Automate lending with enterprise content management

Timely, accurate information and efficient processes drive revenue growth, customer acquisition and customer retention

Highlights

- Highly available, useful customer information enables effective customer engagement
- Enterprise content management helps banks capture, organize and optimize unstructured content for retrieval and discovery
- Content analytics, case management capabilities and automation support customer-centric lending

Financial institutions are still recovering from the 2008 credit crisis as global economic challenges continue to dominate the headlines. Despite these challenges, financial institutions must continue to focus on key imperatives, including the promotion of new, organic growth strategies; services differentiation and long-term profitability; and reduced risk. Excessive credit granting was at the root of the 2008 crisis, and revealed many operational inadequacies in the lending processes—most noticeably very lax credit-granting due diligence resulting in borrowers' inability to service their loans. Accordingly, lenders and regulators are rethinking lending process checks and balances. And yet, easily accessible credit is all but a prerequisite to fuel growth, profitability and economic recovery, illustrating the clear need for smarter lending.

These are complex issues, and financial institutions cannot simply throw a switch and return to double-digit income growth. However, the pressures to grow income, together with new regulations,[1] will motivate even the most reluctant lenders to review lending practices and implement more intelligent lending automation. No matter what their size, scope or level of sophistication, all lenders have similar liquidity, growth, operational, regulatory and competitive imperatives to address.

Lending practices drive the customer's experience

Lending is arguably the most important service offered by a financial institution. Traditionally, it has been a principal driver of revenue growth, customer acquisition and customer retention. Nothing has a more profound impact on the customer than a loan approval.

No matter what the need is, the phrase "They gave us the loan" is a celebration; it is a result that can instantly turn a customer into an advocate. Regardless of the outcome, the timeliness, process and accuracy of the lending decision have a large impact on customers' overall experience with their financial institution. If the loan is declined, the effect on customer satisfaction can be devastating, especially if the process is flawed or inefficient, or the decision is poorly communicated. Even if the institution grants the loan, customers will complain if they thought that the process was substandard.

Knowing your customer is good business

It is well understood that by providing a timely, accurate, informed and well-communicated lending decision—positive or negative—an institution can greatly mitigate adverse customer reaction. Accordingly, lending is now viewed as part of a larger advisory relationship, where institutions guide their customers' money management strategy. In several ways, this is a fresh take on the old, respected idea of knowing your customer: a return to the days when borrowers knew their lending officers personally and—more importantly—lending officers knew their borrowers.

This focus on "know your customer" (KYC) is important in terms of compliance with new regulations and in addressing where advisory services should be delivered. As a result, financial institutions are rethinking the balance between online and in-person service delivery. While they have enjoyed the cost and productivity benefits of deploying online banking technology, wholesale adoption of online services has made differentiation difficult and greatly reduced one-on-one customer relationships. This explains why financial institutions are reopening branches and in-store kiosks: to offer a face-to-face trusted advisor service.

The requirement for highly available, useful customer information

Clearly, there are practical and economic considerations that dictate whether there is a need for personal contact with all lending customers. But no matter what the method of customer engagement—online, on the phone or in person—building deeper relationships requires timely access to all pertinent information, including a complete and accurate view of customers' relationships with every part of the institution.

Some might ask, "So what's the problem? We have more information today on a customer than ever before."

Indeed, customer information is abundant: it has reached unimagined volumes and data types—paper, email, instant message, voice, video and social networks. It arrives through multiple channels and from both internal and external sources. Simply capturing and classifying the deluge of information has become a huge challenge, let alone analyzing it to extract insights, delivering it to the right person and rendering it into a usable format in a timely manner.

The need for high-quality, readily available customer information is particularly apparent in the business of granting responsible credit, which has never been more critical for all parties involved—given that lenders need to grow lending revenues, borrowers need funds, and the economy needs consumers to start spending on large purchases.

Lenders see organic growth as an optimal revenue-recovery strategy, together with maintaining strong customer retention levels. To achieve these objectives, lenders need, at a minimum, intelligent marketing practices, superior customer-facing services and competitive products (see Table 1). In general, these strategies are contingent upon having a complete view of the customer's relationship with the institution and applying analytics to provide real-time product matching and relationship pricing.

	Complete view of the customer	Content and predictive analytics
Organic growth	X	X
Customer retention	X	X
Intelligent marketing	X	X
Customer advisory services	X	X
Competitive products	X	X

Table 1: Information requirements for revenue-recovery strategies

Organic growth

Organic growth goals are achieved when the lender has attained its target for the average number of products per customer. Hitting this target confirms that the lender has done "everything right": the customer enjoys a good experience when dealing with the lender and feels that the lender provided good advice and had a full range of competitive lending products to offer at competitive rates.

Customer retention

Customer retention is all about customers feeling that their business is valued, the lending services are fair and efficient and their experience was positive. Banks seldom lose customers when they increase interest rates by a small amount. Instead, customers leave when they are kept waiting or when they feel that their relationship is not valued or reflected in the terms and interest rate. Operationally, maintaining customer satisfaction demands that decision cycle times are short and help desks are efficient.

Intelligent marketing

Intelligent marketing entails matching products to a customer's unique financial situation, goals and service needs. But it is more than just about intelligence: timeliness is equally important. A key differentiator in this area is being able to assimilate all customer information together with market and product variables to deliver recommendations—not simply product information—when the customer is engaged with the bank online or in person.

Customer advisory services

In many respects, banks are adopting a strategy that resembles the way they delivered services in the past: a personal service that offers customers financial advice and proactive recommendations. There was a time when banks were the exclusive financial confidant of the customer, when cross-selling, as it is known today, meant solely responding to customer needs and acting in their best interests. Whether such services should be delivered in person or remotely is more of a philosophical consideration for the institution than a technological challenge.

Competitive products

Notwithstanding contractual terms, conditions and pricing, competitive offerings encompass choosing the right delivery channel, timeliness and product matching and advisory services.

Operational considerations

The overriding operational consideration—or even prerequisite—for addressing these challenges is centered on having a complete view of the customer's relationship with the institution. Irrespective of whether the institution is addressing product matching, cross-selling, customer disputes, complaints, general inquiries, credit risk, fraud or regulatory compliance, all will benefit from relying on a complete, accurate and current view of customer information, including case history.

The role of enterprise content management

For 25 years, enterprise content management (ECM) has been helping banks attain their strategic and tactical lending goals: revenue growth, retention and intelligent advisory services at reduced risk and costs. Today, because of the overwhelming level of unstructured content required to provide a complete view of customer relationships, ensuring an optimal ECM implementation to support lending is critical. In particular, ECM can help financial institutions with the following:

- Capturing not only paper but all unstructured information: email, instant messages, social media, voice and video
- Organizing and optimizing content for retrieval and discovery
- Providing standards and data models for metadata and indexing classification

- Enabling information life cycle governance and compliance
- Extracting and analyzing information from content to provide more comprehensive customer insight
- Optimizing business processes via the use of business process management (BPM) and rules technology
- Guiding marketing and customer advisory services through predictive analytics
- Enabling product matching and relationship pricing
- Helping with loan closure, records retention and defensible destruction
- Streamlining case, dispute and complaint management
- Reducing case volumes through analytics-driven lending-process improvements

From product-centric lending to customer-relationship lending

Leading financial institutions are taking innovative approaches that address the redundant, siloed line-of-business (LOB) infrastructure of multiple stand-alone solutions for account opening, credit granting and case management. Apart from the potential for gross inefficiencies, inaccuracies and data duplicities, multiple implementations each present a different face to the customer.

Customers are justifiably frustrated with the need to constantly provide the same information when dealing with different LOBs, contact centers and help desks. Today, lenders hear the drumbeat of marketing claims: "relationship banking," cross-sell and up-sell, "relationship pricing," advisory services and more. Yet the automation necessary to support these lofty marketing pronouncements remains fragmented and, for the most part, falls far short of customer expectations and marketing hype.

Based on what we know today, and given the opportunity to start with a clean slate, how would a financial institution design its customer-facing lending and lending-associated applications? Assuming that the post-close loan processing and default cure is well in hand, it would likely start by addressing customer satisfaction in three fundamental lending tasks:

1. New customer enrollment

- Streamline the new account or relationship enrollment process
- Create a single customer template containing all information from the customer information file (CIF)
- Populate the template as the customer is sold new products
- Create a single customer repository for master data and master content management

2. Credit granting

- Use a single, shared, service-oriented architecture (SOA) for all LOBs to make credit-granting decisions
- Create a single repository for all credit-related documentation and customer information
- Use business intelligence (BI), rules engine, analytics and standards to aid in credit decisioning and predictive loan-default identification

3. Case management

- Use an SOA-implemented advanced case management solution for all LOBs
- Create an intelligent rules-based, BPM-focused case-resolution process
- Enable access to the customer's entire case history across the institution to assist in the credit decisioning process
- Eliminate separate LOB case management solutions

Although the challenges facing the industry are common, each institution's technology infrastructure is different. Moreover, each institution's marketing strategy, tactical and strategic IT objectives and mission statement are also quite different. For those reasons, and as a first step, institutions are working with IBM to complete an assessment in order to create a baseline for and an understanding of the following:

- LOB lending requirements
- Consolidation and optimization of existing LOB solutions
- Augmentation of the credit decision process instead of replacement of the existing automation
- The need for analytics
- Existing technology to be incorporated in the final solution
- Single credit-granting shared service
- Cloud deployment
- Online lending

Conclusion

With more than 1,500 implementations in financial institutions worldwide, IBM, together with its industry-focused business partners, is a leader in ECM solutions (see Figure 1). But it goes beyond ECM. IBM has a vast portfolio of hardware, software and professional services to help resolve any business problem you may be struggling to address or implement any roadmap you wish to follow. No matter what your lending requirements are—or however challenging they may be—IBM has the depth and breadth of experience to help financial institutions successfully address them.

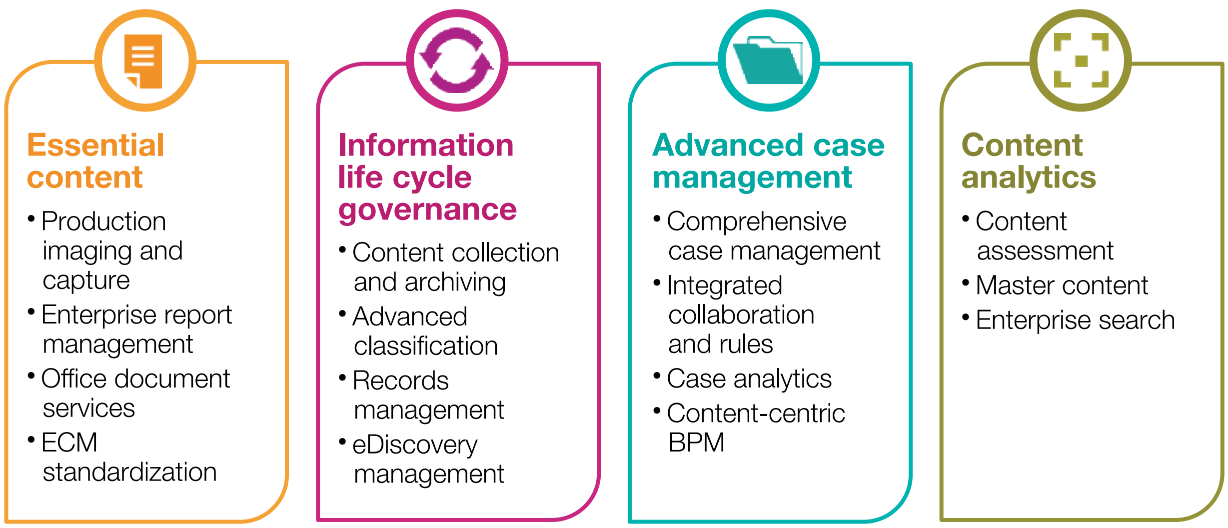

Figure 1: Information requirements for revenue-recovery strategies

About IBM Enterprise Content Management

IBM® ECM software enables financial institutions to make better decisions, faster. By gaining control of unstructured information, lenders can access information and deal with customers in new ways, making content a first-class source of insight. With industry-specific IBM ECM solutions, institutions can capture, manage and share content throughout its life cycle to help ensure compliance, reduce costs and increase customer satisfaction. The IBM ECM portfolio includes a wide array of capabilities that integrate with existing systems to help organizations maximize the value of information, including document capture and imaging; social content management; advanced case management; information life cycle governance; and content analytics. More than 13,000 global companies, organizations and government entities rely on IBM ECM to help improve performance and remain competitive through innovation.

For more information

To learn more about enterprise content management solutions from IBM, please contact your IBM marketing representative or IBM Business Partner, or visit **ibm.com**/software/data/content-management

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All customer examples described are presented as illustrations of how those customers have used IBM products and the results they may have achieved. Actual environmental costs and performance characteristics may vary by customer.

1 Regulations include provisions in the Dodd–Frank Wall Street Reform and Consumer Protection Act that specify changes to Regulation Z of the Truth in Lending Act (TILA); the Real Estate Settlement Procedures Act (RESPA); the Home Affordable Modification Program (HAMP); and KYC rules.

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