Building resilience in financial services

How tech helps you grow stronger during times of uncertainty

WIPFLI

Are you ready for the next big crisis?

When times of uncertainty loom and sales begin to decline, companies start making tough decisions about where to eliminate spending. But if you want your financial services organization to not just come back from economic downturn but also emerge stronger, consider doing the opposite.

Organizations that make the right investments during times of economic downturn outperform their competition when the economy stabilizes. They're prepared for the latest trends and can quickly adapt to new challenges while their competition is left to play catch-up.

How can your organization get there? Start by prioritizing key digital strategies and technology investments to build a more resilient organization.

Resilience is defined as the capacity to recover quickly from difficulties or the ability to bounce back when faced with adversity. In the workplace, resilience enables an organization to not only continue with normal business operations but to also learn more, progress at a quicker pace and flourish.

To be resilient, organizations should focus on:

- Agility
- Efficiency
- Relevance

Identifying weaknesses in these areas and applying the right tech solutions will help your organization overcome any environment.

Creating an agile workplace

If your organization wants to be resilient, agility is key.

Agility is the level to which your organization can effectively adapt to changes in its circumstances.

Agile organizations recover faster from challenges. They're quick to identify areas for improvement and they know how to prepare their people for change. But they also recognize how to capitalize on opportunities.

Continuing your digital evolution

To achieve agility, start by looking at where you are in your digital evolution.

Digital transformation investments are an opportunity for your organization to cut spending and gain flexibility, even in an economic downturn.

When aligned properly with your organization's objectives, they can help you be proactive instead of reactive when facing challenges.

For the financial services sector, this is especially true with on-premises technology infrastructure. Organizations typically require lots of resources to maintain their legacy networks, both in terms of equipment and qualified personnel. But by switching to cloud services, you can eliminate that capital expenditure and make your organization more flexible.

Cloud services are scalable, meaning they will be able to adjust with you to better support newer technology as it becomes available. And most operate on a system of paying for the functionality you need, so your operational expenditure can scale as well.

Customer expectations continue to grow in the digital age. Clients want easy, secure access to their accounts and your services through mobile and online platforms. They also expect answers in real time without any duplicative or redundant information.

If your organization wants to stay resilient and competitive, it needs to have the infrastructure in place to provide a better customer experience and continue adapting to new technology as it becomes the industry norm.

> As we've seen, recessions can create wide and long-standing performance gaps between companies. Research has found that digital technology can do the same. Companies that have neglected digital transformation may find that the next recession makes those gaps insurmountable.
>
> — Harvard Business Review

Leveraging technology to strengthen talent

Digital transformation is a way for your organization to optimize efficiency by providing employees with the solutions they need to operate at their highest and best performance. Upgrading your tech can help increase agility by making it easier to attract, retain and manage talent.

For financial services, one key area to focus on is data. Employees in financial services need to access and analyze large amounts of data for actions such as building customer relationships, loan underwriting or credit decisioning. If you're not offering solutions for automating those processes, you're causing employee and customer friction, limiting your employees' productivity and missing out on revenue growth opportunities.

Investment in digital best practice areas such as data and analytics, AI and CRM also gives you visibility and tracking to identify where you can be more efficient and lessen the impact of gaps in your staffing. You can retool your automation and workflows so that there's less burden, and you can concentrate on more growth- and resilience-focused talent needs.

They even help curtail knowledge loss when key individuals leave. An organization that invests in those digital best practice areas will have captured knowledge about key customer engagements, allowing anyone taking over that role to preserve and grow customer relationships and avoid the frustrating reset button.

Increasing your operational efficiency

If your financial services organization wants to be resilient in the face of economic uncertainty, rising customer expectations and continued labor shortages, then you also need to focus on process optimization.

It's easy for your underlying tech systems to fall behind when it comes to important upgrades. But inadequate attention to the back end of your processes can lead to both higher costs and inefficiencies over the long run.

Leveraging technology to remove friction for employees and clients will result in increased productivity and provide a competitive advantage in any economic circumstance.

Choosing the right solutions

To get the most from your investments, you need to start by aligning them with your strategic plan and your digital road map. Any new technology is going to come with cost to your company, so it's important to make data-driven decisions based on strategic alignment.

[Read more: How to calculate ROI on your tech investment]

In a survey of

3,000

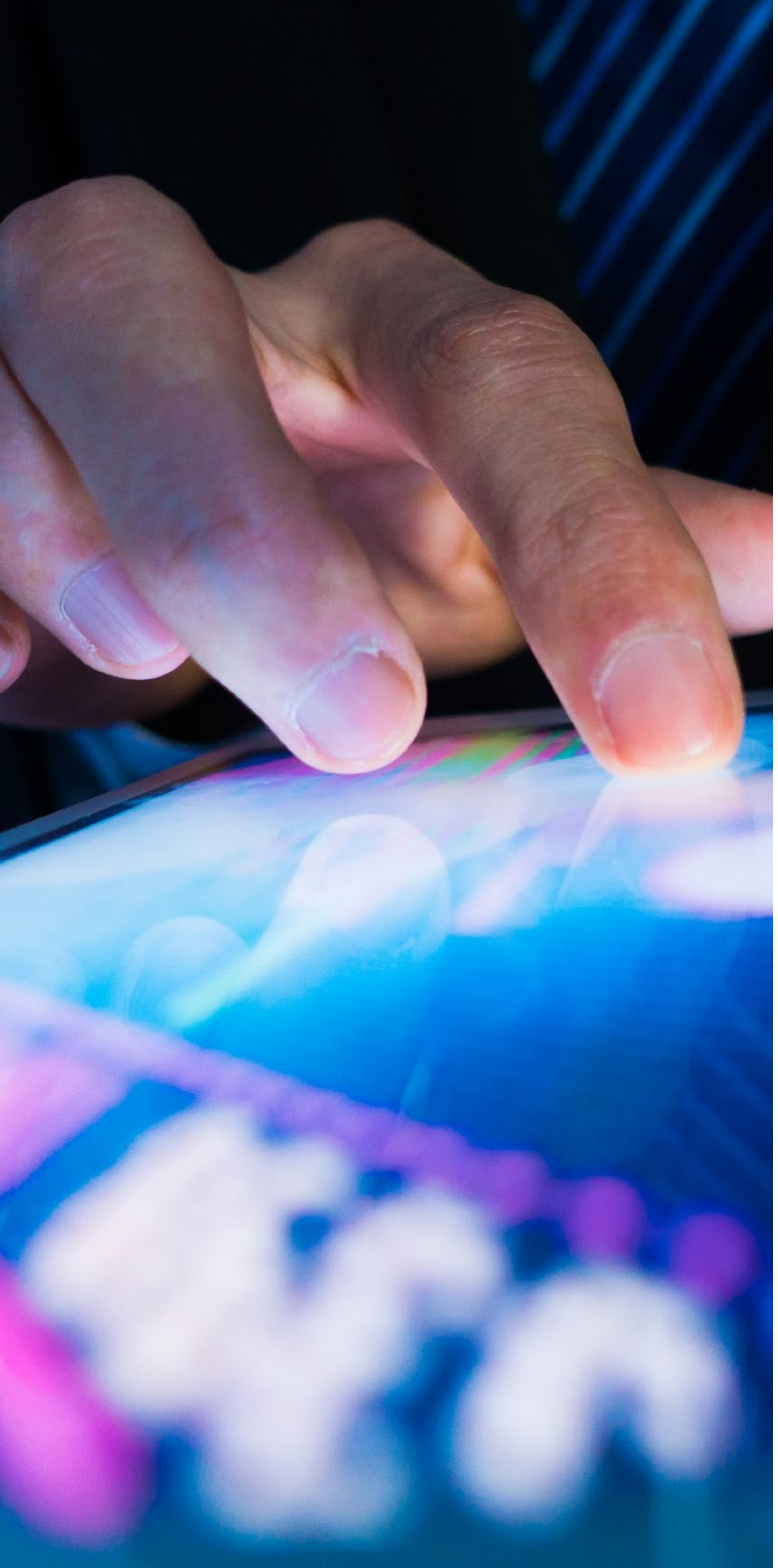
business executives:

77% said that investing in new technologies to analyze data has provided value to their company.

32% said that data collection and analysis reduced costs.

38% said that data collection and analysis increased the speed at which they conduct business.

Source: SAP and Oxford Economics



First, you need to understand how a new technology can align with the priorities outlined in your strategic plan. Take time to evaluate your progress on existing strategic priorities. The evaluation should be based on tangible metrics, such as client data or your financial statements.

From there, consider what will help you realize those priorities. Look for services or products where you have high growth potential, high market share or can provide reliable cash flow into the company. You also want to look at what your current spending is and identify areas where technology can help you reduce operating costs.

It's also important to extend employee listening practices to your implementation process.

Beyond your tech people, make sure you take the time to collect feedback from all end users. That feedback will help you ensure that you're implementing the functionality you need and not paying for upgrades that your people can't use.

> "Nearly three-fourths (73%) of companies are prioritizing AI over all other digital investments and with the immediate focus on improving operational resilience."
>
> — Accenture

Solutions for improving your operations

Once your organization understands how new, digitally focused initiatives will impact its strategic plan and its people, you can begin looking at specific solutions. Here are four ways you can use digital technologies such as AI, machine learning and CRM to increase your efficiency:

1. Forecasting

Forecasting helps you make smarter business decisions.

Financial institutions aren't just dealing with cash flow from loans and deposits. You also need to manage things such as investment fees, insurance premiums and fees from third-party vendors. Machine learning helps you forecast incorporating these non-interest, income-related aspects of cashflow so that you can make more effective decisions around revenue.

You can also use machine learning for other important aspects of your business, such as lending, accounts payable or accounts receivable.

By analyzing customer behavior data, machine learning can identify the characteristics of customers who may be struggling with their payments, so that you can be proactive in monitoring potential delinquent borrowers and reach out to them quickly to assess their status and, if necessary, adjust terms.

2. Automation

Automation helps your organization's people spend less time managing data and more time using it for strategic work.

It can be difficult to take advantage of data in financial services because of the sheer amount an organization can generate. Even for something as simple as transactions, it would be impossible for an individual to sort through the historical data to find the transactions relevant to the insights they want.

This data also tends to be isolated.

Many times, organizational processes are disconnected because of disparate systems. These disconnected systems then affect critical cash flow-based processes, such as accounts receivable and accounts payable.

For example, you may have different delinquencies recorded in separate systems. To know the total delinquency, you'd have to run separate reports and then compile that data manually.

AI and machine learning combined with process integrations can do all that work for you.

With wealth management analytics, a firm could compare performance across individual advisors' portfolios and forecast investment fees on a single platform, instantly. Self-service platforms also make the data more interactive so that users at all levels of your organization have access to crucial insights and can make data-based decisions.

Additionally, generative AI can be used automate tasks and revolutionize how organizations use their data. Some applications already in use can help with transaction analysis and optimization, financial data analysis and customer support for live person and automated channels.

3. Fraud detection

In online fraud detection and prevention, machine learning is a collection of AI algorithms trained with your historical data to suggest risk rules. You can then implement the rules to block or allow certain user actions, such as suspicious logins, identity theft or fraudulent transactions.

Many organizations still rely on rule-based fraud detection, which uses rigid, set conditions to test transactions. If your organization isn't keeping up with current fraud behaviors, or if the fraud falls outside the boundaries of those conditions, the tests fail.

With machine learning, you can build statistical models that can identify outliers to normal conditions and probabilities of incidents that may be fraud, helping you find conditions that you didn't anticipate. You can also easily keep models fresh through routine training and testing.

4. Customer success

The right CRM design and implementation is a key component to gaining efficiencies across your organization and driving customer success. CRMs integrate multiple systems, creating a single source of truth for customer knowledge. It can then use the data to provide actionable insights for your employees that can help them step clients through the right process or offer the best solution for their financial health.

CRM can help your organization:

- **Increase productivity:** CRM should be used to unify data from multiple systems, resulting in an engagement layer where employees don't have to do research in several systems or contact employees in other departments to get the information. This helps enable a one-call resolution for questions or complaints and removes the need to transfer the customer or waste time duplicating efforts. CRM also helps make it easier to quantify what activities employees are doing during the day and evaluate their productivity.
- **Use data to maximize returns:** Using data from CRM, you can identify trends and gain customer insights for proactive, personalized outreach. It helps you better identify sales opportunities that you can use to create targeted marketing campaigns that will result in increased revenue and profitability. And once you launch a campaign, it helps you understand which efforts are converting, so that you are putting money into channels that can produce results.

Maintaining your relevance

It's tempting to believe that once economic uncertainty is over, clients will simply come back and all will be right again. Unfortunately, this mindset drives many businesses out of their markets every year, regardless of the economic headwinds they're facing.

A downturn can challenge the very core of a business. They should make you ask hard questions about your clients. Consider the value of what you provide them and how that value equation may change.

As you ask those questions, you'll realize that developing a customer-centric digital strategy is now table stakes in every market condition.

Here are six ways your organization can use tech to better serve and retain your current clients and reach new ones in a competitive market:

1. Implement targeted marketing with AI

AI helps you maximize the effectiveness of your marketing efforts by using data from transactions, channels, customer profiles and behaviors.

At a population level, AI can identify the characteristics of clients who are fully serviced and who you're having the most success with.

These capabilities can help you be proactive in offering programs, rewards and new products and can help narrow down the opportunities that your organization should be targeting.

On an individual level, statistical analysis — or models such as next-best action — can identify what services a customer may want based on what similar customers use, enabling you to make personalized cross-selling offers. These models can also help increase customer awareness of your organization's services, streamline valuable marketing resources and increase sales success rates.

2. Conduct qualitative user research

Most leaders rely on data analytics to help them make decisions about the future. While quantitative data collection is important for keeping your business afloat, it has its limits.

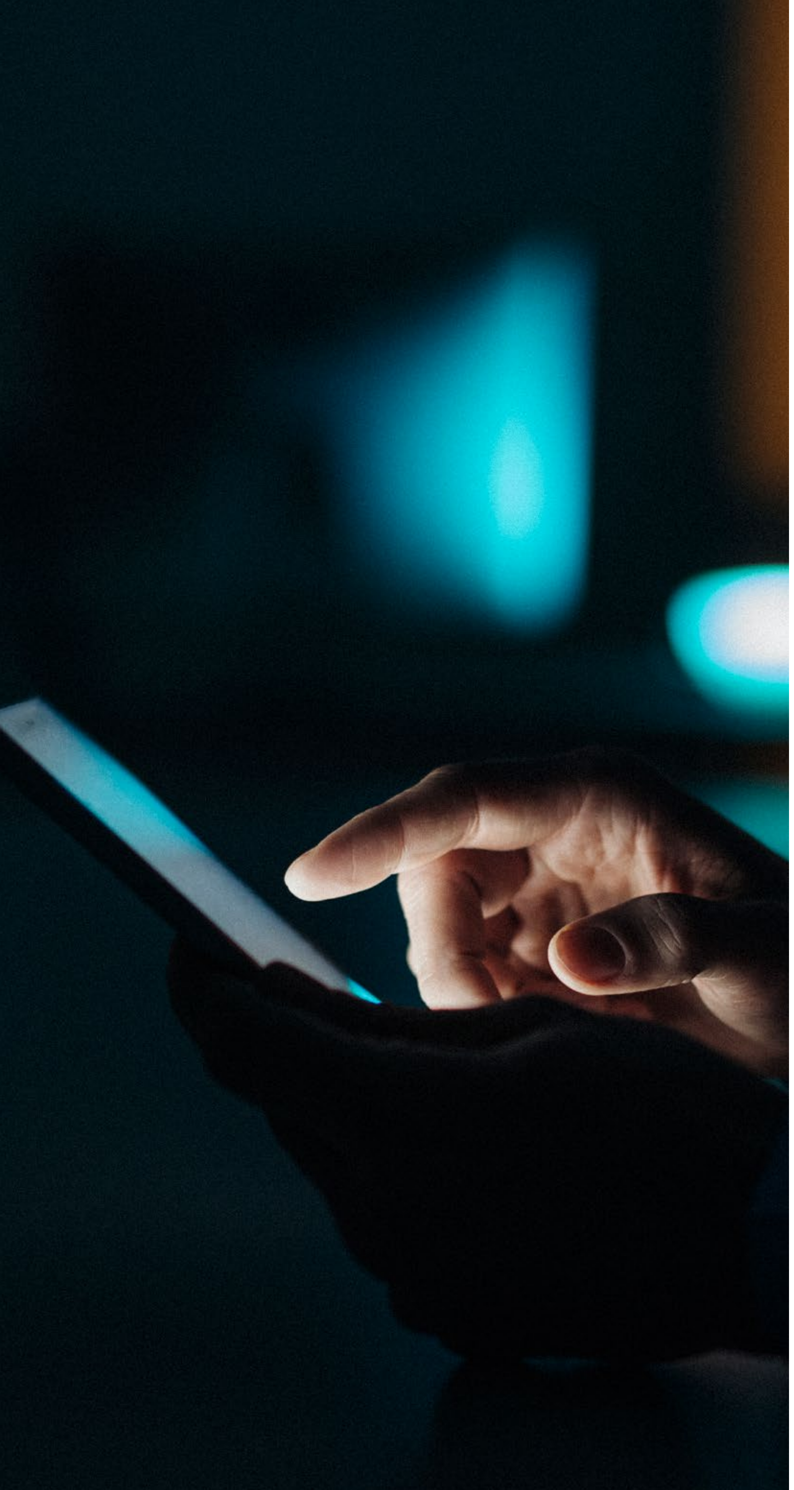
During economic upheaval, most clients pull back spending — seemingly indiscriminately. And quantitative data can only help you understand what has already happened.

Unless you've already invested in a predictive analytics strategy, you'll be hard-pressed to decipher what your clients need in the future from that historical information.

To craft that predictive analytics strategy, leading organizations invest in qualitative user research with ideal clients to learn how their behavior might change in an economic downturn.

That data helps them build out strategies now, to ensure that they can respond quickly to keep clients when the economy turns.

In addition, downturns can create entirely new customer segments based on a confluence of new unmet needs in the market. Qualitative research can help you develop a predictive strategy that will allow you to capture those new customers.



3. Stay competitive with data and analytics

The competition for your customers' wallet share is heavy, especially in an economic downturn. Resilient organizations can stay competitive by understanding what their customers need.

Data and analytics allow you to compare financial metrics, such as portfolio size, distribution of that portfolio across financial products and risk. Increased reporting capabilities can then help you narrow down your focus so that you're sending targeted offers instead of general marketing emails. You can also use it to identify relevant cross-selling or upselling opportunities.

Understanding what a customer wants and being able to target those specific needs helps you ensure that each client is fully serviced, turning to your institution for banking, wealth management, lending, insurance and other financial needs.

4. Increase digital engagement

Customer behaviors and expectations in the digital age are changing, especially for the younger generations.

Millennials and Gen Z want streamlined, more engaging digital experiences. They're used to AI and technologies that help make interactions faster and more personalized. And if they're not finding that experience with your organization, they won't be afraid to leave.

For example, online banking portals have aged and fallen short of creating an engaging experience for younger generations. Providing basic, digitally static and hard-to-navigate access to online services is not going to win newer generation adoption. Customers want embedded, catered product offering capabilities. This shortcoming has led to de novo banking competition and niche strategies to help retain customers.

Wealth and asset managers also use modern digital platforms that connect legacy systems, creating an engaging and feature-rich experience. This would help to augment standard in-person meetings and maintain client relationships, rather than just provide moderate access to the basics of the business.

But all customers, no matter what generational segment they belong to, will continue to want the same: faster, easier access to digitally personalized services.

To create a true digital customer engagement model, service and product providers need continuous digital evolution. That includes improving customers' online experience and expanding the way you handle engagement, product offerings and delivery through digital interactions. Leveraging data-driven emerging technologies such as CRM, AI and machine learning will be key to delivering on those expectations.

In a survey of

1,500

senior executives:

97% agree or strongly agree that companies won't remain competitive unless they embark on a digital transformation.

23% said customer experience was one of their top two areas of focus in digital transformation.

55% said customer focus was a critical factor in succeeding in the digital era.

Source: Harvard Business School

5. Expand with institutions as a service

Looking at your current capabilities may uncover opportunities to be a provider not only to your consumer base but also to other financial services companies that need your expertise or access to your core market licenses or charters.

Institutions as a service (IaaS) allows organizations to increase the value of their franchise by joining together with fintech companies, including in the areas of wealthtech and insuretech.

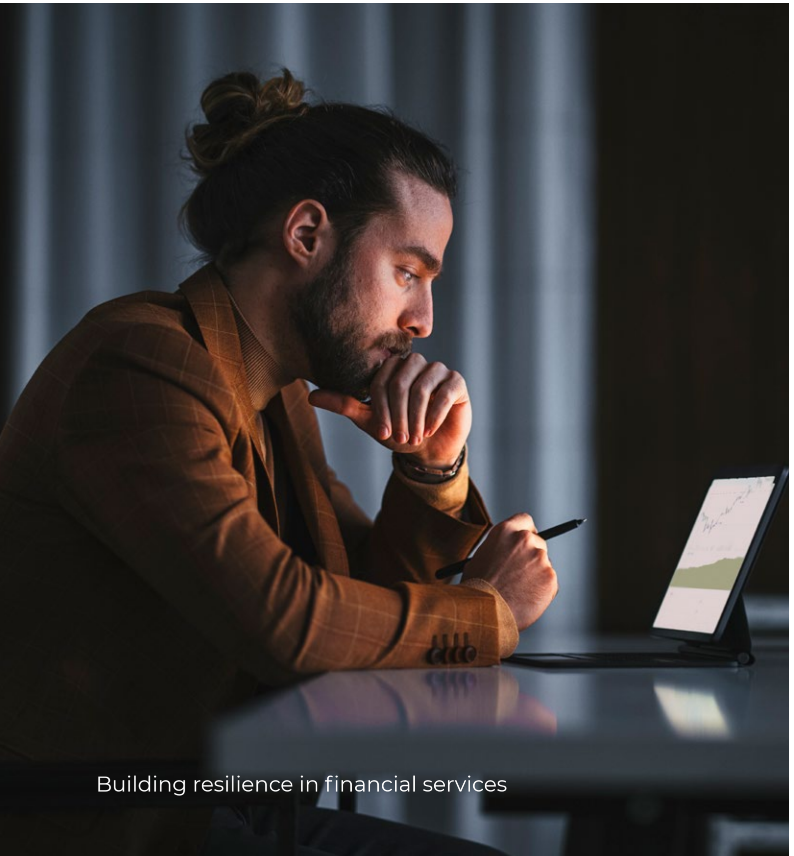
Fintech and similar sectors are growing and becoming more popular with younger generations. But they're often unable to complete the challenging regulatory requirements needed to offer financial services.

In partnering with them, they gain the legitimacy they need to operate, and your organization gains an added source of revenue in the form of deposits and fees. The right partnership can also help you reach customer segments you couldn't before or expand the financial services you offer. With IaaS, your organization can:

- Power fintech, insuretech or wealthtech companies.
- Participate in, facilitate, complement or enhance buy now, pay later options.
- Partner with purpose-driven organization to tap into different segments.

Of course, entering any partnership comes with potential risks. In addition to the business risks, your institution will also be responsible for ensuring the regulatory compliance of whatever vendors you work with.

But options exist to help manage the risk successfully. Leveraging platform and professional service providers to help select and validate these partnerships and augment your compliance functions as needed for the increased regulatory needs are available. They can provide the insights and knowledge needed for your institution to innovate, grow and be compliant.



6. Build trust through security

While recognizing the importance of adequate cybersecurity is essential to business resilience, many companies overestimate the effectiveness of their current defenses and are ill equipped to limit the impact or recover effectively when a breach occurs.

Being more proactive with your safeguards and contingency plans can help limit the harm from unforeseen events affecting your business. It can also provide more of a trust-based relationship with your customers and future customers, rather than seeing data and business walk out the door.

The cloud is where more and more work is being managed and customer data is growing exponentially. Banking institutions and other financial services industries have safeguarded for years. For newer adopters of cloud platform technologies, particularly at wealth and asset management firms that have small internal network capabilities, security is key.

As all financial services institutions continue to evolve digitally, it's important to maintain and prioritize investment in an effective cybersecurity plan.

No organization flies below the radar when it comes to threat risk. Regardless of the size of your firm, attackers are out there trying to break into your networks, infiltrate your cloud systems and steal or ransom your data.

There's a relatively low cost of entry for criminals to start targeting you and your customer base. However, one breach can cost you millions in fines and litigation to address, and more millions in reputation and future business opportunities due to lost customer trust.

Leveraging new technology can help your organization navigate disruptions more easily, but finding solutions and implementing them effectively can be challenging. Any mistakes will cost you wasted effort, time and cost.

To help your upgrade process go smoothly, work with the experienced technology specialists at Wipfli. Our dedicated consultants provide your organization with the experience and guidance it needs to get implementation right.

Our services can help your organization:

- Find the right solutions.
- Align new technology to your strategic plan.
- Understand how solutions fit into your digital road map.
- Implement and integrate new technologies.
- Ensure your people are prepared for the transition.
- Help you find new markets or segments for you to serve.

Learn more about how we can help you use technology to build a more a resilient financial services organization.

Start today ▸

Perspective changes everything.

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