

Digital in Banking - The Evolving Equation



The Ecosystem

Digital evolution in the banking sector has seen significant positive movement over the last decade and continues to evolve at a rapid pace. As per reports, more than half of all banking transactions were within the bank's network about 15 years ago. The number has fallen to less than 10% in 2020.

What started as a brick-and-mortar business engaged largely in core financial processes of lending and deposits only through bank branches has transformed into an omni-channel experience focussed on seamless customer experience across channels. And all of this has largely transpired over the last decade.

For banks, the need to go digital is more than imperative to stay steps ahead of competition, drive efficiencies to address stiff margins and cater to everchanging consumer preferences.

As per a recent PWC report, more than half (52%) of consumers now prefer internet banking, up from 31% only a few years ago, in 2014. By 2020, at least one in two transactions is likely to flow through channels not owned by banks. The pace of change is mind numbing driven largely by consumers, forcing banks to relook at ways in which they functioned all along.

The Data Equation



At the heart of change lies colossal amounts of data that can be mined and analysed in innumerable ways to generate insights for meeting business goals. Competition from other fintechs is forcing banks to promptly adopt AI, map consumer behaviour patterns and hyper-personalize their offerings with significantly lesser lead time to conversion. Big data plays an important role in understanding customer preferences across online channels and packaging & personalizing banking products to align with customers' lifestyles and meet their very specific individualized requirements. Advances in programmatic advertising is ensuring that consumers are attracted with lucrative personalized offers real time while searching online.

Banks are also increasingly focusing on shifting from isolated touch points to unified journeys. Data has also helped banks realise that customers prefer self-service applications that assist them to transact across channels at their ease. This also means that banks now focus on superior user experiences and ensure transactions flow through with maximum ease and minimum effort. As per a study, banks that digitize the most important consumer journeys can increase revenues by 20% and reduce costs by 25%.

Going Omni-channel



Today's banking customers demand services anytime, anywhere, on any device. Although multi-channel banking has been around for many years now, it does not continue to prove as an effective way in building 'sticky' customer relationships. Omni-channel is the new mantra where personalization and interaction are the hallmark of customer relationships. An omni-channel strategy is truly efficient when branches, ATM networks, call centers, online banking and mobile channels complement each other in providing a fluid customer experience.

The Digitization and Automation Advantage



At the back and mid office fronts, banks have made progress in addressing impediments that complicate and slow processes, increase costs and prove ineffective in offering superior customer experiences. With research highlighting 60% of customer dissatisfaction sources originating from bank's back office, banks are working towards a faster turnaround time by going paperless and onboarding & servicing customers through digitized integrated processes. Process automation is significantly contributing in better governance ensuring banks have better control and are able to ramp up efficiencies. Clearly, the branch automation, branchless / agency banking models are helping banks be nimbler, attract more customers and address specific customer use cases.

Crystal gazing into the future

As we look into the future, here are some of the trends shaping up:

- ✓ **Moving to the Cloud:** Cloud adoption will increase steadily making banks more agile, helping them save on costs and be more innovative. API centric business advancements will also make Cloud a formidable option for banks.
- ✓ **Open Banking:** The growth of Open Banking will lead to better API collaboration between banks and fintechs. Banks will be able to offer customer-centric products and services and will unearth newer business models. The United Kingdom has already passed a banking-as-a-service (BaaS) and open banking regulation, and many more countries expected to follow suit. Banks are realising the advantage this model offers in enabling quicker time to market.
- ✓ **Artificial Intelligence:** We have merely scratched the surface with regards Artificial intelligence. It will clearly percolate into more areas of banking with rapid adoption in fraud management, marketing and talent management.
- ✓ **Block Chain:** This is likely to see adoption in varied areas including secure and faster payments, KYC, fraud management, trade finance and peer-to-peer lending.
- ✓ **Extended Reality (XR):** Virtual Reality (VR), Augmented Reality (AR) and Mixed Reality (MR) can help banks create a competitive differentiation. Not only will Extended Reality provide immersive experiences that are more impactful, it will also close the physical distance gap between banks and customers.
- ✓ **Banking as a lifestyle:** As indicated by Everest Research, this has a more long-term bearing with the technology landscape getting defined through customer centric IT strategy and enabled by APIs, analytics, cloud and microservices.



Profinch is a fintech company offering technology solutions that enable banks to transform how they work and be future-ready. The solutions include Consulting services for advancement of core operations and processes, and off the shelf products for 360-degree digitization and data transformation. With offices in **India, UAE, Singapore, Europe** and **Canada**, the company serves over **150+ financial institutions banks across 60+ countries**.

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