

# **BANKING AND NEW TECHNOLOGIES: THE NEW REALITY**

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## *A COMMERCIAL REVOLUTION*

New technologies create a new relationship with the world for everyone. A new way of thinking about time and space. Another way of designing information, knowledge and autonomy of action. In fact, they induce a series of revolutions, in both our daily lives and business.

The first one is a commercial revolution, which overturns the relationship between producers, distributors and customers. Customers are seeing their power greatly increasing as they now have more freedom to act, are more knowledgeable, have more information, can compare prices and benefit from a greater freedom of choice. This is what we call the "customer revolution". It has become the centre of interest for businesses. That is why many of them have been developing customer oriented discourse for a while, as if the concern was new.

Relationships of power have therefore reversed in customer's favour. But this phenomenon is also evident in the relationship between producers and distributors in many sectors of the economy, as distributors are finding that their position has been potentially strengthened. The customer takeover puts an end to the traditional hierarchy, which was born in the 20<sup>th</sup> century, based on the ability of producers to impose their products on distributors that they have chosen and on the ability of distributors to impose the same products on consumers. Customers have the power now. So if distributors have good knowledge of their customers, if they know how to use their big data and if they develop relevant CRM (Customer Relationship Management) tools, if they succeed in anticipating the needs of each of them and addressing them, if they finally consider their customers to be "consumer players" capable of finding the right combination of products and services with them, then they will find the right solutions for each customer and build loyalty. The service also takes precedence over the product itself. We are no longer in an economy driven by highlighting products. We are in a world in which use and service are becoming more important than owning the product itself. Applications are more important than the phone itself. Bicycles can be hired for a journey to be made, and cars are increasingly following the same route. The Cloud is gradually making the ownership of large computers outdated...The quality of the relationship with salespeople, advisors and the opportunity to find the right solutions for everyone, that is to say the right service, are therefore

taking priority over the product as such. In doing so, distributors can thus gain power over producers, by naturally putting them into competition with other producers to find the best combination, in terms of the price and quality, of products and services that best fit the individual customer needs.

An upheaval of the historical balance of power between producers, distributors and consumers is therefore currently emerging in many sectors. It is clear that this compels distributors to think about excellence in customer management. If distributors, however, are not able to understand and retain customers, they will find themselves weakened by this, especially since it is now also possible for producers to sell directly. The lack of quality advice and the inability to offer the best combination of products and services for everyone leads straight to the complete digitalisation of the customer-supplier relationship and the disappearance of the economic role of the distributor. It also leads to the emergence of direct producer-customer relationships, where this proves possible, or the emergence of internet distribution pure players, a low cost form of a customer relationship.

Another consequence for businesses is the change in employee behaviour. The technological revolution places employees at the heart of the business, with organisational impacts. Today, for example, executives are no longer credible - and unable to train their employees - if they do not base their authority on the added value that they bring to their teams, rather than on the possession of information which now circulates freely and free of charge throughout the company.

Especially as employees are expressing a greater need for autonomy, which is supported and strengthened by this same technological revolution. Developing the spirit of entrepreneurship has become a real challenge for large companies. Today, individuals - especially company employees - aspire to understand the meaning of their contribution to the company: they want to share the strategy and choice of the form of organisation to be able to adhere to it more naturally.

### *REVIEWING TRADITIONAL ORGANISATIONS*

Of course very hierarchical and vertical organisations, which were born in the fifties and sixties, if they have failed to modernise, have become less efficient and more difficult to manage: they mobilise less because managerial proximity is more crucial than ever; as they are more rigid and less flexible, they are no longer in tune with a world and environment that are increasingly complex and changing. Conversely, companies that are organised into networks - networking

among the different parts of the company or between different companies - are more adaptable, more agile, more capable of withstanding shocks and manage complexity better.

Finally, the societal factor must also be dealt with very carefully, because society is becoming a real stakeholder in companies, the Internet and social networks. CSR, community involvement and corporate reputations have become important factors in their success.

So there is no alternative, in order to be heard in this new world, than to follow, or even anticipate, the customs of the people. Because that is what it is: there is no digital on one side and life as before on the other. New technologies have changed our ways of behaving and our relationship with the world.

### *DEVELOPING NON-REMOTE BANKING*

Business banking, and more specifically commercial banking, is not immune to these changes, on the contrary, as it is at the heart of economic activity. Especially since new players are appearing, such as the "FinTech" digital finance start-up companies which, by reinventing the customer experience, or developing expertise on some historical banking activities, are prodding them and forcing them to accelerate their transformation.

Be it online banking, mobile banking, payment and, more generally, the relationship between the bank and its private customers, the acceleration of the digital revolution inevitably leads people to question whether there is still any need for bank branches on the high street. We believe that the answer to that question is yes.

We need to take a look at the evidence: new digital tools have altered two parameters, the time factor and the distance factor. The relationship between customers and their banks has become immediate and purchasing banking products or services is now done remotely. It is becoming rarer and rarer for customers to actually go into their bank branch, except when dealing with significant projects in life. And therein lies the core business.

In a context of increasing consumer mistrust, banks need to respond to new demands from their customers, who express high expectations of proximity (whatever the channel used), practicality, relevance and increased personalisation of the advice given. Practicality: customers want banks that are simpler and more convenient to use and contact. Practicality can be broken down in terms of the welcome received, opening hours, relationship channels with advisors if applicable, not having to travel and the availability and stability of the contact person. Relevance of advice: customers are also asking for enhanced and more appropriate

advice; they thus require real personalisation of the relationship, so here again, a stable advisor.

Banking therefore needs to reinvent itself. Without wasting any time. And provide the new essential added value expected by customers. But it is worth making a clear distinction between the outdated practices and practices that are essential because they are the very essence of the profession.

Two constants are the backbone of commercial banking.

On the one hand, the demand for banking is not decreasing in volume: it is expressed differently, with new requirements. So people therefore do not have less of a need for banks.

On the other hand, the intuitu personae relationship remains a fundamental element for a retail banker. Because banking is not a profession that produces products; banking is a profession of human relationships, based on the ability to offer the right advice and the right service at the right time, whatever the channel proposed. Because banking processes -term life and business projects and this processing requires a personalised and lasting relationship with a relevant bank advisor. It is the customers themselves who argue this, both through studies and the complaints received.

We believe that the only solution is to reinvent retail banking. The personal relationship between an advisor and their customer is not negotiable. Especially in a banking group with regional retail banks whose strength lies in its ability to promote what we can call "non-remote banking", as opposed to the concept of "remote banking", which makes the assumption that a whole bank can go without a network of branches.

What is covered by this concept? Quite naturally, what customers require from the technological revolution, without cutting short strong personalised relationships, is more practicality and added value. Maintaining a strong relationship with a bank advisor, but through the channel of your choosing, such as by phone, email or in a physical appointment, depending on the issue that you want to deal with or the time of the day... But it also covers a better response to the need for even more informed, relevant and appropriate advice. Gone are the days when banks used to sell products through a succession of undifferentiated campaigns. It would also be particularly dangerous to offer very knowledgeable customers advisors who would sometimes know less than themselves.

Provided that it is more agile, interconnected and proactive, network banking has everything it needs to preserve its fundamental relationship with its customers by combining its strength - proximity - with the new tools - Internet, tablet and Smartphone. By combining the best of traditional banking and the best of online banking within each branch.

In practical terms, in each branch, each advisor becomes the multichannel carrier. This amounts, as we said, to offering customers the opportunity to deal with subjects of importance, at their discretion with their personal advisors face to face, by phone or email, without having to go anywhere. And above all, always with the same advisor. The rest, that is to say everyday banking, obviously being dealt with on mobile phones or via ATMs. At the same time as branches, it would also be possible to develop online banking with personal advisors for customers who are very mobile or seldom.

Such a "non-remote banking" model automatically results in higher labour costs than those of low cost remote banking. This brings banking to concentrate its resources - starting with its employees - on providing added value to justify the remuneration of the service offered. And consequently, to build on human capital, the only true differentiator in banking. The products do not make the difference. Because of regulations and how easy it is to copy them, they are usually very similar in all banks. The real factor a competitive edge is in the quality of the personalised relationship, so in the human factor. Hence the crucial importance of the capacity to mobilise and the relevance of the advisory teams. Competency, responsiveness and being proactive are key. The explosion of data, a consequence of digitalisation, and the development of technologies for analysing it, are opening up new perspectives which still are still difficult to grasp. However, it is accepted that the clever and unobtrusive use of the latest generation of CRM tools, based on a detailed analysis of "big data", would not only help to facilitate customer experiences, but also respond to them, and above all, anticipate the needs of each of them. Advisors are then able to meet the new expectations of their customers, develop perfectly adapted and relevant solutions with them or solicit them appropriately to enable them to carry out their life projects.

### *A FUNDAMENTAL TRANSFORMATION*

Banking must also profile the networks to make them more agile, by better distributing expertise and articulating physical and digital in an optimised way. By continually optimising the distribution of active forces within the branches and across the territory covered. Industrial distribution work is essential here. The network of branches is not dead, far from it. But it now has to merge two concepts: the digital and the physical, that is to say the best of modernity and the best of tradition. To come out on top, the network of branches has to be more mobile, more alert and continuously optimised.

In addition, digitalisation is also an opportunity for banks and not just a constraint. This new approach thus involves several other lengthy projects: reworking tools to better help salespeople or even take another look at processes by using digital means to review customer

experiences, from the front to the back offices. This means, for example, making life easier for the customers and employees of the bank while still controlling costs better, involving customers who will reap the benefits of preparing contracts, developing electronic signatures, etc. A real organisational reform is underway.

This is also what new technologies can provide. They are not just a threat. Because in an environment where banking income has an undeniable tendency to decrease in macroeconomic terms, the major challenge of such a model is strategic. If we do not live up to customer expectations and if we are not able to use the digital revolution to review our own organisation methods, customers will naturally go to pure online banks that are cheaper. Without any qualms whatsoever.

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