

Reshaping the retail banking experience for the customer of tomorrow



Changing customer expectations

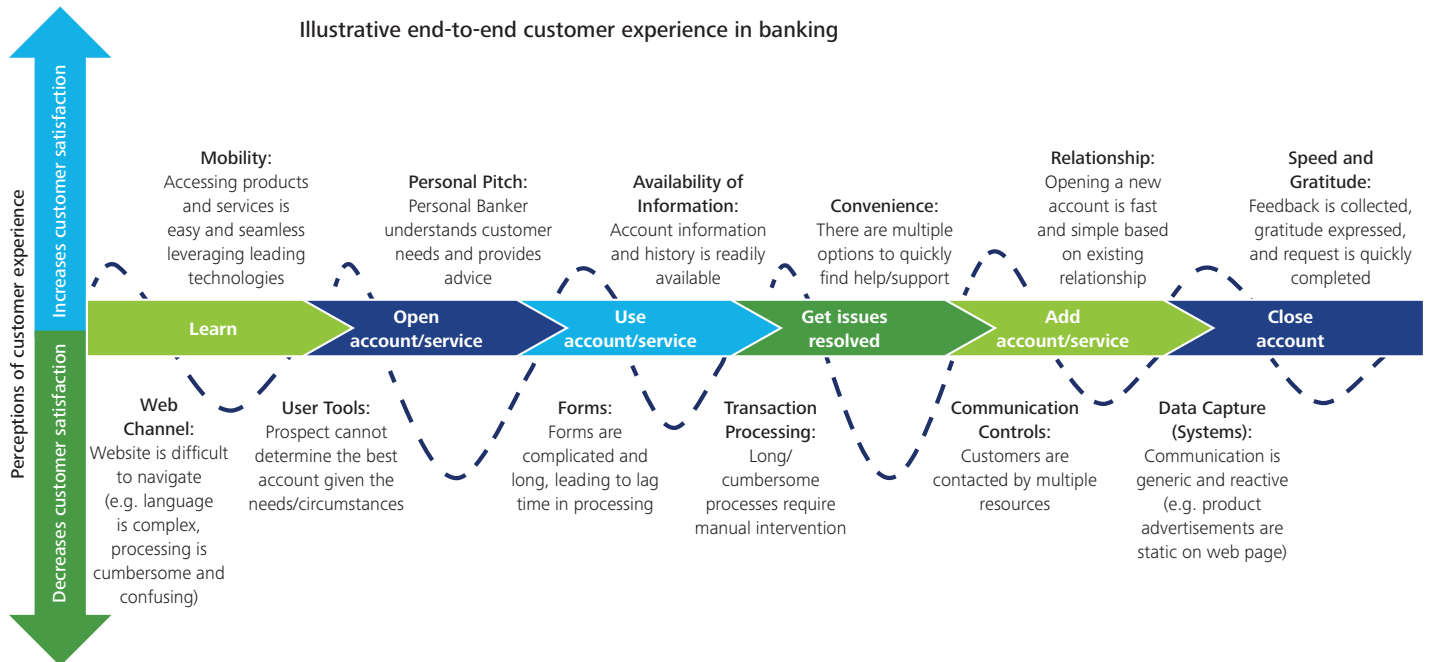
Customer experience—defined as the end-to-end interaction of a customer with a company or product—has reached a level of paramount importance in recent years for businesses across industries and sectors.

Heightened customer standards are being driven by advancements in technology and the corresponding commoditization of goods and services. The resulting trend has created a contingent of customers who no longer view

their experience in an industry-silo. Instead, they compare their experience to leading firms in other industries, disrupting the status quo.

The likely implication for financial services organizations is clear—if they want to maintain loyalty among their current client bases, financial institutions must build an improved customer experience and use it as a competitive differentiator.

Illustrative end-to-end customer experience in banking



The implications for financial institutions






Nowhere is the changing landscape of customer expectations and technology more evident than in financial services. Banks and non-bank financial institutions are shifting their focus away from rationalizing product offerings toward a cohesive, simple, and personalized customer experience, in an attempt to re-gain the trust of

the public, and to re-build customer loyalty following the financial crisis. Yesterday's demands—including flexibility, efficiency and easy access for clients—have been amplified to include integration of banking activities across multiple channels, personalized service, and recognition of the past, present and future breadth of the client's relationship to the bank.

Banks that have recognized and attempted to satisfy these new demands are viewed positively by consumers.¹ Yet while the majority of organizations cite customer experience as a top strategic priority, only a small fraction (30%) are actually allocating funds to understanding and improving it.²

Banking with the customer of tomorrow

In addition to evolving sales and service expectations, customers today have a voice to influence and affect the marketplace in a manner that was not possible for prior generations. Driven by the accessibility of information, and increased use of social networking, individuals across generations are now empowered to vocalize their expectations and let organizations know real-time and publicly when they have or have not been met.

The customer of tomorrow		
Characteristics		Impact on retail banks
Influenced by peers <ul style="list-style-type: none"> • 90% of customers trust peer references • Peer references trusted 7x more than advertisements 		<ul style="list-style-type: none"> • If a client's experience is less than perfect, the client may never return and encourage peers not to return as well
Demanding <ul style="list-style-type: none"> • 44% of adults use social media to complain • Customer experience is the main reason people open/close accounts with a FSP 		<ul style="list-style-type: none"> • If customer demands not met, other options exist: number of financial institutions with mobile apps expected to hit 1,500 in '15
Informed <ul style="list-style-type: none"> • 55% of retailers say clients are often better connected to information than store associates 		<ul style="list-style-type: none"> • Consumers know products well and must be treated as "brand ambassadors" as opposed to just clients
Skeptical <ul style="list-style-type: none"> • Only 44% of customers trust their financial services provider 		<ul style="list-style-type: none"> • If trust and brand loyalty are low banks must provide desired "experiences" to consistently satisfy and retain customers
Connected <ul style="list-style-type: none"> • 84% of consumers keep mobile phones with them at all times • Between '06-'12 social media use doubled 		<ul style="list-style-type: none"> • An intuitive mobile platform is essential • Clients have access to price comparison tools through smartphone devices

The connectivity of the Customer of the Future is a major reason for the increase in buying power and collective voice—a leader in this movement is Generation Y (Gen Y). Gen Y is the first generation of consumers to grow up in a completely digital world. As their buying

power increases, so has their collective voice; enabling them to push organizations to adapt to their standards. For banking institutions this has meant expectations around personalized service, intuitive products, and anytime-anywhere accessibility.

¹"Retail Banking Growth Solutions: Serving the Banking Customer of Tomorrow." Deloitte Consulting LLP, Summer 2014. (p.3)
²"Competitive Strategy in the Age of the Customer." Josh Bernoff, Forrester Research, 6 June 2011.

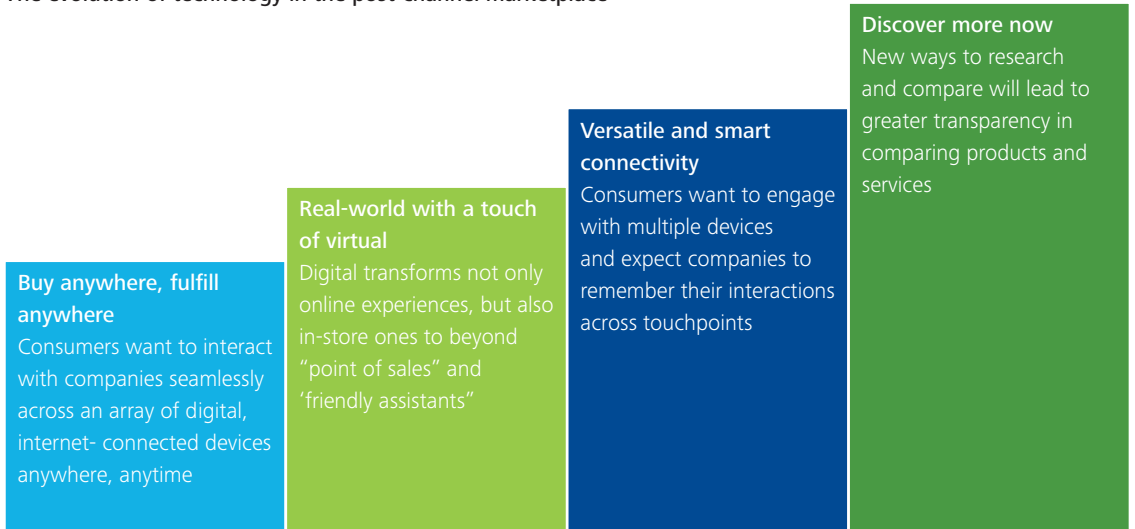


New technological and digital frontiers

The financial services industry, much like the rest of the world, has also been impacted dramatically by the transforming use of technology. Smartphones have become so embedded in consumers' lives that three-quarters of 25-to-29-year-olds sleep with their phones.³ And while this technology, like others, is becoming more pervasive, it is also becoming more personalized and less disruptive.

The move of technology from disruptive to peripheral is perhaps most evident in how customers and financial institutions interact. As the digital and physical worlds have collided and merged, a "post-channel" marketplace has been generated. In this marketplace, customers use multiple channels simultaneously to engage in seamless, multi-dimensional banking—and those experiences are curated for the customer, by the customer. A customer can now deposit a check with a tablet and receive a stock portfolio alert on a smartphone, all while en route to a local branch to discuss a mortgage loan.

The evolution of technology in the post-channel marketplace



For banks to keep pace with these changes, they may be interested in observing how the retail sector has responded to the e-commerce boom, with innovative digital and technological solutions. The "Buy Anywhere, Fulfill Anywhere" policy allows consumers to purchase items using a more convenient and preferred channel to buy or return. This, along with the emphasis on "smart connectivity", makes conducting a retail transaction today a more personalized and pleasant experience.

In addition, technology enables more heightened engagement with products and services by providing additional information on the product or service, keeping the client educated on the subjects that matter most to them. These technological trends create an opportunity for banks to seize, by attracting new, and retaining existing customers with the technological and digital platforms they demand.

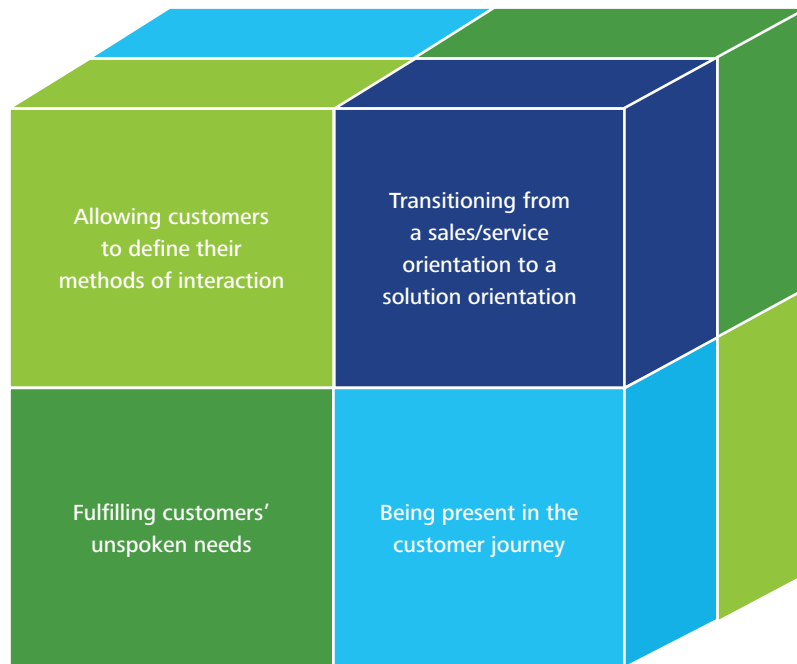
³"Your Life is Fully Mobile." Time, 2012 (p. 1).



The opportunity for change in retail banking

Gen Y has emerged as either the strongest advocates, or harshest critics, for leading businesses and brands; so much so that Gen X, Baby Boomers, and others are easily swayed by their sentiment. As a result, it has become critical that banks provide an outstanding, cross-generational customer experience.⁴

Yet, for too long, customer experience has been secondary to other bank priorities, creating a fairly distant and transactional banking relationship for the customer. For banking institutions to change this dynamic, and meet the evolving needs of today’s customers, there are four areas that have emerged as crucial priorities:



- **Allowing customers to define their methods of interaction**
 - Many customers of the future are comfortable in their routines and enjoy conducting business when, where, and how they like. They want direct responses to their questions and perceive

their financial service providers’ attempts to push non-preferred channels as reasons to consider other institutions. Leaders in the market have taken account of the behaviors of their targeted customer segments and built a customer experience *around* their lifestyles.

⁴Abstract: Build for Change: Revolutionizing Customer Engagement through Continuous Digital Innovation. Alan Trefler, Hoboken: John Wiley & Sons, Inc. 2014. (p.3).

- **Transitioning from sales/service orientation to solution orientation**
 - Customers are more suspicious than ever of their financial services institutions, a trend that traces back to the financial crisis, when banks advised clients to make investments that were not in their best interest.⁵ As a result of diminished trust, customers across demographic and geographic segments are better educated on financial service products and offerings. A one-size-fits-all sales strategy that once worked are now customer deterrents. Market leaders have used technologies like customer relationship management (CRM) systems to develop and maintain bespoke approaches to client interactions. As a result, these firms build a rapport with clients, leading in-turn to loyal customers who double as brand ambassadors.

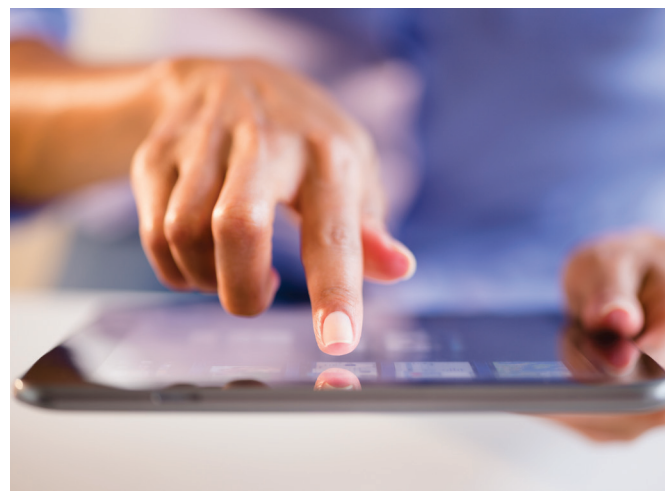
- **Fulfilling customers' unspoken needs**
 - What customers of the future say they prefer and what they actually prefer are often not aligned. In this hyper-connected, fast-paced world, customers may not have time to always think about the essentials, and increasingly need their banks to know their needs before they have even appeared on their radar. Select actions, such as leveraging advanced analytics and focusing on talent-building exercises, have helped some market leaders do this more effectively.

- **Being present in the customer journey**
 - Customers of the future demand connectivity and are driven away by disruption. As indicated by the uptick in social media and mobile device use.⁶ Market leaders have made significant advancements in this field, working to ensure the entire process leading up to and following a transaction is enjoyable. By providing services like in-branch WiFi, to enable digital multitasking, or establishing "gamified" rewards programs, leaders remain present in the customer journey without being disruptive.

What this means for the retail bank of the future

As banks consider and pursue each of these opportunities, the financial services industry will begin to look very different from the industry that exists today. Customers are more discriminating than ever and the implications are already visible in the marketplace, where consumers are growing increasingly more informed, skeptical and demanding. To remain relevant in the evolving marketplace, banks will have to differentiate themselves through their customer experience.

Pursuing these four opportunities requires investment in customer research and technology infrastructure. But customers are open to assuming additional costs if it drives an enhanced customer experience. In a recent poll by a leading Financial Institution, customers are willing to pay a 21% premium for companies that provide superior service, and those companies that have succeeded in providing exemplary customer experiences have benefitted greatly, reaping rewards like higher retention, greater market share and improved reputation.⁷ Now is the time for banks to focus on transforming their customer experience; it has the potential to lead to a strategic reinvention of the very definition of banking.



⁵"Retail Bank Pricing: Resetting Customer Expectations." Deloitte Center for Financial Services, 2013 (p. 7).

⁶"How Smartphones are Changing Consumers' Daily Routines Around the Globe." Nielsen, 2014.

⁷"Social Media Raises the Stakes for Customer Service." American Express, 2012.

Contacts

Kevin Rose

Principal

+1 212 618 4104

kerose@deloitte.com

Richard Walker

Principal

+1 347 573 2061

richardwalker@deloitte.com

Christopher Allen

Senior Manager

+1 704 887 1567

chrallen@deloitte.com

Jonathan Valenti

Senior Manager

+1 212 313 2895

jvalenti@deloitte.com

Denise Rotatori

Manager

+1 646 226 6028

drotatori@deloitte.com

With contributions provided by Max Roosevelt and
Rex Macaylo.

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