

Business Process Outsourcing

As lenders face the realities of unpredictable markets, increasingly stringent regulatory demands and ongoing risk potential, they must find ways to control operational costs while enhancing the customer experience. Business process outsourcing can serve as an effective tool for increasing an organization's back office and customer service capabilities without increasing head count or negatively affecting operating budgets.

Today's lenders face an increasing regulatory burden along with shrinking volumes and margins. Everyone is concerned about new and pending regulation, reducing costs and managing risk. One solution may be to consider outsourcing select business processes to achieve greater efficiencies and economies of scale. Opting to outsource does not mean you will lose control of your customer's experience. Most businesses pride themselves on their customer service culture and they cannot imagine handing any type of client contact over to another entity. However, a business *can* implement an outsourcing solution and stay true to its customer-centric strategy. Should your business opt to outsource, you will continue to control your customer's experience, you will just change how you manage your customer's experience.

A Changing Landscape for Financial Institutions

Even in stable markets, getting a new customer is difficult and retaining existing customers is just as hard. In a changing financial landscape like we see today, no one can afford to deliver an inferior service experience. Customer churn is 5 percent to 30 percent in good times, more in recessionary times. Your customers can easily use the Internet or latest mobile app to find another source for their banking needs or to post a social message about their bad experience with you. Because of this sense of immediacy and urgency, each and every contact with customers must be uniform and perfect. Today's customers expect immediate, accurate interactions.

TowerGroup estimates that more than 70 billion bank transactions¹ will be conducted this year. Of those, 20 billion will be conducted via the contact center at an average cost² of \$3.75 per agent. If you are thinking about outsourcing, reducing that cost is an important consideration, while keeping in mind that maintaining (if not enhancing) your overall delivery experience should be a key part of the mix.

What Are the Benefits of Outsourcing?

Each business is unique and will have its own special set of circumstances for deploying an outsourced customer contact or servicing task. The following examples highlight some benefits of implementing an organized outsourcing model.

Reduce Cost and Drive Revenue

During the last two years, many financial institutions have reviewed their processes and reduced short-term cost. Now, it is time to look for longer term efficiency gains that will keep you competitive. One way to do this is to outsource routine back-office processes. As the institution grows, this reduces the need for additional capital outlays for things like new technology or more office space, and makes ongoing operational expense more predictable. Outsourcing provides the flexibility to scale your resources up or down as the current business cycle dictates.

¹ U.S. Banking Delivery Transactions by Type. TowerGroup Exhibit: View Point Issue 309-E1.

² Cost per Transaction by Channel in U.S. Banking: Total vs. Info Technology Cost Only (2010) Exhibit 63:01 N-e1.

Let's not ignore the other side of the equation. Outsourcing is not just for cost reduction. A customer service and contact center can help you do effective outreach and lead generation for new product launches or entrée into a new market. Your staff may work well with in-bound calls, but may not necessarily be trained for outbound sales calls. Today, increasing your institution's share of wallet with your clients is more important than ever. Using the services of an outsourced contact and servicing center, cross-sell efforts can easily and quickly be deployed. Any hot leads can be passed along to experienced sales professionals in your institution.

Mitigate Risk

Banks and credit unions will be challenged to keep up with the flood of new regulations and the velocity of the change. In fact, it could take months to interpret exactly what the regulation means. You need to make sure that your customer-contact and back-office staff is up to speed and conversant in all new laws. Outsourcing can shift some of that regulatory burden so you can make sure your resources are most effectively deployed.

One of the top ten concerns for financial institutions around the world is reducing risk and improving security. Because of the scale and volume of transactions processed, outsourced service centers employ the expertise and best of breed technology to make sure your data is secure and protected from internal and external threats.

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Outsourcing can be an important component of your business continuity planning. Regardless of what is happening in your internal shop, you can keep outsourced business processes up and running. As an outsource client, you have access to audit results and SAS 70 reports.

Enhance the Overall Client Experience

If you are planning to roll out a new service, or acquire another bank or firm, outsourcing allows you to easily add to your work force. This outsourced staff can be used to extend hours of operation and provide scalability for mergers and acquisitions, new product launches or regulatory changes. Many outsourced solutions are available on-shore, near-shore and off shore, providing a great deal of flexibility for service hours as well as global outreach capabilities.

Enhanced Reporting at your Fingertips

In today's unpredictable financial landscape, having up-to-the-minute information at your fingertips is critical. You do not want to wait for a report to be generated and delivered the next day. Outsourcing managers review call and client data continuously, which gives bank and credit union leadership the relevant and timely benchmarking needed to help them react quickly to the changing economic and regulatory environment. It is important that each case is tracked and analytics are reviewed to raise red flags in the customer transaction so a proactive outreach campaign can be planned.

Many of the larger financial institutions use a growing number of analytical solutions to enhance service, generate incremental revenue and retain customers. The volume of real-time transactional data and the speed at which it has to be processed will exceed the scope of many organizations. Having that data available allows you to level the playing field among your competitors, regardless of size.

The Outsourcing Big Picture

Advances in technology are announced daily. Keeping current with automation, social media trends, state laws and demographic shifts can be expensive, time consuming and a bit overwhelming. Most outsourcers deploy state-of-the-art call center technology and highly efficient business process management. Many are licensed to operate in all 50 states, using multiple spoken and written languages. Because of their volume of transactions, a quality outsourcing firm deploys staff with a deep understanding of product, regulations and client behavior.

Your situation is unique and your motivation to outsource may include one or all of these reasons. Perhaps you will decide to outsource a repetitive back-office process so you can shift resources to innovative product development. Or, maybe your organization would benefit from outsourcing Level 1 support—things like password resets and routine balance increases—while you internally maintain the resolution of more complex customer issues. At the end of the day, your organization controls the experience that you want your customers to receive. Outsourcing does not mean you will lose the ability to manage the customer experience, it just means you will be changing how you manage the customer experience.

Connect With Us

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702-11-11637 01/11