



BANKING:

BEYOND THE PANDEMIC

THE CURRENT STATE OF THE BANKING SECTOR IN AUSTRALIA

The last few years have seen great levels of uncertainty in the Australian banking sector. From the Banking Royal Commission to the economic impacts of the 'Great Lockdown' brought on by COVID-19, banks are being forced to adjust to a rapidly changing business environment. At the same time, they are being pressured to focus on bolstering compliance, and to prioritise the identification and management of non-financial risk. The impact on customers has also been significant, with many experiencing financial hardship due to job loss or vulnerable situations, resulting in rising levels of impairment and delinquency.

Positively, Australian banks went into the global pandemic better capitalised with stronger balance sheets than ever. Australian banks now are some of the best capitalised banks in the world, largely as a result of the reforms put in place after the global financial crisis (GFC) designed to build up capital buffers, notes Anna Bligh, CEO of the Australian Banking Association in a [recent interview for the Finance News Network](#).

However, while Australia's banks were in a much better position than most as they entered this latest crisis, [analysis in the Sydney Morning Herald](#) finds that the sector's recovery from the COVID-19 pandemic is still likely to be long, slow and rocky, and underpinned by uncertainty. Banks will need to become more agile as they adapt to the challenges of a post-pandemic environment. Structural and radical reductions in their cost bases will need to occur to allow them to operate in a low-margin, low-growth environment.

The pandemic had a big impact on the major banks' first half results, according to EY's recent report, [Bracing for Uncertainty: Major Australian banks' 1H20 results](#). Aggregate cash profit declined 42.6%, driven largely by a very steep rise in provisioning in response to expected losses from the economic slowdown.

Even before the outbreak of the virus, Australian banks were experiencing the impacts of the relatively low rate environment and stringent capital and liquidity requirements and the economy was only experiencing modest levels of growth. With the cash rate set to remain low for a prolonged period and the economy experiencing a sharp and possibly protracted decline, the major banks face substantial earnings headwinds in an environment of unprecedented uncertainty, according to EY's analysis.

Low growth is also expected for the global economy, says EY, and the key central banks appear set to maintain ultra-low policy rates and unprecedented monetary policy support for their economies for many years to come. These conditions erode the banks' margins and profitability and leave them with returns on equity (ROE) that are below their cost of capital, preventing them from accessing equity markets. In addition, raising capital when ROEs are below the cost of capital, destroys shareholder value.

Despite these challenges, Australia's big four banks are well placed to manage the economic impacts of the crisis, largely thanks to post-GFC changes that gave Australia's major banks stronger balance sheets, capitalisation and liquidity.

HOW WILL BANKS SURVIVE IN A POST-PANDEMIC WORLD?

It's clear that banks will need to develop agile systems, processes and approaches to operate effectively in the New World.

While costs were reasonably static for most of the banks in 1H20 - benefitting from the banks' continued focus on productivity, process optimisation and business simplification initiatives - banks continue to face the twin challenges of needing to both cut costs and continue to invest in innovation and transformation, according to EY.

The greatly weakened economic environment will bring pressure to accelerate productivity initiatives, particularly back office process excellence and automation. Banks will be looking for any such initiatives to deliver cost efficiencies and lower operational risk. This will be challenging, considering the traditional silos of operations, complex legacy systems and the ongoing need to respond to regulatory changes. Further, the need to ensure customer satisfaction has never been so important to protect revenue and win new customers.

A number of the major banks are cutting back on non-strategic or non-essential projects, particularly regulatory projects, which can be renegotiated with regulators. However, key projects to address system resilience, digital servicing capabilities and loan modification workflow for contact or call centres remain priorities, EY's analysis shows.

A key focus of the larger financial institutions will be to preserve their customer bases, including those in financial hardship and restore customer confidence. [The Royal Commission highlighted that the way businesses and banks treat the](#)

[most vulnerable can have a large impact on their reputation and public confidence](#). The new Code of Banking Practice that came into effect in July 2019 contains a whole new section on vulnerable customers, requiring banks to identify where possible that a customer is vulnerable and to take extra care with that customer.

Banks also need to respond to the accelerated change taking place in the way customers do their banking. With social distancing restrictions likely to remain in place for some time, customers are increasingly turning to digital banking and payments. This will lead to reduced reliance on physical branches, benefiting banks who have strong digital capabilities. Past investment in technology and digital banking channels will help banks manage current disruptions.

Another major change occurring as a result of COVID-19 is the rise of remote working. This trend could well be sustained beyond the crisis, resulting in a more dispersed workforce that requires less office space, potentially bringing significant cost benefits.

Into FY2021, EY expects banks will focus on building operational resilience and transformation, developing an agile workforce and putting customer centricity into the heart of the organisation. Automation and digitisation will be fast tracked, aiming to deliver sustained productivity improvements, support greater business flexibility and agility, and deliver easier, more intuitive experiences for customers.

A recent report by PwC finds that banks of the future need to be simpler, smaller and more deeply connected to their customers. The report, [Banking 2020: the future of banking in Australia](#), identified six fundamental priorities for Australian banks over the next few years:



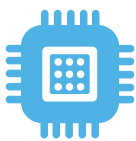
Explicitly organise around the customer.

While most banks are already doing many of the right things around 'customer centricity', this needs to be more visible in the organisational chart, the financial reports, the analytics hub and in the IT architecture.



Simplify the offer, face and voice.

Customers are still confused and sceptical of their banks' 'offer', with too many (often unclearly differentiated and poorly-explained) variations on their core services. The banks are also presenting a confusing 'face' to customers, with the different channels and touchpoints appearing like separate organisations to be navigated rather than options offering flexibility and choice. The 'voice' - marketing, corporate communications, fit-out of branches and social media - caters to too many different messages and purposes.



Optimise footprint throughout the value chain.

Banks still spend enormous sums maintaining large physical and technological footprints (branches, IT systems, operations centres and properties) when many of these services could easily be outsourced to agile, specialist partners.



Focus on specific areas of innovation.

Banks need to nominate a select number of strategic capability platforms on which to build 'vectors of innovation'.



Proactively embrace regulation.

Banks need to rethink their approach to regulation and to their regulators. As well as striving for open, honest and collaborative regulatory relationships, they also need to recognise their role in protecting Australia's reputation for sound finance and fair dealing. Banks need to become more proactive participants in the national conversation about our financial system, and treat regulation as an asset to be nurtured and cultivated.



Put your culture to work.

Best-in-class organisations have a firm grasp on what makes their culture distinct, how it reinforces their assets and capabilities and how to ensure it remains aligned with their strategy. Most importantly, they have a clear view of the kinds of behaviours they need to see to know that their culture is still what they think it is.

HOW CAN PROBE HELP?

The first half of 2020 has underscored the criticality of a solid business continuity plan. Whether it is a natural disaster or another global pandemic, businesses need to be geared up and ready to adapt their operational model. As locations around the globe unpredictably move in and out of lock down, customers change the way they approach their banking, and others find themselves in financial hardship or vulnerable situations, it makes good business sense to be adaptable, flexible and scalable as part of an ongoing continuity strategy.

Whether you need to expand your local contact centre capacity to provide stability, customer trust and cope with increasing call or interaction volumes, are seeking a cost-effective solution to automating your operations for a seamless customer experience, or need highly experienced and trained people to work with your vulnerable customers in these times of uncertainty, PROBE can help.



SALES



CONTACT CENTRES



CREDIT MANAGEMENT



COLLECTIONS SOLUTIONS

PROBE are experts in providing end-to-end technology-led outsourced solutions including sales, service, retention and complete end-to-end credit management and collections solutions.

We also provide back office services including mortgage origination, fulfilment, and settlement through to IT service support. We can help you streamline your existing contact centre through consultancy led engagements drawing on automation, business process improvement and artificial intelligent (AI) technology. We are flexible in how we work with clients and can customise solutions across all of our capabilities to seamlessly become an extension of your business and solve particular business problems.

From customer contact strategies and channel management through to operating models and back office systems, our approach centres around a relentless and passionate commitment to putting the customer first. We focus on walking in the customer's shoes to better understand their journey, and how the organisation's systems and processes influence it.

DELIVER A BETTER CUSTOMER EXPERIENCE THROUGH YOUR CONTACT OR CALL CENTRE

Overseas contact centres have been straining under the impact of COVID-19 lockdown restrictions in locations such as India and the Philippines. With staff required to stay at home and strict social distancing measures implemented, many overseas centres, which were unprepared for this situation, have effectively ceased or substantially reduced operations, putting local centres under significant pressure from increased call volumes. As a result, a number of large Australian organisations have been forced to repatriate positions from offshore locations. [Telstra, for example, has hired at least 3,500 temporary local staff to help better serve customers and support employment in Australia during the crisis. In July, Westpac announced the repatriation of around 1000 jobs to Australia.](#)



Banks are likely to continue experiencing increased call volumes for the duration of the pandemic and beyond. This is especially the case as debt pauses are lifted on customers. PROBE's flexible approach to contact centre management will help you manage this while ensuring business continuity and future proofing of operations.

PROBE's services go beyond outsourcing to provide solutions that allow your company to maximise technology and deliver a better customer experience. We can assist you with consolidating, centralising and automating financial management processes as well as implementing call routing and messaging

services that utilise the latest generation speech recognition technology. Our goal is to help you eliminate barriers, improve and streamline business processes through automation, and enable efficiencies that ensure a sustainable business and a happy customer into the future.

Our strategies ensure that customers enjoy a positive experience and more staff are available at any given time to deal with increased call volumes. During busy periods, our ultimate goal is to better service the customer in a way that's efficient for the organisation.

EMBEDDING AI IN YOUR CONTACT CENTRE-ORATION BY CONVAI

As more and more customers turn to online support, they're expecting 24/7 access and quick solutions. It's becoming increasingly apparent that automation, used successfully, will be essential for business' survival in today's competitive marketplace.

Our internally built customer contact solution, Oration by Convai, is a cost-effective cloud-based system that can be up and running within days. Oration helps organisations to eliminate friction points in their contact centre caused by confusing and unfriendly legacy IVR menus, and allows customers to get the help they need with minimal effort. Using advanced speech recognition technology, Oration allows customers to say why they're calling, and understands and identifies their intent to quickly get them the help they need. It will then route their call to an agent or self-service that's most appropriate to meeting the customer's need.

By capturing the customer's intent upfront we can often avoid the need for the customer to wait in queue to speak with an agent during peak periods. Oration can also go beyond a targeted banner, and lead into intuitive self-service. These deflections reduce customer effort whilst also freeing up resources for more complex, higher value

interactions where human contact is needed. Average Handling Time, or AHT can be reduced by 10% or more, resulting in significant savings.

Oration also gives contact centre management valuable insights about the nature of the issues customers are calling about. The organisation is then in a position to identify common threads and implement automated, technical or tactical fixes upstream so as to avoid the need for the customer to call.

The rich intent data captured by Oration, delivers great insights into customer demands during both 'business as usual' periods and peak times. It can assist in identifying issues early on and allows for planning and structuring of resources to meet customer needs. Crucially it supports the design and introduction of new lower cost channels such as messaging, proactive banner messages and digital self-service capabilities.



CLOUD-BASED SYSTEM



ADVANCED SPEECH RECOGNITION



COMPLEX CALL ROUTING



REPORT INSIGHTS



HELPING CUSTOMERS IN FINANCIAL HARDSHIP OR VULNERABLE SITUATIONS

With unemployment on the rise as businesses unfortunately fold or reduce capacity during the pandemic, there has been a dramatic increase in the number of people unable to make their loan repayments. Given the findings of the Banking Royal Commission that public confidence in financial institutions can be severely impacted by their treatment of vulnerable customers - along with the requirements of the new banking code - it is increasingly important to get these interactions right.

PROBE has extensive experience in managing customers who are vulnerable or in financial hardship, coupled with a strong background in credit and collections.

PROBE is considered the 'collections' industry performance benchmark and has decades of experience in sourcing, recruiting, training, stimulating, measuring and managing people – people with characteristics that suit this unique and sensitive activity. Empathy training is a key element of the preparation our agents must undergo to work in this area.

SUPERIOR RISK & COMPLIANCE MANAGEMENT

With employees across the globe being forced to work from home during lockdown, the threat of data leaks and other security breaches is increasingly present. PROBE's data security and information management practices are of the highest standard, giving you peace of mind in this New World.

As an Australian-owned business with clients in the banking and government sectors, PROBE also has a thorough understanding of the Australian regulatory landscape, with sound risk and compliance frameworks.

PROBE maintains an externally certified quality system recognised by International Quality Standard AS/NZS ISO 9001, which is subject to external audit annually by global Quality Assurance Organisation, SAI Global. We have also recently completed an ISO-27001 audit and are pleased to report that we have recently been granted certification.

We have also implemented and aligned ourselves with the following integrated business management systems:

- Business Continuity Management System (aligned to ISO 27031:2011)
- Risk Management System (aligned to ISO 27005)
- Health & Safety Management System (aligned to AS/NZS 4801:2001)
- Environmental Management System (aligned to AS/NZS 14001:2004)14001:2004).



From a security point of view, our system has been audited and approved to use for IRAP certification on behalf of the Department of Human Services.

We are also externally assessed by a QSA for Tier 1 Payment Card Industry Data Security Standard (PCI DSS) compliance. As part of our PCI Compliance Program, we undergo scheduled vulnerability scanning and both internal and external network penetration testing. As part of the relationship with our QSA we:

- Undergo quarterly external reviews by the QSA to ensure PCI-DSS standards are being maintained.
- Regularly assess our existing business processes to confirm their compliance to the PCI-DSS standards.
- Ensure that any new business processes are aligned to the PCI DSS standards.
- Conduct regular PCI DSS vulnerability scans of our systems.
- Have internal and external network penetration testing performed.

CONNECT WITH US

To identify ways in which we can assist.

For more information, please visit our website:

www.probegroup.com.au

