

THE COMMERCIAL BANKER'S GUIDE TO:

Digital Banking Disruption

Why Commercial Banking Must Evolve From “Inform” to “Inspire”

Bank customers no longer judge their financial institution by the proximity of its branches or the friendliness of its banking staff. Instead, many are evaluating banks by the digital services they offer. Enamored by the likes of Amazon, Netflix, Uber, challenger banks and a host of other digital disrupters, customers now demand fast, simple, and personalized digital experiences in all their interactions — including the banks they choose to do business with.

While retail banking has largely heeded the call and begun the transformation of the digital customer experience, commercial banking has lagged behind its retail counterparts. It's an oversight that's now becoming more risky as retail banking customer expectations influence commercial banking customers.

There's a blurring of what retail and business customers expect from their financial institutions. In their personal lives, business customers have become accustomed to personalized experiences, easy-to-use interfaces, and recommendations about products and services based on their browsing or purchasing history.

In addition, today's younger business professionals were raised in an era of social media and instant communications, directly impacting the experiences they expect from their business banking partners. But it's not just Millennials. Every generation has been transformed by their experiences buying and paying for products and services online. An inferior digital experience can erode customer loyalty and potentially lead to customer attrition.

It's not just customers that are affected. Banking employees also expect to receive intelligent digital insights that they can use to better serve their business customers. According to McKinsey, relationship managers, underwriters, and portfolio managers spend more than 40% of their time on "noncore" administrative, repetitive, and automatable tasks. By digitizing commercial processes, commercial banks can improve margins, pull-through rates, and customer satisfaction scores, adds McKinsey.

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1. McKinsey, "How 'digital' will change commercial banking," June 1, 2018, <https://www.mckinsey.com/business-functions/digital-mckinsey/our-insights/digital-blog/how-digital-will-change-commercial-banking>

Banks can no longer simply provide transaction-based payments and cash management services to their business and corporate customers.

With a continued squeeze on margins, banks will need to build strong relationships with their commercial customers, streamline processes with an emphasis on cost reduction and efficiency, and increase cross-sell opportunities.

But there are challenges in getting from a transaction-based informational model to one that uses data to create digital experiences:

1. The customer relationship management (CRM) systems banks use for their commercial franchise don't provide the insights and intelligence that commercial bankers can use to offer proactive guidance and consultative advice.
2. Commercial banking relies heavily on manual processes that force employees to spend too much time on repetitive activities for complex tasks, such as Know Your Customer (KYC) and anti-money laundering (AML) compliance.
3. Most banks are hampered by highly siloed business units, such as treasury, trade, and lending, and the unintegrated fragmented systems that support those business modules. And the bank systems they offer customers emphasize these siloes.
4. Finally, legacy core systems that are 20 years old — or more — lack a modern front end interface, and many core providers fail to invest adequately in their front end user experience.



The Two Stages of Digital Disruption

The digital disruption enabled by intelligent engagement occurs in two stages: inform and inspire.

Inform: The first stage, and the state in which many commercially-focused banks have stagnated, is inform. In this stage, a bank provides customers with convenient digital front-end tools.

However, it's not enough to offer an attractive user interface or voice or facial recognition. Banks have delivered account balances and transaction history for decades and that information is a commodity — even if it is delivered on the web or on a mobile device. Convenience in and of itself does not inherently drive more value.

If banks want to continue to expand their role as trusted partners, they must evolve to the next stage of digital disruption: inspire.

Inspire: In the inspire stage, banks add value by proactively engaging business customers. Consider the difference between these two experiences:

1. A customer reaches out to a relationship manager with a very specific question and the relationship manager reacts accordingly.
2. A customer receives a proactive call from their relationship manager to compare financial performance with that of a similar business and suggest appropriate treasury management or accounts receivables solutions.



While the bank is meeting immediate customer needs in the first scenario, the second scenario illustrates how proactive engagement transforms the bank from transaction facilitator to partner.

Banks armed with information about their business customers can help — and inspire — the business to become more efficient or improve financial stability, helping to drive richer client engagement.

While some business customers respond to data-driven balance sheets or profit and loss statements, others would benefit from a visually enhanced data presentation. Intelligent engagement inspires action with graphic displays of data and the ability to drill down for more insightful performance reporting.

Welcome to Intelligent Engagement

Intelligent engagement enables banks to deliver a unified customer experience to deepen their relationships with business customers and help them make smarter business decisions. Simply put, it enables banks to more intelligently engage with their business customers.

Forward-thinking banks are implementing intelligent engagement via digital engagement platforms. This offers several benefits: They're intuitive and easy-to-use, with an interface that presents information to both customers and bankers in a compelling yet straightforward manner. And just as important, they facilitate collaboration and engagement between the banker and the customer.

For banks that partner with the right technology partner, intelligent engagement is easy to implement and supports rapid innovation.

Unlike a wholesale rip and replace of legacy systems, the right platform will integrate with existing core systems via application programming interfaces (APIs). These APIs allow banks to offer innovative solutions to commercial clients, whether the banks develop these solutions in-house or partner with fintech firms that offer niche products and a faster time to market. Banks can then bundle these products and services and position themselves for future innovation.

Intelligent automation relies on the cloud to provide quick provisioning, agility, scalability and lower total cost of ownership. Predictive and deep analytics tools use structured and unstructured data to anticipate customer behaviors, predict their next step, and recommend products and services that meet those needs.



Why It's Time to Reimagine Commercial Banking

The good news is that banks are taking cues from their retail segments. For instance, the bots that retail banking has deployed to help with customer support or recommend products are now making an appearance in commercial banking.

While the majority of banks haven't yet embarked on an intelligent engagement strategy for their commercial customers on the same scale as for their retail customers, banks are beginning their commercial customer digital transformation journey.

There are several reasons why it's time to reimagine commercial banking, but two of the most pressing drivers include open banking and faster payments.



Open banking: Driven in part by the Payment Services Directive (PSD2) and General Data Protection Regulation (GDPR), banks are starting to embrace the power of open data. Long advantaged by having access to customer data, open banking can level the playing field for fintechs and non-traditional financial institutions by providing access to customer data to other players.

But open banking will also offer an opportunity as banks will now have access to data from those same fintechs and non-traditional financial institutions.

Banks can leverage that data to provide intelligence and a greater value proposition to business customers. For example, PSD2 is ushering in innovations, such as peer-to-peer commercial payments and aggregated accounts. In an open system — and employing intelligent engagement — a bank that processes a vendor payment would be able to review the original invoice and recognize that the payment was for 1,000 units. With access to the customer's enterprise resource planning (ERP) system, the bank could now offer to help the business with monitoring and managing inventory. The more data and intelligence the bank collects, the more services, recommendations, and solutions it can offer to help the business.



Faster payments: Another driver for reimagining commercial banking is faster payments systems, such as the RTP® network from The Clearing House in the U.S., SEPA Instant Credit Transfer in the EU, and New Payments Platform (NPP) in Australia. Retail banking continues to adopt real-time payments for consumers and commercial customers have the same expectations. For commercial customers, the benefits of faster payments include lower processing costs and increased transparency.

New approaches to digitizing supplier payments and automated payables solutions from fintech firms — many targeting small and mid-sized businesses — and an increase in the demand for cross-border payments are also driving an interest in reimagining commercial banking.

The Role of Intelligent Engagement in Commercial Banking

Convenient digital tools are not enough to compete in today's commercial banking environment. Instead, intelligent engagement platforms collect and analyze data to uncover underlying behaviors and relationships. These insights support more thoughtful digital interactions between the business and the bank.



Cash Management:

Intelligent engagement uses data for insights that deepen the customer relationship and help business customers feel smarter about their business and financial scenario. Customers understand their performance relative to their peer group and use that comparison to improve cash flow.



Streamline Commercial Lending:

Intelligent engagement leverages optical character recognition and robotic process automation to extract data from structured and unstructured loan documents that were previously entered manually into account opening and loan origination systems.



Meet Regulatory Compliance Requirements for KYC and AML:

Managing false positives is typically a manual process. Using intelligent automation, banks can extract names, companies, and other entities in client documents and automate the entry of that data into sanction-screening systems to save time and improve accuracy.



Payments Investigation and Resolution:

Intelligent automation identifies common payment issues, automatically fixing missing or incorrect information and managing issues, such as payment recalls and exchange rate discrepancies.



Process Invoices and Purchase Orders and Reconcile Them With Accounting Systems:

Since it tends to be such a labor-intensive process, businesses only reconcile a small percentage of invoices and purchase orders. Intelligent automation can identify invoice and purchase order formats, extract data, and automatically enter that data into the accounting system.

About Bottomline Technologies

Bottomline Technologies (NASDAQ: EPAY) helps make complex business payments simple, smart, and secure. Corporations and banks rely on Bottomline for domestic and international payments, efficient cash management, automated workflows for payment processing and bill review, and state of the art fraud detection, behavioral analytics and regulatory compliance solutions. Thousands of corporations around the world benefit from Bottomline solutions. Headquartered in Portsmouth, NH, Bottomline delights customers through offices across the U.S., Europe, and Asia-Pacific.

For more information, contact Bottomline or visit
<https://www.bottomline.com/us/solutions/digital-banking>



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