

# DIGITAL DISRUPTION IN RETAIL BANKING

**Powered by  
Intelligent  
Automation**





# ABSTRACT

Like most of the other industries, the financial sector is also experiencing a digital disruption powered by the new generation of technologies including Robotic Process Automation (RPA), Intelligent Automation (IA), Internet of Things (IoT), Blockchains, Analytics and Artificial Intelligence (AI). Even the large incumbent banks are experiencing tight competition as the new entrants are adopting these technologies at a faster pace. Apart from the competitions, the increasing customer expectations and the introduction of innovative services based on the customer expectations are reshaping the banking ecosystem as a whole. Virtual Banking, Assisted Banking, Zero hour contracts, Peer to Peer payments, Connected payments and so on are some of the key trends that the new generation customers expect from their banking partners. These new trends and digital ecosystem are compelling the different players including Retail banks, Community banks, Investment banks, Private Equity firms and wealth management firms to adopt a sound and executable digital strategy inside and outside their organization. However, are all the players able to bring in this efficient digital strategy into their existing banking ecosystem? Are the banking sector players experiencing challenges in the below areas?

**01**

**Acquiring new customers and on boarding them without manual intensive processes**

**02**

**Launching of new products/ services in line with the customer expectations and under tight deadlines**

**03**

**Keeping a balance between legacy systems and new age digital systems to drive back office operations efficiently**

**04**

**Automating customer interactions & engagement to provide a seamless Customer Experience**

Digital Transformation powered by Intelligent Automation can address your challenges to a larger extent and bring in the business disruption by reimagining existing processes of customer acquisition and engagement, rolling out new lines of services, creating deeper pockets with existing customers with better insights, redefining employee engagement and streamlining back office operations. This paper explores some of the key pain points that banking sector experiences currently and how IA can address them to a greater extent.

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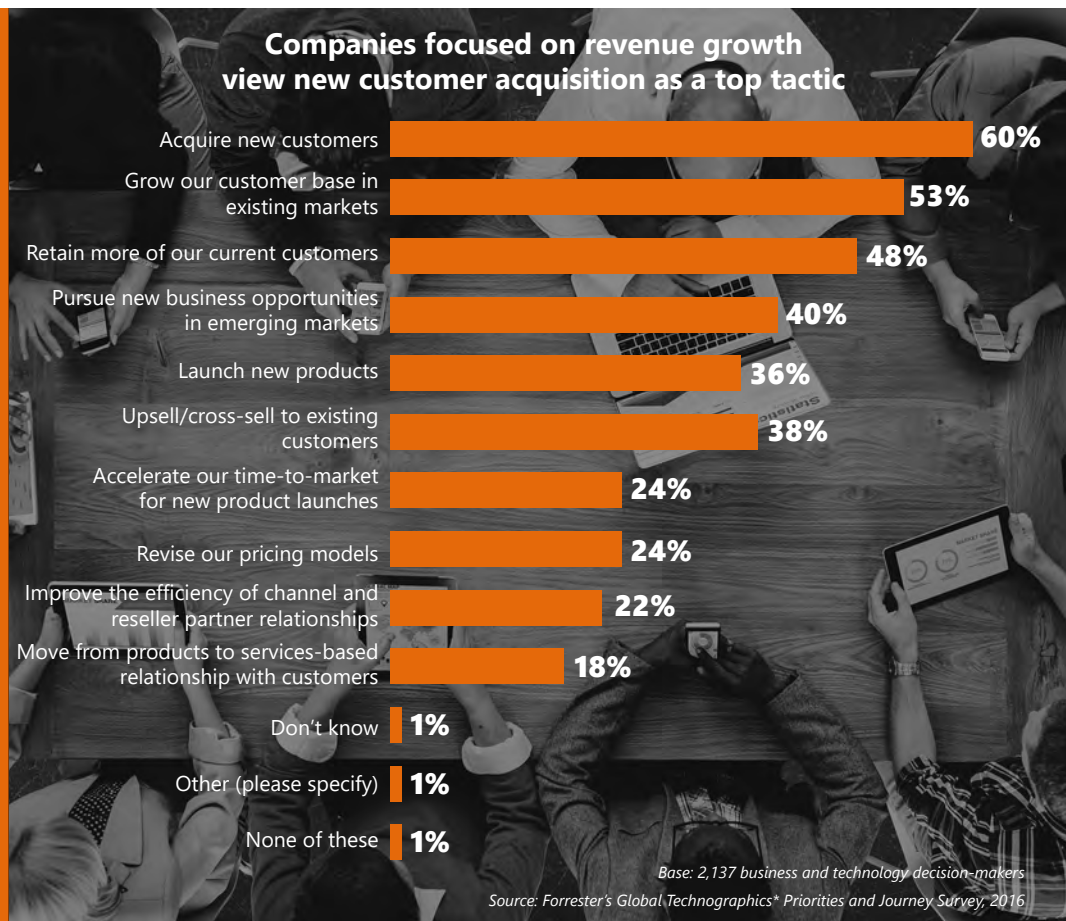
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# THE KEY CHALLENGES THAT RETAIL BANKS FACE IN A DIGITAL JOURNEY

## 01 CUSTOMER ACQUISITION AND ONBOARDING

According to Forrester's Global Business Technographics Priorities and Journey Survey 2016, 60% of the business and IT decision makers see acquiring new customers as their top priority.

“You said that in the coming year, your firm wants to grow revenues. What actions is your firm taking to achieve this objective?”



In this extremely competitive business world, Customer acquisition is always a key element of the success and growth of any business. Banking is also no different. Realizing this, banks are moving from a product driven or channel driven approach to a customer centric approach to acquire new customers and grow the business. To achieve this, the banks need to manage traditional channels and explore digital delivery channels to attract customers, build loyalty and retain them. The next step after the customer acquisition is the client onboarding which is, in fact, the first step to set up an impression for the client on

his further interactions/ engagement with the bank. Traditionally it was all manual intensive and paper based processes associated with customer onboarding. However, Gen Y customers expect frictionless, automated and user-friendly procedures by simply uploading the documents through their mobile or tablet, avoiding manual errors and repeating questions to fill the forms. Automation creates more room for a better and more effective engagement with the customer and building a long lasting relationship with them.

## 02 DIGITALIZATION OF TEDIOUS AND REPETITIVE BACK OFFICE OPERATIONS

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Banking is a sector which involves a vast amount of back office operations. In many of the traditional banks, these operations are mostly stuck up with legacy systems, paper based manual processes and data from multiple siloed data sources which will lead to increase in the cost of maintenance, delay in rolling out new products and delayed response to the customers. In many organizations, the volume of documentation required for financial transactions slows down the processing times. In many instances, a process could be stuck in limbo for days, weeks or even longer as it awaits approval. This also opens the doors to innumerable human errors which again cause an increase in elapsed time to closure of a transaction. The other major factors that complicate the internal banking operations include Mergers and Acquisitions, regulation & compliance changes and product launches which take up considerable time and cost to make changes in their existing IT architecture. The digitalization of the banking back office operations is a major challenge that many of the players in this sector faces currently. Before implementing automation, these organizations also need to divide their internal process into fully automatable, partially automatable and the third category which needs manual intervention.



## 03 PROVIDING A SEAMLESS CUSTOMER EXPERIENCE

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In this digital age, Customer experience is of paramount importance which acts as a competitive differentiator in all the businesses. The level of customer experience that you deliver to the customer is the key factor which makes or breaks a business. A report on Customer Experience from Forrester says that "Forward-looking organizations augment human customer service with artificial intelligence (ai) to deepen their understanding of customers' attitudes and emotions and to free up frontline staff by eliminating low-value workloads". The 2017 Retail Banking Trends and Predictions from Digital Banking report reveal that improving the customer journey and providing a positive customer experience (CX) was ranked as the number one trend, as well as top strategic priority. Technological capabilities can act as a key enabler for delivering a seamless customer experience. However, having a balanced strategy between digital self-service and human interaction for customer services is the ideal strategy that many new generation digital organizations choose to follow. This offers greater opportunities to identify client requirements and deliver the services according to the customer expectations. However, for delivering new customer friendly propositions, these new modules of services need to gel with the existing banking infrastructure and operations. Here comes the relevance of digitally powered, modular and automated solutions in the banking sector.

# 04 DRIVING RESULTS WITH EMPLOYEE ENGAGEMENT

Changing customer demands along with advancements in technology are driving the bank branch transformation. In this wake, the retail employees need to embrace the technology, changing roles and service expectations to create value addition in the new gen digital banks. They need to get transformed into video tellers, specialists delivering on demand and personalized services for their customers.

As per a 2016 survey from Forrester **“the traditionally fragmented employee experience stands in stark contrast to what a modern digital approach can achieve (see Figure below). This fragmented employee experience is not only ineffective; it sends the wrong message — that the organization doesn’t care about investing in technology to engage its workforce.”**

**Characteristics of Traditional versus Next-Generation Digital Employee Experiences**

| TRADITIONAL EXPERIENCE   | NEXT-GENERATION DIGITAL EXPERIENCE   |
|--|--|
| Static portal with links to internal documents                 | Dynamically refreshed destination with interactive multimedia content                            |
| Corporate message board and mass email communications          | Interactive corporate communications with timely information and employee feedback               |
| HR transactional self-service, limited to administrative tasks | Mobile apps for a variety of tasks, including pay, benefits, health, performance and learning    |
| Periodic employee satisfaction surveys and performance reviews | Pulse surveys and social communication channels; continuous coaching and performance measurement |
| Multiple applications with unique logons and user experiences  | Seamless user experience with single sign-on   |
| Infrequent use   | Daily destination  |

Source: Forrester Research, Inc. 2017

# INTELLIGENT AUTOMATION

## THE KEY LEVER FOR DIGITAL TRANSFORMATION IN BANKING

In this age of digital disruption in the banking sector, Intelligent Automation is the new buzz word, and it holds power to redefine all the stages of banking procedure right from the customer acquisition to delivering a seamless customer experience. IA is the key lever in reimagining the banking functions and taking it to the next level by improving the customer acquisition, accelerating the back office operations, enhancing compliance and improving the customer as well as employee engagement, which collectively impacts the overall customer experience delivered. In its simplest form, IA can be defined as a technology which helps humans in automating simple rule based process by mimicking the human actions. What distinguishes IA from the traditional IT automation is its ability to adapt to changing circumstances and its applicability across system domains. IA systems are designed to work autonomously for massive data operations, trigger responses and communicate with other systems. Like a multi-tasking human, IA systems can capture instructions, interpret actions and issue commands in simple natural language.

IA and IT automation often create conflicts of understanding in the business world. Let us consider electronic forms that are being filled for insurance service. If the customer has missed entering a zip code by accident, the IT automation system will reject the form. So what would the IA system do in this situation? Instead of rejecting a form and flagging it to be handled by human interference, IA would analyse and self-correct without human assistance. This saves time and effort greatly for the insurance firm and the customer. Of course, there are many complex use cases and to accomplish this with zero error, it takes a lot of learning for the robot. However, once done, it is reusable and applicable to the entire requirements spectra.



# BANKING AND IA

## A MATCH MADE IN AUTOMATION

Highly regulated industries like banking with high volume and transactional processes will be the early ones to adopt IA and cognitive solutions. However, this story is in evolution, and the biggest impact with early advantages has been seen in the banking, insurance and financial services sector. According to MarketsandMarkets Analysis done last year, the global Banking, Financial Services, and Insurance (BFSI) robotic automation market is expected to grow at a CAGR of 75% and is expected to reach USD 835 million by 2020. The report also says that the rapid adoption rate indicates, that BFSI companies will focus on investing in training and ownership of the automation technologies, as compared to investing in professional services to automate processes, over the forecasted period.



Banks work in an incredibly competitive market and have already done several forms of automation, to reduce labour and human errors. Overcoming the challenges with legacy systems and adopting new technologies has been a continuous process in banking.

Quoting "examples of automation being used for front-, middle- and back-office deployment included for banking and insurance," Gartner specifies, "Due to the major cost-reduction pressures in these industries, these organizations have been the highest adopters of automation tools to date. Examples include moving data for claims processing, predominantly from

customer facing websites; card management for issuing replacements for lost or stolen cards, and reversal of card charges; and mortgage processing, with the resubmission of failed payments."

According to a latest Bloomberg Report, many leading players in the Financial services sector including Goldman Sachs group and JP Morgan Chase have started reengineering their services to become more agile and efficient by adopting automation. Robotics allow them to free up time by picking off the most redundant, the most repetitive, the most labor-intensive tasks and automating them.









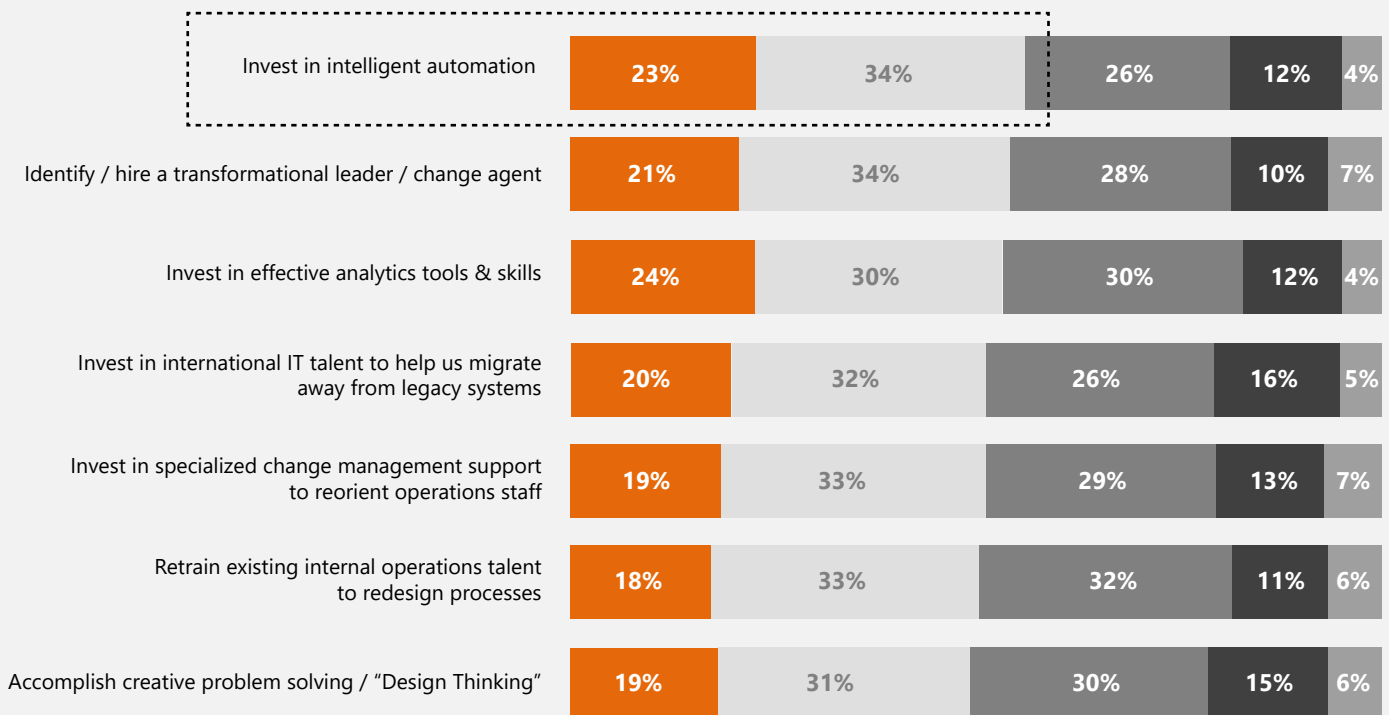
Another area where IA is beneficial to the banking and financial industry is compliance. Like insurance, banks and other financial institutions are required to constantly maintain a high level of regulatory compliance. Frank J Casale, Founder of the Institute for Robotic Process Automation says, IA is a game-changer in banking and financial services as it offers:



There are already over 20 unique integrated automation solution implementations and proof of concepts for various vertical-specific processes such as in insurance, finance and accounting, procurement, customer experience and back-office service areas in the market today. Banking and financial services industry have enormous scope to adopt IA for more than two-third of its processes.

## Intelligent Automation is the place to start for well over half of Enterprises

What is the most impactful timing to begin these actions?



Now Within the next year Within 3 years Within 5 years Never

Source: Horses for Sources







## INCREASING RELEVANCE OF AUTOMATION IN EMPLOYEE ONBOARDING AND ENGAGEMENT



IA has changed the work structure and allocation in organization providing room for the employees to focus on more core tasks which require human emotion and intellect in decision making. It frees up the resources from repetitive and time consuming mundane tasks ranging from customer acquisition to handling them. IA potentially streamlines HR processes, payroll management, hiring and onboarding of new employees and talent management which manually requires extensive multistep processes and systems. A flawless on boarding process with automation brings in higher job satisfaction and lower turnover, organizational devotion, career effectiveness, stronger performance, and reduced stress for the employees.

A 2017 Forrester report titled 'The Digital Employee Experience Drives Engagement and Productivity' highlights that "the likelihood that an employee will stay with an employer for a long time and advance in responsibility and influence is a high-value outcome of the employee experience. Identifying the key retention levers and enabling them in a contextual employee experience can reduce costly turnover and help an organization develop talent". The report also says that an effectively designed Digital Employee Experience strategy has a more elevated value proposition: it is not only easy and emotionally rewarding to use, but it also drives the productivity increases with employee commitment and advocacy of the company and its products and services.

### Why have an Onboarding Strategy

Lower EOB Time, Lower Onboarding Cost, Lower Employee Effort Score (EES)

# 54%

Organizations with a standard Onboarding witnessed 54% greater **NEW HIRE PRODUCTIVITY**.

# 69%

New hires with organized orientation program tend to stay in the organization upto 3X years.

# 60%

Organizations with better Onboarding structure saw 60% improvement in productivity of employees.

# 60%

YoY improvement in revenue per full time employee due to a well structured Onboarding program.

# 40%

Currently, less than 40% of Onboarding process is intelligent and AI assisted technologies

# 71%

Of companies are in the process of revamping their Onboarding programs

Finally, a robust Onboarding process helps decrease in skill gap, higher employee retention rate, New employees contributing to the bottom line faster, less time spent on knowledge transfers, reduced training time & travelling costs.





# INTELLIGENT AUTOMATION IN BANKING

## THE FUTURE

Entrepreneur magazine says, "Successful business leaders often say they are only as strong as their teams. Think of robots as teammates, we can have players that can make us stronger. When businesses gain a competitive advantage by "staffing" robots, we get higher salaries and a happier workforce." IA has gone miles ahead than just being a concept. It is now real and has been successfully deployed by numerous leading, and often conservative, financial institutions. This is just the beginning of a new journey, and we can expect more fruitful and efficient evolution of this technology in the coming few years. From the current mere automating machines, we can expect the future systems with increased cognitive capabilities including decision- making skills at par with humans. Apart from this, the much awaited convergence of humans with bots can bring in new differentiators in the business as well as technology front. The future of digital banking also pins its hopes in much advanced levels of Intelligent Automation and Machine Learning. Banks need to be open to the changes that these new age technology trends bring in. They need to explore, innovate and transform to stay ahead of the competition in the digital world.

**Write to us at:**  
**business@happiestminds.com**

## ABOUT HAPPIEST MINDS

Happiest Minds enables Digital Transformation for enterprises and technology providers by delivering seamless customer experience, business efficiency and actionable insights through an integrated set of disruptive technologies: big data analytics, internet of things, mobility, cloud, security, unified communications, etc. Happiest Minds offers domain centric solutions, IPs in IT Services, Product Engineering, Infrastructure Management and Security. These services have applicability across industry sectors such as retail, CPG, e-commerce, banking, insurance, hi-tech, engineering R&D, manufacturing, automotive and travel/transportation/hospitality. As a Mindful IT Company, the focus is on 'Being Mindful' and 'Doing Mindful' which involves perceiving immersively, processing non-judgmentally and performing empathetically. 60 minutes in a week is committed towards inculcating a mindful approach within the organization, using a select set of tools and techniques. Headquartered in Bangalore, India, Happiest Minds has operations in the US, UK, The Netherlands, Australia, Middle East and Turkey.



**www.happiestminds.com**

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