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Act quickly OR BE swallowed up

4 trends banks must embrace in 2017

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4 trends banks must embrace in 2017

By Michael Adebisi

The banking industry cannot afford to be conservative these days. Conservative with their depositors' money, yes, but not with how they go to market. In order to defend and capture market share in 2017, it is important for banks to embrace the concept of nimble, quick, agile and deft as they attack four inescapable marketplace trends.

These trends include expansion of mobile banking, implementation of a fintech strategy and attention to and investing in creating the ideal user experience (UX). The last of the trends, which addresses the five generations spanning the Silent Generation to Gen Z, considers a global marketplace that both complicates and enriches the task of the other three trends.

Each generation has its preferences about mobile banking, delivery of financial services and their receptiveness to efforts to enhance their user experience. The significance of these trends is a mandate for banks to be prepared for anything.

They need to be willing to leap, switch directions, turn on a dime and be dexterous so they can go where they must to protect their customers' hard-earned money while also serving them and the shareholders by being profitable. It also means elevating their customers' experience while protecting the security of customers' financial information in order to re-establish and maintain trust.

Attacking these trends

There are four positive ways banks can attack these trends starting in 2017:

1. Expand mobile banking.
2. Implement a fintech strategy.
3. Pay attention to and invest in creating the ideal user experience (UX).
4. Understand generational differences and expectations.

Starting right now, banks have opportunities to act quickly or be swallowed up. In addition to being quick and adroit, banks might also need to heed the words of Louis V. Gerstner Jr., author of the epic IBM turnaround account, "Who Says Elephants Can't Dance?"

"Watch the turtle," Gerstner says. "He only moves forward by sticking his neck out."

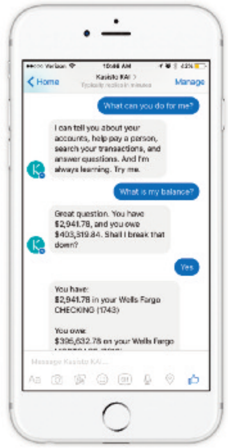
Banks cannot hide in their shells because today's consumers are no longer patient. Customers do not stand still for promises. They will want to see results in all four of these categories.

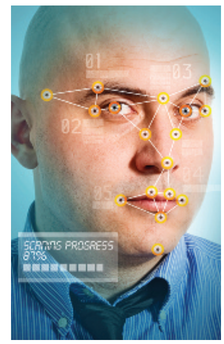
Expand mobile banking

Mapa Research, digital banking experts, predict that by the year 2020, the mobile device will be the world's primary connection tool to the internet. Starting in 2017 (if they haven't already begun) banks will need to:

- Budget for mobile banking innovation.
- Offer a first-level app that allows at a minimum: depositing checks; sending money; paying bills both domestically and internationally; ordering, opening and closing credit card accounts; transferring balances; receiving alerts; and text banking.
- Embrace Artificial Intelligence (AI), the next tsunami to flood the banking world, evidenced by the banking "Chatbot" named MyKai, released by AI software company Kasisto in June.
- Answer mobile banking customers' needs to protect their identities. "Selfie" face recognition is an example.

Simplify the mobile banking experience, especially in the face of the newest apps, AI and cyber security solutions. Develop uncomplicated interactions with the technology, such as voice authentication log-ins, click-to-call features, 3D touch and other easy-to-use capabilities. Randomized pop-up fraud inhibitors might deter impostors and increase users' trust.





Banking chatbots and facial recognition security may be something customers are looking for in 2017.

Implementing fintech

Starting early in 2017, banks will need to devote additional resources to fintech analysis. They will need to determine the best strategies to not only merely survive but also to catapult their bank past the competition.

To enable or enhance their fintech services, some banks would do better to partner directly with or even acquire an existing fintech company. Others might find starting programs to incubate fintech companies would yield the best services. Success will require an open mind set for effective fintech conversion.

After a fintech optimization strategy has been outlined, specifics relating to fintech should be addressed starting with blockchain technology. Blockchain is here to stay and banks will ignore it at their peril. While the cryptocurrency Bitcoin was slow to take off, the newer blockchain technology with built-in validation must be reckoned with.

In short, the tamper-proof, transparent and independent, communally shared permanent database offered by blockchain makes it an inarguably useful database for secure banking transactions.

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Sometimes referred to as a mutual distributed ledger (MDL), blockchain's biggest advantages are its ability to both serve and protect bank stakeholders by cutting costs and enhancing trust.

Beginning in 2017, successful banks will enable fintech through incubation or acquisition and possess the knowledge base necessary to quickly enable blockchain technology.

Creating an ideal user experience

There's no question that banks must be present on mobile devices, but now it's a race to see who can elevate the user experience across the digital spectrum. ATMs, human tellers, customer-service representatives and their virtual live-chat counterparts need to represent the brand the bank wants to embody in the marketplace.

Continuously challenging the customer-facing teams to solve — or better yet, to anticipate — customers' real problems in "disruptive" ways will require unremitting dedication to offering the untried. The reward will be customers' loyalty, a prize truly worth the effort these days. There's a startling disconnect: "80 percent of bank executives understand they are at risk of customer attrition; just 40 percent are focused on improving the customer experience" (ACI Worldwide).

2017 is the year to turn this around. Experimentation across the user-experience spectrum that would put holograms in the customer-service space might be the imaginative touch to separate the meek from the survivors. For best results, the words "conservative" and "bank" should not be uttered in the same breath after 2017 is over.

Addressing multiple generations

Opportunities abound for banks that understand how to address all the generations. Life-phased products and services that present generationally and appropriately intuitive and emotionally rich customer experiences will win.

To stay ahead of the crowds at each opportunity, bank marketers should begin 2017 by focusing on the all-important B-to-C challenge for all five generations in the marketplace: Silent, born before 1946; baby boomers, born 1946–1964; Gen X, born 1965–1980; Gen Y or millennials, born 1981–1997; and Gen Z, born 1998–present.

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While the millennials and boomers represent the biggest numbers (millennials surpassed the boomers in population in April), the Silent Generation represents investment strength and the Generation Y "kids" characterize the future.

Gloves-off engagement by using the age-old "advertiming" (e.g., radio messaging during commute hours) and celebrity endorsements might have been anathema to banks in the past, but should be strongly reconsidered as competition heats up to capture market share within and across the generational diversities.

Here's another scary statistic: Millennials ages 25-34 are two to three times more likely to close all accounts with their primary financial institution than people in other age groups (FICO).

Impatient and flighty, these 75.4 million millennial consumers are moving into their peak income years. Reaching them through concerts, online videos, music, sports and via their social groups will be key to attracting them as customers.

Keeping them will be harder. They need to trust the people they do business with. They demand excellent, frictionless transactions and they are not a patient lot. Seniors are more forgiving, but need education and communication in the face of intimidating (for them) technology innovations.

Revenues, profits and survival

Research firm McKinsey & Company indicates that the following five major retail banking businesses are vulnerable to attack and poaching: mortgages, consumer finance, small and medium enterprise (SME), lending, retail payments and wealth management.

From 10 to 40 percent of revenues (depending on the business) and between 20 and 60 percent of profits (with consumer finance being the most vulnerable) will be at risk by 2025. Attackers will likely capture only a small portion of these businesses; most of banks' losses will come from margin compression as invaders force prices lower.

As digitization accelerates, banks will be in a battle for the customer that will define the next 10 years for the industry. Banks of all sizes are increasingly susceptible to the need to not only protect market share, but also to win customers from their competitors.

The balance of power has shifted from provider to customer not solely through the application of fintech, but also because global media outlets and accompanying social media transparency force everyone to be on their best behavior.

The savvier banks are choosing to keep on top of mobile banking, fintech and generational trends, but they must also offer a stellar five-star user experience. It's not just banking. No industry, company, product or service is immune to the possibility of losing customers to a competitor that constantly innovates with creative discipline. The byword for bankers (all industries, really) for 2017 and beyond is "nimble."

Michael Adebisi has 15-plus years' experience in investment banking, financial services and consulting. As director of NEWTIME Consulting, he is currently involved in origination and management of strategic client relationships in project finance, fintech and systems consulting transactions across the EMEA and U.S. For more information, contact mike@newtimeconsult.com.