



## White Paper

# Mobile Messaging in Retail Banking: Platform Approach Across Multichannel Provides Scale and Amplifies Impact

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Marc DeCastro  
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## IN THIS WHITE PAPER

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### Business Drivers in Retail Banking

Despite the significant changes already witnessed in the financial services industry over the past 10 years, the changes ahead will be unprecedented. The impact of a scaled-up digital transformation (DX) economy on the financial services industry will see more enhanced customer experiences, a proliferation of next-generation digital solutions, and a significant mobile-first customer base with high expectations and low loyalties. As part of this digital economy, new rules for competitive success will be built and there will be challenges to the status quo, particularly when it comes to mobile services.

There are several drivers that go beyond the CIO's office and impact all buyers of technology within the organization, including marketing, retail banking, and customer service. These drivers impact all decisions made when developing the bank's overall digital strategies.

- **Staying relevant:** New technologies and new business models are impacting the financial services industry like never before. The challenges have been coming from unlikely entrants, including nontraditional financial service providers, millennials, the underbanked, and even the nonbanked that are looking to enter or grow their inclusion into the financial services realm. Combine this with the drop-off in foot traffic in the bank branch network and the entrance of fintech providers and digital solutions, and now more than ever, banks find themselves in a battle to stay relevant while trying to deepen the relationship with existing clients.
- **Digital transformation:** DX refers to the application of digital technologies to fundamentally impact all aspects of business and society as a whole. DX has become the source of innovation and creativity for new business models, enhanced experiences, and improved financial performance. It is important for banks to prioritize their DX investments, with a continued focus on improving the mobile experience. For banks, DX is focused on integrating the latest technology into an individualized customer experience that can be deployed to the masses and thus needs to be scalable and compliant with enterprise industry standards.
- **Everything-everywhere:** The concept of everything-everywhere is driven by the fact that we are hyperconnected, have access to real-time interactivity, and can create highly personalized mobile experiences. Younger demographics are incapable of remembering a world prior to advances in mobility, and older demographics need continuous education to embrace an environment where they can take advantage of mobile-based financial service offerings. For both ends of the market, SMS is a simple tool to enable everything-everywhere financial services. Its use cases extend from fraud prevention to loan and credit application updates, payment reminders, targeted marketing messages, and customer support via two-way chat sessions.

- **Enterprise architectures:** Integrating innovation into the institution's existing infrastructure is becoming an increasing challenge to banks worldwide. Front-office innovation is happening at a pace that is challenging the institution's back and middle office. While consumers are seeing short-term benefits in terms of more engaging experiences on their mobile devices, this tactic is ultimately doomed without the ability to tie in the data and process-rich capability of a digitally enabled back office. When using cloud-based mobile solutions, especially those built using APIs, banks can remove some of the complexity of their DX strategy while reducing costs and improving experiences. As the mobile-based interface becomes the norm for customer-to-bank interaction, two-factor authentication (2FA) and multifactor authentication using SMS are critical to ensure security across the front- and back-end processes.
- **Global volatility:** As volatility seems to be the new norm, legacy challenges persist from competition, power, and risk. Interenterprise IT connectivity is accelerating the impact of global economic volatility on business performance and markets, driving the need for continuous adaptation and change. Never has there been a greater need in financial services to improve customer intimacy. SMS is an effective tool for institutions to reach out to customers with important alerts and urgent notifications.
- **New nature of risk:** Banks must innovate to defend against fraudsters and comply with increasing regulations while balancing the need to attract new customers, generate new products, find and improve revenue opportunities, and control costs. Financial institutions cannot afford to have their customers' data compromised. SMS delivery of one-time PIN codes adds a second level of authentication to account log-in. This prevents someone from unlawfully accessing an account, even if the person has a username and a password. Beyond 2FA, SMS plays an important role in fraud detection – send a quick text when a suspicious activity occurs within an account or ask the customer to verify an unusual transaction. Because SMS conversation logs are fully and automatically archived, searchable, and downloadable, SMS can support regulatory audit compliance requirements.
- **Platform economy:** The ecosystem battle for scale will continue. Platforms have long played a key role in the banking industry. We are entering a platform economy – one in which tools and frameworks based upon the power of information and ubiquitous access will frame and channel our economic and social lives. With the transition to innovation and cloud platforms, new integration, security, infrastructure, training, skills, and compliance requirements will emerge. This will be true especially in the mobile offerings as banks implement next-generation solutions both for their customers and for their employees. Integrating SMS messaging into banking platforms can reduce costs and improve customer satisfaction. For example, deploying a messaging portal inside bank software for automatic alerts regarding overdrawn account, fraud notification, or payment reminders can improve a bank's collections position; reduce costs associated with outstanding payments; and gain higher customer satisfaction levels.

Specifically, the following programs will help bring these business drivers to life:

- Behavioral analytics will become more commonplace. Regulators and nation-states are putting increasing pressure on financial institutions to help them cut off the flow of funds to terrorist organizations and reduce financial crime through improved know-your-customer (KYC) and anti-money laundering (AML) compliance programs. Firms are increasing their investments in behavioral analytics to help better analyze customer profile, interaction, and transaction data to look for patterns of suspicious activity to help prevent compliance violations and help detect and prevent fraud and cyberthreats. Improved behavioral analytics helps firms detect suspicious activity when customer transaction patterns are outside of their risk segments. Each customer's transaction patterns are compared with those of the customer risk profile peer group as well as with the customer's own transaction histories to monitor if that customer's account

has been compromised. Behavioral analytics also has marketing use cases. According to SAP Consumer Insight 365, when mobile ambient data is anonymized and aggregated from operators worldwide and enriched with other data sources and predictive algorithms, it can be a new empirical source of near-real-time customer insight that can be applied to targeted marketing campaigns, competitive analysis, and further demographic and segmentation studies.

- Cognitive technologies are already being deployed to solve a variety of problems in financial services, from threat detection to investment advice. Cognitive will eventually help consumers and employees deal with the overabundance of data available to them today. Cognitive will play a role in making access easier by utilizing things like rules-based engines with a natural voice interface to help customers set up communication preferences or help banks communicate with their own employees. These solutions will often be delivered through the bank's mobile platform but may not necessarily be delivered exclusively on the bank's application. The ability to provide a standardized process of information delivery will be critical in providing content to financial data aggregation services, which allow consumers to view and manage their financial accounts all in one place.
- Many institutions are beginning to research and, in some cases, experiment with voice as the next channel offering. Solutions that can be designed in such a way that they utilize as close to natural language as possible will be preferred; however, there are still numerous concerns around privacy and ownership of the experience. Utilizing the mobile device to capture voice and provide financial transactions will become integrated in the day-to-day routine of most consumers in the near future. The ability to offer SMS, for example, to provide the customer with information and then allow the customer – using natural language – to execute a response will be a key component of next-generation mobile offerings.
- A private network can be used to establish and maintain secure and reliable "last mile" connectivity between the bank and the customer to deliver coordinated and contextual engagement in a true omni-channel ecosystem, including integration into the bank's existing mobile banking apps, SMS, traditional email, voice, and even social.
- Cloud adoption will be part of the foundation of a truly modernizing financial institution. The ability to reliably deliver application functionalities on a cloud environment has been validated, and the benefits of quicker deployments, enhanced service provisioning, reduced complexity, and better manageability of assets will provide even more proof points that will be difficult to deny.

## Customer Omni-Experience Delivered Through Multichannel Offerings Is Driving Digital Transformation

What exactly is omni-experience in banking? Omni-experience is defined as a multidimensional ecosystem approach for banks to continually amplify experience excellence for their products and services. Having a true multichannel offering is the first component of a true omni-experience, and oftentimes, this starts and ends on the mobile device. A fulfilling multichannel experience needs to be addressed for customers as well as employees and bank partners. A true strategy utilizing multichannel is the foundation for providing a remarkable customer experience. Combining that multichannel approach with the omni-experience creates a perfectly balanced ecosystem between customers, employees, and bank partners. The omni-experience includes the infinite combination of interactive experiences between digitally enabled banks that are transforming the way people communicate with each other and the business products and services that are increasingly created to meet unique and individualized demand. Banks that are able to deliver consumers an optimized omni-experience as part of their digital transformation journey should be able to continually attract and grow loyalty with customers, partners, and employees across the entire ecosystem and positively impact their business performance as a result. Reliance on the mobile device has become the

epicenter of the experience, as more and more transactions either are initiated from a mobile device or utilize the mobile device for content delivery, authentication, or targeted messaging.

When specifically thinking about how omni-experience impacts enterprise messaging, banks should consider four key areas:

- **Channel experience:** Channel experience is the ability to continually enhance the experience of the customer in a multichannel environment to increasingly attract and retain (grow loyalty) all members, including customers, employees, and bank partners. Mobile solutions should be aligned with the strategic desires of the bank and must be developed to improve the overall efficiency of delivering content or authenticating a transaction. Mobile solutions must also be developed to adapt responsively to the customer's needs. The bank must be willing to develop a culture of innovation and a desire to disrupt channel experiences.
- **Continuous innovation orientation:** Continuous innovation orientation is the organizational commitment to continually amplify the engagement of digital and physical continuous self-assessment and innovation that looks to leverage mobile strategies and investments in interconnected, multichannel engagements. Successful banks will develop an organizational structure that flexes and adapts to current banking needs in alignment with the customer's omni-experience expectations, proving to be a disruptor within the industry.
- **Platform service delivery:** Platform service delivery is the ability to leverage digital technologies to conceive, create, adapt, and execute on innovative offerings that combine digital and physical intelligence. Banks must develop an architecture that fluidly scales and adapts to omni-experience foundational requirements. Particularly in banking, the bank's mobile strategy must effectively address and manage data privacy, security, and accuracy within or even beyond regulatory guidance.
- **Omni-dimensional marketing:** Omni-dimensional marketing is the expansion of market awareness and brand management to leverage an assortment of digital connections, influences, impressions, and triggers that expand engagement beyond traditional channel boundaries. Business performance hinges on delivering a compelling experience long after the original customer engagement. The bank must improve on message relevance and delivery timing and precision, which is accomplished by understanding and aligning with the personalized and contextualized needs of the bank customers. The reach of the message and channel must extend and amplify the impact of messages by evaluating and reinforcing high-performance paths. Providing two-way SMS messaging is a key example of such marketing efforts. Banks should pay close attention to feedback, rewarding desired behaviors with something that is of value to the customer, such as a reduction in fees or better rates.

## What Successful Retail Banks Are Doing with Enterprise Messaging to Improve Omni-Experience

The business capabilities for omni-experience in retail banking are identified by five distinct stages. These stages represent a progression of increasing maturity of omni-experience capabilities and actions. The stages are a measure of an organization's ability to create and execute a multidimensional channel approach to constantly evolve the customer with excellent experiences utilizing the bank's products and services. Moving from one stage to the other requires a significant level of executive support, employee participation, and prudent expenditure of IT resources.

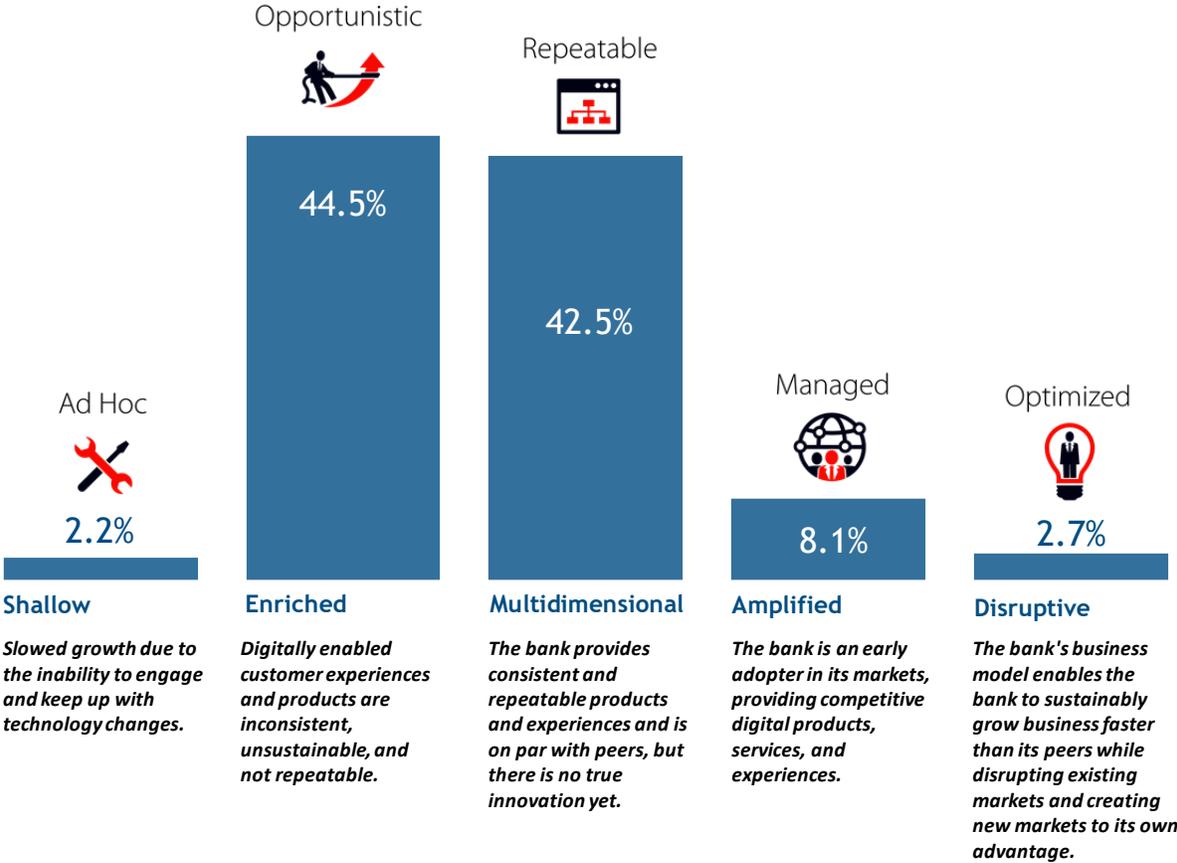
The five stages are:

- **Ad hoc/shallow:** The bank has little to no ability to adapt business models, products, and services to create contextualized and individualized channel experiences. The bank will experience slow growth because of its inability to engage and keep up with the technology changes. Enterprise messaging is something that evades most of these institutions.
- **Opportunistic/enriched:** The bank is inconsistent and has a narrow focus on enhancing experience as a key goal in developing products and services. Both the analysis and the synthesis of additional sources of omni-experience data support the pursuit of new types of interactions. The bank provides inconsistent, nonrepeatable, and unsustainable customer experiences. Enterprise messaging for these institutions is generally what has been made available through each offering, without much regard for overall strategy or integration. Messaging use cases are ad hoc, driven by individual business unit manager. This may include balance alerts, deposit confirmation, payment requests, and fraud alerts. There may be some use of messaging for promotional purposes in a bulk broadcast fashion to opt-in customer lists.
- **Repeatable/multidimensional:** The bank has provisioned that engaging in high-quality business and channel experiences is a critical imperative in the creation of all new bank products and services. The bank provides consistent and repeatable products and experiences and is on par with peers, but there is no true innovation yet. At this stage, mobile engagement for these institutions is provided as a platform across all solutions and can be easily replicated for future solutions. A common messaging platform has been deployed for customer care and marketing across multiple units – branch location, website, mobile apps, and call center. Messaging has been integrated in banking software platforms for automated message transmission in one-to-one interactions and targeted campaigns.
- **Managed/amplified:** The bank consistently delivers high-quality products and service experiences through every interaction that engages customers, employees, and bank partners. The bank relies on automated analysis and synthesis of channel pulses to improve business model development and product and service ideation, selection, and execution. The bank is an early adopter in its markets, providing competitive digital products, services, and experiences. For these institutions, intelligent messaging has become a key way of conducting business and provides them with a competitive advantage over their peers because they are able to provide superior experiences across the multichannel environment. Messaging augments and is complementary to other modes and channels – branch, ATM, digital, and call center. Messaging is used primarily for self-service options for customer care and marketing purposes and also to stimulate the usage of other channels and touch points – mobile, social, branch, and so forth.
- **Optimized/disruptive:** The bank exhibits the ability to repeatedly disrupt and transform market and personal behaviors by continuously innovating and delivering contextualized and individualized experiences in an engaging, consistent way. Self-improving processes and near-real-time access to anonymized mobile data and analytics generate sustainable, market-leading digital experiences. The bank's business model enables the bank to sustainably grow business faster than its peers while disrupting existing markets and creating new markets to its own advantage. The bank uses a growing array of quantitative and qualitative customer insights and tools, which are applied to omni-channel customer understanding. Messaging is used interchangeably with other channels based on the automated orchestration of customer preference and history, for a mix of self-service and full service options. There is a seamless transition from self-servicing to full services with context from one injected into the other. The bank is constantly innovating on ways to be present and collaborate with customers.

Figure 1 represents the maturity distribution across 100 U.S. banks surveyed when it came to their omni-channel digital transformation. It is clear that the vast majority of institutions continue to be in the early stages of the maturity model. The ability to move up the maturity model depends on how well the financial institution can achieve an enterprise strategy of omni-experience, with particular focus on improving the digital channels, specifically mobile. The benefits achieved by moving up will include being faster to market with new products and services, leveraging fintech innovation for customers and partners, improving the operating leverage of IT, energizing employees, and ultimately creating frictionless transactions for customers. Mobile solutions and enterprise messaging are key to customer experience as we are seeing more and more mobile-first customers, particularly with younger and more affluent demographics. We are also seeing better tools being offered to bank employees, allowing them to move beyond the traditional bank boundaries.

**FIGURE 1**

**Omni-Experience Digital Transformation Maturity Benchmark for Retail Banking**



n = 100 U.S. banks

Source: IDC Financial Insights' *Omni-Experience Digital Transformation in Retail Banking in the U.S. MaturityScape Benchmark Survey*, 2017

Banks can be classified within the maturity model as either survivors or thrivers. Survivors are banks that are applying minimum or limited efforts toward building a fully integrated omni-experience in retail banking. Thrivers, on the other hand, are modernizing their retail banking omni-experience practices to be better positioned to take advantage of the latest digital transformational strategies and technologies, with specific attention toward mobility. Even within institutions, there are differences in thoughts as a larger percentage of IT executives in banking feel that they are thrivers while line-of-business executives tend to look at themselves more as survivors.

## Use Cases for Mobile Messaging Increasing

As banks begin their own self-assessment about their overall omni-experience strategies, certain use cases arise, which will help tip the scales toward providing more robust mobile offerings, particularly with regard to SMS capabilities.

- Overall customer experience can be improved beyond traditional mobile banking, such as account balance and money movement. A logical extension of existing services to mobile includes integration into a loan application process, providing more secure customer service interactions, and enhancing the in-branch experience.
- Investing in the tools aimed at providing enterprise mobility leads to better customer service, allows the bank to attract and retain a more talented workforce, can improve problem resolution, and allows the bank to have a more seasonal and mobile workforce. Imagine the ability to have a branch visit customers on the beach utilizing mobile services for transactions rather than making customers go into a branch as they normally would have needed to do.
- Customers have long been acquainted with using SMS for numerous well-known social and shopping apps – for example, being notified when a package has been delivered or when a new social media message has been received. Being able to integrate all aspects of the financial relationship in a format that is easy to understand, readily available, and can send and receive instructions will be key to improving the overall acceptance of mobile services. The ability to create that same interaction for financial services will graduate a bank up the maturity model.
- The ability for the customer to interact and provide real-time feedback through surveys, polls, reviews, and so forth will engage the customer in a way that has not been done by banks. Rating a teller immediately after an in-branch transaction through SMS makes the customer feel empowered and provides immediate feedback for the teller's manager to use.
- Next-generation security will require steps beyond user IDs and passwords, and because almost every phone has SMS capabilities, there is no option that has greater reach than SMS in providing a true multifactor authentication. SMS is used even for simple password resets and change of address verifications. It can be used to protect not only customer-facing solutions but also enterprise solutions used by bank employees.
- Taking some functions away from mobile apps and driving them toward SMS will improve overall performance and can provide unique features that potentially would utilize browser-based solutions and SMS and not even require an app to be installed. This would extend solutions to many of the nonbanked and underbanked as well as individuals who opt not to install apps on their smartphone.

## SAP Digital Interconnect

SAP Digital Interconnect, formerly SAP Mobile Services, intelligently interconnects people, enterprises, and objects around the globe with business applications, social networks, and messaging apps through the global messaging network from SAP.

Using a single connection, SAP Digital Interconnect enables banks to access its multidimensional framework to support the development and execution of a digital business strategy. Depending on business goals, SAP Digital Interconnect can help banks achieve intelligent interconnections and high-quality engagements through secure global connectivity, reliable messaging, and market insight.

Retail banking and financial services organizations need a multichannel engagement strategy that encompasses enterprise messaging, trusted multifactor authentication, messaging apps, and voice, email, and emerging chat capabilities. Beyond the types of messages, the engagement strategy will succeed or fail based on its ability to reach across town as well as around the globe, securely and reliably deliver messages to the intended recipients, and understand and apply customer data through analytics.

## Essential Guidance

The debate over the vision for omni-channel, or any multichannel banking strategy, is relevant only as a loose guideline because the way the consumer engages to research, buy, conduct, and communicate with financial services has been changing at a rapid pace. Financial institutions need to be simultaneously defensive and innovative to thrive into the future. IDC Financial Insights believes that we have reached a tipping point in the way that the consumer engages with the bank as well as how the bank must arm and train its employees in taking advantage of the latest technology while balancing a regulatory and compliance tightrope. The pressures driving change in the industry will force dramatic shifts to technology investment strategies as technology enables the next leap in engaging the customer.

Enterprise messaging is one of the many important capabilities required to engage consumers effectively through every aspect of their financial journey – search, buy, conduct, and communicate. Mobile channels, including email, SMS, voice, and social, are critical components that engage consumers on the device of choice, tell them about changes to their account, identify possible ways to deepen the relationship, and secure them in a manner that is not obtrusive yet solidifies trust in the relationship. To maximize the value of enterprise messaging, financial institutions should do the following:

- **Invest in intelligent notification platforms that coordinate and orchestrate message routing.** This will cut through the "noise" and ensure critical and noncritical messages are delivered on time and through the preferred or most appropriate channel.
- **Identify partners that can provide end-to-end capabilities.** Find partners that can derisk business operations and offer adaptability, security, global scalability, reliability, and service through an intelligent messaging platform with a single contract and connection.
- **Build trust among consumers to speed adoption.** This will expand the amplified value proposition of two-way messaging. SMS-based authentication (2FA) creates confidence and trust in the mobile channel by validating transactions and new online accounts, authenticating users, and sending one-time passwords and PINs.
- **Invest in the critical "last mile" of the financial journey, and this includes customer care.** This helps close the "last mile" of the financial journey, creates loyalty, and compels the consumer to engage more frequently with and expect more engagement from his/her financial institution, which will help deepen the relationship.

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As a provider of enterprise application software, SAP helps companies run better. From back office to boardroom, warehouse to storefront, and desktop to mobile device, SAP enables people and organizations to work together efficiently and use business insight effectively. SAP applications and services are intended to enable customers to operate profitably, adapt continuously, and grow sustainably. For more information, visit [www.sap.com](http://www.sap.com).

## **About SAP Digital Interconnect**

SAP Digital Interconnect, formerly SAP Mobile Services, provides cloud-based engagement services that enable enterprises to connect the "last mile" with their customers, and anonymized mobile-sourced data and analytic services offer near-real-time consumer insight to brands and agencies around the globe. Our interconnection services help operators worldwide simplify and optimize connectivity, monetize messaging services, and reduce network costs without additional capital expenditure. In addition, SAP operates one of the world's largest, most reliable cloud messaging networks, reaching 7.3 billion subscribers on over 1,000 operators in more than 220 countries and processing over 1 billion messages daily. For more information, visit <http://www.sap.com/digital-interconnect>.

For more details about how SAP Digital Interconnect can help transform your business and improve customer experiences in the digital economy, please contact us at [SAPDigitalInterconnect@sap.com](mailto:SAPDigitalInterconnect@sap.com) or visit us on the web at <http://www.sap.com/digital-interconnect>. To learn more about intelligent and interconnected mobile engagements, join the SAP Digital Interconnect Community at <https://community.sapmobileservices.com/> and follow us on Twitter at [@SAPInterconnect](https://twitter.com/SAPInterconnect).

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## Global Headquarters

5 Speen Street  
Framingham, MA 01701  
USA  
508.620.5533  
Twitter: @IDC  
[idc-insights-community.com](http://idc-insights-community.com)  
[www.idc.com](http://www.idc.com)

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