Living up to customer expectations: Talking to bank CEOs

How bank CEOs are achieving customer centricity

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Today's banking customers expect more than just good rates and secure services. They also expect a positive experience.

The good news is that most banks have made great progress towards becoming more 'customer-centric' over the past few years. In part, this is because many bank CEOs have taken a personal interest in getting closer to their customers. Indeed, according to KPMG's 2017 Global CEO Outlook, two-thirds of bank CEOs feel personally responsible for representing the best interests of their customers, and 65 percent say they can confidently articulate the customer value proposition.

At the same time, we've seen many of the large banks start to invest significant capital and resources into improving the customer focus of their organizations. They are testing out new technologies that promise to speed transactions and processes, taking steps to align their middle- and back-office processes around the customer, developing fintech strategies to improve the customer experience, and putting serious effort into improving their customer data and analytics approaches.

My conversations with top bank CEOs suggest they also recognize the urgency of the challenge and the value of good customer experiences. This is an important development especially in a world where customers compare their banking experience against their 'last, best' service experience (say, at Starbucks or on Amazon).

We're just getting started

Progress has certainly been made. Yet experience suggests there is still lots to do before bank CEOs can consider themselves truly customer-centric.

For starters, banks will need to break down their internal siloes to achieve a more holistic 'single view' of their customers. In part, this will require them to adopt newer technologies (such as application programming interfaces (APIs) and Representational State Transfer web (RESTful) services) that allow them to share customer data across their various businesses. It will require new processes and tools and it will necessitate a cultural change that incentivizes a focus on experience rather than sales and business targets.

At the same time, most banks will need to redouble their efforts to improve their middle- and back-office processes to deliver the front-office experiences customers now expect. This is often referred to as the customer experience (CX) — how they interact with their banks — versus the user experience (UX) or their first impression of the bank's channels. This will mean deeper application of technologies such as robotic process automation (RPA), natural language processing (NLP) and artificial intelligence (AI). It will require more flexibility and agility in the way processes are designed and managed, and greater alignment between the user interface and back-end technologies.

Banks will also need to vastly improve their market sensing capabilities. They will need to be able to 'look around the corner' to predict what their customers will want and how they will want to be served. They will need to become much better at targeting and narrowing their customer segments with the ultimate goal being to get to a segment of one. And they will need to understand how to turn these insights into real and value-driven action.

Advantage banks

While this may seem like a world where fintechs have the upper hand, the reality is that traditional banks are building from a very solid foundation. Thanks to their long history and decades of customer relationships, traditional banks are able to draw on deep experience managing customers across their financial lifecycle. Notwithstanding recent declines in customer trust, banks have a strong legacy of delivering secure, smart and valuable services to their customers. Few customers worry that their bank will fail or `sell out' to the highest bidder.

Traditional banks are also kings of process and compliance. They may not yet possess the agility of fintechs, but they certainly understand the need for rigor behind the processes and they know how to manage regulations. Customers can be confident their banks are doing the right things to manage their money.

Most importantly, is the fact that traditional banks (tend to) offer a wide range of different and aligned services. As I noted in a recent KPMG report, *Me, my life, my wallet*, customers are becoming increasingly weary of managing multiple service providers to fulfil their various financial requirements. Many find the disparate array of services confusing. It's reaching a point where the niche player fintechs are at risk of having their customers give up, frustrated by the effort it takes to build a few more points or to get a nominal discount.

Three steps to great customer experiences

So what should banks be doing to deliver excellent customer experiences? My work with leading financial institutions suggests there are three main areas where banks should be putting their focus.

1. First, they should be doing what KPMG professionals call 'outside-in sensing' — taking the time to understand how the world around them is changing and thinking about how that will impact their business. This includes everything from technological disruptions and shifting customer expectations through to competitive activity and regulatory changes.
2. Next, they will need to run 'inside-out scenarios' — taking all of the information they gathered from their outside-in sensing and running what-if scenarios to identify exactly how these trends apply to their business and operating models, what new opportunities they create and what risks they need to avoid.
3. Finally, they need to develop a simple yet thorough framework for execution. KPMG professionals often use KPMG's 'Nine Levers of Value' framework which breaks the necessary steps down into digestible components to enable decision-makers to translate business strategy into operating model tactics.

Time to adapt

While many organizations are clearly making great strides towards customer-centricity, KPMG professionals' view of the market suggests that there is little time to waste. Many of the leading banks are expected to successfully transform into new, more customer-centric versions of themselves within the next two years. Armed with their strong heritage, deep experience and new technologies, all signs suggest that these early movers will be the real disruptors of the future.

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