

THE JOURNEY TOWARDS A DIGITAL BANK – FIVE MAJOR STAGES TO SUCCESSFUL BANKING DIGITALISATION

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It is a matter of fact that banking is changing, with or without the banks. Millennial consumers are moving online, expecting frictionless digital services at their fingertips, and banks have to meet their customers wherever they are – on their smartphones, tablets and computers. Mass digitalisation and changes in the regulatory environment are forcing banks to undergo the most fundamental transformation so far in their history, from a regulatory and organisational-centered approach to a more customer-centric one, with a corresponding need to realign business models and processes and replace a legacy IT architecture with a modern one. Digital transformation can be envisioned as a journey with several identifiable stages.

Stage 1. People and processes

This stage is a backdrop of the digitalisation journey. Success in the digital world requires more than rethinking technology; it requires reshaping culture, processes and organisational structures around customer experience. Strong leadership with a new mindset is essential to bringing about a change in mentality and culture, as well as setting the appropriate structure and incentives to support it. The ideal vision for the role of employees in a customer-centric environment must first involve a move away from a divided, functional focus. Once completed, a firm should then focus on forming autonomous, self-managing, multi-skilled and multi-functional teams. These teams can then be suitably organised to deliver the necessary requirements and solutions through collaboration, adaptable planning, evolutionary development and continuous improvement.

Stage 2: Prototyping

A bank has to start by getting a feel for who its clients are and how to best serve them by prototyping, whether internally in digital labs, in partnership with technology consultants or via hackathons. Prototyping is the ‘test and learn’ stage at the heart of R&D, where the new ideas for digital services go through rapid iterations of visual prototypes before they result in a new

business application. The focus is entirely on the customer and involves segmentation, user-centered customer journey design, focus group feedback, reiterations and validation. This level sets the stage for the business and software teams to start working together.

Stage 3: Business applications

Designing real business applications means transforming successful prototypes into business products, creating new meaningful apps for existing processes and operations, as well as integrating innovation with current lines of business. A new business application is the combination of a product offering, an operational model that supports it and a client facing app, fully integrated into the business's processes and compliant with internal policies. It also has to offer a consistent omni-channel user experience: online, mobile and off-line operating components and compelling, highly differentiated customer journeys, demonstrating personalization, speed and ease of use.

Stage 4: Digital platforms

Having ventured into some form of digitalisation, banks are likely to own a number of disparate applications, developed using different technologies, under different assumptions and guidelines, each with its own sales and distribution model and operational infrastructure. However, customers' digital expectations call for a comprehensive, integrated and consistent user experience, so how does one manage such a heterogeneous 'zoo' of apps and unify digital transformation efforts?

A transformative stage here is to develop an integrative digital platform- a dynamic architecture to optimize the development process and empower new models of adaptation and collaboration. A digital platform provides common technological, operational and visual infrastructure for application development and enables reuse of application components, integration with core systems of the bank and compliance support. It provides an integrated set of frameworks and toolkits to build consistent visual design, branding and user experience across all channels of interaction with the customer. Developers gain access to critical building blocks for app development, including identity and security, application analytics, quality management, support services, and a single knowledge base that integrates best practices across the bank.

By providing a shared infrastructure, digital platforms enable rapid product prototyping and reduce time to market of business applications, while providing immense gains in efficiency and reduction in costs related to development, quality management, maintenance and support of applications. The platform becomes the digital DNA of the company internalised by its digital products and servicing existing clients.

Stage 5. Turning the switch

Banks are not able to design new experiences in existing systems and have to design a new digital model whilst managing existing business. Most customers will easily switch to digital, omni-channel services tailored to their needs, yet the preparation and timing of the transition is critical and is an exercise of finding the right trade off between gaining new business and letting go of the old one.

Banks have taken different approaches to digitalisation. Some started strategically, bringing in new talent from digitally savvy industries, redesigning processes and developing digital platforms, others only realised the need for a digital platform, having faced the inefficiencies of managing a wealth of disparate apps. What's certain is that digitalisation has rewritten the rules of competition in financial services and only a user-centric and multi-level approach to digitalisation will allow the bank to become relevant and seamlessly integrated into the lives of its customers and capture an emerging, long-term growth trajectory.

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