



The Advice Advantage

How Banks Can Close the ‘Value Gap’ and Regain Customer Trust

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Key Insights

- Customers are **getting less value** from their banks than they expect. A “value gap” emerges when customers do not receive financial advice when and where they need it. In fact, many customers feel they’re left to choose between bad financial advice and no advice at all. As a result, they often try to attain their most important financial goals on their own – or seek help from other providers.
- Since the financial crisis of 2007-2008, customers have questioned their banks’ motives. Our study revealed that 28 percent of bank customers globally **do not trust banks** to represent their best interests. As a result, many banks have lost **brand equity**.
- This lack of value and trust has led to a breaking point: nearly **one in four bank customers intend to choose another provider** for their next financial product or service. Increasingly, this could be a non-bank such as Apple, PayPal, or a retailer. What’s more, **four out of five customers would trust a non-bank** to handle their banking needs. These disruptive competitors succeed where **banks fail**: by engaging customers with convenient transactions and proactive services.
- Through new services enabled by the Internet of Everything (IoE) – the networked connection of people, process, data, and things – banks can **close the “value gap”** and regain trust. We tested consumer interest in five banking concepts enabled by IoE that closely **align to banks’ core strengths**: their physical branches, financial expertise, and rich customer data.
- Despite their vast stores of customer and transaction data, many banks have **failed to turn that data into actionable customer insight**. The test concepts address this shortcoming by focusing on ways to **deliver better advice** (virtual financial advice, virtual mortgage advice, automated investment advice) and more valuable **mobile services** (branch recognition, mobile payments).
- The concepts resonated with customers globally: **75 percent** of all respondents would **move their money for one or more of the five concepts**. In **emerging markets**, respondents are twice as likely to move their money.
- To implement these concepts, banks must first create frictionless interactions with their customers by moving from an archaic, paper-based approach to a **fully digitized business process**.
- By implementing the five tested concepts, banks can realize **bottom-line profit increases ranging from 5.3 percent in Germany to 15.2 percent in China**. This is the first step for banks in capturing a much wider opportunity: Cisco estimates \$1.3 trillion in IoE-related Value at Stake for the financial services industry from 2013 to 2022.

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“If banks aren’t digital ... they’re going to be dead in the water.”

Chris Skinner
Author, *Digital Bank*

About This Study

To understand how IoE is impacting the industry and what banks can do to capitalize on the opportunity, Cisco Consulting Services undertook a comprehensive global study, including:

1. Survey of **7294 smartphone users and bank customers**, ages 18 and up, in 12 countries: Australia, Brazil, Canada, China, France, Germany, India, Japan, Mexico, Russia, United Kingdom, and United States.
2. Interviews with **Chris Skinner**, author of the influential *Finanser* blog and the book *Digital Bank*; **Jerry Silva**, research director, global retail banking, IDC Financial Insights; **Brett King**, CEO of *Moven*, a mobile-only bank; and **Adam Nash**, CEO of *Wealthfront*, an automated financial advisory service.
3. **Economic modeling** of the costs and benefits of applying IoE-enabled technology, based on insights from Cisco Consulting Services’ engagements with banks.

Introduction

Across the globe, banks have faced a wide array of challenges in recent years. At a time of rapidly changing consumer expectations, upstarts from outside the traditional banking industry have used technology to disrupt incumbents.¹ Today’s customers demand banking experiences that are not only convenient but contextual, reflecting their current situation, likes, dislikes, and future plans.²

As banks have failed to meet these needs, customer trust³ has also fallen – a situation worsened by the global financial crisis of 2007–2008 and by widely publicized banking scandals.⁴ During this time, a “value gap” between banks and their customers has continued to widen and brand equity has fallen.⁵ In effect, customers are reaching out to banks for financial guidance, but many are receiving either no advice or what they perceive to be bad advice.

However, through the convergence of digital technologies such as mobility, analytics, and video, banks can return to what they once did best: offering advice to customers and guiding their financial decisions. Banks can use their size, physical branches, financial expertise, and rich customer data to great advantage; they can now offer contextual advice through a wide portfolio of offerings at scale, reaching more customers, at more times, in more places, and with more relevant information than ever before. This is what we call the “advice advantage.”

There are few spaces as ripe for technology-led disruption⁶ as those pertaining to how people relate to their money. If banks fail to transform, they risk leaving millions of dollars in annual profit on the table. Indeed, if banks take no action, other players will. Already, innovators such as *Google*, *Amazon*, *Apple*, *PayPal*, and *Square* in the United States; *iZettle* and *Zopa* in Europe; and *Alipay* in China are challenging banks in novel ways. This has surprised banks, many of which believed in the strength of their brands, and thought customers would be reluctant to trust new entrants. Instead, customers have embraced low-cost, technology-driven business models, and banks are losing revenue in crucial businesses such as lending and payments. Cisco’s IoE Value Index found that financial services companies are leaving 39.5 percent of IoE-related value on the table, in part because they have not fully digitized their business processes. By 2020, more than 30 percent of banking revenues could be at risk thanks to disruptive competitors and new kinds of technology.⁷ In 2013, more U.S. bank branches closed than ever before.⁸

Many banks have already made important investments in technology, yet their strategies have not adequately changed. Though many organizations have digital business transformation initiatives planned or underway, Gartner predicts that only 30 percent of these efforts will be successful.⁹ And while banks have succeeded

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“The key to evolution for financial services today is understanding where their customers are, what they’re doing, and then what they want. I’ve seen a lot of institutions that don’t even have a clear understanding internally about what they’d like to sell, how much they’re selling to the consumers, and what kind of value they’re providing.”

Jerry Silva
Research Director, IDC Financial Insights

in speeding transactions and lowering costs, many have conceded their prime position as a source of trusted advice and financial guidance – or have priced themselves out of that position for the majority of their customers.

To help banks through this transition from a physical to a digital world, Cisco surveyed more than 7200 bank customers across 12 countries, testing reactions to several IoE-enabled concepts that banks can use today to close the value gap. Five of these concepts (virtual financial advice, virtual mortgage advice, automated advice, branch recognition, and mobile payments) can create an average bottom-line profit increase of 5.6 percent for a bank with \$5 billion in annual revenue (\$10 billion for U.S. banks).¹⁰ At a time when many banks strive to improve profitability by even 1 percent annually, this is a significant opportunity. Moreover, our economic analysis shows a revenue-upside and profit-increase opportunity for banks in all 12 countries surveyed. The upside is higher in emerging economies, with a 15.2 percent profit-increase opportunity in China, and 10.9 percent in Mexico and India. It is still significant in developed economies, with profit upside potential of 5.3 percent for a \$5 billion German bank, and 5.5 percent for an equivalent French bank.

Our five concepts represent the beginning of a much wider opportunity: \$1.3 trillion in Internet of Everything-related Value at Stake¹¹ for the financial services industry from 2013 to 2022.¹²

Banks Have Lost Value and Trust

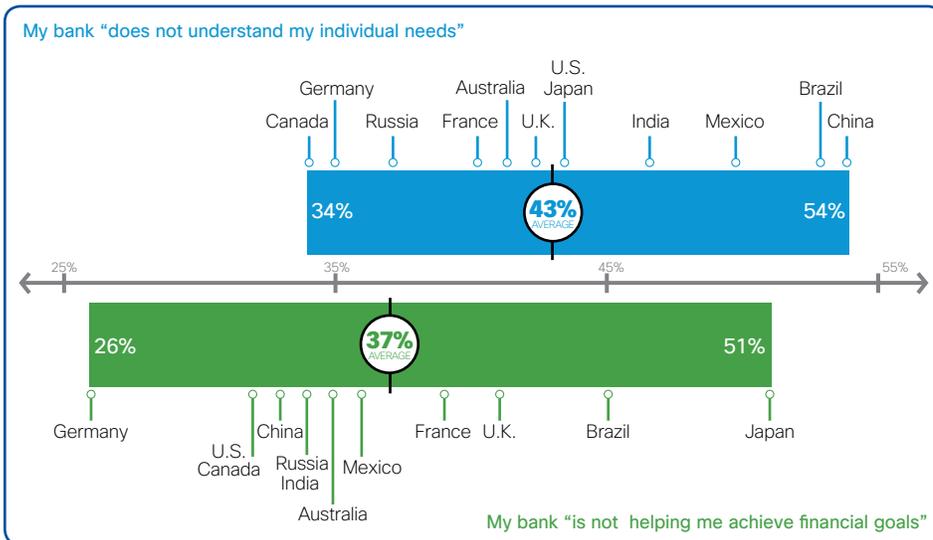
A 'Value Gap' Is Upending the Global Banking Industry

The disconnect between banks and customers has reached a critical point. As this “value gap” continues to widen, many customers feel that banks are becoming

less relevant to their financial lives. Banks do not know their individual needs and fail to provide the tailored advice customers require to manage their finances successfully. In short, there is a “gap” between the value customers need from banks and what they feel they are getting.

When banks cede their position as financial partners, their customers begin to view them as interchangeable – if not disposable – providers of commodity transactions. As **Figure 1** illustrates, this “value gap” extends across every country we surveyed.

Figure 1
“If you don’t know me, how can you help me?”



Source: Cisco Consulting Services, 2014

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Globally, 43 percent of customers say their primary bank (i.e., where they conduct their most common banking transactions) does not understand their individual needs. Bank customers in China (54 percent), Brazil (52 percent), Mexico (49 percent), and India (46 percent) feel especially estranged from their banks.

If banks do not know their customers as individuals, they cannot address their customers' financial needs and aspirations. Thirty-seven percent of respondents say that their banks are not helping them achieve their most important financial goals. On average, banks have a weak relationship with nearly 40 percent of their customers, especially those in Japan (51 percent), Brazil (45 percent), and the United Kingdom (41 percent).

"The role of the banker is to give you advice," says Moven's Brett King. "The reality is banks don't advise customers these days." From the customer's point of view, advice means receiving guidance to meet their personal financial goals. These goals include saving enough for retirement, buying a home, increasing investment returns, setting a budget, and getting out of debt. Advice also includes support in making decisions, following processes, and selecting products that help customers attain their chosen goals.

Our findings confirmed King's assertion. Sixty percent of bank customers do not receive any advice on their banking products or investments from a financial professional, such as a bank employee or investment advisor (see Figure 2).

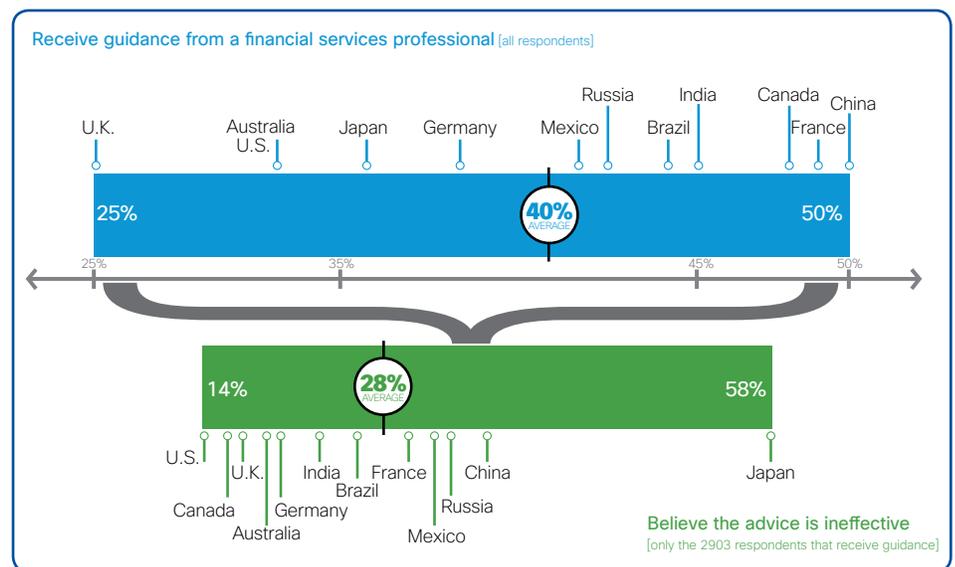
The failure of many banks to provide high-quality advice is at the heart of the "value gap." Most bank customers are going it alone as they attempt to set and follow a financial plan, select investments, or even choose the right credit card. Particularly alarming for banks and their customers is that among the 40 percent who do receive advice from their banks, 28 percent believe they would be better off without it. The problem of ineffective financial advice is especially acute in Japan (58 percent), China (36 percent), Russia (33 percent), Mexico (32 percent), and France (30 percent).

As a result of these factors, nearly one in four customers (24 percent) plan to bank with another provider for their next product or service, with the highest percentages in Japan (31 percent), India (30 percent), and Mexico (28 percent) (see Figure 3, next page). About half of bank

"I don't think you can view it as a demographic, age-based offer, because that's a mistake. You know, there's plenty of cool silver surfers who are far more digital than some of the millennials."

Chris Skinner
Author, *Digital Bank*

Figure 2
For many customers, it's a choice between no advice and bad advice.



Source: Cisco Consulting Services, 2014

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"I don't think the institutions quite understand that data analytics is not just for reaching out to get more business, but reaching in to be more relevant."

Chris Skinner
Author, *Digital Bank*

customers in developed countries and nearly 85 percent in emerging markets opened a new banking product or service last year.¹³ As a result, banks stand to lose significant revenue.

The upshot of the value gap is that banks have forfeited a privileged relationship with many of their customers. The field is now crowded with alternatives, and it is easier than ever for customers to compare services and switch.¹⁴

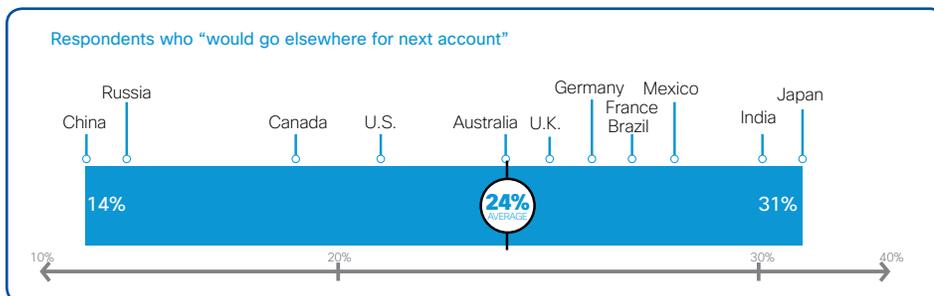
Banks Have Forfeited Their Status as Trusted Advisor

For decades, banks have counted on customer trust and the value of their brands to differentiate themselves from competitors – both rival banks and upstarts from other industries. The global financial crisis of 2007–2008, caused in part by misuse of the trust customers placed in them, badly damaged banks' credibility. A number of country-level scandals, ranging from "mis-selling" in the United Kingdom¹⁵ to major Japanese banks lending to organized crime¹⁶, have reinforced the perception that banks serve their own, rather than their customers' interest. These crises and scandals have had a lasting effect: 28 percent of bank customers do not trust their primary bank to represent their best interests. The value of their brands has fallen along with customer trust. In 2009, one year after the financial crisis, the world's top 500 brands saw their brand equity drop by 32 percent. For many banks, their value has yet to recover from pre-crisis levels.¹⁷

The value gap is making it harder for banks to regain customer trust. When customers engage with their banks, many are not getting good advice or meaningful interactions. Customers feel as if they are being sold products by unskilled, front-line staff, rather than being engaged in a dialogue about their financial goals. In addition, many banks have converted overdraft fees and other fines into major sources of revenue – \$32 billion in the United States alone in 2014¹⁸ – causing customers to feel exploited.

In the meantime, an influx of new competitors is beginning to displace banks. Armed with business models that use technology to deliver highly scalable, differentiated, low-cost services, these competitors have quickly gained traction with customers. These "non-banks" include technology companies such as Apple and Google; "neo-banks" that specialize in mobile or online banking, but without a bank charter (e.g., [Simple](#), [Moven](#)); payment companies (e.g., [PayPal](#)); peer-to-peer lending firms (e.g., [Zopa](#)); asset managers that offer automated investment services (e.g., [Wealthfront](#)); and retailers that provide branded financial services, such as [Tesco](#). Fully chartered digital-only banks are also emerging, such as [Atom](#)

Figure 3
Customers are ready to move money.



Source: Cisco Consulting Services, 2014

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Bank in the United Kingdom and BankMobile in the United States, which plans to become the “Uber of banking.”¹⁹

Eighty percent of customers surveyed said they would trust a non-bank for traditional banking products such as checking accounts, credit cards, and mortgages (see Figure 4). A stunningly high percentage of customers in Brazil, Russia, India, China, and Mexico (which we refer to as “BRIC+M” countries) trust non-banks, as do a strong majority in developed countries.

Cultivating trust is an essential growth strategy for non-banks, which rely heavily on customer referrals. As Wealthfront’s Adam Nash stated, “Almost all of the growth of Wealthfront today has been through referrals, ‘word of mouth,’ or online referrals from existing clients. So, when you have a millennial investor, or even an older investor, one of the ways that they find trust in a service is to ask, ‘Who else do I trust that already uses the service?’”

Banks will need to cultivate a similar level of trust by reconnecting with their customers in ways that deliver real value.

“We see the older generations picking up technologies like tablets and smartphones much more than we ever have. Self-service kiosks and ATMs are getting much more advanced in terms of their functionality, and the older generations, the baby boomers, are picking up and adopting those technologies just as well as the millennials.”

Jerry Silva
Research Director, IDC Financial Insights

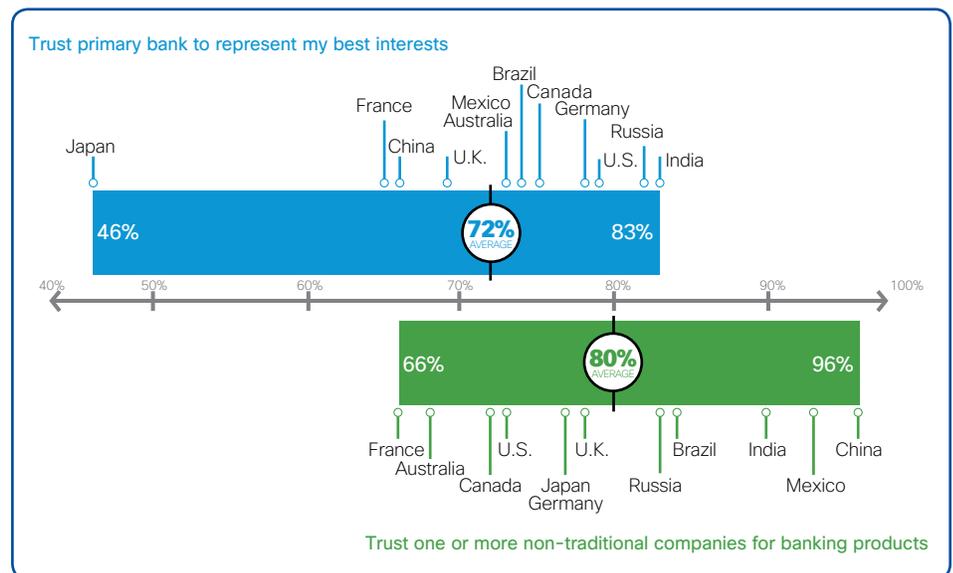
Closing the Value Gap and Regaining Trust

Forge a New Customer Relationship: Focus on Digital Behaviors, Not Demographics

Adam Nash’s comment, however, goes beyond the issue of trust. As he stresses, age alone does not explain consumer attitudes toward banking. These days, many older banking consumers are comfortable with tablets, smartphones, and apps. Conversely, although younger customers came of age during the era of near-ubiquitous connectivity, some still prefer branch interactions. Consumers of all ages increasingly expect elegant and robust digital experiences from all companies, including banks. If banks are to see the big picture, an understanding of digital behavior – across all age groups – is critical.

The alienation of Gen Y (defined as 18- to 34-year-olds) should be a major concern for banks. According to Cisco’s 2014 study of U.S. financial trends,²⁰ more Gen Y’ers make decisions alone, without external help, than any other age group (60 percent, compared to 51 percent for all others). Compared to all other age groups, Gen Y is also nearly twice as likely to be frustrated with its primary bank (59 percent to 34 percent).

Figure 4
Banks have lost their privileged position of trust with customers.



Source: Cisco Consulting Services, 2014

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“The smartphone has changed the way consumers are behaving in respect to day-to-day banking. And it’s the most dramatic shift in banking behavior that we’ve ever seen.”

Brett King
Founder/CEO, Moven

Globally, the generational difference is less apparent but still notable. Forty-seven percent of all respondents go it alone financially. Fifty-five percent are frustrated with their primary bank, including 60 percent of Gen Y and 56 percent of Gen X.

In exploring emerging U.S. segments, however, Cisco’s U.S. study illustrated a wide range of digital behaviors across age groups – from the entirely mobile to the more branch- and web-intensive. Gen Y, for example, proves to be far from monolithic and predictable in its digital behavior, and an important subset within Gen Y still favors in-branch experiences. Furthermore, in a [2015 study](#) of retail consumers,²¹ Cisco uncovered similar trends in “microsegmentation” and what has been called “post-demographic consumerism.”²²

Behavior-based segmentation will differ across countries and cultures. The bottom line is that banks that better engage with individual segments by understanding their needs and digital behaviors will move ahead. Those that then implement the loE-enabled concepts that resonate best with each group (or sub-group) will win. Banks that fail to connect with all of these segments leave value on the table and risk missing key opportunities.

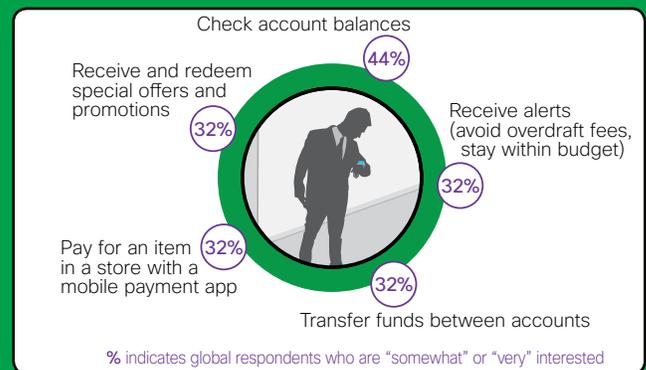
Capture Customers or Lose Them

Banks are not just leaving potential value on the table; they risk losing customers who are seeking better advice and more relevant mobile experiences. These

‘Wearables’ that Connect to the Bank

Customers are ripe for engagement with banks through wearable devices. Sixty-three percent of bank customers globally are interested in using a smartwatch for mobile banking and payment services, including 93 percent in China. The ability to check balances – a basic mobile banking function – was the most appealing smartwatch service. But customers, especially in BRIC+M countries, see the potential of contextual services, including redeeming special offers, making payments, and receiving proactive alerts.

Bank customers are even ready to use wearable devices to share their most personal information in exchange for products tailored to their lifestyle choices. Fifty-one percent of respondents would be interested in a life or health insurance product that tied its rates to healthy habits tracked on a wearable device such as a Fitbit. In addition, 61 percent expressed interest in auto insurance that would use GPS data to determine driving habits, while offering safe drivers lower premiums, similar to Progressive Snapshot. By using the mobile device to collect highly personal information, customers gain a distinct benefit – the right policy, at the right price.



Respondents rated these services and benefits most attractive.

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customers are willing to “move their money” – that is, to open new accounts and invest their assets – to access the kinds of relevant advice and customer experiences that they increasingly expect and demand. In short, customers want these services, and they are willing to take their business to other providers if their own bank does not offer them. These are precisely the kinds of services that innovative disruptors and some forward-looking banks are already offering.

But all banks have an opportunity to capture new value. Our study focused on IoE-enabled capabilities that will help banks close the value gap by delivering scalable, high-quality financial advice and context-specific mobile interactions.

Figure 5 shows the percentage of all respondents who would “move their money” for each of the IoE-enabled advice concepts that we tested.

These findings apply especially in BRIC+M countries, where customers showed strong interest in using technology to improve their banking experience. In China, for example, 93 percent of respondents said they would open new accounts or shift assets to access at least one of the three advisory services.

While the interest from developed countries is not as high, banks that operate in these markets still have strong opportunities to close the value gap. Already, some companies in financial services and retail are applying these concepts to increase customer engagements. For example, U.K.-based Nationwide Building Society²³ has deployed an advisory solution that connects banking customers with remote financial experts.

Similarly, the two main mobile concepts that we tested – branch recognition and mobile payments – were shown in our survey to drive clear competitive differentiation. As **Figure 6** illustrates (next page), 65 percent of bank customers globally would open a new account (or open one at a competing institution) to use one or more of these IoE-enabled mobile services.

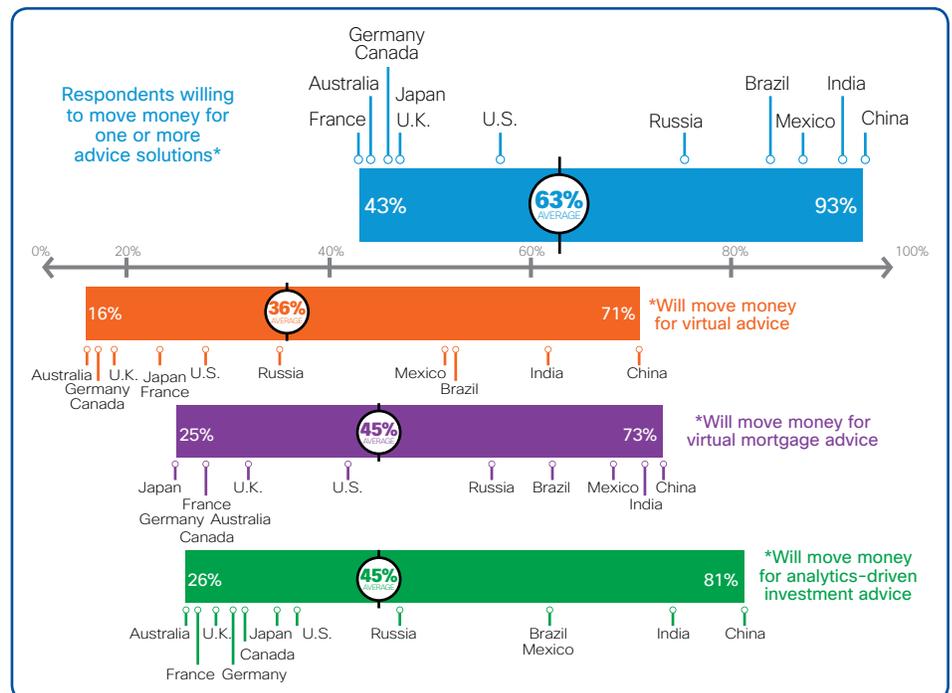
Fifty-six percent of respondents – 80 percent in Russia, Mexico, China, and India – would “probably” or “definitely” open an account with a bank to use a mobile payment system if it had the capabilities they wanted. As with IoE-enabled advisory services, the



Learn how Cisco Remote Expert Solution helps Nationwide improve customer service while beating mortgage market competition. <https://www.youtube.com/watch?v=r0iH9r6QJO8>

Figure 5

Globally, more than 60 percent of respondents would move money for IoE-enabled advice.



Source: Cisco Consulting Services, 2014

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For more insights, please visit <http://cs.co/fsi-digitize>

willingness to move money is strong in developed countries as well, but pales in comparison with BRIC+M countries.

IoT-Enabled Banking Concepts that Will Close the Value Gap

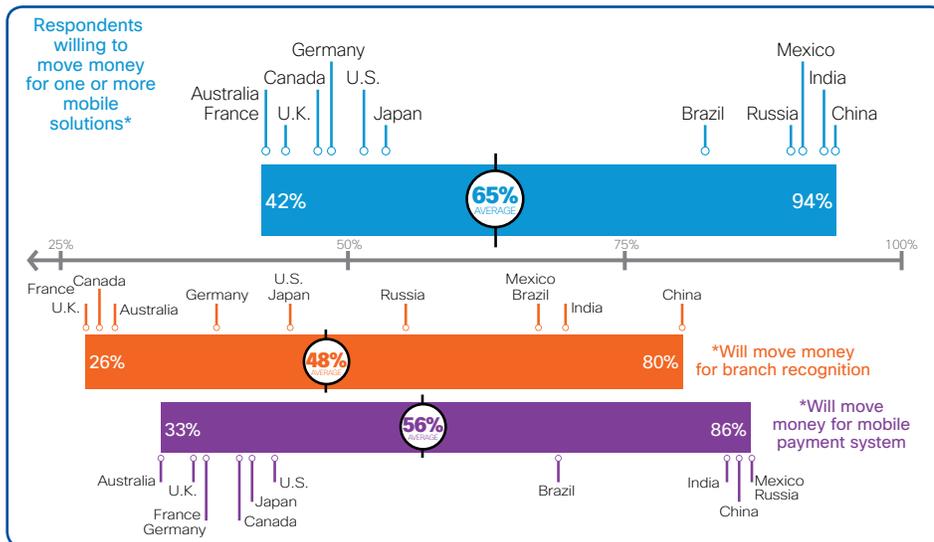
As banks address the value gap and begin to restore trust, they should explore two main categories of IoT-enabled concepts: 1) advice and 2) mobility/branch recognition. In our survey, we focused first on advice: virtual financial advice, virtual mortgage advice, and automated advice. Then we examined mobile solutions: specifically, branch recognition and mobile payments.

Advice Concepts

Advice has long been a fundamental part of banks' relationships with their customers. Customers were once accustomed to entering the branch and sitting with a trusted advisor to discuss their most important financial concerns – sometimes over a cup of tea. Through technology – coupled with their branch assets and financial expertise – banks have an opportunity to restore some of that value, but to offer it to a much higher percentage of customers. In the meantime, banks' inability to deliver financial advice profitably at scale has left many customers without guidance. It also leaves banks vulnerable to competitors that specialize in providing such advice. Even high-net-worth customers cannot be served exclusively through in-person, face-to-face interactions. The future of advice is digital, mobile, and scalable: whether the solutions provide virtual interactions with human advisors augmented by analytics, or they skip the human element altogether to leverage only analytics. The following IoT-enabled concepts

we tested can help banks transition toward this future.

Figure 6
Respondents are willing to move money for mobile solutions.



Source: Cisco Consulting Services, 2014

Virtual Financial Advice: With this capability, banks can offer advice from a financial expert via video collaboration, from a bank branch or other location to any device the customer chooses. Increasingly, bank interactions occur through digital channels, rather than in-person. Virtual financial advice leverages video-based collaboration, as well as data integration and analytics, to provide financial experts with the data they need to deliver high-quality advice.

Virtual Mortgage Advice: This is a specific type of "Virtual Financial

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Advice” in which customers engage with mortgage specialists to complete an end-to-end “frictionless” mortgage origination process from any branch. A large part of the mortgage approval process, including digitized documentation and signatures, can be completed via virtual meetings.

Automated Advice: This capability features customized investment advice and portfolio management that is delivered entirely through software-based analytics, without the involvement of human financial advisors. Wealthfront is an example of this type of service.

What Customers Want from Virtual Advice

Virtual financial and mortgage services can help banks reduce the costs of delivering advice, while helping them bridge the “value gap.” But to capitalize on these opportunities, banks must deliver high-quality interactions. The following concept test results provide customer preferences for banks to consider as they adopt new loE-enabled advice solutions.

“What’s really going to change this space is that the best advice is advice in real time.”

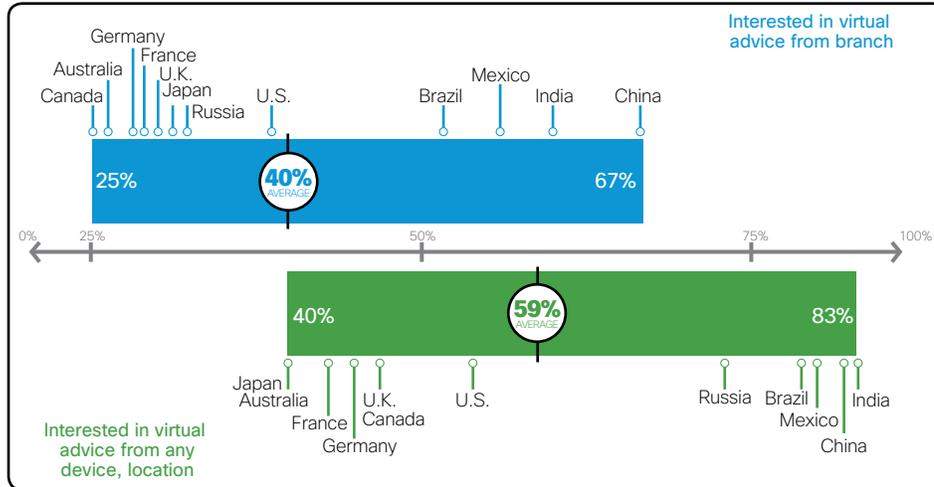
Brett King
 Founder/CEO, Moven



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Figure 7
Customers want virtual advice from branches and from any device, anywhere.



Source: Cisco Consulting Services, 2014

Customers Want More Choice and Flexibility from Virtual Advice.

Globally, nearly two-thirds of bank customers are interested in virtual financial advice from the location and device of their choice (see [Figure 7](#)). The flexibility of meeting with a financial expert from any location and any device is compelling for bank customers. It brings the branch directly to the customer's smartphone, tablet, or laptop, eliminating the need for travel. In BRIC+M countries, where congested urban areas and fewer locations can make travel to branches time-consuming, the "anywhere, any device" option was especially popular.

Forty percent of customers were interested in receiving virtual financial advice from the bank branch. Customers are visiting branches less frequently as they adopt digital channels,²⁴ especially mobile banking.²⁵ The percentage of customer transactions that take place in the branch will continue to decline, particularly as

Examples of IoE-Enabled Financial Services

Banamex Banamex

Starting in 2013, the bank began opening its [Banamex Smart Banking Kiosks](#) in shopping malls in Mexico. The size of a small retail store, each 24/7 digital branch integrates ATMs, tablets, touchscreens, video walls, teleconferencing, and a virtual hostess to deliver a completely digital financial self-service experience.

The result is a high-speed, cost-efficient digital banking experience that performs 80 percent of a regular branch's transactions, with higher satisfaction levels.

More: [Digital Signage Connection](#)

Wealthfront wealthfront

[Wealthfront](#) is a low-fee automated financial advisory. It touts passive investing and tax-loss harvesting as hallmarks of its efficient, low-cost investing style. Customers are allocated a portfolio that matches their stated risk and investment goals.

Wealthfront's business strategy is to attract millennials, who often cannot afford a traditional firm, but whose collective wealth will nonetheless overshadow that of boomers in the next five years.

More: [InvestmentNews](#)

Mint.com mint

[Mint.com](#) allows its users to create a summary of their spending habits, build a budget, and monitor performance against personal financial goals. It does this by connecting securely to members' various bank accounts and showing all available financial data on a single dashboard.

It also uses Intuit software to manage members' account details. Mint.com shows targeted ads to its users that are related to their goals and financial situation.

More: [Target Marketing](#)

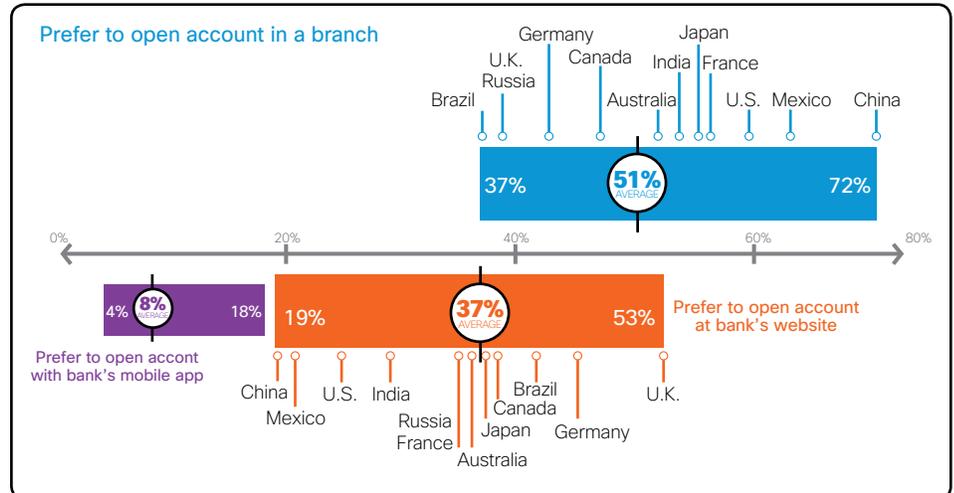
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Figure 8
It pays to stay physical.

customers become more comfortable with the security of digital banking. Despite the drop in customer visits, the branch remains a vital way for banks to interact with their customers and sell products. Our research found, for example, that 51 percent of customers globally prefer to open new accounts through the branch, including 72 percent in China and nearly 60 percent in the United States (see **Figure 8**).

Globally, bank customers visit branches an average of 1.6 times per month, with Mexico (2.7) China (2.4), and Brazil (2.2) all above two visits per month. Virtual advisory services can help banks maximize the impact of these visits, and the value of their branch networks. Customers can get the expertise they require at the branch location of their choice.



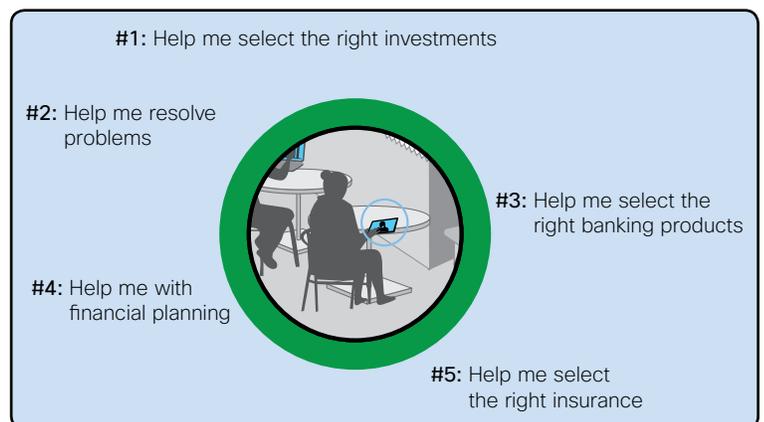
Source: Cisco Consulting Services, 2014

Customers Want Greater Depth of Expertise from Advice as Financial Products Grow in Complexity. When we asked respondents to identify the types of services they would be most interested in receiving via virtual meetings, it became clear they wanted to “see” someone who has the expertise and authority to help them with complex issues.

Two of the top five responses – selecting investments and financial planning – are traditional wealth management services (see **Figure 9**). This finding validates Cisco’s 2011 and 2012 studies on the future of wealth management.²⁶ Customers of all asset levels want help with their investments and financial planning, and they view technology-enabled meetings with wealth managers as an attractive solution. Because the costs are otherwise prohibitive, banks tend to provide in-person investment advisory and financial planning services to a small fraction of their clients. Virtual meetings, however, allow banks to scale financial advice, enabling them to serve many more customers profitably, including those with lower asset levels.

Problem solving was another area of customer interest in virtual meetings. When a customer has a problem with his or her account, especially when the matter is urgent or involves disputed charges, there is no substitute for an in-person meeting with an employee who can resolve the issue. Many of our respondents would be happy to resolve such problems in a virtual meeting.

Figure 9
What customers want most from virtual advice.



Source: Cisco Consulting Services, 2014

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“Instead of waiting for the customer to come to us and ask for advice, we now know, through the data, the best times that we can give them advice that will really make the most impact.”

Brett King
Founder/CEO, Moven

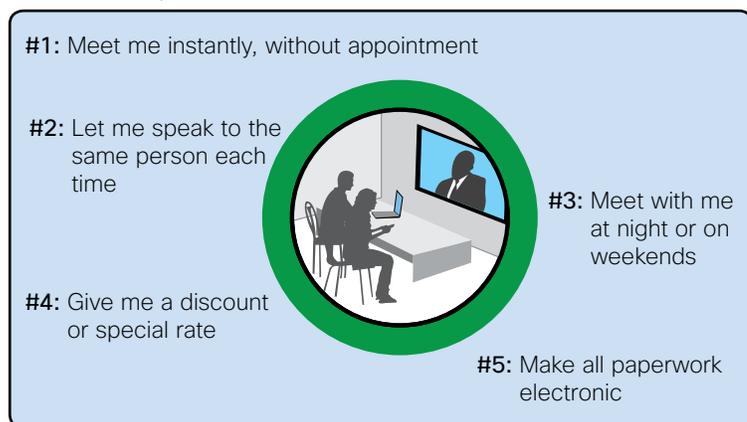
Finally, banks can use virtual meetings for cross-selling and up-selling. Customers often have trouble navigating the complexity of bank and insurance products. Many banks offer a wide, even confusing variety of options for basic accounts and credit cards. Customers said they want help selecting the right combination of products that will help them reduce fees, obtain the best interest rates, and accumulate loyalty points for things they care about.

Customers Want Anytime, Anywhere Access to Advice. When asked about what makes virtual advice appealing to them, respondents' top choice was the ability to meet with a financial expert without waiting or scheduling an appointment (see **Figure 10**). Whether they are in the branch or connecting via the device of their choice, customers expect instant access. They also want to have a relationship with their virtual advisor, and prefer to speak to the same person each time. Barclays Bank, for example, has rolled out virtual advisory services that are available on PCs, tablets, or smartphones. Whenever possible, the service connects customers to an advisor with whom they are already familiar.²⁷

Customers Want Relevant Advice. Video alone will not equip banks to deliver the quality of advice that customers want and expect. Virtual advisory services must combine video collaboration with analytics to help financial experts tailor their recommendations to each customer's circumstances, including financial goals, risk profile, net worth, and the financial products the customer already has. Typically, banks have employed video to provide customer advice. However, IoE can offer a much more relevant and contextual virtual experience, supported by analytics. Our survey findings are consistent with the view of Brett King, who believes that many customers do not get good advice on a consistent basis. One solution is to provide analytics to financial professionals as they guide the customer. “That's certainly a place where the algorithms (i.e., analytics) can make dramatic improvements in consistency,” King stated.

Customers Want Advice Delivered in a Convenient, Secure Manner. The ability to complete an entire transaction digitally is central to the virtual mortgage advice concept, and to the appeal of virtual advisory services in general. Customers expect to sign all of their paperwork and submit documents digitally when they are interacting in a digital setting. Customers were equally clear that virtual video advisory services had to be secure. When we asked what would make respondents most hesitant about using virtual advisory services, security fears topped the list in 10 of the 12 countries surveyed.

Figure 10
Customers favor virtual meetings for convenience, discounts.



Source: Cisco Consulting Services, 2014

What Customers Want from Automated Investment and Money-Management Advice

A growing number of banking customers believe that expert investment advice does not need to come

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from an individual human being. Some would be willing to use a service in which analytics – rather than wealth managers – select and manage their investment portfolios. We examined this in two different contexts: 1) investment advice and 2) how automated services could provide additional guidance on financial decisions and daily money management.

The increased availability and popularity of exchange-traded funds, and the volatility of financial markets in the last decade, have convinced many investors that their best option is to pursue market returns at the lowest cost. Indeed, low fees were the top benefit of the automated investment advisor service, according to our respondents.

When we asked respondents what they liked best about the automated investment advisor service, the following rose to the top:

Low fees. One of the most effective ways investors can improve the performance of their portfolios is to reduce the fees paid to financial advisors. The low-cost business model of automated investment advice struck a chord with value-conscious customers. (Globally, 21 percent preferred this benefit.)

Better performance. Many respondents believe that an automated investment service will produce better returns than they could get with a human advisor. In fact, avoiding costly errors made by human advisors was one of the biggest draws. Moreover, they felt that they would have more transparency about the actual performance of their investments than they get from traditional financial advisors. (Favored by 13 percent.)

Improved diversification of investments. Investors feel that the automated advisor service will enable them to have a more diversified portfolio of investments. Automated rebalancing, which is included in such services, provides another advantage by helping customers maintain the ideal balance of investments over time. (Preferred by 9 percent.)

In the same way that automated investment advice can help customers optimize their investment portfolio, automated services can help customers navigate important financial decisions, manage their money, and automate personal banking tasks.

When we asked survey respondents which services would interest them most, the following five rated highest among automated solutions that banks can present for managing money:

- Build savings by moving a percentage of every transaction into a savings or investment account
- Analyze retirement savings requirements
- Forecast future financial health based on historical income and spending patterns



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“The best advice is advice in real time. Sure, there will be times when we will still need a face-to-face interaction. But the most powerful advice is advice that can help you right now to make a critical decision.”

Brett King
Founder/CEO, Moven

- Automatically set a weekly budget based on upcoming bills and goals
- Benchmark financial performance (e.g., savings, investments, and spending) against that of other people with similar circumstances (e.g., age, income)

As with automated investment advisor, these services are highly scalable and can be profitably extended to a wide range of customers. Despite their low cost, they give customers actionable, data-driven recommendations. If provided by human financial advisors, only a small percentage of affluent customers would qualify.

Perhaps most important, with analytics, banks can deliver contextual, proactive financial advice, when and where it is most effective. In fact, 80 percent of respondents were interested in using at least one of the analytics-driven online or mobile service concepts to make financial decisions and manage their money, including 95 percent or more in China and Mexico (see [Figure 11](#)).

Contextual Mobile Experiences

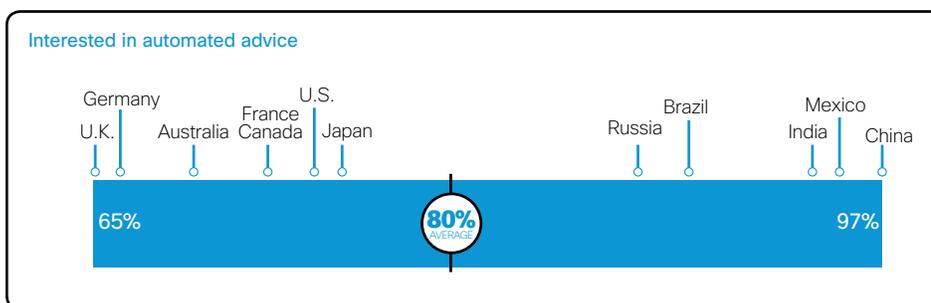
How Mobility, Convenience, and Efficiency Create a Higher-Value Customer Relationship

For banks in the IoE economy, mobility and advice are closely linked concepts. Mobility offers banks an opportunity to reclaim their traditional role of providing advice and guidance, but in nontraditional ways. Increasingly, customers expect the banking interaction to be integrated seamlessly into their current context, whether they are buying an item in a store or searching for a new home. These contextual mobile experiences are where new competitors shine, and where many banks are behind the innovation curve.

“Neo-banks” such as Moven offer services that provide real-time guidance, such as helping customers track spending and stay on budget in real time as they shop. Some large banks are launching “mobile only” brands, such as BNP Paribas’ Hello Bank! concept.²⁸ Even these offerings tend to be transactional in nature, and are rapidly superseded by start-ups. For example, Number26 in Germany allows customers to open an account online in eight minutes, verified by taking a live image of the account holder displaying his or her passport. There are no account

fees, and international payments and withdrawals are free.²⁹ Without adding value beyond basic mobile accounts and transactions, banks will find it increasingly hard to compete with disruptors who charge low – or even no – fees to their customers.

Figure 11
High interest in automated advice, especially in BRIC+M countries.



Source: Cisco Consulting Services, 2014

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With this in mind, we tested two IoE-enabled concepts that add value in the course of common activities: visiting a bank branch and making purchases.

Branch recognition: Once customers opt-in to a branch recognition service, the bank could identify them as they approach the branch via a mobile banking app on their smartphones. Upon entering the branch, customers would receive priority service and other benefits.

Mobile payments: Customers were asked which types of value-added capabilities they would want as part of a mobile payment system, including the ability to get deals, to pre-order items, and to receive banking alerts.

What Customers Want from Branch Recognition

Many customers continue to consider the physical branch an important source of value. For banks, the branch can drive differentiation from disruptive, online competitors. But banks will need to update the physical branch to merge physical and virtual attributes.

For several years, banks have tested services that recognize customers as they enter the branch, starting with RFID cards. But branch recognition services have yet to enter the mainstream. Our research shows that bank customers want to

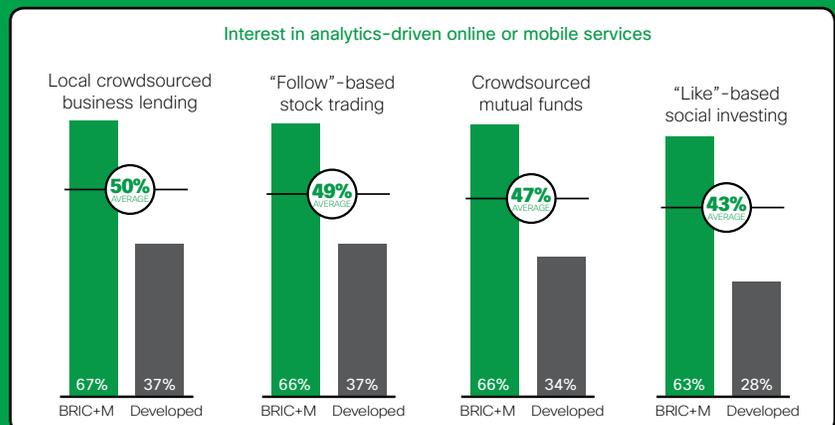
Following the Crowd for Investment Advice

“Crowdsourcing” provides another form of low-cost automated advice. Increasingly, consumers access crowdsourced advice when selecting products and services, and the practice can also extend to financial services.

Forty-nine percent of our respondents expressed interest in a service that makes recommendations based on the trades of successful investors, offers alerts when they make a trade, and enables them to make the same trade in real time.

Forty-seven percent of bank customers were interested in buying crowdsourced mutual funds that draw on the expertise of investors with knowledge of specific sectors of the economy or emerging technology trends (such as renewable energy or mobile device adoption). [Motif Investing](#) is a crowdsourced mutual fund service.

Once again, we can see that bank customers in BRIC+M countries were especially interested, both overall and in terms of intensity.



Respondents in Brazil, Russia, India, China, and Mexico are particularly interested in these analytics-driven services.

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be recognized when they enter the branch, but in return, they want extra benefits (see [Figure 12](#)).

The key to making branch recognition work is to give customers "VIP treatment" in exchange for checking in ahead of time and sharing data about their location and finances. Greeting customers by name and welcoming them to the branch are not enough. Customers want tangible benefits, including:

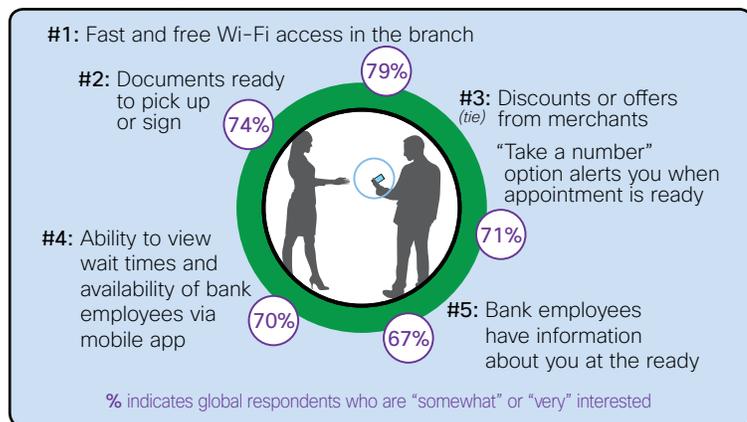
Added Incentives. To adopt branch recognition services, our survey respondents expected additional incentives: 71 percent favored discounts or offers from merchants in the vicinity of the branch.

Convenience. Convenience ranked high with our survey respondents. Seventy-nine percent expected free Wi-Fi service in the branch; 74 percent favored priority service, with documents ready to sign as they enter the branch.

Relevant Guidance. Sixty-seven percent of respondents expected bank employees to have access to relevant information about their finances as they enter the branch.

Branch recognition is one way for banks to blend the physical branch with the virtual experiences consumers are accustomed to online. Customers can enter a branch without taking time to authenticate their identities, and receive faster service, suited to their needs and context. In return, banks receive additional data, which can drive much greater insight into their customers. By tracking customers in the branch, banks can gain a much clearer picture of customer engagement with employees, digital signage, and their own level of branch efficiency. As our survey respondents affirm, customers are ready to "opt-in" for branch recognition, but banks will need to state clearly the benefits that customers will receive, including added incentives such as deals and offers.

Figure 12
From branch recognition, customers want convenience, efficiency, and alerts.



Source: Cisco Consulting Services, 2014

Some banks are implementing elements of the branch recognition service today. In the United States, First Florida Integrity Bank has eliminated teller lines and replaced them with bankers with tablets who approach customers to provide service when they enter the branch.³⁰ Customers are also given free Wi-Fi, and can use a variety of mobile devices at a "technology bar."

To provide a truly differentiated experience, branch recognition services should be part of a larger strategy to make the branch a living extension of its online and mobile offerings. This must go beyond turning branches into low- or no-staff self-service centers. For inspiration, banks can look to [retailers](#) such as Burberry, which are combining the physical store and the online

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experience in ways that magnify the value of both.³¹ In Burberry stores, every experience that can be had online – including videos, music, and the ability to create and order personalized products – is mirrored in the store. For banks, the blurring of physical and virtual lines can include augmented reality capabilities that enable customers to bring product displays to life with their mobile phone (see sidebar). Ultimately, customers will expect the ability to start an advisory session or other interaction from any channel, and continue it seamlessly on another. For example, 67 percent of customers globally believe that the ability to start a virtual mortgage advisor session in the branch and continue it from the device of their choice would make the service more appealing.

What Customers Want from Mobile Payments

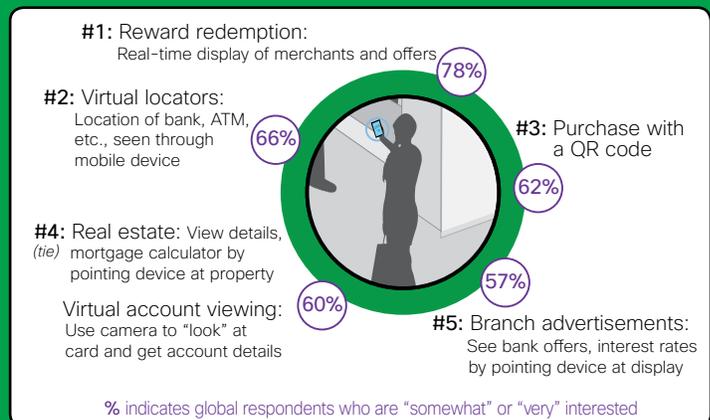
Despite the best efforts of banks, payment companies, and non-banks, mobile payment services have yet to reach critical mass. While many bank customers have used a mobile service to send money to a friend or pay for a taxi, the “mobile wallet” has yet to replace the physical one.

Augmented Reality for Real-World Banking

“Augmented reality” superimposes a digital image over the user’s real world, often as seen through a mobile device. That real image can be further “augmented” by data, sound, videos, and other information. We asked respondents about their level of interest in using several augmented-reality applications that banks and financial services companies are developing. As with the mobile payment and branch recognition concepts, interest in augmented reality is strong: globally, 89 percent were interested in one or more of the seven augmented-reality concepts that we tested.

The most popular capabilities mirrored those of our mobile payment and branch recognition concepts: the use of augmented reality to identify and redeem rewards. Several of the capabilities can help banks increase branch visits (virtual locators) and engage customers with product information once they are in the branch. Customers are also interested in using augmented reality to make purchases via QR codes, and even to identify investment opportunities.

As smartphones get “smarter” and more objects are connected to the Internet, banks will engage customers in unique and immediate ways. Banks can also partner with retailers, realtors, and mobile marketers to deliver such services. Imagine, for example, pointing a smart device at a physical property and being offered an opportunity to book an appointment with a mortgage advisor. Customers around the world are clearly ready for such options.



Respondents rated these services and benefits most attractive.

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Our study shows that bank customers around the world are ready to adopt mobile payment services. However, simply providing a fast, secure payment is only the beginning. To stand out, mobile payment services must provide value that extends beyond simply paying for something. It must help customers to pay less for the things they want, to get the items they buy more quickly, and to provide “on the go” guidance about their spending (see [Figure 13](#)).

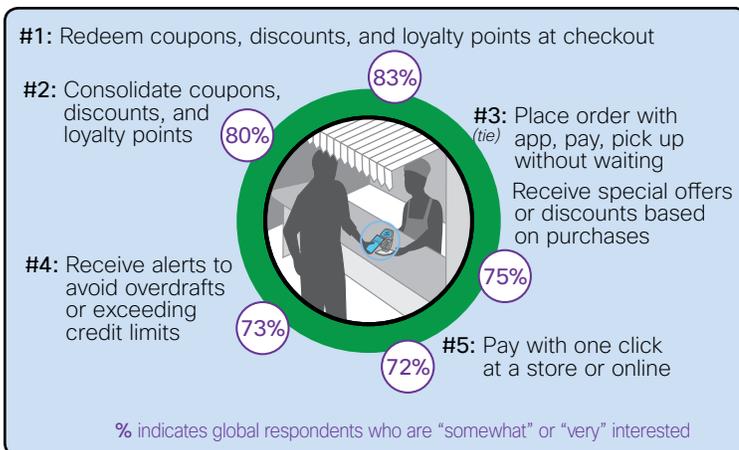
Top customer expectations associated with a mobile payment service include:

Deals and Offers. Deal-seeking behavior has become entrenched among customers throughout the world. In order to help customers find bargains, banks must either orchestrate an ecosystem of retailers and mobile marketers, or partner with those who already have. With its Apple Pay and Passbook applications, Apple combines mobile transactions with digital offers. No matter whether banks develop their own ecosystems or partner with other orchestrators, their mobile payments must facilitate the “thrill of the hunt” for discounts.

Convenience and Context. Bank customers want mobile payment systems to integrate with, and accelerate, their chosen activities. For example, the ability to prepay for items and pick them up without waiting was an important feature for respondents. Starbucks, which boasts the most widely used mobile payment system of any retailer in North America,³² introduced this capability in December 2014, and will soon roll it out throughout the United States. Bank customers also want the payment process itself to be fast and hassle-free.

Real-Time, Proactive Suggestions. Bank customers want their payment system to help them manage their spending and avoid fees while they are shopping, similar to the services offered by Moven and other neo-banks. Banks can integrate mobile payment features such as automated budgeting, spending classification, and overdraft alerts with payments and personal financial management (PFM) to provide valuable, proactive interactions.

Figure 13
Customers expect additional incentives for mobile payments.



Source: Cisco Consulting Services, 2014

Our research shows that customers around the world, and especially in BRIC+M countries, are willing to adopt mobile payment services – or increase their current use. In addition, they are willing to open new accounts and switch banks to get them. The question is, who will succeed in delivering a mobile payment system that combines fast, secure transactions with discounts and mobile PFM? A crowded field is competing for parts of the payment ecosystem, with Apple in the lead (at least in North America). In fact, 55 percent of our respondents were interested in using Apple

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Pay specifically.³³ Each bank will have to determine where it fits – as a potential ecosystem leader, or in a supporting role.³⁴ Regardless, there is little question that mass adoption of mobile payments is coming soon.

For Mobile Solutions, Customers Want Innovative, Seamless Security

In an age in which security breaches generate constant media headlines, customers are understandably concerned. Not surprisingly, when we asked respondents which factors would make them willing to use a branch recognition or mobile payment system (or use it more often), better security was the overwhelming top choice.

Indeed, our survey respondents confirm that security is critical to mobile financial services (along with virtual advice services, as we have seen). The good news for banks is that customers are eager to try such mobile services, even though many require customers to divulge sensitive information about their accounts, purchasing history, and their location to banks and other companies. As long as customers feel this information is secure, they are willing to share it.

Banks can differentiate themselves and reassure customers by using advanced security capabilities, such as biometric authentication. Our results suggest that customers will be quite receptive to such capabilities (see **Figure 14**).

More than 80 percent of respondents were interested in using fingerprint recognition to verify their identity and authorize financial transactions. Apple, Samsung, and HTC all offer smartphones with fingerprint recognition, and Apple's iTouch fingerprint recognition is integrated with Apple Pay to enable biometric payment authentication. Other popular biometric security applications included facial recognition (by taking a "selfie") and voice recognition (speaking into a smartphone).

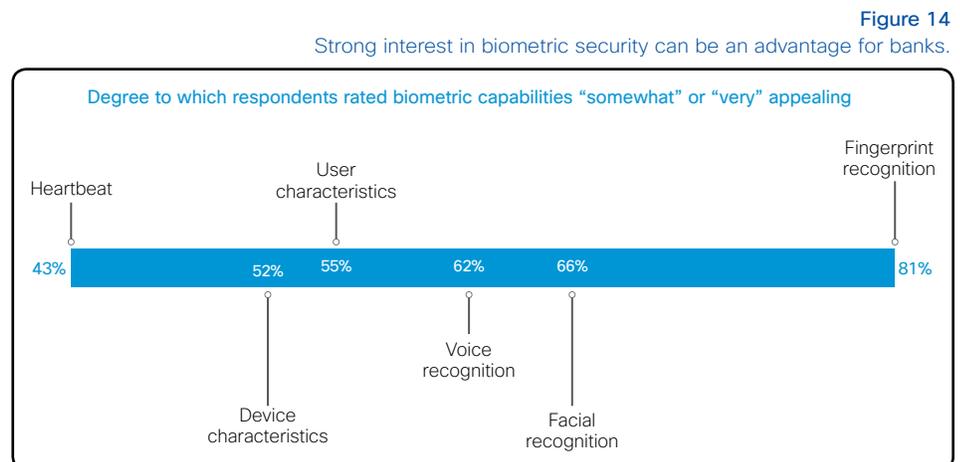
IoE Can Unlock Unprecedented Value for Banks

All five of the concepts discussed in this paper are feasible for many banks to adopt today. We combined these concepts with the enablement costs and benefits of each to arrive at an overall figure for annual profits before taxes (PBT).

Across all 12 countries surveyed, the benefits outweighed the costs, resulting in profit increases of 5.3 percent (Germany) to 15.2 percent



For more insights, please visit <http://cs.co/fsi-mobile>



Source: Cisco Consulting Services, 2014

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IoE Value at Stake

As Cisco Consulting Services found in its [Internet of Everything Value Index](#) study, technology infrastructure alone accounts for only 20 percent of variation in value realized among companies. Approximately 50 percent comes from business processes (i.e., management practices). Companies that combine shrewd technology investments with the operational changes required to maximize their impact can bring innovative products and services to market faster than their competitors.

The IoE Value Index study also revealed that financial services firms are leaving 39.5 percent of potential IoE value on the table, in part because of challenges in digitizing their business processes.

(China). Indeed, there is even higher potential in emerging economies than in developed economies (see [Figure 15](#)).

Closing the value gap with a new customer relationship model – including self-service, virtual advice, and digitized business processes – would result in a bottom-line profit increase of approximately 5.6 percent for a typical financial services firm across the 12 countries surveyed. For a U.S. financial institution with \$10 billion in annual revenue, for example, this represents a \$392 million annual profit increase opportunity.

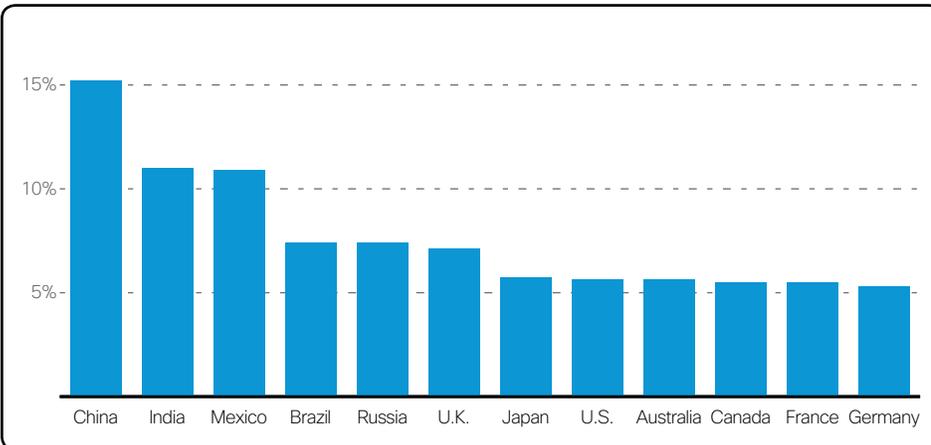
In particular, virtual mortgage advice was the key value driver in Australia, Brazil, Canada, China, France, India, Mexico, Russia, and the United Kingdom. In Germany, video-based advice and branch recognition were tied as the key value driver, each contributing \$55 million to PBT. In Japan, virtual mortgage advice and branch recognition were the top value drivers, each contributing \$70 million to PBT.

In addition to revenue upside, financial services institutions can achieve significant operating efficiencies through automation, technology adoption, improved employee efficiency, and lower customer acquisition costs. In the United States, for example, this represents overall cost savings of 2.7 percent.

For the United States, the majority of these benefits (56 percent) result from increased revenues; operating cost reduction accounts for the remaining 44 percent. In addition, by adopting an agile [Fast IT](#) model, firms can save approximately 7 percent on IT costs.

Depending on the country, a typical retail bank can gain between \$181 million (Germany) and \$519 million (China) in IoE value. BRIC+M countries, which had high percentages of bank customers willing to move money for IoE concepts, boast the highest potential annual value. (See ["IoE Value for Banks," page 23.](#))

Figure 15
Among surveyed countries, IoE Value at Stake ranges from 15.2 percent to 5.3 percent in annual profit.



Source: Cisco Consulting Services, 2014

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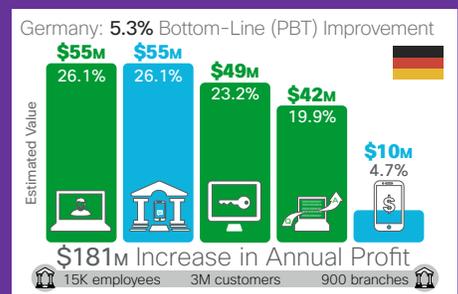
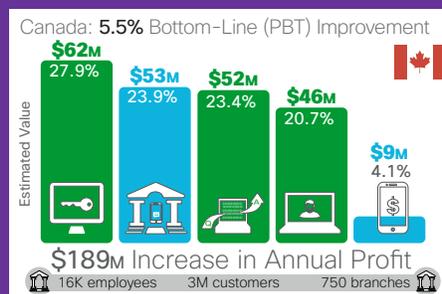
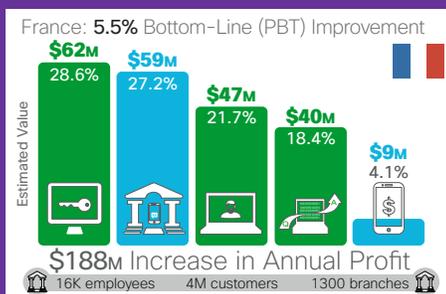
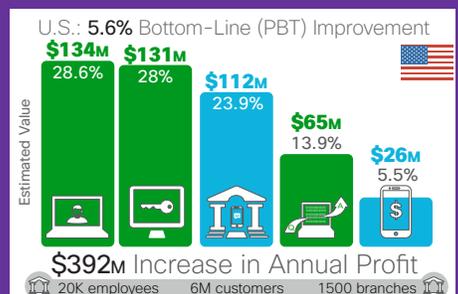
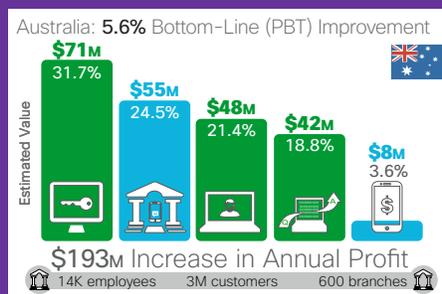
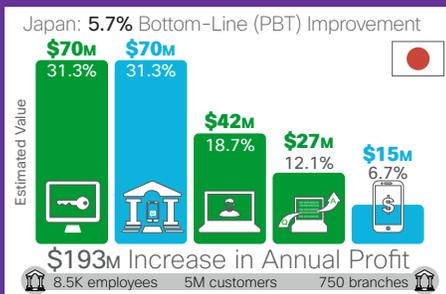
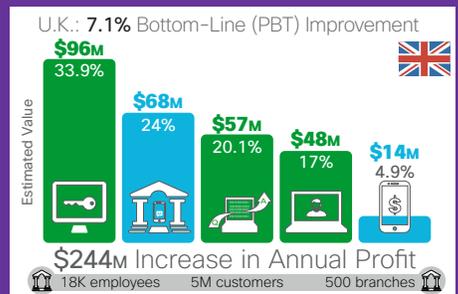
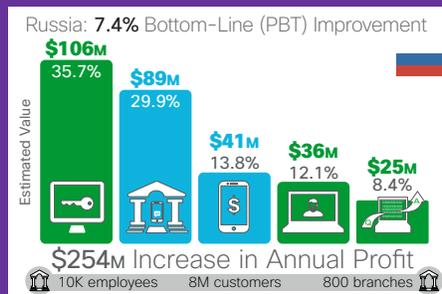
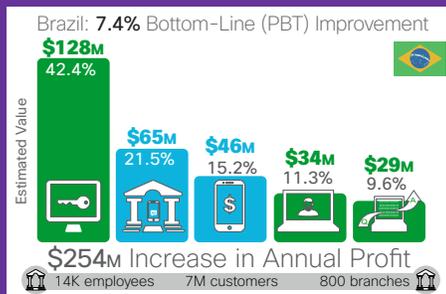
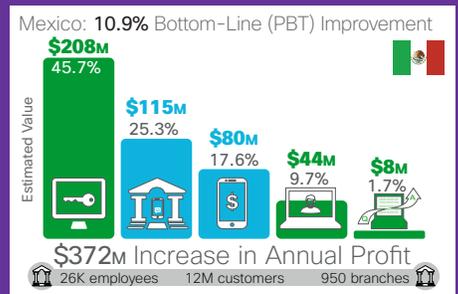
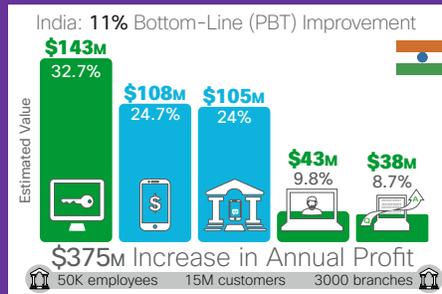
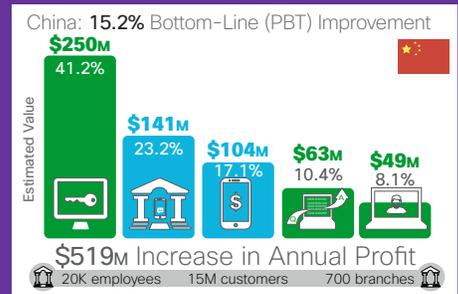
How Banks Can Close the 'Value Gap' and Regain Customer Trust

IoE Value for Banks

- Model assumes a typical bank with annual revenue of \$10 billion (U.S.) or \$5 billion (others)
- Percentages represent relative contribution of each concept to the total value opportunity
- Profit figures include both revenue upside potential and cost-reduction opportunities
- Enablement costs, factored in at the country level, are not shown
- Model assumes a typical EBT margin of 27%

-  Virtual Advice
-  Virtual Mortgage Advice
-  Branch Recognition
-  Mobile Payments
-  Automated Investment Advice

-  Advice
-  Mobility



Source: Cisco Consulting Services, 2014

“Every time the consumer buys something, every time the consumer gets a paycheck, every time the consumer wants to travel or plan a vacation in the future, the financial institution should be involved in those kinds of transactions and interactions.”

Jerry Silva

Research Director, IDC Financial Insights

To Capture IoE Value, Digitization Must Be Pervasive

To realize the benefits of these IoE-enabled concepts (see [IoE Value for Banks](#), previous page) – and to respond to the customer demands – banks will need to rethink their technology strategies. Banks can't simply bolt new technology onto an analog organization. A more fundamental digital business process change is required.

Consumers have embraced 21st-century experiences and technology, and are accustomed to relevant, contextual experiences offered by retailers and others. Many banks, however, are rooted in 20th-century manual processes based on paper documents and brick-and-mortar assets. Yet despite some advantages enjoyed by non-banks, banks can turn their size, physical branches, and human expertise to their favor as they offer many more customers a wide portfolio of interactive experiences and contextual advice.

Many non-bank competitors are “digital native” companies. They are able to provide “frictionless” services to customers because they are not mired in legacy processes. Their technology infrastructure and digital business processes have been developed specifically to meet the needs of increasingly “untethered” customers. More important, digital business and technology infrastructure enable non-banks to develop highly scalable services – in short, digital processes designed to serve many digital customers. Non-banks are also unshackled from the regulatory and technology investment burdens that banks must shoulder, giving them more time and opportunity to innovate and focus on the customer.

With such advantages, it is easy to see why non-banks have earned customer interest and trust – and why large banks are under threat. Banks have made significant investments to provide transactions and consistent service across channels – online, mobile, branch, and contact center – but they nevertheless fall short of providing the value-added advice and experience customers demand. Banks can excel in providing these kinds of services, but they need to have the right strategies in place.

A main reason for the current value gap is that banks have not fully digitized their business processes, many of which were designed with legacy technology for a branch network.³⁵ **When banks layer technology over paper-based, manual processes, the result is more complexity, higher costs, and dissatisfied customers. IoE solutions help banks digitize and connect their business processes.**

Given the complexity they confront, banks need to respond dynamically. Manual processes will not be able to keep up with complexity and change, and agile infrastructures³⁶ and organizational models will be critical. This will enable banks to offer the kinds of IoE-enabled concepts favored by customers, as banks create new strategies that play to their strengths.

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How Banks Can Close the 'Value Gap' and Regain Customer Trust

How To Get Started

In the era of the “digital self,”³⁷ consumers expect to interact in more contextual and convenient ways. As banks strive to close the value gap, they need to explore these new digital behaviors closely – and move from facilitating “transactions” to providing “interactions” that feature real-time advice, combining both human expertise and analytics. The IoE-based concepts we tested offer the opportunity for banks to close the value gap and simultaneously improve their bottom line.

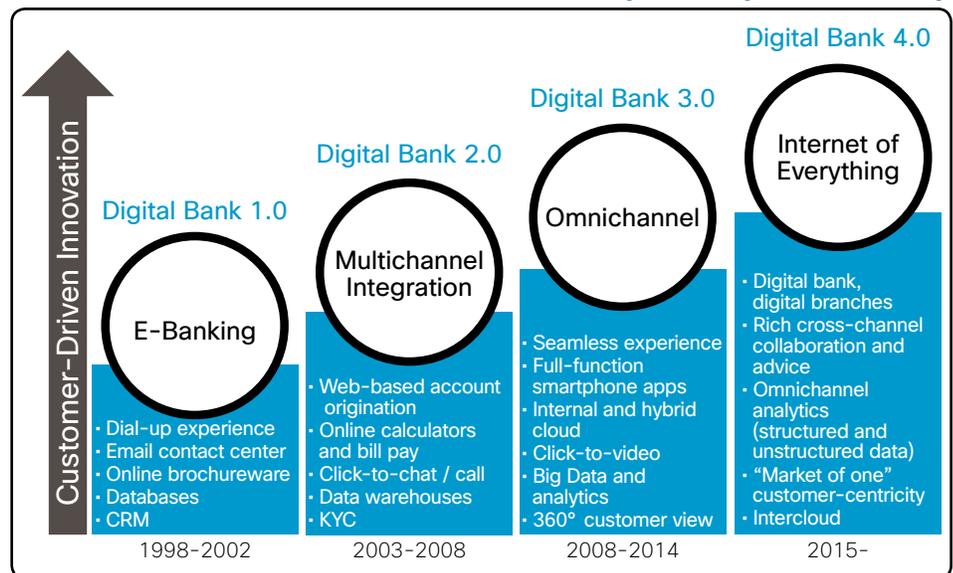
While these concepts quickly provide customer-experience and financial benefits, the total financial services industry IoE Value at State opportunity – \$1.3 trillion from 2013 to 2022 – requires a much more fundamental transformation. The Digital Bank 4.0 (Figure 16) will expand its current capabilities in myriad ways. This will require widespread change across all four elements of IoE – people, process, data, and things – supported by the appropriate architectures, strategies, and organizational changes. An innovation mind-set must be championed at the top of the organization, starting with the CEO. An ecosystem of partners, vendors, and start-ups will also help banks accelerate the cultural, technological, and business process changes that need to be made. Together, they will pave the way toward a digital 4.0 banking experience that provides better advice to more customers and delivers the secure, value-added mobile services that customers increasingly expect.

Banks should focus on the following areas to begin their journey:

Digitize Business Processes to “Leapfrog” Competitors. Banks have a unique value proposition arising from their institutional expertise, physical assets, and extensive range of products and services – one that disruptive competitors have thus far been unable to match. These disruptors, however, have succeeded in delivering the advice and contextual experiences that customers increasingly demand.

To “leapfrog” competitors, banks must further digitize their business processes as they converge physical and virtual worlds. Customers expect a seamless, simplified experience, but to provide this, banks must embrace more complexity, while managing it through automated

Figure 16
IoE is driving the next big evolution in banking.



Source: Cisco Consulting Services, 2014

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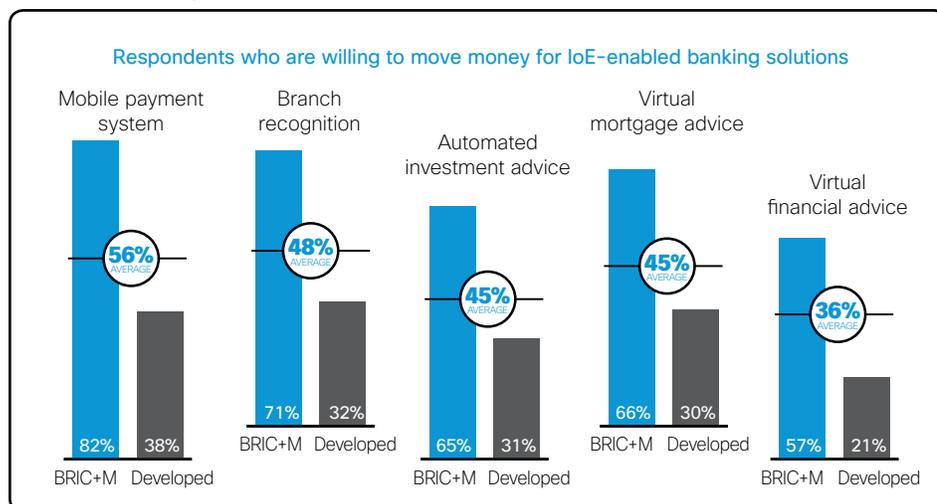
How Banks Can Close the 'Value Gap' and Regain Customer Trust

processes. To do this, banks need to take an loE approach – connecting people, process, data, and things through implementing holistic solutions. To begin, banks must first assess their own strengths, with a careful audit of technology assets and their own digital evolution. Banks that have already implemented robust omnichannel capabilities will have an advantage. Then banks must further assess the needs of their customers. The technologies underpinning the loE concepts discussed in this paper are mature; however, to reap full value, banks must digitize their business processes. The concepts must also be implemented the way customers want them, as revealed in our survey.

As we have seen, retailers such as Burberry are ahead in blending physical and virtual experiences for their customers. Similarly, by uniting technology investments with fully digitized business processes, traditional banks can “leapfrog” digital disruptors by deftly combining the best of physical and virtual interactions.

Focus on Digital Behavior, Not Demographics. At a time in which banks are struggling to grow revenue – in all markets and regions – technology is changing how customers want to interact with their banks. Banks will need to view customers not in terms of traditional age demographics, but rather by digital behavior. In focusing on digital behavior (which, more and more, transcends age), banks can better implement loE-enabled concepts that resonate with each customer. As discussed above, customers want financial services that are relevant to their lives, and they want them in real time. Segmenting by age will limit success and could alienate valuable sets of customers.

Figure 17
BRIC+M customers are more than twice as likely to move their money.



Source: Cisco Consulting Services, 2014

Make Calculated Innovation Bets, Starting with Emerging Markets. Interest in loE-enabled concepts is significant in all of the countries we studied, but customers in Brazil, Russia, India, China, and Mexico (BRIC+M) are especially ripe for change (see [Figure 17](#)). Banks should take immediate advantage of this key opportunity by partnering with the right technology vendor. There is enormous Value at Stake in these regions, and banks that meet customer demands and deliver contextual, relevant experiences at scale will have a great advantage over competitors. Banks based in emerging markets should consider rolling out the loE concepts discussed here to meet strong customer demand. Global banks, meanwhile, should

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consider introducing these concepts in emerging markets to gain immediate value before moving on to developed markets, where the opportunity is still significant.

Turn Data into Actionable Insights. Data is a core foundational element of innovation, new customer experiences, and expanded business models. As banks have adopted omnichannel capabilities, they have gained access to a rich trove of data about their customers' preferences, needs, histories, and plans. Many, however, have failed to turn that data into actionable insights that can advise their customers on a deep level, helping them make better decisions about their finances, mortgages, investments, and more.

To drive these kinds of highly relevant customer interactions, banks need to "know" their customers as never before. Data analytics is the foundation, and banks already have an advantage. As Jerry Silva told us, "Banks know more about my personal habits than any other institution – whether it's payment data that can drive things like offerings to the customer; personalized offerings or transactional data that show the bank where the customers are so it can drive channel experience, for example; or whether it's lifecycle data: collecting data over a long period of time from the customer that can drive financial services planning. So there's tons of information in that data." For many banks, data remains a largely untapped source of value. Banks that analyze this data to better understand their customers, and then create more convenient and contextual experiences based on these insights, will win the battle for relevance.

Make Security a Competitive Differentiator. Banks that approach security in innovative ways will gain the confidence of their customers – and win in the loE economy. Today, we have to juggle a number of logins and passwords, but imagine a future where, if a credit card transaction looks suspicious, rather than blocking our card, the bank will simply confirm our identity biometrically on our device. Security concerns are the top inhibitor preventing respondents from adopting mobile payments, mobile banking, and virtual advice.

Banks can separate themselves from competitors by adopting state-of-the-art security capabilities, thereby reassuring customers who are interested in loE-enabled services. As threats have matured, there has been a clear call for security measures to mature as well. Fragmented security solutions will not work. Security will need to be platform-based and integrated into every point of the infrastructure to empower a systemic approach to malware and threats – before, during, and after an attack. This will require banks to cultivate a partner ecosystem that will support an end-to-end security strategy.

Banks that differentiate themselves on security will win more business as they reassure customers considering new services and experiences. As

"I believe that the Internet of Everything has the power to open up a lot of underserved markets in the financial services industry....There are many, many of financial services that could be done better if we had more data, more personal information, more analysis available...."

Adam Nash
CEO, Wealthfront

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our survey revealed, customers are very open to next-generation security solutions such as biometrics. Banks can invest in these kinds of innovative approaches to security as they adopt the mobile concepts that we have discussed. Indeed, biometric security solutions such as fingerprint, voice, and facial recognition are already entering the mainstream, and are included in such offerings as Apple Pay. By not requiring a physical credit card, mobile payments also eliminate the risk of revealing key personal information during the transaction. Banks, too, will need to meet the demands for greater convenience that mobility provides while offering a secure experience for customers.

By following these recommendations, banks will close the value gap by reaching more customers with more valuable and relevant interactions and advice than ever before – and doing it securely. As they innovate around the customer, banks will leverage the “advice advantage” to be the new disruptors, increasing customer loyalty, differentiating from competitors, and competing and thriving in the Internet of Everything economy.

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