

3 PILLARS OF A PEOPLE-CENTRIC BANKING EXPERIENCE

Why digitalization is key



AUTHORS

Maya Lawrence,
Product Marketing, SBP Digital
Banking and SBP Open Banking

Faseeha Taj,
Product Marketing, SBP Digital
Banking

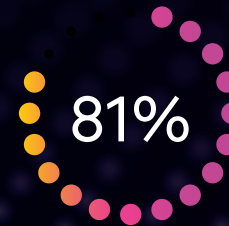
 **Sopra Banking
Software**

Rapid change and the proliferation of data has created shifting business models and new opportunities for building societies and banks in recent years. But it has also led to a siloed customer experience, at a time when digitally empowered customers demand more from their lenders.

Traditional building societies and banks are already struggling with customer satisfaction, compounded by a **fall in the number of branches** (a 34% drop between 2012 and 2021), which can make it more difficult for customers to speak to an advisor in person.

While many will have already started their digital transformation journey, it can be a slow and expensive process. Meanwhile, others still don't have access to the technology they need to offer a personalized service, or tailored products and services.

Increasing customer expectations and a disconnect between customers and their building societies and banks has also come at a time when younger customers expect more personalization of products. Meanwhile, the **need for financial support** and education has never been higher, as the rising cost of living puts ever more pressure on customers' income.



of UK adults say **the quality of online experience determines who they bank with** **

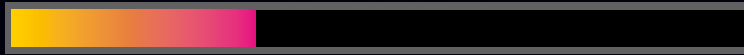


8.4 million Brits (16%) stopped using bank branches before lockdown and may never return ***

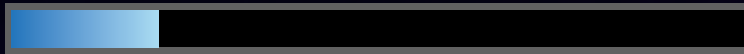
* Source: <https://commonslibrary.parliament.uk/research-briefings/cbp-8570/>

** Source: <https://www.ukfinance.org.uk/news-and-insight/blogs/digital-banking-experience-trends-2022>

*** Source: <https://www.finder.com/uk/banking-branch-usage>



More than 1/3 of adults in the UK say they **do not feel confident about managing money**,



and around 1/5 **rarely or never save***

Now is the time for building societies and banks to re-connect with their members/ customers – and it's at the heart of corporate strategies for high street names such as Lloyds and Nationwide. But how can building societies and banks better support their customers and create more meaningful connections with them, their employees, and their partners?

People-centric banking may be the answer. Taking the idea of 'customer

experience' to the next level, a people-centric bank supports, inspires, and grows a community through strong ties - and stands for trust, connection and inclusion.

It shows a genuinely people-centered approach to banking - being there for people when they need help, and focusing on supporting the customer moving forward through a connected financial community.

In this whitepaper, we examine the three core pillars of a people-centric banking experience:

- 1. Digital transformation**
- 2. Humanizing the digital experience**
- 3. Delivering an omnichannel experience**

* Source: <https://www.fincap.org.uk/en/articles/key-statistics-on-uk-financial-capability>

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DIGITAL TRANSFORMATION

There has been an explosion in digital transformation across all business sectors around the globe – and the banking industry has been anxious to keep up.

The pandemic certainly increased the speed at which transformation moved, but even prior to that, the banking industry was making huge strides to digitize its processes and customer interactions, with moves towards remote banking and cashless payments.

27%
of British adults had opened a digital-only bank account as of January 2022 – that's 14 million people

Source: <https://www.finder.com/uk/digital-banking-statistics>

The increasing digitalization of products – and the introduction of open banking and open finance, along with the success of neo banks on the market – is forcing traditional building societies and banks to innovate and restructure their products and services.

Digital transformation has become the foundation on which building societies and banks can build customer personalization. Integrating digital products and services into a streamlined in-branch experience can unlock new sources of revenue, but to fully capitalize on this, customers need to be brought along for the ride.

With customer expectations shifting and growing it can be hard for building societies and banks to know exactly what their customers want – and to move swiftly enough to incorporate this into their business processes.

CX focus and digital transformation can increase customer satisfaction by up to 30% and revenue by up to 50%

Source: <https://www.mckinsey.com/capabilities/growth-marketing-and-sales/our-insights/what-matters-in-customer-experience-cx-transformations>

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Improving the customer experience has become key for all stages of the customer journey, from acquisition and onboarding through to retention. Digitalization, which can be enhanced with open banking, enables the creation of a people-centric banking experience.

ACQUISITION & ONBOARDING

- Acquiring customers digitally from social media ads and financial communities
- Personalizing onboarding experiences to customers' preferences/circumstances
- Faster processing of KYC and AML – less onerous for consumers

SERVICE

- Freeing up time for staff to focus on building better relationships with customers, which adds value and increases customer satisfaction
- Leveraging open banking for data aggregation, to provide a single view of a customer's finances, can enable personalized communications and support
- Identifying how much customers can afford to set aside each month, then automatically transferring that amount to their savings account to enable them to grow their wealth

LENDING

- Using open banking data to improve credit scoring and allowing a safer and more accurate income verification process
- Helping to protect vulnerable consumers by giving them greater control over their finances

COLLECTIONS

- Leveraging open banking for ethical debt collection
- Access to data and insight on past-due customers' financial history and behavior
- Increasing repayment rates by enabling contact with customers on preferred channels and at a time that suits them

RETENTION

- Providing a digital community for peer-to-peer support and access to experts
- Making personalized product recommendations to meet the needs of customers
- Personalizing communications to make customers feel valued

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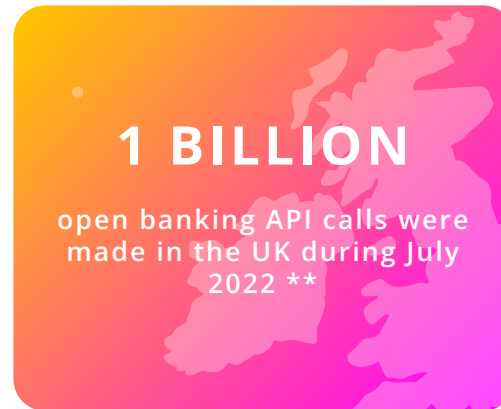
IMPORTANCE OF INVESTMENT IN THE BACK OFFICE

Back-office digitization is another key element for creating a people-centric banking experience. The majority of IT budgets are often spent on 'last mile' front-office improvements, while middle and back-office operations receive less funding, despite being crucial to performance.

Automating back-office processes – reducing manual, low value, repetitive tasks – frees up time for employees to spend with customers. This leads to more efficient employees, who feel more empowered to better serve customer needs.

HOW TO MAXIMISE THE VALUE OF APIS

The use of APIs is extending the reach of data – helping overcome some of the challenges banks and building societies may face in providing a more people-centric experience.



But some banking institutions still do not realize the pivotal role that APIs can play in their transformation journey. Cornerstone Advisors' 2022 [What's Going On in Banking](#) study for example, asked banks about their digitalization progress. More than half – 54% of those surveyed – said they were at least half-way through their transformation efforts. But, of these firms, 37% had yet to develop or deploy APIs.

* Source: Salesforce <https://www.salesforce.com/resources/research-reports/state-of-the-connected-customer/>

** Source: [https://www.statista.com/statistics/1212259/successful-calls-made-by-tpps-using-account-providers-on-banking-apis-united-kingdom/#:~:text=In%20the%20United%20Kingdom%20\(UK,successful%20monthly%20calls%20in%20July](https://www.statista.com/statistics/1212259/successful-calls-made-by-tpps-using-account-providers-on-banking-apis-united-kingdom/#:~:text=In%20the%20United%20Kingdom%20(UK,successful%20monthly%20calls%20in%20July)



From 17,000 customers surveyed worldwide, **85% of customers expect consistent interactions across departments***

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APIs don't only help with internal processes. Building societies and banks can use APIs to innovate faster in the short to medium term, and leverage non-traditional digital channels, such as social media, to reach their target customers. Key services can be unified across all channels that the building society or bank supports, providing a joined-up view of the customer and their data.

APIs also provide scalability – additional services allow building societies and banks to attract and retain more customers and members and meet the needs of their customer base.

THE IMPORTANCE OF LEVERAGING DATA IN DIGITAL TRANSFORMATION



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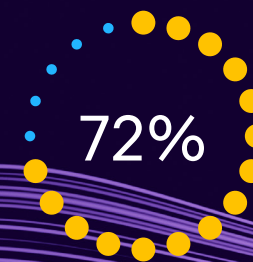
Building societies and banks face a dichotomy of wanting to be people-centric and provide human experiences, when, in reality, they are increasing the digital channels they are using to service customers. How they use AI and machine learning (ML) is central to how they can humanize the digital experience.

AI and ML applications are increasingly embedded in day-to-day building society or bank operations. For many of these, the use of chat bots, for example, will help to increase response times. But what if building societies and banks also used its AI and ML to personalize the customer approach? Feeding back information from the chatbots, for example, will give greater insight into the problems your customer is facing. Then how much closer to a people-centric bank would you be?

AI, ML and analytics enable banks to gauge customers' expressed needs. Products can be more easily tailored to meet the individual requirements of each customer or customer segment and building societies and banks can better understand customer needs and disappointments.

The more information that is analyzed, the more personalized the customer experience becomes. AI can also collect data from social networks and review websites, send personal emails to specific audiences for feedback, and more, delivering valuable customer insight to develop future enhancements.

* Source: <https://www.bankofengland.co.uk/report/2022/machine-learning-in-uk-financial-services>



of UK financial services
firms **use machine
learning** *

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How data insights can support a **people-centric banking experience**

AI-powered engagement tools can provide customers with individualized recommendations and support

Building societies and banks can gather contextually relevant insights, including peer benchmarks from similar customer segments – which can be used for individual personalization

Mining customer's interactions with their financial assistants can help building societies and banks support their customers' financial health by ensuring they take advantage of financial products that are optimized to their specific needs

Building societies and banks can become trusted advisors and advocates for their customers

AI data gathering and analysis of customer activities can help combat financial crime

USING PARTNERSHIPS AND MARKETPLACES TO DIVERSIFY AND INNOVATE

Challenger banks have been using marketplaces and API-based platforms to innovate faster. They are already focusing on CX, with data insights providing a hyper-personalized, agile approach to easily scale. But these do not need to be the exclusive purview of new entrants to the market.

Marketplaces are digitally driven, one-stop-shop platforms that focus on product or service comparisons. They enable lenders of all types to build partnerships and reach new customers, either by distributing white label services through third parties (Banking-as-a-Service), or by setting up their own marketplaces where third parties can offer their fintech solutions to banks' customers (**Banking-as-a-Platform**).

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Banks then create an ecosystem of partners, such as fintechs, providing access to their capabilities and data for others to build on and leverage the power of the cloud to increase opportunities for customers.

Banks win financially by positioning themselves at the core of their customers' lives, enabling new relationships and ensuring they become a one-stop shop for their customers' needs.

Meanwhile, customers benefit by accessing credit and flexible payment instruments conveniently and through personalized experiences. Partners can also gain access to an audience of customers ready to purchase. Lower marketing spend per acquisition is also achieved.

Banks can further boost customer engagement by integrating their marketplaces with social media platforms to ensure that their customers don't need to go anywhere else. This creates a data-driven marketplace with rigorous campaign management and optimized cross-sell and up-sell opportunities.



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In a digital world, customers expect building societies and banks to connect all the dots and deliver omnichannel experiences that are personalized, predictive and provide a seamless experience across all platforms.

Omnichannel is a step forward from multichannel banking. This focused on transactions and sought to fulfil customer needs by quickly and efficiently routing them down the easiest channel - in-branch, call centers, online banking or mobile, for example - that didn't necessarily work together with the other channels in a unified way.

According to **The Economist**,
an omnichannel strategy means customers can

"shop with smartphones, tablets, laptops and even in stores as if waited upon by a single salesman with an unfailing memory and uncanny intuition about their preferences."

Consumers want to be able to start their onboarding process with one channel, and if they choose, finish it with another - without having to repeatedly provide the same information - and they want to do this across multiple devices.

Omnichannel is a more people-centric approach to banking, enabling the customer to easily access information from any of the connected channels. A true omnichannel platform also enables real-time data synchronization and gives customers the flexibility to bank in many different ways.

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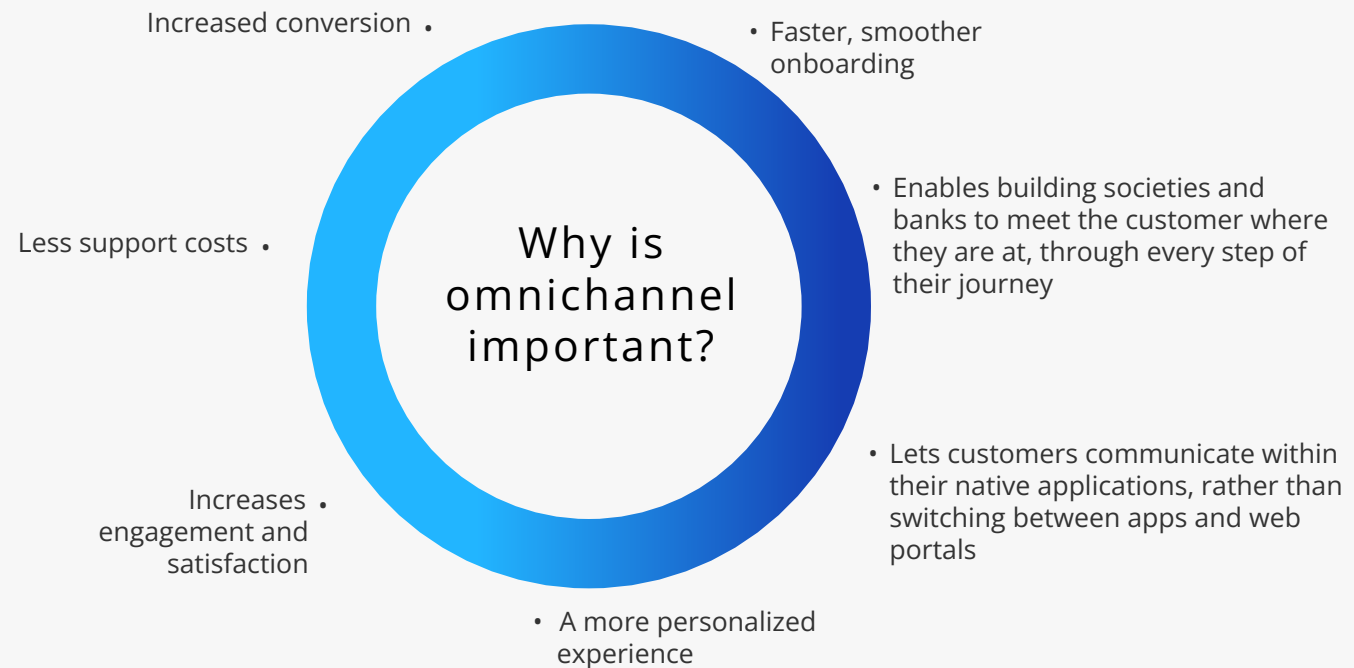
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However, it does require a complete change in direction for legacy building societies and banks, whose digital transformation may have already been held back, in part, by legacy infrastructure that is not fit for purpose.

While many building societies and banks have started the digital transformation – from traditional in-branch, single channel banking, to banking across channels – with the introduction of apps, phones, and websites, their next challenge is how to link between the channels.

Interruptions and complications in the customer journey cause frustration and could potentially see customers shopping elsewhere. To meet the digital journey standards of today, providing seamless interactions through omnichannel banking is fast becoming a requisite, not an option.



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However, implementing successful omnichannel banking strategies is not always straightforward, and building societies and banks can even risk alienating and losing customers.

To realize the customer journey across different channels, including switching between channels and real-time interactions, building societies and banks need to facilitate data exchanges between them. This requires a high level of system integration and performance. Banking requires monitoring and tracing every interaction with a customer, which means processing and managing more data, and both new and historical data will need to be stored and retrieved in real-time.

For successful implementation of an omnichannel strategy, alignment between different dimensions and a central coordination of the various initiatives is key. That means creating a customer-centric organization structure, a collaborative workforce and adaptive and agile ways of working.

* Source: Banking Hub <https://www.bankinghub.eu/innovation-digital/omnichannel-banking>



A 2020 study of European banks showed that only **24%** had the technology and data capabilities required to enable omnichannel steering *

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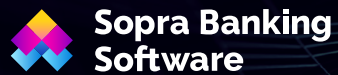
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Building societies and banks are under immense pressure to get the customer experience right. Their biggest competitive differentiator is the relationships they build. Understanding their customers' needs and responding to them as trusted advisors may mean the difference between retention and loss.

A people-centric focus can help inspire and grow your banking community, building strong ties. To do this, building societies and banks need to elevate their transformation efforts. The digital tools are there to help make it happen, but a strategic plan is needed to it in the right way.

And [Sopra Banking Software](#) can help.

Sopra Banking Software can help building societies and banks meet today's digital journey standards and succeed in digital transformation by providing seamless omnichannel experiences. Enrich customer interactions and allow for comprehensive, personalized experiences with Sopra Banking Software.



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Sopra Banking Software is the partner of choice for more than 1,500 financial institutions worldwide. The rich variety of our solutions, the strength of our conviction and our passion for innovation enable us to support our clients on a daily basis and in their future projects, as well as in their goals regarding financial inclusion. Our customers, based in over 80 countries around the world, benefit every day from our technologies and software, as well as the expertise of our 5,000 employees. Sopra Banking Software is a subsidiary of the Sopra Steria Group, a European leader in consulting, digital services and software development. With more than 47,000 employees, the Sopra Steria Group generated a turnover of €4.7 billion in 2021.

To find out how we can help your bank to create market-beating digital transformation strategies, visit www.soprabanking.com or contact us at hello@soprabanking.com

