Leading the Digital Banking Transformation for Both Customers and Employees

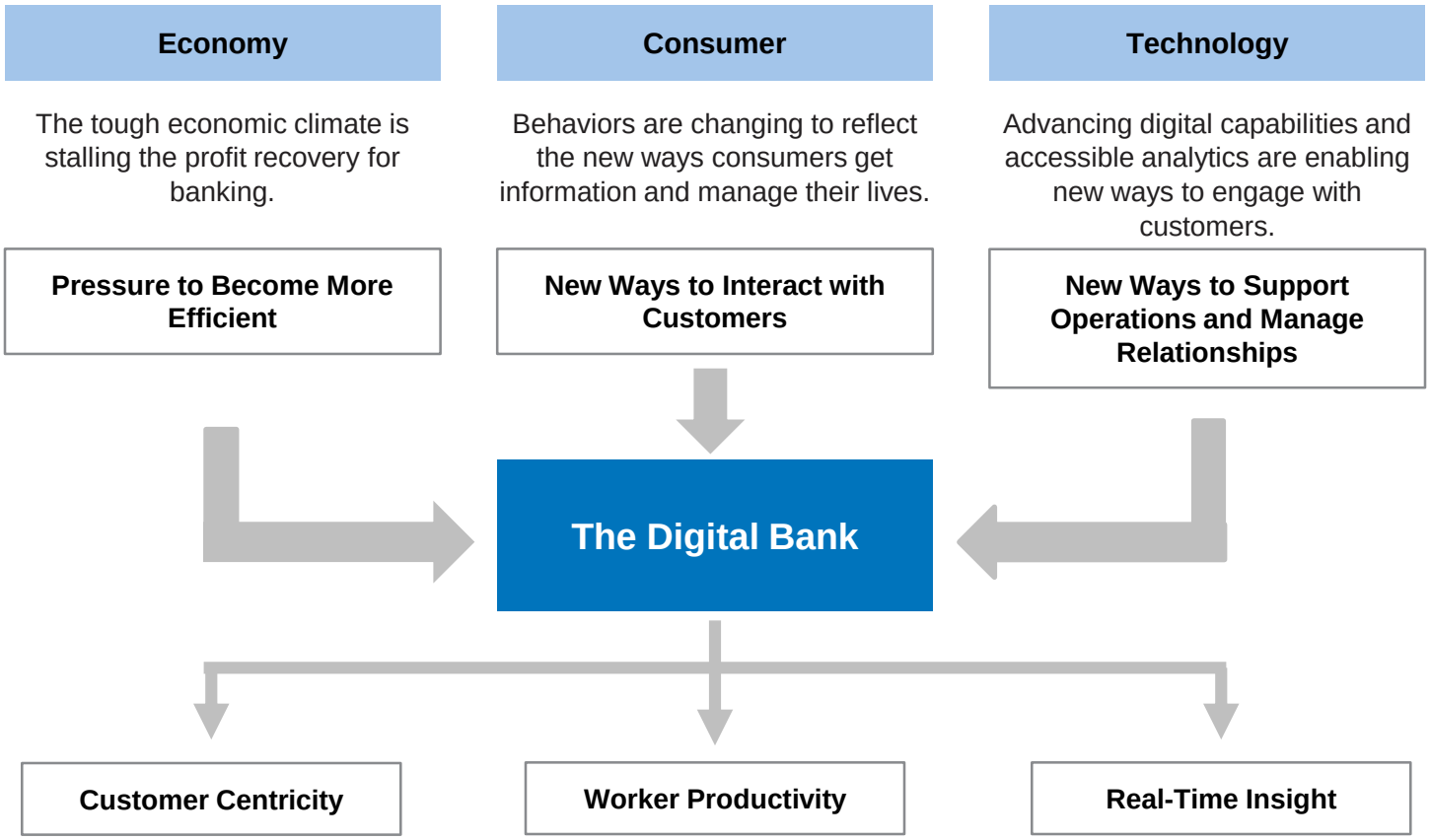
CEB
WHAT THE BEST COMPANIES DO

The Accelerating Digital Shift

While the 2008 financial crisis was a painful experience for many financial institutions, it also led to the emergence of social networks, digital product information, and new offerings from non-traditional financial services firms. All of these have given consumers new methods of managing their personal finances. As a result of these rapid innovations in digital technologies, today's customers have higher expectations of their financial institution. They now value an experience that's tailored to their needs, one that helps them more easily manage both their short-term and long-term financial picture. But while financial institutions strive to meet these new expectations, they continue to battle high costs and subdued revenue.

It is these three major forces in banking—the challenging economic climate for financial institutions, rapidly changing consumer behavior, and new advances in technology—that are harmonizing bank and consumer preferences to propel digital banking (Figure 1). These shifts have implications for banks, making it imperative to make investments in customer-centric technology, increase employee productivity, and generate real-time insights. At the same time, the rise of non-bank entrants offers customers more choice and increases competition. And today's consumers obtain large amounts of information faster, through newly available sources. Therefore, banks must win mindshare by meeting customers with the best service in the channel of their choice. Consumers are constantly using information to manage their lives, and technology has become embedded in everyday life. Emerging technologies, such as wearables, mobile point-of-sale payments, social payments, and virtual wallets, have embedded banking seamlessly into consumers' lives to make transactions easier. This has opened up a wealth of new customer information about how, when, and where they make purchases and research products. By tuning this awareness of the minute details of customers' financial activities, banks can embed tools and offers in customers' lives to drive engagement with offers, and deepen the value of the banking relationship beyond transactions.

Figure 1: Three Macro Forces in Banking
Illustrative

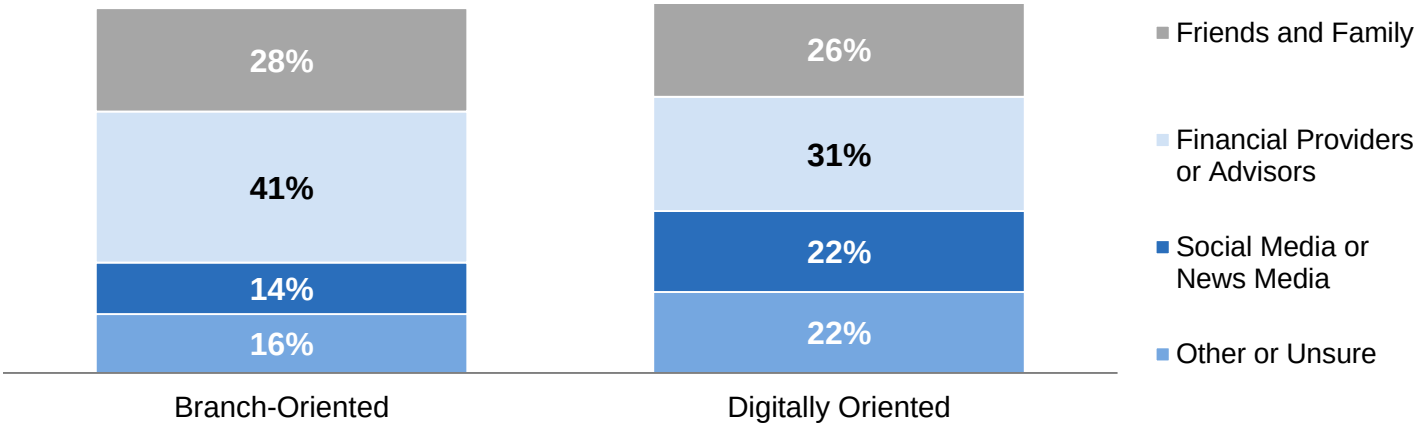


Source: CEB analysis.

I. Achieving Real Customer Centricity

All banking customers are engaging with digital channels, even those who traditionally prefer to interact with their providers in person. Banks have traditionally viewed life events as an opportunity to sell to customers, leveraging personal interactions in branches to sense and respond to event-driven needs. Digital orientation, however, drives lower cross-sales. Something is different about these digital customers, and it's not just absence from the branch. By definition, the digital customer can rely on many more sources of information beyond their financial provider to research and consider new products and services. For example, only 31% of digitally oriented customers rely on their financial provider for guidance in needs, as compared to 41% of branch-oriented customers. Meanwhile, 22% of digital customers turn to the media for information, as opposed to only 14% of branch-oriented customers (Figure 2).

Figure 2: Sources of Information from Which Customers Determine Their Needs
Respondents Were Asked How They Learned They Had a Need for Their Most Recently Purchased Product

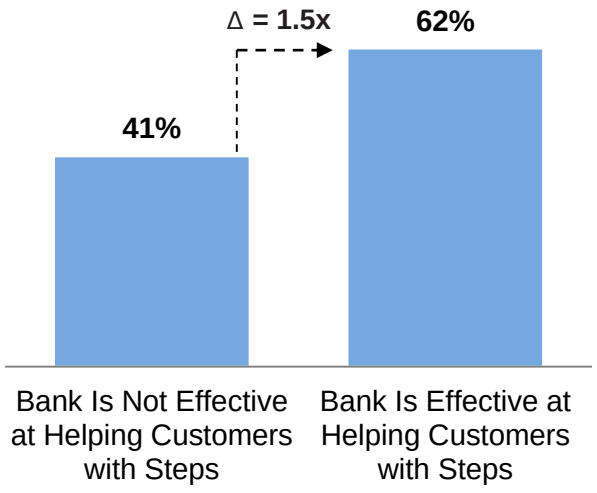


n = 569.
Source: CEB 2015 Customer Experience Survey.

As a result, consumers are constantly using information to manage large parts of their daily lives, with the freedom to choose their preferred sources. Digitally oriented customers engage with information and act upon it more than branch-oriented customers, resulting in increased financial activity and purchases among digitally oriented customers. Purchases by these customers are motivated more by learning about needs than by discrete life events. Rather than be informed by their bank of a product to meet their need at a major life event, the digitally oriented customer is more likely to learn about a need for a product from family and friends, or from the media.

This shift in how digital customers learn and make purchases has implications for the technology that banks use to build customer centricity. The trail of information that customers leave behind from actions and behavior across channels provides banks with a wealth of data that can be harnessed to learn more about when, where, and how purchases are researched and made. Similarly, as customers increasingly turn to technology to help better manage their lives, there is an opportunity for providers to add value by helping customers take key steps to keep their financial lives on track. Customers whose banks are effective at helping with these steps are 50% more likely to be loyal (Figure 3).

Figure 3: Loyalty Impact of Bank Helpfulness in Completing Key Financial Steps
Percentage of Global Customers



n = 4,208.
Source: CEB 2015 Customer Experience Survey.

Note: We used a multinomial regression model to compute the probability that a customer would fall into a given loyalty category given bank helpfulness in enabling financial steps and controlling for other mitigating factors.

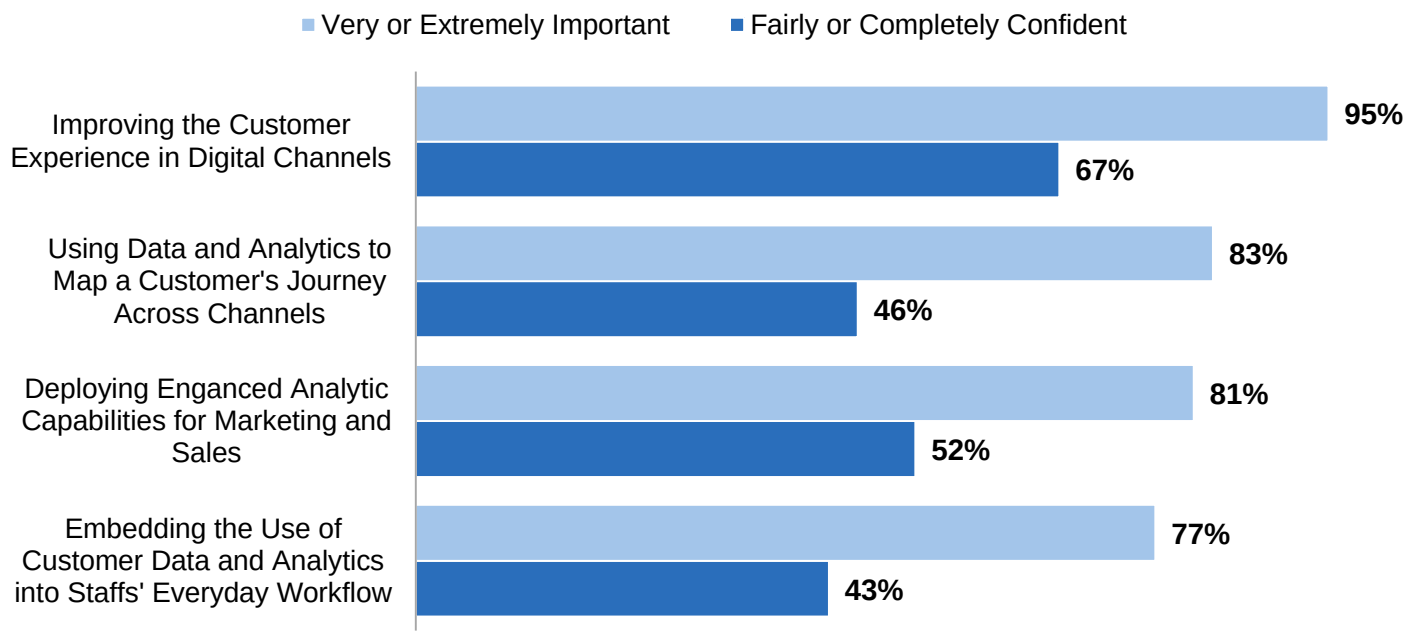
II. Employee Productivity

Leveraging Information

As banks build out their digital capabilities, many institutions are falling short on providing employees with the internal tools necessary to learn more about the customer and help them fulfill needs. Productivity, in this context, is defined as the ability for bank employees to achieve maximum effectiveness and efficiency in their interactions with customers. In particular, there are four key areas that executives highlight as capability gaps that prevent employees and the institution from operating at full productivity (Figure 4):

1. **Improving the experience in digital channels:** Data about a customer's digital channel usage must be used to provide better customer service. For example, when a bank notices that a large majority of online customer interactions are to check account balances, it should consider providing further insights to customers at this point of connection, such as spending projections or progression toward savings goals.
2. **Using data and analytics to map a customer's journey:** Previous interactions, knowing where a customer has connected—in the branch, over the phone, or through a digital channel—and what they've done in that channel is critical to employees and to the institution. Banks must be able to build conversations across each channel in a way that is compelling for that context, but does not unnecessarily repeat conversations in other channels.
3. **Deploying enhanced analytic capabilities for marketing and sales:** The use of data to provide more targeted offers, or no offers at all, should be based on a calculation of the customer perception of receiving that offer. For instance, a bank may notice a customer researching mortgage options online, and then later engage with the customer about mortgage offers across multiple channels. Using a test-and-learn approach that is embedded in customer interactions, the bank can adapt offers and channel choice based on results.
4. **Embedding the use of customer data and analytics into staffs' everyday workflow**. With better data and enhanced recommendations, staff can improve conversations with customers. For example, data should be integrated with teller, branch sales and service, customer relationship management (CRM), and unified communications applications to inform employees of relevant messaging for each customer.

Figure 4: Importance and Confidence of Effectively Executing the Key Issues Arising in the Next 6–12 Months
Percentage of Executives Selecting High or Critical Importance and High or Complete Confidence

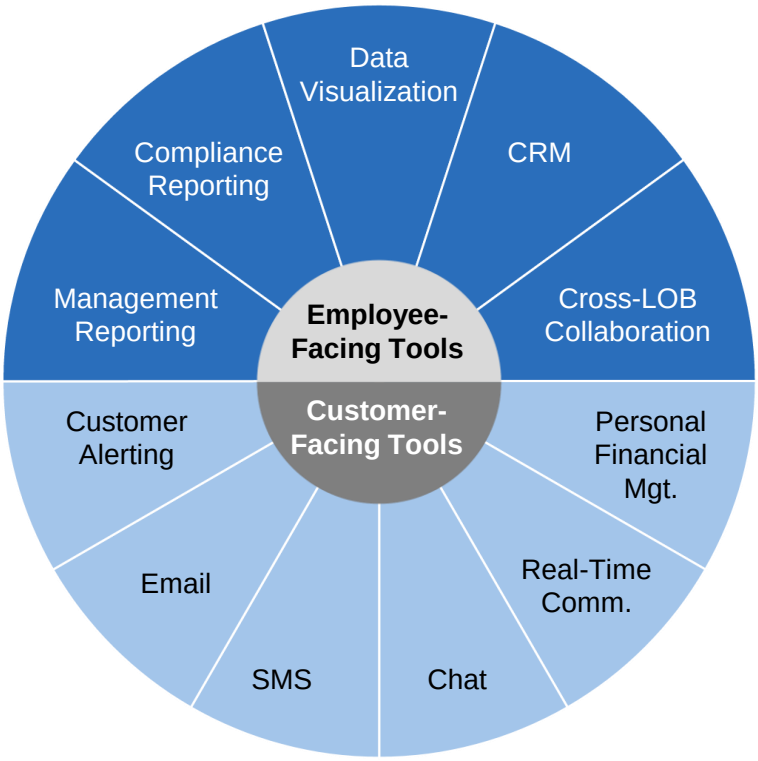


n = 1,625.
Source: CEB 2015 Customer Experience Survey.

Becoming Efficient and Effective

Across these four capability gaps, information availability is the key to unlocking better customer service. “At the end of the day, it’s all about having the right data in the right place,” says Thomas Schuder, Project Lead at Oldenburgische Landesbank AG in Germany. For example, when branch employees can see a customer’s online activity or mobile banking alerts can be triggered by ATM activity, the gap between channel experiences is bridged into one comprehensive banking interaction. There are additional tools and technologies that can propel productivity far beyond what better data management can achieve. In order to effectively embed relevant financial guidance in customers’ lives, both employee-facing and customer-facing tools must be able to draw off the most available and up-to-date customer information (Figure 5).

Figure 5: Enabling Productivity within the Bank and in Customer Relationships
Illustrative



Source: CEB analysis.

Employee-Facing Tools

Firms that ensure their data is both usable and aligned with the firm’s business objectives will be able to avoid staff wasting time searching for and locating customer information. Whether it’s a marketing associate, personal banker, call center representative, or a branch teller, bank employees must be able to quickly retrieve high-quality data to support sales and prospecting initiatives, or internal management and compliance reporting.

Customer-Facing Tools

Information availability drives seamless cross-channel customer experience. With a significant portion of customers preferring multi-channel access, the bank must be able to turn individual transactions or customer service moments performed in discrete channels into one comprehensive experience. Furthermore, up-to-date information and insights about customers can drive relevant and interactive conversations around customer needs, supplementing outbound messages. If a bank notices that a customer is using a checking or savings account to monitor finances, this insight can be used to couch conversations in financial advice, or point the customer toward available digital tools for managing finances.

Improving Productivity via Streamlined Compliance

An evolving, but very important aspect of information management is the ability to find efficiencies in data across the enterprise to enable productivity. One example of this is the opportunity some banks have found to leverage compliance data to reduce manual tasks, streamline processes, and improve internal collaboration. As regulatory requirements and competitive pressures continue to build, banking providers increasingly collect a tremendous amount of customer data across multiple channels. Compliance activity in particular captures valuable customer data, and leading firms centralize this data within CRM systems as a single source of truth in order to better track and abide by customer communication preferences and ensure the accuracy of customer data.

CRM reporting capabilities can also be used to track customer-focused SLA's such as call handling standards and the timely and accurate distribution of disclosure notices. Banks can further leverage CRM systems to seamlessly track all customer interactions and communications across the enterprise, providing a true 360-degree customer view and ensuring better customer data accuracy via one version of the truth. Additionally, banks can use CRM systems combined with collaboration tools to more effectively collaborate on compliance tasks across the organization and to more efficiently create, re-use, and share compliance-related documents. In order to capture this valuable data, a CRM system must be based on a flexible platform that can be extended to compliance systems (Figure 6). In addition, the ability to mine compliance data for customer insight is an evolving, but highly valuable addition to the bank's productivity toolbox.

Figure 6: Uses for Compliance Data
Illustrative

Compliance Usage	Data	Value-Added Usage
Compare customer against similar peers to identify egregious or anomalous activity.	Peer Group Analysis	Identify profitable or under-served groups to inform product and service strategy.
Compare expected versus actual activity to identify suspicious relationships.	Behavioral Changes	Understand changing customer needs and identify best-fit products or relationship pricing.
Locate related accounts, business entities, and other customers for investigations.	Linked Relationships	Identify new opportunities related to the customer such as related business or household.

Source: CEB analysis.

III. Real-Time Insight

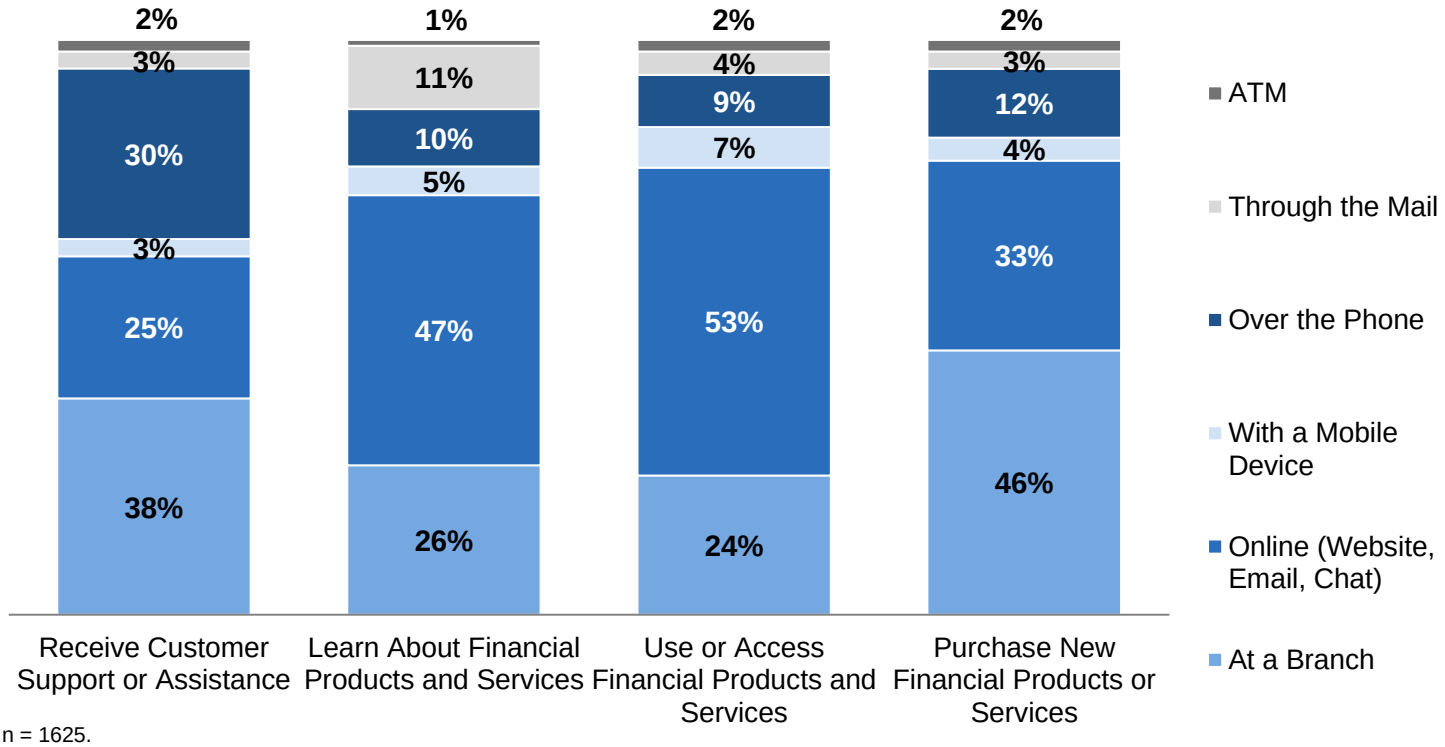
Responding to Customer Experience Expectations Across the Bank

When it comes to achieving financial goals, customers need the most guidance with simply staying on track. Yet this is where banks are rated least effective in their ability to help. Banks can help customers achieve goals through simple but critical steps, such as ensuring customers save money on a regular basis, or preventing account overdrafts. However, in an increasingly complex multi-channel network, many banks struggle to connect customers with appropriate staff expertise. Says Martin Zalewski of Lloyds Bank Commercial Banking, "we need to create an enhanced client experience through becoming a simpler, more efficient, and better connected organization."

Leading firms are deploying technology to solve this challenge by embedding customer data into the workflow of employees. By tracking customer behavior closely, staff can keep an eye out for behavior that may suggest a potential problem, and get ahead by proactively engaging with the customer. For example, a customer's history of loan repayments generates insight into the risk of default on the account. By proactively sending alerts and tips on ways to better manage credit, the bank can help the customer make the appropriate payment on time.

In order to achieve this mandate, banks must be able to pick up on when and where a customer is performing a task, whether it's a financial transaction or research into different financial products. Across industries, customers have greater access to products and services through a plethora of new channels. Channel choice is dictated by customer need: for more complex activities, such as support and assistance, or making a purchase, customer preference trends toward the branch or the phone, where customers can get a higher level of bank staff interaction. For low-complexity activities, such as researching new products or accessing products and services, customers prefer online channels (Figure 7). Banks should not only be aware of the channels their customers are using for different activities, but they should also turn this data into intelligence by using predictive analytics and machine learning to stay ahead of what customers might need or want in the future. The ubiquity of customer data that exists today has created the opportunity and need for a tailored and modernized solution, and banks should respond to this by meeting the customer in the channel of their choice with the product that fits their need, perhaps before they even realize they have a need.

Figure 7: Customer Channel Preference for Conducting Banking Activities
Percentage of Respondents by Activity, North America 2015

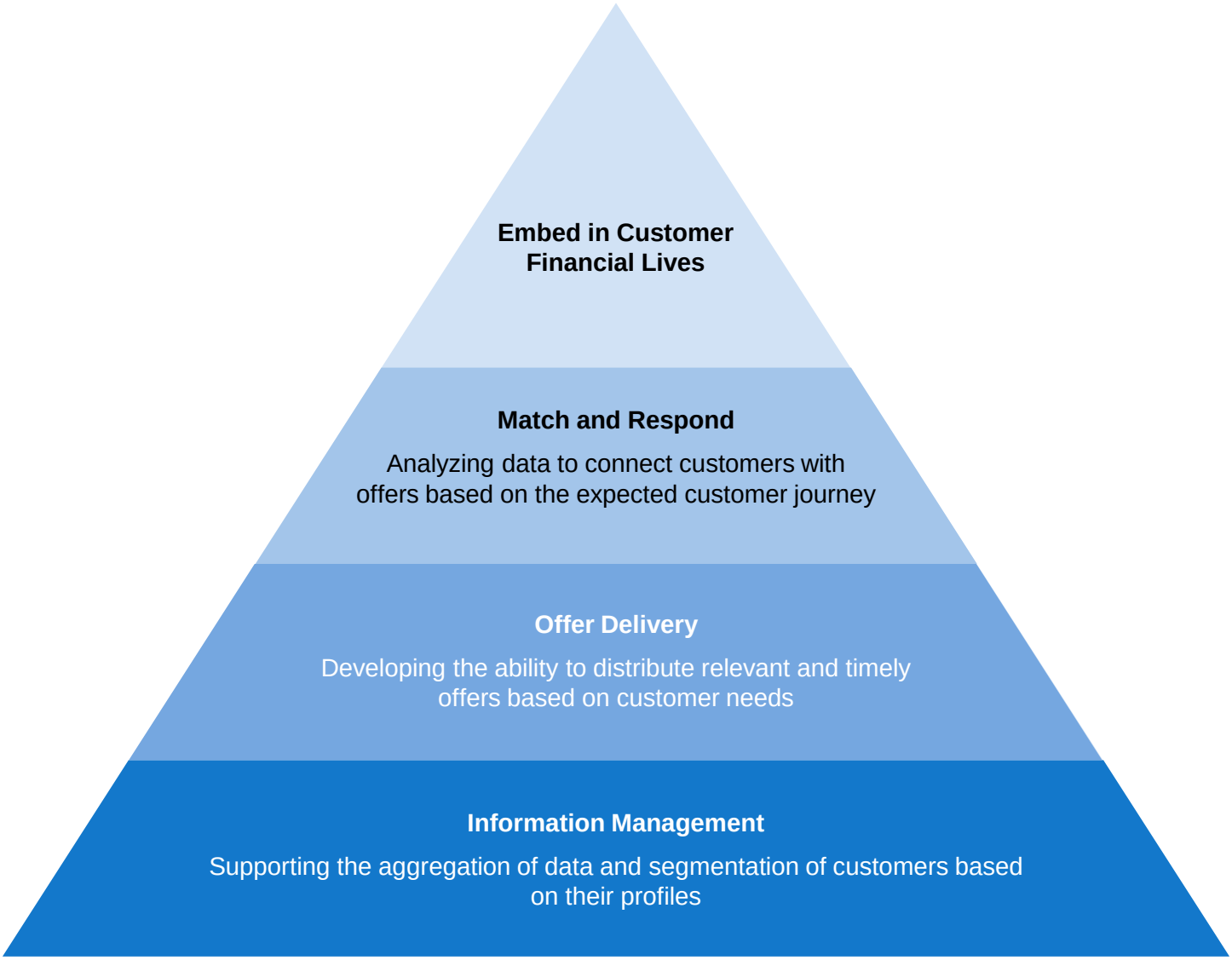


n = 1625.
Source: CEB 2015 Customer Experience Survey.

CRM solutions provide tools to help frontline staff better engage with customers across these many touchpoints, with better access to data and visualization tools to help track progress. These systems must be able to work across channels in order to pull data from and provide input into every customer interaction point. Most importantly, however, banks must work to ensure that the customer experience across all of these channels is seamless.

Leading banks are laying the foundation for becoming truly embedded in a customer's financial life. While it may seem that a CRM system is more focused on staff enablement, these applications are the central tools that enable banks to provide relevant and timely offers and guidance through customer data and segmentation (Figure 8).

Figure 8: Key Components of a Successful CRM System
Illustrative



Source: CEB analysis.

IV. Looking Forward: Cloud Deployment and Emerging Technologies

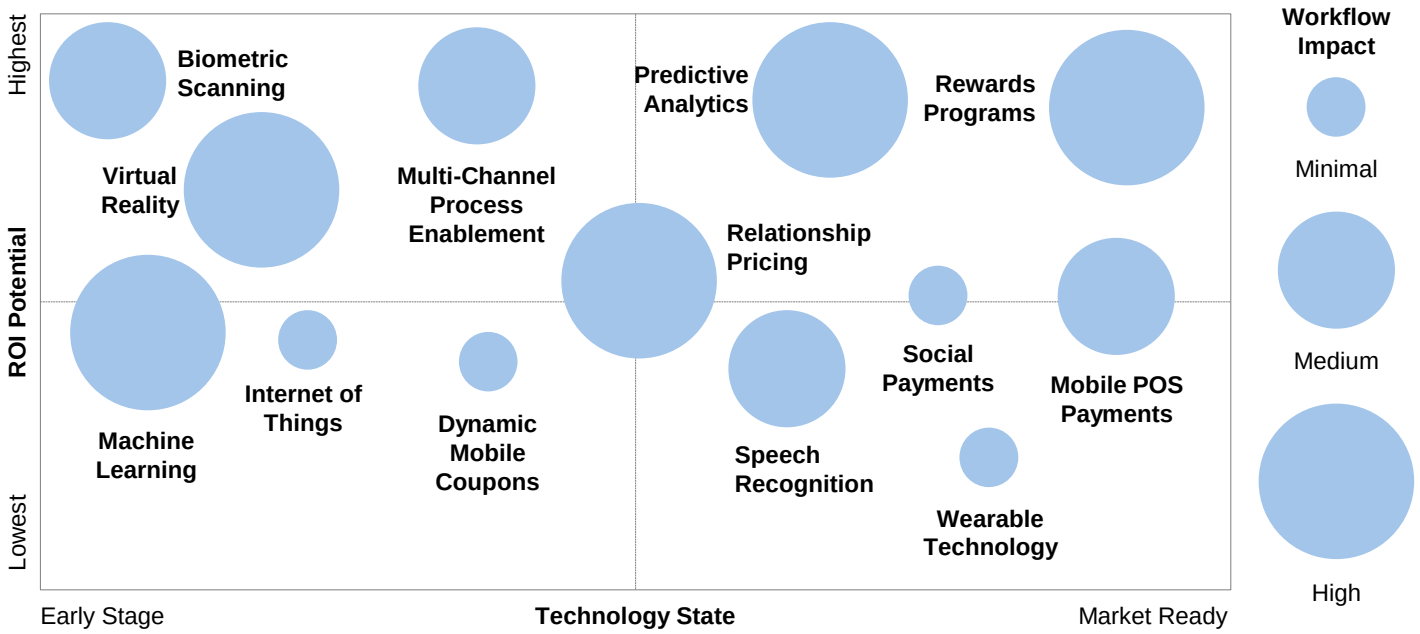
Weighing the Risks and Benefits of Cloud Deployments

Cloud adoption in the banking industry is growing rapidly as financial institutions seek to reduce costs and increase operating efficiencies, providing bandwidth to improve the customer and employee experience. Banks have long embraced business applications like CRM through cloud deployment, but more recent on-demand services, such as providing analytics at customer touch points for real-time analysis to determine next-best steps with that customer, are growing in popularity. Beyond the obvious benefits of costs savings, cloud services offer banks a high level of data protection and disaster recovery options as the cloud provider. Cloud networks also help financial institutions stay agile in a dynamic and competitive marketplace, by enabling more efficient employee access to customer information. Those providers that offer multiple cloud solutions based on the same cloud infrastructure will provide better economies of scale and value. Additionally, vendors that provide multiple cloud delivery options (public cloud, private cloud, hybrid), based on the same architecture and code base will provide financial institutions with greater flexibility and power of choice.

Emerging Technologies in Customer Engagement

In online and mobile channels, emerging technologies that more effectively drive customer engagement with offers are gaining traction, particularly those that make offers more attractive and easier to access (Figure 9). Back-office tools such as multi-channel process enablement allow banks to ensure a consistent experience across channels for customers completing transactions or processes, while features like rewards programs and relationship pricing allow banks to maximize the attractiveness of offers based on individual customer history and preference. Looking further down the road, customer engagement will likely be further enhanced by biometric scanning (facial, retina, hand), wearables, predictive analytics, speech recognition, and machine learning. In particular, we expect financial institutions to more seamlessly marry CRM systems with predictive analytics and machine learning tools to better predict and anticipate customer needs and preferences and provide more timely, relevant offers and products. The Internet of Things (IoT) has already had implications for improved underwriting of auto loans by monitoring customer-driving behavior. Further use cases in banking could come in the form of sensing customer needs through devices such as ATMs or mobile phones, and then automatically taking actions on behalf of the customer.

Figure 9: Emerging Technology Timeline
Illustrative



Source: CEB analysis.

V. Key Takeaways

1. **Develop products and services that help customers better manage their financial lives.** Customers need the most help from their bank with staying on the right track to accomplish financial goals. Banks should prioritize products and services that help customers take steps to achieving goals, and track their behavior closely so they can proactively engage with customers with helpful guidance.
2. **Ensure that customer data is both accessible and usable.** Employee-facing tools must be in sync with customer-facing tools in order to bridge the gap into one comprehensive banking experience. Information availability will continually be the key to unlocking better customer service and increased employee productivity.
3. **Embed customer information into staff workflows to provide a smooth experience across multiple channels.** CRM systems effectively provide the foundation for information management and offer delivery, allowing banks to truly embed in customers' lives.
4. **Arm staff with the analytical tools necessary to make intelligent and targeted offers, informed by observed customer behavior and channel preferences.** Offers should be based on a calculation of the customer's demonstrated need for the offer, and the observed channel preferences for researching and making purchases.
5. **Choose a CRM vendor that helps address the changing customer.** For digital customers, product purchase is motivated less by discrete life events than by learning they have a need. The digital customer relies on many sources of information beyond their primary financial institution to research and consider new products or services, and therefore they are more likely to learn about a need from family, friends, or the media. Banks must be able to embed in customers' lives to sense and respond to changing needs and to be the first choice when customers determine they have a need. CRM systems can provide the technological foundation to enable this if they possess the critical capabilities (Figure 10).

Figure 10: Key Attributes of a CRM Solution Provider
Checklist of Capabilities

- ✓ Can develop predictive analytical models based on all relevant inputs.
- ✓ Facilitates personalized product and service offers in real-time, for both prospects and customers.
- ✓ Can provide comprehensive Marketing Resource Management and campaign management capabilities.
- ✓ Allows for offers to be pushed to relevant channels in real-time.
- ✓ Provides comprehensive customer service capabilities across the organization such as case tracking, self-service, knowledge management, and project management.
- ✓ Easily configurable for changing business and customer needs without complex code changes.
- ✓ Natively delivers real-time reporting, data visualization, and analytics.
- ✓ Extendable to create line-of-business applications such as compliance.
- ✓ Easily integrated to external banking systems.
- ✓ Available through multiple devices including mobile and tablet.
- ✓ Provides a rich process-centric navigation along with flexible workflow tools.
- ✓ Offers both cloud and on-premise deployment and provides multiple cloud solutions based on the same infrastructure.
- ✓ Natively leverages commonly used productivity and collaboration tools features.

Source: CEB analysis.