

To hedge against macroeconomic challenges, retail banking firms will prioritize three critical focus areas



CUSTOMER FIRST

ENTERPRISE MANAGEMENT

INTELLIGENT INDUSTRY

Market forces will catalyze...

Traditional and new-age banks success will depend on...

CUSTOMER FIRST

- Banking volatility in regions resulting in high deposit outflows
- Reduced VC funding for new-age players that will hinder growth for some firms
- An expanding wealth continuum, with affluent wealth bands, will become increasingly lucrative for banks

- Offering competitive interest rates and value-added services to attract and retain customer deposits
- New-age players shifting focus from growth to profits through higher-margin products, strategic acquisitions, and providing lifestyle-related services
- Developing products and services tailored to affluent wealth segments and delivering premium experiences to secure their long-term loyalty

ENTERPRISE MANAGEMENT

- Demand for ESG data by investors, regulators, and consumers
- Reliance of retail banks on digital infrastructure, data, and technology to deliver essential services
- Bottom-line pressure amid higher deposit costs and geopolitical turmoil
- Continued migration of core retail banking functions to the cloud

- Innovating green products, services, and experiences along the customer lifecycle, and expanding ESG data use beyond regulatory compliance
- Adoption of robust frameworks to ensure uninterrupted service, fraud prevention and bolstering operational resilience
- Cost-cutting – including workforce rationalization – and continued focus on technology to automate processes and reduce operating costs
- Harnessing cloud innovations, including edge computing, sovereign, and cloud marketplaces, to maximize value

INTELLIGENT INDUSTRY

- Increasing adoption of generative AI across the entire banking value chain, beginning with internal applications
- Accelerated global adoption of open banking, as regulators begin to push open finance
- Compromised user data and money laundering claims in DeFi accounts resulting in increased regulatory scrutiny

- Identifying the most valuable use cases and leveraging generative AI as a co-pilot to boost productivity
- Leveraging data to empower banks to embed themselves into customer lifestyles and at critical touchpoints
- Preparing for upcoming regulations and exploring business drivers such as the interoperable of blockchain rails, layer-2 scaling solutions, and modular DeFi infrastructure

FUTURE FOCUS

Retail banks are anticipated to face profit pressure in 2024 due to high deposit costs, slowing loan demand, and potential loan losses. Amid this dynamic market environment, future-focused retail banks will aim to keep pace with new-age players, emerging technologies, and new regulations. To remain competitive and enhance customer value, the most successful firms will:

- Embrace innovation by incorporating generative AI, open banking, sustainability practices, and cloud solutions
- Capture new affluent segment customers through tailored products and services to secure their loyalty
- Reinforce their digital operational resilience throughout the months ahead.

If inflation returns to target levels, interest rate cuts will stimulate economic activity, presenting growth opportunities in the latter half of 2024.



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