Smarter Process in the age of the customer

Reinventing business operations for top line growth

Why shouldn't opening a bank account or filing an insurance claim be as easy as buying a book online?

Business operations in the age of the customer

The age of the customer: Possibly no term better illustrates the current era of business. Customers expect their experience to be flawless at every touchpoint, and with competitors only a click (or tap) away, company leaders have a strong incentive to deliver. Online retailers have set a high standard in the way that they engage customers on an ongoing basis—not just during the commercial transaction, but before, during and after each interaction with the customer. Can service providers in industries such as banking, insurance, healthcare and government meet the challenge?

"Amazon, Apple and Netflix provide the customer satisfaction benchmarks to which banks must aspire," according to Bank Systems and Technology.[1] Studies have shown that customers today are changing service providers much faster than ever. According to recent surveys,[2] 70 percent more customers considered changing banks in the year 2012 than in 2011, and 70 percent of insurance customers' loyalty is at risk. In both industries, the surveys identified customer service as one of the main factors in decisions to join or leave a provider. The situation is comparable in other service industries such as health care, government,
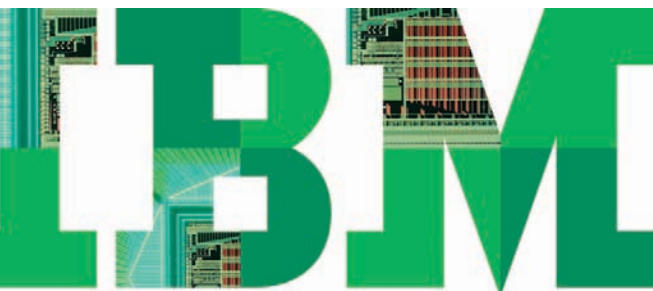
utilities and transportation; in these service industries, retention is a key issue since customers are constantly evaluating whether the service level, seamlessness and simplicity of their experience is as good as they can get elsewhere. For example, a recent study shows[3] that USD5 billion is "up for grabs" for health insurers who can simplify the health insurance process.

Providing a superior customer experience is not easy, and gone are the days when most customer interactions can be smoothed over by empathetic service representatives. In an omni-channel world, customer touchpoints are increasingly automated and companies will not get many chances to take the steps that are required to make things right. Unlike at any other time in history, the quality of a company's operations will shine through, for good or for bad, in virtually every interaction with the customer.

On a smarter planet, customers want to do business on their terms, not yours. Customers expect your operations to be instant, seamless and insightful, so that each interaction is fast and effective. The Smarter Process approach helps leaders reinvent business operations in the age of the customer.

Doing business on the cusp of disruption—what is different today?

Process has been around for more than 100 years, perhaps even longer, since the seminal idea about division of labor sustained the growth of the industrial revolution. Around the year 1900, Frederick Taylor introduced process standardization to increase economic efficiency and labor productivity, bringing greater managerial control over production. During the same period, Henry Ford's assembly line ushered in a new era of mass production to manufacture the Model-T, the first affordable automobile for the middle class. These early pioneering steps in process yielded business outcomes, but the outcomes plateaued out over time.

During the 1980s, leaders saw a renewed push to apply rigorous scientific analysis to process. The primary goal was the focus on cutting costs by reducing variability, identifying and removing bottlenecks, and eliminating any unneeded steps to create cost-effective processes. The Six Sigma set of tools and strategies for process improvement brought in a rigorous standard for minimizing defects to deliver total quality management. Michael Hammer introduced Process Reengineering in the mid-1990s to eliminate forms of work that do not add value, rather than to automate existing inefficient processes. Process Reengineering became associated with major cost cutting, increased managerial oversight and reductions in the workforce. With the emphasis on cost reduction, this most recent wave of process-as-a-science has hit upon diminishing returns.

Today, the world stands at a turning point, where everything companies do will be challenged again. A nexus of forces—mobile, social, cloud and big data—fundamentally change what customers expect from companies, and not just consumer products and retail companies. Leaders in the complex, information-rich service industries such as banking, insurance and healthcare will find their businesses disrupted. This new world will be one that is completely customer-centric, and one in which the need to pursue top line growth will be relentless.

Customer-centric business operations

There has never been a time when customers have had access to more information—and importantly, information in context. In this age of the customer, perfect service is expected every single time, at every interaction and touchpoint. Leaders in industries such as hospitality and retail have long understood this need and have applied strategies to deliver a distinctive experience that is valued at a premium by the customers that they serve.
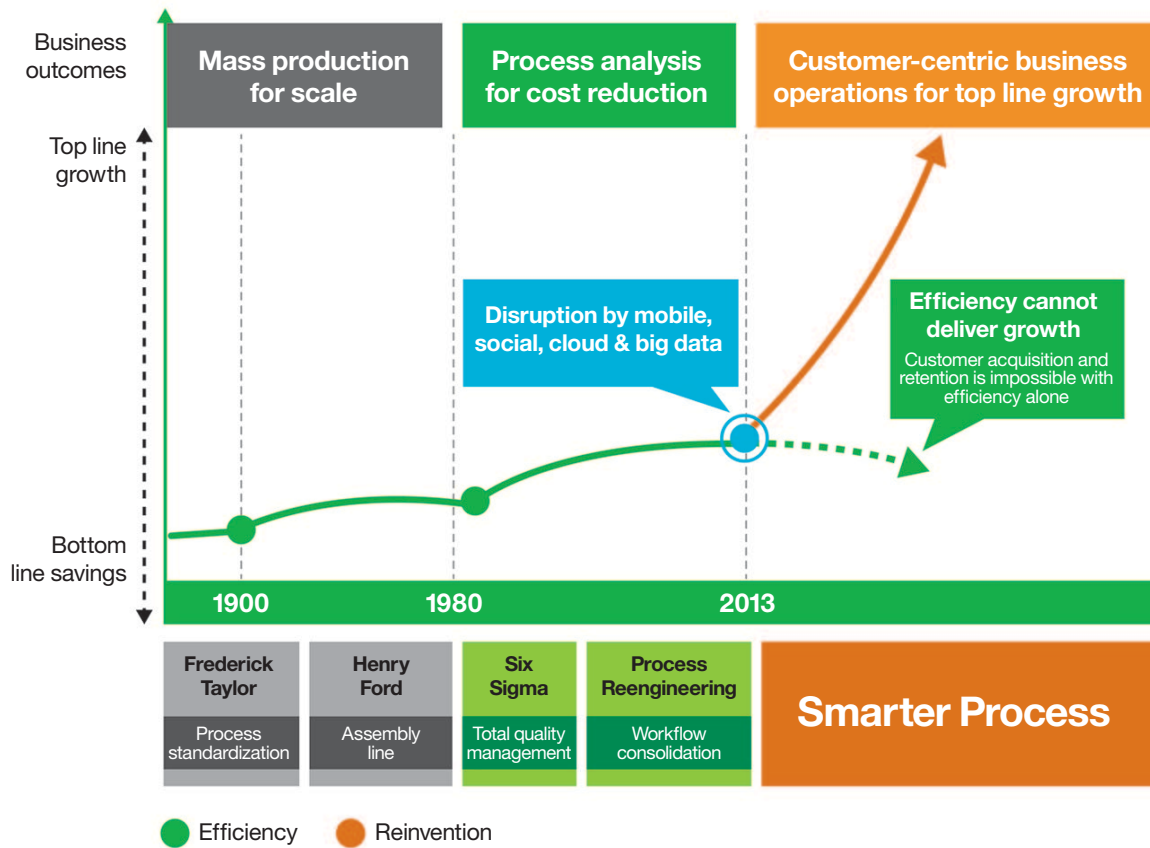
Figure 1. Disruption by mobile, social, cloud and big data has created new opportunities—and new challenges

Consider opening an account online in retail banking. It takes just five minutes to open a new account at the best-in-class banks, but up to 76 minutes[4] at the other end of the spectrum. Then, consider that 47 percent of all account opening attempts end in the customer abandoning the process midway[5] and never completing it to fund the account. It is easy to see that banks with five-minute account opening are much more likely to expand their customer base and their top-line revenue at the expense of the others. This disparity among the leaders and laggards bears itself out in other industries as well.

Expectations have risen exponentially at every era. There was a time when a customer had to get into a car to drive to a bank's branch office. This era gave way to the age of the telephone and fax machine, which in turn gave way to the World Wide Web. Today, choices are only a simple tap or swipe away. As mobile has become the preferred way to access the web, immediacy has become paramount and the frenetic pace at which customers expect service has hastened considerably. For example, the best-in-class banks are able to conditionally approve a mortgage application in 15 minutes, compared to the median response of four hours.[6] Given that any consumer can relatively quickly send out four or five loan applications to competing banks, the bank that responds positively within 15 minutes has a tremendous advantage.

Customer service has been proven to be one of the primary factors in a customer's decision to leave an existing provider or to sign up with a new provider. According to a recent study,[7] the number one reason for customers leaving a retail bank is poor customer service and the number one reason that customers choose a new bank is the bank's reputation for great customer service. In both cases, customers chose superior customer service ahead of lower costs. In the case of insurance, 41 percent of customers chose an insurer because of the quality of the after-sales service, and 35 percent[8] of customers left their current insurer for the same reason. The best strategy for top-line growth is to differentiate on being customer-centric and providing the best service.

Mobile, social, cloud and big data upend how companies must do business

The consumerization of information technology has given individuals immensely powerful tools in their daily lives that change the way they live. Smartphones keep people connected with social media. Tablets stream music videos from the cloud. And every one of these interactions spawns great reams of big data that is the source of deep insight to the movement of the modern economy. The way that companies do business becomes fundamentally different in the context of what analyst firm Gartner calls the nexus of forces: mobile, social, cloud computing and big data.[9]

The disruption in business operations represents as fundamental a shift in the economy as the shift that occurred when the Internet first made its mark in the late 1990s. Except this time, there is no dot-com "bubble." Business leaders must reinvent their organization's day-to-day business operations to be relevant in a post-nexus world, much as every company sought to put up a website and tried to engage customers when the fledgling Internet took hold. Of course, companies whose leaders simply replicated to the Internet how their company did business did not fare very well; the new Internet medium required new thought into how business models must be adapted to be naturally useful. The disruption by today's nexus of forces leaves organizational leaders in a similar predicament with regards to business operations—and creates an environment that is filled with opportunities for those who get their reinvention right.

The race to seek these opportunities has already begun. Analyst firm Forrester forecasts that companies will spend about USD900 million on mobile process reinvention services in 2013 and up to USD2.7 billion in 2014.[10] That represents a USD3.6 billion expenditure just to the end of 2014, and just to manage the effect of mobile on process. Consuming a process in the context of location has a seamless and natural appeal. Imagine being amidst the confusion and stress of an automobile accident and being able to fire up an instant claims-reporting app on a smartphone by tapping a single button on the application: "I'm in an accident, start my claim now." This single action would result in the dispatch of emergency services and tow providers. You would receive immediate pre-approval to fix the damage at a variety of body shops within a 25-mile radius.

Just as the insurance claims process can be reinvented, there has been a tremendous explosion of processes in the cloud due to the greater deployment flexibility. Analyst firm Gartner ranks Business Process as a Service (BPaaS) as the fastest growing cloud segment[11] with 47 percent annual growth.[12] The pervasive availability of data in the cloud enables new process models with increased mobility. Cloud payments through "digital wallets" are an example of *process in the cloud* that opens up ubiquitous service in an omni-channel, borderless economy.

The availability to manage and draw conclusions from massive amounts of big data is fertile ground for leaders who are motivated to reinvent business operations. Leaders in an industry such as healthcare, for example, face rapidly rising costs. What these leaders desperately require is to improve the quality of information that is available throughout the healthcare process. When that goal is achieved, the result is the provision of better care and the minimizing of wasteful expenses. Analyst firm McKinsey found that if US healthcare were to use big data creatively and effectively to drive efficiency and quality, the healthcare sector could create more than USD300 billion in value every year.[13] The process requires harnessing the collective information across known industry practices. For example, benchmarking the best outcomes for medical procedures such as knee replacements, when aggregated across millions of patients throughout many hospital systems, yields information that can improve the care process. Medical professionals can learn what constitutes the ideal therapy depending upon factors such as the patient age and the type of injury. Another area in which automated diagnostic processes help physicians is in the diagnosis of rare diseases. Since most doctors have no prior experience treating rare diseases, a decision support system provides invaluable guidance in determining the course of treatment for the patient.

Ultimately, business leaders must be able to make their operations simpler and their employees more productive. Social technologies can empower high-skill knowledge workers even further, since comments and recommendations can be applied among colleagues on the progress of a project, or on which supplier provides the best value. According to McKinsey, social technologies, when used within and across enterprises, can raise productivity of high-skill knowledge workers by 20 to 25 percent.[14]

The ability to harness mobile, social, cloud and big data will fundamentally change the nature of the new business process. The search for instant, seamless and insightful business operations will yield big returns to those organizations whose leaders can achieve them.

Is it easy to do business with your organization?

No matter what promises a company's team makes during the courtship of acquiring a customer, the real test is in the end-to-end experience that the company delivers. Before the dominance of social media, a customer who received bad service was likely to complain to at most a few dozen friends. Today, the voice of this displeased customer can be heard instantly by tens of thousands of people around the world. Company leaders who thought they could sustain operations with out-of-date business processes have come to realize that social media has elevated the importance of every aspect of the customer experience.

However, avoiding a bad customer experience is just the beginning of what is required. Business today is complex, yet customers prize simplicity above all else. A recent survey showed that employees' time spent managing complexity in service-centric industries has surpassed 50 percent,[15] leaving less than half of employees' time to deal with customers. Yet customers are 80 percent[16] more likely to recommend companies that they view as "simple to do business with." So how do you bridge that gap? How can your operations simplify the customer experience and deliver a multitude of customized products and services throughout a variety of channels that leverage mobile, social, cloud and big data—all while taking into account policies and regulations that may vary from region to region and from month to month?

Instant, seamless and insightful customer service

Customers now expect companies to deliver instant, seamless and insightful service, such as the ability to open accounts in five minutes and approve loans in fifteen minutes. Company leaders must take a new approach to business operations, automating not only the processes, but also the real-time decisions, analytics, content, data and reporting. Business operations have expanded from a focus on transactions, to encompassing every touchpoint with the customer. Consider an insurance claim, for example. The final payment is only one of several key interactions in the process. How easy was the claim to file? Did the mobile application link seamlessly to individual

account information? Did the process take into account the person's specific information and preferences? Was the person kept updated on the status of the claim? And, perhaps most importantly, was the claim paid quickly with the least amount of effort?

The quality of a company's business operations gets exposed at virtually every touchpoint. It is as if customers can see deep into your operations and know exactly how much you value their business, based on the quality of each interaction. The age of the customer must serve as a wake up call. Customer service is no longer about smoke and mirrors that is augmented by flashy television commercials. Now, customer service must be about delivering a flawless yet simple experience each and every time you engage with the customer. Clearly, this is difficult to accomplish. To put it bluntly, if in the past you have wallpapered over deficiencies in your operations, you had better act quickly to improve these deficiencies before they cause serious problems.

The Smarter Process approach

Company teams possess a legacy of applications, processes and data to run their businesses. Existing policies and regulations provide rules and guidelines for business operations, and just when you have caught up with today's policies and regulations, new ones are mandated. Your employees and partners provide a certain set of skills and capabilities, even as your market changes more quickly than ever. And your business technology may be a

mix of old and new, centralized and departmentalized. Likely some of your systems are built for efficiency and some systems are built for change.

And yet, within this complex legacy of resources and constraints, and with mobile, social, cloud and big data playing an increasingly important role, you must make your operations customer-centric. While companies have always delivered products and services, customer engagement has been less of a focus for business leaders. Often, each customer transaction was treated as its own, isolated piece of business, and company teams focused much more on their organization's individual products and services than on the holistic customer relationship.

Consider the resources and constraints of your company as the inputs into your business. Consider the products, services and customer experience as the outcomes that you want to achieve. What is the best way to bridge this gap? Applying the Smarter Process approach, you can drive customer-centricity into your day-to-day business operations. It is with these capabilities that you harness a limited set of resources to deliver a superior customer experience—virtually every time and in virtually every place. Smarter Process is about how you leverage your people, partners and technology to ensure that your customers stay your customers, give you more of their business, and that your reputation is a competitive advantage that causes your competitors' customers to come knocking at your door.

The Smarter Process approach: customer case studies

A health insurance company settles medical claims in less than a day

Leaders at Hospitals Contribution Fund, a health insurance company in Australia, wanted to transform the overall customer experience and move to a completely paperless claims management system. Their goal was to settle medical claims electronically on the same day that the claim was presented. Leaders wanted to settle simpler ancillary claims in real-time. At HCF, company teams applied business process management and business rules to streamline claims processing. HCF teams applied analytics to identify individuals who would benefit from preventative healthcare. The result: medical claims that formerly took up to three weeks to process can now be processed within a single day. This focus on customer service enabled HCF to grow market share to 12.5 percent from eight percent, and to win the Customer Service Institute of Australia's 2012 Australian Service Excellence Award.

"At HCF we have found that delivering a superior customer experience requires tight partnership between operations, IT and the various lines of business."

—Stephen Nugent, General Manager of Operations, Hospitals Contribution Fund

A large bank in the United States improves customer onboarding

A large bank in the United States had manual loan processing operations. These manual operations delayed onboarding of new customers, made it difficult to comply with regulations and led to poor customer experiences. It took several days to approve an average loan as employees manually interpreted loan policies. Delays and inconsistency had become normal. When the bank acquired another bank, leaders voiced their priority: reinvent the entire loan process to create an improved customer experience. The solution at this bank employed IBM Business Process Management solutions, IBM Operational Decision Management solutions and IBM Enterprise Content Management solutions. The result: 17 different legacy systems were combined together, automating loan processing operations. With 85 percent straight-through processing, human interactions are prioritized for exception flows. The highly trained staff can now focus on more complex loans and can deliver more personalized service on the exception flows. Customers with simple loans are approved right away.

"Our existing loan origination process became a potential obstacle to unifying operations. Now, the customer experience is consistent and we can onboard new customers faster."

—IT Architect at a leading US bank

The Ottawa Hospital provides patient-centric care

Leaders at The Ottawa Hospital were concerned when occupancy rates increased to 110 percent at the hospital, and patients who were admitted for care presented more acute symptoms. Hospital leaders set out to refocus the organization's efforts around the patient and set the goal to be in the top 10 percent for quality of care and patient safety in North America. The most pressing need was to be able to move patients through the hospital faster and reduce the wait times in between medical treatments. The Smarter Process solution provides a "Circle of Care" visual interface to improve communication and collaboration on each patient's care team. With this approach, the patient's path through the regimen of care is streamlined. Electronic closed-loop consultations and instant access to patient information improve the patient flow. Doctors can now spend more time diagnosing their patients, rather than trying to schedule the patient's next clinical test or consultation.

"What we are doing is putting process orchestration and process models in place, so that you can literally see the characteristics of the hospital system … and you can then influence that."

—Dale Potter, Senior VP and CIO, The Ottawa Hospital

Broadcast Music Inc. (BMI) revolutionizes services to music artists

BMI manages music rights and collects and distributes royalty payments to the music artists that it represents. Leaders at BMI were motivated to transform operations for the digital music age. They had to be ready to collect a massive number of smaller royalty payments from numerous plays on digital channels such as YouTube and Pandora—a major shift from the older business model that involved fewer, more traditional channels, such as large radio stations. BMI leaders wanted to attract and represent the best musical talent by providing industry-leading services to the music artists, starting with simpler onboarding of music affiliates. BMI uses IBM Business Process Management and IBM Operational Decision Management solutions for self-service affiliate management to quickly onboard new artists, to manage licensing and royalty payment, and to resolve payment disputes. BMI was able to reduce affiliate onboarding time to one day from three weeks.

"As our industry is being disrupted by digital music, improving our processes and providing new relevant services are essential for us to continue to be relevant in our space."

—Jim King, Senior Vice President of Operations and Technology, BMI

Odyssey Logistics & Technology provides end-to-end transportation solutions

In an industry that is dominated by large capital expenditures, Odyssey Logistics & Technology (OL&T) took a purely informational approach to logistics. OL&T sought to provide their customers with a seamless transportation experience regardless of the type of goods shipped—from electronics to hazardous waste—and wanted to help customers better manage cross-border complexities. OL&T does not own any of the transportation links, but instead weaves together the best possible transportation service from its many individual transportation providers. As many of OL&T's customers started to expand globally, company leaders needed a way to extend logistics operations into new countries. To better serve their customers, OL&T required customized logistics processes to provide full service to customers who were expanding globally. The Smarter Process solution pre-constructed processes based upon sets of common activities that can be quickly customized for local needs. OL&T leaders saw a 300 percent increase in productivity within their logistics operations. The OL&T team has reduced errors by over 10 percent, and now exceeds customer key performance indicators (KPIs) for on-time deliveries and invoice turnaround.

"Process innovation allows an organization like OL&T to go in to a customer and figure out how to work with them versus trying to overlay a very specific rigid model on our customers."

—Russell Marky, Senior Vice President, Global Business Technology, Odyssey Logistics & Technology

Components of the IBM Smarter Process approach

There are many ways to make your business operations more customer-centric. Below are some of the key products and services from IBM to help you get started.

Business Process Management
IBM Business Process Manager is a BPM platform that provides complete visibility and management of an organization's business processes. It scales smoothly and easily from an initial project to a full enterprise-wide program.

Operational Decision Management
IBM Operational Decision Manager is the next generation of business rules, enabling organizations to automate frequently occurring business decisions without compromising accuracy and effectiveness. This solution provides an intuitive system for documenting, implementing, changing, and governing repeatable decisions.

Advanced Case Management
IBM Case Manager provides a flexible framework and integrated tools for managing cases. Knowledge workers can put critical case information to work through integrated business rules, collaboration, and analytics—all of which enhance decision making ability and lead to more successful case outcomes.

Consulting Services and Industry Expertise

IBM Global Business Services provides solutions at all phases of process transformation, from enterprise strategy and governance to specific process solutions. IBM also provides numerous accelerators and process road maps for specific industry challenges.

Managed Business Processes

IBM Global Process Services offer you innovative options to combine process, people and technology in outsourced delivery models that create real business value. Strong global delivery knowledge and infrastructure provide solutions for your industry encompassing major business process areas.

Other key capabilities include:

Business Intelligence
Predictive Analytics
Enterprise Content Management
Master Data Management
Business Integration
Business Activity Monitoring

For more information

To learn more about the IBM Smarter Process approach, please contact your IBM representative or IBM Business Partner, or visit the following website: **ibm.com**/smarterprocess

Additionally, IBM Global Financing can help you acquire the software capabilities that your business needs in the most cost-effective and strategic way possible. We'll partner with credit-qualified clients to customize a financing solution to suit your business and development goals, enable effective cash management, and improve your total cost of ownership. Fund your critical IT investment and propel your business forward with IBM Global Financing. For more information, visit: **ibm.com**/financing

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