



Future of Retail Banking

**KPMG Connected Enterprise
for Retail Banking**

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home.kpmg/be/Banking

Foreword



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These are pivotal times for retail banking. As the industry adjusts to the effects of COVID-19 and looks towards the future, the landscape is very different. Banks must negotiate a multitude of shifting factors — from changing customer behaviors to economic headwinds, intensifying competition, regulatory pressures and technological disruption.

But while there are challenges, change also brings opportunity. Banks that can drive a truly differentiated proposition — putting the customer experience at the heart of everything they do and connecting it across the enterprise — have the potential to secure a significant competitive advantage.

It is this notion of becoming a Connected Enterprise that we explore in this report, setting out the hallmarks of the future of retail banking and how this may manifest itself across what we believe will be the three dominant banking models in the new reality we are entering.

The trends we discuss are not new, but they have been significantly intensified by COVID-19. Banks have already been investing significant sums in AI and new technologies to improve the customer experience. A growing number of disruptors, including fintech firms and tech titans, have been raising the bar for customers' experiences and expectations.

Now though, the stakes are even higher. A significant gap has already opened between leading customer-centric banks who demonstrate strength across a range of capabilities critical for enabling digital transformation *against* their peers — and our research indicates this gap in capability may widen further, and more dramatically, due to the acceleration of changes brought on by the COVID-19 crisis.

In order to be successful, solutions and architectures will require more focus and finesse than simply bolting on new pieces of technology. Prioritization of effort in certain areas will make a difference; designing great experiences for customers, putting innovation at the heart of product development and servicing, and creating an ecosystem of partners that can be used to accelerate solutions and increase agility, while being aligned to achieve great customer outcomes.

Becoming a Connected Bank takes commitment and determination. Achieving it has become more important than ever before. It is the key to providing consumers with the enhanced customer experience that is fundamental to future success.

We hope you find this report valuable in illustrating what the future of retail banking holds. If you would like to discuss how we can help you evaluate and make faster progress on your bank's connected journey, please contact us, or your local KPMG office.

Throughout this document, "we", "KPMG", "us" and "our" refers to the global organization or to one or more of the member firms of KPMG International Limited ("KPMG International"), each of which is a separate legal entity.

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Signals of change

Retail banking faces a more complex environment than perhaps ever before. Driven by COVID-19, the social and economic landscape has been radically reshaped while customer needs and expectations continue to dynamically evolve.



Customer

The global impact of COVID-19 has accelerated consumer expectations and shifted priorities. Those banks that are able to deliver seamless and personalized experiences to their customers, based on relevant data and insights will be best placed to grow market share.



Competitive

Incumbent banks are being challenged from all sides for market by a combination of neo banks and non-traditional participants. Longer term, customers will turn to alternative providers if their needs can be met more effectively.



Economic

The adverse economic headwinds of COVID-19 will challenge retail banking margins. Traditional profit pools are under threat causing retail banks to rethink their business and operating models in order to achieve profitable growth.



Regulatory

Globally, regulators will take an interventionist approach to increase competition, drive greater enterprise resilience, increase cyber security, protect data and support vulnerable customers. Retail banks will need to remain agile in their risk management approach.



Technological

Technology will continue to redefine the relationship between customer and retail bank. Banks need to prioritize their investment in current technologies in order to enable profitable growth and future agility, as well as to substantially reduce the cost of operations through automating manual, paper-based processes.

Customer signals

COVID-19 has had an immediate and widespread impact across all countries and demographics, heightening consumer expectations and shifting priorities.



Value and price are becoming equals for customer loyalty. Consumer spending has been impacted by both a decrease in disposable income and the psychological impact of COVID-19. Cost or value now has greater impact on how a customer's assessment of their experiences translates into advocacy and loyalty. This year our Customer Experience Excellence 2020 research has found that for those countries experiencing severe economic impact, value as a determinant of loyalty is second only to personalization.¹

Consumers have become more demanding of **digital experiences**. COVID-19 has amplified the need for easy access to products, services and information. Most customers are now comfortable using online channels to buy what they need.

They are reducing physical purchase occasions and are gravitating towards touchless shopping and contactless payments. Eighty-two percent of consumers say they are more likely to use digital wallets or cards in the future.

Trust has become multi-dimensional. Customers have become more aware of environmental and corporate behaviors. They are more questioning of brand behavior relating to environment and social issues.

|| Retail banks need to consider how they can drive customer loyalty. ||

Key purchase drivers



% = proportion of consumers who rate each as important in their decision-making
Which of the following are important to you when buying a product or service?

¹KPMG Customer experience in the new reality — Global customer experience excellence research: The COVID-19 special edition: Consumers and the new reality, KPMG International, June 2020

Competitive signals

Incumbent banks are being challenged from all sides for market share by a combination of neo banks and non-traditional participants.



Globally, the market has been flooded with a new wave of growing neo banks. Unburdened by legacy technology and operating with greater agility, **neo banks** are able to offer personalized experience and seamless interaction craved by a generation who demand a smart digital experience.



Incumbents are also being challenged by a series of **non-traditional players**. In Asia, social media platforms such as WeChat have enjoyed success in offering banking services. Similar well-established online retailers such as Alibaba have begun to offer banking services drawing on their advanced technology and well-established customer base.

The market has also seen the introduction of more **specialist providers**, operating in previously unexplored areas of the market. In Africa and Asia, **micro-financing** providers like Paytm are enabling unbanked customers to transfer funds using a telephone network without the complexity and fees of bank accounts. These are significant threats for **incumbent banks** who have been able to rely on direct customer relationships to ensure 'stickiness' and an opportunity to sell additional products and services.

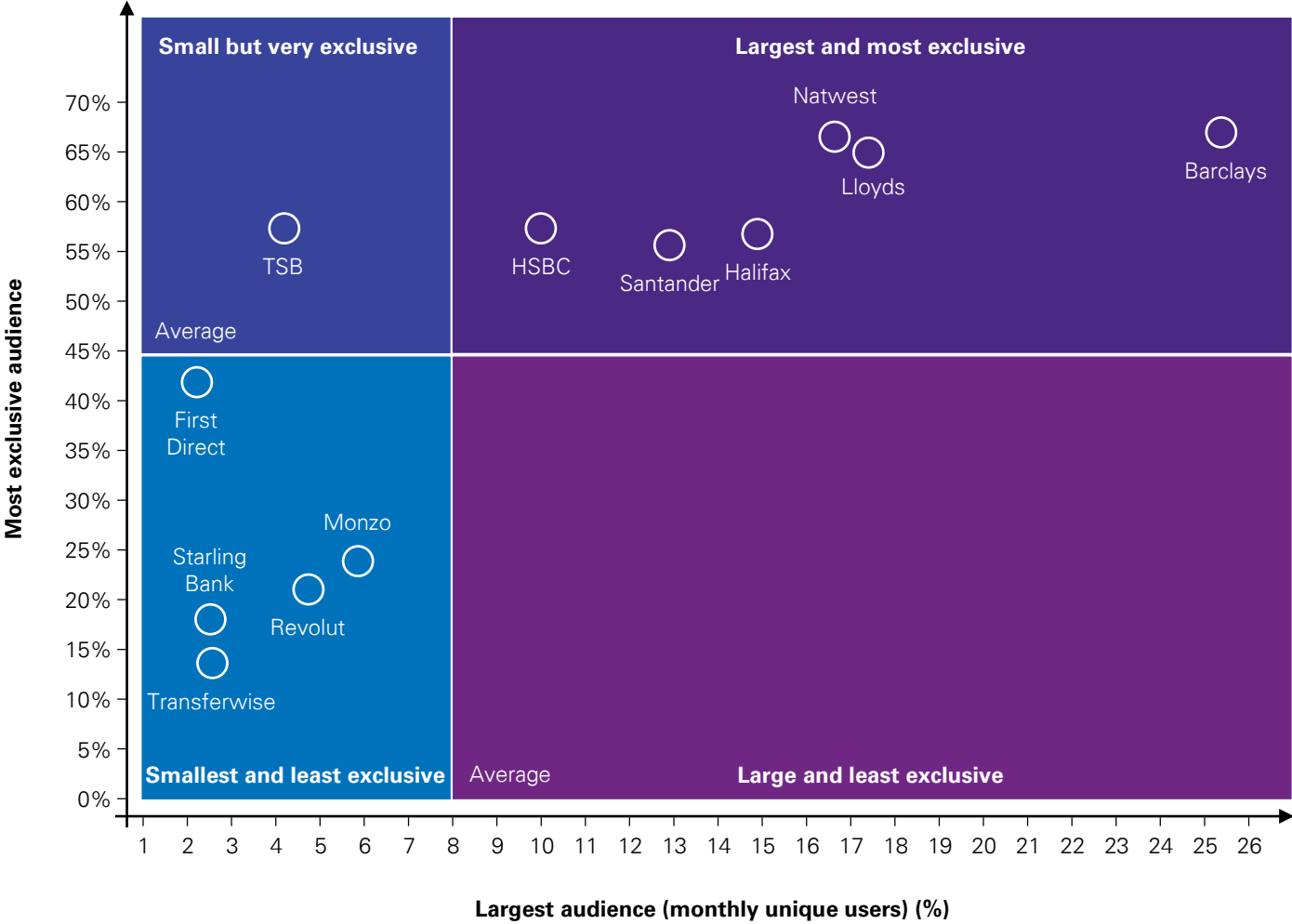
However it is not all bad news for the incumbent banks. The chart on page 7 shows that while new entrants are growing fast, customers primarily use **neo banks** for ancillary services. In the UK, 80 percent of Monzo customers were also using an incumbent's banking app.

Neo banks are still not widely used as a primary banking service. This is likely due to customer inertia or feeling that there is a lack of trusted viable alternative especially in light of the recent pandemic. However, we believe over the longer term, customers will turn to alternative providers if their needs can't be more effectively met. In fact, in parts of Asia such as Singapore and Malaysia, regulators have recently started to proactively issue digital banking licenses and are encouraging non-traditional banks from outside these countries to apply.



Neo banks may defer profitability for scale and move towards larger, more exclusive customer base, thus challenging retail banks. Retail banks need to decide where to emulate competitors or band together to form partnerships to retain competitive advantage.

Market quadrant of UK banks²



²Fintech users just can't get enough of traditional banks, Financial Times, January 7, 2020

Economic signals

The adverse economic headwinds of COVID-19 will challenge retail banking margins.



With traditional profit pools under threat, retail banks need to consider changes to their business and operating model. Digital transformation has become an imperative for retail banks' success.

The global economy remains in recession with the timing and path to recovery unclear. Consumer confidence is low, with redundancies commonplace. Our research shows that on average, four out of 10 are financially worse off, with another 13 percent deferring major purchases, limiting the volume of transactions and key revenue streams for retail banks.³

With the route to economic recovery uncertain, value for money has become the single most important factor in customer decision-making. Half of respondents across all global markets feel this is more important now than pre-COVID-19.⁴

Due to this economic uncertainty, retail banks around the world are being forced to provision funds against anticipated future losses once **stimulus funding** and debt can no longer be serviced.

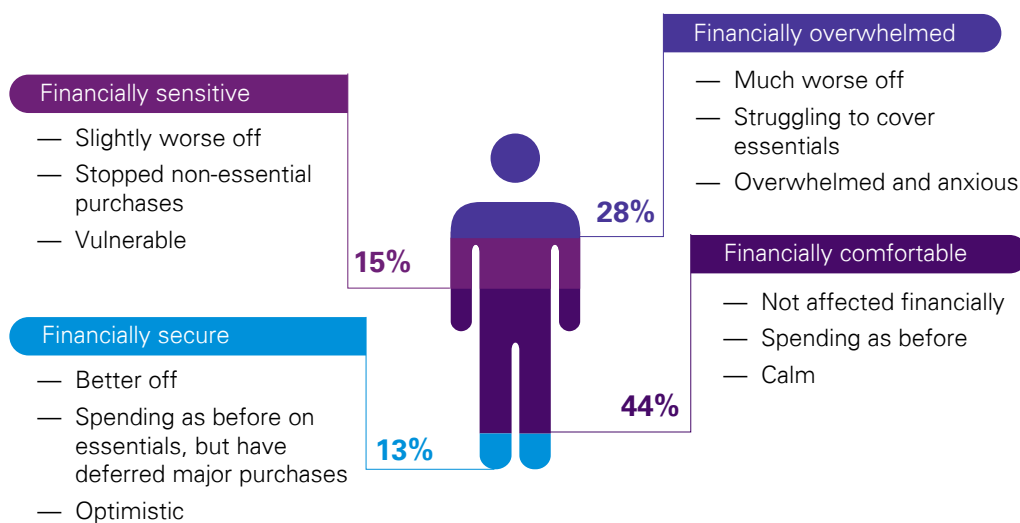
Income will be reduced due to an increase in **bad debt and low interest rates** limiting the capital available to retail banks for more profitable lending activity and applying further pressure to margins. We see some international banks retrenching from global markets and putting greater focus on their home markets. This is likely to have implications for customers.

The viability of existing credit models within banks will be reduced, leading to a **tightening of credit** and limiting the appetite to lend until confidence is restored.

^{3,4} KPMG Customer experience in the new reality — Global customer experience excellence research: The COVID-19 special edition: Consumers and the new reality, KPMG International, June 2020



Just over half of consumers feel financially comfortable or secure versus 43 percent who feel overwhelmed or vulnerable⁵

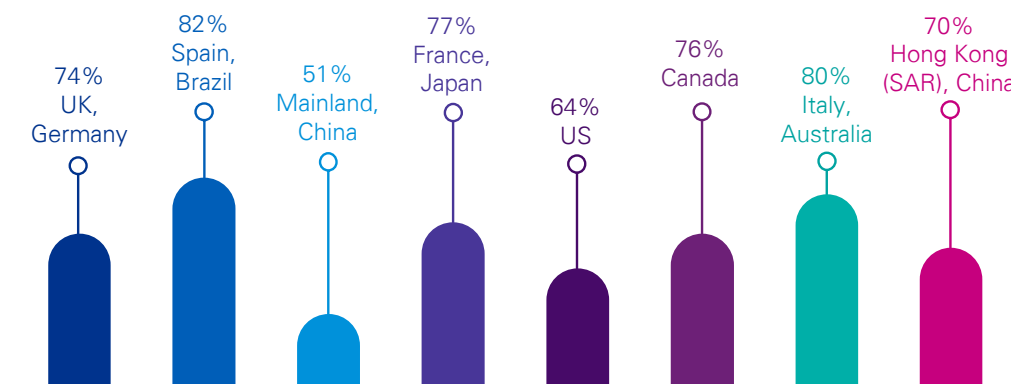


While the overall picture is undoubtedly challenged, 57 percent of respondents nevertheless say they are comfortable or secure — representing a growth opportunity for retail banks to support those segments of customers who are better off and will look to accumulate wealth or continue their spending.⁶

Source: Consumer and the new reality, KPMG International, June 2020

Sixty three percent of consumers said value for money is the most important purchase driver, with forty-seven percent saying it has become more important as a result of COVID-19⁷

Value for money as a key purchase driver by country



^{5,6,7} Consumers and the new reality, KPMG International, June 2020

Regulatory signals

Globally, regulators are likely to take an interventionist approach to increase competition, drive greater enterprise resilience, increase cyber security, protect data and support vulnerable customers. Regulators will also need to balance the need for banks to extend credit to support economic recovery efforts.



During the ongoing COVID-19 pandemic, many governments have provided stimulus funding to protect consumers and the wider economy. We expect this interventionist approach to continue with regulators given sharper teeth to push forward with the regulatory agenda.

A growth in cyber attacks — for criminal gain or as a disruptive weapon — will result in an increased regulatory focus on **security and cyber** controls. How these operate in a cloud-based environment will become a particular area of scrutiny.

Regulators will continue to drive **competition** through intervention, reducing barriers to entry and targeting incumbents with 'open banking' style requirements to open up APIs to access account information and payment functionality. Open Data ecosystems will create broader and more complex interactions with players from different sectors where the regulatory landscape is not level. Compliance with these regulations will not only present an increased overhead for banks, but will also challenge their top line growth as new 'digital first' competitors flood the market.

Unfortunately, the lasting financial impacts of COVID-19 will lead to a higher number of **vulnerable customers**. Banks will need to have a clear and justifiable approach to identifying and managing diverse types of vulnerable customer, supporting them in appropriate ways.

Data privacy regulation will accelerate. Regulation will focus on collection and ownership of personal and biometric data in the context of emerging technology. Additionally, it will be critical to balance privacy with the introduction of various forms of open banking/finance occurring in many markets. Increased clarity of requirements coupled with greater enforcement by local regulators will be needed to underpin customer trust.

The disruptive impact of COVID-19 will mean that **enterprise resilience** remains a top priority for regulators globally. Requirements will focus on providing continuity of technology systems and business services, with clear business interruption planning to manage incidents.

/// Retail banks need to consider how well they are organized to efficiently fulfil their significant regulatory and compliance obligations. ///

Technological signals

Technology will continue to redefine the relationship between customers and retail banks. Our research indicates efforts around a digitally enabled technology architecture, experience centricity, and insight-driven strategies and actions will be among banks' top priorities to support their digital transformation moving forward.⁸



Retail banks continue to invest in technology to achieve cost reduction, process improvement and efficiency. Cloud solutions, for example, are replacing the traditional use of data centers at some banks looking for increased security, greater resilience and scalability. Seventy-five percent of our survey respondents said they are leveraging Cloud computing to enable their digital transformation.⁹

The growth in the power of data & analytics and the increase in the volume of data available has enabled greater personalization of all customer interactions from marketing through to sales, on-boarding and servicing. Seventy-one percent of our survey respondents said it is a key priority to support their digital transformation moving forward.¹⁰

/// Retail banks need to decide which combination of technologies to invest in to enable profitable growth and future agility. ///

However, many incumbent banks may not currently be using the information as effectively as they could. Furthermore, open banking/open data is reshaping global ecosystems and creating new business models that banks should evaluate.

Leading banks are already systematically deploying automation solutions such as RPA and chat bots to increase efficiency and leverage insights. This will become the default approach in the bank of the future.

Many banks will need to accelerate and scale their own infrastructure and cloud programs to drive digital functionality, fulfilment and personalization — which will often be in partnerships or joint ventures with agile, innovative fintech players. They will need to utilize sophisticated data & analytics information to target the right products and services to individual customers, with the right frequency, through the right channels.

It will also be key that banks have an unrelenting focus on the operational resilience and security of their services, particularly against cyber attacks, as more services move online and to digital. In the middle and back offices, it will be crucial to leverage new technologies to move processes onto a more digital footing, replacing manual and paper-based operations with greater levels of automation and straight-through processing.

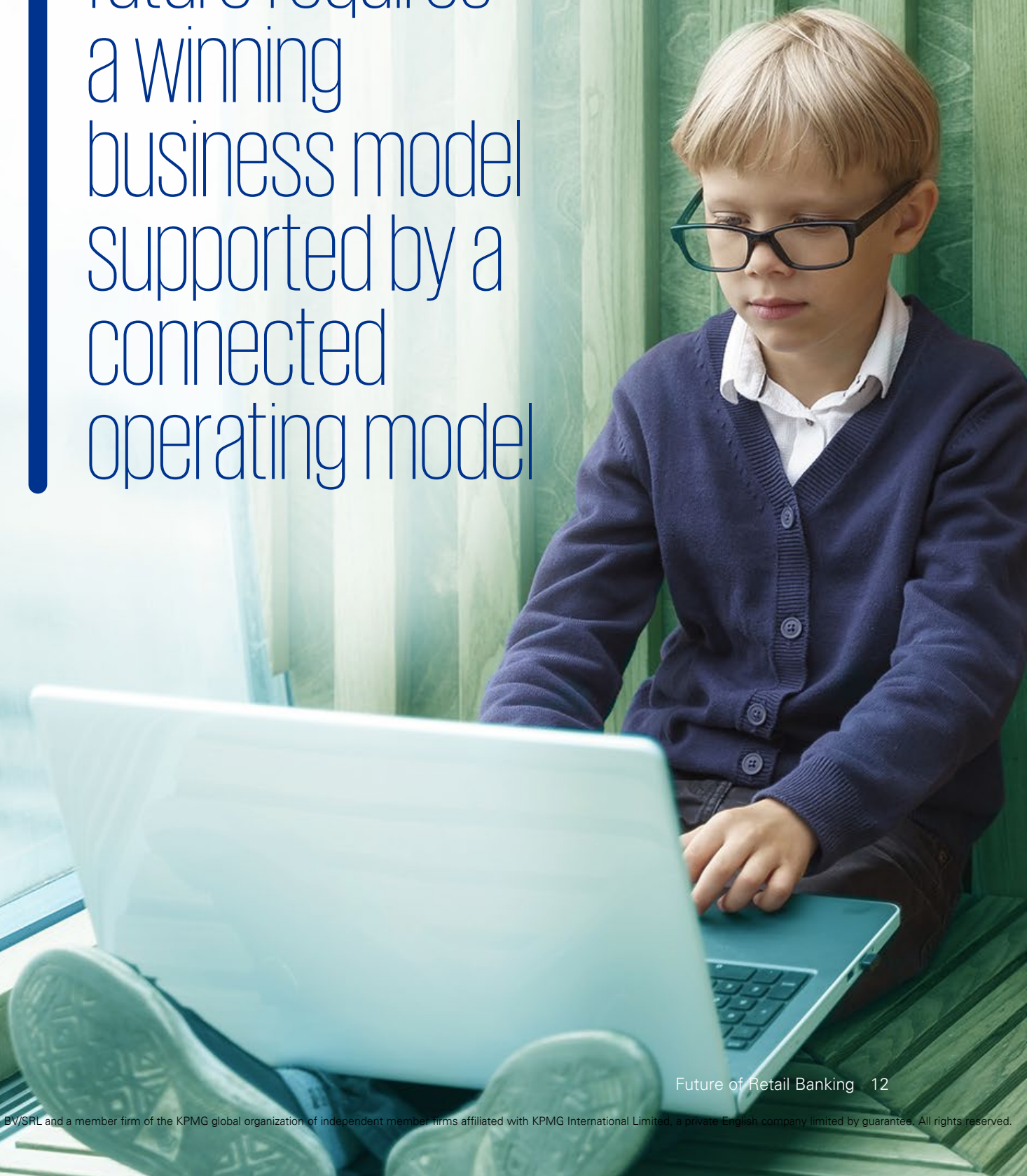
New technology has given rise to a set of new interaction channels such as APIs which are being embraced by leading financial services firms to reach new customers. Technology will continue to evolve at pace and emerging concepts such as augmented reality and distributed ledger technology will further redefine the nature of banking services.

The above technologies will combine to redefine the bank-customer relationship, making banking more personalized across customer devices.

Now, with low code development, ease of integration capabilities and cloud, the technology element of digital transformation is no longer the difficult part. It is within the other signals where the challenges lie.

^{8,9,10} Base: 412 professionals involved with customer strategy decisions at retail banking organizations
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, September 2020

The successful
retail bank of the
future requires
a winning
business model
supported by a
connected
operating model



Business models in the market today

There are five main types of retail banking business models we see in the market today.

01



Full service banks

These are banks that provide the full range of banking services across broad customer segments, from retail and business banking to commercial and investment banking. Most of these banks already provide bancassurance or wealth management related products and services.

E.g. HSBC, Citibank, Deutsche Bank, Banco Santander, Bank of Baroda

02



Specialist banks

Specialist banks focus on retail and small business customers, and tend to have a strong understanding of the needs of their target customer segment. The bulk of their revenue tends to be interest income from products such as mortgages. This category also includes the small digital neo banks.

E.g. DBS, Equitable Bank, Monzo

03



Consumer credit providers

Consumer credit focused banks mainly target under-served sections of the community. These banks often started out as non-bank financial institutions such as auto loan providers, subprime credit card providers or gold lenders, but have since taken deposits to reduce their funding costs.

E.g. American Express, Capital One, Mastercard

04



Money transfer providers

These banks have the main objective of furthering financial inclusion. They usually have a limited range of basic banking products, such as deposit accounts and remittances, but have a widespread network either through branches or networks provided by others such as retailers or post offices.

E.g. Grameen Bank, Western Union, PayPal

05



Digital wallet providers

Banks that employ the wallet model focus on the customer experience in digital transactions. They are typically born from fintech companies that interface with social media platforms, and have expanded to provide deposit and lending services.

E.g. WeChat Pay, Ant Financial, Paytm

The signals of change are driving an evolution across the retail banking sector, and our research tells us that in order to achieve profitable growth and better manage the impacts, banks will need to pivot to business model ecosystems to succeed in the future.

Banking business models of the future

In the future, we believe three retail banking models are more likely to dominate the market, including a new type of ambient bank. The customer will be core to the strategies of all three models.



01 Universal banks

Universal bank **margins are being squeezed on both ends**, with high operating costs and downward pressure on transaction fees and interest income. Consequently, universal banks need to be data-driven and develop ecosystems of their own drawing on their large customer base. This will enable them to **expand into new profit pools**, such as helping consumers and households save in major spend categories, like utilities, groceries, telco/internet, etc. The ability to utilize transaction data will be key to this, to enable a deeper understanding of customer behavior and opportunities to support them.

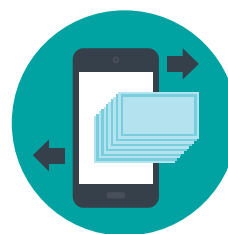
Universal banks will **retain some of their branch network**, whether to serve high margin customer segments that desire in-person interaction, or rural communities that lack digital proficiency and access. Despite this, the operating model will need to be as **automated** as possible to drive cost efficiency.



02 Transaction-focused banks

Transaction-focused banks are **primarily payment service providers** by nature. They are heavily focused on **unit economics**, having to ensure that the unit cost of transactions can be covered by revenue to guarantee sustained profitability. They adopt a highly focused model and target specific customer segments, constantly innovating on those sets of customer needs to expand their services.

With large customer bases and benefiting from rich customer transaction history data, the success of these banks will be facilitated by **open banking** — which could also enable big tech companies to take a slice of the action and perform an increasing number of banking transactions for their customers.



03 Ambient banks

Ambient banks don't act as standalone entities, but rather are the 'invisible' agents embedded within every day **Internet of Things (IoT)** devices to facilitate transactions. Having access to data from many IOT devices also will give the bank a deeper understanding of customers' spending habits and credit needs.

The ambient bank is an **enabler of ecosystems** such as those of Samsung and Microsoft. As a result, the focus is on building and providing APIs, micro services and modular based technology architecture.

Some traditional banks are exploring the ambient bank model. FINN by ING Bank, for instance, allows smart devices to make autonomous payments on behalf of the user. Goldman Sachs has launched an API portal for developers, seeing itself as an API producer in the ecosystem.

We believe one key attribute of the banking business models of the future will be a greater resilience to economic shocks such as those resulting from COVID-19.

Strategic themes

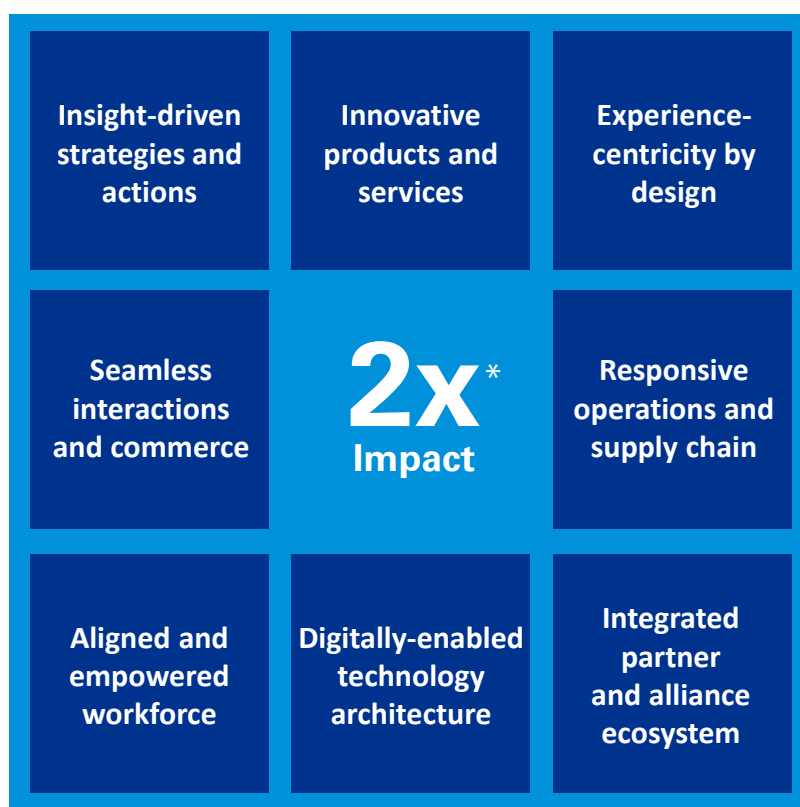
There are five strategic themes that we believe will significantly impact all three business models.

Strategic theme	I. Universal banks	II. Transaction-focused banks	III. Ambient banks
01 Identifying and serving customer needs	B2B and B2C model — experience-centricity is crucial and universal banks have to leverage their large volumes of transactional data to create digitally enabled, insight driven strategies .	B2B and B2B2C models — transaction-focused banks interface with multiple ecosystems and have to provide seamless interactions and commerce with them.	B2B model — ambient banks are part of everyday IOT devices and will create innovative products and services on the back of the growth of smart, connected technologies’.
02 Focusing on and driving cost efficiency	Cost pressures result in universal banks reducing their branch network and achieving operational efficiency by creating responsive operations and supply chains .	High emphasis on automation as transaction costs need to be lower than revenue. There is a need to invest in digitally enabled technology architecture to drive process efficiency.	Minimal employee costs as focus is almost entirely on provision of technological infrastructure such as APIs.
03 Adopting new ways of working	Evolution of front office workforce towards millennials means universal banks need to embrace new ways of working to create an aligned and empowered workforce . Agility comes from skilled workforce and technology. Bank employees shift their focus to managing strategic policies and escalation.	Front office is more technology oriented and the workforce is focused on back office activities rather than customer interactions. Agility comes from technology and automation, with bank employees shifting their focus to manage strategic policies and escalation.	Front office is more technology oriented and workforce is focused on back office rather than customer interactions. Agility comes from technology and automation. Escalations are managed by AI as data scientists build strategic direction into algorithms.
04 Complying with increased volume of regulatory driven change	Risk and regulatory framework already fully developed , with pace of regulatory change increasing. Full set of established banking risks and regulations apply.	Evolving risk and regulatory framework , with some cross-sector regulations applicable (e.g. e-commerce). Fraud risk and incorrect transactions can represent a large proportion of total costs.	Risk and regulatory framework still nascent . High levels of cyber and tech risks from IOT as each product and device becomes a potential cybersecurity vulnerability.
05 Identifying role within wider ecosystems	Universal banks act as the anchor of ecosystems, creating integrated partner and alliance networks .	Participants of as many ecosystems as possible , in order to increase volume of transactions and therefore revenue.	Embedded in ecosystems as enablers . They are part of services and products, within IOT devices such as televisions, refrigerators or cars.

In order to deliver on these strategic themes, KPMG professionals have identified eight capabilities that banks will need to embed within their operating model.

A successful operating model is built upon eight connected capabilities

A winning operating model will require maturity in eight connected capabilities. Over half (52%) of respondents to our survey are investing in at least six customer-centric capabilities.¹¹



KPMG Connected Enterprise for retail banking is a customer-centric approach to digital transformation that is designed to connect the front, middle and back offices. It focuses every process, function, and relationship of the organization on meeting customer expectations, creating business value and driving sustainable growth.

The approach defines eight clear capabilities of a connected enterprise. Research shows that firms that make a moderate or significant investment in all 8 capabilities are 2x (on average across sectors) as likely to deliver CX that exceeds expectations, successfully execute on one or more customer-centric objectives, and achieve ROI on one or more metrics.^(a)

Note: (a) Base: 1,299 professionals involved with customer-centric strategy decisions.
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, September 2018.

¹¹ Base: 412 professionals involved with customer strategy decisions at retail banking organizations
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, September 2020

High maturity organizations continue to outpace their less mature peers

Compared with their less mature peers, high maturity retail banks who are investing in the eight capabilities are more likely to successfully ...

19x

Harness data, advanced analytics, and actionable insights with a real-time understanding of the customer and the business to shape integrated business decisions.

18x

Operate the business with efficiency and agility to fulfill the customer promise in a consistent and profitable way.

18x

Engage, integrate, and manage third parties to increase speed-to-market, reduce costs, mitigate risk, and close capability gaps to deliver the customer promise.

17x

Create intelligent and agile services, technologies, and platforms, enabling the customer agenda with solutions that are secure, scalable, and cost-effective.

17x

Build a customer-centric organization and culture that inspires people to deliver on the customer promise and drive up business performance.

15x

Develop compelling customer value propositions on price, products, and services to engage the most attractive customers and drive profitable growth.

14x

Design seamless, intentional experiences for customers, employees, and partners, supporting the customer value propositions and delivering business objectives.

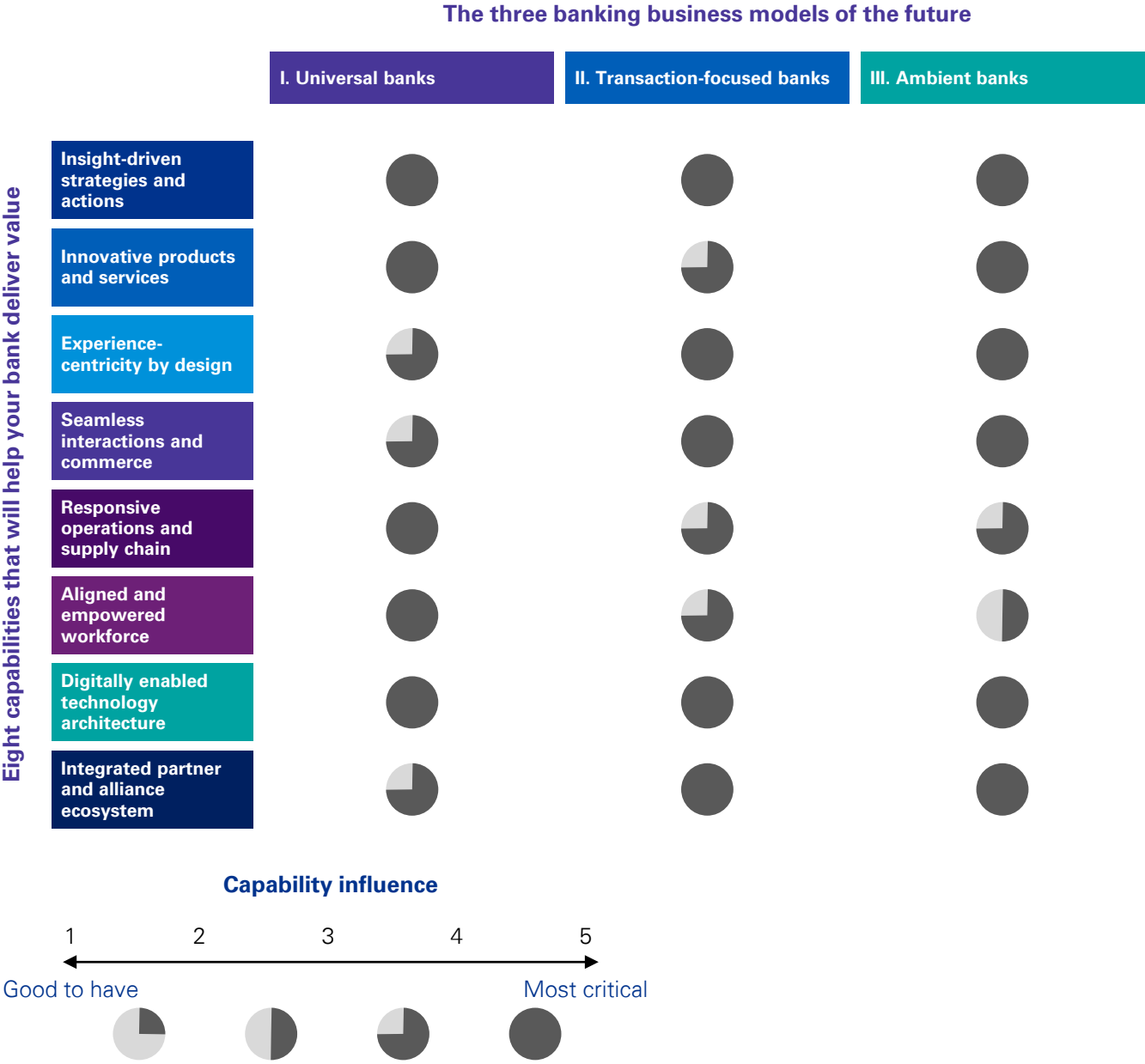
13x

Interact and transact with customers and prospects across marketing, sales, and service and achieve measurable results.

Note: (a) Base: 412 professionals involved with customer-centric strategy decisions at retail banking organizations.
Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, September 2020.

Prioritizing connected banking capabilities

The business model of the retail bank will dictate the relative value and priority of each of the *connected capabilities*. The eight capabilities are enterprise-wide and will align the operating model to focus on delivering value to the customer and the business.

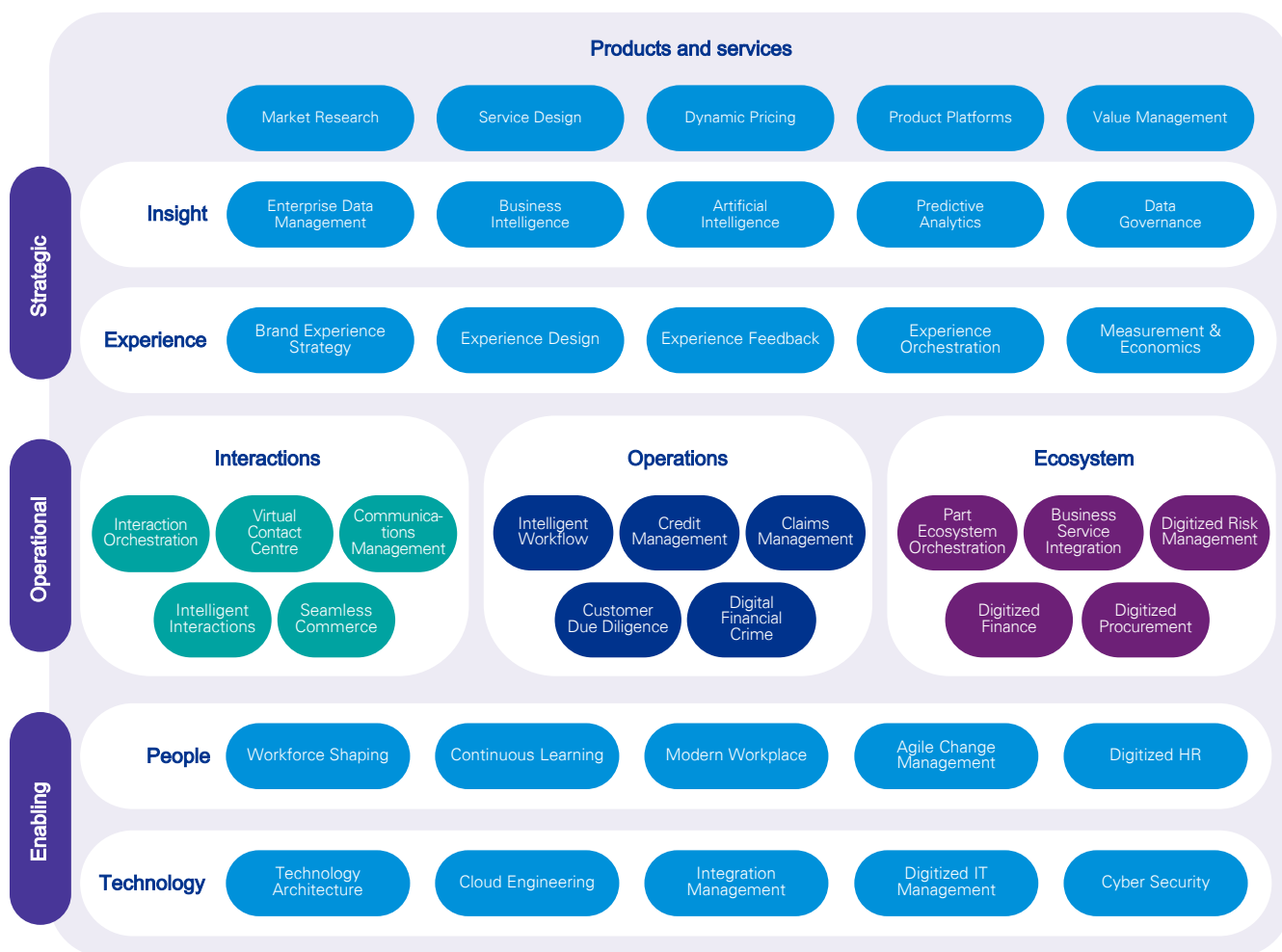


Connected capabilities can enable a winning operating model

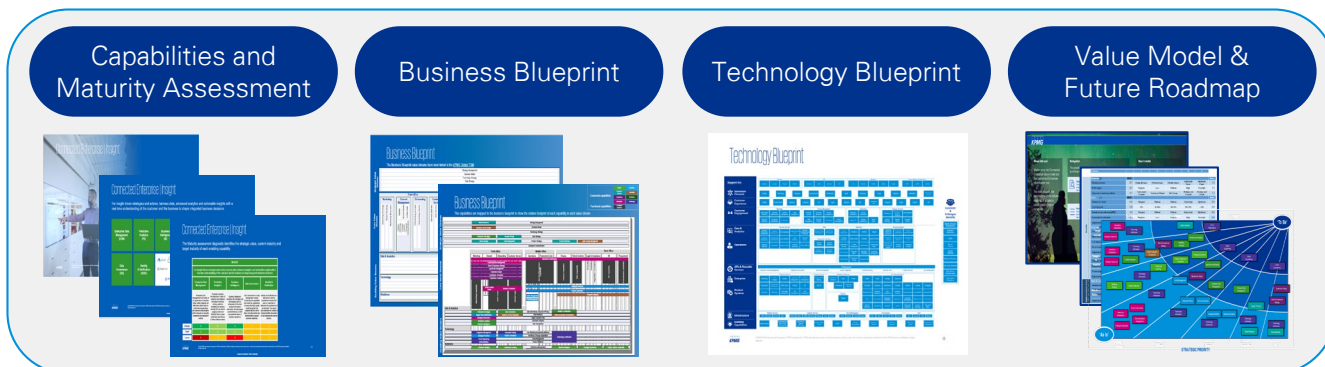
	I. Universal banks	II. Transaction-focused banks	III. Ambient banks
 Insight-driven strategies and actions	Personalize customer journey using insights from analytics across the value chain. Make faster, better informed decisions .	Drive customer engagement and conversions using data science. Improve detection and prevent financial fraud.	Use datasets from IoT devices to predict customer purchase behavior and credit needs.
 Innovative products and services	Explore new, sustainable revenue streams and limit the product management overheads . Use new services to securely manage personal data , consent and entitlements.	Use product and service innovation to become an attractive partner to existing ecosystems .	Work with ecosystem owners (e.g. Google) to design new payment, deposit and lending services compatible with how customers use IOT devices.
 Experience-centricity by design	Deliver simple, personalized experiences that are consistent across channels and comparable to best across sectors.	Deliver a simple, low effort and customer friendly user interface to reduce failure demand. minimize in-person interactions .	Banking becomes invisible. A successful experience is defined by frictionless purchases by customers ; unaware of the background banking services.
 Seamless interactions and commerce	Ensure every customer interaction across touchpoints is simple, engaging and transparent , adding value.	Ensure seamless integration into multiple ecosystems in order to drive transaction volume and revenues.	Connect to consumer device data via the ecosystems to drive all underlying processes and decisions.
 Responsive operations and supply chain	Use of partners to drive efficiency through automation and manage complex operations.	Deliver immediate fulfilment following a decision (e.g. claim payment, card issuance, loan payment offer).	Highly efficient and reliable operational processes so that fulfilment occurs without the customer being cognizant of the bank.
 Aligned and empowered workforce	Transition to a multi-locational model and digital solutions to optimize size of workforce.	Digitize processes and identify opportunities to repurpose, retrain and redirect resource .	Primarily back office workforce, requiring skilled teams in agile delivery, DevOps and integration .
 Digitally enabled technology architecture	Shift from siloed product-based legacy systems. Deploy wrapper solutions to build new experiences on core legacy platforms .	Plug into maximum possible ecosystems and optimize technology architecture to handle high transaction volumes .	Invest in technology to store, manipulate and analyze the high volume and velocity data captured via diverse IOT products.
 Integrated partner and alliance ecosystem	Maximize value from existing partnerships. Forge future alliances with fintech and technology leaders.	Identify suitable ecosystems to drive business volume and ensure the bank's services are integrated.	Ensure the bank's services are seamlessly integrated into the target ecosystem such that they become invisible .

Evaluating your capability maturity

Each of the eight enabling capabilities are underpinned by a set of five sub-capabilities. The first step in defining a winning model is understanding your relative maturity in each sub-capability against the required maturity to deliver your winning business model. KPMG firms offer three levels of maturity diagnostic depending on the needs of your business.



KPMG professionals work with clients to shape and define their digital transformation vision, using the 8 capabilities to inform and evaluate their plans, prioritize the roadmap, and align investment with value creating activity that enables the desired future operating model.



Case studies



1

Building and delivering a Connected vision

A KPMG firm is working with a multi-national bank in Asia, which has more than 130 million customers across 21 countries, to build a vision for growth that will create differentiation in the marketplace, improving profitability and simplifying and standardizing processes across the bank.

Founded on KPMG's Connected Enterprise framework, KPMG professionals are working with the bank to create an operating model for digital lending that will build a unique customer experience and journey, with a technology architecture and organizational structure to support it. This will include building digitally native products that leverage fintech and cloud native solutions. A multi-functional KPMG team will draw on global credentials and experience to deliver a shared vision for the future.

2

Framing a Connected approach

A prominent retail bank in the UK, was one year into a digital transformation program designed to make it digital first and highly customer responsive — but was struggling to create value from the investments it was making.

Seeing how the eight capabilities of our Connected Enterprise framework mapped strongly to its own aspirations, the bank engaged a KPMG firm to conduct an assessment of its maturity against them. This involved conducting a series of in-depth workshops and developing a compelling transformation plan for the future — which the team then reprioritized as COVID-19 hit. The KPMG team continues to support the bank with a multi-year delivery roadmap, including the build-out of its technology estate and the development and execution of its cloud strategy. Together, we're framing a Connected approach to help achieve the bank's ambitions.

Making it happen

KPMG Connected Enterprise for Banking is an insight-led, customer centric approach to digital transformation.

In KPMG professionals' experience, there are a number of key considerations that can help retail banks make faster progress on the connected journey:

- 1) Keep close to what your customers want.** The ability to think, outside in, is key in building a customer-centric business. Ensure you know and act on what your customers want, need and value; keep continually looking up and outside of the organization and industry to ensure alignment with the best customer experiences in day to day life.
- 2) Do things in an agile way.** Break changes down into specific steps, sequence them and implement. Keep standing back to assess whether the change has been successful in a 'test and learn' approach. It's about a series of small changes that together add up to a significant and impactful transformation.
- 3) Build in resilience.** Take on today's challenges with resilience and determination, and be prepared to expect the unexpected, fail fast and learn along the way. By developing a connected enterprise architecture, you will find your ability to change course at speed is significantly enhanced.
- 4) Keep it human.** While embedding new technologies such as AI and automation are likely to be critical in developing more seamless interactions for customers, remember that you also need to keep the experience 'real'. Great organizations remain defined by the quality and passion of its people and its sense of purpose.
- 5) Make use of new technologies.** Continually look at what new technologies are becoming available that could help you serve customers better or connect your business up more seamlessly. Experiment with the opportunities enabled available through cloud, machine learning and advances in data science..

Our approach is centered on improving all the eight connected capabilities across the enterprise to the level which provides the greatest value. These connected capabilities map to the operating model of a retail bank and will allow you to prioritize, shape and execute your digital transformation.

KPMG firms help banks to evaluate their maturity across these connected capabilities, and to then shape their transformation agenda and plans, and deploy improvements in the capabilities across the enterprise with aim to providing the greatest value.

KPMG professionals experience of working in digital transformation has informed a set of accelerators, including a range of configurable SaaS solutions from leading technology providers, that enables us to deliver a faster option to delivering transformational outcomes.

With the customer at the core, there are five critical questions retail banks should ask themselves:

1. Are you connecting your customers with compelling value propositions, opportunities and interactions?
2. Are you connecting and empowering your employees to deliver on the customer promise?
3. Are you connecting your front, middle and back offices to execute the customer growth agenda?
4. Are you connecting your ecosystem of business partners to jointly deliver on commitments to customers?
5. Are you connecting to market dynamics and digital signals?

To learn more, contact us or visit:

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