

Using Workflow and Document Management to Improve Cost Management and Compliance

Key Findings

1. Retail banking customers are increasingly using digital technologies in their banking lives, and are dissatisfied with the remaining paper-based account opening and servicing processes.
2. Financial institutions are increasingly investing in business process management (BPM) and enterprise content management (ECM) technologies to capture and distribute content digitally and to improve transaction speed.
3. ECM systems often have BPM system capabilities, and financial institutions should consider these when implementing ECM systems and integrating them with digital front-office and back-office technologies.
4. Digital loan account opening and servicing transactions simultaneously improve customer service and satisfaction while lowering the firm's processing costs.

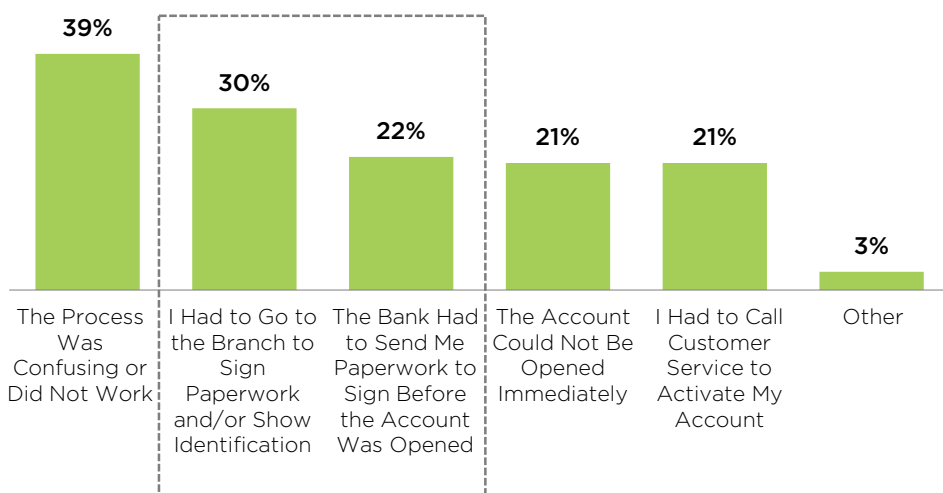
Digital Transformation Is Front and Center

Retail banking customers have become accustomed to completing account activities anytime, anywhere, from checking their balance to opening a new account. This shift to digital transformation has been led not only by data-driven mobile channel technology, but also by the conversion of paper documents to digital ones in both consumer-facing and back-office processes. However, many account opening, servicing, and collections processes are not workflow-enabled utilizing digital documents, and customers cannot completely fulfill a process digitally (Figure 1).

This lag in modernization can result in decreased customer satisfaction and loyalty, and reduces the overall customer profitability to the financial institution. For consumer loans in particular, 87% of complaints submitted to the Consumer Financial Protection Bureau are about servicing-related activities. The process improvements that can be found from investing in ECM and BPM address the common pitfalls that financial institutions continue to experience in fully digitizing customer-facing processes.

Figure 1: Common Customer Problems Experienced with Online Account Opening

Percentage of Respondents, North America, 2015



n = 171.
 Source: CEB 2015 Customer Experience Survey.
 Note: Respondents could select more than one option.

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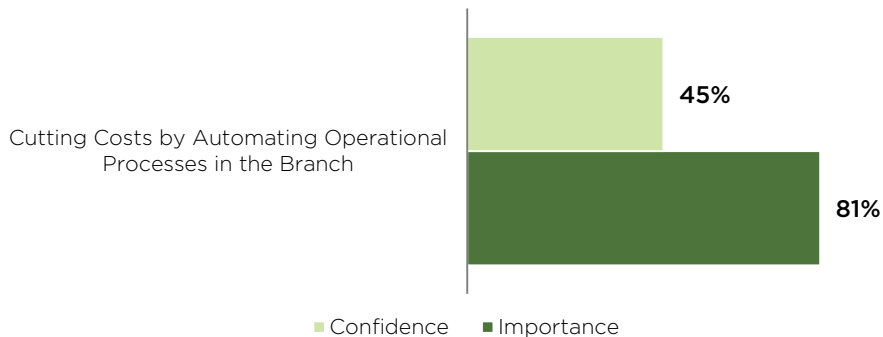
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Prioritizing Cost Reduction Through Strategic Automation

Among channel transformation initiatives in 2016, retail financial institutions are prioritizing cutting costs by automating operational processes in the branch. ECM system and workflow system adoption is accelerating as financial institutions seek to simultaneously strip out costs and processing time from transaction processing while also striving to improve the customer experience. For lending in particular, financial institutions are under pressure to originate loans as quickly as possible, requiring that loan documents be digitized, stored, and shared.

Figure 2: Retail Banking 2016 Priorities in Channel Transformation Initiatives

Percentage of Respondents, 2015

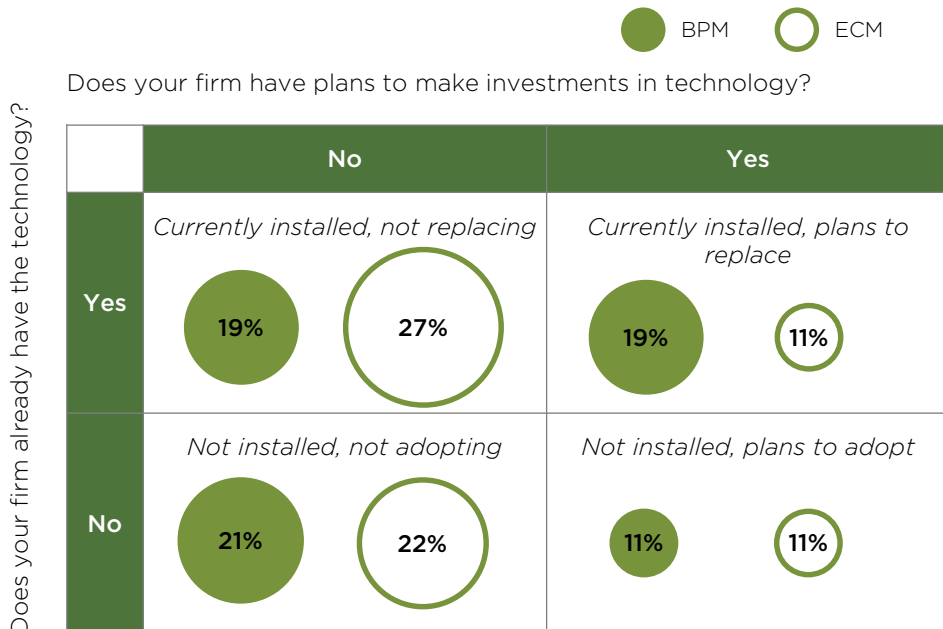


n = 31 (Importance); 38 (Confidence).
Source: CEB 2016 Retail Banking Technology Agenda Poll.

In order to automate key operational processes, a growing number of retail financial institutions are investing in ECM and BPM. While BPM addresses the workflow considerations of going digital, many firms have fully digital processes by implementing ECM to provide a central repository for all digitized content related to customer-facing and back-office processes. Thirty-eight percent of firms surveyed have already adopted ECM systems, while an additional 22% are replacing existing systems or adopting systems for the first time between 2015 and 2019.

Figure 3: Automation Technology Investment Outlook

Percentage of Retail Banking Executives, 2015



n = 47 (BPM); 45 (ECM).
Source: CEB 2015 FSI Survey.

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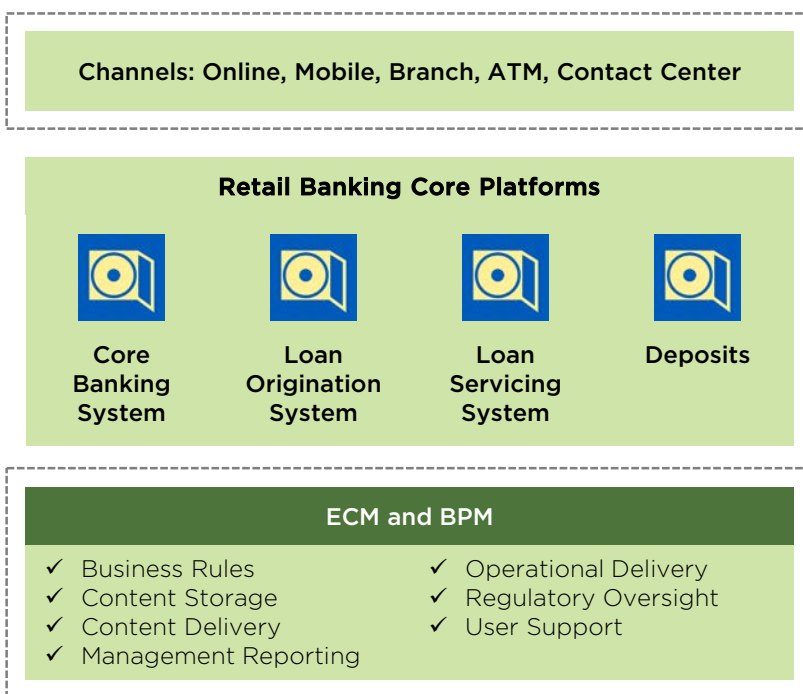
BPM Provides Business Value While Managing Risk

Each type of banking transaction, whether account opening or balance inquiries, represents a different customer experience journey, and each has specific process flows, and so workflow defined by BPM systems is also critical for integrating ECM systems with core lending and banking systems. While core systems typically don't have robust BPM system capabilities, ECM systems often do, and financial institutions should consider these when implementing ECM systems and integrating them with digital front-office and back-office technologies.

For loan servicing systems in particular, content management ranks highly in importance, but low in effectiveness for current systems. ECM solutions can integrate with core lending and banking systems, providing a central repository for all customer information and documents, as well as business rules to automate document routing, filing, and retention (Figure 4).

Figure 4: ECM Provides a Single Point of Access for Customer Documents

Illustrative



Source: CEB analysis.

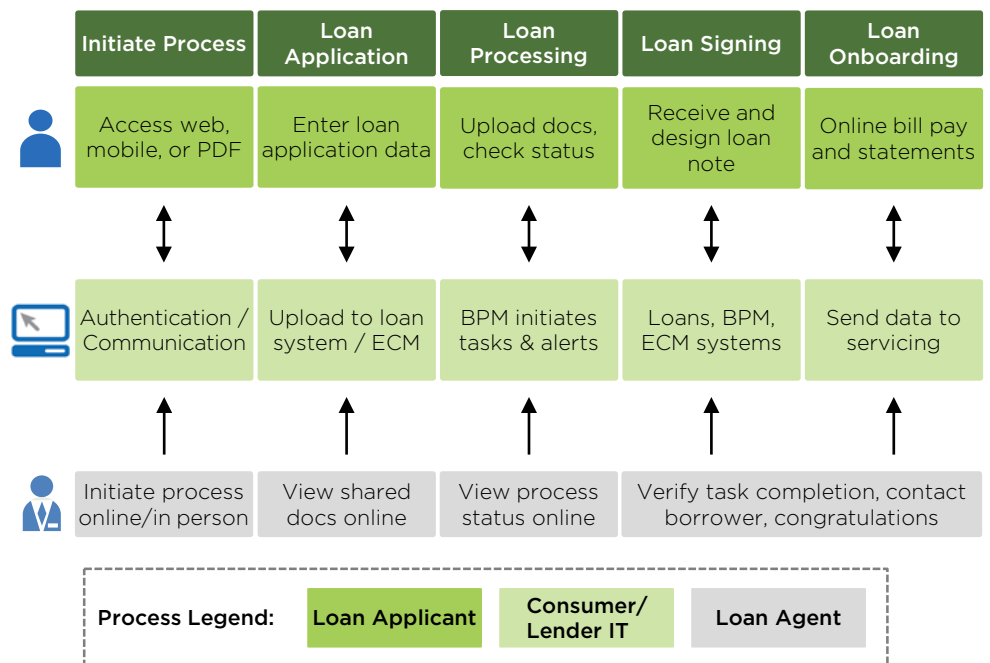
The value of ECM and BPM systems stems primarily from providing improvements to back-office and customer-facing processes. These improvements can help to reduce customer effort in document-heavy processes such as onboarding or loan origination, through features such as pre-filling forms and e-signatures. Further improvements to the bank include the ability to complete transactions faster and reducing processing costs for the institution. This in turn can drive loyal customer relationships. For the bank staff, the automation of document routing and filing helps to free up valuable time that can be spent on revenue-generating activities. Equally importantly, ECM and BPM help support regulatory oversight by allowing compliance staff visibility into current client documents and information, actions taken on customer documents, and the most current marketing collateral in use.

Journey of the Digital Lender: Lending Before and After ECM

The loan application process is one example of a retail banking process that is time consuming for the loan applicant, loan officer, processor, and underwriter. For automobile, home equity, and mortgage loans, a loan application includes numerous customer financial statements and credit reports and other documents that must be collected, stored, and shared with the right people at the right time. In addition, there are hundreds of data elements that must be entered and verified, and these must be made available to downstream processes after they are collected. The current, semi-automated process in place at many institutions relies excessively on a loan agent (either a retail loan officer or a centralized call center loan agent) as an additional link in the chain doing loan processing (versus sales) activities, and perpetuates fax and paper-based processes. Done manually, this takes valuable time away from loan agents, slows down the approval processes, and makes customers wait too long.

The fully digital process, enabled by content capabilities of ECM and the automation capabilities of BPM, keeps the loan agent involved on an exception or as-needed basis, but allows interconnected digital systems and processes to take over (Figure 5).

Figure 5: Digital Loan Application Completion Processes
Illustrative of Digitally Enabled Process



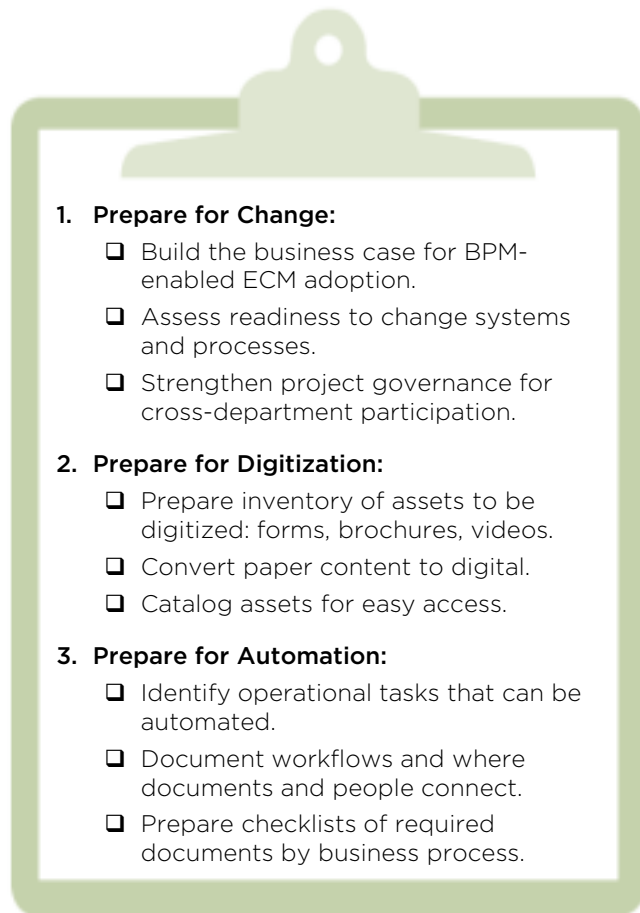
Source: CEB analysis.

Content management systems play a further role throughout the loan disclosure, underwriting, and distribution processes by managing digital documents and digital signatures in a secure and compliant manner, which supports the transmission of documents to all participants in post-closing activity. This allows operational tasks to be automated, freeing up the loan officer for more valuable customer advisory and sales tasks. Importantly, ECM provides a central repository for customer information to ensure accurate information transmission between the loan origination, servicing, and collections stages. The digital enablement provided by ECM improves the customer experience by allowing the customer to fill out applications online where borrower and credit data is pre-filled, save an application to come back to later, and receive auto-alerts of missing information or other required actions. The reduction in paper and expensive courier mailing cuts costs for the financial institution, and the reduction in manual data entry and risk of error saves valuable loan officer time that can be used instead for sales activities.

Conclusion

Digitization and automation provide direct and indirect benefits to the customer experience through improved digital processes, and direct cost-cutting benefits to the bank through reduction in customer servicing costs, faster account origination, and freed-up time for front-office staff to perform revenue-generating activities, instead of focusing on operational tasks. As the retail banking industry adapts to meet the rising bar for digital customer experience, firms can gain efficiencies from digitization and automation through the entire customer journey, across different product and account types, by collecting more documents digitally, and sharing them through processes using BPM capabilities that link core systems and documents with customers and communication channels.

Figure 6: Next Steps to Prepare for Digitization
Checklist of Action Steps



OnBase by Hyland

OnBase by Hyland is a single enterprise information platform for managing content, processes and cases. OnBase has transformed thousands of organizations worldwide by empowering them to become more agile, efficient, and effective.

Source: CEB analysis.

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