

Digital Business

# Five Financial Industry Objectives for Catalyzing Order from Chaos

In the blink of an eye, the COVID-19 crisis has plunged the global economy from go-go times to near-recession. Here's what financial services organizations can do to make the most of the post-pandemic new normal.



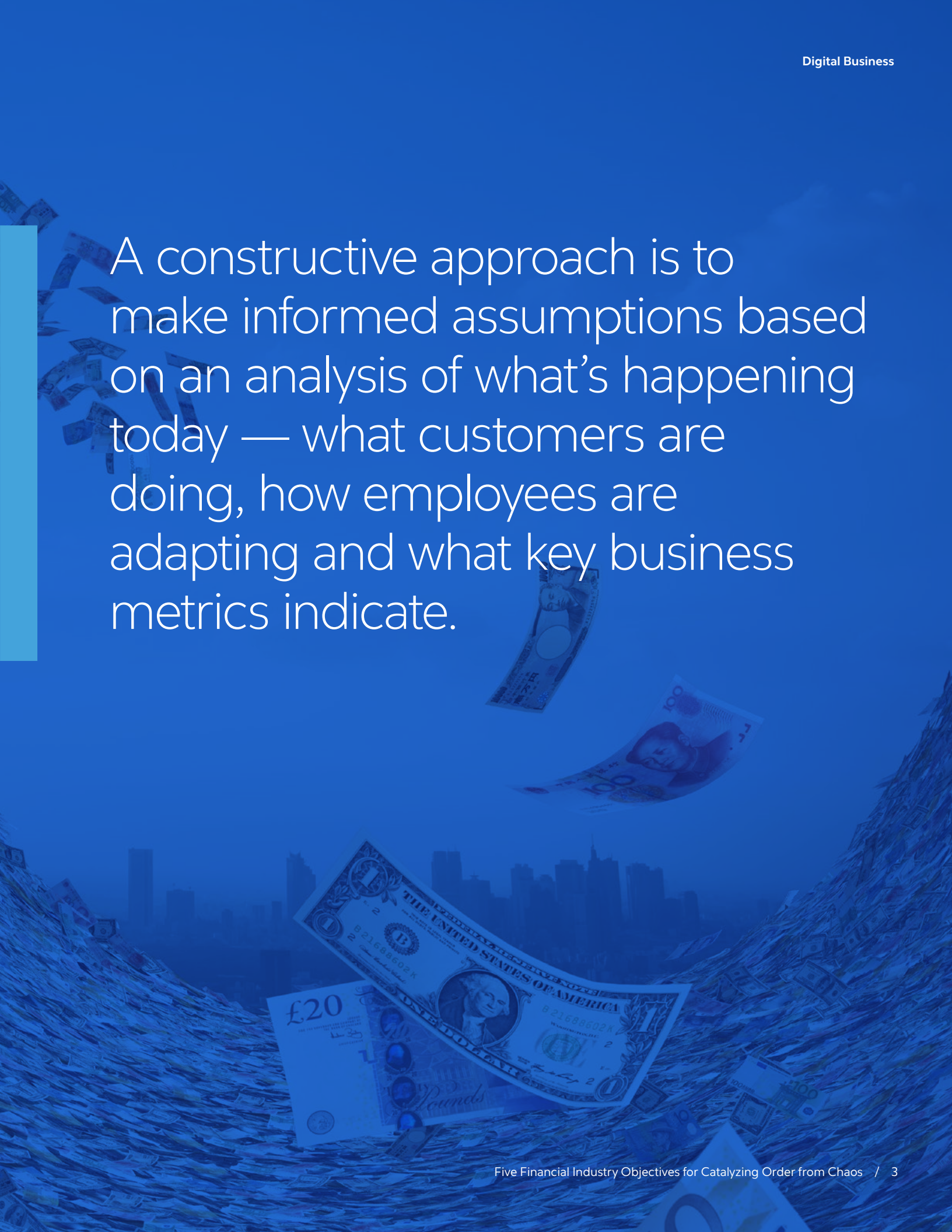
# Executive Summary

The impact of the COVID-19 pandemic has sent tsunami-like waves across the global economy and virtually everyone's personal and professional lives. It's easy to be overwhelmed trying to forecast what jobs, businesses and entire industries will be like when the waves settle.

A more constructive approach is to make informed assumptions based on an analysis of what's happening today — what customers are doing, how employees are adapting and what key business metrics indicate. This exercise will help reveal where to invest time, resources and mindshare now. Having goals will help mitigate immediate risk and disruption and help enable business leaders to make smart, future-oriented investments that maintain and grow revenue.

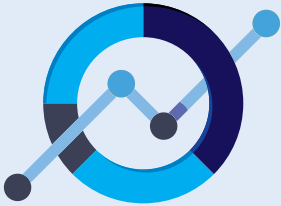
To that end, we have been gathering metrics, insights and perceptions about the longer-term effects of the COVID-19 pandemic on financial institutions (FIs). We also met virtually with chief operating officers from some of the world's largest FIs to share and validate our thinking. Informed by this work, we offer the following five key objectives that FIs should address now to maximize their competitiveness in the post-pandemic era.





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## The industry's immediate challenges



### OBJECTIVE #1:

Efficiency ratios (cost divided by revenue) will likely increase, given expected revenue declines and their impact on cost structures. To offset this, FIs need to optimize costs and embrace agile operating models to scale with highly variable processing and customer interaction volumes.

- To effectively manage service delivery costs, FIs need to accelerate the migration of full cycle sales and onboarding processes to digital channels, control increasing fraud volume and manage the significant contact center call volume increases from anguished customers requiring personal attention.
- Remote work will continue. Associates require simple, secure and enhanced access to data while minimizing the risk of customer data leakage. More powerful workflow and collaboration tools will maintain and enhance productivity.
- Laptops at home must function as extensions of branch systems for bankers. These must include 360-degree views of customer histories, simple workflows to initiate transactions, and effective advisory tools to provide timely advice and answers to customer queries.
- Wealthy clientele and high-value private clients must receive the same personalized experience and quality of service in a digital setting as they do in a physical setting. This can be potentially achieved by video and co-navigation features.
- Consumer lending servicing is one key area in which new tools and workflows will be needed. Consumer lending support is mostly call-center-based, and banks and lenders are struggling with three- to five-time increases in call volumes.
  - > Wave I is under way in the form of a flood of requests for forbearance and extensions. According to industry research, approximately 5% of the consumer portfolio is already in forbearance and it is expected to reach 10%.
  - > Wave II will play out with these forbearances requiring various forms of workouts. After forbearance has expired, banks will need to analyze retention and liquidation options based on regulatory guidance. This process has historically been manual and will need to be significantly automated to control servicing costs and adverse effects on customer experience.

Actions to take now:

- I Accelerate high-impact digitization initiatives.** FIs should examine planned and ongoing digitization initiatives and identify customer journeys that can be digitized immediately for maximum impact. For example, while many FIs have digitized the customer onboarding process for retail deposit products, many manual interventions remain that require multiple branch visits, such as know-your-customer (KYC) processes or providing documentation for mortgage, small business and commercial products. FIs may enable complete digitization by leveraging existing, proven capabilities for digital document intake and validation, real-time validation of data, video KYC and serving bots for assisted form-filling or to answer queries.
- I Invoke structural cost management.** The emerging environment will be structurally different, with more digital interactions, process digitization, digitized collaborations and work from home (WFH). Given this new normal, FIs must review their cost structures and rationalize spend and investments planned using pre-COVID-19 assumptions. A detailed analysis of cost drivers across various internal and external spend categories is essential to not only control costs but also to prioritize investments to improve productivity in the new environment. For example, many banks are reviewing their branch footprints to enhance transactional productivity with digital tools and boost remote advisory capabilities. Other FIs are looking to decrease fixed labor costs by structurally adopting flextime and/or gig workers to handle demand spikes and skill shortages.
- I Accelerate lending services digitization.** Lending operations, especially servicing, are still heavily call-center-based. Lenders need to seamlessly integrate the lending experience with the broader banking experience and enable at least all standard transactions to be carried out online with various proactive tools and features and target “zero call center operations.” Several customer service capabilities, such as escrow, payment changes, charges, property information, etc. can be easily digitized in a seamless fashion. Co-navigation can be offered for more complex scenarios such as loss mitigation plan discussion and closings.
- I Improve and industrialize WFH capabilities.** Many FIs have scrambled and spent heavily to implement WFH capabilities. However, FIs need to transition their workforce from maintaining business continuity to being productive and ready for further disruptions from COVID-19 or similar shocks. FIs need to industrialize WFH capabilities with better security, easy access to applications and improved response times. For example, WFH laptops must be highly secured to prevent data breaches in public WiFi networks.

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## OBJECTIVE #2:

Institutions will need to expand their focus on how they ensure the safety and security of customers, data and the bank.

- I Banks must adopt new practices to ensure the safety of their customers and their data. Branches must be welcoming while incorporating proper social distancing practices and maintaining new hygiene and disinfection standards. Data must be secure when customers interact digitally, via apps, web or contact center that is now an associate's home. These cybersecurity end points must all be secured without compromising fluid workflows and service and sales experiences.
- I Safety will become a major differentiator for customer choice (i.e., the decision to bank physically). Overt measures will pay dividends by revealing the true efforts FIs make to ensure customer safety.

Actions to take now:

- I **Redesign branches not only physically but operationally to ensure customer physical safety.** Install physical barriers, touchless terminals, smart ATMs, UV systems to sanitize cash and surfaces, and implement appointment-based branch visits.
- I **Extend customer data security tools** to WFH endpoints and enhance security training for WFH associates.
- I **Focus on customer experience outside the branch** to minimize time in the branch. Enhance relationship depth at the branch with contextual and personalized interactions.

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## The industry's modernization priorities

### OBJECTIVE #3:

Modernization initiatives must be broadened and accelerated to create the autonomous banking required in the new normal. This will require a digital revamp of all interactions and retraining/realigning the workforce to interact with the next generation of digital systems.



- In consumer lending, banks must train their workforce to address increased scale, variety and complexity of calls.
- Talent management strategies will need to be reconfigured, with more employees cross-trained to handle multiple roles and responsibilities. That will give organizations flexibility to adapt to changing workloads across functional boundaries.
- In parallel, banks should invest in building out capabilities for the future. In the short term, institutions may put wrappers around existing processes and platforms to create the facsimile of streamlined digital experiences. In the long term, they will need to reimagine the front, middle and back offices.
- Banks must prepare for a world of zero paper, cashless payments and [contact-free transactions](#).
  - > Predict and provide features should be available for most questions, queries and transactions (escrow changes, payment changes, other charges), enabling customers to complete these transactions easily and seamlessly.
  - > Co-navigation capabilities will help customers through the more complex transactions such as loan scenarios, loss mitigation plan discussions and closings.
- Banks must accelerate plans for deep automation with bots and AI and focus on process simplification to minimize the marginal cost of processing.
- Institutions should leverage fintech, techfin and other industries to define new products and services.

Actions to take now:

- I Fully digitize customer journeys to be exclusively digital.** Migrate customer journeys from being omnichannel to wholly digital servicing and delivery. Banks can enable all transactions to be completed online and digitally with guided navigation via chat bots and “zero” contact center operations. The quality of security and hygiene during the customer journey will also become brand differentiators. Video interactions must be mainstream and tightly integrated into a reimagined customer experience, whether for sales or support.
- I Provide tools for customers to completely automate their banking.** Inward remittances along with bill pay and other outward remittances are mostly automated. Enhance these capabilities with automated savings, spend management and robo-advisory capabilities.
- I Lay the foundation for zero back-office and zero-agent contact centers.** Design and test fully automated back offices and AI/ML and bot-managed contact centers to address more than 90% of customer queries.

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## The industry, reimagined

### OBJECTIVE #4:

The pandemic is viewed differently by different generations and personas. Net-new behaviors are emerging that will impact the design of the next generation of banking products and services. FIs must accelerate personalization in products and experiences beyond just banking needs and life events.



- I The pandemic has affected Gen X vs. Millennials vs. Boomers in different ways and with varying expectations for what financial wellness means.
- I Gig workers, small businesses and the self-employed are facing different effects than some salaried employees. On top of these variations, there are differences by industries.
- I New views on savings, investments and risks tolerance are emerging.

Actions to take now:

- I **Engage your customers in transparent conversations to understand the impact of current events on their banking and nonbanking lives.** Double down on treating each customer as a unique segment rather than a member of a predefined segment with generic needs. Design products and features to help them meet their financial goals given their life constraints. One example is bundling checking accounts with preapproved low-interest credit limits for gig workers to smooth out variances in their income.
- I **Build agility and flexibility in product and pricing engines** to quickly create customized and tailored products for the emerging needs of different customer personas.



### OBJECTIVE #5:

The bank of the future should play a greater societal role to address the financial and economic impact of current and potential future pandemics.

- I Institutions can help small businesses restart and be viable again.
- I New services could help restore financial health to individual consumers with tailored plans to achieve or improve on pre-COVID-19 financial status.

Actions to take now:

- I **Offer tools and proactive advice to customers on how best to manage their money.** Customer transaction analysis, cohort comparisons and predictive AI tools should be used to nudge customer behavior to optimize their financial lives with smart spending and saving strategies.
- I **Assist small business customers with government programs such as the CARES Act Paycheck Protection Program.** Become their partners to claim and use the provided funds, and to follow the process to get the maximum forgiveness. Provide SMB customers with tools and predictive analysis to better manage cash flow and to prepare financially for similar shocks to their businesses.

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## About the authors



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Ashish Shreni leads Cognizant's Consumer Finance Consulting Practice within the company's Banking and Financial Services business unit. He has 17-plus years of diverse experience across digital, consulting, technology and operations. Ashish is responsible for digital strategy, process and technology transformation, CXO advisory services, risk management, partnership and alliance strategies, as well as industry representation and industry forums relationship management. Prior to joining Cognizant,

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## About Cognizant Banking and Financial Services

Cognizant's Banking and Financial Services (BFS) practice is one of the largest industry verticals that partners with large financial institutions (FIs) to evolve their business and technology landscape and enable end-to-end digital transformation. Seventeen of the top 20 North American FIs, and all of the top 10 European banks (which includes those in the UK), rely on us to manage their technology portfolio across multiple business entities and geographies. We serve the entire financial services spectrum, including retail and wholesale banking, consumer lending, cards and payments, investment banking and brokerage, asset and wealth management, securities services, and governance, risk and compliance. Our consulting-led approach, deep domain expertise and partner ecosystem enable clients to address the dual mandate of "optimizing the business" while "driving digital at scale." From large-scale core banking or payment transformation to adoption of cutting-edge technologies like artificial intelligence, analytics, blockchain and robotic process automation, we partner with FIs to envision and build the digital bank of the future. Learn more about Cognizant's BFS practice at [www.cognizant.com/banking-financial-services](http://www.cognizant.com/banking-financial-services).

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## About Cognizant

Cognizant (Nasdaq-100: CTSI) is one of the world's leading professional services companies, transforming clients' business, operating and technology models for the digital era. Our unique industry-based, consultative approach helps clients envision, build and run more innovative and efficient businesses. Headquartered in the U.S., Cognizant is ranked 194 on the Fortune 500 and is consistently listed among the most admired companies in the world. Learn how Cognizant helps clients lead with digital at [www.cognizant.com](http://www.cognizant.com) or follow us [@Cognizant](https://twitter.com/Cognizant).

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