

# Up close and personal

How banks can use digital and physical channels seamlessly to drive growth

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## Introduction

Growth is back on the agenda for banks. Cost-cutting remains a major priority, but higher shareholder value cannot be delivered by pruning cost alone. Consequently, the focus for banks is moving to revenue and the customer. Yet in developed markets, expanding the customer base is likely to be difficult and expensive, so growth depends on the ability to derive more revenue from the existing customer base and to do so cost effectively. In other words, banks need to find better ways to serve their customers at lower cost and in a very personalized way.

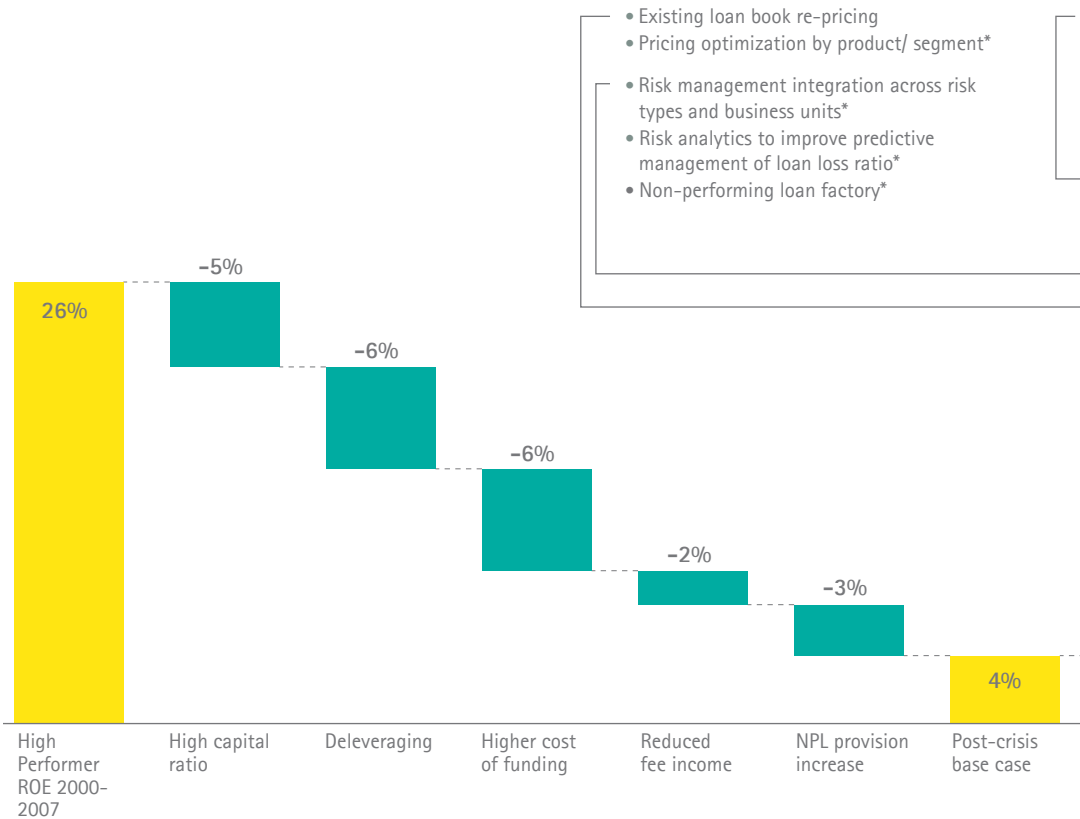
Achieving this will require a renewed focus on customer channels to create more effective and efficient distribution, targeted at a wider range of narrowly defined customer segments. By focusing on the transformation of their front office operations to serve those segments, banks can achieve significant improvement in a number of KPIs, as well as drive further efficiency from their distribution models.

However, to drive such results, banks have to overcome a number of key obstacles. Not least of which is the ability to integrate innovation in new and improved channels with the core banking systems that support them.

Successfully serving more tightly defined customer segments rests on the ability to acquire actionable customer insights in greater volumes and at higher levels of granularity. And the switch in focus from product to customer demands the development of much more customization built around the needs of customers' individual preferences—including both those that they expressly volunteer and those that can be inferred from their behavior.

## Figure 1. Return on equity evolution (retail and commercial banks, developed markets)

Profitability of "good banks" will be rebuilt through a set of focused business model and operating model actions, in order to achieve mid-teen ROE by 2012.



\*Levers used to quantify impact on ROE

Source: Accenture Research

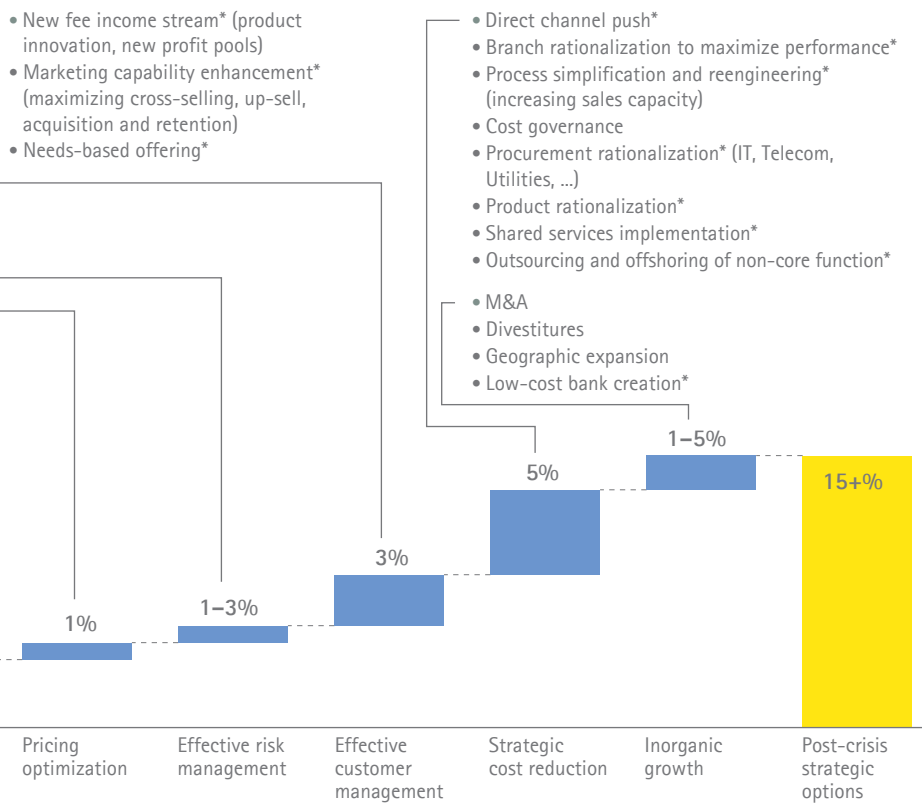
## Catching up with the digital consumer

Accenture's customer research\* shows that a number of forces have aligned to change irrevocably the relationship between banks and their customers. Following the financial crisis, trust has been eroded and will require a major effort to rebuild. Customers show a far higher willingness to shop around and buy different products and services from multiple vendors. And critically, customers' general expectations of service and how the services and products they use integrate with their lives, have been transformed by rapid advances in everyday consumer technology. Banks must respond accordingly.

For banks, this means delivering services and products that are no longer one-size-fits-all, but tailored around changing client demands. Customers increasingly expect that they will be able to use multiple distribution channels and that those channels will be linked together. Investment in channels may still be seen by many as largely driven by the need to reduce costs. Our research shows that investing in the right channels is just as much about growth as it is about efficiency.

So what is the consumer looking for? There is no single answer. And that is because customer needs cannot be homogenized into convenient categories that correspond to particular channels. Accenture's research demonstrates that the assumption that high value customers are only interested in high levels of personal service is ill-founded (and conversely that lower value customers are

\*Customer 2012: Time for a new contract between banks and their customers?



content with low-touch service) and could lead to fruitless investment in levels of service that add little value. All customers expect great service—but they define what constitutes that experience in many different ways.

Whether they wish to conduct all transactions without ever having to speak with another human being, or whether they require direct personal service at all times, consumers expect informed, reliable and easy to use services. And the only value they rate as highly as convenience is security. Meeting those demands—and doing so cost effectively—is clearly a major challenge. So how can technology help banks to address it?

# The revolution is coming

A number of banks are starting to respond to these new customer demands and definitions of service. They are developing new services and addressing new points of customer interaction—for example through social media such as Facebook and Twitter. Innovation in specific channels is a necessary condition for growth, but it is not on its own going to be sufficient. Banks already struggle with siloed processes and applications. Introducing new channels or enhancing existing ones has to take place alongside the creation of architecture that brings those channels together and integrates customer data meaningfully across them all. Without that integration it will not be possible to deliver the type of service experience that customers expect. And all of this has to deliver sustainable cost savings.

Rapid advances in technology are creating major opportunities for banks to build better and more loyal relationships with their customers, enhance service and drive additional revenue. They are also raising customers' expectations about how they interact with their bank. Following, we look at some of the channel innovations that are changing the delivery and distribution of financial products and services.



# My bank the way I want it

Online banking as offered by most banks today is a fairly basic service. The development of new approaches, though, could transform the online channel and drive greater value from existing and prospective customers. One of the main features that will drive more successful approaches will be the ability to customize the user experience.

The online experience of tomorrow will increasingly be driven by customer or prospect characteristics. Representation—the look and feel of a website—will change dynamically, driven by real time predictive analytics—making it as much as possible a bespoke experience for each customer and prospect. Building this more tailored experience depends on the availability of customer analytics that will drive how every user experiences the site. Responding to customer needs could

create online interactions with the bank that mirrors precisely the way in which a customer wishes to use the channel. The ability to effect transactions simply and easily through a minimal number of clicks is one element, as is the easy availability of advice and information that can help a customer make product choices that suit their needs and circumstances without having to spend time working through layers of irrelevant or general information.

The collaborative possibilities of the Internet are also now being explored by pioneering banks. Some are already using the web to connect customers directly to experts who are able to guide them through a particular product or service. And this could be taken a step further with 'co-browsing' that allows a bank's adviser to take over a user's desktop to not only tell them but show them directly how to make a transaction or apply for a particular product or service.



# Harnessing the power of the crowd

With close to one billion registered users of social networking sites around the world (500 million on Facebook alone) the rise of social media has been nothing short of transformative for the way that millions of people exchange information and manage their lives. The commercial implications are equally profound.

Some banks are beginning to explore the possibilities. Bank of America, for example, provides a Twitter feed and employs a number of staff simply to respond to public tweets that it receives. Others offer a Facebook page. ING Direct makes extensive use of Facebook, requiring users to sign up with a Facebook profile before they can access services and information.

## A large European postal service—phone and payment services in the palm of the hand

This postal service has launched a full set of online and mobile financial and payments services that allow users to access many mobile phone and banking services directly from their mobile device. Customers can access their balance, receive statements and transfer funds as well as manage their mobile phone account and settings. They are also able to use their device to make payments with some retailers whose details are integrated into the application.

However, using social networks raises a number of challenges alongside the opportunities. The power of the crowd means that bad news travels as fast and as widely as good news. Control that is possible when using other media and channels is not available to users of social media. Tying social channels into CRM and front office banking systems is likely also to raise formidable challenges, and the privacy and security implications of social media are considerable. However, the explosive growth of digital social media makes it hard to ignore and banks will need to investigate how they can employ it to capture the growing number of their customers who use it every day.



# From anywhere, to anywhere on anything

The rise of the smartphone has helped create consumer expectations that almost all services can be managed and delivered regardless of a user's location. Mobility is no longer confined to communication. The development of new devices, such as the iPad, netbooks and other forms of tablet, has reinforced expectations of ubiquitous service availability. More will follow, raising expectations even higher. Most banks have yet to provide applications that meet new expectations. What many banks currently offer—in effect a cut-down website—tends to offer only a limited and commonly frustrating user

experience. However, a new wave of emerging technologies, such as near field communications (NFC) embedded in devices, offers the possibility of a whole new concept of mobile banking. These include virtualized wallets—where consumers are able to carry multiple payment methods (debit and credit cards) on one device. But in taking advantage of these possibilities, banks may face a challenge from telecommunications operators who 'own' the mobile channel and the core customer relationship. They see the possibility of providing financial services through mobile as a natural extension of their established customer relationships.

## A large innovative Canadian bank—personal assistant teller

This Canadian bank has launched a 'personal assistant teller'—PAT—an innovative ATM that enables customers to speak live and 'face to face' directly with real bank assistants. Live streaming technology connects customers via the ATM to on-screen tellers so that they can carry out a wide range of routine banking activities such as making deposits, opening an account or arranging a loan. Users are able to transact business by exchanging and signing documents on the ATM's screen.

# Rethinking the branch

While its popularity has declined in recent years, the branch remains a preferred channel for a significant proportion of customers. But for banks the cost of maintaining a physical branch network looks increasingly unsustainable in its present form. The branch therefore has to evolve and make better use of technology to create much higher levels of automation through, for example, enhanced ATMs and kiosks. The personal contact that branches provide—and many customers value—can be offered alongside automation, with fewer in-branch employees acting as guides and instructors rather than traditional bank tellers or counter staff. Greater connectivity in-branch can also leverage expertise from across the bank's network, providing customers with specialist product and service advice through video conferencing and even tele-presence technologies to offer virtual

meetings. Digital signage—e.g., interactive screens and windows in the branch—offer further scope for changing and enriching the customer experience, delivering a retail-style environment.

The traditional concept of a branch as a fixed physical location is also being challenged. Italian online start up CheBanca! (What a Bank!), backed by Mediobanca, offers its customers access to 'pop-up' branches that are temporarily installed in busy locations such as shopping centers. In these temporary branches, the bank's solely online customers can discuss their accounts in person. With this approach, the branch comes to the customer.

## A global UK based bank—personal service for premier customers anywhere

This leading bank has launched an innovative online consultation service for its premier customers. This allows them to access the Live Connect service through the bank's website, clicking on a button to open a window containing a real-time view of their relationship manager.

Using a webcam and their computer's speakers and microphone, customers can ask questions, getting instant and financial advice on products and markets. The service has been developed to ensure that the bank's premier customers have access to real assistants who can provide financial consulting at a time and place convenient to the customer.



# Making closer contact

Virtualization is also changing the way that contact centers operate. Rather than locating hundreds or even thousands of dedicated call center personnel under one roof, customer inquiries can be routed via IP-telephony and converged communications to available resources in branches or other locations according to demand. Contact centers have been largely used by customers as a source of simple advice, but many banks are realizing that they are potentially valuable sales channels. It can be used to convert simple and straightforward customer inquiries to relevant sales opportunities. But this is only possible if the right product knowledge is available from the appropriate resources. Connectivity and virtualization can ensure that customers requiring specialist advice or specific product knowledge can be directed to the first available expert—wherever they happen to be.

## A leading global bank—access to experts

This bank has created a virtual banker service in most of its branches. A fully-interactive video conferencing system connects customers to product specialists that can be located anywhere yet still provide one-on-one personal advice.

An integrated document sharing function allows customer and adviser to view relevant literature together. If the customer decides to go ahead with a transaction, the adviser is able to send the appropriate forms directly to a networked printer in the branch for the customer to sign. The documents can then be scanned and sent back to the adviser to complete the transaction.



# Make it easy, but make it secure

Customer demands for ease of use are matched only by their requirement that all interactions and transactions with their bank are highly secure. It's a tough trade off to manage. Yet building the long-term relationships and renewed trust that will ultimately deliver enhanced shareholder value is only possible through consistently high levels of security. Simplicity and ease of use have to be matched with customer authentication systems that are fast and reliable. Some banks are already using biometric identification in-branch, but delivering reliable security across all channels—especially digital—will be very challenging.



## Conclusion: Innovate and integrate

Rapidly evolving technology is undoubtedly creating the possibilities for rich and interactive customer experiences across all channels, with customer preferences driving the individual channel mix to suit their lifestyle and circumstances. But making channels more engaging and personalized is only one stage of the journey.

Being able to deliver a seamless experience that meets customers' demands for service depends on the integration of channels with one another and with the core banking system. Customers expect to

be able to start a transaction in one place and move seamlessly to another to complete it. That expectation requires a single view of the customer across all channels. Customer information needs to be available in real time wherever, whenever and by whoever it is required.

Meeting these needs requires a new approach to architecture that can isolate legacy systems that today hamper the single view of the customer and integrated channel experiences. This is best thought of as a hub linking distribution (all channels) to manufacturing (products and services). This hub or assembly layer matches customer needs and preferences with the appropriate products and services. This approach drives higher customer satisfaction (and revenues) through the personalization available from much improved channels with lower costs available from efficient product manufacturing.



Developing and implementing the right channel strategies successfully hinges on addressing the systems architecture that underpins the banks' operation. Banks that try to introduce new channels on top of existing systems without taking simultaneous steps to improve underlying architecture risk creating a whole new set of silos—albeit with a more user-friendly face. And they will not be able to capture the full revenue and cost benefits that an integrated approach offers.

Consumers will become increasingly unwilling to accept service that does not provide the same levels of convenience, simplicity and speed to which they have become accustomed from many other services they use every day. Banks that respond to those needs with innovative offerings will be rewarded. Those that do not risk straining an already fractured relationship.



## How Accenture can help

Accenture has assisted leading banks as they adapt and evolve their channel strategies to respond to new customer demands for greater personalization, capturing new opportunities for revenue growth. With our unique combination of deep industry and technology expertise, we understand the challenging environment in which banks must operate today, along with the technology required to create effective customer interfaces from branch to mobile channels. To learn more about how Accenture can help your bank transform customer channels and achieve high performance, please go to [www.accenture.com/banking](http://www.accenture.com/banking).



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