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driving digital agility

Banking on Digital: A digital focus for banks is imperative in a post-COVID world

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Overview

The financial services industry is under tremendous pressure, more so are retail and commercial banks. Owing to constantly evolving consumer demands and the increasing number of disruptive fintechs, the need for seamless digital solutions is inevitable and the timing could not be better for banking technology. With bank customer loyalty and trust at a low point over the last decade, following the financial fallout and the economic downturn fueled by COVID-19, banks need a fresh start. The digital solutions explored by banks is not enough to stay relevant and compete with network native fintechs, and here is how we think the technology can be best utilized by the banks to drive future growth.

End-to-end service quality

A focus on customer experience will be as important as customer trust in the future, since they are no longer mutually exclusive. Some banks are already taking advantage of artificial intelligence to extract greater customer insight and deliver end-to-end service quality whether it be mortgages, retail banking or commercial banking. However, the challenge lies in applying micro segmentation and sentiment analysis to offer hyper-personalized services and products. For example: using natural language processing to better predict customers' behavior by better identifying how customers label their transactions and payments to their friends or family.

Regulatory ecosystem with new political changes

Structuring banks and mortgage organizations for the upcoming regulatory and compliances and making them business-ready for the future is an essential task. Innovative banks are those that see the changes coming and keep themselves agile to accommodate those changes. With LIBOR and several other regulations imposed on KYC, KY3P and vendor management foreseen in the next 3 years, banks that syntactically design their regulatory systems will not have to spend millions of dollars on consulting thereby lowering dependency on other firms.

Managing steep competition from fintechs

The BFSI ecosystem leverages in particular the power of mobile technology to put the bank at the center of an ecosystem selling financial and non-financial services. Taking a cue from the retail sector where the likes of Amazon, eBay and Starbucks have transformed and set the benchmark for digital customer experiences, financial institutions are beginning to rise to the occasion. There is a growing realization that if they fail to respond now, nonbanking tech-heavy organizations will step in to own the customer experience layer and provide alternate means of distribution. This concern is not unfounded. Innovative players such as Movenbank, Square, Google, and Simple (formerly BankSimple) have already started offering financial services.

Risk at the center of a bank and the mortgage organization

Establishing new risk strategies to tackle financial, IT and cyber related risks is more essential today than ever before. To diversify from a risk portfolio standpoint, banks and mortgage organizations can enrich and sustain through bootcamp programs across variety of risks that impede the financial services. Investing in improving the quality of data to the underlying models that assess risk has proven wonders to many of the leading banks. Take for example, model risk management as a function – while business side needs to engage in assessing the risk with pricing, customer onboarding, ALM etc., the technology teams can focus on reducing the time to make decisions and improve data quality to those models using the latest and greatest predictive analytics, AI/ML and automated decisioning with the concept of 'data scientist in a box'. The same applies to credit risk, cyber risk, and operational risk functions too.

Mobility brings agility

Hyper-personalized banking is at the forefront with the focus on enabling highly personalized experiences that engage and exhilarate customers without breaching their trust—a trait of the Everyday Bank. They are using personalization technologies to tailor their products and services to the unique affinities of individuals by collecting highly contextual data to deliver personalization everywhere—from the retail branch to online to mobile.

Case in point: Moven

Moven's personal financial management app on the smartphone and, more recently, the smartwatch is a good example. It combines spending/saving psychology, behavioral science, location data, day-to-day gamification and other services (such as debit card and payments) to offer customers financial feedback in real time.

Just after paying for the family's pizza night out, for example, a customer might get an alert on his smartwatch cautioning about a near budget overspend for the month. The smartphone version offers personalized banking service, including mobile check deposit, new options for loading cash onto the Moven debit card and soon-to-come impulse savings suggested to customers whose monthly spending falls below average. By using data from connected devices to deliver very tailored, context-based banking experiences, Moven engages customers (particularly tech-savvy millennials) in a more compelling way.

Cultural shift and resource optimization

The cultural shift gets really challenging when it comes to the point where the financial firm needs instill a mental shift among staff to embrace and implement processes that amplify productivity and efficiency. Employees should be intimated, and their involvement is crucial in the early stage of the optimization process.

For example, analytics can be introduced by the financial firm to measure everything such as the value of the customer, performance of the customer, the costs needed to serve the customer, and allocation of resources to create the products for the customers. Key performance indicators (KPIs) should be linked to employees and the rewards should be based on the review of the KPIs. Even the employee workspaces can be optimized to enhance innovation, teamwork and collaboration.

The road ahead for connected banks

It's clear that players in the banking sector will have to acknowledge that this overhaul cannot happen alone. There is an immediate need for a mental model shift to relook at customer interactions and experiences. The proliferation of emerging fintech players across the banking value chain such as in digital payments, short-term working capital, support and other areas is splintering the entire ecosystem, and banks will have to partner with the right solution providers to capture a meaningful position in the digitally revamped banking ecosystem.

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About Marlabs

Marlabs designs and develops advanced digital solutions that help its clients improve business outcomes swiftly and precisely. It succeeds by harnessing the power of the Digital Collective™, which brings together design-led digital innovation with human experience, composable digital platforms, and a collaborative ecosystem of first-class technology partners and innovators.

Marlabs is headquartered in the New York Metro area, with offices in the US, Germany, and India. Its 2,000+ global workforce includes highly experienced technology, platform, and industry specialists from the world's leading technical universities.

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