

How will COVID-19 affect
priorities across the Financial
Services industry?



Woodhurst

Foreword

We are in the midst of a health, societal and economic crisis, the scale of which hasn't been seen for generations – if ever.

In this environment Financial Services will be looked to as a pillar of recovery by governments, organisations and individuals alike.

As economic uncertainty becomes one of the few constants over the next 12-18 months, organisations across the industry will need to make strategic changes so that they can continue supporting their customers in the best way possible.

Woodhurst conducted a survey of business leaders in the industry to understand the role that Digital Transformation will play in these strategic changes.

This report provides a summary of our findings, and recommendations for the key areas of focus.



The crisis has clearly increased the pace of Digital Transformation across the industry

We've all seen the joke now, but the reality is that COVID-19 has kick started *an aspect* of Digital Transformation for Financial Services firms.

The crisis has caused banks to consider their digital initiatives more closely, to move at greater pace, and to focus on enhancing the customer experience.

Who led the digital transformation of your company?

A) CEO

B) CTO

C) COVID-19



Banks have responded rapidly to mobilise a remote workforce and enact change at pace

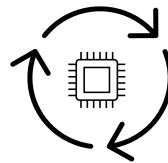
Organisations across the industry have redefined processes, realigned focus and reprioritised workloads to allow their people to work safely with the tools they need to support customers at this testing time.

Enabling Remote Working



- It is no small feat to enable an entire workforce to operate effectively remotely
- Systems have been updated and secured, policies amended and working practices completely augmented

Rapid Digital Changes



- Many firms have introduced changes in days, when previously they would have taken many months
- Governance has been streamlined and processes improved to allow for rapid implementations to production

Focus on the Customer



- Banks have had to reduce the operational strain on customer support teams by improving digital journeys
- Mortgage holidays have been automated, mobile chat bots have been created and regular advice has been distributed online



Now is the time to convert these initial actions into concrete sustainable change

We can all agree that organisations have demonstrated a flexible and resilient response to COVID-19. These initial lessons now need to be refined and embedded throughout in order to not only survive, but also thrive in the future digital landscape.

Enabling Remote Working



- ✓ Embed infrastructure, tools, practices and policies to sustain the positive impact of remote working
- ✓ Consider how teams can be structured around capabilities, rather than physical locations
- ✓ Train and develop the skills of our workforce so your people can best lead and motivate teams remotely

Rapid Digital Changes



- ✓ Replicate and embed the streamlined governance that allowed fast-paced development
- ✓ Use data and a retrospective assessment to fine-tune long-term process improvements
- ✓ Explore how scalable digital technologies can support regular, iterative change

Focus on the Customer



- ✓ Recreate any new digital journeys that have been introduced across all channels
- ✓ Reprioritise the digital book of work around customer focused changes
- ✓ Redesign processes to consider the customer at every step when implementing change



Woodhurst has experience of helping organisations to embed and mature their agile processes, and of implementing customer focused journeys, features and processes across digital channels

But given the impending economic challenges, greater long term transformation is needed

Leaders are leaning towards a focus on cost reduction as an immediate response to the crisis, but increased revenue generation remains an important lever to continued business success.

Q. What will be more important to your organisation following the crisis?



With an impending recession and continued economic uncertainty, financial services firms will need to focus on delivering efficiencies, with a keen focus on Operations, whilst identifying opportunities to maintain and increase revenue

And it is clear that Digital Capabilities will be the driving force for long-lasting change

My organisation will need to digitise processes to **Reduce Operational Cost**

0 - Strongly Disagree

10 - Strongly Agree



My organisation will need to digitise processes to **Increase Revenue Streams**

0 - Strongly Disagree

10 - Strongly Agree



My organisation will need to **improve its Digital Capabilities** in response to the crisis

0 - Strongly Disagree

10 - Strongly Agree



Leaders agree that strengthening digital capabilities will be key to driving down operational cost and to increase revenue streams, in the long term

Leaders broadly agree that Cloud and AI tools will enable digital enhancements

As a result of the crisis do you expect the organisation to utilise **cloud-based tools and technologies** more in the next 12 months?

Yes - 78%



As a result of the crisis do you expect the organisation to utilise **AI and ML tools and technologies** more in the next 12 months?

Yes - 68%



Cloud and AI are enablers to Digital Transformation initiatives that firms should look to embrace wholeheartedly in response to the crisis. An initial investment in the next 12-18 months can generate multi-year returns for the business



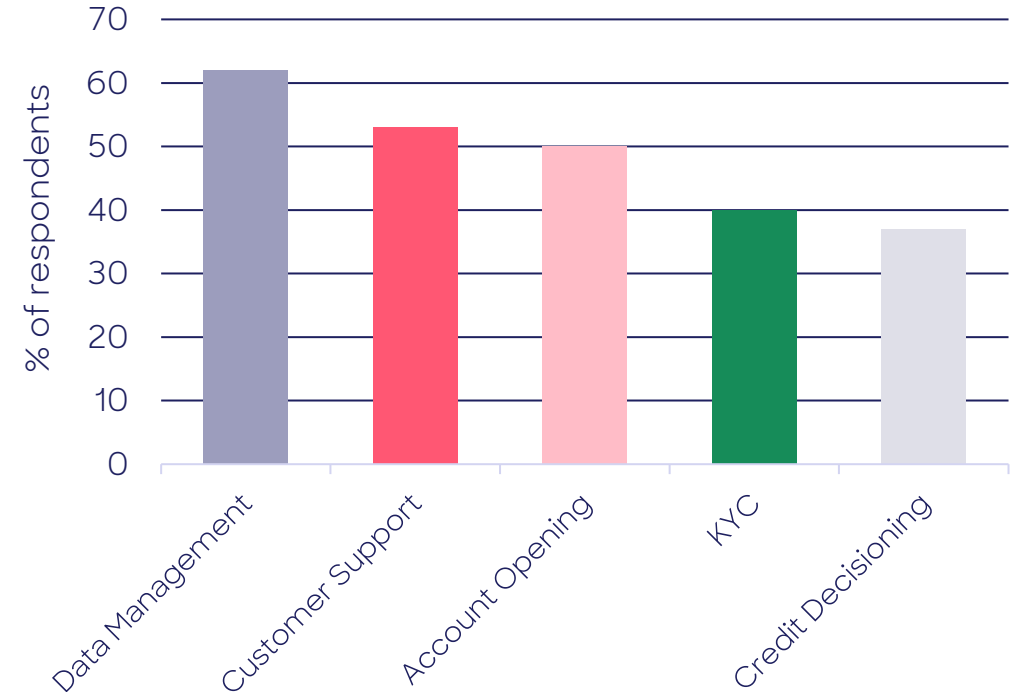
With many processes still requiring digitisation and automation

There is clearly a belief that digital capabilities need to be improved across many facets of the organisation.

It's important that these capabilities are developed as part of an end to end process.

It is not sufficient to digitise a front end experience when other aspects of the process remain manual or inefficient.

In which areas will digital capabilities need to be improved within the organisation?



So leaders should focus on enhancing digital capabilities across these five areas

The entire organisation should create exceptional digital capabilities, however, an initial focus should be given to those areas that will be most impactful to customers, create the greatest return, and set the organisation up for future success.

Data Management



High quality, consistent data will greatly enable digital capabilities to persist in every facet of the organisation

Customer Support



Customer Support can be enhanced by pre-emptive analytics, automated resolutions, improved self service and more informative staff tools

Account Opening



Account Opening must be mobile first, streamlined and as consistent across the product set as possible

KYC



KYC should use digital identification inputs and intelligent analytics to improve the customer experience and reduce the cost to serve

Credit Decisioning



Credit decisions must use smarter data sources, be performed instantly, and enable the creation of flexible products - without increasing risk



Woodhurst has extensive experience of helping financial services firms to enhance existing and create new digital capabilities. The following recommendations focus on where we see the greatest impact for transformation across each of the five areas

Focus areas – Data Management

62% of respondents agreed that digital Data Management capabilities need to be improved across the organisation

High quality, consistent data will greatly enable digital capabilities to persist in every facet of the organisation



Focus on data quality

- Data across the organisation should be complete, accurate and plentiful
- Identify which existing, valuable data sets – and processes – require remediation, focusing on the creation of a “Golden Source” for key data
- Consider which strategic data sets need to be acquired or developed to support the business



Invest in tools and capabilities

- Data science should be a core capability that can be utilised across the organisation
- The business should not be constrained by legacy data storage technologies and ineffective data analysis tools

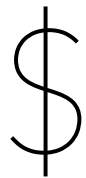


Surface and analyse

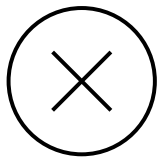
- Make sure data can be available in the right place, at the right time across the business
- Rich data sets should be constantly analysed to draw insights that influence product development, help to tailor solutions and support lending decisions, amongst others

Data is the life blood of AI – and yet it is also the most cited cause of failed projects

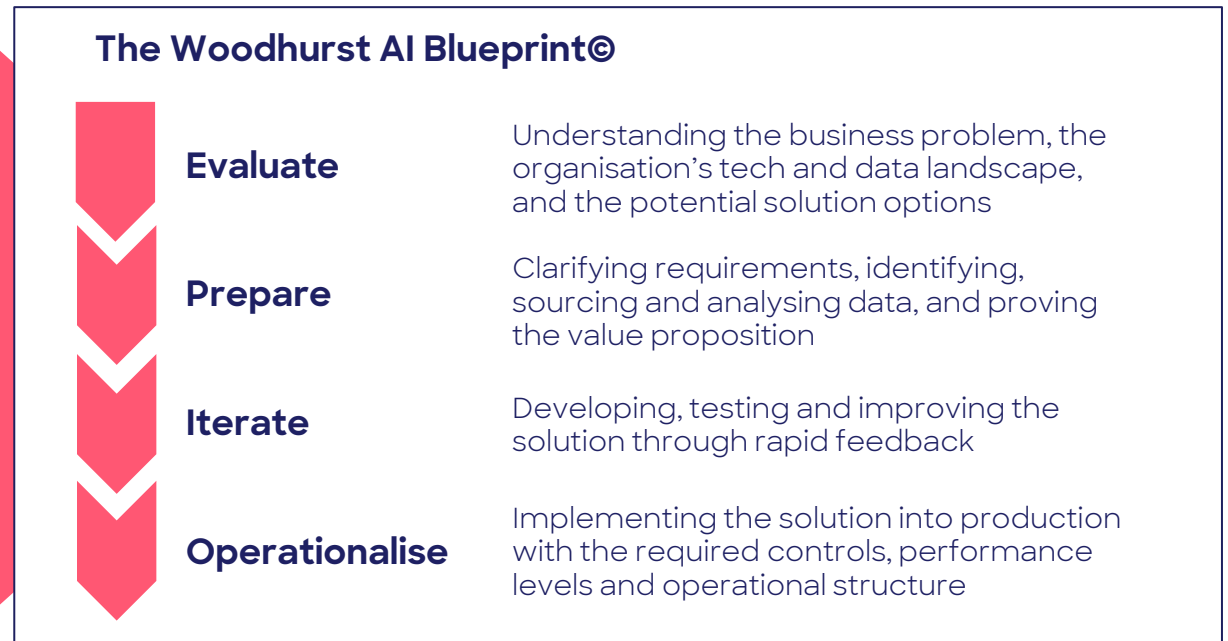
It is impossible to discuss the enhancement of digital data management capabilities without considering the positive impact that Artificial Intelligence tools and technologies could have on the organisation.



AI is projected to create over \$400bn worth of savings globally in the next 3 years, but 9 out of 10 AI projects across Financial Services don't make it to production.



Data is consistently cited as the main reason that these projects fail – highlighting the need for enhanced data management capabilities to unlock these potential cost savings.



The Woodhurst AI Blueprint© includes a readiness assessment of your organisation's data capability, as well as a consistent, repeatable framework for introducing AI tools and technologies into the business

Focus areas – Customer Support

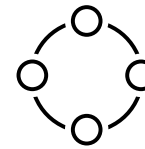
53% of respondents agreed that digital Customer Support capabilities need to be improved across the organisation

Customer Support can be enhanced by pre-emptive analytics, automated resolutions, improved self service and more informative staff tools



Predict

- Use data to understand signals that suggest a customer may need support to proactively anticipate and pre-empt customer needs



Automate

- Technical issues are increasingly self-healing; the same approach can be taken with customer issues. Automate issue resolution to prevent unnecessary customer contact



Self-Serve

- Where automated resolution isn't possible, allow the customer to self serve with intelligent tools and digital resolution processes – prioritised on mobile and seamlessly connected across all support touchpoints



Empower Staff

- Allow staff to leverage the data, information and tools they need to resolve customer issues at the first point of contact and as efficiently as possible – dramatically improving customer engagement

And the branch model needs to continue its evolution in the digital age



- Branches remain an important part of the banking infrastructure for some – just look at the queues forming outside during the crisis
- A physical presence will continue to differentiate the incumbent, traditional banks – to a point
- But in most cases a branch process should be secondary to the digital option
- Common branch processes should be digitised as soon as possible – cheque imaging, ID verification, account opening etc.
- Digital solutions across the product set will dramatically reduce branch traffic
- Other support mechanisms must be instant and effective
- The business model needs to change
- Use branches to create a physical ecosystem of partners – not just for banking services
- Digitise the interaction with scheduled video meetings or other virtual solutions
- Empower branch staff to focus on relationships, rather than simple issue resolution



Woodhurst has helped organisations to both simplify, digitise and automate existing processes, and to implement digital operating models. Leaders must consider how the branch evolves alongside a digital, customer focused banking experience

Focus areas – Account Opening

50% of respondents agreed that digital Account Opening capabilities need to be improved across the organisation

Account Opening must be mobile first, streamlined and as consistent across the product set as possible



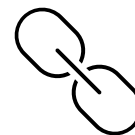
Mobile First

- It should be possible to start all product journeys within the existing mobile app – and where possible the end to end experience should be mobile based
- Retail has made strides in recent years, but the wealth and business banking experiences on mobile platforms are still sub-optimal



Streamlined

- Reduce the number of manual data entry steps in the mobile product opening journey
- Reuse information that is already available, and leverage Open Banking to source as much relevant info as possible
- The timeframe from submission to activation and receipt of a physical card should be 2-3 days – not weeks

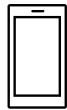


Consistent and Integrated

- Customers will engage more with consistent, integrated product sets. The current account, savings account and credit card journeys should be as consistent as possible

Challengers have built customer bases with complementary banking experiences

Financial Providers should focus on:



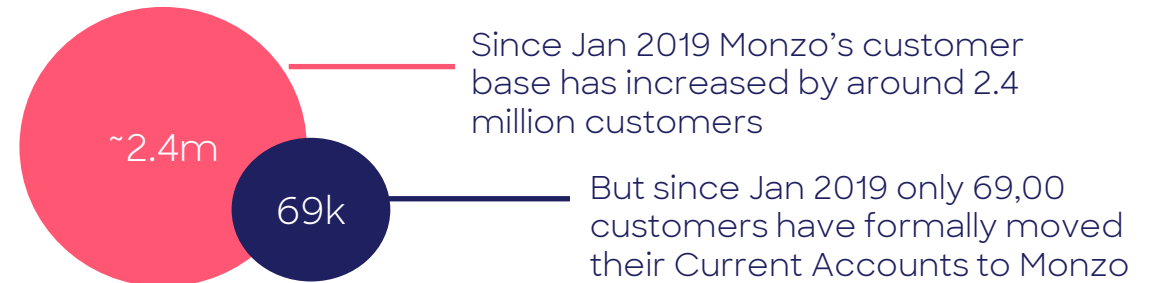
Seamless, digital, mobile based onboarding



Complementary functionality – such as Open Banking integrations and digital partnerships



Exceptional customer experience and functionality across all products – the fight shouldn't just be for Current Accounts



- Customers are becoming more comfortable with using multiple providers for banking services
- Providers need to consider how their digital capabilities can enable them to secure customer deposits – even where they are not a “primary” account provider
- Consider high value, high deposit accounts that aren't currently digitised – Wealth, Savings and Business



Woodhurst supported the introduction of innovative features – powered by Open Banking – into the UK mobile app for a global universal bank. These features are actively used by over a million customers and the team's approach paved the way for future feature development

Focus areas – KYC

40% of respondents agreed that digital KYC capabilities need to be improved across the organisation

KYC needs to utilise digital identification inputs and intelligent analytics to improve the customer experience and reduce the cost to serve



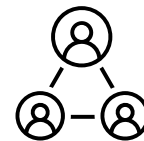
Digitise data inputs

- All Identification Documentation must be received in a digital format, with key information extracted using readily available AI tools
- Digital data sets will lay the foundation for automation and intelligent analytics



Right information, first time

- Digital inputs allow for instant data validation to ensure the correct data is received first time round
- This information should be streamlined to ensure the customer only inputs what is absolutely needed, and not a byte more
- Additional data requests, where needed, should be rapid and via the customer's chosen channel



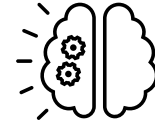
Use all the data available

- For new customers, Open Banking allows institutions to extract significant data about a customer during the onboarding process
- For existing customers the institution needs to be able to sync up data across functions and business lines to form a holistic picture of the customer

Focus areas – Credit Decisioning

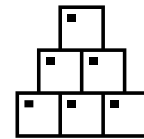
37% of respondents agreed that digital Credit Decisioning capabilities need to be improved across the organisation

Credit decisions must use smarter data sources, be performed instantly, and enable the creation of flexible products – without increasing risk



Use smarter data sources

- Open Banking provides a rich source of data to assess credit worthiness with a greater degree of accuracy
- Automate the lending decision end to end using intelligent tools based on established risk models



Flexible, customised products

- A wider data set allows the organisation to better mould products towards customer needs
- Consider flexible lending approaches across cards, loans and other credit products based on an agreed credit limit



Predict and pre-empt

- Preauthorise credit limits across the customer base, where possible, to allow funds to be exchanged immediately
- Use intelligent analytics to predict credit needs across the customer base and target the best product for those needs – particularly for retail and small business customers

It's clear that digital solutions will form the backbone of Financial Services for many years to come

Many organisations have already responded positively with rapid digital changes that have given customers the support they need whilst reducing the load on operational teams.

The next step is for all firms to embed these positive changes so they become standard practices that can support future transformation initiatives.

From there, organisations can define their strategic digital objectives and begin shaping their people, processes, data and technologies to ensure that they are met.

In an environment that will be typified by uncertainty and economic difficulty, the Financial Services industry could be a shining light in the recovery by leading with digital solutions to complex, human challenges.



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