Impact Study | In association with: Hyland

Reimagining customer journeys:
How can banks upscale experience and boost retention?

Finextra | HYLAND

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01 | Introduction

Technology has significantly transformed the financial services industry, particularly over the last five years. Challenger banks and fintech firms have rapidly gained popularity thanks to their ability to offer fast, simple, digital services. According to data from Plaid, nearly nine out of 10 consumers were using a fintech application in 2023. This percentage will continue to grow.

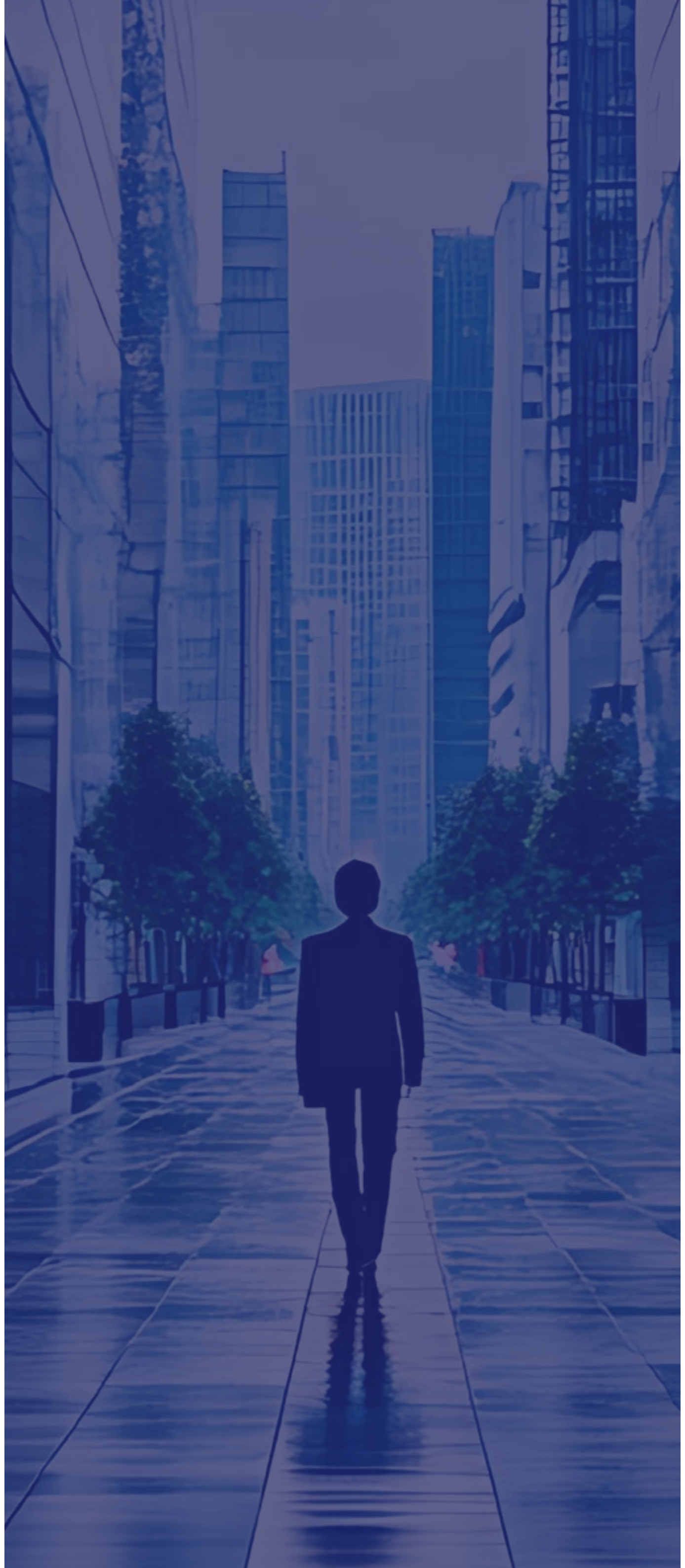
To stay competitive and better serve their customer base, financial institutions (FIs) must urgently reimagine their customer journeys — from onboarding to the broader lifetime experience — or risk facing a hit to their market share.

Indeed, today's customers are more likely than ever to switch primary banking relationships if they do not receive the services they are looking for. Young, digital natives continue to shape this market, with research revealing that 44% of Gen Z customers have changed their primary banking relationship in the last 12 months. The call to competition cannot be ignored.

But how can FIs innovate to meet these demands, while simultaneously running legacy systems? The roadmap is three-pronged:

1. Reinvent onboarding and Know-Your-Customer (KYC) processes
2. Upscale the overall customer journey
3. Look to artificial intelligence (AI) for product enhancement and integration

This impact study, in association with Hyland, explores each of these objectives; analysing the challenges, pitfalls and routes to long-term success in customer experience.



02 | Onboarding and KYC

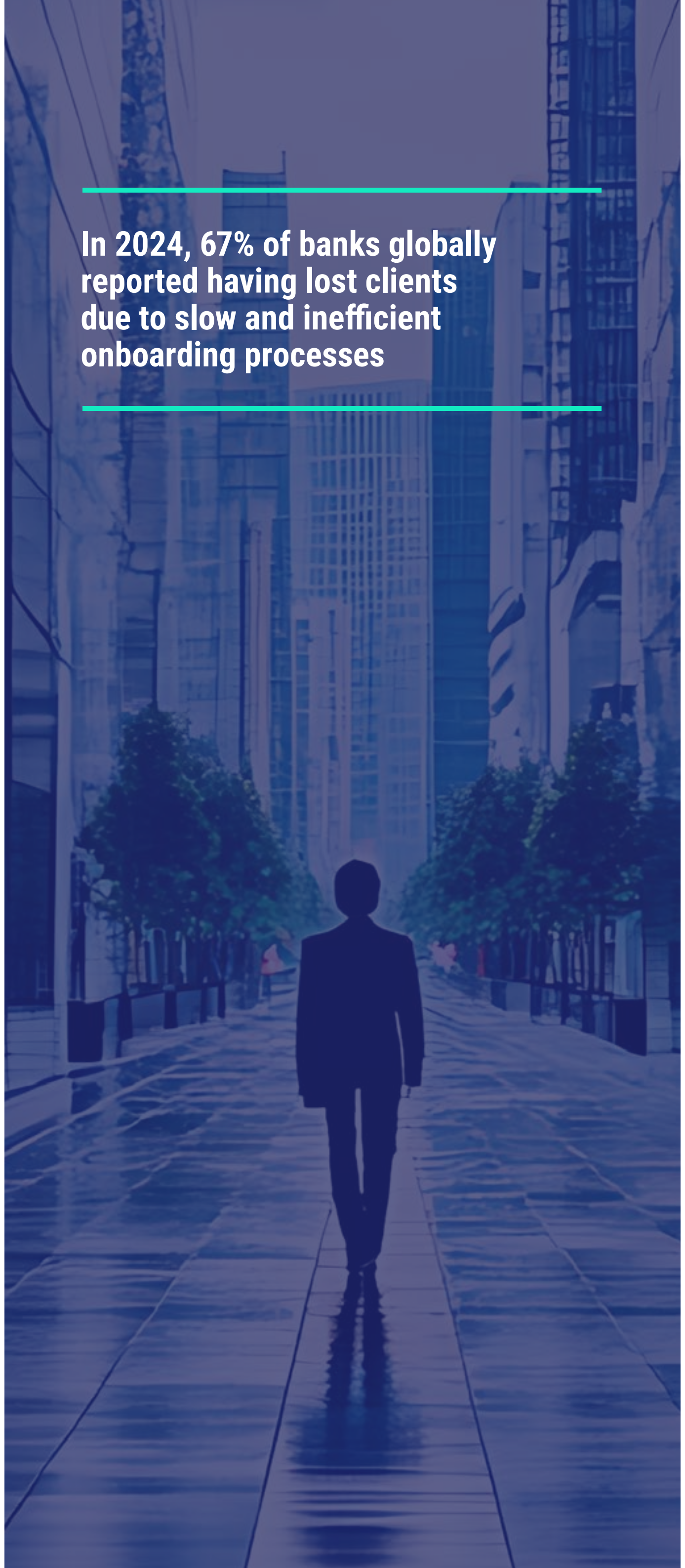
So, why should FIs rethink their onboarding and KYC processes at all? Put simply, cutting-edge customer experiences begin with streamlined onboarding.

The legacy method of taking on a new customer is, at its most inefficient, a face-to-face interview at a bank branch — involving a lengthy form-filling process, legal document provision and a manual KYC check. In 2024, 67% of banks globally reported having lost clients due to slow and inefficient onboarding processes like these. And it is no wonder — Forbes reports that traditional banks take an average of 24 days to onboard customers, while the average fintech onboarding process takes six minutes.

However, bringing the process online is only half the battle. Many banks that offer digital onboarding still struggle with clunky or laborious journeys that cause elevated abandonment rates and inadequate results. According to a recent study, high abandonment rates can be attributed to a combination of internal and external factors, including:

- Poor data management and siloed processes (cited by 86% of banks);
- Poor experience and delays in processes (77%); and
- Complex onboarding processes (45%).

Despite these issues, the same study revealed that only 4% of banks have efficiently automated their KYC workflows. Electronic KYC (eKYC) is the gold standard here — leveraging machine learning (ML) and AI to more efficiently and safely onboard customers.

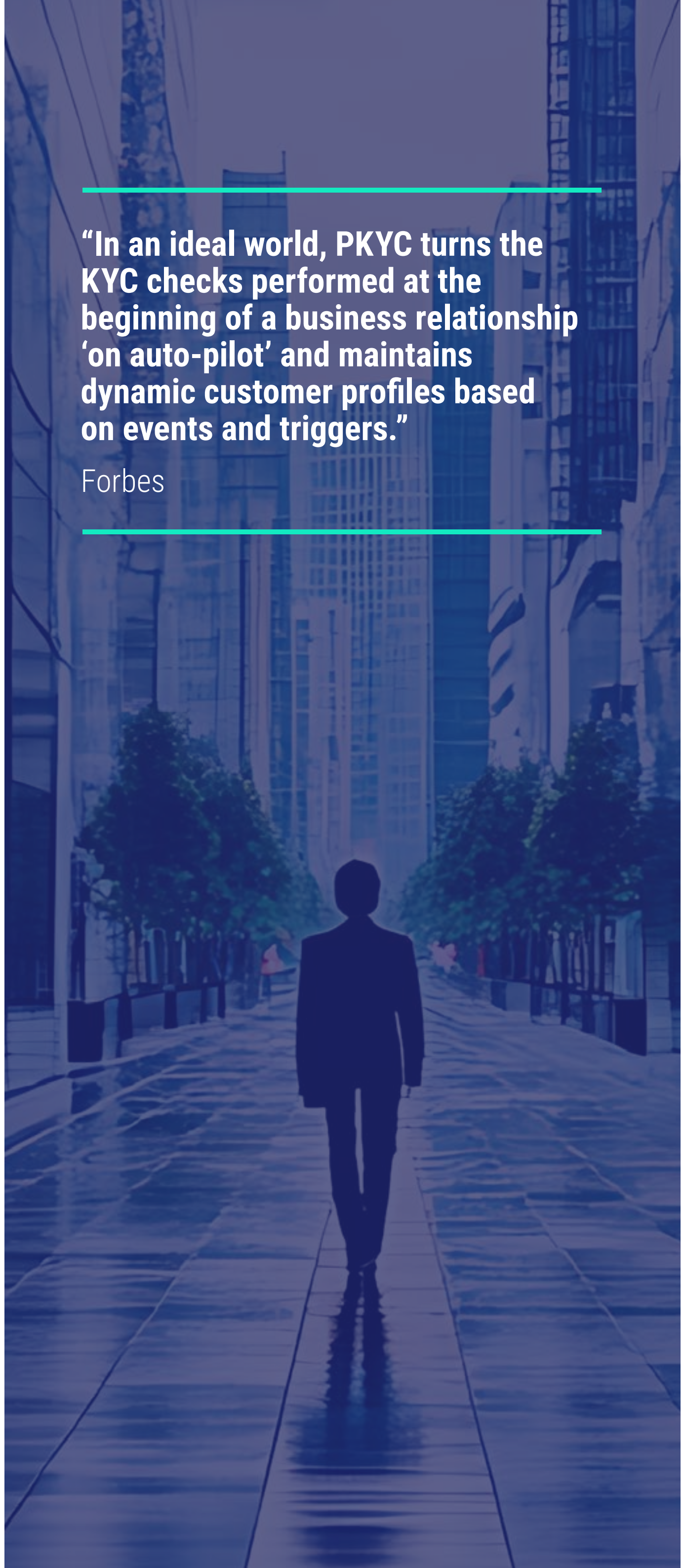


Another indispensable tool is AI-enabled intelligent document processing (IDP), which automates document handling and the extraction of key data. According to an IDC survey, 52% of companies invested in IDP in 2023, and 44% plan to invest by H2 2025.

But accuracy and efficiency across the onboarding process have benefits beyond reducing abandonment rates. In the regulatory space, compliance pressures are ratcheting up on FIs, who are being challenged to mitigate rising and increasingly sophisticated money laundering attacks. Naturally, the place to start for all things fraud is modern KYC and anti-money laundering (AML) controls.

For some institutions — particularly the lower-tier banks — the resourcing and budget to support a KYC upheaval is simply not available. Indeed, the average annual cost for performing KYC reviews at a institutional and commercial bank is estimated to be $60 million and $175 million, respectively. This is where perpetual KYC (PKYC) comes in, argues Forbes — a method of programmatically verifying and updating customer records throughout the life cycle, in order to proactively comply with regulations, manage risk, and improve customer service and marketing: “In an ideal world, PKYC turns the KYC checks performed at the beginning of a business relationship ‘on auto-pilot’ and maintains dynamic customer profiles based on events and triggers.”

Though many organisations have some way to go before they can tighten up their onboarding and KYC processes in this manner, it may be an industry-wide inevitability — especially once FIs understand the boost it can bring to the bottom line.



“In an ideal world, PKYC turns the KYC checks performed at the beginning of a business relationship ‘on auto-pilot’ and maintains dynamic customer profiles based on events and triggers.”

Forbes

Case study: Wiener Privatbank automates onboarding processes

The challenge

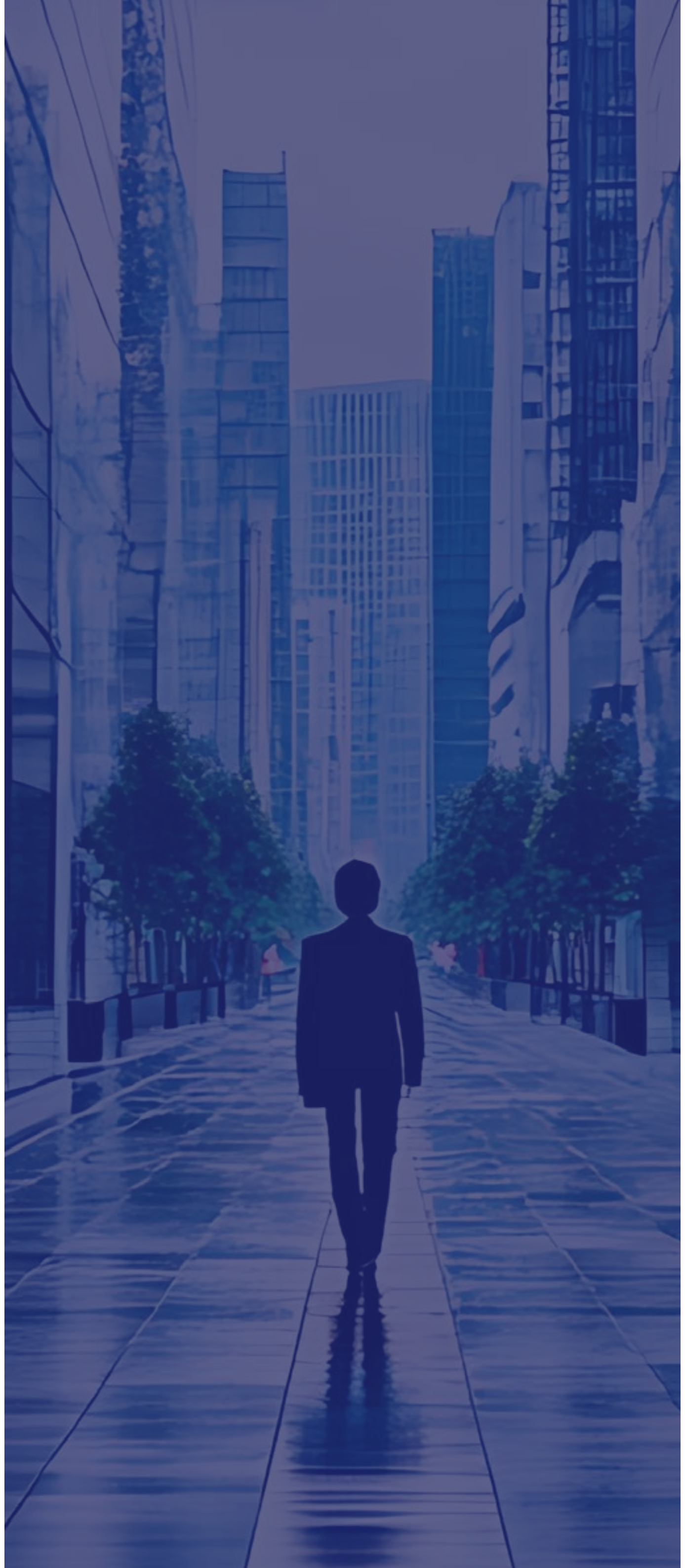
Austrian capital market firm Wiener Privatbank's outdated processes — and highly diverse customer base — meant that their onboarding journey had become extremely complex, time-consuming and costly. The root cause was two-fold.

First, the bank was leaning on a single master datasheet, which had to be filled in manually by clerks. The data itself was gleaned from 15-20 separate documents — from 180 templates — for each applicant. To maintain data accuracy, clerks were obliged to enter the same details, such as the customer's name and address, repeatedly. This was a huge drain on human resources.

Second, the organisation was becoming inundated with physical documents — including customer files, compliance clearing records, release loops and other manual entries. The situation was operationally untenable, and Wiener Privatbank needed an electronic filing system to digitise its data.

The solution

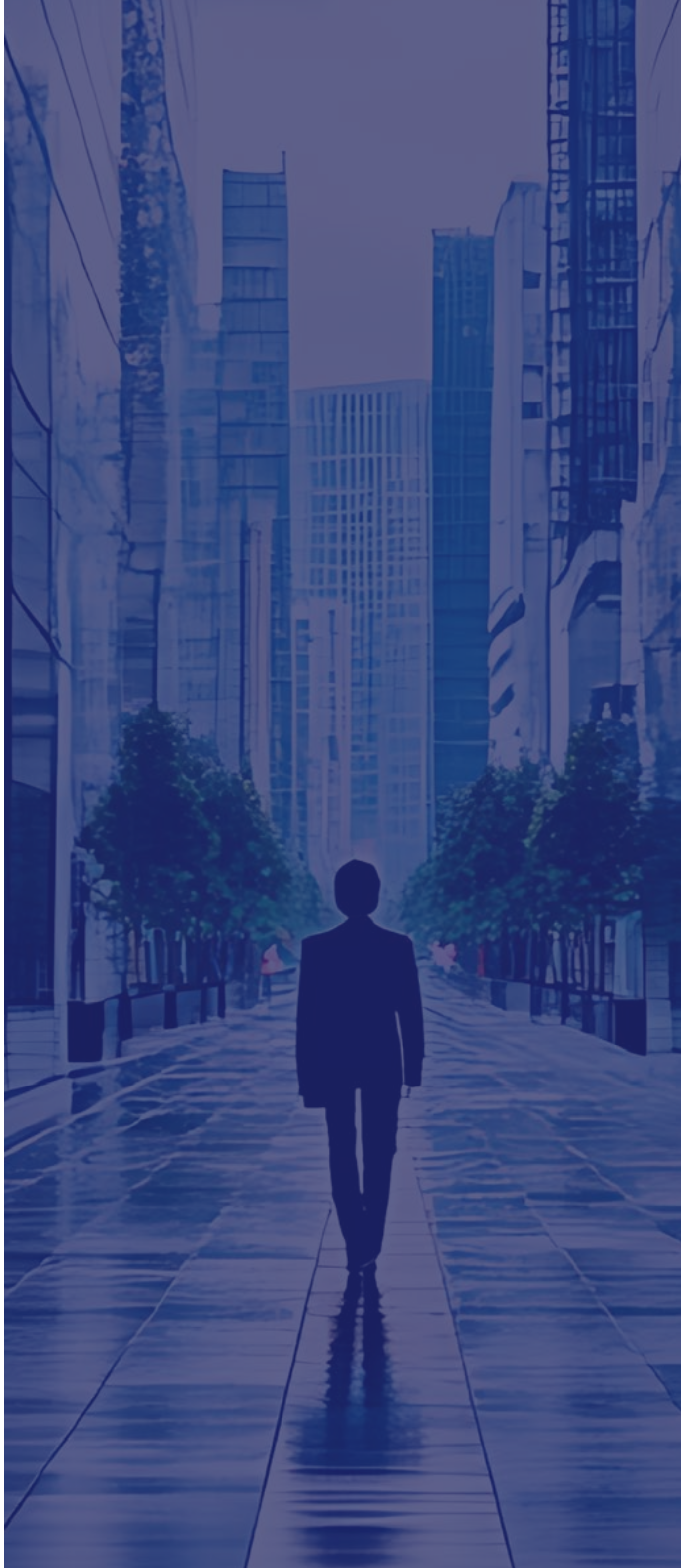
Hyland and its local partner, Artaker, implemented an enterprise content management solution, OnBase, to serve as the central, digital workflow through which all onboarding processes run. This means that paper processes have been eliminated, filing activities simplified and approvals automated.



The benefits

Wiener Privatbank now has transparency at every stage of its onboarding process — enabling staff to quickly see the status of any customer application. Here are some other key benefits:

1. **Streamlined compliance and risk management**: The solution ensures reliability and excludes any manual overriding, meaning predefined workflows are adhered to.
2. **Modernised system**: Changes in the core banking infrastructure are automatically transferred to OnBase, without manual intervention.
3. **Digitisation:** This provides a halo of benefits, including greater speed, operational efficiency, resource and cost savings, as well as customer satisfaction.
4. **A seamless process**: The solution is integrated with the private bank's core banking system, so there is a continuous process, from the first customer appointment, to risk classification and release, to the creation of the customer record.



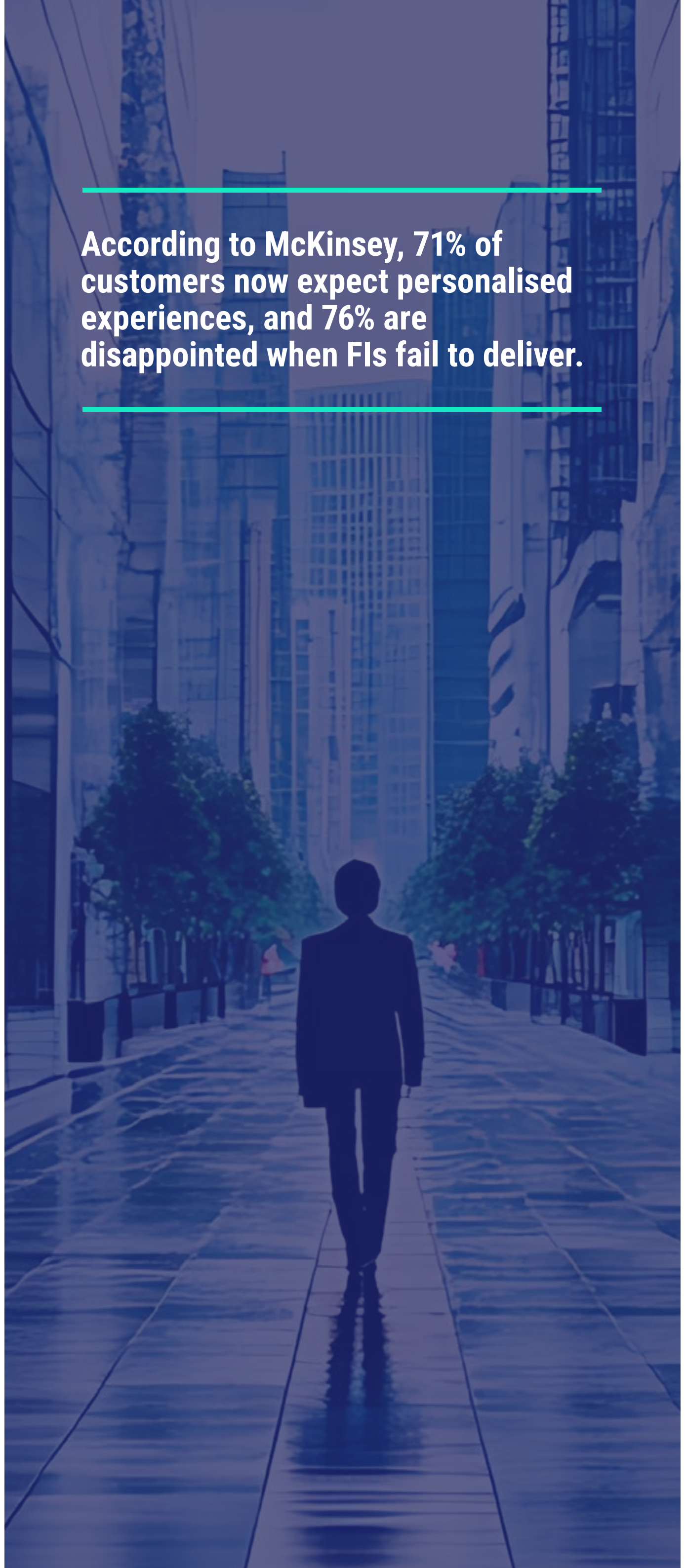
03 | Customer journeys and hyper-personalisation

Once onboarding and KYC processes are modernised, the road to establishing a cutting-edge customer experience is paved. Once again, data is the engine room for a productive, personalised life cycle.

Historically, banks have struggled to move away from delivering a generic service to their customer base. This is rooted in the difficulty of integrating data from various channels — be it social media, online interactions or in-person conversations — which would enable a 360-degree view of behaviour and preferences. To compound the issue, the customer data that is available is not entirely accessible, since it is cribbed in siloed legacy systems — making it challenging for bank employees to make use of the information and extend service recommendations.

Despite the delivery challenges, the market for personalisation is there. According to McKinsey, 71% of customers now expect personalised experiences, and 76% are disappointed when FIs fail to deliver. In fact, the majority (62%) of surveyed customers said they would be willing to share more data in exchange for personalisation.

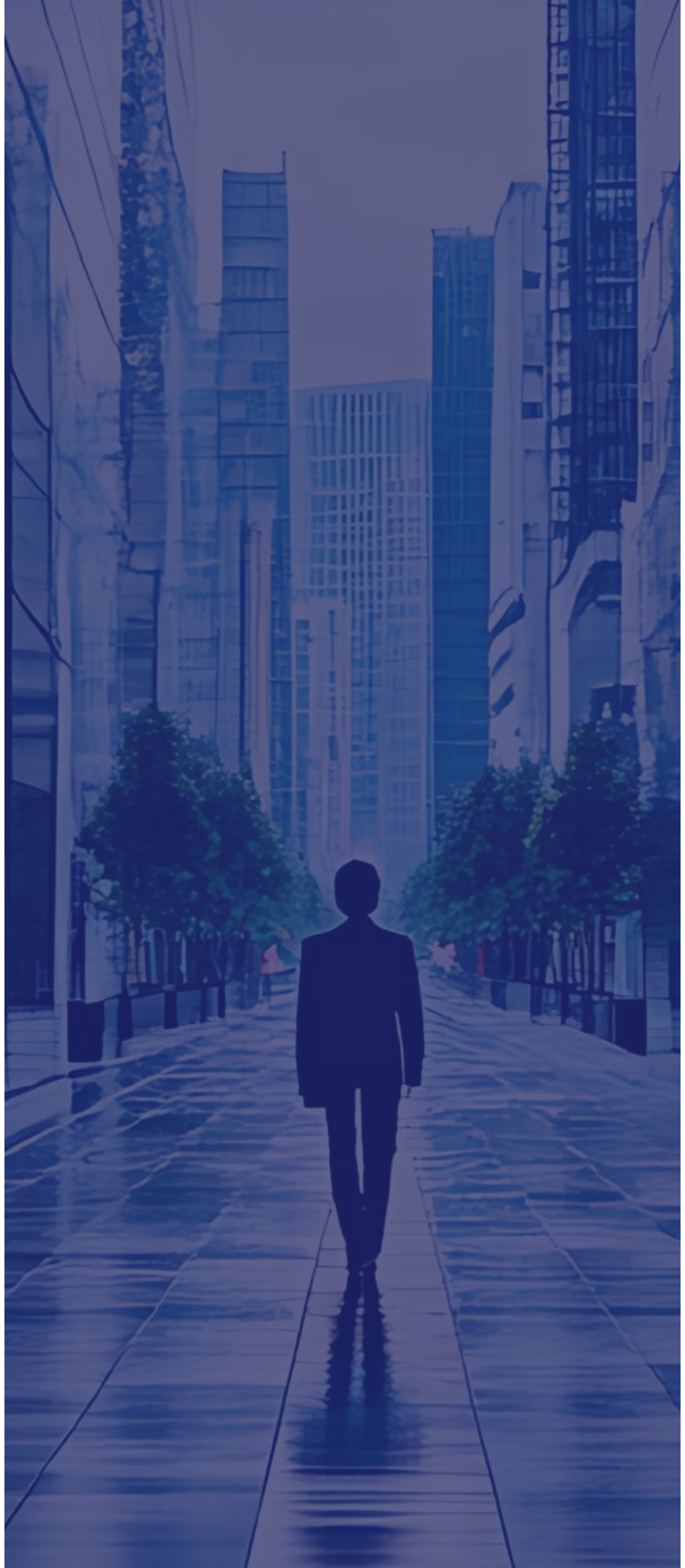
But how do we get there? At the heart of personalisation lies unstructured data, which means that FIs must start by leveraging ML and generative AI (GenAI) to raze data siloes, bring disparate pieces of information together and analyse it in a rapid, meaningful manner. If this can be achieved, patterns can be discerned, and FIs can more effectively identify the kinds of products and services that their customers are looking for.



All this investment lays the groundwork for hyper-personalisation. But some commentors go one step further and argue that hyper-personalisation is the natural by-product of GenAI, which will eventually be applied to payments data, loan life cycles, or within a real-time environment to extend bespoke offers at the point of sale. In some instances, AI is already supporting treasurers with cashflow and liquidity management — an invaluable tool in light of today's unpredictable macro-economic climate.

Notwithstanding this colourful raft of opportunity, McKinsey shows there are five practical ways to upscale the customer journey — all of which can (and should) be expedited through the use of AI:

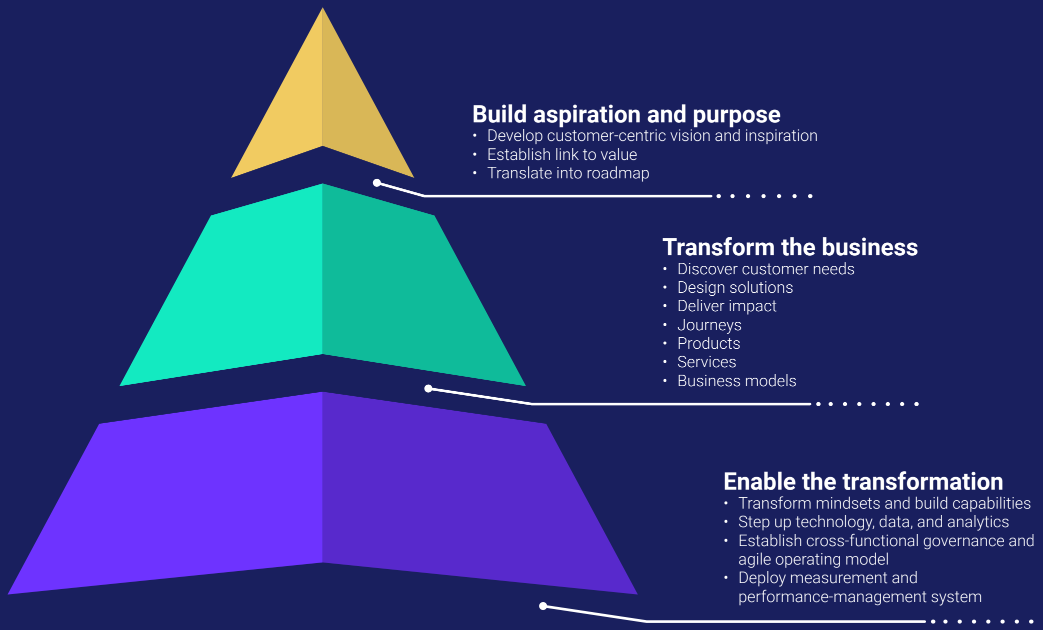
1. **Reimagine (not just de-friction) priority journeys**: Take inspiration from other industries, understand the competition's offering, leverage the concept of a zero-based design, co-create alongside customers and push innovation to the next level.
2. **Help customers dive into digital**: Streamline digital enrolment, drive awareness of new offerings, redirect customers to new channels, and reward (or incentivise) users of online services.
3. **Fortify trust**: Be transparent and personal in all communications, understand and enable the ways in which customers want to bank, identify and resolve fraud cases smoothly, and offer a window for customers to analyse their financial health.
4. **Bridge the measurement gap**: Leverage predictive analytics, ML and big data to capture, interpret and monitor customer satisfaction levels.
5. **Embed customer success across the organisation**: Forge customer success capabilities, create space for high-value activities and cross-selling, define the operating model with sales and track customer health.



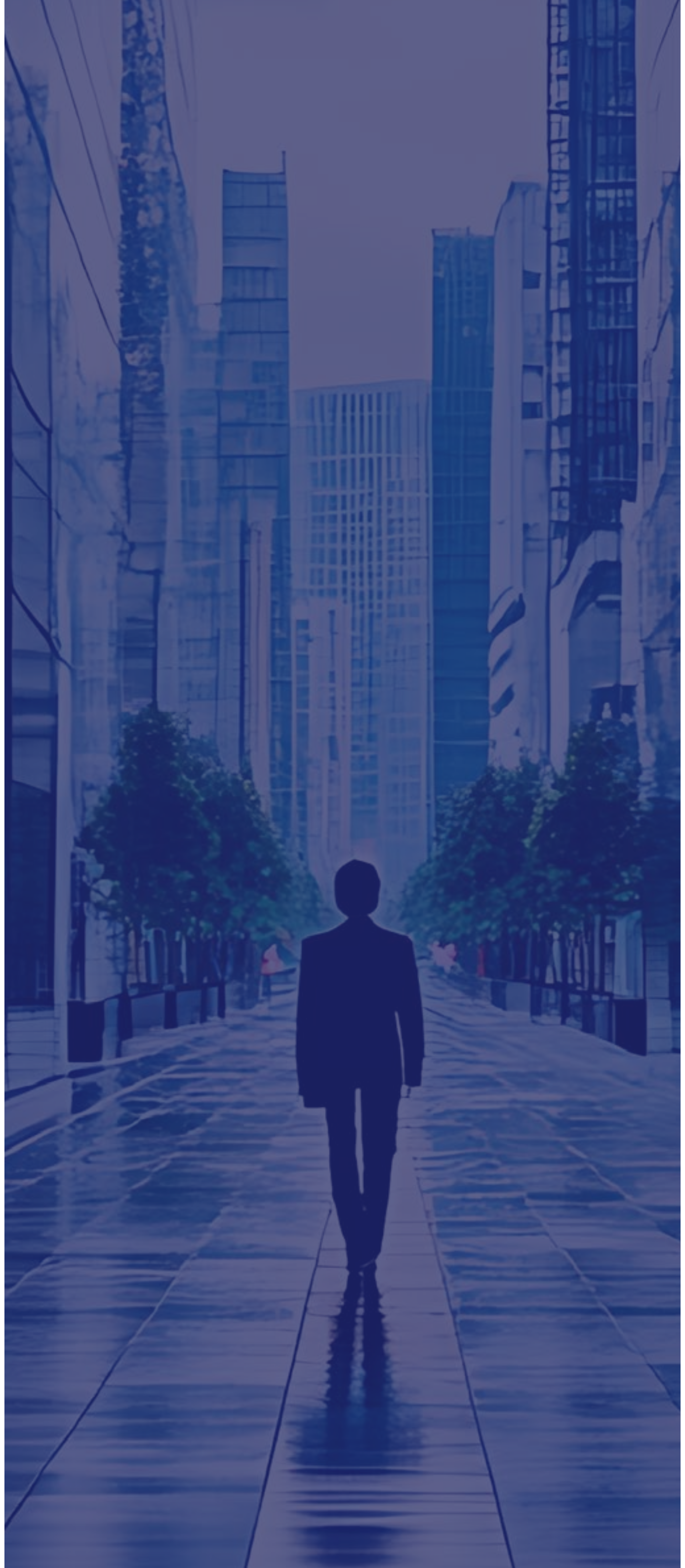
The “three core building blocks of customer experience,” concludes McKinsey, are “a clearly defined, strong aspiration; a disciplined transformation journey; and thoughtful deployment of new capabilities such as analytics.”

This method of personalisation yields proven **results**, including a 15-20% increase in sales conversion rates, a 20-50% decline in service costs and a 10-20% improvement in customer satisfaction.

Banks could attain leading positions by addressing the three core building blocks of customer-experience transformations.



Source: McKinsey & Company



Case study: UK bank creates a differentiated user experience

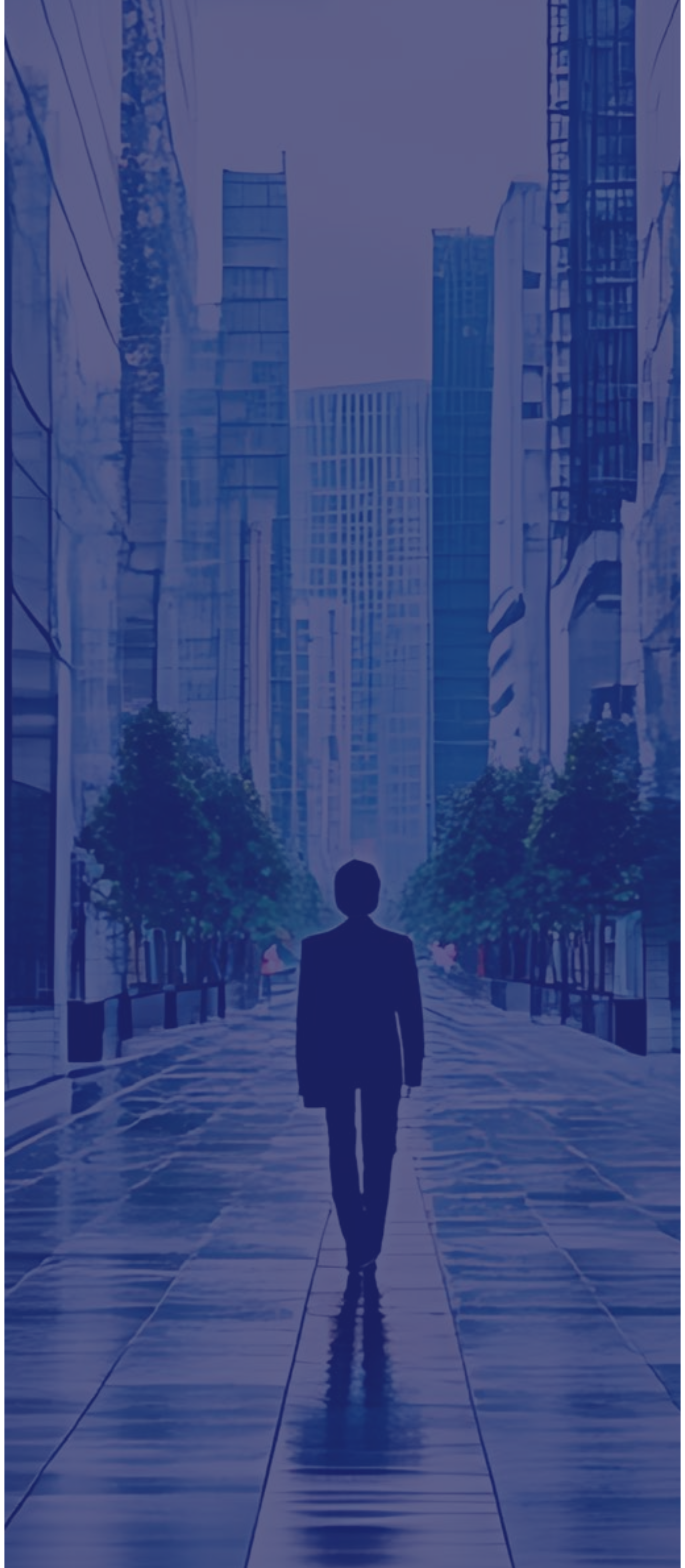
The challenge

One of the UK's largest banks was using multiple disparate systems and legacy content management platforms — scattered across hundreds of global branches — to store data tied to its 14 million active customers. The number of documents on file was estimated to be in excess of 2.5 billion.

As the bank grew, the fragmentation issue was only exacerbated — creating operational inefficiencies and compliance challenges, particularly when it came to the General Data Protection Regulation (GDPR). Though the bank's in-house technical team had worked for months to develop a solution, it soon realised the task was too time-consuming, costly and complex to undertake alone.

The solution

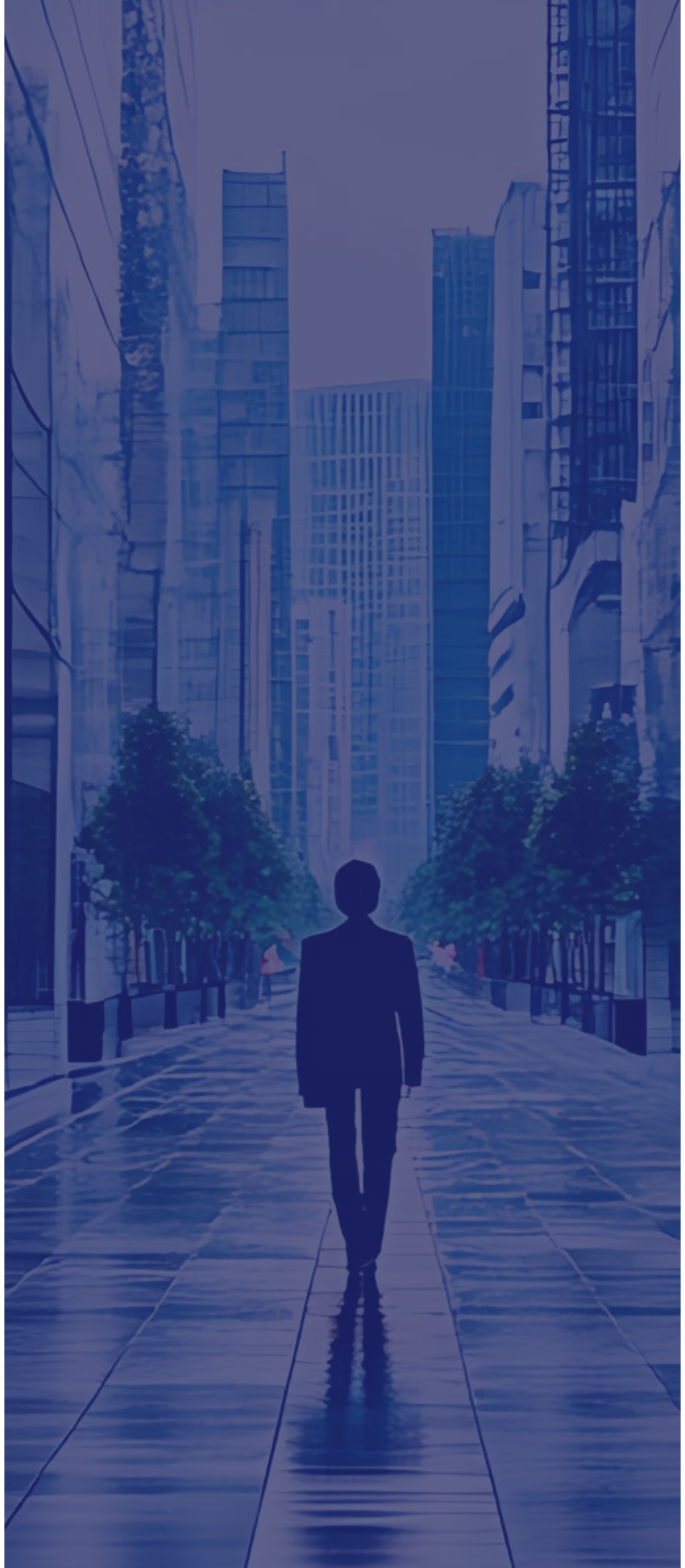
The answer was to connect and consolidate internal systems so that customer data could be united, rationalised and ultimately leveraged. The bank turned to Hyland, which deployed a next-generation enterprise content management solution — Nuxeo — to underpin differentiated user experiences. The flexible, API-enabled metadata model made it easy to connect with the bank's existing user interface and migrate the 2.5 billion documents onto the platform.



The benefits

As well as harmonising the bank's data approach, Nuxeo supported with the increasingly tough compliance requirements around GDPR, which asked FIs to retain vital records and information for a designated period, for auditing purposes. The solution helped the bank avoid potential penalties by streamlining the entire information management process, generating a reliable audit system for tracking requests and delivering comprehensive subject access request (SAR) reports. What's more, since the solution is built on cloud-native architecture, the bank's technical team has been empowered to be more agile in the way it develops, deploys and scales new applications.

Hyland will soon work with the bank to leverage AI and create a trainable engine for metadata extraction. By applying metadata to content, the bank will be able to automate processes — and, ultimately, meet new-age customer and business demands.



04 | Product development and AI

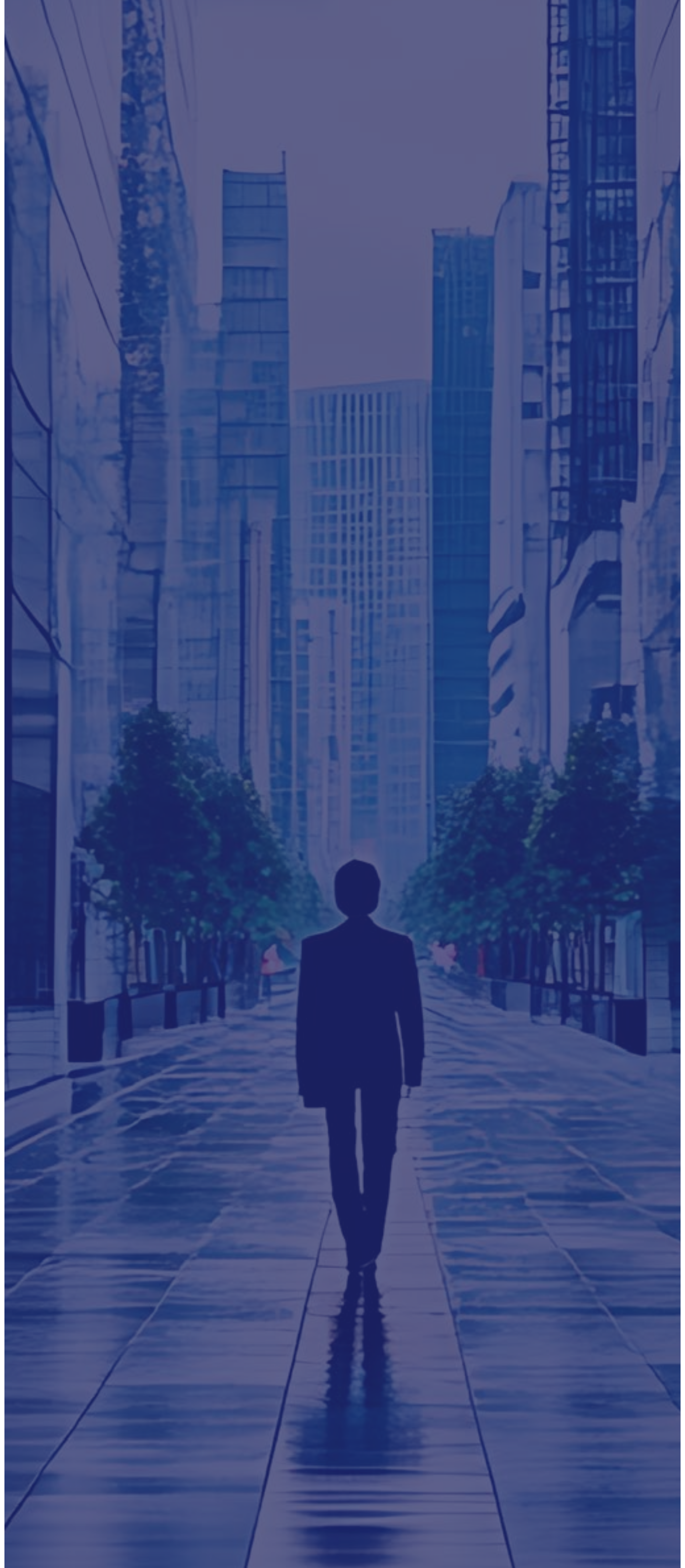
By wielding AI, FIs can push their personalisation to the next level and create cutting-edge experiences that sit at the very forefront of financial services' innovation.

Before banks had access to revolutionary technologies like AI, product creation took a traditional, product-oriented approach. Banks would first design and develop a range of products, focusing mainly on their features and functionality. Whether it was savings accounts, loans, credit cards or mortgages, the emphasis on individual customer needs was almost nonexistent. The process involved end-to-end management — from manufacturing and distribution to servicing and underwriting — and concluded with distribution.

The financial services industry's philosophy has evolved significantly since then, having shifted to a customer-oriented mindset, which values needs-based approaches, and is powered by technological advances, granular data and analytics. Ideally, the product development process is agile and modular, enabling FIs to deliver flexible services to market at speed. Perhaps most importantly, the work is not over once the product is distributed. Space should be created for iterations and updates that are aligned with customer feedback.

So how is this achieved in practice? What steps should be taken to turn insights into winning, data-driven products? Here is a five-part checklist:

1. **Collect user insights** — be it product usage data, web analytics tools or social media chatter
2. **Leverage analytics and AI to process data** — clean it, structure it, and utilise technology to unearth patterns, trends and correlations



3. **Identify users' needs and preferences** — patterns in data are a blueprint for customers' needs. Prioritise them against their impact, frequency and feasibility
4. **Use predictive models for product development** — once a customer's needs are clear, products or services can be developed to meet those needs
5. **Embed insights across the product development cycle** — all these learnings must inform each stage of development; from ideation to feature prioritisation, road mapping, delivery and iteration

The goal should be to leverage data, interpreted by AI, to refine product and customer experience in a way that generates a best-in-class total experience. This encompasses every interaction a customer has with the organisation, across her lifetime. Indeed, a competitive and standout total experience is foundational to a customer's perception of — and loyalty to — the brand.

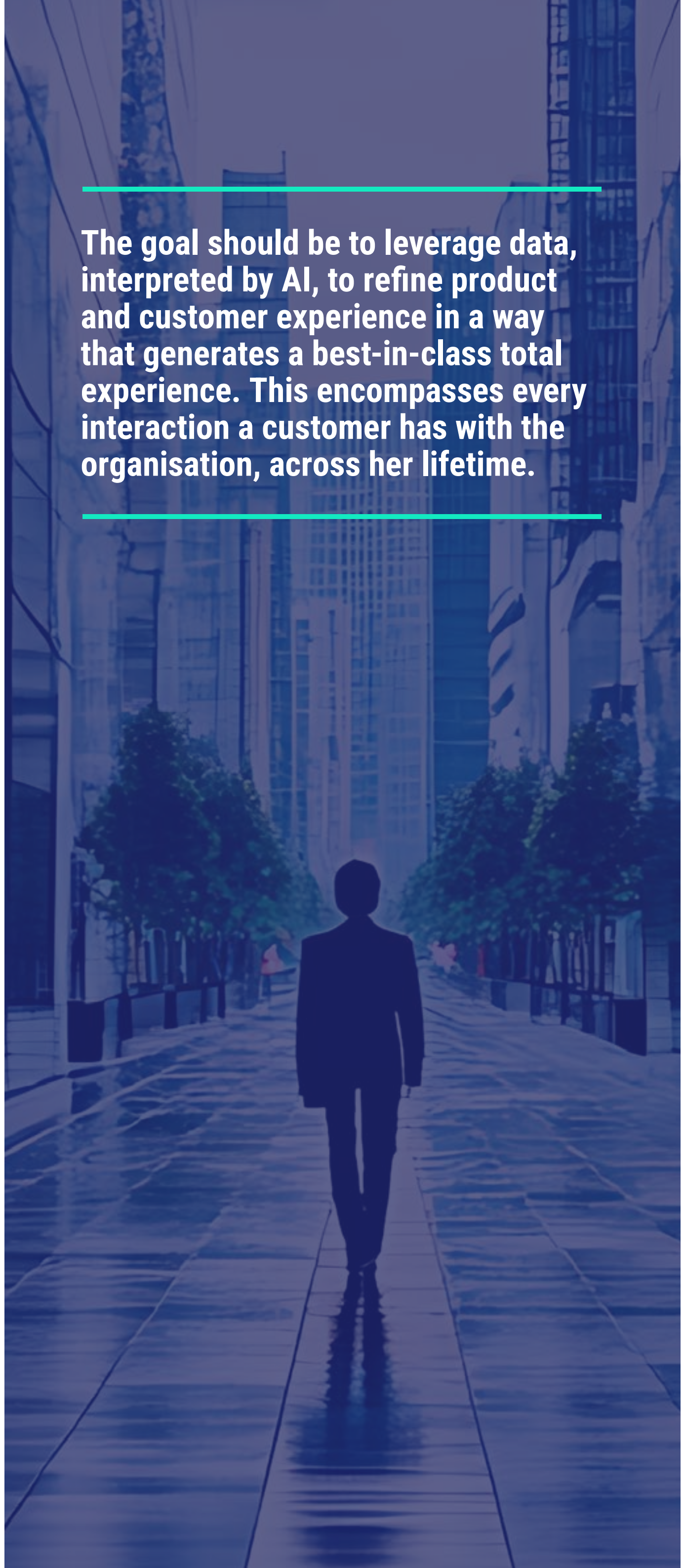
Case study: RBC Capital Markets modernises operations

The challenge

To remain relevant in key markets, global investment bank RBC Capital Markets — part of the Royal Bank of Canada (RBC), the 10th largest bank worldwide — desperately needed to update its systems that support post-trade activities.

The solution

RBC Capital Markets adopted Hyland Alfresco to modernise the systems that manage confirmations, payments, tax provisioning and regulatory compliance.



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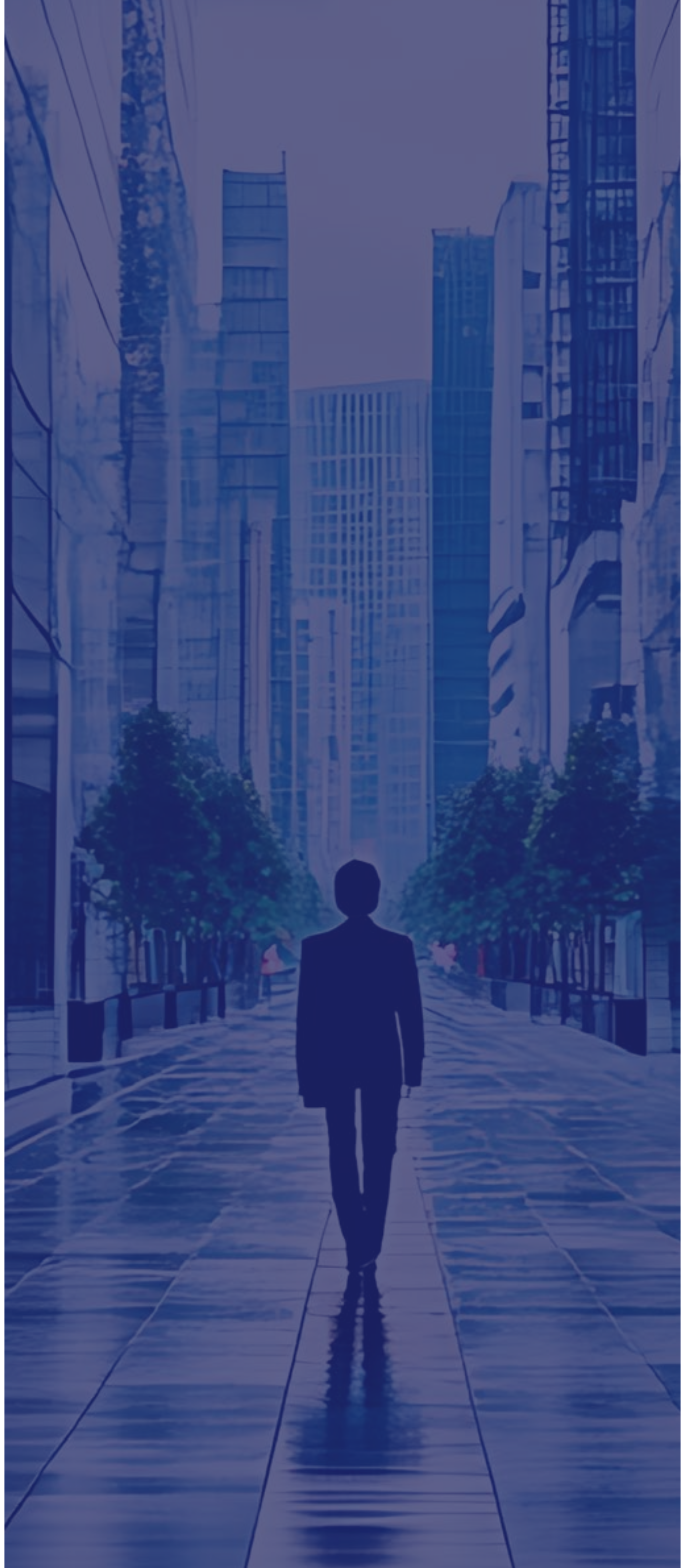
One of the first use cases of the next-generation solution, which combines process automation with rich document management capabilities, was to streamline the intensive workflows around tax-related regulatory compliance, following a trade.

Since the solution is cloud-native, it also supports modern DevOps practices, enabling RBC Capital Markets to establish a continuous innovation and delivery cycle (CI/CD) for key applications.

The benefits

Here are some headline benefits of the solution:

1. **New applications**: Within just three years of implementation, the bank's IT team was able to develop and deploy 14 new applications, supporting 3,500 business users, thanks to reusable, pre- or custom-built components
2. **Increased operational efficiency**, including tightened internal controls and strengthened regulatory compliance
3. **Agility**, enabling RBC Capital Markets to keep pace with the needs of its rapidly growing business
4. **Overcome a halo of business challenges**: Now that the bank has standardised on the digital platform, it can quickly spin up applications

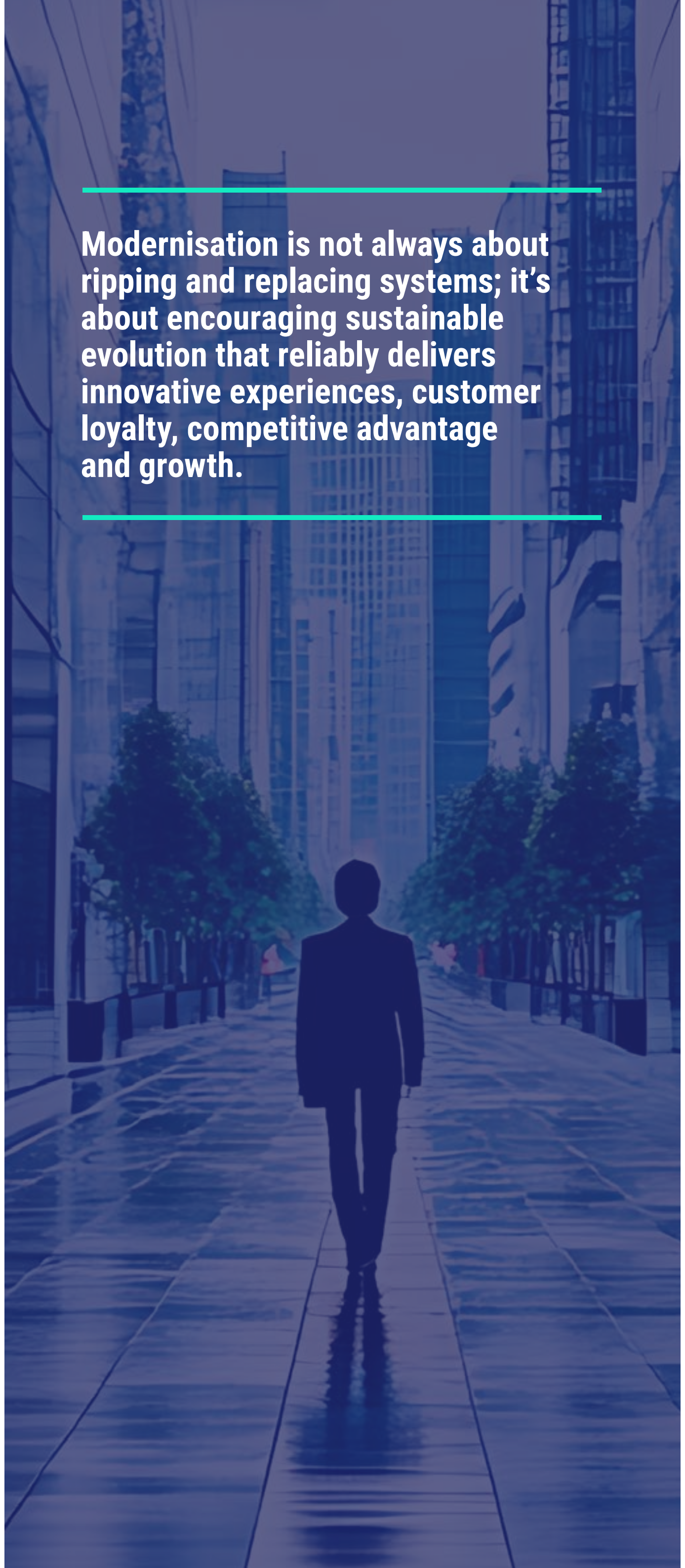


05 | Conclusion

If traditional FIs are to surf the waves of competition emanating from the fintech space — and not drown under the pressure — some key organisational adjustments must be made. First, they must bring their onboarding and KYC processes up to speed, to ensure prospective customers get the fast, efficient and productive service they demand. Next, FIs must turn to their customer journeys more generally, and ask how cutting-edge innovations, such as AI and ML, can be applied to extend hyper-personalised experiences. And finally, with AI engaged, they must have the vision to ask where else it can revolutionise product, engagement and the total experience. Each step of the way, FIs must fight to retain their customers' loyalty.

Fortunately, institutions need not reinvent the wheel to make this happen. Even the smallest tweaks can have seismic impact. Transformation and innovation are perennial pursuits that are never finished — and must therefore be addressed in a measured, iterative and functional manner.

Modernisation is not always about ripping and replacing systems; it's about encouraging sustainable evolution that reliably delivers innovative experiences, customer loyalty, competitive advantage and growth.



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06 | About

Finextra Research

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The Finextra community actively participates in contributing opinions, ideas and comments on the evolution of fintech.

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Hyland

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