



WHITE PAPER

DIGITAL TRANSFORMATION: WHY IT'S NO LONGER OPTIONAL

Essential steps for banks seeking to exceed customer expectations.



Technology continues to redefine customer expectations. Online shopping and e-commerce have become engaging, simple and fun – and customers now expect to be able to browse and buy financial products as easily as a book or plane ticket.

As technology takes center stage, it becomes the lifeblood of a bank's brand. Technology determines the customer experience, how customers perceive your bank and where they go next. A bank's technology is effectively its chief brand ambassador, and banks are taking note. According to a recent Digital Banking Report, over three-quarters of retail banks identified improving the digital experience for consumers as a strategic priority in 2023 and beyond.¹

Today's competitive advantage is tomorrow's banking baseline, and it would be a mistake to regard a digital transformation as optional.

Why digital transformation?

Banks are prioritizing digital transformation for numerous reasons. Some of the most significant catalysts include:

Competition

Shifting customer expectations and the threat of challenger banks are driving financial institutions to create better banking experiences for their customers.

Automation and integration

Banks may turn to digital transformation as a way of automating manual processes and replacing legacy systems with a more integrated experience.

Security and updates

Through digital transformation, banks can boost their security, eliminate downtime and pave the way for rapid future updates.

Next-level customer experience

Banks can also enhance customer experience and take it to the next level by harnessing customization and innovative technology such as artificial intelligence and open APIs.

From digital solutions to digital transformation

In the wake of the pandemic, customers of all ages discovered the value of digital banking services when their bank branches suddenly closed. Banks responded rapidly, with many adopting digital solutions to achieve a quick fix for online and mobile banking offerings.

But adopting digital solutions in a piecemeal way is not the same as undergoing a digital transformation. Fast forward to today: many banks are looking to optimize and transform their digital banking solutions. Only then can they stay competitive and give customers the compelling and convenient experiences they increasingly expect.

¹ Digital Banking Report, Retail Banking Trends and Priorities 2023

Above all, digital transformation is about delivering and cultivating a consistent customer experience across all channels. For many banks, this is a daunting challenge – but a look backward can give us a better understanding of the best way forward.



“The fight for customer relationships has moved to new terrain unfamiliar to banks, and many incumbents are ill-equipped to defend market share on the digital battlefield.”

- Reshaping retail banks: Enhancing banking for the next digital age – McKinsey & Company

Bank channels – an accident of history

Many bank channels have evolved over time in line with technological progress. Banks have responded to new technologies and emerging customer demands with point solutions that work across one or maybe two channels.

While this approach has delivered short-term benefits, it precludes a unified approach to channel development. Most banks may claim to be ‘omnichannel,’ but few are truly digital. This distinction is significant. Why?

Traditionally, banks have been product-led and channel-driven. When new products became available, they were distributed through the bank’s channel network. In most cases, banks were manufacturers and distributors of their own products. However, this approach is unsuited to the needs of the digital age.

Multichannel, omnichannel, opti-channel?

Omnichannel banking has been around for many years. In fact, the term is gradually being superseded by ‘opti-channel’ to describe how banks can offer customers an optimal service on whichever channels the customer prefers.

Whichever term you choose, it’s clear that in the digital age, customers want banking their way. They expect banks to offer a dynamic, engaging experience regardless of channel – for example, customers may begin their journey online or on mobile, but they may want to continue that journey on another device or with a bank associate. Increasingly, they want bespoke financial products delivered in context.

In practice, however, many banks still operate multiple, siloed channel technology stacks. Each bank channel has a single purpose and is managed independently. Channels are connected using clever workarounds, such as data lakes and parallel databases.

This setup is more akin to multichannel rather than omnichannel. Customers are often unable to enjoy a consistent brand experience across multiple channels because they were not designed to work in harmony. And of course, every break in the customer journey increases the likelihood of dropout.



Multichannel

Banks provide services to customers through a variety of channels.



Omnichannel

Banks provide an integrated customer experience across all channels.



Opti-channel

Banks offer an optimal service on whichever channels the customer prefers.

Open banking and innovation

The open banking movement is driving change around the world. Customers are empowered to share their data and an open, real-time financial ecosystem is evolving fast. But to succeed in open banking, banks need flexible technology and an API-first approach that enables them to standardize processes and reduce costs.

Banks with outmoded, closed technology stacks may be unable to keep up with the pace of change. Digital transformation is essential if banks are to succeed in open banking and participate fully in the digital ecosystem.

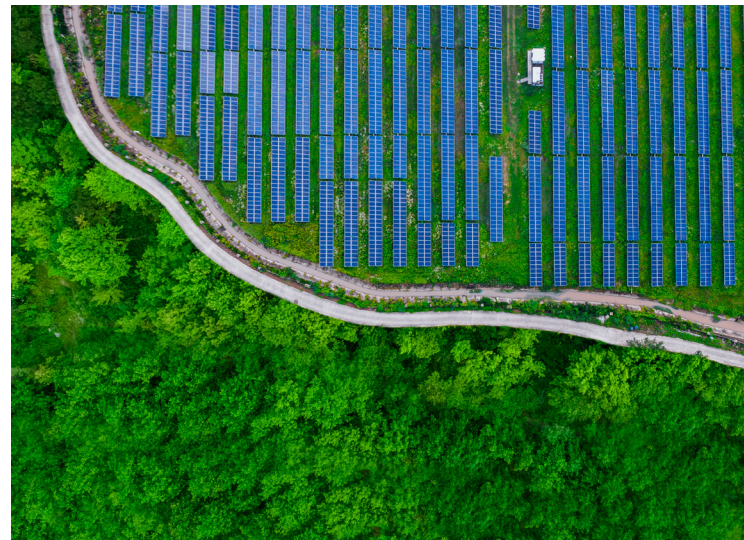
From multiple solutions to a single digital platform

For many banks, delivering a truly seamless omnichannel customer experience remains an elusive aspiration. A recent study² suggests that only one in 10 North American financial institutions can offer truly omnichannel delivery. In many cases, customers lack the ability to begin a journey on one channel, continue it on another and complete it on yet another.

Aside from impairing the customer experience, this fragmented approach to channels inhibits a bank's ability to gather crucial data about customer behavior. By migrating to a single digital platform, banks can turn every customer interaction into a learning opportunity and a chance to build loyalty.

“To be future-ready, financial institution priorities should be on evolving products and channels to meet customer needs, accelerating investments in new technological capabilities and improving automation processes.”

- Jim Marous, Top 5 Retail Banking Influencer, Global Speaker, Podcast Host and Co-publisher at The Financial Brand



“To deliver the personalized omnichannel experiences and ecosystem journeys customers want, banks must pivot to platform business models that leverage data and new technologies.”

- Capgemini World Retail Banking Report 2022

What you need to succeed

By harnessing digital transformation, banks can put the customer at the heart of everything they do. As customers engage with an increasing range of apps, websites and bots, banks need the flexibility to meet their customers where they are and offer banking services that are relevant and engaging, regardless of channel.

All banks need to abandon a channels mindset and embrace end-to-end digital experiences. This means adopting cloud-native installations and taking advantage of real-time data. It also means making use of open microservice-based API architecture and scaling front-end experiences quickly using modular-based deployments.










² CELENT, Delivering an Omnichannel Customer Experience



Reaping the rewards

With the right integrated digital platform, banks can not only standardize their processes and reduce total cost of ownership (TCO), but also provide an exceptional digital banking experience for all their customers.

By adopting a state-of-the-art banking solution and working with a trusted partner that supports their digital transformation goals, a bank can:

-  Deliver a consistent user experience across every interaction
-  Monitor customer activity and seize the opportunity to engage, cross-sell and upsell
-  Provide a smooth customer journey, without breaks, to decrease the likelihood of dropout
-  Centralize content management and CRM to boost efficiency and reduce costs
-  Offer assistance when and where customers need it
-  Support the optimal mix of sales, service, account origination and transactions
-  Respond quickly to changing customer expectations and demands
-  Participate fully in the evolving digital ecosystem

Although this list of benefits is not exhaustive, it shows how a single digital platform can deliver sustainable benefits quickly and make a bank more customer-centric. This, in turn, can help banks stay ahead of the competition, attract and retain customers, and offer engaging and exceptional experiences on any channel.

In summary...

Bank channels are an accident of history – and in the digital age, customers are looking for consistent, engaging experiences that meet their needs. By embracing digital transformation, banks can not only transform their own business processes, but also provide a smooth and simple experience that revolves around the customer.

NEXT STEPS

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