Whitepaper

Making the Business Case for Unifying Channels

in Financial Services

Your Customer Experience Management Strategy is Only as Strong as Your Weakest Channel

KIVA GROUP, INC.

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Today's Retail Banking Environment

Delivery channels have evolved in the financial services industry with the common objectives of improving customer service, or at least the availability of service, and reducing the cost of transactions. Now, not only have mobile banking and social media come into play, but there are even variations of traditional customer interaction options. With the introduction of all of these delivery channels, interaction volumes have grown, but many financial institutions are finding that the growth has not necessarily been profitable.

The disparate technology systems and processes institutions have put in place to support multiple customer touch points have created barriers to doing the very thing they intended to do.

Massive investments have resulted in a great deal of redundant technology and inefficiencies, and customers at far too many institutions still remain uncertain about which channel will provide them with the most reliable service and up-to-date information. This is evidenced by the fact that balance inquiry remains the number one transaction in the call center and still ranks high among reasons to visit the branch. Customers that institutions had hoped would use lower cost self-service channels often don't, while the people they would like to cross-sell at the branch prefer the web. And, while the types of interaction channels have multiplied exponentially, for many institutions, customer numbers have not.

It's time to address what lies at the foundation of these problems and will present more and more challenges for institutions as our multi-channel world continues to evolve—the silo effect.

The Barriers to Effective CEM/CRM

The disparate technology systems and processes financial institutions have put in place to support multiple customer touch points have created barriers to doing the very thing they intended to do—provide prompt, convenient and satisfying customer service. The term "silos" is commonly used to describe how the technologies underlying an institution's service delivery channels are isolated from each other and therefore, do not share data and functionality. This widely acknowledged silo effect comes at a high cost—measured not only in maintenance dollars, but even more significantly, by customer (dis)satisfaction. Silos within an institution's infrastructure impede its ability to create a consistent and personalized experience for each customer via their channel(s) of choice.

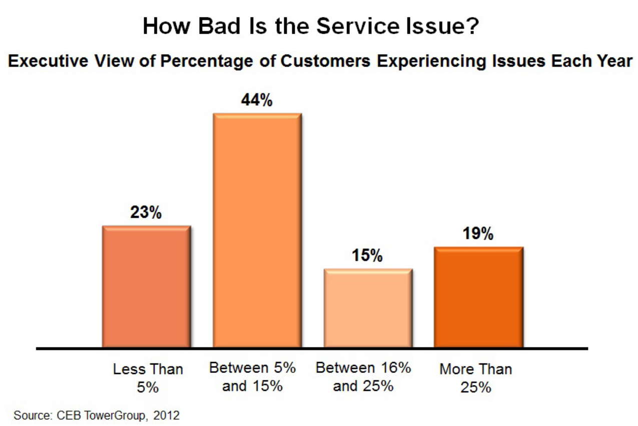
The silo effect comes at a very high cost—it is a problem that no retail organization can afford to ignore.

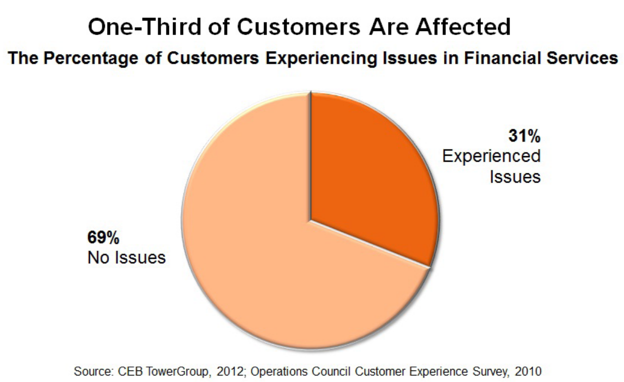
Considering the financial implications of a poor customer experience, as quantified in the following diagram by TARP Worldwide, the silo effect is a problem that no retail organization can afford to ignore.

However, there is a solution. If banks and credit unions want to be responsive to their customers, deepen those relationships and effectively manage the customer experience *across the enterprise*, they must unify all of their delivery channels. The paybacks of unification are tangible, and they are compelling. And, unifying channels does not have to be as painful as one might think, as we'll address below; it is a technical reality today versus a promise of years past—and it is achievable for every financial institution.

The Customer/Member Perspective

While many banking customers and credit union members are satisfied with the service their institution provides, there is a significant percentage of customers who experience issues each year. And, somewhat surprisingly, there is a notable disconnect between the executive perception of how many customers experience issues and the reality, as shown below in recent CEB TowerGroup research on Customer Experience Management (CEM).





As illustrated, 67% of executives who participated in the CEM study believed that 15% or fewer of their customers experience issues each year, when in fact, 31% of customers actually experience issues with their financial institution. This is a substantial discrepancy when you consider the critical value of managing customer experiences.

According to CEB TowerGroup, customers measure the experience they have with their institutions based on two key criteria—the degree of effort they have to put forth when banking, and the institution's ability to provide willing and capable help. For customers, it all boils down to *faster* response, *easier* access to information and products, and *simpler* processes.

What lies at the foundation of the customer experience problem is lack of consistency—created by the silo effect.

What lies at the foundation of the customer experience problem is lack of consistency—created by the silo effect. Inconsistencies in the user interfaces, data access and process flows from channel to channel are frustrating for customers (not to mention staff). The fact that each interaction channel has its own way of presenting information as well as processing transactions is a major impediment to personalized service and channel optimization.

Customers and members have come to expect that their financial institution will provide fast access to their accounts and pertinent information from any and all channels, and not just for inquiries, but also real-time transactions. They *should* be able to begin an interaction in one channel, such as the website or via a mobile device, and then – if necessary – seamlessly transition in real-time to another channel, like the call center or branch for completion of an application, or resolution of an inquiry. And, without having to provide redundant information.

So, how does an institution achieve consistency in the content of its response to customers and members and in the delivery of information—across all channels?

Customers should be able to begin an interaction in one channel and seamlessly transition in real-time to another—without having to provide redundant information.

The Call to Action

Unify, Unify, Unify

In the days when branches were the primary customer touch point in retail banking, the three most important considerations were said to be, location, location, location. In today's multi-channel world, the strategy must be unify, unify, unify. This is not simply a play on words. Unification must occur on three levels—technology, applications and processes. Only then can an organization gain control over the customer experience and make the most of each interaction.

Technology

First, an institution must unify its technology infrastructure; in other words, enable a handshake between its different channel technologies. Physical connectivity and network connections between disparate systems must be established.

This may or may not include standardizing various technology components to facilitate the ability for channel technologies to communicate. For example, there are data integration architectures available today that enable financial institutions to set business rules to move and exchange data in real-time throughout their technology infrastructure. An approach that is gaining popularity is an enterprise service bus. This architecture "wires" disparate systems together through content-based routing. It allows for central administration of how information flows in and out of channel applications and core systems. A bus enables different data sources to "talk with one another," and even bypass the core if that route is not required to meet a particular need or request. And, this approach provides the ability to manage and change business processes outside of the integration layer—eliminating the need for software programming.

Applications

Secondly, a bank or credit union must unify its applications. This means defining and programming logic that enables channel applications to send and receive data and transaction details between one another and of course, the core processing system. To the extent possible, institutions should identify a "system of record" to eliminate redundant data sources and conflicts in administering data content. By establishing a system of record, institutions will also reduce the risk of passing inconsistent information to customers.

Processes

Finally, an institution must unify its business processes; this is where most enterprise sales, service and CEM strategies fall down. Integrating technology and enabling the sharing of data across the enterprise is not enough to meet the end goal. Once data sources are unified and information can be shared amongst all interaction channel systems, an institution must have the ability to define and execute process flows that can move anywhere in the organization. It's time to bridge the communications gap between the front- and back-offices. Enabling integration with back-office groups opens up a whole new level of service delivery as well as enterprise sales support for all channels, including the branch and mobile devices.

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Just consider how linking two or more channels can significantly enhance the delivery of service, personalize a sales effort or more promptly fulfill a customer request. A basic example is to provide an "opt-out" from an IVR to a live agent, or enable the launch of a Web chat with a call center agent from a website. A more involved example is when a customer is entering data into a loan application online, they launch a web chat to engage a call center agent. Then, if needed in order to advance the application, the process moves in real-time to another touch point such as the loan department so that the customer can speak directly with an officer. Intelligent routing and pre-defined workflow makes it all possible—the customer's data virtually "goes with them."

Through automated workflow, institutions also gain the ability to track and measure the effectiveness of customer service, sales efforts and case management throughout the organization. For example, they can set alerts and escalations that expedite problem resolution and/or fulfillment. What brings it all full circle is the process of communicating back to the appropriate level of supervisors and managers by presenting service and sales activity in their work queues and dashboards. All of this ensures satisfying closure for the customer.

The Paybacks

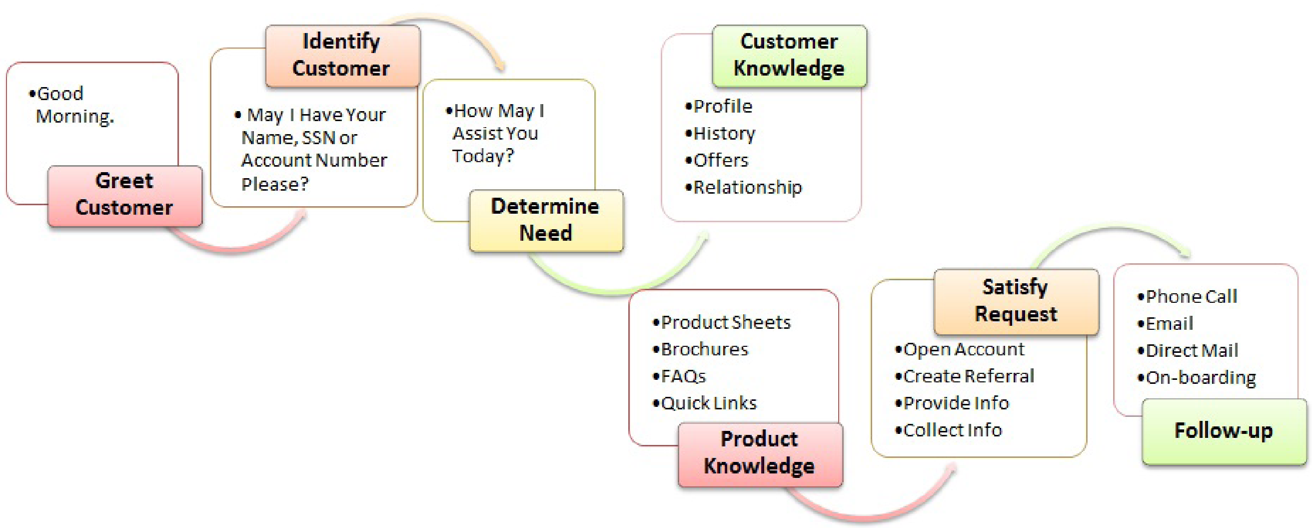
Maximize Channel Investments

By bringing consistency to channel processes and procedures, along with providing the opt-out from self-service channels to live assistance, customers can become more comfortable using lower cost channels for routine, low-value interactions like balance inquiries. Not to mention, institutions gain the ability to introduce sales offers in a uniform way right into service workflows—regardless of the channel.

Using a "system of record" approach to organizing data ensures that all channels – self-service as well as live representatives, including tellers – access the same information. When staff can count on the fact that they can easily pull up accurate, up-to-date information (customer and product data, transaction histories, sales and referral histories and so on) every time they assist a customer, they are confident in the service they provide. That confidence will then be conveyed to customers and members.

Unification also enables a single process flow, such as that shown below, for the delivery of information. Regardless of channel, a standard process can be used to always move an interaction through a predefined set of steps—this results in a sense of familiarity and comfort with how the information is retrieved and delivered.

Consistency Through a Standard Process



The bottom line is that institutions are equipped to serve customers consistently across all channels, not just one or two, and deliver a satisfying experience—with every interaction.

Differentiate through Exceptional Service

When an institution has unified its technology, applications and processes, it can move beyond simply serving customers to highly personalized and relevant servicing and selling.

First Contact Resolution (FCR)

One of the greatest impacts unification has on service delivery is boosting FCR. In some cases, it may not be possible to fulfill a customer's or member's needs via the first touch point they choose. But, by bringing the knowledge of the entire enterprise to that interaction and having the ability to "move" that customer in real-time to the appropriate expert (i.e. service representative, lending specialist, etc.), institutions can promptly bring interactions to a successful close on first contact. This ties directly back to providing willing and capable help that requires very little effort on the customer's part.

Customers value their experiences based on how fast, simple and easy it is to get whatever they're looking for.

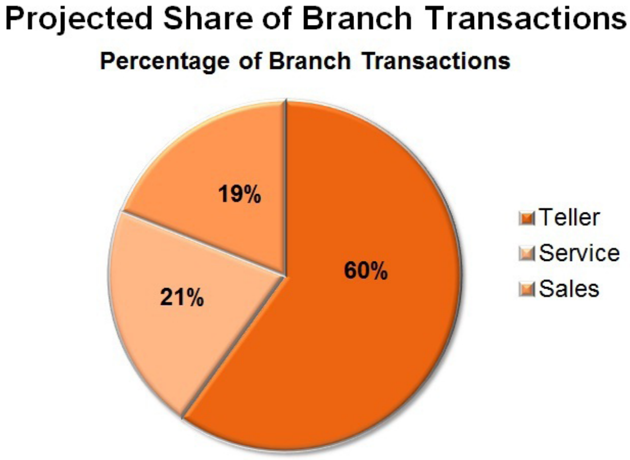
Institutions also gain the ability to track and measure first call resolution throughout the enterprise in ways not possible before. In a survey conducted by KIVA Group, Inc. in October 2012, 100 call center managers, assistant vice presidents and vice presidents from institutions across the country were asked whether they track FCR in their contact centers; 72% of all respondents said that their institution does not track FCR. If an institution does not know how promptly it is resolving customer inquiries and issues (a key factor which influences a customer's perception of their experience), how can it even begin to assess and proactively manage the customer experience?

The reality is that the silo effect is hindering the process. For some institutions, tracking and measuring FCR across systems or departments seems a daunting task, and they don't know where to begin. Among those that are already monitoring FCR, lack of access to real-time data is presenting challenges. According to Ventana Research in a 2012 white paper on *Improving the Contact Center Customer Experience*, "traditional methods of monitoring and assessing the success of interaction-handling are no longer effective enough as they rely predominately on historical and aggregated information that does not reflect the immediacy of interactions."

Unification enables prompt and accurate service delivery, but also allows for intelligent and relevant cross-selling.

Only through unification, can tellers, customer service representatives, call center agents and others gain access to the most up-to-date information from multiple data sources. Institutions get the coveted 360 degree view of each customer relationship and automated routing crucial to providing immediate, personalized help. With a single system of record, institutions can achieve upwards of 80% FCR. And, with pre-defined workflow, ticklers, alerts and escalations, readily track each inquiry or case in real-time throughout their organizations to ensure it is resolved as quickly as possible.

Increase Revenue



Source: CEB Council on Financial Competition; CEB TowerGroup 2012

Sell within the Natural Flow of Service

Fast and accurate service delivery is the opener for cross-selling; unification enables that, but also allows for intelligent and relevant cross-selling—which makes all the difference. The key is to serve a customer or member well wherever (their channel of choice) and whenever they show up, and while doing so, present or "pop" personalized offers to them based on dynamic pre-defined rules. With access to complete information across multiple data sources, institutions can tailor those offers based on what it has learned from managing interactions (across all channels) with that customer and building knowledge about their particular needs, interests and financial goals.

As an example, let's consider the impact personalized selling can have in the branch. According to a May 2012 CEB TowerGroup technology analysis of Branch Sales & Service Systems, two of the major business objectives of retail finance executives are: boosting sales productivity of branch staff; and, reducing costs in sales and customer service. The firm predicts that in-branch activity will be increasingly composed of high-value sales and service transactions which will account for 40% of all branch transactions by 2013; the other 60% will be teller transactions.

Tellers have more face time with customers than any other channel or job function. Just think of the revenue opportunity if tellers were to engage in service-based selling. Conventional wisdom has been to avoid all sales efforts at the teller line for fear that selling is too time-consuming, requires specialized knowledge and/or must be part of a new account fulfillment process. This is simply not true—as evidenced by one Texas-based institution that has been utilizing a unified sales and service desktop to drive sales at its teller line since May 2011. The $6.7 billion in assets institution, with 70 branches in Texas, Colorado and Utah recently completed a benchmarking analysis of its Texas and Colorado branches over a 10-month period beginning in November 2011. During that time, its tellers captured 23,550 referrals, which resulted in 8,948 members (38% of the referrals) purchasing additional products and services.

Streamline Navigation and Reduce Training Time

Due to the silo effect, tellers, call center agents and customer service representatives at many institutions have to navigate multiple systems through different logins and toggling in order to get to the information or function they need to serve a customer or member—while the customer waits.

If the organization is provided easy access to all sources of customer and member data, as well as interaction histories through a single integrated desktop, staff can significantly reduce the time and effort it takes to locate information and resolve a customer's inquiry or need. Additionally, institutions can speed staff training time; it's no longer necessary for staff to have specialized knowledge of multiple systems. Referring again to that example of the Texas-based institution, system training time for new tellers and branch staff was reduced from nine to five days with the deployment of its unified sales and service desktop.

Of course, all of the above efficiencies extend to an institution's back-office as well. If mortgage loan specialists, insurance teams and others have access to that 360 degree view of each customer or member, and are "tied in" with the rest of the organization through enterprise workflow and routing, they can expedite problem resolution, more quickly complete processes, and ultimately, serve the customer better.

With self-service channels, standard user interfaces as well as workflow processes will help customers quickly find their way to the information or transactions that they need. In the event they require live support, navigational links can allow one click access to a web chat or agent callback. And, as stated previously, customers value their experiences based on how fast, simple and easy it is to get whatever they're looking for.

Lower IT Costs and Improve Resource Allocation

Historically, institutions have had little choice but to run redundant channel system technologies, manage disparate databases and use multiple interfaces to get to fragmented data. Now, through unification, institutions can break down the silo effect once and for all, to:

- Reduce the variety of technical skills and specialized knowledge required to maintain channel infrastructures;
- Make it easier for IT teams to address support and enhancement requests;
- Eliminate redundancies in systems technology;
- Cut maintenance costs for systems/application integration;
- Cut networking overhead;
- Better utilize/allocate its teams' expertise and time; and,
- Speed time to market for introducing new functionality/capabilities across the enterprise.

Create an Exceptional Customer Experience

According to a recent survey conducted by CEB TowerGroup, 61% of financial services executives noted that establishing a consistent customer experience is a top priority, but only 36% have confidence in their institution's ability to execute. When you look at the barriers imposed by the siloed channels systems and infrastructures prevalent at so many institutions, it's easy to understand why.

CEM is based on the premise that exceeding a customer's service expectations while creating a satisfying experience with each and every interaction is crucial to developing a loyal relationship. It's all about servicing and selling to customers in a personalized and consistent way via their channel of choice; and optimizing each channel so that the customer's preferred channel becomes more profitable for the institution. Only by unifying technology, applications, and processes can an institution begin to deliver on these promises.

All of this said, many banks and credit unions will have to overcome one critical hurdle before they can begin to resolve this fundamental problem from a technology perspective. The fact of the matter is that within the organizational hierarchy, silos represent "turf" ownership and in some cases, job security. If the industry is ever to breakdown the silo effect, change has to come from the executive suite. CEOs that establish and support a strategic initiative to unify the enterprise – by migrating systems to common or at least open technology environments – will position their institutions to drive operational efficiencies, increase revenue and build customer advocacy.

About KIVA Group, Inc.

KIVA Group is a global provider of customer interaction and experience management software for financial institutions. The Company's CRM/CEM, unified sales and service, and unified delivery channel solutions help institutions create a consistent, personalized experience for customers—with every interaction. The KIVA Respect open technology platform and multi-channel applications connect customer, product, sales and service information to give institutions an unprecedented ability to manage the whole customer relationship. With KIVA's software, organizations gain access to the current and historical interaction information they need – across multiple data sources – to provide exceptional service as well as identify and capture new sales opportunities. Please contact us to obtain additional information and/or to schedule a demonstration of the Respect software.

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