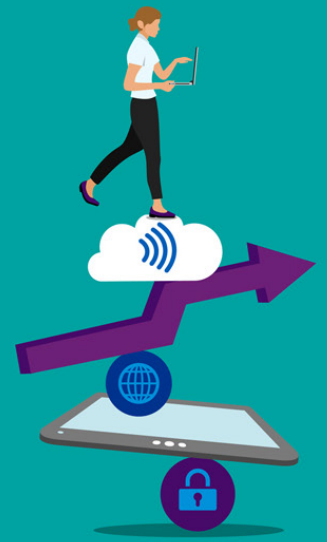


Risky business: Delivering great customer service in the digital age



Digitisation has revolutionised the way consumers interact with financial providers, but it has also presented new risks – to consumers and the industry alike. We unveil how organisations can rethink the risks of their digital strategy and do the right thing for their customers, while staying ahead of their needs.

At a glance:

1

Financial services may not be doing enough to understand the risks that come with the industry's innovation.

2

Regulatory intervention and the General Data Protection Regulation (GDPR) are coming and financial providers must prepare now.

3

Digital products and services could conceal risks previously picked up by face-to-face customer interactions.

Nine years on and the financial services industry is still paying the price for the economic crisis; grappling with streams of regulation to drive healthier business cultures, better outcomes, and continuing levels of distrust amongst consumers.

Yet as the world embraces the digital revolution, it poses new risks of mis-selling, which with the ease of online purchasing could reach unprecedented levels – simply at the touch of a button.

Although the FCA has yet to publish digital-specific guidance to the industry, regulatory intervention is likely to happen in the future – and financial institutions will want to avoid the cost and reputational impacts of repeating the mistakes of the past.

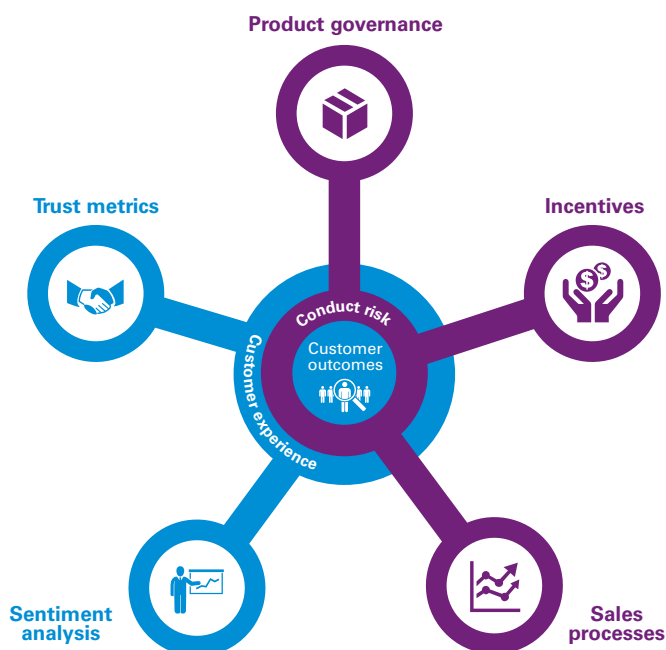
Fast, convenient and largely accessible, online banking has overtaken relationship-based banking to become the norm. As financial services firms race to meet this demand, companies must use data wisely; so that they can understand their customers and identify vulnerabilities that would previously have been evident in face-to-face meetings, enabling them to then ensure they are serving customers appropriately. But with the impending GDPR set to ensure businesses have to have customer consent to use their data, this is by no means an easy feat.

Digital is yet another challenge for financial services, with providers also getting to grips with continuing swathes of new regulation, fast-paced technological developments and shifting customer dynamics. For many financial services firms, digital is now all pervasive – it spans all business activities. Increasingly, they see that embedding digital across their full operating model will drive innovation, business change and the right outcome for customers. A clear digital strategy that is championed by senior management and bought to life by a digitally capable workforce will pay dividends in improving the customer experience and growing the business. However, getting it wrong has significant consequences.

In traditional sales processes, errors (whether deliberate or not) are down to individuals; when something goes wrong in the digital world, it can go wrong for 100 percent of transactions affected by the error.

So, as financial services firms invest to stay ahead and innovate in spite of on-going profitability challenges, are they doing enough to understand the risks that digital poses and taking the steps they need to mitigate these?

Risk and reward in the digital age



Incentives and sales processes



Transparency is key to financial services organisations renewing trust amongst customers wary of past mis-selling scandals. Online and mobile design pose new challenges in key areas such as transparency. Promoting or concealing vital product information, from charges to risk warnings and terms and conditions, can mislead customers as much as small print in traditional sales documents. Critical information published on a website designed with only desktop in mind may be distorted when accessed via mobile – at the risk of misleading large numbers of customers. And the reputational damage of bad sales practices and behavioural bias will be immense, regardless of scale.

Product governance



Financial services firms have deemed many of their products to be too risky to be offered online at present. Many firms vary the products available through different channels – whether mobile banking, desktop or apps – sometimes to the detriment of accessibility and inclusion. Until we get to the world of intelligent digital services and a data-driven market place, institutions need to be aware that people who are unable to access digital content may not be able to purchase the most appropriate product through their preferred channel.

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Sentiment analysis



As financial services organisations struggle to establish the much sought-after integrated single view of the customer, it is vital that they take a consolidated approach in evaluating the sales process, client satisfaction and digital conduct risk data. NPS and customer satisfaction data in isolation is not enough – happy customers might be oblivious to the fact that they have been mis-sold, as has often been seen in more traditional mis-selling issues.

Our perspective

Digitisation has revolutionised financial services, transforming the customer experience, informing strategy and driving results. As data enhances our insight into the customer journey, it is theoretically easier to identify emerging conduct risk – but only if financial services organisations develop products appropriate for each channel, and understand the nuances of each of their channels and the way in which customers interact with them.

As financial providers proudly showcase cutting-edge digital shop windows, they must all ask themselves whether they've invested adequately in understanding not only the innovations behind them, but also the risks that they pose. The winners of this digital age will be those that consider how digital sits within their risk framework and ensure their operating models and infrastructure are adequately robust to drive them into this new age.

Rethinking risk



If you are interested to further understand how your approach to risk management can help you move faster, act decisively and be bolder and braver in today's fast-changing conditions, visit our website:

www.kpmg.com/uk/rethinkingrisk

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