Banking on the path of digital revolution

Introduction

Money talks. In the realm of banking and finance, those who control cash flow get to dictate the terms of the conversation. Having the most compelling voice in the room means controlling market share and drowning out the competition. However, the digitization of everything has now reached the banking sector and the dawn of Financial Technology, or "FinTech", has arrived like the sound of a reverberating gong.

According to the European Central Bank (ECB), increased competition from FinTech companies marks an impending danger to banks. "If they do not respond effectively to this challenge, this could lead to a loss of market share and significant reduction in bank revenue," said ECB vice president Vitor Constancio.

So how are banks losing out? These days, customers are gaining an even greater access to financial products and services than ever before. By employing the speed and ubiquity of wireless networks and handheld devices, anyone can manage their money anywhere, at any time.

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With banking procedures being democratized now, customers are moving away from more age-old methods. "Already, peer-to-peer lenders use the web to match borrowers with investors, a model that's shortened loan approval durations to hours versus weeks at traditional banks," read a recent Bloomberg article. It referenced global financial services firm Morgan Stanley: "Online US loan volume is expected to reach $120 billion by the end of the decade, up from $20 billion in 2015."

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Data is Gold in the K-Economy

The world is changing. How we work remotely, commute with autonomous cars, and turn on the lights with sensors; are all possible because of technology. Banks, insurance companies, and other financial institutions don't have to be left behind as they too can leverage on technology to gain strategic advantages.

Via FinTech and Smart Banking solutions, more opportunities are opening up, allowing businesses to engage their customers in more direct and immediate ways. This has resulted in a whole new framework of financial products and services that can be produced.

But first of all, how do banks begin to understand their customers better? The millennial generation is coming of age and is beginning to save, invest, and apply for loans. How can banks capture this emerging group of new customers, along with the vast number of longtime existing banking customers, and discover what exactly it is they all want?

Every mouse click, page visit, cursory browsing, and purchase made online is traceable. Cookies keep track of where you've been and is akin to a digital trail of breadcrumbs that can be used by anyone with access to the figurative cookie jar.

"Corporations are eager to gain access to the digital trails that people leave behind to determine which products are marketed to whom, and at what prices," writes Nathaniel Popper of The New York Times. He explains that "the data ultimately affects how much people pay for everything from a home loan to car insurance."

Capturing this data can include onsite activity monitoring which records customer deposits and withdrawals, bill payments, and investments. Banks can also seek offsite data sources such as social media sites, news webpages, and e-commerce shopping platforms where existing and potential banking customers spend a lot of time and money. However, if banks should gear towards mining more of their customer data, what potential ramifications or backlash could they face?

Privacy is obviously a great concern shared by Internet users across the board. However, a recent report by strategy and consulting multinational Accenture stated that 67% of consumers are willing to provide banks a greater amount of their personal data. The report surveyed almost 33,000 consumers of banking, insurance and investment advice services across 18 markets and found that by giving up their personal information, 63% expected more tailored advice in exchange.

Innovation the Catalyst for Effective Engagement

That report, "Beyond Digital: How can banks meet customer demands?" revealed 48% of customers expect to receive pointers which are tailored towards their consumption. For instance, when they are in the market for a piece of property, these customers want banks to send them information regarding the best mortgage deals or other such offers.

Just as many customers were said to want banks to provide them with assistance when they were in the process of buying non-banking products or services. These are customers who were looking to buy houses, cars, or related services such as home or vehicle insurance, or assistance with the sale and closing processes when purchasing those big ticket items. "Banks could assist with these important decisions by sending helpful information based on their (customer) location, price range, and other personal preferences."

Applying innovation to its product pipeline, Northern European bank Nordea Bank AB recently introduced a new crowd-funding service to its customers. The online Nordea Crowdfunding service platform aims to match entrepreneurs seeking financing with investors.

The bank will be playing an intermediary role between the companies and their investors – a significant development as banks are typically regarded as the party to dispense capital. Through this service, Nordea will be helping other individual or group investors to fulfill that role instead.

The bank is depending on digitalization to render their new service cost efficient. "A good example of this is that our crowdfunding service is linked to the book-entry system, making it easier for investors to gain a good overview of their investments when they are all in one place," read a Nordea press release.

Financial services company, U.S. Bank, is rolling out new mobile payment capabilities for its Corporate Travel Card clients. Paying for expenditures will be possible via Apply Pay, Android Pay, or Samsung Pay. The company stated that an ever increasing amount of consumers are using mobile payment methods and that launching this capability was the next logical step.

Changing with the Times

Banks are a centuries-old institution facilitating the storage of wealth, credit extension, and the flow of monies throughout an economy keeping it robust, vibrant, and growing. FinTech represents the next stage in the evolution of existing financial services – a stage that threatens to upend the old order and handsomely reward those who leverage it to their advantage. Managing data, engaging customers, and more; Fusionex Smart Banking solutions guide financial service providers into becoming tomorrow's leaders of today's K-economy.

The Smart Banking solutions are based on two core tenets, Analytics and Engagement. The Analytics component allows organizations to have a 360° view of their customers, from establishing historical credit and payment patterns to predictive analysis of future cash-flow behavior. Additionally, the engagement component allows banks to leverage on technology to improve how they connect with their customers. A good example of this is mobility, where an always-on, 24/7 connection allows customers to perform banking tasks anywhere they are in the world, outside of normal banking hours.

Proficient data management, trend analysis, and customer engagement are key ingredients to put financial service providers in good stead to effectively steer and manage the banking landscape of the future.

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