

Defining and implementing digitization strategies

Tackling digitization with the eWealth banking model

The financial industry has seen many changes over the past few years. Amongst the emerging trends is the digitization of banks, albeit to varying degrees across the sector. Retail banks have embraced the digital waves with open arms. According to industry research, 60% of all retail banking transactions are now carried out online with a strong trending towards offering online products and services as well.

As clients' needs evolve over time, there is an increasing demand for more autonomy and greater involvement also in investment decisions. Client will look to utilise social media for banking and make growing use of digital channels to monitor and manage their portfolios. However, survey results have shown that not even half of the largest private banks had smartphone optimized websites, while about a third had no mobile presence at all.

Despite the different reactions, banks do share a common understanding – digitization is changing the industry landscape and there is a need to act. Senior management expect the digitization initiatives to translate into growth but most fail to understand how to realize this through implementation.

Challenges on the Road to Digitization

Banks nowadays face three distinct challenges which threaten the stability of their business models and erode their profit margins. These challenges originate from both internal (clients and relationship managers) and external (regulators) environments.

Evolving Client Needs

Increasingly private banking clients maintain business relationships with multiple banks rather than entrusting their wealth with a single institution. The driving force behind this behaviour is the commoditization of banking products and services. Clients do not perceive significant differences in the offering amongst banks apart from pricing which makes switching easier. With clients becoming more digitally inclined and globally connected, they are gradually exposed to new

financial options and service models. This raises the clients' expectations and their awareness of any offering and service gaps from their existing financial service providers.

Increasing Internal Challenges for Relationship Managers

With the growing sophistication of clients and a variety of products, banks find it increasingly difficult to maintain consistency in service standards and data reconciliation. Relationship managers (RMs), facing headwinds from both client expectations and compliance requirements, struggle to keep up with the additional burden to provide adequate services.

Tightening Regulations

Client profiles are changing from locally integrated to globally accomplished individuals. In order to offer a single universal digital experience to these clients, banks need a new level of compliance expertise. It is becoming increasingly difficult for banks to offer a 'one-view' experience for clients with accounts booked in multiple booking centres. Regulatory bodies have published a number of requirements covering portfolio aggregation restrictions and requirements on physical and logical data segregation which directly contradicts with the clients' reporting needs.

The Solution – eWealth Banking Model

Focusing on digitizing existing features for clients would be a narrow and insufficient solution. A strategic digital banking model should cater for all relevant parties: not only for the clients but also for the different front- and back office departments within the bank. The right solution will also support the bank's business model and will be compliant with relevant regulations.

Our recommended digital banking model, eWealth, is an integrated and front office driven platform designed to drive quality engagement between clients and the front office staff through the shared collection, aggregation and provision of essential data, information and services.

Employing a modular structure with each component serving a specific business purpose, the eWealth platform aims to increase interaction and efficiency of clients' engagements for both clients and RMs while ensuring consistency and control in the client experience. As client engagement is dependent on the bank's business model, there is no one-size-fits-all standard package. Instead, an eWealth digital framework is established to allow banks to focus on the functionalities in which digitization is required to deliver such an experience.

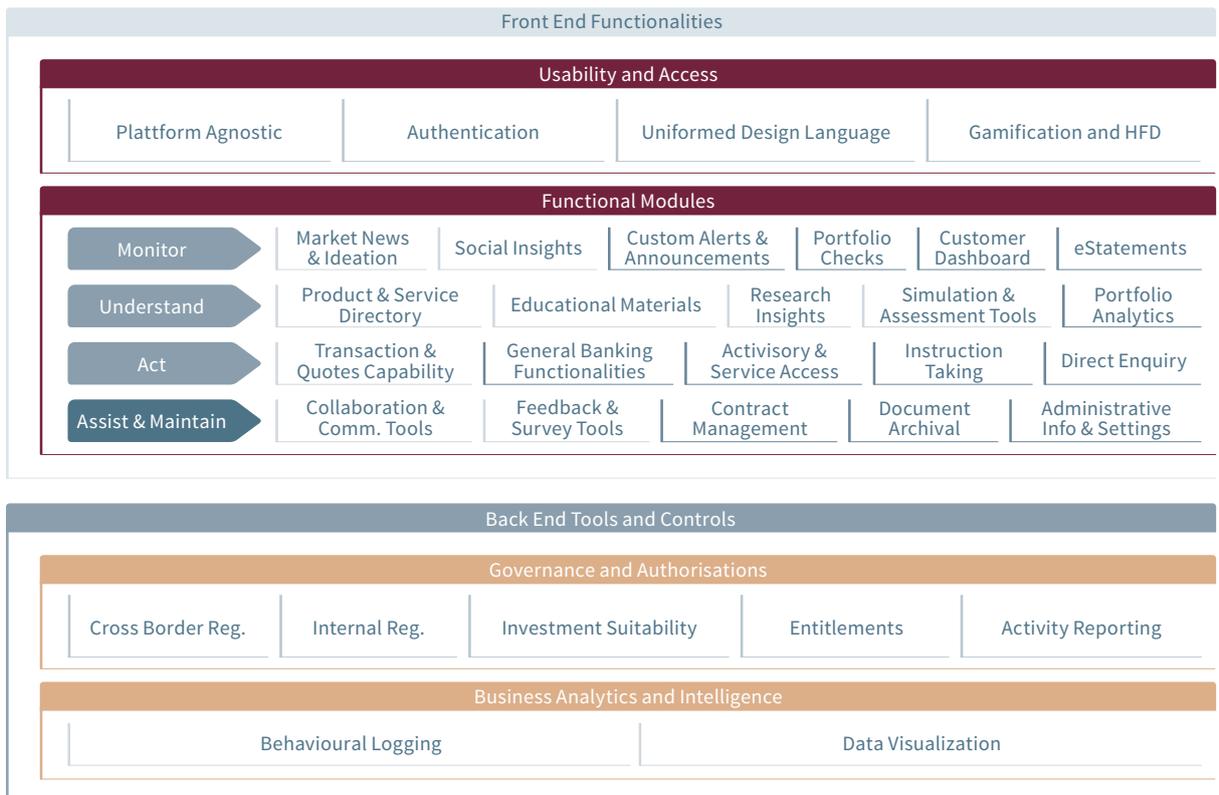
Synpulse's eWealth Solution

As an international management consulting company with vast experience in defining and implementing IT strategy for finan-

cial institutions, Synpulse developed an eWealth framework for structured requirement gathering with the aim of building a consistent and controllable behavioural driven engagement model, as illustrated in the diagram below.

The eWealth framework consists of two distinct layers, Front End Functionalities and Back End Tools and Controls. The Front End Functionalities focus on driving client interactions through providing quality usability and access features and driving customer behaviour through complementary banking modules. The framework categorizes the functional modules according to the monitor-understand-act principle. This allows the bank to define requirements in a structured way, taking the digitization strategy into consideration and aligning it with the target business model.

The Back End Tools and Controls modules complement the Front End Functionalities and define the supporting business analytics and intelligence requirements. The governance and



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authorization modules help the bank to achieve compliance with the regulators as well as establishing access and control.

In summary, the eWealth framework enables formulation of requirements for a single platform that provides relevant views and functionalities for clients, front office as well as applicable middle and back office teams.

Project Approach and Delivery

In a typical project setup, Synpulse helps the bank to first assess the maturity of their existing eWealth capabilities, leveraging on the eWealth framework’s modular structure and a clearly defined maturity metric.

Subsequently gaps to market standards and typically also to client expectations are addressed by formulating the target capabilities taking the digitization strategy and the target business model into consideration. The following diagram depicts a sample gap analysis.

Our past project experience revealed a strong focus on the client facing functionalities. Meanwhile, organizational dependencies towards front, middle and back offices as well as supporting units were not adequately analyzed.

Banks looking to shift the productivity bell curve of the front office staff need to look beyond the digitization of the client channels and interactions. Similar effort is required to equip RMs with the necessary tools for client engagement. More importantly, the front office needs to be educated about the available eWealth features to be able to fully answer clients’ requests and offer relevant advice.

The eWealth framework helps banks to approach the requirement gathering holistically and in a structured way, taking the mentioned dependencies into consideration and ensuring smooth project delivery.



Conclusion

In view of the evolving clients' needs, increasing internal challenges for RMs and tightening regulatory landscape, Synpulse believes that private banks need to focus on the following points while defining and implementing their digitization strategy:

- Digitization of the front office applications in tandem with the client channels can allow banks to provide a consistent, high quality and most importantly, replicable engagement with their clients.
- Digitization needs to focus not just on providing services but also on understanding and ultimately influencing clients' behaviour.
- Consistency across all channels within the bank is essential for client satisfaction.
- In order to achieve true client-centricity a new way of capturing and evaluating client behaviour is needed.
- Banks should account for cross border restrictions and investment suitability requirements in providing global digital financial advice and online banking services in general.

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