

# Surviving Digital Transformation:

The future of digital retail banking





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## Abstract

The foundation of the banking model relies on offering standardised products to a wide range of customers—what we call “differentiated distribution of commoditised products\*.” However, the landscape has evolved, giving rise to a new banking model focused on a “commoditised distribution of differentiated products\*\*.” This approach emphasises the delivery of personalised solutions to customers on a large scale, addressing their unique needs and desires through customisation and personalisation. Technological advancements, like APIs and cloud computing, have played a crucial role in this transformation, enabling banks to provide customers with fast, seamless, and convenient banking experiences.

With an increasing number of service providers in the market, customers now have the luxury of seeking a banking experience tailored explicitly to their preferences. As up-and-coming challenger and neo banks pose

the threat of taking away traditional banks' loyal customers, the need to stay competitive has become paramount.

This ebook aims to establish a comprehensive framework for traditional banks seeking to maintain their competitive edge through the adoption of a customer-centric strategy. Recognising the urgency of the situation, we will delve into the current pressures faced by retail banks and emphasise the need to accelerate their digital transformation by integrating intelligent digital banking solutions. In this process, we will highlight the critical role of collaboration with expert third-party vendors like Clayfin as a crucial step towards achieving these goals.

With these insights, traditional banks can compete confidently in the current scenario and secure their position in the evolving banking landscape.

*\*Differentiated distribution of commoditised products: Uses unique and varied distribution methods to sell products that are essentially not unique.*

*\*\*Commoditised distribution of differentiated products: Distributes unique and differentiated products using standard distribution methods.*



# The Revolution of Digital Retail Banking: Trends and Emerging Technologies



In the contemporary world, the pursuit of convenience has emerged as a significant driver of innovation, especially within the banking sector. People's desire to escape the inconveniences of long queues, complex procedures, and delayed transactions has led to the rise of digital banking technologies. This transformative approach to banking is focused on providing customers with swift, seamless, and convenient services, ultimately replacing or modernising the traditional brick-and-mortar banking model. Digital banking has introduced a multitude of features, including digital wallets, 24/7 availability, improved accessibility, and personalised finance management tools. Moreover, it has instilled a preference for digital banking over

traditional branch-based services due to the convenience and speed it offers.

In reaction to this change, retail banks have acknowledged the need to embrace a customer-centric approach, giving priority to the requirements and preferences of their customers rather than merely offering what they can and may provide. Unlike in the past, customers now have the freedom to switch banks if they are dissatisfied with the services they receive. This shift in perspective has placed significant pressure on traditional banks to up their game and remain competitive in an ever-evolving landscape.

## Why people would leave their bank

If fraud incidents weren't handled properly and dealt with

55%

If there were good financial incentives from another bank for joining as a new member

42%

If there were no local branches

40%

If I didn't feel product offering from the bank were the right fit for me

35%

If they didn't have a good enough digital service

31%

If they didn't have enough local branches

22%





A recent report by Statista has highlighted two critical factors that shape customer behaviour in making banking choices. Firstly, security takes top priority, with 55% of respondents stating they would change their bank if sufficient security measures were not in place. This underscores the importance of robust security protocols and measures for banks to retain their customer base. Secondly, 42% of respondents mentioned they would contemplate switching banks if they were presented with more attractive financial incentives elsewhere. This emphasises the pivotal role of competitive financial offerings in both retaining and acquiring customers.

## Emergence of New Players: Neobanks, Challengers, and More!

Speaking of competitive financial offerings, the emergence of new players in the banking industry, like Neobanks and challenger banks, presents a significant challenge to traditional banks. Neobanks, in particular, have been pioneers in reshaping the banking landscape since their inception in 2015. Operating exclusively in the digital realm, these banks have eliminated the need for costly brick-and-mortar branches, thereby shedding substantial overhead expenses. Instead, they concentrate on providing customers with seamless and dependable banking solutions through user-friendly mobile apps and digital platforms. Neobanks have set a new standard for customer experience, spearheading the digital revolution in banking.

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*By embracing Application Programming Interfaces (APIs) and open banking capabilities, Neobanks are introducing revolutionary products to the market, disrupting how customers perceive banking.*

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APIs serve as intermediaries that facilitate communication and data exchange between various software systems. By harnessing the power of APIs, the new entrants are creating a seamless and interconnected banking experience for their customers. APIs also allow Neobanks to seamlessly integrate a wide array of services and functionalities into their platforms. Ultimately they are empowering their customers to access essential banking services and a multitude of third-party financial and non-financial services without needing to leave the bank's app or website.

Through APIs, Neobanks can offer customers access to investment platforms, peer-to-peer payment services, budgeting and financial management tools, credit scoring services, and more. By providing this ecosystem of services, neobanks enrich their customers' banking experience, making it more comprehensive and personalised.

By utilising open banking capabilities, Neobanks aggregate financial data from various sources, including traditional banks and other fintech companies.



Neobanks have certainly disrupted the banking industry by offering innovative, customer-centric, and cost-effective digital banking solutions. It's time for traditional banks to adapt by improving their digital offerings, exploring partnerships, and finding ways to remain competitive in a changing financial landscape.

## Open Innovation: To survive is to Collaborate!

“ *Open innovation is a paradigm that assumes that firms can and should use external ideas as well as internal ideas, and internal and external paths to market, as the firms look to advance their technology.* ”

-Henry Chesbrough, father of open innovation

To thrive in this competitive landscape, traditional retail banks must adopt a customer-centric digital banking strategy and improve their operations to compete with innovative newcomers. While digital transformation brings abundant growth and scaling opportunities, it also presents substantial challenges. Bank managers are now tasked with the responsibility of exploring new avenues for innovation and creativity to maintain a competitive edge. However, this

heightened focus on innovation may potentially divert attention from vital banking concerns such as cost management, product quality, process efficiency, and speed.

## Can Banks Afford This?

To tackle these challenges, open innovation has become increasingly prominent. Open innovation highlights the importance of collaboration and knowledge-sharing with external partners, including fintech firms and other expert digital banking solution providers. By embracing open innovation, traditional banks can access external expertise, cutting-edge technologies, and innovative solutions. This approach allows banks to consistently enhance their offerings, improve customer experiences, and keep up with the rapidly evolving digital landscape while preserving their core competencies.

## Understanding What Customers Want

Traditional banks need to recognise the fundamental aspect that their customers are human beings with diverse needs and expectations that go beyond purely financial considerations. While it is clear that customers desire convenience and a seamless customer experience, banks must dig deeper to comprehensively understand and effectively





address these demands. Currently, industry experts and researchers have identified a common set of attitudinal and behavioural characteristics that represent what customers demand (Omarini, 2019) (Oliver Wyman, 2018) (Accenture, 2019) (PwC, 2014).

By focusing on these aspects and incorporating them into their services, banks can offer a more holistic and satisfying customer experience. Understanding and meeting these attitudinal and behavioural characteristics will lead to stronger customer relationships and greater customer loyalty.

### Convenience, implying speed and timeliness

Customers expect efficient and prompt service, with minimal delays in transactions and issue resolution.

### Encourage savings

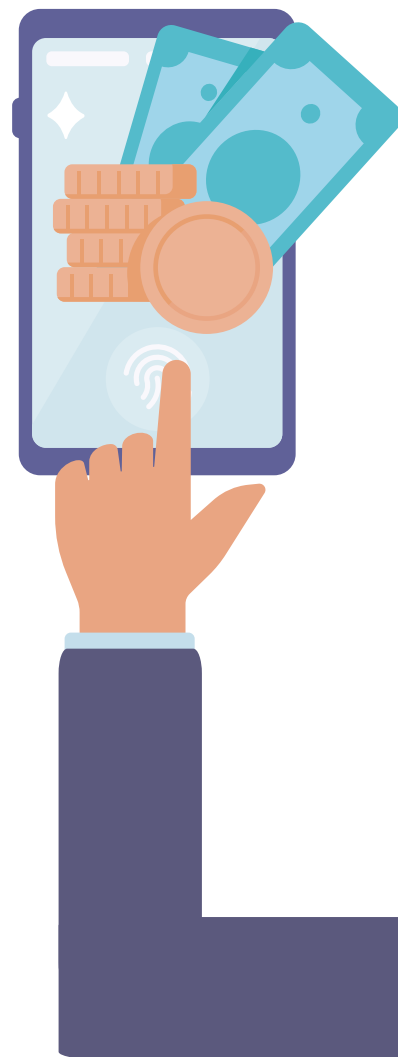
Customers appreciate banks that actively promote saving habits through attractive incentives and personalised savings options.

### Product simplicity and ease of use

Customers prefer uncomplicated and easy-to-use financial products that they can understand without confusion.

### Personalised offerings

Customers value personalised offerings that cater to their unique preferences and financial goals.







# Treading the Waters with Clayfin's Solutions!



## Disrupting with Smart Digital Retail Banking Solutions

In today's financial landscape, a significant shift towards digital omnichannel experiences allows customers to access their finances across multiple platforms. The key to success in this context lies in collaboration and open innovation, as businesses recognise the importance of delivering a unified and seamless customer experience. This transformative approach is reshaping the entire business ecosystem, with integrated digital platforms playing a central role in providing comprehensive solutions to customers.

At the same time, technological advancements, particularly in APIs and cloud computing, are propelling this paradigm shift. APIs enable different software systems to securely communicate and share data, facilitating the seamless integration of diverse financial services. Cloud computing provides a flexible and scalable infrastructure, enabling financial institutions to effortlessly offer their products and services on a global scale.

As a result, the advent of digital platforms has significantly increased convenience for customers, enabling them to access various financial services from a single, user-friendly interface. This simplifies their financial

interactions and enhances their ability to manage their finances efficiently.

To make this possible, many banks recognise the value of collaborating with expert third-party vendors and digital solution providers as strategic partners. By embracing an open innovation approach, they aim to boost their innovation capabilities and rapidly develop solutions that leverage open banking and APIs, reducing time-to-market. These partnerships and value co-creation with external players are pivotal in achieving the banks' overarching mission of delivering superior customer experiences and attaining a more cost-efficient operational model, ultimately leading to improved profitability.

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*Clayfin offers integrated, omnichannel, retail banking solutions to help you deliver modern and cross-platform customer experience.*

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Clayfin's integrated, omnichannel, retail banking solution offers traditional banks the tools and capabilities they need to unlock elevated customer experience in the increasingly digital world.





### Hyper personalisation

Clayfin's retail banking solution is designed to offer hyper personalisation to customers. By leveraging advanced data analytics and customer insights, banks can understand their customers better and tailor their services accordingly. Through a self-service platform, customers can access personalised service portfolios that cater to their individual needs and preferences.



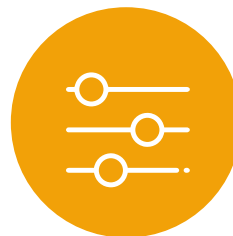
### Immersive customer experience

Clayfin's approach is centred around creating an immersive customer experience that goes beyond basic banking services. By offering a wide range of features and functionalities, such as PFM (Personal Finance Management), Digital Onboarding, and Dateline, banks can provide customers with a comprehensive and engaging experience that keeps them actively involved in their financial journey.



### Consistent and cross-platform experience

With Clayfin's solution, banks can ensure that their customers enjoy a consistent experience across all channels. Whether customers prefer internet banking, mobile apps, wearables, or even API-based interactions, Clayfin enables instant access to services across these various touchpoints. This seamless cross-platform experience enhances customer convenience and satisfaction.



### Deep and personalised engagement

By aligning with customer expectations, Clayfin empowers banks to engage with their customers at a deeper and more personalised level. Banks can proactively anticipate customer needs, offer relevant products, and provide timely financial advice. This level of engagement fosters a strong sense of trust and loyalty between the bank and its customers.



## Digital transformation and innovation

Clayfin's retail banking solution serves as a catalyst for digital transformation within traditional banks. By embracing innovative technologies and practices, banks can stay ahead in the market, attracting potential customers who seek modern banking experiences. The adoption of cutting-edge tools enables banks to be agile and responsive to market changes.



## Data-driven decision making

Clayfin's solution equips banks with powerful data analytics capabilities. Banks can leverage customer data to gain insights into behaviour patterns, preferences, and pain points. These data-driven insights help banks make informed decisions about product offerings, marketing strategies, and customer engagement initiatives.



## Streamlined onboarding process

With Clayfin's Digital Onboarding feature, banks can streamline the account opening and customer onboarding processes. This leads to reduced friction and faster time-to-value for new customers, creating a positive first impression and building a strong foundation for long-term relationships.



## Enhanced customer relations

By leveraging Clayfin's solution, banks can maximise their existing customer relationships. Satisfied customers are more likely to remain loyal and even become advocates for the bank, leading to increased retention and positive word-of-mouth referrals.



# 3



## Clayfin's Successful Partnerships with Leading Banks



Clayfin unlocked a feature-rich platform for BRAC Bank that seamlessly delivered security, control, and convenience to its customers while also ensuring customer growth & increased digital banking adoption.

*“In Clayfin, we found a partner who was willing to walk the extra mile with us. Their adaptability contributed massively to this implementation, through which we will now be able to scale faster and continue to provide tangible value to our customers.”*

Sabbir Hossain, Chief Operating Officer,  
BRAC Bank, Bangladesh

## Project Overview

BRAC Bank was using an existing digital banking infrastructure developed in-house but wished to enhance its offering by improving its integration capabilities to accommodate dynamic requirements.

The solution was implemented in a manner that facilitated dynamic modifications. A few features of the highly configurable solution are:

- Options for both self-onboarding and onboarding through the bank
- Various types of authentication options for different scenarios
- Integration with digital wallets
- Provision of value-added services such as QR code payments and mobile recharge options

The project involved splitting deliverables across multiple sprints and incorporating quality assurance from the development stage. Despite the challenges of the global COVID-19 lockdown, the project was executed successfully, with both sides working as cohesive partners. Clayfin performed as an extension of BRAC Bank rather than a traditional vendor throughout the project.

## Challenges Faced

- Dynamic nature of requirements (such as UX changes) viz. deviations and changing client expectations
- Extensive storyboarding during the pandemic
- Complexities while handling multiple external partners, connectivity with numerous systems, diversity in technological architecture, protocols etc
- Need for careful integrations with back-office systems provided a seamless and unified experience due to dependencies on various front and back applications

## Key Benefits Achieved

BRAC Bank introduced "Asha," a mobile application and internet banking portal, with Clayfin's help. The app gained popularity as the leading banking app in Bangladesh, offering user-friendly features like self-registration,



dashboards, and international remittances.

- More than 100,000 downloads
- Consistent ratings of 4.4 and above in the Google Play Store
- 30% customer growth in less than a year
- 100% growth in digital transaction numbers and volumes
- 36% shift from manual transactions to digital channels

**Kuwait's youngest commercial bank, Burgan Bank revamps its business and reengineers its banking experience with Clayfin**

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*We wanted to take Burgan Bank's digital offering to the next level. Our previous online platform and mobile app were limited in the features and the experience they offered. Hence, we partnered with Clayfin in order to revamp our customer journey as an enriched experience bringing added-value services to our customers.*”

Khalil Al-Qattan, Head of Digital Transformation at the bank

## Project Overview

The bank wanted to focus on elevating and enriching its retail customer offering by improving their banking experience and enhancing service levels across all touchpoints. Clayfin delivered a new platform that was

designed to offer an enhanced and more personalised digital experience to customers, ensuring a seamless and consistently high quality experience across all mobile and online touchpoints.

This partnership enabled Burgan Bank customers to access a wide range of services from any internet-enabled device without visiting a branch.

## Key Benefits Achieved

- The adoption of Clayfin's digital banking solution has resulted in a higher app rating – garnering a 4.4+ ratings
- Customer interactions and positive engagement across channels have improved significantly
- Surveys and feedbacks helped constantly improve the bank's performance to deliver the right journey to the customers
- Burgan Bank was able to reposition itself among the top banks in Kuwait and setting the right track towards regional growth and development
- Burgan Bank has expanded to significantly augment its prepaid banking capabilities, helping it to meet its financial inclusion objectives



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# Future-Proofing Your Retail Bank with Clayfin





Partnering with Clayfin to adopt smart digital banking solutions can be a game-changer for any traditional retail bank looking to secure their position in the evolving banking landscape. As the industry shifts towards a 'commoditised distribution of differentiated products,' where banks deliver personalised solutions to customers on a large scale, their ability to understand what customers want on a deeper level becomes crucial for maintaining a competitive edge. Clayfin's expertise in providing intelligent digital banking solutions, powered by cutting-edge technologies like APIs and cloud computing, empowers banks to seamlessly meet the evolving demands of customers.

By embracing a customer-centric strategy and collaborating with trusted third-party vendors like Clayfin, traditional banks can expedite their digital transformation, offer tailored experiences, and confidently navigate the challenges posed by new market entrants. With Clayfin's support, banks can retain their loyal customer base and attract new clientele, establishing themselves as leaders in the dynamic and rapidly changing banking landscape.





## About Clayfin

Clayfin is a leading provider of Digital Customer Experience solutions for Banks and Financial institutions. In a rapidly evolving digital world, Clayfin enables Banks and financial institutions to nurture and grow close ties with their customers by providing a superior and seamless omnichannel experience delivered at any digital point of interaction that the customer prefers. Clayfin's philosophy is to enhance the financial lifestyle for end customers by building Superior Customer experience solutions that will increase the digital footprint, adoption and usage. To enable this, Clayfin products are built on four tenets: simple to use, pervasive, secure and relevant.

Clayfin works across geographies, and currently supports 80+ implementations across 30+ customers in APAC, Middle East and Africa.

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