A SHIFT IN FOCUS

CUSTOMER EXPERIENCE IN DIGITAL BANKING

THE IRISH PERSPECTIVE ON DIGITAL BANKING

For banks to take their digital efforts to the next level, they need to change their approach from looking at cost and efficiency to delivering true customer engagement.

YVONNE BYRNE
PARTNER
CONSULTING
Deloitte Ireland

Over the past year, many traditional banks have become increasingly concerned about digital challengers encroaching on their territory. As customers have flocked in their millions to apps and online channels providing easy-to-use digital services for many day-to-day transactions, there's an understandable fear that less frequent contact with customers could cause the bonds of loyalty to fray.

But banks still have a critical advantage, and a window of opportunity to use it. Today, banks' strength is in their deep relationship with customers for more complex services such as applying for mortgages or investments. Customers still need help and advice in these areas, and the nature of the transactions makes them 'sticky'; that is, they provide more opportunities to engage with customers and therefore retain them.

Digital is a way for financial providers to differentiate themselves by delivering positive, frictionless experiences that keep customers loyal and engaged.

Even as the new digital arrivals expand their own products and offerings, delivering an elevated user experience as they do so, there is still time for banks to get a step ahead in this space. The key battleground is in customer experience, which is where the digital challengers like Revolut, N26 and others are winning today. So, what do banks need to do to deliver a compelling experience for customers that will increase loyalty and 'stickiness'?

Going digital isn't enough. Banks need to move away from simply replacing physical experiences like visiting branches with online self-service. It needs a mindset change; a shift in focus away from looking at digital purely through a lens of cost saving or operational efficiency. Instead, financial providers need to consider digital services in terms of outcomes. Think of it as going from 'me too' to 'you first'. Digital is a way to differentiate themselves by delivering positive, frictionless experiences that keep customers loyal and engaged.

It's critical to get execution right, and this has been a challenge for banks in the past. Traditionally, typical financial services organisations have been divided into teams or 'empires' – commercial, operations, distribution, technology, and marketing – each with their own director. Everyone talks about the customer, but no-one really joins the dots. Doing this requires the business to anchor around shared goals or outcomes that keep everyone aligned: will this product keep the customer satisfied? Will it drive increased loyalty?

This is as much a discussion about cultural change and capability as it is about technology. Focusing on customer experience calls for an approach of working in value streams, and it needs companies to be organised in a way that helps them focus on one goal. It needs everyone in the entire organisation aligned with the same vision, and a collaborative approach where everyone works together as one cross-functional team. It needs people on the ground who feel empowered to make decisions and where the structures and governance don't get in the way of moving at pace.

This kind of change typically falls down where there is no clear business vision, no product owner, no structure to drive cross-functional ways of working, or no forward-thinking view on technology.

Where digital technology plays a critical part is in making decisions about what path to choose. Instead, partnerships and alliances are a way of building capability instead of banks building the infrastructure themselves. This reduces the risk or impact of failure by lowering the cost of entry.

Instead of allocating millions of euro into getting a digital transformation off the ground, partnerships enable rapid proof-of-concept work that doesn't need the same level of upfront investment. At a strategic level, it needs clarity on the bank's future technology architecture and making sure that is interlocked with the business strategy.

As well as being open to partnerships, this approach also calls for new skills that banks might not traditionally have used. Putting the customer experience first requires design thinking and ability to create different experiences for customers for products like mortgages and investments, or integrating beyond banking propositions to broaden relevancy. It needs product owners with a mindset focused on delivering business outcomes and value rather than obsessing around milestones as the measure of success. Some disciplines and capabilities can be instilled within teams, provided

Where digital technology plays a critical part is in making decisions about what path to choose. Partnerships and alliances are a way of building capability instead of banks building the infrastructure themselves.

banks are willing to make the right pivots on their organisational structure. It can be achieved with experienced, high-quality people who can be champions who drive the change, know how to get people working in a different way and moving in the new direction.

The biggest challenges we see in financial services are where the business and IT are working together, but only in a transactional way. The big change to strive for is where they come together as one and have a product and shared goals orientated mindset.

The battle for hearts and minds of banking customers is by no means won. Banks have the customer relationship; it's theirs to lose. But they can't take this state for granted; they need to execute well, and act now.

Read on to learn more about digital banking from a global perspective.

DIGITAL BANKING REDEFINED IN 2021

AUTHORS

PETER PEARCE
DELOITTE CONSULTING LLP
United States

MALTE BORKENHAGEN
DELOITTE CONSULTING LLP
United States

MAGGIE GROSS
DELOITTE CONSULTING LLP
United States

ADVISORS

JON VALENTI
DELOITTE CONSULTING LLP
jvalenti@deloitte.com

GYS HYMAN
DELOITTE CONSULTING LLP
gyshyman@deloitte.com

COVID-19 and the resulting digital acceleration is causing the very fabric of the banking ecosystem to reorganise around digital experiences more than ever. Definitions for 'table stakes' features within digital banking products are shifting rapidly, and competition is converging in search of profitable primary relationships.

Across all age groups, interaction preferences were shifting quickly towards digital before COVID-19 and have only accelerated since, with digital experience now the primary driver of attrition and a major factor when choosing a primary bank.

Traditionally, digital has sought to replicate in-person interactions but a frictionless and emotive digital experience is now quickly becoming the core of the bank's value proposition.

Competitors have recognised this shift and are investing heavily to address existing pain points with new entrants in particular accelerating the innovation tempo. We believe six product features will become table stakes over the next 12 months, with further differentiation focused on specific customer segments and their unique needs.

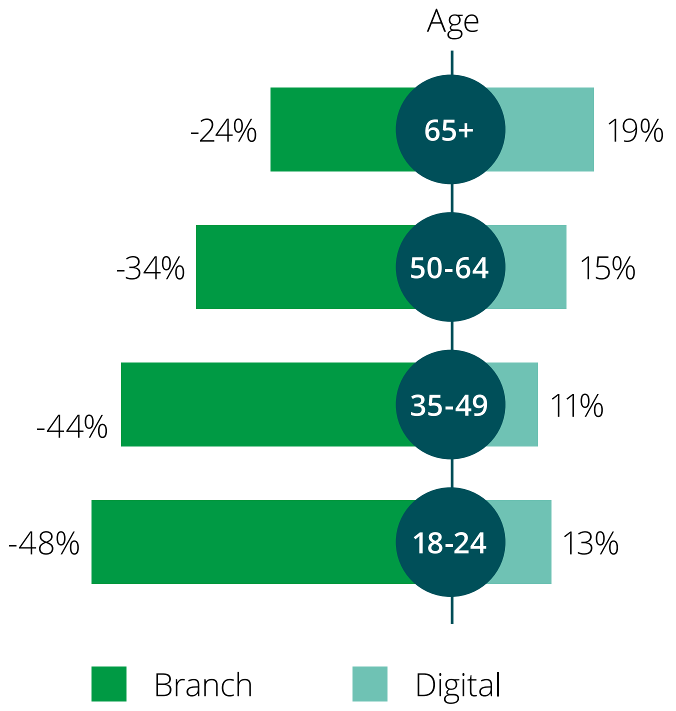
Establishing primacy is the focus for these new entrants, as digital-only challenger banks are often still only used as secondary accounts. Today, half or more of digital-only banks' clients are unprofitable, and deposit profitability is further challenged by low rates. But as digital native challengers evolve their product offerings to include lending and fee-generating products, they are likely to win a larger share of customers' banking business.

In delivering a compelling, emotive digital experience, banks typically struggle with two major challenges.

First, banks struggle to design unique, meaningful, and emotional experiences for their customers. Customer-centricity is often not at the centre of how banks approach offer development and go-to-market strategy design. Experience design and development capabilities are nascent, and banks tend to focus on superficial customer needs to ensure relevance for their entire customer base instead of differentiating by addressing unique needs of priority segments.

The second major challenge is delivery, with digital transformations complicated by a set of common internal and external challenges (e.g., constraining investor expectations, lack of FinTech enterprise readiness, etc.). We've learned from what has and hasn't worked, and have identified nine principles which underpin successful transformations. These include a continuous focus on momentum via test and learn and establishing self-funding mechanisms amongst others.

% change in quarterly channel usage by age group (2015 - 2020)



New digital normal

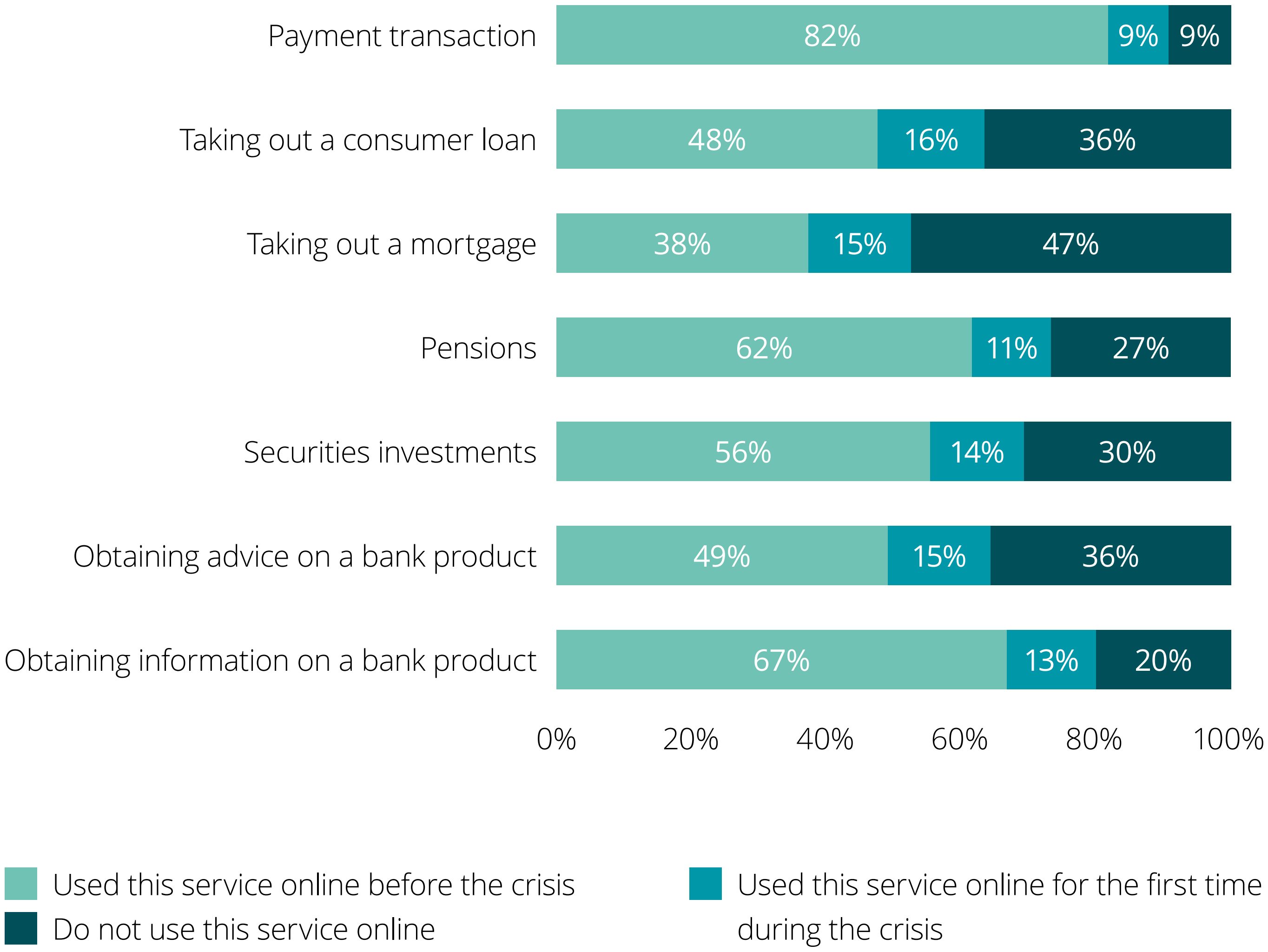
Retail banking channel preferences are shifting towards digital faster than ever due to COVID-19. For those Americans that still preferred in-person channels in 2020, the new norm of social distancing and quarantining created a forced-adoption effect. Temporary bank branch closures and fear of high-contact surfaces have pushed this group to online or mobile banking. This acceleration towards digital will create long-term industry impacts more radical and transformative than many first imagined. The foundation of the banking ecosystem has greater incentive now more than ever to reorganise around digital.

Accelerating towards digital channels

Prior to the emergence of COVID-19, the US retail banking landscape was already seeing a dramatic shift in channel preferences towards digital. Across all age groups, branch usage declined on average -35% over the previous five years, and the number of digital interactions rose by 15%. This change was most pronounced within the youngest age cohort of 18 to 24-year-olds, where branch usage dropped by nearly half[1].

This shift accelerated during the pandemic. Across all age groups, the share of Americans who did not use financial services online fell by over 30%. From simple payment transactions to obtaining advice on their finances, all types of services began to be used online for the first time by many Americans[2].

Use of services before and during the COVID-19 crisis (2019 - 2020)



Digital experience (or the lack thereof) is now the primary driver of attrition. In a 2020 survey of 2,000 Americans designed to measure the change in banking preferences as a result of the pandemic, we found that the most important driver of a client's likelihood to switch during COVID-19 is a poorly designed mobile platform, as opposed to other traditional top factors like poor customer service and high prices.

Not only are poorly designed digital experiences now driving more attrition, but they are also one of the most important factors consumers consider when switching primary banking providers. Over 50% of those surveyed indicated a well-designed banking app is a primary consideration factor when choosing a bank[3]. The propensity to switch banks is significantly weighted towards customers with high future earnings potential, often with an above college education, underscoring how banks are at risk of losing valuable customers.

Digital laggards show strongest shift in behaviour

Partially driving this acceleration has been the 'catching-up' of those with lagging preferences. For individuals who used legacy payment methods, the new norm of social distancing and quarantine has had a forced-adoption effect. Temporary bank branch closures and fear of high-contact surfaces have pushed this group to move online (or to their phones) for their banking and payment needs. The effects are here to stay, even as parts of the country lift restrictions on social distancing.

The more analogue the payment method, the greater the adoption of digital. For example, individuals who primarily wrote cheques are adopting mobile payments the quickest, even faster than consumers who primarily use cards. Only 13% of cheque users don't plan to use digital payment tools at all in the future, compared to 20% of card users[4] .

Over 80% of consumers who depended upon cash and cheques as their primary forms of payment prior to the pandemic plan to use more digital payment tools post COVID-19.

Digital laggards aren't the only segment quickly changing preferences. Communities whose health has been disproportionately impacted by COVID-19 are also quickly and permanently adapting. Diverse communities (e.g., Black/African Americans, Hispanic/ Latinx Americans, etc.) are 50% more likely than the average American to increase adoption of mobile or digital tools as a result of the crisis[5] . Those living in cities/urban areas are 63% more likely. These groups have witnessed COVID-19's impact first-hand in their communities and are changing payment preferences as a result.

Whilst these findings may not necessarily come as a surprise, we believe these shifts are likely to be real and permanent. The pandemic has changed the medium of customer interactions, and preferences will continue to evolve the longer this crisis unfolds.

A frictionless and emotive digital experience is now quickly becoming the core of the bank's value proposition.

Designing meaningful experiences

Banks' ambitions for digital experiences have traditionally been to replicate in-person interactions, making purchasing and servicing journeys available online. This ambition missed a broader opportunity to make banking more human, and banks are now moving beyond product enablement to deliver a digital proposition that elicits trust through intimacy, relevance, and perceptiveness. Digital channels are quickly moving beyond being simply another channel to becoming the core of banking value propositions.

Over the past decade, banks focused on making in-person purchasing and servicing journeys available through digital channels in order to deliver convenience to customers and cost efficiencies to the bank. This approach delivered an experience familiar to what clients were used to in branches but lagging other industries, which used digital to re-imagine the experience. Today, in comparing their banking experiences to industries like tech, fitness, and mobility, customers experience a common set of pain points. We've identified these pain points as consistent themes across our ethnographic research with Americans.

Common customer pain points

Inconvenient self-admin tools as customers can't update/manage their personal information without calling or visiting a branch and don't have the tools to delegate permissions to others. One FinTech is solving this with a robust cybersecurity system, that offers biometric ID if customers cannot recall their password for all banking activity.

Rudimentary notifications offered by financial institutions don't really help, as customers want to be notified whenever they make a transaction and when there are offers suited for them. Fixing this, one super regional bank's AI assistant monitors accounts and automatically notifies customers about suspicious charges, free trials, and balance charges.

Out-of-sync information on their accounts can cause customers to misspend as the finances/transactions don't update in real time, which one FinTech has solved for its customers through real-time tracking of account balances after each transaction.

Generic insights lacking guidance as banks have always offered experiences and solutions that are not customised per customer relationships. To address this, one universal bank launched a digital and automated financial coach that helps customers buy a home or save for retirement through a mobile experience.

Disorganised personal finances as Americans continue to manage their money on spreadsheets, as banking apps don't make it easy for consumers to organise and manage their money. One FinTech bank offers "spaces": personalised subaccounts that accept instant transfers from users to help visualise savings and track financial goals.

Fragmented experience across channels with no connection between the user self-service and employee channels. To make the experience more integrated, one universal bank provides payment confirmations through all digital channels and trains representatives to handle calls from digital-first customers.

Many incumbents and FinTech competitors recognise these pain points and are working to address them as described above. This is particularly true of digital-only challenger banks who are accelerating the innovation tempo. For example, the onboarding process for incumbents is on average twice as complex as those of challengers (37 vs. 72 clicks to open an account digitally), leading to increased attrition[6]. The average rate of customer attrition due to issues with the digital onboarding experience ranges from around 25% to 40%, and 26% of all customers surveyed say that an easy enrolment and login process is most important when choosing a digital bank[7].

As a result of these pressures and in recognition of these common pain points, over the following 12 months, several product features will become table stakes. Americans expect their banks to minimise the mundane and deliver convenient experiences in everyday activities.

Table stake digital banking features

1. **Quick and seamless onboarding** driven by touchless technologies, including face scanning and document recognition, done end to end in 3-5 minutes

2. **Real-time spend notifications** as transactions occur that can be personalised as needed

3. **Integrated management tools** backed by dashboarding capabilities on web and mobile apps, giving a full view of customers' finances

4. **Goal-based sub-pockets** that allow customers to organise their money as they wish

5. **Basic spend insights** offered via spend analytics dashboards that are intuitive, customisable, and easy to use for personal finances

6. **Advanced access and security** to help prevent lockouts and aid in easy recovery via biometric login features

There is no 'one-size-fits-all' solution to the unique needs of individuals. Winning firms create unique, tailored, and distinctive segment-specific experiences.

Differentiating digital banking in 2021 and beyond

To differentiate beyond these table stakes features, banks will need to maximise the meaningful, providing deeper solutions to top-of-mind issues. This could include:

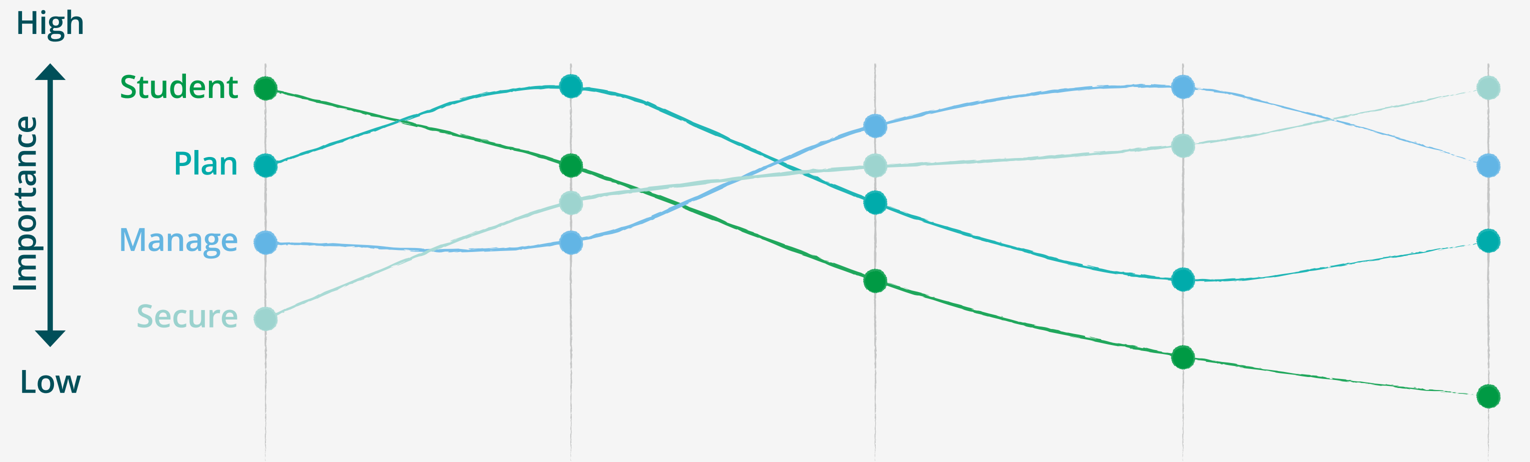
- Help me set and achieve my financial goals
- Provide me insights on how I can change my spending patterns to save more
- Nudge me in the right direction, giving me notifications I didn't even know I needed
- Customise the pricing and rewards of your products to me and my situation
- Allow me to start something on my app and finish it in a branch
- Provide me with personalised recommendations at my moment of financial need

Through our work with clients, we've observed 40+ different product features being tested in segment-specific propositions and organised these around eight general needs:

As a retail banking customer, I want my bank to help me...

Learn	Plan	Manage	Secure
...learn what to do with my money to ensure long-term success Potential features: • Collaborative goal setting • AI-powered financial coach • Community boards • Educational material • Next best action rule-set	*...budget wisely, but still be able to 'treat' myself on occasion* Potential features: • Customisable sub-accounts • Spend and budgeting insights • Premium financial assessments • Scenario planning • Integration with product affordability tools	*...worry less about whether or not I paid my bills this month* Potential features: • Automated cash sweeps • Digital invoice/bill management • Omnichannel servicing • Real-time fund movement • Rules engine	*...feel safe from fraud and be secure in case of emergency* Potential features: • Customisable notifications when purchases are made • Emergency savings accounts • Fraud insurance • Permissions and entitlement
...pick the right products and services for my financial situation Potential features: • Omnichannel onboarding • Customisable products • Customisable rewards • Easy alert and funding setup • Build credit profile and history	*...stay up-to-date with my progress towards achieving my goals* Potential features: • Event and location based nudges • Progress trackers • Real-time notifications on progress towards goals • Customisable dashboards • Milestone benefits	*...celebrate successes and reap the rewards I deserve* Potential features: • Dynamic relationship pricing • Seamless account graduation • Earn rewards based on achieving milestones • Third-party partnerships rewards • Offers engine	*...give back to the social causes I care about* Potential features: • Connect to causes that matter • See impact of donations • Receive auto-generated donation tax form

The degree to which individuals experience these needs varies across different financial life stages, and each of these 40+ features is being positioned in products targeted at a specific segment. There is no 'one-size-fits-all' solution to the unique needs of individuals. Winning firms create unique, tailored, and distinctive segment-specific experiences.



	Student	Young professional	Starting a family	Mid-life	Retiree
Student	• Beginning to think about finances • Lack of consistent source of income	• Experiencing independence • Retirement not on radar • More emphasis on consuming vs saving	• 'Frenzied' years: focus on kids, home, career • Want to preserve flexibility and access to money	• Making tradeoffs to make it work • Forward-focused: serious about retirement	• Mentality of "it is what it is" • Most go from save to spend • Try to preserve lifestyle
Product focus	• Checking accounts • Credit cards • Students loans	• Auto loans • Lines of credit • Savings accounts	• Auto loans • Lines of credit • Savings accounts	• Auto loans • Lines of credit • Savings accounts	• High yield savings • Reverse mortgages • Estate planning

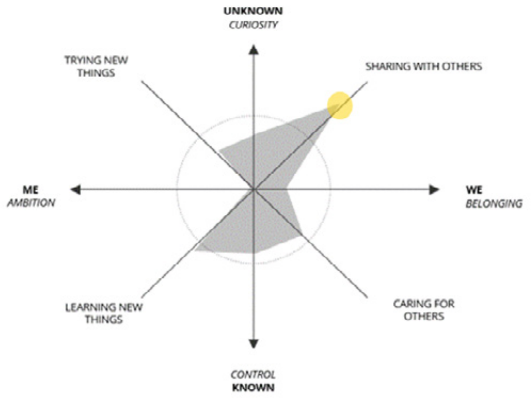
We have anchored these differentiation features against a traditional life stage view because our clients are often segmented this way, however, there are new tools to help banks understand their customers. Whilst life stage is a meaningful predictor of need, our clients are increasingly looking for a sharper picture of customers and asking themselves "how do we detect, respond, proactively address, give comfort/confidence to those who need it?" In order to help answer these questions, Deloitte developed the "Values Compass," a proprietary tool that gets to the bullseye of what matters most to humans – the things that truly motivate our feelings and actions. The Values Compass maps cardinal human values – ambition, curiosity, belonging, and certainty – along with corresponding intermediate points to provide a visual reflection of a customer's values in aggregate. We defined four cardinal human values rooted in a sense of personal achievement (Me), belonging (We), curiosity (Unknown), and control (Known).

Perhaps knowingly or unknowingly, banks attract different types of customers based on their brand and value propositions. Bank A's customer base skews towards the top right 'Sharing with others' dimension. Bank A's Cafés have reimaged the in-person banking experience through a shared community space that is warm, inviting, and inclusive to all. The strong communal aspect provided through free working spaces, happy hours, and money workshops appeals to a customer segment that values sharing with others.

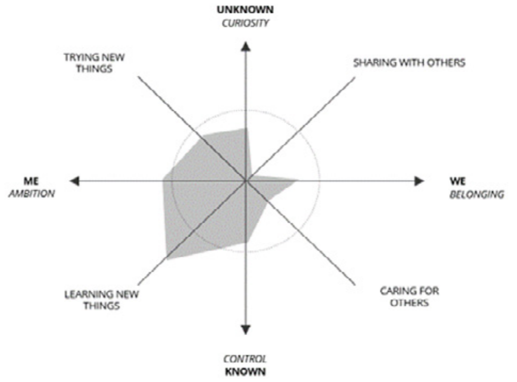
Attracting clients of the opposite dimension, Bank B's purpose-driven mission to reduce economic mobility barriers is demonstrated through free financial literacy programmes and a wealth of tips, tricks, and guides targeted to customers at any point of their financial journey. The strong emphasis on providing education has attracted a customer segment that values learning new things.

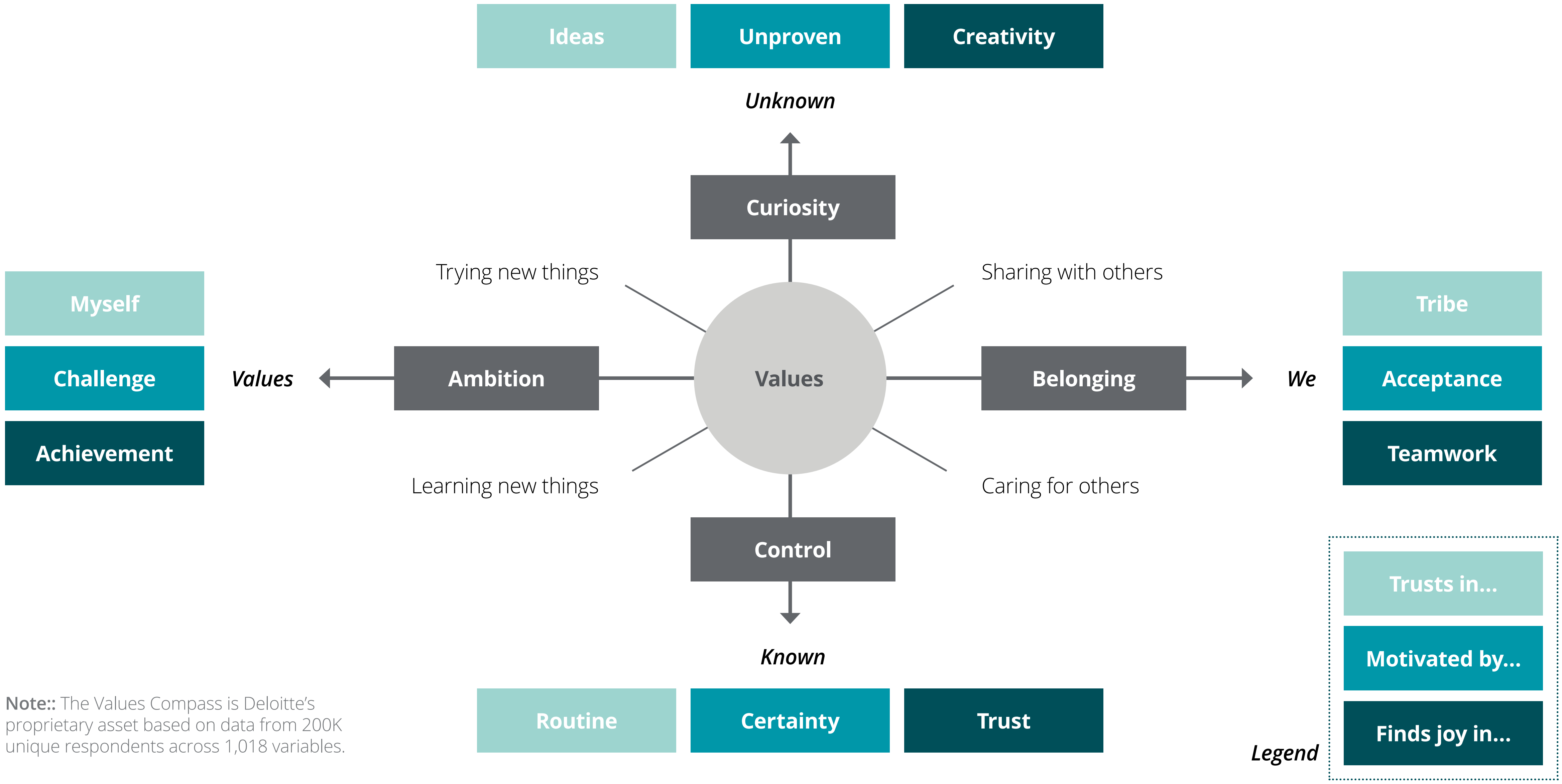
The values compass can be a powerful tool to better understand clients. If you would like to learn more, we encourage you to read Deloitte Digital's report **We're only human: Exploring and quantifying the human experience, 2019.**

Bank A



Bank B





Note:: The Values Compass is Deloitte's proprietary asset based on data from 200K unique respondents across 1,018 variables.

Delivering experiences

Nearly nine out of 10 banks experience issues related to digital transformation, with efforts complicated by a set of common internal and external challenges (e.g., constraining investor expectations, lack of FinTech enterprise readiness, etc.)[8]. Learned from what has and hasn't worked, we have identified nine principles of success, which underpin any successful transformation.

Common digital transformation challenges

	Internal challenges		External challenges
1	Investor expectations for financial institutions constraining investments in digital transformation	1	Evolving talent models force financial institutions to re-think the workforce of the future
2	Inconsistent data regimes restrict financial institutions' ability and appetite to generate value	2	Lack of enterprise agility and coordination for activating partnerships
3	Lack of enterprise readiness by FinTechs limit the ability for partnerships with incumbents	3	Traditional risk-conscious culture clashes with an appetite for pursuing innovation
4	Prescriptive and/or outdated regulations constrain large-scale digital transformation initiatives	4	Ambition to meet short-term targets misaligned with longer-term transformation needs
		5	High regulatory-driven change burden leaves insufficient resources for transformation

Architecting the technological and operational transformation needed to deliver these next generation experiences has proven challenging for many incumbents. In our research, we have found that nine common challenges impede experience transformation efforts [9] .

These internal and external challenges are often interlinked, and as such, there is no single panacea or formal playbook for overcoming them: one size does not fit all.

But in reflecting on our experience as transformation architects, we have identified nine principles which consistently underpin success. These nine principles are anchored around three broad themes of: **'getting it,' 'owning it,' and 'doing it.'**

Get it

When undertaking transformations, incumbents often do not spend enough time upfront getting alignment around the need for change, causing projects to go long or fail. Successful firms demonstrate three principles to make sure the organisation 'gets it.'

PRINCIPLE #1:

Leaders are aligned around a common vision and are measured on shared goals, where desired business outcomes are brought to life in measurable objectives that guide the transformation.

Detailing the winning ambition with measurable operational objectives and outcomes allows leaders to clearly understand trade-offs between options and make better decisions. It also allows everyone within the organisation to understand and appreciate what success looks like. Examples of this could include: improve customer satisfaction scores by 30%, reduce response time by 40%, or reduce manual processes by 50%.

PRINCIPLE #2:

An end-to-end view is taken and capabilities leveraged from outside of the firm's four walls.

In many cases, the levers for realising most of a transformation's benefit targets are outside the control of a single business function and can only be captured with complete buy-in and engagement from elsewhere in the organisation or external partners. Leveraging capabilities from the broader ecosystem can promote benefit realisation, particularly if the functions are non-core capabilities to the business. This is particularly true as industry players are developing AI-driven centres of excellence around given processes, and offering those processes 'as a service' to others.

PRINCIPLE #3:

Operational risks related to workforce engagement and adoption are mitigated by communicating often and appropriately.

Identifying and communicating with the full spectrum of stakeholders, early and often, is critical to establishing and maintaining momentum, performance, and results. This starts with building awareness and bringing employees along the transformation journey by letting them know of upcoming changes. It also means minimising the anxiety that prevents adoption by continuously clarifying how employees will be impacted by the programme. Communicating early and often is critical to the success of large-scale transformations. Finally, successful banks establish a disciplined communication programme that uses data analytics to measure and report impact and effectiveness.

Case study:

Large national bank stakeholder alignment

Challenge

A large national bank had undertaken a transformation, but lack of leadership and stakeholder alignment was stalling the programme and deployment of a target operating model.

Solution

Leveraged interactive forums for organisational debate and productive decision making, with goals to:

- Jointly define the vision and guiding principles for the programme
- Obtain buy-in from stakeholders across the organisation
- Provide a view of the future-state experience for internal and external customers

Impact

- Helped align, commit, and mobilise a $200 million operating model transformation programme with clearly identified sponsors and drivers
- Accelerated the high-level design phase and garnered buy-in from 75 key stakeholders in record time
- Tackled an ambitious implementation timeline, despite the size, complexity, and autonomy of the businesses

Own it

Banks who successfully transform also empower individuals within the organisation to own the change. They have strong champions, detailed bottoms-up roadmaps, and build the right skills and training for employees.

PRINCIPLE #4:

A realistic roadmap is developed to aggressively manage interdependencies, understanding and deconflicting critical path/resource demand.

Transformations need roadmaps and business cases, and in order to develop realistic ones, successful firms start with thorough process examination. Process taxonomies give you confidence that no stone is left unturned, and starting with banking value chains and operational value maps can help bankers identify where the opportunities are and how to sequence activities in order to realise benefits.

PRINCIPLE #5:

Having a charismatic, risk-tolerant champion spearhead the transformation initiatives allow for that individual to serve as an agent of change for the firm and speed up decision making.

A strong change approach goes beyond developing key messaging and identifying critical stakeholders – it also needs a strong change leader. As digital transformation is a cross functional undertaking, the primary stakeholder championing the change can come from one of many traditional internal verticals. Depending on where in the organisation they come from, these champions will typically have a set of characteristics that are essential to implementation.

These are:

- Secures the mandate for change
- Curates early success stories
- Proactively manages outcomes
- Knows when to be persistent and when to be patient
- Builds a culture of trust
- Is collaborative and advocates co-creation

PRINCIPLE #6:

Employees are empowered to own their future by building the skills and talent to support the future operating model.

Work performed in the back office will evolve along with modernised processes and enabling technologies, which in turn will require new skills and new ways of continuously growing capabilities. Doubling down on your commitment to elevating the human experience at work through integrated talent processes can reinforce the vision and purpose of your transformation. Focus on the workforce of the future and identify skills, gaps, and pathways to develop their talents and further their careers.

Case study:

Enterprise-wide digital upskilling

Challenge

The client needed to formulate a progressive, enterprise-wide strategy to grow digital capacity via continuous learning and a capabilities-driven talent strategy

Solution

- Developed a firm-wide capabilities and skills framework aligned with the client's vision for a digital future, client experience, and domain knowledge
- Employed an iterative process to define the key capabilities and skills of the future and develop an approach to broad adoption
- Developed an impact measurement framework to evaluate progress against digitalisation goals

Impact

- Designed capability and skills framework to align business units and talent processes on workforce requirements to enable associates to adopt consistent, progressive, and agile behaviours and mindsets
- Created a consistent set of expectations around digital, from acquisition to learning to succession planning
- Aligned leadership to a single vision for a digital learning organisation

Do it

Even with alignment and empowerment, momentum can run out without sustainable funding and quick wins. Successful banks find ways to start and sustain the transformation, underscored by three principles.

PRINCIPLE #7:

Execution has occurred from the get-go with initiatives managed in a portfolio approach, through piloting sprints to generate momentum and increase confidence in the transformation.

Nothing builds momentum like a real, successful example. Focus on your sphere of control to identify business processes and willing owners as a basis for a prototype initiative to generate excitement and confidence. Ideation sessions and rapid prototyping can help quickly drive alignment and jumpstart a transformation.

PRINCIPLE #8:

Execution discipline and accountability are keys to success through an effective cost transformation office with strong leadership and governance and an M&A deal-like rigour and focus.

Stand up and run a transformation office with a structure that facilitates the programme visioning, alignment, and decision making. A transformation office structure can also be designed to ensure rapid decision making, issue resolution, and right engagement of key stakeholders and corporate functions.

PRINCIPLE #9:

Funding is allocated wisely through a self-funding model, by releasing only for value-add and foundational capabilities setting up a challenge forum to make funding decisions.

Build a set of foundational capabilities to generate cost savings, and establish a self funding model by using rapid cycles of prototyping and re-investing benefits from quick wins. The savings generated from each initiative, through rapid assessment and prototyping, can continue to grow and fund future projects. This approach can enable the incremental transformation of a bank's technology and operations, whilst promoting sustainability through new capabilities.

Case study:

Ideation session

Challenge

The bank needed new ideas, input from a variety of perspectives, and alignment across senior leadership to kick-start a transformation programme.

Solution

- Surveyed the bank for key issues and problems and collected the voice-of-the employee, synthesising it into key pain points and themes
- Aligned senior leaders around key issues and themes and identified bold ideas to address them
- Formed multi-disciplinary teams (e.g., programmers, designers) to develop working solution prototypes

Impact

- Developed conceptual prototypes on Deloitte machines to simulate the end result (e.g., look and feel) for eight different ideas over a two-day period
- Prioritised potential solutions to implement and obtain alignment from senior leadership
- Identified potential owners for the different solutions and generated excitement and buzz to drive the transformation

Conclusions

Whilst several uncertainties about the future remain, the outline for how the future of financial services will look post COVID-19 is starting to emerge. Over the next six to 12 months, banks have the unique opportunity to reimagine their retail banking offering in order to build trust and loyalty amongst customers, through frictionless and emotive digital propositions that elevate the human experience. This will require banks to move beyond thinking of digital as a tool to simply reduce cost, and to start imagining what a banking value proposition that has digital at its core will look like. The digital business model transformation journey will not be easy, as the challenges that need to be overcome are plentiful.

But every bank is unique, and there is no standardised playbook that can be followed. Some of the nine principles success we identify in this report will be more relevant for some than others. The first step is knowing where to start, and prioritising the actions and journeys that yield the highest return. And with digital transformation no longer being optional, there is really no reason not to start sooner than later.

This article was first published by Deloitte Digital '**Digital banking redefined in 2021**', July 2021.

Endnotes

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