



# Commercial banking and the **customer experience** imperative

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How industry leaders are using CX and artificial  
intelligence to overcome disruption



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# A shifting landscape

Commercial banks are in a state of flux. The good old days are gone. Competition is no longer safely limited to other commercial banks. Today, non-bank entities, such as financial technology companies (fintechs) and large technology companies that offer financial services (techfins), are presenting new challenges.

Superior customer experience (CX) is the strongest weapon in the new players' arsenal - and they're using it to seize market share. These players are the driving force behind unbundling - the *à la carte* delivery of financial products and services once pre-packaged by incumbent banks. This phenomenon, previously limited to retail banks, gives customers more choice and the opportunity to cherry-pick offerings from an array of providers. And it's ushering in the concept of 'commercial banking as a platform' - a channel that allows customers to access financial services from banks and outside companies all in one place.

The race to own the client relationship is on. But how should you respond?

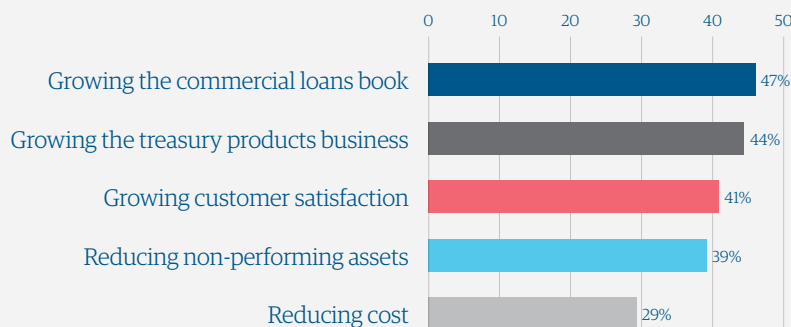
Leading commercial banks appear to have the answer. A Genpact survey of 500 senior commercial banking executives in the UK, US, and Australia reveals that they are both prioritizing CX and moving to a platform strategy. The survey also reveals the critical role that artificial intelligence (AI) plays in enabling an exceptional CX.

What follows are insights from the survey and an action plan to set best practices in motion.

# The growth drive

Like all enterprises, commercial banks want to grow. Specifically, growing the commercial loans book (47%) and the treasury products business (44%) are respondents' top-two priorities (Figure 1).

**Figure 1: Commercial banks are prioritizing growth and CX**



*Which of the following is your company's top commercial banking priority? Please select up to two (% of respondents)*

This growth drive has made outstanding CX crucial. Why? Non-traditional institutions, such as fintechs with access to sales and payment data, have leapfrogged ahead of established players, delighting businesses that apply for loans online with lightning-fast responses. Also, in the aftermath of the 2008 global financial crisis, commercial banks have had to allocate resources to stress tests and other regulatory concerns that they might have otherwise used to improve the customer experience. For banks to grow, they need to catch up with these new players when it comes to CX.

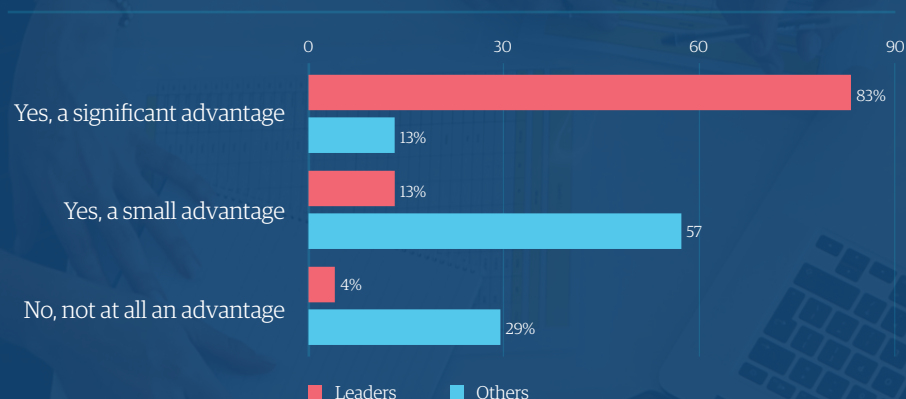
Executives at the forefront of the industry - 'leaders' as defined in our survey - understand how important it is to do so. In fact, they were more than six times as likely as others to say that CX is a significant competitive advantage for their companies (Figure 2).

## Customer-loyalty leaders

To help identify best practices, we asked survey respondents to rate their company in terms of whether it is doing better or worse than competitors when it comes to growing and maintaining loyal customers. Those who rate their firm six or seven on a seven-point scale are classified as leaders. Most of the remaining executives rate their companies as doing exactly the same or slightly better than competitors.

Not surprisingly, leaders are much more likely than other respondents to say that CX is a competitive advantage for their companies (Figure 2).

**Figure 2: CX: A key differentiator for leaders**



*Is customer experience a competitive advantage for your company compared to your competition? (% of respondents)*

## CX as a differentiator

Increasing competition is driving a stronger focus on CX as a fundamental differentiator, with 41% of respondents naming 'growing customer satisfaction' as a top priority (Figure 1). On the lending side of a bank's business, the industry is focusing on delivering a frictionless process to customers resulting in faster time-to-close and a less onerous information burden. On the treasury side, CX initiatives center on providing seamless digital interactions, such as a one-stop shop for all accounts.

Banks understand that they need to provide all customers with the experience they expect on the front end. Yet achieving the level of CX necessary to compete

involves much more than simply layering a new user interface on top of existing processes. Too often, banks overlook the operational processes that support delivery on the middle and back end.

For example, a client might be making a payment that gets stuck in a queue. A bank could have a very good front end that enables the customer to see the status of the payment in real time, but it doesn't help the customer see that the payment is blocked. Banks must reimagine their entire offerings while transforming internal operations using advanced digital tools.



# The artificial intelligence edge

AI offers real firepower for banks to compete in the critical realm of CX. For example, you can offer customers highly tailored solutions and insights by using AI and analytics to interpret troves of personalized customer data. And AI can serve as the technology backbone that speeds up decision-making, better predicts customer cash flow and liquidity levels, eliminates clerical errors that cause delays, and integrates all bank accounts under one portal.

Banks understand AI's potential, and many have already adopted AI for isolated purposes. Commercial bank executives are optimistic about the impact AI will have on their business priorities, including CX. In fact, improved CX is the second-most anticipated benefit of AI (43%) behind treasury products growth (46%).

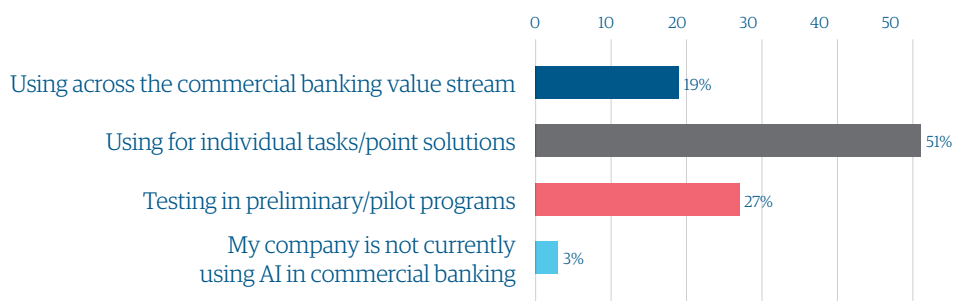
What's more, 97% of respondents report some level of AI adoption (Figure 3). But another Genpact study, [AI 360: Insights from the next frontier of business](#)<sup>1</sup>,

shows that, while the banking/financial services industry stands out as the top spender on AI technology, banks are only average in reporting very positive outcomes from AI.

Our new findings suggest this may be because:

1. Legacy systems still take up most of commercial banks' technology budgets. In fact, respondents mentioned core systems as one of their bank's top-two priority areas for technology spend 73% of the time, while digital channels (49%) and data/analytics (22%) came in second and third. Commercial banks are keen to build digital capabilities, but their dated core systems are slowing them down.
2. More than half of respondents say their bank's use of AI, to date, has been largely focused on point solutions rather than end-to-end transformation. In fact, only 19% of respondents say they are using AI across the entire value stream (Figure 3).

**Figure 3: Commercial banks are using AI for point solutions rather than holistic transformation, limiting the technology's effectiveness**



*Which of the following best describes your company's current use of AI in commercial banking? (% of respondents)*

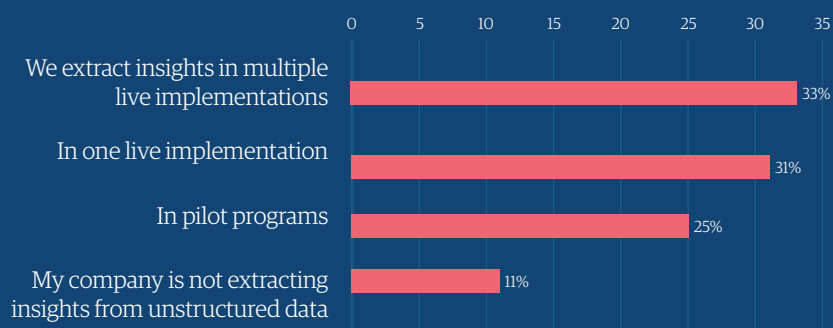
<sup>1</sup>[genpact.com/instinctive-enterprise/ai-360-research](https://genpact.com/instinctive-enterprise/ai-360-research)

The first finding reflects that commercial banks have historically underfunded their legacy systems, relying instead on manual processes and spreadsheets. So now they are trying to catch up, in part to facilitate regulatory reporting and in part to make data usable for driving sales and risk outcomes.

As for the piecemeal approach to AI, it puts institutions in danger of missing opportunities. Only about one-third of commercial banks are currently extracting unstructured data at scale, for example (Figure 4). That means they are overlooking vital intelligence buried in documents such as loan agreements, credit memos, commercial real estate appraisal reports, and financial statements. They also can't access timely information from news outlets, social media platforms, websites, and other online locations.

Without a holistic approach that would, among other benefits, provide them with analytics from these sources, they will struggle to launch CX improvements that could attract the new clientele they need in order to grow.

**Figure 4: Only about one-third of commercial banks are currently extracting unstructured data at scale**



*Is your company currently extracting insights from unstructured data? For example, email, large amounts of text, or raw data files? (% of respondents)*





## Open banking and unbundling are driving CX

The open-banking movement in Europe represents another reason to get your AI house in order and put CX at the forefront. When banks must share customer data with third parties, it is much easier for fintechs and data aggregators to overlay services that were the sole purview of major players. For example, a fintech with access to a company's real-time payments infrastructure can provide payroll services on behalf of employers. Given this new attack on commercial banking territory, CX is likely to become even more important if the open-banking concept expands beyond Europe.

Another striking example of where CX is on the rise is in unbundling, which allows alternate providers to put forward a wide array of bespoke products. Providing customers with tailored and targeted choices is a principal characteristic of an excellent CX. Fintechs are driving the unbundling of commercial banking products, with 79% of respondents acknowledging its inevitability. But only 20% of executives have a holistic transformation plan to help them prepare for this shift. That makes the remaining 80% vulnerable to startups that can attract established customers and win new ones if they can offer a broader and more personalized selection of financial products than traditional banks.

On the flip side, unbundling could present a new opportunity for commercial banks. With tools that give them the ability to predict customers' needs, they could compete more forcefully in the market for individual services using cross-selling and loss-leader strategies.

# Fintechs: Friend or foe?

In either event, unbundling raises a fundamental question for commercial banks looking to rethink their approach to CX to spur growth. Should you try to beat new competitors at their own CX game? Or should you join forces with disruptors who have expertise in enhancing CX and can complement your traditional strengths?

It depends on whom you ask. The commercial banking industry is almost evenly divided between those who perceive fintechs as potential partners (56%) and those who say they are a competitive threat (44%). This split makes sense. Fintechs don't have the distribution reach, brand recall, or low cost of funds that banks enjoy. Meanwhile, banks may not have the agility and innovative capability of fintechs. So the relationship has the potential for both competition and partnership.

How commercial bankers view their relationship with fintechs depends on a number of factors, including line of business and geography.

Not surprisingly, respondents from the lending side are more likely than the treasury side to see fintechs as a threat, in part because it's easier to switch lenders than to move deposit accounts.

Meanwhile, respondents in the UK are more likely than their US and Australian counterparts to view fintechs as a threat. A likely reason: UK regulators are actively promoting open banking. That means challenger banks can threaten incumbents across multiple lines of business. Also, the regulatory environment lets

challengers establish their credibility in retail banking, making it easier for them to target corporate customers. In the US, on the other hand, getting a banking license is a burdensome process. And that's made it difficult for fintechs to provide a full suite of commercial banking services across lending, deposits, and payments.

It's perhaps significant that customer loyalty leaders are much more likely to point to fintechs as potential partners.

They may be wise to do so, says Mark Sullivan, global business leader, banking and capital markets at Genpact. "Banks' capital in the last decade has largely been spent on compliance, risk management, and stress testing rather than on designing new customer experiences or developing products. In many ways, that's what led to the dawn of the fintech era. Because capital had to be deployed elsewhere, innovation was left to a startup ecosystem," he says.

"Now, things are coming back together. That innovation has been effective, and fintechs have created experiences and approaches that are attractive to financial consumers. So, after having invested heavily on the regulatory side, banks are now re-consuming innovation by cooperating with, partnering with, or acquiring fintechs. This is important because, in general, banks are not growing. They are trading around book value. And they recognize that they are in a technology war with their competitors to build a better experience, or they risk losing their customers."



Similarly, Genpact's recent study, [Banking in the Age of Instinct<sup>2</sup>](#), finds that, in an increasingly volatile world banks must employ strategies to counter shocks and fortify the balance sheet - and a crucial part of changing the system will be brokering partnerships rather than fighting competitors.

Joanne Wyper, executive vice president, head of operations at Citizens Commercial Bank, says her institution sees partnering with fintechs as a highly effective way to enhance products and services.

"We've always seen fintechs as an opportunity," she explains. "I don't remember there being a point where we felt they were a threat. We have many strategic partnerships already established that have delivered great value to our clients and our colleagues, and we continue to scan the environment for fresh new ideas to fine-tune wherever we can. The right strategic partners can expedite change and avoid large development costs."

<sup>2</sup>[genpact.com/instinctive-enterprise/banking](http://genpact.com/instinctive-enterprise/banking)



# Banking as a platform

Becoming the go-to platform – the access point to a comprehensive range of offerings from many providers – could well be the key CX differentiator for commercial banks.

“The concept of banking as a platform is that you may not be the product creator, but you are the gateway to the customer – just as Apple News, for example, is a gateway to news media,” explains Anu Sachdeva, global practice leader, commercial banking at Genpact. A form of this concept has been around for some time. But today’s version needs to be truly digital and scalable.

“The bank provides a place where its clients can buy its own products, but it also provides a seamless way for them to transact with a third party,” she says. “In commercial banking, it’s an idea whose time has come, but there’s still no large-scale deployment.”

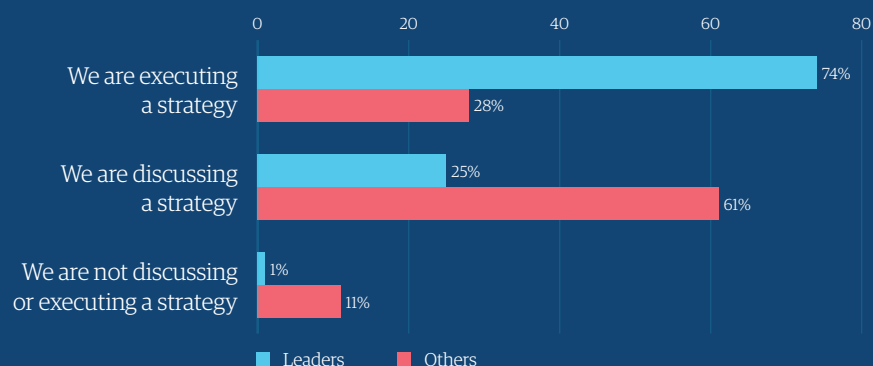
The evolution of platform banking is well on its way, but many firms continue to struggle with the basics. Overall, 46% of executives say that they are executing a platform strategy and another 47% say they are

discussing a strategy. But only 20% say they are affecting an end-to-end holistic plan and only about one-third (35%) say they have mapped the customer journey across both treasury and lending product lines. Not surprisingly, customer loyalty leaders are ahead of the curve. Almost three-quarters (74%) of leaders are executing a platform strategy compared with only 28% of other respondents (Figure 5).

In addition, 25% are executing a holistic transformation plan to streamline commercial banking, compared with 16% of others. Leaders are also ahead in AI implementation, both across the value stream and for individual tasks.

Those who have taken a holistic approach recognize that to become the platform of choice, you need a nuanced understanding of your existing and prospective clientele. Again, this is where connected, intelligent processes can help you define personas and conduct end-to-end customer journey mapping to find and digitize high-value, pivotal moments and other touchpoints.

**Figure 5: Leading commercial banks are executing strategies to own platforms of individual products**



*Does your company currently have a strategy in place to own a platform of individual products? (% of respondents)*

# The **middle-market** battleground

As commercial banks push to grow, they encounter fintechs vying for the same territory - the lower-middle market. Fintech players, who primarily catered to small business, are trying to go upmarket into the lower-middle market space while larger banks are trying to go downmarket to companies in the same space in search of new revenue streams. As they increasingly compete in this arena, however, commercial banks and fintechs are exhibiting different CX strengths.

For example, commercial banks are well versed in approvals, regulations, and other procedures that are complex and require more professional judgment. Fintechs, inexperienced in navigating these waters, are discovering that their digital-led processes are not perfectly suitable for understanding the needs and credit risks of larger customers, and they need to invest in human capital. On the other hand, fintechs can provide automated, instant decision-making for smaller customers who need it, while larger banks are discovering that their manual processes are too onerous and costly for smaller customers. This results in a convergence toward a hybrid banker-and-digital model. In fact, 40% of commercial bankers ascribe equal

weight to banker and digital interactions, indicating that digital has come of age in an industry that has been traditionally banker led.

Wyper agrees that customer expectations call for tweaking the balance between personal communication and digital services. "When you think of cash management products, clients have a high degree of activity, which can lead to a large number of interactions with the bank. To simplify the experience, Citizens just launched a new, significantly upgraded portal that allows clients to self-serve on a level they couldn't have done before," she says.

"We have also created a concierge model for all commercial clients so our clients can now perform activities they prefer to do themselves, and when they want the bank involved, they have a dedicated professional on hand to manage all their needs across all products. This is a fantastic combination - it frees up the time for the relationship managers to focus on tailoring solutions for our clients rather than simply servicing needs, and gives clients the ability to use the engagement channel of choice."

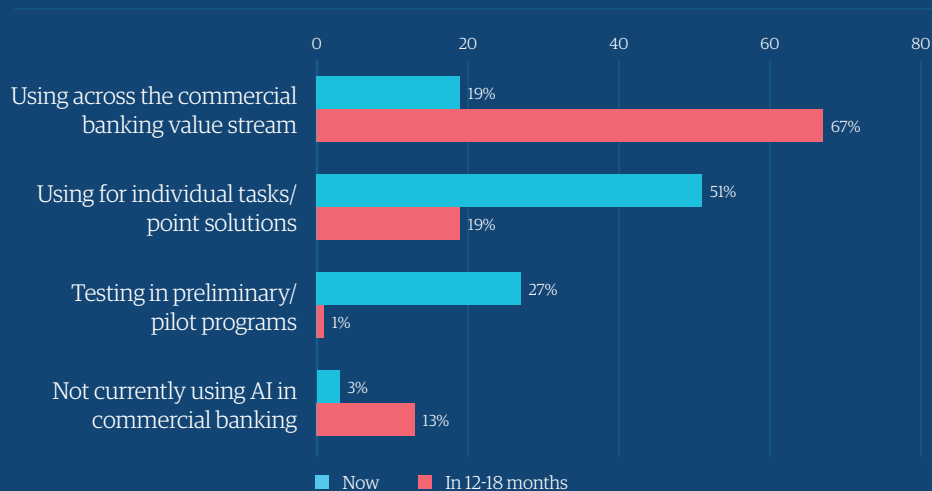


## Scaling up AI

The industry is still experimenting with AI, but it is serious about scaling up. For example, about two-thirds of respondents say they expect to be using AI across the commercial banking value stream in the next 12 to 18 months, compared with fewer than one in five today (Figure 6). Over the same period, AI usage is expected to shift sharply away from pilot programs and individual tasks toward holistic applications across the value stream.

One of the most important applications of AI is to access alternative data sources. In commercial banking, this is an especially powerful means of developing a detailed understanding of the customer, an important way to enhance CX. And this information can also help create customer profiles, predict customer needs, and assess loan applications.

**Figure 6: AI usage across the commercial banking value stream will increase**



*Which of the following best describes your company's use of AI in commercial banking? (% of respondents)*





## An **action plan** for transforming CX through AI

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Commercial banks are adjusting to emerging competition with a combination of competitive and adaptive responses. Both strategies require holistic transformation of business processes and strategically deployed AI. Whether the push is to develop new products, streamline credit assessments, or launch banking as a platform, the goal is to deliver customer experiences that are a step ahead of competitors. For this to happen, it's essential for banks to align processes across the value chain.

Business processes require relationships across the front, middle, and back offices. For example, you can invest in technology to launch user interfaces that deliver instant online cash management, but you may also need to implement 24-hour support in case customers encounter problems. And technology can enable credit-underwriting models that speed up decisions, but this may lead to an increase in non-performing assets. You can address these and other issues with the following steps:

## Step 1

# Build effective delivery through service design

Link the customer experience to operations by looking through the lens of people, process, and technology to reimagine how these elements can come together to deliver specific outcomes:

- **People:** For commercial banks, relationship managers have always been their ace in the hole. And the human touch will always be an important part of commercial banking service delivery. In fact, fewer than one-third of executives say that their customer interactions are digitally led. However, the industry is evolving towards a hybrid model that balances relationship management with digital tools.

To achieve the best mix, free up relationship managers for higher value activities by shifting back-office tasks to shared-services teams, and equip relationship managers with data and analytics.

- **Process:** Your bank won't become the platform of choice if legacy back-office operations undermine service delivery. For example, if your customers are using self-service tools, they need to know up front exactly what information the bank requires; otherwise, you're going to have to keep going back to them for more information. And yet, although 90% of executives perceive the need for a holistic plan across the front, middle, and back office, only 20% say they are executing on such a plan.

Go beyond the UX level and transform your middle and back office operations.

- **Technology:** Although executives say they're keen to build leading-edge capabilities, technology budgets tend to go toward maintaining outdated core systems. That can be difficult to avoid considering that critical data is often housed in these systems. But as banks pursue growth, AI is an important part of the CX solution. Clients want personalized insights, yet the traditional banker-led model is not scalable to smaller businesses. Address this by using data and analytics to deliver valuable actionable insights to business customers. For example, a restaurant franchise owner could log into a bank's customer portal and view how her financial metrics stack up against the industry average in that geography.

Don't let your legacy IT costs crowd out your investments in data and analytics.

## Step 2

# Understand the customer

Building a solid CX strategy requires both understanding what the customer wants and developing effective delivery and measurement mechanisms.

Understanding customer expectations means establishing clear distinctions among the needs of different user personas, ranging from corporate treasurers to payroll administrators. This includes their needs as well as any emotional elements. Some of this insight will continue to come from relationship managers, but increasingly, data analytics and human insights from contextual research are making it easier to identify both stated and unstated customer needs. Service design applies four tools that contribute to this process:

- **User research:** User research is a first step in any experience transformation.  
Use qualitative research, which is based on observation, opinion, and other soft data, and quantitative research - hard measurable data - to understand user needs in context.
- **Customer-journey mapping:** Although commercial banks are making wide use of customer-journey mapping, they tend to apply it within product or functional silos. Refocus your efforts on helping customers meet their needs across products. For example, commercial banks want to facilitate foreign trade rather than just sell FX conversion, cross-border payments, and trade finance. However, this vision stands in stark contrast to the reality that, at many banks, business customers cannot even see both their lending and deposit balances at one place in the customer portal.

Map your customer journeys around the axis of your customer's needs rather than the banks products. You can also use advanced tools to store persona and journey assets as data elements to create a framework for sharing customer insights across the business.

- **Digital process mining:** Most commercial bank executives agree that unbundling is inevitable, but only about half are executing a strategy to become the gateway platform. In addition, more C-suite executives than their direct reports (55% vs 34%) consider CX to be a differentiator. So commercial banks still have a lot of work to do in terms of change management. The idea that there is a need for change needs to trickle down. One way to accelerate change management is to present data on what customer experience is truly like versus what bank employees believe it to be. For example, a bank may say that it takes five days to approve a loan, but the customer may have spent a week completing the application.

Use process mining tools to capture true customer experience and create a digital twin - a replica of the customer journey - to identify and correct pain points across multiple systems.

- **AI and analytics:** An integrated customer-journey map is a good start, but it takes deeper analysis to generate real insights from what customers are saying. For example, a customer seeking a payoff quotation through the customer portal may be an attrition risk.  
Use your internal customer data, which is a competitive advantage over non-banks, to drive sales and risk outcomes.

"Many banks have invested in journey mapping and organizing around journeys, but in reality, many are struggling to execute beyond incremental projects," says Michelle Palomera, experience leader, banking, at Genpact. "The banks that are out in the lead are taking a true outcome-based, designed approach that looks at the end-to-end, front-to-back process and supporting technology with an experience lens."

# The takeaway

## Up your CX game with AI

The CX imperative is driving leading commercial banks to transform their operations in the face of new challengers. With unbundling inevitable, they are either competing head to head or choosing to partner with fintechs and shifting toward commercial banking as a platform.

AI is a major part of the solution. It helps bank executives interpret large volumes of data from disparate sources, contributing to both CX enhancement and more efficient back-office processes. This kind of modernization is becoming more urgent as fintech disruption expands further into the commercial sector.

Nearly every bank represented in the Genpact survey is making some use of AI, but many are still experimenting. This picture will change rapidly over the next 18 months as banks demonstrate solid use cases and begin to implement enterprise-wide solutions. Those in the lead will be the ones that adapt to the changing marketplace by using AI holistically and continually investing in understanding their customers' needs.



# Banking in the **age of instinct**

In this report, you've seen where commercial banks are today. Read our companion report, [Banking in the age of instinct](#), to see where they will be in the future.

Over the past 10 years, banks have faced the financial crisis fallout, regulatory reforms, and the birth of new competitors. What will the next decade bring? To survive and thrive, they must become instinctive banks or face extinction.

For more information, visit  
[genpact.com/instinctive-enterprise/banking](http://genpact.com/instinctive-enterprise/banking)

# About this study

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Genpact worked with Wakefield Research to conduct a study between July 30 and August 28, 2019, via an email invitation and online survey. The study represents views of 500 C-suite and senior executives at commercial banks, including 350 respondents in the US, 100 in the UK, and 50 in Australia. Of the surveyed executives, 114 hold roles with a global focus, and the majority work at companies with assets under management of \$10 billion or more.

## ABOUT GENPACT

Genpact (NYSE: G) is a global professional services firm that makes business transformation real. We drive digital-led innovation and digitally-enabled intelligent operations for our clients, guided by our experience running thousands of processes primarily for Global Fortune 500 companies. We think with design, dream in digital, and solve problems with data and analytics. Combining our expertise in end-to-end operations and our AI-based platform, Genpact Cora, we focus on the details - all 90,000+ of us. From New York to New Delhi and more than 30 countries in between, we connect every dot, reimagine every process, and reinvent companies' ways of working. We know that reimagining each step from start to finish creates better business outcomes. Whatever it is, we'll be there with you - accelerating digital transformation to create bold, lasting results - because transformation happens here.

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