



# DIGITAL OPPORTUNITY: OMNI-CHANNEL BANKING

## Customers Demand Digital Services

# DIGITAL TRANSFORMATION MEETS RETAIL BANKING

The banking world is in flux, as new generations are prefer mobile and on-demand business models. The days of going to the bank for a personal consultation are over – whether it be to set up a new account, apply for a credit card or discuss the details of a loan. The customer's desire

for new interactive services is the only reason banks need to embrace the digital transformation, because the EU has recently introduced new regulations that will creates massive opportunities for innovative banks.

## DIGITIZATION FOR BANKS – AN OBSTACLE COURSE WITH THE OPPORTUNITY OF SUCCESS

Bitkom's Digital Association released a study on the credit approval process, which revealed that only one in three people still rely on a bank counselor. While customers are only visiting their bank advisor once a year to discuss their financial affairs, the study also reported that they're using their banking apps repeatedly throughout the month.

Regardless of the time or the place, the customer's desire for interaction is rising and preferably via their favorite mobile devices. According to another study by Luenendonk, approximately 35% of bank customers manage their personal finances on their smartphones and tablets – and the number is rising. This increase is a clear signal that the banking app is the most vital communication channel between banks and their customers.

However, up to now the customer's digital in-

teraction has been limited to checking their account's balance, verifying payments and executing new transactions. Since this kind of usage rarely ever involves purchasing new services or products, banking apps haven't been able to generate significant sources of revenue.

With the rise of smart devices and the customer's ever-growing expectations in regards to service quality, multichannel capabilities and speed – this may drastically change. Traditional banks have the chance to start creating user-friendly digital and mobile solutions to drive their marketing and sales campaigns – which, traditionally, has been (nigh) impossible due to their existing IT infrastructure.

In October 2015, the European Parliament passed game-changing legislation, the "Payment Service Directive 2", to encourage the transform of the European banking environment – present-

ing banks with new challenges, but also creating exciting opportunities. The legislation includes clear incentives for banks and payment service providers that want to innovate the industry by allowing “Access to Account” (XSA2). By doing so, the EU aims to dissolve the banks’ monopoly over their own customers’ data – giving the customer the choice of whether or not third par-

ties (e.g. FinTech, other banks) can access their information from their bank’s IT systems.

## OPPORTUNITIES

Banks have the choice to simply comply or embrace the digitization and profit immensely, because XS2A establishes legal certainty for the industry – providing clear goals:

### 1. BANKING API

> BANKS MUST PROVIDE AN EXTERNAL INTERFACE FOR 3RD PARTIES (FINTECH, BANKS AND FINANCIAL SERVICE PROVIDERS).

### 2. APP(S) AS GROWTH FACTOR

> THE NEW COMPETITIVE SITUATION ENABLES BANKS TO WIN NEW CUSTOMERS AND SIGNIFICANTLY GROW THEIR MARKET SHARE WITH USER-CENTRIC APPS.

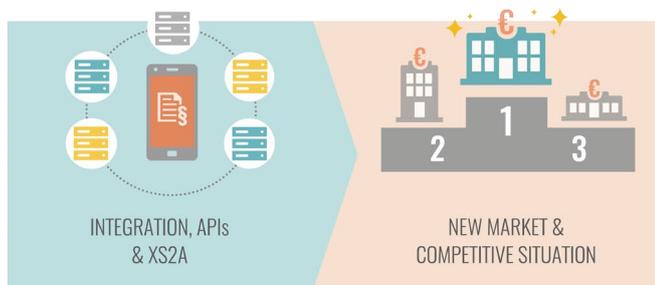
Today people are using multiple banking apps on their smartphone, but with XS2A this could drastically change – leading consumers to focus on a single app and in turn, a single bank.

A simple example provides clarity: a customer uses Bank 1 for every day transactions, Bank 2 for savings and Bank 3 for their free credit card. This customer uses 3 different banks, therefore 3 separate apps to get a complete overview of their finances.

With the new regulations, banks have to provide an interface accessible to 3rd party service providers, which means that the banks from our example (1,2 and 3) will have the opportunity

## CHALLENGES & OPPORTUNITIES

### REGULATION



### CUSTOMER FOCUS

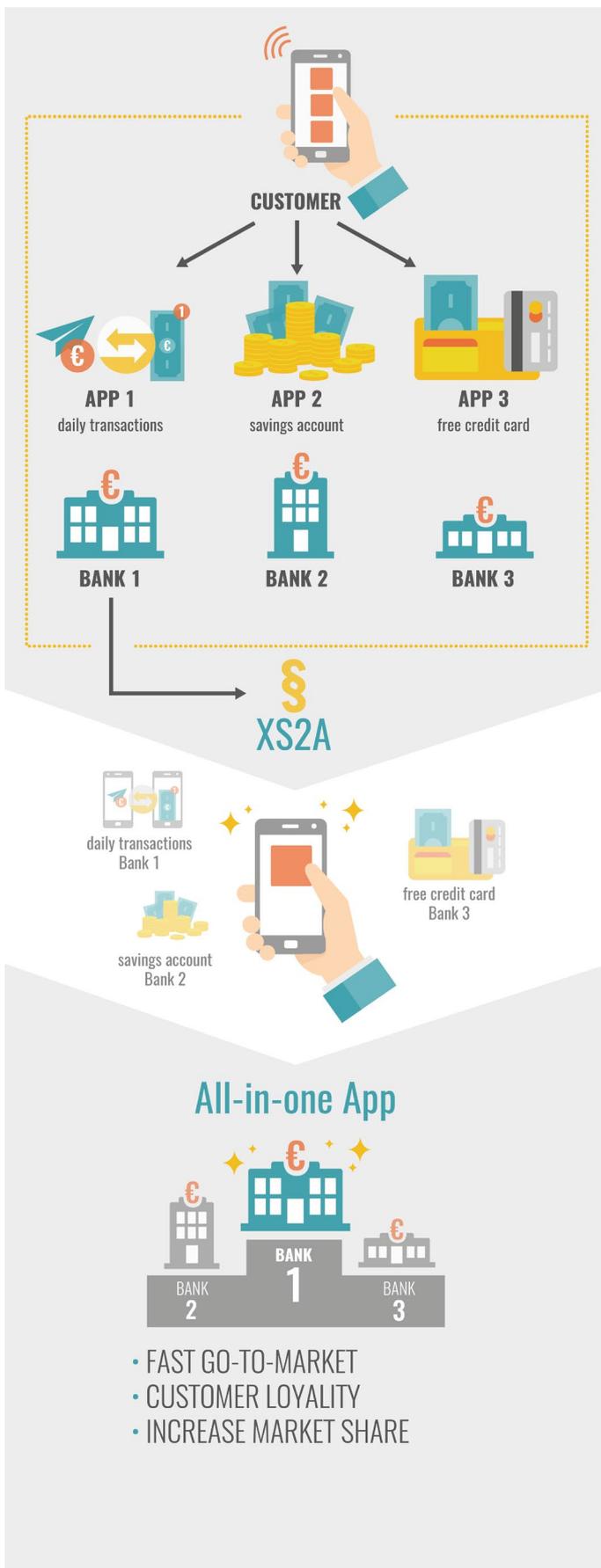


### DIGITAL BANK

#### BENEFITS FOR BANKS & CUSTOMERS



- ✓ FAST GO-TO-MARKET
- ✓ EFFICIENT PROCESSES
- ✓ CUSTOMER LOYALTY
- ✓ MULTICHANNEL
- ✓ 24/7 AVAILABILITY
- ✓ IMPROVED SERVICES



to bundle all of this information into their app. Bank 1 can, for example, view the customer's current savings account balance at Bank 2 and check the transactions on the customer's credit card from Bank 3. This means the customer could uninstall 2 of the 3 apps they previously used and still get the same comprehensive overview all from Bank 1's single app.

Welcome to the new banking world – where customers can easily bind themselves to a single bank while still purchasing and using services from other providers, all thanks to the omni-channel capabilities made possible by XS2A.

Banks have the unique opportunity to transform their app into a digital sales channel for not only their products and services, but also from 3rd party providers. Banks that capitalize quickly on the opportunity will offer a wider scope of services faster than the competition – letting them win new customers while retaining their already satisfied customer base.

Looking at the bigger picture, the cards have been re-dealt and it's first-come, first-served. The bank that impresses customers with their digital services will be the ones significantly raising their share of the market.

## TWO-SPEED IT: IMPLEMENTING DIGITAL SERVICES

For banks, achieving this digital transformation present two hurdles: one is complying with the new regulations (PSD2, XS2A), and the other is creating omni-channel solutions to meet the customer's evolving demands. Traditionally, a bank's IT department ensures everything runs "business as usual" by keeping the core banking systems online. Their reaction time to current market events and client needs does not adhere to their strongly IT-centric strategy, as they lack the agility. A solution that serves as a both a safeguard for everyday business and as the catalyst for omni-channel innovation, is 2-Speed IT. 2-Speed IT, or Bi-modal IT, divides IT into two – the traditional and agile.

Traditional IT supports a secure and stable en-

vironment that is essential for every day operations, while agile IT is customer-centric with a quick time-to-market, high flexibility and short development cycles. Combining the two speeds, traditional and agile, provides the flexibility and stability that companies require to continuously provide improved services while supporting day-to-day business.

### 1. SPEED 1

> THE TRADITIONAL MODE FOCUSES ON MAXIMIZING STABILITY, PREDICTABILITY AND SECURITY – IDEAL FOR SUPPORTING CORE BANKING SYSTEMS.

### 2. SPEED 2

> THE AGILE MODE TAKES POINT ON THE NEW DIGITAL BUSINESS OPPORTUNITIES – DESIGNED WITH SHORT ITERATION CYCLES, HIGH INNOVATION LEVELS AND NEW SECURITY CONCEPTS.

## BE AGILE. CAPITALIZE ON XS2A TODAY.

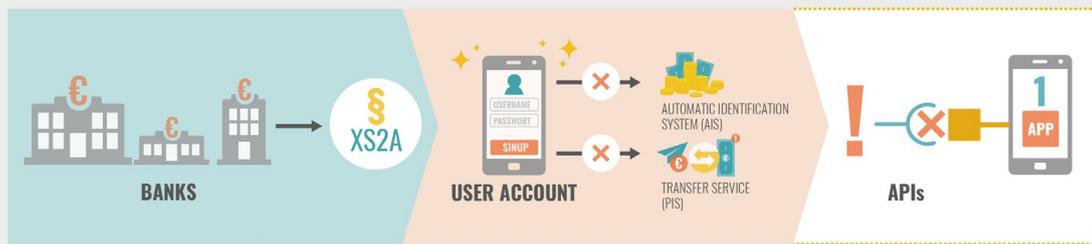
XS2A becomes effective in 2018, but many customers already expect and demand digital services – banks have to act now, before they are left behind. As of today, most banks don't offer an external interface and a solution to this is to develop "multi-bank aggregation" solution. This would enable customers to access and manage their capital, liquidity, income as well as credit

from a single app, even though the information originates from a variety of different banks.

### MULTI-BANK AGGREGATION WITH APIOMAT AND FINAPI

In order to succeed with the new EU regulations, it's essential to have a standard integration strategy and to decouple the frontend development

## INFRASTRUCTURE OF BANKS



## APIOMAT DIGITAL SERVICE PLATFORM



from the traditional IT – ApiOmat makes both possible by enabling two-speed IT and ensuring the highest security standards are maintained. Through a cooperation between finAPI and ApiOmat, it's already possible to access data from other financial institutions. ApiOmat, together with finAPI, simplifies the development of apps that access your organization's and 3rd party data to connect accounts, display transac-

tions and even offer additional services and products.

Customers benefit directly by having a single app that acts as a secure point of access to manage all their financial service providers and their products. Shorten your development cycles, securely integrate data and meet the customer's demand for connectivity with ApiOmat.