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Assessing the Digital
Landscape for Financial
Institutions:

How to Lead the
Charge with People
and Technology

Net Finance   **WBR DIGITAL**

NetFinance 2016-17 Benchmark Report

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Liferay Foreword

At a time when financial institutions are rising to the challenge of transforming customer services for a new digital audience and rethinking traditional business models, we are excited to share a new report that sheds light on the current state of the industry's advances in digital transformation and the important role of technology in that progress.

WBR's financial services digital business report, "Assessing the Digital Landscape for Financial Institutions: How to Lead the Charge with People and Technology" presents survey-based insights into how financial leaders in digital strategy and marketing are striving to become the disruptor rather than the disrupted in the age of the connected customer. Based on the results, digital leaders at banks overwhelmingly recognize the critical role technology is playing (87% of respondents believe technology is intrinsic to digital transformation), meaning there is much opportunity for IT leaders to become influential shareholders and bring their unique expertise to the digital strategy table. At the same time, organizational change is necessary in creating an inclusive culture that welcomes and makes room for cross-functional teamwork and exchange of ideas.

It's an exciting time for leaders in digital strategy at financial institutions to drive real change in enacting deeper, more personal customer experiences.

We wish you success in your endeavor to serve your customers and we are available to help you on your digital transformation journey.

The Liferay Team

Key Challenges in 2016

Different units own different parts of the customer lifecycle

The greatest barrier for banks in addressing the full customer lifecycle isn't a lack of budget or executive buy-in. It's the fact that different business units own different parts of the full customer lifecycle. For example, Sales might own customer acquisition while Customer Service is in charge of customer retention. Unless there is a way to share holistic customer data across business units, the entire institution is at a big disadvantage in serving the customer, and risks losing customers to competitors.

Banks are at a tipping point with digital transformation and will need to sustain their momentum.

In terms of digital transformation and managing the customer lifecycle, we're now at the tipping point. When respondents were asked about the status of their digital transformation initiative, the level of integration with customer experience and the degree of continuity across customer touch points, all answers tabulated near or above 50%. This means the majority of financial businesses are making inroads in digital innovation. That's good news! Progress toward digital, plus reputation for security, is now a key to customer retention in financial services. Companies will need to ensure they keep up or risk losing those customers to competitors.

Be wary of a single team owning digital transformation.

Survey respondents view a combination of a cross-departmental digital team and marketing as the departments who should own digital strategy and the end-to-end customer relationship. In the next 12 to 18 months, digital marketing activities will focus primarily on increasing customer retention, boosting market penetration and adding new accounts. A cross-departmental digital team is best positioned to address barriers to the omnichannel customer experience. We can work around silos and focus our efforts on uniting multiple departments. Top barriers noted by respondents include lack of back-end integration across systems, competing ownership of the customer experience and the plethora of channels and customer journeys to coordinate. And this is the big challenge: How do we align the various teams, particularly IT to execute the transformation successfully?
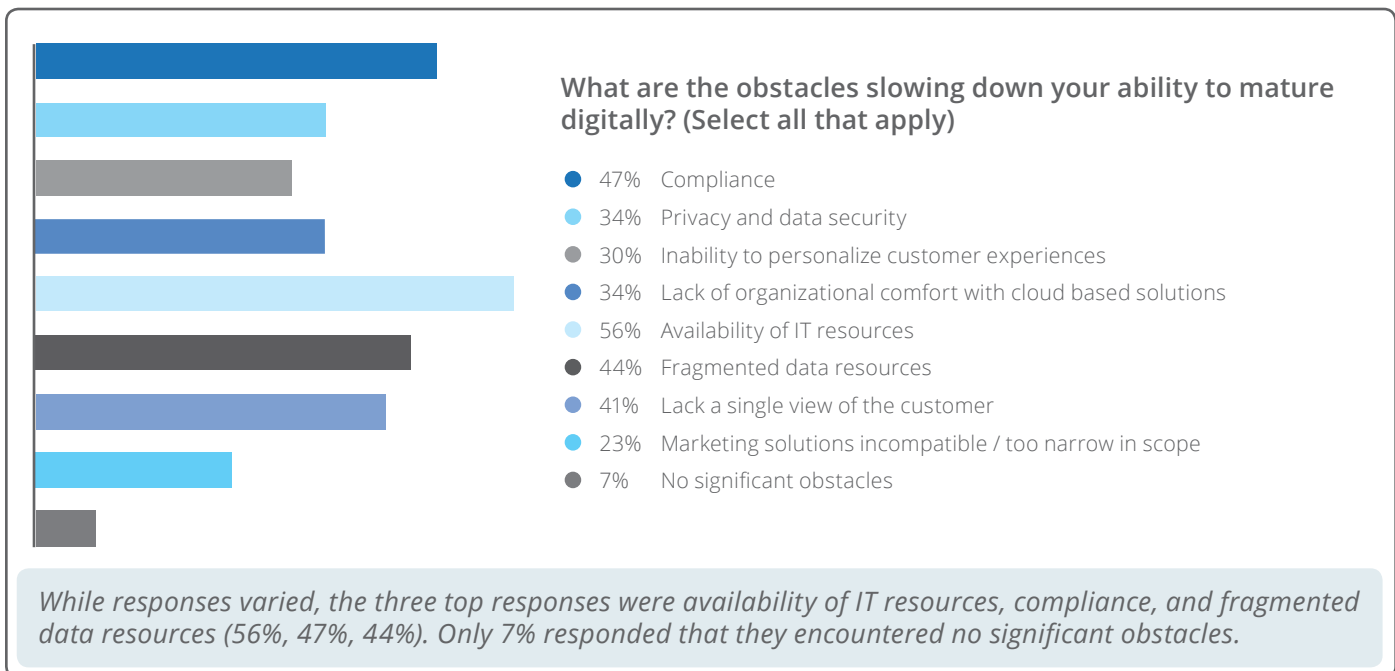
Research Findings

Silos will drive your customers out of the door. Break them down.

In the quest for digital transformation, banks face an uphill battle in many respects. Currently, three obstacles in particular are slowing down their ability to mature digitally. They are: IT, compliance and data.
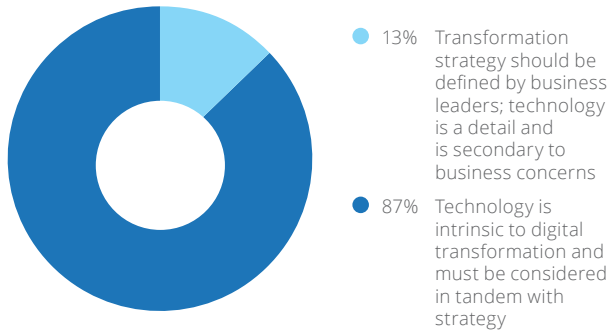
56% said the availability of IT resources was slowing down their ability to mature digitally, and 87% said technology is intrinsic to digital transformation. That said, the #1 barrier cited was having different business units own different parts of the customer lifecycle. To put this into perspective, their biggest challenge is not budget constraints, a lack of executive buy-in or a shortcoming in digital capabilities.
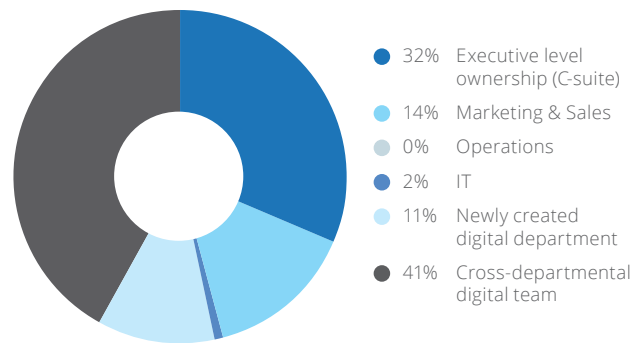
What's holding financial institutions back from serving customers in their lifecycle from acquisition to retention to brand advocate is the way traditional banks are structured and go about their business. It's internal, not external, and completely addressable with the right leadership and cultural shift. Silos may continue to plague us if we cannot create a collaborative, cross-functional team.

What are the obstacles slowing down your ability to mature digitally? (Select all that apply)

- 47%   Compliance
- 34%   Privacy and data security
- 30%   Inability to personalize customer experiences
- 34%   Lack of organizational comfort with cloud based solutions
- 56%   Availability of IT resources
- 44%   Fragmented data resources
- 41%   Lack a single view of the customer
- 23%   Marketing solutions incompatible / too narrow in scope
- 7%   No significant obstacles

While responses varied, the three top responses were availability of IT resources, compliance, and fragmented data resources (56%, 47%, 44%). Only 7% responded that they encountered no significant obstacles.

Research Findings

What is the role of technology in digital transformation?

- 13% Transformation strategy should be defined by business leaders; technology is a detail and is secondary to business concerns
- 87% Technology is intrinsic to digital transformation and must be considered in tandem with strategy

Which business unit should own digital strategy?

- 32% Executive level ownership (C-suite)
- 14% Marketing & Sales
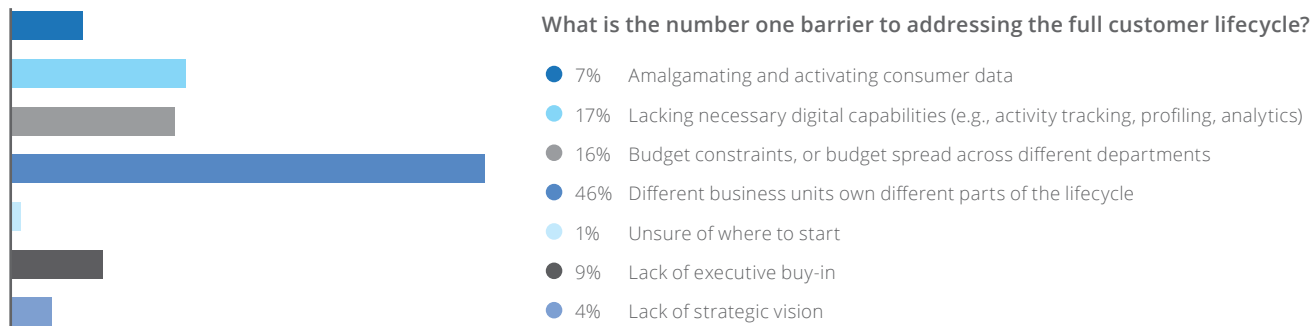- 0% Operations
- 2% IT
- 11% Newly created digital department
- 41% Cross-departmental digital team

With 56% of respondents saying access to IT resources is an obstacle, and 87% suggesting technology is intrinsic to the transformation, and must be considered in tandem with strategy, we have to give the CIO a big seat at this table. Interestingly, we may want their input, but only 2% of respondents say IT should lead the initiative. Which a bit surprising, given how critical it is to the type of transformation we're looking for and how success may be defined by our ability to understand the intricacies of technology.

The #1 barrier is that different business units own different parts of the customer lifecycle. That one response trumps all others, including leveraging consumer data, budget constraints and lack of executive buy-in, as data silos create a situation where no one unit has a single–view picture of their customers. But does one unit need to have a single view? Perhaps.

What is the number one barrier to addressing the full customer lifecycle?

- 7% Amalgamating and activating consumer data
- 17% Lacking necessary digital capabilities (e.g., activity tracking, profiling, analytics)
- 16% Budget constraints, or budget spread across different departments
- 46% Different business units own different parts of the lifecycle
- 1% Unsure of where to start
- 9% Lack of executive buy-in
- 4% Lack of strategic vision

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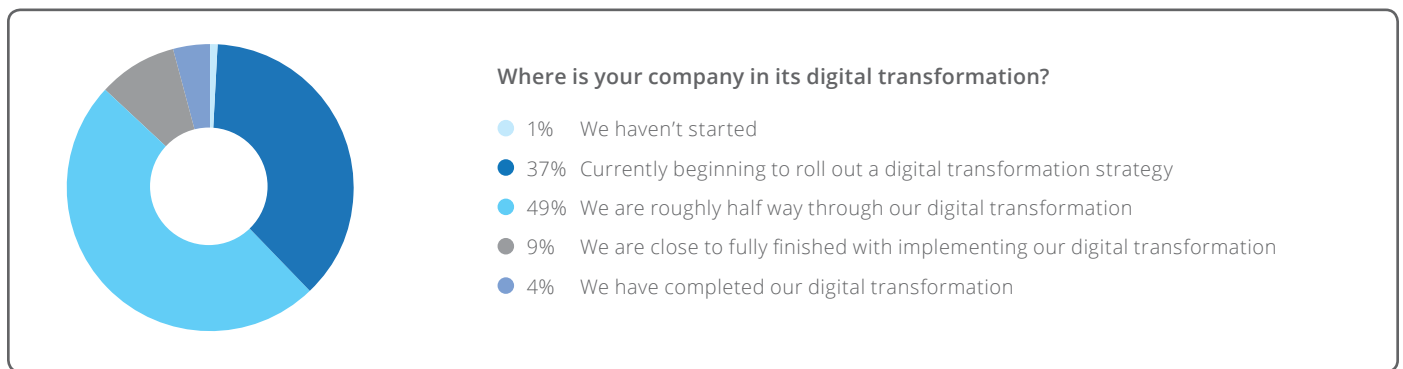
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Survival of the fittest.

Customers trust their banks to secure their money. The question is, can traditional banks adapt to digital fast enough to stem the tide of customers departing for more digital-savvy players?

Research findings indicate that banks are now making inroads on digital transformation, as well as advancing on customer experience management. Forty-nine percent report being roughly half way through digital transformation while 37% are just starting to roll out a digital transformation strategy.

As for building continuity across all customer points, 55% labeled it as a work in progress. In terms of addressing the full/complete customer lifecycle, 53% are currently still only addressing parts of the customer life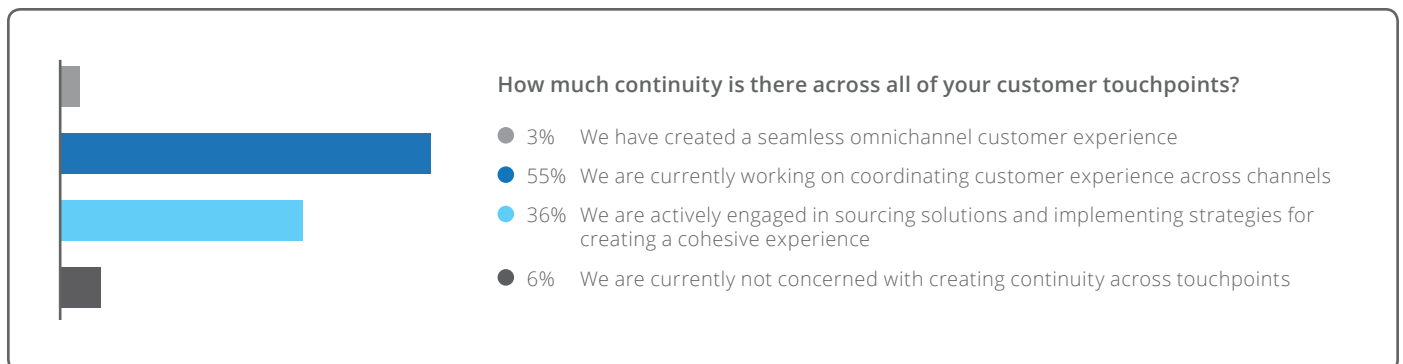cycle, as opposed to taking a holistic approach. When asked about the level of integration with the customer experience before and after acquisition, 71% responded that they were working on it with some ways to go before they achieve fully integrated experiences.

Based on the survey responses, financial institutions are making the digital shift en masse. There are exceptions on both the laggard side and the early adoption side, however, in general, banks are doing what they need to do to thrive and retain customers, as well as attract those that they can through the addition of new features. But for those on the laggard side, they risk extinction, particularly if they can't get the IT team to have a bigger seat at the table.

Where is your company in its digital transformation?

- 1% We haven't started
- 37% Currently beginning to roll out a digital transformation strategy
- 49% We are roughly half way through our digital transformation
- 9% We are close to fully finished with implementing our digital transformation
- 4% We have completed our digital transformation

Nearly half surveyed are roughly half way through their digital transformations. The next largest segment is just beginning to roll out a digital transformation strategy. Those at the beginning are most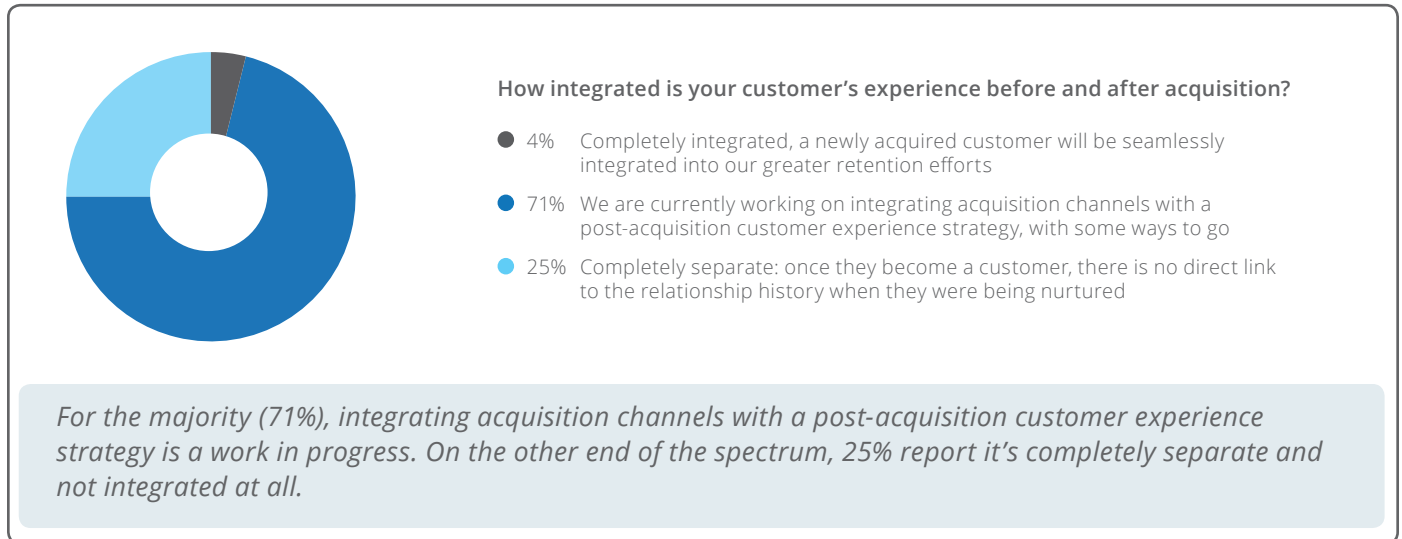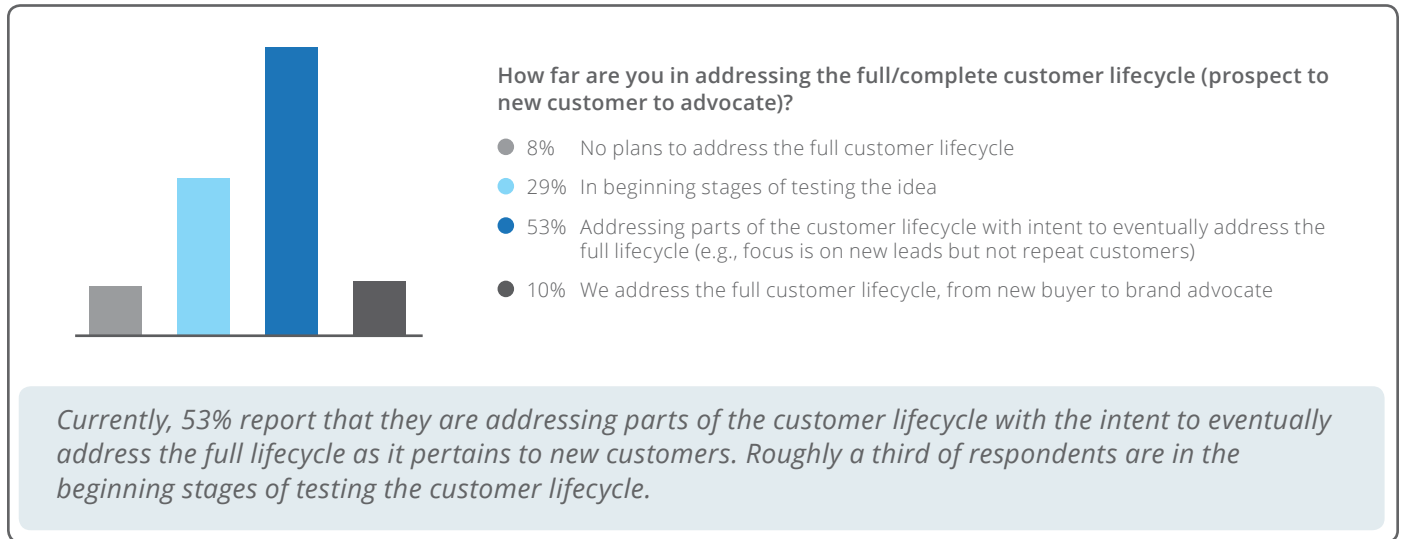 certainly going to lose to those further along in the transformation. It will be ever-critical for them to break down the silos, and build an effective team that can make the transformation successfully and quickly.

How much continuity is there across all of your customer touchpoints?

- 3% We have created a seamless omnichannel customer experience
- 55% We are currently working on coordinating customer experience across channels
- 36% We are actively engaged in sourcing solutions and implementing strategies for creating a cohesive experience
- 6% We are currently not concerned with creating continuity across touchpoints

Over half of respondents are currently working on coordinating customer experience across channels. For 36%, they're actively engaged in sourcing solutions and implementing strategies for creating a cohesive experience.

91% are working on or are actively engaged in sourcing cohesive experience solutions. That suggests the industry-wide importance of the transformation, and with only 3% having completed the transformation, it presents a real opportunity for digital solution providers to improve customer experiences at financial institutions.

How far are you in addressing the full/complete customer lifecycle (prospect to new customer to advocate)?

- ● 8% No plans to address the full customer lifecycle
- ● 29% In beginning stages of testing the idea
- ● 53% Addressing parts of the customer lifecycle with intent to eventually address the full lifecycle (e.g., focus is on new leads but not repeat customers)
- ● 10% We address the full customer lifecycle, from new buyer to brand advocate

Currently, 53% report that they are addressing parts of the customer lifecycle with the intent to eventually address the full lifecycle as it pertains to new customers. Roughly a third of respondents are in the beginning stages of testing the customer lifecycle.

How integrated is your customer's experience before and after acquisition?

- ● 4% Completely integrated, a newly acquired customer will be seamlessly integrated into our greater retention efforts
- ● 71% We are currently working on integrating acquisition channels with a post-acquisition customer experience strategy, with some ways to go
- ● 25% Completely separate: once they become a customer, there is no direct link to the relationship history when they were being nurtured

For the majority (71%), integrating acquisition channels with a post-acquisition customer experience strategy is a work in progress. On the other end of the spectrum, 25% report it's completely separate and not integrated at all.

All Hands on Deck!

In 2016, it's critical to understand the remaining barriers to an omnichannel customer experience and determine which department should own the end-to-end customer relationship.

The greatest barriers to achieving an omnichannel customer experience vary, but coalesce around three challenges: a lack of back-end integration across systems, competing ownership of the customer experience, and having too many channels and siloed customer journeys to coordinate.

What is the CIO's role in all of this? With 56% of respondents saying access to IT resources is an obstacle, and 87% suggesting technology is intrinsic to the transformation, this is the time to get them on board. But how much input do we want with 1% of respondents saying they should lead the initiative?

Generally, marketing is viewed as owning the end-to-end customer relationship. The second highest response is a cross-departmental digital team, dedicated to weaving cohesive experiences. However, when another related response, a newly created digital department, was added to those responses,

it beat out marketing, suggesting that financial businesses are waking up to the need for dedicated business units that can align customer experiences across channels, and the departments that currently manage them.

While many departments deal primarily with customers, including marketing, sales, customer service and CX, creating an omnichannel customer experience also demands the expertise of other departments like IT and finance. By the sheer number of departments impacted, a cross-functional digital team is the best way forward, building out and consolidating the resources and expertise required for serving the omnichannel customer experience.

But larger teams are more vulnerable to poor communication and fragmentation, according to Martin Haas and Mark Mortensen. In their June 2016 article in the Harvard Business Review, The Secrets of Great Teamwork, they say team leaders must be vigilant about adding members only when necessary. The aim should be to include the minimum number-and no more[1]. Too many chefs in the kitchen spoil the broth!

What is the greatest barrier to achieving an omnichannel customer experience?

- 21% Lack of back-end integration across systems
- 12% No central repository of customer information
- 16% Too many channels and customer journeys to coordinate
- 5% Lack of understanding of customer context, history, and sentiment
- 12% Overabundance of customer data that is not structured to create insights
- 16% Difficulty creating a single customer view across channels
- 18% Unclear or competing ownership of customer experience with conflicting goals for the customer

From a barrier standpoint, the top two responses are a lack of back-end integration across systems and unclear or competing ownership of customer experiences with conflicting goals for the customer. The first, emphasizing the need for IT having a big seat at the transformation table.
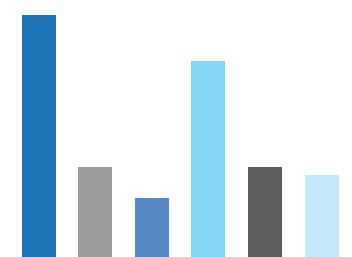
Which department has ownership of your end-to-end customer relationship?

- 32% Marketing
- 12% Sales
- 8% Newly created digital department
- 26% Cross-departmental digital team
- 12% CX department
- 10% Customer service

The top response, at 32%, was marketing. Just below this, at 26%, was a cross-departmental digital team. But when another response, newly created digital department, is added to cross-departmental digital team, it becomes the top response for who owns the end-to-end customer relationship. It will be very insightful to see how that changes year to year, what the make-up of these teams will be, and who ends up leading the team in the future.

Key Recommendations

Create or empower a cross-departmental digital team: More hands on deck!

Digital's importance and widespread application make it impossible for any one department to fully own across all channels and applications. Also, only a cross-departmental digital team can address the number one barrier to addressing the full customer lifecycle: different business units owning different parts of the lifecycle. Because in most environments it's a new or relatively new department, credibility demands securing executive buy-in and support. This will empower the team to pursue their mandate to unite currently siloed approaches to digital experience.
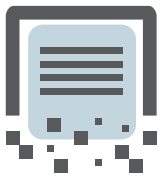
Don't rely on marketing for everything related to customers.

Marketing often has its hands full with strategizing around the end-to-end customer relationship. However, when it comes to fully monetizing omnichannel and building a consistent experience on desktop, mobile, and even within a physical branch, this means ensuring that data from multiple departments can be consolidated and easily accessed. No single department owns customer interaction at every stage, and IT clearly needs to play a bigger role. Certainly all departments have a role to play in serving customers, and should be involved in gathering information on their preferences that can build better business outcomes.

Promote a change-ready company culture.

Digital adoption for financial businesses is reaching the tipping point. The upshot of this fact is that many institutions have already blazed a trail and created their own best practices for building out digital experiences. In order to build momentum around your own digital transformation, seek to replicate and build on the successes of industry leaders, and use their experiences to highlight the need for adoption within your environment to key internal decision makers.
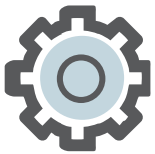
Appendix

References

[1]Harvard Business Review, June 2016 The Secrets of Great Teamwork, Collaboration has become more complex, but success still depends on the fundamentals, Martin Hass, Mark Mortensen.

Methodology

The results analyzed in this report were gathered from responses to an on-site benchmarking survey delivered at NetFinance Interactive 2016. 70 executives responded to the survey.

Liferay makes software that helps companies create digital experiences on web, mobile and connected devices.

Our platform is open source, which makes it more reliable, innovative and secure. We try to leave a positive mark on the world through business and technology. Companies such as Adidas, Carrefour, Cisco Systems, Danone, Fujitsu, Lufthansa Flight Training, Siemens, Société Générale and the United Nations use Liferay.

Visit us at www.liferay.com.

WBR Digital connects solution providers to their target audiences with year-round online branding and engagement lead generation campaigns. We are a team of content specialists, marketers, and advisors with a passion for powerful marketing. We believe in demand generation with a creative twist. We believe in the power of content to engage audiences. And we believe in campaigns that deliver results.

WBR is proud to be virtually paperless. Together, we're saving trees, helping the environment and are looking to improve every single day.