IBM Sales and Distribution
White Paper

Financial Services

Omnichannel Banking

From transaction processing to optimized customer experience

By Danny Tang and Kwafo Ofori-Boateng

Frequent flyers expect airlines to know their seating and route preferences. Retailers are expected to make relevant product recommendations based on established shopping habits. Banking customers expect no less. Today's empowered and enlightened consumers demand services according to their individual preferences whenever, wherever and however they interact. Those who meet these expectations will set themselves up to enjoy deepened and long-lasting relationships with their clients; those who don't will be left in the dust.

Omnichannel: Demanded

Each day more and more devices, both owned by customers and provided by banks, are being used to access banking services. Customers now take anywhere, anytime, many-device access to their accounts and information for granted. This explosive growth of customer interaction touchpoints has blurred the lines between traditionally defined channels. Banks now realize they must change the way channels are built and managed. Today multichannel banking is just a ticket to compete and hardly a competitive advantage. As banks rush to build banking apps for devices of all sizes and functions, many have resorted to taking the easy way out architecturally, often under pressure of not being left out in this wave of digital proliferation. The unintended result of quickly launched apps is more channel silos and a severely fragmented customer experience. Banks now need to borrow a page from industries that greatly value customer experience. Traditionally banks spend most of their efforts on transaction execution, a smaller part of the whole journey. While providing convenient, reliable and accurate transaction processing ability is still critical, we believe that banks can learn from how retailers see the customer journey through an omnichannel lens. Every time customers touch a computer, search for a store or product on their devices or call a customer service department, they are providing an information trail. Inside this digital trail is a gateway to a more intimate, nuanced customer understanding.

Omnichannel: Defined

Omnichannel is much more than just providing multiple ways for customers to transact. It is about a seamless and consistent interaction between customers and their financial institutions across multiple channels. While multichannel is focused on transactions, omnichannel focuses on interactions. The Economist suggests omnichannel as a strategy that allows customers to "shop with smartphones, tablets, laptops and even in stores as if waited upon by a single salesman with an unfailing memory and uncanny intuition about their preferences."[1]

For banks, IBM offers the following definition:

Built on a multichannel strategy that allows anytime, anywhere, any device access with consistent experience across channels, omnichannel enables interactions across multiple customer touch points where intents are captured, insights are derived and conversations are personalized and optimized. With omnichannel, banks can not only fulfill customers' explicit needs, but also anticipate their wants and likes.

Omnichannel: Differentiated

IBM’s view of the evolution from multichannel to omnichannel is detailed in Figure 1.

Omnichannel does not replace multichannel, but, instead, enhances it. Multichannel remains an essential foundation to a comprehensive omnichannel experience.

Multichannel	Omnichannel
A **bank-centric** view	A **client-centric** view
Allowing clients to **transact** with the bank via multiple channels	Allowing clients to **interact** with the bank via multiple channels
Understand what clients **need** through analytics	Try to understand what clients **want and like** through analytics
Based on customer **system of records**	Based on **system of engagements**
Relying on **SOA:** integration of applications with messaging	Relying on **Big Data:** integration of customer context

Figure 1. The transition to omnichannel banking changes the organizational focus from transactions to customers.

Client-centric versus bank-centric: Banks have historically focused on managing clients’ money reliably and processing their transactions accurately. A complete and deep understanding of customers is usually an afterthought. When designing customer experience, banks must discard the bank-centric view in favor for a client-centric view.

Interact versus transact: In a multichannel experience, customers use various media to transact with their financial institutions. The evolution from multichannel to omnichannel means a shift of attention to the interactions with customers.

Anticipating wants and likes versus fulfilling needs: Few customer rave about a check being successfully deposited and a bill paid on time. They are simply expected. A great experience is plainly a result when expectations are exceeded. Banks must elevate from fulfilling needs to anticipating wants and likes and strive to exceed customers’ expectations.

Built on systems of engagements versus systems of records: Customer interactions, as valuable as they are, can be at times unreliable, unstructured and even inaccurate. They require a different type of system: systems of engagements. As opposed to the systems of records in which the data are supposed to be 100-percent complete and accurate, data in systems of engagements can be fuzzy and are meant to be mined for valuable insights.

Relying on big data versus service-oriented architecture: Service-oriented architecture (SOA) is the approach banks have been using to build their multichannel environment. SOA ensures components can interact with each other in a standardized way and therefore allows for easier integration and greater reuse. Omnichannel, on the other hand, is built on Big Data, a technology that allows data in all kinds of varieties to be managed and analyzed.

Omnichannel: Deployed

Banks must adopt a three-tiered approach to building an omnichannel presence: capturing customers' intent, managing systems of engagements and deriving and utilizing actionable insights.

Capturing: Banks must utilize different channel analytics techniques to capture the intent behind interactions across channels (with customers' consent as required by regulations). For example, on the internet, web analytics can be used to analyze customers' online behavior. On mobile devices, location-based information can be collected to help gain insight into customers' life. In contact centers, customers' emotion can be analyzed using speech analytics. On social networks, sentiment can be understood using social sentiment analytics technologies.

Managing: The intent captured across channels will be in all kinds of forms. Some are structured, while others are unstructured, such as video, audio and free-form text. These are often less than 100-percent accurate and fuzzy in nature. They must be stored and managed separately in a system of engagements from the structured, trusted system of records.

Analyzing: Today, Big Data technologies are mature enough for banks to derive actionable insights reliably and quickly. These insights enrich the understanding of customers and can be invaluable for banks to provide intelligent and differentiated services, as well as more targeted marketing offers.

Conclusion

The concept of banking is changing. As customers become increasingly comfortable with technology, they are interacting with banks in multiple ways. Unlike customers in days gone by, these enlightened and empowered consumers will not accept "cookie-cutter" treatment. They expect to be treated as individuals and according to their preferences. Having a solid multichannel infrastructure and providing an omnichannel experience allows customers to enjoy seamless, personalized service across every touch point. For banks, the time is now to take advantage of the wealth of customer information available. As the world becomes even more digital, capitalizing on the omnichannel opportunity could be the difference between those banks that flourish in the coming years and those that can no longer compete.

About the authors

Danny Tang leads Channel Transformation and Front Office Digitization Solutions for IBM's Global Banking organization. He travels around the world advising banks on pressing issues such as mobile, social business, branch banking and other insight-driven transformation in the front office. Prior to his current role, Danny was on assignment to Shanghai between 2009 and 2011 as the Executive leading IBM Software Group's Financial Services Industry Solutions team for the Greater China Group. Danny is the author of two patents, has spoken at many conferences and events and has authored numerous business and technical articles. As a member of the IBM IT Architect Board, he also participates in setting strategic directions for the IT Architect profession within IBM. Danny received an MBA degree with concentration in finance and operations management from the Anderson School at UCLA.

Kwafo Ofori-Boateng is the Global Director for the IBM Front Office Transformation Solution domain for IBM's Banking and Financial Markets organization. In this role, he oversees the development and delivery of IBM's points of view regarding innovation and differentiating capabilities for Front Office, Customer Servicing and Multichannel Transformation (Mobile, Social, Internet) for Banking and Financial Markets. He advises senior banking executives globally on the alignment of global trends, client needs and the capabilities IBM can bring to bear in Mobile Banking and Social Business and unstructured data analytics. Kwafo holds an MBA from the Katz Graduate School of Business (University of Pittsburgh) with a concentration in Strategy.

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1 Source: "Mixing bricks with clicks." The Economist. March 27, 2013.

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Route 100
Somers, NY 10589
U.S.A.

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