



V E N D O R F O C U S

New Rules for Engagement: Redefining Customer Relationships in 2012 and Beyond

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2012 calls for financial services institutions (FSIs) to rethink how they interact with and service their customers. While many wonder how a global economic slowdown would affect business, what is certain is that financial institutions will face continued pressure to keep pace with customer demands and expectations for greater levels of convenience and service, particularly with the rise in mobile and social media adoption.

This IDC Vendor Focus takes a closer look at some of the key trends that are driving this industry makeover as well as the strategies and tools that FSIs will need to successfully adapt to the new rules for successful customer engagement. This paper will also discuss how Bosch Software Innovations can play a role in helping FSIs introduce new products and services across multiple customer touchpoints with more ease and control.

Five Technology Trends Shaping the Banking World

Banking technology spending is increasingly impacted by disruptive technologies and innovations such as mobile and social media. The figures and statistics for the adoption of mobile devices, Internet and social media that were deemed impressive 24 months ago appear less so today. They now pale in comparison to adoption rates which seem to have gone on overdrive in 2012 (and it goes without saying that next year's figures will be much more astounding). More than ever, banks, insurers and capital market firms have to stay vigilant on these trends, and ensure that they respond quickly to the signs of the times. The cardinal message here is that FSIs can easily be caught unaware – the likelihood of them being rendered obsolete, or at least perceived to be such, has increased several-fold. Institutions can quickly lose market relevance if they do not adapt fast enough to some of these key trends:

- **The Social Customer.** The uptake of social media has been so explosive that claims by its current leading light, Facebook, of having a user base that makes it the third largest country in the world goes unquestioned. Social media presents alternative marketing channels which give banks and non-banks alike unparalleled market reach. Some 80% of organizations in IDC's surveys have ongoing social media programs, with an increasing number considering ways to monetize both the technology and the phenomenon attached to it.
- **Larger-than-life Data.** By 2012, the amount of information created and replicated will reach 1.9 zettabytes (1.8 trillion gigabytes), growing nine times in just five years, according to a recent IDC Digital Universe study. The burst in data volume and type is being met by a variety of advancements in physical appliances, in-memory technologies, and non-relational databases which enhance traditional data warehousing, business intelligence, and advanced analytics. Together, these elements constitute the rapidly emerging phenomenon of Big Data. For many financial institutions, Big Data presents the potential of finally tapping into the more sophisticated predictive capabilities of analytics for event modeling and process optimization. This will support faster, more accurate, more personalized decision-making.
- **Data in Context: Location, Location, Location.** Location intelligence (LI) presents the geographical contextualization of business intelligence (BI) in order to unravel location-specific trends in the consumer market. The use of geographical information systems (GIS) enables traditional BI domains to gain spatial capabilities and context. IDC Financial Insights research notes 40% of the top 100 banks

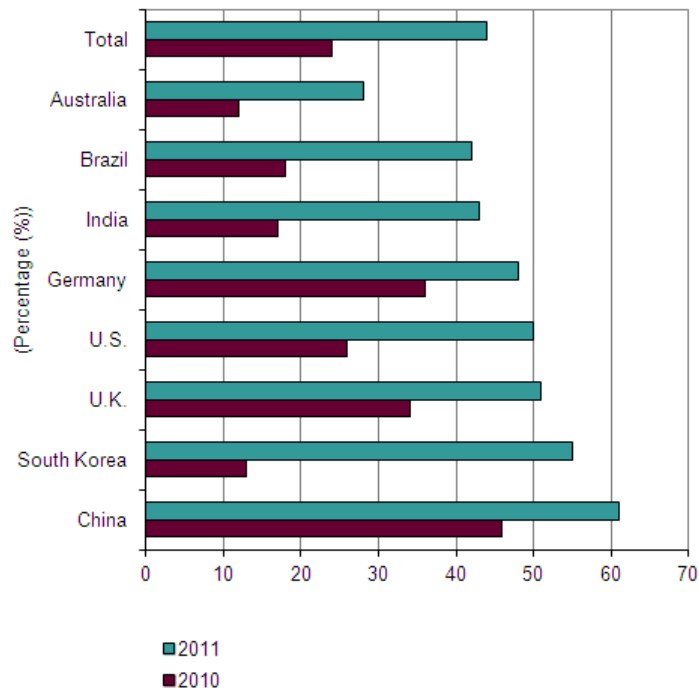
and 56% of the top 50 insurers in the Asia/Pacific region will have pilot location-smart initiatives in 2012. This means locationally smart data will become increasingly abundant, ready to be mined, analyzed and acted on by FSIs.

- **Mobiles Everywhere.** According to the International Telecommunications Union (ITU), mobile device penetration has reached 87% worldwide, with developed countries reporting an impressive 118%. The growth in global mobile device adoption presents FSIs with a two-pronged challenge: to effectively capitalize on new mobile channel opportunities and to adopt the right mobile device management practices internally.

In 2012, the unrelenting pace of mobile banking adoption will only intensify, and FSIs will feel the brunt of its force. IDC predicts that the penetration rate for non-voice services will reach 81% by 2014, illustrating the imminent transition of mobile phones from telephony devices to much more capable platforms for data retrieval and broadcast. And when we consider the growing frequency of Internet connections made via smartphones (see Figure 1), the mobile channel seems more than an "alternative". According to IDC's ConsumerScape 360 study which surveyed more than 42,000 consumers across 21 countries, in just a year, the share of smartphone users who access the Internet daily with their handsets doubled in mature markets such as Australia, the U.S. and U.K., as well as in emerging markets such as Brazil and India.

Figure 1

Percentage of Smartphone Users – Daily Mobile Internet Connectivity



Base = Smartphone users who access the Internet at least once a month

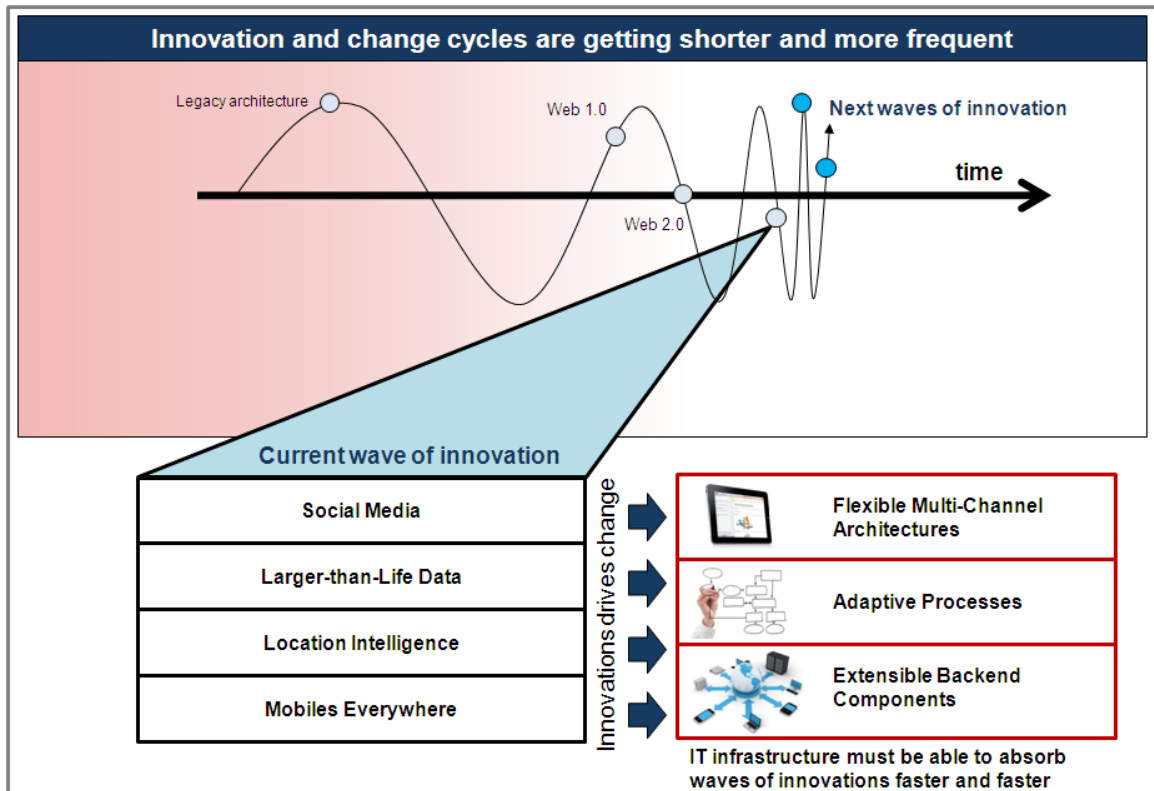
Source: IDC's ConsumerScape 360, 2011

- **Fortune Favors the Fast.** The frenetic consumerization of technology and the four trends described above have given rise to a new breed of expectations centered on speed. Customers are demanding instantaneous response in their interactions with FSIs, in no small part due to them being accustomed to the speed at which technology responds to them. In 2012 therefore, we expect FSIs to continue to ramp up their capabilities to serve customers in a flash – or be perceived doing so. Furthermore, business cycles across the financial institution have to meet shorter turnaround time standards. This applies to a wide array of business processes within the FSI, from account opening to cash

management, product design to risk management. In other words, innovation and change cycles have shortened, with cycles coming and going with much greater speed and frequency (see Figure 2). Attaining quick service times will impose more requirements on the technology division to ensure the uptime and security of systems. Organizational KPIs will be adjusted to allow IT to meet more stringent demands for availability and performance, especially for customer-facing applications. Ultimately, the ability of the organization to absorb more frequent waves of change will be supported by flexible multi-channel architectures, adaptive processes, and extensible back-end IT components.

Figure 2

Speed as a Competitive Differentiator in Financial Services



Source: IDC Financial Insights and Bosch Software Innovations, 2012

The Changing Face of Banking

The world of financial services is indeed not what it was in the "old days" anymore, even if the old days were just a few months or years ago. The accelerating technological and consumer evolution is changing FSIs as we know it. Customer strategies need to be the first area of focus for FSIs as they seek to attune themselves to a much transformed environment. Especially because most of the drivers of change are consumer-led, forward-looking organizations will have to rethink the foundational concepts of their customer relationships. Simultaneously, IT strategies that bring these new customer engagement rules to life have to be updated and made more responsive. After all, one cannot have old IT strategies and plodding infrastructures in the new world where customer stereotypes are long gone.

Five Rules for Better Engagement

Matching the five technology trends shaping the industry are five rules that FSIs should keep to as part of their customer engagement strategy:

Rule 1: The bank is in the customer's pocket. The prevalence of mobile devices already presents the industry with what is without a doubt the channel of the future. We also are seeing a shift in the notion of

what a banking channel is. Until the explosion of mobile devices, a channel was effectively owned, managed, designed and controlled by the bank. The bank itself ensures that channels work in alignment with its own conditions, including processes, workflows, and channel strategies. With the advent of the mobile channel as the principal mode of engagement, the power has shifted to the customer who now owns, manages and controls the device in his hand. In other words, the bank now has to engage with the customer under the latter's own terms: when the device is used (services must be provided 24x7 with minimal wait times), what the device is to be used for (what mobile applications are downloaded onto these devices and how they are used), where the device is used (contingency provisions for limited connectivity, data ownership, and secure fully wireless authentications). Uptime, availability, reliability, response times, user-intuitiveness are the most relevant technology key performance indicators (KPIs) here.

Rule 2: Money and finance are slices of a lifestyle. The mobile device is, of course, to be used not just for banking transactions. It is also utilized in other financial services like merchant payments, personal budgeting, financial data feeds (think forex and equity markets), as well as other activities that do not necessarily invoke money or finance but nonetheless reveal a user's lifestyle and relationships. A mobile device is in every regard a repository of identity, traits and habits, both accumulated and refined through the frequency of usage. For the IT departments within the FSIs, this means the bank's view of a customer has to go beyond consolidated product holdings or total assets under management. Data from external sources have to be as easily as it is quickly integrated, analyzed and acted upon. Moreover, data collaboration across these siloes has become more of a necessity, not just a perk. The new goal is to have systems collaborate or "talk" to data sources beyond the financial institution itself. Since the FSI will increasingly reach out to non-banking aspects of a customer's life, its business processes also have to move far beyond the edges of the institution. A bank's rules and workflows have to accommodate the business processes of an infinite number of partners and third parties. Of course, the FSI must do this while maintaining data privacy and security standards.

Rule 3: Engage with customer communities. Virtual communities like social networking sites, online forums and Web boards mean customers can no longer be categorized by conventional demographics and geographies. The emergence of this technological subculture has overturned the norms of customer engagement, rendering existing brand-building strategies ineffectual. This has implications for the business, IT and compliance sides of the FSI. The bank's marketers, for example, have to keep abreast of certain ideas, events and trends that can coalesce communities, and ensure that there is a resonant pitch to the most important of these communities. For the IT department, this means systems, processes, and rules need to be flexible enough to respond to spontaneous business requirements be it opportunities or disasters. They should also be scalable enough to support the multitude of demands from dynamic customer communities. In this regard, compliance in customer confidentiality and management of sensitive data must be deftly handled. Customer touchpoints within the social channel need to be monitored by extensive internal policies, since external hard regulations are presently too undeveloped to support the still-growing channel applications.

Rule 4: Go granular and real-time. The inflow of new channel data provides FSIs with a rich source of information for a more granular, more intimate customer insights. This is the promise of smarter analytical tools: FSIs can develop great customer strategies so that they can deliver a customized pitch, with hyper-unique features, pricing and product bundling. However, there is yet another benefit of Big Data technologies – real-time or near-real-time data management and processing, which responds to the greater need for speed in financial services. Comprehensive market information now available at a mere moment's notice ultimately enables FSIs to implement business decisions at unprecedented speeds. By implication, product, CRM and IT investment (budgetary) rollouts will be subject to increasingly stringent KPIs. Indicators oriented toward turnaround, completion and resolution times will feature greatly in shaping FSI propositions moving forward. Due to this abundance of data, not only will the FSI be able to pitch to the right customer, with the right product, at the right price – it also needs to execute it in a timely fashion. In terms of organizational IT, the challenge here is to accommodate new customer analytics tools and practices. IT teams have to be able to quickly spot points of potential failure and where remediation of gaps is most critical.

Rule 5: Equip the frontlines. Customer segmentation has evolved to accommodate the emergence of location intelligence. The multitude and sophistication of data capture points reveal not only transactional banking patterns, but lifestyle-related insights, gleaned from where the customer is, at what point in time, for how long, and for how many times. In short, the bank is able to pitch at the right place as well. Infrastructural IT demands have skyrocketed in order to keep up with the scale of information sourcing and dissemination. Already we are seeing proprietary-closed systems being displaced by open core ones, all amid a frenzied

bid to accommodate new functionalities in response to shifting market dynamics. As the support for closed systems decline, FSIs that are either inflexible or complacent with their "steady-state" approaches will be easily trounced by more agile competitors, both in terms of speed-to-market and bottom-line profits. However, aside from thinking about how they can collect geospatial information (which is the very basis of location intelligence), FSIs also have to think about how to translate these location- and time-specific data into customer value. That means customer insights are no longer exclusive to corporate decision makers, but instead have to be rolled out to the front-end as well. FSIs that will truly succeed are those that can develop customer interaction strategies that augment existing skill sets, from business process management (BPM) portlets and dashboards as a central interface to access business and customer information, to rules that can be configured by non-technical users who service the customers.

Enterprise IT Strategies for Better Engagement

As FSIs adopt the five new customer engagement principles, certain technology requirements will gain more importance. Table 1 summarizes some of these key considerations.

TABLE 1	
Enterprise IT Strategies for Better Engagement	
How Customer Engagement Strategies will Change in 2012 and Beyond	What Banks Require of Their Enterprise IT Strategies
Customer empowerment with emergence of mobile channels	<ul style="list-style-type: none"> Banking systems that are intuitive to use and offer fast customer response times Uptime, availability and reliability of systems that allow customers to interact with the bank when and where they desire
Data relevance of mobile device usage beyond banking transactions or financial services and payments	<ul style="list-style-type: none"> Ability to effectively work with data from separate business lines and external sources Accommodative business processes and workflows that seamlessly integrate with those of third parties Data validation, ownership and administration systems to ensure security and customer privacy are not compromised during third-party process integrations
Virtual communities will drive banks to pitch to communities rather than classical demographic segments	<ul style="list-style-type: none"> Processes and business rules that are highly flexible and customizable to cope with the spontaneity of business data (both structured and unstructured), and scalable enough to support the exponential frequency of such business requirements Security and compliance measures to support the transaction of sensitive data across established channels Deployment of business and social analytics to correspond with the need to isolate high-value individuals
The emergence of Big Data technologies allows FSI to offer the right product mix at near-real-time	<ul style="list-style-type: none"> A collaborative analytical framework that accommodates new methods, tools and practices of customer analytics Provisions to collect and archive "unneeded" market data that can be later retrieved to enact situational disaster-recovery or event-based marketing Straight-through-processing capabilities across the organization
Location intelligence will equip FSIs to deal with the customer at a very specific point in time, at a very specific location.	<ul style="list-style-type: none"> In analyzing business processes, it is necessary for IT management to spot where points of potential failure can exist, and where remediation of information and process gaps is most critical Business process management portlets and dashboards as a central interface for various stakeholders Tools to empower business users. Better collaboration of business and IT is required
Source: IDC Financial Insights, 2012	

Bosch Software Innovations: Responding to Redefined Customer Engagement

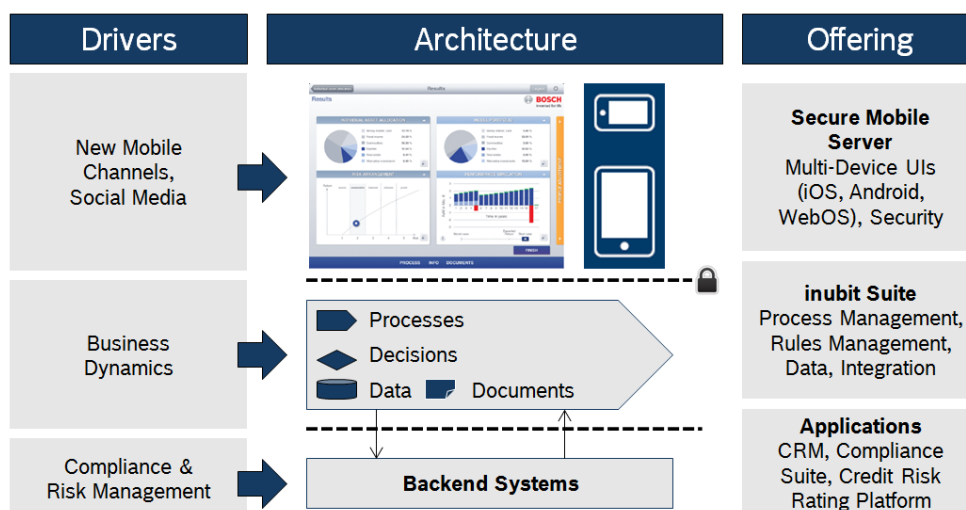
Bosch Software Innovations focuses on enhancing enterprise computing by enabling efficient back-end integration, ensuring flexible processes, and customizing user experience across multiple channels.

Founded in 1997, Bosch Software Innovations today employs more than 450 people across several global centers, including Chicago, Berlin and Singapore. Its products are deeply entrenched across several industry verticals, including financial services (banking and insurance), government, energy/utilities, industrial/manufacturing and healthcare.

Through the years, Bosch Software Innovations has expanded the range of its offerings from core Business Rules Management logic visualization technology to robust systems solutions that meet the unique needs of its main FSI market segment, including client management, compliance, as well as risk and credit management. Bosch Software Innovations has since broadened its market proposition after parent company Bosch acquired a leading player in the BPM space, inubit AG. The co-development opportunities between Bosch Software Innovations and inubit AG elevate the company to a full provider of business process management (BPM), business rules management (BRM), business data management (BDM) as well as infrastructure management (see Figure 3).

Figure 3

Bosch Software Innovations Extended Portfolio after the Acquisition of inubit AG



Source: Bosch Software Innovations, 2012

As banks, insurers and capital market firms attempt to make sense of the shifting technological trends in the industry, Bosch Software Innovations brings several noteworthy propositions:

- Bosch Software Innovations is ideally positioned to offer quick back-end integration, flexible processes and process customization for different channels, including the all-important mobile channel. Bosch Software Innovations is able to support different mobile platforms through a single model of mobile data integration, which among others allows data capture via mobile forms on multiple devices. To this end, the inubit Suite permits multi-device form capturing through customizable rules that can be used to further refine the quality of the data depending on the business situation. Prevailing scarcity of customer interactions and touch-points in the financial services industry, coupled with rising product sophistication all necessitate capture forms to be exceptionally dense yet transferable. Inubit Suite's ability to create "ready for signature" forms automatically, even for unstructured data types is universally relevant for FSIs seeking flexibility and business agility in the contemporary markets.

- The solution offered also enables straight-through processing via mobiles which requires structured capturing of high quality data. Rules can be designed to ensure quality of captured data (validation, prevention of false inputs, and avoidance of data transfer problems).
- Bosch Software Innovations' BRM visualization technology can effect changes with minimal disruption to system uptimes, which is particularly vital for critical core processes and customer-facing applications. Returns on investment can be high, depending on the area of application and the extent of the legacy business logic that has been readapted. The value of this solution becomes exceedingly apparent in multichannel environments where business rules need to be changed often.
- Bosch Software Innovations also enables integration of social media data and information. The inubit Suite includes "Social Office," a powerful set of social portlets (wiki, blog, news, personal connections, shared data rooms, team pages, team calendar, team and individual task lists) which can be combined to form individual social dashboards leveraging portal technology. For externally run social communities, social dashboards can be extended to include any kind of external feeds (from Facebook, Twitter, LinkedIn, and the like) -- the very same "external sources of data" we talked about in the previous section. Bosch is also able to apply internally developed analytical tools to help manage complex events in social networks, and to help address some Big Data problems confronted by institutions.
- Within the all-important area of Business Process Management (BPM), inubit Suite 6 distinguishes itself from classical BPM offerings through its ability to unify existing different process classes of individual business lines/silos into a single IT framework. This overcomes data disaggregation across individual channels or databases, allowing extensive cross-departmental resource sharing and collaborations. Shifting regulatory, competitive and consumer mandates in the FSI environment have put a strain on internal infrastructures to become more agile. In this regard, inubit Suite's Process Center allows end users to easily define, simulate, deploy and monitor core business processes in real-time, effectively eliminating redundant middle-layer processes along the way. In this end-to-end solution, IT applications across business lines are integrated without media discontinuity.

Challenges and Opportunities

As far as penetrating the Asia/Pacific financial services sector, Bosch Software Innovations' main challenge lies in its ability to quickly gain mindshare against the traditional incumbents in the BPM space. These large players have established solution suites and are able to leverage their position as a provider of critical financial system areas (for example, core banking and payments) to entrench themselves further. Here, Bosch Software Innovations needs to exhibit how its specialized proposition works within established technology ecosystems. This is a plus factor for technology decision-makers in today's downcycle, since they are more inclined to adopt extensible solutions with lower immediate outlays and long-run overheads. inubit Suite's Java/XML roots and quick-start implementation path allows it to integrate with rather than replace legacy systems, while its support for over 200 IT standards avoids proprietary vendor lock-ins.

To a great extent, Bosch Software Innovations' offerings that respond to the new technology phenomena (enumerated above) shatter vendor incumbencies, especially because in these new, exciting areas, few players have established dominance. An emerging vendor like Bosch Software Innovations can essentially compete on even ground with established providers to build mindshare and enhance product value in these new areas. Moreover, inubit Suite's modular product variants can readily meet the specialized requirements of individual business lines, making ROI and TCO evaluations more transparent while expediting wide-scale rollouts. Bosch Software Innovations' strategy to go for a few but credible reference sites allows it to build renown among those banks that really want to stand out from their peers.

Furthermore, Bosch Software Innovations addresses a very real need in the frenzied channel expansions that we see today. inubit Suite's unique ability to automate the behavior and logic of data management and administration meets a very real problem, and sets it apart from conventional BPMN mechanisms that can only handle structured business processes. With capabilities to provide data visualization and manipulation from non-native systems, regardless of formats, Bosch Software Innovations is well placed to deliver a competitive edge to its customers.

Conclusion

The proliferation of mobile and social media platforms have forced FSIs to rethink their approach in engaging their customers. Opportunities certainly abound, and those that are able to adapt to the needs of consumer mobile lifestyles and growing expectations for better engagement will be well placed for success in 2012 and beyond. IDC believes that FSIs that are able to move quickly in deploying viable, in-depth and scalable systems will win big. Clearly, the challenge of building a new-centricity agenda should not be underestimated. But with the right technologies, the right mindset for innovation and the help of the right vendors, FSIs will succeed in augmenting their value proposition and ultimately, stay relevant.

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