

# How Salesforce can support banks becoming Living Businesses

## Part of the Banking as a Living Business Series

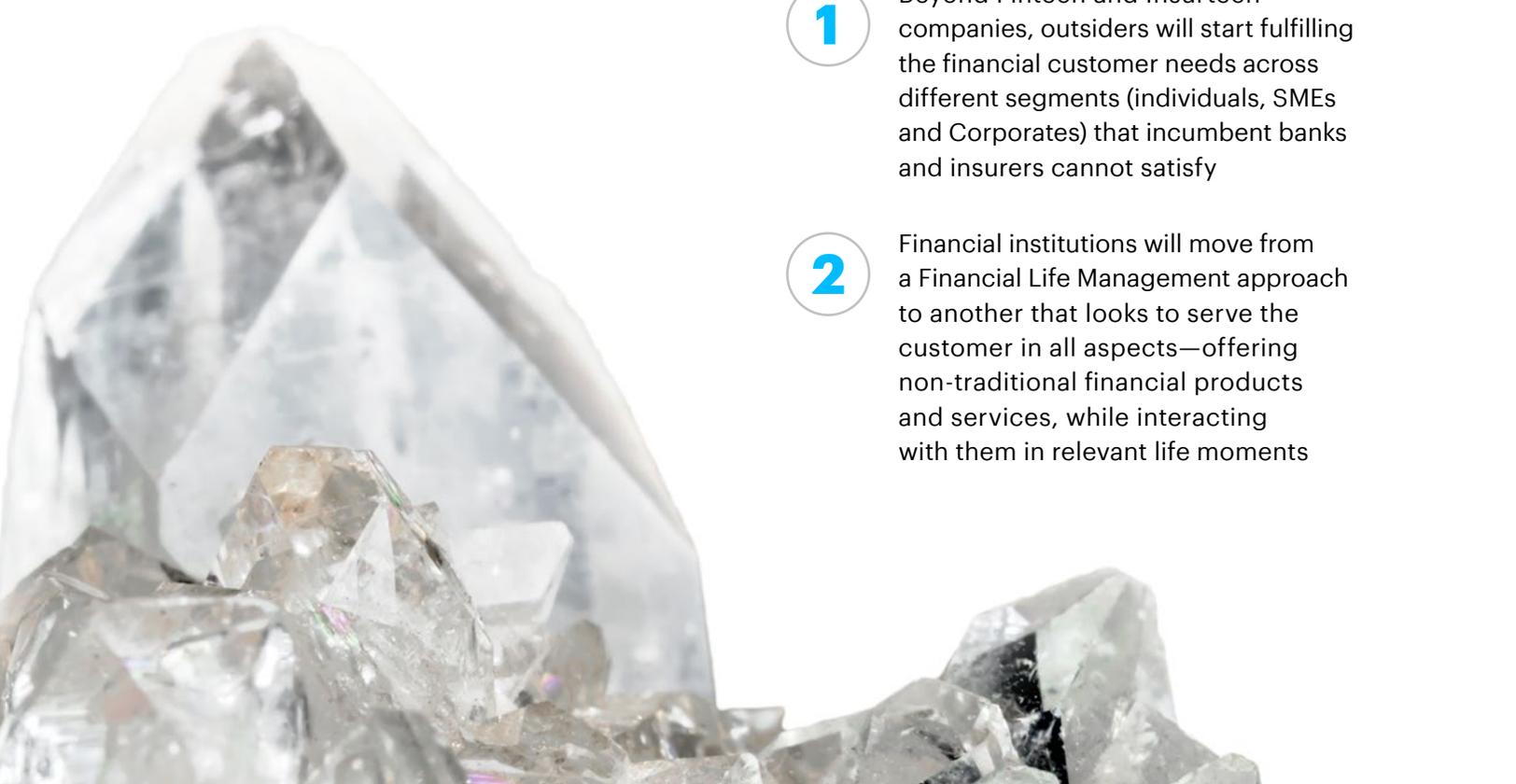
By members of the Salesforce team; Joaquin de Valenzuela, Sr. Director, Financial Services, Luca Romagnoli, Sr. Manager, Business Development and Sergio Segura Canton, Director, Financial Services

**Ecosystems has been a buzzword in the banking industry for several years. Among banking executives and industry leaders, there is the belief that a real fundamental transformation is happening in the sector.**

Moving to a Digital Driven Economy, and an Open Ecosystem business model means moving away from a model where the value chain is fragmented, the traditional financial services institutions are not the only players in town. Now, a variety of companies' partner to provide a much richer and wider customer experience.

This means mainly two things:

- 1** Beyond Fintech and Insurtech companies, outsiders will start fulfilling the financial customer needs across different segments (individuals, SMEs and Corporates) that incumbent banks and insurers cannot satisfy
- 2** Financial institutions will move from a Financial Life Management approach to another that looks to serve the customer in all aspects—offering non-traditional financial products and services, while interacting with them in relevant life moments



## **This shift will not happen overnight, but examples of the transformation other industries have already experienced towards an ecosystem model might provide useful indications of what is to come:**

- Daimler has been manufacturing cars since 1924, but recognizing the shift from owning a vehicle to using a mobility service is now offering trips on over 45,000 taxis to more than 10 million customers via the MyTaxi app<sup>1</sup>
- Amazon started as an e-commerce platform but moved, among other things, into owning physical stores (Whole Food, Amazon Go) and offering its technology capabilities via Amazon Web Services
- Starbucks has been focusing for years on creating a unique coffee experience, but what is now setting them apart in the market is their early investment (2011, 3 years before Apple and Samsung) in a combined payment/loyalty app that now processes >30% of their payments with an average order value of 3x<sup>2</sup>

At Salesforce we have been trailblazing an ecosystem strategy from the very beginning. Despite numerous accolades as one of the most innovative companies in the world, we realized early-on, the Salesforce platform could not do everything. For this reason, we have adopted from the very beginning an integration model to ensure interoperability with other systems. In 2006, we launched the Salesforce AppExchange, an open market place for any 3rd party developer to build applications on the Salesforce platform.

So how does the need to evolve the banking institutions into ecosystems and the characteristics of the Salesforce platform come together?

Accenture has identified 8 critical areas of transformation for banking institutions to embrace an ecosystem world in the paper "Maximizing Revenue Growth in Retail Banking,"<sup>3</sup> let's have a look at each of them.

## Experiential life needs

According to Accenture research, banks could play a more active role on becoming the end-to-end orchestrator of “life moments” in which banks have traditionally played an essential yet supporting role, such as starting a family or improving health. This is a significant change in Financial Services mindset, as we are putting the customer at the center. This is no longer about selling a mortgage but satisfying the need people have to buy a house. The value banks can add in this new scenario is massive and goes beyond just selling a specific financial product. This requires partnerships with real estate agents, furniture retailers, solicitors, relocation companies, utilities and more. With this approach, we leverage all existing data and use it to personalise every interaction making it more relevant to the customer. In this new world, where we assemble on the fly the value chains to deliver life relevant experiences, it is even more important to have an holistic 360 view across digital and physical channels. The Salesforce platform delivers exactly that solution and can serve just the relevant information to the banker, partner or customer. Some banks have already experimented bringing this to life on Salesforce. For example, a leading Australian Bank, created an app its customers use to point at a property and get immediate information on the price range, purchase history, affordability and financing options. The app is linked to Salesforce so all the information is tracked and any bank employee knows the customer is looking for a house, in which area and with a certain price range. This is extremely valuable information for other parties in the ecosystem.

## Experiential specialised propositions

The industry evolution to an ecosystem model opens the door to more efficient collaboration between banks and specialised players who can offer specific products and services serving market niches such as startups, agriculture, and small merchants. One relevant innovator

is Fidor Bank, a fintech born in Germany in 2009 to re-establish the trust between consumers and the banking institutions. They have created fOS, basically a Banking-as-a-platform solution that can be white labelled and used by third party players to launch banking services. The platform is open and accessible through APIs so Fidor is creating an entire ecosystem around it with mobility, lifestyle and personal financial management services. To manage the customer interactions from a sales, service and marketing perspective, Fidor uses the Salesforce platform integrated into fOS to provide:

- Real time visibility on customer activities via the CRM platform
- Possibility to drive transaction, commission and data monetization strategies
- Enhanced marketing campaigns (e.g., remarketing based on geo location, after sales)

## Merchant funded rewards

Merchant’s rewards, or offers, have been around for a long time in the form of discount coupons. They are an integral merchant marketing strategy increasing customer loyalty. However, printed coupons are less than effective. Only 3% of printed coupons are redeemed. And there are many reasons for it: the merchant targets the wrong audience and consumers can't keep track of physical coupons. Unredeemed printed coupons are a waste of time and money. This is clearly an area in which joining a financial service ecosystem would benefit both merchants and banks. By analysing their customer transactions, the bank can identify the right audiences for each merchant in their ecosystem, and provide each customer with relevant merchant offers. Offers can be linked to credit cards and redeemed automatically for qualifying transactions. No more vouchers, coupons, or pieces of paper. Everything is managed digitally to increase customer loyalty and grow the payment business and the merchant business.

In order to succeed in merchant funded rewards, it is key to know the customer habits, behaviour and needs. And, here is where Salesforce helps banks identify the right audience for each merchant offer, by analysing the customer interactions, product usage, compare it with the behaviour of other customers and provide the matching score between the customer and the offer. Next, the bank presents the offer to the customer through the right channel, at the right time through the Salesforce omni-channel approach. Finally, the bank settles the transaction between the customer and merchant. Now, merchant rewards meet the customer's expectations with a fully online experience.

## **Financial Services Augmentation via fintech**

Banks and financial institutions are realising they cannot maintain the time to market and pace of innovation by trying to do everything by themselves. For this reason, we have transitioned from a scenario where banks saw Fintech companies as competitors to a scenario of collaboration. This shift has important implications on the type of technology solutions banks choose to run their business. Platforms that are open (i.e., API based), cloud based, zero-code, and present superior time to value, flexibility and configurability have clear advantages vs. more traditional approaches. These characteristics have been a major driver of choice for several banks in selecting Salesforce. As one executive from a leading EMEA bank shared, "... we are hoping to use the Salesforce ecosystem to allow startups to connect to us via Salesforce, so they are going to leverage that infrastructure, having sandboxes, etc.... hopefully with that the time to market will be far shorter...". As those use cases increase, many Fintech companies (68% of the fintechs in the Forbes top 50 list use Salesforce) choose to offer a deeper integration by developing an app on the Salesforce AppExchange,

extending capabilities beyond "traditional" CRM. For example nCino, a US based Fintech, has developed an End to End loan origination platform, 100% based on Salesforce, in use by numerous banks.

## **Value added services servicing SMEs**

The SME segment has always represented a significant opportunity for the banking sector. However, serving this sector is challenging. Despite the good margin, revenue per client does not always justify high-touch customer service models as in corporate banking. In this context, technology plays a crucial role. To add value for SMEs, relationship managers need to anticipate customer needs in a quick and automated manner. Recognising this complex landscape of stakeholders in the SME and commercial space, Salesforce has invested in some key capabilities of the Financial Services Cloud such as navigating through customer centres of excellence and building a full stakeholder map for SME customers. Using Salesforce Financial Services Cloud, SME RMs can easily identify how to add value for SME customers and who to engage in the decision making process.

## **Financial aggregation through APIs**

The battle to avoid disintermediation and to own the relationship with the customer is even fiercer with PSD2 and Open banking. Banks are now forced to share part of the most valuable asset, data, with other incumbent banks and Fintech companies. As a result, banks need to decide the role they play in this new world. Some will become commodity banks and will compete in cost, some will specialize in business areas where they have a competitive advantage, and others will develop value-add service strategies to differentiate and win profitable customers.

In this ongoing shift, customer experience is the winning strategy. This is about creating a seamless and consistent experience that allows the bank to become the customer's financial partner. This is about becoming a bank that can deliver new services and, for example, access (with the explicit consent and all security guarantees) customer payment accounts in other financial institutions, being able to anticipate a liquidity stress situation and offer a competitive personal loan that alleviates that situation. So, there are risks but also a world of opportunities where financial institutions are offering hundreds of new added value services that were not possible in a Pre-PSD2/Open Banking Era. Salesforce Financial Services Cloud, Marketing Cloud and Einstein enable these opportunities with access to the 360 customer view and insights. This allows the RM to receive in real time a lead created when a PSD2 data aggregation request is initiated, access to the 360 customer view and qualify and convert the lead into a real opportunity, moving from a situation where we may face potential attrition to another where we up-sell.

## **Open Platform and Economies of Scale**

The fundamental pre-requisite for an ecosystem strategy is the technology infrastructure can be easily extended and integrated by third parties. In the technology world, this has been understood for years with marketplaces like Apple App Store, Salesforce AppExchange and Google Play. Each has demonstrated how large tech firms' benefit from the innovation brought to their platform by 3rd parties and those 3rd parties benefit with instant access to an incredible distribution network. The open platform concept is new in banking and financial services where, for historical and regulatory reasons, they have been reluctant to make it easy for 3rd parties to extend their capabilities. Now, the mindset for banking institutions is shifting. Yet, their technological

issues remain, with many banking institutions relying on old technology platforms that cannot be easily extended by third parties. The Salesforce platform is designed to be extended with the Salesforce AppExchange being launched more than 12 years ago. Now, it is the largest enterprise app marketplace with more of 5,000 applications and 5,000,000 customer implementations. As the Salesforce platform becomes more and more the system of engagement for banks in their retail, SME and commercial lines of business, it will become more and more common for banks to ask third parties to develop on the Salesforce platform so their application can be immediately integrated into the customer engagement processes in the front, middle and back office. Plus, the integrations can remain relevant no matter how those processes evolve and change. Onfido is a perfect example of this process. Onfido is a company specialising in identity verification, a crucial process all banks need to perform, especially when onboarding a new client. Last December, Onfido launched their app on Salesforce AppExchange so every bank can immediately embed their identity verification capabilities in any process built on the Salesforce platform.

## Distribution model and Space monetization

While retail banking institutions are beginning the move to an open, digital economy, they also are reshaping the role of branches in their distribution model. We have seen different examples of the “branch of the future” where the customer is at the center and provided a more personal experience such as: places where events are organized, where startups and professionals can meet SMEs, where freelancers can go and use wifi and get a cup of coffee (Starbucks-like model) or where you can simply rest quietly in the city centre after an afternoon of shopping. These are all examples of how the bank branch can create alternative source of value for the banking customers, but where is the value for the bank? The bank needs to be able to use those alternative customer experiences and link it to the customer life moments and financial needs. This is the point where Salesforce can add value. The best examples in this space come from the retail world where the disruption pressure coming from e-commerce is pushing companies to re-think the way they operate; companies that are doing this well are the ones that link the convenience and efficiency of the digital experience with the

human element and the depth of the physical experience. For example, an iconic jeans brand uses Salesforce to power its e-commerce platform but has also implemented a “digital sales floor” that is used in the store to link the preferences and the online activity of the customer to the choices and discussion in store and vice-versa. The two channels are working together, the digital channels support scale and reach, while the physical experience maintains a conversion rate 15-20 times higher than digital. And, most important, the customer has a seamless experience.

## A CRM new DNA

In conclusion, the transition to an ecosystem model creates opportunities for banks to radically change their business model, better serve their customers and drive new revenue streams. In this scenario, the role of the CRM is changing. CRM can no longer be a separate tool used to track commercial activities and customer information but its new DNA embeds the capabilities to deliver value to customers and employees across any touchpoint. The modern CRM is omni-channel, Open Banking ready and supports analytical and AI techniques to deliver hyper-personalized experiences to customers, in real time.

**CRM New DNA should be ready to serve current customers and the future evolutions (i.e. Hyper-Relevance phase) embedding innovative features (i.e. e2e Journeys, Personalization...) and new technologies (i.e. Cloud, AI, Mobile...)**



**Holistic view of the Customer** combining both **internal and external data**



**Advanced Analytics and AI techniques** to better design and support **Customer Journeys** (inbound and outbound)



**Truly Omnichannel** customer interaction with **Mobile First**



**Real time, contextualized and personalized dialog** with each **single customer**



**Open Banking ready**

## Salesforce leads the new CRM DNA

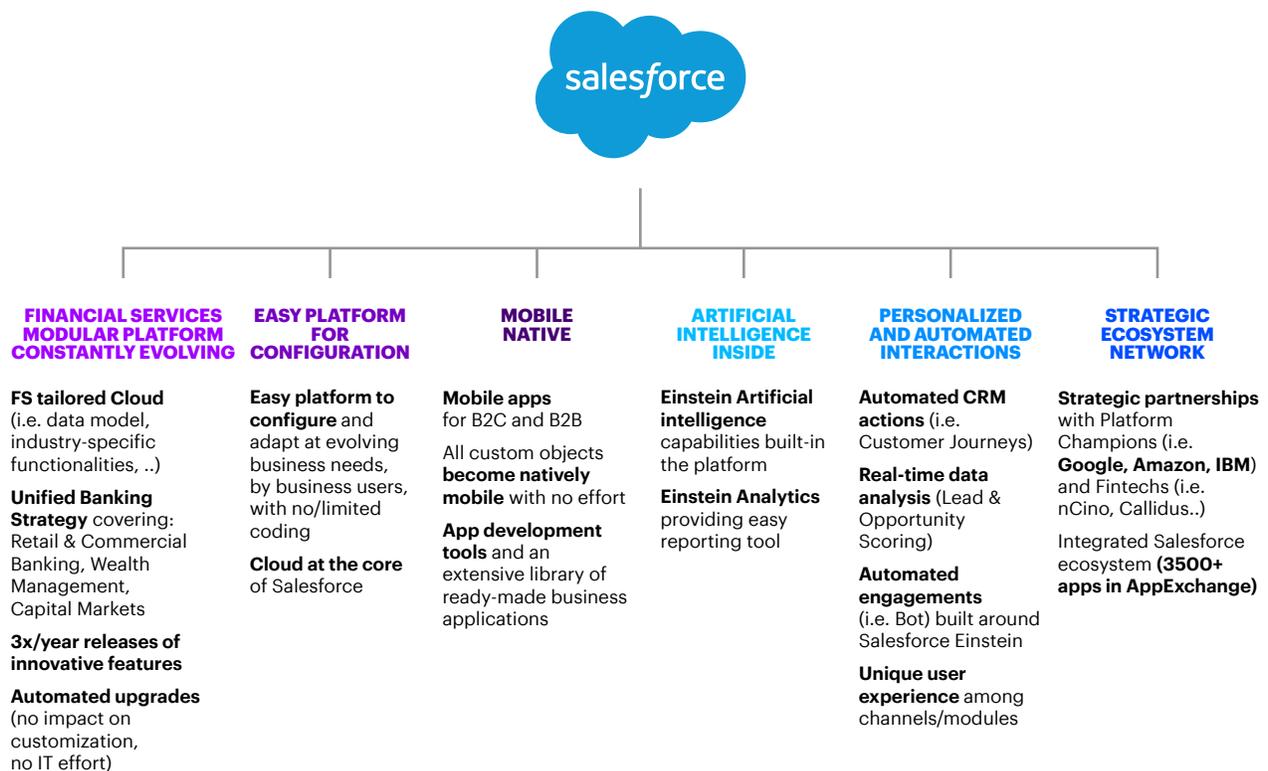
The Salesforce Customer Success Platform has all those characteristics being a mobile native, extensible platform that makes it easier to fulfill each bank's specific requirements as they embrace the ecosystem model and transition to a digital driven economy.

Thanks to these technology differentiators, the Salesforce Customer Success Platform helps banks bring to life three fundamental elements in the transition to an ecosystem model. Banks delivering the three elements will create a significant competitive advantage in the market:

**720 degree customer view:** banks need to be able to consolidate and access not only all the customer information they hold across several systems (360 degree view) but the ecosystem transition implies a 720 degree view across the information that other partners hold about the bank's customers

Doubling down on data intelligence: the fourth industrial revolution has been fueling exponential data growth and the ecosystem model will accelerate this trend. This enormous amount of data is unmanageable without techniques of augmented intelligence that helps bank employees to make sense of the data and prioritize their effort, time and "human touch" where it really matters, leaving to the machines the lower value tasks

**Plug-&-Play model:** ecosystems will be dynamic, the different players and type of relationships among them will constantly change and banks will need to be able to adapt in an agile way in this ever changing environment. Only a technology platform that is flexible, open and cloud based will allow banks to easily integrate the innovation coming from external partners into their processes



## References

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## About Salesforce

Salesforce, the global CRM leader, empowers companies to connect with their customers in a whole new way. For more information about Salesforce (NYSE: CRM), visit: <http://www.salesforce.com>.

## About Accenture

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