

# Four ways banks can win the customer affinity battle

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21 Oct 2020

The confluence of economic pressures, the impact of the pandemic and the changing consumer habits brought by the experience economy trend is forcing banks to reimagine how they deliver products and services to customers.



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Despite the shock to the banking system, South Africa's banking sector performed well and are currently sufficiently capitalised to withstand short term shocks. According to a report by PwC released in June, measures implemented in the wake of the 2008 financial crisis have helped banks absorb some of the initial shocks from Covid-19.

The Reserve Bank also cut rates by 300 basis points this year to bring the prime lending rate to historic lows. It has relaxed some banking rules to support local efforts providing relief to businesses and consumers, including easing liquidity requirements for restructured loans and rules for when such loans attract additional capital charges.

And in a rare relaxing of regulations, the trade and industry minister also exempted banks from some provisions in the Competition Act to allow them to come together to find joint solutions to the current crisis.

## Race for customers is on

However, the speed at which things are changing and the pressure on consumers and businesses mean banks are in a race against time to refine their delivery, streamline their service, all while developing new products and services so that they can easily retain their existing customers and attract new ones.

Finding good new customers in a post-Covid-19 world will be tough. Banks need to minimise reasons for customers to defect to other providers.

Digitisation is the top priority. Banks need to deliver products, services and experiences tailored to customer needs enabled by a 360-degree view of each customer. Banks that struggle to digitise processes and give customers value in more convenient, personal and cost-effective ways will risk losing their customers to competitors that do.

The problem statement for all banks is similar: deliver integrated, data driven products and services uniquely to customers seamlessly through digital processes. South Africa's banks have largely the same proportion of spend on technology, but some consistently deliver better, more integrated seamless offerings to the market, and maintain momentum doing it.

The challenge is to close the gap between investment into new technologies and the impact they have on the customer experience. In general, money spent doesn't move the business far enough into the future for the money spent.

Consumer behaviour has also not been static during this year's events; in fact, it is shifting in dramatic and consequential ways as customers exercise their choices from the comfort of their homes on digital devices. Banks need the analytical power to track and measure consumer behaviour in real time and at an individual level, and the agility to maintain and introduce new products and services at speed and scale.

To achieve this, banks need to develop streamlined and automated banking operations that seamlessly integrate finance, risk, and compliance across their retail and banking operations, coupled with individualisation and compelling offers, delivered in real time. This is all enabled by a business technology platform that integrates operational and experience data for a holistic view of the organisation.

While banks continue to face pressure from upstart fintech innovators and non-traditional competitors such as telco companies, they remain in a uniquely powerful position. With access to customers' most private financial information, banks could analyse and leverage both the operational data as well as new forms of experience data to better serve customers and win in the experience economy.

To enable this, banks should prioritise investment in four strategic areas, namely:

## **One: Seamless connectivity**

Consumers are so used to the convenience of digital services that they now expect immediate fulfilment of their needs from their service providers. Banks are not designed for this: product systems, channel partners, risk and compliance - all these departments operate separately in a traditional bank setting, with little in terms of a total view of each customer, and limited integrated delivery.

Banks need to transform their end-to-end processes across departments and lines of business to analyse each customers' behaviour at an individual level. Using these insights, banks should design and offer personalised products that directly address a customers' needs.

## **Two: Data-driven intelligence**

This level of personalisation requires that banks collect and process operational data as well as experience data. Banks should build intelligent enterprise capabilities that can seamlessly integrate all data and apply machine learning and AI to create and simulate various business scenarios to understand how new products and services could impact their customers and operations.

This can deliver value across four key areas, namely faster time to market; lower research and development costs; an increase in revenue from new products; and a better understanding of their customers' experiences and needs.

### **Three: Operational effectiveness**

Banks need to break down data silos and become more connected to their customers through personalised services and consistently-positive experiences. Using customer and employee insights, banks could anticipate opportunities for new products or services that can create loyalty, boost retention and increase revenue.

Core to this is the automation of low-value manual processes to free up valuable internal skills for higher-value, revenue boosting tasks. Ultimately, banks can leverage their data further by opening it up to trusted external partners in an open banking ecosystem that radically improves opportunities for customer-centric innovation.

### **Four: Financial insight**

Banks are subject to immense regulatory oversight. Remaining compliant to regulatory requirements can be costly and resource-intensive. Current processes are often overly manual and reactive, with entire teams dedicated purely to compliance. However, marrying operational and experience data in a business technology platform that delivers real-time insights can be a game-changer.

Banks can use operational and experience data to simulate financial market conditions in real time, allowing decision-makers to forecast various business scenarios and their financial impact. With more seamless risk and compliance management, banks could be better placed to enable third parties such as fintechs to share data and control via APIs, thereby accelerating the development of customer-centric and compliant product innovations.

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