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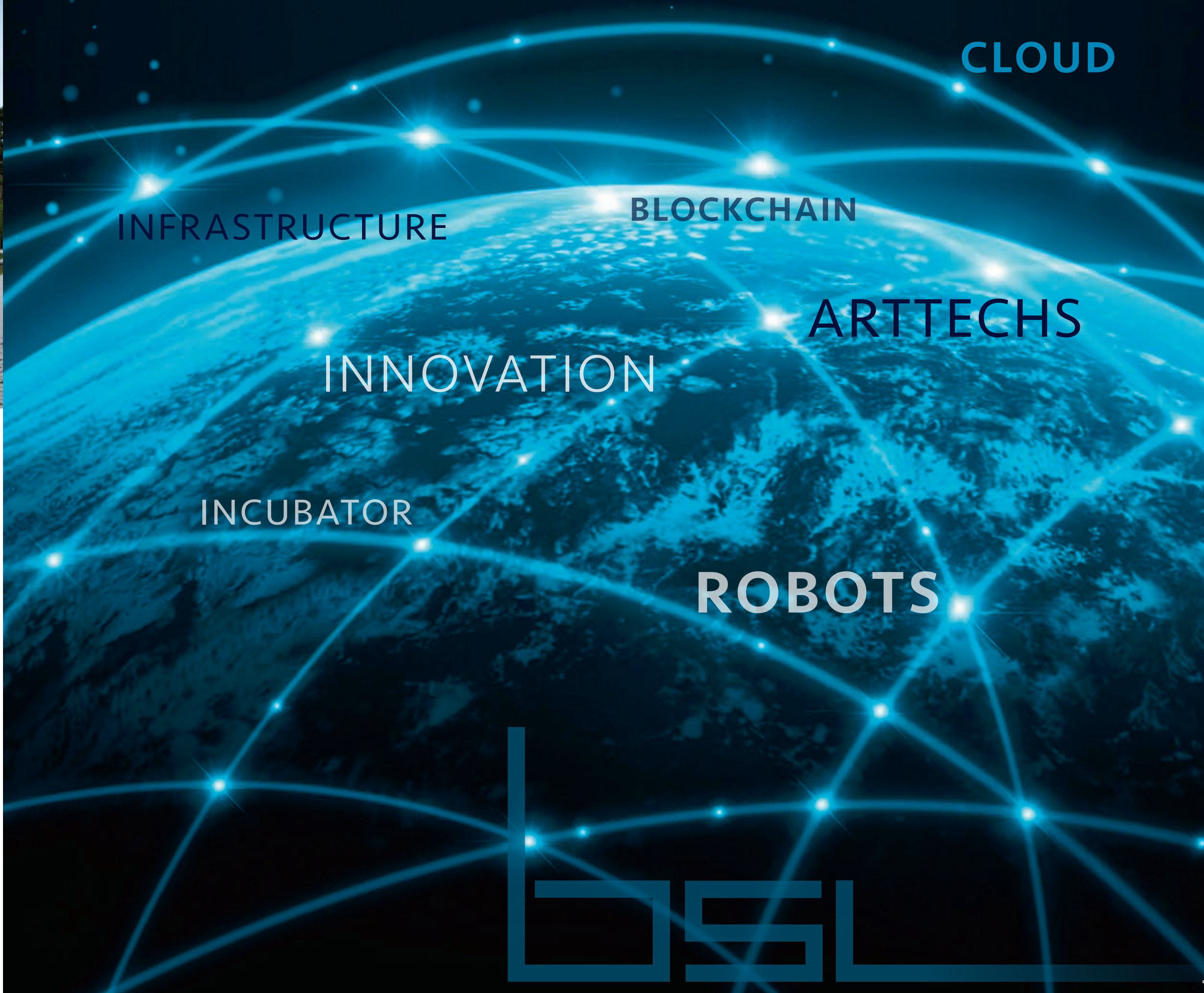

# PREFACE

**Schuyler Weiss**, Chief Digital Officer, REYL & Cie

## A Bank's Condition for Success: Shifting from Evolution to Revolution

**People often say that the only constant is change. While some embrace change for driving progress and others fear it for the uncertainty it brings, it's clear that an industry's ability to evolve has often been the deciding factor in whether it falters, survives, or thrives. The banking industry has been able to get by for millennia on incremental change, using stopgap measures to adapt to shifts. That approach will no longer suffice.**

Over the past 40 years, digital changes have increased the urgency for transformation. Clients, especially those from younger generations, have new standards for their banking partners. The banks that do not meet these expectations risk being replaced. Those that embrace opportunities to reinvent their relevance in today's world stand to succeed.

There are three phenomena that are currently contributing to the increase in what I call a client's Swap Tolerance, their willingness to shift from a legacy banking partner to a contemporary one. These are the expectations for immediate, personalized services, the transparency the bank provides about its offerings and operations, and the introduction of competitive new players due to lower barriers to participate in the industry.

Historically, the standard of excellence for service delivery within the banking industry was assessed in relation to the legacy competitors. Today, that is not the case. The benchmark for success is technology companies.

Technology companies have redefined the way in which a service provider should interact with its clients. By leveraging emerging technologies such as artificial intelligence, robotic process automation, and application programming interfaces (APIs), technology companies have demonstrated that today's client interactions can be simpler, more intuitive, and more powerful than those of the past, raising the bar for all other industries.

In the banking industry, it is no longer enough to be able to open a new bank account within a couple of days. The expectation is now 10 minutes or less. It is no longer enough to be able to exchange currency at a modest fee. The expectation is to do so at no cost and immediately. It is no longer enough to provide services at a physical branch. The expectation is to be able to complete banking services wherever and whenever.

The digital tools that have allowed technology companies to individualize a user's experience and outcome have not yet been fully realized in the banking industry. There is untapped potential for banks to use new technologies to gather and analyze data in ways that optimize their client interactions and enhance their user experience, taking less time to provide clients with a better overall output that is more tailored to their preferences.

Banks must also respond to increasing demands for transparency. The banking industry has traditionally been opaque and difficult for the average client to understand. Too often banks have unclear fees and fail to adequately disclose their internal values, vision, and impetus.

Yet in a digital environment where people have easy access to information – where questions can be answered at a click of a button and a competitor's offerings easily compared – banks cannot afford to let clients remain in the dark. They must be upfront about all costs and open about the handling of the historically veiled inner workings of

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their operations. In today's digital environment, increasing transparency is necessary to gaining and keeping the trust that is the foundation of banking.

Entrepreneurs across the world have recognized both of these shortcomings, and many have mobilized to fill the gaps by introducing banking offerings of their own.

Historically, the banking license has been one of the largest barriers to entry for those aspiring to become a bank. A banking license is necessary for a company to perform a number of functions, including holding deposits or providing state backed deposit insurance. The banking license is also a symbol of trust and validity in the eye of the end consumer. The responsibility of holding a banking license is pronounced, and it should not be distributed freely. Central regulators are looking to issue banking licenses only to organizations who can fully demonstrate their ability to meet the strict standards that have been set.

Most neo-banks were not able to obtain a license initially but entered the market nonetheless. To provide banking services, they built a sleek and contemporary banking application which, through the use of modern technologies, efficiently interfaced with and leveraged the operational services of a licensed partner bank. By controlling the point of client interaction, neo-banks have been able to deliver on the needs of clients that legacy banks have not properly addressed. They have simplified the user interface, quickened every aspect of the banking experience, and expanded their capabilities as a financial services partner by integrating FinTech solutions. The results have been staggering.

In the last decade, these neo-banks have garnered millions of clients and many have been awarded banking licenses. New competitors will continue to innovate within the banking space and will continue to draw customers from the retail banks, private banks, and wealth managers who fail to adapt.

### So, what can banks do to successfully navigate these changes?

First, banks must transition from the notion that technology is a cost center to the belief that it is the differentiator. Technology cannot be a second-thought in today's market. Digital strategy must be an integral, integrated component of a bank's forward planning.

Second, banks must adopt an agile mindset and work in a constant state of improvement. It is no longer sufficient to plan annual, incremental evolution. Consumers expect their service providers to introduce new features and benefits consistently and frequently. This means adopting a flexible approach to technological changes that allow banks to pre-empt and react to shifting market preferences. Instead of planning tech releases in the span of months or years, banks must strive for an ongoing, year-round model of innovation and implementation.

Third, and most important, banks must actively listen to their clients. A successful strategy is one that puts people first. The fundamental trust that clients expect from their banking partners will remain important, but banks must also work to ensure that clients believe their banks will rise to meet the changing expectations of service and transparency.

Today, there is clearly an effort to rewrite the definition of banking. To be one of the authors you must embrace change and the uncertainty that comes along with it. ■