



WHITE PAPER

BANKS GOING DIGITAL (ALMOST) ALL THE WAY

Favorable, Fast and Friction-Free

Modern consumers have an expectation of instant and easy access to their bank accounts, from any location, with the ability to tend to their banking needs.

As a result, banks are becoming more digital.

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Many of today's consumers probably don't even remember when banks handled all their transactions manually, using reams of paper to keep records of everything. The idea of remotely securing a loan, paying a vendor or shifting money between accounts — at home or on the go, with the mere push of a few buttons — would have seemed like science fiction.

Enter the interactive marketplace and our capacity to access people, places and information most anywhere at any time. Since then, consumers have increasingly demanded more transparency, immediacy and ease of accessibility in their banking transactions.

Mobile is one factor that's revolutionized the banking industry, and the would-be contenders not grabbing on to that trend are starting to lose their pieces of the pie. U.S. consumers maximizing the convenience of mobile are slated to reach **111 million** this year, a 217 percent jump from 35 million in 2010. The nation's **75 million** millennials are clearly driving.

That's a wake-up call of sorts for legacy banks still struggling to digitize and make all their services fast, easy and friction free for their time-starved clientele.

"Consumers are demanding on-the-go services that range from the opening of new accounts and the paying of bills to the depositing of checks," confirms Magenic Financial Service Practice Leader Heather Zimmerman. "Digital systems allow financial institutions to quickly and nearly effortlessly deliver those capabilities. And when combined with big data, opportunistic banks can perform feats like approving mortgages and loans in just minutes."

To remain competitive, forward-thinking financial institutions are optimizing their omni-channel capabilities, segmenting audiences for more highly personalized communications and taking steps to offer streamlined, stress-free services that better meet customer expectations.

Many channels for many customers

While banks of the past often encouraged customers to choose the banking channel most appropriate for their needs (i.e., taking a "multichannel" approach), futuristic banks are now embracing omni-channel integration in which customers can switch at will from venue to venue.

"It's not just about offering multiple channels; it's about offering the right choices to the right audiences," Zimmerman notes. "That's where segmentation can really work its magic. It's worthwhile to tailor your services to appeal to the right customers so you can create trust and loyalty."

Research shows audiences prefer to take care of financial tasks in different ways, in general maximizing self-service capabilities such as online and mobile for routine, day-to-day transactions and focusing more on in-person service for more complex functions. A recent **Gallup study**, for example, reports that 75 percent of customers prefer face-to-face interaction when opening or closing an account. When trying to solve a problem or clearing up a service fee, most prefer a live phone call, but when they just need account information or wish to transfer funds, digital is largely preferred.

While brick-and-mortar locations are expected to remain a crucial part of the banking mix for **some time**, the move toward online service is definitely taking a bite out of in-person transactions. In a January survey, **40 percent** of Americans hadn't visited a bank branch in the previous six months.

Implementing an omni-channel approach can reduce human error and lower labor costs, since select functions can be more aptly handled without live personnel. In other cases branch-specific specialists can be reduced because customers prefer to simply consult a call center instead. Additionally, customer loyalty and retention often increase if they don't have to contend with real human employees subject to real human emotions, either in person or on the phone. In fact, according to a 2015 report by **Bain & Co.**, self-service channels are less likely to annoy customers, and 50-70 percent of calls to a typical bank are "avoidable."

Friction-free future

Tomorrow's banking is all about making transactions painless for the customer, which often means forming complete strategies around removing friction from each process. The primary goal should be ensuring customers can complete sales or service transactions smoothly and interchangeably on different channels.

Eliminating pain points for customers may well require using the wealth of online tools that allow you to segment your audiences and target your marketing to their wants and needs. **Research** shows, for example, that segmenting for email campaigns improves clicks by 59 percent and opens by 15 percent.

"The most progressive banks are maximizing the use of big data to accurately profile customers, linking them with the best products available via their channels of choice," Zimmerman notes. "Taking that step can keep banks from wasting money on worthless marketing efforts, and that personalized approach tends to be well received by customers tired of irrelevant email blasts and digital ads that don't hit home."

Another huge part of becoming friction free is maximizing mobile accessibility for busy clients highly dependent on their phones and tablets. In a **Bain survey** last year, half of U.S. respondents said they'd rather forego their wallet for a day than their mobile phone.



In the process of increasing their digital capacity, many banks must also beef up security offerings to retain customer trust and peace of mind in light of worldwide security threats.

Accenture found last year that 86 percent of consumers trust their bank above all other institutions to securely manage their personal data.

Challenging process?

For some banks, the digital transition won't be easy. Many will be challenged to offer the same speed and quality of service across the board without spreading themselves too thin. Other barriers might include outdated systems and applications, operational silos and difficulties in training staff.

Fortunately, today's technology is able to meet those challenges through strategic use of applications, systems, modernized architecture and big-data capabilities that can provide valuable insight into the customer journey. The savviest software developers can customize all your tools to provide the exact products and services your customers demand, in the exact way they want them delivered.

Zimmerman notes the changes can be completed in stages, but it's crucial for old-school banks to meet consumer demand as soon as possible — either through partnerships with newer, nimbler upstarts or through innovation.

"Banks need to infuse speed while being nimble enough to adjust to internal investment and keep up in this competitive marketplace," she says. "They must listen and learn from the customer."

Magenic can advise financial institutions on a number of technology solutions for maximizing digital opportunities. Contact us at **877-277-1044** or **info@magenic.com** for a consultation.



About Magenic

Magenic is a leader in business technology consulting. We understand the barriers to innovation companies are facing and apply the right technology to transform their business.

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