



POST-COVID-19,
REIMAGINING BANKING

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By Amit Patel

ABSTRACT

The COVID-19 pandemic has created an unprecedented global humanitarian and economic crisis. For businesses across the world, leaders have the daunting task of coping with uncertainty while ensuring employees' safety, well-being, and productivity. This article examines what challenges lie ahead for the banking industry, and how it can make a smooth transition to thrive in the post-COVID-19 new normal.

“We are witnessing the creative destruction of financial services, rearranging itself around the customer. Who does this in the most relevant, exciting way using data and digital, wins!”

Arvind Sankaran, Jungle Ventures



INTRODUCTION

In the pre-COVID-19 world, the banking industry faced significant crises... the 2003 dot.com implosion followed by the 2008 financial debacle. With new regulations in place to ensure against future failures and needed government bailouts, the banks were slowly able to right the ship.

Then seemingly out of nowhere beginning in 2008, the brash new FinTech start-ups emerged, threatening the traditional financial institutions with new approaches, technologies, and services to meet the needs of tech-savvy customers. These “challenger banks” and alternative financial platforms have continued to offer new ways for people to access and manage money, often with lower cost and better customer service delivered through cutting edge technologies. The FinTech revolution is here to stay and is yet another stress point for traditional banks.

As banks deftly navigated those challenges, enter a new crisis – the COVID-19 pandemic. It has added to the tsunami of disruptive forces that banks are scrambling to address.

COVID-19 is a catalyst for change. Banks have a golden opportunity to use this time to reimagine their business model, operations, and offerings. It’s a call to reassess aging legacy systems, become more agile, meet evolving customer needs, and thrive. It’s time to make the much-discussed digital transformation a reality.

Banks need to significantly change if they’re to survive. By addressing four key elements, banking leaders can seize this moment in time to reinvent and reimagine their business for sustained success.

1. Lessons Learnt From Going All Digital ... Without a Plan
2. Reimagined Operating Models
3. Branch 2.0
4. The Personal Touch

“If you compare banks to companies like Google, it’s evident that banks are still at the nascent stage of the digital and data revolution.”

Vik Atal, Goldman Sachs and McKinsey & Co



1. LESSONS LEARNT FROM GOING ALL DIGITAL ... WITHOUT A PLAN

Traditional banks are acutely aware of the competitive threats from tech companies and challenger banks that are using technology to gobble up market share. But the answer isn't to simply provide an all-digital solution based on top of an existing legacy infrastructure and approach. Case in point, JP Morgan Chase's failed attempt at an all-digital bank – Finn – which launched in 2018 and close a year later.

While much has been written about Finn's demise, its failure can be attributed to a few areas:

- ▶ Little or no differentiation between the bank's conventional mobile banking app and Finn – in fact, it was built on the existing back-end platform
- ▶ Not enough and no consistent marketing effort put toward the new offering
- ▶ Competing digital products and offerings within Chase
- ▶ Failure to offer market-leading features that make all-digital banking attractive, such as better interest rates
- ▶ Its target market wasn't clearly defined

Chase is not alone in stumbling while going all-digital. HSBC and Investec both launched digital banking projects that were less than successful.

So, what does that mean for banks and how do they build successful strategies for a successful digital transformation journey?

Start With The Customer Problem

Too often, banks look to simply 'go digital' without really understanding the target audience or the problem they're trying to solve. Banks should take a page from big tech's playbook by starting with the customer problem and developing a way to solve it, rather than developing an offering and hoping to find a customer who will buy it. A great example of this is the mobile app-based trading platform aimed at Millennials, Robinhood. The two 20-something founders identified the need to offer the cellphone generation the ability to easily invest in stocks, ETFs, and cryptocurrencies, eliminating the need for institutions such as Schwab or E*TRADE that charge hefty commissions. Without any storefront branches, it operates entirely online and has become a must-have app like Facebook or Instagram that people feel the need to check daily.

Use Technology To Provide Solutions Designed Specifically For The 'Next Normal'

Banks can't ignore the fact that the workforce is changing so they need to evolve their products to keep pace with the new alternative workforce – the temporary, on-call, contractor, freelance, work-from-home, and gig workers. Challenger banks are already using technology, such as big data, mobility, automation, personalize offerings, to provide

