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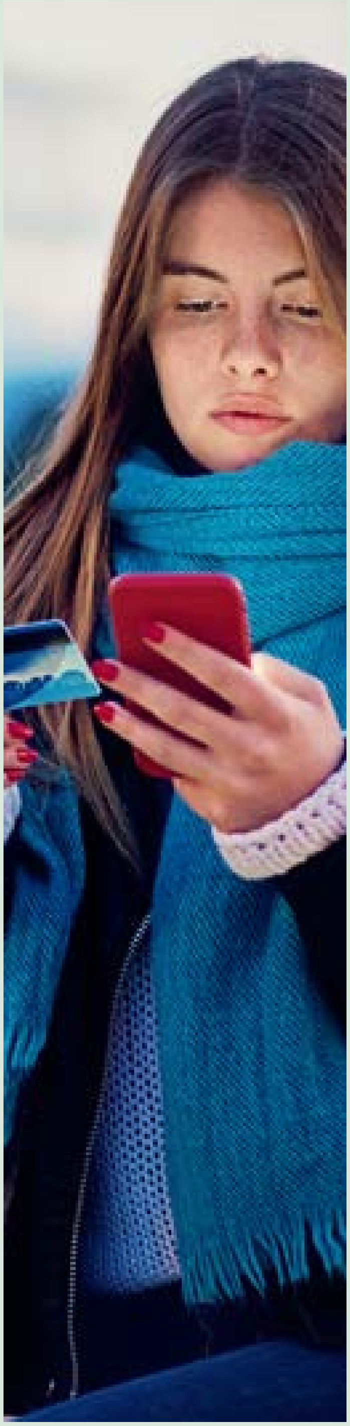

OMNICHANNEL BANKING: A WIN-WIN PROPOSITION

Experience the future of banking with digitally-converged channels

Abstract

Digital consumers seek access to banking services anytime, anywhere. They initiate a transaction on a mobile or tablet device and complete it on another banking channel such as phone banking or ATM. Omnichannel banking offers opportunities to engage deeply with customers, offer customized products, and deliver personalized service. Banks that realize the potential of omnichannel banking attract and retain digital consumers, while achieving long-term profitability.

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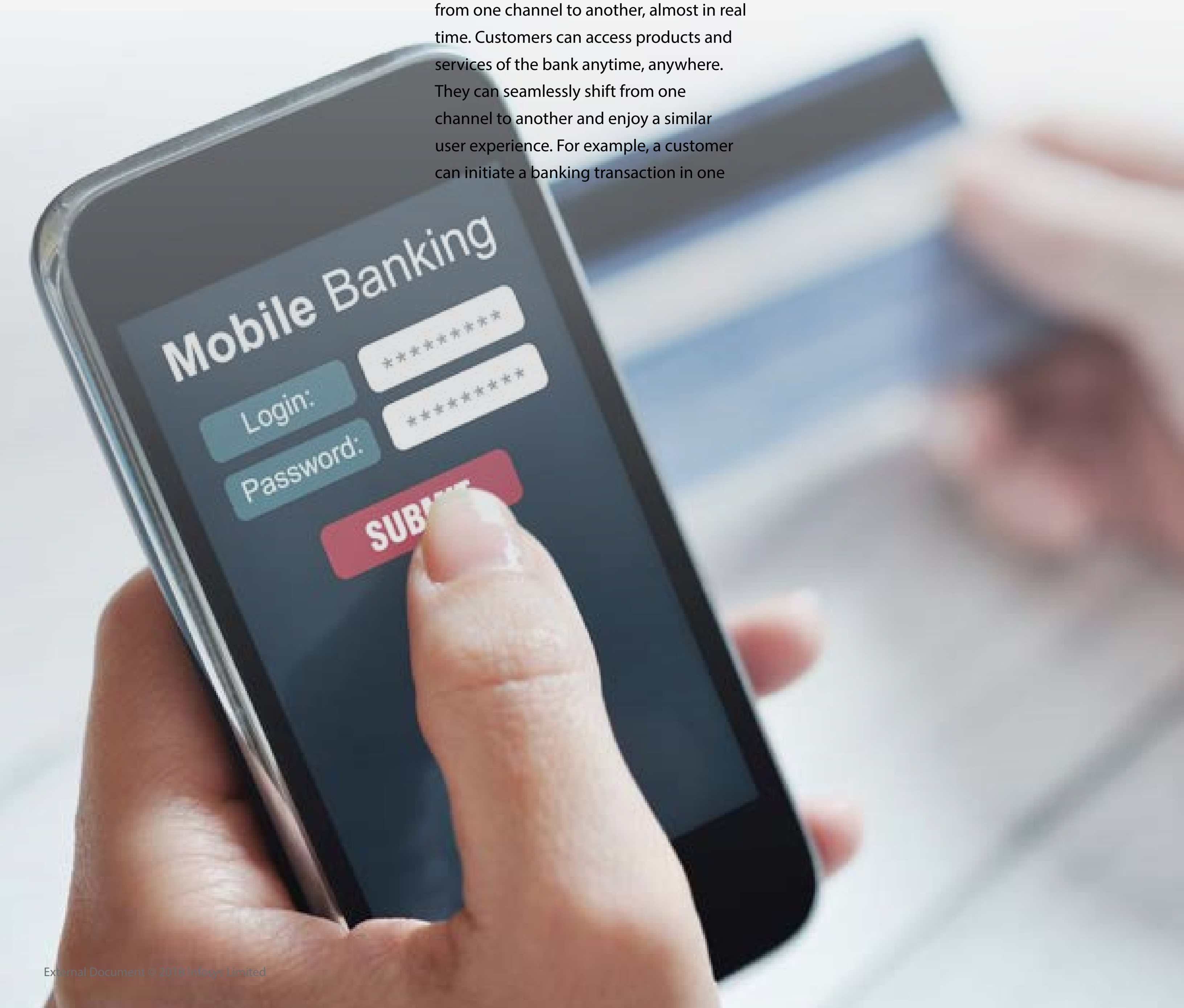
Omnichannel vs. multichannel banking

In multichannel banking, customers access the bank via diverse touch points such as the branch, mobile, online, call center, or the ATM. However, the bank does not provide a consistent user experience across these channels. In addition, banks offering multiple channels often encourage customers to use the channel that is the least expensive.

At a majority of banks, the processes of a banking channel operate in a silo. Consequently, customers are offered irrelevant product(s) or inconsistent service through multiple channels. For example, a loan is offered repeatedly through online and mobile channels and the branch despite communication of the customer's disinterest in the loan. Banking channels usually have independent databases as well as technical and functional architecture, thus operating independently. Even as advanced multichannel banking infrastructure has facilitated a consistent look-and-feel across channels, the functional and technical architecture of each channel remains disparate and disjointed.

In omnichannel banking, customers enjoy a consistent experience across channels. The customer is seamlessly transferred from one channel to another, almost in real time. Customers can access products and services of the bank anytime, anywhere. They can seamlessly shift from one channel to another and enjoy a similar user experience. For example, a customer can initiate a banking transaction in one channel, view it in another and complete it in a third channel due to convergence of virtual (online) and physical (branch) banking channels. Significantly, omnichannel banking allows customers to select their preferred channels for banking transactions. Different channels use the same database and share a common functional logic for the same banking function. In addition, the bank's channels have a consistent view of transit data to monitor the customer's context, transaction and experience across business processes.



The rationale behind omnichannel banking

Let us chart the banking landscape to better understand the significance of omnichannel banking:

Competition

- Hyper-competition puts pressure on banks to enhance the user experience as well as product and service offerings across channels
- Challenge from new financial service companies that are not burdened by siloed legacy systems
- Risk of disintermediation from non-traditional financial service providers

Trends

- Increasing adoption of social media by banks and consumers
- Significant business opportunities through products and services based on the customer's location

Customer

- Customers expect banks to listen and respond to them while interacting through their preferred channel
- Customers have become tech savvy and sophisticated. They look forward to advanced offerings on mobile devices
- Customers seek a combination of channels and devices to wield control over the channel for anywhere, anytime banking

Challenges to be addressed

- Lack of agility and flexibility of legacy IT applications and systems
- Operating with limited budgets yet seeking enhanced channel capabilities
- Lack of a 360° customer view across channels to promote targeted offerings for revenue growth and customer loyalty
- Business imperative of rich customer intelligence to create cross-selling opportunities
- Lack of consistent user experience across channels inhibiting acquisition of new customers

Figure 1: Factors that drive omnichannel banking

Focus areas in omnichannel banking

While a majority of banks understand the business imperatives of omnichannel banking, they are not convinced about the implementation approach. Banks should focus on key areas during omnichannel banking implementation.

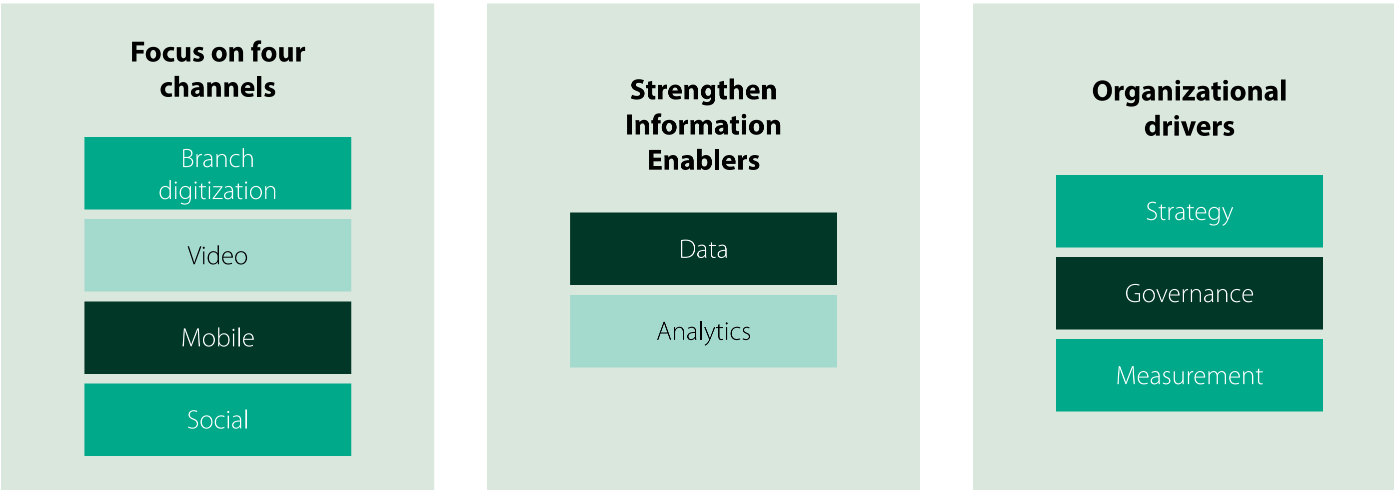


Figure 2: Key aspects to be considered in omnichannel enablement

Channel orientation

Branch digitization: Even as retail banking reinvents itself, the importance of the branch remains undiminished. Banks should enhance branch digitization and increase customer touch points through a combination of virtualized staffing and banking professionals. Customer service should shift from a transactional to a personalized approach. Banks can consider specialty branches for the delivery of niche products and services, and virtual branches for conducting transactions through virtual channels. Branches should be paperless, as far as possible. Banks can explore digital innovations such as digital signage, video-enabled kiosk for customer service, video-enabled advice in branches, and 24x7 digital kiosks serving customers in multiple languages.

In November 2013, Standard Chartered Bank Hong Kong opened its first 'digital branch'. Customers walking into the branch viewed the latest financial information on a large TV. They could use their mobile phones to scan the QR codes on an 'iWall' for information on the bank's products and services. A virtual queuing system allowed customers to generate a ticket. The bank's staff walked customers through online and mobile apps using digital platforms such as interactive projectors. Customers signed up for products using e-signature pads.

Video: The appeal and reach of video cuts across customer segments. Video is crucial to inspire confidence when there is a lack of face-to-face interaction. Video can be used for advice from subject matter experts and service-oriented offerings in a cost-effective manner. Banks should use video conferencing to connect customers with financial experts in the absence of in-house expertise. Videos can be integrated with multi-purpose ATMs, banking kiosks and next-generation virtual banking services for an enriching customer experience.

Grow Financial Federal Credit Union transformed its drive-through banking experience using video banking technology from NCR Corporation. Customers interact with a live video teller on the APTRA Interactive Teller from the comfort of their cars and can conduct up to 95% of teller transactions in this manner. The Interactive Teller helped the credit union extend its branch experience by combining video collaboration and remote transaction processing technology. Customers can scan their driver's license to identify themselves at the Interactive Teller, instead of using a bank card. Grow Financial Federal Credit Union is centralizing tellers to extend service beyond banking hours.

In June 2013, Turkey's Akbank introduced a video chat service on its website. It connects customers with call center agents through a full HD video banking service integrated with the bank's Genesys Contact Center solution.

Mobile: It is estimated that over a billion people will use their mobile devices for banking, by 2017. In the journey toward multichannel banking, banks should unleash location-based commerce and facilitate remote deposit capture, account balance check, money transfer, bill payment, and expense tracking. Banks can, for example, introduce easy-to-use tools/apps to find the right home and connect a prospective house owner to a local mortgage banker. Banks should enable customers to conduct transactions using the mobile rather than call or visit the branch. A 'unified front end' for seamless transaction across channels should be activated.

In February 2014, Citibank launched a redesigned Citi Mobile app for Android and iPhone devices. The app empowers the bank's credit card customers in the U.S. with enhanced mobile account capabilities. A sleek design, intuitive navigation and on-the-go alert features were added. The launch included a beta version of Citi Mobile Snapshot comprising opt-in feature for customers to check their deposit and credit card balances and recent transactions without logging into their accounts.

Social: Banks can explore embedding banking transactional capabilities into social sites. However, banks should address the challenge of privacy and control over private information.

HSBC responds to over 85% of customer queries and complaints on Twitter, with an average response time of 30 minutes. NatWest and Barclays have created social accounts to increase their customer service responsiveness and, today, have over 20,000 followers each and high engagement rates. Fidor Bank has an online community of over 250,000 members who share advice, exchange opinions and comments. Fidor also offers cash bonuses to customers who share savings tips or rate financial advisers.

Data is king

Data and technology: A secure and integrated data architecture is critical for banks. Data integration across touch points and channels helps provide customers with an immersive experience irrespective of the channel. Robust data architecture is crucial for campaign management, marketing and predictive analytics. Multi-disciplinary experts should collaborate to define the data structure and elements to capture customers' channel preferences and product portfolios.

Banks should focus on collecting, managing and integrating disparate data sources to gain a 360° view of the customer. A consolidated customer view helps banks provide smart offers by combining products for the customer. The capabilities can be enhanced to provide a holistic product relationship view of the customer as well as multichannel transactions related to social media interaction. The expanded 360° view of the customer offers superior customer segmentation capabilities.

The bank's technology architecture should support the digital application infrastructure vis-à-vis cross-connection of data from various channels for a consistent user experience. It should be scalable to ensure the expansion of data generation and device interaction. Service oriented architecture and service-based components can be evaluated. The CRM solution should offer visibility into relevant customer data across multiple channels of the bank. In addition, the solution should monitor transaction data as well as location data and unstructured data (from social media, online chat and call center) of customers.

Analytics: Banks need to understand the intentions of customers and gain insights using advanced analytics. Banks can reinforce the analytics environment by adopting, for example, cloud technologies along with Hadoop and Revolution R while focusing on 'Big Data'. Real-time analytics can be achieved using predictive models and sophisticated analytics platforms such as Tableau for data visualization. Banks can use advanced analytics solutions for bespoke offerings that harness structured as well as unstructured data. The analytics application should focus on traditional areas such as customer segmentation, offer optimization and performance evaluation as well as key aspects of digital, voice and text data analysis, sentiment analysis and pattern recognition.

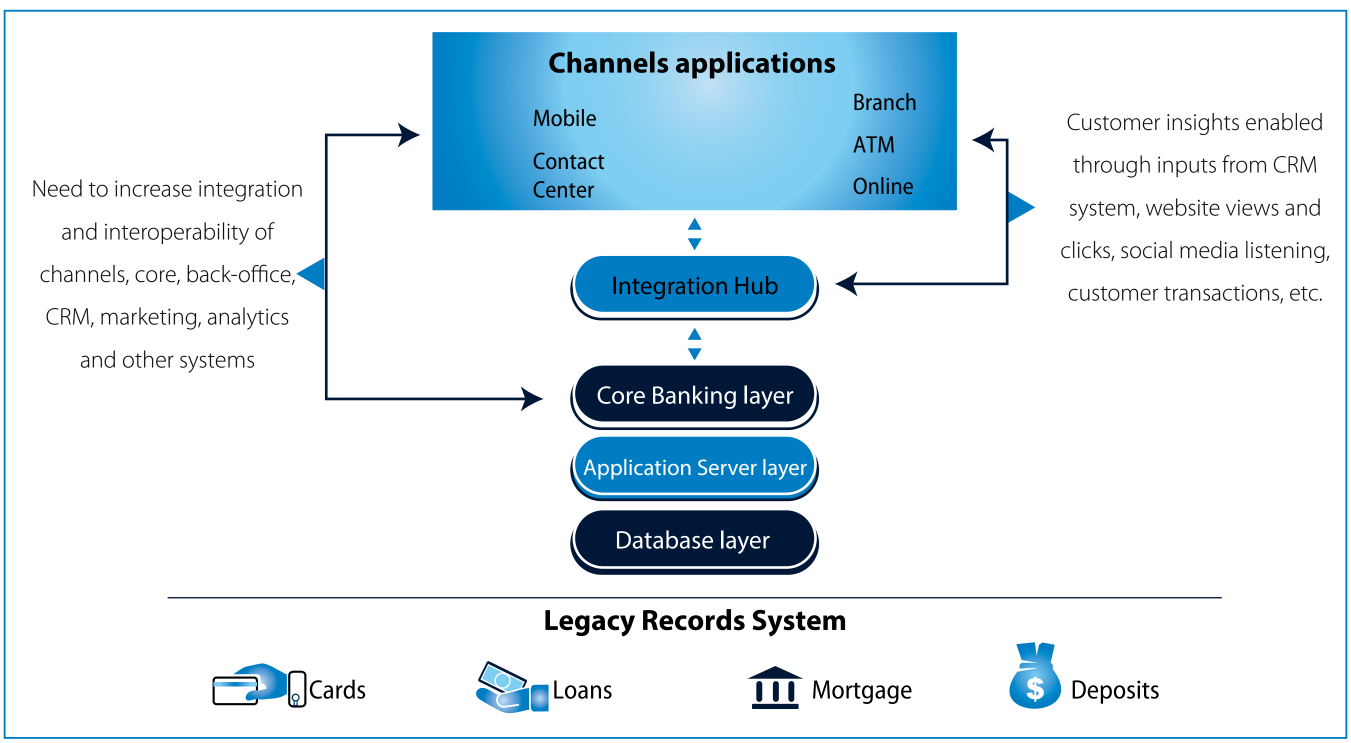


Figure 3: Omnichannel banking (Integration Imperatives)

Building blocks of omnichannel banking

Strategy: Banks should have a multi-year roadmap and an integrated omnichannel banking strategy. They should adopt an agile operating model and a phased approach to omnichannel implementation. In the initial phase, banks should focus on consistency between the physical and virtual customer experience. Such an approach ensures accelerated implementation and minimal IT deployment or infrastructure disruption, and requires lower investment.

Banks can implement a guided selling strategy where product need assessment, ascertainment of the right product, and eligibility evaluation for products are automated. The subsequent process of closing the deal can be undertaken in the branch.

As part of the migration toward omnichannel banking, banks should realign customer service (e.g., change branch timings and staffing). The omnichannel platform needs to be activated for customers as well as employees for a unified workplace.

Banks should avoid siloed and overlapping investments across channels. Revenue maximization for one channel at the cost of other channels should be discouraged, and service issues should be addressed promptly regardless of the channel. The policies and procedures should be consistent and clearly outlined across channels. As customer touch points increase in omnichannel banking, security vulnerabilities are enhanced. A biometrics solution such as a fingerprint or voice can be implemented to address security concerns.

All channels are not equally important for banking products and services. Banks should use business intelligence to position relevant products and services in the right channel. Significantly, implementing omnichannel banking involves regulatory issues. Banks can proactively partner with regulatory authorities to design the compliance framework.

Governance: Banks have to eliminate a siloed operating model by flattening existing organizational barriers. A siloed structure leads to tunnel vision, siloed metrics, myopic channel objectives, disparate operational processes, and the lack of collaboration. A customer should be allowed to purchase a product from one channel and return it through another channel. A Chief Omnichannel Officer should lead the initiative with support from the CXO for cross-functional collaboration. The Chief Omnichannel Officer should oversee all channels and ensure seamless integration for a unified customer experience across channels.

Measurement: Banks need to measure the success of omnichannel banking from a customer's view point. Metrics should provide visibility into customer touch points and interactions such as account opening, account servicing, and product sales and service. Multichannel metrics should provide intelligence and measurement for individual touch points as well. This will help enhance operational performance at the channel level. Metrics should be able to also measure the impact on long-term aspects such as the customer lifetime value and overall customer relationship. Banks should rate omnichannel banking metrics against industry benchmarks – at the individual channel as well as cross-channel customer experience level. Moreover, banks should monitor customer interaction on channels such as ATMs, branches, online, and mobile as well as social channels such as Twitter and Facebook.

The future of banking

Omnichannel banking is an imperative for banks because it offers compelling business benefits. It delivers tangible bottomline and topline benefits. Investment in omnichannel banking is an opportunity cost in the short term, but generates significant revenue in the long run.

About the Author

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