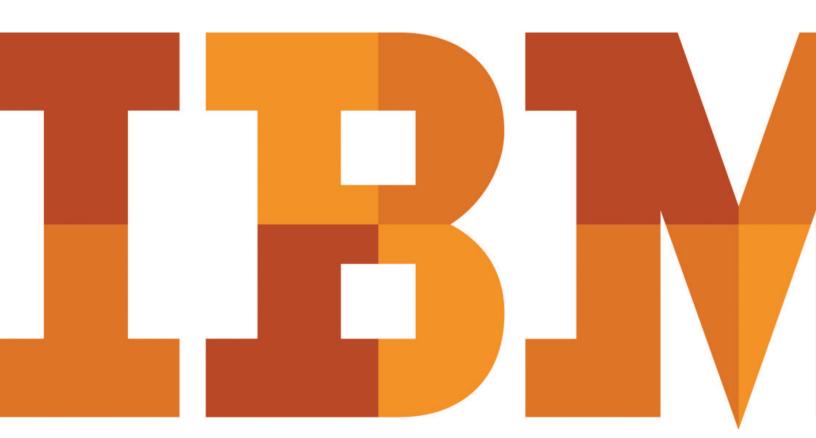# Revolution of the customer-focused enterprise

*How banks are driving new value through information, insight, and interaction*

## Introduction

*Today:* 845,000,000 Facebook users.[1] 1.2 billion active mobile-broadband subscriptions worldwide.[2] 500,000 apps in Apple's App Store.[3] Everybody you know has the Internet in his or her pocket. A computer has even defeated the greatest Jeopardy! champion ever.[4]

Think back to 2006. Facebook would not be publicly known for some time yet. You'd have to wait for over a year for the first iPhone to be released.[5] An "app" was only something you ordered at a casual restaurant.

Now imagine what the next six years will bring. What screen will we use to access an app or the Internet? Will either even exist as we now know it? Perhaps customers will access their checking accounts from microscopic devices implanted into their heads or hands. Perhaps your credit card will have a micro-thin touch screen on it that displays your balance, history and authenticates your fingerprints. Perhaps people will merely talk into the air wherever they are to give vital instructions to transfer money between bank accounts. Preposterous? Maybe. But then again, six years ago people didn't complain about their breakfast or share a picture of their child with nearly every single contact accrued in a lifetime, something which many people now do daily on social networks.

What does this mean to marketers and customer-facing functions at banks today? When many of us are scrambling to figure out the implications of social media or mobile apps for our banking operations now, can we even prepare for the future?

The answer is that we won't know what the future of the customer landscape will be, but the best banks will be prepared to have the type of data foundation they need to leap at every opportunity and quash every challenge. They will have laid the right foundation so they can stay at the top of their game in terms of the ability to leverage information, insight and interactions to become state-of-the-art customer-focused enterprises. They will be ready to pounce and capitalize on whatever cutting-edge, tangential or otherwise emergent development occurs in the customer ecosystem. The question we must force ourselves to confront is: "Are we going to be ready?"

## Customer-focused enterprises are able to respond to future changes

In terms of a radically evolving customer experience, banks have had nearly two decades of either tackling or tangling with customer management priorities. The emergence of the ATM and the call center shifted the customer relationship dynamics steeped in decades of traditional assisted branch interaction. Database and direct marketing tactics generated the concept of customer relationship management (CRM) as we know it today. The Internet and then Internet banking burgeoned and shifted power to the consumer at an unprecedented pace. It became clear that the branch as a channel needed to be reinvented, or it would face a rapid decline. Customers now expect to interact with their banks ubiquitously, giving commands to virtual agents on the phone and snapping pictures of checks with their mobile devices. These and other facts lead us to believe:

- Change is constant, inevitable, and largely beyond our control.
- Customer information is at the center of major change and is the key to addressing it.
- Companies must build the foundation and flexibility to capitalize on change.

Change happens so rapidly that some in the banking sector have good reason to fear the future, especially if past changes caught them off guard and ill-prepared. Others are prepared and change becomes a platter of opportunity, enabling them to leap ahead of competitors when it comes to managing customer relationships.

### Change is constant, inevitable and largely beyond our control

The pace of change in customer operations today can be exemplified by rapidly emergent mega-trends such as the explosion of smartphones and apps, social networking and the massive torrent of diverse data that today's technologies produce. For example, it

is now not unusual to hear about an event being the impetus for thousands of people to coordinate using social networks and their mobile devices to take action. Social networking and mobile devices empower individuals as well. When disgruntled individuals tweet their disappointment with a poor bank transaction to their private network of friends and family, the damage is done and the bank is powerless to do anything about it. Good social messages, on the other hand, can be arguably more powerful than an expensive TV brand ad.

To say the consumer is empowered in today's world is much more than rhetoric—it's reality. The companies that can quickly adopt good customer-focused strategies will have great advantage over banks that cannot.

### Customer information is at the center of major change and is the key to addressing it

Customer data is now everywhere. Structured, unstructured, social, big, granular, fast. As consumers tromp through their financial and social lives, they are leaving instances of both transactional and unstructured data in vast quantities, contexts, forms, and speeds. Putting these data types together, the best banks are now addressing their data-driven opportunities, knowing there are insights within their information stores if they can apply the right analytical tools quickly and adeptly enough. This provides both challenges for banks struggling with their information gush and opportunities for banks on top of their information strategies and programs.

The implications of the customer-focused mega-trends are not lost on marketing or technology leaders in banking. According to recent IBM research that interviewed over 400 banking Chief Marketing Officers (CMOs), the three top issues the bank marketers listed in order were "data explosion," "social media" and "growth of channels and devices."[6] In similar IBM research based on interviews with Chief Information Officers (CIOs), 78 percent of banking technology leads chose "insight and intelligence" as their focus over the next five years, with a close second being "client intimacy" (77 percent)[7].

So while we scramble to discern what's hype, what's tripe and what's ripe for acting on, things like social, mobile and big data are in some ways just the latest changes that make us evolve our customer approaches. If we take a step back and view customer focus through our history—whether it was first targeting a mail campaign, developing the flow for ATM screens, writing call center scripts or designing online banking—the fundamental questions about customer focus remain the same:

- Is our customer data currently available and accessible to activate whatever new channel, capability, or feature rapidly enough, in terms of meeting customer demand and keeping pace with competitors?
- Does our organization know what our customers' behavior, expectations and desires are, based on facts and insights?
- How are these insights being utilized when we interact with customers?
- Is our existing organization able to successfully integrate a new customer channel, capability or feature into our already complex mix of existing customer-facing operations?

### CFE in Action: BNP Paribas, global banking group based in Paris

BNP Paribas needed to gain control of its data in order to build an agile infrastructure, which would allow it to quickly build new product offerings and deliver targeted promotions. To deliver on this strategic vision, the bank had to place the customer at the center of each transaction. This meant creating a flexible framework that would allow bank staff to quickly construct grouped offers mapped to customer requirements, personalizing fees based on the customer's profile and service channel, and developing multi-brand customer loyalty offerings that could be delivered on demand. The initiative resulted in reduced time to market for new products and promotions, so staff could flexibly and rapidly evolve offers according to market conditions. More significantly, customers could experience personalized offers through any service channel, on demand.

**Companies must build the foundation and flexibility to capitalize on change**

Banks who wish to capitalize on customer change by harnessing customer information must become customer-focused enterprises: agile organizations that leverage customer insights and take the right actions during their critical customer interactions. The opportunities are vital as banks look to improve customer loyalty, reduce their acquisition costs and drive more revenue and profits from each account holder. The risks are more severe, too: reputations can be lit afire on social networks, loyalty can be abandoned in moments, and making big bets on the wrong emerging technologies can be disastrous.

Customer focus should drive many upsides or growth-oriented benefits to banks that do it well. They can improve the customer experience, raise customer acquisitions, increase customer retention and optimize share of portfolio or accounts. This is important across all banking sectors, including retail banks looking to grow their consumer accounts profitably, commercial banks interacting with institutional buyers, high-net-worth markets, and emerging markets addressing the "unbanked." Of course, it is not trivial that all of this must be done in the context and mandate to reduce costs as banks are experiencing crunches in capital and margins, and face a lot of uncertainty going forward with market fluctuations, increasing regulation and other market forces. Becoming customer focused should bring opportunities to migrate consumers to more cost-effective channels and reduce costs by right-sizing certain customer interactions.

But perhaps most importantly, making profound customer-oriented changes must be about positioning the bank to be able to smartly, speedily and dexterously sense and respond to unknown changes in customer behavior and the environment they create. In short, they must be able to build the foundation and flexibility that future change will demand. This requires having the fundamentals of customer information, insight and interaction in place so new opportunities can be capitalized on at the right time. It can transform a "fear of the future" into a sense of aggressive confidence that views rapid customer change as an asset to be exploited, not an emergency to be mitigated.

If looking back over the last five or six years has taught us that our future will be changing faster than we can manage, we shouldn't be startled if the changes coming next are downright surprising. Let's be ready for them.

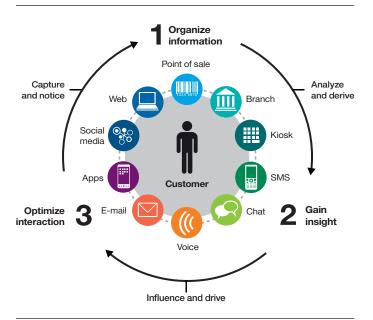**Embracing three vital themes: Information, insight and interaction**

Knowing that a customer-focused enterprise is the right destination, the next task is to define what it involves and understand what capabilities and disciplines are needed to achieve it. Smart enterprises are looking to three fundamental themes to meet the opportunities and challenges of becoming more customer centric: information, insight, and interaction.

These three themes form the foundation to capitalize on the vast and eclectic customer data assets of the enterprise. They create the ability to turn that data into intelligent perspectives pertaining to the customer that can be made available to banks to tackle their complex customer challenges. They must be applied to processes and business applications. They turn insight into action across the interactions the customer has with the bank, their commercial universe, and often across the social sphere itself.

These three areas work both in concert and in sequence:

**Information** can be thought of as the foundational practices and the raw asset itself, derived from interactions, transactions and social data that the bank gathers. The ability to analyze and derive intelligence from this information generates an insightful customer understanding.

**Insights** themselves can be predictive and provide banks with the ability to sense and respond. Insights are applied to influence and drive interactions at the point of customer contact—such as in the branch, while using a mobile app or on the web—to create an engaging customer experience.

The three fundamental themes for becoming a customer-focused enterprise

**Interactions** are where and how these insights manifest themselves in communications, transactions and the customer experience. The organization must then capture and notice new customer data at all touchpoints and channels to create authoritative customer information.

This cycle is embraced, perpetuated and refined—continually. The true value is derived in how confident banks are in their data (the information) that in turn assists with greater understanding (insight) and ultimately leads to extraordinary results in communication and activity (interaction). Then this knowledge of the customer is leveraged in context to generate a much healthier dialog and facilitate more sustainable and enduring relationships.

Extraordinary results come from insights gleaned from high-quality data, leveraged in context at every interaction. At the end of the day, it all comes down to whether the front-line personnel or the customers trust the information enough to act on it. If they don't trust the data, the insights will be flawed, and the organization runs the risk of turning an opportunity into an interrogation. And on top of this, most organizations already ask a lot of both front-line personnel and customers, so tremendous care needs to be taken as to when and how technology is leveraged.

## Stepping up to an elite level of customer focus: From basics to breakaway

Banking enterprises—in whole or by business unit or function—typically have varying levels of maturity when it comes to customer focus. Some may be taking their first steps compared to their competitive peers and others may be breaking away at supersonic speeds. We can think of these different levels as "transformational stages:" escalating levels of sophistication and maturity in a particular operational state of the customer-facing bank operation. This said, each organization is unique, so some banks may choose to pull certain aspects from different stages or revise the sequence to suit their specific situations.

Think of these stages as a baseline with which to view your operation. How good are you? How far do you need to go?

### Signs of success: Some of the activities the customer focused enterprise embraces

Listed below are key activities the customer-focused enterprise are exploring and embracing today:

### Get a single view for a new you

Develop a single view of the customer to build an authoritative source of customer information. After all, you will be in the dark if you can't reliably tell what your customers are doing and thinking across their interactions with your bank. For many banks, a single view is hyperbole and a pipedream—make yours a reality. For this, you will need to create enthusiastic "true believers" from both the local owners of customer data (e.g., the business units, the lines of business, the channel owners, etc.,)

and the C-suite who will benefit from an enterprise-wide, 360-degree view of their customers. There is a big benefit story for everyone involved. Find yours, make it exciting and build your coalitions for change.

**Show some love to your data**
Just about everything in a customer-focused enterprise must revolve around complete, high-quality, accessible data. Establish a customer data warehouse and data model to consolidate trusted information across the bank. A data warehouse with a good data model can provide a consistent understanding of customers and customer segments, provide insights to deliver outstanding customer care, and ensure individual lines of business work seamlessly together. The right data model is critical because it establishes a common, bank-wide vocabulary and terminology, while speeding the development of business analytics capabilities.

But don't be beholden to yesterday's notion of what a data warehouse is or does. The tools, techniques and practices are moving at warp speed these days. Even if you know everything about data warehousing and its sub-families of practices, there have probably been more than a handful of new developments since you last put down your newspaper. Find out about them.

Lastly, organizations don't need to embark on an extensive data effort in the initial stages of transformation, before they get any benefit. They can achieve benefits progressively as data is improved over time.

| Transformation stage | Involves | Defining activities |
|---|---|---|
| Stage 1: Integrated customer information | Treating information as a strategic asset, where radical simplification and high quality data become the foundation to build a customer focused enterprise. | Maintain an authoritative source of customer data that improves customer service and increases sales effectiveness. Manage distribution and access to meet regulatory and privacy requirements. |
| Stage 2: Customer-centric insights | Uncover the non-obvious insights to anticipate the customer's needs and prepare the organization to respond accordingly at every interaction. | Use information to constantly improve your understanding of product usage, profitability, risk, buying behavior and financial needs to generate sales, enhance products, adjust pricing and improve customer satisfaction. |
| Stage 3: Real-time cross-sell/up-sell | Understanding that customers' preferences for how they want to interact are changing, and institutions need to respond by providing a better overall experience, offering new ways to sell and serve clients. | Use real-time events and deep customer insight to offer cross-channel marketing campaigns where "moments-of-truth" are detected and acted on as a way to effectively generate more revenue. |
| Stage 4: Customer care automation | Being able to give your customers more control and better services at lower costs. | Improve customer self-service, case management, dispute management, and event-based decision-making that continually lowers operational costs and increases effectiveness. |
| Stage 5: Superior customer experience | Being a business your customers advocate for and like doing business with you. | Attract and retain customers with a compelling multi-channel experience across all touch points that offers personalized service based on what, when and how customers and prospects choose to interact. |

**Meet your new best friend: Analytics**

Like data warehousing, the advancements in sophisticated customer analytics are progressing at a breath-taking pace. "Counts and amounts"-type reporting doesn't even come close to what analytics tools can do today. Customer analytics are now grabbing from all sorts of new data sources beyond demographics and transaction types. Organizations can dig into social media and contextual data to understand sentiment, listening to voice conversations to "hear" emotional intent. They can draw across the enterprise and beyond to complete more finely textured, more multi-dimensional views of the customer. They are also being applied in innovative, new ways as they are embedded into core customer operations, creating marketing and customer events through sophisticated event engines and triggers, and even helping analysts predict future behavior, increasing the marketer's ability to lay the next perfect offer elegantly into the customer's buying cycle.

**Step up to this generation's targeted marketing**

Invented by catalog and credit card companies, marketing has long evolved into its own, as both an art and a science. Today, primitive marketing tactics can be disastrous in our super-digitized age as consumers are bombarded by mass-marketing messages that cost close to nothing to send electronically. Frankly, the customers are on to marketers. They can tell when you're doing a good or bad job giving them personalized offers and only spending time on what's relevant to them. Bring your targeted marketing capabilities up to a level that matches the sophistication of your audience. Targeted marketing can enable your bank to engage customers in multi-wave, cross-channel, event-driven and personalized marketing campaigns. The industry-leading financial institutions are already reaping benefits with drastically increased cross-selling success rates.

**CFE in Action: BBVA, multinational Spanish banking group**

This global banking group wanted to know what existing clients, and possible new ones, thought about it through social media. This would allow the bank to address reputational challenges, continue to build on positive opinions, and discover possible business opportunities. It implemented a consumer insight system and program, which allowed the bank to monitor the voices of current and potential clients on social media websites like Twitter, Facebook and message boards. All of this information was distributed among business departments at the company, which enabled it to take a holistic view across all areas of its business.

**Get multi-channel right … and expect it to constantly change**

Today's mobile, digital customers are becoming aces at managing their time and activity across channels. At the minimum, your bank needs to meet the empowered consumers where and when they want to do business, even if they start a conversation in one place and finish in another. And if you want to compete to be a winner, you'll actually innovate in providing a superior customer experience that surpasses your competitors or even rivals those masters in other industries. Can you out-Amazon Amazon in e-commerce or out-app Apple in user experience?

Banks that wish to begin or continue their journey to become customer-focused enterprises should start with a careful look at how they are currently leveraging core customer assets including their customer data, their interaction channels, and the current states of their social and mobile marketing programs. Banks should also assess how "customer centric" they are. Then take a "bottom-up" approach to identify gaps in turning information into insight and leveraging insight in interactions. This should be followed by a "top-down" approach, using high-impact innovation projects, such as social and mobile, as catalysts to initiate true transformation based on information, insight and interaction.

## Conclusion

Today, it seems like five or six years is enough time to change the customer environment so drastically that it is beyond most people's ability to predict. Customers are driving the agenda in banking. We must know when to stay in lock-step with customers—not in mere anticipation, but being able to meet them in a future-looking direction as they drive the evolution of banking as we know it. The best organizations understand that being prepared for constant change in the customer landscape may be the best strategy to win in the future. Understanding this, organizations should ask "what's next?" and "what do we do first?" Some good first actions include:

- Take a serious and thoughtful look at your current customer-facing operations in light of what the current "state-of-the-art" is and especially compared to customer expectations.
- Assess how well your organization is leveraging the three keys to a customer-focused enterprise: information, insights and interaction.
- Create a robust vision and roadmap for achieving your customer-focused goals, defining a path that delivers real economic value in the short- and long-term.
- Build the foundation that will enable you to react and capitalize on future events quickly.

The time to act is now. Neither your customers nor your competitors will give you a chance to catch up when the next big, unexpected game-changer emerges from the marketplace. Be ready to stay ahead now—and always.

## For more information

To learn more about the, please contact your IBM marketing representative or IBM Business Partner, or visit the following website: **ibm.com**/banking

[1] As of February 2012 per Facebook's IPO filings. http://articles.latimes.com/2012/feb/01/business/la-fi-facebook-ipo-20120202

[2] As of 2011, according to an International Telecommunication Union (ITU) Global Mobile Broadband Subscriptions Study in 2011. http://www.itu.int/ITU-D/ict/facts/2011/material/ICTFactsFigures2011.pdf

[3] As reported by Apple, December 2011. Press release: http://www.apple.com/pr/library/2011/12/12Apples-Mac-App-Store-Downloads-Top-100-Million.html

[4] As reported in the New York Times, February of 2011. http://www.nytimes.com/2011/02/17/science/17jeopardy-watson.html?pagewanted=all

[5] Apple press release in January of 2007: http://www.apple.com/pr/library/2007/01/09Apple-Reinvents-the-Phone-with-iPhone.html

[6] IBM Institute for Business Value, "From Stretched to Strengthened: Insights from the Global Chief Marketing Officer Study", October 2011

[7] IBM Institute for Business Value, "The Essential CIO: Insights from the Global Chief Information Officer Study Executive Summary", May 2011, http://public.dhe.ibm.com/common/ssi/ecm/en/cie03083usen/CIE03083USEN.PDF

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