

Moving towards connected banking

Customer-focused banks need specific business capabilities to meet customer expectations and drive growth. Farhan Syed explains how they can deliver a connected experience that could elevate the customer beyond channel interactions.

For the last two decades, banks have been extending their services to new channels, devices and touchpoints. These include delivering banking apps to access balances and pay bills anywhere, anytime; providing real-time approvals and instant access to credit via credit card apps; and offering online mortgage apps via smartphones, laptops, smart watches and voice-assisted devices. The result: a 1,000% increase in the number of customer touchpoints.

As customer interactions increase, bank executives tend to see revenue decrease due to the number of channels required for service. For example, banks have added phone apps with mobile deposits; yet, their customers still require access to physical infrastructure like automated teller machines (ATMs) and branches. Under this scenario, the promise of reducing channel costs by adding digital services has not generally been realized.

To compete more effectively, capture the inherent value in digital channels and reduce the cost-to-serve of traditional channels, banks could adapt by attempting to remove organizational silos and aim to align the entire organization around the customer. This goes far beyond front-office and customer-facing functions. It involves aligning six key stakeholder groups: customers; employees; partners; and alliances; front-, middle-, and back-office functions; and the broader digital ecosystem.

Making connections

KPMG commissioned Forrester Consulting to conduct a study to gain a better understanding of success factors in delivering a company's customer agenda. The research shows that when companies move away from the limitations of operating in functional silos and towards what KPMG defines as a 'connected enterprise' –

an organization that is connected and aligned across businesses, functions and channels – they are likely to outperform their competitors. While eight in ten banks were placing a "high or top priority" on being connected, many banks were just "checking the box" when it came to customer centricity. They tended to focus on multi-channel tactics masquerading as a connected-enterprise strategy. For those banks investing in a more customer-centric approach, four in ten indicated that they had positive return on investment (ROI) metrics and for most expectations were exceeded.

To align the front, middle and back office around the established customer agenda can be an enormous challenge without a properly structured and orchestrated approach. It starts with understanding the organization's important customers and then building the business around them. That means aligning core operations, policy administration, claims management, financial management and other back-office and support functions with the aim of creating the best experience for those customers.

The need for customer centricity is now being felt across the C-suite. KPMG International's 2019 Survey of global CEOs in the banking sector found that less than half believe they are achieving ROI from their investment in customer experience. In a separate survey of more than 3,000 global CIOs and other IT executives conducted by KPMG and Harvey Nash in 2018, 55% cited "enhancing customer experience" as a top business priority.

Anticipating needs, responding with agility

Generally successful organizations are those that put their customers at the heart of their strategy, planning

and execution and continually ask “what does this mean to my customers?,” “what is the impact on my customers?” and “how will my customers respond?”

They are insight driven: these companies know their customers at a profound level; they know their physical and their psychological needs and, consequently, they are able to craft market-leading propositions. They are continually listening to customer feedback in real time and creating experiences that are inspirational and motivational.

They practice customer foresight to anticipate customer needs: generally many are organized around the customer, with ‘test and learn’ being a way of life. They are organized to respond quickly and to execute efficiently and effectively, so that in many cases they meet the need just as the customer realizes they have one.

Banks should therefore strive to become distinguishable by the degree to which their customer experience efforts are integrated and connected. The boundaries between their front and back offices are blurring and they are intimately close to their customers and driven to innovate by the insights they gain. Customer-centric corporates today are structuring their businesses in new and exciting ways. They are seeing customer experience as a source of commercial value; not just a differentiator versus competition (although it certainly is also that) but a mechanism for potential superior profitability.

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