



eBook

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# Reimagining Banking in a Customer-Driven World

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# INTRODUCTION

For some time now, the global banking industry and especially retail banking, is undergoing significant change. This change is driven by several factors that are collectively changing what banks mean to their customers and how they are expected to add value. These forces of change include rapid advances in digital technologies, increase in competition from new quarters and rising customer expectations that cannot be met through current ways of working. Most importantly, market disruption has been caused by the volatile environment due to the COVID-19 pandemic.

Digitalization in the retail banking industry has, over the past decade, enabled ever-increasing levels of customer self-service and convenience. However, platforms developed by BigTech and fintech players have simplified and speeded up the process of sending and receiving money, a service that was traditionally provided by banks. Additionally, these companies, which already have a global customer base, are building ecosystems geared to meet a larger set of customer needs. Customers can seamlessly access (and pay for) a constantly expanding basket of goods and services via non-banking platforms. Attractive discounts and bundled offers further increase the attractiveness of these alternatives. Also, these companies are not bound by banking regulations. All this has created a set of formidable competitors for banks; it has also reshaped relationships and the power balance between banks and their customers.

Millennials and other digital natives were early adopters of these alternative, non-banking solutions. Superior experience and other clear benefits available with non-banking platforms have led to customers expecting more from their banks. Convenience, speed, and security have become hygiene factors; “real-time”, “personalization” and “advice” are becoming increasingly important.

In this hypercompetitive environment, retail banks must reinvent themselves quickly. Failure to do so will reduce their relevance and thus increase the risk of their demise in the next few years. Leadership teams at banks are aware of the urgent need for change. However, what holds them back is lack of clarity around specific actions to take.

This short e-book articulates our views on what retail banks must do to remain relevant over the next few years. Central to this transformation will be “Deep listening”, the key to understanding explicit customer needs and expectations. “Partnership”, vital to anticipate unarticulated, future needs and develop the means to fulfil them. The “agility” to enhance the customer's experience will become even more critical. Banks must possess “expertise” to access insights and juxtapose them with appropriate offerings and present them in a timely manner. It is only through this combination of capabilities that banks can deliver “hyper-personalized” experiences to their customers, and thus remain relevant.



# The Road Ahead Needs Significant Changes to Leadership Mindset, Strategy and Operations

Customer-centric thinking that delivers superior, differentiated experience is at the core of the transformation that banks must undertake. “The Customer is King”, so goes an old saying. This adage is instructive to understand the emerging relationship between banks and their customers. Members of royal families traditionally had several people at hand, ready to attend to their slightest needs; largely behind-the-scenes, these staff would appear only when needed. Similarly, customers too must experience the invisibility of banks except when they need the latter’s services. Though unobtrusive, banks must be omnipresent across digital and physical engagement channels, enabling customers to fulfil their needs at every stage of their lives. They must be able to deliver not only on explicitly articulated needs, but also be able to make proactive recommendations based on predicted needs and be prepared to address them.

We believe that the transformation envisioned above requires banks to go beyond individual elements such as technology backbones, product/service portfolios, organizational structures or governance. Leaders must begin by re-examining the very purpose of their bank in the emerging environment. Once they articulate a powerful purpose, they must suitably realign all facets of their strategies and operations. Only then will

banks be able to start regaining their steadily diminishing role as central players in the life journeys of their customers.

We see four “engines” powering the realignment of your bank to consistently deliver value to customers in the emerging landscape. These are:



**A new purpose - driven leadership**



**Automation and organizational redesign**



**Data - driven insights**



**“Business Experience” that goes beyond customer/user experience**

The remainder of this e-book elaborates on each of the above “engines” and provides inputs on the steps that you as a leader can take to begin your bank’s transformation journey to make your services more relevant to customers and deliver positive customer experiences.

# 01

## A New Purpose-Driven Leadership

The role that customers expect banks to play is quite different from the role that was played even as recently as a couple of years ago. Going forward, these expectations will change even more. Therefore, for banks future success will depend on their ability to think outside the “box” of traditional banking. Banks must not view their customers in isolation, because customers of banks too need multiple financial and non-financial goods and services. Banks may not directly produce or sell many of these, but they do have an important role to play as intermediaries in a global, digital ecosystem.

Banks must keep in mind that digitalization enables them to serve customers globally; they must no longer view their addressable markets through the limiting lens of geographic or political boundaries. Banks must be able to offer their customers real-time “recommendations” like what Amazon provides; they must also deliver quick set up, ease of use and quick approvals associated with non-banking platforms promoted by the fintech and BigTechs. Of course, all this also means

compliance with many more regulations.

Therefore, bank leaders need to reimagine, redefine, and explicitly rearticulate their bank’s purpose in the context of emerging customer expectations and the business environment that is unfolding. “Digitalization” may be the glue that binds customers, employees, business partners, investors, and regulators, but it means different things to different stakeholders. It is important for banks to reflect their understanding of these nuances in their reimagined/redefined purpose.

Can you, as a leader in your bank, transform your bank into a platform that enables and empowers individuals, families, and businesses to achieve their dreams at every stage of their life? Can this platform attract even those who are not customers of your bank for conventional products and services? Can your banking platform effectively play matchmaker between existing/potential customers and an ecosystem of curated solution providers, and in the process, act as agents of mindset change?



# Automation and Organizational Redesign

02

The speed and scale with which banks must be prepared to meet customer needs cannot be achieved, let alone sustained, without higher levels of automation both at the front-end and the back end. Digitalization will enable more processes to be automated, cutting down on internal processing time (and thus, waiting time for customers). The need for paper-based, in-person processes will decrease further, thereby reducing the need for customers to physically visit bank branches.

But not everything can be digitally delivered to meet customer needs to an adequate level of satisfaction. Particularly in the financial world, regulatory requirements to prevent mis-selling or misrepresentation may require some human interactions. Thus, when it comes to making decisions on investments or insurance, customers may well continue to expect advice in - person from experts. This means that bank employees must be enabled to view customers beyond line-of-business silos.

The implication of this is that banks will

need to hire the right complement of skilled financial advisors who are familiar with various offerings. Front-line employees (who are currently dispersed across product lines) will need to be upskilled to become financial advisors who, armed with customer-specific insights, can help individual customers make the right financial decisions in their life journeys.

It is important for banks to acquire the right software tools to enable unified customer views, present personalized, on-the-fly bundled offers/pricing. However, banks' automation imperative is not limited to putting in place the right software. Banks must also simplify their organization structures; employees must be trained to focus on customer servicing and retention, besides acting as conduits to feed information back to the bank's analytics and predictive engines so that the quality of insights generated improves continuously. This new paradigm will also have implications for how performance is defined and measured and how career progression is enabled. It is important that everyone in the bank must get tuned to these new ways of thinking and doing.

# 03

## Data-driven Insights

Banks, like many other businesses, capture massive amounts of customer data sets such as family profiles, details of financial transactions, spend patterns, browsing habits etc. Technologies such as AI, ML and analytics can help banks harvest insights about individual customers and prospects. These insights must be utilized to deliver personalized offers and/or marketing messages through multiple channels. Simultaneously, banks must ensure that their frontline staff and customer advisors get timely access to unified views of customer relationships and suitable action alerts, including what to pitch (and how). Collectively, such actions will increase the odds that customers get the products and/or product bundles, rewards, and/or services at the right time (given their context and needs) and thus benefit from personalized experiences.

Some of the above is already happening, but banks must accelerate the pace and enhance their efficiency in these areas. Subject to maintaining the requisite levels of data protection and privacy, banks must share insights with ecosystem partners so that they remain at the center of transactions where their customers purchase non-banking products and services. This is one way for banks to create clear pathways to get closer to existing customers and attract new ones by embedding themselves in the middle of customer experiences. In turn, this equips them better to face competition from Big Tech and fintechs. We also believe that insights need not come only from the data that banks have. Banks must be able to apply insights into user behavior and extract needs and preferences from other niche platforms offering Social Finance, Financial Literacy, Budget and Spend Management, Investment Planning etc.



“Experience” has for long been a central tenet of customer-centricity. Bank branches, retail store formats, and even hospitals have been designed to ensure smooth customer flows and convenient, efficient touchpoints. The rapid growth of digital consumer technologies, including smartphones, brought user interfaces into focus. Businesses invested resources to simplify workflows and make it easy for customers to complete digital interactions with minimum clicks, screens, and data entry. Through all this, the underlying intent was tacitly “customer experience” or “user experience”. In other words, what the customer underwent and felt when interacting with banks, e-commerce platforms or other businesses digitally or in brick-and-mortar formats.

But in a world that is evolving faster than ever before and customer expectations are constantly going up, shouldn't the definition of “experience” change too? We believe it should. Going forward, “experience” should transcend touchpoints and workflows, or be measured only by metrics such as waiting time or turnaround time. Think back to a joke that was popular in less sensitive times- “the operation was successful, but the patient died”. The doctor may have performed the surgery well, but did it deliver

the desired outcome to the patient's family?

We believe that it is time for banks (and other businesses) to raise the bar and use the tectonic behavioral shifts caused by the pandemic to redefine “experience” to include controllable elements of “outcomes” achieved by customers. To be sure, it will never be possible to deliver expected returns on investments or predict changes to tax laws. But if banks can be more transparent around risks and costs and ensure that every customer understands them beyond simply ticking a box around “I have been explained the risks”, we believe customer experiences and outcomes can be improved significantly. Fintechs like Chime and MoneyLion have already positioned themselves as experts at helping customers avoid paying bank fees. If banks themselves do not start providing such advice, they will likely lose customers altogether.

User experience (UX) and customer experience (CX) will still be relevant because they represent how easy it is for customers to engage with a bank or other business. Increasingly, however, leaders must get their organizations to consciously focus on “Business Experience” (BX).

## Holistic “Business Experience” That Goes Beyond Customers/Users

04



The concept of “Business Experience” was first articulated by Adobe in 2017, and envisioned embedding “experience” not just during the product/service purchase journey or through digital channels alone. Increasingly, the concept has been finessed to move towards including outcomes for all stakeholders. In many ways, what businesses have done to engage with customers during the pandemic despite most employees working remotely and restrictions on in-person interactions falls under “Business Experience”. This could include contactless deliveries, teleconsultations etc. The key point is that BX goes beyond UX or CX and individual channels.

Viewing “experience” as something that transcends customer touchpoints and user experiences is undoubtedly a paradigm shift. Efforts to consistently deliver this higher level of experience will succeed only if the entire organization throws its weight behind the new ways of thinking and doing. Every employee must not only be customer-obsessed but must also be able to see how his/her role contributes to improving and sustaining a superior business experience. This has clear and major implications for the entire organization. Where user experience was largely the responsibility of CMO (or perhaps COO), experience must now be a Board-level priority to ensure that every part of the organization becomes and remains customer-obsessed. Back-end operations

at banks are still largely designed to support how banks have always done business and that needs to change because innovations and customer-obsession at in the operations teams too can directly enhance Business Experience.

Technologies such as AI and IoT will be critical enablers of this fundamental shift. In the context of banks, this shift might mean innovating payments using wearables or loading payment capabilities in cars, so that parking, tolls, and other charges are automatically deducted without the customer having to worry about multiple e-wallets or cards. If voice-driven commerce is becoming popular, why not voice-driven banking? Think of how useful a solution like this would be to senior citizens or others who, for whatever reason, are unable to use conventional digital interfaces and paper-based services. Such solutions will also need much higher levels of inbuilt security features. As we all know from personal experience, even the best technology can face glitches, so having the necessary human back-ups to ensure uninterrupted experience is critical to ensure that business experience is not diminished.

As business ecosystems become bigger, more diverse, and more sophisticated, all constituent members must all commit to delivering BX, or else, the value of the entire ecosystem will be compromised in the eyes of customers.

## Conclusion

Thanks to digitalization and the emergence of ecosystems, banks now serve customers from anywhere in the world. The needs and expectations of bank customers are changing and go far beyond the solutions and services that most banks currently provide. The inability of banks to deliver is encouraging players from outside the banking industry to position themselves to address these needs and customers are gladly shifting. This shift in bargaining power means that unless banks become more customer-driven, they are likely to lose out big-time in the next five years.

Banks cannot expect to be successful in the future if they do not change in fundamental ways. The transformation that banks must undergo to succeed in a customer-driven environment will be powered by technologies such as AI, IoT and tools for personalization and pricing. But the scope of the transformation goes

far beyond technology. It must begin with a reimagined purpose. To support this purpose, banks must redesign their organizations (front, middle and back-ends) to break down product or line of business silos. While automation must drive efficiency, it must also enable higher levels of innovation.

Data-driven insights about the customer's context and stage of life journey must be used to recommend products and services that enrich customer lives. Unlike in the past, this means allowing customers to access offerings from an ecosystem, and not be limited to what the bank itself offers. Finally, the focus must expand from just user or customer experience to business experience. This will ensure that banks have skin in the game in terms of not just the quality of experience during interactions with the bank but also how well the outcomes are likely to align with customer needs.

**It's a whole new ball game, are you ready to play?**

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