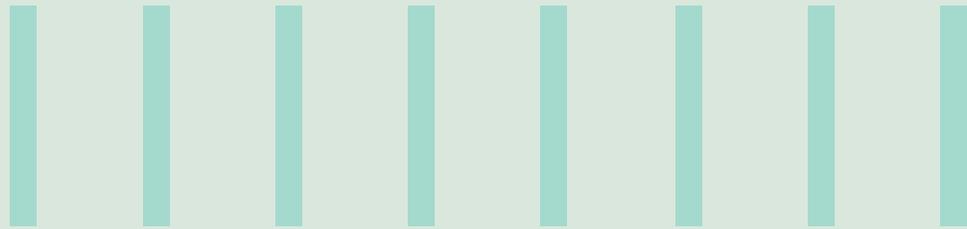




## LEVERAGING 3-C PHILOSOPHY FOR ENHANCED ROI FROM CHANNELS



## Introduction

*"The problems of this world cannot possibly be solved by sceptics or cynics whose horizons are limited by the obvious realities. We need men who can dream of things that never were"*

- John F. Kennedy.

Most banking institutions embarked on digital transformation, early enough but the transformation is still incomplete. During the shift from traditional banking to digitally enabled banking, the market, customers, and the environment as well, have kept evolving – thus, the goal of complete transformation is yet to be met. In a multichannel environment where each channel is working in a silo, the real benefit of uninterrupted and seamless services is still at some distance. The lack of consistency in information, and customer experience, is echoing the need for omni-channel banking – which can integrate the channels to provide a seamless and consistent experience. Omni-channel banking aims to provide the right service, at the right time, and through the right channels. It makes the best use of customers' interactions with digital components, and has turned out to be a revenue multiplier for banks. Omni-channel banking has the capability to embed itself in every customer's lifestyle, with effective personalization. However, omni-channel banking is in itself an evolution of multichannel banking – therefore, to embark on the journey of omni-channel strategy; banks should first have a capable multichannel-banking environment.

This white paper makes use of surveys conducted on stakeholders from India, the US, and Europe, majorly serving as bankers, consultants, and IT and domain experts either in banking institutions or technology companies and are major stakeholders in the industry. The survey was focused to gauge their experience of the banking industry. Also, to gauge latest market trends, buyer behavior, and perception on banking we reached out to customers from tier I and tier II cities in India. The analysis of the same has helped to depict

recommendations and ways of improving RoI. Domain findings from the survey are analyzed and complemented with existing research before deriving any conclusion.

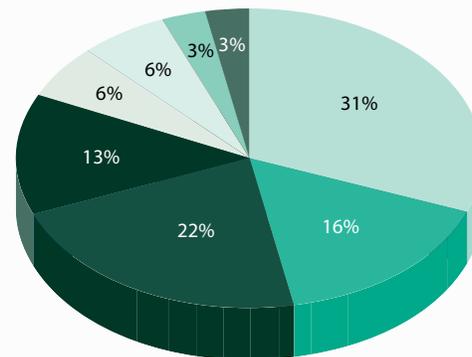
## Challenges

### Technical challenges

Multichannel banking environments' success solely depends on the use of technology in the development, deployment, and maintenance of service channels. While each channel may have its issues, we have tried to identify the technical challenges that banks face most often. 31% of the respondents voted 'Maintaining consistent customer data,'

and 22% voted 'Consistent branding and messaging,' as the biggest technical hurdles. From the responses, it appears that banks have a tough time creating a consistent stream of data flow between channels. Capturing customer data from all channels, and storing it at a centralized location, is one way in which, banks can achieve consistent customer data. However, newer channels and modes of banking evolve every day. The question here is, 'How easily can banks integrate newer channels with the existing bunch?' If the technicalities of integration get easier, data consistency across channels will be easier to achieve, further reducing time-to-market of services and capabilities.

### Technical challenges



- Maintain consistent customer data
- Generate comprehensive view of customer data to bank staff
- Consistent branding and messaging across channels
- Capturing customer information
- Single pricing system
- Data Analytics and Intelligence
- Context-aware security
- Integration with legacy systems

Figure 1: Technical Challenges

The cloud is currently playing a major role in addressing these challenges. It is easily scalable at low costs, and offers unlimited storage and processing power, while offering social media and mobile extensibility for increased personalization of services. There are a number of technology solutions available in the market; but the responsibility of making the right choice to address their technological challenges, lies with the banks.

### Operational challenges

According to business stakeholders, achieving 'Cross-channel consistency' is the biggest hurdle in the implementation of a multichannel banking environment. 38% respondents opted for 'Cross-channel consistency', while 31% respondents opted for 'Cross-channel integration'.

Cross-channel integration supports achieving cross-channel consistency, as well as an E2E cross-channel transaction environment. As banks head towards delivering customer experience through

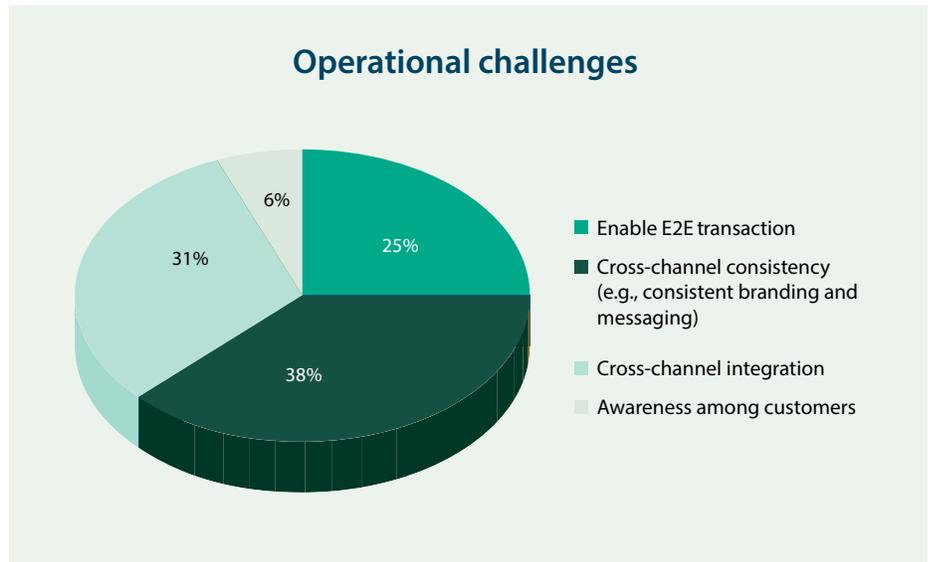


Figure 2: Operational challenges

collaboration and integration, channel integration will mark the end of enterprise-level silos. Also, only 6% respondents perceive 'spreading awareness among customers' as a major challenge. This indicates that customers today are tech savvy, and can easily adapt to new technologies, and channels, if provided.

**"One thing we're not trying to drive is the proliferation of more and more apps... customers don't want that. We want to create that single platform that's device-agnostic."**  
– Simon Pomeroy, Westpac



As usage of digital devices continues to increase for banking, banks are trying to create an integrated and seamless multichannel banking experience. In one such scenario, Westpac is seen implementing device-agnostic strategy to achieve consistent experience across channels. Westpac invested \$15 million in its cross-compatible platform to offer consistent banking experience across devices.

### 3C Philosophy for enhancing Rol from channels

With more and more investments in direct channels, banks have tried to reduce the load on branches, diverting low-value transactions towards direct banking channels. This has reduced the cost of handling low-value transactions, and brought down operating costs. The survey results show that social media, and branch banking channels, give the maximum Rol; while, ATM / cards, and internet banking channels, give the least.

There is no denying that branch banking is where leads are transformed into sales. But

leads mostly originate at direct banking channels – such as internet banking, or mobile banking, because information is more easily accessible on the direct banking channels. The internet serves as the mode to identify prospects, as well as service customers after the sale of a product / service. In a way, internet banking helps reduce the load on branch banking, reduces the need to visit a branch for every other piece of information, provides self-servicing features, and improves customer satisfaction levels. Direct banking channels, therefore, serve not to replace branch banking, but to extend the reach of products and services offered by a bank. Internet, mobile, and ATMs might not generate enough returns directly, but the increase in returns from branches is significantly dependent upon such direct banking channels. To improve Rol from different channels, we have identified three focus areas — capability, consistency, and cultivation.

#### Capability

To target and achieve better returns, banks will need to build better capabilities, which

could help in revealing undiscovered values of each channel, and pave a path to unexplored opportunities. In a multichannel environment, banks will need to focus on building channels with greater capabilities that can provide the best experience for customers. Banks need to assess customer preferences, and target providing services over the customer's preferred channels, to make distribution channels more relevant and capable.

Capabilities, across channels, can be factored through a variety of inputs, and out-of-the-box solutions. We have identified a few important parameters, which can be worked upon for differentiated and improved capabilities across channels. Results of the survey on improving capabilities, and better Rol, indicate that 53% of the business stakeholders believe in upgrading channels with 'improved range of services and customer experience' to improve returns on investments; while another 21% believe that 'better use of technology' can help make distribution channels more capable, and derive better returns.

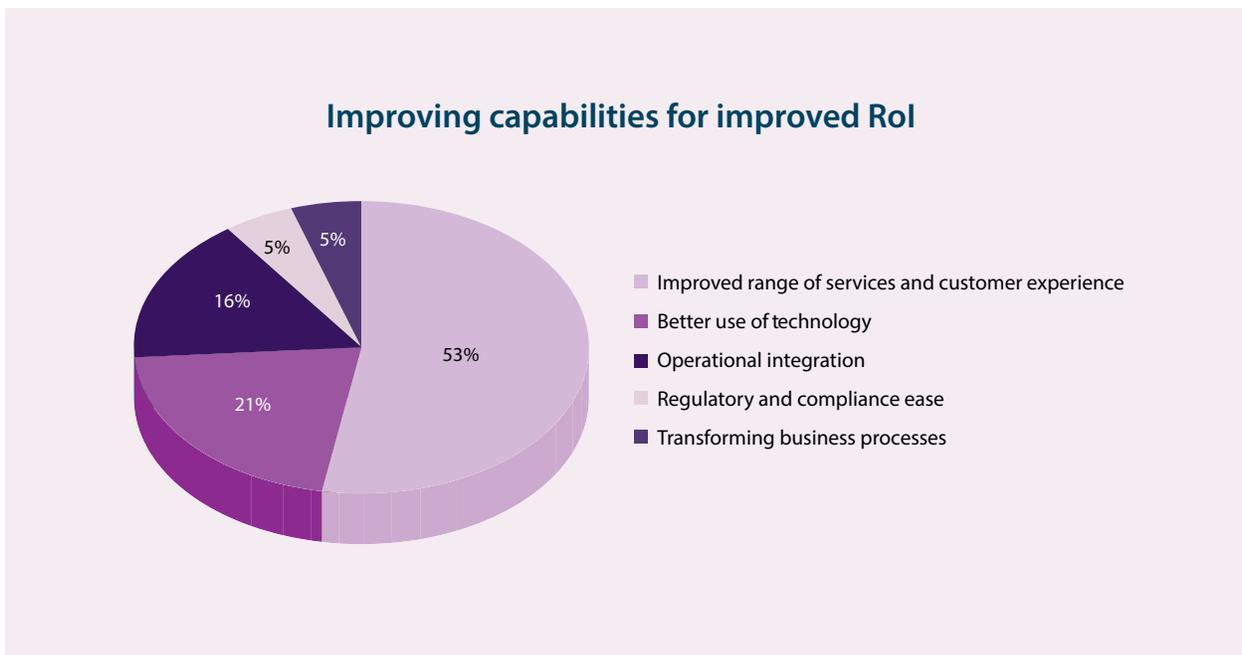


Figure 3: Improving capabilities for improved Rol

## Consistency

Consistency plays an important role in enhancing customers' banking experience – this can only be achieved through an integrated operating and servicing model. For long, banking channels have been operating in silos, which created inconsistent user information, marketing, and pricing over distribution channels. Integrated channel management is the need of the hour, to achieve consistent behavior and data across channels, for better customer experience; which will in turn yield better returns. A good service experience is important to retain and attract new customers; and it is here that consistency of information, and behavior of distribution channels, play a vital role.

53% respondents identified 'consistent user experience across channels,' against 25% respondents who chose 'consistent user data' as the most important parameter in providing a good customer experience.

### Consistency for improved RoI

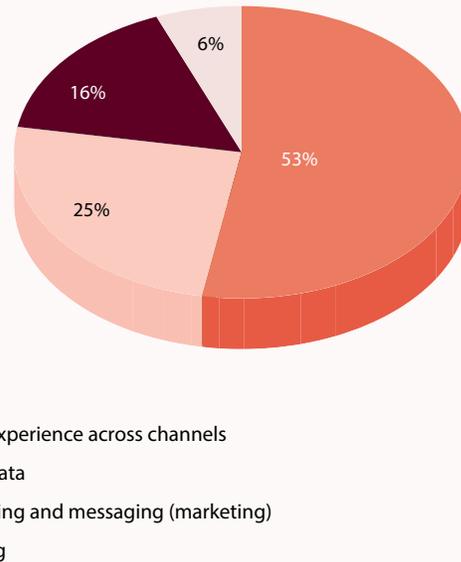


Figure 4: Consistency for improved RoI





## Cultivation

Defining a strategy is easier than cultivating one, and transforming it into a reality. It is often seen that banks lose focus on their strategy, and go off the road. While defining a strategy, it is of utmost importance that banks define certain milestones for themselves – to achieve goals, and keep track of where they are headed. On reaching a milestone, there should be a cross-check, to validate their achievements against the plan, and buckle up for the next milestone.

With respect to multichannel banking, results of strategic development should

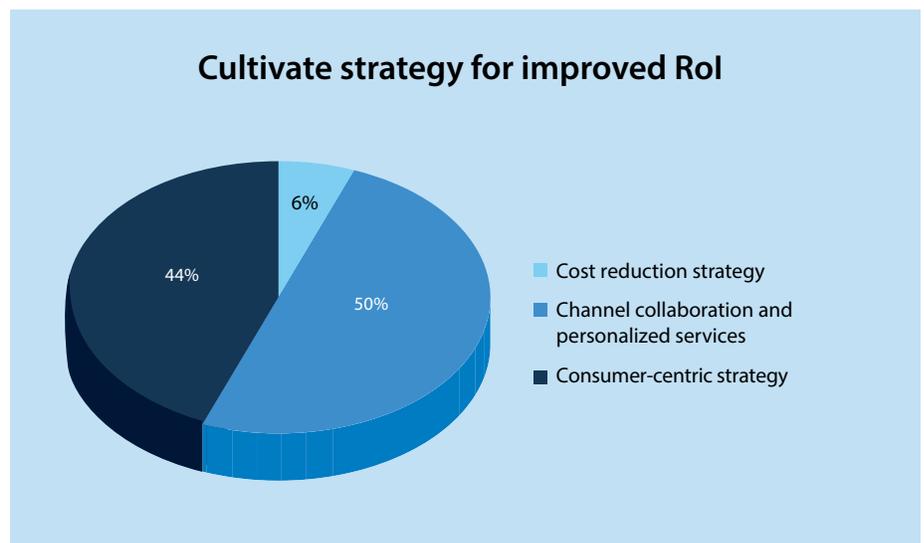


Figure 5: Cultivate strategy for improved RoI

be tracked to measure the response from customers, and lead the cultivation of strategy across channels accordingly. Survey results indicate a marginal difference between `channel collaboration and personalized services,' and `consumer-centric strategy,' but clearly spell out that banks are not looking at multichannel banking as a tool for `cost reduction.' Banks focusing on customers' needs is a good indication towards market segmentation, and targeting. Channel collaboration gives

a better picture of customers' needs; and a customer-centric strategy helps reach customers at the best prices, and the preferred channels.

There are a number of instances already visible in the market where banks have made use of technology to extend enhanced and easy-to-use services to customers. BBVA recently made a successful attempt to personalize touchscreens on ATMs for every customer. Thus **cultivating** their strategy in creating a **consistent** and capable **channel** for customers.

## Conclusion

Insight into strategic investment spread, cost of implementation, and RoI can depict and recommend how 3C (Capability, Consistency, and Cultivation) can be leveraged for maximizing RoI and gaining advantage over competitors. The analysis of 3C also enabled us to spell out capabilities, consistency parameters, and cultivation of strategy on multichannel banking that can bring in greater competitive advantage for banks. It is foreseen that the future of multichannel banking will be driven by technology and handheld devices, which will drive more and more services out of branches, with the capability to deliver more and better services to customers. Digital currencies and wallets may turn out to occupy more space in the financial world as and when technology gets to be far more accepted and used. The future will see an intelligent multichannel banking environment where different channels are closely integrated and use analytics for personalized product offerings at optimal and consistent pricing schemes. This is already seen in a few instances worldwide.



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