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CUSTOMER OPERATIONS IN FINANCIAL SERVICES: HOW TO MAXIMIZE CLIENT VALUE & OPTIMIZE EFFICIENCY

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This document reveals the role of customer operations in helping financial services firms maximize client value, drive efficiency and reduce costs — highlighting the key pillars top performing financial firms use to attain their service and back-office objectives.

Executive Summary

- Improving CX results is the number one priority for both service and back-office leaders across financial firms (see sidebar, pg. 4).
- The strict regulatory requirements coupled with complexity in services and changing business conditions make customer operations an area of differentiation for financial firms.
- Financial firms with a Best-in-Class customer operations program enjoy far superior results in employee productivity, customer satisfaction, and operational efficiency.
- There are four pillars business leaders across financial firms must establish to maximize their customer operations activity results.
- Augmenting customer operations activities with workflow management, machine learning, and analytics enables long-term performance improvements.

Definition: Financial Services

For the purposes of this research, Aberdeen defines financial services firms as companies operating in finance and insurance industries — including banks, credit unions, insurance firms, credit card companies, accountancy firms, stock brokerages, and investment services.

The Role of Customer Operations in Financial Services

Financial services firms are on the move: Traditional / incumbent firms are quickly adopting new (digital) capabilities and innovating to keep up with new entrants / innovators that face lower barriers to entry and disrupt the ways the industry has traditionally operated. Meanwhile, firms must also regularly monitor and ensure compliance with regulations (e.g., Dodd-Frank, Basel III) impacting their activities. Customer operations activities (definition on next page) have a key impact on financial firms' ability to accomplish these goals.

For financial firms, orchestrating service, middle-office, and back-office activities such that business departments work cohesively to meet and exceed client needs while boosting employee productivity and ensuring compliance with relevant internal and external standards and regulations falls under the umbrella of customer operations. Between December 2020 and January 2021, Aberdeen surveyed 1,357 businesses where 218 participants self-reported that their firms operate in the financial services industry. Figure 1 shows the top challenges reported by these 218 firms as it relates to their customer operations activities.

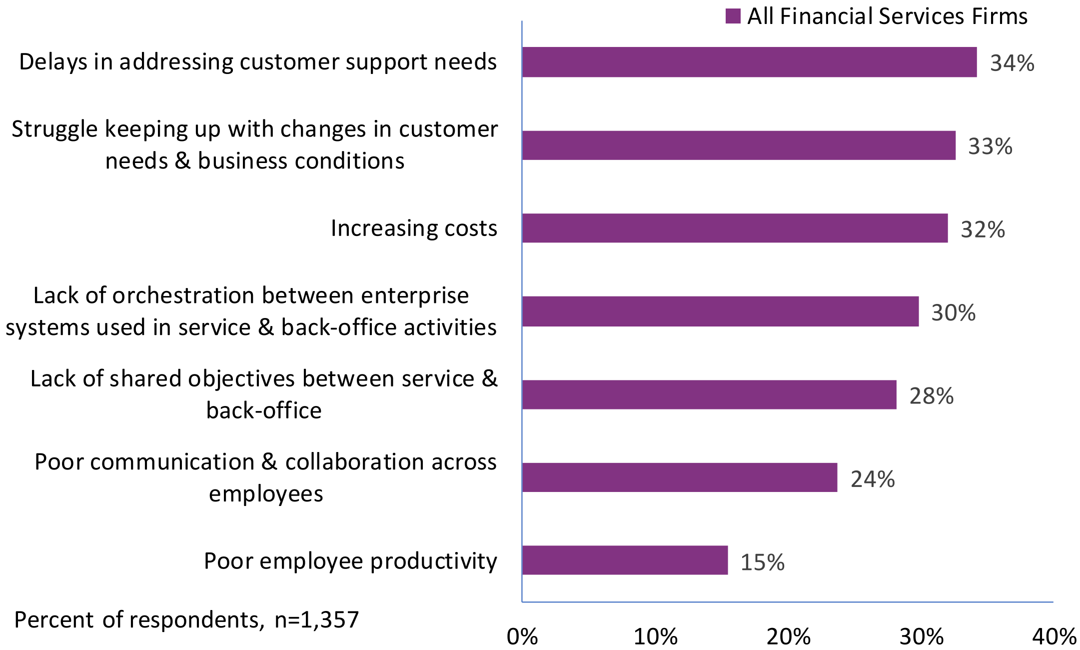
Customer Operations

For the purposes of this research, Aberdeen defines 'customer operations' as a set of business activities supporting the completion of the customer experience after engagement with the contact center or customer service, along with customer requests routed directly to the responsible department.

These back-office / operations activities are related to addressing client needs, requests, and issues (e.g., claims processing, loan origination, payment processing, customer billing), as well as field service and location-based work.

Firms with a customer operations program focused on orchestrating their service and back-office activities ultimately reduce costs, driving customer satisfaction and loyalty by delivering consistent and effortless experiences designed to rapidly resolve client issues.

Figure 1: Top Customer Operations Challenges Impacting Financial Services Firms



Percent of respondents, n=1,357

Source: Aberdeen, March 2021

Note: This question was asked as a multi-choice question, enabling respondents to pick up to two answers. That's why the % totals add up to over 100%.

Delays in addressing client needs was reported as the number one challenge impacting customer operations activities within financial firms. This isn't surprising, as the services provided by financial firms impact the financial wellbeing of consumers and businesses working with these providers. Delay in processing a bridge loan for a corporate client may result in the client not making payroll or serving other obligations. Similarly, delay in processing a mortgage may result in a family losing out on their dream house. Figure 1 shows that **financial firms recognize the importance of**

addressing client needs on-time and effectively, and hence prioritize addressing any delays to improve customer operations efficiency.

Struggling to keep up with changes in buyer needs and business conditions was reported as the second top challenge impacting financial firms. The COVID-19 pandemic is an example of how business conditions may change drastically almost overnight. Similarly, buyer needs and behavior can evolve just as rapidly. For example, credit card companies and banks have seen an increase in requests for delayed payments by consumers and businesses that have been negatively affected by the economic impact of the pandemic. Meanwhile, mortgage lenders have seen a sudden increase in demand fueled by historically low interest rates.

Banks have also had to adjust to delivering service through digital channels as the local health regulations in many places around the world limited in-person services. Figure 1 validates that financial firms are well-aware of the importance of adapting to such rapid and significant changes and aim to improve their capabilities in this area to excel in customer operations.

As firms observe changes in business conditions and customer needs, they must consider adding new customer interaction channels or enriching current technologies to better manage operational activities. Furthermore, changes limiting in-person contact and employees' ability to work in offices also impact the overall communication and collaboration within businesses. Faced with limited in-person contact, **financial firms must find ways to enable service and back-office employees working from anywhere to seamlessly communicate and collaborate**. Together with cost, these issues were cited amongst other challenges influencing financial firms' customer operations activities.

Best-in-Class Firms Have Found Ways to Alleviate Their Customer Operations Challenges

Although there are challenges impacting customer operations activities across financial firms, there are also solutions that enable firms to overcome these roadblocks and maximize their performances. The 218 financial firms participating in Aberdeen's *Customer Operations* survey were asked several questions to define the performance metrics of their firm — four of which were closely tied with current customer operations objectives and used to measure organizational performance. The top 20% of participants across the metrics in Table 1 were labeled as 'Best-in-Class' and the remainder labeled as 'All Others', also referred to as 'Laggards' throughout this report.

Customer Operations Priorities and Challenges by Geography

Analyzing the top goals and pressures reported by 218 financial firms participating in the Aberdeen *Customer Operations* survey shows the below breakdowns by geography:

Number #1 Goal:

-North America:

Improve customer experience results: 51%

-Europe, Middle East & Africa (EMEA):

Improve customer experience results: 88%

-Asia Pacific (APAC):

Improve customer experience results: 86%

Number #1 Pressure:

-North America:

Struggle keeping up with changes in customer needs & business conditions: 38%

-EMEA:

Increasing costs: 40%

-APAC:

Struggle keeping up with changes in customer needs and business conditions: 37%

Table 1: Best-in-Class Firms Enjoy Far Superior Performance Results

Company Performance (n=1,357)	Best-in-Class	All Others
Customer retention rate	77%	58%
Year-over-year improvement in customer satisfaction rate	45.3%	4.3%
Year-over-year improvement in employee productivity	38.6%	3.7%
Year-over-year improvement in first touch resolution rates	31.9%	0.1%

Source: Aberdeen, March 2021

Top performing financial firms clearly lead the way for All Others; they achieve **10.5x greater annual increase in customer satisfaction rates** (45.3% vs. 4.3%). Best-in-Class firms are rewarded with the loyalty of their happy clients: Top performers enjoy 33% greater retention rate of their clientele (77% vs. 58%). Achieving such loyalty is critical for financial firms, as it typically costs more to acquire net-new customers than retain existing ones. Furthermore, delighting current clients helps grow the lifetime value of the relationship, which helps grow the company revenue.

It's also important to remember that the voice of the customer is more amplified than ever before. Happy clients are more likely to share their experiences with friends, family, colleagues, and others, which helps financial firms with happy customers expand client base.

Although all companies aim to delight their clientele, Best-in-Class firms seem far more capable than others in achieving this goal. That's not a coincidence — these firms also excel in seamlessly managing back-office activities to meet and exceed client needs. Table 1 shows that **top performing financial firms improve employee productivity by 9.4x more year-over-year** (YoY), compared to All Others (38.6% vs. 3.7%). Although employee productivity was cited by only 15% of financial firms in Figure 1 as a challenge impacting customer operations, lack of productivity leads to delays in addressing client issues, added costs due to inefficiencies, and potential loss of revenue for the business. Hence, top performers have an advantage over their peers in achieving their customer operations goals.

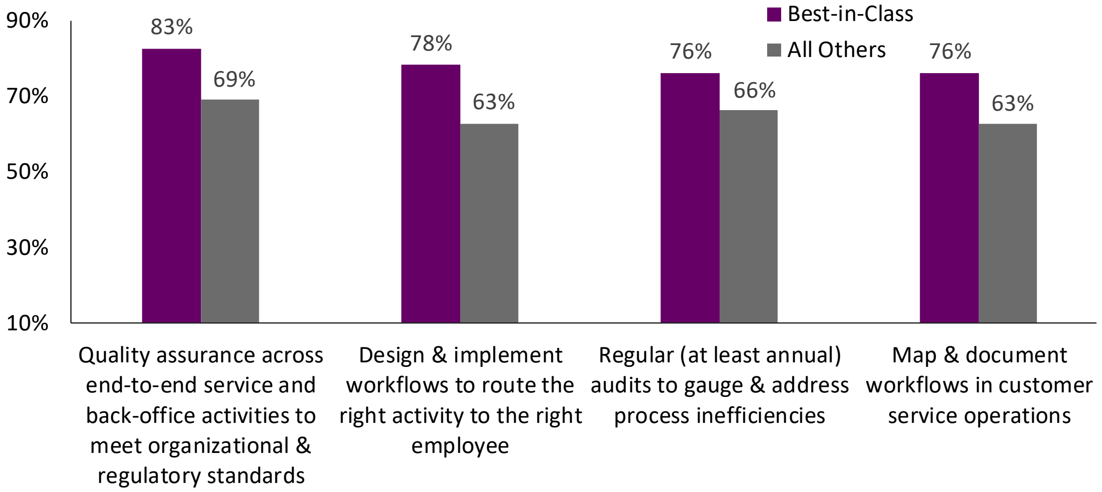
Improving employee productivity ultimately makes it easier for financial firms to address client issues during the first contact; in other words, reduce repeat contacts. To this point, Table 1 shows that the **Best-in-Class enjoy a remarkable 31.9% increase in first touch resolution rates while other firms saw essentially no change** — a metric reflecting the percentage of client issues addressed without the need for repeat contact (31.9% vs. 0.1%). Orchestrating service and back-office activities by implementing and nurturing activities that drive efficiency across multiple metrics helps top performing firms outpace competition.

Priorities for Financial Services Firms to Maximize Customer Operations Success

In addition to their performance results, the 218 financial firms participating in Aberdeen's *Customer Operations* survey were asked to share their use of certain business activities and technologies. Comparing the adoption rates of those capabilities between Best-in-Class and Laggard financial firms revealed that top performers leverage the capabilities in Figure 2 to support their customer operations success.

The activities of financial firms are influenced by various rules and regulations. For example, there are regulatory standards that dictate reserve requirements and ultimately impact lending activities for banks. Similarly, mortgage providers must follow relevant regulations when issuing loans by monitoring credit scores, income, etc. Insurance firms must follow local regulations when providing services to clients in different regions. Figure 2 illustrates that Best-in-Class firms are 20% more likely than All Others to ensure quality assurance (QA) across service and back-office activities to meet internal and regulatory standards (83% vs. 69%). This reflects that — besides their success in addressing client needs effectively — top performers maintain their focus on regulatory compliance and minimize related business risks.

Figure 2: Building Blocks to Enable Best-in-Class Results in Customer Operations for Financial Services Firms



Percent of respondents, n=1,357
Source: Aberdeen, March 2021

Designing and implementing workflows to monitor activities is one of the ways through which financial firms can ensure compliance with the rules and regulations impacting their activities. For example, designing a workflow for a short-term loan where the consumer must provide personal income statements minimizes the risk of issuing a loan without receiving relevant documentation or delays in loan issuance. Similarly, workflows enable insurance company clients with the right adjuster, equipped with the right skills, and in the right location, to process the insurance claim. Figure 2 shows that Best-in-Class firms are 21% more likely to

Financial firms with workflow management capabilities enjoy 43% greater customer retention rate and 34.7x greater YoY improvement in employee productivity, compared to those without workflow management.

It's important, however, to remember that simply establishing workflows is only the beginning. For firms to truly benefit from workflows, they should be regularly updated by observing changes in business conditions.

Incorporating AI capabilities within workflow management activities also allows service and back-office leaders to address bottlenecks and inefficiencies while maintaining strengths that support desired business results.

map and document workflows connecting service and back-office activities to simplify orchestrating those activities (76% vs. 63%). They are also 24% more likely to use workflows to route the right activity to the right employee to ensure seamless customer operations (78% vs. 63%).

In addition to the above activities, Best-in-Class financial firms enrich their customer operations by doing regular audits of their activity results to reveal bottlenecks and inefficiencies. These audits rely on customer and operational data and combine activity results (e.g., number of days to process an insurance claim) with performance outcomes (e.g., customer satisfaction) to reveal the impact of each activity on achieving desired results. Although the adoption rates between Best-in-Class and other organizations are rather close (76% vs. 66%), it's not just implementing this activity that helps companies maximize performance. It's *how* firms use this activity that influences organizations' ability to get the most potential benefits. To truly excel in this activity, firms should establish and maintain a connected view of customer and operational data, use machine learning and analytics to analyze vast volumes of data, and reveal timely and accurate insights needed to uncover and address inefficiencies.

Key Takeaways

The financial services industry is transforming at lightning speed. Financial firms now deliver an ever-richer set of services that increase the complexity of their business operations. Meanwhile, they must keep-up and address heightened and changing customer expectations all the while successfully navigating their digital transformation initiatives and ensuring regulatory compliance. Building and managing a top-notch customer operations program is now a necessity to succeed in all these areas. Indeed, firms with a Best-in-Class customer operations program enjoy 9.4x greater YoY growth in employee productivity and 33% greater annual increase in client loyalty.

Observing the attributes of leading financial firms reveals that they use a series of capabilities more widely — and successfully — than their counterparts. We suggest financial firms aiming to achieve Best-in-Class results to follow the lead of the top performers and implement the below building blocks to support customer operations activities:

- Map and document workflows in customer service operations.
- Use connected views of customer and operational data to ensure quality assurance across end-to-end service and back-office activities to meet organizational and regulatory standards.
- Design and implement workflows to route the right activity to the right employee.
- Gauge and address process inefficiencies through regular (at least annual) audits observing the impact of back-office activities on CX results.

Leveraging tools such as machine learning, dashboards, business communications, and analytics helps further amplify the benefits of the above capabilities. Specifically, we highly recommend monitoring customer and operational data in real-time,

Survey Overview

Below is a brief overview of the demographic breakdown of the 218 financial services firms participating within Aberdeen's *Customer Operations* survey that was used for analysis and publishing of this report:

Title

-C-Suite: 39%

-General Manager, VP, SVP: 44%

-Director: 17%

Number of Employees

-1,000 – 5,000: 28%

-5,001 – 10,000: 33%

-10,001 – 50,000: 20%

-More than 50,000: 19%

observing changes in business conditions and using these insights to adapt business activities to these conditions. Doing so will set the foundation for success by providing financial firms with a leading edge over peers through operational excellence and customer delight.

About Aberdeen

Since 1988, Aberdeen has published research that helps businesses worldwide to improve their performance. Our analysts derive fact-based, vendor-neutral insights from a proprietary analytical framework, which identifies Best-in-Class organizations from primary research conducted with industry practitioners. The resulting research content is used by hundreds of thousands of business professionals to drive smarter decision-making and improve business strategies. Aberdeen is headquartered in Waltham, Massachusetts, USA.

18298