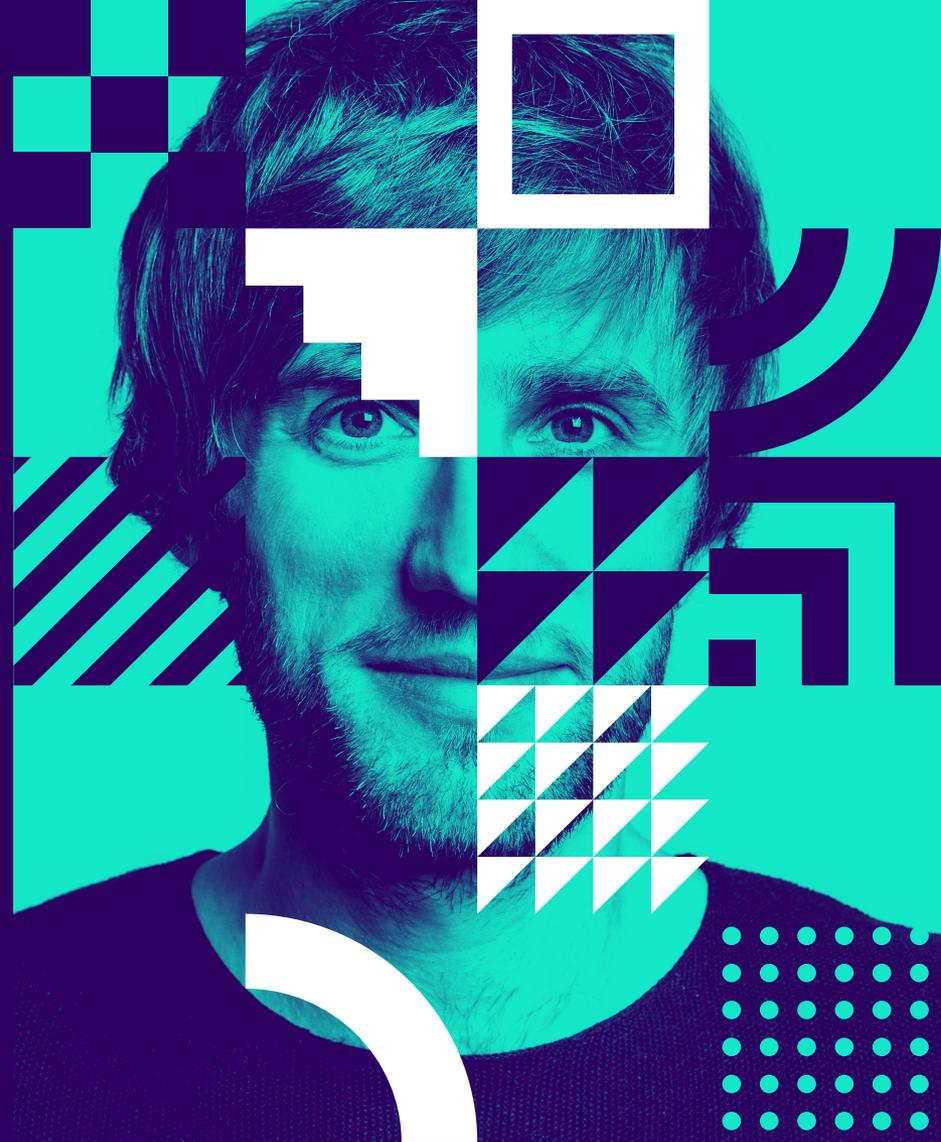




Engage/Enrage

Leaders in financial services are experts in customer identity



GBG

[IDIQ2018.COM](http://IDIQ2018.COM)

Research carried out by: **FORRESTER**<sup>®</sup>

Forrester Opportunity Snapshot: A Custom Study Commissioned By GBG | January 2018

# Leaders In Financial Services Are Experts In Customer Identity

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# Leaders In Financial Services Are Experts In Customer Identity

## OVERVIEW

## SITUATION

## CHALLENGES

## OPPORTUNITY

## CONCLUSIONS

## Most Firms Struggle To Identify Customers — Including Fintechs

You would probably expect traditional financial service firms to struggle with customer identification. After all, they often have data spread across multiple systems. However, research commissioned by GBG from Forrester found that the same challenges hamper born-digital fintechs — and this is a global problem. In fact, almost nine out of 10 financial service firms reported concerns with their ability to identify customers.

Financial service firms will live (or die) by delighting customers via digital channels; customers, whose expectations continue to rise as a result of digital empowerment and great experiences from the likes of Amazon, Apple, and Facebook. With a tough economic environment, increased regulation and greater competition challenges for incumbent financial service firms have been created; on the flip side, fintechs delight with great experiences, but lack the strategic execution to comply with regulatory requirements.

### PROJECT BACKGROUND

In November 2017, GBG commissioned Forrester to conduct a study of 315 financial service firms across the globe in Australia, China, Singapore, the UK, and the US, to examine customer experience maturity. We surveyed two groups — fintech/challenger firms and incumbent financial service firms (at least 30 of each, in each country) — assessing maturity across three dimensions: digital technology, customer strategy, and organisational structure. Read on to discover the results and understand what leaders are doing.



#### Country

- › Australia: 20%
- › China: 20%
- › Singapore: 20%
- › UK: 20%
- › US: 20%



#### Type of institution

- › Fintech or challenger (born in the digital era): 50%
- › Traditional financial service firms (pre-digital era): 50%



#### Maturity segmentation

- › Leaders: 22% (32 fintechs and 38 incumbent financial service firms)
- › Laggards: 78% (126 fintechs and 119 incumbent financial service firms)



#### Maturity by country

- › Global leaders: China (35%) leads the way
- › On par: Singapore (25%) and the US (22%) are leaders
- › Lagging behind: UK (17%) and Australia (11%)

# Leaders In Financial Services Are Experts In Customer Identity

OVERVIEW

SITUATION

CHALLENGES

OPPORTUNITY

CONCLUSIONS

1 2 3

## Eighty-Six Percent Of Firms Are Concerned With Their Ability To Identify Customers

Getting to know your customers sits at the heart of the personalised, customer experience — and your customers' identities must be at the heart of your customer-obsessed firm. So, it is surprising that many firms struggle with that very first contact: Almost nine out of 10 firms are concerned with their ability to identify and know their customers — a critical task when onboarding. A third of incumbent firms report being “extremely concerned,” against a quarter of fintechs, suggesting deeper awareness of risk in incumbent firms.

Leaders use customer obsession to accelerate and grow their digital businesses. Half of them prioritise addressing rising customer expectations, compared to less than a third of laggards. Leaders who prioritise innovation to meet rising customer expectations are investing in the first opportunity they have to impress a customer — the onboarding process (47%). Australia leads the charge with one in two firms planning to improve customer onboarding, compared to only one in four in the US and UK.

“Which of the following initiatives are likely to be your organisation’s top business priorities over the next 12 months?” (Showing “Critical priority” and “High priority” only)



Base: 315 respondents at financial services firms who are at the manager level or are responsible for digital customer experience in Australia, China, Singapore, the UK, and the US  
 Source: A commissioned study conducted by Forrester Consulting on behalf of GBG, January 2018

# Leaders In Financial Services Are Experts In Customer Identity

OVERVIEW

SITUATION

CHALLENGES

OPPORTUNITY

CONCLUSIONS

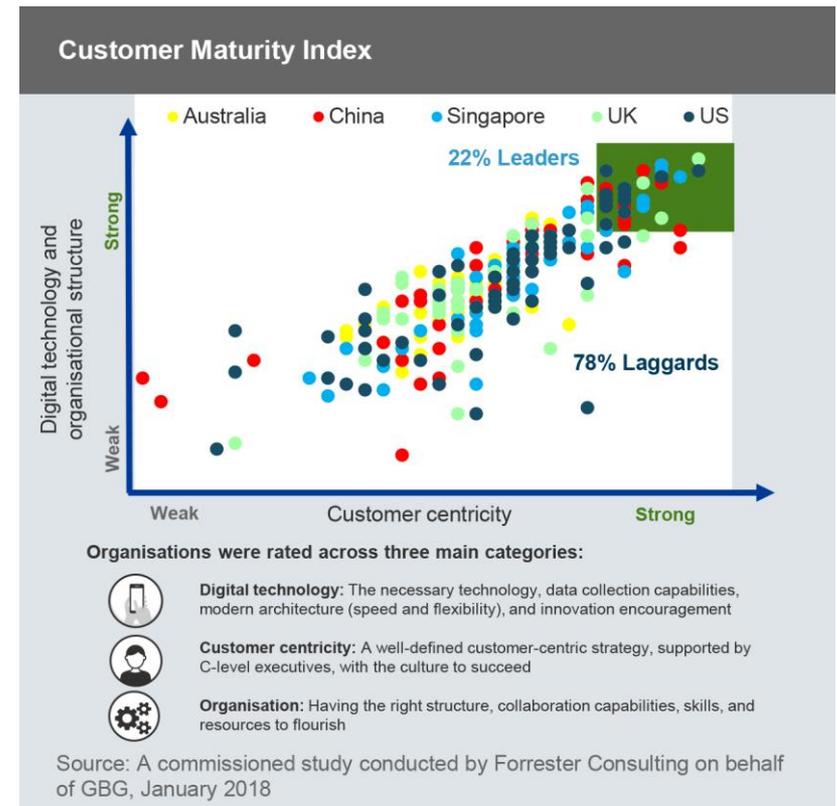
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## Few Firms Place Getting To Know Customers At The Heart Of Strategy

We explored the maturity of an organisation across three categories — digital technology, customer-centric strategy, and organisational structure — to create a maturity index. Firms that scored 85% or above across two out of the three categories were classified as leaders; those that did not were classified as laggards.

Only 22% of financial service firms were able to demonstrate customer obsession, with a clear digital vision, placing identity at the heart of their strategy, underpinned by the operational capabilities and culture to succeed. Leaders who use identity as the basis of an outside-in, customer-centric design that champions customer outcomes, frequently score high on Forrester's financial service benchmarks. Over half of respondents that identified as leaders were from China and Singapore.

In the age of the customer, financial service firms should emulate leaders' customer obsession. This means using identity to onboard customers seamlessly, and building relationships through services that not only exceed customers' current expectations but also anticipate their future needs, thus improving their financial well-being. The faster a financial service firm is able to unlock a customer's identity, the sooner that firm can deliver the valuable experiences and benefits customers expect.



# Leaders In Financial Services Are Experts In Customer Identity

OVERVIEW

SITUATION

CHALLENGES

OPPORTUNITY

CONCLUSIONS

1 2 3

## Digital Leaders Invest In Seamless Experiences To Deliver Customer Outcomes

In our maturity segmentation, the ability to provide seamless, secure, and personalised services to drive tailored outcomes, while reassuring customers against fraud risks, drives differentiation. The leaders' customer-centric cultures matter because they enable companies to deliver great experiences by default and to resist forces that might degrade the experience.

On average, leaders are investing a third more than laggards in initiatives that improve customer experience. This means leaders can focus on differentiation in areas like connected products and services, where investment is 58% higher than laggards. China is most focused on emerging technology, with over half of firms investing in smart technology to leverage identity-rich platforms, whereas in the US, the highest investment is on developing or improving digital channels (e.g., web, mobile).

Regardless of maturity, firms all cite challenges with seamless customer onboarding. For leaders, the top issue is data maturity. The problem is more acute in China, where 43% of firms struggle with this. The US is best placed with 14% of firms concerned. The skills gap is a challenge for just under a third of UK firms, compared to only 5% of Australian firms.

“What actions is your organisation taking to improve the digital experience of your customers?”

(Select all that apply; top five shown)



Base: 315 respondents at financial services firms who are at the manager level or are responsible for digital customer experience in Australia, China, Singapore, the UK, and the US

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# Leaders In Financial Services Are Experts In Customer Identity

OVERVIEW

SITUATION

CHALLENGES

OPPORTUNITY

CONCLUSIONS

1 2 3

## Weak Systems Integration Prevents Fintechs And Banks From Using Customer Insights

Problems understanding different forms of identity documents (44%), as well as managing dynamic relationships and data integration (42%), prevent firms from unlocking customer value. Firms ranked the challenges they faced in executing their customer-centric strategy over three dimensions: technology, process, and strategy. Technology issues locked out the top five places.

Poor back-office integration sits at the heart of this challenge, with firms struggling to extract customer identity and provide the consistent, personalised services that digital customers are conditioned to expect from interactions with firms like Apple, Facebook, and Netflix. Knowing your customer (KYC) requires searches across multiple systems, and distributed onboarding processes make it particularly difficult to remove technology and information silos. The results were almost uniform across fintechs and traditional financial service firms, with barely a couple of percentage points across most answers, suggesting this is a universal challenge. Improving customer identity management and time-to-value after onboarding would yield better results for all firms.

**“What are the main challenges you face when attempting to know your customer (KYC)?”** (Select all that apply; top three shown)



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**“What are the top five challenges you face today when executing your customer-centric strategy?”** (Showing “Strongly agree” and “Agree” only)



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# Leaders In Financial Services Are Experts In Customer Identity

OVERVIEW

SITUATION

CHALLENGES

OPPORTUNITY

CONCLUSIONS

1 2 3

## For Most, Decentralised Onboarding And Poor Processes Pose A Problem

Leaders recognise the critical nature of onboarding in the customer life cycle: 40% of them report a dedicated customer experience team to manage this. In contrast, 34% of laggards, and only 26% of leaders, manage onboarding at a functional level, perpetuating distributed identity and data silo issues. Few see value in having customer onboarding report to a digital specialist, user experience, or creative team. What does this tell us? The majority of firms pay too little attention to the initial interactions a new customer has with them, and therefore they miss the opportunity to leverage customer identity from the start. This approach perpetuates suboptimal processes, conflicting customer communications, and uncoordinated efforts across touchpoints, leaving value on the table.

The UK is relatively sophisticated here, with just 10% of firms reporting distributed ownership of onboarding across functions. In contrast, 30% of US, 35% of Chinese, and 50% of Australian firms reported distributed ownership. UK firms were also most likely to have onboarding led by a user experience or creative team (30%); China was the only other country to make it to double figures at 11%, compared to 8% in the US, 6% in Singapore, and just 3% in Australia.

“Which of the following best describes your organisation’s approach to customer onboarding?”



Base: 315 respondents at financial services firms who are at the manager level or are responsible for digital customer experience in Australia, China, Singapore, the UK, and the US

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# Leaders In Financial Services Are Experts In Customer Identity

OVERVIEW

SITUATION

CHALLENGES

OPPORTUNITY

CONCLUSIONS

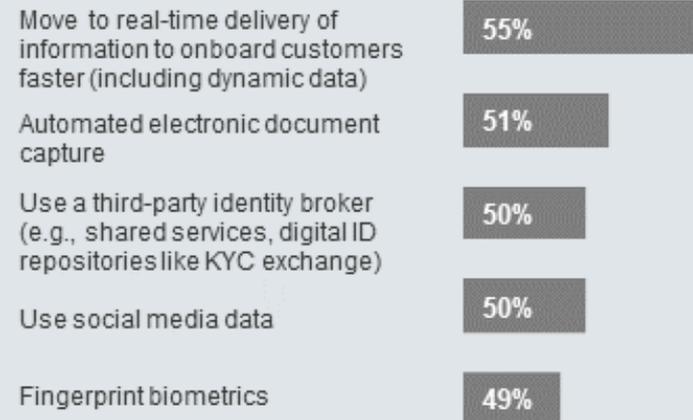
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## Moving To Real-Time Delivery, Automating, And Leveraging The Ecosystem Are Focus Areas

We asked firms to share their plans for identity authentication: 55% of firms are moving to real-time delivery of information to onboard customers faster, automating document capture (51%), and sourcing both identity (50%) and social media data (50%) from the ecosystem to improve identity authentication. To differentiate, firms must prioritise rapid identity establishment and distribution of identity across the firm to where it is needed most to support customer experience improvement. Almost all leaders (96%) report good access to the customer data required to execute their customer-centric strategies — far higher than just over half of laggards (53%).

On a country perspective, 57% of Chinese financial service firms are planning to implement or upgrade their facial recognition biometrics to authenticate a customer's identity — China is Apple's largest global market. Chinese firms are also leveraging modern architecture to promote speed and flexibility (81%) compared to the second highest market, Singapore (66%). However, the UK was consistently lagging, either at the bottom or in the bottom two for levels of interest across the board in customer authentication improvements.

“What are your firm's plans to adopt the following approaches to authenticate your customer's identity?”  
(Showing “Expanding” or “Implementing”; top five shown)



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# Leaders In Financial Services Are Experts In Customer Identity

OVERVIEW

SITUATION

CHALLENGES

OPPORTUNITY

CONCLUSIONS

1 2

## Delight The Customer At First Contact To Set The Tone For The Relationship

Great customer experience drives customer loyalty, which in turn drives customer retention, wallet share, and recommendations. Forrester's wider research into customer experience demonstrates benefits like: higher growth through engaged customers (who are more likely to purchase additional products); higher margins (as they will pay for a better experience); and lower costs due to more effective issue resolution. Identity sits at the heart of this, and how effectively you onboard sets the tone for the relationship.

With this research into financial services, we found that leaders outpace laggards by a significant margin across all aspects of onboarding and KYC — investing in the first contact a customer has with a firm and prioritising initiatives that improve customer experience. Despite this, identifying customers remains a significant concern for the majority of financial service firms. Firms must prioritise: 1) examining the inefficiencies in systems and processes; 2) tightening up on time-to-value for their customers with frictionless onboarding; and 3) rapidly translating identity into personalised, enriching experiences.

“Assessing your organisation’s execution around customer onboarding and know your customer (KYC), how well do you think you perform?” (Showing “Best in class” and “Not quite best in class” only)



Base: 315 respondents at financial services firms who are at the manager level or are responsible for digital customer experience in Australia, China, Singapore, the UK, and the US  
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*When knowing their customers, Chinese firms scored higher than any other country in understanding the activity history of a customer (68%), verifying a customer's documents (65%), and digitally verifying a customer's identity (60%). Surprisingly, Australian and UK financial service firms were the weakest, scoring the lowest on average when assessing their customer onboarding and KYC capabilities.*

# Leaders In Financial Services Are Experts In Customer Identity

OVERVIEW

SITUATION

CHALLENGES

OPPORTUNITY

CONCLUSIONS

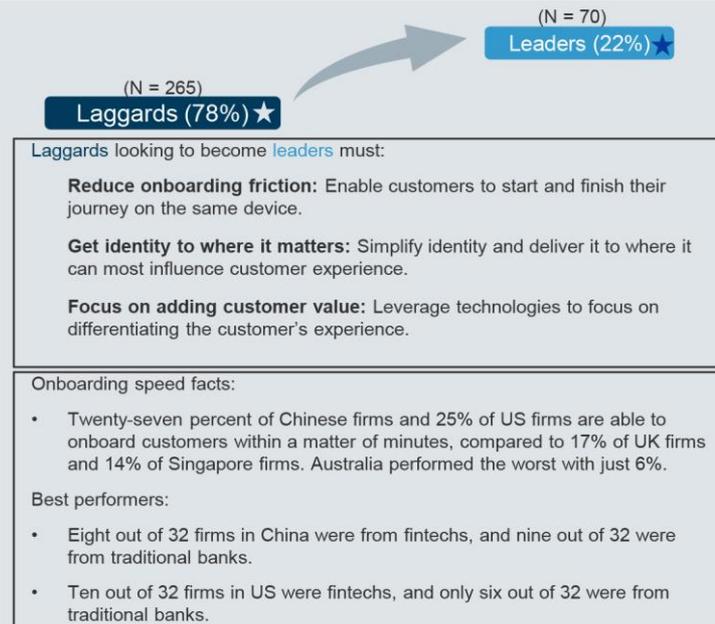
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## Accelerate Customer Onboarding Mastery

Only a handful of fintechs and the incumbent financial service firms currently master identification and verification of their customers. China leads the world with 60% of firms reporting being ahead of their competitors and only 14% lagging, whereas in the UK, 41% feel behind. This reflects rapid mobile proliferation and digitisation in China, whose tech giants have assembled sophisticated identity-driven ecosystems that underpin many sectors. Elsewhere, the majority of firms have value to capture by effective management of identity and reducing the friction with which they can serve their customers. Laggards looking to become leaders must:

- **Reduce onboarding friction.** Customers won't wait around to join your company — only 56% of firms said they can onboard customers within the hour. Simply allowing customers to start and finish the entire journey on the same device improves satisfaction.
- **Get identity to where it matters.** Knowing your customer, reaching them, and serving them is the goal. Financial service firms prioritise initiatives that reduce the identity silos in the organisation, simplify identity, and deliver it to where it can most influence customer experience.
- **Focus on adding customer value.** Leverage technologies to automate customer identity management where possible so you can focus on differentiating customer experience. Ninety-four percent of leaders have the necessary technology compared to just 48% of laggards.

### Criteria For Laggards To Become Leaders



Source: A commissioned study conducted by Forrester on behalf of GBG, January 2018

# Leaders In Financial Services Are Experts In Customer Identity

OVERVIEW

SITUATION

CHALLENGES

OPPORTUNITY

CONCLUSIONS

## Identifying The Customer Early Leads To Better Customer Experiences

Knowing as much as you can about your customer, as quickly as you can, helps you to deliver valuable outcomes and exceptional customer experiences rapidly, while also protecting the customer and the firm from fraud. Financial service firms must become better at identifying the customer early as it sets the tone of the ongoing relationship. Firms should:

- ▶ **Transform and create a culture of customer centricity.** Leaders are more customer-centric than their peers; this is developed through a businesswide strategy.
- ▶ **Learn to collaborate, which is key to success.** Technology and applications frequently exist in a siloed environment, but firms can close the gap by creating a dedicated customer experience strategy that includes both IT and lines of business. The increased knowledge share will boost your firm's ability to onboard customers and unlock value for both customers and the business.
- ▶ **Identify the customer early on.** Customer obsession is mission-critical if firms want to succeed in an increasingly competitive market. Leverage technologies to automate customer verification and identity management where possible so you can focus on differentiating customer experience.

### ABOUT FORRESTER CONSULTING

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### METHODOLOGY

This Opportunity Snapshot was commissioned by GBG. The custom survey questions were fielded to 315 fintech and incumbent financial service organisations in Australia, China, Singapore, the UK, and the US.

The custom survey began in November 2017 and was completed in January 2018. For more information on Forrester's data panel and Tech Industry Consulting services, visit [Forrester.com](http://Forrester.com)

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