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Bank customer service as a competitive advantage

**The customer experience
is about to become the
new battleground**

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The Practical Guide To Disruption

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In recent years, banks have been under attack by more agile digital upstarts. To combat the new competitors, “improved customer service is and will continue to be a leading value proposition” for the nation’s retail financial institutions, says Terry Walls, Customer Service Transformation Lead at KPMG’s U.S. Customer Advisory Practice.

Big retail banks make money by bundling services. They provide checking and savings accounts, as well as credit cards, college savings accounts, home mortgages, wealth management services and more. The list continues to grow.

As a result, banks have had to merge systems and processes that hadn’t previously been connected, which has improved customer service. “By continuing to fix the customer service experience, banks can expand and offer rebundled services, while improving their bottom line and staying

competitive,” says Mitch Siegel, KPMG’s National Financial Services Strategy and Transformation Leader.

There are three major ways the customer service environment in banking is likely to change in the next three to five years, the consultants say. Bloomberg Intelligence data and insights about banking customer service—prepared independently of KPMG—support their contentions. Here’s what’s about to change, and the practical steps banks can take today to prepare for that future.

1 Data will inform customer service

Banking customer service today tends to be transactional, built around what the customer wants to accomplish at the time they contact the bank. But that will change.

“If you think of the way you use Uber or Airbnb or Amazon, it’s based off the fact that they understand the way that you transact. They’re able to make offers and customize treatment and contact strategy based off of the historical data that they have about you. That’s going to happen in financial services,” says Siegel.

Spain’s BBVA—Banco Bilbao Vizcaya Argentaria—is one bank already headed in that direction, says Siegel. It’s used its online platform to expand in the U.S. Sunbelt, where it operates as BBVA Compass, he says. The bank has seen its global digital customer base increase 22 percent in the last year, to almost 20 million clients worldwide, investors were told on the bank’s second-quarter earnings call in July. Mobile customers have increased 42 percent in the last year to almost 15 million as the bank uses technology to expand in new markets, with more than half of its customers in Chile, Venezuela and Turkey active on digital platforms.

But it is not the only bank expanding its digital footprint, as the chart demonstrates.

Digital and Mobile Growth at Selected Banks



	Digital Customers	Change YoY
Bank of America	34 million	6%
BBVA	20 million	22%
Barclays	10 million	7%
Santander	23 million	21%
Wells Fargo	28 million	2%

	Mobile Customers	Change YoY
Bank of America	23 million	13%
BBVA	15 million	42%
Barclays	6 million	20%
Santander	12 million	50%
Wells Fargo	20 million	NA

Source: Compiled by Bloomberg from 2017 Q2 earnings calls. Digital customers access their accounts by computer, tablet or cell phone. Mobile customers access their accounts by tablets or cell phones

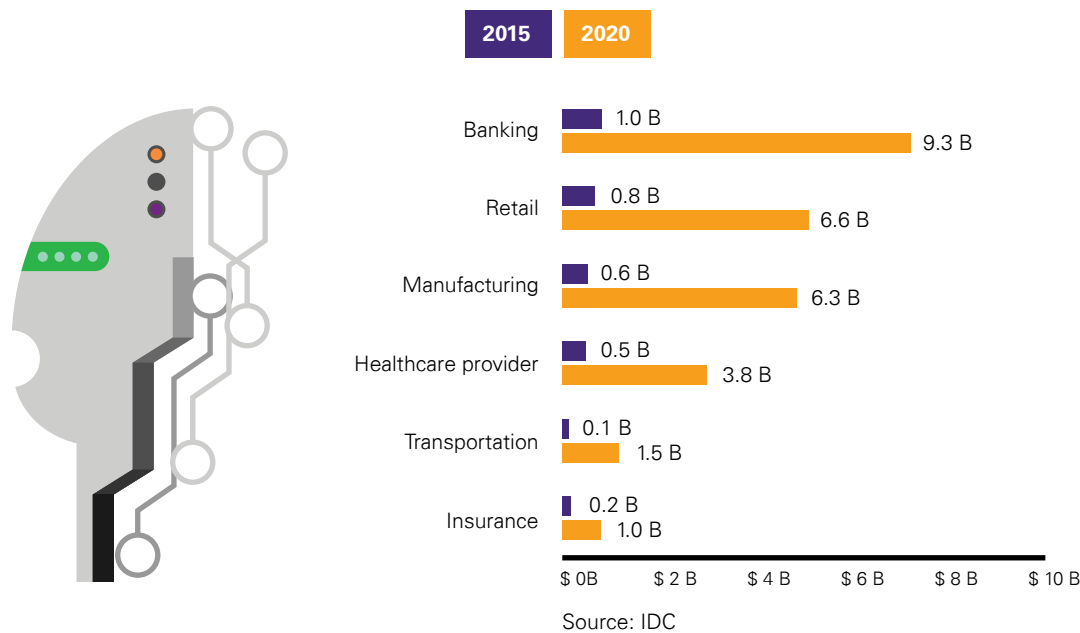
2 AI will reinvent customer service, but humans won't disappear

Artificial intelligence will remake bank customer service over the next five years, according to Walls. An early example is Bank of America's Erica, a smartphone chat bot that uses artificial intelligence, predictive analytics and cognitive messaging to help customers check balances, make payments and conduct other routine business. Customers can interact with Erica via voice or text messaging.

Banking spending on AI products exceeded all other industries in 2015, and this will continue to be the case through 2020, according to Bloomberg Intelligence.

Industries spending the most on AI

In billions of dollars



But the rise of AI certainly doesn't mean humans are being pushed out of the customer service process, says Walls—it's that they'll have to shift from being transactional order-takers to "complex problem solvers," he says.

As a customer, "when I have an issue that's complex or requires an escalation, I'm not using a digital device; I'm using a human for that."

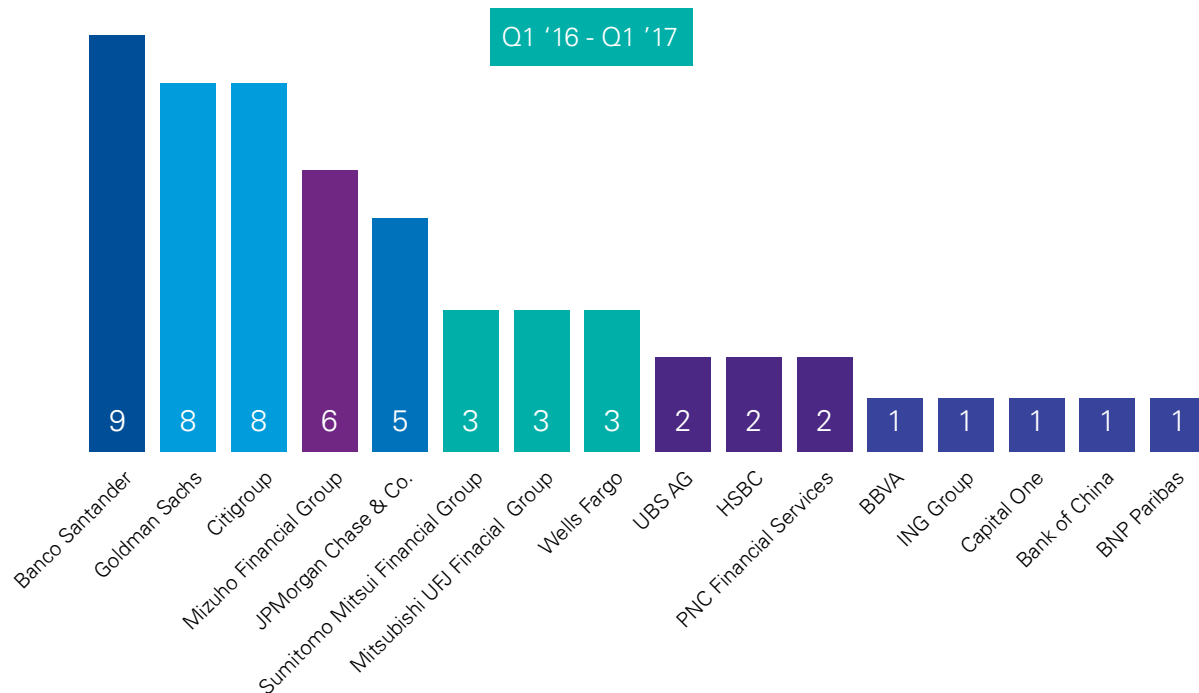
3 The race to rebundle financial services is on

The great unbundling that has washed over financial services over the past five years is likely to reverse itself, at least in part, says Siegel. Today's customer may send money with her Venmo app, use SoFi to refinance her student debt, use her bank's app to check balances and use Mint.com to manage the whole of her financial life. KPMG research has found that the typical Millennial goes to 11 online places to deal with their money.

But as these customers age and "their lives become more complex, and as their primary bank becomes more digital-savvy, it will begin to rebundle some of those things into a single relationship," says Siegel. The big banks "are going to eat up a lot of these disruptors, take them in-house and rebundle a lot of those services and products."

The investments necessary to acquire those startups are already underway. Venture capital funds owned by companies accounted for 31 percent of fintech investments in the second quarter of this year, up from just 22 percent in the first quarter of 2016, Bloomberg Intelligence reports.

Major bank investments to VC-Backed fintech companies



Source: CB Insights Global Fintech Report Q1 2017

Financial services customer service checklist

Walls and Siegel recommend that executives embrace the following philosophy to prepare for the pending universal shift toward the rebundling of financial services along with increased expectations:

Use Data to Anticipate Customer Needs

Banks need to build services, cultures and technologies that deliver on customer expectations before they are needed. Organizations are investing in a multitude of channels and technologies that are driving down support costs and improving the experience at the point of need. Those technologies collect a pool of data about the customer that shows exactly how they interact with the business. Using this data to anticipate needs captures the essence of building value in the moment of the interaction.

Embrace an Outside-In Perspective

The outside-in perspective considers the voice of the customer as the center of gravity in all decision-making. Customer experiences have to be simple and easy for the customer to engage; they have to be personalized to match and serve the customer's values, motivations and needs; and, most importantly, the experiences have to be integrated. Customers today demand a seamless integration of customer service channels.

Nurture an Inside-Out Understanding

Understand and define what business, technical, cultural and investment changes are required to deliver effective, personalized service to customers. Delivering on expectations is the key, but beware the dangers of exceeding them; in their efforts to surprise and delight customers, organizations can generate higher-than-necessary operating costs when they over-deliver on what is needed by the customer.

For more information on how KPMG is helping banks achieve enterprise-wide digital transformation, visit: <https://advisory.kpmg.us/digital-transformation/financial-services.html>

The balanced approach to customer service

The outside-in and inside-out perspectives provide organizations with a holistic understanding of how to deliver personalized customer service while reducing spend.



Personalize the Interaction



Build Trust & Integrity



Deliver Consistently on Expectations



Identify & Eliminate Unnecessary Work



Streamline Self-Service Experiences



Create a Clear Path to Resolution



Reduce Time & Effort



Remain Understanding & Solution Oriented



Strategically Apply Sourcing



Improve Workforce Effectiveness

Outside - In

Know your customers, understand what matters most to them, and consistently deliver on their needs

Inside - Out

Manage the cost of operations in a sustainable way, while consistently delivering on customer needs.

Source: KPMG

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The Practical Guide to Disruption series examines the future of five key business processes. Combining the insights of KPMG's industry specialists with Bloomberg data, we provide practical steps executives can take to prepare for the changes to come.

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