

# Next-Generation Product Management in an Ecosystem Age

## Delivering the personalized offerings banking customers want most

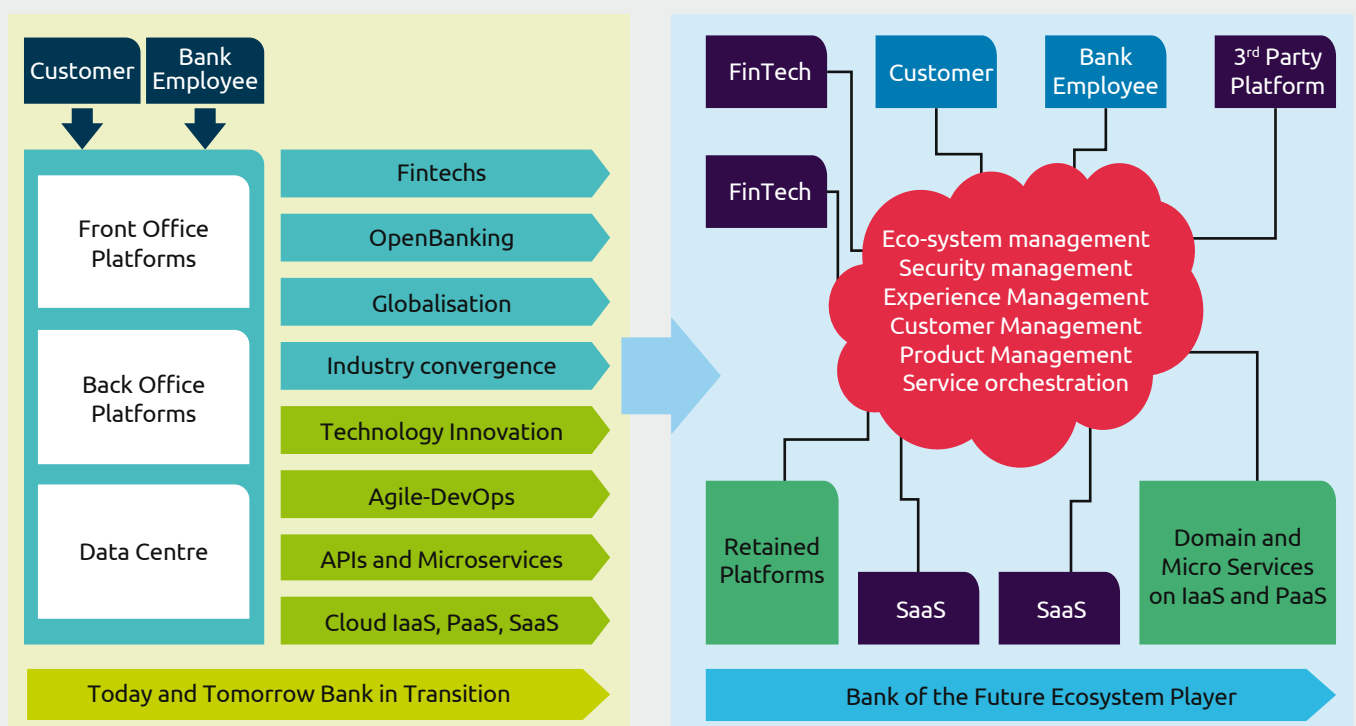
The world of open banking has arrived, and it is transforming the fundamentals of financial services. Innovative financial technology startups (FinTechs) have entered the arena, with targeted propositions that focus on highly specific areas of the customer value chain. And BigTech is knocking at the door, looking for opportunities to dominate. To stay top of mind with customers, the banking industry is rapidly evolving from a marketplace of discrete players and one-off products toward a collection of digital ecosystems.

In this new landscape for winning customers, personalization and bundling to create specific propositions is the name of the game. These next-generation banking offerings bring together products and capabilities from

multiple participants across the ecosystem to deliver the most value. To create just the right recipe, banks must look at their available product offerings, determine how best to modify them, combine them with third-party solutions to create the perfect blend, and accurately target them to the right customers. Product management is the catalyst that can spark this innovation.

Traditionally, product management was closely tied to an individual bank's core platforms and processes. However, in today's dynamic marketplace, banks need to decouple their product management strategy from their core platform, and free it up to support open banking in the era of the ecosystem.

Exhibit 1: Changing Ecosystem of Banks



## Tailoring new products one customer at a time

Today's banking consumers have high expectations. They want frictionless products that are uniquely tailored for them and their specific needs. To meet these new expectations, product management is increasingly driven by microsegments, ultimately focusing on a segment of one: the individual customer. To deliver the most personalized, customized offering possible, banks are looking beyond their own organizations and envisioning products driven by what their customers need—rather than what the bank is offering.

An independent product management application layer is the foundation for this new approach. The process starts by separating product management from core banking platforms. However, transforming a bank's architecture to decouple product management is not a trivial initiative. Historically, product management has resided at the lower levels of the bank's technology stack, and legacy systems are often unable to accommodate the proposed new approach to product management.

Making significant changes to an organization's application architecture can be a multiyear, multimillion-dollar effort. Many organizations are choosing to take an incremental approach to evolving their architecture, to offset the potential disruption, risk and expense of a major one-off transformation. They are also adopting new domain and microservices based architectures, which allows them to progressively simplify legacy platforms, becoming ecosystems in their own right. In this environment, Banks can take a 'buy versus build' decision for each service within their ecosystem. This creates the opportunity to adopt a next generation product management platform and service to address the rapidly evolving customer need.

In addition to an incremental shift in architecture, modernizing product management also requires a change in company culture and mindset. Banks are accustomed to acting as extremely vertical organizations, focused on developing, managing and selling their own products. However, in the new world of open banking, they must be amenable to external offerings, which may be just as important as internally manufactured products.

To succeed, banks must come to realize that the source of the product or capability is no longer the primary driver—what matters is increasing the customer value proposition and deepening the customer relationship. Looking beyond the ownership of a product offering requires a change in perspective.

## Delivering products and services that are flexible and personalized

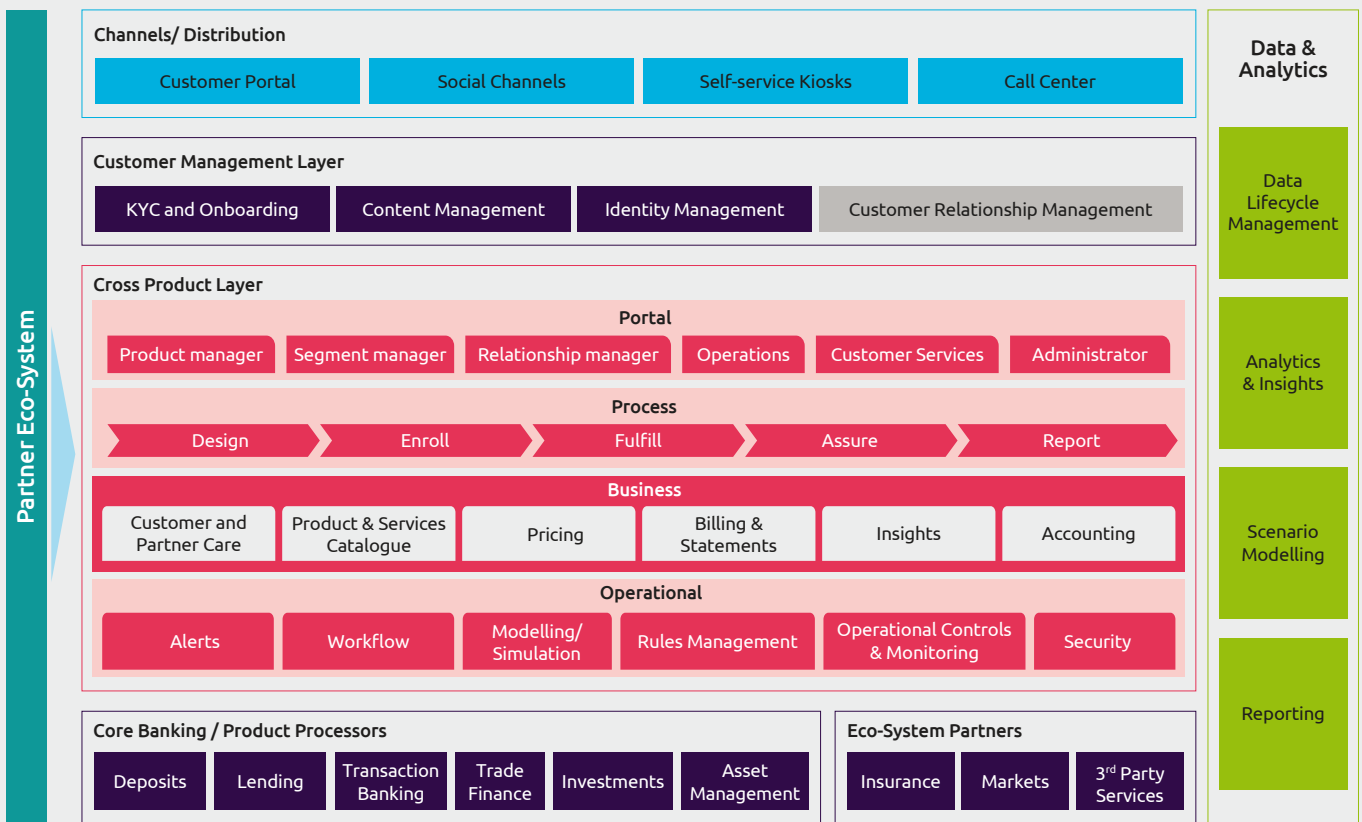
A successful product management platform must offer maximum flexibility and scale smoothly at the pace the bank requires. The cornerstone of this platform should be its ability to be agnostic of the underlying products and technology. The platform must be able to support not only the bank's legacy systems, but also a variety of partner products and services—all coming together as part of a central catalog.

Managing this integration is key, because the platform must work with a large variety of systems and product offerings that are both internal and external, at various levels of maturity. The product management layer must be agile, able to manage hundreds of thousands of transactions in real time, while maintaining full context and customization for each customer. Its components should be able to be deployed incrementally, with plug-and-play operation.

Traditionally, making changes to core systems can be a cumbersome, manual process, usually requiring action by the IT team. A modern product management solution should enable business users to view and access customer information across lines of businesses (LOB's) and directly create, modify and tailor unique products to sell for each customer; something that a traditional system typically cannot. It should be more than a technical platform—it should be a tool that can be used to empower business users.



## Exhibit 2: Product Management in an Ecosystem Bank



### An innovative banker stretches out

A leading financial services group in Asia, with a growing presence across a dozen markets, was seeking to build more attractive, feature-rich offerings for customers. Its product management system enabled the bank to bundle several diverse products into a single attractive offering. In this offering, the interest rate is determined by the volume of cross-bundled product lines used by the customer. Customer benefits are directly tied to the customer's relationship with the bank, and these benefits update dynamically every month. As the customer consumes more offerings, their benefits continue to grow.

The organization is not only employing its product management platform for innovative products but also exploring how to leverage its relationships with a variety of third-party partners that offer investment products, wealth management services and other capabilities. Its strategic approach to product management helps the organization create a true ecosystem that takes bundling to the next level to deliver customized, seamless offerings. When the core infrastructure is in place, the bank plans to build on its success by expanding into more markets.

### Attaining product management success is within reach

Implementing an effective product management platform is not easy, but it is definitely achievable. Forward-looking banks around the world have shown that they can design and deploy a foundation for next-generation open banking, and achieve the transformation they need, even with legacy systems.

In an era where customer focus is more critical than ever, a product management strategy is an effective way for financial services organizations to differentiate themselves. Delivering a superior omni-channel customer experience is important, but that experience must ultimately be based on attractive products. To succeed, banks need to be able to assemble the products that consumers require—fast. Banks that fall behind will soon find themselves competing head to head with FinTechs and BigTechs, who are well positioned to launch new offerings quickly, and to constantly adapt to customer needs.



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