

An Extract from Celent's Retail Banking Technology Trends Previsory: Customer Engagement

2022 Edition

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REIMAGINE DIGITAL EXPERIENCES TO DRIVE GROWTH



Creating the future of banking

We're living in an increasingly digital-first world. As this report from Celent points out, more banking customers look to digital channels first than ever before. Banks have responded by investing in digital banking experiences.

Too many so-so digital experiences

Most banks now empower customers to bank digitally. But, as the Celent report reveals, some digital banking experiences leave much to be desired. Take digital account opening as an example. At 74% of banks, a customer can fully open an account online and set up a banking app. The functionality is there, but it's not keeping customers engaged. Only 25% of banks with a digital account opening process see completion rates of over 60%. The same percentage – 25% – has completion rates of 20% or less.

Offering digital banking experiences isn't enough to thrive in the digital-first world. Customers abandon experiences they don't like. In the case of digital account opening, they're likely to then start banking elsewhere.

Human-centered design key to success

At Amdocs, we help banks build a digital product development foundation based on customer research and testing. The idea is simple: learn customers' true needs and motivations, and create digital experiences to match. It's the path to market-leading products that deliver real value to customers. Banks reimagine banking by putting customers at the center of product development.

When banks take a customer-centric approach, the results can be rapid and dramatic. Our digital experience specialists worked with a North American bank to transform its mortgage application experience. The bank shifted the focus from "loan getting" to supporting people who were "home buying." Customers responded, with digital channel use increasing by 74%.

Winning in the digital-first world

As the Celent report shows, banks recognize that they have many opportunities for improvement when it comes to customer engagement. A customer-centric, research-driven approach can help banks focus on building experiences that supercharge customer growth.

CELENT

Retail Banking Technology Trends Previsory 2022: Customer Engagement

An Extract from Celent's Report

October 2021

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A division of Oliver Wyman

This is an authorized reprint of an excerpt from a Celent report. The reprint was prepared specifically for **Amdocs**, but Celent retained full control of the content. For additional information please contact info@celent.com.

INTRODUCTION

Context

- The last 18 months have been like no other in recent memory. The COVID-19 pandemic forced everyone, not just those in financial services, to react at speed and **reconsider their priorities**.
- Despite one of the steepest drops in gross domestic product (GDP) ever experienced, the global banking system has proven **resilient**. Capital levels built up after the financial crisis have proven sufficient, while unprecedented levels of government support have blunted or deferred many of the pandemic's economic impacts.
- However, bank revenues and asset bases have of course been hit. According to an Oliver Wyman report* published in summer 2021, in European countries with the most stringent lockdowns and most heavily exposed economies, **revenues dropped up to 11%**, and risk-weighted assets fell nearly 5%. Half of the industry's capital sits in banks with a return on equity of less than 4%.
- Retail banks have **an unprecedented opportunity**. By supporting the recovery from the pandemic and helping to tackle some of the big issues facing economies, the sector can gain a strong sense of purpose, grow the bottom line, and ensure its ongoing relevance. But to deliver this change, banks need a **new mindset and capabilities**, not the least in technology.
- While there's much uncertainty remaining in 2021, retail banking technology priorities for 2022 and beyond are becoming clear. The full report summarizes Celent's guidance to clients around **five key industry themes** and **15** retail banking **technology priorities** for 2022. The report is part of Celent's new **Previsory (Pre-view and ad-visory)** series, a forward-looking view of financial technology trends across our industry verticals and advice on how to respond to them.

* [Ready to Lead: How Banks Can Drive the European Recovery](#)

Importance of Customer Engagement

- Focusing on **customer engagement** remains high on every retail bank's agenda. The pandemic has rapidly accelerated the adoption of **digital** across all aspects of customer engagement, from **selling** to **onboarding** to **servicing**. Early on, with branches shut and banks struggling to cope with call centre volumes, it became obvious how essential digital self-service is, such as being able to request a payment holiday.
- Of course, the imperative to optimize customer engagement and delivery is **not new**. Furthermore, by now, most banks know what optimal customer engagement should look like; however, for many, it remains **easier said than done**.
- For example, despite progress, many institutions still have a way to go to deliver effective **digital account opening**, especially in the US. And while the number of **branches** are declining around the world, they remain an important channel delivering results. To improve performance of digital channels, banks need to recognise where the customers' digital interactions could benefit from a **human touch** and to equip customer-facing staff with the right tools.

KEY TECHNOLOGY TRENDS AND IMPERATIVES FOR RETAIL BANKS IN 2022

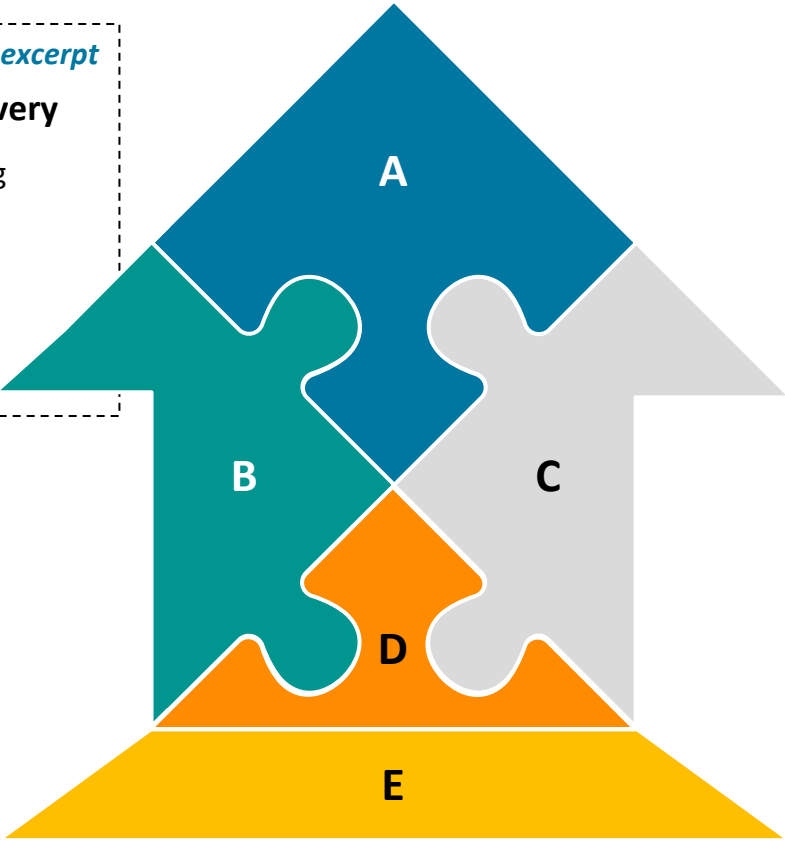
Focus of this excerpt

A. Optimizing Customer Engagement and Delivery

- Continue with improvements in digital account opening and servicing and measure success
- Complement digital channels with human assistance; give customer-facing staff the right tools
- Maintain efforts to rationalize the branch portfolio

B. Embracing Disruptive Imperatives in Payments and Lending

- Differentiate through card experiences
- Decide on BNPL—hope or hype?
- Reexamine solutions across the credit lifecycle



C. Taking an Ecosystem Approach to Growth

- Determine your open ecosystem strategy
- Decide how to commercialize Open Banking
- Consider opportunities and threats in Open Banking Payments

D. Driving Product Innovation and Differentiation

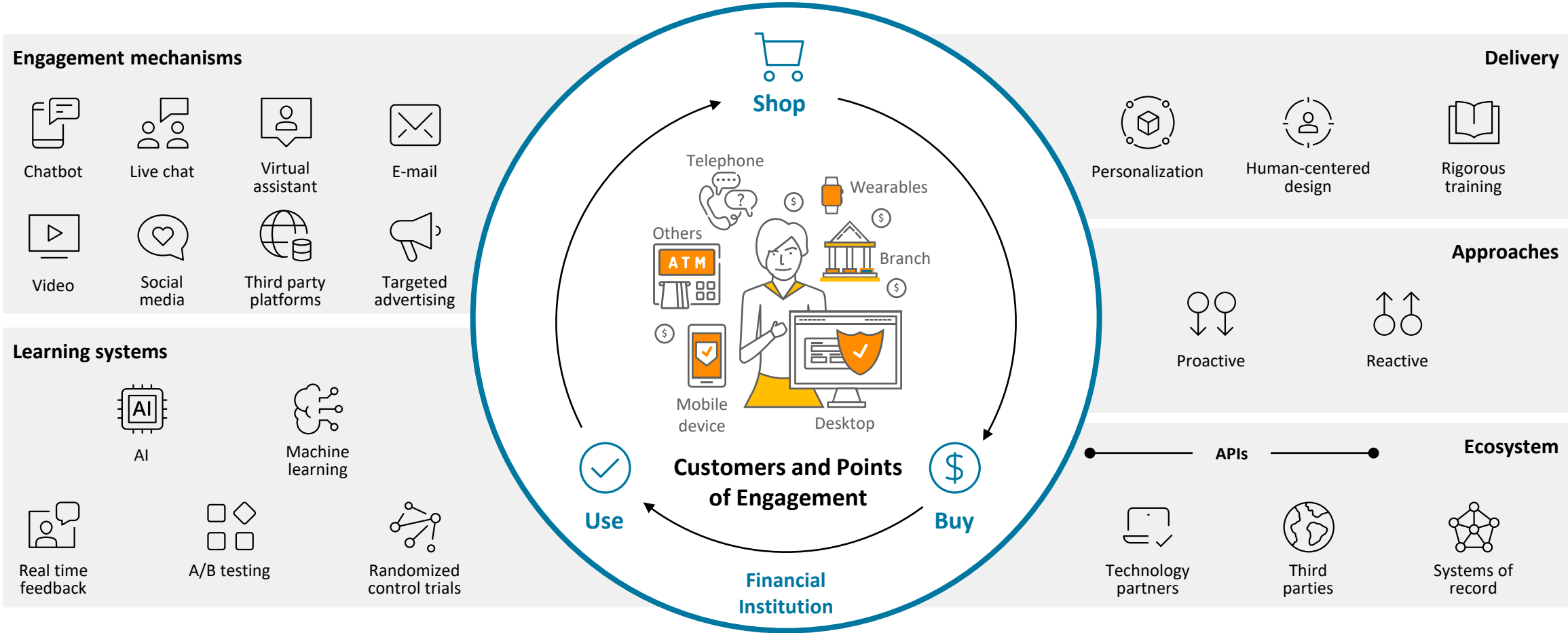
- Decide what “purpose” means to you and your strategy
- Find the “white spaces” to develop offerings tailored to specific communities
- Consider opportunities and risks in crypto

E. Diversifying Technology Transformation Toolkit

- Consider use of low-/no-code platforms
- Leverage composable building blocks from diverse technology partners
- Build on top of increasingly verticalized cloud services

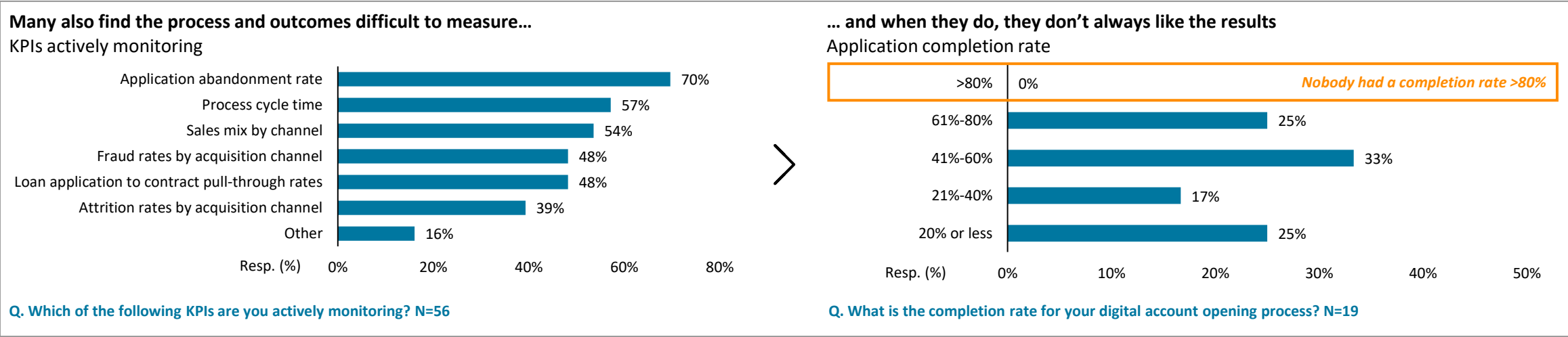
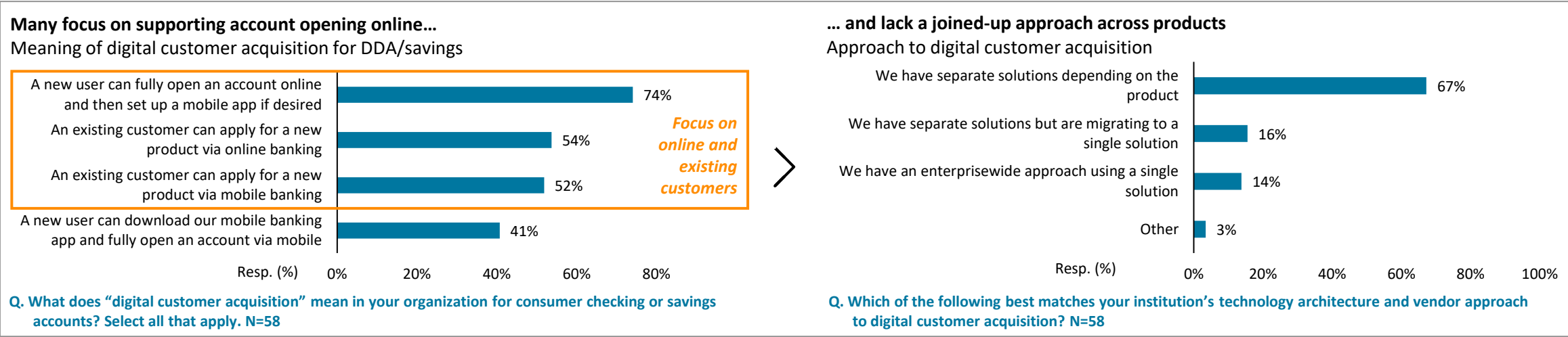
Source: Celent

MOST BANKS KNOW WHAT OPTIMAL CUSTOMER ENGAGEMENT SHOULD LOOK LIKE, AND YET, FOR MANY, IT REMAINS EASIER SAID THAN DONE



Source: Celent

DESPITE PROGRESS, MANY INSTITUTIONS STILL HAVE A WAY TO GO TO DELIVER EFFECTIVE **DIGITAL ACCOUNT OPENING**



Sources: Celent Survey of NA Financial Institutions, March 2021, and Celent DAO Benchmarking Study, August 2021

BANKS STILL STRUGGLE TO COMPLEMENT DIGITAL CHANNELS WITH HUMAN ASSISTANCE AND TO GIVE CUSTOMER-FACING STAFF THE RIGHT TOOLS

Banks should aim for a **digital-first** approach in both transactions and engagement, while acknowledging the differences

Transactions



Moving money
Checking balances
Depositing cash/checks
Paying bills



Left-brain dominant
Speed and convenience

Already heavily digital



Engagement



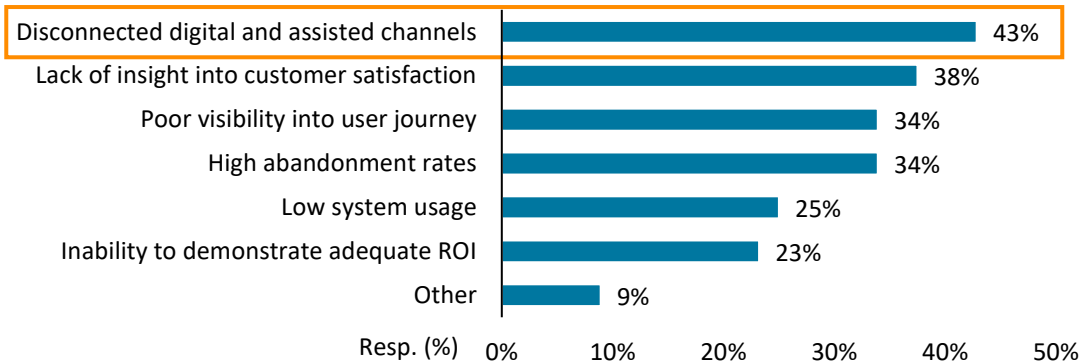
Advice/coaching
Clarifying options
Fixing problems
Consultative selling



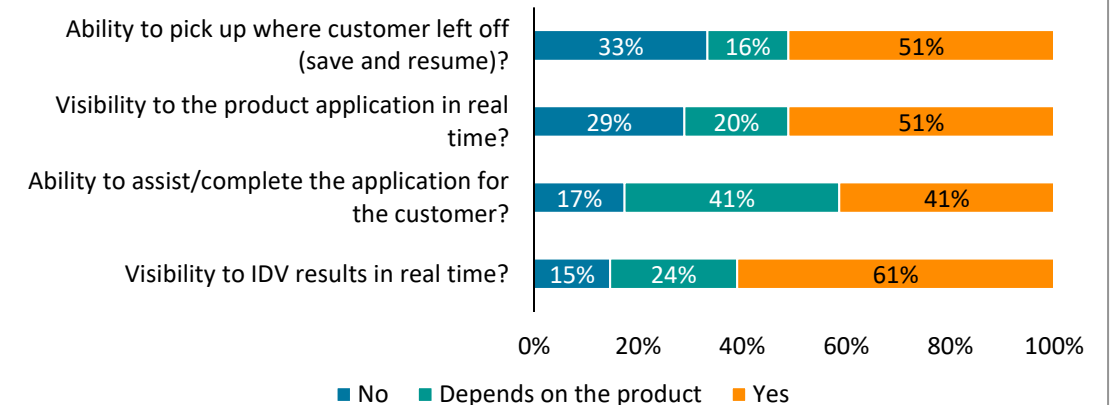
Right-brain dominant
Trust and value

Requires digital and human blend

Yet, banks identify disconnected digital and assisted channels as one of the key pain points and improvement areas



About half of FIs don't equip their customer agents and advisors with the right tools, at least for some products

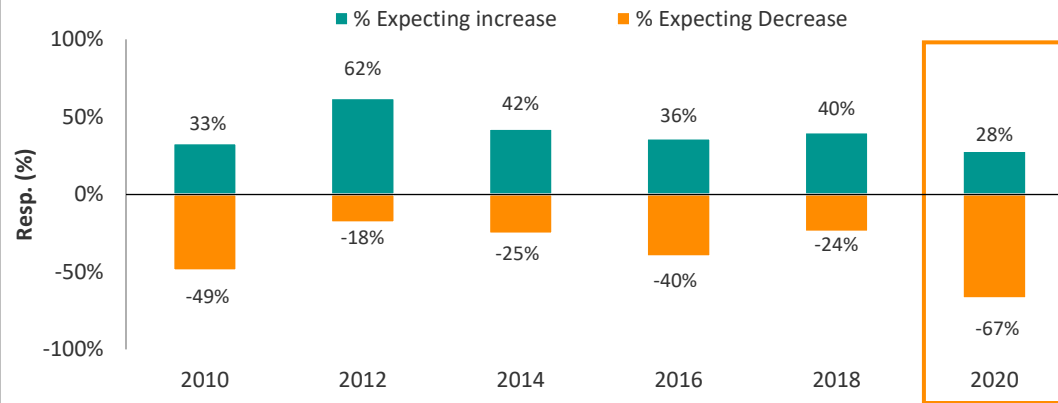


Sources: Celent Survey of NA Financial Institutions, March 2021, and Celent DAO Benchmarking Study, August 2021

A GROWING NUMBER OF BANKS EXPECT A DECREASE IN THE NUMBER OF BRANCHES AND ARE TAKING STEPS TOWARDS A RATIONALIZED BRANCH PORTFOLIO

Two-thirds of NA FIs surveyed by Celent during the pandemic said they expect significant reductions in branch count¹

Branch count expectations over time

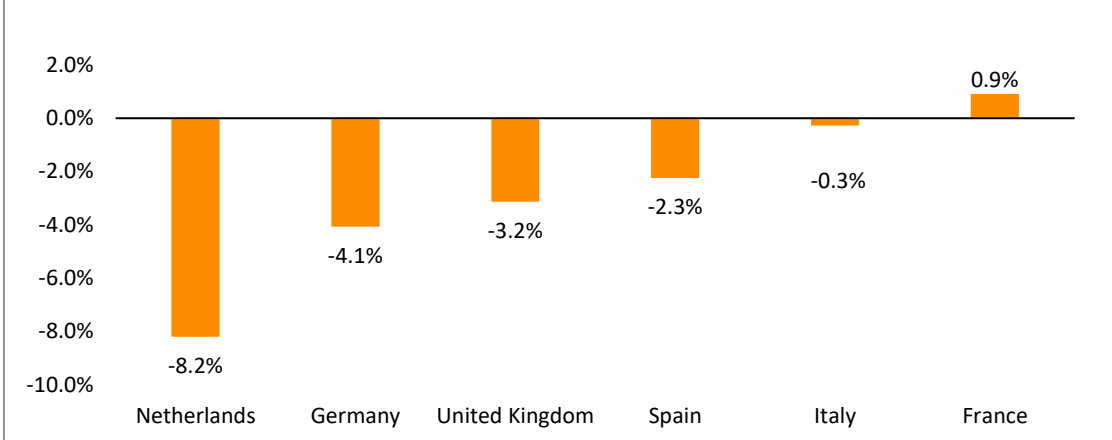


Q: Compared to your current branch count, how many branches do you expect your institution will operate five years from now? Note: October 2020 survey timeframe was two years instead of five years.

“ 65% of bankers now believe that the branch-based model will be “dead” within five years, up from 35% four years ago. The rise has been sharpest in Europe and North America.



Branch numbers also have been declining across Europe²
CAGR 1997–2020* of branch numbers, selected markets



* 1997–2019 for the UK

“ Three years ago, we didn’t have video banking, but ... we’re now conducting over 10,000 video appointments each week, compared to 100 a week in January 2020.

Natwest CEO of Retail Banking, David Lindberg

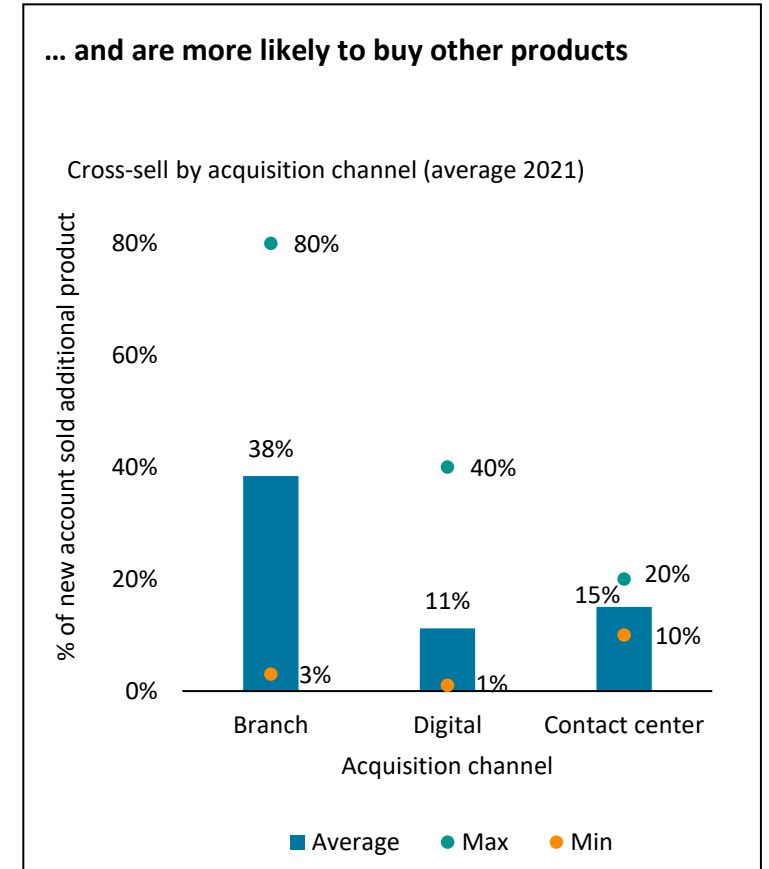
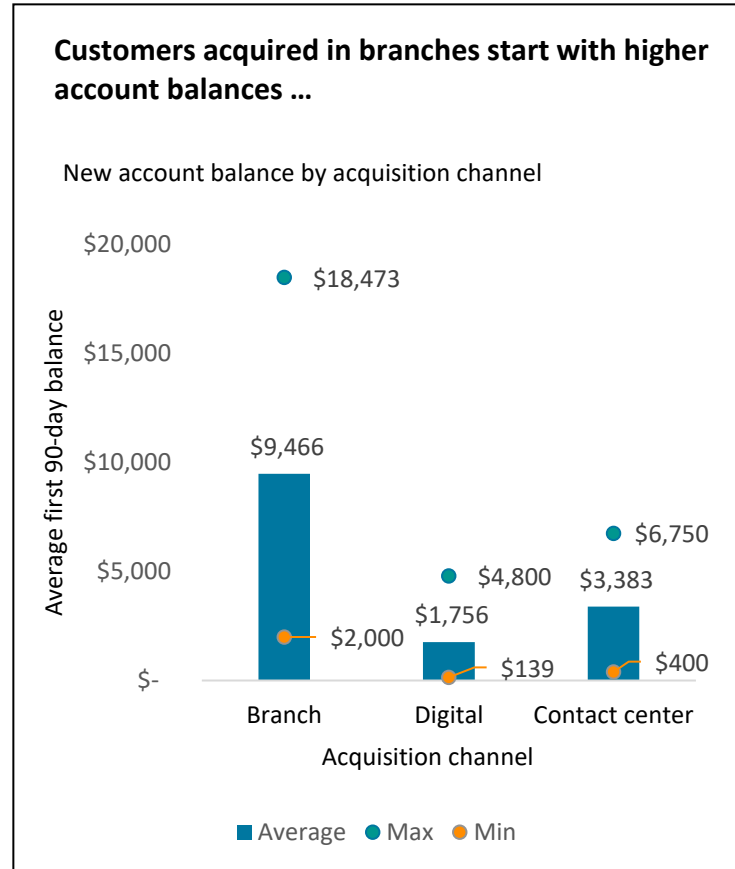
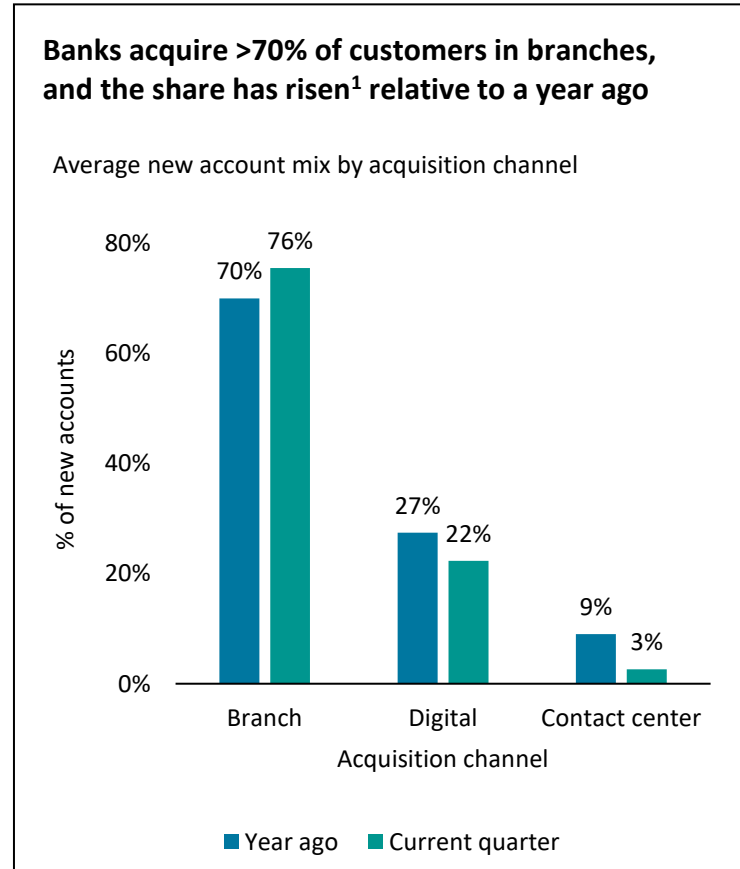
Fifty years ago, almost 90 per cent of all transactions took place inside a branch, but today that number is less than 10 per cent.

Barclays UK CEO, Matt Hammerstein

1. Celent survey of NA Financial Institutions, 2010–2018, n=140–160, October 2020, n=32. | 2. Source: Celent analysis of ECB data | <https://impact.economist.com/perspectives/financial-services/branching-out-can-banks-move-city-centres-digital-ecosystems> | <https://www.ftadviser.com/your-industry/2021/08/23/banks-shrug-off-branch-closures-amid-shift-to-digital/>

YET, BRANCHES CONTINUE TO BE AN IMPORTANT CHANNEL, DELIVERING RESULTS

Celent's Digital Account Opening Benchmarking Study of NA FIs 2021 showed that



We expect banks to continue the evolution of hub-and-spoke models, with fewer full-service branches, a growing deployment of remote ATMs and interactive teller machines, and digitally delivered human assistance.

Source: Celent DAO Benchmarking Study, August 2021, N<=19| 1. Perhaps not that surprising, considering that many branches were closed during the pandemic

OPTIMIZING CUSTOMER ENGAGEMENT AND DELIVERY

SUMMARY

- **Continue with improvements in digital account opening and servicing and measure success**
 - Promote mobile-first customer onboarding; the advanced capabilities of smartphones can help achieve higher levels of identity assurance without compromising user experience
 - Consider an enterprise-wide approach to digital customer acquisition
- **Complement digital channels with human assistance**
 - Aim for a digital-first approach in both transactions and engagement, while acknowledging the differences. Recognise the moments when a human touch would help
 - Give customer-facing staff the right tools to help the customer at the time of need
- **Maintain efforts to rationalize the branch portfolio**
 - Continue the evolution of hub-and-spoke models with fewer full-service branches
 - Consider deploying more remote ATMs and interactive teller machines

If you would like to learn more, please see the following Celent reports:

[Digital Account Opening: You Can Only Improve What You Measure](#)

[State of Digital Customer Acquisition: Much Work Remains](#)

[Digital Customer Engagement Platforms](#)

[Customer Communications Management Vendors 2021: Retail Banking Edition](#)

[COVID-19's Impact on NA Branch Banking](#)



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- Their needs**
 - To make **faster and more informed technology decisions** and respond to emerging IT trends
- How we help**
 - **Research and advisory**: best practice case studies, technology primers, IT spending, trends analysis, vendor solution evaluation, analyst access
 - Extensive database of **vendor solutions**
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CONNECTING EXPERIENCE, CLOUD, AND CULTURE

As the Celent report shows, banks like yours know that customer engagement and digital experiences are linked. This aligns with another imperative: digital transformation.

At Amdocs, we accelerate digital transformation for banks and other complex, highly regulated enterprises. We connect the key foundations of transformation so that you can deliver better outcomes for customers and internal teams. These foundations are:

- **Experience:** Experts in human-centered design help you base digital products on research-based insights, technology-agnostic development, and personalization.
- **Cloud:** Specialists in the public cloud for financial services work with you to securely adopt cloud at scale while improving governance, risk management, and compliance.
- **Culture:** Tailored training in Agile methodologies upskill your people as AI and automation empower them to add velocity to the way they work.

A new transformation ally for banks

At Amdocs, we have a history of bringing accountability and results to digital transformation efforts, as our 96% project success rate shows. We're not new to working with banks – many of our banking clients reached out to us because of our reputation. But we may be new to you and your bank. [Meet our team of banking specialists](#) and learn more about how we can help you create the future of banking.

Working with leading banks to reshape banking

