Intelligent Automation

How COVID-19 presented an opportunity to combat operational challenges in retail banking

Introduction

The global pandemic sent shockwaves throughout the financial markets, the elasticity of consumer goods and significantly impacted the way we engage in normal business activities for the foreseeable future. As a result, financial institutions could see a run-on cash, limiting their liquidity and restraining access to consumer credit --- requiring retraining of credit risk models. This had led to a subsequent increase in delinquency rates and default across consumer lending --- necessitating a refresh of account servicing strategies.

However, the most significant impact on financial institutions may be operational. Many retail banks have invested heavily in digital transformation efforts to combat the disruption. Competition amongst banks has become fierce as consumers continue to evaluate their banking options. Early adopters have gained a competitive advantage over slow adopters. Intelligent Automation (IA) solutions assisted organizations in successfully driving value throughout these challenging times and amid the opportunities they presented.
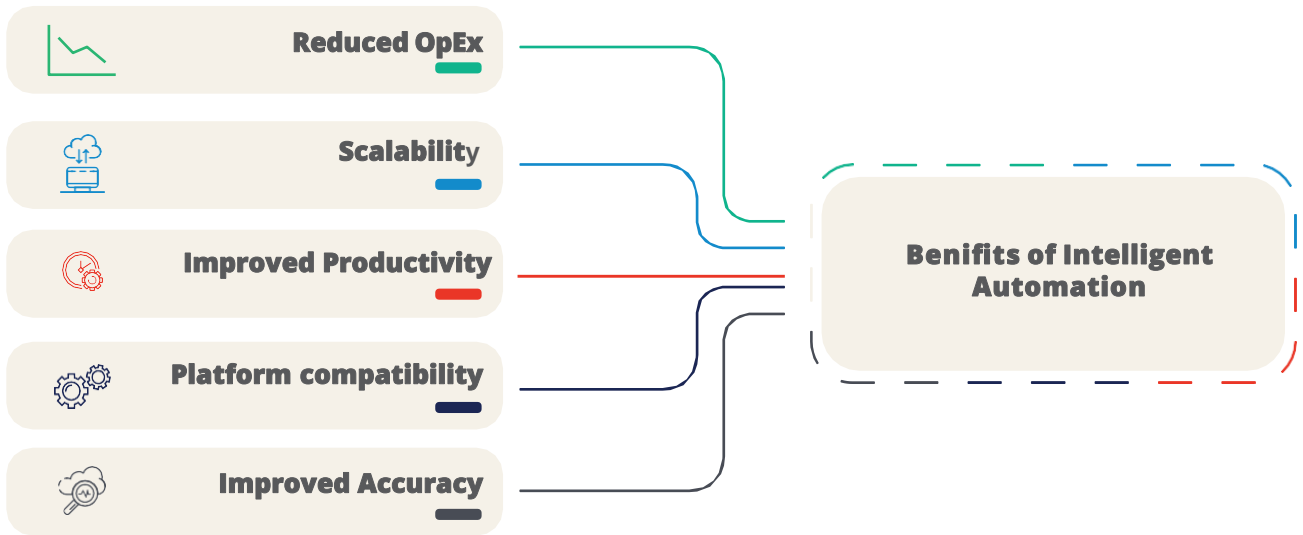
One of our core operating mantras is, "Don't send a human to do what a machine can!" As per Market Watch, the market for technological automation, such as **Robotic Process Automation (RPA), is growing at 20% per year and is likely to reach $5B by 2024.** Intelligent automation leverages advanced technologies like data science and AI to make automation smarter and provide considerably more value to an organization. Over the next two years, polled executives estimate that intelligent automation efforts will drive an **average cost reduction of > 20%** with a corresponding increase in revenue of approximately **10%.** The benefits of IA include speed and precision in IA enables organizations to build bots that automate a critical business process that is highly repetitive for humans and provides an opportunity to refocus attention on strategy and innovation. With the growth in IA solutioning, FS executives expect automation to **increase workforce capacity by > 25%,** equivalent to over **2 Million incremental FTE by 2023**. Most financial services leaders agree they will reallocate the time saved in automation to higher-value work efforts that drive improvement to customer experience and organizational growth.
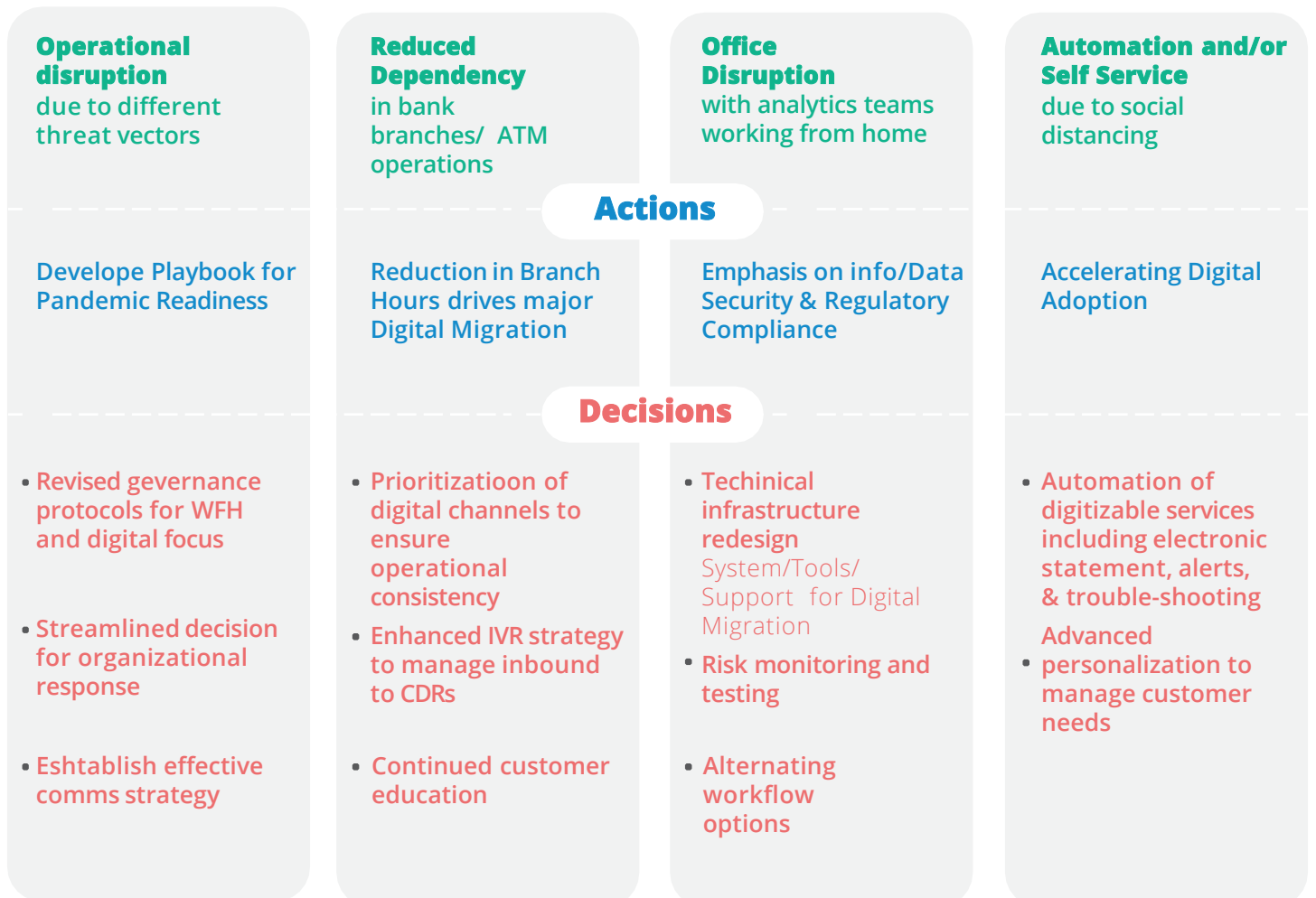
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Benefits of Intelligent Automation

- Reduced OpEx
- Scalability
- Improved Productivity
- Platform compatibility
- Improved Accuracy

Let's evaluate a few of the key operational disruptions to retail banks where IA can be applied:

COVID-19 - Mitigation operational challenges Global Retail Banks are facing

Disruptions

Operational disruption due to different threat vectors	Reduced Dependency in bank branches/ ATM operations	Office Disruption with analytics teams working from home	Automation and/or Self Service due to social distancing

Actions

Develope Playbook for Pandemic Readiness	Reduction in Branch Hours drives major Digital Migration	Emphasis on info/Data Security & Regulatory Compliance	Accelerating Digital Adoption

Decisions

• Revised gevernance protocols for WFH and digital focus	• Prioritizatioon of digital channels to ensure operational consistency	• Techinical infrastructure redesign System/Tools/ Support for Digital Migration	• Automation of digitizable services including electronic statement, alerts, & trouble-shooting
• Streamlined decision for organizational response	• Enhanced IVR strategy to manage inbound to CDRs	• Risk monitoring and testing	Advanced • personalization to manage customer needs
• Eshtablish effective comms strategy	• Continued customer education	• Alternating workflow options	

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The global nature of this recent pandemic highlights the need for retail banks to **develop a playbook for readiness to deal with operational disruptors.**

To prepare and minimize disruption to employees these institutions should be evaluating both

| **Data and operational governance protocols** | **WFH (work from home) guidelines** |

This playbook should include parameters for

- Streamlined decision-making for organizational response
- An effective communication strategy for both employees and customers.

These organizations have or are setting up procedures and strategies to effectively prepare for a completely digital environment. A digital ecosystem where all customer sales and service journeys are handled via the web, app, and email methods. Also, it is recommended that organizations review all BPO activities to evaluate opportunities for greater automation. AI and ML are essential mechanisms that can support banks in refining business operations during this massive digital migration. Once these opportunities are identified, intelligent automation can be effectively deployed to drive efficiency.

The traffic and reliance upon brick-and-mortar bank branches is continuously diminishing. Consequently, bank customers will remain at home. We have observed a substantial migration to digital channels for banking activities. In response, retail banks are already prioritizing customer experience and hyper-personalization initiatives to ensure consistency in execution for customers who are ready to migrate and are likely to remain loyal on these digital platforms. Advanced personalization can proactively direct customers to maintain and service their accounts responsibly. In addition, they are leveraging technical consultation and advanced analytics to remove all possible friction to these channels across both sales and servicing journeys while identifying the root causes. Automated, AI-based solutions have been developed to overcome behavioural and data issues and drive digital insights by channel, develop solutions to manage these unprecedented volumes and uncover actionable, strategic insights on changing customer behaviours. However, there are still those customers that are less technologically sophisticated, and so data-driven enhancements

to inbound CSR smart call routing and self-service IVR strategies come in demand. In the case of one large bank, we have seen digital activity only **increase by 20%,** while call center volumes have **increased by 90%**. Lastly, FS institutions should be encouraged further to dig deep into their data lakes during this surge in digital transactions across their web, mobile, IVR, and chat channels. That said, AI and ML can be useful tools to "weed through" data.

Operations teams working from home are still required to seamlessly conduct business activities on behalf of customers, firms need to perform digital analytics for effectively redesign their technical infrastructure in support of massive digital migration. This technical assessment will cover information/data security, network capacity, risk monitoring, and systemic tools. Subsequently, there is a significant opportunity to leverage intelligent automation in alert management and advanced monitoring of information security threats. IA marries standard RPA bots with AI / ML techniques that make bots more intelligent. A perfect example of where this can be leveraged is KYC (Know Your Customer) automation within retail banks. Automating critical KYC processes, like customer identity verification and required documentation capture, is implemented correctly, frees up humans to apply reasoning and analysis. In many cases, this has led to better decisions and decreased risk. Another relevant use case might be integrating intelligent optical character recognition (OCR) with RPA to create a robust workflow for automating document-heavy processes such as invoices, contracts, and sales/purchase orders within accounting.

In a recent survey of U.S. financial institutions, "less than 45% of retail banks and credit unions felt they had a high or very high degree of readiness in mobile technologies and digital platforming, with approximately 20% stating they had low or very low level of readiness."

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Automation is key

There are numerous ways to accomplish this objective. Developing a digital road map focusing on all customer sales and service journeys is a critical first step. These institutions should evaluate their utilization of automated assistants, IVRs, and bots and the likelihood of increased traffic across those channels. Besides, there should be an investment to accelerate the adoption of digital servicing mechanisms, including electronic statements, self-service troubleshooting, and account maintenance. Intelligent automation within the customer response, alert notifications, and inbound query handling across email, web, and chat channels is critical.

A classic example is where banks develop programs to provide automated responses to customer inquiries via emails. Typical business rules offer 20% coverage across standard queries, where the integration of more sophisticated AI can drive automated email response to over 60%. That's a significant lift with the introduction of AI principles.

In the end, these are historically challenging times, and the COVID-19 global pandemic has fundamentally changed how we work and engage with customers, now and into the future. The retail banks that will survive and thrive will be the ones that can react and adapt quickest to these environmental changes. Digital is at the epicenter of it all. Find some easy ways to get started with intelligent automation that can assist banks in improving business operations and customer experience. As the new normal transpires, it is critical to address these opportunities.

Citations

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