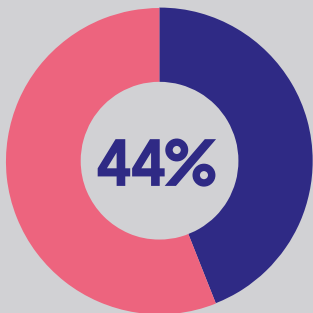




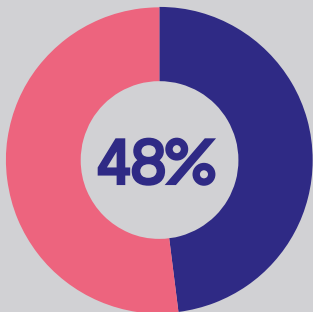
What do customers need from Building Societies?



When Woodhurst surveyed customers in 2021, the features that were most important to them were all digitally enabled. To truly satisfy customer needs and wants, it is clear that some degree of digital transformation is required.



Did not know the difference between a bank and a Building Society



Were not clear on the benefits that Building Societies offered

QUESTION

The number one reason that would make customers switch to a Building Society was...



ANSWER

Great mobile and online banking experience.



Are you confident that you offer a great mobile and online banking experience?

QUESTION

The digital saving feature that customers wanted most...



ANSWER

Having completed the application, the ability to use all of the account features within the hour.



Are your customers able to access and use their savings account across all channels within an hour of completing the application?

QUESTION

The digital mortgage feature that customers wanted most...



ANSWER

Submitting all application forms and documents digitally in one place.



Are your customers able to submit an application form and all required documents digitally in one place?

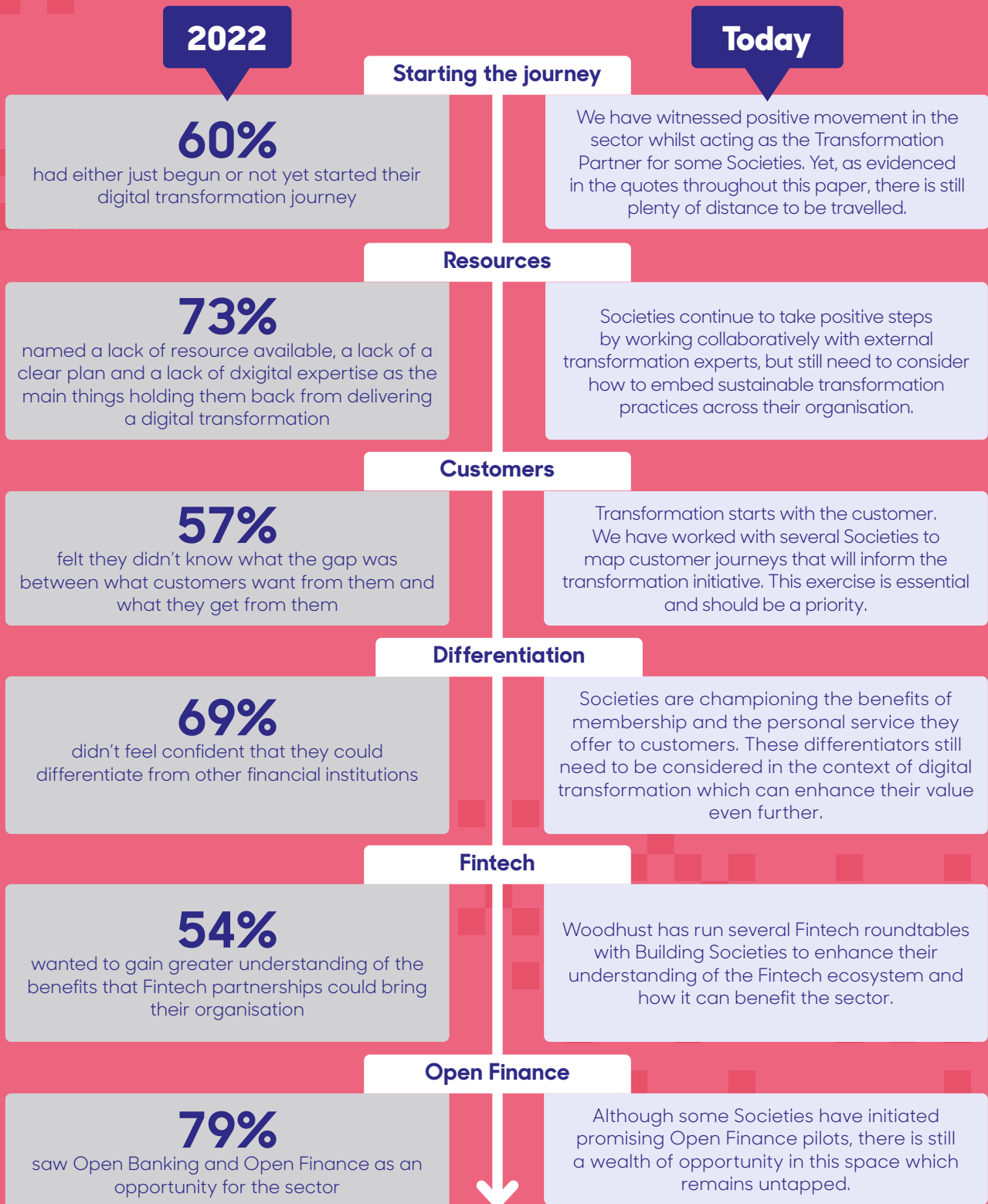
If you've answered "NO" to any of the above, you are falling short of customer expectations. Digital transformation doesn't just allow you to meet customer needs, it focuses the Society on delighting customers through an exceptional customer experience.





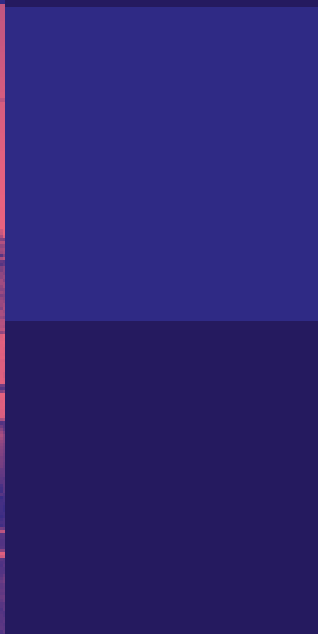
What did Building Societies think about transformation a year ago?

In 2022, we asked those working at Building Societies what they thought about transformation. Today, sentiment in the sector has moved on, but the core themes remain relevant.





3. How do you define the Modern Mutual?





How do you define the Modern Mutual?

A Modern Mutual embraces technology for efficient operations while keeping a personal touch for trust. The pandemic highlighted the need for real-time service, and that IT upgrades are vital. Empowering members, demonstrating social commitment, and showcasing uniqueness matter. Staying adaptable is key in the evolving financial sector.

PETER BURROWS,
CEO OF CAMBRIDGE



A Modern Mutual embraces innovation and change to serve the evolving needs of its members and communities. It is characterised by a commitment to modernising its operations, leveraging digital technology, and maintaining a strong online presence while still valuing and preserving face-to-face interactions.

WILL CARROLL,
CEO OF MONMOUTHSHIRE



Over the years people have said Building Societies are old and traditional, I don't think we are. We are quite progressive as a sector and I already think we are a Modern Mutual. I would say we are a mutual movement and everything we do is about providing the customer with the best value and service that we can give them. Everything we do is about the customer, that is our key focus.

PHILLIPPA CARDNO,
CEO OF NEWBURY



A Modern Mutual is a Building Society that remains true to its core values, while embracing the convenience that digital technology brings, making it even easier to do business with us. A Modern Mutual shouldn't think profit is a dirty word. Profit allows us to upgrade the branches to keep them in line with the brand and having the online self-service options for customers.

STEVE FLETCHER,
CEO OF VERNON



A Modern Mutual has to be relevant, it has to trade with people in a way that they recognise and that has contemporary currency for them. Our 1950s business model by definition, is not necessarily that. A Modern Mutual needs to be relevant, contemporary, and offer appropriate choice. Our 1950s business model is both quaint and beloved, but not necessarily contemporary and relevant.

MARK SELBY,
CEO OF HANLEY



A Modern Mutual offers choice whilst staying true to the core purpose of Building Societies which is to serve hard working families with the ability to save and get on the property ladder. Most banks migrate people across channels because it's cheaper, easier and a simpler compliance journey rather than really putting the customer first. We've got to serve a 70-year-old, while at the same time, serve Gen Z who align on value but need to do it on their phone, a Modern Mutual can serve both effectively.

SIMON TAYLOR,
CEO OF MELTON





How do you define the Modern Mutual?

A Modern Mutual is one that supports the community and its members but has the modern technology that the wider financial services world and customer base expects. For me the whole point of a mutual is it's a member owned organisation that is very supportive of the community and members, but it needs to have the modern technology to offer a choice as to how they are served.



IAIN LISTER,
IT EXECUTIVE AT MANSFIELD

A Modern Mutual remains relevant to its members, offering choice through seamless integration of technology and in-person interactions. It prioritises personalised, timely services backed by both technology and the human touch of dedicated colleagues. It strives to serve members' needs, adapting to changing preferences while staying true to its core values and community-focused ethos.



LYDIA COYLE,
WOODHURST

A Modern Mutual is an institution that possesses an in-depth understanding of its operations, differentiating between areas of profitability and cost. It excels in managing its resources efficiently, especially in the mortgage sector, where it aims to generate a pound of profit whilst incurring only a fraction of the cost. It is highly self-aware, prioritising profitable customer propositions and crafting seamless customer journeys.



JOHN WILLIAMS,
INDUSTRY EXPERT

Being a Modern Mutual means more than just technology. It is about aligning behaviours and culture with a focus on good outcomes for customers, embracing automation while preserving a seamless customer experience, and reevaluating the relevance of traditional branches. It's a balancing act that utilises appropriate technology to empower the workforce to put consumers at the heart of every decision.



PAUL TILLEY,
CEO OF EARL SHILTON

It retains its long-standing values of helping people save for the future and buying a home, but it can execute on this as well as a new business. Not only does it have great people, but it has efficient processes enabled by affordable modern tech. When these things come together you get something that's hard to beat or replicate outside of the sector.



BEN NADEL,
WOODHURST

A Modern Mutual is committed to adopting technology to enhance operations while preserving human connections. Its vision includes substantial growth, heightened brand recognition, member-focused values, and streamlined operations, all in alignment with the fundamental principles of mutuality.



PAUL DENTON,
CEO OF SCOTTISH



How do you define the Modern Mutual?

A Modern Mutual will have taken advantage of data and tech advancements and incorporated them in a way which evolves their service offering and boosts productivity. They will have broken free of legacy and process restraints, allowing them to focus on their core mission which remains centred on helping individuals, families, and communities to achieve their housing and financial goals.

MARIA HARRIS,
INDUSTRY EXPERT

A Modern Mutual has the ability to deal with higher volumes with the same number of staff. Many are currently sub-scale, so they do need to grow, but the traditional Building Society can't do this without growing headcount massively. They need to get to £400-500m AUM with very little increase in the number of staff & be a bit more agile to compete with banks now there is even more focus on mortgages.

CLIVE BOWLES,
FAIRMORT

A Modern Mutual leverages technology to streamline processes, reduce manual workarounds, remove friction and enhance the overall experience for both customers and colleagues. It seeks to combine the convenience and heightened engagement through digital channels with the continued relevance of physical branches, all while maintaining a strong community presence and identity. The emphasis is on delivering value, embracing new technology affordably, and addressing the challenges of a rapidly evolving market.

ROB PHEASEY,
CEO OF MARSDEN

A Modern Mutual strives for relevance and value to its members and the community it serves, transcending the mere label of 'mutual.' It aims to provide frictionless, customer-centric experiences while maintaining the option of face-to-face interactions where members demand it. The focus is on delivering tangible value to customers, staying adaptable to change, and being willing to seek external input to navigate challenges effectively. It acknowledges that being a mutual is not an end in itself but a means to serve its stakeholders better.

JOHN PENBERTHY-SMITH,
CCO & EXEC DIRECTOR OF SAFFRON

A Modern Mutual is a community-focused financial institution that evolves with the times, delivering on its core philosophy of helping people achieve homeownership and financial security while adapting its service delivery to meet contemporary needs.

BUILDING SOCIETY CEO

A Modern Mutual is one that stays relevant for its members. Its members want to continue to save and lend from it and it is one that provides choice, choice of how members can interact with them.

CHRIS HUNTER,
DEPUTY CEO OF DARLINGTON



What could the future look like?

Becoming a Modern Mutual can be distilled into key benefits for your Customers, Colleagues, and Society.



Customers

- ✓ The customer journey will be a seamless and personalised experience, reflecting the ethos of putting customers at the heart of the organisation.
- ✓ Whether visiting a branch for face-to-face interactions or using an app to transfer funds on the weekend, customers will feel empowered by the range of relevant options available to them.
- ✓ The omnichannel experience will ensure that interactions sync effortlessly, providing cohesive and convenient journeys.
- ✓ Membership will take on a greater significance, and Building Societies will actively promote the benefits of being part of a mutual organisation, emphasising the value of community support and trust.

Colleagues

- ✓ Technology enablers and streamlined processes will eliminate the need for arduous re-keying and chasing of information, making data readily accessible to colleagues.
- ✓ This will enable colleagues to focus on innovating products, creating engaging community initiatives, and delivering a personal customer service.
- ✓ Freed from manual workloads, colleagues will be more equipped to interact with customers and the community, forging meaningful relationships and fostering a sense of belonging.
- ✓ With the implementation of modern tech solutions, colleagues will experience a shift from monotonous tasks to fulfilling roles that contribute directly to the Building Society's vision.

Society

- ✓ Building Societies will epitomise the values of being modern, relevant, and community-focused.
- ✓ By focusing on growth, sustainability, and customer-centric strategies, Building Societies will become more profitable, enabling them to invest in and expand their offerings.
- ✓ Building Societies will leverage digital solutions to reach a wider customer base while preserving their mutual identity and doing good for society.
- ✓ Through strategic partnerships, embracing Open Banking, and leveraging modern tech, Building Societies will adapt to the ever-changing financial landscape while staying true to their commitment to serve hardworking families and empower their local communities.

4. Defining your strategy to become a Modern Mutual





Strategy considerations across your organisation

Unlocking the potential of digital transformation requires a multifaceted approach. These strategic pillars represent the essential building blocks for a comprehensive modernisation. We've segmented the first part of our report into these distinct sections, allowing you to explore each one individually and craft a board-level strategic plan. While there are various ways to structure strategies, we've chosen these pillars as they comprehensively cover critical areas impacted by tech transformation in the sector.



- Customers
- Colleagues
- Products
- Channels
- Technology
- Partnerships
- Processes
- Data

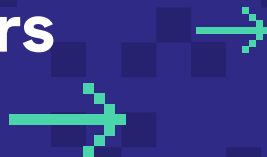
How to read this report

We know all Building Societies are at different stages when it comes to their transformation and have different objectives and goals. This report does not intend to preach about how one size of transformation fits all. Instead, it should serve as a practical guide to answer the key questions from the board. As you go through, use the checkboxes as your scoring mechanism to determine where you are in your modernisation journey and what you still have left to tackle.





Customers



Key metrics to measure success

- ✓ Customer retention rate
- ✓ Account opening time
- ✓ Application-DIP-Offer-Completion time

QUESTIONS FROM THE BOARD

We know that we have great NPS scores, but are we really offering an exceptional customer experience? 1

Customers and brokers expect more than just friendly service. To ensure a great customer experience, technology, innovation, and customer-centricity must be embraced.

- | | |
|---|--|
| <ul style="list-style-type: none"> <input type="checkbox"/> Choice: Give customers choice in channels, products, and services, providing them with options that are relevant to them. <ul style="list-style-type: none"> <input type="checkbox"/> Develop and expand channel, product and service options based on customer preferences, leveraging insights from customer personas and journey mapping. <input type="checkbox"/> Timely and proactive service: Anticipate and meet customer needs with timely and supportive assistance. <ul style="list-style-type: none"> <input type="checkbox"/> Implement a system that provides a unified customer view, configure the Operating Model to respond to data insights, and automate responses using integrated communication platforms. <input type="checkbox"/> Personalisation: To create highly personalised experiences that foster trust and loyalty, tailor services, offers, and communications to match individual customer behaviours and preferences. <ul style="list-style-type: none"> <input type="checkbox"/> Harness data to gain insights into customer behaviour and preferences, adopting an agile Operating Model to enable real-time personalisation. <input type="checkbox"/> Simplicity and convenience: Streamline processes and eliminate complexities to ensure customers feel interactions are effortless and enjoyable. <ul style="list-style-type: none"> <input type="checkbox"/> Analyse existing processes for bottlenecks, manual steps, and opportunities for Straight Through Processing (STP). | <ul style="list-style-type: none"> <input type="checkbox"/> Quality and positive outcomes: Consistently deliver high service standards, meeting Service Level Agreements (SLAs) and ensuring good outcomes for customers, allowing Consumer Duty requirements to be met with confidence. <ul style="list-style-type: none"> <input type="checkbox"/> Invest in ongoing colleague training, skills, and knowledge, whilst modernising the tech stack to enforce SLAs and support the generation of customer insights. <input type="checkbox"/> Member value: Ensure members feel the added value of being part of the Society. <ul style="list-style-type: none"> <input type="checkbox"/> Define and communicate the value-added member experience and consider digital delivery of the member and community experience in a sustainable and cost-effective manner. <input type="checkbox"/> Continuous Improvement and engagement: Although achieving high satisfaction scores is commendable, tracking KPIs and SLAs that demonstrate an exceptional customer experience is essential. <ul style="list-style-type: none"> <input type="checkbox"/> Analyse survey scores, feedback, and MI, establish baselines and targets, and set ambitious goals for continuous enhancement. |
|---|--|

WOODHURST'S OBSERVATION

Modernisation will enable you to deliver personalisation, tailored products, and exceptional service - the core benefits of mutuality.



The pandemic highlighted the importance of real-time personal service, especially when customers are facing challenges, such as mortgage payment difficulties. People remember the way Cambridge treated and supported customers during the COVID pandemic.

PETER BURROWS,
CEO OF CAMBRIDGE



Customers appreciate the personal, authentic, and empowering experience when dealing with the Society. Customers are amazed when they ring us and someone answers the phone and there's no switchboard.

STEVE FLETCHER,
CEO OF VERNON



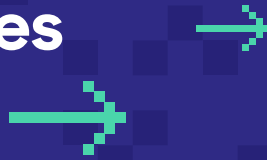
I want the Society to stay relevant for our members and for members to feel like they have a choice with how they interact with us. I want them to feel like from a Financial Services perspective we have their best interests at heart and they can trust us.

CHRIS HUNTER,
DEPUTY CEO OF DARLINGTON





Colleagues



Key metrics to measure success

- ✓ A top 5 Building Society to work for
- ✓ Colleague satisfaction score
- ✓ Wellbeing scores on the doors

QUESTIONS FROM THE BOARD

Are colleagues doing high-value tasks that drive our success?

1

Are your employees doing any of the following?

- Manually rekeying information between systems
- Manually triggering processes
- Manual payment processing
- Printing and posting documentation or communications
- Manually pulling together case files for underwriters
- Dealing with manual workarounds

What should they be doing?

- Value add underwriting
- Personalised customer service
- Providing proactive support and service
- Designing new innovative offerings, products and value propositions
- Cross-selling
- Continuous improvement

Do our colleagues have the tools and techniques to be effective in their roles?

2

- Multiskilled workforce:** Promote cross-training to continually develop your teams and reduce reliance on specific individuals for essential tasks.
- Understand the customer:** Deploy a modern CRM system that creates a single view of the customer to enable better customer relationship management.
- Track customer cases:** Invest in a comprehensive and end-to-end workflow system to centralise document management and create a unified view of the customer.

- Enable flexibility:** Invest in infrastructure that allows your teams to operate effectively whether in the office or at home – reduce the reliance on paper and wet signatures in your processes.
- Identify dependencies:** Review your organisation to spot individuals with critical knowledge or skills, and ensure that knowledge is spread across the team.

Are we bringing colleagues on the change journey, so they become champions of the new technologies, processes and ways of working?

3

A transformation will impact every single person working at the Society, so taking the time to manage the people impact of change will be crucial.

- Give colleagues a voice:** They have the expertise on the ground so involve them in the end-to-end process. Show them how their day-to-day roles will be improved.
- Effective communication:** Timely, clear and transparent communication is a simple but effective way to bring everyone on the journey. It's not possible to over communicate where change is concerned.
- Simple and intuitive training:** This will help users become multiskilled and confident using new technologies, embedding a culture of change and continuous improvement.
- Change management:** Adopt a structured change management approach that includes clear objectives, stakeholder engagement, and a phased implementation plan.

WOODHURST'S OBSERVATION

Modernisation will empower colleagues with the processes, tools, and technology needed to focus on high value impactful work, enabling the delivery of exceptional value and customer service.



We are a great place to work, but our goal is to be an amazing place to work. Currently some jobs are difficult because they are so manual, people have often fed back that they don't have the systems to allow them to be excellent. We want to have great people who are empowered by efficient processes, and best-in-class technology.

IAIN LISTER,
IT EXECUTIVE AT MANSFIELD



Taking the friction out for colleagues is important, a focus on wellbeing as much as efficiency, in seeking to optimise what we do, removing the manual workarounds and data rekey to multiple platforms that will significantly ease colleagues' frustrations.

ROB PHEASEY,
CEO OF MARSDEN



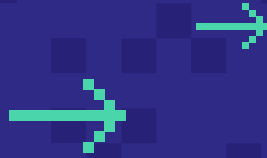
I want employees to have more time to provide good outcomes to the customer rather than doing lots of manual work. I want the customer experience and the employee experience to be as frictionless as possible.

PHILLIPPA CARDNO,
CEO OF NEWBURY





Products



Key metrics to measure success

- ✓ New product creation and launch time
- ✓ Rate change processing time
- ✓ Time to implement a change

QUESTIONS FROM THE BOARD

How long does it take to update products on the back of rate changes?

1

Rapidly responding to market rate changes is critical for staying competitive, maintaining commercial stability and demonstrating that you are doing the right thing for your members.

- Speed matters:** Being swift in updating your product offerings to reflect rate changes is critical for competitiveness and member trust.
- Streamlined processes and controls:** Implement a robust process with as much automation as possible for rate changes, product updates, and documentation to minimise human error and save time.
- Continuous monitoring:** Measure the time it takes from the rate change decision to the actual product update.
- Efficient workflow and approvals process:** Ensure end-to-end workflows with correct approvals, audit logs and governance is in place, enabling clear extractable data for regulators.

Are you able to quickly offer new products to best meet the needs of members?

2

Building Societies can distinguish themselves and thrive in a competitive market by introducing innovative products that meet the evolving needs of their members.

- Product and proposition development:** Establish an internal capability to scan market trends, assess member needs, and continually get member feedback to rapidly design new products and propositions.
- Technical configuration:** Embed systems and tools that allow new products and enhanced product parameters to be configurable via business teams and auditable to regulators, rather than requiring extensive code changes across platforms.
- Technical integration:** Establish a technical landscape that allows for seamless and secure integration with third parties that can enhance existing product offerings, or support the development of new innovations.
- Operational capacity:** Ensure there is sufficient operational capacity available to support the introduction of new products, and be aware of current capacity levels supporting existing products.

How do we know that we are offering the right products to customers, and ensuring good customer outcomes?

3

- Customer understanding:** Do you have a comprehensive view on customer personas and how each product you offer resonates with each customer persona differently?
- Product strategy:** Does your product strategy deliver long-term value to both the society and its members, and can you identify underserved market niches and tailor solutions accordingly?
- Monitoring and evaluating product outcomes:** Do you have mechanisms to track and evaluate how customers are using your products and that they are achieving the intended outcomes?
- Vulnerability identification:** Are you able to identify vulnerable customers and tailor servicing accordingly, ensuring that your products are accessible and beneficial to all members?

WOODHURST'S OBSERVATION

It's not just speed to market with products, it's about having control of new products to update them in real time post launch.



Our Society aims to offer modern digital services and a diverse range of products, while remaining true to its mutual ethos.

Changing product pricing in the ever-shifting market is a complex challenge for Building Societies. The margin risk is significant, and introducing new products can be a real game-changer. While operating in unique niches, the key lies in staying ahead with innovation and differentiation to succeed in this competitive landscape.

Product pricing complexity demands precision. For lenders on legacy systems re-pricing can take 10 working days to implement. Amidst weekly rate changes, products may be pulled without new pricing ready. Speculative re-pricing adds risk. Margin risk is a billion-pound concern – without the required agility, a single misstep can be costly!

WILL CARROLL,
CEO OF MONMOUTHSHIRE



JOHN WILLIAMS,
INDUSTRY EXPERT

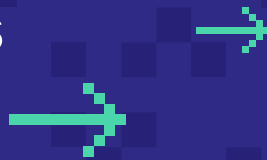


TIM HAGUE,
INDUSTRY EXPERT





Channels



Key metrics to measure success

- ✓ Branch footfall
- ✓ Digital engagement
- ✓ Call handling time

QUESTIONS FROM THE BOARD

To navigate the complex landscape of channel strategy, Building Societies must consider their core mission of serving diverse customer needs while adapting to changing technological trends.

How do we create the optimal physical channel strategy?

1

- Preserving the human touch:** Branches can remain a differentiator and a key point of value for Building Societies, helping to build strong community connections and a personal approach with members.
- Automate in the background, humanise in the foreground:** Technology has a place in the branch and call centres – it should automate the low-value tasks so colleagues can focus on offering a personalised service.
- Consider new branch experiences:** Branches have the potential to be much more than a physical space to execute transactions. Consider opportunities to develop community hubs, provide a space for collaboration or to foster social initiatives.

What can we do to leverage digital channels effectively?

2

- Seamless customer journeys:** Take time to map out the optimum digital experience for your members based on your product set and current capabilities. From product onboarding through to customer servicing, the digital experience should prioritise convenience and should delight members.
- Build a digital community:** Building Societies are formed on membership and community; digital channels should be used to expand traditional reach beyond a physical presence. Use digital channels to gather rapid feedback, support community projects and better engage members in Society causes.
- Invest in the colleague portal:** The colleague channel should be prioritised alongside customer channels to ensure colleagues are given the data and insights they need, when they need them.

How do we create a seamless physical and digital experience for our members?

3

Adopting a fully omnichannel experience is a strategic move that can align with the evolving expectations of customers, while also preserving the core values of community focus and inclusivity.

- Simplify product onboarding across channels:** Customers should have a simplified onboarding journey across all channels and products, minimising data entry, automating document verification and allowing instant product access (where possible).
- Joined up identity verification and authentication:** Customers should be able to access all channels using a simple, ideally consistent, method of authentication, while meeting regulations such as Strong Customer Authentication.
- Journey parity:** An omnichannel experience will provide an equivalent access to all products, journeys and features across channels.
- Operational integration:** This involves connecting various systems, databases, and customer touchpoints to ensure a consistent flow of information across channels – a single view of the customer; a single view of the product set.

WOODHURST'S OBSERVATION

Getting the choice of channels right for your customers will be the deciding factor in your ability to grow the business.



Our aim to have a multichannel model that sustains what people love about us now, but allows us grow and provide more choice. It's about building out not swapping out.

MARK SELBY,
CEO OF HANLEY



While passbooks, branches, and face to face will undoubtedly remain the preference for some customers, the ability to access services via mobile, voice or other digitally enabled solutions is growing.

MARIA HARRIS,
INDUSTRY EXPERT



We're invested in branches because we're not driven by profit, we are driven by social purpose to offer choice to our members. We're attracting new members by opening new branches based on detailed analysis of how to serve the social purpose and remain profitable.

SIMON TAYLOR,
CEO OF MELTON





Technology



Key metrics to measure success

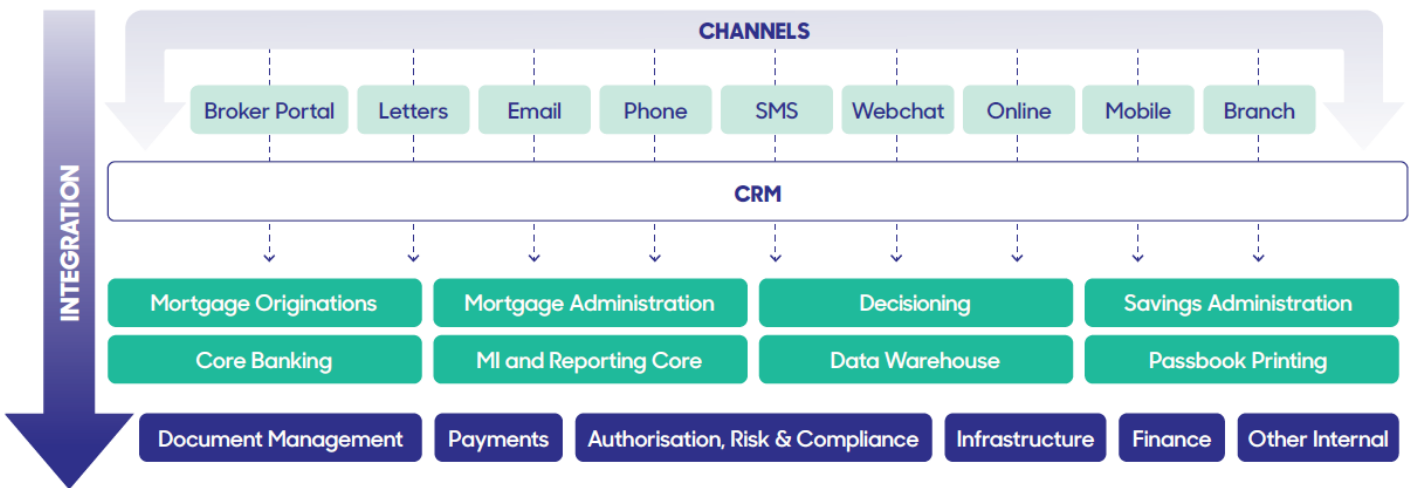
- ✓ Number of incidents
- ✓ Customer to FTE ratio
- ✓ Mortgage and savings volumes

QUESTIONS FROM THE BOARD

What is the technology and infrastructure scope of our transformation?

1

- Core system:** The central technology infrastructure supporting various business operations, encompassing core banking, mortgage/loan origination, CRM, MI/reporting, data warehouse, and decisioning tools, all need to be interoperable with other third-party platforms, and easily configurable to enable rapid product updates and enhancements.
- Mortgage and loan origination system:** Must prioritise automation at every step of the journey, enabling digital document upload, rapid decisioning and simple product configuration.
- Broker portal:** An online platform for external partners (brokers/intermediaries) to manage loan applications, access product info, and communicate with the lender.
- Customer portal:** Mobile/web portal to a customer's banking services, designed around core journeys, with feature parity across channels.
- Savings origination system:** Must prioritise rapid account opening and account access. Savings functionality should consider added value features like savings pots, goal setting and budgets.
- CRM system:** Has to enable a single view of the customer, with key data and insights surfaced across colleague channels and comms platforms.
- MI & reporting suite:** Suite of tools covering data collection, analysis, presentation, generating reports, dashboards, and insights into financial performance and operations available across colleagues.
- Data warehouse & BI:** Surfaces key business and customer insights aligned to the OKRs and KPIs of the Society as a whole, which help to drive prioritisation decisions and product development.
- Decisioning tool:** Data-driven decision-making, using rules, and models for risk assessment, fraud detection, pricing optimisation, and more.



WOODHURST'S OBSERVATION

To be a Modern Mutual, you need a modern technology stack that is highly interoperable, digital enabled, ideally cloud based, and powered by the right innovative technology provider(s) for you.



Implementing IT upgrades is crucial, but it's equally important to ensure that technology is utilised appropriately to meet customer needs. We want to be technology enabled, but with people at the heart.

PETER BURROWS,
CEO OF CAMBRIDGE



Investing in technology will allow us to keep members secure, whilst allowing us to be adaptable, dynamic, and have the ability to be responsive to changes in the market. Overall, it is an enabler to deliver our strategic goals.

CHRIS HUNTER,
DEPUTY CEO OF DARLINGTON



Technology can help unlock so many areas that are core to a Building Society's purpose and mission. Using technology and trusted data to do the manual and heavy lifting frees up our teams to focus on the human aspects of customer management and community relationships.

MARIA HARRIS,
INDUSTRY EXPERT





Partnerships



Key metrics to measure success

- ✓ Number of strategic partnerships
- ✓ Vendor SLAs
- ✓ Indemnity values

QUESTIONS FROM THE BOARD

What makes a good partner?

- Shared vision and values:** Identify potential technology providers that share your customer-centric focus, can support and enhance the concept of Membership, and clearly buy-in to the overarching vision of the transformation.
- Mutual benefits:** A partnership must be built upon the delivery of mutual benefits for both parties. Work with your vendor partners to understand how working with a Building Society will ultimately benefit them, beyond the purely commercial benefit.

- Innovation at the core:** Select a partner that is committed to innovation and open to exploring new technologies, such as Open Banking, to enhance services and remain relevant.
- Resilience and operability:** The partner's technology infrastructure should be robust, adaptable, and dynamic, with the ability to respond to market changes effectively.
- Relevance:** The Building Society sector is characterised by numerous regional organisations. The partner of those Societies may need to differ from the partner to the Societies operating nationally.

1

What are the common design principles for selecting new tech providers?

Each organisation must decide on their comfort level and priorities when selecting tech providers, as there is no one-size-fits-all approach. However, key principles to consider include:

- Proven track record:** Evaluate the maturity and experience of technology providers. Understand who they have worked with across the market today. Seek credentials where you need to.
- Partnership ecosystem:** Consider your overarching technology ecosystem and determine what 'good' looks like for you: balancing simplicity, operability and flexibility.
- Integration:** Prioritise providers who offer seamless API-based integrated approaches to simplify implementation and prevent manual data input down the line.

- Futureproofing:** Understand the long-term roadmap of the vendor, and how they plan to utilise emerging technologies to stay relevant for years to come.
- POC, pilot and testing:** It will be easier to assess the capabilities of those providers that offer the opportunity for experimentation early in the process – even through a sandbox POC with dummy data.
- Resilience:** Understand your operational non-functional requirements and make sure that your technology providers can offer robust, performant, and resilient services.
- Security and compliance:** Ensure that data security and regulatory compliance requirements are met by the provider.

2

WOODHURST'S OBSERVATION

It's an exciting time for the sector with new entrants with strong credentials in similar sectors wanting to support Building Societies.



Partnerships are key. Where we have been in the past is a supplier relationship. What we are building now for the future is a partnership focused model.

Competition across providers is essential for sector growth. It drives innovation and forces organisations to improve. Without competition, complacency can hinder progress. Embrace competition to foster an environment where the best ideas and practices thrive, benefiting customers and propelling the sector forward.

We want the human touch backed up by the technology. Our USP is all about the best customer service and that personalised customer experience, but we need the right technology to enhance and enable this.

CHRIS HUNTER,
DEPUTY CEO OF DARLINGTON



NEIL WILLIAMS,
INDUSTRY EXPERT

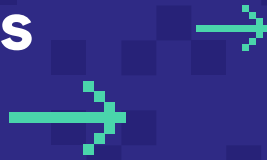


PHILLIPPA CARDNO,
CEO OF NEWBURY





Processes



Key metrics to measure success

- ✓ Number of exception workflows
- ✓ Business process failure points
- ✓ Cost income ratio

QUESTIONS FROM THE BOARD

How do you prevent the same inadequate and complex processes being replicated in future? 1

- Comprehensive process mapping:** Map out existing processes in detail, ensuring all pain points and inefficiencies are identified. Involve SMEs across the Society to understand product specific nuances.
- Customer-centric focus:** Consider how changes will impact customers by creating detailed Customer Journey Maps across all areas, focusing on customer intent, motivations, and sentiment.
- Target state design:** Develop target state process maps that align with the organisation's strategy and vision. These should eliminate pain points and manual workarounds. Embrace a "blue-sky" approach that designs ideal, technology-enabled processes.
- Technology integration:** Invest in resilient, real-time technology integration between systems to enable automation and straight-through processing (STP). Flexibility is crucial to adapt to changing Society needs.
- Ongoing monitoring:** Continuously monitor the effectiveness of new processes and tools. Collect feedback from colleagues and customers to identify emerging issues and improvement opportunities.

How do we maintain a human touch across our services whilst embedding process automation and straight through processing? 2

- Customer segmentation:** Recognise that different customer segments have varying preferences. Segment your customer base based on their needs and expectations. Implement more automated processes for customers who prefer efficiency and self-service, while preserving a human touch for those valuing personal interactions.
- Selective automation:** Admin and non-value add processes should be automated as much as possible. However, not all processes should be fully automated. Identify processes where human judgment, empathy, or decision-making is crucial, and use automation to support the colleagues that will be integral to those processes.
- Employee training:** Equip your colleagues with the necessary skills and understanding to leverage new tools and processes effectively, empowering them to better support customers.
- Feedback loops:** Establish feedback loops for customers to provide input and feedback on their experiences. Use this information to fine-tune processes to align with customer preferences. Customer feedback is invaluable in making automation more customer-centric.
- Maintain personalisation:** Leverage data to uphold personalisation in automated interactions, ensuring that automated interactions are highly tailored to each customer's unique preferences and needs.

WOODHURST'S OBSERVATION

Optimise processes by automating for efficiency while preserving a human touch where judgment, empathy, and personal interaction are vital.



Modern means automation of processes but not customer interaction. For colleagues it is about streamlining the processes, removing the paper and encouraging the community spirit with a customer focus.

We don't see technology as a differentiator; increasingly the ability to connect and deliver self-service are prerequisites for doing business. The challenge we seek to embrace is how to overlay our brand across customer journey improvements, to better support members in adopting new technologies and to amplify the 'story telling' through improved engagement.

If we could do the transformation again, we would've mapped processes to an even lower level of detail. The entire organisation is impacted by a transformation, so knowing your processes to a low level of detail ensures what you end up with meets expectations.

PAUL TILLEY,
CEO OF EARL SHILTON



ROB PHEASEY,
CEO OF MARSDEN

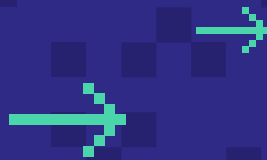


MARK SELBY,
CEO OF HANLEY





Data



Key metrics to measure success

- ✓ No. of real time operational KPIs monitored
- ✓ % of MI and reports from trusted sources
- ✓ Average time to complete regulatory reports

QUESTIONS FROM THE BOARD

How do we make the most of our data so that it can add value to the way that the Society operates?

1

Data drives engagement with your members and can generate insights to empower both your colleagues and customers. A strategy that outlines how the Society can "Understand, Empower and Harness" data will be key to fully transition into a data-driven organisation.

Understand your data needs

- Determine your data requirements:** Understand what data, MI and reports are needed along with their frequency and ownership. This will enable the Society to function effectively, complete regulatory reporting, serve members and provide value add services.
- Define data architecture:** Develop a target state data architecture that encompasses a data domain framework and identifies the right data sources. Establish a data refinery for processing and joining raw data, ensuring a trusted source of consistent data.
- Consider data holistically:** Consider data quality, data storage, data movement, data controls, data monitoring and data privacy as essential aspects of securing your data.
- Open banking:** Consider the data you are consuming and distributing externally and how to maximise it for the different needs you have. Utilise Open Banking to offer enhanced decisioning, customer service and deliver great outcomes.

Empower your people

- Instil data governance:** Establish a robust data governance framework and operational model within your organisation.
- Equip workforce:** Upskill your workforce with the necessary data skills and tools to harness data effectively.

- Promote inclusivity:** Empower every member of your organisation to participate in the data ecosystem, from data generation to insights. Ensure all colleagues understand their role in data, whether it involves generating data, managing data infrastructure, extracting insights, or contributing in other capacities.

Harness value

- Enable data discovery:** Make data discovery and self-service capabilities easily accessible to all members of the organisation, ensuring that data is readily available and there is a single source of the truth.
- Data-driven decision-making:** Embrace a data-driven approach to decision-making to gain a deeper understanding of member needs. Leverage data to inform your channel strategy, offer personalised products to boost retention, enhance credit decisioning, provide proactive support and guide strategic initiatives.
- Real-time automated insights:** Prioritise availability of automated real-time data, MI and reports. These can be utilised for continuous improvement, informed decision-making and to improve the customer and colleague experience. This will enhance membership engagement and drive revenue generating opportunities.

WOODHURST'S OBSERVATION

To drive improved customer outcomes, you must possess both the organisational and technical capabilities necessary to gather and act upon essential data and insights.



To become data driven, Societies should focus on: 1) Maintaining accurate and current customer data to offer tailored products, 2) Simplifying the process for customers to update their information through preferred channels, 3) Ensuring customers have clarity on data being held and for what reason.

CLIVE BOWLES,
FAIRMORT



Data will be key to the future success of a Modern Mutual. It's not just about collecting information; it's about leveraging it effectively for continuous improvement, informed decisions, and enhanced customer and colleague experiences. And of course, it's about keeping that data secure, to protect our members.

IAIN LISTER,
IT EXECUTIVE AT MANSFIELD



A key objective of the Modern Mutual is to retain its unique essence as it supports the financial needs of the community. Data driven insights will ensure those needs are not just understood for now but adapt with the changing environment. Reporting on the now and predicting the future requires that data is gathered, managed and used with integrity.

FIONA SWEENEY,
WOMEN IN DATA





5. Delivering on your strategy to become a Modern Mutual





Delivering on your strategy to become a Modern Mutual

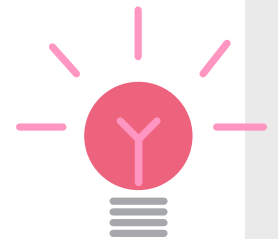
Having carefully laid the groundwork with a well-defined strategy for modernisation, the next crucial step is translating that vision into action.



- Making Membership Matter
- Fintech and Open Finance
- Modernisation Business Case
- Sustainable Transformation
- Becoming a Modern Mutual
- Mitigating the Risks

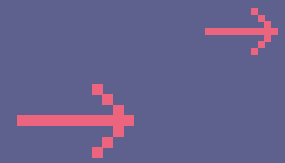
How to read this section

This section touches on how to deliver your modernisation strategy in the most impactful and efficient way possible. We explore key themes that demand your attention as you embark on the journey towards becoming a Modern Mutual. These themes cover the critical considerations and strategies required to turn your vision into a tangible reality.





Making Membership Matter



QUESTIONS FROM THE BOARD

How can we better explain the benefits of Building Societies and make membership meaningful for customers?

1

Unlocking the value of membership across your Society is something that should remain front of mind throughout your transformation.

Membership in Building Societies is a unique concept that can offer various benefits to individuals, but these benefits aren't always clearly understood or effectively communicated. To make membership matter more and help people grasp its significance, Building Societies should consider the following strategies:

- Clearly define and communicate membership benefits:** Building Societies should articulate and promote the unique benefits of membership, such as higher interest rates, exclusive financial products, and member influence in decision-making. Use simple, accessible language to explain these advantages.
- Engage in community and social impact:** Showcase how Building Societies contribute to the local community's wellbeing by supporting social causes. Highlight charitable initiatives, community grants, and efforts to promote environmental sustainability.
- Empower members and give them a voice:** Membership should signify active participation, not just passive account ownership. Building Societies should empower members by involving them in decision-making processes that goes beyond the AGM. This can be achieved through mechanisms such as member forums, surveys, or even having members as trustees. When members feel their opinions matter, they are more likely to appreciate the value of membership.
- Advocate for mutual values:** Collaborate with peer institutions and industry associations to advocate for the values of mutuality. Engage in campaigns that demonstrate the positive impact of mutual organisations on society, aligning with issues that matter to members. A challenge in the Building Society sector is that many people don't fully understand what being part of a mutual organisation means. Building Societies should collectively seek to educate the public about mutuality and its benefits. Collaborative marketing campaigns led by industry associations like the Building Societies Association (BSA) can help demystify the concept and emphasise why it matters.
- Diversify member-centric offerings:** Expand the range of member-focused products and services to go beyond traditional savings and mortgages. Consider initiatives like rent-return schemes, zero-deposit mortgages, and financial advisory services that directly benefit members.

WOODHURST'S OBSERVATION

To truly make membership matter, it's crucial to boldly explore ways to support and reward members in unique ways that set Building Societies apart from traditional banks.



Defining membership and empowering members to influence decisions are vital aspects of a successful Building Society. We need to give members a meaningful voice. We've established a charitable foundation with funding now approaching £1m and we want to have some members as trustees.

PETER BURROWS,
CEO OF CAMBRIDGE



People understand what being a member of a club is all about, but not of a Building Society. The sector as a whole has a big job to do over the next few years to demonstrate what mutuality means and why it matters. A collective marketing campaign, perhaps through the BSA could really help the sector.

CHRIS HUNTER,
DEPUTY CEO OF DARLINGTON



We want to be more of a member-based organisation and define what membership means, considering benefits like community involvement or higher savings interest rates. We are redefining what mutual means and improving our marketing.

PAUL DENTON,
CEO OF SCOTTISH





Making Membership Matter

Building Societies need to have a clear higher purpose and I do not think mutuality in its current form is that clear to consumers. Our vision is to help people with their money happiness and everything that we do is to enable that. We recognise that in a society of low financial capability there are few places to turn, and we want to be who people turn to. We believe that is our higher purpose.

JOHN PENBERTHY-SMITH,
CCO & EXEC DIRECTOR OF SAFFRON

To me, membership signifies access to an organisation that offers valuable benefits. Currently, mutual membership primarily comes through the ability to influence through voting and some level of control in the organisation. However, for the majority of members, these aspects aren't motivators for joining a Society. As a sector, we must do a better job of articulating the true essence of membership.

DAN JONES,
FINANCE DIRECTOR AND SECRETARY OF MANSFIELD

Mutuality requires a higher level of commerciality because you're responsible for a member's money not a shareholder's.

SIMON TAYLOR,
CEO OF MELTON

Mutuality if we get the right marketing has a real future, is a key part of responsible capitalism. We can provide a service that is of benefit to wider society and to individuals.

CHRIS HUNTER,
DEPUTY CEO OF DARLINGTON

We are committed to the branch network, I believe it'll be a differentiator. Following Covid, not all branches are open full-time, and staff are shared across branches. We are considering the idea of allowing people in the community to use branches when not in use, possibly setting them up as advice bureaus or sharing a space with restaurants that only open at night. We are open to finding ways to achieve a sustainable branch strategy, focusing on flexibility and adaptability.

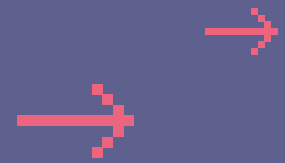
STEVE FLETCHER,
CEO OF VERNON

In a world shaped by Consumer Duty and fair outcomes for customers, mutuals really ought to have a headstart on their banking rivals. Staying true to the values of mutuality are an essential ingredient but delivering them with agility and efficiency in the digital era will be fundamental to the mutual sector's survival.

TIM HAGUE,
INDUSTRY EXPERT



Fintech and Open Finance



QUESTIONS FROM THE BOARD

How do we identify the right Fintechs to partner with?

1

Identifying the right Fintech partners has proven tough for organisations with huge budgets, so a Mutual needs to tread carefully. With the right Fintech partnership approach in place, you can reap the benefits that these innovative Fintechs offer, while minimising the risk of a partnership going wrong.

Step 1 – shape the internal need:

- What problem are we trying to solve, or which opportunity are we trying to capitalise on?
- How does our current offering and operating model compare to our competitors?
- What is our strategic vision and where could the right Fintech partner help to meet our medium and long-term plans?
- What is our budget, both for experimentation through Proof of Concept and Proof of Value exercises, through to full implementation?

Step 2 – assess the market through market scans, pitch days, roundtables and POCs / POVs:

- Which Fintechs offer solutions that could solve our problem statement?

- Do the organisations have a refined pitch, slick demo, and capability to allow for experimentation?
- How developed is their solution and are they go-to market ready?
- How differentiated is the solution compared to competitors?
- Who are their existing clients – do they have a track record that we have confidence in?

Step 3 – choose the right partnership model:

- Should we use a marketplace approach?
- Should the Fintech be implemented into one of our digital channels?
- How can we minimise the risk on BAU?

How can we benefit from using Open Finance across our organisation?

2

Fintechs offer a great variety of solutions for the Building Society sector, but we believe that the most exciting opportunities are with those Fintechs that have developed an Open Finance capability. Some examples of existing solutions in the market include:

- Gain greater control over data and contracts as well as effective and efficient KYC.
- Reduce default rates and optimise credit rating and tracking.
- Measure, understand and reduce carbon impact on the environment.
- Unlock the power of Open Banking to enrich user experience and decision-making.
- Increase customers financial literacy and help create financial independence.

WOODHURST'S OBSERVATION

Partnering with the right Fintechs will be the key to driving innovation and growth across your organisation.



Are you ready to find, create and innovate through Fintech partnerships? SHIFT Open Finance Community and their partners can help with every area from market scanning to integration.

The doubling of total payments in just one year is a remarkable achievement and testament to the transformative impact of Open Banking. It reinforces the pivotal role Open Banking plays in driving financial inclusion, innovation, and consumer empowerment.

MARION KING,
OPEN BANKING LIMITED



One of the areas we want to explore more is Open Banking. We already use it for arrears conversations and our new lending, but there is more we can do with Open Banking to take the friction out of mortgage processing for customers and brokers.

PHILLIPPA CARDNO,
CEO OF NEWBURY



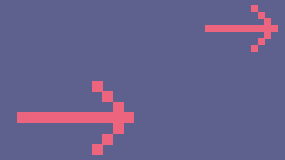
I can see value in having a Fintech sandbox at a sector level that allows Fintechs to prove their offerings tailored to mutuals and allows mutuals to partner with Fintechs with greater confidence.

SIMON TAYLOR,
CEO OF MELTON





Modernisation Business Case



QUESTIONS FROM THE BOARD

How do we establish a robust business case for modernisation?

1

For Building Societies, the decision to embark on a modernisation journey isn't merely based on a business case; it's a strategic choice that revolves around staying competitive and relevant in an ever-evolving landscape and wanting to do right by members. However, the business case for modernisation becomes more important when it comes to determining how to do the transformation and how much the Society can afford to invest today.

The process to instil a robust business case typically unfolds in several steps:

- Establish a five-year corporate plan:** Start by creating a five-year corporate plan that assumes no significant changes to people, processes, or technology. This typically reveals modest revenue growth but mirrors it with rising costs. Profitability tends to stagnate, or even decline, and strategic risks loom large.
- Envision a transformed future:** The ExCo need to envision how this corporate plan would look if all technological and process challenges were eliminated. Consider how lending and saving volumes could increase under ideal conditions.
- Incorporate transformation costs:** Bake in assumptions regarding the costs associated with the transformation once it's executed. Often, this involves realising that five-year growth plans can be achieved without a substantial increase in headcount—an ultimate benefit of modernisation.
- Anticipate benefits realisation:** Understand that there will be a point when the benefits of modernisation start to materialise. Beyond year five, you may start to see slight headcount increases, but what's crucial is that revenue and operating cost curves take divergent paths, resulting in more profitable growth.
- Gauge the difference:** Examine the difference in profitability over a five to ten year period when comparing financial plans with and without transformation. This exercise helps determine the payback period for the investment, which can be important for budgeting.
- Budget according to feasibility:** For most, budgeting is based on affordability. For some, this will allow the opportunity to fully embrace transformation to unlock more profitable growth at pace. For others it'll mean a more gradual approach, unlocking profitable growth over a longer period. Both are good choices; the decision ultimately depends on what aligns best with the Society's unique circumstances and goals.

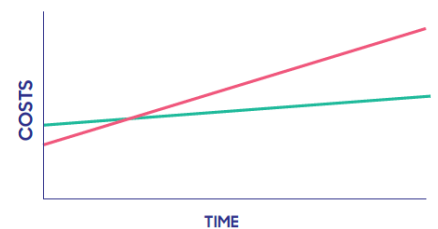
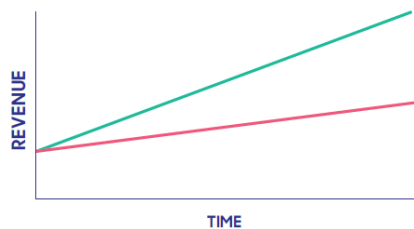
WOODHURST'S OBSERVATION

Benefits of a transformation extend beyond efficiency and growth; they encompass the preservation of core values, community relevance, and the enhancement of member-centric experiences.



Effects of a transformation on Revenue and Costs

Key
— Without transformation
— With transformation



The commercial case for undergoing a transformation is that it will enable us to continue growing without needing to grow our headcount significantly. Currently growth tends to require us to recruit more people, because of all the manual processing that we have.

IAIN LISTER,
IT EXECUTIVE AT MANSFIELD



Doing a transformation was the right decision, we are doing record lending now, more members are using online channels, and we have a sustainable growth trajectory.

MARK SELBY,
CEO OF HANLEY



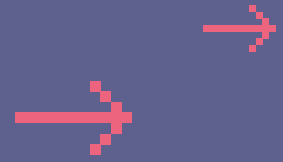
As a result of our transformation, our balance sheet is now 50% bigger but headcount is not bigger.

PAUL DENTON,
CEO OF SCOTTISH





Sustainable Transformation



QUESTIONS FROM THE BOARD

How do we modernise in a way that means we are set up to sustainably grow and can continue to handle change in peaks and troughs over the years?

1

Sustainable growth begins with a sustainable transformation. An effective transformation isn't a one-off event. The tech, processes and people need to be set up in a way to ensure that they carry on evolving when the core transformation is complete.

- Agile transformation:** It is critical to embed agile practices whilst delivering a transformation programme
 - Streamlining governance to balance control and flexibility.
 - Rapidly responding to change.
 - Cross functional teams focused on customer outcomes.
- Collaborative working:** Ensure that the key internal resources supporting the transformation are close to the detail of the analysis that has been completed. Learn about the agile methodologies used and develop a sense of ownership over project outcomes (as they will be picking up the baton long-term).
- Tooling:** Confirm that the tooling used for change management (process mapping software, planning software etc.) is going to be most valuable to your organisation in the long-term. You want to deliver outcomes that can be continuously improved on, rather than static documents that gather dust.
- Training:** Ensure that your teams are upskilled in the capabilities and competencies required to continue with transformation activity, these include: Agile change management practices, Lean Six Sigma – process improvement and product management.
- Culture:** The broader culture of your organisation should be one of continuous improvement. This is important for all employees, beyond just the internal project teams. To do this, develop a series of recommended practices to embed this as part of the transformation; such as giving all employees a clear channel and incentives to suggest and drive through improvements.
- Operating model:** Consider and redefine your operating model throughout the transformation and ensure it is flexible to be able to adapt over time.
- Technology:** Provide clear guidance on how your technology strategy is supporting your corporate plan, ensuring that the technology you are deploying is not limited to a certain size or scale.

WOODHURST'S OBSERVATION

Embracing modernisation is a significant step, but its true value lies in conducting it in a sustainable way, empowering all involved to drive positive and lasting change.



We don't approach growth from a commercial standpoint, we think about it from customer value and can we then make a profit from it to make the organisation sustainable.

PETER BURROWS,
CEO OF CAMBRIDGE



Cultural transformation, driven from the top down, is key to a successful modernisation. By taking the lead in shaping the culture and setting the scene, you ensure that the culture of modernisation permeates throughout the organisation, allowing progress to be made.

PAUL TILLEY,
CEO OF EARL SHILTON



Our strategic ambition is to continue to grow, continue to be relevant and be a sustainable organisation, I want the customers to have the human unique experience that NBS offers but I want it backed up by more automation and I want it to be slicker.

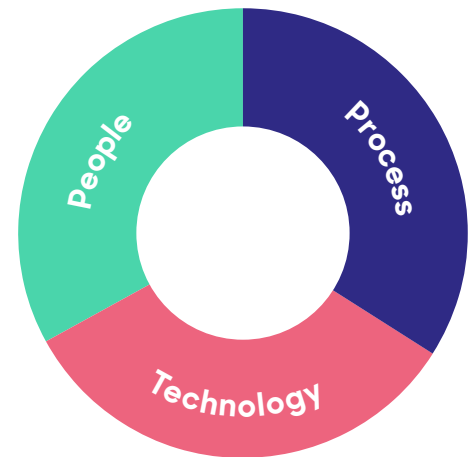
PHILLIPPA CARDNO,
CEO OF NEWBURY





Becoming a Modern Mutual

It is tempting to think of Digital Transformation and modernisation in terms of technology alone, but an effective, sustainable transformation programme requires a coordinated effort to enhance the operating model of the Society. This must consider how processes can be enhanced alongside the technology, and how your people can be empowered to offer a more personalised, more seamless customer experience.



People

People are central to a sustainable, ongoing transformation. Establishing the right change capabilities and unlocking potential across colleagues will be critical to ensuring success of any transformation initiative.

- Establish a people pillar early in the journey. Consider the impact to colleagues across the front line and how they can continue to offer a personal service to customers and community. Consider the back office – automating manual, repetitive tasks can unlock the potential of your people's roles.
- Consider how the transformation impacts colleague and Society culture – change must be embraced across all areas of the organisation for it to drive the intended benefits. Overcommunicate in all instances.
- Consider how to establish a persisting change capability that ensures transformation is not a one-time exercise. It should be an ongoing mindset across colleagues.

Process

Technical enhancements will often drive parallel process enhancements to unlock efficiency gains. Focus on how colleagues can leverage technology to provide an improved customer experience.

- The Operating Model will change throughout the transformation; it is important to be proactive and clear on what is acceptable to the Society.
- Getting the right target processes that leverage modern technology is key. Yet maintaining these processes in an efficient way with the right workflow tooling, is essential.
- Automate where you can but be considerate of those processes that need human interaction with a customer.

Technology

Modernising the tech stack is fundamental to becoming a Modern Mutual – prioritising automation, channel consistency, seamless customer experiences, and leveraging insights from data.

- Whilst modernisation isn't just about technology, it does still play a key role in delivering a better, more efficient and digitally enabled service to your customers.
- Take time to identify the right technologies for you. Many Building Societies will have a technology ecosystem powered by vendor solutions – finding the right vendor(s) will be key to success.
- The ecosystem will need to be architected in a way that allows for flexibility and interoperability. This means prioritising API-driven, microservice architectures.



Roadmap to becoming a Modern Mutual

MODERN MUTUAL

1

1. Define your vision

- Deeply understand your customers – who are they, how do they want to interact with you, what are their pain points
- Capture the needs of colleagues across the Society
- Articulate a shared vision and design principles for the transformation

2

2. Understand your needs

- Capture the requirements of customers and internal users, aligned to the overarching vision, customer needs and identified pain points
- Prioritise requirements based on agreed, consistent criteria
- Consider quick wins across existing processes, ways of working and owned technology

3. Assess the market

- Building Societies have been served for years by a variety of specialist vendors
- The industry is now thriving with innovative tech firms that warrant renewed focus and attention
- Through traditional vendor selection processes, detailed demo days, and running POCs, Building Societies can get a sense for the right vendor mix that will drive value for them

3

4

4. Start with your core platforms

- An end-to-end transformation can be a daunting and potentially disruptive activity if not tackled correctly
- Whether starting with the core itself or initially tackling origination and servicing platforms, an incremental, phased approach is likely to be most palatable
- In all cases, special attention needs to be given to data migration, seamless integration and channel parity

5

5. Drive organisational change

- Digital transformation is not just a technology initiative
- Sustainable transformation requires a considered organisational change to empower colleagues, enhance change capability, and better serve customers

6

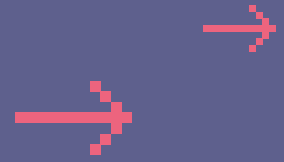
6. Innovate through partnerships

- Once the core platforms are rearchitected, consider opportunities to drive further innovation through partnerships with 3rd parties that offer value add features and services





Mitigating Risks



QUESTIONS FROM THE BOARD

How do we mitigate the risks of doing a transformation?

1

- Internal team support:** Ensure you have the right internal team support, including SMEs who understand your organisation's goals and vision, as well as the detailed day to day processes. Leverage internal SME experience within your Society and bring in external expertise and resource where required.
- Partner selection:** Choose partners with experience in financial services transformations who align with your vision and objectives. Consider both large established players and smaller, more agile providers.
- Strong contracts:** Establish robust contracts with clear deliverables, timelines, and dispute resolution mechanisms. Legal agreements should protect your interests and minimise risks.
- Vision and strategy clarity:** Clearly define your transformation objectives and overarching Society strategy. Understand why you're embarking on this journey and communicate this vision clearly throughout the organisation.
- Comfort with change:** Develop a mindset that is comfortable with change and encourages innovation as an integral part of your transformation journey. Acknowledge that change is a continuous process.
- Detailed requirements:** Develop comprehensive requirements for your transformation project. Take the time to outline your needs and expectations in detail to avoid misunderstandings.
- Risk assessment:** Continuously assess risks associated with your transformation, including technology, regulatory compliance, and market dynamics. Keep an eye on both internal and external factors that may impact your project.
- Robust RFI and RFP process:** Utilise a robust Request for Information (RFI) and Request for Proposal (RFP) process to gather detailed information from potential partners and select the most suitable ones. This process should be driven by your specific needs.
- Regular evaluation:** Implement periodic checkpoints to evaluate your transformation progress and make necessary adjustments. Be ready to pivot when needed and learn from your experiences.
- Due diligence:** Conduct thorough due diligence on potential partners, request credentials and references and ensure that you're making informed decisions.

WOODHURST'S OBSERVATION

Whilst you can't fully de-risk a modernisation, be assured that there is a way to mitigate risks and do a transformation in a way that won't keep you up at night.



With hindsight, I wish I'd had more resourcing at the start of the transformation, more project people and more BAs. Also, ensuring you have full business buy in and everyone embracing the change upfront will allow the transformation to go more smoothly.

CHRIS HUNTER,
DEPUTY CEO OF DARLINGTON



Understanding your functional requirements is key in crafting a precise RFP. An unclear RFP can lead to misunderstandings between all parties and delay decisions. To grasp potential partners' functionality and reduce and misunderstanding, ensure your RFP accurately reflects your needs as this will set the stage for success.

NEIL WILLIAMS,
INDUSTRY EXPERT



The three principles I won't compromise on with Digital Transformation are : 1) Getting the best possible legal advice and contracts set up 2) Having a dedicated project team, not doing anything side of desk and 3) Ensuring thorough testing.

SIMON TAYLOR,
CEO OF MELTON





Mitigating Risks

The main risks and hurdles in the transformation process involve resourcing digital transformation, dealing with legacy systems, and maintaining a balance between traditional values and modernisation.

WILL CARROLL,
CEO OF MONMOUTHSHIRE



It is crucial that colleagues get onboard with change and are part of the transformational change journey for the Society, rather than trying to resist it.

CHRIS HUNTER,
DEPUTY CEO OF DARLINGTON



Investing in detailed due diligence and design up front to map out exactly how the technology will be delivered before signing the contract is a key part of risk management on the decisions we made.

BUILDING SOCIETY CEO



Cultural transformation, driven from the top down, is key to a successful modernisation. By taking the lead in shaping the culture and setting the scene, you ensure that the culture of modernisation permeates throughout the organisation, allowing progress to be made.

PAUL TILLEY,
CEO OF EARL SHILTON



A lot of Building Societies don't have the capability and capacity to enable a major change programme, so that compounds the risk. They can't stay and they can't go forwards. This risk is compounded further for businesses that don't have the scale or reach to invest. They don't have the expertise in house but don't have the money to bring in the expertise.

JOHN PENBERTHY-SMITH,
CCO & EXEC DIRECTOR OF SAFFRON



Delaying decisions can significantly extend the implementation time. Timeliness is key in the fast-paced world of modernisation. Delaying not only puts you behind the competition but can also complicate deliverables and increase the cost of achieving your goals. Act thoughtfully but promptly to avoid these pitfalls.

NEIL WILLIAMS,
INDUSTRY EXPERT



The most significant challenge in modernising for smaller organisations like ours is the intricate cost/value equation. We must navigate rising IT costs carefully, ensuring that the benefits of new technology outweigh the investment, and avoid paying for unused IT development.

PAUL TILLEY,
CEO OF EARL SHILTON



Embracing the necessary risks of transformation is not just an option; it's the key to ensuring the sectors collective longevity. In this ever-evolving landscape, both the decision to transform and the choice to maintain the status quo come with their own set of risks. What is important is that we actively manage and mitigate those risks.

IAIN LISTER,
IT EXECUTIVE AT MANSFIELD





6. What's Next





Future of the sector

In the future there will be a steady flow of distressed mergers, but what might be more interesting is what would be the opposite of a distressed merger, a proactive market shaping merger.



JOHN PENBERTHY-SMITH,
CCO & EXEC DIRECTOR OF SAFFRON

The sector has been highly resilient over the last 15 years, everyone's very well capitalised. If you've got enough capital, a well-defined strategy, there's no reason why we can't all stick around. Contrary to that, you need a lot of skills and capability to deliver transformation successfully.



WILL CARROLL,
CEO OF MONMOUTHSHIRE

For some smaller Building Societies, considering mergers or partnerships may be necessary due to resource constraints. We would consider providing our infrastructure, including technology, to other Societies and exploring partnerships or mergers.



PETER BURROWS,
CEO OF CAMBRIDGE

With the right help, the goal of modernisation for all Societies has never been more in reach. We have a new band of eager providers, up to date offerings and integration at the heart of the technology. A successful modernisation programme will open up the opportunities for growth and set Societies up to serve the next generation of members & customers.



JOHN WILLIAMS,
INDUSTRY EXPERT

Building societies can thrive in the next 10 years by embracing digital transformation, forming strategic collaborations, and retaining their focus on serving members and communities. The rise of open APIs and challenger banks is a significant factor to consider, and the Building Societies need to adapt to the changing preferences of customers while maintaining trust and reliability.



WILL CARROLL,
CEO OF MONMOUTHSHIRE

Building Societies have a real opportunity at the moment as lots of the big banks have pulled out of the high street. I think there is an opportunity to be in our communities and to have that presence. We can't do the big TV campaigns like Nationwide and the banks, but what I can do is have a branch on the high street which shows us in our community, this is priceless.



PHILLIPPA CARDNO,
CEO OF NEWBURY



Technology of interest to the Modern Mutual

Shown here are the vendors that Woodhurst has either interviewed in conjunction with this report or has engaged on behalf of a Building Society client in recent months.

The landscape of vendors offering solutions to help modernise the sector is constantly changing, and we pride ourselves on giving our clients independent and impartial advice as to how these vendors meet their

requirements. We would be happy to provide our views and data on any of the vendors shown here, as well as others not shown that we may have analysed since publishing this report.

Core	Lending
Savings	Fintech



Flexible Support Models for Building Societies

As you've navigated through this report, we trust that the board level critical questions have struck a chord with your organisation's aspirations for modernisation.

If you find yourself ticking every checkbox, congratulations on your remarkable progress along the modernisation maturity curve.

However, if there remains unchecked boxes, and you sense opportunities for further enhancement in your

modernisation efforts, we are here to lend our expertise and support across various domains, assisting you in your continued pursuit of modernisation excellence. Together, we can navigate the path ahead and unlock the full potential of your organisation.

3 common ways we are helping Building Societies today

Prime implementation partner

For some Building Societies we are the prime implementation partner to their digital transformation. Support includes:

- Ability to flex resourcing to deliver at speed safely, while keeping costs down.
- Technical SMEs and Change Specialists covering any resourcing requirement that might occur during each phase of the transformation.
- Additional focus on the strategic aims of the programme to help unlock the strategic goals of the transformation.

Special projects

For some Building Societies we help deliver special projects that required subject matter expertise that may not be possessed in-house, a common occurrence with digital transformation. Recent examples:

- Authentication and security advice for new omnichannel strategy.
- Open Banking strategy for business case to replace Credit Card payments processing fees.
- Reducing drop off in new mortgage applications.
- Developing a blueprint for Customer Journey mapping.

Fintech advisory

Given our breadth and depth of knowledge of the technology market, we help Building Societies pick best-in-class Fintechs and build out their own ecosystem unique to them.

- Working with Building Societies to prioritise the use cases that they want to partner with Fintechs on.
- Running roundtables with pre-vetted and proven Fintechs that we've seen work elsewhere.
- Optimising the use of Fintech to prevent paying for duplicate solutions.

Woodhurst embedded themselves nicely into our culture, took the time to understand our needs and desires, and provided some challenge in the right places. They've felt like an extension of our team.



MANSFIELD BUILDING SOCIETY

We got considerable value from the customer journey and process mapping work Woodhurst did and we've already started implementing some of the quick wins.



EARL SHILTON BUILDING SOCIETY

Woodhurst orchestrated an excellent SHIFT roundtable to showcase Fintech talent across the industry, matched to our internal values and purpose, which helped us to understand the potential of our ongoing digital transformation programme.



SKIPTON BUILDING SOCIETY

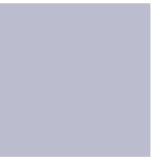


Sustainable Fintech Partnerships for Building Societies

The process

Problem statement & market scan

A dedicated SHIFT success manager will help you create a problem statement and find tailored Fintechs.



Roundtables

Fully managed and facilitated session to rapidly identify the most suitable solution providers with the right stakeholders in the room.



PoV

Thorough Proof of Value (PoV) assessing desirability, viability, and feasibility, to ensure a mutually beneficial partnership.



Partner network

Access to a partner network (Woodhurst, Techpassport, Nayaone) to help shorten Fintech integration time by up to 6 months.

Key use cases and providers

The SHIFT community has over 120+ verified and innovative Fintechs to quickly enhance your offering through partnerships.

Measure, understand and reduce carbon impact on the environment.



Unlock the power of Open Banking to enrich user experience and decision-making.



Increase customers' financial literacy and help create financial independence.



Gain greater control over data and contracts as well as effective and efficient KYC.



Reduce default rates and optimise credit rating and tracking.





Change is coming

Robin Fieth
CEO, Building Societies Association



When it comes to the disintermediation of different industries, the fatal consequences from failing to keep up with innovations is a story as old as human history.

However, when it comes to digital innovation in financial services over the last decade, it can be easy to become complacent about the progress of change.

Cloud based storage, application programmable interfaces, linked systems and digital workflows have all been transformative in terms of how firms operate.

As Woodhurst's report shows, based on interviews with many of our members, building societies are focused on a digital future and are working hard to embrace new systems and ways of working.

Yet, so far, within the financial services sector we have not seen the sort of radical disintermediation felt in other markets and industries.

Back in 2018, the Financial Conduct Authority attempted to assess the winds of change sweeping through the financial services sector from digitisation.

As part of its 2018 review of Retail Banking Business Models, the FCA looked at how bank business models and their dominance could potentially be challenged by new technologies, in particular the likes of Open Banking.

It considered how technology might lead to the unbundling of services, new entrants using data to offer new tools and services or make product searches much easier.

The regulator modelled a number of different outcomes: in a scenario of extreme disintermediation, incumbents shift to the background as utility providers for customer facing distributors or customers migrated en masse to more innovative brands.

In a scenario of gradual evolution, incumbent banks maintain their competitive advantage, with a gradual reduction in branch numbers, with market shares largely unchanged and a gradual adoption of technology among a subset of engaged consumers.

Five years on, it is worth considering why we have not seen such rapid disintermediation.

In the case of Open Banking, lack of consumer trust undoubtedly has played its part.

Nevertheless, a renewed focus on making Open Banking work and the incoming legislation will open up data across many industries. Combined with ever-increasing digitisation within the industry, the rapid adoption of new technologies like AI and the untapped potential of Big Data in financial services, the winds of change are blowing.

New technologies could all play their part in disrupting the relationship our members have with consumers.

In order to continue to serve the communities and members that have relied on their services for hundreds of years, what it means to be a modern mutual continues to be redefined.

As this report shows, building society executive teams and boards are up for the challenge ahead and looking to a digital future.



Conclusion

We hope that this report has drawn out that the Building Society sector is at an exciting and pivotal moment in its history.

We're at a point in time where Building Society members are hoping for more from membership, whilst more affordable, innovative technology is available to enhance the customer experience across all channels. Societies want to serve and meet the evolving demands of the sector and take on the challenge of modernising.

This intersection defines an exciting era for Building Societies, one that offers more choices than ever before through the integration of technology. Now is the opportune moment to catalyse this transformation and accelerate the modernisation efforts across the sector.

A key theme in this report is that the modernisation of Building Societies is not merely a technological shift; it's a cultural transformation driven by a commitment to delivering exceptional value to customers and communities.

By navigating the challenges of legacy systems, balancing tradition with innovation, and fostering collaboration, Building Societies can thrive in the coming decade and continue to serve as vital pillars of their communities.

Mutuals are part of the social fabric of the UK. We saw it as an ethical obligation to upgrade our technology and transform our Society.



MARK SELBY,
CEO OF HANLEY

We want to be technology enabled, but with people at the heart.



PETER BURROWS,
CEO OF CAMBRIDGE

Mutuality requires a higher level of commerciality because you're responsible for a member's money not a shareholder's.



SIMON TAYLOR,
CEO OF MELTON

The decision to undergo a transformation was driven by the need to grow and innovate while remaining relevant in the market.



WILL CARROLL,
CEO OF MONMOUTHSHIRE

Benefits of a transformation are that overall the Society will be more resilient, more available, and will have more financial resources to continue to invest in the future.



CHRIS HUNTER,
DEPUTY CEO OF DARLINGTON

We want the human touch backed up by the technology. Our USP is all about the best customer service and that personalised customer experience, but we need the right technology to enhance and enable this.



PHILLIPPA CARDNO,
CEO OF NEWBURY



Thank you to all those we spoke to for this report

Peter Burrows
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Simon Taylor
Melton Building Society

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Scottish Building Society

Mark Selby
Hanley Building Society

Paul Wheeler
Mansfield Building Society

Iain Lister
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Mansfield Building Society

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Chris Birney
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Simon Lyons
OBconnect

Fiona Sweeney
Women in Data



A donation was made to Alzheimer's Society, a charity and cause supported by the sector, as a thank you for all those that contributed their time to help shape the report.



Building Societies are more than financial institutions; they are the stewards of a timeless promise – to serve their communities, members, and society at large to save and own their own homes.

A Modern Mutual embraces this legacy while boldly stepping into the future, offering choice, relevance, and balancing a seamless digital experience with a human touch.

It's not about losing what you stand for but adding the ease and convenience that digital brings, ensuring that every member, young or old, finds a place where their financial well-being is nurtured, and their voice is heard.

In the pursuit of innovation, profitability, and sustainability, Building Societies are not just financial service providers; they are vital community institutions, trusted partners, and architects of a brighter financial future.

LYDIA COYLE, WOODHURST



Authors

Woodhurst is a boutique consultancy that specialises in helping Building Societies and small banks modernise. We partner with Building Societies to advise whilst driving delivery to enable them to meet their modernisation goals.



Ben Nadel

Ben helps Financial Institutions deliver on their strategy. Ex-Accenture, he co-founded Woodhurst in 2019, a boutique consultancy with projects at HSBC, NatWest, Skipton, Mansfield and others. The purpose that drives Woodhurst is our belief that everyone should have access to better financial solutions. This is at the heart of all the work we do for our clients.

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Lydia Coyle

Lydia has spent her career helping Banks, Building Societies and Fintechs to improve their customer experience, reduce IT costs, remove operational risk, modernise and drive more profitable growth. Lydia is passionate about helping Building Societies deliver on their strategy and modernise in a sustainable way to ensure they continue to play an essential role in shaping the financial future for generations to come.

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