INETCO

WHITEPAPER

Managing Omnichannel Banking Initiatives: Aligning new performance requirements with the building blocks of digital transformation

Overview

Implementing an omnichannel banking framework is synonymous with digital transformation. Both require financial institutions to invest in essential building blocks related to:

1. **Interoperability**
2. **Transaction streamlining**
3. **Delivering the right products and services to the right customer segments**

For many financial institutions (FI's), omnichannel spend needs to result in profit rather than purely a customer retention strategy. Projects associated with payments modernization, cross-channel service delivery, branch transformation, digital banking channel development and customer analytics are emerging as top priorities to open new revenue streams, deepen the customer relationship and lower the cost-to-serve.

The move towards customer centricity, along with rapid technology disruption and ongoing infrastructure change, is driving many financial institutions to reconsider the way they manage and run their self-service ecosystems. Operational success is no longer measured by device availability alone, but also the ability to increase the number of successfully completed customer interactions, meet evolving customer service expectations and adopt innovative payments solutions with minimal risk.

This whitepaper discusses how omnichannel banking is evolving, and why it is important for financial institutions to manage the omnichannel customer experience and banking operations infrastructure from a real-time, enterprise perspective. It outlines some of the emerging performance management requirements that are inherent when it comes to implementing the building blocks of digital transformation, and managing greater IT infrastructure complexity, selling cross-channel services and personalizing the end customer experience.

The evolving omnichannel definition

Omnichannel is a word used to define the context of how customers want to interact with their banks and other financial service providers. It is built around the concept of consistent, 24/7 service delivery, and involves leveraging all available customer-facing applications and channels to optimize customer engagement, lower the cost-to-serve, and maximize profitability. For many financial institutions (FI's), this word represents a fast paced, ongoing journey being driven by market dynamics such as:

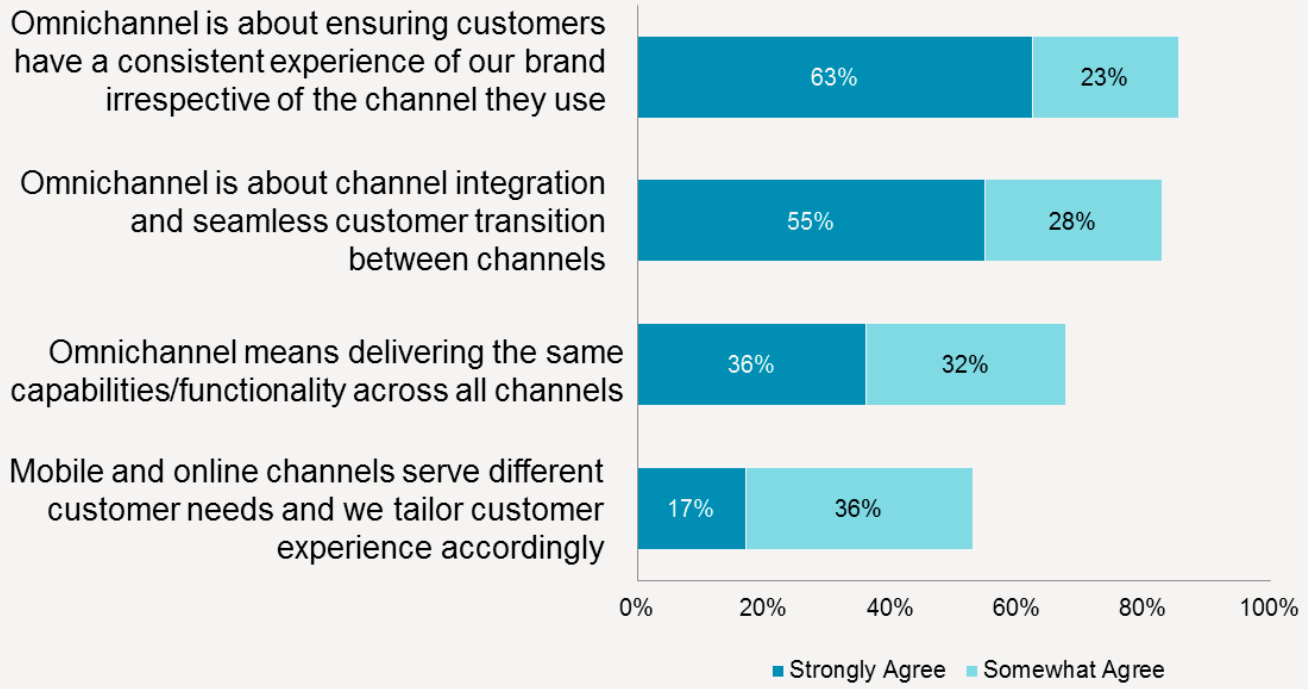
- **Evolving customer behavior and demands**
- **Rapid change in automation and technology**
- **Increasing traditional and non-bank competition (ie: telcos, technology companies, and start-ups)**
- **Low interest rates, fee regulations and slow economic recovery**
- **The growing ease and agility of developing new products and bringing services to market**
- **Behavioral changes in organization, culture, and IT/operational focus**

While most FI's agree that customer centricity remains the key driver behind omnichannel banking strategies, philosophies and approaches do vary. In a recent webinar hosted by atmmarketplace.com, titled ***Exploring the Omnichannel Impact – A panel discussion about changes in ATM and self-service management***, Celent's Senior Analyst, Bob Meara, shared results from a North American Retail and Business Technology Survey conducted with 154 banking respondents in 2014. Some of the key findings included:

- **63% strongly agreed omnichannel is about ensuring customers have a consistent experience of a financial institution's brand irrespective of the channel they use**
- **55% strongly agreed omnichannel is about channel integration and seamless customer transition between channels**
- **36% strongly agreed omnichannel means delivering the same capabilities/functionality across all channels**
- **17% strongly agreed mobile and online channels serve different customer needs and FI's need to tailor customer experience accordingly**

The majority of FI's interviewed strongly agreed that ensuring consistent, fluid customer transactions across all channels and all points of interaction was an important component of omnichannel banking. But the issue of whether to offer the same capabilities across all channels, or to play to each channel's strength, appeared contentious.

Q. To what extent do you agree with the following statement?



Source: Celent NA Retail & Business Banking Technology Survey 2014, n=154

As an example of how rapidly thoughts around omnichannel banking strategies continue to evolve, Celent was quick to point out that although only 17% of those surveyed agreed mobile and online channels serve different customer needs, they have clearly seen a major shift in this attitude since 2014, with a number of large FI's (>$50B) now focused on delivering more personalized service experiences that are customized for the channel and customized for high-priority customer segments.

So is omnichannel about delivering the same capabilities across all channels or is it about tailoring the customer experience according to each channel's strength? Regardless of how it is defined, technology and infrastructure investments related to digital transformation will certainly play key roles. And this means change in the way FI's manage and run their expanding self-service ecosystems today.

Defining the building blocks of omnichannel banking and digital transformation

Implementing an omnichannel banking framework is synonymous with digital transformation. Both involve the same underlying bank technology and infrastructure initiatives, aimed at increasing profitability and delivering an exceptional customer experience, such as:

- **Interoperability** – Projects such as cross-channel service delivery and payments modernization
- **Streamlining transactions** – Projects such as branch transformation and digital channel development
- **Delivering the right products to the right customer segments** – Projects such as customer analytics and data warehousing/management

1. Interoperability

The transition from an individual channel focus to a seamless, cross-channel delivery strategy has required many financial institutions to re-think their business and operational processes. Rapid technology advancements have placed a greater strain on legacy banking systems forcing FI's to undergo infrastructure upgrades that require substantial investment. But all is not lost - technology advancements also open the door to fresh business opportunities that can support new revenue streams, as well.

To remain competitive against traditional and "non-bank" innovators, FI's must evolve customer relationships by providing the services customers want – anytime, anywhere. This requires thinking about how to best leverage existing investments in legacy banking systems, and deciding when it makes sense to collaborate with third party providers or implement new features on more flexible platforms such as modernized payments hubs.

Through the right balance of re-architecting legacy banking systems, third party partnering and investing in new infrastructure, FI's have the ability to "seek out" or design more innovative, customer-centric products and services. They can realize faster, less costly product market entry by utilizing Cloud computing, SaaS, Agile development and open standards (ie: ISO20022). As consumers are linked to broader payments ecosystems, FI's can also benefit from linking to these broader ecosystems through open API's, enabling access to more product and merchandise selections via collaborative third party service providers.

By focusing on projects such as cross-channel service delivery and payments modernization, FI's can retain their central position in the client relationship, compete effectively over the long term and leverage investment in products and services across all point solutions, including online banking sites, mobile applications, ATM, POS, call centers and bank branches.

2. Streamlining transactions

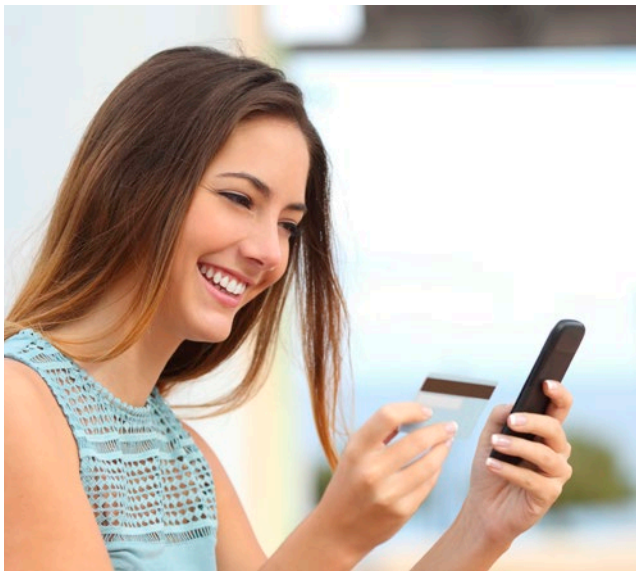
The rise of digital, mobile and social media have resulted in a growing number of customers choosing self-service channels as their preferred way of interacting with their financial institutions. At the same time, banking regulations, increasing surcharge fees and the expenses associated with brick-and-mortar locations have reduced the profit margin on products and services. It makes sense, from both a consumer experience and profitability perspective, that FI's focus on developing more sophisticated digital channels and pushing popular transactions that were once performed at the branch into these self-service channels.

The mass migration of banking transactions to digital channels means financial institutions need to re-evaluate their distribution models to be more convenient and consistent, delivering the "most wanted" features across all channels.

Many FI's are exploring Internet of Everything (IoE) technologies as engagement mechanisms and a way to improve transaction handoffs between channels. These are technologies that present personalized information across platforms and support the behaviour of digitally driven customer segments, such as video mortgage advice, video advisors, automated advisors, branch recognition, interactive tellers and "invisible" mobile payments features that eliminate the need to re-enter personal data.

3. Delivering the right products and services to the right customer segments

As financial institutions focus on delivering more personalized, value-added customer interactions, on-demand intelligence, predictive behavioural cues and a 360 degree customer view have become central to understanding – and responding to – consumer behaviors. The ability to integrate relevant data feeds and tables, such as multi-channel transaction data, core banking data, competitive and demographic information are also key to identifying and unlocking new revenue streams.



Traditionally, FI's have managed each channel as a separate silo. But advanced market segmentation and personalized product offerings require a deeper analysis of all customer interactions, across all channels. The problem is that many FI`s are simply not prepared to manage the exponential expansion of their digital information or the multiple product and service offerings coming from third parties or internal organizations. As a result, accessing and using complete data on customer activities and money movement is challenging.

Major technological advancements in data feeds, processing, memory, centralized data warehousing, data base design and analytic methods have helped FI's advance to a point where it is now possible to leverage a powerful, single view into customer interactions across all channels. Although this can be seen as an expensive investment, a state of the art data management and on-demand analytics infrastructure will serve as a building block for all future omnichannel initiatives requiring a single view of customer data, such as real-time optimization of service offerings for each customer, across all channels.

Managing the building blocks of digital transformation and omnichannel banking

Managing an omnichannel banking environment that is moving at an uncomfortably fast pace of change is different than managing a multi-channel banking environment. In this new environment, customer banking through disparate, uncoordinated channels is not an option.

Omnichannel banking requires financial institutions to think about managing the customer experience and their banking operations infrastructure from an enterprise perspective. They are responsible for the overall value chain - a broader, more integrated banking ecosystem that involves a hybrid mixture of applications that reside internally, in the Cloud and within third party environments. The goal is to deliver a consistent experience across channels, providing customers with seamless access to the financial products and services they want —where and when they need them.

In an omnichannel environment, operational success goes beyond availability, and is measured by an increase in successfully completed customer transactions, increased customer wallet share and higher profitability driven by the timely deployment of innovative products and services with minimal risk. An FI cannot be a successful "digital business" if its view of performance has to be pieced together from stale data generated by silo'd tools or fragmented log files. This does not provide a holistic, real-time view into the transaction sequence, availability data and cash movement needed to understand exactly where problems are occurring. FI's will struggle to react quickly enough to combat revenue loss and ensure the customer experience is protected.

Emerging omnichannel performance management requirements

A strong portfolio of omnichannel management tools will help financial institutions deal with greater IT infrastructure complexity, cross-channel service delivery and the end customer experience. Emerging performance management requirements can be closely aligned to the building blocks of digital transformation:

Managing interoperability projects

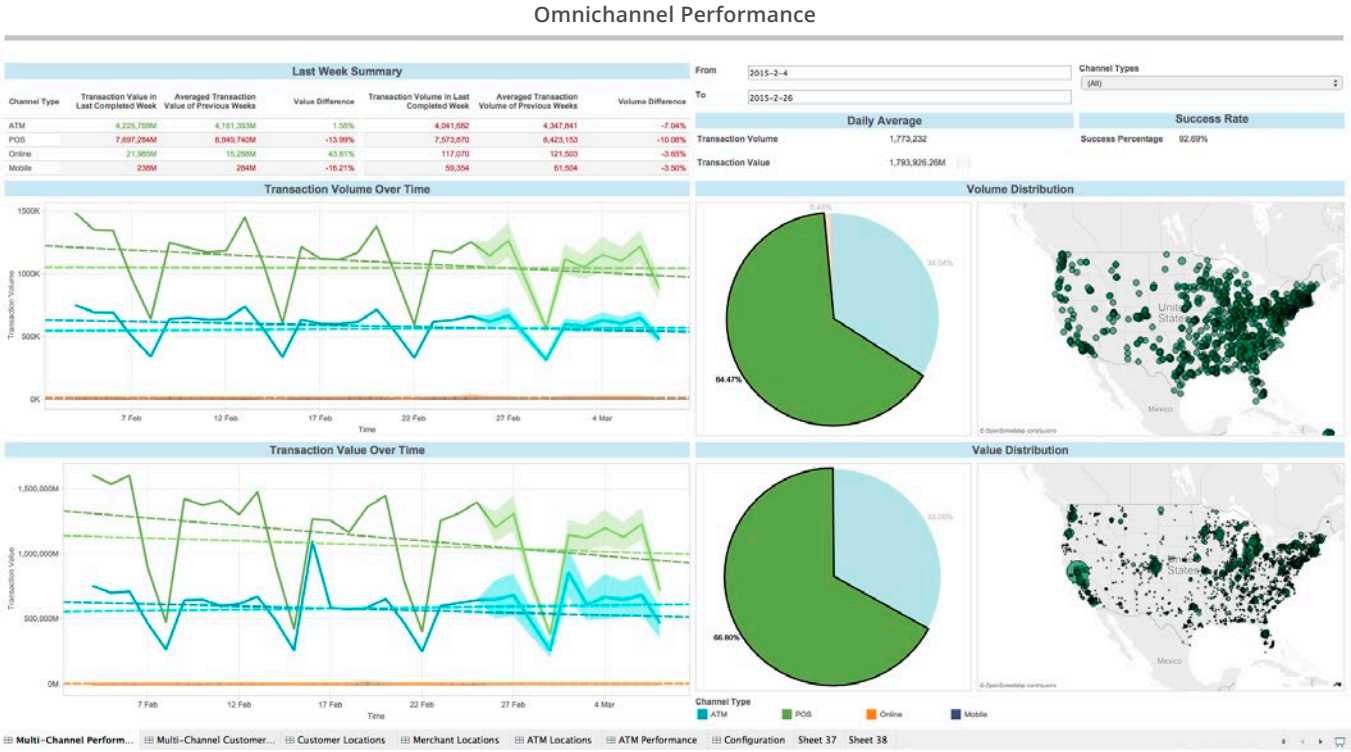
- **An enterprise-wide view** into the health performance of all self-service devices, card processing networks, third party services and back-end applications to maximize the availability of applications to end customers
- **A single operational view**, available to multiple stakeholders (remote tellers, helpdesk, channel managers, front line branch staff, etc.) that maximizes automation, displays consumer experience key performance indicators, and minimizes hand-offs
- **Real-time, 24/7 alert notifications** to any type of failed or slow responding customer transaction and "unevents" such as no transactions; these alerts should link to the intelligence FI's need to quickly isolate the root cause of customer-facing issues at the channel, device, network, application, host, or third party service provider level

Managing projects that streamline transactions

- **An aggregate data view** into transactions, self-service device performance statistics and other data feeds related to customer experience - across all channels
- **Individual transaction profiles** that show correlated transaction sequences made up of multiple protocols (including the IoE transactions), mapped to the underlying infrastructure for faster problem isolation
- **On-demand access to cash flow data** to monitor real-time cash levels and replenishments at each self-service device

Managing the delivery of the right products and services to the right customer segments

- **On-demand omnichannel analytics** for an aggregate view of customer experience data across all channels, including predictive algorithms and streamlined dashboards/reports
- **A state of the art data management system** that combines on-demand data acquisition, centralized data warehousing and cost-effective scalability
- **Customer experience data accessibility** to business users such as channel managers, digital executives and marketing teams that can utilize this data for profitability analysis, service placement decisions, cross selling, service improvements, market segmentation and customer analytics



SCREEN CAPTURE 1: Gain an omnichannel view into customer transactions across all your self-service channels. Quickly understand transaction volumes, values and distribution for your entire banking environment.

Summary

To summarize, the time for financial institutions to embrace an omnichannel strategy is NOW. But they must be ready to create profit rather than purely a retention strategy.

Omnichannel is not on a timeline. It is an ever-evolving strategy that morphs around the customer. It requires ongoing adjustment to new technologies as they are introduced into the market and requires FI's to quickly adjust to these changes and still provide a consistent experience.

Investment into the building blocks of omnichannel banking and digital transformation will help FI's to open new revenue streams, lower their cost-to-serve and deepen customer relationships through greater interoperability, streamlining transactions and delivering the right products to the right customer segments.

A strong portfolio of omnichannel management tools will help FI's not only manage the real-time performance of their digital transformation projects, but also leverage operational data and customer data across all channels. A holistic view into the transaction sequence, device performance data and cash movement data will enable FI's to quickly diagnose and fix performance issues, ensuring the end customer experience and profitability streams remain healthy.

Recommended software such as the **INETCO Insight®** real-time transaction monitoring solution and **INETCO Analytics™** are examples of proven omnichannel performance management tools that will help FI's improve the implementation of the building blocks of digital transformation, and deliver greater IT agility, more value to existing customers, and higher profitability through a broader range of service offerings and more complete customer interactions.

About INETCO®—Every transaction tells a story®

INETCO® Systems Limited provides market leading transaction monitoring and analytics software that helps line of business and IT operations teams improve profitability, reduce operational costs and deliver an amazing customer experience. INETCO's proven solutions are currently deployed in over 50 different countries. Happy INETCO Insight® and INETCO Analytics™ partners and customers include some of the world's largest companies spanning the banking, ATM, retail, telecommunications and payment processing markets. **www.inetco.com**

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