Omnichannel: More Than a Buzzword for Banks

LIFERAY

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Omnichannel Banking Has Arrived

Banks are turning to increasingly personalized and omnichannel experiences for customers. No longer just a buzzword, omnichannel refers to providing a seamless customer experience across channels, whether in-branch, a mobile device, desktop or any channel. In order to attract and retain customers today, banks must be able to marry omnichannel experiences with customer experience best practices. Not only must the experiences be available via any touchpoint, they must be continuous and unfragmented.

Retail has been embracing omnichannel for years, but the shift is beginning to take place in the banking industry with two key factors leading this growing trend:

The Need to Increase Revenue

With high fixed costs in terms of branches and personnel, banks need to maximize digital channels and utilize customer data to increase conversions and grow. Companies with strong omnichannel customer engagement see a 9.5% year-over-year increase in annual revenue, compared to a 3.4% increase for weak omnichannel companies.[1] Another driver is a low interest rate environment, which makes growing revenue challenging. Because banks cannot charge higher rates, they are looking to new ways to make more income. Maximizing profitability of channels through smarter marketing and selling should result in higher conversions.

Consumers Are Already Omnichannel

If banks do not offer a seamless experience in the way customers want to be able to access and manage their personal finances, they will lose customers and slow new customer growth. Studies show companies with strong omnichannel customer engagement retain on average 89% of their customers, compared to 33% for companies with weak omnichannel customer engagement (Fig. 1).[2] In the retail industry, a recent study showed the opportunity cost of not being omnichannel results in 10% in lost revenue.[3] These findings are too alarming to ignore.

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1 internetretailer.com/2013/12/31/why-omnichannel-strategy-matters
2 internetretailer.com/2013/12/31/why-omnichannel-strategy-matters
3 vendhq.com/university/retail-trends-and-predictions-2015

Omnichannel gives banks the ability to operate in a customer-centric way, providing a consistent experience across all channels, and delivering offers that they are more likely to accept. It allows banks to reach customers anywhere, anytime at the moment of need and allowing the ability for personalization on all fronts.
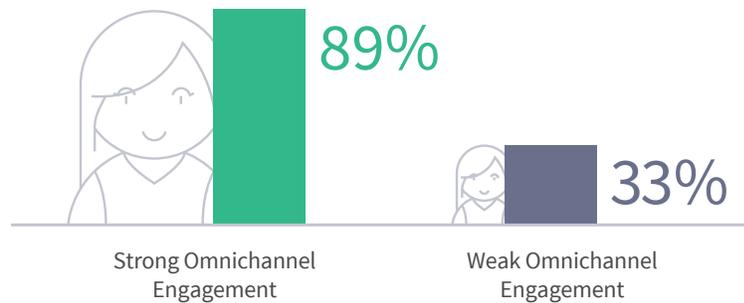
Customer Retention Based on Omnichannel Engagement

89%

33%

Strong Omnichannel Engagement

Weak Omnichannel Engagement

Fig. 1

What Is Omnichannel?

Making the move to omnichannel is complex, but inevitable. It requires not only a technology shift, but also a change in the traditional bank approach — moving from product-focused operations to customer centric. Each banking arm will require access to centralized customer data. Marketing and banking information will need to be consistent across all channels — mobile-based, web, in-branch, phone/call center, ATM, even a watch.

Many use the terms cross channel, multichannel and omnichannel interchangeably; however, they each are distinct.

Cross channel means a customer can use two channels to accomplish an objective. For example, looking up a rate for a car loan and then going into a branch to apply.

Multichannel refers to the customer using various channels to engage with the bank. These multiple channels are disjointed and do not share information about the customer with each other. For example, a bank may have a mobile app, an online portal and in-branch, but the teller does not have access to what a customer would see online and the mobile app may not offer the same services as the web portal. This fragmented approach is a step towards omnichannel, but can be frustrating to a customer if expectations are not met.

Omnichannel delivers a seamless user experience integrated across all channels. Omnichannel banking offers customers access to financial services across channels and allows for more consistent interactions with the bank (Fig. 2). In this approach, a customer can apply for a home mortgage over the phone and the bank would send him targeted refinancing or home equity line offers through email or the customer portal.

Three Elements of an Omnichannel Experience

Relevant Content
The right content at
the right time

Anytime, Anywhere
Access information 24/7
seamlessly using any channel

Complete Buyer Profile
Analytics and rich data
from multiple sources

Fig. 2

The Right Investment for Banks

The Potential of Omnichannel

While the move to omnichannel is not a simple one, it presents many opportunities for banks and offers a competitive advantage. It gives banks the abilities to analyze channel information, adjust customer experiences, and serve content based on buyer data. The bank will be able to analyze the information being fed in from different channels so that it can build up a detailed and accurate picture of the customer's preferences and behavior. In this way, the banks and their staff have a clearer picture of the customer and a full customer view. This leads to greater engagement resulting in increased sales.

An example would be a customer walking into her local branch where a bank loan officer can look up the customer's last online activity. If the customer was looking up college loan information the officer could suggest resources and information on saving for college as well as show products available. Without omnichannel, a bank associate may have suggested the product the bank was focused on, perhaps a mortgage, which may have been of no interest to the customer.

While it is clear that banks need to make the move to omnichannel, there are obstacles. It takes capital expenditure in terms of technology, resources and retraining employees. Banks will operate differently and need to overcome operational and organizational silos. It will require ongoing employee education throughout the banking institution to transition away from a product-centered way of thinking.

Customer Loyalty and Retention

Omnichannel may not be quick and easy to adopt, but if banks do not offer a personalized, seamless experience, customers will switch banks. This is significant because customers who use multiple channels present 30% higher lifetime value — the projected revenue a customer will generate with the bank during their lifetime.[4] Furthermore, the customer experience is a key driver of the level of trust customers have in a business. A study showed customers trusted the banks who delivered the most consistent experiences 30% more than banks

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4 thinkwithgoogle.com/articles/omni-channel-shoppers-an-emerging-retail-reality.html

who gave them the least consistent experiences.[5] Consistency makes customers happy, resulting in greater retention. Banks can differentiate themselves by providing consistent, customized solutions.

Creating an omnichannel experience for banking customers is not a question of if, but when. Nearly two-thirds of Americans own a smartphone.[6] Of these American smartphone owners, 57% have used their phones to do online banking and 46% of the population manages finances between devices.[7] Moreover, the millennial generation is one of the largest population segments in the United States. Millennials are the largest segment of smartphone owners and, according to a recent study, 60% of millennials expect consistency across channels.[8] As the millennial generation is coming of age, banks need to speak their language in order to avoid becoming irrelevant. According to a Goldman Sachs study, 33% of millennials believe they will not need a bank in the near future.[9] Innovation is critical.

An Ernst & Young study showed customers trusted the banks who delivered the most consistent experiences 30% more.

5 ey.com/Publication/vwLUAssets/EY_-_Global_Consumer_Banking_Survey_2014/$FILE/
   EY- Global-Consumer-Banking-Survey-2014.pdf
6 pewinternet.org/2015/04/01/us-smartphone-use-in-2015/
7 pewinternet.org/2015/04/01/us-smartphone-use-in-2015/ ; http://www.federalreserve.gov/
   econresdata/consumers-and-mobile-financial-services-report-201503.pdf
8 nielsen.com/us/en/insights/news/2014/mobile-millennials-over-85-percent-of-generation-y-owns-smartphones.html
9 businessinsider.com/millennials-dont-think-they-will-need-a-bank-2015-3

Millennials and Traditional Banking

33%
believe they won't
need a bank in 5 years

14%
of millennial small
business owners use
alternative (non-bank)
financing

50%
are counting on tech
startups to overhaul banks

[Source: businessinsider.com/millennials-dont-think-they-will-need-a-bank-2015-3]

Understanding the Connected Customer

Today, many banks operate in a multichannel way. It is fragmented and can be frustrating to customers. Here is an example: Using a large banking institution's website a customer can wire up to $50,000 USD, but at a branch the customer can go up to $100,000 USD. From a mobile app, they cannot do a wire transfer at all. With omnichannel, the customer would be able to wire the same dollar amount regardless of channel.

Customers want their experiences to be consistent and they want to be empowered to do what they want when they want (Fig. 3). They expect aggregated account access and the ability to move seamlessly between channels. To illustrate, 98% of Americans switch between devices in the same day.[10]

Knowing that the customer moves fluidly between touchpoints daily, it is imperative to understand who the customer is and what his or her buyer journey looks like. Questions to ask are:

- Do customers combine online, mobile and in-branch to access accounts and make decisions?
- Which channel do they use first?
- Which channel converts more?
- How frequently do they access each channel?

Answers to these questions can be achieved through consolidated data and benefit both customer and bank. It can drive marketing messages and create value for the customer.

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10 mobilepaymentstoday.com/blogs/omnichannel-banking-a-consumer-first-not-bank-first-experience/
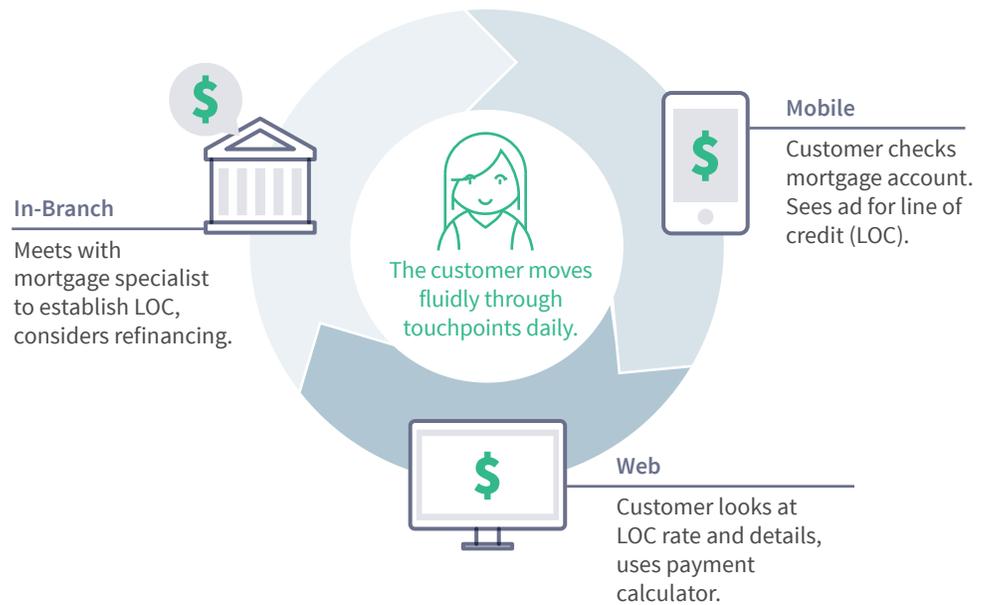
Here's how omnichannel will look to the customer via the three main channels:

Mobile

A mobile-based user will have access to all account information. The customer will possess not only the ability to access checking and savings accounts, but also investments and other accounts. Mobile apps will contain dashboards where users can customize and see what is important to them. In addition, they will have the ability to use tools, such as budgeting tools, mortgage rate trackers and mobile alerts. While much can be accomplished via the app, if a user wants to meet with a banker, they can schedule an in-person banking appointment with ease.

Web Experience

Web and mobile experiences are similar; however, mobile data must be optimized for the smaller screen. A website will allow account access to multiple accounts, dashboard, tools, appointment scheduling and more. Users will be able to view credit card rewards, access mortgage rate tracker, budgeting tools, IRA and more. Here, a user may begin his or her activity on a phone and then move to the web to complete the action. It is important that messages and content are consistent.

In-Branch

Omnichannel allows banks to optimize the in-branch experience. Where mobile and web have been married, in-branch continues to be a siloed experience. Omnichannel will provide the opportunity to integrate the in-person experience by arming the bank staff with access to the full buyer profile. Instead of relying on picking up cues from the context of conversations, tellers/associates can provide a personal touch, tailoring the conversation based on customer data rather than product offerings, resulting in greater profitability.

Technology's Role in Achieving the Omnichannel Goal

Technology drives the omnichannel experience. To provide personalized, custom experiences with consistent purchasing suggestions requires significant technical changes. The IT team will be heavily involved, integrating back-end systems to present personalized information across channels, while delivering advanced analytics capabilities to core teams.

Omnichannel is about integrating disparate channels into a single, unified experience. Banks have fragmented sources of information; often times each entity operates independently. For example, the mortgage arm of a bank may have a different system from other sides of the bank.

By integrating channels the bank can operate more efficiently with a clearer picture of the customer. Think about how important it is for each entity to understand a user's credit worthiness. As an example, when barriers between banking arms are removed, the mortgage side would be able to see the credit worthiness of a user's credit card or auto loan helping reduce credit risk in a home equity loan.

In addition, integrating systems improves the customer experience and leads to more closed business. A customer could begin an auto loan application from an Edmunds.com on a laptop and complete the application at the dealership where she is making the final purchase.

Using core technology such as an omnichannel platform, the bank can unite information from multiple sources and use the data to provide a rich customer experience (Fig. 4). One important strength of a platform is its ability to deliver highly personalized experiences across channels to a targeted audience, leading to a cohesive, consistent user experience. The platform used in this way acts as

an integration framework so all channels can talk to each other. This ensures that users encounter consistent data and processes — such as registration, login, activity history or documents — depending on who they are regardless of which interfaces they use to interact with the company. The underlying platform in your solution provides the ability to make digital content dynamic based on customer profiles. For example, a company may present suggestions for what "customers like you" have purchased. Platforms can also include workflow and business process management tools to define multi-step procedures or stages in a customer journey. When an account is opened, timed triggers can be set up to facilitate account servicing. In addition, triggers can be set based on customer action or criteria met. This can initiate content delivery or a personal call from an account representative to engage with a customer when there is a greater opportunity for conversion. This is essential for customer retention and loyalty.

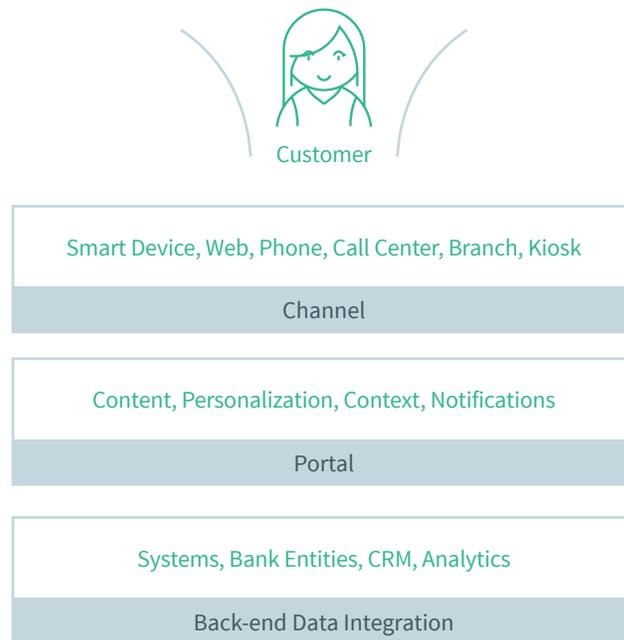Technology Stack for an Omnichannel Experience

Fig. 4

As described earlier, customers expect to use various channels in a consistent way, each offering rich functionality. Omnichannel lets banks remove siloed information and integrate data to use effectively regardless of touchpoint. It is a complex undertaking.

To achieve the omnichannel goal, there are three strategies that can help:

1. Focus on Using a Single Unifying Platform

Merge the marketing presence of the bank and online banking, the transactional portion of the bank. This will help with being able to better control the user experience and will provide the context for engagement.

2. Learn How Customers Want to Engage

Rather than reacting to customer expectations, get ahead of them. Focusing on mobile is a cost effective approach and banks may find it relatively easy to create and refresh applications. Knowing customers demand a smooth mobile experience, this is a great place to start that will deliver immediate results. However, it is important to go beyond mobile ensuring that all channels are optimized based on user wants and needs. If the in-branch or call center experience is poor, customers may look elsewhere even if they love the mobile app.

3. Look at Increasing Sales Efficiency

Greater efficiencies for your business can happen through an awareness and understanding of customers' experiences across all channels — online, mobile, call center, ATM and in-branch. A holistic view of the customer and targeted messaging can lead to better margins. For example, if a customer owns a home, a customer service operator can offer a line of credit rather than reciting a laundry list of all ongoing offers. If a customer has been in his house for five years and has a high rate, offer a refinancing option with a better rate.

Summary

Customer behavior is changing and utilizing multiple channels to make a single purchase is fast becoming the norm. It is important for banks to innovate to meet customer demands. Utilizing a unifying platform as the foundation for omnichannel customer experiences will enable banks to remain competitive, retain customers and facilitate growth. Start now. By 2020, the demand for an omnichannel customer experience will be amplified by the need for nearly perfect execution.[11]

Moving Forward

Learn how Liferay equips financial services to meet today's customer demands: liferay.com/banking.

Get more information on how the Liferay platform can help you create exceptional customer experiences that are consistent across your channels.
Visit liferay.com/products.

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11 pwc.com/us/en/retail-consumer/publications/retailing-2020.html

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Liferay makes software that helps companies create digital experiences on web, mobile and connected devices. The Liferay platform is open source, which makes it more reliable, innovative and secure. Companies such as Carrefour, Coach, Danone, Fujitsu, Lufthansa Aviation Training, Siemens, Société Générale, VMware and the United Nations use Liferay. Learn more at liferay.com.