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Bill Gates in 1997 said: “we need banking but we don’t need banks anymore”. Now this can happen because the playing field has been changed by a new generation of companies that have torn the rulebook to pieces, adopting new technologies, new working practices, serving the customer by their mobile. The shift in consumer behavior challenges the retail banking model of the incumbents. The traditional banks find it difficult to keep pace with change. They are hamstrung by legacies of technology processes and of way of thinking.

The drivers of change are: technology, consumer behavior, market competition and the very low cost of production and distribution. New competitors can achieve tremendous scale in no time with personalized and constantly adapting services. Every aspect of the banking industry can be unbundled and targeted by a range of venture capital-backed technology companies with a very strong focus on customers.

The newcomers: disrupt the lending process by using P2P processes and smart software; instant credit decisions based on social media as well as traditional credit scores; help people to save by automatically analyzing of spending and depositing the surplus into saving accounts; offer online management tools and portfolio construction; simplify the payments with digital wallets, P2P payments (Payal, Apple Pay, etc.), transfer immediately money internationally. Bitcoin disrupts the money itself and could radically alter the way the financial transaction are carried out.

These scenarios are already under way: the incumbents are becoming displaced by superior customer experiences and prices, diminished in their business model, relegated to utility and disintermediated by software businesses and new technologies firms.

There are many very smart individuals in the banks who are clearly aware of the changes that are coming, but they struggle to impact in the critical components of the old technology (years of changes and complexities of diverse products, markets and channels leave the platform creaking), culture (they are hard-wired and cannot think like start-up) and people (averse culture, bureaucracy and traditional approach to change). A standalone organization (Beta bank) with a design-focused, digital natives leadership and a separate headquarter offer the opportunity of to rethink the bank from the ground up. Speed is a competitive advantage, while design and consumer experience are what differentiate it. It look beyond short-term profits, focusing on long- term goals. Its operating system is driven by Application Programming Interface-API.