

Creating customer loyalty starts with having an efficient and personalized experience for customers and employees that creates a seamless transition between the digital and physical.

# Personalized Banking Experiences Require More Optimization Along the Financial Journey

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## Introduction

Hyper-personalized experiences seem to be the marching orders in banking, particularly since the industry still desires delivering a consistent experience between the digital and physical worlds. What has changed recently is that technology continues to evolve, so there is a need to change the narrative to focus on delivering a more *optimized and efficient experience* for banking customers. While the concept of delivering an omni-channel experience is still important, digital is often the primary starting point of most financial journeys. Nonetheless, a physical presence continues to be an asset for any financial service firm. Within the branch, the ability to bring in a robust level of hyper-personalization will require investments in edge devices and infrastructure improvements to provide near-real-time information when a customer walks into a lobby. When it comes to the digital self-service aspect, there's a need to move away from the term *digital transformation* and evolve instead to focusing on banks being a digital business. Banks need to recognize that customer journeys initiated via a digital channel may move to the physical world along the way, or vice versa, and they need to be positioned to handle this transition in a way that delivers a seamless experience for customer and employee alike. The use of digital tools, including online and mobile, must align with facilitating the needs of that customer, an activity which at times will be conducted within a branch to help drive loyalty, increase customer lifetime value, and improve overall efficiency, with the added benefit of also providing the employee with a more satisfying experience.

## AT A GLANCE

### KEY STATS

- » Spending by North American banks in digital self-service solutions will exceed \$10 billion in 2028, with investment growing 12.2% annually.
- » Investment in North American branch modernization, while growing slower than digital, will exceed \$7 billion in 2028, with investment growing 8.4% annually.

### WHAT'S IMPORTANT

Bank executives need to remain committed to investing in improving the overall experience for customers and employees, whether for digital-first self-service solutions or to optimize branches for employee-assisted engagements.

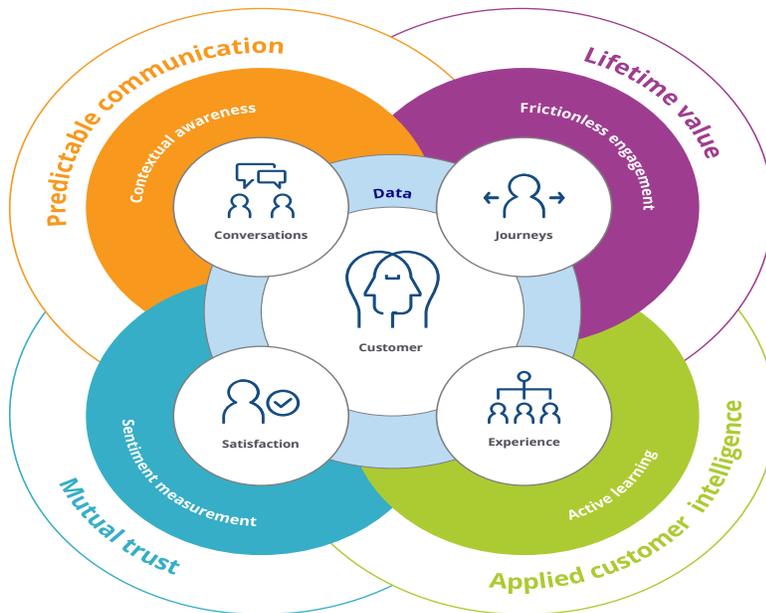
## Key Stakeholders

The improvement of the overall customer experience falls to multiple stakeholders within the institution:

- » **C-suite:** Support and sponsorship for any customer experience strategy require involvement and commitment from company leadership as well as the board of directors. The C-suite will be able to create the right mix of necessary stakeholders across the bank, who at times may be in different organizations, to properly address all aspects of any investments regarding the branches while maintaining continuity with the digital strategy and experience to deliver a cohesive vision.
- » **IT:** Support and buy-in from IT will be crucial, regardless of solutions deployed on premises, in the bank datacenter, or as a service deployed in the cloud. IT will need to conduct the proper due diligence and provide the minimum requirements for implementation and integration into existing platforms while working closely with the business units to ensure a common vision.
- » **Operations:** Improving existing workflows will be key to the approval process in any branch project, particularly as bottlenecks will be identified as well as any dated and problematic technological solutions. Providing tools to streamline operational processes while reducing technology debt, both at the branch and in the central office, will go a long way in improving customer and employee experiences. The result will create more efficiencies across the board by embracing full digital processing, including integration of mobile computing technology, from the point of origination and onboarding through ongoing support and account maintenance.
- » **Marketing/facilities:** The design of any branch must include the right branding message that reflects the institution's image and the surroundings of its location while aligning with digital and physical offers creating the ultimate level of personalization. The branch is often a living billboard that alerts customers and prospects to the bank's presence, and it can be a key influencer when they are considering where to put their money or take out a loan. Neglected and dated branch locations are a red flag for individuals that the location might be in jeopardy of closing.
- » **Training and human resources:** The branch requires staff who are fully trained and well versed in using technology, understand the industry terminology, and show empathy toward helping the customer achieve a successful financial journey. Since banks are going to be dealing with a mobile workforce, any training must provide all that is necessary whether the employee works in the branch, from home, or meets with their customers at another location. Providing training that focuses on personalized service and creating outstanding customer experiences can be achieved as solutions that have been optimized properly are intuitive enough to reduce training on procedures and put more focus on engaging the customer.

## Prioritizing Customer Experiences

Having a customer's needs at the center of a relationship has always been table stakes for banks. The challenge has been to develop appropriate products and services that can bring business outcomes that align with customers' expectations as they progress on their financial journey and to do so in the most efficient manner possible. Figure 1 shows how data and technology need to be brought together to provide a truly holistic approach to managing the retail banking customer and how they can help deliver that highly personalized experience expected by today's customer.

FIGURE 1: *The Future of Customer Experience Framework*

Source: IDC, 2024

Recognize that the customer, and the experience they receive, is key to the success or failure of any financial institution. Customers will need to be at the center of everything an enterprise takes on, and technology and business leaders throughout the financial institution should consider the following:

- » **The customer is the center.** The most important part of any organization and its strategy for success only comes through meeting the needs of the customer and the exchange of value.
- » **Data is the lifeblood.** The move from transactions to journeys will require an immense amount of data and understanding about bank customers. Understand how the data will be used to provide a tailored and appropriate financial journey while maintaining the privacy that the customer requires and that the bank has promised. Understand also that there is no "one rule" that covers all customers, and having the right mix of data analytics and business intelligence to provide the right customer segmentation requires access to the right data.
- » **Technology is a prism.** Accept that every interaction with a customer either happens through a technology channel or includes a technology aspect that changes and either enhances or detracts from the experience. Even for in-person experiences, technology will drive that engagement.
- » **Success comes through integration.** For any bank, success only comes with the integration of the customer expectation and the technology interface, which must be tied to business outcomes.

## Benefits and Outcomes

Creating a true omni-experience requires not only updating the branch network but also providing a differentiating engaging digital experience for both employees and customers. There are numerous impacts and benefits for the line of business, the IT department, and the overall customer experience. These outcomes will pave the way for a more efficient operation focused on providing new products and services aimed at both improving overall satisfaction and deepening relationships. Some of the main benefits and outcomes that accrue when a fully planned modernization strategy is deployed with an omni-channel approach are:

- » **Streamlined and efficient branches.** Look at the existing layout and network and categorize the branches into levels of current technology complexity. Identify challenges in rolling out any wireless or cellular solutions. Determine if the existing telecommunications has the right capacity and look at the length of existing contracts and options. Understand what equipment from a depreciation standpoint — not just IT equipment but devices such as ATMs and cash recyclers. Finally, develop a standardized design for each group of branches that will need only minor tweaks or customization.
- » **Agility to securely meet changing expectations.** Understand and find the right opportunities to deploy more open banking solutions that leverage cloud services that can provide agility and scalability to any technology solution. Privacy and security concerns can be eased by utilizing purpose-built solutions on the cloud, specifically for the financial services industry.
- » **Future growth and new market opportunities.** Most institutions are at a tipping point with their branch networks. While some might be looking to reduce, others might want to expand. Fully understand the intentions of senior management and assist in identifying branches that might be an IT challenge to maintain, identifying those that will require the most resources to modernize, might be targeted for closure, or converted to a smaller and more automated location.
- » **Synergistic partnerships.** Current solutions can facilitate a complete omni-approach to supporting customers and can be extended with limited impact on IT resources. On the branch side, footprints can be expanded by partnering with nonbanking physical locations where the institution can provide some basic financial services without needing a standalone location. Retail, hospitality, entertainment, and medical facilities offer opportunities to provide not just ATM services but also pop-up branches and ITM and video solutions.
- » **Everything as a service.** Historically, financial institutions have opted to stay away from rolling out technology solutions that are subscription based. However, as technology has evolved and the cost to support it has increased, looking at as a service has become more attractive. There are various degrees of as a service that can be deployed, from full turnkey to smaller commitments creating an opportunity to future proof an omni-strategy.

## Trends

### Hyper-Personalization

Recently, IDC surveyed a global team of retail banking executives to better understand how they are prioritizing their investments in the coming years when it comes to delivering their overall customer experience. There has been more of a focus lately on creating highly personalized and contextual experiences that streamline the entire process, from

prospecting a new customer to supporting existing customers. While we have seen investment in recent years focused on improving the interfaces used by the customer, the priority is now focused on better understanding people's financial needs. The results of the survey regarding prioritization are highlighted in Table 1.

TABLE 1: **Priorities for Retail Banking Executives on Personalization (% of Respondents)**

**Q What personalized and contextual customer experiences initiatives is your organization prioritizing?**

	Retail Banking Executives Priority	All Line-of-Business Banking Executive Priority
Segment of one	59%	55%
Real-time contextual experiences	50%	46%
AI-powered chatbot	41%	39%
Dynamic customer segmentation	23%	33%
Omni-channel	36%	30%

*n = 33 for banking executives, n = 22 for retail banking executives*

*Source: IDC's Financial Insights Survey, October 2024*

Most noticeable is the growth of "segment of one" approach, especially as it pertains to marketing efforts. No longer will the creation of and reliance upon "personas" or demographic groups be enough to satisfy the expectations of today's bank customer. Instead, each customer must be thought of as their own segment, with messaging tailored not just in the delivery of the message but also in its timely impact.

Relationship pricing is often tied back to a product type, usually focused on the checking account. Providing contextualized experiences created in real-time scenarios will require careful orchestration of data and AI tools into the most optimized experience possible, and this process will leverage various data modes, including text, code, video, and audio, to name a few.

While omni-channel remains a key theme, AI will be able to provide a more optimized and effective experience for the customer. To really hyper-personalize experiences, banks may need to actually lessen the need for fully seamless experiences across all channels and focus on using data intelligence to deliver a more satisfying engagement with the customer. Omni-channel may indeed focus on simply providing the best experience for the customer in terms of efficiency and accuracy.

### **Omni-Channel Customer Concerns**

When we look at the digital banking usage, there are certain areas in need of optimization. Current usage of digital self-service compared with in-person experiences indicates that there are both challenges and opportunities to determine where to best invest. While branch usage has a lower frequency of transactions, it has the highest percentage of

individuals (90%) who indicate that they use the branch at some point, which is higher than both online and mobile banking products (see Table 2).

TABLE 2: **Omni-Channel Engagement Levels Remain High (% of Respondents)**

**Q How frequently do you use the following banking channels?**

	Branch Usage	Online Usage	Mobile Usage
Frequently (almost daily)	9%	30%	38%
Often (weekly or once a month)	31%	42%	36%
Infrequently (less than once a month)	50%	17%	12%
Do not use channel	10%	11%	14%

*n* = 2,500

Source: IDC's Consumer Banking Channel Preference Survey, January 2024

Satisfaction among all the branch channels remains consistently positive yet not overwhelmingly so in any particular channel. IDC research shows that branch users are more satisfied with their overall experiences compared with users of digital channels, but there are opportunities for improvement.

The top reasons for a lack of satisfaction among branch users include the following:

- » **Too slow with long queues.** With decreased activity in branches, this should be an area of top concern. Understaffed branches with high turnover create poor working environments for employees and create bad customer experiences.
- » **Branch that is dated and that needs modernization.** Customers notice when a branch needs a refresh. While the past few years provided a great opportunity to remodel, the reality is that a total branch modernization strategy is needed to strategically assign branches into categories and determine the best technology to invest in each.
- » **Inconvenient hours and locations.** Branch consolidation has led to customers having to drive further to their local branch and has also created bank deserts in parts of the country. Creating fully automated branches with limited staff and video technology can address the need to save costs while serving customers.

Similarly, customers using digital channels are generally satisfied, but there is room for improvement here as well. The main reasons for dissatisfaction with online and mobile banking include the following:

- » **Security concerns.** Banks need to do a better job at addressing customers' concerns regarding the usage of digital solutions and provide easy access to report suspicious activity or possible fraud.

- » **Digital solutions that are poorly designed and difficult to use.** Poorly designed applications, struggles with layers of authentication, and an inability to understand where to find information lead the list of customer difficulties, but there is also the fact that many institutions provide a generic experience in digital banking that does not necessarily align with the needs of the customer.
- » **Expanded capabilities.** Customers want more features, especially those around product advice and understanding their financial picture better. Having better data insights creates opportunities for banks to provide more tailored offerings and content. Moving to a digital-first mindset for basic tasks like applying for new accounts must begin and end in a digital environment that allows for more advice and personalization to be embedded into the overall digital experience.
- » **Generational expectations.** The expectations of those who are digitally native are quite different than those who have adopted the technology later in life. Each generation has its own expectations and brings various levels of importance to the institution; thus a strategy must focus on creating a compelling omni-channel experience regardless of levels of digital sophistication.

## Considering FIS

FIS is an industry leader in providing financial technology solutions for banks and financial institutions of all sizes. With 95% of the world's leading banks enabled by its technology, FIS has become a go-to for financial institutions seeking to drive operational efficiency and improve their customer experience. The mission of FIS is to provide innovative technology to solve business-critical challenges for its clients and deliver superior experiences for its customers.

Today's financial customers embark on journeys that weave through a mix of digital and physical interactions. To ensure these journeys are successful, financial institutions must be equipped to facilitate these transitions smoothly. FIS Digital One is a comprehensive suite designed to facilitate an omni-channel banking experience. Digital One creates a personalized experience for customers regardless of the channel on which they are interacting.

Designed to meet the growing demand for an optimal omni-channel experience, Digital One comprises a wide range of digital self-service and assisted-service solutions, providing consistency across online, mobile, and branch channels and the call center and seamlessly bridging the divide between physical and digital touch points. Cross-channel integration allows activities to start on one channel and finish on another without disruption, allowing customers to transact when and how they prefer.

Digital One offers a user-centric banking experience for retail customers, business clients, and bank associates alike that utilize personalization so financial institutions can tailor experiences based on customer segmentation.

Digital One provides financial institutions with the tools to streamline customer journeys, increase agility to meet changing expectations, expand growth opportunities, and deliver solutions as a service. The company's comprehensive approach to omni-channel banking provides a flexible, configurable, and scalable solution that provides a holistic digital experience.

## Challenges

Deploying any IT project faces some headwinds, most of which can be justified by addressing the concerns up front. Some of these challenges are:

- » **Technical debt in legacy platforms.** Having a strong digital presence for most institutions has become the best way to grow deposits and relationships, yet in keeping up with customer expectations, institutions have often bolted on applications to their existing legacy solutions. In addition, back-end processes with ties to legacy solutions have created additional technological debt that needs to be addressed that in turn could delay decisions to migrate vendors until those issues are resolved.
- » **Diversion of resources to AI/GenAI.** As headlines are dominated by "AI everywhere," there are certainly some good use cases that will emerge. However, there also will be some due diligence and research initiatives that will divert resources away from budgets. Finding opportunities that can lay the foundation for the benefits of AI can help not only receive additional budget but also position institutions to take advantage of AI that makes the most sense to them.
- » **Lack of necessary technology staff/skills.** A difficult labor market, along with the desire to work remotely, means that many institutions are finding it difficult to find and train staff to support their omni-channel initiatives. Partnering and outsourcing where it makes sense can reduce this challenge; however, for in-person experiences, it will be important to also create an environment where digitally savvy employees will want to work.

## Conclusion

What exactly is the goal of a financial institution when delivering an omni-channel experience? The easy answer has been to simply provide customers with access to multiple touch points, whether in person or through digital solutions, but that is not enough. Banks have done that for over 50 years, starting when they added the ATM and began to allow for more self-service. However, they have often failed in connecting the experience. The real magic is trying to create an experience that provides customers and employees with a seamless process that follows from channel to channel and device to device, within the moment that the customer needs it or expects it. All this must be done in a way that is pleasing in appearance, easy to follow, and secure and provides benefit at each touch point. To provide these capabilities, relying on legacy solutions that only address the experience for either the customer or the bank employee is shortsighted. A true omni-strategy must start by being deployed on a single platform that provides the consistency that customers demand. Being digital only works to a point. To really drive customer loyalty and improve lifetime value, it takes much more than just delivering a great digital experience. Financial institutions must recognize that being digital first does not mean digital only, so a more holistic approach is required across multiple touch points throughout the customer's financial journey.

Being digital only  
works to a point.

## About the Analyst



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Marc DeCastro is a research director for IDC Financial Insights responsible for the consumer banking engagement strategy practice. DeCastro's core research coverage includes the complete omni-experience journey for the retail customer, including branch transformation, digital product strategies, and onboarding. Based on his background covering the consumer banking space, DeCastro's research also includes a particular emphasis on how consumer trends and habits are forming the next-generation products and services that utilize current and emerging technology.

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