

Delivering Value through Pricing

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Over the last two years, the world has seen unprecedented disruption. Digital transformation and adoption were already on at full swing, but the pandemic accelerated it further, driving significant changes in the way the world lived, communicated, availed of services, worked, and ran businesses. For the BFSI sector the pandemic also brought increased competition from fintechs, evolving and more stringent regulations and changing customer demands. In a business where products and services are not greatly differentiated from one bank to another, can pricing prove to be a game changer for organizations seeking to grow their revenues and deliver value to their customers? Gilles Ubaghs, Strategic Advisor, Aite Novarica Group and Nanda Kumar, CEO, SunTec Business Solutions engaged in a fireside chat on Delivering Value through Pricing at SunTec Confluence 2022 to understand the importance of relationship-based pricing strategies.



The Post Covid Banking Landscape

The pandemic undoubtedly changed the world in significant ways, and the changes are likely to remain and evolve long after the pandemic has ended. The once staid BFSI sector now faces disruption from non-traditional players and fintechs. More importantly, it put the spotlight on the dramatic changes in customer expectations from their banks. Customers today want hyper personalized, relationship-based, and value-driven experiences across all touch points. And they want greater control and transparency across their journey. At the same time, there is a greater convergence of industries as most businesses across sectors move to customer-centric models. Comprehensive ecosystems that meet customer requirements with a range of banking and non-banking offerings are quickly becoming mainstream. At this juncture, banks need to be able to deliver customized products and services and relevant need-based offerings bundled together. And they must be able to address the complex revenue management requirements of ecosystems, manage partners, ensure compliance, and deliver customer-centric services. Differentiated pricing and robust revenue management strategies are critical for banks as they transition to value-based engagement models.

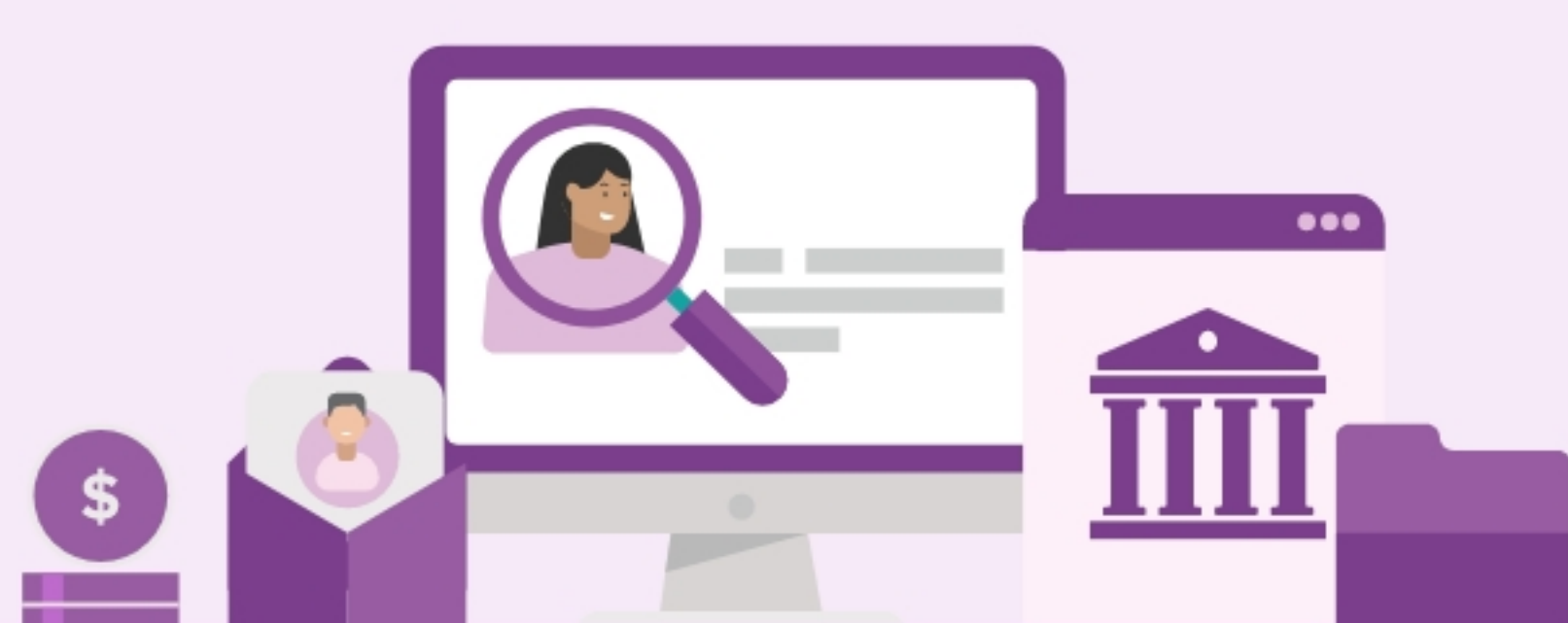
Relationship-based Pricing and Value-based Engagement



Relationship-based pricing (RBP) strategies are the tactical differentiator for value delivery and perception. Most banks have siloed product-centric pricing models that don't work anymore. RBP considers the holistic customer journey across all business lines of the organizations to determine value and arrive at differentiated, personalized offerings. This comprehensive customer journey pricing strategy is essential for banks as competition from fintechs gets more intense than ever before. RBP also helps reduce operational costs, ensures global control and pricing consistency across multi-country operations, and ensures transparency by allowing customers to see how their engagement and behavior helped determine their pricing. This is invaluable for deepening customer trust. Banks must invest in comprehensive cloud-native revenue management systems to deliver value-based pricing offerings. RBP strategies also have a crucial role to play in managing ecosystems – both internal and external. Each product line in a bank can be treated as a micro ecosystem. Every product has their own transfer pricing and margins that a robust revenue management can use to come up with personalized pricing. And as more banks get into orchestrating ecosystems, revenue management systems can help manage partnerships, revenue distribution between different players, and balance risks and rewards.

Banks have multiple product lines in use already and the slightest change to pricing in one creates further complexities. Comprehensive RBP platforms allow banks to easily construct products and services and pricing models. But the transformation is not without some challenges. To begin with, banks must figure out if they want to take a strategic approach to the transformation or a more tactical one. Pricing transformation does not need to be a top-down strategy heavy affair and a tactical method to effect the change can be just as effective. There are of course integration issues as multiple products and services, and core systems must be integrated with the RBP platform. This becomes further complicated with global organizations who have grown by acquiring smaller banks. They may not have unified pricing offerings, and cohesively bringing together diverse systems and models can pose a challenge.

Banks Transitioning to RBP Strategies



But the transition to RBP models is already underway across the world. SunTec Business Solutions has been helping banks across the world move to RBP models. A leading Asian bank with operations across multiple countries wanted to modernize and standardize pricing across markets and get a 360-degree view of customer engagement. SunTec's RBP helped the bank calculate real-time charges based on customer relationship value, improve transparency, incentivize positive behavior, and centralize pricing strategies. As a result, the bank was able to plug revenue leakage of USD 600,000 and handle over 6 million daily transactions seamlessly. SunTec also worked with a European commercial banking leader to accelerate their digital transformation journey, transform pricing, and improve their deal management practices. The bank wanted to deliver hyper-personalized pricing, manage effective bundles & offers, and centralize pricing across regions. As a result of the deployment, they were able to reduce operational costs, and manage customer spends and offer better deals and improve deal management, leading to significant savings.

The business of banking is changing for good. Information arbitrage-based models are being replaced by value-based engagements. Contextual, comprehensive, customer-centric, and relationship-based pricing models will prove to be a critical differentiator for banks in the future and SunTec is ready to help the world of banking make this transition seamlessly, securely, and quickly.