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# Executive Perspective

**Improving efficiency without  
breaking the bank**

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*“Retail banks see real opportunities to optimize productivity in back-office infrastructures, gain new efficiencies, and maintain quality service standards.”*

## Summary

In the face of increased competition, pressing regulatory challenges, and an ever worsening worldwide financial crisis, retail banks today struggle to sustain their revenue models, manage shrinking credit margins, and deal with a consumer base that no longer trusts financial institutions.

These industry pressures notwithstanding, retail banks see real opportunities to optimize productivity in back-office infrastructures, gain new efficiencies, and maintain quality service standards. The ultimate goal for most is improved contributions to shore up overall financial performance.

This paper describes how Business Process Management (BPM) technologies can help retail banks reduce operational costs, eliminate significant streams of paperwork in their processes, empower their staff for greater productivity, and forge the kind of customer relationships that banks need to survive. Along the way, we highlight financial institutions with best practices implementations and proven results.

## Challenges

Today, retail banks exist in one of the most competitive environments in all of business. Keeping customers, attracting new ones, delivering new products, providing consistent customer-centric services through multiple channels (branch office, Internet, ATM, telephone), while meeting regulatory requirements is more difficult than ever.

And like most organizations, retail banks want to maximize the resources they have by operating as efficiently as possible. Controlling operational costs, providing real-time visibility into operations, and empowering staff for maximum productivity are key to staying competitive and profitable.

Retail banks must find ways to improve the efficiency of back-office operations associated with opening an account, processing a loan application, providing accounts statements, and managing customer correspondence. For many retail banks, these critical processes are not linked to systems, resulting in service inefficiencies and lost revenue opportunities. These are labor-intensive and

*“Supporting hundreds of critical business processes, retail banks need ways to effectively automate and manage crossfunctional processes and orchestrate the people, processes and data that support those back-office and customer-centric activities.”*

manual processes whose inefficiencies are often compounded by the need for the bank to reach out to partners in the value chain. By linking, simplifying, and optimizing these processes, banks are better equipped to focus on the needs and the requirements of the customer and create long-term relationships with them.

## Strategies

Retail bank executives are searching for technologies that can help them effectively streamline their processes, optimize the utilization of personnel and systems, and increase efficiencies all around, resulting in substantial cost savings and an improved bottom line.

Supporting hundreds of critical business processes, retail banks need ways to effectively automate and manage cross-functional processes and orchestrate the people, processes and data that support those back-office and customer-centric activities.

Creating standardized and repeatable processes that provide collaboration and control over process improvement is critical to increasing operational efficiency, reducing cost, improving the customer experience, and ultimately driving revenue.

## Role of Technology

With the emergence of BPM as an accepted method for managing people, processes, and data, it is not surprising that a process-oriented industry like banking is looking to BPM to help gain new efficiencies, create a more consistent customer experience, and provide better data insights.

The outdated systems that support many of the core systems within retail banks are not designed to support the changing products, regulations, and customer demands that exist today; leaving banks to consider migrating to newer, flexible, and more open systems that can be deployed in a tactical manner to support strategic goals. Banks deploying BPM technology to address specific processes such as account opening and customer service issues are uncovering opportunities to streamline and connect other processes as well.

*“Global governments moved quickly to inject over \$2 trillion dollars worth of capital into the financial system to restore confidence. Over the next two years, banks will focus attention on core financial issues, seeking ways to both increase revenues and reduce expenses. They will attempt to provide more fee-based services to corporate customers, relying on technology to deliver value in the form of better information flows. They will also apply technology to reduce operating costs through streamlined workflows, more efficient data centers, and 21st century decision support capabilities.”*  
*Financial Insights, an IDC Company*

BPM effectively manages complex processes across multiple systems. The improved process control and visibility that BPM offers through its ability to pro-actively monitor process objections and metrics known as Key Performance Indicators (KPIs), enables retail banks to rapidly prepare for, and react to, changing business conditions in real time. Moreover, when presented to workers, these KPIs offer them an opportunity to see how their efforts impact the success of the organization and in turn empowers them to make real contributions.

In cases like small business loan processing, greater automation of processes using BPM technologies can help banks not only lower the time taken to process a loan request, but track the exact status of each request as it makes its way through the banks many systems, helping to ensure that the loan is approved quickly and the customer secured.

### **Best Practices in BPM are Lessons Learned for the Industry**

With over 20 years of experience serving Tier 1 financial institutions and hundreds of financial services customers, Global 360 understands the unique needs of the financial services industry and how Business Process Management can provide comprehensive visibility and control to further differentiate their services.

Given current market conditions and opportunities, leading retail banks are beginning to target and emphasize the following key processes that provide enormous opportunity to increase productivity and attract new business:

- » Individual Retirement Accounts Processing
- » Small Business Loan Origination
- » Merchant Services and Dispute Resolution

### **Individual Retirement Account Processing**

Consumer deposits (especially long term) are the measure of a banks performance and success. Yet as critical as customer acquisition and retention is to the health of



*"In the U.S. alone, the older population will more than double; by 2030 almost one in five people will be 65 or older."*

*U.S. Department of Health and Human Services.*

*A Profile of Older Americans*

### **Results for IRA and ISA**

**Processing:** *By investing in Global 360's BPM solution, this organization was able to streamline business processes, allowing multiple users and channels to have consistent access to a common set of tools, applications and data.*

retail banks, the very business units charged with account openings, withdrawals, and closings face costly and inefficient processes characterized by manual, error-prone and inflexible processes, paper documents and siloed operations. Combined, these types of problems inevitably lead to:

- » Disparate service levels
- » Low customer satisfaction
- » High rates of application abandonment
- » Loss of cross-sell and up-sell opportunities
- » Inaccuracies in account funding and customer information capture
- » Undermined compliance and security initiatives
- » Expense of bringing new products to market

## **Opportunities Exist to Attract and Retain New IRA and ESA Customers**

Compelled by current Wall Street 401K losses, consumers are starting to demand safer, long-term investments. This is good news for insured institutions such as banks and credit unions, where the search for a safe haven for retirement and education funds has already led to large volume increases in account openings and rollovers through branches and electronic channels. Unfortunately many of these very same institutions are ill prepared to manage effectively due to systems that lack connectivity and involved paper processes.

To meet these challenges, forward-thinking banks are realizing the value of BPM to fully-integrate their multiple customer touch-points (branch, call center, Web portals, and email) with their back-end and third-party systems to automate and integrate an IRA or ISA process that is both complex and distributed.

For example, a leading financial services and insurance company with assets of over \$20.3 billion had reached the point of unmanageable complexity in various business units and functional areas, including Underwriting, Customer Service, and Accounts Receivable. Faced with queues of immeasurable work and



**Results for Small Business**

**Lending:** *This new environment enabled the lender to distribute the workload of loan approval more effectively, track every stage of the process, and expedite letters of credit more efficiently.*

a paper-intensive environment, the organization needed a foundation upon which to improve critical business processes, increase operational efficiencies, deliver consistent and convenient customer satisfaction across all channels, and ultimately drive revenue.

By investing in Global 360's BPM solution, this organization was able to create a unified system for integrating front-end systems with back-end resources, automating and streamlining business processes, and allowing multiple users and channels to have consistent access to a common set of tools, applications and data. With this investment, they are now able to:

- » React to the market and customers in anticipation of rapid growth in account openings and servicing requirements
- » Respond rapidly and efficiently to high-volume requests
- » Ensure those customer requests can be managed at all touch points
- » Track and speed movement of new account setups
- » Monitor for compliance and reporting the distribution and return of documents
- » Grow initiatives to increase business investments

**Small Business Loan Origination Poised to Outstrip Consumer Credit Growth**

Considered one of the most desirable high-net customers for retail banks, the small business loan represents one of the few credit products demonstrating real growth in today's market. Attracting these new business banking customers helps banks to shore up deposits and add to their fee-based services revenue, a certainty given the intense loyalty these loans engender from small business owners. Yet for those banks unable to decision a loan quickly, they are competitively disadvantaged and risk losing many of these high-net customers.

**Results for Merchant Services:**

*The organization was able to significantly expand their business while keeping staffing levels flat and was better positioned to meet vendor recruitment and retention goals as well.*

To compete for this new business and improve the financial performance of the unit through increased productivity, retail banks must:

- » Get ahead of the paper-avalanche by automating as much of the application and closing processes as possible
- » Improve application tracking and compliance monitoring
- » Leveraging the ability to approve SBA guarantees
- » Track all required information electronically

A leading bank with more than \$21 billion in assets was experiencing operational difficulties throughout its consumer lending businesses – small business loans, mortgages, and credit cards. From the front office to back office and across channels, the organization was suffering from inefficiency, lack of coordination, and missed revenue opportunities.

Global 360's BPM solutions enabled this institution to link goals to execution, engage in dynamic planning, automate processes, and monitor systems; providing management with the visibility and insight needed to make sound and timely decisions that ultimately determine success.

This new environment enabled the lender to distribute the workload of loan approval more effectively, and track every stage of the process from the moment of application to loan funding, even if multiple process technologies were involved.

Additionally, the functionality allowed the organization to expedite letters of credit more efficiently.

Leveraging Global 360's BPM solution, this leading bank is now able to:

- » Improve the financial performance of the unit through increased operational efficiency and control
- » Attract new business banking customers to shore up deposits and add to their fee-based services revenue

- » Improve application tracking and compliance monitoring
- » Improve look-to-book ratios on small business loans to encourage sales by branches
- » Get ahead of the paper avalanche by automating as much of the application and closing processes as possible
- » Leverage the ability to approve SBA Guarantees (if located in a geography touched by natural disaster) and track all required information electronically
- » Compete for the small business lending business that every bank needs and wants

### **Merchant Services and Dispute Resolution Points the Way to Improved Debit Card Processing**

For most retail banks, credit and debit card dispute resolution remains a labor intensive and costly process, but one that also presents an opportunity for retail banks to increase a unit's operational and financial performance.

As the main source of income for a bank's merchant services department, Interchange Fees represent a competitive differentiator for banks who are able to resolve disputes quickly and optimize pricing for their merchant customers.

The fee charged to a merchant can vary, not only for volume delivered (more dollar volume equals lower fees), but also by how much cost the bank must incur to resolve the credit or debit card dispute. Resolving these disputes (known as charge-backs); however, is a paper- and labor-intensive process involving the sharing of information among various value chain partners. Exacerbating the issue are regulatory deadlines for resolution that carry costly penalties for delinquency.

To compete for this merchant business, banks must automate their dispute resolution processes in order to accomplish the following:

- » Track and speed movement of charge-backs and resolutions



- » Provide transparency into the process for merchants
- » Reduce fraud losses resulting from provisional credits
- » Reduce operating losses by eliminating need for loss thresholds
- » Significantly increase business while improving service levels
- » Optimize pricing for merchants based on knowledge of associated costs for processing

A leading financial services organization that processed approximately 18.2 billion transactions in 2006 required a solution to help them cost-effectively handle significant increases in dispute processing while reducing the time to process charge-backs and maintain staffing levels. In addition, managing credit card receipts between merchants and credit issuers slowed processing time, leading to unnecessary late penalties in many cases.

Global 360's BPM solution automated their dispute resolution process and helped manage credit card receipts, resulting in improved customer service and reduced processing costs. The organization was able to significantly expand their business while keeping staffing levels flat and was better positioned to meet vendor recruitment and retention goals as well. For retail banks, the quicker the problem can be resolved, the less money it costs the organization. Global 360's BPM solutions automate this highly complex process in order to provide a complete, compliant, consistent, quick, and well informed response to customer service needs.

### Next Steps

Retail banks rely heavily on business processes to provide the core services that customers expect. Yet it is the people, the processes, and the data that must work together to execute those processes and deliver improved customer relations, reduced costs, and increased profits. Global 360 has demonstrated through many successful financial services installations that it understands industry needs and more importantly how BPM provides a sustainable and competitive advantage. That is why we invite you to experience our unique viewPoint Assessment service.

Unique to Global 360, viewPoint Assessment is designed to evaluate and understand the people, processes, and data your organization depends on to execute the critical processes that run your business.

The benefits of the viewPoint Assessment are numerous, your organization can:

- » Directly compare an existing process to an improved process to understand how process technologies, analysis and optimization can work in your environment
- » Learn how to work with process modeling tools and approaches to process design
- » Define the necessary data to explain how process technologies will work in your environment

Leveraging Global 360's viewPoint Assessment, we partner with you to develop a detailed analysis of your existing manual or automated applications to understand how process technology can improve and streamline your operation. The viewPoint Assessment service is designed to clearly demonstrate how process technologies will improve your business, and provide you with a basis for demonstrated ROI to justify process improvement. Contact us today to learn more about a viewPoint Assessment for your institution.

### **About Global 360**

Global 360 helps organizations to better manage processes today and make improvements for tomorrow. Our process and document management solutions improve business performance by maximizing the productivity of all participants in a process. Building on our strength in financial services, government, insurance, manufacturing, telecommunication and the retail sector, Global 360 has helped more than 2,000 customers in 70 countries reduce paper, automate processes, and empower individuals to truly change how work gets done.

Global 360, Inc. is headquartered in Texas with operations in North America, Europe, and the Pacific Rim. For more information about Global 360's process and document management solutions, please call 1-214-520-1660 or visit the company web site at [www.global360.com](http://www.global360.com).

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Joe Henriques is a Principal Consultant in Global 360's Professional Services Organization focused on Financial Services. His career includes over 25 years in the financial services sector, with 15 of those years providing broad experience in developing service strategies and programs to align with business strategy. Mr. Henriques is a Fellow of the Institute of Canadian Bankers (FICB), Canadian Bankers Association and a Master of the Credit Institute, Canadian Credit Institute

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