

DIGITAL TRANSFORMATION IN BANKING – THE FUTURE OF BANKING



Today's demand of banking is: anytime anywhere banking. this requires innovative, robust, secure, optimized and ready to meet the expectations of empowered and tech-savvy customers

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Abstract

Digital Transformation is far beyond just moving from traditional banking to a digital world. It is a vital change in how banks and other financial institutions learn about, interact with and satisfy customers. An efficacious Digital Transformation begins with an understanding of digital customer behavior, preferences, choices, likes, dislikes, stated as well as unstated needs, aspirations etc.. And this transformation leads to the major changes in the organizations, from product-centric to customer-centric view.

A study by CGI entitled, Understanding Financial Consumers in the Digital Era sheds some light on the desires of today's digital consumer. Interestingly, at a time when financial institutions seem to be in a lock-step with each other, consumers are raising the bar on their expectations. And, according to the study by CGI, they are willing to leave where they currently bank if their needs are not met.

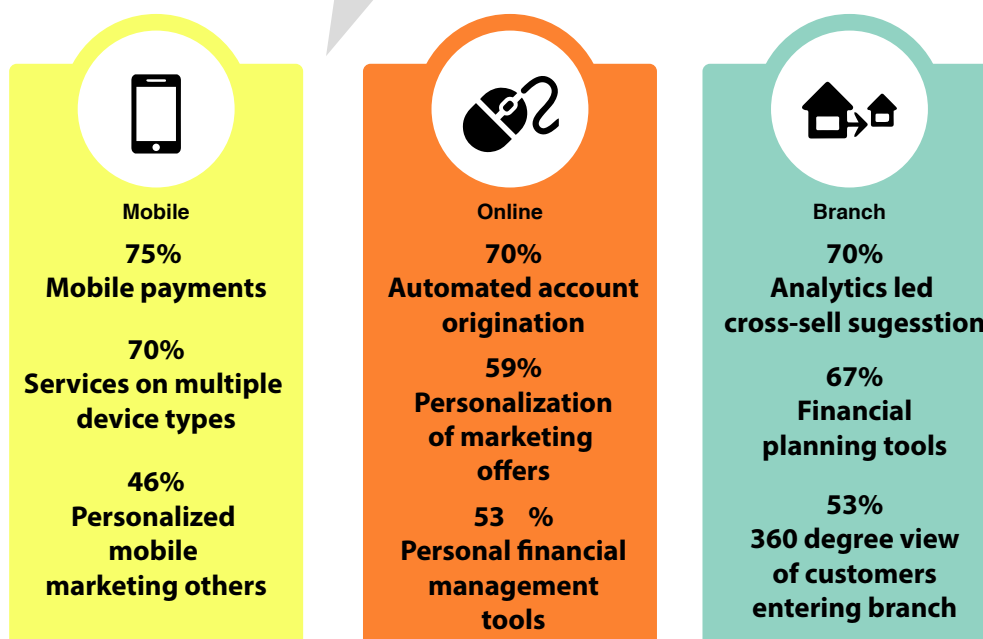
Top five consumers wants in banking



The most effective way to understand and bring the organization from traditional banking to digital banking is Omni-Channel approach. Omni-channel is a multichannel approach to customer service where all the channels are tightly integrated, keeping customer in the center of the integration.

As customers continue to change their channel usage patterns, banks and credit firms need to focus on delivering a seamless customer experience across various touch points. More than just an axiom, Omni-channel banking is a prospect to take bottom-line on higher note by gaining insights from customers' channels, behavior and preferences. Today's customers are more sophisticated and tech savvy, and to cater to their specific needs, each customer needs a unique experience from banking. They want the companies to understand their unstated needs as well as their likes. So, it should come as no surprise that these customers are expecting similar kind of response and service from banking institutions too. From researching new services, opening an account, checking balance, conducting transactions, loans, credits, wealth management, customer support, delivering an Omni-channel experience has become a key to success in this competitive market place.

Channel innovations bankers believe deliver the most value



In the current multichannel model, customers are directed to the least expensive channel which grounds to not only the dissatisfaction, but also the channel hopping. The whole process is inefficient, costly and inconsistent. Omni-channel is not the replacement of multichannel, but it's the enrichment. Espousal of Omni-channel is indispensable to ensure that customer experience is unified, incorporated and supports customer at the right time, in the right place as the right way. It must be as per their mobile and digital life style. Staying germane in current banking revolution entails deep acquaintance of customers' needs, wants and demands. It also requires the precise mixture of IT infrastructure and innovative new technologies to certify that one remains ahead in current market space to drive top, as well as bottom lines upwards.

\$ 59.5B

North American banks IT spending will grow to \$59.5 Billion in 2014, and much of that will be in retail banking, with focus on enhancement to the user experience and omnichannel sales and service endeavors

Source "A Crucial strategy for bank branches in 2014" Celent Research, Bank Technology April 17, 2014



35% of banks' market share in North America could be at risk by 2020, as traditional branch banking gives way to digital banking and as new competition emerges

Source "online/ mobile banking

PwC India's leader banking and capital markets, Shinjini Kumar said, "Many Indian banks, like their Asian counterparts, are geared to use the advantage of local talent and leapfrogging technology to create forward looking digital strategies. However, there is a lot of ground to cover on creating Omni-channel experience and enhancing processes from the customer's point of view."

PwC's Financial Services Technology Leader, Julien Courbe, says "We're heading into the co-creation phase, where consumers help develop the personalized products and services they want. The ultimate goal is to establish communities of individuals, stakeholders and enterprises working together to produce value through engagement platforms, designed

to enable mutual collaboration.” Despite proliferation of digital, that goal has not been easy to achieve. In fact, banks also fall short of creating an Omni-channel experience - allowing customers to interact with banks effortlessly across all channels regardless of transaction type - as less than half of survey respondents (43%) indicate that online and mobile channels are currently operating on a multi-channel platform.

Few statistics on the future of customer engagement:

- 73% of marketers view customer centricity as critical to the success of their business and role at the company. (The CMO Council, Mastering Adaptive Customer Engagement 2014)
- 70% of buying experiences are based on how the customer feels they are being treated. (McKinsey)
- A 2% increase in customer retention has the same effect as decreasing costs by 10%. (Leading on the Edge of Chaos, Emmet Murphy and Mark Murphy)
- In the retail banking industry, customers who are fully engaged bring 37% more annual revenue to their primary bank than do customers who are actively disengaged. (Gallup State of the American Consumer 2014)
- Fully engaged policy owners purchase 22% more types of insurance products than actively disengaged policy owners. (Gallup State of the American Consumer 2014)
- The majority of businesses are unable to support an Omni-channel customer journey. (Forrester Wave Customer Service Solutions 2014)
- Only 12% can provide a seamless hand-off between channels. (Forrester Wave Customer Service Solutions 2014)

An omni-channel strategy brings all the key parameters – online and offline channels, data and technology, customer behavior and experience – all, onto one platform. Although the concept has there been for quite some time, companies shied away from using it to their benefit, mostly due to critical considerations like increase in the number of apps, technology support, operations, silos between branches and online services that need to be broken, and conflicting priorities. Business need to integrate the various management systems while implementing Omni-channel, which is multifarious, prolonged and an expensive affair.

“The challenge for many banks is that they have a long - standing culture of branch- centric banking” says Mark Schwanhaus, director of omnichannel financial services at javelin
“ you can’t wait for the customer to come into the branch with their problems. you need to be proactive and reachout to the customer with answers through the digital channels”

A side from affinity for personal interaction at the branch, speed and ease of use are driving factors in banking consumers decisions regarding channel usagrae. When asked why they chose a different option than the branch for their latest transaction, over 40% of those who used either online banking or mobile banking said what they neded to do was quicker and easier via these automated channel

Big data analytics can help extend a single view to the consumer. Companies can use data from social media sites to understand their customers better. In addition to this, data available from pervious online searches and purchases can help target the right individual. Omni-channel, if successfully implemented, can lead to improved brand recognition and revenues, increased customer base, enhanced customer experience, and competitive differentiation.

Banking industry perspective

Banking industry is going through a phase of commoditization. In today's scenario, differentiated and delightful customer experience has become more important than just providing financial services. To grab a bigger piece of the cake, banking industry has to understand the unstated needs of the customer the way airlines understands the preferences of the frequent flyers or the retailers understand the likes/dislikes of their customers, without even taking direct feedback of the customer.

Each and every day, new devices / technologies are providing various customer touch points. Every time customers touch a computer or a screen, they are providing an information trail and it's banks' responsibility to understand how they use this trail to move their bottom line upwards. Traditionally, banks spent most of their efforts, time and money on transaction execution, which is nothing but has become a very basic feature of their overall service. While providing expedient, consistent and precise transaction processing ability is still critical, we believe that banks can learn from how retailers see the customers' journey through an Omni-channel lens. Banks now need to rethink the way customers are being valued, may be from the angle of the industries that greatly value customer experience.

A tightly coupled multichannel may provide a share of customer's pocket, but successful implementation of Omni-channel can surely increase the size of the share though competitive advantage and also can help them to retain the same share for a longer period of time.

Millionaires aren't the only ones who want to bank whenever or wherever they want, irrespective of the branch location or the business hours. Customers from all generation, income groups, and countries could make a transaction online one day, and another day, the same transaction through mobile or ATM - or they could start a transaction on any of these channel then continue on another and finish it on different channel. Multichannel gives the flexibility to hop between channel, but not the continuation of the transactions among multiple channels. So, this represent a remarkable challenge for the financial institutions, which are often involved in multiple types of banking such as retails, finance, corporate, mortgage etc...

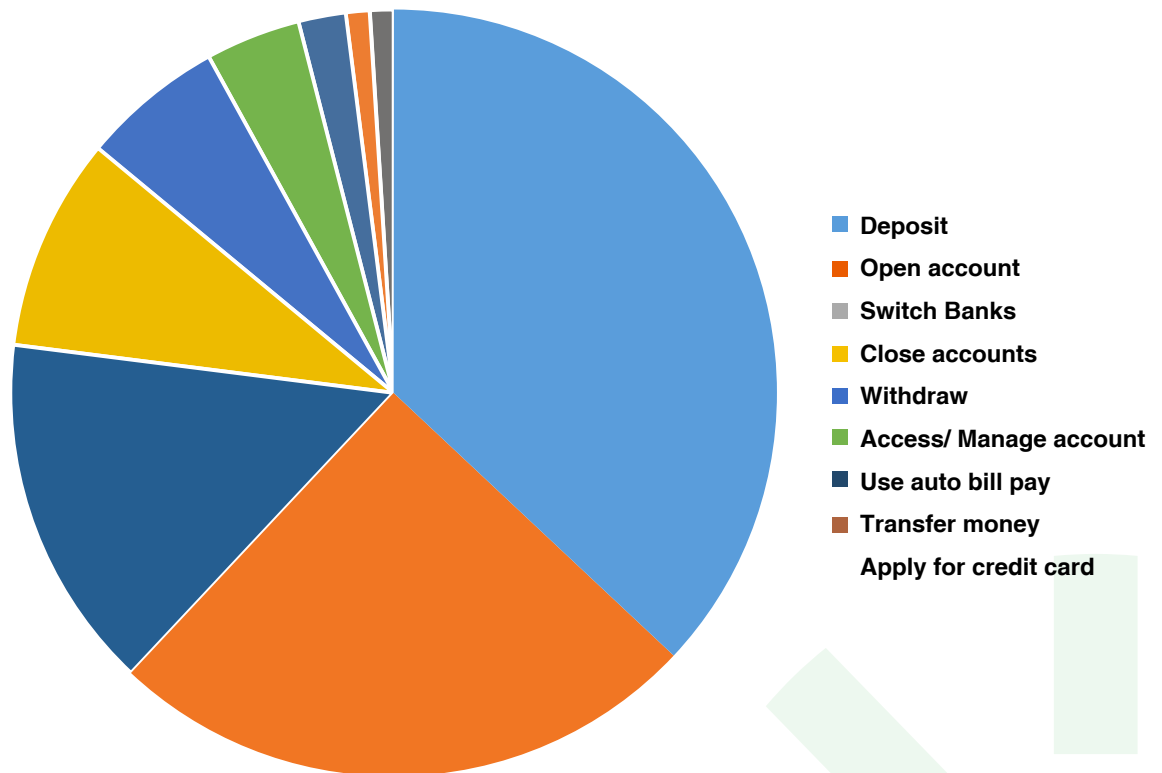
Need for omni-channel

As of today, various channels are working in their silos, but it's time to break their silos and renovate the banking experience by instigating Omni-channel strategy. This approach is based on a single brand name, providing customer centric experience to each and every customer as per their preference and behavior just like an individual bank for every customer – and so smoothly transacted that it becomes seamlessly embedded in the customer's lifestyle.

Various channels, but not limited to, which are the part of the omniOmni-channel:

- Branches: Up to 65 percent of customers prefer the branch for rich advice and personalized attention
- Mobile: 32 percent of the U.S. customers currently bank using their mobile devices
- Video: More than one-quarter (28 percent) of customers value video access to remote experts
- Social Media: There is emerging interest in tapping the power of social media like Facebook and Twitter to deliver financial services like making deposits
- ATMs: Within more streamlined branches with a smaller footprint, ATMs can typically outnumber traditional tellers

Banking Transactions Customer Expect to Perform Across All Channels



When customers cannot complete the transaction in the channel of their choice, they hop from one to another channel and unfortunately, the next best channel is usually more expensive channel – commonly call center

46%



of people managing their finances online switch between device before completing the activity

Source " Omnichannel: The New Normal for Banks "Pew Research center, Banking Technology, September 30, 2013

The average cost to a lender for a mobile transaction: 10 cents

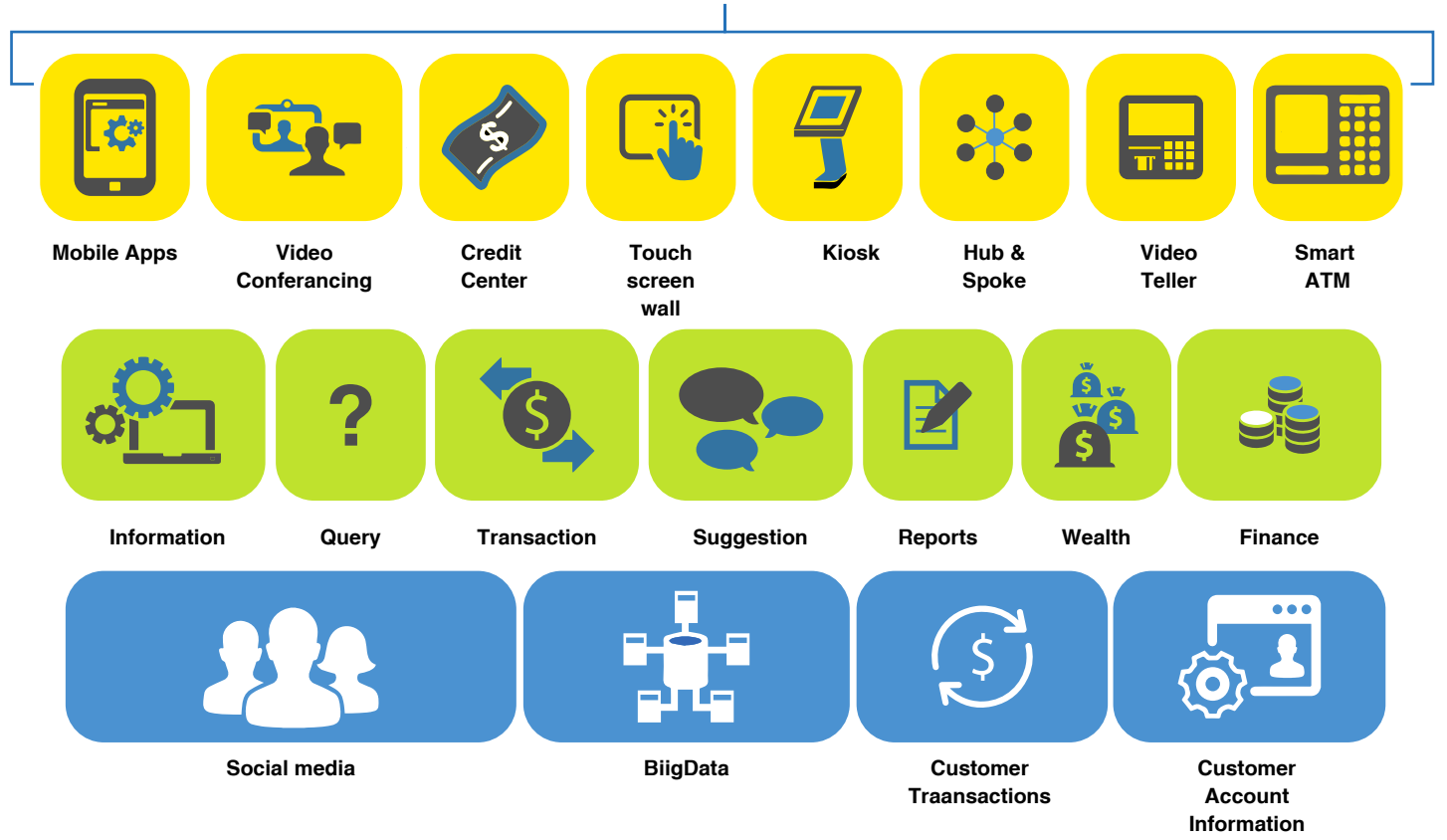
The average cost of a desktop-computer transaction: 20 Cents

The average cost of an ATM transaction:\$1.25

Source " lenders place their Bets on Mobile Banking"Javelin strategy & Research wall street journal, April9, 2014

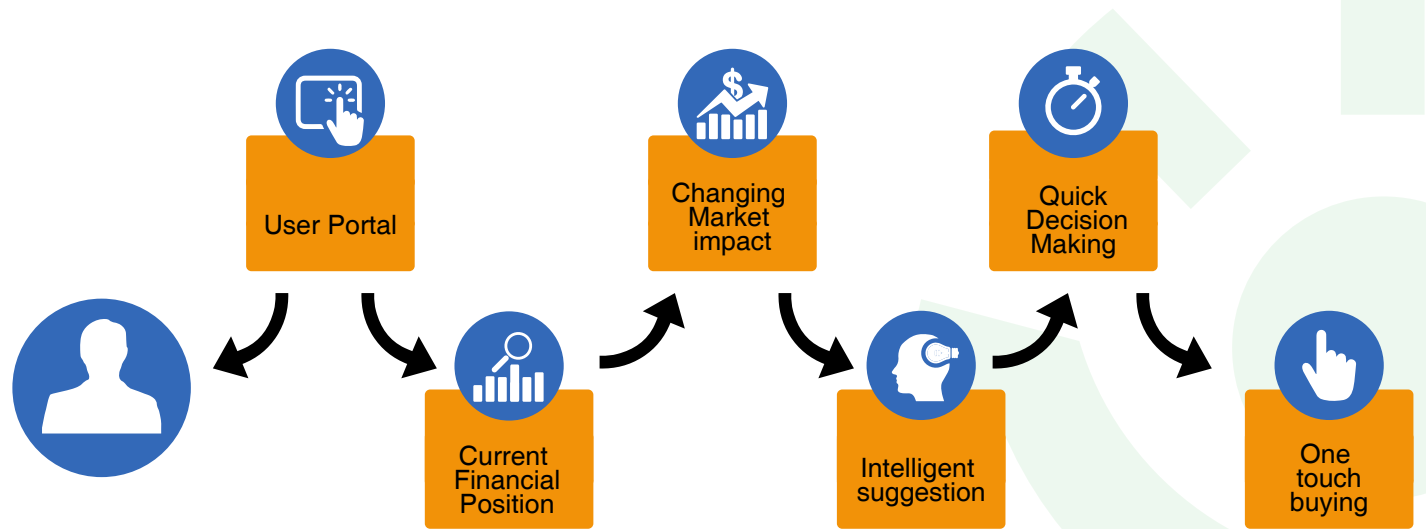
Below mentioned diagram covers the various touch points and the opportunities where omniOmni-channel can play vital role in customer experience, as well as driving top and bottom lines of the organization

Customer Touch Points



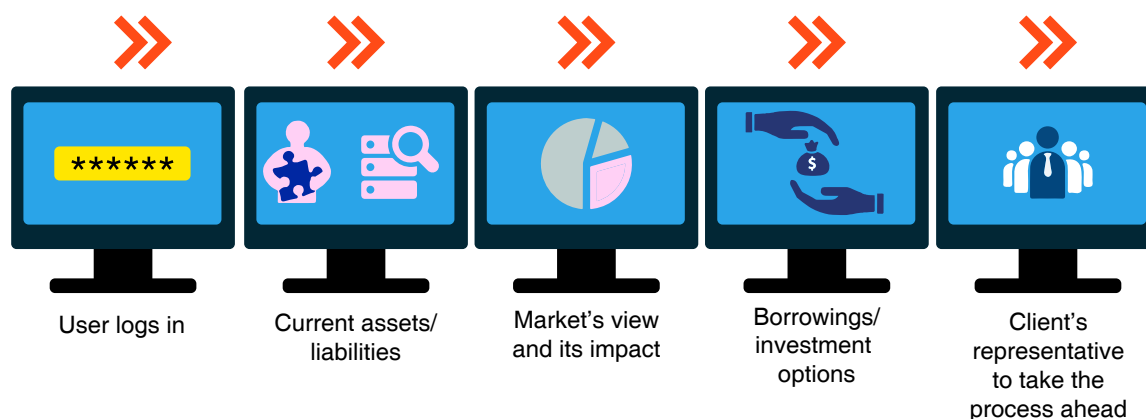
Wealth management

Below mentioned picture depicts the enhanced customers experience in understanding and managing their finance and how changing market conditions are affecting the value of their money.



Current process

Initially, customer logs in to its bank's website and looks at the current assets and liabilities. Based on various analytics algorithms, bank suggests many investment options as well as borrowing options as per the eligibility. Customer's portal also gives a brief picture of the current financial market and its impact on the customer's current financial position. In case customer wants to go ahead with any of the investment suggested or borrowing options, and he/she can have a look at the brochure and get in touch with the customer representative for taking the process ahead. This process involves a lot of manual intervention in terms of converting suggestion/decisions into real investments, which also takes a lot of time.



Limitations of the current process

- Individual portal for one bank
- Borrowings and investment options as per assets and liabilities only
- Manual user credentials
- Personal interaction with client rep for investing or borrowing

Benefits of new process and differentiation

- Single portal for one client
- Borrowings and investment options as per choice, likes, needs, behavior, market conditions
- Finger print / Retina scan login
- One touch processing for borrowing / investing

Enhanced Process

The customer logs into his personal portal which keeps him in the center and shows all the connected links as finance, medical history etc... Finger print / Retina scan helps easy login and enhances the security of the data. After selecting "Finance" option, the user sees his total assets and total liabilities, which is further broken into various instruments with various institutions. Based on the user's behavior on social sites, various searches, likes and dislikes, the system shows the borrowings and investment options. The System also shows the current market situation and how the changes in the markets are affecting the financial strength of the user. It also shows how the changes in the market will impact user's financials and what can be the proactive measures which can be taken. System shows the risks and threats attached with the various options. Once the user want to go ahead with any of the borrowing or the investment option suggested, he looks into the product/service brochure and takes a quick decision. One touch on buying option helps to go ahead.

This process works same as on tablets, smart-phones and surfaces too. Even if the user starts the process in any of the channel, he/she will be able to continue the same on another channel without repeating any of the previous steps except logging into the system.

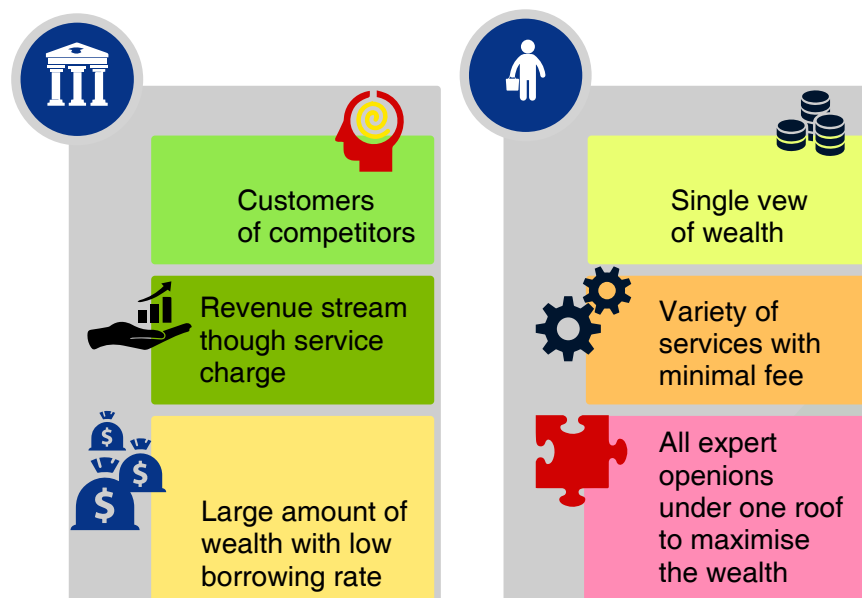
Technology

Big data analytics and cloud: Data is obtained from customer posts on social networking platforms, websites, past purchases, and browsing history. Data collected by tracking email ids that customers use to log in to and access social networking sites is linked to the email ids they use to register on the website. Various investing options browsed and liking behavior towards any specific sector or company should also be taken into account. Using big data analytics, this data is processed and used to generate recommendations for customers when they log in to the website/mobile app/digital display. Software, which can pull product reviews from social networking sites or review given by financial experts, is used to display reviews in the review section of the website. A database management software is required to record data obtained about customer activity/interaction and processed data. This software is linked with the cloud, so that the data can be accessed from anytime, anywhere. The cloud server also needs to store information about the availability of products and their locations.

Mobile app/surface: These platforms can help browse through catalogues, check availability and accessing current status of the finance, buying any product, getting intelligent suggestions, etc...

biometric: Biometric credentials cannot be lost, stolen or forgotten. Also it cannot be socially engineered, shared or used by others. There is no requirement of remembering the password or PIN. Also, it's always available with the respective individual. It provides highest levels of security and assurance of safety. Although biometric provides highest level of security, it is not as easy to implement as normal username and password. Also, it brings high cost of implementation along with care, which need to be taken care since its implementation will always go to be with another system / software.

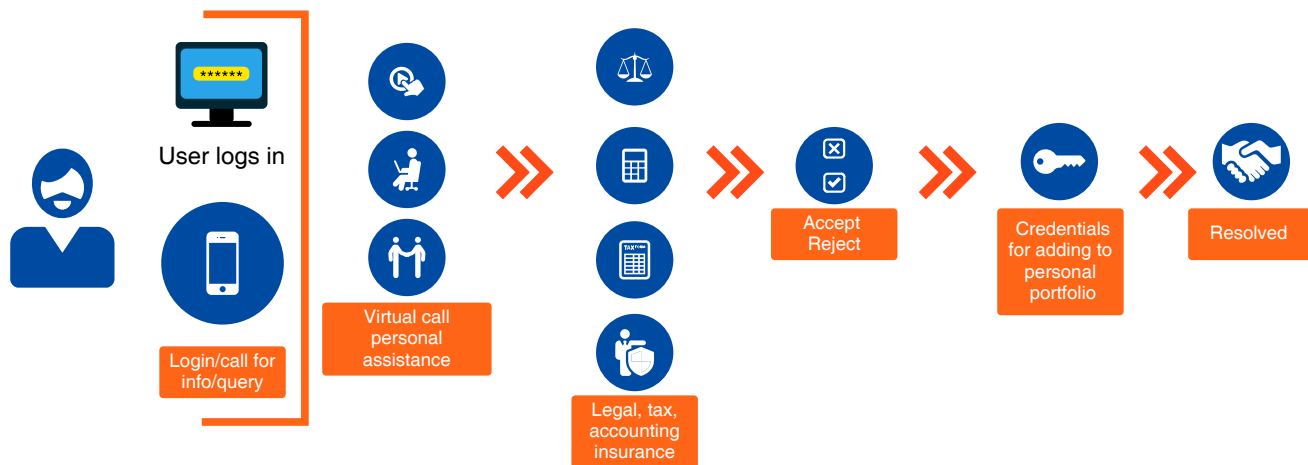
Whats in there for me ?



Serving whats browsed, not only asked

Visual representation of the enhanced process shows how the financial institutions representative will be able to serve customers' unstated needs based on the searches performed by the customer on internet before even raising the query:

- 26 percent of consumers say that they would leave their current bank if advisers and personal advice were eliminated from their bank branch
- 83 percent of consumers say they would be somewhat or highly interested in bank branches that offered an expanded portfolio of financial and advisory services (legal, accounting, tax, and insurance)



Current process

The user does a basic search on the internet for buying any financial product and post that, raises a query or request with the bank for further information. User raises the query, either through website or calling up the customer care. Based on the query and field of the query, customer representatives forward the call to the specific department and arrange a meeting with the user. The user, then, selects either video conference with the expert or the physical meeting. Before the meeting, the bank's representative reviews user's financial strength and income statements etc... to provide a better solution. For multiple field's query, the user decides whether to have all physical meetings or video conferencing. Post reviewing all the suggestions user accepts or rejects the suggestion. If any of the suggestion is accepted then the representative goes ahead with the paper work and other formalities.



Limitations of current process

- Personal assistance from bank's perspective is must
- Separate meetings for various products
- User need to track all products separately
- Bank's suggestion based on only user's financial strengths
- Service based on user's stated needs

Benefits of new process and differentiation

- Virtual tour of the products as well as virtual human assistance
- One interaction for all the products view
- Attachment of products to user's portfolio for easy tracking
- Bank's suggestion based on user likes, dislikes, behavior, various searches, financials etc before even getting the user query

Enhanced process

User does a basic research on internet for buying any financial product. When the user is ready to buy the product, he/she reaches out to the bank through website/mobile/face to face. Before the user even states the query, representative keeps in front of him, the possible products' info in which user has interest and was getting information through various channels. Bank's representative gets this information through omnichannel presence which gives the user's insights to the representative for providing better services. The user will be able to select any one or multiple methods of the interactions (Virtual human, video conferencing, physical meeting) where bank's representative will have the possible questions which the user might ask and the details which user might be looking for. In this single meeting, the user will get the knowledge about any or all of the products as per the user's choice. If the user accepts and wants to go ahead with any of the suggestion, then the bank's representative (virtual or physical) will take the process ahead. Here, the user will provide the credentials (finger print, retina scan) to take the process ahead and attach this new product/portfolio to his/her personal portfolio to make the tracking easy.

Technology

Big data analytics and cloud: Data will be collected from user's web searches, social networking sites, experts review about the various financial products, past interests in the financial products or portfolio. Then this data will be connected with the financial strength of the user once the user places the request and based on the defined algorithms suitable products will be kept in front of the user. As the whole process will be automated, in just one meeting, the user will be able to get the overall picture of all the products. As the whole data will be on cloud, linking these products with user's personal portfolio will make be the job easieran easy job and the customer will be able to access the data anytime, anywhere.

Smart Phones/surfaces/tablets: These products will be used to raise requests and also, provide assistance.

The Also user will be able to review the portfolio of the products. Linkage with the personal portfolio will show impacts of markets up/down and opportunities & threats too.



About the Author



Sumit Kamra

Sumit has 5+ years of IT experience as a Business Analyst in BFSI industry. Currently working as a Sr. Business Analyst in Digital Transformation & Enterprise Solutions business unit. His special interests are in the use of latest technology to enhance customer experience and transfiguring pioneering ideas into products

Happiest Minds

Happiest Minds has a sharp focus on enabling Digital Transformation for customers by delivering a Smart, Secure and Connected experience through disruptive technologies: **mobility, big data analytics, security, cloud computing, social computing, M2M/IoT, unified communications, etc.** Enterprises are embracing these technologies to implement Omni-channel strategies, manage structured & unstructured data and make real time decisions based on actionable insights, while ensuring security for data and infrastructure. Happiest Minds also offers high degree of skills, IPs and domain expertise across a set of focused areas that include IT Services, Product Engineering Services, Infrastructure Management, Security, Testing and Consulting.

Headquartered in Bangalore, India, Happiest Minds has operations in the US, UK, Singapore and Australia.

It secured a \$52.5 million Series-A funding led by Canaan Partners, Intel Capital and Ashok Soota..

Headquartered in Bangalore, India, Happiest Minds has operations in the US, UK, Singapore and Australia. It secured a \$45 million Series-A funding led by Canaan Partners, Intel Capital and Ashok Soota.

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