

Traditional finance's next move: delivering better customer experiences through a one-Identity strategy



okta

The era of instant gratification is finally hitting financial services

Millennials have overtaken Baby Boomers as the largest adult cohort globally.^[1] And younger generations (Gen X, Millennials, and especially Gen Z) have starkly different expectations for financial services than their predecessors — namely, digital-first experiences that are highly secure, easy to use, and hyper-personalized to their specific needs.

Digital banks and FinTechs have a leg up when it comes to meeting the customer experience (CX) expectations of younger generations.

Their cloud-native tech stacks are tailored to meet fast-evolving high expectations of consumers raised in an era of bingeable media and ubiquitous, immediate digital access to information. Today's consumer expects streamlined access in their financial services as well, and many FinTechs stand ready to deliver.

Fintech competition is rapidly closing in on traditional finance (TradFi)

- Between 2023 and 2028, revenues in the Fintech industry are expected to grow almost three times faster than those in the traditional banking sector.^[2]
- The trust gap between TradFi and fintechs is narrowing: while large, national banks hold a strong 87% comfort level, fintech companies now boast 79%. Consumers are growing more comfortable opening financial accounts with non-traditional providers, signaling a progressive shift in consumer perceptions.^[4]

Traditional financial services are in a different boat. Many have legacy tech stacks and evolving M&A activity that create silos within the organization.

Internal silos result in inconsistent digital services across external financial offerings, limiting TradFi's ability to seamlessly offer personalized recommendations or insights. The result is a cumbersome digital experience that younger consumers find intolerable — literally. Consumers are leaving their banks because of dissatisfaction around mobile banking (43%), online banking (35%), and customer service (33%) capabilities.^[3]

[1] [World Economic Forum, 2021](#)

[2] [McKinsey, Fintechs: A New Paradigm of Growth, 2023](#)

[3] [Mobile Banking Competitive Edge Study, Insider Intelligence, 2022](#)

[4] [Plaid, Fintech Effect 2023](#)

Unified Identity strategies break down business silos

TradFi organizations' future relevance depends on the ability to catch up urgently, keeping customers or members instead of trying to win them back later. To stay relevant, legacy financial services must enable seamless and personalized experiences across their digital offerings. They need to deliver a single, seamless login process and a personalization mechanism that allows for cross-selling and product suggestions. And to make matters more urgent, they need to find a way to deliver all this *faster* to avoid losing consumers to their more agile FinTech competitors.

To accomplish all of this, TradFis need to move to a unified Identity strategy that will break down business silos and leverage the full potential of Identity-driven CX innovation.



This resource breaks down:

- How legacy IAM stacks are hindering innovation and preventing TradFis from being truly competitive with FinTechs.
- How a one-Identity strategy addresses these shortcomings and positions TradFis to better meet the changing needs and high CX expectations of their consumer base.
- The myriad benefits of one-Identity for both developers and consumers.

A one-Identity strategy aligns with consumers' changing needs

Single sign-on. Intuitive, customizable dashboards. CX features that were once considered novel have quickly become table stakes, and your consumers' CX expectations continue to rise at breakneck speed. Put simply, the key to delivering on CX is first getting Identity right.



The one-Identity strategy

Moving all business lines, brands, products, and services under one centralized identity (one login).



How it works: Madison's journey

Consider Madison, the hypothetical consumer who currently only interacts with your organization's banking function. Right now, she's a college student with a bank account, but soon she'll be a career woman (adding investment accounts, auto loan, etc.). She may marry and/or become a mother (adding life insurance, a mortgage, joint accounts, etc.), and then an empty-nester (adding debt consolidation, bonds, etc.), and then a retiree (adding reverse mortgage, high-yield CD, etc.). Each of Madison's life stages bring about new financial services needs and desires that align with a wide range of the financial services on offer from your institution — and her experience should be fluid as she interacts with each.



When you have disjointed Identity systems

Many legacy financial services companies approach Identity simply as a means of classifying customers within their services and databases. While this accomplishes the fundamental purpose of connecting the right customer to the right resource, it creates a headache for customers who are ready to further their engagement with your organization — ideally through omni-channel experiences across business lines.

e.g., Madison is a consumer belonging to the organization's banking business line.



When you've adopted a one-Identity strategy

A one-Identity strategy enables hyper-personalized service to customers like Madison by collecting and storing information on her growing needs within her Identity through progressive profiling, and then leveraging that Identity across multiple business units (investments, savings, mortgage, etc.) to tailor guidance and offerings to Madison's needs. This level of hyper-personalization is a one-two punch: it builds customer loyalty and enables greater revenue generation through targeted messaging.

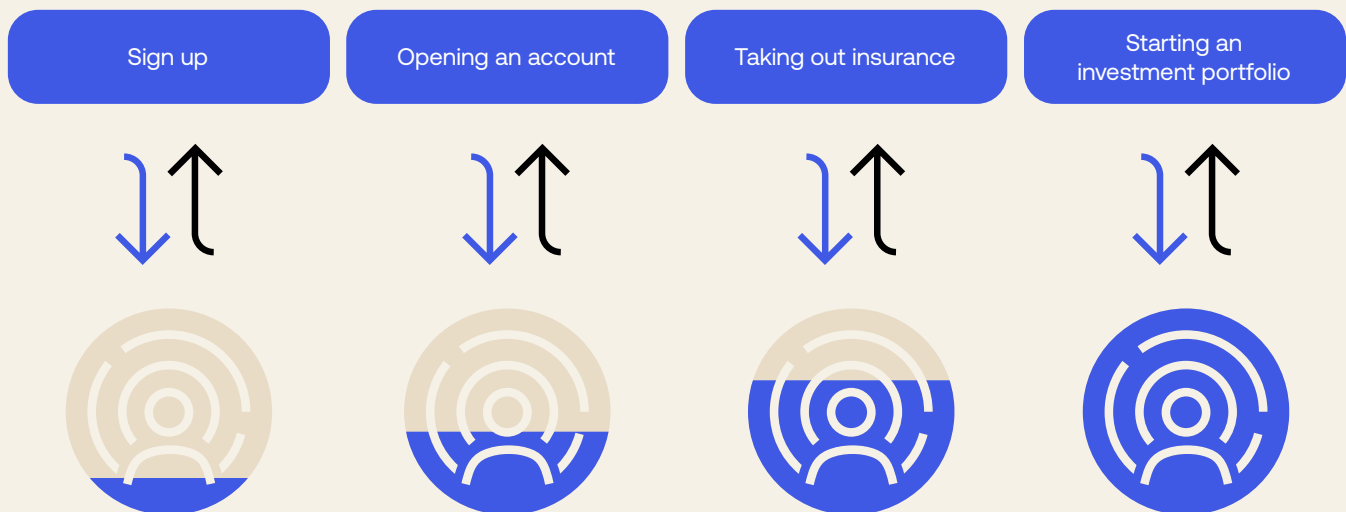
e.g., Madison is a 22-year-old college student with X, Y, Z financial goals.

Moving to a one-Identity strategy for better CX

TradFis must embrace a one-Identity strategy and, in the process, remove the business silos that stand in the way of delivering consistent, personalized digital offerings. Your customer and member digital identities remain an under-leveraged asset capable of generating hyper-personalized experiences that strengthen customer loyalty and attract new business.

Progressive profiling is a particularly powerful tool for deep personalization made possible with a one-Identity strategy:

Progressive profiling: A streamlined, less obtrusive way to learn about consumer preferences and needs as they engage with your brands over time.



Information is collected at every stage of the omnichannel experience, creating a single, data-rich consumer Identity

With each step in the consumer journey, consumers are only asked for information pertaining to that step (instead of fielding a barrage of questions right away). And, with a one-Identity strategy across business lines, consumers are not asked for the same information twice when signing up for additional offerings. This gradual approach builds brand loyalty by enabling more personalized offerings/insights without triggering exhaustion or abandoned product sign-ups.

Through your customers' eyes

Before one-Identity: A siloed, disjointed view of financial wellness

Banking
Login #1
Password #1

Investing
Login #2
Password #2

Insurance
Login #3
Password #3

Results: Credential fatigue, poor customer experience, hosting the same information in multiple spots, lack of consumer heuristics, lack of personalization, etc.

After one-Identity: A centralized view powered by secure open APIs

One portal for banking, investing, and insurance
One set of login credentials powered by SSO

Results: Through a single login experience, customers and members can now interact with all products and services across business lines and brands, plus more advanced options such as open banking solutions that require connecting to third parties.

Added results: Personalization that allows for cross-selling.

For example:

- Recommending a user open an investment account based on their account savings
- Recommending travel insurance based on travel-related credit card activity

Convenient, personalized, and secure beyond login:

Financial Grade Identity™

It is also important to implement Financial Grade Identity™ to protect the exchange of sensitive information and transactions beyond login. Financial Grade Identity should elevate security and privacy controls in alignment with key industry standards and regulations, including the OpenID Foundation's financial-grade API (FAPI) protocols and open banking standards and regulations. Leveraging the strength and flexibility of Financial Grade Identity, you can set the stage to secure customer activity at a high assurance level, using invisible-to-the-end-user protections and step up security only when required — from login to individual transactions and other sensitive operations.

Nail your next step with an Identity-centric approach

As a foundational element of your tech stack, Identity has the power to streamline processes and drive innovation across business lines. By embracing a one-Identity strategy, incumbent financial services institutions can meet the moment and compete with FinTech upstarts — and they don't need to replace their entire IT stack to do so.

Unifying identities powers true CX improvements that play a pivotal role in retaining consumers:



Consolidating disparate identities eliminates business silos that slow down innovation and infuriate customers



Omni-channel navigation (powered by single sign-on) enables great hybrid experiences



Self-service options empower customers to take account management into their own hands



A unified view of customer profiles enables proactive customer engagement strategies

Even better, unifying identities positions legacy financial services institutions to *remain* a positive force in their customers' lives for years to come. This degree of customer loyalty — combined with the revenue-generating effects of targeted, personalized offerings — position TradFi organizations to thrive in the modern financial services landscape.

Want to learn more about the impact cloud-based IAM can have on your organization? Read more about the Okta Customer Identity Cloud here: <https://www.okta.com/solutions/financial-services/>