



WHITE PAPER

DEEPER DIGITIZATION

“ARE WE THERE YET?”

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ARE WE THERE YET?



This white paper addresses how banks can navigate the journey to deep digitization. We explore the importance of understanding the “destination,” determining ways to get there and finding a forward path that simultaneously takes advantage of modern technologies, satisfies the bank’s customers, and can be managed to the bank’s IT budget.

This white paper is part of a series of FIS™ white paper publications regarding core banking modernization trends and topics.

In any number of road trip movies from the 1970s, a group of friends or a family set off for some destination, and at some point, someone asks – possibly for the 100th time – “Are we there yet?” Banking evolution can leave us with the same question. It’s an uncertain journey when it seems that the destination is not obvious or agreed upon.

As banks navigate the digitization journey, some things are clear. Customer empowerment, ubiquitous technology access and smarter solutions mean that it is now the customer who is driving, not the bank. Today’s customers are looking for smart, frictionless banking experiences. They expect simple solutions to be offered across any point of interaction and be available at their convenience. If there is complexity, meaningful information and advice should be readily accessible to get them through it. Customer expectations keep increasing, while overall satisfaction scores go down. Banks need to get ahead of this curve.

According to a study by ath Power Consulting, high satisfaction scores with digital banking tools and services have dropped from 73 percent to 65 percent, a significant decline. As Jeffrey Pilcher, CEO/president and founder of The Financial Brand indicates: “Consumers are eager to see digital channels do more. They are ready for mobile to grow beyond its self-service transactional roots, and emerge as a full-featured planning and action-oriented tool that serves a much wider range of financial needs. Unfortunately, many of today’s banks and credit unions are not delivering.”¹

As consumers, a plethora of basic banking and payments tools are at our fingertips. Promises abound – from our own banks, other banks and shiny new apps – proclaiming that the next thing we need is available. As customers, we think about whether to “jump ship” in favor of the new, or wonder if it’d be more hassle than it’s worth. Banks feel the pressure of juggling customer expectations (retail and commercial) along with regulatory changes and the effort and cost of maintaining legacy systems. Banks have to make tough choices regarding investment and timing, and they must move forward.

Digging Deeper

In terms of digital banking, the simple stuff is mostly done. What lies ahead are the challenges of tackling longer running processes. Banks and their technology partners and providers must dig deeper.

At the top of the deeper digitization list are Account Opening and Loan Origination. Some banks have attempted to develop their own solutions using workflow and low-code development. Others are partnering with non-bank lenders. Many are choosing from more flexible platforms that can adjust to ongoing changes with external data sources, derived data from existing customers, and artificial intelligence (AI) improvements primarily related to risk and personalization. Banks strive for customer experience excellence, and seek to expedite complex processes to work in minutes or even seconds in order to attract and retain satisfied customers.

Even with fast and smooth account opening and the 2-minute loan, we know there are exceptions to the process. These exceptions, which in the past kept the process long for everyone, are not handled by 2-minute solutions. Extra work must get done, higher risks require more analysis and approval. Speed for the sake of speed is not worth the risk of destroying the trust of the bank’s customers, stockholders and regulators. The need for real customer conversations in negative outcomes and iffy situations is likely, along with requirements to request and gather needed data, proof and/or documentation. Digital, the front office and the middle office need to work together to improve processes for everyone.

There are further areas to explore and enhance in terms of the digitization journey: Student loans and lines of credit need annual or more frequent confirmation of enrollment. Official checks need to be ordered. Research requests should be visible. Dispute initiation is getting more common. Fee inquiry can improve trust. Credit limit increases requests for cards and lines of credit. All of the above appear often on banks’ “to-do” lists. These are all desirable, but not simple, and the costs need to be managed to budgets.

¹ <https://thefinancialbrand.com/64596/digital-banking-online-account-opening/>

Improving vs. Perfecting

The good news is, despite the hype, bank customers are usually happy to accept improvements rather than demanding immediate perfection. While working in the credit card industry, my institution had a month of instability (a perfect storm of new capabilities, telephony and desktop issues). After 24 hours, we had changed system + agent greetings to apologize upfront, given alternate times to call, and asked customers to decide if the need was urgent and worth the wait. When the customer satisfaction numbers came out the next month, customer satisfaction had gone up!

Customers are OK with important or infrequent things taking a little more time and inconvenience. They do, however, expect banks to respect their time. They won't be OK with having to come by the branch to drop off a missed or misplaced document, or having a process seem to go into a black hole of bureaucracy without updates on progress. Extending internal processes enough to include the customers allows them to feel connected, valued and informed.

Ideally, your bank has already made some good choices on delivering services more easily across all channels. Hopefully, each branch isn't "in its own world." With a channel services strategy in place, you should be able to provide light automation. Creating internal process visibility and customer notifications of progress is possible with a process tool and by making use of eSignature, notifications and the APIs used in your assisted and unassisted channel capabilities, as well as account opening and/or loan origination automations. If your any-channel strategy is good, even if the customer makes an inquiry through an assisted channel, the first point of contact can provide a status better than "I don't know."

With a basic workflow/status/communication framework, you can expose more processes efficiently. Then you can use robotics to make small steps go faster, including retrieving data from the back-end system or central report faster than putting the customer on hold for five minutes. For many banks that already use robotic process automation (RPA) for internal automation, building on the RPA capabilities may be more about getting priority or approval rather than requiring a major project to establish RPA tools. This creates a win-win of customer satisfaction and internal efficiency improvement.

If your loan origination replacement is still some way off, prequalifying is a great candidate for process digitization. The customer can learn at their speed, and the right information can be exchanged without the panic of the event. With this approach, you can provide specific advice and rate guidance (preferable to vague guidance such as "Your rate may be from 3 percent to 15 percent"). The key is to be able to track what the customer tells you, and use that as the starting point for the final event.

What about Chatbots and Voice Assistants Such As Google Home and Amazon Alexa?

If you have chatbot and/or voice assistant functionality in place, it's likely apparent to your customers that the capabilities are limited at this point. That's OK for now. People currently use these types of devices to help with things like checking weather, playing music, ordering food, asking questions and performing home automation tasks; banking interactions are still considered an "add-on" feature, not an expectation. However, just like your other channels, expectations will rise (and may rise quickly). Basic workflows should be integrated with at least a status capability; these devices will become another channel for customer interactions (for example, to announce that you are increasing the customer's credit limit, or advertise that account status options now also support mortgage accounts).

While not diminishing the work to make conversational banking smooth, I think we are all hopeful that the voice interface can be improved at a higher speed than graphical interfaces with their navigational issues and the cost of user interface (UI) development for exceptions and tangents. Companies are using them to replace problematic Interactive Voice Response (IVR) systems as well, and that's starting to reverse the trend of people skipping right to an agent. Mobile-first strategies might change to voice-first.

Conversational banking is rooted in the use of AI, and will naturally evolve into delivering advice with the ability to act, not just to inform. For example, actions could include an automation, or transfer to a person, or booking an appointment with an advisor. The conversational banking solution will provide contact centers and advisors with the needed customer context to continue the conversation started in any other channel, without requiring the customer to repeat information already provided.



Continuous Improvement

Customers still expect the bank to keep improving – and this applies to both the “perfect” and the “it-will-do-for-now” solutions. Customers know you have their data and can figure out when they get paid, what they enjoy, who else they bank with and where they invest. They still want you to go from being reactive to proactive, readily helping them with cashflow, reaching goals and having experiences. They see no reason why you can’t keep track of the value of their house or car over time. When their pay goes up, the bank should be able to estimate their income and offer to extend more credit. A soft pull of their credit bureau data should be an approval (or preapproval) away. If they have data in a Personal Financial Management (PFM) tool, it should be in use and visible to whoever they talk to at the bank. Every form should be prefilled with current data or the bank’s best guess. Customers are content to confirm and tweak, but don’t want to start everything from scratch.

While customers may not mind going to the branch, they want to know the bank is working on options to make banking easier and more convenient (e.g., come into their home over a digital channel or an in-person visit). Updating the contact center and starting down those paths even in “pilot programs” lets customers know your bank is on the way to making things easier for them in the future.

What Does Deeper Digitization Mean for the Bank?

*“While effective implementation of digital strategy is critical for banks and credit unions, human interaction cannot be ignored. Technology can be used to augment the human experience and empower both customers and employees.”*²

*A most common example is customer service; while chatbots and AI can be deployed to address most of the use cases, we must ensure that there are options for humans to intervene when needed, as well as human touchpoints throughout the customer journey to build trust and rapport.”*²

Digitization, a cashless society and payments without physical cards – all reduce the need for a physical branch. As a customer, I’m OK with driving farther if I only do it once every two years. But I still like to talk face to face, and I’m not alone. I don’t want to learn a new interface until I hear success stories from others, and I might like some help trying it out. I have aging parents and handicapped family members – a physical presence shows a commitment to the community and makes many of us feel safer.

Formats should keep changing: The conversational banking model moves banking beyond being transaction-focused; it promotes help and advice and enhances customer experiences. My local branch just removed the “non-transaction” counter and the swinging door that kept a sense of distance between me and my bank; my kids think it feels more natural, and I like it too. While some traditional branches will need to close, new smaller and more focused “Advisor Centers” will need to open. Staff at these centers can assist me and others to try new features that perhaps frustrated us at home, and explain details that we should understand but don’t, despite receiving advice from a “digital assistant.” Some banks are even experimenting with mobile branches and in home mortgage specialists. Innovation will flourish.

More capable in-branch kiosks can take a stack of checks or cash from a small business. Kiosks can scan IDs and print official checks for large purchases. Banks such as ING are removing cash handling by people at a large portion of their physical locations.³ Kiosks cost half of what an ATM or ITM (video teller) does, have lower installation costs and help avoid ongoing ATM fees.⁴ Connecting the contact center to kiosks will help with peaks, or maybe even cover breaks where staffing is at the bare minimum. Today’s “virtual contact center technologies” can allow branch staff to help another branch across town or across a time zone. In-home mortgage specialists and mobile branches fill a need and help change customer mindsets before a branch closing.

With diminishing economies of scale at individual banks, the outsourcing of statements, check imaging and card production makes sense. If your advice strategy is working, outsourcing wealth back-office complexity can make sense and help your bank climb up the value chain more quickly.

² <https://thefinancialbrand.com/76311/human-digital-banking-experience-trends/>

³ https://www.ncr.com/content/dam/ncrcom/content-type/white_papers/15FIN3458_Recycling_Cash_at_the_ATM_WP.pdf

⁴ <https://www.atmmarketplace.com/blogs/more-self-service-kiosk-benefits-for-the-branch-of-the-future/>



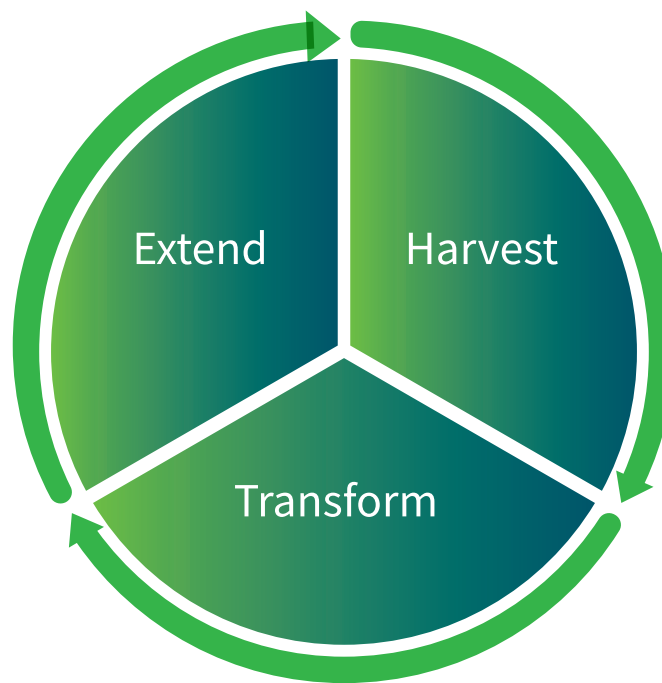
Tying It All Together

Deeper digitization is required to maintain customer satisfaction. Simple process automation with eSignature and notifications can be less than perfect, but still have tangible benefits for the customer and the bank. Conversational banking is on the rise and may make adding more complex features cheaper over time. Overall, digitization affects demand for branches, and elevates the role of employees from primarily processing transactions to offering meaningful help and trusted advice. Bank staff need to complement, not contradict, the any-channel strategy. Customers want to move between channels with ease, and a good any-channel strategy ensures customers can use the interface of their choice and at their convenience, knowing they can turn to the bank's staff for help at any point in the process. Making progress in any of these areas, and keeping your customers informed of the progress, can help ensure your customers opt to stay with your bank throughout the modernization journey, confident in the knowing that the destination is worth the trip.

A Role for Technical Partners

A transformational approach to digitization requires a change in corporate culture and thinking. Consulting firms can assist with program-level approaches that lead from one-off initiatives to ongoing change. This is what McKinsey calls a "digital flywheel."⁵ Changing your branch/distribution strategy from a transaction focus to becoming trusted advisors can best be assisted by firms that have helped develop targeted strategies that map customer needs to different formats at different locations.

At FIS, we enable tangible execution with a future-ready component platform that includes any-channel strategies, conversational banking, process automation and process outsourcing. We are a trusted partner for thousands of banks who need an experienced and committed partner to make profitable steps forward.



CONTACT US

To learn more about core banking modernizations trends, topics and strategies, please contact FIS.

www.fisglobal.com

⁵ <https://www.mckinsey.com/industries/financial-services/our-insights/banks-and-the-digital-flywheel-an-engine-for-ongoing-value-capture>



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