

Compliance & customer experience: it's not a trade-off

Agile strategies for regulated businesses to achieve both at scale

Flowers for your first home

A customer of a certain Swedish bank remembers well the day the bank sent them flowers to congratulate them on their first home purchase, accomplished through one of the bank's mortgage products. That small but thoughtful gesture secured long-term loyalty.

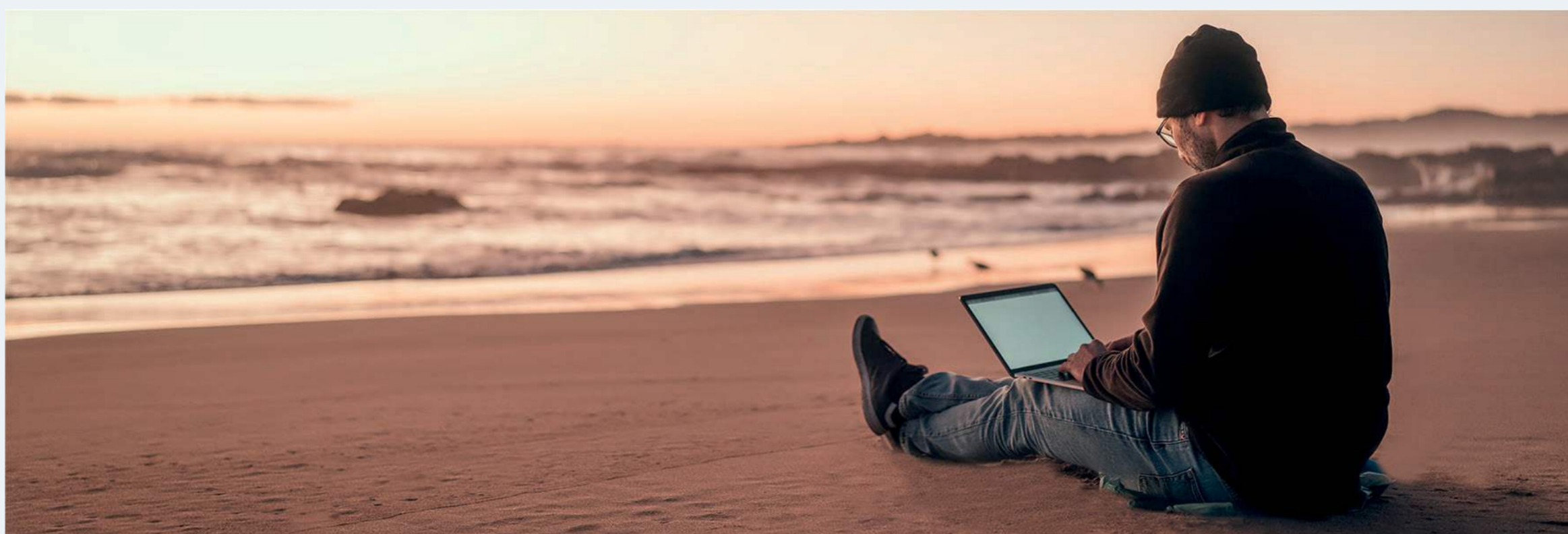
That was five years ago. Now this customer is trying to open an investment account. This time, as they go through the online application process, there seems to be even more requests for personal information. Why? It isn't explained. And what's this about having to print out a PDF application and send it back by post? Can't we do all these things online now?

Abandoning the bank entirely is out of the question. It offers a full range of services, and of course this customer can never forget the flowers. But a friend has told them how happy they are with the online bank where they have an investment account, which they opened online, quickly and easily. The online bank is starting to sound like the better option, at least for this particular service.

Part 1

Customer experience: Shifting expectations

Expectations are changing around what it takes to become a customer, as well as what it's like to maintain an ongoing relationship with the organisation where you've brought your business. There's a platitude we all readily agree with, but it's well worth looking into what's pushing these changes. In short, the main driver is generational, and the covid-19 pandemic has only accelerated what was already in motion.



The natives are coming!

Your existing customer base, not to mention the people trying to become your customer, is constantly changing in one critical way: every year there are more digital natives than the previous year. More people for whom purchasing and conducting business of all kinds through the internet is all they have ever known.

Obviously, this trend will never reverse. Some day, when every customer is a digital native, the term will only have meaning for historians. So it only makes good sense to orient customer-facing business processes to the expectations of this demographic. Starting yesterday.

Fast forward

Our attitudes about the possibilities for conducting personal and professional business remotely and online is just one of the many ways the covid-19 pandemic has changed us. To be clear: it's *attitudes*, not technology, that have made a sudden big leap. For many years the technology has been readily available to support a 100% online experience for processes like opening a bank account and accessing public services.

Still, service providers have dragged their feet in making this the new normal. Then the pandemic gave us a big kick. The urgency of maintaining business continuity under lockdowns, not to mention continuity in our personal lives, drove a sudden wave of digital adoption. And while pandemic conditions have eased, the raised expectations around digital convenience have not.

What has NOT changed

There is, however, a core set of customer expectations that has never changed. Customers want to be:

- taken care of
- respected for their time and effort
- understood
- met where they are

What the widespread rise of digital services and automation means is that it's becoming the norm to deliver on these same core expectations with much greater speed and ease. The bar has risen considerably. The implication for businesses, therefore, is "adapt or die", which is exactly what we've seen in the e-commerce sector over the past two decades.

Regulated industries like banking, finance and insurance have been much slower to adapt. Institutional inertia is certainly a factor, but security and compliance requirements pose very real hurdles to delivering the same smooth customer experience that e-merchants achieve as a matter of course.

Rise of the fintechs

It's cynical to say, but if the traditional players in regulated industries would just stick together, they could keep the expectations of digital natives at bay. But there's a problem with that plan: fintechs, challenger banks and other disruptors are proving themselves perfectly able to deliver many of the same services in a modern way.

In other words, digital natives (and those who understand this fast-growing segment) are taking matters into their own hands, offering the kinds of customer journeys they expect for themselves while stealing market share from the old-school players.



"Niche services like Revolut are chipping away at what banks traditionally do", says George Amanatiadis, VP of Sales and Customer Success (BFSI) at Scrive, provider of digital customer onboarding solutions. "Exchange in the UK has gone away, and so have transfers. Investment services are going to players like Avanza and Nordnet, and mortgages will probably move too if we have more companies like SBAB and Danske Bank who have understood how to tackle all their compliance requirements while offering a thoroughly modern customer experience."

Anecdotal evidence of this trend is only too easy to find. A man seeking home insurance in Sweden (who is almost forty, so not even a digital native) told us: "I ended up going with a more expensive aggregator because the one I approached first asked me to print, sign and scan the agreement, a process involving two machines I haven't seen for quite some years now, especially not in my apartment."

Another spoke of opening a B2B account: "It took weeks and just killed all my digital spirits. It was all very analog, very manual."

And just because a customer-facing process is digital doesn't mean it does a good job of meeting expectations. "I was presented with a digital form, but then it asked me to enter personal information that I know the bank already has", another customer told us. "Why couldn't that information find its way into the form? I know it's perfectly possible."

Customer experience is becoming more and more of a deciding factor in choosing financial services, not just for insurance, but for more complex services like mortgages and business lending. That's because the landscape is changing: it's becoming easier to transfer funds, powers of attorney and Know Your Customer (KYC) processes can easily be done digitally.

“Adapt or die”

This warning is not dramatic, nor is it cruel. In fact it would be cruel to pretend it's *not* true.

Not a digital native yourself?

Think of it this way: even though you've been around longer, the tables are turning. It's time to realise that *you* are the awkward stranger on *their* turf. And their turf is the new norm, more so every day. Think of yourself as the simple country person who stumbled into the capital from the provinces with wide eyes. If you want to make it here, you have to shed your backward ways, lose that analog accent and learn the customs of the big city. Now.

“But *how?*”, you ask. “And what about this big compliance burden I'm carrying?” Short answer: find a guide you can trust, one who has successfully helped others in your shoes. (And you really should get some new shoes.)



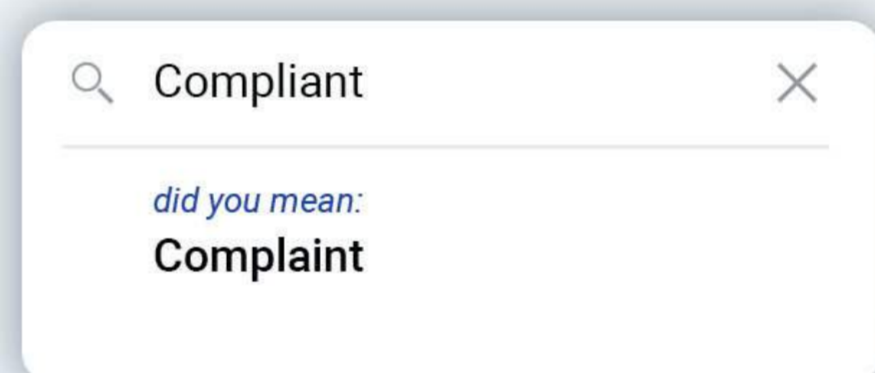
It's easier for a small tech company to focus on one kind of offering and provide a much better customer experience, but given the right focus and investment, it's possible to do it at scale and compete in all areas.

Part 2

Compliance: burden or opportunity?

Burden? That part is easy to understand. Type the word “compliant” into a document with spell check enabled, and they nudge you to change it to “complaint”. The spell check gods, it seems, have tapped right into the zeitgeist of regulated industries.

Opportunity? If this sounds like a bad joke, this eBook is for you! First, let's get the unpleasant part out of the way.



The shifting landscape

Regulations are tightening and penalties for non-compliance are on the rise. (Yawn.)

There's another platitude nobody would challenge. Anti-money laundering legislation in the EU? We're already up to AMLD 7 (and 8 is certainly in the works). Data privacy? The Schrems II decision is almost three years old, but how many banks can say they're in a comfortable place with it?

With risk appetites lower than ever, safeguarding existing processes against compliance breaches while keeping up with new requirements is already difficult enough. So the prospect of improving the usability of customer-facing services might look like a bridge too far.

Security: another piece of the puzzle

Security and compliance are two concepts that often go hand in hand. Tightening regulations naturally necessitate taking a fresh look at one's security infrastructure and protocols. But there's more to the picture: the sharp rise of online financial fraud. Just as the pandemic has contributed to changing customer expectations, it has also left an impact on the world of security, especially for financial institutions.

According to a recent statement from Interpol: “The COVID-19 pandemic highlighted how quickly criminal groups and fraud rings can adapt their methods. Phone fraud, phishing, and payment card fraud are just some such examples of the tactics fraudsters used throughout the pandemic to target individuals and businesses alike.”

“As criminals look to take advantage of digitization processes”, the statement continues, “they're able to commit financial crimes with increasing efficiency and sophistication, to the extent that financial crime and cybercrime are now invariably linked.” (*Identity Fraud Report 2023 - Onfido's guide to preventing fraud*)

Compliance as a business enabler

“Customer experience is a luxury that’s just going to have to wait”, you might say. But guess what? Customers aren’t waiting for *you*. They’re taking their business elsewhere. Digital-first players - fintechs, challenger banks - are offering services built by and for digital natives, with compliance and customer experience baked in from the start.

But you don’t have to get left behind.

Making compliance work in your favour is really about mindset. “Increasing compliance requirements can actually be a business enabler, but initially it’s a hurdle for organisations because it requires changes in processes and investment”, says Pontus Holmberg, Product & Innovation Manager at Roaring.io, provider of APIs that help businesses automate processes like customer onboarding and KYC.

“Look at GDPR today. I don’t hear organisations talking about what a headache it is, only that it needs to be considered when developing products and services. But three or four years ago the discussion was quite different: ‘It’s going to ruin our business if we can’t use our customer data the way we do now.’ Today, I don’t see any businesses that have failed because of this. Yes, the compliance framework gets more complicated, but getting past seeing it as only a necessary evil is going to be a key to success for regulated businesses.”

Part 3

Finding synergy

So how exactly *do* you bring compliance and customer experience together?

“First and most importantly, you need to realise these two are not in opposition, that you really can have both”, says Pontus Holmberg. “Companies who get that succeed.”

It’s easier for a small tech company to focus on one kind of offering and provide a much better customer experience, but given the right focus and investment, it’s possible to do it at scale and compete in all areas.

As George Amanatiadis points out, “With the help of technology and the right approach to leading projects like this, it’s very possible to build a great customer experience while having the right data points to ensure a compliant and secure process. This is especially true for B2B, a segment that’s received the least love in terms of digital transformation. Granted, the processes are a bit more complex and hunky, so there’s a reason they’ve been left to last.”

“Imagine someone providing the full bank offering with great customer experience”, says Pontus Holmberg. “They’d take over tomorrow.”

Company culture expressed through technology

Marrying compliance to customer experience starts with mindset, and that means remembering that core set of customer expectations that long pre-date the digital age.

An easily-overlooked way of expressing a customer-centric attitude is to acknowledge the simple fact that customers don’t buy your products for their own sake but as a means to an end, like buying a house. Sending a customer flowers upon approval of a loan for their first home purchase (a no-code solution if ever there was one) is a clear way of showing that you understand them as people with goals that ultimately have nothing to do with your business.

Putting the shoe on the other foot, the same principle holds true for an organisation: Setting up an onboarding process should have the goal of making a customer feel cared for and understood, not just a practical means of getting them onboarded. “It’s about building a customer journey that reflects the culture of your organisation”, says George Amanatiadis. “In other words: what is it like to interact with you? Is it easy to do business with you, do you respect my time and effort?”

To effectively express your culture through your service offering, it’s highly recommended to:

- Involve designers and UX people in the project early on
- Be consistent across your offering

These concepts aren’t difficult, but look how easy it is to let your customers down when you ignore them:

Say you have a legally required KYC survey that gets sent out annually, but it was left in the hands of the

compliance and legal departments to implement. So the language is hard to follow, and it asks for information the customer may not have at hand, leading to frustration.

While you may have built a great banking platform, the smooth experience might not extend to customer interactions that fall outside that ecosystem. And yet these issues are easy to avoid: instructions written in plain language and automated data lookups to retrieve readily available validated information.

Customer due diligence with heart (and smarts)

“When a cook hates the food they’re preparing, the diner can taste it.”

The same is true when an organisation views its compliance requirements as a necessary evil and no more. Changing that mindset to one of seeing compliance as a business enabler doesn’t cost anything but can bring big rewards.

For example, as KYC and KYB (Know Your Business) processes become more burdensome for your organisation, they can also feel invasive to the customer - depending on how you handle it. One easy way to start turning this around is to explain at each stage *why* you are asking for all this information. “When it’s explained well”, says Pontus Holmberg, “for me as a customer it’s quite natural to then answer those questions without annoyance or hesitation.” Adding a few text strings to your UI is hardly a daunting technical challenge.

Customer experience, therefore, is about much more than how easy it is to navigate a process. A well-designed customer due diligence flow can actually boost a customer’s confidence in your organisation. Seeing that you do thorough checks (and why) and take steps to be secure, that their personal data is safe with you - all these actually enhance customer experience and build loyalty.

“The point of compliance like AML, for example, is to prevent financial crime and protect victims”, says Siam Choudhury, CEO of Pliance, provider of APIs to automate AML processes. “What companies are becoming better at and need to focus on more is to explain to customers why are we asking these kinds of questions, why are we doing these kinds of controls.”

“A big question”, he continues, “is how do you handle this kind of work without putting it on the end customer? The responsibility is obviously on the regulated business to manage this effectively, so yes it’s an obstacle, with a lot of focus on the back office. But companies are using it as an enabler, a scalability issue. They’re figuring out that if they can prevent money laundering and financial crime using automated, scalable processes, they can also offer a good onboarding experience without that effort overflowing too much onto the customer.”



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Pontus Holmberg, Product & Innovation Manager at Roaring.io

Start small, clear targets

A common mistake companies make when planning how to modernise both their back office and customer-facing operations is thinking that they need to digitalise everything at once. The scope is just too big, so it might turn out that nothing gets done at all, or it happens too slowly.

“An IT project might take two, three, even four years, but market share is slipping away month by month to fintechs providing niche solutions for specific products”, says George Amanatiadis. “So even two years later you’re looking at just reclaiming market share.”

But there are ways to start small and improve incrementally.

“Some companies are stuck in old ways of running IT projects, involving big platforms, many architects and long lead times”, says Erik Juhlin, CTO at Sweet Systems, provider of low-code solutions for empowering businesses to automate customer processes. “They aim too high without realising how possible it is to provide a great customer experience even if the backend is not yet automated. You can start semi-automated and keep adding processes.”

“Lack of IT resources is a challenge every company faces”, he continues, “but there are tools that can be used by business people that require little or no help from IT. This is a way to get your solutions to market faster and expand your offering in a modular way.”

“By identifying the low-hanging fruit, you can get real value quickly and then ramp up”, says Pontus Holmberg. “One example is doing data lookups to determine who has the right to sign an agreement on behalf of the company. It’s a simple yet powerful way of automating the very slow, manual process of collecting physical agreements and trying to chase down the right people. Then, once you have this piece in place, you can take it a little further by implementing an e-sign solution that makes it possible to get the agreement signed by all parties within the same digital flow.”

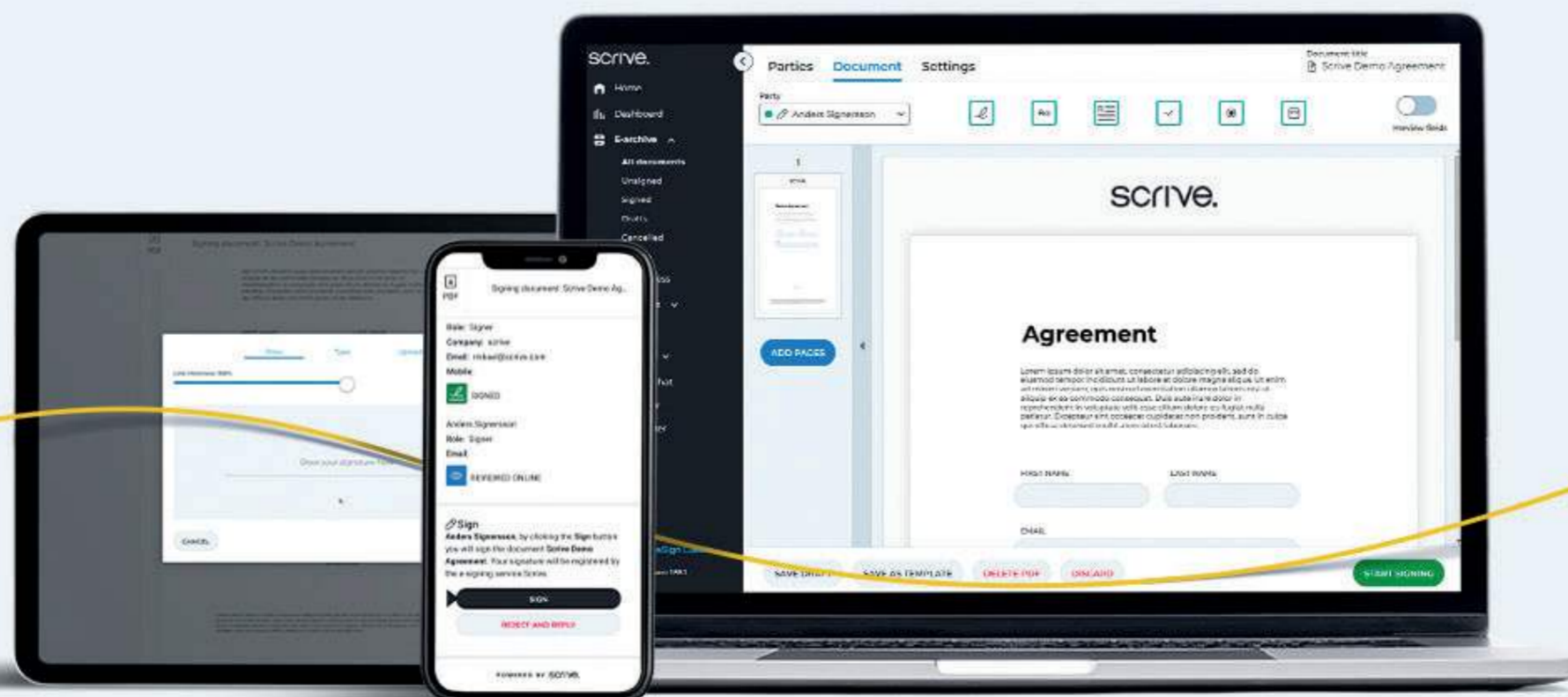
In building out your offering, have clear targets of what you want to achieve at each stage. For example: reduced number of clicks, shorter onboarding time, less manual data entry, improved NPS, higher conversion rates. “Then when you see the results - like a higher NPS - you can add more processes”, says George Amanatiadis. “So it’s good to factor in a method of continuous customer feedback.”

Conclusion

For regulated businesses, recognising that customer experience and compliance are not at odds is a key step in becoming more competitive in an increasingly disrupted industry. While the road forward may require changes in processes and investment, success doesn’t necessarily depend on expensive, long-term IT projects, just as a smoother customer experience relies on much more than purely technical solutions.

Key takeaways

- “Adapt or die”
- Dare to view compliance as a business enabler
- Enlist a seasoned guide who knows your industry
- Mindset is just as important as technology
- Express your customer-centric culture through your technology, at every touch point
- Involve your UX and design team from the start
- Help customers understand the reason for compliance checks
- Start small and build out your offering in a modular way
- Use agile tooling to avoid unwieldy IT projects
- Set clear targets of what you want to achieve with each step
- Measure your results through continuous customer feedback



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