Brief

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Run Banks for Customers, Not Bankers

BANKS ARE LOSING THEIR TRANSACTION BUSINESSES. BUT THERE'S SOMETHING THAT PAYPAL CAN'T BEAT: BANKS' CHANNEL DIVERSITY. HERE ARE THE KEYS TO MAKING THOSE CHANNELS WORK TOGETHER.

Today's retail banks, built to process transactions and contain risk, are run for bankers. But to thrive in the future, they need to be run for customers. That means making the bank more than a place where consumers store and transfer money. That old model is already under threat from Internet-only banks, mobile payment services, and nonbank transaction providers like PayPal.

What these competitors don't have, however, is integration across channels. The market opportunity from multichannel banking—with fully integrated branch, Internet, ATM, and mobile services—is estimated to be worth between €15 billion and €20 billion in Europe alone.

> "THE MARKET OPPORTUNITY FROM MULTI-CHANNEL BANKING IS ESTIMATED TO BE WORTH BETWEEN €15 BILLION AND €20 BILLION IN EUROPE ALONE."

Online isn't everything

Banks also have a big opportunity to bring customers back into branches. While it's true that online sales of checking, savings, and consumer finance products will grow substantially by 2015, customers still want face time for riskier, more complex transactions, such as investments and mortgages.

Unfortunately, few banks are ready to do what they need to win back customer loyalty: Only 28 percent of banks considered themselves to be "customer-centric" in a recent EFMA report.

What customer-focused banks do

Modernizing the back-end IT and processes has always been a risk/reward proposition for banks that few have been willing to address. But time is running out on the retail side. Banks must use their multi-channel advantage before it's too late.

What's the difference between a bank that holds money and one that helps customers make the most of it? At a customer-focused bank:

Approvals don't take weeks.

Someone who applies for a loan, whether at a branch or online, doesn't have to wait days or weeks to get that loan approved, because the bank can run a risk analysis instantly.

Settlements don't lag transactions.

A person who makes a deposit at an ATM during his lunch hour can see it reflected in his account that evening when he's paying bills on his smartphone.

The bank really does know your name.

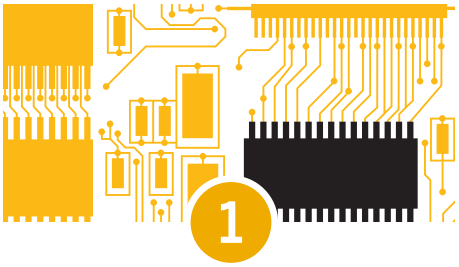
When a customer makes an appointment with an investment advisor to discuss retirement savings, the advisor can access a complete account history to develop suitable recommendations.

Creating more customer-focused business processes makes it possible not only to deliver products and services more effectively but also to tackle new market opportunities quickly. When Standard Bank of South Africa saw a competitor signing up unbanked and underbanked customers, it devised a process for opening accounts using mobile devices. The process makes it easy for people who live far outside of cities—and far from an ATM or branch office—to save money and make common transactions.

There's money on the table for banks that can make the necessary transformation to customer centricity.

3 keys to restructuring for the customer

The problem isn't always that bankers lack the will to change. Many realize that they need to put the customer at the center of their strategies. But most are stymied by decades-old technology and hardwired business processes. There are three major pain points:



Modernizing business processes
For example, most banks still rely on decades-old, hardwrired business processes such as nightly batch-processing routines to update customer accounts.

Integrating silos
Banks also use business processes that are product-specific rather than standard across similar products.

Digging into customer data
Banks have vast stores of customer data that they could use to get—and give—insight. But the data sits mostly unused due to incomplete integration and lack of business coordination among branch, online, and mobile banking applications. Banks must also come up with plans for using that data in ways that don't step on customers' sense of privacy.

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