Four pillars of the digital-first bank

When today's customers evaluate financial institutions, they don't compare different banks anymore, they compare experiences. Everything in their lives as consumers is better than ever, with real-time, smart digital services being delivered daily via their smartphone. Booking a flight, planning a holiday, shopping online – it's all easy, instant and seamless. Onboarding takes a few clicks and more importantly, unhappy customers can switch providers in a heartbeat.

Smart digital platforms power these superior experiences and this digital-first model has changed the game forever. There has been a fundamental shift in how business gets done, where staying relevant means becoming an active part of a customer's digital life.

To survive when giants like Google make their way into people's financial lives, banks must have the right framework in place to compete. This framework is the digital-first platform, supported by four pillars – omni-channel banking, smart banking, modular banking and open banking. Each of these four pillars is fundamental to success in the banking industry of the future.

Pillar one: Omni-channel banking

The traditional approach, with siloed channels (like web,online or branches), is neither customer friendly, staff friendly, nor efficient. Each channel needs its own raft of workflows, content, screen design and other supports, meaning the same functionality is created time and again. Work is redone many times, with the end result distributed to channels that don't relate to each other.

Over 77% consider their current systems as the biggest roadblock to their digital transformation, while over 50% see them as a medium roadblock to capitalizing on digital opportunities.

Rather than creating digital business functions for each channel, it makes sense to do everything once, and disperse to all channels via a central hub. What's needed is

a central omni-channel digital banking platform to orchestrate customer interactions across any touchpoint.

Pillar two: **Modular banking**

The Ubers and Facebooks of this world frequently introduce clever new features, quickly and at almost zero dat marginal cost. They are agile enough to exceed customer expectations without any major implementations, upheaval or cost implications. They easily roll out new offerings and scale them up or down – at will.

With a modular architecture in place, it's possible for banks to innovate in the same way – fast and in line with customer needs. A modular architecture empowers a bank to go beyond responding to market realities, to actively creating them – in conjunction with the customer.

Waterfall process

- Perfect plans; avoidance of risk of failure
- Everything is imporant, fragmented multitasking
- Diplomacy, spin and controlled power
- Layers of internally focused approval
- Individual performance

Agile process

- Rapid adoption, learning and recovery from failure
- Laser focus on things that are more important
- Transparency, honesty, trust and delegated employees
- customer-focused design and empowered employees
- Collaboration and alignment

Pillar three: **Open banking**

Despite their initial reluctance towards open APIs, banks are starting to understand their potential, with almost 70% implementing API gateways to accelerate digital banking innovation. 41% see an API gateway an enabler of the developer ecosystem, while almost 38% as a chance to open up to third parties.

The threat of disintermediation has been an issue for banks since PSD2 and open banking showed up on their radar. Opening up their APIs gives other parties, including competitors, unprecedented access to a bank's data. Customer demands

have changed however, so failing to take on open banking, and properly, will lead to disintermediation anyway. Whether by business model choice or by regulation, banks simply have to engage.

Banks must open up their APIs – but they can also benefit by becoming consumers of them, tapping into third party capabilities to add real value to their offering.

Doing this in a clever way could help them enhance their products and services to the point that they become the Uber of their area. When looking at things this way, the potential really begins to outweigh the threat.

Closed banking

- Assets ownership
- Localized work
- Mass production
- Properietary value
- Scarcity control

Open banking

- Connections access
- Distributed work
- Unit production
- Shared value
- Abundance management

Pillar four: Smart Banking

Effective segmentation, targeting and tracking is done by collating data from various sources, and analyzing it to create actionable insights. Big data is the engine that drives all of these efforts so banks must get comfortable with understanding their own data and that of other parties. A new era of personalization heralds the need for new skills to blend massive volumes of data from divergent systems into meaningful, actionable information. Banks will invest more in data scientists to leverage all the data they haven meand translate it into both customer and business value.

The end goal is to leverage big data to create more efficient operations, higher profits and happier customers.

One size fits all

Where the same products and services are produced and released, in bulk, to all customers via a series of pre-selected , existing channels. This approach does not account for a customer's individual preferences – not ideal to ensure customer satisfaction or customer adoption rates.

Hyper personalization

Each customer receives a product or service tailored to their individual needs, over the channel or selection channels most suitable for them. This approach drives customer satisfaction, tailoring both the product and distribution channel to their needs at any given time.

Banks are already operating within an entirely new financial services industry and they must transform their business models to respond and stay relevant. In doing so, they have four key pillars for success at their disposal – omnichannel banking, open banking, modular architecture, and smart banking. Download the report to find out more.