

Key Imperatives for Cutting-Edge Cross-Channel Banking

April 2011

Sahir Anand

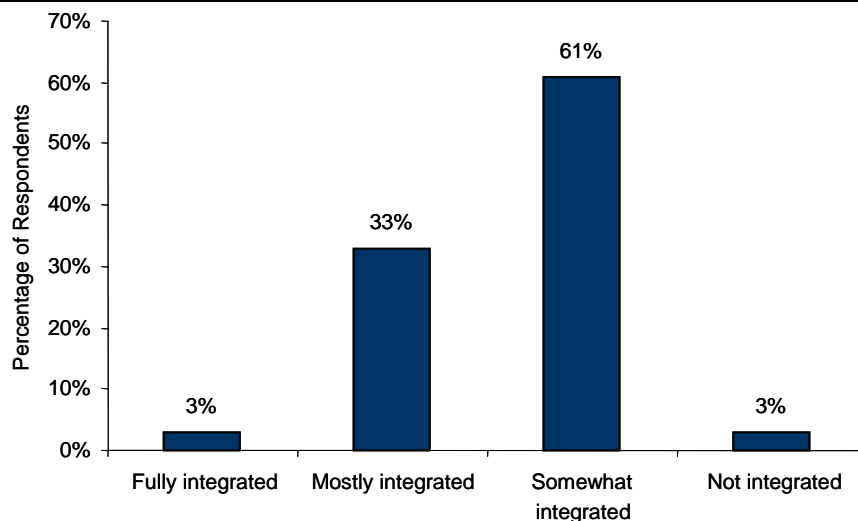
Key Imperatives for Cutting-Edge Cross-Channel Banking

Between January and March, 2011, Aberdeen surveyed 50 banking institutions regarding their channel integration strategies that facilitate a unified customer experience and cohesive view of the brand across all channels of sales and service (physical branch, Automated Teller Machine (ATM), online banking, call center, and mobile banking). Results indicate that, according to 67% of banks, the top motivator for this increased investment in cross-channel banking initiatives is the customer expectation for the same experience, irrespective of channel. This Analyst Insight examines how banks are coordinating sales, marketing, operations, and back-end business processes across channels for creating a single-brand identity and unified customer experience.

Banks are Lagging behind Due to Cross-Channel Process Integration Challenges

According to our data, 56% of banks have possessed a multi-channel sales and service strategy for at least five years. Yet, six out of 10 banks are only somewhat cross-channeled or integrated in their business processes that enable a unified customer experience or a 360-degree view of the brand (Figure I).

Figure I: Business Process Integration



n=50

Source: Aberdeen Group, March 2011

Analyst Insight

Aberdeen's Insights provide the analyst perspective of the research as drawn from an aggregated view of the research surveys, interviews, and data analysis.

Cross-Channel Banking Defined

Aberdeen defines cross-channel banking as the set of integrated strategies, processes, and systems that enable fulfillment of customer needs for products or services in more than one sales channel, such as operations of bank branches (stand-alone and in-store), ATMs, online platforms, call centers, mobile platforms, or a combination of these channels.

A well-integrated and unified customer experience across service touch-points, sales, marketing, and operations is still a distant dream for a majority of banking institutions. Customer-facing and back-end business process integration that impacts a bank's profitability, transactions, and relationships with its customers across channels (e.g. branches, call centers, online platforms, mobile platforms, and ATMs) is not being addressed adequately. This leads to several customer, sales, marketing, and operational complexities. These complexities are summarized below:

- Inadequate cross-channel consumer insights and information access for branch and channel employees to increase customer engagement at the point-of-service. Currently, only 44% of banks are integrating cross-channel customer transaction and demographic data for point-of-service access across channels for customer inquiries and generating new sales.
- Lack of an integrated and seamless customer experience process in the branches and channels that hamper customer satisfaction and retention. Currently, only close to a third (30%) of banks allow customers to open, close, and expand banking relationships through a channel of choice, leading to a single-dimensional banking experience for a majority of customers.
- Problems associated with an optimum budget mix for cross-channel product management, sales and marketing, fulfillment, and other back-end operations. Only a fifth (20%) of banks reported optimization of cross-channel budgets for the aforementioned areas leading to financial and customer goal and attainment mis-match.
- Incessant delays in upgrading and refurbishing branches and channel operations. Close to a third (32%) of banks indicate that they possess the ability to upgrade legacy systems in branch locations to introduce online and mobile banking.
- Lack of differentiated cross-channel retail banking model that does not adequately integrate branch, online, call center, and mobile banking customer fulfillment processes. Currently, only about a third (31%) of banks are able to fulfill customer requests through a channel of choice.

The cross-channel business process complexities outlined above are posing a threat to how customers do business with banks. For example, our data shows that **38%** of banks that possess **mostly integrated** business processes across channels increased their year-over-year customer retention rate. On the other hand, **21%** of banks that possess **somewhat integrated** business processes across channels increased their year-over-year customer retention rate. In fact, seamless banking experience across all channels is the top business pressure that is shaping cross-channel banking strategy - as detailed in the next section.

Survey Demographics

Of the 75 responding banking institutions, demographics include the following:

- √ *Job title:* Senior Management (6%); EVP / SVP / VP (23%); Director (8%); Manager (23%); Consultant (27%); Other (13%)
- √ *Department / function:* Sales and Marketing (17%); IT (35%); Corporate Management (10%); Operations (4%); Finance (7%); Human Resources (4%); Product Development (10%); Other (13%)
- √ *Geography:* North America (39%); APAC region (27%); Europe (18%); Middle East / Africa (14%); South / Central America (2%)
- √ *Company size:* Large enterprises (annual revenues above US \$1 billion)- 57%; midsize enterprises (annual revenues between \$50 million and \$1 billion)- 29%; and small businesses (annual revenues of \$50 million or less)- 14%

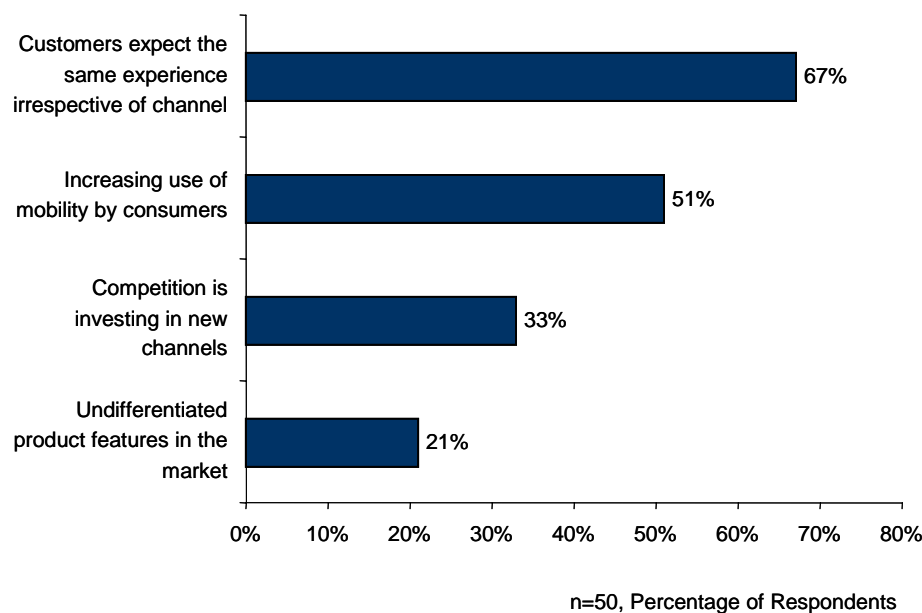
"Single-image, look and feel, same experience, and, simplification of banking processes is what customers want from banks today. Customers are looking towards ease-of-use, familiarity and effortless banking. 'Cross channel' requires simplicity, standard look and feel, ease-of-use, rapid response."

~Graham Seale, Manager,
Standard Bank South Africa

Changing Channel Behavior is at the Center of Cross-Channel Banking Initiatives

According to Aberdeen data in Figure 2, two-thirds (67%) of banks indicate that customers expect the same banking experiences across all channels of sales, service, and support. This weight of channel-agnostic customer experience expectations is the top pressure driving cross-channel improvements. A typical consumer or corporate banking customer experience includes, but is not limited to, product research and comparative shopping for rates, offers, and service, and setting up an account or several product / service relationships, recurring transactions or inquiries on an ongoing basis, relationship expansion, among other functions.

Figure 2: Seamless Customer Experience is a Top Cross-Channel Banking Pressure



"We are seeing more and more customers using online and mobile (banking) for at least research in the buying process, and even for account opening. Mobile has the most growth momentum now."

~ Dan Marks, Chief Marketing Officer (CMO), First Tennessee Bank

Source: Aberdeen Group, March 2011

Secondly, 51% of banks indicate that the advancement of mobile technology and pervasiveness of smarter and commerce-ready mobile devices among customers is the second highest business pressure driving cross-channel banking. In the last two years, the gradual customer transition from feature phones to smart phone devices, and more clarity around mobile commerce standards, has had an impact on the willingness of banks to explore mobile platforms as a channel of sales, service, and support. Mobile banking adoption amongst consumers is increasing customer contacts and new account acquisitions for banks.

Thirdly, for a third of banks, cross-channel banking is a reality which cannot be ignored any longer due to competitive reasons. Multiple channels of sales and service are being launched because a community bank or credit union or the larger bank brand is offering the same products and services at a

lower entry-rate online or via the mobile channel. Finally, for 21% of the banks surveyed by Aberdeen, cross-channel banking is a means of creating a differentiated banking model that integrates branch, online, call center, and mobile banking customer and fulfillment processes as much as possible. The next section discusses the key strategies being utilized today by banks to address business pressures.

Banks Turn to Unified Selling to Match Consumer Interaction Expectations

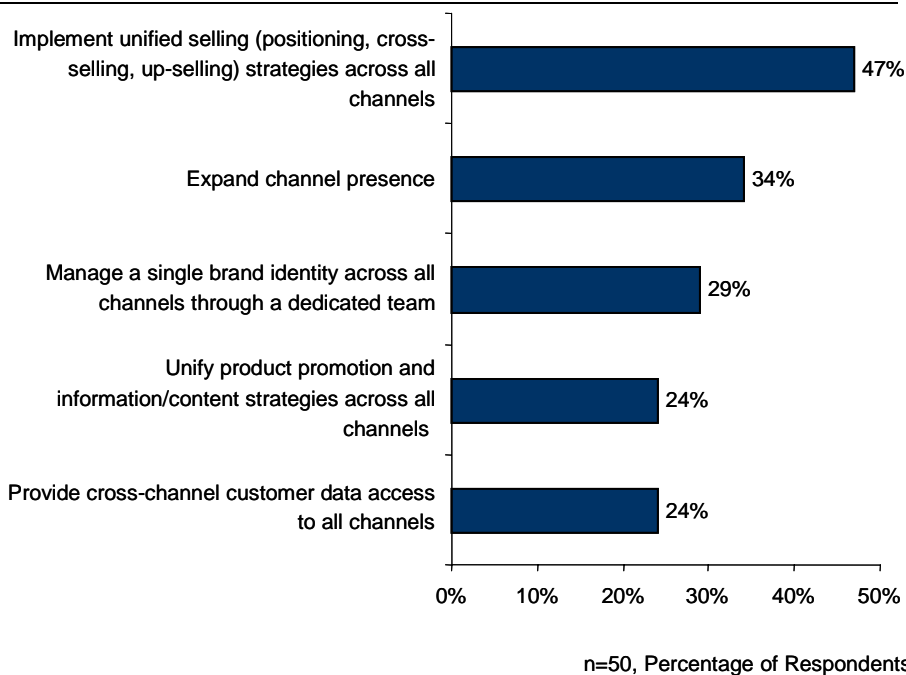
For a bank, the challenge of developing and sustaining a robust customer-centric service and operations culture is not easy due to evolving customer expectations, such as anytime, anywhere banking service expectations. As a result of customer, channel, competitive, and branding pressures described in the previous section, 47% of banks are responding by creating unified and coordinated selling programs across all channels (Figure 3).

This means that branches, online banking, mobile banking, ATMs, and call centers are working in unison to provide similar offers on products at different points of service. This could mean several product-centric direct sales, up-selling or cross-selling initiatives, both for consumer and corporate banking across channels. For instance, offering a secure identity theft-proof account protection program with a new debit or credit, money market, savings or checking account both in the branch as well as online. For corporate banking, offering a corporate line of credit and travel and expense cards for employees at a lower rate through a personal banker at a branch, online or via a call center.

"Increasing use of mobility is the top business pressure we are facing. As a result of this pressure, we are expanding our channel presence and introducing unified selling programs across channel."

~ Director-Finance, Scotia Bank

Figure 3: Top Strategic Actions



Source: Aberdeen Group, March 2011

The second highest strategic action that more than a third of banks (34%) are currently undertaking is channel expansion. Growth of channel presence in a demographic area for local mid-market or small banks, or across geographies for global banks, is not a straightforward approach. Banks undertake extensive due diligence: considering macroeconomic indicators, segmentation, market basket or wallet share analysis, real estate, business process workflow, and technology expansion costs.

Within consumer and corporate banking, mobile and online banking has seen explosive growth and expansion compared to stand-alone branches, ATMs, and call centers. For instance, 68% of banks indicate that they plan to grow or expand mobile banking within the next two years, followed by 59% of banks indicating a similar growth path for online banking. Moreover, 54% of banks currently have an executive mandate for channel expansion.

The third highest strategic action being applied by 29% of banks relates to the need to develop a single-brand identity across all channels via a dedicated team. Developing a single-brand identity across all channels is not a marketing or branding function alone. It is the alignment of products, sales, operations, and back-end customer request or service fulfillment. Three critical parts of creating a single-brand identity is the alignment of products, rates and offers, fulfillment of customer requests through any channel, and uniform customer data access for all channels. The next section outlines the current and planned process, organization, knowledge and performance capabilities required for cutting-edge cross-channel banking.

"Coordinated cross-channel efforts should provide opportunities for efficiency and cost savings while optimizing customer and deposit growth. Providing a consistent customer experience across all channels is required at any bank today."

~ Vice-President-Product Development, ECCU

Process and Organizational Capabilities

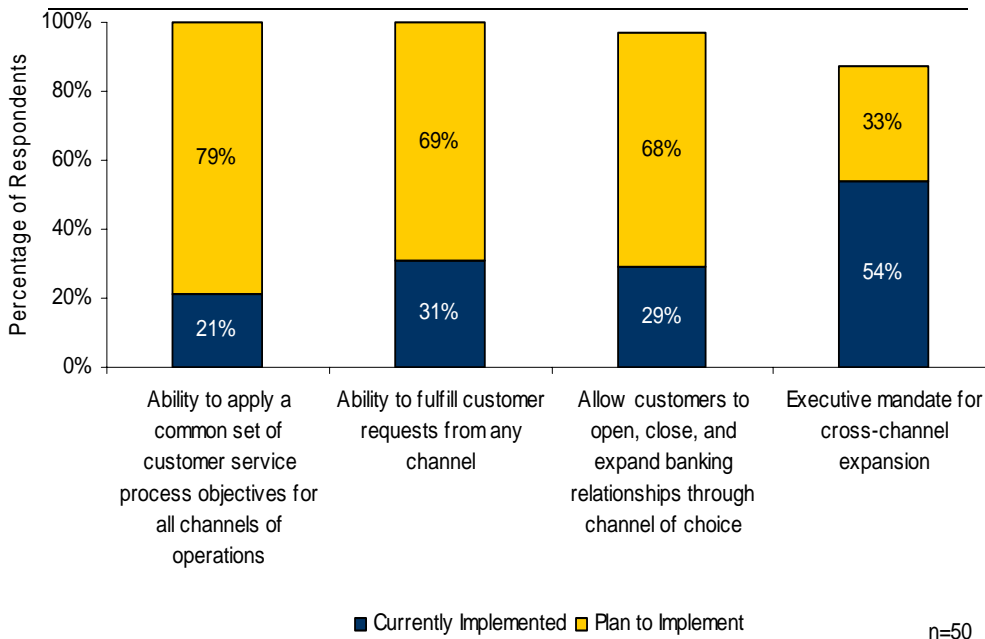
According to data from Figure 4, over half (54%) of banks possess an executive mandate for expanding channels of sales and service as a key organizational capability for furthering an integrated channel strategy. This capability is critical for cross-channel budgeting, expansion plans, automation and other tactical programs.

However, as far as establishing uniform capabilities associated with cross-channel customer relationship lifecycle processes, fulfillment, and other customer operations, banks denote low adoption. One of the reasons for overall diminished adoption of end-to-end customer management-related cross-channel capabilities is due to the fact that 45% of banks surveyed possess cross-channel operations for less than five years. So, overtime, the use and adoption of common customer processes across channels are likely to improve further.

Figure 4 signifies that, currently of those surveyed, only a fifth of banks are able to apply a common set of objectives or standards for fundamental customer service processes across channels. This creates confusion about the uniformity of brand offerings. Moreover, rather than creating a channel-agnostic experience, customers tend to form channel preferences. Currently, only 29% of banks let customers open, close, and expand customer relationships, and 31% allow customer process or request fulfillment through a channel of choice. This shows that creating a single identity of the brand across all channels from a sales, service, and fulfillment

standpoint is off the mark and requires diligent focus from banks. According to data from Aberdeen’s July 2010, *New-Age Retail Banking: Five Technology Imperatives for Customer-Centricity*, report in order to create a customer-centric service culture, a third of Best-in-Class banks are focused on restructuring customer service touch points across all channels.

Figure 4: Top Process and Organization Capabilities



Source: Aberdeen Group, March 2011

Knowledge and Performance Capabilities

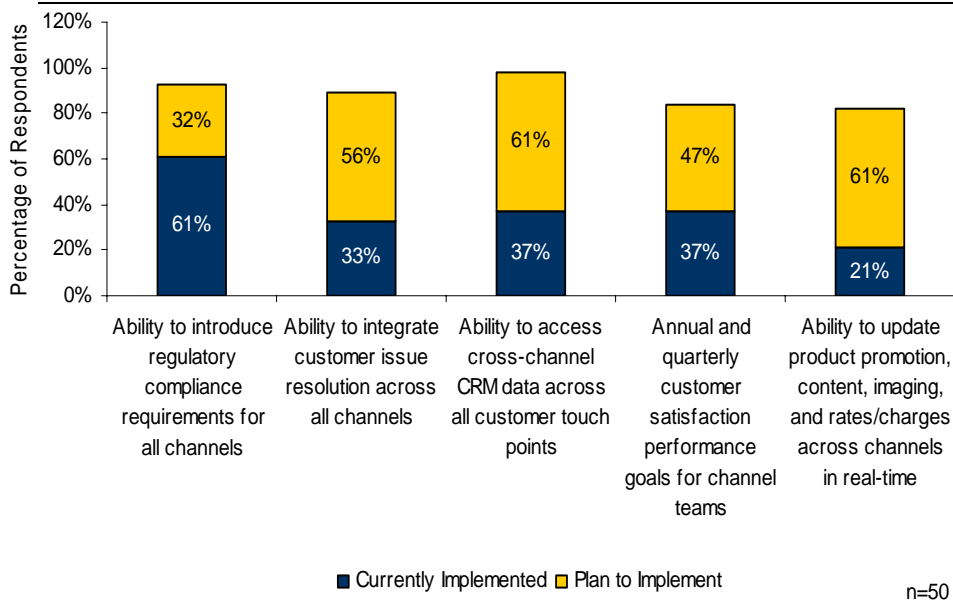
In Figure 5, banks prominently display channel uniformity in the area of regulatory compliance. It is expected that banks pay attention to employee and departmental compliance with financial industry terms, conditions, and customer privacy guidelines irrespective of channel, product or service. Governance and risk are key areas of focus for day-to-day operations.

However, almost two-thirds of banks, on average, are slow to adopt core knowledge or data management capabilities such as customer relationship data access across all touch points, and updating promotions, content, and other rates/charges in real-time.

The lack of customer data management access capabilities is due to inadequate data warehousing and infrastructure but also due to legacy and silo-based channel approaches when it comes to sharing customer information with other channels. As far as the inability to update promotions, rates, and channel sales and marketing content, banks lack a focus on product information management tools or more of a centralized product information, promotion, rates/pricing repository that can handle upstream and downstream data from the channels to the bank headquarters or a remote data location in real-time.

According to our data, on average, only about a third of banks provide the right emphasis on customer feedback and customer satisfaction. Our data shows that a majority of banks plan to address customer issues / complaints through any channel and define customer satisfaction objectives for channel teams.

Figure 5: Top Knowledge and Performance Capabilities



Source: Aberdeen Group, March 2011

Case Study — First Tennessee Bank

Take, for example, the case of First Tennessee Bank. This bank is one of the 30 largest bank holding companies in the United States with an asset size of \$25 billion (approximately), 180 branches, and close to 500 ATM locations. In addition to branch banking and ATMs, First Tennessee Bank operates online banking, call centers, and most recently (in 2010) introduced mobile banking.

"We offer branch, online, mobile, voice banking, and even ATMs are considered a channel, not only for transactions but for customer messaging. We make decisions on our cross-channel needs mix by mapping our customer segmentation, and product mix," says Dan Marks, Chief Marketing Officer, First Tennessee Bank. According to Marks, "Every channel that has a sales and service component depends on the extent of understanding customer needs." For First Tennessee, the ideal customer-cross-channel mix is evolving every day, as the physical branch interactions are going down, whereas, online and mobile interactions have the fastest growth momentum.

continued

Case Study — First Tennessee Bank

In 2010, First Tennessee Bank accelerated their channel expansion plans and launched mobile banking which was successful in the first six months. With online banking still being a pivotal point for the bank and its customers, the lines are getting blurred between online and mobile. “One of the biggest drivers of consumer activity is going to be on the consumer’s mobile device. The adoption of mobile banking is being driven by smartphones. Smartphones have full HTML capabilities to support mobile web or platform-specific applications,” says Marks. The Software-as-a-Service (SaaS) based mobile banking platform can replicate whatever a customer is doing online on the customer’s mobile phone. Features such as online account management can be fulfilled through transaction history, accounts look-up, account transfers, or locate ATMs or branches.

“Most of our customers use multiple channels for relationship-based buying and purchasing decisions. We are seeing more and more customers using online and mobile (banking) for at least research in the buying process, and even for account opening. Mobile has the most growth momentum now,” says Marks. For First Tennessee, currently mobile adoption is growing three times faster than online adoption. First Tennessee’s strategy has been at the forefront of banking innovation, such as extended banking hours and the introduction of online banking. Today, mobile banking is an extension of the customer innovation strategy.

First Tennessee Bank is also focused on inter-departmental and channel collaboration. “The marketing team runs customer experience and we collaborate on customer leads with our call center teams - following up on leads.” In addition to marketing collaboration amongst channels, the internal teams have a single view of the customer. “We benefit from fairly clean customer view data. All our marketing and CRM data is interfaced through a single customer data base. The branch teller, online agent, call center see the same customers,” says Marks.

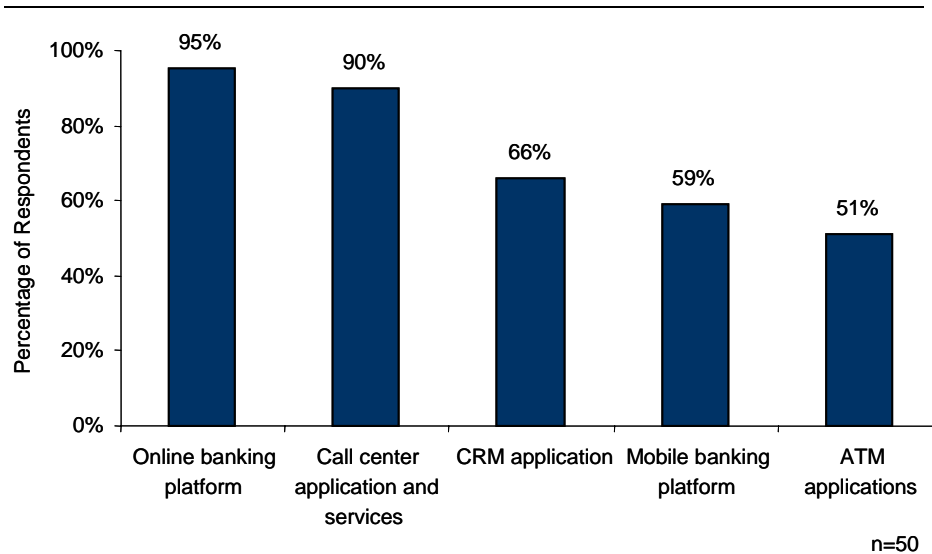
Cross-Channel Banking Enablers

The overall cross-channel banking technology landscape is more channel-centric or siloed rather than channel integration-centric. According to our data, 65% of banks indicate that their multi-channel banking operations have marginal integration of technology tools across all channels. This means that at least 65% of banks still possess siloed customer-facing and back-end technology operations that support a multi-channel strategy, and not an integrated cross-channel strategy.

In Figure 6, the siloed channel approach is apparent when one considers the current high adoption of online banking platforms (95%) for consumer and corporate banking along with call center application and services (90%).

Almost one-third of the surveyed banks still lack Customer Relationship Management (CRM) tools and mobile banking, and almost half the audience has not invested in ATM technology or ATM locations. The lack of adequate consumer insights across channels is apparent since almost two-thirds of banks (63%) lack a Business Intelligence (BI) tool for cross-channel customer management or one view of the customer.

Figure 6: Top Current Enablers



Source: Aberdeen Group, March 2011

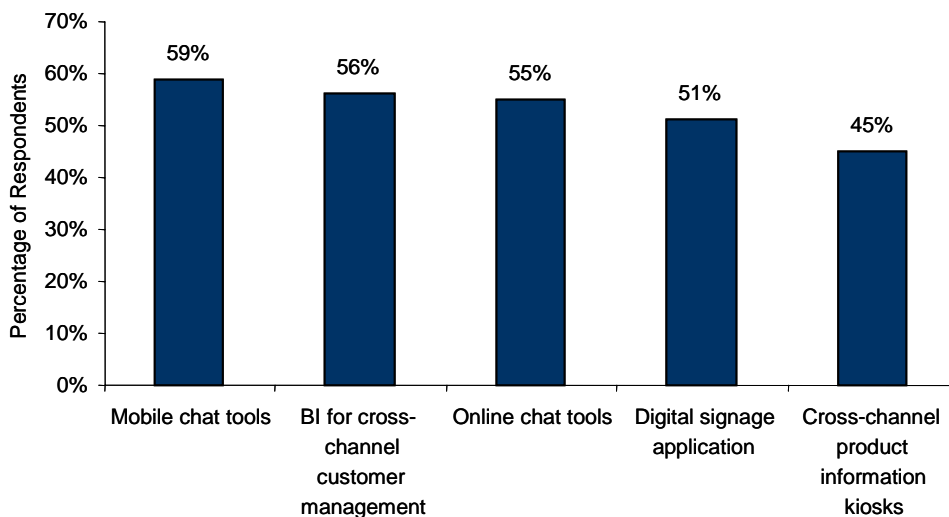
This signifies that the current cross-channel banking technology is highly sales-oriented and is not geared towards identifying gaps in service, customer satisfaction, or addressing under-banked areas or needs across all channels. In Figure 7, banks would like to reverse this inadequacy. More than half (56%) plan to implement business intelligence tools for cross-channel customer management.

According to the data in Figure 7, banks are likely to ensure the continued growth of cross-channel banking. Online live-chat traffic has increased significantly since 2007, demonstrating strong customer satisfaction scores and positive customer feedback for banks that have been using this technology. Our data indicates that more than half the banks are likely to adopt this technology and mobile chat within the next 24 months. The success of the online live-chat functionality has spurred banks to implement this technology into their upcoming mobile chat (live-chat capabilities via the customer's mobile phone device) applications. Additionally, 45% of banks plan to use remote experts for sales, services, and support (virtual and mobile chat technology).

The main objective behind the release of mobile chat capabilities is to provide the customer with all the possible interaction options with the brands, channels, and product categories. This capability ties in nicely to the three pillars of a typical mobile banking strategy, which includes

downloadable mobile application, mobile web, and pull-text messaging. Meanwhile, in the branches, almost half the banks surveyed are looking to invest in digital signage for cross-channel promotion, offers, and product information kiosks for online access, customer service, and line-busting. This means that branches will need to upgrade their legacy infrastructure to implement a new customer-centric application and tool requirements. In fact, in this survey, banks indicate that they plan to implement unified communications - voice, video, and data - (63%), server virtualization (40%), mobile payment gateway (49%), cloud services (49%), centralized data warehouse (39%), and wireless network capabilities (46%). Therefore, any new customer-facing hardware or software improvements will likely see infrastructure upgrades for improved application performance on the network, secure transactions, and adequate web bandwidth capacity utilization.

Figure 7: Top Planned Enablers



n=50

Source: Aberdeen Group, March 2011

Conclusion: Cross-Channel Banking is a Customer Imperative

Banks, irrespective of size or geography, are on the quest for unified channels so that customers gain a common experience irrespective of channels. However, a well-integrated and unified customer experience across service touch-points, sales, marketing, and operations is still a distant dream for a majority of banking institutions. In the area of process management, as far as establishing uniform capabilities associated with cross-channel customer engagement lifecycle processes, fulfillment, and other customer operations, banks need to show higher adoption of integrated processes and integrated policies. One of the reasons for the overall diminished adoption of end-to-end customer management-related cross-channel capabilities is

due to the fact that 45% of banks surveyed possess cross-channel operations for less than five years. However, in the coming two years, two-thirds of banks indicate they need greater customer engagement integration across channels. On the technology side, integration needs are similar. The overall cross-channel banking technology landscape is more channel-centric or siloed rather than channel integration-centric. Here again, banks need to continue to find technology integration tools such as real-time product information management, centralized customer data management, digital signage, mobile and online chat as well as infrastructure tools such as network optimization, data security, wireless expansion, and mobile payment gateway expansion.

Recommendations for Action

Aberdeen data suggests that banks take the following steps toward achieving optimal cross-channel strategies:

- **Follow the experience of online and call center channels.** Currently, 31% of banks indicate that mobile is integrated into their overall channel plans or as branch upgrade plans. A first step in gauging mobile banking channel interest would be to learn from the experiences of the online and call center environments, and measure the results before launching into the mobile world. As much as possible, banks should use the business workflow and customer-associate interaction within the call center, online banking, and branches for migration to mobile banking.
- **Develop cross-channel customer data and consumer insights across all channels.** Aberdeen's November 2010 benchmark report, [*Roadmap from Multi-Channel to Cross-Channel Retailing*](#), pointed to the lack of unified customer data in the retail industry. Banks face similar challenges. Fifty six percent (56%) of banks do not possess a centralized view of the cross-channel customer. With the enormity of customer data that is available to banks, it is imperative that banks integrate customer data from all disparate sources. Banks should establish a centralized customer database, which allows for a holistic view of the customer, and allows all departments to access information about the customer. To start, banks should purge their current database of duplicate records, centralize customer data in a data warehouse, and consolidate all brand interactions into a single view via a business intelligence application.
- **Develop uniform product information, promotions, content management, and rates/charges across all channels in real-time.** Currently, 83% of banks do not possess capabilities associated with integrated product update communications, rates/charges related changes, and other marketing communications content in real-time. This lack of a unified product information and content management strategy across channels increases the risks of brand confusion across channels. Banks should lay out a strategic roadmap to eradicate rates, promotion,

imaging, and content discrepancies across channels. Banks should start by developing plans for one component, such as the promotions aspect of the puzzle first, and then systematically work their way through the remaining three product categories to achieve a unified product information management strategy. Adoption of product information management, content management, and digital signage tools for real-time messaging can help banks alleviate some, if not all, of the aforementioned complexities, according to information from Aberdeen's July 2010, [New-Age Retail Banking: Five Technology Imperatives for Customer-Centricity](#), report.

- **Fulfill customer requests through any channel.** According to data from this survey, 74% of banks are unable to ensure customer product or service requests through a channel of choice or for a customer to start a request in one channel and complete the request in another channel. These capabilities are critical so that customers are able to complete information requests and transactions irrespective of channel-centricity. So far, banks have not been able to implement common workflows and real-time dashboards that indicate customer requests or processing requirements from a channel front-end to the back-end of another channel. Banks can achieve uniform cross-channel request handling, processing, and fulfillment via cross-channel sales and service portal, centralized customer data management and warehousing, and a centralized product information management application.
- **Create a robust roadmap for cross-channel business process and technology integration.** A similar roadmap with set benchmarks and timelines is an imperative for any bank. Aberdeen data from this survey shows that currently two-thirds of banks are indicating partial attainment of cross-channel business process and technology integration. Aberdeen's November 2010 benchmark report, [Roadmap from Multi-Channel to Cross-Channel Retailing](#), indicated that, "All banks need to demonstrate enterprise-wide commitment towards channel technology integration so that both employees and customers can experience an easier shopping experience. The roadmap towards an integrated channel technology and business process requires a series of steps that take financial investments, technology architecture, customer touch-points, and operational efficiencies into consideration. Banks must start with a detailed business process and technology workflow gap analysis. Secondly, banks must first align customer touch-points, followed by customer order and fulfillment processes. Service-oriented architecture, open architecture, and other standards-based integration techniques must be applied to reduce the lack of connectivity between customer-facing and back-end functions within two channels or more."

For more information on this or other research topics, please visit www.aberdeen.com.

Related Research

[Roadmap from Multi-Channel to Cross-Channel Retailing](#), November 2010

[New-Age Retail Banking: Five Technology Imperatives for Customer-Centricity](#); July 2010

[Business Intelligence in Banking: Analytical Customer Focus Drives Performance](#) ; May 2010

[Cross-Channel Customer Loyalty: Rewards, Promotions, and the Battle for ROI](#); March 2010

[Fast-Track Cross-Channel Gains: The Final Frontier for Customer Share of Wallet](#); January 2010

Author: Sahir Anand, Vice President and Principal Analyst, Retail and Banking
(sahir.anand@aberdeen.com)

For more than two decades, Aberdeen's research has been helping corporations worldwide become Best-in-Class. Having benchmarked the performance of more than 644,000 companies, Aberdeen is uniquely positioned to provide organizations with the facts that matter — the facts that enable companies to get ahead and drive results. That's why our research is relied on by more than 2.5 million readers in over 40 countries, 90% of the Fortune 1,000, and 93% of the Technology 500.

As a Harte-Hanks Company, Aberdeen's research provides insight and analysis to the Harte-Hanks community of local, regional, national and international marketing executives. Combined, we help our customers leverage the power of insight to deliver innovative multichannel marketing programs that drive business-changing results. For additional information, visit Aberdeen <http://www.aberdeen.com> or call (617) 854-5200, or to learn more about Harte-Hanks, call (800) 456-9748 or go to <http://www.harte-hanks.com>.

This document is the result of primary research performed by Aberdeen Group. Aberdeen Group's methodologies provide for objective fact-based research and represent the best analysis available at the time of publication. Unless otherwise noted, the entire contents of this publication are copyrighted by Aberdeen Group, Inc. and may not be reproduced, distributed, archived, or transmitted in any form or by any means without prior written consent by Aberdeen Group, Inc. (2011a)