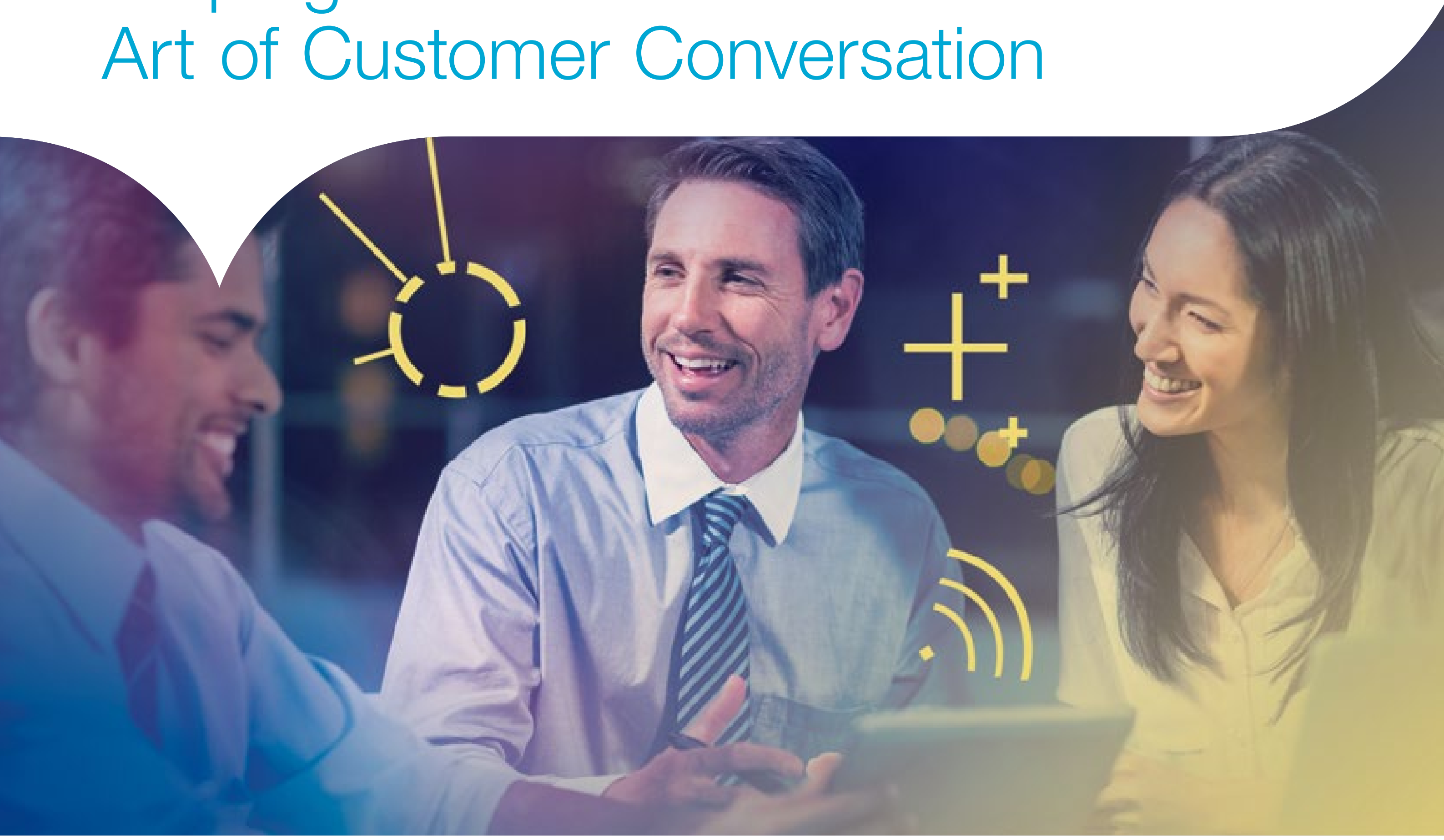
Real-time Dialogue:

Helping Banks Re-establish the Lost Art of Customer Conversation



Through adoption of mobile enabled digital services, financial services firms are aiming to drive and create customer value. Improving the customer journey is top of mind amid efforts to attract new customers through online channels for current accounts, credit cards, mortgages or loans. In fact, most financial services providers have digitally enabled at least some customer self-service activity across smart devices to allow hassle-free convenience when customers check their account balance, make payments online, or simply change their personal details. But despite this investment in new digital channels, most banks are not yet fully realizing returns in the form of better customer targeting, better conversion rates and appreciably higher customer satisfaction.

A key challenge lies with the technology being used to drive these focus areas. In order to connect with customers to resolve an issue or to answer a question—or to showcase a product that may help them better manage their finances—real-time, two-way dialogue is necessary. In many ways the desire to quickly resolve customer queries leads to missed opportunities to showcase new offerings or to create a positive customer service "moment of truth."

In order to drive customer conversation, three requirements must be considered.

- A new channel strategy to break down barriers between digital and non-digital channels so that all customer touch-points are understood
- Adoption of real-time analytics for personalizing the interaction
- Re-calibration of the technology landscape to support real-time customer dialogue.

These requirements are not mutually exclusive. They require an integrated approach to present customers with contextual and relevant offers that hold value for them. This approach is the key to driving loyalty and word-of-mouth advocacy in a world where more interactions are virtual. With competition for consumer mindshare heating up, this may become a primary tool for creating a sustainable competitive advantage.

Banks must leverage digital marketing

In response to increasing competition from Neobanks, unicorns and FinTechs, traditional banks are looking to build-out their digital edge. Additionally, with regulation now driving further innovation through open banking directives (PSD2), the disintermediation threat from emerging players becomes even more pointed. Nimble entrants to the banking marketplace are using their digital-first clout through online and social media channels to serve all customers in the best possible way. Further compliance considerations in the form of consumer data protection acts also need to be factored in when driving the digital agenda with customers.

Traditional banks are looking at this hyper-competitive landscape and reassessing how to digitally drive customer advocacy while creating connectedness and personalization across their digital channels. A key enabler for this is digital marketing and engagement strategy. During 2017 it is predicted[1] that digital advertising expenditure will overtake spend in "traditional" channels such as television. This is due to the consistent trend toward increased use of mobile platforms, the cost of video advertising, and the decline of organic social in favor of paid displays.

Research shows that marketing budgets are on the rise. Gartner's "The 2016-2017" survey confirms a third consecutive year of budget increases. Larger companies (>$5 billion revenue) spend 13% of revenue on marketing versus smaller companies ($250 million to $500 million revenue) that spend roughly 10% of annual revenue."[2]

With these levels of spend, financial organizations must realize every opportunity to save on marketing activities—especially digital ones—and to bolster efficiency and effectiveness.

Digital can make staying in touch with customers more complex

Customer relevance in the digital world isn't simple. Knowing what a customer wants and delivering on that requirement is something with which nearly all businesses struggle.

We understand the challenge that banks face when trying to put a truly personalized offer in front of prospective customers and existing customers to positively influence conversion rates. For instance, customers of one large bank barely respond to online advertising; the click-through rate on its owned channels (on displays) is approximately

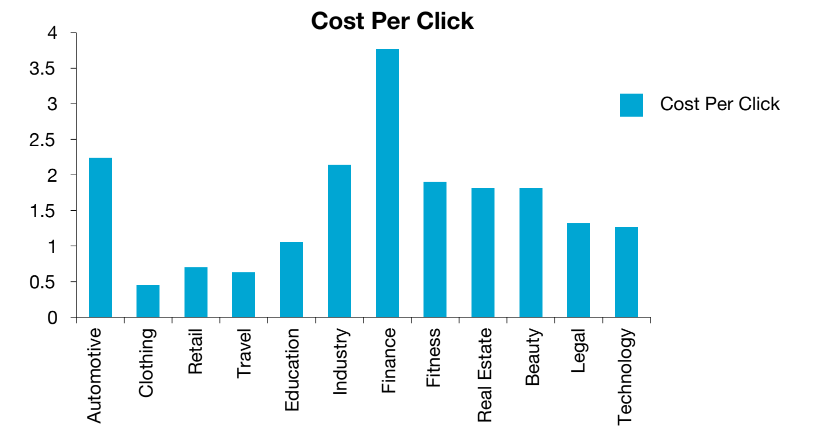
[1] Forbes: "Digital Ad Spending Will Surpass TV Spending for the First Time in US History," Brandon Katz, September 14, 2016. http://www.forbes.com/sites/brandonkatz/2016/09/14/digital-ad-spending-will-surpass-tv-spending-for-the-first-time-in-u-s-history/#5ee85f0e6959

[2] Gartner, Inc.: "Gartner CMO Spend Survey 2016-2017 Shows Marketing Budgets Continue to Climb," Chris Pemberton, December 12, 2016. http://www.gartner.com/smarterwithgartner/gartner-cmo-spend-survey-2016-2017-shows-marketing-budgets-continue-to-climb/

0.5%; and the corresponding conversion rate is lower than 0.007%. A large global clothing retailer finds that, even though more people visit its site through use of handheld devices, the conversion rates stay low. And the cost of clicks is significant – as Figure 1 shows, the cost per Facebook like ranges from €.38 – 1.57 ($.42 – $1.71).

Clearly, the online channel has a downside. Authentic connection and replication of the live-person experience can be a challenge. The problem may stem from many banks talking to customers, rather than talking with them. Human beings like to engage in conversation, where they can hear and be heard.

Figure 1: Cost per click for Facebook advertising



Source: Wordstream "Facebook Ad Benchmarks for YOUR Industry [NewData]" (blog entry), last updated March 28, 2017

The reason: The lost art of conversation

Philosophers in ancient Greece understood the power of conversation. Socrates believed that knowledge transfer and the acquisition of new knowledge took place through dialectic[3] — joint question and conversation with his students. This idea has proved valid through the ages. Understanding comes through conversation, through listening, through interaction with the other person; one-way communication cannot achieve these results. These beliefs are clearly reflected in the recent move by universities to adopt more hands-on exercises, group work, and small seminars instead of the one-way communication of a lecture[4].

The effect of conversation (or lack of it) is seen not only in academia, but also in virtually all buyer-seller interactions. Customers used to engage in conversation with the local bank branch, pharmacy owner, the bakery, and the barmaid. But today's customer experience has become less and less personal. Despite a number of attempts by banks to personalize channels, and create a two way dialogue with customers, many online sales channels seem devoid of personal conversation.

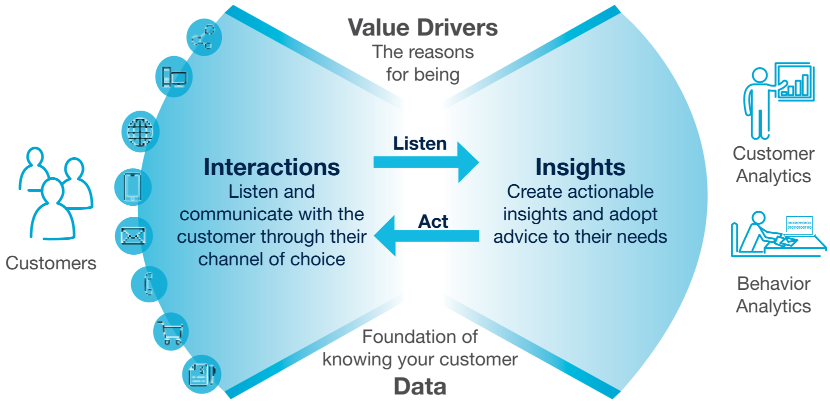
This trend is affecting many of the large global banks. While there are good reasons for the decision to move to and invest in digital, it is clear that many companies are struggling with this migration and, as a result, losing touch with their customers. Customer interaction is one-sided, and analysis of customer responses only takes place when it is too late to act on the insights provided; or in fact happens as a consequence of a complaint.

[3] Stanford Encyclopaedia of Philosophy: "Dialectic School," August 11, 2011. https://plato.stanford.edu/entries/dialectical-school/

[4] Delta: "Het Hoorcollege is een Povere Informatiedrager." http://delta.tudelft.nl/artikel/het-hoorcollege-is-een-povere-informatiedrager/8659

Figure 2 shows why this is happening. Most organizations' analytic capabilities lie outside the conversational realm, whereas they should be an integral part of it.

Figure 2: Analytics lie outside the conversational realm



Source: Capgemini's Real-Time Dialogue Framework

This is mainly because companies typically use campaign management software that analyzes data from digital channels in batch mode, overnight. That means they are only in a position to make targeted offers 24 hours or so after the customer has shown interest, by which time their circumstances may have changed or they have made a purchase elsewhere.

Other barriers to real-time dialogue include the difficulty to track customers when they switch from one channel to another. Similarly, analytics are often not properly integrated into their other IT systems, or into the business itself.

The result is that instead of receiving timely personalized responses, customers get bombarded with untargeted offers, and buried in campaigns that are of little interest. This is a serious challenge because relevance—offering customers what they want, when they want it—is key to customer satisfaction.

Inadequate analytics affect customer experience in other ways. A customer might raise an issue or question that should be easily resolved, but no help is at hand; perhaps the company only spots the issue later that day, when the nightly batch is processed. The result is that another prospective customer is lost. The customer is asking for interaction – wanting (or needing) to be engaged – and the company simply cannot provide personalized and timely dialogue.

In addition to the direct impact on customers, the slow flow of information causes additional issues for managing organizational performance, as we can see by considering classic dash boarding tools – see textbox.

How to re-establish the conversation

Some banks are attempting to mitigate the loss of customer interaction through loyalty programs, but in many ways, these are just a means to placate customers who are already dissatisfied. The real value comes from trying to establish how the points of customer interaction across the journey can become more informed; particularly when certain elements of the customer journey results in customer dissatisfaction which often is the wider issue.

A much better choice would be to tackle the root cause of dissatisfaction. The way to do that is to establish a genuine dialogue – a conversation that can take place at least partly via digital channels – with the customer. This means tracking customer behavior in real-time and triggering a direct and relevant response to every click or action.

Before banks can achieve real-time dialogue, they must take three steps:

1. Review their channel strategy in order to break down barriers between channels, and track customers across multiple channels;
2. Overhaul their analytics so that they can instantly make relevant offers to customers, based on up-to-date information;
3. Realign the technology landscape, and the business as a whole, around real-time dialogue with customers.

We outline each of these steps below.

1. Bring channels together

The issue here is that most banks find it difficult to maintain a dialogue when customers browse and shop across the various online and offline channels. For example, they may struggle to deal effectively with a customer who decides to apply for a credit card online on their mobile phone, then walks into a branch to complete the application.

Capgemini and other leading commentators firmly believe that companies need to break down the boundaries between online and offline channels[6]. Already, large fast-moving consumer goods companies are leading the way, shifting to an end-to-end, omni-channel solution: one that combines the ease of online with the personal contact of physical channels.

For many companies, the best way to achieve this is to adopt a data management platform (see Figure 3). After taking that step, companies can engage in real-time dialogue using real-time analytics, and/or set up robotic advisors (which for maximum benefit should be integrated with the main enterprise systems).

2. Adopt real-time analytics

The next step is to move to a state where data is updated, and then analyzed in real time. As Figure 2 illustrates, too often no real dialogue is happening between banks and their online customers. Instead, customers are on the receiving end of monologues that make sense to the bank but not to them. The reason is clear: The current IT landscape does not allow true dialogue, and most software suites are not yet mature enough to make this possible. Too often, the insights needed to respond to customer needs and wishes are delayed by some 24 hours.

The solution lies in the real-time analytics engines that are now available from a few vendors. These analytic engines are capable of processing data in real-time and propose, for instance, a "next best action" with minimal delay. By using this type of solution, you gain instant insights, based on the latest information. These help you to take the context of each customer interaction into account so that you can respond with a personal and relevant offer every time, immediately and via the customer's chosen channel.

Slow analytics limit management dashboards, too

Dashboarding tools traditionally import batches of data and use them to provide insight into how the company is performing with respect to its KPIs.

In companies that only update their analytics through nightly batch runs, the data displayed in the dashboard can be a day old. That means decisions are made after the fact – like driving a car by looking in the rear-view mirror.

Given that the vast majority (77%) of respondents to a Capgemini survey[5] indicated that real-time data would be beneficial to the running of their business, something better is needed.

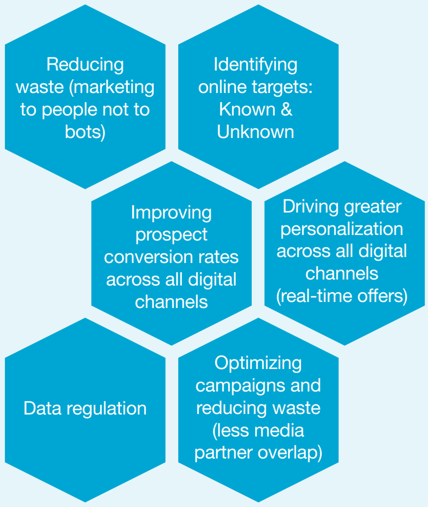
[5] Capgemini: "New Global Study by Capgemini and EMC shows Big Data Driving Market Disruption, Leaving Many Organizations Fearing Irrelevance," Press Release, March 2015.
https://www.uk.capgemini.com/news/news/new-global-study-by-capgemini-and-emc-shows-big-data-driving-market-disruption-leaving

[6] Forbes: "10 Tips for Building a Successful Digital Marketing Campaign in 2017," Promise Phelon, December 1, 2016.
http://www.forbes.com/sites/promisephelon/2016/12/01/10-tips-for-building-a-successful-digital-marketing-campaign-in-2017/#3a13f8622ab6

Marketing Challenges: How Data Management Platforms (DMPs) play a key role

Digital world marketing challenges are unique. Today's digital marketer faces a complex ecosystem and pressure to improve returns within a tight budget. The challenges are wide ranging, and Data Management Platforms (DMPs) can help to manage or mitigate issues by tracking customers and prospect journeys across all channels—online, offline and face to face.

Figure 3: How Data Management Platforms (DMPs) can play a key role



DMPs can play a crucial role in supporting end-to-end digital marketing:

- Defining the target audience for value messages and focused campaigns while also attracting eligible "unknown lookalikes" to the message.
- Targeting known and unknown prospects across multiple channels. Understanding where target audiences reside with media partners to avoid segment overlap.
- Creating real-time personalized offers to target audiences while moving away from traditional segmentation models through use of first- and second-party data. Using A/B testing to eliminate creative guesswork and to enable split campaigns.
- Driving the campaign: Clarity around message frequency across the target base helps to avoid waste by reducing time on overexposed segments and non-human traffic
- Developing insights from existing journeys: Allows understanding of all journey touch-points across paid, owned and earned marketing channels. Identifies the best path to conversion and optimizes the customer experience through journey dashboards.

DMPs can help stretch the available marketing budget when coupled with the overall business strategy—e.g. new customer acquisition targets in new segments, moves into new regions, or driving multiple product holdings per customer. Collecting the required data, and performing the analytics to customize the marketing message can be very time-consuming and this is where DMPs can take the overhead away.

3. Realign around real-time dialogue

The third and final step relates to the wider IT landscape, and the business as a whole. Current software and infrastructure are not designed to cope with real-time, conversational interaction, or provide relevant offers instantly. Many companies, too, are focused on digital as if it were an end in itself, rather than focusing on the customer.

To achieve real-time dialogue, companies need to integrate their channel interactions with their analytical capabilities, and to design marketing campaigns that leverage their data. This adds up to a significant undertaking, since few software solutions are capable of presenting relevant and personalized offers to customers. However, solutions are emerging that offer highly personalized (although not yet individualized) campaigns over digital channels.

Solutions such as data management platforms and real-time analytics engines must be fully integrated into the organization's IT landscape. But that's not enough. Integration of channels, analytics, strategy, and data is required to enable a truly insights-driven business. The bank must focus on the customer.

The transition from data-driven or experience-based campaigns to real-time offers targeted at individual customers is a paradigm shift – one that can succeed only if all stakeholders are fully engaged.

A practical approach to transition

Positioning an organization to re-establish genuine customer dialogue requires a significant transition, not just in terms of the organization's technology but also its business focus.

Capgemini's Real-Time Dialogue self-assessment app (Figure 4) can assess an organization's current state, and help set priorities to achieve the ultimate goal – real-time individualized offers.

Figure 4: Capgemini's Real-Time Dialogue application

Implementation of the solutions described here requires knowledge and experience. Once again, there are a number of tools that can help. For example, in conjunction with the app just described, Capgemini uses a Real-time Dialogue framework to create a clear roadmap to achieving the essential elements of a solution. These elements include data management, alignment between business and IT, and an overall commitment to moving to real time. Capgemini has found that many clients can achieve near real-time offerings, but require more integration if they really want to transform to real-time dialogues.

Capgemini's approach to real-time dialogue offers major benefits:

- By switching from a one-size-fits-all approach to a highly interactive customer dialogue, a path is opened to individualized, relevant customer offers;
- Rather than following the classical audience segmentation by demographic, age, and technology, real-time dialogue allows for a highly specific analysis. Tracking the behavior of individuals rather than cohorts enables more targeted campaigns;
- Banks can interact with their customers on a more personal level. For example, rather than passing the customer on to a generic helpdesk, they can be connected immediately to the right department.

Let's get the conversation going

Bringing back dialogue, merging online customer journeys with personal service, and uniting the campaign and the customer – are more than a marketing trend. Dialogue is part of human history. It's high time we started doing it again by engaging in meaningful conversation with customers.

To find out more, download the self-assessment app (IPhone, Google Play) and contact us to see how we can help you drive a real-time dialogue with your customers.

Find out more

Interested in finding out more about how Capgemini can help your financial services organization engage in more meaningful and relevant dialogue with customers? Contact us to arrange a half-day or full-day workshop.

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