

REPORT

Insights on business models for the new economy

Global banking leaders reimagine financial services in the wake of COVID-19



Every few decades an industry has
the opportunity to reinvent itself.
For the banking sector, that time is now.

Hossein Rahnama

Founder and CEO | Flybits



In a world where change is the only constant...

To say that we're living in unprecedented times is to ignore the entire course of human history. Change has always been a constant, but so is the human ability to adapt.

We see proof of this today. While COVID-19 has challenged the way financial institutions do business, many are stepping up. As consumers migrate online, so do banks and credit unions. Some have even implemented policies to protect their customers' financial wellbeing.

But adapting to this shifting landscape calls for more than reactive measures. It requires a proactive approach. That's why the world's most innovative financial institutions are currently reimagining their role in our communities. They don't want to simply survive this new context—they want to thrive and emerge stronger than before.

The following report draws on insights from prominent leaders in banking, including Flybits' Founder and CEO, Hossein Rahnema; TD Bank Group's Chief Digital and Payments Officer, Rizwan Khalfan; and Accenture's Global Banking Lead, Alan McIntyre. We were privileged to hear from them during our Digital Banking Summit Series and are excited to share their insights here.

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Banks of the future

Banks of the future will be built on data alliances which will result in an exponential growth in customer insights.

Hossein Rahnema

Founder and CEO | Flybits

The relationship some people have with their banks today is transactional. You safeguard their money, provide them with wealth management services, and help them pay for things. The customer-bank relationship as we know it has remained fairly static for hundreds of years.

That is, until now.

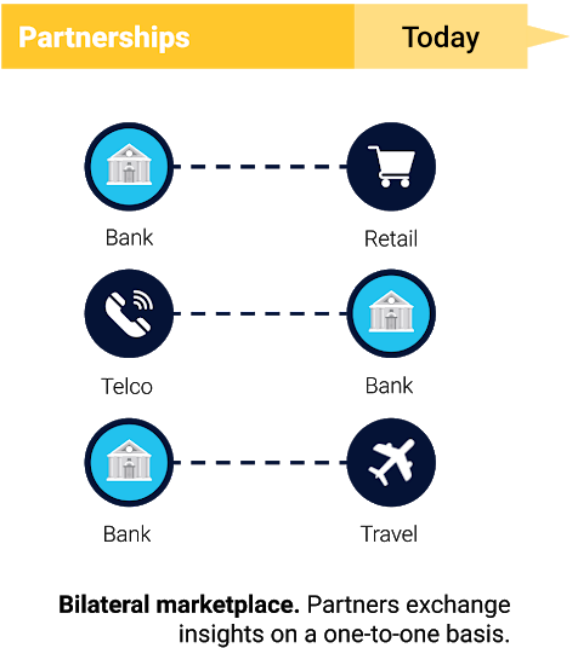
Banks are sitting on a wealth of consumer data, with deep insights into consumer demographics, behavioral patterns, life milestones, service preferences, and more.

With all this information at their fingertips, financial institutions have an opportunity to gain a deeper understanding of their customers. That deeper understanding is the basis for any meaningful relationship. Unless you're a community banking service provider with close ties to consumers, you're probably wondering how to create these kinds of relationships. Right now, many banks rely on transactional data alone, like someone's credit history or the amount of money they have in a savings account. Unfortunately, this doesn't provide a full picture of the consumer.

We see a future in which financial institutions can effectively leverage their own data assets and complement them with insights from other sources to bridge those deeper, more meaningful connections.

What we're proposing is a future where banks of all sizes will be able to create and maintain close-knit

The evolution of the banking ecosystem



relationships with customers online. Imagine the stereotypical small-town bank, where frontline staff know you by name and can connect you to products and services that help you get ahead.

That’s the future we’re heading towards and in it, banks will play a different role than what we’re used to. They’ll be at the center of a new, insights-driven economy, where the interests of consumers and enterprises are aligned. These banks won’t just help people live better lives—they’ll play an instrumental role in preserving the wellbeing of their communities.

A new banking ecosystem

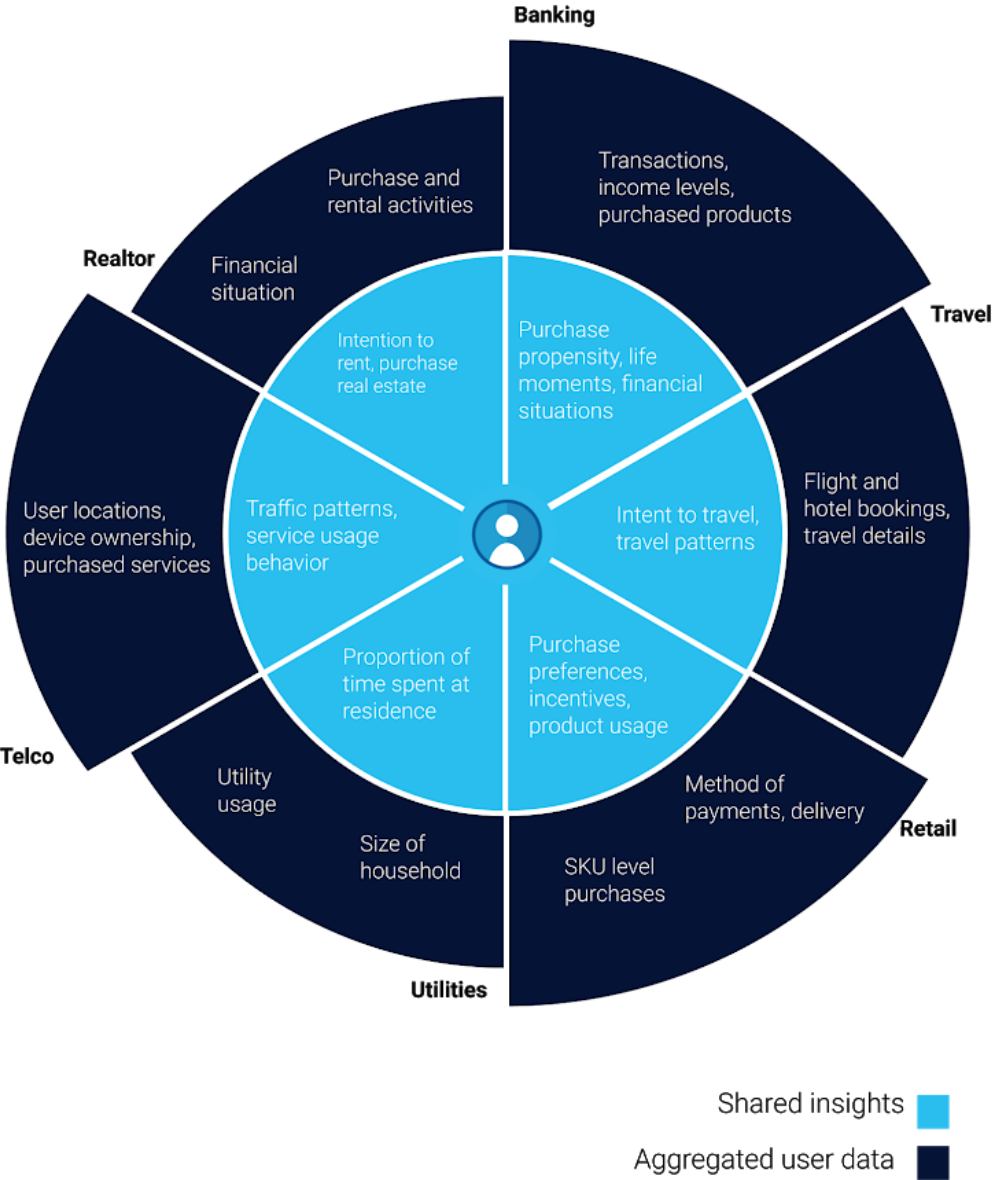
Many institutions are complementing their first-party information with insights from third-party sources through data partnerships. These relationships, while productive, are loosely integrated.

Banks of the future will exist at the centre of a complex data ecosystem. They’ll be able to mobilize data across an interconnected marketplace and deliver value to individual network partners. This will benefit everyone within the network. Most importantly, it will benefit the end customer.

In this new ecosystem, banks will be able to:

- Accurately predict and fill consumer needs
- Maximize the value exchange at every interaction across their customer journeys
- Confer all of these benefits on network members
- Arbitrate consumer data usage and collection permissions between partners over the network, ensuring that participants are compliant with regulations

Data exchange overview



As partners from different industries join the ecosystem and share their insights, the network gains a better understanding of consumers across different contexts. For example, web traffic patterns from a telecom, joined with a bank’s transactional data, might shed light on an individual’s purchasing behavior at different geolocations and times of day.

This leads to a collective that will be stronger than the sum of its parts, putting those that go it alone at a serious disadvantage. That’s why businesses will have to join the network to stay competitive, and they will. For the first time, they’ll have a real-time understanding of customers in context. With this understanding, they’ll be able to put customers at the center of everything they do.

The extinction of vertical markets

The rise of decentralized data marketplaces promises to unlock a world of new possibilities. By forming alliances mediated by new technologies like blockchain and data tokenization, financial institutions will be able to share insights with partners and deliver hyper-personalized experiences to customers—all without compromising consumer security or privacy.

As vertical markets exchange more information across different industries, like open-house data from realtors, aggregate movement data from telecom providers, and consumption data from energy companies, they’ll gain a deeper understanding of consumers. As such, the boundaries that separate them will begin to disappear. In fact, we’re already seeing this happen today.

We're helping the bank, not only as a financial vault but as a data hub, to gain better customer insights by understanding data patterns with permission from the user. We are then able to create meaningful recommendations and predictions that serve to build trust and expand the relationship between banks and their customers. We're seeing a lot of value in terms of what banks can do to transform their business models.

Hossein Rahnama
Founder and CEO | Flybits

Look no further than Restoration Hardware and West Elm, examples of retailers that have already moved into the hospitality space. They've used their deep understanding of consumer preferences in home furnishings to design hospitality experiences that are aligned with consumer needs.

Flybits has two clients in the United States that have already shifted away from the partnership model to the data ecosystem model. They've become community hubs and are working with complementary businesses, like utility companies, supermarkets, and academic institutions. Their customers can determine how data is being collected and used. Based on their preferences, it's shared on an aggregated basis across the network. This benefits all network members by ensuring they're compliant with the latest data and privacy regulations. Finally, it enables them to address any blind spots they might have in their data, empowering them with a deeper understanding of their customer.

Right now, these banks are leveraging these powerful insights to complement the transactional data they have with additional context. In doing so, they are able to deliver personalized experiences that resonate with the customer.

Unlocking the power of personalization

At TD, personalization and connected experiences are absolutely critical to our success in the marketplace. Personalization is about empowering customers. It's not just about the big moments, either. It's about real-time, in-the-moment engagements all the way up to the big milestones in an individual's life.

Rizwan Khalfan

Chief Digital and Payments Officer | TD Bank Group

There's currently a 20% experience and expectation gap in banking.¹ In other words, the experience that some customers are getting over their banks' digital channels falls below their expectations. In a world where one bad experience can push a customer away, there's room for improvement.

That's why banks are spending so much on new technology—from 2015 - 2019 alone, \$1 trillion dollars, to be exact.² Broadly speaking, this investment represents a commitment to closing the gap and providing customers with the kind of experiences they expect. Which is where personalization comes in.

Personalization leverages consumer insights to ensure that experiences are aligned with customer expectations. To put it another way, personalization empowers you to deliver the right experience to the right customer, exactly when they need it. When deployed effectively, it closes the experience and expectation gap.

Personalization enables banks to provide a human touch beyond the branch. By pairing financial or transactional data with contextual data, they can connect with customers in meaningful moments and deliver the right value.

¹ Clark, David and Kinghorn, Ron. Experience is everything: Here's how to get it right. PwC. 9 September 2020.

² McIntyre, Alan. Banks Have Thrown \$1 Trillion at Digital. Do Shareholders Care? 24 June 2019. Forbes.

Our big differentiator is the trust we have with our customers. They should never have to make a tradeoff between trust and convenience. That's why we have to up our game from a convenience perspective. That means reevaluating how we serve our customers and the quality of the experiences we deliver. We are an experiential brand, and we have to continue raising the bar on how we deliver experiences. In the last few years, it's been all about how we leverage and incorporate data to design experiences that are truly differentiated in the marketplace, and removing any friction points that exist there.

Rizwan Khalfan

Chief Digital and Payments Officer | TD Bank Group

That said, personalization has its pitfalls. That's why leading banks are adopting a privacy-first approach to their personalization initiatives. Without this kind of approach, you run the risk of alienating your customers.

Overcoming the privacy paradox

Providing a personalized experience often comes with a tradeoff. Privacy and security. This is called the privacy paradox, and it's likely to become an even bigger issue as data privacy regulations continue to tighten.

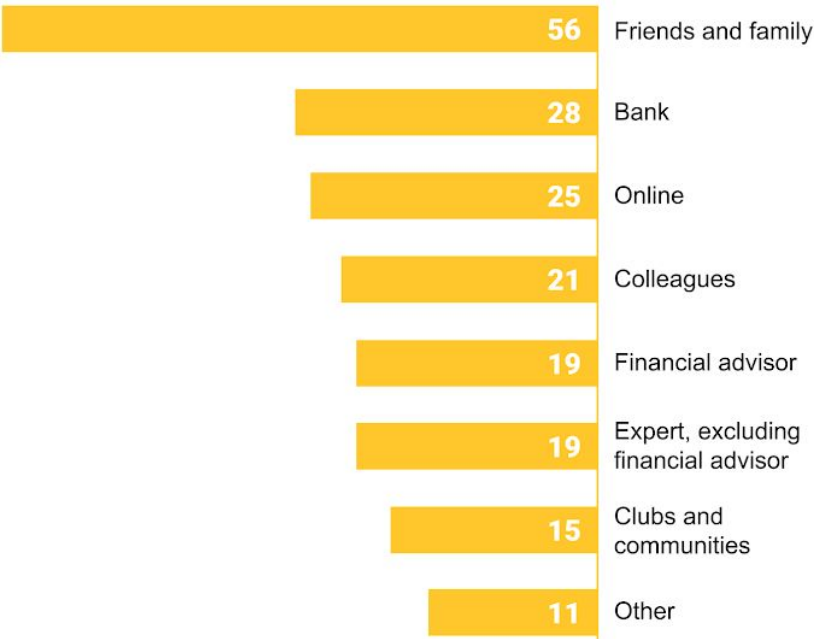
Financial institutions shouldn't have to decide between deploying compelling personalized experiences and protecting consumer privacy and security. That's why banks like TD are already delivering those rich, contextual experiences consumers want, without making any compromises. And they're doing it by partnering with fintechs and new market entrants who already have those capabilities.

Getting personal with customers over your digital channels means reevaluating privacy as a value exchange. In this new paradigm, the consumer decides whether they want to share their personal information, and if so, how much. That means the return has to be worthwhile.

This level of equitability reflects real-life interactions, where your frontline employees are expected to deliver as much value as possible every time they engage with customers. They're also expected to protect your customers' privacy, so it's only fair that that expectation extends online, too.

The more value you can exchange at each touchpoint, whether it happens online or offline, the more meaningful your relationships become—enabling you to build trust with your customers.

Who consumers turn to for advice during a major life event



Common financial struggles



Sources: Accenture Purpose-Driven Banking Consumer Survey, 2020

Bridging the trust gap

We're in the middle of a trust crisis—and it's costing businesses.³ While many banks enjoy high levels of consumer trust, thanks to market-leading security best practices, some are still feeling the pain.

Accenture recently polled nearly 15,000 consumers across 12 markets to shed light on their banking habits and attitudes. The findings were telling.

Only 28% of consumers who seek help during times of financial stress turn to their bank, which begs the question: why don't they trust their bank for advice?

Consumers trust banks to look after their money and process payments. Again, much of that has to do with the level of security they provide. There is a meaningful gap between the level of transactional trust maintained by financial institutions compared to everyone else in the marketplace. That's why, despite the emergence of big techs, banks still have the high ground.

But if you ask whether a customer trusts a bank to have their best interest at heart, no matter what, likelier than not, their answer would be no. This is especially true during times of crisis, when banks have their bottom lines to consider.

³ Gupta, Shalene and Sucher, Sandra J. The Trust Crisis: Facebook, Boeing, and too many other firms are losing the public's faith. Can they regain it? HBR. 8 September 2020.

If you're recognized as a trust-based institution, as an institution that does the right thing for its customers, as a bank with purpose, then it drives net new customer acquisition. We're seeing it with the challenger banks. It comes from customers sharing that these institutions have their best interests at heart.

Alan McIntyre

Senior Managing Director | Accenture Banking

Because of this trust deficit, banks today risk losing 5% of revenue.⁴ While addressing this gap represents a huge opportunity for growth, it's also a chance for financial service providers to be there for customers in the moments they need it.

Becoming a trusted advisor

People have been struggling with their finances since we've had paper to print money on. This, of course, is nothing new.

But the pandemic is new. Before COVID-19, people were already struggling. That much is clear. Now, those struggles are likely to worsen.

Banks aren't powerless to help. They have a real opportunity to be today's heroes by helping consumers and small businesses navigate through the crisis. But to do so, they need to do the right thing for their customers. That means protecting them from service fees and providing interest-free overdraft, loans, and mortgage holidays.

More than that, banks need to be there during key moments, with guidance that enables customers to make better financial decisions. Think about the customer who keeps too much money in a checking account versus a savings account. Or someone who borrows on a credit card instead of a home equity line. These are examples of low-hanging fruit and opportunities for institutions to prove out their value.

Five years from now, banks that chose not to adapt to these new market realities, will all wish they'd done four things:

⁴ McIntyre, Alan and Skan Julian. Purpose-driven banking: Win customer trust. Accenture. March 20, 2020.

1. Put long-term relationships before short-term profitability
2. Shifted from a “gotcha” mentality to one that emphasized win-wins
3. Started driving value from their data with personalization
4. Engaged in digital conversations instead of broadcasting

COVID-19 has already pushed financial institutions in the right direction. By acknowledging the real pain that customers have and responding to it with practical solutions, they’re positioning themselves as heroes. These banks are actively closing the trust gap. They’re supporting customers and providing helpful advice, even when it doesn’t benefit the bottom line. These institutions will be tomorrow’s category leaders, and while we’ll recognize them as banks, they’ll be so much more than that.

■ The future starts now

In times of adversity, organizations shift into survival mode. They become reactive, confronting challenges as they come. Banks that thrive in tomorrow's world aren't reacting right now—they're thinking proactively about challenges that are still on the horizon. These organizations are adaptive and resilient, and they understand that their own success is tied to the wellbeing of their customers.

Nobody could have predicted the pandemic, just like nobody can predict what it's long-term consequences will be. But you don't need a crystal ball to start making changes that will benefit your organization today, and in the future. Some of the biggest innovators in financial services, like TD Bank Group, Bank of America, and Barclay's are already plotting a way forward, and they've given us a glimpse of the roadmap. Their vision of the future challenges so many preconceptions we have about the role banks play in our society.

In this future, banks continue to provide payment services, only they do so more intelligently, having gained a deeper understanding of their customers and communities. These banks will be able to engage meaningfully with each individual across every channel. That's because they'll be at the centre of a new economy, exchanging data with businesses across a multilateral marketplace that benefits everyone. And they'll be able to do all of this without compromising consumer privacy or security.

About Digital Banking Summit speakers



Hossein Rahnema

Founder and CEO | Flybits

Hossein Rahnema is the founder and CEO of Flybits. Hossein lives at a unique intersection between academia and entrepreneurship. He's a visiting professor at MIT's Media Lab as well as Ryerson University in Toronto where he also co-founded the biggest university incubator in the world, the DMZ. He was recently named one of the world's Top AI CEOs of 2020. In 2012, MIT Technology Review selected him as one of the Top 35 Innovators under the age of 35 globally and in 2017 he was named one of Canada's top 40 under 40. Hossein also serves as a board member at Capital Group and Canada Science Publishing. His passion is to empower young entrepreneurs.



Alan McIntyre

Senior Managing Director | Accenture Banking

Alan McIntyre heads up Accenture's global banking practice which covers all aspects of their work in retail and commercial banking, payments and consumer lending. He has spent more than 30 years helping financial services organizations adopt new strategies, technologies, processes and skill sets to improve and grow their businesses. But his interests extend far beyond banking—he also has a passion for classical music and is chairman of the Stamford Symphony Orchestra. In his home country of Scotland, he is patron of The Institute of Contemporary Scotland and has been inducted into the GlobalScot Business Hall of Fame. Before COVID-19, Alan was also an enthusiastic, and tireless traveler and is well known in Accenture as the 'Flying Scotsman'.



Rizwan Khalfan

Chief Digital and Payments Officer | TD Bank Group

Rizwan Khalfan is the Chief Digital and Payments Officer at TD Bank Group, where he's responsible for setting the strategic direction for all digital and payments activities, while creating more intuitive, personalized experiences that help customers achieve their goals. Prior to this role, Rizwan was responsible for delivering the technology strategies and development supporting the bank's North American ATM, Phone and Online/Mobile channels. Before joining TD, Rizwan worked for Citigroup, overseeing their Operations and Technology in Europe. A CFA charterholder, Rizwan is a graduate of the University of Toronto. He is married with three children, and actively involved in his community, serving on the Board of his children's school.

About

Flybits is the leading digital experience platform built for the financial sector, delivering predictive, personalized, and context-aware experiences to customers at scale. Its enterprise-level solution brings relevant advice, products, and offers, to a bank's digital channels based on what each customer needs in the moments that matter. With Flybits, banks are able to design, launch, and measure data-driven consumer experiences while preserving their privacy.

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