



# digital transformation opportunities for Banks

*"Modernize for Growth, Millennials and Higher Valuations"*

Banks have run their businesses “more or less” the same way for decades. But change is coming, and fast, as many factors converge and challenge banks, including

- ▶ Expectations for a new customer experience, wealth transition from Baby Boomers to Millennials and a younger, more mobile demographic
- ▶ Increased business risk, a flat or inverted yield curve, and ongoing regulations pressure margins, reducing market value
- ▶ New technologies like Artificial Intelligence (AI)\*, Machine Learning (ML)\*, Natural Language Processing (NLP)\*, Mobile Banking, Analytics and Cloud\* are enabling non-traditional competitors to disrupt banking, and facilitate a shift towards Open Banking

## Navigating these shifting sands is a challenge since banks do not have big budgets or access to vast talent pools like the big banks

Banks with their targeted markets, focused product offers, and streamlined infrastructure have these advantages to help accelerate digitalization relative to their global and universal bank competitors. Choosing the right platform and approach is key.

Any transformation, however modest, must start with a clear set of business and ROI expectations, executed with continuous monitoring and measurement, changing with markets and technologies.

In this SmartBite, we discuss the opportunities for a bank to modernize, and important considerations for defining and achieving a target state that will keep them competitive, if not attain a leadership position in their sector.

## Important factors to consider before embarking on any transformation initiatives include:

- ▶ Who are our customers today, and how will their demographics and expectations evolve over time?
- ▶ What are our core business differentiators, now and in the future?
- ▶ Is our strategy to grow and expand our footprint, or to increase our market valuation and profitability?
- ▶ What is our capability for delivering on these initiatives, either in-house or using a partner?
- ▶ How do we measure and monitor business outcomes and ROI to ensure that transformation is working?

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## Transformation opportunities that can provide significant immediate benefit and position banks well for future growth

### Customer Experience & Revenue Growth

Build trust with customers by understanding their expectations and providing an enhanced experience that is proactive

- ▶ Make Customer Service Center predictive and efficient, and increase self-service using AI, ML, NLP, Analytics and Intelligent Chatbots, which also reduce servicing costs
- ▶ Use analytics to optimize how you offer new products, such as credit cards and loans
- ▶ Deploy behavioral analytics to predict and prevent customer attrition, and increase assets under management (AUM)
- ▶ Focus on differentiators, but leverage selected Open Banking\* capabilities by connecting to Third Party Providers (TPP) for specific functions such as Payments, Auto Lending, Credit Cards, Portfolio Aggregation, Book-keeping and other Treasury Functions

### Operational Efficiency and Cost Savings

Use AI and ML to automate manual operations that may be using spreadsheets, extracting data using OCR, interacting with other application, departments or outside entities for calculations and reconciliation, communications, or feeding the output for reporting. Think about such operations that extract data from forms (handwritten!) and files

- ▶ Legal documents, account opening forms, and loan/mortgage agreements in a variety of formats, including PDF, faxes, spreadsheets with embedded macros, and handwritten
- ▶ Commercial Loans and Funding Requests, PPP applications, Mortgages and Auto loans
- ▶ Other due diligence (e.g. securitization)

### Regulatory Compliance and Risk

Regulatory requirements, such as ISO 20022, continue to intensify. Most banks are proactive, but it is a costly process, with a constant threat of deadlines and fines. Significantly reduce risk to business, operational complexity and costs by focusing on simplifying the compliance process

- ▶ Automate Data Lineage tracking for auditing and easing CECL and other reporting. This also helps in tracking account level exposures for commercial loans and retail customers for products such as student loans, auto loans, credit cards, and mortgages by using readily available AI and ML technologies
- ▶ Enhance Anti-Money Laundering (AML) and Fraud Detection using Machine Learning solutions
- ▶ Automate tracking and prediction on Exposures and Defaults using analytics

### Technology Platform Modernization

Banks can realize significant short-term and ongoing business benefits by leveraging a secure cloud environment. This can

- ▶ Reduce spend and move expenditures from CAPEX to OPEX
- ▶ Enable scaling resources up or down for better performance and improved cost efficiency without paying for idle resources when not needed. e.g. peak volume days
- ▶ Fortify cyber and data security, and improve business continuity
- ▶ Facilitate innovation, testing new markets and offerings affordably
- ▶ Provide a platform that facilitates integrations during an M&A event

