



PROPHET

Executing on Customer-Centricity

How Financial Services Organizations
Can Unlock Uncommon Growth

PRODUCED BY THE PROPHET FINANCIAL SERVICES PRACTICE

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Executive Summary

This report highlights how financial services organizations can think bigger and act bolder to achieve customer-centricity for the entire enterprise. By focusing on the whole customer, they can overcome the issues that inevitably arise when business units and product lines focus exclusively on their own customer-related goals. It also contains recommended actions, based on a proven model for culture change, so financial services organizations can move forward.

In developing this report, Prophet interviewed nearly 50 executives with customer-facing responsibilities, most of whom work in senior roles within financial services. We are grateful for their inputs and insights. The report also draws on Prophet's extensive market experience across the industry and relevant customer research including customer needs and motivations, digital behaviors, and brand relevance.

“Most banks are built like holding companies and therefore are not customer-centric. Customers feel like they are customers of a different business for each product they use, like mortgages or credit cards.”

EVP, CHIEF STRATEGY OFFICER
LEADING BANK

Serving the Whole Customer

The financial services industry has been focused on customer-centricity for a long time; many companies believed they've achieved it, however, in the eyes of the customer, they are just as far away as they were 20 years ago. Becoming customer-centric is more complicated and difficult to achieve than it first appears. Consider how a mortgage business can be intensely customer-centric, constantly re-assessing how well they serve customers, identifying unmet needs and innovating to address gaps in service delivery. A wealth management business can be just as customer-focused, blending the human touch with robo-advisory tools to deliver personalized investment advice in any channel customers want.

These businesses clearly understand the magic of customer-centricity and how it pays off. Increased share of wallet. Higher loyalty and Net Promoter Scores (NPS). More referrals. Gains in operational efficiency. With such benefits in reach, no wonder companies go all-in on customer-centricity.

However, if the mortgage firm and wealth manager are both part of the same financial services company, they may be working at cross-purposes relative to the same customer. The human beings they serve may question whether those businesses know who they are.

Now, consider a more integrated approach. An executive in the wealth management business can boost revenue for real estate services using the mortgage unit's data to target a campaign at shared customers looking for a mortgage. A corporate customer experience leader can use unified data profiles to ensure customers are treated as the same person across all channels. We believe that efforts like these, fully focused on the whole customer, are the best way to unlock uncommon growth in the financial services sector.

Thinking (and Acting) Like a Disrupter

Many non-traditional players – including fintechs, “super apps” and neobanks – have embraced understanding and managing the whole customer. They use digital technology to open new sources of demand. They identify opportunities within changing consumer attitudes and behaviors, and then design solutions around those needs.

For example, Affirm identified an entire new addressable opportunity, bundling payments and lending services seamlessly into the digital transaction flow. Some of these use cases may start small, but they serve as a foundation on which to build trust and long-term relationships. PayPal, for instance, gained consumer trust by enabling millions of peer-to-peer transactions. Now, it’s building out a personalized financial services bundle delivered via a super app that executives at incumbent organizations are watching closely (and nervously).

“Senior leaders see how dramatically companies like PayPal and Square are outpacing firms like ours. Customer-centricity isn’t just a theoretical construct, but a better way of engaging customers to be relevant.”

EVP, CHIEF STRATEGY OFFICER
LEADING BANK

Addressing Sector-Specific Challenges

In all fairness, fintechs don't have decades-old technology or siloed, product-centric org charts to deal with. But traditional financial services organizations can learn from—and even be inspired by—their rigor in maintaining 360-degree customer views. Such views are helpful to address legacy and industry-specific challenges that make it harder to achieve holistic customer-centricity.

Collectively, these issues explain why most contemporary financial services companies are not set up to serve the whole customer—even as individual businesses are optimized for their own customers. They also erode organizational motivation to align strategically on holistic customer-centricity. The system of organizational silos, metrics and incentives, not to mention outdated tech infrastructure, often seems too entrenched and difficult to change. From our conversations with financial services leaders, five challenges rise to the top.

1 Product Orientation and Organizational Structure

Historically, financial services organizations make money through individual business units structured around specific products. Performance is evaluated, both internally and externally, and leaders are compensated based largely on product sales. Ultimately, this means financial services firms are only as customer-centric as their org charts, incentive and compensation plans and P&L statements allow them to be.

2 Heterogeneous Customers

The many types of customers served by financial services companies also make it difficult to coordinate strategies. Consider how life insurers maintain one team to support agents and brokers and another to manage policyholder relationships. Banks typically serve individuals of different ages and incomes and who have different needs at different times of life. They also work with a wide variety of businesses.

3 M&A After-Effects

At many large financial services organizations, mergers and acquisitions have added complexity to the operating model, technology infrastructure and data governance. They can even dilute company purpose. These complexities are not second-order impacts but rather undercut core ROI models around which deals are structured.

4 Legacy Tech and Data Fragmentation

Many firms have not fully modernized or integrated all the different systems that touch customers. Customer data is usually collected and managed in ways that map to the organizational structure, which prevents shared customers from being cleanly identified across product lines or business units.

5 Regulatory Barriers

Even if banks had their systems aligned, there are limits on their ability to share customer data among different business units. For example, the Safeguards rule, issued by the Federal Trade Commission, requires financial institutions to store and transmit customer information securely, as well as audit procedures that prevent unauthorized data sharing. These regulations make it slower and more difficult to transfer customer data and often impede customer segmentation and marketing campaign design.

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“It’s not a technology issue. It’s an organizational and culture issue. Separate units don’t want to share their piece of the wallet nor ownership of the customer.”

JOHNATHAN FEINAUER
SVP AND CHIEF TECHNOLOGY OFFICER
CONTINENTAL BANK

Re-Orienting Around the Whole Customer

Many banks focus on data and technology in their efforts to become more customer-centric. But tech and data alone won't guarantee success and they are not the right starting point. In our interviews with customer-oriented leaders in financial services, culture emerged as the keystone issue – that is, culture is essential to instilling whole customer-centricity at the level of the entire system and within individual operating groups.

A customer-centric culture serves as the foundation for success as the organization addresses other challenges related to customer centricity, such as integrating data, aligning incentives, and promoting collaboration among siloed groups. Metrics and incentives must also be adjusted if the product-centric ways of working are to change. Otherwise, leaders will continue to prioritize the performance of their individual businesses, rather than thinking about the value of customers to the overall business.

While transforming the culture can seem like a massive and daunting undertaking, it simply must be done if organizations are to realize the massive growth potential of customer-centricity.

“You can create governance boards for CX and data, but if they don't actually have any authority, they won't work. There needs to be an alignment of incentives across groups.”

ANDREA SHULTZ
HEAD OF GROUP RETIREMENT MARKETING
EQUITABLE

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“You can have the best tech in the world, but it’s never the major success factor in building a 360-degree view of the customer. The most important thing is culture and getting buy-in from all the stakeholders in the process.”

JOHNATHAN FEINAUER
SVP AND CHIEF TECHNOLOGY OFFICER
CONTINENTAL BANK



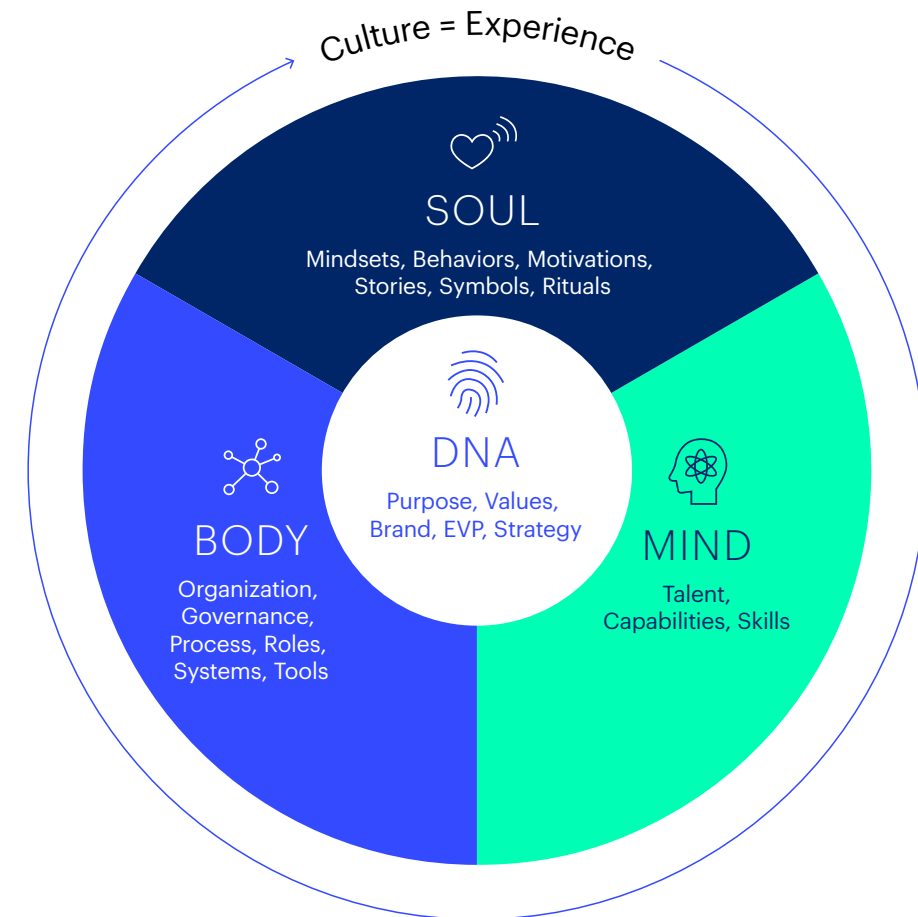
Culture as the Keystone

At Prophet, we use our Human-Centered Transformation Model™ as a lens to identify the actions and moves necessary to address the overall cultural “system” or ecosystem. Combining our team’s collective market experience with extensive research, our model articulates powerful strategies to eliminate common culture barriers financial services organizations experience: post-merger integration, rigid organizational structures and lack of strategic alignment among operational groups.

When dealing with culture, it’s important to frame the term precisely. We view all organizations as a macrocosm of the individual. Each one has a collective DNA, body, mind, and soul. An organization’s culture, therefore, needs to be understood as a holistic and evolving entity. And how a firm is organized and operates – its body – has an often-underappreciated influence on its culture.

For customer-centric transformation to be successful in today’s financial services sector, leaders need to think about every aspect of the cultural ecosystem. Our Human-Centered Transformation Model™ is designed to make that exploration simpler and more intuitive.

Prophet’s Human-Centered Transformation Model™



DNA Define



Mind Enable



Body Direct



Soul Motivate



DNA: Define the “Whole Customer” in Your Mission Statement and Drive Strategic Dialogue

How does our purpose and vision
relate to the whole customer?

Data-driven narratives, based on quantifiable metrics (e.g. customer lifetime value) can connect the corporate mission, purpose, or vision to the idea of the whole customer. Leadership dialogue can describe how the most fully realized version of the company’s mission is with the whole customer as the primary focus. In their purpose statements, insurance companies might emphasize their role in protecting what matters most to people. Wealth and asset managers might speak to their customers’ aspirational goals of financial security or a comfortable retirement.

However, stopping with a narrative linked to the organization’s mission is a frequent mistake. The intent to serve the whole customer must be reflected explicitly in the choices the company makes in its enterprise-wide strategy and individual business-level strategies.

To create strategic alignment, leaders of individual business lines should work collaboratively to define specific ways to reinforce each other’s efforts to serve the whole customer. Once they align on priorities, it’s beneficial to focus on a few key areas where quick and tangible gains are within reach. Reduced investment fees, waiving overdraft charges and premium discounts (such as those offered by many insurers during the pandemic) are ways that financial services firms can operationalize their purpose in customer-centric ways.

“So many organizations never think about how decisions impact the customer. Everything you’re doing is for your customer. You must think that way to transform. And that applies to accounts payable as much as salespeople or the CEO.”

LOUISE MCCARTHY
CHIEF DIGITAL / TRANSFORMATION OFFICER
HSBC

“Data is not just for analysts, IT folks and Excel wizards. It should be viewed as a tool that everybody can use.”

JOHNATHAN FEINAUER
SVP AND CHIEF TECHNOLOGY OFFICER
CONTINENTAL BANK



Soul: Open Windows of Collaboration Across Business Lines and Embrace Customer Data as a Source of Shared Truth

Which leaders and teams might be best positioned to ignite belief and motivate others to change?

Motivating the organization to serve the whole customer does not necessarily mean blowing up existing silos. In fact, that's often impossible. It's more effective to open windows between them so that teams can collaborate creatively and share customer data freely. Ultimately, these windows will enable seamless customer experiences across channels and with different parts of the business.

Consider the previous example of a bank's wealth management and mortgage lending units sharing data to make timely offers to home buyers. Or how a bank could offer college savings funds to new parents. Any firms that are looking to engage customers for key life events will need to be collaborative if they are to realize full return on their investments.

Establishing such windows and ensuring they stay open requires a deliberate effort to create mindsets, behaviors and rituals that, over time, become second nature to the organization. The most prominent mindset shift involves embracing customer data and intelligence as a compass for all decisions, as opposed to business-line financials and operational measures that can obscure opportunities to serve the whole customer. Resistance to sharing data must also be addressed.

Firms that have success in driving collaboration tend to place accountability and data "ownership" with senior leadership. They also reorient incentives and customer metrics around active collaboration between business units and functions. Some insurers have commissions for agents and brokers that don't encourage – and may even discourage – cross-selling. Adjusting commissions may eat into margins in the near term, but will promote the right behaviors for long-term success.

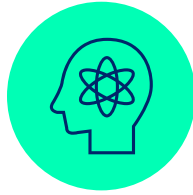
Those are the kinds of hard calls senior leaders must make if they are to embed customer-centricity deep into operations and the entire culture. These are critical steps because commercial leaders can typically implement and produce results faster than a central function with little leverage to change behaviors in the business units.

“As we put an ecosystem together, we must make sure that we’re not just creating more verticals and more platforms, but creating a horizontal, single customer view.”

SENIOR MARKETING LEADER
JP MORGAN CHASE

“It’s important to have a data culture and understand what data to collect and how best to collect it. You also need “boots on the ground” people who can add nuance to the data conversation and know how to turn it into actions.”

GOPALAN MUKUNDAN
FORMER VP & CHIEF TECHNOLOGIST
COMERICA



Mind: Develop the Capabilities and Set the Priorities To Serve the Whole Customer

What new skills and capabilities
do we need to execute the vision?

During the last decade, many financial services organizations have built new capabilities, better customer experiences and digital products and services. Some firms have brought in talent from the consumer goods and retail sectors to energize their organizations around customer-centricity. These investments have resulted in more empathetic customer journeys and a clearer sense of pain points that exist across those journeys.

However, many organizations still struggle to act on these insights, often due to the misalignment across business and product owners who remain focused on their own businesses. One organization that we spoke to spent two years updating customer “personas” and negotiating across each department to ensure their views of customers were preserved. Needless to say, the organization was unable to make the impact it hoped to.

For better results, organizations must distill insights across business lines and collectively consider the whole customer when, for example, building a backlog of experience improvements. Creating universal value for the whole customer should operate as the north star as organizations determine where to invest and in shaping action plans.

“You need top-down buy-in, but also to get the people who do the real work on board. Full transparency. No hidden agenda. Everyone has a say in making decisions.”

GOPALAN MUKUNDAN
FORMER VP & CHIEF TECHNOLOGIST
COMERICA

“Everyone should be trying to make the customer happy and using data to have that transparent information about the customer helps enable that.”

LOUISE MCCARTHY
CHIEF DIGITAL / TRANSFORMATION OFFICER
HSBC

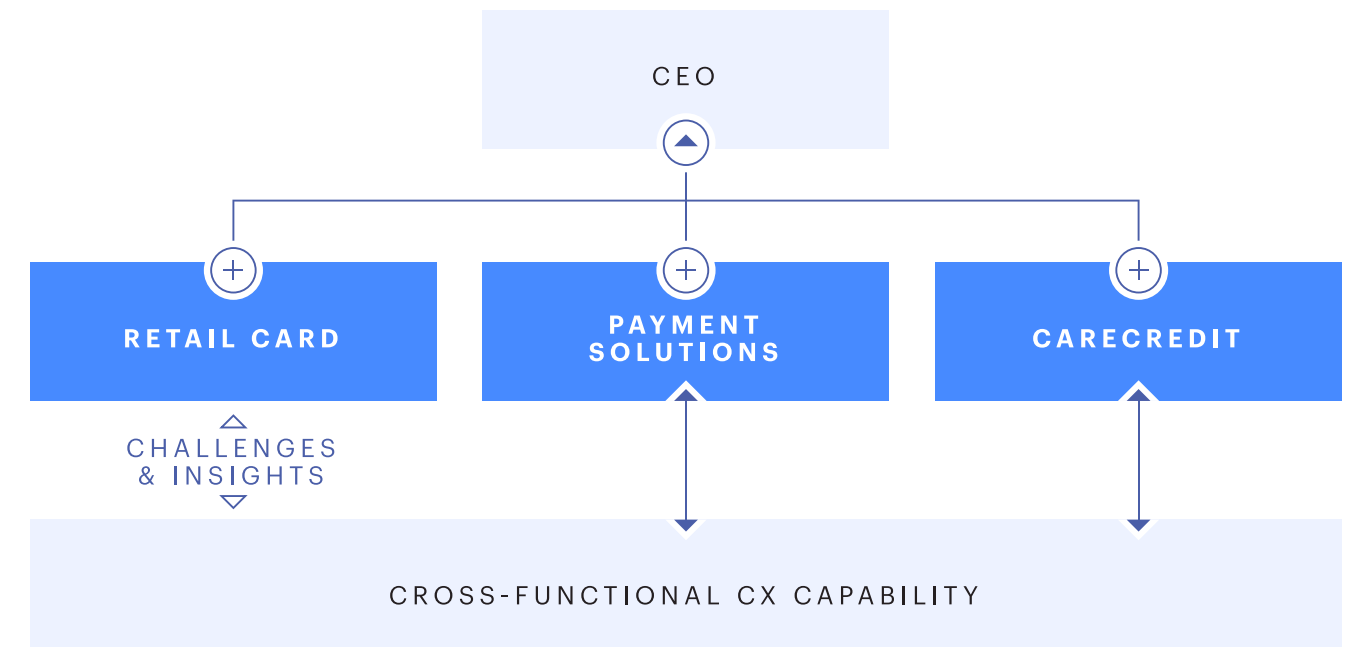


Body: Promote Active, Always-On Coordination With Clear Lines of Accountability

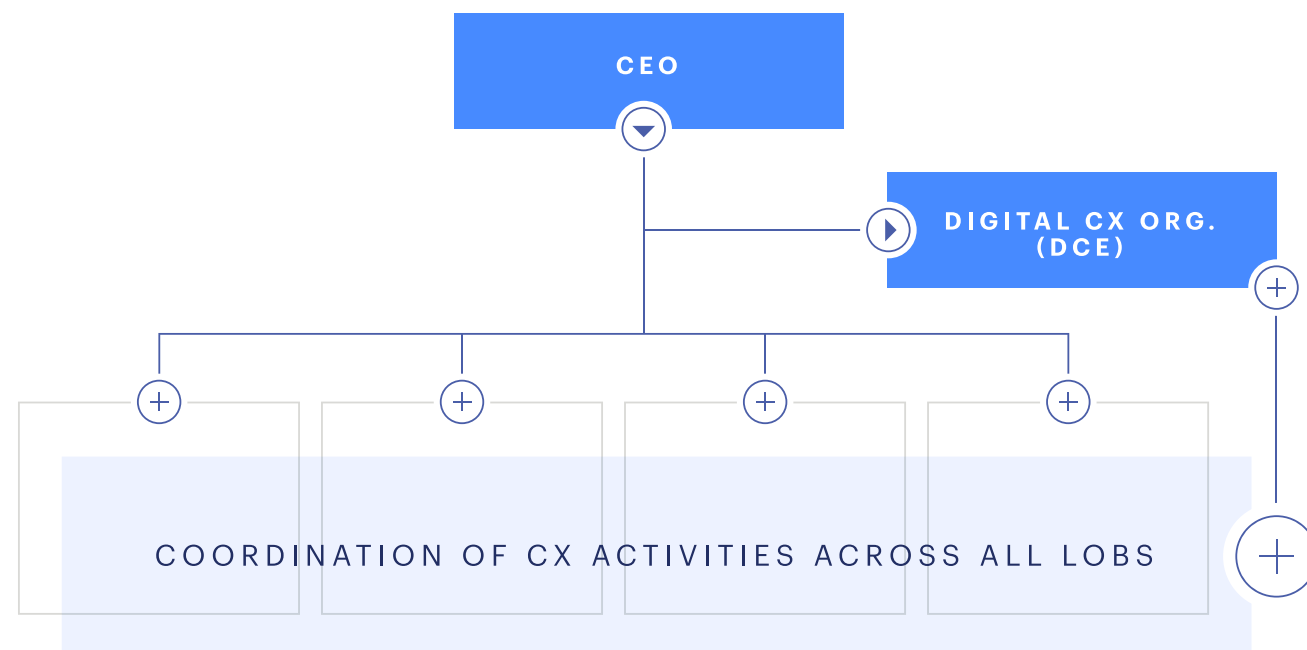
How do we align our structure to benefit the whole customer?

Given some of the limits financial services organizations face, the goal isn't necessarily to break down existing silos. Rather, firms should build structures and processes for active and ongoing coordination between business units and functions. Few leaders would debate the merits of coordination. But experience shows that coordination mechanisms must have clear accountability and authority over key aspects of whole customer management. Without accountability, it's easy for the teams to opt out.

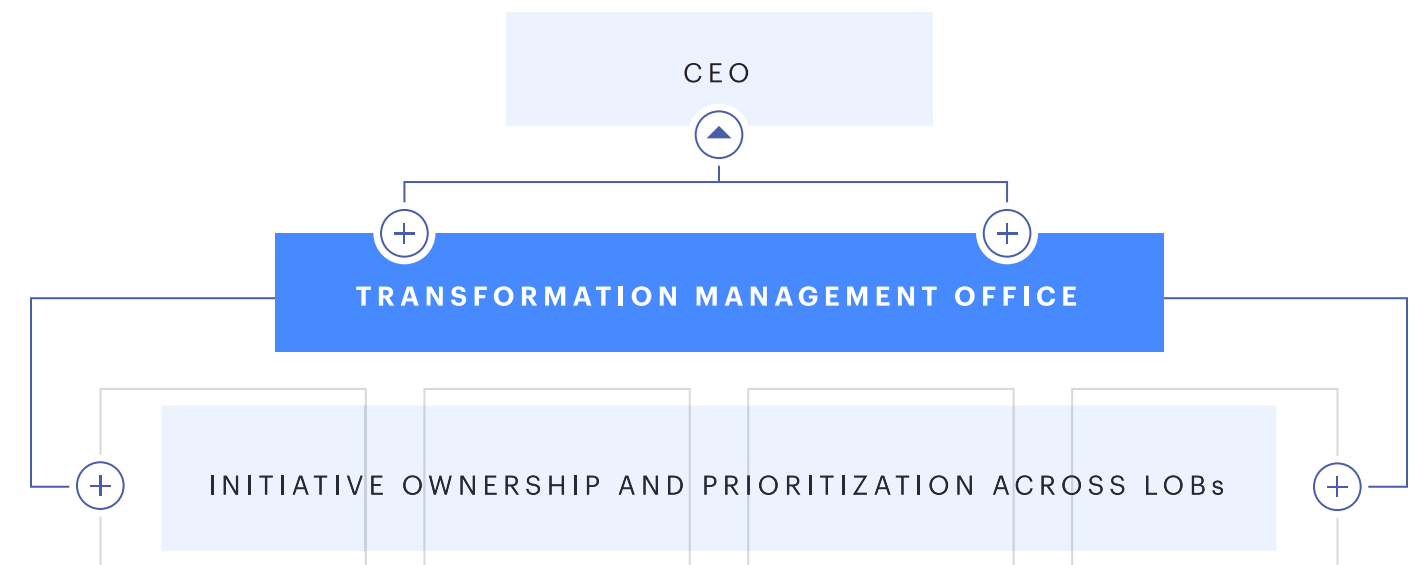
The structure of whole customer mechanisms can vary. For example, a prominent consumer bank operates a single, centralized team that uses customer intelligence to make insight-led strategy recommendations to each product team.



Alternatively, another industry leader, has a cross-functional CX team that works across brands and lines of business, partnering deeply on product development. The team reports to a single leader. Ideally, CX groups are empowered with decision-making authority and true ownership of key design features and functionality.



Finally, a top insurance carrier leverages a transformation management office (TMO) to own and prioritize key activities across the organization. The TMO is led by a single executive who manages an open dialog with business leaders around ongoing initiatives.



“A key reason to have centers of excellence is that you now have subject matter experts within teams who can ask, ‘How can we operate more effectively next year?’”

EVP, CHIEF STRATEGY OFFICER
LEADING BANK

“We meet with the TMO once a week to have a dialogue about where they’re at, what’s ahead, what issues are coming up, etc. Each leader can see how initiatives are progressing, through a very transparent process.”

SENIOR EXECUTIVE
PRUDENTIAL FINANCIAL

Five Actions To Orient Around the Whole Customer

Our conversations with customer-facing leaders, as well as our direct client experience, have yielded considerable insights into what works in driving cultural change. These steps require commitment and investment, and they can build significant momentum at the beginning of a long journey. Each step is keyed to the idea that successful change requires that every level of the organization and every team knows where the organization is going and how it plans to get there. They reflect the importance of behavioral change in enabling and sustaining cultural change.

1 Define the Opportunity and Build the Business Case

Analyze and quantify the potential opportunity that could be addressed with a whole customer approach for key customer segments. Top-line growth and increased loyalty will likely form the basis of a business case that can be validated through smaller-scale pilots. With this insight, financial services firms can confidently identify and prioritize investments in projects that can deliver incremental value on the journey towards common customer views and objectives. A strong business case with specific ROI targets can clarify the right accountability models and identify the most influential changes to incentives (see action 4 below).

2 **Expand and Sharpen Customer Knowledge**

Consider the stimulus of a “design target” – a vivid portrait of an archetypical customer to help leadership and the entire organization visualize how to serve customers in holistic and mutually reinforcing ways. When mapped to customer journeys, deeper knowledge and sharper insights clarify which touchpoints must be optimized. Again, the goal is to go beyond a hypothetical customer who features in the business case to clear, comprehensive and granular understanding of who customers are, what they want and how to best serve them.

3 **Determine Priorities For Collaboration**

Initiate dialogues around opening windows of collaboration across business lines – determine and prioritize specific cross-functional instances for collaboration. Sharing and leveraging customer data across these business lines is one way to initiate these dialogues, as well as being a great way to expand and sharpen customer knowledge (see action 2 above). Senior executives should advocate for such collaboration and ensure that leaders are motivated to engage across organizational lines. Collaboration must become a way of life and a key aspect of the culture.

4 **Establish Accountability and Define Metrics**

Define accountability models that reflect the intent of serving the whole customer across the enterprise and in line with business-level strategy. Create a catalog of performance metrics related to the whole customer and link them to management incentives. Accountability and measurement help quantify cultural change and provide a means to track progress. Recognizing and celebrating the rigorous and consistent usage of data in decisions that impact customers can help sustain change.

5 **Orient and Equip The Organization**

Build buy-in for the whole customer approach not only among senior leadership, but also within middle management and service delivery teams. Training programs, updated job requirements and consistent communication can demonstrate what’s expected from key roles across functional groups and business units. These steps can help drive behavioral change across and at every level of the business; they can also help get new hires up to speed quickly and acclimate workers from acquired organizations more effectively.

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It is critical for financial services organizations to crack the code on customer-centricity to fuel and sustain future growth. To be successful, these organizations must overcome industry challenges and legacy ways of working focused on the business and product levels. Customer centricity should be prioritized across every aspect of the cultural ecosystem: its Body, Mind, Soul and DNA. Driving cultural change requires commitment and investment, from defining the business case to establishing incentives to building buy-in across the organization.

Prophet helps financial services organizations expand and accelerate business growth – designing customer-centric, transformative strategies to conquer challenges and serve their customers better.

OUR SOLUTIONS

Human-Centered Digital Transformation Strategy
CX Strategy and Design
Value Proposition Development
People-Focused Culture
Customer Data Opt-In Strategy
Business Model Transformation
Customer-Centric Innovation
Brand Positioning Portfolio Architecture

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Let's talk

Prophet is a digitally-powered, creatively-inspired consultancy that helps our clients unlock uncommon growth in the face of disruption. Unprecedented levels of change and disruption require new thinking and transformative approaches to growth. From purpose to product, brand to experience, customers to operations, we bring the insight, rigor and expertise needed to help our clients realise transformative opportunities. Our global team combines insight, creativity, data and technology to help our clients unlock growth that is human-centered, transformative and durable. We are guided by a mission and set of values that are focused on a higher-order approach to growth. Our global footprint operates within a single P&L, enabling us to bring the right people with the right experience together to solve our clients' current business challenges from across our 14 global offices.

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