



The Customer Imperative in Financial Services

Permission to Personalise



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The Customer Imperative in Financial Services: Permission to Personalise

Consumers are open to having their data used for a more tailored experience. Can financial institutions deliver data-driven digital and human experiences that achieve even better outcomes for customers?

At a Glance

- ▶ Australia's banks and insurers have made strides to earn greater customer advocacy. They can now accelerate digitisation and use data in ways that engage their customers through smart personalisation.
- ▶ Surveyed consumers have a strong preference for digital channels that handle an interaction straight through, even for more complex sales and service experiences.
- ▶ Respondents have high expectations for simple, convenient, and personalised experiences—and appreciate a human touch when that's warranted.
- ▶ Most consumers express a high level of trust in financial institutions' use of their personal data. They support financial institutions using this personal data to provide more personalised propositions and services.

After years of work to earn customers' advocacy and trust, Australia's retail banks and insurers have hit their stride. They've stepped up to the dual challenges of greater regulatory pressures and insurgent fintechs siphoning off customers with new propositions, and they've provided advanced support for customers and employees during Covid-19.

Now comes a tricky next act: Can financial institutions deliver the personalised products and services that many consumers crave?

To gauge consumers' perceptions and priorities, Bain & Company, in partnership with Salesforce, surveyed more than 5,000 consumers and 296 financial executives, and conducted 12 in-depth interviews with senior executives.

The good news: Financial institutions have advanced in the criteria that consumers care about most. The Covid-19 pandemic seems to have jolted many firms to accelerate steps to digitise and streamline services, processes, and policies that affect customers.

Our research highlights what's important in the next phase of a customer-centred strategy. As many interactions and experiences went digital over the past two decades, a challenging trade-off emerged: As some digital experiences became easy and convenient, they often lacked personalisation and a human connection that's critical for companies to maintain. Our analysis suggests that, while consumers value ease and simplicity, they increasingly want personalisation in their digital interactions with banks and insurers. This next phase thus involves using consumer data, in a trusted and transparent manner, to deliver experiences tailored to an individual's needs and preferences, supported by an employee's intervention when appropriate.



Financial institutions have made substantial progress in earning customer advocacy

Consumers report notable progress over the past three years in the criteria that they most care about when selecting a bank or insurer. Banking and insurance executives also recognise the progress they have made.

Banks' progress in digital and brand trust

In banking, both executives and consumers saw the most progress in brand trust and in delivering digital tools that enabled customers to do what they need to do. About 25% of consumers reported an improvement in trust in their bank's brand, while 29% of banking executives noted an improvement on this dimension. About 40% of consumers noted an improvement in digital tools (online banking and the mobile app), while 29% of banking executives saw an improvement.

Across most criteria, a higher proportion of executives noted deterioration in performance than their customers did (see *Figure 1*). Executives were most concerned about performance on convenient branch locations, delivery of personalised experiences, and recognising and rewarding customer loyalty. *'We are finally starting to get it. We just don't yet have enough progress to show for it,'* said an executive at one major bank.

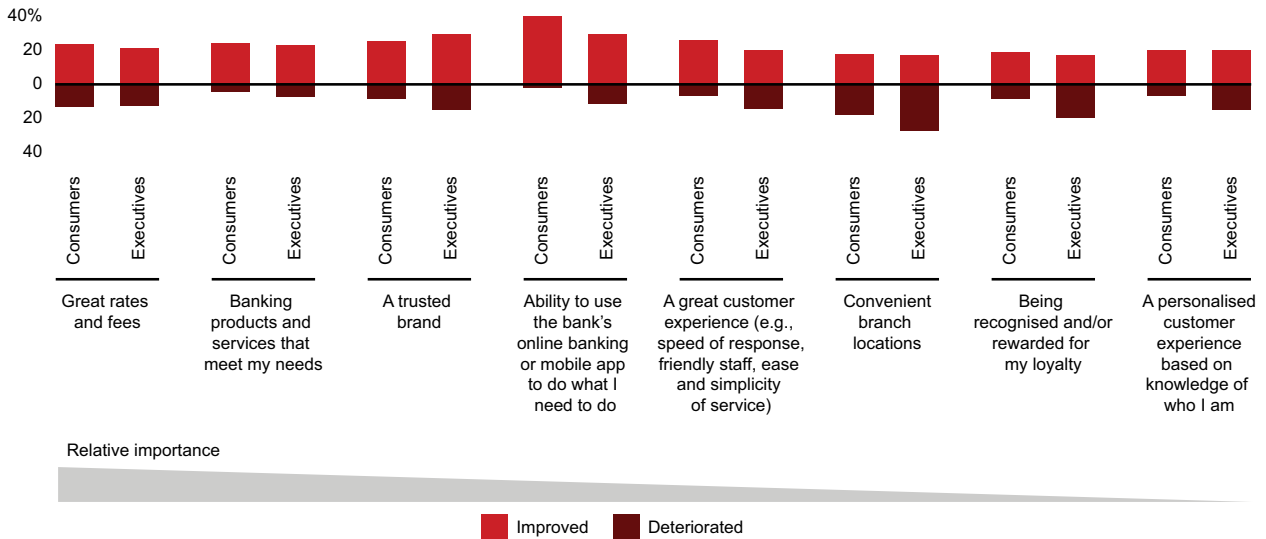
Insurers' customers and executives align in perceptions

In insurance, executives and consumers were more aligned in their perceptions of progress (see *Figure 2*), although consumers were much less likely to note improvement by insurers in digital tools than they were for banks, with only 22% noting an improvement in insurers' digital tools (vs. 40% for banks). Insurance executives were most critical of their progress on digital tools and recognising their customers for their loyalty, but consumers were more forgiving on these aspects. *'Our app now provides a better user experience, but we haven't sufficiently invested in data infrastructure to really power it,'* one executive remarked.

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Figure 1: In banking executives and consumers saw the most progress in brand trust and functionality of digital tools

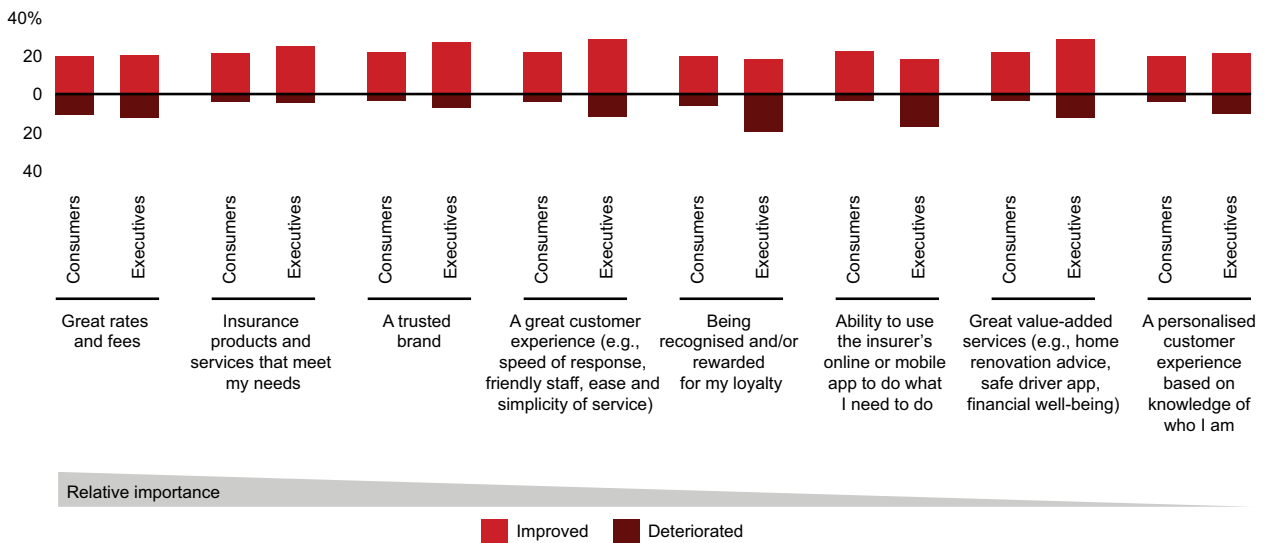
Percentage of respondents



Sources: Retail Banking & Insurance Survey (April 2021), n=5082; Retail Banking & Insurance Employee Survey (April 2021), n=296

Figure 2: Insurance executives' perceptions of progress aligned with their customers' perceptions on most dimensions

Percentage of respondents



Sources: Retail Banking & Insurance Survey (April 2021), n=5,082; Retail Banking & Insurance Employee Survey (April 2021), n=296

Responding to the pandemic

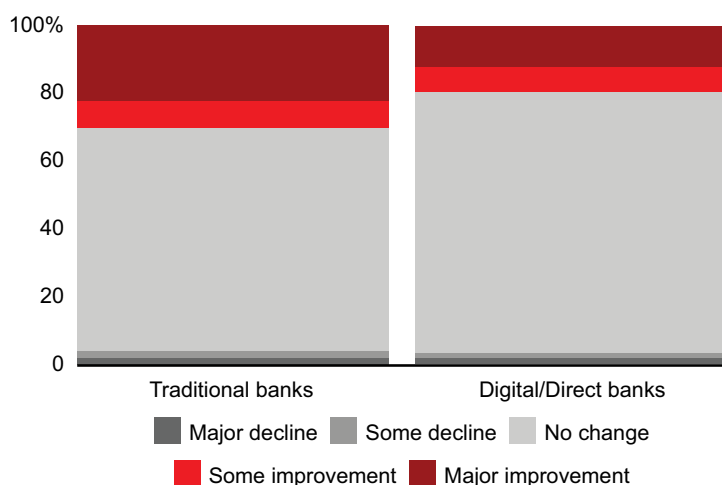
Traditional banks made more progress on improving overall customer advocacy (as measured by Net Promoter Score®, or NPS) during Covid-19 than their direct and digital bank competitors—albeit from a much lower starting point. About 30% of traditional bank customers reported that they were more likely to recommend their primary bank based on their experience during the pandemic, compared with only 20% of digital and direct bank customers (see *Figure 3*).

These improvements followed rapid responses to the pandemic by financial institutions, including more proactive communication, relaxed requirements on customers' existing commitments, enhanced safety precautions and credit options, and support for customers to set up or use digital banking and insurance tools.

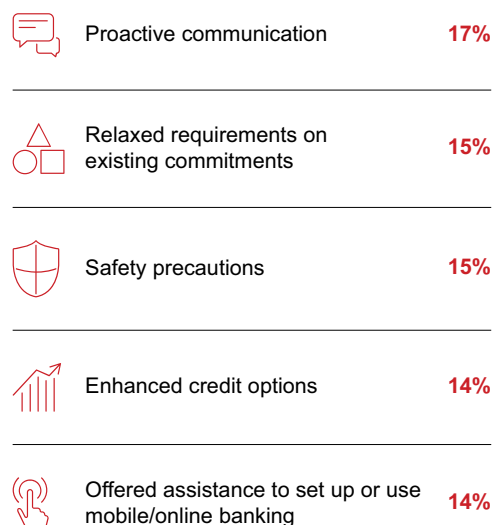
Figure 3: Banks made progress on improving customer advocacy during COVID-19

Impact on likelihood to recommend based on experience of bank during Covid-19

Percentage of respondents



Top 5 reasons for major improvement in likelihood to recommend



Source: Retail Banking & Insurance Survey (April 2021), n=5,082



Consumers now have a strong preference for digital channels, even for complex interactions

Digital channels and tools originally took root to handle routine, simple transactions such as transferring funds or paying a bill. Now, many consumers prefer digital for interactions beyond the routine—for example, opening a new savings account, changing or deferring home loan payments, or renewing an insurance policy (see *Figure 4*).

By contrast, consumers prefer the human touch for more emotive or complex experiences, such as applying for or refinancing a mortgage, resolving a suspected fraudulent transaction, or lodging an insurance claim—experiences in which skilled, trained employees can better resolve the issues. For many of these experiences, most customers prefer to speak with a representative in a contact centre rather than in person at a branch.

A demand for end-to-end digital

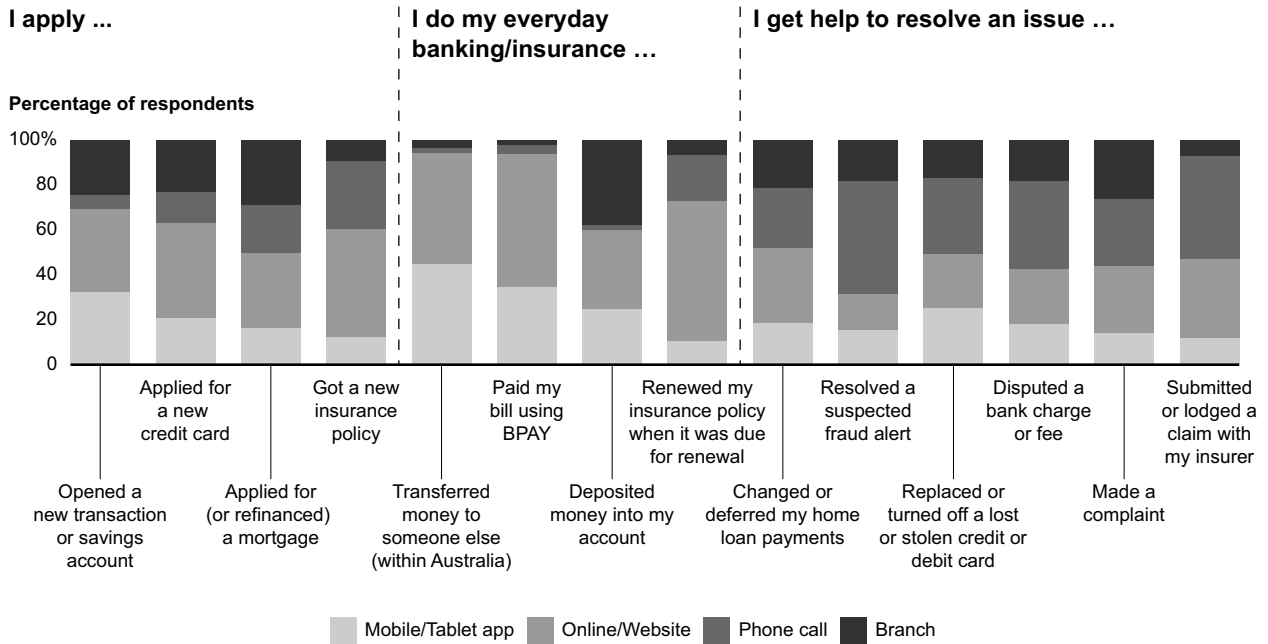
Both banks and insurers have come a long way in creating end-to-end digital experiences. The majority of consumers who started an experience digitally were able to complete it digitally without needing to contact an employee (see *Figure 5*).

And those who did so report the highest NPS for all but four experiences we examined. Surprisingly, this applied even to experiences where most consumers preferred to use human channels (see *Figure 6*). For instance, the average NPS for customers who applied for or refinanced a mortgage completely digitally was 52 vs. 18 for those who completed it in person or over a phone.

What annoys consumers is to start a transaction or experience digitally but then be forced to contact employees to complete it. Across all but two experiences analysed, the average NPS for consumers who moved from digital to human was significantly lower than for those who could complete the experience digitally. The penalty was most severe when customers needed to resolve an issue, such as replacing or turning off a lost or stolen credit or debit card. In these situations, consumers have an expectation of being able to complete the experience digitally end to end, and they are frustrated by the need to move to a different channel.

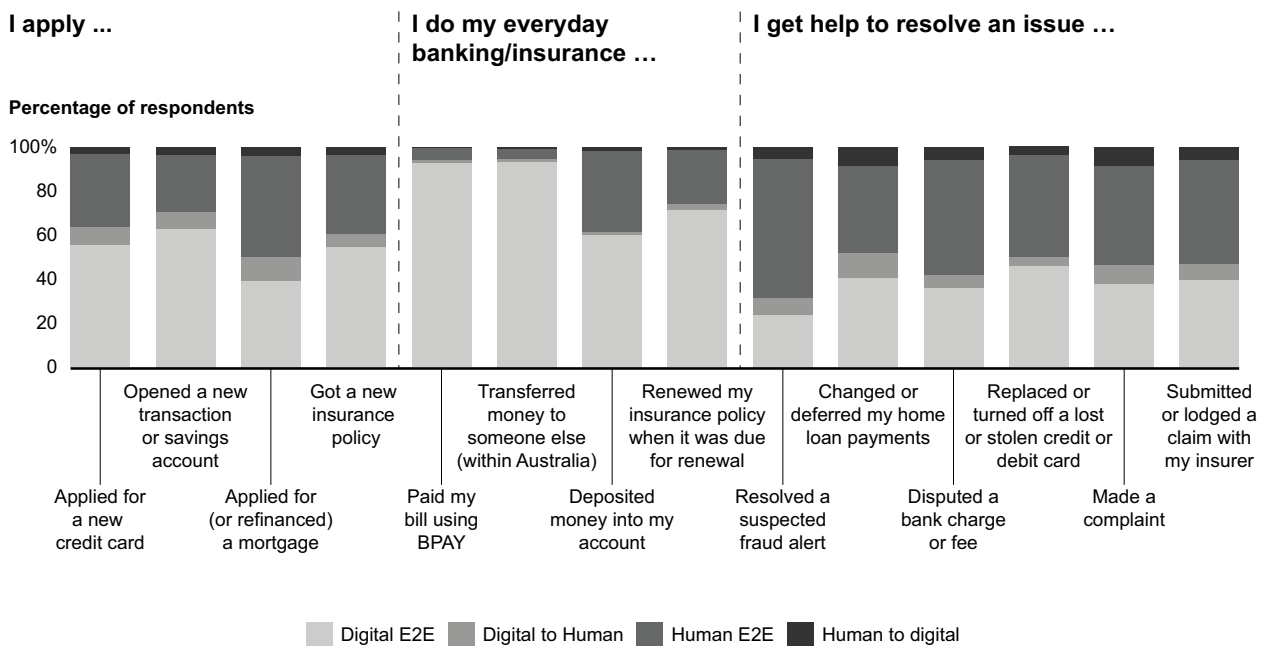
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Figure 4: Consumers prefer digital channel experiences for all but the most emotive or complex experiences



Source: Retail Banking & Insurance Survey (April 2021), n=5,082

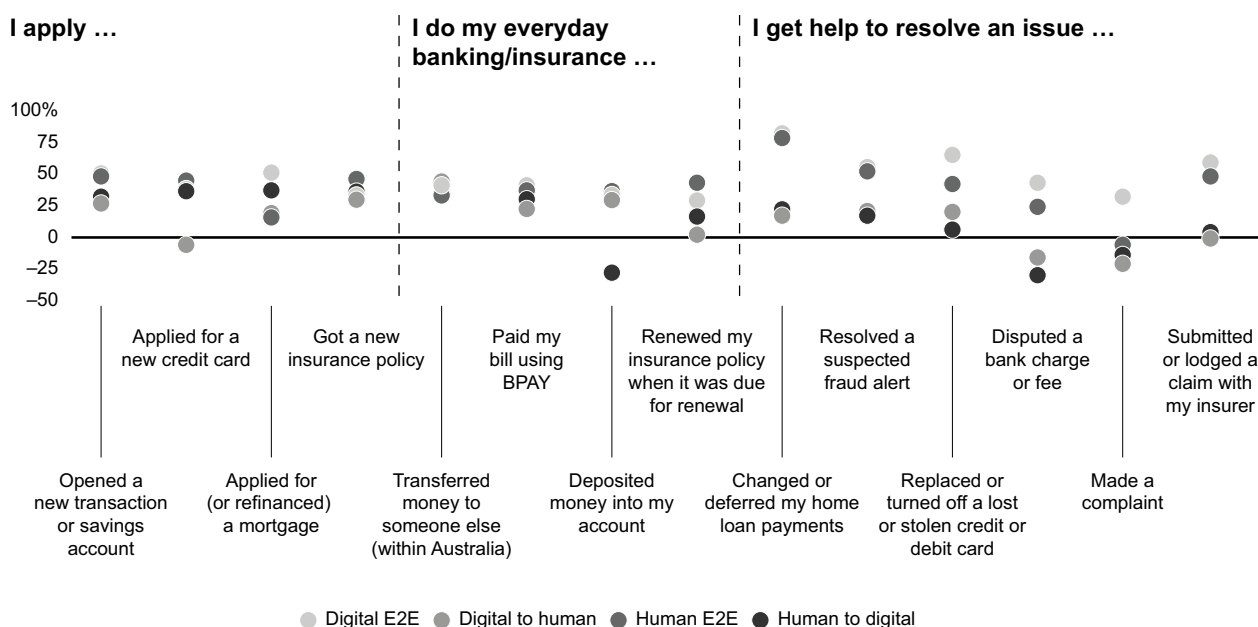
Figure 5: Most consumers who started an experience digitally were able to complete it digitally without needing to contact an employee



Source: Retail Banking & Insurance Survey (April 2021), n=5,082

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Figure 6: Across most episodes, NPS was highest for customers who completed the episode digitally end to end



Source: Retail Banking & Insurance Survey (April 2021), n=5,082

Where human intervention matters

Banks and insurers are also finding ways to inject human support into digital experiences. Consider the case of one Asian insurer who uses internal and public customer data to provide a personalised digital experience with a human touch. In an auto accident, for minor damage, the customer can submit a photo directly from his or her mobile phone. The company's mobile app then uses existing customer data, run through an artificial intelligence engine, to automatically process the photo and the claim. When customers request help for major accidents, the insurer uses customer data to ensure that the call routes to the closest facility and that a representative arrives in person within five minutes.

An Australian lender aims to win customers not only with competitive rates, but also by providing an amazing borrower experience. Digital signals along the application journey enable staff to reach out proactively to applicants to help them through the digital experience, increasing the rate of submitted applications and borrower confidence. The same data is issued to sharpen the borrower experience, continuously improve the process, and provide key insights for adjustments in credit policy and audit.

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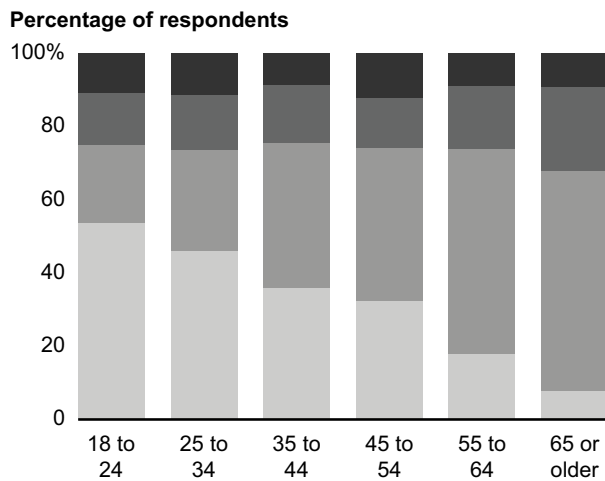
Generational distinctions are narrowing

Financial executives might be surprised to learn that the preference for digital channels extends across generations (see *Figure 7*). Although banking respondents aged 65 and older did prefer branch interactions slightly more than other cohorts, about 75% still preferred digital channels. For insurance, respondents aged 65 and older preferred call centre interactions slightly more than younger cohorts, but about 60% still favoured digital.

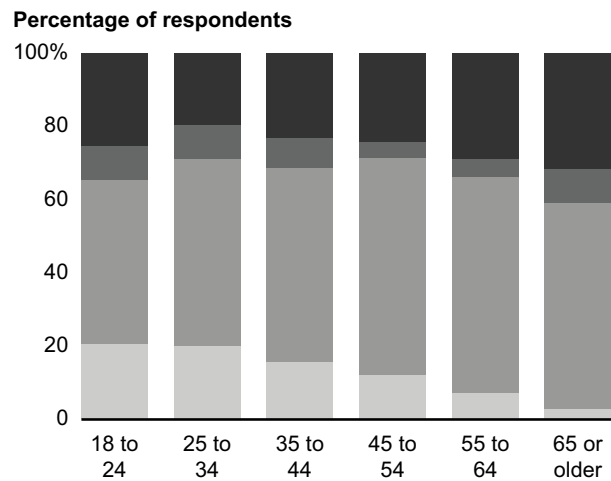
The primary difference across banking and insurance was that older cohorts prefer to use a website rather than a mobile app. And insurance customers of any age prefer to use a website instead of a mobile app. This is probably because consumers engage less frequently with insurers, which limits the relevance of using an app.

Figure 7: Consumer preference for digital channels varies little with age, but older consumers prefer to use websites than mobile/tablet apps

Preferred banking channels



Preferred insurer channel



Mobile/Tablet app
 Online/Website
 Branch
 Phone call

Source: Retail Banking & Insurance Survey (April 2021), n=5,082



Financial institutions have their customers' permission to personalise offerings

Along with consumers' greater preference for digital channels and tools, our research finds that they generally trust their bank or insurer with using personal data to provide more personalised propositions. Nearly 65% of consumers trust their bank or insurer to protect their data, and 60% are comfortable with how their data is being used (see *Figure 8*). The level of trust and comfort may improve further if financial institutions do more to educate customers on this front. Most respondents do not report that they understand how their data is used, nor do they believe that their financial institution is doing a good job of communicating the benefits of sharing their data. There is an opportunity for banks and insurers to focus on communicating how they are using consumer data and the benefits of doing so to build further trust.

Make it personal, please

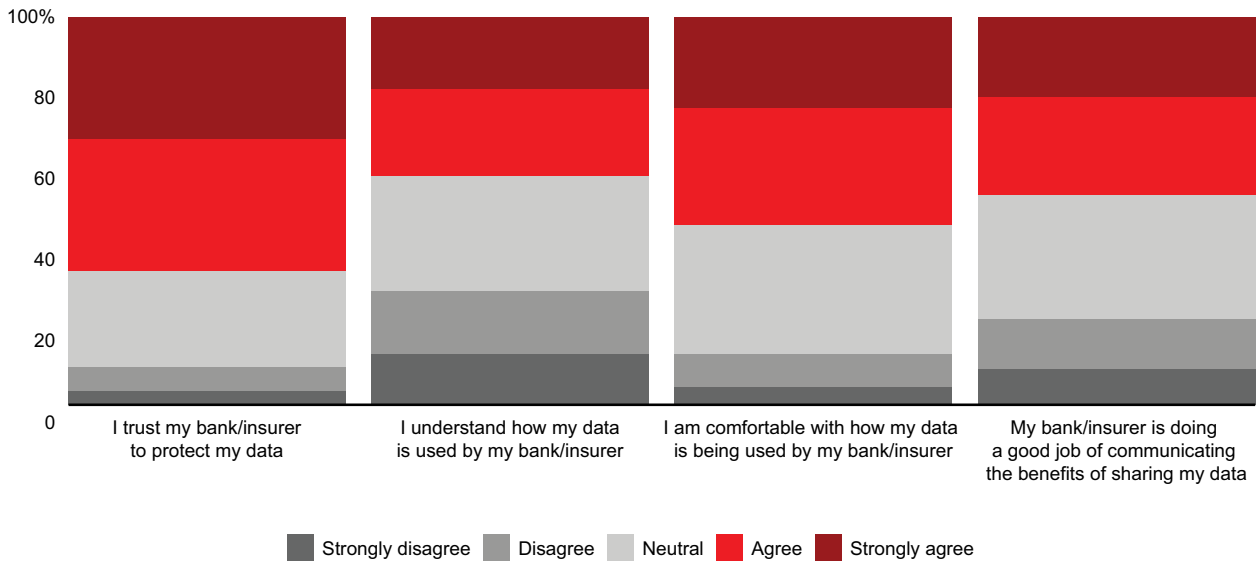
Many consumers across banking and insurance support the use of their data to provide a better or more personalised proposition or service. The strength of sentiment is slightly higher for personal data that the institution already has, compared to additional publicly available personal data from other entities, such as social media or technology companies (see *Figure 9*). Respondents express openness to many forms of personalisation, including pre-populated forms and applications, personalised pricing, personalised propositions, or tailored services.

One global bank has implemented a highly sophisticated and personalised approach to customer engagement. In fact, it has defined more than 150 unique customer experiences. When providing any of these experiences to a customer, it uses its unique data and knowledge of the customer to personalise the content and method of communication, tailoring the experience to suit the customer's preferences and requirements.

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Figure 8: Consumers trust their bank or insurer as custodians of their data, and they are generally comfortable with how their data is being used

Percentage of respondents

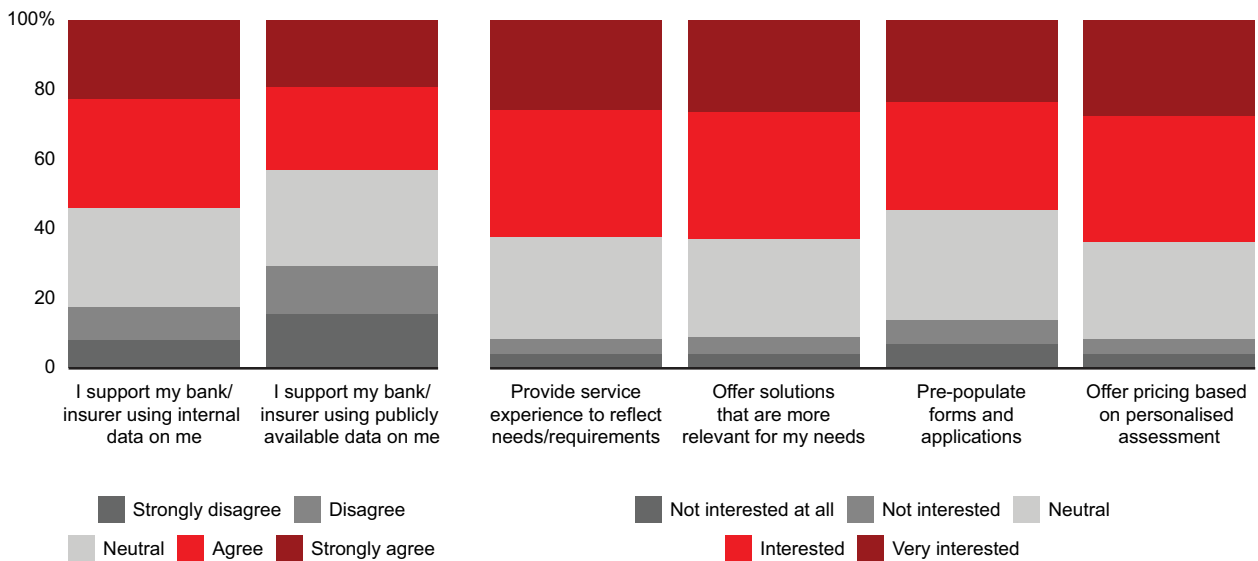


Source: Retail Banking & Insurance Survey (April 2021), n=5,082

Figure 9: Consumers are supportive of their bank or insurer using their data to provide a more personalised product or experience

Percentage of respondents

Percentage of respondents



Source: Retail Banking & Insurance Survey (April 2021), n=5,082

Reversing the tide of hidden defection

These insights suggest one means of combating the hidden defection of consumers buying products from competing companies. Our research finds that more than 40% of respondents have purchased banking products from providers other than their primary bank in the past 12 months. This occurs most frequently through digital channels, often because consumers have identified a product or pricing that better suits their needs. To be sure, financial institutions have to ask for business with timely and relevant offers: Previous Bain research found that 78% of consumers who defected as a result of receiving a direct offer from a competing bank would be willing to buy from their primary bank if it made them a compelling or equivalent offer.

Some institutions are already finding ways to use data to personalise offers that boost retention. One bank, for instance, uses data to inform a model that identifies which customers are shopping elsewhere, when, and why. The bank has embarked on a test-and-learn approach to refine and optimise personalised engagement for each customer, including time, channel of contact, and message content. The goal is to maximise the chance of retaining the customer's business. Early results suggest meaningful reduction in business defecting to competitors.



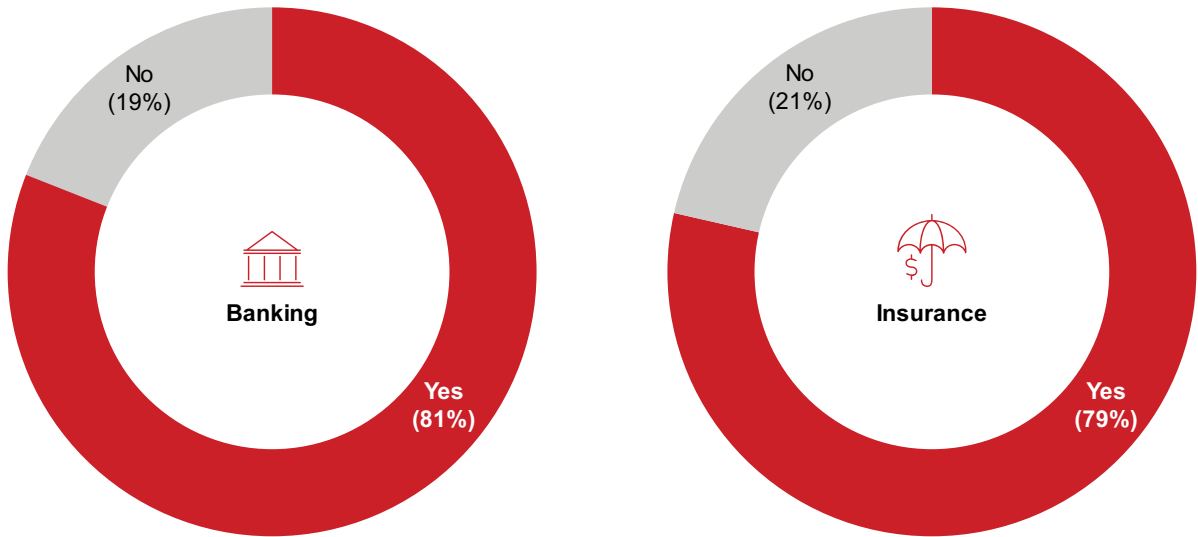
Organisational barriers stand in the way of delivering a compelling customer experience

The benefits reaped by delivering simple, digital, and personalised experiences clearly flow to customers, but also to a company's economics. Customers with greater loyalty buy more, refer the company to their friends and family, and cost less to serve. Some executives note that their teams put customer priorities front and centre. *'A few years ago, you wouldn't even hear the word customer in conversation here,'* said one senior executive. *'Now we have a customer meeting every day. And we have customer KPIs for every single employee.'* Some 80% of the executive respondents said they felt supported with the appropriate tools, resources, and responsibilities they needed to meet their organisation's customer objectives (see Figure 10).

Yet at the same time, most executives also believe their own progress has been modest relative to competitors (see Figure 11).

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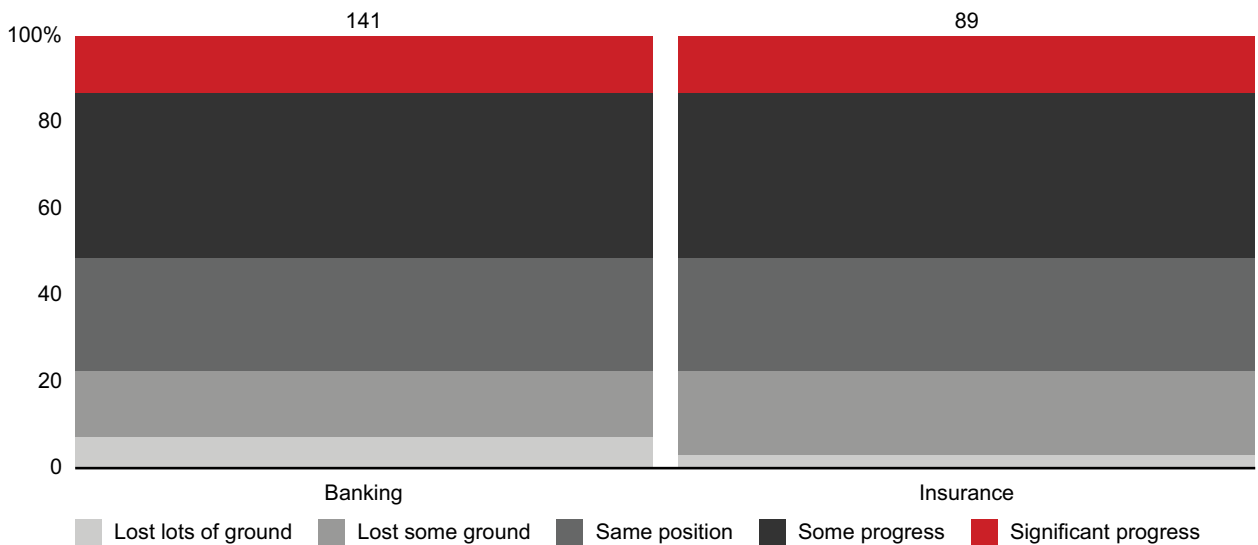
Figure 10: Most executives feel equipped to support their organisation’s customer objectives



Source: Retail Banking & Insurance Employee Survey (April 2021), n=296

Figure 11: Few executives believe their bank or insurer has outperformed competitors in delivering a positive experience for customers

Percentage of respondents



Note: Other banks includes Big 4 subsidiaries, regional banks, and international banks.
 Source: Retail Banking & Insurance Employee Survey (April 2021), n=296

Common problems to tackle

Executive respondents say four main issues are currently constraining banks and insurers:

- **Ineffective operating models and leadership misalignment.** These issues include functional silos, unclear accountabilities and decision rights, insufficient alignment among senior leaders, and ineffective ways of working. As one executive described the situation, *'We have too many watchers in the organisation who don't have a customer mindset and put themselves in the way.'*
- **Technology and data limitations.** Some respondents cited an inability to address legacy technology issues, while others said their organisation was not using technology and data to their full potential. *'We have big technology architecture fragmentation ... and clear gaps in data architecture,'* said one executive.
- **Not enough talent and too few resources.** Respondents mentioned constrained investment and insufficient capacity to execute well. Other executives also highlighted talent and capability gaps that are becoming more acute. As one senior executive said, *'The right people are extremely hard to find in this market, and the best ones get frustrated by the slow pace of change in the industry and go elsewhere.'*
- **Inadequate customer and operational metrics.** Specific issues cited include the timeliness, granularity, and relevance of metrics to enable rapid intervention that would improve the customer experience. *'Too many of our customer metrics are measured based on what is important to us, rather than being able to get insight in the moment from customers on what's important to them. If we don't get this right, and in a timely manner, we can't take action to be as effortless as possible,'* remarked one executive.

Despite these familiar barriers to progress, we see evidence that the same companies have built capabilities needed to deliver change more rapidly. During Covid-19, banks and insurers acted fast to adapt their products and services for customers who required more flexibility, and to rapidly digitise transactions that could not be completed in person due to lockdowns and government-mandated restrictions. One executive we interviewed noted, *'I saw our bank put customers absolutely fairly and squarely No. 1 in everything we were doing every single day. And the bank moved at pace with great empathy for customers and in an environment where, frankly, no one knew what was going to happen.'*



Five no-regrets actions to take

Having proven they can move with purpose and agility, Australia's banks and insurers should flex their new, limber muscles to better serve customers and improve their economics in the bargain.

This will require providing consumers with tailored, personalised interactions that are increasingly delivered via digital channels, and that seamlessly integrate human interaction where it is desired. Five actions will help guide the journey.

- **Make an unambiguous commitment to meet customers' priorities.** When customers' priorities become the North Star for an organisation, those considerations get hardwired into decision making. The organisation takes a multiyear perspective to delivering propositions and experiences that meet the specific needs of individual customers, even in the face of short-term profit and investment pressures. As one senior executive told us, *'Telling the troops to be more customer-centric, if you've got leaders who are more interested in in-year revenue or the P&L, is never going to work'*.
- **Get simple, digital, and personalised, with a human touch for moments of truth.** Great customer experiences require an intelligent fusion of digital and human interactions, all informed by data. Engagement with customers must be relevant and timely. For more routine experiences, support can come through bots and live chat. For complex or emotive experiences, data-driven intelligence should be readily accessible for frontline employees. And a customer's request should quickly route to the agent best suited to handle it.

One Australian home lender recognised that customers prefer to complete mortgage applications using digital channels. They noticed customer advocacy significantly declined when people started an application online but struggled to complete it or get help quickly. By integrating digital and human—seamlessly providing an employee connection via phone whenever a customer needs help, without requiring the customer to repeat details or reauthenticate—the lender was able to create a seamless customer experience that has delivered a strong NPS.

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- **Structure the operating model to enable end-to-end digital execution.** Multidisciplinary teams formed of both technology and business staff should have the autonomy and mandate to transform high-priority experiences. Agile ways of working and iterative design processes, along with persistent funding and resources, will accelerate their progress. One bank has recently redesigned its operating model and organisational structure around the customer. It has created end-to-end accountability for customer delivery within key businesses and has established enabling units that deliver common activities at scale in support of these businesses.
- **Align priorities for technology and data with customer outcomes.** Redefine and align technology and data investment priorities and roadmaps according to customer experience priorities rather than as ‘top-down’ buckets of investment that are then mapped back to the business. Ensure that a customer lens is used to define and prioritise technology and data backlogs. In parallel, maintain architecture and system health by measuring and managing technology debt. *‘This is not about spending more money—our budget has never been the problem—as much as it’s about putting the customer much more in charge of where the money is being spent’*, said one senior technology executive.
- **Set customer metrics at a level detailed enough to enable real-time orchestration.** All banks and insurers collect customer feedback, but leading firms go well beyond that. They monitor a range of granular customer and operational metrics in real time via a customer experience cockpit. Using these metrics, they quickly pinpoint actions and opportunities to engage customers or improve their experience. One bank has used this method to optimise its approach to lead conversion. It has implemented a system that measures a range of customer and operational metrics in real time, to prioritise the highest quality leads for contact and to determine how best to contact the customer. As a result, the bank achieved a significant improvement in lead conversion.

Armed with insights about their own customers’ needs and behaviours, Australia’s financial institutions can use these five actions to chart a reliable path to stronger customer advocacy. But where to start?

We suggest choosing a an opportunity area (such as a specific proposition) that will make a significant contribution to both the customer experience and business value. It should also be manageable—a focused effort that can be developed in agile fashion and scaled quickly after completion. As one executive noted, *‘We stopped spending so much time trying to solve the most complex parts of the problem and shifted all our energy to getting the simple and basic stuff right first. Doing this quickly put runs on the board and started to shift the workings of the business.’*

With solid metrics in place to evaluate the success of the effort, this approach can be scaled to other areas, building momentum for a deeply customer-centred approach that spans the entire enterprise.



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