

The Key to Relevancy



# Unlock the Key to Relevancy

Financial Customers Have Changed. Have You?

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# Introduction: The Power of the Connected Customer



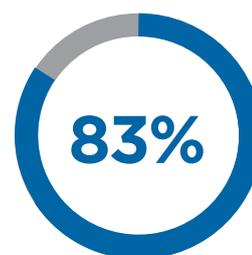
Consumers are now more digitally savvy and connected than ever before. Across industries, they are driving demand for digital products and services that offer not only convenience and simplicity, but also added value to their daily lives.

## The Industry Role-Reversal

Traditional banking used to be a necessity, but digitalisation and regulatory change have opened up the market and consumers now have far more choice about how, where and with whom they conduct their financial transactions. This is causing a role reversal in the industry, with financial institutions no longer able to stick to their traditional product line-up and compete purely on elements such as interest rates and basic reward schemes. Consumers are now entirely in charge of driving change and their expectations are being strongly influenced by businesses outside of banking and financial services. The customer experiences they receive from the retail and digital goods sectors in particular are becoming slicker, quicker and more personalised – and they're looking for that same experience from their financial services providers.

The popularity of product aggregators in the ecommerce space and comparison sites in the utilities and insurance markets show that consumers often don't feel strongly about who the back-end provider of a product or service is. What goes on behind the scenes is largely irrelevant as long as they get what they want, in the way they want it and when they need it: the so-called "Amazon effect."

To cement customer relationships and avoid losing out to the incoming wave of innovative, agile competitors, it is vital for financial institutions to maintain customer loyalty and confidence. According to Edelman's latest Trust Barometer<sup>1</sup>, there are a number of factors that are key to consumers when selecting organisations to deal with. Top of the list is a great user experience, with 83% of consumers citing this as a 'must-have'. It is also clear that delivering this user experience involves a delicate and complex balancing act, with 81% of consumers looking for their financial services provider to make it easy to work with real people and 79% expecting those same companies to use the latest technology. This highlights the growing importance of the right physical and digital mix.



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<sup>1</sup>Edelman Trust Barometer 2018: Finance Services Edition

<sup>2</sup>Accenture – Financial providers: Transforming Distribution Models for the Evolving Consumer, 2017.



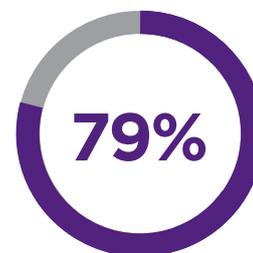
### Consumers are Behind the Wheel

With the consumer now firmly in the driving seat, traditional financial institutions need to transform their business models, not just to compete with new types of providers, but because the connected, experience-driven consumer demands it.

This means taking the time to understand customer expectations – what products and services customers want to have access to and how they want them delivered – and translate those needs into deliverables. For example, a recent survey<sup>2</sup> of consumers highlighted how they are goal-oriented when it comes to their finances: and 63% of consumers expect their banking interactions to be personalised and relevant to their individual financial needs and objectives.

In short, financial institutions need to become more customer-centric by putting the consumer’s needs and expectations at the heart of the journey.

**Clearly, this is not a simple task – but it is a necessary one.**



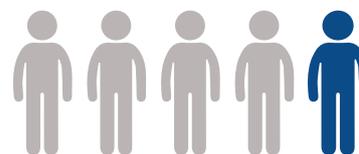
expect their financial institutions to use the latest technology.

## Make it Personal, Make it Proactive

The digital revolution has driven a culture of immediacy, with consumers conducting much of their daily lives on the go, looking for instant fulfilment wherever possible.

The financial services world has certainly not been immune to this change in behaviour. In the UK, over 70% of adults now use online banking and 22 million people regularly use banking apps. One impact of this is the 26% drop in branch visits that banks have experienced over the last five years.<sup>3</sup>

But it isn't just about consumers doing a straight switch from branch to digital channels. Customers now often start their journey in one channel and finish in another – sometimes with other channels included along the way. This means that a customer's complete experience can be made up of several smaller interactions – making it important to consider the entire connected experience.



Globally, four out of five consumers don't feel they get the same level of quality customer service across every channel their financial institution offers.

<sup>3</sup> UK Finance – The Way We Bank Now 2018

## Casting Off Channels

Recent research shows that today's consumers don't think in terms of channels. A global consumer survey by Accenture revealed that 57% of consumers say they do not mind which channel they use to communicate with their provider, as long as they can get what they need. However, only 20% of consumers in the study felt the customer service they receive is of the same quality across all of the communication channels they use with their financial providers.<sup>4</sup> This highlights the necessary shift the industry needs to make towards considering the overall customer experience, rather than service by channel.

It is fair to say that no one has really delivered the ultimate, truly seamless, connected experience yet. It requires careful planning, a shift in operations and the right data and technology across every channel and every touchpoint. Creating this level of connection and consistency between channels is, of course, a complex challenge for traditional financial institutions and success will be contingent on the ability to cast off siloed legacy systems and equally importantly, siloed thinking.

Achieving this experience needs to start with creating a coherent flow across multiple channels in a logical way that makes everyday processes easier and more valuable for customers. While full integration can take time, in the interim there are some areas where providers can deliver 'quick win' services which start to add more value to the consumer's daily life, for example:

- Real-time alert notifications on mobile devices
- Pre-staging an ATM withdrawal for cardless access

## New Platforms must be based on Open APIs and Open Banking

Integrating channels and connecting the customer experience in this way is a key objective for service providers, but it is also a major challenge. It requires a seamless stream of data between different system architectures and processes. To achieve real success, financial institutions need a common platform that can underpin all channels, allowing the data to flow; removing the boundaries between mobile, branch, online and ATM.

The advent of Open Banking, high levels of smartphone ownership and developments in data analytics are creating an opportunity-filled environment that will enable financial institutions to carve out new revenue streams by extending beyond traditional products and services.

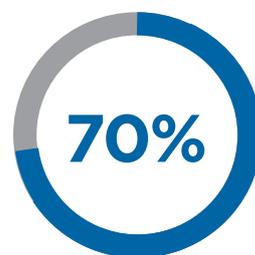
While digital channels allow more convenient and effective ways for consumers to conduct basic financial transactions, they also present the chance for financial institutions to become more proactive and customer-centric. For example, take a shopper in a department store who has selected to use their debit card, via their mobile wallet, to pay for a high value purchase. The customer receives a push notification from their bank who advises that, based on data around typical monthly expenses, this extra purchase will take them into their overdraft before the end of the month. As part of this advisory message, the bank could also suggest an alternative payment method which may help the customer manage the cost better.

This type of high value, personalised service not only helps financial institutions to engage the customer at the point of sale, but may even help them to steer the customer journey. What starts as a retail transaction, could finish in the take-up of a new financial product – if the offer is right.

## Banking as a Partnership, Not as a Simple Transaction

Money management is also a common concern for many consumers and they expect to receive help and tools to assist with personal financial management. Financial institutions are well-placed to support this by tapping into the data they hold on file and the opportunities to augment this data through open APIs. For example, financial institutions have the chance to develop account aggregation services and proactive analysis and advice on both banking and non-banking products that connect to lifestyle challenges – such as house-buying or managing utilities. In addition, simply providing advice and insight on a daily basis through personal financial management tools can add true, contextualised value to the consumer.

Delivering highly customised services in this way can help to solidify a position of trust and make a financial institution the 'go to' provider for the engaged customer. It can also help them to gain better visibility and control over the whole customer journey, rather than just the end transaction.



of adults in the UK now use online banking

<sup>4</sup> Accenture – Financial providers: Transforming Distribution Models for the Evolving Consumer, 2017

<sup>5</sup> Citi – Mobile Banking Study, 2018.

# Enable Next-Level Customer Experiences

It will be important for financial institutions to keep their fingers on the pulse when it comes to new and emerging technologies. But it is equally critical to implement only the right technologies – those that truly enhance the customer experience, rather than gimmicks and gadgets.

Creating the right customer experience through technology isn't always about the front-end tools; there are many technologies which can help behind the scenes, by making certain processes invisible to the customer. For example, Artificial Intelligence (AI) can help create internal efficiencies through more effective and detailed processing of information. Using AI in conjunction with comprehensive data also allows financial institutions to gain better visibility of customer behaviour, engage with consumers more deeply and respond more efficiently to their needs.

With cyber fraud continuing to outpace physical fraud, investment in AI can also help businesses to stay one step ahead and protect customers – an increasingly vital part of protecting revenues and customer trust.

Biometrics via mobile are also an important technology for the industry in several ways. Firstly, they offer an authentication method that is increasingly trusted by and convenient for consumers – with a recent survey showing that 33% of online banking customers in the UK prefer to access services using fingerprint technology where possible<sup>5</sup>. There is also an opportunity for financial institutions to leverage mobile biometrics to mitigate the need to invest in more physical authentication infrastructure – which means faster time to market as well as ease for customers and confidence in the familiar with many of us already using the biometrics on our mobile phones on a daily basis.

Financial institutions will need to look at developing technologies to understand what might power a better customer experience and how these solutions can be used to enhance their services.

Consumers are most likely to adopt tools and services that create ease and fit with their digital lifestyles. Voice recognition, wearables and IoT-based concepts are all solutions that are growing in popularity for those very reasons, ranking them among the top contenders for financial institutions to consider within their long-term customer experience strategy.

## **Blend the Physical and Digital to Create a Seamless Experience**

Banks are closing branches as a result of the drop in footfall and the need to reduce costs. But, with physical interactions still so important to consumers (and valuable for banks) it is clear that a new approach is needed.

As part of improving and integrating the overall customer journey and experience, financial institutions need to determine what customers prefer to use the branch for and assess how the branch and one-to-one interactions can add the most value as part of the service mix.

This demands a multi-faceted approach and a new way of thinking. Using demographic or retail data can help identify best fit solutions for physical locations for example relocating to more convenient, high traffic areas, and customer feedback can help identify customer requirements, for example different branch operating hours.

The re-definition of the branch network also means transforming what that physical presence looks like - and how both technology and staff support the customer experience. For example, offering more comprehensive, convenient self-service options can deliver a speedier service for customers and enable staff to support more valuable in-person interactions where customers want advice or to discuss complex financial issues.

Big banks can get it right and maintain their position, but it will require being brave and trialling new approaches.



<sup>5</sup> Equifax, YouGov Survey 2017

# Conclusion: Achieving Customer Experience Success

Banks have thrived for centuries because consumers need the services they offer, but they no longer need those services in a traditional format – nor are they locked into traditional providers. Financial institutions must now rethink their approach, and make banking a seamless part of customers' lives, by adapting services in line with customer expectations to deliver an enhanced user experience.

The threat from new entrants and challenger banks is an immediate one. Financial institutions that do not transform themselves into a customer-centric organisation will undoubtedly fail to remain relevant.

Of course, creating personalised, proactive service offerings is entirely reliant on the ability to access, analyse and utilise big data, in real-time to create actionable insights. It is also contingent on building more agile, connected systems that can deliver on these actions.

Forming collaborative partnerships with fintechs and integrating out-of-the-box services can be a very effective route for financial institutions that are looking to bring new solutions to market quickly and plug short-term service gaps. To make this work, it is essential for providers to select the right technology and offerings to suit their customer base and customer experience objectives – not only for now, but also for the future.

By forming strong partnerships and reshaping organisational thinking and technology, financial institutions have a huge opportunity to evolve their customer relationships to something far beyond the commodity transactions of traditional banking and secure a valuable place in consumer's day-to-day lives. The road to this aspirational position will certainly not be a straightforward one, or indeed immediately achievable – but it is undoubtedly the one that customers seek. It must therefore remain core to, and the key driving force behind, all future strategies.