

CAPCO

DEFINING AND PREPARING FOR THE NEW NORM



THE 'NEW NORM'

COVID-19 continues to put a strain on financial institutions (FIs) and their customers around the world. As we carefully navigate through this unprecedented period, a 'new norm' has been taking shape in the form of accelerated trends in the financial services industry, as well as evolving customer expectations. This new environment has already and will continue to challenge traditional operating models and push FIs to integrate channels and customer segments going forward. Success in the 'new norm' will require FIs to be bold and challenge industry and institutional practices.

In the first blog of our series [Situation Analysis: Understanding the Past, Present and Future of Customer Experience](#), we identified a rapid shift to digital and non-physical interactions resulting from the pandemic. Globally, physical distancing measures were core contributors for digital adoption, which removed the need for physical interactions. A recent article in the Wall Street Journal found that year-over-year bank branch traffic fell more than 30 percent in April 2020.¹ In addition to digital adoption and its impact on the customer experience (CX) offering, we have identified five additional key areas of change that will affect CX in the future – critical functions, workforce strategy, infrastructure, cybersecurity, and communications.

1. CRITICAL FUNCTIONS

COVID-19 has created new scenarios for business continuity around the globe. Surviving the pandemic and succeeding in the 'new norm' requires FIs to strive for zero disruptions in their CX. FIs must quickly adapt to the evolving environment by proactively taking measures to ensure resiliency during the global crisis by defining critical functions, identifying resource dependencies needed to maintain continuity, and developing action plans in response to new scenarios to mitigate disruptions. Preventing and removing disruptions from the CX requires diligent planning and creating proactive resilience measures. Learn more about [Critical Functions For Continuity And Resiliency](#) here.

2. WORKFORCE STRATEGY

As we continue to practice physical distancing, FIs and their customers are operating in a remote working pattern. With the halting of face-to-face interactions, FIs must refresh their workforce strategy to meet customers' expectations. A successful workforce strategy in the 'new norm' should aim to provide all key resources with the ability to work remotely to avoid any disruptions that carry over to the CX. Many organizations were able to navigate this pandemic as a result of their forward-looking workforce strategy. In a recent [webinar](#) hosted by Capco, Kelly MacDonald, Senior Vice President, Sales Leader Toronto Branch, Aon asserted that Aon could pivot quickly because it had completed a lot of work ahead of time such as, refining a business continuity plan, and enabling employee virtual access. By providing location independent exception handling and business monitoring capabilities, FIs can set themselves up for success.

1. <https://www.wsj.com/articles/people-arent-visiting-branches-banks-are-wondering-how-many-they-actually-need-11591531200>

3. INFRASTRUCTURE

Decades of band-aid and surface-level investments on top of a legacy operating model and infrastructure have led to inefficient back-ends and inconsistent CX. The pandemic has further exposed the rigidity of the infrastructure that supports FIs and is another eye-opener to the need for change. FIs need to leverage cloud and Software as a Service (SaaS) offerings to enable their target CX. This starts with selecting services with high resilience, optionality in platform service providers, and ensuring that scalability, agility, and bandwidth requirements are clearly defined and tested. Learn more about [Platform Transformation](#) here.

4. CYBERSECURITY

As the world continues to shift toward a digital environment, security and stability become even more important, and rightfully so. Bank of Canada's research indicates that the highest number of malicious cyber and privacy and lost data incidents can both be attributed to the financial services sector.² Authentication mechanisms should be supported by technology and enable operation with minimal human interventions to mitigate such incidents. Adjusting fraud tolerance and enhancing cybersecurity supports an uninterrupted CX that requires less friction. To learn more about cybersecurity read [4 Factors Driving Cyber Program Needs](#) and [Five Cyber Security Trends For 2020](#).

5. COMMUNICATIONS

The impact of the pandemic was abrupt for FIs and their customers. There was and continues to be a period of uncertainty, which has created many unknowns for customers. Evolving a communications strategy to support customers in their time of need and help them navigate through the uncertainty is vital to customer satisfaction and retention. In the 'new norm,' we need to ensure transparency and leverage agility (e.g., ability to deploy dynamic and interactive forms with workflow support rapidly) to help clients navigate through unforeseen situations as they occur.

2. <https://www.bankofcanada.ca/2019/12/staff-analytical-note-2019-32/#The-data-show-that-cyber-incidents-are-more-common-in-the-financial-sector>

WHY IS THIS DIFFERENT AND WHAT DO YOU NEED TO DO?

As a result of the pandemic, almost overnight, a robust and digital CX offering changed from being a differentiator to a requirement. Slowed down by traditional digital builds, FIs were negatively impacted by the abrupt transition to non-physical interactions and transactions, in part because they were unable to provide a digital CX offering promptly. This is a critical moment for FIs to reassess

their CX offering, and ensure that their customers' expectations are being met and are fit for the 'new norm.'

Whether an FI is well on its way to designing a CX offering or at the beginning of the CX journey, it is vital to incorporate five key elements when defining and executing the target state CX:

1. ADOPT A CUSTOMER-CENTRIC MENTALITY FROM THE OUTSET

Defining and designing a target CX requires a customer-first approach. The foundation for a successful transformation and future is rooted in understanding the fundamental wants and needs of customers.

At Capco, we believe that a critical element in creating a target CX that reflects the customers' wants and needs is design thinking. Comprised of three core tenets - simplicity, empathy, and the user experience (UX) - design thinking embraces a human-centric approach and ensures that FIs solve the right problem. FIs cannot ignore the impact of taking a human-centric approach - data suggests that companies that integrate design-driven ideas into a strategy can outpace their peers by 228 percent.³ In the 'new norm,' customer expectations have significantly changed, and FIs must root a CX re-design in customer-centricity. Understanding the real pain points in a customers' journey will uncover new areas of opportunity and allow FIs to develop strategies that truly address and mitigate those points.

2. USE A PRODUCT-AGNOSTIC APPROACH

FIs have historically functioned as an aggregate of smaller divisions (e.g., split by the front office, middle office, back office, geographical units, line-of-business (LOB), etc.) This operating model resulted in siloed decisions split by product teams or LOBs. In addition to duplicating effort and creating complexities in the back-end, this approach created counter-intuitive and fragmented experiences for customers. FIs must shift their mindset and transition away from the traditional siloed approach driven by product-specific LOBs and adopt a product/LOB-agnostic approach to succeed in the long-term.

FIs should look to new market entrants, such as challenger banks, as inspiration for this new approach. An example of a unified CX comes from Monzo, a challenger bank in the United Kingdom. Monzo's customers can open a checking and savings account, apply for a short-term loan,

3. <https://fortune.com/2017/08/31/the-design-value-index-shows-what-design-thinking-is-worth/>

split bills, withdraw cash abroad, and take advantage of many other features all without having to leave the Monzo mobile app.⁴ In contrast, if a customer wished to open a new savings account with one of the top five Canadian banks, they might start in the mobile app but will always be redirected to the web app to complete the application – a disruptive and frustrating experience.

The challenge of retaining customers in an already saturated market is becoming more difficult by the day. A product-agnostic CX design enables FIs to make strategic decisions that benefit the entire enterprise and creates consistency in a CX offering.

3. DIGITIZE THE END-TO-END (E2E) CX AND ALL CUSTOMER INTERACTIONS

As we continue to practice physical distancing, a fully digital end-to-end (E2E) CX and accompanying guided-OMNI offering is vital. Traditionally, FIs invested in surface-layer digital experiences that did not consider a customer's needs or E2E journey, which further fragmented the CX. In the 'new norm,' it will be critical for customers to interact with an FI digitally. To create a holistic CX, FIs need to leverage guided-OMNI to align with customer preferences and support their customers' interactions and journeys.

Banks, insurers, and wealth/asset managers still rely on brick-and-mortar locations, commission-based sales staff, and outdated infrastructure, which contribute to their inability to provide a digitized E2E experience. In most cases, customers are still required to visit physical locations to perform identity verifications or receive services such as life insurance purchases. Customers wishing to make a trade must call their broker directly, as many still do not accept emailed trade requests. This results in a confusing and fragmented journey that forces customers to use multiple channels, regardless of their preferences.

Drawing additional inspiration from challenger banks, such as Revolut and N26, many offer their prospective customers the ability to perform these functions without ever having to interact with a human. Wealthsimple provides another notable example - customers can undergo the full E2E journey, from discovery to deposits/withdrawals, in a fully digital manner. In tandem with their digital CX, Wealthsimple has a guided-OMNI offering and thoroughly supports its customers through their journey.⁵ Until the COVID-19 pandemic has been completely eradicated, we expect to continue to see customers limiting or completely eliminating face-to-face interactions with their FIs. This creates opportunities for growth for those which provide a complete E2E digital experience.

4. AUTOMATE FRONT-TO-BACK PROCESSES AND STRIVE FOR ZERO BACK OFFICE

Front-to-back automation/digitization is integral to capturing efficiencies and being able to offer consistent experiences to customers. Back-end processes that are manually driven are more prone to error, costly, and time-consuming, which negatively impacts the CX. FIs should strive for a zero-back-office, a concept which emphasises the reduction of human-led back-office operations such as data input, forms processing, and client onboarding.

4. <https://monzo.com/>

5. <https://help.wealthsimple.com/hc/en-ca/articles/115000329207-How-do-I-open-a-Wealthsimple-account->

Competition between established FIs is fierce and will continue to heighten as new players make a name for themselves. Unlike traditional FIs, new players are not burdened by legacy operating models or back-end systems and can adopt back-end automation and digitization more easily. FIs should draw inspiration from new players such as Lemonade, an InsureTech with automation at its core. Lemonade uses advanced machine learning algorithms to not only underwrite consumer risk but also to replace human customer service agents with bots that can process claims instantaneously.⁶ In one famous instance, Lemonade's AI Jim was able to process and payout the claim for a stolen coat in 3 seconds, setting a new World Record!⁷ Front-to-back process automation is imperative in the 'new norm' and will allow FIs to deliver superior value to their customers, profitably.

5. BE HIGHLY AGILE & CONFIGURABLE

It is not surprising that the pandemic has FIs and the rest of the world in a period of uncertainty. In order to combat the uncertainty in this 'new norm,' FIs must be highly agile and configurable to establish a CX offering capable of ongoing adaptation and optimization. Customer expectations continue to rise and evolve, and ensuring that an organization is prepared to adapt to the needs of the customer quickly is imperative.

When physical distancing was first initiated due to the COVID-19 pandemic, FIs experienced unprecedented customer demand for digital offerings. The weekly rate of Bank of Montreal customer sign-ups for digital banking increased to almost 300 percent during March and April.⁸ Optimizing preparedness and response to these types of unforeseen shocks becomes exponentially simplified when the back-end is agile and configurable. Instead of mobilizing large amounts of resources or investing in a temporary solution that will inevitably introduce additional complexities in the future, a modular back-end underpinned by automation and digitization enables an organization to adapt to customers' wants and needs, easily and quickly.

Re-inventing a CX is not easy but is foundational to delivering against customers' expectations and succeeding in the 'new norm.' Taking a step back to create a strategy that addresses the underlying issues at play is the first step toward defining a target CX.

In our next content piece, 'Acknowledging the Complexities of OMNI and Re-inventing your CX Strategy,' we will explore

the complexities of delivering a holistic CX and share five key principles for a re-imagined CX.

For more information on how you can get started on your transformation journey and re-inventing your CX, contact us at solutions@capco.com.

6. <https://digital.hbs.edu/platform-rctom/submission/lemonade-reinvents-the-insurance-industry-with-machine-learning/>

7. <https://www.lemonade.com/blog/lemonade-sets-new-world-record/>

8. <https://financialpost.com/pmn/business-pmn/pandemic-accelerates-canadas-shift-to-electronic-banking>

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ABOUT CAPCO

Capco is a global technology and management consultancy dedicated to the financial services industry. Our professionals combine innovative thinking with unrivalled industry knowledge to offer our clients consulting expertise, complex technology and package integration, transformation delivery, and managed services, to move their organizations forward.

Through our collaborative and efficient approach, we help our clients successfully innovate, increase revenue, manage risk and regulatory change, reduce costs, and enhance controls. We specialize primarily in banking, capital markets, wealth and asset management and insurance. We also have an energy consulting practice in the US. We serve our clients from offices in leading financial centers across the Americas, Europe, and Asia Pacific.

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