Managing a Customer Experience Transformation in Banking

Executive Summary

Between stay-at-home orders and health safety restrictions, the global pandemic dramatically accelerated the adoption of digital technology. This is proven by the staggering number of consumers who migrated to virtual channels looking for real time, personalized services and products, including their finances.

In response to this shift in consumer behavior, financial institutions recognized the benefits of digital solutions and the urgency to ramp up their customer engagement strategies to deliver the most cross-channel client experience.

However, despite digital transformation being one of 2021's most talked-about business imperatives across the financial industry, studies show only **14% of financial services companies are actually in the process of implementing digital strategies.**

The wide discrepancy between rhetoric and action raises an important question: if it is paramount for financial institutions to leverage technology so they can meet changing client needs—and they openly recognize this—then why are so few doing it?

To answer this, we need to delve inside the inner workings of financial institutions to find out what barriers are preventing them from embracing the change. What we'll see is that transforming the customer experience is not simply about adding new digital to a technology stack, but about initiating and then implementing a widespread cultural and organizational shift within an organization. Only when you change how you view customer experience can you make the right decisions about the tools to rebuild it for the digital age.

So, what are some of the key internal and cultural barriers to digitizing client experience in financial institutions?

Digital Literacy

In the past, financial literacy and banking experience was a baseline qualification for top executives in financial services. However, a successful digital banking transformation requires an understanding of digital functionality and emerging technologies across all leadership roles. Without that first-hand experience of a digital business, or the norms that come along with it, the leaders responsible for making key decisions about digital strategies are often ill-equipped to lead digital transformation initiatives.

The challenge facing financial institutions today is that there is a significant gap between supply and demand for digitally literate leaders. As a result, less than 10% of organizations across industries have digitally savvy leadership teams. This shortage in talent has impacted the pace of digital transformation and the ability for banks and credit unions to be future ready.

Only 12% of top team members are digitally savvy in the finance and insurance industry, underscoring its vulnerability to disruption by more agile fintech startups. – MIT Sloan

Conversely, the leaders of fintech companies understand the importance—and means—of connecting customer experience to technology. They are already well versed in how critical tactics like UI, design, layout, loading speed, and more—used by digital-first companies for years—go into making up a holistic and seamless customer experience.

It is proven that digitally literate teams have the biggest impact on innovation, customer experience, and business transformation. These teams tend to embrace test-and-learn experimentation, agile business practices, and the use of APIs to support innovation. Research has shown that even if only half of the management team is digitally savvy, the revenue growth premium can be close to 50%, with 15% higher net margins being also evident.

It is clear there is a digital performance gap across the leadershipranks of banks and credit unions that must be addressed to achieve the level of digital transformation desired and the financial results needed to compete. With the massive changes in the marketplace and consumer behavior, it is now important to require technological and digital literacy as additional qualifications for C-suite executives in the financial sector.

Support networks

Even if they have decided or are poised to implement new technologies to modernize the customer experience, financial institutions come face-to-face with the next barrier, one that might prevent them from moving forward at all.

The decision to adopt new technologies often means agreeing to also provide for the ongoing financial and material support that such implementation usually entails, from initial setup through to the intermittent maintenance and constant monitoring of the systems themselves. In many cases, this requires hiring a dedicated person who knows the technology inside out and can handle any variety of servicing or support issues that come along with it.

Reticent to re-distribute precious resources or accrue additional or ongoing costs, financial leaders – again, enculturated with a more business mindset – may decide to double down on their legacy technology system where the costs are already well known and accounted for.

Today, there are digital tools that can easily integrate with the existing technologies of legacy systems, with virtually no coding and without the need for dedicated help. This has presented new opportunities for traditional retail banks to introduce new technologies without heavy upfront investment or high operation costs.

Product-centric vs. Customer-centric

Legacy banks have traditionally been product centric and not so customer centric. Many bank processes have been anchored to how banks have always done business—and often serve the needs of the bank more than the customer.

Customer centricity requires banks to re-evaluate what they know about their customers and to better understand who their customers are, what interests them, what they value, and what drives them. It's about building a relationship that is more meaningful than the transactional one banks traditionally have with their customers—a relationship that looks more like a partnership and that is attuned to the customer's needs.

In the past, banks have focused on developing new products and services as main sources of revenue. However, as financial products and services are becoming commoditized and competitive in pricing, financial institutions need to differentiate themselves by creating an exceptional customer experience.

One of the main contributing factors to the rapid rise of fintech companies is that they were able to recognize client pain points that were not being addressed by legacy banks and created seamless digital experiences accordingly. Fintech companies chose to be all about the customer and created products they would want to use themselves. Banks, on the other hand, focused on better loans, fees and branch locations, but users value comfort, accessibility, and simplicity.

According to a survey by Finextra & Virtusa of over 100 banking executives globally, **shifting from product-centered thinking into a more customer-centered service design approach is established as the main priority by 79% of respondents.**

Digital customer experience improvement challenges traditional banking operating models and culture. It requires a customer-centered approach to deliver financial services that customers would welcome using banking technology.

Legacy tech stack

As an institution grows, so do its processes, tools, ways of thought, and cultural norms. Financial institutions often find themselves using tools that are not only outdated but built using old technologies that make them inflexible and diffcult to update.

Many of these challenges are quickly coming to light as digital fintech tools become the solutions of choice especially by the younger demographic. Further highlighting the constraints of legacy and dated tech stack. It is apparent that on premises, main frame technology does not measure up in the current climate of real time and personalized expectations of consumers.

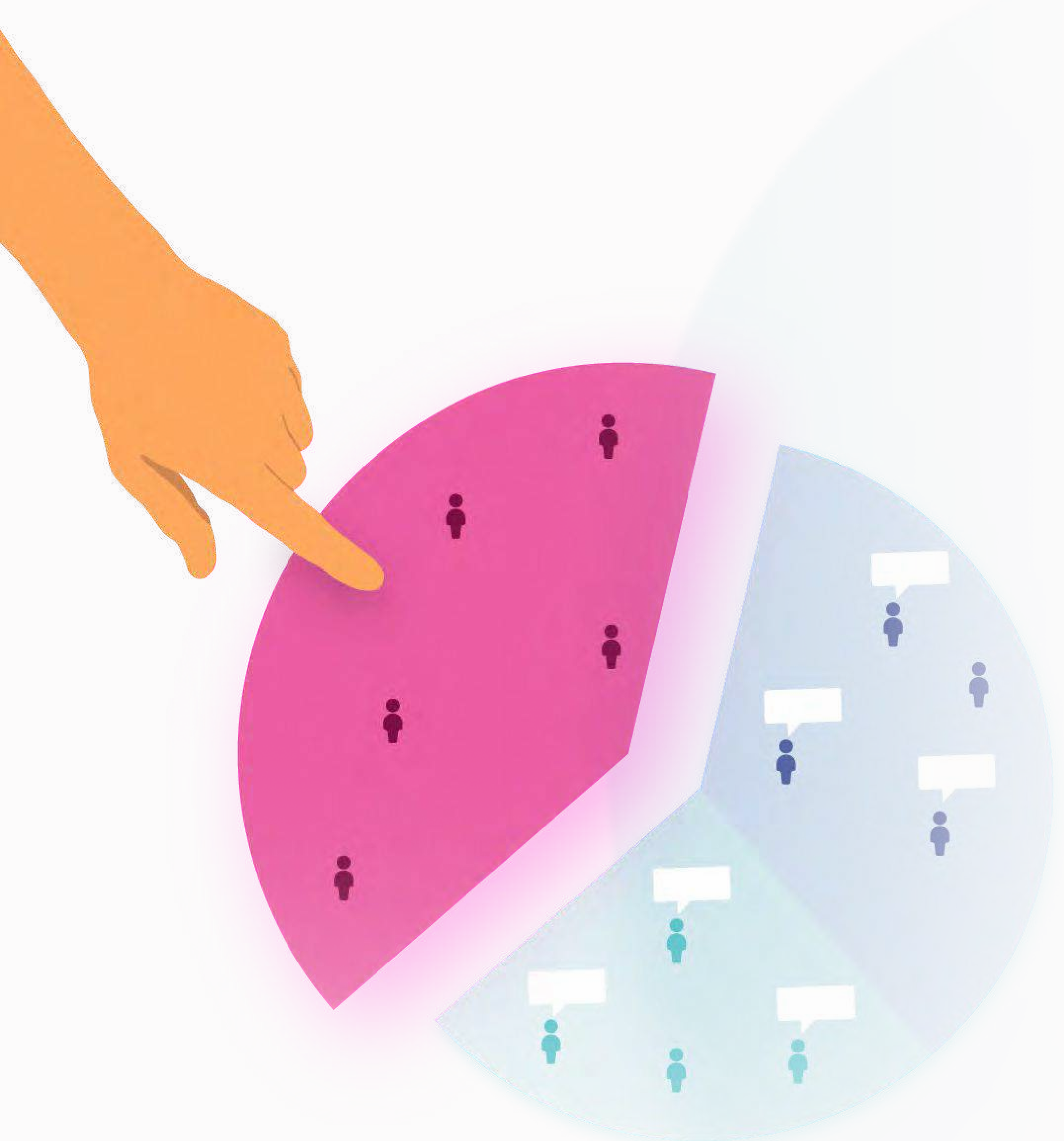
It's become very clear now, that to gain and retain customers, financial companies need digital tools that are agile, micro-services driven, and anticipatory around customer needs.

However, despite its necessity to move the financial services industry into this century, this issue is not about procuring new technology. This is a culture issue. Financial institutions need a full cultural rethink that, first, prioritizes how to engage customers in the best possible way and, second, reorients the technology priorities of the organization to meet that. Before getting agile tools, people need to know why they need them and how those tools will get them to where they want to be.

Inactionable customer data

Financial services companies are covered with data that they capture across many touchpoints of the customer journey. However, without a good strategy to put that data into a format that can properly be analyzed and used, the data can't be as useful as it should be, presenting a major barrier to digital transformation.

Despite access to troves of customer data, large financial organizations — siloed, matrixed, reactive — face challenges in terms of actionable insights into the current customer experience. With their data bound to rigid, slow-moving structures, it remains trapped and unused.



To discover the insights hidden in that data, it needs to be accessible and meaningful. That requires finding a way to connect all the di erent data sources. To achieve this, financial institutions require a focused and empowered customer experience group dedicated to developing an understanding of their clients' wants and needs across the entire client journey from onboarding to churn.

With true insight into the customer experience and various touchpoints—and understanding the direct impact of customer experience on revenue—financial institutions will be able to create exceptional customer experience and create new sources of revenue.

Organizational silos

After years of process focus, traditional banks often find themselves trapped in business unit silos and at times slow decision-making. Silos are often thought of in terms of an organizational structure but that divisional responsibility view is far too one-dimensional. A much larger dynamic lies beneath the surface, where the inability to share insight about customers across silos makes the process of seamless digital transformation hard to achieve.

Today, customers want to be able to get in touch with the company through the channel of their choice and financial service providers are no exception. Therefore, businesses in the financial services industry must be prepared to adopt a true omnichannel approach.

Rather than various business units working in parallel, client engagement channels and their supporting resources should be designed and orchestrated to cooperate. Whether it's online, live chat, mobile apps, or one-on-one in branch interactions, banks should build adequate strategies to make these client touchpoints accessible and seamless.
For the omnichannel strategy to be e ective, all business units across the entire organization must be trained accordingly. They need to have access to the right tools and the right technology that allow them to make sure that the CX is consistent across all these channels.

Transcending silos and distributed decision-making, forward-thinking financial leaders need to step forward and accommodate these two di erent sets of expectations or else the fortress mentality will always be a real barrier to transformation, played out repeatedly in heated conference room debates.

Building bridges

Trust is the beating heart of a financial institution's ethos, which prides itself on building lifelong relationships and caring for their customers – and their customer's data.

Protecting this trust is imperative. The idea of adopting technology that may cause compliance and data security challenges certainly raises questions in an industry as highly regulated and sensitive as banking.

Understandably, then, institutions are often wary of adopting digital tools whose security measures don't mirror their own legacy measures and need to be assured that their potential partners have the right processes and policies in place to mitigate risk.

Security certifications like SOC2 – issued when outside auditors assess that a third party meets the strict regulatory requirements to guarantee secure data management and privacy measures – are exactly the bridge that builds trust between fintech, vendors, financial institutions and third parties.

To get their buy-in, financial leaders need to be made aware of the reach and rigor of security accreditation measures that are baked into many digital tools, so that they can extend the same trust placed in their institution to the right digital partners.

Secure your place in the future

Consumers expect their financial company to deliver exceptional digital experiences across a variety of digital and in-person channels. And if financial institutions fail to do so, or further neglect the evolving needs of today's customers, they will end up losing the business of these unsatisfied clients.

Top to bottom, across department and rank, financial service providers need to align on what a great customer experience looks like, more so for those saddled by legacy systems.

To do this, however, organizations first need to examine how their culture directly or indirectly erects the internal barriers to digital transformation, and only then can they cultivate an in-depth understanding of how they should build their customer experience. From here, it's a short step to implementing the technology that delivers the seamless experiences so crucial to ensuring customer satisfaction.

Innovative financial institutions have learned that better experiences for customers lead to increased throughput in their sales journeys (and therefore more revenue) and lower friction in service journeys (and therefore lower cost to serve). In short, customer experience performance does not require a trade-o with financial performance; in fact, for many banks, it is a primary driver of financial performance.
Digital change continues to move at a rapid pace and, rather than be cowed by the fear of being left behind, financial institutions need to reframe this as a unique opportunity to embrace the culture that will build the customer experience of the future, so they can secure themselves a place in it.

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