

ENGAGEMENT - THE COMMITMENT TO CUSTOMERS

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Banking and Finance news in the MEA market

Backbase

**The Backbase Riyadh Tour underlines
how engagement banking gives
actionable insights allowing banks to
succeed in a customer-centric world**



Strengthening winning relationships



Engagement - The Commitment to Customers

Banking has significantly changed over the years and for banks that strive to be market leaders, integrating core personalisation elements is critical to delivering a superior experience and better outcomes.

Saudi Arabia's financial services sector experienced a landmark year in 2022, on the back of an economic boom, spurred by higher oil revenues, a strong pick up in private investment and reform implementation.

Seven years ago, the kingdom unveiled Vision 2030, an aspirational programme with economic diversification at its core. The banking sector is the lynchpin of the reform strategy and the development of the sector itself is an integral part of Vision 2030.

A robust financial service sector able to fund new industries is seen as key to efforts to boost the dynamism of the private sector and accelerate growth. Thus, Saudi Arabia has seen significant progress in areas such as engagement banking, open banking – which is currently being rolled out by the central bank – and the development of central bank digital currencies (CBDCs).

Backbase kicked off its Backbase Tour in Riyadh, Saudi Arabia, an event that spotlighted *The Engagement Banking Platform* – a unified platform with the customer at its heart and is supporting banks to orchestrate seamless journeys across every stage of the customer lifecycle.

With more than 150 customers globally, Backbase caters to the requirements of tier 1 and tier 2 banks, challenger banks and digital-exclusives such as Saudi Digital Bank and D360 Bank. The company counts the National Bank of Bahrain, Saudi National Bank, Banque Saudi Fransi, Ila Bank, Societe Generale de Banque au Liban and Bank Albilad among its customers in the Middle East region.

Ahmad Ghandour, the Managing Director of Saudi Arabia & Regional Sales Director of Middle East at Backbase, in his opening remarks, said that the company commenced its world tour and it had decided to start the Saudi market for a reason.

“We know what’s happening in Saudi Arabia and the entire GCC region. And as part of Backbase’s regional growth strategy we chose to start with Riyadh because we see the developments in the market and the potential for all of us to help accelerate

the digital transformation journey in the financial service sector,” said Ghandour.

Jouk Pleiter, Founder & CEO of Backbase opened the keynote address by highlighting the digital developments in the Saudi financial service including stc Pay’s impact in the digital payments space, CBDC trials and the initiatives that are being implemented by the government to transform the kingdom into a regional fintech leader under Vision 2030.

Pleiter said the company was on a mission in Saudi Arabia, the Gulf region and globally

traditional systems into seamless customer journeys,” said Pleiter.

He posed a question: how do we re-architect banking around the customer? Re-architecting banking around the customer is the art of placing the customer in the middle of a bank’s digital transformation strategy. The process covers the full customer life cycle from customer onboarding, to servicing, loyalty and loan origination.

The Backbase Engagement Banking Platform, the company’s unified platform – which is open and frictionless and has

“ Instead of having a one-size-fits-all app, banks can leverage a master application, a super app that will be populated with exactly the right internal and ecosystem products that are tailored to unique micro-segments”

- Jouk Pleiter

to transform the financial services sector from traditional banking to engagement banking. The transformation journey aims to move away from silos, point solutions, dozens of legacy applications and move into an omnichannel, customer-centric and highly efficient paradigm.

“The new paradigm is all about architecting banking around your customer,” he said, adding that the new model simplifies banking by transitioning from vertical silos into horizontal and from multiple-point solutions into a single platform that orchestrates everything a customer would require.

“The idea entails a platform that can curate information from legacy systems, that can curate information from fintech companies and other ecosystem partners and combine all these ingredients with

ready-to-go apps and journeys – augment every aspect of the customer experience. Built from the ground up with the customer at the heart, the Engagement Banking Platform easily plugs into existing core banking systems and comes pre-integrated with the latest fintechs so financial institutions can innovate at scale.

Over the past 40 years every IT technology investment that financial institutions have embarked on has been bank-centric, “so it is very inside out and the channels exist to push products and services to customers”.

However, the Backbase Engagement Banking Platform is “a big departure” from a banking-centric approach because the company is leveraging the latest technologies, data, artificial intelligence (AI) ►



and platform technology while recomposing and re-engineering all these valuable ingredients, not only from the banking sector but for the entire ecosystem to go beyond banking by aggregating all these different aspects around the banking customer.

Similarly, Rachael Lord, Product Director - Retail Banking and Wealth Management at Backbase, gave insight into what the company is working on the consumer banking front.

Lord said we are living in a platform era where our lives are accustomed to the service standards set by consumer apps such as Uber, Spotify and Netflix daily and today's banking customers have come to expect the same degree of consistency, convenience and personalisation in their finances.

These platforms have two things in common, firstly they are built from the ground up in the digital world and they put customers at the heart of their design. Secondly, their key ingredient is the unified platform that seamlessly brings together all the data to create "incredible" customer experiences.

"For example, Apple Pay, instant, seamless, secure, contactless payment – with just a tap of your smartphone, you will have settled a payment. Research shows that Apple Pay has now surpassed Mastercard to handle transactions worth more than \$6 trillion annually," Lord said, adding that's pretty impressive.

Similarly, Amazon's one-click buying, same-day delivery and personalised recommendations have made the e-commerce platform a "go-to for pretty much everything" while Wise, ex TransferWise, has completely reimaged international money transfer, making transfers cheap and instant.

"By undercutting traditional banks, Wise has now delivered rapid customer growth, revolutionising the way that we transfer money globally," said Lord.

Customers expect these three aspects from their banking experience: a seamless digital journey, a digital and human service – intuitive banking and financial wellness – helping customers achieve "their short-term and longer-term goals".

For incumbents, now is the time to create banking apps that customers love and translate into customer loyalty, Lord said in closing while highlighting that with One Platform, Backbase supports banks to drive customer engagement by building highly personalised experiences that reimagine banking throughout the entire customer life cycle.

Retail Banking

Saudi banks have committed significant capital to digital and analytics transformations to enhance the customer experience across mobile and web channels.

Banking customers now not only expect a superior experience from retail banks, but one that is tailored to their unique needs

and financial institutions can demonstrate their unique value proposition by aligning distribution models and delivering data-driven offerings.

Retail banks and financial institutions are under pressure from all different angles, the BigTech and the fintech companies that are vying for a significant market share, Lord said, adding that two emerging trends are currently at play in the financial services sector.

"BigTech and fintech firms are now putting extreme pressure onto this retail banking ecosystem, they are disrupting the status quo to become the preferred financial app. They want to own that customer experience and to increase engagement and stickiness," she said.

Fintech companies and startups are leveraging their customer-centric models and their focus on customer experience to dominate the banking industry – and "if the retail banking sector wants to evolve and win in this battleground, they have to evolve too"

How can banks address these challenges and how can they survive and succeed as they face mounting pressure to evolve their operating models? Lord posed a question. Backbase says it all starts with the customer and understanding how you can improve their financial well-being and help them achieve their financial goals.

Given the choice, customers turn to their banks because they trust them and



for banks to help customers in their daily lives, Lord said they should start by asking customers what their tasks and financial goals are.

Saudi Arabia's leading retail banks are implementing an entirely new approach to innovation by freeing themselves from a 'product-centric' view but instead adopting a 'customer-first' strategy which starts with understanding customer needs.

Mohammad Hasan, Solutions Engineer at Backbase said, in his presentation, that considering the current financial uncertainty, several banking customers are considering effective saving strategies, but the question is what initiatives are being implemented by the bank to help the customers achieve this financial goal.

From intuitive banking to personalised experience that ranges from loan origination to ordering a car, meal or movie on a smartphone to helping customers improve financial wellness and meet financial goals, Hasan provided a 360 or comprehensive overview of how banks can deliver superior products and services that augment customer experience and build customer loyalty.

Lord said Hasan's presentation is a brilliant example of how Backbase is helping banks augment their digital banking experience, enabling seamless digital journeys right from the get-go and turning customer service teams into servicing heroes.

National Bank of Bahrain Success Story

Omar Saad Al Adhmi, Head of Retail Digital Banking, National Bank of Bahrain (NBB) gave an insight into the bank's digital transformation journey and how the financial services provider is ensuring that customer experience is at the centre of the bank's digitalisation strategy.

Al Adhmi highlighted that NBB embarked on its digital transformation journey more than three years ago when the management decided to shift from the bank's legacy system of 40 years – including products and services – into an intuitive and modern bank that is customer-centric, not product-centric.

The Bahraini lender has implemented its completely revamped digital platform across

simple transactions, pay bills, transfer and receive money as well as check bank balance. However, the bank revisited its digital strategy three years ago and placed customer experience at the heart of its platform banking to become the preferred digital bank in Bahrain.

Al Adhmi said NBB's new digital banking capabilities resulted in 50% of its customer base transitioning to the platform and a 45% increase in new-to-bank customers over the past three years.

On digital transformation challenges, Al Adhmi said putting the NBB's people first has been the key to a Bahraini bank's successful transformation. The bank faced the daunting task of educating its workforce about the new digital banking

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- Ahmad Ghandour

multiple platforms, customer experiences, customer perceptions, marketing and branding. “We understand the era we are currently in, we understand the trends that are shaping the future of banking, we understand the growth that we obtain from digital transformation and how we expedite things,” said Al Adhmi.

Before NBB revamped its digital banking offering, the bank had a mobile app that allowed customers to perform

strategy as well as changing its mindset and culture.

“The mindset and the culture is the first kind of digital transformation that a bank requires to have,” Al Adhmi said, adding that a bank needs fresh mindsets, fresh talent to complement what the bank already has to accelerate the transformation.

The second challenge is delivering customer experience and ensuring that the revamped digital banking platform meets ►

customers' financial goals. "Decades ago, customers would visit a bank to open an account, where they would sign 30 papers and wait for a month for the account to be opened. However, now the entire bank account opening process can be completed on a mobile phone in five steps within minutes through ecosystem initiatives that are being provided by the government to ensure regulatory compliance," AlAdhmi said.

Modernising Lending

While retail banks embraced digitalisation some time ago, corporate banks are only now coming to terms with the power of digital. The digitisation of the lending process brings powerful benefits for banks, including better decisions, improved customer experience, and significant cost savings.

Bakhtier Pulatov, Product Director – Lending at Backbase said lending is currently one of the most exciting financial products banks can offer and Backbase is working to advance how financial institutions lend to their customers. He cautioned that lending is not only about the financial product but also about the needs, aspirations and ambitions of the banking customers.

Pulatov said an application for a loan can take about one hour or a little bit more to source the required information. The bank then takes about four weeks to process the information submitted by the customer, which can be a mix of digital and paper-based information.

Ultimately, it takes as much as three months for a bank to finalise the entire loan application process and provide the required money to the customer. "This is happening in an era where the attention span of customers is getting shorter, they want instant gratification and their lives have been conditioned by the companies such as Uber, Spotify and Amazon," Pulatov said.

The lending opportunity is projected at about \$7 trillion. Pulatov said lending is not only the biggest opportunity in front of the financial services sector, but it is one of the most important services provided by banks and also the fastest growing. "Banks can seize this opportunity only if they move away from the complex and manual



processes towards completely reimagining their engagement with their customers, towards the digital, transparent and fast processes," he said.

It is time for a paradigm shift. The paradigm shift in which banking is re-architected around the customer by focusing on banking customers' needs, aspirations and requirements. Backbase digital lending was built around key customer needs and it offers end-to-end journeys from pre-qualification to repayments.

While showing digital lending in action, Fabian Fanton, Solutions Engineer at Backbase highlighted how a bank, especially with a good engagement platform, can support banking customers from achieving their financial dreams and well-being to saving up for further dreams to getting a loan because a customer may need extra liquidity or maybe deferring loan payments.

Lending modernisation is said to be a complex and challenging exercise. However, the most successful financial institutions on this journey are those with a particularly clear view of what they need to deliver to achieve their strategic goals and how they plan to do so.

Banque Saudi Fransi's Digital Journey
David Horton, Head of Digital Banking

Banque Saudi Fransi (BSF) gave an insight into the lender's digital transformation journey from mobile and Internet banking to ATM self-service and the call centre – a transition that is being anchored by Backbase.

"BSF management recognised the need for transformation over the past couple of years and the bank was operating a legacy system, which made it obvious that if we want scalability and agility, we need to sort of make some investments," said Horton.

The Saudi lender embarked on a bank-wide digital transformation, which involved much more than just the digital channels, but also core banking, middleware and the bank's entire technology stack. BSF seeks to be a digital platform that allows the bank to compete on a regional and global while being agile and innovative – and the journey is expected to be completed in three to five years.

"From a digital sales perspective, Banque Saudi Fransi seeks to have a platform that allows customers to have a seamless experience," added Horton.

On digital transformation challenges, Horton said with a transformation programme of this magnitude, there are multiple programmes already running within the banking system and each is competing to be

priority number one and that usually adds an element of planning where programmes and resources will be shared among other things.

Furthermore, with a country that is undergoing a rapid transformation like Saudi Arabia, new requirements pop up out of nowhere. Hence, what a bank or company initially planned to implement may be changed shortly afterwards.

"As the operating landscape changes, an organisation needs to be agile, adaptable and be able to reprioritise and replan your programme," Horton said, adding that is a constant challenge for banks.

BSF seeks to have a single platform that allows the bank to offer its tech-savvy customers an intuitive and seamless user experience.

Business Banking (SME Banking)

The success of Saudi Arabia's small businesses is being fuelled by a robust financial services sector and wide-ranging government-dedicated support initiatives such as the launch of the SME Bank in 2021.

Jarno van Hurne, VP Product and Head of Business Banking at Backbase said more than 80% of SMEs are not satisfied with the services that banks provide, meaning four out of five small businesses are not satisfied with their banks. "We are failing them and they are taking their business elsewhere," he said.

There is a huge ecosystem arising around business banking customers as payment providers such as Block, Stripe and PayPal are transitioning from dominating the payment space into providing entire banking services – pulling business customers into their ecosystem.

Furthermore, accounting platforms and e-commerce platforms are also moving beyond bookkeeping to provide checking accounts and deposits. Van Hurne said all these players are competing with the banking sector, moving into the financial services sector and taking customers away from incumbents.

"The opportunity lies in modernising your business proposition, making sure that you can differentiate your bank and moving

into providing a completing advantage," said Van Hurne.

Small businesses are an integral part of the kingdom's economic diversification strategy, making the sector an important driver of sustainable growth.

"Small businesses are the backbone of the global economy. We all depend on SMEs for most of our daily requirements from the local bookstore to the local florist to the bike shop on the roadside," Van Hurne said, adding that small businesses are responsible for more than 50 per cent of global employment as well.

and assistance, which includes proactive business advice.

The trend also has an impact on their interactions with banks as most startups in Saudi Arabia have increased their use of digital banking services.

Van Hurne urged a paradigm shift for business customers while re-architect banking around business customers. The Backbase Engagement Banking Platform provides business banking as well. The one platform delivers all of this across every step of that life cycle for both customers as well as employees.

“BigTech and fintech firms are now putting extreme pressure onto this retail banking ecosystem, they are disrupting the status quo to become the preferred financial app. They want to own that customer experience and to increase engagement and stickiness”

- Rachael Lord

Digital transformation in the banking sector is hardly a new trend, but it has increased dramatically over the years. Small businesses are turning to more digital business models, leveraging e-commerce, digital payments and marketplace platforms to drive sales.

Backbase's Van Hurne said a bank should be a one-stop shop for businesses and financial institutions should provide SMEs with all their funding needs. Banks should not only stop at financing SMEs but should help across every step of small businesses' cycle from starting the business to growing the business as well as providing lending services

"This is what banks want to do, they want to provide one consolidated picture across the entire customer life cycle," Van Hurne said, adding that small businesses do not want a tiresome process to come to a branch or send documents that they have to OCR scan.

Elyes Ben Rayana, Board Member of Banque Internationale Arabe de Tunisie (BAIT), gave an insight into how digital transformation turned around the bank from being non-profitable with a 6 per cent return on equity (ROE) to 20 per cent ROE currently.

Ben Rayana said as a leading bank in Tunisia's financial service sector, BAIT strives to offer its customers an unmatched ►



digital experience. He highlighted that to reinvent the customer experience, the bank has been working with Backbase extensively on its digital transformation journey and customers are central to this strategy.

Engagement Banking

Banking customers' lifestyle habits are increasingly motivated and directed by the speed and simplicity of digital services that are at their disposal; the same is true of how they want to bank. However, some financial institutions lack an interpretation of what matters to their customers and what drives engagement.

Pleiter said in the next five years, banking will be focused on creating tailored value propositions for different customer segments. "Each of these segments have specific financial requirements and have unique lives thus banks' services and products need to be matched to the customer needs," he said.

Traditional banks have an opportunity to meet customers' unique banking requirements through open banking, ecosystems and collaborations with fintech firms to create value-added services that go beyond banking. Products from ecosystems

can be combined with internal services and products into a relevant bundle that addresses a customer's banking needs.

The relationship between banks and their customers has transformed significantly in the recent past and for banks that strive to be market leaders, integrating core personalisation elements across the range of touchpoints will be critical to delivering a superior experience and better outcomes.

Pleiter said top of bundles, banks can leverage data and artificial intelligence (AI) to provide robo-advisory service - which is fully automated but on top of that, financial institutions can utilise that for cross-selling/up-selling to provide customers additional financial products.

Banks must take an entirely new approach to innovation to craft and deliver intelligent propositions. While giving an example of Saudi Arabia's demographics, Pleiter said different banking customer segments - from students to expats to established families to SMEs and high-net-worth individuals (HNWI) - are being serviced on one platform.

"Instead of having a one-size-fits-all app, banks can leverage a master application, a super app that will be populated with

exactly the right internal and ecosystem products that are tailored to unique micro-segments," said Pleiter.

He highlighted that in the platform, banks aggregate all the data from customers collected from internal data sources and external data sources. However, beneath the platform or inside the platform, there's this incredible data lake where banks can leverage algorithms to drive financial wellness, give personal advice, advance customer profiles and micro-segmentation and analyse behavioural patterns.

In closing, Pleiter highlighted that customers are not equal and the profit profile of each customer differs from one bank to the other - the engagement model. Banks need to utilise a four-layered delivery model in the engagement model. The first layer is automated, the second layer is self-service, the third is assisted and finally value capabilities.

The Backbase platform, not only helps banks to drive customer engagement according to a micro-segment, but also the engagement model - how banks can cost-efficiently allocate talent and resources directly to the right customer segment.

Leveraging Digital Transformation

Digital transformation in the financial service sector is rapidly changing the way we bank.

When it comes to digital transformations, the financial services sector has one of the highest success rates second only to the technology, media, and telecommunications sector. However, experts say six out of ten financial services companies still fail to achieve their transformation goals.

In his insightful presentation, Mayur Vichare, Director of Strategy and Value Consulting at Backbase, gave insight on how banks can construct a roadmap that gives them the fastest time to value, from building a business case to measuring ROI.

Vichare said Backbase's value consulting division serves to help financial institutions to build innovative business models, business plans, and business cases while re-examining their value propositions. He highlighted that the need for innovation and digital transformation

in the financial services sector is clear and understood but the link to business value is missing.

“But why does this happen?” Vichare asked. Financial institutions’ digital initiatives are failing to boost the bottom line due to disconnected strategies. “Business strategies and the implementation strategies are disconnected,” Vichare said.

According to Backbase, there are three key ingredients to maximise the value of digital transformation in the banking sector and these include the mindset - project mindset and product mindset, framing the right problem – most banks are not aware of the problem they want to solve with innovation and finally the bank’s ability to go beyond slide decks.

Vichare concurred with Lord that banks’ and financial institutions’ revenue streams are getting dented as Big Techs, neobanks, lending platforms and telcos are eating up their revenue streams. Therefore, it is paramount for banks to revisit their value propositions, assess their capabilities, build a data-driven business case and connect that to a road map.



A Winning Combination – Backbase & Microsoft

To re-architect banking around the customer, financial institutions must simultaneously modernise several layers of legacy technology and operations.

the company work with different players in the market to drive innovation.

Yilmaz said the most striking trend has been the customer transformation while noting that Backbase is a valuable partner in that space, thanks to the company’s engagement component that bolsters business and digital transformation pillars.

On a foundational level, Jeroen Unger, Senior Manager of Ecosystems at Backbase said over the past 12 months, the company has made its platform available on Microsoft Azure and Microsoft Teams so that it can be hosted in a private cloud – local hosting.

The combined value proposition of Backbase’s Engagement Banking Platform on Microsoft Cloud for Financial Services offers a complete industrialised stack of pre-integrated capabilities that address banks’ critical requirements for effectively executing their digital transformation.

To deliver value with technology, Yilmaz said Microsoft consider the distinctions of each industry separately. In the banking sector, the technology company focuses on four key industry priority scenarios – seamless onboarding of new customers, enhance employee productivity - internal customers, modernisation of core systems and payments platforms and risk management and compliance.

“From a digital sales perspective, Banque Saudi Fransi seeks to have a platform that allows customers to have a seamless experience”

- David Horton

Most banks in Saudi Arabia have recognised that platforms are the lynchpin to success in the digital age and ecosystems are coalescing around customer pain points and value propositions. Engagement banking platform provider, Backbase helps banks craft the seamless user journeys that their customers and members demand.

Backbase partnered with Microsoft to support financial institutions in their engagement banking journey with the first fully integrated financial services cloud stack.

Asked how Microsoft delivers business and digital transformation, Yasar Yilmaz, Director, FSI, Middle East at Microsoft said as a hyper-scale cloud platform provider,



Unger concurred with Yilmaz on risk management, saying Microsoft automate IT compliance ensuring that businesses and banks are in control and where you are not in control, the company helps institutions to improve their compliance.

On assisted by employee as a vision, Yilmaz said in financial services and products such as lending, loan origination is a process that starts from the branch, from the customer or the digital channel, but there is an element where it comes back and starts incorporating the bank employee.

“The collaboration is bringing these two worlds together in terms of Microsoft focusing on assisting banks’ employees while Backbase’s focus on the customer experience covers complex processes on an end-to-end basis,” he said.

Backbase stepped up its partnership with Microsoft in 2022 by bringing the Engagement Banking Platform to Microsoft Azure Marketplace. “With the end goal in mind, we leverage the power of all the horizontal services Microsoft already has with all the specific customer-facing solutions that Backbase offers, perfectly complementing the two technology companies,” Unger said, adding that the two companies are making it real through their strategic collaboration.

He said the Backbase Engagement Banking Platform delivers four as a service business models such as connectivity as a service, fintech as a service, data as a service and cloud as a service. On the cloud, Yilmaz said the cloud is being utilised in almost every industry, but each sector has its nuances.

Managing customer master data is super critical in the financial services sector as companies such as Backbase leverages customer data to give personalised solutions. Microsoft thought of creating a cloud platform

that accelerates time to value for its customers and in doing so, the company came up with Microsoft Cloud for financial services.

Microsoft gives Backbase the building blocks and the engagement banking solutions provider is extend that foundation with its connected customer experience.

Digitalisation in the Banking Sector

Banking customers are moving to digital channels faster than they have in the past and financial institutions have every reason to get their digital transformations right.

James Ransome, Digital Transformation Director at Backbase gave an insight into the winning formula that helps financial institutions get some predictability in their digital transformation execution strategy.

Ransome said digital transformation ‘is not easy’ as the statistics show that only 30% of digital strategies are succeeding but that does not mean that the remaining 70% of transformation journeys are cancelled worldwide.

Globally, only 30% of digital transformation strategies are achieving value within the prescribed time frame. Ransome said there are five key ingredients in the formula for successful digital transformation and these range from having a laser focus on value to securing and sustaining executive commitments to selecting a technology platform that allows adoption as a default.

“The new paradigm is all about architecting banking around your customer. The new model simplifies banking by transitioning from vertical silos into horizontal and from multiple-point solutions into a single platform that orchestrates everything a customer would require”

- Jouk Pleiter

Backbase offers banks the opportunity to adopt already configured customer and employee turnkey journeys to accelerate financial institutions' transformation programme. Ransome said among the greatest benefits that come with leveraging a microservice-enabled engagement banking platform is the ability to apply the principle of build once, use many.

This approach means banks are minimising duplication by maximising reusability, which means that in turn reduces implementation cost and time to market.

The business sponsor of a transformation strategy should ultimately hold accountability for the functional requirements to be delivered in the transformation programme, Ransome said, adding that this means that it is not the programme lead who holds that role, which is often the practice in the banking sector.

Moving on to the product owner, Ransome said the person in charge of the product should intimately be aligned with their business sponsor and should be involved full-time in the programme.

Ransome noted that the number of times he has been involved in digital transformations where a product owner is not aligned with the business sponsor and who is half-time on the programme is unbelievable – this is one of the key challenges facing most banks.

The product owner has the mandate to make decisions on behalf of the business sponsor to reduce the risk of digital transformation bottlenecks.

So, this person should have the mandate also to make decisions on behalf of the business sponsor to reduce the risk of those bottlenecks.

Digital transformation in Saudi Arabia's financial service sector continues swiftly, with electronic payments accounting for 62% of transactions in the country's retail sector in 2022, exceeding the 60% target set out in Vision 2030's Financial Sector Development Programme ahead of schedule.

The growth in the digital payments sector is perhaps evidence of what successful digital transformations in the financial service sector can deliver.



Banking Leadership

The universal operating model is unsustainable, and it is not viable for banks in the long term. To thrive, Saudi banks are reinventing themselves, focusing on businesses where they can achieve and extend market leadership in the digital age.

Moderated by Martin Blechta, Principal BCG, the Banking Leadership Panel highlighted how banks across the Middle East are future-proofing their operating models with exceptional, customer-first journeys. The discussion had the participation of Abdelrahman Ahmed, Chief Strategy Transformation Officer, Arab National Bank (ANB); David Horton, Head of Digital Banking Banque Saudi Fransi; Elyes Ben Rayana, Board member, BIAT and Johan Ronnqvist - Regional Sales Director, MENA at Thought Machine.

Blechta said the regulator in Saudi Arabia is very supportive of empowering digital innovation in the financial services market. Saudi Arabia introduced the digital banking license framework a couple of years ago and to date, there are three licenced banks in the kingdom. Three non-Saudi banks are also considering launching digital-exclusive banks in the country.

Asked about ANB's digital transformation journey and how it fits in the overall bank's strategy, Ahmed said banks must define

their digital ambitions to ensure that they fully align with their business strategy.

“Essentially, at ANB we have an overarching five-year strategy that defines the bank's key priorities over the coming years across all business lines from retail banking to wholesale banking – focused on corporate and SMEs clients' banking requirements,” he said.

On customer experience improvements that BAIT has made over the years, Rayana said the first direction is to try to work in an open finance and ecosystem model while testing innovative products that fintech firms are bringing to the market. For example, BAIT introduced the electronic Know Your Customer (eKYC) to increase the bank's conversion rate while offering a smooth, comfortable and simple experience to clients.

Rayana said BAIT is also improving and helping customers to access more services via the mobile app including money transfers and bill payments by integrating with third parties and fintech firms.

On reimagining customer journeys, Horton said BSF has reimagined each part of the customer journey including the bank's revamped mobile application. “From the transactional side, for existing customers who log into mobile banking or use Internet banking, we tried to make it simplified as



much as possible, taking out some of the banking jargon to deliver more intuitive service,” Horton added.

BSF has simplified every part of the customer journey including how to reset mobile app passwords when locked out because not only does it create a little bit of anxiety with customers, but it also increases the bank’s operating costs. “We do not want people in the call centre spending time doing this if we build a journey for the customer,” said Horton.

Highlighting the must-haves that are crucial for a successful digital transformation journey, Thought Machine’s Ronnqvist said the key ingredients of a successful digital strategy range from cultivating a culture of innovation to working with the right technology partners and being receptive to change – with innovation, change is inevitable.

“Getting all stakeholders and executives behind a bank’s digital transformation drives the culture of innovation and change,” Ronnqvist said, adding that this is a key ingredient.

Globally, though traditional banks are aware of the need to transform, most are still struggling with how. Banking transformation experts believe rethinking ideation and investment, keeping humans at the centre and re-evaluating performance monitoring will dramatically improve digitalisation outcomes.

Maximising Transformation Budget

Preparing to compete effectively in digital banking is only the latest wave of disruptions that incumbents have had to deal with in recent years.

In today’s digital-first operating environment, traditional banks with aspirations of becoming champions of digital banking will have to efficiently allocate their finite resources to areas of spend with the highest impact and ROI. Peter-Jan van de Venn, VP of Global Digital Banking at Mubiquity gave a presentation on how a bank can maximise digital transformation budget for true differentiation.

Together with Backbase, Mubiquity helped Bank ABC build Ila Bank in Bahrain. Van de Venn said the process of launching a new challenger bank involves understanding the customers first and adopting innovative technology comes second. To ensure that banks allocate as much of the transformation budget to a true differentiation, financial institutions should build a foundational scope first, approach competition with the right tooling, leverage the capabilities offered by vendors like Backbase with an out-of-the-box approach and finally move into differentiation.

Globally, traditional banks are spending a bigger chunk of their IT budgets on maintaining legacy systems, which experts say hinders CIOs’ capacity to invest in innovation and revenue-generating activities. Digital transformation has become essential for banks to future-proof their business model and improve the customer and employee experience, operational efficiency, and business economics. ■