Digital Transformation 101: Breaking down the steps in banking

A how-to guide for banks to redefine customer experience, elevate employee satisfaction, and boost the bottom line.
The slow road to digital transformation in banking

Those who have worked in banking over the last decade have long heard the drumbeat of digital transformation. Traditional banks are under tremendous pressure to deliver customer experiences on-par with digital-first companies—all while continuing to struggle under the weight of legacy IT, data silos, and staffing. To make a transformational change in customer experience—one focused on reducing friction in customer interactions—more work is needed.

COVID will speed digital transformation by 5.3 years!

The challenge is this: Banks are hyper-focused on improving customer experience in the front office, investing in mobile apps and other experiences in the "engagement layer." Yet 80% of customer experience is born (or dare we say: dies) in the middle and back office.

"Thanks for your call, Mrs. Smith. I can see in the system that you have a problem, but I’m not too sure what it is, who has worked on it, or when it will be resolved."

"Please hold!"

Banking customer experience is hamstrung by disjointed, siloed systems. When a customer calls with a problem ("Why didn’t my payment arrive?"), they get bounced from one person to another. That’s because no single bank employee can see the full relay of processes required to resolve a problem, nor can they view which tasks are still outstanding. Even worse, the process is highly manual, relying on a messy combination of people, systems, and tools that don’t speak to one another. The result? Delays, errors, and some tasks that just fall through the cracks.

Use of mobile channels is up 20 to 50%!
Banks have been investing in automation for years, seeing it as a step on the path to digital transformation. The aim: to evolve legacy banks into agile, resilient, future-forward institutions.

To be sure, advances in natural language processing, machine learning, and process automation have driven positive changes within banks, in areas such as:

- **Core banking efficiency**, through support for rules-based actions/transactions
- **Institutional risk management**, by providing visibility into individual and entity-wide risk
- **HR and recruiting**, via "people analytics" to optimize talent management
- **Audit and compliance**, with advanced algorithms to predict risk and pinpoint gaps

Yet one area continues to be a challenge: customer experience. A February 2020 study by Qualtrics found that, over the last nine years, banks improved their customer experience (CX) benchmark rating more than any other industry. Yet the same study points to the risk (and high cost) of poor experiences. Qualtrics found that 6% of consumers had a bad banking experience over the last six months—not a bad performance in itself. However, among that group, fully 42% reported they either decreased or stopped spending with the bank based on that recent negative experience.

The bottom-line risk of poor performance has only grown more acute during the pandemic, when adoption of digital and mobile banking surged to record levels. And this surge won’t soon weaken. An eMarketer study predicts digital adoption will continue to grow, reaching 80% of all US banking customers by 2025.
Banking automation: Transformation fuel or fizzle?

Meeting this growing need for digital experiences requires operational excellence. Given that so much customer experience is influenced by back office workflows and efficiency (or lack thereof), end-to-end service operations automation is the next horizon of innovation in banking customer experience.

Transforming customer experience

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The next horizon of banking automation

To date, banking automation has focused here

... But to leverage the transformative power of AI (think: machine learning and natural language processing), banks need to truly integrate systems rather than “scrape” (i.e., copy and paste) data.

Process automation
How it’s used: Execute repetitive processes—such as account closures, credit card processing, and fraud detection—by “scraping” data from one data silo and uploading it to another.

Machine learning
How it’s used: Analyze credit risk, market risk, and liquidity risk through advanced processing algorithms. For example: predicting institutional, corporate, and consumer credit risk to inform capital allocation decisions.

Natural language processing
How it’s used: Scan massive text-based data sets to extract insights, such as decoding scanned documents, distilling earnings reports, analyzing customer sentiment from phone transcripts, or answering customer questions via web or mobile chatbots.

A new category of banking automation called end-to-end service automation can knit together existing systems... creating dynamic, real-time integration across legacy systems. And deploying this type of automation is surprisingly straightforward.

The result: End-to-end service automation helps traditional banks unlock the long-awaited promise of AI.
Transformative customer experience begins in the back office

Banking automation that addresses the “service layer” has been incomplete at best. (Remember: This is where customer relationships are made.) Currently, automations for service operations are plugged in piecemeal, solving for specific problems in specific areas of the bank. (Think: digital check processing or automated account closures.) Worse, each “plug” is purchased from a different vendor, meaning integrations across the service ecosystem are rare. That doesn’t sound like digital transformation; it sounds like incrementalism: fixes for individual problems that don’t add up to a very elegant solution.

How does end-to-end service automation work?

1. **Banish silos**: Connect existing systems and information across the bank so that everyone who serves customers (directly or indirectly) is on the same team, sharing information to make better decisions.

2. **Unlock productivity**: Digitize workflows (e.g., trigger automated prompts for employees when input/action is needed, and automate tasks that don’t require human intervention). Enable real-time collaboration and problem resolution.

3. **Activate AI**: Deploy predictive analytics and machine learning to:
   - Automate repetitive service processes
   - Get a holistic view of the customer across product lines and services, regardless of where that data is stored
   - Gather compliance data
   - Pinpoint emerging risks

4. **Unleash agility**: Tie together existing legacy systems and third-party fintech vendors with a single, end-to-end automation platform. Think: pre-built workflows, pre-defined access types, designated workspaces for key roles, case playbooks—and more. Plus: developer tools for creating purpose-built optimizations.

Banks now have a chance to automate across all service operations—from front-end to back-end—with a single platform, and to embed compliance into that end-to-end process.
Transformative customer experience begins in the back office

Wish we had a name for it. Something like...
integrated, end-to-end, fully compliant, hyper-automation platform for service operations inside banks.

Let’s just call it end-to-end service automation.
Automating the service layer isn’t primarily about efficiency or cost savings (though you’ll achieve both). It’s about providing transparency, resolution, and relief at your customer’s moment of truth.

Take this example: A customer calls the bank because she’s just sent money to someone she now suspects of fraud. She’s upset and wants to know immediately if the bank can get her money back. Under current processes, the bank would begin an inquiry that triggers an inefficient, largely human-powered workflow: multiple phone calls and emails between the front, middle, and back offices. A bank employee manually validates and updates customer records, payment details, customer notes, third-party banking details—ultimately “touching” as many as a dozen systems for a single inquiry.

And all the while, your customer waits.

What if the entire process were automated? Rather than following a linear workflow—where Step A must be completed before Step B can begin—service automation delivers real-time insights and resolutions. No steps to follow. No tedious workflows. Service automation is steps A through Z delivered in the time it takes to say “Yes, we can do that.”
Moments of truth

Customer moments of truth are everywhere in banking: an impending mortgage deadline, a missed car loan payment, a wire sent incorrectly, fraudulent credit card charges. Removing friction quickly is critical; these moments define your relationship with your customer. Did you provide relief or prolong the worry?

Service automation: All about the customer

The desired outcome of end-to-end service automation isn’t to make workflows more efficient; it’s to eliminate cumbersome workflows so you can meet and respond to your customers in real time, in their moments of need. And with their freed-up time, bank employees can focus on higher-value activities such as strengthening customer relationships. The result is a productive, cost-effective workforce and a seamless customer experience that keeps them coming back for more.

- Real-time, automated resolution
- Redefined banking workplace
- Re-energized customer experiences

**From workflow to work-finished!**
Service automation: It’s also about your employees!

When your service operations are disjointed and fragmented, employees also pay a high price.

- Customer-facing employees can’t solve problems in real time.
- Managers lack insights about team performance or workload.
- Workflows are slow, opaque, and stressful for frontline staff to explain to customers.
- Employees spend too much time on rote problems—artifacts of legacy, siloed banking systems—rather than higher-value customer experiences.

Automation empowers employees to solve queries in real-time and build positive customer relationships.

Perhaps most delightful for your employees, they’ll be deployed to create positive customer experiences rather than resolve negative ones.

And it’s about the bottom line

By removing friction and empowering the front, middle, and back office to solve customer queries quickly, you’re delivering on that drumbeat of digital transformation.

- Your customers are happier, which makes it easier to sell related products and reduces churn.
- Your banking systems are integrated, reducing errors and inefficiency and improving visibility for front-, middle-, and back-office staff.
- Compliance is 100% taken care of across all the touchpoints of client interactions and service.
- Digital transformation? You’re well on your way.
Getting started with end-to-end service automation

When it comes to automating service-level operations, deployments do not need to be massive, complicated, or time consuming. In fact, the best way to begin is to pick a problem, any problem. Make it your most painful problem.

Maybe your bank’s onboarding operations process needs attention. Or you need to radically shorten the time it takes to resolve online payment errors. Whatever problem you choose, resolve to fix that one problem. Typical first-time deployments take less than 12 weeks.

The real beauty of the process is that, with one win behind you (and a bit of confidence filling your sails), you can pick three more problems to solve and you’ll get those done even faster. That’s because once you’ve set up your single-platform integration, you’ll be replicating the process again and again for each new rollout. With each iteration, you’ll be automating one more piece of your service operations ecosystem.

Time-consuming workflows? Siloed systems? Automations that fix just one problem? Not anymore. The next stage of digital transformation is about banishing manual and inefficient workflows, and delivering frictionless customer experiences. And it’s about making these changes with a people-centered focus, so employees’ best efforts are supported rather than thwarted, and customers get real-time resolution.

12 weeks to deployment

This type of service-level automation is not a “rip and replace” deployment. Instead, it runs in parallel to your existing systems, hyper-automating and accelerating all of them.
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