

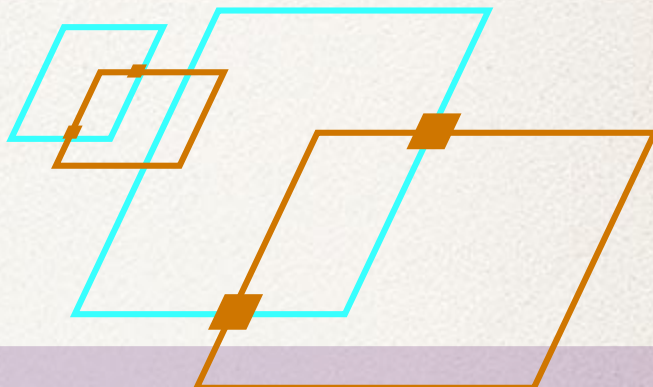
The SunTec logo is positioned in the top right corner of the page. It features the brand name "SunTec" in a clean, sans-serif font, with a registered trademark symbol (®) to the upper right of the "c". The background of the entire page is a photograph of a zen garden with raked sand patterns and a stack of three smooth, rounded stones in shades of brown, grey, and blue.

UNLOCKING CUSTOMER CENTRICITY: THE POWER OF STRATEGIC BUNDLING IN BANKING

eBook

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BANKS CAN'T JUST BE PROVIDERS OF BANKING PRODUCTS; MUST FOCUS ON CUSTOMER GOALS

The relatively stable environment in which banks operated for decades encouraged profitable long-term business relationships with their retail/corporate customers. In recent years, this dynamic has been steadily changing. Technology-powered capabilities such as analytics, edge computing, fintech, social media etc. have enabled large-scale disintermediation across industry sectors. Customer expectations too are changing rapidly because of their rising awareness and digital-enabled experiences when engaging with other providers such as e-commerce. As an industry, banking too has been impacted. Fintechs and other non-bank players already provide alternatives to some of the products/services that banks deliver (e.g., digital payments). These disruptions have reduced the need for certain conventional banking

products and services, a trend that has adversely impacted the revenue and profitability of banks around the world. Banks are responding by moving away from product-centric strategies and operating models to those that are customer-centric.

For banks embracing the new customer-centricity paradigm, the concept of “customer needs” is no longer limited to specific banking products/services. Creating a retirement corpus, funding children’s education, protecting the family from unexpected risks, funding annual vacations, building a dream home are all examples of customer needs that banks can play a role in fulfilling. Needs vary across individual customers and over time for the same customer. Banks must develop their ability to view “needs” in the broader context of life-stage goals and life events of customers,

and not just through the lens of selling banking products/services.

Banks therefore need the ability to nimbly construct and offer their retail and corporate customers personalized and curated “bundles” (or “packages”) of products and services. These bundles comprise products/services provided by banks and/or external partners that are presented to customers as solutions that address their needs at the time. For example, at different points in time, customers will need solutions around healthcare, leisure, travel, investments, insurance, entertainment etc. To come up with meaningful bundles that satisfy every customer’s needs, banks need the agility and flexibility to orchestrate multiple parameters (pricing, applicable terms & conditions etc.) related to products/services from multiple external providers.

BUNDLING IS A HIGH PRIORITY COMPETITIVE IMPERATIVE THAT OFFERS MANY BENEFITS

The concept of bundling is neither new nor unique to banking. Makers of computers and smartphones have been pre-loading software and apps on their hardware for many years. The mobile and telecommunications industry too has been offering customers bundles. For example, watching DTH content on mobile phones, wallets to pay utility bills etc. Bundling provides banks with a credible and tangible avenue to boost customer loyalty and grow revenues and margins. Although banks have been bundling their own products and services for many years, the scope has expanded.

Given greater choice, customers have begun unbundling products/services, choosing those that best address their actual needs. Banks can no longer take customer loyalty for granted. This makes it imperative for banks to be a part of multiple ecosystems, thereby increasing the complexity of bundling. For both retail and corporate banks, bundling is a strategic priority. However, implementing effective bundling strategies is not easy due to the inherent complexity. Within the bank itself, there are lines of business (LOBs) or product-based

silos that need to be transcended. Additionally, different ecosystems have their own members, operating rules, and governance models (e.g., revenue share, transparency, dispute resolution etc.).

Central to the success of bundling strategies is the ability of banks and the ecosystems that they are part of to use available data to identify customer needs and in response, present relevant bundles that customers are likely to buy. For example, a bundle for SME customers may include pure banking products such as current accounts, salary accounts, and credit cards, but also logistics, payroll, accounting, tax advisory, and other business services provided by third parties. A retail bank may offer credit cards with personalized benefits. A younger customer who enjoys leisure travel may get a credit card that offers discounts on airline tickets, use of airport lounges, and hotel tariffs. On the other hand, a 70+ year old customer may be offered a credit card that offers free bi-annual health check-ups. Such personalized bundling increases loyalty and use of the bank's products and services embedded in the bundles.



BANKS NEED THE RIGHT PARTNERS TO ENABLE EFFICIENT AND EFFECTIVE BUNDLING

In a highly competitive, ecosystem-driven, omni-channel digital world, banks must develop the ability to correctly identify customer needs at a given point in time and proactively offer them relevant, attractively priced bundles via preferred channels. Every customer must be treated as a unique 'segment of one', and offered personalized bundles whose elements include composition of the bundle and value-based pricing.

The effectiveness of any bank's bundling strategies depends on how much value customers perceive in the bundles. Relevance of the underlying products/services, their pricing, and timing are all important elements of "value" to the customer. Just as critical is the economics of pricing for the bank and other relevant ecosystem members. Value-based pricing is a fine balance between the internal margin targets of the bank and its partners (based

on cost structures) and what the market can bear (based on competitive intensity). Consistently hitting this sweet spot for every customer bundle is critical for banks to grow profitably. To make the right value-based pricing and bundling decisions in a customer-centric world, banks must look at the economics of individual bundles in the context of the relationship with the customer. For example, the current revenue and profitability, and visible short/medium-term potential for growth will be important determinants of pricing.

Even now, many banks are ill-equipped to implement effective bundling strategies with the required speed, accuracy, and frequency. This is because not all of them possess the ability to accurately analyze data around customers, transactions, and engagement to extract actionable insights at the required speed, scale, and scope. The entire process must be driven by context (customer

persona/life stage, trigger events, relationship with bank, and product/service economics). The adoption of artificial intelligence/ machine learning (AI/ML) capabilities into banking operations provides banks with new and richer kinds of information with which they can predict customer needs more accurately. Legacy architectures often impede the ability of banks to extract and analyze the relevant data to identify/assess customer needs and thereafter, construct the right solution bundles and present them to customers. Ideally, all the above must occur before customers approach their bank with a stated need, so that banks can improve their odds of successfully closing deals based on the bundles already offered to customers, which means ensuring agility. This too is compromised for banks that still rely on legacy core banking platforms and workarounds.



A partner who possesses the right blend of technical solutions, domain expertise, and implementation experience can help your bank overcome these multiple hurdles. One technically elegant and proven solution with a robust track record is SunTec Xelerate. By functioning as a “wraparound” over existing core banking systems, the platform extracts relevant data from the various system/data silos that support individual banking products/services (CASA, credit cards, loans, trade finance etc.). It thus helps your bank circumvent the architectural constraints of legacy systems. It allows users to easily define/modify rules that can be applied to the relevant data in near real-time, thereby providing a high degree of automated agility in responsiveness.

Along with powerful analytics, the platform supports leaders in decision-making around bundling, pricing, billing, and revenue management – whether within the bank or as a part of ecosystems. It supports API-based transactions as well – something that is critical in the context of ecosystems. API-

based data exchange enables your bank to integrate better with partners and ecosystem members. In turn, this will help your bank identify customer needs more efficiently and monetize the rich customer and transaction datasets that exists in internal systems. API-based integration also makes it easy to add/remove members to/from the ecosystem in a secure manner.

Implementation of bundling strategies is clearly a complex task that needs expertise in different areas. Your bank may have in-house expertise in some of these areas, but can you afford to take a risk given how critical bundling is to your bank’s future success? To ensure that you have all that it takes to successfully implement bundling, you need a partner who is not only a one-stop repository of the relevant knowhow and experience but also has the demonstrated track-record of assisting other banks harness the benefits of bundling. And that partner could just be SunTec.

A LOOK AT SOME COMMON USE CASES

Bundling strategies are useful only when they deliver results. Here are three situations that highlight how banks have implemented bundling to achieve positive business outcomes.

1

A leading African bank used SunTec Xelerate to encourage its retail customers to create personalized product/service bundles. Customers could add to their basket of services — avail of home loans, credit cards, maintain a threshold balance in the account always, and get the spouse/partner to open an account. In return, customers received incentives such as cash back, discounts, and reward points when they consumed more of the bank's products. Clearly, a win-win situation for both the bank and its customers. The program resulted in significant growth in revenue/margins as well as an increase in the number of loyal, valuable customers.

2

At a bank in Singapore, customers whose monthly/quarterly/annual cash flows in the bank account exceeded a certain amount received additional benefits such as higher interest rates. Customers could boost their cashflows by ensuring that they transferred their salaries to their account with the bank, used the account to receive investment income (e.g., dividends), or by spending more using a credit card issued by the bank. Using SunTec Xelerate, the bank was able to set up rules that automated the entire process and flagged non-compliance, so that alerts could be sent to customers.

3

A Malaysian bank leveraged SunTec Xelerate to create a campaign to target families with young children. The parents were encouraged to open an account for each child and transfer a minimum amount to these children's accounts each month. In addition, the parents had to maintain a certain minimum daily balance in their accounts and spend a certain minimum amount each month on a specific credit card issued by the bank. The children's accounts earned 3X the interest that banks otherwise offered. Over a period, data analytics helped the bank create a new bundle by offering 2X the interest in balances in those children's accounts whose parents were not able to meet the requirements for the 3X interest.

If you'd like to explore how we can help you with your bundling & packaging strategy, write to us at contactus@suntecgroup.com.

ABOUT SUNTEC

SunTec is the world's No. 1 pricing and billing company that creates value for enterprises through its Cloud-based products. More than 150 clients in 45+ countries rely on SunTec to provide hyper-personalized products, offers, pricing, loyalty programs, tax compliance, and billing for over 400 million end-customers. SunTec products are based on our cloud-native and cloud-agnostic, API first, micro-services-based proprietary platform, Xelerate and are delivered on-premise, on private cloud and as SaaS. SunTec has global operations including the USA, UK, Germany, UAE, Singapore, Canada, Australia, and India. For more information, please visit us at www.suntecgroupp.com or email us at marketing@suntecgroupp.com

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