

**T**he customer is king in the retail banking industry – or at least that is the idea. Making this goal a reality requires that banks look not only at what data they can glean from each customer, but also how they use that data to devise the most appropriate products and services.

Amdocs has a strong track record in the development of solutions for customer-facing business processes including billing, customer relationship management (CRM), self-service and revenue management. Mike Blum, president of Amdocs' financial services division, feels banks have performed well on data gathering, but now need to take the next step.

**JB: How far have banks gone in developing customer-centric business models?**

**MB:** There is a bit of a paradox in the banking industry. To date, banks have spent a lot of money on CRM and data gathering, but have not evolved their products and services to reflect this information. Banks understand the customers' needs, but they can't respond with the right products and services because of the lack of business integration. Banks still operate in silos, so they can't promote their services across the entire organisation. That is the structural impediment, but there is also a gap in the translation of customers' needs to the right products, and banks lack the processes to bundle those products back and meet specific customer demands.

**JB: Where do banks need to make changes in order to bridge that gap?**

**MB:** Now that banks have the CRM data, they must look at their back-office systems and identify the gaps. That is where the product integration happens. Their investments are now paying off in terms of understanding their customers, but for the most part they do not have the back-office infrastructure to respond quickly to competitors or customers.

**JB: Banks have been talking about customer-centric strategies for years, so why have they not gone further in implementing them?**

**MB:** For the last four years, compliance with new regulatory requirements has been a priority, albeit a necessary one. Banks had a deadline to meet so they put investing in structural integration and new product development systems on hold.

It is time for banks to address the 'big black hole' – the back office. That is the biggest issue

now and should be the highest priority. After banks built their distribution channels and CRM systems, they focused on cost reduction and regulation issues. Now, they are focusing on revenue generation. Management boards want to see revenue growth, so banks are looking for ways to sell more products, either to new or existing customers, while improving customer retention.

**JB: Is it understandable that banks might hesitate over making major changes to the back office, which underpins all its products and services?**

**MB:** Of course, there is a risk associated with this kind of structural change. But there are alternatives to how banks update their back-office systems that weren't available five years ago. Previously, the only way to change the back office was to perform a heart transplant, with all the changes made at once. That approach increases the risk and it's enough to stop your bank's 'heart' from beating.

**BANKS POUR MONEY INTO TECHNOLOGY FOR THE BRANCH NETWORK, THEN FIND THAT THE BACK OFFICE CAN'T DELIVER.**



# BACK OFFICE: TIME TO ACT

DESPITE BANKS' HEAVY INVESTMENT IN GATHERING DATA ABOUT CUSTOMERS, THERE IS A LONG WAY TO GO BEFORE IT IS USED EFFECTIVELY TO DELIVER MORE PERSONALISED SERVICES. JIM BANKS ASKED **MIKE BLUM** OF AMDOCS HOW BANKS CAN DELIVER THE CUSTOMER-CENTRIC SERVICES THEY NEED TO STAY COMPETITIVE.

Today, there are organisational and process-based alternatives. For example, components of the back office can be sliced off and upgraded individually, or they can be outsourced while the in-house systems are replaced. The transition can be made on a component-by-component basis while the bank continues to use the legacy system, if that is the way it prefers to do it. This approach reduces the risk of a total system shutdown.

**JB: Given that restructuring the back office is a major task, what advantages can banks look forward to if they shoulder the risk and make the necessary investment?**

**MB:** The crux of the issue is that the systems that banks use to collect data are effective, but the product development systems are the legacy systems, which are 30 or 40 years old. In addition, there has been a huge shift in market segments, and banks have been consolidating and acquiring competitors in order to reach certain markets. Now, they are targeting the ‘mass affluent,’ who have money to invest. That market is the new El Dorado, and all the banks are after it – how they reach this segment is by delivering products and services that meet their specific needs.

The current process that banks have for introducing new products requires that they build a web of interfaces between already existing applications. For example, when banks introduce a new product or service they more than likely work with an application template, add the

rules and attributes, and then uses a separate pricing engine to price not only the product but a bundle of products?

Banks take a long time to react, but they need to shift their concepts of product development and distribution. They need products available quickly if they are to customise or bundle product sets for the customer. That is the really important thing. This is especially true when addressing specific market segments, such as the mass affluent. This market understands their needs better now – they are used to managing their own accounts and seeing immediate results through services such as online trading and online banking, for example. If banks can’t deliver products that speak directly to the needs of this market, they could lose valuable customers.

**JB: Horizontal integration is another topic that has been discussed in the banking sector for some time now. How far have banks gone in moving towards this kind of organisational structure?**

**MB:** Horizontal integration is the backbone of our dynamic banking approach. Amdocs Financial Services Solutions enables banks to adopt this approach by replacing modules, and banks are ready to buy into that. They are looking at different business models, where horizontal integration means no single business line owns a product. Product distribution is treated as an integrated process across the whole organisation. For example, we are now seeing some banks in Canada appointing a VP of distribution, who is responsible for all products across all channels.

One issue with banks is that they pour money into ideas and technology for the branch network, but then find that the back office can’t deliver. But now they understand that it is a relationship business, so they need more knowledgeable personnel in the branch and the ability to provide the right bundled products through any channel, including the branch.

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product features, build new interfaces to the transaction systems (so the incoming product transaction can be processed) and then build new operational processes. It’s not unheard of for banks to have over 10,000 applications in their systems. Now imagine that every time a new product is introduced, a significant number of interfaces have to be built and ultimately maintained. So it’s not surprising that it takes banks a long time (14-18 months) to develop a new product and get it to market. Here we have our dilemma.

At Amdocs, we believe we need to address this paradigm shift by enabling banks to adopt an approach called dynamic banking. What if products were, in fact, treated like objects, with attributes and rules built in and stored in a flexible repository? What if, when a new product is needed, the bank combines objects, modifies

**JB: What do you feel Amdocs can offer banks to help them make the final push towards a customer-centric business model?**

**MB:** Amdocs solutions help banks eliminate the applications and interfaces. Our solutions contain object-based rules. They allow banks to develop products in weeks rather than months. Also, Amdocs is unique in the financial services market by offering

both the technology solutions and services to help banks implement these changes. Our focus on creating an intentional customer experience helps banks to be proactive in identifying customers’ needs and responding with the right products.

**JB: How urgent is it that banks rethink their back-office infrastructure?**

**MB:** I believe that banks realise that there is no more time. They have all delayed developing the back office for years. If they don’t do something now, they will certainly lose out. FBA

**Further information**

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