



## Knowledge Area Review (KAR 029)

Trends & Best Practices in Retail & Commercial Banking Distribution – Product Brochure

February 2016

# KAR 029: Trends & Best Practices in Retail & Commercial Banking Distribution

## A global synthesis of leading thinking and insights (brochure and sample slides)

### What is this report?

- ICG's 29<sup>th</sup> Knowledge Area Review (KAR), covering trends and best practices in retail and commercial banking distribution
- Over 180 pages (samples attached) of in-depth information, drawing on the best public-domain thinking and practice globally from consulting firms, academics and others
- Created by a global team with many years of collective experience in retail and commercial banking
- Priced at US\$7,500 (plus any applicable taxes) per organisation for an unlimited internal global license
- Published in February 2016

### What questions does it answer?

- What are the current state and key pain points for the Retail and Commercial Banking industry?
- What are the current suite of channels and distribution types for traditional banks (new and old)?
- How are these distribution channels performing today?
- Are banks prepared for the inevitable migration to ecosystems, or is it inevitable?
- What are best practice banks doing, and how is this leadership assured?
- How do we envision the future state of distribution in Retail & Commercial Banking?

### Why buy it?

- Get smart fast on issues of retail and commercial banking distribution, including:
- Approaches to distributing products in an omnichannel world
  - The needs of clients for more and more personalization, analytics, automation, agility, etc
  - The explosion of digital channels and devices
  - Social media implications
  - Implications for infrastructure, technology and physical (branch) channels
  - Organizational models and implications

### Where can I buy it?

- From your local ICG affiliate or office
- From the lead author Gerry Purcell (Toronto, Canada - [gerry.purcell@internalconsulting.com](mailto:gerry.purcell@internalconsulting.com))
- From ICG's web store at <http://internalconsulting.com/store/knowledge-area-review/>

# Executive Summary (1)

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*The more things change, the more they stay the same. That may be true in some aspects of life, but not in the banking industry. At a global level, the scale of change in the industry since 2008 has been unprecedented. The industry is anything but the same.<sup>1</sup>*

No other area of banking is changing more dramatically than how banking products and services are distributed. From a baseline of channels, many more have emerged and/or evolved, the nature of partnerships has changed significantly, as are the needs of increasingly diverse customer segments in both retail and commercial business lines.

The focus for this Knowledge Area Review (KAR) is Retail and Commercial Distribution and global best practices, including:

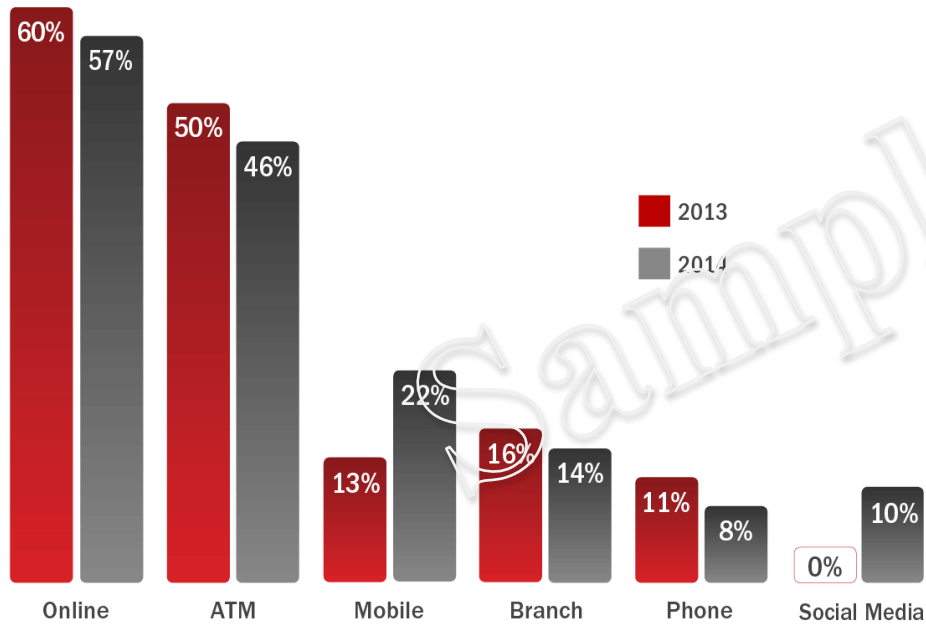
- Digitization and the advance of Fintech providers is changing the competitive dynamics and operating models of Retail and Commercial Banking
- Technology and how it is enabling new ways of serving clients while lowering the cost of doing business
- Improvements in mobile technology are enabling banking anytime, anywhere, with deep personalization
- Client demands, and banks' responses to provide access over any device
- Big data making it possible for firms to draw major insights into customers' lives from their transaction social and other data
- Opportunities to inject a social and societal context into banking services with Social Media
- And most importantly, customer expectations to be able to access their bank and its services on an omnichannel basis with (near) real-time capability

# Contents: Retail and Commercial Banking Distribution/Trends and Best Practices

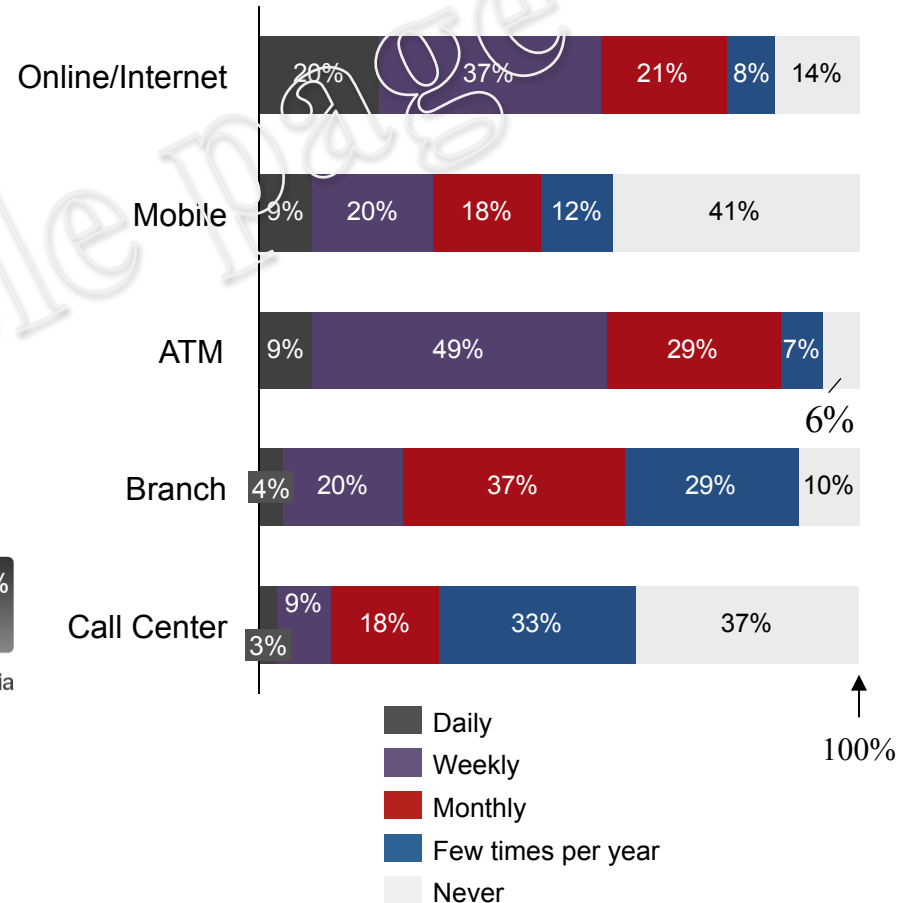
Section	Component	Description
1	Executive Summary	Overview of our research and findings
2	Topics in Retail and Commercial Banking Distribution	A global synthesis of Retail & Commercial Banking Distribution insights
2a	What are the current state and key pain points for the industry?	<p><b>In This Section:</b></p> <ul style="list-style-type: none"> <li>• An overview of key themes to set the context for retail and commercial banking distribution</li> </ul> <p><b>Key Chapter Takeaways:</b></p> <ul style="list-style-type: none"> <li>• Typical state of play</li> <li>• Typical pain points</li> <li>• Channel vs distribution definition</li> <li>• Life cycle/life events/outcomes</li> <li>• Regulatory issues</li> <li>• Current sources of differentiation</li> </ul>
2b	What are the current suite of channels and distribution types for traditional banks (new and old)?	
2c	How are these distribution channels performing today?	
2d	Are banks prepared for the inevitable migration to eco-systems?	
2e	What are best practice banks doing, and how is this leadership assured?	
2f	How do we envision the future state of distribution in Retail & Commercial Banking?	
3	Knowledge Sources	Relevant published materials for further reading

# Customers report increasing preference for mobile and social media channels







## HOW CUSTOMERS WHO INTERACT AT LEAST ONCE PER WEEK INTERACT WITH SELECT CHANNELS



## HOW FREQUENTLY DO CUSTOMERS USE VARIOUS CHANNELS?



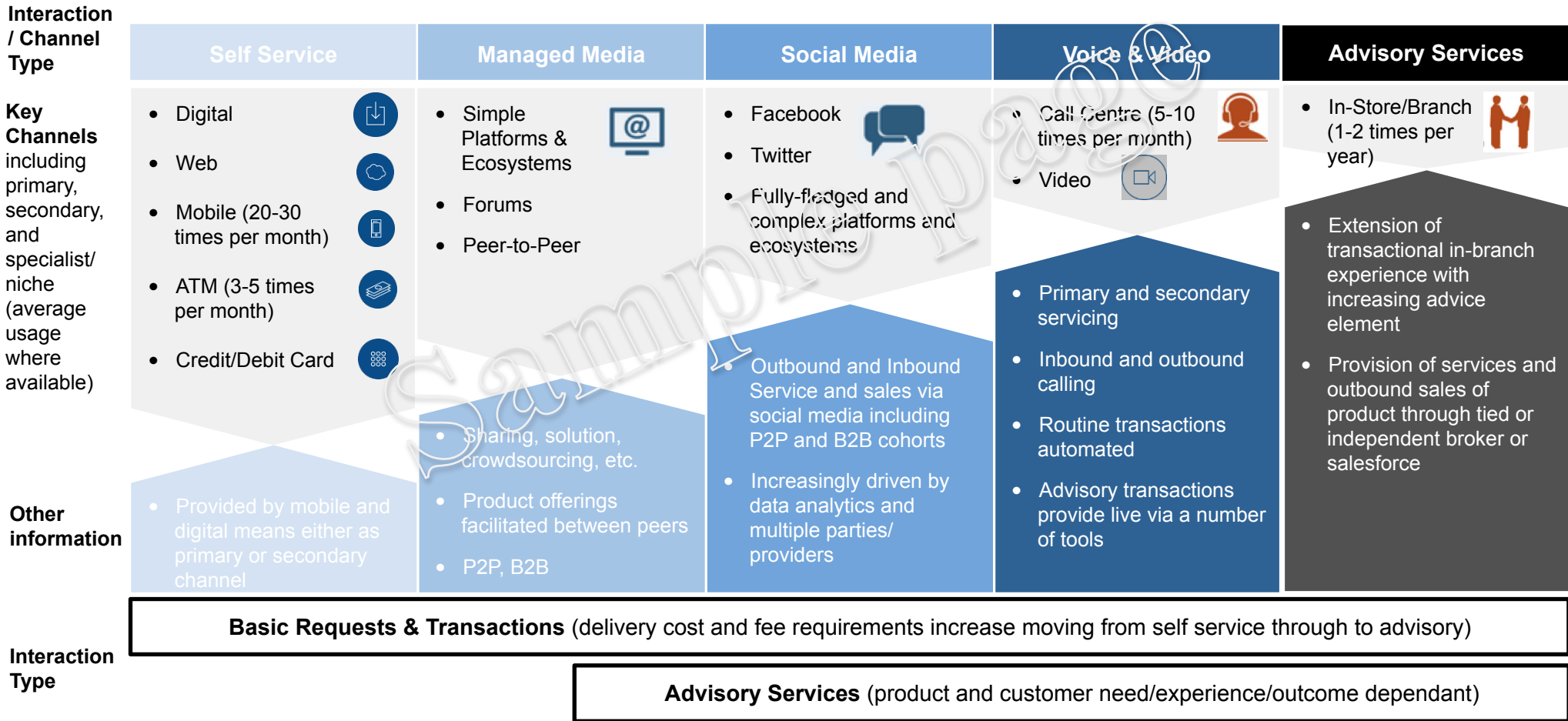
# Cases: Selecting the right partners and ecosystem now becomes a critical core competency

Development	What?	So what?	Geography
ING/ Kabbage partnership	<p>ING has partnered with Kabbage to provide near real-time loan approval for SMEs. As part of the partnership, ING and Kabbage will start a pilot in Spain, offering small and medium enterprises loans up to EUR 100,000.</p> 	<p>An example of an incumbent partnering with a Fintech player to provide convenient and straightforward access to capital. Loans can be processed within 10 minutes.</p> 	Europe
Barclays Bank launches Rise New York	<p>Barclays opened Rise New York, a physical space and virtual global community designed to pioneer the future of financial technology. By the end of 2016, Barclays plans to have opened Rise hubs in North America, Europe, Africa, and Asia.</p> 	<p>An example of incumbents driving innovation and the future of the financial industry. More than 80% of Accelerator program companies achieved their funding goals soon after completing the program. 7 out of the 10 companies from the most recent London Accelerator are exploring opportunities with Barclays</p> 	North America
Banco Santander partners with Monitise	<p>Spanish lender Banco Santander and Monitise announced a 50:50 joint venture agreement to launch a fintech venture builder later this year.</p> 	<p>The joint venture will be aimed at investing in, building, and scaling Fintech businesses with the potential to redefine and support financial services globally.</p> 	Europe

# Customer interaction points are evolving to self service, digital, and driven by ecosystems; live services are becoming increasingly advisory

Conceptual

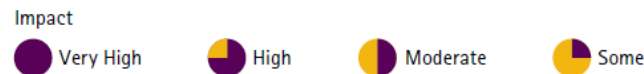
## Channels & Customer Interaction Model (Retail & Commercial Banking)



# Companies need to consider 11 fundamental social media tactics when building personalized customer relationships

## Social media roadmap

Social Media Tactics	Description	Revenue Growth			Operating Efficiency		Risk Mitigation	
		Customer Acquisition	Cross Selling	Churn Mgmt	Cost to Serve	Efficiency	Brand Risk	Fraud
Clustering	Build communities around interests and hobbies to attract prospects and acquire customers	Very High	High	Moderate	Some	None	None	None
Gamification	Increase community engagement around products/ education content	High	Very High	Moderate	None	None	High	None
Sales	Push personalized offers and transform into a sales engine	High	Very High	Moderate	Some	None	None	High
Banking platform	Perform transactions and retrieve product information	None	High	Moderate	Very High	Moderate	None	None
Seeding/ demand leverage	Increase social word of mouth, leveraging viral network effects by targeting key community influencers	Very High	None	None	High	Moderate	Moderate	None
Listening and monitoring	Monitor, respond, ask and promote offers	None	None	None	High	Moderate	Very High	Very High
Crowd sourcing	Leverage the communities to foster product and service innovation (feedback management)	High	High	Moderate	None	None	Moderate	High
Content	Use people as a brand/product advocate (and marketing agency)	Very High	Very High	Very High	High	Moderate	Very High	Very High
Branching	Complement physical with social presence	Very High	High	Moderate	Some	None	None	None
Collaboration	Introduce new tools to stimulate internal collaboration and to spread best practices through the organization	None	Very High	Moderate	High	Moderate	None	None
Customer service	Add another channel to provide service	None	High	Moderate	Very High	Very High	None	None





# 25% of consumers utilize one to two channels when seeking customer care and 52% of consumers utilize three or four channels

## STATISTICS SHAPING THE FUTURE OF CALL CENTRES

- The top three drivers for investing in customer experience management are: improve customer retention – (42 %); improve customer satisfaction – (33 %) and increase cross-selling and up-selling – (32 %) (source: Aberdeen).
- Artificial Intelligence is now being applied to self-service to make it smarter, faster, and better (source: ICG).
- An estimated 60% of contact centers utilize home agents today in some capacity and the forecast is 80% by year-end 2013 (source: Customer Conduct Strategies).
- Speech analytics solutions are currently in use in 24% of all organizations, predominantly used by services, outsourcing, and finance organizations (source: ContactBabel).

## IMPLICATIONS FOR OMNICHANNEL

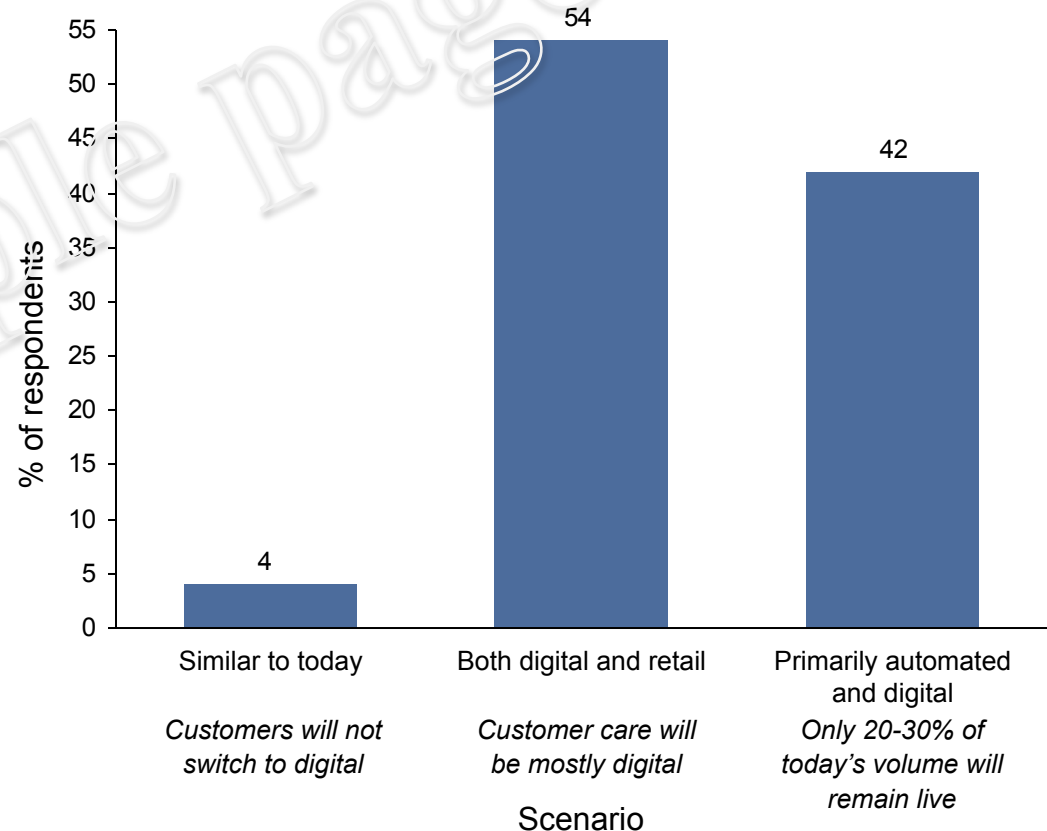
- Contact channels other than the phone, such as email, Web self-service, chat, and other online techniques, now account for more than 30 percent of customer service engagements. Web self-service and email dominate this mix (source: CFI Group).
- 25% of consumers utilize one to two channels when seeking customer care and 52% of consumers utilize three or four channels (source: Ovum).
- More than 50% of Facebook users and 80% of Twitter users expect a response to a customer service inquiry in a day or less (source: Oracle).
- 57% best in class companies measure support centre success across email, chat, web, and voice, and 62% use integrated voice response (IVR) (source: Aberdeen).

# Live customer service interaction will focus on selective value-adding differentiation, with routine contacts being handled through automated channels (e.g., robotics)

## USING VIDEO CONFERENCING FOR THE PROVISION OF EXPERT ADVICE<sup>(1)</sup>

- Telcos are facing mounting competition from Internet-based newcomers who have won customers with automated self-care channels that eliminate standing in line at the store or holding for a call centre agent. And Banks are experiencing similar challenges.
- 90% of respondents to a recent survey plan to expand the number of customer interaction channels by 2017.
- In many cases, customers want a direct relationship, including face-to-face interactions. That said, the importance of inbound customer contact centres and third-party channels will wane over the next few years, with a corresponding rise in other retail and digital channels.
- To keep costs in check, and to invest in what really makes a difference, many organizations are looking to deflect or avoid routine interactions by providing customers with tools to help themselves or one another.
- The majority of transactional customer interactions will be avoided all together or handled in self-help environments.

## HOW IMPORTANT WILL DIGITAL VS RETAIL CHANNELS BE FOR CUSTOMER INTERACTION IN 2017?



# Digitizing processes doesn't have to mean all processes

## SMALL(ER) SCALE TRANSFORMATIONS CAN HAVE EXTENSIVE BENEFITS

- **Maximize the use of existing technology.** Many banks have deployed imaging and work-flow systems, and other connectivity and work-management technologies.
- Many however do not go far enough in enforcing their use, for instance, in one bank frontline staff continued to send documentation by fax, causing significant inefficiency downstream.
- Capabilities must be evaluated, along with solutions' usage rates and barriers to adoption.
- **Apply lightweight technology interventions.** Banks can realize significant performance gains with surprisingly small targeted investments (e.g. greater deployment of tools like e-forms and workflow systems).
- These techniques can often be developed and implemented relatively quickly, sometimes without deep integration into complex legacy architectures.
- **Place a few selective big bets.** There will be places where a larger transformation is called for.
- Consider carefully whether automating every aspect of a process or product is necessary. Often one or a select few aspects of a process consume the greatest resources (in the form of inaccuracies or rework). Concentrate on these, do not digitize everything in one go just its own sake.
- One European bank that went through a systematic mapping of its processes for automation potential found that fewer than ten processes represented the bulk of FTE capacity. In these targeted areas, the bank embarked on more radical investments, retiring old platforms, deploying new digital solutions, and reinventing the way the process works.

# What are best practice banks doing, and how is this leadership assured?

## A MANAGING CUSTOMER JOURNEY AND MASS MIGRATION

- An overview of best practices in migrating consumers to digital channels, as well as the necessary institutional capabilities that will be required

## B CHANNEL BEST PRACTICES

- Innovations from banking and insurance to the customer experience across all channels

## C YIELD PRICING

- Managing channel cost and price differences

## D OPERATIONS & TECHNOLOGY

- A look at the challenger bank threat and the debate over the necessity of branch networks

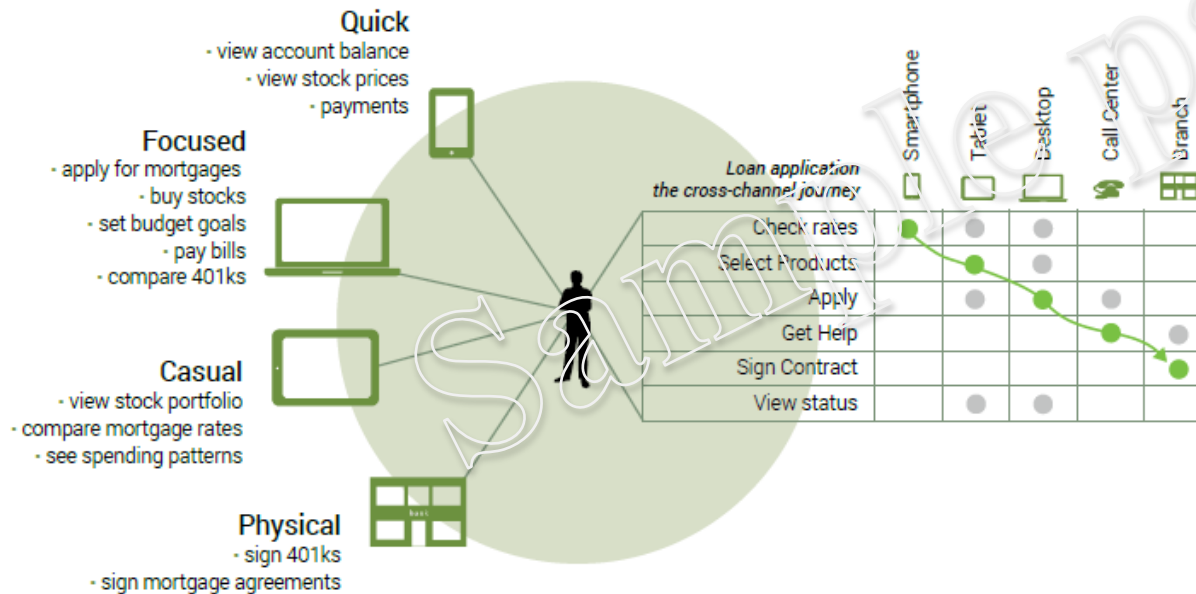
## E PEOPLE

- The people side of omnichannel strategies and a look at the importance of employees “buying” your brand

# A seamless experience: customers don't want to have to explain their needs multiple times

## LINK ALL CHANNELS TO CREATE A SEAMLESS EXPERIENCE

### Omni-channel banking: preferences per channel and cross-channel journeys



- **Linking the channels.** The next step is to link the channels together to allow for seamless transitions to the channel of choice.
- **Each device has its own use patterns.** Different devices will be used at different times of day, or in different situations. Its likely that a customer will start a task on one device and will take the next step on another. For this reason, the channels must be integrated for an optimal experience. Customers do not like to have to explain their needs more than once. The same principle that applies in a branch applies across all channels.
- The real game changers are linking those channels into one unified journey to the banking sector. Exchanging information, processes, and data between different applications, and making the switch between channels seamless and intuitive.

A truly superior, well integrated, omnichannel experience significantly increases the likelihood of completing an application or sale.

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2a	<b>What are the current state and key pain points for the industry?</b>	<p><b>In This Section:</b></p> <ul style="list-style-type: none"> <li>Seven elements of a successful distribution strategy, how they are applied and some thoughts on what the future holds drawn from thought leaders</li> </ul> <p><b>Key Chapter Takeaways:</b></p> <ul style="list-style-type: none"> <li>Banks must respond in a comprehensive way to the digital and service imperatives – many seek to do so, few have been successful</li> <li>Client needs are changing, rapidly. There are lots of examples of non-traditional players who could eat your lunch</li> <li>The future is about lifecycle outcomes</li> <li>Business, Tech, Ops and Brand must be aligned end to end to enable a truly omnichannel capability</li> <li>As always, successful execution is key</li> <li>There will be significant impacts on talent and required skills (e.g., move from transactional focus to advice)</li> </ul>
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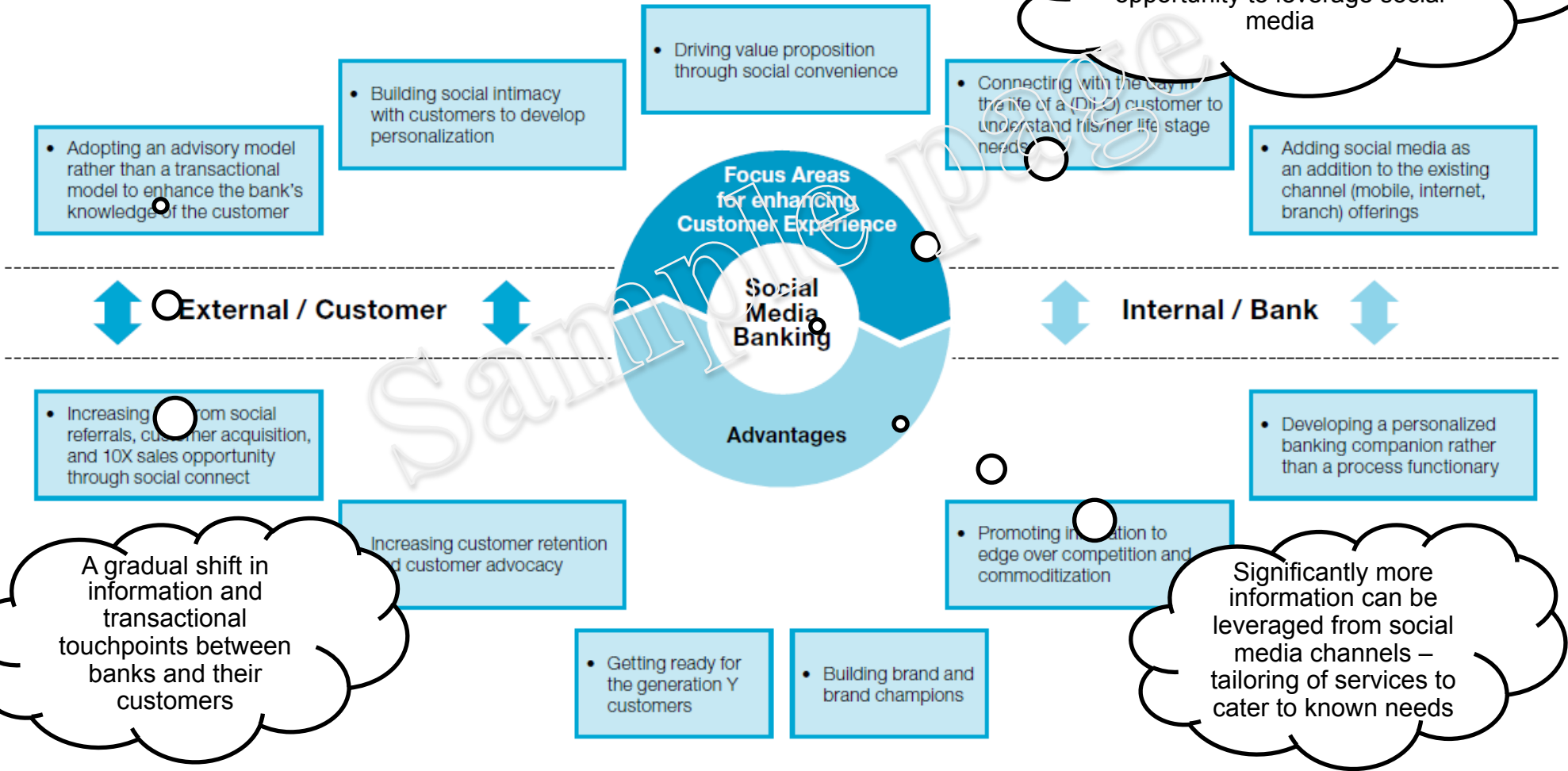
As more and more people utilize social media, customers will increasingly expect banks to offer services via these platforms, and ... it's good for business

Client right offer and solutions

3

## Looking ahead to social lifestyle banking

Nearly three of four internet users will be using social networking sites: A significant opportunity to leverage social media



# Acknowledgements

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This report is the 29<sup>th</sup> in ICG's series of Knowledge Area Reviews or KARs®, each of which provides a comprehensive perspective on global best practice in a different business area and/or function.

The authors of this report are Gerry Purcell (Toronto, [gerry.purcell@internalconsulting.com](mailto:gerry.purcell@internalconsulting.com)) and Zachary Purcell (Toronto).

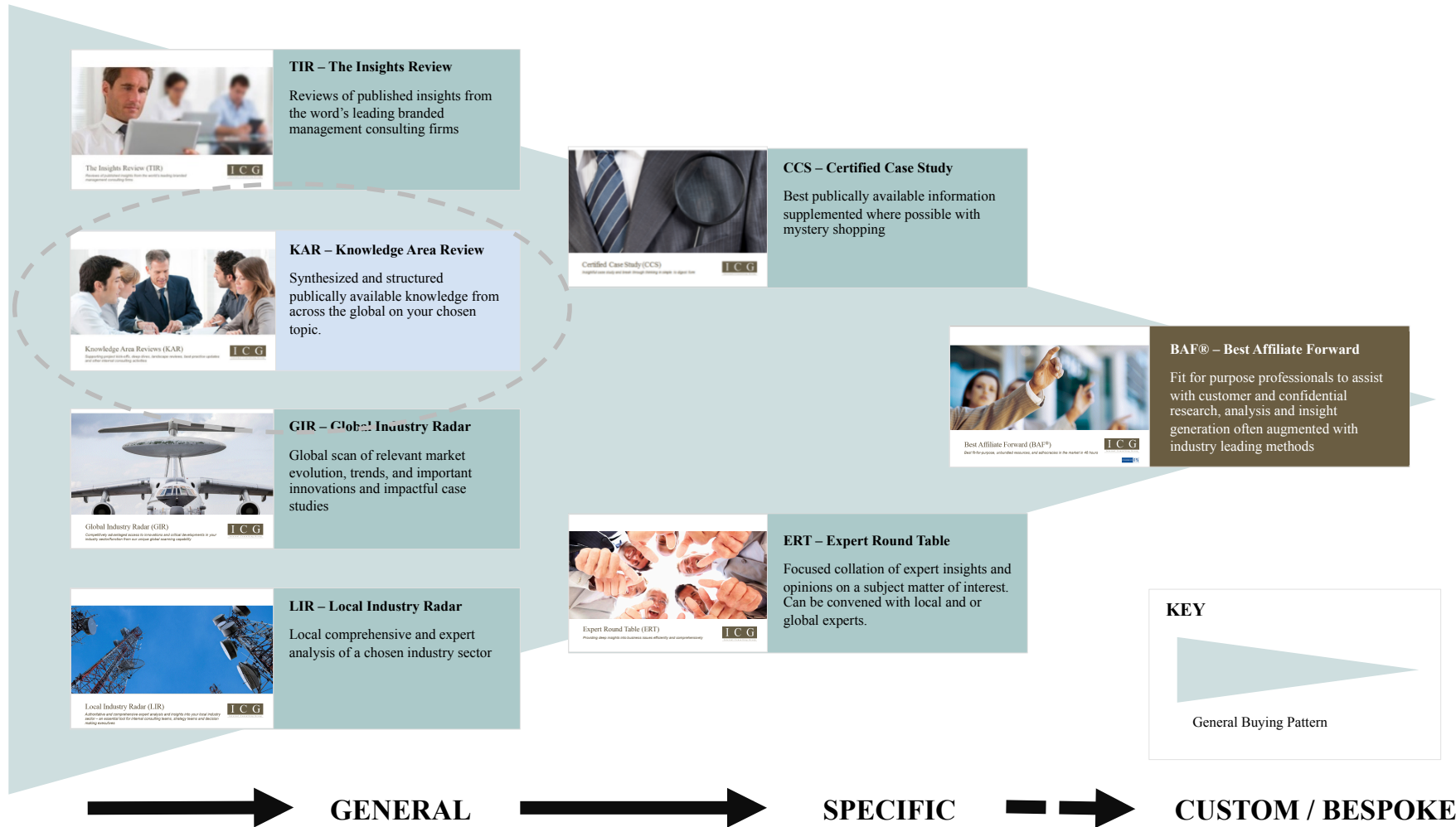
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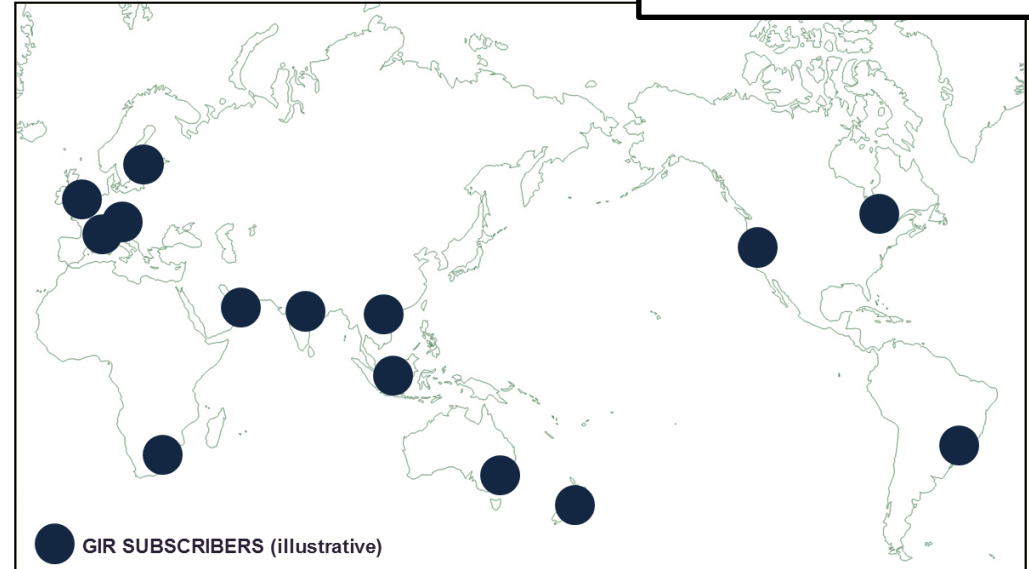


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As at February 15, 2016



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Typically Executives have had to rely on a myriad of inputs from the media, industry journals, consulting firms and global discovery tours to uncover developments. This is an expensive, idiosyncratic and less effective search process than ICG's revolutionary new GIR Global Industry Radar tool.

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