

Redefining the Value Experience In Banking

Financial upheavals across the globe have left many ailing institutions bracing for survival. Those that are in good shape are making quick decisions on how to gain competitive advantage while others are assessing the damage. As a leading IT solutions provider for financial services institutions across the globe, we at TCS Financial Solutions, look at what the New Year will bring for banks, our customers, in the form of a new paradigm

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As Chief Marketing Officer, Dennis Roman is responsible for establishing and enhancing TCS Financial Solutions brand equity as a leading specialty IT solutions provider to the global financial services industry. His responsibilities include branding, media/public relations, industry analysts, advertising, direct and telemarketing programs, collateral, websites, and events.

Radical shift in thinking - tearing down the walls of the bank to bring in the customer in the truest sense

Financial upheavals across the globe have left many ailing institutions bracing for survival. Those that are in good shape are making quick decisions on how to gain competitive advantage while others are assessing the damage. As a leading IT solutions provider for financial services institutions across the globe, we at TCS Financial Solutions, look at what the New Year will bring for banks, our customers, in the form of a new paradigm. We believe that we will soon witness a radical shift in the way banks deliver customer experience. This could result in bankers literally tearing down of the walls of banks to bring in their customers. Reorienting towards this paradigm will herald the advent of new business models and selective investment, by bankers, in technology innovation to gain market and position for growth.

Innovation is a bright spot for banks left unscathed by the recent credit debacles, and who see a clear opportunity to distance themselves from their rivals and gain a sustainable first-mover advantage. Banks across the world - those who are consolidating and those setting out with renewed focus (and some caution) - will deploy customer insights gained into service and process innovation to improve customer relationships and provide a sustainable advantage.

Growth opportunities in technology innovation would begin from consulting and integration services to next-generation software architectures and services (SOA and BPM and SaaS), to IT outsourcing and governance. The demand for BPO services will also rise for reasons of better cost visibility and variability related to volume fluctuations. Service, value and convenience will be the mantras of success. Process and service innovation will create value for banks by attracting customers through simplicity and efficiency. Organizations will have to embed this idea into their processes, people, systems and business partners to be successful.

With the increasing consolidation we are now witnessing in the banking industry, the approach is to reduce spending and free up investment capacity for a few vital technology projects. This will spur a surge in technological innovation in the form of client facing, collaborative, analytical and risk management applications.

Further, for wealth management and transaction services units that have sustained exemplary performance in the past year, demand is picking up in selected emerging market locations, while the unbanked customer segment continues to represent untapped potential.

Going forward, we will see a growing interest in automation solutions that will help banks reach high-volume, low-value customers and link corporate performance management with finance, accounting and risk management. A proactive approach to gaining visibility into credit exposures and operational performance will attain primary status. Advanced customer and profitability analytics, and the streaming of pervasive information and unstructured data will lead to customer segmentation-specific services and transactions. A fresh generation of applications (from SOA and BPM related to Web 2.0) will emerge in areas such as multifunctional collaboration, targeted marketing, multimedia delivery, and personalized customer experience.

In this article, we outline the characteristics that will shape this new persona of banking in 2009 and the related approaches that banks are likely to adopt.

A quantum leap in customer experience and agility

As we said earlier, this new paradigm of banking will drive customer-centricity, which will manifest itself in the form of customer profitability analytics, relationship and dynamic pricing, and a completely new way of looking at customer relationships. Transforming customer comfort levels, for banks, would mean increasing transparency, providing the 'right' information to customers instantaneously, and using the right technology applications to make this happen. The focus will shift from products, with banks lowering the costs of serving customers. Relationship-based selling and interactions with customers supported by real-time or at least intra-day analysis of internal and external customer data, will eventually lead to banking becoming more personal. Now, how does this connect with technology?

Creating a unique customer experience will begin with banks enforcing simple, consistent customer-aligned processes through the efficient use of next generation architecture and services such as Service-Oriented Architecture, Business Process Management and SaaS. This implies restructuring data warehouses, and a greater adoption of content management and BPM technology to automate decision-making. It will also include the ability to adapt raw products to the individual needs and desires of customers to create individual products or custom products for complex financing, or third-party products to facilitate efficient bundling. Products will need to knit together a mix of solutions - current accounts, loans, derivatives, stocks and funds and insurance - and personalize them for customers (such as high-net-worth-customers or corporate groups). These offerings will be strong on customer longevity

and answer diverse demands. In short, we are looking at the emergence of mass personalization in services and products.

Agility and transformation

2009 will be a period when banks look to equip themselves on agility - in the form of increased operational efficiency, reduced operating costs, improved overall customer experience, and a holistic approach to risk management. Naturally, this would mean adopting a "do-more-with-less" philosophy; for instance, outsourced services in the ITO and BPO spaces will need to be paired with offshore or 'nearshore' deliveries, to drive down costs. Outsourcing core competencies may take on a new meaning as the competency that banks wish to outsource may be redefined. IT and operations will be viewed in a symbiotic manner, where the greater integration of IT and operations to deliver increased value to the business - and the customer -- will be stressed upon. The question that will remain uppermost in bankers' minds will be, "How can i acquire and retain customers at a reasonable cost?" This will translate into the new customer experience orientation again - which is to create a trusted and transparent partnership with customers through the sharing of important information in real time.

Next-generation architecture and services

We believe that the next-generation architecture for banking should be such that it manages the dynamic nature of the business and technology, while it supports agility, fosters innovation, and is flexible. The adoption of new architectural frameworks, such as Service-Oriented Architecture (SOA), and technologies, such as complex-event processing or Business Process Management (BPM), will help banks achieve the right degree of agility in several ways. For instance, most bank acquisitions come with readymade expectations of rapid integration to enhance operational efficiency. With SOA, banks can rapidly integrate acquisitions through common customer touch points and leave back-office consolidation for a later time.

Business Process Management (BPM) and SOA together can facilitate collaboration at multiple levels, help share resources, deliver optimal use of funding, and drive business priorities through the effective use of IT architecture. By exploiting the combined value of BPM and SOA to increase enterprise agility, banks can build awareness, increase flexibility, adaptability and productivity. BPM enables continuous process optimization, and separates processes from implementation and makes them more explicit and clear. Both SOA and BPM work towards mapping business and IT priorities for perfect alignment, something that has been

attempted through numerous ways in the past. With this approach, service delivery levels and cost estimation of IT projects are improved while business transactions monitored proactively. Consequently, banks can use these technologies for conducting business as usual – or for doing business differently, with more agility.

How will this change the scenario for IT solution providers? Solution providers will move away from selling applications as software licenses to selling services, based on different licensing models. Off-the-shelf services from traditional banks will now compete with open source and service banks, leading to banks using multiple vendors for multiple services at multiple locations - thereby, establishing a broader SaaS environment in banking. Within a particular services ecosystem, you might find highly differentiated and specialized services collaborating with other niche offerings.

Core renewal

Banks will increasingly build SOA-based middle layers to lower overall maintenance costs, reduce application redundancy, assure data integrity, and facilitate data sharing. With SOA, banks can incrementally modernize core systems where parts of the core are upgraded, service-enabled or migrated to a modern platform. SOA's level of maturity allows for service-enabling the core to reduce the cost of maintaining front-end applications that need access to information in back-end systems. It helps banks mix and match granular services to create new products. The next level of core banking will create services such as relationship-based pricing and other hybrid products from multiple core systems.

The new core will focus on functionality that accelerates the business or creates areas of differentiation. Banks will combine the new core with open source and service banks and off-the-shelf services in assorted flavors. The trend will be towards creating a network of business and informative services.

Wholesale banking, payments and mobile banking

In wholesale banking, remote deposit capture, upgradation of cash management systems and mobile banking will see growth. The evolution of mobile banking will see it moving from offering basic functionalities such as balance inquiries to advanced bill pay and intra-bank transfers. SMS, downloadable applications and mobile browsers will enable mobile banking for a diverse demographic set. In fact, this form of banking will also change the face of enterprise retail payments by ushering in the convergence of internet and mobile payments. Mobile banking will become a vehicle for e-coupons, discounts, and even wallets to hold

overseas remittances. Another viable consumer application will be remote deposit capture. The continued adoption of check imaging exchange will result in straight-through image processing of remotely captured checks. Contactless technology could gain precedence.

Collaborative banking

Another area that will see continued emphasis will be Internet Banking 2.0 or Web 2.0. In its purest essence, Web 2.0 is the Web's second generation leveraging the Web's openness, networking effect and many-to-many capabilities. Many financial institutions are integrating their services with social networking sites while also bringing in more social networking aspects to their banks' online channels to enhance the customer experience. Social lending (Zopa communities) and social insurance will catch up in 2009, even as full services businesses could offer banking and insurance, and community financial advice and other collaborative offers through online communities and networks. The stress will be on making customer information available at the best point in time in a manner that helps experts across multiple locations in banks to work together. The branch will act as a hub in this networked, multichannel environment, making banking more effective and convenient for customers. Further, location-based services such as directions to the nearest ATM, self-service centers, country-specific capabilities, and other channel-specific services will gain prominence. The banking architecture that supports all of this will need to be able to switch from one channel to another, including branch to home and office communication hubs. To deliver the right product to the right customer at the right time, banks would have to collaborate with their partners to enable mass customization and 'white labelling' of products and services.

Risk management - now a core business competency

Banks will adopt a converged approach to risk where they will re-evaluate their risk management acumen in a manner that calls for higher levels of transparency, structural integrity and operational control. To combat internal fraud and protect clients and accounts, behavior and rules-based tools will be brought in. Better risk management and surveillance applications that address systemic and customer-oriented risks, potential conflicts of interest, financial valuation, velocity of market movements and regulations will become popular. Future pricing will be dependent on risk minimization even while relationship-based pricing will continue to hold sway.

Advanced customer analytics that help differentiate service levels and define pricing will take center-stage. Information from all sources - internally, externally including partner networks as well as unstructured

data from social networks - through business intelligence systems will be gathered and analyzed for decision-making and to offer segment-specific services and products at all levels within banks. With this kind of real-time analyses combined with real-time alerts targeting both customers and bank employees, banks will be able to tap into real-time opportunities and develop unique and more enriched customer relationships.

Overall, 2009 will see banks rebuilding trust and confidence with stakeholders; revisiting their risk management approach with the right people, skills and tools; and, spreading liquidity and credit risk by widening their sources of funding and retail deposits. They will attempt to balance defensive strategies with proactive innovation in business models, integrated processes and advanced technologies. On the outsourcing front, we will see an increasing share of application outsourcing alongside custom application development. By partnering with an ecosystem of industry providers, they will deliver optimal value to end customers.

In a nutshell....

Banks will redefine the value experience for their customers through an increased focus on:

- **Agility:** To weave operational efficiency and technology together in a manner that transforms and delivers value to the business and the customer. Next-generation architecture and services such as SOA, BPM and SaaS will help enable this.
- **Trusted partnerships:** To increase transparency and the comfort feel of customers while also reasserting trust levels in the form of constant availability of real-time information through multiple channels.
- **Risk management and customer analytics:** A converged approach to enterprise-wide risk management and compliance that will bestow structural integrity, and help control and monitor operational and systemic risks. Further, customer analytics will drive the creation of target-specific services to customers.
- **Collaborative banking:** To deliver the 'Right' product/service to the 'Right' customer at the 'Right' time and through the 'Right' channel will mean tapping into collaborative partner networks.

Banks will discover that simplicity; transparency, customer-oriented innovation and technologies are decisive attributes in rebuilding trust and creating a differentiated and unique customer experience.

About TCS Financial Solutions

TCS Financial Solutions is a strategic business unit of Tata Consultancy Services. Dedicated to providing business application solutions to financial institutions globally, TCS Financial Solutions has compiled a comprehensive product portfolio under the brand name of TCS BaNCS With a global customer base in excess of 240 institutions operating in over 80 countries.

For more information visit: www.tcs.com/bancs

About Tata Consultancy Services (TCS)

Tata Consultancy Services is an IT services, business solutions and outsourcing organization that delivers real results to global businesses, ensuring a level of certainty no other firm can match. TCS offers a consulting-led, integrated portfolio of IT and IT-enabled services delivered through its unique Global Network Delivery Model™ recognized as the benchmark of excellence in software development.

A part of the Tata Group, India's largest industrial conglomerate, TCS has over 100,000 of the world's best trained IT consultants in 50 countries. The company generated consolidated revenues of US \$5.7 billion for fiscal year ended 31 March 2008 and is listed on the National Stock Exchange and Bombay Stock Exchange in India. For more information, visit us at www.tcs.com.

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