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BANKING AND THE CONNECTED CUSTOMER

BUSINESS MODELS ARE CHANGING

Multiple industries, including financial services, are undergoing transformations of their underlying business models. These transformations are being led by a new, more connected consumer who is dictating when and how they will interact with the marketplace and specific organizations. For banks, this connected customer presents both challenges and opportunities.

Many institutions are underestimating the tools and solutions necessary to support how they interact with their customers; how employees effectively deliver financial products and services; and ultimately how IT needs to support these efforts via re-engineered business processes. The following sections highlight the changes happening in each of these three key areas.

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Connected Customers

Today, adoption of new technology is happening at an increasing rate. This is especially true with increased use of smart mobile devices and apps that are impacting most if not all commerce applications. In fact, recent studies have found that approximately 45% of bank customers today regularly interact with their institution through a mobile channel with estimates of 70% within a few years.

In addition to mobile, connected customers also have higher expectations for the banks they choose. They want 24/7 access, cross channel capability, consistent customer experience, greater customization, and performance recognition.

For banks, these new expectations are redefining multiple areas including: customer centricity, customer service, and customer preferences. Ultimately, the challenge for banks is how to develop the products and services necessary to deliver value, establish trust, and meet the expectations of this connected customer on their terms.

The Institution

Once a bank understands the connected customer's demands and expectations, a key next step is to look at their ability to deliver. One approach is to pro-actively review key areas of interaction to decide if the tools and solutions in place today will meet the connected customer's expectations. This becomes even more important as web and mobile become the preferred channels of interaction over the branch.

Banks should therefore evaluate critical departments such as operations, customer support, marketing, and product management to ensure they are aligned to support the connected customer. A critical component of this review is the capability of the bank's employees who must have the tools and solutions to understand and service their customers. For some departments, this may mean access to the solutions necessary to deliver relevant offers of products and services across channels. For other departments, it may mean access to real time data to be able to service customers quickly and effectively through live representatives or self service channels.

Regardless of the tools or solutions chosen, there will be an impact to the IT department who can and should be a willing partner in delivering customer value.

IT

The increasing number of channels, devices, and customer expectations presents particular challenges for IT.

For banks to be successful today, IT can no longer solely decide how customers and the enterprise interact, but instead must understand the changing dynamics brought about by the connected customer.

This means IT and the business must be aligned in understanding the changing business needs and solutions necessary to address these customers. Once this alignment happens, IT can review the organization's policies, tools, and technology decisions to differentiate the bank in the marketplace.

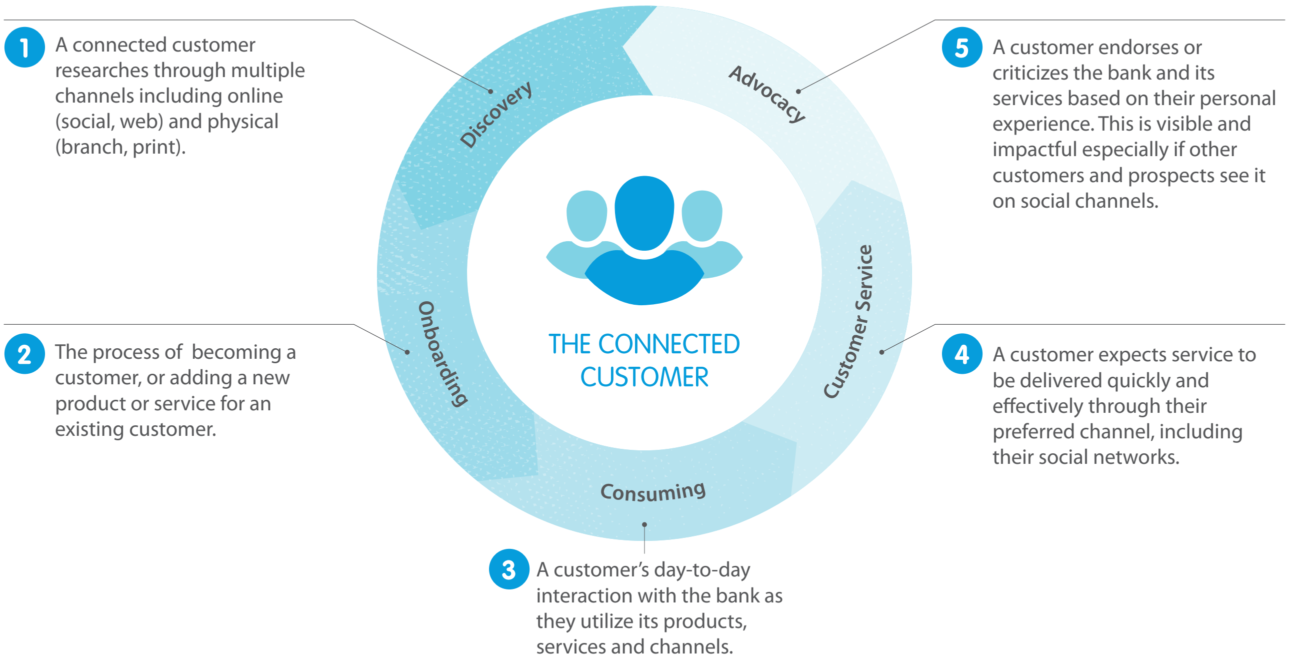
...connected consumers also have higher expectations of value for the banks they choose to become customers of...

CONNECTED CONSUMER TO CONNECTED CUSTOMER – THE BANK TOUCH POINTS

Today, connected consumers are doing research about banks well before they visit a branch or a bank website. Understanding the drivers and influencers of these touch points is critical for banks to deliver a strategic approach to attracting and retaining these potential new customers. In the below diagram, we see the five areas where the connected consumer/customer and bank intersect. These interactions can be one way or bidirectional.

To accomplish the highest levels of customer satisfaction and trust, banks need to provide a premier customer experience across each of these five key phases of customer engagement. This means moving away from the typical "System of Record (SOR)" approach where customer information is segmented and siloed across various data repositories.

Instead, banks need to move to a "System of Engagement (SOE)" model that provides the opportunity to know their customers' financial needs in both the current relationship as well as the future. This approach allows banks to add value to all of their interactions with their customers, but only if it is done consistently and well across each of the following five phases.



1 Discovery

The Discovery phase is where the connected consumer starts data and information gathering for making a financial decision. Oftentimes, this occurs well before they have even thought about a particular institution. It may be as simple as talking to a co-worker about refinancing, or perhaps accessing a social networking site and noticing a friend endorsing a new product or service from their financial institution. In fact, in today's world, information is no longer solely gathered from print and electronic media, but increasingly through social channels. This shift will continue to accelerate as Forrester estimates that social media users will grow from 180 million in 2013 to 221 million by 2018.

The discovery phase also touches both prospects as well as current clients. As connected consumers are doing their research and gathering information, banks have many opportunities to interact and influence decisions if they understand who and what is being researched. Analytics and related solutions are therefore necessary to ensure opportunities to reach out and influence especially through mobile, Internet, and social channels. However, in most banks today these opportunities often go unrealized as institutions either lack the tools they need or are not utilizing them to their maximum effect.

2 Onboarding

Onboarding is the process of becoming a customer, or adding a new product or service for an existing customer. Very often, the onboarding process is less than optimal as it reflects the lack of integration to back end systems that are necessary for the service or product. However, onboarding is critical as:

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- The onboarding process is the first key interaction with the bank. A good process can reinforce the connected consumer's decision to join the bank and create a positive customer experience that may lead to additional services later in the relationship and perhaps a positive posting via social media. A poor process can have the exact opposite effect and plant a seed of doubt in the connected customer's mind that may be hard to erase and result in a negative social posting. For banks, the data gathered during onboarding isan essential first step in beginning to understand the financial preferences of the connected customer both now and in the future. The systems and tools utilized therefore must not only allow for essential information to be gathered quickly and efficiently, but it must also be assessable to other key systems within the bank for analysis and follow-up to generate true value.

Timeliness, simplicity, and convenience are also key components of a good onboarding process; timeliness allows connected customers to utilize their services or products faster which increases satisfaction while simplicity and convenience allows onboarding across a variety of channels, especially mobile.

In fact, a Bain & Company report on customer loyalty in retail banking found that streamlining complex services, such as account opening, while being able to talk to a specialist as needed, could yield gains in customer advocacy.

The importance of good onboarding is therefore crucial and a bank should review current solutions and processes to ensure it is meeting the demands of its customers and also its staff who must deal with the impact of subpar systems.

3 Consuming

Consuming is the phase where the connected customer regularly utilizes their financial products and services and interacts with the various channels offered by the bank over the life of the customer relationship. There are numerous opportunities for banks to lose customers during this phase due to both internal factors (mistakes, poor communication, etc.) as well as competitor offerings (both bank and non-bank). Consuming is therefore the most important phase during the connected customer's relationship with the bank. Measuring and tracking satisfaction and maintaining trust is therefore critical to keep ahead of the competition and provide customers with the latest relevant product and service offerings.

If Consuming is done successfully, relationships can grow to include a wide variety of products and services which provide real value to the connected customer as well as the bank. In fact, in the same Bain & Company customer loyalty report, they calculated that the value to the bank of these additional products and services is approximately $10,000 more in net present value over the lifetime of an affluent US customer. The price of failure therefore is not only the loss of these customers, but as was noted in the discovery phase, also potential customers as social channels allow a window into dissatisfaction to spread far and wide.

Banks therefore need solutions in place to understand and respond to evolving customer needs and preferences in order to provide a consistent experience, relevant and timely offers of additional services, and tools to monitor and respond to customer satisfaction.

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4 Customer Service

Technology has allowed customer service within banking to continue its self-service evolution so that today, interactions are much more likely to occur through digital versus physical channels. Social media is also beginning to make inroads as a service channel and, more often than not, is likely the first choice of the connected customer. When digital channels, including social, are not adequate to address customer issues expensive physical channels such as the branch or call centers must be used. According to CEB Towergroup, the cost of a branch transaction and call center can be 20 times higher than mobile and 40 times higher than online. In addition, as customers look to these physical channels for service, they increasingly encounter frustration, as bank service reps often do not have a single view of the customer's relationship and must access multiple systems and data stores to try and provide service.

For the bank, a poor customer service experience, either digital or physical, has multiple negative consequences as follows:

- A bank's self-service channels are the first choice of the connected customer. If those channels do not address the customer's concerns or provide a consistent experience, it will not only lead to increased use of other customer service channels such as call centers (and therefore increase bank costs), but it will also increase customer dissatisfaction.
- Today, dissatisfaction can even be more detrimental to banks as their connected customers have the means to voice their unhappiness instantly through social media.

> If done right, customer service can increase customer satisfaction and provide new opportunities for the bank to gain additional business.

This makes it even more incumbent on banks to deliver on the expectations of their customers.

- For the connected customer, a poor customer experience may lead them to seek additional services at another institution or move their accounts all together.
- If the customer service rep lacks integrated access to the information they need to do their jobs effectively, the result can be job frustration, increased processing costs, and ultimately increased turnover.
- Opportunities for upsell and cross sell may be missed as customer service reps are more focused on trying to address the customer's concerns and access systems than listening for opportunities for new products and services.

Due to all these potential impacts, customer service is a close second behind consuming in importance in the customer life-cycle. If done right, customer service can increase customer satisfaction and provide new opportunities for the bank to gain additional business. Therefore, banks need to implement solutions that not only address their customer service pain points, but also do so in a manner that is flexible, cost effective, efficient, and customer centric.

5 Advocacy

Advocacy is the phase all banks should aspire to with their connected customers. In this phase, bank customers become "advocates" of their bank and its services within their community. This action can then drive additional connected customers to their own discovery phase with the bank and the potential for a new financial relationship.

A key component of advocacy is the need for the bank to be proactive in soliciting feedback and advice. Too often, customers will wait until they become frustrated before providing any comments to a bank, which typically means it will be more critical, or negative. Therefore, feedback from connected customers should be collected early and often through the financial relationship. This input (both negative and positive) will provide banks with the information they need to measure satisfaction and drive future enhancements in a more meaningful manner across all five phases.

> Mobile banking customers if satisfied, are more likely to recommend their bank than customers utilizing any other channel.

The only path to advocacy is to utilize tools and solutions that provide outreach and insights, first-rate onboarding tools, easy to use applications, and outstanding customer service across all channels. This is especially true of mobile banking users (hence the connected customer) who research suggests, if satisfied, are more likely to recommend their bank than customers utilizing any other channel. Banks that invest in these tools and solutions, will realize increased growth and revenue powered not just by their connected customers, but their connected employees as well.

CONCLUSION

The pressure for business model transformation persists for banking even as the industry continues to be challenged by regulatory/compliance changes, revenue replacement and constant cost pressure. In addition, the advent of the "connected customer" presents new challenges for banks to attract and ultimately service these customers across the five key phases of Discovery, Onboarding, Consuming, Customer Service, and Advocacy.

To be successful, banks need a "System of Engagement" strategy and solutions to separate themselves in the marketplace by creating trust, value and a better customer experience. A well-executed SOE strategy across the five phases can provide this business value to financial institutions and their customers. Perhaps the biggest impediment towards implementing this strategy in banks is the "System of Record" approach that has created siloed systems and employees. However, once employees understand the SOE strategy and partner with IT to have access to the tools and solutions to make it a reality, they become empowered to think beyond the status quo, which benefits all stakeholders.

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In this scenario, SOE becomes ingrained in the corporate culture and, when combined with the power of salesforce.com cloud based solutions and tools, allows banks to differentiate themselves from their competitors. Ultimately, leveraging the combined benefits of salesforce.com solutions and an effective SOE strategy and tools will provide maximum value to customers and employees alike.

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