



Customer Experience
Excellence Centre



2016 Banking Sector Briefing

Banking the Customer Experience Dividend

Contents

Executive summary 02

The customer experience dividend 04

The personalised future of banking 10

Equipping the 'bank of the future' 16

The millennial time bomb 18

A new banking mindset 21

Where to start? 23

Customer transformation capabilities 27

Further resources 28

A new growth agenda for banking

Many UK banks already create excellent experiences for their customers. But performance across the sector is highly inconsistent. Our largest institutions often struggle to embrace customer best practice in the areas that are important to their customers, undermining their value. Working out how to delight customers would deliver a new injection of growth, but will require bold reinvention and steadfast leadership.

The evolution of UK banking is happening faster than many realise. Growing customer expectations, new technologies, inefficient legacy businesses and the changing regulatory environment have opened the door to competition from within and outside the sector.

The safe, reliable rules of retail banking are becoming less relevant as new business models, technologies and generations of customers enter the picture. Yet significant cost reduction, product marketing and risk remain the touchstones of banking, often to the detriment of customers and growth.

For the past six years, KPMG Nunwood's *Customer Experience Excellence Centre* has been evaluating business performance in banking and other sectors, across three continents. This work shows that today's CEOs face a profound challenge: create a new covenant with customers or risk sleepwalking into irrelevance.

This is not a task that can be deferred. Today's management teams cannot leave the banking leaders of tomorrow with a legacy of disenchanted customers, untrusted brands and outdated business models. 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.

2016 will be a turning point for our sector. This report sets out the challenge and defines the goals. The rewards for delivering customer experience excellence are not just economic, but a better way of banking.

To achieve this, we need to build a distinctive customer transformation mindset within the heart of retail banking culture, one that affects thinking from the boardroom, to the branch. We need to take lessons from the brands and sectors around the world that have learned how to delight customers, eliminate wasted expenditure and turn that experience into better businesses. And we need to act soon.

Mark Guinibert,
KPMG Partner



Executive summary

For over six years, KPMG Nunwood's *Customer Experience Excellence Centre* has examined the performance of 63 banks worldwide, alongside 864 other brands. The results for UK banking contain some compelling findings.

UK banking performs well, but inconsistently

- The sector as a whole performs well for customer experience, with 58% of banks and mutuals making the list of the top 100 customer brands. These include First Direct, Skipton Building Society, M&S Bank, Nationwide, Yorkshire Building Society, Santander and Halifax.
- However, barring Halifax, the Big 4 are noticeably absent from this list of leading brands. Accounting for over three-quarters of current accounts, this means that most UK customers currently have a sub-optimal experience with their bank.
- The pace of improvement has stalled. The intense distrust post-credit crunch has been reversed. But larger banks are still struggling to find a positive basis for further customer experience improvement.

Success could underpin the next generation of growth

- Turning world class experiences into revenues is at the top of many CEOs' growth agendas. Rightly so: achieving a top 100 customer experience ranking is associated with growth rates 163% higher than the average for FTSE 100 banks.
- For the average Big 4 bank, a top 100 ranking for customer experience excellence would equate to an additional £3.7bn in revenues over the next three years, based on data from analyst forecasts.

Banks need to achieve a highly specific goal

- Despite different marques and styles, most banks' relationships with their customers have become homogenised. Lack of emotional differentiation underpins unexploited financial opportunity.
- KPMG Nunwood has identified Six Pillars that underpin excellent customer experience and define the long-term customer relationship needed to drive growth and shareholder value: Personalisation, Integrity, Time and Effort, Expectations, Resolution and Empathy.
- Personalisation alone accounts for 23% of the overall experience. Banks have a unique opportunity here, using big data techniques to provide 'anticipatory service' as a transformational tool.



Delaying customer transformation presents risk

- Until recently, banks could generate acceptable profits despite poor customer experiences.
- By 2020, this will become increasingly difficult, as a new generation of digitally-enabled millennials, eager to reject brands not absolutely relevant to their needs, become a more dominant share of the customer base.

Customer experience capability and bold leadership are required

- The best-performing brands create effective customer experience functions. These must act as 'mission control' for risk, product, operations, people function and cost management – not just another silo to be managed.
- The successful CEOs of 2020 will oversee a new kind of organisational thinking, a new way of viewing the customer and a fundamental rethink of the role they play in their customers' lives. Culture and leadership roles will have to adapt considerably to create better, lasting connections with customers.



For the average Big 4 bank, a top 100 ranking for customer experience excellence would equate to

£3.7bn



Personalisation alone accounts for

23%

of the overall experience.



58%

of banks and mutuals make the list of the top 100 UK customer brands.



The customer experience dividend

KPMG Nunwood's work on Customer Experience Excellence has examined the performance of 927 brands across three continents. In the past six years, over one million consumer evaluations have revealed which businesses consistently excel, which have transformed most rapidly and – most importantly – how they have achieved this success.

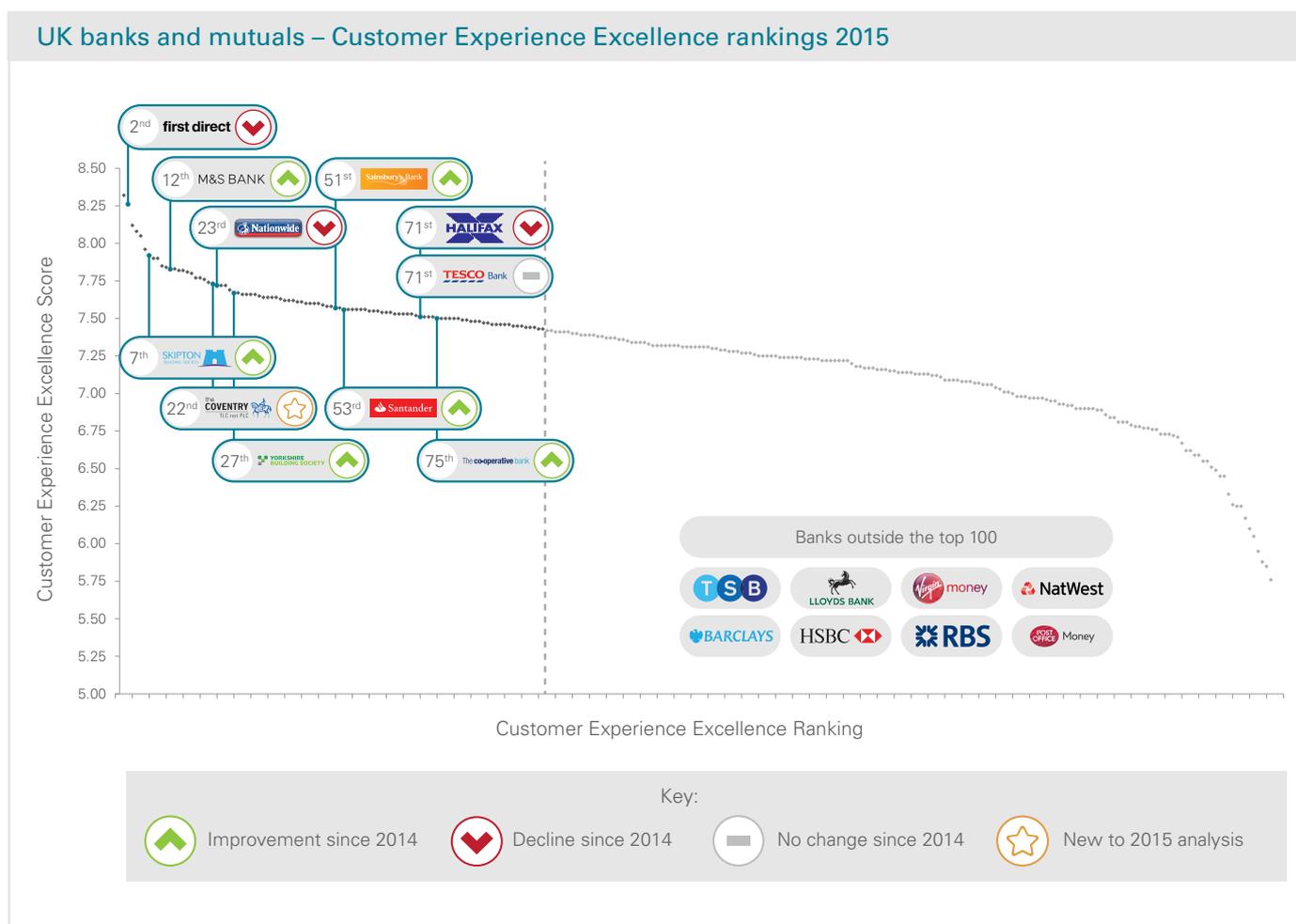
How do UK banks perform?

Today's customers have an industry-agnostic approach to customer experience. Businesses are less often judged against their sector peers. They know what great experiences feel like, and they know how businesses ought to be using the channels and approaches they see across different sectors. That means the UK's top brands – such as Amazon and John Lewis – set an even higher bar for UK banking.

Being the best bank is not enough. A top cross-sector position should be the goal. In the UK, 58% of the banking brands we examined made it into the cross-sector top 100 – an excellent result compared to the US, Australia and Ireland. The top 100 includes First Direct (2nd), Skipton Building Society (7th), M&S Bank (12th), Nationwide (23rd) and, thanks to a transformational performance over recent years, Santander (at 53rd).



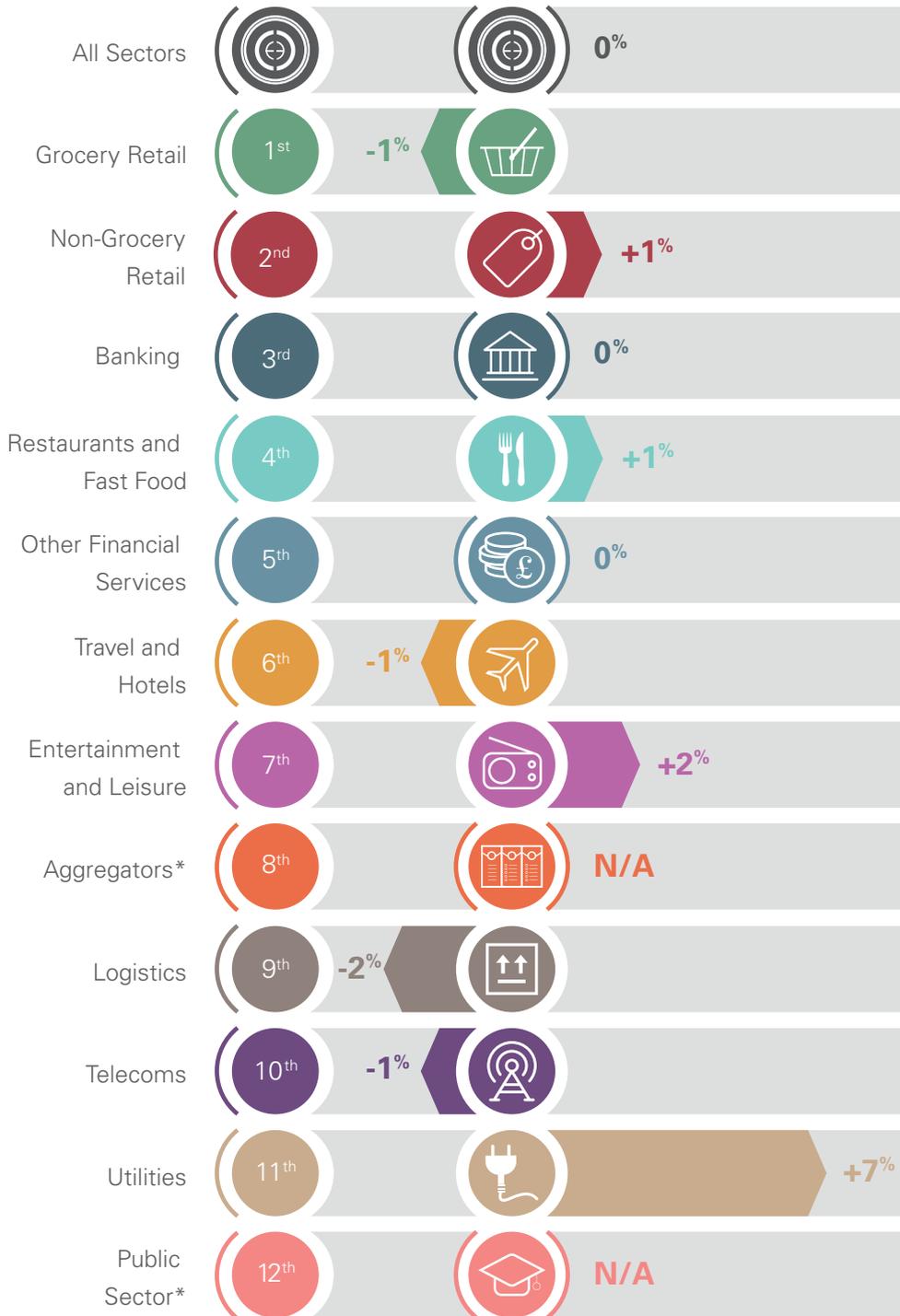
Behind this headline, however, the story for banking is more worrisome. Barring the Halifax brand (71st), the Big 4 – Barclays, HSBC, Lloyds and RBS – are noticeably absent from the top 100. These four manage 77% of UK current accounts – meaning that the vast majority of UK customers do not enjoy an excellent day-to-day experience with their banks.



Despite a strong performance compared to other sectors, the pace of improvement in banking is limited. Between 2013 and 2014, regulatory pressures, a new trust agenda and rapid progress on digital drove a 1% customer experience improvement. Between 2014 and 2015, however, improvement was flat at 0%.



% change in UK sector Customer Experience Excellence score 2015 vs 2014

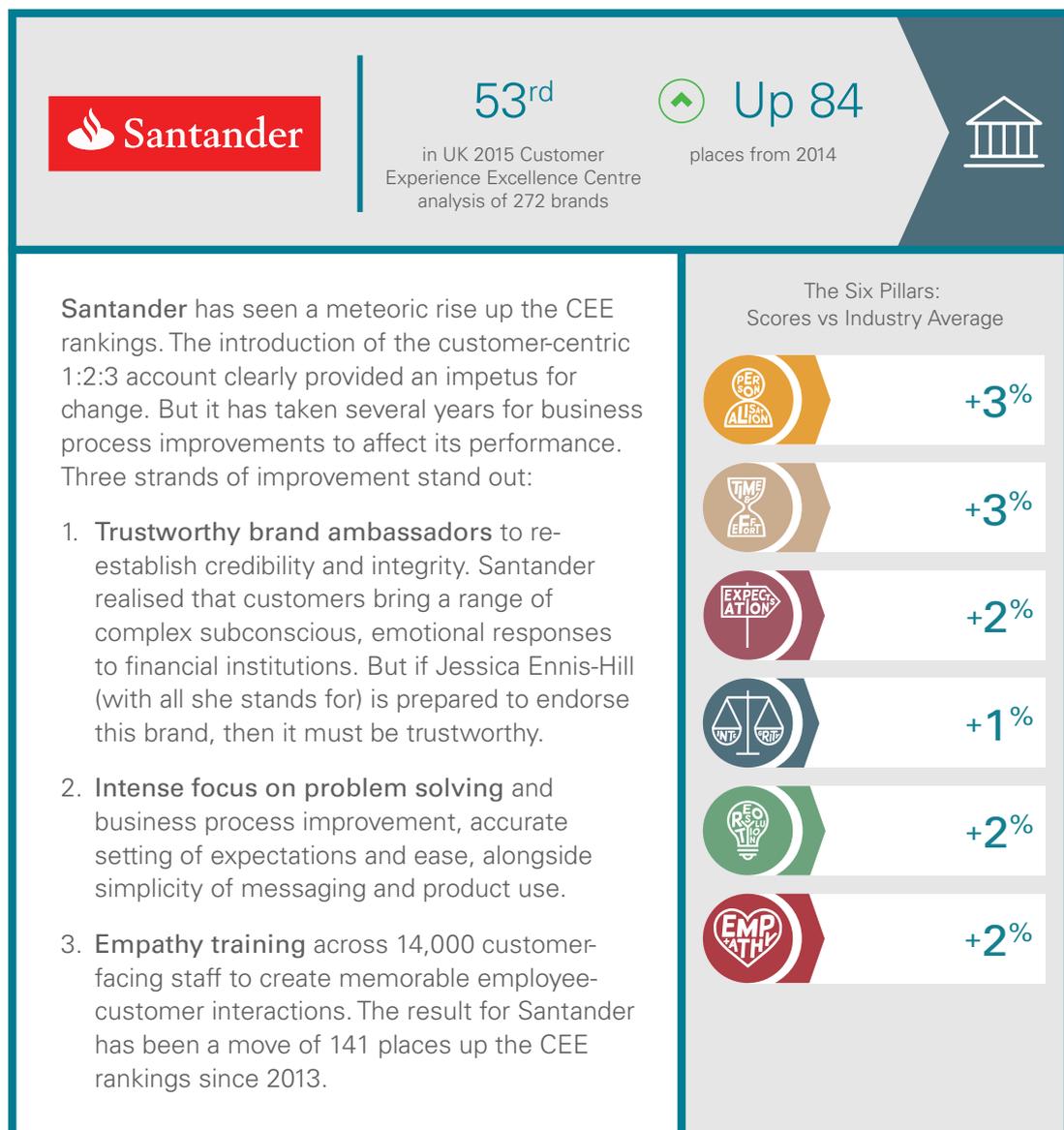


.....
 *Public Sector and Aggregators new to the 2015 UK CEEC analysis.



UK banking clearly performs well on the global stage. However, the largest banks have much still to do. Customer transformation is clearly possible with the right leadership, investments and vision, as Santander's rapid ascension clearly shows (see case study below).

However, the slow pace of change for most large institutions shows that current approaches to customer experience have limited effectiveness. For these investments to deliver value to shareholders and customers alike, a new way of thinking and working is required. Customer excellence must sit at the heart of this business model transformation, acting as 'mission control' for investments in technology, products and marketing.



Why invest in a top 100 ranking?

What benefit does radically improved customer experience excellence provide to shareholders? To justify the change and investment required, customer experience success must also be financial success. That means it is also critical to understand the mechanisms that turn a top 100 customer experience ranking into growth. This becomes clear when we compare the top 100 brands to the FTSE 100 as a whole.



The finding is clear: financial institutions that achieve a top 100 customer experience ranking outperform their FTSE peers. Those that delight customers have average revenue growth of 14.2% - 163% higher than the sector average for the FTSE 100.

Clearly this may not be a causal relationship. Multiple sources of revenue growth interact in complex ways. However, there is a clear correlation between brands that achieve customer experience excellence and much more rapid financial growth.

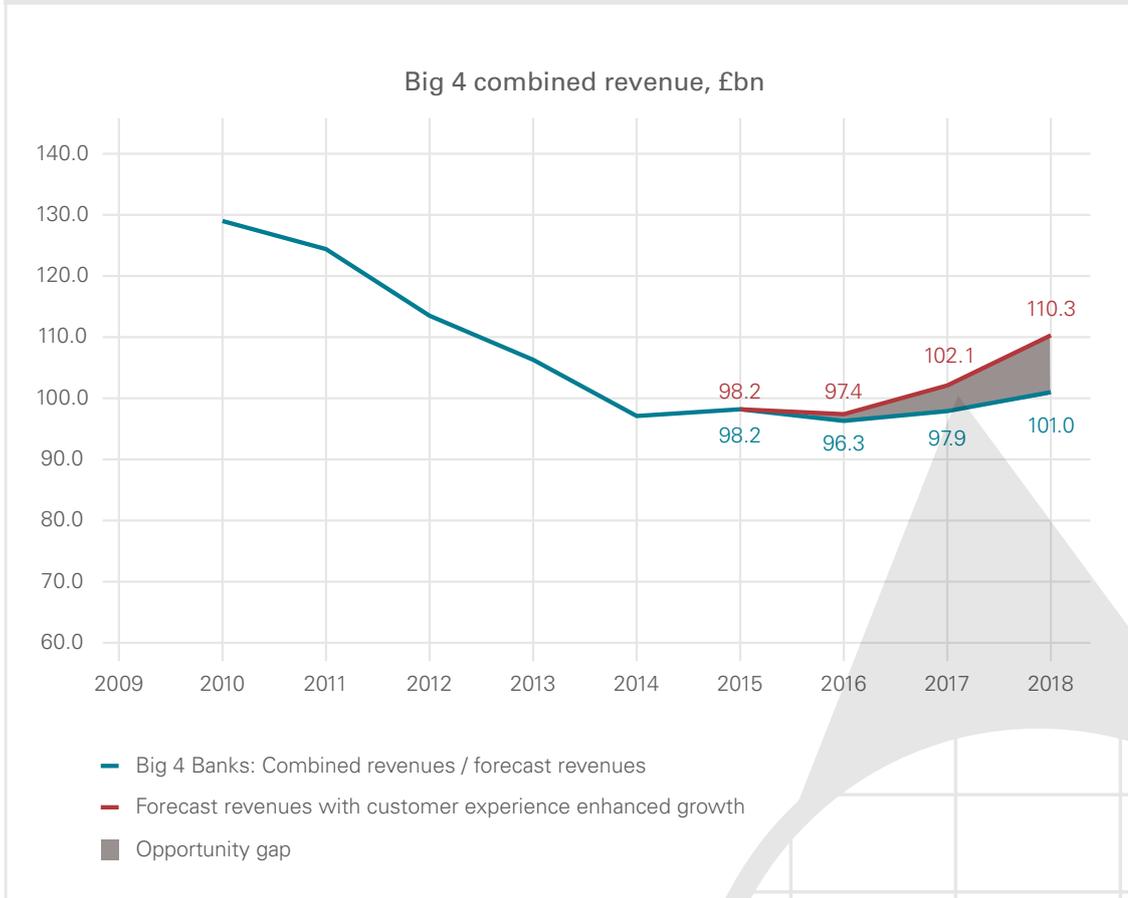
What does this mean for individual banks weighing up investment in customer experience? To illustrate this, we can examine the potential effect on the Big 4.

None of these main brands currently make the top 100 customer rankings. Moving any one of these into this index would require a great leap forward, underpinned by investment in customer transformation.

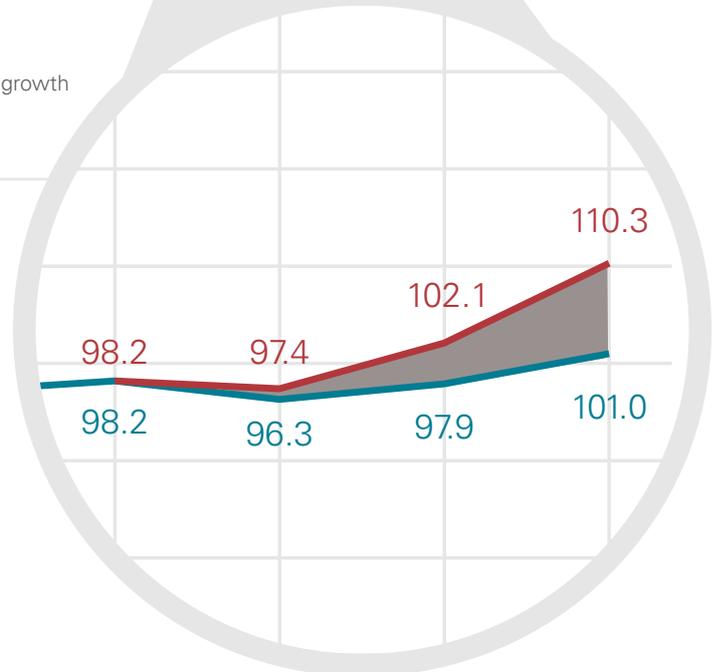
However, if we apply the rapid growth multiplier we see in top 100 constituents to the Big 4's forward forecasts, we get some sense of the size of the prize. Between 2015 and 2018, this level of growth would - on average - deliver an additional £3.7bn in revenues to each bank¹.

¹Based on Thomson One analyst consensus forecasts (Dec 2015). The forecasts for the Big 4 banks have been combined. This forecast is displayed both in its unmodified form and with more rapid rates of growth applied. These rapid rates are based on growth years being increased by 163%, consistent with top 100 customer experience brands. Any recessionary years or declines have not been modified.

Rapid growth trajectory for the Big 4 banks



Whilst this aggregate calculation is no substitute for individual forecasting analysis, the implication is clear: being a customer leader is not an altruistic play, motivated just by good intentions or regulatory compliance. Rather, it is one of the surest ways for a bold CEO to create a sustainable future for their bank.



The personalised future of banking

Given the potential rewards for success, what does it take to achieve customer experience best practice? KPMG Nunwood's analysis of more than 920 brands worldwide, built using over one million unique customer experiences, reveals there are six principles that leading brands consistently master. These Six Pillars define customer excellence and are the key to unlocking more rapid growth for the banking sector. They are present in every leading customer brand we have examined worldwide, whilst absent from those that have failed to transform:

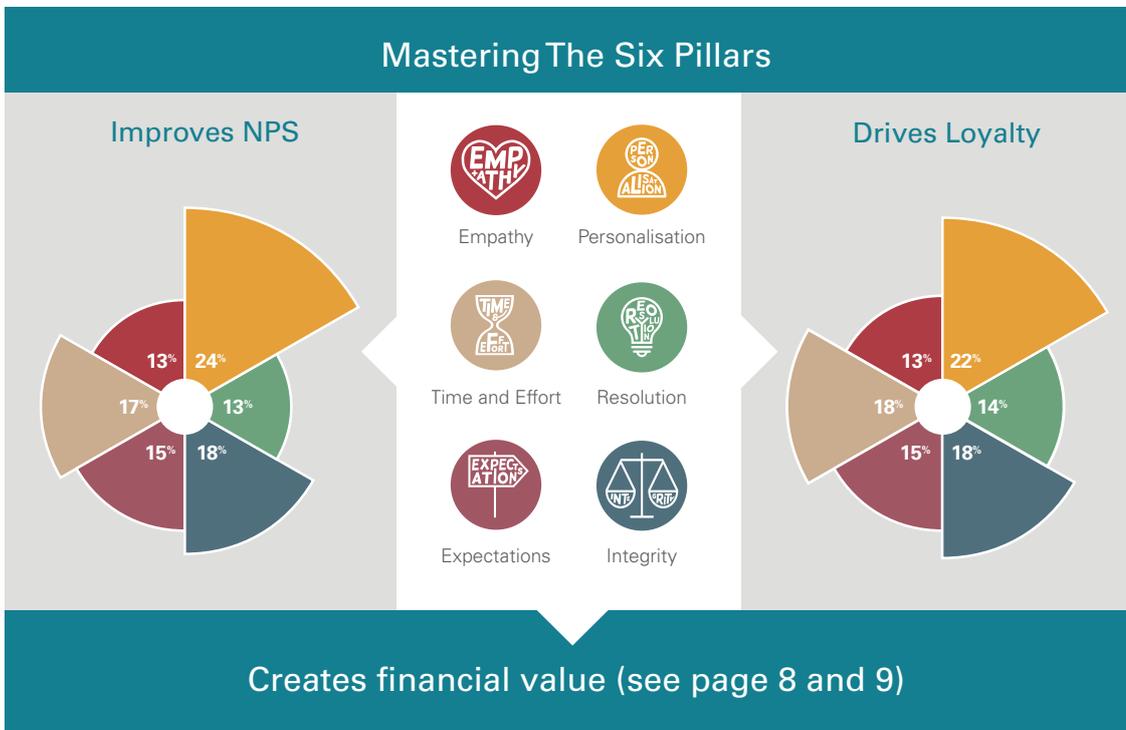


The Six Pillars allow us to precisely identify how great brands around the world are already overcoming the problems UK banks are facing. They offer banks clear direction for every process, system and colleague interaction to improve customer experiences. Putting these principles at the heart of business transformation will give the banks the best chance of success.

While all Six Pillars are necessary to create a rounded customer experience – and deliver sustainable growth in customer value – they are not equal in impact. For example, improved Net Promoter Score (NPS) and loyalty are both rooted in higher levels of Personalisation.



Mastering The Six Pillars



Personalisation is critical for the transformation of the sector. First, the banks are already at the heart of so many financial transactions for each customer so they know a huge amount about them – and their habits. That ought to create opportunities to refine their own offerings around each customer with a high level of granularity. Second, as other industries become more agile – and offer their own tailored products and services – the banks are a critical conduit.

Imagine a not-too-distant future where, as you're about to fill your car with petrol, you receive a notification that the petrol station a little further down the road has cheaper fuel. Or when your home energy contract expires and you are notified with suggestions as to what you might do next to save money. Or when you go to purchase your favourite shoes you will receive a notification where they are discounted on sale. All of this could be facilitated by your bank.

The world of 'anticipatory service' is built on the use of proprietary data, analytics and third party sources to let the customer know about things they might need before they know it themselves. It is Personalisation writ large and it's central to the future of banking.

The current environment is actually hostile to Personalisation. Regulatory guidance and risk appetite is driving commoditisation, as banks simplify products and processes to a level understood by the 'average' customer. It's still better for customers than a decade ago, where new current accounts were still driven by proximity to a branch, and new products were heavily sold whenever a contact allowed. However, there remains little differentiation between banks, and arguably, profitability has suffered as a result.



first direct

2nd

in UK 2015 Customer Experience Excellence Centre analysis of 272 brands

Down 1

place from 2014

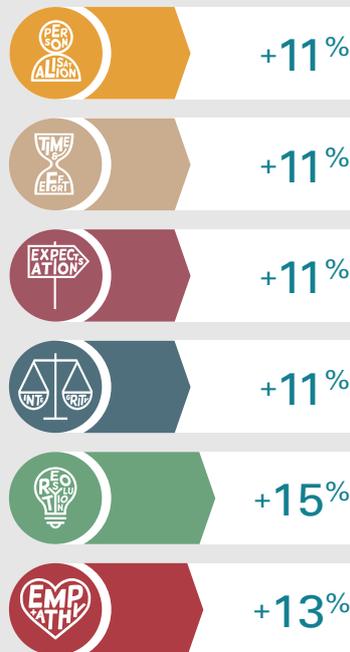


First Direct describes itself as the “unexpected bank”. But with one of the highest scores in the analysis for Expectations, First Direct customers know exactly what they’re going to get and are consistently delighted that those expectations are often exceeded.

The First Direct formula is remarkably simple, yet it has proved difficult to implement in other organisations: make it easy for customers to do what they need to do. First Direct employs people who want to serve the customer and care about doing a good job; it trains them intensely; and then empowers them to handle and resolve any issues brought to them by a customer.

It succeeds partly because it was founded to do precisely that: make it easy for customers. Unburdened by legacy infrastructure – such as aging IT and a branch network – it can focus solely on customer delight.

The Six Pillars:
Scores vs Industry Average



This is changing in pockets of the industry, especially outside the UK, as disruptive forces play out. For example, an ageing population means we have a multi-generational customer base facing radically different financial needs. Similarly, technology is having a profound effect on how we relate to, and interact with, our bank. These and other trends are creating a paradigm shift in the tripartite relationship between the customer, the bank and the customer’s money.

The emphasis is no longer on separating the customer from their money and taking fees and charges for the privilege of administering it. Now the focus is on helping the customer to make the most of their finances. It’s about ease of use and informed decision-making – deploying a bank’s huge resources at point of purchase, for instance, to equip a customer with information to make smarter purchases.



This 'outside in' view starts with 'how can we create value for our customers?' It asks, 'what problems do customers need solving?' Then, 'how best can we engage with that problem?' It is data then, not just capital, that will define a bank's success.

This more integrated approach starts with the customer's needs in mind. It redefines the role of the bank in making a positive contribution to the customer's life, to aid in their prosperity while providing a safe and comfortable environment to manage their financial affairs.

It involves helping the customer find the best outcomes in their day-to-day lives, not just in the context of a bank's own products and services. The bank becomes a way to improve customer decision-making; it helps them find discounts and special offers on products or services. For example, it makes transactions speedy and effortless.

Instead of just enabling customers to pay for something, banks can help them reach the decisions on what to buy, when and where. In this way, they can become trusted and indispensable to many of the everyday activities of today's consumers. Simply put, a bank's strategic aim might be "to be the platform first, provider second" – connecting customers to its network.

William Gibson once remarked, "The future is all around us, it just isn't evenly distributed". That applies here: the shifts in that tripartite relationship, and the focus on the customer's prosperity, are already evident among banks that excel for customer experience.

The best example is USAA Federal Savings Bank, the 5th largest in the US and the world's top performing customer experience brand in any sector. Among many personalised, digital innovations, it offers a unique car finder app. It helps you decide which vehicle is most appropriate for you. It tells you what discounts you might get from your nearest dealer at different times of the year. It enables you to pre-check finance, and the history of the vehicle. In other words, it makes both discovery and transaction much easier. And then with its tailored insurance products and secure payment system, it enables you to drive your ideal bargain off the forecourt there and then. (According to USAA, the next step could be to help negotiate the best price with the car dealer – in-app haggling).



The USAA Car Buying Service shows you what others paid for their car, so you can have confidence in knowing you're getting a good deal. As a USAA member you get access to exclusive USAA member discounts on both new and used vehicles. If you find a lower advertised dealer price on the same new vehicle within 4 days of purchase, we will refund you the difference through the Low Price Guarantee from USAA Car Buying Service.

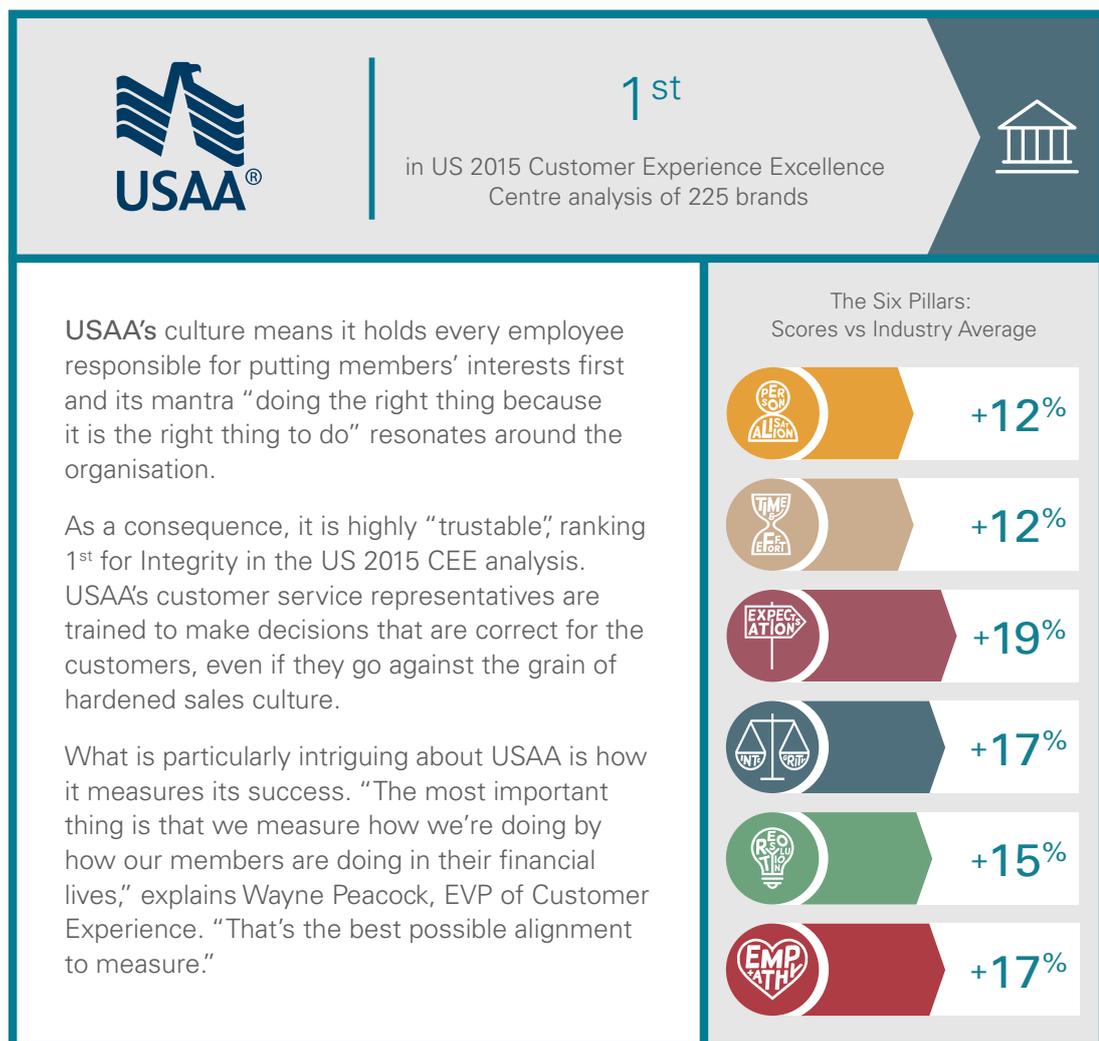
Source: USAA Website



USAA also has an app for initiating motor insurance claims. If you are unlucky enough to have an accident, you can immediately use your phone to take photos of the scene, dictate what you think happened and the phone is paged for the relevant GPS and weather conditions. The claim is initiated immediately – whilst memories are fresh.

There are other sightings of the future in the banking sector. Global Spanish bank BBVA is already making information about the selling price of cars, as opposed to the list price, available to its US customers alongside offers of car loans and insurance.

In the UK, Santander pre-empted the rise of internet cash back sites. Integrating the cashback value exchange concept into the 1:2:3 account attracted over a million new customers from other banks in a product category traditionally noted for its inertia. Now, Santander is using a personalisation engine to provide insights and tailored offers to customers. It is honing its data to create ‘markets of one’.



In New Zealand, Kiwibank has developed a home finder app that allows you to scan a street and see through augmented reality which properties are for sale or rent and their previous sales history. More importantly, it suggests how you can add value to the property through a new bathroom, kitchen or attic conversion. Prospective purchasers can make a return on investment calculation there and then. It provides an almost real time assessment of the mortgage that you might get on the property.

The Turkish bank Garanti's mobile app provides customers with alerts about deals available on their favourite brands and notifies them based on GPS if they are close to a store with a special offer. It provides savings suggestions and estimates the amount of money customers will have in the account for the rest of the month based on past spending habits. It can also be used for money transfers and card-less cash withdrawals and is integrated with Facebook and Twitter.

In all these cases, the use of data drives both customer and bank prosperity – it is much less of a one sided deal than it used to be. Banks process billions of transactions across thousands of retailers. Using this data for the benefit of the customer, rather than the bank, is where value is added to the customer relationship. Taking 'anticipatory service' as the primary innovation goal will lead to more than just first-mover advantage, but rather create the sustained, differentiated relationships that define customer experience best practice.



Equipping the ‘bank of the future’

Anticipatory service has the potential to redefine the role of banking, creating Personalisation in a way that underpins long-term relationships, multiple product holdings and high levels of advocacy. Its importance to UK banking cannot be understated.

However, transformation is complex. And while Personalisation offers the richest, most exciting route to differentiation, pursuing this in isolation will not unlock the real dividends from customer experience. Rather, banking leaders must equip their businesses to deliver against all Six Pillars. This means understanding the total set of outcomes required to achieve customer experience success. If we examine this total set of requirements we get a clear view of the capabilities the ‘bank of the future’ requires:

 Empathy	
Customer requirement	Underlying capability
Colleagues build rapport and personal connection	Empathy training
World class engagement processes	Engagement blueprints
Friendly, personal individualised attention	Recruit for values and attitudes - train for skills
Digital experiences that mimic emotional connections	Emotional design principles
Culture of customer support	Cultural norms and values

 Resolution	
Customer requirement	Underlying capability
First time resolution	Knowledge management technologies and local level empowerment
Predictive analytics of potential complaints	Text mining to identify themes
Root cause analysis across all customer interaction mediums	A single customer feedback platform, spanning: <ul style="list-style-type: none"> • Voice of the customer • Voice of the employee
Clear responsibility for complaint and query resolution	Agile organisational structure. Rapid deployment teams
Staff skills, knowledge and competence	Just-in-time training
Proactive progress updates	Customer-led workflow management
Demonstrable concern for the individual	Behavioural and cultural frameworks





Integrity and Trust

Customer requirement	Underlying capability
Visible bank engagement in society; a sense of moral purpose	Defined social purpose for the brand
Fair and honest pricing and information	Cultural norms; communications framework
Employees who are clearly proud of the organisation	Parallel focus on the employee experience
Visible commitments to being a “better bank”; rather than a “different bank”	Proactive customer dialogue across all channels
Systematic focus on the outcomes that are best for the customer	Customer centric metrics
Incentives aligned to the customer’s best interest	Customer centric incentives



Valuing Time and Effort

Customer requirement	Underlying capability
Pre-empt the next step and any potential problems	Next best action technology
Minimal unnecessary pain points	Customer journey “atlas” for entire bank with financial prioritisation
Proactive management of customers’ time	Customer-led workflow management
Easy access across relevant channels	Opti-channel capability, with clear innovation (e.g. video access)



Expectations

Customer requirement	Underlying capability
Understanding of the needs of different customer types	Segments expectation model
Parity between the brand promise and customer experience	An exco level role encompassing both
Performance management in meeting customer expectations	Customer centric performance metrics
Fulfilling customer obligations is a cultural norm	Culture and values based behaviours
Timeline for each customer objective	Granular journey design



The millennial time bomb

What about the banks that don't prioritise customer experience excellence? There are many people who argue that you can build a perfectly good business based on low costs, for example, and rely on customer inertia rather than customer relationships. Even in 2016, it is clear a customer experience laggard can still deliver value to shareholders. Even with the economic rewards of success, is investing heavily in customer differentiation worth the risk?

Demographic change might be the most compelling way to answer this question. Millennials – those born between the early 1980s and the early 2000s – are forecast to account for 30% of all global spend by 2020. And worryingly, they really don't like the big banks. Scarred by the financial crisis and the resultant recession – which occurred at a formative period for many of them – a recent survey in the US (Harris Poll Reputation Quotient, 2015) showed that all the major banks are in a top 10 list of brands millennials most hate.

They blame the big banks for the economic meltdown. They see no evidence of change in behaviour over the past eight years. And they want alternatives – which means they're looking to fintech start-ups and favoured brands such as Apple and Google to meet their financial needs.

In the US, brands such as Simple, Go, Moven and Ally are rewriting the rules on how a bank should interact with digital natives. Companies such as Lending Club, Prosper, Affirm and Robin Hood are offering new ways to take out loans and credit cards. Nimbl is rewriting the rules of how an ATM might work. It is fintech, not the major banks, that is responding fastest to the need for change and earning the loyalty of the next generation of affluent customers.

Major players like Wells Fargo have seen the danger and are rapidly developing their approach to millennials – but thus far they seem to be in the minority.

Our research shows that millennials still want human interactions – they just want them mediated through digital. They want to see and hear the individuals at the bank when they need help or something goes wrong. They do not want to be presented with the product of the month or duped by hidden fees and penalty charges. They want a bank that understands their particular needs and lifestyle – and can support that lifestyle innovatively and proactively.



The voice of the millennial

“

I want help and support in the way I need it: a human when that is required, but education in a way I can easily access.



“

I want you to recognise my lifestyle and needs, I want you to help me with my student debt.



“

I want to do everything through my mobile.



“

I want the type of technologies coming from start-ups – not traditional banks.



“

I want one step, not 10 pages to work through.



“

I want to use multiple media types to access my bank when I need to, I want a human conversation – but mediated by technology.



“

I do not want to be presented with the product of the day, I will not stand for opaque fees or a lack of transparency.



The implications of this shift are profound



Millennials believe that in a few years they will not need “traditional banks” at all.



Millennials want to be inspired by other millennials who have done well – they trust them and want to be educated by them.



Their needs will be serviced by specialist digital app providers.



They want banking arrangements that support their lifestyle and take a broader view (around their shopping habits, for example) rather than making transactions; creating a home rather than a mortgage; helping with life goals (such as paying off student debt) rather than selling them.



We therefore need to be clear on what banking means to millennials. They want to deal with a different type of bank, one that understands how banking can be delivered through digital, mobile technology.



Millennials have different life goals to the older generation.



Traditional banks have moved their services online, but none of them have yet developed the user experience or product quality required to meet the specific needs of millennials.

Ultimately, millennials have expectations of their banking providers that are not currently being met by the traditional banks. Worse, because many of their views are driven by trends such as technology and globalisation, these attitudes are also starting to be evident in other generations. With millennials predicted to account for one third of all spending by 2020, winning the loyalty of them now is crucial to future success. Those that do not embark on bold, decisive transformation today risk sleepwalking into irrelevance.



A new banking mindset

Understanding the potential for a new kind of customer experience and the rewards for delivering it is not enough. To capitalise on it and manage future risks, banking CEOs must change how their organisations think. New goals are necessary, but not sufficient: new people and mindsets are required. As Einstein said, “You cannot solve systemic problems with the same thinking that created them in the first place.”

This new mental model starts with the customer – their lives, their needs, their habits – and works back. That might be problematic to any banks used to constructing products and building business models to sell and manage them.

A powerful example of the alternative is Kiwibank in New Zealand, which is effectively a start-up created by the New Zealand Post Office to halt the march of Australian banks. It has been so successful that it is now attacking those same Australian banks on their home turf.

Kiwibank is not organised in traditional hierarchies of command and control and siloed functions. Instead it is a cross-functional organisation built to service customer journeys. It sees life goals end-to-end and designs customer experiences accordingly. And because it aggregates data from a huge number of customers, it can model how those life journeys play out for future customers – so for them, it feels like Kiwibank is always one step ahead of their needs, providing the right offering at the right time in the right way.

Customer-focused teams become immersed in real life, not product pitches. USAA describes this as ‘customer surround sound’ and it is a vital component of making financial products relevant to the lives of the consumer. It drives innovation and customer relevance, too. USAA, for example, has developed a series of innovations that are slowly being adopted by other banks – but USAA got there first. Why? Because it spends its time seeking to solve customer problems.



This paradigm shift requires a new way of thinking, a new mental model as to what good in banking looks like:

Current “sell more” paradigm	Future “enable more” paradigm
Seeing the world from the bank out	Seeing the world from the customer in
Organised in silos	Organised around segments and journeys
The bank’s financial performance	The customer’s financial achievements
A deep interest in the product P&L	A deep interest in the customer’s well being
12 month product goals	Customer life goals
Finding new ways to sell you more	Finding new ways to solve problems
Data creates value for the bank	Data creates value for the customer

We’re not there yet. The general withdrawal from proactive selling by the major banks in the wake of mis-selling scandals has left a vacuum. The removal of sales targets as a directional tool has left staff floundering. The 1:2:3 account has forced Santander’s competitors into a defensive posture and to think about how they reward tenure and loyalty.

The imperative now is to be clear on how the bank intends to make itself distinctive. What should it be known for? Staff urgently need a sense of purpose – and just chasing NPS will not lead to success.

The CEO’s role must be to tackle the problems of customer experience and cultural mindset in parallel. Traditional operating models – especially at C-suite level – must be challenged to create much closer alignment between HR leaders, marketing and customer champions.

Looking to the US, which is at least five years ahead of the UK, we may draw inspiration from the emergence of Chief Customer Officers to tackle this very challenge. What is clear, though, is that customer success is as much about leadership style and cultural sticking power, as it is about defining the right outcomes.



Where to start?

So, where does transformation begin? The KPMG Nunwood *Customer Experience Excellence Centre* helps banking leaders to frame successful transformation, the associated rewards and the magnitude of the challenges along the way.

Most UK banks must overcome a range of internal, cultural and structural challenges if they are to be successful. Even for those banks and mutuals that have pushed into the top 100, improving and solidifying their positions remains a major task.

The question becomes how do we optimise the pace of change? What can be done to reduce a five-year transformation into one that is underpinning growth within three years or even less?

Each bank's situation is unique. But they can draw on this analysis to describe a sequence of refining their strategy, building capability and executing transformation.

What every brand needs, however, is a mature, best-in-class customer experience capability. They need the right kind of customer champions to stand a chance of addressing the broader challenges.

To be effective, this must be more than some sub-set of marketing, product or operations. Customer experience must be backed by the CEO and resourced to become 'mission control' for business transformation, with customer delight as its target. Many UK banks fail to emphasise customer experience as a business leadership function and therefore fail to create the catalyst for change. 'Customer' merely becomes another workstream.

Whilst customer experience capabilities in banks often lack the power and mandate needed, we can look to learn from the world's best brands. From these we see several key capabilities for a genuine customer function that underpin their success:



Vision and Strategy



Financial Decision Model



Journey Design Capability



Voice of the Customer



Customer Culture



Operational Excellence



Necessary customer experience capabilities



Vision and Strategy

- Clear articulation of the controlling idea, derived from the main brand, owned by all.
- Practical, granular design principles and tools for omnichannel experiences.
- Realistic and honest appreciation of internal risk factors, maturity and capability gaps.
- Ownership at C-suite, ideally with the CEO championing customer experience.



Financial Decision Model

- Explicit and confident understanding of the links between customer, growth and reduced costs.
- Prioritisation of customer journeys versus change portfolios, based on value and cost.
- Unified data analytics capability, combining operational data and feedback.
- Predictive modelling, allowing financial return to be simulated based on customer improvements.



Journey Design Capability

- In-house capability, tied to an omnichannel permanent group with clear governance.
- Codified in-house approach to journey mapping and design, linked to governance.
- Clear emphasis on balancing customer (emotional), process (rational), cost and employee factors.
- Agile implementation capability, allowing rapid test, deploy and rollout across markets.





Voice of the Customer

- Unified, real-time feedback technology, linking all operational managers to daily issues.
- Decision-making model, drawing together relationship-level and event-level feedback.
- Incorporation of operational data and digital analytics, allowing a fully rounded view.
- Relentless focus on action planning, both at the operational and strategic level.



Customer Culture

- Understanding of the target culture and employee experience needed for customer centricity.
- Seamless engagement of HR and L&D staff within customer experience governance.
- Formal customer closeness programme, engaging top management with real customers.
- Incorporation of voice of the employee analysis, alongside voice of the customer.



Operational Excellence

- Absolute focus on granular implementation of customer principles via micro journeys.
- Continuous focus on checking customer vision against operational reality.
- Omnichannel scope, across traditional and digital dimensions, without internal silos.
- Clear approaches to identifying and propagating emerging best practices.



Combining these capability requirements with the behaviours defined via The Six Pillars provides the starting point for a successful customer transformation. Unfortunately, there are no magic bullets: simplistic solutions, whilst seductive, will only yield simplistic results. However, the targets, goals and outcomes can be clearly laid out.

A mature, well-defined customer experience function will play the critical role in delivering change. Whilst this team should not directly manage each activity, at the same time it must be more than an advisory function. Its key role is guiding, facilitating and evaluating the transformational work of thousands of colleagues. To facilitate this, large banks will need to place a different emphasis on their customer experience teams, giving them the mission and mandate to organise new ways of working. For most, this will mean changes to their operating models, governance and – ultimately – who sits on the executive team.

This requires a firm commitment from the CEO. For those banks outside of the top 100, or those seeking to solidify their position, incremental change will not be enough. Building new capabilities and targeting a clear view of customer experience best practice will create a financial and social benefit. By embracing this challenge, the CEOs of tomorrow will not only unlock a generation of accelerated growth for their banks but also define a better future for banking.



Customer transformation capabilities

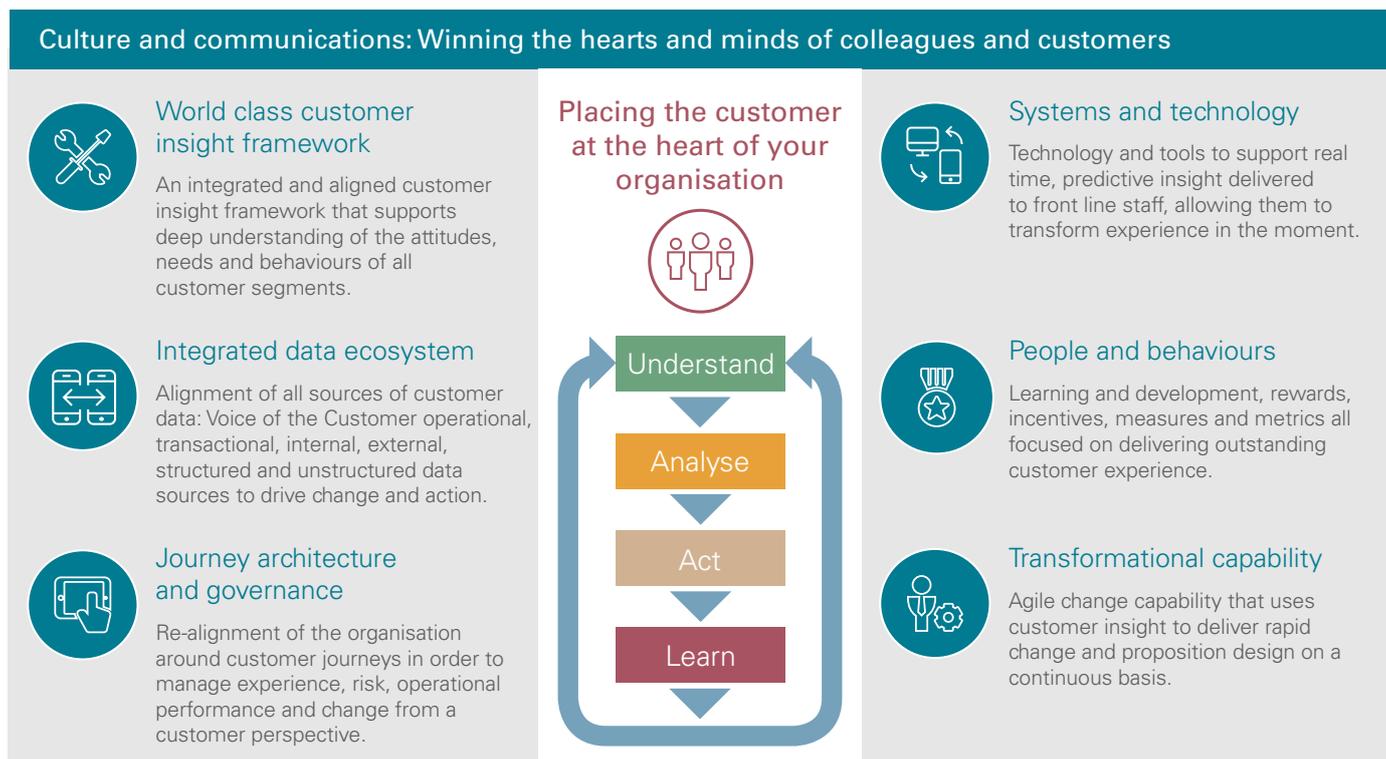
KPMG has worked with banks around the world to help them transform into customer-centric organisations. Designing, managing and integrating the various building blocks required to become markedly more responsive to customer needs is a complex, but highly rewarding, task. The key components include:

- World-class 'always-on' customer insight processes to help the bank to understand what customers value and need.
- An integrated ecosystem of data and analytics that allow a bank to use structured and unstructured data to deliver customer-centred decisions and actions.
- A customer-centric organisational structure to ensure metrics and controls are focused around the customer and customer journeys.

- A cultural change programme that aligns staff development and reward around customer experience.
- An agile transformation capability that is able to deliver innovative customer solutions that can excite and engage customers.

The biggest challenge that banks face is that the new customer-centric operating model fundamentally challenges the traditional silo-based structures of the past. Legacy infrastructure and operations are now a barrier to relevance to a new generation of customers.

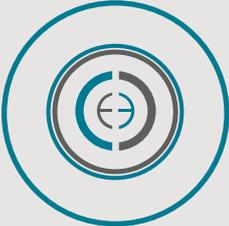
Transformation is never easy. But transforming is imperative if banks want to stay relevant and become the leaders of customer experience across all industry sectors.



Further resources



Customer Experience Excellence Centre



The Excellence Centre is dedicated to rapidly improving customer experiences, by defining what 'best-in-class' looks like for customers around the world.



Access the Excellence Centre online

Learn from the international best practices of innovative and fast-moving brands.



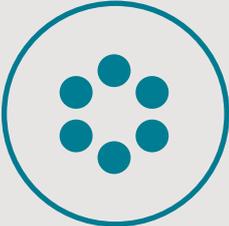
Access customer experience best practice resources

Download previous CEEC reports, watch best practice sector webinars and download CX white papers.



Apply for membership

A community for customer experience professionals, providing access to best practice tools alongside a platform to connect and influence.



Learn more about The Six Pillars

A universal set of qualities within every customer relationship. The Six Pillars have proven to deliver enhanced commercial outcomes and deliver greater shareholder value.



For banking leaders interested in pursuing customer experience excellence, this work contains detailed analysis of 63 major banks worldwide. For a detailed evaluation of your own brand, or to discuss this work in more detail, please get in touch:

Michelle Hinchliffe

Partner, Banking
KPMG

T: +44 (0) 2073 113 513

E: michelle.hinchliffe@kpmg.co.uk

Mark Guinibert

Partner, Banking
KPMG

T: +44 (0) 2073 115 574

E: mark.guinibert@kpmg.co.uk

Tim Knight

Director
KPMG Nunwood

T: +44 (0) 1133 800 312

E: tim.knight@kpmg.co.uk

David Conway

Director
KPMG Nunwood

T: +44 (0) 1133 800 312

E: david.conway2@kpmg.co.uk



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2016 KPMG Nunwood Investments Limited is a subsidiary of KPMG Holdings Limited, a subsidiary of KPMG LLP, a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, a Swiss entity. All rights reserved. Printed in the United Kingdom.

The KPMG Nunwood name and logo are registered trademarks or trademarks of KPMG Nunwood Investments Limited.