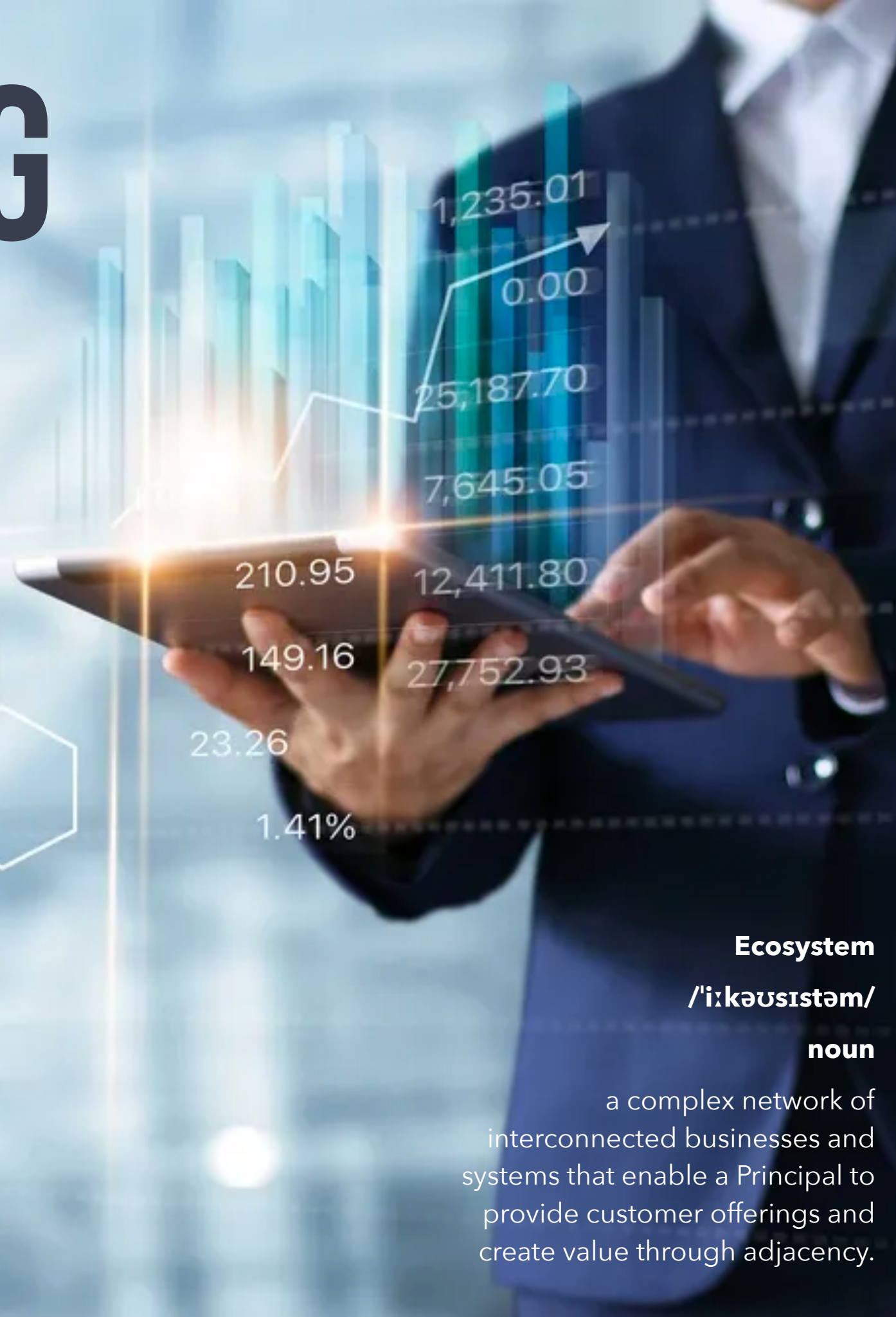


REINVENTING THE RETAIL BANK

A VISION FOR
CUSTOMER-FIRST
DIGITAL ECOSYSTEMS



Ecosystem

/ˈiːkəʊsɪstəm/

noun

a complex network of interconnected businesses and systems that enable a Principal to provide customer offerings and create value through adjacency.

TIME FOR A REVOLUTION IN RETAIL BANKING?

Even before the Covid-19 pandemic, retail banks all over the world were facing a perilous triple threat:

- 1) **Pressure on profit** as a result of increasing commoditisation and competition, squeezing interest margins;
- 2) **Slowing revenues** as a result of regulation, changes in customer behaviour and digital disintermediation affecting product consumption; and,
- 3) **Increasing customer volatility** and turnover caused by Open Banking and attractive new market entrants such as neo-banks.

Addressing the status quo

Whilst these factors have been known for some time, many Banks have been slow to react meaningfully. Instead, choosing to focus on process optimisation, front-end 'gimmicks' and incentives with marginal or short term utility.

Taken alone, these initiatives do not solve for the need to *reinvent at the root*: challenging historical assumptions around sources of value, as well as the broader operating architecture necessary to create, distribute and manage customer offerings in a digital world.

The platform for revolution: Digital Ecosystems

In 2019, a McKinsey report highlighted (amongst other strategies) the potential for retail Banks to move beyond core financial services products in response to these issues.

Using a digital platform to deliver an integrated customer and commercial experience, Banks and other organisations are now able to move away from traditional 'white labelling' or 'referral' relationships and collaborate digitally, enabling them to:

- Move beyond core financial products and expand the range of goods and services available to the customer;
- Avoid the costs of developing and managing new offerings;
- Generate passive revenue on third party transactions passing through the platform;
- Improve customer experiences through greater selection, relevance and utility; and,
- Reposition the Bank as an essential 'trust-broker' in the day to day lives of their its customers.

A digital ecosystem also means that the Bank is able to own the end to end customer journey, extending its interaction points far beyond traditional transactional accounts and home lending relationships - reinforcing relevance and improving personalisation of core products.

Achieving this requires a deep understanding of the customer *jobs to be done* and in doing so, what vertical, horizontal and novel adjacencies will drive the most value. [Find out more](#) using our Digital Ecosystems Canvas on the next page.



Delight customers with
new offerings



Achieve passive revenue
growth



Enhance risk
management



Defend against disruption
and competitors

THE VALUE OF ECOSYSTEMS

Click any icon to find out more

AN ECOSYSTEM-LED FUTURE FOR RETAIL BANKS

Nodes are provided at headline level only, please [click here](#) for more details.

The Ecosystem Canvas (opposite) helps to articulate potential adjacencies, categorised into **vertical**, **horizontal**, or **novel** opportunities.

Based upon the *critical customer event* (in this case, purchasing a property), the Canvas sets out the key adjacency objectives from the perspective of a customer and identifies Bank partnership opportunities (nodes) across each:

(1) Be with me throughout my journey:

Increase customer capture and retention by staying relevant and engaged (in some form) throughout the arc of a customer's financial life.

(2) Help me get more out of my money:

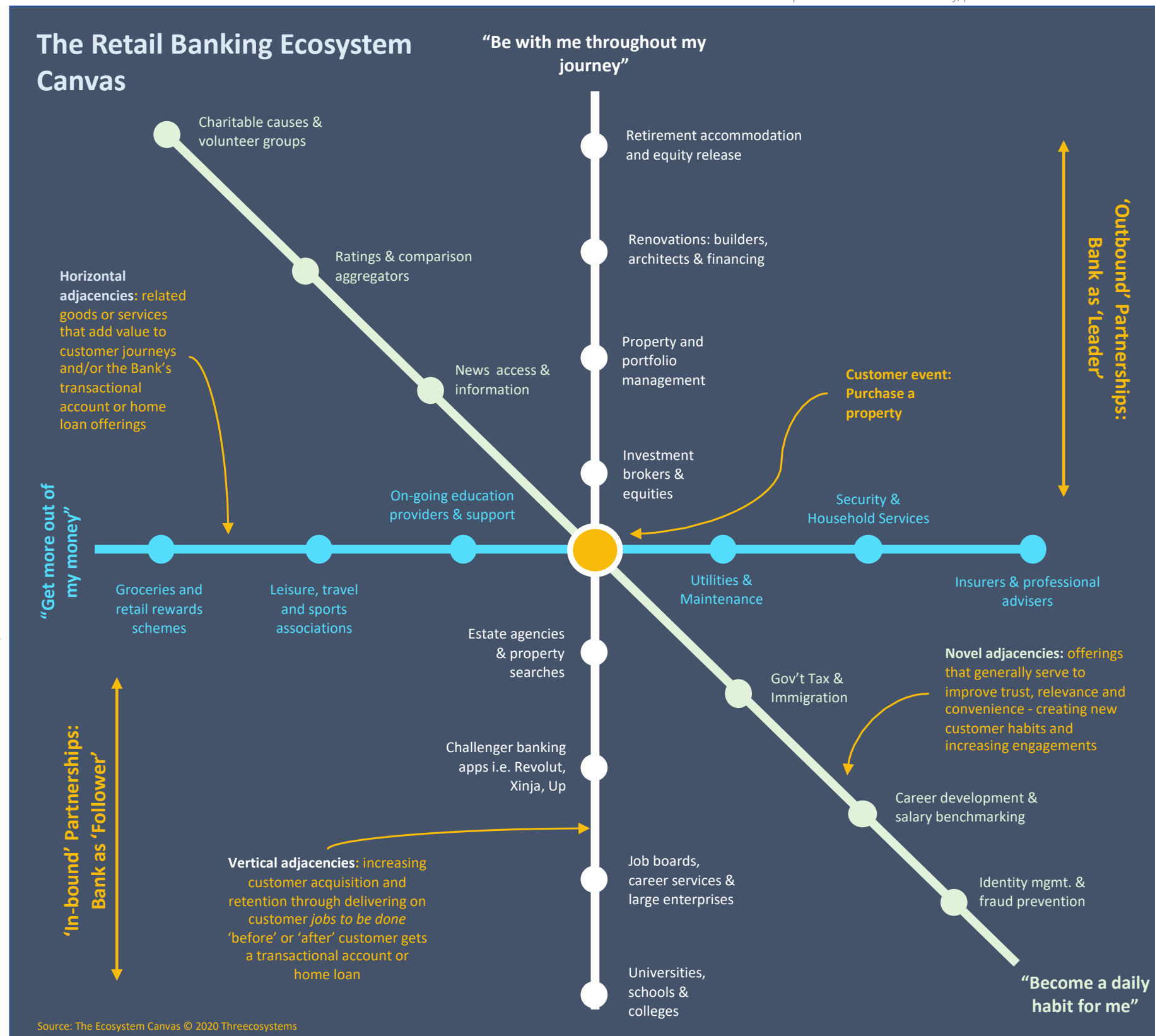
Improve customer experiences and value through integrating and presenting (not promoting) third party goods and services.

(3) Become a daily habit: Reposition the Bank as the customer's 'trust-broker': give customers reasons to interact (for non-transactional reasons) with the Bank daily.

There are doubtless many other nodes that could be placed on the Canvas, and some Banks already have such adjacent partnerships in place.

However, it is clear that thriving in a digital future requires Banks to move well beyond traditional roles of deposit taking and capital allocation.

Banks that need to play a more expansive and integrated role in customer *jobs to be done* should consider how **Third Party Ecosystems** can expedite and maximise those outcomes.



About

THREECOSYSTEMS

A Third Party Ecosystem represents a complex network of interconnected businesses and systems that enable a Principal to provide customer offerings and create value through adjacency.

In a digital future, all organisations will be a part of an Ecosystem, but only some will lead.

Other ebooks in this series:

- Ecosystem readiness: a self assessment
- The currency of trust in Ecosystems and data
- Managing risk, commercial and relationship management in Ecosystems
- Ecosystem architecture: a blueprint for construction

[Register for access](#)

Many organisations and professionals are well equipped and experienced in engaging and managing Third Parties using conventional means.

Whilst some leaders recognise the potential value in Ecosystems, the complexities of designing, operating and assuring these models are less well known.

Constraints imposed by legacy technology, organisational design and gaps between accountability and control represent some of the key barriers to entering and maximising value from an Ecosystem.

Our mission is to help organisations architect, implement and realise value from Third Party Ecosystems through sharing our latest thinking, in briefs like this, and bringing industry leaders together to exchange ideas and new ways of working, at our threecosystems community meetups.

Please get in touch, or visit our website to join the conversation.



Tom Sykes

Chief Ecosystem Architect

threecosystems

tom@threecosystems.com | www.threecosystems.com

Australian Business Number: 16791018492

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