

Differentiating through digital customer experience

Uncovering a strategy for success in the digital era of customer-centric financial services



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Where is the 'wow factor' in the new era of Financial Services?

Young or old, wealthy or not, consumer expectations have radically changed in just a few years. From downloading films to catching a cab, digital businesses are changing the way we order and use goods and services.

Of crucial importance in all of this is our empowerment as consumers. We want services that fit with our lifestyles. We want them to be simple and effortless to use. We want them stripped of all those unnecessary procedures that can clutter up our already busy lives. We also want to feel special, with personalized offerings that offer small moments of delight.

As the digital world around us becomes hyperconnected, the way financial services providers engage with us will need to transform. These institutions must also become more connected, embrace digital life, and create new customer experiences that offer the 'wow factor' that will attract our business.

But traditional banks and insurers face stiff competition in their quest to differentiate through digital. New entrants in financial services, such as the FinTechs and InsurTechs, have the potential to become the dominant market institutions of the future. Then there are the digital-only players – particularly Google, Apple, Facebook, and Amazon – that understand digital natives and are building new ways of doing business. They use data diligently and know what motivates us as consumers. They know how to design a digital service that will wow us and keep them ahead of the competition.

New entrants on the market

Emerging digital players are doing just that by gamifying personal financial management (PFM). Jojonomic, for example, is a response to low levels of financial literacy among its target geographic market in South East Asia. It aims to reduce the number of screens an individual previously had to pass through to record transactions or manage finances. And there are many more just like it.

The insurance market is being shaken up by companies like Cuvva. Offering hourly car insurance direct from your mobile phone, Cuvva is not only cost-effective, it fits the way people want to think about insurance: access it right when you need it.

As for engagement, banks like Simple are much more involved in their customers' lives. Simple offers budgeting tools and savings goals integrated into its online and mobile apps. It tells you how much cash is 'Safe-to-Spend' and even puts aside a percentage of your money for pending transactions so you do not spend it. Its strengths were recognized early by BBVA, which subsequently bought the company for \$117 million². The reason FinTechs such as Simple are so attractive was summarized by Danske Bank Head of Retail, Tonny Thierry Andersen, as quoted in a 2015 Economist article³:

“If you want to come up with a new product in a bank, any one of 50 people internally can shoot it down. If you're a startup, you can go visit 50 venture capitalists and you only need one to give it a green light.”

Movenbank is another provider with a fresh perspective on Financial Services. Its app tracks your spending and shows you where your money is going. 'Spending Spikes' warn you when you spend faster than usual.

Both Simple and Movenbank have tried to regain some of the trust lost in the recent banking crises, with no hidden fees and digital services that people appreciate on a daily basis.

Even in traditional spaces, such as transactions, you only have to look at the rise of Apple Pay and PayPal to appreciate the rise of the digital-only service. Apple Pay launched in September 2014 and, according to Apple CEO Tim Cook, is gaining one million new users per week. By April 2016, it was already available at more than 10 million locations worldwide⁴. By the first quarter of 2016, PayPal had 188 million active registered accounts⁵. It goes so far as to brand itself as 'New Money,' highlighting the vast differences between traditional money transfer procedures and the new, digital way of doing things.

What characterizes these digital players is that they are connected - to customers and partners. They are convenient - delivering what we want quickly, where we want it, and through our preferred channels. They are also contextualized - using structured and unstructured data intelligently so they can learn our preferences, respond, and earn our trust. In simple terms, their entire operating model is focused on providing an excellent digital customer experience.

To compete, traditional financial services providers have to change their mindset. They have to be able to create the wow factor that will make us pay attention. Instead of doing what they have always done but online or via a mobile app, they have to focus on delivering new and exciting customer experiences. It is the only way to differentiate in the digital era.

2. <https://info.bbva.com/en/news/economy/corporate/finance/bbva-acquires-simple-to-accelerate-digital-banking-expansion/>

3. <http://www.economist.com/news/special-report/21650296-fintech-has-made-inroads-incumbents-still-dominate-day-day-banking-how>

4. <http://www.macrumors.com/2016/04/26/apple-pay-growing-at-tremendous-rate/>

5. <http://www.statista.com/statistics/218493/paypals-total-active-registered-accounts-from-2010/>

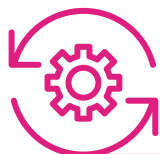
Why change now?

Banks and insurers may look upon customer empowerment as an ongoing development just like any other transformation. And it is. But, with digital transformation, the speed of development is electrifying. Slow and steady will not win this race. Competitors are already forging ahead, compelled into action by five strategic drivers:



Open-minded consumers

» Individuals are now far happier to take responsibility for their finances. The erosion of trust in the banking system allied with the emergence of self-managed digital services elsewhere (including public sector services) mean the nature of personal financial management is changing. We do not want to go searching for the right product or service. We want it to find us, based on our circumstances. Instead of simply offering us mobile or internet banking, we now expect our provider to suggest products to us based on what we are doing today. So progressive companies are responding with innovations like roboadvisors, contextual savings advice based on expenditure during the day, and gamification. These digital services are being rapidly adopted by savvy consumers and are helping to set these companies apart from the competition.



Context, context, context

» Data is no longer just data. It is fed into cognitive systems that support customer interactions. Representatives now have access not just to predictive information and models that suggest specific actions, such as involving another expert to close a sale with a customer. They now have context-based systems that harness much richer insights. These produce more relevant customer responses and help to shift the relationship from one based on being a seller of services to one based on being a trusted advisor.



Speed and scalability

» Digital technologies and cloud services are transforming Financial Services for customers and banks alike. For customers, a flawless app - running 24/7, and with a real-time snapshot of their circumstances - offers a flawless experience. For banks, it has become simpler to ramp up operations for high demand without the burden of buying in expensive computing and storage power. For individual services this means no lag times when the customer base leaps from a few thousand to a few hundred thousand. And disruptors are taking advantage. Peer-to-peer lenders, for example, have grown in popularity thanks in part to their ability to accommodate new customers (or 'peers') without delay.



Commercial threats

» Banks and insurers face competition from more traditional sources too. Knowing that they can operate like a start-up in a new sector using digital technology, telecoms companies are taking up banking licenses and taking on the incumbents. For insurers in particular, this now means competing with brands with a much bigger profile. With auto manufacturers also keen to gain a slice of the car insurance market, the field has opened up and attacks will come from unexpected angles.



Onerous obligations

» Regulators looking to flex their muscles after the recent financial crises are scrutinizing the traditional banking business model. Whether it is via new Mortgage Credit Directive (MCD) or the revised Directive on Payments (PSD2), financial services providers must comply with an increasing number of regulations. Those banks and insurers that continue to 'do it all' will be subject to more regulations than service-specific digital providers that only have to comply with individual regulations. But it is not just about control and compliance. The European Commission, via the European Banking Authority, is now forcing banks to share data in real-time. This means new entrants with faster customer onboarding systems are supported in their endeavors by the new regulatory regime.

Under these conditions, the mindset of banks and insurers simply must change. And change fast. Recognizing that they need to 'be there' when we want them is a necessary step - from the big 'Moments of Truth' (buying a home, submitting an insurance claim) to individual transactions (managing a bank account balance or browsing for a car on a Saturday night).

Beyond that, banks and insurers must recognize that, as individuals, we are now happy to pick and choose services that suit us best. We are more informed, we have more ways to compare services, and we have no problem selecting multiple providers so long as they are - you guessed it - connected, convenient, and contextual.

So what does this all mean if you are an established player but want to differentiate your brand and ensure growth? How can you use real-time data-driven technology to deliver a step-change in customer experience? How can you embrace regulatory change and still meet expectations? Most importantly, how can you create the 'wow factor' and deliver the customer experiences people expect right now?

Achieving success

As consumers, digital banking or insurance services will never be more exciting than what is happening in our own lives. So instead of seeing a product or service as something we should aspire to, banks and insurers have to put them where they are most convenient to us.

That means reflecting individual habits and preferences and then 'wowing' us at key moments - morning to evening, each and every day, from cradle to grave.

These might be at obvious touchpoints, like when we use an ATM. With data profiling and contextual account information, our bank can alert us at the ATM if our peers in similar circumstances are paying less for their monthly energy bills or groceries. Or it could be more advanced. Since we now expect to be in the driving seat for our financial transactions, offering us ways to simulate our spending or giving us access to predictive banking are more useful than simply providing an online statement. These small 'wow factor's add up to a more delightful overall customer experience.

But they are not limited to day-to-day banking. Some providers now offer a digital concierge that will manage your insurance policies across multiple carriers. When you start shopping for new coverage, the concierge will select appropriate products, compare the best deals, and aim to avoid any overlap in coverage with other policies in your portfolio.

To get to the point where the 'wow factor' is ingrained in Financial Services offerings, providers will need to adapt in a number of ways.

1. By offering truly omnichannel experiences

A mobile banking solution is just a basic entry-level requirement. It brings value, for sure, but customers will want and expect much more. It is the combination of a dedicated customer experience platform, providing consistent excellence across all channels, backed by an effective use of Big Data that will make the difference.

2. By really getting to know customers

This means going beyond standard profiling and extracting continuous insights from all that Big Data. Taking behavioral customer DNA at every single touch-point will lead to a more proactive customer engagement. It will also offer the personalized targeting of products and services that are exactly right for immediate individual customer preferences, priorities, and needs.

3. By refocusing processes on richer customer experiences

Those data-driven insights are used to establish the processes that can actually deliver deeper relationship and/or improvements in customer journeys. For example, as their mortgage product is about to expire, the bank reaches out to its customer with a new offer that could save them money. The customer is keen and wants to explore the offer via a video chat with an adviser. On that call, the adviser discovers the customer has their heart set on a bigger home. Using this new information, they show the customer how a different mortgage product could help them buy that dream home. The customer is delighted and the bank retains their custom.

4. By integrating digitally enabled processes across the institution

Any such gains in front-end customer experience are not then lost again by slower behind-the-scenes workflows. So when a new banking customer signs up, the onboarding process takes several minutes rather than several weeks. Or, when someone needs to know about a life insurance claim, they get a decision in hours instead of worrying about money at an already difficult moment in their life.

5. By ensuring everything is compliance-ready

Each process and workflow - in fact, everything that the institution does - is compliant and compliance-ready in anticipation of a new wave of requirements. Especially key legislation, such as PSD2, which will not only demand more stringent compliance. It will also offer a route for transforming traditional processes into world-leading services (in this case in the form of innovative digital payments).

6. By maintaining momentum

The organization is able to easily adapt to future requirements (especially those dictated by customers) and embrace groundbreaking technologies. This means offering digital advisory as the demand for financial advice and guidance increases. It means offering next-gen personal financial management tools. And it means exploring the use of robotics to manage portfolio investments on an ongoing basis while delivering the efficiencies to compete.

This will require many big players to undergo a complete operational transformation. Only then can the traditional banks and insurers claim to be consumer-focused and able to differentiate through digital customer experience.

Making the leap

Competitive advantage is no longer defined by product or service lines. It is determined by being there for those critical customer Moments of Truth.

Understanding what those are and responding with services that delight, even 'wow,' the customer is critical.

To deliver truly exceptional digital customer experiences, the starting point is to ask tough questions about the current operating model:

- » Does it allow new ideas for services to come to fruition quickly?
- » Does it offer the flexibility to move in a different direction if a new market opportunity opens up?
- » Can it support a disruptive go-to-market strategy for a new product?

If the answer to any of these questions is 'No', then something has to change. To reach that state where the institution is connected, convenient, and contextual, the only way forward is to fully embrace digital as an ethos.

That is because digital has raised all our expectations. It has facilitated a new era in which our decision-making as consumers is taking place 'in the moment'.

Wearables, artificial intelligence, contextual data, robotics and more are enabling new competitors to quickly create and deliver "wow factor" products and services. But it is about more than just specific technologies. These businesses fully grasp what we want or need in our lives. They then use digital technologies to deliver it to us.

The new players are setting new standards that others must, at the very least, follow. To lead the market and stay ahead of the competition demands differentiation. The only way to achieve this is to refocus on creating new and exceptional digital customer experiences.

In other words, transform the target operating model. And then back it all the way...

Journey together

Atos has a vision for digital transformation in Banking and in Insurance:

Networked Banking is our radical new approach to Financial Services that is built on an ecosystem of partnerships. The Networked Bank can combine traditional banking expertise (in areas such as risk management) with digital innovation from new FinTech collaborations. Crucially, it can provide the customer with what they want, when they want it, simply by getting to know them better.

Agile Insurance offers a new but necessary alternative to the traditional insurance business model. The Agile Insurer is far more adaptive than its predecessors, relying on partnerships with InsureTechs to enhance the value chain. Unlike before, to the customer it appears humble, transparent, proactive and responsive.

We work closely with institutions of all types to implement these visions and ensure long-term growth in the new era of consumer empowerment.

To find out more about successful target operating model transformation through Networked Banking and Agile Insurance visit atos.net/banking and atos.net/insurance.

About Atos

Atos SE (Societas Europaea) is a leader in digital services with pro forma annual revenue of circa € 12 billion and circa 100,000 employees in 72 countries. Serving a global client base, the Group provides Consulting & Systems Integration services, Managed Services & BPO, Cloud operations, Big Data & Cyber-security solutions, as well as transactional services through Worldline, the European leader in the payments and transactional services industry. With its deep technology expertise and industry knowledge, the Group works with clients across different business sectors: Defense, Financial Services, Health, Manufacturing, Media, Utilities, Public sector, Retail, Telecommunications, and Transportation.

Atos is focused on business technology that powers progress and helps organizations to create their firm of the future. The Group is the Worldwide Information Technology Partner for the Olympic & Paralympic Games and is listed on the Euronext Paris market. Atos operates under the brands Atos, Atos Consulting, Atos Worldgrid, Bull, Canopy, Unify and Worldline.

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