



A global research report by Misys and Efma

# Sales or **customer** focused?

Banks' evolution to  
customer-driven **sales**

Connect  
**Innovate**  
Expand

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## Acknowledgements

We would like to extend a warm thanks to all banks and individuals who participated in this research.

Thank you also to the Efma team, for their support and collaboration on this project, in particular, Philippe Van Fraechem and Vincent Bastid.

# The pursuit of digital customer-driven sales

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## Foreword by:



**Mark Yamin-Ali**

Retail Banking  
Solution Lead, Misys



**Vincent Bastid**

CEO, Efma

The retail banking industry is in flux. With the rise of the internet and connected devices, the industry has been prophesying the demise of traditional banking for almost a quarter of a century.

Yet, today, many institutions remain poorly equipped to keep pace, let alone take advantage of digital banking. This is the finding from this research study from Misys and Efma.

We set out to explore the relationship between customer service, digital and sales.

The results paint a challenging picture and affirm the conversations that we have had with clients that there is still much to do to achieve true digital delivery.

One in five banks perform less than one per cent of sales via digital channels. Moreover, 40 per cent of customer acquisition is still done through the branch.

Despite palpable fatigue with the term “customer-centricity”, an inability to truly master it is now starting to have serious consequences for traditional retail banks.

Today’s consumers are tech-savvy, connected 24/7, social and impatient. If banks are not providing a service on a par with the likes of Google, Uber or Amazon, the customer feels let down.

Our research proves that banks are cognisant of this fact. Our experience shows they are also aware of the technology solutions that can support improved customer engagement, leading to greater cross-sell and acquisition via digital. As this issue moves up the agenda from a ‘nice to have’ to an imperative to conduct business, we are seeing more institutions engage in discussions about how to deliver digital, customer-driven sales.

We hope that this report adds further evidence regarding the state of digital banking and highlights the opportunities that banks currently face in harnessing online and mobile channels to better serve the customer and benefit the bottom line.

Banks must develop a strategic link between digital channels and their ability to support customer experiences that – crucially – result in sales outcomes.





“A quarter of banks claim that customer service is their primary focus.”

# 1.0

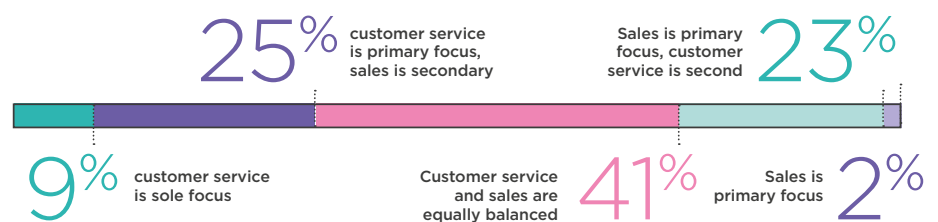
## Banks move towards a customer-focused approach

### Customer service versus sales

When comparing customer service and sales, a quarter (25 per cent) of banks claim that customer service is their primary focus. The vast majority conduct a combined focus on sales and customer service, with 41 per cent stating they are equally balanced focus areas.

As expected, very few banks state that sales sole focus of their institution.

**Figure 1: Banks have varying focus on sales and customer support**



This analytical response to the overall approach that banks are taking is an interesting reflection on two very separate stories that banks are currently telling: firstly, through marketing messaging (perpetually reflecting customer service at the heart of most institutions) and, secondly, through annual reports that focus on the financial results.

### Can these two stories become one?

The inference is that sales and customer service present competing agendas and so perhaps it is only the 41 per cent that can deliver a joined up approach to sales and customer service.

In the wake of mis-selling and a renewed focus on delivering relevant products and services to customers in the UK, for example, banks have moved away from product-specific sales targets, instead measuring whether customer needs have been met. However, this metric is still a sales target, demonstrating just how intertwined these two areas are for banks today.



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### **Barclays LifeSkills programme**

Some institutions are clearly trying to deliver a materially better experience to their clients, as evidenced by marketing campaigns which highlight service capabilities. Barclays is making efforts to go beyond the usual boundaries of banking, extending the concept of service so that it's not restricted to financial transactions and interactions. Its free LifeSkills programme is aimed at millennials, with the purpose of helping them enter and easily adapt into the working world.

At the opposite end of the demographic spectrum is Barclays' Digital Eagles scheme, which has been specifically designed to assist with getting older users comfortable with online banking in response to customer demand. Elsewhere, National Bank of Canada went from having 1.9 products per customer to 4.5 products per customer by using CRM to track their customers, rather than their products. A user-focused approach works.

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### **Increasing focus on external stakeholders**

Despite pressure from regulators and consumer groups the world over, the Misys research uncovered that 75 per cent of banks believe they have not concentrated efforts on improving the customer experience and they remain focused on sales-specific activities.

Failing to balance or prioritise customer service is dangerous ground for banks. It flies in the face of the mounting pressures they face from digital disruption and growing customer malaise.

The World Retail Banking Report 2015<sup>1</sup> found that globally, customers' propensity to leave their primary bank (especially Generation Y) is on the rise.

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<sup>1</sup> World Retail Banking Report 2015: [www.worldretailbankingreport.com](http://www.worldretailbankingreport.com)

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Recent research from McKinsey<sup>2</sup> contends that competition from non-traditional financial services providers means banks must fight for the customer relationship, or learn to live without it and become a 'lean provider of white-labelled balance sheet capacity'.

The banks that are evolving in the face of these pressures are those that operate an 'outside-in' approach. Outside-in banking means engineering a bank's processes around its external stakeholders: customers, regulators, investors. But, the customer must be King (or Queen).

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*"The local bank used to be the cornerstone of everyday life: funding businesses and homes, guarding savings, and the local manager often greeted customers by name, gave sound financial advice – and even signed passport photos.*

*Those days are long gone, and after the financial crash of 2008 and the LIBOR and PPI scandals, banks are battling to reclaim their brand value in an even more demanding environment. New 'Challenger' banks are entering the market, starting with a clean slate; and initiatives such as Apple Pay will disrupt further.*

*It is now or never for banks to reclaim their position in society, to reclaim trust – in essence, to win back their customers. To achieve true customer-centricity (beyond lip-service), banks need to rethink their entire interaction model from the customer's perspective. We know that predictive analytics, next-gen digital channels and customisable products are some of the tools banks can use to do this – but they will need to go much further. To succeed banks will need to 'think outside-in' – completely re-engineering the bank around the customer."*

**Martin Haering**

Chief Marketing Officer, Misys

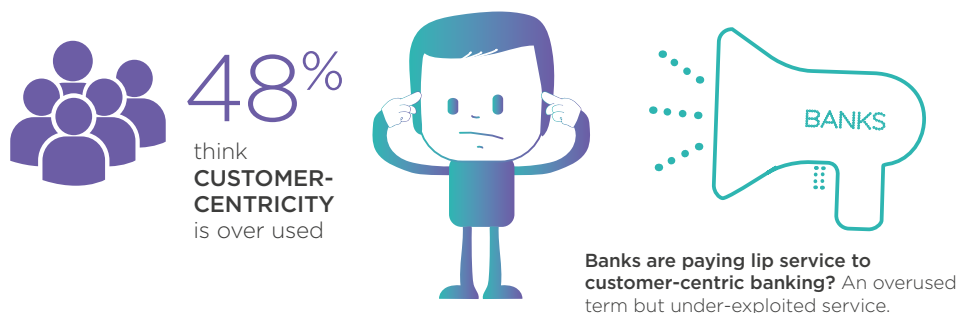
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<sup>2</sup> McKinsey, 2015 Global Banking Annual Review: [www.mckinsey.com/client\\_service/financial\\_services/latest\\_thinking/banking\\_publication\\_request\\_form](http://www.mckinsey.com/client_service/financial_services/latest_thinking/banking_publication_request_form)

### Customer-centricity is dead. Long live customer-centricity

While there is an admission that customer service hasn't been a focus to date, 48 per cent think the term 'customer-centricity' is overused. This research figure, combined with the fact that most banks do not feel they have concentrated their efforts on improving the customer experience, suggests that fatigue is setting in before banks can justifiably claim they have achieved a customer-centric approach.

**Figure 2: Do you agree with this statement: Customer-centricity is an over-used term, and bank should find something new to talk about?**



'Customer-centricity' as a concept is, of course, not new. For more than two decades, banks have lauded the benefits of a customer-first strategy. In today's climate, no institution would claim anything other than putting customers at the heart of their business.

The much heralded arrival of online banking was one major signpost along the journey to give customers better access and services from their bank. Many banks now boast multiple channels to reach, engage and serve customers. And some are reaping the benefits of putting the customer at the centre. According to Bloomberg research, the National Bank of Canada went from having 1.9 products per customer to 4.5 products per customer by using CRM to track their customers, rather than their products<sup>3</sup>.

This evidence and many other examples like it demonstrate that customer-centric strategies can create bottom-line impact. However, the lip service that has been paid to 'customer-centricity' is apparent from this Misys research finding and the palpable disengagement with the term.

<sup>3</sup> Bloomberg Businessweek Research Services (BBRS) and SAP, [www.sap.com/bin/sapcom/lu\\_hu/downloadasset.2013-09-sep-10-16.Banks%20Betting%20Big%20on%20Big%20Data%20and%20Real-Time%20Customer%20Insight%20\(Bloomberg%202013\)-pdf.html](http://www.sap.com/bin/sapcom/lu_hu/downloadasset.2013-09-sep-10-16.Banks%20Betting%20Big%20on%20Big%20Data%20and%20Real-Time%20Customer%20Insight%20(Bloomberg%202013)-pdf.html)





# 2.0

## The harsh reality digital channels are not supporting sales

“87 per cent of banks perform less than 10 per cent of sales via digital.”

### Sales yet to migrate out of the branch

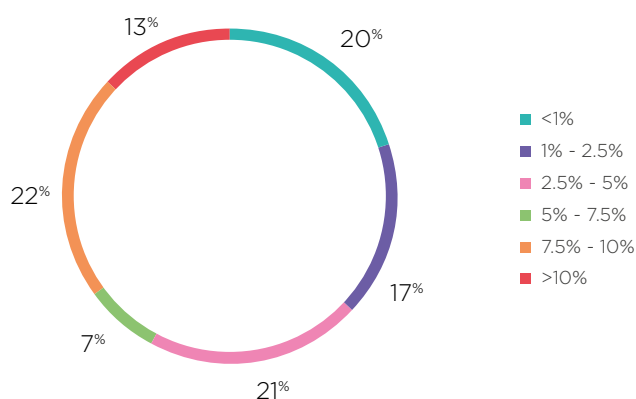
Most banks in developed economies have been offering online banking for 20 years, with many now striving to up the ante on numerous digital channels, including mobile and wearable technology.

Internet and mobile reach have rocketed in recent years, with global penetration figures estimated at 42 per cent and 98 per cent, respectively.

In spite of developments in digital infrastructure and two decades of bank investment, the research shows that digital banking services still have yet to fulfil their promise.

One in five banks performs less than 1% of sales via digital channels.

**Figure 3: What percentage of total sales does your bank currently perform via digital channels?**



The increasing penetration of digital devices globally is putting pressure on banks to reengineer infrastructure around digital banking. Moreover, a less manual and more digital model offers benefits that bring together the needs of both sales and customer service teams.

Reduced transaction costs and paperless banking, new and secure customer communications channels, and more integrated services are just a few of the opportunities delivered via digital banking.

The benefit for both the bank and the customer is clear.

However, retail banking still has not shifted enough out of the branch and into digital. 87 per cent of banks perform less than 10 per cent of sales via digital. For those that specifically state that customer centricity is an overused term, the figure rises to 90 per cent, proving that it is fatigue with the term, not an achievement of the aim.



Arguably, if customers were using digital channels effectively, they would be 'buying' more products and services. The fact that few sales are conducted via digital could infer that customer needs are not being met.

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#### **Banca Transilvania leapfrogs with digital channels**

For all the efforts which banks have made to embrace digital channels (online, mobile and social), the reality is they are not leveraging their investments nearly enough in pursuit of revenue-generating sales activities. To a certain extent, some bold experimentation will be required, particularly as new form factors – such as wearables – are released. Progressive banks are already taking steps to harness the power of new digital devices for both service and sales activities, gaining distinct competitive advantage as a result.

Operating in a highly competitive retail banking marketplace, Romania's Banca Transilvania sought to boost its market share by winning new business, and increase share-of-wallet by more effectively marketing innovative banking products to its existing customers. The bank pioneered new generation mobile and online banking, and was the first bank in Romania to launch Facebook Payments. The bank grew its market share by 80% since the digital transformation, and tripled the number of customers using mobile banking. If banks wish to achieve exponential revenue increases, this requires embracing new technologies and supporting processes.

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#### **The move from first- to second-generation digital services**

First-generation online banking essentially mirrored banks' internal core systems to customers online. Online banking home screens were not dissimilar to what a bank employee saw on their own display. The services available to customers were limited to transactional in nature, designed to drive customers away from the branch for cost-savings benefits.

A minority of banks have embarked on a more sophisticated 'second-generation' digital banking strategy that incorporates a far greater level of interaction and customer engagement. The ability to conduct virtually all banking services via digital channels is the aim, yet many institutions are still falling woefully short, as evidenced by the research.

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While consumers may use mobile banking apps to check their balances or to make the occasional payment, they're still visiting branches in order to make big financial decisions, such as taking out a mortgage, getting a credit card or extending their overdraft.

According to the The 2013 Financial Services Consumer Insight Survey by Datamonitor, 61 per cent of UK consumers chose their bank based on how conveniently its branch was located. Some banks are still focused on a strategy that involves opening new branches – e.g. TSB Bank, which markets itself as the 'local bank for Britain', is planning to open 30 new branches.



For those institutions that state they are solely focused on customer service, only 21 per cent perform more than one in 10 sales via digital channels. Of course, in most countries, the branch still plays a critical role in the customer experience, but without adequate investment in a digital banking strategy that supports in-branch relationships, institutions will fail to serve their addressable market.

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*“Institutions in all parts of the financial services sector must digitalise. Their very survival depends upon doing so without hesitation or limitation. Put simply, as the industry continues its transformational journey only those firms who digitalise from front to back will make sufficient progress so as to remain, or become, the market leaders of tomorrow.”*

*Institutions must move beyond transaction-based, first generation strategies and benefit from new opportunities to identify customer needs, personalise offerings, generate leads and drive new sales revenue. Banks can also differentiate themselves by using innovative techniques within gamification and social media, thereby enhancing the overall value proposition and increasing customer engagement – and ultimately fostering advocacy – by all possible means.”*

**Alex Kwiatkowski**

Senior Strategist, Banking, Misys

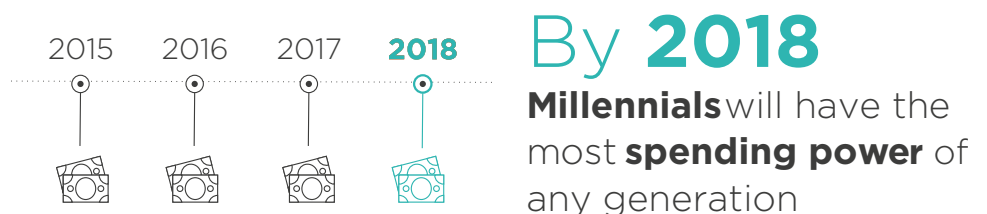
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### Why now?

Many market forces are combining now to strengthen the case for digital banking:

- › The declining cost of data is making mobile banking more palatable in developing countries. Initiatives such as Alliance for Affordable Internet (backed by Sir Tim Berners Lee) are championing the reduced cost of broadband provision, for example.
- › By 2018, millennials (current 18-34 year olds) will have the highest spending power of any generation. And by 2025, three out of every four workers globally will be a millennial.<sup>4</sup> These digital-natives check their smartphones 43 times a day, on average.
- › Retailers and internet giants are eating banks' lunch, particularly when it comes to payments. Apple Pay has made the most notable dent on the market, with a slew of other mobile payments services in competition.



An inability to truly master digital banking is now starting to have serious consequences for traditional retail banks the world over.

Banks need to adopt an omni-channel approach and improve customer engagement, understand each customer's specific needs, be able to have tailored conversations across channels, offer relevant products and originate the application – across all channels.

Today's consumers are tech-savvy, connected 24/7, social and impatient. 33 per cent of millennials believe they won't need a bank in the next five years<sup>5</sup>; 53 per cent of consumers say their bank offers nothing different versus other banks.

4 1. Kit, Yarrow and O'Donnell, Jayne. Gen BuY: How Tweens, Teens, and Twenty-Somethings Are Revolutionizing Retail. 2009

5 Goldman Sachs, Global Investment Research: Future of Finance report series, <http://uk.businessinsider.com/millennials-dont-think-they-will-need-a-bank-2015-3?r=US&IR=T>



“41 per cent of banks still place the branch as the top source for customer acquisition.”

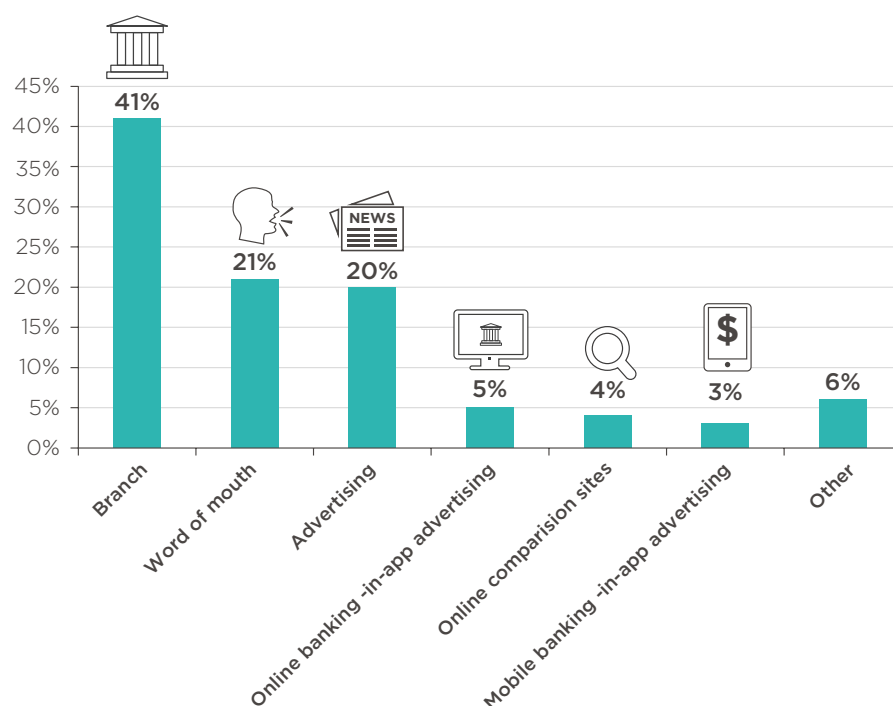
### Winning new customers

If banks are not providing a service on a par with the likes of Google, Uber or Amazon, the customer feels let down. Despite the availability of technology to do so, many banks have yet to benefit from proactive, predictive selling, in contrast to many established online retailers.

Only 12 per cent of banks state that digital channels are the greatest source of customer acquisition, while 41 per cent of banks still place the branch as the top source. Word of mouth and advertising still perform strongly for banks when it comes to generating new customer relationships, indicating that the power of reputation remains strong in retail banking.

This research demonstrates the opportunity that banks still have yet to maximise to achieve customer-driven digital relationships.

**Figure 4: Which is your biggest source for customer acquisition?**



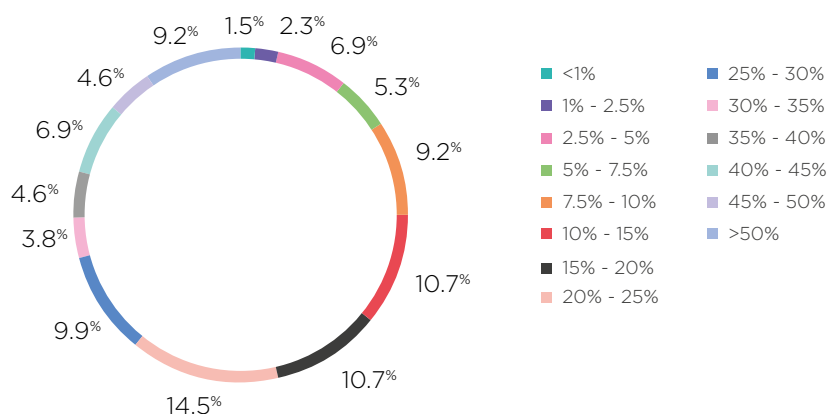
With a total of 86 per cent of banks claiming they take a combined approach that addresses both sales and customer service priorities, it is interesting to see that, in reality, digital channels are not achieving sales or winning new customers and therefore arguably missing the mark on customer service too. After all, if customers are failing to buy products and services, then their needs are only being partially addressed.

#### Banks forecast seismic shift in sales via digital channels

The current picture is predicted to change dramatically in the next three years. The percentage of banks performing more than 10 per cent of sales via digital channels is forecast to jump from 13 per cent today to 75 per cent in three years.

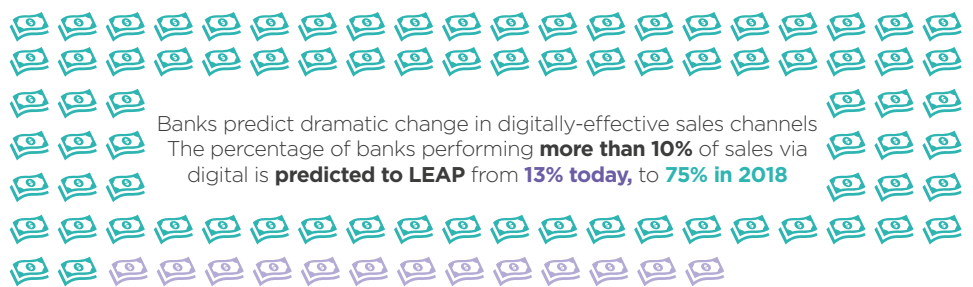
In fact, more than a third of respondents think that only one-quarter of sales will continue to come through traditional channels by 2018.

**Figure 5: What percentage of total sales will your bank perform via digital channels by 2018?**



This forecasts a significant step-change where digital will become a primary gateway for customer relationships and sales.

In the digital age, customer expectations are increasingly set beyond banking. Customers are accustomed to an engaging online experience and they are better informed, more demanding and less loyal than ever.



“82 per cent of bank executives believe smart watches will facilitate financial transactions in the future.”

#### Technology to support digital sales: wearables in focus

On the road to increased digital customer-driven sales, many of our respondents believe in the power of smart watches and wearables. 82 per cent of bank executives believe smart watches will facilitate financial transactions in the future.

Only 3 per cent of banks use smart watches at present, but in a recent separate Misys poll of retail bankers, 37 per cent claimed that wearables are on their roadmap for launch within the next 18 months.

Consumers in the US cite simplification and ease of tech as key to the success of wearable technology. For banks, the Misys poll identified authentication and the ability to send push messages as the two top factors that will increase wearables adoption.

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### **Don't just bolt on digital**

The research demonstrates the appetite to integrate digital services more deeply with sales strategy.

To achieve such a high proportion of sales via digital channels, banks must consider the suitability of their technology, both back and front office, to meet the demand.

Mobile banking should focus on products which can be sold with a minimal number of touches, like pre-approved loans or insurances. Channel integration is key. Banks can generate leads for complex products that can be handed over to the branch - e.g. gathering a lead for a mortgage application on the bank's mobile banking solution, which can then be forwarded to an advisor in the branch or in the call centre.

It is essential that these applications are visible to bank staff across all channels to ensure that customers are not repeating application processes, as this can lead to inevitable frustration. Enabling customers to engage via different channels throughout the sales process requires banks to break away from a silo-based channel approach and allow for interoperability between channels.

Banks' aggressive forecasts suggest the aim is to do this within the next three years. While banks clearly understand the power and opportunity offered by digital channels to enhance customer service and improve sales performance, are their forecasts realistic?

What are the barriers that must be overcome to achieve greater customer-driven, digital sales?

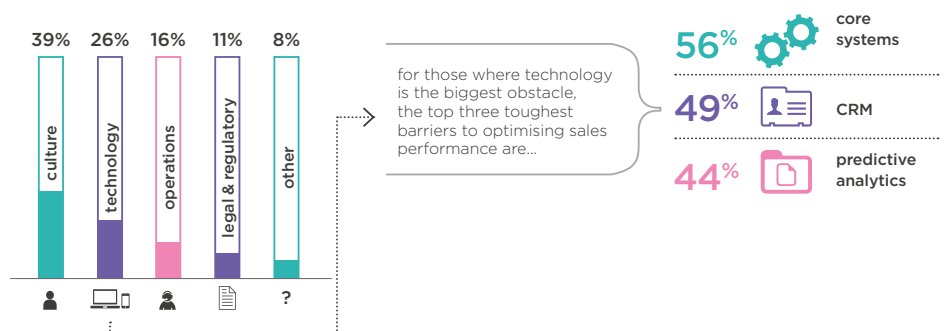
# 3.0

## Challenges on the path to customer-driven sales

### Technology at the heart of the challenge and the solution

Banks identify the biggest obstacle to customer-driven sales as cultural (39 per cent), followed by more than a quarter (26 per cent) that cite technology as the biggest obstacle. Arguably, legal, regulatory and operational challenges also lead back to technology solutions.

**Figure 6: The biggest obstacles to achieve customer-driven sales**



“Core systems are the biggest technology obstacle to customer-driven sales..”

Banks have historically been slow to adopt innovative technology. The challenges presented by legacy infrastructure have been well-documented and remain a key difficulty when integrating new digital services.

Regulatory and compliance burdens have long weighed on retail banks globally. In many markets, institutions are so focused on delivering against legislation, such as the UK’s Account Switching commitment or the impending EU Data Privacy law reform, that they have scarce resources to dedicate to seemingly non-critical technology projects.

New market entrants are also disrupting the status quo and creating an additional impetus to reduce costs and streamline operations.

Turning the technology tanker, however, is now no longer a choice for just the digitally savvy, but an imperative step for all retail banks. Banking is being restyled by technology. As transactions move from the physical to the digital world, banks need to fundamentally rethink how they engage with their customers.

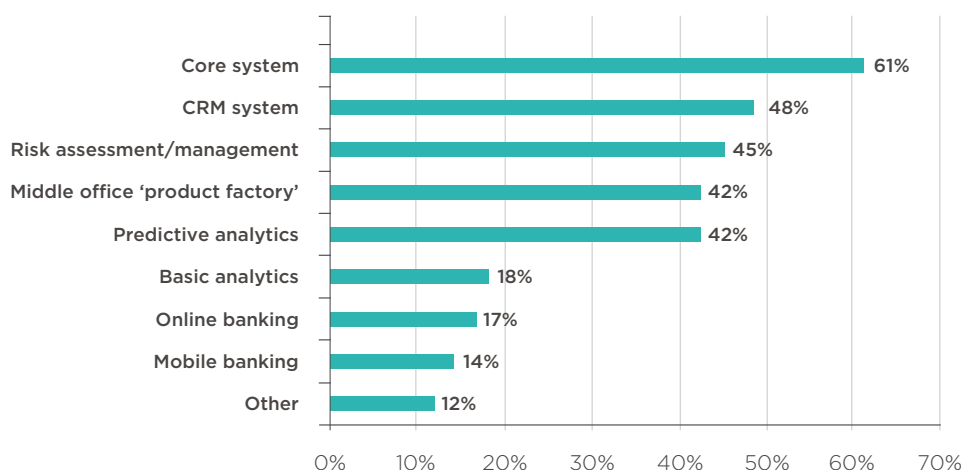


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### Core system focus

61 per cent of banks stated that core systems are the biggest technology barrier to optimising sales performance. Other technologies that ranked highly as a hindrance to sales are CRM, risk management and predictive analytics.

**Figure 7: Which of the following technologies are the biggest barriers to optimising your sales performance?**



*“As banks’ customer relationships evolve from transactions to interactions, it is no longer tenable that core systems are unable to meet the needs of the sales team.*

*Core banking technology is critical to connecting the front, middle and back office in a way that transforms banks into truly customer-focused, profitable sales operations. Core banking technology must address today’s customer and feature digital channels at the heart of the solution in order to future-proof the banks’ software investment. ”*

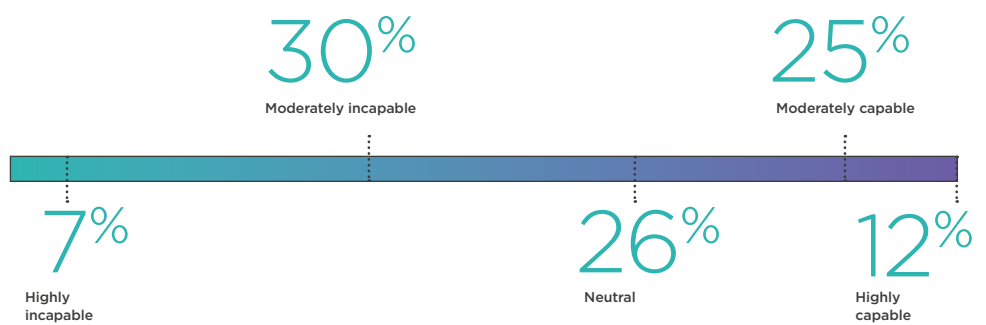
**Vincent Bastid**

CEO, Efma

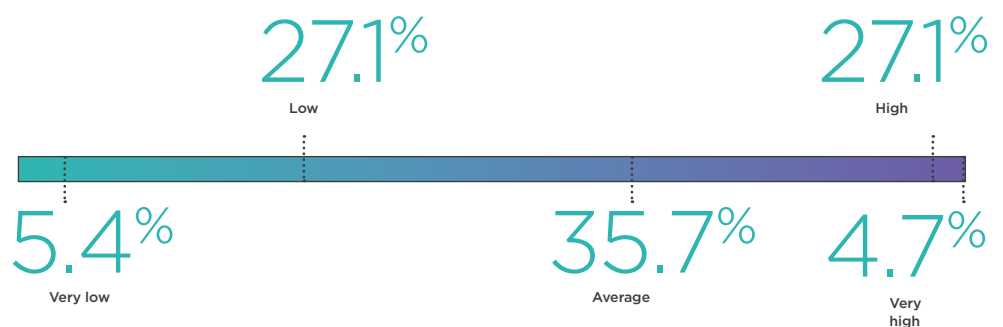
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A third of respondents (33 per cent) view their core systems as incapable of meeting the demands of the sales process, with 12 per cent referring to their banks' core system as 'highly incapable'.

**Figure 8: Which of the following best describes the capability of your core system in conjunction with the sales process?**



**Figure 9: To what extent does your existing core banking system enable you to meet sales targets?**

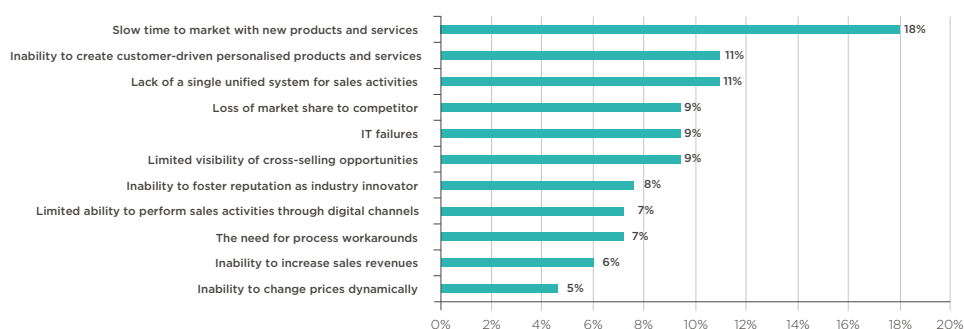


33 per cent rate their core systems with a below average, or 'low' ability to meet sales targets. This could be indicative of the fact that systems do not yet support the transition away from product-specific sales goals to a more holistic metric to successfully 'meet customer needs'. With more institutions now measuring customer relationship successes as opposed to traditional sales goals, core systems must be able to deliver the relevant insights and analytics that highlight successes and opportunities.

### Examining the business impact of technology issues that sales teams face

Slow time to market with new products and services is clearly the biggest frustration when it comes to technology challenges impacting the sales team. 18 per cent of banks rated this the single most painful technology issue.

**Figure 10: Thinking about your sales activities, what factors are causing your organisation the greatest degree of pain where technology is concerned?**



For many banking markets around the world, this frustration is magnified by increasing competition.

In the UK, for example, the Government has pledged a target to issue at least 15 new bank licences in the next five years to combat a lack of competition in the local market for retail banking.

Competition is coming from a variety of sources, not least in the US, where nearly three-quarters (71 per cent) of retail banking executives consider non-traditional competitors a threat, significantly higher than global counterparts overall (55 per cent)<sup>6</sup>.

<sup>6</sup> PwC, Retail Banking 2020: Evolution or revolution

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*“There is a fierce battle between banks and fintech start-ups to win and steal customers; to capitalise on, or create a switching market. The players who will win will have the most innovative and competitive financial products; will be digital-first; and will have superior customer service processes and teams.*

*But behind the frontline, sales processes within banks need to reflect the new interaction models. Digital must start earning its investment, and become a sales channel. Processes will become fully-automated. Banks need to become more resilient, more efficient and more competitive, if they are to survive the next decade, amidst the digital disruption that has arrived.”*

**Simon Paris**

President and Chief Sales Officer, Misys

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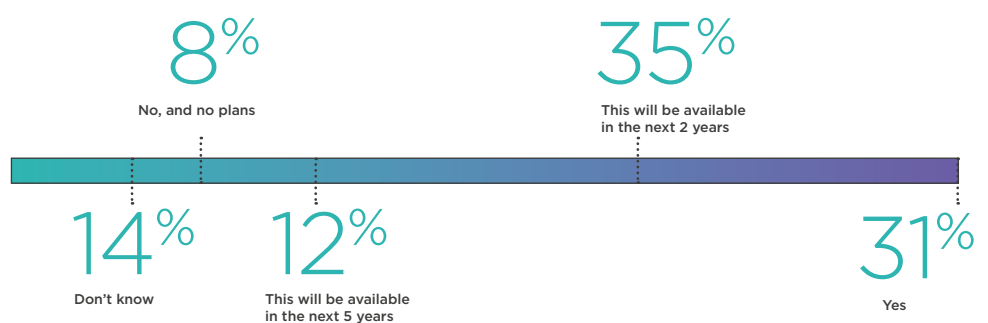
### Making it personal

Banks are striving to become more agile and out-compete rivals in many segments that are increasingly viewed by customers as somewhat commodity products and services.

Not only is time-to-market key, but product personalisation is also a top challenge. 11 per cent of banks are most frustrated by an inability to create customer-driven personal products and services.

This is an acute problem that is preventing banks from truly linking sales and customer service, and therefore their ability to satisfy customers at the specific point of need. The research finds that the vast majority, for instance, cannot support event-based real-time marketing where messages are tailored to the customer.

**Figure 11: Does your bank have the capability for event-based, real-time marketing?**



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CRM and predictive analytics barriers must be overcome to enhance banks' marketing. Banks that can understand customers better can identify where they can increase profitability for each of their products and services in a relevant, tailored way.

The role of digital channels to improve the targeting of marketing offers is crucial.

Banks can use location-based campaigns and merchant-funded offers delivered on mobile devices, for example. Personal financial management applications can also be very helpful in providing valuable customer insight that can be utilised to personalise and target marketing and sales campaigns.

With valuable insight into the financial aspirations and behaviours of their customers, banks can achieve a rounded view of the customer across every channel and can deliver product offerings right at the point of customer need.



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#### **Fidor Bank and DenizBank lead with customer engagement**

The world's most successful banks – be they established players or challengers – will be those that can successfully leverage the capabilities of advanced analytics and new forms of engagement. From a customer-focussed perspective, this is a major step forward, not just for 'protectionist' activities such as fraud prevention but for sales-specific tasks too. Encouragingly, banks themselves are aware of this and putting ideas into action.

Turkey's DenizBank, for example, has developed a powerful dashboard which places greater emphasis on the customer experience at every touchpoint. The platform aligns CRM strategies, predictive analytics and data mining with an intelligent interface. Fidor Bank, meanwhile, is at the forefront of innovation, and is constantly finding new ways to evolve its product and service offerings. This involves letting customers suggest new features. One of the most recent developments involves linking interest rates on its current account with the number of Facebook likes of the bank's page. For every 2,000 likes Fidor receives, the interest rate will rise by 0.05%, up to a maximum of 0.5%.

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“Banks are cognisant of the need to further exploit digitally integrated channels within their broader sales strategy.”

CRM and predictive analytics drive real-time marketing success, yet 48 per cent and 42 per cent of banks, respectively, highlight these technologies in the top three technologies that present a barrier to sales performance.

Furthermore, 11 per cent of banks cite lack of a unified system for sales activities as a top frustration. This figure rises to 26 per cent for those that rated technology as the single biggest obstacle to customer-driven sales.

The research demonstrates that banks are cognisant of the need to further exploit digitally integrated channels within their broader sales strategy. The link between sales objectives and driving a better customer experience is on the agenda, but has yet to bear fruit.

Technology is one of the biggest challenges facing banks as they seek to create new revenue streams, achieve greater profitability, and be customer-relevant through digital.



# 4.0

## Summary of findings



One in **five banks** perform less than 1 per cent of sales via digital channels

40%

of customer acquisition is still done through the **branch**

26%

rate tech as the **biggest** obstacle to customer-driven sales

### Closing the gap between sales and customer experience priorities

Many institutions remain poorly equipped to take advantage of digital banking to drive sales and forge stronger customer relationships.

Facing a slow time to market with new products and services and with core systems cited as incapable to meet the demands of the sales process, there is strong evidence of the areas in which technology is holding banks back. Far from being able to emulate bastions of customer service, such as Google and Amazon, banks are currently unable to innovate despite a strong desire to do so.

However, adopting digital-first core systems and infrastructure is now no longer a choice for just the digitally savvy, but an imperative step for all.

The World Retail Banking Report 2015 found that globally, customers' propensity to leave their primary bank (especially Generation Y) is on the rise. Moreover, customers' willingness to make referrals or buy additional products from their primary bank has decreased significantly.

### From lip service to digital service

Technology advances are making banks' back-office systems obsolete and their customers ever more demanding in the way they seek and interact with financial products and services. The response from the industry to date has been to make strides towards 'first-generation' digital platforms which are transactional in nature, designed to drive customers away from the branch for cost-savings benefits.

*"This research confirms that 'second-generation' digital banking, delivering relevant products and services across all channels, remains an aspiration rather than a reality. As long as the customer experience remains largely transactional, neither the financial service provider nor the customer can reap the full benefit of digital banking."*

**Vincent Bastid**  
CEO, Efma



82%

believe **smart watches** will  
facilitate financial transactions  
in the future

### A time for change

Banks are tipping the next three years as the era in which digital, customer-driven sales will be ushered in. The forecast leap from 13 per cent today to 75 per cent of sales conducted via digital channels by 2018 is significant.

And this figure is not only an enhancement of existing digital channels, but also a desire to introduce new ones, with many respondents backing the power of smart watches and wearables, for example.

This demonstrates just how strong the appetite is to improve digital channels for customer-driven sales.

The fatigue with 'customer-centricity' that this research identifies highlights that there is a great deal of industry chatter about the importance of customer service and innovation in delivery using technology. It is considered key to retaining and growing clients. However, in many cases, there is a missing link between improvements in customer service and an increase in sales.

It is now time to close the gap between hype and reality. Technology advances and customer attitudes make it entirely feasible that digital channels will host the majority of banks' sales. But, the question is: Will banks meet their own forecast and deliver by 2018?



# 5.0

## Where now?

We conducted this research to understand more about the current state of customer-driven sales and banks' use of digital channels. Much has been studied about the rise of 'customer-centricity' (let's not forget that almost half of our respondents expressed fatigue about this). We wanted to go a step further and compare perceptions with reality.

Perhaps unsurprisingly, banks remain locked in an internal battle to invest in the right technologies to drive their performance both today and in the future. With banks facing many competing investment priorities, it's not new to highlight that banks have yet to take advantage of technology innovations that other industry sectors are already exploiting.

It is entirely possible to build a customer-focused institution, built on core software and systems that can deliver better customer experiences as well as increase sales, all via an omni-channel approach. The difficulty lies in the challenging journey to upgrade legacy systems and overcome historical barriers to digital adoption.

At Misys, we believe in 'outside-in banking' – engineering the entire bank and processes around the customer, to remove friction and frustration in banking. And this goes beyond digital channels – as the research proves, it is core banking systems that are hindering customer-driven sales. Outside-in banking helps banks with three fundamental business goals:

- › Being customer relevant: adapting to new market dynamics and meeting the needs of a changing customer profile.
- › Accelerating time to market: out-innovating competitors and enabling timely products to market.
- › Driving profitable growth: finding new efficiencies through technology solutions.

Banks must establish a profitable and sustainable relationship between serving the customer and generating sales. The key to success is to offer the right product at the right time, through the right channel.

There remains a missing link to ensure that improvements in customer service are benefiting sales. While this is the status quo, neither the bank nor the customer can reap any benefit. Banks are paying lip service to digital customer-driven sales.

Institutions must stop looking at sales and customer service in isolation and strive towards actionable analytics, cutting-edge mobile and online banking, and an accelerated product 'factory' where they can create unique new financial products.

Banks must be engineered around customers, regulators and investors. But the customer is the most important. If banks can get that right, it will deliver a sustainable outcome for banks' shareholders and regulators too.

**Vincent Bastid**  
CEO, Efma

**Mark Yamin-Ali**  
Retail Banking Solution Lead, Misys

# Research methodology

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This study was conducted over the period May – October 2015.

- › Global research
- › 185 responses
- › Across retail, corporate and investment banking
- › 65% of roles were from a business operations function; 30% from technology; 5% 'other'.

# About Misys

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## Misys

Misys is at the forefront of the financial software industry, providing the broadest portfolio of banking, capital markets, investment management and risk solutions available on the market. With more than 2,000 customers in 130 countries our team of domain experts, combined with our partner eco-system, have an unparalleled ability to address industry requirements at both a global and local level. We connect systems, collect data and create intelligent information to drive smarter business decisions. To learn more about how our Fusion software portfolio can deliver a holistic view of your operations, and help you to solve your most complex challenges, please **visit [misys.com](http://misys.com)** and follow us **@MisysFS** on Twitter.

## About Misys FusionBanking Essence

Retail banks designed on decades-old processes? That was yesterday! Misys designs its retail banking solutions for 'outside-in banking' – this means engineering the bank and processes around the customer, not being shackled to legacy systems and processes.

Our banking clients put their customers first, and banking where they want it: at their fingertips, on their smart phone, watch or tablet. Advanced analytics – mining data from the core system, consumers' digital devices and financial goal setting (PFM, gamification), provides deep insights into customers' financial aspirations, and sales opportunities.

Digital channels are not a bolt-on for us: they are an integrated and vital part of our connected front-to-back retail banking solution, Misys FusionBanking Essence. The connected and automated solution provides accelerated product time-to-market, agility and best-practice processes. And banks can implement and be up and running in less than 6 months.

With outside-in banking, banks can turn old thinking on its head and innovate faster. [www.misys.com/outside-in](http://www.misys.com/outside-in)



# About Efma

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## **Efma**

As a global not-for-profit organisation, Efma brings together more than 3,300 retail financial services companies from over 130 countries. With a membership base consisting of almost a third of all large retail banks worldwide, Efma has proven to be a valuable resource for the global industry, offering members exclusive access to a multitude of resources, databases, studies, articles, news feeds and publications.

Efma also provides numerous networking opportunities through working groups, webinars and international meetings. True to its vocation, Efma has recently developed an Innovation portal which aims to identify and award the most innovative projects in the retail financial services arena.

Visit [www.efma.com](http://www.efma.com)

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As Efma's CEO, Vincent is responsible for leading the organisation and setting its strategic direction, to maximise the benefits for its 3,300 retail financial services members, the largest retail banking network in the world.

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