

Episode 4: The Quest for Seamless Onboarding: CLM within the Buy-Side

Transcript:

00:00- Natalia Zurowski:

Hi everyone, live from our virtual FinLabs. I'm your host **Natalia Zurowski**, Marketing Lead for Synechron UK and APAC. And welcome to Finsights from our FinLabs, your podcast for the latest in innovation and transformation from our FinLabs experts. In our new series, InvestTech, we will be focusing on the latest trends within the world of asset management, as well as innovation across financial services and what lies ahead. Today I'm joined by **Phil Sturmer, Director and Head of Business Consulting at Synechron London**. Phil, thank you for joining us.

0:27- Phil Sturmer

Hi, Natalia. Thanks for inviting me to participate in the podcast series. Very excited to be talking with you today.

0:34- Natalia Zurowski

It's great to have you and just before we dive in, can you please give a quick introduction to our listeners about yourself?

0:39- Phil Sturmer

Yeah, of course. I've been with Synechron for about six years now. I currently lead the business consulting group in London, as you mentioned, which broadly consists of people and capabilities that revolve around capital markets, domain specialisms, data science and analytics and experience design. I have a business and finance background and over 20 years, I've worked in London City and financial markets, both on the buy side and sell side covering end to end trade lifecycle, particularly focusing on the Middle Office and Operations, Treasury and Cash Management. Along the way, I've been involved in KYC and AML, regulation attestation, and operational risk initiatives. And in more recent times, digitization of client journey, so I've done a fair few things in within Synechron, and it's all been very exciting.

1:32- Natalia Zurowski

You've been involved across the spectrum then and including client lifecycle management as well, which is great seeing as that is the topic for today's show. So, what we'll be looking at for our listeners is really looking at client lifecycle management within the buy side industry and how asset managers and investment managers are looking at how they can achieve seamless onboarding for their end customers. So, who in the market is doing this well, and should buy side firms look at building or buying their solutions, which is often a debate we hear from the Synechron side as well. And there's no question the buy side industry is significantly slower to tech and innovation adoption in comparison to its sell-side counterparts. And so, you know, we'll be discussing that today on the show. But now in 2021, we are starting to see that change. That's finally ramping up, that sort of started, I'd say last year. So just diving into the interview then. Client Lifecycle Management is more than just client onboarding and I don't need to tell you that, Phil, I think you know that much better than I do. But it's the entire end to end process of onboarding and customer, so KYC, AML checks, continuously managing that relationship and account and ensuring ongoing compliance. And at present, a lot of these existing processes are managed on prem but with the pandemic, we know digital transformation

has accelerated as a priority to really becoming top of mind for many clients, and clients that we're working with as well. For example, you're now seeing fintech's and the likes of Fenergo, who are quite well known in the CLM space, really pivoting their offering towards becoming more cloud centric with

the launch of Fen-Cloud and firms like Aviva Investors really jumping on board to streamline their workflows. And we know now especially with what we're hearing in the market, what we're seeing with our own clients and our own innovation within our labs, cloud is really becoming priority and agenda point number one for many financial services firms and asset managers included. How do you think cloud will change existing CLM processes?

4:02- Phil Sturmer

Yeah, so no doubt cloud is playing an increasingly significant role in the CLM space, as it is with the broader picture of technology modernization and the adoption of digital led strategies across both the buy side and sell side firms. As we know, delivering a superior customer experience is vital in order to differentiate in a marketplace that's highly competitive and constantly changing and as you say, consideration is for the whole lifecycle, not just the onboarding piece. It's interesting, because whilst cloud adoption is going to be very significant, I don't actually see cloud itself as an outright differentiator, but as an enabler that will allow organisations to better create connectivity across their organisations in terms of accessing or making more accessible its data, which for the most part is likely to be distributed across many repositories in support of the CLM workflows. And I think that's a significant part of what cloud will enable in the future in terms of better data management and data orchestration. So the other aspect here is cloud combined with an API and service based approach, along with digitalization and analytics will be very powerful in improving client experience, as well as improving internal operating efficiency of the CLM workflows. So the ability to deliver a digitalized customer journey; one that is for the lifetime of the client, that's frictionless, easy to follow, quick and is user friendly, one could almost say is convenient to use is the real outcome to achieve, and customer retention will start with onboarding. So cloud I think will be a way to facilitate how organisations think about delivering the workflow and the service of the future but in combination with API and service based strategy, digital analytics.

6:15- Natalia Zurowski

I want to touch on what you said earlier, before, you went a little bit deeper into it. You were saying cloud is an enabler for better connectivity and the client lifecycle management experience today, within the buy side, for many asset managers and investment banks, is still really complicated, it's disconnected and disjointed. So a lot of processes are manual, efforts get duplicated, customer information is not centrally held. There can be as many as 10 global onboarding systems to onboard a single customer. A Forrester report that I had read a couple months back now, found that clients are contacted on average 10 times during onboarding and are asked to submit up to 100 documents throughout the process. So what we're seeing now is some asset managers pivoting towards, whether it's through build or buy, the integration of those systems into the launch of a single platform. And is this something we'll continue to see in the direction the industry is headed do you think?

7:09- Phil Sturmer

Yeah, I think so. And I think it's true many organisations are already working towards or at least thinking about a platform approach for CLM. As I think they are in a broader picture. For sure, as you say, CLM suffers from a significant process and data fragmentation, many systems, many repositories of data and documentation. And a well thought out and executed platform strategy, I think can help here, the creation of a centralised view of data, smart use of cloud and the service integration approach where data exchange and document exchange is easy, has some great advantages for both buy side and sell side. But importantly, the customers, the latter of which will increasingly interact through technology, as technology will become more of the face to customers. Of course, the platform approach goes hand in hand with cloud and API enabled approaches. I think done while the platform approach will improve the speed and quality of the CLM workflow for an organisation from the data

collection, the data management through to the actual KYC and AML checks, such as credit approvals, agreed lines of credit, the regulatory, the legal, the tax checks that all go as part of the process and the

many other validations. So I think it will bring improvement. The idea of more open data sharing is of course a challenge with business lines, divisions, not always keen to share their data, and privacy and security are a necessary consideration. But organisations are going to need to start to overcome such hurdles with a view of a platform. So another important potential of a platform approach is that of creating a true omni-channel experience, one that revolves around the client and is a single customer experience and not just onboarding, but for the entire life cycle throughout onboarding through to offboarding. With the right investment in experience design, organisations will have the opportunity to present a truly enjoyable experience for clients in how they exchange information and how they access services, both those that exist and new value added ones that organisations will be able to more easily provision. So a platform play unquestionably brings benefits or can bring benefit to both the organisation in the way that it can orchestrate CLM by better connectivity of data, better connectivity throughout the workflow, but also importantly, bringing a consistent omni-channel experience to customers.

10:14- Natalia Zurowski

I think that's what's absolutely key, as you're saying, is the omni-channel experience for customers to be able to have that. One thing I wanted to touch on as well that you said, was the data fragmentation that occurs within CLM. And why does that data fragmentation still exist then? We've had so much innovation and technology, why are we still seeing issues there? Is that legacy technology for example? Why does that still exist?

10:42- Phil Sturmer

Yeah, that's a good question and really is an age-old question that organisations have been grappling with for many years. A lot of today's data challenges are legacy in nature in the way that repositories or data lakes have been built up, they've been built up in very siloed ways that meet the needs of a given business line or given functional area. And the most efficient ways in many cases has been to build their own data repositories, because accessing other data repositories or golden sources, doesn't always necessarily meet their needs. So, it has been built up over time and therefore, there are just so many data repositories, many of which retain similar or same information. And of course, that has its numerous problems in its own right, in terms of data governance and data quality.

11:52- Natalia Zurowski

Yeah, absolutely. As an example, then, let's say I'm an asset manager, and I'm looking to merge all of my systems into one platform. How difficult would that process be to merge that data into one single platform? I appreciate that's a loaded question, but really merge that data into one single platform and achieve a single source or rather a golden source of truth?

12:17- Phil Sturmer

Yeah, very good question. I'm not a specialist when it comes to data management, but I think it's a real challenge to architect a single golden source of the truth. You know, from my experience organisations, more often than not, as we said, through their fragmentation have several master systems of data that combine to provide a true view of a client in the case of CLM. So it's not an easy thing to bring together, particularly when you think about any approach and the challenges of data governance. So looking across business lines; privacy, security and above all, data quality, these are these are all challenges, where there are inherent issues, in some cases in these different data stores. Those type of considerations are really no less whether you're building a platform, or going down a platform route, or you're not. I think, for me, it's more about organisations should at this stage be looking to reduce the number of golden sources and document repositories they have, and less trying to invest to create a, 'Nirvana state'. I don't think that is a priority. What I think is a more prudent approach at this stage is creating an API enabled strategy that provides the processes such as CLM,

with connectivity at a high speed, accuracy across those underlying data sources. I think that will result in a better outcome rather than pursuing that one golden source. It's okay that there are several golden sources, relative to the data that an organisation needs to use. But I think one single source is a bit far out there. But certainly, having an API enabled strategy allows organisations to very adeptly and agilely link those data sources for these specific purposes and in this case into CLM.

14:49- Natalia Zurowski

Yeah, absolutely. I just want to pivot for a second and look at the operational challenges that we're seeing within CLM. So, in an IHS Market Report, it was quoted that even a highly efficient team will lose up to 67 hours of productivity per year just for simple document requests. So, do you think than that, for example, centralising data in one single repository benefits an asset manager? Is that the right approach then? Or how do you then reduce those hours and that productivity? How do you achieve, not perhaps an 'operational Nirvana,' then but how do you start to really start achieving those efficiencies? If that's, for example, data straight through processing or what does that look like?

15:36- Phil Sturmer

I think there's a combination of things in CLM, that will improve productivity. Yes, data accessibility, the smart use of data, so applying data, many times, smartly, will unquestionably increase the productivity. I think overall though, there's a need to apply a data strategy with increased automation. So robotic process automation, where possible. And equally, looking at the actual design of the workflow itself, both from an internal perspective and from a customer perspective, are both going to drive our operational efficiency. So, I think its data in combination with other operational efficiencies that really will improve productivity here.

16:39- Natalia Zurowski

Just to continue on operational challenges, then. So, portfolio managers need to be empowered to do their jobs, and often spend time chasing team members whether a customer's account, for example, is operational. So again, touching back on the productivity point now, and perhaps shockingly, to some, a majority of those portfolio managers don't have access to a dashboard, for example, where they can review status updates. There's multiple systems, but there's not for example, one system where they are able to view everything, as we were saying before, having that one central platform that that PMs would be able to go to, often that still doesn't exist for many asset managers. What role then for example, do you think having that dashboard and then on top of it, as you were saying, the importance of data, RPA, but also data visualisation, being able to see your data and to see how it's affecting your business and having all those systems in one. What role can data visualisation play to better improve existing workflows within the buy side?

17:39- Phil Sturmer

Data visualisation is super important, both from the point of view of being able to see the workflow as a whole, and where a customer resides in that workflow, but also being able to see more insightful information in terms of a customer's level of activity. So not beyond when they're onboarded but if they're looking at the products, the product usage, service usage, is all valuable information in that relationship with the customer that allows you to better refine their experience and better refine your products and positioning to them in the longer term. And I think this is an area where there is definitely a need for more workflow tooling to be applied. And I think also, it's an area where some firms are considering actually how they organise their teams. So, quite often, the workflow can in itself be managed by siloed groups, which in some ways is correct because legal and credit have very specific roles to play and so on. But the dashboarding or information flow tends to be pointed and isn't always visible as a whole or not easily visible. But organisations are also now thinking about whether the role of a centralised team of specialists might start to provide a better orchestration model across CLM in which case dashboarding will be paramount to the success of that team in terms of being able to interact with those different actors in the CLM process.

19:35- Natalia Zurowski

And are you seeing for example, across the industry, that investment asset managers are looking at developing those central team of specialists? Are you seeing that it's not just rhetoric, that there is action, that they are starting to see that importance in implementing those central teams as a hub for that information, or do you think that we're still in the early stages of that happening?

20:01- Phil Sturmer

From what I see and understand, I think we're in the early stages. There are those that are certainly trialling it on a small scale, to see if it is an optimal model and will provide a different value to the sale and process but yeah, I think there's more to be considered there. And information and accessibility to the information and be that through dashboarding and visualisation will be a key factor I think in how successful such an approach might be.

20:38- Natalia Zurowski

I think with the build out of those dashboards then, so as we're saying, there's definitely more work to be done. But that leads me to the age-old debate of sell versus buy. So, in an article published by IDE Group, 89% of Client Lifecycle Management solution vendors saw revenue grow more than 10% in 2018, and 78% are investing more than 15% of revenue back into their solutions. They also predict that global IT spend on CLM solutions will grow by 60% by the year 2022. What do you think the split of that spend will be for the buy side, either spending on existing software in fintech's versus building out the solutions themselves?

21:21- Phil Sturmer

That's a challenging question and not a straightforward one to answer. It will clearly differ by organisation, depending on their maturity, and their technology strategy that they're looking to follow. When we think about vendors, they're clearly investing in putting their platforms in cloud and many are starting now to bolt on value added services, such as analytics, so they're becoming more appealing. The main vendors are clearly end-to-end in their service but they're building where perhaps some of the fintech's have been developing solutions by adding on services accordingly. So very appealing in terms of some of the vendor propositions. Now fintech's themselves, are becoming more established and they're more focused on some of the niche aspects of workflow as opposed to trying to provision an end to end solution. They've clearly had success in other areas, like retail. And there's no reason why some of those fintech solutions won't be valid for both buy and sell side and wouldn't be a success in terms of potential solutions. And again, I think data analytics is a key one for the buy side and particularly in the space around entity and network resolution aware. They combine context for KYC and AML. So, when you think about it, buy-side firms already have existing systems and solutions. And it'll be evaluating many of the topics we've discussed today as part of their tech strategy as to whether or how to adopt cloud in terms of their approach to CLM, or whether to build platform. So it challenging to know which way is best to go, particularly as organisations are going to already be heavily invested in, what I would say is the incumbent vendor group that manage the end to end or provide services across the end to end workflow. But I think for me, perhaps more importantly, rather than build versus buy, is to start to think about buy-side is under invested. And I think one of the most under invested areas that requires significantly more allocation of funding, in terms of where an organisation should invest, is in that user journey and experience design thinking. CLM will only really move forward and improve if business and technology build a customer first experience strategy. So be that buy it or be that build. Increasingly, we are seeing more organisations recognise the value of experience design as a way of focusing in on what really matters, which in turn is driving the optimization of process, it's improving operational efficiency, and importantly reducing the friction in the turnaround time to go to market and getting cloud customers onboarding and getting them using products and services. So perhaps not a clear answer to build versus buy but certainly the strategy that any organisation looks at needs to be thinking more so in terms of user journey and experience design.

25:11- Natalia Zurowski

That lends itself perfectly to my next question, Phil, which is, what do you feel the CLM experience for an asset manager of the future looks like then. If you take into consideration everything that you just said, and you have asset managers really look at their systems and start to adopt some of these technologies and truly adopt them, as I said, it's really action versus rhetoric here. What do you feel that CLM experience will look like? Will it be the increased use of automation? Will we start to see those platforms and dashboards become more of a norm? What do you feel the onboarding experience will look like in the next five years? What do you think will be possible for the CLM experience for an asset manager in the future?

25:51- Phil Sturmer

Yeah, good question. So I think, firstly, I'd say it's, one where the experience will be as good for the client, as it is for the organisational internal teams, and I think that's an important factor not to overlook. The whole process needs to be looked at from both predominantly the client perspective, but equally, the internal operatives. One where automation will play a more significant role, it will take over all but the complex and exception-based activity. And by default, then onboarding will take significantly less time. One where the client will feel connected, feels the value of the experience, which I think is missing today, be that a platform-based approach or not. One where both the client and the buy-side organisation can benefit from analytics and AI, where they are integrated into the process. And lastly, which we touched upon is unquestionably dashboards and the visibility over the process itself, I think is going to be paramount in terms of being able to more effectively operate the sealing process.

27:17- Natalia Zurowski

Great, thank you so much Phil. We're just at the end of time. So thank you so much for joining us today, it was great to hear what the buy-side can do in terms of innovation, whether it's a heavy focus on data, analytics, platform build outs, migrating to cloud or looking at how investment management firms can take advantage of service design as well. Are there any final comments you'd like to leave our listeners with?

27:39- Phil Sturmer

I suppose, very exciting times for anyone working in the CLM industry. Technology advancement is eventually going to make a big difference in the industry, and most importantly, to the clients. So, I think, in closing out, the one thing I would perhaps re-emphasise is the need to focus on the client experience and let that drive investment. Do this and organisations will differentiate with success, which in turn will follow.

28:11- Natalia Zurowski

Great, thank you for your time, Phil, and thank you to our listeners for tuning in. If you're interested to find out more about Synechron and what we do, please visit www.synechron.com and if you like what you heard, please like and subscribe.

Catch you next time.