The Banker
LEADERSHIP SERIES

Reimagining the customer journey

A panel of payments experts discuss what banks can learn from 'big tech' and how they can leverage new technology and better engage with their clients to enable their success in a rapidly evolving business environment.

David Scola, acting chief executive, Americas & UK region, SWIFT

"THE RELATIONSHIP BETWEEN BANKING AND THE BIG TECH FIRMS HAS BEEN HUGELY POSITIVE AND HAS BROUGHT NEW DYNAMICS TO THE TRADITIONAL BANKING ENVIRONMENT"
DAVID SCOLA

Regulatory changes and technology innovations are driving change – not only at financial institutions, but also among their clients. Corporate and institutional clients are changing their business models, inspired by "heightened levels of enablement" in other aspects of their business and expecting payments to follow suit, says David Scola, acting chief executive, Americas and UK region for SWIFT.

Paul Camp, CEO of treasury services at Bank of New York Mellon agrees. He says all of his bank's clients are digitising, a process that involves a change of business model. "When clients change their business models, it's a deep engagement that's required with those clients to make them successful. And the payments, the receivables, the liquidity that we provide to our clients is a way to enable them on that digital journey."

COMPETITORS AND PARTNERS

Amid this change there are opportunities for non-bank players. James Clancy, head of financial institutions – US, Transfermate Global Payments, says that while the banks and SWIFT are at the forefront of driving change, the payments space is bifurcated and has relatively low barriers to entry. The changing requirements of clients "do not need only to be met by the banks", he says. "Fintech providers, who are operational in niche markets, can lead the transformation, because it's relatively inexpensive."

Such entities create "a very healthy tension in the business and competition", says Greg Murray, head of payments and receivables products for Santander in the US. "It puts banks in the position where we do have to recognise how we can better serve our clients." Customer needs vary, however. Those used to a mobile or online experience seek simplicity, ease of use and better integration in terms of the end-to-end process. This applies to both consumer and B2B payments. "Fintechs can be competitors and partners. It's better for everyone; because by creating this tension, it ultimately improves the experience for our clients."

Clancy believes that while fintechs and big techs such as Google, Amazon and Facebook, are disrupting the payments space, it is hard to imagine that banks will be dislodged from the sector. "They own the customer relationship in a unique way that a fintech never will." Where they can add value, he says, is enabling banks to get closer to offering a seamless and frictionless payments experience to their customers. "You don't need to be a Google to provide that added value to the bank space; you can be a fintech partnering with a bank to allow them to offer the product and better user experience."

THE BANK'S ROLE

Murray agrees that banks have a unique relationship with clients. While big techs have done "a very good job" at creating highly effective user experiences, banks still hold an edge in providing financial security and deepening relationships. "I do believe that it's up to us as banks to do a better job for our clients, to leverage that relationship and fine-tune how we manage and provide the user experience."

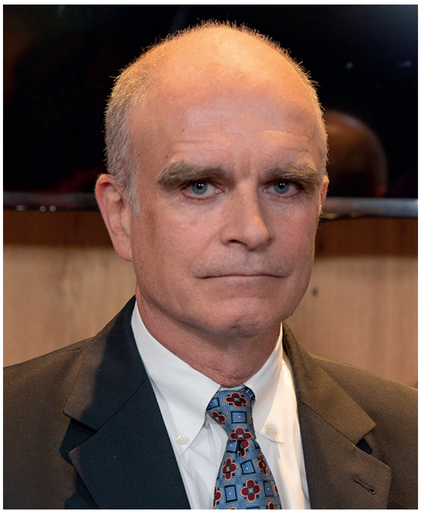
This will differ depending on the client; for retail clients "less is more", as they require simple solutions. Clients that are in the corporate or commercial banking space need data to help them manage their flows. Banks can do more here, by improving their collaboration with the fintechs that have been successful in integrating data between marketplaces and payment modes, for example.

Many of the big tech firms are on the SWIFT network, says Scola, and work with the organisation in a number of capacities. "The relationship between banking and the big tech firms has been hugely positive and has brought new dynamics to the traditional banking environment, from how our clients expect to work with us."

Camp says banks can learn from the big techs, which have remained very focused on the client experience and "making the complex simple". Like Scola, he believes the involvement of big techs will ultimately benefit banks and their clients.

At Santander, the consumer experience

Paul Camp, CEO of treasury services, Bank of New York Mellon



James Clancy, head of financial institutions – US, Transfermate Global Payments

Greg Murray, head of payments and receivables products, Santander Bank NA

has driven much of what is now being offered in the commercial and corporate spaces. "Ultimately every retail customer works for a company and takes those expectations with them as they head off to work. In certain countries, we are already seeing some of our app-based services that were aimed initially at the retail sector being adopted by corporates," says Murray. The key will be to ensure that services are architected to support the corporate market, which will involve how much data is provided, he adds.

Data is also the key to removing friction in payments. Murray argues that the payments rails work well, but friction comes from missing or erroneous data. He says SWIFT gpi, the cooperative's new, fast and trackable cross-border payment service, is the result of banks and SWIFT advocating for better data up front, which provides transparency throughout the payment lifecycle.

Scola says the "base line" of ensuring that gpi delivers transparency of all payments through the SWIFT network has been achieved – more than $300 billion USD is sent everyday over gpi. The next phase of the project will involve pre-validation of information and case resolution when payments are held up in the system. "The reduction of friction keeps us hyper-focused on the next evolution of gpi." SWIFT gpi for Corporates, which allows corporates to directly access gpi has been developed and big tech companies, says Scola, have been keen to embed it in their systems.

Santander's Murray says the pre-validation aspect of gpi is important. "If you look at the success that a lot of the other fintechs have achieved it's because they have taken that notion of pre-validation very, very seriously." It is something the banking space does not do well, asking clients for their bank and account identifier information, such as BIC and IBAN codes, every time they log on and often in a different form.

SWIFT's move to gpi is a "beautiful thing", says Clancy, but he points out that in the low-value payment space, fintechs have been providing the same value "for several years now".

Camp says banks are very much focused on enabling the success of their clients and gpi is a tool to get them there, but it's not the only one. Some solutions will be sourced via SWIFT, but some will be from other innovative technologies.

SWIFT gpi has enabled the cooperative to create a real-time payments platform for cross-border payments in China, Hong Kong, Thailand and Australia, with payments transacted within about eight seconds. Scola points out that this has been created leveraging existing rails and taking the capabilities that local banks have in their connections to real-time payment schemes in their countries. He believes real-time cross-border payments will be a reality in the next decade.

EMPOWERING THE CUSTOMER

Customers are adopting real-time payments at different rates, says Camp, depending on what type of organisation they are, what segments they serve and where they are based. The same can be said about API technology. This means the bank has to invest in APIs and other innovative technologies while supporting clients that may not yet be at that stage. "The more innovative clients are driving us much harder and faster, and they are great clients, because they make us a better bank. And we are also supporting our clients who are less advanced in terms of technology adoption."

Santander's Murray says his bank has similar opportunities. "APIs are critical to being able to roll out services quickly. I don't personally believe that APIs are something a customer necessarily knows they are using. It's going to be part of the experience overall, but we see that as a quicker way to get to market."

SWIFT is developing API standards because without them, challenges can arise, says Scola. "Envision a future where a number of bilateral host-to-host APIs are adopted that don't necessarily interoperate with each other. That leads to more fragmentation in the market and I think that doesn't benefit anybody, either in the banking community or among clients."

SWIFT has taken a threefold approach to the challenge, developing a standard, revealing SWIFT solutions and data to APIs and working with clients to host new API standards. A sandbox is testing a number of proofs of concept.

In an ideal world, a virtuous circle will exist whereby the payments industry may "disappear more into the background", says Camp. Looking forward, bank customers – retail, corporate or FIs – will have the ability to move and receive money instantaneously on a 24x7 basis in whatever currency they choose with full transparency around FX rates and margins. A much more efficient payment system that is interconnected and allows the frictionless movement of money will help economic growth, he adds. Despite being background players, banks will be able to embed such functionality into their customer journeys, empowering them to be successful in their business models.