



ORACLE
Financial Services

WHITEPAPER | JANUARY 2022

REBOOTING THE CORE OF BANKING



The banking industry is at a turning point. With digital tech solutions paving the way for new innovations and new opportunities arising, banks are faced with the challenge of navigating these new and complex territories. The question lies in how banks can prioritise these investments to ensure that the most profitable and sustainable opportunities are optimised in the most efficient ways. Rebooting the core of banking requires transforming beyond the technology and asking: How are you going to do things differently? Leveraging the technology and data is crucial and putting predictability, reliability, and repeatability at the forefront of your operations is the key to achieving the ultimate goal: customer satisfaction.

In response to this, **Connect Global Group** and **Oracle Financial Services** partnered for the **'Rebooting the Core of Banking'** webinar, bringing together a panel of five industry experts to discuss:

- What is driving growth in the banking industry and how technology supports the growth
- Leveraging partnerships within the industry to maximise growth
- How to prioritise investments to ensure sustainable and successful growth
- The key elements to successful growth



Technology as a Tool for Growth

Imke Jacob, Partner at **McKinsey & Company** and moderator for the webinar, kickstarted the discussion by focusing on the way people have responded to the growing use of technology. Studies found that less than 50% of the German population see technology in their daily lives as a positive, noted Imke. *"Technology is more a journey than a one-time project"*, she stated, and requires a lot of change management from banks and their employees, which ultimately drives growth when managed successfully.

Imke asked David Schloesser, Transformation Stream Lead Client Experience at **Raiffeisen**, how to empower employees to use technology in a way they haven't used before. David explained that *"it's less about starting with technology or focusing on efficiency"*, but rather starting with the clients at the forefront. According to David, if you start with the clients and answer their needs, they will also transform the employees and the way they work together with the bank; this is the approach taken at **Raiffeisen**.

Felipe Peñacoba Martinez, CIO at **Revolut Bank**, agreed with David that at the end of the day *"you need to have customer needs at the center of what you do"*, understand what they're looking for and how they interact with your solutions and make it simple, convenient, and straightforward for them to use or consume your products and services. Felipe advised banks to rather than look at it from the perspective of selling a product or service, to see it as helping customers with particular life experiences they are having. For example, customers don't buy mortgages, they buy houses, and as a result tailoring services to suit the needs of the customers rather than the product itself, is what helps and attracts them.

This is the approach being taken at **Revolut**, which has seen a good response from customers as well as growth. Growth is not the ultimate goal, supporting the customer is, and when this is done, growth occurs as a natural effect.

Adding to the points of the other panelists, Ruta Merkevičiute, Director, Financial Service and Capital Markets Supervision at **Bank of Lithuania** stated that today it's about innovation and shifting the mindset; *"instead of proposing the product and asking 'what do you want', it's really telling the customer, 'I know what you want.'"* It's about the personalisation of services. According to Ruta, the more you understand who your customer is and their behavioural patterns, the more you can succeed, whether that be from a bank, incumbent, or fintech. It's important to note that whilst the end goal remains the same, to satisfy the customer, the implementation of new technology can significantly alter the journey banks take to achieve the end goal. Imke prompted the panelists to discuss how tech such as data analytics, machine learning, etc. is going to change the journey for retail, and perhaps even corporate clients.

Felipe stated that *"the most valuable asset that banks hold is actually the data"*, not even the money in the bank, but interestingly, the data.

The key driver is first understanding it and making it usable and then being able to use it. Understanding the data allows banks to offer more personalised services to their customers so that they are better adapted to their needs. According to Felipe, the potential to monetise the data is huge, in addition to the possibility of making fairer, better decisions for the customer.

Leveraging Partnerships Within the Industry to Maximise Growth

It is not always possible for banks or other financial institutions to have access to a wide range of data or even have the tools and infrastructure to adapt to new technologies. In these cases, partnerships between differing FI's are necessary and can be an excellent solution for all parties. Earlier in the discussion, Ruta stated that *"the best examples where the best outcomes are achieved for customers is where all the actors really collaborate together"*. Incumbent banks with vast quantities of data, experience, and understanding of data, for example, can work with regulators to make sure that customers are kept safe, informed, and treated fairly; in addition, fintechs add the element of the innovative mind. Simon Lyons, Standards Transformation Lead at **PAY.UK** expressed that an issue we often find with banks is that they tend to generalise and have had to for a long time, because they've been solely in charge of looking after customers in so many different ways. However, it is too difficult to really excel in every single area and satisfy customers in every way; that is why Simon believes strongly in specialism.

If *"we specialise and understand micro needs, which leads to macro developments, this leads to macro behaviours"*.

Essentially, one bank can no longer do everything alone. Optimising the strongest parts of each of the different types of financial institutions creates an opportunity to come together to create the best products and services for the customer. Felipe used a great example of how through **Santander** and **eBay's** partnership for new businesses selling through **eBay**, they were able to make decisions to lend to business owners based on alternative sources of data available through **eBay**, such as customer reviews, satisfaction, refunds, etc. Rather than denying loans to these customers because they hadn't built a good credit history yet, **Santander** was able to access more data about customers, and in turn, make a fairer decision based on the new data. Simon agreed with Felipe, adding that the reliance of a bank to lend comes from third-party sources. The progress that has been made to get to a point where banks can make decisions on a customer that doesn't have any account history is incredible, according to Simon, and is a huge benefit to society. This commercialisation allows them to make use of this data which already exists and can be benefitted from.



Prioritising Investments to ensure Sustainable and Successful Growth

Successful growth comes down to an amalgamation of investments and improvements to banks' infrastructures and processes. As these investments can be costly and time-consuming, it is crucial that banks assess the returns of each investment to conclude which ones are most beneficial. Amit Bhasin, Regional Sales Director at **Oracle Financial Services** described how **Oracle's** mission has always been to "help people see data in new ways".

He explained how the process is all about unlocking the endless possibilities that data creates. Today, rebooting the technology and the cloud is becoming increasingly crucial in order to remain competitive and relevant in the industry. Institutions are focusing on becoming digital on the outside, but this digitisation needs to reach the inside of the company from an operation standpoint in order to really bring value to the customer. Utilising the cloud allows institutions to transition from monolithic applications and achieve scalability. It allows you to reboot your banking application in multiple ways and scale and interoperate in your ecosystem. Therefore, according to Amit, the cloud is an extremely useful investment that can help institutions stay ahead of the competition and achieve sustainable growth in the industry.

With regards to prioritising, Amit stated that propelling the theme income, the interest income, and engines of financial institutions requires an interoperable technology ecosystem which is crucial in providing customers with better working capital control. According to Amit, many institutions today are still relying on manual intensive processes and commercial lending operations which essentially places severe limits on visibility and efficiency.

In order to thrive in today's age, *"the need of the hour is to accelerate the process of credit and track exposures in real-time to manage all of the business risks"* and this needs to be prioritised.

Ruta agreed with the idea of acceleration, adding that it's very important to be instant when taking care of your customer, such as with their complaints regarding the KYC journey. Nowadays, fintechs are very fast, but are not answering complaints directly but rather asking clients to submit PAC documents or collecting complaints through Account Information Service or other kinds of services, therefore decreasing the time and effort needed to deal with them. What's really needed to prioritise, is innovation, according to Ruta. There's a great possibility to see that innovation in spheres that deal with compliance, especially. Ruta predicted that in the future, the digital advantage will be able to contribute to the customer experience, so from a regulatory perspective, she hopes that the concept itself will be a priority.

To conclude, Imke summarised the main points of the discussion, stating the key takeaways. Everything starts with the clients; client centricity, client experience, and client demands. The discussion heavily focused on the great opportunities data can provide when leveraged well. It's not easy to unlock them, but it's possible through collaboration, entrepreneurship, and innovation, not only in sales but in compliance and internal processes. Data is crucial for innovation, but the key lies in understanding and maximising the data's potential and subsequently creating the best experience for the customer.

To Watch the Full Discussion

This whitepaper is a summary of the discussion held at the "**Rebooting the Core of Banking**" Webinar in December 2021, produced by **Connect Global Group** for **Oracle Financial Services**.



THE WEBINAR PANEL

It is important to note that all the answers provided by the experts in this webinar are their own and do not necessarily represent the views or opinions of their organisations.



Felipe Peñacoba Martinez
CIO
REVOLUT BANK (EU)



Ruta Merkeviciute
Director, Financial Service and Capital Markets
Supervision
BANK OF LITHUANIA



Simon Lyons
Standards Transformation Lead
PAY.UK



David Schloesser
Transformation Stream Lead Client Experience
RAIFFEISEN



Amit Bhasin
Regional Sales Director
ORACLE FINANCIAL SERVICES



Imke Jacob
Partner
MCKINSEY & COMPANY

Produced in Partnership with

ORACLE
Financial Services

© 2022 Connect Global Group LTD. All rights reserved. The content of this document is subject to copyright. Any modifications, truncations, additions, and alterations, as well as publication, translation, or use thereof for commercial training purposes by third parties, shall require the prior written consent of Connect Global Group LTD. Reproduction for personal use is allowed solely on the condition that this copyright notice is also stated on the reproduced documents.

www.connectglobalgroup.com