Customer experience orchestration

Reimagining engagement and loyalty in banking and capital markets

Microsoft

Empowering organizations for what's next

"We have to meet the unmet, unarticulated needs of customers. That's the source of innovation."

Satya Nadella
CEO, Microsoft





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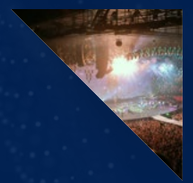
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Overture

Both the business world and the relationship with customers are growing more complex, and financial institutions—like organizations in other industries—are struggling to respond to the challenge with sufficient agility.

Many financial institutions tout appreciable progress in recent years in recentering their organizations on the customer, but the truth is that most transformation investments have gone to increasing internal efficiencies. Some may point to their onshore capabilities or the ability to connect directly to a live customer representative as proof of their commitment to improving customer touchpoints along the entire customer journey.

However, the mandate for change is much larger than that. In the future banking ecosystem, a customer-centric business model must be utterly ambitious in its aims. To survive and thrive in the digital age, financial institutions must deliver personalized, intuitive, and seamless interactions and experiences.



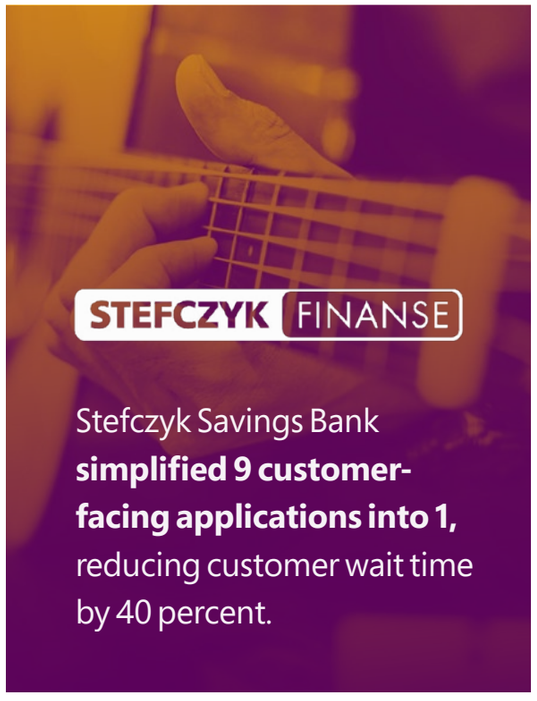
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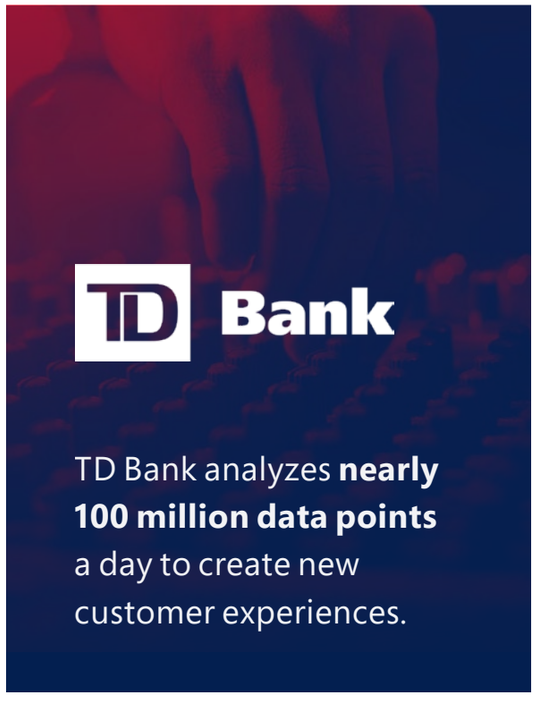
Traditionally, banks have been at the forefront of innovation, creating new financial solutions that facilitate transactions and embracing new channels for customer engagement. But each new development has required new systems and processes. Financial institutions' response to this situation mirrors a classic economics solution to complexity: specialization. But along with this separation of tasks comes an unintended consequence: the customer experience has been fragmented—and can be perceived as lacking personalization and relevance.

Innovative financial institutions are trying new business models and rethinking internal processes to turn customer experience challenges into opportunities.











Melodic thinking, loyal following

Just as the lines between industries blur, the differentiation between customer segments is also becoming less clear.

Technology has empowered both clients and competitors to revisit the importance of experience and reevaluate old orthodoxies. For competitors, new and old, who are operating in a commoditized marketplace, delivering a unique experience is the only means of differentiation. Many forward-looking banks realize that customers—who can now engage with companies on a global scale—must receive orchestrated and simplified experiences to foster brand loyalty.

The underpinning for meaningful engagements with customers has three main stages: removing friction, becoming agile, and delivering solutions.

On rhythm and blues

As connected consumers, we often wonder why everything isn't as frictionless as ordering food, arranging transportation, or booking accommodations at the touch of a button. Many successful firms, and players from other industries, are seizing opportunities to create more integrated customer experiences through comprehensive financial dashboards, instantaneous global payment networks, and automated investment services. These challengers target some of the most lucrative aspects of a banking relationship: simply by delivering an improved experience, they capitalize on delivering the right solution to the right person at the right time.



DATA POINT

Robinhood, a mobile app, has executed **more than $30 billion in transactions** and has an average customer age of 26.

Wall Street Journal, January 2015



The importance of tone

Customers do not wake up thinking about banking. They think about buying a car, a house, or something as simple as a cup of coffee for their friend. But that friend may not be next door—she may be on the other side of the world, and her expectations for fast and easy transactions are not diminished by geographical considerations. Technology can solve the problem that legacy banking cannot. For example, on the bank-to-bank side of the ledger with clear downstream implications, Clear Bank is revolutionizing the industry by reducing the time required for client banks to process payments in the U.K. from three days to less than three minutes, using the agility of cloud technology and an open API platform to deliver solutions to clients.

DATA POINT

Only 54 percent of those surveyed trusted financial services **to act in their best interest.**

2018 Edelman Trust Barometer

Financial institutions have an amazing opportunity to fulfill customer needs. But there's a shift in the business model and the banking culture that needs to be made: it's less about the transaction and more about the outcome.

Knowing your audience

Some institutions are meeting challenges head-on. DBS Bank, for example, has created a digital platform with transparent and simple products. However, other financial institutions have been unable to deliver the experiences customers expect and are losing share of both wallet and attention to innovative offerings from the likes of Alibaba or Rakuten Ichiba. Less agile financial institutions are looking to partner with established online retailers for a way to address the issue. But this raises the critical question: should a bank be joining digital retail ecosystems, or rather setting up ones of their own?

DATA POINT

44 percent of consumers are open to using a non-bank for financial services.

Accenture, June 2015

Thus, financial institutions are finding themselves at a crossroads, where the technology investments they are making may be insufficient. Too many are focused on modernization, but very few are engaging in true transformation.



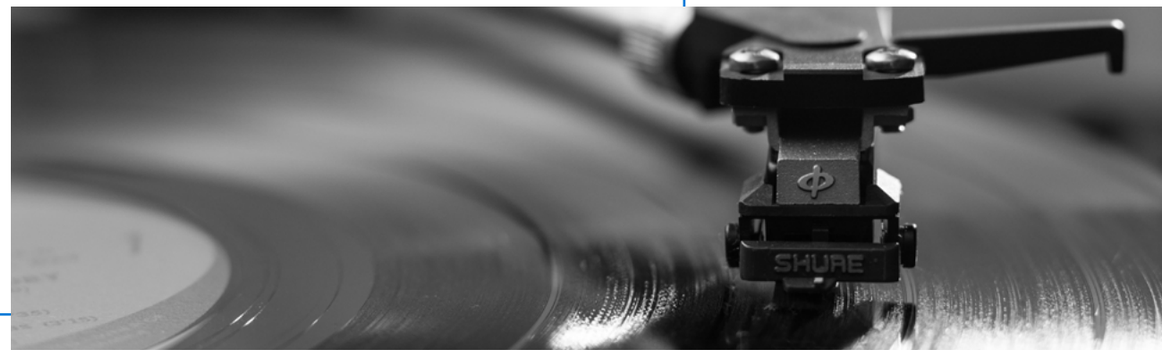
Playing from the same sheet of music

Though financial institutions have long been secure stores of wealth, the ever-growing list of banking alternatives is a strong motivator for change. The key for banks seeking to grow their share of wallet with increasingly multichannel and multi-tenant customers is providing consistent information, clear offerings, and personalized service.

Consequently, financial institutions may need to reevaluate their business models:

- **Are they a network of payment processors, investment advisors, and liquidity providers?**
- **Or, are they in the business of fulfilling customer expectations?**

The two were once synonymous, but changes in expectations have led to the emergence of these two divergent business models. To adopt the latter, banks need to master the data, provide transparency, and create a 360-degree view of the customer.



Revisiting the classics

Financial institutions are rich in quality data that informs them about many of the essential priorities and concerns of their customers. But the challenge remains: how to make sense of the data and turn it into true insight? Security measures and know-your-customer (KYC) requirements may have made banks very adept at discerning customers' identities, but very few have a holistic customer view. Some of this can be attributed to the nature of the internal systems of a bank. Nearly every financial institution has a plethora of computer systems, few of which are designed to speak with each other. But, for the customer, who is unconcerned about internal systems, these restrictions are purely artificial. Restoring individuality to the customer requires a paradigm shift in the way that banks handle data.

There are three key changes that every financial institution must embrace to successfully create orchestrated experiences:

- **Master the data**
- **Embrace collaboration**
- **Support an open API platform**

By creating an open ecosystem and attracting the best partners, financial institutions gain the agility they need to deal with uncertainty while creating new customer touchpoints and participating in more value chains.

DATA POINT

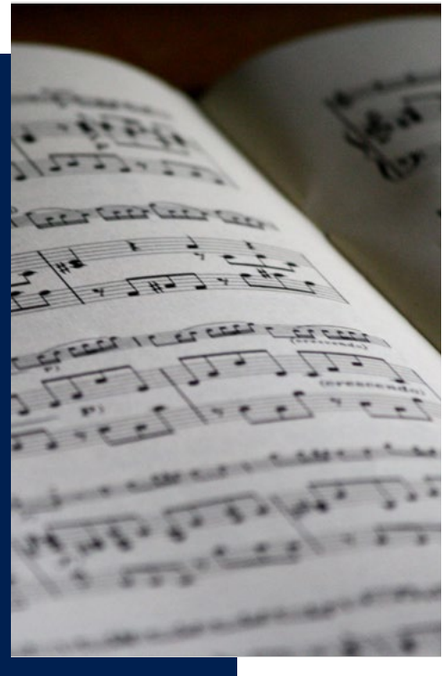
By 2020, **customer experience** will be the leading driver of competitive advantage.

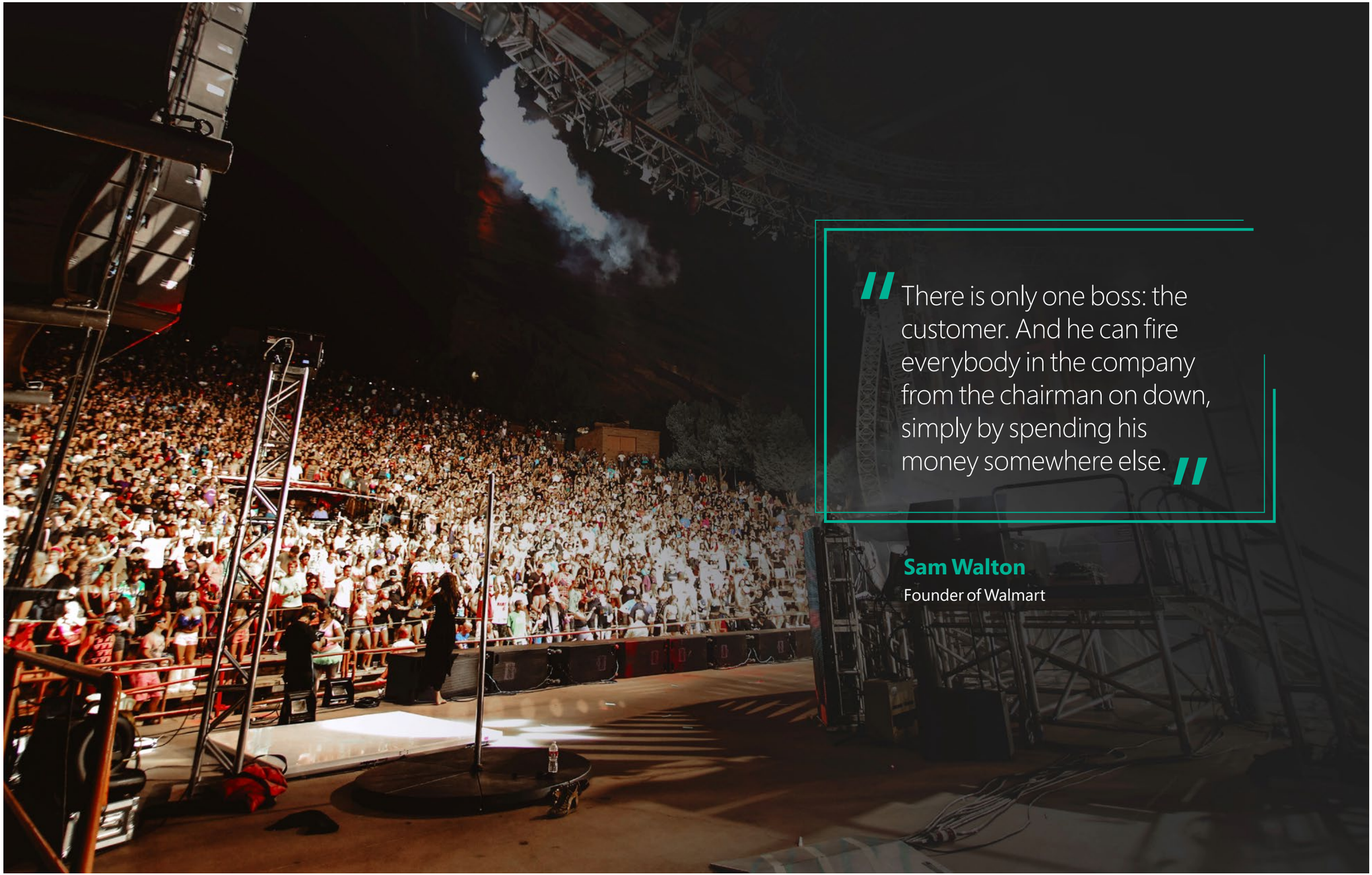
Forbes, July 2017

DATA POINT

48 percent of U.S. customers believe companies need to do a better job of integrating experiences.

McKinsey, February 2015

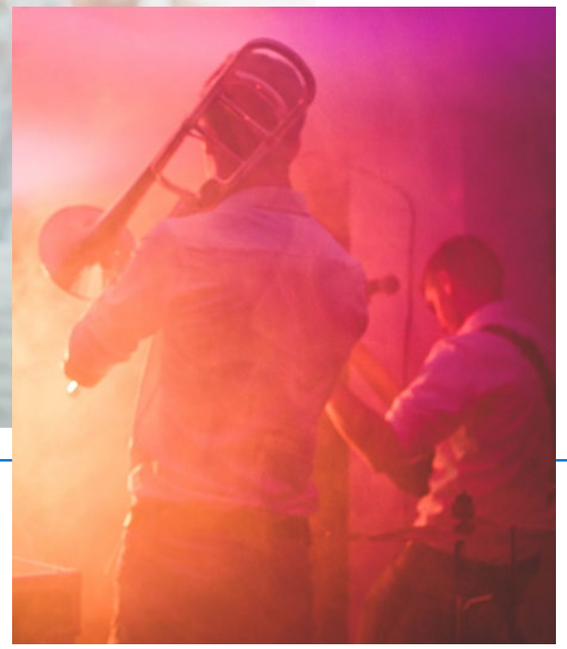




> "There is only one boss: the customer. And he can fire everybody in the company from the chairman on down, simply by spending his money somewhere else."

Sam Walton
Founder of Walmart





> "Your brain on music is all about connections."

Daniel Levitin

Distinguished Fellow, Haas School of Business, University of California, Berkeley

Striking the right chord

Customers, particularly younger generations, are placing their values above financial concerns, doing business with companies that share those values. Banks have an opportunity to illuminate and demystify many previously opaque activities, and to use their positions as trusted intermediaries to help customers understand how their data is being used.

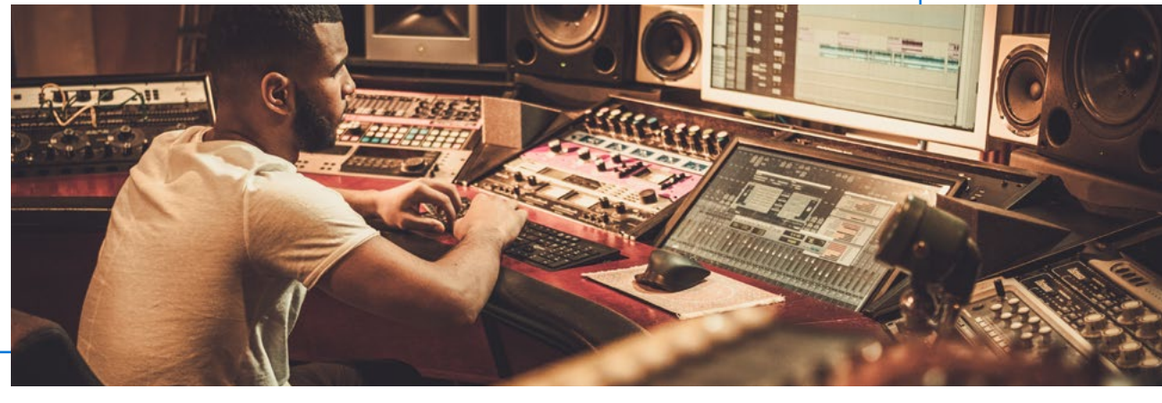
We live in a world where consumers routinely share personal information but have very little control over their data. Customers regularly express anxiety over how information on transactions, debt, and account status is aggregated, scored, and then sold to third parties. In some regions, this has spurred regulation—such as the General Data Protection Regulation (GDPR) in the European Union—helping consumers maintain control over their data and compelling financial institutions to comply.

But, by acting as the arbiter of trust and identity across all touchpoints and channels, a financial institution is in a unique position to serve as a highly secure and agile platform, exponentially increasing customer touchpoints while simultaneously exploring new lines of business.

DATA POINT

Only 33% of consumers feel loyal to their current financial institution.

Accenture, June 2015



Backstage passes

Though a few large clients or high-net-worth individuals may be well known to a financial institution, most customers have been numbered and batched. Obtaining a true understanding of every customer—the mythical customer 360—can be obtained by applying advanced analytics and AI to the wealth of information both inside and outside the bank. This combination could correctly identify, analyze, and recommend action for each customer as an individual instead of a segment.

Imagine how much better customer engagements could be if you not only met customers' goals but also gave them something they did not know they needed. Untethered from legacy restrictions, AI scales to meet demand virtually without limit. Tailored products or orchestrated encounters can now be offered by employees to every client at every touchpoint, satisfying customers with information and offers that are relevant and timely.

The continual delighting of customers, built on a foundation of trust, is the key to repeat business and the fuel for a growing share of wallet. In the financial industry, where products and services can be easily replicated by competitors, fostering loyalty creates a competitive advantage.





DATA POINT

59 percent of enterprises have difficulty managing customer expectations.

PwC, October 2015



Extending motifs into new areas

The digital revolution has brought with it not only uncertainties but also expanded capabilities. With the near-infinite computing power of the cloud, banks can use artificial agents to assist employees, scaling availability to meet demand. Soon, firms will employ methods of engagement that blur the lines between physical and virtual, making previously unimagined business models a reality.

What if a bank has the agility to combine data from multiple sources to predict when a small business would need to expand and then proactively extend credit? Or, what about using telemetry, biometrics, and AI-delivered intelligence at scale to identify a customer immediately and offer customized products and services?

Operational efficiency is no longer the top consideration as financial services recenter their operations around particular customers to deliver results. Customers will no longer come to you, stand in line, and conduct their business; you must go to them. Clients are looking for an intuitive and orchestrated experience—a partner who understands their needs and offers proactive assistance—anywhere, anytime.

DATA POINT

In under six years, Aeromexico shifted **96 percent** of customer service engagements to AI.

Facebook Global Conference, 2017

Setting the tempo

Banks and other financial institutions face many daunting challenges, and the future may seem bleak from that vantage point. But no other industry has such a wealth of knowledge, as well as the capacity to know its clients in very real ways. To secure the financial industry as the cornerstone of the new digital economy, a radical change of thinking is required to seize on future opportunities.

Though the future is uncertain, changes surrounding engagement methods, resource scarcity, and industry definitions may have a substantial impact on a financial institution's success.





> "We must see that music theory is not only about music, but about how people process it."

Marvin Minsky
Turing Award winner and founder of M.I.T. AI Lab

Going solo

Segmentation entered the business lexicon because of resource scarcity. If a bank had unlimited resources, or unlimited employees, every customer would have always received personalized service. Now, with the combination of mastered data, artificial agents, and the virtually unlimited computing power of the cloud, previous concerns about resource scarcity could be eliminated.

Armed with these new capabilities, financial institutions will be able to identify customers individually on a global scale, predict how events around the world will affect them, and offer the optimal solution in nearly every circumstance. Commercial customers will be offered credit lines predictively; wealth management customers will have their circumstances holistically analyzed and their portfolios optimized; and retail customers will be offered bespoke products that exactly match their situations. The customer will truly become a market of one, with their bank working for them as an on-demand partner and trusted advisor.



DATA POINT

Worldwide, **2 billion people** have no access to a financial institution.

The World Bank, April 2015

Creating the rock star experience

Banks have long operated, and dominated, the financial sphere. But with the wealth of data available, additional products and services can be offered that fall outside the traditional boundaries of financial institutions. For example, by tracking the spending patterns and inventory of a small business in combination with customer telemetry data, a financial institution could partner with a local bakery to help it optimize its operations. Envision a bank with a fee-based business model instead of an interest-based one that could help entrepreneurs with legal, accounting, or incorporation procedures.

No longer limited to financial matters, banks could combine their wealth of data, advanced analytics, and AI to provide fully orchestrated experiences in nearly every aspect of a customer's life, offering solutions and bringing simplicity to an increasingly complex world. In combination with partners in their ecosystem, financial institutions could serve as a personalized artificial agent, enabling experiences and self-service models on multiple platforms in a client's everyday life.

DATA POINT

By offering individually customized content, Spotify engages with the average user for over 150 minutes per day.

Scribble, February 2016



> "Getting an audience is hard. Sustaining an audience is hard. It demands a consistency of thought, of purpose, and of action over a long period of time."

Bruce Springsteen



Creating ensembles

Successful composition of music is a complex process that has only been truly mastered by a relative few. The virtually infinite combinations of rhythm, tone, harmony, and melody can produce wide-ranging experiences, from a classical violin concerto to a raucous heavy metal concert. Similarly, different combinations of financial services elements—the API economy, AI and advanced analytics, open and agile platforms, and data mastery—will make possible new customer journeys and differentiated business models.

Customer journey innovation is at the heart of Microsoft, and we understand from our own experience that transformation, though challenging, is a necessary and healthy process. Rapidly changing customer expectations and needs, new competitors, and increasing regulatory pressures are the new normal. To survive and thrive in this ecosystem, you must be prepared for whatever the marketplace throws at you by using social engagement, customer insights, "next best action" solutions and other modern, digital capabilities in concert to reach new customers and build enduring loyalty.

But there is more to digital than simply modernization—true transformation requires planning, change management, and organizational engagement. At Microsoft, we understand this can be difficult—we've gone through it ourselves. As your trusted partner, we can help you along your digital transformation journey—and share what we've learned from our experience—as we face the challenges of the digital age.

We understand the promise of data—and the need for privacy and security.

Finding the right mix of cloud and on-premises tools can help financial institutions balance security and transparency. Our secure-by-design platform can help you foster trust and create more meaningful engagement that can reach your customer anytime and anywhere. Microsoft also leads the industry in cybersecurity, positioned squarely on the front lines between businesses and the evolving threats of the digital world.

We are at the forefront of predictive analytics and cognitive services that drive better decisions.

It is increasingly critical to align business strategy with customer experience—identify personas and their journeys and highlight where potential gaps exist. Backed by one of the most advanced AI capabilities on the planet, we can help turn data into clear policies, recommended actions, and new opportunities—all while fostering autonomy and transparency.

We provide financial services–ready solutions to help banks create an open, agile, and secure platform.

Cloud architecture removes silos and drives engagement, creating a more agile, collaborative, and client-centered enterprise. Underpinned by productivity, collaboration, and unified communication tools, Microsoft's cloud platform enables widely distributed and highly regulated financial institutions to build the environment needed to function as agile, innovative organizations.

We offer a secure, flexible way to embrace the API economy and foster innovation.

In the digital economy, APIs enable financial institutions to deliver connected experiences to customers, enabling innovation at low cost and low risk. Microsoft provides a complete cloud platform for quickly extending services, content, and data to third parties in a reliable, compliant, and highly secure manner.

What's next?

No matter where you are on your digital transformation journey, Microsoft Enterprise Services can help.

Empower your employees

Empower a high-quality and committed digital workforce to work and collaborate as a team anywhere, on any device, with modern productivity tools that provide seamless access to your data—helping you innovate faster, meet compliance requirements, and deliver exceptional client experiences.

Engage your customers

Reimagine the client experience for a digital world and deliver more value through insights and relevant offers by engaging clients in natural, highly personal, and innovative ways throughout the customer journey—driving increased relevance, loyalty, and profitability.

Optimize your operations

Gain breakthrough insight into risk and operational models with advanced analytics solutions and act on real-time intelligence to optimize risk management and meet regulatory requirements.

Transform your products

Drive agility with open and connected systems and highly automated digital processes to support new product development and optimize distribution channel strategies, while meeting the security, privacy, and transparency expectations of customers, regulators, and shareholders.



Credits

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