




Business-friendly Solutions


OUTSIDE-IN

The future of
bank supported
customer journey





We have been closely tracking investments that banks have been making in technology as part of their digital agenda for the last decade or so. While such efforts have made sales and service of financial offerings more seamless, the overall change in consumer behaviour and expectations have completely shifted the goal post. According to recent studies consumers are now even willing to look at Amazon and Google for supporting their financial needs in case banks fail to further redefine their digital value proposition.



The background image is a grayscale collage of business-related graphics. At the top, a hand points to a digital interface showing a bar chart and a line graph, with a world map in the background. Below this, an orange text box contains the main text. At the bottom, a hand in a white sleeve holds a pen over a document featuring various charts, including one labeled 'Category 4' and another with a y-axis from 0 to 6.

The Challenge

We believe that both the problem and its solution lie in the way banks look at defining their customer journeys. Most present-day customer journeys as seen through the lens of banks are completely inward looking. They start and end with financial products in mind, although banks have the potential and enablement to extend their participation in supporting their customers' end to end needs. As journey definitions are much upstream in technology construct, most banks are technologically capable of only partially supporting customers' aspirations. Research on this subject reveals that banks on an average participate in only five percent of their customer journey steps and engage in only 10 percent of the time it takes for a customer to complete a single sub-journey. Further banks typically get called in much downstream in their customers' transaction fulfillment steps and hence are significantly dependent on their partners

and sales teams for attracting customers to them. This dependency also comes with payouts and hence adds to their cost of customer acquisition.

In reality, there are multiple customer journey blocks (refer Figure-1) and numerous underlying sub-journeys under each block across retail, commercial, wealth, corporate and institutional banking. A typical example would be a car purchase customer sub journey, one that has multiple touch points, moments of truths and associated challenges that need resolution (see Figure-2). According to multiple researches, generally a vehicle purchase journey can take anywhere between 5 and 12 weeks. Interestingly, majority of the customers start considering financing only during the last few weeks.

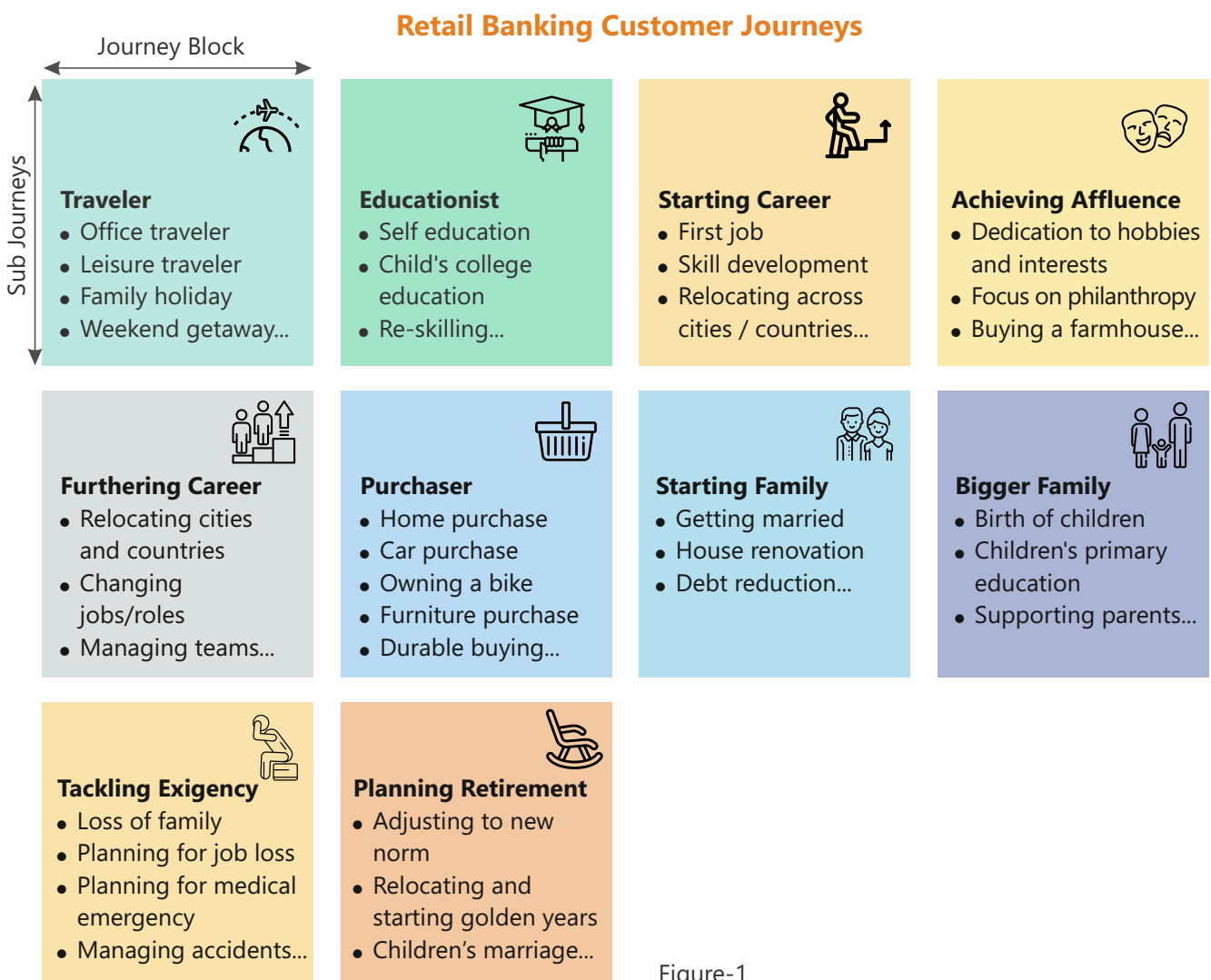


Figure-1

Example of a Car Purchase Sub Journey

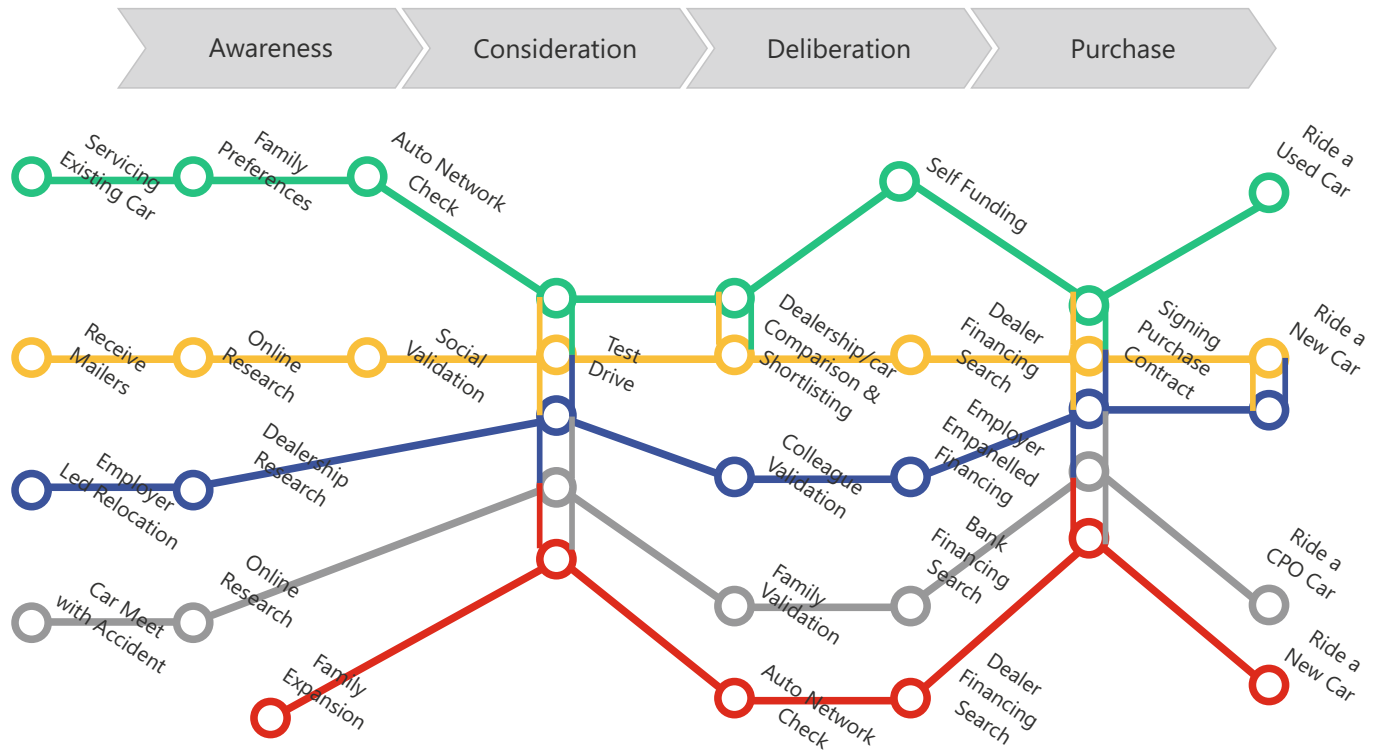


Figure-2



Emerging Opportunities

Most banks are still focused mainly on digitizing their financial products since re-imagining banking in line with the philosophy of “outside-in” customer journeys require a mind shift and a brave business case. Most traditional banks with their existing cost structure find this difficult to adopt. Banks are now actively leveraging human-centered design on new age experience platforms, incorporating data-led insights and predictive analytical models, automating processes and some are even going the core platform transformation way. However, they still don’t actively participate in their customers’ everyday experiences. These customer journey gaps hence continue to be supported by alternate offline and tech companies across industries. Customers as a result, still do not have a seamless experience and most do not end up getting true value for money for the products and services that they purchase. For example, a customer planning a holiday seeks many offline and online channel travel partners in order to find an affordable and ideal travel package. Banks, on the other hand, are armed with insights from customer data that can help them expand the scope of traditional services that they offer. The same coupled with relevant merchant partnerships, ought to position banks in a vantage position to determine personas, predict behaviour and generate contextual insights to advice and even propose relevant and affordable partner travel offerings to their customers.

Hence there exists a great opportunity for banks to win and retain customers trust by facilitating partner-enabled and platform-led services. These services are best offered by re-branded digital or challenger banking entities that have the appropriate foundations to support customers’ end-to-end journeys. Banks can be the guide rail to support end-to-end customer journey or render services to support micro journeys that their partners co-create.

The emergence of Open Banking and PSD2 (Payment Services Directive 2) initiatives in the European Union and the United Kingdom has further provided a fillip to the above thought process. From a technology perspective, designing journeys on omni channel experience platforms, re-imagining/ modeling processes using new age BPM and RPA tools, facilitating AI led conversational and chat services and API enabling internal, partner and public services are important aspects. Further leveraging of data-led insights for hyper-personalizing all relevant customer interactions is also a critical foundational element. In the absence of standard integration methodologies, we recommend that banks also consider automation tools to redefine their integration strategies in order to enable partner services to journey creators.

Platform enabled services at the core of banks technology

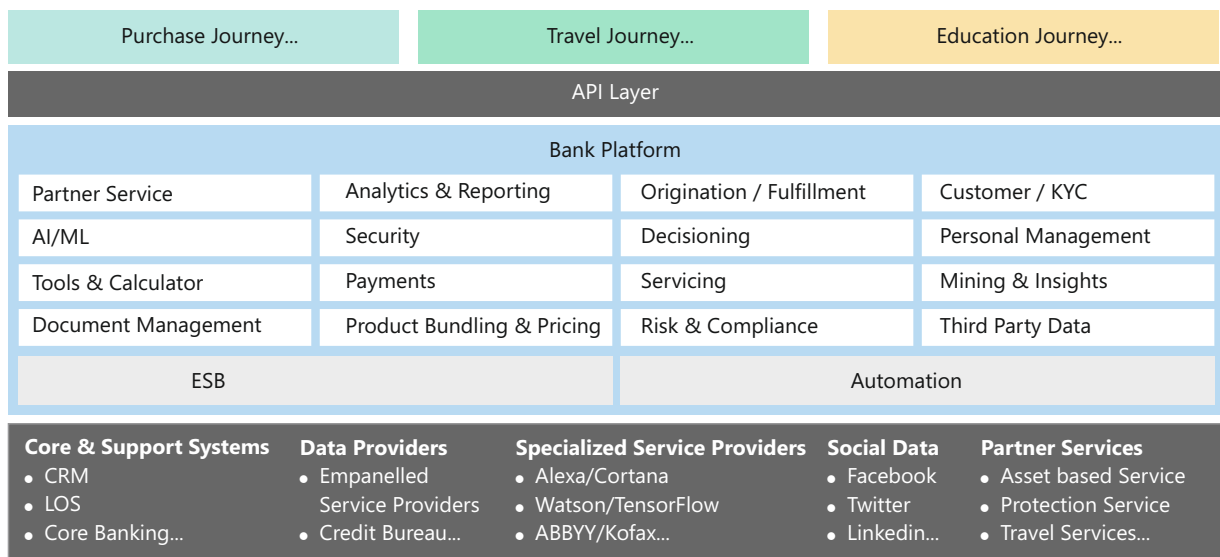


Figure-3

The Future

Banks of the future will define strong service principles internally and with partners, much like those adopted for present-day private banking offerings. The same would enable seamless rendering of customer propositions on new age technology platforms, leading to a value based advice associated with the journey that the customer is traversing. The underlying technology would map customers as closely as possible to defined personas, help predict the next step of the journey and importantly provide relevant recommendations and connects to partner solutions across most steps of their customers' end-to-end sub-journeys. We are already seeing the emergence of stand-alone challenger banks across geographies, all of whom are promising customers with differentiated experiences as a first step.

The business model of future banks would end up being heavily dependent on the extent of support provided and the duration of engagement across the end to end customer journey. We also see a significant reduction in the cost to income ratios of such banking entities in future from the current levels of 40-60% across geographies. Further, there would also be a significant increase in banks' fee-based income by way of offering partner and even competitor products and services in some cases.

The elements defining future state at banks include a technology-driven approach to supporting new age customer journeys, re-imagined business processes with metrics defined as per customer needs, and re-skilled relationship managers driven by incentives mapped closely to newly defined operational metrics. We also see banks shortly incorporating a strategy to become an aggregator of sorts across financial and non-financial products and services in order to deliver true value to their customers.

We believe that banks will eventually move beyond digital posturing and take a phased approach towards disrupting their own business model. It is a great opportunity for banks to monetize and expand on their number one existing asset which remains their customers' data. While the last decade has seen most of us decisively change our behaviour around consumption of digital services, it is most likely going to be a much shorter time frame for a further shift in consumer behaviour as banks strive to control more of their customers' journeys.

Author Profiles

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