

CELENT

CELENT MODEL BANK 2016

PART II: CASE STUDIES IN OMNICHANNEL BANKING

Bob Meara
April 2016

This authorized reprint contains material excerpted from a recent Celent report profiling Celent Model bank award winning technology initiatives and was not sponsored by INETCO in any way.

For more information on the full report, please contact Celent (www.celent.com) or info@celent.com

CONTENTS

Executive Summary	1
Key Research Questions.....	1
Introduction.....	3
Model Bank Overview.....	3
Summary of Model Bank Award Winning Initiatives.....	5
Key Themes in Omnichannel Banking.....	9
BECU: Omnichannel Customer Analytics.....	12
Conclusion.....	17
Leveraging Celent's Expertise	19
Support for Financial Institutions	19
Support for Vendors	19
Related Celent Research.....	20

EXECUTIVE SUMMARY

The vision for Celent's Model Bank program, now in its ninth year, was to try to answer an apparently simple set of questions:

KEY RESEARCH QUESTIONS

1 <i>What would it look like for a bank to do everything right with today's technology?</i>	2 <i>What are some best practices and measurable business results of technology projects?</i>	3 <i>What can other banks learn from these initiatives?</i>
--	--	--

Celent's approach to answer these questions is to seek examples of best practices in technology usage in different areas of banking. Every year we suggest five to eight categories and invite banks to nominate their technology initiatives. We review all nominations and recognize a number of them — up to four per category — with a Model Bank award.

In 2016, Celent accepted nominations in seven categories:

1. **Digital Banking Transformation**, including data analytics, digital automation / application of emerging technologies (e.g., voice, cognitive computing, etc.), creative partnerships with Fintech and transformation of organisation, skills, and culture.
2. **Omnichannel Banking**, including mobile and online banking innovations, branch and call center transformation, and omnichannel integration initiatives.
3. **Digital Payments and Cards**, including innovations in merchant and P2P payments (e.g., digital wallets), digital commerce facilitation (e.g., offers, POS loans), payment management (e.g., card control features), and cards and retail payments platform transformation.
4. **Corporate Payments and Infrastructure Modernization**, including payments back office modernization (e.g., payment hubs, moving to real-time payment infrastructures, etc.), and international and B2B payment initiatives.
5. **Cash Management and Trade Finance**, including treasury management and trade finance transformation along with corporate digital channel and customer experience innovation.
6. **Security, Fraud and Risk Management**, including enterprise risk management transformation, financial crime risk management (e.g., integrated real-time fraud and AML platform) and cyber security (e.g., addressing cyber security through intelligence gathering and data analytics).
7. **Legacy Transformation**, including core banking replatforming/ transformation and deployment of cloud technologies.

We received a record number of submissions, well over 100 in fact, and awarded 18 initiatives across those categories. The competition was intense, but we are confident that each of our chosen initiatives is a worthy winner and deserves an award. The winners represent a diverse group of financial institutions spanning multiple countries and several continents.

Since 2014, Celent has been publishing a series of Model Bank reports, each containing case studies of winning initiatives in a specific category. Table 1 shows the Model Bank 2016 report series and lists the award winners and case studies included in each report. This particular report documents case studies in **Omnichannel Banking**.

Table 1: Model Bank Report Series and Award Winners

MODEL BANK 2016 REPORT SERIES	AWARD WINNERS AND CASE STUDIES
Part I: Digital Banking Transformation	Citizens Bank, US DenizBank, Turkey Garanti Bank, Turkey Santander, US
Part II: Omnichannel Banking	BECU, US Beyond Bank, Australia Standard Chartered Bank, Korea
Part III: Digital Payments and Cards	Bank of America Merrill Lynch, US RBC, Canada
Part IV: Corporate Payments and Infrastructure Modernization	Bank of China, China CBW Bank, US
Part V: Cash Management and Trade Finance	CIBC, Canada HBL (Habib Bank), Pakistan
Part VI: Security, Fraud, and Risk Management	Alfa-Bank, Russia USAA, US
Part VII: Legacy Transformation	Sberbank, Russia Umpqua Bank, US Vietnam Bank For Social Policies, Vietnam
Model Bank of the Year	Eastern Bank, US

Source: Celent

Finally, just like in the last few years, we recognized one initiative as the overall **Model Bank of the Year**, our top honor. In 2016 this award goes to Eastern Bank for its overall approach to innovation and delivering clear business benefits via Eastern Labs, the bank's innovation vehicle, particularly focused on creative application of leading edge data analytics. A more detailed Eastern Bank case study is published in a separate report.

Celent is grateful to have been exposed to so many extraordinary initiatives and the talented individuals responsible for their success. We look forward to continuing with the Model Bank program next year to identify and award the most impressive banking technology initiatives from around the world.

Note to the readers of the entire series: the Executive Summary and Introduction are the same for all reports in the series, but are repeated for the benefit of readers only interested in specific Model Bank categories.

INTRODUCTION

MODEL BANK OVERVIEW

Model Bank is the main award that a financial institution (FI) can win from Celent. It is available to retail and commercial banks, credit unions, thrifts, and card issuers globally. Any FI can apply, irrespective of whether it has any prior relationship with Celent. Celent does not charge any fees to banks or vendors to participate in the Model Bank process.

Celent started Model Bank research in 2008 and has continued annually. The programme is now in its ninth year. The vision for Celent's Model Bank research was to try to answer an apparently simple question.

Key Research Question

1

What would it look like for a bank to do everything right with today's technology?

“Everything” and “right” will mean very different things to different banks depending on their size, the complexity of their operations and product sets, and their technological starting points.

Of course, the question is not nearly as simple as it appears. While there is no such thing as a “Model Bank” — every bank does some things well, and others not as well when it comes to technology — it is possible to conceive of a Model Bank through real world examples of effective usage of technology.

Celent's approach is to seek examples of best practices in technology usage in different areas critical to success in banking. Every year we suggest five to eight categories and invite banks to nominate their technology initiatives. We review all nominations and recognize a number of them — up to four per category — with a Model Bank award. Every year we present 15 to 20 awards. Since 2012 we have been recognizing one initiative every year as the overall Model Bank of the Year, the top honor.

Why Should You Care?

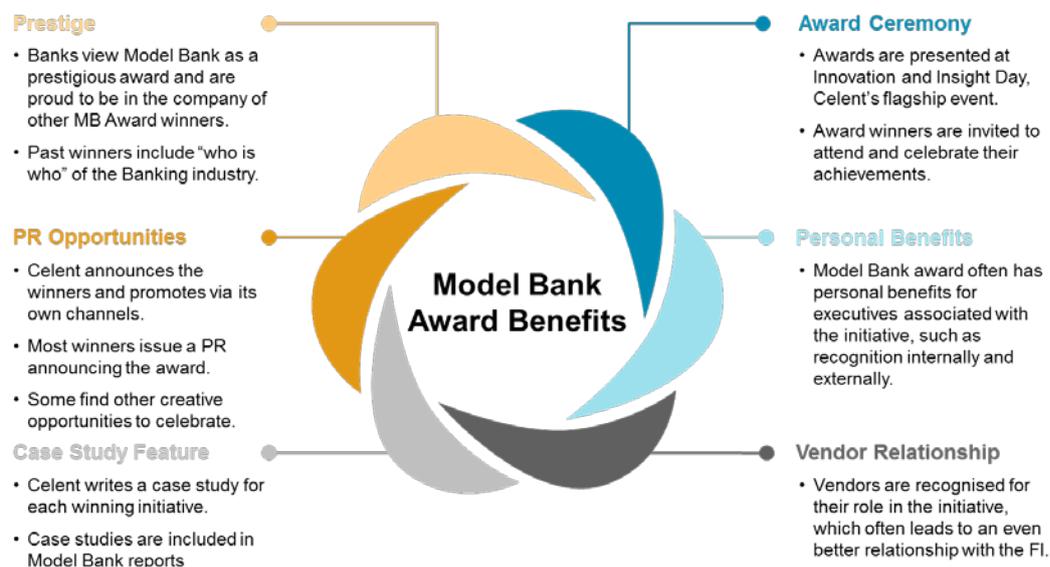
Being recognized as a Model Bank has a number of benefits for a financial institution (see Figure 1 on page 4).

First of all, financial institutions tell us they view Model Bank as a distinctly **prestigious award**. The awards are focused on banking, yet span a full spectrum of technology initiatives rather than being narrowly focused on one (e.g., mobile). Competition is global and fierce, and the selection process is rigorous. Award winners are in great company and are proud of such association. Past winners include banks and credit unions across the asset tier spectrum from all parts of the globe, such as Barclays, Citi, Commercial Bank of Africa, Credit Union Australia, Mashreq Bank, mBank, Scotiabank, US Bank, and many others.

As a result, Model Bank award presents a number of **PR opportunities** for the winning FIs. We at Celent announce all the winners and issue a press release. Most winners also tend to issue a press release announcing their award and highlighting why they were recognized. Some even find other creative opportunities to celebrate

— for example, Knab bank in the Netherlands celebrated getting a Model Bank award by sounding a gong at Euronext.¹

Figure 1: Benefits of Receiving a Model Bank Award



Source: Celent

Furthermore, Celent analysts write detailed **case studies** of each winning initiative. These case studies are included in Celent Model Bank reports, which are consistently among the most popular reports with Celent clients, generating further exposure for the winning FIs and their initiatives.

The actual awards are presented at **Innovation and Insight Day (I&I Day)**, Celent's flagship annual event, typically held on the East Coast in the United States. We celebrate the achievements of Model Bank and Model Insurer² award winners by giving them an opportunity to discuss their initiatives on stage. The day also features exciting keynote presentations from industry leaders, academics, and Celent analysts. In 2015, I&I Day was held at Carnegie Hall in New York and was our largest ever, with more than 400 attendees. Perhaps needless to say, the event presents an excellent networking opportunity. We are hosting I&I Day 2016 again in New York at the Museum of American Finance. All Model Bank award winners receive up to three complimentary tickets to attend the event.

However, the award has more than institutional benefits. Executives associated with the winning initiatives often speak about Model Bank award having **personal benefits** for them, such as recognition internally and externally.

Finally, for initiatives that rely on **technology vendor** solutions and expertise, the award often leads to an even stronger relationship between the winning FI and its vendors. Celent recognizes their contribution to the initiative, and in response, vendors often issue their own PR statements celebrating achievements of their clients.³

Nomination and Selection Process

Celent invited both clients and nonclients to participate and promoted the Model Bank initiative through various channels. The nomination window opened in September 2015, and we accepted submissions until mid-December. Financial institutions (or

¹ <https://www.youtube.com/watch?v=FGWC8vOilUc>

² Model Insurer is Celent's program to recognize outstanding use of technology in the insurance industry.

³ An example: <http://www.fundtech.com/news/261/anz-receives-celent-model-bank-award-payments-inno/>

vendors on their behalf) were invited to submit their initiatives by completing an online nomination form at www.celentmodelbank.com.

While the Model Bank program has evolved somewhat, one thing has remained constant through all nine years: the selection criteria. We continue to judge the initiatives on three criteria.

- **Business Benefits.** Celent seeks to recognize initiatives that have a clear and sustainable impact on the business — those that most clearly advance your bank’s business objectives. Therefore, this category is weighted most heavily. Project size and scope matter, and we pay particular attention to quantitative success measures.
- **Degree of Innovation.** This measure draws attention to those initiatives deemed particularly innovative for their use of technology in improving sales or service results, reducing risks or costs, or improving business processes.
- **Technology or Implementation Excellence.** Some initiatives are noteworthy for their extreme difficulty, complexity of technology, or implementation excellence. Celent recognizes initiatives that stand apart in this area.

All Celent Banking analysts are involved in the judging process, although the exact approach should perhaps remain “a secret sauce.”

Client Disclosure

There were no fees charged to banks or vendors mentioned in this report. Some of the nominating firms, and many of the selected banks are or have been clients to Celent’s retained advisory service. However, Celent was not directly involved in the creation or deployment of any of the initiatives that have been recognized, and no preference was given to clients in the selection process.

SUMMARY OF MODEL BANK AWARD WINNING INITIATIVES

Table 2 is an alphabetical (per category) list of the 18 Model Bank award winning initiatives and case studies included in this report series. In most cases, the initiative synopsis is taken directly from the nomination forms.

Table 2: 2016 Celent Model Bank Awards Are a Diverse Lot

FINANCIAL INSTITUTION	INITIATIVE SYNOPSIS
DIGITAL BANKING TRANSFORMATION	
CITIZENS BANK, US	The bank implemented Citizens Bank Wire, a new web-based messaging solution built just for Citizens Bank that delivers a persistent stream of highly targeted, actionable, and PCI-compliant mobile communications that makes it easier for customers to get things done at critical moments. Applied first to its student loan business, Citizens Bank Wire notifies student loan applicants of required next steps in the application process for the purpose of accelerating loan pull through and minimizing drop-off. Citizens Bank Wire gives the bank a simple and effective path to digital by rapidly establishing mobile adoption on the new secure channel. Also, once the application is complete, Citizens Bank Wire lives on as a lifelong customer relationship management tool that can establish a broader banking relationship.
DENIZBANK, TURKEY	IoT technologies play a significant role in our digital transformation projects which yield lower operational costs resulting from the lower transaction and channel costs at digital channels; as well as a higher level of customer satisfaction brought from the availability of services anywhere at any time. Examples of IoT projects at DenizBank include: <ul style="list-style-type: none"> • Campaign Messages: Users can be notified about campaigns of our merchants via beacon technology. • Offers through ATM: Recognise own customers as they come closer to our ATMs, show a message on the ATM screen, and

FINANCIAL INSTITUTION**INITIATIVE SYNOPSIS**

	<p>offer certain transactions through beacons.</p> <ul style="list-style-type: none">• Hands-free payment with fastPay: Users can pay at the merchant without taking their phones out of the pocket.• Money withdrawal via Voice Recognition: fastPay users can command phones with voice and withdraw money on our ATMs.• Automatic Queue Number can be assigned through beacons as customer steps into the branch.
--	--

GARANTI BANK,
TURKEY

iGaranti application incorporates many value-added services under one application, exploits the mobile technology to its limits, and aims to convert all the technology used into a living, friendly service that naturally fits into the daily lives of its users as a financial coach or a smart friend in his/her pocket. We are offering banking services with 20 mini-applications such as QR Payment/Withdrawal, impulse saving, voice recognition, iWallet, social network, etc. for better digital banking experience.

Mobile Interactive Assistant is a one of a kind project, for which “iOS Siri” would be the closest example. The application was developed with an extensive grammar and comprehension capacity. All banking transactions can be performed by voice, through 155 intents and 65 different concepts.

SANTANDER, US

Santander’s US retail bank has completely rebuilt its new account opening software that introduces paperless procedures and consolidated menus, while also creating a new and scalable application layer, which can leverage a tablet for out of branch account opening and photo capture for customer identification. The end result is a considerably faster and more intuitive process, which greatly reduces risk to the bank.

OMNICHANNEL BANKING

BECU, US

BECU believes visibility into consumer transaction data is the key to ensuring their 900,000+ members are able to effectively complete their transactions at the ATM. This drove their investment into a leading-edge customer analytics solution that provides both the ATM Management & Development and ATM Operations teams at BECU with a game-changing, customer-centric view into where, when, and how members interact with their ATM channel.

BEYOND BANK,
AUSTRALIA

Beyond Bank, one of Australia’s largest mutual banks, needed to provide Australia’s best customer engagement experience for new and existing customers, or risk being uncompetitive in the Australian market. Beyond Bank took its paper and PDF-based application and onboarding processes and transformed them into a seamless digital omnichannel engagement experience connecting mobile, tablet, online, branch, and call center.

STANDARD
CHARTERED
BANK, KOREA

Standard Chartered Bank Korea (SCBK) has introduced two new formats of light branches, Bank# (reads Bank Shop) and Bank Desks, which offer the most essential banking products and services at retail locations frequently visited by customers, such as department stores and supermarkets.

They are built upon SCBK’s award winning Mobility Platform — a tablet/ PC based sales and service platform that allows bank staff to provide a banking experience anytime anywhere.

DIGITAL PAYMENTS AND CARDS

BANK OF AMERICA
MERRILL LYNCH, US

Bank of America Merrill Lynch’s Digital Disbursements enables corporate clients to make digital payments to their own customers, eliminating the need to issue costly checks and allowing customers to receive payments potentially within seconds versus days. It leverages consumer bank person-to-person technology and expands those capabilities to provide business-to-consumer payments.

RBC, CANADA

The RBC Wallet, powered by RBC Secure Cloud, makes RBC credit and debit cards instantly available on a client’s mobile device. The wallet allows clients to conveniently access all of their RBC payment cards without having to worry about provisioning and lets them choose between credit and debit at the point of sale, all while defining a new standard in mobile payment security.

CORPORATE PAYMENTS AND INFRASTRUCTURE MODERNIZATIONBANK OF CHINA,
CHINA

The Bank of China sought a payment system overhaul to unify all global payments and clearing systems, internalize payment channels, centralize global payment information, integrate systems and processes, and support the bank's Renminbi (RMB) business. The bank has been rolling the new system out to its branches at a remarkable pace by implementing and going live on a unified payments solution across 12 countries in its first year.

CBW BANK, US

CBW Bank embarked on an initiative to transform the traditionally arduous, manual, and often stagnant payments process, focusing on the fundamental, foundational challenges hindering the payments process. To accomplish this objective, the bank completed one of the first bank account overhauls/ redesigns in nearly a decade. Starting with the core foundation, the bank designed a new bank account structure, rebuilt all the critical payment channels, and embedded a real-time compliance and risk management platform.

CASH MANAGEMENT AND TRADE FINANCE

CIBC, CANADA

CIBC's my Client platform enables centralized automated pricing, billing, and reporting for its 300,000+ business customers. The platform is the system of record for product pricing, fee computation, and billing reports. It includes a centralized product and service catalog, increasing data availability, pricing flexibility, and billing accuracy. The platform replaces heavily manual processes needed to consolidate data from disparate billing systems and generate monthly invoices.

HBL (HABIB BANK),
PAKISTAN

HBL has transformed the corporate banking offering for its clients by unifying cash management, trade services, and supply chain finance onto a single digital platform. This enables the bank to offer corporate customers a convenient and consistent way to oversee and manage their global financial activity and cash positions from a single online banking portal. The portal tightly integrates with the bank's core banking and trade finance platforms, resulting in a unified digital architecture for its corporate banking clients.

SECURITY, FRAUD AND RISK MANAGEMENT

ALFA-BANK, RUSSIA

Alfa-Bank embarked on a project to implement Basel II and III standards under very tight local regulatory deadlines. Alfa-Bank needed to act quickly and focus efforts on the redesign of its risk architecture of the multiple risk-based calculations that were being managed as individual computations. The bank decided to centralize all corporate credit risk information on a single platform that connected to front office systems and processes. Using Misys FusionRisk, Alfa-Bank was able to implement a central default system with a risk rating and risk-weighted asset calculations engine that the project team feels confident will position the bank to be able to comply with current and future capital adequacy regulations.

USAA, US

USAA has been innovating in security, first with two-factor "Quick Logon" and now by providing an experience of using facial, vocal, or fingerprint biometrics as a convenient and secure means of logging onto the USAA Mobile Application. This capability expands existing use of an embedded security token with biometrics technology, eliminating the need for static usernames and passwords while improving the overall logon experience.

LEGACY AND ECOSYSTEM TRANSFORMATION

SBERBANK, RUSSIA

The bank decommissioned 17 legacy territorial banks' core banking platforms and migrated to the new centralized platform. The new core banking platform was built in-house with the help of vendor resources to cope with 17 million accounts, 2 million corporate clients, 14 million payments a day and 30 000 users.

UMPQUA BANK, USA

The bank has transformed how it handles post-acquisition conversions from both an associate and customer experience standpoint. The application provides a single point of access for multiple core banking, servicing, and imaging systems, resulting in a unified associate and customer experience. This allows Umpqua to do business the way the bank and its customers want

**FINANCIAL
INSTITUTION****INITIATIVE SYNOPSIS**

to and not what the industry or software providers decide is the right way.

VIETNAM BANK FOR
SOCIAL POLICIES,
VIETHAM

VBSP is a state-owned bank taking the lead in microfinance and operating as a tool of the Vietnamese Government to fight against poverty. VBSP has undertaken the modernization of its Core Banking platform so that it can reach not only urban areas but also remote locations without being limited by the lack of technology. It enhances operational efficiency across departments/branches/staff and ensures a complete visibility and utilization of various investor funds is ensured.

MODEL BANK OF THE YEAR

EASTERN BANK

In partnership with its internal financial technology innovation lab, Eastern Labs, Eastern Bank built the fastest way to borrow money. By utilizing all available customer data (including Know Your Customer data, transaction data, loan performance data, and relationships with other customers), The Labs Express Loan Platform allows a small business owner to obtain a loan, from the application to money in their account, in under five minutes.

Source: Celent

KEY THEMES IN OMNICHANNEL BANKING

Key
Research
Question

2

What are some best practices and measurable business results of technology projects in omnichannel banking?

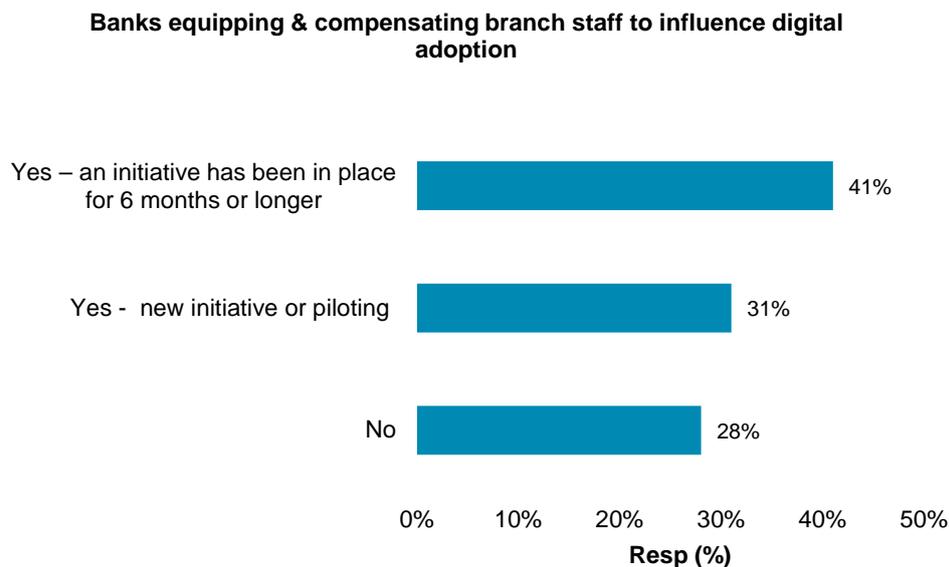
The case studies presented in the following section offer compelling evidence that omnichannel initiatives can produce significant topline benefits.

Omnichannel banking remains aspirational for most institutions. It is for this reason that Celent chose to examine digital banking and omnichannel banking separately again in this year's Celent Model Bank report series. This section examines each of these three areas — understanding, priority, and implementation — and offers key themes in omnichannel banking drawn from the three Celent Model Bank case studies detailed in this and earlier reports.

The Quest for Omnichannel Continues

Much could be offered to support this assertion. One measure of a bank's omnichannel aspiration is the length some will go to influence digital channel usage among its customer base. Not long ago, institutions seemed to be racing to keep up with rapidly changing customer preferences. More recently, Celent observes a majority of banks equipping and compensating branch staff to encourage digital adoption. This would have been heresy a short while ago. Figure 2 shows the result of a Celent survey of North American financial institutions in March 2016.

Figure 2: Over Two-Thirds of Surveyed Banks Invest Branch Resources to Grow Digital Usage



Source: Celent Managed Research Panel, March 2016, n=32

Among those same institutions, two-thirds had specific digital adoption goals, more than half had specific and measurable objectives for branch involvement in reaching those goals, and nearly half said branch staff compensation is tied to those goals. Times have changed!

Implementing Omnichannel

Multichannel banking is more than a vision; it is becoming a tangible practice that can provide measurable benefits. There is still plenty that banks can do (indeed, must do) in order to deliver an omnichannel customer experience. The case studies presented in the following section reinforce the idea that banks' starting positions vary widely. As a result, what is prudent for one bank may be off base for another. Even so, Celent offers these general recommendations for implementing omnichannel:

- **Employ a senior leader in charge of channels.** Without a leader, it's going to be challenging to break down silos and properly identify opportunities. Ideally, all channels (physical and digital) fall under the same person/group. Banks should further appoint a senior leader within that team that focuses on omnichannel opportunities and is able to develop and execute strategy. Beyond Bank created an entirely new business unit, Digital Customer Experience, which launched a series of initiatives designed to modernize its digital capabilities.
- **Regularly review channel activities in order to determine synergies.** Product and development roadmaps are frequently built in silos. Each line of business head should take on an ongoing exercise that identifies cross-channel opportunities and challenges. These can change quickly, and it's critical that this is done periodically so as not to miss opportunities, and to stay abreast of competitive activities.
- **Embark on digital-only multichannel activities.** It is doubly challenging to integrate physical and digital channels. Given the highly changing consumer expectations of digital channels and the comparative speed in which digital initiatives can be executed, banks should focus on opportunities that leverage digital technology. Standard Chartered Bank created Retail Workbench, its Apple iPad-based mobility platform designed to improve both front line staff and customer experience. It then created and launched two new highly automated, microbranch concepts powered by Retail Workbench.
- **Take one step at a time.** Omnichannel projects get complex in a hurry. "Don't bite off more than you can chew" is sage advice for institutions with omnichannel ambitions. Many successful banks take one step at a time and leverage past successes to align leadership around future ambitions. Beyond Bank's omnichannel customer onboarding platform began as a simple project to replace its "print and complete" PDF forms.
- **Fail rapidly.** With today's high rate of change, banks must not only test and learn their way to omnichannel, they must do so quickly. BECU sought this objective as it invested in an analytics platform to speed its ability to access and analyze transaction data. Standard Chartered Bank designed, built, and tested its new branch formats using three concurrent, coordinated tracks to deliver a faster, more agile project.

Results Observed

The case studies presented in the next section offer compelling evidence that, done well, omnichannel initiatives can produce significant topline benefits. This will be particularly encouraging to banks that have struggled to monetize digital banking initiatives. The three Celent Model Bank initiatives represent tremendous diversity, yet all have produced topline revenue growth as a direct result of improving their omnichannel delivery. For example:

- Beyond Bank grew its new account acquisition mix from 100% in-branch to 42% digital in its first year on an omnichannel customer onboarding platform.
- BECU saw dramatic operational efficiency gains, reducing the time required to perform data analysis between 50% and 88%. This allowed it to "fail fast"

as it rapidly improved the efficiency and effectiveness of its branch and ATM channel operations.

- Digitized banking operations at Standard Chartered Bank's new branch formats vastly improved sales capability. Within just two months of launching, the new branch formats collectively sold four times more than existing traditional branches.

None of these banks would assert that they've arrived. Instead, each remains in hot pursuit of continual improvement in omnichannel delivery. They are all on a journey — one in which the destination is in a continual state of change.

BECU: OMNICHANNEL CUSTOMER ANALYTICS

BECU, formerly Boeing Employees' Credit Union, is Washington's largest credit union. It is a member-owned, not-for-profit financial cooperative with more than 940,000 members. BECU provides members a full range of financial services using a highly-distributed retail delivery model. It operates just two traditional branches and 43 Tellerless Neighborhood Financial Centers, where “ATMs are the tellers.”

Table 3: BECU Snapshot

THROUGH 12/31/2015	BECU
YEAR FOUNDED	1935
COMPANY SIZE	Over 14B assets Over -940,000 members
HQ LOCATION	Tukwila (Seattle), WA
BRANCH COVERAGE	43 Neighborhood Financial Centers 2 traditional branches
SELF-SERVICE CHANNEL SYSTEMS	215 ATMs (190 are deposit taking) 138 BECU branded ATMs in Rite Aid stores in Washington

Source: BECU

Given the comparative importance of the ATM channel to BECU, it sought to develop a more member-centric understanding of channel usage, in order to deliver the best possible member experience. Working with INETCO, BECU implemented a modern customer analytics stack, including: real-time data streaming, scalable data storage, data visualization and on-demand analytics dashboards. With this customer-centric, “hands on” view, BECU now enjoys a precise understanding of customer behavior and channel performance. In addition to measurable gains in operational efficiency, BECU is cultivating a data-driven culture that:

- Adds member value through better understanding of the member experience.
- Improves ATM availability and increases the number of member interactions completed.
- Frees resources for other initiatives through improved back-office efficiencies.
- Enhances profitability through better self-service device placement and targeted service delivery offerings.

Opportunity

BECU is somewhat nontraditional in its use of its 215 owned and operated ATMs. The majority are in the community and with their affinity partner, The Boeing Company. Eighty nine of them are deployed in BECU's Neighborhood Financial Centers, where they have eliminated the need for traditional teller roles in those locations (see Figure 3). In addition, they operate two traditional branches with nine ATMs deployed between those two locations. BECU also has 138 branded ATMs in Rite Aid stores throughout the state of Washington providing surcharge free access for its members.

BECU's ATMs are heavily used – averaging 8,000 to 12,000 transactions per month, making their care and feeding a high priority for BECU.

Figure 3: ATMs Are Central in BECU's 43 "Tellerless" Neighborhood Financial Centers



Source: BECU

Beyond the ATMs, BECU's Neighborhood Financial Centers are anything but traditional (Figure 4).

Figure 4: BECU's Neighborhood Financial Centers Are designed for Engagement



Source: BECU

With ATM devices as their main customer-facing touch points, BECU sought a deep understanding of its member experience. They lacked a current, customer-centric view of where, when and how their customers interacted with them, or if their experience was being hindered by performance problems, such as ATM availability issues. Like many other institutions, BECU employed ATM monitoring software, but the software provided an incomplete picture of channel usage and did not -always

alert on device problems. BECU found recurring conditions whereby customer complaints were its first knowledge of problems.

Understanding the customer experience became increasingly difficult with BECU's member growth and members' increasing use of self-service channels. It was taking significantly more time and resources to manually extract, parse and clean fragmented historical "stale" data from a growing variety of sources, build reports on member data, and identify ways to improve the member experience. Costly data storage, along with maintaining data lineage, was also becoming a concern.

Solution

BECU's data management architecture is built on the concept of Fast Data - data that can be analyzed as it's ingested at extremely high intake rates. It consists of the following components for real-time transaction data streaming, scalable data storage and on-demand customer analytics:

- **INETCO Insight:** Real-time transaction data streaming from the INETCO Insight software platform acts as the primary data feed for INETCO Analytics. Protocol and platform agnostic, this Fast Data software platform captures and correlates real-time consumer transaction data in a secure, light-weight fashion, enabling BECU to act on it the instant it arrives, overcoming past data mining limitations caused by stale data and high cost data integrity tasks such as manual extraction, parsing and cleaning. Built-in cleansing algorithms help ensure the data lineage is well defined, controlled and maintained to greatly reduce the need to regularly clean, maintain and monitor its evolution. The platform's real-time monitoring and event notification capabilities help BECU's ATM Operations team quickly isolate the root cause of transaction slowdowns and failures, cutting down the time and resources it takes to manage device availability, ensuring members can complete the majority of their transactions at the ATM.
- **INETCO Analytics:** Makes it easy for BECU's ATM Channel Management and ATM Operations teams to gain on-demand access to data that shows how customers use their self-service devices. Rather than spending days 'mining' data from sprawling network infrastructures, BECU's ATM Channel Manager can use INETCO Analytics to see who is using which ATMs, what kind of interactions they perform, and the quality of service they experience, all within a few clicks. This faster time to value has resulted in measurable reductions in the time and resources it takes to analyze and report on customer data and channel performance. The application also contains a robust data subscription engine that allows for easy ingestion and blending of streaming transaction data and import of various other data sources such as ATM availability, BIN list data sets, competitor device location data sets, and member density data.

INETCO Analytics also contains interactive dashboards and a standard report library, specifically built for omnichannel overviews and for understanding what is going on within individual self-service banking channels. These dashboards leverage BECU's deep, vertical-specific industry knowledge and help the organization analyze channel or fleet profitability, customer interactions, task times and flows, performance by device type, and cash utilization. BECU uses native algorithms and predictive models in INETCO Analytics to understand previously unknown channel usage behavior, such as member queue lengths, cash utilization rates, and common customer interactions by session – usage attributes not available from its legacy ATM monitoring suite.

Within the INETCO Analytics application architecture, streaming transaction data is collected then warehoused within a Cloudera Hadoop data store, and extracted using user-friendly Tableau based dashboards. [Figure 5](#) shows one example.

Figure 5: One of Many Dashboards Used by BECU



Source: BECU

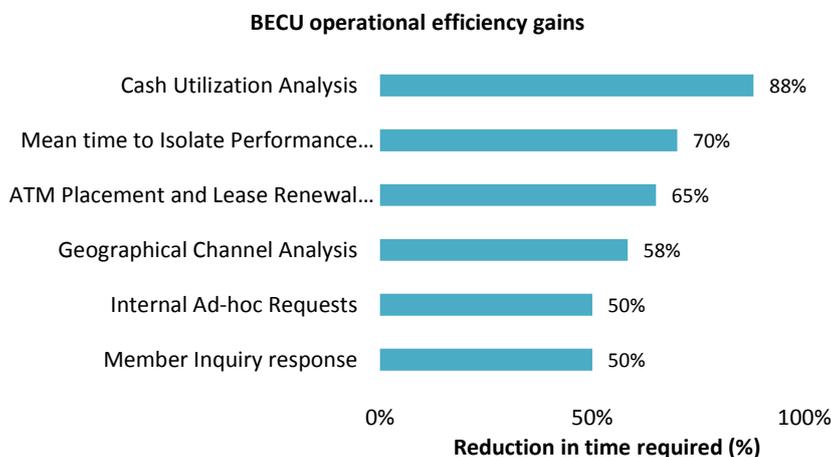
Delivery

The delivery team consisted of four from BECU's ATM Management & Development and ATM Operations departments. INETCO Systems Limited also played a key role as the technology vendor. BECU first implemented the INETCO Insight real-time transaction monitoring and data streaming platform in 2014. Evaluation of INETCO Analytics for ATM began in January 2015. By July 2015, INETCO Analytics was in production as BECU's data management and customer analytics solution for the ATM delivery channel. As a beta customer, BECU was instrumental in the development of INETCO Analytics which was released for general availability in January 2015. BECU's deep ATM knowledge base, ongoing input and creative ideas played a key role in product design.

Results

The move towards a customer-centric view of transaction data, made centrally accessible to anyone/anytime, has helped BECU to optimize both the operations and business team's ability to access and analyze digital transaction data in a timely, proactive way. By cultivating a data-driven culture, these teams now work together to identify new ways to acquire members, deliver more value to existing ones, and enhance profitability through faster reporting, better device placement, improved ATM availability and targeted service offerings based on localized ATM usage. Moreover, BECU enjoys significant time and effort savings between 50% and nearly 90% across multiple activities (See Figure 6).

Figure 6: Time and Effort Savings Are Manifest



Source: BECU; note: cash utilization analysis time savings are projected. Others reflect actual results.

The Geographical Channel Analysis shown in [Figure 6](#), for example, includes not only a significant reduction in turnaround time, but also eliminates the need for an external consultant to assist with gathering and assimilating all of the data.

Beyond time and effort savings, BECU has significant actionable insight into channel performance. For example:

- Easily identify on-us versus foreign transaction mixes and the associated ROI at an individual ATM, a segment of ATMs or the channel level.
- Understand what transactions or combination of transactions are most often being performed and derive the length of member sessions.
- Improve cash management by seeing the withdrawal and replenishment amounts per ATM, and reporting them in an automated and timely process.
- Leverage transaction data to determine effectiveness of user interface and other enhancements made by measuring the pre- and post- change interaction times.
- Move from a reactive position to proactive with ATM adds/moves/removals, geographical analysis, channel strategy updates and reporting.
- Apply industry-specific algorithms and predictive modelling to quickly understand patterns, trends and predictions such as queue lengths, cash flow forecasting by self-service device and successive customer interactions by session.

In a short period of time, BECU has made significant strides to both improve the member experience and reduce operating costs for the ATM channel. But, its innovation did not stop there. As a result of its ongoing geographic channel analysis, BECU justified a business case to place eight additional ATMs at its busiest Neighborhood Financial Centers and a second group in its retail environment. Concurrent analysis also led to the recommendation not to renew two leases based on performance and ease of assessing other BECU ATMs in the area able to absorb the transaction migration. That level of actionable insight would not have been available without the additional data BECU now has readily accessible.

Going forward BECU will be using the INETCO software to continually improve the member experience and further reduce its cost of operating the ATM channel.

CONCLUSION

The three case studies detailed in this report reflect the fledgling state of omnichannel delivery at most banks as well as the compelling business results that can be achieved through relatively modest effort. By presenting these examples of best practices and their results, Celent sought to illustrate the degree to which banks are making effective use of technology today and provide inspiration to banks contemplating how to improve their own omnichannel delivery.

Key
Research
Question

3

What can other banks learn from these initiatives?

Celent found several common success factors across the otherwise diverse examples of omnichannel banking

Although they are extremely varied, Celent observes that many of the Celent Model Bank omnichannel case studies share three key elements.

1. **Technology** — Most obviously, each of the preceding case studies illustrated the application of technology to achieve step changes in efficiency or effectiveness.
2. **Business process redesign** — In most cases, the business value of technology investment is only achieved through a concurrent redesign of business process. This was evident in all three case studies.
3. **Culture and organizational change** — The most significant initiatives appear to be those that inspired such success that culture and organizational change resulted. In these cases, evolving business process isn't merely procedural, but rather spawns real evolution in the bank's culture and organization.

Success Factors

Celent found several common success factors across the otherwise diverse examples of omnichannel banking. Among them:

- Clarity of vision internally within the bank — functionally, technically, and from the perspective of the banks' customers. This was particularly evident at Beyond Bank. It chose to differentiate itself through an omnichannel strategy providing true continuity of the customer experience across format and device, with a particular focus on digital as a sales channel rather than merely a mechanism to reduce cost to serve.
- Thorough involvement of customers as an integral part of design and development. This was particularly evident in SCBK's Retail Workbench initiative, as the Project Team sought the thorough involvement of branch staff in its design and development. Equally evident was SCBK's extensive use of focus group interviews and the collaborative effort with a top retailer group to both design and comarket alongside SCBK.
- Joint Application Development. As a beta customer of INETCO, BECU was instrumental in the development of INETCO Analytics, which was released for general availability in January 2015. BECU's deep ATM knowledge base, ongoing input, and creative ideas played a key role in product design.

It will be interesting to monitor how banks and technology evolve. What is “model” in 2016 will likely be a basic requirement in a few short years. Banks are constantly on the lookout for competitive differentiators and are seeking to innovate within the confines of their IT budgets and technology set up. Celent will run the Model Bank program again, beginning in Q4 2016, to identify best practice initiatives and will produce a tenth edition of the report series in early 2017.

Was this report useful to you? Please send any comments, questions, or suggestions for upcoming research topics to info@celent.com.

LEVERAGING CELENT'S EXPERTISE

If you found this report valuable, you might consider engaging with Celent for custom analysis and research. Our collective experience and the knowledge we gained while working on this report can help you streamline the creation, refinement, or execution of your strategies.

SUPPORT FOR FINANCIAL INSTITUTIONS

Typical projects we support include:

Vendor short listing and selection. We perform discovery specific to you and your business to better understand your unique needs. We then create and administer a custom RFI to selected vendors to assist you in making rapid and accurate vendor choices.

Business practice evaluations. We spend time evaluating your business processes. Based on our knowledge of the market, we identify potential process or technology constraints and provide clear insights that will help you implement industry best practices.

IT and business strategy creation. We collect perspectives from your executive team, your front line business and IT staff, and your customers. We then analyze your current position, institutional capabilities, and technology against your goals. If necessary, we help you reformulate your technology and business plans to address short-term and long-term needs.

SUPPORT FOR VENDORS

We provide services that help you refine your product and service offerings. Examples include:

Product and service strategy evaluation. We help you assess your market position in terms of functionality, technology, and services. Our strategy workshops will help you target the right customers and map your offerings to their needs.

Market messaging and collateral review. Based on our extensive experience with your potential clients, we assess your marketing and sales materials—including your website and any collateral.

RELATED CELENT RESEARCH

Eastern: Celent Model Bank of the Year 2016
April 2016

Celent Model Bank 2016: Parts 1-7
April 2016

Becoming a Celent Model Bank: A Guide to Winning Celent's Main Award for
Financial Institutions
September 2015

Fidor: Celent Model Bank of the Year 2015
March 2015

Celent Model Bank 2015: Parts 1-5
March 2015

How One Bank Changed a Nation: A Case Study of Commercial Bank of Africa's
M-Shwari Initiative
June 2014

Celent Model Bank 2014: Parts 1-5
April 2014

Celent Model Bank 2013: Case Studies of Effective Use of Technology in Banking
February 2013

Celent Model Bank 2012: Case Studies of Effective Use of Technology in Banking
June 2012

Celent Model Bank 2011: Case Studies of Effective Use of Technology in Banking
May 2011

Celent Model Bank 2010: Case Studies of Effective Use of Technology in Banking
May 2010

Celent Model Bank 2009: Case Studies of Effective Use of Technology in Banking
May 2009

Celent Model Bank 2008: Case Studies of Effective Use of Technology in Banking
March 2008

Copyright Notice

Prepared by

Celent, a division of Oliver Wyman, Inc.

Copyright © 2016 Celent, a division of Oliver Wyman, Inc. All rights reserved. This report may not be reproduced, copied or redistributed, in whole or in part, in any form or by any means, without the written permission of Celent, a division of Oliver Wyman ("Celent") and Celent accepts no liability whatsoever for the actions of third parties in this respect. Celent and any third party content providers whose content is included in this report are the sole copyright owners of the content in this report. Any third party content in this report has been included by Celent with the permission of the relevant content owner. Any use of this report by any third party is strictly prohibited without a license expressly granted by Celent. Any use of third party content included in this report is strictly prohibited without the express permission of the relevant content owner. This report is not intended for general circulation, nor is it to be used, reproduced, copied, quoted or distributed by third parties for any purpose other than those that may be set forth herein without the prior written permission of Celent. Neither all nor any part of the contents of this report, or any opinions expressed herein, shall be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other public means of communications, without the prior written consent of Celent. Any violation of Celent's rights in this report will be enforced to the fullest extent of the law, including the pursuit of monetary damages and injunctive relief in the event of any breach of the foregoing restrictions.

This report is not a substitute for tailored professional advice on how a specific financial institution should execute its strategy. This report is not investment advice and should not be relied on for such advice or as a substitute for consultation with professional accountants, tax, legal or financial advisers. Celent has made every effort to use reliable, up-to-date and comprehensive information and analysis, but all information is provided without warranty of any kind, express or implied. Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been verified, and no warranty is given as to the accuracy of such information. Public information and industry and statistical data, are from sources we deem to be reliable; however, we make no representation as to the accuracy or completeness of such information and have accepted the information without further verification.

Celent disclaims any responsibility to update the information or conclusions in this report. Celent accepts no liability for any loss arising from any action taken or refrained from as a result of information contained in this report or any reports or sources of information referred to herein, or for any consequential, special or similar damages even if advised of the possibility of such damages.

There are no third party beneficiaries with respect to this report, and we accept no liability to any third party. The opinions expressed herein are valid only for the purpose stated herein and as of the date of this report.

No responsibility is taken for changes in market conditions or laws or regulations and no obligation is assumed to revise this report to reflect changes, events or conditions, which occur subsequent to the date hereof.

For more information please contact info@celent.com or:

Bob Meara

bmeara@celent.com

AMERICAS

USA

200 Clarendon Street, 12th Floor
Boston, MA 02116

Tel.: +1.617.262.3120
Fax: +1.617.262.3121

USA

1166 Avenue of the Americas
New York, NY 10036

Tel.: +1.212.541.8100
Fax: +1.212.541.8957

USA

Four Embarcadero Center, Suite 1100
San Francisco, CA 94111

Tel.: +1.415.743.7900
Fax: +1.415.743.7950

Brazil

Av. Doutor Chucri Zaidan, 920 –
4º andar
Market Place Tower I
São Paulo SP 04578-903

Tel.: +55.11.5501.1100
Fax: +55.11.5501.1110

Canada

1981 McGill College Avenue
Montréal, Québec H3A 3T5

Tel.: +1.514.499.0461

EUROPE

France

28, avenue Victor Hugo
Paris Cedex 16
75783

Tel.: +33.1.73.04.46.20
Fax: +33.1.45.02.30.01

United Kingdom

55 Baker Street
London W1U 8EW

Tel.: +44.20.7333.8333
Fax: +44.20.7333.8334

Italy

Galleria San Babila 4B
Milan 20122

Tel.: +39.02.305.771
Fax: +39.02.303.040.44

Spain

Paseo de la Castellana 216
Pl. 13
Madrid 28046

Tel.: +34.91.531.79.00
Fax: +34.91.531.79.09

Switzerland

Tessinerplatz 5
Zurich 8027

Tel.: +41.44.5533.333

ASIA

Japan

The Imperial Hotel Tower, 13th Floor
1-1-1 Uchisaiwai-cho
Chiyoda-ku, Tokyo 100-0011

Tel: +81.3.3500.3023
Fax: +81.3.3500.3059

China

Beijing Kerry Centre
South Tower, 15th Floor
1 Guanghai Road
Chaoyang, Beijing 100022

Tel: +86.10.8520.0350
Fax: +86.10.8520.0349

China

Central Plaza, Level 26
18 Harbour Road, Wanchai
Hong Kong

Tel.: +852.2982.1971
Fax: +852.2511.7540

Singapore

8 Marina View #09-07
Asia Square Tower 1
Singapore 018960

Tel.: +65.9168.3998
Fax: +65.6327.5406

South Korea

Youngpoong Building, 22nd Floor
33 Seorin-dong, Jongno-gu
Seoul 110-752

Tel.: +82.10.3019.1417
Fax: +82.2.399.5534