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## Key Trends in Retail Banking for APAC

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# Executive summary

It is a challenging time for Retail Banks who have only now started to recover from the aftermath of the pandemic and are now facing an economic crisis. Russia-Ukraine conflict has resulted in an unprecedented rise in inflation and tightening of monetary policy across the world with a potential for a mild recession or stagflation.

A new global economic order seems imminent and innovation has to be a critical component in the strategy for the banking industry. Innovation here not only means creating the 'next big thing' but also means modifying products, services or processes which create value.

In the last couple of years, banks were forced to introduce branchless banking and digital payments on a mass scale, paving an era of digitization. These changes also create a number of opportunities in the banking sector. Building new business models, deploying the latest technologies, and becoming a customer-focused organization should be the objectives of every financial institution as they step foot into a new year. Banks have also realized that a monolithic system is a thing of the past, and the new mantra is to go for the best-of-breed solution for each of their needs. This demands that the core-banking should be modular which allows the bank to change components easily in 'plug and play' manner in a cloud environment.

This white paper aims to share with you some of our insights on the top FIVE retail banking trends likely to be adopted by financial Institutions in APAC.

# 1

## Embedded Finance

We see the integration of financial services into traditionally non-financial services growing day by day. A few years ago, there was a ride sharing app that started off providing alternatives to taxis. In a short time we see them adding insurance into the rides and continuing to add more embedded finance / banking capabilities to an extent that they have a wallet and even offer loans from the same app now.

Embedded banking bridges the gap between financial services and end consumers and makes access to financial services faster and hassle-free manner without going to the bank. According to a recent survey by OpenPayd, 70% of brands are expected to launch embedded financial services within the next two years. Nowadays, the customer wants to stay within the app during the entire operation and this is one of the biggest reasons why there are so many takers for the embedded financial services.

# 2

## Shift to the Cloud

A 2020 IBM Banking survey says that only 9% of critical banking workloads have been shifted to the cloud. This is because of a lot of anxiety surrounding security, governance, data control, and risks. But the situation has changed in last couple of years and now we see most of the banks are aligning to the cloud first approach.

Legacy technology is not only challenging to upgrade regularly but also costly to maintain. The customer experience even after so much effort may be sub-par. Even newer / smaller players can make use of the technology available today to propel themselves forward and be at par with the big players. Cloud computing solutions will improve the speed of operations as well as increase the capacity to scale. They also increase the productivity of employees. Majority of businesses covered in a recent survey<sup>1</sup> have seen operational improvements within the first few months of adopting the technology.

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<sup>1</sup> Cloud Computing Statistics 2022 - SaaSwothy Blog

# 3

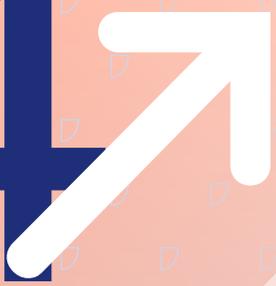


## Experiential Banking

A Capgemini Research Institute report says that 73% of banks are planning to launch new initiatives around data ecosystems during 2022-2024. During the pandemic customers became increasingly digital and connected and now expect a hyper-personalized customer experience. As a next step the customer is looking for lifestyle and contextual experiences.

Industry experts and academics from more than 12 markets who were surveyed indicated that 40% of these banks will invest more than 50 million USD annually on data-related initiatives. Today banks have a lot of data but this data is not used efficiently and effectively. Banks need to look at data more closely to create experiential customer journeys and find opportunities to effectively leverage this data. This calls for moving to an agile approach and utilizing a variety of technologies like AI, machine learning, analytics etc. The technology stack needs to be simplified and based on modern microservices.

# 4



## Banking-as-a-service (BaaS) approach

Banking licenses are a rare commodity as central banks only offer them after multiple rounds of screening and ensuring prerequisites are met. For smaller banking players as well as non banking players this has virtually closed their gates to enter into the financial services domain. This situation calls for a need to provide end-to-end financial services over the web a.k.a Banking-as-a-service (BaaS). In BaaS, licensed banks integrate their digital banking services into the products of non-banking services. A few examples can be a travel company offering one-click loans to customers for their vacation to ensure uninterrupted travel plans and a better customer experience. Another can be a merchant offering customers a Buy Now, Pay Later options where the customer can choose their payment schedule upfront and an app can help them keep track of these monthly EMI payments.

BaaS essentially creates new revenue models for banks by leveraging their existing investments.

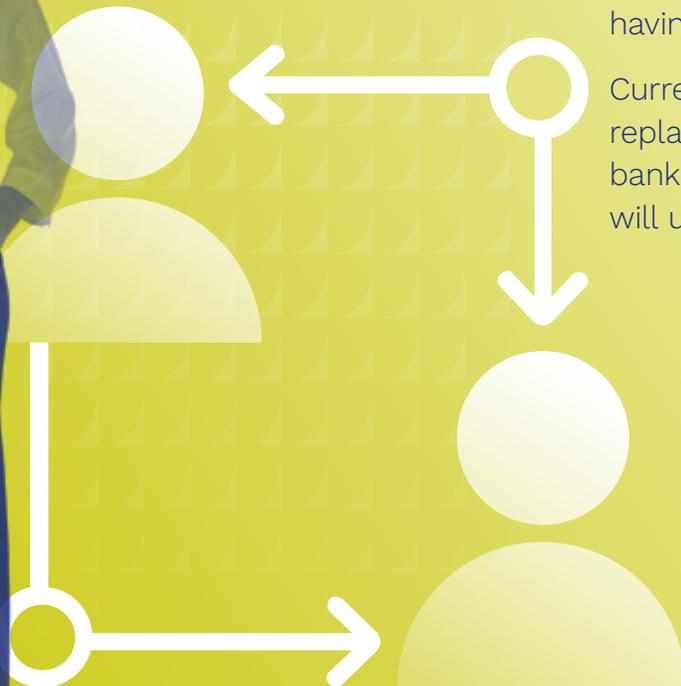
BaaS should not be confused with Embedded finance as it is broader in scope. Every embedded finance solution is based on BaaS, but BaaS covers much more than just embedded finance.

# 5

## Personal interactions

After the pandemic the customer are looking for more human interactions. Personalized and digital self-services are a good step forward but they need to be blended with a human touch. For today's consumer, having virtual assistance is preferable but for certain needs they may want to talk to an actual human being. For example, one may be ok for a robo-advisory in general but would like to have an personal banker to talk to for certain investment needs without having to be upgraded as a privileged banking customer

Currently technology does take care of most customers needs but it cannot replace personal service.. However, Technology can work hand in hand with the bank's staff to offer a more personalized and humane service and this is what will ultimately set banks apart from their competitors.



## Author



**Ravi Bhutra**

Principal Solutions Consultant,  
Temenos

Ravi Bhutra is a Principal Solutions Consultant at Temenos APAC and the Retail Banking domain lead globally. He is based in Singapore. Prior to this, he has worked extensively in the Banking Sector, with a decade of hands-on experience in Branch Management, Relationship Management, Front Office, Retail Operations, AML, Compliance and Trade Finance. He moved to Presales over 18 years ago and has been with leading core banking providers globally for channels, retail and corporate banking, as well as wealth management.

## About Temenos

Temenos (SIX: TEMN) is the world's leading open platform for composable banking, creating opportunities for over 1.2 billion people around the world every day. We serve two-thirds of the world's top 1,000 banks and 70+ challenger banks in 150+ countries by helping them build new banking services and state-of-the-art customer experiences. The Temenos open platform helps our top-performing clients achieve return on equity three times the industry average and cost-to-income ratios half the industry average.

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