HOW DIGITIZED CUSTOMER JOURNEYS CAN HELP BANKS WIN HEARTS, MINDS, AND PROFITS

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BANKS HAVE HEARD THE digitization message, and they get it. They're aware that financial technology companies with superior digital offerings are nibbling away at the edges of the traditional banking business, reshaping customer expectations, and altering the revenue and cost dynamics of current and emerging services.

Despite this, few financial services institutions have fully embraced digitization. While most have some degree of online and mobile banking presence, functionality is often scattershot and limited to the front end. In fact, our research shows that only about one bank in five offers consistent digitization for any given process. A customer could apply for a mortgage through a slick online interface, for instance, only to find that subsequent processes, from credit review to loan approval, remain manual and require trips to a physical branch, additional paperwork, and more time. Rarely is the experience cohesive and streamlined from end to end.

That incongruity can be jarring. A customer can buy a new mobile phone and set up a data plan within ten minutes or purchase travel insurance from an airport kiosk in less than three. Yet the purchasing cycle for many banking products (apart from balance checks, withdrawals, and other basic activities) can average days or even weeks. While banks are working actively to reduce cycle times, customers continue to raise the bar and are increasingly looking for real-time responsiveness.

To materially improve the quality of the customer experience, banks need to do four things: adopt customer-centric design practices, redesign processes from end to end, apply digitization and process robotics to make those journeys efficient and responsive, and transcend organizational silos to internalize customer centricity throughout the business. Some banks that have taken these steps have increased their revenues by 25% and their productivity by 20% to 40%.

Shifting to a Customer Journey Mindset

A college student whose bank balance has

dipped into the red is probably not thinking about which type of overdraft protection he might need or whether a prepaid debit card might be best, but rather how to better manage his cash flow. A career professional looking to start her own business doesn't care about the difference between various pension plans; she simply wants to roll over her retirement account without getting dinged by the tax authorities. But while most financial services institutions believe that their processes put the customer first, customers don't think in terms of processes. They think in terms of their own needs and wants. How they satisfy those needs and wants, and the paths they take to do so, are called customer journeys.

A journey comprises all the decision-making steps that customers follow, as well as all the processes, systems, and channels that they encounter as they consider various purchasing, selling, and investing options. This includes research and evaluation, the eventual shortlist of products or services they create, and all the interactions they experience both on- and offline throughout the purchase and postpurchase periods. Opening a bank account or closing on a loan, for instance, may involve dozens of bank processes, departments, vendors, and partners. Yet from the customer's point of view, all those interactions should feel like a single, streamlined, intuitive experience. The quality of the customer journey—along with the ease, speed, and personalization of the end-to-end experience—has been proven to markedly affect customer satisfaction, loyalty, and willingness to recommend the institution to others.

Consider the experience of a couple looking to buy their first home. After finding a great listing for a house in their price range, they punched some numbers into an online mortgage calculator, checked out current rates, and then downloaded a pre-approval application from their local bank. Some questions were straightforward, but others confused them. Were they looking for a jumbo loan or a conventional one, a variable-rate mortgage with a balloon payment or a 30-year fixed-rate contract? They poked around the bank's website for guid-

ance, but the mortgage section was full of tabs such as "securitization," "convertibles," and "refinancing." Poring through all that information seemed time-consuming, so they Googled definitions, ticked the boxes that seemed to apply, and then submitted the form.
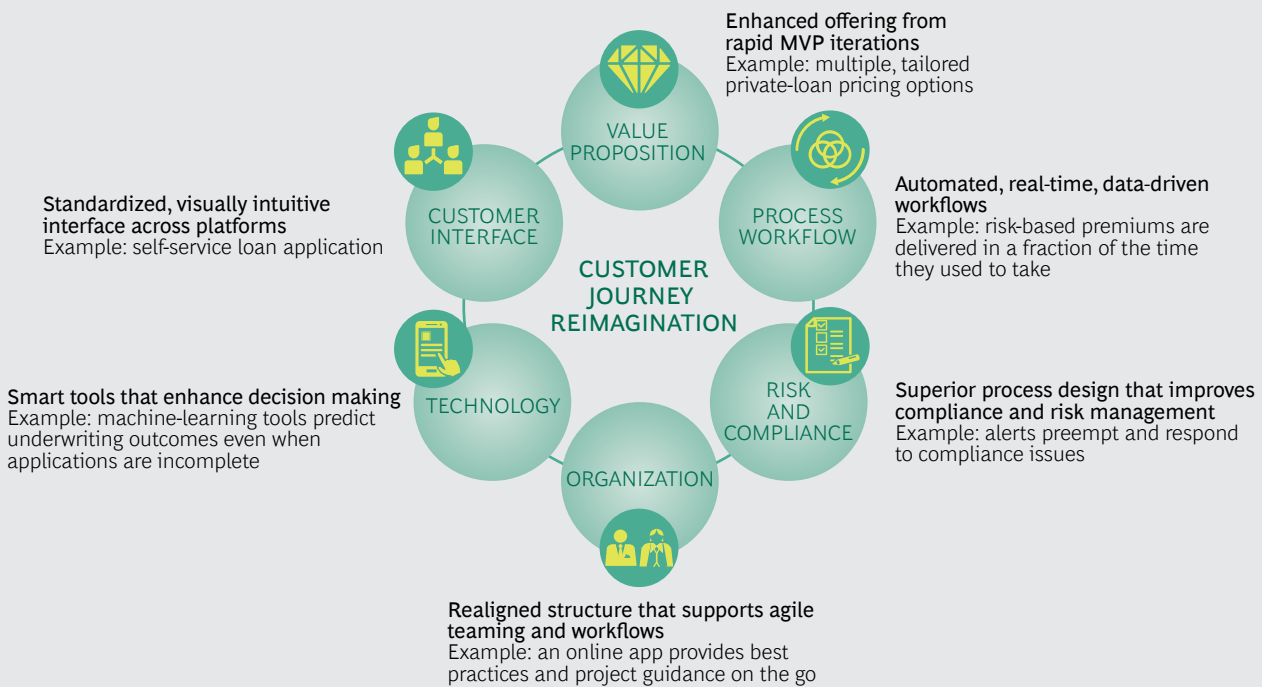
An agent called the next day and spent ten minutes with them reviewing the same questions and detailing the paperwork the bank needed. The couple dug out their pay stubs and bank statements—even though the agent already had some of that information because the bank managed the couple's primary checking and savings accounts—and dropped everything off at their local branch. A couple of days later, a loan officer called requesting additional paperwork. Then a backlog in the bank's credit department delayed things by another week. Finally, the couple received an e-mail stating that they were preapproved for the loan. But by that point another buyer had snapped up the house they wanted.

This is the difference between a journey mindset and a process mindset. Journeys embrace the full suite of interactions for a given activity and work to make the entire end-to-end chain streamlined, efficient, consistent, and personalized from the vantage point of the consumer. To compete effectively, financial services institutions need to reimagine their core journeys from front to back by addressing key customer pain points, identifying new opportunities to delight customers in differentiated ways, applying—and being inspired by—smart new technologies, and building a scalable and resilient digital IT platform to innovate and facilitate consistent delivery. (See Exhibit 1.)

Putting Ideation into Action

Crafting journeys that deliver a step change in value takes an end-to-end, customer-centered digital mindset, integrated data analytics, dematerialization (where smart technologies replace the need for physical assets), and the progressive introduction of machine learning and robotic execution. But financial institutions don't need to undergo a massive IT transforma-

EXHIBIT 1 | Reimagining the Customer Journey Requires End-to-End Change

Enhanced offering from rapid MVP iterations
Example: multiple, tailored private-loan pricing options

Automated, real-time, data-driven workflows
Example: risk-based premiums are delivered in a fraction of the time they used to take

Superior process design that improves compliance and risk management
Example: alerts preempt and respond to compliance issues

Realigned structure that supports agile teaming and workflows
Example: an online app provides best practices and project guidance on the go

Smart tools that enhance decision making
Example: machine-learning tools predict underwriting outcomes even when applications are incomplete

Standardized, visually intuitive interface across platforms
Example: self-service loan application

VALUE PROPOSITION
PROCESS WORKFLOW
RISK AND COMPLIANCE
ORGANIZATION
TECHNOLOGY
CUSTOMER INTERFACE

CUSTOMER JOURNEY REIMAGINATION

Source: BCG analysis.

tion to get these capabilities. Instead, they need to focus on the journeys that matter most and then innovate selectively around them. Indeed, a small subset of the 20 to 30 journeys that customers experience in most banks offers the greatest opportunities for differentiation and performance. Within customer onboarding, for example, such journeys might include opening an account for everyday banking or switching to a new business banking account. Within servicing, they might include helping to refinance a home or resolving a fraud claim. And within financial planning, they might include setting goals for retirement, working through financial difficulties, or building an optimal investment portfolio.

The following are four specific steps that financial services institutions can take to materially improve the quality of their customers' journeys.

Adopt Customer-Centric Design Practices.
Obtaining a deep understanding of banking customers' wants and aspirations goes beyond buying histories, demographic data, and segmentation analyses. It takes observing customers in their contextual environ-

ments. Ethnographic research—where teams study customers at home, in the store, at the office, while commuting, and so on—reveals customers' needs, wants, and preferences and clarifies not only what makes them tick but also what ticks them off. The user experience leader at one North American bank, for instance, knew that the only way his team would be able to gain practical behavioral insights was to get his people into the field. Over a three-week period, team members observed customers as they navigated their banking routines. The experience provided a visceral sense of the frustrations that customers encountered as well as the little things that delighted them. Using that input, the leader convened a formal ideation session that brought together executives, user experience designers, product managers, software programmers, and other stakeholders. He then ran through several rapid minimum viable product (MVP) cycles that identified and reimagined the most important journeys.

Redesign Processes from End to End. The best journeys embody a bold aspiration. Creating them takes thinking outside

existing norms and gaining inspiration from practices in adjacent sectors and breakthrough technologies. When one bank reimagined the home-buying process, for instance, it challenged its design team to look at some of the innovations coming out of Silicon Valley and to consider how those concepts might be applied to the bank's business. Maybe a live-streaming application would allow a prospective home buyer to share the house tour with a partner stuck at work. Similarly, robotics can approximate a property's value faster and more cheaply than could a human by automatically assessing and comparing municipal property records along with other real estate data.

Once the aspiration is defined, cross-functional teams—composed of product managers, designers, user experience experts, programmers, and others—use agile development techniques to pull together an MVP that balances the desired functionality with the required investment, current capabilities, and expected overall benefit. Teams then put that product into the field and refine, iterate, and rerelease it in rapid, successive cycles until the journey elements meet predefined customer thresholds. Back-office functionality is designed concurrently so that the completed journey is capable of delivering a full end-to-end experience. Operations and servicing components must also be redesigned to align organizational structures and underlying business rules.

Often, this type of end-to-end process redesign allows financial services institutions to generate new functionality in weeks instead of months. One large North American commercial bank that redesigned its credit-lending approach, for example, was able to cut in half the amount of time required for clients to go from application to funding. By automating many of the steps, the bank saved 30% in costs, and clients spent less time submitting paperwork, which sharply boosted their satisfaction. In addition, by employing dynamic queuing and other digitized processes on the back end, the bank was able to reduce the number of exceptions that required manual handling and saw a 100% improvement in hitting its service targets. (See Exhibit 2.)

Apply Digitization, Machine Learning, and Robotic-Process Automation. Cognitive tools capable of ingesting vast quantities of data and performing sophisticated analyses in near real time allow financial institutions to create more responsive journeys and to employ highly accurate and predictive insights to inform customer interactions. In banking settings, such tools are transforming the quality of interactions that are as varied as call center support, credit scoring, and wealth management advice. Many of these tools are designed to execute predefined actions on the basis of highly refined reasoning capabilities. And because the tools are capable of learning, the more they are used, the more accurate the decisions and insights generated. A top US credit card issuer, for example, partnered with third parties to employ new machine-learning models capable of churning through 10,000 transactions per second

EXHIBIT 2 | Reimagining the Credit-Lending Journey Generated Significant Benefits for a North American Bank

50%	30%	>100%
Time from credit application to funding	Operational costs	Improvement in service level attainment
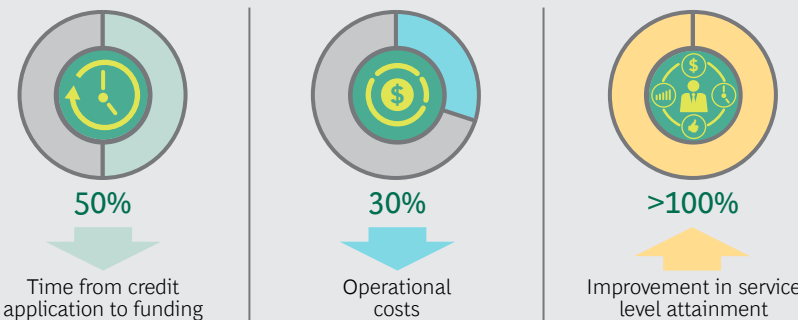
Source: BCG analysis.

from multiple channels to detect existing and potential fraud triggers. The combined speed and depth helped the issuer improve fraud detection rates by more than 40%, for an increase in savings of $125 million. Similarly, within the investment sector, predictive platforms such as Kensho are allowing advisors to tailor portfolios in response to political, economic, or other events and helping analysts generate highly detailed models within minutes rather than days.

Transcend Organizational Silos. Designing and building end-to-end customer journeys requires collaboration across business, technology, and operations functions. Different reporting hierarchies in cross-functional teams, as well as rapid and agile reimagination waves, may require new skill sets, talent, performance incentives, and metrics, all of which can diverge markedly from traditional ways of working. To support this collaboration and to scale innovations across the enterprise, financial services institutions can rely on a variety of sources, including centers of excellence, innovation labs, venture funds, activist program management offices, and strong senior management support.

One bank, for instance, was struggling to bring its new journey initiatives to scale in part because the bank was relying on its business units to manage the journeys, and coordination was suffering. To get things on track, the team engaged internal stakeholders, including the CIO and CRO, and talked with digital leaders in other companies to create a skills inventory. They then met with other executives in the bank to prioritize customer outcomes and ensure that management was prepared to support the effort financially. That alignment, combined with the more cohesive operating structure, gave the transformation the required visibility and traction.

Getting Started

Adopting a journey mindset requires a major shift in the way banks think and operate—and that shift is no longer optional. Digital leaders inside and outside the fi-

nancial services industry are taking advantage of journey-based design to dramatically reshape the customer experience, differentiate their brands, and drive growth—and they're setting aside significant investment dollars to do so. To get started, financial services institutions should take the following actions:

- **Unlock the value.** It's critical to specify a big ambition and then back it with well-validated numbers to quantify the value at stake. The evaluation should encompass all the avenues for growth, such as increased cross-selling, new value-added features, and expanded market access through better use of existing data, as well as the cost and operating efficiencies from improved cycle times, greater automation, and reallocation of the workforce.

- **Conduct a realistic assessment.** Financial institutions must take stock of the tools and technologies they have in-house and gauge their suitability to meet the goal of improved customer journeys. Diagnostics, data availability and IT appraisals, skills inventories, peer benchmarking, and other evaluations can highlight areas of the digital IT platform in which the financial institution needs to invest and areas where it should partner to round out needed skills and capabilities quickly.

- **Visualize success.** It's one thing to identify a vision and another to internalize that vision and execute upon it quickly. Customer-centric journey design requires using very different reporting methods, metrics, and performance incentives; the ability to navigate internal politics; and the capacity to sustain needed cultural changes. To succeed, senior leadership must align on the financial institution's digital mandate, agree on clear metrics and goals, and establish the right target governance and operating model.

ADOPTING A JOURNEY mindset requires a major shift in the way that banks

think and operate. Those that embrace the shift, reimagine the most important customer journeys, employ digitization and customer-centric design principles to make the experience rich and complete from front to back, and reshape their organizational practices to support these changes will significantly outpace their slower-moving peers. Others must catch up or be sidelined.

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