Financial services firms have probably never been more unpopular with their customers. The financial crisis and numerous product mis-selling scandals have shattered confidence in the industry. Firms need to find a way of rebuilding this lost trust. Many are hoping that investment in new technologies will help.

Across other industries, companies are investing in tools like social media, smartphone apps, and data analysis to understand their customers better. They are then using those insights to forge a deeper relationship with customers, one where customers welcome companies’ products, brands and services into the fabric of their everyday lives.

Banks and insurers would be delighted to transform their customer relationships in that way, and they have moved in that direction already. Mobile banking apps, for example, are now commonplace. Yet in an industry typified by outdated technology systems and conservative attitudes, change can be slow.

“We have to rethink how we interact with customers and I’m sure the industry would admit that insurers are behind with that,” says Mark Hesketh, the UK finance director (FD) at Standard Life. “We need a relationship that is less about selling and more about being there for people when they need us. When you’ve got 4m UK customers, the only way to do it is digitally.”

At Barclays, the chief executive, Antony Jenkins, has launched a strategy aimed at getting closer to the bank’s customers, making their lives simpler and putting them “firmly in the centre of everything we do”. It has launched services like Pingit, a mobile-phone payments app, and Cloud It, which lets customers store photos and documents online. These are not experiments at the margin of the bank’s activities; they are a core part of Mr Jenkins’s aim to make Barclays what he calls the “Go-To” bank.

**NIMBLER, FASTER, BETTER**

“We know that the way in which our customers access their banking services is changing rapidly,” says Mark Parsons, the CFO for UK Retail and Business Banking at Barclays. “More and more people are choosing to use smartphones and technology for everyday transactions. We need to continue to offer choice so that our customers have the flexibility to bank in a way that suits their needs. We have invested in the channels that customers are increasingly using, together with new technology and development of apps.”

To meet rapidly evolving consumer expectations, firms need to be fast and flexible. Financial services firms need to make sure their systems are ready to migrate over to digital. Hitches along the way are to be expected—it is about how quickly and effectively the firm can respond, and how closely they are listening to what their customers are saying.

Within 18 months of its launch of Pingit, for example, Barclays released 13 upgraded versions, each time tweaking the app to reflect customer feedback.

It is not just apps that firms need to roll out quickly; they need to be more responsive with new products and services, too. As Tony Prestedge, the chief operating officer at Nationwide Building Society, says: “I’ve been in the banking industry now for 20 years. I have seen an acceleration of transformation in banking business models in the past two years comparable to the previous 18.”
Five years ago, Nationwide was ill-equipped for such a rapid pace of change. It was strong in mortgages and savings and wanted more of the market for current accounts and credit cards. But the company was saddled with a 30-year-old mainframe-based technology infrastructure. Its systems were inflexible and poorly documented. Most of the knowledge about how they worked was stored inside people’s heads, and each year there were fewer of those people around.

“Every time we wanted to launch a new product or go into a new market segment we were effectively starting from scratch,” Mr Prestedge says. As a result, creating technology meant it would take Nationwide 18 to 24 months—at best—to get a new product onto the market. Nationwide has since invested over £1bn (US$1.6bn) to overhaul its computer systems. One outcome: the firm can now get a new product out in just six months. And it was able to implement mobile banking in just nine months. “For us, this has fundamentally changed our business model,” he says.

Mr Prestedge says that Nationwide is now generating more new mortgage and current account business through its direct channels—such as its Internet bank—than any other major provider of financial services in the UK. Only 60% of its new business origination is coming through its legacy channels—telephony and branch. Over the first half of its current financial year, Nationwide opened 1,100 new accounts a day—a 16% increase. Its market share of standard and packaged accounts is at an all-time high of 6%, up from 5.2% in 2012.

**Evolving Customer Service**

The shift to new, customer-centric technologies has transformed not just business processes, but roles within the organisation, too, Mr Prestedge says: “Our contact centres now need to deal with social media requests—such as those from Twitter and Facebook—and with web chat. They need to intervene in the buying process if the customer has questions, rather than waiting for the customer to contact us.”

For Mr Hesketh, the UK FD at Standard Life, investments in new technology are an important way of making the firm more transparent to its customers. Clare Bousfield, the UK CFO at fellow insurer Aegon, agrees. Her firm moved to a new product platform in early 2011 as a way of improving the experience it offers customers. “We can now enable them to manage their savings in a much more transparent and real-time way,” she says.

Insurance is a heavily paper-based business; Aegon’s new platform—like those offered by many other insurers—makes it a lot easier for customers and their advisers to sign up for products, make administrative changes to an account and see how an investment is performing. They can also access useful tools that suggest—for example—how much they might want to save and how their retirement pot might grow.

“The business case was pretty straightforward,” Ms Bousfield says. The customers and advisers who like using the platform bring more business to Aegon, she says, and the cost of servicing that business is lower. Those are not the only benefits. Previously, Aegon’s salespeople would have had to manage relationships with a large number of advisers, supporting them through every product sale. But now the bigger ones connect straight into its platform. “That results in a much stronger relationship, which is quite different to the individual transaction and sale approach we had in the past,” she says.

Because the new platform has done away with a lot of administrative tasks, Aegon’s customer service staff have been able to move to a more value-adding role, Ms Bousfield says. In short, the technology investment “has fundamentally changed our business model in terms of the level of staff we need and the kind of interactions we can have with customers”.

**Digital Downside**

Using new technologies to build a more intimate, transparent relationship with customers is not without risks. The investment bank JP Morgan recently cancelled a planned executive Q&A session on Twitter when its invitation to submit questions via the messaging service led to a flood of insults. When Aegon moved to its new product platform, part of Ms Bousfield’s job was to be on top of the related risks. Often these were familiar worries—are the data in the system correct, will availability be acceptable? But they were magnified by the new system’s unprecedented transparency. “Now, if the system goes down, everybody notices immediately—customers, advisers, everybody. So if we lose ten minutes that’s a big issue,” she says. “In our old world, that wasn’t a problem.”

Controls around data quality need to be stronger, too. Under the old system, customers only saw an annual statement; now they see much more of the data that Aegon holds. That means every detail is material. If the customer sees that Aegon has got their phone number wrong, that could undermine trust. “We have a much clearer focus now on how we make sure our systems and technology and our data are accurate. Because otherwise we will run into a problem with customer experience and adviser experience,” she says.

More widely, firms need to make sure that as they seek to offer customers a better experience via technology, they do not create expectations that they cannot live up to, says Jonathan Reynolds, the academic director of the Oxford Institute of Retail Management at the Said Business School, University of Oxford.

Technologies like web-based instant messaging, social media and “big data” analysis create an opportunity for firms to return to some of the principles that governed traditional financial services, he says. That includes the ability to personalise products and to treat customers as individuals. But that can create an expectation of an always-available, responsive service that is just too expensive to satisfy.

“It’s very easy to ramp up both expectations and the cost of engagement,” he cautions. “Having spent the last 20 years getting rid of personal bankers, firms may be risking an increase to their cost base by getting involved in systems that seem cost-effective but actually require a high degree of personal touch.”

Indeed, an important role for the CFO is to ensure that the business separates hype from reality. Mr Hesketh says that Standard Life is investing to learn more about how customer attitudes about what relationship they want with the firm are evolving, but those insights, he says, are only worth having “if, having established those demands, you can scale up and meet them”.

THE CFO’S BALANCING ACT
As FD, Mr Hesketh also pushes to ensure that his firm has a balanced portfolio of technology investments and that each one is backed by a proper business case. Mr Prestedge at Nationwide says that his CFO, Mark Rennison, chairs a strategic investment board that reviews IT projects. “Mark will absolutely drive the debate: Do the costs for this investment look proportionate? Is the approach to investment right? Are we prioritising our capital in the right way? Are we investing in the right things to maximise customer experience and differentiation?”

As firms try to connect with customers better, technology is only part of the answer, stresses Mr Parsons at Barclays. “We are also continuing to invest in our staff, so that our customers have access to expertise face to face, and we can be the most accessible bank, with the most digitally savvy workforce in the UK,” he says.

“As CFO, I believe balanced investment is the best option for our customers,” Mr Parsons says. By 2017 he wants the bank to have “an innovative and sustainable future-proof suite of branches that exist alongside a choice of ways our customers can contact us, so they will feel they can do things more easily and more effectively.”

Technological innovation can help financial firms to rebuild trust, but they need to tread with caution, Mr Reynolds says. “Yes, allow us to engage, be more personal, and give us a more immediate response—let’s get that right,” he says. “But with large numbers of customers, the cost of that engagement can ramp up rapidly. There is a lot of experimentation going on; the challenge is to consolidate it and do it cost-effectively.” That puts this challenge firmly in the realm of the CFO.