Retail Banking: Delivering a Meaningful Digital Customer Experience

The pressure to fully embrace digital can help banks craft and deliver an integrated customer experience that results in higher customer retention.
Executive Summary
Customers’ growing use of digital channels for banking and their demand for an individualized experience have forced many banks to revisit their customer service efforts. In the face of increasing competition from emerging digital banks, which are redefining customer experience and luring younger customers, traditional banks must leverage digital channels to create a more rewarding customer experience. As customers use multiple touchpoints for their banking needs, banks must focus on creating a consistent and seamless experience while satisfying customers’ demand for personalized service.

For a successful transition to digital banking, banks must formulate a strategy focused on six key areas: customer, mobile and online capabilities, use of customer data, social media, modernized branches/ATMs and provision for a seamless experience across all channels.

Driving Forces
When it comes to customer experience, most banks still treat customers as account numbers that comprise amorphous customer segments. That’s a nonstarter for most consumers (young or old), who have been spoiled by more intimate, personalized digital experiences as delivered by companies such as Amazon, Google and Apple. These companies operate as if they are reading their customers’ minds. They typically deliver curated experiences and offers upon customer arrival by applying insights captured from the digital data that surrounds people, organizations, processes and products (something we refer to as a Code Halo™). As a result, many customers now expect banks to deliver an experience that is intuitive, seamless and highly customized to their needs and wants (see Figure 1).

Traditional banks are also feeling the pressure from upstart rivals. Digital banks such as Moven and Simple provide innovative and easy-to-use banking solutions and services such as the ability to check balances, access financial tools and purchase advice on mobile devices, thus attracting young (in their 20s and 30s) and digitally savvy customers. Simple’s customers grew by 330% to 100,000 in 2013.

Time to Act
Recent research indicates that banks have much catching up to do to create an engaging customer experience. While 78% of bank executives believed that customer experience had improved over the previous one year, only 28% of customers thought it had actually improved, according to a survey by Peoplemetrics.

Another telltale sign: approximately 73% of U.S. customers do not feel valued by their banks, according to a survey by GMC Software Technology.4

Such a disconnect can be overcome by listening to customers and using those insights to revamp business-critical processes and systems that align to deliver customer experience. Foremost in this approach is the need to devise a customer-centric strategy. Through careful consideration of key customer requirements and organizational capabilities, banks can effectively bridge the gap between customer expectations and service levels.

Customers’ Wish List

<table>
<thead>
<tr>
<th>Service</th>
<th>% of Customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>More simplified financial services</td>
<td>69%</td>
</tr>
<tr>
<td>Streamlined interaction and communication</td>
<td>61%</td>
</tr>
<tr>
<td>Friendly, knowledgeable staff</td>
<td>60%</td>
</tr>
<tr>
<td>Banking when I want it and the way I want it</td>
<td>59%</td>
</tr>
<tr>
<td>Easy access to branch</td>
<td>45%</td>
</tr>
</tbody>
</table>

Source: Cisco and GMC

Figure 1
Crafting a Superior Customer Experience: A Six-Pronged Strategy

Talking about the beneficial impact of better customer experience on customer loyalty and relationships might seem rather trite. However, research firm Forrester reckons that such change can bring in $161 million annually for U.S. banks in the form of incremental purchases by existing customers, reduced churn and new sales driven by word-of-mouth.\(^5\)

Creating an engaging and seamless customer experience in a digital world requires banks to upgrade their technology infrastructure (see sidebar, next page), embrace social media (beyond mere monitoring of sentiment) and empower bank staff and call centers to enable meaningful interactions with customers and respond to their needs effectively.

We have identified six key areas that banks must focus on to deliver a great customer experience.

**Put Customers First**

Delivering service the way a customer wants is the key to establishing long-term relationships. So, the focus must be on delivering what customers want rather than pushing what is convenient for banks. For instance, feature personalization while using mobile apps is important for 75% of customers, according to a recent survey we conducted.\(^6\) Banks would do well to provide such flexibility through mass customization.

Further, the user interface should be easy to use and optimized for both mobile and online. This can be achieved through responsive Web design that provides an optimal viewing experience of content on a variety of devices.\(^7\) The mobile version of the Web site that is designed using this approach shares the same URL as its desktop counterpart while the content adjusts itself to the device’s screen size, thus delivering a consistent experience to the user across devices.\(^8\)

Customers today want more control over their finances. Banks should focus on providing sophisticated personal financial management (PFM) tools since this is important to young customers choosing a new bank, according to a survey by Novantas.\(^9\) Also, 72% of customers who use PFM tools depend on third-party sites such as Mint because their banks do not provide such tools, the study said.

Seeking feedback continuously from customers across various touchpoints and acting on these insights will make customers feel more valued and also enable banks to provide a unified customer experience across channels.

**Enhance Mobile and Online Capabilities**

More than 40% of banking happens on mobile phones and tablets,\(^10\) and customers increasingly want to do most tasks themselves. Hence, banks must increase self-service capabilities with virtual assistance to guide customers. For more than one-third of customers using mobile banking,
the mobile banking experience is a reason to stay with their banks. Banks must strive to provide interactive mobile services, real-time assistance on purchasing and financial decisions and anytime/anywhere advisory services on mobile devices, based on customer location.

Quick Take

Digital Technology: Seven Strategic Areas

There are seven strategic areas that banks need to focus on when embarking on a digital technology transformation.

1. **Infrastructure**: Banks need integrated infrastructure to enable a seamless flow of information across the organization. Cloud technologies allow banks to achieve this in a scalable, flexible, secured and reliable environment.

2. **Data**: Digital banking demands a new set of plans and policies to control, protect and enhance the value of data and information assets. This effort includes reference architecture components of a master data management (MDM) strategy, unified information delivery (reporting) and information integration. Global data semantics include industry-standard data models such as IFX/FDSM, as well as the definition of supporting processes and structures, including data governance, data quality and data organization.

3. **Content**: A content management roadmap in a digital world includes storage, management, workflow, integration, analytics, reporting, information architecture meta-model, content type, lifecycle and syndication methodology, etc. It also includes consolidation, migration, search strategy, product evaluations and adoption strategies.

4. **Business Process**: Process components include a service orientation, governance, technology adoption, process orchestration, tuning and optimization, rules engine adoption and enterprise service bus (ESB) adoption.

5. **Analytics**: Analytical capabilities required include multidimensional analysis by geography, customer type, product, channel, campaign, etc. and data; Web site and real-time content analysis; user profiling and segmentation; campaign optimization; and frequency and monetary analysis. It also includes the ability to track customer behavior to correlate with revenue-driving activities and nurture cross-selling opportunities.

6. **Social and Mobile**: Employees and customers must have access to information anytime, anywhere and on any device. Other key components include social media and collaboration for external client-facing business applications and for internal productivity improvements; gamification for customer engagement; and a digital app store as a one-stop shop for mobile business applications, authentication and access security.

7. **User Experience**: Providing a consistent user experience across all major touchpoints is the key to building long-lasting customer relationships. To achieve this, the major factors include an information architecture, personas, wireframes, screen flows (process UI), visual design, interactive mockups, campaign management, branding, search engine optimization, user experience and session management, responsive Web design, usability, prototyping and UI technology.

Source: *Digital Banking: Enhancing Customer Experience; Generating Long-Term Loyalty*, Cognizant, March 2014
Customers are willing to talk to their banks using video conferencing. According to Cisco, 34% of customers want to video-chat with their financial advisors, with 79% of those preferring to do so using their own computers (laptop and desktop). Banks can take a cue from Amazon, which allows its Kindle Fire HDX customers to video-chat with a call-center executive any time by simply clicking a button. Such a centralized service would be a win-win proposition given that banks are pruning branches due to high costs.

Customers prefer apps over a mobile banking Web site, and apps have higher engagement levels (66% of total hours per month) than browsers (34%). Banks must ensure their apps are defect-free, engaging, smart and self-learning. Based on customer usage, and applying Code Halo thinking, they should be able to provide targeted content and relevant suggestions.

Leverage Customer Data
Banks are sitting on enormous amounts of customer data - ranging from demographics to their current financial requirements, their clicks, searches, swipes, comments on social media, etc. - that can be mined to gain valuable business insights. However, most banks still operate in product silos with legacy systems. As a result, customer data resides on disparate systems that do not talk to each other. This gives rise to data inconsistencies and prevents banks from gaining a unified view of customers, resulting in poor customer management.

Eliminating this clumsy IT setup will require banks to embark on a core banking transformation. Given the cost, scale and complexity involved in replacing core systems, banks should seek solutions that are based on a flexible and scalable service-oriented architecture (SOA). These systems follow Web services protocols that provide standard ways for sharing data and facilitating applications interoperability, allowing banks to decode meaning from Code Halo intersections.

Mining Code Halos using advanced and predictive analytics will help banks understand customers better, identify their needs in advance and gain insights into channel usage. This information can be used to reach customers with highly relevant offers and solutions at the appropriate time - and place - enabling them to deliver a highly personalized digital experience.

Taking the Social Route
While banks have been present on social media for some time, most have not gone beyond marketing and responding to customer issues. A majority of customers (87%) find their banks’ social media usage annoying, boring or unhelpful, but one-third of customers would use social media to complain, according to Carlisle & Gallagher Consulting Group.

Only 10% of customers use social media to interact with their banks, preferring traditional channels such as ATMs, branches and other channels, according to a study by Gallup. However, the customers who do use social media to interact with their banks are highly desirable in terms of demographics. They have an average age of 33 years, have more than $100,000 in investable assets and are traditionally the hardest to reach. Further, social media users generate double the revenue ($2,528) with their banks annually compared to nonusers ($1,262), the Gallup study said.

The way forward for banks is to understand what users want on banks’ social platforms and accordingly come up with content and features. For instance, Spanish bank CaixaBank allows users to view their account balance, carry out current account transactions and make small payments using Facebook. Such initiatives offer convenience, make banking more empowering and help establish a connection with younger customers.

Augmenting In-Branch Experience and ATM Centers
While there is considerable adoption of mobile and online banking, branches are not going to disappear any time soon as customers prefer branches for complex tasks such as taking out mortgages. While banks have shut down redundant branches to save costs, banks such as Wells Fargo have launched a “neighborhood store” format - smaller and smarter branches, located in areas where customers usually shop.

Banks can spruce up their branches and deploy the latest technology to improve the in-branch experience. Some banks have begun to provide free Wi-Fi, iPads and large touch screens at their branches for customers to learn more about the bank, and about using apps, payment services, etc. Banks can leverage newer technologies such as Apple’s iBeacon to send customized offers, product information, and branch
information such as waiting times, the nearest ATM and branch staff information to customers’ smartphones when they are in the vicinity. Banks’ staff can be alerted when a valuable customer visits the branch, with information about what kind of products interests them. Requests for feedback can be sent on customers’ mobile phones as they leave a branch. This reduces customer waiting time and provides a personalized digital experience within the branch. Google Glass and smart watches are other technologies that could debut soon. (For more details on the business impact of Google Glass, please read *Google Glass: Insurance’s Next Killer App.*

Not far behind are ATMs, still a favorite among many customers (see Figure 3). ATMs are being upgraded to behave more like mobile devices that support a range of self-service tasks. From remembering customer preferences such as language to allowing customers to view their account status, and offering customized products and services, ATMs can play a vital role in creating a more personalized experience for customers. Banks are dabbling with ATMs that allow cardless transactions, pre-staged withdrawals using smartphones and live video chat with a teller even after working hours and other features for the convenience of customers.

**Provide a Seamless Channel Experience**

As customers continue to use multiple channels for their banking needs, banks must ensure a consistent and seamless experience across all touchpoints. However, banks’ efforts to transcend multichannel to omni-channel banking are hampered by aging and incompatible IT systems that do not support a seamless flow of information across the organization.

An overhaul of internal systems and processes is needed. Banks must integrate physical (branches, call centers) and digital channels (mobile and online) to provide customers seamless access to their products and services anytime and anywhere. Tellers and other customer-facing employees at banks and call-center employees should have real-time access to the same customer data such as the customer’s interactions with various channels, latest customer activity, etc. so that they can more effectively serve customers. By understanding customers’ channel preferences and usage, banks can provide tailored services via those channels.

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### Customers’ Channel Usage

<table>
<thead>
<tr>
<th>Channel</th>
<th>Used in Last Six Months</th>
<th>Used at Least Once per Month</th>
<th>Used at Least Once per Week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Online Banking</td>
<td>54%</td>
<td>74%</td>
<td>81%</td>
</tr>
<tr>
<td>Branch</td>
<td>16%</td>
<td>49%</td>
<td>79%</td>
</tr>
<tr>
<td>ATM</td>
<td>28%</td>
<td>58%</td>
<td>72%</td>
</tr>
<tr>
<td>Call Center (Live Agent)</td>
<td>6%</td>
<td>16%</td>
<td>49%</td>
</tr>
<tr>
<td>Call Center (Automated VRU)</td>
<td>9%</td>
<td>19%</td>
<td>36%</td>
</tr>
<tr>
<td>Email/IM/Chat</td>
<td>4%</td>
<td>7%</td>
<td>15%</td>
</tr>
<tr>
<td>Facebook</td>
<td>6%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Twitter</td>
<td>5%</td>
<td>6%</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Gallup*

*Figure 3*
Moving Forward

Banks that provide a simple, convenient and consistent banking experience across various touchpoints will stand to gain immensely from customer loyalty and increased business. Though a substantial investment is involved, inaction is not an option as it will cost organizations dearly. Careful planning of business priorities in conjunction with customer requirements and investing in smart technologies (see sidebar, page 4) will result in an effective transformation. Involving all the stakeholders such as customers, the IT department and bank/call-center staff is critical to building a customer-centric organizational culture, investing in the right technology and working with partners capable of supporting the technology transformation (see Figure 4).

Footnotes

1 Code Halos refer to the digital data surrounding people, organizations, processes and devices such as buying behaviors, social media interactions, song preferences, searches, even customer geographic location. This coded information is being used by today’s leading businesses to derive meaning to develop an intimate knowledge of anyone they work with, whether customers, employees or partners. For more information, visit www.cognizant.com/code-halos, read the book “Code Halos: How the Digital Lives of People, Things, and Organizations are Changing the Rules of Business,” and download the Code Halos app on the App Store.


“Mobile Banking Plays Key Role in #1 Factor for Customer Loyalty,” Yodlee, April 10, 2013.


References

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