

## **Bankers Need A New Way of Thinking to Compete In Today's Ultra-Competitive Digital Environment**

A recent McKinsey survey revealed that only eight percent of companies felt that their current business model would remain economically viable if their industry keeps digitizing at its current dizzying pace. Over the next decade, we expect about half of the companies in the S&P 500 to be replaced by more forward-thinking—and future-acting—organizations. And by that we mean companies who develop and execute the kind of digital products that today's financial services consumers are demanding.

Our rapidly changing digital economy is jolting banks, financial services organizations, and especially fintech companies. The mortgage industry has already been disrupted by companies such as Quicken Loans, formally known as Rocket Mortgage. Rocket Mortgage found ways to automate the *entire* mortgage process, interfacing with customers purely through software and innovation that helped the company become the largest mortgage lender in America.

One thing is certain: this new landscape is both exhilarating and terrifying.

At the heart of the challenges that financial services firms will face in this digital maelstrom is developing products that will give customers a positive digital experience. That's not just critical to success, it's table stakes for your business. Because, let's face it, many of today's digital products are not customer-friendly or customer-centric. Countless banks and financial services companies have spent precious resources attempting to build a new product or refresh an existing one, only to find it underperforming or failing completely. And while some companies are seeing a return on their investment, most are just struggling to break even.

Unlike economies of the past, this emerging digital economy is a product economy: powered by software and fueled by data. But many banks and financial services firms have made the mistake of developing technology for its own sake, without truly understanding their customers' needs or the digital landscape's purpose or value.

It doesn't have to be like this. To win in today's ultra competitive digital environment, banking and financial services leaders need an alternative way of thinking. The sector should develop ***The Product Mindset®***.

### **The Product Mindset vs. The IT Mindset**

During the last two decades, as advanced technology began to take hold in companies worldwide, iterating to ever-more sophisticated levels and creating more demands on IT departments, the IT Mindset became more fixed. That mindset weighs the trade-off between the cost of investing in new technologies and the operational efficiency and long-term cost savings that would result from that investment.

But as today's financial services leaders are discovering, the IT Mindset often leads to an ill-connected series of tasks and projects. When success is measured by time, scope, and budget, the entire organization is constantly trying to just get their work done. The IT Mindset also encourages a risk-management mentality, where departments are concerned with checking off

requirements and delivering those on time and under budget. They can't risk a flawed release, whether or not the product ultimately has value.

But you can't succeed in today's digital economy with a fixed IT mindset. Only those companies with a product mindset – those that embrace challenges, push through barriers, and learn from customer and stakeholder feedback – will thrive. A product team with a growth mindset can deal with complexity and change; they see problems as solvable. They are willing to take risks, work hard, and overcome adversity to figure out the answers.

The Product Mindset is the missing piece that moves us from *hoping* for magic to *making* magic happen. The Product Mindset can transform your bank, your team and your career. Once The Product Mindset is embraced, there is no limit to what a company can achieve.

### **What is The Product Mindset?**

Simply put, The Product Mindset is a collection of characteristics and principles, which guide executives and their teams to build digital products that drive outcomes. The Product Mindset allows everyone to view their ultimate goal through the same lens and connects the whole organization through a shared language. With the resulting clarity of purpose, you will see your organization change and grow in ways you can't imagine.

The Product Mindset is built on two foundational precepts: characteristics describe the qualities that are fundamental to digital products; principles guide the organization's thinking and point the way. Within each of these are guideposts to underpin the process.

The first characteristic of The Product Mindset: products *must* self-fund.

The vast majority of software development has traditionally been sponsored by the IT department; IT departments are cost centers. Conversely, "The Product Mindset is all about accepting there is risk in product development and reducing exposure to it through experimentation, with the goal of creating revenue. These two mindsets are inherently in conflict. You can't save your way to growth.

If you want to thrive in the digital economy, you have to build products that are self-funding. When a product is self-funded, your ROI is incremental, and you reduce your risk exposure.

Next, products *must* be chosen.

Your digital products will only succeed when they are chosen. People need to choose to use it, which sets the bar even higher. At first blush, this seems easy and straight-forward. Build it and they will come. But in the digital world, users have a lot of choices, and the cost to change for the user is low, we are seeing this with Credit Unions today. They are experiencing deposit leakage to fintechs and crypto wallets, because of the modern, self-service experiences those companies are providing.

We understand all of this. Competition is constantly a major threat to your company and your revenue. So initial and ongoing choice matters now more than ever in the world of digital products. The Product Mindset addresses and solves these issues.

For your digital products to succeed, you need to understand your buyers – who they are and what motivates them. And you must provide the kind of service and digital experience that drives people to use, engage and talk about your organization. A tall order for a digital product, but it can be done. Apple is obsessed with providing an exceptional customer experience, for which they have been handsomely rewarded, by both customers and investors.

“You have to know the “why” of every digital experience. Why would a customer choose this product to use versus every other product out there? Why does this experience enhance the trust the client has in your brand?” said Ken Kritz, SVP, Banking, Financial Services, and Insurance, 3Pillar Global. “Firms that know the “why” of their experience and have aligned that to their desired business outcome will leapfrog those that do not.”

Your product requires an exceptional user experience, not an overabundance of features and meaningless flash. Customers have long chosen seemingly inferior products because they get more value from them, which is why you have to understand what your customers value.

And keep in mind that customers are fickle. Just because a customer chooses your digital product today doesn’t mean they will stay with you forever. Product choice does not necessarily equal brand loyalty. We choose something because it makes our lives better, our jobs easier, or solves a real problem. Companies that create digital products that continually anticipate the future, while meeting current customer needs, will flourish.

Lastly, products are never done.

When creating digital products, software development teams tend to think in terms of discreet, closed-end projects. This project mentality is limited and counterproductive because digital products are never done. There is never a finish line, a box that can be checked as completed. The companies that dominate are always innovating. In fact, companies with a true product mindset don’t fear the inevitability of change; they embrace it.

### **It’s the Principle of the Thing**

As we mentioned earlier, where The Product Mindset is concerned, principles guide the organization’s thinking and point the way to successful development and deployment. The first of these principles is that the product minimizes time to value. In other words, you must get the product into your customers’ hands.

Eliciting feedback from your customers quickly leads to better decisions from development teams, who can adapt swiftly in responding to customer input. This will create a feedback loop that will deepen the commitment of employees and customers alike. Often, customers appreciate being part of the user community and being heard, so they are quick to help test betas and provide feedback. In return, the product gets better, and the user feels reciprocal appreciation from the company.

The next principle: products solve for need.

To make sure customers choose you over your competitors, you must focus on building products that solve for need. A recent study by CB Insights found that 42 percent of failed start-ups collapsed because there was no market need for their products or services. A successful product will help someone do the job that they can't do today. The job isn't purely transactional; the social and emotional dimensions matter too. We need to listen, watch, and learn more about our customers in order to anticipate their needs.

Companies also should focus on uncovering needs through fast, flexible, and focused research. Fast means doing just enough research to inform the next step, not every step. Collect qualitative and quantitative data in person and through remote interviews and surveys, sketching and prototyping ideas as you go. Stay focused to answer the big, seemingly intractable, questions of the day. By doing this, you will get a holistic picture of your customers' needs.

The final principle: products excel at change.

As we mentioned, digital products should be constantly changed, but done so incrementally. And those changes need to be made wisely. By committing to quick iterations, users can interact with each new version of a product and offer useful feedback. And continually monitoring the results of changes as they are made can help your teams address problems immediately.

Mostly, you want to stay curious, but you also need to have the infrastructure to be able to implement change and accelerate innovation. This can be particularly challenging for banks who have historically made big investments in mainframe legacy operating systems. We're seeing issues with vendors who are making it difficult for banks and other financial services companies to modernize these legacy systems. And, taking it upon themselves to migrate to the cloud and other innovation friendly platforms can feel fraught with risk.

In almost all cases, it is worth the investment to develop new innovation-friendly infrastructure. The organizations that do will find that they are able to adapt to changing customer, market and regulatory needs with a lot less friction than they are currently experiencing.

Banks, including the likes of Capital One, are beginning to see the benefits of strategies like these. In 2020, they announced the closure of their last data center; every system now resides in the cloud. This is enabling them to deliver seamless experiences for their customers ranging from fraud detection to multichannel banking experiences, and even shopping experiences on Capital One Shopping, that provide personalized discounts to their card members.

If you want to confidently succeed in the digital economy, it's critical that you understand the stakes in this turbulent and transformational environment. Your digital products must meet a compelling need, provide value and give your customer an authentically differentiated experience.

### **Why Partner With 3Pillar Global?**

At any given time, we are building 150 different product lines for some of the most well-known brands in the world, across the Product Life Cycle. Our company has built hundreds of digital products, served billions of users, monetized dozens of terabytes of data, and created billions of

dollars of equity value for our clients. We've helped dozens of clients create and launch hundreds of products that have added billions of dollars of value to the digital economy.

3Pillar Global is the partner for banks, financial services and fintech companies to collaborate with in driving growth and revenue in the digital economy. We don't just write code. We are fostering relationships, transforming business, advancing technology, improving lives. We believe that The Product Mindset will do the same for you. If organizations that are confronting the inevitability of the digital economy embrace this way of thinking—and put it into practice—we are confident they will experience the same game-changing success.

For more information on The Product Mindset, download our book, *The Product Mindset: Succeed in the Digital Economy by Changing the Way Your Organization Thinks*. Are you interested in learning more about how we can unlock value with digital products and experiences? Let's talk.