ROSS REPUBLIC FINANCIAL SERVICES STUDY

Boosting top-line growth through product portfolio innovation

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ROSS REPUBLIC

Hello!

We are Ross Republic.

We are a strategy and innovation consultancy, uncovering and co-creating growth opportunities in the financial services sector.

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INTRO

Where the banking industry is headed

INTRO

Financial services institutions are under pressure

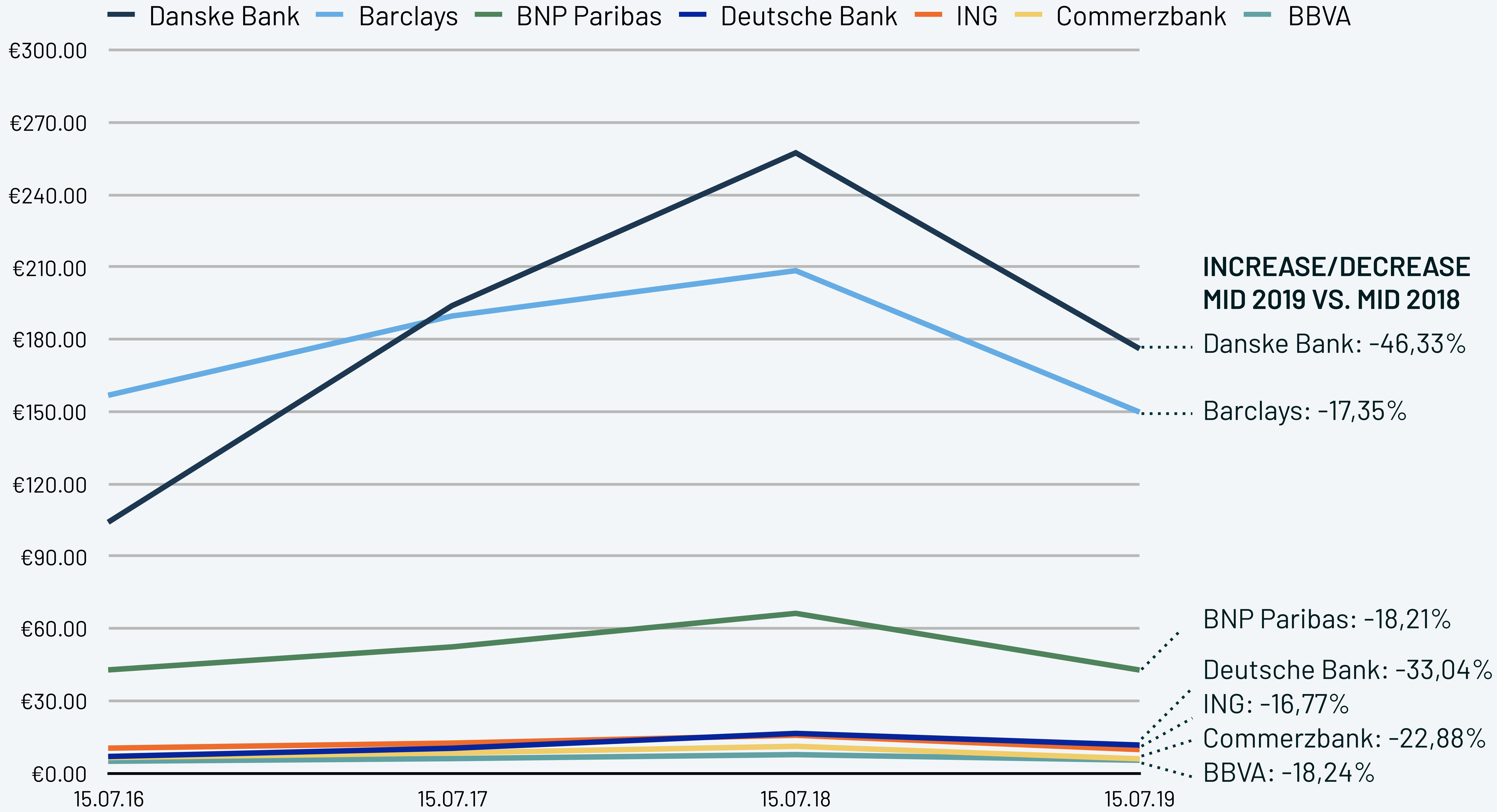
HEAVY BURDENS

Unusually tough business environment

The current business environment of banking in Europe makes it challenging, if not almost impossible, for banks to grow their core business. The profitability levels of the pre-financial crisis and the high interest rates are long gone.

The banking industry is put under pressure by regulation, low-interest-rate environment, new tech-enabled competition, as well as legacy structures, to name a few of the challenges.

Looking at the stock performance of a few major European banks over the last three years, none are on a clear growth path. Is there any other industry, which has the same challenging operational environment as that of European banks?



Source: Bloomberg Markets, Ross Republic analysis

INTRO

Several difficult challenges need to be solved at the same time

HEAVY REGULATORY BURDEN

The regulatory burden of the European banks has exponentially increased and will very unlikely ease in the foreseeable future. In addition to the mandatory reporting to local financial supervisory authorities, there are new regulations that burden the back-end operations and create new issues for the banks.

The introduction of the General Data Protection Regulation had a considerable impact on how banks must deal and protect data. Banks need to be innovative to find solutions that enable them to keep their cost-structures in check. Concerning Know-Your-Customer (KYC), to create a cost-efficient platform to prevent money laundering, the Swedish bank SEB announced the establishment of a joint venture, Nordic KYC Utility Company, with its competitors Danske Bank, DNB Bank, Nordea Bank, Svenska Handelsbanken AB and Swedbank.

Another issue is the PSD2, which obligates banks to build and offer a new technology environment for third party providers to access payments data as required by the new law. The impact of PSD2 on customer relationship management and revenues is still unclear. As we speak, banks are still in the process of identifying feasible Open Banking business models to compensate for the IT-cost of PSD2 compliance.

In this more regulated business environment, it is hard for banks to strike a balance between being compliance-focused as required by regulations and at the same time innovate and be future-orientated to survive. The former is a pre-requisite for smooth day-to-day operations and minimisation of risk. However, without the latter, a bank operates without future vision, areas of focus, clearly defined revenue sources and operational business models.

LOW-INTEREST RATE ENVIRONMENT

Banking is one of the few industries where the margins of its core products are determined by an external authority, i.e. the European Central Bank. Under the new President of the CEB, Christine Lagarde, the low-interest level environment is expected to continue. The profitability of traditional retail banking products, such as savings accounts and secured loans, has significantly decreased, and is not expected to recover in the foreseeable future.

THE (LOST) PAYMENTS GAME

As for new players entering the markets and disrupting specific product categories, the biggest hit has been on payments. The global online payment platforms like Adyen and Wirecard have already larger market caps than many big banks. Some of the payment brands, like Klarna, which is known for its data-based credit risk management, have ambitions to expand their business beyond payments to banking. The new payment competitors have left the payments category largely unattractive for most banks. Still, banks cannot live without payments as they are one of the cornerstones of the banking offering.

GETTING RID OF THE LEGACY STRUCTURES

Unlike regulation, rigid legacy structures that hinder the banks from becoming agile are something that can be addressed, albeit with costly upgrades. These significant investments, unfortunately, will not create new revenue sources. They enable banks to run the business more efficiently as well as meet the ever-more demanding customer expectations in the digital environment. The upgrades, however, must be carefully planned as they take time to realise.

INTRO

Why now innovate for growth in financial services?

Every bank needs a custom strategy

The impact of these challenges on each bank is different, as every bank is unique. Therefore, the insights and recommendations presented in this whitepaper are general frameworks for expanding the focus from saving money to making money, not one-size-fits-all solutions.

Every business strategy should be based on an accurate understanding of the bank's history, culture, current situation and the challenges it faces as well as what its shareholders expect. Do they want the top management to manage risk, or commercialise new future-orientated offerings, or both?

What unites every bank is the question: "What are the future star products that will compensate for the loss of revenue over which banks used to have a virtual monopoly?"

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CURRENT STATUS AND OUTLOOK

Digitalisation of product portfolios in financial services

BUILDING TRUST IN DIGITAL BANKING

By year-end 2021, only one-third of digital banking initiatives remain successful due to delivering an authentic human experience that customers trust[1].

Two fronts of digital innovation

The innovation race is on and it's gonna be a marathon

GENERATING NEW REVENUE STREAMS IN FINANCIAL SERVICES.

In 2018, global innovator leader BBVA boosted its earnings by 50% compared to the previous year to €5.3 billion[2]. There are two distinct causes for reaching such a remarkable result: cost-cutting and efficiencies through modern IT infrastructures and streamlined processes on the one hand and a completely redesigned product portfolio with new digital offerings and channels on the other.

While the efficiency gains and IT modernisations are necessary to be able compete in the banking ecosystems of the future, the actual returns often take a long time to materialise. According to latest research, banks have spent $1 trillion globally between 2015 and 2018 on their digital transformation, with very limited effects on revenue growth[3].

Thus, it's ever more important to focus digitalisation initiatives on the commercial side: new value propositions, products and services, intelligent monetisation models and engaging experiences that customers trust.

Financial services providers that have invested in new product portfolios typically increase their top-line results quickly through lower customer acquisition costs (CAC), increased customer lifetime value (CLV) and average revenue per user (ARPU) and an overall higher retention rate throughout the customer base.

This whitepaper focuses therefore on how financial services companies can boost their top-line results by rethinking their approach to product portfolio management. These are the revenue-generating and customer-facing innovations that can really make an impact on how the bank develops and distributes financial products in the digital age.

Innovative portfolio management

Focusing on the revenue-generating digitalisation initiatives

FROM PRODUCT-CENTRIC TO CUSTOMER-CENTRIC PRODUCT MANAGEMENT

Digital product portfolio management is fundamentally about acquiring more customers and earning more with existing ones. This can only be done by rethinking which products can and should be fully digitalised and which ones will be delivered through human interaction.

OVERCOMING THE 50% MILESTONE

What we see a lot happening so far is that many large financial services companies are building their own digital units and offerings, making headlines about how much money went into these efforts. Often, decades old products are just put on a digital screen ("...we already offer an app!") without consideration of new user needs or revenue models.

Digital transformation, however, is about completely rethinking the product portfolio and experience, enabled, not defined, by digital. It's about pioneering new products and business models, as new technologies create new possibilities.

The digital leaders in financial services handle around 60% of their transactions, such as deposits, transfers, or payments on loans, via digital channels[4]. BBVA is again a good benchmark when it comes to actually generating new business through innovative product portfolio management: At the end of 2018, over half of its customers were using the banks' services through digital channels, through which a total unit sales of 41% was generated[5].

No matter where the organisation stands in terms of digitalisation, many players now need to respond to the upcoming challenges and opportunities with a clear execution roadmap for digitalising the commercial side of banking: an innovative product portfolio approach.

CURRENT STATUS AND OUTLOOK

Becoming digital and lean

Getting rid of accumulated legacy product structures

Customer-centricity is the new imperative for financial service providers.

Product streamlining

BECOME DIGITAL

New technologies have triggered a disruptive shift in all domains of the financial services sector. Quick-moving fintechs are leveraging modern tech stacks, great UX and efficient online marketing to offer low-cost, convenient and transparent products. Additionally, large tech companies have started to develop own financial services as part of their digital ecosystems: most recently Apple with an integrated credit card offering and Facebook with the new low-volatility cryptocurrency Libra. The question is not if, but when, these developments will actually lead to a noticeable disruption of the financial landscape. For now, it largely depends on future regulatory and competitive developments.

Many tech companies will likely operate as distribution channels of financial services without actually providing them. Under PSD2, which hits in full effect in September 2019, and Open Banking these platforms get access to unique datasets that banks traditionally defended: customer data.

When the client interface and control over data is lost to more convenient platform players, the apparent risk is the resulting disintermediation of financial services providers. If they don't want to be left with unprofitable products only or end up as irrelevant infrastructure providers, they need to define their playing fields quickly. The clock is ticking.

BECOME LEAN

A typical portfolio of financial services providers consists of 150+ products, however most of them are neither phased out on a lifecycle logic nor are they needed by most customers, who on average only use 2-3 products[6]. The majority of products are only used by a tiny fraction of customers, but these features still need to be kept alive in IT and operations. However, most legacy products do not generate new sales or revenue. Consequently, overly complex product portfolios can cut significantly into profits and slow down processes for customers.

The digital imperative is to turn this product-centric view on its head and start with the customer. Developing a streamlined and modular product portfolio that is centered around actual client needs and their willingness-to-pay will also make cross-and up-selling easier and help to avoid accumulating products that no one cares about.

NEW ENTRANTS AND COMPETITORS

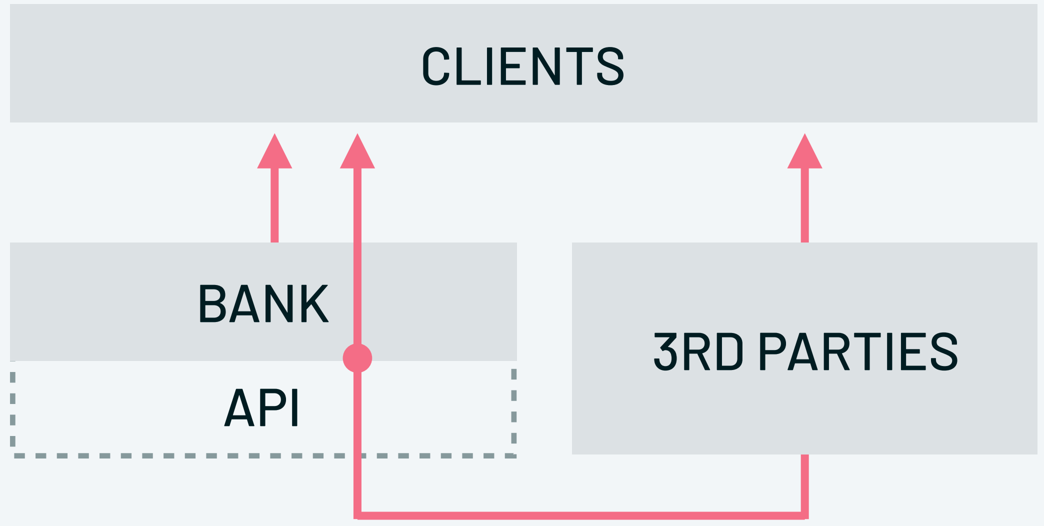
Apple

N26

scalable CAPITAL

adyen

PSD2 DISINTERMEDIATION



Becoming engaging and accessible

Transforming the customer experience

Customer expectations are shaped by non-financial companies, hence banks need to catch up.

Focus on experiences

BECOME ENGAGING

The rise of mobile and digital banking results in higher expectations towards seamless, engaging banking experiences. Most clients have a stronger brand loyalty to technology leaders like Apple, Amazon, and Google than to their banks[7]. Financial services providers can learn a lot from these brands when it comes to merging digital and physical user journeys to provide the best customer experience. One very big threat to financial services providers is that customers don't care about industry boundaries - they care about the most convenient and engaging solutions to their financial needs, not about who provides them. Hence, as the entry barriers to banking are lowered and the competition is about who owns the client interfaces and customer experiences, the industry boundaries of banking are becoming more fluid.

Additionally, the growth rates of fintechs prove that great digital-first and mobile customer experiences (CX) can lead to rapid growth across younger user segments.

BECOME ACCESSIBLE

Several financial companies have shown that leveraging principles of behavioural psychology and simplifying customer experiences boosts customer acquisition, retention and monetisation[8]. Amongst other reasons, fintechs are successful as they make their services easy to understand, buy, use and leave. Especially in a digital environment frictionless customer journeys are therefore extremely important, as churn rates of onboarding funnels are usually high for financial offerings.

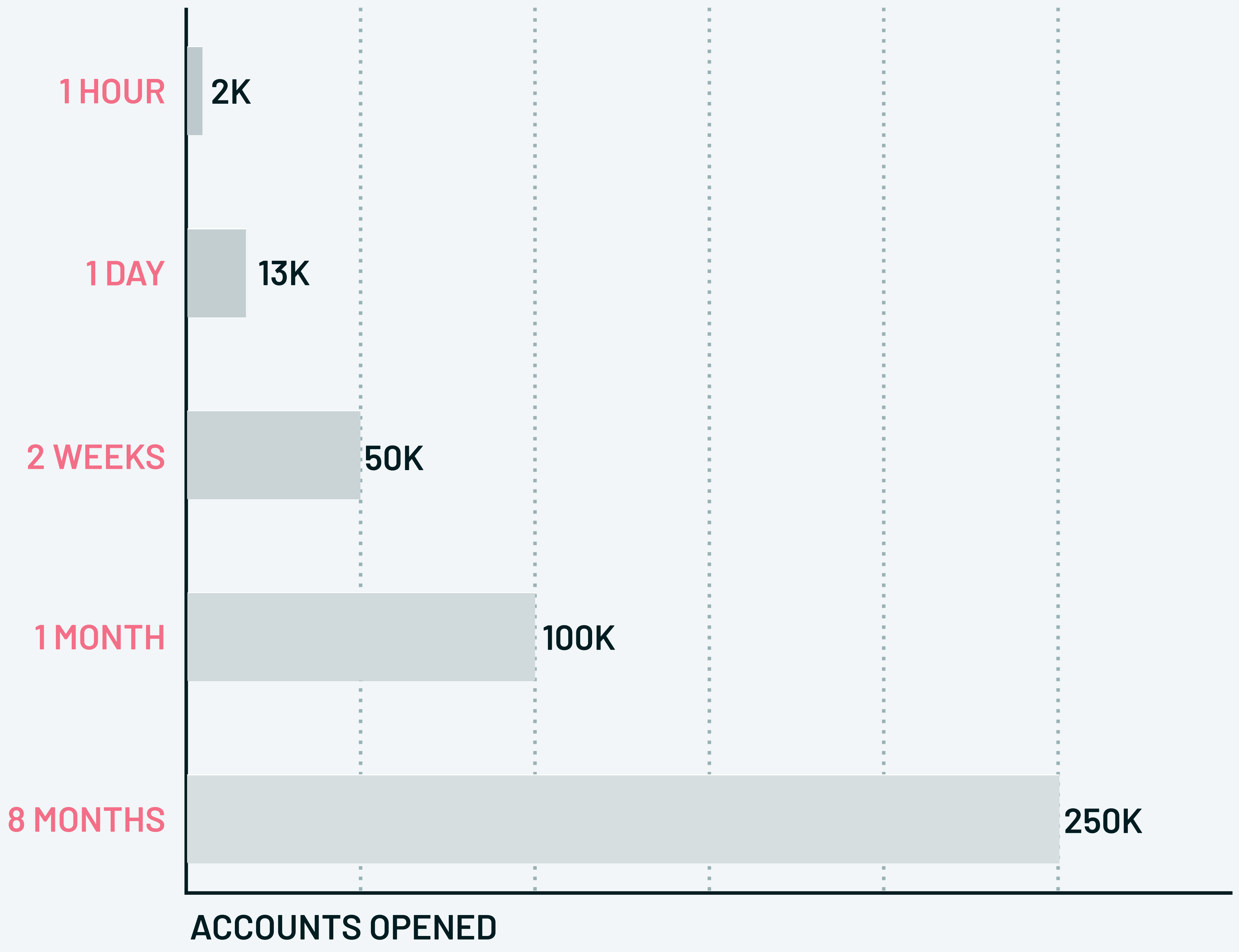
If banks remodel their product portfolios with hero digital offerings across product segments, coherent and intuitive customer communication and smart cross-selling options through personalised offerings, they can achieve remarkable growth.

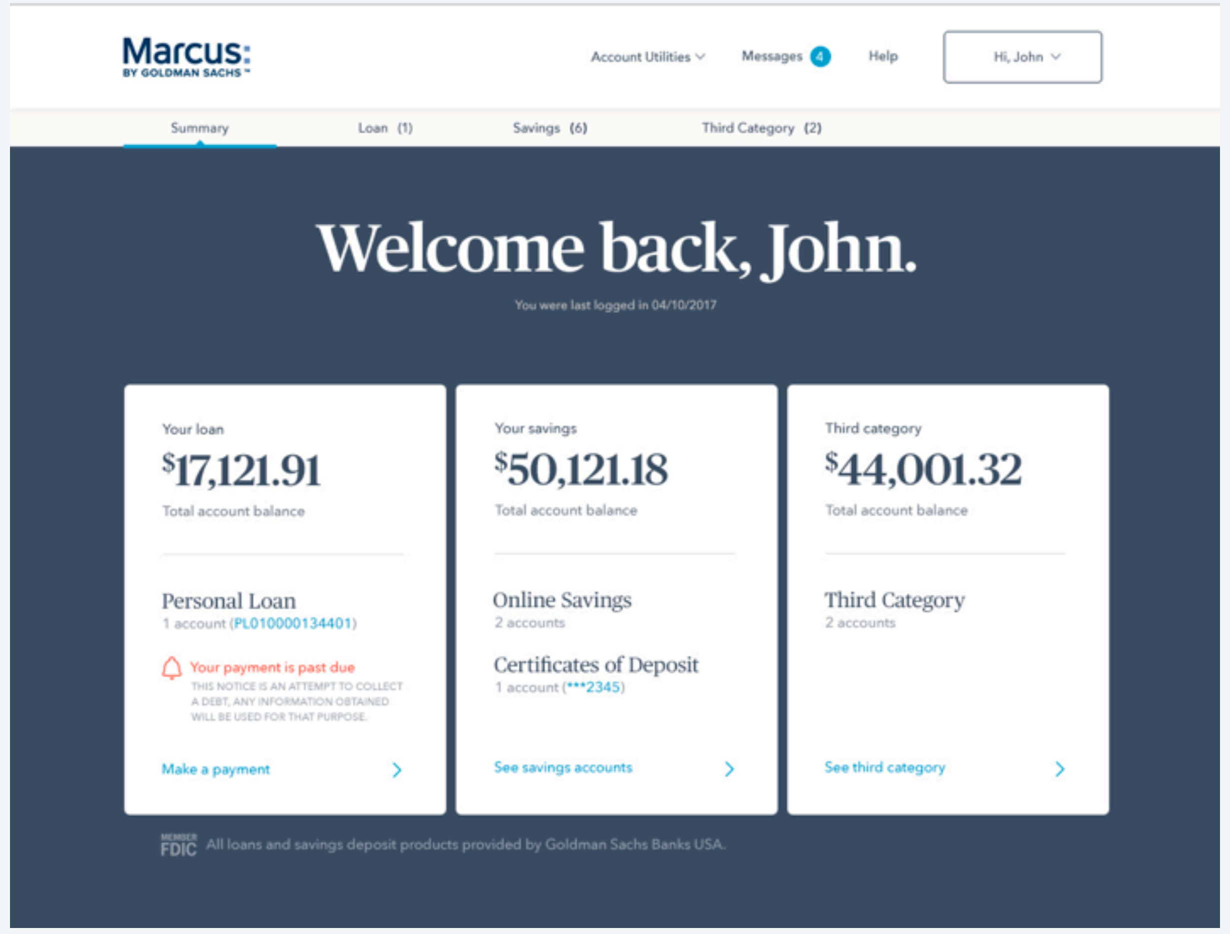
CURRENT STATUS AND OUTLOOK

Benchmark

Marcus by Goldman Sachs

The savings account offering attracted over 250.000 customers within 8 months[9] and is a great example of successful corporate venturing in digital banking.





Opening up an account takes only 12 minutes[10]

Time to leverage opportunities

Focus on creating impact

GOING BEYOND MERE CHANNEL DIGITALISATION AND FINTECH ECOSYSTEMS

Banking needs have continued to evolve both in corporate and retail banking segments. Customers can choose from manifold banking providers and have full transparency on the best products online. Mobile and digital banking platforms offer the convenience of 24/7 banking. Hence, most banks are broadly deploying digital channels to catch up with better customer experiences (CX) and testing ecosystem models with fintechs to speed up their access to technology.

The problem is that these partnerships rarely lead to productive outcomes for both sides. While the common invest or partner scenarios provide access to new technology, only a functional M&A department with the mandate to make impactful strategic acquisitions will truly give banks a technological headstart. The current IT departments at legacy banks will never be able to adopt new technology, as they haven't been built for the digital age. Smart banking leaders have understood that and started building their new IT systems independently from legacy structures and strategically acquired (fin)tech companies.

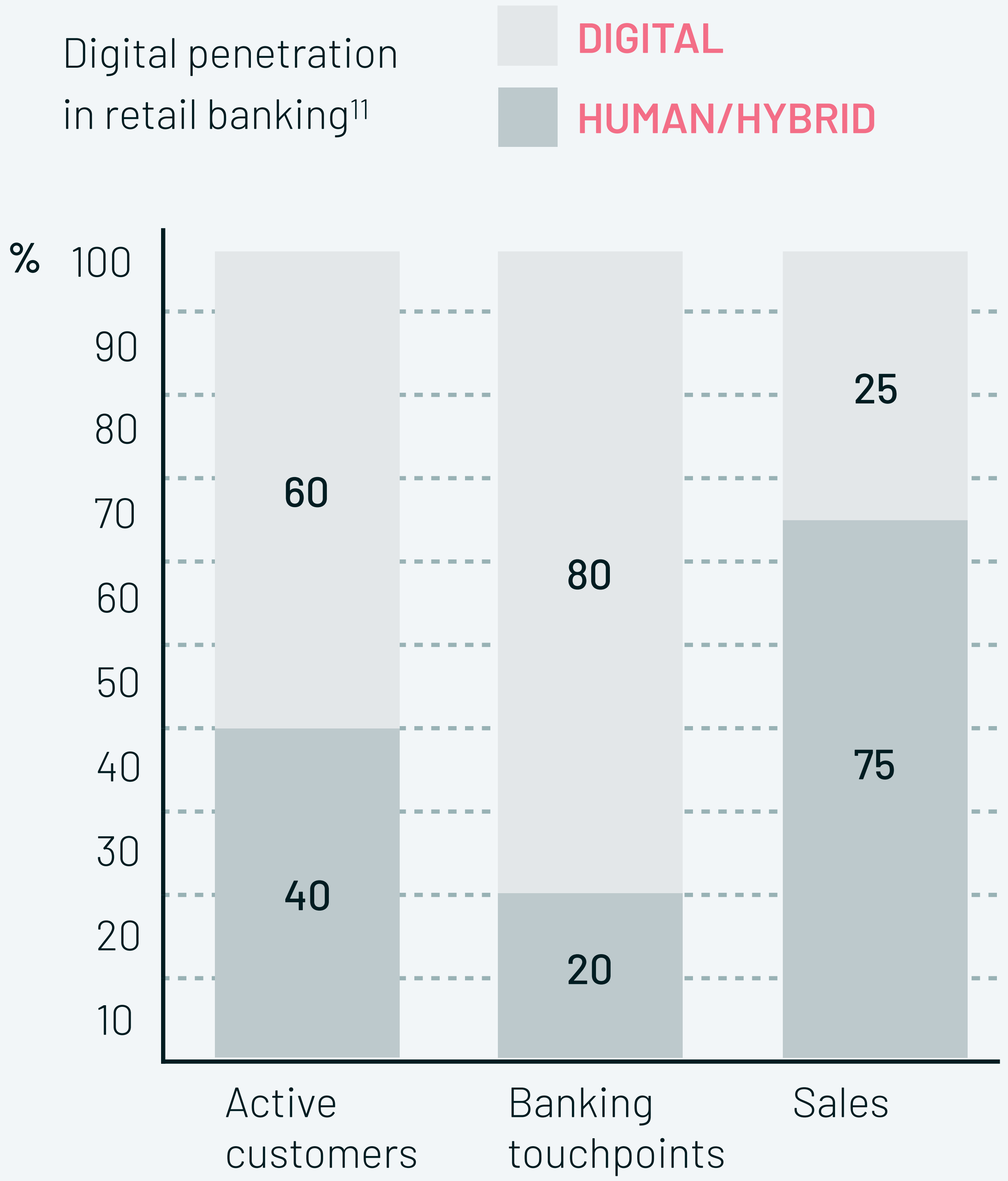
Financial services providers need to bring their own product portfolios to the next level if they don't want to be left behind as mere fintech marketplaces or infrastructure providers. In our work with financial services providers we frequently see that agile methodologies and innovation units are table-stakes capabilities nowadays. However, such initiatives only accelerate and increase the release of new digital offerings, which is ultimately not solving the actual challenge of these legacy organisations: **understanding what clients really need and translating insights into useful solutions that can be monetised.**

Recent studies prove that the majority of clients are banking digitally, however digital sales are lacking behind massively. Therefore, we urge to focus on the revenue-generating and customer-facing innovations by smartly orchestrating product portfolios along the digital, hybrid and human dimension. This work cannot be outsourced to start-up partnerships or innovation units.

Hence, now is the right time to capture and monetise the move into digital banking directly from within the core business. For instance, one European bank that executed a digitally-enabled product portfolio approach generated a sales growth of as much as 20% within a few years[11].

Snapshot

Digital penetration in retail banking[11]



MAKING THE LEAP IN FINANCIAL SERVICES

Financial services organisations can avoid disruption if they now start adapting their core capabilities to the new requirements of the market: agile, customer-first, digitally enabled.

- Tintti Sarola, Founder Ross Republic, Head of Strategy

THREE DIMENSIONAL PRODUCT PLATFORMS

Boosting top-line growth by combining digital, hybrid and human interfaces

Redesigning banking experiences

A cohesive product portfolio design

Financial services should be developed and orchestrated along three dimensions: digital-first, human-first and a smart combination of both (hybrid services).

Modernising the product portfolio with a focus on improving the client experience

FUTURE BANKING WILL BE BOTH DIGITAL AND HUMAN

Digital banking is already the de facto standard for customers in Europe. However, there are still services that provide value through face-to-face interactions, either in the real world or via video chat, e.g. for complex financial needs. Thus, in order to boost sales through innovation, banks should define:

- digital-first product platforms that can be scaled efficiently, enabled by cloud technologies, APIs and digital distribution channels
- hybrid products (human and digital) that are highly contextual, personalised and adaptive, enabled by advanced data analytics and AI
- human-first products and services that will be delivered in key market segments through experts, enabled by virtual remote services

The main objective of redesigning financial services and products is to radically scrutinise existing offerings against current customer explications and needs. For instance, in the same way Amazon can recommend the best coffee machine and deliver it through Prime within the next day, customers expect their bank to be able to offer and approve a new consumer mortgage or business loan. Consequently, all offerings within the product portfolio that are low-barrier and already commoditised in the market, such as current accounts, should be fully digitalised.

Still, for many customers a trustworthy financial expert is key to make important financial decisions. For high-involvement financial services, such as wealth management or corporate lending, customers expect their bank to act as a trusted expert financial advisor. Thus, certain products can be best delivered through hybrid or human-first approaches.

THREE DIMENSIONAL PRODUCT PLATFORMS

Developing the product portfolio stack

Mapping products across three dimensions

Digital-first services and products for efficient regional or global reach and hybrid and human-first services for differentiation in core market segments.

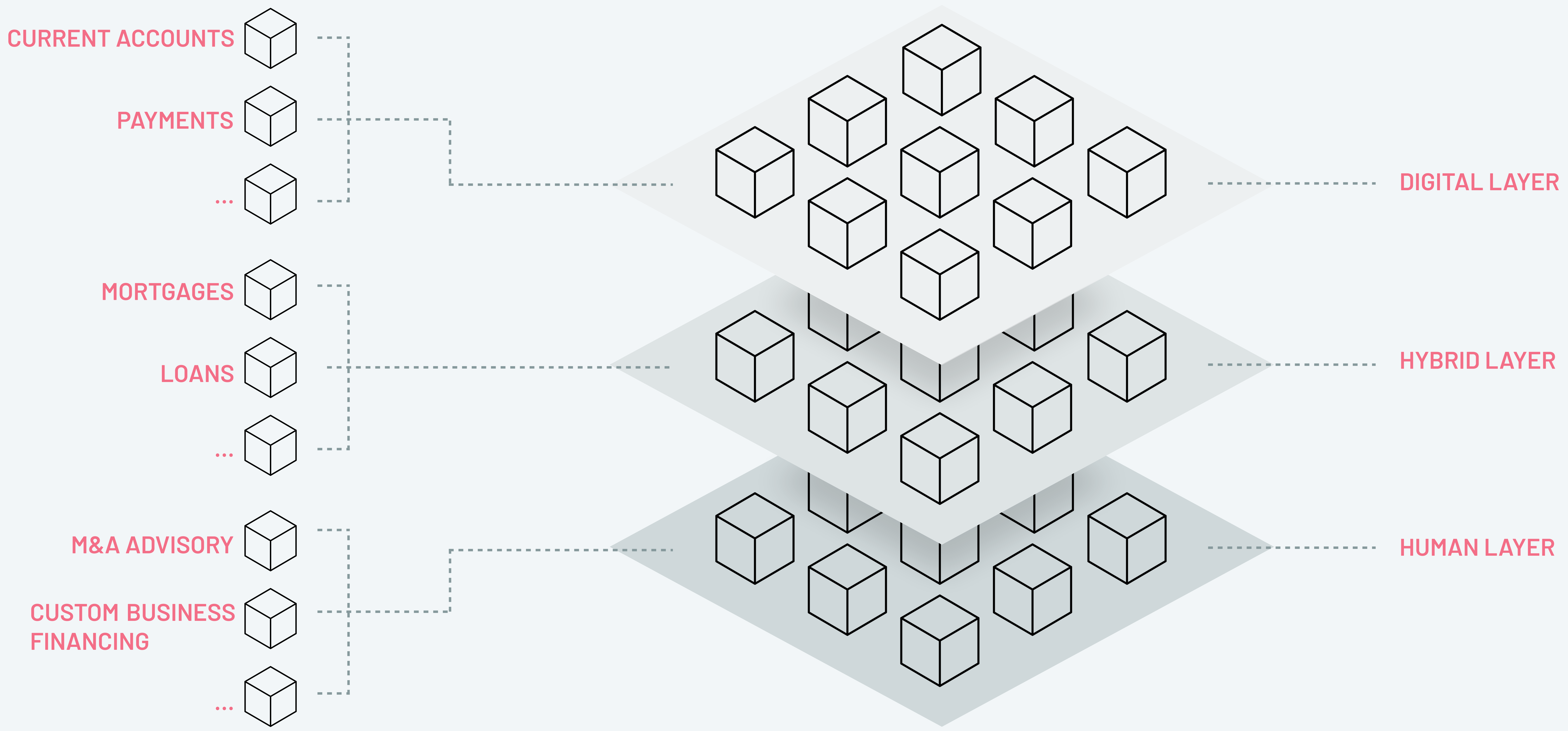
DIGITAL-FIRST
Portfolio of digital-first, scalable products and services

HYBRID
Portfolio of hybrid, contextual products and services

HUMAN-FIRST
Portfolio of human first, relationship-driven products and services

Building a modular product portfolio allows to redesign individual financial products around digital, hybrid and human service layers.

The result: competitive products and a streamlined, efficient product portfolio.



THREE DIMENSIONAL PRODUCT PLATFORMS

Bridging digital and human

PRODUCT MANAGEMENT

Developing financial services across three dimensions

By developing a product portfolio across the three dimensions, banks can generate substantial operational efficiencies due to scalable cloud platforms, fewer products, streamlined processes and reduced physical footprints. At the same time, customer journeys become more coherent and frictionless.

The crucial shift in this reconfiguration is the customer-centricity: products can be built, adapted and delivered according to general target customer needs (low-intent, best delivered through digital) as well as specific market demands (high-involvement, best delivered through hybrid models).

DIGITAL BANKING LAYER

The product lines that significantly drive up sales are the 100% digital, mobile-first banking products that can be offered to a large variety of targeted customer groups. These products are either heavily commoditised, such as current accounts, debit cards or simple loan products, or unique branded services that act as low-barrier, free entry offerings. For example, sophisticated account aggregation solutions built under PSD2 providing financial management services offer many possibilities to cross-sell other banking services.

Additionally, there's a huge opportunity to add cross-sector services and to build out whole service ecosystems that go far beyond banking.

HYBRID BANKING LAYER

Consumer mortgages or SME lending services are perfect examples where a combination of human and digital touchpoints tend to be most successful in driving up conversions. Human intervention is often required to finalise the sale, however the actual delivery of the product is enabled by underlying tech and data analytics, which makes fast decisions and personalised services possible.

E.g. interested leads can inquire personal mortgage or business loans options through digital DIY channels and then finish the buyer journey with an expert at the branch or via video chat.

HUMAN BANKING LAYER

The human banking layer consists of high-margin, specialised services covering individual customer needs. These services are delivered through direct expert advisory, since the key differentiation factors are personal relationships and proprietary insights. Potential services in this category are e.g. M&A services, wealth management or customised corporate lending solutions.

A scalable, digital portfolio approach

MATCHING OFFERINGS WITH CUSTOMER NEEDS

A digitally-enabled product portfolio will consist of scalable, digital standard components, a well-defined mix of hybrid modules, and high-involvement individual services for key customers and markets where the personal touch is a competitive advantage.

Our model helps developing the specific offerings:

- What do customers value most and how should it be best delivered?
- Which products and services can be fully digitalised?
- Which products and services provide most value through a hybrid or human approach?
- How can the interplay of all offerings create a coherent value proposition?

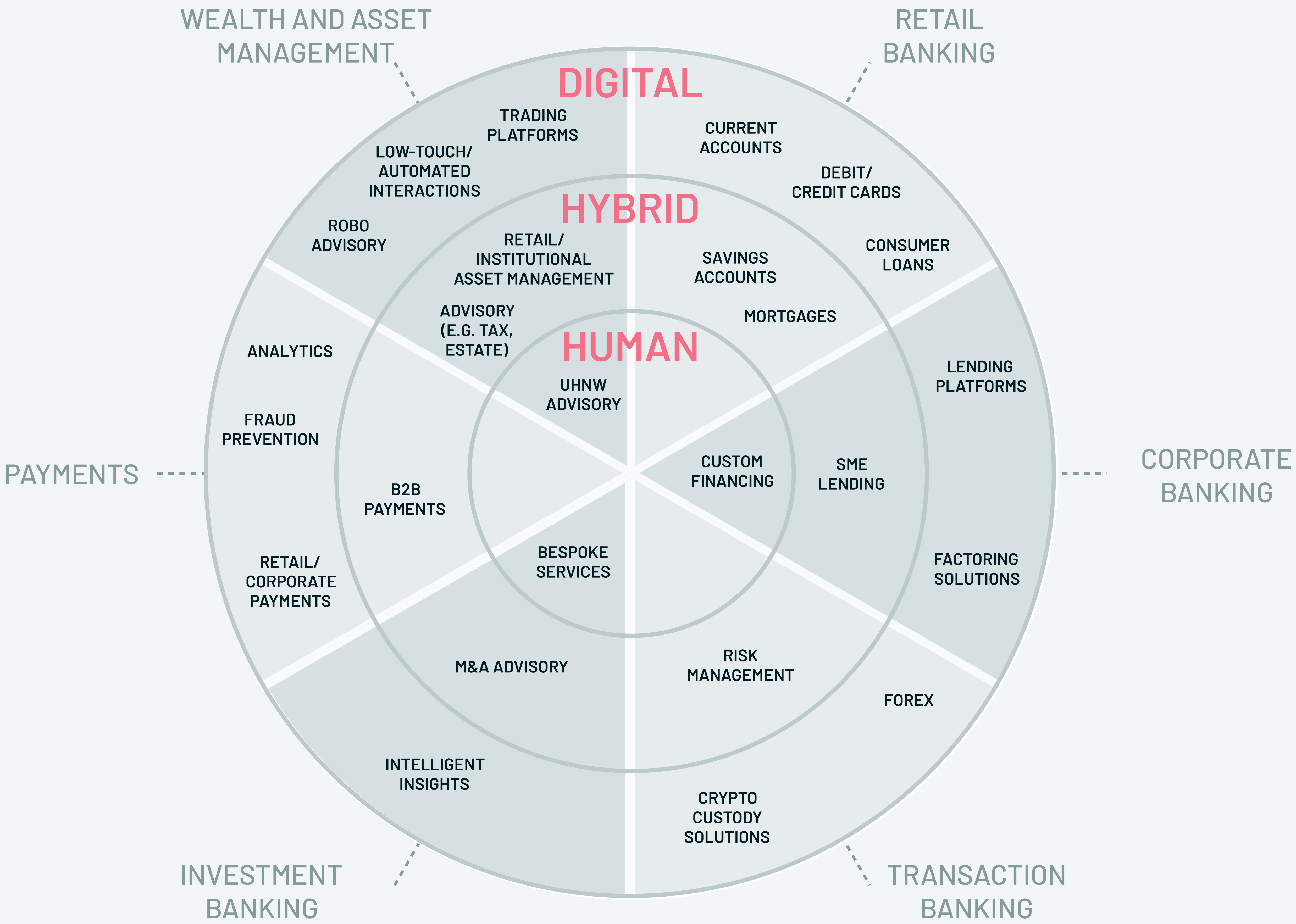
THREE DIMENSIONAL PRODUCT PLATFORMS

Updating the product portfolio

New opportunities

IDENTIFYING THE POTENTIAL OF DIGITAL-FIRST, HYBRID OR HUMAN-FIRST FINANCIAL PRODUCTS

Digitalisation of product portfolios is not about digital - it's about serving customer needs the right way. We identified several product lines that have the potential for fully digital customer experiences, whereas more complex products benefit from hybrid or even fully human banking experiences.



Key questions to get started with product portfolio innovation

- How might the product portfolio be designed around customer needs, their willingness-to-pay and new technological possibilities?
- How to reconfigure products and revenue models to compensate declining net interest and fee income?
- What are quick-wins that can improve the current offering without long IT lead times?
- How to manage API risks and gain opportunities from open banking and PSD2?

HORIZONTAL AND VERTICAL DISTRIBUTION

Delivering three-dimensional portfolios through omni-channel journeys

HORIZONTAL AND VERTICAL DISTRIBUTION

Rethinking banking delivery

HORIZONTAL

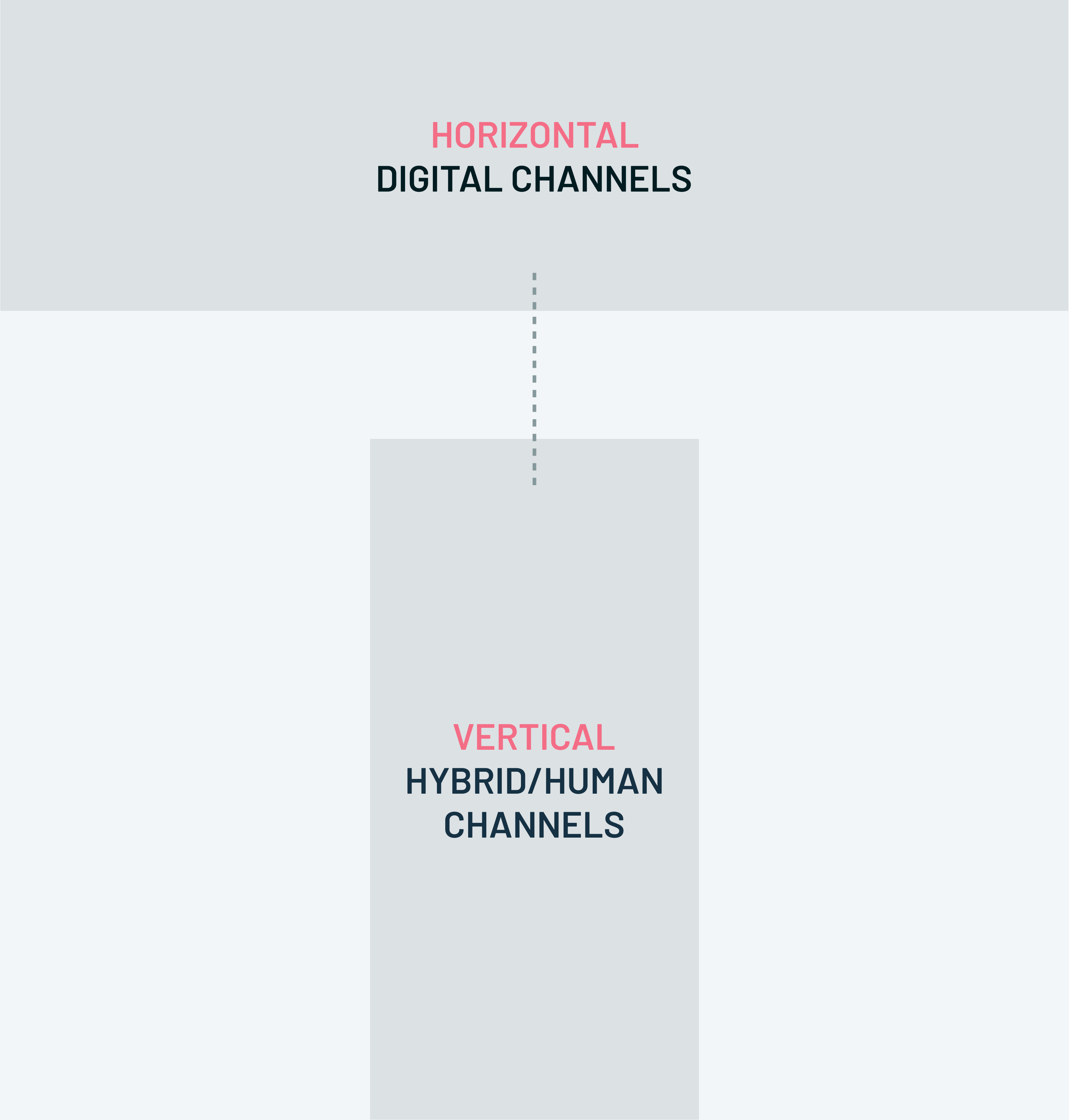
Efficient digital service and product channels.

Platform-driven architecture utilising open interfaces/APIs and passporting allows to develop standardised, horizontally distributed product lines that are digitally native and tap into broad customer segments. Such low-barrier entry products (current accounts, integrations with 3rd parties from non-financial segments) are efficiently delivered online and increase the overall reach of the bank.

VERTICAL

Differentiating hybrid and human channels.

Complex and specialised financial products are best delivered through human or hybrid interactions. The use of big data and artificial intelligence (AI) will radically enhance, not replace, such interactions with customers. Beyond that, modern branch concepts or remote specialists utilising online conferencing tools will further increase the convenience of vertical channels.



HORIZONTAL AND VERTICAL DISTRIBUTION

Ensuring scalability and agility

Omnichannel orchestration

COMBINING THE RIGHT CHANNELS FOR THE RIGHT TARGET GROUP

After redesigning financial products and streamlining the portfolio along the three dimensions, the next step is to consider how and to whom the products are delivered: horizontal vs. vertical channels.

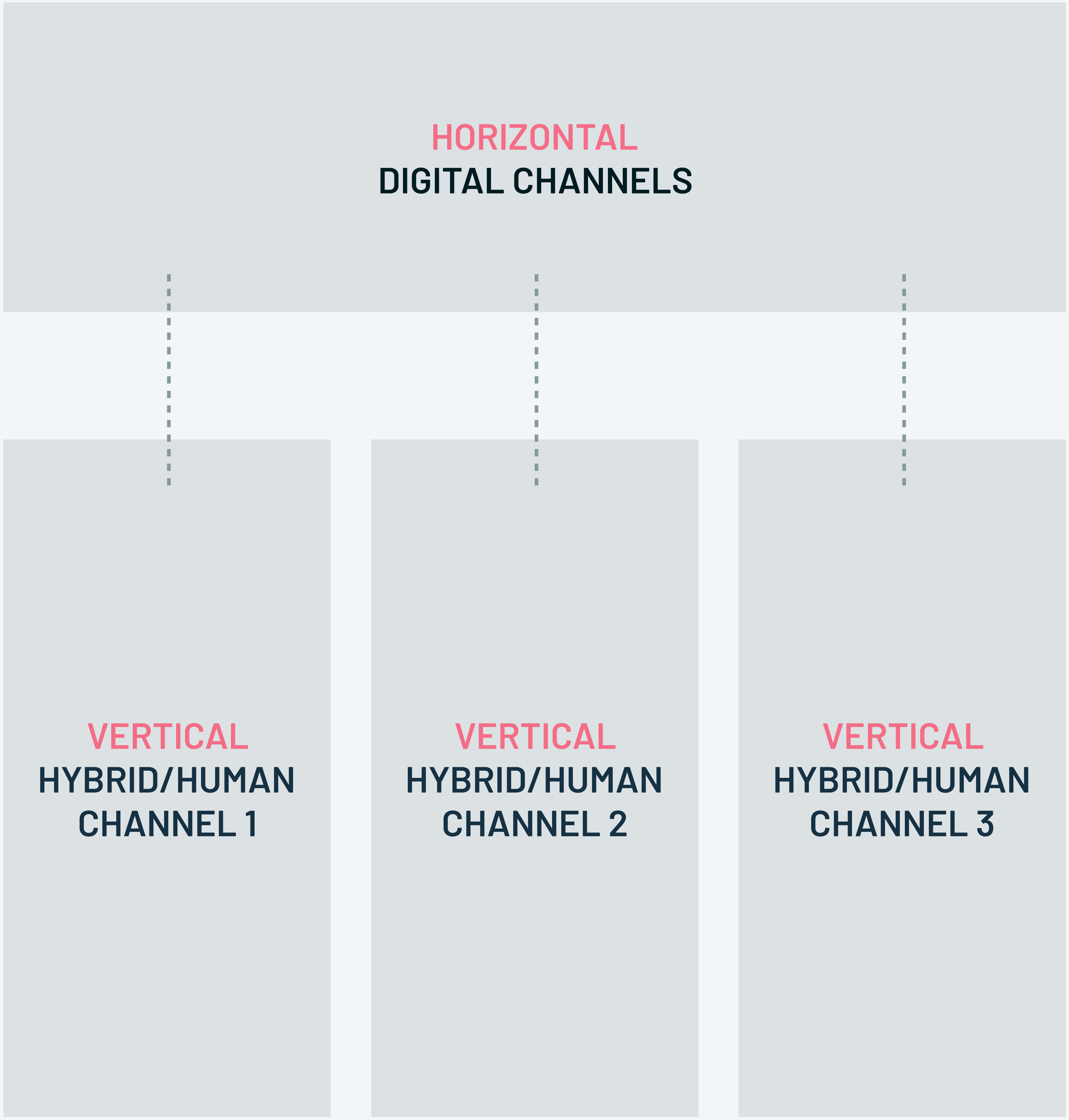
While digital channels win the top of the funnel, human interactions can address the steps underneath and are therefore still very important for closing sales and advising customers for more complex financial needs.

HORIZONTAL CHANNEL: THE SCALABLE GROWTH MACHINE

Fully digital customer acquisition, onboarding, communication and service.

VERTICAL CHANNEL: PERSONAL EXPERT SERVICES

Human or hybrid (i.e. digitally enabled) services in key market verticals.



HORIZONTAL AND VERTICAL DISTRIBUTION

Building the growth machine

Reaching the right audiences and offering frictionless banking experiences

BUILDING EFFICIENT CONVERSION CHANNELS

Around 90% of banking customers research suitable offerings online before making a purchase, but only a few banks are really effective at converting these leads into customers[13]. Thus, after redesigning the product portfolio across the three dimensions, offerings should be delivered through efficient end-to-end digital channels that are optimised for conversion. Especially financial services providers can leverage their high volumes of customer data for better targeting, performance and conversion optimisation.

REFRESHING THE BRAND

Many banks have built an authoritative, top-down brand over the last decades that makes it difficult to credibly offer innovative and authentic new offerings that customers trust. Acquiring and keeping customers hence largely depends on building the brand permission to launch new digital financial services. The groundwork for such a repositioning are well-functioning digital channels that are on par with fintech and other tech companies' standards.

LOWERING THE BARRIER

The goal of building scalable digital channels is to enable customers to access banking services whenever, where and how they want to. Efficient digital channels increase the reach for products offered across the whole product portfolio and remove barriers to buy. Especially low-barrier entry products such as personal finance management or multi-bank features can convert large amounts of users. Afterwards, it's much easier to cross- and up-sell as these users are already accustomed to the bank's offering and brand. Such relationship banking or land-and-expand strategies can be taken to the next level with scalable digital channels.

SCALING DIGITAL PLATFORMS

Beyond increasing the reach and cross-sell opportunities, another advantage of horizontal digital channels is the global scalability and faster speed to market through modular backend services.

Most banking services are consisting of basic micro-services and -functions that are very similar across markets. Such services can nowadays be incorporated into one backend platform that makes all components globally available if needed. For example, BBVA rolled out a global mobile banking platform that allows to launch and build on its best-in-class digital solutions in every market[14]. This means that each region still has individual banking applications, but all are built on the same underlying platform, utilising proven designs and user journeys.

Such modular horizontal backend infrastructure decrease upfront IT costs, while enabling faster product launches and the global transfer of best designs and features.

BOOSTING THE ROI OF DIGITAL PRODUCTS

Making digital products easily available via horizontal channels can have a huge impact on boosting customer acquisition. For instance, BBVA currently generates 37,5% of global sales directly through digital channels. During H1 2018, the bank doubled the number of products and services it sold through online channels[15]. Beyond that, scaling digital offerings through online channels can be very efficient: Average customer acquisition costs for digital challenger bank N26 are 20€, which is far below the banking segment standard[16].

Differentiation through expert services

Building contextual and adaptive services on top of digital product platforms

DEVELOPING A UNIQUE COMPETITIVE ADVANTAGE OVER DIGITAL-ONLY PLAYERS

Still, more than 60% of primary bank customers claim proximity to bank branches are important[17]. The low churn rates of legacy banks confirm that primary bank customers are not yet ready to switch fully to the fintechs. However, even though most clients still stick with their legacy banking providers, most also try out various other banking products from other providers that offer better rates or features. While these customers can be retained by offering attractive digital products, specifically the services that depend on relationships and proprietary insights can become a key competitive advantage for banks that build out such vertical hybrid channels.

ENHANCING ADVISORY WITH AI AND BIG DATA

Future hybrid and human advisory services will still largely depend on human experts. However, artificial intelligence (AI) and big data offers the opportunity to collect data across channels and automate routine activities so that financial advisors can concentrate on the actual advisory.

Beyond advisory for high-involvement products, another use case is customer success. Whenever something goes wrong, just providing a digital DIY help centre often leads to frustrated customers. The mobile bank N26 therefore combined a machine-learning enabled chatbot for first categorisation of customer issues that then routes the customer to a human agent that speaks the right language and is a matter expert. All customer data is readily available for customer success agents, which speeds up the service.

In order to succeed with vertical channels, financial services providers need to ensure:

- Data sharing: make customer insights internally available across channels (e.g. between banking app and branches), enabled by tracking and data lakes
- Modern technology setup: the tools and technology needed to deliver exceptional services
- Accessible human experts: personalised, expert services should not only be available at the branch, but also remotely accessible through modern conferencing tools (video chats, screen sharing)

HORIZONTAL AND VERTICAL DISTRIBUTION

Case: Holvi Payment Services

PAN-EUROPEAN FINTECH

Expanding across markets with horizontal banking offerings

Through our work with Holvi, a Pan-European SME fintech bank, we helped to overcome some of the barriers when expanding with digital global banking offerings. Holvi offers one core product, a current account tailored to SMEs, including a smart business debit card. On top of the current account, Holvi built specific value-adding services, such as bookkeeping, invoicing or expense management. Every customer, regardless of the European market, can access the same basic offering that runs on the same scalable platform. Nevertheless, local market and user requirements still demand the localisation of offerings, e.g. compatibility with specific bookkeeping or invoicing regulations.

BENEFITS OF HORIZONTAL DIGITAL PRODUCT PLATFORMS

One scalable system as the basis for complementary services

- One modular, scalable platform running on cloud technology and APIs
- One core product as the horizontal digital platform: current account, debit card, engaging and smart web and mobile app
- Complementary service modules built on top: bookkeeping, invoicing, e-commerce, expense management
- Marketing efficiencies, as SMEs across Europe can be targeted with one strong offering and brand story

Key questions to get started with creating smart omni-channel customer journeys

- How can digital offerings be scaled and efficiently distributed as entry-level products?
- How can offerings be differentiated in a digital environment? How to avoid commoditisation?
- How to create a cross-channel, modular journey that makes the best use of digital and human channels?
- How to increase cross-selling between categories?

GETTING STARTED

Roadmap for product portfolio innovation

GETTING STARTED

Creating a consistent product ecosystem

Orchestrating horizontal and vertical channels

The product portfolio and channels combined should create a seamless ecosystem that is built around customer needs and naturally supports up-selling.

Frontend banking platform
(account aggregation, multi-banking, finance management, etc.)

HORIZONTAL
DIGITAL CHANNELS

- Current accounts
- Robo advisory
- SME financing
- ...

VERTICAL
HYBRID CHANNELS
(DIGITAL + HUMAN)

- Advisory
- Mortgages
- M&A
- ...

Backend banking platform
(modular components, APIs, data aggregation, etc.)

Define your options

Three steps

Everything evolves around the customer. Rethink product portfolios across the three dimensions digital, hybrid and human and deliver through horizontal and vertical layers.

Begin with customer insights

Different customer segments have different needs. Client retention is higher at banks that are able to match their target groups' financial needs with useful offerings that allow to interact in the customers' preferred way, whether that's digital or human.

Certain entry-level offerings, such as current accounts or robo-advisors, should be built as scalable horizontal products that cover basic financial needs and can be distributed without much overhead. In contrast, certain products might be more attractive to be designed around hybrid or human interactions. **Digitalisation is about understanding how to serve customer needs radically better than everyone else, hence generating valid customer insights is the starting point.**

Develop the value propositions and offerings

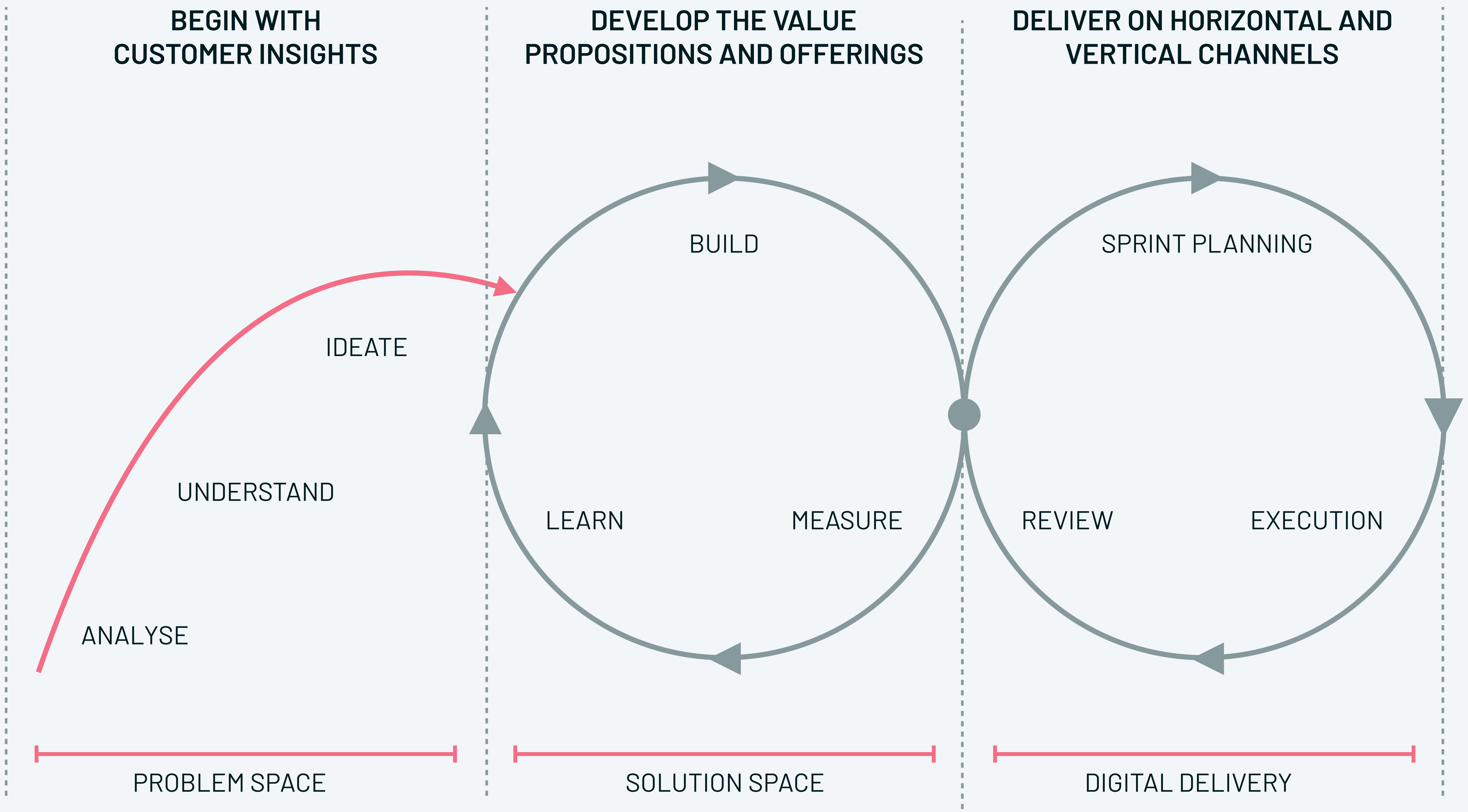
In order to kickstart execution not all business lines need to be overhauled. A first step might be to start with retail offerings. After understanding which clients the bank can serve best, it should focus on its strengths and most value-adding services. By mapping out all offered products according to actual customer needs and willingness-to-pay, legacy portfolios can be streamlined. Afterwards, offerings should be aligned to the digital, hybrid or human dimension. By prototyping high-growth digital entry offerings that solve customer pain points and defining highly value-adding and engaging expert services (hybrid and human), banks can create a product portfolio that is competitive in the future.

Deliver on horizontal and vertical channels

First versions of digital offerings can be quickly tested and iterated in different markets via digital channels, while new hybrid services can be validated through service design pilots in narrow market segments. However, the easiest way to get started is by starting small and embracing this new, fluid channel approach with one product line that already works well.

GETTING STARTED

From strategy to execution



GETTING STARTED

Key questions to get started with portfolio innovation in financial services

- Who are our most important current and future customers? How will they bank in the future?
- Do we have the processes and tools in place that enable close feedback loops with our customers? Do we know what they need and what they are willing to pay for?
- Do we incorporate customer and market insights into the product development process? Do we follow through with a clear monetisation strategy?
- Which offerings should be digital-first, human-first or hybrid?
- What are our hero and laggard products and how do we start streamlining the portfolio?
- Which channels work best for our renewed product portfolio?

CONTACT

Let’s talk about the customer-driven future of banking

We have a clear vision of where the financial services industry is headed and would love to discuss it with you.

CONTACT

Your key contacts

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Tintti leads Ross Republic's strategy team. She has in-depth knowledge of business development for incumbents and new ventures in the financial industry, and is known for delivering ambitious yet actionable plans.

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APPENDIX

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APPENDIX

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