The Digital Bank of the Future

Maximising Customer Engagement

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Executive summary

The arrival of the internet from the mid-1990s onwards, and the subsequent introduction of mobility in the last 10 years, has reshaped consumer expectations in all spheres of life, and banks have responded by adding yet more channels on top of their existing platforms. The global financial crisis of 2008 changed the game for banking — and regulators are now actively looking for ways to open up the market for new players to add more competition, while introducing new protection measures around customers' interests. A slew of new players have recently emerged in the financial services landscape, taking advantage of new opportunities made possible with the advances in technology and from exploiting gaps and weaknesses in the existing offerings from the banks.

The confluence of these forces has created "the perfect storm," with which the banks are confronted today. They need to face up to this new reality and adopt a new paradigm to deal with it, or else face the very real prospect of becoming irrelevant and obsolete in the digital age.

Instead of banks responding with existing transformational strategies, which might not be enough for long-term growth and profitability, Dell Services can help with the strategy, software and hardware to become the digital bank of the future. To help assess the as-is state of a bank's readiness to deal with these forces, Dell has established a Digital Maturity Model framework that can help identify the path that needs to be taken.

The core of the transformation journey for legacy banks needs to be based upon a new outside-in approach to their customers, adopting a model similar to the Dell Customer Insight and Engagement Model. To succeed, banks need a customer-centric outlook, really getting to know their customers as unique individuals — and designing processes, channels and products accordingly. This focus can lead to superior customer interactions, resulting in positive outcomes, deepening the relationship and re-establishing trust. Over time, this level of engagement is more likely to turn the customer into a net promoter or advocate of the bank.

There are several key elements required to achieve this transformation, with a clear and coherent omnichannel strategy being a critical component. Certain channels, such as the branch and contact centre, need to be repurposed as sales and advisory outlets. Other channels, such as online and mobile, that lend themselves to customer self-service should support various transactional processes and certain sales and advisory services. New channels, such as social media platforms, need to be embraced to help banks gather insights from the digital age customer and engage with them.

From a technology perspective, customer focussed omnichannel strategy needs to be supported by a common-services layer and core systems to ensure a consistent approach and common data/user experience for all underlying customer interactions, whichever channel the customer chooses.

The competitive landscape in banking is constantly evolving. New players have already emerged, fully equipped to exploit new streamlined business models and win customers from the big banks. How quickly banks are able to transform will determine how well they stay relevant in the new digital age — and whether they can emerge as victors in this redefined arena.

Introduction and industry overview

The technology landscape has been completely reshaped within the last 10 years by powerful elements emerging out of the digital melting pot: mobility, cloud, big data/analytics, social and new enterprise technology platforms and toolkits. And consumer adoption of new technology has accelerated with each wave of next-generation devices and platforms. In 2013 alone, the total number of smartphones sold globally touched the 967 million mark, whereas it took 27 years to reach the landmark of shipping a billion PCs.

The changes in consumer behaviour and expectations, spurred on by technology enablers, have given rise to a modality shift with the power to redefine industries. Apple, for example, reinvented the music industry within 10 years of launching the iTunes store, becoming the largest music retailer across the globe in the process.

> Kodak, one of the world's most recognised brands of the 20th century, was forced to enter bankruptcy protection in 2012, because it failed to identify the changes made possible by the digital era.

A 2014 Gartner survey highlighted that "22 percent of the survey respondents defined themselves as already being a digital business, one focused on a world where people, businesses and things communicate, interact and even negotiate with one another." The same report suggests that "By 2020, 75% of businesses will be a digital business or will be preparing to become one."[1]

Banking is also facing a modality shift

Niche players offering financial services have emerged, evolved and consolidated their position in the market. These mono-line players have achieved success by displaying a single-minded focus on meeting their customers' needs, addressing specific gaps in the market at the right price point and delivering a superior customer experience. In doing so, they have been able to carve out a share of the bank market for themselves. Banks face the threat of "death by a thousand piranha bites" from these nimble and focused newcomers.

The impact of ignoring digital can be sudden and fatal — and cannot be wished away. Banks would be wise to learn from transformations observed in other industries and embrace the opportunities presented by the digital revolution.

Forces of change are disrupting the banking paradigm

While technology remains one of the key drivers of the digital revolution, other forces such as competition, regulation and customer-centric business models have assumed greater significance and are combining to disrupt the traditional banking paradigm.

Disruptions and opportunities for growth include:

- **Technology innovation** (and its speed of change) is enabling banks to transform customer engagement using new channels and tools to reach and entice customers.
- **Competition** is changing due to the emergence of specialist players and new business models that do not follow the traditional banking model.
- **Regulation** continues to grow, with a renewed focus on increasing competition and consumer protection.
- **Customer expectations** have been shaped by superior customer interactions and innovations in other industries, while customer trust in banks is still at an all-time low.

Dell has analysed how these forces are impacting the banking paradigm to reshape the banking industry landscape.

> "Digital disruptors, such as Google, are disruptive because they don't play by the rules....
>
> Instead, they use digital technologies to deliver better or entirely new ways of meeting customer needs, often bypassing regulation and redefining a given industry in the process.
>
> The future of Google's financial services lies in the integration and leverage of the firm's other products to create new customer value that goes beyond payments...
>
> It will be by integrating digital assets such as its search engine, Google Maps, Gmail, Google Play, and Google Now that Google could redefine financial services. Thanks to these capabilities, Google is well positioned to disrupt four interlinked areas, disintermediating incumbents in the process."
>
> **— Forrester Research[2]**

Technology innovation and its speed of change

Each year, Massachusetts Institute of Technology (MIT) reports on new innovations that can be described as technology that has the potential of changing our lives. One of the 2014 innovations is the "ultraprivate smartphone," a highly secure smartphone running on a special version of the Android operating system (PrivatOS) that blocks many of the ways phones leak data about user activities[3]. This effort may signal a shift towards mass-market phones that are significantly more secure and private.

The pace of technological change and innovation is relentless, accelerating and unstoppable. Gartner describes this as the "Nexus of Forces", combining the effects of how cloud, mobile, social and information are not only giving rise to digital business but also shaping customer expectations.[4] New types of devices such as smartphones, wearables and smart TVs cause disruptions, but also create new channels and touch points for banks.

Technology companies are some of the best-placed businesses to leverage the Nexus of Forces to deliver better services and a richer and superior experience to their customers. Within banking, tech start-ups like Simple, Moven and Fidor are leading the way with customer-focused business models, pulling together social, mobile and analytics/big data technologies to deliver easy, on-the-go access, deeper financial insights and a socially engaging experience.

Dell believes that technology is a powerful and valuable enabler that offers a very real opportunity for banks and financial institutions to simplify, transform and innovate in their businesses and deliver solutions at an accelerated rate.

Enabling new technology solutions can help banks:

- Reduce cycle times for product launches and sales campaigns from months to hours
- Simplify back-office, building resilience into core platforms and eliminating failure points that lead to hefty penalties and reputation loss
- Improve customer engagement by providing the workforce with enhanced access and intelligent tools that enable faster and more empowered decision making
- Gain actionable and unique customer insights through information management, using analytics and big data
- Build customer trust by securing access and operations against threats/attacks

Competitive landscape features the emergence of new and specialist players

In the U.K. market, new banks such as Metro Bank, Aldemore and Virgin Money have emerged in the last five years with different business models. Metro is centred on a traditional branch-based model, although it refers to its branches as stores (that are open seven days a week and stay open late on weekdays). Aldemore, a specialist bank, has a simple business model of raising deposits from retail and small and medium-sized enterprise (SME) customers to lend to homeowners and SMEs. Virgin Money re-entered banking with the aim of leveraging the well-known Virgin brand to deliver a new banking experience based on a transparent approach.

Other new banks have emerged from unexpected places. Retailers, such as Tesco, Sainsbury's, Marks & Spencer and John Lewis Partnership, all have financial services offerings in the U.K., leveraging the goodwill, footfall and rich customer insights from their large and loyal customer bases. Tesco Bank alone has over five million customers. Once these businesses mature, they may also prove to be a threat to the incumbent banks.

Specialists/mono-line providers
Mono-line providers, like eBay-owned PayPal, have targeted and penetrated the payments space. PayPal's payment service gained scale by fully integrating into eBay's checkout process and is now so widely accepted and used, it has become almost an industry standard.

Another example of an innovative payment service is Apple Pay, with its new payment capability on the iPhone 6 leveraging near-field communication (NFC) technology. The start-up Transfer Wise is a new player, specialising in foreign payments. It charges a mere 0.5 percent of transfer value versus the fee currently charged by banks (up to 5 percent). The service also simplifies the process of making a foreign transfer.

We predict that more new specialty players will emerge, targeting single points of a bank's value chain. They will attract new customers by leading with lower cost and/or a better overall customer experience in the digital channels.

Regulators have a renewed focus on increasing competition and consumer protection

Regulation has been on the rise globally over the last five years and will continue to grow. Dell research reveals that banking regulations will continue to increase steadily, with more than 35 regulations expected over the next three years in Europe alone.

Renewed focus on customer service and protection
Since the 2008 economic crisis, most of the regulatory reforms have been focused on improving banking system stability and transparency. Yet in the last two years, there have been new regulations focused on improving customer service availability and delivery to the customer, with fines levied against banks that fail to provide accessible services for customers because of IT failures.

In another customer-focused initiative, the U.K. Payments Council launched a programme called the Current Account Switch Guarantee. The initiative has proven to be highly successful, with more than 1.2 million customers switching their accounts within the first year of launch.

Financial authorities and banks are also adapting to the consumer protection requirements in the data privacy and protection laws that have been introduced across all major regions of the globe, including the U.S., Europe, Australia and Singapore.

Relaxed entry barriers to allow new entrants for increasing choice and competition
Most new entrants applying for banking licenses are looking to leverage digital business processes and launch socially engaging, branchless operations. To reduce the dominance of major banks in the market, regulators have relaxed the entry requirements for new entrants to launch banking operations. This is in the firm belief that they will deliver better services for customers and provide a real alternative for the consumer.

These initiatives include:

- A clearly staged and well-defined banking license process that allows entities to obtain licenses within a year.
- Relaxed capital adequacy and liquidity rules for challenger banks to make it easier for them to set up and compete. New banks only need to maintain up to 4.5 percent of Tier 1 capital, much less than the existing players.
- Approval of more license applications over the next few years for all applications that meet the minimum requirements.

Recent payments innovations:

- BPAY (Australia): enables easy online, mobile or phone bank bill payments
- ClearXchange: transfers funds without beneficiary bank details
- Dwolla: uses Bitcoins to make online payments
- Faster Payments System (FPS): created under government mandate by VocaLink, it makes payment transfers in hours versus days
- iZettle: accepts credit card payments from a smartphone or tablet
- M-PESA: allows person-to-person funds transfer for people without a bank account
- Paym: from the Payments Council and used by most U.K. banks, it allows payments using a mobile number
- POLi Payments (Australia): provides a way to pay merchants instantly, without a physical credit card
- Square: makes offline debit and credit card payments via smartphones
- Vingado (Germany): offers the first European biometric payment system
- XOOM: online instant cross-border remittances
- Zapp: makes payments via a mobile phone without revealing the payer's personal information

Customers in the digital age have new expectations of their banks

The traditional customer journey

Attract	Acquire	Service	Grow	Retain

The banks' business model has always been centred on attracting new customers through one or more of its channels, designed for convenient access and ease of becoming a customer and opening an account. The bank then delivers the best customer service that it can, anticipating that the customer will appreciate the bank's services and therefore buy more products and service offerings. This may be described as an inside-out approach, with the bank deciding what it will next sell to the customer, while continuing to keep the customer happy.

And while the traditional customer was relatively happy with this approach, there is now a new customer reality. The era of digital interactions has offered up novel experiences and given rise to new expectations. In particular, the "digital native" generation is leading the charge and embracing technological inroads into everyday life. Plugged into the app ecosystem and philosophy, their assumption for everything is, "There's an app for that!"

Portrait of the digital native as a hyperconnected consumer

The digital native has the latest smartphone and may be sporting the latest in wearable technology. They have researched offerings on their smartphone and asked their friends about experiences with certain devices. An avid social media fan, they use several social media platforms for communication, collaboration and purchasing and are at ease with the cloud. They expect to be recognised as an individual and be treated uniquely.

Contributing, collaborating

This consumer is open to collaborative, distributed, crowdsourced services and business models (for example, Airbnb, Uber and Kickstarter). Calling for crowdsourced ideas, information, opinions and analysis has emerged as a viable and enriched source of data. It has become the go-to method of generating innovative solutions for a vast range of corporate and societal issues.

Barclays Bank in the U.K. is emphasising the value of crowdsourcing with a microsite called Your Bank that invites customers to submit ideas on how the bank can improve its products and services. By actively listening to its customers, the bank expects to enhance trust, become more transparent and improve customer experience[5].

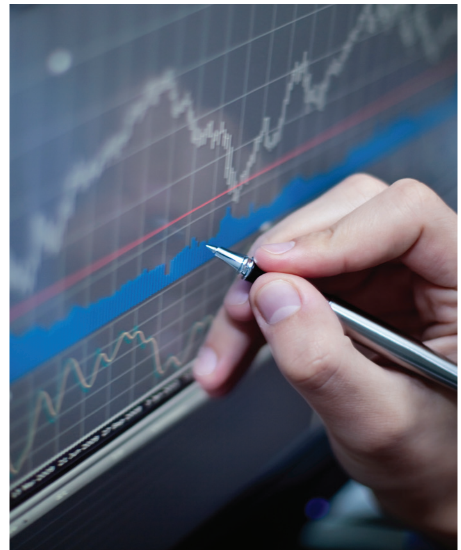
Mobile first: a way of life

Today's consumers use laptops and desktops at work, unwind at home on tablets, and check their phones whenever they get a chance. The good news for banks is that the digital native is always connected (anytime, anywhere) and is easier to reach than the traditional customer. The bad news is they also expect and demand instant gratification [6].

Companies planning to launch banking services to challenge traditional banks in the U.K. should take heart from research that shows four out of five U.K. consumers would trust challenger banks with their money if they had the right IT infrastructure[7].

What a digital-age customer wants from their bank:

- "Don't make me come into the branch."
- "Provide me with financial services, not bank products[8]."
- "I want a bank that is built from the app up. I want to be able to do everything in the app — from setting up new payments to depositing the occasional cheque that I still receive thanks to the banks' inability to lay them to rest. I don't want to subsidise unprofitable branches that are used by other customers. I'm happy to pay with a card but I want to see my expenditure appear in the app in near real time, by merchant, by category, so I know where I am with my money. I want to build my own service package on my handset in real time.[9]"



"We predict twice as many customers will research financial products on their smartphones and tablets in 2015, compared to 2014. ... Leading banks like Turkey's Garanti; La Caixa in Spain; Australia's Commonwealth Bank and Westpac; and U.K.'s Barclays, HSBC and Santander already offer a range of effective marketing and sales functionality in their mobile apps."[6]

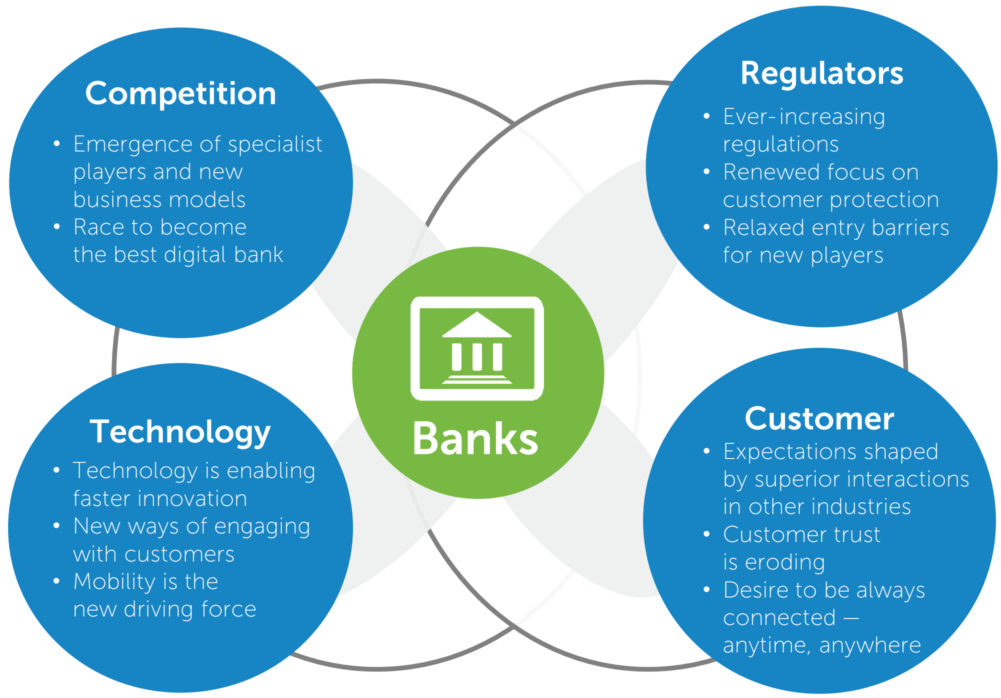
— Forrester Research

The Perfect Storm: the interplay of market forces

The digital era's impact on banks is becoming amplified by the combined disruption created by interplay of four forces: competition, regulators, technology and customer. Dell describes this as the perfect storm of disruptive forces, and banks are at the heart of it.

A change in the outlook of regulators is creating a more open marketplace, fostering new players and competition that take advantage of technology faster and deliver a superior customer service and consistent experience.

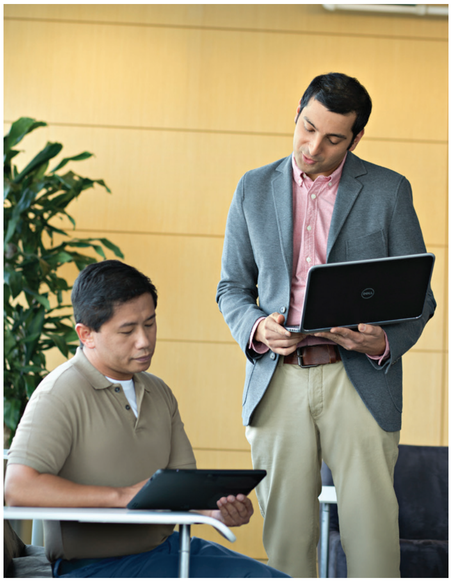
The perfect storm



Digital strategy 1.0: Current bank response may not be enough

Banks are responding to this perfect storm with existing transformational strategies, which might not be enough for long-term sustenance and profitability. While there has been a renewed thrust in long-standing initiatives, such as multichannel integration, product factory and social media integration, the question still remains, "Are these efforts enough to future-proof banks in this digital era?"

Digital Strategy 1.0

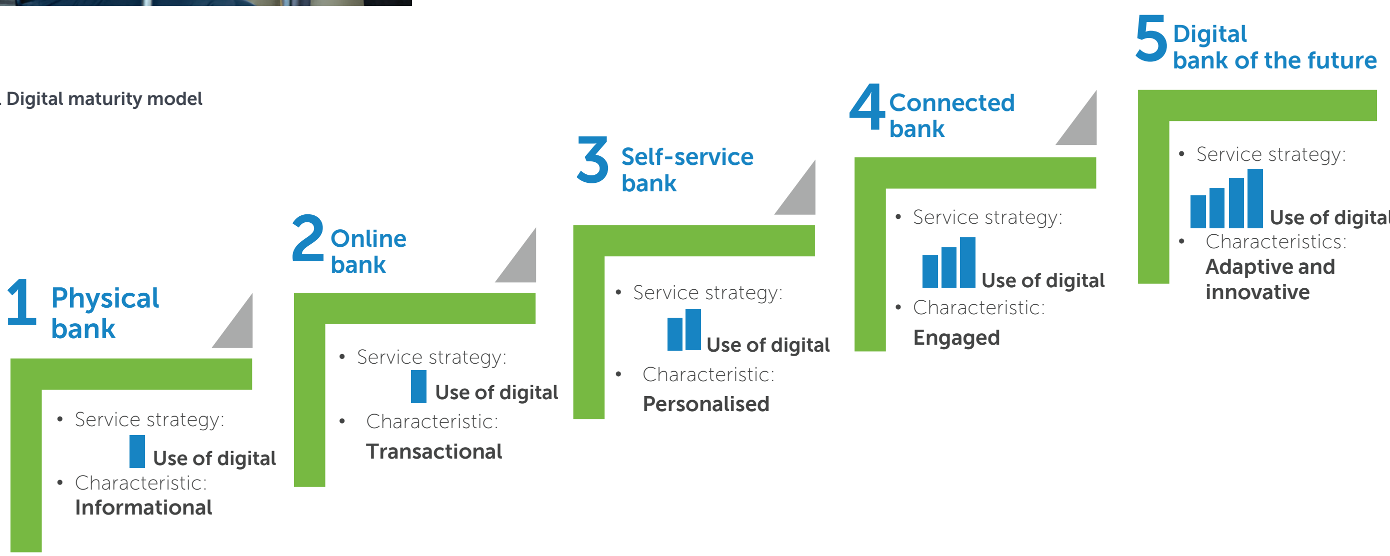


The Dell Digital Maturity Model: the banking evolution path

In comparison to the basic bank digital strategy, Dell begins with assessing a bank's current digital maturity, which is a true reflection of their current state. The Dell Digital Maturity Model is a unique and comprehensive framework that maps a bank's current digital state and helps to devise a customised action plan. It places banks in one of five levels, depending on their integration of digital technologies.

This is not a prescribed journey but rather a reflection on where the banks are or want to be, to support their particular business model. Dell performed an analysis of various banks and found the majority are at maturity Level 2 (the online bank) and Level 3 (the self-service bank). There are some early adopters, including Citibank, Commonwealth Bank of Australia, BBVA and Barclays, who have launched parallel digital initiatives across different solution areas and are nearing Level 4 (the connected bank).

Dell Digital maturity model



Physical:
Provides services through physical channels, with digital channels used for information dissemination and alerts

Online:
Transactional services such as payments through digital channels (online or mobile)

Self-service:
Self-service, enabling customers to make their own decisions, includes basic social media and analytics services (such as online chat)

Connected:
Concept branches, integration across channels with partial fulfillment and maximum services through digital channels

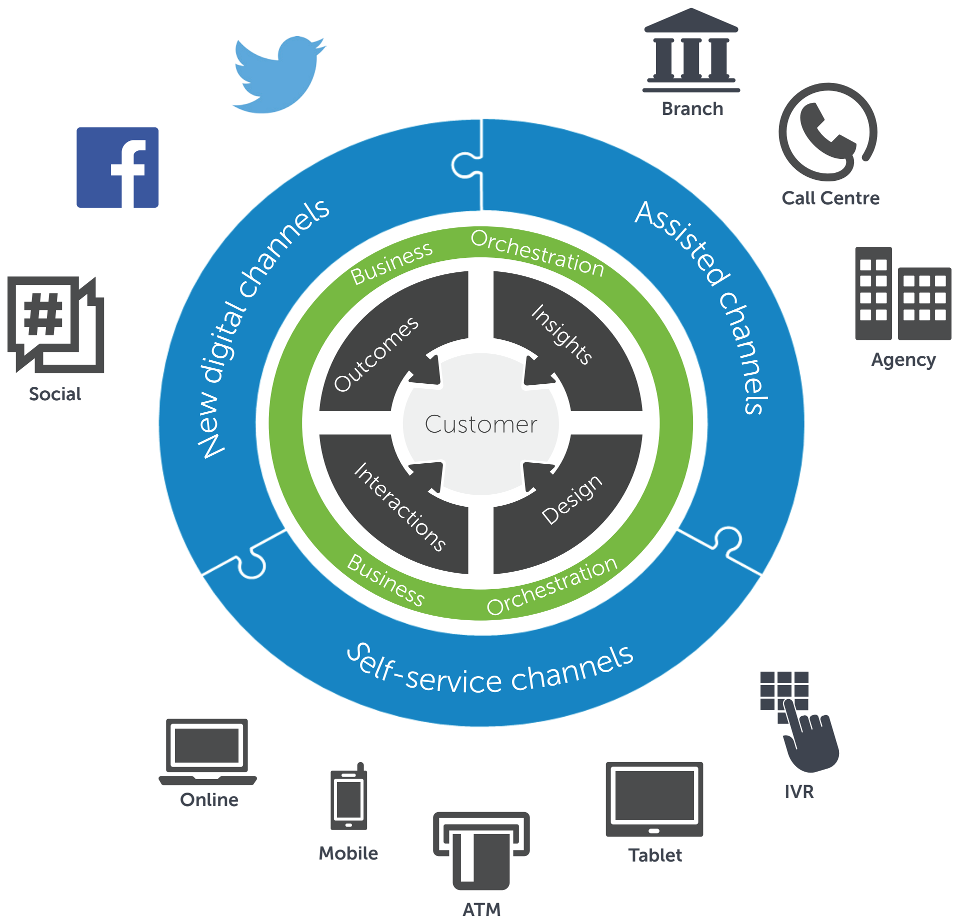
Digital:
Bank of the future provides 24x7x365 access to all services through digital channels, focusing on functional innovations and new operating models

Solution approach

Maximising the customer engagement

To become "the digital bank of the future," banks must reinvent their current inside-out customer engagement strategy to a customer-centric model. Banks possess rich transaction and customer information; integrating this data into an existing business model, using business orchestration and channel omnification, is key.

Customer insights and engagement model

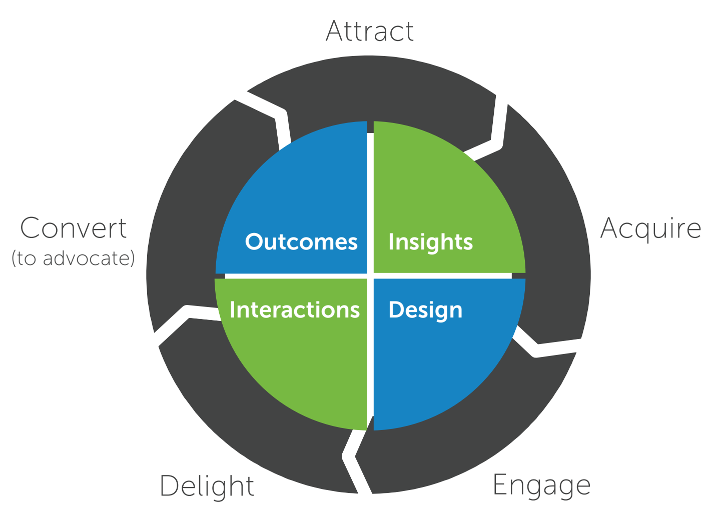


Customer-first approach

The traditional customer journey for product and service organisations must be critically examined, given the new expectations of the connected customer and the two-way engagement enabled by social media. It is no longer enough to acquire a customer and expect to be able to serve their pre-defined needs. Today's hyperconnected consumer demands more, and it is only by establishing a customer-first mindset that an organisation can successfully convert them into brand advocates, helping to attract new customers and creating a positive feedback loop.

The key to unlocking the potential of this redefined customer journey is a cohesive approach to engage with the customer, based on insights derived from rich analytics. The building blocks of this model are: insights, design, interactions and outcomes.

Customer first approach



Insights:

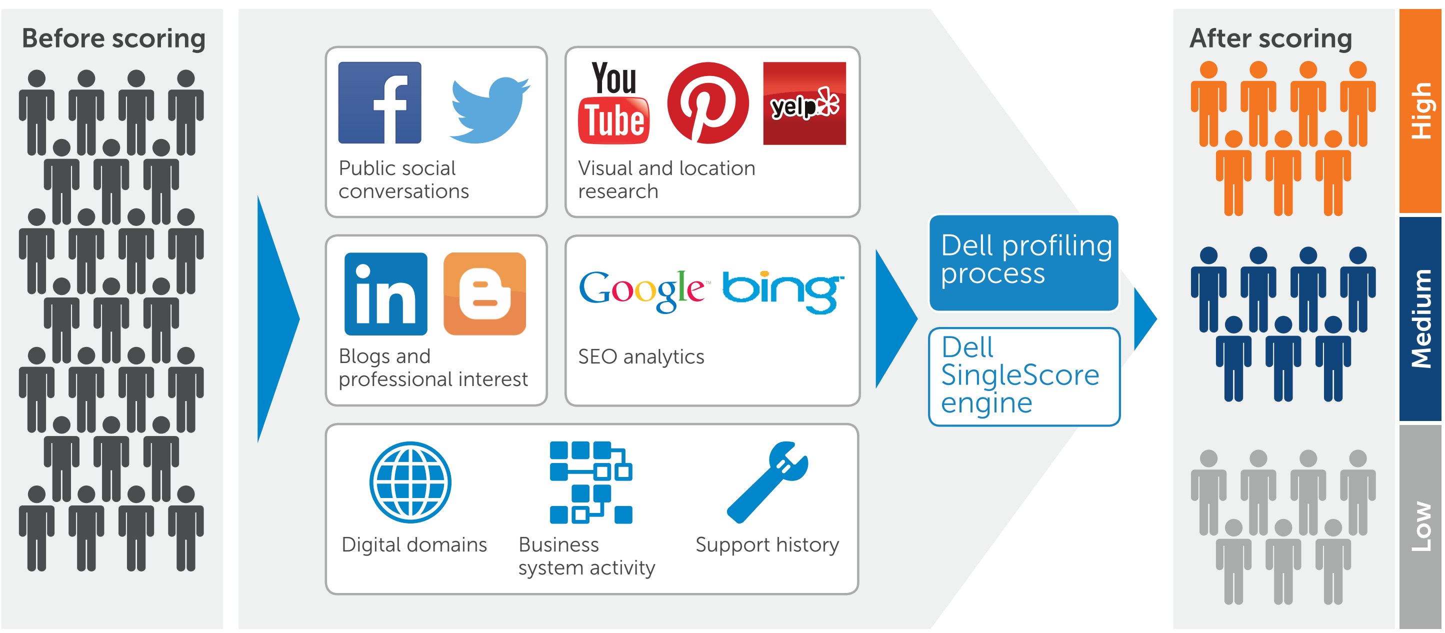
To really understand the customer, banks need a comprehensive view of the customer as an individual, using customer data available from multiple sources and knitting it together as a coherent whole. The sources of data include:

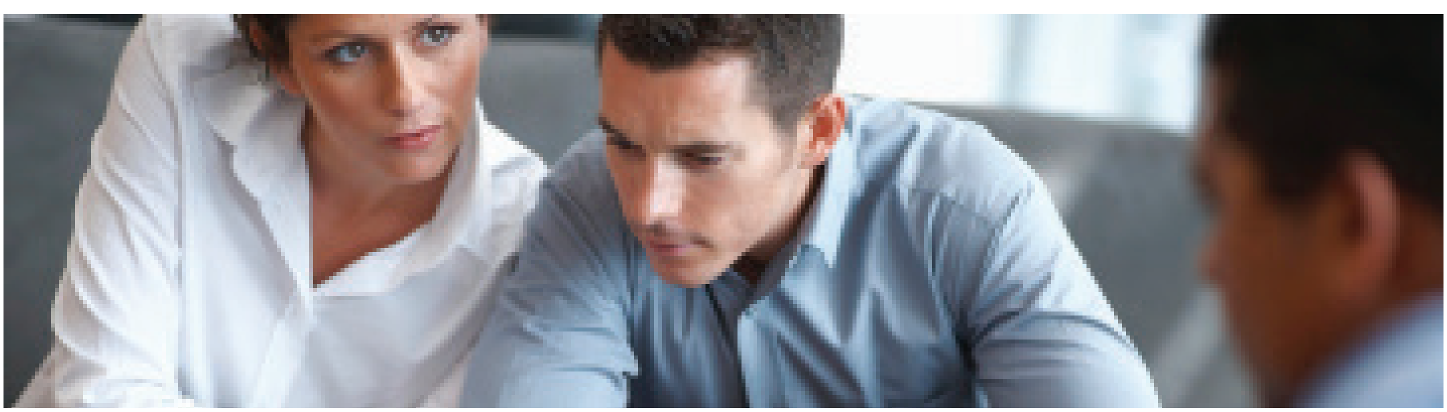
- Historical/static information (know-your-customer information, demographics, stated preferences/ interests on record and account holdings)
- Transaction history (products / services purchased or consumed, contacts made across self-service and assisted channels and service issues /complaints)
- Metadata and patterns derived from historical data and transaction history (preferred channels, tracked click-throughs and time-of-the-day and location patterns)
- The entire domain of public/social media engagement (professional/ peer networks, blogs, public commentary, followers, likes and retweets)

After gaining a single, consolidated view of a customer, the bank can derive meaningful, actionable insights to anticipate unforeseen needs and identify behaviour patterns and trigger points.

Dell has developed a unique 'Single Score Engine' that collects valuable customer footprint information from different sources, including social activity, search preferences, digital interactions, historical and recent business activity. The engine then analyses this data, creates insights and then scores them to deliver focused campaigns and offerings, increasing the chances of sales conversion.

Dell Single Score Engine

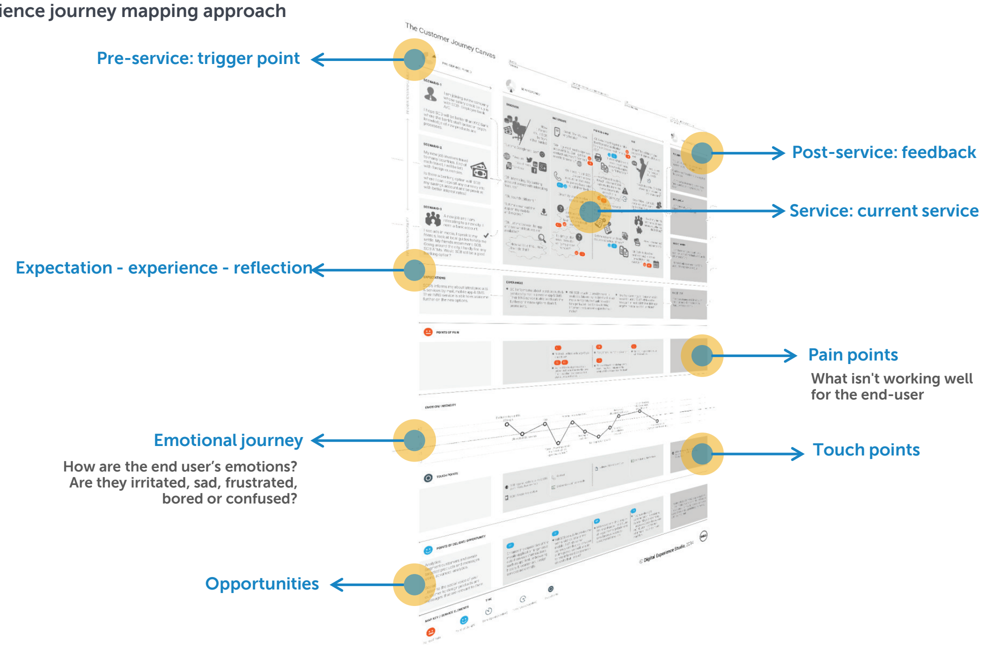




Design:

The insights derived from this analysis are valuable for design — driving product innovation to come up with new value propositions for the customer to create innovative customer experiences with specific objectives (such as increasing customer satisfaction, driving loyalty and encouraging advocacy). These value propositions have to be designed and modeled first, followed by institutional changes (such as redesigning internal business processes or creating a flexible culture for empowered employees).

Dell Customer Experience journey mapping approach



Interactions:

Building a successful, two-way engagement requires the focus to be on the customer — recognising and anticipating needs, and offering a branded, seamless, integrated customer experience at a time and place that meets their needs. Banks have to gear up to act upon triggers/business events in real time to maintain relevance. All frontline staff need customer insights to demonstrate understanding and knowledge of the customer. The end goal is to deliver superior interactions and perform service recovery in case of failures.

Outcomes:

Each successful delivery of a positive customer experience increases the customer satisfaction score, presenting the bank with the opportunity to stay connected with the customer through the various stages of their life, increasing lifetime value. Banks must look at how to build trust by demonstrating commitment to a customer's interests (not mere lip service), which can lead to the customer becoming an advocate/champion for the bank.

The evolution of the engagement with customers, prospects and partners could eventually culminate in the creation of a banking network that serves as a social platform.

Business orchestration and integration

In the last few years, there has been considerable focus on using technology to deliver channel and customer innovation. Yet the critical integration layer between the channels, core systems and external world is still archaic, legacy driven and non-standardised. This not only restricts a bank's ability to have a single customer view and launch new products and services across different channels consistently, but also prohibits easy capture and broadcast of the latest customer interaction to other channels. Redundant business (web) services, presence of point-to-point communication mechanisms and partial service buses and multiple middlewares can make customer information flow and transaction updates difficult to manage centrally.

Banks are now on their own transformation and digitalisation journeys. By utilising the latest business process management (BPM) tools and enterprise service bus (ESB) middleware, they will have the capability to deliver consistent banking services, transaction history, data and product information to their customers via any or all of their channels.

The key principles of building a simplified integration layer should entail the following:

- Building a service-oriented architecture
- Standardising communication mechanisms
- Consolidating business (web) services across channels and regions
- Creating a business process layer supporting all functions

Omnichannel strategy

Over the years, banks have continued to add to their channel mix as new channels emerged, in the expectation that customers will change their behavior and start to use the new channels as their primary mode of engagement. Contrary to expectations, customers actually distribute themselves across all available channels based on their own preferences and the services available. The current channel mix has led to duplication and inconsistencies, which is complex and costly to support.

Channel omnification helps banks participate across all channels through all devices for enhanced customer engagement. Customers should have the ability to start a banking process in one channel, carry on the process in another and complete the process in a third, enjoying the same look and feel or level of assisted service across the enterprise.

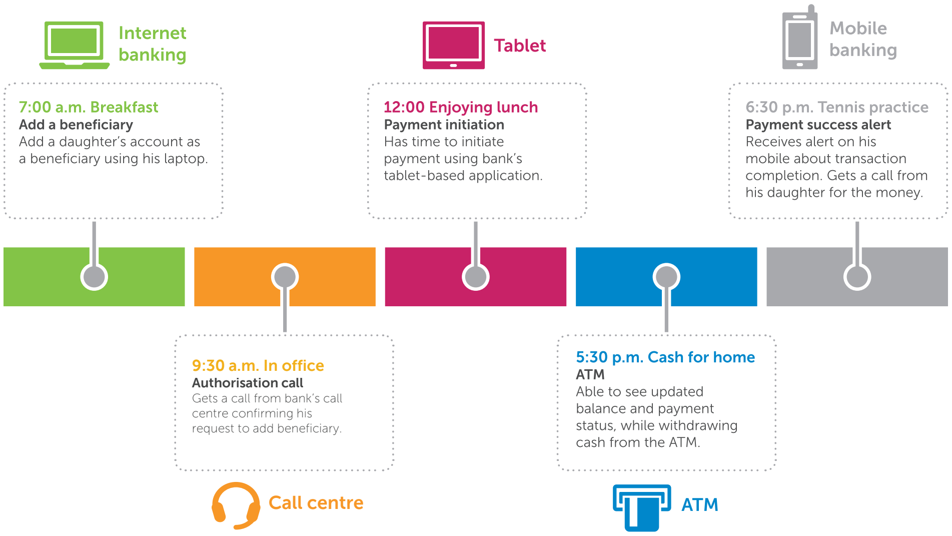
Creating the right mix of channels: assisted, self-service and new age

Most customers do not demand choice in their channels, but rather perform most tasks in the channel that requires the least effort on their part.

All transactional activity — such as payments, transfers and service requests (like performing change of address or ordering a replacement debit card) — should be automated and made available in the self-service digital channels. More complicated transactions and certain other services (such as complaint handling or notification about the incapacity of a customer) should be dealt with "in person" from the contact centre. Historically, all bank products and services were purchased in the branch when it was the main distribution channel, although there is growing acceptance amongst customers for buying products and services via self-service channels. Banks that have branches and parts of the contact centre still purposed to provide transactional services should now be repurposed into delivering customer advisory and sales processes.

A bank that has both assisted and digital channels has the option to invest and maximise some or all of these to deliver the right balance of transactional, customer advisory and sales services.

Customer interactions across an omnichannel network



Assisted channels:

Branch strategy updated

Customer usage of the branch has already changed and repurposing of certain branches as customer advisory and sales outlets should now be a priority. The focus should then switch to right sizing, right locating and optimising the branch footprint to provide the right level of sales and advisory services. Smaller numbers of highly trained and empowered resources will be required to staff the new model branches.

Contact centre

The role of the contact centre continues to evolve. The contact centre has evolved through user demand to support web chat and FAQ processing, eventually leading to reduction in incoming call volumes.

As in branches, agents need to refocus on advisory and sales tasks. Certain service requests will also continue to be processed via the contact centre. Staff in the branches and contact centre channels need to be retrained, empowered and redeployed to provide customer advisory and sales services. The frontline agents need to be empowered to resolve customer issues and deliver outstanding customer service during the interaction to retain customer loyalty.

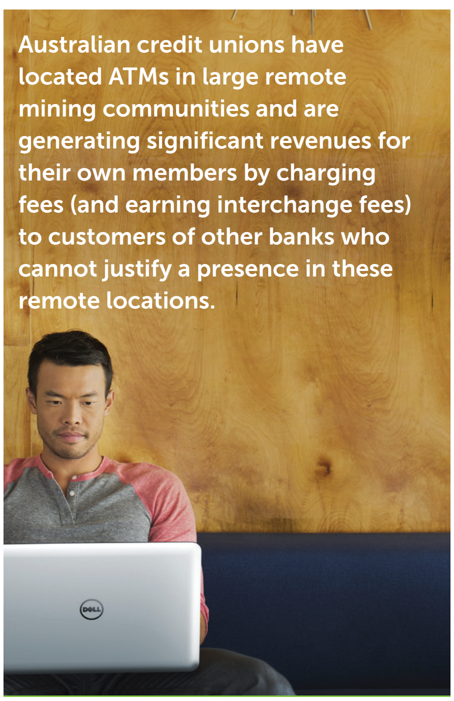
Self-service channels:

Internet banking

Internet banking has now become a primary channel for many banks, and all the bank's processes and information should be made available for customers to use, on their choice of device and platform, if possible. Speed and ease of use are also highly valued and should be a guiding principal incorporated into any redesign. The availability of web chat is also important, offering assistance if required but also launching a "how may I be of assistance to you?" pop-up window when a delay occurs.

Mobile
Mobile is the game changer and mobile banking services are a must. The functionality now available via smartphones provides both the customer and the bank with many more options to deliver better customer service. The "always on" nature of most smartphones allows the use of alerts and other real-time communications with the customer. The majority of banking innovation to emerge recently has been in the mobile space (such as peer-to-peer payments, NFC payments and mobile wallets). Apps taking advantage of geo location open up new opportunities to deliver offers in conjunction with third-party collaborators. Security of the device itself remains a hurdle to adoption, however.

ATM
Although certain functionality is already available to supplement the cash dispensing role of the ATM, (such as PIN services and certain emergency services), adding many more processes is not appropriate for this channel. Most existing ATMs are located at branches — so following a branch reorganisation, care must be given to relocate ATMs.



Australian credit unions have located ATMs in large remote mining communities and are generating significant revenues for their own members by charging fees (and earning interchange fees) to customers of other banks who cannot justify a presence in these remote locations.

Kiosk
Kiosks are able to support all the functionality made available online. Locating these in new model branches complements access to advisory staff. A customer can research and start a process on their own on the kiosk, and seek assistance from branch staff only if needed. The latest kiosks are robust devices, which can be located in remote locations and may be an option to use where a branch is to be closed.

Interactive voice response (IVR)
IVR has been in the bank's channel mix for many years, often with little additional investment made since it was first launched. As such, it is often looked upon as something of a nuisance when overall customer experience is considered. However, more sophisticated IVR applications now exist and should be looked upon as an opportunity to deliver a great customer experience by providing a wide range of information and services without needing to seek assistance from an agent.

New channels - social media:

Social media offers banks the opportunity to engage with customers beyond the reach of traditional channels, achieving promotional outcomes beyond the realms of traditional (paid) mass media campaigns. Specific strategies to be applied to social media channels:

Monitoring and responding to issues by following hashtags and keywords
By listening to customers expressing their views/grievances on open platforms like Twitter, banks can receive early warnings about specific issues customers are facing and deal with them promptly — demonstrating their commitment to customer interests. By aggregating views flowing through open platforms, banks can gain important insights into problems caused by shortcomings in products/processes and introduce remedial measures.

Building awareness/generating leads
Deploying campaigns on social media platforms to engage customers or raise interest in events/promotions with the possibility of generating leads/converting sales, banks can reward customer loyalty and build relationships. These campaigns are best delivered through mass-reach platforms like Facebook, Twitter, LinkedIn and YouTube.

Crowdsourcing for ideas/inputs
Campaigns that seek inputs/responses from customers, or the wider public, to help address specific issues or source fresh ideas.

Building applications/tools
Banks can offer different kinds of functionality through applications on Facebook ranging from various financial calculators/planning tools, charity support contributions, peer-to-peer payments, to actual banking capabilities like checking account balances/details and making certain servicing requests.

Other considerations

Evolving organisational structure and culture

Adapting banks to the new digital age also requires significant change management techniques to deliver the new channels and functionality and to support staff directly impacted by the changes, who may need retraining and redeploying or outplacement care (if a role for them no longer exists). Banks need to take great care to successfully manage this mindset shift and significant change, and the people who will be directly impacted by the change, to achieve a positive outcome for all parties.

The role of IT leadership and teams is evolving into a collaborator with business units. Gartner describes this as, "Many business units within the organization are already acting like technology startups. IT must embrace that same kind of thinking, next to being rock-solid. To lead the transition to digital business, IT leaders must partner with the digital startups inside their own organizations. The new digital startups sit inside marketing, HR, logistics, sales, finance or any other business function. Control is shifting away from the formal IT organisation and towards business units that are closer to the customer."[10]

Setting up separate entities

The task of transforming a large and complex bank or introducing an enterprise-wide digital platform can be made easier by adopting a champion/challenger approach. Banks today are carving out or creating from scratch a new brand that runs in parallel with the traditional banking entity. This requires implementation of new systems and processes at the challenger brand and then, if successful, looks to reverse the parent bank onto the platform implemented at the subsidiary. If not quite right, changes can be made without affecting the parent bank. ING Direct and Hello Bank (BNP) are successful challenger brands that are currently in operation and are agile and innovative, leveraging the latest digital technologies. BBVA has taken a slightly different approach, acquiring Simple (a successful banking technology start-up) and positioning it as a parallel challenger brand under the group.

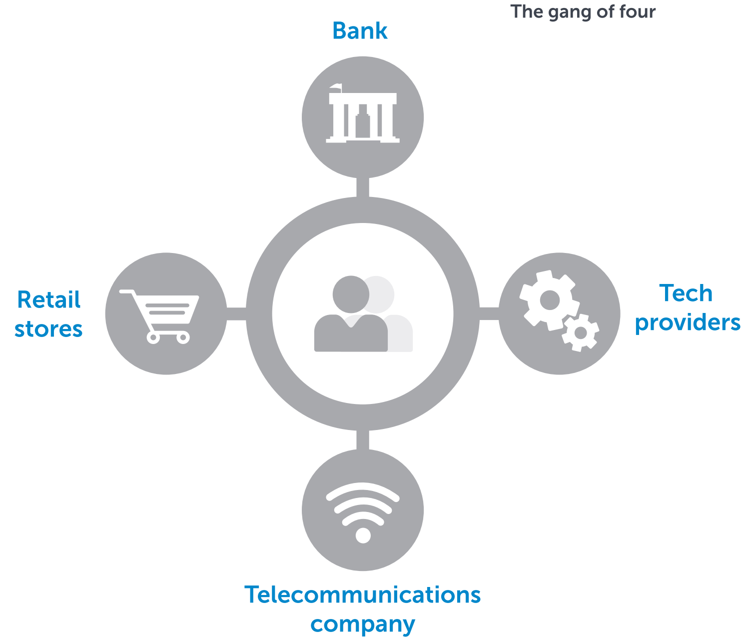
Partnerships

Some of the most successful business and technology innovations have emerged outside the banking industry, where leaders in other industries have been able to deliver better experience to a larger customer set. For example, Facebook has embraced cloud infrastructure to minimise infrastructure investment and focus on customer behavior innovation. On the other hand, large retail stores — due to their physical and online platforms — enjoy longer customer attention and mindshare.

Although banks are familiar with selling or promoting their own products and services, they are limited by the product factory capabilities in terms of creating new and innovative products and services. Banks need to look outside and adapt for success and innovation, leveraging customer reach and innovations. ICICI bank is already using Facebook for a social payments initiative app called 'Pockets' while Commonwealth Bank of Australia is using Google Maps API to show the location of its branches/ATMs. Tesco Bank and M&S Bank are examples of other banking and retail tie-ups.

The potential for the bank to partner with a retailer, a telecommunications company and a technologist (sometimes called **"the gang of four"**) opens up opportunities to create new and exciting products, leveraging the attributes and characteristics of the combined partnership. This partnership would considerably extend the reach of a bank, particularly in unbanked emerging markets. Banks need to move away from an intrinsic product manufacturer approach to an aggregator of products and customer relationships, combining banking and non-banking services.

The gang of four



Transformation strategy: Engage, Enable and Extend framework

Digital transformation is all about engaging customers, while radically improving operations, enabled by technology. A bank's success depends on constantly engaging your stakeholders using new technology to enable them and extending existing business models to build differentiated products and services.

Banks need to:

- Engage stakeholders by leveraging our customer-first business model that helps banks gain deeper customer insights, design consistent experience and campaigns and deliver them across the omnichannel landscape, while managing every customer interaction and achieving outcomes like customer loyalty and satisfaction.
- Enable agility, security and frontline staff empowerment using emerging technologies such as analytics, business process re-engineering and decision-aiding tools.
- Extend functionalities and develop new target operating models such as personal finance management applications, relationship-based pricing, mobile wallets and NFC.

Engage stakeholders

Provide customer insights

- Life events and social profile
- Customer 360-degree view

Design experience and campaigns

- User experience journey maps
- Contextual campaigns

Manage interactions and outcome

- Multi-device, cross-channel interactions
- Loyalty and satisfaction

Enable through technology

Build a web scale architecture

- Applications modernisation
- Cloud/software as a service (SaaS)

Improve process efficiency

- Business process re-engineering
- Process automation and simplification

Utilise aggregation engine

- Open APIs
- Customer relationships and data aggregation

Extend business models

Remote access tools

- Remote deposit capture
- Digital vaults
- Online/mobile wallets

Alternate models

- Faster payments
- Digital notifications
- Advisory through Personal Financial Management (PFM)

Products and pricing

- Product packaging and bundling
- Relationship-based pricing

Conclusion

The traditional inside-out approach of banks towards their own customers is now largely redundant. An outside-in approach to the customer is required — a cultural change may also be required to put the customer at the heart of this approach.

Entrepreneurs and new greenfield banks can develop innovative business models and/or products very quickly and rapidly deploy into production, utilising the new advances in technology. Small banks and start-ups can now compete on their own terms with larger banks, taking small bites out of their market share, through niche focus and services.

Existing banks must start to think, act, execute and operate differently to compete with the new generation of banking entrepreneurs and the mono-line specialist. They also need to adopt a strategy like the Dell Customer Insight and Engagement Model to support the new customer lifecycle journey and rebuild a relationship of trust, leading ultimately to customer advocacy.

However, there isn't a single channel model that fits all business requirements. Rather, the banks need to assess both where they are and where they want to be on the Digital Maturity Model, which will help define their transformation journey,

Another approach is to adopt the champion/challenger model and develop or acquire a new banking model that supports all the characteristics of a Level 5 bank in the Digital Maturity Model, which is unhindered by legacy issues. The option then exists to support the transition from a physical bank to a true digital bank, at the right time.

The last 10 years in banking has been memorable, but for all the wrong reasons, particularly in the latter half of the decade. We predict that the next 10 years are going to be equally memorable, and for exciting reasons, although with digital technology, don't be shocked if the surprises happen much sooner.

Dell Services customer stories

Channel consolidation for a large European bank
The bank needed near real-time transaction processing and updates across online, branch, IVR and kiosk channels. Our solution addressed channel modernisation and customer engagement issues through branch modernisation, multichannel integration (middleware solution), redesign of online business banking and on-going support of tablet banking and enterprise-wide CRM implementations.

New product innovation for a large European payments organisation
Dell has partnered with this leading payments innovator to launch some of the cutting-edge payments innovations including real-time payments, account switching and more. Some of these functionalities have been highly successful and changed the way customers access and use payments services. The organization along with Dell is now advising banks and other ACH's globally on implementing similar business innovations.

Some of these have been highly successful and changed the way customers access and use payments services. The organisation, along with Dell, is now advising banks and other automated clearing houses globally on modernising payments infrastructure.

Customer loyalty solution for a large global bank
Dell created an enterprise loyalty and redemption platform for all lines of business within retail banking for this large global bank, including current & savings accounts and mortgage products. Dell delivered a rule-based, pan-bank loyalty solution for earn, burn and manage. Implementation included configuring 250 products and currently supports 110 merchant offerings. The solution was successfully implemented across six countries, resulting in a double-digit improvement in customer satisfaction.

The Dell Digital Transformation Centre of Excellence is comprised of financial services industry experts who are helping leading banks with:

- Consulting and innovation
- Increasing customer centricity
- Implementing channel omnification
- Optimising processes across banking business
- Extending their business to non-linear models

For more information about any of our service offerings, please visit Dell.com/financial-services or contact a Dell representative.

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