HOW BANKS CAN DIFFERENTIATE THEMSELVES IN THE EMERGING TECHNOLOGY LANDSCAPE?

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Headquartered in Chennai, Vayana is an innovative financial services company specializing in developing solutions that enable businesses to have seamless transactions and engage in anything & everything that is even remotely commerce-driven, be it exchanging business information or on-boarding customer information.

Most of the banks today have come a long way from the Branch Banking days, where most do provide transactional enablers on digital platforms such as Internet Banking, Mobile banking, and others. There are two big trends in the emerging technology landscape that is likely to create massive disruption to status quo – Changes in systemic infrastructure landscape, and the emerging importance of Digital & Social platforms. Both developments will imply that new nimble players can quickly penetrate and potentially dominate an erstwhile bank stronghold of banking & payments.

System Infrastructure Changes

With the proposed Payment Services Directive 2 (PSD2) initiative, Europe has taken first steps towards Open Banking supported by APIs. With this, banks are expected to open up consumption of their services (e.g. payments or account reporting) through APIs. Interestingly, with APIs for customer account reporting, banks will no longer be sole custodians of customer's data. In India, the changes have been equally dramatic, perhaps on an even larger scale. The national identity system (Aadhar) and the new payment scheme (Unified Payment Infrastructure - UPI) are infrastructure bedrocks that will change the way customers are identified/verified and payments are made. UPI, which rides on top of an existing immediate payment system, and IMPS that essentially allows the banks to expose their services using public APIs. UPI is fundamentally an API-based payment infrastructure which implies anyone (and not necessarily Banks holding the respective accounts) can provide services using these APIs. Indian government recently launched a mobile payment app 'BHIM', which is a very good example of how a 3rd party could provide basic banking services (account balance, payment and collection request) using publicly available APIs.

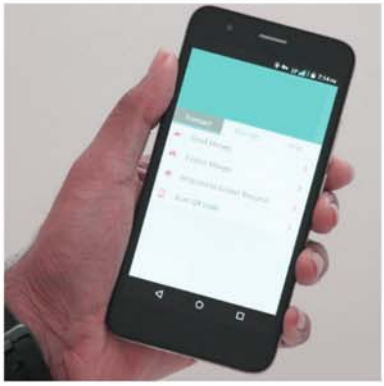
The above developments have many ramifications for the banks. Unless banks keep pace with emerging technologies and provide more compelling services, they run a risk of being disintermediated very soon – either by other innovative banks or even by non-banks. Good example here will be emergence of digital wallet players and fairly high adaption rates both globally as well as in India. Key reasons for growing acceptance of these new players are:

- Easy and quick onboarding
- Easy & secure authentication
- Real ease to make a transaction
- Disintermediating lot of global players like Visa/MasterCard who hitherto had stronghold over consumer payment network, and thus bring down cost of collection/settlement for businesses.

Taking advantage of national digital identity system, there are new digital bank players who have completely changed the way new customers are acquired. One could not have imagined even few years ago that banking services can be sold through a coffee shop, which some of the latest players are aiming to do. With the focus on customer experience, these new age banks are sure to attract the new young customers with potentially growing incomes and financial assets going forward.

Emerging Importance of Digital & Social Platforms

Also to watch out is what banks can do to acquire transactions (& increase velocity) right at the point of purpose, rather than later at the point of settlement. What this means is that banks are not waiting for their clients to login to their internet/mobile banking application to make a payment



(after the underlying transaction has taken place), but see how banking services can be offered at the point of consumption of the underlying transaction. Payments are increasingly getting invisible – good example is a digital wallet like PayPal or PayTM integrated with a taxi aggregator like Uber. A consumer pretty much walks in and out of a taxi and not worries at all about the hassle of payment. Once a consumer gets used to this convenience, very likely the habit will be very sticky.

what someone is doing. The context can be derived from online tracking tools (big data), Geolocation, and various inputs coming from Internet of Things (IoT). These are apps which are left running typically and one should trigger consumption of a financial product based on context of any consumption or interaction. It may soon also imply offering services via smart agents on devices (Siri or Cortana) – e.g. investment advice or loan offer. Banks will need to look at ways of partnering with these digital players to provide financial services in a completely disguised manner. Though still some time away, this will imply moving away from traditional websites or mobile apps to just APIs which can be consumed through these different platforms.

Conclusion

Banks need to brace themselves to compete with more innovative, nimble players in the emerging open landscape. They need to compete on strength of their services, not relying

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Taking a step further in this digital world, banks need to figure out how they can acquire transactions by being close to where the customers spend their maximum digital life, i.e. on social platforms such as Facebook, WhatsApp or e-Commerce sites such as Amazon or Flipkart. This will mean not sticking necessarily to their own apps, rather embed the commerce experience with the context of

on systemic clout that they traditionally enjoyed. The onboarding process and services have to, at the minimum, be simple, secure, non-intrusive and extended to point of consumption as much as possible. And perhaps quickly enough, Banks need to strive towards being omnipresent in their customer's world by more tightly integrating with digital lives of their existing or potential customers.