
Keane White Paper

Keane Research Report | Innovation Engine Series

**Pulling Ahead: Improving
Growth with Richer Online
Customer Experiences**

A Keane research study shows that financial services firms have a golden opportunity to outpace their peers by building better customer interactions on the Web. But there's no shortage of technology challenges.

EXECUTIVE SUMMARY

The financial services providers that are happiest with their growth rates are investing assertively to improve online interactions with their customers. But they find themselves up against formidable technology barriers – and some face far higher barriers than others. This Keane research report reveals the span and pace of the leading providers' activities and uses a four-step model to give a snapshot of how firms assess the maturity of their current online services capabilities.

About Keane

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Research Highlights

- » The financial services firms that invest heavily in improved online customer experience are happy with their organic revenue growth. 71% of the “very satisfied” firms define themselves as innovative in their development approach to online products and services.
- » Two-thirds of respondents say online services are a priority for working with customers in the future. (More than 20% rate it as their highest priority.) The obvious flip side: one-third say it’s not a priority.
- » Financial services providers see customer retention and cross-selling opportunities as the primary reasons to invest more in online offerings. Nearly 95% cite retention benefits as the #1 reason.
- » A four-step maturity model reveals the breadth of the gap between pioneers and others. The innovative firms currently have more capability at all levels of the model and are much stronger in advisory & planning and portal capabilities.
- » Nearly half of all financial firms say that their existing technology platforms are the primary barrier to improving the online customer experience.
- » More than 80% of firms say real time database technology is the most important investment for improving the online customer experience.
- » The most active investors in online experiences are firms such as brokerages and mortgage lenders;

more than 70% consider themselves innovators compared to 52% of retail banks and 43% of insurers.

Confronting the Commoditization Trap

You don’t have to be a veteran banker to realize that most retail financial products and services are rapidly becoming commodities. Every bank branch, it seems, offers no-fee checking accounts, more convenient evening hours, and great rates on its three-year certificates of deposit. It’s much the same story in mortgage products, in insurance, and even in investment management and advisory services.

The commoditization trap is not a surprise to providers of retail financial services. They have long known that if they are to grow organically – certainly if they’re to grow faster than their competitors – they must do more than simply extend their product lines and buff up the services that support their products. They have to provide better overall experiences for their customers.

Easier said than done. These days, those contacts occur at more customer “touchpoints” – the fund transfer tool on the bank’s Web site, the ATM, the brokerage’s regular e-mail alerts, and its rapid response customer help lines, for example. The contacts also become more frequent as products and services proliferate and as providers cross-sell more aggressively. All these interactions must be integrated effectively across delivery channels; a frustrating experience in one channel will quickly jaundice the customer’s opinions about other contacts with that firm.

Banks and other financial firms are not known for their friendly faces to the customer. On average, bank customers are three times less likely to recommend their bank to a friend than they are to recommend any other service provider, according to consultancy Bain & Co.

The firms cannot be faulted for trying. They have worked hard to improve the quality of offline interactions – at branch offices, ATMs, call centers, and in their marketing efforts. But for most, it has been a struggle to offer much that is distinctive online – the space that is least developed and that offers some of the strongest potential for enriching the customer experience.

The online component is essential for two reasons. Broadband services are proliferating while becoming faster. At the same time, more consumers are habitually using the Internet to connect with family and community, with businesses, institutions, and with government.

Discrete subsets of online consumers are becoming highly attractive to financial services providers: the so-called “silver surfers” (Web-savvy retirees eager to balance asset preservation with active lifestyles); high net worth individuals who are still in the workforce and whose investments may range from fine art to angel funding of new ventures; and early-to mid-career men and women who are income-rich but largely asset-poor.

The last category is very alluring if treated well. According to research in Europe by McKinsey & Co., high-potential customers, acquired at age 30 and remaining loyal throughout their active lifetimes, are worth 30% to 70% more than the high-potential but

non-loyal ones, whose value to the bank gradually erodes or who eventually leave the bank altogether. These loyal individuals buy, on average, 40% more products than their less enthusiastic counterparts.²

In each of those demographic subsets, consumers are exposed to an ever-wider range of online experiences. Their exchanges with highly effective, reliable, and trustworthy sites – think Google or eBay – are constantly reshaping their perceptions of what constitutes a “good” online experience. Why should they expect less from their banks, brokers, and investment advisors?

At Keane, we knew that many studies had already explored the impact of new financial products and enhanced offline services. But we noticed that little had been done to test the influence of superior online customer experience. So in the fall of 2005, we designed a focused research program to reveal how financial services providers view the online aspects of their contacts with customers, to depict their patterns of investment in online interactions, and to expose what they think are the barriers that prevent them from doing more to improve those interactions. (See “Research Methodology and Demographics.”)

In this research report – the first in Keane’s Innovation Engine series – we will dissect the research findings and look at what they mean for senior managers at leading financial services firms.

In the next report, we will place the findings in context of the integrated customer experience – and in light of how customers themselves think about their needs.

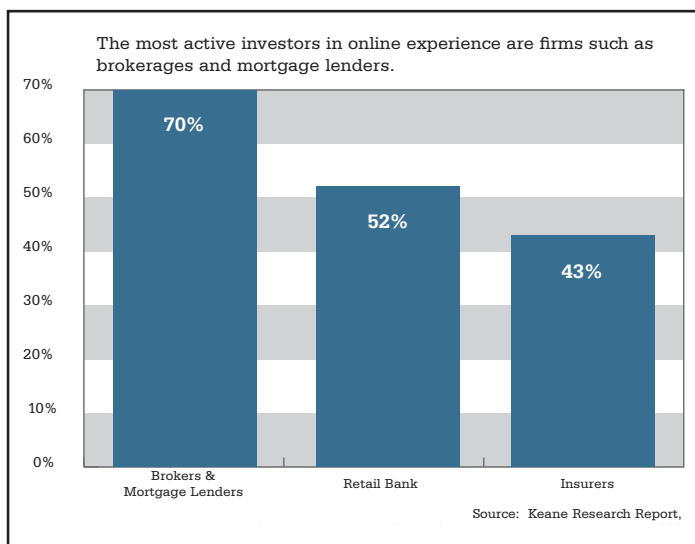
What the Research Reveals

Keane's study leaves no doubt that financial firms identify online customer experience as a priority for boosting their organic growth. The most striking finding was the strong correlation between the firms' stated satisfaction with their revenue growth rates and their investments in online customer experience.

Of the retail brokerages, banks, insurers, and other providers of financial services that are most satisfied with their organic growth, more than 70% defined themselves as innovators in the development of online products and services. And 66% of respondents said online services are a top priority for working with customers in the future.

Analysis of the research results reveal a delineation between two categories of respondents: what Keane calls the "Innovators" and the "Contenders."

Figure 1: Financial Sector Comparison



Innovator companies have a wider range of online services capabilities – and they are making strong investments to improve the online customer experience and develop new services. For example, they plan to provide Web access to information and services that extend beyond their core financial services and to improve the ability to personalize the customer interaction based on a customer's profile and choices.

The Contender firms are feeling the affects of having fallen behind the competition. As a result, they are making their online services investments a higher corporate priority than in the past. They are investing most heavily to improve capabilities in basic presentation, transaction, and data integration initiatives.

Breaking down the responses by sector, the study showed that the most active investors in online experiences are services providers such as brokerages and mortgage lenders. (See fig. 1.)

However, many financial institutions are sharply limited in what they can achieve. Big technology barriers loom large: nearly half (49%) of all respondents cited their existing technology platforms as the primary obstacle to faster improvements in online customer experience.

It is Keane's firm belief that both Innovators and Contenders have to do more – and must do it faster – to break down the barriers. The Contenders clearly must find ways to extend their online functions and make investments beyond basic presentation and transaction capabilities. The Innovators now have to get better at identifying and surmounting the formidable technology barriers that slow their online expansion efforts. Both groups need to step back to address the multiple application layers required in

online services – presentation, transaction & data integration, advisory & planning, and portal capabilities.

It also is crucially important for all retail financial services providers to let in the “voice of the customer.” If they cannot do that successfully, then their online customer experience initiatives will be compromised – and in turn, they will limit their chances of successfully improving the integrated experiences that are essential for faster growth.

Profiling the Online Experience Leaders

To provide a snapshot of how financial services firms assess their current capabilities, Keane developed a four-step maturity model. (See fig. 2.) The model begins with providers’ presentation of a static Web “showcase” of products and services. It then moves on to providers’ ability to improve site navigation, interaction, and capture basic customer data that supports cross-selling efforts. Up another level of sophistication, the model illustrates how providers begin to incorporate degrees of personalization based on what is being learned about the customer and how they enrich their decision-making information offerings.

At the highest level of maturity – the portal level – financial firms’ sites are extending outward to provide information that enables transactions in related aspects of customers’ lives. For example, a bank that does not offer mortgage products may provide links to articles about mortgage choices or

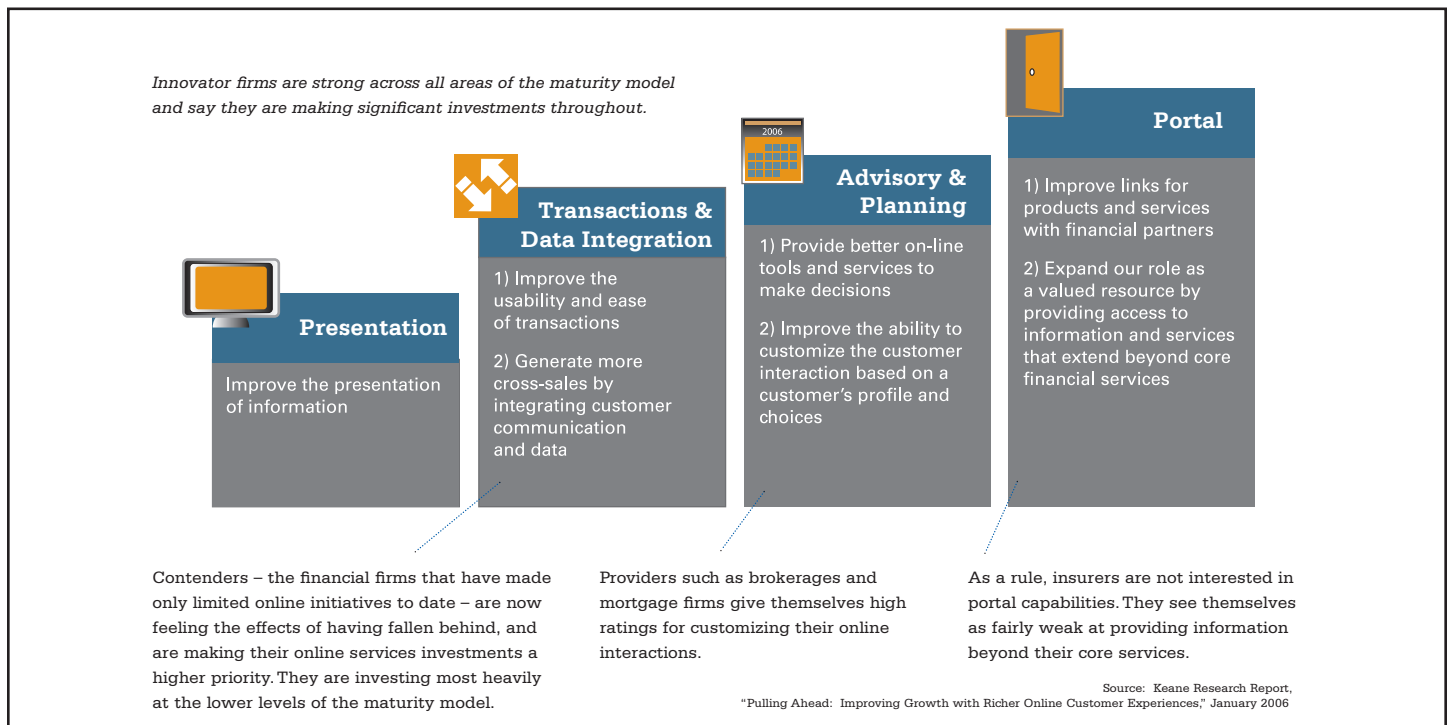
online calculators to help with decision-making about payment terms.

Here’s a closer look at the survey spread across the model:

- » **Portal** – only 29% of financial firms say they are effective at providing access to information and services that extend beyond core capabilities and integrated links with financial partners. Brokerages are in the vanguard; insurers lag the most.
- » **Advisory & Planning** – only 36% believe they do a good job of customizing the customer interaction based on a customized profile.
- » **Transactions & Data Integration** – a slight majority – 51% – say they share information across multiple channels and can enable their customers to view balances, transfer money, and make payments. Although insurers excel at providing online tools, they are weak at offering personal financial data and transactions.
- » **Presentation** – more than half of financial firms – 53% – say they competently provide basic product and service information online.

The annotations on the diagram give a variety of perspectives on how Keane’s survey respondents gauge their online presence compared to their competitors.

Figure 2 : Keane's Online Services Maturity Model



Impact of Superior Online Experiences

To provide a snapshot of how financial services firms
 Impact of Superior Online Experiences

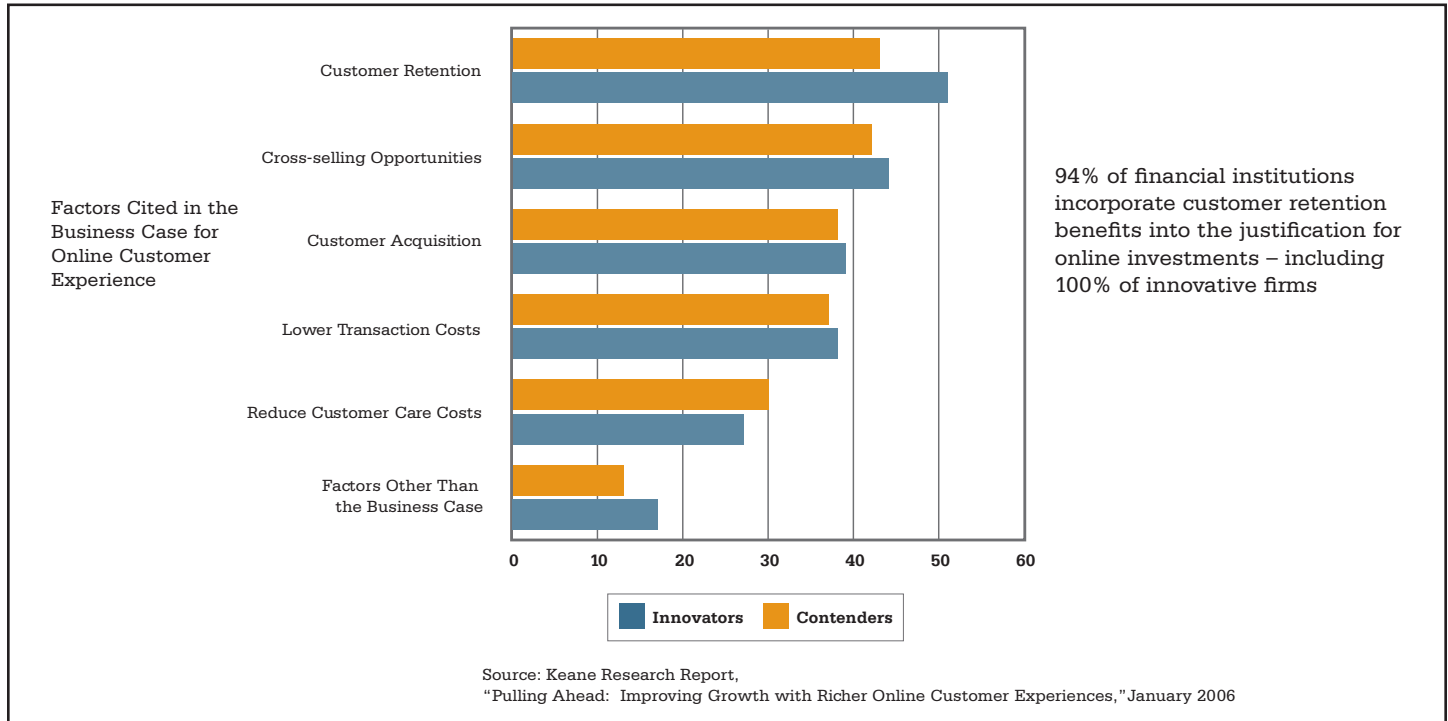
Financial services providers have no doubts about why they invest in online customer experience initiatives. Almost all respondents cited customer retention as the primary driver, with cross-selling opportunities listed

as a close second. The firms answered as follows:

- » 94% say customer retention
- » 86% say cross-selling
- » 77% say customer acquisition
- » 75% say lower transaction costs

It's no wonder that retention tops the list. According to The customer-led bank, a report from consultancy Bain & Co., customer churn is at unacceptable levels. The annual rates for defecting current account holders at German banks increased from 4–6% in 2001 to 8–10% just two years later, notes the report. In the U.K., the percentage of switchers among current account holders

Figure 3 :Customer retention and cross-selling opportunities the justification for investing in online customer experience



tripled between 2000 and 2003 (it has since leveled off slightly, notes Bain.) Among retail bank customers in the U.S., the churn rate hovers at about 15% annually. "All signs point to increased customer flight as technology and competition make it ever easier for consumers to switch allegiances," claim the report's authors.³

Notably, the Innovators are more attuned to the retention issue and to opportunities to cross-sell than Contender firms. (See fig. 3.) The Contenders are still concerned more with reducing the costs of customer care – a potentially risky focus if it is not offset by an equally strong emphasis on the sources of revenue growth.

It's also interesting to see how firms view the Web as a source of leads.

In particular, insurers use the Web as another tool to direct prospects to their agents. (See Profile on page 7.) In Keane's view, financial services firms have more to learn about how to use the Web for active and cost-effective customer acquisition. Critically, they have to view their online offerings in light of their customers' many other Internet interactions. And they will benefit by thinking of their Web activities in terms of customers' goals – not in terms of their product offerings. We will address these issues in more detail later.

Plans for Improving the Online Customer

Experience It goes without saying that financial services providers are hungry for stronger growth. When asked what initiatives their organizations are undertaking to drive organic growth, two-thirds of the respondents to Keane's survey said they want to boost sales of products and services to existing customers through superior customer service and better customer experiences. But there's a sharp delineation between the growth-minded financial services providers that see value in improving the online customer experience and those that don't. According to the Keane study, 41% of retail providers will make aggressive improvements because they believe their online customer experience is an important factor. But an additional 41% will make whatever improvements are necessary to remain competitive. That means they will likely not be benchmarking against best practices in other industries – best practices to which their most desirable customers and prospects are already exposed.

Over the next two years, respondents indicate that they will be spending more on the following online experience priorities, in this order:

- » Improve usability and ease of transactions
- » Generate more cross-sales by integrating customer communication and data between channels
- » Provide more or better online tools and services to assist with life planning
- » Improve the presentation of information

As mentioned earlier, there are marked differences in investment plans between those that consider

themselves innovative and those who say it's important only to remain competitive. For instance, the Innovators will push further, emphasizing improvement to the links to services and information with financial partners and providing wider access to information and services that extend beyond core financial services – toward areas such as home investment, retirement activities, and more.

To help with those initiatives, financial services firms will make targeted technology investments. In particular, they will spend on technologies that help them access and manage data. Here are the technology areas that respondents consider necessary to achieve their objectives:

- » **Real-time database technology 83%**
- » **Enterprise data management and integration, including customer information 80%**
- » **Service oriented architecture 67%**
- » **Rich client interfaces 65%**
- » **Event processing and alerting 64%**
- » **Risk dashboards 50%**
- » **Other – consistency of presentation 1%**
- » **Don't know/refused**

The Biggest Barriers to Improving the Online Customer Experience

Before we look at what's preventing financial services providers from changing, it's important to review what's forcing them to change.

To start with, there is no let-up in shareholders' demands for stronger growth. The waves of mergers and acquisitions that followed the 1999 repeal of the Glass-Steagall Act have helped answer some of those demands. But a raft of challenges remains.

Although cost-cutting initiatives have been successful to date, they can distract from the longer-term priority of driving organic growth by starving companies of the resources needed for product development or market research, for example. As mentioned earlier, financial services customers are increasingly fickle; they have more choices than ever and far more information at their disposal.

Neither customers nor technologies are standing still. According to Forrester Research's poll of U.S. households, broadband access will more than double this decade, reaching 71 million U.S. households in 2010. Broadband, laptop and home networking adoption will help drive online research and purchasing to more than 55 million households by 2010, up from around 36 million households in 2003. Already close to half of all computer hardware and software is bought via the

Internet; for tickets, the figure is 28% and for toys and video games, it's 12%, says Forrester. And by 2010, approximately 47 million U.S. households will pay bills online — a 75% increase from the end of 2004.⁴

The Web-savvy are doing even more on the Web. Now, notes Forrester, 43% of U.S. households that are online are banking online; 41% check their account balances online, and 24% transfer balances online.⁵ Those are eye-popping statistics for managers everywhere in financial services. The checkless society is just around the corner.

So what's stopping financial firms from doing everything they can to enable a stellar customer experience? The foremost constraint is their own complexity. Over the years, as new products and

Figure 4 : Pulling Ahead: Improving Growth with Richer Online Customer Experiences

Q: What are the biggest obstacles to improving the online customer experience?

Existing technology platform	49%
A cost-management culture	44%
Unable to justify the ROI	32%
Operational risk	29%
Organizational stovepipes	25%
Better customer research	24%
Vision for the future online experience	19%
Need new skills	13%
Other	3%

Speaking my language? Two views of money

The customer

- » I want to buy a house
- » What can I afford?
- » I need homeowners insurance
- » We need to remodel the kitchen

The bank

- » I want to sell a mortgage
- » I want to pitch variable mortgages
- » I want to sell a comprehensive insurance package
- » I want to sell a home equity loan

services have been introduced, organizations have developed within organizations, each with their own IT systems. (Only the start-ups, such as E*TRADE and the U.K.'s Egg bank, can claim freedom from legacy systems.) Most major players have literally dozens of business units, most built around a particular product such as credit card or mortgage. That product focus is a cultural impediment all by itself.

PROFILE: Filling the Agents' Pipeline

One survey participant – a leading insurer – made the goals for its external Web site very clear. “The online system is a support vehicle for a very focused strategy of high-touch, in-person support by agents. You can see why some of the higher-end customization is not online; we want agents to do it,” said a senior technology manager. “The company goes to extremes not to disrupt, but rather support the agent distribution systems.” At the same time, the insurer offers a range of online tools to help clients and prospects make decisions, and considers itself very innovative; it boasts 75 calculators on the site and prides itself on providing “readable, usable, actionable” content, some of which is delivered using Flash multimedia tools and via podcasts. The firm is also pleased with its record of customer service. However, the role of agents remains a major driver of strategy. “Not one telephone exchange happens that isn’t communicated to the agent within 24 hours. We do not want to attract a client who looks for service online,” says the insurer’s manager.

A second point is the “if it ain’t broke, don’t fix it” mindset. Many financial firms have been producing healthy returns, and their shareholders have been well rewarded; it is not easy to change behaviors among older business leaders who did not grow up with technology.

Third: financial firms typically measure themselves against themselves. Their innate product focus prevents them from asking the kinds of questions that real customers have.

At the same time, many financial services executives are wary of investing heavily in technology for which they are hard-pressed to see returns. Executives have also had to pay out for systems to meet regulatory compliance, for risk management, for anti-money laundering provisions, and to answer louder calls for data security. Year 2000 expenditures still sit uneasily with many CEOs, and the echoes of the dot.com collapse still reverberate. And don’t forget that just a few years ago, many large providers wrote large checks for portals, assuming that what customers needed was one place to aggregate all their financial information.

The head of one international banking conglomerate has been heard to refer to his CRM investment this way: “I’ve spent \$35 million and I’ve got the most expensive Rolodex in the world.”

The Keane survey points to a range of barriers, both technology and cultural. Asked about impediments to growth overall, respondents cited these three leading factors:

- » Risk management, regulation, and compliance create major challenges and hurdles for improving the online experience
- » It’s difficult to remain competitive on pricing

» We need to offer our customers a better overall customer experience

The survey asked respondents to concentrate on the biggest obstacles to improving the online experience. What's interesting is that improvements aren't held back for want of the necessary skills. And they're not impacted as much as might be expected by the often-cited organizational stovepipes. The most daunting barrier is the existing technology platform. (See fig 4.)

A hint of the challenge will be apparent to anyone whose name has been recorded three different ways by the same organization – for, say, a credit card, a checking account, and a home-equity loan.

Removing the Barriers

A word of caution here: in Keane's observation, no financial services firm is close to removing all the barriers to a superior online customer experience. Although the financial services sector is heavily reliant on information technology, we believe that online best practices are found elsewhere.

That's true at the simplest levels of customer awareness. A 2005 survey of more than 5,000 U.S. households by Forrester Research showed a big drop in what the research firm labels "customer advocacy" – a key driver in developing deep customer relationships. The survey found the advocacy ranking of 15 firms dropped at least five percent compared to the previous year, while only three — credit unions, E*TRADE, and Wells Fargo — rose by five percent or more. Of the 34 companies ranked, only seven had a

majority of their customers rate them high on customer advocacy. Five of them — including State Farm and Vanguard — are customer-owned. Seven of the bottom eight firms are top retail banks.⁶

Similarly, the Customer Respect Index – a quarterly measure of a customer's online experience when interacting with companies via the Internet published by The Customer Respect Group – shows that financial services firms in North America are not exactly paying attention to their clients' deeprooted concerns. The most recent index, in September 2005, reveals that sharing of clients' personal information outside the organization is on the increase. After a dip to 43% in The Customer Respect Group's first-quarter 2005 report, 53% of the surveyed firms now share user-supplied data with business partners or other third parties without the explicit permission of the user.⁷

These figures compare poorly with the average of all surveyed companies in all industries over the last 12 months. Some 24% of those firms shared data with partners or other third parties – a clear indicator that most financial services firms fail to recognize their customers' interactions outside of taking a loan or buying a mortgage. There are similar shortfalls in giving customers control over their own data: only 11% of financial services providers adopt an opt-in marketing strategy, well below the national average of 29%, according to The Customer Respect Group. Almost half of firms provide no way to correct personal information and 79% offer no way to delete personal data.

Lessons from the Leaders

Several financial firms are making determined efforts to break down the barriers and transform their customers' experiences online. Here are a few snapshots:

Egg

Launched in 1998 as an online-only retail bank, Egg already has more than 3.5 million customers in the U.K. Without the impediments of legacy systems, branch assets, or entrenched cultures, Egg (www.egg.com) has shaken up "High Street" banking in Britain and now runs profitably. It has used a wide range of discovery techniques – including traditional focus groups – to continually learn more about its customers' needs and to improve its offerings. The firm's customer experience satisfaction ratios have climbed to levels that are the envy of most of its competitors.

Barclays

Barclays, one of the U.K.'s leading financial services firms, is working hard to increase its customer appeal both online and off. A new Web site offers a much friendlier face, using everyday language and simpler financial terms. Recognizing the breadth of its customers' needs, Barclays' site now engages visitors with a simple box titled "Got a life-sized question?" The accompanying drop-down menu approaches customers' issues from their viewpoints – "funding university," "sorting out a pension," "buying my first home," and so on. And a new online banking facility uses a conversational approach to encourage customers to break with their check-writing habits. (<http://www.barclays.co.uk/online/demo/>)

However, Barclays, like most of its peers, has yet to customize value propositions for its clients based on

the behavioral data it gathers from them. And it has not made sufficient distinctions between very different customer groups. "Banks haven't done a great job marketing electronic bill presentation and payment because they're using a one-size-fits-all message," says Forrester analyst Catherine Graeber. "They need to emphasize speed and convenience to young consumers and highlight simplicity and security to boomers and seniors."

HSBC

HSBC, one of the largest banking and financial services organizations in the world, is pushing to understand the behaviors of its customers with a site called www.yourpointofview.com. The site, launched in late 2005, is a laudable discovery initiative, richly detailed and highly engaging. Lively, Flash-driven access points – examples include "Cloning", "Gorillas," "Tattoos," and "Modern Art" – invite readers to share demographic information while sharing opinions on each of the topics. The challenge for HSBC is to determine how to extract value from the initiative – how to convert what it learns about customers into superior customer experiences.

Fidelity Investments

Mutual fund giant Fidelity is pressing hard to capture customers who are currently income-rich but asset-poor. One of the company's core assumptions is that clients who can more carefully manage their assets today will have more assets for Fidelity to work with tomorrow. As such, it has set up a separate Web entity, Fidelity Labs, Inc. (www.fidelitylabs.com), to help customers understand their financial options. "We believe that the foundation of your financial well-being is knowledge," reads the site. "The more you know, the less intimidating it all is. Empowered with proper information the more motivated you'll be to make decisions that can improve the quality of your life."

The beta site features Financial Search, a tool built on four primary components:

- » A proprietary index of relevant financial Web sites (the ability to search “Top Financial Sites”)
- » An engine that searches Fidelity’s index and returns relevant results
- » An innovative user interface that makes searching an easy and intuitive experience
- » An option to search “All the Web”

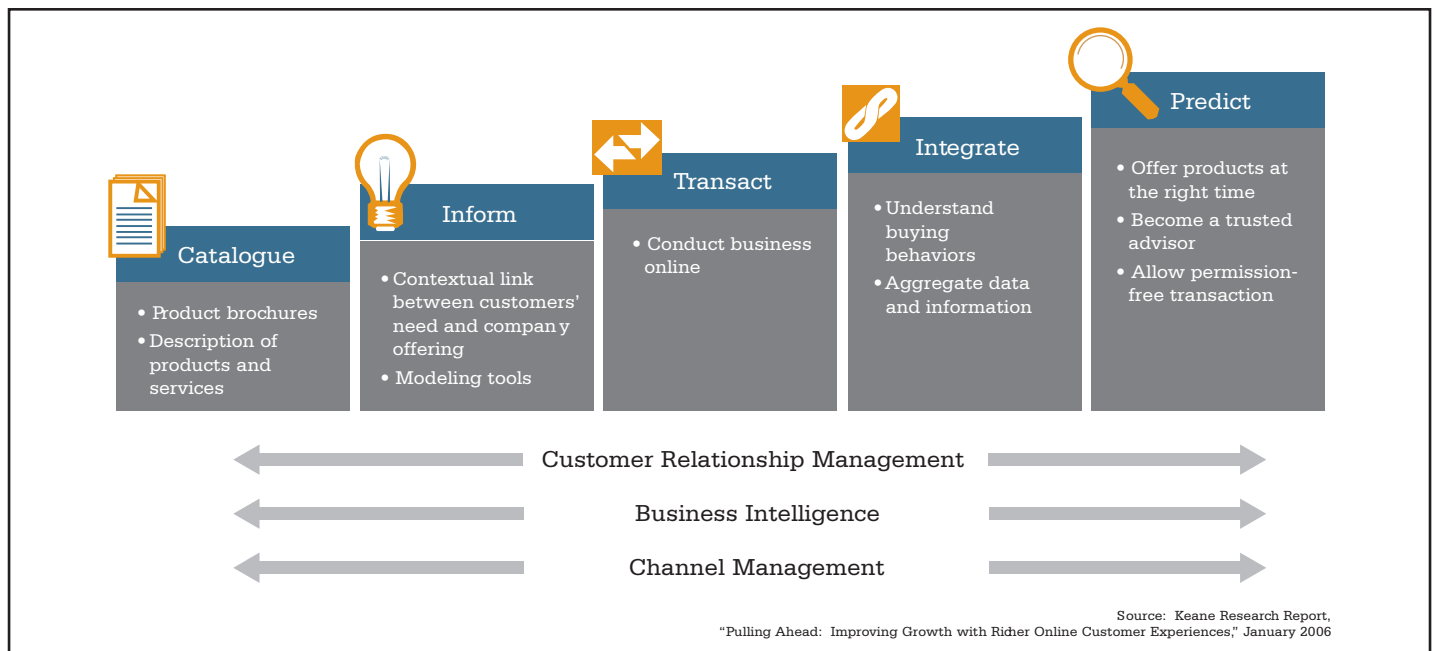
This last component is a clear acknowledgement by Fidelity that clients are more than just buyers of financial services. To better predict customers’ needs, Fidelity claims that the tool “grows even smarter” as customers use it.

A companion tool on the site – Fidelity Mortgage Search – aims to help with decisions about mortgage lending. The interesting thing is that Fidelity itself doesn’t sell mortgages.

Progressive Insurance

This insurer is making it easier to buy car insurance online. In addition to cutting the time it takes to get a quote to a little over eight minutes, the Progressive site facilitates shoppers’ ability to purchase. Because many of its online shoppers still pick up the phone to ask questions or to buy a policy, Progressive has launched a tool to link customers by phone directly and immediately to a licensed sales rep. The Voice Over Internet Protocol (VoIP) customer service support tool uses a button on the site labeled “Talk to Me.” When

Figure 5 : Keane’s Integrated Customer Experience Maturity Model



Who does what?

This is by no means a definitive list of job descriptions. Rather, it is intended to convey that many specific management roles have key parts to play in upgrading their customers' online experience.

CEO

- » Establish business strategy around the needs and wants of current and future customers
- » Constantly communicate the strategy
- » Ensure that the corporate culture fully supports the strategy
- » Require the metrics, reports, and milestones to gauge progress against strategic objectives
- » Business-unit leader
- » Build mechanisms to capture the voice of the customer
- » Identify barriers to acting on the voice of the customer
- » Collaborate with other functions to find the best ways to serve the customer's broader needs
- » Collaborate closely with IT to map out steps along the online experience maturity model
- » Execute against that model
- » Require the metrics and regular reports to gauge progress against strategic objectives

CIO

- » Work with top management to fully grasp the overall strategic goals
- » Interpret strategic goals as road map to superior online customer experience
- » Collaborate with business units to understand their roles in responding to customers' needs
- » Identify in-house and outsourced resources as well as alliance partners that can help business units move up the online experience maturity model
- » Constantly strive to identify synergies among business-unit initiatives that can accelerate the integration of the online customer experience with other customer touchpoints

clicked, the icon allows the shopper and the rep to view the same screen at the same time. The tool was piloted in selected U.S. states in early 2005 and rolled out nationwide in the fall.

Progressive has established something of a reputation for innovation. In 2002, the company's Progressive Direct group – its online and telephone sales arm – introduced its “Rate Ticker,” an up-to-the-minute scrolling display showing a wide range of auto insurance rates from competitors as well as from Progressive (www.progressivedirect.com).

Building Blocks for Success

We are confident that more financial services providers will soon follow the examples set by Egg, HSBC, Progressive, and the other pioneers. To do so, firms will identify and assemble the systems, processes, tools, and partnerships that can help them achieve superior online customer experiences. It is Keane's belief that the systems will span five discrete categories, from the most basic presentation capabilities at the “catalogue” level through to advanced sense-and-respond features that allow the online tools to predict, with reasonable accuracy, what customers need next. (See fig. 5).

Keane contends that three enterprise platform technologies are essential enablers of technology geared specifically to improving the online experience: customer relationship management (CRM) solutions; business intelligence applications; and channel management solutions. Of course, CRM is old hat for the financial services industry, but as research firm Gartner points out in its August 2005 “Relationship

Optimization” paper, it has too often been viewed as a silver bullet that would rapidly benefit sales activities. The dismal returns from those early investments have engendered a healthy skepticism, paving the way for realistic CRM approaches that emphasize “relationship optimization.” According to Gartner, this phase includes a stronger emphasis on advanced customer information analysis and modeling – vital to personalized and predictive online experience – business process management, intelligent transactions, and organization analytics.⁸

However, it is crucial to bear in mind that customers' online experience is only part of a variety of interactions. The savviest financial services firms – Progressive is a stand-out example – are aware of the need to integrate their customers' many experiences across many channels. It is also vital to listen – really listen – to the voice of the customer, and to begin thinking about their interactions from their viewpoints. Egg is a master at getting deep insights from regular customer focus groups. The leaders also look for best practices well beyond financial services; one blue-chip investment bank, for instance, is hiring talent from the online casino sector to better understand different dimensions of the online customer experience.

Monday Morning Action Items

So where to from here? Whose job is it to ensure that customers benefit from superior online experiences and that the experiences improve month after month? And who has to oversee the integration of the online interactions with the array of other customer touchpoints?

The right answer and the wrong answer are the same: every manager. It's right because each business leader does indeed bear some responsibility, however indirect, for improving customer acquisition and retention. But it's also the wrong answer because it lets every other manager off the hook. In other words, if it's not somebody's job, it's nobody's job.

Before specific roles can be assigned, however, it is imperative that the firm's business strategy is built squarely atop the needs and wants of current and future customers. That is clearly the job of the CEO's team and the board of directors. It then falls to the CEO and the top lieutenants to build the business processes that allow the organization to more effectively and more consistently listen to its customers. It is their task, too, to overhaul the processes so that the company can act quickly on what is heard. That is undeniably the hardest part.

It is not the place of this paper to pin tasks to titles or to describe in detail the management systems needed to upgrade the online customer experience in the financial services sector. Suffice it to say that key steps need to be wholeheartedly owned by selected business leaders and that those leaders must be held fully accountable.

Here is a shortlist of the other prerequisites:

- » Confident and far-sighted project champions who have authority and a wide span of control
- » Bolder pilot initiatives, and many more of them
- » A business and technology architecture which ensures that the technology infrastructure supports the business goals and is designed to drive process and technology changes in well-defined steps toward those goals. Technologies such as Service Oriented Architecture are well-suited to enabling superior customer experiences

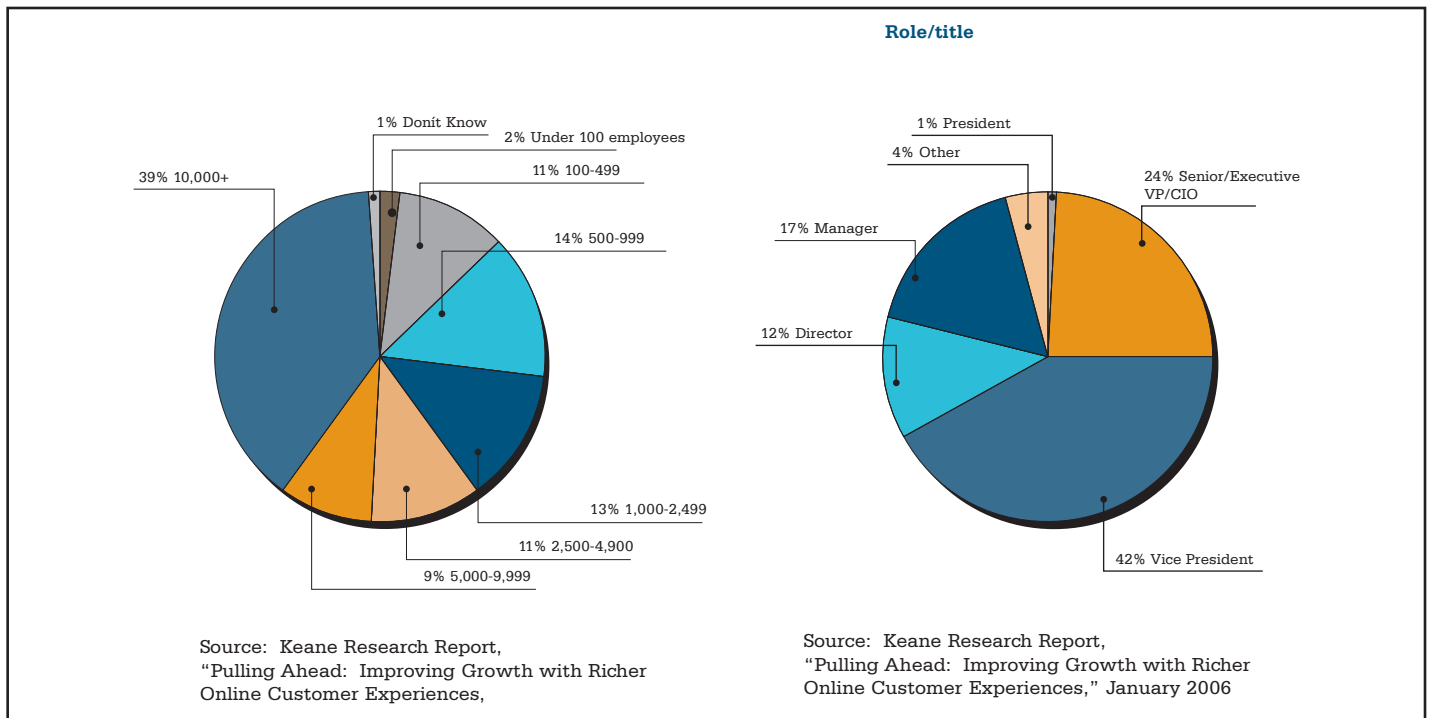
- » More cross-organizational collaboration – credit card units working in sync with sister operations that handle checking accounts, for example
- » A hard look outside the financial services industry to understand best practices and customer behaviors
- » An evaluation of the capabilities of potential partners in terms of strong program management, proven methodologies for capturing customer insights, demonstrable innovation in customer tools, and an ability to think beyond technology and applications to incorporate the necessary business processes and customer inputs

Above all, the enrichment of the online customer experience demands attention now. The seismic shifts in customers' purchasing habits and the pace of technology change should be reason enough for top managers to act right away. Keane's research reveals the lead established by the financial firms that consider themselves innovators. But there's still so far to go, as customers themselves attest. That's the message worth listening to the most.

Research Methodology and Demographics

Keane's Online Customer Experience study polled 106 senior business and IT executives at regional, national, and international retail banks, insurers, and brokerages. Typical respondents included chief information officers, vice presidents of innovation and planning, and vice presidents of information technology. Fully two-thirds were at vice president level and above.

Figure 6 : Number of company employees



More than 40% of the respondents worked in corporate roles for retail banks, with another 26% employed by insurance firms. Most of the companies represented have considerable influence in their sectors: nearly 40% have more than 10,000 employees worldwide, and 44% have assets worth at least \$10 billion.

The initial phase of the research was built on the hypothesis that service and customer experience will be the most powerful "innovation levers" to help financial services firms achieve stronger organic growth. A 20-question quantitative survey was developed and tested before being implemented by phone during October and November 2005. A small group of executives was then selected for qualitative

interviews to validate the direction of the quantitative study. The results of the quantitative work were cross-tabbed and analyzed by Keane in mid-November 2005 future customers. That is clearly the job of the CEO's team and the board of directors. It then falls to the CEO and the top lieutenants to build the business processes that allow the organization to more effectively and more consistently listen to its customers. It is their task, too, to overhaul the processes so that the company can act quickly on what is heard. That is undeniably the hardest part.

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Report Credits

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About Keane's Innovation Engine Series

This is the first research report in the Innovation Engine series from Keane. The series is designed to present senior executives with new thinking on the topic of innovation. Each paper will pose thought-provoking questions and emphasize the necessary process improvements as well as the business systems and cultural norms on which those improvements depend.

The unambiguous viewpoints voiced in each paper will be based on the extensive empirical work of senior practitioners at Keane, augmented frequently with proprietary studies and with current insights from leading third-party researchers. While some papers – like this one – will be geared to a specific sector, most will present questions, concepts, and data that will be of use to senior managers regardless of industry.
