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Last mile of the customer service experience
The next battleground in retail banking

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Contents

An industry remade

Across Southeast Asia, the COVID-19 outbreak has dramatically accelerated the rate of digital adoption in financial services as consumers shift a greater share of their purchases online, and businesses – either by choice or by necessity – race to set up capabilities to support sales and servicing.

This unprecedented rise of new digital behaviours, which is expected to persist in at least some form in the next normal remade by COVID-19, is likely to result in customers placing an increasing emphasis on the simplicity of experience, and favouring platforms that are adept at making their daily tasks easier and providing affirmation through personalisation and customer service on demand.

Looking ahead, new competitors can also be expected to bring new challenges. With the upcoming issuance of digital bank licences across many key markets in Southeast Asia, both digital banks and legacy banks alike will need to focus on their end-to-end customer experience as a key differentiator in the new competitive landscape. This would require them to innovate quickly, and create flexible, scalable customer service strategies to retain and grow the customer base that they will likely have acquired through costly promotions and headline rates.

In this context, the experience of several new digital banks has been instructive: given that many of them are still in their relative infancy, they have had the opportunity to define and design their customer service experience from the ground up. Looking at some of the decisions and strategies that they have chosen, and even areas where they have fallen short, could provide us with some valuable perspectives on the design considerations that banks will need to make as they rethink and redesign their customer service experience for the next normal.

In this report, we will examine some of the design choices made by recent digital bank entrants, reflect on eight of the key lessons that can be drawn from their experience, and discuss three no-regret decisions that banks can make today to enable them to succeed in the next normal.

The next battleground in retail banking

COVID-19 has undoubtedly disrupted the customer experience in financial services across Southeast Asia. In Singapore, for example, banks moved to temporarily close some of their branches during a month-long Circuit Breaker that entailed the imposition of tighter restrictions[1]. This, in turn, led to a broad-based surge in digital transaction volumes in services such as online trading, loan applications, and digital payment transactions, with at least one player expecting to rejig its branch network strategy as the rising adoption of digital banking services permanently diverts some traffic away from its branches[2].

A similar trend can be observed across the region. In the first quarter of 2020, Indonesia's largest private bank recorded a 91 percent year-on-year increase in the number of mobile banking transactions, as well as a 24 percent year-on-year increase in the number of Internet banking transactions. On the other hand, transactions at ATMs and branch offices were down by 1 percent and 5 percent respectively[3]. In Malaysia, the use of contactless payments and adoption of e-wallets also surged during the Movement Control Order, with some players seeing subscriber numbers double within the span of a month[4].

Rethinking the last mile

While the length and severity of the pandemic remain uncertain, the industry is unlikely to return to its pre-COVID-19 state. As the economy reopens, digital will likely grow in importance as the increasingly primary interaction channel, making omnichannel experiences ever more critical. Consequently, banks will find that achieving a competitive advantage solely through the provision of an extensive product range or headline-grabbing rates – as they have traditionally done – will also become even more difficult than before.

Amongst leading banks, there is widespread recognition that the last mile of the customer service journey is likely to be the next battleground for dominance within the sector. In such a context, the primary method for competitors to differentiate themselves will be through a holistic, integrated customer experience delivered along various touchpoints of a customer service lifecycle.

For many players, this represents the need to re-balance their thinking away from traditional acquisition-focused concepts of product-driven marketing and sales strategies, and towards customer retention-focused strategies centred on an in-depth understanding the customer's individual needs and expectations about the whole-of-life experience in the next normal.

Broadly, we will examine the customer service experience along the following three dimensions: channel considerations; design decisions; and lessons learnt by digital banks.

Channel considerations

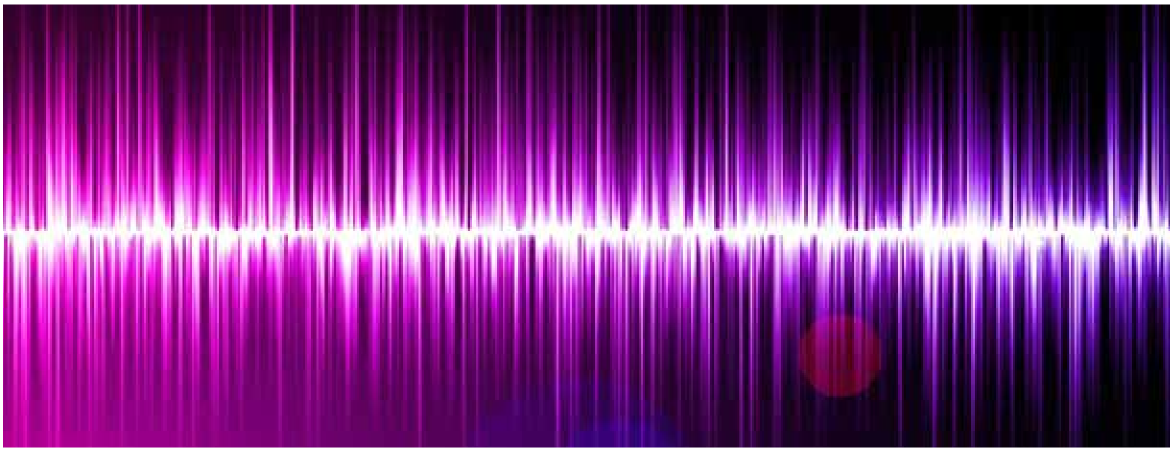
Design decisions

Lessons learnt

[1] "DBS, UOB join OCBC to close some branches till May 4 during 'circuit breaker' month". The Straits Times. 7 April 2020.
[2] "OCBC to rejig branch strategy after Covid-19 crisis amid rising use of digital banking services: CEO". The Straits Times. 18 May 2020.
[3] "BCA sees jump in digital banking services amid pandemic". The Jakarta Post. 28 May 2020.
[4] "Coronavirus pandemic has steepened adoption curve of e-wallets in Malaysia". The Straits Times. 27 April 2020.

Channel considerations

The breadth of a customer service lifecycle can differ significantly between different players, with permutations varying depending on specific customer needs, lifecycle stages, and other channel-based behaviours.



A typical customer service lifecycle at a digital bank

Customers at each stage of the lifecycle have their own unique set of servicing needs, and digital banks have chosen different combinations of channels – both within and in addition to their primary mobile application – to manage these different sets of needs. For discussion purposes, however, a typical customer service life cycle at a digital bank can be broadly classified into seven key steps across the pre-onboarding and post-onboarding phases (see Figure 1).

Figure 1: The customer service lifecycle at a digital bank

Step 1: Customer lead engagement

A prospective customer becomes interested in opening a digital bank account, and typically downloads a mobile application to get started. Servicing needs include clarifications on complex marketing campaign messages, or queries on more complex product types, such as loans. If these queries remain unresolved, the customer lead may drop off the lifecycle.

Step 2: Customer application

The prospect is in the process of opening a digital bank account, and fills out an application form within the mobile application. Servicing needs include clarifications on form fields, and these would typically require immediate help and attention to prevent drop-offs.

Step 3: Product application

The prospect submits the completed application form, along with supporting documents. Examples of queries could include follow-ups on account opening procedures or timelines, with the lack of consistent follow-ups resulting in further drop-offs.

Step 4: Product modification
The customer reviews the terms of the agreement for their product, such as a loan, and realises that they would like to make some modifications, such as extending its term. This could require additional information, such as credit scores, and even necessitate a phone discussion or branch visit.

Step 5: Servicing
The customer makes a change to their personal information or settings, and may face difficulties in locating these features within the mobile application.

Step 6: Transactions
The customer makes a payment, transfer, or carries out a transaction. This may be customer-initiated, or initiated by bank prompts. If unsuccessful, there would be queries on the transaction, and refunds may need to be carried out.

Step 7: Complaints
If the customer becomes frustrated with the lack of information at any point in time, or is not kept up-to-date on timelines, a formal complaint may be made.

Choosing the right channels

Each channel offers a different set of capabilities, and must be managed carefully in order to optimise the customer service experience (see Figure 2). For example, the excessive usage of standardised and proactive push notifications may cause frustration and result in customers completely switching off notifications, in turn defeating its initial purpose. Increasingly, banks are allowing their customers to retain greater control over the types of notifications that they receive, and moving towards providing in-context insights through proactive in-app messaging.

At the same time, chatbots, agent chats, and in-app voice calls are growing in importance as a medium to guide customers towards self-resolution, and reduce friction between the customer and other channels of support. To maximise the efficiency of these assisted channels, authentication methods should also be harmonised such that the customer only needs to perform it only once in every transaction.

For out-of-app channels, the focus tends to shift towards cost-to-serve and other reputational considerations as a result of the wider target audience. For instance, digital banks are increasingly integrating social media with other channels to decrease the cost-to-serve, and leveraging it as an integral tool in branding campaigns. Unsurprisingly, the usage of mail, email, and other traditional hotlines is rapidly declining – although whether this is passively achieved or actively managed by the bank could vary.

The usage of branch or partner locations, however, remains less straightforward. Many incumbent banks are trying to reduce the number of branches, optimise what is left, and digitise and re-skill their employees to target experiential customer needs. Similarly, several banks who have relied on partner locations have also been observed to be shifting towards online models, especially in markets such as the UK. This trend, however, is not universal: several digital licence applicants in the Southeast Asia region, for example, have been observed to be exploring the use of partner locations to drive sales and cater to different customer servicing needs.

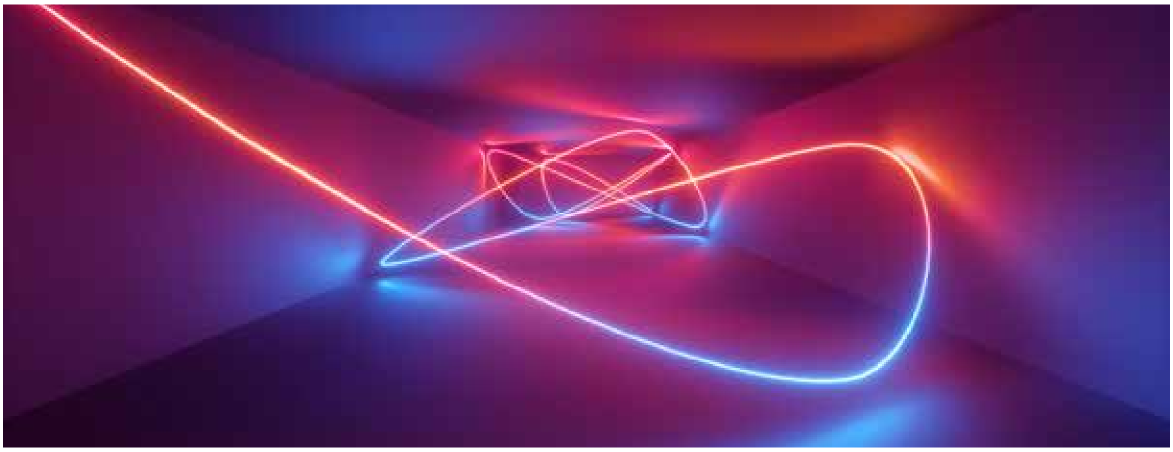
Figure 2: Typical customer service channels at a digital bank

●	**FAQs**	Digital banks typically offer a list of Frequently Asked Questions (FAQs) within the app in both pre- and post-login screens. However, digital banks with very simple offerings may opt to skip this in their pre-login stage, as has been observed with some of the leading digital banks in Europe. To minimise the amount of rework required and maximise customer-facing experiences, the focus here should be on aligning knowledge bases for both internal and customer-facing agents.
●	**Push notifications**	Increasingly, leading digital banks are enabling their customers to have more control over the type of push notifications they wish to receive, and are looking at ways to provide context-sensitive notifications to drive behaviours.
●	**Chatbot**	Although the functionalities of chatbots vary significantly – whether by design or by accident – across digital banks in terms of the breadth of queries that they can manage, and their ease of integration with other assisted channels, the most highly rated ones tend to be those who are able to successfully balance a wide range of general and account-specific responses with near-frictionless transition or escalation to other assisted channels. Increasingly, leading players are using chatbots to initiate asynchronous service requests – deflecting complex requirements by handling them without the need for real-time agent contact.
●	**Live agent chat**	Leading digital banks in the Asia Pacific region have been able to augment their live agent chat with context-sensitive artificial intelligence (AI), which is able to suggest content to the agent and reduce time spent on searching and formulating responses.
●	**Community chat or forum**	In Europe, several leading digital banks offer a community chat or forum function within or in addition to their mobile applications, which enables users to proactively share their feedback or ideas. Community engagement is also promoted through the use of award badges, as well as periodic meet-up events.
●	**In-app voice call**	For several digital banks in Southeast Asia, the in-app voice call function helps to reduce customer friction by avoiding the need for repeated authentication processes when a customer is handed off from a chat agent to a hotline agent.
●	**Video call**	Although there are very limited examples of successful video call servicing features within digital banking applications, as many trials have since scaled back to serve only high-net-worth individuals or are not integrated with their primary mobile applications, the use of video for electronic know-your-customer (e-KYC) processes has been observed to be more commonplace – aided by regulatory guidance in Indonesia amongst others. Within Southeast Asia, however, these continued to be hampered by network coverage issues.
●	**Social media**	Typically, retail digital banks who provide social media capabilities tend to do so for basic account servicing and information dissemination, rather than monetary transactions. Social media has been used to triage and brand reputation management, with account-based queries migrating to more "managed" channels. However, with increasing integration occurring between social media and other channels, the differences between servicing within the bank's environment and social media channels are beginning to blur.
●	**Traditional hotlines**	Overall, digital banks can be observed to be attempting to reduce volume to traditional contact centres, with an increasing focus on in-app or other pre-authenticated channels to avoid the need for repeated authentication processes between channel hand-offs.
●	**Email**	Digital banks do not often actively push email communications, especially in the retail segment, although they typically provide at least a generic email address on their websites in compliance with local regulations on complaints.
●	**Mail**	Some digital banks do not provide a mailing address at all, and the few that do are mostly doing it to give customers more flexibility in terms of complaint channels.
●	**Branch or partner locations**	With legacy banks trying to reduce or optimise their physical branches, most digital banks currently do not have a physical presence, but several new digital bank licence applicants have been observed to be exploring the use of partner locations to drive sales and servicing.

● In-app/website channels ● Out-of-app channels

Design decisions

When it comes to the customer experience, the devil is in the detail. In their design decisions, banks will need to make trade-off decisions along four choice continuums.



Four choice continuums

Often, it is not so much which channels a bank chooses to use, but more about how these channels have been designed and when used, both in siloes and when connected to one another. When designing their propositions, banks will need to take into consideration several factors, including but not limited to:

- **Different customer segments** with different needs and expectations
- **Product complexity** that could result in differing pre- and post-onboarding servicing requirements
- **Regulatory requirements** for certain types of servicing such as e-KYC videos or complaint mechanisms

These considerations should then translate into different decisions along four main choice continuums:

1. **Self-service vs. human-assisted support:** Where should banks introduce self-service applications, including AI-enabled features, to reduce the cost-to-serve, and where should they provide human-assisted support?
2. **Proactive vs. reactive service:** Where should banks proactively anticipate and resolve service needs, and where should they instead be more reactive and respond to service demand?
3. **Low vs. high freedom of choice:** Where should banks give customers more freedom and choice, and where should they retain greater control on human-assisted support channels across the customer service lifecycle?
4. **Standardisation vs. personalisation:** Should banks focus on curating a small number of well-structured experiences, or should they build in higher levels of personalisation into their customer service lifecycle journeys? And where should the focus be for these across the lifecycle, and across different demographics?

No one-size-fits-all strategy

Ultimately, there is no one-size-fits-all strategy, and several leading digital banks have been observed to have successfully made very different decisions along the four main choice continuum (see Figure 3).

Figure 3: Different design choices made by three banks with high customer service ratings

A digital bank in Southeast Asia

The objective was to nudge customers away from human-assisted channels towards self-service channels, by containing all interactions within the mobile application, and using a proactive, personalised servicing approach to increase customer engagement.

Self-service vs. human-assisted support

Self-service options, including FAQs and chatbots, are introduced as the first point of contact in both the pre-onboarding and post-onboarding phases of the customer service lifecycle, leaving only complex tasks that require empathy and personalisation to human agents.

Proactive vs. reactive service

The mobile application sends proactive push notifications to its customer prospects during the pre-onboarding journey to reduce drop-offs, and offers them the option of scheduling a video call at their convenience to complete any pending authentication processes.

Low vs. high freedom of choice

All interactions, including the FAQs, chatbot, live agent chat, and voice calls functions, are contained within the mobile application, and neither the mobile application nor website provides any other form of contact information such as a phone number, email address, or mailing address.

Standardisation vs. personalisation

The chatbot function is able detect customer sentiment, and provide a differentiated response or route the customer to a different servicing channel based on sentiment analysis.

A digital bank in Europe

The objective was to build a strong community amongst travellers, who are able to self-service or leverage the community for their needs, and also dictate their own bespoke customer servicing design.

Self-service vs. human-assisted support

Given its simple product offering, the mobile application does not offer any self-service options during the pre-onboarding phase as there are very few exceptions at this stage. There are, however, many self-service options in the post-onboarding phase.

Proactive vs. reactive service

Although the mobile applications does send some helpful push notifications – for example, payment reminders to friends and family who may have forgot to pay for their share of split payments – this proactive service is limited only to the post-onboarding phase.

Low vs. high freedom of choice

There is a moderate freedom of choice, with a balance between self-service options such as live chat, blogs, and community forums that are easily accessible in-app, and information on other human-assisted support channels, such as a hotline number and email address.

Standardisation vs. personalisation

The overall customer service journey leans towards higher levels of personalisation, as customers are able to dictate their experience by sharing ideas, as well as requesting and introducing new features on their in-app community chats. For instance, a simple cryptocurrency exchange transaction can be conducted when there is sufficient demand for one, such as when several customers request for the service.

A digital bank in Europe

The objective was to provide standardised, reactive services with a high level of human touch to give full freedom to customers to determine their servicing channel of choice.

Self-service vs. human-assisted support

Self-service **Human-assisted support**

Due to the complexity of its product offerings and customer segments, there is a high reliance on human-assisted support in the form of call centre agents. The only self-service option available is a list of in-app FAQs.

Proactive vs. reactive service

Proactive **Reactive**

A predominantly reactive customer service strategy is in place, although there has been the recent introduction of spending insights, which are pushed to customers to provide them with more information on their monthly spending patterns.

Low vs. high freedom of choice

Low freedom of choice **High freedom of choice**

In the absence of self-service options such as chatbots or live agent chats, customers can choose how they prefer to contact the bank for assistance. Email is the primary channel, but both local and overseas hotline numbers are also available.

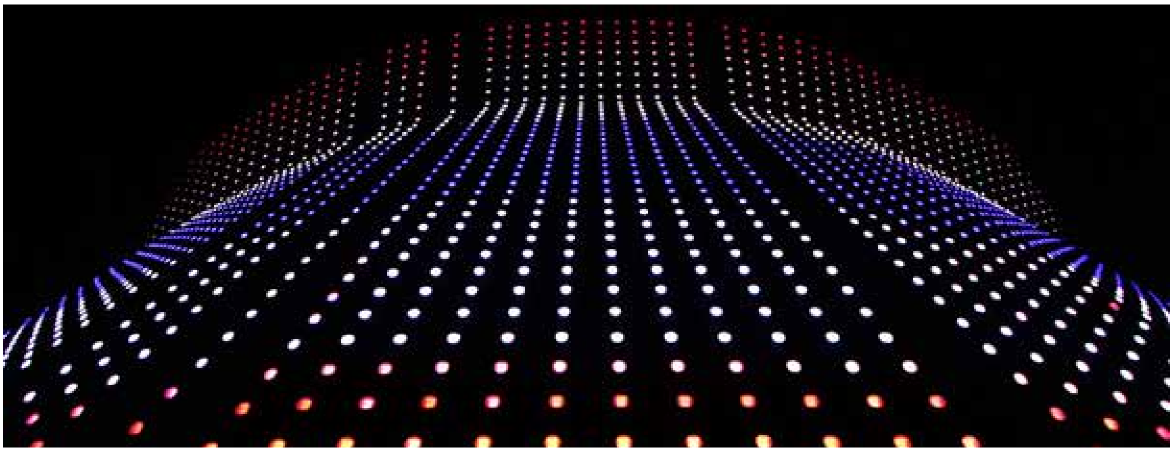
Standardisation vs. personalisation

Standardisation **Personalisation**

Although a call centre agent may choose to personalise an experience for a customer, the overall customer service experience follows a standard template for the majority of interactions. Even in-app customer insights tend to be very basic, and lack the level of personalisation in terms of customised recommendations that are typically offered by other digital banks.

Lessons learnt

As banks consider their future in the next normal, they will need to consider how they can design – or in some cases, redesign – their customer service experience to adapt to some of the new realities.



An interdisciplinary approach

Often, many players focus on optimising the front-end of their mobile and online banking platforms to enhance the interface experience, without spending similar efforts on the end-to-end journey of managing the customer experience for challenging and complex servicing needs.

Such a perspective on customers often impedes the interdisciplinary approach that is needed to solve customer problems comprehensively, and can lead to inconsistencies along the customer lifecycle and inefficiencies within operations – even if the banks already have access to all the elements required for success.

As banks reflect on their customer service experience, they may find it useful to take into consideration eight key lessons that we have gleaned from the experience of new digital banks (see Figure 4).

Figure 4: Eight lessons from digital banks

Lesson 1: Close coordination required between product design, marketing and servicing teams

What went wrong?	Although exciting product features can make a digital bank's value proposition stand out amongst its competitors, overly complex marketing campaigns may also confuse both customers and customer service advisors, and result in overflow across the various channels. We have observed on multiple occasions digital banks launching a new product without working holistically through the implications, and seen their servicing channels struggle with the inevitable volume of questions that flooded in during the initial sign-up phase, and later again when the proposition's features kick in.
What did we learn?	To prevent such an occurrence, it is essential to ensure that the marketing team and contact centre team closely coordinate their content and messaging, and prepare the necessary resources prior to the launch of a campaign or any other form of value proposition. Continuous improvement functions, including customer analytics teams, should also be placed within or near contact centre operations to ensure that the insights gleaned can be used to make immediate changes to marketing campaigns as they become necessary, or pre-emptively resolve issues through proactive customer service.

Lesson 2: Plan for the proactive elimination of customer service demand

What went wrong?	When designing their customer servicing solutions, digital banks often fail to anticipate and proactively address customer needs with the use of "in-built" capabilities that could help them eliminate customer service demand in the first place.
What did we learn?	Well-timed proactive servicing, delivered with the support of AI technologies, could help to minimise customer uncertainty, reduce drop-off, and enhance the emotional connection with customers by providing near-instant problem identification and response communication across both self-service and assisted channels.

Lesson 3: Pay attention to servicing from the moment you start engaging target prospects

What went wrong?	Digital banks tend to focus on designing a superior customer experience in the post-onboarding phase, but unless their product offerings are very simple, there is also the need to pay attention to the customer service experience earlier in the lifecycle – right from initial awareness of the product, until customer is onboarded.
What did we learn?	To avoid losing customers in the onboarding funnel, banks should think about how they can introduce triage points in this phase to support customers and channels, and avoid overwhelming customer service advisors with simple queries that do not require a human response.

Lesson 4: Put in place exit points for self-service channels

What went wrong?	The end-to-end customer service journey provided by many digital banking applications is poorly designed to handle crisis situations, and often keeps customers in self-service or text chat situations longer than necessary. Equally, even in situations where voice chat is enabled, agitated customers often have to go through repeated authentication processes. As an example, one digital bank did not have a feature for customers to escalate their issues to an agent from a chatbot. Instead, it provided them with a hotline number that they could call, or invited them to provide their number for a call back – both of which disrupted the flow of conversation and did not resolve the customer's query.
What did we learn?	In situations where friction is involved, the customer experience can go downhill rapidly. Designing exit points in self-service channels is just as important as putting in entry points, and banks should consider how they can leverage the use of in-app, pre-authenticated voice calls to optimise their conversation time with the customer.

Lesson 5: Design for social media servicing

What went wrong?

With customers' increasing reliance on in-app, self-service channels, social media has increasingly become a channel for customers to post immediate complaints and feedback. If not properly managed, these negative comments can rapidly hurt a brand and its reputation. Many new digital banks have experienced this when they failed to build a social media servicing strategy as part of their initial product launch, and had to deal with complaints that queries on social media were not being dealt with effectively.

What did we learn?

To avoid this situation, banks must ensure that they design for social media servicing, integrate social media channels upfront as part of their communication strategy, and revise this strategy to accommodate any critical updates or alerts as they become necessary.

Lesson 6: Plan for, and track, holistic customer experiences

What went wrong?

A focus on the happy path, single-channel experience can lead to an underestimation of cross-channel activity, and in turn insufficient planning, monitoring, and analysis of end-to-end customer behaviours – which are critical to understand the true root cause of a poor experience.

What did we learn?

To ensure that digital banks are able to capture a complete understanding of the root causes of all their servicing failures, all facets of contact analytics – including but not limited to application usage, and demand for self-service and assisted channels – must be integrated into the purview of continuous improvement capabilities, supported by tagging to enable the end-to-end customer pain points and behaviours to be captured.

Lesson 7: Realise that there is no such thing as "zero ops"

What went wrong?

Regardless of the intuitiveness of a user interface or experience, there will always be situations when customer service demand will spike. In Europe, for example, several leading digital banks had to frantically hire significant volumes of contact centre staff at short notice, while deploying staff from other business units, in order to address the massive backlogs of customers waiting for responses.

What did we learn?

Without fallbacks in place, banks will find themselves scrambling for last-minute budget approvals to hire and train talent to expand their servicing capacities. The customer service experience should therefore be designed with operational impacts in mind, so that bottlenecks and pain points can be identified and addressed upfront. Furthermore, planning models and additional staffing scenarios must be continuously reviewed, so that surge scenarios can be quickly addressed with flexible staffing models or back-up third-party providers.

Lesson 8: Optimise productivity with workforce management tools

What went wrong?

The high levels of customer service demand volumes have forced several digital banks to rethink their operational management disciplines and routines. Specifically, some of them have observed that their decision not to enhance their workforce management tools to support faster-paced, cross-channel inputs has resulted in consistently poor service across all of their assisted channels.

What did we learn?

In the long run, optimising productivity – especially in virtual work settings – would require banks to upskill their workforce management capabilities to support shift models in a flexible, multi-channel context.

Last mile of the customer service experience

In recent months, we have witnessed how the last mile of the customer service experience has been irrevocably altered not only both by new consumer behaviours introduced by the pandemic, but also by the impending entry of ever more digital competitors to the landscape.

To better position themselves to navigate the new battleground, banks will need to think of ways to combine their existing source of competitive advantage – that is, their broad customer base and brand recognition – with a compelling, end-to-end customer service experience to support their overall brand and value propositions, to create deep emotional connections with their customers.

As a start, banks should identify and articulate how each point of contact adds value to the business and to the customer, and develop an in-depth understanding of their customers' needs, behaviours and patterns. This would enable them to make the right trade-offs between choice continuums in their design decisions, keeping in mind that it is not so much which channels they choose to use, but more about how these channels have been designed and used – both in siloes and when connected to one another.

Although the future is ultimately uncertain, three no-regret decisions made today can enable banks to be better positioned for success:

1. **Re-examine current channel usage and desired channel strategy**
   Firstly, banks will need to reflect on their planned channel usage and capabilities to understand where they would need to focus their design efforts. This could include redefining their contact centre strategies, upscaling other human-assisted channels, or even rethinking the role of physical branches as these increase or decrease in relevance.

2. **Review happy path and exception servicing journeys**
   Secondly, banks will need to review their proposed happy paths and exception servicing designs – both within and across channels – for their key customer demographics. Drawing on the inspiration of recent digital bank entrants, they should also challenge themselves to consider whether these paths are consistent with their overall brand promise and customer service objectives, and use this as an opportunity to innovate for scale in areas where they can add value.

3. **Revisit staffing models and sourcing arrangements**
   Finally, to deliver on all of the above, they will need to ensure that they have the appropriate staffing models and sourcing arrangements in place. For some players, this could also entail the shift, partial or otherwise, to remote working models to improve service levels and ensure cost efficiency.

Ultimately, creating an effective customer experience is more than just about ensuring customers receive the services they desire in a timely and efficient manner, and to the standards that they expect. To truly exceed expectations, banks must also fully embrace the human experience – and translate this understanding in their design and delivery of a customer experience that strikes the right balance between digital, automated experiences and personalised, human interactions.

Contact us

For more information, please contact

Mohit Mehrotra
momehrotra@deloitte.com

Alexander Douglas-Jones
aldouglasjones@deloitte.com

Gaurav Goel
gxgoel@deloitte.com

Southeast Asia Financial Services industry practice

Southeast Asia Financial Services Leader
Thio Tse Gan
tgthio@deloitte.com

Guam
Tung Wei-Li
wtung@deloitte.com

Indonesia
Rosita Sinaga
rsinaga@deloitte.com

Malaysia
Anthony Tai
yktai@deloitte.com

Justin Ong
keaong@deloitte.com

Philippines
Bonifacio Lumacang
blumacang@deloitte.com

Singapore
Thio Tse Gan
tgthio@deloitte.com

Thailand
Nisakorn Songmanee
nsongmanee@deloitte.com

Vietnam
Ngoc Tran
ntran@deloitte.com

Audit & Assurance
Tay Boon Suan
bstay@deloitte.com

Consulting
Lim Eng Hong
englim@deloitte.com

Financial Advisory
Jeff Pirie
jpirie@deloitte.com

Radish Singh
radishsingh@deloitte.com

Risk Advisory
Thio Tse Gan
tgthio@deloitte.com

Tax & Legal
Michael Velten
mvelten@deloitte.com