



# Improving the Customer Experience: The Top Objective for Financial Innovation

**An IDC White Paper, Sponsored by Red Hat and Intel**

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**IDC estimates that globally the banking industry is spending almost \$120 billion annually to provide better omni-channel and payment customer experiences.**

# Improving the Customer Experience: The Top Objective for Financial Innovation

Enterprise-wide innovation is required to compete with the likes of Apple, PayPal, Quicken Loans, Monzo, and even the likes of companies like Amazon, Facebook and Walmart, as well as other digital disruptors whose presence is seeping into virtually every industry. The urgency to respond to customer demands is getting board-level attention. IDC estimates that globally the banking industry is spending almost \$120 billion annually to provide better omni-channel and payment customer experiences. The financial implications are imperative as market share slips quickly between companies during times of disruption.

Innovators in all financial sectors are taking share from their competition with ingenious operating models that achieve astounding results. **A consumer bank grew credit card payments by 50% in value by offering mobile ability throughout the full customer financial journey.** The cloud is helping to leverage these operating models to transform even further. From a recent IDC survey, 66.8% of global bank executives identified that they are using the cloud to develop innovative new cloud-native apps for external facing interactions and customer experiences, which exceeds the 54.2% of other industry executives who have turned to the cloud. Source: COVID-19 Impact on Spending Survey (Survey conducted during 21st May to 28th May period), IDC, May, 2020

To capitalize on their best opportunities to delight customers and provide next best actions, enterprise leaders must break down back-office and front-office barriers to ensure a new agile operating model where fluid, real-time, smart, customer-centric processes can be assembled and disassembled with alacrity. Speedy, accurate response is often the difference between disappointment and delight. IDC predicts that by 2024, 60% of capital investment typically earmarked for operational efficiency will shift to investment in operational responsiveness to the market for services and customization.

**66.8% OF GLOBAL BANK EXECUTIVES IDENTIFIED THAT THEY ARE USING THE CLOUD TO DEVELOP INNOVATIVE NEW CLOUD-NATIVE APPS FOR EXTERNAL FACING INTERACTIONS AND CUSTOMER EXPERIENCES.**



Enterprises need a modern toolbox for experience innovation. Often, it's the enterprises with the greatest amount of raw material for innovative engagement that struggle most with adapting. Advantageous competencies and knowledge remain trapped in departmental silos. A financial services organization that is slow to respond to market opportunities and has difficulty executing on innovative ideas must modernize.

The ability to monitor, activate, and personalize experiences by incorporating streams of real-time data is key to capturing the opportunity to offer services that wow. Leading financial services companies are implementing experience innovation hubs that provide a unified system for channel, system, and data agility that enables enterprises to innovate freely, pivoting quickly to meet changing customer and market requirements, to scale and expand at a reasonable cost.

## Creating Empathy

Every industry faces the imperative to innovate in this era of digital disruption. C-level executives realize the urgency of customer centricity. According to IDC's 2020 CXO Future Enterprise Survey, 72% of C-level executives identified "creating empathy with customers at scale" as more important or significantly more important than other digital initiatives. IDC defines "creating empathy at scale" as developing deep relationships with customers at scale by understanding a situation from their point of view and acting accordingly.

To succeed, every company will need to rise exponentially if it wants to deliver experiences that customers have come to expect when they use a banking app, apply for a mortgage, or onboard a new service offering. Examples of radical new business models and established players activating deep competencies to deliver delightful, differentiated experiences can be found everywhere.

A fully digital bank in Asia brings a plethora of services to 300+ million registered users who would otherwise be underserved. From credit cards to ecommerce, the bank offers mobile ability throughout the full customer financial journey — shopping, paying bills, making investments, and saving, as well as offering related services such as insurance. The system that underlies this capability is robust and scalable. Importantly, it helps the bank collaborate with a wide range of financial and nonfinancial partners needed to offer various services. Openness and an API-driven architecture are key factors in meeting all the requirements. The architecture future-proofs the company in anticipation of the constantly changing regulatory environment. Among the long list of achievements since the launch of the system, this bank has the fastest rate of credit card activation in its region and total electronic payments grew nearly 50% by value and over 60% by volume in the first year. 44% of customers are likely to leave a bank with poor digital experiences, according to IDC's 2019 U.S. Consumer Banking Channel Preference Survey.



**72% of C-level executives identified “creating empathy with customers at scale” as more important or significantly more important than other digital initiatives.**



**73% of customers used multiple channels during their shopping and customer engagement journeys.**

According to a 2017 Harvard Business Review study

## The Toolbox for Digital Innovation

To capitalize on their best opportunities to delight customers, financial services organizations urgently need a modern IT toolbox for experience innovation. An experience innovation hub will empower organizations with vision with the ability to keep pace with accelerating cycle times and gain the modular building blocks needed to easily create personalized journeys for customers, partners, and other stakeholders. An experience innovation hub is a central nervous system that unifies all the elements needed to develop, orchestrate, and activate differentiated digital experiences.

### Removing Barriers to Innovative Experiences

Often, it's the enterprises with the greatest amount of raw material for innovation that struggle most with adapting. Advantageous competencies and knowledge remain trapped in departmental silos. Behind the scenes, companies know that generating a new business process can be excruciatingly difficult. But customers don't care about the organization's challenges. They'll be the ones to say what frustrates, meets expectations, or delights. And they will make their vendor choices accordingly. 92.3% of business executives responding to

IDC's 2019 IT Buyer Experience Survey said that customer experience will have a greater influence over their technology buying decisions over the next three years. IDC predicts that by 2021, businesses offering frictionless experiences across their ecosystem will experience a decrease of 20% in customer attrition. Innovative processes that delight customers must begin and end with the customer in mind. A Capgemini study found that 80% of consumers are willing to pay for a better experience. Adapting to customer expectations can be a challenge considering all the possible variables that a customer journey might involve. Journey variations can range into the thousands, or potentially millions. According to a 2017 Harvard Business

Review study, 73% of customers used multiple channels during their shopping and customer engagement journeys. For a credit card customer, a journey might start with paying a balance. But it doesn't stop there: Open another account? Refinance? Respond to a marketing offer? What about resolving disputes, solving a problem, or reporting fraud? Start with a mobile app? Follow up on social media? Complete the process on the web, through a messaging app, or "in real life"? What if a customer prefers to take the journey steps in a different order than is typical?

### Experience Innovation Hub Capabilities

To ensure that financial services business owners and IT developers can deliver delightful experiences as needed, the ideal experience innovation hub must provide the capabilities that are discussed in the sections that follow.

**44% of customers are likely to leave a bank with poor digital experiences.**

## Dynamic Adaptability

Businesses must be able to innovate freely, pivoting quickly to meet changing customer and market requirements. They must be able to scale and expand. These actions must be possible without technical restriction and without breaking the bank. If a company needs to spin up a pricing and promotion campaign in a day, the experience innovation hub must accommodate this speed with minimal IT involvement. The experience innovation hub would provide agility in several elements:



### CHANNEL AGILITY

Digital channels continue to proliferate, and some, like mobile, are exploding in use. It's imperative that all companies in all industries transform their customer-facing business processes into meaningful digital experiences. 44% of customers are likely to leave a bank with poor digital experiences, according to IDC's 2019 U.S. Consumer Banking Channel Preference Survey. For example, how much delight could be added if customers could conduct complex financial transactions and real contracting, such as purchasing a boat and adding all the extras and amenities, on their mobile devices? Customers increasingly hop between channels as they progress their journeys. The risk of not offering excellent digital experiences is increasing. 51% of C-level executives named "not being able to provide equivalent experiences across all channels" as a top challenge to their ability to create empathy with customers at scale, according to IDC's 2019 CXO Future Enterprise Survey.



### SYSTEM AGILITY

The ability to recombine functionality from multiple systems is key to building customer-centric processes and provide relevant next best actions. Companies invariably find that true customer-centric business processes drive straight through the heart of several functional silos. Rarely will an enterprise initiate innovation in a greenfield. Executives need to be able to draw on the capabilities for new campaigns and journeys from a wide range of systems, including legacy, without concern for impact.



### DATA AGILITY

The quality of both human and machine decisions dramatically improves with data availability. An experience innovation hub must unlock data from its system of origin and permit it to flow to where it is needed with appropriate governance. With data continuing to flood in from a multitude of systems, including social and sensors, companies need a comprehensive way to access data at the speed of business.

**89% of respondents said that personalized communication makes them feel that vendors care about them**

IDC's 2019 IT Buyer Experience Survey.

## Intelligence Services

Experiences that differentiate depend on a sophisticated array of intelligence services. A speedy, accurate response to a customer's online action is often the difference between their disappointment and their delight. Personalization — which can range from the pleasant reaction to getting a confirmation text from your bank when you make an online payment to a deeply appreciated service such as a preemptive fix to integral equipment on the brink of failure — is another key to delightful experiences. 89% of respondents said that personalized communication makes them feel that vendors care about them, according to IDC's 2019 IT Buyer Experience Survey. An experience innovation hub must provide the following intelligence service capabilities:



### REAL-TIME EVENT VIGILANCE

While some experiences can be preplanned and launched at the command of the business, many more will be triggered by incalculable external events. The ability to activate and personalize experiences by incorporating streams of real-time data from social media, web behavior, financial trading floors, weather, traffic, or any number of time-related sources is key to capturing the opportunity to offer delightful service. For example, by monitoring real-time stock market feeds, a financial services company could contact customers immediately if their portfolios need rebalancing.



### REAL-TIME EVENT RESPONSIVENESS

It's not enough just to be aware that something important just happened. Businesses must act because these opportunities to act are fleeting. Milliseconds matter. An experience innovation hub must enable companies to design business processes that depend on split-second decisioning and action at the point of need.



### PREDICTIVE CAPABILITY

Although many events that are important to customers will occur randomly, many others can be predicted — if enough of the right data can be analyzed. An experience innovation hub will include predictive services that identify trends, derive insights, and make recommendations in ways that both systems and their human proprietor can easily use.

**IDC predicts that by 2025, 20% of revenue growth will come from “white space offerings” that combine services from previously unlinked industries.**

## Future-Proofing Experience Innovation

The experience innovation hub will need to future-proof a company’s experience capability. A company’s ability to adapt to change must be continuous and ongoing.

IDC predicts that by 2025, 20% of revenue growth will come from “white space offerings” that combine services from previously unlinked industries. Imagine mashups where financial services companies combine with real estate companies to create home and mortgage services or retailers combine with financial services companies to create micro-loan services. An experience innovation hub must be able to accommodate ideas that involve wider ecosystem partnerships. Technologies on the horizon will also open new worlds of innovative capabilities that an experience innovation hub will need to accommodate. Market share typically goes to the companies that capitalize early.

Executives will want to understand the practicalities of the necessary business changes to gain more certainty and reduce the risk of their next chapter.

## Case Study: Multi-billion Dollar Global Bank Shares its Path to Innovation Experience



**A large global bank realized that its digital customer engagement and self-service capability was below where it needed to be.** Each year, the bank spent more money and more time attracting new prospective customers but struggled to convert them. The cost of service was also too high. The bank lacked sufficient means to build loyalty with existing customers, especially for customers with branded cards for specialty retailers who shopped at brick-and-mortar stores. What the bank discovered, what it went through, and how the bank innovated provide a great road map for other businesses that are interested in improving the customer experience they provide.



**Connecting these multitude of journey steps would require connectivity between all the systems and channels the company deployed.**

## Essential Guidance

### *1. Form a Cross-Functional Team to Work Across Internal Silos*

A cross-functional team was assembled. They immediately came face-to-face with the root problem plaguing many financial services organizations. The bank was split into silos. The call center team, the digital team, and the mobile team, for example, each operated independently. The company prided itself on having the latest and greatest technology. However, each group used its own tools and data and leveraged different people to design user interfaces. The result was that customers were getting different experiences depending on where they went.

At times, customers even received different answers on how to solve problems. Each group had its own success metrics. For example, the call center operations team desired greater agent efficiency. This metric drove decisions, such as outsourcing. There may have been better routes to efficiency, such as leveraging marketing system. However, this group was goaled on acquiring customers and had no interest in helping their colleagues save money. These leaders had no way of seeing how their individual measurements, if not executed properly, were detracting from one another.

### *2. Identify the Multitude of Customer Journeys*

The cross-functional team realized that to improve digital engagement, they needed to think like a customer. They identified 13 typical customer journeys, including promotions, payments, disputes, and fraud reporting. The team found that each of these journeys ran horizontally through multiple legacy pillars. For example, a customer might start a dispute on the website but neglect to finish it. The ideal customer journey would be to automatically send a text message or an email to remind the customer that the interaction was still open and provide a nudge to complete it. Finally, the journey needed to pick up that dispute right where the customer left off. Connecting these multitude of journey steps would require connectivity between all the systems and channels the company deployed.

**THE IDEAL CUSTOMER JOURNEY WOULD BE TO AUTOMATICALLY SEND A TEXT MESSAGE OR AN EMAIL TO REMIND THE CUSTOMER THAT THE INTERACTION WAS STILL OPEN AND PROVIDE A NUDGE TO COMPLETE IT.**

### 3. Create Shared Organizational Metrics

Innovating customer journeys horizontally across long-standing financial services pillars was not going to be easy. The cross-functional team started by removing the motivational roadblocks. They identified several key performance indicators (KPIs) that could be shared by the leaders across the company. One shared KPI mandated more digital engagement everywhere. Another KPI sought to improve the company's overall cost of service versus merely efficiency in one pillar. Another goal was to simplify the delivery of services to improve customer experience.

The team helped the leaders see that improved customer experience — more consistent, more positive, more personalized — would lower overall business costs because less money would have to be spent to acquire new customers. The new capability would also allow the company to more easily develop new services and respond to new opportunities.



### 4: Advance Agility with an Experience Innovation Hub

Another shared KPI was to improve agility. This objective prevented the company from going down paths that might be easier in the short term but not drive real change. With agility as a goal, business process teams and their IT partners would be unable to hit their marks based only on adopting the latest and greatest technology. This goal helped motivate a move into an agile framework with the adoption of DevOps by the IT team. To become agile, the company needed to break down monolithic processes and business logic into modular elements that could be developed, tested, and deployed quickly. These modules could also be recombined in the future into innovative new processes.

The technology solution that the company selected needed to support these shared objectives. The solution was required to connect all the systems supporting customer journey services, including those core systems such as customer accounts and general ledger that were still in mainframes. Maybe in the next five years, these systems would become cloud native, but the company depended on access to these capabilities today. Also, customer expectations demanded that all communication channels be supported (e.g., SMS, chatbots, email).

Data and artificial intelligence (AI) capabilities were key considerations. The company needed behavioral analytics, modeling, and other data services to create the responsive journeys that would delight customers. Performance speed was also critical. Some platforms the company considered worked by sending data back and forth to a central system. However, when a customer is engaging with a website in real time, the company felt that milliseconds matter — a lot!

**To become agile, the company needed to break down monolithic processes and business logic into modular elements that could be developed, tested, and deployed quickly.**

Finally, cost was a consideration. Since lowering the cost of service was a goal, the company wanted to be able to scale and the freedom to innovate without adding what it considered to be exorbitant costs.

The financial services company decided to adopt Red Hat's Middleware portfolio on OpenShift to provide the system these capabilities. The Red Hat open source approach allowed the bank to build an experience innovation platform that met its unique requirements at a reasonable cost. The company considered other solutions that were on its approved vendor list but found each lacking in a significant way. The Red Hat approach to customer engagement provided a repeatable framework that enabled the bank's required modularity and technologies. The solution included Kubernetes, containers, and microservices. Red Hat's guidance also helped the bank connect all the various company systems and channels.

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## MESSAGE FROM THE SPONSORS



Red Hat's approach to delivering customer engagement hubs allows businesses to build an innovation platform for their unique requirements and intellectual property. Leveraging open source, the Red Hat solution helps businesses adapt to changing market dynamics, shifting customer demands and expectations, and the need to constantly incorporate new technologies.

Red Hat's solution gives businesses the power to optimize their offerings for an enhanced customer experience and next best action. Selecting the right technology partner—especially one that embraces open source—can accelerate experience innovation and implementation, empowering businesses to make changes quickly, and enable continuous modernization.

Red Hat's solution goes beyond simply providing an architecture. Red Hat offers a repeatable framework based on real-world deployments using cloud-native technologies such as Kubernetes, microservices, and containers running on Red Hat OpenShift for hybrid, multicloud, and on-premise deployments.



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