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Financial sector and banks must adapt to survive disruption

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Financial technology technology startups and regulatory changes from Dodd-Frank are disrupting the financial industry, and consumers are embracing the changes.

With high-net-worth wealth management being automated through self-service online portals and branchless banks such as Simple and Moven providing customized consumer banking services completely online, the ground under traditional financial institutions is shifting.

Branching out
New disruptions from Walmart, Apple and Google supplying merchant services are also taking a bite out of the market.

How are these non-traditional providers so effective in creating disruption in the market? By adopting the marketing techniques of consumer packaged goods companies to solicit and deliver financial services in a targeted, personalized manner.

To compete, traditional banks are now seeing that they must leverage digital marketing technology and strategies to change their relationship with consumers and expand their product offerings.

To maintain relevance in today's consumer-centric economy, traditional banks must become the center of the financial health of the customer.

Consumers do not wake up wanting financial products. They want to buy a house or a car.

Changing the bank's focus starts with predictive, real-time, targeted communications. This requires integration of the existing core banking system with new communication tools such as collaboration portals and accessing data sources including digital marketing platforms.

Such new architecture can qualify and engage customers based on interests or lifestyle.

Done correctly, this digital architecture can provide traditional banks with a customized approach to delivering services.

Pillars to support
Consumers are offered budgeting tools to enable personal goal setting. Secure APIs provide access to adjacent services such as insurance when you buy a home which are delivered from outside the organization.

Providing customers access to what they want when they want will make a financial institution the customer's first stop when financial needs arise.

The pillars of this new world order all must be addressed for financial institutions to beat the competition and retain their customers. These pillars include:

Customer retention and management system (CRM). Customer retention is now the focus of the bank it is necessary to do more than just have a relationship.

Customer profiles, records of banking transactions and user-supplied data outside of the core banking system can be used to segment customers to maintain relevance to the customer and retain all of their banking business.

Analytics. Marketplace trends provide the basis for consumer profiling and market segmentation.

Data should contain non-personally identifiable information. It should come from both internal institutional sources and external third parties.

Once segmented, this data can be used to connect with consumers on a more emotional level.

Now that banks can target customer interests, intent and lifestyle, the ultimate goal of predicting consumer needs and serving them as a trusted advisor can be achieved.

Content management systems (CMS). The CMS allows non-technical marketing managers to personalize content to customers within the targeted segment without IT involvement.

Digital marketing platform (DMP). A dashboard allows the marketing team to segment customers by profiles and customer journeys through an automated DMP.

Scenarios are created that will act as marketing triggers to initiate targeted messaging of relevant products and services to customers via the CMS.

Omnichannel. Contemporary mobile technology is agnostic of device and operating system. It allows organizations to separate the presentation layer from other parts of the architected solution.

REST APIs allow the same data feeds to deliver product offerings to any of the current customer access points, while access to tomorrow's new devices can be added in days rather than months.

This year has seen a dramatic rise in the disaggregation of financial services caused by new sources of traditional banking products.

New choices are causing once loyal customers to get financial services from multiple sources.

Disaggregation will only increase, as millennials will outnumber the aging baby boomers by 22 million by 2030.

The new generation of customers behaves very differently from other generations.

Millennials are challenging banks to include new services such as customized budgeting and financial planning as well as new functionality including peer-to-peer payments as part of any selfservice branchless banking offering.

The creation and maintenance of these features come at price to the bank while millennials expect them to be delivered without charge.

As a result, the margins on financial services are being driven lower, forcing financial institutions to deliver advisory services and new technology as part of its core banking service offerings.

Financial product and service offerings need to adapt quickly.

Model behavior

Banks should collaborate with adjacent business models to provide services that help customers save and better manage money in their everyday lives. Examples include:

Peer-to-peer lending. Lending money to friends, sending money through Twitter and arranging for an emergency 24-hour loan.

Auto purchases. Information on the actual selling price of cars, as opposed to list prices, based on TrueCar data to give them an advantage in their car negotiations, while promoting their auto loans and insurance.

Home purchases. A mobile app that uses augmented reality technology to help with home-buying. House hunters simply point their smartphone camera at a residence to bring up extensive property detail, alongside monthly payment estimates on mortgages and insurance.

New products need to be accessed and communicated in an omnichannel fashion. A bank must design solutions for mobile applications and responsive Web-based communications.

To enable every customer touch point, key architectural elements must be considered such as security, reusability, configurability, geo-awareness, scalability and analytics.

The architecture for this type of solution must be done in such a way that additional data sources and customer touch points are integrated securely and easily.

Code language
Key architectural elements are accomplished through selecting the right middle wear system and front-end code:

The middle wear system should:

Provide normalized data fees that can be used across all customer access points including desktop computers, ATMs, branch teller terminals and mobile devices.

Provide mobile runtime services like push notifications and location such as indoor and outdoor services

Mobile integration services and secure data handling including secure on-device handling and secure bi-directional sync

Mobile security that includes integration with user authentication systems as well as mobile-specific security protecting the app and to an extent the device. The app and device are important elements to be secured. Extra protections are especially important for consumer-sensitive apps such as banking apps that do not have the benefit of an MDM solution being in place

Mobile operations and analytics, which includes the admin console and log management, both device and server logs, as well as providing important insight into app usage and user experience

Provide automatic REST APIs against the data models to support both Web apps and mobile apps. In addition, the middle wear system should also provide JavaScript SDKs for HTML5 clients along with native mobile SDKs

Front-end code must:

Be non-proprietary to program and maintain code effectively

Access the native functionally of the phone such as biometric authorization, contacts and geo-location

Access native UI SDK

Reuse code elements to provide faster time to market and provide a lower cost of ownership

Be future proof. Make sure the code is flexible to enable new devices to be added to the solution in days, not weeks

AS NEW TECHNOLOGIES emerge and disrupt the normal course of business, the financial services industry is at a pivot point.

The financial institutions that will emerge from this time healthy and profitable will remain ahead of these trends. They will thoughtfully bring tactics from other consumer-centric marketplaces to their organization.

The consumer of the future will see less of a distinction in a bank versus a retail organization.

Customers will seek care for their financial health through organizations that solve their needs in a predictive, custom manner.

Financial institutions must be ready to deliver a retail-ready experience to keep pace with both technology and their clients.

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