



## RETAIL BANKING

Redefining Sales and Services for Retail Banks

### Abstract

The future holds exciting opportunities for the banks who are willing to embrace new insights, undergo a journey of transformation and take bold and sustainable steps. To remain relevant and to continue performing their role in the world of finance, banks need to learn from the best-in-the-world and set the benchmarks in customer servicing and sales

## Introduction

Traditionally, banks have focused on the provision of products and fulfillment of services.

Only in the last three decades have banks moved the business model toward a more holistic approach that aims to solve clients' problems and set up new standards of service and customer experience. Their sales strategy also has become more assertive and innovative.

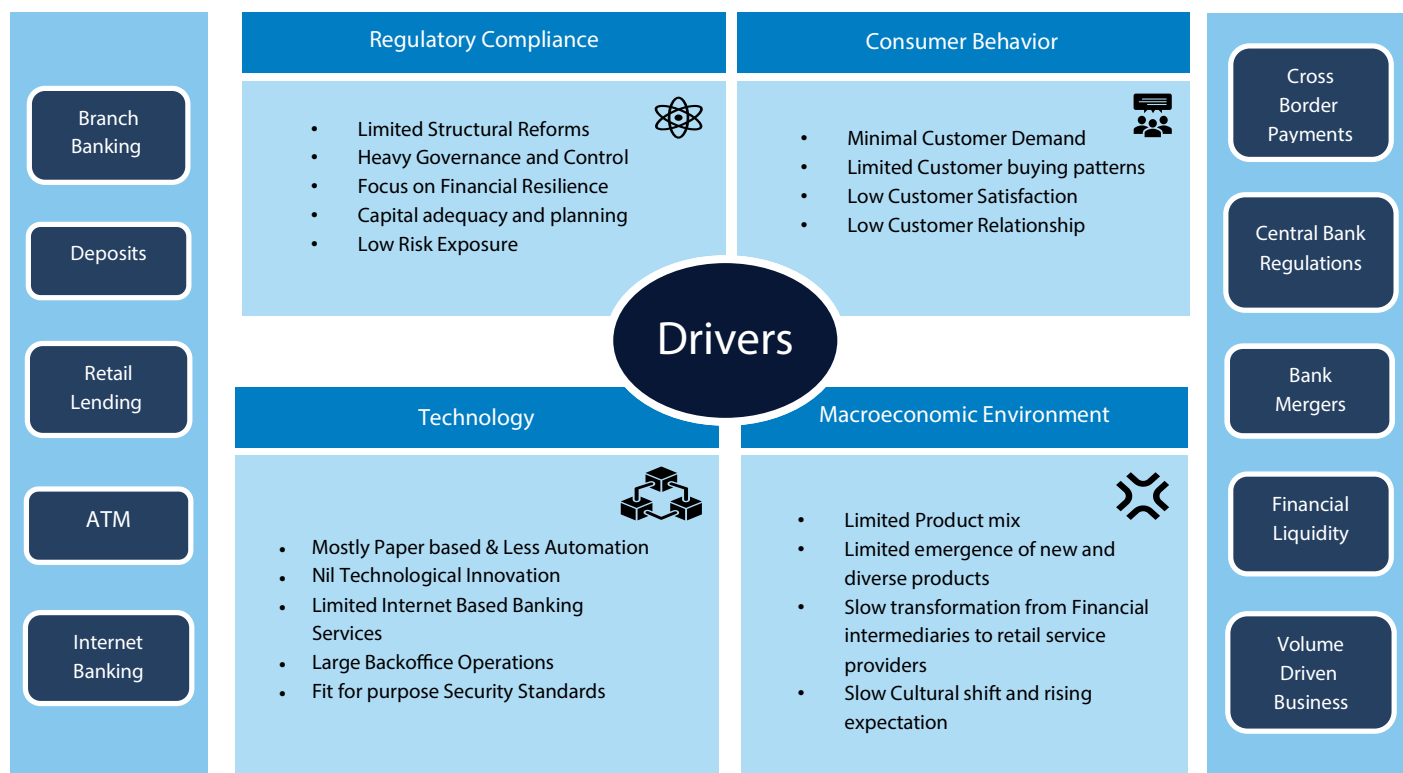
## Banks evolution in the Retail Banking Sales and Services Approach

Partially as a reaction to the technological innovations and the dramatic changes in customers' expectations, banks' sales and service approach has evolved in the past few decades and banks have started cross-selling & up-selling to improve revenue and market share.



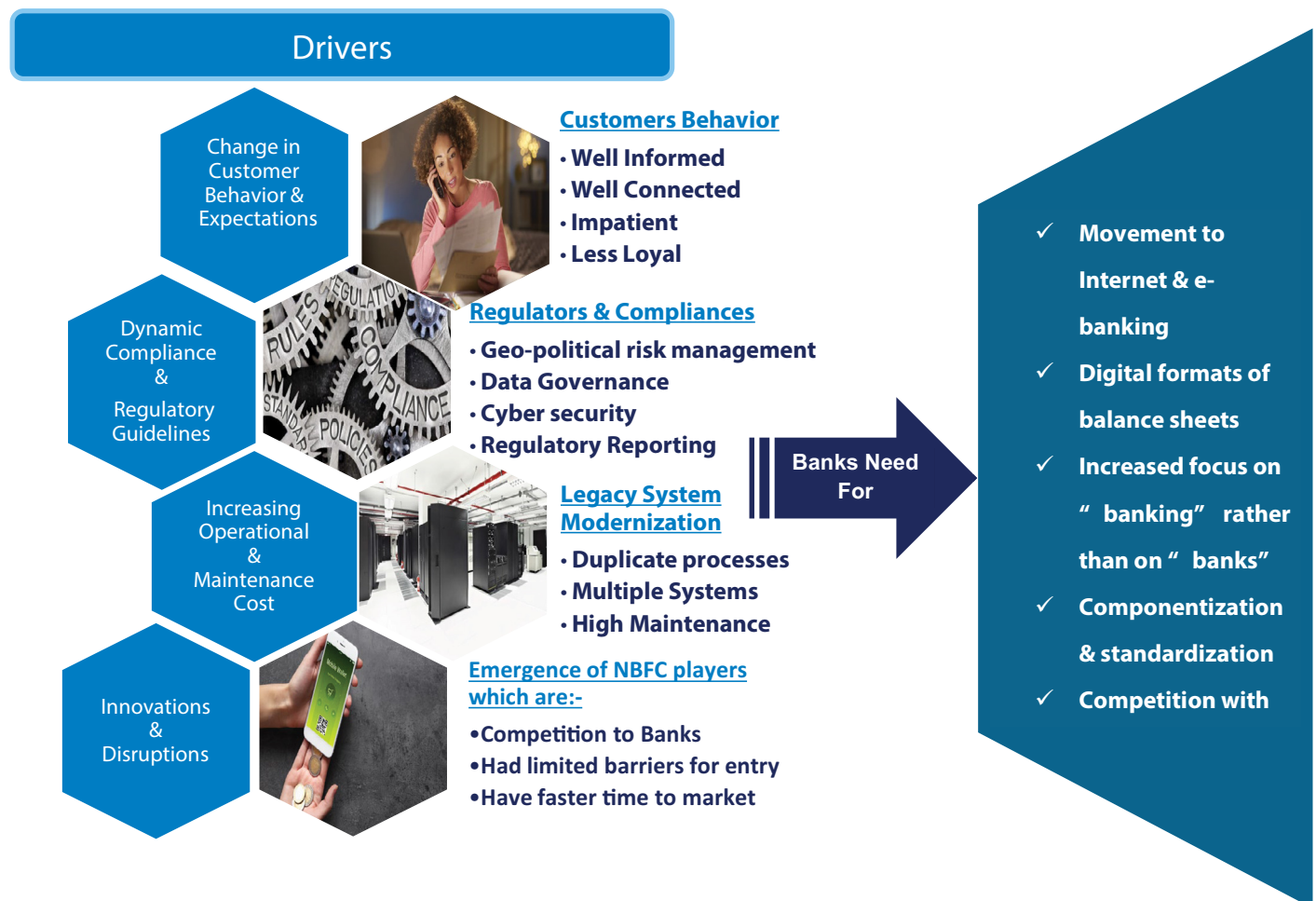
## Yesteryears Retail Banking Sales and Services Model

Conformity and compliance to regulations, reactive approach to technological developments, changes in macroeconomic environment and gradually rising client expectations were the main drivers for retail banks till the last decade of 20th century.



## Recent Years – Internet Era in Retail Banking

Advent of internet banking in 1990s, continued developments in telecommunications and computing, entry of non-traditional players and other financial intermediaries, changes to regulations because of new geo-political and technical challenges, and the need to meet the expectations of a smarter, savvier, and more informed client had shaped the interactions of banks with retail clients.



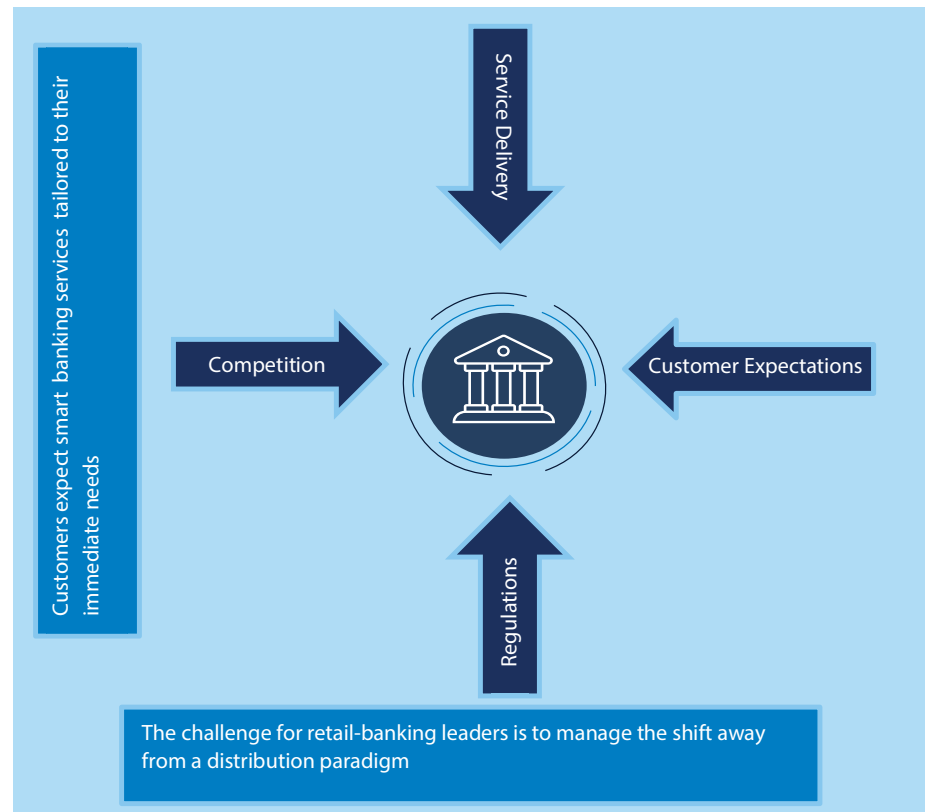
## Current Years: Digital era in Retail banking

Present-day challenges to retail banks:

- Emergence of microfinance, microloans, mobile money, and other services are geared to provide people in emerging and/or impoverished economies with reliable and secure financial resources. Due to lack of robust technology infrastructure and products, and reluctant realization of the strategic importance of financial inclusion of unbanked and marginalized communities, traditional retail banks are not geared to tap the opportunities at the bottom of the financial pyramid.
- Emergence of FinTechs with superior technology free of legacy systems and restraints of traditional banks
- Growing need for financial innovation and ingenious financial products
- Clients' demand for the same memorable experiences from banks that they routinely receive from e-commerce and entertainment industries. 'Best-in-class' is no longer enough. Banks need to be 'best-in-the-world'

- Open banking movement raises the competition-level within the banking industry, especially for traditional banks

- There are rapid regulatory changes to meet the dynamic geo-political and macro-economic challenges



## Banking in the next decade:

### What will the bank of near-future look like?

- Open banking platforms as business models
- Personalized digital products and services
- Branches as experience centers meant for relationship building and not for transactions.
- Coopetition within the banking industry

- One common ecosystem encompassing personal, social, and financial life (i.e., boundaries between banks and tech giants like Google, Facebook and Amazon will blur)
- Prominence of FinTechs and de-centralized finance (a global, open alternative to every financial service we use today - savings, loans, trading, insurance and more - accessible to anyone in the world with a smartphone and internet connection)

- Changes in risk profiles and financial habits of customers (due to demographic or socio-economic reasons) will present opportunities disguised as disrupting threats to retail banks
- Banks will have specialized payments, credit and deposit products to cater to the hitherto unbanked clients

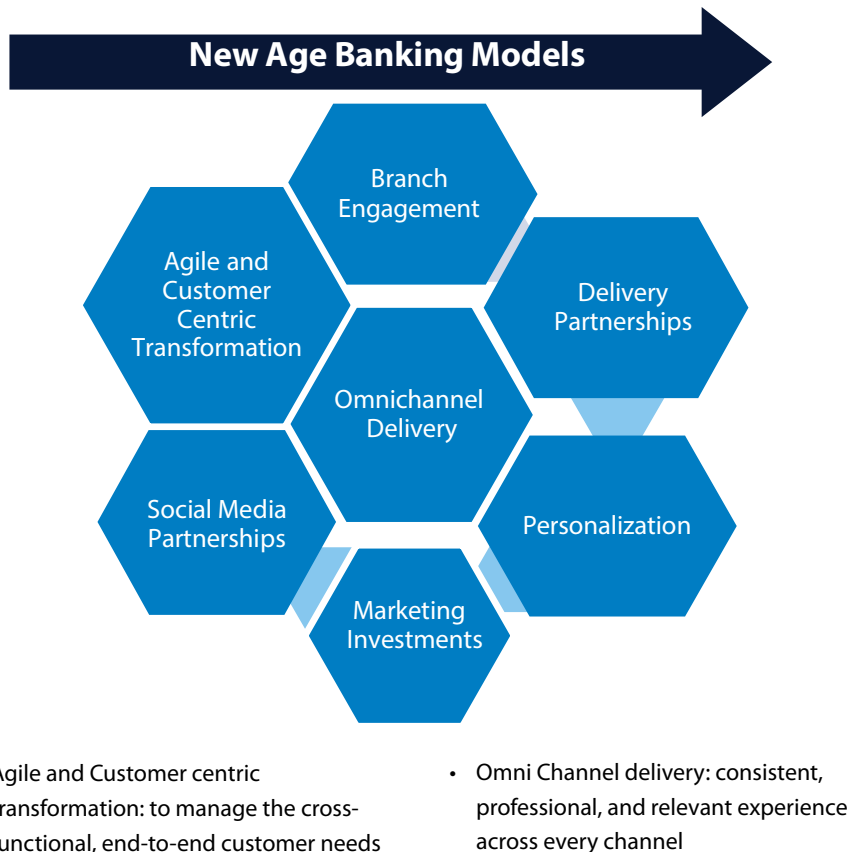
How are the banks preparing themselves to embrace these challenges and opportunities?



## The Way Forward: New Age Banking Models

Using the new age models, banks can help to differentiate themselves from competitors by offering new technologies, offering the same services in different ways, or otherwise targeting new prospects in unique ways.

- Branch Engagement: with customers via digital services – from interactive kiosks to digital financial education modules
- Delivery Partnerships: with investment advisors, non-banking financial companies, suppliers of lifestyle products, etc.
- Personalization: Leverage big data for personalized products, services and experiences
- Marketing Investments: Content marketing plans and data driven marketing
- Social Media Partnerships: engaging in two-way dialogues with customers, creating emotional connections to finance through social media



## SWOT Analysis: for banks to remain relevant in the coming decade

SWOT Analysis	Strengths	Weakness
	<ul style="list-style-type: none"> <li>• Highly Automated Systems</li> <li>• Clear value Proposition</li> <li>• Effective CRM program</li> <li>• Good understanding of the customer journey</li> <li>• Broad Product Range</li> </ul>	<ul style="list-style-type: none"> <li>• Legacy IT infrastructures and siloed data</li> <li>• Lack of consistency in digital banking systems</li> <li>• <b>Customer expectations and services</b></li> <li>• <b>Undifferentiated Products</b></li> <li>• Limited Social Media Success</li> </ul>
	Opportunities	Threats
	<ul style="list-style-type: none"> <li>• Leverage big data</li> <li>• Build/acquire digital marketing expertise</li> <li>• Engaging social media</li> <li>• Partnerships with Fintechs</li> <li>• Become a disruptive innovator</li> <li>• <b>Leverage technologies and products geared to promote financial inclusion</b></li> </ul>	<ul style="list-style-type: none"> <li>• Competition from Fintech</li> <li>• Declining Distribution margin</li> <li>• Raising Fixed Costs</li> <li>• Cultural shift and rising expectation</li> <li>• Security Breaches</li> </ul>

Retail banks to focus on high quality sales and service products/solutions to get ready for the future.

To attract new customers and ward off the threats of declining margins and increasing competition from non-traditional players, banks need to:

- Focus on their key strengths of clear value proposition and good understanding on their clients' journey
- Work upon their weaknesses of legacy IT infrastructure and undifferentiated products
- Mine the opportunities presented by big data and cutting-edge technologies

## What banks can learn from tech giants?

- Promote financial inclusion – make banking accessible for all sections of the society
- Make customer obsession a habit
- Be a leader in innovation: Banks need to come up with their own innovative customer experience solutions, rather than follow suit with FinTechs
- Provide effortless, omnichannel experience
- Expand offerings beyond traditional, off-the-shelf retail banking products
- Have a comprehensive strategy for cloud migration: a combination of public, private and hybrid cloud – to provide all banking service on the cloud
- Develop an agile mindset and agile development methodology
- Leverage Application Programming Interfaces (API) and open source
- Give the deciding power to their consumers

## Solutions for the future: Banks to adopt Amazon and Apple Model

Banks need to strive to be leaders in superior online customer experience while providing the best-in-world in-store customer experience. Banks should adopt the Amazon and Apple models to increase the sales, meet the ever-changing customer demand, improve the service quality, and become the one stop platform for all the customer financial needs.

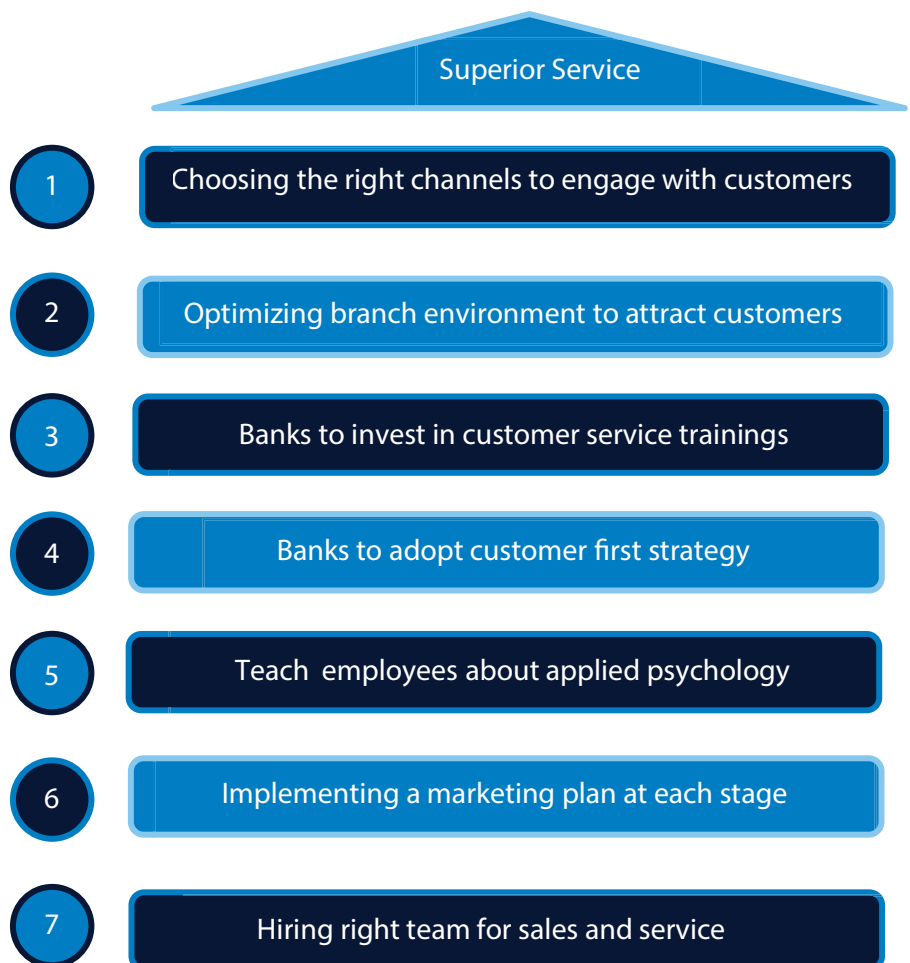
A joint report by PwC Luxembourg and development agency Luxembourg for Finance mentions 'amazonisation' as the chief trend and the fundamental shift driving the future of financial services industry. While the report focusses on Europe, we believe that the following trends are true for global banking industry.

- Drive towards customer centricity
- Platform operating model: Clients, rather than going to individual FS firms, will use digital platforms to inform, compare and execute their financial transactions.

## What Banks can adopt from Amazon: How to be a leader in online customer experience

- Single, digital platform for all banking and financial needs
- Deliver exceptional customer experience
- Leverage additional channels for marketing like affiliate networks, channel marketing which will navigate to the banking applications for the next steps

- Similar model can be followed for distribution of products and services: through partners like wealth-management advisors, insurance companies and financing sales of luxury goods manufacturers.
- Develop/tailor products based upon customer segmentation e.g., based upon income, profession, geography, age with varied benefits to those customer segments
- Develop innovative products to reward loyalty
- Explore subscription banking service model: Revolut provides a 'freemium' model, which gives users a free UK current account and an euro IBAN account that charges nil fees on exchange in 24 currencies, up to £5,000 a month. Revolut also provides monthly subscription plans with higher thresholds for no fees, as well as instant access to crypto-currencies, cash back, travel insurance, free medical insurance abroad, airport lounge access and priority support.



## Apple Business Model

Apple's business model is completely focused on product and services. The Apple Value Proposition revolves around three core concepts.

- Think Different
- Tech That Works
- Your Privacy is Safe with Us

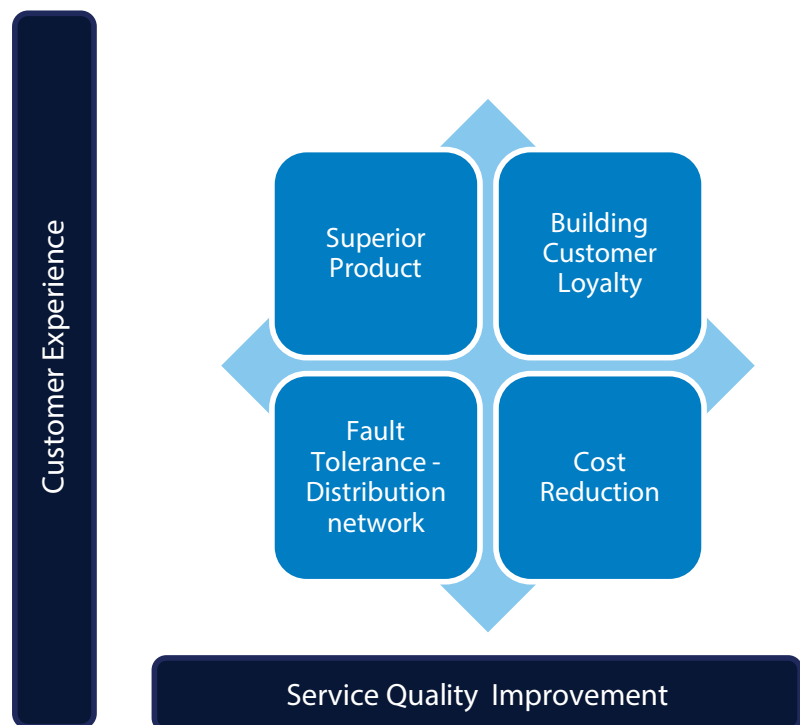
## What Banks can adopt from Apple for Increasing Sales and Service Quality?

- Customer First vision and strategy: Include regular touchpoints in the CX strategy to obtain regular feedback from the customers, act upon the comments received and provide tailor made solutions for customers
- Exceptional and swift services: Banks should automate and develop new processes to minimize the turnaround time
- Modelling of Bank Branch as a customer centric hub for interactions, customer education and sales. Powered by technology, branches need to be 'trust- centers' where customers feel comfortable, in control, welcome, and well informed.
- Marketing strategy based upon individual customers' needs and convenience

- Develop cutting-edge digital sales capabilities
- Flexibility around trends: spot consumer trends and constantly tailor their sales and services approach accordingly
- Banks can follow the Net Promotor Score model to measure the willingness of the Bank's customers to recommend the Bank's product and services
- Combine products and services into a seamless, enjoyable experience that leads to a purchase
- Identify latent needs of the customers: Understand customer's persona to improve customer satisfaction and retention

## Innovations lessons for bankers from Netflix :

- Seamless Self-Service Solutions
- Leverage data to provide high quality personalized experiences
- Subscription or pay-per-use services



## Conclusion:

To remain relevant and to continue performing their role in the world of finance, banks need to set the benchmarks in customer servicing and sales.

To summarize the key steps which will enable the banks in this journey:

- Adopt the sales and service strategies successfully demonstrated by tech leaders, including Amazon, Netflix and Apple
- Collaborate with all the players in the economic and financial eco-system
- including BPM service providers, technology consultants/solution providers, distribution partners, FinTechs for a win-win model
- Leverage new age technologies (Artificial Intelligence, robotics, big data, open banking, virtual reality, interactive teller machines) to create and offer personalized products, services and experiences
- Emerge as 'one-stop-solution' for all financial needs of their retail customers



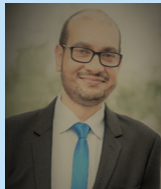
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Srinivasan Sivasubramanian has over 25 years of comprehensive IT, Banking domain and process consulting experience. He has worked with multiple banks specializing in technology lead business transformations. He also takes special interests in identifying trends in banking industry and leads the thought leadership track for the Banking segment.



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