Creating Collaborative Ecosystems to Transform Customer Experience
Forward-thinking banking, financial services, and insurance (BFSI) companies worldwide are leveraging collaborative ecosystems to greatly improve both customer experience and competitive differentiation. But while the concept is rooted in the natural world, ecosystems don’t happen naturally in business. Particularly in the BFSI industry, they require extensive human effort and expertise to help achieve their potential for breaking down boundaries between industry sectors and providing transparent, efficient value exchange between organizations and people. Put another way: they are based on strategy, design, and conscious continuous improvement, rather than on chance.

In this exchange, an MIT scholar and a Tata Consultancy Services (TCS) executive share individual perspectives on creating strong, reliable ecosystems. The scholar, MIT faculty member and researcher Renée Richardson Gosline, opens the discussion with a big-picture look at why effective ecosystems are critical for organizations serious about business transformation. K. Krithivasan, president and global head of the Banking, Financial Services, and Insurance Business Unit at TCS, provides a deeper dive into why BFSI companies in particular need to build, maintain, and expand their ecosystems to better navigate the current COVID-19 crisis and to excel in the post-pandemic new normal. Both offer insights on the importance of creating hyper-personalized customer experiences, along with expert advice for harnessing an ecosystem’s power to accelerate growth and drive genuine competitive advantage.

TCS Business 4.0 Framework

The TCS Business 4.0 Framework helps organizations define purpose as they bring together ecosystems of different business domains to provide superior user experiences to customers and other stakeholders. Establishing purpose enables companies to go beyond their initial visions by thinking in terms of a larger community and finding the best possible partners in designing the hyper-personalized services for a superior customer experience across the value chain. The framework provides vitality, agility, and velocity to all participants by encouraging them to leverage the best of technologies, including artificial intelligence, machine learning, and blockchain, among others, to connect businesses, eliminate redundancy and waste, and direct all participants toward growth and transformation.
RENEE RICHARDSON GOSLINE, Senior Lecturer, MIT Sloan School of Management; Principal Research Scientist, MIT Initiative on the Digital Economy

SCHOLAR: Renée Richardson Gosline’s research focuses on the intersection of consumer behavior and technology. Here, she speaks with MIT SMR Connections about how digital transformation is changing business ecosystems and customer experiences, and why and how BFSI organizations need to re-imagine their customer journeys.

This Q&A has been edited for length, clarity, and editorial style.

Q: Let’s start with your overall definition of ecosystem in terms of customer experience.

Renée Richardson Gosline: Many traditional distinctions between B2C and B2B have become blurred due to digital transformation. The fact that we are now immersed in technology that mediates most of our decisions — and even serves now as a primary vehicle to connect with other humans and organizations — means that our notion of an ecosystem has to be modified to understand multidirectional flows of influence, information, and currency.

We no longer have just B2B and B2C. We now have C2B, where customers can tell companies what they need, via requests; co-creation; and behaviors represented by data. There’s also a lot of C2C interaction, where customers in digital platforms — via stories, reviews, or communities of which they are members — are altering the experience of other customers. These C2C (and C2C2B) dynamics are influencing the ways in which we determine satisfaction around the customer experience: how many stars or “up” votes, how many retweets or shares something we’ve said gets, how stakeholders experiment with innovations, and what kinds of data are leveraged.

So I see the ecosystem as a digitally mediated marketplace of ideas where, ideally, the customer experience can mean all actors in these ecosystems can share in the value of the platform. This value is derived from an experience with stakeholders internal and external to the company, and multidirectional flows of influence. This is the promise of digital transformation, the changing role of the customer, the role of the company, and the role of other customers in shaping customer experience. While some patterns may evolve naturally, the overall system is, of course, based on careful design and curation.

Q: Now let’s zero in on the banking, financial services, and insurance (BFSI) industry. What does it take to be successful in these companies’ ecosystems today?

Gosline: When I think about banking and financial services companies that are doing pretty well at managing the transformed ecosystem that we’re in right now, what they appear to have in common is they embarked on digital transformation early on, and made it central or core to their organizations. They’ve also taken a very customer-centric approach. They’ve focused on delivering value to their customers in a way that really provides value beyond just the functional role of the business.

One example is Capital One, which helps customers make better decisions through their CreditWise program by providing advice based on information they receive from customer transactions, as well as other initiatives. That’s gone a long way in building trust, and it’s demonstrated that they want to not only receive their customers’ information, but they want to return value back in kind.

The peer-to-peer network of Venmo has done a pretty good job within the ecosystem — obviously by being functional, but also by allowing people to add a personal element. In Venmo transactions, you will see, for instance, heavy use of emojis; you’ll see people using a kind of inside language between themselves. Venmo allows people to engage in financial transactions — that part isn’t new — but it allows them to do that in a way that feels easy, feels timely, and also feels trusted because it’s using network effects. That’s something that’s uniquely able to be leveraged due to digital transformation.
Meanwhile, insurance companies have become hybridized in their models to be more like financial services companies in terms of their offerings, in helping people to prepare for the longer term and to invest, and things of that nature. Some of the challenges facing insurance companies revolve around changes in the environment that are happening right now that are changing customer expectations and needs and requiring them to fulfill the demand in ways that feel worthy of trust.

It appears Liberty Mutual is doing a pretty good job in the space. And MassMutual has really embraced experimentation and digital transformation by talking to younger customers, who notoriously think less about the long term and the future, and bringing them into the fold.

**Q: Are supply chain partners part of these BFSI ecosystems as well?**

**Gosline:** Absolutely. All stakeholders are members of these ecosystems, and they’re all having an influence. What’s transformative is that the locus of control is no longer with the firms, whether that’s in the supply chain or the provider of the service or product. It has become more diffused, with customers cocreating the customer experience. It is not something that is created by the brand and then consumed by the end user; it’s the result of many touch points that are controlled by many stakeholders. That makes it more complicated than older notions, because it means the firm is no longer acting as the independent locus of control and that the customer experience is more nuanced, more multidimensional, and potentially more relevant than ever.

**Q: In the BFSI industry, the controls are split between the company and client, and ecosystems need to honor that. Still, it’s fascinating to think that companies need to relinquish at least some control over the customer experience. Could you talk more about that?**

**Gosline:** Today, customers are active participants and partners in the customer experience. The sooner you recognize and embrace that, the sooner you’ll realize that listening to your customers and responding to their needs in a nimble fashion is best for ensuring that you really are their partner along this journey. That means that firms need to bake into their strategies ways in which customers can have more control over their experiences, to increase the likelihood of satisfaction.

This isn’t saying you should be less vigilant. It means orienting yourself toward your customers in a humble way, a respectful way, that helps you understand what role customers want you to play in their experience and allowing them to take the lead in some respect.

Giving up some control means understanding that if you’re asking people for their data, you need to be willing to let them be copilots in ways that they feel comfortable. You need to ensure that they’re receiving value in return. If you design your customer experience with this in mind, you’re less likely to
have customers who feel like they're just being pumped for data and information that's been monetized. And you're more likely to have customers who feel a sense of loyalty because, for what they are giving up, they receive something valuable in return — something more participatory, more relevant, and more empowering.

Q: You've said that forward-looking organizations, including those in the BFSI industry, must completely rethink their approaches to customer journeys to truly benefit from digital transformation. Could you elaborate?

Gosline: Our old notions of the customer journey are very linear. The traditional sales funnel is a framework that many people apply in terms of moving from awareness down to consideration, preference, and purchase. Digital transformation offers an opportunity to reimagine the customer journey as something that's (1) not just limited to when people are in purchase mode and (2) not just linear.

That means first having new eyes on the parameters of that journey — not believing that it starts when people are looking for a product or service but instead expanding that view to understand what customers' lived experiences are. People like to create customer personae, but it's important to unearth what assumptions we have about those personae in a way that leverages data to understand: What are people's frustrations? What are their joys? How do they identify themselves in the world? What are the things that shape their experiences? That's going to be more than just demographics; that's going to be more than just click-through data. It's going to mean understanding, on a deeper level, who your customers are, how different segments of those customers behave differently, and why.

I think of the customer journey as a series of linked decision touch points. So we need to think about, for instance, using “nudge” strategies that help customers make the best decisions at each touch point, to ultimately lead to their satisfaction. If we simply look at the customer journey as “did they buy, did they not,” and “was it efficient, was it not,” we miss all the factors that influence that journey, and we run the risk of not deliberately and consciously designing a journey that is most beneficial to the customer, as well as beneficial to the firm.

Q: What advice do you have for BFSI companies that are, perhaps, lagging behind in reimagining their customers' journeys?

Gosline: I'm sure that they've already gotten the wake-up call that digital transformation needs to happen, and it needs to happen now. If they haven't, that's the first thing. But even if they're playing catch-up on that, there are some things that they can do.

First, building your business model around being customer-centric is important. It's essential that we understand the impact of our business models on people's lived everyday lives and, in relation to that, make the decision to be a positive force in those lives. After all, customers speak with one another, and they increasingly feel empowered to talk about businesses in

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public forums. So it’s not enough just to provide them with a surface-level service.

Also, recognizing that digital transformation is critical doesn’t necessarily mean that you’re collecting or acting on the right data. There’s often a chasm between the people who are in charge of making decisions and the data analysts that you’ve hired. Companies need to have a role for someone whose job it is to bridge that chasm, to make data actionable and approachable and accessible.

Finally, expectations have changed. People care more about what’s going on behind the scenes with the firms with which they do business, and whether the products and services they have align with their values about issues such as racial inequality, violence, and climate change. It’s important to recognize that as well.

Q: This subject seems especially timely right now. Could you speak to that?

Gosline: Digital transformation has really changed the customer experience in recent years. But due to the pandemic, we have experienced more digital transformation in recent months than many companies experienced in the last few years. The notion of customer experience as being something central and being core to how you design your business, as opposed to being the sugar on top, is really indicative of this. In a world of social distancing, all the players in these industries have to reinvent the customer experience. Even when digital is the default, retaining a high-touch approach becomes key.

This is the next instance of two important forces that have coincided to change the nature of the customer experience, both in terms of structure — contactless experiences, experiences that are safe and trustworthy — but also beyond mere functionality. We’re looking for experiences that provide meaning in a world where we’re tackling some really big problems that strike at the core of who we are as humankind: issues of equality, of violence, of whose lives are important and who is being left behind.

We’ve seen many companies leapfrog forward. But we’ve also seen customers wanting to hold companies to account in terms of how they’re responding in this moment. Many companies may feel, as individuals often do, an instinct to become risk-averse, to say, “There’s a lot of uncertainty. Let me wait for the dust to settle before I do anything different. Let me tread water in this rocky sea.”

But when the seas become rocky, it’s time for a different strategy. This is when customers are looking for and need things to be done not as “business as usual,” but in a way that feels relevant to their lives, one that feels like the customer experience isn’t just about extracting value from the customer or profit over everything else. People have higher expectations of the firms that they’re allowing into their cocoons. Put another way: It’s important to remember that people are the heart of any ecosystem.

This is a point at which leadership is core to customer experience. It becomes a differentiator, a way of separating the companies that shy away from helping consumers while they’re experiencing distress from those that step up and demonstrate that their customers are more to them than just the bottom line.

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EXECUTIVE: For many people, ecosystem may first bring to mind the large, interdependent habitats of living organisms that they studied in long-ago science classes. But today, the term is just as likely to apply to the deeply collaborative communities that leading companies are creating to transcend the traditional customer-experience boundaries.

That’s especially the case in the banking, financial services, and insurance (BFSI) industry, where innovative organizations are creating transformational partner ecosystems that provide smart, timely, and hyper-personalized customer experiences that lead to greater customer satisfaction and loyalty — and serve as true competitive differentiators for the companies involved.

What is a collaborative ecosystem? Think of it as a tightly linked chain of partners who actively work together to ensure an effective end-to-end customer journey, rather than a series of isolated transactions. Ultimately, the system provides new opportunities for businesses to engage with customers in more personal, more meaningful ways, becoming loyal, lifelong partners.

Of course, businesses in virtually every industry have long desired such opportunities, but the technology needed to support them has only recently become widely available. For those reasons, we view ecosystems as the future for companies striving to provide exceptional customer experiences.

A Three-Level Ecosystem

A BFSI ecosystem can involve multiple nuances. It might be an ecosystem of allied partners from adjacent industries whose collaborative efforts could provide an innovative new value proposition to the end client. Or it could involve coordinating all the participants in the end-to-end customer journey to best fulfill the needs of the end customers. These choices are determined by new configurations of products and services. In a multi-stakeholder and multi-touch-point context, it could become a financial services marketplace.

We see three levels, or stages, of such ecosystems in the BFSI industry:

• **Enterprise level.** In a bank, for example, an enterprise-level ecosystem might consist of the capabilities, knowledge, data, and customer base in a given line of business — say, consumer banking — along with the ability to cross-leverage insights between various clients and the products and services they use to cross-sell.

• **Business value-chain level.** As it grows, an ecosystem can cross boundaries of the enterprise into the larger value chain, encompassing suppliers and other partners.

• **Cross-industry level.** Eventually, the ecosystem might evolve into a cross-industry community where we might see Industry A
The ecosystem’s value to consumers increases as it moves from the enterprise level to a true cross-industry community with a variety of entities involved in building and maintaining the ecosystem.
A leading U.S.-based global bank deployed an engine to provide anonymized insights about customer personae segmented by age, lifestyle, spending patterns, real-time location, demographics, and other factors to the merchants in its ecosystem. Merchants then generate contextual, hyper-personalized offers, which the bank then pushes to customers.

For instance, certain customers’ spending patterns might reveal purchases of woolen garments at the same time every year. So the bank sends an appealing offer for such garments to those customers’ mobile phones at just the right moment, when they’re near a mall or store and in the right frame of mind to seriously consider making the purchase. Typically, consumers are pleasantly surprised to receive offers for products they were already planning to buy — which, again, illustrates the power of transforming the customer experience to one that creates delight and leads to sustained loyalty.

In these and many other examples, BFSI companies have harnessed the power of partner ecosystems to digitally reimagine the entire customer journey. They have also focused on customers’ lives and preferences, helping them fulfill the underlying purposes for their purchases, rather than simply enabling transactions. To put it another way: People don’t dream of getting a mortgage from a bank; they dream of buying a house. Leading BFSI organizations focus on fulfilling such dreams by resolving customer pain points, exceeding expectations, and providing value throughout the customer journey, rather than just enabling transactions or bolting on quick fixes. By understanding their customers’ lives and leveraging their ecosystems to revolutionize customer experiences, these companies are delighting their customers and earning their sustained loyalty.

The Path Forward
By now, it’s clear that we view actively participating in customers’ lives and evolving into loyal partners as the path to a transformational customer experience. However, despite having a
wealth of data on multiple systems, many BFSI companies remain hampered by the lack of a “360-degree customer view” — that is, a view that includes not only a 360-degree view of customers’ internal experiences with their companies but a solid picture of their outside interactions, such as social media activity, as well.

In addition, many BFSI companies offer multifunctional products and services in silos. For example, banks and insurers typically offer a single product to meet a single customer need, as opposed to a personalized suite of products to fulfill end-to-end requirements. These companies still engage in segmented marketing when they should be transitioning to “segment-of-one” marketing.

For those reasons, BFSI companies need to focus on becoming context-aware, overcoming operational challenges, and harnessing ecosystem capabilities.

Our most successful clients are adopting the following approaches:

• Modernizing existing legacy infrastructure to eliminate silos and integrate the different systems required to provide a holistic customer view.

• Setting up separate, digital-only entities.

• Launching in new geographies or experimenting in less-crucial lines of business to avoid disrupting “business as usual.”

Beyond the Pandemic

Finally, it’s important to consider the issue in light of the ongoing COVID-19 pandemic. The global spike in demand for medical treatment has created unprecedented strain on health care providers, of course, but also on the insurance systems whose policies pay for patients’ treatments. In addition, more employees in virtually every industry are working from home than ever before, with online transactions and communication increasing exponentially. The need for social distancing and contactless commerce has made digital the default — but high-touch relationships, even remotely, remain critical for competitive differentiation and growth.

As a result, the need for strong, reliable, interdependent ecosystems has never been greater. BFSI companies should place a high priority on designing, building, and expanding the ecosystems that will ensure that they not only survive the immediate crisis but thrive in the future.

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