Banks and financial institutions need to reinvent themselves in order to build trust and be relevant to customers in the digital age / November 2015

Connected banking: Connecting and engaging with tomorrow’s customer... today

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Banks and financial institutions need to reinvent themselves in order to build trust and be relevant to customers in the digital age...

Predictive analytics will allow financial providers to give customers the help they really need when they’re most receptive to hearing it.

Customers will expect to be ‘known’ seamlessly, across channels, in real-time.

Customers will expect to ‘bring their own devices’ – and they’ll expect their financial providers to adapt.

As customers change the way they interact with financial providers, customer-facing roles will be redefined.

More digital interactions will increase fraud exposure, which could lead to significant financial and reputational risks.

Traditional products, services and business models will not cut it in the future. Consistently delivering a quality customer experience will be key. How are you placed to deliver this?

Watch the video at digital.pwc.com/upping-the-ante
Always on and connected: Understanding tomorrow’s customer

Banks and financial institutions are starting to see the potential of innovation and technology to change the traditional ‘commodity’ perception of banking into something much more engaging. Banks are now able to connect with customers in a way that is far superior to what has been seen before.

But let’s be honest – banking does not yet bring the same level of excitement as going out to a restaurant or the movies, or spending time with friends or family. And we don’t think it will, for the foreseeable future. But there’s no reason it can’t be simple and enjoyable.

It’s now easier than ever to view all your accounts, get support when you need it, or open a new product and take advantage of any sign-on bonuses or ongoing rewards. Most importantly, it’s now simple and easy to transact and use your money for those things that are important in life – e.g. going out for a meal with friends then transferring cash to share the bill.

Thanks to the mountain of data available and smarter technologies, banks can better anticipate and surpass their customers’ needs and expectations. Banks are also lowering the cost to serve by using technology to simplify and eliminate clunky and costly processes. The intended result is to create loyal and ‘sticky’ customers who are brand advocates – which ultimately leads to improved bottom-line results.

Just as technology is evolving rapidly, so too is the customer. Add into the mix increasing regulatory pressures and changes aimed at maintaining and improving the standing of banks and financial institutions as pillars of the Australian and Global economy – and this creates some strong headwinds to navigate. It’s time to start thinking about the world of tomorrow, and the customers of tomorrow... today. Specifically:

• Who is tomorrow’s customer?
• How must banks adapt to keep pace with technological change and customer expectations?
• What capabilities are essential for improving customer experience in the world of connected banking?
• How to perceive and use regulatory change in a ‘positive’ manner, as opposed to ‘forced’ (and costly) action?
• Where do you need to focus today, to meet the needs of tomorrow’s customer?
Customers are expecting…

- **Frictionless transactions**: Allowing customers to conduct quick and easy transactions, through whatever device or channel they choose.

- **Simplicity**: No jargon or complex processes. The aesthetics, description and functionality of products and services are simple and clear.

- **Borderless access**: Anywhere, anytime – across all channels.

- **Security**: Trust in the bank or institution, and feel that their money and privacy are safe.

- **Personalised experiences**: Customer preferences are well understood, and needs are anticipated in order to build deep relationships, and to ensure communication and marketing are not intrusive.

- **Help on demand**: Support is available when it’s needed, delivered through whichever channel is preferred at that moment.

- **Real time information**: Data is processed immediately across all channels, and real time information is visible.

- **Value**: Getting a good deal, or ‘value for money’. Banks make money – they should share it through rewards for loyalty, tenure and product holdings.

- **Quality**: Having products and services doing what they say ‘on the tin’, as well as continually offering new and innovative products and services.

…and therefore expect to feel

- **Loved and cared for**, through an authentic and personalised experience.

- **Connected** to a brand they know and trust.

- **Empowered** by the choice to connect through whatever channel they prefer.

- **Informed** by rich information about products, services and support.

- **Delighted** because their needs are anticipated and loyalty rewarded.

- **Safe and secure** that their money won’t disappear.

…resulting in banks and financial institutions needing to deliver

- the **beautiful** basics: Just keep things simple, and ensure customer effort is minimal at all times.

- ‘**wow**’ moments: Find opportunities to exceed customer expectations, and to also teach customers something new to improve their financial position.

…in a **bionic** manner – combining the ‘human element’ with technology for tomorrow’s customer.
The connected customer experience

Hyper-connected customers are changing attitudes and behaviours dramatically in response to the digital revolution.

Tomorrow’s customers are not just Generation Y or digital natives. They are you, me, your parents and their parents too.

They are ready to ignore traditional boundaries and experiment (within reason).

They have dynamic personas and shift their tastes depending on the occasion.

They love brands they can engage with, but are disloyal to those they can’t.

They’re impatient, and make decisions quickly.

What are tomorrow’s winning capabilities?

Disruption
Engagement
Digitisation
Trust

What are the perspectives of business change?

Dynamic Customer Engagement
Branded Customer Experience
Continual Innovation
Employees as Advocates
Customer Technology enablement
Dynamic Service Delivery

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Who is tomorrow’s customer?

Tomorrow’s customers are not just Generation Y or digital natives. They are you, me, your parents and their parents too.

Today we expect the main users of digital channels to be millennials and Gen Y. But the ease of using mobile devices, especially tablets, means that older generations are rapidly becoming digitally connected. So while baby boomers might not tweet, blog or buy as much online today, expect them to resemble digital natives very soon. According to ACMA research completed in December 2014, 43 per cent of Australians aged 55 to 64, and 22 per cent of those over 65, were regular tablet users, compared to 56 per cent of 18- to 24-year-olds.

They are ready to ignore traditional boundaries and experiment (within reason)

Tomorrow’s customer will be so used to experiencing new things, that the caution we often see in customers today will be less common tomorrow. However, there will always be caution when it comes to people’s money. Banks and financial institutions need to recognise this and deliver solutions that are safe and secure. Banks can capitalise on this willingness to experiment by creating new ways to make contact and to help customers discover additional roles for banks and financial institutions in their lives, but never at the expense of trust and security.

They have dynamic personas and shift their tastes depending on the occasion

Tomorrow’s customers don’t fit easily into traditional market segments. Customers have always been unpredictable, emotional and apparently irrational, but the constant stream of information that customers now absorb means they will change their interests and routine even more frequently. Tomorrow it will be too hard to make quick sense of customer behaviour without insight analytics available in real time – for both the customer and the bank/financial institution.
They love brands they can engage with, but are disloyal to those they can’t

Tomorrow’s customer will reward companies that provide a personalised and meaningful experience. They will look for brands that have a purpose beyond just selling products. Conversely, tomorrow’s customer will not waste their energy dealing with banks and financial institutions that simply provide functional products.

They’re impatient, and make decisions quickly

The connected customer will be more impatient than today’s, and will want near-immediate gratification. Instant access to more information and choice has changed the speed at which customers make decisions.

Successful banks or financial institutions provide easy-to-digest information, personalised support and cross-channel engagement to help customers make their financial decisions more quickly.
What are the perspectives of business change?

**Disruption**

Rethink your business from the customer’s viewpoint, and work inward. What is it about your business that makes little sense when seen through a customer’s eyes? Customers’ expectations of the banking experience are being set outside the financial sector from more ‘funky’ sectors like the retail industry. Banks and financial institutions need to find new ways of delivering and capturing customer value – and doing so in a way that embraces disruption and innovation. Banks need to be prepared to change today’s revenue streams (or in some cases even cannibalise revenue streams) – before someone else does.

Start from the assumption that self-disruption is necessary, not optional. Banks and financial institutions need to use their customers as an ally and as an asset, to help them refine and constantly question the relevance of their existing products and services.

**Engagement**

Applying behavioural economics and emotions to develop a one-to-one relationship with each customer is becoming essential for meaningful engagement and advocacy.

Customers want quick and easy transactions, but they also expect their bank to teach them something new. Collecting data and knowing facts about your customers is one challenge. Constantly finding ways to be relevant to their lives, appeal to their emotions and be invited to interact is another.

**Digitisation**

Digitisation is more than technological improvement. It means radically simplifying and removing friction from systems, to dramatically reduce the cost of a product or service through efficiency.

It’s also about creating a new culture that challenges traditional technology limitations and medium/long-term delivery timeframes. Lastly, it should also mean a flawless, seamless, easy and more enjoyable customer experience.

**Trust**

Having secure systems to manage and protect a customer’s data is only the start of inspiring their trust. Organisations also need to develop emotional intelligence (EQ) and apply the art of rapport-building to data science.

You need to know when to use data, and when not to. Discerning judgement is essential for building trust and a meaningful relationship. Just because you can SMS a customer when the data tells you they meet certain criteria, doesn’t mean you should. Customers are people, and organisations need to display the same social respect that emotionally aware people do.

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68% Percentage of Banking & Capital Markets (BCM) CEOs see the speed of technological change as a threat to growth, a large increase from 57% last year.

88% Percentage of BCM CEOs who recognise the importance of a clear vision of how digital technologies can help achieve competitive advantage in helping to make the most of their digital investments.
What are tomorrow’s winning capabilities?

**Customer targeting and conversion**

Tomorrow’s customer is ready to convert – but only if you know what to do. Customer targeting and conversion represents the sharp end of engaging the customer of tomorrow, predicting their buying behaviours and shaping your real-time and longer-term offers accordingly. By pulling together disconnected fragments of information, utilising thousands of data fields and letting the maths do the work, will give businesses new clusters of value to target and convert.

Aiming to dramatically deepen the relationship with customers enables banks or financial institutions to ‘give first’, humanise their brands, show personality, align with trends, be culturally and contextually relevant, share feelings and react with specifically timed interventions that change buying habits and behaviours.

**Dynamic Customer Engagement**

Where once sales messages were pushed out at great expense and with little hope, the new way to connect is with ideas, information and entertainment that facilitate the buying, not the selling cycle. Dynamic Customer Engagement is the real-time, data-driven way to connect your business with tomorrow’s customer by being continually ready to engage with them in a relevant way – across all interactions and channels.

This capability dissects and distils all available information, so you know what existing and would-be customers are thinking, saying and sharing about you, your competitors, and your entire market. This dynamic engagement style transcends the traditional bank to customer relationship, and also allows for broader dialogue between customers and non-customers.

**Branded Customer Experience**

Yesterday was talking the talk. Today is walking the walk. And tomorrow’s customer will buy from, and stay with, brand whose actions speak louder than words. For tomorrow’s customer, a Branded Customer Experience unifies your organisational purpose and identity, and demonstrates your point of difference all in one.

The aim of a Branded Customer Experience is to make a customer feel something, and leave an indelible, positive, emotional association with your brand – felt as a memorable moment, a sharable story, or a deep-seated connection that strengthens over time. The key to success is to remain totally customer focussed, and ensure your organisational values are consistently delivered across every customer touch point, and also throughout your organisation.
Continual Innovation

We all know how fast the world is changing. So creating a new culture of innovation and curiosity to constructively challenge conventional norms and come up with new ideas is therefore critical. How? By opening your organisation. Focus on sustainable ongoing innovation in customer–relevant products and services, as well as their supporting internal processes. Intimately involve your customers and suppliers in research and co-design, as well as involving internal and external talent in product and service refinement or radical disruption.

Employees as Advocates

How do you ensure all your employees understand how they affect the customer experience? By redefining culture, governance, metrics, incentives and processes aligned to the customer-centric organisational strategy. And empowering employees to advocate for the company as a result of this, knowing that they will be recognised for their actions.

Furthermore, this is about building a culture that creates a relationship with the customer. Obviously this is important for customer-facing staff, but it’s equally important for other staff, to avoid disconnected customer experience. Our experience suggests that customers value, and are seeking, a relationship. From an organisational perspective, value is captured over the lifetime of the relationship, evident through improved retention, as well as through the customer being less price sensitive.

Customer Technology Enablement

Delivering a truly connected experience requires a lot more than just the adoption of agile methods. Financial institutions will have to restructure their technology landscapes quite radically to become customer-centric and ‘bionic’ to combine human and machine intelligence smartly. The new domain of the ‘digital core’ needs to be designed, underpinned by real solutions and delivered quickly and at affordable costs.

Dynamic Service Delivery

To keep up with tomorrow’s customer, the voice of the customer needs to be pervasive through all functions and levels. When it’s heard, decisions need to be made quickly about how to respond, resources activated and team structures and processes enthusiastically changed.

The organisation that keeps up with tomorrow’s customer is alert, frequently morphs itself and is singularly focused on activities that delight or those that reduce pain. It’s also about delivering ‘test and learn’ initiatives to iteratively test successes – and ‘fail fast’ where necessary to avoid wasting time and money. The result? A positive and innovative customer experience. And organisational investment focused where it matters most.

19.6m
Number of subscribers with mobile internet access connections in 2013.

74%
Incumbent businesses take at least two years to react to disruption in their market.
How to listen and engage with the banking customer of tomorrow

After Tess and Michael return from their honeymoon, Tess logs into her internet banking to pay the couple’s rent. A notification appears saying ‘Congratulations. We’ve heard that you were recently married’. At the bottom of the notification is a button saying ‘What’s next for people like you?’. Tess clicks on it, and is surprised by the number of couples who are home-owners.

Expenditure analytics enables Bank ABC to draw conclusions about significant life events to trigger conversations.

A couple of days later, Tess and her husband are leaving the beach and passing through a suburb they’ve always liked. Admiring a house, Tess asks Google “Hey Google, What’s the typical house price in this area?” Google comes back with an average price and number of sales over the last year.

Voice analytics combined with geospatial scanning understands the question and context, performing a search.

Looking through the list, Tess’s husband Michael likes what he sees and asks “How much would we need for a deposit?” Google suggests connecting with the couple’s bank which Michael accepts. Bank ABC finds their information and starts scanning.

Bank ABC’s sophisticated robo advice platform easily finds the couple’s information and bank records.

Bank ABC’s robo advice platform returns the results. With the couple’s current savings and credit history, they only need to save $10,000 more to buy in their dream suburb.

The robo advice platform uses the couple’s information to approve credit instantly and calculate the deposit for the couple.
Bank ABC asks Tess and Michael if they’d like to look at some ways to save and they click through. They are shown a quick view of transactions over the last month with transactions they could save on highlighted. They’re also directed to Bank ABC’s community forum to see how others have saved.

Every month, Tess and Michael receives congratulations for saving towards their goal. When Tess goes to buy groceries, she is alerted of sales and money-saving recipes the couple can use.

After 10 months of exceeding their goals, Tess and Michael have saved $10,000. Bank ABC congratulates them with a $200 gift card towards a restaurant in the suburb they want to buy in, and confirms they have conditional loan approval.

Transaction analytics can categorise the couple’s expenditure and help them identify ways to save.

Goals-based saving and advice, combined with gamification techniques, helps the couple focus on what’s important.

Near Field Communications (NFC) beacons activate tips and reminders, helping the couple easily find ways to save.

An instant conditional approval and token reward seeks to take the couple off the market from other banks.
Bank ABC confirms the area Tess and Michael want to buy in, and, knowing the size of mortgage they can afford, brings up a shortlist of houses (through an affiliation with a property search agency). With a click, they import inspections into their calendar.

After a couple of inspections, they find the house they want to buy and are ecstatic. They upload the details of the house and the bank returns the mortgage contract for them to accept.

The couple review the contract, but see that their fixed interest rate is 10bps higher than what they were originally told. The bank sends Tess an SMS, asking how likely they are to proceed.

Tess responds with a rating of 3 out of 10, indicating that she’s not sure of their intention to proceed. Within two hours she receives a call from Bank ABC, which after learning of the issue, apologises and corrects the rate. Tess and Michael are now happy to accept the mortgage.

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**Bank ABC collects and stores information known about the couple so it can make relevant suggestions.**

**Bank ABC can easily access records about the house to help complete the mortgage contract, and is also able to send digital mortgage contracts.**

**Using real-time customer feedback, Bank ABC is able to proactively understand, measure and impact the customer experience in real-time.**

**A set operating rhythm around the customer feedback enables lower-rated responses to be instantly identified and followed up to convert mortgages.**
Mortgage application accepted, Bank ABC understands the stress of buying a house, and also offers the couple a number of services including auction day support, surveyancing and removalist services – all available through packages with the bank.

On auction day, the couple have Ben from Bank ABC on-site supporting them making bids and offering guidance on their maximum limit. It’s a close call – but the couple finally win the house! The couple are able to meet deadlines to settle quickly and are able to take advantage of the bank’s removalist package.

Within the first week of ‘owning’ their new home, they receive a welcome present (complimentary food hamper and bottle of champagne) from Bank ABC. They also receive a 10% discount on their groceries in year 1, due to a partnership agreement between the bank and a major grocery retailer.

When the couple go to draw down on their mortgage, Bank ABC suggests they look into insurance. As both Tess and Michael have wearables, they have the option to share their activity for a chance to reduce their premium. They choose to share their data to take advantage of this saving.

Knowing how important and emotional buying a house is, Bank ABC have partnered with relevant services to make the entire process as easy as possible.

Although a digital experience is important, Bank ABC knows the importance of an interpersonal relationship when it counts and provides support at moments of truth.

Delivering exceptional experiences at ‘moments of truth’ is important to create customer loyalty and advocacy.

Using new and emerging technologies is not only important to be seen as innovative, but also creates efficiency and product/service effectiveness.
How to build the capabilities needed for tomorrow

Customers – yours and your competitors’ – talk. They talk about you and to you. They’re doing this on social media, via digital channels, apps and websites, in branch, and via your call centre. Combining insights from these channels is the single most powerful way to place the voice of the customer front and centre in your business.

Customer advocacy programs in particular can benefit from this active listening, as the scale and frequency of customer contact from these channels often heavily outweighs survey-driven programs. There are many tools available to broaden a business’s listening capability, so this need not be expensive or complex.

PwC’s customer.mind is one tool, and offers the ability to measure real-time customer advocacy by analysing the sentiment expressed. We also see value in real time customer experience monitoring. This is more structured than social listening, as it is capturing feedback at key interactions (or ‘moments of truth’), translating this feedback into insights, and making it immediately actionable for the C-suite, middle management, and front-line staff.

Building the capability to connect with tomorrow’s customer should be part of the strategic journey for any bank or financial institution. It’s important to get this right, otherwise both today’s and tomorrow’s customer will move to somewhere that better meets their needs. The gaps between today and tomorrow may appear daunting, but every journey starts with a few first steps. We see four initial steps on this journey...
2. Truly understand your end-to-end customer experience, and design the future accordingly

Do you truly understand the journey that your customers go through today and the occasions that trigger them? Also, do you know what’s important to them tomorrow?

In tomorrow’s world, loyalty will be less about managing reward and recognition programs and more about building a relationship that each customer values. In order to create a meaningful and enjoyable customer experience, it’s important to understand the end-to-end experience across physical and digital channels where they interact with your brand – and focus on the most important interactions which can create a ‘make or break’ experience.

For example, trying to understand the entire banking experience for a city based couple buying their first property needs to start with understanding their goals in life (short, medium and long term), their saving and spend history, the products they have today and will need tomorrow; and not just the loan application process (although this is also critical).

It’s important to leverage meaningful customer research to truly understand the rational and emotional situation of your customer and the problems they are trying to solve, rather than the products you can push.

In our experience, we see three main research options:

• **Quantitative research:** Let the numbers do the talking through surveying (e.g. standard, stated preference, conjoint analysis) and leverage advanced analytical techniques to properly interrogate and visualise complex data (e.g. self-organising maps using artificial intelligence, willingness to pay analysis).

• **Qualitative research:** Listening and observing customers to understand what is really driving them (e.g. focus groups, ethnographic observations, behavioural economics).

• **Co-design and prototyping:** Designing and testing things with the customer to bring concepts to life quickly, and to also ‘fail fast, fail early’ where significant investment may be needed (e.g. user experience design and testing, customer co-design and prototyping).
3. Develop and deliver your customer transformation strategy – dynamically

Having clarity of your customer transformation strategy is one thing. Delivering it is an entirely different thing, given the size and complexity of these sort of agendas, and given the rapidly changing external environment.

We think it’s important to have answers to the following questions for effective and efficient strategy delivery:

• What listening, interpretation, response and targeting capabilities do you need to deliver your customer transformation strategy?
• What changes are required in your business model and culture to enable the strategy?
• What data and technology options are there for realising those capabilities?
• What is the roadmap to get you there? And how will you adapt it as things change?
• How do you know if you’ve been successful? What are the critical success factors – and how do you measure them?

Our approach to this is Dynamic Service Delivery (DSD). Over the years, we’ve learnt a lot about how to drive value and manage risks, and also about the common pitfalls of these large transformation programs. DSD is our human-centred approach to transformation. It’s all about changing the fundamental way your organisation operates, so that it becomes one that is adaptive and collaborative, innovative and curious, and truly focused on what matters to the customer – across all functions and levels. We believe that if you get this right, the commercial results follow.

4. Agile digital core

Banks and financial institutions will have to fundamentally rethink their enterprise architecture to meet the needs of tomorrow’s customer. Many of the critical capabilities to manage customer information, products, processes and business rules are still buried deeply in the legacy back-end systems. These functions will have to be brought much closer to the front-end, which is very difficult to do without further increasing fragmentation and complexity in the application landscape.

As a consequence of not having suitable software packages to leverage, more complex and clunky channel solutions have typically been built in-house. However, this situation is changing rapidly, as more and more modern customer native solutions are maturing. These platforms are omni-channel, agile, multi-tenant and cloud-enabled by design, and allow banks and financial institutions to deliver new products and services within weeks instead of years. On the one hand, moving more intelligence to the front-end supports the often stated but rarely realised objective of hollowing out the legacy systems. On the other hand, it will only work if enterprise architects radically change their views of where critical data and functions need to reside.

Financial institutions keen to have a global, up-to-date view of FinTech players can now link into PwC’s DeNovo research tool, which scans thousands of companies in a systematic fashion. In addition, PwC’s @Scale FinTech accelerator helps emerging technologies enter the mainstream by injecting expertise and by making them available ‘as a service’.

With so much change at the moment, with even more on the horizon, will you be brave and make the bold decisions in your organisation in order to be relevant to tomorrow’s customer? Or is it an even braver decision not to?
End notes

Further information


6. SINTEF, ‘Big Data, for better or worse: 90% of world’s data generated over last two years.” ScienceDaily, 22 May 2013, http://www.sciencedaily.com/releases/2013/05/130522085217.htm


Find out how you can engage the connected banking customer

John Riccio  
Partner & Digital Services Leader  
The Experience Centre, Digital Services  
+61 419 275 097  
john.riccio@pwc.com

Peter Burns  
Partner & Consulting Financial Services Leader  
+61 409 670 275  
peter.burns@strategyand.au.pwc.com

Barry Trubridge  
Director, Customer Strategy – Financial Services  
+61 409 564 548  
barry.trubridge@pwc.com

Thomas Achhorner  
Partner & Consulting Financial Services Digital Leader  
+61 439 005 877  
thomas.achhorner@strategyand.au.pwc.com

Julie Coates  
Partner & Financial Services Leader  
+61 (2) 8266 2006  
julie.coates@pwc.com

Eugene Macey  
Senior Manager, Customer Strategy – Financial Services  
+61 421 591 254  
eugene.macey@pwc.com

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