

A Digital Journey for Banks

The future of financial service providers is being driven by consumers. Criticleye reveals why innovation, technology adoption and meeting customer expectations are essential

Empowered customers are demanding a seamless experience across multiple channels. For traditional financial services (FS) providers, this is presenting a number of challenges as they look to create an integrated, flexible offering which caters to online services, apps and utilises data effectively.

Sandra Leonhard, MD of Digital Channels, Personal & Business Banking at Barclays UK Retail and Business Bank, says: “[A cohesive] digital strategy in FS is customer-centric as well as commercial; it will be disruptive and transformational. The digital strategy will go far beyond a distribution channel and will incorporate digital

to drive product changes, transform back-end processes and technology, reinventing the customer interface and evolving the underlying core operating model of the business.”

It means making deep rooted, structural changes. **Stephen Ingledew**, Managing Director for Customer and Marketing, at savings and investment business Standard Life, agrees: “It’s not something that stands alone... it’s integral to what the business is trying to achieve with customers and its commercial objectives. It’s not just about having an exciting, engaging website or a mobile way of engaging customers... it needs to be end-to-end, up front as well as operationally.”

Sandra adds: “The key is to offer channel choice but to be in line with changing customer behaviour. This means if more customers are demanding... sophisticated digital services, then banks need to evolve and rebalance their offering to remain competitive.”

A similar point is made by **Neil Jones**, Consultancy Partner at business solutions company TCS (Tata Consultancy Services): “It’s really about understanding what your customers want in the future, and then shaping your digital strategy to deliver those needs.”

There is much speculation about how digital is going to change retail finance, ►

particularly in terms of customer service.

Brian Stevenson, Criticleye Board Mentor and Non-executive Director of the Agricultural Bank of China (UK), says: “The branch is going to die... and is dying because people don’t need it anymore... There is still a need for people to have face-to-face interaction but it doesn’t have to be in a branch the way that people think of it today.”

By contrast, others argue that there is a compelling reason why the branch will remain a core feature of the customer experience. **Steve Pateman**, Head of UK Banking at Santander, says: “I have no doubt that technology will play a massive part in the retail, corporate and commercial bank of the future. People will want to have the ability to pay-on-the-move and access information wherever they are... [But] it will not replace the branch. You can have the best information system, but if your delivery system with people isn’t up to scratch, then it will backfire.”

Advances in the use of data and analytics have certainly made engagement more complex. **Stephen** comments: “Our traditional approach to financial services has been to push products out... What the data allows us to do is actually know customers better, engage them on a much more personal basis and then apply how we help them and make things easier for them, based on their experience.”

Banks are in a privileged position when it comes to data, with access to customers’ transactional patterns and often the broader financial make-up of their lives, but many are not taking advantage of this due to restrictive legacy systems. According to a report by TCS from 2013, almost 80 per cent of the 300 FS senior executives surveyed said they

“The key is to offer channel choice but to be in line with changing customer behaviour”

were losing opportunities to improve the customer journey due to failings in their existing systems and processes.

Brian comments: “They are relying on core systems that don’t actually analyse or produce the data in [a way] that’s user-friendly... financial service providers should ultimately know their customers’ needs better.”

For traditional financial institutions, utilising information across channels can be incredibly challenging. **Neil** comments: “You can’t easily change your legacy system... what you’ve got to try and do is build something that sits on top. A good example is Barclays’ Pingit, which enables you to use your phone to send money to someone else’s phone.”

As well as legacy issues, the regulatory environment can be seen as another barrier to digital innovation. **Neil** adds: “It’s a millstone around the neck of every single financial service operator... the barrier is often: A, the quantity of regulation, and B, how many organisations and regulators interpret it. So ensure you comply, but use compliance to change the way you operate and try to innovate.”

Expect a surge in ‘pure-play’ digital financial service providers over the coming years. While they may not have the scale of established institutions, they may bring new ways of providing services and engaging with customers which will cause ripples in the sector. “If you’re a new player... you don’t have [the] history and you don’t have to migrate old products to new platforms, or old technology to new technology,” says **Brian**.

There are real strategic and operational dilemmas for financial service providers if they are to deal with the transition to digital. What is beyond doubt is that while risk, trust and security need to be managed impeccably, change is inevitable because it is being driven by the customer. ■

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This article was inspired by a Criticleye Forum, [A Digital Roadmap for Retail Finance](#), held in association with TCS.

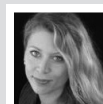
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