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Adapting to digital consumer decision journeys in banking

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A host of emerging technologies are poised to personalize consumer experiences radically. Here's how banks can prepare.

Many banking executives are feeling immense pressure to devise the perfect customer experience—an experience that takes advantage of digitization to provide customers with cross-channel, targeted, just-in-time product or service information in an effective and seamless way.

This pressure is justified. During the next three to five years, we're likely to see a radical integration of the banking experience across physical and virtual environments. As more consumers use mobile phones, tablets, and other digital devices to make basic financial transactions, some banks have responded by bulking up their websites and revamping traditional channels such as physical branches and call centers to support their digital efforts, reducing costs along the way. But in a world where consumers have endless online and offline options for researching and buying new products and services, all at their fingertips 24/7, digital channels no longer just represent "a cheaper way" for banks to interact with customers. They are now critical for executing promotions, stimulating sales, and growing market share. (For more, see the original article from which this piece is drawn, "Digitizing the consumer decision journey," on mckinsey .com.)

At a practical level, banks must also acknowledge the growing number of companies that are incorporating within their buying experiences payment processing and other financial services that have traditionally been solely in banks' domain.[1] Some online retailers, for instance, are experimenting with presenting short-term loan options to customers during the decision journey to support potential purchases—entirely feasible given the speed with which online lenders such as Kabbage and Lending Club can now provide underwriting services. These channels will never be able to offer the full range of services that banks do, of course, but the financial institutions that fail to account for this trend risk losing at least some of their customers to these upstart funding providers.

[1] Olivier Denecker, Sameer Gulati, and Marc Niederkorm, "The digital battle that banks must win," August 2014, mckinsey .com.

It's not surprising that some banks could be lulled into thinking they're already doing everything right. Many know how to think through customer search needs, for instance, or have ramped up their use of social media. Some are even "engineering" advocacy—creating easy, automatic ways for consumers to post reviews or otherwise characterize their engagements with the bank. Yet tools and standards are changing faster than banks can react. Customers will soon be able to search for financial products by image, voice, and gesture; automatically participate in others' transactions; and find new opportunities via devices that augment their reality. How banks engage customers in these digital channels matters profoundly—not just because of the immediate opportunities to convert interest to sales, but because two-thirds of the decisions customers make are informed by the quality of their experiences all along their journey, according to research by our colleagues.[2]

To keep up with rapid technology cycles and improve their multiplatform marketing efforts, banks need to take a different approach to managing the consumer decision journey—one that embraces the speed that digitization brings and focuses on capabilities in three areas:

Discovery. Banks must apply advanced analytics to the large amount of structured and unstructured data at their disposal to gain a 360-degree view of their customers. Their engagement strategies should be based on an empirical analysis of customers' recent behaviors and past experiences with the bank, as well as the signals embedded in customers' mobile or social-media data.

Design. Constant product pushes wear thin upon repeated messaging, and consumers now have much more control over where they will focus their attention. Banks need to craft a compelling customer experience where all the interactions are expressly tailored to a customer's stage in the decision journey. The bank should always be able to recommend the customer's right next best action.

Delivery. Periodic marketing campaigns will always be core to banks' customer-outreach programs, but more and more institutions are shifting their dollars to "always-on" marketing programs, in which banks engage with customers in exactly the right way at any contact point along the journey. This approach requires agile teams of experts in analytics and information technologies, marketing, and experience design. These cross-functional teams need strong collaborative and communications skills and a relentless commitment to iterative testing, learning, and scaling—at a pace that many banks may find challenging.

Using a hypothetical example, let's consider what an optimized cross-channel experience could look like when banks target improved capabilities in these three areas.

[2] Peter Dahlström and David Edelman, "The coming era of 'on-demand' marketing," *McKinsey Quarterly*, April 2013, mckinsey.com.

Example: The new normal

Diane is on a business trip. She lands at Chicago's O'Hare Airport and walks through the terminal toward the gate for her connecting flight to Toronto. As she passes a billboard for her bank, she receives a text message offering her a credit card upgrade, one with better travel perks than the one she has. When she opens the message, she is led to a customized web page that provides a benefits-based comparison of her existing card and the new one the bank is recommending. She simply needs to tap an "apply" button to start the purchase process. When she does, another message appears prompting her to take and upload a "selfie" so the bank can authenticate her.

The card is added to her mobile wallet, and Diane is given the option of making it her default payment method for any of the top ten online merchants she deals with. She selects seven of the ten, and within minutes of completing the task, she receives a message from the bank thanking her for her response and offering her an online coupon for a free drink from Chicago Coffee Roasters, a regional chain that happens to have a stand only two gates from where Diane is waiting for her flight.

Once in Toronto, Diane grabs a cab to the office. As she approaches the downtown area, she spots something and asks the driver to slow down; she uses her Property Spotting mobile application to upload a picture of a commercial building that is leasing office space (Diane's company may be relocating some functions outside the United States). The app provides relevant details about the property—price, layout, amenities—and a direct link to the broker's office. From within the app, Diane can click through to information from her bank about the area's real-estate trends, such as recent sales and rentals and mortgage rates (her company has been exploring the potential bottom-line effects of different leasing and purchasing options). Soon after, a financial adviser from the bank sends Diane an e-mail message asking if she would like to schedule an appointment to talk about financing options and setting up a cross-border bank account. When they connect by phone later that afternoon, Diane has already been sent a link to a potential financing model for her reference during the discussion. The next day, on her way home, Diane gets a text message from the bank reminding her about her new rewards card and letting her know that she already has enough points for a companion ticket to Toronto.

New capabilities

Most of the technologies required in this scenario are available now, including beacon transmitters that can be mounted on billboards, buildings, and other structures for near-field communications; application programming interfaces (APIs) to handle the transfer of data across parties; and advanced analytics to optimize interactions with a customer. The forces enabling consumers to expect real-time engagement are unstoppable. Across the entire customer journey, every touchpoint is a brand experience—and the digital touchpoints just keep multiplying. To maximize their digital channels, banks will need to focus on improving their capabilities in discovery, design, and delivery.

Discovery: Build an analytics engine

Even in this era of big data and widespread digitization of customer information, some banks still lack a 360-degree view of the people who buy their products and services. They typically assess campaigns in isolation rather than in the context of the entire cross-channel consumer decision journey. Meanwhile, data are stored in disparate locations and legacy systems rather than in a central repository. Complicating matters further is the range and quantity of "unstructured" data out there—information about consumer behaviors and preferences that is captured, for instance, in online reviews, social-media posts, and bank logs of call-center interactions.

To get the full customer portrait rather than just a series of snapshots, banks need a central data mart that combines all the contacts a customer has with a brand—basic consumer data plus information about transactions, browsing history, and customer-service interactions. Tools such as Clickfox and Teradata can help banks gather these data from across disparate departments and begin to pinpoint opportunities to engage more effectively with customers. Using analytics applications such as SAS and R, and applying various algorithms and models to longitudinal data, they can better model the cost of their marketing efforts, find the most effective journey patterns, spot potential dropout points, and identify new customer segments. Additionally, by using business-process software and services, banks can identify in real time the basic "triggers" for what individual customers need and value and personalize their approach when reaching out with advice or cross- or upsell offers. Banks can also use these tools to generate automated reports that track customer trends and key performance indicators.

So the beacon detecting Diane's presence in the airport via her mobile phone adds to the dossier of financial and behavioral information the bank has already collected on her. It knew that she used her current card to purchase plane tickets, and even though she may be a good candidate for other products the bank offers—say, a rollover IRA or a retail affinity card—the bank has prioritized "travel rewards" as the core message for Diane. It knows she has had a good relationship with the bank; she hasn't been making regular withdrawals to other banks (presumably to pay off a competing card). The bank therefore sent her a friendly, direct offer, complete with a complimentary coffee. If circumstances had been different and a competing bank were involved, Diane's bank could have quickly turned tail and prioritized a different message—one involving a series of pitches educating her about the benefits of a credit card from this bank versus the other. Similarly, when Diane used the Property Spotting app, the bank could offer just-in-time information about the local real-estate market, based on its understanding of her interests. All this thinking happened in real time, building on the data and segmentation rules the bank already had established.

Design: Create frictionless experiences

Careful orchestration of the consumer decision journey is incredibly complex, given the varying expectations, messages, and capabilities associated with each channel. According to published reports, 48 percent of US consumers believe companies need to do a better job of integrating their online and offline experiences. Digital natives such as Amazon, eBay, and Google have been leading the pack in resetting consumer expectations for cross-channel convenience—think of eBay's Now mobile app, which provides one-touch ordering from any of its retail partners and same-day delivery in some US cities; or Amazon's inclusion of a help button in the company's latest-generation Kindle Fire tablet, linking users to a live help-desk representative. Some leading-edge financial institutions are similarly focused on creating frictionless online and offline experiences, but most have not gotten to the point of integrating themselves into their customers' daily lives through digital.

There are inevitable privacy and security concerns to tackle, of course, but digital natives are exploring opportunities to test new user experiences and constantly evolve their offers—often for segments of one.

This test-and-learn approach might sound counterintuitive to marketing organizations in large, entrenched financial institutions. It might challenge the architectures and rules that most banks already have in place. But test-and-learn methods are critical for helping banks decide how best to optimize (and customize) critical design attributes of the consumer decision journey at various points along the way. Everything that Diane is drawn to in the hypothetical example, for instance, happens seamlessly across offline and online channels and is completely customized for her situation—from the first contact in the airport through her mobile phone, to the landing page that compares the new card to her own, to the API that allows the bank to offer her a coffee from a regional vendor, and to all the other technology layers and interfaces that allow her to register her new card on certain commercial sites and to explore the local real-estate market. Rather than push what could be construed as intrusive (even creepy) messaging, the bank provided Diane with the most useful information at every point in her decision journey and the easiest possible path to purchase and delivery.

Delivery: Build a more agile marketing operation

Banks need to be able to support countless interactions like Diane's every minute of every day; the speed, scale, and complexity can be staggering—especially when you consider that most marketing organizations in banks are geared toward slower-paced campaign management. Under the direction of conservative senior leaders, teams tend to launch campaigns focused on pushing single products at a time across a range of channels. But is pitching that one product really the best interaction a bank can have with a customer? Maybe the customer has already seen an ad for a credit card several times, has not responded, and is clearly not interested. Maybe the customer recently had a bad service interaction at a branch, and confidence needs to be restored. In both cases, other actions and offerings, and a consideration of which messages and experiences take priority over others, would likely be more effective.

Banks must find ways to be more agile—in their mind-sets and their marketing operations. They must be willing to conduct a lot of small-scale experiments involving a variety of products and third-party providers (retailers, for instance) using cloud or proxy website services to pilot new designs and prove their value for investment. These activities must be supported by a marketing organization that has the right people, tools, and processes. Indeed, the most successful bank marketers we've seen have established centers of excellence in both analytics and digital marketing, and they have practiced end-to-end management of microcampaigns. Their campaign-building processes typically include systematic calendaring, brainstorming, and evaluation sessions to allow for one-week and two-week turnaround times. And roles and responsibilities are clearly defined. Far from creating a rigid, hierarchical process, this model frees up individuals to iterate quickly—what is sometimes called "falling fast forward" in the world of high tech.

At one bank, for instance, business-unit leaders gather each month to talk about their progress in improving different consumer journeys. As new products and campaigns are launched, the team places a laminated card illustrating the journey at the center of the conference-room table and discusses its assumptions about the flow of the experience for different segments and how the various functional groups need to contribute: Where does customer data need to be captured and reused later? How will the design of the campaign flow from mass media to social media and then to the website? What is the follow-up experience once a customer sets up an account? The team has also appointed dedicated mobile and social-media executives to become evangelists for strengthening the omnichannel experience, helping business units raise their game along a range of consumer interactions. The company's first wave of fixes and new programs generated tens of millions of dollars in the first six months, and the team expects it to continue scaling beyond $100 million in added annual margins.

Building an agile marketing organization will take time, of course. Banks should start by assembling a "scrum team" incorporating a range of cross-functional perspectives (marketing, IT, channel management, finance, and legal). Its members must adopt a war-room mentality—for instance, making tough calls about which campaigns are working and which aren't; which messages should take priority for which customer segments; launching new tests every week rather than every six months; and mustering the IT and design resources to create content for every possible type of interaction.

New skill sets and types of information systems will likely be required. The best technology solutions will vary according to the bank's starting point and objectives. Generally, though, financial institutions will get the best results from tools that enable large-scale data management and the integration of databases; the generation of next-best-action and other types of advanced analyses; and simpler campaign testing, execution, and metrics.

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To mobilize their marketing organizations for the challenges ahead, banks must embrace the 3-D capabilities associated with revenue enhancement through digitization. Already, the banks that are investing in data, design, and delivery have seen significantly improved click-through rates and higher conversion rates—between three and ten times the average—and are launching new products in far less time. This approach will demand a pivot in thinking about online channels: they can no longer simply be considered in isolation and as a tool for cost containment. Instead, banks need to make strategic decisions about how to choreograph their marketing and sales activities across online and offline channels, providing a seamless, engaging experience that offers the most value to customers—and prompts them to return again and again.

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