In the future, firms may serve customers by bundling certain financial services that are not currently combined, or they may merge banking-like services with non-banking-like services, such as tickets to concerts and sporting events, and vacation planning. These firms may have electronic delivery vehicles and be accessed through the Internet. In the end, prosperous firms will be those that find ways to deliver services the public wants. Some activities that today we regard as inappropriate, difficult, or illegal for banks will most likely change, and sooner than we expect.\(^1\)

In order to compete successfully in an environment of globally competitive banking services, financial institutions must continually adapt their products and services to represent the values and, more importantly, a sense of benefit that is easily recognizable by the consumer and small businesses. Business gurus have touted the necessities of having a clear business vision that is the synthesis of the firm’s value proposition. Financial institutions which cater to the retail banking marketplace are finding that their current suite of products that is the basis of their current value proposition is not aligned to the customers’ service demands. During the dot-com frenzy, many institutions interpreted this misalignment as not having enough technological product offerings. Many traditional retail banks found that competition could spring from non-traditional banking sources. As the dot-com phenomena faded, retail bankers realized that the next wave of competition would centre on the formation of horizontal and vertical industry alliances to meet the growing complexity caused by customers demanding products to facilitate their changing lifestyles. To meet this wave of industry-wide change, retail banks must develop a value proposition that is clearly understood by customers. The value proposition is a restatement of the institution’s vision.
Business visions for retail banks should comprise a clear statement of purpose that summarizes the overall value added by their service to customers. Vision is not meant to mean the next quarter, but two, three and even five years into the future. Creating a vision and a sustainable value proposition demands that an organization must continually think ahead. Developing a vision is not a one-time event, just as the firm’s value proposition is not static, but continually changes, reacting to customer and market demands. Although the creation of a vision and subsequent value proposition appears easy, in reality it is difficult. Vision and value proposition development requires a defined approach, with periodic intervals of strategic thinking events to keep it responsive to changes in the competitive landscape. Today’s customers are looking for a retail bank that has global breadth (access to geographically diverse opportunities) but local depth (higher levels of personal customer services and assistance) to meet the needs of their changing lifestyles.

In the post-dot-com economic environment, financial institutions have shifted their focus from strategic endeavours to more tactical manoeuvres, concentrating largely on fixing systems that do not work versus implementing leading-edge solutions. To ward off new competitors, a large percentage of institutions are simply meeting the challenges of the economic downturn by cutting technology spending. Most traditional banks breathed a sigh of relief at the reduction in technology spending, indicating that the dot-com competitors appeared to be less of a threat than previously envisioned. It could be argued that many retail banking service providers have been lulled into a false sense of security and will, yet again, be caught off guard by the next wave of competition. This reactive strategy creates an opportunity for new market entrants and other more ambitious service providers to introduce new products and capture highly specialized market segments in both retail and commercial marketplaces. Financial services organizations offering retail products and services must move from a reactive business agenda to a proactive suite of customer-focused initiatives to remain competitive. Financial services firms taking a strategic stance are concentrating on developing their core skills and internal competencies in preparation for linking with cooperating external entities to form multi-organizational networks of co-branded financial products. As the next wave of competition becomes more complex, retail banks will centre their efforts along two distinct lines of business: becoming a retail banking utility that provides services to traditional banking customers and ‘white label’ generic services to external banking partners to be rebranded; and/or becoming a financial services hub or aggregator of banking products from other providers and intermediary services.