



KPMG Taseer Hadi & Co.  
Chartered Accountants

# Investing into Relationships

## Improving Customer Experience in Retail Banking

October 2020



# Letter to our Readers

Digitally disrupted landscape, advent of Fin-Techs and ever evolving customer needs has challenged the status quo of the banking sector across the globe, and created pressure for the banks to win and retain long term customer loyalty. Banks are no more viewed as only the custodians of wealth, but rather as custodians of financial well being and valued partners that can provide their customers with personalized, simplified and seamless customer experiences, as provided by other industries. As customers grow more in control of their choices, banking sector strives to develop customer centric business model. The Front runners in this race are the ones that are able to demonstrate an understanding of customer requirements and offer customer oriented solutions. Banking is now customer driven and banks must redesign their customer

journeys to improve customer loyalty and increase customer's life time value. In this publication we have explained how a decade of research by KPMG has identified six universal traits that we call "The Six Pillars of Experience Excellence" which are at the heart of every successful customer centric relationship. We have also demonstrated that keeping these six traits in mind, it is essential for the banks to take an end-to-end view of processes, platforms and behaviors across their front, middle and back offices to build a more connected and agile enterprise characterized by touch point features and interactions most valued by customers. Having said the above, we have been working with the financial sector in Pakistan for past many years and we understand that the concept of end- to –end customer experience transformation

is still relatively new for the country's banking sector. Yet through our interactions and experiences globally, we also believe that it is only a matter of time that customer centric banking will replace traditional banking practices, as else where in the world. In fact, given the customer preferences in Pakistan, it would be an interesting handshake between digital and brick-and - mortar banking solution, but with the customer at the heart of every choice, of course,

We offer this publication in the spirit of starting the conversation with you on your plans to optimize your customer experiences. You are welcome to reach out to our customer experiences team in Pakistan for any further insights and information.

**Best Regards,**

**KPMG Taseer Hadi & Co.  
Chartered Accountants**



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Customers want experiences that recognize their unique selves. At their core, they are seeking solutions to their personal circumstances and life challenges.



**Julio Hernandez**  
Global Customer  
Centre of Excellence Lead &  
Customer Advisory Lead  
KPMG in the United States



# The Future of Customer Experience in Retail Banking

## Customer First... Customer Obsessed

The safe, reliable rules of retail banking are becoming less relevant as new business models, technologies and generations of customers enter the picture. For those that embrace customer transformation today, the rewards will be immediate and profound. Those who act quickly to achieve 'customer excellence' will unlock a growth accelerator that creates both shareholder returns and a firm platform for future business development.

### Think about this

The ultimate customer experience is an ever moving target which means meeting customer's expectations today is not enough. You must be able to transform rapidly to meet evolving customer expectations at every stage of the relationship, and then delight them in ways that keep them coming back for more. In today's rapidly evolving landscape, banking industry is challenged with balancing competitive initiatives, but all decisions revolve around the customer. Whether it is an attempt to attract new customers, retain and deepen customer relationships, or build customer relationships, all these initiatives are customer centric.

### Enhance the way you engage with your customers

The way you treat customers at every touchpoint has never been more important. Banks that recognize this are making large investments in their front office to enhance the end-to-end customer journey. But without a strategic link between investment and desired outcomes, it will be challenging for the banks to demonstrate that customer experience efforts and spend are effective.

**KPMG's eleven years of research have shown that every outstanding customer relationship has a universal set of qualities – they are The Six Pillars of experience excellence. Leading organizations demonstrate mastery of these pillars and use them to building lasting connections with their customers.**



#### Personalization

Using individualized attention to drive emotional connection.



#### Integrity

Being trustworthy and engendering trust.



#### Expectations

Managing, meeting and exceeding customer expectations



#### Resolution

Turning a poor experience into a great one.



#### Time and Effort

Minimizing customer effort and creating frictionless processes.



#### Empathy

Achieving an understanding of the customer's circumstances to drive deep rapport.

Figure 1- Six Pillars of Experience Excellence



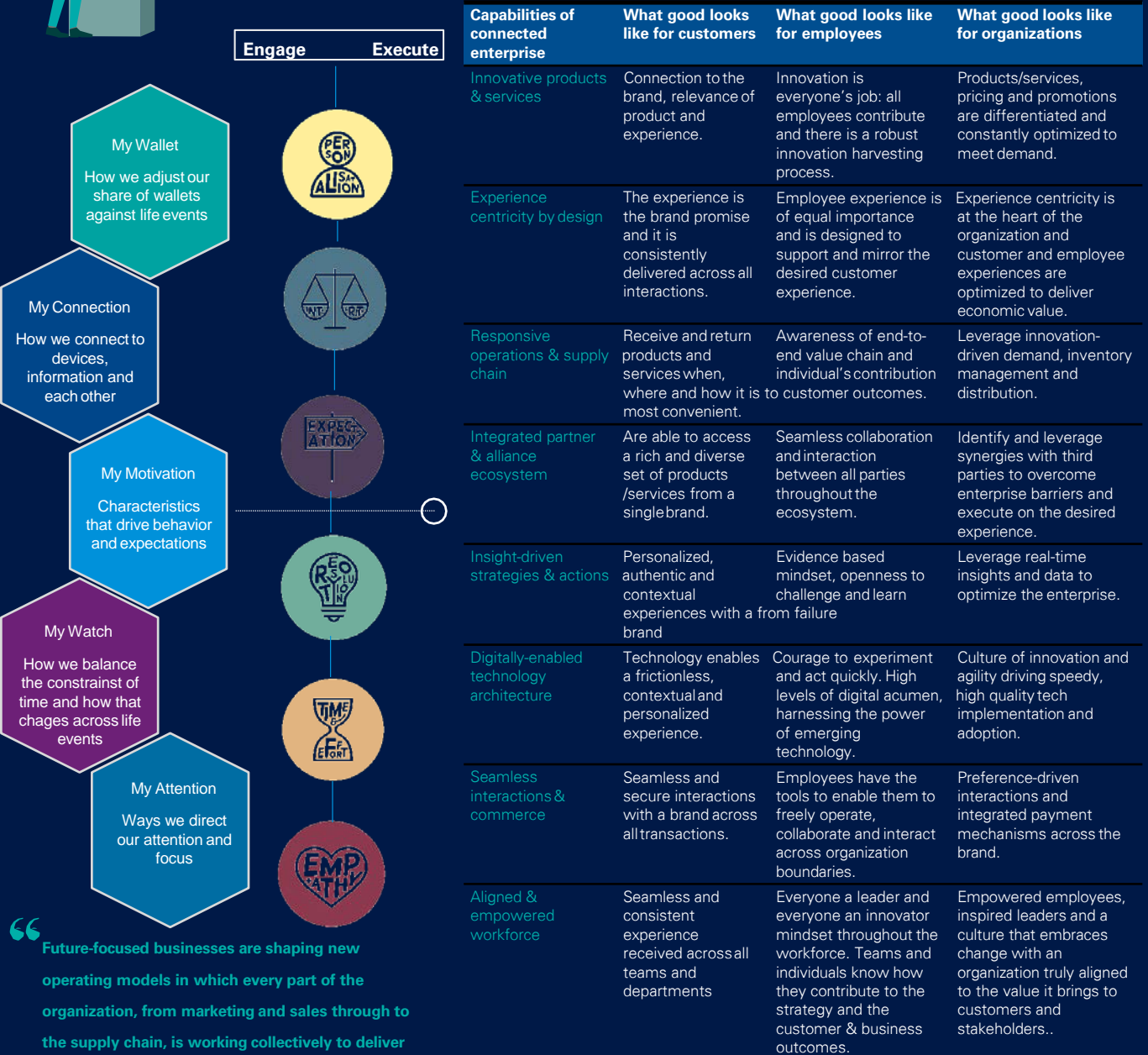
# Understanding Customer - Building Relationships

Customers needs are evolving rapidly, and building lasting customer connections require a fresh perspective to understand the complex, underlying and inter-connected drivers of human decision making. By focusing on “5 Mys” businesses can obtain real insights into customers’ unmet needs, the trade-offs they are making, and the totality of factors influencing their decisions across all aspects of their lives. Also, at the heart of a customer centered business is the **connected enterprise**- one where front, middle and back office processes are aligned, and partners and intermediaries start with the customer and work backwards through the value chain.



The 5 Mys work in concert across various life stages and life events of a consumer and are a key to unlocking insights, and understanding not only the customer of today, but will help predicting what will drive the customer of tomorrow

High performing customer experience leaders are getting connected by making significant investments across eight capabilities of a **connected enterprise**.



“Future-focused businesses are shaping new operating models in which every part of the organization, from marketing and sales through to the supply chain, is working collectively to deliver against the customer’s expectations.”

Miriam Hernandez-Kakol,  
Global Head of Management Consulting, KPMG International



# Activating Customer - Rethinking Retail Banking DNA

Until recently, few traditional banks had much impetus to change. Yes, it was becoming increasingly clear that banks were starting to shift the banking model towards a more customer-centric approach. But most banks felt confident they could control the pace of change.

No more; the forces of digital disruption have fundamentally changed the status quo. The availability of outsourced and SaaS (software as a service) infrastructure has slashed the cost of starting up a new digital bank.

The development of digital payments and currencies has created wiggle-room around some of the greater compliance burdens. Customers are now becoming more vested into digital solutions and looking for seamless banking experience.

Most banking leaders know this is just the beginning of a massive and fundamental market shift. They recognize that the introduction of Open Banking models and regulations will only heighten competition around the customer.

They understand that the rapid adoption of new digital payment models could lead to their eventual disintermediation from the customer. And they know that the big tech firms are just waiting for the right opportunity to pounce.

Also, banks are no more seen as mere custodians of money but that of financial well being. Overall economic downturn has made customers more conscious of their finances and long term financial viability. Therefore, both individual and corporate customers seek "Value" and see their banks as "Partners" in their efforts to achieve financial security.

Therefore, for banks the focus going forward, has to be on helping the customers to make the most of their finances, putting them in greater control of their financial wellbeing through information that is relevant, accurate and timely available.

Banks are posed with a challenge to deliver a customer centric experienced aligned with customer value.

Our experience in the industry indicates that, by taking a customer centric approach retail banks are able to create a better customer experience and focus on overall growth which ultimately boosts their bottom line, while helping them to build a customer centric digital foundation and shift away from legacy banking.

In this environment, banks that are willing to stay ahead of the competition have to take important steps to imprint customer as part of their strategic DNAs.

What can help these banks to differentiate themselves in increasingly competitive markets?

**They are willing to invest into new technologies-** but while striking the balance between digitization and human interaction (which they realize, cannot be completely eliminated in Banking).

**They will be focusing on customer needs-** trying to solve customer's big life problems is shifting the retail banking model from products to solutions.

**They will be creating emotionally-connected customer journeys-** Rather than just paying lip-service, they will work to demonstrate their values right across the customer journey and through all customer channels. Customers want great rates and low fees, but not at any cost.

**They will expand their ecosystems:** they recognize they do not have all of the skills and capabilities required to remain competitive in today's digital-first environment. So they are actively pursuing partnerships with a range of players – fintech's, service providers, innovation labs and academia, to name just a few – as a way to expand their innovation capabilities. Scaling up those ideas and models, however, continues to be a challenge.

**They will understand the connection between customer experience and employee experience-** banks will have to embrace the concept of the "workplace as an experience", where every aspect of work is carefully designed, arranged, and controlled to energize and inspire employees to deliver the prescribed customer experience.

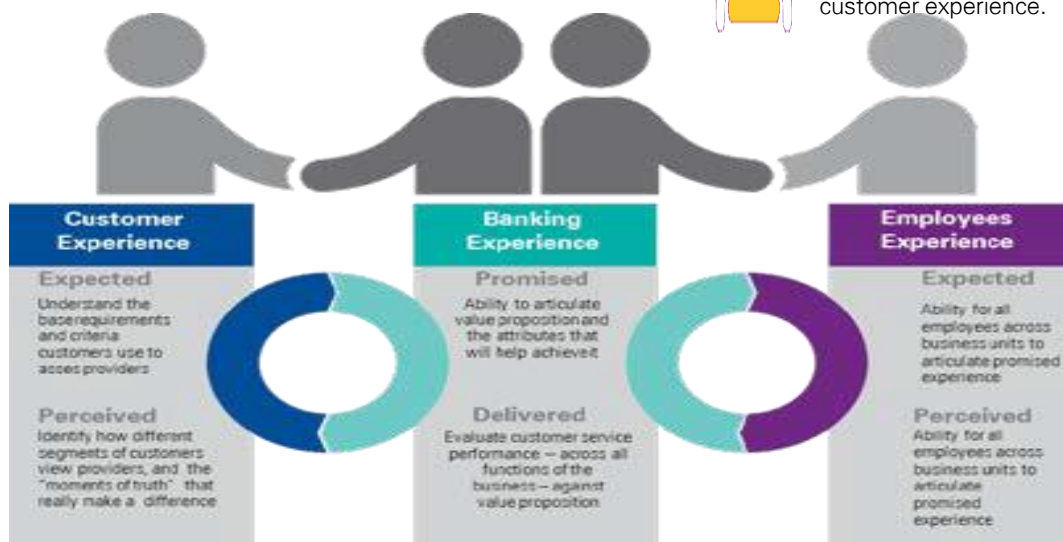


Figure 2 - Customer Service Excellence Framework



# Improving Customer Journey



As banks embark to undertake the voyage to shift away from traditional models towards more customer oriented and digitally transformed businesses, they face the challenge to design friction less customer journeys and simplified experience for both physical and digital channels.

New generation customers are increasingly becoming comfortable with their simplified experiences in other industries such as retail, travel etc. They expect banking to be equally simple, fit-for- purpose and error free processes, and above all put them in control. Banks should realize that customer centric digital transformation may start from technology deployment but cannot be truly completed until it holistically covers end-to-end customer pathway right through to fulfillment.

Journey mapping is a technique that breaks down qualitative experience into a series of logical steps, usually in the form of 'visual maps.' It helps in identifying multiple pain points and opportunities throughout the pathway. While working with our clients we have seen that with a clear vision and commitment, organizations can use this tool to successfully redesign their operations to provide differentiated experience across Six Pillars. Figure 3 provides an example of touchpoints across account opening and account maintenance customer journey and traits most valued by the customer at each interaction stage.

Figure 3- Customer Journey for Account Maintenance

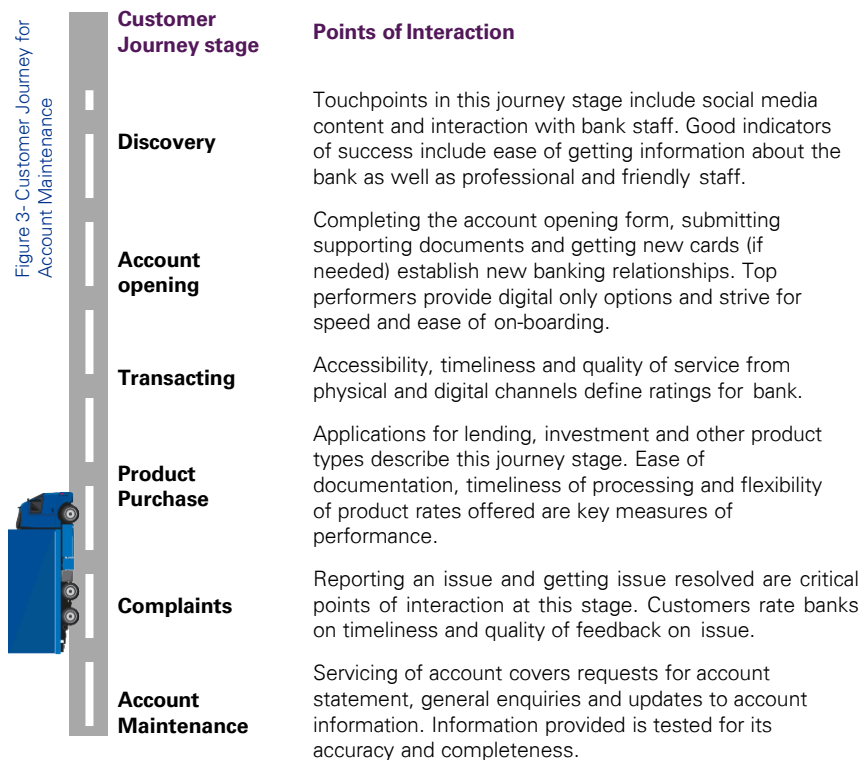


Figure 4- Mapping key points in the consumer experience journey



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- Customer First, Customer Obsessed- KPMG Global Customer Experience Excellence Report 2019
- Getting Personal- KPMG Nigeria Banking Industry Customer Experience Survey



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