



# Customer experience in the new reality

## Perspectives from the banking sector

Global Customer Experience  
Excellence research 2020



[home.kpmg/customerfirst](https://home.kpmg/customerfirst)

# Introduction

The traditional banking model was already being challenged pre-COVID-19 by three trends: persistently low interest rates, extended regulation, and increased competition from challenger banks and digital entrants. COVID-19 has accelerated the need for new banking technologies and cost-cutting efficiencies. Cloud technologies, digital applications and AI can help banks weather these changes and differentiate their offerings in the long term.

Before COVID-19, the 2020s were already being framed as the decade for digital bank transformation. Such changes reflected a growing desire for essential innovations including seamless, hyper-personalised user experiences.

This shift also reflected a practical need for more efficient operations as well as increasing pressures for banks to boost their return on capital and decrease cost-income ratios. Meanwhile, systems such as Open Banking (allowing third party applications access to bank accounts) was a potential disruption to the industry, splitting the value chain into product creation and fulfilment and increasing the likelihood of competition from new entrants particularly from big technology firms.

COVID-19 is accelerating these demands. It has also changed consumers' behaviors, pushing them to consider new tools and technologies. As customers become "digital first" across all age groups the traditional banking model of separate and often unintegrated channels comes into question.

The challenge today comes from a variety of digital assets that do not sit on the balance sheet of banks: cryptocurrencies, electronic wallets, stable coins, or balances with a telecom or a retail provider. New entrants have focused on payment technologies. The convenience of payments they provide, as well as the connections to other parts of the growing digital life of consumers and business alike, will be accelerated by COVID 19.

The dominance in payments of tech companies in China or mobile telecom providers in parts of Africa are examples of the extent of disruption.

The bottom line is with interest rates likely to remain low for the foreseeable future and the deep crisis hitting the real economy which is likely to bring a new surge in non-performing loans, banks must find new ways of better serving their existing customers to protect their customer base from new entrants whilst at the same time reducing costs to serve.

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# The future experience

Our research suggests there are three trends which will shape the future of the banking industry:

## 1. New technologies will drive banking transformation over the next 5 years<sup>1</sup>

Cloud and Software as a Service (SaaS). It has low infrastructure costs, lets products be created and changed quickly, and offers resilience, scalability and security. 84 percent of respondents believe that Cloud technology will be transformative in banking. Cloud and SaaS has allowed banks to operate with an agility and speed usually associated with their fintech competitors.

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## 2. Artificial intelligence will separate the winners from the losers in banking<sup>2</sup>

There are a diverse range of uses for AI. Much focus is on improving the customer experience through personalization. Many banks also see the potential for AI to support new business. Some private banks, for example, are using advanced investment algorithms to strengthen their portfolio management. Finally, because digital transformation is an end-to-end process, banks are targeting deployment in fraud detection and back office functions in their future business plans.

## 3. Banks will overhaul their business models to create digital ecosystems<sup>3</sup>

In the new world banking will become part of a platform of services with the key players transforming their business models into digital ecosystems and making the bank the center of these platforms.

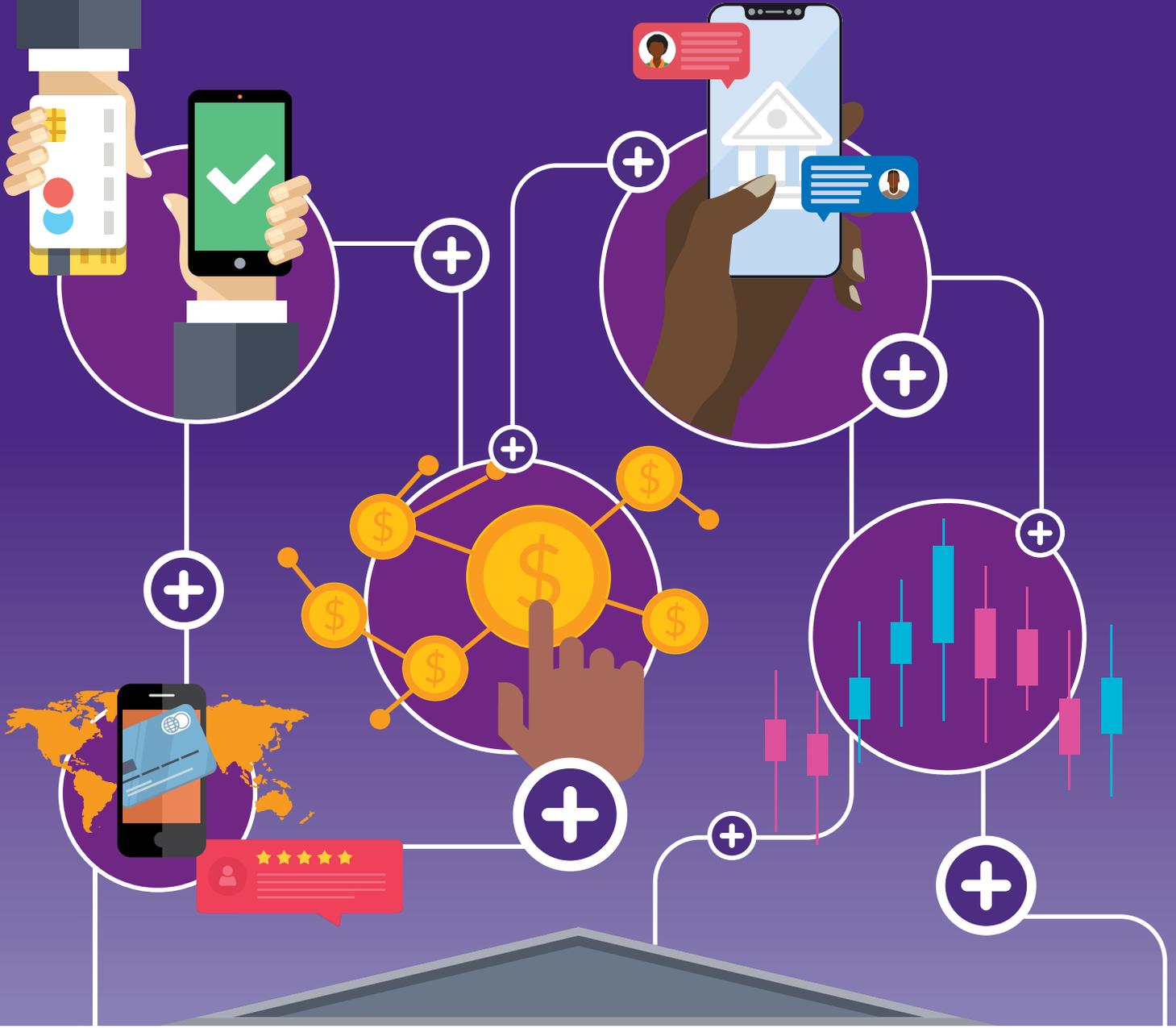
In the ecosystem model customers interact with the products and services they need through their banking apps. These are based on intuitive, self-learning software, which allows offerings to be enhanced and added in response to customer needs. Such technology brings new value and an entirely new customer experience. While mobile brought banking into everyday lives, ecosystems integrate our everyday lives with banking. They bring many key elements of modern banking technology — such as cloud, explainable AI, and open APIs — together into one seamless user journey.

One bank has developed an app that offers core banking, coupons from local merchants and an education portal where members can enhance their money management skills. A built-in feedback function informs innovative new features. This includes mobile check cashing, where image recognition and verification technology allows members to make deposits directly from their smart devices.

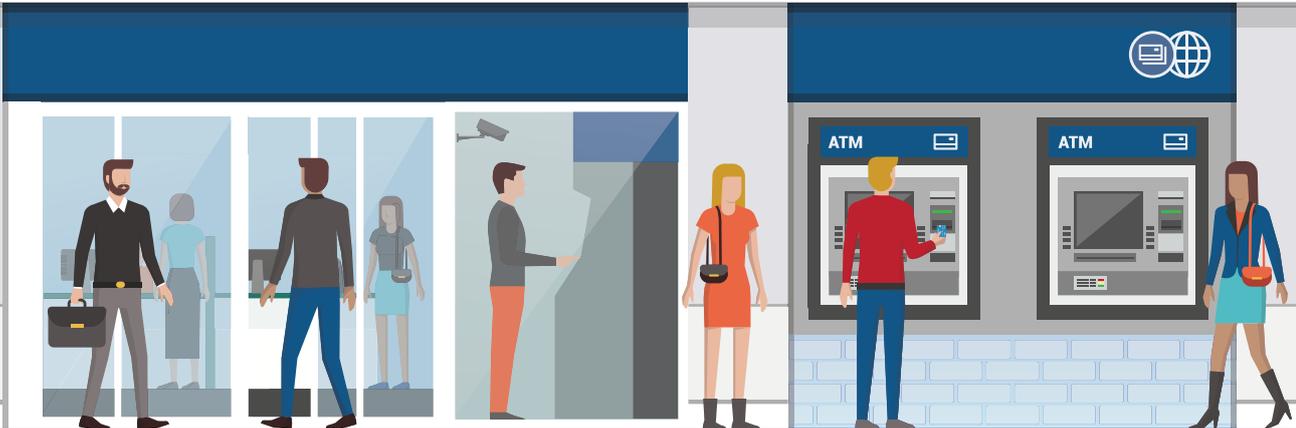
<sup>1</sup> <https://eiuperspectives.economist.com/financial-services/forging-new-frontiers-advanced-technologies-will-revolutionise-banking>

<sup>2</sup> i.bid.

<sup>3</sup> i.bid.



# BANK



# The recovery pathway

In the near term, banks may enjoy a revitalization as they continue lending to their customers during the crisis. They also enjoy the protection of the safety net and access to deposit financing.

Nevertheless, Covid-19 will likely accelerate the digitalization and the shift over the medium term of activities away from the sector. This prompts some fundamental strategic questions:

- Big Tech companies have many of the ingredients to get ahead in the post-COVID-19 world. They are digital natives; they have the technology, customer base and brand recognition, as well as vast amounts of data and deep pockets so how do we protect our customer base from new entrants?
- How do we use open banking to play a wider and more indispensable part in our customers lives?
- How do we harness the data we have to increase personalization and build longer more sustainable relationships across the customer lifecycle?
- How do we integrate digital across the retail estate? What is the role of branches in the new reality?

The Six Pillar model was developed to provide a precise and practical definition of the kind of emotional outcome a successful experience needed to deliver. Based on over 4 million detailed customer reviews, The Six Pillars have been validated in 27 markets this year and modeled against the commercial outcomes of retention and recommendation. The Six Pillars are inextricably intertwined and, in combination, provide a powerful mechanism to help organizations understand how well their customer experience is delivered across channels, industries and company types. The leading organizations demonstrate mastery of these pillars and are outstanding at all of them. [Click here for more information.](#)



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**Judd Caplain**

Global Head of Banking & Capital Markets

The Six Pillars of Experience have a strategic role to play:

**Integrity**

Trust remains central to the banking relationship fraud and data protection are ever present in customers minds. managing the link between cyber security, data and enhanced personalisation requires planning and foresight.

**Resolution**

The problem-solving mindset needs to extend beyond the solving of customer problems caused by banks themselves into helping their customers solve life problems. Increasingly life events are providing the strategic mechanism for proactive communications and help and support beyond just the financial product.

**Expectations**

The customer perception of value from banks is changing. Customers expect their banking relationship to extend beyond just the provision of products into education, support and enablement. banks will need to be able respond to these needs using online and offline support as these are already being addressed by many fin tech start-ups.

**Empathy**

Banks need to show that they care. that they are more than juts money making machines for shareholders. Banks, in common with the rest of the retail and service sector will need to demonstrate a sense of purpose that encapsulates the contribution they make beyond an economic one.

**Personalization**

Customers more than ever want to feel in control. They want to be equipped to make sensible decisions about their future and they want proactive communications to help guide them on their way. This is much more than simply using technology to make an experience feel relevant to a customer. It is personalisation based on a deep understanding of the individual customer's circumstances.

**Time and effort**

Ease of access continues to be important. Customers have become resistant to being driven into the channel of the bank's choice they want to interact in the way they want when they want.





## Case Study

# first direct

first direct demonstrated their care for customers by closing for new business, they wanted to concentrate their efforts on existing customers and ensure they were cared for and had ready access to an adviser in time of need.

Realizing that customer care in these difficult times required new skills an elite team was formed to drive the right skills and empathy behaviors to ensure that customers received exactly the right emotional response to their issues. Payment holidays were introduced to help customers with financial difficulties.

Staff are on the lookout for vulnerable customers who might need more than banking help, signposting help and support for those suffering from bereavement, domestic or financial abuse or need more help managing their money.<sup>4</sup>



## Case Study

# USAA

USAA is a business based on empathy, where every employee is encouraged to see the world through the eyes of its members. Recognizing that its members may be struggling financially USAA launched several assistance programs to ensure customers has one less thing to worry about. These spanned all products and included, special payment assistance programs for credit cards, consumer loans, mortgages and home equity line of credit.

USAA also provided specific assistance for deposit accounts temporarily helping to ensure members with negative balance accounts have access to their CARES Act stimulus funds. In addition, they waived the limit on transfers and withdrawals from savings accounts and committed to not charging excessive savings account withdrawal fees.<sup>5</sup>

<sup>4</sup> <https://www1.firstdirect.com/help/coronavirus/>

<sup>5</sup> <https://www.forbes.com/sites/micahsolomon/2020/08/31/insurance-giant-usaa-goes-entirely-virtual-in-its-claims-process-in-collaboration-with-google-cloud/#337a2d36786d>



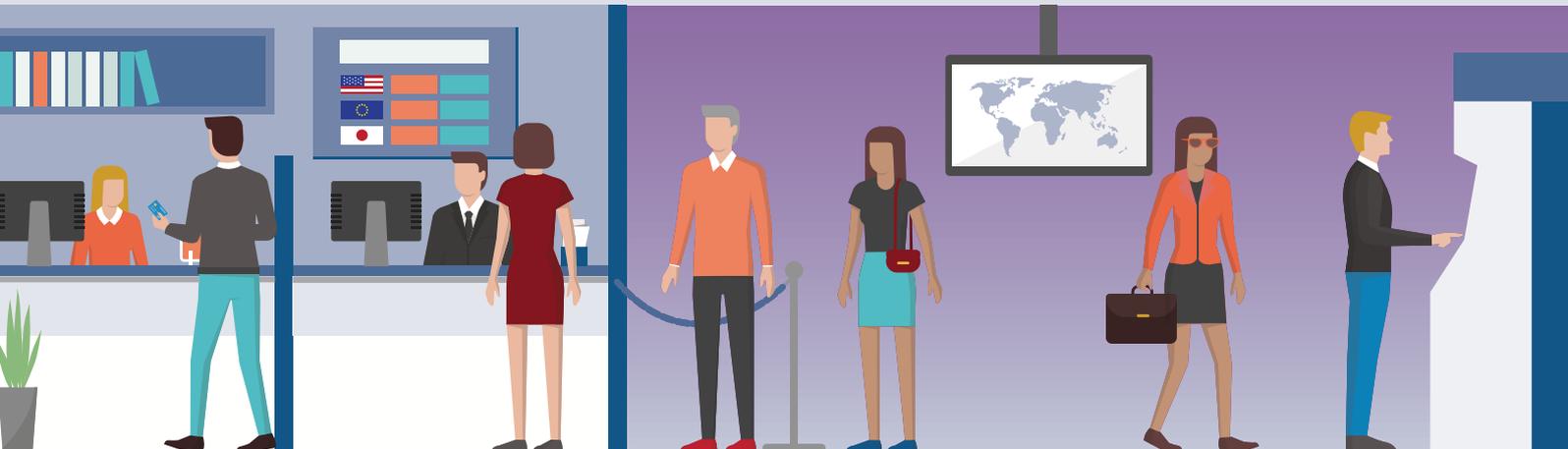
### Case Study

# ASN Bank



ASN Bank has a strong sense of environmental and social purpose. Its mission has been to foster environmental and social sustainability.

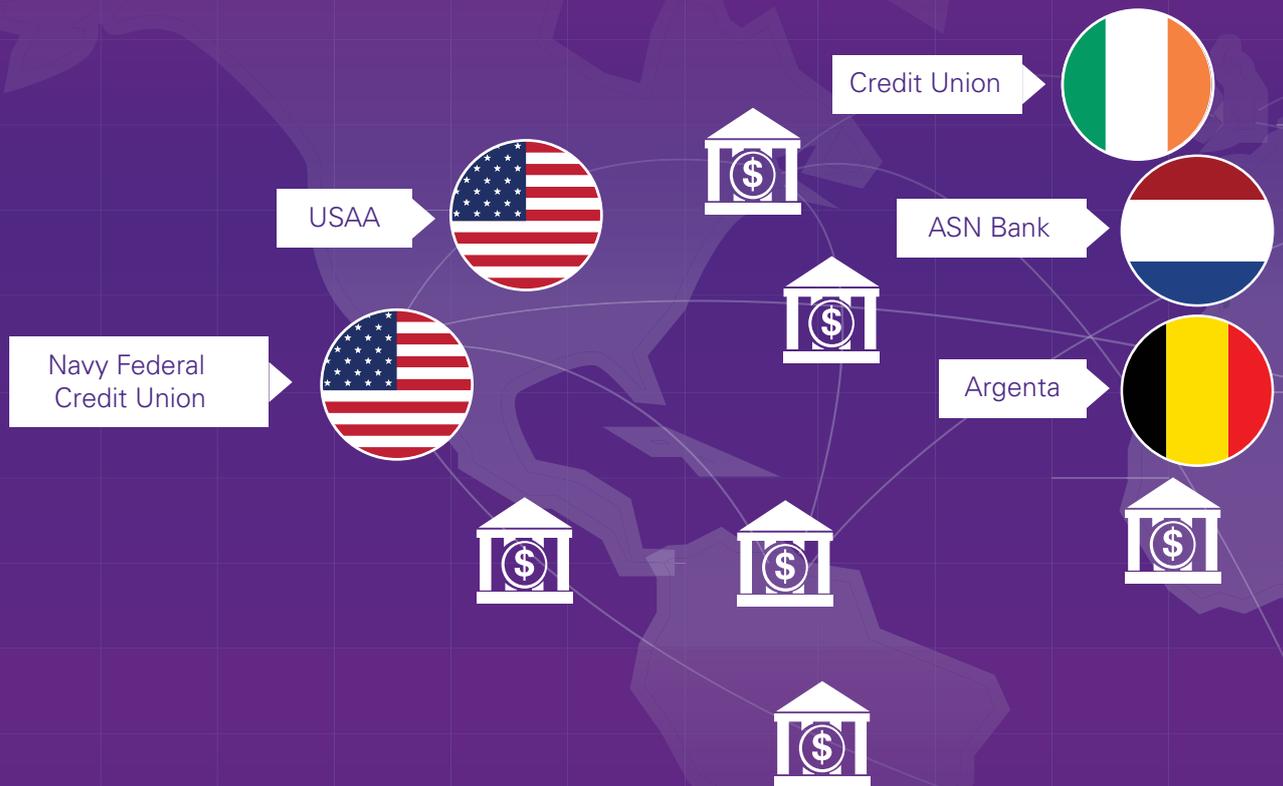
The money customers entrust to the bank is used to promote sustainable development. ASN want to help create a world that is safe and healthy for people to live in, and where the environment is respected, both in the present and in the future. ASN Bank really puts emphasis on providing the personal touch, to both employees and customers. Being a relative small-scale organization in the banking sector, facilitates them to focus on personal and engaging relationships. For example, there are employees who initiate their day with CS staff to get a better understanding of what is happening with the customers and how to act upon it.<sup>6</sup>



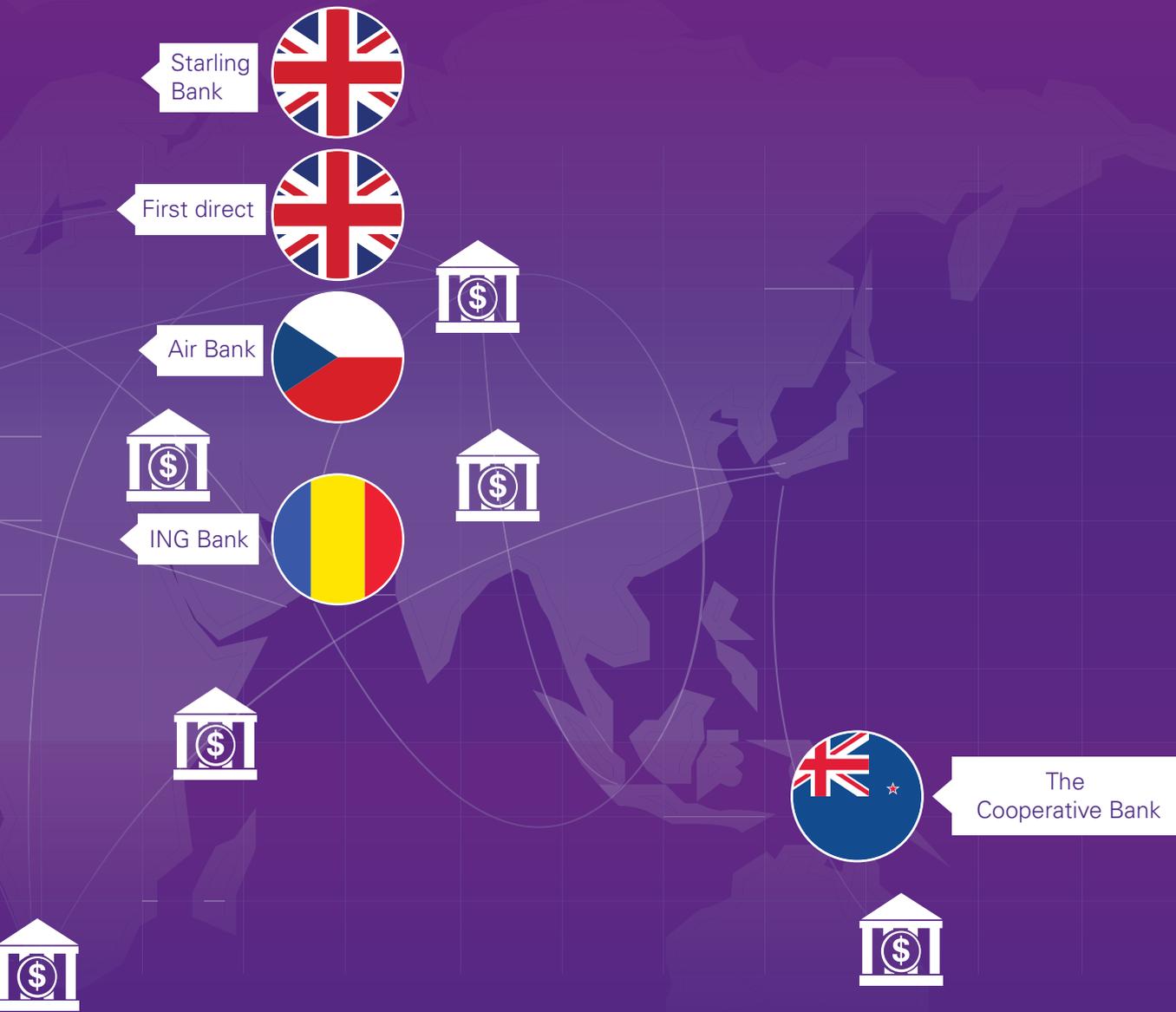
<sup>6</sup> KPMG 2020 Netherlands Customer Experience Excellence Report

# Hall of fame 2020

The leaders in this year's global CX research are well adapted to respond to new and emerging customer requirements. Each of the companies in this year's hall of fame are united by their desire to continually improve and innovate. They realize that digital services require a human touch and are mastering the art of highly personalized service across channels.



Note: Hall of Fame based on brands' CEE performance relative to their market, according to consumers in the market specified.



# Summary

The banking industry was already facing extensive disruption and change. COVID-19 provides a burning platform to reset the role of banking in the mind of the customers and align it with providing solutions not products. Integration, proactivity and purpose are the new watchwords.





# Get in touch

COVID-19 presents challenges to businesses — but also opportunities. It throws light on the need for organizations to put the customer at the heart of the business and have a coherent, consistent intent across their Front Office functions — and indeed connect the entire enterprise. It highlights the importance of digitalization and robust data collection so that organizations make decisions based on evidence, not instinct. And it foregrounds how essential it is for organizations to consider how each function fits together.

To flourish rather than flounder, businesses must determine the correct investment strategy across the Front Office by considering their customers, their brand and their place on the economic curve, so they can invest with greater certainty of return. All companies will be physically constrained during the measures to contain and limit the impacts of COVID-19 and their values will come under close scrutiny. However, they must leverage their ability to adapt and be resilient, embrace technology and, above all, trust their teams to put their customers' needs first and foremost — as this will bear fruit long after the pandemic is over.

If you have any questions regarding the possible impact from COVID-19 or are looking for help to position your customer experience strategy to be resilient in the face of future threats, please do not hesitate to get in touch with our global network of consultants.

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