Going Digital: What Banking Leaders Need to Know

To compete in the digital era, banks need to embrace data, put customers first and manage organizational change — three concepts, one payoff. Here's how your bank can put it all together.
Executive Summary

Banks have their work cut out for them. Consumer trust vanished from the banking system after the global financial crisis. Smaller banks and credit unions came into favor, and use of non-bank lenders and other financial information sources spiked.

Digital technology gives banks a second chance. With it, banks can regain their relevance – and their customers. How? By putting data at the heart of every interaction; evolving a customer-first culture; and overseeing new structures and processes that let them adapt quickly to digital advances and manage organizational change. Together, these three actions form the foundation for banks’ growth and profitability in the new digital economy.
A New Model for Banking

Strong financial products and services still form the backbone of banking. But it’s smart management of digital information that distinguishes winners from losers. Today’s banking customers leave behind a trail of clicks, swipes, comments and searches that creates a unique virtual identity for every individual. We call this swirl of information a Code Halo™. When banks make meaning from the digital information contained in Code Halos, it can deepen their customer relationships and help them generate new revenue streams.

Technology has changed many aspects of consumers’ personal lives, including how they connect with friends, ask for directions and collaborate with colleagues – but not how they get their cash.

Before banks can do that, however, they need to understand the extent of their industry’s disconnect with customers. Consumers are increasingly integrating the personalized virtual world with the “real” world. Technology has changed many aspects of their personal lives, including how they connect with friends, ask for directions and collaborate with colleagues – but not how they get their cash.

Upon inserting their bankcards into ATMs, most U.S. customers see a screen that reads, “Press 1 for English. Press 2 for Spanish.” Really? This sophisticated financial services institution, with billions in assets and branches around the world, doesn’t know which language a customer speaks? The inconvenience is minor, but it underscores how ATMs and bank tellers know only the transactional data in their systems of record rather than what is in the customer’s Code Halo.

To customers, the disconnect feels jarring. What happened to the personalized online interaction they experience with sites like Pandora, Amazon and Netflix, which know not only what language they speak, but also their likes and dislikes? The sites know such details because they see what ATMs and bank tellers can’t. They see Code Halos. (For more on Code Halos, read the book, “Code Halos: How the Digital Lives of People, Things, and Organizations are Changing the Rules of Business.”)

Put Data at the Heart of Every Interaction

Like digital consumer companies, banks can derive insight from the swirl of digital information surrounding consumers. In fact, the banking and financial services industry generated more value than any other sector from the ability to compete on code, according to a recent study we conducted with Oxford Economics.¹

Analytics is proving especially profitable, the study found. Companies in the financial industry estimated that their ability to make meaning from business information directly affected 10% of revenue and 10.1% of costs in the past year.

The challenge for banks is to weigh the trade-off between investing in analytics solutions and the expected returns. Is banks’ best path to rationalize, refactor and optimize their existing systems and infrastructure? Or is it to improve, adopt and transform new paradigms?

For large banks, a key decision factor is brand reputation, which can be affected by multiple channel offerings that deliver different customer experiences, often with divergent data and results. For small banks, the central question is one of investment and returns.
Evolve a Customer-first Culture

At the center of banks’ digital change is customers. Acquiring a central view of banking customers extends beyond pure demographic profiling. It requires a deep understanding of what makes each customer click as a human being: their needs, wants and banking preferences.

But customer centricity is a strategic pivot. First and foremost, the shift requires data. Mining and aggregating customer interaction and transactional data from all bank channels is key. Equally important is marshaling consumers’ online data – their unique virtual identity, or personal Code Halo – and delivering tailored offerings that spur loyalty and increase share of wallet.

How can banks put the data to work? One example is by analyzing customers’ interactions with social media and mobile geolocations. By folding these insights together with transactional data from their own systems and aggregated third-party information, banks can treat customers to a unique, curated experience. The personalized offerings are the hallmark of digital transformation – and the road to new sources of value.

Mastering Multiple Channels

How can banks determine what’s missing from multi-channel digital strategies that lead to poor customer experience? The answer lies in assessing benchmarks and optimizing customer touchpoints. Successfully integrating digital channels requires a detailed plan for analyzing customers’ channel utilization and preferences, providing cross-channel consistency and encouraging the use of lower cost channels.

Multi-channel success also requires thinking big. Imagine, for example, presenting contextual offers to customers at their preferred point of consumption. As customers present their debit or credit cards or mobile wallets for payment, they might receive merchant-funded offers that can be redeemed digitally. Or perhaps as they make ATM transactions, the screen displays targeted offers based on their Web browsing.
The idea is to share information with customers, partly because they are happy to reciprocate. The majority of bank customers are willing to provide more information to banks in exchange for personalized service or simplified management of their finances, according to Cisco Systems, Inc.²

**Taking Steps to Better Understand Your Customers**

Banks also need to develop the underlying data techniques that help them better understand customer behavior. Customer personas — detailed representations of customers and prospects that highlight their motivations and propensities — can help with that. Personas help banks understand who their customers are, as well as who they want their customers to be. As such, they are instrumental in shaping products and marketing strategies and determining customer needs and preferences.

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While personas identify customer attributes, customer journey maps let you walk in your customers’ shoes. Journey maps are powerful visual tools that trace customers’ steps as they travel through a bank’s processes, such as opening accounts and resolving problems.

Journey maps provide the big picture; they deconstruct banking processes from the outside in, following customers through channels, decision paths and, perhaps most important, emotions. For many banks, journey maps are eye-openers; most have only guessed at the routes that consumers follow, and they often find the reality to be quite different.

**Oversee New Processes; Manage Organizational Change**

The biggest challenge of digital banking isn’t the technology; it’s the organizational changes that support it. While digital businesses grew up on the customer-first mantra, most banks rely on outdated business models that value accounts, not people.

By reorganizing their structures and processes around the customer, banks can adapt quickly to digital advances and manage organizational change. That’s where banking leaders come in. Organizational change starts at the top, and support for it must be pervasive, reinforced and measured.
The following change management techniques will ensure that your bank creates a consistent multi-channel experience that keeps customers at its center.

1. **Define what digital means to your bank.** What does digital mean within your organization? It's a simple question that too many banks fail to answer before they launch digital initiatives. Yet clarity of purpose is absolutely essential — and expansive. It's the IT leader's job to help define what going digital truly means by gathering input from stakeholders across the full sweep of the organization and remaining open to bold new ideas.

   As a first task, CIOs should develop a roadmap for digital initiatives. Resist the tendency to skip this step: Leaders who do often find their efforts mired in lengthy debates, false starts and turf battles.

2. **Focus on operating models and governance.** These are the essential planning tools to bridge your bank’s strategy and organization. The operating model connects a bank’s digital strategies with its organizational design. It defines accountability and responsibility for all activities, from business processes and data quality management to application development.

   Who has the decision-making power within the new operating model? That’s the job of the governance model, which identifies decision-making roles, criteria and processes. In addition, governance establishes who must agree to decisions, provide input and bear responsibility for executing activities. The best governance models answer everyone's questions in advance.

3. **Rethink your reporting structure.** Instead of top-down project planning, digital capabilities demand dynamic, discovery-oriented approaches that free teams to quickly test ideas and learn from data and outcomes.

   Leaders need that same agility. In order to encourage experimentation while driving performance, the right reporting relationships, ownership and digital governance must be in place.
It’s settled: Everyone owns digital. For knowledge businesses such as banking, digital is the business. Creating a cohesive customer experience requires integrating digital efforts with physical businesses.

Which C-suite members will be accountable for digital initiatives? Some banks lead their efforts from the CIO or CMO office. Several have designated chief digital officers. Still others rely on their CEOs’ leadership. Each approach incurs risks and benefits.

The reality is that the digital function is vast and eludes ownership by a single executive. What matters more than its location in a formal org chart is the identification of the key players and the relationships among them.

Break down organizational barriers. How do you dismantle LoB silos and enable sharing of customer data and processes? Cross-functional groups are a start. Assembling teams from HR, finance, marketing and branches plays an important role in uniting the patchwork of fragmented efforts that exists in most banks.

Some banks are recruiting leaders from customer-focused industries such as travel and hospitality. Outsiders can bring fresh perspectives, but over-reliance on specialists can sometimes run counter to the long-term organizational change that digital transformation demands.

Take a new approach to talent. Proactive workforce planning is as essential to banks’ digital evolution, as is acquiring new expertise.

Technology is an obvious place to begin. Attracting top talent in SMAC technologies – social, mobile, analytics and cloud – will require a strategy to counter the job market’s perception of banking as technologically conservative.

Banks also need skill upgrades throughout their organizations. Rather than processing deposits and withdrawals, branch associates are transitioning into hybrid positions that are part financial advisors and part technology evangelists (think Apple stores).

Develop incentive structures that work. Inspiring bank employees to adopt customer-centric approaches across multiple platforms is a key challenge. Put simply, what’s in it for them?

Banks are replacing metrics such as average call handling time with benchmarks such as net promoter score, which reward proactive approaches and value customers’ best interests.
**Cultivate a digital culture.** Culture always plays a role in large transformation programs, and digital is no exception. But it’s well worth the effort: Successfully negotiating digital’s cultural shifts is a competitive differentiator for banks. An intense customer focus coupled with the ability to innovate and act quickly is difficult for competitors to emulate.

The upshot for leaders: Be purposeful in what you say and do. Reinforce customer focus at every opportunity by asking the question, “How does this impact the customer?” Launch formal initiatives such as training programs to support new behaviors. Revamp recruiting, job descriptions and promotion criteria.

**Footnotes**


Note: Code Halo™ is a pending trademark of Cognizant Technology Solutions.

**About the Author**

Steven DeLaCastro leads Cognizant’s Banking and Financial Services Business Unit’s global “Bank of Tomorrow ... Today™” digital banking program. With a wealth of expertise in bank technology and operations, software, services and consulting, he has held the titles of Chief Information Officer, Chief Operating Officer, Senior Vice President, Managing Director, General Manager, EMEA Sales Director, Regional Country Manager, Partner and Managing Partner. Steven holds an M.B.A. and a BSc. in Business Administration with concentrations in operations, finance and psychology. He can be reached at Steven.DeLaCastro@cognizant.com | LinkedIn: [www.linkedin.com/pub/steve-delacastro/0/240/309](http://www.linkedin.com/pub/steve-delacastro/0/240/309).
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