

I was open to the idea of this book on digital banking for two reasons.

First, I know the Exton Consulting partners owing to my five years working with them. I highly valued their ability to understand the issues with which they were confronted and the remarkable support they provided to us in an effective and pragmatic way.

Second, digital banking has been, for several years, my top-most concern because it is at the heart of discussions on the multi-channel bank and the client distant relationship management. It has been my main concern both as a banker, including in the developed strategy the challenges that the client relationship poses on digital channels, and as an economist, aware of the need to anticipate the technological and societal developments of our times.

The traditional French banking sector has been faced for several years already with structural and economic phenomena that are a prelude to a thorough, but necessary transformation. The growth of digital banking is, within this context of changes, a key and even major driver of this transformation.

The first phenomenon is **heightened competition reinforced by the crisis**. The banking sector has had to bear the brunt of very strong competitive pressure (deposits, credit, insurance, and services). This pressure has had an impact on both lending volumes and on profit margins, but also on fees and bank charges. As a result, the rise in net banking income of French retail banks has been very sluggish since 2006. The French retail banking market is stagnant or is growing very slowly as a result of weak economic growth, slow population growth and because most people already have a bank. Consequently, banks must find other

growth outlets in order to stop attrition: each bank therefore tries to bolster its position by trying to win over potential clients and offering its existing clients new products and services. The growth of multi-channel and digital banking is crucial to the French retail banking sector to ensure that such growth is profitable.

The second phenomenon is **the thorough transformation of the client relationship**. This is what I have called the "client revolution". Because clients have become very demanding, banks must be able to meet these new client expectations which arise from a strong need for local relationships regardless of the channel used, ease of use, as well relevance and personalization of the advisory services provided. Ease of use, as clients want a simpler, easier-to-use and easier-to-reach bank. Ease of use means availability, extended operating hours and being able to do business with the same person. Relevance of advisory services, as clients also want more advisory services that are increasingly tailored to their needs. They also demand that these services be truly personalized. This means that they want to be able to do business recurrently with the same advisor. The technological revolution intensifies the client revolution and the need for more ease of use and relevance. The availability and immediacy that new technologies offer gives clients the impression that that there are no limits to the flow of information and they expect their bank to be more accessible as well as a new means of providing assistance. Keeping and maintaining a special relationship with them must now require using the internet and mobile telephony devices as indispensable and major channels in the relationship, which come to supplement the relationship with the advisor. These developments will only accelerate with the arrival of new generations of clients who have grown up using digital

technology on a day-to-day basis.

Without going into the analysis and examples outlined by Exton on the following pages, which will allow the reader, according to his or her concerns – payments, social networks, new client experiences, etc. – to round out his or her vision of the need to expand digital services, I would like to leave you with some thoughts on the near future for retail banking in France, a country which must put all efforts in digital banking.

Think clients first

Have banks forgotten over these last ten years that the major difference between banking and other product and service distribution sectors is the personalized relationship the banker has with his or her client? As a provider of advisory services, a bank must know its client one-to-one. The bank is not a provider of products and services for immediate consumption. It is not there to meet its clients' short-term needs. First and foremost, a bank is a local institution which must inspire trust. It is an institution with which the client enters into a long-term relationship and which advises the client on life and family projects. The various product categories such as savings, credit and non-life insurance are by their very essence links to the present and future that make it possible to achieve life projects. To better meet these needs, we need to think about the client first before thinking about the product. This paradigm shift is the key to selling more products and services and sustainably so. It is also the key to increasing their satisfaction, loyalty and word-of-mouth recommendations. We must promote the process which consists in knowing the client, identifying their expectations, their needs and those of their friends and families in order to offer them suitable products and services. This process will allow banks to develop a unique, trust-filled

relationship over time. This relationship is, so to speak, a win-win relationship with clients. In addition, it gives advisors more independence and is more worthwhile and satisfying for them. It is also good for the sales staff.

Thinking about the client first is a response to the client revolution. It must include digital banking in order to meet the challenges facing the retail banking sector.

Digital is a must for creating a distance-less, multi-channel bank.

Not long ago, knowing and optimizing the client relationship via telephone and the internet was the mantra. Today, it is no longer the concept of remote banking which makes sense, but rather the idea of a distance-less bank. This will make it possible to nurture the ties between the client and the bank, and specifically with the bank advisor at all times over all the channels through which banking products and services are provided.

This new proximity is felt by both the client and advisor and is reflected in a multi-channel vision of the bank, in fact, the bank branch itself. The bank advisor is the key asset in this new relationship which puts the client at the heart of the relationship; he is at the heart of the multi-channel relationship. Regardless of the channels used, it is the bank advisor who performs a thorough overview and understanding of the client's needs and meets these needs. The bank advisor gets an overall understanding based on all of the client's needs by offering the entire range of products and services to come up with the best banking solution working together with his/her client who now acts as both consumer and decision-maker. The client, who consumes products and services through various channels, chooses the channels that he or she will use to do business with the bank. These channels and their interactions, whether they consist of a

face-to-face appointment at a branch or an online or mobile device contact, must be overhauled, mutually enriched and the walls between them torn down.

The successful bank of today and tomorrow will be a bank that is able to respond to this client revolution profitably and sustainably, i.e., to satisfy new client demands. The response will be a client-oriented, digital bank in which the bank advisor acts as the key player. It will also mean the blending of the best of the traditional and modern bank.

These topics are the heart of the BPCE Group's strategy, both at the *Banques Populaires* as well as the *Caisses d'Epargne*. The goal is a new, digital definition of banking to spur everyone, both clients and advisors, to act.

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