

DIGITAL PATHWAYS

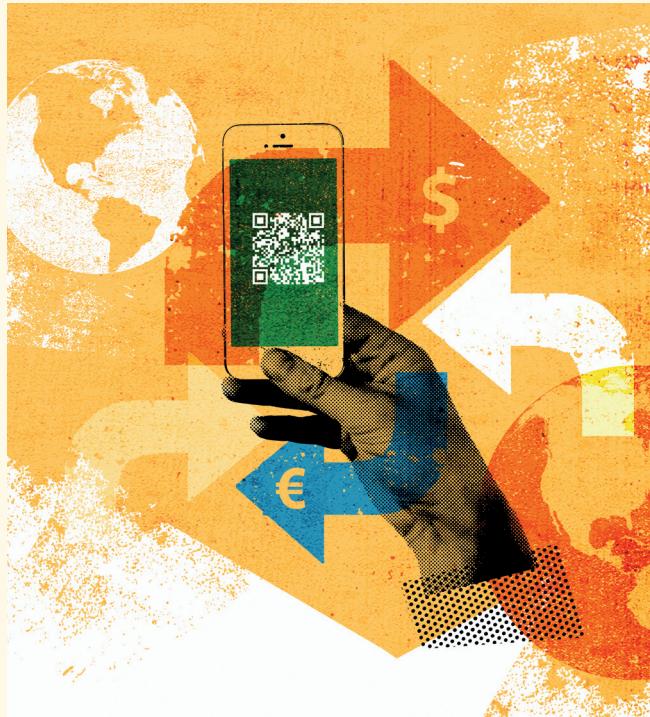
DIGITISATION AS A ROUTE TO MAXIMISING CUSTOMER SERVICE IN THE RETAIL BANKING SPACE IS WELL ESTABLISHED. NEIL ARMITAGE EXPLORES ITS POTENTIAL FOR CORPORATE CUSTOMERS

Digitisation is at the forefront of all our minds. As consumers of retail products, it is impossible to ignore the developments in the way we can purchase goods and services. While we enjoy more efficient ways to make a purchase and track the progress of the purchase to final delivery, we should not forget what is really driving these developments. Companies are investing heavily in digital solutions to attract new customers, retain existing customers, create loyalty, ultimately leading to increased profits and creating shareholder value.

Digitisation enables companies to offer increased levels of service in a cost-efficient way and it provides much greater intelligence on the buyer's behaviour, enabling pinpoint targeting of marketing programmes and the elimination of unprofitable and non-value-creating activities. The retail-banking industry has embraced digitisation, and any prominent player in the Middle East banking arena now has a mobile app to support its online banking platform.

The banking industry in the United Arab Emirates (UAE), and indeed the wider Gulf Cooperation Council, continues to be highly competitive, which drives down banks' lending margins and fees. Every bank in the UAE, in particular, is looking

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for a way to differentiate itself from its competitors. Customer service has for some time been seen as a key differentiator for banks, as they strive to win new customers and increase the wallet share of business from existing customers. Banks are now looking to differentiated service for different segments of customers, usually driven by the value the customer creates, or potentially can create, for the bank.

Digitisation enables companies to offer increased levels of service in a cost-efficient way

The focus of this discussion is to look at the benefits that digitisation can bring for the corporate service model.

The impacts in retail banking suggest the need for a differentiated service model for the corporate client, which has been embraced by banks in the UAE. The reality of this model is that it has been driven by customer need.

This is where the thinking of the banks needs to change: reacting to the needs of the

customer is not going to be enough in the future. The Oliver Wyman report, *The State Of The Financial Services Industry 2017*, supports this view. This research shows that, while financial institutions have invested in mobile banking, cloud technology and process re-engineering, very few have articulated their digital plans on how they will drive future shareholder value. This goes to the root of the argument: banks have embraced the benefits of technology, but have they really understood it from the customer standpoint?

The needs of a business

The corporate client by definition has a diverse list of service needs and these needs will differ greatly, depending on the nature of their business. Take the example of an FX business. It needs seamless efficient payments and a competitive FX service, together with an ability to track payment progress. Its business model is based on maximising the number of payments it makes for its customers, making small commissions and FX margin on each payment. Any type of delay will cost it money and damage its reputation in the market. While a bank-dedicated service resource will be able to deal with queries and problems, what the bank really needs to provide to the business is a window on its processing systems. It may well be a challenge for the

bank itself to see this, but this is where the paradigm shift in thinking is required.

In the case of an import distribution business, its needs will centre on trade finance service. The movement of goods drives its business and it needs speedy processing of its import documentation, such as bills of lading, to eliminate supply chain delays. Coupled with this, the collection of its receivables is paramount, since this drives the cash flow and, ultimately, the profitability of the business. In this case, the customer needs to know exactly where the trade documents are, not just within the bank system, but beyond. Ideally, this should be linked to a view of where the actual goods are as well. This is a case of where the bank needs to link with the other providers in the supply chain to provide a single view of the customers' trade cycle.

Internal versus external information

We also see what Accenture refers to as the difference between 'inside' and 'outside'

information. This concept was discussed in the Accenture report, *Digital strategy execution drives a new era of banking*, first published in 2015, but still relevant today. The report refers to research from a number of global banks, making the point that using digitisation to improve the customer journey (the 'outside'), requires many facets of change to the way a customer interacts with the bank. The report goes on to say that these changes will only be effective if the bank is successful in digitising its internal processes (the 'inside'). This will involve challenging existing practices and making changes to specifically improve the customer journey.

The digitisation journey has to begin by looking at what the customer needs, but the true differentiator will be giving the customer the services that they have not even imagined, and will find valuable to their business. This takes the idea of a differentiated service model to a new level, in that not only will a bank provide

an enhanced service to its priority customers, but it will be able to segment its service based on the customer's needs. The type of service will be tailored to exactly fit the customer's needs, eliminating information the customer does not need. In addition, the bank-service employees can also be segmented in the same way, meaning when there is the need to speak to someone, that person is a real subject-matter expert in the customer's area of business. At the same time, the bank should have the ability to be able to review the transaction flow/service requests generated by the customer, to constantly validate the nature of the service provided. This enables the bank to spot a differing trend in the customers' business, which will prevent either the over- or underservicing of the customer.

Turning now to the 'inside' information, this clearly needs to drive the quality of the information/data that is provided to the customer. This is an area of challenge for the banks, as they traditionally have to work with multiple systems internally that don't always talk to one another very effectively. Typically, the bank will need a good deal of human intervention to produce the 'outside' information, which has led to difficulties in producing the exact information the customer needs. In addition, as the example above showed, there is a need to either link with, or look into, other industry information systems to dovetail with the bank information.

The challenge the banks face should not be underestimated, but the rewards are clear to see:

a loyal customer base, well defended against the competition, with the ability to win new customers. All of this leads to the creation of shareholder value. So, how do the banks approach this challenge?

There must be an understanding that defining the end state of what they will provide is difficult. These types of project have to be approached with an agile technique. The concept of the 'minimum viable product' precisely fits this project. There will be a constant need to build on the initial offering, moulding it to meet the customer's needs. Stakeholders will have to be carefully aligned, as banks have a habit of allowing stakeholders to dominate projects, which will lead to the end result not meeting the customer's needs. Banks that are successful in making these changes will have a revolutionised and truly differentiated corporate service model, placing them ahead of the competition.

It is very clear that digitisation can really power changes in customer service, but despite the technology, there will still be occasions when the customer needs a face-to-face contact to solve their problems. We should not lose sight of this. ♦

CATEGORIES	SPECIFIC NEEDS
CRITICAL	<ul style="list-style-type: none"> • Competitive pricing
DIFFERENTIATORS	<ul style="list-style-type: none"> • Demonstrable understanding of the business • Local market presence • Existing relationship
CORE	<ul style="list-style-type: none"> • Market reputation • International/cross-border capabilities • Innovative products
NON-ESSENTIAL	<ul style="list-style-type: none"> • Quality of request for proposal/pitches • Mobile capabilities • Ancillary

Neil Armitage is head of transaction banking client services at Abu Dhabi Commercial Bank



بنك أبوظبي التجاري
ADCB