Customer Centricity and Product Innovation in Banking

Stefan Vachkov - Prof. Dr.
University of Economics - Varna, Varna, Bulgaria
vachkov@ue-varna.bg

Abstract

The digital transformation of "classic" banks is impossible without a reassessment of their previous strategic priorities. To fit into the "new normal", they must adjust their business and operating models to dynamically changing customer needs and experiences - the most authoritative critical parameter for "manufacturing" and offering products/services. At the same time, however, product innovation in banking faces a number of obstacles.

Keywords: banks, product innovation, customer centricity, digitalization, customer experiences

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Introduction

Despite their wish to be "fast followers", many credit institutes direct their innovation activities primarily towards reduction of expenses. Thus, the new products play an insignificant role in the sales of those. Such a passive innovation strategy can be effective, if the functioning business models ensure their economic survival and development. And although the strong competition in the field of financial services does not guarantee bright prospects, today the business of most of them is positioned at the existing markets with the services existing there. Taking into consideration the lack of perspective on this unfavorable status-quo, the bank management undertake a comprehensive "therapy" for *digital transformation*, which includes flexible hyper-personalized relations with the clients from the front to the back office and „open" business processes for online interaction with them and the external partners.

1. Thesis statement

For decades the client centricity concept in the banking sector remained wishful thinking or (at best) is "materialized" in episodic marketing campaigns with doubtful success. Today, many force majeure events turn it into an imperative for radical change: the attractive offers of innovative competitors (neobanks, fintech companies, etc.), the coronavirus pandemic; the increasing energy and food prices; the rising interest rates; the escalating inflation; the increasing unemployment; military conflicts; geopolitical turmoil. All of them call for a new interpretation of the *client priorities*, among which the physical health and the emotional condition; the personal and the family safety; the state of the environment; the energy efficiency; the security of personal data; the desire for financial support; the origin of the product and the chances of development after its purchase; the convenience, the comfort and the quality of service, etc., stand out.

On this background, the banks are forced to refocus their attention from the long-favored product assortment to the status of the client's *financial health*.[1] First, because the financial success of the customers correlates with positive results (profits) for the banks. Second, a financially healthy client, to whom some banks offer preferential interest rates, can save more, make timely payments

[1] This complex category includes (Jain et al., 2022): a) the availability of sufficient liquidity to manage short-term expenses (financial security); b) protection against anticipated risks (financial sustainability); c) the ability to balance assets and liabilities (financial control); d) the ability to accumulate money to finance future goals (financial freedom). Sometimes financial health is identified with *financial well-being*, i.e. "the ability to make confident, well-informed decisions related to money, leading to financial security in both the short and the long term." This kind of financial well-being isn't just about being able to make and afford decisions about "life events"—like buying a new house, getting married, or saving for retirement. It is about seeing finances as a utility – a service that is constantly available to support our overall well-being, where we have sufficient confidence in our ability to spend, save and invest so that we can fully engage in our daily lives, work and the society as a whole" (Bedford, Bellens, 2020).

and regularly repay their bank loan obligations. Third, financially stable clients receive appropriate banking services (financial planning, budgeting, etc.), which makes them more actively engaged with their counterparties/(suppliers). Fourth, the customers in good financial health are more satisfied with the banking institution serving them, which can (other things being equal) "retain" them for a longer time under its assortment "umbrella".

2. Outlines of Analytical Design

The proposition that in today's turbulent times customers "dictate" the scope and the quality of banking sounds threatening to all credit institutions that make innovations "internally, in a vacuum, without talking to those who use the product" (Welu, 2021). It becomes clear that product innovations shall be a function of deeply understood, dynamically changing individual (physical, emotional, etc.) and business needs of customers and the ability to quickly and seamlessly deliver the products and services they need. In other words, production and supply of simple, clear and "tailor made" products should create *positive experiences* for them throughout the duration of the relationship with them. They are an authoritative criterion for assessment of customer loyalty, a multiplier/limiter of the business results and the "main battlefield" with the competition for a successful market positioning of the credit institution.

The "journey" of customers in the "realm of banking" shall be in accordance with the *main events* of their personal and professional life.[2] It is the "route" for delivering the *value proposition*[3] via various interactions with consumers at multiple "touchpoints", each of which represents peculiar "moments of truth".[4] Its precise "mapping", i.e. "breaking down" the processes of providing services into separate *episodes* provides greater clarity about the client's wishes from "the start to the end result". Each of them represents a different combination of *"hybrid" (digital and human) components* tuned to unique personal attitudes. Thus, the signals at the beginning, during and at the end of "the journeys" can be tracked and *the "break" points* that cause specific problems (delays and/or terminations) can be fixed. For this purpose, the credit institutions shall have the necessary volume of high-quality personalized *customer data*[5], whose advanced analyses facilitate the preparation of proactive recommendations in real time.[6]

[2] Such examples are training, specialization, marriage, purchase of a home, birth of a child, change of profession, place of work and residence, creation and/or inheritance of a company, excursion trips, retirement, etc. In comparison to the insurance industry, retail or fintech companies, banks are often unable to identify and respond to the changes in their customers' lives in real time and in a fully automated manner. It is argued that even in the middle term, traditional credit institutions will not be able to analyze and use the potential of the customers for cross- and up-selling. This reduces their competitiveness and threatens them with the loss of centuries-old businesses.

[3] The Value Proposition represents one, several or "packages" of products/services offered to a given customer segment and/or niche. This kind of "promised" benefit can be delivered, "discussed" and accepted by the clients only when its "content" influence their needs. Therefore, its formation is not only a marketing commitment, but also a part of the bank's business strategy.

[4] These can be *"wow"-moments* or *"bad episodes"*. The latter represent "pain points", for example: opening an account; entering passwords (user *authentication*); navigation showing the information architecture of the digital service; balance sheet review; performing and verifying transactions; payments (money transfers); providing feedback to the user; receiving notifications (e.g. for incoming payment, business and personal profiles, etc.); updating information in the customer profile; accessibility and connectivity of the service, etc.

[5] Financial institutions have different options for customers' data usage. "When we talk about connection with personalized communications, we need to be able to connect all behavior and interactions with clients. Irrespective of whether a customer calls your call center, goes to a mobile device, visits the website, or makes a physical bankcard transaction, we need to be able to match all data together. And this despite the fact that everything comes from different platforms at different speeds and with very different structures of the data. A customers' data platform can easily figure out how to connect these different data strings in the best possible way in real time. Because if we think about personalization, we need all our models and intelligence to be updated as fast as the human interacts" (Gross, 2020). It is established that almost 75% of those with assets over $20 billion have at their disposal customers' engagement tools, and the others (under that amount) - less than half of that (Marous, 2021a).

[6] According to *Salesforce*, three of the top five "pain points" in digital banking are related to poor personalization. The users are willing to share information in order to improve their personal service (channel use preferences, life

The programming of the "the journeys" is important for *diagnosing* the client's financial health, resp. the needs, intentions and goals of consumers, even *before* they have used a specific product (Pointillist, 2021: 7-10).[7] Its reliable starting points can be: the motives of customers to engage with one or another innovative product; the likelihood of a change in their behavior upon its purchase; the reasons for rejecting the product and for looking for an alternative, etc.[8]

With the help of key performance indicators (accounting also for the assessment of financial health[9]) and indicators for measuring customer satisfaction, the banks can design *new behavioral models* according to the status of the client in one or another phase of one's "journey". Opportunities are created to enrich the product assortment in the direction from the sale of *traditional products* (let us say, classic money loans), through *other (alternative) offers* (for example, "peer-to-peer" products and services) to *online "end-to-end service*.

The critical assessment of the customer's financial health has a number of positive *consequences* (Capgemini, Efma, 2021: 12; Marous, 2021b):

- freeing up investments that could be directed to growth areas highly valued by consumers;
- application of new approaches to shorten the time from the conceptual project for the products to their introduction to the market;
- exploring opportunities to offer additional products, facilitating their lives beyond the consumption of financial services;
- replacement of the outdated "legacy" IT-infrastructure;
- digitization of key processes for value chain optimization[10];
- introduction of innovative technologies to protect customer data, etc.

Taking into account the change in the financial health, the banks shall constantly provoke *the interest* of the consumers towards innovations of the product assortment with:

- offers of digital products/services in each key business segment, in accordance with customer spending, saving, borrowing, investing habits;
- "saturated" personal consultation with an emphasis on flexibility, transparency and financial security[11];
- attractive incentives for online sales;

highlights, transaction details, credit score, etc.). The share of those willing to use artificial intelligence to improve their experiences is growing: in 2020 - 60%; in 2022 - 69% (Salesforce, 2022: 10). In the *Capgemini* and *Efma* survey, 73% of bank top managers find it difficult to turn customers' data into useful insights, 80% cite data reliability as a problem, 70% lack the resources to process and analyze data, and 43% believe that hidden data is a problem (Capgemini, Efma, 2022: 7).

[7] To personalize consumer needs, some identify three main groups of clients: a) perceiving and addicted to new technologies; b) traditionalists who value innovations but also love the human touch; c) technology skeptics (McIntyre et al., 2020).

[8] A study by *Accenture* found that 73% of B2C Retail Banking clients value proactive services highly, but do not feel sufficiently served by their banks. Similarly, 70% believe their bank should proactively communicate with them about such issues. However, customers consider their banks to be less effective in providing these proactive services - 49% and 51% respectively (Bayel, 2022).

[9] Some banks (BBVA, Commonwealth Bank of Australia and DBS Bank Singapore) apply such metrics and data science to the array of transactional data. On this basis, they offer automated financial planning advice, loans to customers without a credit history, and digital incentives for improvement of financial behavior (Jain et al., 2022).

[10] Typically, lending involves front-office procedures and back-office risk management procedures, but the integration of these activities into one key process offers more opportunities for increased operational efficiency.

[11] According to some research, more than half (59%) of US Retail clients surveyed want that their banks provide them not just with monitoring tools, but an active help (personalized advice) at the right time to improve their financial health. Only 47% of the clients, who received advice, fall into the financially healthy category. The remaining 53% were categorized as vulnerable (28%), overworked (16%) or stressed (9%). There are significant generational differences. For 65% of the representatives of Generation Z, it is "very" or "extremely" important that banks to help them improve their financial situation. Forty-eight percent of the respondents from Generation X and 33% from the Baby Boomers share this opinion (J.D. Power, 2022).

- loyalty programs (schemes) and rewards[12], tied to individual financial goals;
- exemption from fees and use of additional discounts (cashback), etc.

Product innovations appeal above all to the needs of *the young generations* ("Y" and "Z" generations) of digital solutions offered in a fierce competition with "agile" FinTechs, neo-banks and leading technological companies (BigTechs). The introduction of *digital assistants* in the management of personal finances (Personal Finance Management) significantly improves the functionality of online banking, because it allows: aggregation of information about accounts and automatic classification of transactions on them; presenting visual information about the operations performed and about the client’s capabilities to monitor and manage their financial exposures with intuitive tools; preparation of overviews of the state of the liquidity in accordance with payment requirements and the level of variable costs; management of individual creditworthiness, etc.

Free-of-charge platforms (such as Bank of America's Better Money Habits) help customers build knowledge and get basic *financial education* in a variety of areas — budgeting, saving, paying off debt, acquiring of a residential property, retirement, etc. (Cooper 2022)[13]. Almost untapped potential by banks is *the gamification*, implemented by some fintech companies (UK FinTechs Chip, Plum, Mint, SmartyPig, etc.), motivating the clients (primarily for younger users) to improve their financial health and stimulating the formation of smart money habits (Capgemini, Efma, 2022: 10). As a rule, they have a positive attitude towards such experiences in different contexts, for example education, health and fitness. "Games" are served in the form of points, badges, levels and leaderboards. Their immediacy and feel increase the appeal of mobile banking applications and devalue the importance of “the usual lures of traditional banking - higher interest rates, low or no fees” (Streeter, 2021: 12).

The vaults have no interest in "losing sight" also *older* customers ("Baby Boomers" and "Gen X"), who "as a rule" are *reserved* towards digital innovations, but at the same time - *too wealthy* in financial terms.[14] In addition to the settlement of "purely" financial needs, when servicing them, banks face a number of *behavioral problems* accompanying the development of the client's human and social capital: ensuring a peaceful "third age"; life insurance; decisions to transfer huge wealth (from “baby boomers”, even from their parents) to the next generations[15]; succession of company management; implementation of philanthropic intentions; art banking etc.

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[12] They are based on a product of the same name (Rewards-as-a-Service), with the creation of which the company brands form a financial experience to stimulate loyalty by "embedding" rewards in the offers of existing products - cards, wallets, etc.

[13] This is especially useful to young generations who need more financial education. For example, 93% of teenagers and young adults from comprehensive schools in Germany say that money and finances shall be studied in detail at school. At the beginning of the Covid-pandemic, only a quarter of them had financial knowledge, a drop of 13% compared to the level of the previous two years (38%). On the school scale from 1 (very good) to 6 (insufficient), they rate their knowledge of financial topics at an average of 3.3. Respondents believe that they are best informed about concluding a mobile phone contract and opening a current account, which they rate at 2.6 and 2.8 respectively. Young people rate their knowledge about rental contracts and different forms of investment (money market accounts, saving books, stocks or investment funds) as satisfactory. The average assessment of knowledge and skills for taking a loan is 4.1, for concluding a pension insurance contract - 4.3, and for real estate lending - 4.6 (SCHUFA, 2022).

[14] This thesis should not be absolutized, because in recent years people with higher incomes have shown an increasing tendency to switch to a digital provider. Such a tendency show 51% of the clients with available funds on their account of up to $50,000 thousand, 60% - from $50,000 thousand to $99,999 and 74% - above $100,000. This circumstance reflects their desire to keep up with the new technologies and use a greater variety of digital saving and investment accounts (Galileo Financial Technologies, 2022: 13).

[15] It is about assets of $68 trillion over the next 30 years, which is why wealth managers need to know: the current state of the demographic group; the impact of the pandemic and other force majeure risks; the possibilities of supplementing the existing services with digital solutions, etc. It is expected that personal wealth increases globally from $71 trillion in 2020 to $83 trillion in 2024, and, according to other forecasts, its growth will be from $76 trillion to $101 trillion USD. In the USA the baby-boomers alone (one of the wealthiest generations in American history) are "on the verge" of transferring about $30 trillion to investors from the Y-generation.

All this requires "arming" of the Wealth Management sector with new business models, technologies and competent specialists to manage the "acquired" enourmous assets.

The accelerated reduction of *stationary service centers* (the branch network) limits (and in many cases renders redundant) the personal contact with individual clients with their inherent emotions, creativity, imagination and empathy. In order not to lose their loyalty and trust, the banks must show the necessary *empathy* by bringing more elements of *"human touch"* to their new digital concepts and online offers. Thus, the credit institutions will be able to adapt more quickly their online capacity to the expectations and needs of "newer in the digital landscape" customers, showing a growing interest to the banking mobile applications. *Artificial intelligence*-based *chat bots* are synchronized with their experiences at key touchpoints and ensure smooth transitions between separate distribution/communication channels[16]. In their desire to provide consumers with value-added products/services outside the branch, the banks use data and devices of *the Internet of Things*. The application of intelligent approaches for customer segmentation and integration in *social media* communication is expanding.[17]

More than ever, today the customers need *Engagement Banking*, which should guarantee a consistent, unproblematic and personalized experience - "no silos, no outdated inherited and inefficient systems, no distance between customers and your employees." Everything is combined in one system, on one platform. Engagement Banking orchestrates all interactions across every channel and across all customer touchpoints, on any device, at any time" (Von Rahden, 2021). Thus, customer relations will be able to be "monetized" into increasing revenues for the servicing financial center.[18] *The onboarding*, as a system of measures for "creating and introducing" customers, has a great potential in this regard. By communicating with them through letters, email, text messages, phone calls, social media and other channels, the bank is giving clear indications that it wants to identify individual insights and their emotional engagement about/towards digital technologies and include them into its service platform.

Although the Covid-pandemic creates favorable conditions for an increase of the share of digitally "switched on" customers[19], for those who make efforts in this direction, it often causes a bad experience. On the one hand, this process is expensive, and on the other - it takes too much time in comparison to what people are used to.[20] It sounds paradoxical, but it is a fact that the emphasis

[16] Chatbots will never completely replace humans, but will rather introduced to provide something of a "cyborg" experience – that is, one that integrates without any problems AI technology with human advisors in branches and call centers. This means that the experience of a chatbot in an application, a phone call with a call center, or a conversation with a relationship manager must be integrated without any problem and perceived by the customer as one continuous conversation (Yurcan, 2022b).

[17] Hybrid consumer behavior has clients from all generations. Along with the personal consultancy at the bank branch, they use a smartphone or internet to settle a payment (for example, purchase of securities) or to acquire some additional information. Data generation is followed by settlement of transactions at stationary supply centers, after which the product is used online.

[18] More and more banks are solving this task in partnership with fintech companies, whose "*plug-and-play*" *functionality* adapts the computer system to hardware changes. Smaller financial institutions benefit greatly from this fact because they can integrate a "lean" fintech functionality that was only available to larger competitors.

[19] According to *Forrester*, due to the Covid-pandemic, 14% of US seniors are banking online for the first time, and they are highly satisfied with the experience. A study by J.D. Power showed that 26% of the consumers plan to use online banking more than before the pandemic (Sokan, 2022). The bank software company *Backbase* estimates that acquiring Retail clients "in a physically isolated world" costs $280 on the average, while going digital reduces the cost to $120, and in subsequent years to $19 for additional clients (Yurcan, 2022a).

[20] It was discovered that opening an online account takes between 5 and 10 minutes (40%), between 3 and 5 minutes (28%), more than 10 minutes (27%) and less than 3 minutes - only 3%. The time to open an account by using a mobile application is: 5-10 minutes (38%); 3-5 minutes (29%); over 10 minutes (22%) and under 3 minutes – 11% (Yurcan, 2022a). Interestingly, compared to competitors who purposefully want to win new clients via digital onboarding, leading Private-banks rely more on the existing business and personal contacts, for example to transfer assets to the "family association" of wealthy clients.

on opening a bank account is "heavily skewed" towards the branch network.[21] All this gives a "green light" for the entry of a number of competitors into the traditional "territories" of the classic vaults.[22]

Omnichanneling, which is a customer-oriented integration of all possible distribution channels – branch service, telephone, e-mail, text messages, online and mobile offering, social media, video contacts, etc., is important for optimizing customer onboarding and ensuring continuous access to banking products, social media, video contacts, etc. The omnichannel approach is particularly useful in complex accounts opening because customers can “move” freely between the separate channels and to change their preferences without repeating steps or interrupting their experiences because of registration (Harley, 2022).

In the context of the so-called *conversational banking* (Conversational Banking) the effect of personalization of digital channels through text messages, voice and visual tools and means of interaction (messaging applications, mobile applications, websites, etc.) increases. Artificial intelligence-created options position customer relationships on *an emotional level* and make unnecessary “tones” of useless product description and information overload (Kreger, 2021)[23]. All repetitive customer requests can be automated with the application of artificial intelligence and *machine learning*, as a result of which routine human efforts to fulfill non-standard orders are not needed.

A number of vaults are engaged in fully digital "onboarding" processes using *blockchain*-based "Know your customer" type of solutions. Thus, a potential is generated for a rapid "relocation" of the new customers from the field of *commitments* to the stage of *relationships*, the intensity of which "delivers" added value, satisfaction and positive expectations for them. As the Covid-pandemic subsides and the economies normalize, the banks continue to pursue revenue growth in a constrained but highly competitive environment. It is also evident that they (and above all the market leaders) take pains to balance their marketing investments between efforts to attract new customers and to expand relationships with existing customers.

By accelerating the transition to *"cloud" computing*, banks can optimize their operating model in several directions: increasing the accessibility of those working outside the office to the necessary information; reduction of time and costs for individual processes; increasing operational efficiency; greater flexibility and reduction of risks of security breaches or business interruption; increasing the productivity and accelerating the transformation of the front and back-offices, etc. The question whether the employees will not misuse the available information and create security problems, in case the device they have at their disposal is stolen or compromised, remains "open".

[21] By the end of 2021, this option was preferred by 95% of the respondents (in 2020 - 97%; in 2019 - 96%). This is followed by opening an account online - 77% (82% and 76%, respectively) and via a mobile application - 38% (38% and 32%). A study by the European identity technology provider *Signicat* found that in 2022, 68% of the people abandoned the digital onboarding process for introduction for a banking product, in comparison to 63% in 2020. The trend is particularly noticeable among Generation Z, but also among people up to the age of 44. They are much more likely to abandon the application process entirely, if it does not work as they expected (Yurcan, 2022a).

[22] Many financial institutions lose potential customers due to the long time it takes to open a new current account or to apply for a new loan. Most fintech and large technological companies are simplifying these processes, reducing the time, necessary for performing them, to less than three minutes (as opposed to an average of 15+ minutes at the traditional financial institutions). In a *Salesforce* study, 47% of respondents believed that the easy and quick setup, verification, integration and first use of the application led them to test alternative suppliers. Similarly, 41% indicate the easy and intuitive user interface and the navigation as reasons for using non-traditional financial applications. More than one of three respondents switch banking services provider because of “hidden fees and fine print” (Salesforce, 2022: 7).

[23] One of the most important functions of artificial intelligence is the *personalized promotion*. It is based on prediction that combines analysis of the user's financial activity, their social environment and big data analysis of typical behavioral patterns, geolocation data and contextual analysis. For example, notifications about the location of the local ATMs can appear when the user crosses the border. The purchase of a plane ticket is a prerequisite for offer of a travel insurance policy. AI-“detected” children expenses or maternity benefit can be an ideal prerequisite for a mortgage loan, etc. (Kreger, 2021).

Therefore, when wishing to apply their security expertise, the vaults shall partner with a *trusted* cloud service provider.

More and more credit institutions express an interest for the *"open" banking*, thanks to which data (on transactions, investments, loans, bank clients, etc.) and functional parameters of application programming interfaces (Application Programming Interface) are shared with third parties (mostly fintech companies) based on the needs and with the consent of their clients. They gain access to products/services of cost-effective competitors that complement the portfolio of the traditional banking in a relevant and attractive way.[24] Moreover, the banks' management undertake *strategic partnerships* with other financial service providers (Fin-, Wealth- and BigTech companies, neo-banks, etc.) in the framework of *"open" financial ecosystems*, leading to detailing and even "granulation" of the value chain in key business areas.

The partnerships with innovative companies increase the importance of *banking as a service*, which includes package offers (often with a "white label"[25]) of non-banking companies (Klarna, Afterpay, Amazon, etc.). Thus, the banks can provide their clients not only with more flexible and secure online payments and lending options, but also optimize their digital "journeys".

Unlike "open" banking, *the "embedded" finance* provides access to the bank's functionality. It combines banking services in non-financial applications (of technological, commercial and telecommunication companies) and other digital capabilities, which make transactions and interactions simple, convenient and uninterrupted.[26]

3. Some open questions

The effective customer centricity is impossible without a change in the thinking and the actions of the *banks' governance and top management instances*. To guarantee its success, they must define and implement a transformation strategy *beyond* the paradigm of the "analog" banking. Solving this task turns out to be an extremely difficult undertaking, mostly due to their limited *digital expertise*. Serious problems are caused also by the great dynamics of the so-called *C-level*, where - despite the proclamations for creating a "lean banking" – an intense "swarming" of the functional positions[27] and weak coordination of their decisions is observed.

The design and technology of the digital transformation must be communicated to staff at *all levels*, which is why the senior management and the top management shall carry out a constant *dialogue* to ensure the necessary *balance* between the opinions of all responsible authorities on the importance of key *critical variables*: "the road map" of the digital change, the bank's business goals, the clients' interests and experiences, the criteria and the indicators for efficiency, etc. Thus, instead of reproducing and enforcing command stereotypes of the past, the leaders in leadership positions must create the "right" environment for the promotion and "experience" of the *digital culture*, including through active engagement of the employees at the operational levels.

The product innovations in banking will continue to be designed and introduced in a highly

[24] For example, until the purchase of the new home is completed, mortgage loan clients contact counterparties to find accommodation. Customized product options (holiday loans) are also offered based on flight and hotel booking transactions and related expenses.
[25] "White label" products and services are produced by one company, but can be rebranded and resold by another.
[26] By 2030, its market volume is predicted to grow to $7.2 trillion – twice the current market price of the 30 largest banks in the world. All financial service providers, moving into this space, will benefit from this growth (Galileo Financial Technologies, 2022: 17).
[27] If previously the bank's top management was represented by the CEO and the heads of the key functional instances (the Chief Operating Director, the Chief Financial Director, the Chief Marketing Director, the Chief IT-Director, the Chief Risk Management Director and the Chief Legal Compliance Director), an extremely wide range of C-level positions are emerging in the banks and the credit unions around the world today. Among the 45 000 banks and credit unions that subscribe to *The Financial Brand*'s email newsletters, you can find the following positions: Chief Digital Officer, Chief Experience Officer, Chief Transformation Officer, Chief Innovation Officer, Chief Data Officer, Chief Analytics Officer, Chief Culture Officer, Chief Strategy Officer, Chief Engagement Officer, Chief Technology Officer, Chief Design Officer, Chief Growth Officer, Chief People Officer, Chief Client Officer, Chief Branding Officer.

"compressed" *regulatory environment*, which (especially in its regulatory compliance part) is planned to guarantee the security of the product supply to customers. But since in the long term they cannot influence their expectations and needs to a sufficiently satisfactory degree, the product innovation shall be carried out according to *new* rules. On the one hand, they must guide the banks as to which regulatory prescriptions to comply with when creating a certain product, and on the other – ensure the necessary compatibility between the existing regulatory compliances and the innovative solutions within the framework of a given "production" cycle. Thus, the selection of the "correct" technological platforms will be facilitated, especially when new services are "embedded" in "inherited" complex R&Ds and "production" processes with saturated regulatory monitoring (Moden, Neufeld, 2020).

It is necessary for the regulatory institutions to closely monitor product innovations in order to react promptly to the accompanying *risks*, requiring new regulation. Thus, they will prevent anyone who, when introducing new products, wants to take advantage of the "grey areas" of the existing regulation (Chui, 2021: 25). This desire is justified by the aspiration to "retain" the existing and "attract" new clients. But the "enrichment" of product offers with propositions, isolated from each other, increases their *complexity*, which shall be treated through adequate regulatory prevention.

It is doubtful whether such regulatory frameworks can be "fixed", allowing the banks to automatically "tune" their innovation efforts to achieve the customer centricity that has been proclaimed for years. To do this, they must have expert units (instances) whose competences "exceed" the requirements for strict compliance with product specifications. Even then, it is difficult to ascertain whether and to what extent the banks' products/services live up to the promises of delivering the necessary digital functionality or supporting the clients' financial goals. At the same time, the consumers (especially the young generations) can quickly and easily "decipher" the value propositions of the aggressive innovative companies that distinguish them from those of the traditional banks.

This is too likely to happen if the traditional vaults introduce *customer relationship management* (CRM) *systems* finely tuned to the national and cross-border regulations. With their effective "exploitation" they will be able to promptly and precisely plan the customer data, and from here - more accurately "map" their digital "journey" in real time. Data-driven CRM systems can increase customer trust and loyalty and personalize customer communication at all touchpoints.

Conclusion

Customer-centric design of banking shall combine personalization, pragmatic solutions, speed and ease of implementation of all key processes of creating and offering of banking products/services. The vaults could not make this “leap” if they do not position themselves relative to them as a sought-after partner, trustee, and data source operating in both a digital and a human continuum. The first prerequisite for the success of this kind of marketing "revolution" is the creation of appropriate strategies for diverse demographic segments to be planned around the "journeys" of the consumers according to the evolution in their market and social behavior. Taking advantage of the marketing automation, the banks will be able to "capture" the key information about the customers at the very beginning of their life cycle in the "kingdom" of the banking services, and then, with the help of meaningful messages, direct them to subsequent purchases of the product/service and "retain" them longer to the value proposition.

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