

TRICKS BANKS CAN USE TO DISRUPT THE MARKET

Find out ways in which banks can get ahead of its market and in what ways they can leverage available technologies to provide its customers an unforgettable financial experience.



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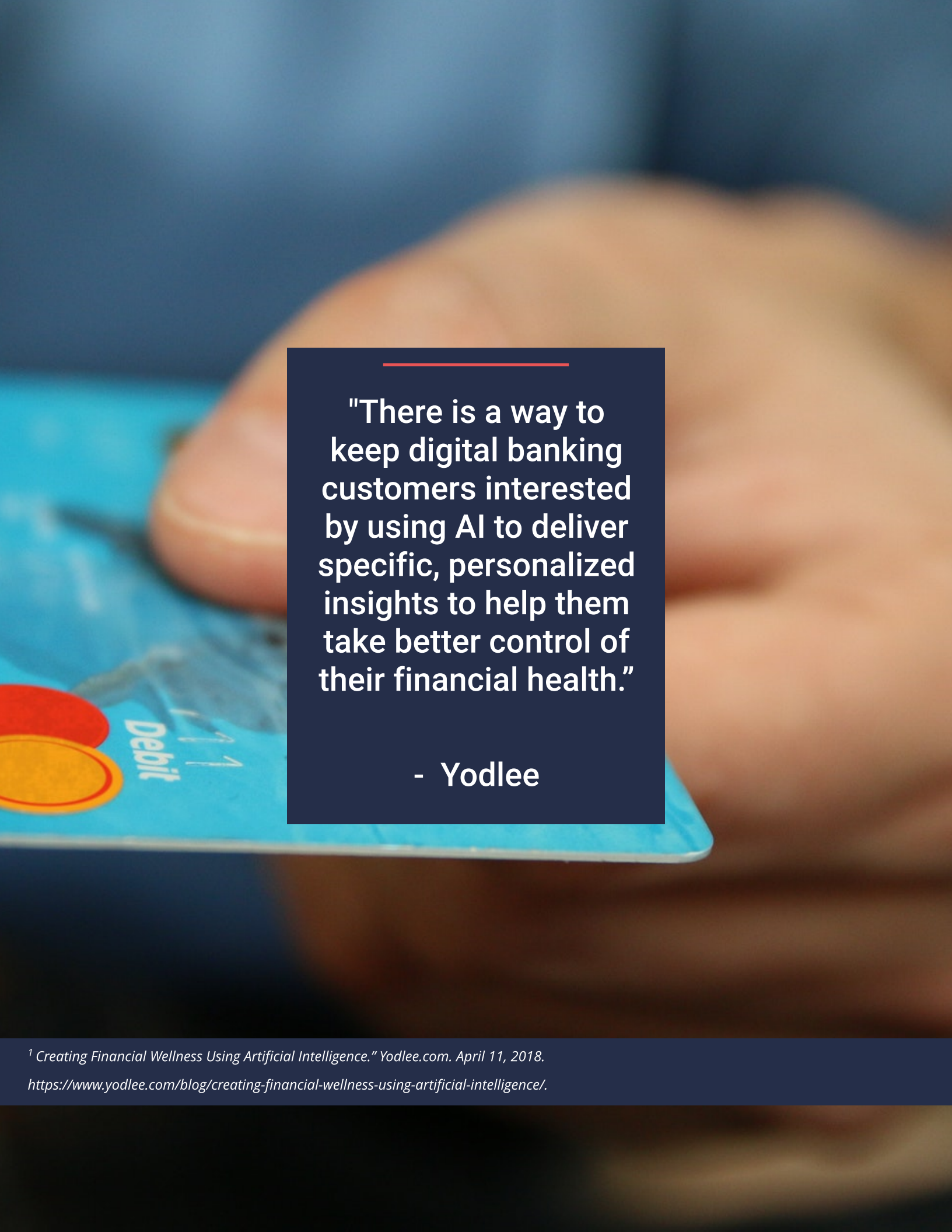
"The best way to
predict the future is to
invent it."

- Alan Kay



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A close-up, blurred background image of a hand holding a blue debit card. The card features a red and yellow Mastercard logo and the word "Debit" in white. A dark blue rectangular box is overlaid on the right side of the image, containing white text.

**"There is a way to
keep digital banking
customers interested
by using AI to deliver
specific, personalized
insights to help them
take better control of
their financial health."**

- Yodlee

¹ *Creating Financial Wellness Using Artificial Intelligence.* Yodlee.com. April 11, 2018.


<https://www.yodlee.com/blog/creating-financial-wellness-using-artificial-intelligence/>.

INTRODUCTION

New technology has completely reshaped financial services. It has transformed customer expectations in their management of finances. Originating from a successful brick and mortar system, the expectations of what customers expect from financial services has changed due to the society's immersion into a new digital environment. Digitally knowledgeable individuals gravitate to financial services from non-banks that offer personalised solutions. A focus on non-banking institutions by this demographic places pressure on the banking industry with the threat of disintermediation.

Fintech start-ups operate with the focus of creating a personalised relationship with its clients. Adopting innovative technological practices allows them to establish a personal business-to-customer relationship. The ability of these start-ups to develop such a connection with its customers have made banks at risk of falling behind.

Under a digital age, everyday users are becoming more technologically adept. Should traditional banks continue to disregard facilitating more personalised solutions for its clients, they could soon find themselves in an unfavourable position.

A close-up photograph of a hand holding a coin, about to drop it into a blue piggy bank. The piggy bank has a simple, friendly face with large eyes and a wide smile. The background is softly blurred, showing hints of a desk or table.

“Less than a quarter of millennial banking customers strongly agree that their primary bank helps them reach their financial goals.”

- Accenture

² “Generation D: An Emerging, Important Investor Segment - Summary – Accenture.” Generation D: An Emerging, Important Investor Segment - Summary – Accenture. Accessed February 12, 2016.
<https://www.accenture.com/us-en/insight-generation-d-emerging-important-investor-segment-summary.aspx>.

ISSUE WITH BANKS

Banks have been unable to adapt to digital trends. Their inability to do so has made them poorly received by the demographics of those digitally knowledgeable. The population of this demographic will only increase in the future, making it a problem that is impossible to ignore.

The aftermath of the Global Financial Crisis propelled great objection to shift away from traditional banks. The millennial demographic, having been raised in an age of advancing technology, are naturally inclined to use services that operate with the newest and most developed technologies. These technologies have become the forefront of fintech innovation.



**"Global venture
capital investment in
fintech technology
totalled 27.4 billion
in 2017."**

- Accenture

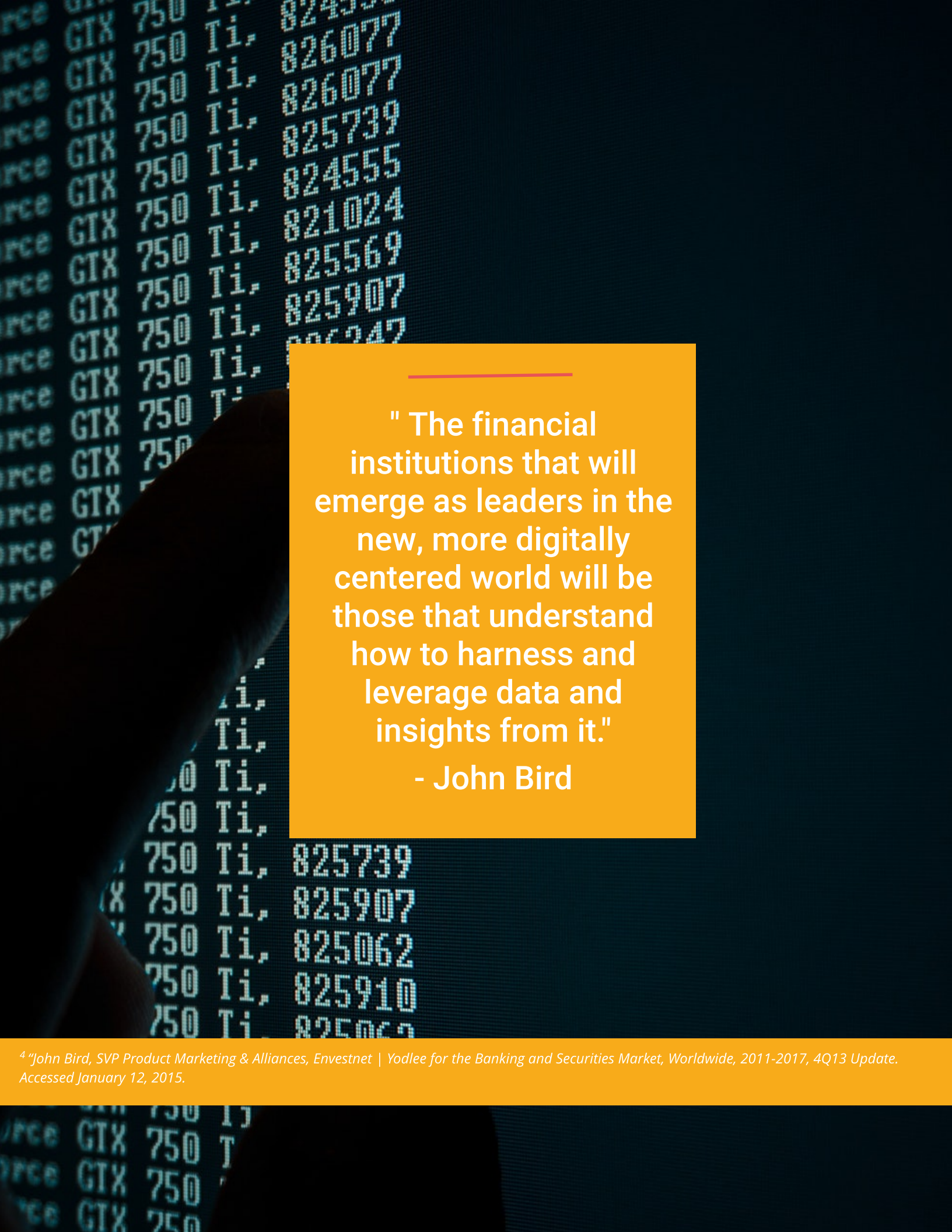
³ "Global Venture Capital Investment in Fintech Industry Set Record in 2017, Driven by Surge in India, US and UK, Accenture Analysis Finds." Accenture Newsroom. February 28, 2018. <https://newsroom.accenture.com/news/global-venture-capital-investment-in-fintech-industry-set-record-in-2017-driven-by-surge-in-india-us-and-uk-accenture-analysis-finds.htm>.

A NEED FOR INNOVATION

Non-banking solutions are thought to revolutionise the financial services industry. The trend in society is that people are becoming more digitally and intelligent and are demanding access to sources of financial management solutions with these new technological capabilities.

These internet innovators have also developed a personal business consumer model that has allowed them to capture information associated with retail transactions.

Banks are highly resistant from shifting into more technological solutions from their existing legacy systems. New technical offerings incur considerable costs and flow to all the affected departments. Alongside, a shift away from these legacy systems would require change within the existing siloed business units and would make the holistic customer experience challenging. Banks must implement effective strategies to adapt to digital trends and cater to digitally savvy users.

A hand is pointing at a screen that displays a list of financial data. The data is organized into columns with headers 'GTIX', '750', 'Ti.', and a column of numbers. The numbers include 824555, 826077, 825739, 821024, 825569, 825907, and 825062. The background is dark blue with a grid pattern.

" The financial institutions that will emerge as leaders in the new, more digitally centered world will be those that understand how to harness and leverage data and insights from it."

- John Bird

⁴ "John Bird, SVP Product Marketing & Alliances, Envestnet | Yodlee for the Banking and Securities Market, Worldwide, 2011-2017, 4Q13 Update. Accessed January 12, 2015.

TRICK 1 – USE AVAILABLE DATA TO GAIN INSIGHT

Recovering trust within the banking industry roots from the appreciation for data-driven innovations brought by modern internet powerhouses. Internet powerhouses such as Apple, Facebook and Google have a vantage point in digital services and can attain insight into retail consumers.

Despite the evident lag in digital service provision, banks are still the central repository for everyday customer's to conduct their necessary financial actions. These banking operations draw a vast collection of data sets. These data sets are leveraged to enhance the overall customer experience through added personalisation that seeks to improve business decision making.

Recommending customers to pursue appropriate decisions allow banks to create personal engagement with customers on an emotional level that enables them to regain their trust.

A hand holding a compass is visible in the lower foreground. The background consists of a vast, misty mountain range with dense green forests. The scene is captured in a cinematic style with soft lighting.

"Among retail bank customers who received financial advice from their banker, an amazing 60% of them acted on that advice and 62% opened an additional product with the bank."

- J.D. Power

⁵ "Customer Views on Sales Practices in Financial Services." J.D. Power. March 2017.


<http://www.jdpower.com/resource/jd-power-special-report-customer-views-on-sales-practices-in-financial-services>.

TRICK #2 – VIRTUAL FINANCIAL GUIDANCE

A study conducted by J.D. Power revealed that in the midst of all the competitive pressures by non-banking financial service providers, a majority of customers found themselves turning to the banks for financial advice. However, less than a third of banks were willing to provide such guidance.

One way in which banks can provide consumers with the information they seek is through a virtual financial coach. An Aite study revealed that of the consumer base, three-quarters expressed a form of interest in cooperating with a virtual financial coach. A virtual financial coach would allow them to understand the portrait of their financial standing better.

By providing solutions to help the client's financial health better, retail banks increase the trust and improve the retention rate of customers. Practical solutions that meet customer needs surges customer satisfaction and builds upon trust.



“When customers strongly agree that their bank looks out for their financial well-being, 84% are fully engaged.”

- Riffkin, Rebecca & Areen from Gallup Business Journal

I Agree

⁶ Riffkin, Rebecca and Jalajel, Areen. Gallup.com. “Customers Want Banks to Improve Their Financial Well-Being.” May 27, 2015.

<http://news.gallup.com/businessjournal/183419/customers-banks-improve-financial.aspx>.

TRICK #3 – UNDERSTANDING WHAT CLIENT'S WANT

Banks must devise a solution that provides personalisation in order to attend the digitally knowledgeable demographic. Satisfying the attention of customers by providing relevant digital tools will give banks an immense advantage in the financial services industry.

A comprehensive understanding of each consumer's unique situation is required to match them to the products that offer the most beneficial services. AI-driven financial wellness solutions provide such insight and understanding.

Banks can further build relationships with younger customers by providing personalised financial wellness solutions, and these can last as long as a lifetime.



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