The Twin Customer Imperative:

Driving Banking Digital Transformation Success Through Internal & External Focus

A research-based strategic framework for financial services leaders

70%

of digital banking transformations exceed their initial timeline and budget—or fail

36%

of Gen Z would choose fintech over traditional banks for online payments

2-4x

faster product releases by fintechs vs. traditional banks (2-4 weeks vs. 4-6 months)

The Critical Challenge

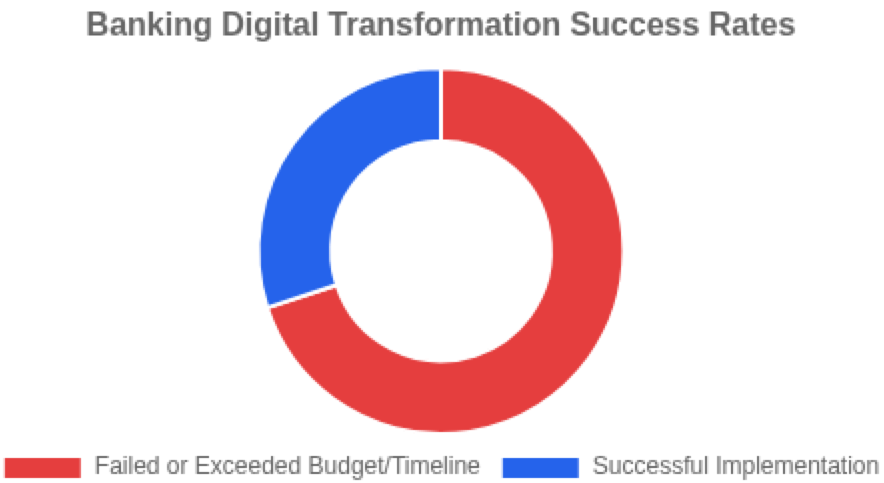
Banking leaders must address both internal and external customer needs to succeed in digital transformation efforts. This presentation provides research-backed strategies for improving ROI, retention, and competitive advantage.

External Customers   Internal Employees

Presented by: Dr. Matt McKenna

The Current State of Digital Transformation in Banking

A landscape of challenges, opportunities, and imperative change



Source: McKinsey & Oxford Global Projects study, 2021-2023

Key Transformation Challenges

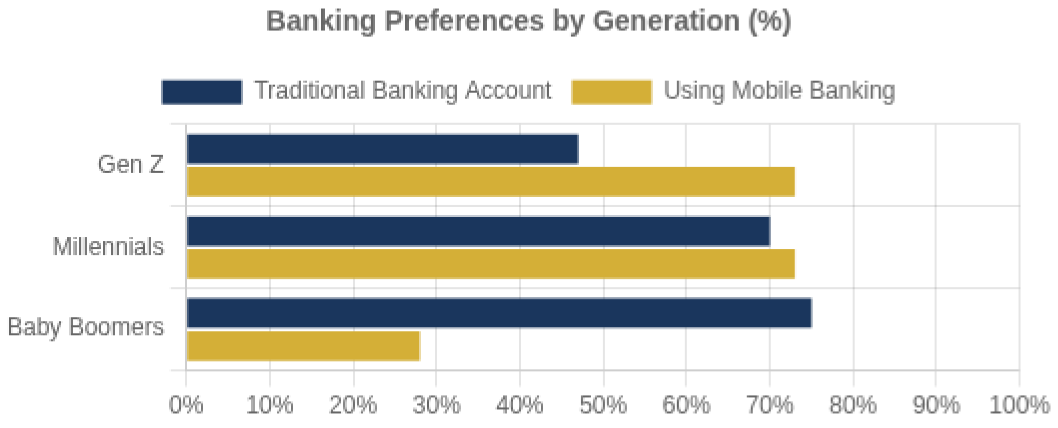
- **Legacy Systems:** Banks have among the highest average age of IT applications across industries, creating significant technical debt
- **Innovation Gap:** Traditional banks release features every 4-6 months vs. fintechs' 2-4 weeks
- **Talent Deficit:** Banks struggle to attract and retain the tech talent needed for successful transformation
- **Organizational Silos:** Fragmented approach with conflicting priorities between business and IT

The Cost of Inaction

$57B	75%+	40%
Projected losses by 2028 from outdated systems	Of consumers willing to switch for better offerings	Lower productivity than digital-native competitors

The Great Financial Migration

How and why Gen Z and Millennials are shifting to fintech alternatives



Source: MX.com Banking Perspectives Study, 2023-2024

Key Migration Indicators

44% of Gen Z changed banking relationships in the past year

36% choose fintechs over banks for online payments

40% of Gen Z satisfied with bank digital interfaces (vs. 81% of Boomers)

75%+ of consumers would switch banks for better offerings

Top Reasons Young Customers Choose Fintechs

Lower Fees & Better Financial Terms
Transparent pricing, no hidden charges, and competitive rates

Superior Digital Experience
Intuitive interfaces, feature-rich apps, and seamless workflows

Speed & Convenience
Instant account opening, faster payments, and real-time features

Social Recommendations & Ecosystem Integration
Peer influence and integration with preferred tech ecosystems

Values Alignment
Brand ethics, sustainability focus, and social responsibility

The Internal Customer Equation

How employee engagement drives digital transformation success

Key Employee Impact Findings

Digital Culture & Performance

A robust digital organizational culture directly improves employee performance and digital transformation outcomes, with research showing digital leadership mediates this relationship.

Source: Annisa et al., 2024

Workforce Transformation

Employee skill, awareness, and continuous learning are critical to maturing an organization's digital maturity. Banks need complementary workforce transformation alongside digital initiatives.

Source: McKenna, 2024

Self-Efficacy as Mediator

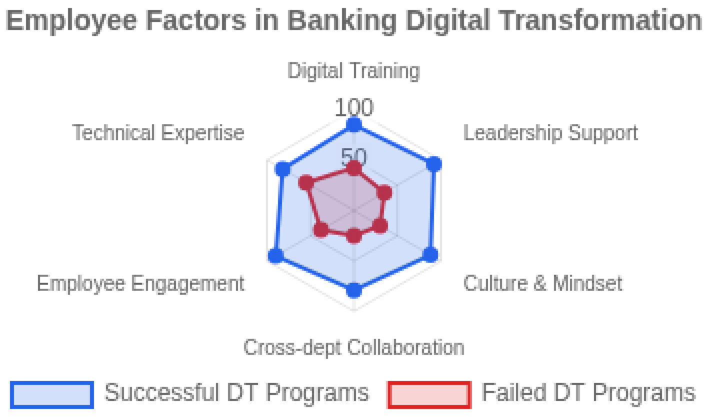
Employee self-efficacy (confidence in digital abilities) significantly mediates the effect of digital leadership on performance, with direct impact on transformation outcomes.

Source: Business Perspectives, 2024

Critical Success Factor

"For a successful digital transformation, at least 50% of employees involved should be in-house. Risks increase significantly when 70% or more of the transformation team is outsourced."

Source: McKinsey Digital Banking Report, 2023

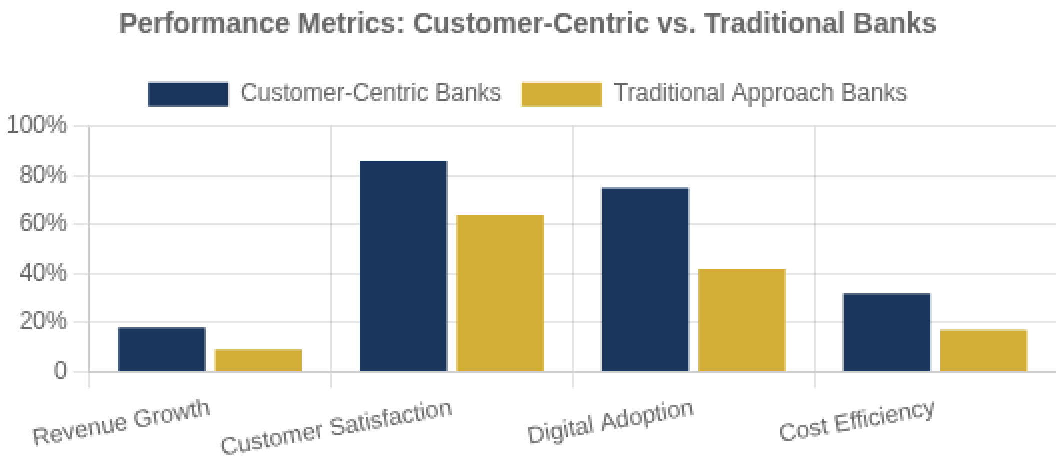


Why Internal Customers Matter

- Employees are the executors of digital transformation processes, driving adoption and integration
- Digital-ready workforces increase transformation speed by 40-60% and improve customer-facing experiences
- Cross-functional collaboration breaks down silos and accelerates innovation cycles
- Employee buy-in directly correlates with customer satisfaction in digital channels

The ROI of Customer-Centric Digital Transformation

Quantifying the business impact of focusing on both internal and external customers



Key ROI Evidence

- Banks with strong digital sales and customer-centric onboarding boost conversion rates by 10-15% (Boston Consulting Group)
- 90% of bankers report customer-focused open banking boosts organic growth by up to 10% (Accenture)
- Banks with customer-centric transformation see 2-3x higher customer acquisition rates than competitors

Lower Cost-to-Income

-15% on average

Customer-centric banks report significantly lower operational costs through digitalization and self-service

Customer Retention

+24% improvement

Banks with highly rated digital experiences show significantly higher retention rates vs industry average

Employee Productivity

+35% increase

Digital-first banks report higher employee productivity through automation and streamlined processes

Time to Market

67% faster

Customer-centric banks deploy new features in weeks vs. months through agile methodologies

The Dual Customer ROI Formula

Research shows the highest-performing banks prioritize both employee experience (internal customers) and end-user experience (external customers) in their digital transformation initiatives. This dual focus yields 2.3x greater ROI than single-focused approaches.

Internal Focus + External Focus = **Maximum ROI**

Strategies for Dual Customer Focus

Optimizing both internal and external customer experiences in digital transformation

Internal Customer Strategies

Continuous Digital Learning
Structured upskilling programs for all employee levels

Cross-Functional Collaboration
Breaking down silos between IT and business units

Incentivize Digital Innovation
Recognition programs for transformation contributions

Digital Leadership Development
Building champion networks across departments

External Customer Strategies

Omnichannel Experience Design
Seamless transitions between digital and physical touchpoints

Data-Driven Personalization
AI-powered insights and tailored recommendations

Voice of Customer Programs
Systematic feedback collection and implementation

Trust-Building Digital Security
Transparent security practices with customer education

The Virtuous Cycle: Internal Focus Drives External Success

Engaged Employees → Better Innovation → Improved CX → Business Growth → Investment in People

Actionable Recommendations for Leaders

Concrete steps to enhance customer-centricity in digital transformation

Establish a Customer Experience Office

Create a dedicated cross-functional team responsible for customer journey mapping and experience metrics across all touchpoints.

- Executive-level sponsorship required

Implement 360° Feedback Systems

Deploy real-time customer feedback mechanisms throughout the digital journey with automated analytics and rapid response protocols.

- Include NPS and satisfaction metrics

Digital Academy for Employees

Launch structured digital upskilling program for all employee levels with certification paths and practical application projects.

- Measure skills acquisition quarterly

Cross-Functional Innovation Teams

Form dedicated teams combining IT, business, and customer service staff to rapidly develop and test new customer-focused solutions.

- Rotate team members quarterly

DT Performance Dashboard

Create executive-level KPI dashboard combining internal (employee engagement) and external (customer experience) metrics to track transformation success.

- Update metrics in real-time

Fintech Strategic Partnerships

Establish strategic partnerships with fintechs to rapidly enhance digital capabilities in areas where younger customers are migrating away.

- Focus on seamless API integration

Implementation Timeline for Maximum Impact

1. First 30 Days: Customer Experience Office
2. 60 Days: Feedback Systems
3. 90 Days: Digital Academy
4. 6 Months: Full Implementation

Success Stories: The Twin Customer Approach

Real-world examples of banks excelling through dual customer focus

DBS Bank

Southeast Asia

Transformed from traditional bank to "digital bank with banking services" through simultaneous focus on employee digital culture and customer experience.

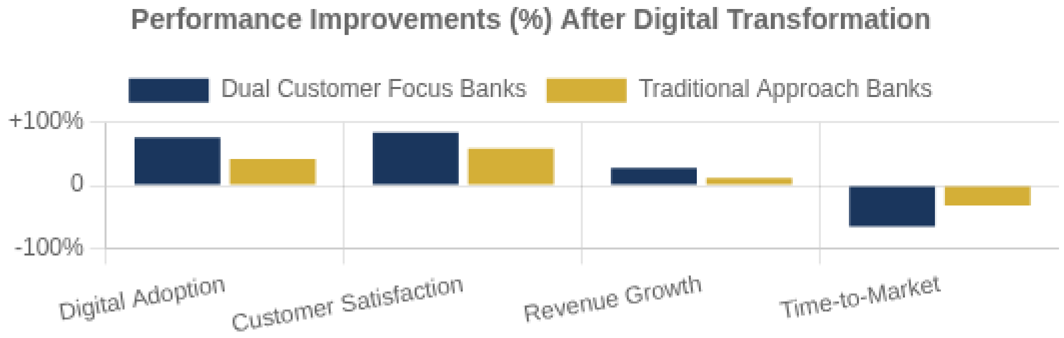
- Employee digital readiness score improved 89%
- Customer acquisition costs down 68%
- Named "World's Best Digital Bank" three years running

BBVA

Global

Created internal "Digital Academy" for employees while reimagining customer journeys for digital-first experiences.

- 50% of sales now through digital channels
- Digital customers grew by 19% year-over-year
- Employee engagement rose 24% post-transformation



Key Success Patterns

- Simultaneous internal/external transformation focus
- Digital tools for employees before customer-facing tools
- Continuous feedback loops from both customer segments
- Metrics-driven approach with clear KPIs for both groups

> *"Our digital transformation success wasn't just about technology—it was about our people. By investing in our employees first, we created digital champions who naturally elevated our customer experience."*
>
> —**Piyush Gupta, CEO, DBS Bank**

Measuring Success: Key Metrics Dashboard

Tracking the effectiveness of the Twin Customer approach

Internal Customer Metrics

Digital Proficiency Score
Quarterly skills assessment

Employee Engagement Index
DT participation and enthusiasm

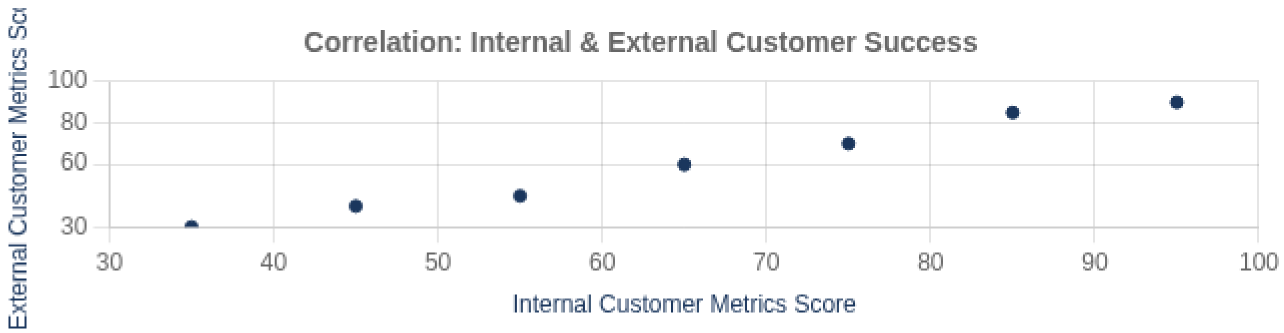
Innovation Contribution
Digital ideas implemented

External Customer Metrics

Digital Experience Score
Customer satisfaction with digital channels

Digital Adoption Rate
Monthly active users across digital platforms

Gen Z/Millennial Acquisition
New younger customers vs. fintech losses



Measurement Framework

Monthly Reviews
Department-level

Executive Dashboard
Quarterly review

Metric Recalibration
Semi-annually

ROI Assessment
Annual review

Technology Enablers for Customer-Centric Banking

Key solutions that power dual customer focus in digital transformation

API Banking

Enables seamless integration between internal systems and external partners, creating modular, composable banking infrastructure.

- Simplifies employee workflows
- Faster feature delivery

Cloud Infrastructure

Provides scalability, cost-efficiency, and flexibility for banking applications while reducing reliance on legacy systems.

- Remote work enablement
- 24/7 service availability

AI & Machine Learning

Enables personalized recommendations, fraud detection, and process automation for enhanced decision-making.

- Reduces repetitive tasks
- Tailored experiences

Data Analytics

Transforms raw data into actionable insights, enabling targeted services and predictive customer engagement.

- Data-driven decisions
- Anticipatory service

Digital Identity & Security

Enables secure, frictionless authentication and protects sensitive data while maintaining compliance.

- Simplified compliance
- Trusted experiences

DevOps & Agile Tools

Accelerates development cycles and enables continuous delivery of new features with consistent quality.

- Collaborative workflows
- Faster innovation

Technology Implementation Strategy

1. **Internal First** Deploy employee-facing tools before customer-facing systems
2. **Platform Approach** Build API-first architecture that supports both audiences
3. **Phased Implementation** Iterative rollout with feedback loops from both audiences
4. **Continuous Evolution** Regular tech stack assessment and modernization

Overcoming Barriers to Customer-Centric Transformation

Turning common challenges into strategic advantages

Common Implementation Barriers

Budget Misalignment
70% of transformations exceed initial budget projections

Talent & Skill Gaps
Banks struggle to attract and retain digital talent

Organizational Resistance
Cultural reluctance to adopt digital-first mindsets

Legacy System Constraints
Outdated architecture limiting innovation speed

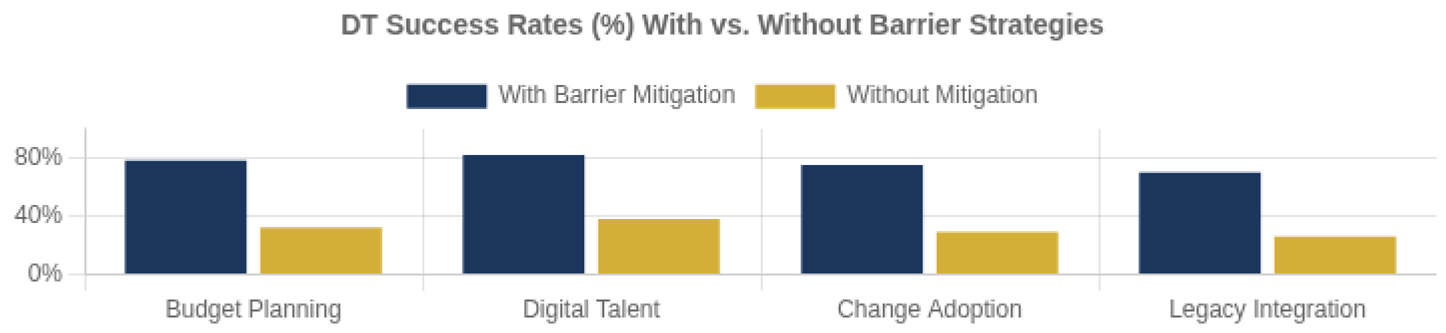
Strategic Solutions

Value-Based Budgeting
Incremental funding tied to customer metrics and outcomes

Digital Talent Strategy
Hybrid teams with upskilling and strategic partnerships

Change Management Excellence
Dedicated transformation team and clear success metrics

Hybrid Architecture
APIs and microservices to bridge legacy and modern systems



Breaking Through the Wall

- Banks that address these barriers achieve 2.5x higher DT success rates
- Prioritize resolving internal barriers before external initiatives
- Measure and communicate progress against barriers monthly

The Twin Customer Dashboard Framework

Monitoring both internal and external customer health for DT success

Executive Digital Transformation Dashboard

Updated in real-time

Employee Readiness

- Digital Skills Score: 78%
- Engagement Index: 82%

Customer Experience

- CX Score: 74%
- Digital Adoption: **68%**

DT Velocity

- Release Frequency: 2.3w
- Backlog Health: 87%

Business Outcomes

- Digital Revenue: +18%
- Customer Growth: +12%

Digital Journey Heatmap

1 Onboarding › 2 First Transaction › 3 Product Cross-Sell › 4 Support Request › 5 Advocacy

Transformation Risk Indicators

- Employee Readiness
- Customer Migration
- Systems Integration
- Security Compliance
- Budget Utilization
- Fintech Competition

Executive Alignment

Ensure metrics connect directly to strategic objectives with clear visibility for leadership. Schedule monthly reviews with dashboard as decision-making tool.

Balanced Reporting

Maintain equal focus on internal (employee) and external (customer) metrics. Success requires parity between both stakeholder groups.

Action-Oriented

Link each metric to specific actions with clear ownership. The dashboard should trigger an immediate response when metrics fall below thresholds.

Next Steps for C-Level Leaders

Your 90-day action plan to jumpstart customer-centric transformation

Week 1-2 — Week 3-4 — Month 2 — Month 3 — Ongoing

Immediate Actions (Weeks 1-2)

- Establish Customer Experience Task Force with cross-functional representation
- Conduct digital skills assessment of your workforce
- Identify Gen Z/Millennial migration patterns from your customer base

Weeks 3-4 Actions

- Map high-friction customer journeys and prioritize improvements
- Define your value-based digital budget reallocation strategy
- Create your 90-day internal communication plan for transformation

Month 2 Milestones

- Launch Digital Academy pilot with high-potential employees
- Create the dual customer metrics dashboard
- Identify fintech partnership opportunities to address migration gaps

Month 3 and Beyond

- Roll out customer feedback integration across all digital channels
- Launch cross-functional innovation teams focused on high-value journeys
- Conduct monthly executive reviews of twin customer dashboard

Keys to Implementation Success

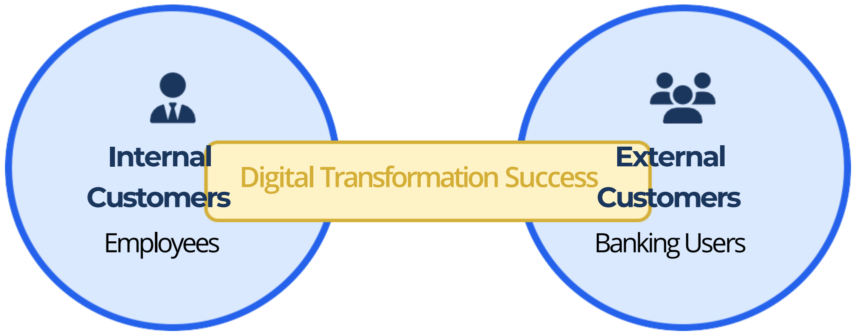
Executive Ownership
Assign C-level sponsors to each major initiative with weekly check-ins

Balanced Focus
Equal investment in employee and customer experience improvements

Agile Adaptation
Pivot strategy based on real-time metrics and feedback

Conclusion: The Twin Customer Imperative

Success requires focus on both internal and external customer experience



Research-Backed Insights

1 **Banking double-imperative:** Customer experience cannot improve without engaged employees; employee engagement is optimized through customer success

2 **Gen Z migration risk:** Only 47% have traditional bank accounts, but 73% are mobile banking users—signaling opportunity for customer-centric innovation

3 **Transformation ROI:** Banks pursuing dual customer focus achieve 2.3x greater ROI than single-focused approaches and 67% faster time-to-market

4 **Executive mandate:** Leaders must create measurable initiatives addressing both workforce readiness and customer experience simultaneously

Your Digital Transformation Journey Starts Today

Implement the Twin Customer Framework to drive sustainable competitive advantage

Measure → Implement → Succeed

Thank You

For embarking on the customer-centric digital transformation journey

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