

Retail Banking Trends



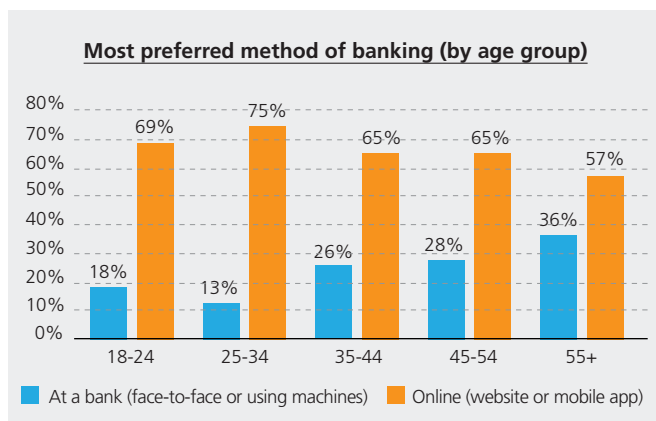
Changing customer expectations and the demand for new service models in banking

Banks today need a better mix of high-tech and high-touch interactions to be able to satisfy customers. Research on consumer banking preferences reveals that retail banks are facing a sweeping transformation of customer habits, with younger customers migrating to online and mobile banking while others demand more consultative services at the branch. The widespread interest in more personalized services across all channels supports the view that retail banks need to adapt quickly to meet evolving customer expectations.

By implementing a more efficient target operating model, banks can standardise and automate processes in functions such as working capital management and account setup, improve customer interface, and enable the use of data analytics to identify new and profitable customer segments. This enables transactional services to be conducted through more efficient channels while freeing up resources for consultative sales, leading to greater market share and customer loyalty without increasing costs.

The generation gap

Members of the “millennial generation” demand mobile banking services, but the proportion of people who prefer mobile banking declines steadily with older customers according to a Genpact survey¹ of 2,241 adults living in Great Britain who hold a current account with a bank or building society. The online survey, conducted by YouGov, revealed that just over 1 in 10 respondents aged 18-34 preferred mobile banking, compared to just 1 in 30 respondents aged over 35. Web-based banking on the other hand is not so polarizing, with a majority of customers (59%) using some form of online banking services. However, regardless of which channel customers use, there is a constant demand for more personalized service. Banks need more flexible ways of delivering high-touch transactions while continuing traditional services for older customers, who still prefer to bank in person. *As new channels are added, none of the existing channels are retired, requiring banks to support branches, call centres, on-line, and mobile customer channels.* This increases the cost and complexity of banking operations and to offset this, banks need to find direct, customer modes of interaction that make routine processes as automatic and defect-free as possible.



As banks redesign their channels and focus on selling customized products, the branches’ role will evolve towards a sales-focused function while low value transactional processes move to alternate channels, like internet, mobile, or shared service centres. An efficient target operating model ensures that processes like developing and maintaining analytical sales tools, campaign design, basic support and other transactional tasks occur away from the branch, enabling branch staff to focus entirely on revenue generating activities using a more consultative sales model.

The customer trust challenge

The new regulatory framework created to improve risk management in the wake of the financial crisis has failed to resonate with consumers who have little knowledge of the changes. Less than one-third of the banking customers polled

(31%) believe that banking regulation is a lot better now than before the financial crisis. This is a problem for banks, which have absorbed substantial costs to improve risk management and consumer protection but have apparently failed to use these investments to boost consumer trust.

The problem is that the compliance steps that banks have layered on top of their traditional business processes have increased the administrative effort required from customers without addressing the issue of trust. The challenge for banks is to adopt an all-embracing review

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of operational processes and redesign them from the ground up so customers can see how they are both efficient and configured to protect their interests. Building an industrialized operating model that cuts across business silos makes it easier for banks to streamline customer interactions. This also enables banks to easily track what is being said about them through social media outlets and respond quickly by reaching out to customers or modifying their processes accordingly. Moreover, banks can proactively use social media to convey customer value proposition, conduct promotional activities, and build trust through a strong brand image. Monitoring the social media presence through a unified operating platform can help banks reach customers through appropriate channels and provide insights to develop new product offerings, ultimately improving the customer experience.

The personalization imperative and pitching the jaded customer

The Genpact and YouGov survey revealed that while certain customer complaints around things like branch hours or accessibility help to explain the popularity of online banking, others express resentment of the downsizing trends and lack of face-to-face interactions for certain activities. Ideally customers want expedited access to face-to-face contact for high-touch transactions such as investment advice as well as quick phone access to someone who can help them with online activities. The key is to create a transformation in the way banks operate so that more transactional supporting activities happen in a more

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¹All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,337 adults, of which 2,241 hold a current account with a bank or building society. Fieldwork was undertaken between 28/08/2013 - 30/08/2013. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

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However, banks find it difficult to adopt the classic 'mass customisation' scenario because the scale and complexity of their operations makes it difficult to create a holistic customer view. Initiatives in this direction often fall victim to scope creep as efforts to improve existing functions turn into an attempt to 'boil the ocean', resulting in no action. The solution is to use a platform that leverages advanced analytical technologies to process disparate data in very large volumes and extracts actionable customer insights to provide more personalized service on a large scale.

In the case of promotions, there is more discontent with the style as opposed to the volume of marketing messages. While excessive "junk mail" promotions are the source of significant irritation, customers still want to learn more about products and services that fit their specific needs. Banks need to be far more focused in their cross-selling approaches to their customers and in providing relevant information - recent enhancements in analytical capabilities enable a combination of smart software and people to implement a new level of sophistication. For example, retailers use customer analytics to meet customers' needs more effectively by targeting individual segments of the market and even individual customers. The first step is to build an enterprise-wide analytics center of excellence and a heavy

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lifting "factory" that can assist in decision making and provide better integrated solutions to customers. This is not something that can be done at the branch level but must be built from an integrated operating model that spans all channels. This enables the identification of triggers found in customer interactions and can provide event-specific messages to customers by using customer data analytics. Usage of predictive analytics can help banks be more effective in advertising and marketing campaigns, pursue targeted and customized up-sell and cross-sell techniques, and thus achieve customer loyalty and retention in the long run. At the same time, the right target operating model should enable more transactional customer interactions to be done through appropriate channels and even potentially through captive or shared services models.

New operating models enable a more effective bank

As banks try to cope with evolving customer demands, the implementation of a more flexible and cost effective operating model is a good starting point. Removing operating silos allows for better insights into customer behaviors and eventually leads to better customer interactions. It also enables banks to split out transactional and high-touch activities in a way that both reduces costs and improves cross-sell opportunities by ensuring these activities happen over the right channels. In order to redefine their operating models more efficiently, banks should use a significant amount of pre-existing, specialized knowledge to navigate design and implementation choices. In the end, the right target operating model can harness the continuum of people and technology through the use of shared services, global workforces, and analytics to create truly industrialized business process operations to meet the changing needs of today's retail banking customers.

About Genpact

Genpact Limited (NYSE: G) is a global leader in transforming and running business processes and operations, including those that are complex and industry-specific. Our mission is to help clients become more competitive by making their enterprises more intelligent through becoming more adaptive, innovative, globally effective and connected to their own clients. Genpact stands for Generating Impact – visible in tighter cost management as well as better management of risk, regulations and growth for hundreds of long-term clients including more than 100 of the Fortune Global 500. Our approach is distinctive – we offer an unbiased, agile combination of smarter processes, crystallized in our Smart Enterprise Processes (SEPSM) proprietary framework, along with analytics and technology, which limits upfront investments and enhances future adaptability. We have global critical mass – 60,000+ employees in 24 countries with key management and corporate offices in New York City – while remaining flexible and collaborative, and a management team that drives client partnerships personally. Our history is unique – behind our single-minded passion for process and operational excellence is the Lean and Six Sigma heritage of a former General Electric division that has served GE businesses for more than 15 years.

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