

# DIGITAL TRANSFORMATION

## and the Rise of Customer-Centric Banking



**WHITE PAPER**

PAYMENTS/DIGITAL BANKING



## INTRODUCTION

Innovation has led to digital transformation in almost every industry, including financial services. In recent years, digital transformation and changing consumer expectations have driven a shift in core processing, prompting financial institutions to turn their focus from core features and products toward creating superior customer experiences.

Institutions are now building strategies specifically around customers, and due to the increase in digital banking adoption, a focus on these channels is critical. As consumers continue to rely on technology, financial institutions can no longer afford to think of digital as a supplemental channel within their core. Incorporating innovative technology in banking has never been more important, and the goal of institutions should be not only augmenting digital banking features through the lens of customer experience, but also planning a total overhaul and transformation of their institution to suit the modern age.

This white paper will include an overview of current digital trends, insight on digital transformation of core processing and an outline of the key features that comprise customer-centric banking.

# THE DEMAND FOR DIGITAL

Even before COVID-19, the digital channel was becoming the primary—or in some cases the sole—channel for consumers to engage in basic banking functions. As consumers adapt to pandemic-related changes in virtually every aspect of their lives, digital banking is now a cornerstone of the “new normal,” making it a critical focus of every institution.

Though digital banking adoption has steadily risen, the circumstances surrounding COVID-19 caused a significant increase in its adoption since early 2020 and accelerated the need for institutions to enhance these channels to connect with their customers. To illustrate:

- The June 2020 Digital-First Banking Tracker® from PYMENTS and NCR Corporation notes that online account openings increased more than 200 percent in April 2020, while mobile banking use rose 85 percent.<sup>1</sup>
- Data from CSI indicates an increase of nearly 53 percent in mobile logins compared to the monthly averages from 2019, and digital logins in mid-April across the country were twice as high as previous peaks seen.<sup>2</sup>
- According to a recent Aite report, more than half of all generations—including seniors and baby boomers—reported logging into financial accounts using a desktop or laptop at least once a week. More than 80 percent of millennials reported accessing financial accounts using a smartphone at least once per week.<sup>3</sup>



## KEY DATA POINTS

**200%** Online account openings

**85%** Mobile banking use

April 2020 (reported increases)

**53%** Mobile logins

2019 vs. 2020 (monthly avg. increase)

**>50%**


of all generations reported logging in to financial accounts using a desktop/laptop at least once a week

**>80%**



of millennials access financial accounts using a smartphone at least once a week



## KEY DATA POINTS

**50%**    
of millennials use electronic payments at least once a week

**40%**    
of Gen Xers use electronic payments at least once a week

**24%**    
of consumers plan to use bank branches less, or not at all

- The same report found that nearly 50 percent of millennials, along with 40 percent of Gen Xers, reported using electronic payments at least once a week.
- A recent study from the Boston Consulting Group (BCG) found that COVID-19 is changing the way consumers interact with banks, with 24 percent of consumers planning to use branches less, or stop visiting altogether.<sup>4</sup>

Technology is continually driving transformative change and contributing to rising expectations for a superior digital experience by consumers of all generations, and financial institutions should anticipate this trend will continue. To attract and retain customers, institutions must support their transformation by prioritizing a digital strategy and incorporating core-integrated technology to create seamless experiences for all users.

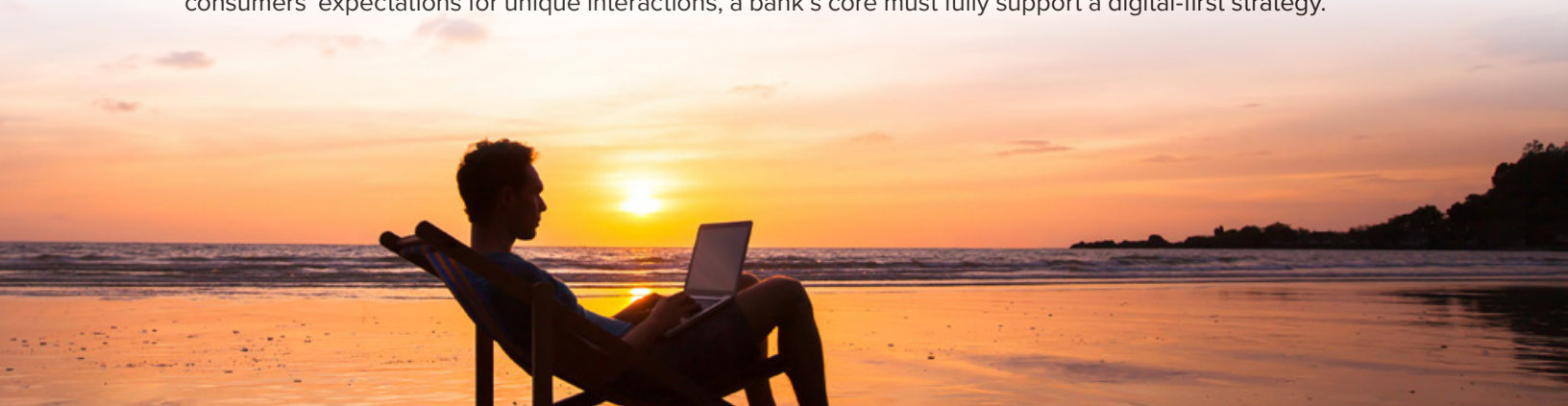
## FROM CORE TO CUSTOMER

For years, the traditional approach to core processing consisted of a bank's core platform at the center of all internal and external operations, with products stemming from the core to meet consumer needs. But digital transformation caused a recent shift from a core- or product-centric focus to a customer-centric approach, highlighting the need for processes to revolve around the customer.

As consumers received instant gratification from online channels in other industries, they began expecting similar experiences from their financial institutions. Innovation in the financial services industry, along with changing consumer expectations, have driven banks to rethink how to interact with customers, especially within online or mobile channels.

For many banks, digital transformation of core processing initially began with automating processes and streamlining efficiencies. Though many associate this transformation with simply pushing consumers to digital banking, it extends far beyond one feature and affects every aspect of a bank—from marketing to internal operations and processes to fraud reporting.

As banks transition from a core-centric approach, there are opportunities for banks to become leaders in the market by developing strategies to leverage current technology to meet the needs of specific customers through personalized service. To remain competitive, customers' needs should be the focal point as institutions determine their strategy to execute this new approach. With the increased use of technology and consumers' expectations for unique interactions, a bank's core must fully support a digital-first strategy.



## FOCUSING ON CUSTOMER EXPERIENCE

Though digital transformation encompasses all aspects of a bank, consumers are primarily relying on digital capabilities for their banking needs. As institutions focus on building relationships and growing business in today's world, there are key features that will contribute to personalized, seamless and superior banking experiences for consumers. Consider the following when developing experiences to serve new and existing customers.

### Deliver Unified Experiences

One component of the customer-centric approach is delivering unified experiences to customers across all channels. In the past, customers would visit a branch to carry out business, such as account opening or loan applications, but many customers are now seeking alternative ways to interact with their bank out of convenience or caution. Providing customers with options to execute business that was once branch-based—including features like remote deposit, financial planning and management, fraud reporting or the ability to adjust card limits—will create a seamless user experience. To deliver unified service across channels, institutions must be aware of a customer's activity on any platform at any given time. For example, if a customer begins

**As banks create their strategies, it is important to consider that some customers are new to digital channels, so creating user-friendly processes for those late adopters is important.**

engaging in a banking activity online or on a smartphone, such as beginning a loan application, that customer should be able to complete the application in-branch or on another platform

without encountering friction. Institutions should also incorporate a standard, well-integrated design across all channels to deliver consistent functionality. As banks create their strategies, it is important to consider that some customers are new to digital channels, so creating user-friendly processes for those late adopters is important.







### **Personalize Service Using Digital**

Digital channels provide opportunities for institutions to create personalized banking experiences for all consumers. Using technology, banks can deliver content that is personalized to a consumer's specific financial activity, even building campaigns targeted to a consumer's needs as opposed to a one-size-fits all approach. Institutions can leverage existing customer data to provide tailored offers based on past behavior as well as custom communications or information on products and services that complement those a

customer frequently uses. If a customer visits their bank's website in search of information regarding mortgage rates, that institution can then provide them with related information during subsequent interactions. In addition to enabling personalized service, digital tools can facilitate human interaction through chat or video conferencing, allowing banks to maintain a focus on customer service and initiate relationships virtually. There is also an opportunity for banks to create online communities to connect and interact with new and existing customers, especially as customers reduce visits to branches.

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## Optimize Digital Account Opening

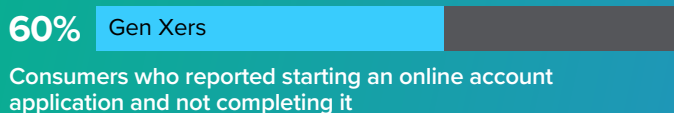
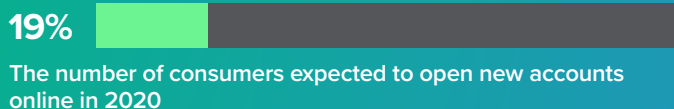
As consumers continue relying on online or mobile banking, institutions must prioritize the optimization of digital account opening for new and existing customers. For many consumers, opening an online account is their first interaction with an institution—and it should be seamless. The number of consumers opening new accounts online is expected to reach 19 percent in 2020, a three percent increase from the previous year; however, that growth will likely increase even more this year due to social distancing protocols.<sup>6</sup>

In a recent Aite report, 73 percent of senior millennials, which refers to members of that generation born closer to 1981, and 60 percent of Gen Xers who started an online account application did not complete it, running into questions that required a branch visit or phone call.<sup>7</sup> This presents an opportunity for banks to reduce friction in onboarding and provide consumers with online support to facilitate an expedient opening process and lower abandonment rates.

## Enhance Experiences with APIs

Application programming interfaces (APIs) provide banks with a variety of possibilities to enhance services for their customers, including open banking and choosing technology partners for specific solutions. APIs allow access to a bank's data and can provide benefits to both institutions and consumers, including accelerated payments, strengthened security controls and improved data access.<sup>8</sup> When a bank identifies a specific need, open APIs provide opportunities for creativity in addressing that need, removing technology and cost barriers. Institutions that embrace open banking and employ third-party solutions will have an advantage in leveraging data to create seamless processes and deliver continued innovation.<sup>9</sup>

### KEY FACTS





## EDUCATING AND ADAPTING

Digital is the way forward, especially as institutions focus more on understanding and improving how customers interact with their bank. As institutions begin shifting to this customer-centric approach, there are a few potential challenges they could encounter. Not every consumer is fully aware of all digital banking capabilities, reinforcing the importance of an institution's continued communication regarding its services. Some consumers cite security concerns as reasons not to engage in certain banking activities online, so institutions should provide education and awareness about security protections and tactics for reducing the risk of breaches.<sup>10</sup>

Another challenge is the top-down culture change required for a successful shift to a customer-centric approach. The move from focusing on core to customer should originate from a bank's leadership and be demonstrated throughout the institution. This shift can also be instrumental in changing the way a customer is viewed at all levels, prompting greater communication within internal divisions. With this new focus, banks can begin to emphasize the lifecycle of the customer—from the first time they open an account to applying for a mortgage or other activity—which allows for a necessary breakdown of silos in the bank that can lead to a seamless and holistic banking experience.

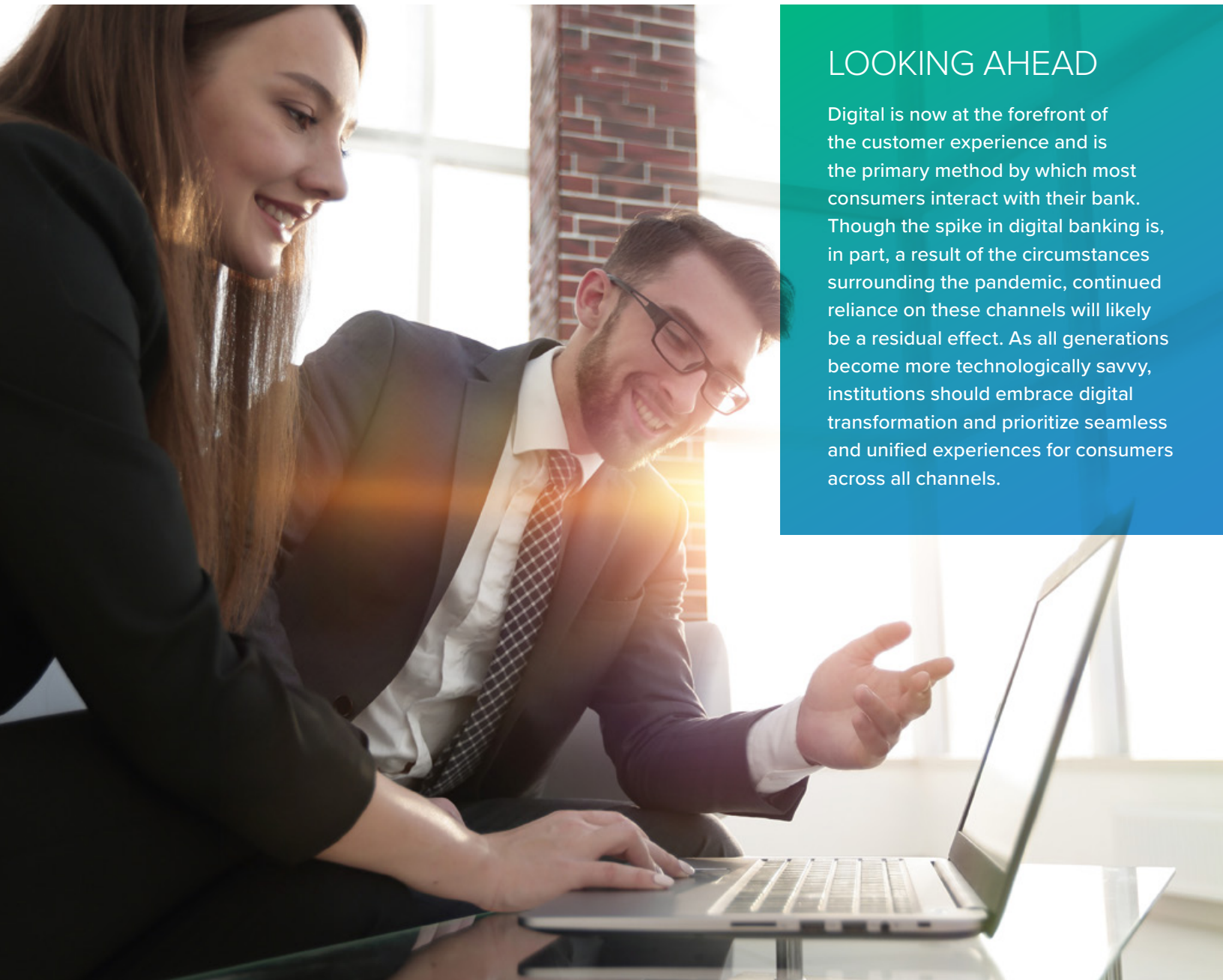
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## FUTURE INNOVATION

As more institutions embrace digital transformation, innovation is likely to occur in the use of artificial intelligence (AI) and machine learning. With AI and machine learning, institutions can provide automated financial consulting services. By initiating this proactive service, banks can empower consumers to work toward financial goals while staying in control of the process. Another trend to watch is the use of machine learning to fight against fraud and financial crime with solutions that flag anomalous behavior or pull information on parties involved in a transaction.<sup>11</sup> This technology also allows institutions to personalize interactions by creating specialized home pages or activity suggestions when a user logs into a digital channel based on their past behavior.

A commitment to innovation will be key to a successful digital transformation, as institutions continuously evolve and deliver enhanced and personalized solutions to meet consumers' changing expectations and drive new growth opportunities.



## LOOKING AHEAD

Digital is now at the forefront of the customer experience and is the primary method by which most consumers interact with their bank. Though the spike in digital banking is, in part, a result of the circumstances surrounding the pandemic, continued reliance on these channels will likely be a residual effect. As all generations become more technologically savvy, institutions should embrace digital transformation and prioritize seamless and unified experiences for consumers across all channels.





## ABOUT CSI

Computer Services, Inc. (CSI) delivers innovative financial technology and regulatory compliance solutions to financial institutions and corporate customers across the nation. Through a combination of expert service, cutting-edge technology and a customer-first mentality, CSI excels at driving businesses forward in a rapidly changing industry. CSI's expertise and commitment to authentic partnerships has resulted in the company's inclusion in such top industry-wide rankings as the FinTech 100, *American Banker's* Best Fintechs to Work For and *MSPmentor* Top 501 Global Managed Service Providers List. CSI's stock is traded on OTCQX under the symbol CSVI. For more information about CSI, visit [www.csiweb.com](http://www.csiweb.com).

## RESOURCES

<sup>1</sup>[Getting Onboard with Digital First Banking.](#)

<sup>2</sup>[Optimizing the Digital Account Opening Customer Journey.](#)

<sup>3</sup>[The Rise of Digital-First Banking.](#)

<sup>4</sup>[COVID-19 Set to Radically Accelerate Digital Transformation in the Retail Banking Industry.](#)

<sup>5</sup>[Customer Journey Mapping: The Long and Winning Road.](#)

<sup>6</sup>[Deep Dive: How Banks Use Digital Technologies to Outlast the Coronavirus.](#)

<sup>7</sup>[Attracting and Retaining the Digital-First Customer.](#)

<sup>8</sup>[An API-Driven Fix to Digital-First Banking.](#)

<sup>9</sup>[COVID-19 Accelerates Urgency for Digital Banking Transformation.](#)

<sup>10</sup>[Implement These Digital Banking Security Features During the Pandemic.](#)

<sup>11</sup>[Software for Detecting Financial Crime is in High Demand. Here's Why.](#)