

# Eating the multi-channel elephant in seven bites

*A pragmatic point of view on the multi-channel challenge, taking the mortgage industry as an example*



## Summary

In this paper we argue that many multi-channel initiatives fail through having too broad a focus and too ambitious a scale. We identify seven practical steps to begin the building of a deliverable multi-channel programme.

## Introduction

Organisations have grappled with the multi-channel challenge for some time, as many have tried over-ambitious or insufficiently focused ways to address it. When talking to our clients, the issues remain fundamentally the same as ever:

- How to provide a consistent, high quality service to all customers across all channels in a cost-effective manner?
- How to optimise the number and crucially, the effectiveness of customer contact points?
- How to maximise the revenue-generating opportunities at each and every customer contact point?

Essentially, businesses need customers to *want* to pick the lowest cost channel for sales and service. Yet at the same time, an integrated multi-channel offering is crucial to provide security at those moments of truth – particularly when things get confusing or go wrong. An integrated offering amplifies up-sell opportunities at minimum cost by applying person-to-person contact only where it is most valuable.

We believe that it is all too easy to get bogged down with issues of scale and complexity when tackling these problems at the enterprise or divisional level. This leads to unattractive business cases, implementation issues and extended times to market. All undermine the essence of what is trying to be achieved. In reality, for most customers, the majority of journeys can and should be initiated and completed in a single channel.

A business needs to make an informed decision on which journeys actually need to be multi-channel, based on a firm understanding of the customer. We maintain that focusing on building sufficient capabilities to deliver a great customer experience in a relatively narrow group of journeys will make success more easily defined and achievable. British Airways (BA) is a good example of a company that has selected the most appropriate customer journey – check in and boarding – and optimised it using a multi-channel approach. BA has generally geared its other processes to efficient single channel treatments and used customer incentives/penalties to maximise usage of the lowest cost channels.

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Financial Services does not have a great track record for delivering multi-channel experiences. Customers are often forced down channels not of their choice due to a lack of integrated functionality – the self-fulfilling prophecy of today’s model. Poor online processes drive low online take-up, which in turn drives low returns, which drive low investment which sustains poor online processes.

Those journeys that would be most differentiated if delivered with a multi-channel treatment are often complex and high-value transactions such as mortgage applications or life and pensions purchases. By nature these transactions have a proportionately greater impact on customers’ perceptions of the organisation and thus are frequently described as ‘moments of truth’. We argue that by picking a genuinely cross-channel, moment-of-truth customer journey and getting it absolutely right, this would create the means to allow a comprehensive multi-channel strategy to be extended throughout the business. This might involve one or more of what IBM calls Framework Projects – building capabilities that can be leveraged beyond the immediate scope of work. So let’s have a look at what this means for designing a world-beating mortgage application experience.

We know that customers are open to purchasing their mortgages through online channels. 45% of customers surveyed by Foolproof<sup>1</sup> said that they would be willing to buy online. And yet very few providers in the UK offer an end-to-end online application for a mortgage (Nationwide Building Society, Yorkshire Building Society and the Post Office are some that do).

*45% of customers surveyed by Foolproof said that they would be willing to buy their mortgage online*

So what is stopping the creation of a really effective multi-channel mortgage experience? There are many factors at play but we have identified seven actions to make the task more manageable.



## 1) Build confidence

A house is likely to be the largest purchase a customer will ever make. Especially in today's confusing financial market, customers want the reassurance that they are making the right decision. The internet is already a huge part of this process. According to a Foolproof study (OSS Mortgages, October 2009), 84% of customers already use the internet to research mortgage products. However, this information clearly does not give customers the confidence to apply online. In fact 86% of customers still either go into a branch or speak to an Independent Financial Adviser (IFA).

Customers generally want to know three things when selecting a mortgage. How much can I borrow? How much will it cost each month? What sorts of mortgages are there? The information available online for customers is poorly laid out and fragmented. Most current websites are designed to be lead generators for offline up-sell and fulfilment processes. Brokers, aggregators and financial institutions want customers to call up or go into a branch. So today, the internet plays a role in helping customers understand the parameters of the market and selecting providers to speak to.

### *The information available online for customers is poorly laid out and fragmented*

By introducing multi-channel support intelligently, this process can be enhanced. Call back, web call and even video call services can be offered at specific parts of the journey so that customers can speak with advisors while they work through product selection. Effective tagging and business rules can allow a provider to identify where a customer is stuck or bouncing between products and to offer a web chat proactively. (Web chat needs to be used judiciously – when offered too early in the process, it can feel intrusive for customers not yet ready to speak to a provider). Videos can be embedded into the site to give customers advice and guidance – for example simple illustrated explanations of product types.

## 2) Simplify the data provided

This offers a huge opportunity for the industry. Mortgage information today is often presented in a very confused fashion. Product tables show every permutation of every mortgage product. Jargon terms like APR (Annual Percentage Rate) and LTV (Loan To Value) abound: the whole picture is bewildering to the customer. Again it serves to drive customers to offline channels in order to get the advice that will make sense of it all.

By providing clear and simple mortgage calculators and product tables which allow the easy comparison of products by features, customers can be made to feel more informed about their decision. Jargon should be stripped out and explained.

Again, support via videos, avatars, web chat, call back or web call can be introduced where customer behaviour demonstrates that the customer is having a problem or has stalled in the process.

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Organisations that compete primarily on price should consider making the product details and prices available via a public data feed or web service to ensure the maximum visibility. The increasing prevalence of open data standards makes this much easier to achieve now than before.

### 3) Simplify the data required

By their nature, mortgage applications tend to require a lot of data that has to be processed. In order to make an accurate lending decision, banks need to understand a good deal about the applicant(s), their financial status and the property they wish to buy. However, in order to optimise the customer experience, the data collected must be the minimum required to process the application. Too often we see customer applications cluttered with data-gathering attempts from marketing and other departments that are not actually relevant to the application at hand. For example in the online personal loans market, we see the best in class providers demonstrating processes of no more than 5 pages – whereas some competitors require their customers to wade through over 13 pages<sup>2</sup>. Frequently this is a symptom of a poorly thought through customer data strategy. The implication is that by simplifying the data requirements underpinning a customer journey, the journey itself will be simplified.

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### 4) Harmonise the application

It is no secret that the online channel is the cheapest channel for banks but circa 70% of sales transactions are still carried out in other, more expensive channels. However, in the digital age there is no reason why all customer applications should not be ‘digitally enabled’ regardless of which channel the customer is directly engaged in at the time. If we get the underlying process right, then delivering a consistent, optimised experience across all channels is relatively easy. If we want a low cost process then there really is no place for paper forms with the attendant requirements for the re-keying of data and the inevitable accuracy issues. By mimicking the online process in the branch and telephony channels we can create consistency of experience thus familiarising the customer with digitally enabled transactions and reducing one of the barriers to online channel adoption. At the same time, customers are allowed to follow their channel preference – those who want to fill in the application with a banking agent can still do so – but that agent will key directly into a branch version of the online application. Sales through intermediaries can be improved by the creation of online product demos that can be used by intermediaries. Multi-touch devices further enhance the potential for simple, engaging product selection tools that can be used by customers alone, in branch or with their broker.

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### 5) Make information visible and actionable to customers and staff

Customers want to feel in control and informed as they buy their house. Many banks now offer SMS (text) updates to customers about their mortgage status<sup>3</sup> but not many would prompt a bank cashier to tell a customer paying in a cheque that a failure to provide proof of identity is holding up their mortgage application and then ask them if they have, for example, their driving licence on hand to resolve this. Equally a customer calling to make a payment via the telephony channel may be advised of their application's status, whether it is progressing as planned or if anything is delaying it. Nor do internet banks show online customers how their applications are progressing.

The buying process can be split into a few clear stages with deadlines that can be explained to customers and staff members. Co-ordinating multi-channel communications with these stages will make the whole journey more comprehensible for customers. Simple iPhone/iPad and Android apps to track the progress of your mortgage application can and should become the norm. These types of services are easy and cheap to deliver if the underlying architecture is designed correctly. As a minimum, any customer-facing agent of the bank should be able to access the status of your application.

In order to optimise the customer experience, service prompts must take priority over sales prompts. As telecoms companies have demonstrated, efficient service interaction increases the likelihood of a customer buying related products and services such as insurance.

### 6) Add value by managing the complete journey

Looked at from the customer's point of view, a mortgage application is actually part of the 'Moving Home' journey. Brokers have previously offered end-to-end management services, either free (paid for out of their commission) or for a nominal charge. In the digital age such services are easier to provide at lower cost using the internet to link the various actors – solicitors, estate agents and mortgage provider. The bank or building society is often uniquely well placed to offer such a service to customers by providing a visible process from start to finish. Customers are able to see the current status and prompt for an update on whichever device they wish to use, ideally within the secure, online banking environment. Spain's Banco Sabadell represents a pioneering example of this type of service. As well as representing a convenient service, the rich information required from customers in support of buying a home helps the provider to build a detailed data picture to support customer analytics and eCRM processes. IBM's Digital Channel Transformation group can work rapidly with you to develop such customer propositions, trial them across multiple devices and refine them with customer groups before deploying the delivery know-how to get to market quickly.

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## 7) Align the goals of staff and customers

The traditional departmental silos and sales-focused incentives still found in most banks compromise the ability of staff to play their roles in delivering a great customer experience and indeed encouraging customers to use lower cost channels. Can you really say that the organisational design and staff performance metrics in your organisation effectively balance sales against customer service and the role of staff in optimising channel usage? This is about more than a channel strategy – it's about truly organising your business around the customer.

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How much more effective could your business be if it was aligned with appropriate customer segments rather than products and channels? IBM's Advanced Customer Analytics can help to identify the common characteristics of customer groups from complex data sets while our Strategy and Transformation consultants can work with you to convert that insight into an agile yet robust customer-centric operating model. This type of tailoring, based on the extensive customer data held by financial services companies, will help to differentiate that service from those offered by aggregators and brokers.

## For more information

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1 A UK-based internet sales optimisation and user research firm.  
<http://www.foolproof.co.uk>

2 IBM internal research, November 2010.

3 For example: Woolwich  
<http://www.barclays.co.uk/Helpsupport/WhyWoolwich/P1242562975969>  
And C&G  
<http://www.cheltglos.co.uk/guides/what-happens-next.html>



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