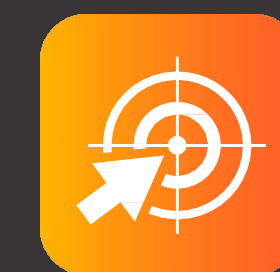


Gearing up for Post COVID Realities: Revamping Digital Strategies in Financial Institutions

Banking, Financial Services and Insurance



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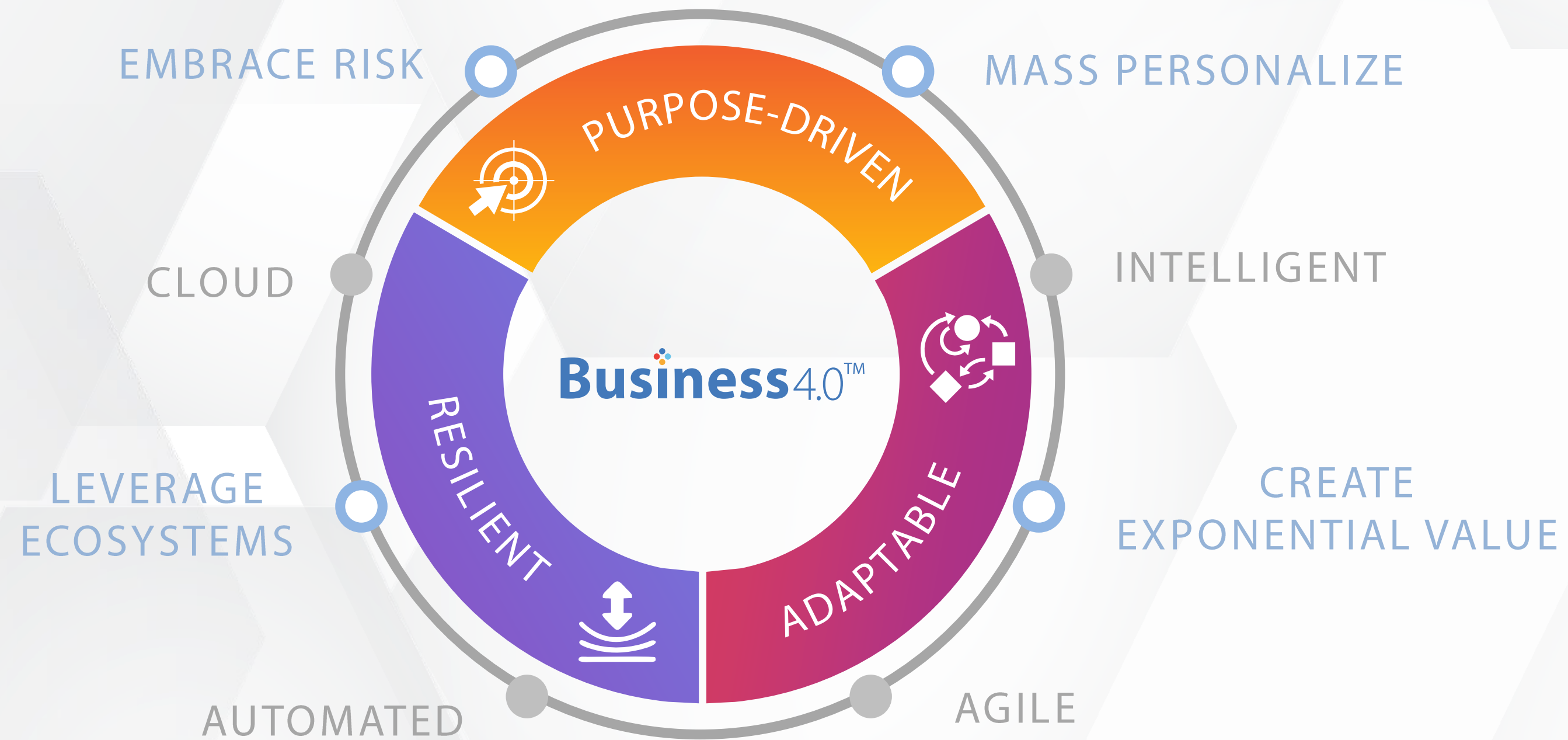


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About the Authors



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Rowdy Bijland is a digital partner and lead consultant with the Customer Experience Strategy and Design Practice of TCS' Consulting and Services Intergration (C&SI) business unit. With almost 20 years of experience, he leads management and advisory engagements with focus on business innovation, development and change, with specializations in digital marketing, commerce and customer services. He is passionate about driving businesses and organizations toward digital innovation and transformation, building new digital products, and platforms and ecosystems. Rowdy holds a Postgraduate Diploma in Digital Business from EMERITUS offered in collaboration with Columbia Business School and MIT Sloan Executive Education.

Abstract



For most banks and financial institutions, managing the continuing COVID-19 crisis is at the top of the agenda. As an immediate response to the outbreak, ensuring employee safety and maintaining critical business processes were prioritized to guarantee business continuity. Subsequently, some financial institutions prepared digital workplaces for employees to work remotely and to carry on normal business operations and core activities to the extent possible. Now that the first corrective measures have been taken, many financial institutions are starting to reflect and think about their future. Although we have insufficient insight on how this crisis will develop and play out, one thing is certain, the world will forever be different after COVID-19. This white paper discusses the post COVID realities and proposes a digital transformation strategy in tune with the changed realities to help banks to stay ahead of the curve.



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COVID-19: Ushering in a Mindset Shift



Thriving in the post COVID world will require financial institutions to detect and adapt to emerging realities. The COVID crisis has emphasized the need to infuse resilience into critical systems and processes as well as accelerate digital transformation and examine platform thinking. Furthermore, the COVID crisis has also put the spotlight on sustainability. While most financial institutions do have a digital agenda in place, the pace has been self-determined and flexible. The COVID crisis, however, has brought digital transformation to the fore and made it an urgent priority – in fact, the crisis has morphed into an opportunity for banks to transform into digital-first entities. Similarly, while banks have adopted green initiatives to reduce carbon footprint and minimize adverse impact on society and environment, a clearly defined sustainability strategy is fast emerging as an imperative thanks to the COVID crisis.



Digitalization

In recent months, the crisis has changed the attitude and behavior of financial services organizations and consumers toward the use of digital applications. Using digital means to work remotely is a good example. Applications for online collaboration have increased in popularity. Given that COVID-19 restrictions such as social distancing measures are set to continue in the long term, people are likely to avoid physical visits to banks, underscoring the need for digital solutions. Consequently, a significant increase in the use of online platforms, such as e-commerce platforms and marketplaces, is being witnessed – the global ecommerce market is expected to grow from USD 1,808.5 billion in 2019 to USD 2,405.3 billion in 2020.¹ Social media platforms are also being used more intensively -- 66% of social media consumers believe that staying home during the lockdown will increase their social media consumption.²



¹ PR Newswire, Impact of COVID-19 on Worldwide e-Commerce Markets, 2020-2030 - Revenue Projections, Trends and Developments Arising from the Pandemic, June 2020, Accessed July 2020, <https://www.prnewswire.com/news-releases/impact-of-covid-19-on-worldwide-e-commerce-markets-2020-2030--revenue-projections-trends-and-developments-arising-from-the-pandemic-301080251.html>

² Globe Newswire; 66% of Social Media Consumers Expect Their Social Media Consumption to Increase During Coronavirus Confinement, Mar 2020, Accessed July 2020, <https://www.globenewswire.com/news-release/2020/03/18/2002921/0/en/66-of-Social-Media-Consumers-Expect-Their-Social-Media-Consumption-to-Increase-During-Coronavirus-Confinement.html>



Platform economy

Due to the changes brought in by the COVID outbreak, the platform economy will make further progress.³ Creating supply and demand between different parties via digital platforms is fundamental, through which companies, financial services organizations, and individuals are linked by value creation. This creates an ecosystem, in which both products and services, as well as knowledge and skills are exchanged. Value creation is not only limited to monetary value for businesses or added value for customers, but can also concern a social value for society, for example, for the purpose of sustainability.



Sustainable banking

When it comes to social value and sustainability, financial institutions can play a major role in addressing environmental, social, and governance (ESG) issues by developing socially responsible products and services. For instance, banks are providing innovative finance and investment products and services through digital platforms to solve ESG issues and drive social value. With a platform economy in place, financial institutions could think of digital platforms like Upwork, Uber, Snappcar, or Airbnb, to provide products and services that drive value creation through establishing new self-employment avenues and improving the environment by sharing assets. One of the first initiatives founded on the platform concept in the banking context is Knab, the Netherlands' first online bank, which offers financial products and services to individuals, entrepreneurs, and small businesses to digitally and sustainably support their financial ambitions.^{4 5}

³TCS, Reinventing Banking for the Platform Era, Aug 2018, Accessed July 2020, <https://www.tcs.com/reinventing-banking-for-the-platform-era>

⁴ Knab, Online bank. Human service. Accessed Aug 2020, <https://www.knab.nl/>

⁵ Retail Banker International, New mobile and internet bank – Knab - launches in the Netherlands, Sep 2012, Accessed Aug 2020, <https://www.verdict.co.uk/retail-banker-international/news/new-mobile-and-internet-bank-knab-launches-in-the-netherlands/>

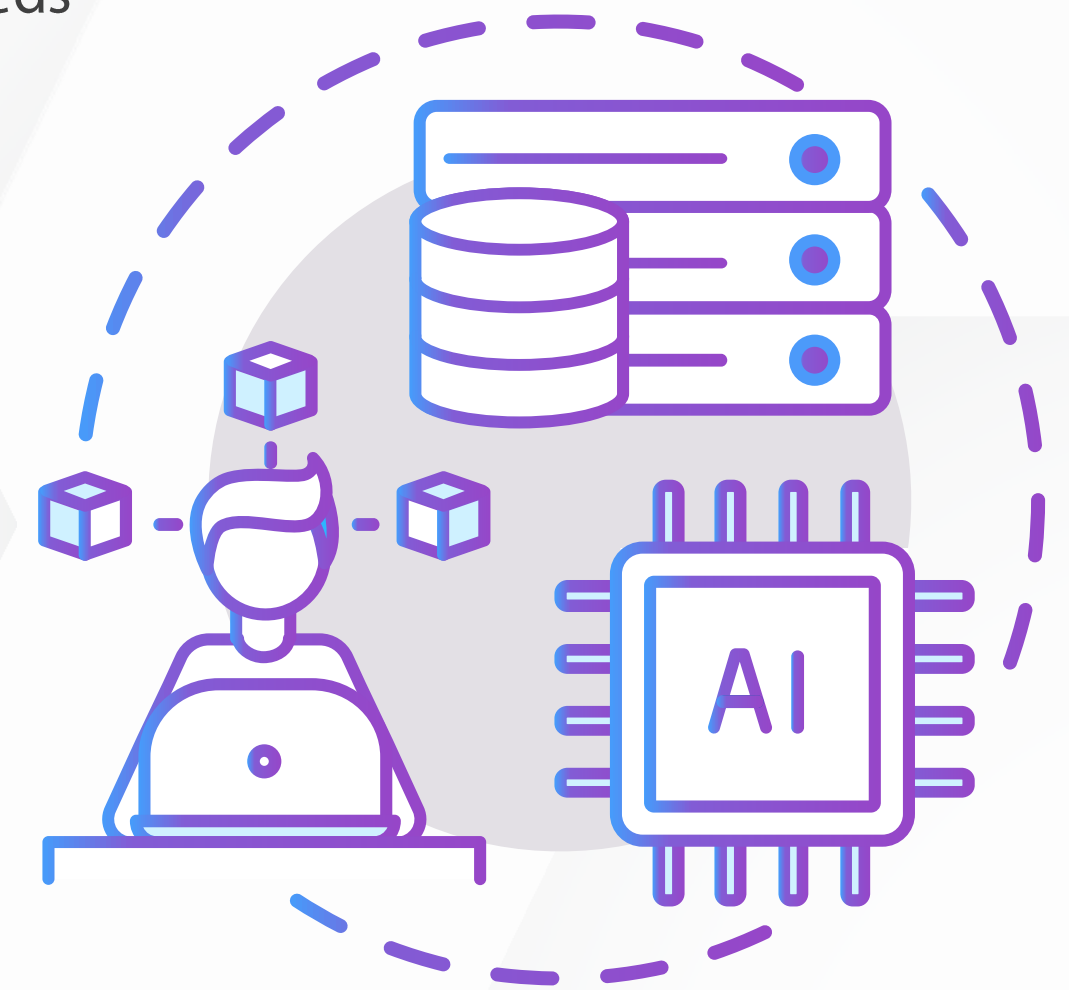


Shaping the Right Digital Strategy to Suit Post COVID Realities

The progress of the platform economy is driving financial institutions to develop a digital strategy to remain relevant in the future. The strategy must not only focus on a specific market or segment, but to a great extent bring together relevant parties or stakeholders to form an ecosystem. A digital ecosystem or platform must be created to trade products and services aimed at meeting the purpose that drives customers to financial services organizations. An important condition is that products and services must be tailored to the specific needs of individual customers. Creating a personalized customer experience is the starting point.

The better the products and services are tailored to the needs of individual customers, the more attractive the platform becomes in driving interactions and exponentially increasing the likelihood of value creation within the ecosystem.

The foremost question is how banks must shape this digital strategy. In our view, embracing the Business 4.0™ framework of principles and behaviors can help financial institutions to rethink the development and implementation of their digital strategy. By adopting four key business behaviors – driving mass personalization, creating exponential value, leveraging ecosystems, and embracing risk – underpinned by cutting-edge technologies like artificial intelligence (AI), analytics, cloud, and automation, as well as agile methodologies, financial enterprises can usher in a digital revolution.⁶



⁶ TCS, Banking in the Digital Era: Flipping the Paradigm, Nov 2019, Accessed July 2020, https://www.business4.tcs.com/content/dam/tcs_b4/pdf/industry-reports/BFSI-Flipping-Paradigm.pdf



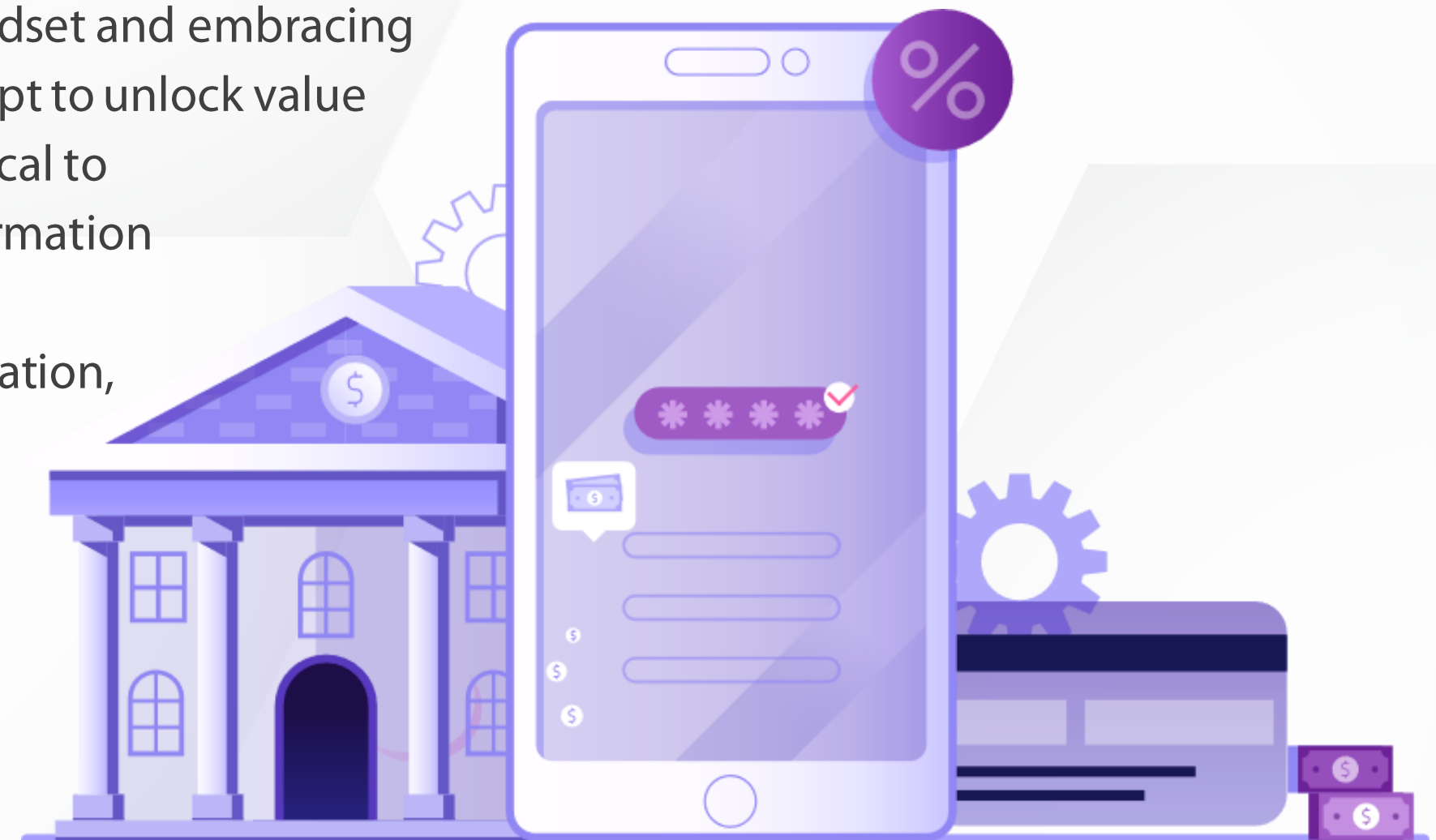
Adapting to change

Financial institutions operate in a rapidly changing environment characterized by evolving customer needs, increasing competition, disruption from emerging startups and fintechs, and paradigm shocks such as the ongoing COVID crisis necessitating swift adjustments to retain market position. Therefore, it is not surprising that in response, banks are actively working on new personalized value propositions and platform business models using new digital technologies to maintain their market position. From introducing online banking solutions to integrated applications for financial accounting or applying for a loan, banks have embraced several digital initiatives.

The Business 4.0 framework can serve as a foundation to take digital transformation in financial institutions to the next level. The framework provides guidance on offering personalized digital products and services to individual customers transitioning to serving the segment-of-one as opposed to customer segments. The solutions can then be scaled to a larger homogenous customer base. Exponential value is created by developing unique and personalized value propositions that are translated into new digital business models. Forming a digital platform business model sets the stage for financial institutions to make better use of the ecosystem that they are a part of. However, these adjustments are sometimes accompanied by a certain degree of uncertainty when it comes to determining the right course of action to achieve the intended success, which may require banks to take calculated risks and move away from the traditional risk mitigation mindset.

Looking Ahead: Playing the Long Game in Digital Transformation

Changing the traditional silo mindset and embracing the platform or ecosystem concept to unlock value from the compound effect is critical to facilitating a Business 4.0 transformation and realizing long-term benefits. Before embarking on implementation, banks must, however, consider some crucial aspects at the strategy definition stage.





Creating the right digital solutions

Creating a digital strategy that goes along with a digital transformation needs a unique approach. This goes beyond mapping the strengths, weaknesses, opportunities, and threats or conducting a competitive analysis. Discovering and creating the right customer experience is at the heart of developing a digital strategy. It is important to understand the thinking and emotional attitude and behavior of involved stakeholders such as customers and business partners through an empathetic approach. In order to achieve this, active interaction with stakeholders is required via intensive collaboration and co-creation. The results can then be translated into value propositions with functionalities from which personalized digital products and services emerge. Various methods can be used to achieve this.



Continuous innovation is key

The COVID-19 pandemic has accelerated the urgency to think about new digital strategies. For incumbent financial institutions, it has even become a necessity to develop and implement a digital strategy, so that their relevance and own market position will continue to be guaranteed in the future. This is not a one-off activity; it should be driven by a model of continuous innovation based on the creation of new products and services on a digital platform that meets the needs of all the stakeholders in the ecosystem. Internal and external innovation centers or innovation hubs will play an important role in facilitating the development and execution of a digital strategy in financial institutions as they prepare to navigate the future and explore new frontiers of growth in the post COVID world. And needless to say, the need for speed cannot be overemphasized if incumbent banks want to lead in the post COVID world.



Further Reading



- [Banking in the Digital Era: Flipping the Paradigm](#)
- [Lead in the New Normal with Business 4.0](#)
- [Driving the Evolution of a Hybrid Financial Services Ecosystem](#)

Contact

For more information on TCS' Banking & Financial Services, please visit <https://www.tcs.com/banking-financial-services>

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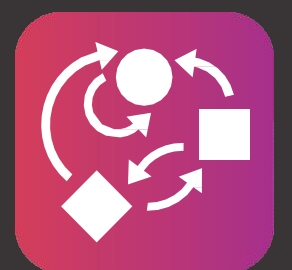
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