THE CHANGING LANDSCAPE OF RETAIL BANKING: CHALLENGE NOW - ADAPT OR PERISH

W. A. Wijewardena
Former Deputy Governor, Central Bank of Sri Lanka

Historically, banks have relied on their retail customer base for sustaining business and its survival. This is going to be so in the future as well. However, the new retail banking services which they have to provide will be significantly different from what they had been familiar with in the past. They have been forced to go for a new retail banking business model by several developments that have taken place in the financial and economic world. In the first place, the global economic and financial power is to be shared by a few emerging economies with the traditional economic powers in the West in the next few decades. In this group, China and India have been noted as two 'breakout nations'[1]. Thus, cross-border banking transactions which the domestic customers would be doing will necessarily involve these new economic superpowers. Second, in the case of Sri Lanka, the avowed goal of the country's policy authorities is to upgrade the economy to a US $ 100 billion economy by 2016, increase the per capita income to US $ 7500 by 2020 and join the developed country league by 2035[2]. Assuming that the policy authorities will take appropriate measures to realise these goals on time, Sri Lanka's banks have to be mindful of the new challenge they have to take in a fast growing economy. This is because when the annual growth rate exceeds 8 per cent, any deceleration of the rate to a level of around 6 per cent or a little below that rate is to be considered a serious economic contraction needing fast recovery. In such an event, banks too will have to make appropriate adjustments to lessen the pain inflicted on them. Third, on top of this, there have been unimaginable advancements in information and communication technology (ICT) in the recent past narrowing the digital divide between the rich and the poor countries. Banking sector has always been a beneficiary of these advancements which enabled them to have a wider outreach at relatively diminishing costs and survive and prosper in a fiercely competitive world characterised by narrowing profit margins. These developments are taking place at a rate today throwing up new opportunities as well as new challenges to banks. Any bank that would ignore the new challenges so posed to them will do so to its own peril. Hence, the motto today for banks is clear: Adapt or perish.

1 Sharma, Ruchir, (2012), Breakout Nations: In Pursuit of Next Economic Miracles, Allen Lane, London, Chapters 2 and 3.

2 Jayasundara, PB, (2014) Keynote address at the 2014 Defence Seminar (available at: http://www.ft.lk/2014/08/19/pb-outlines-challenges-facing-sri-lanka/)

This paper examines the changing landscape in retail banking today and the new challenges which it will offer to Sri Lanka's banking sector. The paper is divided into three parts. Part I will discuss the changing landscape of the retail banking sector and its main attributes about which banks should be concerned with. Part II will present an analysis of the challenges which it would offer to banks. Part III will be devoted to a summary and main conclusions drawn from the previous analysis.

Part I
The changing landscape of retail banking in the world

Sri Lanka went for an open banking policy after it adopted the free market economy policy in 1977. The new banking policy introduced competition into the banking industry in order to make it more efficient in delivering complex and sophisticated banking services to an economy that aspired to get integrated to the global market[3]. Accordingly, international banks of repute were invited to open branches in Sri Lanka while domestic institutions were encouraged to set up commercial banks. The result was the development of a retail banking branch network that managed to provide financial services in competition with each other. Over the years, many new technological advancements were introduced to the country's banking system. The adoption of advanced ICT that connected the branch network of the respective bank digitally helped all banks to elevate themselves to a system of uni-banking. Meanwhile, the Central Bank upgraded the payments infrastructure by introducing Real Time Gross Settlement (RTGS) system in 2003 followed by the introduction of Cheque Imaging and Truncation System (CITS) in 2006[4]. On the payment side, new developments introduced in the form of 'greenfield' changes have made Sri Lanka's banking industry on par with the rest of the world[5]. Though technology-wise there was an enviable progress, the retail banking in Sri Lanka was mostly confined to traditional banking practices in which customers were supposed to seek after the banks for desired services.

A changing age profile of bank customer poses both opportunities and challenges

An important change in retail banking throughout the globe was the change in the age profile of the customer base. This new generation, born immediately before the onset of the new millennium, and hence nicknamed 'millennials' consists of those in the age group of 18 to 30[6].

3 Jayamaha, R, (1990), "Operations of Commercial Banks" in 40th Anniversary of Commemoration Volume of the Central Bank of Sri Lanka – 1950-1990, Colombo, p 242.
4 Jayamaha, R, (2014), The Money Pipeline: A Pillar of Financial Stability, Colombo, Chapter 9.
5 Ibid.
6 Wijewardena, W A, (2013) "Beyond Growth: Modernisation of Banks is Imperative", Beyond Growth: A Formula for Success, Association of Professional Bankers of Sri Lanka, Colombo, p 16.

Oracle Financial services or OFS in a report submitted along with European Financial Markets Association or EFMA titled "Are Banks Ready for Next Generation Customers?" has named them Generation Y or Gen Y to distinguish them from their predecessors – Baby boomers – who are called Generation X or Gen X[7].According to OFS, Gen Y is different from their predecessors not only by age. They are different from them but also by knowledge, aspirations, patience and love for modern technology. The most important attribute they have is that they live by the day and give a low value to savings. Accordingly, they are credit fans and have a consumption basket consisting mainly of new gadgets and holiday travelling. They are technically savvy and constantly engaged in social media through mobile devices. Since mobile devices enable them to have instant interaction with others, they expect similar service standards from the bankers as well. The language they use is not the standard language used by their previous generation. Instead, it is mostly the new texting language which comes handy on mobile devices with beneficial mobile apps. Hence, the bankers should have appropriate internal changes in place in order to service this generation of customers.

The emerging changes in retail banking landscape

These changes are now appearing in the retail banking landscape. Jim Marous of BANKNXT has compiled 10 top emerging retail banking trends after conducting a series of global surveys[8]. According to him, the following 10 are the most important changes that are taking place in retail banking:

1) Drive-to-Digital: Impacting delivery, marketing and service usage
2) Payment Disruption: New players, technologies and innovations
3) Increased Competition: Neobanks and non-traditional player pressures
4) Branch Optimization: Maybe not branchless, but certainly less branches
5) Focus on Customer 3.0: Digitally astute, social and yearning for insight
6) Breaking Down Silos: Product and data silos begin to crumble
7) Simplifying Engagement: Removal of friction and steps to engage
8) Improving Contextual Experiences: Leveraging data for improved service
9) Differentiating Brands: Avoiding commoditisation in a digital world
10) Global Innovation Perspective: Expanding view of tomorrow's innovations

7 Available at: http://www.oracle.com/us/industries/financial-services/gen-y-survey-report-165297.pdf .
8 Available at: http://thefinancialbrand.com/36367/2014-top-bank-trends-predictions-forecast-digital-disruption/

Digitalisation of retail banking

Banks are increasingly driving themselves to a digital world. Accordingly, there has been a remarkable change in delivery of services, marketing tactics and the usage of banking services by customers. The traditional branch banking has now given way to digital banking. The fast growth in the use of smart phones, phablets and tablets has equipped bank customers with a new weapon: The access to internet practically from anywhere in the world. Thus, the customers of banks are able to do research on various financial products and service institutions before they visit them for receiving the actual services. Hence, they are much more informed and have to be handled intelligently since mishandling might result in bankers' losing their reputation.

These mobile digital banking services have enabled banks to reach the customers much more speedily through various delivery forms. Banks are now increasingly using short message services (SMS) and push notifications to keep the customers informed of new changes that have been introduced in their respective banks. Social media are being used by banks to develop an interactive dialogue with customers. Accordingly, the traditional bank branch located at the corner of the street will automatically become an IP Address in the clouds[9].

New competitors in payments systems

There has been a change in the traditional payments systems undertaken by bankers with the entry of new non-financial payment service providers. Mobile phone companies, mobile device app developers and supermarket chains are the newest competitors to banks with respect to the provision of payment services. Globally, large payment engines, Isis, PayPal, Square and Google Wallet have already become important payment services providers[10]. In addition to payments in fiat currencies, there is a tendency for the use of alternative currencies for payment purposes. The digital currency Bitcoin is one such currency gaining popularity throughout the globe[11]. The popularity of these alternative payment systems has been due to a number of advantages attached to them. They are flexible, low cost, reliable and instantaneous. Therefore, it has become difficult for banks to compete with these alternative payments service providers. Hence, instead of providing these services alone, banks have been forced to partner with them in order to enjoy the benefit of synergy arising from such partnerships.

Like the payments service providers, retail banks have come under increased competition from alternative financial service providers as well. Banks have traditionally been fund collectors and lenders. The high social cost of the failure of banking institutions has forced governments to strictly supervise and regulate them. However, such strict supervision and regulation have generated an unwanted consequence as well. That is the path it has paved for the entry of non-financial ventures which are not subject to the supervision and regulation by authorities into the business of providing bank related fund collection and lending services. These

9 Ibid

10 See: http://banknxt.com/842/are-bankers-ready-for-the-bank-3-0-reality/

11 Wijewardena, W.A (2013) "Bitcoins: Can it challenge the mighty dollar?" (available at: http://www.ft.lk/2013/04/29/bitcoins-can-it-challenge-the-mighty-dollar/

organisations known as neobanks because they are not supervised or regulated by authorities have the distinct advantage of having greater flexibility in providing fund raising and lending services than traditional retail banks. Crowdsourcing and crowdfunding are some of the new techniques used by such neobanks[12].

Is it branchless banking or banking on less-branches?

An important development that is taking place throughout the globe is the tendency to have branchless banking. Traditionally, bank branches located physically in different locations had been the local service centres to bank customers. The presence of a bank branch in a locality has enabled a bank to make a comfortable outreach of prospective customers. However, bank branches are costly on a number of counts. They are linked to increased capital requirements, need physical buildings and materials for operations and have to be run by staff whose requirement increases along with the expansion of activities. Hence, a cost optimising banker may be forced to truncate branches or totally eliminate them. An alternative currently spreading through the globe is the development of 'branchless banking'.

There are a number of branchless banking channels available today[13]. They are the telephone banking, services through automated teller machines (ATMs), the engagement of agents to do banking on behalf of banks, mobile banking involving mobile internet, mobile services, and short-message services, contracting out to bank kiosks and provision of internet banking are some of the important banking channels in use today. The Consultative Group to Assist the Poor (CGAP) has reported that branchless banking in the context of microfinance has dramatically reduced the delivery costs and therefore is ideal for reaching out the unbanked poor[14]. If there is a possibility for reducing costs, branchless banking definitely provides a viable alternative to cost-conscious bankers.

Yet, banks cannot totally eliminate branches since even the branchless banking needs the services of branches. Hence, the appropriate banking model has been to adopt the technique of branchless banking with a minimum number of bank branches to support the initiative.

Bank 3.0 to match Customer 3.0

Customer 3.0 is the future bank customer who is much more advanced than the Gen Y customer referred to above. He demands banking services while remaining in unusual places: while travelling in the train, driving the car, at the work desk, sitting on the couch or simply in the rest room. The advancements in the mobile internet technology and the popularity of smart mobile devices have armed the customer 3.0 to demand better and quick services from bankers from anywhere in the world. Thus, bankers should be ready to serve this customer on the conditions laid down by him.

12 For details of crowdsourcing and crowdfunding and the associated risks and benefits of such methods, see: Paul Dombowsky available at: http://www.innovationmanagement.se/2013/06/05/crowdsourcing-risk-and-reward-how-to-evaluate-options-for-success/ .

13 See: http://www.tsys.com/Downloads/upload/Branchless-Banking-WP-012913-print.pdf .

14 See: http://www.cgap.org/topics/branchless-banking-policy

Similar to Customer 3.0, there is the concept of Bank 3.0 developed by Brett King in his 2012 book 'Bank 3.0: Why banking is no longer somewhere you go, but something you do'[15]. In 2010, Brett coined the concept Bank 2.0 in his book under the same title[16]. In Bank 3.0, Brett has taken exception to how regulators view banks in terms of capital adequacy or liquidity adequacy etc. According to Brett, bank customers do not view these requirements as important. Instead, what is important for them is "how easily they can access their accounts when they need to and how much they can trust a bank for executing their orders delivered via mobile devices'[17]. Accordingly, retail banks have to develop a culture in which customer service becomes the most important goal of a bank. To gain capability of providing that service to 3.0 Customers in a satisfying manner, it is desirable if banks staff themselves with 3.0 bankers if they find that the existing old generation bankers cannot acquire that competency through training.

Several banks have created imaginary visions of the 3.0 Bank in the future[18]. In an imaginary vision created by BNP Paribas, a customer takes a taxi to pick up his daughter from school. On the way, he browses the internet and searches for the latest car model available and its price by using a smart mobile phone. Then he connects himself to his bank to learn of his account status. Once his daughter gets into the taxi at the front of the school, he together with his daughter makes a further search for the location of the nearest branch of his bank. The geolocation of the nearest branch and its street address is immediately revealed on the screen of the mobile phone. The taxi driver is instructed to drive him to that place. He enters the bank building, but there are no people inside. He is met by a receiving officer who immediately establishes his connection to the bank by using a mobile tablet. Since he wants to arrange for a loan for the purchase of the car, he desires to seek advice from a credit advisor at the bank. The meeting with an advisor is arranged by using the same tablet device. The receiving officer takes the customer and his daughter inside the bank but there are no people; it is a spacious place with mod decorations but without people working inside or having come for business. The daughter is escorted to a family area where she can spend the time by interacting with a huge computer fixed to the wall – a type of corning facility. The advisor receives the customer, establishes the connection with his account, discusses the loan proposal and simulates different options available on a corning computing device laid on the top of a desk. Finally, they agree on the number of instalments, authenticate it and digitally sign off. Within a matter of few minutes, a loan is arranged for the customer to buy a new car. This imaginary vision of a 3.0 bank is only a few years away. But when it becomes a reality, both banks and customers have to go through a tedious relearning programme to equip themselves with the required competence.

15 King, Brett, (2012), *Bank 3.0: Why Banking is No longer Somewhere You Go But Something You Do ,* Wiley

16 King, Brett, (2010), *Bank 2.0: How Customer Behavior and Technology will Change the Future of Financial Services Forever,* Marshall Cavendish.

17 See: http://banknxt.com/842/are-bankers-ready-for-the-bank-3-0-reality/

18 For instance, see the video created by BNP Paribas available at: https://www.youtube.com/watch?v=oYPtBhkn_HU

Effective use of information

An important development of banks today is the ability to acquire a wide range of information and store them within the bank's computer system or outside in the cloud. But such data could be retrieved by authorised personnel at anytime for reference. In the past, such data gathered by different sections or units of a bank were kept within the respective units not available to other units which could use such data for the common good of a bank. They had in fact operated as impenetrable data silos. If a bank is to make the maximum use of the data system gathered at a high cost, these silos have to be broken down. The breaking-down of the silo system is in fact happening in the retail banking world today[19].

An example may illustrate the benefit of the breaking-down of the data silo system. Suppose the deposit mobilisation section of a bank opens a new account for a customer. It gathers his personal data such as age, marital status, residential address, contact numbers, email addresses etc. In addition, it collects information on his profession, work place, employer, and income range. These data can be used by the marketing team of the bank to promote other products of the bank to him. If he is about to get married, the marketing team can promote the bank's special housing loan facilities and loans for buying furniture and other household equipment or motor cars. Or in the alternative, the bank's product development section can develop a customised loan which just suits his conditions. As such, the data bases that were kept secret from each other could now be used effectively for the common good of a bank.

However, the maintenance of big data is costly for a bank because it involves higher computing facilities. When more data are collected, the bank has to incur a higher cost, run the risk of system breakdown and protect the data from potential hackers. To solve these problems, large computer companies have come up with big data management and warehousing systems that can be used by banks for their purposes[20].

Simplification of systems is a must

Bank products are complex, but bank customers need a simplified approach to their problems. In the past, bank customers had not been so much bothered about the tedious routines that they have to go through in receiving bank services. But today, customers are as busy as bank personnel and wish to have their requirements attended to by banks within the shortest time possible. Hence, it is necessary that banks should simplify their procedures in order to speed up the service delivery. The quicker a banker may attend to a customer's needs, the happier is the customer. It allows a bank to earn his permanent loyalty and retain him as a valued customer. Banks in the developing and emerging economies have not looked at this important requirement in the same perspective as the banks in the developed world. Banks in the former category are still in the habit of following outdated procedures and systems that take time, cost more money to banks and cause a permanent loss of trust and loyalty of customers.

19 http://thefinancialbrand.com/36367/2014-top-bank-trends-predictions-forecast-digital-disruption/
20 http://radar.oreilly.com/2012/01/what-is-big-data.html

Thus, the banks cannot ignore the growing demand for simplified engagement of customers. When they in fact convert their banks into digital banks, they should essentially simplify the service processes as well.

Emphasis on activity based marketing

Banks being sellers of financial services do have to engage in a lot of marketing activities. However, marketing is costly and therefore should be used to get the most effective outcome for the money spent. If a marketing campaign targets all activities relevant to a customer, then, it will not only be unwieldy but also be costly. It does not promote the target product. Hence, marketing campaigns that target specific activities relating to a customer is the most effective. For instance, instead of seeking to approach a customer generally, it is useful to approach him relating to particular product being offered by a bank. Accordingly, it is not advisable to promote a housing loan to a customer who has no interest in acquiring a house. But, the promotion of a housing loan to a customer who is looking for a new house will be effective. Similarly, vehicle loans, education loans or start-up business loans should be promoted among the customers who need those loan products from a bank.

An important feature of 3.0 Bank is the facility for customers to have an interactive relationship with banks. This is important for marketing people to strategise on marketing. When the customers reveal their preferences and requirements to a bank through an interactive website, it is easy to decide on the products which should be promoted among a particular group of customers. Thus, technology improvement and marketing of bank products go hand in hand.

The need for building differentiated brands

All banks practically produce the same type of products. What matters to a specific bank is the identification of the bank by a particular brand. Hence, brands which can easily be differentiated from similar products produced by other competitors are an asset to a bank. This requirement is important today specifically in the context of Customer 3.0 who seeks after brands rather than products. This was emphasised by Simon Clough by charging that some banks are boring in their brand marketing. He, thus, cried that banks should "differentiate or die"[21].

According to Clough, a brand desire survey conducted in 2012 covering all the big players in the banking industry revealed that some of the global brands were very poorly rated by customers when they were presented with statements like 'a brand I feel attracted to' and 'a brand that matters to me'[22]. Another significant revelation in the survey was that all bank brands had been identical in the eyes of the consumers implying that there was no necessity for them to have loyalty to any particular bank brand. Accordingly, all the banks in the survey

21 http://thefinancialbrand.com/24268/differentiate-or-die-bank-brand-personality-attributes/
22 Ibid.

had suffered from the same ailment – the lack of diversity. Hence, according to Clough, the choice before banks was simple: "the industry has to change itself proactively now or be forced to change with it later"[23]. This calls for differentiating brands as a marketing strategy in retail banking.

Innovations spread universally

Bank innovations occur continuously and once an innovation is made, it becomes known to other players with a minimum time lag. Hence, in banking industry, innovations become universal. As a result, a bank has one of the two choices to make: either to go for innovations by oneself or to wait for an innovation made by another player and replicate it. If all banks choose the latter, then, there will not be any innovation at all in the industry. Hence, it is in the interest of banks themselves that they should spend time and money in introducing innovations to serve customers better and more efficiently.

The Harvard academic Clayton Christensen in his 1997 book, The Innovator's Dilemma: When New Technologies Cause Great Firms to Fail[24], has presented a dilemma faced by big companies. That is whether they should take away resources from areas where they already do well and use them in still untested new areas. The use of resources in innovations comes within the latter dilemma. The focus here is that a company should not sacrifice the possibility of earning large profits in the future just by concentrating on making marginal improvements to areas where it is already doing well. Such companies, and hence such banks, have blind eye on what is happening elsewhere. As a result, all of a sudden, they are driven away from the market by somebody who has introduced a new innovation that has enabled him to capture the market. The best example is the displacement of IBM from the market by the introduction of the desktop by Apple in early 1980s. Thus, the Bank Innovators Council has recommended that they should have a blend of discipline and creativity[25]. In other words, banks, while maintaining their current profit levels, should necessarily invest in innovations as well. A bank should therefore avoid brownfield improvements – improvements made to existing systems. They should instead go for 'greenfield improvements – creations made completely anew.

As above, the retail banking landscape has gone through a complete transformation now. It is in the interest of banks to take cognizance of these changes and adapt themselves to the changing environment.

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23 Ibid.
24 Christensen, Clayton, (1997), *The Innovators Dilemma: When New Technologies Cause Great Firms to Fail,*
25 http://www.bankinnovatorscouncil.org/innovation-versus-efficiency-2/

Part II
Challenges for banks to adapt to new changes

Though it is necessary for banks to change themselves in order to survive in a changing world, it is not an easy task to do so. The biggest challenge which a bank will face in this initiative is to convince the top management of the need for change and get the support of the low level personnel to go through the change. The Swiss management guru, Martin Hilb, in his New Corporate Governance: Successful Board Management Tools, reveals that thousands of boards he had examined for the research contained in the book had not been led by a spirit to change the existing affairs[26]. Hence, Hilb has recommended that boards should follow new corporate governance principles that ensure proper long term strategic direction in companies[27]. However, the guiding force that will convince top management to change itself is the threat of bankruptcy as has been revealed by Jack Welch with reference to the General Electric Company that was on the verge of bankruptcy in early 1980s[28]. However, a bank cannot wait till it faces difficulties to introduce new measures to change its affairs to suit the changing market conditions. If it does it in normal situations, it can plan it out properly and implement the same successfully. Hence, normal times are the best periods for banks to try out changes. Banks can do this by getting the top management, including the board members, to an annual retreat and hiring outside experts to take them through a critical analysis of the state of the affairs of the bank concerned in relation to the emerging market developments.

Employees are normally averse to change since it pushes them out of the comfort zones they have built around them. Hence, it becomes a Herculean task to get their support for implementing a change programme. They are normally guided by the fear of losing jobs or fear of having to work more in the event the change contemplated by the top management is implemented. Different leaders adopt different types of tactics to enlist the support of the worker for changing the affairs of companies. Jack Welch has listed out 4 paradoxes that have to be successfully tackled when one has to solicit the support of employees for a change programme[29].

They are:

i) Spending millions on buildings that made nothing, while closing down uncompetitive factories that produced goods;
ii) Paying the highest wages while having the lowest wage costs;
iii) Managing long-term, while eating short term; and
iv) Needing to be hard in order to be soft.

When a leader finds proper answers to these paradoxes which are normally raised by low level employees and union leaders, it is pretty much easy to get the support of the workers for a change programme.

26 Hilb, Martin (2008), *New Corporate Governance: Successful Board Management Tools*, Springer.
27 Hilb, Martin (2005), "New Corporate Governance: From good guidelines to great practice", *New Corporate Governance*, Vol 13, No 5 (Sep 2005).
28 Welch, Jack (1988), *Straight from the Gut*, headline.
29 Ibid, p 124.

Sir Richard Branson of the Virgin Group had a different approach to mobilise worker support for a change. The easy going casually clad Chairman of the Virgin Group has confessed that he becomes more determined to introduce whatever the change that he has to introduce when he is warned by others that his plan is doomed to fail[30]. It gives courage to all others to flock around him. He would then casually tell them, "Screw it, let's do it"[31]. And that catchword does the trick to motivate people to do what they were unable to do earlier. Peter G Peterson who co-founded the Blackstone Group insisted that consumer friendliness should be the best marketing device which a product could have in order to have it accepted by consumers[32]. Hence, he built up teams that were obsessed with that objective at all stages of the production processes.

In implementing a change programme, Ralph Jacobson has identified that a leader should build several pillars in the direction, competence and implementation of the programme[33]. These are all interconnected and should be implemented together by taking into account the impact which one would make on the others. The pillars suggested are as follows:

i) Teach and learn simultaneously
ii) Develop commitment among employees at all levels
iii) Reframe the future by reference to what is being foresighted through expert advice
iv) Build community feelings among all so that they could work for a common goal
v) Balance the paradoxes that arise so that there are no unwanted conflicts and frictions among different groups.

Thus, leaders should work continuously with the rest of the workers until the desired change has been achieved by the organisation. They have to use both the carrot and the stick in a proper blend in order to motivate workers to attain the goals set for them. The final analysis is that complacency is the worst enemy of future prosperity; in that sense, critical self-assessment is the best friend which one may have in ensuring long term sustainability.

30 Branson, Richard, (2006), *Losing my Virginity: The Autobiography,* Virgin, p 489-506
31 Branson, Richard, (2005), *Screw it, Let's do it,* Virgin
32 Peterson, Peter G, (2009) *The Education of an American Dreamer,* Twelve, p 100.
33 Jacobson, Ralph, (2001) *Leading for a Change*, Butterworth-Heinemann, p 1

Part III
A summary and conclusions

This paper examined the changing landscape of the retail banking in the world today. Since banks have continued to depend on retail banking for sustenance and survival, banks have to take cognizance of these changes and make appropriate amendments to their operations. The changes that have taken place in retail banking have been numerous. They have digitalised the operations making it possible for banks to have a wide outreach, on the one hand, and provide a speedy service to their customers, on the other. These customers who are now coded as Customers 3.0 are different from their predecessors with respect to the quality, speed and the coverage of bank services. Banks on their part have transformed themselves to Banks 3.0 in order to cater to the demand coming from the Customers 3.0. However, it is essential for banks to staff themselves with Bankers 3.0 as well.

At the same time, the money payments services over which banks had monopoly power for many centuries have now been de-monopolised by the entry of non-financial payment service operators. These operators have acquired a competitive edge over banks by providing safe and speedy service to customers at a lower cost than banks.

The digitalisation of banks has led to branchless banking but in actual practice it should be operations with lesser number of branches since branches cannot be abolished altogether. It requires banks to have an optimised blend of branch banking and branchless banking.

When banks gather information in one section, it has now become possible for them to use that information for a comprehensive promotion of their products. Since the bank customers now demand quick and easy service from banks, it is advantageous for them to simplify procedure in order to retain the loyalty of customers and cut down costs. A new development that has occurred in retail banking is the activity based marketing after the banks have developed differentiated brands for themselves. Banks also have embarked heavily on the innovation of banking practices, despite the fact that such innovations have now become universal and available to all the players in the market.

In order to adapt themselves to the changing landscape of retail banks, it is necessary that the top management of banks be convinced of the need for change in the first instance. Such conviction will come easily if a bank is faced with the threat of bankruptcy. However, the changes that are introduced to a bank in the middle of such a crisis will not last long. Therefore, it is necessary that banks start introducing change initiatives whilst their operations are normal. This can be effectively done by getting into an annual retreat in which both the top management and the board members would participate and make a critical examination of the status of the bank in relation to the emerging trends in the market.

At the same time, getting the support of the personnel at all levels in a bank is important for the success of any change initiative. For that, leaders have an important role to play so that the support they get from the personnel will become long-lasting. That is, leaders should set an example by being willing to change themselves and expressing readiness to go through a relearning process. If banks do not adapt themselves to the changing landscape, the outcome will be fatal. Therefore, the guiding principle for banks today is simply 'adapt or perish'.

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