World Report Series
**Retail Banking**

Capgemini RESEARCH INSTITUTE

# THE CUSTOMER-ENGAGEMENT IMPERATIVE

## WHAT BANKS CAN LEARN FROM THE FINTECH PLAYBOOK

In collaboration with Efma

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# FOREWORD

**The competitive playing field for banks is evolving quickly,** introducing agile new competitors and challenging traditional formulas for success. Customers, not products or business lines, are the center point of strategies and business models today. The ability to leverage large volumes of data and new technologies to understand customers' journeys and deliver personalized offers and experiences is now considered critical to driving loyalty, engagement and, ultimately, growth.

Backed by insights from global surveys of customers and bank C-level executives, the 2022 World Retail Banking Report lays out these challenges and offers a path forward for industry strategists. Key takeaways include:

- **Customers today expect banks to provide personalized experiences** that are fun, engaging and consistent across all channels, physical and digital. Banks have the data to deliver, but often fall short compared to FinTech and Big Tech competitors. They need to invest more in systems, governance and AI/ML technologies to gain insights that can help them create stronger connections and maximize customer value.
- **Embedding finance in customers' ecosystem journeys has emerged as a key avenue for growth,** but also poses unique challenges. Platform-based business models require that banks think about issues they have never before considered, such as how to maintain exclusivity and avoid brand dilution or how to bundle financial and nonfinancial offerings in ways that are good for both customers and the institution. Platforms offer the potential for new revenue, but also require new metrics to gauge success.
- **Chief marketing officers (CMOs) are playing a pivotal role in this evolution.** Once managers of mass-market campaigns, many are now chief customer strategists, tasked with orchestrating hyper-personalized, automated customer experiences. It's a data- and technology-driven ask, requiring CMOs to coordinate with other C-Suite executives to break down data silos and gain usable insights.

Our report is filled with real-world examples and insights from industry leaders, as well as strategies for driving success in this rapidly changing environment. We hope you find it a helpful guide for building customer-led journeys and higher levels of engagement.

**Anirban Bose,**
Financial Services Strategic Business Unit CEO
& Group Executive Board Member, Capgemini

**John Berry,**
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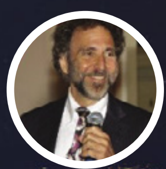

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# EXECUTIVE SUMMARY

## **Banks that leverage data to drive omnichannel engagement** and seamlessly embed themselves in customers' digital journeys can enhance loyalty and drive growth

Rapid digitalization and the rise of platform business models are changing customer needs, challenging banks to embrace new ways to win greater wallet share and grow. Customers today expect their phygital journeys – those that bridge the digital and physical worlds – to be relevant, engaging, and frictionless across channels. Orchestrating those experiences with data-driven insights, user-friendly technologies, and customer-centric business models has emerged as a key to customer acquisition, retention, and loyalty.

This is a competition that banks could lose but don't have to. Nimble FinTech firms and other digital natives have responded to changing customer expectations by leveraging data to hyper-personalize value propositions and grow customer mindshare and wallet share. They understand that as customers become entwined in the platform economy, embracing one-to-one personalization and experiential banking is the pathway to enhanced loyalty – and ultimately growth.

Incumbent banks have the customer trust, data, and delivery channels to compete in this hyper-personalized environment; the potential for growth should provide the incentive. For example, CIBC, the Canadian bank, has seen customer acquisition rates in three primary lines of business increase by 65% due largely to personalization efforts.[1]

*New-age players are building a modern financial services industry – accessible, smooth, friction-free, and designed with the customer journey in mind – improving the way millions of people interact with their finances."*

**Sylwia Linden,** Vice President, Marketing, Tink, Sweden

Even so, most banks are burdened by organizational and data silos and aging legacy systems. Many lack the commitment of FinTechs to build the analytics and digital capabilities needed to drive customer understanding and fuel personalization at scale. At a time when customers can switch banks with a tap of their screens, this gap between what customers expect and what banks can deliver poses a significant threat to long-term relevance and growth.

In our 2021 World Retail Banking Report, we highlighted the emergence of the Banking 4.X era, where banks embed themselves in customers' digital journeys in ways that are inclusive, invisible, and sustainable.[2] To deliver the personalized omnichannel experiences and ecosystem journeys customers want, banks must pivot to platform business models that leverage data and new technologies. The formula for growth today sounds simple – provide customers with the right products whenever and wherever they're at in their digital journeys – but it is challenging to execute.

Today's chief marketing officers (CMOs) are on the frontlines of this transformation. In their evolving roles as chief customer strategists, they are leveraging technology to orchestrate individual customer experiences and coordinating with chief data, technology, and compliance officers to break down data silos and ensure they have the capabilities needed to deliver data-driven experiences in real-time. As described by Zac Maufe, managing director of global financial services solutions for Google Cloud US, "the most significant business change is moving from human-to-human to technology relationships. CMOs, or chief customer officers, are core to driving that transformation." The goal, as always, is enhanced loyalty and growth; it's the means and tools that have changed.

# Insights from our report

**52%**

of customers said banking was not fun

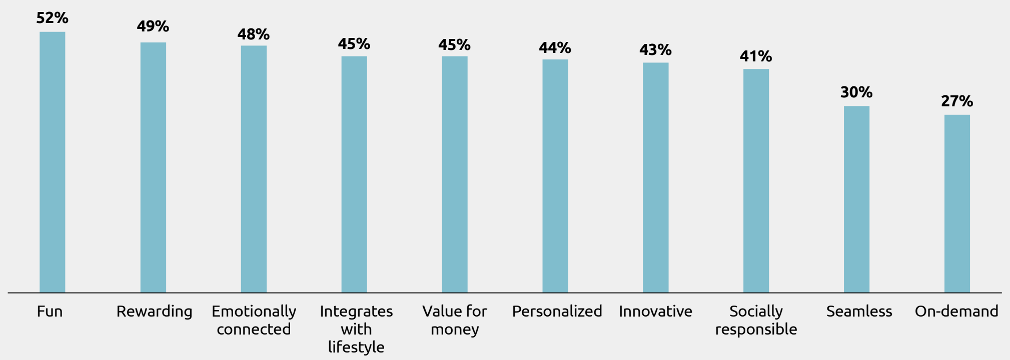
The World Retail Banking Report from Capgemini and Efma highlights how evolving consumer tastes, a hyper-competitive landscape, and increasing regulatory scrutiny around data usage are influencing bank strategies and challenging their abilities to grow. It also points a way forward for incumbent institutions to compete in this new environment. Our global Voice of the Customer survey, which queried 8,051 customers worldwide, highlights what customers expect from banks and how they view the industry. A separate poll of 142 banking senior executives from Asia, the Middle East, Europe, and the Americas shows an industry working overtime to leverage data, new business models, and technologies to grow in the face of rapid changes in customer behavior and expectations.

## Among our key findings:

**Customers want connected experiences**

Customer expectations from their commercial interactions are rising and banks are not keeping pace. Nearly half of respondents in our Voice of the Customer survey said their banking relationships were neither emotionally connected nor well-integrated into their lifestyles; 52% said banking was not "fun." Many respondents say their banks don't offer the seamless experiences, personalization, and innovation they want from their phygital relationships.

**Figure 1. What customers say they are not getting from their bank**

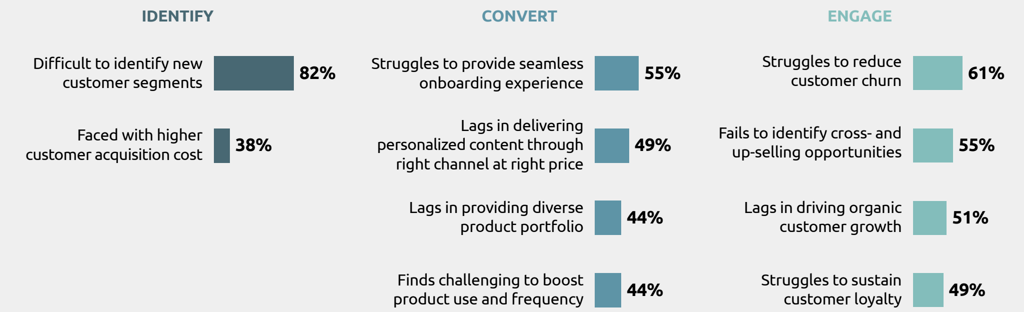



Sources: Capgemini Research Institute for Financial Services Analysis, 2022; Capgemini Voice of Customer survey, N=8051.
Question to customers: Do you agree or disagree with the following statements about your primary bank? (customers rating 3 and below, where 1: customer strong disagreement; 5: strong agreement)
For example: 52% customers disagreed that "banking is fun."

*Technology is essential to boost digital capabilities. However, there are challenges involved in adopting and integrating analytical tools in the customer journey, organizing continuous improvement by aligning with clients, and integrating all required skills and capabilities under one roof."*

**Finbar Hage,** Head of Digital Customer Process, Rabobank, Netherlands

Figure 2. Incumbents face structural challenges along the customer lifecycle




Sources: Capgemini Research Institute for Financial Services Analysis, 2022; Capgemini Executive Survey, N=142.
Question: Identify the pain areas within your organization's current customer lifecycle process (executives rating 5 or above, where 1: minimal pain and 7: highest pain point)

## Modernize infrastructure to optimize data-driven growth

Structural challenges keep most banks from fully leveraging data-driven analytics to attract customers and grow relationships. In our executive survey, 95% said legacy systems and outdated core banking modules inhibit efforts to optimize data- and customer-centric growth strategies, while 80% agreed that underdeveloped data capabilities hinder customer lifecycle process improvements. For example, 82% said they have difficulties identifying new customer segments; 55% struggle to provide seamless onboarding experiences.

## Invest in technologies to use data more like FinTechs

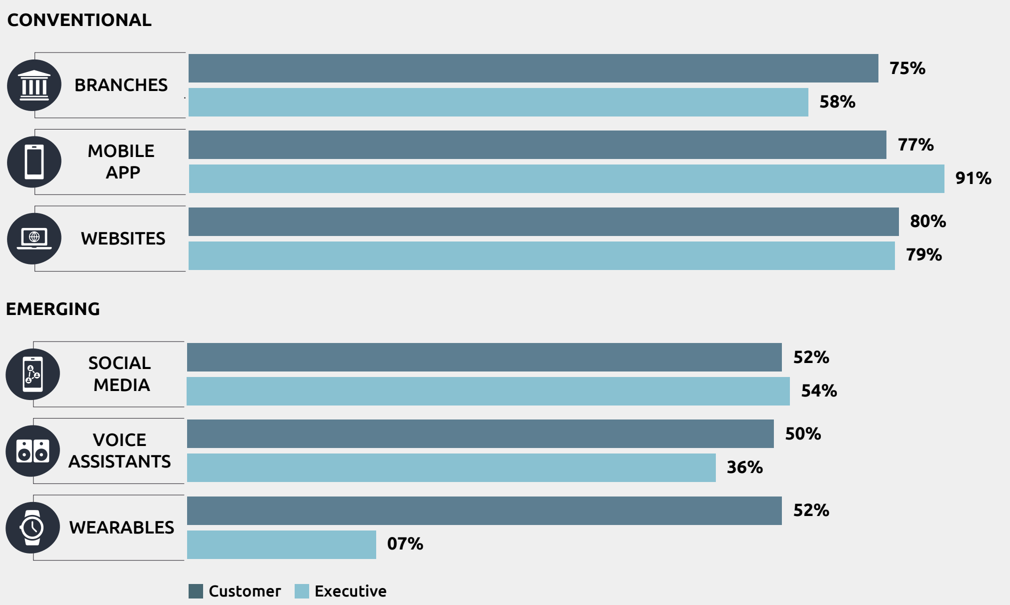
Banks possess vast and varied amounts of customer data – geospatial, financial, social media, lifestyle, behavioral, health – but 73% of the executives in our survey said they struggle to turn it into useful insights. Eighty percent of the executives in our survey cited data reliability as a concern, while 70% said they lacked resources to process and analyze data. Forty-three percent said siloed data was a concern.

**95%**
of banking executives said legacy systems and outdated core banking modules inhibit efforts to optimize data- and customer-centric growth strategies

Figure 3. Banks face a range of data challenges


Sources: Capgemini Research Institute for Financial Services Analysis, 2022; Capgemini marketing executives survey, N=142.
Question to executives: What are top data-related concerns for marketing function? (selection of top five in a list of seven factors)

Figure 4. Customers and bank executives mostly see eye to eye about channel mix




Sources: Capgemini Research Institute for Financial Services Analysis, 2022; Capgemini Voice of Customer Survey, N=8,051; Capgemini marketing executives survey, N=142.

Question to customers: Rate the importance of different channels while interacting with banks (score 5 or above where 1 = not important and 7 = extremely important)

Question to executives: Which of the following channels are essential for customer engagement? (top three selection)

## Align channel mix to meet customer preferences

Bank executives and customers want many of the same things from the distribution channel mix. In our surveys, about 80% of both groups continue to view the website as a critical point of interaction. Mobile apps were cited by 77% of consumers, compared to 91% of executives, while branches were actually valued more by customers (75%) than executives (58%).

## Accelerate platform learning and integration to compete

Ecosystem platforms are emerging as a promising way to fill capability holes or expand revenues, but banks are still learning the ins and outs of platform innovation. In our executive survey, 78% worried about cannibalizing products through ecosystem partners, while 72% struggled with preventing brand dilution. Maintaining ecosystem exclusivity for partners was cited as a challenge by 53% of respondents.

Figure 5. To thrive in the platform economy, face hurdles with innovation


Sources: Capgemini Research Institute for Financial Services Analysis, 2022; Capgemini Executive Survey, N=142.

Question: What are the major issues/threats or barriers to ecosystem banking (marketplace model operation)? (executives rating 5 and above where 1 = the slightest threat and 7 = the highest threat)

# A disruptive competitive landscape

**Emerging technologies have already disrupted existing business models in many different industries.** Ridesharing has altered how people get around, while streaming has changed the way content is created and distributed. Online platforms have changed how everything from travel to tea are bought and sold.

In each of those fields, incumbent firms have faced a choice: adapt their business models and practices to changes in the marketplace or perish. Many have failed to survive the disruption.

Banking is now at this crossroads. The COVID-19 pandemic accelerated what had been a slow-motion shift in customers' digital adoption rates, behaviors, and expectations, exposing the industry's unpreparedness. Now many incumbent institutions are playing catch-up, racing to understand how to get meaningful insights from their data and then use those insights to create experiences that can attract and retain customers, deepen relationships, and power growth.

The stakes are high. Many FinTech firms have used data-driven experiences and gamification to build emotional connections with customers and convert early growth into customer loyalty and sustainable profitability. They prioritize long-customer relationships and trust-building over short-term revenues with personalized content and low fees. They also expand customer lifetime value by bundling targeted financial and nonfinancial offerings in convenient marketplaces to invite regular engagement. John Kane, head of market development for AWS US, sees the power of data improving a marketer's ability to help achieve other smart improvements. "In credit decision-making, for instance," Kane said, "it can open services to underserved segments, help apply ESG standards, and achieve holistic inclusion."

***Banks have historically focused on capturing value and have forgotten about customer experience. Capturing value and profit is not contradictory if a bank focuses on long-term customer relationships."***

**Alexander Weber,**
Chief Growth Officer, N26, Germany

Such efforts appear to be succeeding. About 75% of customers in our survey said they are attracted to FinTech competitors that offer fast, easy-to-use products and experiences that are available anytime/anywhere at a low cost. More than 85% of respondents said they would recommend a FinTech they use to a family member or friend. According to Helene Panzarino, associate director at the London Institute of Banking and Finance's Centre for Digital Banking, "customers today tend to be loyal to the best deal instead of a particular brand, and new entrants attract customers looking for the best price and speed in a transparent transaction." She said this is more evident among Millennials and GenX customers, who are "banking nomads driven by positive experiences and value for money, alongside authenticity in their chosen provider."

**+85%**

of customers said they would recommend a FinTech they use to a family member or friend

In contrast, most banks struggle to optimize the customer lifecycle and understand the cognitive, emotional, and behavioral nuances that influence customer-led journeys. They are challenged to identify new customer segments or offer seamless onboarding experiences, which can result in higher customer acquisition costs, reduced retention rates, and lower customer perception levels. For example, 63% of Europeans abandoned a digital banking application in 2020, up from 38% in 2019.[10] Customers that are not impressed with their experiences are not likely to recommend a bank to family and friends.

While the value of measures like Net Promoter Scores (NPSs) are subject to debate, low NPS scores often reflect lackluster customer satisfaction and brand perception.[11] In 2021, the average NPS score for U.S. banks was 34 on a scale of 100 – less than half that of the average FinTech firm.[12]

***We see a clear difference between transactional NPS – for example, a customer who has interacted with the bank, be it physical or digital – and the relational NPS for all customers, with or without interaction. "For the former, scores are in-line with new age players; for the latter, they are much lower, which indicates where banks must focus: building engaged relationships."***

**Michael Anseeuw,** Executive Director,
Retail Banking BNP Paribas Fortis

## How FinTechs use gamification to drive engagement

Like consumer brands McDonalds, Lancome, Starbucks and Samsung, FinTechs are good at using gamification to evoke feelings of accomplishment and success among customers while delivering immersive experiences.[3]

With gamification, FinTechs employ sociology, psychology, and cognitive sciences to drive behavioral changes in customers through rewards. For example, Juicy, a French investment platform, offers rewards to new users who open accounts with as little as EUR50.[4] UK-based Revolut allows customers to earn points for transactions, money transfers, and referring new customers, which can be used to enter weekly drawings for cash prizes.[5]

Games are entertaining, but they can be educational, too. UK FinTechs Chip and Plum use gamification to motivate customers to improve their financial health.[6, 7] They also drive financial inclusion and smarter money habits by incorporating gaming principles into their business models.[8]

A cottage industry of enablers has emerged to help banks and FinTech firms leverage gaming modules to reinforce customers' sustainable practices and financial behaviors. For example, a French startup, Neuroprofiler, offers a behavioral finance game to help advisors assess investor profiles.[9]

Incorporating gamification into strategy can help banks and FinTechs create cross- and up-selling opportunities and boost customer retention while lowering acquisition costs.

Big Tech firms, such as Amazon, Apple, and Google are making inroads, as well. They hold vast amounts of customer data and are positioned to influence the evolution of ecosystem models. For those firms, financial products and services are a necessary, and potentially lucrative, part of their broader super app ecosystem strategies.

Banks still have advantages, including customer trust, regulatory imprimaturs, and product expertise, but nonbank platforms can now offer many banking products and capabilities on their ecosystems through partnerships. Several FinTech firms have obtained banking charters, enabling them to make bank products and services available on other firms' platforms via Together Banking-as-a-service. For example, Volt Bank, which was granted an Australian banking license in 2019, allows FinTechs, retailers, and real estate agents to offer white-label banking products and services via its BaaS platform.[15] The offering generates most of Volt's profits.

The surging competition is disrupting the revenue and relevancy of incumbent banks, putting them into direct competition with agile new rivals – mostly on those rivals' turf. Many large banks are investing heavily in the digital products, AI/ML, big data analytics, and other tools to gain actionable insights on individual customers and drive customer acquisition and retention. They are positioning themselves to thrive in this new environment.

"Increasingly, customers are seeking out digital-first experiences that make it simple to carry out banking tasks," said Laura Lynch, group CMO for Bank of Ireland. "In response, banks are making their digital experiences more personalized and relevant, supported by a more digitally focused culture." They are also positioning the bank as a partner with advisory capabilities at the core, according to Dagmar Fässler-Zumstein, BEKB's head of communications – an important pivot in the transition from product- to customer-centricity.

Regional and smaller institutions have been slower to embrace change, their data limitations pushing them further behind in capturing customer mind- and wallet-share. To keep pace, those banks will need to recast their strategies and business models around using data to understand and map customers' multi-dimensional journeys and engage them with the same personalized communications and lifestyle-enabled, omnichannel experiences they encounter in other digital interactions.

***The bank CMO role is evolving and becoming largely accountable for the 3Rs – Reputation, Revenue, and Relationships. They drive brand reputation from marketing campaigns, increase revenue through effectively managing the acquisition funnels, and ultimately deepen customer relationships via Personalization."***

**Sweta Mehra,** Chief Marketing Officer, ANZ Banking Group, Australia

# How banks can pivot to compete

Agile FinTech competitors start from scratch with innovative technologies, business models, and mindsets. Incumbent banks have no such advantages. Most must adapt their business models and capabilities to the new environment on the fly. "New players are accelerating customers' expectations around the convenience, transparency, and speed of digital products and services," said Patric Marchand, head of marketing and customer journeys for PostFinance, AG. "It is challenging for incumbents to keep pace with these developments, forcing them into the follower role."

To compete in this digital, platform-based world requires new skills, technologies, capabilities, and cultural mindsets. There are a few dominant areas where banks can respond to position themselves for the future. We consider this a roadmap for future growth.

## Putting the customer first: How to create customer engagement across all channels

Personalization is to the digital environment what the branch is to the physical world – a way for banks to engage with the customer. Instead of handshakes and coffee, it's about knowing customers well enough through data to anticipate their needs and engage them in real time across all channels.

Many banks have embarked on this journey, using data to build emotional connections with customers, identify new customer segments, and create the same easy onboarding processes and customer-centric experiences that FinTech firms do. They also are embracing new technologies and platforms and tearing down internal silos and other barriers. Business models and metrics usually change to reflect new strategic priorities and ways of generating revenue.

***Digitization is essential across all processes, not just on the front-end. You can have a terrific app, but if it takes 20 days to process a loan, the result is a bad customer experience."***

**Frédéric Chanfrau,**
EVP & CIO, Commercial Bank, Payments & Salesforce Services, Citizens Bank, US

Key actions to consider include:

**Improve customer perceptions.**

As the NPS data illustrates, banks often have trouble connecting with customers. Embracing long-term value strategies that put the needs of customers, employees, communities, and other stakeholders on equal footing with shareholders and incorporate ESG principles into products can help drive loyalty, engagement, and financial returns.[16] "NPS is about perception, and CMOs should communicate the appropriate storyline and the right experience to create positive brand perception," said Olivier Guillaumond, global head of innovation labs and FinTechs at ING, Netherlands.

Maintaining that experience requires follow-through – introducing relevant, low-priced products through innovation, enhancing cloud and API capabilities to strengthen internal processes, and providing the kind of frictionless omnichannel experiences that can build loyalty over time.

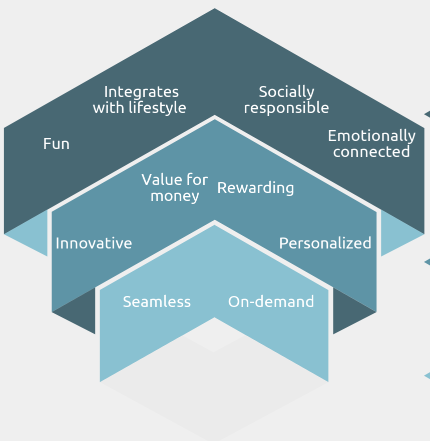
**Strengthen data capabilities.**

Using data to drive personalization requires strong analytics, AI/ML algorithms, and governance processes. Supplementing internal data with information from cross-industry partnerships, data ecosystems, or alternative external sources and synchronizing those insights across all channels can help create the personalized, omnichannel experiences customers expect from their digital interactions elsewhere. For example, UK digital bank NatWest partnered with Tink, a Swedish open platform provider, to enrich its data. That information was used to help create an actionable newsfeed on its mobile app that generated 1.3 million responses in its first few months.[17] "The secret sauce for effective data use is cutting out the noise and observing customer patterns to understand their needs or pain points," said Wilson D'Souza, chief technology officer (CTO) for Akoya, US. "[Financial institutions] need to expand data sources and enhance data harnessing capabilities to go beyond the clutter and find what matters most to customers."

***Data is critical to identifying target customers, personalizing their experience, and nurturing customer relationships. However, banks wrestle with data quality, structure, availability, etc., to unlock its full potential."***

**Alexandra Scriba,** Head Direct Bank, Zurich Cantonal Bank, Switzerland

**Figure 6. Call for action! Embark on a journey to revamp customer perception**




**Drive experiential banking and boost NPS by improving banks' perception**

**BUILD EMOTIONAL BANKING CONNECT**
- Engage through gamification, VR/AR for immersive experience
- Reinforce brand commitment towards green banking by integrating ESG parameters into banking products
- Embrace ecosystem model to bundle FS and non-FS together

**DELIVER VALUE BANKING**
- Build central data repository and digital capabilities (AI/ML, analytics) to achieve precision marketing
- Transform branches to become value amplifiers
- Drive collaboration and co-innovation to expand banking product portfolio

**STRENGTHEN SERVICE BANKING CAPABILITIES**
- Embrace cloud and APIs for a robust digital foundation to improve internal processes
- Synchronize digital and physical channels to shift from multi-channel engagement to omnichannel experience

Source: Capgemini Research Institute for Financial Services Analysis, 2022.

## How data-driven personalization has helped CIBC acquire customers

Canada's CIBC is an example of a bank that has leveraged data-centric, omnichannel experiences to power customer acquisition – and been rewarded for it. About a decade ago, the Toronto-based bank began to embrace a robust customer-engagement framework to deliver customized experiences, both online and in-person, that wasn't dependent on third-party cookies.[18]

To aid in the cause, it embraced a third-party experience management solution that uses first-party cookies to help build a more scalable and relevant digital platform. The solution, combined with other technologies and a real-time technology framework, has helped CIBC tap customer behaviors and build targeted profiles to fuel personalized interactions. It employs a modular, data-driven approach, which allows the bank to use existing behavioral data to precisely target messages and to reuse and recombine content to fit specific profiles in real-time.[19]

The solution gives CIBC the ability to prioritize and push targeted mobile promotions to customers and synchronize data to create models that can update product pages quickly and at scale – saving staff time. It also allows busy customers to set up direct deposit payments, request financial relief, or apply for credit-card rate reductions or mortgage payment deferrals in seconds.

The business benefits of the approach have been heartening. The real-time framework enabled CIBC to deliver more-focused journeys to customers, fueling loyalty and growth. Customer acquisition rates rose 65% across its three primary business lines, while costs per-acquisition from Facebook campaigns declined by more than 20%. Mobile conversion rates increased 50% and website conversions more than doubled.[20] CIBC is now accelerating investments in a client-focused approach to financial planning and advice. Its digitally enabled goal-setting platform, called "GoalPlanner," uses data-driven insights to help advisors better understand client ambitions and personalize service recommendations. In 2021 it launched a digital ID verification option that allows prospective clients to verify their identity, either in-person or over the phone, in minutes.[21] Bank leaders have credited digital investments made in 2021 and a cloud-first strategy for CIBC's adjusted year-over-year revenue growth of 7%.[22]

**Rethink the branch's role in customer journeys.**

Our research suggests that customers still value physical touchpoints, but the branch's role has evolved into an important part of a broader phygital experience. "Given the strong local presence of banks through branch networks, a hybrid model – including branches and digital channels – is the preferred engagement model," said Stefan Luthy, head of multichannel management and digitization for LUKB, a Swiss bank. "Despite the evolution of digital channels, banks expect branches to continue to be integral for both brand and clientele."

As we noted in our 2021 report, customers expect branches to be experience centers, filled with self-service options and financial advice. Banks can respond by focusing on what we called the "5Cs": connection, convenience, connoisseur and concierge, and captivation. In the past year, we have seen examples of such approaches in action. To build connections, Spain's CaixaBank opened an all-in-one center in Madrid, with ATMs that employ facial recognition and self-service check-in. National Australia bank plans to equip some branches with digital bars, video conferencing, and other digital services to boost convenience, while Zurcher Kantonalbank in Switzerland is seeking to captivate customers with an on-the-go branch that features free financial wellness workshops and a cafe.[26]

**Create consistent omnichannel experiences.**

Customers are accustomed to hyper-personalized, frictionless experiences in their other digital interactions and expect the same from their banks. Yet many incumbents continue to pursue multi-channel engagement strategies that target general audiences, leading to broken or incomplete journeys that can reflect poorly on the brand.

CMOs can spearhead channel coordination efforts by collecting, aggregating, and assimilating customer data to map customer journeys and anticipate their needs to present experiences that look and feel the same no matter the channel. If a customer needs service for an issue on the website, the branch or call center employee should know about it.

**Employ a value loop approach to attract, engage, and create value for customers.**

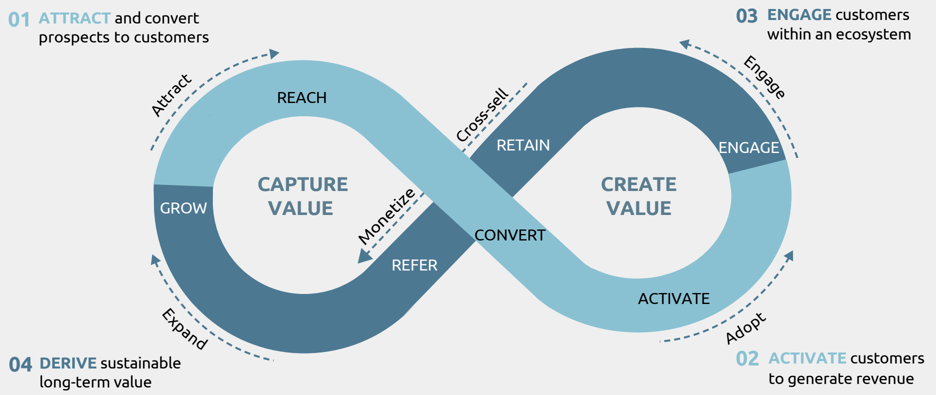
Many FinTech firms are leveraging value loop methodologies to convert early growth into sustainable profitability and customer loyalty. They prioritize long-customer relationships and trust-building over short-term revenues with personalized value propositions and expand customer lifetime value by bundling targeted financial and nonfinancial offerings in convenient marketplaces to invite regular engagement.

Banks that can employ a similar approach to first attract and activate customers with easy onboarding, competitive prices, and rewarding experiences, and then leverage data insights to build engagement and create long-term value for customers will be positioned to compete. CMOs, as architects of the customer experience, can use data-driven precision marketing at scale to create individualized flight paths for customers and embrace robust communications strategies to engage customers across channels. "Successful marketers in the new era will focus on experience management throughout the customer lifecycle, drive a customer-centric culture and team, and secure timely leadership buy-in," said Ravi Santhanam, CMO of HDFC in India.

***As we move into the future, striking the right balance between physical presence in branch offices and digital channels is essential for acquiring customers or selling products. With physical footfall declining, branches, as advisory centers, will cater to those customer needs where personalized interaction is required and valued."***

**Markus J. Locher,** Managing Director, Head Digital Banking, Credit Suisse

**Figure 7. What's the profitability secret of mature new-age players?**




Source: Capgemini Research Institute for Financial Services Analysis, 2022

# Value Loop: What Banks can learn from FinTechs about capturing value

Value loop approaches have helped FinTechs around the world convert initial growth into sustainable long-term value by lowering costs, diversifying revenues, and promoting customer engagement and loyalty. Starling and Revolut in the UK, N26 in Germany, Chime in the US, and South Korea's KakaoBank all initially limited their product sets. After scaling up, they turned their attention to winning customer trust and, eventually, increasing wallet shares.[13]

**+75%**

of respondents said fast, low-cost services that are accessible and easy to use motivate them to consider switching to a FinTech provider

An effective value loop is self-reinforcing, driven by data, and prioritizes engagement and long-term relationships to create, realize, and capture lasting value. FinTech players often launch with a free or low-priced single product to entice new customers to give them a try. According to our Voice of the Customer survey, 75% of respondents said fast, low cost services that are accessible and easy to use motivate them to consider switching to a FinTech provider. From there they activate and grow those relationships, leveraging data, cloud infrastructures, modern core banking systems, and webs of APIs to create personalized experiences and, increasingly, accompany customers on their ecosystem journeys.

To promote engagement, many FinTechs curate targeted content built on their data-driven understanding of the customer's lifestyle and lifetime value – for example, blog links on retirement planning for those thinking about life after work. They also constantly upgrade the experience with agile process improvements to keep the experience fresh and relevant to the individual customer. For example, San Francisco-based Chime employs a predictive personalization system that delivers content to customers tailored to their individual financial interests.

At Nubank, a Sao Paolo-based FinTech firm founded in 2013, executives set out from the start to attract, convert, and activate customers through compelling value propositions and an easy onboarding process. Its first product – an easy to manage, no-fee credit card with unlimited free transfers and payments – caught on quickly. Personalized educational content on financial and other topics, accessible through several digital channels, created the sense of Nubank as a partner.

Delivering on its value promises earned Nubank a loyal following that provided word-of-mouth referrals, deeper wallet shares, and more customer financial and transactional data, which it uses to continuously improve the customer experience. It's a virtuous circle, driven by data, accelerating its push outward in pursuit of growth. Between 2017 and 2021, Nubank recorded a 12-fold increase in average revenue per-customer; executives say it was the primary bank for more than half its active customers in 2021. When it IPO'd last December, the firm boasted 48 million customers and a valuation of $41.5 billion.[14] Nubank is one of many FinTechs that have successfully used a value loop to grow and prosper.

# Embracing ecosystem strategies: Learning to compete in a platform world

Incumbent banks are increasingly turning to platform business models to create, cultivate, and monetize network effects and to facilitate and enhance customer experiences. Many are working with FinTech partners to embed banking into customers' broader ecosystem journeys to power engagement in ways that are invisible, sustainable, and inclusive.

Some seek to attract new customers with broad spectrums of embedded financial and non-financial products and services in their own ecosystems. Others are leveraging platforms to offer BaaS and embedded banking solutions via the ecosystems of non-financial third parties. While the approaches vary, the ability to acquire customers and build loyalty through new products and distribution models, backed by the right digital tools, skills, and metrics, can make platforms a key driver of growth.

Platforms are not new for banks. For example, a 2021 study by the European Banking Authority found that 97% of banks in the region used platforms to market and distribute products and services, while 83% reported exploring opportunities to use platform models to diversify and expand beyond their primary geographic markets.[27] Laure Frank, director of digital business for Raiffeisen Bank in Switzerland, said that "banks today consider their ecosystem role to be of paramount importance to remain connected to platform businesses and marketplaces." Even so, few banks have fully transitioned from legacy to platform architectures, and many struggle with the unique challenges presented by platform-based business models.

To compete in a platform environment, banks can address the following issues:

**Generating exclusivity.**

To understand how to build and maintain an aura of exclusivity, many banks are looking to industries that are further down the platform path. For example, Amazon boosts homing costs by charging third-party sellers higher fees for orders not placed on the retailer's marketplace.

More than half of respondents in our executive survey said the multi-home nature of platforms – the ability of partners to participate in multiple ecosystems – makes it challenging to maintain brand exclusivity, while nearly three-quarters worry about brand dilution. For banks, one primary way to gain exclusivity is by locking FinTechs into their ecosystems with strategic investments.

***The key question incumbents must ask themselves is whether banking is a destination or an enabler? As an enabler, banks can go beyond their products/services and embed themselves within customers' lives, paving the way for ecosystem banking."***

**Christopher Young,** Director, Financial Service Strategy, Adobe

**Meeting customers' lifestyle needs**.

As banks seek to differentiate their ecosystems and build stronger customer connections, many are meshing traditional offerings with nonfinancial lifestyle products. But most CMOs in our survey said it was difficult to promote the offerings simultaneously. To strike the right balance, they are targeting lifestyle solutions that drive engagement without relegating bank offerings to lower positioning in the ecosystem. For example, CaixaBank's lifestyle banking platform, imagin, is filled with a range of non-financial services such as games, videos, music, educational content, and shopping that complement its core offerings.[28, 29] Within a year, the mobile-only digital bank acquired 3.1 million customers. Google Cloud's Zac Maufe said that "embedded finance will be critical within the futuristic banking equation, where financial institutions are available whenever customers require financial services."

*Incumbents orchestrating a multi-partner ecosystem should be cautious about brand dilution. A measured approach to ecosystem navigation helps to overcome potential barriers."*

**Guilhermo Bressane,** Marketing Director, Itau Unibanco, Brazil

**Preventing platform leakage.**

To make their platforms stickier, banks can amplify the value of their ecosystems for partners and customers with preferred pricing and co-branding arrangements. The rules of engagement around ecosystems remain a work-in-progress and many CMOs worry that third-party partners will circumvent their platforms and engage directly with customers. Such undercutting can erode the value of the ecosystem, turning bank ecosystems into little more than pricey matchmakers that generate little value for the bank. Many are looking outside the industry for models. For example, Oyo, an Indian travel agency, prevents platform leakage by supporting partner hotels with financing, advertising, and brand-management services.[30] What starts on a bank's platform should stay there.

**Confronting brand dilution.**

As their ecosystems grow, CMOs can create brand strategies for their ecosystems that are separate from the core bank. This can help banks ensure that their own offerings get top billing while not ignoring the needs of partners. For example, TNEX, a digital-only bank in Vietnam, created a BaaS ecosystem that includes thousands of merchants and millions of customers, and is now developing its own ecosystem that meshes nonfinancial products, gaming, messaging, and other features with a payments network.[31]

**Avoiding cannibalization.**
Ensuring that partner products aren't in direct competition with the bank from the start is one way to keep partners' offerings from eating into their core business. Many CMOs in our survey cited cannibalization as a chief concern. For example, Starling Bank's ecosystem partners offer insurance, credit scores, mortgage brokerage services, investments, and other products that complement its core offerings.[32] To avoid cannibalization, don't invite direct competitors into the ecosystem.

***Banks optimize engagement by moving to real-time data for insight into customer behavior, to understand needs, and design a customer journey that immediately triggers multi-channel actions."***

**Maurizio Giglioli,** Director of Marketing and Planning for the Commercial Business Unit, Credem Banca Italy

**Measuring platform success.**
The platform world operates differently from what incumbent banks are accustomed to, and the metrics can be different too. Effective metrics for platform models often center on customer acquisition, network effects, and the effectiveness of engagement on marketplace performance. Is it easy to find the right products and services? Are you attracting the right customers? How diverse are the ecosystem's partners and offerings? "The accurate measure of an ecosystem will be the net impact of a consumer on the parent and associated entities," said Raghuram Iyengar and David Reibstein, professors of marketing at the University of Pennsylvania's Wharton School. "The ripple effect of a single customer journey will be throughout the ecosystem. It can help derive the value that a particular customer brings in and the value that the customer can get driving engagement and network effects." Augmenting measurement can drive platform strategies in the right direction.

**Figure 8: Augment traditional KPIs to measure network effects**


Source: Capgemini Research Institute for Financial Services Analysis, 2022.

## Using data like a FinTech to drive customer engagement

CMOs have the raw materials to defend their bank's turf and succeed in this environment: lots of transactional, behavioral, and financial data that can be used to understand customers and create profitable relationships. But are they investing in the technology capabilities needed to effectively leverage data to orchestrate customer experiences?

The sheer volume of customer data, supplemented by information from data ecosystems and third parties, has outstripped many incumbents' ability to leverage it to drive customer engagement.

Key actions to improve data usage include:

**Make AI/ML the orchestrator of customer experience.**
Using AI/ML algorithms to rapidly sort through massive amounts of data to identify new customers, convert them into repeat customers, and engage them with compelling customer journeys is the pathway to growth. For example, Dubai-based Mashreq bank's algorithms help identify its most-profitable customers and personalize offers and engagement channels for them based on history and preferences.[33]

**Centralize data.**
Most data starts out incomplete, unreliable, or unstructured; in banks, it's often housed in separate silos. A centralized repository, such as a customer data platform (CDP), can unify data, give it structure, and transmit combined information to AI/ML algorithms and big data analytics engines to generate deeper customer insights. Those insights can be synchronized across all channels to create the personalized, frictionless omnichannel experiences customers have come to expect from their digital interactions elsewhere.

**Enhance data governance.**
Good governance is critical to getting the most from customer data. CMOs can coordinate with the chief technology officer, chief data officer, chief compliance officer, and other leaders to build the processes, roles, policies, standards, and metrics needed to maintain data integrity, security, and privacy. The goal is to leverage digital tools and create protocols that enable banks to tap into and assimilate high-quality customer data across the value chain.

**Embrace just-in-time experiences.**
Using real-time decision environments to orchestrate and activate customer journeys can significantly improve marketing outcomes, team efficiency and campaign effectiveness. For example, India's HDFC Bank's CDP considers more than 3,000 customer data points from a variety of sources to segment customer profiles, personalize communications, and curate campaigns to drive engagement.

**Use proprietary data to compete.**
Banks that can leverage large volumes of internal data to gain customer insights can improve the competitiveness of their digital marketing capabilities. Regulators in many jurisdictions are restricting how consumer data can be used, while large platform operators are moving away from third-party cookies and making it easier for consumers to opt-out of sharing data. Bank marketers can no longer rely on the availability of third-party data to inform their engagement strategies, but neither can FinTechs, and banks have a clear advantage.

**Leverage RegTech solutions to automate.**
Many banks are collaborating with RegTech firms to access cost-effective data-management solutions and turn compliance requirements into an advantage. For example, First National Bank of Omaha works with Naehas, a California maker of compliance software, to automate marketing offers and disclosures across customer communications. The partnership has reduced the time to market of campaigns and offers and freed staff to focus more time on the customer experience.[34]

***With the vast amounts of data banks possess, a customer would think the bank knows everything about them. However, most data is unavailable for targeted use."***

**Travers Clarke-Walker,** Chief Commercial Officer at Thought Machine, UK

# The CMO as customer strategist and chief engagement officer

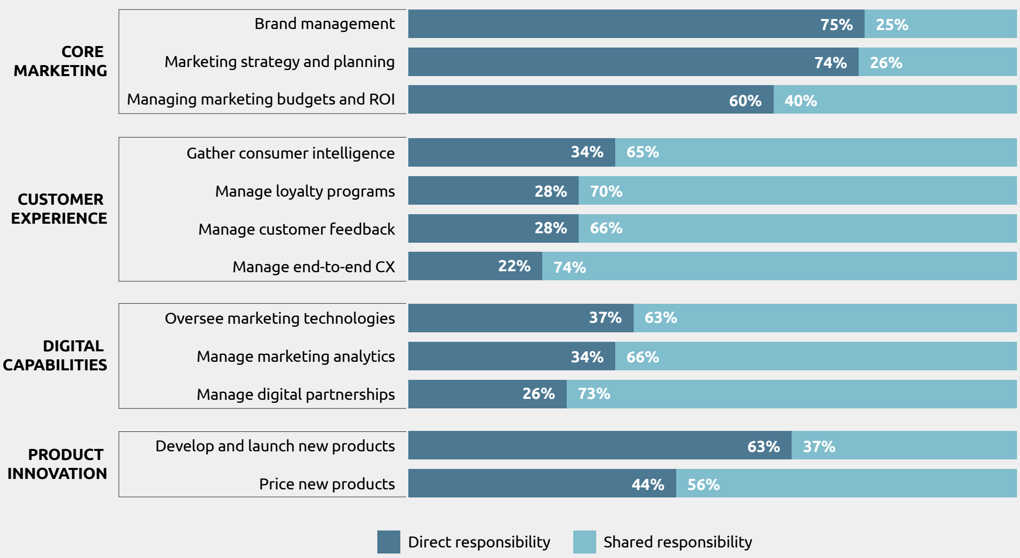
At many banks, CMOs have emerged as the tip of the customer strategy spear, their roles evolving from manager of mass-market campaigns to orchestrator of personalized experiential banking. Often the creator and keeper of the customer experience, the CMO today is expected to be the master of multiple disciplines, responsible for everything from managing budgets and ROI to developing new products and overseeing marketing technologies.

To do the job effectively, CMOs often must collaborate with other C-Suite executives to align the talent, data, technologies, and platforms needed to deliver personalized customer experiences and enhanced journeys. "Marketing is no longer seen as a standalone function. It requires internal alignment with different disciplines," said Mathias von Wartburg, head of marketing for Switzerland's Basler Kantonalbank, "As a CMO, my exchange with other business units has improved. I closely align and interact with the whole organization to ensure that everyone has a holistic, end-to-end view of clients."

***Marketing is not necessarily about communicating but delivering fluid experiences to customers, shifting from monolithic broadcasting to engaging interactive media planning and delivery. CMOs are now taking centralized roles, moving from brand custodians to brand experience custodians."***

**Ravi Santhanam,** CMO, HDFC, India

**Figure 9. Banks expect CMOS to be masters of multiple disciplines**




Sources: Capgemini Research Institute for Financial Services Analysis, 2022; Capgemini Research Institute, CMO survey, March–April 2021, N= 267.

Question: What functions/competencies is the Chief Marketing Officer (CMO) at your organization currently responsible for? The figure represents responses by marketing executives and CMOs.

Note: Individual responsibilities may not add up to 100%, when a few CMOs have cited the particular role as NOT their responsibility.

**34%**
of CMOs in our survey have direct management of marketing analytics

The problem is that most CMOs are ill-equipped to guide the transition from product- to customer-centric marketing, largely because the data needed to pursue those customer-based strategies is disconnected and siloed in ways that make it unusable. For example, just 34% of CMOs in our survey have direct management of marketing analytics while 26% manage digital partnerships directly. And while 74% of CMOs said they have direct responsibility for innovative marketing strategies and planning, just 22% directly manage end-to-end customer experiences or have access to complete customer profiles needed to do the job right.

Some banks are confronting such challenges by modifying the CMO position. For example, Bank of America is moving marketing responsibilities to its digital team to better facilitate seamless digital customer experiences. Australia's BankWest has eliminated the CMO role altogether, shifting marketing and journey creation duties to a dedicated new chief customer officer. At BEKB, a Swiss bank, they envision dividing the CMO role into three specializations -marketing and communications, innovation, and business management. Whatever the title, the CMO's role in managing the customer journey is growing.

***Key CMO partners cover three critical areas: technology, data, customer experience, and products. CMOs who orchestrate these functions through a coherent, integrated strategy hold the recipe to new-era success."***

**Guilhermo Bressane,** Marketing Director, Itau Unibanco, Brazil

# IN CONCLUSION

Customers today are looking for value from their banks – a partner to accompany them on their ecosystem journeys and orchestrate innovative, personalized experiences no matter the channel. Banks that can deliver on the promise of platform business models will be positioned to establish emotional connections that can deepen wallet shares, turn customers into brand evangelists, and power growth.

# Methodology

## Scope and research sources

The World Retail Banking Report 2022 draws on insights from two primary sources – the Global Voice of the Customer survey 2022, and the Executive surveys and interviews 2022. Together, these primary research sources cover insights from 29 markets: Australia, Austria, Belgium, Brazil, Canada, China, Egypt, France, Germany, Hong Kong, India, Indonesia, Ireland, Italy, Japan, Kuwait, Luxembourg, Malaysia, Mexico, Netherlands, Norway, Qatar, Singapore, Spain, Sweden, Switzerland, UAE, UK, and US.

## 2022 Global Retail Banking Voice of Customer survey

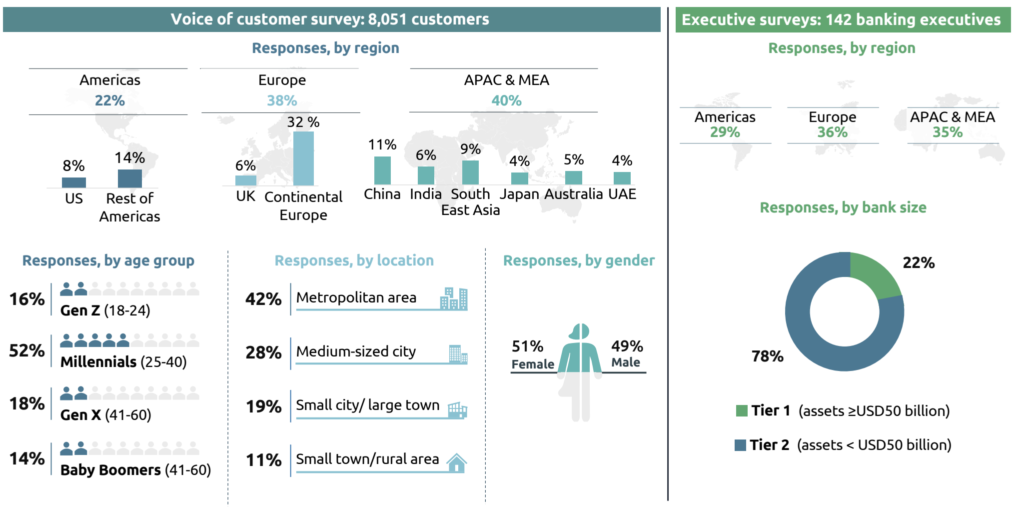
The survey questioned customers on their personality dimensions such as lifestyle, employment, banking behavior, expectations from banks, channel preferences, satisfaction levels, and friction during banking interactions. Participants were also asked questions on their willingness to share customer data, affinity towards digital-only banking, and their interest in availing services from non-banking firms.

## 2022 Global Retail Banking Executive surveys and interviews

The report includes insights from focused interviews and surveys with over 140 senior executives of leading banks representing all the three regions: Americas (North America and Latin America), Europe, and Asia-Pacific & Middle East (including Japan).

## Primary research details

Customer and banking executive survey to derive market and industry insights



# Partner with Capgemini on Connected Marketing

Capgemini helps banks navigate the digital landscape with an end-to-end suite of services and capabilities driven by our Connected Marketing engine. Our Services fall into five areas:

Delivering the right message or product at the right time helps drives brand loyalty. Using real-time customer data, banks can deliver personalized, relevant content and product offerings at scale.

## Brand and experience

Providing a holistic brand experience is challenging, especially when mergers and acquisitions leave many banks struggling to understand all they now offer. Capgemini helps banks capture and communicate the universe of products available and algin those to customer segments.

Connected marketing builds brand across the customer lifecycle by understanding individual desires and tailoring products to create great experiences. We focus on brand research, performance, and customer experience coupled with creative design, technology, and data science to drive customer engagement, acquisition, and loyalty.

## Content

Regulatory requirements impact the time required to manage content as multiple teams struggle to deliver content across various channels while maintaining compliance. We help banks deliver relevant information at every touchpoint.

Our fully compliant, automated content delivery mechanisms use AI and analytics, so content goes where it should. And our content management offering automates workflow to speed approvals and content delivery and allow marketers to author content.

## Data and technology.

Privacy regulations and the shift toward eliminating cookies hinders personalized, data-centric marketing campaigns. Working with niche industry players, we provide best-in-class MarTech strategies. Our data and technology offering includes campaign management, marketing automation, customer data platforms, analytics-driven next best action, customer journey management and more – so banks can offer a "Google-like" experience on their own websites.

## Loyalty

Loyalty is personal. Organizations must empathize, analyze, and keep customers at the center of every decision. Innovative technologies, empowered by rigorous market and consumer research, provide experiences that establish personal and meaningful relationships.

Our loyalty services include loyalty management, offer management, and offer transformation to reposition banks from a persuasion-based to a customer engagement-centric model. This allows them to extend their reach and create personalized products, services, and experiences.

## Personalization

In our tech-savvy world, banks need to offer experiences customers expect. Using data, behavioral science and human-centered design, we help banks create personalized experiences that meet customer needs and expectations, build loyalty, and inform business strategy.

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