

Banks and Credit Unions in 2023: Digital Transformation Trends Shaping The Future



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Introduction

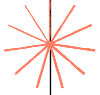
The Covid-19 pandemic starting in 2020 was a watershed moment in banking digital transformation.

Many digital transformation projects that were previously put on the sidelines made their mark. The need to establish digital capabilities quickly, such as account creation, mortgage lending, and PPP small company loans, became critical due to lockdowns, physical distancing and work-from-home requirements.

Business success was dependent on how quickly banks and credit unions could meet customers' demands via technology, and the digital transformation of the banking industry accelerated across the board.

Improving agility, delivering better service and improving customer and employee experience which were considered "nice to have" just a couple months prior, became the number one priority.

As digital transformation becomes the new normal, what can we expect, and what should banks and credit unions prepare for?



Banks and credit unions must evolve to compete

Competition is becoming tougher. Digital-first banks, such as Monzo and Starling, and credit unions are bringing new digital experiences to the market.

Incumbent banks and credit unions have a difficult time competing with these newcomers to their previously sheltered markets. To compete in the increasingly digital marketplace, financial institutions must adjust their strategy to embrace digital transformation.

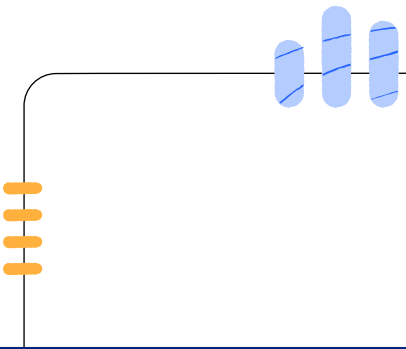
The key for banks will be to steer the true value of technology from cost reduction and automation, to more engaging experiences with customers and empowering employees.

1 A focus on digital banking experiences

Today, banks must work harder than ever to provide digital solutions that are intuitive and easy to use. And this means enabling personalized digital engagement for the customer from beginning to end. The risk of not providing an enhanced digital customer experience across the entire customer journey is pushing banks to become tech-enabled organizations that have succeeded in rethinking legacy processes for a new digital reality.

According to Forrester, "Organizations will work to determine what really matters to their customers, identify projects to improve important experiences, prioritize the efforts with the biggest potential upside for customers and the business, and then train their employees (and give them new tools) so that they can deliver the right experiences consistently."

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To successfully meet these challenges, banks and credit unions need to improve existing digital solutions such as mobile banking apps, online and mobile-responsive websites, and remote depositing services for an enhanced customer experience across all channels.

In order for banks and credit unions to remain relevant they will need to embrace digital technologies that enable them to reimagine their customer journey, deliver personalized insights through data analytics; provide real-time advice; improve operational efficiency; and increase market share in today's hyper-competitive environment.

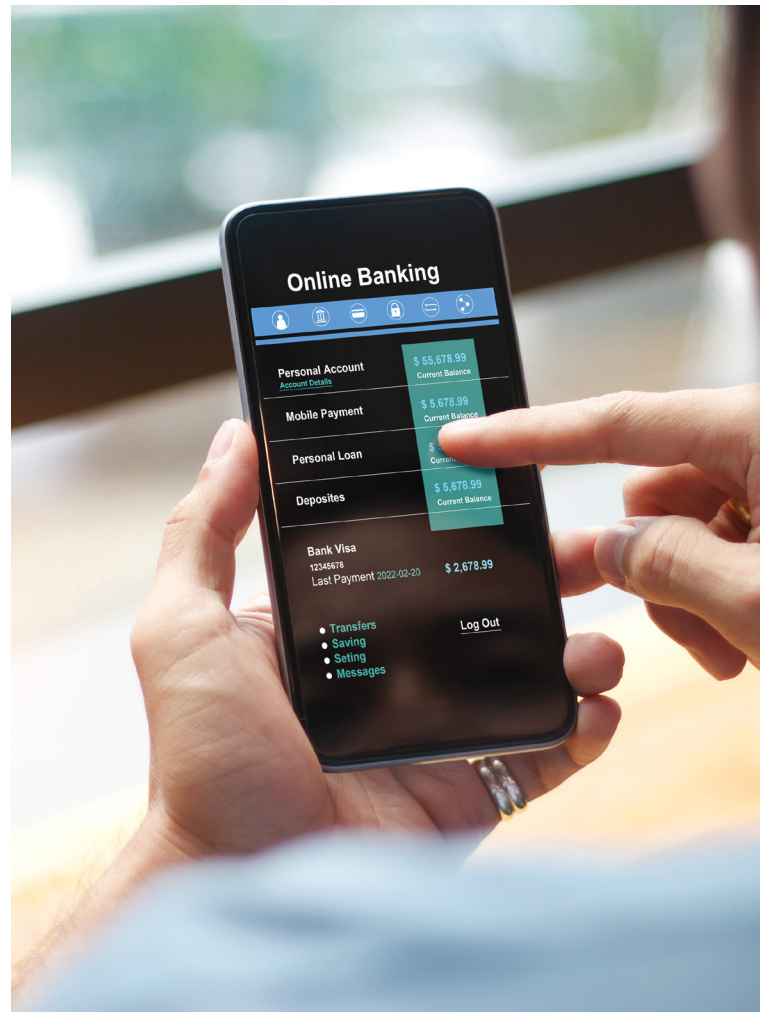
Banks that invest in digitizing their products, services and customer experience will be able to build competitive advantage by delivering exceptional experiences that create value for both the bank and consumer. To successfully implement digital transformation initiatives, banks will need to consider how they can empower people and update processes and technology to transform the customer experience in their branch, in particular in terms of digital innovation, staff engagement and product development.

2

Blurring the lines between digital channel and physical branch

Financial institutions will need to update their branches and achieve product distribution fit for the future – i.e., delivering products and services that consumers can access online and through mobile channels. Financial institutions will need to re-examine and refresh their branch strategies, as well as digital product distribution capabilities. Customers increasingly want to transact through channels that they prefer – whether it's technology or face-to-face, and increasingly those channels include both physical locations and virtual ones such as smartphones.

Banks' branches will continue to play a significant role in customer experience, however they will also need to create unique digital channels that allow customers to transact anytime and anywhere, including from within the physical branch. As a result, the capabilities of a typical branch will need to evolve as well – from meet-and-greet service counters to interactive kiosks that offer a variety of services. In addition to this, traditional branches can become points of education and inspiration, aimed at sharing social responsibility and shared values with communities.



3

Digital as the primary channel

Banking has traditionally been through physical channels. But now, with digital transformation, the digital channel is gaining the edge. Banks and credit unions are increasingly moving to digital tools, while the self-service digital channel is also rising due to skyrocketing customer demand. More so, offline, manual processes are transitioning into the digital realm. Even products that sometimes require offline execution, such as physical signatures and mortgage loans, are increasingly transitioning to digital with the help of technology such as legally-binding eSignatures or face-recognition.

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4 From single touchpoint to a comprehensive customer journey

The rise in financial mobile apps is driving mobile banking usage, with many customers preferring to use mobile apps over other channels for tasks such as checking balances and transacting. Banks that invest in developing high-quality apps will be able to increase convenience and reduce friction for customers.

But mobile apps alone are not enough. At the same time, financial institutions should also look to invest in deploying branch employees with technology that will empower them with tools that encourage proactive problem solving. For example, customer service staff could be provided with interactive tablets and anytime, anywhere access to customer data to identify and assist customers with potential issues. Virtual assistants are expected to take center stage in the branch, completing tasks that have historically been done by both employees.

As a result, it's important that banks maintain a strong focus on developing their own virtual assistant capabilities along with the necessary skillsets needed for these technologies.

The branch of the future will look very different from what we currently see today, but it's important to remember that branches are still critical for most customers. A healthy mix of face-to-face interactions with staff combined with digital channels is key to ensure an enhanced customer experience. Banks need to carefully consider how they will manage their existing branch network and the capabilities they require from these branches. In addition, banks should be exploring opportunities to develop a multi-channel approach by investing in a range of new technologies such as virtual assistants, digital kiosks and interactive tables.

5 No-code/low code development in enterprise IT

In enterprise IT, no-code/low-code development tools are becoming increasingly popular. While low-code/no-code tools have been common in the SMB market for a long time, enterprises have largely continued to utilize traditional development projects. However, this is now changing as vendors have started to offer mature, enterprise-grade no-code tools focusing on security and compliance. This means enterprises can now offload some security and compliance tasks to vendors while ensuring high-quality security and compliance standards. Such tools owe their growing popularity to the fact that they solve many burning issues facing IT teams. No-code tools amplify overstretched internal resources, reduce backlogs, and improve productivity.

The most crucial quality that makes no-code tools extremely attractive is accelerated time to market for new digital applications and products compared with traditional development projects. With no-code tools, banks and credit unions can now deliver better apps quicker, transform customer experience and improve service quality.



6 Artificial Intelligence (AI) technology

Among the reasons for banks and credit unions to embrace digitization and AI is the imperative to meet customers where they are. In today's digital economy, customers expect all their banking needs to be available at their fingertips – an expectation that has been reinforced during the COVID-19 pandemic, as consumers have grown more reliant on digital platforms in all aspects of their lives. The rise of digital assistants will impact the financial service industry in three key areas:

- 1 Customer service
- 2 The way financial service providers communicate with their customers
- 3 Improvements needed in traditional technology

In line with this, there will be a focus on embedding intuitive customer service tools and new innovative digital goods into the daily lives of consumers.

According to a Business Insider Survey, 61% of customers would change banks if faced with a subpar mobile banking experience.

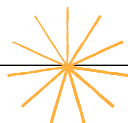
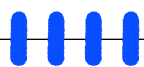
How can banks avoid that fate? The answer lies in AI, which is essential to providing customized, friction-free digital banking journeys – from the offers, reminders, and notifications customers receive to the financial planning guidance and security protections mobile banking platforms provide. As AI assumes a greater role in business operations, it will be vital for financial institutions to ensure that they maintain the human touch that sustains customer relationships, inspires innovation, and offers an intuitive, real-world understanding of industry trends.

AI will transform a lot – but it won't change the fact that banking is fundamentally about human relationships. With an unwavering commitment to harnessing technology to enhance those relationship and meticulous attention to detail in plotting their innovation strategies, banks can pave the path to a future that's less artificial, but plenty intelligent.

7 Work from home is here to stay

With the pandemic in mind, the new normal for the past year has been work from home. However, it seems that even after the COVID-19 pandemic is behind us, the work from home culture as well as hybrid working environments will continue to prevail.

According to a recent survey by Bloombergquint, the number of employees who say they won't go back to the office full time has increased significantly, with over a quarter of those surveyed planning to continue working remotely at least half the time after the pandemic is over. For banks, this means that they need to support their employees remotely. Manual workflows have been outdated even before the pandemic, but (with some minor exceptions) in the post-pandemic world, there is no place for paper-based workflows that require employees' or customers' physical presence.



8 Manual processes are no longer tolerated

Inefficient paper-pushing has been the norm in the banking industry for decades. However, this is no longer sustainable. Banks and credit unions can't continue to treat inefficient paperwork as the necessary evil and need to find needed digital solutions to improve customer experience.

As eSignatures and digital forms are being normalized, customers expect to complete nearly all (if not all) actions with their bank remotely through digital tools - from account opening to mortgage loans and payments. This means that banks cannot afford to let customers wait for tasks to be completed. They need to find ways to digitize their workflows so that employees can focus on the activities that will actually provide value for customers, not processing mundane documents.

As noted earlier, despite embracing technology at a faster rate than other industries, banks face serious challenges when it comes to customer service. Automation can facilitate agents' efforts to provide quick responses, but it will never be a substitute for human empathy and emotional intelligence, which are crucial in establishing connections with customers.

Looking into the future, banks will have to push boundaries further when it comes to automation that is both empathetic and supportive of employees.

9 Employee empowerment through technology

Managing teams of work from home and on-sign employees requires a careful balance of efficiency and empowerment. Employee-facing technologies that promote teamwork, efficient collaboration, and empower employees are necessary in today's new normal. So, inward-facing innovation is likely to become a prime focus in the banking industry.

10 Delivering personalized digital products

Personalization capabilities are the new competitive edge. By offering a particular customer, a particular product at a particular price point can significantly increase a policy sale probability. Delivering tailored digital products is going to become a stronger focus for banks and credit unions by 2025 and beyond.



11 Fintech joint ventures

Collaborations between fintechs and incumbents are a growing trend and for a good reason - it is often a win-win situation. Established banks are harnessing their customer data and relationships and have the opportunities to create new income streams. While incumbents are tapping into their existing customer relationships and customer data, fintechs provide the technology, technical know-how, and support to accelerate digital transformation.

Banking and Credit Unions must prepare for the future

To prepare for the future, banks and credit unions must move away from traditional systems, move fast and leverage new technologies to meet evolving customer expectations. To embrace new ways of working, responsive digital platforms and digitized customer experience is necessary. Customers increasingly expect a simple, intuitive customer experience with their bank. By embracing the opportunities that digital-first, consumer-focused technology presents, banks and credit unions can boost customer satisfaction, increase revenue and cut costs associated with manual, inefficient processes.

From conservative mindset to digital innovation

Traditionally, banking has been a very conservative industry. But it is now rapidly changing with digital-first banks, FinTechs, tech giants, and innovative startups. There is a pronounced shift in the mindset among banking leaders and experts, as the need to digitally innovate is becoming apparent to everyone involved. The industry has shifted from conservative into an increasingly innovation-focused, digital culture. This year, it is clear that we are headed towards more innovation, better customer and employee experience, increased agility and innovative, digital applications.

EasySend is a no-code platform which empowers banks, credit unions and financial institutions to transform manual processes and paper-work into customized digital journeys without writing a single line of code. With EasySend you can design, build and launch digital processes in under a week, fully integrated with your internal systems. With no-code digital journeys you can:

- Cut delivery time of digital processes down from months or years to as little as 10 days.
- Reduce operational costs associated with development and manual data processing.
- Improve customer satisfaction by providing seamless experiences throughout their entire lifecycle with you.
- Boost conversion rates by accessing real-time analytics which enable you to improve results.