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Managing a customer-experience transformation in banking

As banks rush to transform their customer experience, it's easy to trip up. Here's how to execute a step change that moves ahead of competitors.

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Regulation. Fickle customer loyalties. Nontraditional competitors. As if a decade of razor-thin margins and reputation issues weren't enough, the mix of challenges facing global banks makes it easy to see why so many now voice a commitment to improved customer experience as a legitimate differentiator in an increasingly competitive environment. Of the 50 largest global banks, three out of four now pledge themselves to some form of customer-experience transformation.[1]

The benefits of such a strategy have been increasingly clear for some time across sectors and geographies. As practitioners like Amazon and Apple have demonstrated, real value resides not only in the products and services a company provides but also in the way that it delivers them. A seamless customer experience can be worth at least as much as a superior product or efficient process—building customer loyalty, reducing costs, making employees happier, and boosting revenues significantly. One bank that undertook a customer-experience transformation concluded that the lifetime profitability of a satisfied customer willing to actively recommend the bank to his or her friends was five to eight times greater than one who had a negative perception.

Many leading banks are pouring tremendous resources into transforming the customer experience, often with mixed results. This is understandable. A customer's banking relationship includes key journeys that range from onboarding and transacting to maintenance and problem resolution. Effective transformations must not only recognize the complexity of these relationships but must also make a priority of the parts of the experience that matter most—in order to manage the cross-functional, end-to-end nature of customer needs rather than deferring to existing organizational structures.

Depending on a bank's customer-experience goals, transformations can vary in regard to the time and resources required. In our experience, a handful of elements are necessary to execute any program that will deliver durable impact. These include, among other things, a consistent focus on value, ensuring the customer's central role in any transformation, and the ability to scale a program. This article explores the ways that some banks have implemented these and other critical steps in constructing successful customer-experience transformations.

Failure modes

Customers are central to a wave of new opportunities and challenges facing banking executives, with regulators increasingly expecting banks to deliver on more than just credit-risk management and associated capital requirements. For example, regulators around the world increasingly examine customer complaints for examples of problematic sales practices and inadequate customer service. For the biggest banks, how they treat their customers is becoming more of a political issue, as any CEO who has been called before a congressional or parliamentary inquiry can attest.

Customers' loyalty is also at risk. Banks face an expanding array of new competitors. The entry of companies like Alipay, Amazon Cash, Facebook Messenger P2P, WeChat, and other services skilled at customer ease and experience may, in the longer term, disintermediate traditional banks from customer relationships and reduce banks' distribution margins. Another consequence is that players outside the traditional financial-services industry are starting to set the benchmarks for customer experience in banking. Internet retailers and other e-commerce players typically sit atop customer-satisfaction rankings. Banks often lumber in the middle of the pack.

As banks pour more effort into improving experience, we find three missteps to be the most likely culprits when efforts fall short of the mark. First, many banks ignore the need to achieve early, quick wins to demonstrate value and build momentum for change. Teams eager to achieve dramatic impact set out to create moments of customer delight and fix pain points across all journeys or processes at the same time and are often overwhelmed by the complexity and costs of redesign.

For example, one bank moved to fix its full mortgage journey in a single, focused effort. Despite a large investment of time and money, however, its gold-plated solution proved too complex to implement all at once. Early impact never materialized. As payback deadlines loomed, the team couldn't deliver convincingly on redesigning complex systems, processes, or risk policies. Senior management balked at committing additional time and energy. The transformation never got off the ground and was ultimately abandoned.

Ironically, another way that customer-experience transformation efforts go awry is by leaving the customer out of a front-and-center focus in propelling a change effort. Despite the growing awareness of the value in superior customer experience, efforts to improve it are rarely held to the same rigor as an effort behind, say, a traditional productivity transformation. The customer's voice is often left silent as change agents latch onto digitization to leapfrog competitors, self-service improvements, and revamped staffing models.

One payments player sought to improve its process of resolving customer disputes. It was considering a complete reworking of its technology to reduce processing time. However, after collecting customer feedback and conducting additional customer interviews, the company learned that the major pain point was not processing time but the lack of status updates customers received. By better understanding what was disturbing customers, the company was able to solve the problem with much less effort and with a greater likelihood of improving the experience.

Finally, banks often fail to set up transformation programs with scaling in mind. In complex organizations it is easy for change efforts to get stuck in the depths of business silos, even when the objective is to create a cross-functional platform for tracking customer preferences and improving outcomes. Efforts that don't give customer experience the same top-team and board attention as large-scale productivity-improvement efforts, and that don't devote the same resources to oversight and measurement, risk lapsing into cursory efforts marked by meaningless bulletin-board slogans such as "customer experience is everyone's job."

Toward a durable transformation program

In our experience we've found banks increasingly finding success with "at scale" transformation efforts. These efforts define the bank as a series of customer journeys that can be reimagined and applied across functions and the organization as a whole. As value is demonstrated, larger and larger parts of the organization are included. In the early stages, such transformations take advantage of cross-functional teams that work within existing roles and in parallel with reporting structures. Over time, by emphasizing this type of agile collaboration, organizational structures can be revamped to deliver the new experiences sustainably over multiple years. The result is a transformation that delivers early impact and momentum and an opportunity to evolve as needs change, without the disruptive shock of tearing up an operating model in the fragile, early stages.

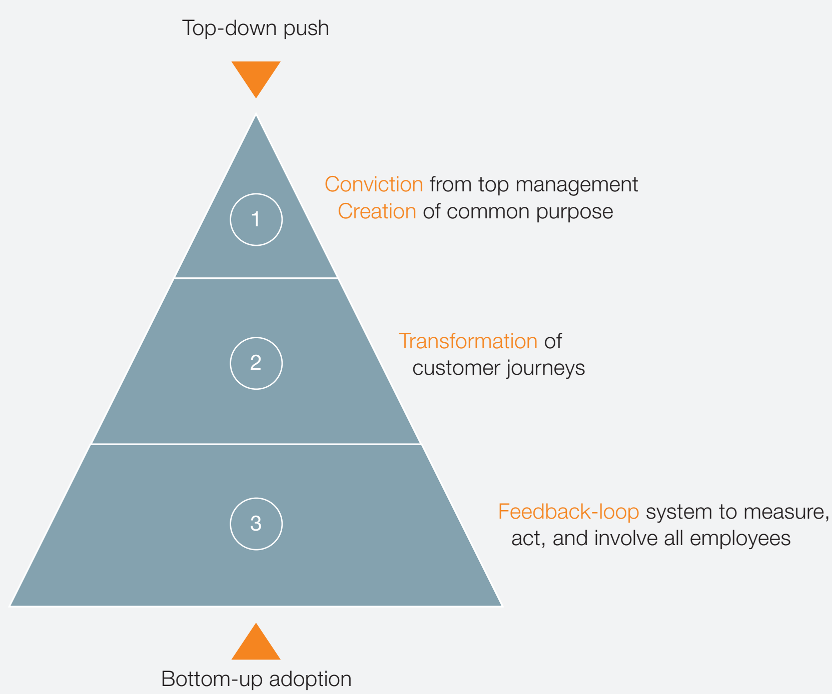
Every customer-experience transformation following such a model relies on certain prerequisites (Exhibit 1). These begin with a top-down, unwavering C-suite commitment to the program and to modeling the customer-experience behaviors that the organization espouses. They also include commitment to a bottom-up feedback loop to measure progress and involve employees in implementing and refining improvements. At the center of such efforts lies a dedication to a customer's end-to-end experience with his or her bank—that is, the whole journey rather than individual, transactional touchpoints in the relationship. In turning that commitment into a successful business strategy for banks, we find five elements critical to implementing a superior customer-journey and experience transformation at scale.

Hard wire customer experience to value

The financial benefits of improving customer experience are clear. One bank found that customers willing to promote the bank were four times more likely than neutral customers to add additional products. These customers also typically see the bank as their main financial institution—a key driver of overall lifetime revenue. Many customer-experience programs are launched off the back of analyses such as this. However, few of these programs home in on where the value comes from. In addition, many do not hold themselves accountable to deliver greater profitability. Without a quantified link to value and a sound business case, transformation efforts can't show early gains, build momentum among functional executives, or earn a seat at the executive team's table.

To that end, we find it useful for banks to apply the same rigor of value attribution to customer experience as they do for productivity programs. One US payments company, for example, used fine-grained customer feedback, coupled with advanced analytics, to identify customer pain points that were driving problem calls to its call center. Managers selected the five customer journeys that drove about 20 percent of calls and redesigned them with the aim of eliminating all the calls. During implementation, the team realized that it had a broader opportunity

Exhibit 1 **Successful customer-experience programs combine top-down purpose and a bottom-up feedback loop to make journey transformations stick.**



for improving the vast majority of its customer-service interactions over a period of several years.

Stay agile to ensure scalability

While the overall transformation needs to be broken up into manageable work efforts, setting up for scale should be the goal from the first day. Too often, retail banks build oversize, bespoke teams and processes to address individual customer journeys with inadequate ways of collaborating across functions and measuring progress.

One global bank sought to take customer satisfaction to a higher level to break away from the competition. Managers set out to systematically reengineer key steps along customer journeys but found they were inhibited by the lack of a common language to define those journeys. Executives on the marketing side thought about life events, while product owners viewed the customer experience through the lens of purchasing products. Without a common language, the bank struggled to approach customer-experience transformation in a uniform way across functions, handcuffing efforts to collect the right facts to jointly identify and resolve pain points.

A breakthrough came when the team was able to collaboratively define a simple and pragmatic taxonomy arranged by products and across steps in the key banking customer journeys (Exhibit 2). The common language achieved could then be used to broaden the customer-experience transformation across multiple parts of the organization.

The next step was to then systematically redesign and reengineer the customer journeys at scale. In order to provide senior management with a consistent way of discussing the status of journey redesign, bank managers set out to define a common "maturity" model that could be applied across all journeys.

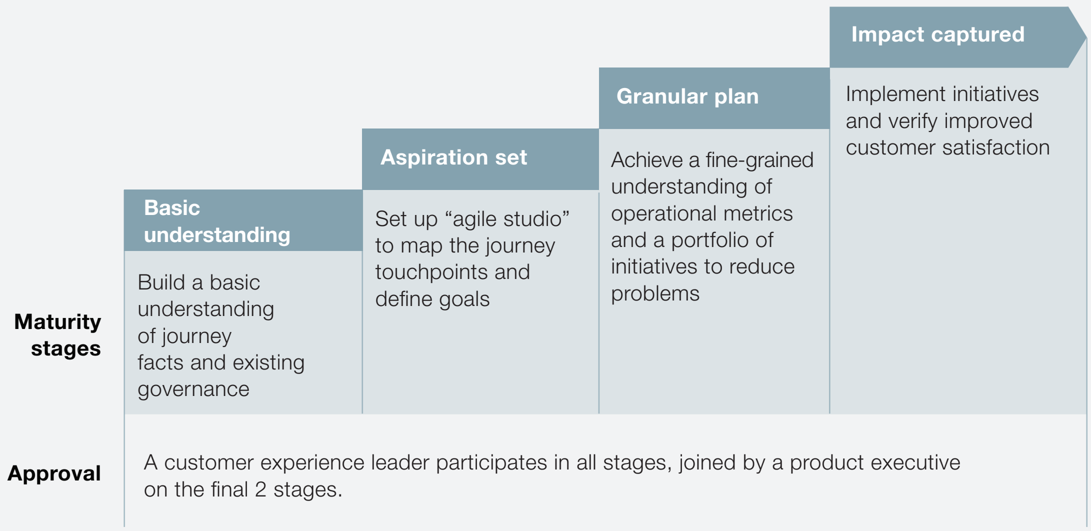
The maturity model addressed four key gates to pass through on the way to customer-experience improvement (Exhibit 3). The work at level one was to establish a fact base behind prioritized customer journeys, for example, understanding what truly drives customer experience and satisfaction in securing a home loan.

At the next level, the team defined an overall target for improving the journey and established

Exhibit 2 **A simple taxonomy of journeys combines a product and a path.**

Products	Path: Onboarding	Transacting	Administering	Resolving
Transaction accounts Credit cards Savings accounts Personal lending Mortgages Pension Insurance	Signing up for a new account Setting up your account and getting it running Adding a new product or account	Using bank products and services	Receiving and managing bank statements Making changes to your accounts	Resolving problems with your account

Exhibit 3 **A journey maturity model can govern the transformation of each journey and ensure a common standard.**



an "agile studio" to stimulate solution ideas and execute improvements. Such sprints took place over periods of two to four weeks. At the third level, the team mapped pain points to the underlying elements for each critical step in the journey and their importance to overall customer experience. In this case, the real issue for customers was how the bank delivered the conversation about loan pricing. Against this deeper understanding of the sources of customer experience, the team was then able to put in place an iterative process of developing and testing rapid prototypes of minimum viable products and refining knowledge with each new application.

The end result: a set of actions that encouraged earlier, better conversations with the customer on price. Throughout the process, the team also continuously tracked impact via customer and employee feedback. Over a period of nine months, the bank registered a 15-point improvement in customer satisfaction for its home-loan journey, from a score of negative five to ten.[2]

This bank's story is not unique. Banks struggle to pursue customer-experience transformation amid the complexities of running their day-to-day business. But by combining a common taxonomy with a structured maturity model, it is possible to quickly identify customer pain points and to create minimum viable products. Agile, iterative testing then allows a team to test new approaches, learn from failure, and refine and start over again at a high metabolic rate. This approach can produce value early and provide the successes to build momentum and secure ongoing support from the organization.

Don't forget the customer

Even banks that have thoughtfully created a flexible, iterative improvement process at times inadvertently overlook the most critical stakeholder: the customer. In the rush to digitally enable customer journeys and transform the customer experience, it's easy to be swept away by a bias for technological solutions. But key customers can easily become skeptical about not having a human representative to call when things go wrong. The right balance requires study, but when interactions are new or particularly complex, the personal touch is still an important differentiator of customer service. Without an explicit link to and inclusion of the customer, no transformation will ever be fully right.

Similarly, gathering and segmenting data are classic starting points in understanding customers. But data by themselves are insufficient. The most successful customer-experience efforts apply a human filter to collected information to address key questions about the motivations and wishes of customers. Some of the successful transformations we've observed have included customers in their design via a variety of techniques: structured interviews, customer panels, zero-based-design workshops, and executives spending time in call centers and branches to experience firsthand what customers encounter and to shape customer-centric responses.

Continuously push for more value

Improving customer journeys is not a linear process. Often the first round of initiatives will not deliver the desired satisfaction levels. Moving from good improvement to great will require regularly going back to the drawing board and maintaining patience and a mind-set of always pushing for more in the interest of customers. One European bank established a rhythm of regularly recurring customer-journey improvements. At the beginning of its customer-experience transformation, it identified and redesigned each of its most important journeys. Since then, it has reconvened its cross-functional customer-experience teams in regular intervals of 12 to 36 months, depending on the importance of the journey under review. In these "hot periods," lasting several weeks, the teams react to all customer feedback that requires structural adjustments that are larger than can be handled alongside day-to-day operations. Concentrating this work effort in a cross-functional team is an effective way for the bank to regularly optimize journeys.

Such a continuous-improvement regimen can help foster a superior customer-experience mind-set. One way is at the front line, with employees closing the loop with customers on direct feedback, then using those insights to change the way the process is designed. A second benefit accrues from continuously improving service design. Product companies understand better than banks and other service organizations that using customer insights is a way to develop a superior product. But banks have rarely invested the same way in service design. Creating a pipeline of feedback and actions, rather than simply reporting metrics, is one way to ensure that the customer's voice is always present in any transformation effort.

Establish a cross-functional team with C-suite backing

Transforming customer experience in a bank requires bringing stakeholders from distribution, product, risk, legal, pricing, and other departments to the table. Regular risks include potentially conflicting agendas or timelines. Resolving these barriers requires active sponsorship from the top.

Leaders in customer experience pursue a number of approaches to overcome this kind of complexity. One way is to set up a dedicated customer-experience organization within the bank. Dedicated teams encourage a continuous focus on customer experience across product, service, and geographical silos. In contrast, trying to fit customer-experience team members seamlessly into the existing organization can wind up emphasizing narrow customer touchpoints, which reduces effectiveness. In all cases, the CEO must make customer experience a priority, and in some cases the appointment of a chief customer officer can serve to underline that commitment.

The benefits of superior customer experience—bottom-line results and stronger customer and frontline-worker loyalty—are not lost on banks. By keeping a focus on the handful of elements central to successfully transforming customer journeys, banks can tap those benefits for durable competitive advantage. ■

[1] Analysis of the 50 largest global banks' annual reports and investor presentations for the latest financial year; based on the S&P Global Market Intelligence list of banks by total assets.

[2] On a scale ranging from negative 100 to 100.

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