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## Hyper-personalised service will be the future of banking

### Mastering new data sources and AI will be critical to anticipating customers' needs and unlocking the full potential of digital banking

- Digital banking is already becoming the norm with 87% of our global retail transactions now digital
- Technology and data will enable banks to serve customers in a hyper-personalised and automated way, with personalised services expected to have particular resonance in markets like Hong Kong
- Technology will also open up new options and ways of keeping people and their financial system safe. Customers will gain more control of their data, while banks could become the 'trust brokers' of these digital IDs, supporting easier access to third-party services, like utilities or retailers
- But, key to this evolution will be finding the right balance between innovation and risk management

Technology and data advances will enable banks to provide customers with a hyper-personalised, largely automated service within the next decade, replacing the traditional retail products-based approach.

According to a new report, *Banking of the Future, Finance in the Digital Age*, written by financial technology expert Professor Markos Zachariadis for HSBC, customers will start to take much more control of their own personal data through digital ID profiles. At the same time, banks will aim to become 'trust brokers' in the management, development, and safeguarding of these digital IDs – and access to third-party services outside financial services, like utilities and retailers.

By mastering new data sources and analytical technologies, banks can build up a deeper understanding of customers' needs – and how they can help them – as well as unlocking new revenue streams. Digital banking is already becoming the norm and this has enriched the availability of data from economic transactions and human interactions. For example, 87% of our global retail banking transactions are digital.

"The journey towards the banking of the future will accelerate considerably over the next decade. Asian markets – including Hong Kong – are pioneering the use of technology to enhance the convenience of processing payments and managing finances. Some of the most widely adopted apps, solutions and platforms can be found in our region," **said Andrew Connell, Global Head of Partnership Development and Innovation at HSBC.**

Within a decade, this could lead to banking becoming largely frictionless for consumers. Digital voice activation will likely become the default channel for customer communication, along with augmented reality in real life situations, with the option to speak to a human advisor for more complex problem solving. Instead of assessing each product category individually, like savings, borrowing and investment, to find the best option, they will be optimised in the background based on a customer's data profile.

**Andrew Eldon, Head of Digital, Retail Banking and Wealth Management, Hong Kong, said:** "In the future customers will increasingly be able to expect a highly-personalised service determined by their individual requirements, instead of based around a set of savings, borrowing and investment products, each with their own sales and servicing characteristics. Retail customers in Hong Kong are highly proactive savers and investors, and we expect that as the tools emerge for more personalisation they will particularly resonate in this market as Hong Kongers look to build savings and wealth ever more closely matched to their personal circumstances."

But the evolution of this 'banking of the future' model will be dependent on finding the right balance between innovation and risk management – as well as finding the right regulatory frameworks – to maintain consumer trust and confidence. For example, further steps need to be taken to standardize work in Artificial Intelligence. Much greater international coordination will also be required to truly take advantage of new technologies.

"Even as the number of digital platforms and services expands, trust will still be at the heart of banking in the future. Customers will depend on trusted relationships more, and there is an opportunity for banks to become 'trust brokers' in accessing third party services, like utilities or retailers. But we will need to ensure a proper balance is struck between innovation and regulation. Given the headway already made in the journey to become digital, Asia has a critical leadership role to play," says Connell.

"By mastering new data sources and analytical technologies, banks will be able to build up a deeper understanding of customers' needs, but for a future of personalised banking to become a reality, banks and regulators will need to actively address risks to customer wellbeing – as well as protecting the financial system. The Hong Kong Monetary Authority's recently announced 12 principles for the use of AI in banking practices help give a solid foundation for building a new era in customer-centric banking," adds Eldon.

**Professor Markos Zachariadis, author of the report and Professor of Financial Technologies (FinTech) & Information Systems at Alliance Manchester Business School, said:** "Financial services has traditionally been slower to digitalise than other industries, but we're now seeing a real period of change, and there will be a number of significant opportunities for successful banks over the next decade. By leveraging technology to better organise and analyse the data, as well as using their trusted position to build a closer relationship with consumers, banks could expand their role at the centre of a more platform-based financial services model."

The report explores three key areas and the likely developments over the next 10 years:

### **Technology & Data Enablement**

- Partnerships between FinTech firms and banks will most likely increase exponentially
- Data and analytical technologies, like Artificial Intelligence (AI) and Machine Learning (ML), will define the 21st century banking and financial services
- Distributed Ledger Technology (DLT) could play an increased role in platform-mediated distribution in financial services
- Asset-backed crypto-assets (such as stable-coins) or central bank digital currencies (CBDCs) could become more widespread
- There won't be a widespread adoption of native cryptocurrencies that lack any asset-backing and issuer.

### **The Risk Management Advantage**

- In the digital economy, data governance and privacy will be the most important ingredients to building a trusting customer relationship
- Further steps will need to be taken to standardize work in Artificial Intelligence, how information is collected, presented and explained to consumers
- Investment in RegTech will continue to boom, commoditizing certain compliance categories
- Cybersecurity will be an ever increasing Board priority and focus of banks' investment
- Regulation will only continue to grow and more non-traditional financial players will fall within its scope over time
- Regulation is unlikely to become entirely borderless, so there will always be a need for local, as well as a global outlook.

### **The Consumer Behaviour Revolution**

- Neither cash, nor 'plastic money' will disappear in the next 10 years – as newer digital payments will have to be tested, adapted and trusted by consumers first
- Banks could no longer be bound by savings, borrowing and investment products – requirements will more be tailored to customers depending on their dynamic needs at any one time
- Consumers will take much greater personal ownership over their own data, leading to the formation of Digital IDs, secured and accessed by advanced biometrics technology
- Banks may become the trust brokers in the management and development of these digital ID profiles - and the access to third-parties through a platform-based financial services model
- Digital voice activation may become the default channel for customer communication, along with augmented reality in real life situations, with the option to speak to a human advisor for more complex problem solving.

*The full report can be downloaded [here](#) from 12 November.*

*more*

**Note to editors:**



(From Left) Andrew Eldon, Head of Digital, Retail Banking and Wealth Management, Hong Kong and Andrew Connell, Global Head of Partnership Development and Innovation at HSBC



Andrew Connell, Global Head of Partnership Development and Innovation at HSBC



Andrew Eldon, Head of Digital, Retail Banking and Wealth Management, Hong Kong

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