

Banks & Future 2010

# REDISCOVERING THE CUSTOMER

**The pan-European Banks & Future survey, conducted by the Stuttgart-based Fraunhofer Institute for Industrial Engineering IAO, reveals that banks across Europe will remain focused on internal processes, while at the same time having rediscovered their customers. The banks have expressed their commitment to investing in customer management and are looking for new ways to communicate and interact with their customer base.**

In cooperation with several international banks and IT partners, Fraunhofer investigates interests and research issues related to the current and future needs of banks. Its partners include Equens, IBM and Wincor Nixdorf. The survey has been conducted in Germany since 2004 and was extended across the rest of Europe in 2007. The European survey for 2010 focuses exclusively on payments. "Each year, we're seeing more banks looking to participate," says Claus-Peter Praeg from Fraunhofer IAO and responsible manager for the survey. "This year's international survey covers all the countries in the Eurozone, with a total of 80 respondents. Although that may not seem like a lot, in their respective countries the respondent banks actually represent large market shares. Of the respondents 40 percent are board members and 50 percent are members of senior management. That ensures that the survey is receives high attention and that the results have strategic relevance for bank executives and managers."

## **Investing in customer interaction**

Since the research report will be published around the same time as this magazine, we are not yet able to disclose the full results. However, Mr Praeg has identified a number

of key trends. "We've been seeing growing price competition for several years now, which has resulted in increased process automation, both internally and in e-business. Also, banks are increasingly focusing on European integration and standardisation as part of SEPA, and they regard the increasing number of regulations – both those imposed by governments and those under the Basel Accords – as a significant challenge. A particularly striking trend this year, however, is the renewed focus on customers and the commitment of banks to investing in new channels of customer interaction. Specifically, they are focusing on integrating internal processes into customer processes, in order to simplify the communication with customers."

## **Social networks**

The survey results show that these latter investments will focus on extending the communications and sales channels, as well as on bank branches and online banking, which is now well integrated. Mr Praeg: "Banks will be investing in new channels such as social networks, and in forms of online services. They are explicitly investigating how they can gather more information on their customers, other than on the basis of traditional data, ranging from their financial

situation to their birthday. They think they'll be able to learn much more about their customers by analysing and interpreting the social networks they use. Several banks have already created customer communities in order to define products and give customers the opportunity to discuss product terms and conditions, and some banks are even linking specific products to social networks, for example by integrating payment options. It will be interesting to see what new business models will evolve from these trends."

## **Specialisation by segment and region**

According to Mr Praeg, another key trend related to the renewed focus on the customer is further specialisation in specific customer segments and regions: "The main challenge is to increase customer satisfaction, so banks are adapting their value chains as much as possible in order to facilitate that. In the survey we defined this situation as 'globalisation'. Customers are increasingly globally mobile but in many cases they would prefer to use the service of their local bank in their home base. They demand products and services which are tailored to their special situation and needs. This will result in new services which are provided regionally, but can be used worldwide and at any time.

### Investing in Business Process Management

It is also interesting to witness the outcome of the debate on outsourcing that was raging several years ago. Mr Praeg: "Back then, banks were raving about the potential benefits of outsourcing, but in our work as consultants we have noticed that many of them, from an organisational perspective, are not ready to make a fundamental 'make or buy' decision. Before they're ready to take that step, banks will need to invest in updating their business process management, adapt their organisational structures and build up competencies in managing external value chain partners. Experiences in the banking sector indicate that sometimes they lack even the most basic data and processes, such as quantitative information about their systems, like the number of PCs they have and also defined interfaces to integrate external partners."

### Consultancy as an extension of research

Bank executives across Europe have taken a great deal of interest in the Banks & Future survey: "From feedback we have received from our contacts and through our other activities in the industry, we've learned that our survey plays a key role in strategic decisions of many banks," Mr Praeg said. However, the survey also provides Fraunhofer IAO with vital input for the extensive research conducted in the banking industry and for the consultancy services provided by the institute. Claus-Peter Praeg: "We provide a variety of tools and methods, such as a tool to measure the maturity of business process management, including solutions to bridge any gaps that might exist with the desired situation. We have already successfully implemented these tools at several German cooperative banks. In the near future we'll be launching a measuring tool designed to benchmark the multichannel efficiency of banks. Our institute engages in applied research rather than pure research, with the operative word being 'applied!'"

### About the Fraunhofer Society

The Fraunhofer Society, the largest European organisation for applied research, operates 80 research units spread across 40 locations throughout Germany. The organisation employs 17,000 people, the majority of whom are highly trained scientists. The annual research budget is EUR 1.6 billion, more than 1.3 billion of which is earned through contract research. Headquartered in Stuttgart, Fraunhofer also operates branches in other German cities, as well as in the United States, Singapore and Dubai. From these various institutes, the Fraunhofer Society is engaged in a variety of applied research activities, ranging from health, employment and housing issues to IT, nanotechnology, traffic, transport and logistics.

### Fraunhofer IAO and the Innovation Forum 'Banks & Future'

The Banks & Future survey is conducted by the Fraunhofer Institute for Industrial Engineering IAO, which is dedicated to the extensive field of technology management. The trend survey is supported by the partners of the Innovation Forum 'Banks & Future' which provides valuable support in designing and operation the annual survey. In addition to the German and European surveys of trends in the banking industry, Fraunhofer IAO conducts custom research on behalf of specific banks, and provides consultancy services on commercial and process related subjects.

# BANKS & FUTURE 2010

An extensive summary with the results of the Banks & Future survey 2010 is available on the Equens website [www.equens.com/banksandfuture2010](http://www.equens.com/banksandfuture2010). To give a foretaste, the outcome of three representative questions show that the challenges put by the crisis are still on top of the charts, but that innovations, and the role of service providers enjoy increasing attention.

### Equens and the Banks & Future Innovation Forum

The continuous quest to fulfil clients' future needs requires in-depth knowledge of trends and future needs of banks and their customers. Equens uses several ways to stay well informed, the most important one obviously being direct contact with clients. Furthermore Equens participates in several international advising bodies. To adjust, broaden and confirm the picture this is complemented with thorough market research. Therefore Equens participates actively in the Banks & Future Innovation Forum.

Read more on [www.equens.com/banksandfuture](http://www.equens.com/banksandfuture)

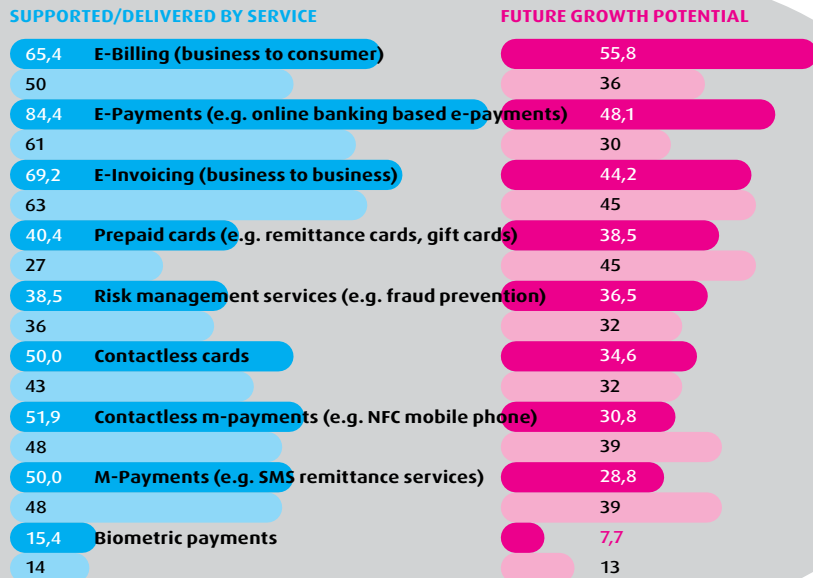
## THE MAIN CHALLENGES IN 2010

Just like last year, almost three quarter of the respondents see the increase of productivity through cost and process optimisations as the main challenge in the payments business. The attention for the migration to SEPA products has decreased, probably due to the longer period after the launch of SCT and SDD. However, still over half of the respondents consider the migration of customers to the new SEPA instruments as their biggest challenge.



## INNOVATIONS IN PAYMENTS

As to which new innovations will drive future growth in the payments business, the expectations towards the growth potential of the different innovations haven't changed very much. The top three innovations still are e-invoicing, e-payments and e-billing. What has changed however, is how banks think about the support or even delivery by external service providers. Last year for e-invoicing this was 45% of the respondents, for e-payments 30% and for e-billing 36%. These percentages have increased considerably, which proves that the discussion on 'make of buy' has become more animated.



## TECHNOLOGICAL ADVANCEMENTS

Technological advancements (new question) Looking further ahead, the banks gave their view on what technological advancements they expect will most affect the payments industry in the next five years. Not surprisingly the main ones are related to ICT with two thirds of the respondents mentioning security technologies and an equal percentage betting on mobile technologies. Contactless technologies occupy a strong third position. The similarity of these three is that they are being applied on a considerable scale already. Other, more exotic technologies are expected to have much less influence.

