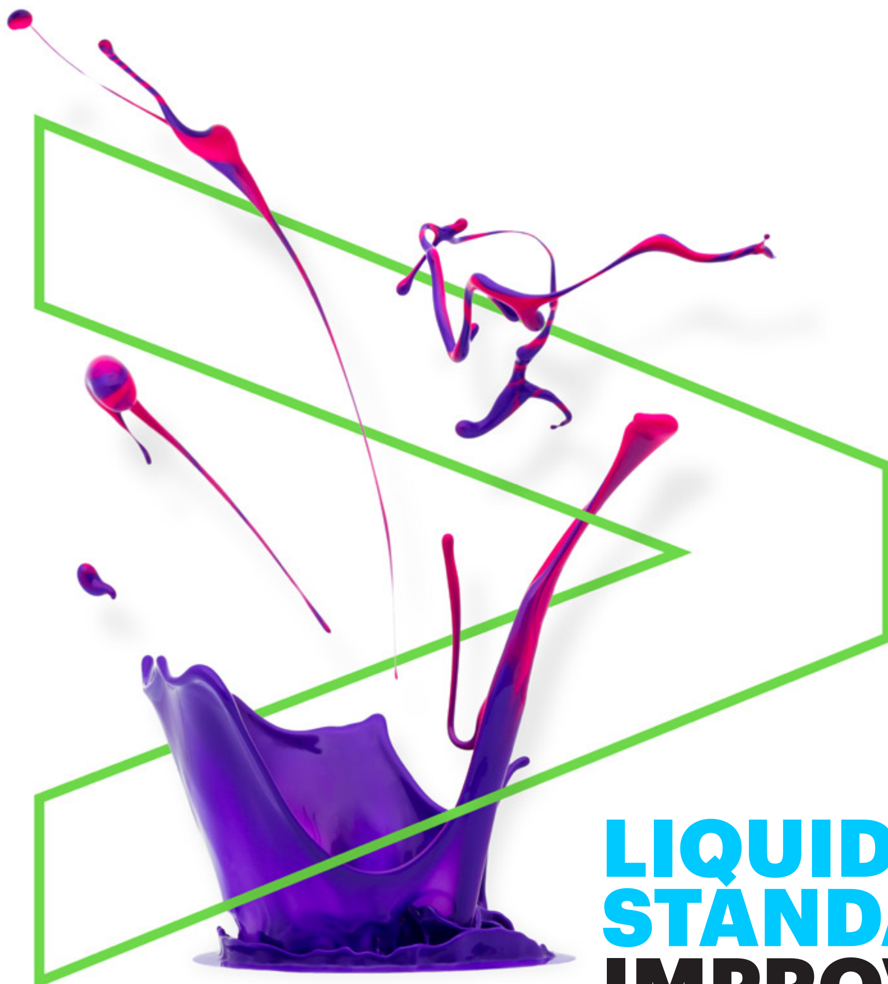


LIQUID STANDARDS: IMPROVING THE CLIENT EXPERIENCE

06
TOP 10 CHALLENGES
FOR INVESTMENT BANKS

LIQUID STANDARDS: IMPROVING THE CLIENT EXPERIENCE 06

INVESTMENT BANKS HAVE BEGUN MAKING HARD CHOICES TO PRUNE THEIR BUSINESS, FOR EXAMPLE BY SHEDDING UNPROFITABLE AND CAPITAL-INTENSIVE PRODUCT GROUPS.

TRANSFORMING TO MEET CLIENT EXPECTATIONS

These changes leave most organizations with just the basics to drive differentiation: corporate access, distribution networks, and market-leading support function capabilities (e.g., risk management). (For more on how investment banks are differentiating themselves in the marketplace, read Challenge 1 "Pruning for Growth and Distinctiveness".) As these changes refocus their identities, investment banks face the challenge of meeting heightened client expectations without the “one-stop-shop” business model and other differentiating qualities, such as bespoke products, that they have relied on in the past.

Client expectations are being shaped by business-to-consumer (B2C) experiences that provide intuitive self-service, clear value and seamless interactions. In addition to competing with one another to provide the right client experience, investment banks have to contend with the immediacy of Amazon Now, the self-service of Uber and the facility of Venmo. Transforming capabilities to meet heightened client expectations is impeded by the industry’s culture of siloed businesses, which are neither motivated nor incentivized to collaborate.

QUICK FACTS

78% of users **expect tailored solutions**

76% of users **want a self-directed experience**

Source: Accenture

Investment banks can begin to address these challenges by considering the client experience journey. From initial perceptions prior to first contact, through each subsequent point of interaction, client attitudes about banks are shaped every step of the way. Client experience metrics, including net promoter, customer satisfaction and customer effort scores, can help banks assess how well they are delivering positive interactions and adjust client experience interaction points as needed.

While mapping out the journey and establishing metrics is a good place to start, “liquid” or ever-changing service standards mean banks must continuously track results and adjust to optimize the client experience and realize meaningful results.

WHAT MAKES CLIENT EXPERIENCE TRANSFORMATION CHALLENGING?

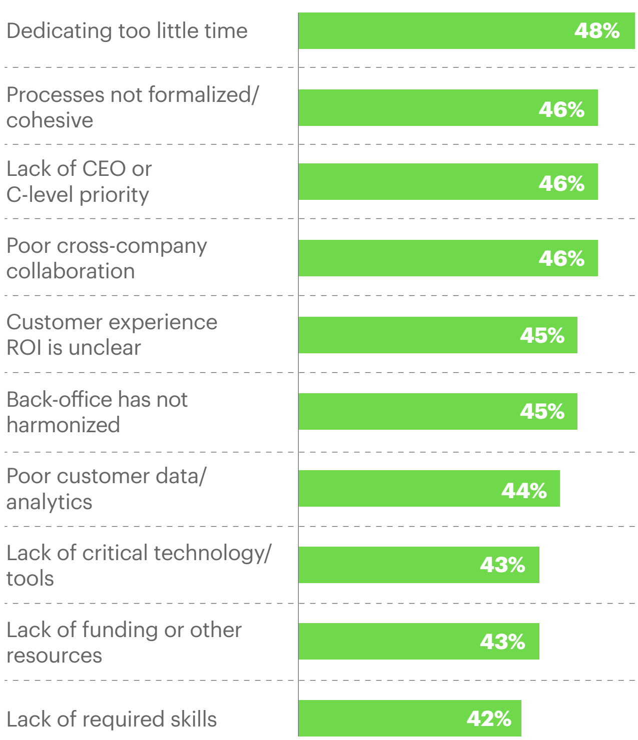
All business-to-business (B2B) companies, including investment banks, face heightened expectations from their clients. In Accenture’s 2015 B2B Customer Experience Research, 78 percent of users indicated that they expect tailored solutions. They want coherence across channels and demand a consistent level of service. In addition, 76 percent of users want a self-directed experience. They expect frictionless and intuitive solutions from their providers. The research also found that 76 percent of users monitor and evaluate vendor performance. They expect solution providers to go above and beyond to keep their business.[1]

The rise of global fixed-income e-trading illustrates these heightened client expectations. According to a research report by Greenwich Associates, titled “Understanding the US Fixed-Income Market,” electronic channel use has grown sharply over the past five years.

Figure 1: Global fixed-income e-trading

Source: Greenwich Associates 2015 Global Fixed-Income Study

Figure 2: Common barriers to successful client experience transformation



Source: Accenture B2B Customer Experience Research 2015

The percentage of investors has remained relatively flat at 44 percent since 2012, but the notional volume has steadily increased by 13 percent since 2012 (see figure 1).[2]

While part of that growth is driven by changes in regulation (e.g., CFTC swap rules), fixed-income dealers are also now able to provide investors with a more efficient and frictionless process. Investment banks that cannot keep pace with the transition to fixed-income e-trading may suffer client attrition.

Investment banks must also decide how to serve their clients, choosing when to rely on low-touch, multi-dealer platforms (MDPs) versus high-touch, single-dealer platforms (SDPs). The rise of MDPs coincides with a rise in regulatory scrutiny, increased regulatory capital requirements, and unsustainable spending (and trapped costs) on SDP functionality that may not have delivered the revenue and margin growth as expected.

According to Greenwich Associates, foreign exchange dealers are winning market share with aggressive pricing on MDPs, even though investment banks execute an average of 20 percent of their trading volume on SDPs. As banks determine how to differentiate themselves in the marketplace, they should tailor the client experience to their chosen platform and the needs of their clients—factors that may vary by product and region.

In addition to meeting client expectations, investment banks have to decide which silos to tear down to deliver the appropriate client experience. According to Accenture's 2015 B2B Customer Experience Research, the top barriers to client experience transformation relate to leadership unpreparedness (e.g., lack of C-level priority), project scope and management (e.g., too little time dedicated), underdeveloped processes and/or technology (e.g., lack of critical technology and/or tools), and insufficient coordination among stakeholders (e.g., poor cross-company collaboration) (see figure 2). These complicating factors impede transformation progress and erode the value that client experience capabilities can deliver.[3]

WHAT DETERMINES CLIENT EXPERIENCE TRANSFORMATION SUCCESS?

Banks planning client experience transformations could "play to win" by following six principles (see figure 3). Together, these principles could help organizations break through the barriers to success.

These differentiators may seem straightforward at first glance, but that does not make them any less effective. "Walk the talk and outperform" seems simple enough—the organization provides funding and sponsorship to client experience initiatives and beneficial results presume to follow. But if this differentiator were easy to achieve, then "dedicating too little time" or "lack of CEO or C-level priority" would not be among the top three barriers cited by respondents in Accenture's 2015 B2B Customer Experience Research.

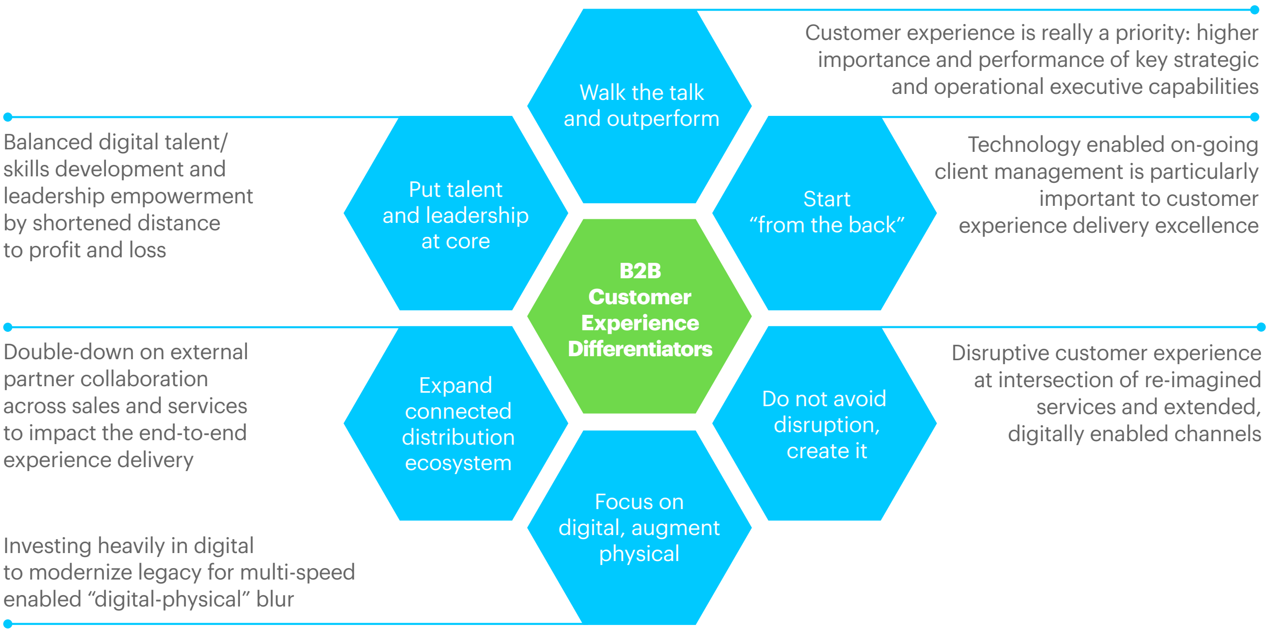
In practice, the differentiators must be embedded into any optimization efforts, efficiency methods and metrics. New human-centered principles may need to be integrated into traditional Lean Six Sigma thinking and waterfall implementation as well as being agile.

Operationalizing the playing-to-win differentiators also requires a non-stop model that looks at expectations (promises made) and delivery (real solutions) (see figure 4). That way, the business can focus on what matters most: meeting client expectations and demands. As client preferences and demographics evolve, the model will adjust to changes in behaviors with process and tool enhancements that meet the new needs of clients.

Client experience transformation should not be viewed as a static challenge that can be solved with a temporary initiative. Instead, client experience capabilities must be prepared to deal with "liquid" or ever-changing standards, scaling up or down in response to evolving client needs over time.

"TO MEET CLIENT EXPECTATIONS, INVESTMENT BANKS HAVE TO DECIDE WHICH SILOS TO TEAR DOWN TO DELIVER THE APPROPRIATE CLIENT EXPERIENCE."

Figure 3: Six key differentiators of companies that "play to win"



Source: Accenture 2015 B2B Customer Experience Research

NEXT STEPS

While investment banks face significant and imminent headwinds in many areas of their organizations, they could overcome these challenges by using human-centered design principles to address the needs of both external clients and internal customers.

Banks could start by developing the skills required to assess client experience from a human-centered design perspective. From there, they could identify the "future-state" client experience they want to create, including key features and channels for delivery. The future-state needs to include systems to measure, monitor and report on customer experience, and a closed-feedback loop to help the organization manage customer experience on an ongoing basis.

Operationalizing the "playing-to-win" differentiators requires not only a non-stop model, but also a shift in mindset from "solving" client experience to understanding it as an ever-changing journey. A successful transformation will produce financial benefits that can allay broader constraining factors and invigorate the business in an adverse environment.

CASE STUDY: FOCUSING ATTENTION WHERE IT MATTERS MOST

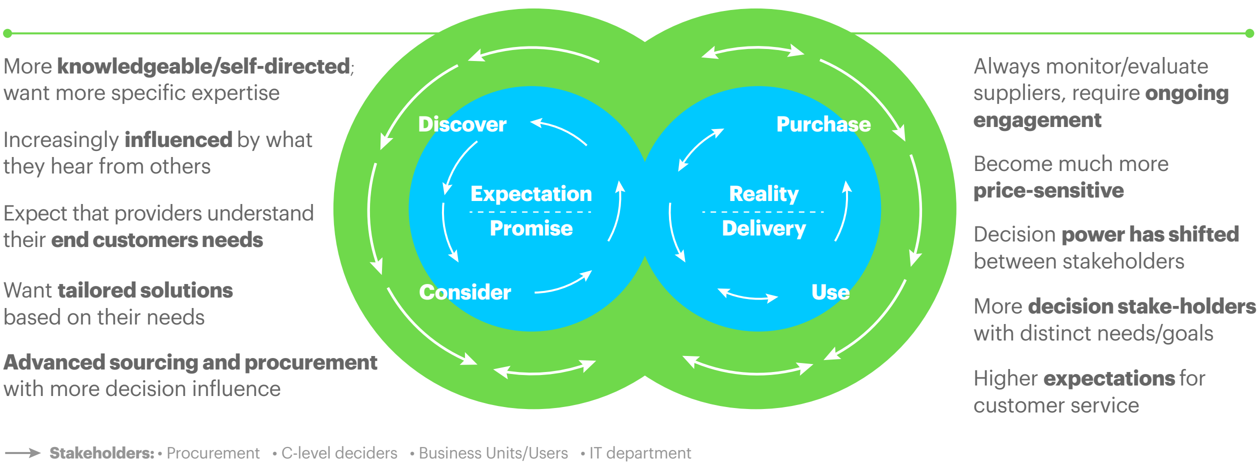
One global investment bank decided to help its associates spend time with high-value clients instead of burning time with clients that were not providing valuable interactions.

A design team was deployed to gather research and re-think how associates could improve their experience and, in turn, productivity. Designers immersed themselves in the associates' day-to-day environment, at their desks on the trading floor. They discovered that existing sales and customer relationship management tools were poorly used and associates often relied on manual workarounds. Through frequent consultation with the desks, business representatives and technology teams, a new design emerged.

The new platform enabled success by removing distractions and useless screens, allowing associates to focus on high-value clients. Built-in alerts signaled when a high value-client was calling. Every screen and button was meaningful and promoted efficient client interactions. Following the new platform's implementation, the ompany saw immediate adoption.

These results were not achieved by looking at cost-of-application only or an overly vetted set of requirements pushed through toll gates. Rather, the designers engaged associates directly with empathy and methods aimed at capturing pain points (both objective and subjective), workarounds (rational and irrational) and individual associate quirks to design a tool that combined human incentive and company priorities.

Figure 4: Non-stop model to operationalize client experience differentiators



Source: Accenture

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1 Accenture, B2B Customer Experience Research, 2015
2 Greenwich Associates, Global Fixed-Income Study, 2015
3 Accenture, B2B Customer Experience Research, 2015