Banking's digital transformation

June 2019
Let's get digital

BY LOU CARLOZO
MANAGING EDITOR, BAI
lcarlozo@bai.org

Let's get digital

What was digital banking? Once upon a high-tech time—1991, to be precise—the benchmark was the Northgate business-class 386/33. Revolutionary for its day, this desktop boasted 4 megabytes of RAM (wow!), a 200MB hard disk (gasp!) and 14" display (cool!). And get this: It sold for $4,299, or just a shade above $8,000 in today's dough. This gotta-have was glowingly advertised as "All Elegance."

Today, it's all obsolescence and any adolescent could build something better in a few hours. If you find a Northgate at a garage sale, you could likely buy it for ten bucks: that is, if the eager seller didn't gladly give it to you in a half-torn, half-soggy cardboard box to clear out more space for his golf clubs and deck stain.

Three decades isn't necessarily a tech eternity by any stretch; banks still use pneumatic tubes, after all. But digital advances make the '90s seem like several lifetimes ago. This executive report looks at the state of affairs in 2019 to find the bona fide digital action, and why it matters.

To kick things off, BAI managing director Karl Dahlgren talks about the struggles banks face in bringing online account opening up to speed. It's a critical issue, for as Dahlgren contends, "Banks do not have the luxury of ignoring the clearly articulated customer preference for opening accounts online. It is no longer a nice to have; it's a must have."

In "Opening up to open banking," Maria Allen of Unisys discusses how the new model translates to unprecedented opportunities to serve customers. Contributor Craig Guillot delves into how moves towards better, faster digital service must balance out with face-to-face interaction—an essential customers clearly want, no matter the tech advancement.

Harland Clarke's Andy Shank covers another area of the ongoing revolution: mobile deposit. Despite its convenience, the technology intimidates many customers who balk at learning how to use it. But banks can turn the tide when they patiently explain and demonstrate how it works in best "show and tell" fashion.

“The onramp for banks’ digital workflows” takes up how still-essential elements of the paper trail can smoothly fold into digital systems, a concept known as “print and document management maturity.” And finally, Jeanne Pinder looks at five areas where digital transformation is “real.” That’s vital information in a year where many banking leaders still await AI breakthroughs that haven’t yet materialized. By contrast, “Straight Through Processing” incentivizes financial institutions break down data silos and move valuable info into the cloud to speed up loan originations.

What’s the overarching lesson? This report drives home the point that high tech in 2019 must meet practical ends. As much as anyone, I fancy myself a visionary and a dreamer. But those represent separate tracks in a digital landscape where banks must face competitive realities by making sense of, use of, and progress with what works now.

As for what worked then, maybe its time has come again. My advice: Start looking for a Northgate 386/33 now. It might just make for a fab conversation starter, tucked in the den between your antique typewriter and shopping center gumball machine. As hipster home decorations go? All Elegance.

LETTER FROM THE EDITOR

Lou Carlozo
is the managing editor of BAI.

CONTENTS

3
Why traditional banks must solve the online account opening dilemma
Making online account opening a reality.

6
Opening up to open banking
How to take advantage of the flexibility and agility it offers.

9
Digital machines, flesh-and-blood digits
Consumers want speed—but as for giving up face-to-face interaction, not so fast.

12
Three ‘Es’ to easy mobile deposit adoption: engagement, experience, education
Banks need to show—and tell—how it works.

15
The on-ramp for banks’ digital workflows
Banking’s digital transformation should include a strategy to handle paperwork.

18
Getting real with digital innovation
Caught up in tech confusion? Here are five frontiers of true progress.
Why traditional banks must solve the online account opening dilemma

In a world where consumers spend and shop online 24/7, banks must figure out how to make online account opening a reality.

BY KARL DAHLGREN
As bank leaders reflect on their strategic course for the second half of 2019, there are many issues they must keep top of mind in order to remain competitive. These include the developing fintech environment, growth of deposits and loans, customer acquisition and improving customer experience. Another issue, that of digital account opening, poses its own special challenges.

Clearly, there is a disconnect between how banks address the issue and what customers want. BAI Banking Outlook findings show that when it comes to opening accounts online, intent does not match reality. More than half of customers (57 percent) would prefer to open a deposit account online, while 47 percent would prefer an online option with loans.

Yet in terms of those who actually opened accounts, roughly a third did so online, with 34 percent for deposit accounts and 29 percent for loans. What explains the gap between both sets of numbers? It turns out that nearly half of the financial institutions we surveyed do not allow the first account to be opened online. While digital account opening services carry a higher operational security risk, banks do not have the luxury of ignoring the clearly articulated customer preference for opening accounts online. It is no longer a nice to have; it’s a must have.

But from the point of view of financial service organizations, efforts to build online customer relationships are not making progress. Of those bankers we surveyed in the BAI Banking Outlook report, less than three in 10 agreed it was easier in 2017 and that number dropped to two in 10 in 2018.

Over the same period that banks expressed less optimism, millennials showed a marked increase in their preference to bank online if it meant getting better rates. Their preference jumped from 18 percent in 2017 to 28 percent in 2018. For all age demographics, in fact, attitudes are shifting quickly and this trend cannot be ignored by traditional financial service organizations.

**THE COMPLIANCE QUESTION**

The hesitancy banks have with expanding their online account opening potential boils down in large part to compliance. Unlike Amazon or Uber, companies that can offer their customers friction-free customer experience, banks must deal with compliance issues as part of their everyday operation. This gives a great deal of power to the compliance department and puts it in a position to dictate an agenda that places these issues first.

Thus banks with a risk-averse approach often look to their branches to handle customers who want to create a deposit account or apply for a loan. They will acknowledge branch use is on the decline, but at the same time may cite current customer preferences. Indeed, just about half of millennials surveyed (49 percent) told BAI that they prefer to bank with access to branches, even if they don’t use them very often.

But the majority (51 percent) indicated they would either consider keeping some of their money at online banks or go entirely that route if they could get better rates. So these same branch-centric banks must ask themselves whose preference they are listening to, their clients or the compliance team.

The bottom line is that banks must figure out how to get past their risk and compliance challenges, because consumers are clearly headed in the direction of online banking and account opening. They do not see the world through the lens of the branch, as their daily experience reflects their time spent shopping, ridesharing and searching for information on the internet, in many cases exclusively. Their expectation, simply, is that the banking world will come along for the ride. Financial service organizations that fail to address this will be left behind in the race for new customers.

**CAUTIOUS ONLINE OPTIMISM**

That noted, the leaders of traditional banks still have reasons for optimism. Their organizations are the incumbents and have the benefits of brand, infrastructure and client base, as well as branches for those who currently prefer them. Giving customers to capacity to open accounts online adds to these advantages. But what may look like just another option for banks to offer customers is in fact far more than that. Online account opening is a true disruptor and banks must leverage what they have across all channels to make it a reality.
The good news here is that millennials may respond especially well to a best-of-all-worlds a mix that puts online account opening front and center. They have nearly twice the monthly interactions with their banks (107) compared to baby boomers (55). What’s more, they never met a channel they didn’t like. They use the most digital and human channels, with branch/drive-up at 5.1 times per month and live phone agents at 5.4 per month. However, all generations are frustrated by the lack of connection between these channels that require them to start over when they move from channel to channel.

This gives traditional banks with multiple delivery channels a distinct advantage. And millennials, while they want to open accounts online, still want all these other capabilities as well. Online and mobile-only banks can’t replicate the branch and ATM structure millennials take advantage of today. These young adults are still heavy users of those channels. The key to success will be creating a friction-free experience where customers can seamlessly move throughout their interactions.

Yet who knows whether their taste for branches will still hold true a generation from now? Five years ago, people would’ve assumed that consumers would only want to try on their clothes in a store or pick out their own groceries. But people are busier than ever today. Attitudes and habits have changed. Old preferences are giving way to new conveniences.

Meanwhile, millennials are poised to benefit from the greatest transfer of wealth in history as they take over an estimated $30 trillion in wealth from baby boomers.

Incumbent banks are in a good position to get their share of the new accounts that result, so long as they don’t lose sight of the online channel. For what millennials and the upcoming GenZ view as just one option of many today could become their preferred choice or overwhelming favorite tomorrow. If so, do not blink. It will happen in the click of a mouse or the touch of a finger on a screen.

Karl Dahlgren is the managing director of BAI.
Opening up to open banking

The new model translates to great opportunities to serve customers. Here’s how to take advantage of the flexibility and agility it offers.

BY MARIA ALLEN
The traditional banking landscape is changing rapidly as non-traditional players—including fintechs and neo-banks—enter the global marketplace. These new entrants target the same customers as traditional banks but offer a greater array of products and services. To counter the rising competition, banks are taking a closer look at open banking.

Open banking leverages application programming interfaces (APIs) to streamline a bank’s ability to do business with third parties. This enables banks to “plug and play” different components of the banking ecosystem; think of the way a rideshare company mobile app combines mapping, tracking and payment information.

Via open APIs, banks can readily launch new or non-traditional products and services based on how they understand their individual customers’ needs. It slashes speed to market since the product or service already exists through a third party: open banking simply gives the bank ability to access that product or service and offer it to customers, thereby making it a one-stop solution for all their financial goals.

**ENHANCING THE CUSTOMER RELATIONSHIP**

Today’s customers look for transformational experiences from their banks. These must be limitless and readily adaptable to the changing requirements and expectations of customers in a “quicker-than-ever” world. Open banking helps banks meet customer needs and strengthen the relationship. For example, open banking can:

- **Ensure positive customer experience across all channels.** As accelerates the move to omnichannel banking and facilitates big data usage, open banking helps banks orchestrate a range of transactions across all channels and third-party applications. Banks can then personalize and roll out offers in real time—and deliver superior experiences and lifetime value to customers.

- **Provide agility to meet changing customer expectations.** Today’s customers expect their banks to constantly enhance and expand its offerings. Open APIs empower banks to offer non-traditional products and services with a speed and agility that satisfies customer demands.

- **Deliver a personalized customer experience.** An orchestration layer can now unite all bank platforms, applications and third-party customer data with advanced analytics. This enables the bank to create personalized offers and generate dynamic content appropriate to a customer’s life stage.

- **Automate and streamline processes to provide enhanced customer service.** Open banking makes an array of tools and services available that automate or streamline processes in the branch and back office, thus improving the service customers receive.

By boosting the customer experience in all these ways, banks can attract new customers and create more “stickiness” in ongoing customer relationships. Open banking means more than simply offering customers more products: it truly enables financial institutions to understand the entire customer life journey. The bank then becomes an integral part of the customer’s life as it brings relevant financial and non-financial products, along with services, to customers in an individualized, timely manner. This translates into increased customer retention and a greater share of wallet.
ADOPTING THE MODEL

While the open banking concept is straightforward and the value proposition clear, implementing the model adds up to no simple endeavor.

Security stands as a huge concern, as open banking significantly expands the risks of unauthorized access, cyberattacks, data breaches and fraud. Banks must endeavor to understand the security protocols of the third parties they do business with and ensure that their customers’ data is secure throughout a product’s lifecycle, both while in motion and at rest. New design patterns along with secured business processes and models must emerge for banks to make it seamless, empowering and valuable for customers to share personal information.

Operational requirements pose another obstacle. Open APIs facilitate a bank’s ability to integrate new products and services without the “rip and replace” paradigm of legacy applications. But blending legacy systems with modern tools and tech via open banking requires changes to the existing architecture. It substantially increases the IT ecosystem’s complexity; thus banks can suffer from lack of knowledge regarding best practices to integrate open APIs into their infrastructure.

The fact is that moving to an open banking model requires a long-term digital transformation strategy that focuses on technological and organizational agility. Such a multi-year project demands significant investment and encompasses more than technical aspects such as API security parameters and legacy integrations. Banks must consider how all this will affect their internal operations, branch capabilities and back office processes. It also requires a culture shift as employees adjust to a new way of doing business—including the automation of many tasks. Clear, targeted communications become vital to guarantee a great customer experience during the rollout of new products, services and features.

To position themselves for success in the near and long term, banks must think strategically about the open banking transformation. This means being:

» **Outcome based.**
  Take time to identify desired open banking outcomes rather than focus first on technologies.

» **Customer centric.**
  Leverage big data and analytics to determine how to better serve customers; dynamically understand their needs in real time and introduce suitable offers quickly.

» **Future oriented.**
  Consider tomorrow’s needs as well as today’s; assess how to structure an end-to-end open architecture that’s flexible and secure enough to accommodate emerging technologies.

Ultimately, open banking promises to achieve the agility and flexibility that stays abreast of ever-changing market trends and customer expectations. As such, those who embrace open banking today open the door to innovation and opportunity tomorrow—and the great wide open that lies beyond.

Maria Allen is global leader for financial services, Unisys.

---

Transform Customer Experiences with Secure and Seamless Technology Solutions.
Reimagine banking with Elevate™

Learn more at www.unisys.com/Elevate
Digital machines, flesh-and-blood digits: Putting the human touch in mobile and online banking

Yes, consumers want speed—lots of it. But as for giving up face-to-face interaction, not so fast.

BY CRAIG GUILLOT
As banks rush to digital in an effort to please their customers, many leave behind one of the most important elements consumers want: the human touch.

To be sure, automation and machine learning can drive efficiencies. But they still can’t deliver the long-term value people can. “People and relationships still matter,” says Bob Meara, senior analyst at Celent’s banking group. “All things equal we do business with people we like and you have to have some person-to-person interaction—even in digital.”

Given how much speed preoccupies consumers, the perception that consumers want to do everything on their phones doesn’t quite ring true. Celent surveyed a few thousand adults in 2018 and found while consumers have increasingly moved to digital banking, 55 percent still prefer in-person interactions when they need to have a conversation—including the 93 percent of millennials who say they prefer “some matters” handled face to face.

Even as banks roll out digital initiatives, most focus on increased efficiencies and quick transactions more than long-term customer value. A report by The Financial Brand, released in conjunction with BAI, on humanizing the digital banking experience found that many institutions fall short of delivering what consumers really want.

“We think,” Meara says, “the banks dug a hole for themselves.”

“ESTABLISH THAT BASELINE TRUST FIRST”

As for how they shoveled themselves in there, many banks “overtly trained bank staff to show customers how to not come into the branch as frequently,” Meara says. “Now that they hardly talk to their customers, they struggle to develop a connection with them.”

Yet throwing human elements into the digital mix could drive value and produce a competitive advantage. Financial literacy could mark a good starting place because while there’s no lack of such information on the web, not many banks work to improve the situation alongside their customers.

“What’s missing is someone who knows you and understands what you’re trying to do with your life, has access to your financial history and has your back,” says Eve Callahan, executive vice president and chief communications officer at Umpqua Bank in Portland, Oregon.

Umpqua is meeting the call with an innovative app that marries the human touch with digital banking. Go-To takes mobile banking to a new level by pairing customers with 300 real-life mobile bankers over the platform, noting their available hours.

These bankers serve as more than just names on the other end of phone numbers and email addresses: They have social media type-profiles with head shots and a little bit about their personal interests. Sometimes that’s goofy, as when one banker brags that she’s “an especially gifted napper, and I can even tie my shoes using the bunny ear method.”

Knowing little things like this or your banker’s hobbies may not seem like much at first blush, but they can personalize digital channels. Umpqua calls it the “human digital experience,” and that kind of thinking has helped produce tremendous growth in recent years.

It’s less about the technology than a new means to evolve the customer experience, Callahan says.

“THROWING HUMAN ELEMENTS INTO THE DIGITAL MIX COULD DRIVE VALUE AND PRODUCE A COMPETITIVE ADVANTAGE.”

“‘You establish that baseline trust first,’ she notes. “There needs to be a movement where you have added value,” she says.

CUSTOMER EXPERIENCE MEETS CUSTOMER RELATIONSHIPS

In recent years, new fintech companies have tried to use digital technology to enhance the customer experience. Most of these initiatives remove humans from the equation—which may work for some niche applications—but a human element is really needed.
Technology combined with the human touch of a customer care associate is really the bridge that binds the customer experience.

David Vasquez, Ally

Craig Guillot is a business writer who specializes in retail and finance. His work has appeared in such publications as the Wall Street Journal, CNBC, Bankrate.com and Better Investing.
Three ‘Es’ to easy mobile deposit adoption: engagement, experience, education

Despite its convenience, the technology intimidates many customers. Banks can turn the tide when they show—and tell—how it works.

BY ANDY SHANK
While mobile banking numbers will certainly rise organically, banks face a call to expedite adoption by actively steering customers to their app—and then encourage its regular use.

We recommend a strong, ongoing focus on engagement and education that makes customers aware of mobile banking’s convenience and security. We also suggest app enhancements to keep up with customer expectations and needs, since users have grown increasingly impatient with mediocre mobile access. Add more user-friendly features—and remind all customers of mobile banking’s benefits.

BANKING MAINTENANCE? YES. MOVING FUNDS? NOT SO MUCH.

Across all age groups, our respondents expressed high comfort levels with checking account balances or recent transactions and transferring money between accounts. Of course, these features were the first developed for mobile banking and thus the most familiar. But with actually moving money outside their banks—a more recent mobile addition—usage and perceived value drop. Just 44 percent of respondents use bill pay and consider it valuable while 40 percent said the same for mobile deposit.

Banks, then, must reinforce the simplicity and security of these transactions. Showing a customer how to do it during onboarding goes a long way to overcome perceived confusion and emotional barriers.

MOBILE DEPOSIT = MUCH OPPORTUNITY

Across all ages, survey respondents ranked deposit as a valued mobile banking feature. It’s no surprise that younger customers use it more: Nearly 60 percent.
of respondents ages 18 to 24 use and value mobile deposit, closely followed by other age groups. Of respondents age 65 and over, a full 36 percent utilize mobile deposit.

**OBJECTIONS DEMAND EDUCATION**

As humans generally don’t like change, survey respondents deferred to their habits. When asked “Please let us know why you do not use the mobile deposit feature within your mobile banking app,” the number one answer was, “I prefer to visit my branch or use an ATM.” But that just doesn’t ring true. After all, who really likes to visit the branch or ATM when they could avoid it?

When you look at this answer in context of others, it’s really about fear and insecurity. Twenty-two percent of respondents said they weren’t sure how to use mobile deposit; 18 percent expressed security concerns; and 12 percent worried about transaction errors.

These responses reinforce the opportunity to educate about convenience, time savings, ease of use and security. They also highlight how a more “emotional” and reassuring response on the part of the bank can ease worries customers feel about transaction miscues.

Even those who use mobile banking regularly (three or more times a week) didn’t know how to use mobile deposit. Incredibly, younger and more tech-savvy customers also shared doubts about using it: more proof that you must show and tell.

**WHAT DOES THIS MOBILE OPPORTUNITY MEAN?**

Our survey illuminates a significant opening for mobile banking and deposit growth via smartphone or tablet. But that growth won’t happen on its own. What works with adoption of these disruptive technologies is engagement, experience and education. Comforting customers who don’t use (or rarely use) a mobile app or mobile deposit requires direct effort on your part, promoting exploration and trial.

For non-users, this means not only helping them install the app, but also promoting a very modern means of trial as through a secure, risk-free mobile deposit activation program.

The opportunity is clear. Carpe diem! Or, if you and your customers prefer: Carpe deposit!

---

Andy Shank is vice president, Fraud and Risk Product Management, for Harland Clarke.
The on-ramp for banks’ digital workflows

Banking’s digital transformation should include a strategy to handle all the paperwork.

BY MICHAEL OLIVA
Despite the financial services industry’s quest for digital transformation, many banks and credit unions remain awash in paper and paper-based processes: checks, mortgage documents, loan information and more.

Working with static paper documents can be inefficient and frustrate internal workflows because non-digitized information can be difficult to easily store, index, access, search and analyze. Many financial services organizations still have legacy information management practices, such as mixed file formats that can make data searches difficult, if not impossible.

Non-digitized information can pose a great data security and regulatory risk. For example, when information for loan documents change, both hard- and soft-copy versions of the documents have to be recirculated. A compliance breach can happen if sensitive customer data is left at the printer.

Ever-changing banking regulations from the Consumer Financial Protection Bureau, Dodd-Frank or the European Union’s General Data Protection Regulation (GDPR) are driving financial services organizations to more strictly manage access at such touchpoints as printers, copiers and smartphones aimed at helping to reduce the risk of data breaches.

Hardware and software products that can efficiently incorporate paper into the digital workflow can not only help with security surrounding data, but it can reduce the headaches of bankers responsible for handling loan operations. In a 2017 survey done by Canon U.S.A. of loan servicing executives, “Loan Servicing: On-Boarding and Records Management,” 81 percent of them said manual processes had negatively affected their onboarding activities.

BUSINESSES ARE NOT KEEPING UP WITH THE PAPER

Banks are hardly unique in this regard. IDC research from 2018 finds that the majority of all companies are still in the early stages of print and document management maturity. But taming the paper tiger is quite possible. “Organizations can benefit greatly by gaining control over unassigned print and document infrastructure,” wrote Robert Palmer, research VP for IDC’s Imaging, Printing and Document Solutions group in an IDC Marketplace report on Managed Print and Document Services.

Robert Ladich, business development specialist for Canon USA’s Image Capture Solutions Division, says there are inherent inefficiencies in paper-based workflows versus purely digital ones. “But documents can be stored, accessed, searched, classified and analyzed fairly easily. Imaging software has gotten quite good at doing all of this,” he says. “The issue is getting the paper into the image repository so the software can work its magic.” Ladich likens imaging technology to an on-ramp for a financial services organization’s digital workflow.

The speed of completing a transaction or moving a document to the next step quickly is very important, Ladich explains. “For example, when a customer calls a bank and asks about the status of a loan, the information they get is based on where the document is in the process. If the document was scanned at the point of initial presentment—typically at a customer services rep’s desk—the images and status should be immediately available.”

A more streamlined digital workflow can improve customer experience because financial services organizations can more quickly answer customer inquiries with data captured from their documents.

SOLUTIONS ON THE FRONT END AND THE BACK END

Scanning checks and paper documents and converting them into more manageable electronic files can be a critical component of the financial services industry’s digital transformation. On the front end, banks need to capture messy, noisy documents from consumers and convert them into clear electronic images. Check scanners can convert them to clear black-and-white images with small file sizes; document scanners using optical character recognition technology can do the same with a variety of paper documents.

On the back end, banks can better control their internal workflows with actionable electronic files. Banks often employ software, which has rules-based work-
Financial services organizations intent on gaining a competitive edge must invest in check and document scanning technology.

Paper is not going away any time soon, if ever. In the meantime, financial services organizations intent on gaining or maintaining a competitive edge must continue to invest in check and document scanning technology to help them streamline and automate manual paper-based processes to have readily available customer data that has security features around it.

Banking's digital transformation, driven by artificial intelligence, predictive analytics and mobile technology, may sound exotic and futuristic. But the industry can't get too far ahead of itself because there's still a broad swath of paper and paper-based processes at the root of its business.
Getting real with digital innovation

Financial institutions can get caught up in tech confusion. Here are five frontiers of true progress.

BY JEANNE PINDER
The days of banks owning and running large data centers are over. All banks are looking at moving functions out of their data centers and into the cloud. It’s driven by the desire to reduce the physical cost of infrastructure as well as the costs of running, maintaining, and enhancing applications. They understand the business they are in, and it’s not building software.

—Mark Atherton, group vice president at Oracle’s financial services business unit in the Americas

2. ENHANCED BRANCH CYBERSECURITY

“In the age of smartphones and growing technology, behavior that seems normal and harmless can cause trouble for banks. If people take photos on their phone in or around a branch and then post online, it can alert criminals to the layout and design of a branch. For this reason, most banks do not allow cell phone use in their branches. Another situation that occurs is when an employee sends what they see as a harmless message to a friend regarding the pickup or dropoff of cash, such as, ‘Steve from high school delivered our cash today. I haven’t seen him in ages!’ This gives out the branch’s cash delivery and pickup date, leaving the branch vulnerable.”

—Noreen Brancaccio, vice president BSA compliance and security officer, Tompkins Mahopac Bank

3. ROBOTIC PROCESS AUTOMATION (RPA)

“Some use cases have revolved around utilizing RPA for automating manual processes such as account opening and case management workflows, which rely heavily on manual inputs. We’ll start to see more adoption of RPA as bigger banks implement and share the technology with smaller community banks that don’t currently have the resources or appetite to create pilot programs. We expect to see increased adoption to help financial institutions combat money laundering and comply with related regulations.”

—Jason Chorlins, banking practice co-leader, risk advisory services practice, Kaufman Rossin & Co.

““If a customer reports their debit card lost, the RPA process can automatically cancel the old card and issue a new card seamlessly and quickly, which is an important customer experience. Instead of toggling from screen to screen, customer service teams can use smooth-flowing automated process that focus on...”

To be certain, artificial intelligence remains a technology that will change the face of banking forever. But let’s face it: Some hoped-for innovations (such as real-time marketing hyper-targeted to a single person) are still in development, while sophisticated chatbots such as Bank of America’s Erica are far from commonplace.

Thus financial institutions need to grapple with pressing matters that take precedence over the “shiny new toy” talk (sexy as that might be). The good news here is that yes, AI has made some inroads—even as banking leaders make a concerted effort to find real digital innovation right now and apply it.

Here, industry experts weigh in on five areas where they see digital innovation in action.

1. STRAIGHT THROUGH PROCESSING

“Digitizing processes such as loan originations has a huge impact on a bank. We have worked with one of the four major Australian banks that has reduced the time to fund a mortgage from 90 days to 4.9 days. We’re doing the same in areas such as small business lending. This drives huge costs out of the bank and eliminates non-value-add costs. We are getting to true ‘Straight Through Processing’—an industry goal that had been elusive.”

—Noreen Brancaccio, vice president BSA compliance and security officer, Tompkins Mahopac Bank

3. ROBOTIC PROCESS AUTOMATION (RPA)

“Some use cases have revolved around utilizing RPA for automating manual processes such as account opening and case management workflows, which rely heavily on manual inputs. We’ll start to see more adoption of RPA as bigger banks implement and share the technology with smaller community banks that don’t have the resources or appetite to create pilot programs. We expect to see increased adoption to help financial institutions combat money laundering and comply with related regulations.”

—Jason Chorlins, banking practice co-leader, risk advisory services practice, Kaufman Rossin & Co.

““If a customer reports their debit card lost, the RPA process can automatically cancel the old card and issue a new card seamlessly and quickly, which is an important customer experience. Instead of toggling from screen to screen, customer service teams can use smooth-flowing automated process that focuses on...”

To be certain, artificial intelligence remains a technology that will change the face of banking forever. But let’s face it: Some hoped-for innovations (such as real-time marketing hyper-targeted to a single person) are still in development, while sophisticated chatbots such as Bank of America’s Erica are far from commonplace.

Thus financial institutions need to grapple with pressing matters that take precedence over the “shiny new toy” talk (sexy as that might be). The good news here is that yes, AI has made some inroads—even as banking leaders make a concerted effort to find real digital innovation right now and apply it.
Imagine refinancing your home by simply providing five lenders access to your ‘finance POD.’ Rather than hunting for the best rate by uploading documents to multiple systems, the competing lenders now review everything needed in one place to generate their best quote. Once selected you rescind access to everyone else, and enjoy your new low rate.

—Jonathan Bingham, CEO, Janiero Digital, a business transformation and technology consultancy.

4. REAL-TIME PAYMENTS

“With the Amazon era of shopping in full effect there’s an increase in consumer expectation regarding the execution of real-time payments and transactions in a smart and predictive way. The majority of consumers view their bank as the primary method to control the movement of their money. Banks need to ensure they leverage technology that allows them to meet and exceed these consumer expectations in a way that’s familiar to their customers. This said, we see a tremendous amount of growth in fintech partnerships with payments and money movement companies developing new and innovative ways to execute transactions via desktop, mobile and voice interfaces such as Google Home and Amazon Alexa.”

—Peter Longo, vice president of digital banking, Axiom Bank

5. CONSUMER-CONTROLLED ONLINE DATA STORES

Solid, the brainchild of World Wide Web inventor Tim Berners-Lee, may represent the most significant innovation in digital banking at present. Solid knocks down data silos in two ways: First, customers store data from each service line onto a personal online data store (POD) and share access, as needed, reducing institutional liability. Then, Solid’s “instant data integration” allows banks to easily create applications that span service line data, generating new value possibilities.

“Banks have long dreamed of having authorized access to unified data stores controlled by consumers. But security and privacy concerns have forced data into institutional silos that block banks from realizing the full value of this data.

“Imagine refinancing your home by simply providing five lenders access to your ‘finance POD.’ Rather than hunting for the best rate by uploading documents to multiple systems, the competing lenders now review everything needed in one place to generate their best quote. Once selected you rescind access to everyone else, and enjoy your new low rate.”

—Jonathan Bingham, CEO, Janiero Digital, a business transformation and technology consultancy.

Jeanne Pinder, a founder of ClearHealthCosts.com, is an award-winning startup bringing transparency to the health care marketplace. She was an editor, reporter and human resources executive at The New York Times for close to 26 years, and has also worked at the Des Moines Register, Associated Press and Grinnell Herald-Register.
Past Issues

MAY 2019
CECL: The critical countdown »

APRIL 2019
Fraud and cybersecurity: staying steps ahead »

MARCH 2019
Raising the customer engagement bar »

FEBRUARY 2019
Marketing moves forward »

JANUARY 2019
Tuning into your customer’s needs »

STAY TUNED FOR

July 2019
COMPLIANCE: BEYOND THE REGULATIONS

August 2019
BUILDING UP THE BRANCH NETWORK