

HOW TO REFRESH YOUR DIGITAL STRATEGY TO PREPARE FOR THE 'NEW NORMAL'

INTRODUCTION

Who could have predicted that the center of conversation for 2020 would revolve around coronavirus? At the time of writing this, the world continues to battle the ongoing pandemic, which has impacted almost all countries, economies and populations in some shape or form. Changes to how we shop, how we work and even how we bank are now challenging the concept of what should constitute a normal service.

While the full impact of COVID-19 will not be known for quite some time, one trend has become particularly clear across most sectors – digitization. In this article, we explore how customer banking expectations are changing due to COVID-19, banks' reactions to the pandemic, and why a strong, digital strategy is so critical for banks to embrace and thrive in the 'new normal'.

CHANGES IN CUSTOMER BEHAVIORS AND ATTITUDES

Well before COVID-19, online shopping and home delivery had become a normal part of everyday life for many people around the world. However, the current climate has seen a massive surge in the use of delivery and subscription services such as Amazon, Tesco, Ocado and Waitrose groceries, and Netflix, with the latter acquiring 16 million new global accounts in lockdown.¹ In addition to these types of services, digital-only banks are being looked upon as a blueprint for how to best operate as a financial services firm during uncertain times. Starling Bank, for example have used the pandemic to further simplify SME banking by adding three new integrations to its Marketplace: Slack the workplace messaging platform, Bionic, the energy switching service, and Equipme, a health insurance provider.²

Our analysis has found that consumers are anxious about how to manage and plan their finances and how to cope with the 'new normal'. With many brick and mortar banks temporarily closed, the dependency on online and mobile banking has skyrocketed. Six million³ (12 percent) of UK adults have reportedly made the switch to digital banking in recent

weeks, simply by downloading their bank's digital application. With reduced in-person support, the analysis also found that a quarter of existing digital customers are using their banking apps more often during the crisis. We are confident this trend will continue and grow post-coronavirus.

However, the shift towards digital banking has raised valid concerns that the elderly and vulnerable, who make up millions of users, might get 'left behind'. While record numbers of customers aged 65 and above have reportedly moved to online banking since the crisis, not everyone in society will be able to make the switch.⁴ Moreover, vulnerable people who embrace online banking could be especially susceptible to fraud, which was also risen during this period.⁵ Whichever trends continue to emerge, it is clear that banks and other financial services providers must keep the diverse needs of these sizeable customer segments at the heart of their future strategy. Over a quarter of the UK's population consider themselves as vulnerable (26 percent)⁶, and the UK's 85+ age group is the fastest growing UK demographic and is set to double to 3.2 million by mid-2041.⁷

HOW BANKS ARE RESPONDING

The COVID-19 lockdown has impacted those within the banking industry in several different ways, presenting both challenges and opportunities.

In order to curb the spread of the virus and adhere to strict social distancing measures, many high-street banks have reduced their services, such as Lloyds Bank and Barclays, who have closed a host of their locations. Customers are being urged to use telephone and online banking services rather than visit brick and mortar locations for safety reasons. Banks are now seeing call centers becoming overwhelmed with calls for support from customers – during the pandemic NatWest has seen a 730 percent⁹ increase in the number of calls it is receiving.

Many businesses are fighting for survival and depend on vital lending support such as the Coronavirus Business Interruption

Loan Scheme (CBILS). More than 300,000 firms⁹ have made informal inquiries about seeking help from the scheme, and those looking to access support are finding it hard – with only 2 percent³ successfully accessing the CIBIL program. A huge number of businesses (38 percent)¹⁰ are even abandoning banking applications during the crisis due to slow due diligence processes.

As a result, banks are struggling to address key issues in supporting their customers getting access to the support they require, whilst also fending off threats from new entrants into the market, keeping an eye on their bottom line and setting up robust support models for the future. Even after COVID-19, more customers are expecting to do all their banking without having to leave the comfort of their sofa. So, what can banks do to prepare for the 'new normal'?

THE NEED TO BE PROACTIVE AND RETHINKING YOUR DIGITAL STRATEGY

Banks have a responsibility and an immediate need to manage and protect their revenue, processes, systems and employees during these uncertain times. However, these uncertain times also present banks with an opportunity to pivot and position themselves for the future through a thoughtful digital strategy and roadmap. With COVID-19's far-reaching impacts, digital strategies now require a **360-degree view** for banks, ranging from service models to talent and location strategies.

At Capco, we have observed that the coronavirus pandemic has further accelerated the move toward digital banking.

It is now crucial laggards follow suit. We have identified three distinct phases that our clients can follow in order to address the key issues being faced now and support them in a productive manner on their journey to the 'new normal'.

Phase one

The first phase is a **tactical response**, where banks take immediate actions to support their employees and customers in an operational shift. This phase will see banks will enable their workforce to operate remotely and see a rapid move toward digital channels. During this period banks will see a surge of calls into their call centers and will need to ensure that these calls can be answered, with vulnerable clients are prioritized. Working on having a flexible work force will help keep jobs, provide better customer service, and encourage their clients to continue banking and being active.

Phase two

The second phase focuses on the end-user, high-priority focus items. For instance, banks will need to review their customer journeys and ensure they are enabled to support digital channels, and how they can best support their customers, such as virtual help desks. Having more online and simple tools will make life much easier for their clients and reduce stress on call centers. During the phase, strategic and customized thinking will be needed to create a migration plan for how their workforce return to their in-person roles in a way that fits their culture and ways of working.

Phase three

The third and final phase is adopting a strategic focus, where banks will need to evolve their service model and get ready for the 'new normal.' Banks must develop scenarios taking into consideration post pandemic factors, such as economic client and the 'new normal' way of operating. These scenarios will support the ability for our clients to re-invent their business models, embed resilience and adapt and evolve their cost base and operational models. Generating prioritized initiatives to boost future growth based on market analysis and competitive benchmarking will ensure stakeholders are aligned on their future vision.

Based on the trends we have analyzed through customer interviews and current acceleration of digitalization, **having a dynamic and robust digital strategy is now more important than ever.** Financial services firms will need to be able to keep up with the evolving customer expectations and demands and be able to mitigate operational challenges in a proactive and agile manner. We are entering a time when a strong digital strategy is becoming a necessity rather than a luxury – welcome to the new normal.



REFERENCES

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- ⁷ https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/late_life_uk_factsheet.pdf
- ⁸ <https://www.bbc.co.uk/news/52208032>
- ⁹ <https://www.theguardian.com/business/2020/apr/15/covid-19-bailout-loans-issued-uk-firms-banks>
- ¹⁰ 38% of customers are abandoning banking applications for CBILs and Bounce Back loans – internally sourced from Capco client insight

For further reading about digital servicing and the Capco approach, why not read [here](#)

Please also feel free to reach out to our digital banking experts.

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