The future of the Retail Banking Industry

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Abstract:
Technological forces are reshaping the banking industry. Customer expectations, technological capabilities, regulatory requirements, Demographic and economic environment are creating an imperative to change. Banks need to get ahead of these challenges and reshape if they are to find success in the upcoming decade.

Top five consumers wants in banking
1. *Reward me for my business 81%*
2. *See me as a person-58%*
3. *Provide me with wealth building advice-55%*
4. *Give me anytime ,anyplace access to my balance-61%*
5. *Tell me what I am Spending money on and how I can save-52%*

A study by Temenos and Economist Intelligence Unit found 64% of financial services personnel think retail banking will be fully automated by 2020, cutting out the need for branches.
More than 60% of bankers also think peer-to-peer lending will be offered on banking platforms in the future, and 57% believe more money will be moved through finance technology (fintech) firms than traditional banks.

Keywords: *Customer expectations, Technological forces*

1. Introduction

1.1 Banking Industry Perspective

Banking industry is going through a phase of commoditization. In today's scenario, Customised and delightful customer experience has become more important than just providing financial services. To grab a bigger piece of the cake, banking industry has to understand the unstated needs of the customer. Each day, new devices / technologies are providing various customer touch points.

Traditionally, banks spent most of their efforts, time and money on transaction execution, which is nothing but has become a very basic feature of their overall service. Banks now need to rethink the way customers are being valued,

Millionaires aren't the only ones who want to bank whenever or wherever they want, irrespective of the branch location or the business hours. Customers from all generation, income groups, and countries could make a transaction online .So, this represent a remarkable challenge for
the financial institutions, which are often involved in multiple types of banking such as retails, finance, corporate, mortgage etc.

1.2 Goodbye to Branch Banking

Few days ago, I found myself sitting with a number of bank colleagues over lunch and I asked them about future trends within retail banking. As the conversation bounced around the table, the one area I wanted to focus on was what goes on inside a branch, because it's the public face of so many financial institutions.

Retail banking now encompasses not just branches, but also anywhere that banking services can be conveniently provided to consumers. Whether it means a service kiosk in a train station, a premium branch in a central business district, or a bank-on-wheels that visits corporate workplaces, proximity to targeted customers ultimately matters more than having a traditional bank façade. Flexibility and agility will provide a competitive advantage for banks—but these new retail strategies will create challenges for IT and real estate departments charged with identifying nontraditional physical service locations.
Yesterday's assumption that retail customer interactions require a branch is being discarded, replaced with a new assumption driving highly selective location strategies based on deeper analyses of micro-markets and target customers. This new joint technology and real estate approach delivers thoughtful considerations of what constitutes a trade area. Full-service branches will focus on selling complex services to high-value customers in locations where those customers are concentrated. For small and remote branches, some banks are creating self-service high-tech centers with minimum on-site staff, but high-touch service available via 24-hour videoconferencing.

Today's demand of banking is:anytime anywhere banking. thisrequires innovative, robust,secure, optimized and ready tomeet the expectations of empoweredand tech-savvy customers

2. Seven Macro-Trends Impacting The Future of Retail Banking

i)Technology's New Role in Location Selection, Offerings

Technology has changed everything. The first ATMs emerged in the late 1960s and became commonplace by the early 1980s. Within a decade, debit and EFTPOS (Electronic Funds Transfer at Point of Sale) networks wired the globe and cards once used to withdraw money can now purchase a pair of shoes in Rome. The first computer banking programs began to emerge in the late 1980s (as people began buying PCs) but online banking did not explode until the advent of broadband. Within a short period of time, banks introduced smarter versions of online billpay or paytm which allowed customers to pay their bills.

Some ATM innovations are already available overseas and might reach the U.S. shortly. For example, biometric authentication launched last year in India, and iris recognition is in place at Qatar National Bank ATMs. These technologies can help overall bank security by protecting against ATM hacks

Innovation is imperative. In the last few years technology has rapidly evolved big data, cloud computing, smart phones and high bandwidth are all now commonplace. The pace of innovation will continue to increase, and financial institutions will need to enable or leverage this innovation if they want to keep up.

ii) Smart Kiosks-Every bank will be a direct bank, and branch banking will experience a significant transformation. PwC says that as technology shifts more and more activities online and as cash usage drops, traditional branches will no longer be necessary. Given their high-fixed cost, branches will need to become dramatically more productive or significantly less costly (e.g., smaller). Banks and credit unions have already reduced staff levels, closed less viable locations, and are experimenting with new retail concepts. PwC predicts branches will remain relevant, but will adopt many different forms — from flagship "engagement hubs" to compact "smart kiosks."

iii) Marketing-Competitive reach will no longer be determined by branch networks, but rather by banking licenses, technology and marketing budgets. When every aspect of banking can be done digitally,a bank's target market and competitive arena is no longer defined by its physical footprint, but rather by its technology, its regulatory boundaries and the sheer limitations of its marketing budget. As a result, branding and marketing will be more important than ever before.

iv) Automated Financial Services Employees
Financial service employees believe the future of customer retail banking will be automated as the need for digital technology increases. The rise of financial technology will likely result in the reduction of in-bank personnel. A 2016 report from Citigroup indicated that a whopping 30 percent of bank jobs might be lost by 2020 due to the automation of retail banking services. Even behind the front line, financial services employees might step aside as robo-advisers that manage your money continue to grow in popularity. Wealth front and Betterment, two robo-adviser companies, already have $4.65 billion and $7.36 billion in assets under management, respectively

v) Customised Products-Banks will organize themselves around customers instead of products or channels. They will develop the ability to view customers as a "segment of one," recognizing their uniqueness, and tailoring their offerings so that customers view banks as "meeting their needs" not "pushing products."

vi) Social media-Social media will be the media. Today, most financial marketers view social media as co-existing alongside traditional channel. By 2020, PwC says social media will be the primary medium with which financial institutions connect, engage, inform and understand consumers , everything from the mass "collective social mindset," to the minutiae of each and every individual. Information and opinions both good and bad will be amplified. Mastery of social media will be a core competency, according to PwC.

Video communications—whether in the form of conferences, immersive/high-definition video conferencing (such as Cisco Tele Presence®), YouTube, or mobile-based video—is now pervasive. Expect video sessions with your financial adviser from your home/office, as well as video-based mortgage offers sent to your mobile device when you point it to a house

Mobile banking and mobile payments/commerce will emerge as dominant channels for financial interactions beyond the traditional checking of balance, transfer of funds, or paying bills and friends through your phone. Mobility is already transforming e-commerce by enabling comparison shopping in stores .Users can easily download Banking app and do all the transactions on their mobile itself.

vi) **Cyber security** is paramount to rebuilding trust. Winners will invest significantly in this area. Recent high-profile security breaches and media commentary surrounding cyber attacks have sparked fear and uncertainty, further eroding consumer trust. There are now higher expectations about security of information and privacy among clients, employees, suppliers and regulators.

vii) Digital identity management: As we spend more time in digital (or hybrid) environments, banks can provide authentication and identity management capabilities (for example, retinal scanning in fast-track lanes at airports, or confirming you're a legitimate contributor when posting a comment on the web). This would enable banks to ensure privileged access to end-customers' info and possibly create new sources of revenue.

3. Conclusion

Many have predicted the fall of the traditional bank, as disruptive new entrants win share by offering a better customer experience through new products and channels. Much of the landscape will change significantly in response to the evolving forces of customer expectations, regulatory requirements, technology, demographics, new competitors and shifting economics.

Banks need to choose what posture to adopt against this change – whether to be a shape of the future, a fast follower, or to manage defensively, putting off change. Staying the same or believing in Brick and morter approach is not an option. We believe that the winners in 2020 will innovate and transform themselves to prepare for the future. This future will require institutions to be agile and open, ready to explore different options in an uncertain world.

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