Banking Digitalization | Revolution | A way forward
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Introduction
“Digital” is the new buzz word in the banking sector, with banks all around the globe shifting towards digitalization. Banks of all sizes and across all regions are making huge investments in digital initiatives in order to maintain a competitive edge and deliver the maximum to its customers. Additionally, digitalization leads to robust data analytics and intelligence, which helps banks get closer to customers and close in on competition.

what does “digital” actually mean?

More Americans are embracing digital banking technology each year (2014 vs 2015) 33% increase in those using mobile banking apps 35% increase in those using a bank’s website or online banking portal

Source: IT Research conducted by Brian Research

Banking digitalization
Digital banking
Combines the benefits of two worlds: a new customer experience on the outside and an efficient, effective operating model on the inside—both enabled by digitalization and the underlying technologies, processes, and structures.
The primary steps on the digital banking journey have been largely focused on adding to the existing offering using new, technology-enabled services to increase the accessibility and value for customers. The most noticeable examples are mobile apps, e-wallet solutions, APIs, and personal finance management (PFM) tools.
The current business priorities for banks in the digital world is to use the new establishment for increasing profitability and revenue. In this innovative business model, it is crucial to ensure regulatory compliance for smooth and long-term execution. The key challenge in the digital era is to ensure all customers are safeguarded from cybercrimes, and the most advanced cyber securities are employed. The shift to digitalization and the continuance of it should cater to reduced cost for the industry, as this will reduce manpower and make the system automated.

"79% of global bank directors say their greatest technology concern is having a strong technology infrastructure to protect from cyber attacks."
(Source: Research done by CDW Financial Services)

Customer convenience is the number one advantage of online banking. Like the traditional bank’s ATM, online banking is available 24 hours a day, 365 days a year. However, you can do your banking from the comfort of your own home and this improves the time taken to process all the requests.

"61% global banks noted digitalization as high priority for 2016; however, 88% see it as a challenge as identifying the right digital partner would be the key."
(Source: Research done by CDW Financial Services)

Online banking is accessible everywhere and increases the customer base, online banking is compatible with money management programs and delivers end-to-end value to customers. Digitalization not only helps in getting more customers but also delivering top-notch services, as efficiency counts as well.

To facilitate the digitalization of banking industry, the enablers can be grouped mainly into: Digitalize Customer Experience, Digitalize Products & Services, Digitalize Organization and Digitalize Operations.
Customer Experience

- Developing Seamless Omni-Channel Digital Services
- 360° View of Customer Insight
- Innovative Disruptive Technology Push
- Add Value Added Services (VAS) in Value Chain

Pdts & Services

- Simplify Core Products, Business and Operating Models
- Develop Customer Centric Business Model
- Dynamic Partner Ecosystem

Operation

Organisation

Enablers
Digitalization impacts everything, and this impact is transformative. Digitalization is about taking full control of your customer-experience and managing all the needs, existing and new, for your customers and developing a business model accordingly.

Customers drive this trend of digitalization, as they are aware of their needs and look for businesses that cater to and fulfill their end-to-end requirements. Customers have readily and effortlessly adapted to the digital world. Customers expect a seamless multichannel experience and a consistent, global service. They judge their experience on three levels: how well companies understand their needs; the simplicity of doing business, and; how delightful it is. There must be an obsession with customer experience and develop ways to steadily improve the experience and learn from every interaction.

Digitalize Products & Services
Traditionally, banking practice has focused on “product push” (i.e. increasing sales targets) rather than understanding how best to delight its customers. In recent times, banks are keen to become more customer-centric.

Digital infrastructure provides billions of customers with affordable broadband and low-cost devices. Banks need to develop new products and services that are meeting the changing needs of customers, maintain competitive edge and match with the latest technology trends.

Moreover, there is a movement by several banks to acquire innovative payment companies as a way to bring innovation internally and leverage new evolving technology. Banks also need to build products based on customer segments while maintain high focus on mobile penetration.
Digitalize Organization
While all banks recognize the importance of multi-channel integration with a unified flow of information, they have not structured their internal organizations and governance policies accordingly. Besides governance, traditional approaches to channels, products, and customer segments will need to be modernized and existing silos need to be dismantled. While most of the efforts are focused on the customer, digitalization’s severe impact on the back end often gets neglected.

A complete review of existing structures will be required to support the new digital banking journey. Back-office staff will need to develop highly efficient skills while at the same time be able to understand new demands of the customers. The push to use big data to improve customer relationship management (CRM) capabilities is putting pressure on data quality and governance and dramatically increasing system performance, and yet only about one in four banks have immediate plans for big-data projects.

Digitalize Operations
Banks will become more digital! As customers, competitors, and even regulatory agencies push in this direction, the promise of anytime, anywhere banking with transparency and convenience will ultimately bring together all the elements of banking in the digital world.

“In an article in the Financial Times, McKinsey London’s Tunde Olanrewaju, wrote that “Retail bank customers don’t experience the same level of digital choice, freedom and empowerment as in other industries” such as travel, to quote just one.”

Banks need to identify opportunities by looking at the overall customer life cycle, focus on improving experiences and enable better customer services. Banking does not guarantee customer loyalty due to customer behavior. A fluctuation of loyalty has been noticed in the industry, furthermore loyalty is not the key answer, but it is experiences. Customer experience and customer service needs to be enhanced in a coherent way: from cross channel and multichannel to omnichannel. The practice of digital marketing and customer service strategies need to be engaged to acquire, retain and delight customers.
Banking Industry Perceived Threats

- New banking models with paramount digitized services
- Online Payment Providers- PayTM, Mobikwik, PayPal, Mobile wallets-Telcos
- P2P Players turning to Asset- Backed Securities (ABS) market-
  Crowd funding, cryptocurrencies, mobile inclusion- Providing
  P2P payments, P2P insurance, P2P finance
- Social Media Network
- Retail inclusion

Digital Delivery Gap

<table>
<thead>
<tr>
<th>Feature</th>
<th>Important</th>
<th>Current Capability</th>
<th>Market Lag</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real time synchronization</td>
<td>94%</td>
<td>24%</td>
<td>-70%</td>
</tr>
<tr>
<td>Location driven services</td>
<td>82%</td>
<td>19%</td>
<td>-63%</td>
</tr>
<tr>
<td>Customer analytics</td>
<td>92%</td>
<td>30%</td>
<td>-62%</td>
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<tr>
<td>Social media account</td>
<td>78%</td>
<td>34%</td>
<td>-44%</td>
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<tr>
<td>Multi- channel Integration</td>
<td>92%</td>
<td>36%</td>
<td>-56%</td>
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<tr>
<td>Mobile channel</td>
<td>96%</td>
<td>44%</td>
<td>-52%</td>
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<tr>
<td>Personal recommendations assistance</td>
<td>88%</td>
<td>28%</td>
<td>-55%</td>
</tr>
<tr>
<td>Cognitive Intelligence</td>
<td>76%</td>
<td>14%</td>
<td>-62%</td>
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<tr>
<td>Digital advisory services</td>
<td>83%</td>
<td>28%</td>
<td>-55%</td>
</tr>
<tr>
<td>Comparison services based on financial profile</td>
<td>76%</td>
<td>26%</td>
<td>-50%</td>
</tr>
</tbody>
</table>
Digital Banking Enterprise Roadmap

Pdt Marketing & Sales

New Business Acquisition

Digital Services

Sales Force Automation

Digitalize On-Boarding Process

Product Bundling & Self-Service

Social Consumer Engagement

Customer Data & Insights

Mobile Banking Ecosystem

Customer 360° View

Personalized Customer Relationship

Omni-Channel Service

Seamless Cross Channel Integration & Banking Business Data Management

Customer Analytics

Mobile Enablement

Dashboarding & Reporting
Challenge to Digitalization

1. Legacy of existing models & practices
2. High cost of implementation
3. Lack of technology expertise, skilled workforce
4. Dealing with humangous, pervasive data
5. Complying with legislation & regulation
6. Lack of clear strategy & vision
7. Connecting different data pools
The Tablet based Private Wealth Management advisory application of Happiest Minds Technologies makes the most of the iPad’s hands-on interactive features. The application design features off-the-shelf methodology combined with design customization that helps to blend perfectly well with the underlying Wealth Management solution of the bank. Usage of tablets by advisors, enable their clients to have a better intuitive and richer digital interaction leading to better customer experience. The tablet based application enables to create easier navigation leading to improved browsing experience unlike the legacy desktop application. The advisory app solution also features Peer to Peer (P2P) communication that can enhance the customer experience.

Tablets are increasingly being viewed as productivity tools. The tablet can be an agent driving automation in the middle and back offices of a bank. It can play a huge role in straight through processing (STP) of transactions with minimal manual interventions. Usage of tablets by wealth management firms in advisory services enables advisors to respond faster to client’s needs by processing trade requests even when they are away from office.

The Tablet based advisory application assigns a portfolio from a list of model portfolios based on the risk profile of the investor.

The portfolio consists of various asset classes that are allotted different weightages based on the risk-averse nature of the investor and the riskiness of the financial instrument.
The risk versus return scenario for a portfolio can be viewed using risk charts that are populated along with each portfolio. The advisor can use similar graphical images to provide an enriching experience to the investor before the investor decides upon an asset class.

The Advisory Application can be augmented to include features like client confirmations on the spot using the electronic signature capabilities of tablets. Other mechanisms that could improve efficiencies of the advisory services include payment capture using card scans, cheque captures and document scans that reduce paper work. Client experience can be enhanced by a variety of innovative features like pushing alerts and client dashboard/ Key Performance Indicators (KPI); providing advisors with client items that require high priority attention.
Richa is a Business Analysis/Functional Consultant with ~5 years of experience in varied domains. Her experience lies in Healthcare, Retail Banking and Governance, Risks & Compliance Products/Services. She believes in exploiting and embracing digital technologies to keep abreast of competitive market landscape. Her work involves defining, analyzing, managing and eliciting customer requirements and providing leading strategic value-based products/solutions enhancing customer experience. She also assists in Pre-Sales activities such as market research, identifying business & technical needs and providing consultation on capabilities to accelerate business operations and sales. In free time, she enjoys travelling, listening to music and exploring myriad potpourri of cultures.

Happiest Minds enables Digital Transformation for Enterprises and Technology providers by delivering seamless Customer Experience, Business Efficiency and Actionable Insights through an integrated set of Disruptive Technologies: Big Data Analytics, Internet of Things, Mobility, Cloud, Security, Unified Communications, etc. Happiest Minds offers domain centric solutions applying skills, IPs and functional expertise in IT Services, Product Engineering, Infrastructure Management and Security. These services have applica-bility across industry sectors such as Retail, Consumer Packaged Goods, Ecommerce, Banking, Insurance, Hi-tech, Engineering R&D, Manufacturing, Automotive and Travel/Transportation/Hospitality. Headquartered in Bangalore, India, Happiest Minds has opera-tions in the US, UK, Singapore, Australia and has secured $52.5 million Series-A funding. Its investors are JPMorgan Private Equity Group, Intel Capital and Ashok Soota.