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Digital Banking and Analytics: Enhancing Customer Experience and Efficiency

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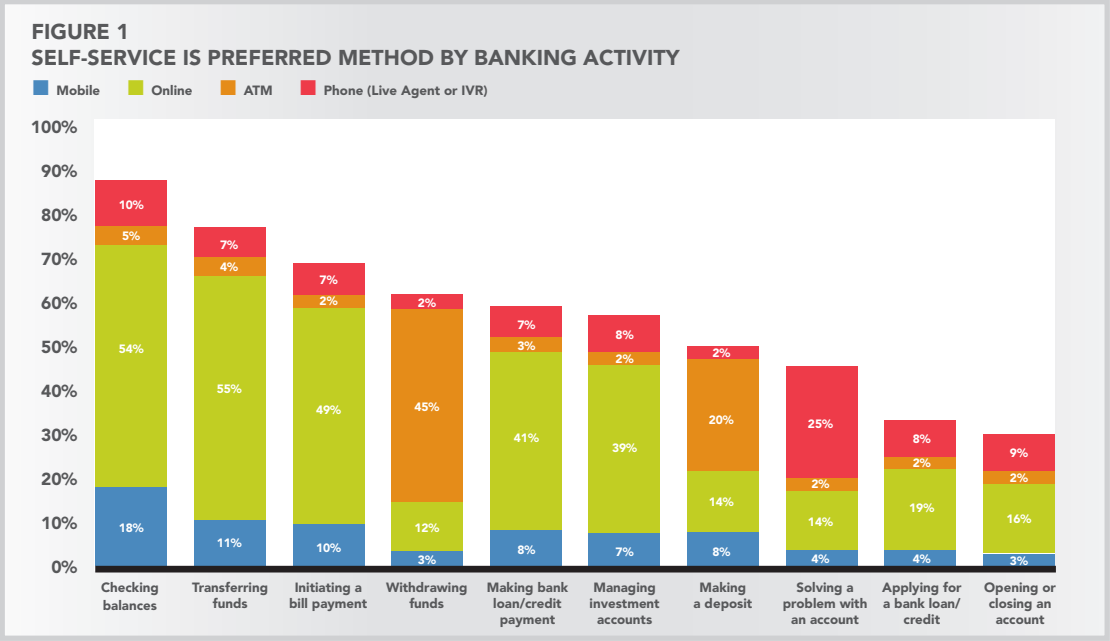
The proliferation of technology and growing consumer engagement with all things digital are changing many aspects of customer behavior, from product research to buying patterns to banking. Consumer expectations are growing, too: consumers now expect a seamless, high-quality experience across all digital channels, including online and mobile. Financial Institutions (FIs) are responding to consumer demand by providing these channels and developing new systems and features to satisfy customers. They're already reaping some of the rewards of digital banking capabilities, but much of digital banking's transformative potential remains unrealized.

With consumers growing accustomed to first-rate digital experiences, they are raising their expectations of their FIs.

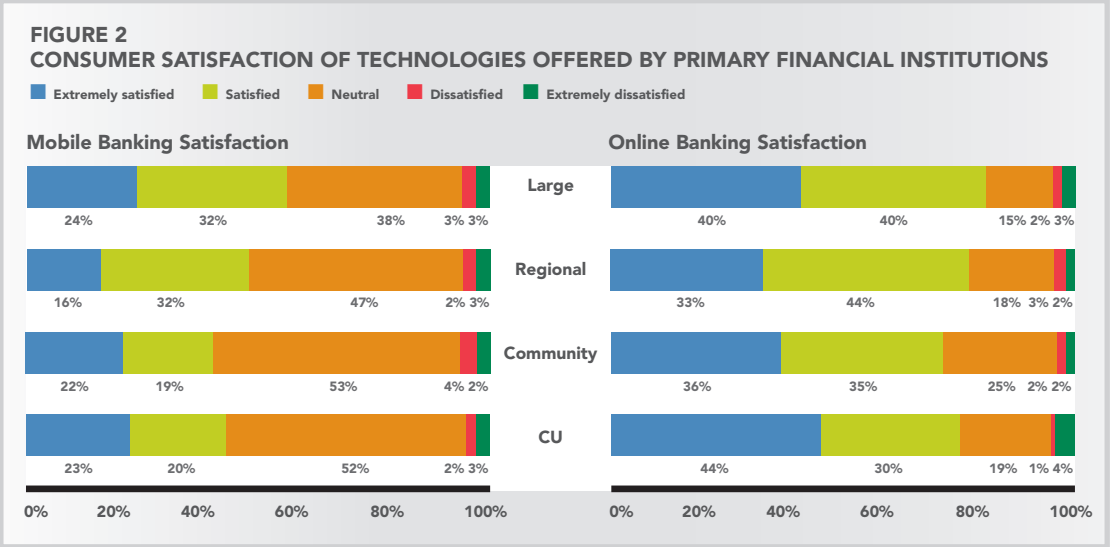
Consumers Now Expect Digital Banking Services to Power their Financial Needs and Goals

Consumers are accelerating their adoption of new technology, which is one key driver for FIs' shift to digital banking. Also important is the influence of leading retailers on consumer expectations. By engaging customers in superior buying experiences, these retailers are conditioning customers to expect the utmost in convenience and personalization. As a result, customers now expect the same–or better–from their FIs.

Results of the recent BAI Consumer Digital Banking Survey demonstrate that consumers highly value digital banking services, both in how often they use these services and how they use them. Forty percent of respondents use online banking at least five times a month, and 22 percent use mobile banking with the same frequency. In addition, 43 percent reported using online bill pay at least twice a month. In fact, many respondents indicated online or mobile is their preferred channel for a variety of relatively sophisticated tasks. In addition to the 66 percent who prefer these channels for transferring funds, 46 percent prefer them for managing investment accounts and 18 percent even prefer them for resolving an issue with an account. (See Figure 1 for more.)



Still, consumers want more. Although satisfaction rates vary by bank size, more than 40 percent of respondents feel neutral, dissatisfied or extremely dissatisfied with mobile banking, and more than 20 percent feel the same about online banking. (See Figure 2 for detailed data.) Perhaps most important for FIs, respondents indicated they would switch to a new FI if it offered innovative products and services. This mindset is shared by 38 percent of 18-to-20 year-olds, nearly half (48 percent) of 21-to-24 year-olds, 40 percent of 25-to-34 year-olds and 23 percent of people 35 and older.



Furthermore, customers are relying on digital banking services to meet their financial goals. Nearly two-thirds (66 percent) of consumers say that personal financial management tools are important digital offerings from their banks, according to an ATKearney survey.[1] Mobile banking users regularly check their account balances and commonly elect to receive balance alerts, either via text message, according to a Federal Reserve survey. If their balance or available credit is too low, they will forego large purchases.[2]

Taken together, these trends point to an important conclusion. Consumers want and expect FIs to learn their preferences, just as online retailers do, and to go one step further to understand their goals.

Financial Institutions are Making Progress but can also Benefit from Greater Digital Investments

FIs of all sizes recognize the importance of expanding their digital services and are prioritizing these investments. The BAI Retail Banking Outlook Report, based on a survey of FIs, revealed mobile banking to be a key short-term investment priority. (See Figure 3 for more.) Although FIs across the size spectrum indicated the branch remains the most popular channel, they also reported substantial usage of online bill pay, person-to-person (P2P) payments, mobile bill pay and remote deposit capture (RDC). (See Figure 4 for more.)

FIGURE 3
NEAR TERM INVESTMENT PRIORITIES (12-24 MONTHS)

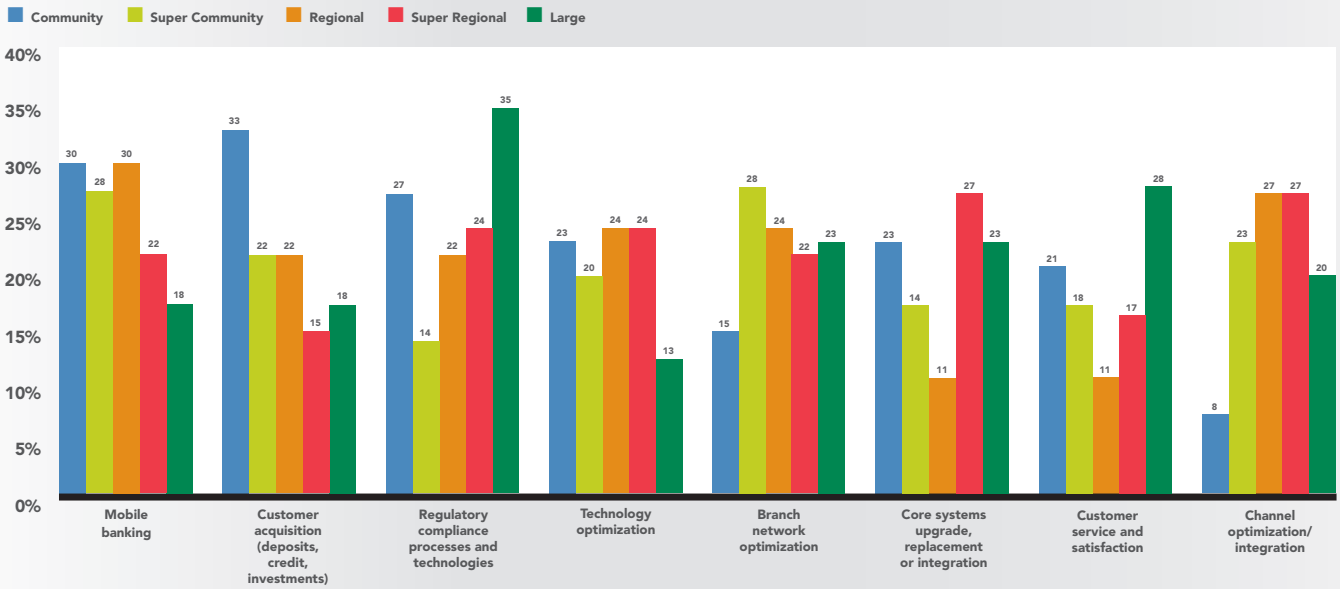


FIGURE 4
CUSTOMER INTERACTIONS WITH FINANCIAL INSTITUTIONS

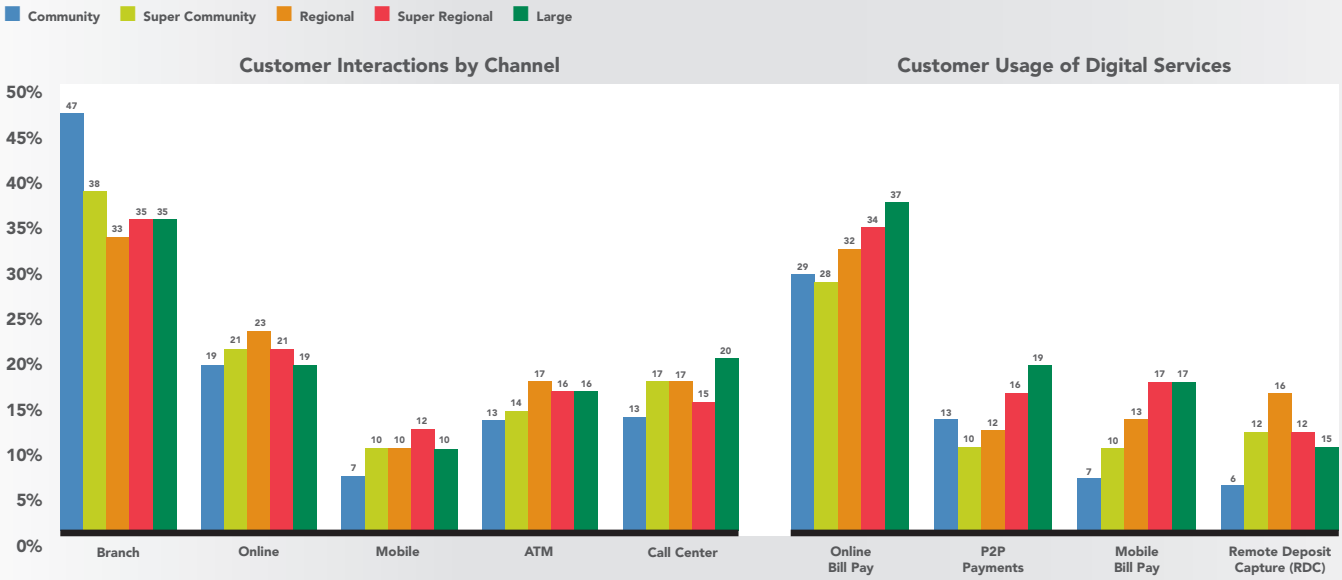


FIGURE 5
CURRENT MOBILE BANKING FUNCTIONALITY PROVIDED BY FINANCIAL INSTITUTIONS

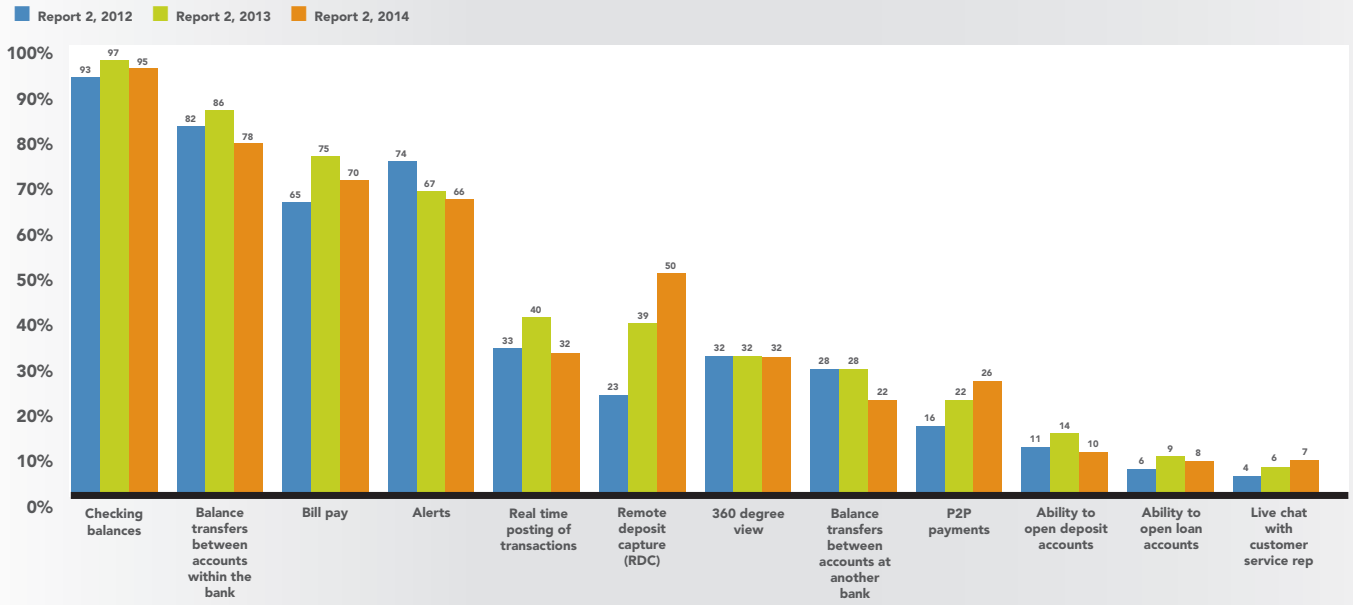
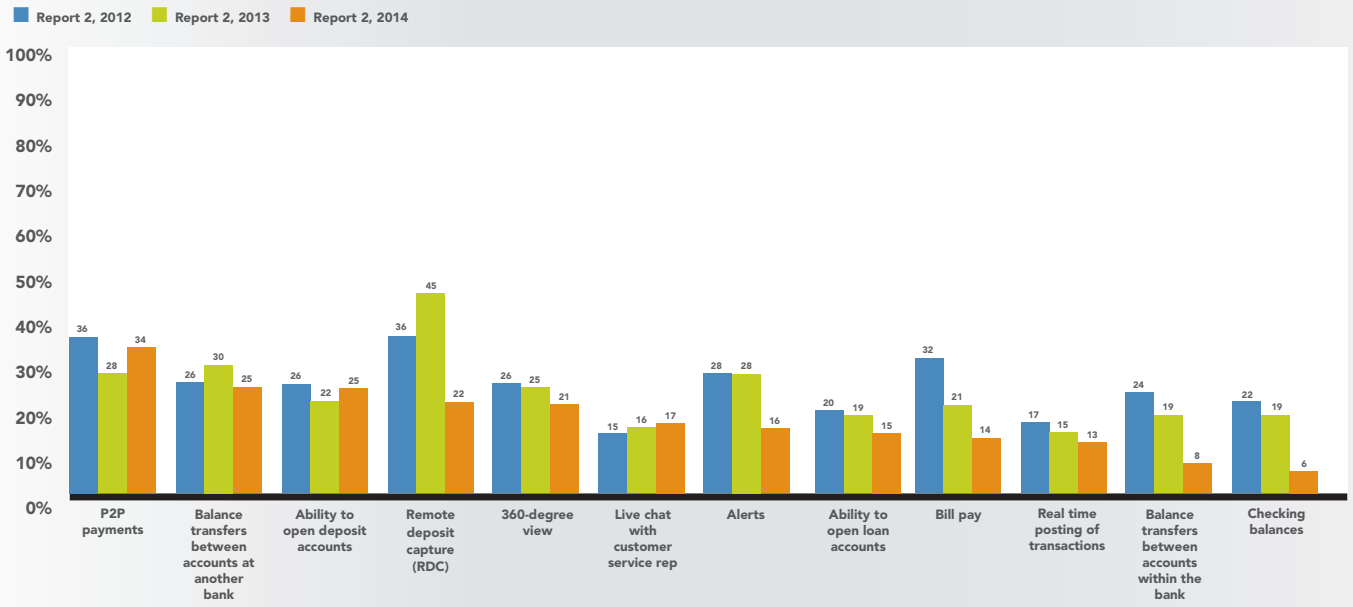


FIGURE 6
FUTURE MOBILE BANKING FUNCTIONALITY



The number of FIs currently offering key mobile banking features, from checking balances to bill pay, further emphasizes the importance of this channel, as does the variety of new features FIs are planning to introduce. (See Figure 5 for more.) Although no one new feature stands out as the overwhelming favorite, P2P payments, balance transfers to and from accounts at other FIs and the ability to open deposit accounts are all attracting support. However, some FIs still lag behind in certain aspects: 22 percent are still planning to introduce RDC to mobile banking, 21 percent are planning to offer customers 360-degree views of their accounts and 16 percent are planning to add alert features. Additional FI investments in digital capabilities can both build on this progress and pay off substantially in multiple ways.

Expanding Digital Banking Generates Even Greater Opportunities

Clearly, offering full-featured digital banking services can increase customer satisfaction for FIs, but doing so can also help them reach other business goals. One of the most immediate advantages is reduced costs. The BAI Retail Banking Outlook Report survey found that 41 percent of FIs identified migrating customers to online and mobile channels as an opportunity to reduce expenses. With the premium customers place on these channels, FIs have a rare opportunity to make investments that can increase customer satisfaction and control costs.

Another important business goal is customer acquisition; 19 percent of FIs consider it a critical business challenge, according to the BAI Retail Banking Outlook Report survey. Well-developed digital channels create opportunities for FIs to address this challenge as well as increase their share of wallet and expand their market share, which 28 percent and 33 percent of FIs, respectively, consider priorities. (See Figure 6 for more.) The foundation of these opportunities is the data that digital channel transactions generate on customer behavior, such as buying habits. This data, which is objective and gathered without human intervention, can show how customers behave throughout all channels. When data from multiple channels is combined, FIs can see a clearer, more complete picture of their customers.

Data can identify emerging customer needs, and that power magnifies the importance of investing in digital channels today.

With an improved understanding of their customers, FIs can personalize the customer experience and recommend new products and services, both of which aid customer retention. These advancements can, in turn, drive adoption of digital banking services, thereby improving FI efficiency, and attract new customers, especially those in younger demographics.

Right now, many members of the Millennial generation, which is particularly partial to mobile banking, are selecting their primary banking relationship.[3] FIs effectively addressing that preference can capture these customers just as they approach the years during which they're most likely to need mortgages, car loans and other financial products. Data can provide insight into customers' emerging needs, so FIs that focus on improving digital channels today can potentially reap rewards for years to come.

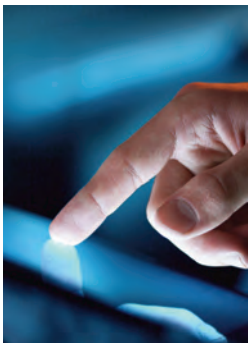
Data and Analytics are the Engines of Customer Insight and FI Growth

Digital banking channels give FIs access to customer data that is generated in real-time and is unprecedented in its amount and detail. That data can catalyze FIs to improve their results, but it also presents challenges, including combining information from disparate sources and detecting patterns in massive datasets. Therefore, FIs are likely to find sophisticated but easy-to-use analytics tools to improve customer experience and to compete with global banks who will master analytics capabilities.[4]

The best analytics programs help FIs thoroughly understand their customers so they can design products and services and target them to the customers most likely to buy. These tools can also facilitate more efficient customer service in the increasingly omnichannel environment. For example, customers no longer have to repeat their problem to a call center agent after attempting to resolve it themselves online. Instead, the agent sees what the customer has done and can quickly clear up the issue. This level of service matters to customers, even those who love to use digital channels. The BAI Consumer Digital Banking Survey shows that 48 percent of 21-to-24 year-olds believe high-quality personal service is more important than financial expertise, and 44 percent of 25-to-34 year-olds and 37 percent of those 35 and older feel the same.

With analytics tools providing real-time decisioning of personalized communications to customers who are in-session, FIs can accelerate progress to simultaneously improve satisfaction, revenues and profits. As FIs develop and execute on their omnichannel initiatives, high-quality analytics tools become essential.

Customer Focus Improves Digital Channel Adoption and Satisfaction



When FIs develop digital banking channels with a keen focus on their customers, everyone benefits.

In order for FIs and customers to enjoy the full set of benefits that advanced, digital banking makes possible, FIs need to remain focused on their customers. Some need to begin offering mobile banking; in fact 16 percent of consumers reported that they adopted mobile banking because their FIs began offering it.[5] Customers who don't use mobile banking are most frequently concerned about security and the technology being too difficult to use.[6] Therefore, FIs could increase adoption of this efficient channel by educating customers about how to use mobile banking and why it is safe. Offering and increasing the functionality of personal financial management tools is also important.

FIs often design digital initiatives based on their needs rather than their customers' needs.[7] Or, FIs separate digital into its own department, which prevents digital banking from harmonizing with other channels.[8] A better approach is to think about the customer experience and to remember that when customers think about their FI relationship or need service, they don't distinguish among channels. With customers expecting their FIs to fully understand their financial needs and to provide product and service recommendations, analytics tools with 360-degree customer views and predictive capabilities can prove highly valuable.

As FIs broaden and improve their digital banking offerings to meet customer demand, they can operate more efficiently, deepen their relationships with customers and acquire new customers. The first step in achieving these benefits is recognizing what customers want that they're not currently receiving, a task made possible by integrated marketing automation and advanced customer analytics tools. Then comes understanding how to integrate innovative new features into omnichannel enterprises so that they generate convenience and value. It's those FIs that take these steps that will be best positioned to realize the full potential of digital banking.

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