Corporate Banking: Transitioning to Omni-channel Delivery

Abstract

Corporate banking is increasingly becoming a complex business line characterized by rising customer expectations, intense competition, compressed margins, high regulatory costs, and rising capital requirements. While digital technologies have transformed the retail banking sphere, the corporate domain continues to lag behind. Tech-savvy corporate executives, however, expect the same degree of digital empowerment as is available in retail banking. This white paper discusses the current corporate banking landscape and suggests digital initiatives that will eventually drive a shift to an omni-channel delivery model.

The Dawn of the Digital Era in Corporate Banking

Amid ever-increasing margin pressures, complex landscape and regulatory strictness, the corporate banking sector is struggling to ensure higher levels of customer satisfaction. Digital technologies are disrupting the way businesses are conducted. Newer operating models are coming forth and customer expectations are rising exponentially. With digital natives entering the management arena in corporations, the demand for a higher degree of digital empowerment is rising. New entrants are providing alternatives that may well persuade tech-savvy executives to switch loyalties.

Why Corporate Clients are Unhappy

Corporate banking relationship managers and operations teams are struggling to meet client demands. Tedious onboarding processes for new facilities and additional accounts, operational bottlenecks in conducting day-to-day banking, and inadequate digital self-service capabilities have made corporate banking clients overly dependent on branches, relationship managers, and back offices for their banking activities. Multiple issues like the lack of seamless workflows and real-time view of cash positions and portfolio concentrations hinder corporate treasurers, taking their focus away from strategic business priorities and core financial management. In the absence of a virtual connect to information, delivering services while on the move, or at client sites, poses challenges. Banks are therefore under pressure to offer digital capabilities including virtual access to relationship managers, straight-through processing (STP) for routine banking activities, and online self-service capabilities.

In our experience of implementing multiple transformation programs for global banks, we have, however, observed that incumbent players are rather slow in adopting digital technologies in the corporate banking function. This is primarily because of the complex landscape comprising diverse clientele with varied requirements, where a one-size-fits-all approach can’t work.

To tread the 'digital' path, financial institutions must understand what exactly corporate clients want. Corporate clients use multiple channels to connect with a bank, and they expect consistent, seamless interactions across all these channels. An easy and quick onboarding process, digital self-service capabilities that help initiate routine transactions without going through multiple hops, and on-the-go treasury management are other key asks. Clients also expect on-the-fly decision support and advice enabled by analytics driven insights, and real-time visibility into product portfolios, transaction statuses, group structures, consolidated cross-border positions, supply chain positions, and so on. To deliver on these requirements and improve margins, banks will need to transition to an omni-channel model of service delivery.

Transitioning to an Omni-channel Service Delivery Model

Implementing an overarching omni-channel strategy poses several challenges given the complexity, scale, diversity, and the global nature of corporate banking clients' operations. Before banks can transition to a completely omni-channel model, they need to take some preliminary steps. Given the explosion of customer touch points, the variety of channel applications, and the multitude of internal and external systems to be integrated, we believe that the omni-channel roadmap must be underpinned by a '3C' strategy – Convergence, Collaboration, and Continuum (see Figure 1).

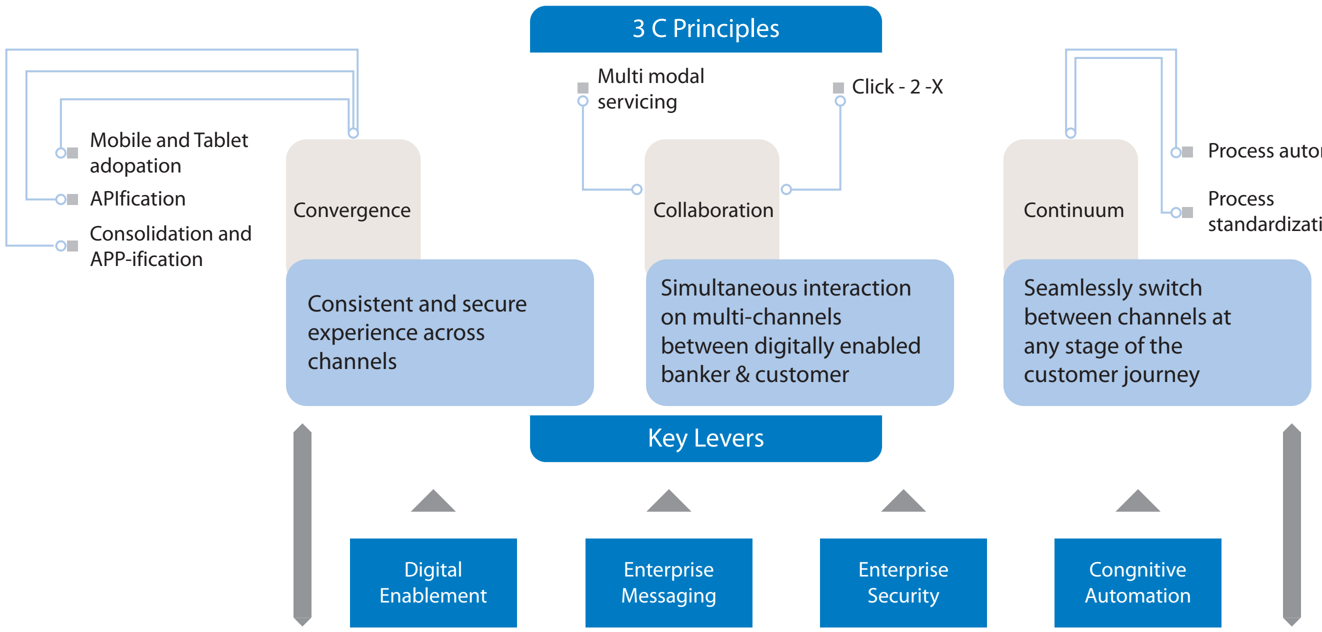

Figure 1: 3C Strategy for Omni-channel Service Delivery in the Corporate Banking Space

To realize the 3C strategy, banks must focus on the following aspects:

Portal consolidation

Several portals essentially provide the same service with multiple enhancements for different segments – large corporates, mid-corporates, and small and medium enterprises. In addition, data availability and information flow across these channels is not consistent. Banks must undertake a massive rationalization exercise to integrate these multiple portals in order to eliminate organizational silos and facilitate a seamless flow of information. Besides improving customer experience, this will enable relationship managers to better serve corporate customers.

Multi-tiered and modularized banking applications become difficult to manage as they grow in size and scope. Challenges around business agility adversely impact the time-to-market for new offerings. To address this, banks must transition to a microservices framework that enables large applications to be broken down into smaller services that are independently accessed and managed.

API-fication and B2B integration

Traditional corporate-to-bank connectivity channels like host-to-host and SWIFT channels can be augmented by adopting digital technologies. Going forward, banks must look at publishing application programming interfaces (APIs) to enable corporate clients to directly connect with their systems for routine banking activities. By allowing users to conduct their banking activities securely from their own applications, APIs offer convenience, cut costs, and help mitigate risk.

Some banks are using APIs and a web services model to integrate with clients that need real-time information and the capability to initiate transactions as and when needed. For instance, APIs can be leveraged to support the corporate treasurer with real-time liquidity and cash positions, which is one of the key asks of corporate clients.

Mobile and tablet adoption

Given that lack of mobile banking services is a key pain area for corporate clients, banks must enable functionalities that allow the clients to check their holdings across multiple accounts through a mobile device or tablet. In addition, relationship managers must push custom generated reports to the required audience on the client side.

A leading mid-west bank in the US introduced a mobile app to offer on-the-go treasury management to around 115,000 corporate users. With this app, the bank achieved round-the-clock engagement with corporate customers, and significantly increased customer satisfaction levels.

Multi-modal servicing

Banks are adopting technology innovations to improve customer experience by reducing friction in customer interaction with the bank. To provide round-the-clock connectivity to corporate customers on their preferred channel, banks are enabling multi-modal servicing. Multi-modal biometric recognition to conduct transactions, or allowing customers access to information through different channels based on their needs are some examples.

Click-to functionality

Corporate clients use more than one channel at the same time to interact with banks, preferring a combination of self-service and assisted channels. To drive collaboration and provide uninterrupted virtual access to corporate clients, banks must also enable click-to functionality spanning click-to-call or video, click-to-chat, and click-to-advisory on mobile apps and tablets.

Process automation

Continued reliance on legacy systems and error-prone manual processing have adversely impacted customer experience besides pushing up costs. Banks must look at leveraging robotic process automation (RPA) technologies to automate back-office processes to achieve seamless integration, increase STP, reduce turnaround time, and improve the end user experience. Areas such as customer document management, customer profile management, and onboarding are ideal candidates for automation.

Process standardization

Transforming the operating model is vital in the current digital context. Redesigning back-office IT processes, keeping in mind the customer journey, will help banks become more customer-centric besides infusing the agility needed to counter competition. Process standardization is a vital aspect of transforming the corporate banking operating environment.

A large bank in the UK was grappling with a long and tedious on-boarding and account opening process resulting in customer dropouts (~86%), low conversion rates, and existing customers switching loyalties. The customer onboarding and account opening process was automated and streamlined to reduce the account opening cycle time by 50%, while complaints dropped by 50% as well. Faster onboarding process and lower dropouts are expected to increase the bank's income by GBP 10.6 million over a five-year period.

Digitalization and simplification

Digitization is a key driver for corporate clients. Digital transformation in banks will, however, hinge on the evolution of their IT architecture spanning people, process, and technology as they strive to deliver the convenience desired by clients. Simplification of the IT landscape through a combination of decommissioning, rationalization, and standardization of applications, considering aspects like data consistency and regulatory compliance, is a fundamental requirement to facilitate digital transformation.

A large US bank wanted to transform its client servicing model to address challenges such as poor client interactions, delays in providing information to clients, and SLA breaches that contributed to a negative client experience. The bank undertook a large transformation program encompassing a single UI dashboard for effective client interactions and faster client servicing, custom-built applications integrated with industry leading CRM tools, multi-channel support, and self-service capabilities. A huge rationalization exercise spanning decommissioning of redundant systems delivered soft savings running into millions of dollars.

Conclusion

A failure to digitally transform the corporate banking model will weaken banks' competitive capabilities. Banks must therefore stride faster on the road to digitalization to improve service delivery and elevate customer satisfaction levels that are currently more person dependent than system or process driven. Going digital will help banks to attain the necessary agility to respond and adapt to changes in the business environment, take advantage of new opportunities, and retain a competitive edge.

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