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Making omnichannel work: The "to do" list for banks

Omnichannel banking isn't easy, but it can be done. From call centers to customer advocates, here's how.

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The heart of the matter

It's tempting to think of omnichannel banking as a technology issue, particularly because there is often a lot of technology involved. But delivering a consistent, appealing customer experience—online, in a branch, by phone, on an app—requires a different way of thinking. Everyone in the bank has an important role, including channel managers, customer teams, product developers, marketing and sales leaders, and those in charge of technology and analytics.

Until recently, companies thought about the "omnichannel experience" as keeping everything in sync: showing the same look and feel to the customer in a store, through contact centers, at a kiosk, on a website, or via an app. As a result, companies spent on appearances to improve style, messaging, and a degree of common customer experience.

These elements are still important, but customer expectations have quickly risen beyond "look and feel." When we board a flight with a scannable code on our phone or check inventory at a store kiosk, we're reminded that physical and digital touchpoints can work together.

These shifting customer expectations have forced banks to step up their game. To start, there is a lot of IT involved, including integrating backend systems, cybersecurity, presenting personalized information across platforms, advanced analytics, and more. But it would be a mistake to think of omnichannel delivery as a technology issue. Along with rethinking technology, banks should reexamine the processes they use to deliver services—and how they manage the people who do the work.

Leading banks acknowledge that omnichannel isn't futuristic—it's here and now, and they take the idea seriously. But most banks, including these leaders, are still trying to work out how best to do it.

We've identified the five biggest obstacles that keep many banks from "making omnichannel work:"

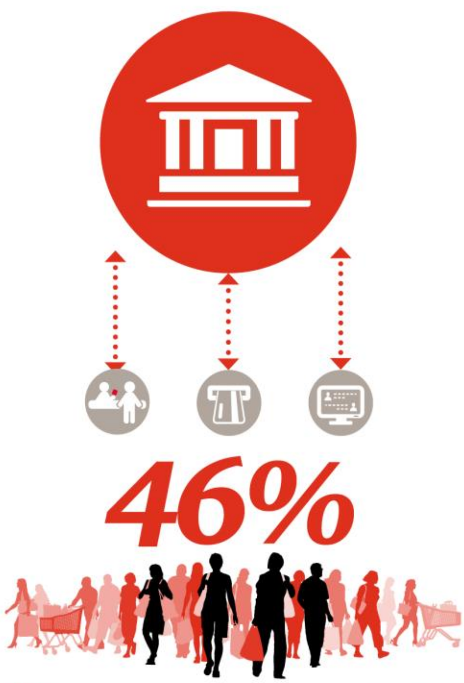
- Organizational and operational silos
- Product-centric (instead of customer-centric) cultures
- Customer advocates either don't exist, or they have no power
- Immature "customer listening" skills
- Cumbersome product development processes

To make their omnichannel dreams a reality, banks need to break down the walls that separate many functions. They'll also need to leave behind their product-centric business models and change assumptions about how channels work. Many banks think they have a consultative focus; we think they need to take it much further. Finally, banks need to adopt a test-and-learn approach, or they won't be ready for the competitors in the rearview mirror who are closing in fast.

An in-depth discussion

Welcome to the omnichannel future

The purpose of omnichannel banking is to give customers a coherent view of the bank, and vice versa, regardless of time or place. The core banking needs of most customers are being handled by branches, ATMs, and online banking. In fact, nearly half (46%) of customers have used all three of these channels over the past six months.[1] As adoption of mobile and online banking continues to grow, omnichannel customers will likely grow in parallel.



46% of customers use multiple channels such as branches, ATMs, and online banking to handle their banking needs.

Source: The Financial Brand, "Omnichannel Banking: More Than a Buzzword," March 2014.

According to a 2014 survey conducted by Forrester, 41% of financial services professionals selected omnichannel banking as one of their top five focal points of their business application transformation, compared to 31% in 2012.[2] We're starting to see some good examples of banks rethinking the way they make handoffs between channels. These include smarter ATMs that integrate with mobile devices, video links to remote staff in branches, and contact centers that sell as effectively as they service.

But omnichannel shouldn't be treated like a bolt-on capability. It calls for new ways of thinking that go beyond typical boundaries within the organization.

[1] The Financial Brand, "Omnichannel Banking: More Than a Buzzword," March 2014.

[2] Forrester Research, "Market Overview: Omnichannel Banking Solutions," April 2015.

How omnichannel works: five obstacles that affect offerings and service delivery across the operating model

Obstacle #1: organizational and operational silos

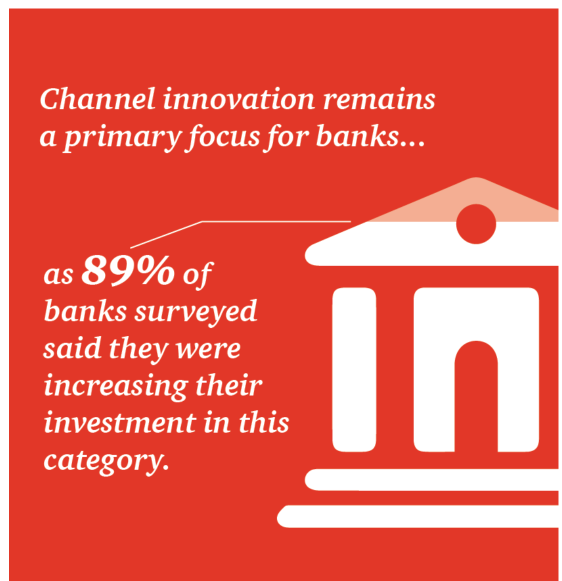
The biggest challenge to omnichannel is organizational, since nobody owns omnichannel. For many banks, branches are still primarily for selling, call centers are mainly for servicing, and digital means marketing. And while some financial institutions have moved in the right direction, combining call centers with virtual channels, operational processes and technology haven't caught up. In many cases, staff and systems are still primarily set up to serve in a single stream.

Consumers have moved far beyond this model. When people call a contact center today, they're probably in front of a laptop, calling because they weren't able to make a transaction or figure out the solution to a problem on their own.

Ideally, banks would enable this further by taking examples from other industries. For example, a number of leading car rental companies have launched kiosks that allow customers to rent a car through a live video chat with a customer service representative. Not only does this provide a fast and effective experience for customers, it also cuts operating costs for the car rental company.

But this requires a different approach to hiring and training staff, both in branches and in contact centers. This highlights one of the many investments banks are considering. In fact, as part of the "Innovation in Retail Banking Study" published by Efma and Infosys, it was clear that channel innovation remains the primary focus of banks globally, with 89 percent of banks surveyed saying they were increasing their investment in this category.[3]

Banks also need tools in place to see what the customer sees, such as with co-browsing. And banks have to be able to pass along transactions smoothly, across channels, while anticipating their customers' requests.



Source: Efma and Infosys, "Innovation in Retail Banking Study," October 2014.

[3] Efma and Infosys, "Innovation in Retail Banking Study," October 2014.

Obstacle #2: product-centric (instead of customer-centric) cultures

Most banks are organized around products. Product teams define and package specific capabilities, and then channels figure out the best ways to sell them. Just look at the typical website: it's designed around products, like checking accounts and IRAs, rather than what a customer wants to do. Similarly, banks launch new marketing campaigns as they launch new products or add features. But customers don't think in terms of products, or even channels.

To us, "customer first" means thinking about customer segments instead of products—and basing those segments on behaviors. This way of thinking can help reduce costs and grow revenue, too. Imagine Anup and Bree, both with average balances near $2,000. It's tempting to market to the Anup-Bree segment, because it's easy to define who belongs. But Anup manages his finances on his phone, while Bree visits a branch every three weeks. Maybe we should market to Anup as a mobile customer, instead, and figure out how to either make Bree more comfortable with self-service channels or help her take advantage of the advisory opportunities within the branch to expand share of wallet.

Obstacle #3: customer advocates either don't exist, or they have no power

Who is looking out for the customer? Everyone, and no one. Some banks have chief customer officers (CCOs) or customer segment owners who are responsible for the customer experience, but they're often limited to surveying consumer preferences.

The real importance of a CCO function is in bridging the gap across teams. This can be a single person or a committee of the channel heads and business leads. Either way, the role or committee should have authority to approve or reject what comes out of the product groups, regardless of the channel. Their job is to see how new offerings can affect the end-to-end customer experience, based on a solid analytic assessment.

Most banks are reluctant to give their customer segment owners P&L ownership because it may introduce massive complexity into the organization. But we think segment owners have to have a seat at the table. They need to be able to design customer-focused experiences and hold product and channel groups accountable for delivering on those experiences.

Channels often work together better once there's a consensus around metrics and incentives. For example, one bank rolled out expensive ATMs that took deposits, but customers adopted them more slowly than predicted. That's because teller incentives were based on meeting daily transaction targets—and ATM transactions didn't count. Once the targets were replaced with metrics that favored branch-wide efficiency, ATM adoption took off.

Obstacle #4: immature "customer listening" skills

For years, banks have said they'd like to act as trusted advisors, but few have figured out how to make it happen. Some of this is due to the "inside out" model described above, where product owners design and branches sell. Some is due to a lack of training or incentives: bankers who don't know how to sell and aren't paid to do so probably won't be terribly effective.

Here, technology can help. Once banks have compiled information on how their customers behave across channels, they often find powerful insights in the data. Data analytics can help spot both current and latent needs.

Technology can also help banks solve the challenge of matching customer needs with technical expertise. In a branch, managers direct customers to any specialists on site who can help. In the virtual channel, this happens more fluidly: Banks can match customers with the most relevant staff, regardless of location, as well as integrate information about the customer's bank profile and history into the conversation.

Obstacle #5: cumbersome product development processes

Many banks don't have the skills or inclination to iterate quickly. For many years, banks have been rewarded for being followers, and their product teams have followed suit.

But it's time for banks to rethink how they design and test products. With customers demanding better personalization at lower cost, banks have to manage many more variables. They need to respond quickly, as circumstances change and new information emerges.

This requires a cultural shift: learning to iterate quickly, and adapting to what works. Of course, this has technology implications: 18-month "waterfall" development cycles don't allow much room for error. But the shift goes beyond computer code. Corporate risk teams can be engaged earlier and collaboratively. Marketing can test and adjust campaigns based on real-time feedback. Call centers can shift processes more quickly based on questions as they arise. And when working across channels, iteration can help reduce a lot of risks.

The omnichannel "to do" list: how to get started

Although omnichannel delivery is a big effort, it starts with a series of steps, like any other transformative journey. Everyone is affected: channel owners, customers, product teams, marketing and sales managers, risk teams, technologists, and more. While not an exhaustive list, we've outlined some thoughts on where to look first.

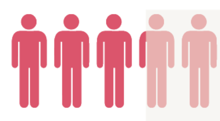
Channels: the top four things to do

- **Develop new skills**. Banks should redefine many front-line roles to emphasize cross-platform behavior, and they'll need to hire, train, and compensate differently. For example, contact centers are becoming a hub where customers go when other channels aren't meeting their needs. But a contact center agent who is responsible for advising clients on wealth planning will likely need different expertise, development opportunities, and incentives from another agent who is responsible for helping customers resolve technical difficulties through chat.
- **Reorganize by customer need**. To plan around what customers want while reducing their inconvenience, banks will likely need to organize their channels, products, and services around customer segments defined by need, not just demographics. For example, a customer who just graduated from college might be shopping for a car loan, while a couple with young children is more likely to want help understanding their life insurance needs. By grouping team members based on the knowledge and skills these customer segments need, banks are better equipped to help customers navigate their financial questions—perhaps even before they arise.
- **Think in real-time**. Many banks still think in a batch processing mindset, but their customers don't. The first step is to see what customers are doing in real time, wherever they are. For example, consider a mobile banking customer who has inadvertently locked herself out of her account. The bank should be able to immediately recognize that the account is locked, and then call or text her to provide instructions on how to unlock it.
- **Build processes across channels**. Channel owners are usually good at optimizing their own activities. Missteps tend to happen when customers move between channels. Nearly everyone can relate to the annoyance a customer feels when asked to re-authenticate her identity each time she is transferred to a different department. What if a bank could authenticate a customer through the biometric fingerprint reader on the smartphone she is calling from and use it to create a secure session for the duration of the call? Channel owners need to start with understanding how customers engage them across the bank, and then collaborate to create natural transitions that can help customers swap between channels.

Customer experience: the top four things to do

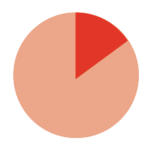
- **Learn how to listen**. “Voice of the customer” means more than a quick, after-the-fact survey to ask, “how was that?” Customers are always offering information in a variety of ways. Their voice also shows up in quality data, social media, and information from other channels. If these aren’t integrated, companies are just hearing what they want to hear, and may miss clues that reflect differently on individual transactions versus overall brand satisfaction.
- **Map and measure the customer journey**. Using voice of the customer data, banks should be able to map the customer journey and identify what good performance looks like at each step. So, they should map it—and then they should measure it rigorously. Without the second step, it’s impossible to tell if a given change is making things better or worse.
- **Slice and dice it**. Segmentation plans, and their implications, aren’t always obvious. A high net worth customer co-signing on an auto loan for his son is obviously different from a customer with a low FICO score and limited documentation. Segmenting properly, and designing products and processes to fit, can lead to happier customers and better service.
- **Be the customer’s advocate**. For the very same reason that many customer experience leaders have limited authority—lack of P&L ownership—they are often one of the few to have an unbiased, outside-in view of the bank from the customer’s point of view. Customer experience leaders should, therefore, be empowered to work across product and channel lines to advocate for customers’ interests.

PwC's Banking 2020 Survey indicates a growing awareness to develop a more customer-centric business model, but a significant gap in preparedness remains.



***61%** of bank executives say that a customer-centric model is “very important”*

***75%** of banks are making investments in this area (this pattern is consistent globally)*



*Only **17%** feel “very prepared”*

Source: PwC Banking 2020 Survey

Product: the top four things to do

- **Design solutions, not products**. With few exceptions, each bank serves a unique combination of products, customer segments, and geography. When they find a way to create solutions to match that combination, they can beat their competitors—often, for a long time. But to do this, they should have solid research about what the customer does and why.
- **Develop a research function**. Even among top-tier banks, product decisions are often made by gut instinct. But as we've seen with Anup and Bree, the same product can be offered in different ways. With the right research, banks can highlight different features or charge different fees. This is even true for commoditized offerings.
- **Simplify the offering**. For legacy reasons, banks typically operate and innovate in product or channel silos. But this leads to an overly complicated product portfolio. For example, most banks have multiple online payment options, but what the customer chooses may not be the best for his use case, and it may not be the best for the bank. The result is often an incoherent chessboard of offerings.
- **Test and learn**. As we've said, banks need to shift their development mentality to a "test and learn" culture that rewards work quickly and iteratively. Most banks pour too much time and too many resources into products that may have no buyers. By improving funding discipline and requiring teams to validate ideas through an early-stage "minimum viable product," banks can encourage ideas that are supported by data and meet multiple segment needs.

Marketing and sales: the top four things to do

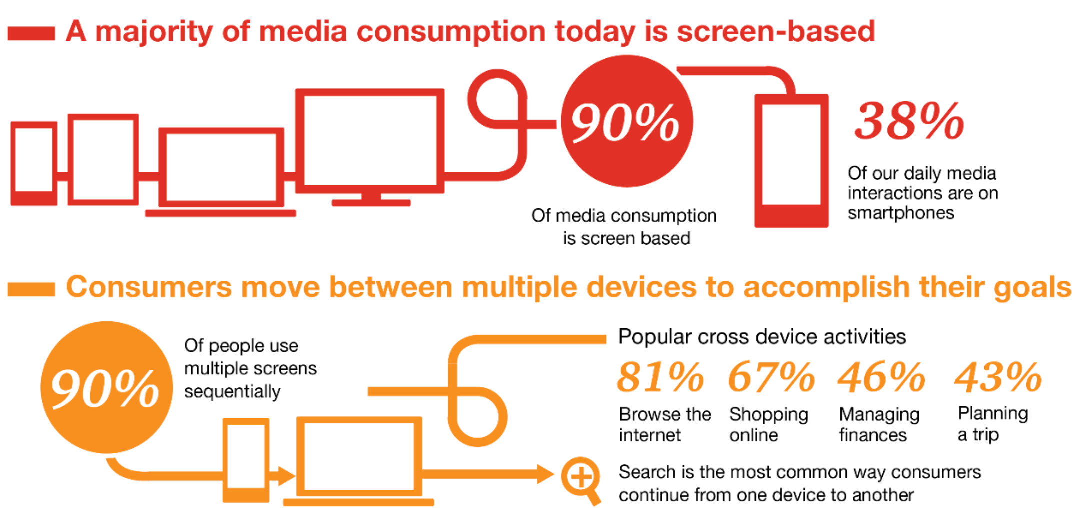
- **Share information across channels**. Banks often miss obvious cross-sell opportunities just because they don't share the information across channels. But these information gaps exist in each dimension; when they fail to build a feedback loop between call centers and product teams, they lose the advantage of insightful customer research. The answer: create the structures and processes to share information internally.
- **Tell stories**. On a very basic level, we still see most banks differentiating on features, emphasizing the "what" rather than the "why." We think there are opportunities to reach customers with a different kind of message, one based on more meaningful, brand-building stories that connect with customers on an emotional level.[4]
- **Create feedback loops**. Most banks we know produce a fair amount of marketing material without knowing what works. Without A/B or multivariate testing, it's impossible to know if a given lift is attributable to a marketing strategy, an interest rate change, or something else. Creating feedback loops is hard and we rarely see it done well, but we think it's a fundamental part of knowing what works and what doesn't.
- **Start the dialogue**. Customers take to social media to share their opinions about everything. Social media tools can be rich opportunities to engage customers directly, often with better feedback than other survey tools. From text analytics to outbound messaging, most banks are not taking full advantage of new social media opportunities.

[4] For more perspectives on how to create meaningful, brand-building stories, see our FS Viewpoint, "Ditch the Product Pitch: Winning through customer-focused content," www.pwc.com/fsi.

Technology and analytics: the top four things to do

- **Establish an enterprise architecture model**. As we've noted before, certain steps on the road to omnichannel delivery start at the top. Banks need to have a unified view of their technology architecture, system design, presentation approach, control structures, and more. Without a common plan, working across channels and organization reporting lines becomes much more difficult.
- **Build fast; iterate faster**. It's easy to say that companies should be more agile. We recognize that having a legacy deposit platform adds constraints that many other industries don't face. But there are also many parts of the technology stack—including inputs, interfaces, and outputs—that are not limited by the rigidity of core systems, and every opportunity to build faster and iterate gives more flexibility in the long run.
- **Change the funding model**. Many banks take an incremental budgeting approach to IT, assuming that strategies rarely change. When they move to zero-based funding, and teams have to get sign-off from product and channel management, they force a different discussion about cross-functional priorities. This can produce very different outcomes.
- **Every experience is digital**. From the way customers interact with a branch to the internal systems that bank staff use, digital tools are now essential. Today's customers have shorter attention spans, and they are turning to a variety of sources for their financial needs. One study found that 90% of consumers move from one device to another at different times to accomplish a task (see Figure 1).[5] Omnichannel only works if everyone can get the right information when they need it—including staff, too.

Figure 1: Most customers move between multiple devices to accomplish their goals.



Source: Google, "The New Multi-Screen World," August 2012.

[5] Google, "The New Multi-Screen World," August 2012.

What this means for your business

Delivering the bank to anyone, anywhere, anytime, is a tall order. Some banks will likely find it particularly costly or complicated to do, and many issues discussed here go to the heart of a company's culture.

But we also note that there are ways to improve the odds. Change management techniques can help address the cultural challenges. Leadership can bring together IT and business planning to address the considerable technology challenges. And by forging consensus around how decisions are made, banks can break down long-standing silos.

Omnichannel banking offers a number of clear benefits:

- **Less operational complexity.** Better collaboration between product, channel, customer, marketing, and technology leaders should lead to simplified solutions that are more productive and less costly to support.
- **Happier employees.** Customers aren't the only beneficiaries of simplified solutions. Employees spend less time on duplicative, complex processes, leading to more valuable and fulfilling job experiences.
- **Positive impact on risk, regulatory, and compliance functions.** Less complexity translates directly to less risk. Fewer handoffs between channels and product groups improve a bank's ability to address customer concerns quickly and suitably.
- **Stronger customer engagement.** Perhaps most importantly, omnichannel banking lets banks reach their customers how, where, and when they want to be reached—not just when it's convenient for the service provider.

These benefits can help a bank win customer loyalty, as well as find and deliver on new opportunities. By being better attuned to how its customers think, omnichannel banking can help organizations stay ahead of the competition—both financial services companies and startups alike.

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