Financial Services: Discussion Paper

omni-channel management

delivering rich experience and proactive management

Your business technologists. **Powering progress**

Omni-Channel management: driving the Now Banking digital transformation journey

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A combination of new customer requirements and technology change is disrupting the financial services marketplace. Atos has developed its Now Banking and Now Insurance concepts to address these rapid evolutionary changes. We believe that financial institutions will need to make major changes in three core areas if they want to stay competitive, relevant and successful in the near future. These areas are:

- **The customer experience**
- **Proactive and targeted customer engagement**
- **Digital Transformation as the key enabler.**

In this paper we outline our thinking in all three areas and show how an integrated approach is needed for long-term competitive advantage.

Further publications and service descriptions will add depth and detail to this top-level positioning approach.

Section one:
The customer experience

The importance of Now

Smart mobile devices have played a key role in changing customer habits. The more sophisticated they become, the faster change happens, while technology convergence is further accelerating the natural tendency of people today to focus on Now, which for most people is increasingly the only time that really matters.

These changes are most marked in the so-called Generation Y (people who are in their mid to late twenties) and to the 'Millenials' the teenagers who are following close behind them. They tend to use their personal smart device (smartphone or tablet) as the key interface to all their services, from buying music to banking, and the inherent mobility and ease of use of these devices makes it seem natural to carry out all kinds of transactions where, when and how they want to.

They are absolutely at home with using targeted apps for specific actions and they use apps stores every day to look for new and better ways to do things. It's not much of an exaggeration to say that now is the key to customer loyalty, and making your services available now, right now, exactly as customers want them, is essential if you want to stay relevant and maintain their loyalty.

For many companies (those we might describe as 'born on the web') this is not difficult: in fact, it's business as usual for them. For long-established organizations, and especially for financial institutions, this is a major challenge. It means unlearning some old lessons, learning some very new ones and freeing themselves from the massive burden of legacy systems and legacy processes. This is not easy.

From technology focus to customer experience

To date, much or even most of the thinking related to mobile banking, multi-channel access and related processes and services has been dominated by technology thinking and technology debate.

Many good thinkers have speculated on the evolutionary path of mobile devices, convergence, service-based platforms and other technology factors in order to build a point of view about the future of the market.

Atos believes this is addressing the issues from the wrong starting point. In the world of Now, the key to competitiveness, success and even relevance is and always will be the Customer Experience. Ordinary people trying to carry out financial transactions are less and less interested in the underlying technologies. They will judge their banks and insurers according to the quality, consistency and reliability of the experience they receive. The big prize here is for banks and insurers to become the trusted digital adviser for growing numbers of customers, and in areas that stretch beyond traditional financial management.

That immediately lays down a number of challenges to service providers.

- How can you ensure that services 'follow' a consumer from one platform to another seamlessly?
- How can you move from a fixed channel e.g. Smart TV, perhaps to a mobile channel (smartphone) without losing functions and services?
- How can you ensure that each point of contact picks up precisely where the other left off, right down to very granular and time-critical information?
- And how do you maintain exceptional levels of security even as you pass contacts from one platform to another?

The answers to all of these questions are ultimately technology and design-based, of course, but the logic followed by the customer is the logic of service. Does it feel good or not? Does it give them what they want? Do we avoid wasting their time by repeating questions unnecessarily? Does the service as a whole fit into their own expectations and agendas? An effective customer experience is one that feels right at all times and across all platforms. Anything less will be unacceptable.

From smart mobility to Omni-Channel

We now have to take a major evolutionary step forward in our thinking. Up to 2013 most analysts were focusing on the concept of 'smart mobility'. This is essentially the marriage of mobile devices with contextual data, knowledge of real-time presence and a certain level of analytics. As result, it is possible not simply to make services passively available to the customers who go out and search for them, but to be proactive in presenting services that you have reason to believe will be relevant and acceptable.

The one problem with smart mobility as a concept is that it provides only a partial solution to the need for a 21st Century approach to the superior customer experience the market demands. In the world of multiple channels, platforms and constantly evolving technologies, we can only provide a truly competitive customer experience through consistent delivery across any and all available channels. To do this, we need a broader concept, and that is Omni-Channel.

Created by specialist technology players, Omni-Channel is a concept and related technologies and processes that ensures absolute consistency of experience at all times, no matter which platform or channel an individual customer may wish to use. This matters more than ever before. That's because we can now see very clearly that customers requiring financial services for any purpose routinely move from one channel or platform to another, sometimes several times, in the course of a single transaction.

Between checking product details, making performance comparisons, evaluating rates, looking for a quote, then discussing with peers through social media, right through to signing a contract, moving from Smart TV to tablet, to desktop to branch visit, to smartphone to contact centre and then even to post. This is normal. It is not possible for any service provider, be they retailers, banks, hotels or anyone else, to set their own rules and assume that the customers (or prospective customers) will happily abide by them. On the contrary, they will simply tend to become frustrated and eventually move to a provider that fits in with their expectations.

This is not just a world of mobile technology: it is a world of converged technology. People will use the platform and channel that seems most appropriate for a specific task at a specific time. Our job is to be there for them always. That means Omni-Channel will be the way that banks and insurers have to do business in the years ahead – starting now.

Making Omni-Channel a reality

In headline terms, the enemy of the Omni-Channel approach is (and this is so often the case) the silo. Most corporations are structured in business units, and financial institutions certainly fit that description. As most banks and insurers have been around for a long time, this means they have had decades to build up a range of technology and process silos. This means that relevant information and tools might well be spread across a range of units, each possibly having different technology platforms, reporting lines, procedures and management policies.

To move data between silos can be challenging within existing IT and process environments, but new advances in portal technology have made it easier to deliver a unified customer experience, even when the underlying infrastructure is fragmented.

It is now possible to build a specialised customer experience platform overlaid on the existing business systems. This acts as an integration and presentation layer, providing a flexible and unified single point of contact that unites disparate business lines in order to give a single face to the customer at all times. Cross-channel orchestration within this layer ensures consistency of experience and enables data and processes to follow the customer as they move from one platform and activity to another.

In a world of multiple choices and increasing convergence between different forms of technology, the Omni-Channel approach is one of the key requirements for improved customer loyalty and reduced churn.

Section two:
Proactive and targeted

Staying relevant

Delivering an excellent and consistent customer experience across multiple channels is becoming an entry level requirement for banks and insurers in our rapidly changing market. This is not just about competing with existing mainstream financial institutions: this is now becoming a matter of survival. In the end, banks and insurers need to prove that they are truly relevant to their customers and not simply a basic commodity service. Inevitably, this means that banks must become more confident about developing and taking to market their own innovative and disruptive business models.

As most of us know, there is no fundamental reason why existing financial institutions should maintain an effective monopoly of customer loyalty. We can perfectly well envisage a future in which large banks act as utilities: providing a commodity service to move assets from place to place without any direct customer contact at all. We can see similar changes taking place in other sectors, from telecommunication to energy to certain aspects of retail distribution.

Front end (customer contact) can quite easily be separated from utility services and in some cases this has already happened. Customer service is a retail activity, requiring the skills, insights and quality standards that we normally associate with high quality retailing, and some newcomers (such as banksimple.com and moven.com) are already breaking new ground with their easy to use, retail-focused business approaches.

Many traditional banks and insurers, by contrast, have a long way to go before they can be competitive with best in class retailers, yet that is what they must achieve if they are to keep the loyalty of their customers. And reducing churn is, of course, a key factor in raising value delivered by those customers.

So what is the answer?

Market of one: from push to pull

Being proactive is a goal however, it cannot simply happen with the basic systems now in place. The aim must be to move to a position in which all customers can be known, understood and analyzed as individuals, and this is not simply a technology issue.

The market of one approach requires customers to opt-into the proactive approach proposed by banks. That will provide challenges of its own. The 'market of one' approach, in fact, has now become quite normal in (for example) the world of entertainment and media. Content providers started to move away from the broadcast model (where a set programme of entertainment was 'pushed' to consumers) to a selective model (where consumers 'pulled' exactly what they wanted when they wanted it).

Financial institutions are now replicating this approach through provision of self-service methods for accessing information and carrying out transactions. We propose they need to follow the example of Amazon and other successful retailers and take a further step forward in delivering targeted services. That depends on building the most detailed insights concerning customers by analyzing all contacts across every channel at all times, backed by other data that can be legitimately gathered and reviewed through Big Data Analytics.

Customer Privacy: away from opt-out, towards opt-in

This is a delicate area in all markets, of course, with customer privacy and data protection laws, backed by more restrictive financial regulations in general, all combine to impose strict limits for use of customer data. In most cases customers will retain ownership of their own personal information and will have to give permission for it to be used for the purposes of refining and targeting better quality services. There are three basic levels of customer intimacy that are permitted both by law in most geographies and by sound commercial logic. These are:

1. The current default, which is opt-out. The customer remains completely in command of their own data and privacy is guaranteed by law.
2. A limited opt-in, allowing proactive intervention by the bank or insurer for peer comparisons only. If the bank notes, for example, that a peer is receiving a better deal (for energy prices, to give one example) then they can approach the customer to notify them and propose a new approach that could save money.
3. Full opt-in, permitting the bank and its ecosystem partners to be proactive in suggesting ideas and services that are targeted to the needs of individuals and have the potential to deliver added value.

We all understand that there is a fine line between value and invasion of privacy, so great care and sensitivity will be needed in the structure and delivery of proactive services. Experience suggests, however, that many individuals are prepared to work with banks and insurers in this area, if the outcome is a superior standard of service.

Detailed, accurate and always updated customer profiling is the key to accurately targeted, proactively delivered services.

Moments of truth

There are moments of truth for both customers and financial institutions that define the future of a relationship. For the customer, it's the moment to make a decision that could shape their future. For a bank or insurer, it's about being proactive in adding value and building loyalty as a result. Financial institutions today should be well-placed to understand customers in sufficient depth to make proactive intervention a reality.

It does not take too much imagination to see that most individuals will go through a series of life-changing events in which there is a significant financial component. These include but are not limited to:

- Going to University
- Getting married
- Buying a house
- Furnishing that house and buying a car
- Having a first child
- Moving house
- Preparing for children's education…

Some of these can be positive: a promotion, large rise in income, leading to the need for investment advice. Some can be negative, such as critical illness or divorce, making it necessary to downsize or disentangle financial arrangements. Everyone is different and the events that impact on their lives will also be subtly different. Yet everyone goes through this path and everyone needs active, expert support along the way.

The current financial model, which was set at some point in the late 19th Century, is reactive. It involves a customer choosing the moment to ask for support, making a case and waiting while the bank or insurer says "yes" or "no". It is never certain that the customer is even asking the right question of the right people at the right time: all customers are not financial experts, after all, so why should they always get it right?

The future model will look very different. Financial institutions should be able to identify the moments when support for specific purposes may be needed and then be highly proactive in offering expert intervention.

This may be triggered by a range of different actions, including behavior patterns or peer-based recommendations, all of which can be logged and analyzed automatically in order to drive a proactive response. For example:

An unusually high regular salary payment reveals that the customer has received a promotion. Backed by browsing activity on luxury car sites this indicates that something has changed for the better in this customer's finances. The natural response is to propose a series of investment options, to set up a face to face meeting with a personal wealth adviser and also propose a rational method for changing key assets, including the luxury car that the customer clearly has his eyes on.

Proactive intervention in this respect works for both parties. The customer is supported in maximizing the benefit of their own hard work and is able to use additional wealth to the greatest possible effect. The bank gains the loyalty and support of a high net worth individual and is able to target its limited expert resources in an area that will yield additional profit. This is the key to a classic win-win for both customer and bank, with both of them achieving higher value than could otherwise have been possible.

Yet other examples of proactive intervention can take place on a much more basic level by adopting a 'multi-sided market' approach, in which banks mobilise an integrated ecosystem of partner organizations as a key factor in proposing mutually beneficial service options.

For example:

The bank notices that direct debit payments for electricity seem to be higher for a specific customer, when compared to other customers in the same geographic area. This automated review process leads to a further automated intervention, with the bank contacting the customer to notify them that a lower tariff is available, leading to a very helpful annual saving. By adopting the multi-sided market strategy enterprising banks can negotiate customer tariffs with electricity providers in order to maximise the benefits to the customer, while also improving loyalty both to the bank and to the energy provider.

To make this possible, of course, banks will need to build their own ecosystems of other service providers, including retailers, travel and hospitality companies and utilities in order to negotiate favorable rates that deliver added value to customers (while boosting loyalty and reducing churn). Other options can include connecting insurance contracts with automotive manufacturers and telematics specialists in order to deliver high value targeted solutions to known customers. Other opportunities in travel and retail are already being exploited and, as the potential for this approach becomes better understood, so the range of opportunities keeps growing.

Big Data Customer Analytics make it possible to identify individual moments of truth and to set in train the proactive contacts that lead to positive action. Perhaps the most important question at this stage is to ask: "What would Amazon do?" Their algorithms already permit them to pick up on consumer patterns and make suggestions for further purchases.

It is worth noting that, when this idea was first developed, senior management inside Amazon turned it down on the grounds that it might delay check out and thus slow down cashflow. It was only when a small-scale practical test was authorised that the truth was revealed: sales actually went up by more than 25% as a direct result. Banks and insurers are at the same stage in their own decision-making. They could move to the point where more active, largely automated intervention is possible and keep control of the customer relationship, but they need to act quickly.

Making the proactive approach a reality

In the Omni-Channel world, every customer contact channel ultimately leads to a Big Data 'Lake', where content is stored 'as-is' for analysis. Contact channels include the normal methods we might expect, from branch to contact centre, and from smartphone and tablets to other online channels. It also takes in essential supplementary systems, all of which add to the depth and quality of customer insights.

These include different forms of contextual data, from holiday locations to retailer information as a way of determining spending patterns and tastes. We also need to include unstructured information gathered from social media, peer groups and discussion forums, all of which play their part in building up a more detailed picture of the people concerned. In this way we are able to gather data in unprecedented quantities, none of which has any value at all until analyzed in a way that yields usable insights.

To highlight opportunities for proactive intervention, for example, we need an accurate understanding of potential changes taking place in an individual's life. These insights are revealed through advanced analytics, which tend to become more accurate as the relationship between bank or insurer and customer develops.

Deeper insights lead to more accurate predictions about customer needs and preferences. These, in turn, not only feedback into the customer experience layer, enabling better-informed interaction at all contact points, it also enables the financial institution to be active in proposing ideas and solutions that it has reason to believe will be welcomed by the customer concerned. This is the ultimate feedback loop: fulfilment that takes the form of customized services, fine-tuned to suit the needs of the individual, or incentivization through a carefully-targeted loyalty scheme.

This is one area of the market in which some insurance companies are leading the way. Use of real-time, linked to real insights concerning customer behaviors makes it possible to deliver contracts that are tailor-made for individuals. Dependence on actuarial calculations is no longer so important, while individual pricing, changing minute by minute through the day, is also becoming possible.

Once you really know your customer, and once you have systems capable of making automated, mass-customized service variations driven by customer insights, the way is open for a richer, deeper relationship with huge numbers of individuals. That is the end-point that banks and insurers must aim for to stay competitive in this real-time world. It is also the key to providing true digital advisory

Section three:
Digital transformation

The technology challenge

Financial Institutions today face a growing challenge of digitization, in which they need to transform key aspects of their own organizations in order to provide the fast and response service that customers demand in the digital age. This is a transformational process that drives change in organizational structures, attitudes and behaviors across the entire business, but it is enabled and, currently, limited by capability of existing technology environments. For the most part, these do not make it easy to digitise at the speed required to stay competitive.

Most large financial institutions have very complex and often fragmented IT infrastructures, and these normally contain a high level of legacy technology. This is where the problems begin when it comes to being fully competitive in the world of Now Banking and Now Insurance. One leading technology commentator (Professor Theodoros Evgeniou of INSEAD) has redefined the term 'Legacy Debt' to cover the burden carried by all large corporations that have to manage technology environments containing a high level of legacy.

He calculates that newcomers, able to build an infrastructure containing no legacy at all, may have overall operating costs that are just one seventh the size of conventional businesses in the same sector. More to the point, such newcomers in the market can build infrastructures that are fine-tuned to deliver the agility and speed that 'digital customers' require. Banks and insurers are fully conscious of this fact and are moving as fast as they can to reduce their costs and improve their levels of agility in order to compete. The largest German-based bank, rated as one of the top 5 global retail and investment banking groups, announced a drive to cut 4 billion euros from its annual operating costs, starting in 2015. This is leading to a fundamental transformation of applications estates, IT environments and operating procedures. Most financial institutions have similar programmes now in place, with equally demanding timescales.

This is one area in which the drive to cut costs perfectly fits in with the need for Digital Transformation as the key to agility, responsiveness and thus in the long term better customer service. It all fits together into a single, coordinated strategy for competitive advantage. And it all begins with the realization that current IT environments and their related business processes are not fit for purpose in the world of Now. The clock is ticking as financial institutions seek to change everything, yet to do this without disruption, risk, security failures and excessive cost.

Natural first steps

Financial institutions tend to have complex IT environments for very good reasons. Large organizations have often grown large through acquisition, leading to multiple parallel systems, which can become preserved for a long time because of management sensitivity concerning fast and ruthless consolidation. Specialist business units develop their own specialist applications and processes, which lead to multiple point solutions, shadow IT and a fiercely territorial desire to preserve autonomy.

In addition, regulatory conditions may differ from country to country, while rationalization, use of shared services and certain forms of outsourcing might be discouraged as a result of variations in legal requirements. Generally speaking, it is not going to be possible to transform these complex environments through wholesale replacement. This is like open heart surgery, or perhaps like building a new development in the centre of a busy city. These are living systems that must continue to operate normally while change takes place. They are also very costly to re-engineer, and hard-pressed financial institutions, as we have seen, are still in cost-saving mode: which means that significant technology change must pay for itself and deliver net savings.

To deliver the first stages of a Digital Transformation strategy, to deliver an Omni-Channel customer experience and provide detailed customer insights possible, requires some obvious early steps:

- Begin the move to 'everything as a service' (Infrastructure, Platform, Software, Storage and Desktop)
- Virtualize as far and fast as possible (hybrid cloud for less-sensitive activities, private cloud for everything else)
- Implement Big Data Analytics in targeted areas before rolling out more generally
- Target value-generating services first, including Omni-Channel presentation layer to begin transformation of customer relationships
- Develop a transformational approach for the branches, to convert them into specialist centres of complex financial transactions, often requiring expert input.

Actions of this kind can be undertaken on a step by step basis and drive incremental performance improvements, delivering quick wins while learning lessons for wider application. Digital Transformation will take time, but the sooner you start, the sooner benefits will come through.

How Omni-Channel drives a new role for branches

The changing role of the branch is an interesting reminder of the fact that the move to Omni-Channel management, together with rapidly growing digitization of the organization, is not simply a matter of remote technologies. As more day to day transactions are carried out online or via mobile smart devices, so the face to face contacts assume greater importance for the bank and customer alike.

The most traditional channel of all for banks and insurers is the local branch, and this is also set for a new and potentially more valuable role as a result of digital transformation. In other forms of retail we can now see that face to face contact is not being replaced by the rise of online, multi-channel and now Omni-Channel. On the contrary, local presence is more important than ever: but the type of contacts taking place and services being offered are now quite different.

Going to the branch will in the future be a choice made by those customers who need and want added value in terms of personal contact and expert advice. They will be offered an integrated added-value service, using Digital Signage, based on large-scale interactive displays, backed by instant connection to a network of specialists and experts, so that they can gain both three dimensional insights to high value services and immediate hands-on guidance from known experts on the subject in hand.

The kind of transaction that could be covered using such techniques might include something of exceptional value (purchase of a house abroad, or a boat, or a classic car or any other investment item), in which it is necessary to have an in-depth interactive review of the item in question, complete with comparisons of other investment opportunities (for example) and clearly displayed options for financing.

Other changes in bank branch availability could be related to mobility and 'pop-ups', with branches appearing in shopping centres or at large events, on a temporary basis. These are classic examples of how different attitudes, as well as technologies, are needed to maximise the potential of the Omni-Channel world.

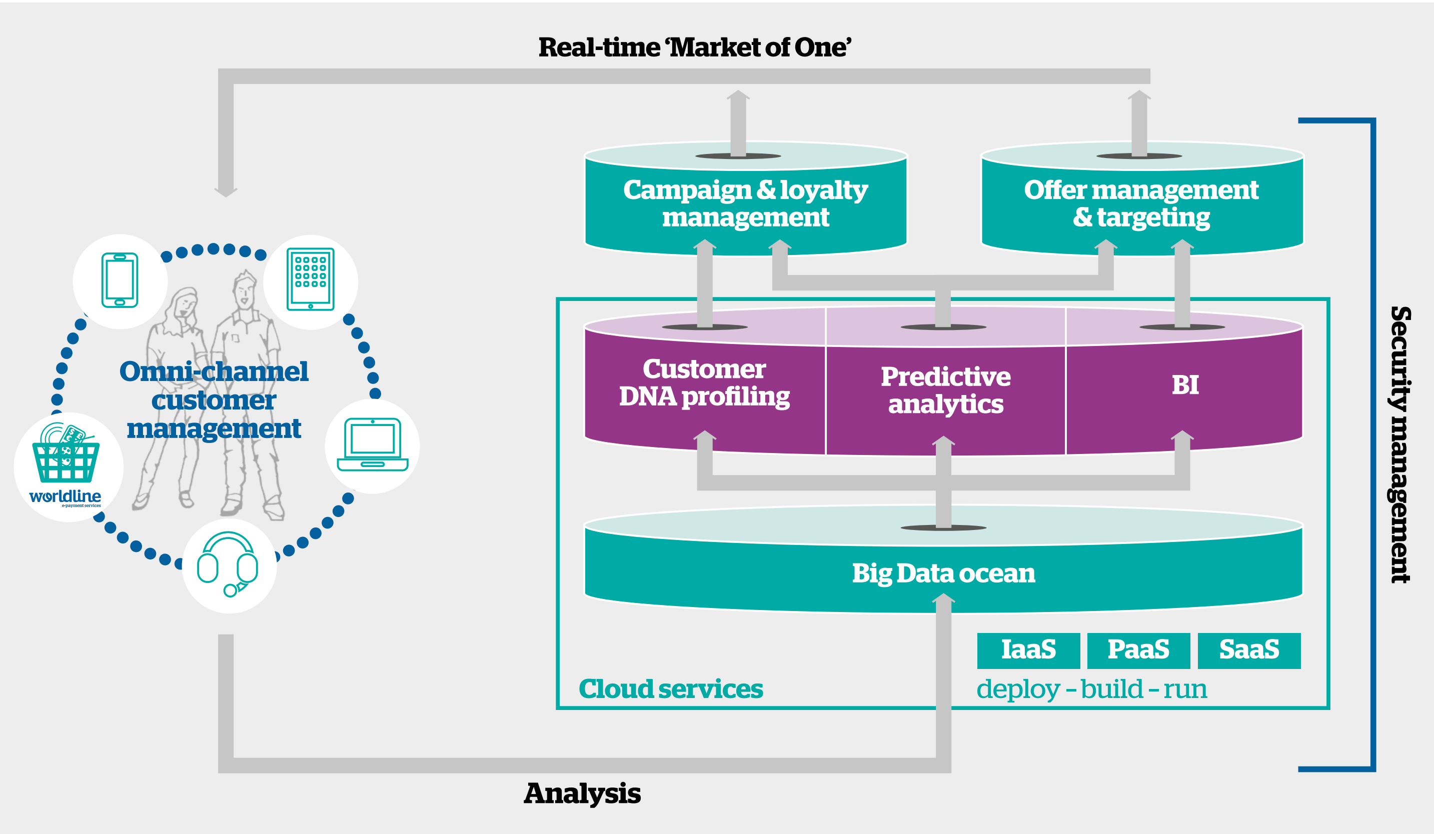
The broader picture

Atos developed its Now Banking and Now Insurance strategies in order to focus attention on those areas of the business most critical to delivering positive business outcomes, leading to competitive advantage in a rapidly evolving marketplace. Our focus is always on this picture because it keeps our attention firmly aligned with what really matters.

Success for banks and insurers in the future marketplace will be directly linked to the customer experience. Winners will be those organizations able to profile millions of individuals very accurately, to target them in a proactive way with customized services, and to be present at key decision points in a customer's life. They will also be able to deliver a consistent and consistently excellent experience across all platforms, all channels and at all contact points.

Digital Transformation, in other words, is a means to an end. It is the key to creating a virtuous circle in which an excellent experience reinforces loyalty, focuses resources on higher value individuals, maximizes value both to the customers and to the financial institutions, delivering a true win-win for all.

It is fair to say that we are agnostic about the precise technology methods to be used in delivering this outcome. There are many different options available and many different ways to structure an environment. We are concerned about the goals, direction of travel and priorities.



Conclusions

Now is the only time that matters to most banking and insurance customers. That's why there has been such a strong focus up to this point on the primacy of mobile technology as a driver for change. There is a strong and perfectly justified belief that the rise of mobile smart devices has changed everything, in the retail market at least. This has habituated customers to doing more or less everything as it occurs to them, no matter where they are or what they are doing. Banks have been quick to offer self-service solutions for smartphones and online use, not least because the low cost to serve associated with these offers makes them highly profitable.

Atos believes we are now moving into a new phase of development, in which converged technology means that customers will move seamlessly between multiple channels and will expect to receive the same high quality experience at all times. We also believe that the rise of customer profiling of unparalleled accuracy, thanks to Big Data Analytics, enables much more proactive, still largely automated service delivery. We expect customers to become equally habituated to the idea that their banks and insurers will always be there for them, and will be proactive, creative, imaginative and highly effective in bringing the best solutions and services to them, often before they even know they want them.

It's not enough to have a mobile banking solution: that is just a basic entry level requirement. It's not enough to focus on smart mobility alone: that brings added value, for sure, but customers will want and expect much more in the future.

It is the combination of a dedicated customer experience platform, providing consistent excellence across all channels, backed by effective use of Big Data that will make the difference. The Atos Now Banking and Now Insurance concepts are precisely designed to provide the combination of capabilities needed to be competitively successful in the world of Now.

About Atos

Atos SE (Societas Europaea) is an international information technology services company with 2013 annual revenue of €8.6 billion and 76,300 employees in 52 countries. Serving a global client base, it delivers IT services in 3 domains, Consulting & Technology Services, Systems Integration and Managed Services & BPO, and transactional services through Worldline. With its deep technology expertise and industry knowledge, it works with clients across the following market sectors: Manufacturing, Retail & Services; Public sector, Healthcare & Transports; Financial Services; Telco, Media & Utilities.

Atos is focused on business technology that powers progress and helps organizations to create their firm of the future. It is the Worldwide Information Technology Partner for the Olympic & Paralympic Games and is quoted on the NYSE Euronext Paris market. Atos operates under the brands Atos, Atos Consulting & Technology Services, Worldline and Atos Worldgrid.

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