

**KEEPING UP WITH THE UPSTARTS**

# 10 Benefits of the Connected Financial Services Ecosystem

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Almost every industry "gets" this dynamic, and most have learned how to take advantage. But Financial Services Institutions (FSIs) are lagging behind, and non-traditional financial competitors are nipping at their heels.

For FSIs to keep up and truly connect with the modern customer, they must build a platform for a connected ecosystem right away. Once they succeed, benefits will come in the form of higher customer engagement, loyalty, satisfaction, and ultimately, rising profitability.



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## A New Skyline in the Traditional FSI Landscape

The network of companies, individual contributors, institutions, and customers that interact each other to create mutual value is its ecosystem. Enabled by standard technical platforms that connect devices, applications, data, protocols, and services working together in new ways, the network transforms from commodity to competitive advantage.

Today, most traditional FSIs work in silos. Rather than connecting all customer services (from banking to insurance to investment), they are struggling to see beyond their individual efforts. They see the future, but struggle to build a comprehensive 360 degree view of the customer. As is often the case, it is the younger upstarts that are blowing ahead.

### DEFINITION

#### ec·o·sys·tem

An ecosystem is a network of companies, individual contributors, institutions, and customers that interact to create mutual value. In consumer-oriented digital markets, ecosystems are being enabled by standard technical platforms that allow devices, applications, data, products, and services to work together in new ways. For example, insurance companies can collaborate with telecommunications providers to create new pay-per-use insurance products based on shared data.

Newer incumbents are being built on open-source, scalable technology. They are mastering the digital user experience and leading innovations in data analysis. And they are delicately stepping into – and in some cases running circles around—many traditional financial services areas. PWC predicted in June 2013 that nontraditional competitors such as eBay and Google could steal more than 10% of revenue from leading financial institutions moving forward.<sup>1</sup>

These new market entrants are poised to win not only because of their technical expertise, but because they've already proven to their customer base that they are trustworthy with massive amounts of data. In fact, 25% of North American consumers showed interest in potentially switching to the non-financial companies Google, Apple, Amazon, & Costco, if they began offering banking services.<sup>2</sup> Interest in switching was even higher for financial disruptors PayPal (41%) and Square (50%), whom consumers already routinely trust with their financial data.<sup>3</sup>

## IT'S NEVER TOO LATE: IMPERATIVES FOR TRADITIONAL FSIS

Traditional Financial Services Institutions have not been left in the dust – yet. But they are going to need to step up their efforts to hold on to their demanding customers. To do so, FSIs will have to accelerate innovation and gain customer trust by harnessing the intelligence of a connected ecosystem. In other words, they'll need to rework their current platforms so that every department is collaborating in the interest of a truly 360 degree, customer-centric view.

Once these FSIs commit to a cross-industry approach to understanding customer needs and activities, they will be positioned to transform their own large, traditional network from its current commodity status into an ecosystem that offers true competitive advantage.

## The How-To of a Connected Ecosystem

The core premise of a connected FSI ecosystem is easy – integrate everything. To achieve this goal is more difficult. One way to look at the

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1 <http://www.strategyand.pwc.com/global/home/what-we-think/reports-white-papers/article-display/data-gold-rush>

2 <http://www.accenture.com/SiteCollectionDocuments/PDF/Accenture-2014-NA-Consumer-Digital-Banking-Survey.pdf>

3 [http://www.mckinsey.com/Insights/Business\\_Technology/The\\_rise\\_of\\_the\\_digital\\_bank](http://www.mckinsey.com/Insights/Business_Technology/The_rise_of_the_digital_bank)

shift is to focus on an Everything as a Service Model (XaaS). In this world, the network becomes the platform for business infrastructure. For FSIs, this would mean that there is also a single, integrated security architecture to address compliance and risk.

By leveraging public and private cloud services for business applications and systems and placing sensitive data in private data centers, regulatory changes can be managed effectively, expenses can be lowered, and new revenue streams can be introduced for profitable growth.

Consider the following 6 concerns when building the platform for your connected ecosystem:

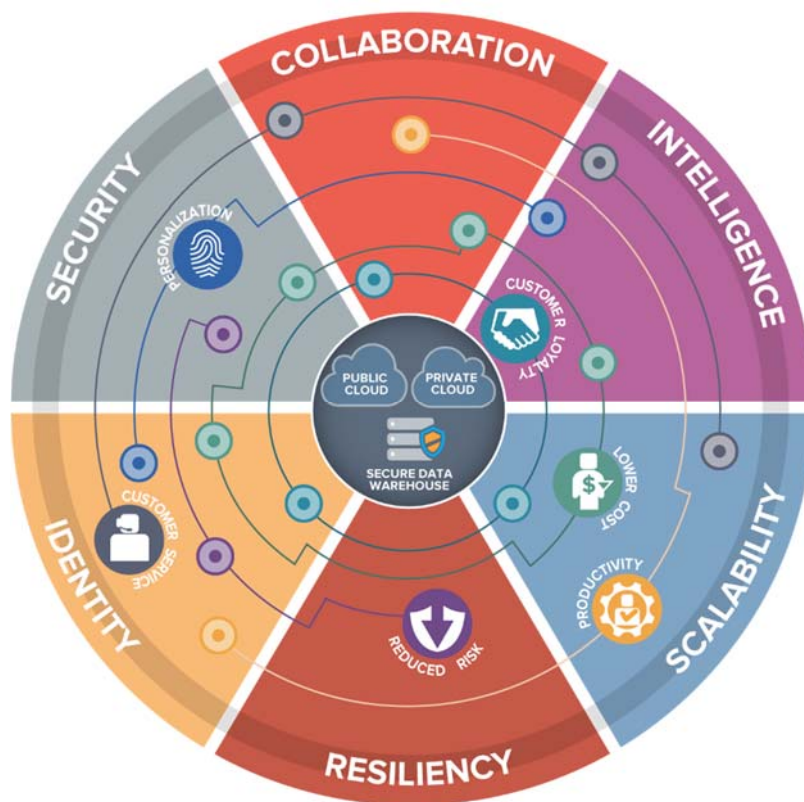


Figure 1. The Connected Ecosystem

## Security

*Protect the entire platform - including the software and devices within the ecosystem.*

Recent data security breaches at several institutions have had severe consequences in terms of customer satisfaction. These breaches create a snowball effect: customer trust diminishes, confidence in a company's

ability to keep their information private is shaken, and they begin to look elsewhere for products and services.

## Identity

*Manage authentication, authorization and privileges across the ecosystem.*

Analytical capabilities that allow members within the ecosystem to segment customers beyond traditional techniques is critical to the effectiveness of the platform. Understanding individual customers' decision processes, behavioral characteristics and likelihood to buy are all paramount to effectively managing the consumer base and providing tailored customer experiences.

## Intelligence

*Analyze large volumes of data (structured and unstructured) collected throughout the ecosystem.*

A comprehensive yet simple 360° view of individual customer needs may identify gaps in financial needs or insurance coverage, improving the odds that the conversation with customers will result in cross-sell success. The view should include not only your company's products, but also those held at other institutions. This "big picture" approach extends the single view of the customer to track all financially related needs.

## Integrated Scalability

*Adjust to meet the demand of a growing number of users, sessions, transactions and operations in the ecosystem without slowing down.*

An environment that is not scalable and integrated across business units may create several barriers to effective management of customer satisfaction. In order to provide a consistent customer experience, that consistency should be replicated internally. All business units should be working toward the same goal, and information should flow freely across the entire organization.

## Resiliency

*Ensure business continuity and aid crisis management by confirming that the platform and its data, systems and applications can recover quickly and continue to operate in the case of a power outage, equipment failure or other disruption.*

Most FSIs struggle to improve or maintain the resilience of their critical technology infrastructure and applications. Increasing complexity and data volumes continue to challenge availability and recovery capability. Financial services institutions are increasingly being held to account for technology failures by regulators, particularly where this impacts payments, customers or market participation. They therefore need to be confident that their most critical systems and dependencies are resilient, that the management processes over these systems are robust and that they can respond and recover quickly in the event of a failure.

## Collaboration

*Optimize business processes through technologies that automate and unify communications within and outside the network including voice, video, and data sharing.*

Achieving a single view of the customer requires a single source of truth for each piece of customer data, which can then be integrated and utilized, preferably as a service, by all applications that use and update customer information. Proper data architecture and governance are necessary to maintain the integrity of all customer integration. This intense process requires a high level of collaboration and interaction.

## Top 10 Benefits of the Connected FSI Ecosystem

### 1. INCREASE CUSTOMER INTIMACY

Gather data from your entire ecosystem, including partners and suppliers, as well as transactional and behavioral activity to gain intelligence about the customer. Use that insight to personalize the experience or even detect when someone may need additional help. Elevate customer and advisory services by reviewing recent activity to troubleshoot issues or suggest better performing alternatives.

### 2. INCREASE PERCEIVED VALUE OF PRODUCTS AND SERVICES

Elevate a customer's perceived value of your products and services through simplification and personalization. Target your communications based on customer intelligence, offering only the most relevant information. Customize products and services so they are tailored to specific needs. Cross-sell based on customer activity across the entire ecosystem, including which partner products have been purchased.

### **3. IMPROVE AGILITY OF SALES AND SERVICE**

The connected ecosystem leverages APIs to connect data, systems and applications, creating a truly omni channel experience that follows customers throughout their journey, allowing them to switch between digital, virtual and physical engagements. A customer can engage online, but escalate requests with face-to-face interaction when desired. CSRs and advisors can access transactional data and relevant offers that have had success with similar personas.

### **4. IMPROVE PRODUCTIVITY AND OPERATIONAL EFFICIENCY**

Establish collaborative, multi-functional teams to analyze current business workflows and processes. Take a closer look at what steps can be removed, simplified, or automated via integrated data, systems and applications. Institute a culture that embraces change by adopting a continuous improvement approach.

### **5. LOWER EXPENSES**

Perpetually monitor customer and prospect engagement, and lower your cost of customer acquisition by aligning resources to where they'll add value. Especially in low touch/low value transactions, analyze processes to reduce cost. In high value/low touch interactions, automate processes that offer efficiency to your customers, while allowing them to escalate to humans when needed. This reallocation of effort allows you to personalize the experience while lowering the cost of acquisition, improving customer intimacy and ultimately reducing attrition.

### **6. AVOID POTENTIAL RISKS BROUGHT ON BY REGULATORY CHANGES**

To keep up with confusing and ever-shifting regulatory changes, create cross-functional, multi-enterprise teams whose role is to collaborate on regulatory updates, perform scenario analysis and stress test. Socialize findings and best practices across your organization through recorded and live training.

### **7. ACHIEVE PROFITABLE GROWTH WITH NEW REVENUE STREAMS**

Analyze data from your ecosystem and identify patterns. With a deeper understanding of the customer and better cross-enterprise communication comes the ability to collaborate with suppliers and

partners on potential new revenue streams. Monitor social networks to more closely understand customer sentiment and competitive threats.

## **8. ACCELERATE INNOVATION AND NEW PRODUCT DEVELOPMENT**

A connected ecosystem offers FSIs the ability to move from general customer knowledge to deep understanding through intelligence gleaned from data collaboration. Incorporate these insights to improve decision making through brainstorming and product development. Target new audiences based on their propensity to embrace new products.

## **9. EXPAND ECOSYSTEM TO INCLUDE SUPPLIERS AND PARTNERS**

Suppliers, partners and other third parties may have more information on your customers than you do. By collaborating with an expanded ecosystem, you can better understand your customer as a whole – not just what you know from their FSI interactions. Suppliers and Partners may also be an economical resource to expand your customer-centric services without having to create more in-house capability.

## **10. ATTRACT, DEVELOP AND RETAIN QUALITY TALENT**

Widen the talent pool by supporting a dispersed workforce with effective remote working options so you can hire the best talent, regardless of geographical location. Reduce recruitment and onboarding time by conducting live interviews over secure, enterprise-grade voice or video. Offer mentorship programs without the constraints of geographical location. And deliver secure, high quality, live training across and outside the enterprise.

## **Conclusion**

The world is becoming a web of connected ecosystems, powered by businesses that understand and truly embrace the power of the 360 degree customer view. As FSIs wait in the wings, new businesses are taking on their customers and building their trust, their willingness to share, and a significant share of their wallet. FSIs who are serious about competing must step in right away, breaking down silos and offering a connected ecosystem of their own. The result won't just keep FSIs relevant; it stands to offer a significant competitive advantage.



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## About Obzervant

Obzervant is a content development agency positioned to create relevant and valuable thought leadership materials, engaging readers throughout the buyers' journey and decision making process.