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The theory of the ‘Bank of One’ is well-rehearsed. Today’s tech-savvy consumers are demanding banking services tailored to their particular requirements. They see financial services as an enabler for other aspects of their lives, and they want their banks to deliver the products and advice they need in an efficient, timely way – matching their experiences of being a customer of other digital businesses. They want their banks to understand them, to provide solutions tailored to them and to speak to them in a voice that is for them alone. Think of **Wells Fargo’s** personalised ATM messages in the US. Or UK digital challenger **Atom Bank** enabling its customers to customise not only the look and feel of their banking app but even the name and logo of their own – personalised – Atom Bank.

Indeed, the concept of contextual banking services is at the core of the propositions of many new entrants to the industry. Leveraging their digital nativity and a range of leading edge technologies, they plan to exploit the much vaunted dissatisfaction of customers with their incumbent banks to help consumers improve their financial lives with personalised experiences, products and pricing.

But how easy is it for established banks – with legacy systems, organisations and cultures – to provide contextual services? How effectively can they use what they know about their customers’ behaviour, investment appetites and life plans to offer advice and predict the products and services they will need? Are they in a position to respond quickly enough to offer products and services at the right time and place to correspond to customers’ individual needs? Are they connected closely enough to their customers’ lives to provide them with meaningful offers? Are their systems architected in the right way to enable them to respond to customers’ demand for real-time information and service?

The answer cannot be simply serving up offers every time customers check their balances. Instead there must be some value and mechanism to encourage continuous dialogue between the provider and consumers. New entrants and
existing players bring different strengths and weaknesses to the table when it comes to delivering on the vision of the Bank of One, but they must all grapple with this central problem – creating an engaging and ongoing customer experience in what is an ‘occasional sales’ industry.

In order to explore in more detail the opportunities and challenges of providing contextual banking services, Finextra, SAP and Intel recently hosted a conference, The Bank of One, in London, which brought together incumbents and new entrants to share their insights on a number of key questions, including what ‘Bank of One’ really means, which customers are the target of banks’ personalisation efforts, how different business model approaches stack up against each other, which technologies are key to success, where the banking industry can look for inspiration to tackle the demands of digitalisation and how the battle between established banks and challengers could play out.

This report sets out the key takeaways from The Bank of One event. Produced by Finextra in association with SAP Hybris, the report combines these findings with other industry insights in order to try to shed light on how banks of all kinds globally are tackling the technology and business challenges inherent in successfully providing contextual services to increasingly demanding customers in an ever-more competitive market landscape.

We hope you find it interesting and useful.

The Bank of One panellists
- Raman Bhatia, Head of Digital UK, HSBC
- Jamie Devlin, Head of Fundraising and Investor Relations, Tandem Bank
- Matthew Ford, CEO, Pariti Technologies
- Johan Van Rooyen, Head of Design & Engineering Lab, Discovery
- Moritz Zimmermann, CTO, SAP Hybris
A focus on financial health

Johan Van Rooyen, Head of Design & Engineering Lab, Discovery in South Africa, was one of the keynote speakers at The Bank of One conference in London. He said an equivalent term is “customer centric bank – one that really understands the customer but not at a segmental level, at an individual level”. Describing Discovery’s plans to build on its strong insurance franchise to deliver a full service banking proposition, Van Rooyen went on to tell attendees that “this means you can really form a relationship with that customer – and that you really work for that customer, even when the customer and we are sleeping. That’s what technology enables.”

Discovery’s strategy is to try to replicate its Vitality insurance concept – built around incentivising people to be healthier – in banking. The global Vitality franchise is “based on a very simple idea”, Van Rooyen said – “that insurance isn’t about accepting risk, it’s about behaviour”. As it embarks on its banking journey, Discovery is applying the “simple hypothesis that banking can also be about behaviour – not just a service at a point in time”, he continued. The idea will be to create a programme that sets goals for every individual and scientifically sets incentives for those goals, with a view to changing behaviour at a population level. Discovery plans to start its banking crusade in its home market of South Africa, but has global ambitions should the idea take off.

The timing of Discovery’s entry into banking has been governed somewhat by changes at the market level, Van Rooyen said. “Consumers are changing fairly dramatically due to a combination of technology, consumer preference and big data coming together all at once. We also know that businesses simply don’t survive today as long as they used to: the disruptive effect is much faster and more brutal in many ways. Our view though is that there is consumer preference at the heart of this.”
While incumbents can respond in different ways – become multi-channel/omni-channel banks by adding more channels into the mix, go further and exploit the ‘chattiness’ the new channels provide to become an ‘engagement bank’ – Discovery prefers to leapfrog those stages to be a customer-centric bank.

The insurer plans to leverage its big data pedigree to do this – “Discovery does big data and lives it daily in the process of insurance” – bringing machine learning and artificial intelligence into play as well. “We will start fairly simply, and work on the insights we learn,” he said.

A critical aspect of Discovery’s approach will be to price for the individual – and to negotiate that price in real time. “You can’t have a 1:1 negotiation and really mean it unless you can price per the individual in real time – and then you need to be able to change that price,” Van Rooyen told delegates. “Remember our starting point is that insurance is behavioural, and if you can change the behaviour you can change the risk. Our hypothesis in this space is that risk and the price of risk and even transactional banking and the price of transactional banking are behavioural – and behaviour can change. If behaviour changes over time, and if you mean that you want to treat clients as individuals, then prices and features should change over time.”

Discovery will also implement a banking equivalent to the Vitality concept. “This will be an integral part of our banking play,” he said. “We will assume a particular behavioural basis and we will then incentivise the change of behaviour – and because we are not an incumbent, we can undermine our own potential profits. We can really advise clients what their behaviour financially is, without the risk of losing easy profitability through lazy deposits and other behaviour that is not good for individuals. Ultimately we will want to make a difference in society.”

Over this, Discovery will layer a service model that will take personalisation to the ultimate level. “If they want, we will go to their house,” Van Rooyen says. “This is the last step in a service model that is digital and has every process perfectly engineered. As customers have needs above and beyond that we will ratchet up our response so that ultimately the entire service model feels generous, warm and incredibly personal.”
Van Rooyen very clearly stated that he expects incumbent banks to innovate – “they will not give up their business so easily as some of the examples of digital disruption we hear about” – but he also said he believes new entrants like Discovery do have important advantages in delivering on the Bank of One vision. One is the ability to undertake “an outside in design, not an inside out”, essential in order to treat clients as individuals. “Some of the legacy problem for incumbent banks is in the mindset and the organisational structure, which doesn’t lend itself to consumer centricity,” he says.

In technology terms, new entrants can also take advantage of “bank in a box” solutions, he pointed out. “We like the fact that somebody else worries about the plumbing of disparate systems front and back end. We never have to worry about that, and can focus on the elements that give us competitive advantage,” he said, adding: “We think that if you really want to speak to individuals at scale, and if you have worldwide ambitions, then an in-memory database solution is something that is very critical.”

**Driving customer engagement**

Raman Bhatia, Head of Digital, UK at HSBC, began his keynote presentation at the conference with a description of the “Bank of Raman”. “This plays a key role in everyday payment experiences,” he says. “It alerts me when I spend more than usual on my morning coffee. It told me two weeks ago that I had not filled my Individual Savings Account (ISA) allowance and suggested I could use some spare money to do so. Every Saturday at 1pm when I play football and I fire up my app to make a payment to pay my football dues, the app prepopulates the payment with the correct details – just as Uber does every Sunday when I take my kids to Swiss Cottage for a swim. The bank knows that my fixed rate mortgage is about to come to an end, and I could be rolling off to a standard variable rate product which is expensive. There is actually a better mortgage out there for me at this time, and even though the bank could lose money in the re-mortgaging, it still services me.”

This vision of the Bank of One is very tailored to his world, he said – but he added “there are some universal themes: smart, cognitive, helpful and delightful as well – something which is very hard to do in banking.”

Since banking is a “very low engagement category” business, the major challenge is how to drive engagement, Bhatia said, before describing HSBC’s experiences of taking on that engagement challenge through the creation of the “Nudge” app – designed to promote financial prudence and behavioural change in much the same way as Discovery is setting out to do.

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**Bhatia: Bank of One is smart, cognitive, helpful and delightful**
The app was developed using a different model for the bank – by fully-empowered cross-functional teams, in just 6-9 weeks. It was piloted with some 400 real customers, and during the pilot more than 40,000 nudges – true nudges, based on behavioural science – were given. Though it was challenging to ensure the nudges would not be perceived as annoying, based on the feedback collected throughout the vast majority were appreciated by customers, Bhatia said, and there was early evidence of a shift in behaviour, with people starting to save more.

“The emerging theme was that salience, relevance and personalisation are key,” he said. “This is clearly an interesting opportunity for any bank wanting to drive engagement around the payment experience.”

**Banishing financial fear**

For Matthew Ford, CEO, **Pariti Technologies** – a start-up aggregation service provider – changing banking behaviour in order to improve consumers’ financial lives is a critical goal of contextual services. “At Pariti, our vision is to help people to take control of their money and access fairer products,” he told the Bank of One event audience. “We talk about ourselves as a distributed bank. We are providing a personalised experience – also building on the nudge theory – but in addition we are providing personalized products. So we are identifying when people need a product – proactively warning them ahead of time that they may need a credit product, for example, or that there may be an opportunity for a savings product – and then providing them at exactly the right time the product they need. The final component is personalised price, Ford said. “We have a holistic customer view, we understand a customer better than a single bank can, and we can be part of their behavioural journey through personalisation of product, experience and price.”

UK challenger bank **Tandem** also wants to be part of the customer journey towards an improved financial life, explained Jamie Devlin, its Head of Fundraising and Investor Relations. “The customers we have surveyed are actually afraid of engaging with their finances,” he said. “Even those earning quite large amounts of money just don’t want to look at their statements. They know they have probably made mistakes, are incurring fees because they have gone overdrawn or abroad, and it’s just painful to look at so they shy away from it. Rather than alerting a customer to having gone overdrawn yesterday, our aim is to stop customers from going overdrawn in the first place by making sure their finances are not something they need to be afraid of engaging with. Any time you power up your Tandem app, you will be able to answer the question, “how am I doing?”, and our aim is to give you the confidence that we have your back.”
A buyer’s market

Moritz Zimmermann, CTO of SAP Hybris, shared an anecdote which served to demonstrate how far away many of today’s incumbents currently are from the Bank of One vision. “It’s about the small details,” he told delegates. “I got an email from my bank saying that fees for going overdrawn have been dramatically reduced. I am not a person to go overdrawn, ever. But I have been on the web page at least 20 times in the past weeks to look for mortgages because I am thinking about building a house. Saying you want to create a personalised experience and that you want to engage is very easy, but you need to really understand what the customer wants at any given time, in a contextual way, to deliver this experience.”

The banking industry is transforming, Zimmermann continued, from a seller’s market to a buyer’s market. “Ten years ago it was relatively difficult for a customer to find out whether Bank A or Bank B was offering the best services. Today that situation is reversed. It really is a buyer’s market now, and in a buyer’s market, customers are in control and the seller becomes customer centric. Today, most incumbent banks are still more product centric than customer centric.”

So who is the customer we are talking about? According to the panelists, not just – or even mainly – the most studied generation ever: millennials. “In the same way I find the Bank of One and segmentation so appealing, I find generalisations about generations so unappealing,” said Van Rooyen. “The world is changing. People may catch up at different rates, but none are excluded from a customer-centric bank.” Bhatia agreed “it’s more about attitude and digital nativity which is cross-cutting”.

For Pariti, millennials are the target, Ford said – 96% of its users are under 34 and 63% under 24. The reason, he said, is that it is young people who “struggle most with engaging with financial services”. Importantly, he added: “They are also the ones that understand the value of their own data the most clearly, and they are the ones that are most excluded. Few providers are interested in helping them make the most of their spare 50 pounds.”

Another critical characteristic of millennials is that they “have shown themselves to be the most dissatisfied with the status quo and most receptive to new ideas”, added Devlin. “We are building Tandem with our co-founders – they currently number 5,000 – and...”
that group is somewhat skewed towards millennials, but for us our product
design is much more needs-based and behaviour-based than demographics
based,” he said. “We talk about ‘Now’ people – they are not necessarily hard
up or earning little, but they value flexibility in their finances and they are not
getting it from the current crop of offerings.”

**THERE’S AN APP FOR THAT...**

Billed as the ‘world’s first banking app combining customer data and nudge
theory’, HSBC Nudge began its pilot at the beginning of this year, with the
promise to encourage customers to make small, regular financial decisions
that will result in a change to long term spending habits.

The bank cited a study it had commissioned from the London School of
Economics and Politics, which used behavioural science to explore the
barriers experienced by people when trying to achieve their financial goals.
It identified that leveraging technology, such as automatic messages, was key
in encouraging people to meet their financial ambitions.

Using software to evaluate individuals’ current account data, HSBC Nudge
identifies trends in customers’ spending habits and sends regular, targeted
digital ‘nudges’ to make people aware of their expenditure.

These messages are designed to encourage customers and help them achieve
their longer term financial goals.

This trial follows the successful introduction of a text alert service that warns
customers when they are approaching their overdraft limit. This service has
already saved HSBC’s customers more than £85m in overdraft charges since
its introduction, according to the bank – with £800,000 saved between
Christmas 2015 and New Year 2016 alone.

In a similar vein, South Africa’s **Absa Bank** began piloting in February a
new predictive spending alert that warns customers if they are about to go
into the red and offers customised options to help them better manage their
finances. Piloted with 50,000 customers in South Africa, the smart personal
alert service mines customer transaction histories and notifies users if it
spots the recurrence of overspending trends. The system then prompts
customers to transfer or deposit funds into their account or connect instantly
to a dedicated Absa staff member to talk about their financial needs.
Yasaman Hadjibashi, Chief Data Officer for Barclays Africa, said: “By predicting and better understanding our customers’ behaviour, we are able to proactively engage with them before their funds are depleted – and without the customer first having to set a minimum limit. We are then able to provide them with tailored opportunities to manage their account.” Of the 50,000 customers who have been part of Absa’s pilot to date, 60% proactively took actions following the alerts to manage their payments better, said Hadjibashi, and 84% confirmed that they found the alerts useful and preferred the service to continue.

Anna Nascimento, Head of Commercial Engagement, Personal Bank at Absa, added: “Data science brings us closer to understanding our customers’ everyday banking needs and helps us protect them against unnecessary additional charges, through the use of predictive low balance alerts. Analytics is helping us build a deeper understanding of customer behaviour and ensuring that our engagement with them becomes more personal and relevant.”

Writing on Finextra.com recently, Peter Dalton, Group General Manager, Innovation, at ANZ, referenced the progress of personalised financial aggregation tools such as ANZ’s Grow by ANZ app, and said they were “just the start of making money more personal, accessible and meaningful for our customers”. “Imagine a home loan that doesn’t just show you how much you owe and this month’s payments but also includes photos of your property, interactive visualisations of how much you have paid off, when you look like being debt free and how much time and interest you could save if you made small extra repayments? Or, a banking app that proactively helps you manage bills and keeps an eye on your savings, presenting personalised investment opportunities when the time is right – all available instantly at your fingertips.

“Banks are in a great position to lead this vision of the future with great people, an intuitive interface and a trusted brand behind them,” Dalton concluded.

Australia’s Commonwealth Bank is also trumpeting the success of its CommBank app – which it says has more than 2.8 million logins each week. Its contactless payment functionality Tap & Pay was recently augmented with the addition of credit card as well as debit card payments, with a view to enabling more Australians to use the digital wallet and manage their money on
the go. Angus Sullivan, Executive General Manager, Retail Products and Strategy, Commonwealth Bank, said: “Australia has some of the highest volumes of contactless payments globally and with more than 2.8 million users of the CommBank app each week, we are focused on delivering innovative payment features to our customers. This next evolution of the digital wallet places the power of mobile technology in the hands of even more Australians, giving them more convenient access to their finances whenever and wherever they are.”

The bank is also piloting the CommBank Offers app, which enables customers to opt-in and take advantage of tailored merchant offers that deliver value based on their shopping behaviour and location.

Another bank biting back in the battle for the Bank of One is DBS, which recently launched its new DBS digibank app. The bank highlighted as a real innovation for Asia the fact that “customers are able to view their account balances with a simple swipe on their mobile devices or Apple Watch”. This function, called the “Peek Balance”, does not require any pre-login and customers can choose to “peek” at any of their DBS accounts.

The bank says it went through an “extensive customer immersion programme and applied human-centred design in the development of DBS digibank”. The result is an enhanced layout, more intuitive navigation, personalised profiles and customised quick-links, simplified payments, instant account opening and touch ID.

Said Jeremy Soo, Managing Director and Head of Consumer Banking Group (Singapore), DBS Bank: “As a bank serving close to five million customers in Singapore, we are upping the ante on not just the breadth of our digital offerings, but also on providing a holistic customer experience across our platforms. We do this by placing ourselves in our customers’ shoes, focusing on their needs and ensuring we know what the real ‘customer job to be done’ is. With DBS digibank, we seek to seamlessly integrate banking into our customers’ everyday lives, so that banking becomes simpler and fuss-free for them.”
Gareth Gaston, Executive Vice president, Omnichannel at U.S. Bank, believes co-creation with customers is critical to ensure mobile apps meet their diverse, personalised needs. “It’s really hard to categorise customers because they are all using all of our channels,” he said. “Millennials are some of our most consistent branch users. Think about that! These days, it’s not as easy as segmenting by demographics. Mobile is a great example. Our mentality in the past has been that we have to design our mobile app for a certain customer group. Today, that’s just not true. We have to make our mobile app an experience that appeals to all of our customers from millennials to Grandma who want to check her balance from her iPad.

“How do we do it? We have customer panels representing a diverse group of customers. We bring them in and show them what we’re thinking. They provide feedback at multiple stages of our journey. What you see today is truly based on what customers told us they wanted. Our customer experience group monitors ongoing customer surveys and feedback, making adjustments along the way.”

U.S. Bank believes in a ‘relationship-led experience’, Gaston added. “Personalising means truly understanding what the customer wants and servicing that need. In mobile we are striving to personalise the experience as well, with some examples being a personalised greeting with last time logged in, the ability to add a photo and social style timelines of past and future payments. We also have many other projects in the pipeline to help us continue to deliver an even more personalised experience,” he added.

Banco Original in Brazil is a purely digital – ‘mobile first’ – bank, for which personalisation is a key goal, said its Head of Innovation, Guga Stocco. The bank has been built on the principle of ‘extreme CRM’ (XRM), he explained, utilising big data, analytics and machine learning to provide tailored and contextual services to its customers.

Banco Original has been operational only for a few months so it has not yet collected enough data to realise its ultimate vision of personalisation, Stocco said, but already customers when opening their app are offered relevant products they do not have, and the bank is working towards being able to provide customers with the ‘next best offer’ (NBO), whether that be an investment product or a concierge service. “The technology that will really make a difference here is machine learning,” he said. “Our data scientists are using this to make connections between data in order to better help us prepare the NBO for our customers. We are starting to understand how differential and how powerful machine learning will be.”
The panelists engaged in a lively debate about the relative merits of different types of business when it comes to delivering on the Bank of One promise. There is a vision of the future of retail banking which says the ‘appstore’ will prevail – consumers want choice, they don’t want to be tied to a single provider for life, and they will take advantage of the ‘unbundling’ of banking by disruptive fintechs. Ford agreed unbundling is a trend – and that ‘rebundling’ via fintechs brings some value – but he was keen to differentiate aggregation services from ‘appstores’. “Nobody wants that at the consumer level,” he told delegates. “What we are designing is not an appstore, it’s a customised, direct, contextual experience. An appstore featuring loads of products doesn’t solve the problem – which is cognitive load and stress and the difficulty people have with their finances. Simply bundling services together isn’t the answer: it’s about providing a contextual delivery platform.”

If this can be achieved via aggregation, then why are entities like Tandem and Discovery pursuing full banking licences? For Discovery, part of the ambition is “to be the first institution to get bancassurance right”, Van Rooyen said. Devlin conceded that “aggregation is very exciting for the customer”, but added: “Customers are still quite reluctant to trust new providers with their money – and if you don’t have the ability to say, I am a full service bank, I am regulated by the most advanced banking regulatory regime in the world, it just creates another barrier to customers switching and trusting you with their very sensitive customer data. We saw this in our tests: when you call something a bank versus a personal financial management tool or a money manager, the uptake is multiples higher.”

Devlin also suggested it is easier for digital only direct banks like Tandem – with low cost bases and low barriers to innovation – to create new niche banking products in response to customer needs than it is for either incumbent banks or aggregators. Ford rebuffed the assertion. “One of the challenges I see for new digital-only banks is around the economics. Aren’t you going to cannibalise your own revenues when you prevent your customers from dropping into their

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**Ford: Simply bundling services isn’t the answer, it’s about contextual delivery**
overdrafts? How will ‘doing the right thing’ balance against the corporate priority? How low can you really go?

“As an aggregator, we work with partners to provide products. Our customer acquisition and running costs are so low compared to a bank that we really can serve customers that no one else wants – because we can work with much thinner margins and be much more innovative.”

Bhatia contended that the two ends of the disruption spectrum – the incumbent bank as dumb utility and the appstore – “are both unhelpful constructs”, with the reality likely to be “somewhere in the middle”. While established banks will need to – and are – opening up their architectures to power and deploy fintech apps, the trust and prudential strength that come with being a major incumbent bank are powerful attributes, he said, as are the customer relationships. Retaining customers and avoiding cannibalising existing relationships when launching new initiatives is a challenge – but is likely to be a ‘trade-off of timings’, he suggested.

Laurence Leyden, General Manager of Financial Services, EMEA, SAP, emphasises the growing urgency for banks to formulate strategic responses to evolving customer needs. “We are starting to see some great initiatives from banks out to their customers, and of course some fantastic ideas from the new entrants but they are small and will find it challenging to achieve scale,” he said. “If everyone really believes in the concept of the Bank of One, then we are fast approaching the point where the changes banks need to make are more ‘root and branch’, in order to match the kinds of digital experiences customers are receiving in other sectors and will want from their banks. In particular, the move towards real-time will make a huge difference to customer expectations and any form of delay in the engagement will become untenable. In order to ‘take the customer off the market’ and create meaningful loyalty banks need to make strategic bets and re-architect their platforms in order to be ready for the true impact of digitisation.”
BRANCHING OUT?

One of the challenges for incumbent banks is often said to be their branch networks. Describing to Finextra the opportunities for disrupting the retail banking landscape in Latin America, Alejandro Cosentino, Founder and CEO of Argentina-based P2P lending start-up Afluenta, said: “People cannot understand why when they go to the bank to place their savings they get so little return, but when they go for credit, the charges are so high. Part of the reason is the costs the incumbent banks face in distributing products – which is a result of their extensive branch networks. These have helped them reach their high market shares, but they are also the main aspect it is difficult for them to change.”

Not only are Latin American banks’ costs high, Cosentino said, they are also undifferentiated per client. By contrast, Afluenta offers a personalised price based on credit-worthiness, he added.

But do bank branches only represent downside for incumbents? “Things are going to change,” pointed out Moritz Zimmermann, CTO, SAP Hybris. “There are a lot of things customers can do on their mobiles or on the website where they don’t need a branch, and increasingly customers don’t go to branches, as we know. But I believe – and we have seen this in the other industries as well – that omni-channel is the winning strategy. The branches and the people working in the branches have a future. They just have to concentrate on what they’re best at. This is certainly not going to be going through a 15 page form with a customer and checking the boxes. That’s something that is increasingly going to have to happen digitally. But there is an opportunity to be a trusted adviser: helping with the explanation of a really complex banking product.”

Speaking recently to Fortune, John Stumpf, CEO of Wells Fargo, acknowledged that the next big change in banking “will be getting to know customers individually”, and that disruptive technologies represent a challenge for established players – as well as an opportunity, if the banks adopt them. “We are learning a lot from innovative startups in Silicon Valley. If you look at what a lot of these innovative players are good at, it’s speed,” he said. “They are good at giving people instant feedback, instant information, instant gratification. We are living in an instant world.”
The use of branches is diminishing, he accepted – “today the average person does business with us 30 times a month, but only two times in person – the other 28 times are on a mobile device or online or something else”. However, he also emphasised the ongoing importance of both in-person advice and the physical presence of branches. “When they do talk to a human, it’s enormously important,” Stumpf said. “Even millennials who say they never go into a bank, they do once when they open up their first bank account – with a bank which had a branch within two miles or less of their homes.”

Branches will of course look different and be used differently – but they will likely have a role in many people’s Bank of One, the rise of digital only disruptors notwithstanding. Think of Citibank’s most recently opened smart banking branch in Singapore – designed to showcase the latest in retail banking technology, such as media walls that deliver a stream of information on Citi’s products, and Smart Teller Assist Terminals that enable customers to conduct banking transactions including deposits, withdrawals, transfers and payments with ease. The branch is also equipped with “integrated workbenches” that allow personal bankers and service bankers to offer customers dedicated service in a more informal and relaxed setting – and is open from 10.30am to 7.30pm every day, including public holidays.

“Citibank’s newest branch in Punggol – our eleventh smart banking branch in the country – underscores our efforts on digitisation to better reach and engage our younger group of customers in this up-and-coming waterfront town,” said Citibank Singapore Retail Banking Head Charles Wong. In language startlingly reminiscent of the rhetoric of the new digital only players, Wong added: “Citibank has been strategically recalibrating its physical network to better align with its target customer segments and evolving customer preferences. By being closely located to where our customers are and offering them a banking experience that is convenient and intuitive, we are able to better engage them, understand their needs and partner them on their wealth journeys to achieve their financial goals.”

Do branches represent only downside for incumbents?
ANZ too – a bank which has wholeheartedly embraced digitalisation – continues to pursue a branch strategy to underpin its activities at a local level. Earlier this year it opened its new flagship branch in Martin Place in Sydney on the site of its former New South Wales headquarters. The new three-level branch in Martin Place is the largest in ANZ’s network. It features the full range of ANZ digital functions, including mobile banking app goMoney, smart ATMs, Apple Pay and internet banking across 21 digital screens customers can use throughout the branch. There are ‘conversational’ spaces for customers to consult with their bankers and dedicated spaces for educational seminars and community events – as well as a vertical digital wall that spans all three levels of the branch and responds to the environment. Since 2015, ANZ in New South Wales has opened four new branches, a home loan centre and two business centres, as well as refurbishing 18 branches and four business centres.

Commenting, ANZ Group Executive Australia Fred Ohlsson said: “By opening a flagship branch in the heart of Sydney’s traditional finance district, we are reinforcing to our customers the importance we place on growing our presence here in NSW as well as supporting our customers and local businesses.”
To avoid the perceived fate of incumbent banks – saddled with time-consuming, ruinously expensive projects whenever they want to make a change to their digital offerings – the themes of flexibility and agility came out strongly from the panel’s discussion about the technology underpinnings of contextual services. “Number one is that you have to come up with a platform and an architecture that is to the extent possible future proofed and adaptable, and that people can plug into,” said Devlin.

“A second aspect is to be very thoughtful about what is actually going to make the customer experience better versus what is just going to be annoying. Facial recognition sounds very exciting, but does it work, is it practical, is investing in this a good use of your money?”

Van Rooyen echoed his earlier comments about data and data analytics – referencing Discovery’s insurance experience he said: “The most important principle we learned – more important than anything – was identifying each of our customers at an entity level,” adding, “we have found astonishing correlations between behaviours that you wouldn’t predict.”

Rob Hetherington, Head of Financial Services, SAP, further emphasised the importance of data and analytics. “Banks need technology which can personalise and contextualise the customer experience. That’s very key in this digital world,” he said. “They need technology which is able to aggregate and analyse and mine huge volumes of data, structured and unstructured, in real-time. It’s all about being able to respond very quickly to customer needs. Predictive analytics technology will enable them to predict and satisfy customer needs in some cases before the customers even know they have them.” Hetherington also highlighted the importance of cloud technology going forward. “Many institutions need to variablise their cost bases, and pay as they consume – and cloud technology is a key enabler here,” he said.

Responding to an audience question on the topic of data and whether new entrants are able to take ‘more risk’ with customer data than
incumbents, Devlin said “one of the great uses of technology is the ability to de-risk rather than take risky decisions”. “Traditional credit scoring algorithms typically take into account 23 variables for a yes/no decision. We are working on systems that will take 400+ variables into account. And those algorithms are smart, and they learn, and each time they make a decision during a customer lifetime they get better and better at predicting whether that customer is someone we should be offering credit to, and how much and at what rate.”

Ford agreed. “Our business is about behavioural data plus transactional data,” he said. “The accessibility of that data enables us not only to make better assessment decisions upfront, but it’s about then de-risking afterwards – by providing the nudges, the notifications. So a combination of data and relationship allows you to de-risk.”

Designing new offerings creates an opportunity to collect additional data, pointed out Zimmermann. “You should always think, can this come with you collecting some additional data – to unlock some new value, maybe some second level marketing – where you previously couldn’t get the data?” he told delegates.

A second audience question focused on whether regulators will clamp down on the use of certain data points to feed into pricing decisions and how this could impact some emerging fintech models. Ford agreed there should be caution around credit assessment based on machine learning “to which everything is a data point”. “For us it’s about taking it back to simple principles, which is that you wouldn’t judge a business just by its balance sheet – ultimately what the current credit score is. For us it’s about breaking down the silos and getting a full customer view around simple principles such as affordability.”

A discussion around the potential for banks to partner with fintechs emphasised the theme of agility. “A really important aspect of getting this right is to have an organisational culture that allows agile experimentation,” said Zimmermann. “You always have to accept that breakthrough success and failure are inseparable twins. If you want to get to a breakthrough there will be failures along the way. It is not easy for banks – they have a mentality that is risk averse – and this may be one area in which to work with fintechs. The fintechs also have quite a need to get to some of the attributes that banks have, so at some point if the business grows, there’s also quite some value for them in partnering.”
As the panel session was brought to a close, the speakers considered some future events with the potential to shape Bank of One development – including the forthcoming Revised Payment Services Directive (PSD2) in Europe. Designed to foster more competition in payments – as well as to further improve consumer protection and payment security – the regulation will, when it comes into force in early 2018, require account holding institutions (banks) to share data when instructed by customers with providers of new payment and account information services (essentially aggregation).

In theory, then, PSD2 is brilliant news for aggregators such as Pariti. Ford said he is most excited about the consumer education that will have to take place to enable consumers to feel comfortable with using services such as Pariti’s. “The biggest challenge we face as a business at the moment is consumer trust. Consumer education around this will be important – helping people to understand the data is theirs, this regulation is in their favour, it’s about opening up and breaking down silos that exist so that a holistic view can be used for their own purposes,” he said. “PSD2 will make things easier, but ultimately the value lies in how you use the data – in how you analyse it, how you understand it, how you understand the consumer, and what you do with it,” he added.

For Devlin, the changing regulatory landscape is part of the “perfect storm” that is creating an inflection point in retail banking – with the other factors being technology and growing customer dissatisfaction with incumbents. Asked whether start-up banks can really make a significant dent on a retail banking market dominated by giants with millions of customers, he said “we wouldn’t be doing what we are doing if we didn’t think we could challenge and become a major player in the retail banking landscape”. “There is an awful lot of work to do,” he said, “and the incumbents are not to be under-estimated.

But absolutely we believe customers can be offered a choice and we offer an attractive proposition.”
One option for incumbents facing the disruption challenge is to look to other industries that have experienced a similar phenomenon for inspiration, said Zimmermann. “There’s quite some potential in looking beyond the borders of one’s own industry, and there are quite a few industries that are further ahead – five years and even more – when it comes to digital disruption and the transformation to customer centricity,” he told delegates.

“I would for example look at retail. In retail, you are not customer centric if you are not putting the customer at the centre of everything you are doing – and if you’re not investing technology like mobile then you probably don’t have a future in retail anymore. If you think about technology and digital, and head that up with risk and regulation, you can also look to the airline industry. What’s the risk of somebody stealing some money versus the risk of a plane crashing and people dying? There’s clearly a bigger risk and regulation is very tight – but this hasn’t stopped the airline industry responding to digital disruption and completely digitalising all of its customer facing processes.”

### HOW TO DELIVER THE BANK OF ONE... IN ONE SENTENCE

**“Creative experimentation with data.”**
RAMAN BHATIA, HSBC

**“Build with your customer, develop with your customer, keep listening to your customer.”**
JAMIE DEVLIN, TANDEM BANK

**“Breaking down the barriers to understand and service the customer in the right way.”**
MATT FORD, PARITI

**“Maximise the tactics: you have deep pockets and can be formidable defenders of your businesses.”**
JOHAN VAN ROOYEN, DISCOVERY

**“Enable rapid experimentation – embracing failure as well.”**
MORITZ ZIMMERMANN, SAP HYBRIS
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