The Future of Banking
Transforming the customer experience
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Digital transformation and a generational shift are altering the banking business. More and more, banking customers are conducting financial business outside of brick-and-mortar branches. Customers expect banks to serve them at whatever time necessary, via whatever channel they use. Meanwhile, banks are dealing with declining transaction volumes and seeking to optimize productivity as labor costs rise. To meet these challenges, they are streamlining operations while adding new digital components that improve performance and customer experience.

Many banks already provide a range of digital options for their customers, and they’re striving to make the online experience as robust as a face-to-face transaction. Among the challenges: replicating in branch locations their online capabilities to route customers to the right services quickly.

A recent IDG-AT&T survey found that both business and IT leaders in the banking industry overwhelmingly agree that the traditional banking experience must be enhanced to deliver more value to banks and customers. Moreover, there’s broad agreement that the right technology can drive the digital experience, helping transform legacy services by offering new features, improved mobility, enhanced security for transactions, and more. Banks are investing in IT accordingly.

Branching out

The numbers of depository bank branches and service-providing credit union branches have declined slightly from a peak just after the financial crisis of 2008, according to an analysis by DepositAccounts. Meanwhile, mergers and closures have reduced the numbers of FDIC-insured banks and NCUA-regulated credit unions by about one-third each during that time period.

The data indicates that branch banking is still a robust aspect of banking, despite growing availability and reliance on digital services. Like other industries, however, banks must adapt to the multichannel reality of customer service in the digital age. That means retooling how branches interact with customers and how they integrate brick-and-mortar services with centralized services and resources.

Today’s customers expect to conduct banking business 24x7, and 61% of those polled in the IDG Research survey indicate that replicating the online experience in physical branch locations is challenging. The survey base comprised 100 respondents, primarily from retail banking and split evenly between senior IT roles and non-IT management roles, from organizations ranging in size from 1,000 employees to more than 100,000.

“The landscape is changing quickly, and banks are taking steps to transform.”

— René Dufrene, AT&T Industry Solutions General Manager— Finance
Despite the persistence of branch banking, the industry is reaching a tipping point: Of survey respondents, 86% indicate that an increasing number of account sales are occurring outside of brick-and-mortar branch locations, reinforcing the need to provide a consistent and engaging experience across all customer touchpoints. To compete and survive, financial institutions must optimize and add value to the brand experience to meet customers where they are: a fast-paced, always-on, digital world with a multitude of choices to navigate.

Many banks already have made or are planning technology investments in different areas as part of their efforts to improve their customer experience. That’s not surprising, considering that 74% of respondents strongly agree and an additional 19% agree somewhat that the traditional banking experience needs to be enhanced.

To date, 70% say technology changes have been made at the corporate level to improve the customer experience, and 46% indicate changes have been made at the branch level; additionally, over the coming 12 months, 46% plan technology changes at the corporate level, and 18% at the branch level. Not one respondent indicated no changes were planned.

The greater activity at the corporate level likely stems from two realities with which many banks are struggling: Virtually all banking services tie back into core, legacy systems; and, often, there are multiple cores due to acquisitions of other banks. “What we’re seeing is significant transformation at the branch level, and at the call center and corporate levels,” says Kimberly Munsell, Channel Marketing for AT&T Global Business Solutions. “They are modernizing legacy systems and creating collaborative integrative elements across all customer touch points in the branch, mobile, kiosks, and specialists.”

**Customer experience tops all**

The survey reveals that improving customer experience is the top anticipated benefit of digital optimization overall, according to 73% of respondents, even ahead of security (64%).

<table>
<thead>
<tr>
<th>Benefits anticipated from digital optimization</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Improved customer satisfaction</td>
<td>73%</td>
</tr>
<tr>
<td>Improved data security</td>
<td>64%</td>
</tr>
<tr>
<td>Increased traffic to customer touchpoints</td>
<td>57%</td>
</tr>
<tr>
<td>Lower cost per transaction</td>
<td>53%</td>
</tr>
<tr>
<td>Improved opportunities to upsell/cross-sell, profile</td>
<td>51%</td>
</tr>
<tr>
<td>Improved brand image</td>
<td>44%</td>
</tr>
<tr>
<td>Better trained/equipped employees</td>
<td>32%</td>
</tr>
<tr>
<td>Improved employee mobility/communication</td>
<td>29%</td>
</tr>
<tr>
<td>Improved network bandwidth</td>
<td>25%</td>
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</tbody>
</table>

(Source: IDG Research Services)

Among IT respondents, however, security comes out ahead at 70%, compared to 60% for customer experience, whereas 86% of non-IT respondents anticipate benefits from customer experience investments, compared to 58% for improved data security.
Security, though, is woven inextricably into the digital investment landscape. Enhanced security solutions to support digital optimization represents the top investment area for both IT (68%) and non-IT (70%) respondents, reflecting a unified view for the business and technology sides of an organization. Given the importance of compliance and security, that’s probably no surprise in the industry.

Increasingly, security is seen as a marketing and branding objective in the face of increasing frequency of cyberattacks. Seventy percent of non-IT respondents, (compared to 60% of IT respondents) say their organizations plan to improve the customer experience by providing ways to access accounts securely from anywhere. For those business-side respondents, secure access outranked plans to offer new innovative products and services (52%) and provide more personalized customer service (46%).

“Security represents table stakes in financial services,” says René Dufrene, AT&T Industry Solutions General Manager–Finance. “Anything banks do first has to be secure and has to meet compliance requirements. If a mobility initiative is planned, IT and operations are going to make sure it is secure before they deploy it.”

The role of digital optimization

Just as consumers crisscross physical and virtual retail venues, bank customers are taking advantage of mobile, digital, and non-traditional banking environments such as kiosks and even cafés and boutiques.

Banks must be able to meet their customers wherever those customers choose to interface with their financial institutions. Providing experts who can give the guidance and assistance to cover every financial product available is a tall order. That’s why banks are experimenting with digitally-equipped concierges who can provide first-level response and guide a customer to an online meeting with a remote specialist for services such as wealth management.

“Branches are one of the top expenses for financial institutions,” says Munsell. “But market share equates to how many physical locations they have and how easy they are to access. This means banks are resizing and repurposing to increase efficiency and productivity.”

Like other industries from retail commerce to transportation, banks are focusing on digital optimization as the key to adapt rapidly to changing customer behaviors and to keep up with highly focused financial technology upstarts. These new companies are delivering innovative applications such as merchant POS payments and consumer money transfers.

In addition to improving customer satisfaction and security, 64% of non-IT survey respondents are looking to digital optimization to increase customer traffic to digital touch points, including apps, websites, and physical branch locations. Additionally, 60% want to lower the costs of transactions, and 58% anticipate improved opportunities to cross-sell and upsell customers.

IT and non-IT respondents are remarkable in their agreement on some digital strategies to improve the customer experience, such as offering new innovative products and services (IT=53%; non-IT=52%); and improving the ability to find the right product or service (IT=51%; non-IT=50%).

“Banks have figured out that they need to integrate IT and business units to solve their problems and move forward,” explains Munsell. “We’re finding that they are marrying IT and marketing
initiatives, and they need both marketing and IT at the table to make the decisions to invest in areas that will drive the business.”

**Technology toolkits**

Digital optimization can offer many opportunities for banks to improve the customer experience. So, banks aren’t just relying on one type of technology to boost their brands; rather, they are looking to a mix of technologies to identify customer preferences, develop new services, and more.

Banks recognize the value of technology in helping them better serve customers and are planning to invest in a broad array of specific solutions to support their digital optimization goals:

With more and more consumers adopting mobile technologies, and key demographics indicating a preference for self-service capabilities, banks must be sure they are offering the latest and most convenient mobile tools. They can’t focus only on the front-end, though; they need to invest in data analytics to gain valuable insights into customer preferences and habits, and to tailor offerings that improve customer loyalty and retention.

IT leaders view analytics and big data as crucial tools with which their departments can pivot from cost centers to profit enablers. In particular, these technologies can provide the information needed to determine optimal locations for bank branches based on area demographics and customer patterns. “Analytics have proven to be a driver in enhancing marketing efforts for location, size, and marketing for retail stores in the retail vertical. This concept works for optimizing bank branches as well,” says Munsell.

In this manner, banks can identify more readily where physical locations will be most profitable. With banks increasingly testing out innovations such as **pop-up mini branches**, analytics can help determine what types of alternative formats will work best in what location. With pop-up branches fitted out as portable shipping containers, banks can move them around easily until they find the right locations, which might ultimately justify more permanent branches.

This type of business optimization, however, requires fundamental retooling of legacy networks. Technologies such as software-defined networking and network functions virtualization...
enable banks to make and implement decisions quickly, cutting months, if not years, out of provisioning processes. In this manner, they can react more readily to market changes and deliver a better experience for both customers and employees.

“The landscape is changing quickly, and banks are taking steps to transform,” says Dufrene. “There’s a lot of workload movement from their own data centers into other locations, such as cloud data centers. Branches are deploying tablets and digital signage. There are a lot of moving parts, and it’s likely many banks are seeking to work with service providers who can help them manage and monitor their networks.”

A digital milestone

The banking industry is reaching a tipping point where an increasing number of transactions are occurring outside of brick-and-mortar branch locations. This reinforces the need to provide a consistent, engaging experience across all customer touchpoints.

As customer banking habits evolve, banks are using technology to transform themselves from physical locations with “bankers’ hours” to online entities available 24x7. They’re investing in technologies that can help them deliver a consistent omnichannel customer experience and support new offerings in the future. Digital optimization and increased agility, however, must go hand in hand with security. The proliferation of digital channels and overall digitization of bank processes represent a paradigm shift that brings increased challenges and risks. Data breaches can lead to huge losses from fraud, penalties, and litigation costs, and long-lasting repercussions in the form of reputational damage and loss of customer trust.

Digital optimization will result in massive increases in data traffic, bandwidth-hungry applications, mobile endpoints, and migration of mission-critical workloads to the cloud. AT&T is helping financial institutions meet changing network demands with software-enabled architecture that supports intelligent, dynamic on-demand networking that can provide the ability to add and change services in near real-time. For more information, click here.