

Intelligent Systems Can Help Banks Maintain Business Continuity In These Uncertain Times

By Amit Dua

With the inevitable tribulation and market regulations resulting from the pandemic, one thing is certain – the global banking landscape will face a lot more uncertainty. In the meantime, banks have been called on to help boost the economy – to tackle how people can still pay bills, including credit card, loan and mortgage payments, and receive payments during these tricky times.

While such measures could be effective in helping companies survive in the short-term, they are also expected to hurt bank profitability in the year to come. Banks need to recast their strategy and budgets in response to the crisis, so they can not only cope with, but also be prepared ahead of future business disruptions.

So, how can banks quickly address the unique needs of their customers during these difficult times with speed and agility and at the same time, build trust?

Focus on customer experience

Now more than ever, it's time for banks to put a strategic focus on customer experience while preventing revenue leakage during the crisis. Rolling out new pricing, offers, and waivers, such as deferred payments on lending products; issuing refunds/waivers – late fees, overdraft fees, insufficient funds fees, monthly maintenance fees, and penalty-free CD withdrawals, are all the ways banks can proactively respond to their customer's needs and help them survive.

The recent focus on customer experience has largely been driven by the entry of Big Tech companies such as Google, Amazon, Facebook and Apple into the financial services industry. This has been a game-changer and has transformed the way businesses interact with customers. Customer expectations for flexible, hyper-personalized products and services reached an all-time high and long before the crisis, traditional banks were looking to these companies for inspiration around customer loyalty retention. This crisis presents an opportunity for Big Techs and banks to work together and collaborate, as well as utilize the expertise of the tech companies in handling big data, AI, analytics and building customer centricity.

Accelerate digital transformation

This is the new 'normal'. Banks need to recast their strategy and budgets in response to the crisis, so they can not only cope with, but also prepare for future business disruptions. Large multi-year transformational programs without frequently delivered benefits will be hard to sustain or embark upon. One strategy that can help them do this is adopting a modular approach to enable an easier digital transformation. While there are many options to modernize core banking systems, success will be elusive unless the legacy infrastructure is broken down into smaller manageable logical parts.

For those that haven't started their digital transformation journey, this can all be done with a low risk strategy without having to replace their stable core systems and leveraging intelligent technology. The goal is to transition from a product-based to an agile, customer-first organization. Adopting a digital core and 'hollowing out' customer engagement functions from the core system and managing it as a horizontal cross-enterprise layer, provides banks with enhanced product innovation capabilities, sophisticated customer data management, partner ecosystem and revenue management and pricing.

This helps banks execute on their digital transformation aspirations without depending on their legacy systems. It provides them with the agility and flexibility required to make their digital transformation plans a success. With this approach, banks can quickly adopt new technologies, add more functionality and capabilities, offer customized products, enhance the customer experience and take ownership of the complete customer relationship.

Partnerships like this can help commercial banks become more inventive and nimbler, digitizing their processing, systems and customer experiences to create new ways to meet the needs of their customers and form new income streams. With Open Banking, the banks' partnership with fintech companies and other third-party providers is driving technology innovation to help traditional banks stay atop in today's digitally-centered world.

Prepare for the Bank of the Future

The need for new strategies around innovation in the financial world was evident long before the pandemic hit. Now, the question arises, whether banks and financial institutions will remain committed to new banking models driven by digital transformation and customer experience post-crisis.

The cry for a customer experience revolution is stronger than ever, especially during times of disruption. Banks are expected to be able to extend their value proposition beyond core offerings and therefore deliver experiences across the customer value chain. All this, while protecting margins through effective revenue management that supports constant business model evolution.

As banks around the world continue to adapt to the current climate, they are facing significant operational constraints and new challenges. The focus for banks will need to be around accelerating their digital transformation to deliver the optimal enhanced customer experience – without the need to replace costly legacy systems. By preparing for and building the Bank of the Future, banks can be ready for the onslaught of a completely digital tomorrow, which forces the organizations of today to focus on agility, scale, and speed, in order to succeed – or even, survive.

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