

The SunTec logo is displayed in a white, sans-serif font at the top center of the image. The background is a cityscape at sunset with a network overlay of white lines and glowing nodes. A glowing blue gear icon is positioned in the lower center of the image.

SunTec[®]

Point of View

The Future of Banking: Open, Personalized, and Customer Centric

Introduction

On March 3, 1938, Saudi Bedouin Khamis bin Rimthan assisted American geologist Max Steineke in discovering the world's largest oil well. This momentous event transformed the Kingdom of Saudi Arabia (KSA) into a major economic power, primarily driven by its oil and natural gas reserves. However, the global energy landscape has since changed, and the Kingdom's monopoly on the trade has diminished. Furthermore, the Paris Agreement on Climate Change in 2015 emphasized the need for cleaner energy sources. In light of these developments, the KSA has sought new revenue streams to boost economic progress in the region.

Several Gulf Cooperation Council (GCC) countries too are undergoing rapid economic transformations, fueled by tourism and the hosting of major global events. Dubai has positioned itself as a leading tourism destination, attracting travelers through regular tourism expos. Qatar hosted the FIFA World Cup in 2022, and Saudi Arabia successfully secured the bid to host the 2034 Asian Games. The successful Saudi Arabian Grand Prix in March 2022 has opened up additional opportunities for motorsport events in the region¹. With the GCC region embracing development, significant investments are being made in industries such as shipping, information technology, manufacturing, and others.





Transforming the KSA with Vision 2030

Crown Prince and Chairman of the Council of Economic and Development Affairs, Mohammed bin Salman, had launched "Vision 2030" to position Saudi Arabia as a global investment hub, foster innovation & entrepreneurship, improve public services, and enhance the overall quality of life for the citizens. Given this ambitious initiative, the KSA banks

today have an opportunity to become the catalysts for economic growth and development. From financing economic diversification, promoting investment and capital markets, to supporting SMEs, driving fintech innovation, improving financial inclusion, and empowering Saudi youth and women, banks will play a vital role in supporting this vision.



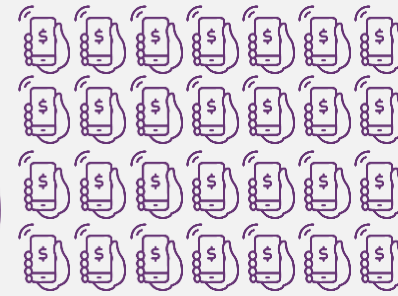
The Boston Consulting Group and Vision 2030: Forging a Path to the Future

Boston Consulting Group (BCG) is a part of KSA's economic transformation - an unparalleled story of reform, market liberalization, and economic diversification. Their industry expertise helps enterprise clients, public sector entities, and other partners achieve their business goals and national visions. Recently BCG launched the 5th edition of the Jeel Tamooh program² with the theme 'Building skills for the future'. The program helped 160 students meet industry leaders, gain business and entrepreneurship skills, and develop their professional network. The program focuses on fostering an entrepreneurial mindset and encouraging innovation among the participants. The program also aims to equip young talent with future-ready skills, enabling them to become active contributors to the economy and agents

of positive change in the KSA's business landscape.

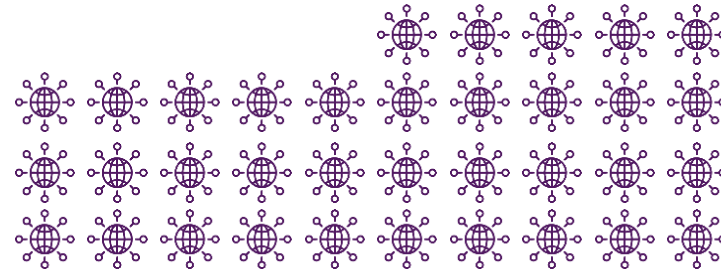
Further, the BCG in its report on the banking sector in Saudi Arabia³, published in March 2022, makes some interesting observations. By 2030, 70% of all payments will be non-cash and savings in household income will grow from 6% to 10%. This reinforces the focus on making Saudi Arabia a hub for digital payments and bringing more people under the ambit of banking. The report also stresses on the importance of banks pursuing strategic investments to grow revenues, focus on digital transformation to provide a better customer experience, and leveraging partnerships with different businesses to expand their customer base.

Insights into Saudi Arabia's Banking Landscape: Key Statistics for 2022



28%
MOBILE PAYMENT
SERVICE USERS

35M
TOTAL INTERNET
USERS



68.16%
FORECASTED ONLINE
BANKING COVERAGE
BY 2028

28%
UNBANKED
POPULATION



SAMA's Efforts in the Banking Sector

The Saudi Arabian Monetary Authority (SAMA), the country's central bank, established an Open Banking Program as part of its Fintech Strategy to modernize the financial sector, promote technological advancements, and encourage the growth of a vibrant and inclusive fintech ecosystem in Saudi Arabia. Alongside a policy framework for open banking, the Saudi government also established an "Open Banking Lab," a virtual environment where banks can experiment with different tech solutions and test various open banking approaches without impacting their actual websites. Additionally, to ensure that the outlook for banking in the region remains positive, SAMA increased its key interest rate by 25 basis points to 5.5% in March 2023 to match the changes made by the U.S. Federal Reserve⁴. Measures like this will aim to boost the confidence of banks, local industries, and the public and ensure that there is strong economic growth in the region.



Prioritizing Customer Experience

SAMA is leading the way by enabling innovation in banking through its open banking initiatives. In fact, KSA banks are actively adopting a customer-centric and digital-first mindset to enhance their services, having embarked on several initiatives to cater to customer needs. These initiatives include developing user-friendly mobile banking apps, introducing digital onboarding processes, expanding online service offerings, implementing innovative payment solutions, and enhancing customer support through digital channels. However, to further ensure convenient, personalized, and seamless banking experiences that align with customers' expectations in the digital age, we believe Saudi banks need to look at 3 key areas:

Superior customer segmentation



A one-size-fits-all approach will no longer work. Dynamic segmentation will become a key strategy to enable banks to gather, analyze, and decipher behavioral, transactional, and other data to better understand customer needs and recommend products aligned to their needs. Such intelligent utilization of customer data can empower banks to recommend the best products and services at attractive prices, bundle offerings, and make the right offers with value-added benefits. Banks can by this means offer a frictionless and superior banking experience and retain existing customers and acquire new ones.

Dynamic pricing



Today banks are not only competing with each other but also with fintech firms and neobanks. Saudi Arabia currently has around 147 fintech firms⁵ that are leveraging technology to bundle products and services effectively and offer them to customers at appealing price points. Pricing is becoming a key differentiator. Thus, acquiring the capabilities for “dynamic pricing,” based not just on who the customer is, but also on factors such as engagement channel, size of existing relationship, profitability of the existing portfolio of the bank’s products consumed by the customer, and considerations like willingness to pay for a product/ service is becoming key to win and retain customers. Simply put, pricing tied to the context of the need (both of the bank and the customer) is vital to improve the customer experience and improve the customer perception of value delivered by the bank.

Monetizing banking ecosystems



Digital transformation is driving innovation in the banking sector. Two key strategies driving open banking are banking-as-a-service (BaaS) and banking-as-a-platform (BaaP). BaaS relies on partnerships, while BaaP focuses on creating a platform or a banking ecosystem. Open banking is also an enabler for embedded finance, democratizing banking. It gives an opportunity to non-financial service providers to integrate a banking service or product within their portfolio of offerings and provide their customers with a better banking experience.

The Way Forward for Banks in Saudi Arabia

The future of banking in Saudi Arabia holds great potential for transformation driven by technological advancements and evolving customer expectations. With initiatives such as Vision 2030 and the increasing adoption of digital banking solutions, Saudi Arabia is poised to witness a shift towards a more digital, inclusive, and customer-centric banking landscape. The future will see banks leveraging emerging technologies to deliver personalized and innovative financial services. Open banking is also expected to play a crucial role, promoting collaboration between banks and fintech startups to offer enhanced products and services.

Overall, the future of banking in Saudi Arabia holds immense potential for driving financial innovation, improving customer experiences, and contributing to the country's economic growth and development.

Forward-thinking banks that switch to customer-centric models, consider customer journeys, and build robust pricing and monetization strategies will not stay ahead of the curve but also succeed in delivering superior experience throughout the customer lifecycle, thereby winning customer loyalty.



References

1. Arab News
2. Jeel Tamooh Program
3. Banking in Saudi Arabia BCG Report
4. Gulf Business
5. Gotrah Saudi Fintech



Please note that most of the insights presented in this point of view are derived from an executive roundtable organized by SunTec on June 14, 2023, in Riyadh, which featured over 20 banking professionals from Saudi Arabia and thought leaders from BCG and SunTec.

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About SunTec

SunTec is the world's No. 1 pricing and billing company that creates value for enterprises through its Cloud-based products. More than 150 clients in 45+ countries rely on SunTec to provide hyper-personalized products, offers, pricing, loyalty programs, tax compliance, and billing for over 400 million end-customers. SunTec products are based on our cloud-native and cloud-agnostic, API first, micro-services-based proprietary platform, Xelerate and are delivered on-premise, on private cloud and as SaaS. SunTec has global operations including the USA, UK, Germany, UAE, Singapore, Canada, Australia, and India. For more information, please visit us at www.suntecgroupp.com or email us at marketing@suntecgroupp.com

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