

Navigating the perfect storm:

Digitally Transforming Customer Service and Operations in Financial Services

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In the Asia Pacific, financial services organisations increasingly find themselves in a perfect storm of rising customer, competition, compliance and cost pressures.

These factors combine to place an unprecedented level of pressure on financial services organisations across the Asia Pacific region to provide more to the customer at lower cost, while managing a more expensive resource base, and having to manage increasing burden of regulatory scrutiny. All of this is resulting in margin erosion which points to the possible resetting of longer term margin expectations. To compound matters, recent geo-political developments add additional short-term uncertainty into this already challenging situation, all set against a global slow growth environment which is increasing competitive intensity in fast-growing markets of the Asia Pacific region even more.

Concerns over economic, policy, social and business threats

How concerned are you about the following potential economic, policy, social and business threats to your organisation's growth prospects?

Respondents who stated 'extremely concerned' or somewhat concerned'

Top three threats

Over regulation



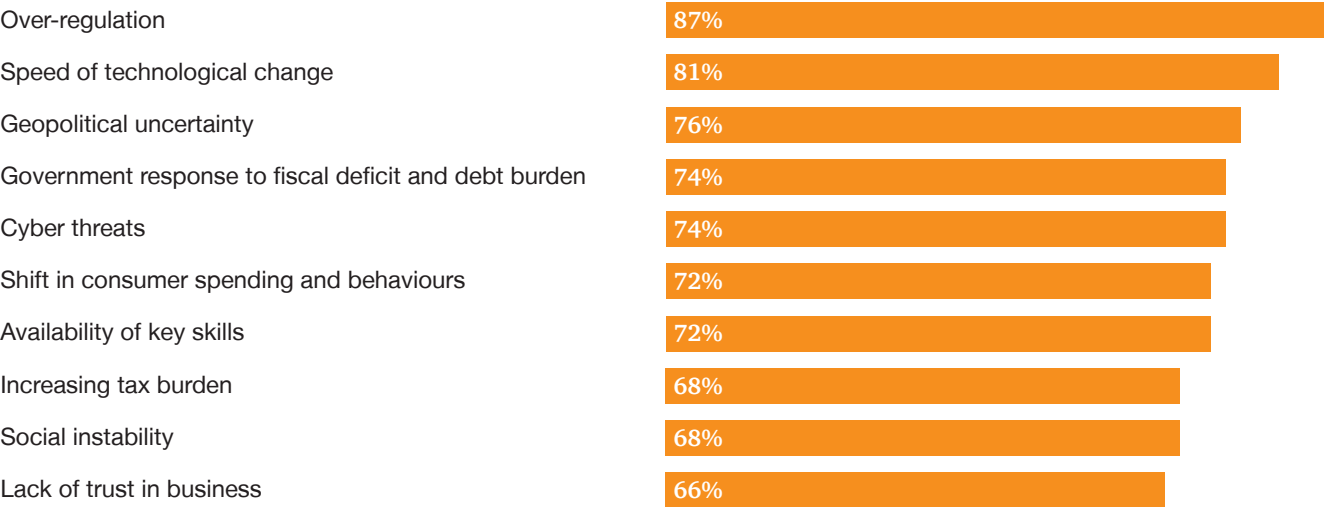
Speed of technological change



Geopolitical uncertainty



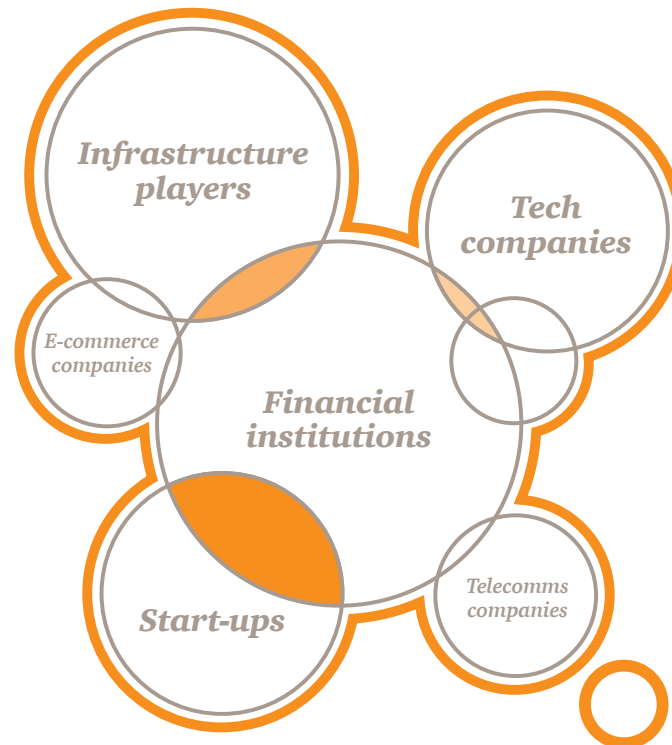
Key threats



Source: 176 BCM CEOs participating in the 19th Global CEO Survey

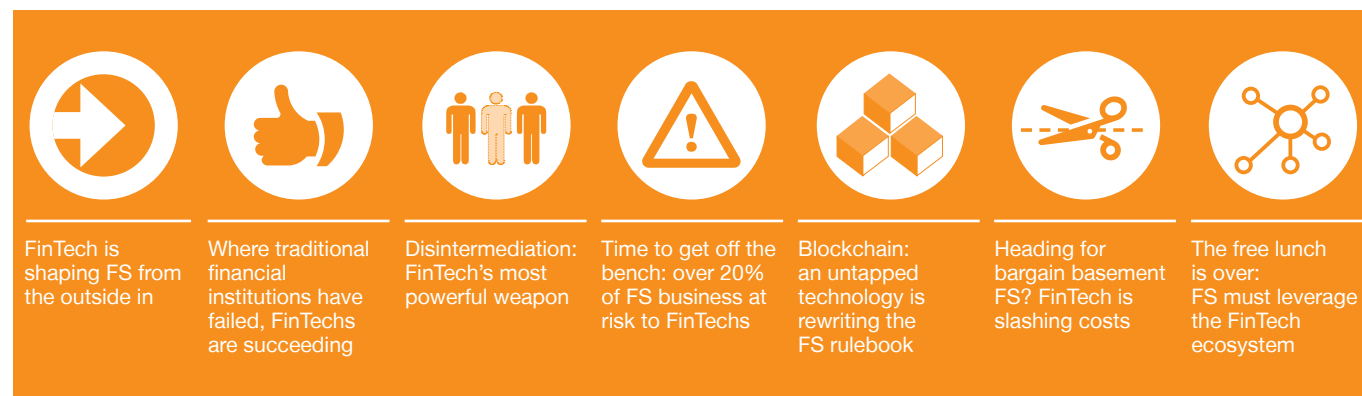
The continuous, rapid advance of technology creates new possibilities for fast, insightful and engaging customer experiences, with expectations shaped by financial services provision but enriched through integration with the rest of the customer's life. Technology is creating a competitive arms race for customers, and new Fintech organisations are re-shaping the banking industry. However, increasingly, a number of Fintechs are shifting in large numbers from being disruptive competitors to banks and financial services institutions, to becoming innovative service providers for these incumbents who are willing to integrate new Fintech capabilities into their legacy environments.

The Emerging Fintech Landscape



Source: PwC Global FinTech Survey 2016

Summary of key messages from the PwC Global Fintech Survey 2016



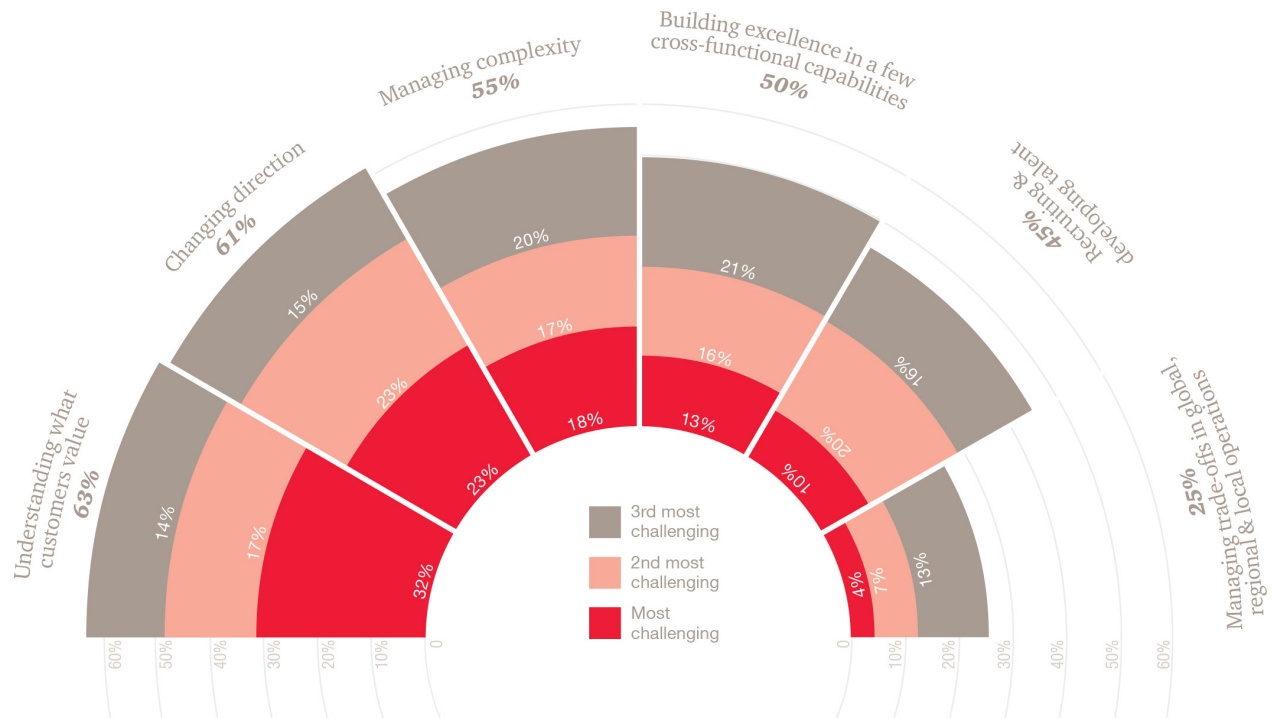
Customer service and operations in the eye of the storm

Against this backdrop, Customer Service and Operations functions of financial services institutions find themselves in the eye of the storm – asked to build, integrate and secure new customer interaction channels while under continuous pressure to reduce cost and headcount. The approach for many organisations has been to combine labour arbitrage through offshoring, lean process improvement, piecemeal digitalisation and occasional enhancements to legacy systems running on long systems development lifecycles with much of the investment allocated to regulatory programs. This traditional recipe to deal with the challenges of digitalisation, escalating cost and regulatory pressure is, however, losing its effectiveness: the industry is in need of redefining more fundamentally its target operating model and taking a fresh perspective on how to harness digitalisation.

From a digitalisation point of view, help is at hand through Fintech innovation, advances in intelligent automation solutions, the move to open API architectures and agile development which will transform the Customer Service and Operations functions across the Financial Services industry.

What are the operational challenges for your company?

Understanding customer needs, changing customer behaviour challenge operations leaders the most



Question : Out of the six statements, which are the most challenging?

Base : All respondents (1,262). N.B. First, second and third most challenges may not add up to the total due to rounding






Source: PwC's 2015 Global Operations Survey, October 2015



The experience customers expect

Financial services customers, generally time-poor yet smartphone-enabled, increasingly expect to be able to interact through channels of their choice at the time of their choosing. The availability of channels is exploding beyond the traditional internet, phone, branch, email, SMS and relationship managers with the advent and widespread adoption of digital “omni-channels” which now include services such as WhatsApp, WeChat, Line, Facebook and LinkedIn. Customers will hop between these services during their interactions, expecting each hop to be informed and continuous from the last and seamlessly transitioned to the next.

Increasing customer expectations

| Customers | | | | |
|---|---|---|--|---|
| ... expect more Expectations are being shaped by experiences outside of the banking industry where content, interactions and features are richer, delivering a more engaging and rewarding experience for the customer. | ... trust their peers The role of banks as the financial expert has been replaced by 'word of mouth' peer conversations, or independent influencers. The rapid emergence of social media in parallel with the rise of mobility has seen customers increasingly turn to their peers for information and advice, rather than to financial experts in the banks. | ... are informed Financial consumers are more savvy today, due to the easy access to research, data and 'expert' views. This has also exposed the lack of differentiation between the various banking products. As customers become more 'self-directed', they are relying lesser on traditional sources of financial advice. | ... have choices Comparison and purchase of alternative financial products and services online is now straightforward and widespread. It has opened up a wide range of choices for consumers, some outside the boundaries of traditional banking services, such as peer-to-peer lending. | ... have a voice The rise of social media platforms has allowed a single consumer voice to be amplified to a tremendous degree. Stories of bad customer experiences spread rapidly via these media and often cause irreparable damage to associated brands. |
|  |  |  |  |  |

Let's look at some examples: a customer has logged into a mobile banking application and wants to speak to a customer service. She expects the ability to seamlessly transfer from the application on her phone to a voice or messaging chat without having to go through another authentication process, and not having to repeat herself to the customer service representative.



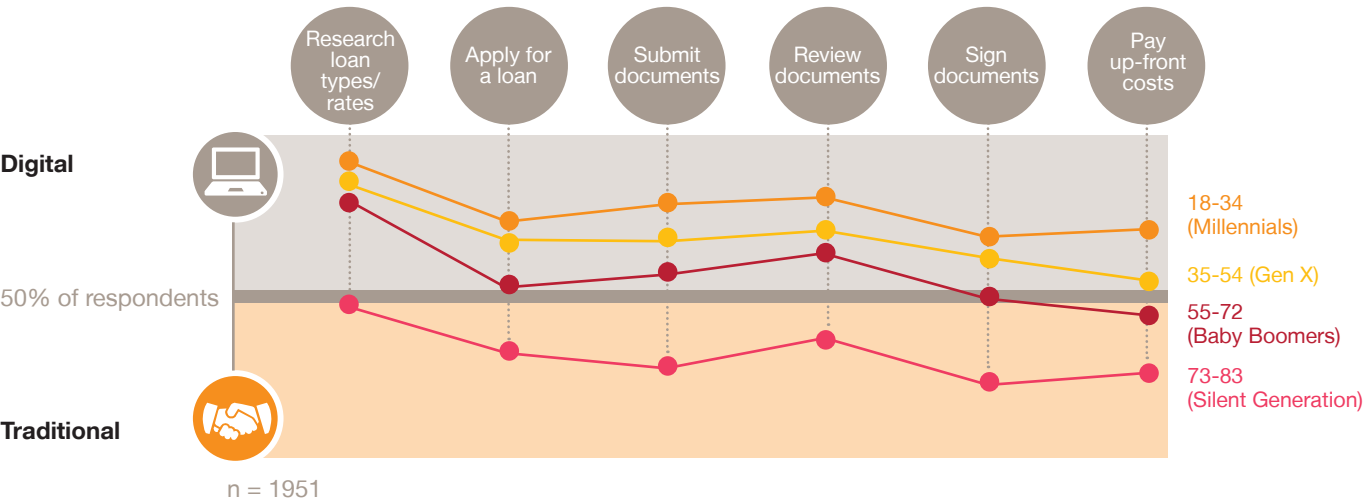
Source: PwC Financial Intelligent Automation Governance Paper 2016

Similarly, when a Private Banking client meets their Banker to discuss a new investment opportunity, the Banker should already be aware of the client’s recent conversations with the contact centre as well as their portfolio position, risk profile, investment goals and recent trades. This also applies to insurance agents, home loan specialists and retail bankers.

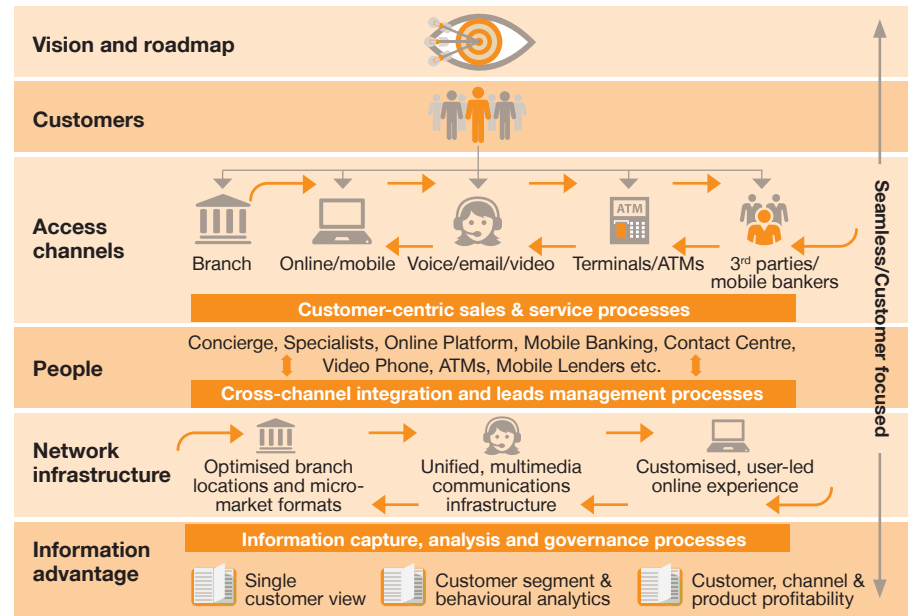
In the same vein, when customers agree to buy a new product, they do not expect to spend time filling out application forms with information the institution already has, and having to wait days and weeks for a decision or approval. Today, customers expect digital interactions with near instant decision-making. Digital natives want a end-to-end experience or have online-to-offline seamlessness. This customer need is increasingly critical in Asia, given the rapid adoption of digital in markets such as China and Singapore.

In short, customers expect and respect connected and responsive omnichannel experiences.

PwC Consumer Lending Survey



PwC Omnichannel Banking Model



Moving to a truly digital customer service and operations

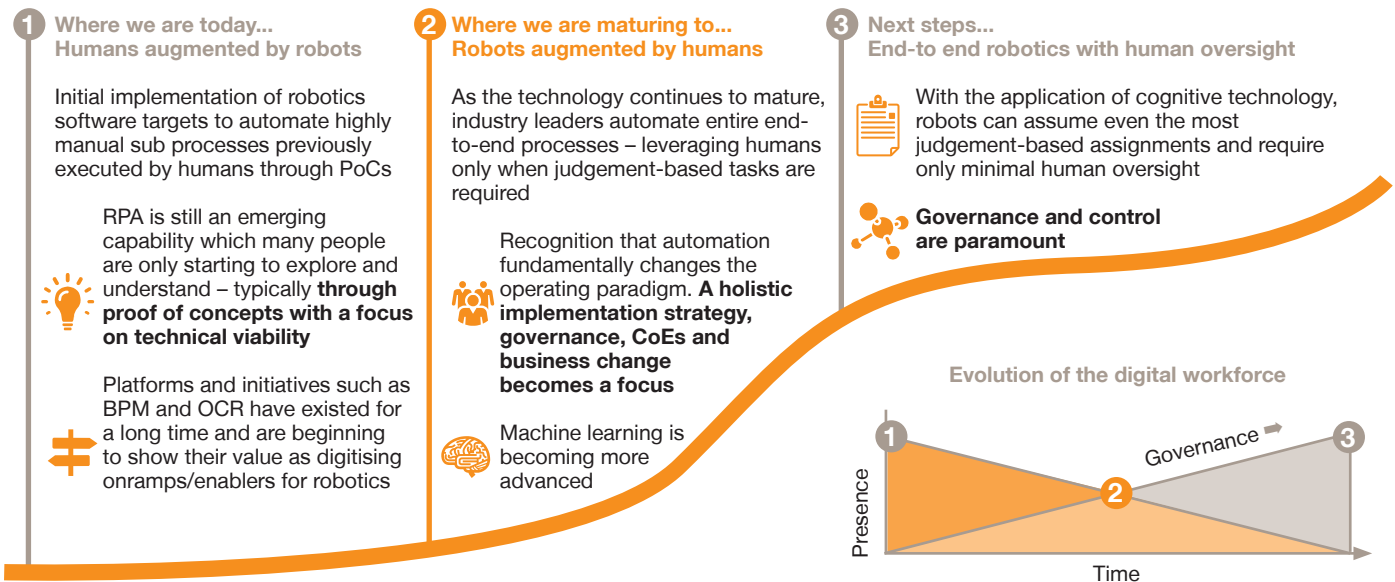
To be fully digital, Financial institutions need to understand the different journeys their customers experience throughout the sales and service processes including how different customer segments are likely to interact with the various channels. It is critical to identify the pain points where customer experience may be compromised due to not being connected, having to re-key information, using paper forms, longer waiting time and long processing queues. With this insight, customer service and operations functions can build their digital roadmaps towards a future of full digitisation and intelligent automation.



Under this fully digitised and intelligently automated vision, the contact centre becomes a key orchestrator of customer interactions across all sales and service channels – together with their respective IT departments, they have an important role of integrating these channels and ensuring seamless information flows that are secure and compliant with privacy policies. Behind the channels sits a combination of people and robots who manage the customer interactions. Chatbots will support chat channels interacting directly with customers while process robots work in the background facilitating faster and more efficient processing, filling the gaps where core systems have not yet been fully integrated, e.g changing a customer's address across multiple systems. The increasing use of software-defined networks will aid the process of integrating and managing disparate systems, and facilitating straight-through processing for an enhanced customer experience.

Behind customer service, operations will also be automated with digitalisation and robots. Many of the use cases for automation in operations occur when core systems are not fully integrated and where a “people solution” was applied to paper over the cracks. New approaches to IT development, including agile development and opening of APIs will over time, allow faster integration, Fintech and other solutions will provide more elegant straight-through processing solutions. This coupled with the move towards digital signatures in many jurisdictions will allow processes to go digital from end to end. As operations digitalise, financial institutions will increasingly benefit from secure private networks where they can access cloud storage and services provided by technology partners.

In the meantime, the use of Robotic Process Automation (RPA) can help to balance the need for speed while reducing headcount. Many of the simple RPA bots that will be built and deployed, can be viewed like a temporary digital workforce.



Source: PwC Financial Intelligent Automation Governance Paper 2016

Managing the human and digital workforce

The rise of robots in customer service and operations functions brings fundamental change to workforce management.

1. Processes which have been offshored for labour arbitrage purposes can now be onshored again, into the data centre, turning on its head much of the move to offshore, cheaper labour-based shared services.
2. Management responsibility has been defined in terms of numbers of people managed – this needs a rethink as people start to manage teams of bots.
3. Bots need to be regarded as a contingent digital workforce with the proper human resource documentation and processes, i.e employment start and end dates, access rights, and employee risk profiles.
4. The introduction of bots can create massive change and anxiety for existing staff as automation impacts their roles, affecting job security.
5. The move to automation requires new skills around chat bot and process bot design and management, including use of sophisticated analytics to monitor, inform and audit the work performed.



A new world of digital risk management

The new digital world raises significant new risks that need to be managed.

Process robots are sensitive to underlying systems changes whether that be internal or third party. An overnight change to a system can lead to data errors which may not be immediately apparent. Examples have been reported of communications and payments going to the wrong customers.

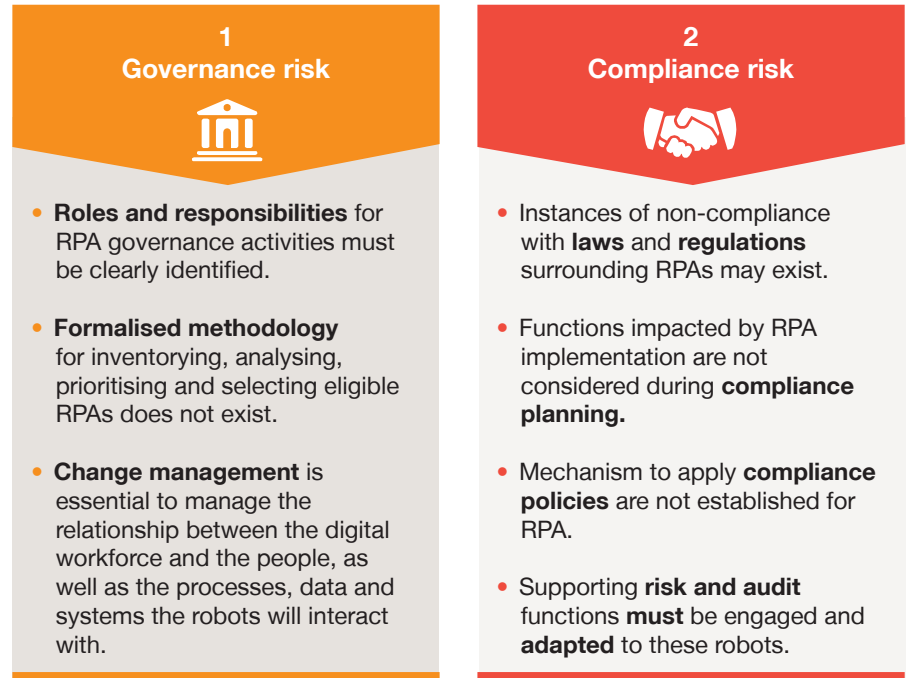
The use of artificial intelligence and machine learning in bots raises digital conduct risks. For instance, a chat bot may inadvertently learn inappropriate language and behaviour. Highlighting the importance of close monitoring and supervision to ensure proper conduct and compliance with employee policies and practices.

Robots also bring new cyber risks, e.g hacking incidents and manipulation of processes, including payments. Cyber security strategies and plans need to be updated to manage risks which may arise from having a digital workforce.

Many organisations still rely on a “back to paper” business continuity management plan in the event of large-scale disruptions. With large-scale automation of customer service and operations, leading to a reduction in headcount, there may not be enough people to execute such “back-to-paper” plans during disruptions, necessitating the need for a more sophisticated business continuity management plan.



Risk Management Considerations for Robotic Process Automation (RPA)



Where to from here?

To navigate the perfect storm of customer demand, escalating cost and regulatory scrutiny, there are five key questions financial institutions across Asia Pacific must address:

- understanding the omni-channel journeys customers want and expect
- having the strategy, governance and capability to execute full-scale digitalisation and automation of customer service and operations
- figuring out how to engage and integrate new Fintech solutions
- planning for new digital risks associated with automation
- integration of customer service and operations with the overall technology roadmap, using Fintech, robots and advanced analytics.

3 Implementation risk



- Siloed/ decentralised RPA configuration may lead to variations and multiple iterations of similar processes across the enterprise.
- Fomalised methodology for testing and approval of RPAs does not exist.
- **Lack of an established process to change** configurations and any integrated up and downstream processes results in incompletely or inaccurately process data.

4 Operational risk



- **Business continuity** and disaster recovery and the inability to perform tasks in the case of RPA failure.
- Underlying system/data **change-related impacts**.
- Loss of institutional **knowledge** as employees who configure and deploy RPAs leave their roles.
- **Insufficient oversight**/monitoring and management of digital workforce (functioning, balancing workloads).

5 Cyber risk



- RPA configuration and modification security.
- RPA is inappropriately configured/ changed to perform unauthorised activities.
- **Unauthorised access** to RPAs is not prevented.
- Access to download and use of RPA tool is not restricted.
- RPA **activities logging** may not be secured or retained.



The digital transformation of customer services and operations places new demands on the systems and networks which underpin them. As the financial service industry digitalises, industry players will have to integrate services and operations at a global level, working with fintech service providers, partners and service providers from around the world to compose their service offerings. We can expect that the next phase of financial services transformation will increase the pressure on companies to secure interactive communications globally, for example doing more with partners from behind the safety of private clouds and virtual private networks. This will require new capabilities to manage rapid provisioning of new business sites, branches and communication channels, as well as extended network security, control and quality over such expansion.

Through this transformation, the financial services institutions of today will be able to navigate the perfect storm, giving customers the experience they expect and building the operational capability to deliver it.

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