RETAIL BANKER
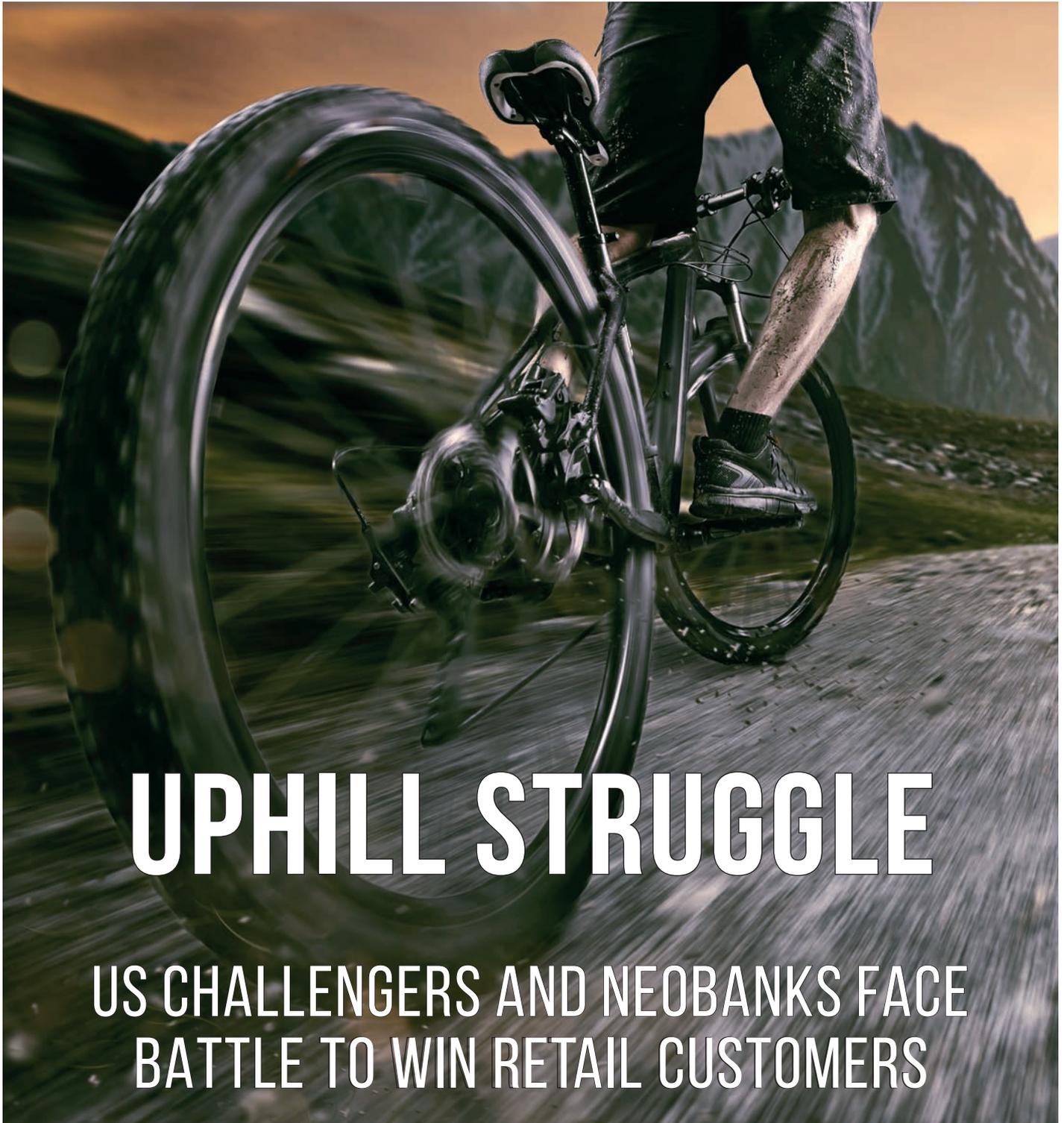## INTERNATIONAL

UPHILL STRUGGLE

US CHALLENGERS AND NEOBANKS FACE BATTLE TO WIN RETAIL CUSTOMERS

FEATURE	INDUSTRY INSIGHT	LAUNCH
Scotiabank shores up its defences by offering a holistic premium package	There are around 1 billion users of Tencent's WeChat. Banks should take note	The UK is packed with digital banks. Can bunq change the status quo?

DATA-DRIVEN
STRATEGIES FOR
GROWTH AND PROFIT

Technological advances and progressive regulatory environments are encouraging banks to develop open, collaborative ecosystems. *Evie Rusman* **analyses Oracle's latest research into this critical area**

In the digital age, banks have to adapt how they operate in order to compete with the rise of non-banks and fintechs. Oracle's latest report, *Beyond Digital: Data-Driven Strategies to Grow, Scale and Profit,* examines current examples of innovation across the banking sector.

The idea presented by Oracle is that data and technology have the ability to enhance the customer experience, with a prime example being the Asian banking market, where customers have grown in wealth and connectivity, and sentiment towards new methods of banking has also risen.

According to Oracle, this creates the perfect conditions to support the growth of digital banks and a move towards better banking.

Venky Srinivasan, group VP, Asia-Pacific, Japan, China and Middle East at Oracle, says: "Traditional banks are facing increasing competition in service innovation, which reinforces the need to redesign conventional banking models. Virtual banks may be nimble compared to the incumbents; still, they face three immediate challenges: they need to demonstrate to regulators their ability to comply, they need to monetise data, and they need to turn compliance into a competitive advantage."

DIGITAL JOURNEY

Oracle outlines that banks often struggle with the problem of attracting and retaining customers. According to an Oracle survey, customer satisfaction with traditional banks decreases as the customer relationship progresses across the financial lifecycle.

Harjeet Baura, Asia-Pacific digital banking leader at PWC, says: "The landscape has changed so rapidly that traditional banks are

working at breakneck speeds to determine the best approach to remaining competitive amidst the advent of new entrants. There is immense opportunity for both traditional and new digital banks by harnessing the right technology and use of data effectively to deepen their offerings and their share of the customer wallet."

The survey also points out that 69% of consumers want their entire financial lifecycle on digital channels, and 30% of consumers are open to trying a fintech or virtual bank option. Therefore, the suggestion is that consumers are demanding more sophisticated, smarter and more relevant digital experiences.

CUSTOMER ACQUISITION

According to PwC's data, interest in digital banking is markedly stronger among the under-40s. Additionally, research suggests that higher-income groups express the strongest interest in digital banks, due to having higher expectations.

Oracle warns that banks need to grow at scale, leveraging data insights to bring financial services products to market at a more competitive price point. It also explains that these capabilities are often developed in an open, cloud-based banking infrastructure.

It is obvious that complex account-opening processes and delays leave customers frustrated, and may result in banks losing business. According to Forrester, abandonment rates for online banking applications are at 97.5%.

Oracle argues that there is a shift towards customer-centricity owing to the rapid growth of digitally aware customers protected by data privacy regulations. It also highlights that banks can no longer rely on legacy

onboarding processes to meet customer needs.

Data has become an important tool for banks to fully understand the customer. PwC's *Retail Banking 2020* report shows that 61% of bankers say a customer-centric business model is "very important". The argument is that a customer's spending patterns create data that can help banks to "hyper-personalise" rewards.

For traditional banks, customer data is commonly used to produce monthly statements and static balances. Digital banks, however, will deploy technology to generate dynamic data that can, for example, track spending against savings goals. Oracle emphasises the importance of incumbents adopting this technology to develop a personalised service.

UNDERSERVED SMES

The Oracle report argues that digital banks need to demonstrate that they can manage relationships with SME customers, involving multiple products and transaction types.

According to Oracle, these fintechs must embrace Open Banking technology to redesign the customer journey; this includes an API strategy, front-end customer-facing applications to the back-end platforms, data governance, and the operating model.

When data is harnessed through analytics and enabled with the right APIs, banks can become empowered with insights and agile processes to improve SME experiences.

Oracle's report emphasises how digital banks need to consider how they can ensure compliance with a lower headcount and no physical presence. It states that automation and straight-through processes must be enabled to ensure ongoing compliance.

Scalability is also a factor. Oracle outlines that without scalable, robust infrastructure, digital banks will encounter problems.

New ecosystems present a significant opportunity to respond faster and more accurately to new demands, giving customers fewer reasons to explore alternatives outside the bank's ecosystem. By using Open Banking, banks can better understand consumer needs at all stages of their financial lifecycle.

Furthermore, customers now expect the right services instantly without any complications. As a result, Oracle suggests that the ability to tie options for e-commerce, transport and lifestyle into one seamless digital banking experience is critical. This adds value, so banks can avoid simply being a commodity service provider. ∎