

Are Banks Well Positioned for Customer Remediation

By Nanda Kumar, CEO, SunTec Business Solutions

Global businesses across all industries face tremendous challenges around how to capture market share, retain existing customers and attract new prospects. In disruptive times like these, customer loyalty is particularly brittle, and ironically crucial to the survival of many organizations. Banks are no exception.

To thrive and grow, banks must identify how they can be more customer-centric, offer enhanced transparency, deliver customized capabilities and maximize their assets to showcase their value across each step of the customer journey. This new way of thinking for many banks will require them to reimagine their core technology, foster strong partner networks and understand the true meaning of digital transformation, all while placing empathy and agility at the heart of their strategy.

Despite the new difficulties banks face, the current pandemic can also serve as a catalyst to accelerate long-overdue initiatives, according to new research by [Boston Consulting Group \(BCG\)](#). Financial institutions are uniquely positioned to adapt and optimize their existing assets to achieve customer remediation. They already retain detailed intelligence on their customers, have established methods to interact with them, and can aggregate and analyze data to offer a superior customer experience. Banks that emerge stronger from this pandemic will be those that move towards a model that enables them to deliver on customers' expectations through technology innovation that also helps them to control costs and differentiate themselves from competitors.

Customization is king

As the lines between what traditional banks and fintechs can offer customers continue to blur, the way banks develop, deliver and improve hyper-personalized customer experiences will define who gains and retains customers in a COVID-19 shaped world.

Big tech companies like Facebook, Google, Apple and Amazon have successfully crossed into the financial services market and changed the game for incumbent players. Their business models are built on customization, prioritizing user

experience and the customer journey to maintain their existing customer base and grab increasing market share from traditional players. These tech companies understand how to leverage customer data to provide the ultimate personalized experience and use it to suggest – and even predict – the customer journey, setting the standard for consumer expectations. The sheer power, size and reach of these companies has left many traditional participants unable to compete. With a daily presence in consumers' lives combined with significant capital, existing customer data and strong brand loyalty, big tech and fintechs have become the drivers of innovation – and have pressured traditional banks to rethink how they can focus on customer-centricity and strive to own the customer value chain.

Challenger banks and fintech providers have enjoyed a high level of trust among customers due to their service-first models that build consumer confidence and encourage loyalty. As traditional banks struggle to retain existing customers, they are also losing out on valuable insights that could help them attract new customers, especially millennials, and offer them a transparent and customized experience vs. merely a product.

Millennial needs are influenced by two key factors. One, millennials grew up on the technology of today. A smartphone is their very own personal life assistant used to shop, entertain themselves, learn, work and manage their financial health. Banks need to take this almost fundamental reliance on technology into account when designing new services that resonate with the unique needs of millennials. Two, banks must also recognize the employment and income stability that traditionally affects this generation, something which has been made even more insecure because of COVID-19 and the knock-on economic effects. As the banking experience evolves from product-based to customer-based, financial institutions will be pressed to find new ways to deliver the hyper-personalization services that customers, especially younger people, expect.

Pandemic pressures mount

Banks must be able to quickly adapt to changing goalposts, new customer requirements and continued disruption. The market volatility resulting from the pandemic has taught us that the only thing the banking industry can be certain of in this environment is more uncertainty.

This will require banks to recast their strategies, roadmaps and budgets so they can respond to today's challenges, prepare for future business disruptions and ensure they retain existing customers while appealing to new targets. Now is the time for them to modernize their legacy technology systems, enable end-to-end agility and focus on flexibility, scale, and speed to accelerate their digital transformation and excel in a competitive and turbulent landscape.

Leveraging a modular approach and smart partners

Banks recognize they need to take a modular approach to digital transformation and balance their focus between user friendly front-end channels such as mobile, app and web, and critical yet less flashy middle and back-end systems. While there are many options to modernize legacy banking systems, simplifying complex operations and infrastructure should be step one and represents a low risk method to start the digital transformation journey.

Banks can avoid having to replace their stable core systems by embracing intelligent technology and partners to create the right service bundles for their customers. Adopting a digital core, 'hollowing out' customer engagement functions from the core system and managing it as a horizontal cross-enterprise layer will reap multiple benefits to banks. It will enable them to enhance product innovation, deploy sophisticated customer data management, expand their partner ecosystem and improve revenue management and pricing.

By leveraging their existing robust infrastructure rather than overhauling their entire systems, and utilizing technology partnerships that provide economies of scale, banks can cleverly ensure the agility, flexibility and budget required to make their digital transformation plans a success. This approach will enable banks to quickly adopt new technologies, add functionality and capabilities, enhance the user experience and provide customized internal and external products and integrated services— all while maintaining ownership of the complete customer relationship.



Financial customer data in high demand

Undoubtedly, the entry of fintechs and bigtechs has changed the way the industry views and uses data. This has created privacy concerns and anxiety around confidential customer data as high-profile data breaches make the news and push regulators to play an increasingly prominent role.

Banks and financial institutions have a surplus of customer data from individual accounts and insight into how the individual or household spends and saves. The ability to maintain access to that data is so valuable that fintechs and data aggregators have been particularly eager to get more access to sensitive data, as responsible handlers. This 'battle' over information has escalated in the absence of clear rules and lack of bank regulators' ability to oversee aggregators as they usually don't have direct relationships with those banks.

Banks have the responsibility to safeguard their customers' data and leverage it to build the empathetic bank of the future. That bank will help protect customers from fraudulent behavior, cybercriminals and illegitimate financial activity that could occur if customer data ends up in the wrong hands. As the main 'gatekeepers' of financial customer data, banks are also tasked with making smart use of their data to uncover the context behind banking transactions, understand their customers' ultimate goals and add value to every interaction. Data has the power to enable empathetic banking and help humanize the banking experience – a true competitive differentiator.

At the centre: empathy and agility

Banks must strive to keep empathy and agility at the centre of their strategies to best serve the customer of tomorrow. That means embracing customer data to ensure their offerings add real value to the customer journey. By creating and maintaining access to consolidated data, banks can quickly respond to consumers' evolving needs and seamlessly access this data by building a digital core layer in their functionality, which captures and meticulously logs the data from every customer interaction, personal information, purchasing pattern and more.

Smart banks will leverage their customers' information to offer service-first models built on trust and loyalty, while ensuring transparency for both customers and potential regulatory requirements. The bank model of the future is rooted in empathy, understands the customer's needs, drives customer retention and ensures the long-term health of their business. By humanizing banking, banks will soon realize it empowers them to innovate faster, future-proof their business and reduce costs all while enhancing the customer experience. The end result will be a transition to an agile, customer-first organization that demonstrates it listens to its customers' evolving needs, which today is certainly the need of the hour.

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Nanda Kumar (NK), the Founder & CEO of SunTec Business Solutions (the world's #1 company for relationship-based pricing and billing), is a pioneer in building customer-centric software-platforms. He single-handedly built India's first automated billing solution for DoT (Department of Telecom). With an experience of nearly three and a half decades as a technology and business evangelist across industries, NK has helped shape the wave of customer-centric software platforms and solutions for pricing, billing, and product management, particularly in transaction intensive verticals.

An innovator at heart, he holds several patents including a patent for real-time value-chain management, a patent for developing software using the product-application-solution framework, as well as a patent for building system and method for collaborative designing, development, deployment, execution, monitoring and maintenance of enterprise applications.