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Bundle Up – Why Banks Must Prioritize Bundling Strategies to Retain Customers and Grow Revenues

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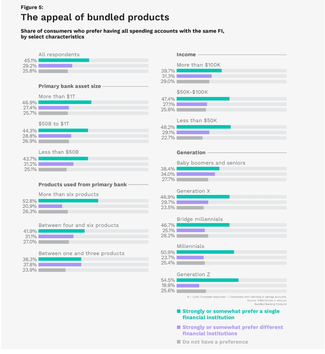
Banks have been contending with changing customer expectations and increasing competition over the last few years. Capturing, retaining, and growing customer wallet share is a major challenge that they must address quickly and effectively to remain relevant in these disruptive times. There is no doubt that the business of banking must quickly move to customer-centric operating strategies. But before banks can do that, they must first understand what customers want. The answer, of course, is simple. Customers are looking to solve a problem or address a need that would make their life easier. They want to be able to do this quickly, easily, and accurately. This is the need that banks must address – help the customer execute the desired action as effortlessly and seamlessly as possible. By creating bundles or groups of banking products and services, banks can help customers accomplish their goals. Bundles are customer-centric rather than product-centric as they are designed to help solve the customer's needs. If banks want to retain customers, grow their deposits and revenues, they must consider effective bundling strategies.

Bundled Offerings Help Build and Deepen Relationships

According to a PYMNTS survey on "Bundled Banking Products," 45 percent of customers want their accounts to be in one bank. 71 percent of American customers appreciate the ease and convenience of bundled accounts from one bank. And 42 percent said that they would be likely to leave a bank if it didn't offer unified bundles of products and services. This percentage increases when it comes to millennials with 64 percent saying they would switch banks in the absence of bundled offerings. 63 percent want real-time recommendations on best payment methods for specific transactions as part of a bundled solution. A bundled offering allows the customer to focus on their objectives not the specific products that meet those objectives. This means that they don't have to pay for each separate offering but make one unified payment for progressing towards their goal. Service providers often offer discounts or rewards on bundles, making for an attractive proposition. Grouping two or more related products and services together to make one composite package of related offerings that helps customers meet their goals is a tried-and-true strategy. And as the survey shows, banks cannot afford to ignore or mismanage the bundling opportunity if they want to retain customers and grow revenues.



Source: PYMNTS-Bundled-Banking-Products-July-2022

Of course, bundles are not a new phenomenon, and neither are they exclusive to the business of banking. Telecommunications service providers have been doing it for years, as have insurance companies. Internet service providers are now bundling OTT and other household subscriptions together to create customized and simple packages for customers. Today technology has blurred the lines between sectors and customers are increasingly demanding an uberized experience from all their service providers including banking. They don't want to avail of different banking products in silos. They want all their banking products and services in one place, and they want these to be personalized based on their relationship with the bank.

For the bank, bundling is an effective strategy to build and deepen relationships with customers. As banking increasingly moves to open and ecosystem models, bundling can help banks develop truly customer-centric offerings that serve customer needs. From helping design better rewards and drive better engagement to ensuring effective cross-selling and upselling, bundling can prove to be a game changer. It can also help banks improve their deposit base. Bundling is a win-win for both the customer and the bank. Little wonder then, that 95 percent of financial businesses don't believe there is any disadvantage associated with bundling.

Source: PYMNTS-Bundled-Banking-Products-July-2022

The Future of Bundling in Banks

The business of banking is going through some unprecedented challenges right now. Increasingly stringent regulations, market disruptions, and emerging competition is making it difficult to grow revenues and report profits. At this point in time, retaining customers and increasing deposit amounts is critical for banks. They simply cannot afford to lose customers because of a lack of effective bundling strategies. Of course, the customer inclination to switch banks depending on bundled offers can also be viewed as an opportunity. A bank can quickly ramp up and improve its bundling approaches to tap into the customer base moving out from a competitor in search of relationship-based bundles and a unified engagement and experience.

In this, most traditional banks have an edge over fintechs and tech giants. Traditional banks have always had some form of bundling strategy in place. Most banks offered a wide variety of products and services that customers used. They had in place some rudimentary bundling strategies based on broad segmentation data such as geography or customer demographics. The entry of fintechs into the sector saw the systematic unbundling of banks as they chose to offer specialized products and services, i.e., only one specific offering to address one specific customer requirement. But with changing customer demands, and the emergence of open banking and ecosystem models, they too are expanding the scope of their operations to include other financial services. But traditional banks Now all that's left for banks to do is leverage technology to create better relationship-based and value-driven bundles, based on improved segmentation and holistic understanding of customer behavior across the banking ecosystem.

Re-imagine Bundling Strategies with Technology

Now is the time for banks to ramp up their digital transformation efforts and partner with third party solution providers who can help them implement robust digital solutions without touching the legacy core. SunTec Xelerate is a cutting-edge revenue management platform that can help banks transform their pricing and billing functions seamlessly and effectively. Over 130 clients globally rely on SunTec to break down silos, unify data, and implement customer-centric and relationship-based strategies that resonate with the modern customer. With SunTec, banks can create and manage personalized bundles that meet customer requirements and help them manage their finances better. SunTec Xelerate's bundling strategies can drive greater customer satisfaction, prevent attrition, deepen customer relationships, and ultimately increase deposit base and revenues for the organization.

In fact, SunTec is already helping banks across the world deploy effective bundling strategies and grow their revenues. For example, one of South Africa's largest diversified financial services groups wanted to improve customer engagement and retention and increase their deposits and revenues. Their siloed infrastructure did not lend itself to effective bundling programs and they were also dealing from significant revenue leakage. SunTec Xelerate helped them unify product silos to launch an innovative bundling program that was designed to increase cross-selling and upselling opportunities. With SunTec Xelerate, the bank was able to rationalize more than 30 legacy products across silos. And their customer base grew by 100,000 customers in just 6 months. This deployment and transformation effort won prestigious awards in the region and more importantly, helped the bank plug significant revenue leakages to maximize profits.

Banks can no longer afford to drag their feet on their modernization efforts. Today's customers demand an easy and comprehensive banking experience and bundles deliver on that requirement. In a market where happy customers spell the difference between profit and loss; banks must focus on delivering the best bundles of products and services for customers. This is not possible to achieve in an environment where siloed legacy architecture and processes still exist. Robust technology transformation with cloud-native solutions that draw on emerging technologies like Artificial Intelligence and Machine Learning is the need of the hour. A tech powered overhaul of legacy revenue management, pricing, and billing systems can help banks create and manage effective personalized bundling options that meet customer expectations.