The Future of Multi-Channel Delivery
A report by the EFMA Banking Advisory Council in Partnership with Microsoft
Introduction

The banking industry has been dramatically transformed over the last 25 years – a transformation that has heightened competition and increased risk, while creating a wide range of new opportunities.

The challenges facing the industry are broad. Customers have become conditioned to expect an around-the-clock and personalised service from other industries and expect the same from their banks. Globalisation and deregulation have opened the door to new competitors. New technology products and financial instruments have added layers of complexity in creating, selling and explaining new offerings. Industry consolidation, decreasing margins, and increasing regulatory requirements have added to the growing uncertainty.

At the same time, these changes have opened up vast new markets with significant revenue opportunities. In particular, the proliferation of channels has created immense opportunities. But are banks ready to seize this opportunity?
The EFMA-Microsoft Banking Advisory Council

The European Financial Management & Marketing Association (EFMA) and Microsoft have established a Banking Advisory Council, consisting of respected industry leaders, to gain consensus on the opportunities that lie ahead.

The Board met throughout 2005 and 2006 – seeking to develop a series of recommendations for the future of multi-channel delivery. The purpose of this report is to outline the Board’s view on the following topics:

- Drivers for change in retail financial services
- Regional differences in development, and developing new business models
- Distribution channel issues
- Customer experience management
- Product and service development
- Operational and organisational issues.

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Executive summary

This report documents the Council’s series of meetings throughout 2005 and 2006. These discussions identified the following key points:

- Economics and competition are major drivers. How quickly do you need to move? What does it cost? How quickly does it provide a worthwhile bottom-line return?
- Strong regional differences in channel integration and development exist and are likely to continue.
- Developing the right business case and impact on short-term sales performance are likely to continue to be major influences on future development.
- All financial services companies are looking to how they can best build meaningful relationships with customers in a future world where they are likely to use traditional branches less.
- Banks need to develop a better capability for using customer research and insights in an operational way.
- Banks need to learn the lessons of the Internet era and look at better applications of both current and new technology. As one Banking Advisory Council member said: “Perhaps part of the problem is that we have more ideas than customers can cope with – we need simpler applications and clear communication of them to get the message across.”
- Technology is not an inhibitor – the problem is that banks are not getting the best out of the existing technology they have. People will be the basis for differentiation and they need to be empowered with the right technology.
The Banking Advisory Council members were united in their desire to create an organisation that is more customer-driven and focused. However, the reality is that it will not only be the increasing needs of customers that will determine the pace of change in retail financial services — but also the nature of the competitive environment.

Many Banking Advisory Council members believe that the further entry of innovative new competitors from other backgrounds, with new products and services, will be a major factor in driving the pace of change in the industry.

Therefore the overall vision is of being able to create a more flexible and adaptive organisation that is able to respond more rapidly to the changing needs of the marketplace — which can manifest itself in two ways. Retail banks of the future will wish to respond to changing customer needs, such as the demand for a change in service or a new product proposition (requiring rapid changes in internal processes). Similarly, the banks have a vision of being able to respond much more quickly to competitor developments — requiring better levels of competitor intelligence and marketplace benchmarking, but also more flexible systems and processes to be able to make quicker changes to product and service propositions.

There is also considerable concern within today’s retail banks and financial services companies about the issue of balancing the needs of shareholders and customers. Customer views are obviously critical, but all companies operating in the financial services marketplace recognise that it is not economically possible to deliver everything the customer wants. Indeed some banks would suggest that in today’s sales and bottom-line focused world, the only drivers are reducing cost and increasing revenue.

Many Banking Advisory Council members remarked on the complexity of managing retail banks today and harnessing the real drivers of change. Nevertheless there was a full appreciation that they need to have a better understanding of customers and the sociological changes that will affect them in the next ten years or so.

Most retail banks have considerably increased their customer research budgets to help them with this but accepted that the challenge was still deciding which priority areas to focus on. As one member
of the Banking Advisory Council remarked: “Sometimes there can be too much analysis and things never get done.”

Another important issue is that of size and scale. Some of the Banking Advisory Council members believe that size is becoming a hindrance, and that in large organisations innovation on its own is not sufficient. Large numbers have to be achieved with new products to gain acceptable bottom-line results. Introducing new innovative products quickly was also more of a problem and a number of members said their organisations had formed separate innovation entities to try to resolve this.

As new products and services are rapidly copied in today’s marketplace, pricing is a difficult form of differentiation and customers struggle to understand any one given unique value proposition. Service levels, as well as good use of technology, are therefore seen as two ways in which a sustainable competitive advantage can be sought.

In terms of the future there is a belief that the differentiating factor between banks will be the excellence of delivery of personal advice, regardless of the channel used.

Drivers of change

THE COUNCIL SAID:

“Reducing costs is what we were all about five years ago – and you can reduce yourself out of existence.”

“The most important thing to have in the future will be the agility and flexibility to change your business model, to respond quickly to changing conditions and customer needs.”

“The multi-channel approach should allow us to change the role of the branch to that of an advisory centre.”

“Things should be done within a business perspective and IT should not be the driver.”

“I do not see enough on the marketing and communications side – we will need to be much more marketing-driven organisations.”

“We do not believe that refurnishing or redesigning branches will make the difference. The main difference will be in the sales attitudes and capabilities.”
Regional differences in development – and developing new business models

The Banking Advisory Council meetings have demonstrated considerable differences across Europe in terms of issues such as channel integration and developing an integrated customer experience.

The expectation is that there will continue to be variations in the pace of regional development, which will be driven largely by differences in the cultural and socio-economic characteristics of each geographical market, and also significant differences in legislation across different markets.

Competition, combined with differing compliance and regulatory environments in each market, will contribute to drive different levels and pace of development across Europe. The main issue was seen as being the business model that will support development in each country. Will it be different for each market, or is there a single approach and model that supports pan-European development? The discussions between Banking Advisory Council members suggest there will be different approaches.

Regional differences in development may cause more advanced customers to search for the best products and service across geographical borders, although there will continue to be physical and legislative restrictions on how easy it will be for customers to take advantage of this. Developing business models that can be flexible across different geographical markets will be important. Flexibility and agility will be critical future characteristics of leading performers in the industry.

Members agreed it is critical to recruit the right people with the right empathy with customers. However, product complexity (and higher margin products) places even greater demands on the skill set required.

Members also agreed that transparency and trust will be increasingly important in the future and banks would need to do a lot more to make their customers truly loyal. It was agreed that there would need to be a differentiation between those products requiring a trust-based relationship and others that do not. As one member stated: “If it is just transferring funds, all you need is a reliable brand.” There is much discussion in the industry about becoming a ‘trusted intermediary’, but members recognised that not many had fully achieved this status yet. Some banks in their expansion efforts will also wish to leverage their scale and existing assets and not necessarily take the opportunity to innovate.

“More advanced customers may search for the best products and service across geographical borders”
The Banking Advisory Council members share a vision of a bank in which full integration of channels has taken place. There is however a need to articulate more clearly to customers what they can expect from their bank in terms of how this will operate in practice. The ideal environment that the members’ banks would like to create involves the following characteristics:

- Full customer data can be accessed via any channel
- Data is real-time and consistent
- Sales and servicing can be carried out from any channel
- Customers can start a transaction or product application in one part of the bank (e.g., Internet) and complete it in another (e.g., branch)
- Customers can have issues in one channel and expect not only that every other channel is aware of it but can also resolve the problem if necessary
- Managers and employees have a comprehensive internal management information system, which provides them with a clear concise picture of their business transactions, levels of service and transactions through each channel.

The overwhelming view of the members is that customers do not see the bank as separate channels, but simply as a bank – and will increasingly expect to get access to an expert or adviser through any channel.

Channel integration is obviously seen as a key to success. As one Banking Advisory Council member stated: “Integrating channels is everything; if they are not integrated you are nowhere.” However, the pace at which this is being developed and achieved varies considerably across banks, and there was agreement that it was difficult to construct the right business case for full integration.

There are some concerns among Banking Advisory Council members that customers are apprehensive of new technology and this “fear” is one of the reasons why migration to the Internet is taking considerable time. As one member stated: “We should choose the simplest things in terms of the application of new technology, but we do not.”

There is a general belief that we need to learn the lessons of the past in terms of Internet development and look for new technology that has both customer appeal and works best from a bottom-line impact approach. As one member said: “The two key questions are: does it give the customer a good feeling? And does it help to increase my profitability as a bank?”
However, there is also a new generation of customer coming through that is extremely technology savvy, does not identify with the current way banking is done and is very well networked with friends whom provide a significant amount of guidance and advice. Banks need to concern themselves with the needs and wants of this newer ‘Internet user’ generation.

The vision of the Banking Advisory Council on key distribution channels of the future is as follows:

Retail branches or ‘physical points of distribution’:
Today the reality is that many banks have made a considerable investment in retail outlets they cannot easily close. Branches are good brand awareness vehicles and customers will continue to use branches albeit for lower volume higher value transactions. Indeed, some members believe the branch is actually cheaper than other virtual channels if you take into account overall costs – and that a key factor moving forward would be the quality of the customer experience.

However, the longer-term vision is that branches will continue to be an important distribution channel in the delivery of financial services, but they will no longer be the ‘star’. Indeed the Banking Advisory Council believes that in the future there may be no distribution channel ‘stars’, but only key component parts – one channel will be no good without the rest functioning in a fully integrated and efficient manner. Therefore the branch will be viewed rather as a key cog in the overall delivery of an integrated customer experience.

The branch will not die, but it will not be as important as it is today. Rather than fewer branches there may be even more physical points of distribution in the future, but they are likely to be a lot smaller and in different locations from today.

Part of the problem is that retail banks have not yet found a way of managing customers solely through remote channels and do not currently see how they will be able to achieve the sales targets their corporate plans require without heavy reliance on branch sales. There is a view that retail banks have confused the customer with too many different messages about channels and that a more consistent and simpler message was needed to explain the role and use of each channel.

“The longer-term vision is that branches will continue to be an important distribution channel in the delivery of financial services”
The employee experience is also very important in terms of improving overall sales and service effectiveness of the branch. Technology, tools and systems play a big role in improving employee satisfaction, which will translate into delivering better service to the customer.

The Banking Advisory Council agreed that it would be critical for the industry to manage customer expectations better in the future. It was generally agreed that different levels of service would need to be provided to different customer segments. As one member stated: “We cannot afford to provide the same level of service to everyone – customer expectations should not be raised inappropriately.”

In summary, the vision of future branches, or ‘physical points of distribution’, includes:

- More flexibility in design and delivery capability
- Combination of sales and service (but main focus on sales)
- Increased use of easy-to-use self-service devices
- More fully-automated branches
- Vast increase in customer relationship management (CRM) capability to anticipate customer needs
- Automated and integrated appointment booking service in all outlets
- Significantly increased and variable opening hours (depending on location and customer need)
- Significantly better trained and ‘super knowledge’ staff who can add real value in an advisory capacity to customers
- Better tools and processes for staff to better serve customers
- Improved (reliability, simplicity and cost) IT management and support of the branch.

Online banking

As online banking continues to increase in importance, banks must find ways to cut costs, maximise existing investments in technology and meet increasing customer expectations.

The Banking Advisory Council believes the industry has a real opportunity to lower the total cost of ownership of online banking through improved integration with other channels. In particular, members believe integrating online channels with the physical branch through, for example, automatic branch booking services, follow up advisory calls, and trigger points to deliver specific services or products through another channel, will add real value. The opportunity for integrated voice and video communications online is considered a possibility, but not for some time.

The Banking Advisory Council members also predict a shift within the industry to providing deeper sales and advisory services via online banking. They agree this will require a quantum leap in capability and customer training and
education, and is tightly linked to market acceptance. There is an industry need to further assess the market viability of automated advice via online channels. Whilst some banks already have the means to provide advice (i.e. recommend a product for a given situation) the market need for advice on all products and services from any Web-enabled interface will need to be tested further.

Customer contact centres
The dilemma facing the Banking Advisory Council is how to increase product sales and provide high quality service through contact centres – but at a low cost.

The members share a vision that involves a smaller number of ‘super contact centres’ that have the technology to identify an individual customer’s value whilst they are in the queue. They can then vary service levels accordingly, but still offer a consistently high level of service in terms of call-answering time to all customers.

This customer contact centre of the future may not be located within the bank’s home geography but will have the capability to do outbound selling and turn inbound calls into outbound sales.

Customer contact staff will have far superior product knowledge and advisory skills compared to today’s staff. They will be able to build customer relationships over the phone and provide a sense of trust and ability to meet customers’ requirements without the need for face-to-face meetings. This will require superior technology and processes, both to enable quicker processing and better understanding of customer needs, and much better levels of staff training that results in superior customer handling skills.

Interactive voice response (IVR) systems have often been used to address wait times and costs, but are encountering some customer satisfaction issues. Voice recognition systems could be a way through this, to service customers in a more human-friendly manner at an acceptable cost. Voice identification systems have also progressed and provide a newer and more interesting way in

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which customers can access banking services and authenticate themselves.

**Self service banking – ATMs**

It is approximately 30 years since the patent for the first automated teller machine (ATM) was issued. Yet the Banking Advisory Council agrees that the ATM carries the dubious distinction of being one of the most revolutionary innovations in banking history that, nevertheless, has failed to keep pace with other technologies.

However, a combination of business pressures, regulatory mandates, and open systems has changed the landscape and the new wave of next generation ATMs presents new opportunities to the banking industry.

Banking Advisory Council members believe the ability to provide highly personalised messages and services to customers via ATMs is key. Personalisation and related CRM tools which supply pattern-based information about customer preferences between the ATM and underlying systems, enable banks to exploit cross-selling opportunities and provide services to their customers, while enhancing the customer experience. As one member remarked: "ATMs have potential and we must work on this. The ATM represents an opportunity to create a customer experience they do not currently receive."

As a result of converging business, regulatory, and technological forces, the distinction between the ATM and the PC may narrow in the coming years. Banks must introduce enhancements carefully to ensure that they map appropriately to consumer demand. In this respect, providing technology that is both easy to navigate and rich in functionality maximises the likelihood of consumer acceptance. A tiered infrastructure of small-footprint ATMs in lower transactional environments and more full-featured ATMs in high-traffic locations will be most effective for achieving this goal.

**Mobile banking**

Today’s mobile technologies provide a wide range of new opportunities for banks to improve staff productivity while offering customers greater convenience. The members believe extending basic banking functions and services to customers via mobile devices in the future will deliver a wide range of new sales and services scenarios.

The Banking Advisory Council wants to see the industry develop the ‘killer application’ that can have a direct impact on profitability. The mobile device as a payment mechanism could be that killer app, though members believe some technical issues remain. This would also open up competition to telecommunications companies.

Whilst the members do expect increasing customer demand to perform banking functions through mobile devices, the ability to deliver more complex products is not part of their vision. This does not mean the capability will not be available. The issue is the willingness of customers to use mobile devices for this type of service.

The Banking Advisory Council agrees on a vision to use mobile devices as an information delivery channel between banks and their customers. The main applications will be in balance information, personal information changes, appointment booking, pricing and product information.

"Banks must introduce enhancements carefully to ensure that they map appropriately to consumer demand"
Television banking
There is uncertainty among the members of the Banking Advisory Council about the future role of TV banking. Whilst some members pointed to experiences in the UK and Spain where it had not seemed to work, developments are taking place in The Netherlands which indicate some enthusiasm for this channel. New technology is enabling a better offering to be provided than in the past and one of the members felt that TV was perhaps one of the few channels that could reproduce the emotional element of interaction that customers are used to receiving in branches.

However, the majority of members do not see a major demand emerging for TV banking in the near future. They have a vision of TV being used as an information delivery channel only. A number of major retail banks are exploring the way the TV will become a PC and vice versa, which will provide a range of new opportunities for banks to explore.

Other new channels
A range of new self-service devices may develop that could be used to deliver retail financial services. If these new devices meet the industry’s vision of integrated channels that help reduce overall cost, increase sales, and can be introduced easily – they will be welcomed with open arms. However, the Banking Advisory Council believes none of these will have an impact on any of the other main channels in the near future.

Potential new channels include:

- Television
- Instant messenger
- Retail distribution – in-store co-branded banking
- White label banking
- Virtual social worlds
- Gaming environments (online).

Distribution channel issues

THE COUNCIL SAID:

- “The branches will be used as advisory centres.”
- “It will be a long time before we can close down the branches, if ever.”
- “Branch design is not about furniture or the colour of the walls but about how clients use the branches. There are changes you can make to branches that are very effective that cost no money at all.”
- “If there is one thing I would ask for, it is for a few thousand more branches to be profitable in year one.”
- “The branch of the future will focus on advice. What will be left in the future are a few desks at which there will be specialists on customer relationship and advice.”
- “I think there is huge potential for sales in online banking. However, assistance with sales on the online channel will be necessary.”
- “The challenge for us in the coming years is to increase sales on the Internet.”
- “The priority for us is the integration of Internet and call centres. We need to create richer interactions on the Internet.”
- “ATMs have potential and we must work on this. The ATM represents an opportunity to create an experience that customers do not currently receive.”
- “It is clear you can make non-physical environments very personal if you go about it in the right way.”
Delivering a truly integrated customer experience that meets customer expectations is one of the greatest strategic challenges facing retail banks in the next ten years.

The Banking Advisory Council members share a common vision of being able to provide a truly integrated customer experience across all channels. This will involve not only a better understanding of a customer’s individual needs, but the ability to deliver a more flexible approach to delivering customer service across each channel. Most customers are expected to use a variety of distribution channels in the future. However, every customer will use a different combination in different ways and our members share a vision of providing a more personalised ‘customer experience’ to each customer.

How will this manifest itself in practice? The members’ vision is that all banks will have the ability to recognise the individual characteristics of each customer when they interface with the bank, and can respond to their individual needs.

Using business intelligence, analytics and rules engines, banks will be able to route the servicing of a customer to the most appropriate channel (i.e. least-cost routing). This could also provide valuable segment differentiation ability for premium banking customers.

In practice this means that a customer entering a branch, calling a contact centre or going online will receive recognition of their worth to the organisation and their likely needs. If a customer performs the same transaction every time they enter the branch, this means the bank will have this information and be able to act on it in an anticipatory way.

The customer will want the ability to self profile. This will mean they will be able to instruct the

“Customers will increasingly expect a ‘seamless’ service between different channels”
bank on the way in which they prefer to receive communications.

Customers will increasingly expect a ‘seamless’ service between different channels. The Banking Advisory Council has a vision of a fully integrated banking system providing real-time information on all transactions and interfaces with each channel. Banks should also be able to satisfactorily resolve or follow up problems and complaints through any channel.

Banks will need the ability to instantly recognise the full extent of the relationship a customer has with the bank. This could be as simple as a single view of the customer, or beyond – to know the full household-based effect this person has on the bank’s business (e.g. the fact that they have only a savings account but are the CEO of a company that does significant business with the bank in another country). Financial advice scenarios provide an excellent means for collecting a significant amount of customer data.

For many years banks have sought to make the experience of buying financial services more interesting, but have found this a difficult quest. The vision for the future relies on being able to provide maximum convenience but also provide added value in respect of benefits and long-term value.

To make the customer experience more enjoyable will involve making the physical space within branches more attractive to customers. There is therefore likely to be a continuation of banks copying a number of retail trends. The location and size of physical outlets is likely to continue to change. The Banking Advisory Council members envisage an increasing number of smaller outlets, kiosks or sales outlets of less than 300 square metres in some cases, which will be located in areas of high customer traffic.

Banks also have a real opportunity to take advantage of a full relationship-based pricing model – such as offset accounts, loyalty programmes and dynamic pricing – as a means to really demonstrate a unique value proposition, beyond just broad segment-based pricing.
The core vision of the Banking Advisory Council regarding product and service development is of simple products that can be adapted easily to individual customer circumstances and needs.

Member banks would like to simplify product ranges and deliver simple easy products to customers. This will require a considerable simplification of product processes. However, perhaps the greatest change envisaged in product and service development is more personalisation and individual packaging and pricing of products. The vision is of a situation where each customer can design a combination of products delivered in a way they prefer. Of course, there is recognition that this involves a price that only some customers will be able to pay. Therefore, there may be some polarisation between the mass market where we will see plain ‘vanilla’ products with little variation allowed in features, delivery or price – whilst there will be other smaller and more specific segments being offered a much wider diversity and flexibility of product offering.

Members also believe that an increasing number of products will require advice as part of the sale, due to regulation, customer demand or product complexity.

Some banks will look to develop close links with other retailers or manufacturers and sell added value non-financial products through their distribution channels. However, the vast majority of banks are likely to focus on simplifying their existing product range and demonstrating the added value associated with buying a bundle of financial service products rather than buying a range of products from different suppliers.

An increased product range has a massive effect on the skills and knowledge required to sell and service these products. Technology is one means to address some of this complexity but human change management is also on the critical path.

There has been a singular lack of product innovation in banking over the past twenty years. An example is the processes surrounding the selection, purchase and settlement of a house. The Banking Advisory Council believes some banks could take lead in this area and focus on certain channels to execute on it. The ability for competitors to react and compete could be very difficult.

To summarise, it will be critical to be able to offer a full range of products and services that meet all customer needs in terms of quality, price and service delivery. However, flexibility will need to be built into product development to allow frequent changes to product content and delivery. Most banks will have a much smaller and simpler product range for the mass market but there will continue to be a demand for more complex products by smaller specific segments.

“There has been a singular lack of product innovation in banking over the past twenty years”
The Banking Advisory Council has a vision of a bank in which operational costs have been minimised and the management and operational structure of the bank is optimised to make the task of managing the bank both operationally and strategically much easier.

This would include a streamlined head office with many of the current functions being outsourced. Some banks will have no head office, or head offices of less than 100 people.

Banks envisage having the highest quality management information systems (MIS) or business intelligence (BI) that delivers detailed operational and sales efficiency information at all levels of the organisation on any timescale required. Measurement of individual and operational or delivery unit capability will be essential. Distribution channels will have hourly and daily reporting of sales and operational efficiency in a similar way to today’s leading retailers.

A focus on implementing new improved processes will be essential to improve the customer experience (i.e. faster, more reliable and real-time processes), reduce costs (due to continual optimisation) and reduce risk (by reducing or eliminating manual steps). Banks can no longer treat the efficient processing of large volumes of transactions as ‘good enough’ – and transaction processing costs will emerge as an area of competitive differentiation. A prime example is the burgeoning war on payment costs/fees.

Technology must move more into the business domain and out of the back office. IT systems and processes must have a business context and external focus. Back office systems are not a real differentiating factor for banks and are moving into a commodity context. Banks must compete in the front office and focus on business change management, not IT change management.

No application is an island and systems and data must be accessible by all other systems. There can be no sacred cows.

The ability to rapidly design new processes to meet a new business demand, simulate this process and experiment within a culture of innovation will be important for sustainable competition. Most banks have single rigid systems that allow little or no room for experimentation or simulation.
IT systems will be globally dispersed, resulting in a new way of IT management, change management and operational paradigms. Systems will also need to adopt and align to industry standards such as open XML messages and be able to leverage best practice rapidly to maintain a competitive position for the business (i.e. integrating into a new low cost payments hub).

People will be the basis for differentiation and they need to be empowered with the right tools (i.e. software to be able to do their job effectively). This covers all roles within the bank including front line customer service staff, back office administration, IT professionals, software developers and executive management. Banks need to be making a bet on their people and this means enabling them with the right software.

**THE COUNCIL SAID:**

“The biggest problem is the different speeds of capability and innovation among organisations.”

“I would like to see continuity between the channels. If you start a transaction in one channel you should be able to pick it up and finish it in another.”

“I would like to change the capabilities of our sales force.”

“There is a lot of work going on in the sales culture area and being more proactive and reactive with customers across all channels.”

“The focus will be on expertise, relationship and advice.”

“One of the problems of retail banking is that we are selling products that we do not want to sell.”

“Better quality reporting and channel information is required for us to manage channels more effectively and make sure that branch managers are not only responsible for the physical outlet but the overall customer relationship.”

“Technology is no longer constraining us. The main issue seems to be getting the best use of the technology and finding the right applications for which a business case can be clearly established.”

“If technology is directed at existing customers it can improve efficiency.”

“At the moment we are just selling financial service products, not giving advice.”
The impact of technology on multi-channel delivery

The proliferation of channels has created immense new challenges. With transactions and customer information generated across a number of touch points, the reliance on traditional processes for moving data inevitably leads to delays and errors. Additionally, the need to build new systems to support new channels has added sharply to overall costs.

The heart of the issue is disparate, disconnected systems that have made it extremely complex to integrate customer and transactional information. The inability to move data between channels has created service inconsistency rather than enhancing convenience. The lack of integration has also contributed heavily to the high cost of channels and made it more expensive to introduce and support new products.

Microsoft and its partners are working together to enable banks to streamline multi-channel delivery and achieve dramatic improvements in customer experience and operational efficiency across all channels. The Microsoft approach centres on lowering cost through speed of development and integration, and allowing banks to ensure their IT investment in one channel is a potential investment in all channels. By taking a structured approach grounded in providing solutions that are easy to adopt and integrate, Microsoft and its partners are delivering the solutions needed to help banks improve customer experiences, differentiate themselves in the market and attract and retain customers more profitably than their competitors.

Web services and Service-Oriented Architectures (SOA) are the foundation of this vision. Microsoft views Web service — based interoperability as essential to building loosely-coupled, flexible applications within the enterprise. Likewise, Web services are the key to integrating with external business partners. In addition to improving time-to-market through ease of integration, Microsoft’s development environment greatly improves developer productivity, further lowering IT costs.
Banks can therefore develop innovative customer experiences quickly, create and deploy new business models more easily, improve operational efficiency and mitigate risk.

This Microsoft approach is built on the Microsoft Windows® platform and Microsoft .NET and designed specifically to enable banks to take full advantage of existing technology investments and infrastructure. It helps banking institutions integrate today’s disconnected channel systems and consolidate technical resources, leading to lower costs while providing new levels of customer data aggregation.

Banks can create a single, integrated sales and service platform that will give branch ‘sellers’ comprehensive customer information and provide customers with access to products across channels. Such a platform delivers pre-integrated capabilities that dramatically speed time to market for new channel initiatives, and also support industry standards such as IFX, OFX, ACORD, and SWIFT.

Working with leading financial services technology companies including independent software vendors, systems integrators, and hardware manufacturers, Microsoft has developed a comprehensive vision for translating the power of technology into solutions that will transform the way banks deliver products and services to customers and manage their complex multi-channel delivery initiatives.

“Microsoft and its partners are delivering the solutions needed to help banks improve customer experiences, differentiate themselves in the market and attract and retain customers more profitably than their competitors”
Summary

Key features of the ideal bank of the future

• A significantly lower operating cost base (reduced cost to serve and acquire new customers).
• A much more customer-centric organisation that is more flexible and able to respond to customers’ needs much quicker.
• Process excellence – as the best means to improve the customer experience (i.e. straight through processing), reduce costs and reduce risk.
• An ability to operate across geographic borders much easier than it can today.
• An ability to provide a truly integrated channel and customer experience (no silos).
• A simpler set of easy to deliver product and service propositions.
• Greatly improved processing capability (any sales or service request in any channel).

Key customer acid tests of the ideal bank

• Full real-time knowledge of all customer channel interactions and an ability to respond to all queries and requests through all channels.
• The convenience for the customer to use their preferred delivery channel.
• Personalised information delivered to the customer through the channel or device of their choice – wherever and whenever they need it.
• Product design and delivery to suit the customer’s personal circumstances.

• The ability for the customer to self profile themselves to the banks (setting up the means by which they want to be treated).
• Highly skilled and knowledgeable people available to resolve customer issues immediately.

Key barriers banks have to overcome to achieve the ‘ideal’ state

• Improve the use of CRM systems and deliver quality usable customer information to the front line.
• IT needs to be better aligned with the bank’s business processes – giving banks the ability to adapt and move ahead with speed and certainty.
• Acquire better quality internal management information – particularly about customers that can be used to give better service and sell more products.
• Get the balance between sales and service right – develop the right organisational structure to deliver this.
• Real time sharing of customer information across all channels and a fully integrated channel system.
• A simpler way of managing the channel, product and customer mix.
• Getting the right skills from the CEO down to front-line staff. Develop leadership skills that can manage transformation and customer centric companies.
About us

Founded in 1975, Microsoft (Nasdaq “MSFT”) is the worldwide leader in software, services and solutions that help people and businesses realise their full potential.

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