



An Explorative Study on Digitalized Strategy for Banking

KEYWORDS

Digital Technology, Digital Services in Banking, Issues & Challenges

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ABSTRACT *The Today's world is Information Technology enables and the services offered by Various financial Institution becomes digitized. The purpose of this Research paper is regarding Digital Strategy "information" can be in any number of different forms, such as documents, images, music, or raw data. The process of creating or storing information in a digital format is called digitization, and there are two means by which information can become digital. Many businesses and individuals have been "travellers" along the digital journey without even knowing they were on the digital "caravan." There is huge difference in earliest banking experiences and Today's. Customers are become more and more technology friendly. Digital technology is the computer modem, which provides the means to digitally connect one computer to another over a telephone line, cable modem, wireless network, or wireless router. Digital technology then, is the infrastructure by which information is captured or converted to Digital format, and then transmitted, stored, shared, analyzed, or processed.*

Introduction

A basic working definition of "digital" is information that is created and/or stored in a format that computers can "understand. This explains why humans can express and understand such complex concepts as emotion, anxiety, perspective, etc. For example, humans have the ability to have feelings not just of sadness, but extreme sadness. For example of digital technology is the computer modem, which provides the means to digitally connect one computer to another over a telephone line, cable modem, wireless network, or wireless router. Digital technology then, is the infrastructure by which information is captured or converted to Digital format, and then transmitted, stored, shared, analyzed, or processed.

Digital Banking

Now with all of the talk these days about Digital Banking, it's important to note that banks have been using Digital technology since the early days of the commercial use of the computer. Banks have long used high-speed Digital check processing equipment that can process tens of thousands of checks per hour to update customers' account balances. In checking account transactions where a check is deposited into a different bank than where the checking account is housed, the settlement of this item becomes a Digital transaction because no physical cash is actually moved from one bank to the other. The banks electronically exchange bulk Digital files of all transactions via ACH (automated clearinghouse) to reconcile banks' customers' account balances. A similar process happens for loans, lines of credit, and credit cards. There is no physical cash that moves between a seller and a purchaser.

Creating a Digital Banking Strategy

Today, the new buzzword in business is "Digital Strategy". To illustrate this point, in a December 2014, Digital Banking research study published by Celent, Digital Business Strategy then can be defined as: "An enterprise-wide strategic initiative whereby the organization does a comprehensive inventory of its core business functions (e.g., Business Development, Product Development, Pricing, Positioning, Branding, Positioning, Marketing, Recruitment, Fulfillment, Customer Service, Regulatory, Compliance,

etc.) within the framework of the corporate strategy, to determine how and where Digital data and technology can be leveraged to achieve the organization's goals.

Accenture 2014
Digital Banking
Consumer Survey

www.accenture.com/
digitalbankingsurvey2014



What's the Value of Digital Data?

Converting or capturing data Digitally allows us (humans) to let computers process the data much more efficiently and faster than humans can, unhindered by the nuance of emotion, distractions, noise, fatigue, perception, etc. (think of these things as "analog" information).

- Digital data is highly portable in that it can be stored, transported, and shared with multiple users – regardless of geography much more quickly and efficiently, and less costly than if the data is stored as documents, hard copies, pictures, albums, etc.
- Digital data can be accessed from anywhere there is a way to connect a computer (or mobile computing device) to the data (broadband Internet, satellite, modem, Wi-Fi, cellular network).

American Express: Digital Strategy Success Stories

American Express is an established brick and mortar company that began as an express mail business in Buffalo, New York in 1850. American Express illustrative of an existing business leveraging Digital technology to grow its business – particularly for banks attempting to create their Digital strategies – is that the company has successfully accomplished this without a single branch This level of marketing sophistication, customer segmentation, and credit exposure; Today, American Express is the largest card issuer in the world based on purchase volume with card

sales accounting for approximately 24% of the total dollar volume of credit card transactions in the U.S. And it is the fourth largest card issuer in the world based on the number of cards it has personally in circulation. American Express still doesn't have a branch network for distribution.



Why All of the Interest in Digital Now?

Financial institutions and their customers have been engaging in Digital Banking for decades, which leads to the obvious question of why all of the interest now in digital banking. This can all be done electronically either with a credit/debit/prepaid card, through digital payments on the Internet, or with digital deposits customers maintain with non-banks to facilitate purchases (e.g., PayPal, Google wallet, Apple Pay, etc.). The new alternative lenders (Prosper.com, Lending Club, Biz2Credit, Lendio, Fundera, Rapid Advance, etc.) use investors' cash to fund their lending activities to customers via the Internet. Big data analytics is the process of collecting, organizing, and analyzing large data sets containing a variety of data types (hence the name big data) to uncover hidden patterns, unknown correlations, market trends, customer preferences, and other useful business information.

Now to apply Digital business concepts to banking, it's worth noting that Chris Skinner in his book *Digital Banking*, asserts that "As a digital business, all banking can be broken down into pure bits and bytes, but more than that, a bank can be seen as three digital businesses in one. It is a manufacturer of products, a processor of transactions, and a retailer of services." Based on this premise, banks must begin to understand the shifting expectations of their customers, and develop strategies to meet – and exceed those expectations in an increasingly Digital world.

Another useful concept to consider, as it relates to devel-

oping a Digital Strategy, is "Buyology." Buyology, as defined in Martin Lindstrom's 2008 bestselling book *Buyology: The Truth and Lies About Why We Buy*, is a term that describes the process of analyzing the factors that influence buyers' decisions in a world cluttered with messages such as advertisements, slogans, jingles, and celebrity endorsements. From a business perspective, this means understanding the core reasons why people buy, and creating opportunities to repeat that buying behavior again and again.

Understanding the Impact of Mobile Devices and Social Media on Digital Strategy

In our new digital age, customer interactions range from walking into a storefront to transact business, to simply launching an app on a mobile device to make a purchase. To further illustrate the impact of Digital business and the Internet, consider that according to a Comcast 2014 Internet usage study, 86.75% of individuals in the United States use the Internet. And of this amount, Pew Research, in its January 2014, *Social Networking Fact Sheet*, reported that 74% of online adults use social media. Mobile devices have significantly contributed to the penetration and usage of social media. Instead of having to log onto a computer at home to check email or to view social network content, users can access this information on their smart phones.

Considering that 74% of online adults use social media, this communication format has the potential to provide up-to-date and inexpensive access to customer opinions about your organization, the banking industry, which products and services customers want, what customers don't like about their banking experiences, etc. But banks must be careful, because social media today is still largely unregulated. And many an individual or company has found himself/itself in damage control mode over a negative posting of a customer interaction that went viral, causing considerable harm to a company's brand.

For example, American Express has 3 million Facebook Likes and around 20,000 people engaging with it at any moment; its launch of Small Business Saturdays generated one million fans in three weeks. Nevertheless, the majority of today's population are now digital natives — they grew up with computers, and more to the point, Smartphones. In fact, most children can operate a tablet before they can tie their shoes.

Issues, Considerations, and Challenges to Implementing a Digital Strategy

Data Security: One of the top priorities for any Digital strategy will be to ensure the security of the data. With so much customer information stored in a Digital format, all of the benefits of Digital data (portability, easily transported from place to place, easily shared with multiple individuals, etc.) can quickly become huge liabilities for the organization.

Digital Strategy is an Enterprise Initiative: To implement your bank's Digital Strategy, remember that it must be an enterprise-wide strategic initiative whereby the organization does a comprehensive inventory of its core business functions (e.g., Business Development, Products, Pricing, Positioning, Marketing, Recruitment, Fulfillment, Customer Service, etc.) within the framework of the corporate strategy, to determine how and where Digital technology can be leveraged to achieve the organization's goals.

Data Integration: In order to leverage the kind of 360°

customer insight that Amazon and American Express are able to use so effectively, a concerted effort will need to be made to aggregate all of the customer data on hand – along with additional data that will need to be gathered from other sources – to provide the raw data on existing customers and prospects. Then this data will need to be analyzed to predict customers' buying habits and preferences so the bank will know which products/services to sell, and the most effective means by which to interact with customers.

Partnerships with Digital Data Merchants: Banks already have troves of Digital information on their existing customers' interactions with them, and to an extent they also have information on the customers' interactions with other financial services providers by analyzing the Digital payments coming from the customers' deposit accounts and/or by analyzing the source of payoffs of current loan and credit card obligations.

Conclusion

Customers have the ability to significantly damage an organization's reputation from negative comments that go viral on social media. They also have the ability to quickly and easily use the Internet to shop around for the best deals. Customers are no longer willing to wait hours, days, or weeks for business transactions to come to fruition. As such, banks need to develop Digital Strategies to enable their customers and prospects to do as many core banking functions as possible online. If banks are still requiring individuals to come into the branch to open accounts, apply for credit cards and loans, enroll in on-line banking, change customer information on accounts, make deposits, transfer funds between accounts, close an account, etc., then they are behind the Digital curve. The technology to automate these functions already exists, and has been around for at least a decade.

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