DIGITAL BANKING REPORT

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Improving the Customer Experience in Banking

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Too much of the discussion around the "customer experience" reflects a desire to simplify the complex, and find the silver bullet that fixes business problems and engenders customer loyalty. That's too bad, because organizations that take a data-driven, process-oriented approach to improving customer experiences—often fixing just one little thing that stands in the way of customers' satisfaction—can achieve competitive advantages.

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Improving the customer journey and providing a positive customer experience (CX) was ranked as the number one trend as well as the top strategic priority in a survey of global banking organizations for the *2017 Retail Banking Trends and Predictions* **Digital Banking Report.** The question is whether organizations are investing adequately and supporting efforts culturally to make a difference.

Customers no longer view their experiences within industry silos, but instead, compare their experience to leading firms such as Google, Amazon, Uber and Apple. Consumers want organizations to simplify engagement and make their lives easier.

A positive customer experience is channel sensitive, with customers placing a higher weight on digital customer experiences more than ever. In fact, in a recent **JD Power** survey, the largest banking organizations improved in overall customer satisfaction, while midsize banks declined and regional banks plateaued. This was attributed primarily to improved mobile and online satisfaction.

Yesterday's demands – including flexibility, efficiency and easy access for customers – have been expanded to include integration of banking activities across multiple channels, personalized service, and recognition of the past, present and future breadth of the customer's relationship with their financial institution. Going forward, banks and credit unions must build an improved customer experience and use it as a competitive differentiator.

Our global research of banks and credit unions for this report was intended to better understand the 'CX maturity' of financial institutions and to provide a benchmark for future strategies.

We would like to thank **Deluxe Corp.**, who sponsored this year's report development and distribution. Their partnership and commitment to improving customer experiences for financial institutions enabled us to **collect** insights never **provided** in the past.

We hope this report provides insights that can improve your customer experience efforts and guide your firm in the future.

Jim Marous
Owner and Publisher,
Digital Banking Report

DIGITAL BANKING REPORT

"In-depth research on how banks and credit unions are changing..."

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DIGITAL BANKING REPORT

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CUSTOMER EXPERIENCE IN BANKING

KEY RESEARCH QUESTIONS:

- Where do financial institutions prioritize customer experience (CX) efforts within the organization?
- Do FIs have a formal customer experience program?
- What is the primary objective of customer experience efforts and financial institutions?
- What do FIs believe are the key drivers of customer satisfaction?
- Are financial organizations investing in CX efforts?
- What is the impact of current customer experience efforts?
- What challenges and obstacles are organizations facing while trying to impact the delivery of a positive customer experience?
- How are the results of CX initiatives measured?

KEY TAKEAWAYS:

- While all FIs believe that improving CX is a significant priority, the importance is greater at larger organizations.
- Only 37% of organizations have a formal CX initiative.
- Improving share of wallet (29%) and cutting costs (25%) are the two primary objectives for CX initiatives at FIs.
- While consumer research shows that digital experiences drive satisfaction, FIs believe problem resolution, good products and branch personnel are more important.
- Investment in CX is increasing at more than 7 of 10 organizations, with investment expected to increase over the next 3 years.
- Despite increases in investment, most firms have seen only a moderate impact of their CX initiatives.
- The biggest challenges in CX efforts are with data analytics, technology and getting a complete customer view.
- While measurement of CX efforts vary widely, customer satisfaction is the most used method of measurement.

Executive Summary

The Customer Experience in Banking survey was conducted via email and included banks and credit unions from Asia, Africa, North America, South and Central America, Europe, the Middle East and Australia. The survey responses are the foundation for this report that is intended to provide guidance for customer experience strategies in the future.

The financial services industry has been significantly impacted by the increasing use of technology from smartphones to wearables. This transformation in methods of transacting has enabled more personalized engagement, allowing customers to use multiple channels simultaneously to engage in seamless, multi-dimensional banking. This has also increased both the potential and complexity of creating a positive customer experience.

Unfortunately, the objective of delivering a positive customer experience has been secondary to other bank priorities, resulting in a transactional banking relationship for the customer. For financial organizations to change this dynamic, and meet the evolving needs of today's customers, there are five areas that have emerged as crucial priorities:

- Move focus of digital engagement from cost reduction to experience enhancement.
- Allow the consumer to engage with their bank on the channels they prefer at the times they want to engage.
- Transition advisory and sales activities from being reactive to being proactive.
- Leverage advanced analytics, machine learning and contextual engagement to provide a highly personalized experience.
- Become engaged throughout the customer journey, from shopping to account opening, to onboarding and relationship expansion.

For those financial organizations that embrace the building of an improved customer experience, the rewards will be immediate and significant. Those who act quickly to achieve 'customer excellence' will benefit from improved acquisition results, a stronger and more loyal customer base, and enhanced shareholder returns.

The objective of this report is to identify the 'CX maturity' of the banking industry and provide guidance as to the goals and strategies for the future. Beyond a 'to do list', we hope this report will begin to change cultures within the industry, moving customer experience from hype and hyperbole to tangible results.

We greatly appreciate the partnership with **Deluxe Corp**. on this effort, allowing us to perform more extensive research and analysis and to publish a market-leading report.

Smash Your Silos

Creating a superior experience (CX) pays. But don't take my word for it.

(Article by Jim Tincher, *Mapper-In-Chief, Heart of the Customer)*

Jim Tincher

The **Temkin Group** studied the impact of improving your overall experience, defined as increasing customer success, making it easier, and improving the emotional experience. They found that a bank with $1 billion in revenue that improves their scores by 10% can expect to increase that revenue by $852.4 million over the next three years. That's a 27.5% growth rate – just from improving your customer experience.

Companies with a poor customer experience churn through their customers. Reducing this churn, along with making additional sales from existing customers, are two of the largest benefits of an improved customer experience. Three others are customer willingness to try new products, sales through word of mouth, and customer willingness to forgive mistakes.

That's the power of a superior customer experience. When a customer's rational and emotional needs are met – and exceeded – that customer is significantly more likely to stay a customer, and to use your company for future needs. Banks and credit unions with poor customer experience must spend their time landing new customers just to maintain revenue. Companies with loyal customers grow more profitably through their existing customer base. Consulting company **Bain** found that increasing customer loyalty by 5% leads to a profitability growth of 25-90% - no small reward!

But before we can discuss creating customers for life, we need to stop chasing them away, which is the first risk for many brands. A particularly bad experience can end a relationship for good. **Genesys** found that after a poor experience, 71% of customers will end their relationship with you. Worse, 61% will go to a competitor after you mess up.

So with this, it was good to see that the banks in the Digital Banking Report's *Customer Experience in Banking survey* agreed to the importance of CX, with over 90% saying CX is a priority, and nearly three-quarters expecting to increase their investment this year.

So, the intent is there. But is there the ability to deliver a better experience?

Unfortunately, over half the banks reported no formalized customer experience program, which makes it difficult to execute on a customer experience strategy. A clear leader – who has this as their top priority – is critical to driving success.

A visible C-Suite leader is important, because the biggest challenge banks will face is creating a seamless experience across channels. Within the bank, different leaders are tackling customer experience needs separately. Your website team doesn't talk with the branches, who are disconnected from your customer service team, which never meets with those responsible for your app.

But your customers don't care. They expect you to operate as one bank. Policies or procedures that differ between channels drive them crazy.

Smashing your silos takes deliberate action. When asked for their most challenging customer experience projects, over one-quarter of survey respondents answered either "creating an integrated, multichannel customer view" or "multichannel customer experience." This is probably because nearly half of respondents cited that their biggest obstacle is "siloed systems preventing easy sharing [of] information across all touch points."

Creating a unified approach isn't easy. But it's the best way to stay ahead of your competition – or to pass them by.

Heart of the Customer

So, how do you create a unified, multi-channel approach? Customer experience best practices provide a clear strategy: Map Your Customer Journey; Create a Compelling Vision; Implement Governance; Train your Teams; and Change your Metrics.

Map Your Customer Journey

Nearly half of all respondents say they're planning to map out the customer journey soon. That's important – you can't target your customers' most important needs if you don't know what they are. Unfortunately, mapping the customer journey is more difficult than it seems. According to our cross-industry study on customer journey mapping best practices, half of all journey mapping initiatives fail to drive change. The survey reveals three keys to success:

1. Involve broad, cross-functional teams. You can't drive change if those who need to change aren't a part of your initiative. Too many times the mapping is done in customer experience or marketing, and the results are only shared after the fact. Failing to involve impacted teams in the process prevents them from buying into the results, so no action is taken.

2. Involve customers. While this should be a no-brainer, too many organizations try to map out the customer journey in a conference room. If your customer isn't involved, it isn't a customer journey map – it's just a hypothesis.

3. Select the right journey. You can't drive change if you don't know what change you're trying to drive. For many, an end-to-end journey will show when silos conflict.

Create a Compelling CX Vision

Where do you differentiate? Are you the relationship bank? The easiest credit union to do business with? The safest? A wishy-washy "Customers are our most important assets" vision doesn't give a specific direction. Is it any wonder why your silos take conflicting approaches to improve your customer experience? Give clear direction for where to prioritize your efforts, informed by your brand. Unfortunately, nearly 30% of survey respondents reported that one of their biggest CX obstacles was "Lack of a clear customer experience strategy or executive commitment."

Implement Governance

Use your vision to drive governance. Governance involves having your leadership regularly review your CX program, and make investment decisions on how to improve. It's very difficult to drive a successful program without it.

Train your Teams

Once you understand your customers' journeys and have a compelling vision for the future, you need to communicate this to your teams. Nearly half of all respondents say that they are already providing ongoing training on customer experience to employees, and it was the third in the list of most-successful CX projects. What are the rest of you doing?

Change your Metrics

Too many banks are using transactional survey results to measure their experience. Over half said that they use "Customer Satisfaction for [a] specific interaction" as the metric to track the success of a customer experience initiative. Yet, McKinsey estimates that ""Journeys are 30% more strongly correlated with business outcomes [than measuring individual touch points]."

It's time to change your metrics to focus on what customers tell you is important. We strongly recommend using the journey mapping process to understand what your customers value – then changing your metrics to reflect this. The best metric for tracking customer experience success rarely comes from a survey. It comes from customer-based Key Performance Indicators (KPIs], such as customer churn, average products, or, better yet, Customer Lifetime Value. These metrics track the real value you're providing your customers.

Smashing your silos is one of the most challenging customer experience initiatives you can face. But your competitors are starting down this journey – isn't it time you joined them? It's the only way to earn the 27.5% growth that comes from an improved customer experience.

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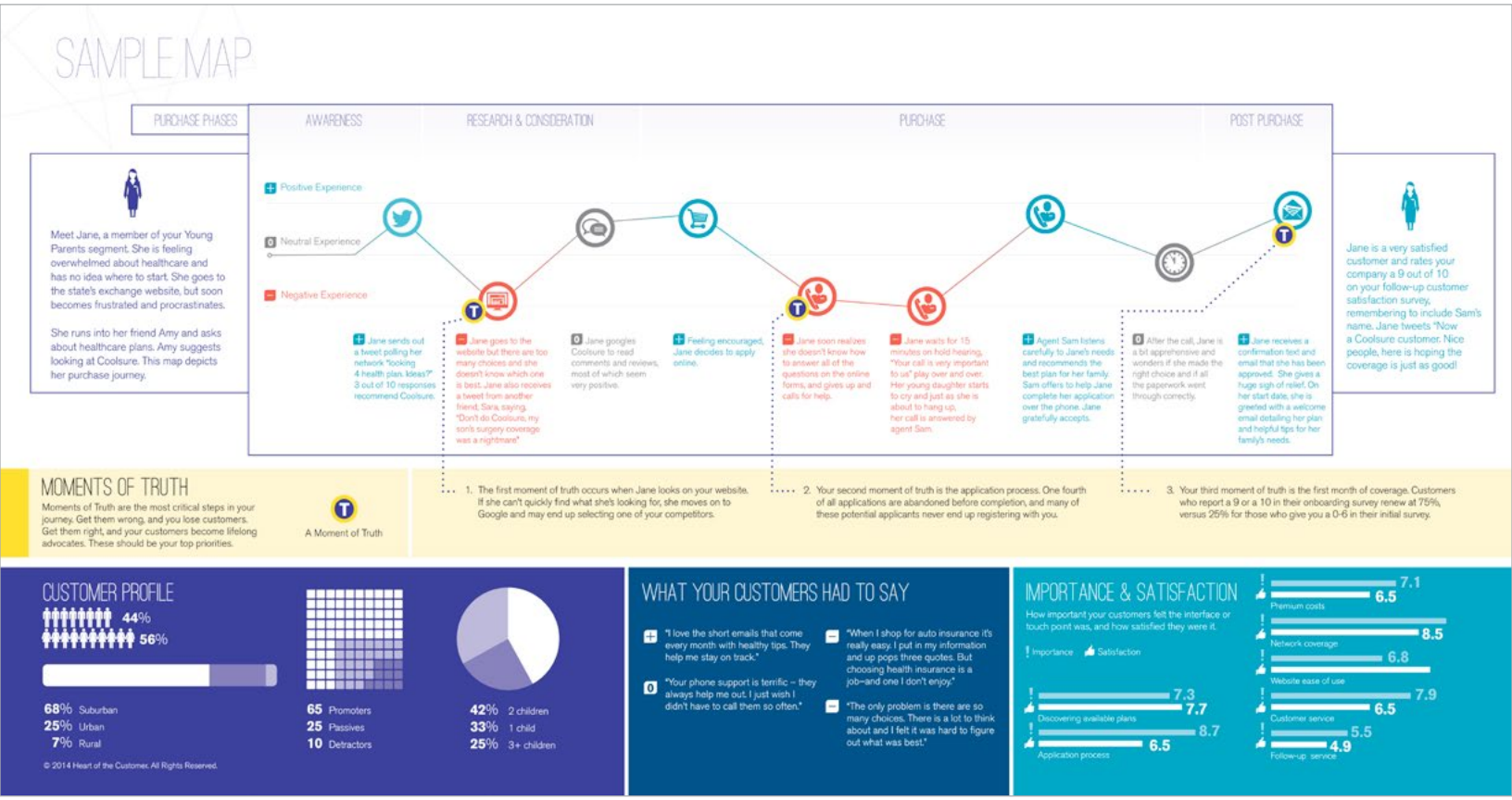
[3]The Truth About Customer Experience, *Harvard Business Review*

Jim Tincher
Mapper-In-Chief,
Heart of the Customer

With a lifelong passion for customer experience, Jim founded Heart of the Customer to help companies of all sizes increase customer engagement. Before launching the company, Jim led customer engagement initiatives at Best Buy, Gallup and UnitedHealth Group. In the process, he became an expert in using Voice of the Customer research to identify unmet needs, develop new products and improve customer service.

His Heart of the Customer Journey Maps™ are a powerful tool designed with one simple goal: customer loyalty. Customers ranging from start-ups to Fortune 500 companies use his processes to improve customer-focused results.

CHART 8:
SAMPLE CUSTOMER JOURNEY MAP FROM HEART OF THE CUSTOMER JOURNEY MAPS™



Source: Heart of the Customer © January 2017 Digital Banking Report

Digital Channels Drive Customer Satisfaction

The positive impact of a strong digital offering has pushed satisfaction levels for the largest banks above all other sized organizations for the first time ever. While 'being digital' is important, many organizations need to step up their game in the table stakes categories of fairness, reliability and transparency.

According to the *2016 U.S. Retail Banking Customer Satisfaction Study* published by **J.D. Power**, the six largest banks (Bank of America, Citigroup, JPMorgan Chase, PNC Financial, U.S. Bancorp and Wells Fargo) have taken the lead in customer satisfaction for the first time ever. The primary reasons include better consumer-facing technology and better in-person interactions, as well as the impact of positive performance scores from Millennials, emerging affluent consumers and minorities.

The research, based on detailed surveys of 20,000 banking consumers, evaluated the performance of retail banking organizations classified as Big Banks (assets of $180 billion or more), Regional Banks (assets of $33 billion – $180 billion) and Midsize Banks (assets of $2 billion-$33 billion).

These findings illustrate the importance of focusing on the digital customer experience when trying to improve overall customer satisfaction. While branch engagement and customer call centers are important, the return on investment will be strongest if funds are allocated to digital channels.

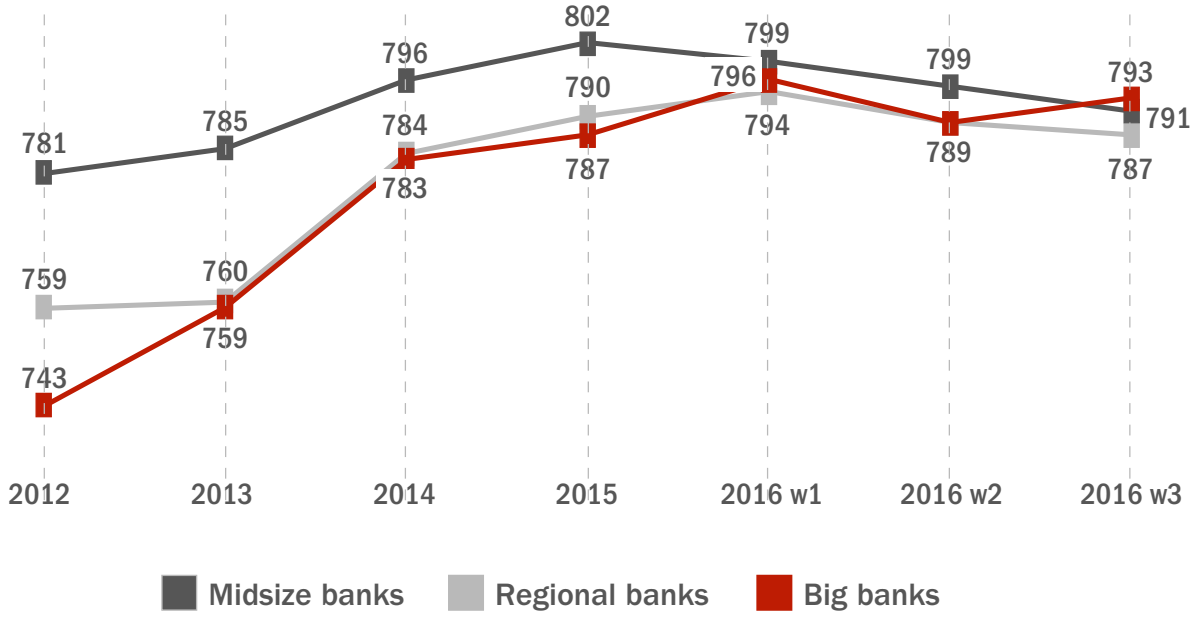
More importantly, the ability to monitor and manage the customer experience is made simpler with digital channels. Abandonment rates, engagement, click-through and friction of processes can all be monitored and adjusted easier with digital engagement than with physical or in-person interactions.

Big Banks Take the Lead for the First Time

As shown below, the biggest banks, while improving their satisfaction scores over time, have always trailed small and mid-sized banks in overall customer satisfaction. But since 2012, the biggest banks have improved their satisfaction scores by 50 points (to 793 on a 100 point index) to close the initial 40 point gap and achieve the highest overall satisfaction scores of all categories of retail banks.

According to Rocky Clancy, vice president of the financial services practice at J.D. Power, "This improvement could be the result of significant focus and investment by the larger banks on all digital and non-digital components that combine for an improved customer experience."

CHART 1: BIG BANKS TAKE THE LEAD IN SATISFACTION FOR THE FIRST TIME



Source: J.D. Power & Associates © January 2017 Digital Banking Report

Big Banks Do Best with Millennials, Emerging Affluent and Minorities

While the big banks have outpaced small and mid-sized banks by improving satisfaction with every generational and income category of consumer (as shown below), they still lag small and mid-sized banks with Boomers, Pre-Boomers and the affluent consumer. The real appeal of the biggest banks is with Millennials, emerging affluent and minorities (specifically black/African-American, Latino/Hispanic and Asian/Asian-American).

CHART 2:
CHANGE IN SATISFACTION BY GENERATION

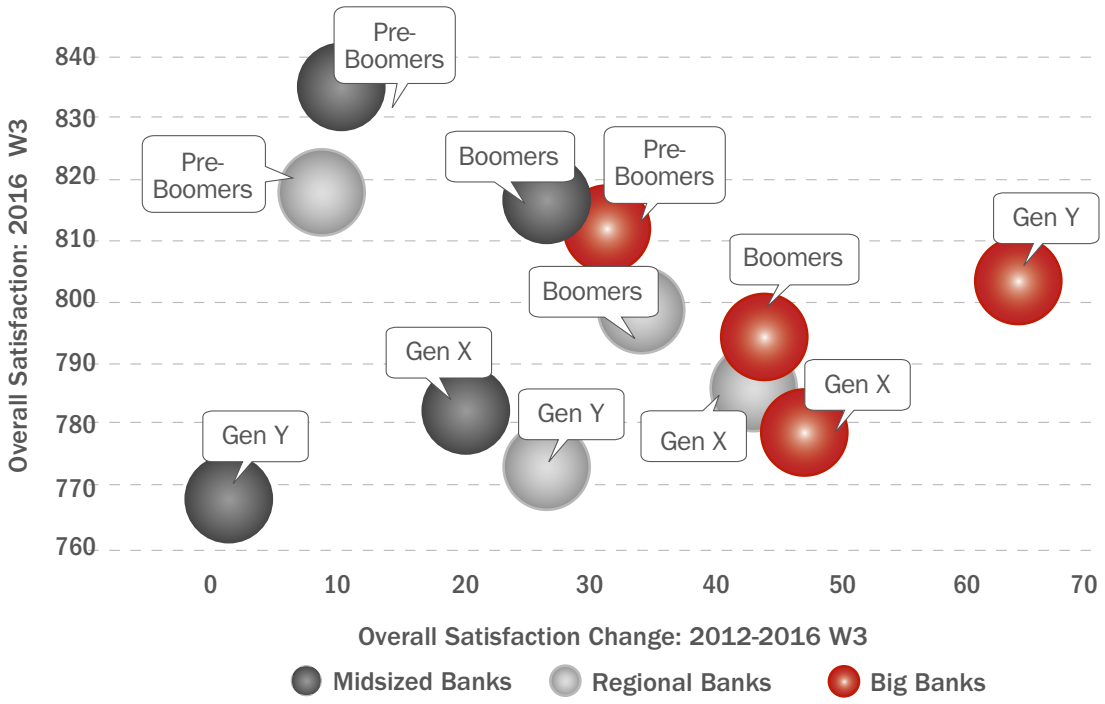


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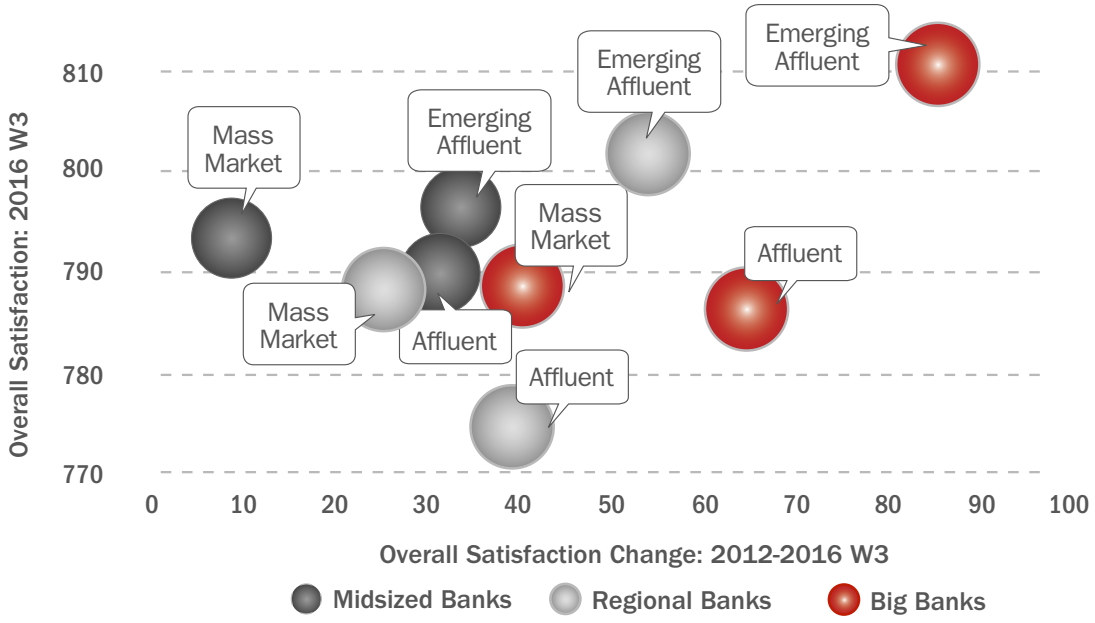
CHART 3:
CHANGE IN SATISFACTION BY AFFLUENCE



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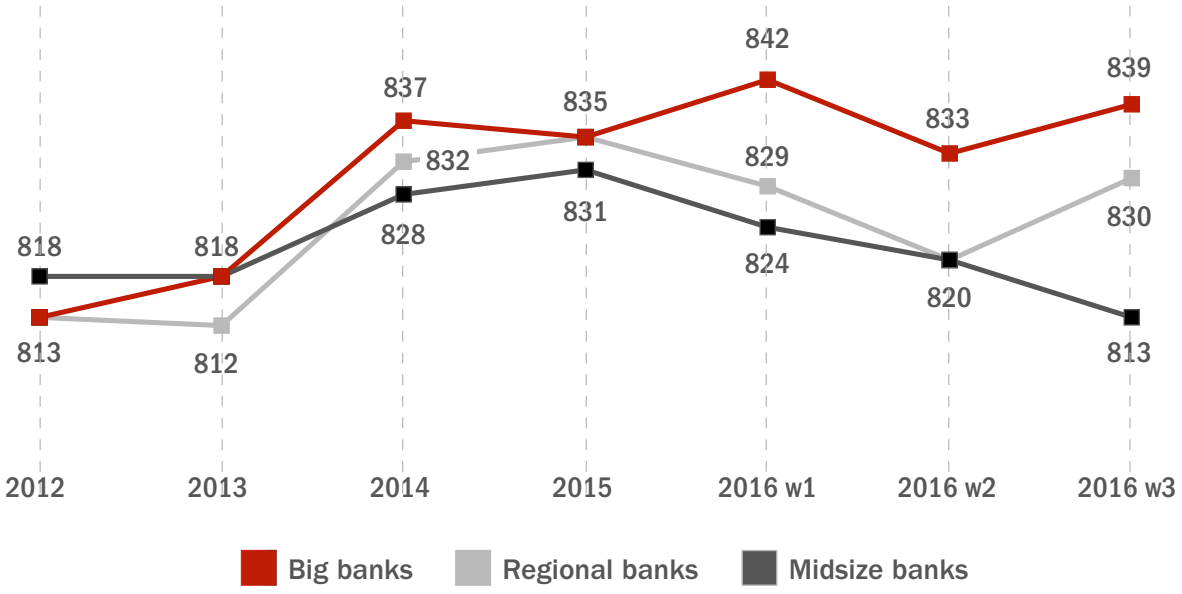
Big Banks Do Digital Best

The impact of digital technologies on customer satisfaction continues to be apparent in JD Power Customer Satisfaction surveys. In 2015, there was a noticeable decline in the online and mobile banking satisfaction levels for the biggest banks, attributed to the increasing expectations of digital consumers going unmet.

Continued heavy investment in digital channels by the biggest banks was rewarded in this most recent survey, however, with the top six banks showing significant improvements in all digital categories. The Big Banks scored highest in online satisfaction (839), mobile (858) and ATM (841) interactions in the most recent study.

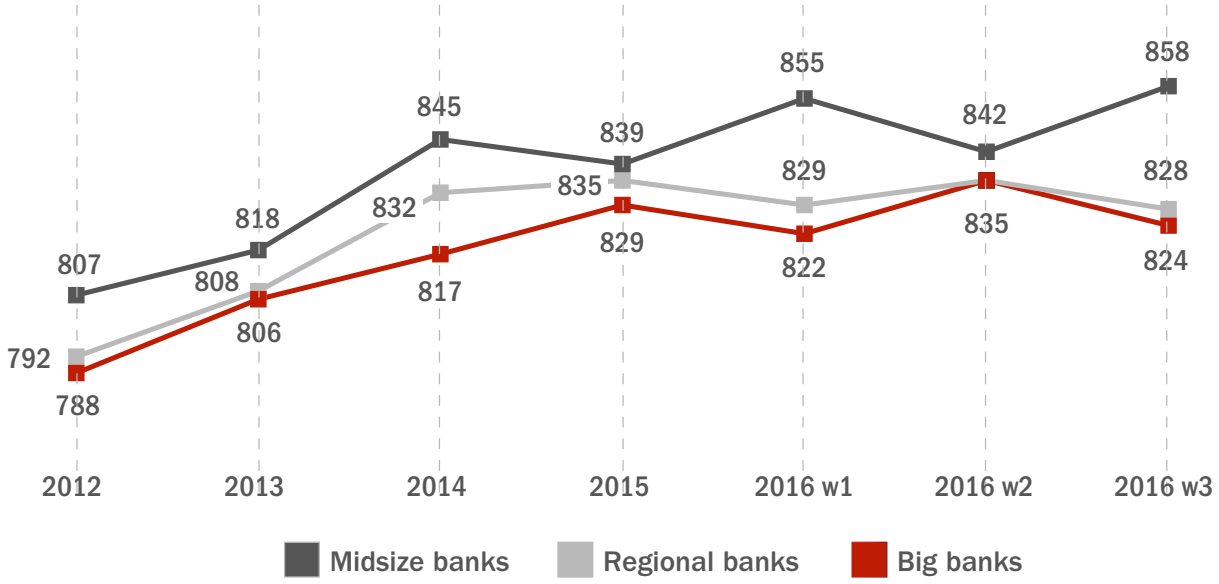
The inability for the majority of regional and mid-sized banks to keep pace with investment in digital technology became more apparent in the most recent survey, with online, mobile and ATM satisfaction levels all being below 2015 levels. In fact, it is possible that the prioritization of investment in the mobile channel has had the most significant impact on mid-sized banks, where the lowest satisfaction in four years is seen for both online and ATM channels.

CHART 4:
CHANGE IN ONLINE BANKING SATISFACTION BY INSTITUTION TYPE



Source: J.D. Power & Associates © January 2017 Digital Banking Report

CHART 5:
CHANGE IN MOBILE BANKING SATISFACTION BY INSTITUTION TYPE



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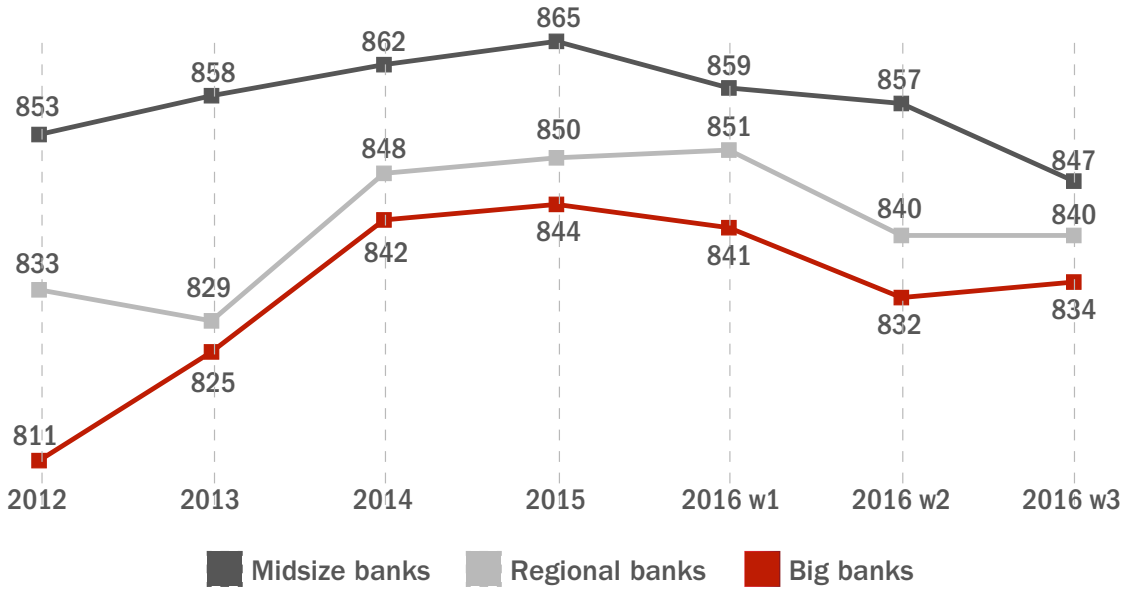
Digital Banking Satisfaction Halo Effect

When reviewing all of the components of customer satisfaction, there could be a positive "halo effect" from the improvement in the digital channel satisfaction levels. For instance, JD Power found that there have been significant improvements in satisfaction in the areas of problem resolution, account information and fees compared to regional and mid-sized banks.

Alternatively, the satisfaction with facilities, product offerings and transaction activities have all decreased over the last four years for the smallest banks in the study. Finally, there is evidence that the impact of a strong digital offering can also impact in-person satisfaction ratings, according to JD Power.

As shown below, smallest financial institutions studied recorded their lowest level of satisfaction ever for in-person transactions … a traditional strength for this asset category. While lower than in 2015, the largest organizations have had the strongest growth in satisfaction over the past four years.

CHART 6:
CHANGE IN IN-PERSON SATISFACTION BY INSTITUTION TYPE



Source: J.D. Power & Associates © January 2017 Digital Banking Report

A Positive Customer Experience Goes Beyond 'Being Digital'

The *2016 Performance Against Customer Expectations (PACE) Index*, published by **FIS**, polled consumers globally about their financial institution expectations, the importance of 18 key attributes, and how well their primary financial institution meets those expectations. The results were then compiled into a score, allowing for an evaluation of how financial institutions perform. (More details on the survey's methodology can be found at the PACE Survey website.)

Globally, up to 50% of consumers would turn to their primary financial institution first for deposits, advice and borrowing needs. This percentage was as high as 60% for consumers in the U.S. Alternatively, between 20% and 25% were either undecided, or would turn to an alternative source for financial assistance according to the survey.

As was found in the inaugural year of the study in 2015, there are significant opportunities to build a stronger foundation for consumer relationships. This can be achieved by more fully leveraging digital and social platforms to integrate with consumers' lives through insight-driven alerts, advisory services, planning tools and more. This provides opportunities for impacting the decision.

Banking Performance Against Expectations

In 2016, the U.S. held a 7-point lead over the global average PACE Index score (79 out of 100), ranking second out of the 10 countries surveyed. As could be expected, the basic foundational aspects of banking are still the most important attributes for consumers globally. The top 2 attributes in terms of importance from the PACE index were Safety and Security, with most banks performing close to par in these "table stakes" attribution categories.

There were deficiencies, however, in performance for the next three attributes – Fairness, Reliability and Transparency. Fairness provided the biggest challenge, with a 20 percentage point gap in performance against importance of this attribute in the U.S. Customers equate Fairness to when there are no hidden charges and fees.

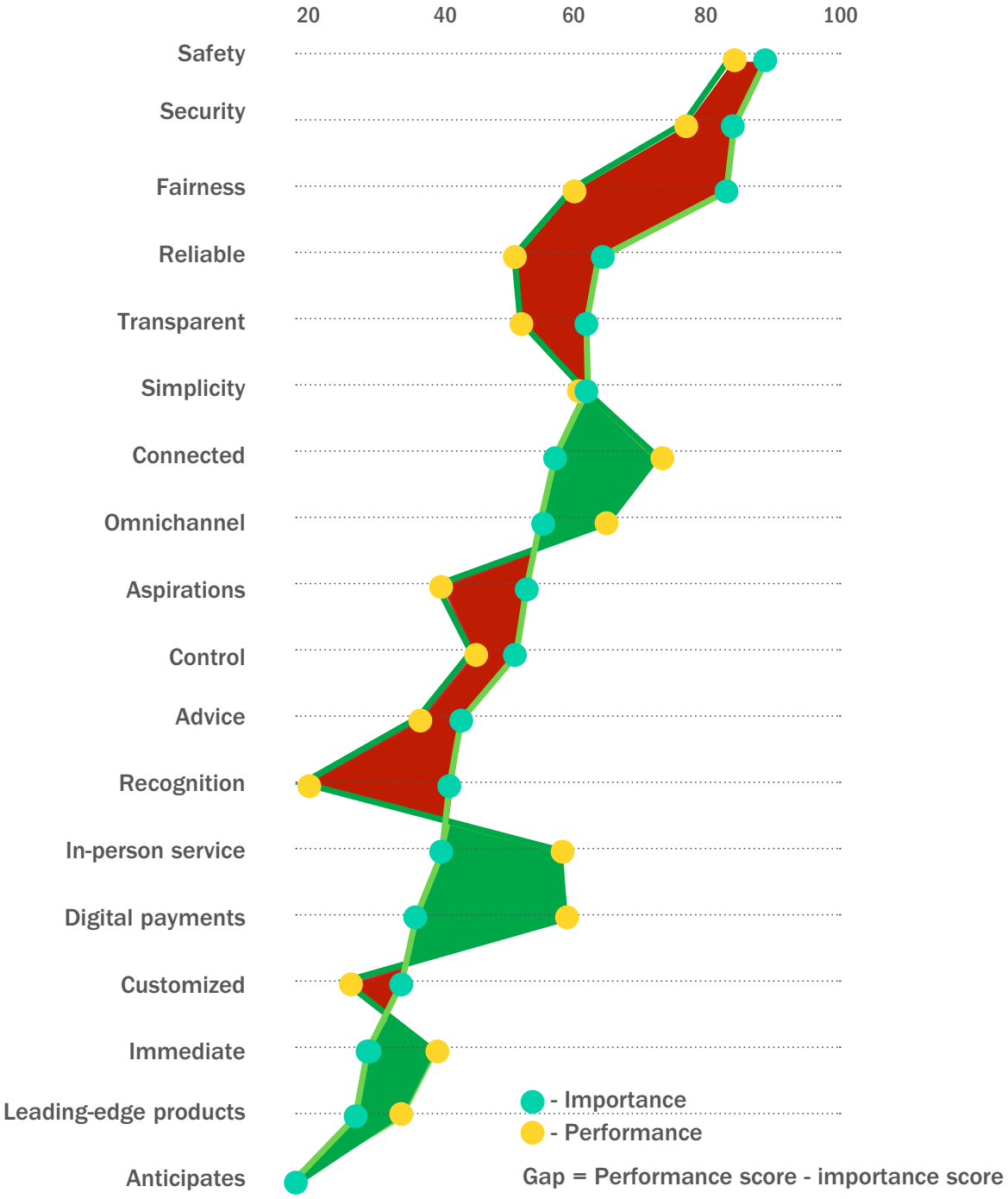
While financial organizations narrowed the negative gaps for the five most important attributes by an average of nearly two points, the majority of these improvements were the result of lower consumer expectations of their banks' performance as opposed to improvement by their primary financial institution.

The next highest rated attribute was Simplicity (ease of product use and understanding) which rose to #6 in importance. On average, financial institutions are meeting expectations for this attribute. Other attributes where financial institutions met or exceeded expectations – in order of importance – were, Connectivity (online/mobile accessibility), Omnichannel (consistency across channels), In-Person Service, Digital Payments, Immediacy (fast systems), Innovative Products and Needs Anticipation.

Beyond falling short on the five most important financial institution attributes, organizations also fell short on many of the attributes associated with personalization. These included – in order of importance – Aspirations (helping achieve financial goals), Control Over Finances, Trusted Advice, Recognition (rewards) and Customized Products.

When reviewing the gaps (in red) on the next page, these represent opportunities to position an institution as a leader in a market where other organizations are falling short.

CHART 7:
PACE 2016 - IMPORTANCE AND PERFORMANCE SCORES FOR 18 BANKING ATTRIBUTES



Source: 2016 FIS PACE Index © January 2017 Digital Banking Report

It should be noted that, in the U.S., community bank customers continue to rank in-person service far more important than the overall U.S. ranking. Community bank delivery of in-person service also outperforms their consumers' expectations by a wide margin. While that may sound encouraging, these rankings need to be viewed against a backdrop where physical branch transaction volume continues to plummet and digital channels are having a greater impact on overall satisfaction.

Remaining First in the Mind of Consumers

While the majority of banked consumers continue, for now, to place their primary financial provider as their first choice when a significant life event occurs, the move to digital transactions (and digital interaction) can quickly change this advantageous competitive position. Consumers are increasingly expecting quick responses, instant access to insight, more control of their financial lives and increased personalization.

The importance of making banking more simple and moving at 'digital speed' is especially important to the increasingly valuable Millennial segment. "This year's PACE Index shows that consumers worldwide generally turn to their primary financial institutions first, but those institutions must be prepared to serve their needs immediately," said Anthony Jabbour, chief operating officer, Banking & Payments, FIS.

"That's particularly true of Millennials, who stood out in this survey for how deeply they expect their banking services to mesh with their daily lives," continued Jabbour. "The survey shows that, if a financial institution wants to be a customer's bank for life, it must first become that customer's bank for living – meeting all the needs a customer may have in his or her daily life, so that the customer thinks of the bank first, always."

Options for the Future

It is becoming more apparent with each study that there is a growing need to serve the increasingly digital consumer. Once defined by demographic variables like age and income, the digital native is becoming a larger component of every demographic group.

How a financial institution responds to the challenges of an increasingly demanding consumer will differ from bank to bank. Some organizations may decide to "double down" with their investment in digital channels. It appears this increased investment will help, but the investment can't only be focused on mobile channels. Recent trends show that satisfaction will drop if adequate investment is not made in the online and ATM channels as well.

But, financial institutions need to continue to deliver on the 'basics'. These include, but are not limited to safety, security, reliability, fairness and transparency. And in a continuously changing market, with new players and options always being made available, monitoring performance is an ongoing mission.

The overriding question becomes, can banking organizations avoid the inevitable digital transformation occurring in the banking industry? And if so, for how long? In addition, can organizations continue to deliver the level of experience expected on the most fundamental level?

Leading the Way in Digital: Our Key to Client Experience "Success"

(Article by Michelle Moore, *Head of Digital Banking at Bank of America)*

Michelle Moore

The world is changing, and so are today's banking customers.

Perhaps more than anything, mobility is fundamentally changing the relationship people have with banks, as customers become increasingly reliant on technology for everything from routine transactions to financial advice. And maybe a bit surprisingly, it's also dramatically improving access to financial services regardless of income, location, or even one's appetite for new tools and technology.

Digital banking has truly reshaped how people bank. Not long ago, online banking was at the pinnacle of convenience. Whenever people were at their computers, they could access their accounts, get the information they needed, and conduct basic transactions. It was one of the most important advances for banking in decades.

However, the increasing ubiquity of smartphones has accelerated the rate of change within banking at a breathtaking pace. Just five years ago, two-thirds of deposits were made at banking centers – today, that proportion has been cut in half. At the time, Bank of America had a little over 6 million mobile banking users, and now that number has reached almost 22 million. Accordingly, mobile logins have also increased 1000 percent during this five-year period. During the fourth quarter of 2016 alone, mobile banking clients logged into their accounts more than 967 million times – greatly surpassing the 485 million desktop logins during this same time-frame.

Our own research into consumer banking habits supports this usage trend. For the first time, our *Trends in Mobility Report* showed that the majority of people are using a mobile banking app. These numbers have increased with the functionality of mobile banking. Beyond checking balances and transferring between accounts, customers can deposit checks and check their FICO scores via mobile. Nearly 9 in 10 customers use mobile banking alerts, especially for fraud or unusual activity, deposits and low balance notifications. And nearly three-quarters of consumers have taken action as the result of a mobile alert.

Given the rapidly evolving needs and banking behaviors of our clients, our challenge is to change with them so that we continue to be a trusted resource for all their financial needs. Our success is based fundamentally on the relationships we have with our clients – all 60 million – and we listen carefully to them so that they remain at the center of everything we do. We accomplish this through client surveys, focus groups, one-on-one listening sessions, and by paying close attention to client feedback on social media and in the app store.

As a result, we've made changes in how we work with clients across every channel – whether they're using their smartphone or computer, stopping into a financial center or calling us on the phone. Each of these interactions have been revolutionized by technology: our vision now is to make it easier for our clients to manage their financial lives as an extension of their daily digital activities. We see digital banking as a way to put the full power of the bank in our clients' hands, allowing their mobile device to take on the role of a bank teller, an ATM or a financial advisor.

As you might expect, a key area of focus for us is continuing to enhance our clients' digital experience through ongoing improvements to our mobile and online banking offerings. For example, we just launched a new spending and budgeting tool that offers a dynamic income and spending comparison and outlines spending trends up to the past 13 months.

Last year, updates to our mobile platform included a redesign of our mobile app, including easier navigation and the ability to set the language to Spanish; the introduction of My Balance, which

allows clients to check balances without signing in; an update allowing clients to redeem rewards for BankAmericard Cash Rewards™ and BankAmericard Travel Rewards® credit cards; and a new option for clients to view their FICO® Scores. These are just a few ways that we are continuously refining and enhancing our clients' digital banking experience.

As much progress as we've made with our mobile and online offerings, when it comes to improving financial lives, there is still no substitute for face-to-face contact with the people we serve. It's about being as much high-tech as we are high-touch. That's why we're investing heavily in our financial centers – opening new centers and refurbishing and renovating hundreds more – making them destinations for our customers to come when they need help and advice.

A part of this effort has also been to update our financial centers so that they are seamlessly integrated with our digital platforms. In fact, we view our financial centers as a key part of our high-tech, high-touch approach to serving our clients. In a time when technology can sometimes seem like a depersonalizing force, integrating it with the face-to-face human element of financial services will allow us to work even more closely with the people and the communities we serve. That's also why we have trained "Digital Ambassadors" to help our customers understand how they can more conveniently manage their finances through mobile.

By enhancing our financial centers so that they become a destination for our clients – and by increasingly integrating our digital and physical offerings – we've driven traffic to our physical locations, with 1.2 million client appointments made in our financial centers in 2016.

But it's not all about the bells and whistles. Innovation helps people improve their financial lives by giving them greater access to education and planning tools than ever before. Our financial education website, BetterMoneyHabits.com, is accessible to everyone online and via mobile and is a useful way to introduce how banking works and to create good financial habits. In the last year alone, we had 18.6 million views of the Better Money Habits experience within our mobile app.

> *"However, the increasing ubiquity of smartphones has accelerated the rate of change within banking at a breathtaking pace."*

From my perspective, adapting at the pace of innovation is key to not only building stronger relationships with our clients, but also to improving their financial lives. We aim to offer our most advanced capabilities to make interactions with our clients easier and more secure, and so that we remain a trusted resource for our clients when they have a question or need advice.

Our goal is not just about delivering access to resources and convenient solutions – it's about anticipating and meeting our clients' ever-changing needs. Running at the pace of innovation is a challenge for virtually all organizations in today's world, and Bank of America is no exception. However, if we remain connected with our purpose – to make financial lives better – we are sure to succeed.

Michelle Moore
Head of Digital Banking

Michelle Moore is Head of Digital Banking for Bank of America. In this role, she is responsible for developing and executing Bank of America's mobile and online strategy, roadmap and transformation. She is focused on making banking more convenient for customers by delivering innovative products and services across mobile devices and online platforms.

Importance of the Customer Experience

As consumers increasingly make decisions based on the ease with which they can interact with their financial institution, competition around the customer experience is giving rise to new roles, new titles and an increased presence within banking organizations.

Banking customers expect more than an excellent mix of products and multichannel solutions – they are looking for superior customer experiences that fulfill basic expectations while providing added value. In fact, customer experience is the most common reason for opening and closing accounts, more so than fees, rates, locations and convenience.

At a time when social and digital media enable consumers to immediately share their experiences, customers who have a positive experience will drive the most referrals and be more willing to consolidate their banking needs with a single financial services provider. Alternatively, dissatisfied customers can negatively impact the ability to generate (or keep) customers more than ever.

With new products, new channels and new competitors, the importance of a robust customer experience strategy has never been greater. In the same way that advanced analytics should be used in the acquisition and selling of services to consumers, customer experience strategies should also be personalized as much as possible using the same type of analytics.

Despite an improvement in both trust and satisfaction in the banking industry overall, an increasing number of financial service providers are competing for the same customers. Emerging technology and the increasing use of mobile devices for both banking and payments are making it easier for new entrants to exploit areas of dissatisfaction and underinvestment.

With the cost of acquiring and retaining a customer increasing, the cost of falling behind the competition is extreme. Each customer with a less than satisfactory experience represents a new business opportunity for a competing bank or financial service provider. Therefore, an increasing focus on, and investment in, an improved customer experience is warranted.

In a *report* by **Worldwide Business Research**, research findings point out that CX tools of the trade need to be expanded, mobile can't be ignored and social media could either be a threat or an opportunity depending on how you look at it. The report summary found:

- **Financial services are integrating customer experience measurements into organizational KPIs**. Customer satisfaction is the #1 KPI for customer experience (CX) professionals within the financial services industry. In 2015, over 70% of those surveyed looked to customer satisfaction to determine the performance of CX initiatives. Also cited as key performance indicators were loyalty and engagement, at 37% and 34% respectively. The least cited KPI was profit at 13%.

- **Mobile has become one of the most important channels to create a leading edge approach to CX**. Mobile is growing in importance for financial services firms as a customer support channel. As a result, 41% of CX professionals now have an active mobile support channel, with 33% planning to develop a mobile support channel for customers.

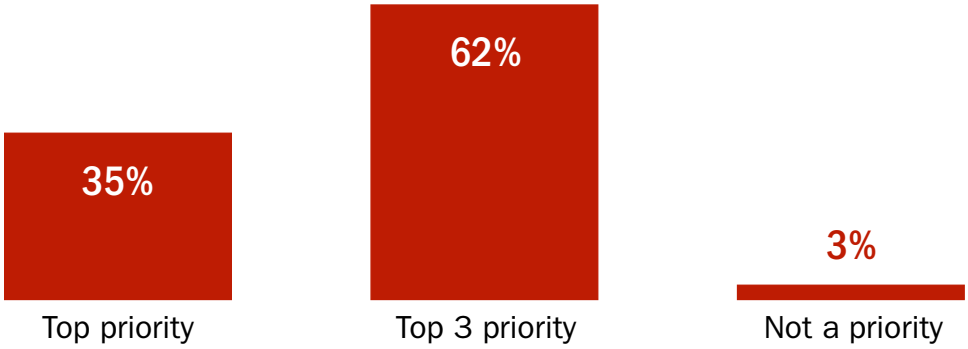
- **Financial services firms require a proactive approach to developing social media as a customer support channel**. Currently, 84% of CX professionals in financial services agreed with the statement that social media had become a greater priority in the last year, highlighting a consensus opinion in the industry that a social strategy needs to be developed.

In our research, we found that there was an overwhelming concern around the concept of 'customer experience'. This is not at all surprising, given that it was ranked as both the number one trend and prediction for 2017 as well as the number one strategic priority as highlighted by the *2017 Retail Banking Trends and Predictions Digital Banking Report.*

The question becomes, will the concern and realization around providing a positive customer experience translate into a stronger positioning within the organization? This includes a change in overall culture, an increased investment in initiatives that will most impact the customer experience and an ongoing measurement of results to determine if efforts are fruitful. Customer experience represents a recognized priority for financial organizations, and the majority of those surveyed for our research indicate that CX is at least a top 3 priority. Only 3% of respondents claim that customer experience is not a focus, while 35% indicate CX is the primary focus.

CHART 9: CUSTOMER EXPERIENCE IS A SIGNIFICANT PRIORITY

Where does improving the customer experience rank in terms of your organization's priorities for the next two years? (n=271)



Source: DBR Research © January 2017 Digital Banking Report

Customer experience represents a recognized priority for financial organizations, and the majority of those surveyed for our research indicate that CX is at least a top 3 priority. Only 3% of respondents claim that customer experience is not a focus, while 35% indicate CX is the primary focus.

When we look at the prioritization by institution size and type, we see that the largest organizations are the ones where the focus is the greatest. This may be why recent customer satisfactions surveys by JD Power rank the largest banks at the top of the industry.

It is interesting that customer experience is ranked lower in prioritization by both community banks and credit unions. The question needs to be asked whether this is because these organizations already believe they have exceptional customer service and experience, or whether there is a lack of realization of the challenges at hand. Especially with community banking organizations, there is a question whether they understand the urgency of focusing on an improved CX, especially on mobile channels.

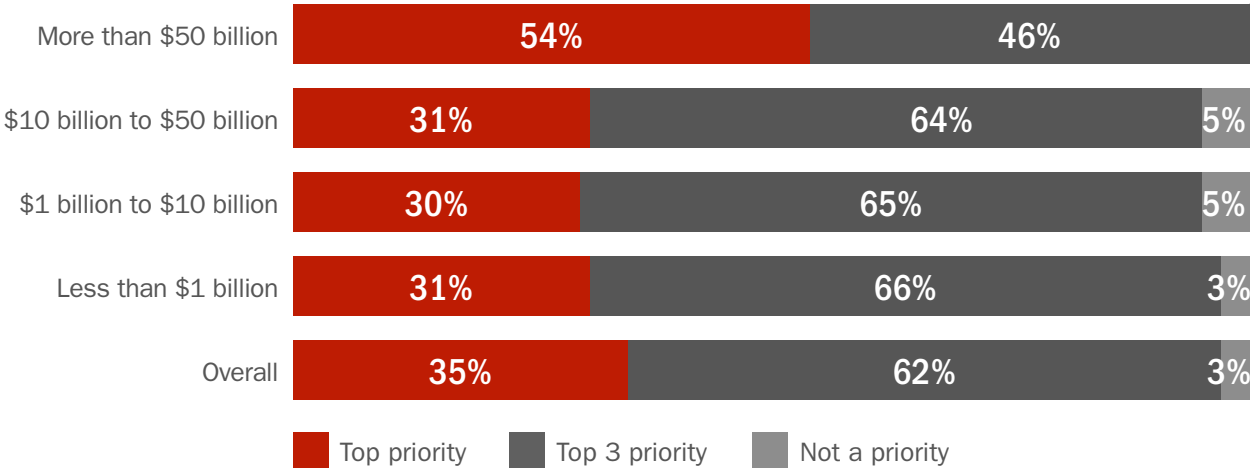
CHART 10: INSTITUTIONS ARE VERY CONCERNED ABOUT CUSTOMER EXPERIENCE

How concerned are you with the customer experience at your financial institution? (n=271)

Source: DBR Research © January 2017 Digital Banking Report

CHART 11: CUSTOMER EXPERIENCE IS A SIGNIFICANT PRIORITY BY ASSET SIZE

Where does improving the customer experience rank in terms of your organization's priorities for the next two years? (n=262)

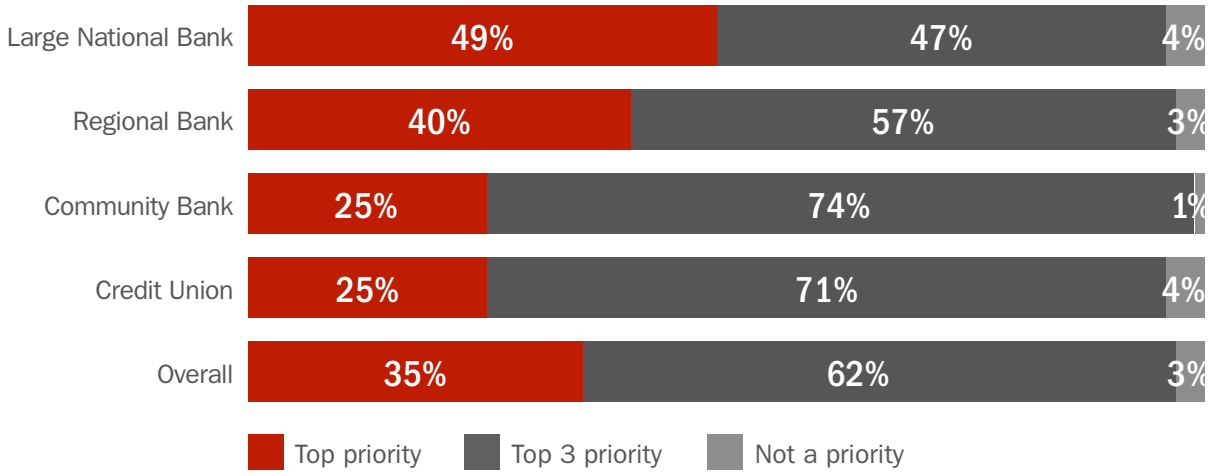


Percentages may not total 100% due to rounding.

Source: DBR Research © January 2017 Digital Banking Report

CHART 12: CUSTOMER EXPERIENCE IS A SIGNIFICANT PRIORITY BY TYPE

Where does improving the customer experience rank in terms of your organization's priorities for the next two years? (n=262)



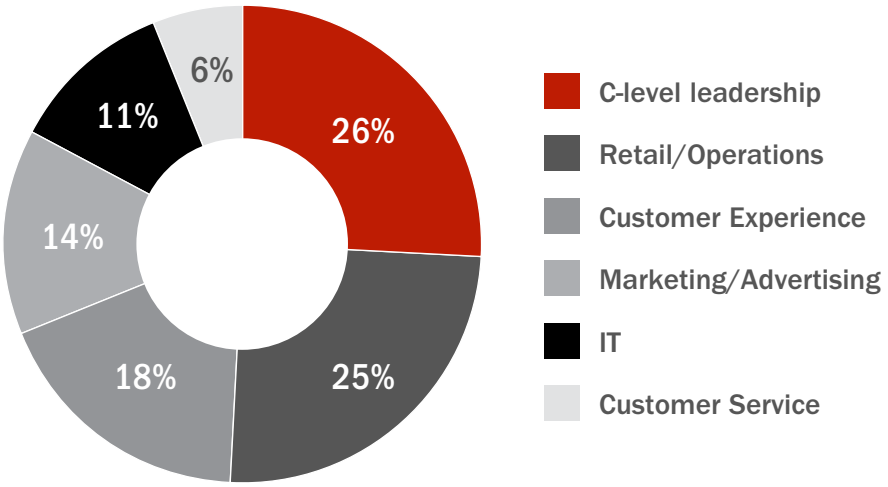
Percentages may not total 100% due to rounding.

Source: DBR Research © January 2017 Digital Banking Report

Despite the apparent focus on an improved customer experience, our research found that most respondents have not yet created a dedicated department with a C-level executive leading the charge. Only 26% indicated C-level leadership, with the retail division having the responsibility of CX at 25% of the organizations. This delineation was apparent across all asset categories, with the credit unions who responded having the greatest percentage of C-level leadership and community banks having the lowest.

CHART 13: CUSTOMER EXPERIENCE IS A TOP LEVEL FOCUS

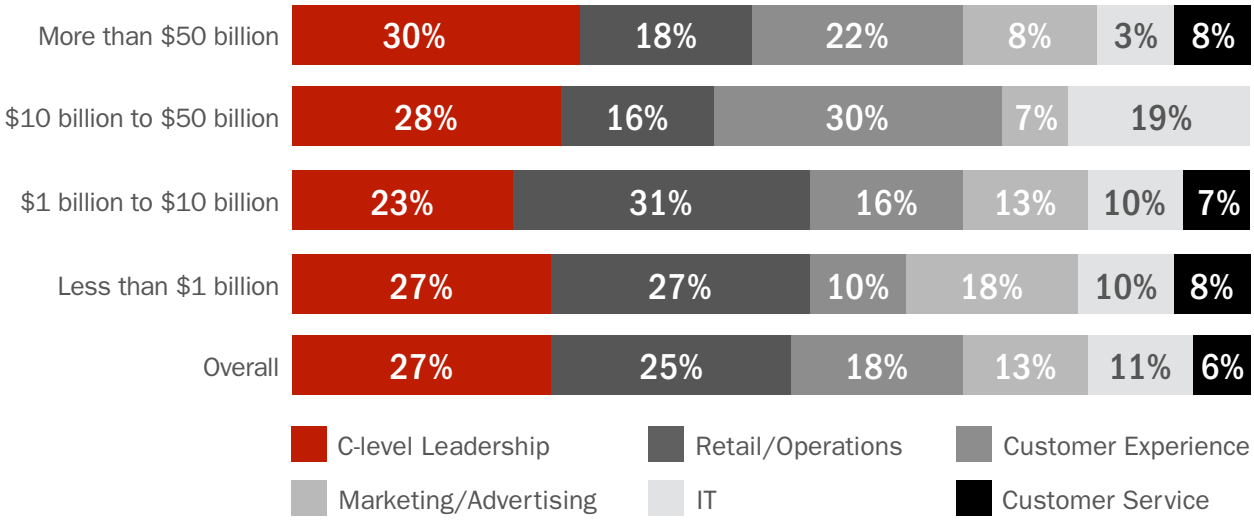
Which department has been the greatest driving force behind transforming your experience? (n=270)



Source: DBR Research © January 2017 Digital Banking Report

CHART 14: CUSTOMER EXPERIENCE IS A TOP LEVEL FOCUS BY SIZE

Which department has been the greatest driving force behind transforming your experience? (n=270)

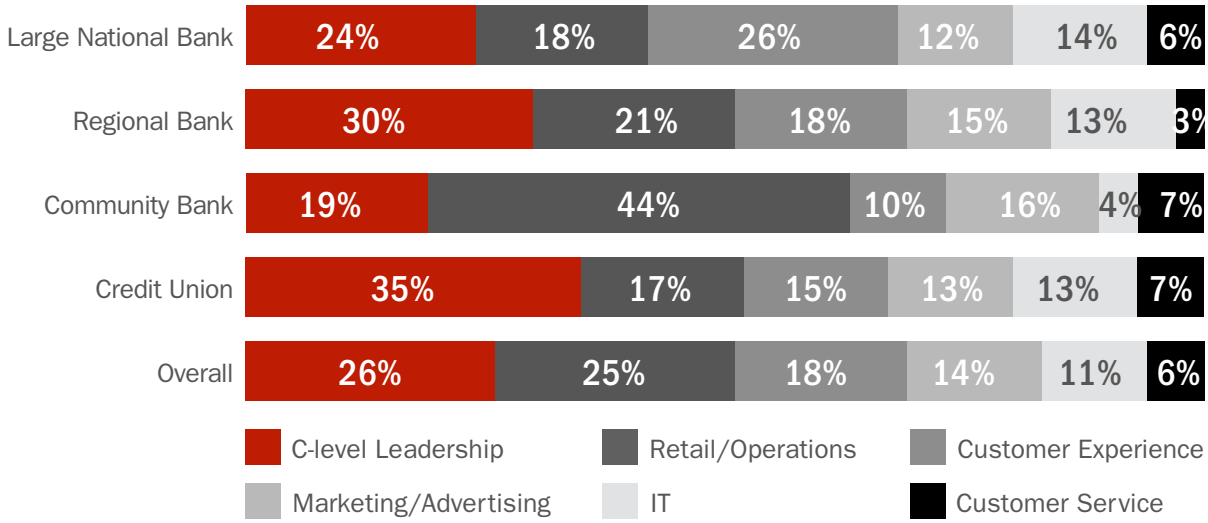


Percentages may not total 100% due to rounding.

Source: DBR Research © January 2017 Digital Banking Report

CHART 15: CUSTOMER EXPERIENCE IS A TOP LEVEL FOCUS BY TYPE

Which department has been the greatest driving force behind transforming your experience? (n=270)



Percentages may not total 100% due to rounding.

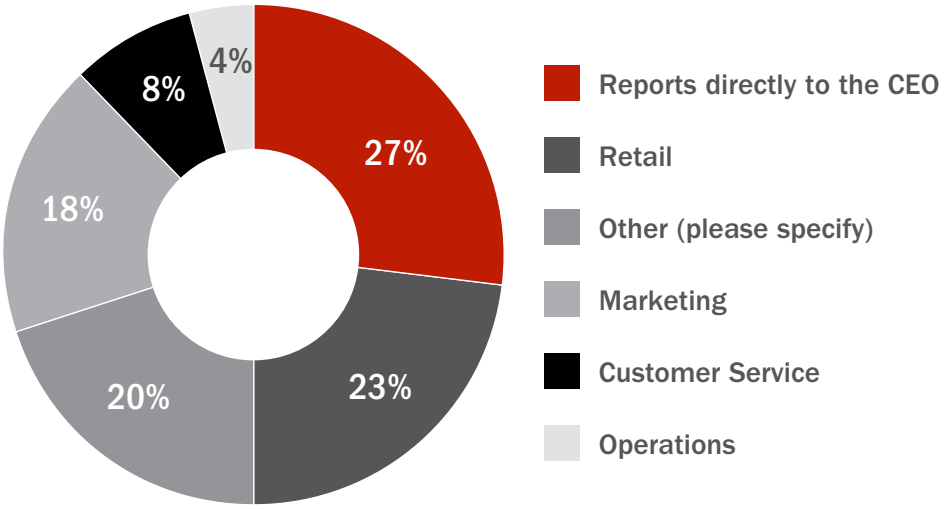
Source: DBR Research © January 2017 Digital Banking Report

When asked about whether there was a separate department assigned to improving the customer experience, only 18% of those surveyed had a separate customer experience department for managing CX. As shown below, only 27% of the customer experience departments reported directly to the CEO.

It is clear from the research that there is no consistent reporting structure for CX efforts, and at many organizations, the level of this reporting is not high enough to indicate a cultural shift. It is also evident that many different departments are held responsible for improving the customer experience.

CHART 16: CUSTOMER EXPERIENCE DEPARTMENTS REPORT HIGH WITHIN AN ORGANIZATION

If you have a Customer Experience Department, where does it report in your organization? (n= 49)



Source: DBR Research © January 2017 Digital Banking Report

Customer Experience Transformation

As the process of improving customer experience becomes a bigger component of banking transformation, organizations will need to develop specific plans and programs to move the needle. Beyond, understanding the importance of CX initiatives, the challenge will be deciding where and how to get started.

The foundation of customer experience transformation requires banks and credit unions to make cultural changes and to rewire themselves operationally and financially. Customer experiences and journeys are cross-functional, cutting across organizational silos, making customer-focused initiatives difficult at best.

Financial institutions need to think about program and process design first and foremost, deciding on a structure, examining the flow of communication and insight, making sure the right people across the organization are engaged to gain commitment and to help change the culture.

Organizations may also want to think about where to get early wins that deliver the best near-term impact. This helps build momentum and achieve organizational buy-in that results in both additional funding commitment of human resources.

According to **McKinsey**, the first step in setting up any customer-experience transformation is establishing the right overall architecture that includes five key elements.

1. Delivering a clear, inspiring CX vision by senior executives that also stresses the importance of delivering on goals.
2. Developing a governance blueprint for making decisions on cross-departmental initiatives and to align initiatives with overall CX objectives.
3. Building a road map that will serve as a portfolio of actions to deliver on the vision.
4. Setting 'hard' (performance) and 'soft' (organizational health) metrics to gauge progress.
5. Establishing principles that define a new way of working, embedding it in the organization, and guiding frontline employees across functions.

CHART 17: ELEMENTS OF A CUSTOMER EXPERIENCE TRANSFORMATION

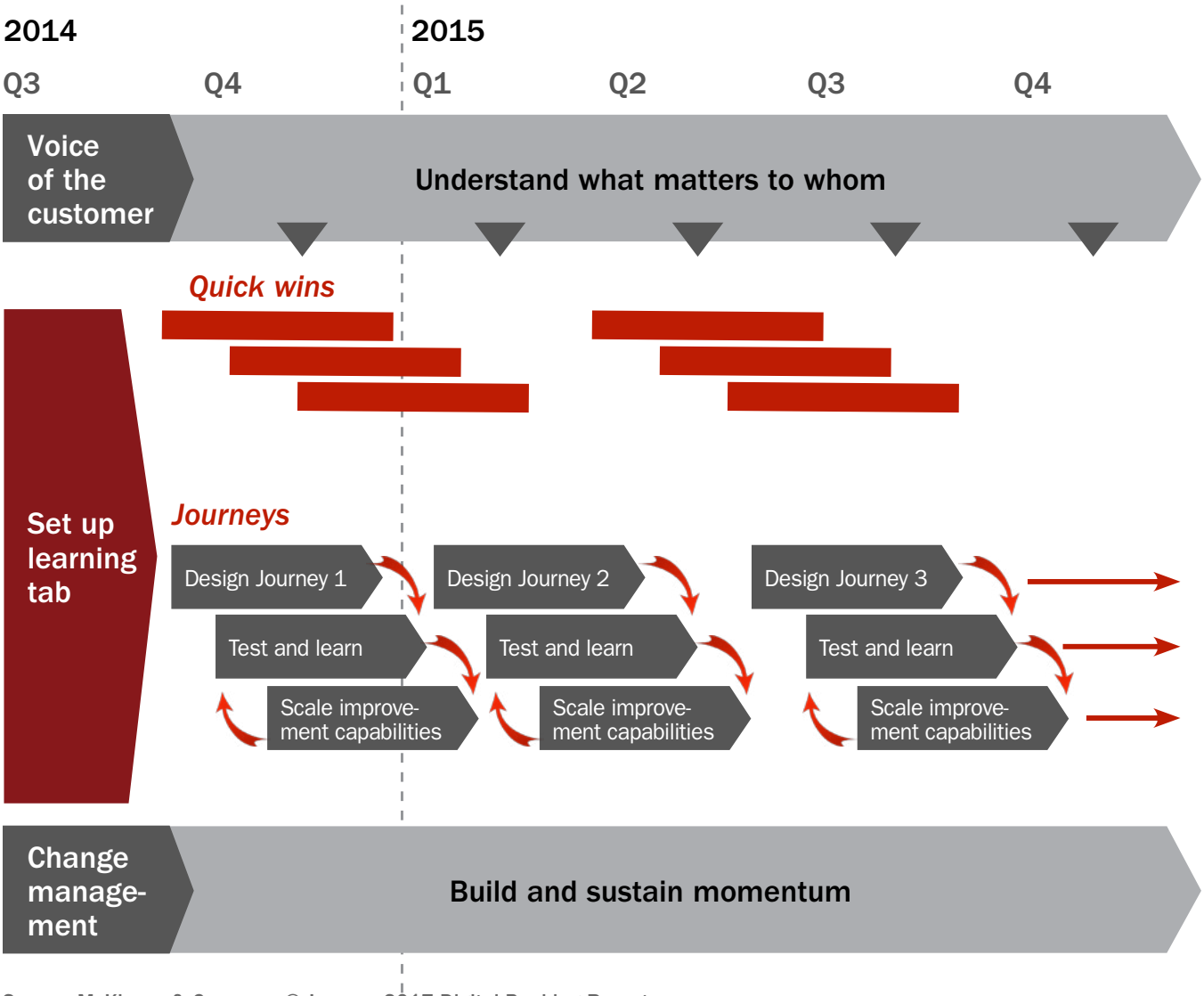
Vision		
	A clear, inspiring vision for the ideal customer experience and the capability for employees to deliver it consistently	**Voice of the customer**: what matters and to whom **Compelling change story** **Brand value proposition**
Governance		
	A decision structure to align on priorities and actions	**Functional alignment** **Cross-functional decision committees and working groups**
Initiative road map		
	A portfolio of initiatives that will deliver on the vision; clear performance accountability	**Journey design** eliminating pain points and injecting wow moments **Process and policy changes** **Rapid test and learn**
Metrics and initiative objectives		
	The ways we know we are making progress	**"Hard" and "soft" measures** to manage performance and health
Change-management principles		
	The ways we will work differently in order to accomplish things that today's ways of working cannot	**Change agents**, including willing leaders as well as skeptics **Frontline empowerment** **Communications**

Source: McKinsey & Company © January 2017 Digital Banking Report

When trying to determine how to proceed with a customer experience plan, proceeding by function or department often is an easy way to get going since that is the way most banking organizations are structured. Using 'voice of the customer' feedback can then help identify opportunities to improve within each part of the organization.

Using the voice of the customer can include any number of different feedback options, including satisfaction scores, call center or branch opinions, social media feedback, etc. Then a central group can be assigned the task of aggregation, analytics, and gathering internal and external insights on what truly matters to your target customer. Over time, the voice of the customer can be used to identify upstream and cross-functional issues and address the root causes of problems, states McKinsey.

CHART 18: CROSS-FUNCTIONAL ROAD MAP CAN GUIDE TRANSFORMATION



Source: McKinsey & Company © January 2017 Digital Banking Report

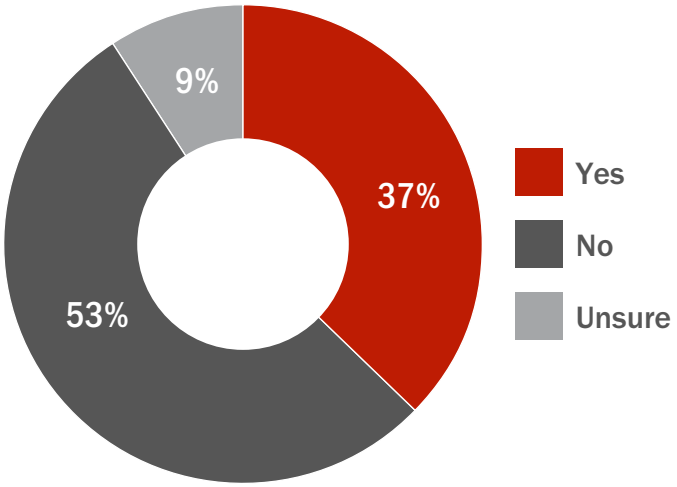
For many organizations, it may be best to start with a single function, process or department first. This method can help build momentum by proving the benefit of the change before it's scaled up for the rest of the organization. "Starting small tends to be more practical for the majority of organizations, which need to identify additional resources and change agents who can push for performance gains that are bigger and faster than the organization is used to," reports McKinsey.

"If you don't have a plan, you will never know if you have achieved your ultimate goal."

Unfortunately, in the research for this report, we found that the majority of organizations do not have a formal customer experience plan. In fact, less than 40% of the organizations surveyed indicated that they had a formal plan in place. This is a problem, given that the vast majority of the organizations surveyed agreed that CX was an important area of concern.

CHART 19: MOST ORGANIZATIONS DO NOT HAVE A FORMAL CUSTOMER EXPERIENCE PROGRAM

Do you have a formalized Customer Experience (CX) program/plan? (n=265)

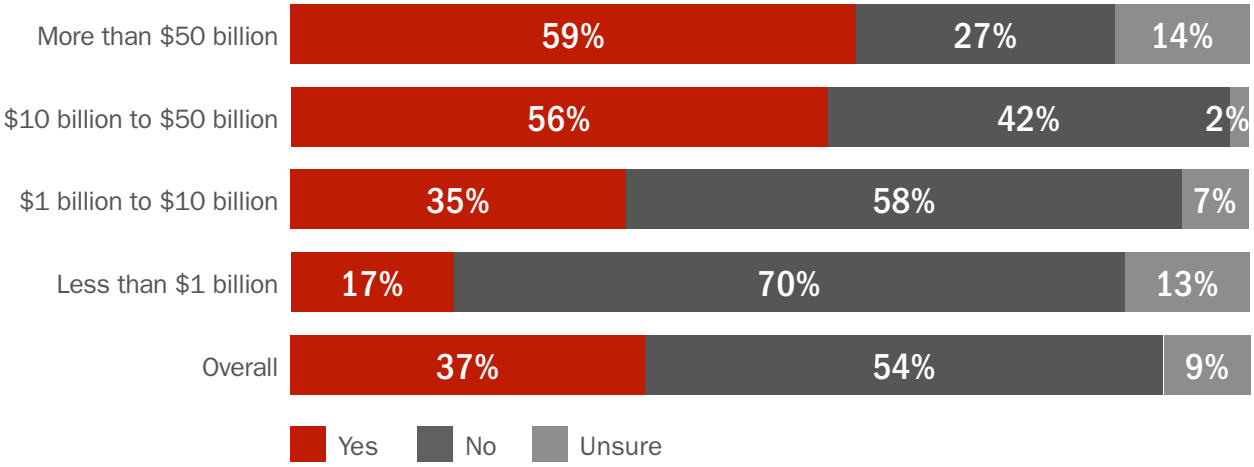


Source: DBR Research © January 2017 Digital Banking Report

Consistent with other findings in our research, the largest organizations were more likely to have a formal plan to address customer experience. Also consistent with other findings, the community bank segment was the least likely to have a formal CX plan in place.

CHART 20:
MOST ORGANIZATIONS DO NOT HAVE A FORMAL CUSTOMER EXPERIENCE PROGRAM BY SIZE

Do you have a formalized Customer Experience (CX) program/plan? (n=265)

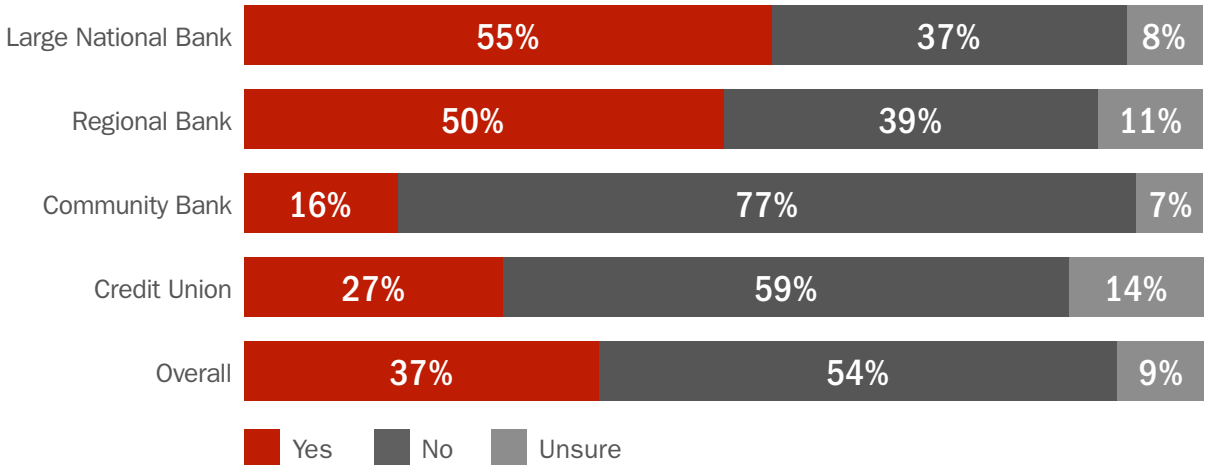


Percentages may not total 100% due to rounding.

Source: DBR Research © January 2017 Digital Banking Report

CHART 21:
MOST ORGANIZATIONS DO NOT HAVE A FORMAL CUSTOMER EXPERIENCE PROGRAM BY TYPE

Do you have a formalized Customer Experience (CX) program/plan? (n=265)



Percentages may not total 100% due to rounding.

Source: DBR Research © January 2017 Digital Banking Report

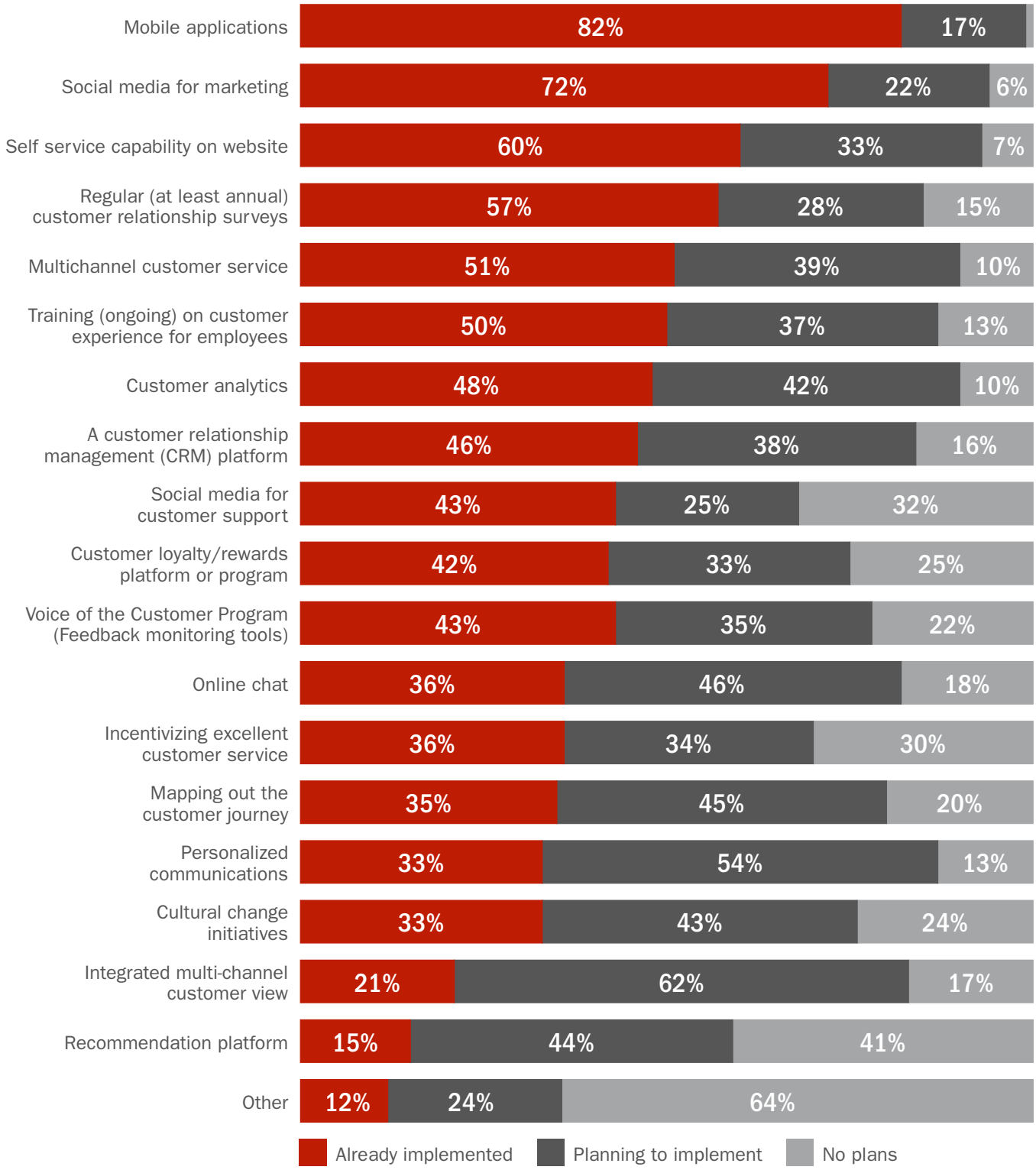
When asked, “Which of the following customer experience initiatives do you have in place or are you planning to put in place in the next three years?”, mobile applications were the most frequently mentioned initiative (82%). This is good, given the potential impact the mobile channel experience has on overall customer satisfaction.

The other initiatives that rounded out the top five included, using social media to improve communication (72%), building better self-service capabilities on the website (60%), conducting regular surveys (57%) and improving multichannel customer service (51%).

While future aspirations are no guarantee of a future implementation, it was interesting to see the emphasis given several key CX initiatives over the next 3 years. A “next three-year focus” was significant for customer analytics (42%), online chat (46%), mapping the customer journey (45%), personalization (54%) and generating an integrated multi-channel view (62%).

CHART 22:
MOBILE AND SOCIAL MEDIA SUPPORT ARE TOP 2 CX INITIATIVES IN PLACE AT FIs TODAY

Which of the following customer experience initiatives do you have in place or are you planing to put in place in the next 3 years? (n=244)



Source: DBR Research © January 2017 Digital Banking Report

Customer Journey Mapping

A customer journey map is a diagram that illustrates the steps your customer(s) go through when engaging with your company, whether it be a product, a digital experience, branch experience, or a service, or any combination. The more touchpoints you have, the more complicated — but necessary — such a map becomes. Sometimes customer journey maps are "cradle to grave," looking at the entire arc of engagement including the purchase process and even the process of re-engagement.

A timeline is just the starting point, with the important components being what occurs at each stage of the journey.

- **Actions:** What is the customer doing at each stage?
- **Motivations:** Why is the customer motivated to keep going to the next stage?
- **Questions:** What are the challenges preventing the customer from moving to the next stage?
- **Barriers:** What structural, process, cost, implementation, or other barriers stand in the way of moving on to the next stage?

As you can imagine, all negative or positive elements during the customer journey impact the overall customer experience accordingly. In addition, the journey is often non-linear. Someone may jump straight from awareness to purchase if they don't want to do research and have a strong recommendation from a friend, for example.

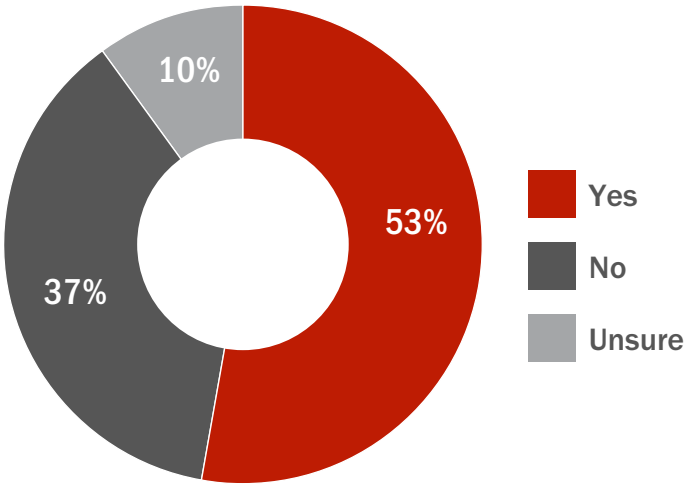
The customer also may need to retrace steps if the bank or credit union wants the customer to start in one channel (mobile), without the ability to finish on that channel. In many cases, the customer is asked to restart their journey.

There is no single right way to create a customer journey, and each organization will need to find what works best for the particular situation. But the framework provides a good head-start at better understanding the journey that your customers travel through as they engage with your company, brand, products, partners, and people, as well as a better way to assess the overall customer experience.

The good news is that over 50% of organizations have taken the time and effort to map their customer journeys. Even on a fundamental basis, this illustrates a desire to view the experience provided from the customer's perspective.

CHART 23:
CUSTOMER JOURNEY MAPPING IS DONE BY THE MAJORITY OF FINANCIAL INSTITUTIONS

Have you taken the time to map out your customer journey? (n=256)



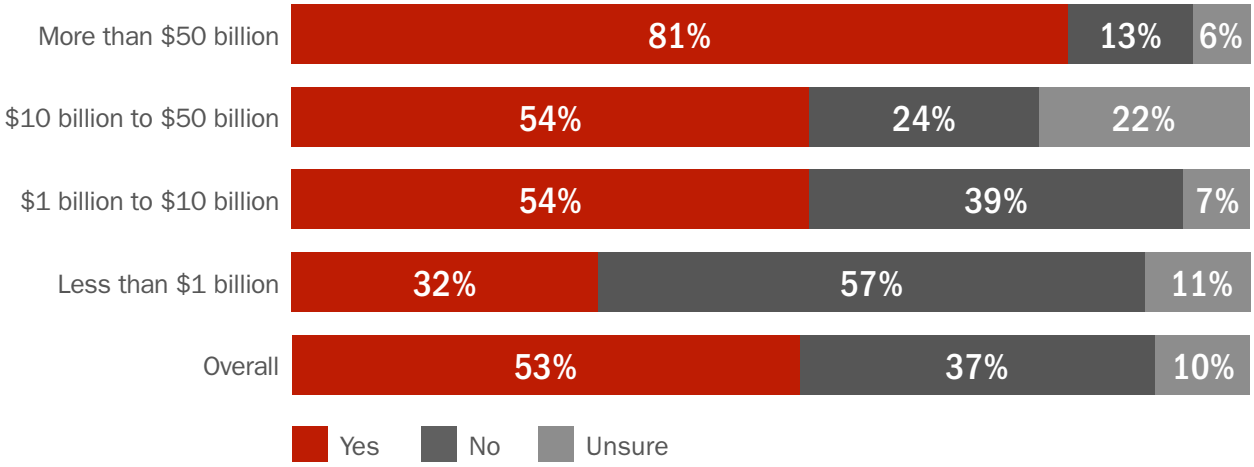
Source: DBR Research © January 2017 Digital Banking Report

As seen in many of the survey questions, there appears to be a greater 'CX maturity' at the larger financial services organizations than at smaller organizations. In fact, the largest organizations (over $50B US) were 50% more likely than the next two categories of organizations to map their customer journeys and more than 150% more likely than the smallest organizations.

Similarly, large national banking organizations and regional banks were significantly more likely to map the customer journey than community banks and credit unions. The variance is a bit surprising since mapping the customer journey provides so much insight and does not need to be an expensive process.

CHART 24:
CUSTOMER JOURNEY MAPPING IS DONE BY THE MAJORITY OF FINANCIAL INSTITUTIONS BY SIZE

Have you taken the time to map out your customer journey? (n=256)

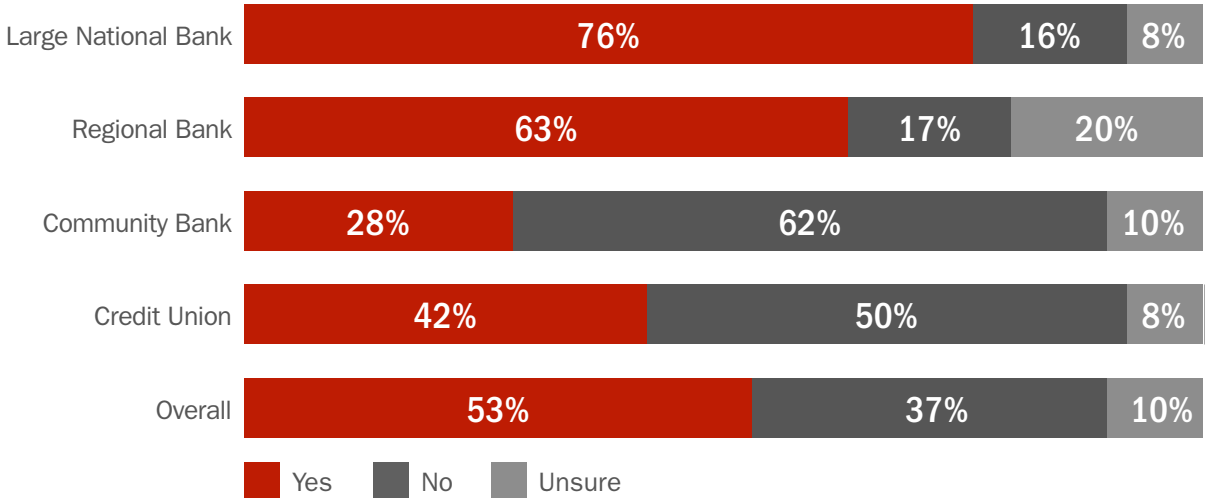


Percentages may not total 100% due to rounding.

Source: DBR Research © January 2017 Digital Banking Report

CHART 25:
CUSTOMER JOURNEY MAPPING IS DONE BY THE MAJORITY OF FINANCIAL INSTITUTIONS BY TYPE

Have you taken the time to map out your customer journey? (n=256)



Percentages may not total 100% due to rounding.

Source: DBR Research © January 2017 Digital Banking Report

Building a Better Experience in Banking

(Article by Brian Solis, *Principal Analyst at Altimeter)*

Brian Solis

Analysts at leading firms agree that customer experience is the new battleground to differentiate and compete. After all, a "delightful" and frictionless customer experience yields increased customer satisfaction, loyalty, advocacy and customer lifetime value. One of the biggest CX trends in financial organizations around the world is digital transformation, which represents the investment in upgraded technologies, processes and infrastructure to compete for a new generation of connected customers.

This sets the stage for a more agile organization, one that is more capable of introducing and supporting new services in retail and online. But agility and technology is just the beginning. In my research over the years, I find that while companies are ready to take on the challenge of digital transformation and customer experience, it is done so through a lens of legacy rather than with an updated vision of what's possible.

Before banks, credit unions or any financial organization can compete through customer experience, executives and technologists should take some steps back and start at the beginning. Two questions every decision-maker must answer are, "what is customer experience?" and "how are customer expectations and values evolving?" Even though these questions seem commonsensical, I can assure you they are exactly the right place to start.

So, what is the customer experience?

It is one of those things that seem to carry as many different answers as there are people you ask. But, its role in the future of banking lies in the simplicity of a definition that in of itself is customer-centered. The core of customer experience is the sum of all engagements a customer has with your company in each touch point, in every key moment of the customer journey, throughout the customer lifecycle.

It's not just about how well you do in one moment, it's every moment that counts. If you have fantastic retail services, but an outdated website, complex app, or aging call center engagement, your customer experience is the average of those things and everything else.

Customer experience, or better said, the experience customers actually experience, is shaped through totality and thus requires thoughtful design in whole and in each part.

Meet Your New Customer Segment – Generation C (Connected)

Even though you think you're already customer-centric, you may not be. I believe you believe you are. But customer-centricty is measured in action and inaction. Many companies I've learned are customer-centric in principle but not in practice. Truth is, that most of the time, decisions are made in favor of shareholder or stakeholder value over what's in the best interest of customers.

Several years ago, I published a series of reports and books introducing what I called the "Dynamic Customer Journey," and it was meant to outline in detail how connected customers traveled through the customer journey. It redrew the traditional funnel and highlighted the emergence of new touch points ranging from social, to mobile, to video, to peer-to-peer reviews.

More so, it introduced "Generation-C," a growing influential customer segment that shared similar behaviors, interests and aspirations unlike previously documented demographics. The "C" represents connectedness and everything about how they make decisions, where and why is highly evolved and evolving. This is a critical distinction in consumerism

in that those who live active digital lifestyles shared similarities in customer journeys across all age groups. Rather than just looking at Millennials versus Boomers or Gen X vs. Centennials, Generation-C is inclusive of multiple demographics and warrants a digital (and mobile) first approach to CX and the design of products, services and all experiences.

By studying traditional customers and Generation-C, banks, credit unions and financial companies can uncover new insights and inspiration to build relevance and market share in this and the next economy.

Shifting Perspective to Rethink Product and Service Design

Customer experience takes an outside-in perspective. While it sounds commonsensical, it is rare in practice. Financial companies (and a majority of veteran businesses for that matter) are not representatives or champions of evolving customer segments. They operate through a complex organizational culture that makes it impossible to see people clearly. Yet, executives often think they are their customer. There's a litmus test for it though, albeit one that is hardly scientific. It's meant to evoke a smile but also to get you thinking.

In the picture below, what do you see?

While you may see a crowd of people enjoying a captivating moment, you also see the very thing that prevents companies from designing products, services and experiences that matter to connected customers. Executives see and relate to the lovely woman in the front. She's not unlike a common customer persona most businesses cater to. But, for the moment, take her age, gender, education, or any demographic for that matter, out of the equation. Let's just think about it as "the customers we've known for a long time." Any time you design new things or consider new technologies, this group is at the center of your strategy. They represent our center of reference and as such, we look at everything else as fringe behavior, hot trends, or something that will pass. This leads to a few different types of experience design approaches, some of which…

1. Iterate on existing services to deliver the same old thing but maybe better.

2. Capitalize on a tech trend to try to "be hip" and emphasize tech over value or usability.

3. Repackage existing products and incentivize them with new gimmicks.

Either way, we may miss what's really going on in the picture. Some of us see the people on their phones prioritizing tech over

the moment. Others see that they are not only in the moment, but they're able to straddle digital and physical worlds to share the moment with others in real-time thus making the moment bigger than just to those present.

Everyone in this picture is in the moment. The question is, can you design experiences that cater to traditional customers and the evolving expectations of your connected customers? Hint: you can and you can't. But understanding what you know and don't know is exactly how you win.

Innovation Takes Design for Connected Generations

It is how customers, for all their differences and similarities, feel about your bank and its ethos as tied to their objectives, values and how they correlate to other great/negative experiences they have in other facets of their life. That means in addition to building an agile infrastructure, banks must also consider the relationship customers have with technology and how that changes their standards for service, engagement and experience. More so, executives and technologists must also understand people, what they value, expect, what makes them happy, and why.

Otherwise, new technology is at best, novelty and at worst, an inconvenience. The same plays out with products and services and also every touch point from online to in store.

Let's start with a simple question, "What is a bank today vs. what a bank should look like if invented today?"

What a bank means to you and me is very different than those who live digital lifestyles. They use mobile devices as their first or only "PC" and live on services such as Uber, Lyft, Postmates, Airbnb, TaskRabbit, FIlld, et al. Their standards for engagement, utility and value are different.

The standard for traditional customers might mean personal service, representative engagement to navigate complex products and processes such as loans, wealth building or retirement programs, having a retail location to conduct manual transactions, etc. On the other side of the equation, Generation-C might manage money with different intents and goals. How they engage with information or transactions emulates the user interfaces and experiences of their favorite networking and messaging apps such as Tinder, Instagram, Kik, Snapchat and the like.

tunities that further shift customer standards and expectations. The point is, these apps become your competitors and also sources of inspiration to innovate.

Experience is a Gift Worth Giving…and Getting

In October 2014, Capital One acquired Adaptive Path, a highly regarded UX consultancy based in San Francisco. At the time, the UX and financial industries were perplexed as to the rationale for the acquisition. But now it's clear, Capital One had the foresight to integrate tech and design thinking into its products and services. All banks must prioritize UX, design thinking and experience architecture to compete for the future right now. This is a trend that's only going to advance.

> *"All banks must prioritize UX, design thinking and experience architecture to compete for the future right now. This is a trend that's only going to advance. "*

I know, you're thinking "what do those services have to do with my financial institution?" At a cursory level, the answer is "not much." But when it comes to user experience, the answer shifts to "everything."

The design cues inherent in each of these apps caters to a connected mindset, making interaction frictionless if not invisible and hyper-transactional. And, these apps seamlessly bridge offline and online interaction.

Then there's the emerging trend of "no UI is the next UI," setting the state for voice commands, AI and a new foray of engagement oppor-

For example, last year, the "hottest app in Canada" in mid-2016 was an app from a traditional bank, TD Canada Trust. The app, MySpend, cracked the App Store's top 10 charts, by blending utility and everyday necessity.

Furthermore, the app was designed specifically for mobile devices and behavior, taking an outside-in approach rather than simply attempting to mobilize desktop or retail-based products and services. What's also unique here is that TD Canada Trust emphasized a similar approach to Capital One, seeking the development expertise from the startup

community rather than from within. While the app is popular, one MySpend user quipped, "Great app, lousy bank" followed by a frustrated emoticon.

Design and tech can only go so far as the products, services, processes, systems, operations, et al. are designed to support. This is why customer experience, design, innovation and leadership must work in lock-step to fuse the connection between usefulness, user experience, value and enchantment.

Customer-centricity or obsession or whatever you want to call it, is just one step. Change gains momentum with a new mindset that sees customers, markets and opportunities through a lens of possibility and invention not legacy perspectives. As a regulated risk-averse industry, financial institutions can find every reason to make safe bets. But at best, that leads to what I refer to as iteration, doing the same things better. That might work for your traditional customers, but Generation-C demands innovation, products and services that unlock new value. Disruption either happens to you or because of you, and that's measured by how many innovative and iterative experiences make the old ones obsolete.

CX: #DESIGNORDIE

Brian Solis
Principal Analyst, Altimeter a Profit company

Brian Solis is Principal Analyst at **Altimeter***, a* **Prophet** *company. Solis studies the effects of disruptive technology on business and society. More so, he humanizes these impacts to help people see people differently and understand what to do about it. He is an award-winning author and avid keynote speaker who is globally recognized as one of the most prominent thought leaders in digital transformation and innovation. Brian has authored several best-selling books with his latest, "X," exploring the intersection of where business meets design to create engaging and meaningful experiences. You can also follow Brian Solis on his website, Twitter and Facebook.*

Customer Experience Objectives

For any strategic initiative as important as transforming the customer experience, it's important to set goals for the entire organization. You can then adjust these goals for different groups, depending on the geography, department, challenge, etc. A central CX team can help steer improvement and provide individual areas (challenges) with resources.

In setting the customer experience expectations, financial services organizations should engage leaders and employees so they own goals and results. To do this successfully, there should be an overarching rationale presented to validate this change and a vision to aspire to. Input should be gathered from across the organizations, providing key employees a personal in the organization's aspirations.

As transformation progresses, it is important to make sure everyone understands how individual contributions fit into the big picture. Build ongoing ownership through formal accountability and informal marketing.

According to McKinsey, "The most important criteria for getting a transformation effort off to a fast start is to find the parts of the organization where the leader and at least some employees want to change. These prospective change agents can be high performers who want to get better or laggards who need to improve quickly. Either way, picking those who are most willing can ensure you get off the blocks quickly."

Setting Effective Customer Service Goals

Setting goals for an improved customer experience is not much different than any other goal within the organization. The major difference (and source of difficulty) is that CX goals need to be cross-functional and overarching, while still being achievable on the departmental and personal level. Here are several things that need to be kept in mind when setting goals and objectives for your customer experience mission:

1. **Be Specific:** Goals set should be specific and defined so that success can be easily determined (measured).
2. **Be Challenging:** For your customer experience impact to be felt by the customer, they must be significant. Small, incremental changes will not suffice. Modest goals will not keep pace with the expectations of today's consumer.
3. **Be Realistic:** Goals should be challenging but they shouldn't be impossible. Start with impactful but achievable goals that can result in early wins. As objectives are achieved, the goals can then be revised and raised to a higher level.
4. **Be Relationship-Based:** Many efforts within banking to date that have been presented as CX initiatives have been more cost reduction-based. There is banking industry research that shows the correlations between customer satisfaction and profit margin increases. The opposite of this is, unfortunately, true as well.
5. **Be Measurable:** Goals should be specific and should be measurable. If objectives aren't measurable in some way, then it's difficult to define the success of your CX initiatives.
6. **Be Empowering:** Every customer-facing representative and employees responsible for an improved customer experience should feel supported in reaching the goals established. It is imperative to provide employees the expectations, tools, resources and the authority to fulfill customer experience expectations.

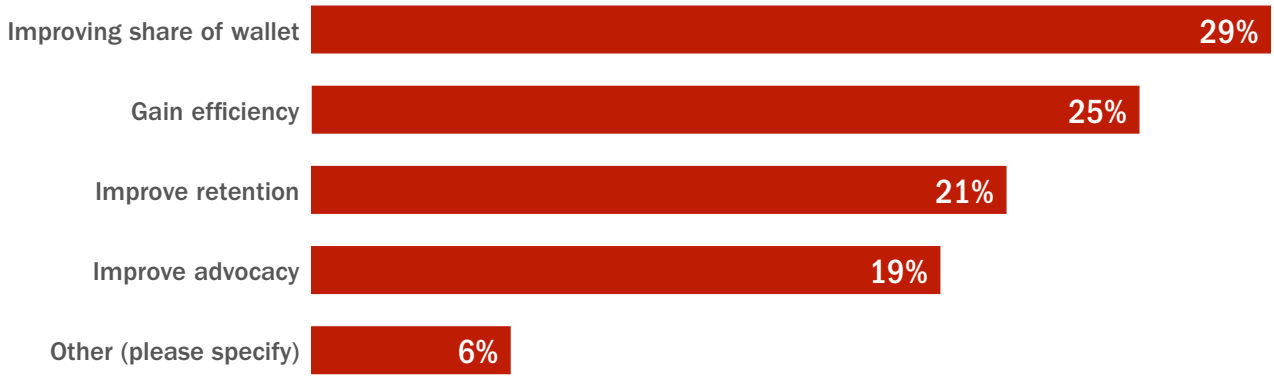
Customer Experience Objectives

We asked financial organizations globally about their customer experience objectives. As expected, many of the goals that have been set revolved around how the bank or credit union could benefit as opposed to how the customer or member could benefit.

When asked, "What is your biggest objective for improving your customer experience?", the top two answers provided were to improve the share of wallet (29%) and to gain efficiency (25%). We wonder whether customers believe that their experience is improved when their financial institutions 'gain efficiency'?

CHART 26: CUSTOMER EXPERIENCE HAS A SALES AND COST DRIVEN FOCUS

What is your biggest objective for improving your customer experience? (n=266)

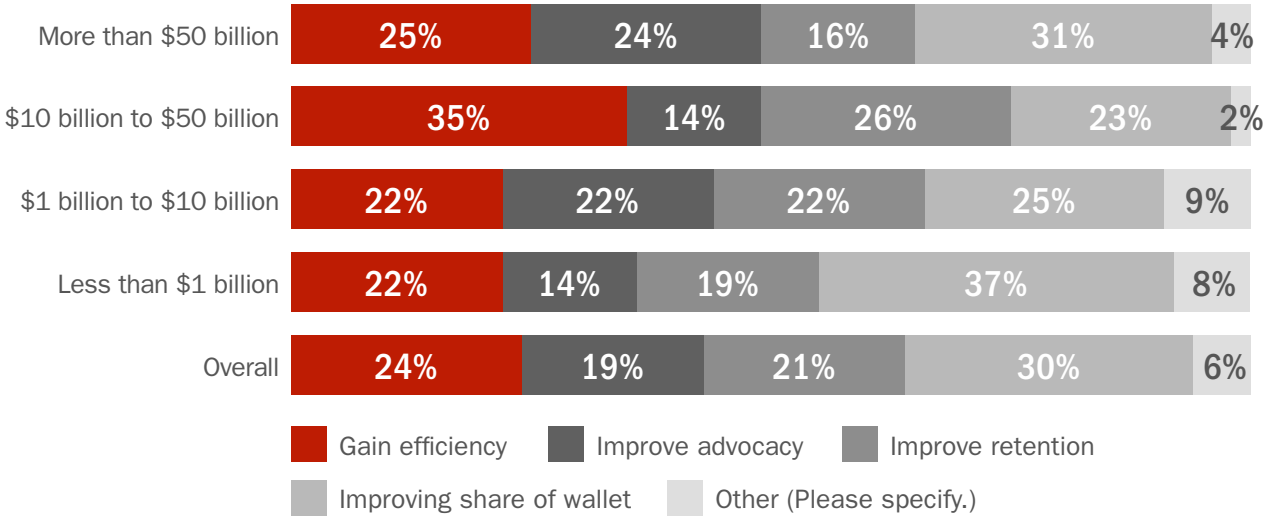


Source: DBR Research © January 2017 Digital Banking Report

The most interesting takeaways when we looked at the responses regarding objectives were that the smallest firms (including community banks and credit unions) had an above average response to improving the share of wallet with their customer experience efforts.

CHART 27: CUSTOMER EXPERIENCE HAS A SALES AND COST DRIVEN FOCUS BY SIZE

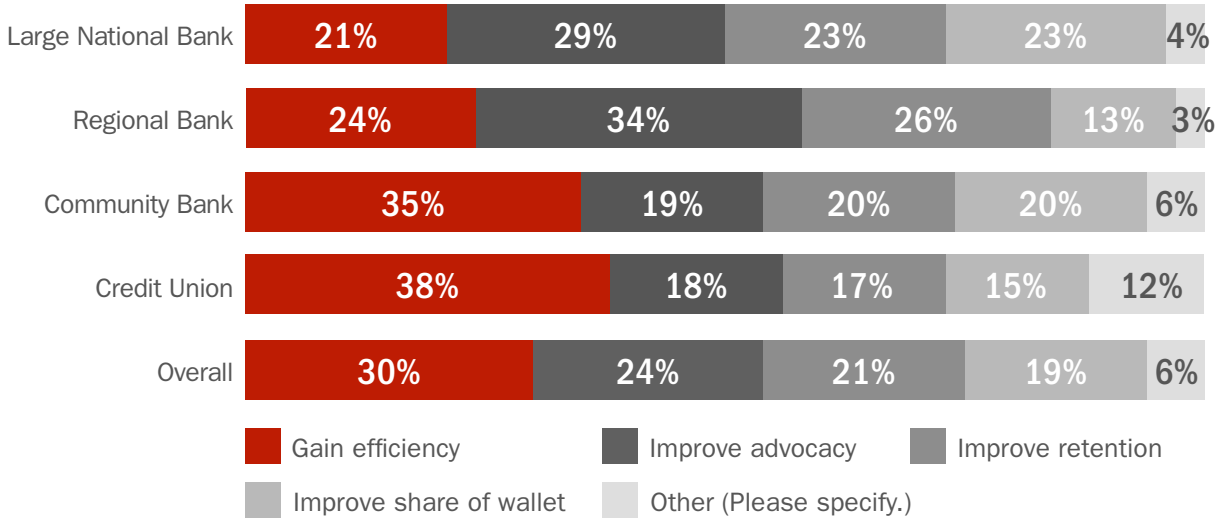
What is your biggest objective for improving your customer experience? (n=266)



Source: DBR Research © January 2017 Digital Banking Report

CHART 28: CUSTOMER EXPERIENCE HAS A SALES AND COST DRIVEN FOCUS BY TYPE

What is your biggest objective for improving your customer experience? (n=266)



Percentages may not total 100% due to rounding.

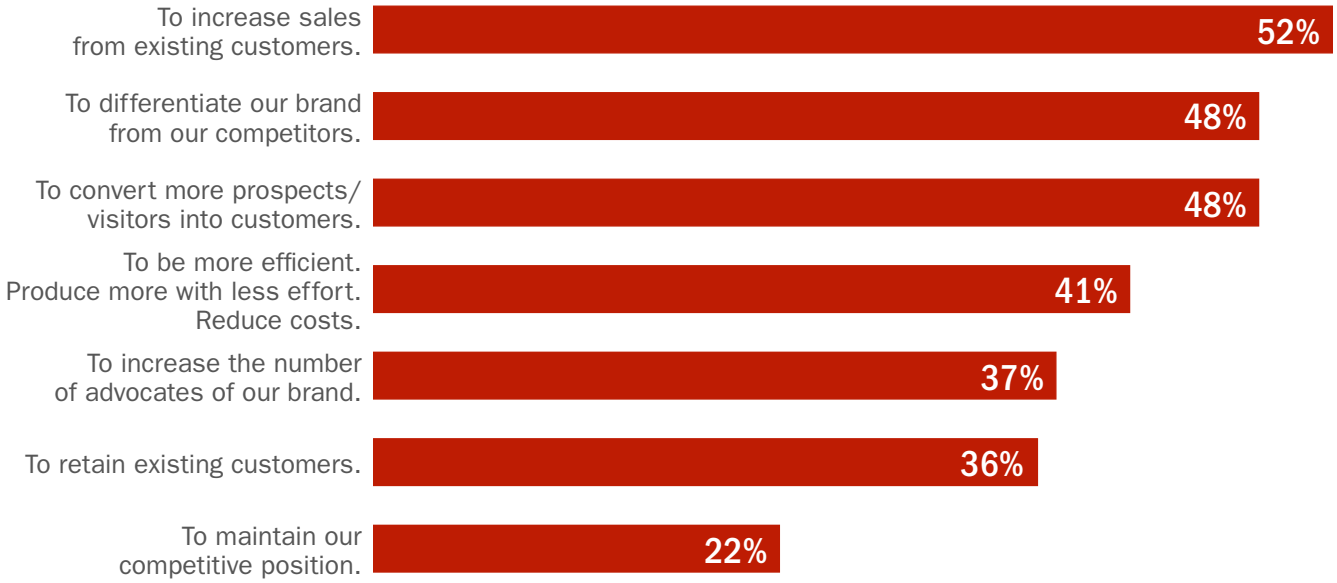
Source: DBR Research © January 2017 Digital Banking Report

To dig deeper, we asked the question regarding objectives in a slightly different manner, with the ability to provide up to three different CX objectives. While the ability to improve sales related results again topped the list (52%), differentiation (48%) and the ability to more easily acquire new customers (48%) also were mentioned.

As in the previous questions around goals, organizations still ranked cost savings as a key objective (41%), begging the question as to whether an organization can rally behind a vision where customer experience becomes a shield behind a broader objective of improving the bottom line.

CHART 29: CROSS-SALES, DIFFERENTIATION AND ACQUISITION ARE TOP 3 CX OBJECTIVES

What are the top business objectives behind your company's desire to improve the customer experience? (Please choose up to 3 answers.) (n=246)



Source: DBR Research © January 2017 Digital Banking Report

Satisfaction Means Simplifying the Digital Experience

At a time when mobile channels are increasing in importance, the ability to simplify basic transactions has the biggest impact on consumer satisfaction and loyalty.

With competition increasing from both traditional and non-traditional financial organizations, the importance of an improved consumer experience and resultant satisfaction and loyalty has never been greater. Not only does an improved experience impact growth of a relationship and retention metrics, it can improve referrals and even the economics of serving customers and members.

The challenge, at a time when tactical and strategic priorities are multiplying, is determining where to focus efforts to get the greatest impact. Should websites and digital banking apps be upgraded? Should branches be redesigned and reconfigured? Should back office systems be upgraded and front-line staffs retrained for a more digital banking existence? What individual and/or combination of initiatives should be pursued in the quest of 'delighting the consumer?

When **Bain & Company** asked consumers the question, "What is the primary reason [this interaction] increased your likelihood to recommend your bank?," the overwhelming verbatim response was that the interaction was 'easy'.

Source: Bain Retail Banking NPS and Interaction NPS Survey (2015), US (n=4,641)

Simplifying Routine Transactions

Bain & Company surveyed 14,812 retail banking customers in Australia, Canada, the UK and the US, asking the participants to assign a Net Promoter Score (NPS) to their recent experiences with a dozen common banking interactions, from everyday transactions to more complex sales and service experiences. As could be expected, those who were delighted with their recent experiences gave their financial institution a higher score. Interestingly, while improving any single interaction improved the overall NPS at a given organization, some interactions had a bigger impact on overall consumer satisfaction than others. According to Bain, on average, routine interactions contribute more to the score than do sales and service interactions (even though sales and service interactions have a greater individual influence).

For example, a significant percentage of consumers who have a good experience opening a credit card, applying for a mortgage loan or opening a new checking account would likely recommend their bank or credit union. The likelihood of a consumer recommending their financial institution based on a positive everyday transaction would be 20-30% lower. This makes sense since consumers put a higher value on the more complex interactions.

The difference is frequency. With frequency factored in, routine interactions have a greater cumulative effect. According to Bain, these interactions contribute three to four times *more than* sales or service to the lift in a bank's loyalty score since they occur so much more frequently.

So how can financial institutions improve routine transactions? One way would be to eliminate steps in the most frequently performed tasks (such as checking balances or making payments). Allowing customers to check account balances without needing to log in, or use a phone's contact list to enable direct P2P payments are two examples of simplifying everyday transactions.

Beyond the lower cost of digital transactions, digital (especially mobile) interactions consistently create more 'customer delight' for routine transactions than do traditional channels. This of course assumes that the mobile app is well-designed, reliable and easy to use.

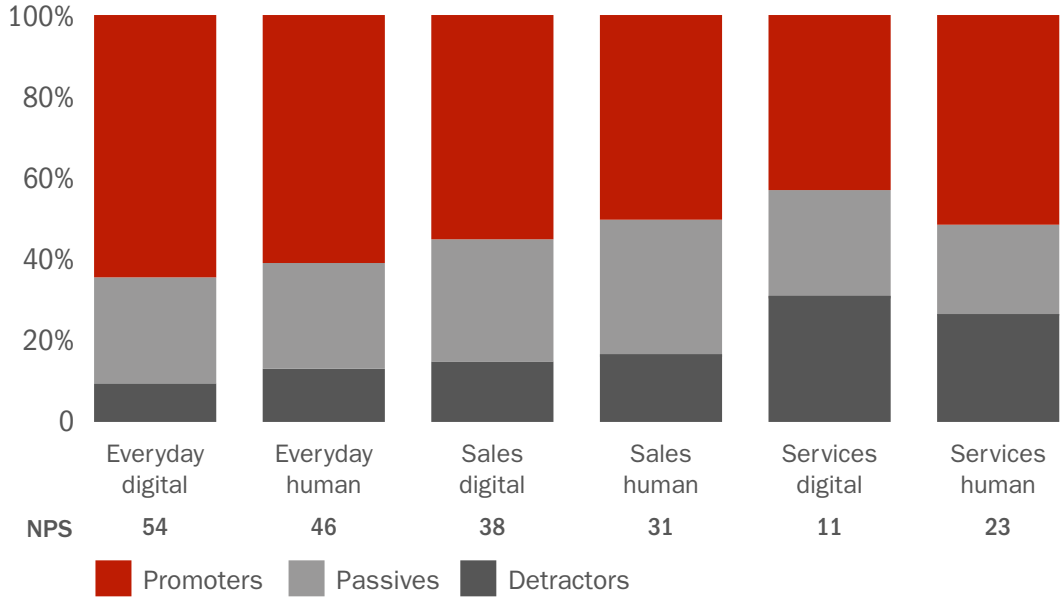
Simplifying Sales and Service

Despite the lower frequency, simplifying sales and service transactions will still impact overall customer satisfaction and the NPS score and therefore can't be ignored. Because of the bar set by non-financial firms like Amazon and the experiences created by new fintech start-ups and large technology companies, a seamless digital sales and service experience is expected. The impact of simplifying digital experiences is amplified since almost one-third of sales or service interactions in the past quarter occurred via mobile, Bain's global consumer survey found.

While the branch is still used by many consumers for complex sales, service and advice, an increasing number of these interactions are supplemented and/or complemented by digital technology such as mobile chat or video. Digital technology is also used to reduce paperwork and simplify back-office supported branch functions.

CHART 30:
DIGITAL CHANNELS EVOKE MORE DELIGHT THAN HUMAN CHANNELS FOR MOST INTERACTIONS

Average interaction NPS® (percentage of respondents)



Source: Bain © January 2017 Digital Banking Report

Focusing on the Overall Experience

Consumer satisfaction and loyalty is built over time, through a series of daily interactions combined with sales and service experiences. As a result, financial institutions need to simplify the digital and physical processes from the beginning to the end of the customer journey.

This requires the collaboration across departments that are used to working in silos. The priority of investment in improving the customer experience should be based on where an organization falls short and where the greatest impact can be realized. For most organizations, the investment should begin with simplifying the routine and improving the episodic sales and service interactions over time.

'Simplification' Means 'Removing Steps'

Legacy bankers are used to adding components to the customer journey to 'improve' customer satisfaction. 'More is better' used to be the mantra banking and other industries lived by. In a digital world, the opposite is true. Consumers are looking for clean design, simplified processes and the minimal number of taps to get the job done.

In many instances, the goal should be to remove steps, touches and entries required to perform a transaction or complete a sales or service process. Some ways this has been done include:

- Pre-login balance availability
- More customizable alerts and notifications
- Leveraging the tools of the modern digital device (biometric login, address book access, camera use for deposits and account opening)
- One touch access to customer support
- Digital account opening
- Streamlined websites with reduced pages
- Comparison tools and modular financial management calculators
- Visual representation for money management

Organizations should have a goal of simplifying processes as an ongoing mission. Use firms like Moven, Simple and other mobile-first organizations as examples. Set an objective of removing steps from customer-facing interactions regularly.

Consumers are evaluating all of their digital partners regularly to determine how they can make their daily life easier. Those financial and non-financial firms that can simplify the design and engagement of mobile applications will be the winners in the long run.

The Banking Industry/Customer Satisfaction Mismatch

Given that consumers consistently say that items like safety, security, transparency, trust, etc. are 'table stakes', and that the impact of daily digital transactions can have the most immediate impact on improving the customer experience, how do financial institutions believe customers are satisfied?

Unfortunately, when asked to select three drivers of customer satisfaction, 'technology' ranked 5th (21%), and 'channels' ranked 9th (15%). At the top of the list were 'customer support and resolution' (55%) and 'great products' (43%). After the table stakes element of 'trust' (3rd place with 31%), financial institutions placed 'branch personnel' in the 4th position.

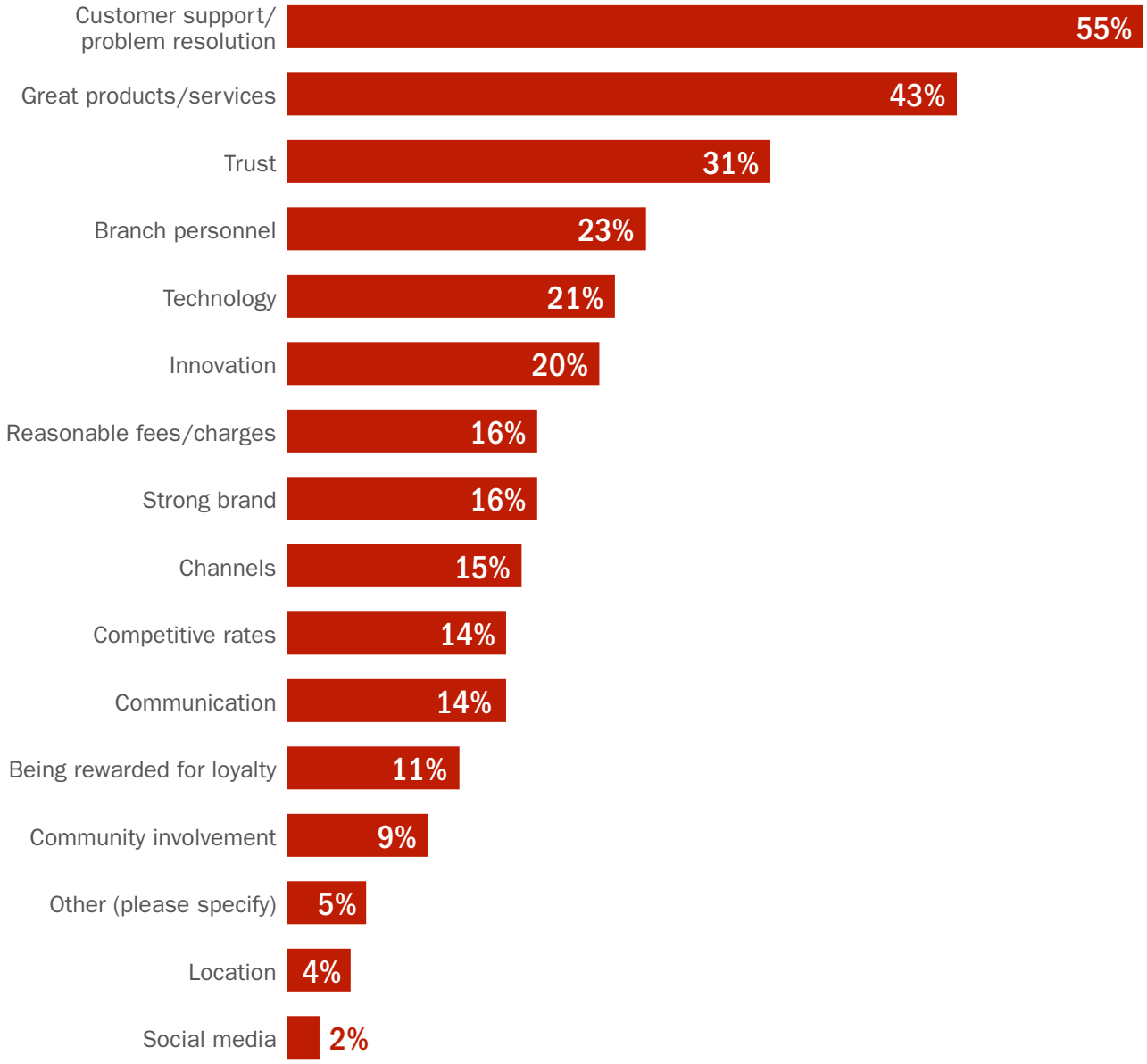
Can we see a problem here? Does this appear that the list created by the banking industry is 'stuck in the past'?

While there is no denying that customer support and problem resolution are important, they are a driver of satisfaction only when something goes wrong. Similarly, the importance of branch personnel is only important for those who visit the branches (less than 1/3 of those just 10 years ago).

As an industry, it has never been more important to focus on what is important to the majority of consumers … today.

CHART 31: CUSTOMER SUPPORT & PRODUCTS SEEN AS TOP DRIVERS OF SATISFACTION

What do you consider to be the top drivers of customer satisfaction? Select three. (n=259)



Source: DBR Research © January 2017 Digital Banking Report

Ten Ways to Improve the Digital Banking "Experience"

(Article by Jim Marous, *Co-Publisher of The Financial Brand and Owner/Publisher of The Digital Banking Report)*

Jim Marous

With digital banking platforms now in place for the majority of banks and credit unions worldwide, it is important to enhance the delivery of key services and improve the customer experience across channels. The digital banking choices available will expand greatly in the future, with the risk of not keeping up with consumer expectations increasing.

In the **Mapa Research** report entitled, "*10 Things Digital Teams Should Be Doing in 2017*," there are three major trends or challenges identified that the banking industry must respond to:

1. Improving Digital UX. There will be a shift from digital quantity to digital quality, as it applies to improving the aesthetics and simplicity of existing digital offerings.

2. Improving Digital Onboarding. While digital capabilities overall have improved, the ability to sell and onboard consumers on digital channels has lagged.

3. Improving Response to New Technologies. Organizations will need to be prepared to deliver an improved customer experience across new devices using new data insight capabilities. The ability to leverage Open APIs, AI and IoT are all part of this equation.

Mapa emphasizes that breaking down internal silos between channel teams, product teams, experience (CX) teams and technology teams is the foundation of building a better digital customer experience. These challenges are obviously greater for legacy banking organizations than they are for start-up fintech firms.

When determining how best to improve the digital banking experience for consumers, Mapa used their proprietary portfolio of real bank accounts to track design and functionality trends. Their 49-page report includes dozens of screen shots and case studies to support their findings.

Move from Functional Quantity to Design Quality

According to **Mapa's** review of digital banking apps worldwide, the past several years has been a period when legacy financial institutions worldwide have been adding functionality to online and mobile apps. The result has been the emergence of function-heavy platforms at the expense of clean design and ease of use. This is especially true with mobile banking apps.

There are three options available to financial institutions to resolve the design issues across digital apps.

- Launch a brand new online and/or mobile app.
- Design functionality in separate online and/or mobile apps.
- Build new navigation and interaction tools (chatbots, voice, etc.)

Create Seamless Multichannel Experience

The banking industry needs to move beyond finding the optimal channel mix to determining what works best for each individual customer. This has been referred to an optichannel™ experience (finding the optimum channel for each customer for each engagement.

It is also about a seamless integration between touch points. Unfortunately, very few (if any) organizations can support the initiating of a journey on one channel and the completion on another, according to Mapa. This becomes especially apparent during the onboarding stage of engagement at banks and credit unions.

Provide End-to-End Digital Onboarding

The new customer onboarding experience begins with the appli-

cation for a new account/service and continues until the customer is highly engaged with this relationship. While most institutions have some level of the application process digitized, the majority require some level of engagement with physical channels. This is especially true with mobile application processes.

It is becoming less and less acceptable, from the consumer perspective, to have "broken processes." The consumer expects ease of completion (including auto fill of data already on file), and the ability to utilize security, authentication and digital documentation capabilities that will simplify the entire process. Mapa provides several global examples in their report, including video identification options at **Fidor** and **N26**.

Enhance Mobile Selling

As the masses move from physical to digital channels, so do many face-to-face sales opportunities that used to occur at the teller window or manager's desk. Most banks and credit unions have had a difficult time replicating this experience on the online (and especially mobile) channel.

Delivering a personalized product sales message, and making it possible for prospects and customers to purchase on a digital channel becomes an important priority … specifically since mobile access greatly exceeds previous visits to the branch.

In Mapa's research, they highly suggest a more contextual strategy for sales, moving beyond simply 'pushing product' on devices to integrating the selling of services within PFM tools or as part of customized advisory process. In other words, needs-based selling made possible by advanced analytics.

Use Insights to Meet Unmet Needs

The delivery and utilization of Personal Financial Management (PFM) tools have usually underperformed expectations. Beyond great graphic representations of financial positions, few PFM solutions have delivered the level of trusted advice available in person.

The potential for combining account aggregation, advanced data analytics and improved recommendation and application engines can result in a value-added service that is both helpful and easy to use for the consumer. With new regulations and strategies around open banking APIs, the move toward advanced selling will soon take center stage.

Remove Internal Silos

The banking industry has been discussing the need to remove internal data silos for at least 40 years in banking … to no avail. At many organizations, the ability to get a 360° view of the customer is difficult at best, making the ability to provide personalized solutions close to impossible. This makes most communication with the customer product-based vs. customer-based.

This silo-based structure makes it difficult for most organizations to help customers optimize their checking and savings balances or provide informed debt reduction strategies. The customer doesn't view their banking relationship with individual product distinctions – neither should their bank or credit union.

Deliver Next Gen Customer Support

To serve the digital consumer, financial institutions will need to move beyond FAQs to chatbots and interactive content (especially video). Both technologies, when used in conjunction with advanced intelligence (AI) and machine learning, will improve the delivery of service while lowering costs.

According to Chris Ward, research manager at Mapa, "Secure chatbots will become a core component of many digital banking propositions. (While there are not many examples today, progress is being made across the banking industry and especially outside banking)."

Beyond chatbots, the integration of voice banking may be one of the most exciting growth areas for an improved customer experience. PayPal, Capital One, Moven and others are quickly combining IoT technology with both transactional capabilities and customer service.

Increase Customer Value with Open Banking

According to Ward, "[Open banking] is a fantastic opportunity for banks to integrate better with a broad range of financial and non-financial services to allow customers to create a network of tools that help them reach their financial objectives." Related to an enhanced PFM, future banking platforms will combine insights from multiple financial organizations.

Open banking also allows for a bank to be at the center of a consumer's entire lifestyle. "It's about creating an open ecosystem, where consumers can decide what

services they link together – and these services do not need to be financial," the report states.

Combine AI with IoT

The new wave of advanced analytics and digital devices will forever change the way consumers bank. This new combination of AI and IoT may not only eliminate the need for online banking, but smartphone banking as well. The result is the ability to make consumers' lives easier.

We are already seeing the ability to bank at Capital One and Moven with an Alexa device from Amazon. We also are beginning to see the ability to conduct basic banking by voice while driving a car. As technology continues to advance, will there be a time when we can conduct all of our banking (and get advice) by speaking or through simple VR engagement?

As more objects and devices in the home get connected to the Internet, the potential for an improved customer experience is endless.

'Future-Proof' the Organization

The need to organize around the customer can't be overstated. This has been the talk in the industry for decades – but the competitive cost of not doing so in the Digital Age is enormous. All internal forces must be focused on delivering the best experience outcome for the consumer. This is a dramatic shift for an industry that has been almost entirely focused on cost reductions since 2008.

If done well, the outcome of delivering the best possible digital experience for the consumer will not only be a reduction in costs, but an improvement in revenues. This is the "experience gap" that fintech firms have been filling for the past several years. Mostly on a limited breadth of services, start-ups use data, analytics, digital technology and agility to deliver what the consumer is asking for.

"To handle the uncertainty of the future, banks need to make sure that they future-proof, both in terms of digital proposition and organizational structure," states the Mapa report.

> *"The need to organize around the customer can't be overstated. This has been the talk in the industry for decades – but the competitive cost of not doing so in the Digital Age is enormous."*

Jim Marous
Co-Publisher of The Financial Brand
and Owner/Publisher of The Digital Banking Report

Jim Marous is an authority on retail banking, financial services innovation and consumer trends. His keynote presentations and workshops inspire audiences, change perspectives and provide practical tools to maximize future opportunities.

One of the most influential people in banking and a top 5 Fintech influencer, Jim Marous is internationally recognized as a financial industry strategist, co-publisher of The Financial Brand, and owner and publisher of the Digital Banking Report. Marous advises on innovation, portfolio growth, customer experience, marketing strategies, channel distribution, payments and digital transformation.

Investment in Customer Experience

Despite a recognition of the importance of a positive customer experience, research indicates that investment is not keeping pace with needs and that some key areas of opportunity are being ignored. **Gartner** identified customer experience as the new battlefield for business, and financial organizations are not exempt from combat.

By leveraging insights about customer needs and expectations and acting on them, forward-thinking banks can optimize operations, create new sources of value for their customers, and ultimately increase their bottom line.

While this may sound straightforward, examining precisely how an institution should reorganize to fulfill these goals is momentous enough to justify another discussion entirely. Simply put, it is not so easy to do. Utilizing state-of-the-art technology and advances in data collection and dissemination can certainly aid in establishing a customer-centric organization, but tools alone won't get the job done.

A mindset shift and a top-to-bottom commitment are also imperative. Honing in on presenting a unified user experience, instituting a commitment to the customer's voice, empowering employees to better serve, and encouraging feedback and innovation are a few choice goals to get started, but there are many others.

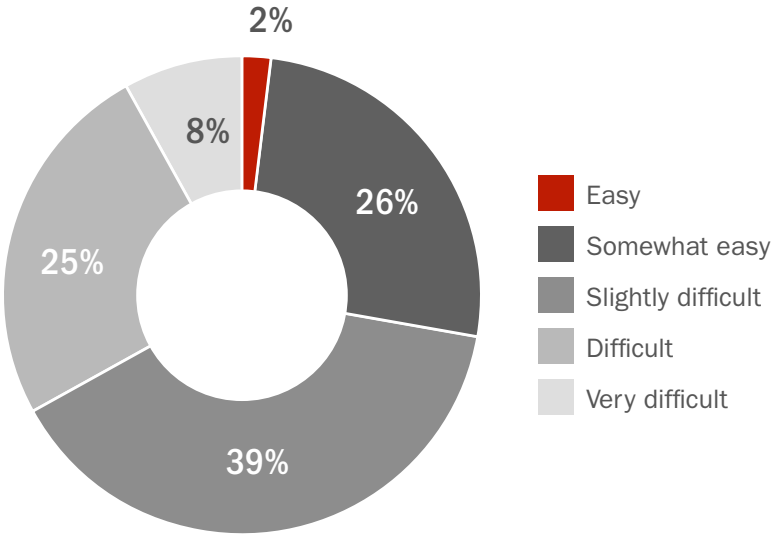
At the end of the day, investment is needed to pay off on the promises made to employees and customers. Regardless of how your bank moves to embrace customer experience as a key performance indicator, focusing on the customer is never a bad investment.

In the category of "actions speak louder than words," receiving funding for customer experience initiatives is far from a slam dunk. According to a *report* from **WBR Digital** and **OpinionLab**, "The difficulty in getting the resources needed for CX initiatives will depend on how effectively CX stakeholders can make their case to business leadership and coordinate the execution of new initiatives across the business."

That said, only 28% of respondents found that gaining internal approval, resources, and funding for new customer experience initiatives were 'easy' (2%) or 'somewhat easy' (26%). Almost four in ten respondents indicated 'slight difficulty' when initiating new projects, with 25% indicating 'difficulty' and 8% stating that getting funding for CX projects was 'very difficult'.

CHART 32: DIFFICULTY IN GETTING FUNDING FOR CX INITIATIVES

How hard is it to get internal approval for resources and funding for a new customer experience initiative?



Source: WBR Digital and Opinion Lab © January 2017 Digital Banking Report

When digging deeper into the reasons for funding challenges, 34% indicated the challenge was related to budget constraints overall, with 16% indicating a lack of strategy and 17% referencing execution issues. The good news is that the majority of respondents (69%) report that the level of investment they are getting from the business has increased over last year, with 29% of respondents working with the same budgets as the year before.

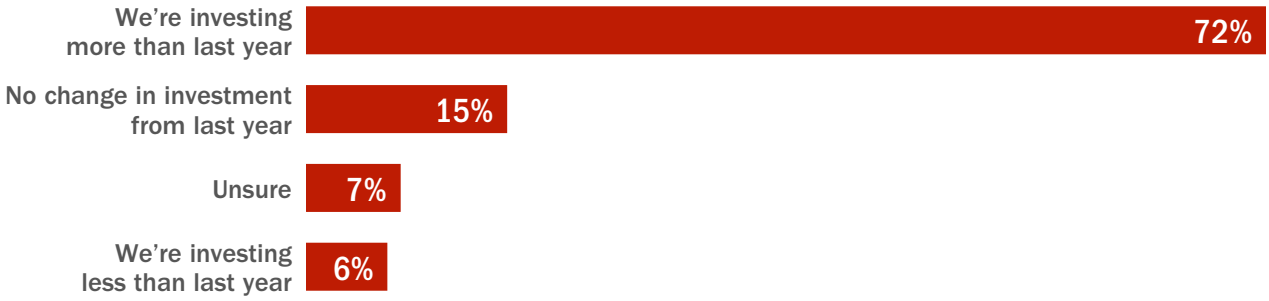
Investment in CX Initiatives on the Rise

When we asked the question, "How will your company's investment in customer experience change in 2017?", all institutions, of all sizes and types indicated that they would be increasing their investment in CX initiatives in 2017 and over the next 3 years.

While we are not sure why an organization may be investing less for an improved customer experience than in the past, it appears that there is definitely a financial commitment to CX improvement.

CHART 33: ORGANIZATIONS ARE INCREASING INVESTMENT IN CUSTOMER EXPERIENCE INITIATIVES

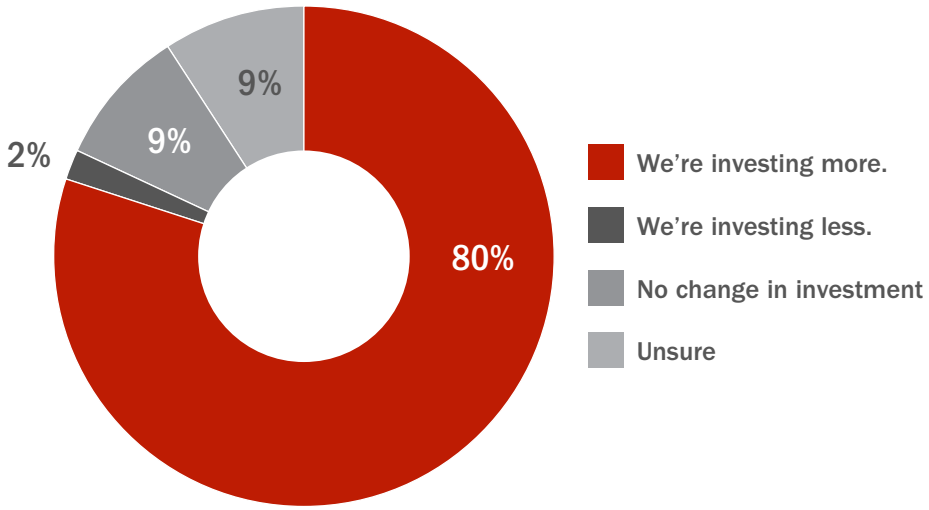
How will your company's investment in customer experience change in 2017? (n=271)



Source: DBR Research © January 2017 Digital Banking Report

CHART 34: ORGANIZATIONS PLAN TO INVEST MORE IN CX OVER NEXT THREE YEARS

How will your company's investment in customer experience change in the next 3 years? (n=246)



Source: DBR Research © January 2017 Digital Banking Report

Effectiveness of Customer Experience Initiatives

Financial institutions must learn how to build and dissect powerful data warehouses if they are to keep up with other industries. Data analytics is the key to segmentation, personalization and an enhanced customer experience — the keys to both financial services marketing and a satisfied customer.

The more data that can be drawn into understanding customer mindsets and creating actionable insights, the more decisively a CX team can act and convey the case behind their initiatives to key business leadership. This includes both structured and unstructured data that can fully personalize the customer experience.

Mobile is an area of opportunity for financial institutions. As organizations seek to improve their mobile offerings, there is an opportunity to better integrate CX into the DNA of all digital offerings. Finally, increasing a focus on gathering customer feedback and data insights internally, while also leveraging third party insights, allows organizations to replicate the experiences from the best in the business … Google, Amazon, Facebook and Apple.

Most organizations start customer-experience transformations with a focus on reducing abrasive experiences, which can include rooting out elements that irritate customers or addressing detractors within the organization. Only then do customer-experience advocates go on to create more promoters.

Targeting abrasive experiences is usually the right place to begin, particularly when there are many of them. Often, fixing a journey's broken elements impacts many customers and can move customer-experience numbers in a positive direction.

Once a stable base case is achieved, organizations should turn their attention to making sure each journey includes wow moments that exceed customer expectations.

Time for a Strategic Planning Reboot

It has been customary for decades for strategic planning efforts to begin with the prior year's plan, making modest adjustments on an annual basis to reflect changes in the marketplace. Not only is the concept of 'modest adjustment' no longer applicable, but even the concept of planning just once a year could be challenged in today's highly volatile marketplace.

Consumer and employee expectations are changing at a pace that traditional planning can't keep up with. The time for 'discussing what is needed' has passed, and the time for action is now. At the foundation of creating a positive customer experience is the application of the insight we have on both customers and employees.

This goes beyond fancy reporting of what we believe is desired … it is the leveraging of this insight in ways the consumer and employee can feel.

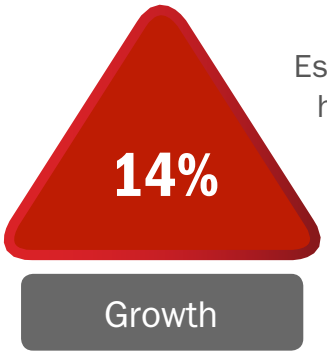
To keep pace, planning, investment and a dedicated focus will be required both in the back-office and front-office. There is a lot at stake. Even from a conservative perspective, the ability to generate millions of dollars in new revenue from satisfied customers should get someone's attention.

A majority of financial services executives believe they are leaving money on the table by not being positioned to provide an individualized experience to customers and employees. But how much of an impact is it?

According to the **Oracle** study, *"The Era I Enterprise: Ready for Anything"* financial services organizations estimate that if they were able to successfully offer customers and employees a highly individualized experience, they would earn an additional 14% in annual revenue. **For a $1 Billion bank or credit union, that's $140 million a year in additional revenue.**

To achieve this level of revenue, organizations that took part in the survey said that 'on-demand order fulfillment' (80%), 'self-service options from a device of choice' (67%) and both an 'intuitive online experience' and 'individualized content' (63%) were key from a consumer perspective.

CHART 35: REVENUE OPPORTUNITY



Estimated revenue gain if fis offered highly individualized experiences. For a $1B organization that's

$140 Million a year!

Source: Oracle © January 2017 Digital Banking Report

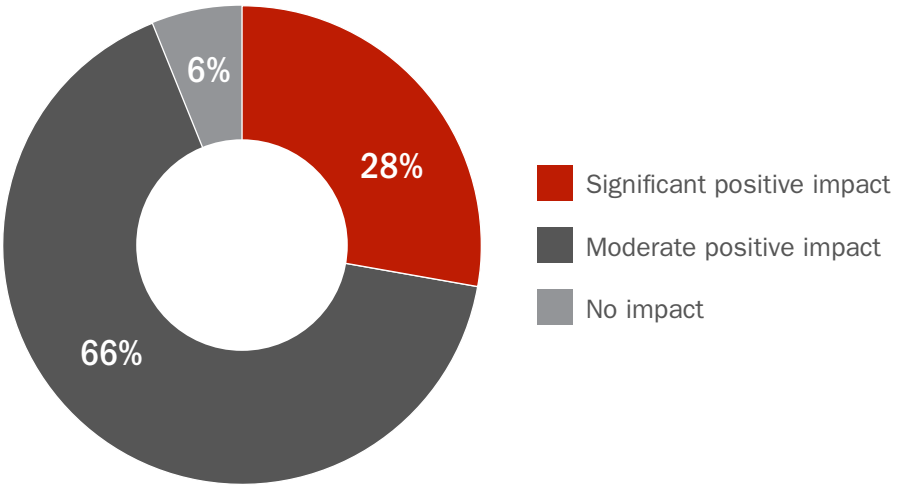
Impact of Current CX Initiatives

When organizations were asked about the level of impact their current CX initiatives have had, 66% of respondents said that their efforts have had a 'moderate impact'. Only 28% of those responding said their program had a significant impact.

Part of this lackluster effect may be a result of poor or non-existent tracking or reporting (I really don't know if the programs have had an effect). Alternatively, the result could be caused by ill-conceived programs that are focusing on the wrong areas of the organization (focusing on call center or branch areas as opposed to digital engagements).

CHART 36: IMPACT OF MOST CX INITIATIVES HAVE ROOM FOR IMPROVEMENT

What level of impact has your CX program had? (n=98)



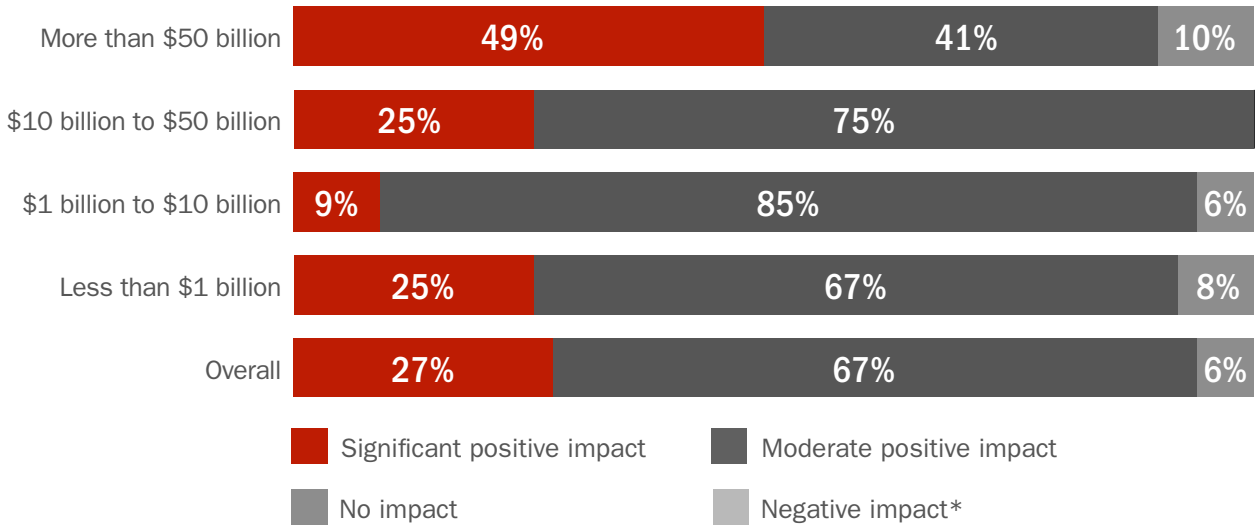
Source: DBR Research © January 2017 Digital Banking Report

When we broke down the responses by size and type of organization, the largest firms were the happiest with their CX results. This may be caused by a greater investment being made, a stronger focus on the overall customer experience or because the larger firms are spending more time improving the digital customer experience.

What is of concern is that no community banks indicated that CX initiatives had a significant impact and that 25% of the community bank segment said their programs had a negative impact. That number seems astounding. This could be the result of a lack of commitment to improving CX, low investment or misplaced resources.

CHART 37: IMPACT OF MOST CX INITIATIVES HAVE ROOM FOR IMPROVEMENT BY SIZE

What level of impact has your CX program had? (n=98)

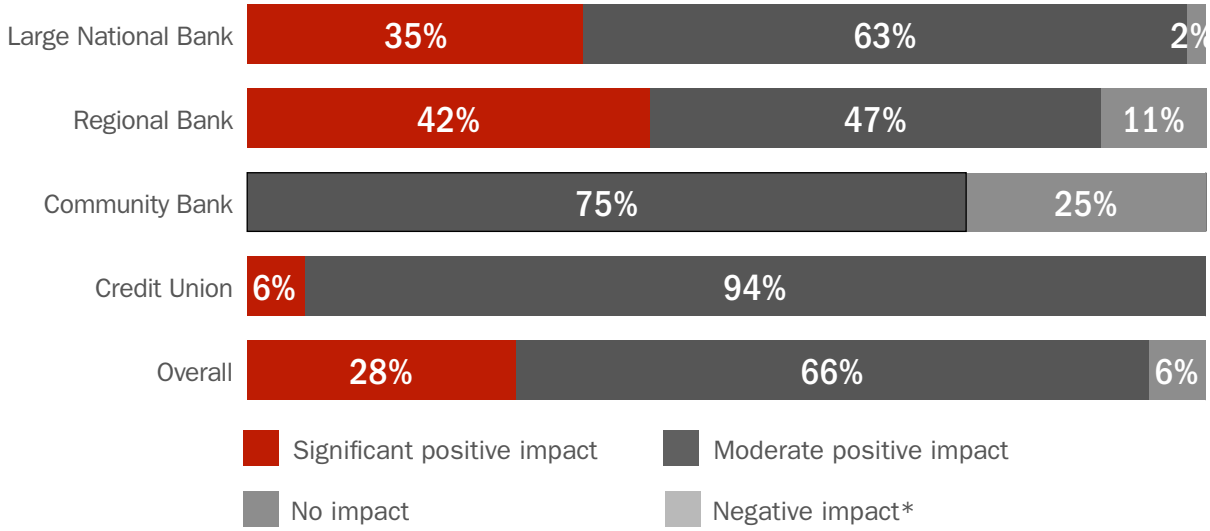


*No organization stated that CX programs had "negative impact."

Source: DBR Research © January 2017 Digital Banking Report

CHART 38: IMPACT OF MOST CX INITIATIVES HAVE ROOM FOR IMPROVEMENT BY TYPE

What level of impact has your CX program had? (n=98)



*No organization stated that CX programs had "negative impact."

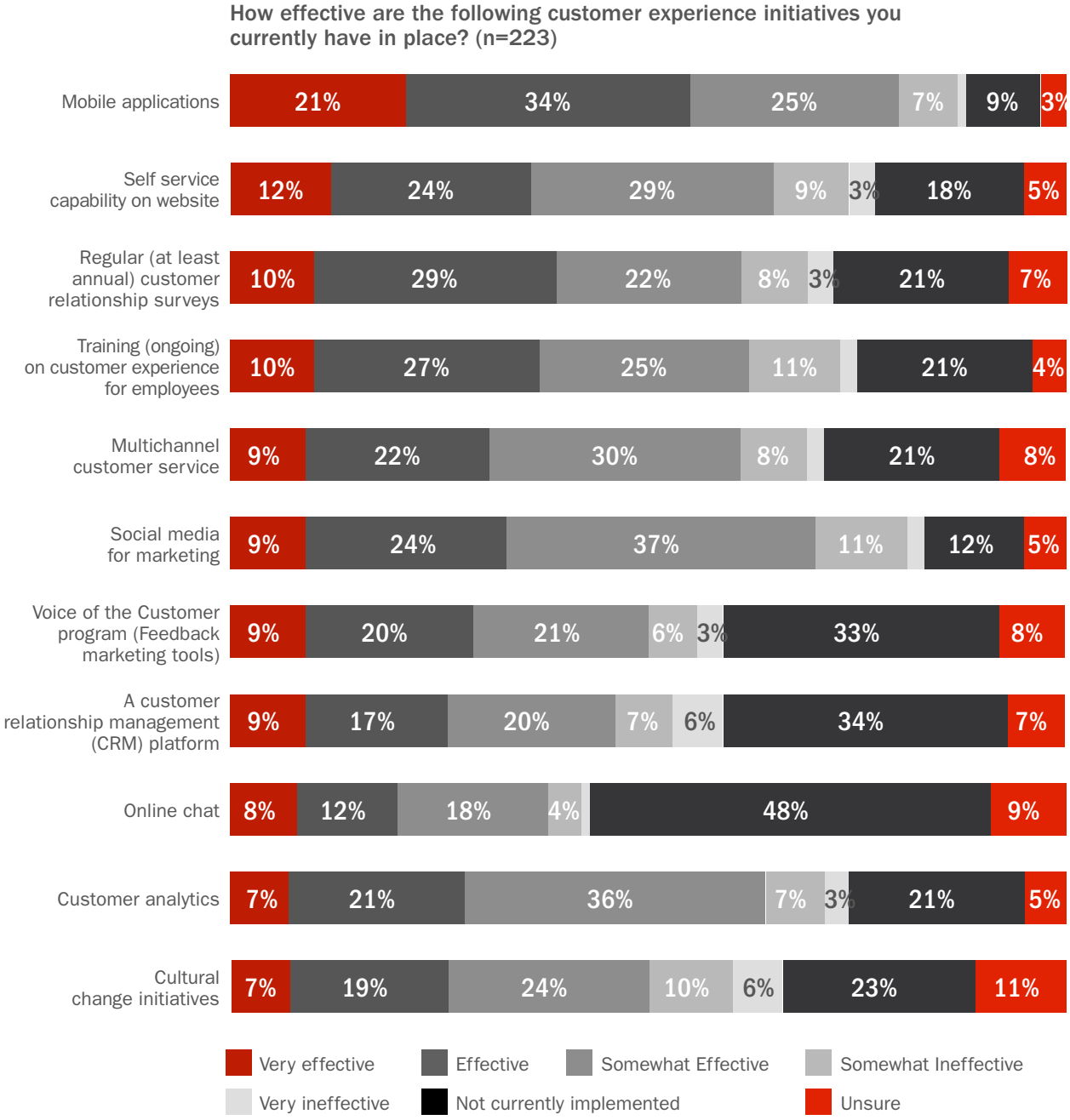
Source: DBR Research © January 2017 Digital Banking Report

Digital CX Efforts Are Most Effective

When asked about the most effective individual customer experience initiatives, digital delivery (mobile and website) got the highest marks. Financial institutions who responded to the survey said that 80% of mobile and 55% of website initiatives were at least partially effective. While not receiving the highest marks for effectiveness overall, 70% of social media marketing efforts were thought to be successful.

It is interesting that 64% of customer analytics programs were deemed at least somewhat successful. That is not to assume that there is a great impact, but it is a positive sign to see that organizations are starting to feel the impact of the core of great customer experience … data.

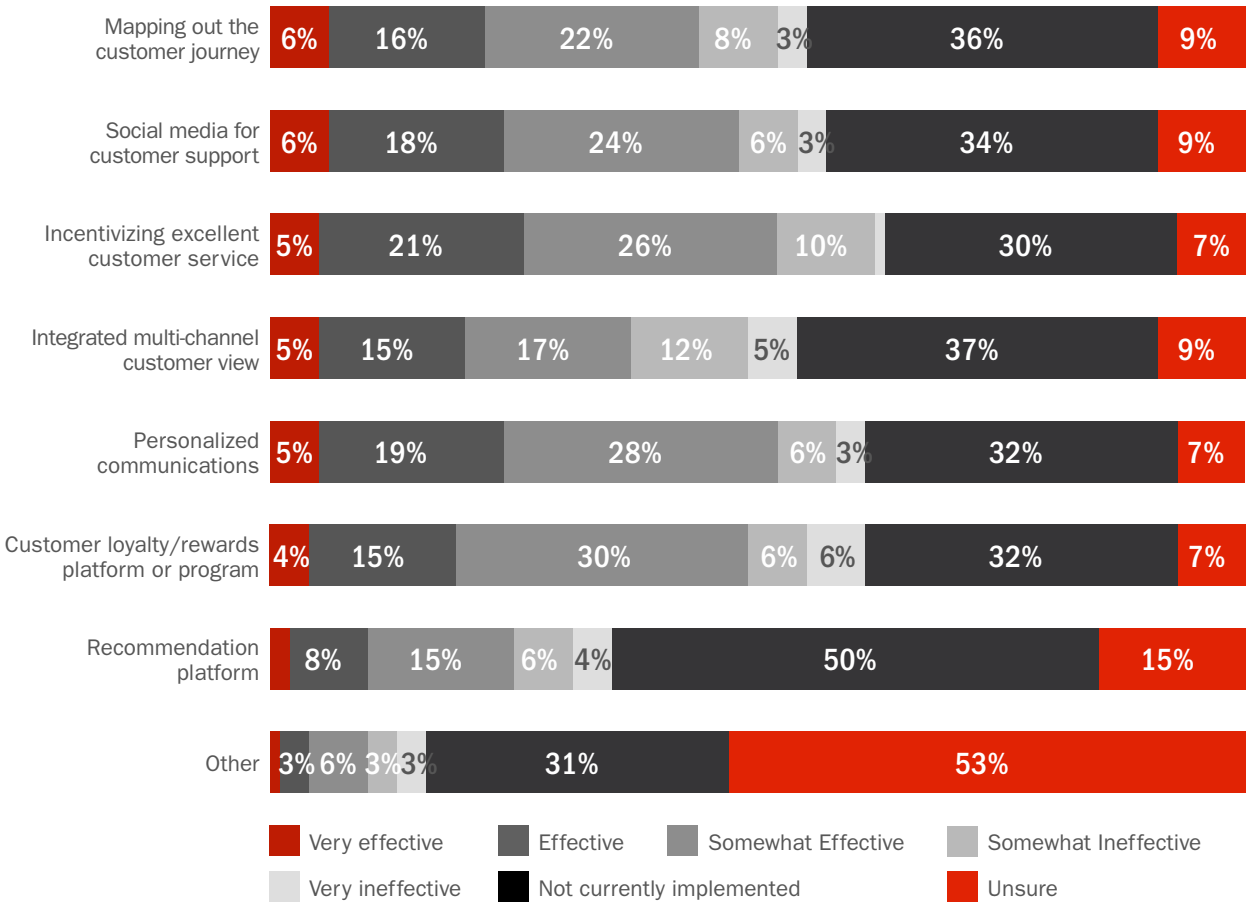
CHART 39: DESPITE FOCUS, MOST CX INITIATIVES ARE STILL NOT HIGHLY EFFECTIVE IN BANKING (PART ONE)



Source: DBR Research © January 2017 Digital Banking Report

CHART 40: DESPITE FOCUS, MOST CX INITIATIVES ARE STILL NOT HIGHLY EFFECTIVE IN BANKING (PART TWO)

How effective are the following customer experience initiatives you currently have in place? (n=223)

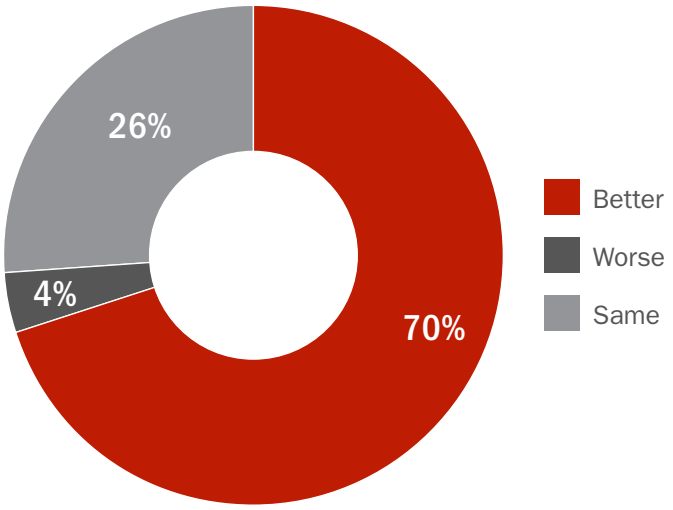


Source: DBR Research © January 2017 Digital Banking Report

When asked if their overall customer experience efforts have improved the CX impact, 70% of organizations believed the level of customer experience had improved.

CHART 41: MOST BELIEVE CX HAS IMPROVED AT THEIR ORGANIZATIONS

Do you feel your customer experience has improved over the past three years? (n=227)



Source: DBR Research © January 2017 Digital Banking Report

Mobile Applications and Customer Analytics Top CX Projects

When we look at fintech firms and challenger banks, the biggest differentiation is; 1) how data analytics are used for contextual personalization, 2) the simplicity of solution delivery and, 3) the way the customer feels about the engagement.

In the future, a delightful digital user experience should leverage 10 emerging banking trends (not necessarily in this order):

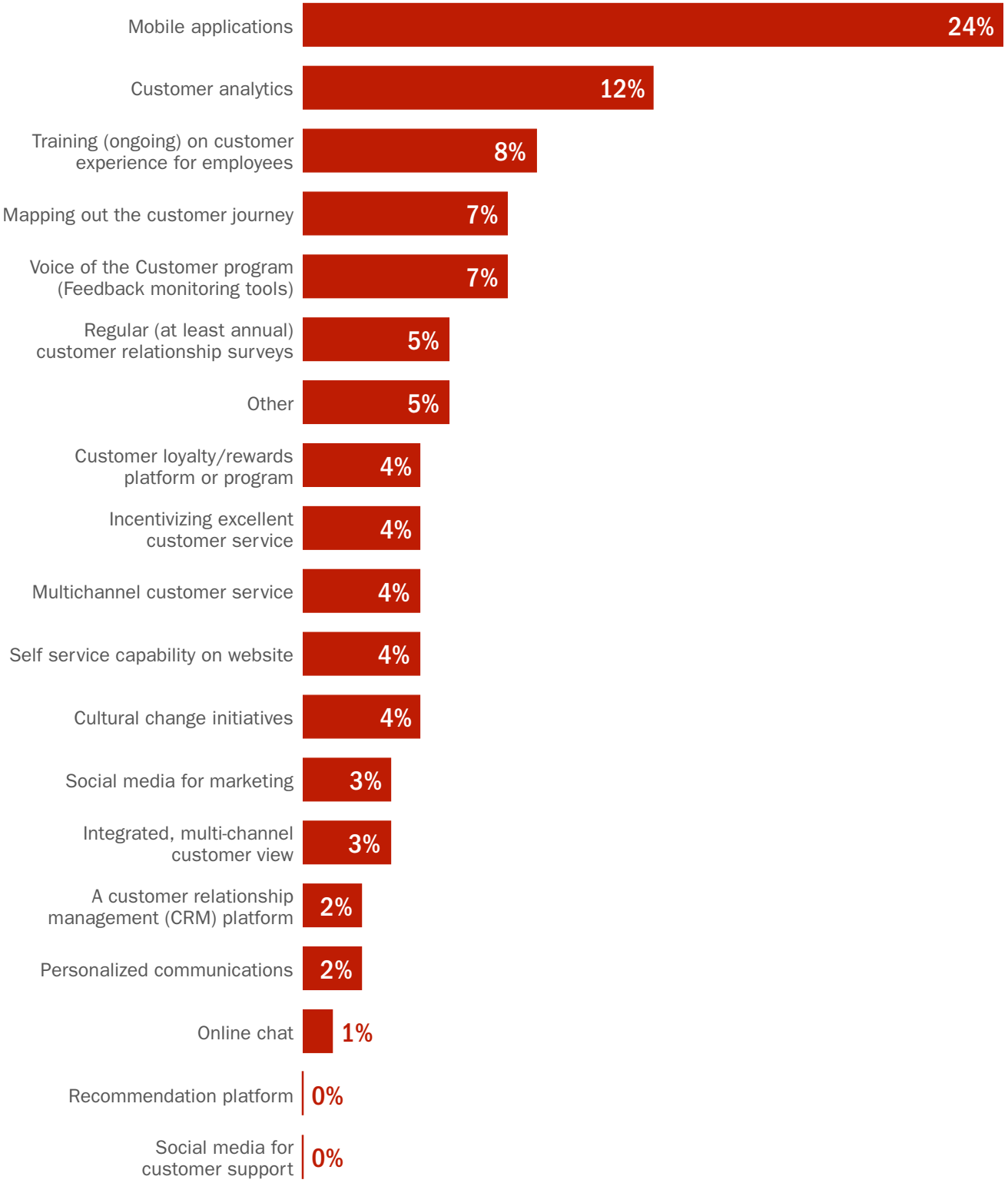
1. Personalization
2. Big data analytics
3. Open API and the cloud
4. Voice commands
5. Biometrics
6. Social integration
7. Gamification
8. Nudge theory
9. Robo advising
10. Blockchain

Looking at the importance of data, personalization and data, it was good to see a correlation between where organizations should focus their efforts and the success of individual customer experience projects. In our research, 24% of the organizations stated that mobile application efforts were their most successful projects.

It was also highly encouraging to see that customer analytics also scored highly when asked about successful projects. This ranking among CX projects overall illustrates that, while difficult to implement, data analytics is seeing some success.

CHART 42: MOBILE CX PROJECTS HAVE BEEN THE MOST SUCCESSFUL IN FINANCIAL SERVICES

What has been your most successful CX project? (n=225)



Source: DBR Research © January 2017 Digital Banking Report

Data and Challenges with CX Implementation

As has been found in many recent research studies around improving the overall customer experience, the biggest challenge for most organizations is around the capture, analyzing and applying of data insights for the benefit of the customer. Challenges around data were at the top of the list in our research as well.

There is a great deal of discussion in banking around the need to deliver personalized, timely and relevant communications and offers that drive customer profitability, satisfaction and loyalty. Unfortunately, there is still a large gap between the aspirations of bank marketers and the ability to deliver on these goals.

The challenge is that while there are affordable and powerful tools available to create powerful omnichannel customer experiences, most bank marketers are using the same outdated data sources and marketing methodologies they have used for decades. For those marketers who do have the right tools at their disposal, many indicate an inability to use these tools effectively.

The consumer's buying process is no longer linear or predictable. Consumers often start using one channel and switch channels unpredictably due to individual circumstances. Customers want to interact on their terms, expecting advice and recommendations that are like what they receive from other digital partners like Google, Amazon, Facebook and Apple. They want an experience where their needs are not just met, but anticipated.

Despite the challenges, the new marketing reality presents an exceptional opportunity for banks and credit unions to build better customer experiences and deeper consumer relationships. As referenced by **IBM** in two reports, the current state of marketing is both "the best of times and the worst of times," where being a marketer has never been more exciting.

To capitalize on opportunities, banks must continue efforts to leverage the wealth of informational assets at their disposal. They must analyze structured and unstructured customer data, and deliver real-time insights that result in unique and compelling opportunities for customer engagement. Most importantly, they must provide advice and solutions across multiple channels.

CHART 43: ANALYTICS IS THE CX INITIATIVE THAT IS MOST CHALLENGING FOR FINANCIAL ORGANIZATIONS

What has been your most challenging CX project? (n=228)

Source: DBR Research © January 2017 Digital Banking Report

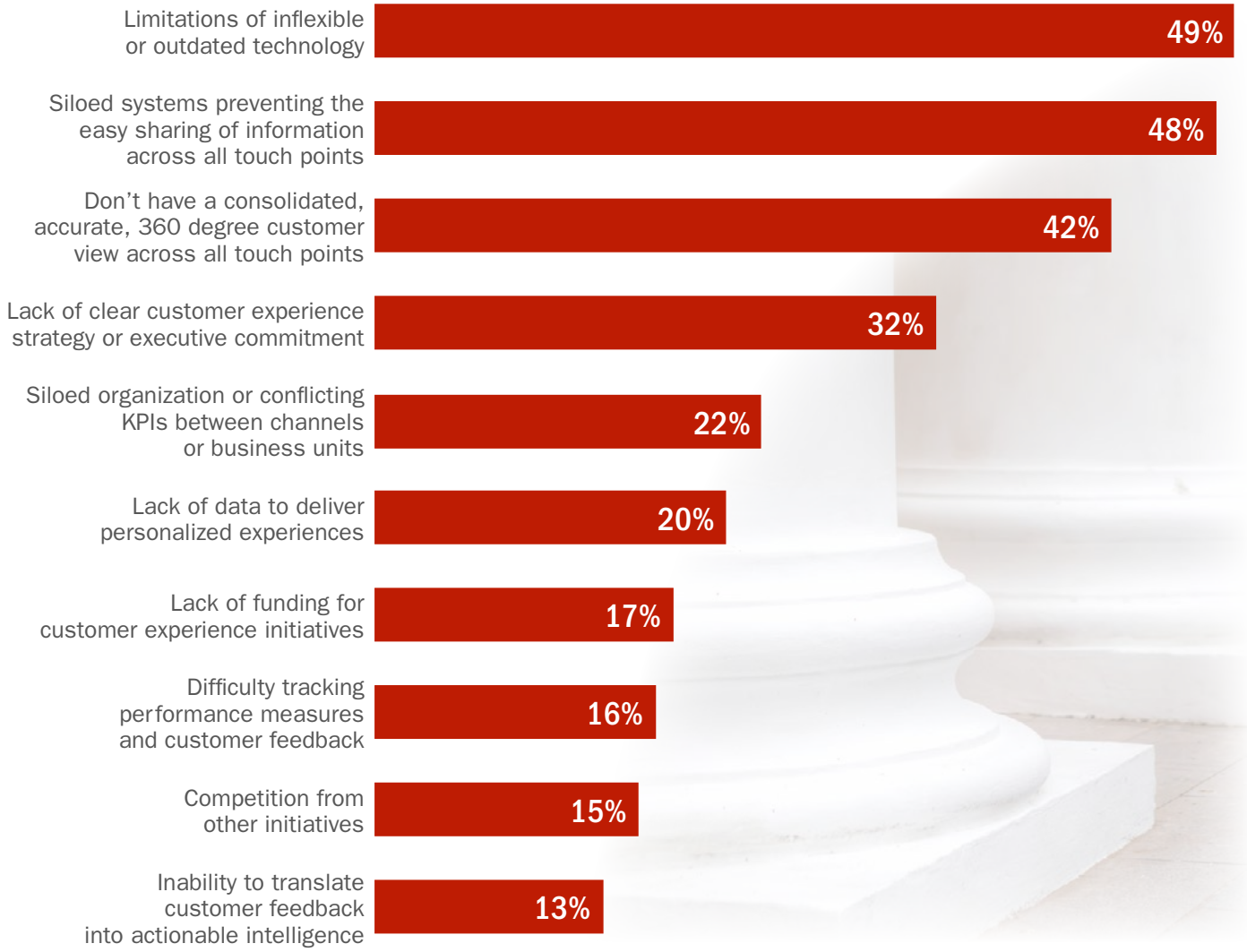
Legacy Obstacles Hamper CX Efforts

Survey respondents were asked to select three of their biggest obstacles when trying to improve their customer experience. Not surprisingly, the top obstacles all were related to challenges that have been part of banking for decades. From outdated technology (49%), siloed systems (48%) and the lack of a consolidated customer view (42%), all of these challenges impact many key banking initiatives.

The lack of a clear strategy or corporate-level commitment to CX was mentioned by 32% of those surveyed, while lack of funding was mentioned by 17% of respondents. Most of the other obstacles related to data issues which was not a surprise.

CHART 44: LEGACY SYSTEMS AND SILOS PRESENT BIGGEST OBSTACLES FOR IMPROVED CX IN BANKING

What are the biggest obstacles your organization faces in delivering the best possible customer experience? (Select up to three answers.) (n=238)



Digital Design Trends, Do's and Don'ts for a "Better CX"

(Article by Alex Kreger, *CEO of* **UX Design Agency)**

Alex Kreger

Today's digital consumers have higher expectations of their financial institution than ever before. To be successful, banks and credit unions need new and innovative approaches to attract and retain customers through highly relevant and personalized experiences across multiple channels. Our number one priority must be to switch from product-centered to customer-centered thinking.

Most organizations need to look outside of the traditional finance industry for guidance. That means hiring designers, user-experience (UX) professionals, fintech developers and innovators who understand customers' needs and expectations beyond banking.

This strategy, mixed with a flexible in-house innovation culture, will provide a formula for success in 2017 and beyond.

Digital Design Trends to Improve the Customer Experience

1. Every Bank Will Need a UX Strategy.

It's not enough to create usable interfaces to ensure user-centered approaches in your banking service delivery. Banks and credit unions need to understand what kind of experience they want to ensure at every touch point of digital interaction with their users. Every member of the banking team must perform this strategy and provide user-centric approaches to promote an excellent user experience.

2. Financial Psychology Will Be in Demand.

A lot of banks already believe in the power of user testing and user research. Unfortunately, it's not enough. A/B testing and customer feedback from interviews are only a part of the equation. UX specialists must learn human psychology to conduct the proper research, ask the right questions, and make the correct interpretation of collected data.

Testing button colors and placements could increase conversion for a while, but it will not result in a great user experience. Only by understanding users' problems, needs, emotions, financial cognition and financial behavior on a deeper level will you be able to architect services that your customers are seeking.

3. UX Support from Stakeholders Will Increase.

The role of UX specialists will be more highly respected and more important for consumer-centric banks in 2017. From an instrumental level of UX/UI designers, the user experience design will move to a higher level of engineering, from UX architects to strategy level C-level executives like chief experience officers and heads of digital experience.

This will be caused by a banking organizational culture switch to a new paradigm – customer-centricity. In the digital age, this is the only way to make banking successful.

4. Banking UX Approaches Will Become Holistic.

Effective banking UX engineering is not only about designing user interfaces. Rather, it requires deep competence in a myriad of areas, including financial services, business management, marketing, human psychology, technology, digital platforms, etc. A UX specialist explores the big picture of banking service workflow, hundreds of user scenarios, and the overall background to create an ideal user journey map.

Thus, a holistic approach allows the integration of bank targets, customer needs and technological opportunities into innovative digital solutions.

5. Banking UX Will Be Challenged from Alternative UIs.

We have recently witnessed the appearance of a lot of alternative user interaction platforms, such as Chatbots, voice processing and VR technology. We expect them to grow rapidly by expanding into new areas, including finance, and providing new financial abilities for users. This will become a critical challenge for banking UX specialists soon.

UXDA
UX DESIGN AGENCY

6. Banking UX Will Be Designed for Millennials.

Millennials are poised to become the most powerful consumer group in the next decade. They are tech-savvy and independent. They are less brand loyal – experience drives their decision making. If you want to ensure your bank survives in the long term, find out who these Millennials are and how to improve engagement with them.

7. Financial UX Will Become More Personalized.

Artificial intelligence (AI) and predictive analytics will ensure the ability to craft a pleasant user experience by matching user needs on a deeper level. AI virtual assistance using Internet of Things (IoT) sensors will predict user intentions even when offline. Maybe next year is too early to speak about full AI-based banking personalization, but banking services may become closer to customers by personalizing experiences using social IDs.

8. Bank Users Will Expect Completely Digital UX.

More and more consumers expect to be able to do everything digitally, having a complete digital experience when opening their accounts, making transactions and enrolling in new services. Many of them want to get the best possible self-service experience ensured by biometric authentication, digital forms, step-by-step guides, FAQs, DIY videos, knowledge bases, online advisory support, advanced scoring, etc.

9. Banking UX Will Be Empowered by Micro-Interactions.

Design is getting more functional, especially in digital services. But, it's not about outdated spreadsheet design with which we are so familiar in banking. It's about the science of meeting customer needs in a digital space, with simple elements and lines, clear icons, minimal copy and frictionless flow. To ensure this, banking design should switch from static to dynamic by implementing rich micro-interactions based on descriptive animation.

10. Mobile-First Is Transforming into Omnichannel UX.

Without a doubt, mobile channels are already dominating. If you have just begun your bank digitalization, start with responsive web for mobile services. But to provide the best possible experience for your customers, implement an omnichannel strategy that includes native solutions for major mobile platforms, responsive desktop service and, in the near future, wearables, IoT or even VR solutions. This will generate exceptional experiences across all platforms used by your customers.

Five Digital Design Do's for a Better CX

1. Interact with Customers.

Banks should talk to their customers, research their financial behaviors, and collect all possible feedback (including negative) to find real pain points when interacting with digital banking solutions.

2. Simplify Design.

It is finally the right moment for banks to simplify everything and offer digital solutions to make their services clear, obvious and intuitive for their users. Perhaps this is the most difficult task of all because of the need to overcome existing internal politics and an organizational culture.

3. Implement Design Thinking.

Let's bring more pleasure and fun to finance by delighting users with emotions that banking services can provide through light design and smooth flow. Let's implement design thinking into all bank levels.

> *"Be passionate. Banking services could look more authentic if banks would add soul to it. It sounds provocative, but finance doesn't have to be so formal."*

4. Investigate Fintechs.

The world is moving fast, and rapidly growing technology startups can share some outstanding UX design insights and case studies. Banks should find out what inspires their users and be open to digital challenges and changes.

5. Be Passionate.

Banking services could look more authentic if banks would add soul to it. It sounds provocative, but finance doesn't have to be so formal. We all know that digital solutions will reinvent banking and make it more human-centric. Challenger banks are already unafraid to show their passion in serving their clients.

Five Digital Design Don'ts for a Better CX

1. Don't Underestimate the Power of UX Design. in a modern world.

Today, consumers are constantly searching for pleasant experiences. Their expectations are rising, and they could easily switch to a more active and caring provider regardless of its size and experience. Consider the success of the iPhone versus the fall of the Nokia.

2. Don't be Afraid of Digital Technologies.

Start from a simple solution that will enrich your customer experiences and match their needs. Iterate and move forward step-by-step by implementing new solutions.

3. Don't Live in the Past.

Step into your customers' shoes and look at the big picture, even if it hurts. Your previous decades of success mean nothing in the eyes of modern customers … they only care about their actual experience today.

4. Don't Over-complicate.

Users are freaked out by information overload. Make your information architecture contextual – every feature is in the right place at the right time. Follow the progressive learning curve principle.

5. Don't Manipulate Users.

Conversion rate optimization and UX engineering should only be used to bring fair value to your customers. It's not just about marketing anymore. Your customers are waiting for real value from your service. Give it to them; make their lives easier.

How Does the 'Bank of the Future' Differ from Today's Bank?

The main difference from the customer perspective is simpler navigation – users no longer have to navigate dozens of sections indicative of a traditional bank or credit union. There are only seven main sections in our 'Bank of the Future' vision, with a clear definition for every section.

The 'Bank of the Future' provides all services in one marketplace that looks like a store filled with financial applications. This is more engaging for users since they can easily navigate through the store and find any solution they need.

With personal financial management (PFM) of the future, users can monitor spending and determine what amount of money is safe to spend based on real-time monitoring of interactions.

Customers want to 1) see their balances, 2) view their transaction history, and 3) make transfers and payments. Consumers should be able to do all of this in one or two clicks. This is a big advantage over traditional banking solutions, which typically require over eight clicks to accomplish tasks.

Users don't want to have to tap dozens of buttons. They want to push one button and be provided the solution they need. This is the 'Bank of the Future'

Alex Kreger
CEO of **UX Design Agency**

Alex Kreger is the CEO, Founder and UX strategist of UXDA - a leading financial user experience design agency. He has defined UX strategy and architecture for 100+ digital services and dozens of startups, and also co-founded 10 of them.

His passion is about simplifying humans life by rethinking complex services through user-centered design. That's why UXDA team is sharply focused on a financial user experience. They have delivered user interfaces to international banks and Fintech startups in Europe and US, as well as to global vendors of banking solutions like BackBase and Intellect Design Arena.

Measurement of Customer Experience

The most mentioned measures of CX success in our survey were related to customer satisfaction, loyalty and retention. By not using more tangible revenue impact measures, it is believed funding for CX programs could be negatively impacted. This is reinforced by the fact that resources, executive buy-in & budgets are seen as hurdles to success.

All customer-experience programs require hard metrics. What matters to customers? What are the underlying elements of customer experience? What goals should be set across and within functions? What priorities should be applied to initiatives to meet those goals? And so on.

When choosing where to focus attention and resources, it's important to set priorities for initiatives that have near-term impact. Select an area where you can impact revenue growth and/or reduce costs immediately.

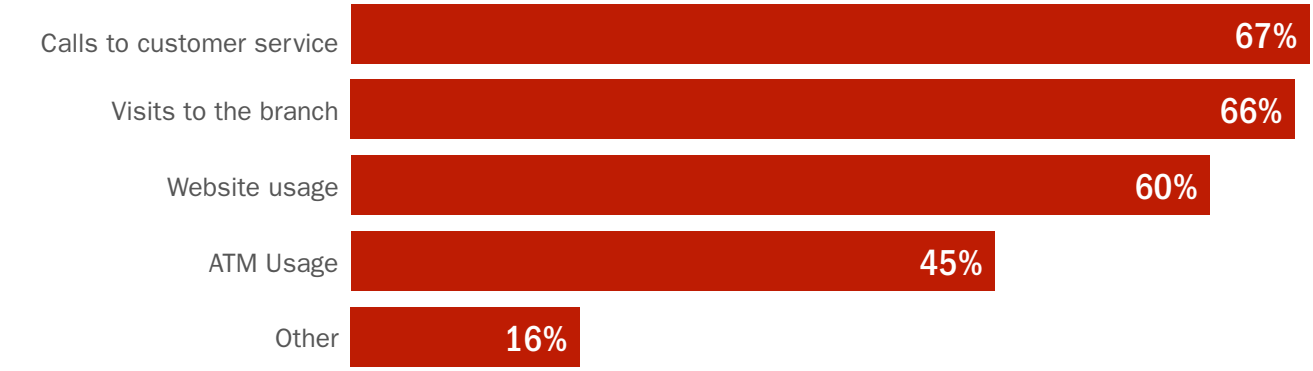
Prioritizing this way creates momentum for the program, which will get everyone excited and frees up funds or capacity that can be invested in the rest of the program. It is also important to measure initiatives for both short- and long-term impact, making sure there are wins early in the program.

Most importantly, the banking industry needs to move from traditional satisfaction metrics to revenue metrics. In other words, what is the bottom line impact of CX initiatives undertaken. This is how funding gets increased. CX should be viewed as a revenue as opposed to a cost department.

Finally, it is important to support a mentality of *continuous* CX improvement. This requires rewiring your existing organization to support ongoing gains, with systems and leaders emphasizing the sharing of knowledge, capturing ideas for improvement, and promoting ongoing learning and dedicated expertise.

CHART 45: MOST CUSTOMER CONTACT TOUCH POINTS HAVE CX MEASURES

Which of the following do you measure with transactional surveys? (Pick all that apply.) (n=244)



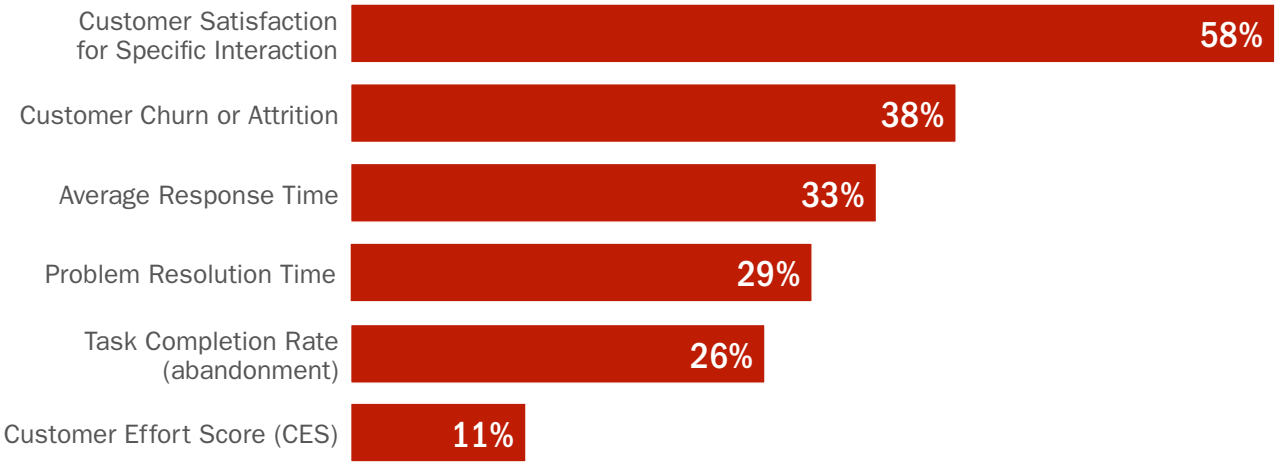
Source: DBR Research © January 2017 Digital Banking Report

The KPIs used to measure customer experience initiatives varied based on how the company views their CX strategy as part of the greater business. Six in ten (58%) respondents said 'customer satisfaction' was the primary yardstick for measuring individual improvements to the customer experience, while 45% use this metric for overarching institutional measures.

The second most common measurement of individual program success mentioned was 'customer retention', which was indicated by 38% of the respondents, with 42% using this as an overarching measure as well. The top measure of customer experience improvement as a total institution was Net Promoter Score (NPS) at 53%, with traditional KPIs such as response time, problem resolution times and task completion rates also being used on an overall and project basis.

CHART 46: CUSTOMER SATISFACTION IS KEY MEASURE FOR INDIVIDUAL CX INITIATIVE - BANKING

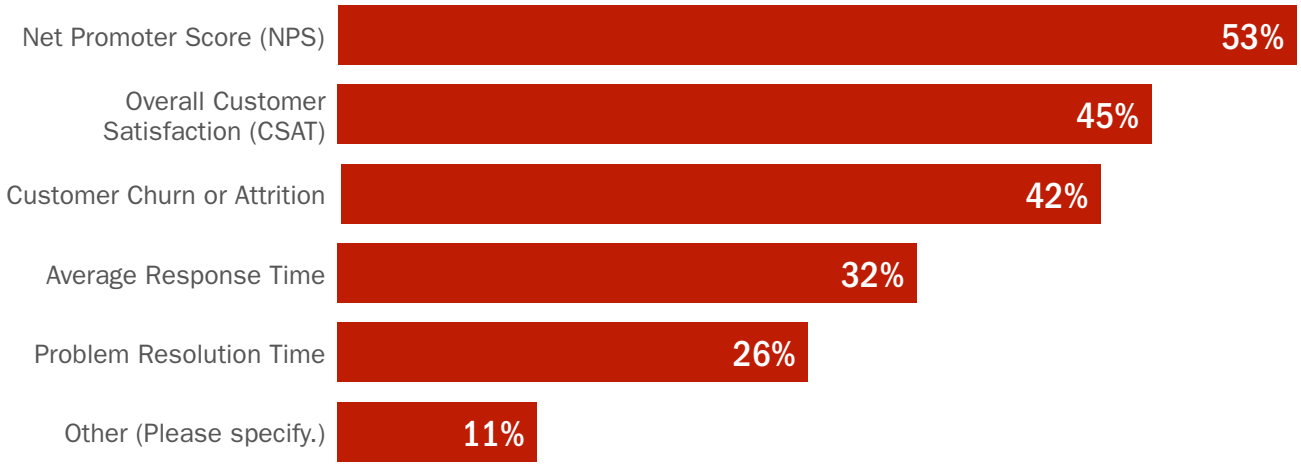
What metrics do you use to track success of individual customer experience? (Check all that apply.) (n=212)



Source: DBR Research © January 2017 Digital Banking Report

CHART 47:
NET PROMOTED SCORE™USED BY MAJORITY OF FINANCIAL INSTITUTIONS CX MEAUREMENT

What methods do you use to measure the overall customer experience at your bank or credit union? (Check all that apply.) (n=220)



Source: DBR Research © January 2017 Digital Banking Report

Leveraging unstructured data, such as comments on social media, emails, or other "non-formal" types of feedback represent a major opportunity for brands to gain information from their customers that, when synthesized into actionable insights, can be extremely valuable states the research. The use of this data enables a financial institution to paint a fuller picture of each customer or member and improve the overall personalized experience.

The share of respondents who thought they had already mastered the ability to turn unstructured data into actionable insights is still minimal. Most organizations are still unable to utilize the unstructured data available to them.

The more data that can be drawn into understanding customer mindsets and creating actionable insights, the more decisively a CX team can act and convey the case behind their initiatives to key business leadership. This includes both structured and unstructured data that can fully personalize the customer experience.

Closing Thoughts: Improving CX Results

As the banking industry responds to the "Age of the Individual", big data and advanced analytics will define the winners from the losers. It is critical for banks and credit unions to deliver on the personalization promise to win the battle of having the best customer experience.

According to a whitepaper from **Oracle** and **Efma**, banking organizations are making some progress towards harnessing consumer insight to enhance the customer experience and to boost overall profitability, but there is still a long way to go. Although consumers prefer a personalized approach, most financial institutions seem to understand their expectations, but can't meet these expectations as they're faced by various challenges. For instance, most are unable to offer products or solutions in real time.

In addition, most banks and credit unions don't have a full view of their customers or members across the organization. This results in lost opportunities to engage or provide proactive advice and well as increasing the cost to serve for the institution. Finally, few organizations are collecting insight from outside sources – such as social media – to gain a 360-degree view of consumers.

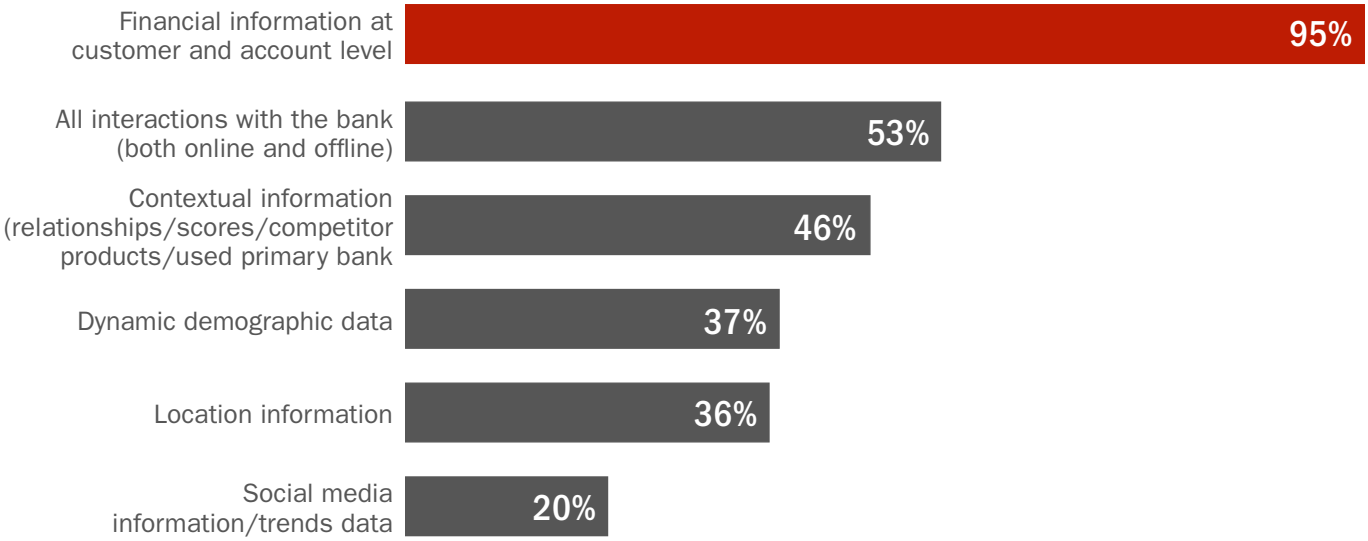
While it is universally agreed that insight and customer data is an increasingly important potential customer experience differentiator against competition, this is only true if the right insight is collected and used for the benefit of the consumer. In other words, unless the data can be used to "know the customer", "look out for the customer" and "reward the customer", the insight is of limited value.

Collection and Use of Insight Falls Short of Potential

According to the Efma/Oracle research, the majority of organizations only leverage insight around customer accounts held, balances and interactions/transactions. In these cases, there is often still an inability to see and understand the level of customer engagement across the organization, falling short of the preferred 360-degree view desired.

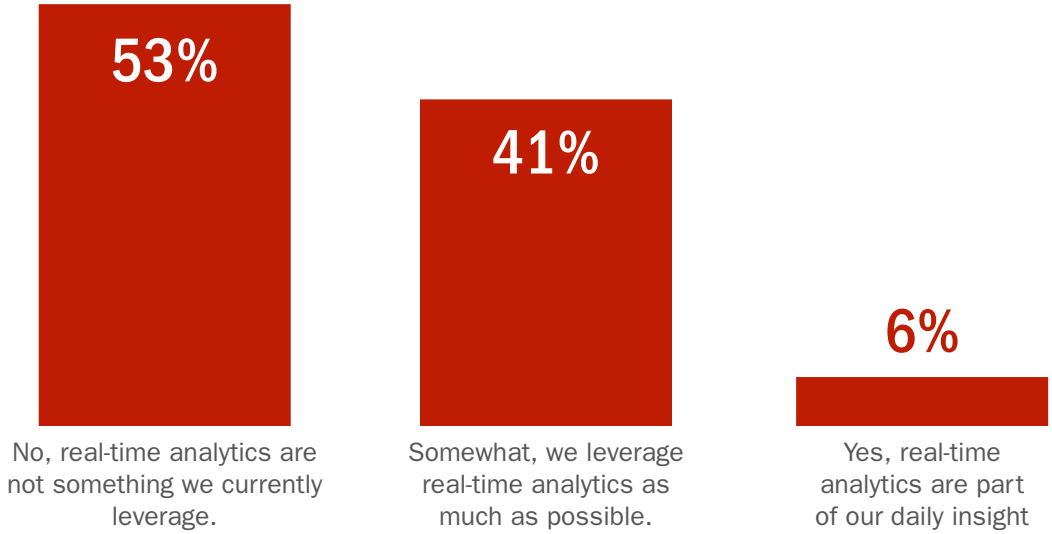
The collection of contextual insight, locational information and unstructured social media data is far less likely to be done by the organizations surveyed. While the research found some testing being done with this data, it was far from universal.

CHART 48: WHAT TYPES OF DATA ARE USED TO GET 360 DEGREE VIEW OF CUSTOMER?



Source: Oracle/Efma © January 2017 Digital Banking Report

CHART 49: IS YOUR INSTITUTION USING REAL-TIME ANALYTICS?



Over half of the organizations surveyed were not using real-time analytics at all, with only 6% of banks using real-time analytics on a daily basis. According to the white paper, "One significant reason [for not using real-time analytics] is that this approach can potentially conflict with the privacy of client information, which is also a growing concern for banks."

For the 47% of organizations that are using real-time analytics to some extent, the application of data for 'Next Best Offers' was done by 59% of the organizations. The reason for this was because 'Next Best Offers' are a more straightforward way for a bank to use real-time analytics. It is also a more reactive approach, that involves looking at real-time customer behavior and then developing rule-based offers. Other primary uses of real-time analytics was for customer retention (50%) and monitoring customer traffic across channels (47%).

When asked, "How are you leveraging data/information to better engage customers and increase profitability?", the overwhelming majority of organizations want to use insight to deliver the right offer, to the right customer, at the right time. They believe this enhances the customer experience while also reducing costs of delivery.

Improving the Depth and Use of Big Data

While the banking industry has a vast amount of data at their disposal, that doesn't necessarily equate to valuable insight when trying to develop offers and increase engagement and loyalty. There's a much wider (and potentially more valuable) pool of information which organizations can use. This includes both structured and unstructured data that comes from sources such as social media, digital (mobile) engagement, locational insight and other online activities.

When it comes to the use of big data, many banks are still in the planning stages. "There is perhaps a reluctance to forge ahead due partly to perceived costs and due to the difficulty of knowing which data to use and how to use it effectively,"

says the whitepaper. This gap between the amount of data and its usage is growing — which the research shows is a cause of concern.

The key is to identify the data which will be most useful to an organization and then finding ways of using it most effectively to boost customer engagement and to enhance the customer experience – which will lead to greater profitability.

The Future of Understanding the Consumer

While the availability of data within the banking industry was always considered a strong benefit, most organizations are not currently using the available data optimally and may not be using the right data at all. To remain competitive in the "Age of the Individual", banks and credit unions must improve both the collection and use of data to provide a more proactive and contextual customer experience.

Information is the lifeblood of financial institutions. Banks and credit unions are in the privileged position of having access to a huge volume of data relating to their customers.

How customer insight is used can make a big difference to the customer experience – and ultimately to the profitability of the organization. The right information, analyzed in the right way, can ensure that the financial institution can provide the right offer at the right time – along with a seamless service at a lower cost. And that has to be good for everyone involved.

Survey Methodology

The foundation of the primary research conducted for the Customer Experience in Banking report was a survey of more than two hundred and fifty (250) financial services organizations from Asia, Africa, North America, South and Central America, Europe, the Middle East and Australia.

The breakdown by location indicated that 48% of the survey respondents were from the US, 12% from Western Europe (other than the UK), 10% Canada, 7% from Australia, 5% from Eastern Europe and 17% of the respondents were from other countries (Central and South America, Africa the Middle East and the UK).

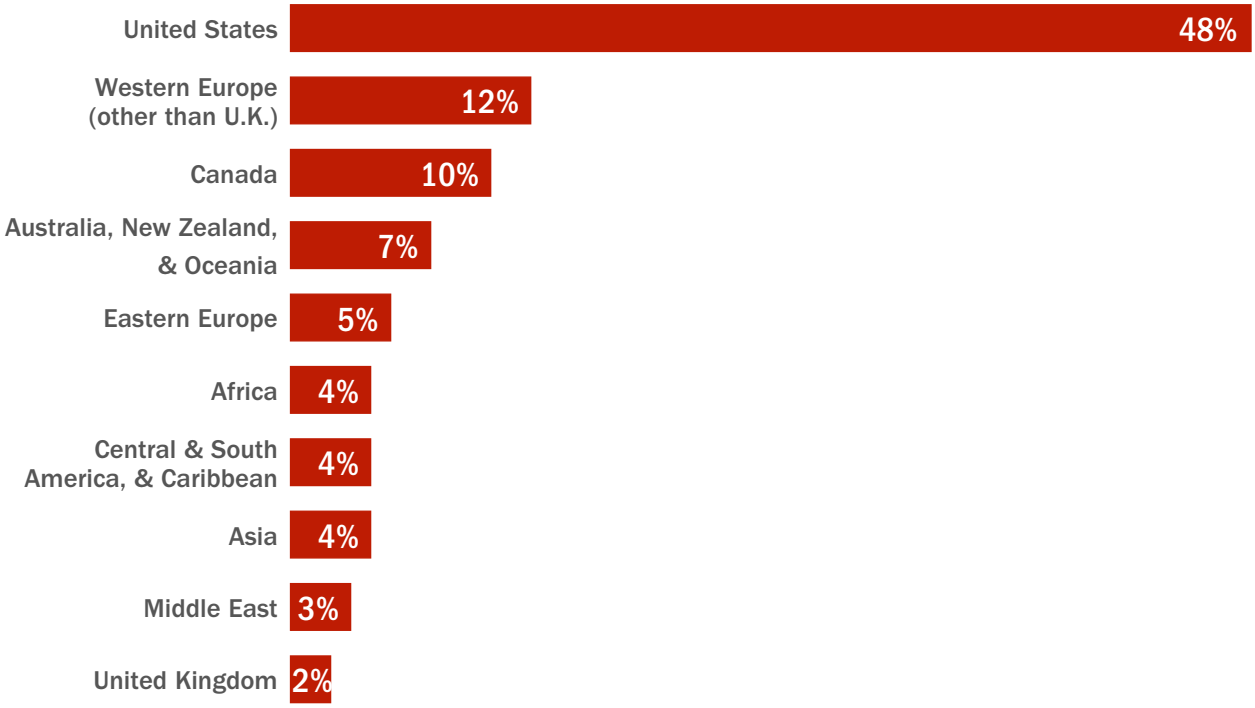
Respondents were from all types of banking organizations, with 35% from large national banks, 14% from regional banks, 26% from community banks and 25% from credit unions.

Based on asset size, 19% of respondents are from FIs with more than US$50 billion in assets, 16% had US$10 billion – US$50 billion, 35% had US$1 billion – US$10 billion in assets and 30% represented firms with less than US$1 billion in assets.

The survey was conducted by email during the week of January 15, 2017.

CHART 50: RESPONDENTS BY LOCATION

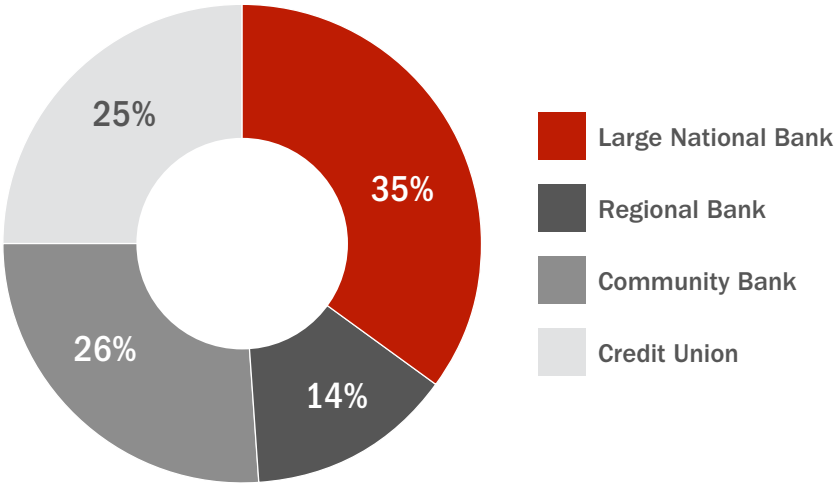
Where is your company headquartered? (n=271)



Source: DBR Research © January 2017 Digital Banking Report

CHART 51: RESPONDENTS BY TYPE OF INSTITUTION

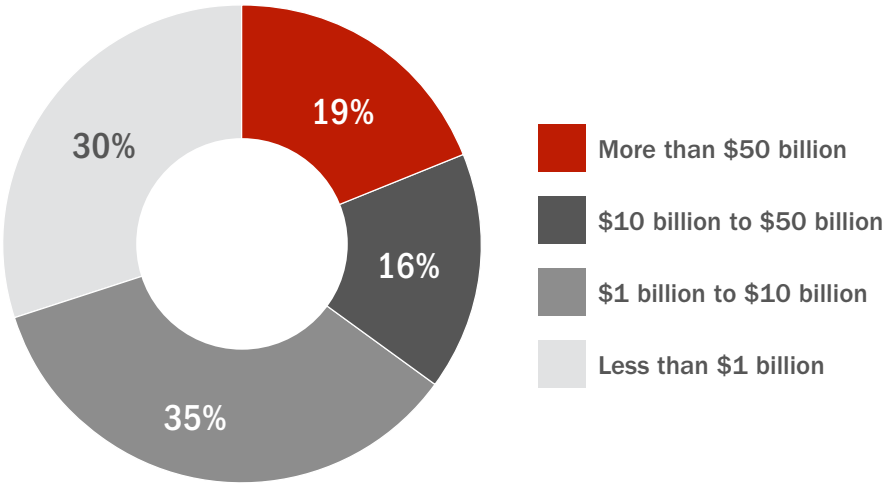
What type of company do you work for? (n=271)



Source: DBR Research © January 2017 Digital Banking Report

CHART 52:
RESPONDENTS BY ASSET SIZE

What is the asset size of your institution (in US $)?
(n=268)



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