Retail & Business Banking Trends

How banks can deepen relationships and turn digital investment into growth

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From digital banking to deeper customer relationships

Retail and business banking is entering a new phase of competition. Customers have more choice, expectations for personalization are rising, and AI is creating new possibilities for how banks serve, support and engage.

Research shows the relationship is increasingly shaped by a combination of factors, including payments, fraud protection, value, personalization and digital experience. A quarter of consumers have recently considered switching their primary bank, increasing the pressure on banks to give customers compelling reasons to stay[1].

At the same time, advances in data and AI[2] are creating opportunities to make banking more relevant and responsive. Banks can recognize customer needs earlier, tailor products and pricing more effectively, combine digital convenience with human advice, and develop new propositions around loyalty and connected financial services.

The opportunity is to bring these capabilities together to build stronger, more valuable relationships. Banks that can combine relevant products and experiences with intelligence, trust and human support will be better positioned to deepen relationships and capture a greater share of customer value.

[1]The Banking Expectation Gap – Global Edition - Temenos and Celent
[2]Explore Technology trends shaping the future of banking

Capitalizing on digital banking beyond customer experience

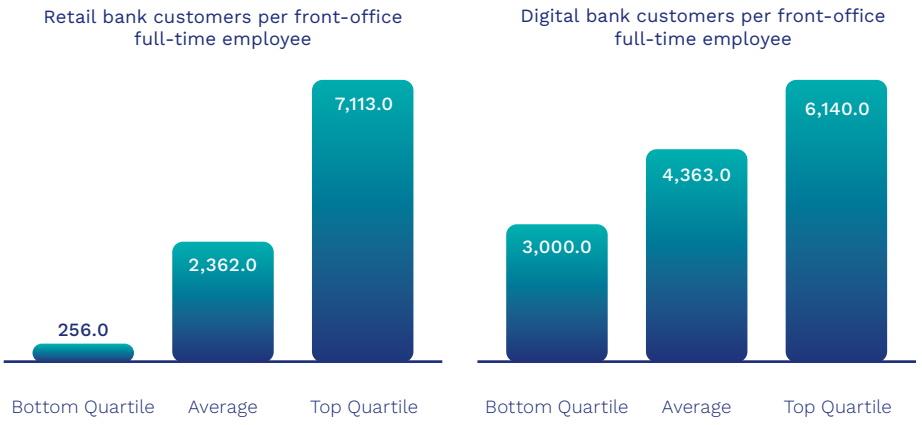
Banks have been investing in digital experiences for over a decade to provide more intuitive and secure platforms that resonate with customers. While this has enhanced engagement and trust, they are now focusing on moving from *building* experiences to *capitalizing* on them.

Digital channels can unlock a range of growth opportunities, including more accurate next-best product recommendations, hyper-personalized offerings, and product innovation shaped by customer behavior analysis. These help boost share of wallet and enable banks to cross-sell more effectively.

Data-driven insights are also strengthening customer relationships and reducing churn with "propensity to leave" models. For example, by identifying early warning signals like reduced engagement, banks can proactively contact customers with personalized support, leveraging "next-best interaction or product" models. This brings banking to a more human level, using data not just for efficiency, but to deliver empathy as well as reinforcement that human advisors are available.

To keep capitalizing, banks needs to maintain a focus on operational efficiency. Automation in areas such as onboarding and compliance checks are improving resource optimization and, ultimately, margins. Digital maturity also drives scalability. According to Temenos Value Benchmark data, there is a clear opportunity for the average retail bank to improve employee productivity through digitalization and support the move to monetization of digital experiences.

Digital banks achieve significantly higher front-office productivity than traditional banks



BAIN & COMPANY

A hybrid model for SMEs' digital future



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The future of small and mid-size enterprise (SME) banking isn't solely digital; it's hybrid, pairing robust digital capabilities with human advice. Digital offerings and transactions are important, but SME clients continue to value a human touch at pivotal moments. Winning models combine strong digital propositions with relationship managers (RMs) who orchestrate the full experience.

Although most banks already have core digital journeys in place, AI offers the next step-change to make those journeys smarter and more responsive for clients and RMs. Fragmented, manual processes can become end-to-end digital workflows that enable straight-through processing across onboarding, lending, payments, and investments.

But digital alone is not enough. SMEs want the flexibility to self-serve for straightforward tasks while accessing informed, proactive advice from RMs. In the most effective models, RMs are fully integrated into the client's digital journey. They have visibility into key client actions and use digital tools that enhance productivity and anticipate client needs.

Blending robust digital platforms with AI and RMs isn't about just adding a chatbot. The advantage comes as AI evolves from pilots into foundational layers embedded across workflows. The combination of speed through digital tools and trusted advice can help banks compete effectively with tech-only platforms.

At the same time, SME ecosystem competition is intensifying. As digital marketplaces and commerce platforms embed banking services into their offerings, lending risks becoming a commodity, which can weaken banks' relationships and reduce their influence with SME clients. Banks will need to make strategic decisions about where they can provide the right client services and when to double down on advisory moments when depth and trust are crucial.

For banks, digital transformation has become table stakes. But the differentiator is a hybrid operating model that embeds AI into core workflows and focuses RMs on moments of truth.

Hyper-personalization becomes the new battleground

If personalization has become the norm, hyper-personalization is now the differentiator. Yet there is still a significant gap between expectation and delivery. Celent[3] found that half of consumers rate their bank's ability to personalize products and services as no better than moderate. The opportunity is not simply to make marketing more targeted, but to use customer and relationship data to make products, pricing, guidance and interactions more relevant.

Hyper-personalization goes beyond the types of data typically used for personalization, such as demographics, by incorporating factors such as behavioral patterns and predictive insights to anticipate customer needs and swiftly offer relevant products or services. For example, a retail customer might open their banking app and receive a personalized investment suggestion based on recent spending trends and life stage indicators.

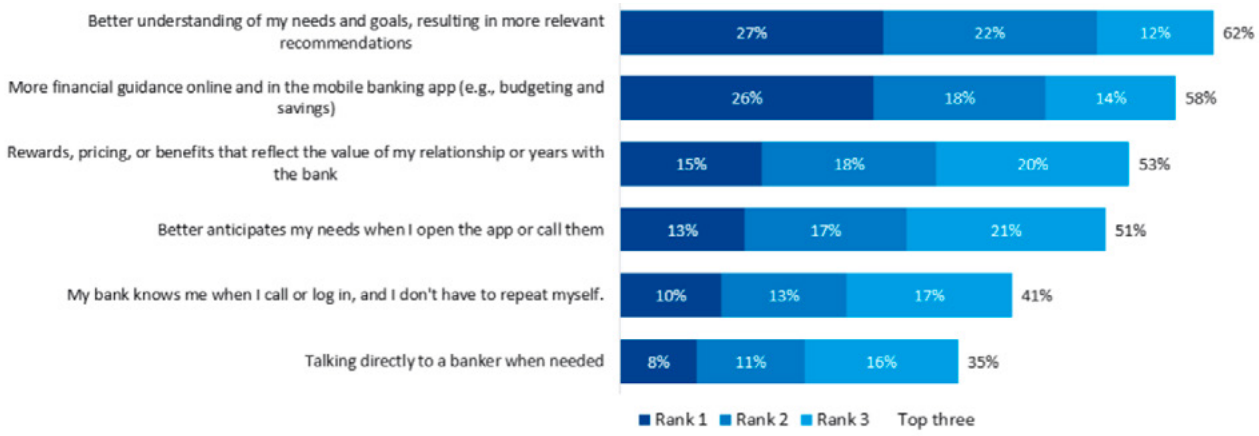
With the average product per customer at 2.59, hyper-personalization is an opportunity to boost product adoption and foster deeper customer relationships.

Hyper-personalization spans multiple touchpoints and beyond cross-selling is playing an increasing role in customer acquisition, retention, and dynamic experiences (real-time adaptation to customer activity).

Some banks are going as far as creating experiences for specific segments, such as restaurants within the SME sector. This could include AI-driven cash flow insights, highly personalized loyalty programs and partnerships with special offers on food delivery platforms – highlighting banking's evolution from a transactional-based service to one that is more holistic and purposeful to the customer.

Figure 20: Globally, customers want personalized experience and products

Q: How can your bank deliver a more personalized experience?



Source: Celent 2026 Global Consumer Survey June-July 2026; All global respondents outside North America

AI agents emerge as a new banking channel

As consumers become more comfortable using AI assistants, a new question is emerging for retail banks: what happens when the customer's AI agent is increasingly interacting with the bank, rather than the customer directly?

The shift is still at an early stage, but the foundations are beginning to take shape. Open banking already enables customers to share financial data with third parties, while emerging standards such as Model Context Protocol (MCP) could extend how AI assistants connect with banking services. Over time, this could create a more seamless relationship between customers' AI assistants and their banks.

For retail banks, this creates both an opportunity and a strategic challenge. Digital channels will remain important, but banks may increasingly need to serve customers across AI-driven channels they do not own. The priority will be to make banking services securely accessible to authorized agents while maintaining customer consent, control and trust.

Banks that get this right can extend their role beyond their own channels, combining trusted data, products and services with the convenience of emerging AI experiences. The question is not whether the banking app disappears, but how the bank remains central to the customer relationship as new ways of interacting emerge.

[3]The Banking Expectation Gap – Global Edition - Temenos and Celent

Driving loyalty with tiered banking experiences



The subscription economy has changed how consumers access goods and services, driven by a desire for convenience, value, and, for some, access over ownership. Advances in technology are accelerating this shift, making it easier and more compelling to buy services, extract insights into consumer needs and preferences, and deliver bespoke experiences.

Financial institutions are tapping into this trend by going further than their traditional rewards programs (such as cashback or earned points) and offering tiered, subscription-based experiences that provide exclusive features, personalized services, and bundled benefits for specific segments, such as frequent travelers or high-net-worth (HNW) individuals.

There are two main objectives behind this strategy: deepening engagement and loyalty by embedding banking into daily life, and establishing recurring revenue streams. Subscription models are also helping banks compete with digital challengers that have set new standards around convenience and already offer such subscriptions. Leveraging personalization, exclusivity and smooth digital user journeys, tiered banking subscriptions are helping banks to compete in an increasingly experience-driven market.

Connecting traditional banking with decentralized finance



As the financial system increasingly blends traditional finance with blockchain-based platforms, financial institutions are seeking interoperability across both. Banks are exploring controlled, secure ways to connect with DeFi protocols, tokenized assets, and stablecoin ecosystems in response to growing customer demand for faster settlement, programmable money, and 24/7 access to digital assets.

Rather than *competing* with DeFi, they are positioning themselves as *trusted gateways*, offering custody, on- and off-ramps, identity verification, and transaction monitoring.

DeFi's growing footprint is increasingly difficult to ignore, representing an estimated €78 billion or 4% of total market capitalization.[4] It is predicted that stablecoins, a core component of DeFi, could reach USD $500-700 billion in the next couple of years, with the Guiding and Establishing National Innovation for US Stablecoins Act (GENIUS Act), effective as of July 2025, providing a framework for adoption and issuance.[5]

Success in this space will require striking a balance between openness and control, with strong governance, risk management, and compliance. This includes AML, fraud prevention, and real-time monitoring across traditional and decentralized rails. Banks are also balancing innovation with ownership as they seek to capitalize on this trend while maintaining assets on their own balance sheet.

Those that invest in composable architecture, tokenization capabilities, and secure APIs will be best positioned to integrate DeFi.

[4] https://www.taylorwessing.com/en/interface/2025/regulating-cryptos/decentralised-finance-a-growing-but-grey-area
[5] https://www.jpmorgan.com/insights/global-research/currencies/stablecoins

What this means for banks

Digital banking has made banking easier and more accessible, but convenience alone is becoming less differentiated. The next opportunity is to use data, AI and modern banking technology to turn digital engagement into stronger relationships, greater customer value and sustainable growth.

Move from digital convenience to relationship value

Digital access is increasingly table stakes. Banks need to use digital capabilities not only to serve customers efficiently, but to deepen relationships through more relevant products, pricing, loyalty propositions and timely support. Digital investment should increasingly be judged by its impact on acquisition, retention, share of wallet and relationship depth.

Personalize the relationship, not just the experience

Personalization needs to go beyond better targeting, offers or dashboards. Banks have an opportunity to recognize the customer's wider relationship, anticipate their needs and deliver more relevant products, pricing and guidance across digital and human channels. This requires customer insight to connect with flexible product capabilities, not remain confined to the front-end experience.

Keep the human advantage

AI and automation can make banking faster and more relevant, but not every interaction should become self-service. Particularly for SMEs and customers with more complex needs, banks can differentiate by combining digital scale and intelligence with trusted human advice when it matters.

Talk to Temenos about these trends and what they mean for your bank.

Get in touch

Explore the Banking Technology Trends series



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Temenos Value Benchmark

The Temenos Value Benchmark is an industry-leading program that draws on insights from more than 200 banks and 100,000 data points to help financial institutions optimize their technology investments and improve profitability. As a customer value benchmarking and advisory service, it provides C-level banking executives with unique, data-driven insights into how technology can be leveraged more effectively to drive business value. In all graphs referenced in this report, quartiles are defined and sorted per metric.

Explore the program today

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About Temenos

Temenos (SIX: TEMN) is a global leader in banking technology. Through our market-leading core banking suite and best-in-class composable solutions, we are modernizing the banking industry. Banks of all sizes utilize our adaptable technology – deployed on-premises, in the cloud, or as SaaS – to deliver next-generation services and AI-enhanced experiences that elevate banking for their customers. Our mission is to create a world where people can live their best financial lives.

For more information, please visit www.temenos.com