

Improve banking with the IBM Smarter Process approach

A pragmatic way to reinvent business operations in the era of the customer



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The IBM Smarter Process vision for banking

Customers' expectations have never been so high. Yet, leaders at many banks and financial institutions still fail at providing a smooth, personalized, timely and relevant experience throughout channels. Operational costs remain high due to lack of integration between back-end and front-end systems, the lack of visibility into processes, and the inability to automate critical business decisions while managing risks.

By leveraging the increasing amount of data about customers, bankers can create information to constantly improve their understanding of product usage, profitability, risk, buying behavior and financial needs. This constant improvement can generate sales, enhance products, adjust pricing and improve customer satisfaction. Just as importantly, by leveraging real-time events and deepening customer insight, bank leaders can offer cross-channel marketing campaigns, improve customer self-service, case management, dispute management, and event-based decision-making. These leaders can act to attract and retain customers with compelling and personalized multi-channel experiences.

On a smarter planet, customers want to do business on their terms, not yours. They expect your operations to be instant, seamless and insightful, so that each interaction is fast and effective: instant, because customers value their time; seamless, because they request superior and consistent services across channels; insightful, because they expect your bank to know them personally. The IBM Smarter Process approach helps you to reinvent business operations and create a customer-focused company.

Market drivers and trends in the banking industry

The banking industry has never been so competitive. Yet, leaders at many banks and financial institutions around the world still struggle to truly understand their customers. It can be difficult to leverage the multitude of channels that are available, and challenging to personalize content in near-real-time. Leaders are motivated to run their operations efficiently to reduce costs. Cloud computing, big data and analytics, mobile and social media continue to be at the forefront of the discussions within IT and lines-of-business at financial institutions. However, without a well-designed and executed business process management strategy, business and IT leaders will not be able to make the shift fully to more customer-centric and flexible organizations.

Financial service providers are increasingly looking to business process management (BPM) not only as a solution to specific, immediate process improvement objectives, but as a platform that gives them the ability to tackle diverse process improvement initiatives and increase revenues. While putting in place a comprehensive and clear business process management strategy, banking leaders are able to target and serve their customers, enable straight-through processing and increase visibility into daily operations.

Tomorrow's banks must become more client-centric by leveraging sophisticated insights to improve risk management, pricing, channel performance and client satisfaction. Simultaneously, banks in mature markets must reduce operational complexity. The IBM Institute for Business Value estimates that, in mature markets, complexity costs the industry up to USD200 billion annually and constrains pre-tax profits by nearly 20 percent.¹ In emerging markets, where wealth is growing at nearly USD900 billion annually,² bank leaders must focus on wealth management, innovation and inclusion of individuals who are "underbanked" and "unbanked."

These deep transformations will not happen without smarter process.

The IBM Smarter Process approach for banking: case studies

While business process management can deliver tangible return on investment in a large number of areas, the IBM team has identified three use cases in which banks have already benefited dramatically from smarter processes: loan origination, fraud management and compliance, and customer care and insight. This section describes these use cases, and illustrates the scenarios with IBM customer reference stories. Each use case demonstrates key IBM Smarter Process components that function interoperably to support critical banking functions.

Streamlining loan origination

Many bank teams still struggle with manual processes, duplication of data entry and data entry errors during the processing of loan applications. To stay competitive and reduce costs, these bank teams are automating their business processes and business rules so that they can streamline and optimize their loan origination operations. Key considerations include: How long does it take to process a loan? What percentage of the loan process requires manual steps? How satisfied are your customers with

their loan applications? With the IBM Smarter Process approach, bank teams can automate and accelerate processes, change business rules within a matter of hours, speed loan processing and take action to reduce risk. Benefits of the IBM approach include:

- Increased visibility and the achievement of true integrated risk management
- Lower maintenance and operational costs, made possible by the creation of flexible processes and systems
- Delivery of a rich, targeted customer experience and integration of smarter decision making

Elevations Credit Union, United States

Elevations Credit Union is one of the largest credit unions serving Boulder and Broomfield Counties in Colorado. Founded in 1952 with less than USD100 in assets, the organization now has more than USD900 million in assets. To better serve its members, Elevations Credit Union sought a tool to support its mission of becoming a process-driven organization by identifying, documenting and reusing its processes.

Elevations used the IBM® Blueworks Live™ cloud-based offering to document and link processes. This action helped leaders to gain a more-comprehensive understanding of the credit union's interdependent procedures.

The organization reduced cycle times in its mortgage process by 80 percent and increased members by 13 percent. The credit union also won the prestigious Colorado Performance Excellence (CPEX) Award.

“As soon as we saw IBM Blueworks Live, we immediately recognized that the simplicity of it was going to allow a lot of people to participate quickly.”

—Carla Wolfe, senior business analyst, Enterprise Performance Excellence Group, Elevations Credit Union

Bancoomeva, Columbia

Bancoomeva is a financial organization that is part of the Coomeva Group, which used to operate as a cooperative association for Colombian workers and has a long history of issuing credits to the “unbanked” population. Bancoomeva is primarily a personal banking company, with 90 locations in 40 cities in Colombia and a customer base numbering 300,000.

Bancoomeva considers 2,000 loan applications every month. Its evaluation processes were handled through regional offices that were not integrated with the Colombian banking system. Bancoomeva had no protocols governing its loan processes, leaving each office to institute its own, manual processes that were prone to error. Bancoomeva lacked oversight into the process of controlling information flows, which increased its business risk and impacted the customer experience. To capture new markets, to better manage risk and to decrease costs, the institution needed a more centralized, customer-friendly lending process.

Bancoomeva deployed a business process management solution to give users and customers increased visibility into the loan application process. The solution provides automated ID verification. Biometric identification provides authentication within minutes. The solution makes it possible for the bank’s mobile loan sellers to connect to a central loan management system,

and the solution generates alerts when it detects bottlenecks. Now, sellers are prepared with qualifying data when they meet with consumers. Sellers tailor products to individual profiles, which increases closing ratios, decreases risk and increases customer satisfaction.

Bancoomeva reduced process time for granting of credits to as little as 30 minutes from 17 days. The IBM solution also produced a return on investment (ROI) of USD1 million annually, due to process efficiencies and shortened loan approval cycles, resulting in an increase in interest income. Because of this IBM solution, the financial institution was able to replace six centers for credit approval with one centralized management system.

Fraud management and compliance

The increasing prevalence of enterprise financial crimes has made fraud prevention and investments in prevention technology a long-overdue priority to financial organizations around the world. Key considerations include: Is the current solution able to keep pace with the continuous evolution of fraud? Can the current solution keep pace with technologies such as mobile? How much does fraud cost? How difficult, costly and lengthy is it to comply with new regulations?

With the IBM Smarter Process approach, leaders at banks and financial institutions can address fraud threats throughout their entire organization, removing the requirement to identify different solutions and platforms to address credit card fraud, debit-card check fraud and money-laundering fraud. They can integrate the industry-leading capabilities and paradigms of IBM together with adaptive case management to improve detection rates, productivity and customer satisfaction.

Visa Europe, United Kingdom

Each time a Visa card is used anywhere in the world, an authorization takes place and a transaction is created between the issuer's financial institution and that of the merchant. At the end of each day, all of those millions of transactions must be settled. Every transaction is run through a set of business rules that govern the fee charged, the exchange rate applied, and other validation parameters such as proper formatting. These rules must be changed periodically, for example to adjust fees in response to market conditions, to add new members or to accommodate new regulations.

The European marketplace is highly complex. Efforts to unify this marketplace from an economic and commercial standpoint have been under way for decades, yet to this day the European marketplace is still comprised of many discrete markets, currencies and sets of regulations. One of the latest efforts to strengthen the market through unification, led by the European Union, was the creation of the Single Euro Payment Area (SEPA) and ratified by European Union member states adopting the Payment Services Directive (PSD, 2007/64/EC).

Leaders recognized the management challenge that is posed by this rules-based clearing and settlement process, especially when the process is extended throughout the 36 countries, multiple currencies and thousands of members served by Visa Europe.

Leaders at Visa Europe wanted to grow their business. But these leaders were challenged to respond to the nature of the European environment. Visa Europe would remain part of the global Visa Inc. organization, and leaders at Visa Europe faced a global set of demands for change. These factors made it difficult to make responsive changes to shifting regulations and market conditions. This is why the creation of a dedicated European organization was deemed a wise move.

Visa Europe's answer to the management challenge was to chart its own course. The new organization used its independence to create a separate authorization platform. Leaders created a clearing and settlement platform that would integrate with the Visa Inc. global system. The platform added a high degree of flexibility and agility to the payments process.

The new solution made it possible for the Visa Europe team to bring customized rules to market much faster, typically three times faster than before. This new environment provided market differentiation through greater agility. The new solution also reduced the cost of business rule maintenance, with savings more than 25 percent experienced. And importantly, the new solution will enable the creation of the most appropriate business rules using "what if" scenarios that are based upon real data. This makes the rule management process directly accessible to business users, adding flexibility and responsiveness. IBM products offer massive scalability and high performance, and the products offer 30,000 business rules supporting over 500 transaction types in 36 diverse markets.

Temenos Group, Belgium

Since 1993, Geneva-based Temenos Group AG has provided banking software systems to community banks, wealth managers and to retail, corporate, universal and private financial institutions. With 55 offices around the world, Temenos has over 1,500 customer deployments in more than 125 countries.

To help safeguard client accounts and reduce reputational risk associated with suspicious banking activity, global banks require transaction monitoring solutions to comply with regulations that help track initiators and recipients of questionable transactions.

By scanning more than 10 million payment transactions a day, the Temenos Group AG is helping its banking clients screen business credit risk, high-value payments and questionable behavior—without slowing down their business. The act of profiling serves to highlight patterns of behavior that may be signs of fraud, making it possible for bank teams to take appropriate measures to minimize their institution’s financial exposure and avoid multimillion-dollar government fines. One bank in China is deploying the solution to automatically translate Chinese characters into English spellings before checking those names against international watch lists.

Temenos saved up to USD37,000 per day for the typical bank that receives more than 100,000 payment transactions. Temenos helped banks avoid fines of up to USD100 million by meeting regulatory compliance requirements and saved countless hours by automating transaction screening and enabling near-instant, near-real-time results.

“The biggest piece of this is minimizing reputational risk. A bank might lose a significant part of its business if it fails to meet watch-list compliance. So the question is not to save money, but to cover a known risk.”

—Vincent Dupuis, Manager of Technology, Temenos Belgium

Customer care and insight

Banks often fail to realize the expected return on their marketing investments due to declining customer response to traditional marketing campaigns and promotions. The lack of relevant and timely messages further prevents promotional efforts from being effective. They need to leverage customer interactions across channels and touchpoints and deliver customized offers in real-time to increase marketing effectiveness and improve revenue and profitability. Customer care and insight solutions for banking from IBM leverage smarter processes to enable a consistent customer experience by optimizing channels and integrating applications for multichannel transformation.

With the IBM Smarter Process approach, bankers can:

- Improve customer segmentation and conduct targeted marketing campaigns
- Optimize sales processes such as account opening, lending, cross-selling and up-selling, and dynamic product bundling
- Enhance service processes including case management, dispute management, and event-based decision-making

BNP Paribas, France

For BNP Paribas, a European leader in global banking and financial services, personalization is crucial to winning customer loyalty and increasing profits.

“Every bank provides packages to their customers,” says Vladimir Milojkovic, Prime Contracting Project Manager at BNP Paribas. “But we can really target the right product to the right customer.”

To deliver on its strategic vision, BNP Paribas had to put the customer at the center of each transaction, which meant creating a flexible framework that would make it possible for bank staff to:

- Quickly construct grouped offers that are mapped to customer requirements, such as providing home insurance with a mortgage.
- Personalize fees based upon the customer's profile and service channel, such as giving discounts to some clients
- Develop multi-brand customer-loyalty offerings that can be delivered on demand, and that allow the bank's team to provide special incentives—such as waiving a monthly fee for a specified period—to clients who use several BNP Paribas products

With IBM WebSphere® ILOG® JRules business rule management system, the bank's team to precisely define highly variable decision logic, such as eligibility and pricing rules. This precision enables the team to target the right product or offer to the right person, and the team can now adjust service fees and interest rates based upon competitive activity in the marketplace. Because rules are authored and maintained in a business vocabulary and accessible through a web-based interface, business users can easily review, modify and deploy rules for use throughout multiple systems. These users are provided with comprehensive governance capabilities to effectively manage large numbers of frequently evolving and interrelated rules, and business users can work collaboratively with both technical and nontechnical roles involved in rule management.

Leaders at BNP Paribas reduced time-to-market for new products to days from months. The institution's team is able to create and deploy new offers in virtually real-time. Leaders have also realized substantial cost savings through improved staff productivity and decreased IT complexity.

The most significant benefit, however, will be noticed by consumers, who can receive personalized offers through any service channel, on demand. For example, when the bank renews a client's credit card, the system will identify if the client is eligible for premier credit services and will offer special terms for upgrading. The system can also recommend new products based upon the client's profile, such as an investment account for clients with a large balance in their savings accounts. For leaders at BNP Paribas, this will be an important differentiator in a highly competitive market.

Novagalicia Bank, Spain

Novagalicia Bank is the largest financial institution in West Spain and the sixth largest Spanish savings bank. The bank has 1,368 branches, 7,224 employees, 2.9 million customers and EUR124 billion in annual business volume. The bank also has 17 branches in 10 other countries, including the United States, Switzerland, Brazil, England, Mexico and Portugal.

Bank employees were struggling with 173 business rules that were used to route product requests to the individuals who possessed the proper decision-making authority. Rules changed daily, and it was taking too long to implement the changes.

The bank implemented IBM WebSphere ILOG JRules business rule management system (BRMS) to eliminate guesswork and error, lower risk and accelerate time-to-market for product processing.

It now takes the bank hours rather than days to implement changes to business rules. Only 14 minutes per night are needed to assign 200,000 non-payments to appropriate managers. While responding to customers' needs promptly was of the essence, it was also critical that proper controls be in place in order to manage risk. The business rules help to ensure that loan applications go to the right individuals in the right departments—individuals who are authorized to deal with the risk level that is involved.

“We have a better quality product and more satisfied customers with JRules. In addition, business users are able to change and manage business rules in conjunction with the architecture team in a matter of hours using Rule Team Server, as opposed to days previously.”

—Jose Antonio Fernandez, Director of Architecture and Transactional Bank, Novagalicia Bank

Why IBM for banking?

IBM has the global experience, comprehensive technology knowledge, and cost-effective methodologies to help banks and financial services firms transform their business models and create sustainable revenue growth.

- IBM services professionals combine **deep industry knowledge** with practical tools, powerful research capabilities and innovative thinking to provide real business results.
- IBM is a **trusted partner** in the banking industry, working with financial services clients worldwide including 50 of the top 50 global banks.
- The IBM **financial services solution portfolio** has been developed and refined in engagements with clients of all sizes around the world. This portfolio is enabled using the IBM Banking Industry Framework, which includes proven industry assets such as roadmaps and accelerators that **speed implementation** while **minimizing project risk**.
- The IBM team actively works with leading financial services industry associations and organizations to help address industry challenges, to develop innovative technology solutions and to set standards that **define the future of the industry**.
- IBM Solution Centers, proof-of-concept engagements, and IBM Research “First-of-a-Kind” projects conducted with clients **demonstrate innovation** and proven ability in solution implementation.
- The IBM network of **solution partners** provides choice and flexibility from a portfolio of integrated technologies.

With the IBM Smarter Process approach, bank leaders have experienced the following benefits:

Loan origination

- 500 percent faster time-to-market for processing products
- 14 minutes per night to execute assignment of 200,000 non-payments to appropriate managers
- Customer satisfaction rate increased to 92 percent from 85 percent in less than 90 days
- Reduced loan processing time by 33 percent
- Reduced nonperforming loan ratio from 12.7 percent to 8.3 percent
- Lowered year-over-year cost-to-income ratio by 17 percent
- Reduced time-to-market for new products to two weeks from three months

Fraud management and compliance

- Online fraud reduced by up to 90 percent
- Saved up to USD37,000 per day for the typical bank receiving more than 100,000 payment transactions
- Avoided fines of up to USD100 million by meeting regulatory compliance requirements
- Saved countless hours by automating transaction screening and enabling near-instant, real-time results

Customer care and insight

- 30 percent increase in new customer conversion rate
- 20-times-faster implementation of rule changes (hours compared to one month)
- Personalized offers through any channel—Internet, mobile phone, branch and more—based on each customer's profile
- Reduced time to market for new products from weeks to days
- Improved competitiveness with the ability to flexibly and rapidly evolve offers based on market conditions, competitive actions and new regulatory requirements

Bank leaders will develop significant competitive advantage if they are able to become more client-centric, improve visibility into their operations and reduce the costs associated with fraud and complexity. The transformation requires well-defined IT and business strategies and will not happen without smarter processes.

Products and services for IBM Smarter Process

There are many ways to make your business operations more customer-centric. Below are some of the key products and services from IBM to help you get started.

Business Process Management

[IBM Business Process Manager](#) is a BPM platform that provides enhanced visibility and management of an organization's business processes. IBM Business Process Manager scales more smoothly and more easily from an initial project to a full enterprise-wide program.

Operational Decision Management

[IBM Operational Decision Manager](#) is the next generation of business rules, enabling organizations to automate frequently-occurring business decisions without compromising accuracy or effectiveness. This approach to business rules provides an intuitive system for documenting, implementing, changing and governing repeatable decisions.

Advanced Case Management

[IBM Case Manager](#) provides a flexible framework and integrated tools for managing cases. Knowledge workers can put critical case information to work through integrated business rules, collaboration and analytics—all of which enhance decision-making ability and lead to more successful case outcomes.

Consulting Services and Industry Knowledge

[IBM Global Business Services](#) provides solutions at all phases of process transformation, from enterprise strategy and governance to specific process solutions. IBM also provides numerous accelerators and process road maps for specific industry challenges.

Managed Business Processes

[IBM Global Process Services](#) offer you innovative options to combine process, people and technology in outsourced delivery models that create real business value. Strong global delivery capabilities and infrastructure provide solutions for your industry throughout major business process areas.

Other key capabilities include:

[Business Activity Monitoring](#)
[Business Intelligence](#)
[Predictive Analytics](#)
[Enterprise Content Management](#)
[Master Data Management](#)
[Business Integration](#)

For more information

To learn more about the IBM Smarter Process approach, please contact your IBM representative or IBM Business Partner, or visit the following website: ibm.com/smarterprocess

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¹ IBM Institute for Business Value analysis of mature market banks within the top 200 banks in study (based on financials for 50+ mature market banks). November 2010.

² IBM Institute for Business Value, *From complexity to client centricity*, March 2011



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