

Accenture Distribution
and Marketing Services

The Banking Distribution and Marketing Revolution



Delivering the
Everyday Bank
Customer Experience

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Strategy | Consulting | Digital | Technology | Operations

Providing financial services to customers has been the essence of retail banking. Not anymore.

Retail banks must offer a broader value proposition to customers— or customers will leave. Fulfilling it calls for a radically new approach to distribution and marketing.

The first to re-imagine what retail banks are to customers will disrupt the market and reap big rewards.

Will it be a new market entrant, a traditional bank or will it be **your bank?**

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The Everyday Bank: Why should retail banks become Everyday Banks?

Disruptors revolutionize their industries and reinvent how people live and work. Consider pioneers like Apple Inc., Amazon.com Inc. and Google Inc. Their products and services are part of people's everyday lives. This comes from delighting customers with innovations they once had no idea they wanted but now cannot imagine their lives without.

As disruptive forces converge on the industry, retail banks are in dire need of this kind of breakthrough value proposition. By 2020, more than 30 percent of banking revenues could be at risk due to new competitors and trends.¹ Customers also want more from their banks. They expect personalized services at the branch, on the go or online. They want their banks to go beyond transactions and provide relevant insight into their everyday financial and non-financial lives.

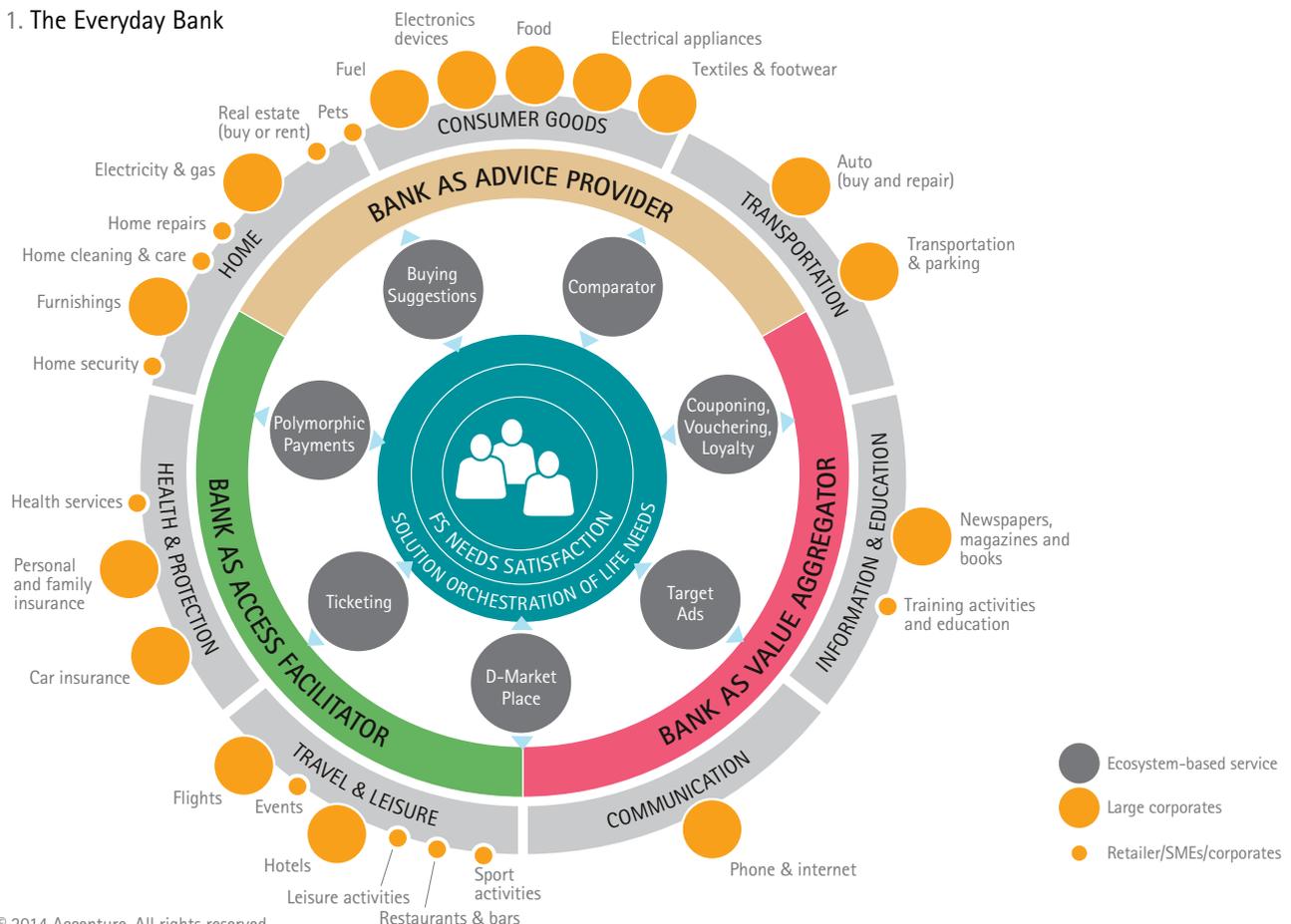
Yet today most banks are only fulfilling customers' financial needs. As market dynamics change, they must decide between being efficient delivering the financial value proposition or making significant changes to evolve, extend and revolutionize how they meet customers' needs more holistically. If banks do not do this, new entrants will.

To deliver this new standard in customer experience, banks must act as disruptors, reinventing themselves into what Accenture calls the Everyday Bank. This means pursuing the right mix of an "evolution" in the existing operating model and a "revolution" of innovative approaches, many of which go beyond the industry's reach today. Unlike traditional banks, Everyday Banks connect with customers by building close relationships around three roles (Figure 1):

- **Advice provider** that draws insights from customer data to recommend the best products and services for customers, whether or not these options come from the bank or from third parties, including other banks.
- **Access facilitator** that connects customers to financial and non-financial products and services that make their lives easier, using the channels they prefer and streamlining payment options.
- **Value aggregator** that brings customers relevant merchant funded offers, everyday purchase discounts and loyalty rewards that go beyond the financial value proposition.

This focus marks the difference between being a commoditized utility and a trusted confidante that convenes a digital ecosystem around customers. And according to Accenture research, there is a gap of 50 percentage points in operating income between banks that become Everyday Banks and those that do not.²

FIGURE 1. The Everyday Bank



The Value: What outcomes can retail banks gain as Everyday Banks—and what is the customer value?

Banks cannot become Everyday Banks without significant changes in their distribution and marketing approaches. The Everyday Bank revolution starts with reinventing the customer experience. The good news is that by making changes and becoming Everyday Banks, banks can address many of their most pressing business challenges to maintain value and access new revenue streams.

From flat growth to new revenue pools

Retail banking revenues are flat and cross selling is stalled. Consider that 53 percent of US retail bank customers have chosen a provider other than their primary bank for credit cards, 60 percent go elsewhere for home mortgages and 82 percent do so for brokerage accounts.³ At a global level, 20 percent of consumers switched their financial services provider in 2013. Further, 40 percent did so due to competitive prices (while 36 percent of switchers are driven by customer service).⁴

Knowing what its customers want, the Everyday Bank inherently cross sells, extending offerings, growing sales volume and creating new revenue streams. According to Accenture analysis based on client experience, the Everyday Bank can multiply interactions by 10 times, gain 50 percent in operating income and attract an additional 15 percent or more of the existing customer base through new offerings. Analysis also reveals that banks could earn \$15 per customer by applying data monetization with merchants (offers and advertising revenues).

From high-cost to low-cost channels

Retail banks' reliance on physical channels to distribute these offerings is costly. Analysis shows that it is up to 95 percent cheaper to process deposits digitally than through a teller. The cost of online and mobile payments is 65 percent lower than payment via physical checks.⁵

The Everyday Bank advances these lower-cost digital channels in new ways. As banks increase omni-channel customers, they can optimize the branch network, which lowers costs. Based on client experience, Accenture projects that Everyday Banks can expect approximately 20 to 40 percent fewer branches and 20 to 30 percent fewer employees per branch.

From dissatisfied to delighted customers

Even with limited omni-channel options in some banks, retail banks' customer satisfaction ratings are still on the mend from the erosion of trust from the global financial crisis. While banks have made some progress here, just 31 percent of retail banking customers say that they feel very loyal toward their banks, and only 27 percent are very willing to recommend their banks to others.⁶

At its core, the Everyday Bank puts customers first to create an immersive relationship where the bank becomes intertwined with people's lives. The Everyday Bank can increase penetration of pure digital customers and cut digital churn by up to 50 percent, according to Accenture analysis from client experience.

From disintermediation to differentiation

These customers have more choices than ever, and can be lured by agile new entrants and hungry competitors from other industries. Consider the inroads that companies like PayPal Inc., Google Inc. and Alibaba Group have already made.

In fact, nearly half of North American retail banking customers say that they would likely bank with a company they currently do business with but that does not offer banking services today.⁷ In the United Kingdom, up to 20 percent of retail banking customers are willing to bank with a non-financial brand, but results depend heavily on the company, with preferences for payment providers and retailers (e.g., 21 percent would consider banking with PayPal Inc., 15 percent with Tesco PLC, 13 percent with Google Inc.).⁸

The Everyday Bank is that destination of choice to rival what the new entrants offer customers. Banks are best positioned to become Everyday Banks thanks to their deep customer knowledge, the ability to operate in a highly regulated environment and a varied and coherent value proposition.

New value for customers

Customers also benefit from doing business with Everyday Banks. To quantify these benefits, Accenture conducted analyses in a number of countries against a typical family unit's basket of purchases and applied a series of discounts, by category, and across both large and small ecosystem merchants. This analysis revealed that the typical family can save an average of \$3,100 per year—3 to 5 percent of their yearly purchasing basket—by participating in an Everyday Banks discount ecosystem.

The Barriers:

What is stopping retail banks from fully realizing the business outcomes they need?

Recognizing the need for outcomes like these, most retail banks have taken steps—some more boldly than others—to grow revenue, cut costs, improve the customer experience and defend against the competition. While banks' actions have an impact, they generally do not go far enough to sustain gains because of a number of factors.

First, many banks think the answer is to offer more digital products. Yet in a "fast follower" market, today's digital breakthroughs rapidly become tomorrow's business as usual. The lesson is that banks cannot differentiate on technology alone. True differentiation comes from relentless customer experience management and a focus on convenience and accessibility at an acceptable cost to the bank.

Another challenge with most banks' distribution and marketing transformation investments to date is that they tend to be isolated and tactical. With changes made in pockets because of organizational and structural silos, there is no cohesion among them. In addition, these investments are often made apart from any C-suite mandates or initiatives, and as a result, are not aligned with a strategic vision of change.

Banks that move through the Everyday Bank evolution often strengthen the mandate of the chief operations officer or create new roles, such as chief digital officer or chief data officer, to better coordinate the silos.

The irony is that these typical transformation efforts layer in additional cost and complexity. Banks find themselves investing in new channels, managing them independently, and never fully losing their dependence on the physical channel. Cost take-out opportunities do not materialize and are compounded by the cost of new channels. What's missing is a distribution and marketing IT blueprint that addresses making the IT engine resilient, cost-effective and adaptive to today's market needs.



The Building Blocks: Why is digital execution excellence important to engaging Everyday Bank customers?

To effectively remake distribution and marketing, banks must stop making piecemeal changes. Individual capabilities are table stakes, and collective orchestration makes the difference for lasting competitive advantage. Banks must bring multiple elements together—channels, customer experience, analytics, partnerships, digital platform and innovation among them—to power a new Everyday Bank value proposition.

To do this, banks need digital execution excellence. This is focusing on digital value drivers and executing across customer engagement, business and IT integration, and digital governance and organization. Within each of these areas, banks should focus on the key building blocks that are relevant for their current state and end vision, threading five success factors into all that they do (Figure 2).

IT: The Power Behind the Everyday Bank

Banks must organize and develop the right IT capabilities to succeed in the digital world as Everyday Banks.

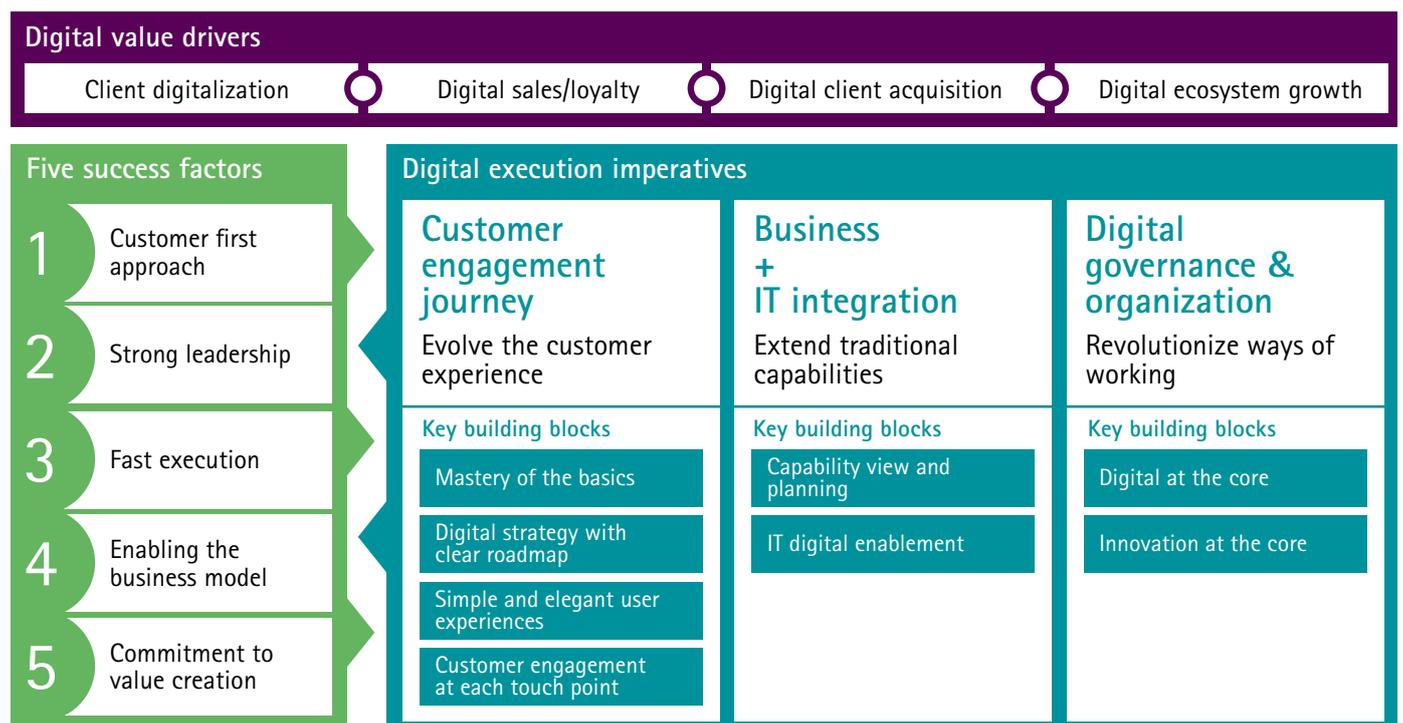
Omni-channel front end. Traditional front-end boundaries must give way to an omni-channel front end with workflows that support re-use, user-centered design and agile methods to rapidly deliver new products and services.

Business service integration. A service integration layer and redesign of business processes, rules and workflows is important to enable seamless orchestration of legacy systems, external contributors and new digital capabilities.

Application programming interfaces. These are the foundation elements for creating the digital ecosystem, enabling banks and business teaming partners to share internal data and consumer data from external systems as necessary to support seamless customer experiences.

Real-time predictive analytics. Business intelligence must evolve to predictive modeling and real-time responsiveness so that banks can make the most of massive amounts of data of different volume and formats to deliver superior customer experiences.

FIGURE 2. Best practice in digital execution shares a common approach



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The Journey:

What areas should banks focus on to realize a successful Everyday Bank future?

With the right digital execution building blocks, retail banks can plot how they will become Everyday Banks. There are four key focus areas that banks must address, although the journey will be different for every bank. It will depend on influences such as digital aptitude and ambition, market presence and competition, regulatory environment and local markets, and tolerance for change and innovation.

BRAND

Determine and own a distinct identity as an Everyday Bank

Retail banks must determine what they want to be known for in the market as Everyday Banks. This means choosing a viable set of defining customer experiences—such as buying a house, buying a car or planning the vacation of a lifetime—that they will differentiate the brand on. Apple Inc. did it worldwide with music downloads. Alibaba Group did it in China with online payments. Garanti did it in Turkey with mobile banking. The goal is to make customers fall in love with the bank around a targeted customer value proposition such that customers would never dream of going anywhere else for this service.

CUSTOMER EXPERIENCE

Design an extraordinary Everyday Bank customer journey

Banks must also imagine the possibilities of delivering a whole new customer experience. Customers could use a bank mobile app to find and buy their dream home, learn about nearby schools, turn on utilities after purchase, shop for and order appliances, and make mortgage and insurance payments. They could rely on the bank to price the market and negotiate the sale when they buy a car. And customers could look to the bank to plan the holiday of a lifetime, coordinating travel, hotel stays, restaurant reservations and tours. These are just some of the possibilities for banking for everyday life.

PARTNERSHIPS

Orchestrate an Everyday Bank digital ecosystem

Retail banks must take action to make the customer journey a reality. Everyday Banks cannot deliver the promise of the next-generation customer experience in isolation. For example, the bank that differentiates itself around an extraordinary home buying experience can offer the right mix of mortgage products and services, but it must look outside to provide customers with related services.

Doing this means convening a digital ecosystem, which requires an omni-channel architecture, integrated processes and the digital wallet as a platform for mobile payments. Also, the bank must act as the primary resource for digitalizing the network.

What's more, as the ecosystem hub, the bank must leverage transaction and spend pattern data, sharing insights among all parties so they can create meaningful customer experiences. This provides an opportunity to monetize the customer data that banks have, which provides new value-added services to merchants.

TECHNOLOGY

Develop the digital platform that powers the Everyday Bank

The digital platform is the engine behind these customer experiences—and the final step in the journey is developing and refining this technology foundation. Modernizing the overall banking architecture will happen over time, not as an immediate transformation. This will involve updating, extending and innovating the bank's technology foundation, both customer facing and back-office systems. Everyday Banks will need to be open, real time, flexible and able to manage huge amounts of data.

This IT evolution will mean rapidly enhancing core capabilities while embracing new digital technologies, working toward an open architecture filled by open services in an open ecosystem. The focus should be on a truly omni-channel platform, integration with ecosystem partners, real-time analytics and agile approaches to bring new products and services to market quickly.

A Day in the Life of Eva, The Everyday Bank Customer

Meet Eva. She's a student and a fashion maven who dreams of a career in international law, likes her coffee extra hot and goes nowhere without her smartphone. Eva's bank is an Everyday Bank, and she relies on it for so many aspects of her life.

While Eva connects with her banker through video chats for simple questions, she sometimes visits her local branch for more complex needs. While there, an advisor shows her the bank's latest mobile app, which is integrated with customers' bank and social media accounts. Eva downloads it, and the new app connects seamlessly with her other Everyday Banking apps, which provide real estate, ticketing, discounting and other services.

Looking at one of the branch's display windows on her way out, Eva sees that a new boutique has opened up, and she heads straight there to check it out. Just last week, she used loyalty points to purchase a new sweater right from the bank's "shop window," and it was delivered to her apartment two days later.

When Eva arrives at the boutique, the new Everyday Bank app knows where she is thanks to geo-localization technology, and it offers a special discount. She takes a picture of a dress, and the app's real-time price comparison service confirms that the in-store deal is a great bargain.

She then snaps a photo of a fabulous pair of designer shoes and posts it on social media. She immediately gets an alert from the bank letting her know that with her current account balances and pending bills, Eva can't afford both items. Eva decides to buy the dress, earning 100 loyalty points for future purchases and adding the shoes to a social media wish list.

What Eva doesn't know yet is that when she organizes her birthday party using social media next month, the app will send her friends a special discount for the shoes—and she'll get an unexpected, but welcome present.

All this because Eva's Everyday Bank understands her—and is looking out for her every day.



The Success Stories:

What can Everyday Bank successes look like?

No single bank has yet to move entirely through this journey and become a fully functioning Everyday Bank. However, the following are some examples of those that are making exciting progress in several important focus areas.

mBank: **A customer-centered revolution in online banking**

mBank—Poland's first online-only bank—built a next-generation online channel to revolutionize the customer experience. With a customer-centric design creating a unique user experience, the new mBank has an ergonomic, mobile-ready and modern user interface. Deep integration of banking functions with advanced personal financial management, real-time customer relationship management, merchant-funded offers, social media integration, "P2P" payments, full-text search, gamification and video banking sets a new benchmark for retail banks' digital experience that has been well received. Client adoption has greatly exceeded targets, and market analysts have recognized the new mBank as a significant step forward in modern retail banking. What's more, mBank has the most extensive website functionality of the ten European banks reviewed in Forrester Research, Inc.'s May, 2014 report.⁹

Garanti: **A "designed for love" customer experience**

Garanti—one of the largest private banks in Turkey—launched a groundbreaking mobile app, iGaranti. The app unifies a range of the bank's services into a single, easy-to-use app that provides personalized services and access to an ecosystem of retailers. The app is fully integrated with social media and includes innovative, customer-focused features including smart offers based on customer profiles, a digital wallet to manage credit cards in a single, unified manner, and a feature that lists favorite retailers and offers coupons based on transactional history and geo-localization. The app is an excellent example of designing with a next-level customer journey in mind connected within the bank ecosystem.

BBVA: **A commitment to continuous innovation**

BBVA is a global financial group providing services in more than 30 countries. The company has developed a customer-centric omni-channel business model for retail banking and the wholesale sector. Its distribution models lead in efficiency and reflect the bank's commitment to innovation. For example, BBVA uses an Innovation Center to develop new products and services within the company. It has also created a venture fund that works as a corporate venture capital arm to invest in disruptive start-ups and strategic programs. The recent acquisition of the US digital bank Simple is one such investment.

How Accenture Can Help

With so much at stake—the successful Everyday Bank journey must have impact in at least the first 12 months—retail banks should explore approaches that can accelerate their timeline while lowering risk and cost to serve.

By teaming with Accenture, banks get the advantage of an experienced resource with deep industry understanding that can help them execute the Everyday Bank evolution at speed. Working from strategy through execution, we bring experience, capabilities, insight and innovation for an excellent approach. Our team offers an integrated set of robust services and solutions that bring together strategy, technology, analytics and distribution and marketing know-how to drive more value for banks.

Accenture also offers plug-in capabilities that bring innovation to the core of the business to launch the digital evolution faster and more effectively with less risk. Unlike many banks going it alone, our ready resources and global footprint mean that we can help banks scale as needed without the need for costly internal investments. We are also continually investing in digital innovation, so banks can capture new waves of growth in digital marketing, mobility, analytics and the cloud.

With a foothold and strong relationships across industries—from financial services to retail to telecommunications—Accenture's cross-industry presence makes us an ideal teaming partner to help retail banks convene the digital ecosystem. We function as an at-the-ready connector in helping retail banks leave disruption behind and become disruptors in their own right as Everyday Banks.

Notes

¹ Accenture Research Retail Banking Revenue Disruption Model, 2013.

² Accenture, *The Everyday Bank: How Digital is Revolutionizing Banking and the Customer Experience*, 2014.
<http://www.accenture.com/SiteCollectionDocuments/financial-services/accenture-everyday-bank.PDF>

³ Accenture, *A Critical Balancing Act: US Retail Banking in the Digital Era*, 2013.
<http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-Consumer-US-Retail-Banking-Survey.pdf>

⁴ Accenture 2013 Global Consumer Pulse Survey.

⁵ Accenture, *A Critical Balancing Act: US Retail Banking in the Digital Era*, 2013.
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⁸ Accenture, UK Financial Services Customer Survey—UKI Connected Banking, 2014.

⁹ Forrester 2014 European Online Banking Functionality Benchmark.



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ABOUT ACCENTURE

Accenture is a global management consulting, technology services and outsourcing company, with more than 336,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. The company generated net revenues of US\$30.0 billion for the fiscal year ended Aug. 31, 2014. Its home page is www.accenture.com.

ABOUT ACCENTURE DISTRIBUTION AND MARKETING SERVICES

Accenture Distribution and Marketing Services—a business service within Accenture's financial services operating group—helps financial institutions improve growth and cost management by transforming customer relationships. Serving more than 100 institutions worldwide, we combine Accenture's deep industry knowledge in banking, insurance and wealth management offering consulting, technology and outsourcing capabilities across marketing, distribution and digital innovation to help our clients achieve high performance.

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14-3546U/9-8167

