



White Paper

Importance of the Branch in a Mobile-First Digital Strategy

Sponsored by: Zenmonics

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IN THIS WHITE PAPER

Introduction and Drivers

In few other industries outside of banking is there a more drastic need to transform the business to ensure long-term viability. Unfortunately, in few other industries is the technology architecture so unfitting for that purpose as it is in banking today. Since the mid-1970s when the first call centers and ATMs appeared, banks have always been relatively quick adopters of technology for the purposes of acquiring and serving customers and implementing new processes and technologies to make the bank more efficient. Unfortunately, the adoption of new technologies was always performed in isolated projects that served the specific purpose for that time only. What this has led to is the aggregation of hundreds – or even thousands – of disparate systems within the institution, each serving specific needs, with little to no interoperability. Today, we are seeing digital transformation (DX) technologies that promise to transform the bank's entire IT portfolio, from back-office systems to customer contacts, and, in doing so, transform the banking business model itself. The following factors are driving many banks to undergo DX initiatives in order to create and deliver products and services through omni-experiences in line with the customer's lifestyle:

- Complying with ever-changing regulation and internal audit concerns
- Improving the overall customer experience
- Increasing efficiencies, primarily through reducing costs and improving workflow

These initiatives are being addressed primarily with self-service channels, but it is important to include employee-assisted channels as well when thinking about DX. In addition, the transformation needs to happen for the employee, not just for the customer.

Omni-experience is the ability to continually amplify the engagement of the multichannel environment to increasingly attract and retain all members, including customers, partners, and employees. First, there needs to be a strategy that is tied to automating and adapting responsively to the customer and employee experiences. There needs to be a culture developed within the financial institution and a hunger for driving disruptive channel experiences, oftentimes with the constraints of legacy infrastructure.

Omni-Experience Transformation Maturity Model

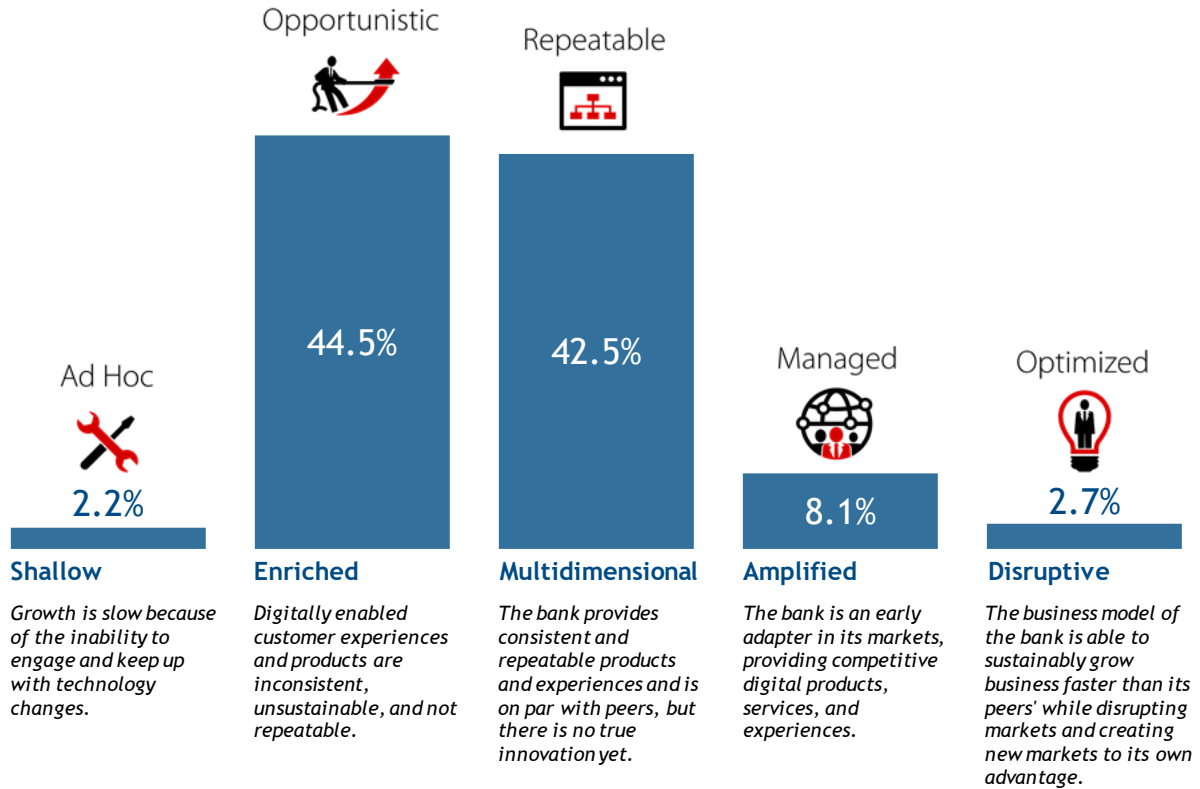
Understanding where the retail banking organization stands among other retail banks is an important first step of the process to properly assess and define the bank's omni-experience strategy. To deliver an optimized omni-experience to the ecosystem, there are five stages of maturity: ad hoc, opportunistic, repeatable, managed, and optimized. The key characteristics of the five maturity stages are:

- **Ad hoc – shallow:** The enterprise has little to no ability to adapt business models, products, and services to create contextualized and individuated ecosystem experiences (EXs), but pilots enable the business to evaluate the business case for specific scenarios.
- **Opportunistic – enriched:** The enterprise is inconsistent and has narrow focus on enhancing experience as a key goal in developing products and services. The analysis and synthesis of additional sources of omni-experience data support the pursuit of new types of interactions.
- **Repeatable – multidimensional:** Provision of engaging in high-quality business and ecosystem experiences is a critical imperative in the creation of all new enterprise products and services. Significant cultural, business, and technological shifts lay the foundation for responsive omni-experience adaptation.
- **Managed – amplified:** The enterprise consistently delivers high-quality product and service experiences through every interaction that engages a customer, product, market, partner, or service provider. The business relies on automated analysis and synthesis of ecosystem pulses to improve business model development and product and service ideation, selection, and execution.
- **Optimized – disruptive:** The enterprise exhibits an ability to repeatedly disrupt and transform market and personal behaviors by continuously innovating and delivering contextualized and individuated experiences in an engaging, consistent way. Self-improving processes generate sustainable market-leading digital experiences.

Figure 1 represents the maturity distribution of omni-experience digital transformation across 100 U.S. banks surveyed. It is clear that the vast majority of institutions continue to be in the early stages of the maturity model. The ability to move up the maturity model depends on how well the financial institution can get to an enterprise view of omni-experience, with particular focus on improving not only the digital channels but also the employee-assisted channels used by the staff. The benefits achieved by moving up will include being faster to market with new products and services and the ability to leverage fintech (IT vendors to the financial services industry) innovation for customers and partners, improve the operating leverage of IT, energize the employees, and ultimately create frictionless transactions for customers.

FIGURE 1

IDC Financial Insights' Omni-Experience Digital Transformation Maturity Benchmark (U.S. Banks)



Source: IDC Financial Insights, 2017

Importance of the Branch and Contact Center

All talk of the death of the branch seemed to have faded over the past few years. In fact, the importance of not only the branch but also the contact center has never been stronger. Despite the decrease in routine transactions at the branch, the majority of consumers still want the branch, and when choosing where to bank, the proximity of a branch to their home or office is a factor. This is true even with millennials, who clearly will have a digital-first expectation, but when they do visit a branch, the expectation will be that the branch is not using dated technology.

When customers walk into a branch, they choose human interaction as their channel. They most likely walked by an ATM, chose not to use online or mobile banking, and did not want to place a phone call to the bank. The most likely reason they are at the branch is that they have a problem or a need and would like to speak to someone who works for the bank. If bank employees have the right tools available, they can properly address the specific needs of those customers without the customers having to retell their story. Gathering information about the customer experience across all channels is key to coming in with an impressive resolution, perhaps surpassing the customer's needs, which in turn provides an opportunity to deepen the relationship.

Role of the Branch in Omni-Experience Digital Transformation

As financial institutions begin to look at their options when it comes to the branch, the one constant has been that the branch will not go away, but it will transform. Transformative technology at the branch is nothing new – as exemplified by the ATM being deployed in the first branch almost 50 years ago. The difference is that ATM technology was brought in to facilitate self-service for simple and routine transactions, primarily for getting small amounts of cash. Now, technology has evolved to the point where banks will need to utilize advances in technology to handle more complex transactions, deepening customer relationships, and the ability to combine self-service into an employee-assisted experience in the branch using kiosks, tablets, and video technologies that can communicate with the digital channels. As the bank undergoes digital transformation, so must the face of the institution, the branch.

The financial services industry has made a tremendous investment to the branch network, and with a plethora of new digital banking offerings, customers' expectation about what they need the branch for is shifting, and it is shifting rapidly. How institutions approach this transformation will make or break them over the next decade. Digital transformation continues to make monumental changes to the banking landscape as we begin to see a shift in how consumers engage with their bank and also in how the bank engages with its customers, in both the physical and the digital channels.

Business Benefits/Why the Branch Is Important – Customers, IT, and the Line of Business

There are multiple stakeholders that must be considered when developing any transformation project, particularly one that involves omni-experience. Banks have significant investments and reason to protect their investments in branch networks today and in the future. Customers still require the presence of a branch as part of the entire omni-experience, even as the requirements of the branch are shifting from transaction to sales and from service to advice and as a way to engage the customer while promoting the bank's brand. Smart technology is providing the opportunity for the bank to transform the branch by putting the customer at the center of the experience but requires the employee to be armed with the right tools and solutions.

A successful transformation at the branch will improve the satisfaction and sentiment of employees as they will be in a better position to assist the customer. To achieve this, it goes beyond just putting a tablet in a branch employee's hand; the platform needs to be able to provide context around the needs of the customer and spend less time fact finding. Presenting the customer with better options in faster time improves efficiency and will drive up application pull-through rates.

IT wants consistency, standardization, security, and manageability to align branch solutions to meet the overall enterprise strategy. Having systems in place that can reduce audit scope, minimize vulnerabilities, and utilize modern technologies will help reduce costs and make hiring of staff easier as the skills are more readily available for modernized solutions than legacy. Once the foundation has been laid, IT will feel more comfortable around developing a more mobile footprint of the branch, expanding beyond the brick and mortar and into customers' homes and offices and public locations like restaurants, coffee shops, and municipal buildings.

Consider Zenmonics

- Zenmonics, founded in 2007, brings decades of experience developing and integrating complex banking platforms across customer- and employee-facing channels. Its work spans more than 40 top U.S. banks and a handful of international institutions. Through this work, Zenmonics has accumulated a depth of expertise in channel banking business processes and technologies that is unique in the industry.
- Zenmonics used technical and domain expertise to develop channelUNITED, a platform designed from its inception to deliver common banking services and a unified experience across customer- and employee-facing channels. The first customer production launch occurred in 2014.
- A seemingly obvious concept drove the design of channelUNITED: Customers don't think in channels; banks should not either. Yet decades of investments in point solutions create barriers to achieve that goal. channelUNITED offers a path to break that cycle.
- The first step of the journey is channelUNITED Connect, a digital API layer that delivers common banking services across all interaction points. channelUNITED Connect ships with over 150 model bank processes powered by 400+ REST services, saving the bank many months of design and build cycles.
- channelUNITED's Glass framework integrates with Connect to deliver Zenmonics' digitalBanking and mobileBanker solutions. These endpoints share a single code base that drives speed to market and efficiency in IT investment. Security and compliance efforts can focus on a significantly reduced footprint, freeing resources to focus on innovation in the customer and employee experience.
- The modular design allows for iterative implementation on the timeline that best aligns to the bank's strategy and most pressing priorities. Some clients start with a specific employee channel (e.g., teller); others begin with a customer-facing channel. In either case, the first implementation lays the foundation of Zenmonics' digital API layer. Subsequent deployments leverage those same APIs with no rework, allowing for expansion at the pace defined by the bank.

Figure 2 represents how a branch can be transformed using channelUNITED to deliver digitalBanking and mobileBanker solutions.

FIGURE 2

Zenmonics' Digital Transformation



Source: Zenmonics, 2017

Opportunities and Challenges

Opportunities

- **Drive true digital transformation.** channelUNITED transforms the bank's capabilities through the entire organization including the complexities found in employee-assisted channels like branches and call centers. This goes far beyond simply updating online and mobile channels with the latest, oftentimes trendy, technologies. Broad transformation yields tangible results. One early adopter expects a 25% reduction in teller transactions by deploying channelUNITED to self-service kiosks and banker tablets.
- **Reduce the burden on customers.** In today's environment, it is the responsibility of customers to carry their story from one interaction to the next. This drives incredible frustration and immediately puts employees on the defensive because they are often not equipped with appropriate information. With channelUNITED fully implemented, the bank can demonstrate that it truly knows the customer at every interaction point.
- **Empower and energize employees.** A stark contrast exists between the modern technologies bankers use in their personal lives and the antiquated systems they interact with in the workplace. channelUNITED closes that gap, which removes employee stress and allows employees to focus on solving customer problems and helping customers plan for the future.

Challenges

- Technology is only a portion of digital transformation; thus broad and deep organizational support is needed to fully realize the benefits of channelUNITED. This requires collaboration and shared decision making across previously isolated parts of the organization.
- The omni-channel strategy feels blocked by recent investment in point solutions. For example, in one case, a bank recently upgraded an end-of-life teller platform and has multiple years remaining on the new contract. The modular design of channelUNITED allows an incremental approach so that channels can onboard when it makes sense. Not having to "rip and replace" reduces change management risk and allows the bank to invest first where it gets the most return.

CONCLUSION

- Omni-experience goes well beyond the look and feel of an interface; it looks at common workflows, customer data, and channel interactions for the consumer across both digital and physical channels.
- Banks must deliver solutions that are truly built for the omni-experience expected by today's consumers. This goes beyond just mobile and online strategies and needs to include employee-assisted channels like the branch and contact center.
- Fortunately, technology has evolved to the point where banks can handle more complex transactions, including cross-selling and upselling capabilities, delivered to the bank employee on tablets and mobile devices and through branch kiosks and ATMs.
- The deployment of modern mobile solutions in the branch will lead to more time being spent by the bank employee on deepening the relationship and less time on gathering information.
- Most institutions are in the early stages of their omni-experience digital transformation. Long-term success will be based on how well the financial institution can get to an enterprise view of omni-experience, with particular focus on improving not only the digital channels but also the employee-assisted channels used by the staff.
- When problems do arise, being able to deliver a "wow" moment for a complex issue takes the bank from an obstacle to an advisor that can help customers with their financial needs.

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