

# Digital Transformation of Client Onboarding Process Reaps \$50 Million Efficiency Opportunity

by Susan Vanselow

## At a Glance . . .

- Growing online services and disruptive technologies forced a global financial institution to review and overhaul their manual processes and undergo a digital transformation. They enlisted ProcessArc, a customer experience architecture firm, to examine the firm's process via a Lean Six Sigma lens.
- ProcessArc uncovered several pain points, including a heavy reliance on paper applications, unnecessary data collection, and a lengthy review and processing time.
- Additionally, they reviewed what data is collected, how the data is collected and delivered to the operations teams. They created a more frictionless process, improving the client process by:
  - Creating a "universal" application
  - Developing a digital application process with business rules
  - Using predictive modeling in risk ranking
- By doing so, ProcessArc reduced the:
  - Application submission-to-decision time by 20 days
  - Number of touchpoints by 50%
  - Probability of missing forms and critical client data by 90%
- Overall, the changes resulted in a \$50 million efficiency opportunity for global financial institution.

Sheila Shaffie, co-founder of ProcessArc, a customer experience architecture firm, has seen firsthand how robotics, predictive modeling, and disruptive technologies are affecting organizations of all sizes. Even organizations that have had success for decades using tried-and-true processes are being forced to re-evaluate—and in some cases completely overhaul—their processes and systems to meet the demands of a new market that relies heavily on digital transactions.

So was the case for a global financial institution with more than a century of success and top industry ratings. While its clients appeared pleased with the products, the paper forms and lengthy applications were not viewed favorably by an increasingly digital-savvy customer base.

E-commerce giants such as Amazon had grown customers' literacy and appetite for fast, simple, online transactions. And service providers such as TurboTax proved that even complex transactions typically done on paper or only by meeting with a professional could be simplified and done by the layperson from a personal computer or smartphone.



In rapid order, providers offering online capabilities gained customers' attention and trust. A sea-level change was happening, and to meet the market's evolving needs, organizations such as the global financial institution needed to change.

### ProcessArc's Objectives and Goal

The global financial institution (the firm) asked ProcessArc to view its process through a Lean Six Sigma lens and guide them through a digital transformation. To start, Shaffie and the ProcessArc team outlined two objectives:

1. Walk through and fully assess the client onboarding process and overall experience, from initiating an application to securing an active and funded account.
2. Collect critical operational and financial data required to gauge the effectiveness of processes.

This information would help the team reach their goal of streamlining the application submission process, reducing the review and approval time, and improving the client experience via digital and process transformation.

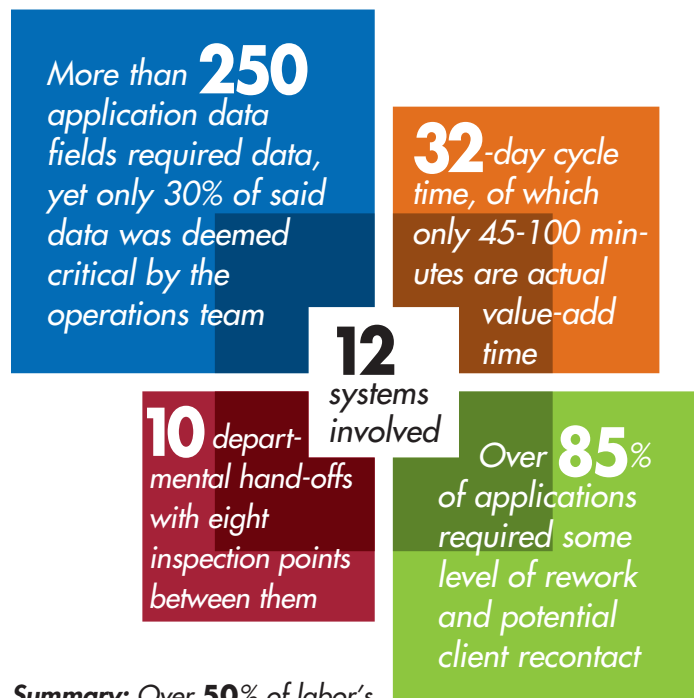
### Process Overview, From Application to Approval

Roughly a half-million applications per year, more than 120 branches, 9,000 field employees, and millions of forms defined the landscape for taking a client application. Once submitted for processing, an application would trade hands between eight departments and undergo inspection more than eight times at various stages. In the meantime, clients waited on average 30 days to receive a final answer regarding their application. During this time, if client information was missing or captured incorrectly, the forms would be returned to the applicant or a financial representative at a branch office, resulting in a delay. Depending on where the application was in the process, work on the application could stop completely until the correct information was gathered and given to the proper department.

In their review, Shaffie's team focused on the onboarding process, both from a client and an operational perspective. They reviewed how



### Macro view of the client onboarding process— Initiation to account activation



**Summary:** Over **50%** of labor's efforts was focused on nonvalue-add activities, such as contacting the client for additional info, data entry, inspection, and applicant follow-ups.

the financial representatives (the first client/firm touchpoint) interfaced with the applicants and leveraged available systems to compile the required data. They also examined the various touchpoints and other data required to complete the application so it could be submitted to the operations workgroup for processing.

### Identifying a \$50 Million Efficiency Opportunity

During their discovery, Shaffie's team noted several pain points, including:

- Heavy reliance on paper applications
- A lengthy review and processing time
- Manual data entry

- Submission of incomplete applications
- Unnecessary data collection

In addition, there was no standard workflow system to define the task sequence and help catch errors or breakdowns in the early stages of the process.

To open an account, applicants had to fill out multiple paper forms and deliver them to a financial representative via fax, email, or postal mail. The financial representative would in turn review the application data, manually enter it into a system, and proceed with submitting both the paper and digital data to the home office for processing. This processing period took approximately one month, of which only 45-100 minutes were spent assessing the data to accept and activate an account.

Shaffie’s team noted that most clients purchased multiple products. Each product required a separate application, despite the fact that 85% of data gathered was identical. This redundancy negatively affected the client experience and raised the risk of fabricated inconsistencies (e.g., different home addresses, social security numbers, and/or birth dates).

Once completed, the applications were submitted to the operations workgroup. Here, Shaffie’s team examined how and where the collected data was being used to gauge risk level. To quantify the opportunity, they examined the:

1. Approximate cycle or response time after the application was submitted to operations
2. Value-add time in the entire process (i.e., how many minutes an operations team member spends reviewing the application)
3. Probability of having to review an application twice due to new findings or missing information (most often requiring client recontact)
4. General flow and hand-offs in the process

The lack of a workflow system with defined business rules, especially at the submission of the application stage by the branches, resulted in an 85% rework rate; application packets

*In addition to providing a poor customer experience, these issues ultimately resulted in productivity and cost waste. Shaffie’s team noted that more than **45%** of the financial institution’s labor effort was focused on non-value-add activities.*

*While the process took approximately 32 days, the value-add time—the time in which underwriters reviewed the applications—was only 45-100 minutes.*

received would either be incomplete or missing critical data on an actual form. The team also learned that only 30% of the data collected was being captured in systems and deemed necessary for operational processing. This led to the question, “If it’s not used, why is the data collected?”

Armed with these findings, Shaffie and her team reviewed the process with the executive team. They showed how—through digital transformation, a streamlined process, and a cohesive workflow—there was a \$70 million efficiency opportunity. With the firm on board, Shaffie’s team began to outline steps for improvement.

## Digital and Process Transformation Solutions

The transformation relied on revamping three key items in the firm’s client onboarding process:

- What data is collected
- **How** the **data** is **collected** and **delivered** to the operations teams
- **How** the applications were **risk ranked**

ProcessArc proposed a multipronged approach that would simplify the application process, recoup lost time and costs, and provide a more digital experience, better addressing clients’ need for convenience and simplified transactions. The

approach focused on three areas covering what and how data would be collected:

1. **Creation of a universal application.** ProcessArc’s first recommendation was creation of a universal application to be used for all product types. By creating a universal form, Shaffie’s team streamlined a large part of the application process. Given that many of the collected data points between products were similar (more than 80%), the new universal application eliminated duplicate data fields, making the application easier to complete, with reduced error risk and vastly improving the client experience.
2. **Digital application process with business rules.** A dynamic, business-rule-based questionnaire would assist in compilation of critical application data. The process could be initiated by either the client or the financial representative. Upon completion of the questionnaire, all



the required forms for the products would be generated and ready for e-signature. At this point, using a workflow system, the forms and other critical requirements would be compiled and submitted for processing. The corresponding data on the applications would auto-populate all the required systems.

The new digital experience would expedite the application process while reducing or eliminating:

- The complexity of relationships between forms and departmental requirements. No longer would financial representatives need to remember what to include in the application packet for seamless processing.



- The number of touchpoints by 50% and need for data entry and validation by the operations team.
- The probability of missing a form or critical client data.
- Inconsistencies between forms.

3. **Predictive modeling.** Financial institutions have large amounts of data. Using historical performance, a predictive model could better gauge the risk level of incoming applicants. The model's output would help the financial representative in better setting expectations with the client, as well as assist in the review process by the operations team. **Clients that were deemed low risk by the predictive model would automatically have an activated account—negating the need for the operations team to review or “touch” the application. For these clients, the onboarding process cycle time was significantly reduced from 30 days to two.**

### Roadmap to Success

With ProcessArc to guide them, the organization's transformation journey has begun. The roadmap for transformation spans five years, from 2016-2020, and is being rolled out in sprints, using the agile methodology. In tandem with the sprints, Shaffie and her team are facilitating consensus building, cultural transformation, and process transformation.

During each sprint, training changes are also being incorporated. The change from a multi-stream, lengthy, paper-based process to a streamlined, digital process requires a vast overhaul to training and necessitates new process documentation and learning.

Two years in, Shaffie and her team are seeing positive movement. They plan to assess each year, adjust as necessary, and continue to lead the insurance organization into the world of disruptive innovation and Quality 4.0.