Part 2: Bringing Customer Centricity to Today's Bank
Why Core Transformation is Critical to Improving the Customer Experience

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A core transformation is without question a daunting undertaking for any bank. The benefits are tantalizing: more effective, cost-efficient processes permit greater customer focus, tighter channel integration, and easier regulatory compliance. But the risks cannot be ignored: disruption to the enterprise, poor execution, and hefty costs. Historically, the cons have often outweighed the pros. Plenty of executives believed their systems needed to be improved, but they also believed they could delay a core conversion without serious consequences.

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"Banks come from a siloed mentality thanks to a long history of product lines being more dominant than customer segments in the organization's operating model. But that's just not going to cut it in today's environment, either from a customer service or a revenue growth perspective," says Meg Inglefield, Senior Executive, Management Consulting Lead-Core Banking, Accenture. "If you expect to win in today's competitive environment where organic growth has become priority number one, you have to have a customer focus."

She explains that customer centric banks "know" each customer even as the bank grows in size and adds customers. They can see the customer holistically across product lines. Not only do they provide better customer service by understanding the total relationship, they also use specialized analytics to spot opportunities to deepen the relationship and process flexibility to tailor offerings. A customer-centric bank also understands how the customer prefers to interact with the bank—quickly over the mobile phone, for instance, or more in-depth at the branch. Overall, these banks take a long-term view of the customer relationship based on customer value and aren't as focused on selling a particular product today.

Getting to this level of customer centricity is a tall order. At most banks it requires a core transformation strategy. "Over time, banks have created internal walls that prevent flexibility. Many internal barriers need to be broken down—including technology, process, and organizational barriers—and that's where core transformation comes into play," Inglefield says. There is no single approach to implementing these new technologies and processes, she points out. Some replace entire platforms, while others choose to modernize and simplify existing systems. "You don't necessarily have to rip and replace your core banking technology

stack, but at a minimum you do have to build bridges to synchronize channels and to enable a full customer view. You also have to commit to some potentially difficult organizational and process changes to empower and incentivize your employees to service your customers in this new model. The technology changes alone aren't going to bring the employee behavior changes that are ultimately needed to make customer centricity successful."

It can be a costly and complex process to be sure. One Accenture client is investing $150 million in multichannel capabilities to deliver a seamless customer experience across channels by giving associates full visibility to customer's activities across all channels. Another is restructuring the organization to create a multi-channel, multi-product distribution operating model and making a substantial investment in internal customer support operations. A third is leveraging real time transaction analytics across a customer's full set of accounts to identify value, make product recommendations and prevent problems that might drive attrition.

As expensive and time consuming as this evolution can be for a bank, once in place customer centricity creates a virtuous circle that continually benefits the customer and the bank. Banks that are putting strong customer centric models in place are seeing sales campaign success rates improve by 50%-200% and customer attrition fall by up to 5%."Banks need customer relationships that will stand the test of time to meet revenue and growth goals," Inglefield says.

Another part of this core transformation strategy is deciding what customers the bank really wants to target. Customer segments have different preferences with varying expectations around their sales and service experiences. It is difficult for most banks in this environment to be all things to all people without delivering a subpar customer experience to most of their segments. In other words, many banks will need to define their target customer more precisely in order to deliver the requisite customer experience.

There are many possible ways a bank might segment its customer base. For example, it might group customers by age (e.g.,millennials), price-conscious consumers, wealthy spenders or business owners . Each of these customer segments care to varying degrees about technology, mobility, simplicity, self- direction, networking, risk, and prices. Each also has a greater or lesser propensity for loyalty. Millennials and price conscious consumers are more likely to switch institutions than business owners and wealthy spenders whose service expectations are being met.

Choosing which customer segments to target and understanding what business and operational areas to improve are absolutely critical for banks. These decisions guide a bank's core transformation and shape its customer-centricity. It's a daunting undertaking, yet customers are growing impatient by the day. "Customers don't see these as futuristic capabilities," Inglefield notes. "They think of these capabilities as something that banks should be able to deliver to them now." For many banks, the surest way to create this customer experience is through a core transformation.