



# The Advent Of Omnichannel And Its Implications On The Future Of Banking

**Philip Farah, Sr. Director Retail Banking Practice IBSG, Cisco Systems**

[phfarah@cisco.com](mailto:phfarah@cisco.com)

Twitter: @pfarah

<http://blogs.cisco.com/author/philipfarah/>

**March, 2013**

# The Rise Of Omni-Channel Interactions – The Retail Industry Perspective

Omni-channel, the fusion/convergence of physical and virtual channels ushers an era where one has access to virtual channel capabilities from a physical location and the experience initiated in one channel will be seamlessly transferable to another one



Omnichannel in Retail often driven by consumer adoption of mobile enabled product comparison and price discovery capability (eg QR code or Bar code scanning capability) with limited intervention of Retailer ... battle with online retailers moving within stores

»»» RETURN »»»

# Omnichannel In Retail: Implications and Opportunities

## Omnichannel Winds Of Change

- More than **30%** of U.S. shoppers touch **more than one channel** before making a purchase
- **45%** of shoppers seeking **more deals**
- 2010: U.S. sales up **3.5%**; **store traffic down 0.5%**

- E-shopping / search
- Smartphones / tablets
- Rich media / cloud content
- Social media
- Interactive screens

## Implications

- Increased competition
- Commoditization
- Comparative store declines

## Opportunity

Revitalize the store by:

1. Bringing virtual experience into the store
2. Designing cross-channel experiences
3. Keeping shoppers within your brand

Source: Cisco IBSG, 2011

# The Rise Of Omni-Channel Interactions – Retail Industry Opportunities

Omni-channel, the fusion/convergence of physical and virtual channels ushers an era where one has access to virtual channel capabilities from a physical location and the experience initiated in one channel will be seamlessly transferable to another one



Examples: Video access to remote expertise while in-store, Immersive experiences (e.g., magic mirror), Interactive Product Info/Reviews, Mobile and location-based commerce / marketing, In Aisle-check out etc.



# Omnichannel Research - Setting The Context

# The Worse Of The Storm Might Be Over Yet The Banking Reality Has Changed



ECONOMIC HEADWINDS

Economic boost in Retail FS in 2012 as,

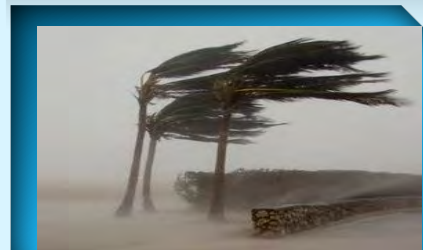
- Charge-offs finally winding down
- However new economic reality challenging:
- Net Interest Margins depressed
  - Deposit to bank ratios reaching 80s low
  - Fed rate increase linked to unemployment



OMNICHANNEL REALITY

All the while, major changes in channel use driven by the collision of digital and physical (OMNICHANNEL)

- For the first time in the US branch usage down
- Mobile potential to be the 'new bank'
- Payments industry in flux



BRANCH IMPACT

- Branch channel economics depressed (Fees hard to increase)
- 2-3% branch closure / year economic (up to 1/3<sup>rd</sup> at stake due to consolidation)
- Aggressive cost cutting (50% teller in next yrs), however need to protect sales (Universal Bankers)

# The Rise Of Omni-Channel Banking – The Customer's Perspective

Omni-channel, the fusion/convergence of physical and virtual channels *ushers a banking and payments era where virtual channels, physical channels and analytical capabilities come together in harmony to seamlessly enable life and business goals*



FUTURE OF DISTRIBUTION



FUTURE OF PAYMENTS



INFO BASED VALUE PROPS



**Examples: The omnichannel branch, Visual IVR on Smartphone, Card and Phone convergence, Access to Social Media or Video on Phone ... Start a transaction in one channel end in another one**

# Omnichannel In Retail Financial Services

	<u>Multi-Channel</u>	<u>Omni Channel</u>
<b>Channel Structure</b>	Proliferation of discrete channels	Fusion / Merger of Physical & Virtual Channels
<b>Information / Data</b>	Siloed, back-mirror view (eg payment transactions), structured	Pervasive, forward looking (eg, SocMedia intents) unstructured
<b>Customer Exp / Value prop</b>	Mainly Convenience yet Disjointed experience	Embedded / Contextual banking – Virtual capabilities everywhere
<b>Bank value prop</b>	Cost containment: customers moved to cheaper channels	Maximize value (Rev & cost) to customers and bank
<b>New Business Models</b>	Internet Only Banks, Insurance Cos (e.g., ING Direct)  Monolines (Credit Card Cos)	Mobile Payments / Commerce Mobile / Social only banks Expansion into new prod & Svces. Bank as enabler of life / bus. goals New info-based businesses



# Omnichannel In Retail Financial Services – Key Areas of Impact (Sample)



FUTURE OF DISTRIBUTION

## THE OMNICHANNEL BANK

- **Physical distribution: Omnichannel branch, non-branch outlets**
- **At Home, In Office etc. Distribution**
- **Impact on contact center: Mobile/Video/Social integration**



FUTURE OF PAYMENTS

- **Mobile Payments/Wallets**
- **Social Payments/Wallets (or F-Payments)**
- **Mobile commerce (expanded value proposition into retail)**



FUTURE INFO-BASED  
VALUE PROPS

- **Nextgen consumer profiling and targeting**
- **Financial Services as A Service (FSaaS)**
- **Consumer infomediary business**



# **Omnichannel Research – Findings Highlights**

# Omnichannel Consumer Listening Initiatives – Scope & Methodology

## Omnichannel in Retail Banking

- 5,300 on-line consumers across eight countries
  - Developed countries:  
Canada, France, Germany, U.S., U.K.
  - Emerging countries:  
Brazil, China, Mexico
- Primary research conducted May 2012

## Omnichannel in Payments

- 1,060 on-line consumers in the US
- Focus on impact of Mobile & Social Pmts
- Primary research conducted June 2012



# Omnichannel Consumer Listening Initiatives – Scope & Methodology

## Multiple conference speaking opportunities worldwide incl.,

- Keynote at BAI (multichannel thread) + multiple US
- Exclusive CXO roundtables
- CIAB Brazil, Russia 2012, etc.

## Global Press Coverage

- 42 articles (US, Brazil, France) with 7 additional feature articles expected to be issued in the following months.
- 19 press release of FS websites

## Countless client meetings/ internal use

- Content available at <http://newsroom.cisco.com/press-release-content?type=webcontent&articleId=910154>



AMERICAN BANKER  
THE FINANCIAL SERVICES DAILY

BANK  
SYSTEMS &  
TECHNOLOGY



BusinessWeek  
Bloomberg  
Businessweek

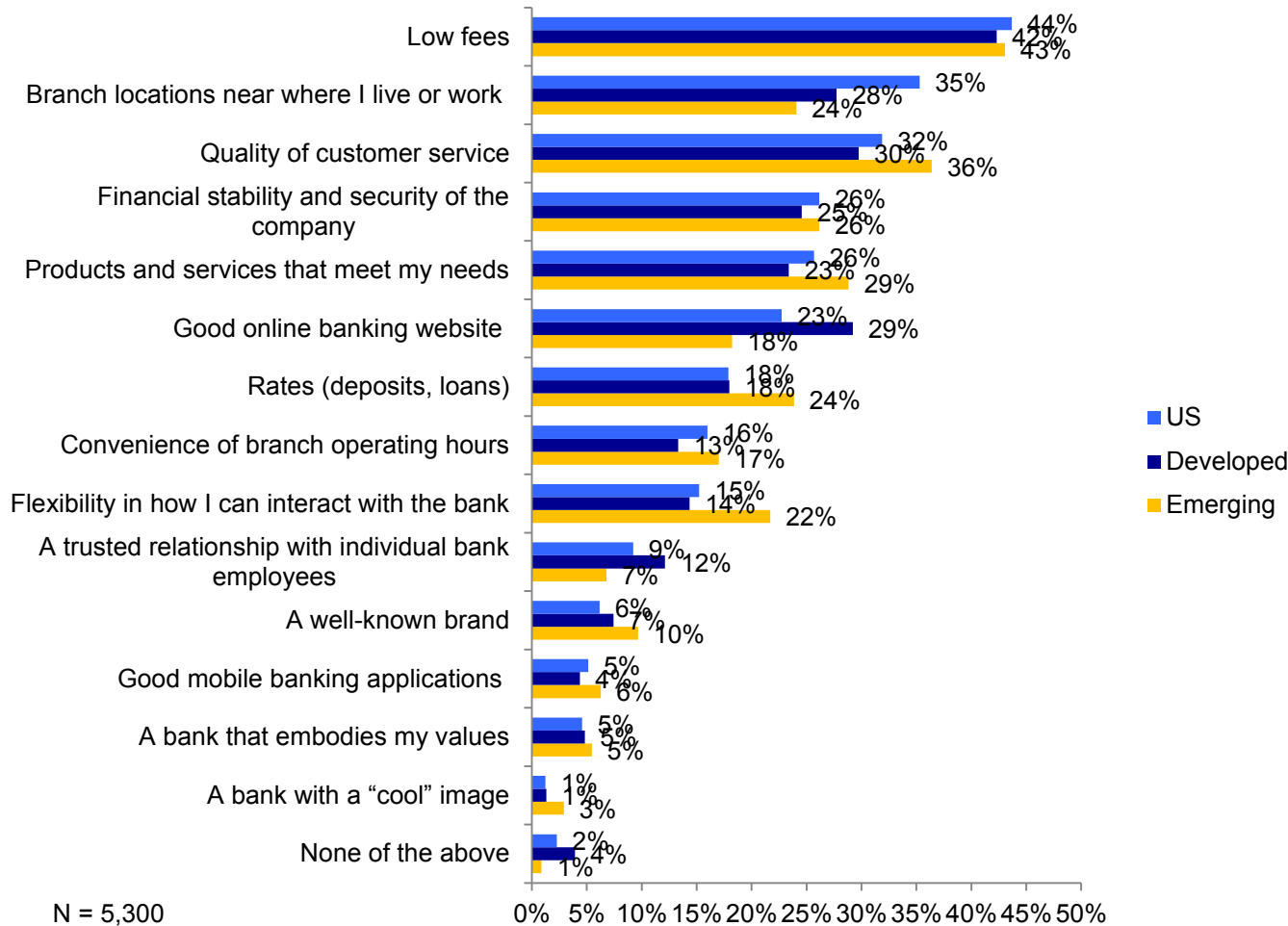
LesEchos  
LE QUOTIDIEN DE L'ECRAN



**Omnichannel Research -  
The Old Branch Is Dead  
... Long Live The  
Omnichannel Branch**

# Globally, Customers Have Similar Basic Banking Needs...

## Most important factors in choosing a bank



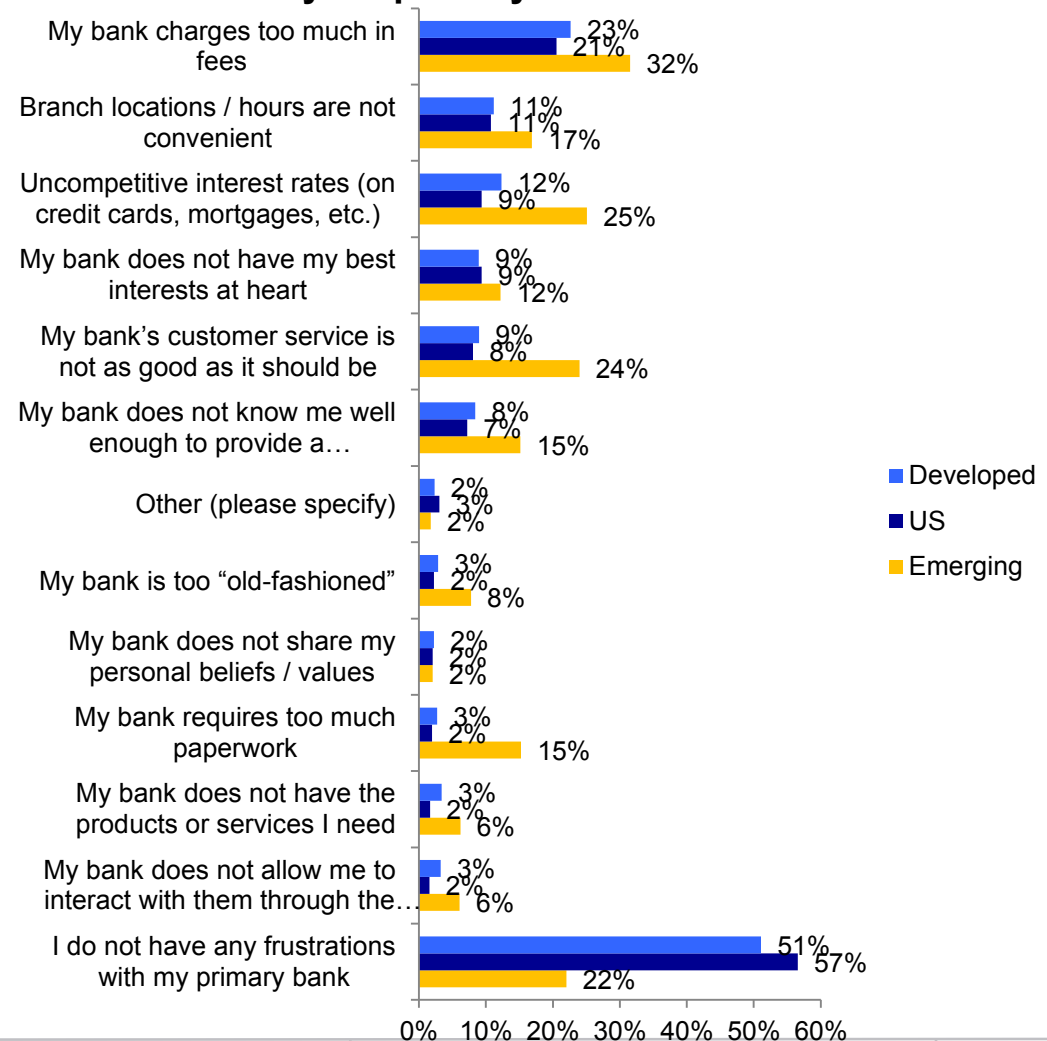
- Globally, low fees most important (43%)
- Quality of customer service was #2 (32%) followed by nearby branches (#3, 26%)
- Developed countries also value good online banking (29%)

# ...However Dissatisfaction With Quality Of Service Drives Readiness For New Banking Models In Emerging Countries

Alignment of key factors in Emerging Countries provides fertile ground for new models

- Dissatisfaction with current banking services:
  - **49% dissatisfied with banking service in emerging countries vs. 26% in developed countries**
- Readiness for new interaction models
- Vibrant growth, intense channel usage and limited legacy constraints

## What are your top frustrations in terms of dealing with your primary bank?

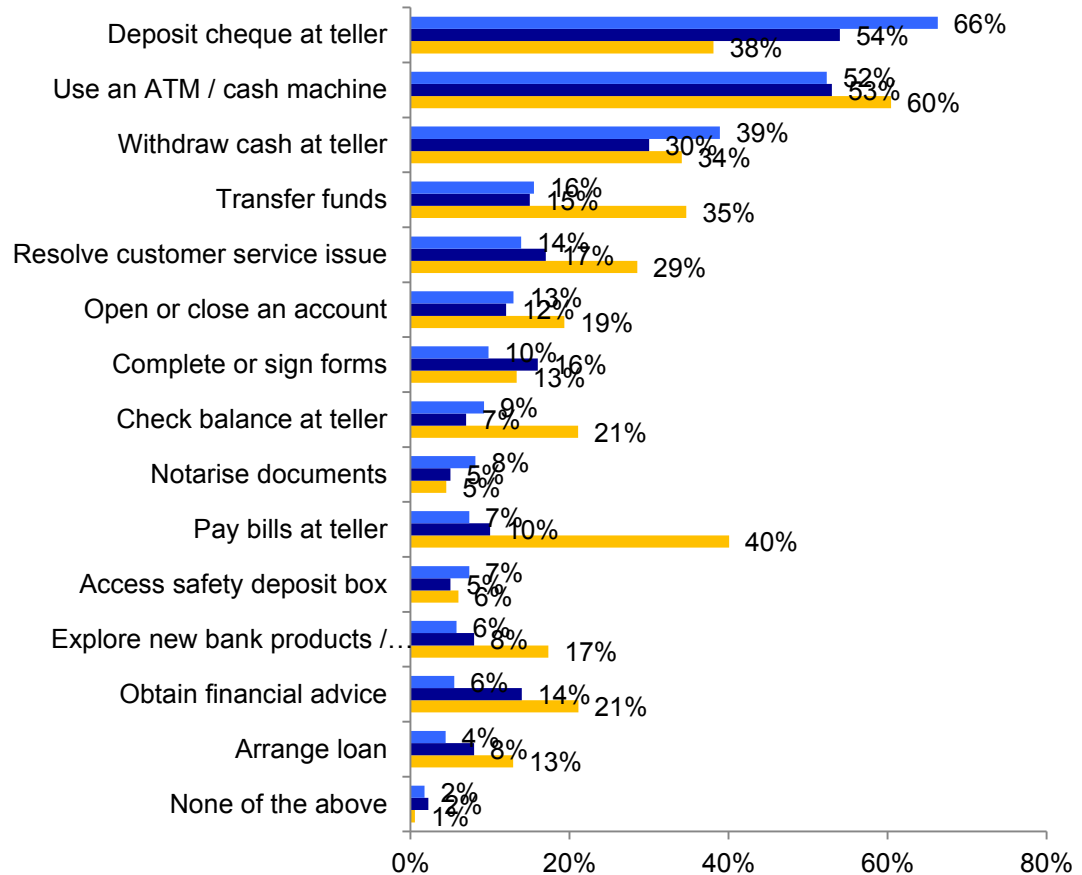


# Most Branch Visits Are Transactional In Nature

...

- **Across geographies, transactional services are still the main reason for visiting branches**
- **These are low added value services for banks**

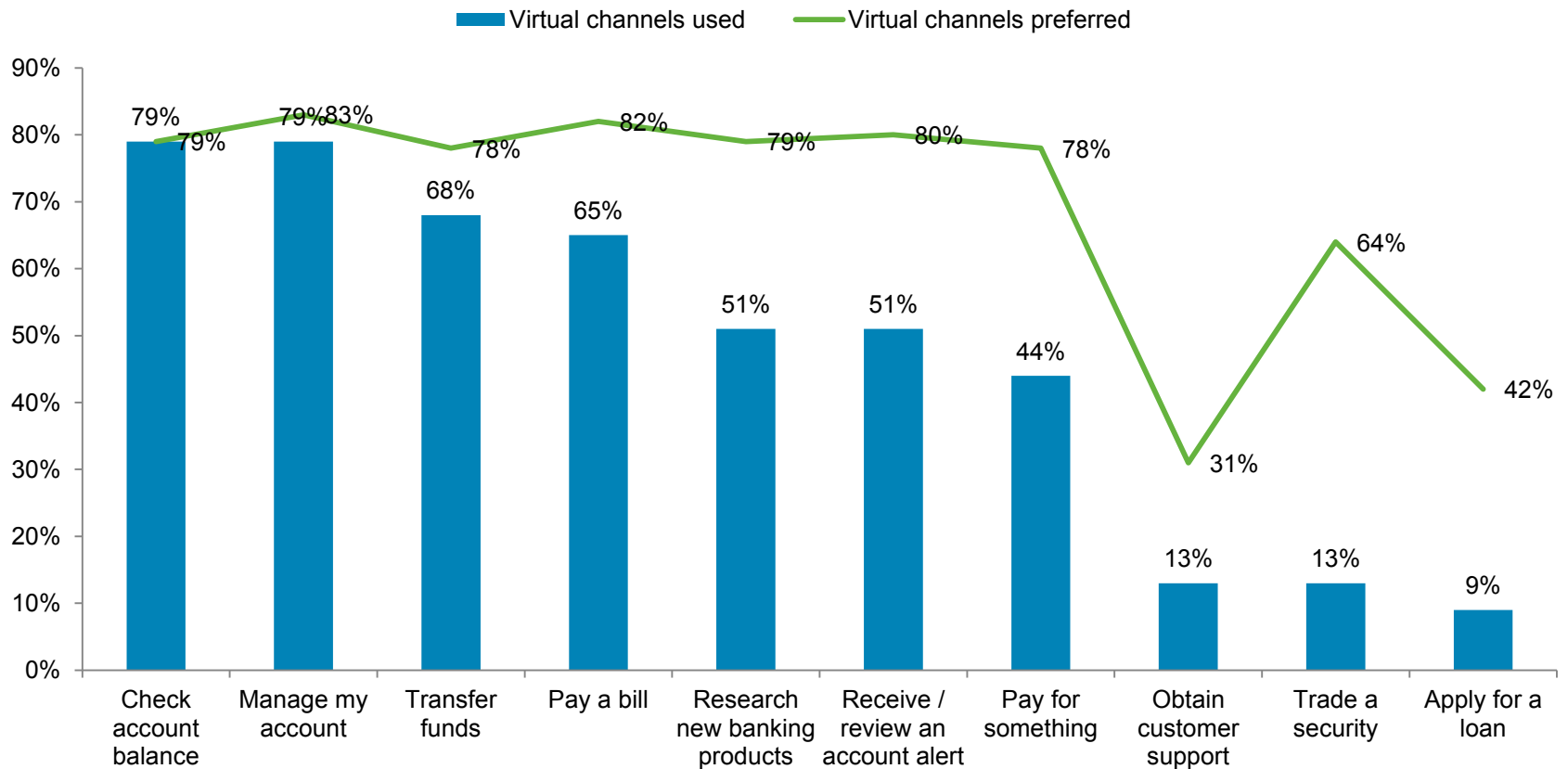
**Reasons for visiting a branch** ■ US ■ Developed ■ Emerging





# ... However Consumers Are Ready To Move More Of Their Interactions To Virtual Channels

**Virtual Channels Used and Preferred for Banking Activities (Past Two Years, North America)**



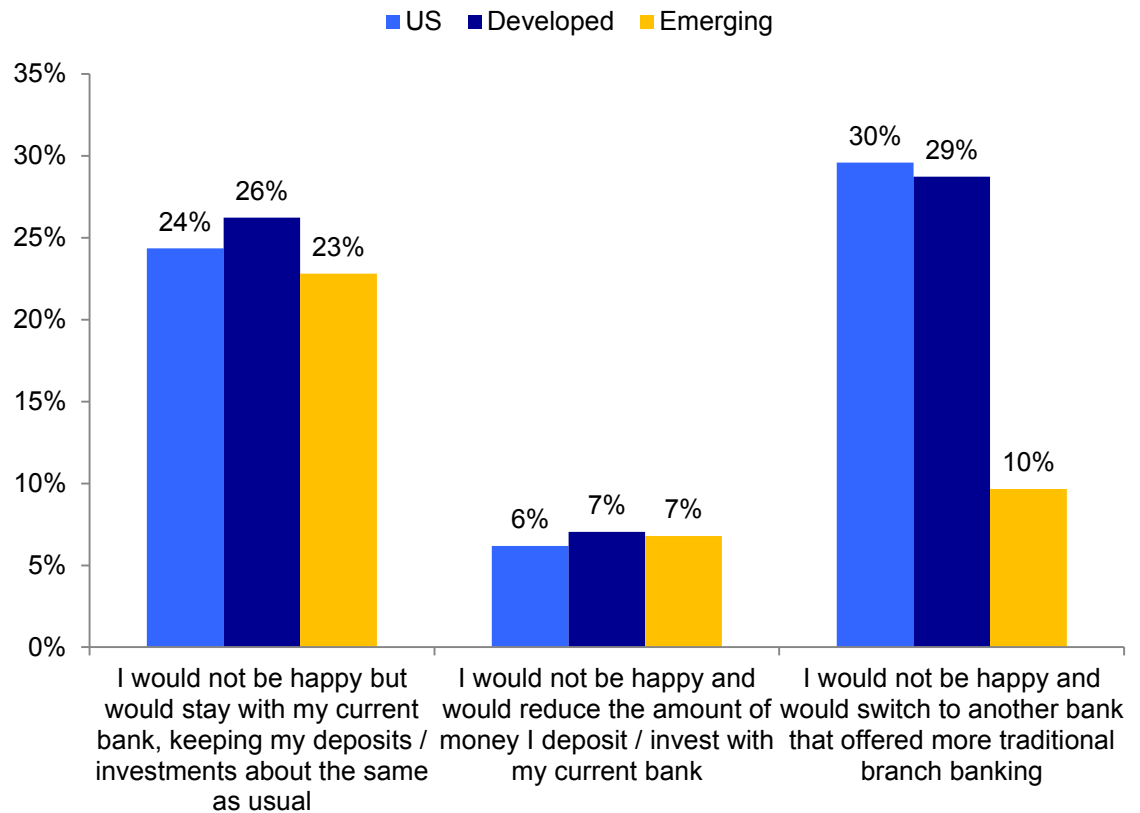
N=1,671. Virtual channels used shown as a % of all respondents. Virtual channels preferred shown as a % of respondents for whom the transaction is relevant.

North American Perspective

# Yet They Do Not Want To Close The Branches

- Globally, 22% of people would switch banks if their bank went all virtual
- 82% of those who would abandon bank if branches close, are also active users of virtual banking channel

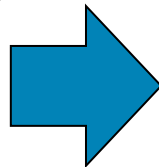
## Responses When Asked About Replacing Branches with an All-Virtual Branch (Global)



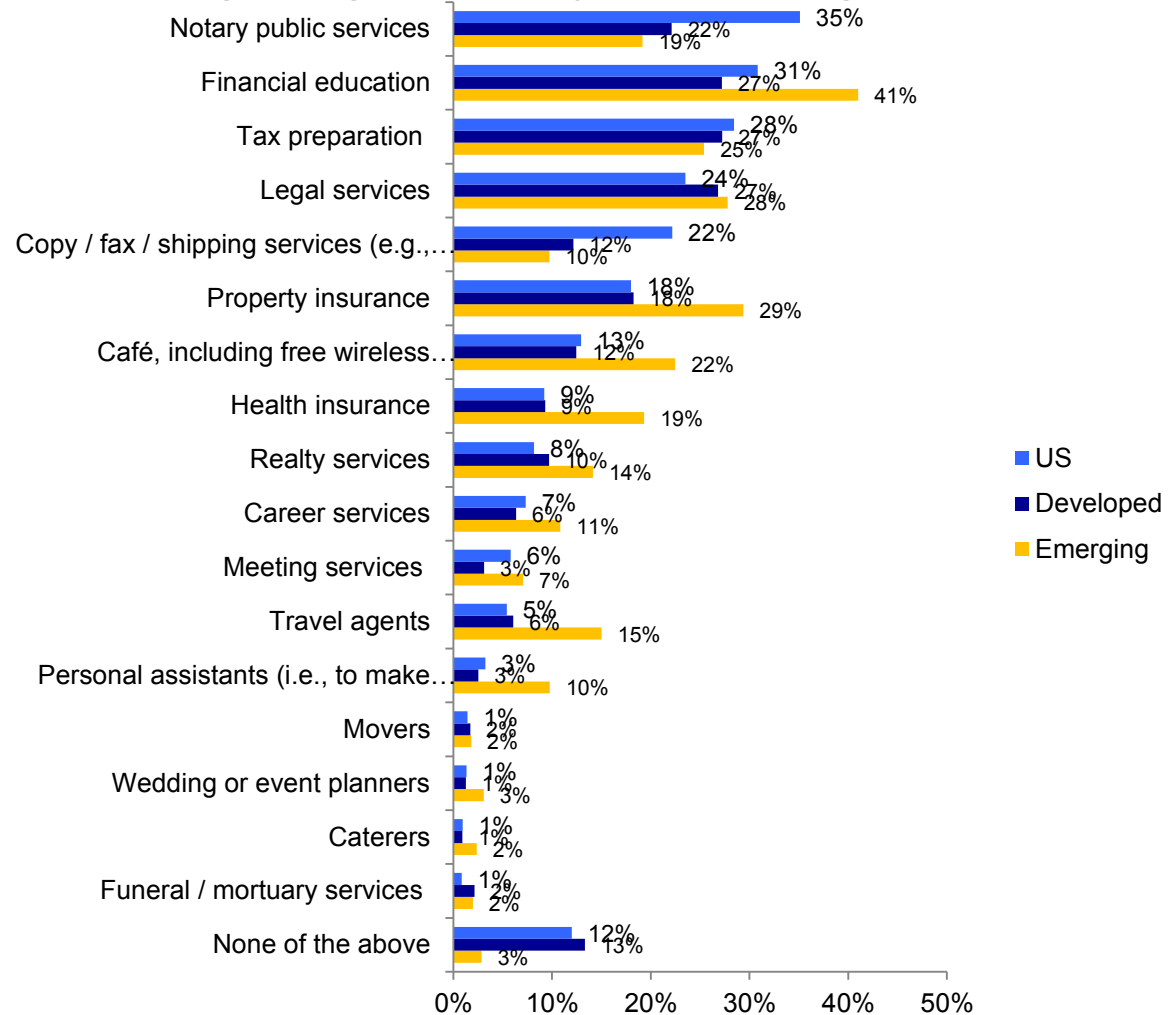
Source: Cisco IBSG, June 2012

# Instead, They Would Like More Advice Offered In The Branches

- 26% of consumers will leave bank if advisers, personal advice removed from branch (Global)
- 83% of consumers in favor of branches expanding their financial advisory services (Global)**



Which kinds of services would you be most interested in obtaining through a Specialty Branch arrangement?



# Video Conferencing Is The Key To Cost-Effective Scaling Of Advice

## Video Key to Building Trust

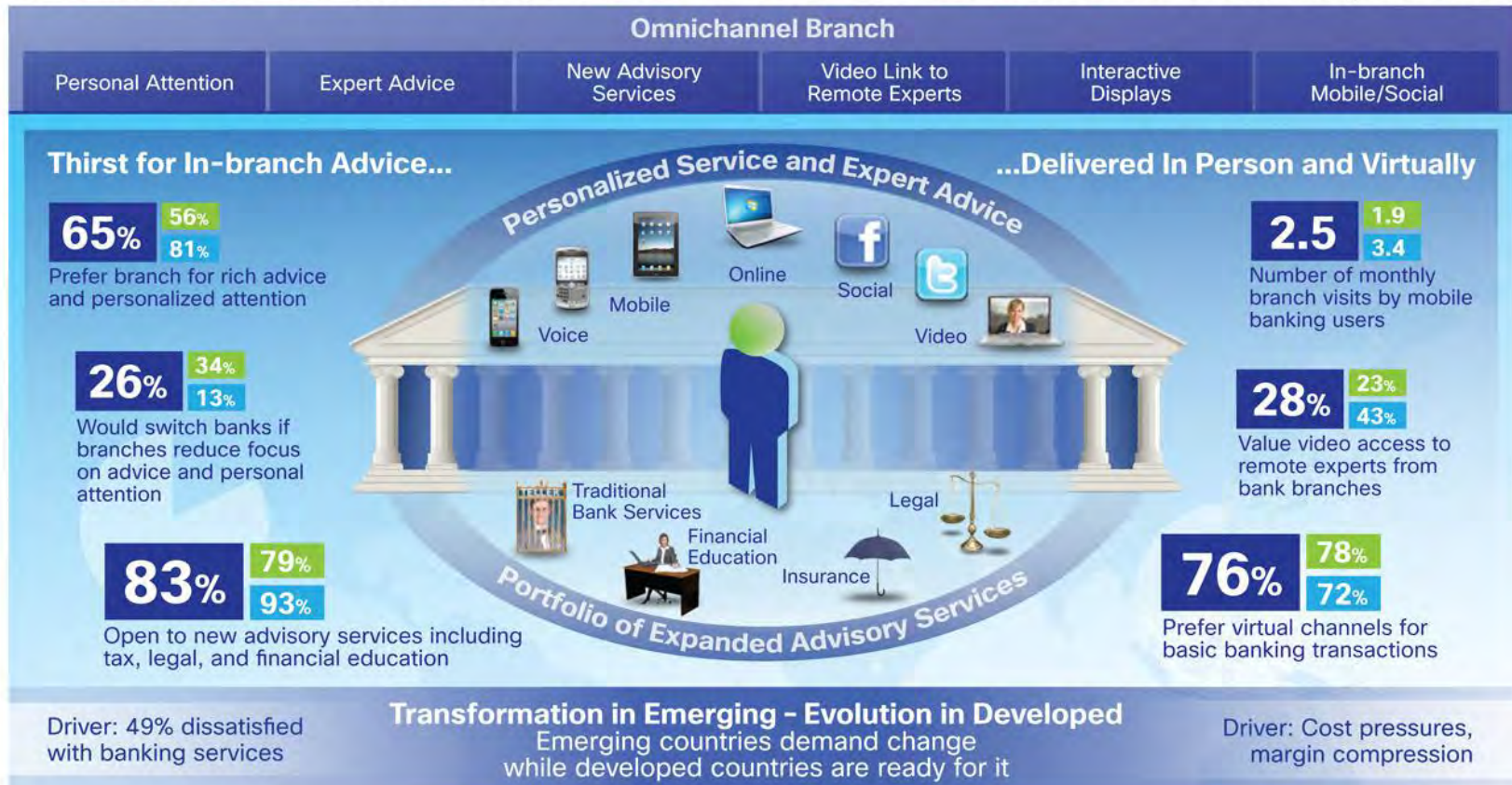
- Video conferencing with remote experts enhances quality of advice
  - 23% customers in developed countries
  - 43% customers in emerging countries
- Video key feature: Experience enhancer for locations lacking availability of human expertise
  - Unmanned banking kiosks, after-hour ATMs, virtual banking
- Video is ready for the mainstream: Gen X and early majority technology adopters strong believers in video



# The Omni-Channel Branch In Numbers

## Omnichannel Banking: A Story of Universal Readiness

Consumers want banks to provide more personalized financial advice and services delivered through merged channels



■ Globally 
 ■ Developed 
 ■ Emerging

Source: Insights from the Cisco IBSG "Winning Strategies for Omnichannel Banking" Survey, 2012





# Omnichannel Research - Implications For Banks

# Opportunity Focus – The Omnichannel Sales & Service Platform



# Enabling The Omnichannel Bank - Solving For Faster Business Value Capture

<u>Key success Factors</u>	<u>Challenges</u>	<u>Cisco's Opportunity</u>
<b>Technical Integration &amp; ease of scaling</b>	<ul style="list-style-type: none"> <li>• Example of video RE not fully integrated into contact center, with routing, recording, authentication etc.</li> </ul>	<ul style="list-style-type: none"> <li>• RE v1.8/9 addresses most of these integration/scaling issues.</li> <li>• Integration with at home in upcoming releases</li> </ul>
<b>Funding</b>	<ul style="list-style-type: none"> <li>• Funding unavailable for pilot or rollout</li> </ul>	<ul style="list-style-type: none"> <li>• Invest in pilot financing (link to scaling)</li> <li>• Potentially offer Branch as a Service</li> </ul>
<b>Incentive alignment</b>	<ul style="list-style-type: none"> <li>• Employees fight the system to avoid being replaced</li> </ul>	<ul style="list-style-type: none"> <li>• Employee adoption/ incentive alignment programs</li> </ul>
<b>Internal risk taking</b>	<ul style="list-style-type: none"> <li>• Sponsors of such initiatives often under internal fire – “doesn't work”</li> </ul>	<ul style="list-style-type: none"> <li>• Use of media to elevate industry profile (hero status)</li> </ul>
<b>Value capture / Customer usage</b>	<ul style="list-style-type: none"> <li>• No revenue lift</li> <li>• Customer adoption anemic</li> </ul>	<ul style="list-style-type: none"> <li>• Segmentation &amp; targeting, use case &amp; process design, customer adoption programs</li> </ul>
<b>Demonstrable value</b>	<ul style="list-style-type: none"> <li>• No evidence of improved benefits</li> </ul>	<ul style="list-style-type: none"> <li>• Metrics design, implementation and monitoring / oversight</li> </ul>



# Accelerated Value Capture Approach To Enabling Omnichannel Banking

## 'Business Centric' Pilot

4-8 weeks

6 Months

2-4 weeks

### Pilot Planning & Design



Branch Economics / Metrics Design



Customer Experience/ Process Design



Internal/External Comms Strategy



Technology Architecture Design



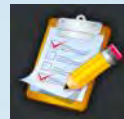
### Pilot Execution & Value Capture



Exec Stakeholder Comms/Alignment



Ongoing Assessment & Review Sessions



### Pilot Project Management



Technology Deployment



Execution Monitoring



Metrics Deployment & Measurement



Solution Adoption Programs (Employee & Customers)



### Pilot Completion & Communications

Final Pilot Readout

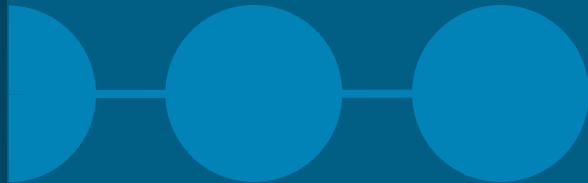


Internal/External Communications



Review/Rollout Decision





# Survey Results – Nextgen Payments

# Mobile In Retail Banking And Payments – Opportunities And Foundations

## KEY MOBILE PAYMENTS / BANKING OPPORTUNITIES



CONNECTED COMMERCE  
/ M-COMMERCE



M- BANKING



ADJACENT  
PAYMENT SVCS

## MOBILE SERVICES / PLATFORM



MOBILE WALLET /  
MERCHANT SVCS



MOBILE  
PAYMENT RAIL



ALTERNATIVE  
CURRENCIES



INFOMEDIARY / IOT  
MGMT PLATFORM

## ENABLING CAPABILITIES



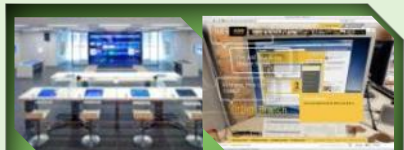
SECURITY /  
AUTHENTICATION



LOCATION  
CAPABILITY



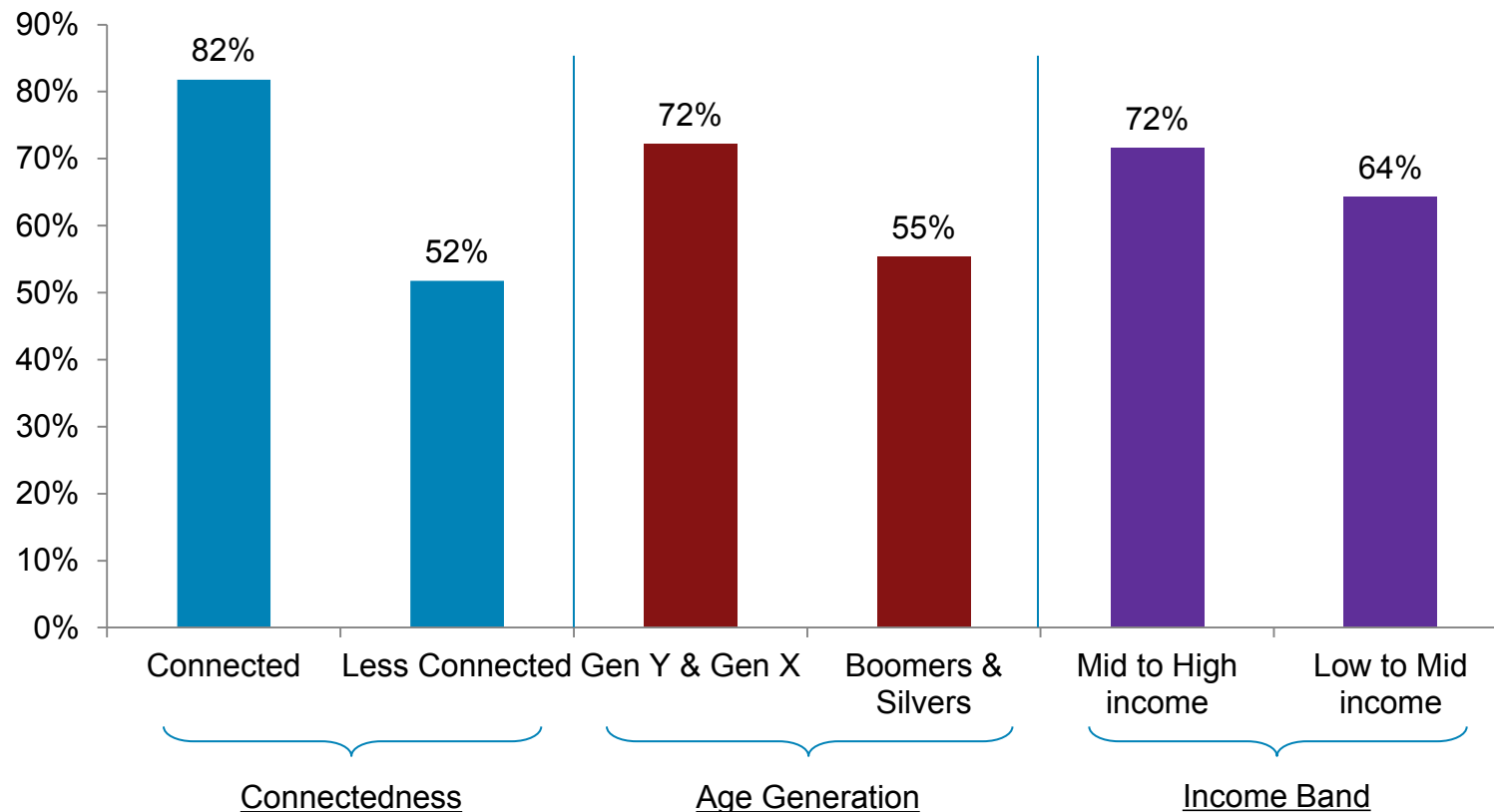
ANALYTICS



OMNICHANNEL  
INTEGRATION

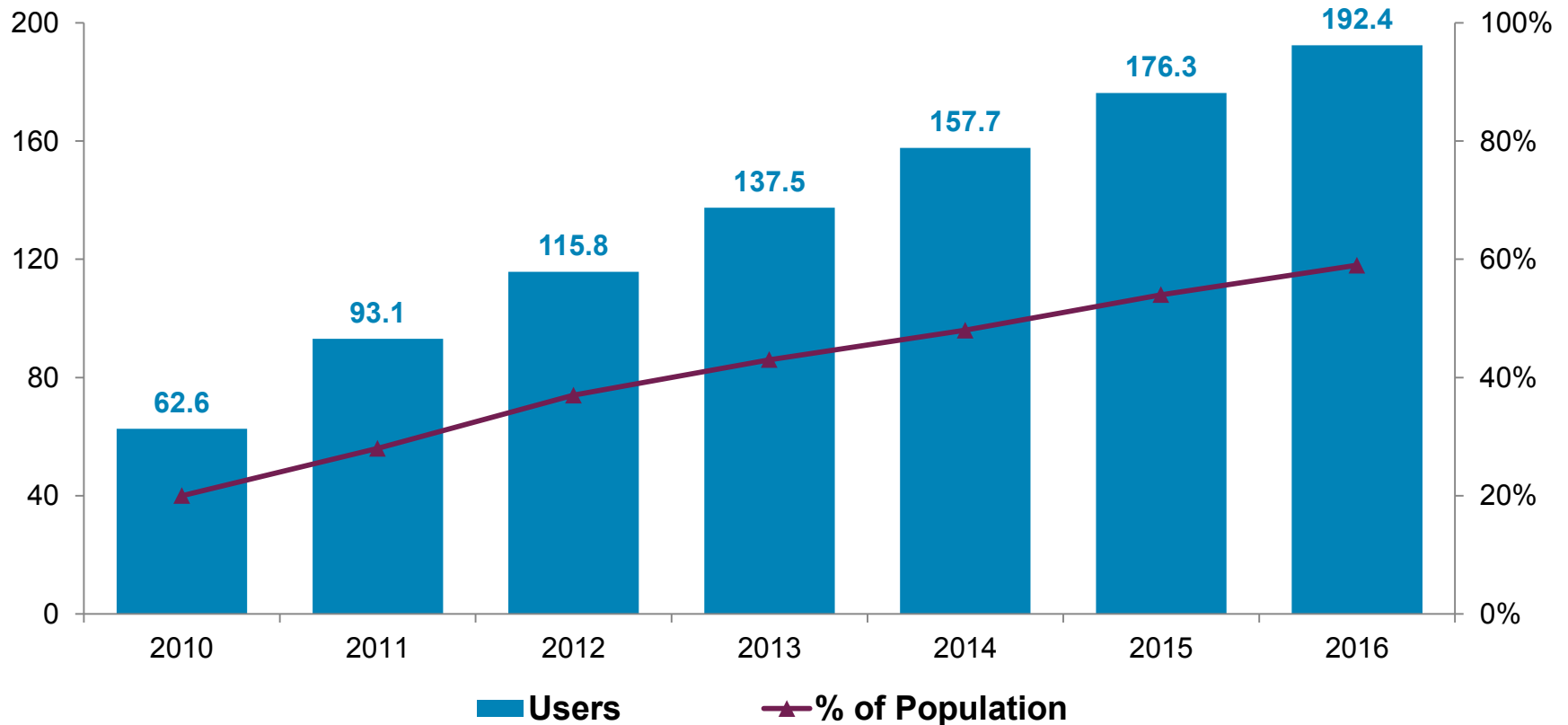
# Nextgen Payments – A Story Of Connectedness, Youth & Wealth

Interested in New Models of Payments and Banking



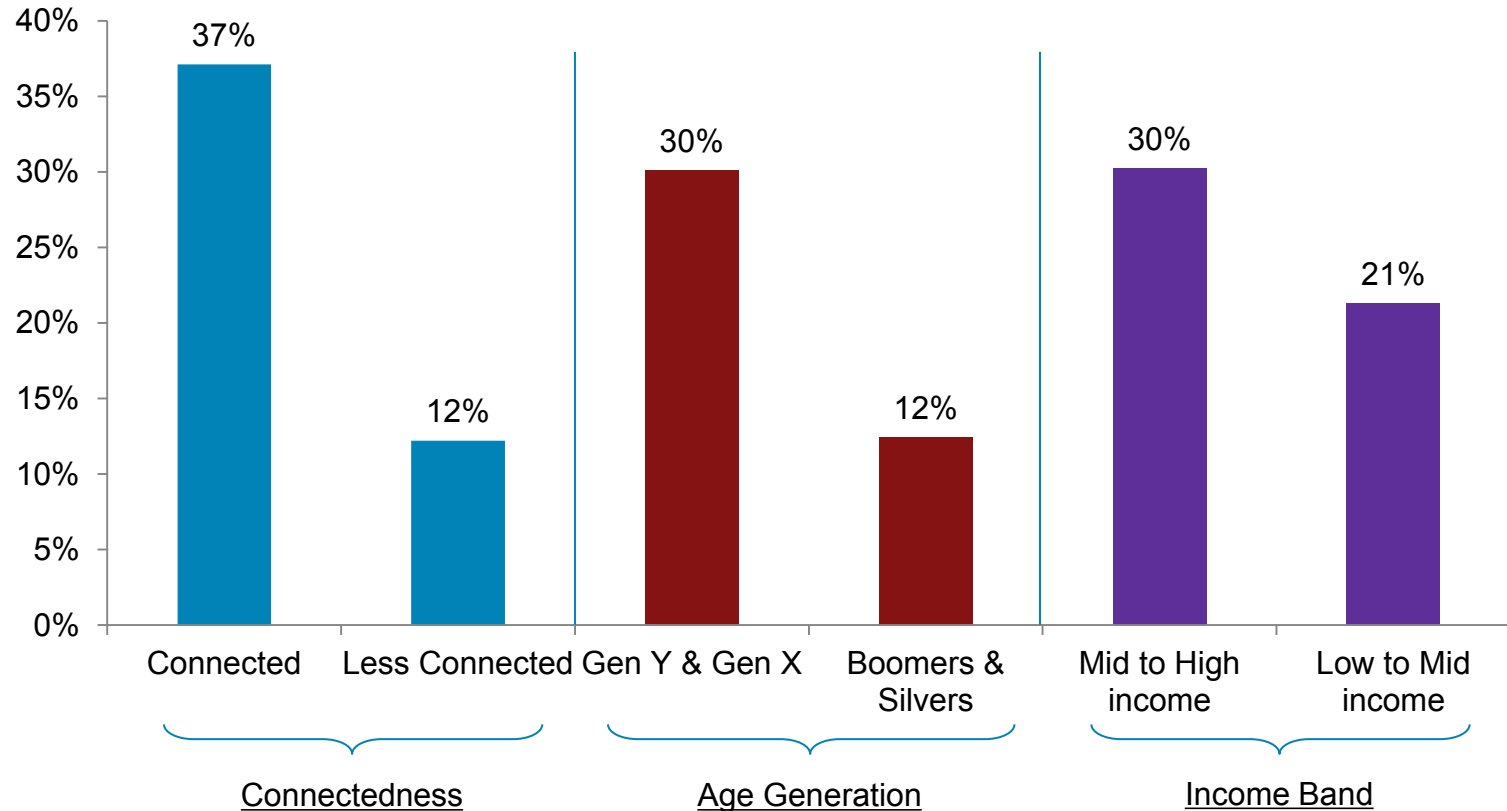
# Connectedness- Smartphone Adoption- Is Bound To Increase Rapidly

## U.S. Smartphone Users, 2010–2016 (millions and % of population)



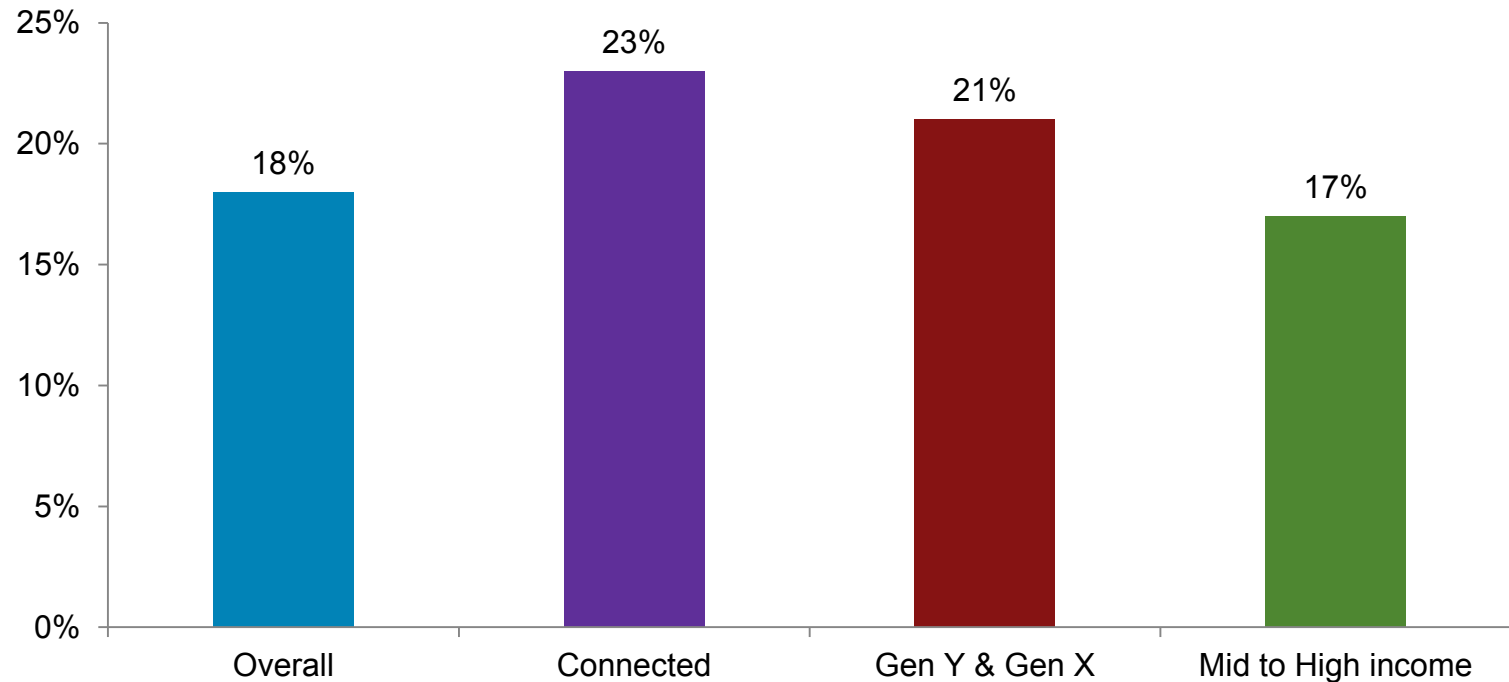
# Mobile Commerce Expected To Increase Going Forward

Increase in Use of Mobile Phone for Purchase



# And Approx. 20% Of Respondents Ready For F-Commerce

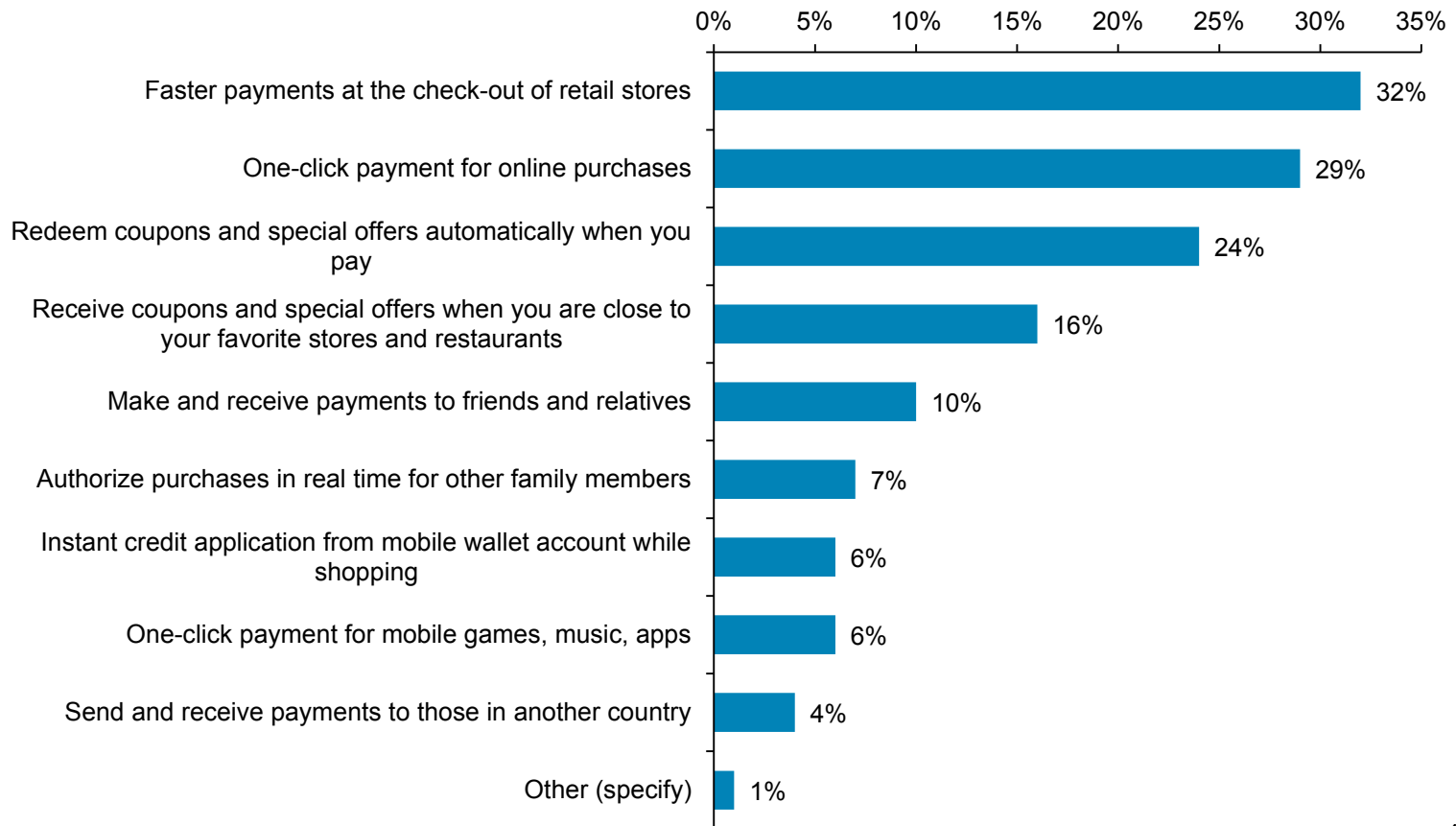
Direct access to online marketplaces from Facebook



n=1061

# Convenience And Special Offers Most Important Benefits For M Commerce

Question: Which of the following would be the most important potential benefits of using a mobile wallet?



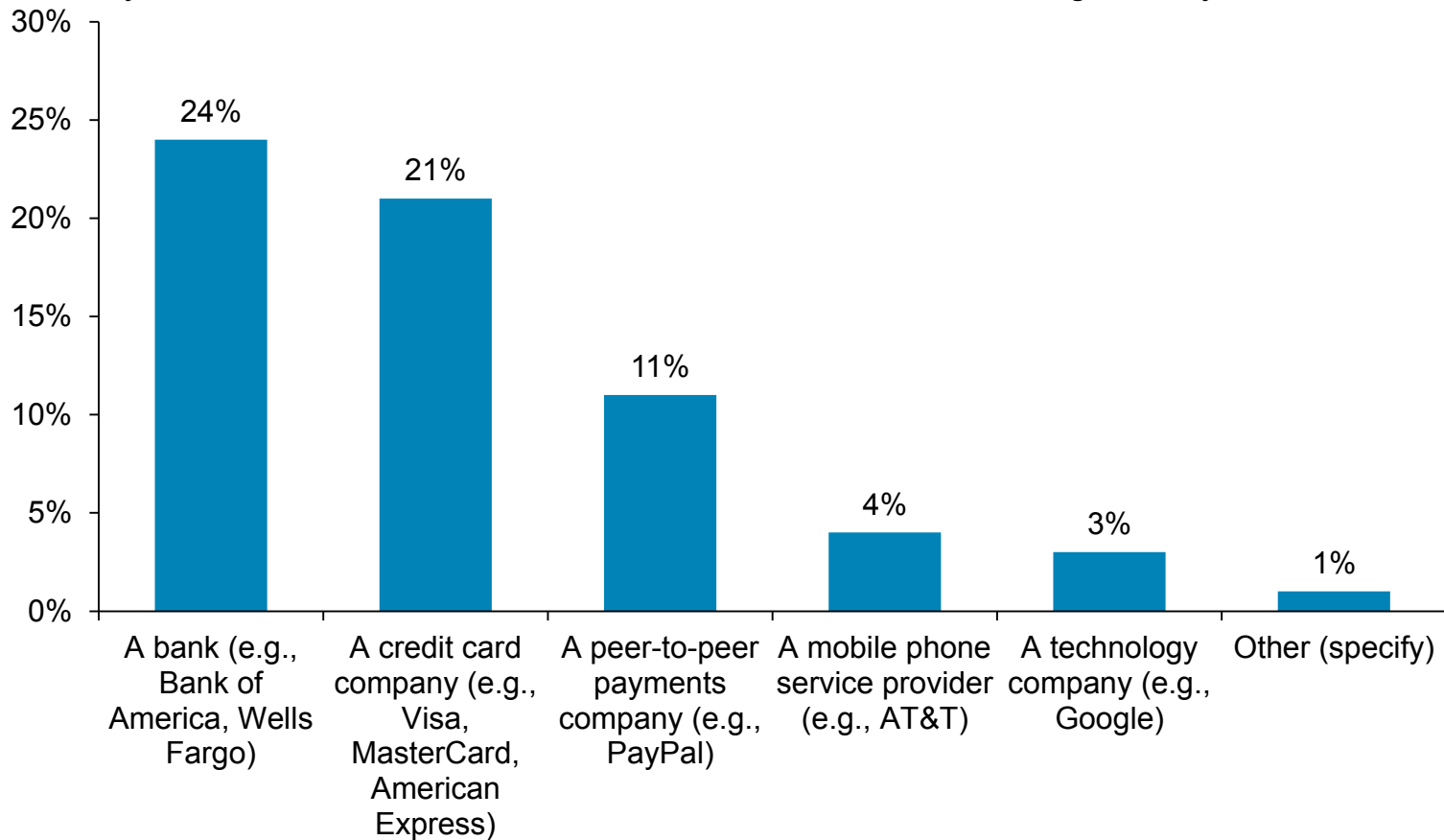
n=1061

\*39% respondents did not select any of the presented options



# Banks and Credit Card Companies Preferred Mobile Wallet Providers

Question: A number of different kinds of companies could offer mobile wallet services. If you wanted to use a mobile wallet, which one of the following would you choose?

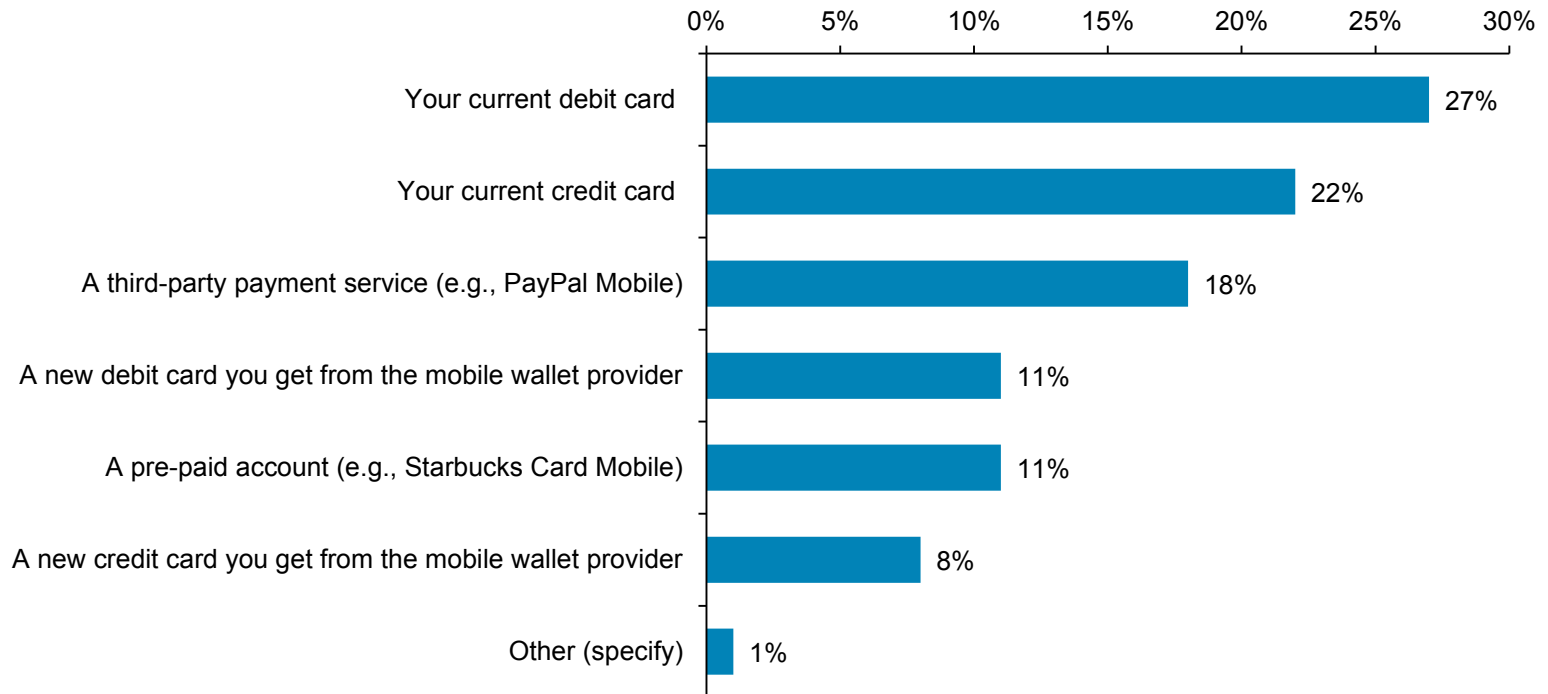


n=1061

\*35% respondents did not select any of the presented options

# Consumers Prefer To Tie Mobile Wallet Payments to Their Own Cards

Question: To pay for items, your mobile wallet would be linked to some kind of payment account. Which of the types of accounts below would you be interested in using with a mobile wallet?

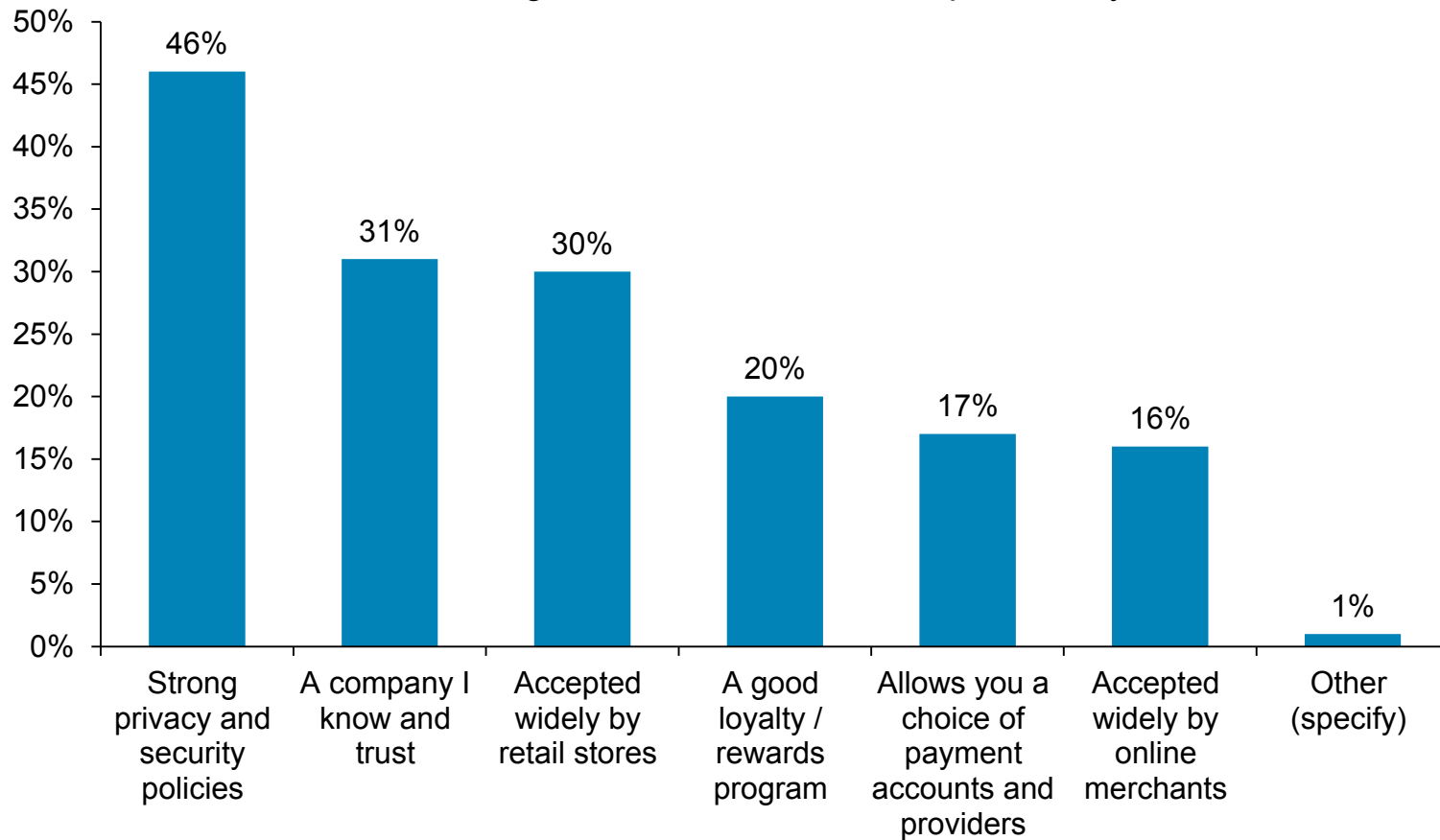


n=1061

\*47% respondents did not select any of the presented options

# Privacy, Trust And Wide Acceptance Paramount Considerations for Mobile Wallet

Question: When considering which mobile wallet provider you would want to use, which of the following factors would be most important to you?

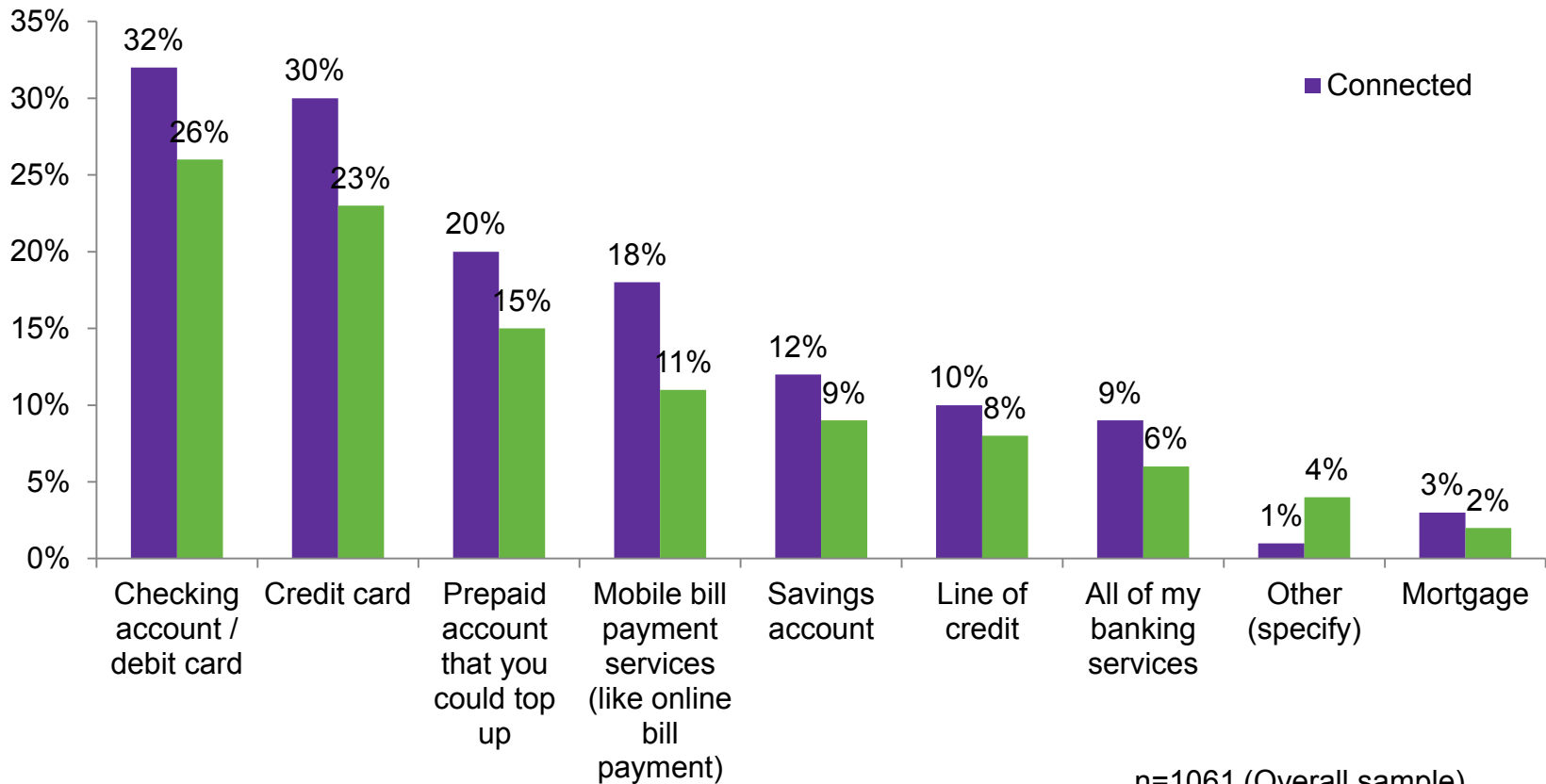


n=1061

\*34% respondents did not select any of the presented options

# However Controlling The Wallet Potential Bridgehead Into Other Financial Services

Question: Imagine that a company other than your current bank provided you with mobile wallet services. Which of the following financial services would you be willing to have with the mobile wallet provider?

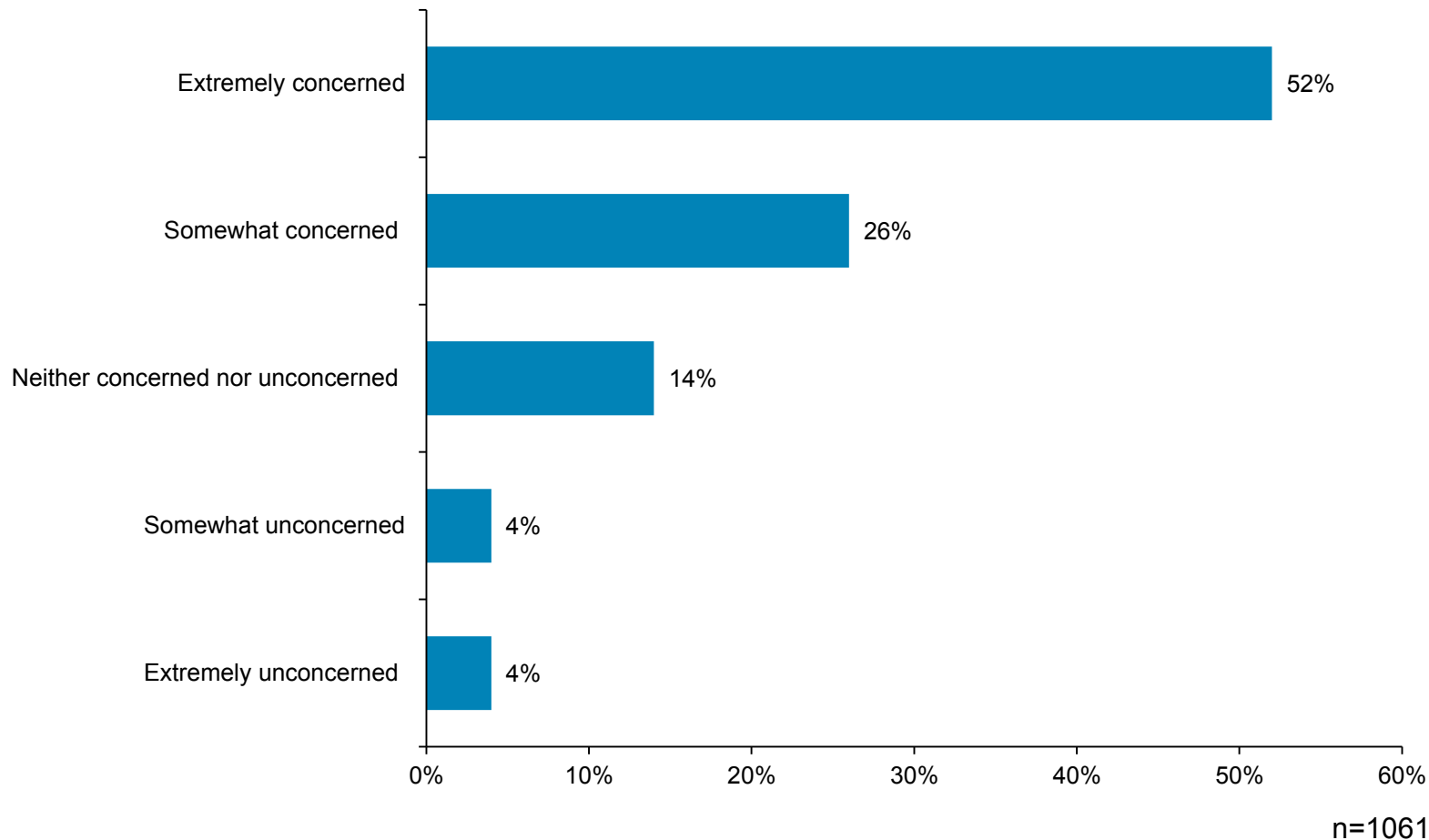


n=1061 (Overall sample)  
n=520 (Connected)

\*41% respondents did not select any of the presented options

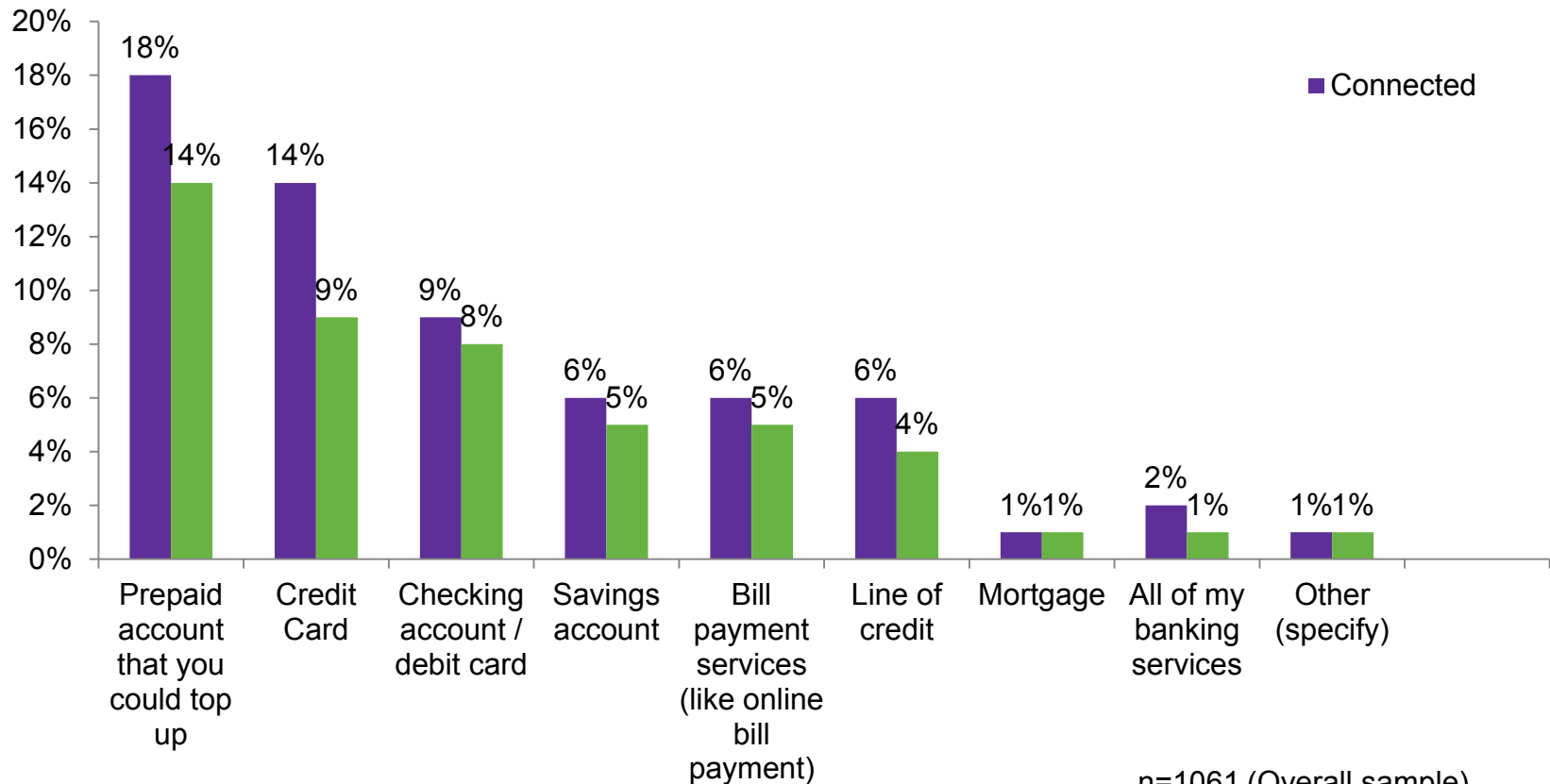
# Social Networks At Disadvantage Due To Privacy Concerns

Question: How concerned are you that the personal information you have placed on social networking sites such as Facebook and Twitter could be accessed by unauthorized individuals or organizations?



# The Same Applies, Although In Smaller Numbers When It Comes To Facebook

Question: Which of the following kinds of banking accounts and payments services would you consider having with Facebook?

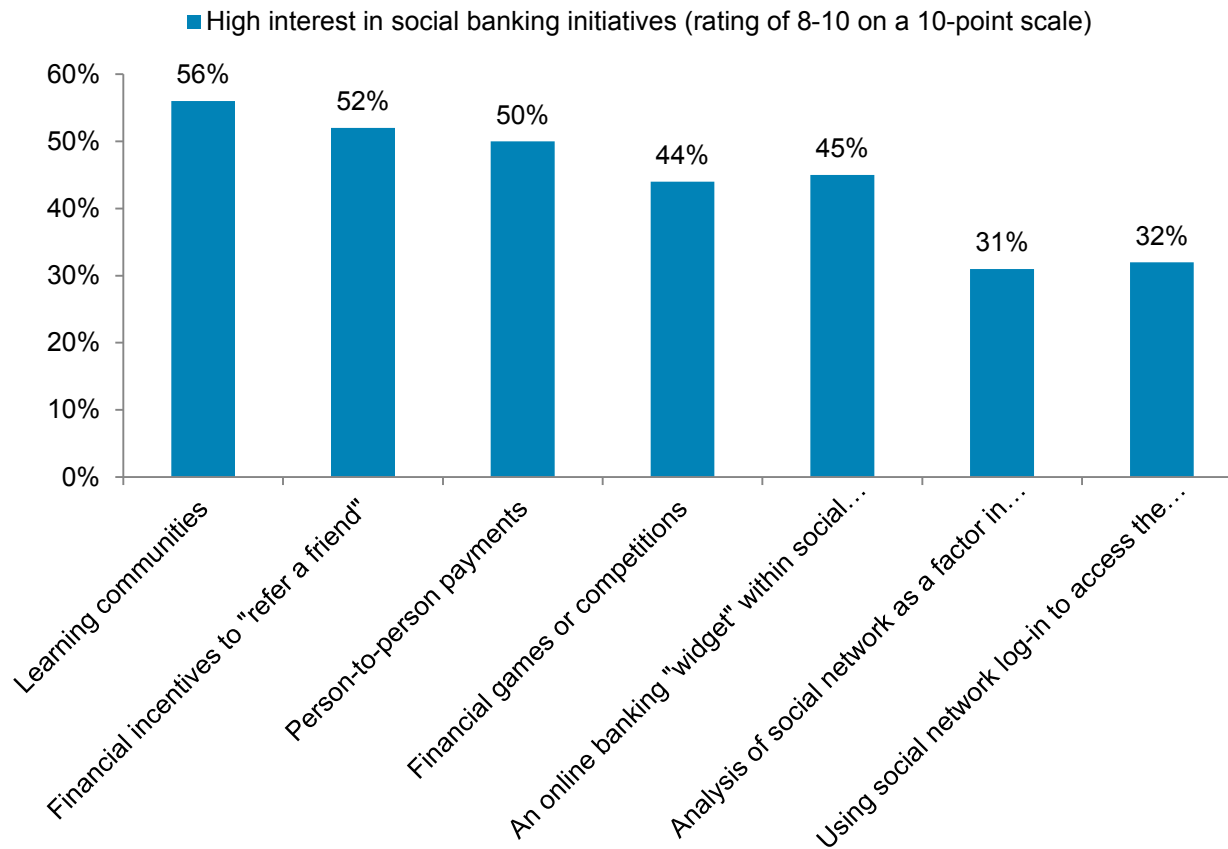


n=1061 (Overall sample)  
n=520 (Connected)

\*71% respondents did not select any of the presented options

# Those most interested in **social media** for banking are looking for learning communities, financial incentives, and peer-to-peer payments

Percentage of Social Respondents\* with High Interest in Social Banking Initiatives (North America)



- One segment in favor: younger, tech-savvy customers in emerging countries
- Learning communities should complement the desire for financial education in the branch

\* A "social" respondent has ranked one or more of the initiatives an eight or above.

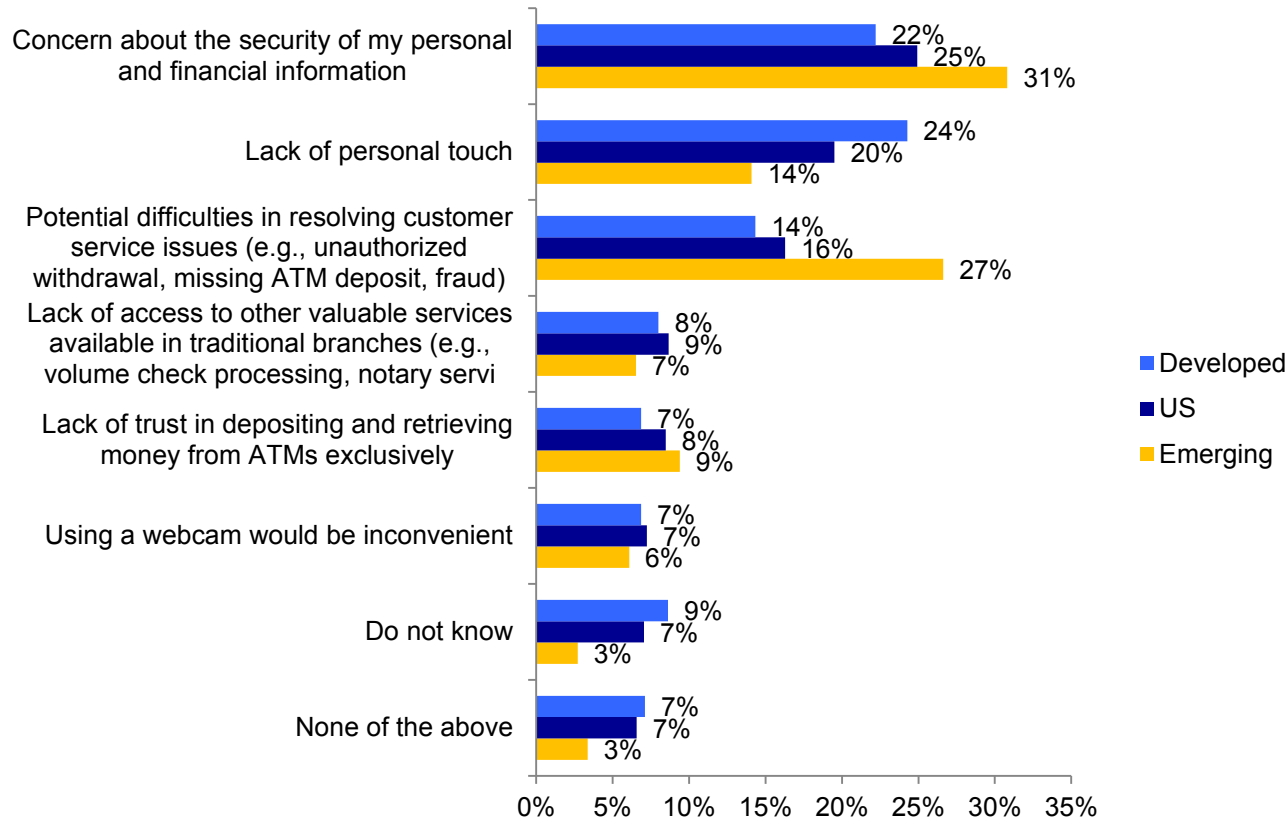


# Survey Results – The Privacy Minefield – Tread Carefully



# Security Of Personal Info Is A Top Concern For Omnichannel Banking

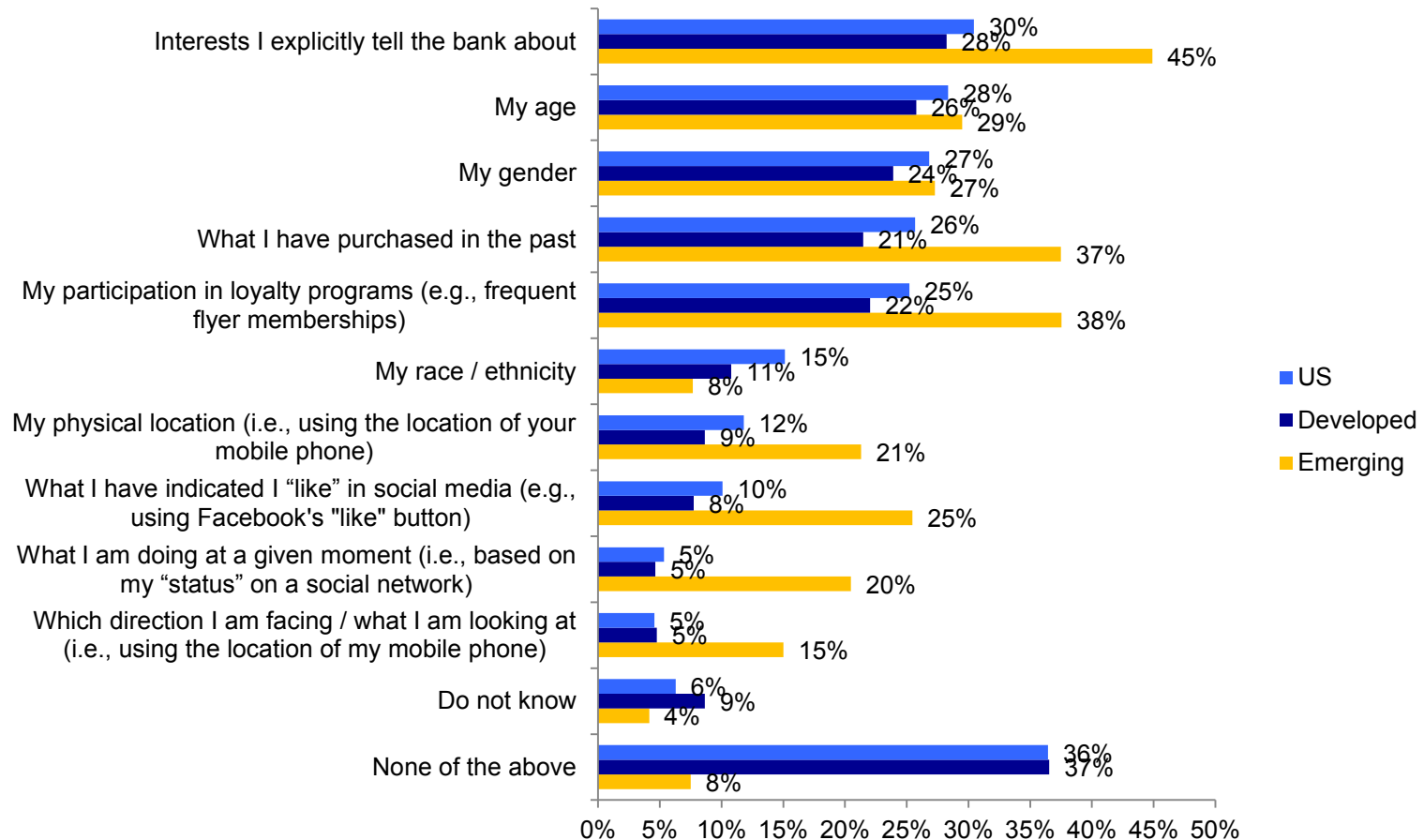
What would you consider the biggest disadvantage of the Virtual Banking arrangement?



Source: Cisco IBSG Omnichannel Survey 2012, IBSG Analysis

# Making Opt-In Models A Must Have Feature ... Esp. When Linked To Commerce Incentives

Which of the following types of information would you be comfortable with your bank using to create personalized marketing offers?

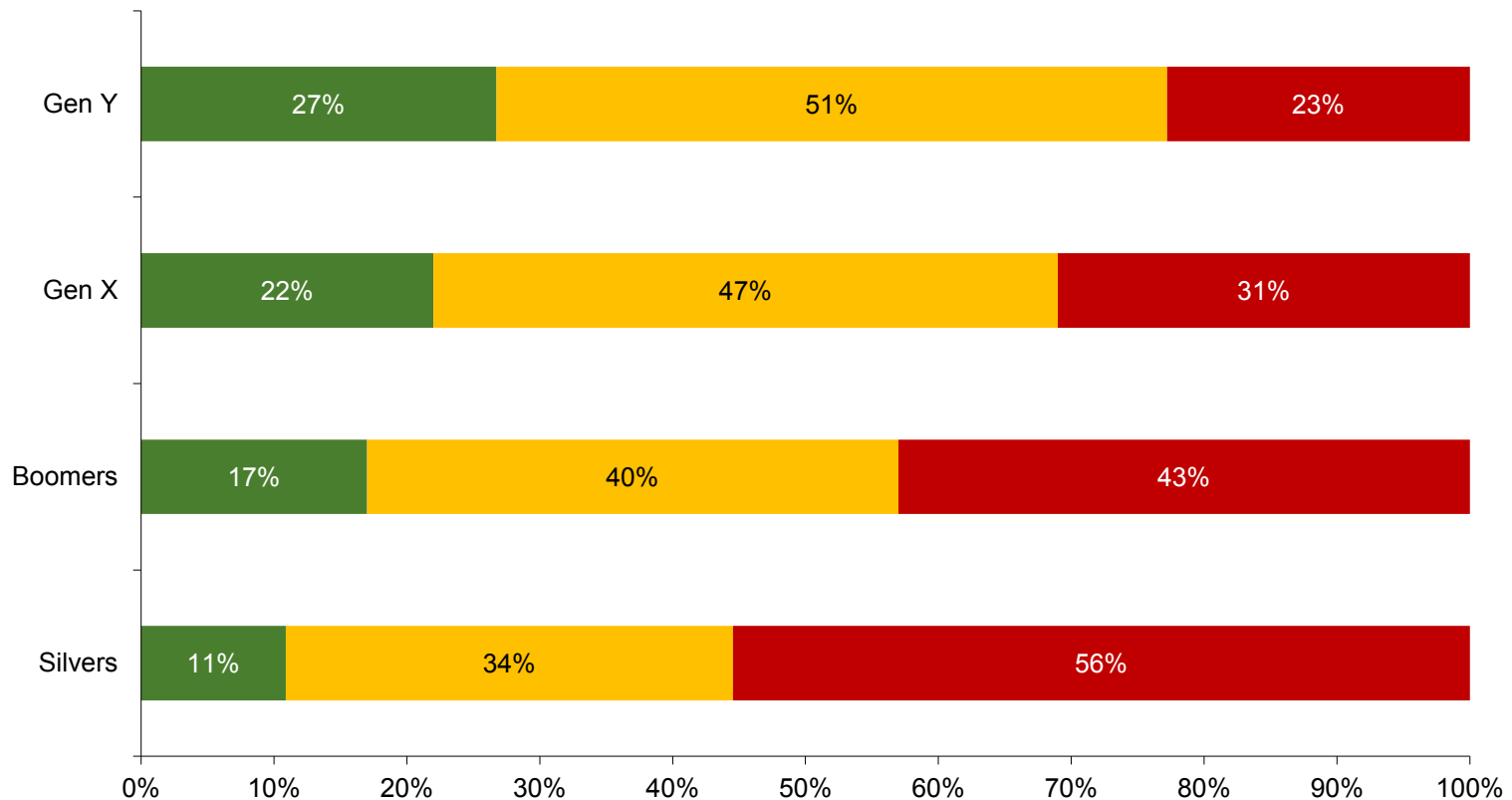


Source: Cisco IBSG, June 2012

# Consumers – Especially the Youth – In Favor Of **Infomediary** Services

## Interest in the Digital Footprint Management Arrangement by Age Segment (North America)

■ High Interest ■ Some Interest ■ Low Interest

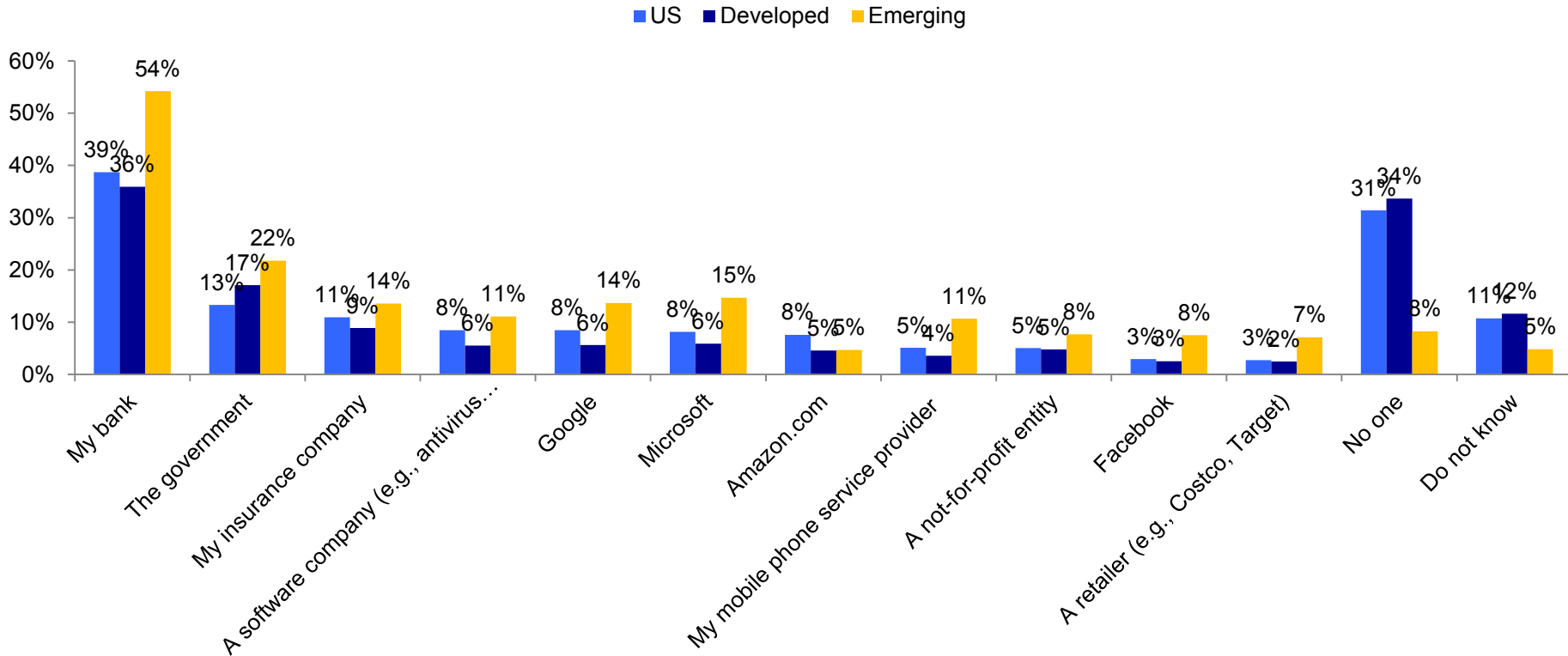


N=1,671

Respondents Included = 32%, Filter Applied

# Banks Cited As The **Infomediary** Of Choice – A Potential Opportunity

What types of organization would you trust most to provide a Digital Footprint Management service?



US Perspective



# CONCLUSION + Q&A

# So What? Sample Strategies For Retail Financial Services



FUTURE OF DISTRIBUTION

- Engage in the transformation journey towards the Omnichannel branch: advice-centric, connected, interactive & video enabled
- Focus on achieving both cost reduction and revenue expansion as well as better customer sat
- Expand to At Home, In-Office etc.



FUTURE OF PAYMENTS

- Mobile Payments are here to stay
- Incumbents are well positioned however, the risks of not engaging are real
- Connected Commerce represents a key opportunity
- Engage where consumer appetite and ops/tech are aligned: online mobile commerce, remote payments



FUTURE VALUE PROPS

- Invest in beefing up your organization's sensing and analytics capabilities
- Offer new services on an 'Opt-In' basis
- Explore ways to provide infomediary services - perhaps as an association of banks

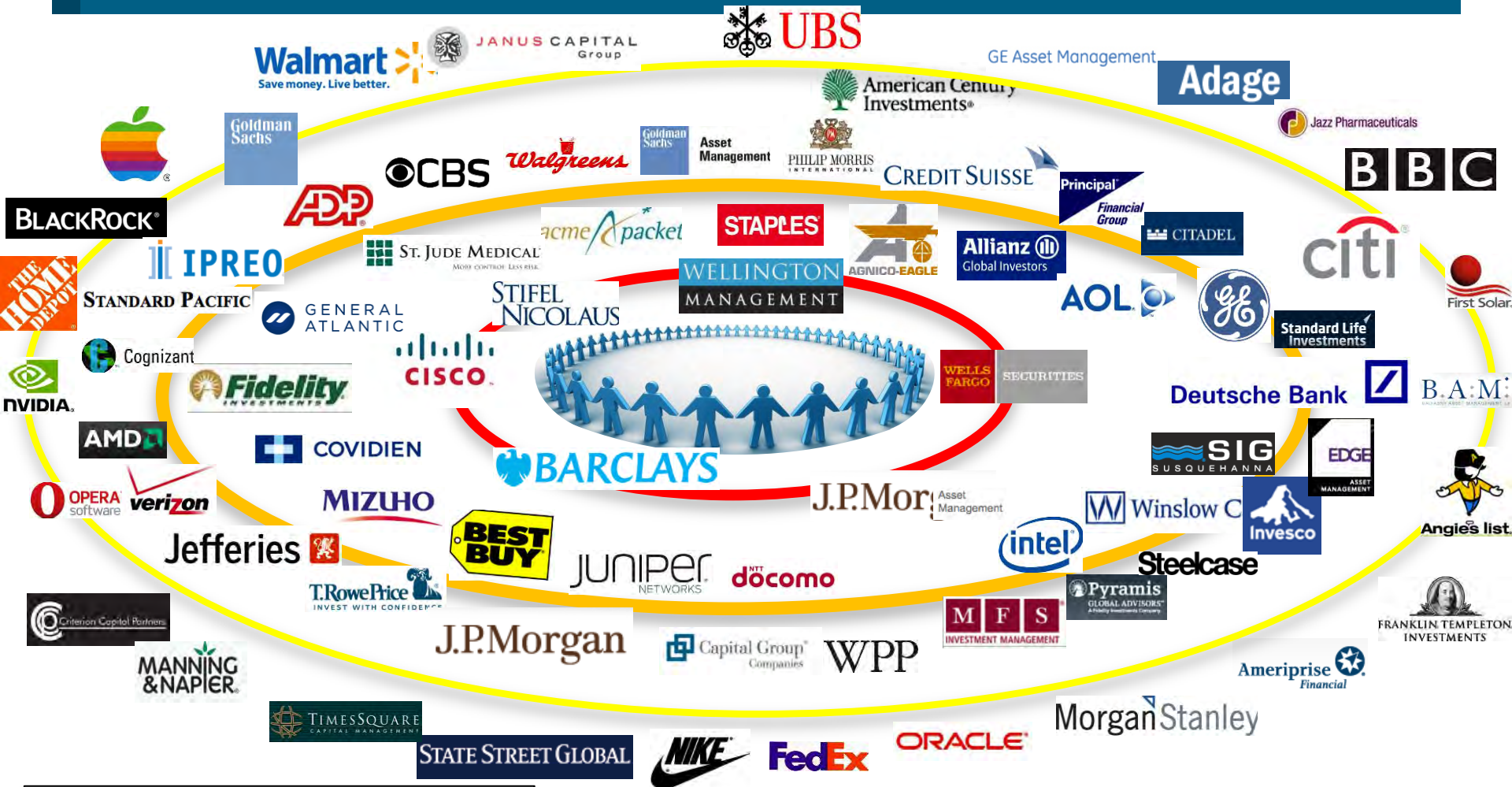




# APPENDIX



# Cisco Corporate Connect Universe of Participants



- Catalyst
- Participant
- Discussions initiated or Underway



**CISCO**