



# Are banks making the right investments to win customers?

**How becoming a connected  
enterprise can achieve growth**

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**“ Customer centricity is a strategic imperative, not a nice-to-have. It’s a journey, not a short-term fix. It’s going to take patience, funding and organizational support. ”**

Mitch Siegel,  
Financial Services Strategy  
and Transformation Leader,  
KPMG in the US

# Moving toward the connected enterprise

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

As customer interactions increase, bank executives are seeing 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 need automated teller machines (ATMs) and branches. Under this scenario, the promise of reducing channel costs by adding digital services has not been realized.

To compete more effectively, capture the inherent value in digital channels and reduce the cost to serve of traditional channels, banks must better organize themselves by removing organizational silos and seamlessly aligning the entire organization around the customer. This goes far beyond front-office and customer-facing functions. It involves aligning five key stakeholder groups: customers; employees; partners and alliances; front-, middle- and back-office functions; and the broader digital ecosystem.

Why? KPMG commissioned Forrester Consulting to conduct a study to gain a better understanding of success factors in delivering against a company's customer agenda. Our research shows that when companies move away from the limitations of operating in functional silos and toward what KPMG defines as a connected enterprise — an organization that is connected and aligned across businesses, functions and channels — they outperform their competitors. The research found that, while eight in ten banks were placing

a high or top priority on being connected, too many banks are just “checking the box” when it comes to customer centricity, focusing on multi-channel tactics masquerading as a connected enterprise strategy. For those banks investing in a more customer-centric approach, four in ten indicated it had positive returns on their return on investment (ROI) metrics and for most, it exceeded expectations.

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

Customer-focused banks need specific business capabilities to meet customer expectations and drive growth; a connected experience that elevates the customer above and beyond channel interactions. The KPMG Connected Enterprise framework can help financial institutions identify the capabilities required to understand, communicate, and deliver against changing customer expectations. And it helps to identify the steps leaders can take to build these capabilities and create sustainable value — all resulting from becoming customer centric.



80% of banks cite connected enterprise as a top or high priority



39% or fewer are getting a strong or acceptable return on any single omni ROI metric

# The KPMG difference: Our market-leading perspective

**The KPMG Connected Enterprise** is built on a foundation of eight integrated capabilities that help banks unlock new value for customers, employees and shareholders. Customers passing through complex journeys can use multiple channels to interact, making tracking and measuring difficult. Becoming a connected enterprise gives banks visibility into customer needs and helps them deliver against ever-changing and heightened expectations (Figure 1).

Companies investing in these capabilities are achieving demonstrable success. Our research shows that mature banks investing in all eight capabilities are twice as likely to achieve success compared to their less mature peers (Figure 2).

Most banks have already begun the journey in some way; so, the goal is not necessarily to start anew, but rather to keep going. Mature firms lead in large part by focusing on five capabilities: customer experience, technology architecture, data and advanced analytics, digital products and partner ecosystems. To achieve sustainable growth, banks need to invest in all eight.

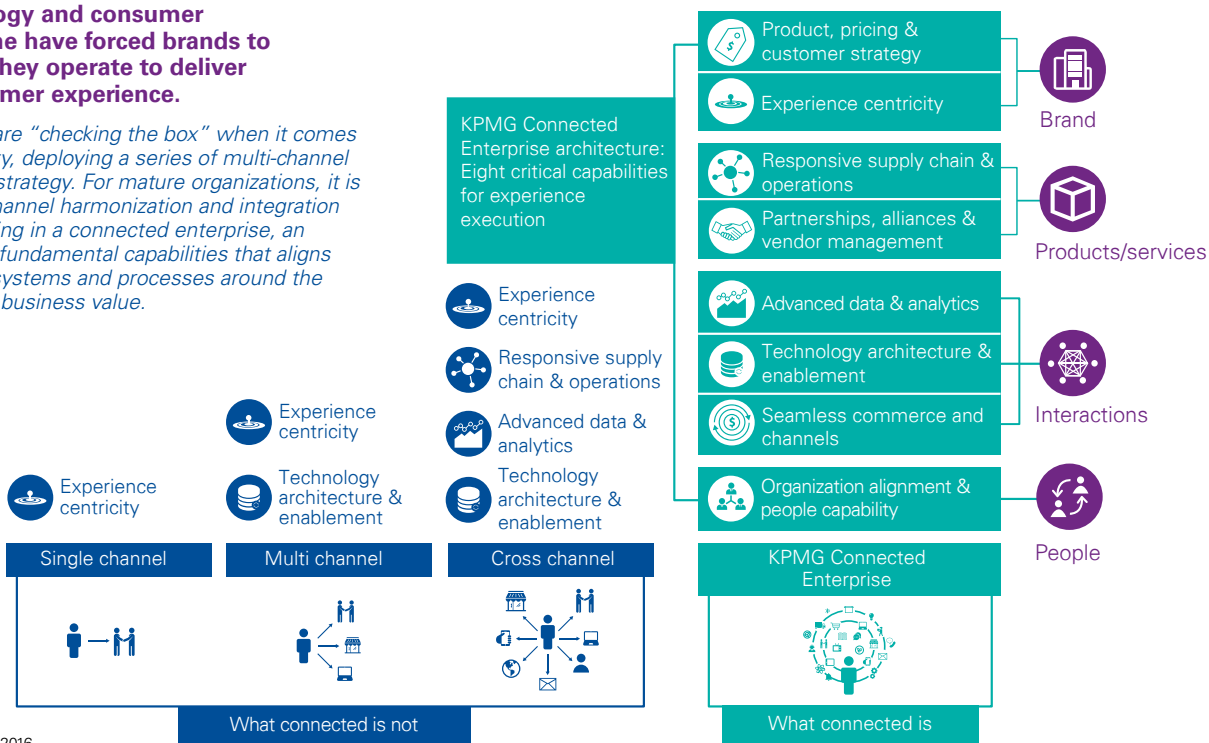
By consolidating their investments into a single strategy that leverages all eight capabilities, banks can create a comprehensive plan for sustainable growth. Today's investment in these fundamental capabilities will widen the gap tomorrow, which will mean the difference between gaining a loyal customer and losing a dissatisfied one.



**Figure 1**  
**The KPMG Connected Enterprise evolution**

**Evolving technology and consumer behavior over time have forced brands to change the way they operate to deliver the desired customer experience.**

Many organizations are “checking the box” when it comes to customer centricity, deploying a series of multi-channel tactics disguised as strategy. For mature organizations, it is much more than a channel harmonization and integration effort. They’re investing in a connected enterprise, an architecture of eight fundamental capabilities that aligns people, operations, systems and processes around the customer to capture business value.

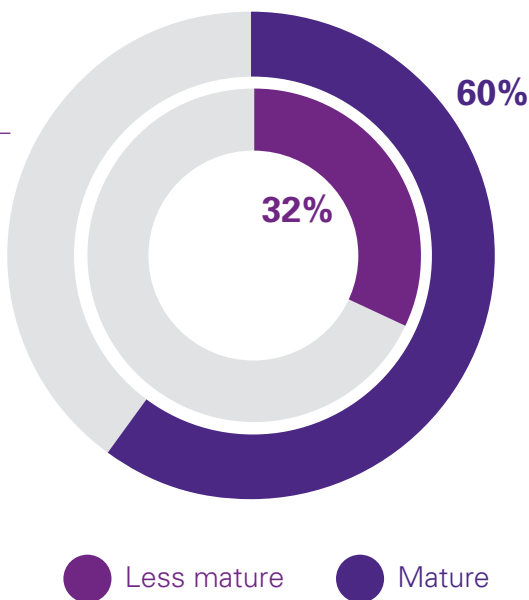


Source: KPMG International, 2016

**Figure 2**  
**The race for growth is on**

**Mature banks around the globe who invest across eight connected capabilities are nearly twice as likely to see success with the connected enterprise.**

*KPMG Connected Enterprise success metric: Customer experience exceeds expectations, successful execution of one or more connected objectives and ROI achieved on one or more metrics.*



Base: 72 professionals at banking firms investing in all eight omnichannel capabilities and 178 professionals at banking firms not investing in all eight.  
 Source: Commissioned study conducted by Forrester Consulting on behalf of KPMG, July 2016

# Banks need to break from the pack to compete for growth

“The eight capabilities aren’t just about customer interactions. You need to understand your customers and their behavior, but you also need to be able to execute across the portfolio, services and products. It’s spearheaded by the customer, but it’s an enterprise-wide transformation. That’s the only way to convert insights into business value.”

Duncan Avis,  
Global KPMG Connected  
Customer Enterprise Lead  
KPMG in the US

**The Forrester study** revealed that banks are laying the foundation for a connected enterprise. They are focusing their investments on integrated capabilities, product strategy, technology architecture and customer experience to mature their organizations.

- Sixty-seven percent of banks invested 15 percent or less of sales to their connected enterprise budget over the past year.
- Investment will shift considerably over the next 12 to 24 months. Some 48 percent of banks plan to invest 16 percent or more of sales in connected enterprise.
- Mature banks expected to make especially heavy investments: 41 percent of mature firms had invested 16 percent or more of sales over the past 12 months; 65 percent will invest this amount over the next 12 to 24 months (Figure 3).
- As a whole, banks lead other industries in the near term and future for connected enterprise investments.

US-based banks have an edge on their global counterparts, with 40 percent investing in all eight connected capabilities, followed by Mainland China and Hong Kong (SAR) at 32 percent. Banking firms in the United Kingdom, Canada and Australia trail other regions, with only about one-third embracing a holistic connected enterprise approach.

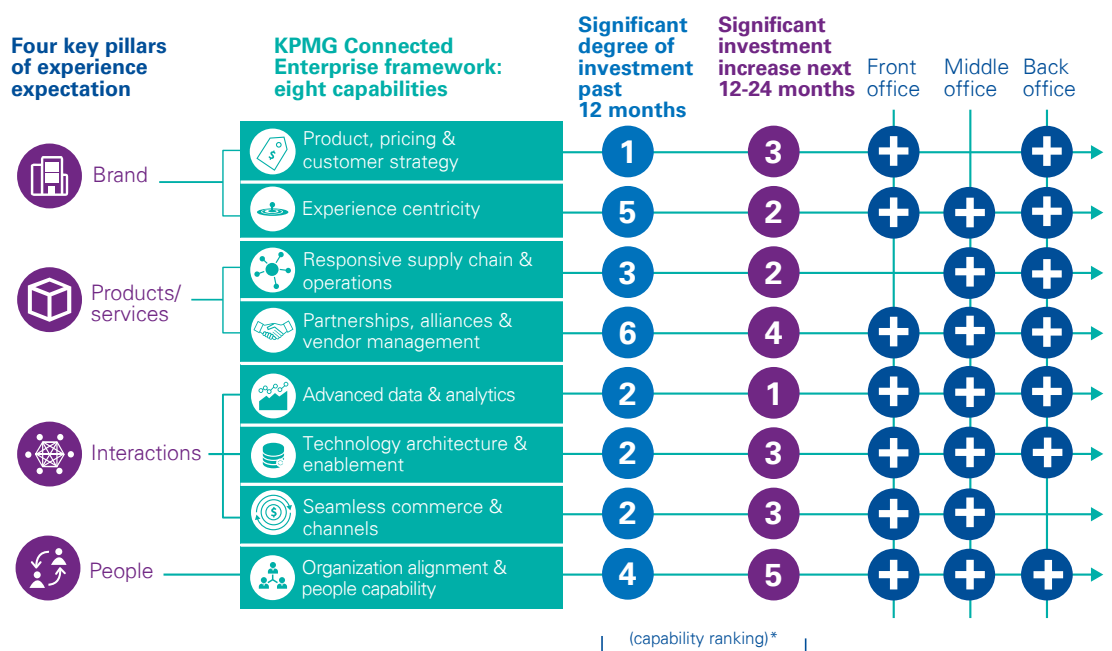


**Figure 3**  
Investment in a connected enterprise

Investment in the eight capabilities spans the entire organization, from customer-facing interactions through to back-office operations.

Base: 250 professionals involved with omnichannel strategy decisions at banking organizations

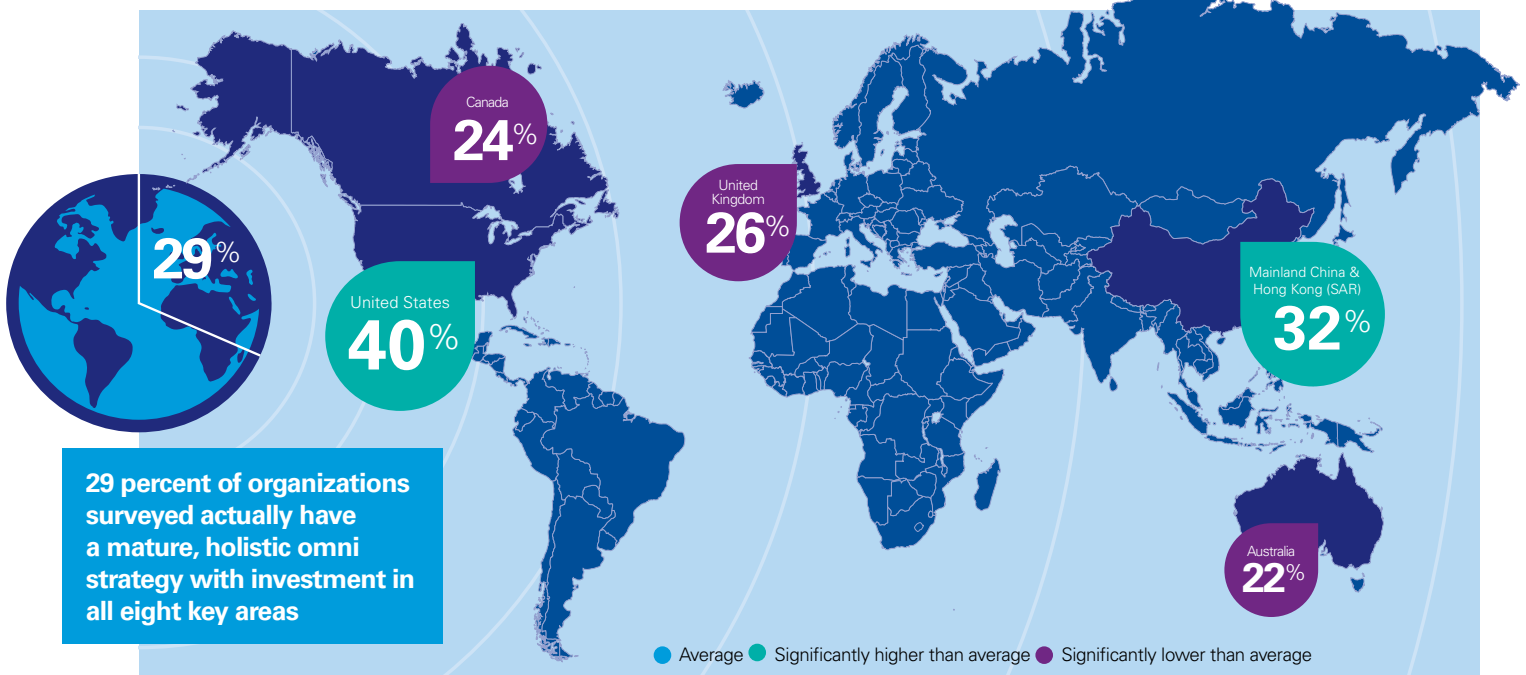
Source: Commissioned study conducted by Forrester Consulting on behalf of KPMG International, August 2016



\*1 = highest investment 6 = lowest investment

**Figure 4**  
Global maturity

Significant or moderate investment in all eight capabilities over the past 12 months.



Base: 5 professionals involved with omnichannel strategy decisions at banking organizations

Source: Commissioned study conducted by Forrester Consulting on behalf of KPMG, August 2016

# Building a KPMG Connected Enterprise

“ Building a successful connected enterprise involves balancing multiple priorities, ranging from meeting complex regulatory requirements to aligning siloed decision-making and processes to enterprise strategy. ”

Judd Caplain,  
Global Head of Banking &  
Capital Markets,  
KPMG in the US

All companies face challenges as they plan and implement a connected enterprise strategy; but, these plans can be especially difficult for banks. Ongoing regulatory pressures, new regulations and compliance issues make coordinating technologies and services across all possible touchpoints incredibly problematic.

In the KPMG commissioned Forrester Consulting study, six challenges stand in the way of creating a truly connected enterprise (Figure 5).

**1 Technology.** As consumer banks expanded feature functionality to meet their customer’s needs for multichannel interactions, they often bolted new technology platforms onto legacy systems simply to get to market. These point-to-point solutions, embedded with custom code to support multiple systems and platforms, have only added to IT expenses. To maintain, support and expand a multi-channel strategy demands a modern architecture developed with an integration layer philosophy and infrastructure.

**2 Data.** One-third of bank professionals say one of the top obstacles to connected enterprise success is access to customer data. Because customer data and prospect data are housed in different databases, analysis and forecasting is time consuming and resource intensive. The challenges of data housed in multiple locations is compounded by legacy systems — cited by more than one in four respondents.

**3 Info/cyber security.** Data security and regulations regarding the stewardship and storage of consumer data, as well as the issues around sharing data with third parties as part of ecosystem-based solutions, are at the forefront of bankers concerns globally.



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Customer data protection is high on banking regulators agendas. In our study, three in ten banking professionals cite concerns around complying with regulatory data requirements.

**4 Regulatory & compliance.** The regulatory environment is going to get more complex and there are not enough resources to support them. Two in ten respondents cite the lack of a company-wide engagement strategy and poor executive sponsorship as hurdles that must be overcome. If investments don't keep pace with need, the gap between relatively mature firms and those lagging will become a chasm, largely driven by the current and future efforts of leading banks today.

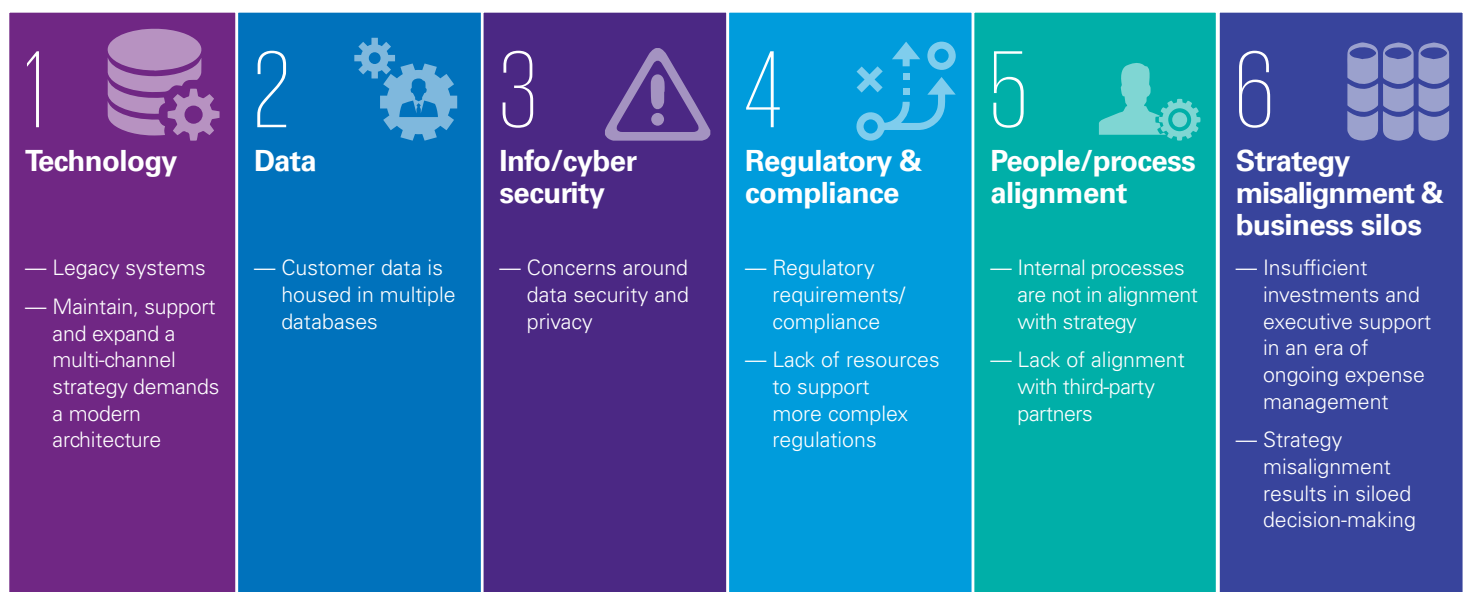
**5 People/process alignment (misalignment).** Nearly one-third of banking professionals surveyed say internal processes are not in alignment with the overall strategy, making it difficult to achieve strategic breakthroughs. One-quarter of respondents cite lack of alignment with third-party partners as a major obstacle, while almost as many cite lack of qualified staff and poor communications with partners. Other obstacles include employees' lack of incentive to collaborate and a lack of cross-functional teams.

**6 Strategy misalignment and business silos.** In an era of ongoing expense management, it is not surprising that one-third of respondents point to insufficient investments and executive support. Business lines in retail banking continue to focus on specific needs rather than enterprise investments. One-third of

banking professionals cite a lack of visibility in real-time or near real-time data across channels and businesses to support marketing and sales decisions and investments. Strategy misalignment and business silos inhibit the prioritization of strategic investments. This challenge leads businesses to make decisions in a silo, ignoring connected enterprise goals.

Overcoming these challenges will help banks identify and deliver on customer expectations to enable a connected enterprise. Addressing each of the eight capabilities from the outside in will help enable organizations to understand and meet customer expectations holistically.

**Figure 5**  
**Top six obstacles for success**



Base: 250 professionals involved with omnichannel strategy decisions at banking organizations  
Source: Commissioned study conducted by Forrester Consulting on behalf of KPMG International, August 2016

# Getting to success

**The majority of banks have an enormous task ahead of them.** To succeed, they need to take a page from their more mature peers and evolve to a holistic connected enterprise, encompassing all eight key capabilities. Firms failing to transform their multi-channel strategies to the connected enterprise risk losing revenue from missed sales and cross-sell opportunities, increased cost to serve from the use of inefficient channel-by-channel spending and siloed investments and lost market share to firms that have already evolved. For many banks, the most immediate actions should center on four key steps.

— **Prioritize investments based on connected enterprise capability maturity** — To avoid disjointed initiatives and wasted investment, banks should conduct an objective assessment of their maturity level for each of the eight connected enterprise capabilities. Identify where they are doing well, any gaps between current and desired state and where they need to focus to close those gaps. Then, they should prioritize initiatives and investments based on this assessment and develop a roadmap to deliver a compellingly differentiated experience across the customer journey.

— **Plan and iterate digital product innovations** — Banks need to focus more on innovation. Over the past few decades, they have done an admirable job of serving customers and prospects through new channels; now it's time to do more. Digital product innovation requires new thinking and innovative ways to add value and enrich people's lives.

— **Design and build partner ecosystems** — Banks need to move away from a request for proposal-driven system of selecting vendors as new technology needs pop up. Instead, firms need to design partner ecosystems using open platforms and application program interfaces (APIs) to enable flexible, dynamic engagement with external partners.

— **Integrate back-end systems and put a laser focus on technology architecture** — Many bank executives call these efforts foundational digital initiatives—essentially a prerequisite for future customer-centric success. But the future is now. It's time for banks to create high-performance technology architectures to better meet customer and business expectations. Agile development strategies and cloud and software-as-a-service models go a long way to wean banks off the legacy environments that are impeding their success in a connected enterprise world.

**Figure 6**  
**So, what does good look like for your customers... and you?**

KPMG Connected Enterprise capabilities	What good looks like for customers	What good looks like for organizations
 Product, pricing & customer strategy	Connection to the brand, relevance of product and experience	Products/services, pricing and promotions are optimized, leveraging real-time data
 Experience centricity	Experience brand promise across all touchpoints	Experience decisions made to optimize the economic value of priority customers
 Responsive supply chain & operations	Receive products and services when, where and how it is convenient	Leverage innovation-driven demand and inventory management and distribution
 Partnerships, alliances & vendor management	Reap the benefit of partnerships without compromising perception	Identify & leverage synergies with third parties to overcome enterprise barriers
 Advanced data & analytics	Personalized interactions with brand-leveraging customer data	Leverage real-time customer data to optimize the experience
 Technology architecture & enablement	Frictionless use of technology across the journey and experience	Culture of innovation and agility driving speedy, quality tech implementation
 Seamless commerce & channels	Seamless and secure payments for products/services across channel(s)	Preference-driven and integrated payment mechanisms across channels
 Organization alignment & people capability	Seamless and consistent experience across all brand interactions	Culture of outside-in and inside-out experience centricity

Source: KPMG International, 2016

# Investing for the future

**To deliver on ever-increasing** consumer expectations for a true customer-first experience and achieve business and financial goals, organizations must take a holistic approach, addressing each of the eight critical capabilities. But investing in these areas is only part of the equation. Organizations also must have a clear understanding of how the capabilities are aligned and integrated to understand the true value of a connected enterprise.

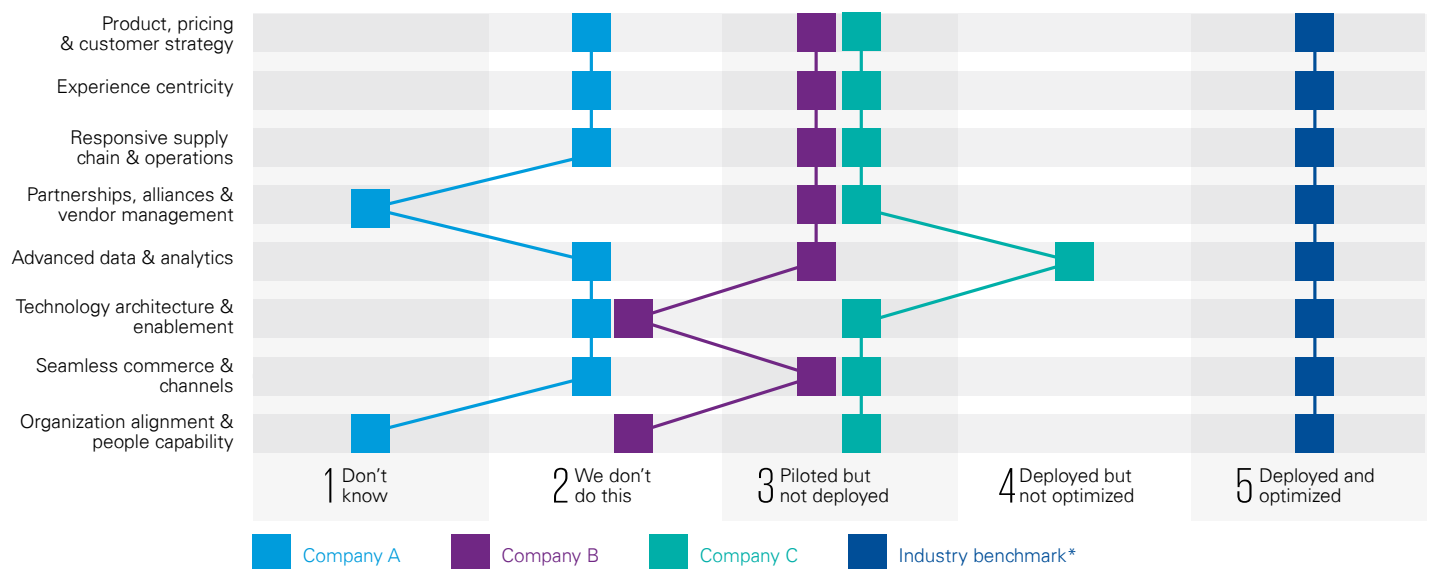
First, understand where the organization is today through a broad-ranging maturity assessment that covers all eight areas of its enterprise architecture, from front office through to middle and back office. This can help identify relative competencies versus leading practices. This process can also help form the business case and roadmap for investing in relevant capability areas across the enterprise value chain, with a focus on unlocking ultimate business value.

Organizations can drive profitable growth by making transformation and business decisions based on what their customers value most. A value-centric mindset, capability, methodology and comprehensive measurement system are required to get the economics of customer experience right and capture financial outcomes. With KPMG Connected Enterprise, organizations can achieve these goals.

**“Most companies have been on some point of this journey. It’s about making it work today and for tomorrow. It’s about integrating the business today that aligns with the customer, to deliver for the customer, and to deliver profitable returns for the shareholders.”**

Julio Hernandez,  
Global & U.S. Customer  
Advisory Practice Lead  
KPMG in the US

**Figure 7**  
**KPMG Connected Enterprise maturity assessment**



\* Base: 250 professionals involved with omnichannel strategy decisions at banking organizations  
Source: Commissioned study conducted by Forrester Consulting on behalf of KPMG International, August 2016

# About KPMG Customer Advisory

KPMG's Customer Advisory practice works to provide a spectrum of connected customer enterprise transformation services across all stages of enterprise transformation, including diagnostic assessment, strategy, design, prototype, road map, deployment and monitoring. A number of service offerings—aligned to the eight capabilities—are embedded in the architecture that underpins the connected customer enterprise framework.

Our Customer Advisory professionals offer a new perspective on where to start, how to prioritize and how to navigate the journey. Our teams have the insights, skills, experience and resources to help clients deliver on the promise of a customer-centric business as well as increased customer satisfaction and profitability. KPMG methodologies span strategy through execution, leveraging the power of our entire global network. In an environment of accelerating marketplace change, we help organizations gain and maintain competitive advantage.

## About the research

Conducted during the summer of 2016, the research comprised two elements: 1) a quantitative survey of 1,290 business and technology leaders at enterprises in the US, Canada, the UK, Germany, Australia, Mainland China and Hong Kong (SAR) involved with omnichannel strategy decisions at their organizations and 2) 12 qualitative interviews. Six industries were included in the study: banking, property and casualty (P&C) insurance, healthcare payers and providers, consumer packaged goods, retail and telecommunications.

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