

OPENTEXT

# Strategies to Improve Efficiency Without Breaking the Bank

An Executive Perspective  
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*"Retail banks see real opportunities to optimize productivity throughout their operations, gain new efficiencies, and maintain quality service standards to capture and retain customers."*

## Summary

In the face of increased competition, accelerating regulatory challenges, and ever present global financial pressures, retail banks today struggle to sustain their revenue models, manage shrinking credit margins, and deal with a consumer base that no longer trusts financial institutions.

These industry pressures notwithstanding, retail banks see real opportunities to optimize productivity throughout their operations, gain new efficiencies, and maintain quality service standards to capture and retain customers. The ultimate goal for most is improved contributions to shore up overall financial performance.

This paper describes how Business Process Management (BPM) technologies, including case management solutions and business architecture tools, can help retail banks reduce operational costs, eliminate significant streams of paperwork in their processes, empower their staff for greater productivity, and forge the kind of customer relationships that banks need to survive. Along the way, we highlight financial institutions with best practices implementations and proven results.

## Challenges

Today, retail banks exist in one of the most competitive environments in all of business. Keeping customers, attracting new ones, delivering new products, providing consistent customer-centric services through multiple channels (branch office, Internet, ATM, mobile), while meeting regulatory requirements is more difficult than ever.

And like most organizations, retail banks want to maximize the resources they have by operating as efficiently as possible. Along with adding new customers, controlling operational costs, providing real-time visibility into operations, and empowering staff for maximum productivity are key to staying competitive and profitable.

Retail banks must find ways to improve the efficiency of operations associated with opening an account, processing a loan application, providing accounts statements, and managing customer correspondence. For many retail banks, these critical processes are not effectively linked to systems, resulting in service inefficiencies and lost revenue opportunities. These are labor-intensive and manual processes whose inefficiencies are often compounded by the need for the bank to reach out to partners in the value chain. By optimizing these processes, banks are better equipped to focus on the needs and the requirements of the customer and create long-term relationships with them.

## Strategies

Retail bank executives are searching for technologies that can help them effectively streamline their processes, optimize the utilization of personnel and systems, and increase efficiencies all around, resulting in substantial cost savings and an improved bottom line.

Supporting hundreds of critical business processes, retail banks need ways to effectively automate and manage cross-functional processes and orchestrate the people, processes and data that support those back-office and customer-centric activities.

Creating standardized and repeatable processes that provide collaboration and control over process improvement is critical to increasing operational efficiency, reducing cost, improving the customer experience, and ultimately driving revenue.

*"Over the next two years, banks will focus attention on core financial issues, seeking ways to both increase revenues and reduce expenses. They will attempt to provide more fee-based services to corporate customers, relying on technology to deliver value in the form of better information flows. They will also apply technology to reduce operating costs through streamlined workflows, more efficient data centers, and 21st century decision support capabilities."*

Financial Insights, an IDC Company

## Role of Technology

The outdated systems that support many of the core systems within retail banks are not designed to support the changing products, regulations, and customer demands that exist today; leaving banks to consider migrating to newer, flexible, and more open systems that can be deployed in a tactical manner to support strategic goals. Banks deploying BPM and adaptive case management technology to address specific processes such as account opening and customer service issues are uncovering opportunities to streamline and connect other processes as well.

BPM effectively manages complex processes across multiple systems. The improved process control and visibility that BPM offers through its ability to proactively monitor process objections and metrics known as Key Performance Indicators (KPIs), enables retail banks to rapidly prepare for, and react to, changing business conditions in real time. Moreover, when presented to workers, these KPIs offer them an opportunity to see how their efforts impact the success of the organization and in turn empowers them to make real contributions.

In cases like small business loan processing, greater automation of processes using BPM technologies can help banks not only lower the time taken to process a loan request, but track the exact status of each request as it makes its way through the banks many systems, helping to ensure that the loan is approved quickly and the customer secured.

## Best Practices in Client Management

With over 20 years of experience serving global, regional and community banks and lending institutions and hundreds of financial services customers, OpenText understands the unique needs of the financial services industry and how BPM and adaptive case management can provide the flexibility, visibility and control to further differentiate their services.

Given current market conditions and opportunities, leading banks are focused on improving key processes, especially those that provide opportunity to increase productivity and attract new business:

- Customer Onboarding
- Account Opening and Servicing
- Loan Origination and Processing
- Merchant Services and Dispute Resolution

## Meeting the Challenges of Account Opening

Consumer deposits (especially long term) are the measure of a banks performance and success. Yet as critical as customer acquisition and retention is to the health of retail banks, the very business units charged with account openings, withdrawals, and closings face costly and inefficient processes characterized by manual, error-prone and inflexible processes, paper documents and siloed operations. Combined, these types of problems inevitably lead to:

- Inconsistent service levels
- Low customer satisfaction
- High rates of application abandonment
- Loss of cross-sell and up-sell opportunities
- Inaccuracies in account funding and customer information capture
- Undermined compliance and security initiatives
- Expense of bringing new products to market

## Results for Customer Onboarding:

The international banking division of one top global institution used OpenText BPM to dramatically improve processing of new customer information, integrating KYC compliance.



*"In the U.S. alone, the older population will more than double; by 2030 almost one in five people will be 65 or older."*

U.S. Department of Health and Human Services.  
A Profile of Older Americans

## Results for Account Processing

By investing in OpenText's BPM solution, this organization was able to streamline business processes, allowing multiple users and channels to have consistent access to a common set of tools, applications and data.

## Attract and Retain New Customers

Compelled by uncertain markets, consumers are demanding alternatives for safer, long-term investments. This is good news for insured institutions such as banks and credit unions, where the search for a safe haven for retirement and education funds has already lead to large volume increases in account openings and rollovers through branches and electronic channels. Unfortunately many of these very same institutions are ill prepared to manage effectively due to systems that lack connectivity and involved paper processes.

To meet these challenges, forward-thinking banks are realizing the value of BPM to fully-integrate their multiple customer touch-points (branch, call center, Web portals, and email) with their back-end and third-party systems to automate and integrate an IRA, RRSP or ISA process that is both complex and distributed.

For example, a leading financial services firm with assets of over \$20.3 billion had reached the point of unmanageable complexity in various business units and functional areas, including Underwriting, Customer Service, and Accounts Receivable. Faced with queues of immeasurable work and a paper-intensive environment, the organization needed a foundation upon which to improve critical business processes, increase operational efficiencies, deliver consistent and convenient customer satisfaction across all channels, and ultimately drive revenue.

By investing in OpenText's BPM solution, this organization was able to create a unified system for integrating front-end systems with back-end resources, automating and streamlining business processes, and allowing multiple users and channels to have consistent access to a common set of tools, applications and data. With this investment, they are now able to:

- React to the market and customers in anticipation of rapid growth in account openings and servicing requirements
- Respond rapidly and efficiently to high-volume requests
- Ensure those customer requests can be managed at all touch points
- Track and speed movement of new account setups
- Monitor for compliance and reporting the distribution and return of documents
- Grow initiatives to increase business investments

## Opportunities for Growth with Improved Lending Practices and Processes

Considered one of the most desirable high-net customers for retail banks, the small business loan represents one of the potential growth areas in today's market. Attracting these new business banking customers helps banks to shore up deposits and add to their fee-based services revenue, a certainty given the intense loyalty these loans engender from small business owners. Yet for those banks unable to decision a loan quickly, they are competitively disadvantaged and risk losing many of these high-net customers.

To compete for this new business and improve the financial performance of the unit through increased productivity, retail banks must:

- Get ahead of the paper-avalanche by automating as much of the application and closing processes as possible
- Improve application tracking and compliance monitoring
- Leveraging the ability to approve SBA guarantees
- Track all required information electronically



#### Results for Small Business Lending:

This new environment enabled the lender to distribute the workload of loan approval more effectively, track every stage of the process, and expedite letters of credit more efficiently.

A leading bank with more than \$21 billion in assets was experiencing operational difficulties throughout its consumer lending businesses – small business loans, mortgages, and credit cards. From the front office to back office and across channels, the organization was suffering from inefficiency, lack of coordination, and missed revenue opportunities.

OpenText's BPM solutions enabled this institution to link goals to execution, engage in dynamic planning, automate processes, and monitor systems; providing management with the visibility and insight needed to make sound and timely decisions that ultimately determine success.

This new environment enabled the lender to distribute the workload of loan approval more effectively, and track every stage of the process from the moment of application to loan funding, even if multiple process technologies were involved.

Additionally, the functionality allowed the organization to expedite letters of credit more efficiently.

Leveraging the OpenText solution, this leading bank is now able to:

- Improve the financial performance of the unit through increased operational efficiency and control
- Attract new business banking customers to shore up deposits and add to their fee-based services revenue
- Improve application tracking and compliance monitoring
- Improve look-to-book ratios on small business loans to encourage sales by branches
- Get ahead of the paper avalanche by automating as much of the application and closing processes as possible
- Leverage the ability to approve SBA Guarantees (if located in a geography touched by natural disaster) and track all required information electronically
- Compete for the small business lending business that every bank needs and wants

#### Case Management Improves Merchant Services and Dispute Resolution

For most retail banks, credit and debit card dispute resolution remains a labor intensive and costly process, but one that also presents an opportunity for retail banks to increase a unit's operational and financial performance.

As the main source of income for a bank's merchant services department, Interchange Fees represent a competitive differentiator for banks who are able to resolve disputes quickly and optimize pricing for their merchant customers.

The fee charged to a merchant can vary, not only for volume delivered (more dollar volume equals lower fees), but also by how much cost the bank must incur to resolve the credit or debit card dispute. Resolving these disputes (known as charge-backs); however, is a paper- and labor-intensive process involving the sharing of information among various value chain partners. Exacerbating the issue are regulatory deadlines for resolution that carry costly penalties for delinquency.



#### Results for Merchant Services:

The organization was able to significantly expand their business while keeping staffing levels flat and was better positioned to meet vendor recruitment and retention goals as well.

To compete for this merchant business, banks must automate their dispute resolution processes in order to accomplish the following:

- Track and speed movement of charge-backs and resolutions
- Provide transparency into the process for merchants
- Reduce fraud losses resulting from provisional credits
- Reduce operating losses by eliminating need for loss thresholds
- Significantly increase business while improving service levels

A leading financial services organization that processed more than 18 billion transactions annually required a solution to help them cost-effectively handle significant increases in dispute processing while reducing the time to process charge-backs and maintain staffing levels. In addition, managing credit card receipts between merchants and credit issuers slowed processing time, leading to unnecessary late penalties in many cases.

OpenText's case management solution automated their dispute resolution process and helped manage credit card receipts, resulting in improved customer service and reduced processing costs. With adaptive case management, hand-offs are determined by human judgment as the case progresses, thus the solution promotes compliance with regulations and best practices without constraining users to a static path.

The organization was able to significantly expand their business while keeping staffing levels flat and was better positioned to meet vendor recruitment and retention goals as well. For retail banks, the quicker the problem can be resolved, the less money it costs the organization. OpenText's solution automates this highly complex process in order to provide a complete, compliant, consistent, quick, and well informed response to customer service needs.

#### Next Steps

Retail banks rely heavily on business processes to provide the core services that customers expect. Yet it is the people, the processes, and the data that must work together to execute those processes and deliver improved client management, reduced costs, and increased profits. OpenText has demonstrated through many successful financial services installations that it understands industry needs and more importantly how BPM provides a sustainable and competitive advantage. Contact us today to move forward on your operational improvement goals.



## About the Author

Gerry Gibney is the senior industry strategist at OpenText for the Financial Services sector. With over twenty five years of experience in the industry, he has held senior positions with Fiserv Investment Services Group, Microsoft Financial Services Group, and Chase Manhattan Bank. Gerry has provided solutions throughout his career to leading financial services institutions around the globe; including, Merrill Lynch, UBS, Bank of America, Raymond James, Legg Mason, Vanguard, Fidelity, Bank of New York Mellon, FBR, SEI Wealth, Prudential, Lydian Wealth, American Express, JP Morgan Chase, Lehman, Bear Stearns, Goldman, AXA, Credit Suisse and Citibank. Mr. Gibney received his degree in Finance from Lehigh University.

## About Business Process Management

OpenText's Business Process Management (BPM) unleashes the power of information to give employees, customers, and partners what they need to quickly and consistently deliver great results. As part of OpenText's Enterprise Information Management, BPM helps organizations work more efficiently, improve the optimization of complex processes, and outperform their business goals with real-time business insight.

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