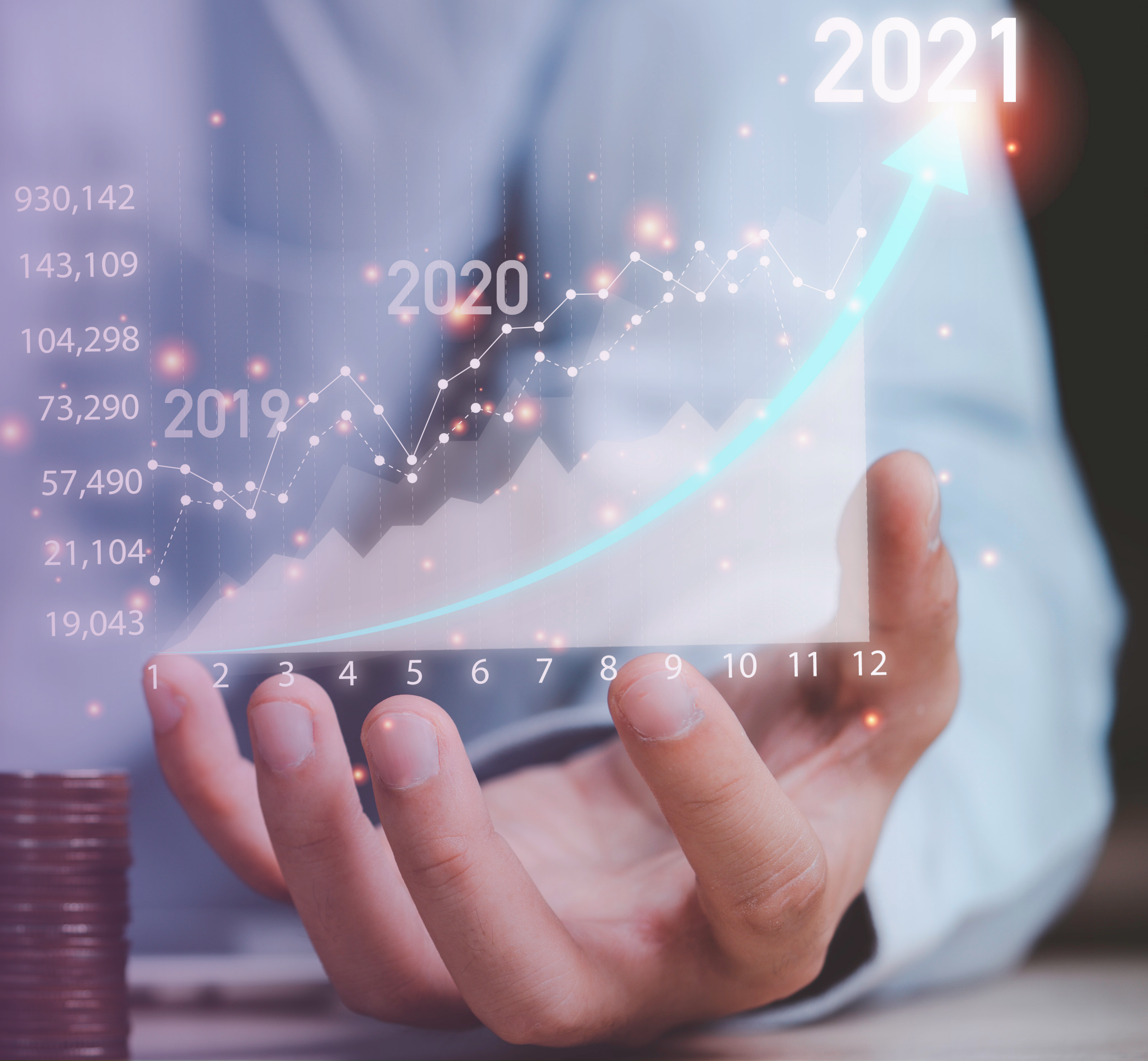
SunTec®

REVENUE MANAGEMENT

How Banks Can Enhance Customer Experience, Create Streamlined Processes, and Provide More Value

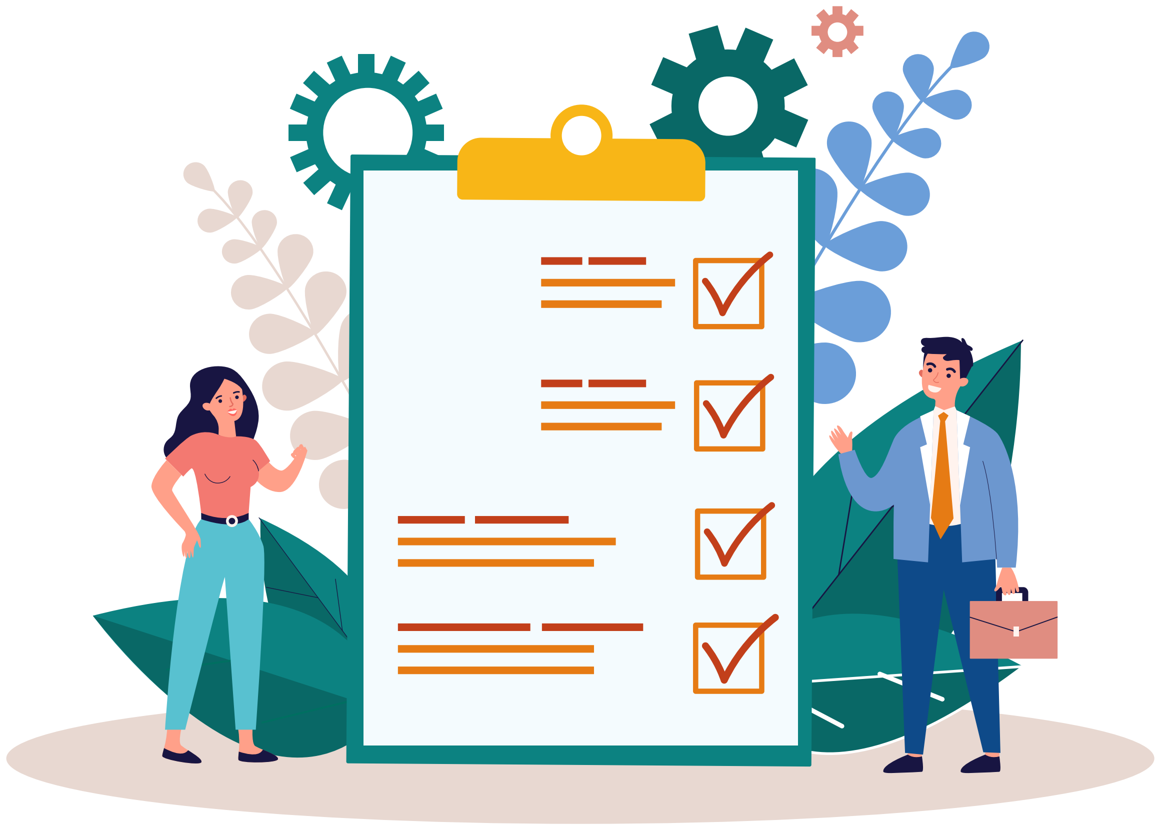


Revenue management is a critical process for banks. There are many moving parts to successful revenue management from customer onboarding, deal evaluation, to designing new deals. Banks must consider a wide range of issues when maintaining these processes and often run into challenges in this regard.

The prevalence of Microsoft's Excel as an analytical tool has resulted in a chain of disjointed backend processes that increases customer dissatisfaction. A Deloitte study revealed that banks consistently fall short of satisfying their customers when compared to their favorite brands. Whether it was the ease of product usage, the quality of services, or customization, banks trailed companies such as Apple, Google, Microsoft, and Amazon.

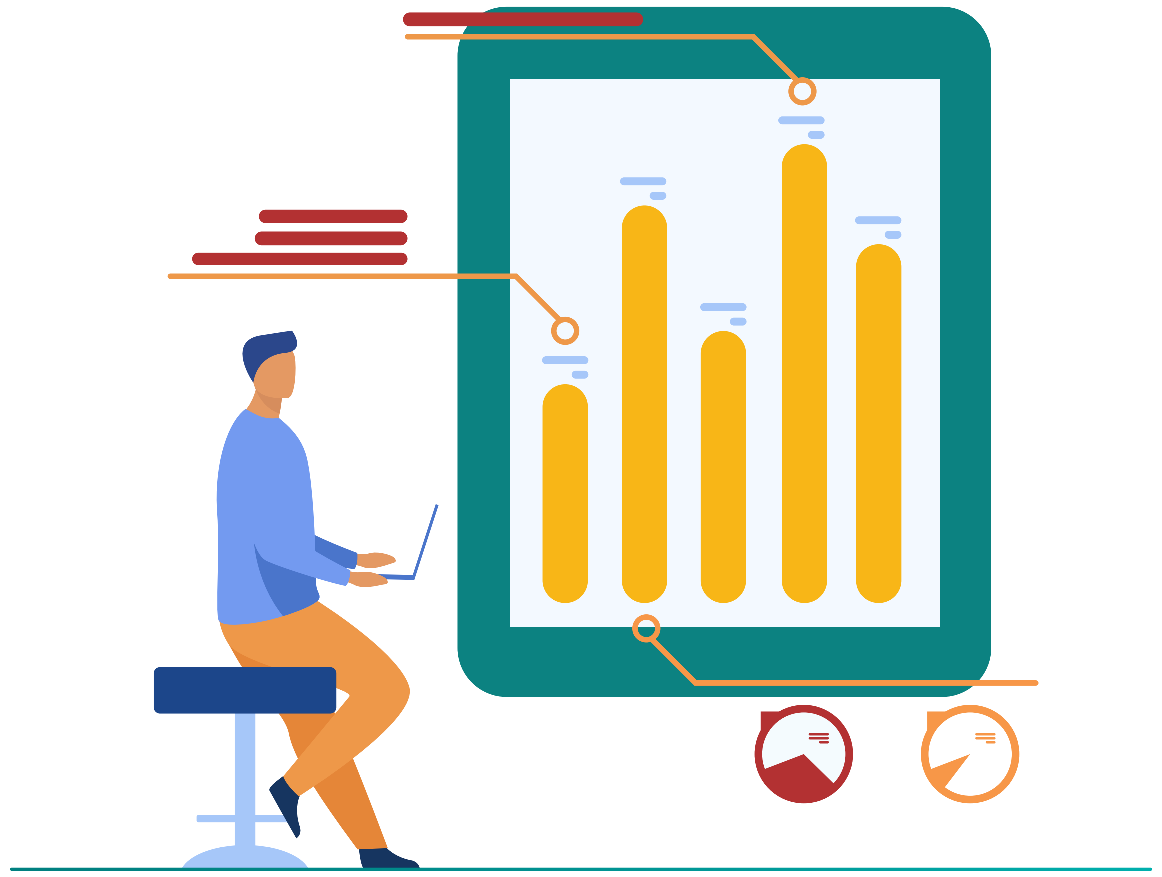
Thanks to technological improvements, banks can digitally transform themselves by creating fully electronic, automated processes that require minimal manual intervention. Aside from creating a centralized data hub, here are four advantages that these systems bring to a bank's revenue management process.

Greater Standardization



In an ideal world, bank employees would draw from a vast array of products to instantly create deals for their clients based on relevant parameters and historical data. The reality is that modern corporate customers are too sophisticated and complex to track via a set of processes that don't seamlessly integrate. The result is a haphazard, ad-hoc deal creation process that results in revenue leakage.

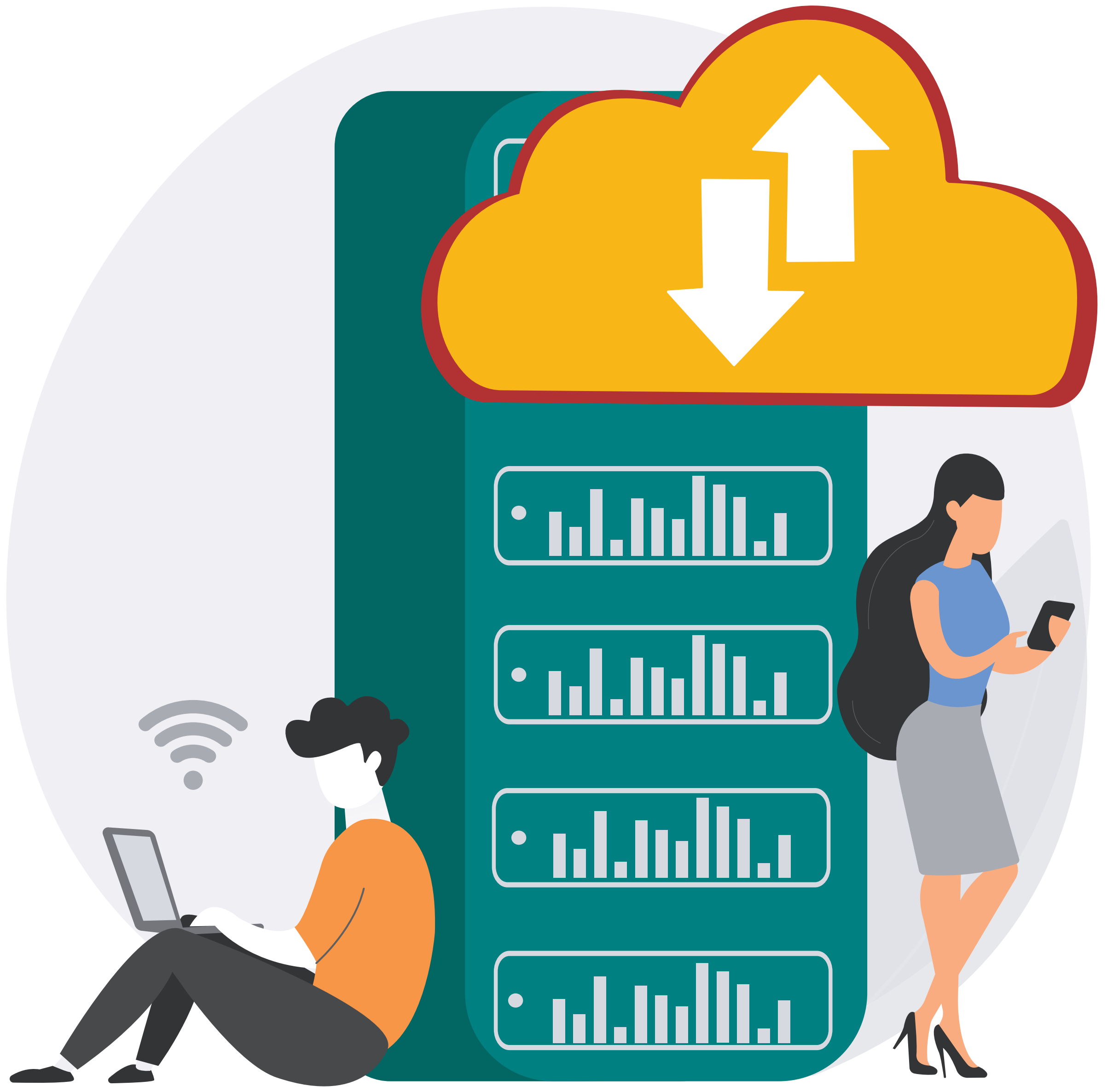
For instance, relationship managers in different jurisdictions might offer different deals to the same customer thanks to viewing incomplete but different datasets. A centralized electronic solution will integrate data from disparate sources, and deal creation will become simplified. More importantly, banks can standardize their processes.



By leveraging templates based on client demographics, banks can reduce deal creation and proposal times drastically. Thanks to data being present on a single platform, banks can enforce visibility and negotiability limits based on user roles and profiles. For instance, a relationship manager can offer a standard deal to a customer and submit a deal add-on proposal to their supervisors for review.

Banks can also define alert thresholds for critical deals and trigger manual intervention as needed. Thanks to the electronic nature of these processes, audit trails are automatically established. In turn, the compliance burden banks face decreases, which leads to lower costs and better margins.

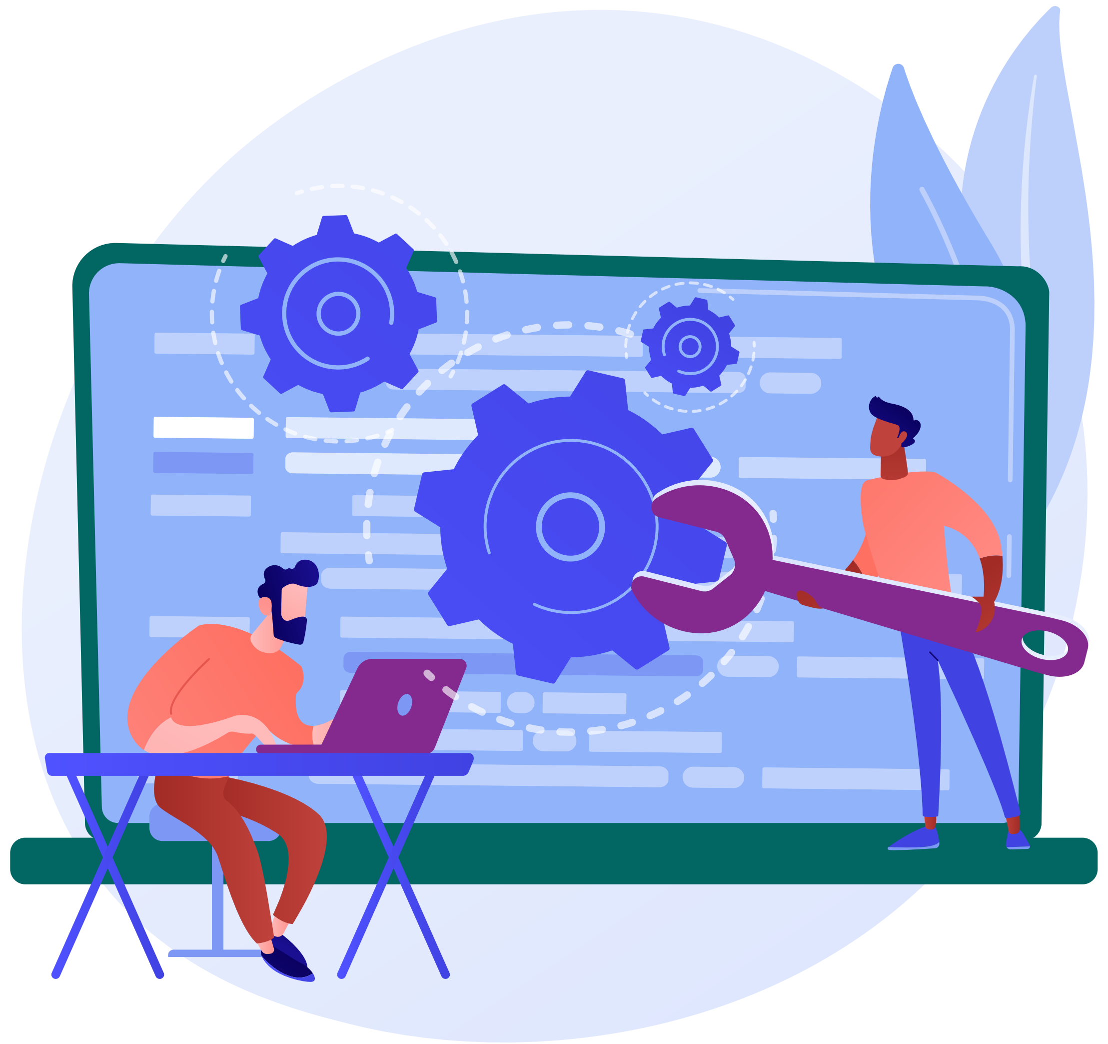
Greater Customization



Every customer demands customization, but banks face a unique set of risks in this regard. Thanks to incomplete data views, employees could potentially offer deal terms that are unfavorable to the bank. Reworking such deals lead to customer dissatisfaction and portrays the bank in a poor light. What banks need is a solution that allows them quick deal customization and easy modification.

By integrating multiple data sources onto a single platform, bank employees can customize deals that offer win-win scenarios to their customers on the spot. For instance, they can design deals by combining multiple products and offer customers prices after considering different variables. If a customer demands changes, they can customize deals at the click of a button and present a new proposal instantly.

Banks can also offer better dynamic pricing models that take recent customer behavior into account. For instance, if a traditionally reliable customer experiences a debt downgrade, the bank can account for increased risk by dynamically adjusting its deal terms and creating custom variables.



Credit risk analysis is an ever-present challenge for banks. By integrating data from third-party sources and feeding them into a credit model, banks can intelligently design deals. Needless to say, these processes can have manual intervention and approvals as needed.

For instance, banks can take their client's operational expenses into account when projecting risk-adjusted returns on the deal before offering a price to the customer. Thus, customization won't just become the norm, it becomes the only way to design a deal that benefits both the client and the bank.

Greater Data-Driven Insights

Banks collect vast amounts of data. However, manual, disjointed processes render data collection ineffective since it's impossible to run accurate data analytics on half-accurate datasets. To successfully execute digital transformation goals, banks must adopt data-driven decision-making. This is easy with an end-to-end electronic revenue management platform.

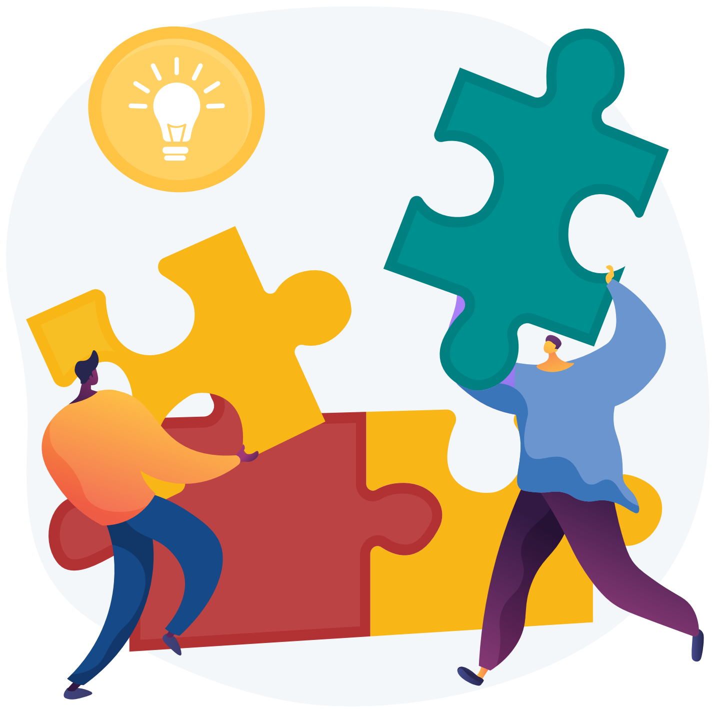
Building models with different variables and stress-testing them for profit is easy once all data sources are integrated onto a single platform. For instance, relationship managers can model multiple combinations of prices, tenure, margin, and payment schedules into account before offering a customer a new deal.

They can simulate different conditions by changing their input assumptions, such as hurdle rates, and project metrics such as ROI, EVA, and RaROC to justify such offers. In turn, banks can standardize the metrics they use to measure deal performance and track trends over time. They can spot potential problems and alert relevant employees to take corrective action quickly.

Data-driven trends can also point banks towards the most efficient deal creation processes. For instance, using historic deals offered to customers of similar size and demographics as a template to create new deals will reduce the time it takes to satisfy a customer's request.

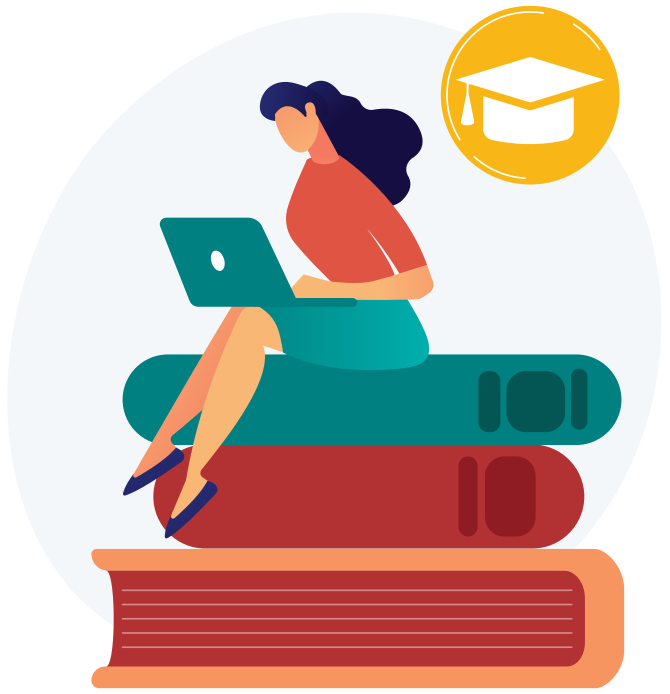
Visibility into deal status throughout its lifecycle, along with relevant metrics, will help bank executives categorize profitability and report accurate numbers at all times.

Empowered Employees

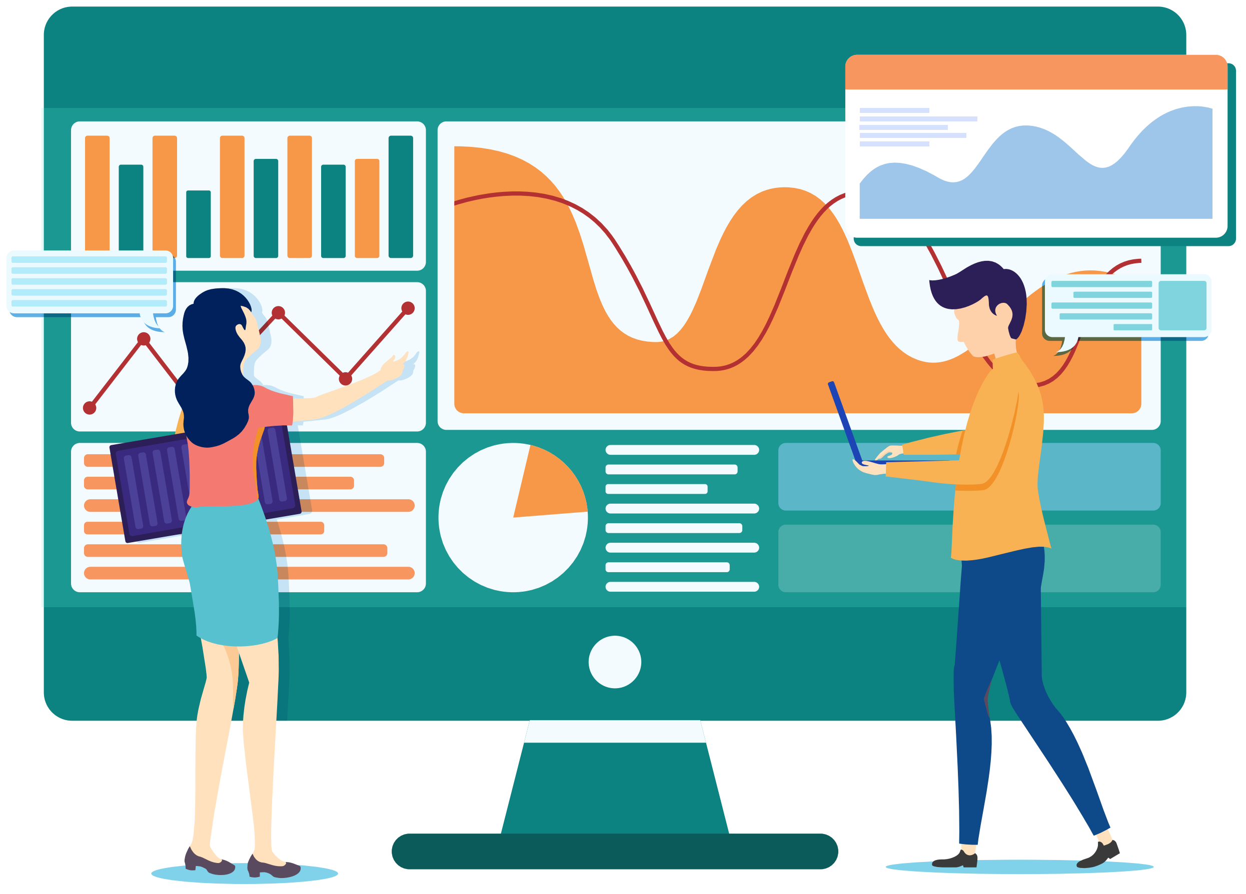


Despite digital transformation dominating most banks' agendas these days, the average bank employee spends a lot of time gathering data, cleaning it, and formatting it while migrating reports from one platform to another.

For instance, an employee might gather customer information from a CRM platform, download it to Excel, and augment this report with revenue data from a different platform. To create a coherent analysis, they might need to reformat customer identification information from one source to ensure consistency.

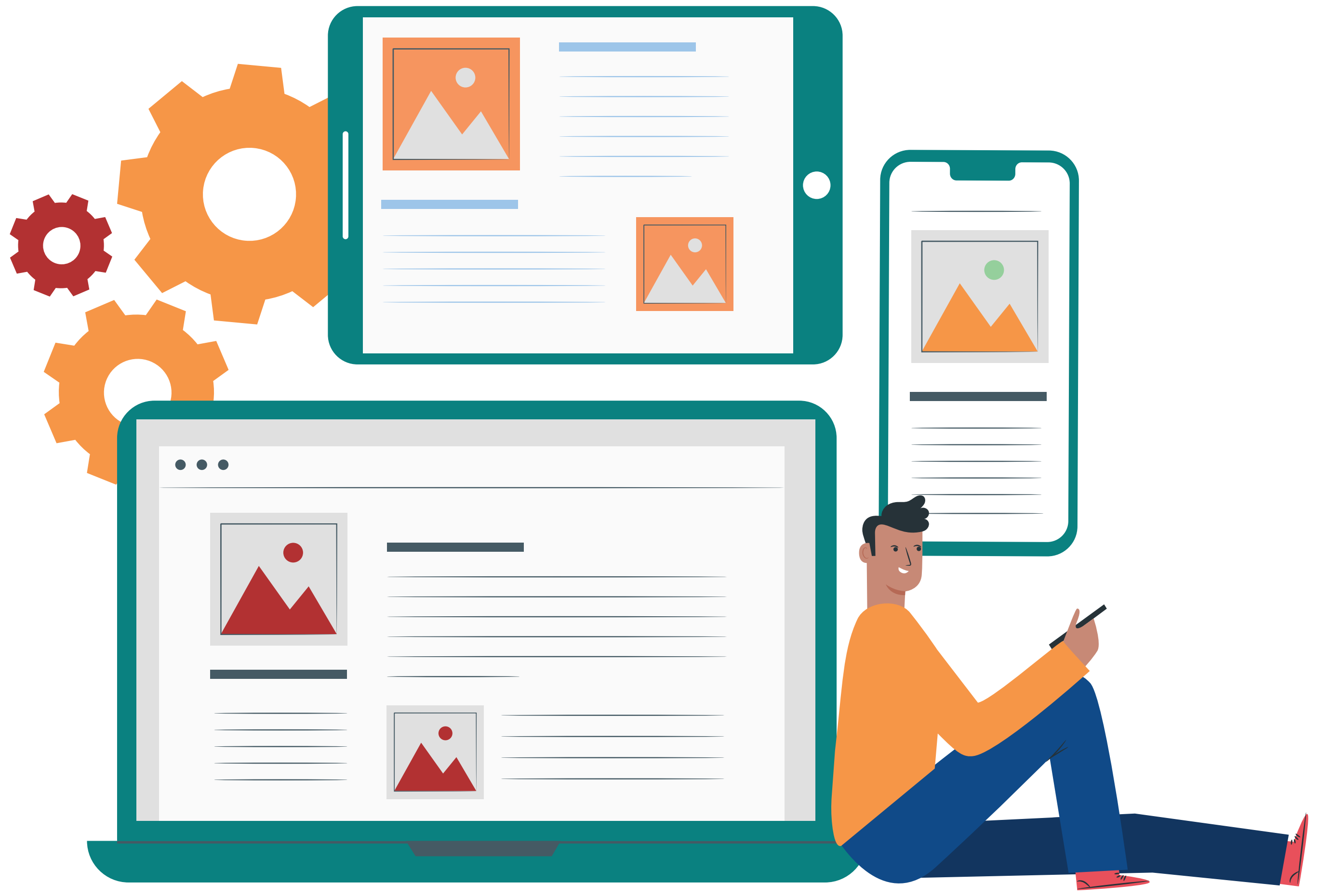


Processes like these consume time and increase deal creation times. They also confine to clerical work for the most part, with very little time left for value-add analysis. The result is a less than ideal work environment, with banks spending vast resources on employee man-hours.



Electronic platforms eliminate costly clerical work by automating sourcing, integration, and data formatting. An intelligent and sophisticated platform is enough to transform data before loading them onto a dashboard. Employees can slice and dice customer-related data at the click of a button without requiring any technical knowledge.

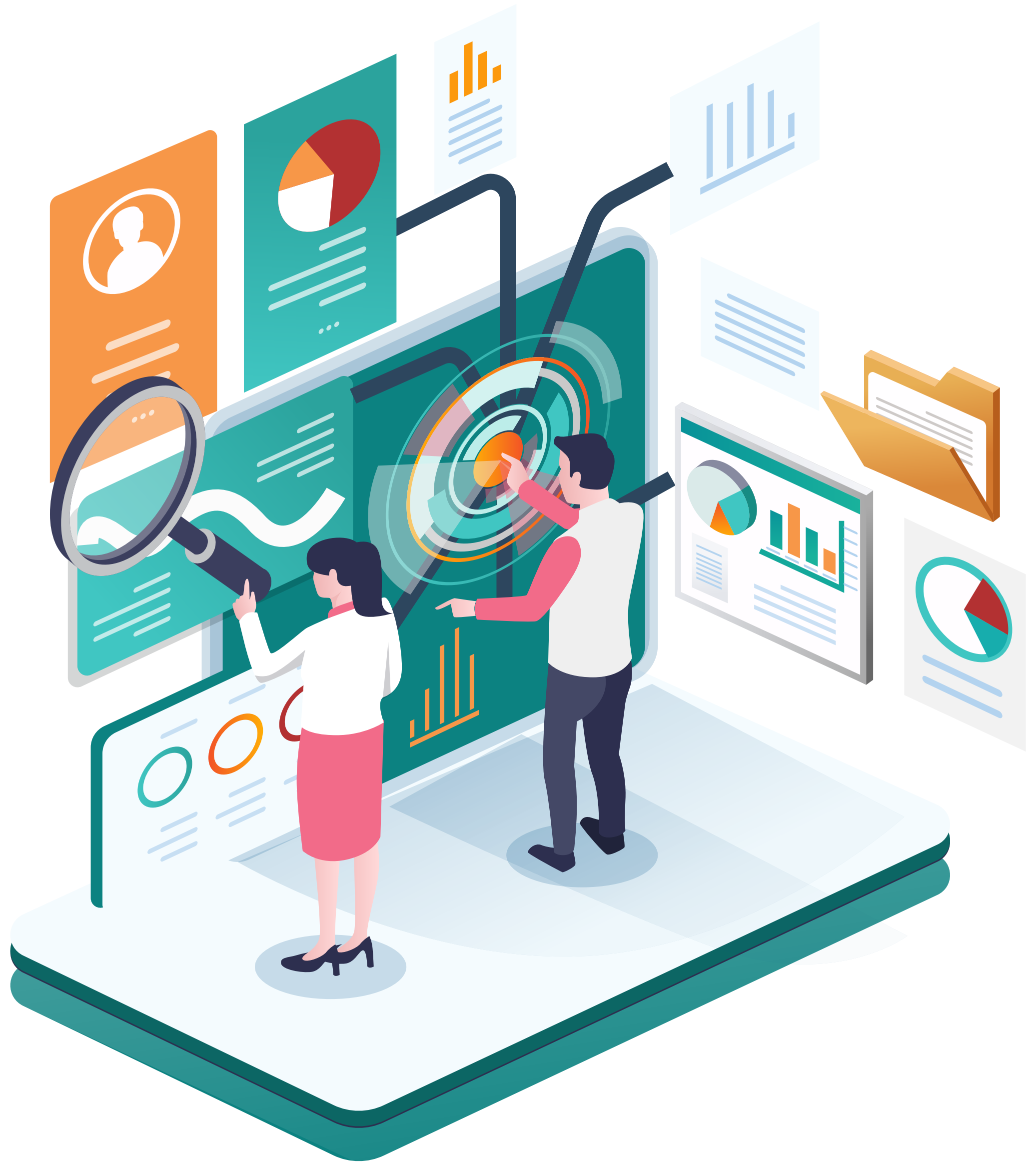
Democratizing data analysis like this has positive consequences for employee empowerment. It ensures that profitability and efficiency become a part of the culture since everyone can measure the consequences of their actions. In addition, data democratization also gives employees at all levels incentives to spot trends and conclusions from data.



Banks can thus rely on their entire organization to derive insights instead of a few employees. Communication also becomes seamless with an integrated electronic platform thanks to the elimination of data silos. Performance obfuscation and inflated metrics will become non-existent due to everyone in the organization having visibility over metrics.

Crucially, banks can create customized views and data access based on an employee's risk profile and status. This establishes an audit trail that they can use to track access and always secure their systems.

Better Management, Numerous Benefits



Transforming legacy revenue management processes is challenging. However, sophisticated deal management platforms simplify these procedures by integrating and offering access to a wide range of data. Every process from customer onboarding, to customized deal offers, to spotting revenue leakage is easy thanks to these end-to-end solutions.

Best of all, these systems deploy quickly by plugging into existing data sources, leading to controlled and manageable digital transformation. Intelligent electronification and automation offer banks the best way to transform digitally, and revenue management is the best place to begin.

Refernce Links:

1 *https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/financial-services/deloitte-cn-fs-accelerating-digital-transformation-in-banking-en-190515.pdf*

2 *https://thefinancialbrand.com/48157/community-bank-compliance-growth-study/*

3 *https://www.mckinsey.com/business-functions/risk-and-resilience/our-insights/the-value-in-digitally-transforming-credit-risk-management*

4 *https://internationalbanker.com/banking/for-banks-digital-transformation-is-an-opportunity-not-a-threat/*

5 https://www.forbes.com/sites/bernardmarr/2017/07/24/what-is-data-democratization-a-super-simple-explanation-and-the-key-pros-and-cons/?sh=18ccd7e86013

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