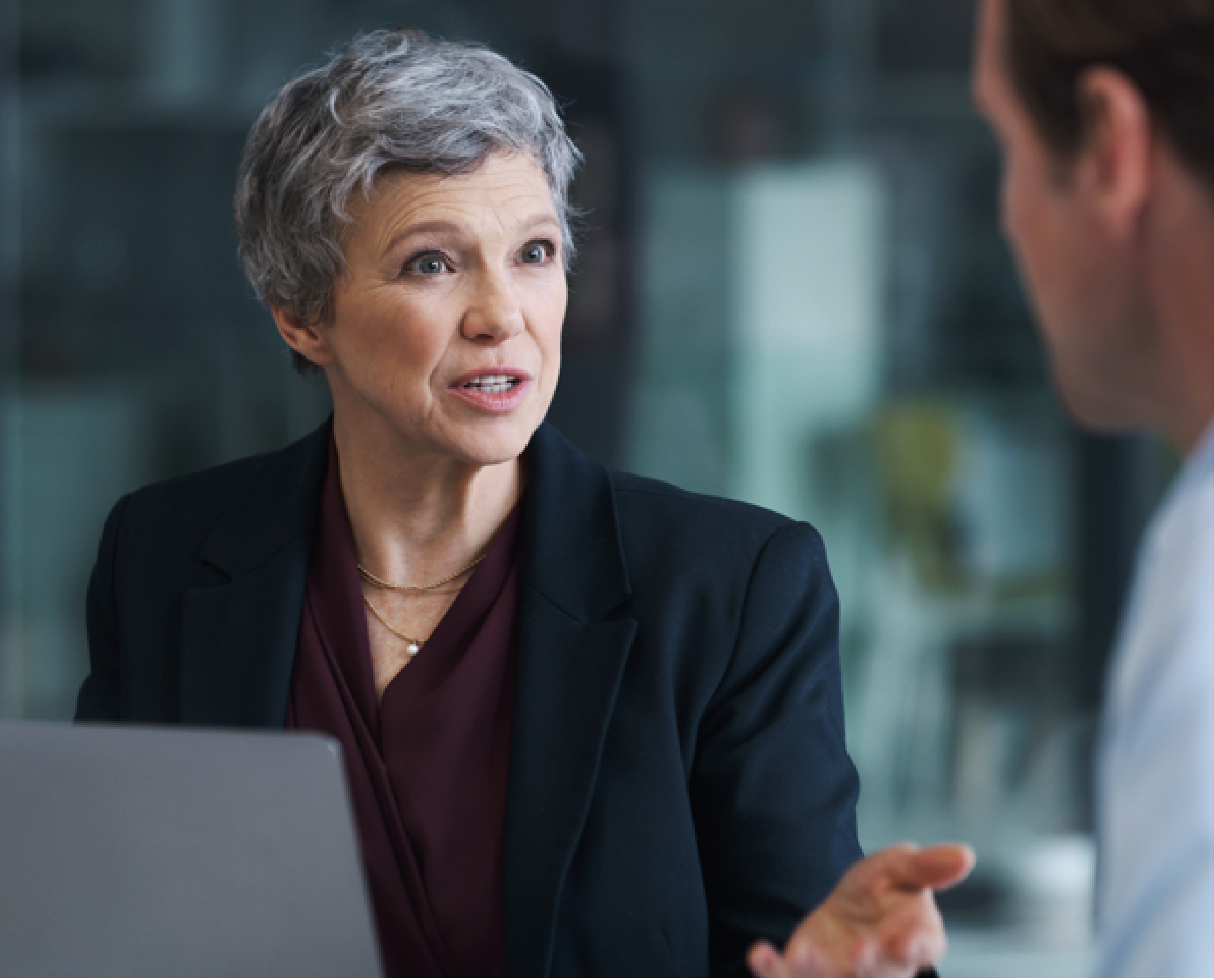
Banking on *empathetic customer connections:* **why it's worth it**

Capgemini



It appears financial institutions have lost touch of what's needed to create meaningful connections with their customers. In light of digital transformation and the changing role of physical branches, banks seem to have inadvertently disregarded the importance of understanding human emotion and behavior and how they're relevant in retail banking choices.

The transactional nature of digital banking has eroded emotional ties

Retail banking has traditionally had an advantage in establishing long-term relationships with customers who are deeply connected to the bank's brand. Since many transactions were often done in branch, the customer-bank clerk relationship was personal. This meant customers were likely to entrust the bank with more important services such as mortgages or pension fund investments.

Now, in the digital age, people can take charge of their finances independently and reduce their reliance on in-branch staff. In fact, this has caused banks to significantly diminish their brick-and-mortar presence or convert their branch networks into advisory or investment centers. Although the convenience that modern digital banking offers to both customers and banks is great, it also means that the bank-customer relationship has suffered – It's become more impersonal and anonymous, prompting banks to put more focus on selling finance products and less on empathizing with customers.

This shift, creating more distance between banks and customers, has caused some major ripples in the banking landscape: 61% of retail banks now struggle with high customer churn. This is unsurprising considering that 48% of customers don't feel emotionally connected to their bank anymore and loyalty to just one institution is an anomaly (75% have two or more favorites).[1] Sometimes all it takes is one misplaced action (or inaction) and the customer will have no qualms about expanding their favorites list. When you consider that a 5% increase in customer retention can boost company revenue by more than 25%,[2] isn't it worth examining how to keep current customers happy?

When and how to capitalize on customer engagement

To rekindle their relationship with customers, banks must understand the motivators behind their intent and provide consistent empathetic experiences whenever the customer engages with them. For this to happen, there needs to be a switch in the way financial institutions think and act – the age-old channel-centric mentality must be superseded with an overarching cross-channel view of where all of a customer's touchpoints could occur. This can be established by analyzing and modifying banks' perspectives regarding four central areas:

CUSTOMER JOURNEYS

Provide engaging and consistent customer journeys across the customer life cycle.

CHANNEL MANAGEMENT

Build empathy for your customers and understand the factors influencing choice of channels and build an effective channel strategy.

DATA & AI USAGE

Use AI and automation to create insights and improve consumer engagement in real time.

EMPLOYEE EXPERIENCE

Actively design your employee experience in the light of branches transitioning into advisory centers with incentives focused on value.

1 https://www.capgemini.com/insights/research-library/world-retail-banking-report/
2 https://media.bain.com/Images/BB_Prescription_cutting_costs.pdf

Bring the full customer journey into view

Most banks are structured in a way that compartmentalizes different products and/or customer segments. They assign dedicated teams to specific channels and managers who focus on improving key performance indicators (KPIs) relevant to each area of the business.

Although customer information is gathered from each touchpoint, it's not integrated, which means the bank lacks a comprehensive, unified view of each customer and their interactions with the bank. This fragmented approach hinders the ability to understand and serve customers effectively. Retail banks need to apply a more customer-centric approach that considers the whole journey and all potential touchpoints to create a one-to-one engagement between the bank as a brand and the customer as an individual.

Shape the channel strategy according to customer touchpoint choices

To understand customer sentiment, any effective channel strategy needs to factor in two make-or-break drivers: emotion and convenience. They essentially dictate why a customer chooses a particular channel or touchpoint. Finance is a deeply personal matter that impacts a person's sense of security and their ability to meet their needs, which means emotion plays a key role in why people make the decisions they do.

Customers that find themselves in high-emotion scenarios, such as losing a bank card or discovering incorrect account charges, have a sense of urgency to immediately contact their bank (21% want face-to-face support, 16% voice, and 14% web chat).[3] If technological barriers get in their way, their frustration and anger will grow, potentially resulting in a loss of trust and loyalty towards the bank. Highly complex queries also rate high in the emotion category. This is generally when face-to-face interaction prevails.

Convenience is also important as customers expect hassle-free, on-demand services that fit into their busy schedules. That's why 24/7 access to mobile apps, chatbots, and other self-service options need to be available. But their mere availability is not enough. Banks must meet customers where they are, addressing their emotional demands and providing flawless, engaging, and efficient experiences via the touchpoint of their choosing.

3 https://enghouseinteractive.com/understanding-the-factors-driving-channel-choice-in-customer-service

Combine data insights and activate AI for improved emotional connection

Banks accumulate an abundance of customer data. But the problem is it's not connected across the organization. To understand individual customer journeys and preferences, banks need to keep a tab on whenever and wherever customers interact with them and share this information with all departments. Valuable insights can be acquired through website visits, mobile app usage, customer surveys and feedback, and social media and transaction histories.

AI-powered systems can analyze vast amounts of data in real time. By examining customer data, interactions, product usage, and even demographic or economic information, these systems can deliver more precise offers and messages to customers. For example, the customer could receive tailored financial products and services via their preferred channel at a time when it's relevant and convenient for them. AI can also help provide better answers to customer queries, with faster assistance, especially in situations when unexpected financial circumstances upend a customer's prior plans. This personalized approach can trigger a more emotional connection between banks and customers, helping the latter feel more understood and valued.

Reinforce the employee experience

Despite the widespread nature of digital banking, in-person branch visits are still relevant, albeit in a different setting. More and more retail banks are transitioning to a model where branches become special advisory or financial hubs ready to serve customers seeking personalized guidance and advice. In addition to this in-person help, bank staff must also provide their expertise to remote customers over digital channels.

To ensure a great customer experience in this new model, banks must first improve the equally important employee experience. It starts by empowering the employee: investing in training, giving staff more development opportunities, and fostering a favorable work environment. As we move forward, immersive technologies involving extended reality (virtual, augmented, mixed) and multisensory interfaces (voice interaction, gesture, haptic) will become a staple of this environment. The goal is that, with a heightened employee experience, the service customers receive will be even better. Our PoV, *Transform workspace experiences with immersive technologies,* gives an extensive overview of how the workspace and workforce are changing.

If bank personnel have the knowledge, tools, and workplace convenience they need to excel, their positive attitude in the great service they provide will naturally spill over to engender a comparatively outstanding experience for customers: a win-win situation.

Kick-starting an engagement transformation

Leading financial institutions are reprioritizing their customer-approach strategies to once again establish meaningful customer engagement, despite there being fewer face-to-face interactions. To change the dynamics of banking, we recommend a five-step transformation process:

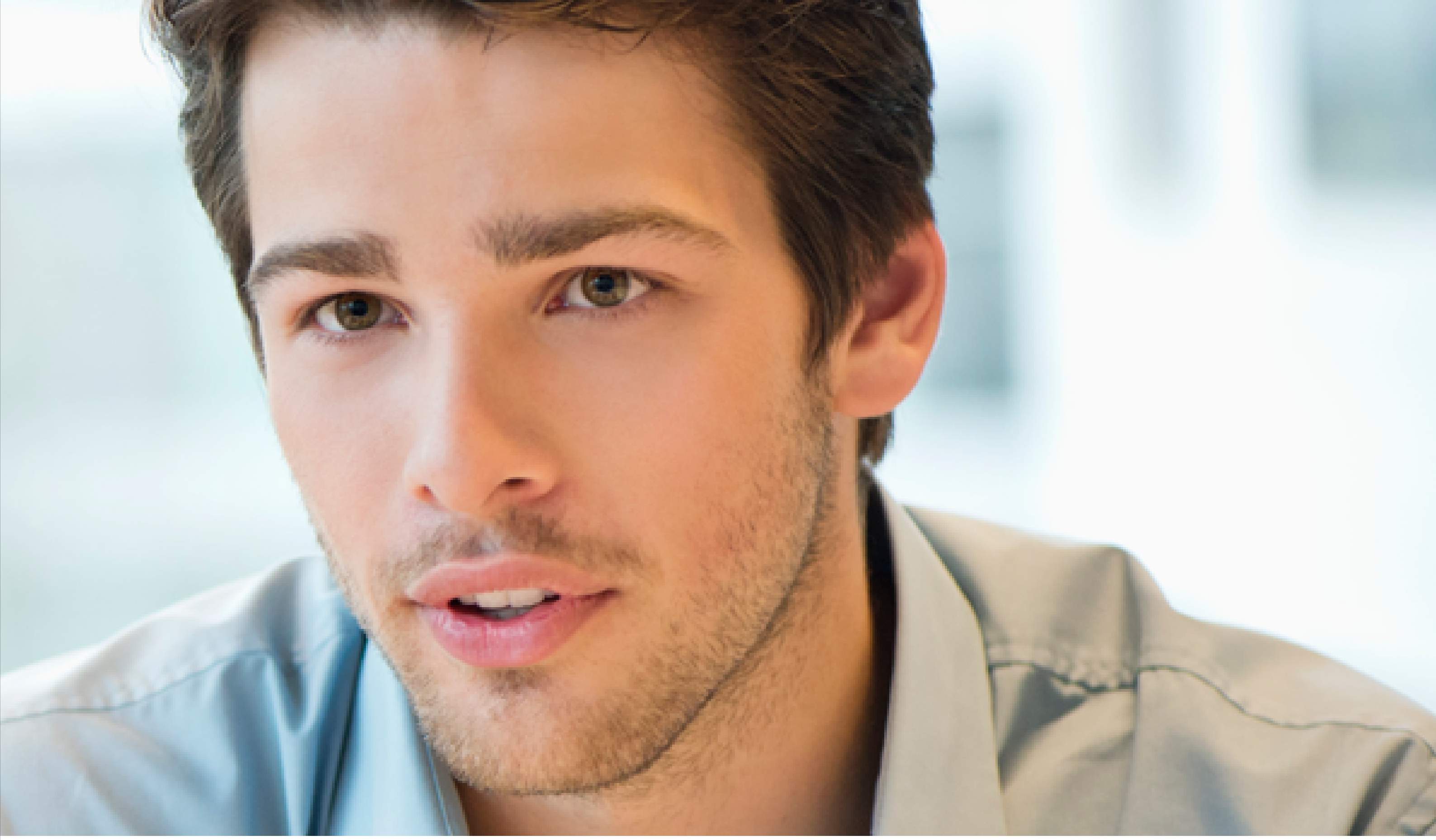
1. **Maturity assessment:** The first step involves getting a comprehensive understanding of the current customer service landscape. It may include conducting interviews with selected stakeholders within the organization, gathering insights into existing processes and pain points, mapping current customer journeys, and identifying where opportunities for improvement lie. Since data will be the backbone of the transformation, organizations should also examine what customer data they're acquiring and how it can be turned into real-time actionable information.

2. **Vision:** Once there's a clear understanding of the current state, it's important to define the organization's long-term objective (via exploration workshops) and how all departments can be anchored to them. Exploring trends in emerging technologies can help shape the vision and staying up to date with customer-first industry best practices will ensure the organization knows what's needed to get where they want to go. Whatever is defined as the ethos should encompass high-level empathy-centric actions that are sensitive to customer needs.

3. **Improvement initiatives:** This step is about generating ideas and identifying specific use cases that will improve the customer experience and increase operational efficiency. The ideas should address the pain points identified in previous steps, with the goal being quick wins – initiatives that can be executed rapidly to deliver immediate benefits.

4. **Prioritization:** With a set of use cases, it's time to rank them based on their strategic importance and potential value. Then, develop high-level business cases for each one, outlining the benefits, costs, and risks associated with their implementation. This step helps organizations make informed decisions about which initiatives to pursue first. It's also a good time to specify the enablers needed for success, such as technology and organizational changes, so tangible results emerge quickly.

5. **Roadmap:** It's time to clarify the way forward and agree on appropriate governance and organization structure. This last step includes defining the initiatives and enablers required for the transformation. Developing the delivery organization, which includes allocating responsibilities, resources, and timelines, is also important. Finally, the established operating model must be closely tied to the transformation goals to facilitate goal measurement and reporting.



The transformative power of putting people first

Building empathetic connections with customers has become a critical strategy that's brought numerous benefits to financial institutions.

More satisfied customers. When customers feel valued and understood by their bank, they're more likely to have positive experiences and perceive higher levels of service quality. This usually means they will be less inclined to consider a competitor's services. Banks know how important customer retention is and how costly acquiring new customers can be – in fact, some research studies indicate that it's six or seven times more than what it costs to keep a current customer.[4]

More satisfied employees. An often-overlooked aspect is the impact of emotional connections on employee engagement and satisfaction levels. When banks prioritize empathy over transactions, their employees feel a greater sense of purpose and pride in their work. And positive interactions with satisfied customers only reinforce the value of their role within the organization.

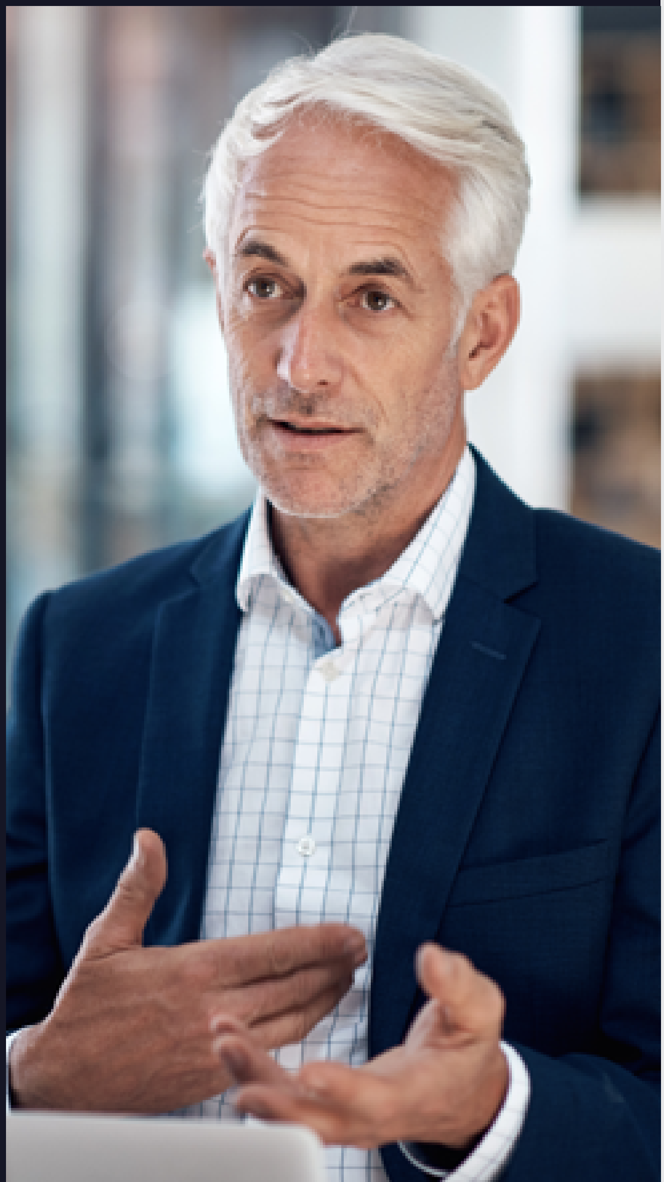
Increased revenue per customer. Strong emotional connections foster trust, leading to higher customer engagement. Engaged customers will be more receptive to their bank's offerings and explore additional services beyond just standard financial products. This expansion of services boosts revenue per customer while strengthening the overall relationship.

Operational effectiveness. By zooming in on emotional intelligence and customer insights, banks can recommend services that align more closely with what customers really want. The result is a substantial savings in money thanks to wiser investments that precisely target services and solutions customers will use and appreciate. With more available resources, banks can then prop up other areas of the business or invest in new technologies to be even more efficient.

Customer-centric product development. Banks that actively listen to customers, gather feedback, and leverage data analytics can create innovative products with the reassurance that they will provide a benefit to customers. This helps them stay relevant and ahead of industry trends.

4 https://www.americanexpress.com/en-us/business/trends-and-insights/articles/retaining-customers-vs-acquiring-customers/

Overhauling the customer experience of a global banking powerhouse



To stay ahead of fast fintech growth, a worldwide bank knew it needed to transform its purely transactional customer engagement model into a more emotional, human-centric one. The focus had to shift from product pushing to customer-relationship building.

Capgemini worked alongside the client, immersing ourselves in existing insights and conducting workshops for the bank's teams. With a shared glossary of established brand frameworks, we jointly developed an evolving brand language that extended beyond business unit silos resulting in:

- A complete organizational restructure towards the future of banking and the development of a new business unit to overhaul the mobile experience
- The creation of a brand, messaging, and marketing strategy to help customers better understand the value of the bank's offerings
- New credit card art and welcome collateral to give customers novel, diverse options for an improved brand affinity
- The development and delivery of a three-phase loyalty playbook that supports the expansion of rewards to customers, placing a high importance on engagement and relationships and less on transactions

Our work has had great scale and impact, touching 50% of all US households, and an even larger segment of businesses. The client was able to deepen its connection with customers and change their perception from a mere financial service to an emotional banking experience.

Creating captivating experiences through every interaction

Behavior and emotion are inextricably tied to the motivation behind every customer action. If they are neglected or misunderstood, there will be a breakdown in communication and a resulting negative customer experience. Banks that dismiss the importance of determining what compels a person to use a specific channel and touchpoint will have to rely on luck and chance to meet their needs. Since this results in more misses than hits, opportunities for a closer customer connection are squandered. To avoid such pitfalls, banks must have an empathy-first strategy that makes customers feel that their actions – wherever they occur – are met with contextually relevant reactions.

As a business and technology transformation partner, Capgemini has helped many financial institutions rediscover how to be more empathetic in their approach with digital customers. We have witnessed that those that focus more on understanding customer needs and less on multiplying transactions experience a massive surge in both engagement and profitability, which only increase with every salvaged relationship.

About Capgemini

Capgemini is a global leader in partnering with companies to transform and manage their business by harnessing the power of technology. The Group is guided every day by its purpose of unleashing human energy through technology for an inclusive and sustainable future. It is a responsible and diverse organization of nearly 350,000 team members in more than 50 countries. With its strong 55-year heritage and deep industry expertise, Capgemini is trusted by its clients to address the entire breadth of their business needs, from strategy and design to operations, fueled by the fast evolving and innovative world of cloud, data, AI, connectivity, software, digital engineering, and platforms. The Group reported in 2022 global revenues of €22 billion.

Get the Future You Want | www.capgemini.com

For more details, contact:

Christian Schacht
Vice President
Head of Digital and ERP Financial Services
christian.schacht@capgemini.com