

Consumer Banks Must Evolve to Stay Relevant

By Arun Kini, Regional Head – APAC at SunTec Business Solutions

Citigroup recently announced that it would be shutting down its consumer banking business in India and 12 other countries as part of an ongoing strategic review.¹ Under new CEO, Jane Fraser, the group plans to direct its investments and resources to businesses in four key regions where it anticipates higher returns and growth—Singapore, Hong Kong, the UAE, and London.

“While the other 13 markets have excellent businesses, we don’t have the scale we need to compete,” said Fraser.

Citigroup’s candid admission comes on the heels of Spanish bank BBVA’s announcement in November that it would be selling its stateside business to PNC Financial Services Group for \$11.6 billion. HSBC too is reportedly considering withdrawing from the US retail banking market as part of a wide-ranging overhaul of its global business.

One could argue that these exits were driven by the banks’ need to use their capital resources better. But they also reflect just how tough the retail playing field has become. Consumer expectations are evolving faster than many banks are able to keep up with. Regulatory pressures are increasing. Low interest rates are squeezing margins, even as operating costs rise.

Meanwhile, the competition is getting fiercer. Global banks, community banks, fintech firms, and now Big Tech are all gunning for the same customers as they strive to out-think and out-innovate each other. Add the COVID-19 crisis to this mix and you have a perfect storm.

To survive and thrive, consumer banks must do more than simply peddle their products and services. They must innovate and accept digital transformation for the future, leveraging technology to elevate customer experiences, cut costs, improve agility, and reimagine their value propositions.

Here are three ways we believe consumer banks can differentiate themselves and stay relevant:

Start with the Customer and Work Backwards

Tech giants like Amazon, Google, and Apple have raised the bar on customer service—so much so, that 49% of American consumers told Deloitte they would be willing to use mainstream consumer banking services from Amazon if available.

The truth is that consumers are tired of their banks bombarding them with generic financial products, as well as fees that are neither customer-friendly nor transparent. They want a better banking experience—one that is personalized and seamless across touchpoints. They want to feel like their bank understands their needs and has their best interests at heart.

This requires banks to re-organize their operations, infrastructure, and channels around their customers, rather than their products. It means engaging with customers at a segment of one level, finding ways to create value for them at every step of their journey, and tailoring offerings to their unique financial needs and goals.

For instance, with SunTec Dynamic Offer Management, banks can quickly launch hyper-personalized and contextual offers that customers love. These offers can be independent or bundled with competitive price plans for different customers. Banks can also empower customers to create and customize their own product bundles and offers through the solution. The result? Happier, more loyal customers that translate into higher customer lifetime value.

Embrace Digitalization Without Ripping Out Legacy Core Infrastructure

In a COVID-19 world, the digital transformation imperative has never been more important or more urgent. “Go digital or go bust” is the common refrain. But re-thinking entire business models, ways of working, and customer experiences from a digital perspective is a bit of a tall order—especially for large global consumer banks with complex operating models, as well as a multitude of systems, applications, and channels that have been built up over years of growth, mergers, and acquisitions.

How can these banks accelerate their digital journeys in a stable manner? With their massive legacy infrastructure, how can they become more agile and responsive to change?

The good news is that they don't necessarily have to build a shiny new technology landscape from the ground up. Old technology can co-exist with new systems. For example, Xelerate® Digital Core platform helps consumer banks speed up their shift to digital without having to replace stable legacy core systems. The platform simply hollows out customer engagement functions from the core to be managed as a horizontal cross-enterprise layer. This allows banks to quickly adopt new technologies, offer customized products, enhance customer experiences, and yes—

transform into flexible, digital organizations through a low-risk approach.

Keep Calm and Collaborate

Consumer financial needs are constantly evolving. And if banks don't keep up, they risk losing their customers to other financial service providers who are more tuned in to what these customers want.

Having said that, banks can't afford to build every single product or service that customers are looking for. What they *can* do is partner with fintech firms, digital lenders, and even non-banks that specialize in meeting specific customer needs—be it for a money management app, or end-to-end assistance in buying a car. That's the promise of platform banking – building an ecosystem of partners to deliver value across the customer journey, and to eventually become a one-stop-shop for all customer financial needs.

With platform banking, banks can rapidly innovate and expand their product and service offerings, thus transforming from mere utility service providers to true value aggregators.

SunTec's Ecosystem Management Capabilities make it easy for consumer banks to manage and co-innovate with partners. The solution's APIs integrate with both internal and partner systems without disrupting the core. This allows banks to optimize their offerings, create innovative pricing models, and offer customers a wider choice of products and services in collaboration with partners.

Looking Ahead

The challenges facing consumer banks are many—but so are the opportunities. Now is the time to reimagine customer engagement, modernize legacy technology, and strengthen partnerships. Those banks that achieve these goals will be the ones to watch.

Sources:

1Citigroup

2CNBC

3Reuters

4KPMG

5Deloitte

Arun Kini

Based in Singapore, Arun Kini is the VP & Regional Head of APAC for the Client Facing Group at SunTec Business Solutions. With over 25 years of experience in the Financial Services & Information Technology industry, Arun has strong domain expertise in Payments, Transaction Banking, Open Banking & Revenue Management. Prior to joining SunTec, he held various leadership roles at Finastra across different parts of the organization – Product, Sales & Account Management, Pre-Sales & Consulting, leading to extensive interactions with C-level executives across the banking industry.