

Creating empathetic and personalized banking experiences that guide customers throughout their financial journey will require the right mix of digital and physical resources.

Empathy at Scale at the Pace of Digital in Financial Services

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Introduction

The financial industry, in particularly the banking industry, continues to evolve to meet the challenges of customers who have become more accustomed to digital experiences, often *digital-first* and *digital-only* experiences. Customers are becoming more comfortable using mobile devices, bank and third-party financial applications, embedded banking solutions provided by financial aggregators, and personal financial management tools in their daily routines.

Indeed, over the past year, many customers were forced to turn to digital-only solutions to conduct their banking because branches were closed and contact centers were difficult to reach. The industry responded by reimagining its digital engagement strategies, recognizing that customers require a more hyper-personalized experience, similar to the experience they typically receive from online merchants and retailers.

Today, banks are competing to keep those customers by increasing efforts to build loyalty to the brand while fending off threats from challenger banks as well as technology providers' entrance into some aspects of banking services. This trend will most likely continue into the foreseeable future.

Most customers want a differentiated experience, not simply an acceptable experience, to remain loyal. Loyalty is a key component to growing lifetime profitability as new customers will begin to have more choices for their banking, and many are willing to walk away from a relationship if they feel that they can have a better experience somewhere else.

Even as customers shift from in-person financial transactions to digital financial transactions, they will still need to have a direct connection back to their institution, whether they need help with a complex transaction or they simply cannot find the right information. These engagements can be done through digital channels but only if the bank has the right data and technology to deliver a truly frictionless experience. Investments in digital banking solutions appear to be paying off as only 24% of bank customers still find it easier to deal with their banks in person than they do through digital channels.

AT A GLANCE

KEY TAKEAWAYS

- » Providing empathy during the entire customer journey requires the ability to gather, analyze, and integrate large amounts of data into the customer experience, whether digital or in person.
- » Removing as much friction as possible from the customer experience creates lifetime value during a customer's financial journey.
- » Contextual awareness can be leveraged from conversations between customers and financial institutions to develop more predictable communications, thus improving customer experiences and loyalty.

KEY STAT

- » 32% of financial executives indicated that improving customer experience and satisfaction was one of their top 3 business priorities in 2021, according to IDC's *Future Enterprise Resiliency and Spending Survey*.

The financial industry still has work to do in transforming the banking experience. Banks must recognize the importance of every single customer experience across all channels, whether that experience is with a bank employee or through self-service channels. This is particularly important as customers experience superior digital engagements in other industries such as entertainment, retail, and healthcare.

Industry Definition and Key Business Priorities

According to the North American Industry Classification System (NAICS), the finance and insurance sector comprises establishments primarily engaged in financial transactions (transactions involving the creation, liquidation, or change in ownership of financial assets) and/or in facilitating financial transactions. The principal types of activities identified include the following:

- » Raising funds by taking deposits and/or issuing securities and, in the process, incurring liabilities. Establishments engaged in this activity use raised funds to acquire financial assets by making loans and/or purchasing securities. Putting themselves at risk, they channel funds from lenders to borrowers and transform or repackage the funds with respect to maturity, scale, and risk. This activity is known as financial intermediation.
- » Providing specialized services facilitating or supporting financial intermediation, insurance, and employee benefit programs.

In addition, monetary authorities charged with monetary control are included in this sector.

Business priorities for financial institutions require flexibility as the world has changed and digital has risen even further in importance in servicing customers and employees. While growing revenue is unsurprisingly a top priority, improving customer experience and overall customer satisfaction has become a critically important goal that will shape the financial services industry for years to come. In fact, 32% of financial executives indicated that improving customer experience and satisfaction was one of their top 3 business priorities in 2021, according to IDC's *Future Enterprise Resiliency and Spending Survey* (see Figure 1).

FIGURE 1: **Top 7 Business Priorities for Financial Institutions in 2021**

Q What are the top 3 high-level business priorities for your organization in 2021?



n = 116 financial service executives

Notes:

Respondents were able to choose only three priorities.

Multiple responses were allowed.

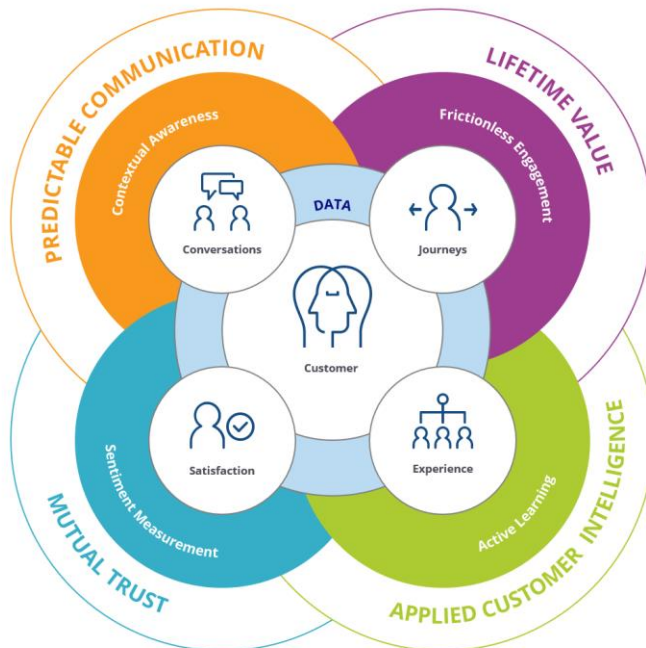
Source: IDC's *Future Enterprise Resiliency and Spending Survey*, February 2021

As the banking industry accelerates digital strategies to align with customer priorities, IDC believes that building an empathetic banking experience at scale will be a key driver of how banks engage with their customers.

Building Empathetic Banking Experiences

Delivering an empathetic banking experience keeps the customer at the center while engaging the customer using data and technology. Data provides insight about the bank, the customer, and the interaction before, during, and after the transaction. It can be found internally or externally or created through third parties. While data is at the heart of the digital experience, technology enables the analysis and delivery of both in person and digital channel experiences. Offering these highly personalized and empathetic experiences requires that banks consider technology and data in four key areas: predictable communication, lifetime value, mutual trust, and applied customer intelligence (see Figure 2).

FIGURE 2: ***The Prism of Data and Technology to Deliver Empathetic Experiences at Scale***



Source: IDC Financial Insights, 2021

With the customer at the center, delivering an empathetic experience at scale requires first a data halo that contains as many quality data points as possible. This data halo includes not only data points generated by the financial institution but also data integrated from other sources, creating the need to properly aggregate this data. The data comes from conversations with the customer and can include SMS text messages, contact center conversations, or emails. It comes from the customer journey as customers explore financial products and services from both their primary institution and other financial entities. Data also comes from customer experiences, bringing in the voice of the customer and understanding customer sentiment and then adjusting accordingly to help improve overall satisfaction.

Two areas seem to be most important now to address the most pressing customer needs:

Predictable Communication and Contextual Awareness

- » Communication as the foundation of every interaction and every engagement during all steps of the customer's financial journey
- » Real-time contextual awareness between bank and customer during customer acquisition and account servicing
- » Understanding what channel or device the customer is using and utilizing digital signals to understand what the customer wants to do
- » Allowing for flexibility of channels and continual flow of conversations without the need for the customer to repeat information

Lifetime Value and Frictionless Engagement

- » Less transactional, more personalized advice and contextual guidance for customers as they navigate their financial needs
- » Creating digital interviews that can be started on a mobile device and can be completed on a different digital or physical channel; not just digitizing a paper document but reengineering a process to allow the customer to start and stop an application and pick up later on a different device
- » A truly omnichannel experience with minimal customer pain points that can provide more transparency and continual updates on the process or issue

Customer Engagement as a Strategic Priority

Banks need to ensure that they remain innovative beyond offering traditional banking solutions such as deposit accounts, mortgages, and consumer loans. True innovation must look at ways to leverage all sorts of data into learning more about customers to build trust and guide them during their financial journey. A few key programs guide the use cases toward customer engagement, including customer intelligence, product innovation, new and emerging channels, and the growing role of artificial intelligence (AI). Each of these programs should have discretely funded projects to help achieve the program's objectives and be a part of the strategic initiatives of the senior management team. Some of the use cases for each program are as follows:

Customer Intelligence

- » Intelligent personalization and context-based customer engagement
- » Consistent experience — including integration back to more legacy platforms and channels, such as the branch and contact center, not just for digital self-service
- » Data-driven price optimization for credit solutions

Product Innovation

- » Open banking and API modernization to allow for more agility and speed to market
- » Forms modernization and workflow improvement
- » Integration of ecosystem and partners to engage customers and collect data

Orchestrating Customer Intelligence and Product Innovation

- » Automated conversational chatbot agents
- » Advanced next-generation video
- » Internet of Things (IoT) and edge advancements in branch modernization offerings
- » Blockchain technology including crypto and nonfungible tokens
- » Coordinating cross-channel conversations with customers, evolving from multichannel to omni-channel

Growing Role of AI

- » AI as a tool to orchestrate/guide conversations
- » AI to reimagine legacy workflows and create improved processes
- » Importance of natural language processing to detect patterns from customer interactions and documents to improve overall experiences

Considerations

Banks have a clear need to modernize the customer experience, but it is not as simple as refreshing the look and feel of their websites; it will require a complete reimagining of the entire financial journey of the customer. Banks must look at all aspects, including marketing, customer acquisition, account opening, digital onboarding, and account maintenance and servicing. If they make it easy and fast for clients who need to modify a loan or request a payment deferral, they can build that loyalty and wallet share. Banks need to consider all channels, including legacy branches and contact centers for incumbent banks as well as digital channels such as smartphones, tablets, apps, and SMS. They need to turn legacy assets such as the branch and contact center into modern digital assets by capitalizing on newfound efficiencies when modern processes replace antiquated processes and technology provides contextual information back to the customer regardless of delivery channel.

Challenges

Given the opportunities available to banks to create an empathetic and personalized experience, what are the challenges, real or perceived, that have prevented some institutions from being innovative in customer experience?

- » Lack of executive sponsorship and buy-in
 - Need to develop chief experience officer and chief digital officer positions and make sure they talk to each other
 - More acceptance of cloud-based technology offerings — looking for solutions with open APIs to eliminate data silos
- » Legacy investments becoming more difficult to address
 - Branches and contact centers not currently capable of handling modern solutions
 - Core platforms becoming dated
 - Infrastructure transformation moving away from on premises to hybrid or cloud only
 - Fragmented experiences — especially cross-product
- » Employees/staff not equipped for modern solutions
 - Branch employees
 - Future of operational, contact center, IT, and support employees to work remotely
 - Impact on IT to support new paradigm and changing infrastructure management

Considering Smart Communications

Fintech and other digital competitors are disrupting the traditional financial landscape. Banking clients, partners, and employees expect fast, highly personalized, digital-first interactions. It is increasingly difficult not only to collect and process incoming information but also to deliver the right communications at the right time, over the right channel, in the right brand and language. Keeping up with regulatory compliance changes is a constant concern. Financial services institutions that get it wrong risk losing loyalty with a few clicks or taps.

Omni-channel experiences aren't just a "nice to have" — they are considered an imperative by industry experts. Research by Smart Communications shows that 61% of consumers become frustrated when organizations send communications on the wrong channel. Ease of engagement, data security, and transparency in communications are the top 3 factors cited for building trust.

Smart Communications enables banks and lenders to address these challenges by delivering consistent, personalized conversations with customers and other stakeholders. This can be done interactively — on demand or in batch — across any channel, from email to SMS and chatbots, to the contact center, and even traditional print and mail. Through the SaaS-based Conversation Cloud platform, banks can take an enterprise approach to support use cases across the business, from new account opening and onboarding to customer service and back again.

With connections to data and systems such as core banking, customer relationship management (CRM), and enterprise resource planning (ERP), as well as esignature tools, the Conversation Cloud enables financial institutions to eliminate friction for customers by reducing paper-based processes, improve operational efficiency, reduce IT costs, and mitigate risks, providing a full audit trail to support compliance needs. The expected results are increased wallet share and improved customer loyalty scores.

Conclusion

More and more consumer financial journeys will begin first with digital channels, but this does not mean that they will be digital only, and financial institutions need to be able to provide true omni-channel experiences that can blend digital and physical based on the customer's channel of preference. To do this properly, and eliminate friction and pain points for the customer, the financial institution must be able to leverage all available data and deliver that experience in a timely manner that orchestrates both digital and physical interactions.

In addition, introducing a truly hyper-personalized and empathetic banking experience will require that everything is done with the customer at the center and through the lens of the customer and not the financial institution. Artificial intelligence will play an important role in providing predictable communications between the institution and the customer, taking into consideration things such as tone, sentiment, and readability, which can be communicated through bot-type channels or fed to agents providing immediate feedback to the customer. The ability to deliver on this will likely lead to improved levels of customer and employee satisfaction, improved levels of trust between customer and institution, and enhanced lifetime value and loyalty.

Banks that can optimize the tone, sentiment, and readability of their communications will create a more empathetic banking experience for their customers.

About the Analyst



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Marc DeCastro is Research Director for IDC Financial Insights responsible for the consumer banking engagement strategy practice. Mr. DeCastro's core research coverage includes the complete omni-experience journey for the retail customer, including branch transformation, digital product strategies, and onboarding. Based on his background covering the consumer banking space, Mr. DeCastro's research also includes a particular emphasis on how consumer trends and habits are forming the next-generation products and services that utilize current and emerging technology.

MESSAGE FROM THE SPONSOR

About Smart Communications

Smart Communications is focused on helping financial services institutions engage in more meaningful customer conversations. Its Conversation Cloud™ platform uniquely delivers personalized, omnichannel conversations across the entire customer experience, empowering companies to succeed in today's digital-focused, customer-driven world while also simplifying processes and operating more efficiently. Smart Communications is headquartered in the UK and serves more than 650 customers, including all the top 15 investment banks, from offices across North America, Europe, and Asia Pacific.

Learn more about Smart Communications in Financial Services:

<https://www.smartcommunications.com/industry-solutions/financial-services/>



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