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Changemaker conversations

Context

Big questions shaping CXO priorities for the next decade

"How can I embed the bank in my customer's everyday life decisions?"

"What am I supposed to do to establish synergistic ecosystem to deliver value to the customer?"

"How should I build phygital experiences to secure and strengthen relationships?"

The biggest challenge for banks is that a significant number of finance journeys are happening outside the banking ecosystem. Growth is now driven by platforms such as Grab, PayTM, Uber, Uber, Apple, Amazon and other digital leaders. The only way a bank can capture more of that demand is if they become part of those ecosystems and therefore, making banking invisible and embedding it deeper into customers. It also requires leaders to keep pace with the unparalleled technological disruptions that presents new opportunities for them. We see banking leaders embracing this change and striving towards becoming the digital banks of tomorrow. This exclusive series of Changemaker Conversations captures the possibilities of the future from Chief Digital Officers, Heads of technology and innovation and Chief Experience Officers from leading banking institutions in the Asia Pacific.

Building a customer-centric bank

Ketan Samani
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Financial industry incumbents should deploy change at the same speed as market demands!

Customers view banking with a completely different lens; their preferences and needs are continuously changing. Financial institutions face impact on many dimensions, from shrinking revenue margins to emerging cost models and rising technical debt. All of which impact profitability and growth. A complete facelift from what it was 5 years back.

For banking and financial services, market dynamics have changed since the growth of neobanks, digital native businesses, and fintech platforms. The new players are focused on raising competitiveness with innovative product suite and compelling customer experiences on their platforms. Many big platform companies have established strong foothold by integrating financial services offerings in their ecosystems. For the incumbents, managing the existing infra, cost maintaining legacy systems and processes is weighing on their agility to respond to these challenges.

And still, we drown ourselves around bank processes rather than customer problems, resulting in us serving the bank's needs. In turn, we miss the big picture – the customer and their needs. When what it takes to succeed and achieve a frictionless banking world is customer-centricity. We need to ask ourselves,

"How can we innovate to deliver a world-class customer experience?"

#1 Finance is important consumer; banks aren't

Integrated experiences, irrespective of the platform, are what customers want and need in today's industry. Financial institutions must step out of their comfort zone and think beyond existing structures. They need to create revenue opportunities through partnerships. To achieve this, banks can explore three partnership strategies:

- Banks and financial institutions can be participants
- Banks and financial institutions can be orchestrators
- Banks and financial institutions can build an entire partnership ecosystem from scratch.

However, "building from scratch" is not the banks' strong suit. From a technological standpoint, it is no doubt that fintechs are more agile. From a technological standpoint, fintechs are unquestionably more agile in terms of speed and therefore partnering with key technology or fintech players could proof to be a win. This is because both partners bring value, bank provide benefits such as regulatory and compliance expertise and fintechs bring agility and CX.Because the ecosystems are expanding in mature digital markets, banks who delay in development their strategies may face many challenges. Still, other heavy-hitting concerns persist for banks.

How will banks be able to maintain their advantages while still being able to participate or orchestrate? And how can a bank become the ecosystem's electricity? - because finance is important, banks aren't.

Financial institutions are enablers, however now there are many other industry verticals players who can substitutes financial services (though not comprehensively), albeit much better than banks, especially when it comes to efficiency, service bundling and overarching customer experiences. Banks need to ensure good governance remains in place, however they can add significant value to themselves, their cross industry partners and the end consumers by keeping complexity within them and allowing financial services to be consumers through any means acceptable by consumers.

Banks are embracing embedded finance to becoming more prominent by using their systems, robust processes, governance to powering non-proprietory channels. This would make them inviable, yet relevant.

#2 Build versus Partner

Although there may be differing options based on market dynamics within each markets, two possibilities for banks could be explored – first, to build digital spin-off with cross industry partners that can help attract new consumer segments. The second is to partner with a digital platform and be a license sponsor to cater to the niche targeted segment. In both cases, banks could own the customer journey though the partnership and can support disruptive innovation based on its risk appetite.

The most delicate aspect of partnering with Financial Institutions is the profit sharing. Since financial services is low margin business, it relies on sales volume to remain viable, therefore sharing margin with partners become an challenging concept. However, the risk and rewards are plenty if both partners commit to building consumer centric offers that creates loyalty without incentives.

#3 Ecosystem strategy plays a strong role in expanding in new geographies

Banking outside sovereign boundaries is not possible in today. However, a model could be design to scale to other geographies with current digital technologies. Currently with cloud and associated based infrastructure allows institutions to expand their virtual banking models with leaner costs. Therefore, finding strategic partners with scale in similar geographies would enable digital ecosystem business models at speed.

The partnerships model between financial institutions and other strategic verticals, e.g. Healthcare, Telecoms, Manufacturing, Transport and F&B could help banks expand geographically. The major development that can support the success of this model is in having embedded financial systems that allow to plug and play with specific rules.

#4 Survival of the ecosystem is a good measure of success

If I had to bet what measures will lead to ecosystem success, it would be difficult to predict. The ecosystem's survival is a good indicator of success, while its growth demonstrates adaptation. The ability of an ecosystem to grow and sustain itself is crucial to its survival, which means that if one component of the ecosystem fails, the rest will fail as well - a domino effect.

Other measures of success include product innovation, robust, frictionless, and intuitive customer experience and other tangible measures, such as:

> How much time is a user spending on a particular app?

> How often is the user visiting?

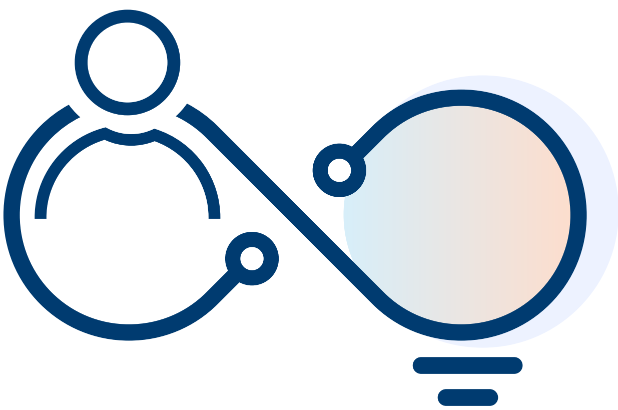
It is crucial to account for consumers' behaviour as this will indirectly reflect the current financial efficiency of banks. The transition needs to happen; banks must move from being product-focused to customer-centric. Still, the consumer utilises the bank to achieve a life goal. As a result, there exists a dichotomy. Yet, banks need to understand what a customer-centric business can do and how it will work wonders for them.

An excellent customer-centric business model should allow the consumer to achieve their life goals frictionlessly with the aid of the banking and financial services suite.

If banks want change to happen, they need to act now. The customer-centric business model is the way of the future and will be for the long run. Banks need to consider these practices when implementing a customer-centric model to attain a remarkable degree of success.

Way forward

Winning and owning customer journeys is the new battleground for banking CXOs. These leaders understand how to put aspirations into action and are ready to make bold decisions for growth. Future success will come from hyper-connected and localised experience platforms. Banking leaders are striving towards establishing partnerships and leveraging banking-as-a-service principle to become a part of everyday customer decisions. They are maximising the potential of ecosystem to create innovation opportunities and foster sustainability. Changemaker conversations are testament to the significant progress banks have made and will continue to do in this decade.



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Get in touch

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About Temenos

Temenos AG (SIX: TEMN) is the world’s leader in banking software. Over 3,000 banks across the globe, including 41 of the top 50 banks, rely on Temenos to process both the daily transactions and client interactions of more than 500 million banking customers. Temenos offers cloud-native, cloud-agnostic, and AI-driven front office, core banking, payments, and fund administration software, enabling banks to deliver frictionless, omnichannel customer experiences and gain operational excellence.

Temenos software is proven to enable its top-performing clients to achieve cost-income ratios of 26.8%, half the industry average and returns on equity of 29%, three times the industry average.

These clients also invest 51% of their IT budget on growth and innovation versus maintenance, double the industry average, proving the banks’ IT investment adds tangible value to their business.

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