



Financial Services

Creating the Customer-Centric Bank

White Paper

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Creating the Customer-Centric Bank

Using the retail store as inspiration, commercial banks are looking to IP technology to develop a more customer-focused model in an effort to attract today's automated banking customer.

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The Problem with Today's Banks

For centuries, the bank has enabled people to save, borrow, and invest. Throughout that time, the method for conducting these services has remained the same: people came into the branch and conducted business with a teller or financial expert. In the last 10 years, however, this has undergone a significant transformation. Technology has changed the way people do banking, making debit and credit cards, online banking, and automatic teller machines (ATM) commonplace. Financial services research firm, TowerGroup, found that “over the past five years ... over one-third of all U.S. households have turned to the Web for most of their banking needs.” While commercial banks still function as a basis for these automated transactions, the popularity and convenience of electronic banking has eliminated the need for people to come into the branch.

Although automated methods offered banks a low-cost way to do business, they have disconnected the customer from the branch. The loss of this customer relationship has had serious consequences on the industry. With fewer customers visiting the branch, banks have lost their channel for cross-selling, resulting in a downturn in revenue growth, a reduction in new mortgages, a decrease in customer deposits and credit, and tighter competition.

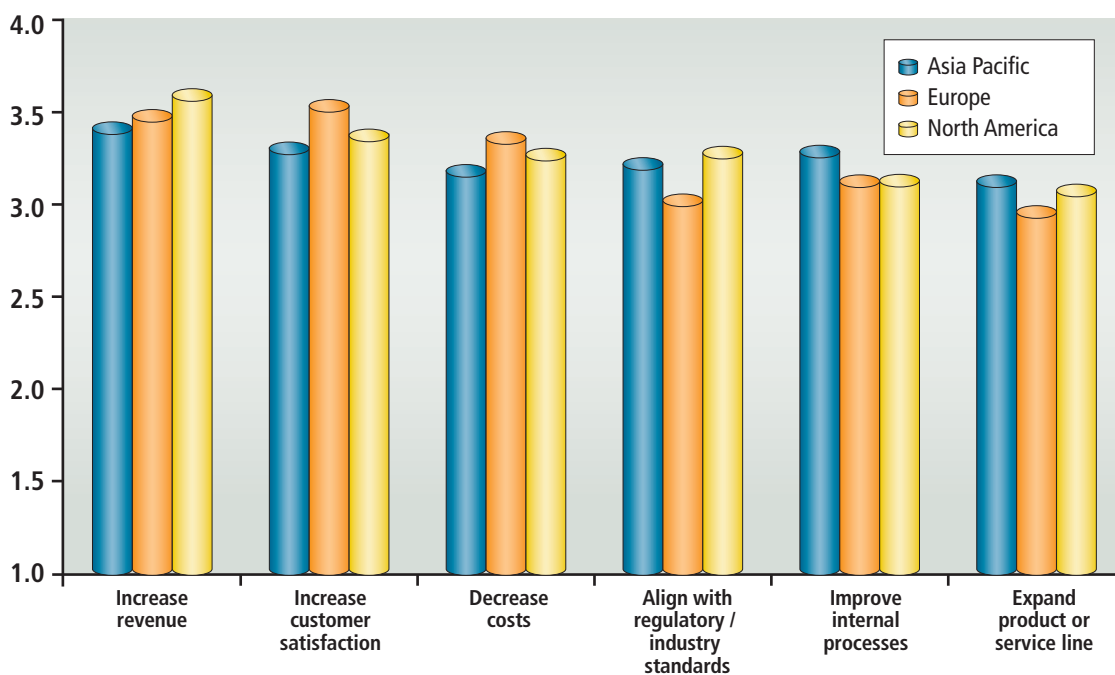
“ A 2007 TowerGroup report revealed that in many banks, products and services are designed to appeal to the largest common denominator. ”

In a knee-jerk response, banks have resorted to free checking accounts and raised interest rates, none of which appeal to customers. Many banks have tried to tailor their products and services to better fit customer needs but have fallen short by taking the one-size-fits-all approach. A 2007 TowerGroup report revealed that “in many banks, products and services are designed to appeal to the largest common denominator.” Unfortunately, this tactic has resulted in the opposite of what was intended; as more banks adopted generalized offerings, the differences between competition grew weaker.

In an effort to stay competitive, several banks in the U.S. have merged. Others considered expanding from local to state or multi-state markets; yet, the promise of additional costs and risk associated with opening new branches has caused most to postpone or reconsider this option. In all, there has been a significant reduction in commercial branches (the latest total from global strategic market analysis company Datamonitor is 7,450 merged banks). According to the same Datamonitor study, compared to the beginning of 2002, the number of institutions in the commercial

banking industry has dropped by almost eight percent. The few new entrants into the market are more aggressive, offering only online banking, which eliminates the need for a physical branch and helps them operate at a much lower cost. Banks are beginning to realize that revenue growth is no longer as strongly tied to geographic expansion. Rather, they see revenue growth tied to customer satisfaction. But how is this attained?

Revenue growth through customer satisfaction is key to banking strategy



Retail Banking Technology Business Trends Survey December 2006, Datamonitor

Approximately 95 percent of all new accounts are opened via the branch and call center.

It is clear that banks must change gears to reconnect with the customer. Unless banks provide a more compelling reason for customers to come into the branch, the number of new accounts will continue to falter and revenue growth will sustain a downward spiral. Yet, all is not lost. While customers may turn to automated means to perform daily transactions, they still prefer to interact with a live person when closing transactions. A January 2007 analysis by global consulting firm Booz Allen Hamilton determined that up to 90 percent of customer relationships are still formed in branches. TowerGroup estimates that "approximately 95 percent of all new accounts are opened via the branch and call center", although it expected this number will drop as more customers take their banking online. While the old commercial bank model does not support modern customer needs, statistics like these are encouraging.

A New Focus on Live Service

Within the sector, banks have realized they are due for a renovation, both physically and operationally. Fortunately, the challenges of recent years have revealed that the solution lies within a more customer-centric model. A few forward-thinking institutions have already made this change and have reaped the rewards. U.S.-based Wachovia Bank switched to a customer-centric model in 2000 and, over the course of four years, saw its attrition rate fall from over 17 percent to just under 10 percent in 2004.

Most banks, however, tend to be more conservative than Wachovia and are uncomfortable breaking out of the traditional model. And, yet, Wachovia's example — along with customer behavior patterns — has made it clear that change is the only way for commercial banks to regain control.

As banks struggled to try to fit the old service model into the new automated world, the retail sector evolved, updating its physical location to keep it relevant alongside its cyber counterpart. In the end, the retail sector seems to have mastered the ability to balance automation with live service while staying competitive and prolific.

From greeters, friendly staff and aesthetically displayed products to pleasant music and nostalgic aromas, the retail sector's attention to atmosphere and customer preferences make the store an enticing place to enter, spend time and make a purchase. This is extended to websites and kiosks, where the atmosphere of convenience and customer satisfaction continues to be a backdrop for consistent, intuitive service. And, while online customers gain the convenience of shopping from home, they continue to visit the store for a more sensual experience. The retail brand's success is the result of a careful blending of corporate image, exceptional customer service, and an understanding of customer comfort, behavior, and individuality. A 2007 TowerGroup report warned that "unless banks begin thinking more like retailers in many respects, banking could become a 'powered by' environment, where banks compete for business on a per-transaction basis."

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"It has always been difficult for banks to venture outside traditional payments and credit accounts," the TowerGroup report states. "But, by tweaking existing banking functionality, banks are able to offer products that are closely tied to the way consumers behave."

With the retail model as inspiration, banks are remodeling the branch to be more appealing to customers. Like retail stores, the new branch would offer products and services tailored specifically for individual customer needs, instead of using the all-encompassing service approach. To make the branch more appealing and accessible, many banks are offering expanded store hours and heightened customer security. A study by **Retail Banker International** revealed that 94 percent of large banks in 2004 were open on Saturdays and 18 percent were open on Sundays. Many are also extending store hours to accommodate after-work schedules. More still are implementing details like complimentary coffee to set a more accommodating tone.

Although these small physical details establish a more comfortable atmosphere within the branch, the real rewards will come from a redesigned customer service model. Though banks had invested much in automated services like telephone banking and customers have expressed their preferred way to get information is through the telephone, they prefer speaking to a live teller (Booz Allen Hamilton). KPMG revealed that personalized telephone banking support was seen to be as important as the branch and ATM networks in the delivery of good customer service; however, adopting live phone service presents contact center staff with challenges in recruitment, training, working hours, motivation, and remuneration.

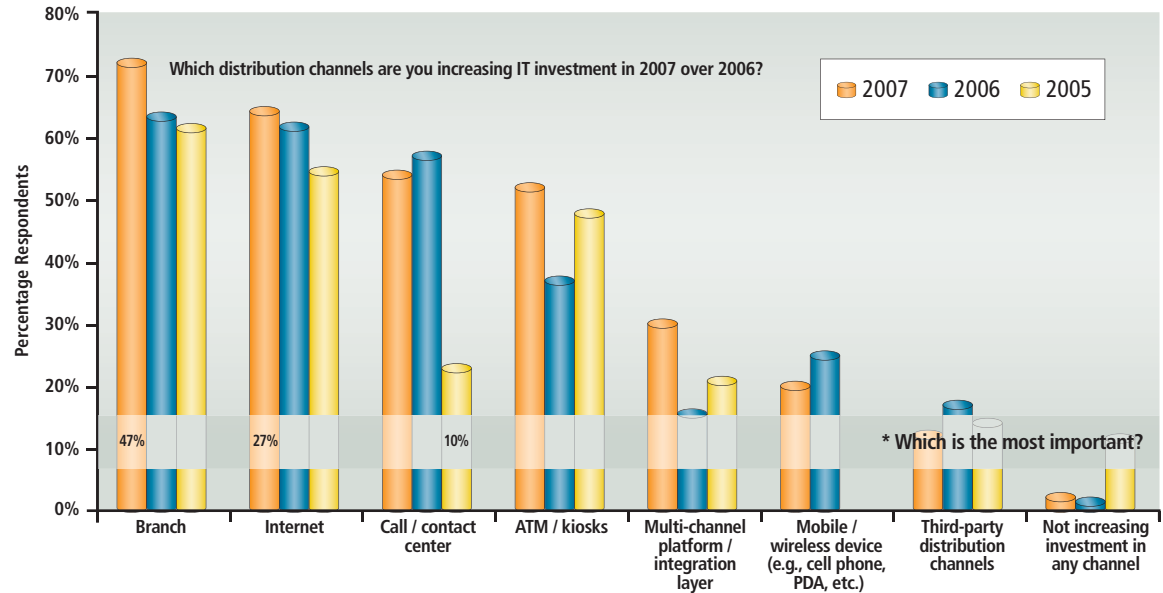
Investing in IT

IT enabled the change to automated banking, but it can also provide the means to develop more personalized service for the bank customer. TowerGroup states “the Internet, mobility, and incredible advancements in banking technology, along with the information technologies that make pricing and bundling easier, will enable this expansion of flexibility and variability in product offerings.” In other words, technology has advanced above and beyond the need for automation to provide innovative, economical, customer-focused services that will transform the branch back into the means of reconnecting with its customers.

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Estimates show that financial services industries around the world are currently investing 38 percent of their technology budgets in new and upgraded solutions — a proportion that will grow to 44 percent (US\$308 billion) by 2009. Roughly one-third of IT spending for banks is related to customer-facing activities. Banks are re-focusing their IT investments in 2007 (see diagram below). Many banks are evaluating the implementation of various communications technology within the branch, including web kiosks and video technology. This emphasis on infrastructure, delivery channels and customer analytics will pave the way for new service-delivery models and reshape the competitive landscape.

The industry is moving into the next stage of the branch renewal process, with support of ATM / kiosks, online, branch and contact center initiatives.



North American Retail Banking Technology Spending Strategies 2007 (Customer Focus), Datamonitor

Finance Tech concluded in 2005 that “technology’s radical implications in the North American banking industry have grown exponentially. Although information technology has played a significant role in the banking industry for some time, IT is a major operation and competitive requirement for banks today. This explains why North American banks are investing a sizeable chunk of their revenues in IT.”

The Solution

VoIP systems and IP-based applications and solutions present countless possibilities to resolve today’s industry challenges. The customer-centric bank uses IP technology to deliver more efficient service, seamless collaboration between colleagues, and better access to experts. It offers banks a low-cost means to differentiate from the competition, a way to appeal to the live service needs of customers, and a new, more prolific approach to old ways of generating revenue.

What banks need is a service-oriented architecture solution that addresses productivity, facilitates access to experts, and establishes transaction accountability, on-demand training, flexible branch relocation, and customer-centric sales. Most importantly, it should be low-cost to fit into already-stretched budgets. It must also

empower banks with the ability to deliver the live services and special accommodations customers are looking for without undue sacrifice. Lastly, it should be easy to implement and should ultimately enhance operations and increase security.

Not long ago, this would have been a tall order for any sector, let alone the financial services industry. Today, however, IP communications technology is making affordable, flexible, collaboration-enhancing, and productivity-improving solutions not only possible, but also swift and simple to implement. With a unified communications setup using a single network for multiple channels, benefits extend across the institution to all areas of operation.

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A contact center solution is ideal for delivering customer-centric sales — the keystone of the modern bank. TowerGroup concluded that “with approximately two-thirds of call center spending and half of branch spending focused on staff, technology that is designed to improve the effectiveness and efficiency of front-line personnel is gaining the attention of leading consumer banks.” Features such as automatic call distribution improve customer service by establishing a consistent process and delivery of live telephone banking. The best solutions enable automatic routing of calls to the most appropriate and available agents so customers get the right person more quickly. Queuing and prioritizing of calls help to prevent dropped calls and facilitate first-call resolution. This means customers won’t have to wait on the line and call agents will be able to meet service goals more easily.

Screen-pop applications provide even more personalized service. A desktop notification appears to identify the caller before the agent answers the call, providing the agent with the client’s information ahead of time.

Inside the branch, mobility and collaboration solutions can add substantial functionality, delivering better access to experts and enabling colleagues to connect instantly and more intuitively. Presence and availability tools give everyone from the branch manager to the receptionist desktop usability to control voice, messaging and video features. In a single glance, users can tell who is available and by what means they can be contacted. One click can then connect them to the right person immediately, whether it be by phone, fax, or email. At the same time, this functionality can be extended to include file sharing and conferencing.

Audio and video conferencing are proving to be very popular with and effective for commercial banks. Financial Insights reported that 78 percent of opportunities discussed using video conferencing resulted in customer action. The report also revealed that cross-sell opportunities increased by roughly 10 percent as a result of adopting video conferencing. Video has helped banks increase productivity by

up to three days as a result of eliminating travel from branch to branch. This is important because most experts are mobile and cannot be at every branch to meet with customers. Video meetings allow experts to meet numerous high-value customers in a day while keeping expenses down and reducing travel time. Video conferencing also presents a low-cost, on-demand medium for employee training.

The mergers and acquisitions typical in the banking industry have hampered cross-office communications by causing more disparate systems. Mitel® Mobile Extension combined with a single converged network streamlines communications and unifies disparate systems while integrating with the bank's legacy infrastructure. Transient experts and other bank staff have just one number and one message box that can be twinned to their desk phone, mobile device, and any other phone within the network. By simply logging in with one user-specific password, the user can access all chosen features and messages from any phone within the network. This provides easy resource and systems access that allows employees to contact colleagues and business systems without reference to location.

While customers are a critical aspect of the customer-focused bank, back-end systems are an important element to make it all happen smoothly and efficiently. Several components of a service-oriented architecture work behind the scenes to bring rapid benefits to the bank itself. The best solutions are those that will interoperate with any system, lower the total cost of ownership, enable the organization to migrate at its own pace, and work quickly to generate results.

Unified IP communications technologies are designed to increase flexibility and scalability, and afford low-risk, cost-efficient adoption and growth. These same qualities also enable branches to be established or relocated at a much lower cost and within a shorter time frame. More importantly, this will make it possible for many to expand into new markets without the risks they had feared.

Within the branch, IP solutions enable both branch staff and customers to gain new ground. The call center, wireless and productivity-enhancing features of a customer-centric architecture harmonize to create seamless, efficient, personalized customer service. This will make it much easier for customers to access qualified staff. At the same time, they will also be able to get their questions and transactions resolved more effectively and rapidly. To put it all into context, imagine the following:

A customer is at home surfing the Internet for a new bank. She spots some banks of interest and fills out their online requests for more information. The first to call back is a customer-centric bank, which received the request for information immediately; the customer's contact details were automatically sent to a predictive dialer (a system that automatically places call requests to agents). This prompted

a customer service representative to call the customer. Speaking to the live bank agent, the customer answers a few basic questions and agrees to a meeting the following day at the branch.

The next day, the customer enters the branch and is greeted immediately by a receptionist who was expecting her. The receptionist calls the branch manager. Although the branch manager is not at his desk, he still receives the call because his desk phone is twinned with his mobile phone. He ends his conversation with one of the tellers and heads to the front reception to meet the customer.

The manager and customer's discussion goes well. They chat about general bank services then mortgages. The customer then asks a question that stumps the manager. It's no problem though; he uses presence availability to seek an expert who can provide the answer. He checks his desktop console to see who is available and sees that seven mortgage experts are online, but two are away and four are busy with clients. He calls the available expert and, through audio conferencing, the expert, manager, and customer continue the conversation and address the customer's question. They determine that they need to add the retirement expert to the call, so the manager quickly accelerates the call to a video conference with the retirement expert.

Though the video conference, the mortgage expert is able to view key documents that outline the client's banking statements. The meeting ends successfully, with the customer satisfied that all her questions were answered. It is determined that the expert and customer will need another brief follow-up meeting, but the customer will participate in this call from home.

After the customer leaves the branch, the manager decides to give the mortgage expert a quick call to thank her. It is only then that he learns the expert was actually working from home, as a situation had prevented her from going to the office. Luckily, she was able to access all her key applications from home using the hot desk feature.

One week later, all parties settle the final transaction through an ad hoc meeting using a quick audio conference application.

In this situation, call center, mobility, conferencing, and presence worked together to help all parties complete a transaction from start to finish. In the end, the customer's needs were met from the moment she received the first call, and continued to be met when she went into the branch and after she'd returned home. It's easy to see the effectiveness of the customer-centric model.

Although not addressed in the real-life example above, security should also be an integral element of the customer-centric bank. Not only is security about dishonest employees, fraud and identity theft, but a bank's security measures contribute to its overall reputation. Customers need to know that the bank is safeguarding their PIN numbers, credit card information, financial records, and other sensitive personal information. IP solutions are designed to protect this information and facilitate transaction accountability through digitizing all voice and text transactions and storing them on a security-enhanced platform. The best solution, however, must operate through secure socket layer (SSL) protocol, which provides a secure connection between client and server during any banking transaction. To safeguard the branch, a centralized IP security system that uses voice, video and text works best to monitor and identify fraudulent transactions and give proof of transactions to complement in-branch records. A SMS text messaging feature can also give tellers a discreet way to alert security personnel if something has gone awry on the floor.

A New Perspective

The challenges facing banks today can be seen as a blessing in disguise as they have forced the commercial bank industry to take a closer look at its outdated, impersonal model. Bankers have realized that providing excellent customer service is the best competitive weapon in an industry with limited opportunities for product differentiation. To achieve a competitive advantage based on cost and customer service excellence, bankers need the right communications tools. IP technology and a unified communications platform provide not only the way to establish a customer-centric branch, but can also deliver a list of features that will provide everything from enhanced productivity and collaboration to increased security and reduced costs.

IP technology enables banks to thrive alongside automated banking, bringing in new revenue and attracting customers to the physical branch. With the retail sector as an example, banks are learning that the same method for creating automated banking can help personalize telephone service and transform the branch into an enticing place for customers to visit. In the end, IP communications is the key to building the bank of the future, where customers reconnect with the branch and banks gain new revenue channels that carry them into the next phase of IT.

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Companies don't make decisions, people do. That is why Mitel is leading the way toward a new and more personalized approach to communications for enterprise and small business. Our innovative solutions, applications and desktop appliances enable you to access, process and control your communications and information naturally, simply and efficiently.

Our solutions allow you to collaborate over distance and time and to interact with your customers, colleagues and partners as never before. By combining the power of voice, data and video over converged high speed networks, Mitel provides you with flexible and personalized tools that let you leverage the latest advances for personal and organizational advantage.

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