

ARTICLE

API-BASED BANKING AND DIGITALIZATION

A new dawn for channel management?

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Once regarded as a technical interface, the humble API is now praised as a strategic business asset that must be taken seriously. Around the world, banks are awakening to the transformational potential of APIs as the core building block of open banking. Here we consider APIs in the context of channel development and facilitating an “opti-channel” customer experience.

APIs and the open banking framework

Application program interfaces (APIs) are not new, but the technologies supporting APIs are continually evolving. In other sectors, companies like Uber depend on APIs for their very existence to coordinate locations, exchange notifications with other fintech platforms and to process payments. In banking, APIs have become known as the main technology powering the global open banking movement.

Around the world, regulators have sought to make banking more open, innovative and competitive. APIs achieve this by giving customers access to their own data and allowing them to share it with authorized parties, for example, the inclusion of payment data in a shopping app to reduce friction and increase customer convenience. By allowing data to be exchanged and integrated in real time, APIs are a gamechanger for banks of all sizes. Why?

APIs empower banks to deliver products and services in context when customers need them. As well as integrating bank products into third-party apps and services, APIs allow banks to disaggregate the banking value chain. Traditionally, banks have been manufacturers and distributors of financial products which are delivered to the market through the bank's own network: branch, telephone, online and mobile. But API-based open banking allows banks to become manufacturers, distributors or both. All banks must decide which role(s) they wish to play in an expanding open financial ecosystem that's increasingly real time.

Open banking means customer-centric banking

Open banking aims to drive innovation in financial services to bring the industry in line with the rest of the sharing economy, where companies use APIs to exchange information, drive innovation and find new ways to create customer value. In parallel, many open banking initiatives drive innovation by encouraging new market entrants into the financial ecosystem. Around the world, new banking licenses have been granted to boost competition and innovation. These fintech newcomers offer a tech-first approach to banking and many are digital only banks.

The competitive advantage of nothing

From the perspective of incumbent banks, new banks are important because they start afresh, without the burden of legacy technology. But just as importantly, they are unburdened by outdated ways of working and can harness technology to put customers first. This contrasts starkly with traditional banking business processes that revolve around products and channels. With the threat of challengers looming, all incumbent banks must digitalize or face the dire consequences. What does this mean?

Digitalization – where banking meets technology

Although banks have always been heavy consumers of technology, it is often distributed in siloes. Digitalization puts the focus on deploying technology in ways that span the enterprise. In practice digitalization is about bridging the gap between the physical and digital to deliver a consistent, high-quality customer experience across all channels and devices.

With a unified approach, a bank can give customers what they want on any channel. While customer needs evolve over time, frictionless transactions with faster, fewer clicks and fast interactions are fundamental. Services can be fine-tuned and optimized to meet customers' exact needs. In practice, successful omnichannel banking is “opti-channel” engagement, because it empowers customers to enjoy an optimal banking experience in the channel of their choice.

As well as putting customers first, a unified digital platform offers benefits to banks themselves. The same digitalized platform enables technology and business processes to be streamlined to reduce costs, boost efficiency and become more competitive. This is essential to keep up with new market entrants, who often combine a lower cost structure with greater agility than traditional banks. However, with their strong balance sheets and loyal customers they have everything to play for. So where should they start?

Making a start

Digital transformation is a journey, not a destination. It does not have to happen all at once, and for practical reasons it cannot. Digital transformation must span both unassisted and assisted channels within the bank. Customers want to be able to self-serve, to access banking where and when they need to. But they may also want assistance, so providing a great experience must include both.

A digital transformation means the entire bank revolves around the customer. In effect, the customer is the principal channel and all others (assisted and unassisted) support the customer. With the right approach, digitalization can be progressive and benefit-driven to include:

Smooth, engaging customer journeys from initial engagement, account opening/onboarding through to servicing and maintenance. Journeys may start on any channel and continue on another – customers must be able to exit and pick up where they left off.

A data-driven approach to service delivery. Modern technologies, such as artificial intelligence (AI), machine learning (ML) and advanced analytics can eliminate guesswork and shorten the distance between a bank and its customers. As a data-driven organization with a single platform sustaining all channels, every customer interaction becomes a chance to learn more about what customers want and an opportunity to fine-tune bank products and services.

Mass customization. With an integrated approach, all customer needs are served in the same way without having to replicate processes across individual channel applications. In addition, engagement can be personalized with additional services, such as financial wellness and personal financial management as part of the customer journey. A standardized approach keeps costs down while maintaining flexibility to optimize each application.

Low code Development. Delivering a great customer experience requires ongoing commitment and persistence. What looks great today is table stakes tomorrow, so banks need methods that are agile and pragmatic to turn great ideas into applications. The only sustainable way to deliver this is with an architecture that combines high engagement design process and low code development for rapid delivery.

Why open APIs are key

The ideal solution must support innovation and fintech approach while meshing seamlessly with the bank's core. APIs play a crucial role, choreographing customer activity across all channels and devices in real time. They enable systems to be componentized and each component managed individually. With the right API strategy, a bank can be more proactive in its approach to channel management, to attract and retain customers and stand out from the competition.

A role for partners

Embarking on a digitalization journey is a lot easier with expert help. FIS has helped some of the world's top banks migrate from monolithic siloes toward a unified platform either in single step or as part of a progressive modernization.

FIS Digital One offers a digital heart for your bank, that's proven and core agnostic. Banks that choose Digital One can engage customers with a simplified user experience throughout their life journeys, resulting in deeper, longer lasting and more profitable customer relationships. With Digital One, you have the power to transform every customer interaction into a relationship-building opportunity, while showing them how banking should be – in every channel.

To learn more about how FIS Digital One can help you meet the unique challenges and opportunities of today's world, contact getinfo@fisglobal.com.

About FIS

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