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Speedboat to success

How spin-off banks are driving digital transformation across the Middle East.

Technology and disruption are inextricably linked

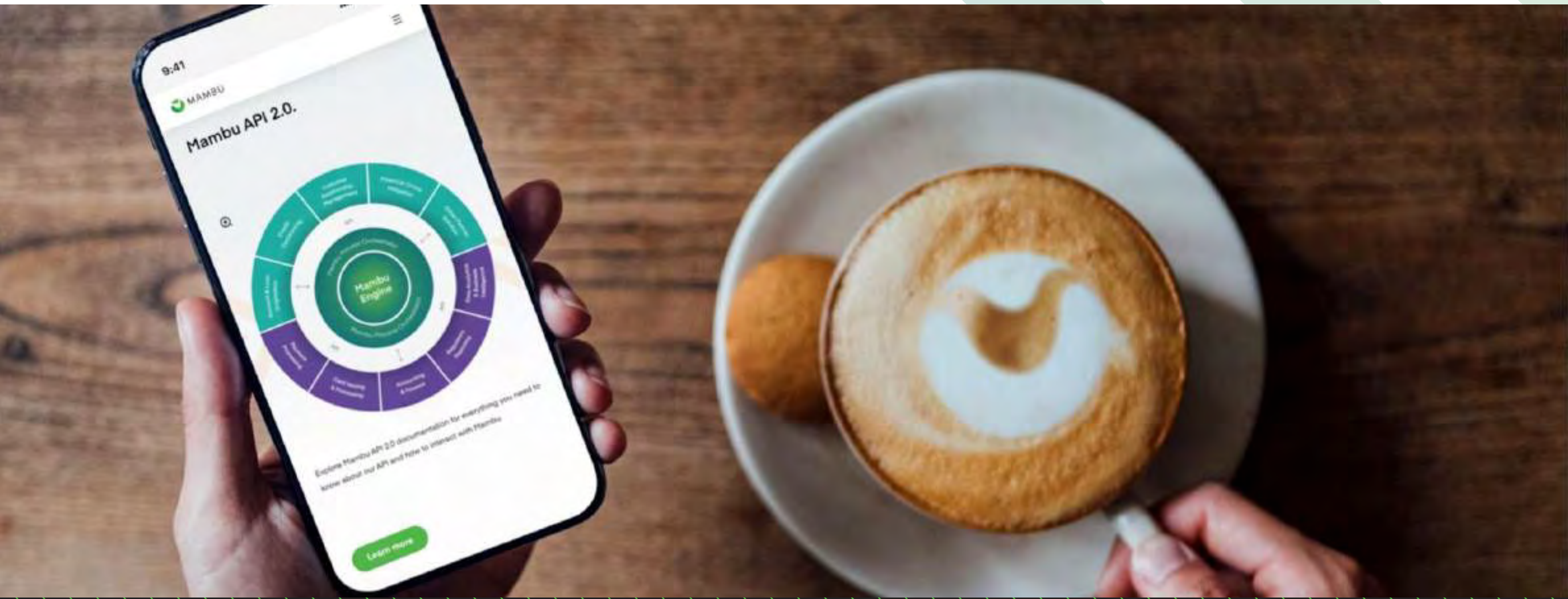
Digitisation, the internet and mobile access have connected the world unlike ever before, creating highly competitive, fast-moving markets and empowering a new generation of nimble disruptors.

In nearly every major industry, incumbent businesses are facing challengers who put innovation and customer-centricity at the forefront of their strategic approach. Loyal customer bases and stable value chains are being eroded. And for even the biggest, most well known players, long-term survival can no longer be taken for granted. McKinsey estimates that 75% of S&P 500 quoted companies will disappear by 2027.

So what does it take to survive? A study by Bain & Company reveals that 90% of major growth success stories are from organisations that continuously evolve and push the boundaries of their core business. The same principle applies to banks.

Reinventing banks for the future

Consumers today are served with a variety of choices to manage their finances, and they tend to gravitate towards the most convenient solutions for them – which aren't always offered by traditional providers.



The growth of fintechs across different areas of the banking value chain, such as payments and lending, has been eating into traditional revenue pools. The rise of non-banking ecosystems, super apps, and approaches like decentralised and embedded finance, are further disrupting the traditional notion of banking as we know it.

For financial institutions to maximise growth and prepare for the future, they need to shift towards customer- and digital-first platforms. This means creating personalised propositions tailored to individual needs and supported by composable, agile technology stacks in order to operate at pace.

The new table stakes are business models that are modern, scalable, and built to meet consumer expectations and deliver differentiation in a crowded marketplace. Yet banks are struggling to evolve fast enough, often held back by inflexible and outdated legacy infrastructures, static operating models and rigid processes.

A new way for incumbent banks to deliver

To prevent market erosion and capture the opportunity to fuel growth, some incumbents have experimented with digital banking offerings. By adopting SaaS, cloud-native technology, traditional players are inching closer to delivering the seamless experiences that audiences today demand.

Yet despite their efforts, outcomes have been mixed. When one looks under the hood, these propositions more closely resemble digital front ends rather than true digital banks. This means they are still leveraging legacy technology and processes when building and deploying new products and features.

A shift to the digital era

When considering trends across the Middle East, there has been notable adoption of digital propositions in banking and financial services in recent years. Data suggests a 52% growth in digital banking between 2021 and 2023, with newcomers entering the UAE, Saudi Arabia and Egypt, among others. The combination of a large untapped market, a demographic of users with high internet and mobile usage, and gaps in existing offerings make the region the perfect breeding ground for a new wave of frictionless solutions.

The perfect storm of opportunity

The Middle East's financial services sector is experiencing massive progression. Increasingly, regulators are seeking to establish open banking and digital financial services as a tool for economic growth, while consumers are making their voices heard and demanding more from their banks.

Dissatisfaction with current banking offerings:

Over 50% of customers surveyed in both Saudi Arabia and the UAE would have no problem switching their bank, with over 60% actively looking for new offerings.

Customer service and digital experience are key drivers:

58% of customers in the UAE and 65% in Saudi Arabia indicated customer service as a primary driver of satisfaction with their bank; nearly 50% in both markets also indicated digital experience as a key driver.

A region at an exciting inflection point

Throughout the Middle East, populations are becoming younger, better educated and more vocal about their demands. They are also better connected, mobile-centric and eager for greater convenience. Consequently, the demand for more diverse, personalised financial products and services is high.

Across the region, incumbent banks and financial institutions are investing to win them over, prevent competitive churn and compete with new fintech challengers.

As a result, it is now one of the world's fastest growing digital banking markets and a hotbed for fintech innovation. According to Fintech News Middle East, there are 200+ active fintech companies in Saudi Arabia and the UAE, with funding to the fintech sector in Saudi Arabia alone experiencing 40% compounded annual growth rate since 2017.

The forces driving banking transformation in the Middle East

Large population of a younger demographic

66% of the population of Saudi Arabia and around 60% of the population of the United Arab Emirates is under the age of 35.

Rapid adoption of digital services

According to the N26-Accenture Global Digital Banking Index, Saudi Arabia and the UAE rank highest for market share potential for digital banking services.

Large unbanked and underbanked segment

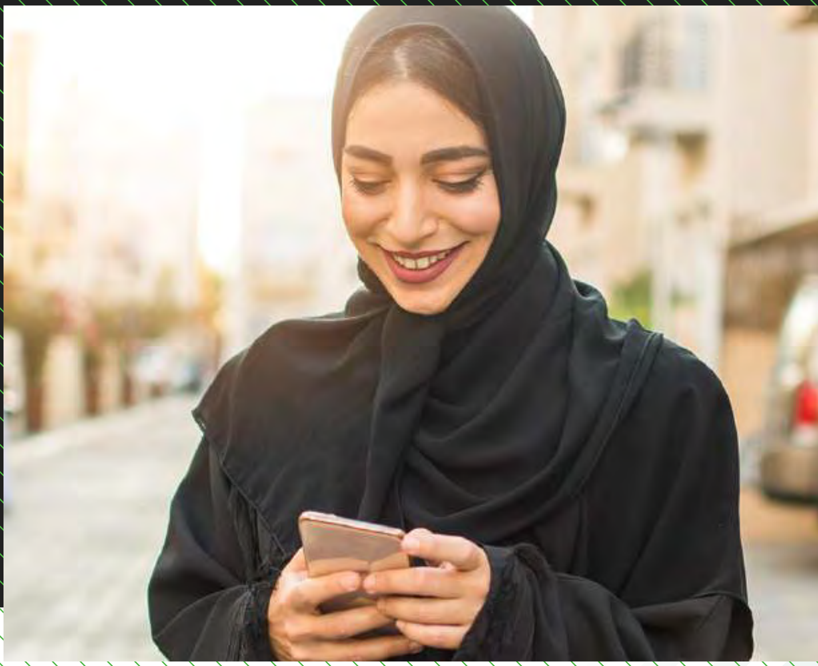
Over 30% of the UAE and Saudi Arabia adult populations are unbanked (nearly 9 million people), with 60%+ of the population classified as underbanked.

Progressive regulatory environment

Ongoing support for new licensing, sandbox environments and incubation for neobanks, including digital bank licences in KSA, DIFC and ADGM fintech hubs.

What are speedboats, and how do they help banks race ahead?

To address changes in the market and face challenges head-on, it's important that banks break free from legacy thinking and technical constraints, and deliver new value propositions by leveraging a speedboat approach.



Speedboats are lean, agile and independent spin-offs from incumbent banks, which operate outside of the legacy infrastructure and are free to evolve and grow like a fintech.

Able to harness the latest technologies without disrupting a bank's existing operations, speedboats can open new strategic avenues, capture synergies, and keep pace with the market and changing customer needs. They can also be used to build more agile and efficient operating models, allowing traditional banks to combine the flexibility and nimbleness of a fintech with the experience, scale, and credibility of the incumbent business.

Speedboats are often best-of-breed solutions in the disruption era, resulting in the modernisation of banks in high growth and rapidly evolving markets such as the Middle East – home to some of the youngest and most digitally savvy consumers in the world.

The advantages of building a speedboat

1. Adopt new technology and innovations

Experiment with and implement new technologies outside of complex legacy tech stacks which many incumbents are burdened with today; can be used as a future platform to widen the bank over time.

2. Reimagine the operating model

Break away from existing processes, silos, structures and ways of working in order to introduce a new operating model with a culture of agility, innovation and customer-centricity at the core.

3. Modernise customer experiences

Differentiate from other financial service providers by offering solutions which address user needs, adapt alongside the latest trends, and tap into new revenue streams to achieve greater Customer Lifetime Value

4. Reduce costs and overhead

Decrease development time, operating costs, and cost of customer acquisition and servicing. Leverage established credibility paired with a SaaS pricing model to operate at up to 80% lower cost than traditional banking models.

5. Enhance time to market

Quickly launch new disruptive propositions or respond to competitors within months, instead of years. Ideation, innovation and execution can be done faster outside the walls of the existing incumbent organisation.

6. Attract top talent

The latest technologies, modern operating models and market-leading products will attract top tier tech talent in order to support future growth and innovation in a competitive job market.

Building blocks for success

Launching a bank is no small task

Globally, only about 25% of banking spin-offs manage to achieve true scale and are eventually considered successful. So what does it take to launch a winning speedboat in the Middle East and beyond?

Based on Mambu's experience with 250+ customers in 65 countries and Publicis Sapient's 30+ years of digital transformation experience, we outline the core building blocks for success.

Establish a clear value proposition

Create a laser sharp proposition anchored on customer needs, pain points and unique differentiators.

Start small and focused on a set of prioritised use cases, and incrementally scale up offerings over time.

Use an ecosystem of partners to enhance the strength of offering and expand customer reach and acquisition.

Adopt flexible, cloud-based technology

Implement a composable architecture to configure and swap components freely without any vendor lock-ins or high development costs.

Leverage cloud-native, SaaS solutions for rapid deployment and scaling, while reaping benefits of vendor managed services.

Use API-first platforms to enable product rollouts, changes and integrations, while enhancing the ability to adapt to customer needs.

Build a measured go-to-market strategy

Develop a progressive MVP and release plan to achieve product-market fit while also testing and learning from customer feedback.

Identify key metrics to measure success and determine how to course correct where needed - such as across customer acquisition or churn rates.

Determine the appropriate channel mix to reach audiences, capture interest and acquire users, including digital, physical, or a combination of both.

Take alternative approaches to risk

Leverage varied, non-traditional data sources to build customer risk profiles such as in-app customer behaviour or purchase history.

Maximise use of automation to enhance user experience and minimise manual intervention, such as AI-enabled credit decisioning.

Maintain lean cost structure through fit-for-purpose technology partners, integrated processes and pay-as-you-grow SaaS solutions.

Master your business model

Build a culture of customer obsession to relentlessly focus on building products and services to fulfil customer needs and add value to their lives.

Encourage rapid iteration and experimentation – build, break and fix fast – to constantly push the boundaries of innovation.

Focus on optimising Customer Lifetime Value and chart out a path to monetisation and profitability, clearly identifying when and how to do so.

Enabling change from within can be difficult

Banks in the Middle East have traditionally been very conservative, with decades of traditional products and legacy technology.

Going forward, banks in the region will continue to face increased competition from fintechs and non-financial players, serve increasingly impatient customers, and navigate a shifting macro environment which puts further pressure on the traditional banking business and its margins and revenue pools.

The speedboat approach can prove to be a winning formula for incumbent banks looking to spur innovation and re-invent themselves. They allow new high speed operating models and flexible thinking required to ensure bank services are fresh, relevant and appealing to customers – and set themselves up for the next decade of growth.

Spotlight on real-world winners

Globally, incumbent banks are switching on to the inherent opportunities of running 100% digital banks and services. Many are already using the building blocks shown to successfully launch their own speedboats.

Here are some global examples of banks who have successfully used the speedboat approach to secure a foothold in new or untapped markets and customer segments and reposition their businesses for the future.

New10

Digital SME lender launched by Dutch banking giant ABN Amro, New10 offers simple and transparent lending for small and medium sized businesses with a 15-minute credit decisioning process. As a result, over 65% of new customers acquired were new to the bank, which has achieved a Net Promoter Score of 60+.

Space

Georgia's first neobank from TBC Bank, Space Bank delivers simple, design-oriented and customer-centric daily banking services and is structured as an autonomous business. In 8 months, the bank went from concept to launch, and has served 200,000+ customers to date.

TNEX

Vietnam's first digital-only bank from Maritime Bank, which connects Gen-Z retail customers and micro-SMEs with an ecosystem of banking products, services in a digital commerce marketplace. In the first year, 500,000 retail and 15,000 SME customers were onboarded and TNEX was awarded best new digital bank in the world.

It’s better to disrupt than to be disrupted

With the Middle East's digital financial services space ripe for disruption, there is no better time to take this step forward and set sail.

Mambu and Publicis Sapient can support financial institutions navigating this complex journey, with unparalleled experience working with digital disruptors to build winning speedboat propositions and deliver digital-first, customer-centric transformations.

Together, Mambu and Publicis Sapient bring combined expertise in business advisory, digital transformation, design thinking and technology implementation to support clients across all aspects of their digital journeys.

Learn more about how to build a winning speedboat for your bank.

About Mambu

Mambu launched in 2011 with the aim of enabling free access to modern financial services for all. The only true SaaS cloud banking platform, Mambu's unique composable approach allows for the flexible assembly of independent components and systems to fit the exact needs of your business and customers. The Mambu team of 900 is spread across the globe and supports over 200 customers in 65 countries.

Learn more about how Mambu is expanding our capabilities in Islamic Banking.

Read more

About Publicis Sapient

Publicis Sapient is a digital transformation company which partners with global organisations to help them create and sustain competitive advantage in a world that is increasingly digital. A culture of curiosity and industry knowledge delivers meaningful impact to clients' businesses through reimagining the products and experiences their customers truly value. Publicis Sapient is the digital business transformation hub of Publicis Groupe with 20,000 people and over 50 offices worldwide.

Discover how to build a neobank from scratch in as little as six months in Publicis Sapient's four-step guide to neobank success.

Download the guide