RETAIL BANKER
INTERNATIONAL

whiteoaks

Moving to the digital interface requires a higher level of process monitoring

Having survived the financial crisis seven years ago, the UK's retail banking sector now faces a more long-term set of challenges. **Dave Lewis**, director of Alpha Insight, looks at the digital issues facing the retail banking industry in the United Kingdom and how banks can serve its digital-savvy consumers' needs

Alongside the ever-growing and increasingly complex requirements of the regulatory authorities, the banking market is changing rapidly as customers opt to access services digitally – especially via smartphones. As well as having to adapt to this huge shift in demand, the banking market is also seeing major disruption with the emergence of new challenger banks, financial technology companies and new payment systems. It is now possible, for example, to pay by Twitter.

Digital migration

This year, the industry body, the BBA, expects the number of transactions completed on mobile phones to hit 895 million, compared with 427 million conducted in branches. Indeed, last year, transactions in branches declined by six per cent. By 2020, the BBA expects 2.34 trillion transactions will be conducted via mobile devices.

As an indicator of how mobile banking has taken off, the BBA cites the 22.9 million banking apps that have now been downloaded by UK bank customers, a rise of 8.2 million in one year. A recent Euromonitor survey also backs this up, placing the UK at the upper end of rankings that measure different countries' use of smartphones for banking services. Some 36 per cent of UK consumers had used their device for this purpose in a single month.

Besides the technological challenges, banks of all sizes also have to face up to declining rates of satisfaction among their customers, who now expect them to provide the same fast and simple mobile or online interactions that they enjoy with established digital retailers, for example. In Capgemini's 2015 World Retail Banking Report, the UK registered a decline in satisfaction levels between 2013 and 2015, dropping 2.4 points to 73.9 in the Customer Experience Index.

Inevitably, banks are seeking to satisfy the requirements of their ever-more tech-savvy customers by moving to predominantly digital interaction. It is a strategy that makes obvious sense, yet carries with it the implicit promise to consumers of rock-solid reliability and efficiency in payment and transaction processing, which must be fulfilled. Failure to do so will incur severe reputational and financial damage.

Relying on existing generic monitoring solutions may seem reassuring, but to be on top of the entire end-to-end system requires a more advanced form of business logic that is fully embedded and supplies the correct business context.

This is especially necessary when banks, particularly the larger ones, are burdened with complex and inflexible IT systems that have been built and acquired in piecemeal layers over the last 20 years. Such systems are hard to integrate with a digital front-end so that customers can be provided with a coherent and seamless experience.

Indeed, without advanced solutions, the complexity of legacy banking systems, exacerbated by constant out-sourcing of functions, makes truly meaningful end-to-end transparency near-impossible and leaves banks vulnerable to failures.

If we consider the recent high-profile failures of major UK banks to complete payments, we can see the scale of the problem. Institutions with complicated systems monitoring millions of transactions have been unable to sort the wheat from the chaff when critical processes are heading towards failure.

The lack of transparency means nobody really understands what is critical. When market conditions lead to a sudden spike in activity, such as a significant increase in transactions, they never know if the system is coping until a problem hits them.

Banks may have sophisticated dashboards, but without the benefit of business context, they are of little use. Alerts may be triggered, but who knows what they mean in terms of relevance to critical business operations?

Looking outside the box

If banks are going to provide customers with the experience they now demand, they must ask what their systems are supposed to do for clients and how that is to be measured.

It is a question of deciding what is really important from among the billions of possible metrics – of applying the right business logic. All banks have monitoring tools, but most are bogged down in the detail. They lack the real-time view of what is really critical which would give banks the chance to intervene before processes collapse.

What a bank needs is a tool that sits on top of conventional monitoring solutions and has the logic and intelligence to comprehend the bigger picture so it can predict a failure, allowing the bank to take preventive action that removes the threat before damage is inflicted.

It should establish key metrics and measure performance against them, building them into a dashboard, supplying business context and insight.

In simple terms, the bank monitors what matters, taking conventional end-to-end flow monitoring and boosting its value many times by applying its own business logic to put key metrics in context.

Such a solution will tell the user at a glance which of their critical processes is working well and what they should be worrying about. It can quickly be implemented as an add-on, without the need to overhaul an entire IT estate.

If a bank has this end-to-end view of its processes and fully understands how they interlink and function, it will have greater reassurance that in an age of 24/7 online and mobile banking, it is providing customers with the services they want.

All the more vital in an age when banks have to become truly digital organisations, using speed, reliability and convenience as important differentiators in a very competitive market. ■