Banking-as-a-Lifestyle – The Future of Banks Lies in Adopting an Experience First Mindset

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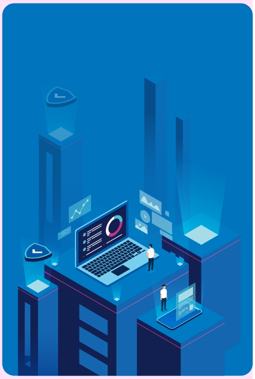
Evolution of Banks and Financial Services

It is easy to mistake banking as a modern invention and forget that it is millennia old – merchants who gave grain loans to farmers and traders carrying goods between cities, and the depositing and storing of gold in temples are just some examples to show how far back it goes. While banking has constantly evolved over the years, at the heart of it are three fundamentals – saving money for the customer, lending money to the customer and moving money across entities. Having said that, the way banking has been done has obviously changed with the times.

Somewhere in the stages of this evolution, banking became about what banks wanted to sell and the products they offered the customer. Banks became institutions and while customers trusted their banks immensely, they also began to look at them as a little intimidating and complex. Change, as is said, is inevitable; the emergence and widespread access to technology began to put the focus on the customer more and more. Customer-centricity was no longer a buzzword and became the fastest way to gain new customers, keep existing ones and paved the way for greater growth. This customer-focus is also very telling of change being more rapid in the last fifty years than it has ever been before.

Customer Expectation at the Core of Change

Today's customers are accustomed to a narrative where they are the centerpiece of brand conversations. This has been accentuated by ever-evolving technology; consumer-facing industries have deployed various platforms to offer products and services to customers in a way that makes life more convenient, including multiple touchpoints, and seamless transactions. The customer does not have to bother with any part of this cycle – there is a felt need and there is fulfilment, which is all the customer is concerned about. This sort of overall customer experience has become the benchmark and customers are demanding the same from their banks as well.



This also has to do with the changing socio-economic profile of the consumer who no longer wants to be treated as part of a “set” but expects personalized banking solutions, products, services and offers. And tech-led companies are using data smartly to study customer personas and needs, creating personalized services and offers, recommendations for an extended product or service offering – and all in all, adding greater overall value to the customer experience cycle and increasing possibilities for greater revenue.

Technology Accelerating the Speed of Change

Traditional banks who understand that embracing technology is no longer a choice but an investment worth making are those that are best geared to meet the current challenges. The scope of technology continues to dramatically dominate industries and customer interactions because it has been proven to address both scale and sustainability. This sea change in technology and its adoption by banks is driving the way banks are behaving not just towards their customers, but also internally in terms of systems, processes and people training methods. As technology becomes more pervasive in customers’ lives, the expectations will continue to grow; banks will have to shed their traditional tags and behaviors, become agile and make relevance the criteria for not just keeping up but getting ahead.

A Changed Competitive Landscape Driving the Change

There are several factors that have driven an unexpected change in the competitive landscape for traditional banks. Among them are, the growth of tech-led non-traditional players with little or no baggage to weigh them down, as well as significantly fewer regulations compared to traditional banking. These newer players offer consumers products and solutions that are more personalized and through multiple channels, increasing choice for the customer and simultaneously increasing challenges for traditional banks, who are faced with two choices – stay relevant and find innovative ways to thrive or fight to survive.

Of all the challenges that traditional banks face today, this threat is probably the most serious one. The new age competition was never supposed to be that – they were part of other industries and offered customers different sets of services. Tech-savvy companies have always emphasized through vision and action that they are curators of customer experience. That they are today part of the banking industry in one capacity or another began as being incidental to completing the customer experience cycle. E-commerce, telecom, search, social networks – all of them sought to enrich customer experiences by embedding banking into their overall services. Customer buy-in was instantaneous, giving these providers the power to own and drive end-to-end customer experiences, relegating the banking part of the process to a mere transaction.

Since these service provider brands are already a part of customer experiences and behavior, there is increasingly a convergence of services that go beyond the core of what a brand traditionally offered. For instance, any lifestyle, travel, e-commerce or entertainment provider can extend their offerings through varied partnerships and other service providers to offer customers wholesome service.

Brands that seek to be customer owners focus on the curation of experiences work with various service providers across industries towards ensuring better experiences for the customer. The partners in this exercise are not necessarily banking partners but anyone that offers the right services in the journey towards customer fulfilment. This horizontal split is one of the fundamental drivers towards successful platformification.

Platformification May Be the Answer Going Forward

When you align multiple partner ecosystems, technology-enable them, and aggregate end user service providers to gain significant incremental advantage then that is Platformification. Banks have started to take cognizance of this albeit cautiously. Innovation in the banking industry could include banks asking themselves business critical questions to determine what they want to mean to a customer.

Banking-as-a-product is already moving to banking-as-a-service and will have to further move to banking-as-a-lifestyle, where it gets totally subsumed in the customer experience cycle – from shopping and entertainment, travel and healthcare, banking becomes ubiquitous, a part of the customer’s lifestyle. For this to happen, platformification is almost the only way.

What augurs well for banks willing to make this digital transformation is that across industries, the trust level that client’s repose in banks is the highest by a significant margin. 68% of customers trust banks with their data and are willing to share personal information with them according to an IBM Institute of business value survey; a huge bonus, considering that banks already have large amounts of customer data to better service them with. With the dual advantage of data and trust, through developing platform-based ecosystems, banks can immerse themselves in the customer lifecycle journey more effectively than most others can.

Banks can and need to necessarily move to a platform business model, leveraging cloud-native platforms where instead of creating standardized products, they begin to find ways to help the customer in every lifecycle event. The greater these helpful interventions, the greater the customer satisfaction derived; the more this happens, the more avenues for revenues open and translate to higher profitability. In today’s scenarios, banks are doing themselves a disservice by restricting their business to products and services. Once they open up to a platform-based business model, the possibilities of newer and more varied revenue streams are higher. Becoming part of the ecosystem also means that banks can use their advantage of scale, bringing down variable costs and targeting greater profitability.

How Can Banks Embrace Platformification?

The core offerings within banking, including accounts, payments, cash management, financing, capital markets, credit and investments among others remains unchanged; these are critical business drivers. What is needed is an incremental move towards banking as a service – expanding the scope of select partners thereby offering customers additional services within the existing financial services offered. These could be in the form of account planning and consolidation, or financial education – things that add value to a customer's financial lifecycle, with the possibility of bundling such products and services down the road.

Going forward, the move needs to be towards banking as a lifestyle, where banks work with non-banking financial services. Health and mobility services, travel and home services are some examples – the possibilities are endless because banks can choose the right partners and areas where they can be embedded into different points within a customer's lifecycle event. Where currently banks work with internal partners, the circle must be expanded to include select external partners as well.

This approach means that banks put themselves in the position of influencing and curating customer experiences and being a part of them. This means working with a host of partners, financial and non-financial, to curate and provide such end-to-end services.

For banks to achieve this journey from banking as a product to banking as a lifestyle, there are critical dimensions to ensure success. Primary is the building of trust and confidence, not just with end users, but also ecosystem partners, ensuring that partner experiences are also curated with care.

Of equal import is how value exchange models are managed. Depending on the way these exchanges are structured, the value flow and how this is exchanged undergoes a complete change.

This also needs changed perspectives towards agility, the ability to change quickly with changing market needs and how rapidly banks can personalize to the level of an individual customer's need. This must be done with high resilience, an ability to scale not just with end customers but an extended partner network with a continued focus on security. The challenge for banks increases because in the banking as a lifestyle scenario, there is inevitably an exchange of data which enables partners to deliver the required service to the customer. Getting strategies right across these three critical dimensions will determine the measure of success of banks' transition to banking as a lifestyle.

The good news is that banks are best placed to offer platform-based ecosystems. Across all industries that are customer intensive, banks have made the most investments and have the highest maturity in customer processes including authentication, onboarding, API management and risk management. Due to the nature of the business they are in, customer data and security are areas of paramount importance for banks. This is also true from a technology perspective, where banks are ahead of most other customer-centric industries because of the trust reposed in them. It is true that banks will need to make additional investments to match the change in how customer experience will be delivered through these new paradigms.

The end game to changed strategies and scenarios is finding newer and more innovative ways to build revenue models, in a world dominated by many different variants of already existing disruptive models. It is imperative that banks work out revenue models with their partners that is in consonance with their own business strategy. The value exchange model banks build will have to be based on the value models presented to its customers as experiences and will also have to be reflected in the models banks build with their partners.

Banks that have not already started making the transition to platform-based models will have to seriously do so to stay relevant to their customer's lifecycle events.