For Nordic banks tradition is no protection
The European Union (EU), with 27 member states, almost 500 million citizens and an estimated 30% share of the nominal gross world product, is the most integrated free trade area in the world. By continually breaking down barriers to commerce and harmonizing regulations, the EU has increased the prosperity of its citizens. But this drive to enhance competition has some far-ranging consequences, from which the Nordic banking industry is not exempt.

By 2012, for example, once the Single Euro Payment Area (SEPA) is fully established, the barriers to other EU banks entering the Nordic market will be practically non-existent. In fact, with the sophisticated technology available, international players will find it increasingly easy to compete against Nordic banks on their home turf. In every area of finance, from capital markets to payments, the business interests of Nordic banks will be increasingly vulnerable.

Global players with deep pockets
Large financial institutions with far greater capitalization are already setting up shop in the Nordic countries. Among those moving into the region is Spanish banking group Santander, which has launched an aggressive campaign to win retail, SME and corporate clients. Offering better rates of interest and more competitive payment services, it’s only a matter of time before it gains an appreciable toe hold in the market. Swedish-Finnish financial services company OMX, now merged with US stock market NASDAQ, has also taken advantage of the new regulations and a harmonized technology platform to become a real force in the capital markets.

Tradition is no protection
Some industry experts argue that, despite the disappearance of trade barriers, the Nordic financial industry will be protected by its historic standing in society. There is no doubt that banks operating at a regional level, which have cultivated long-standing client relationships and have many branches in many locations, will have a better chance of survival. These banks can continue to target specific customer segments successfully by offering a service portfolio which is optimized for their needs. Those with the most to lose are the ones with a more generic business model and which operate at a pan-Nordic level.

To see why, consider what happened to the Baltic banks in the 1990s. Rather than specialize, many well-established financial institutions relied on their reputation to maintain market share and have since been swallowed up by their rivals.

Evolve and prosper
So what are the options for pan-Nordic banks that don’t have a global presence but which are strong regionally? It’s a daunting challenge, but realistically they have two choices: evolve or die. Unable to compete on price with global players, they will have to adapt their services to ensure what they offer is unique. Whether that means targeting retail customers, SMEs or large corporate clients, Nordic banks can no longer afford to be complacent.

With internationalization and new technology here to stay, it makes sense to focus on these issues sooner rather than later, because later may simply be too late. Pan-Nordic banks need both to safeguard existing customers and target new clients in their own markets. The question is, how?
Heat map of change in financial services

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<th>Distribution</th>
<th>Branch</th>
<th>Self services</th>
<th>Contact Centre</th>
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<td>Financing</td>
<td>Deposits</td>
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<td>Value creation</td>
<td>Compliance and risk management</td>
<td>Support</td>
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The heat map indicates the distribution of financial services, focusing on key areas such as Branch, Self services, Contact Centre, Financing, Deposits, Payments, Asset management, Trading, Investment Banking, Value creation, Compliance and risk management, and Support.
Lessen the strain of change

Whether they choose to personalize their services to target specific groups, process large volumes of wholesale transactions, or provide specialized services within the product value chain, banks need to focus. Evolving on an operational level takes both time and energy. There are two ways to lessen the strain of change: collaboration and outsourcing. Tieto can help with both. With its experience of collaborating with banks and offering cost-effective and expert outsourcing solutions, Tieto is well placed to help firms face the realities of the new economic order. Tieto works closely with firms to ensure its collaborative approach achieves results for their business. So, instead of trying to build a system from scratch – and having to scale all the hurdles that this approach entails – businesses can buy a solution from Tieto that is based on its expertise and years of experience of building solutions for the financial services industry. And, because it knows every business is different, it works with each company to customise the solution and ensure it fits their business needs.

Tieto has been helping Nordic financial institutions deal with changing times for decades. During the last financial crisis in the early 1990s, it was Tieto which helped Nordic banks survive and later prosper. It helped them to gain global recognition for their solutions and services in areas such as payments, asset management, trading markets and multi-channel banking.

Take Tieto’s Unified Communications Services (UCS). This has been specifically developed to enhance the customer experience by enabling financial institutions to monitor, in real time, all their customer interactions. Tieto has also helped banks develop their multi-channel strategy and has expertise in areas such as self-service, mobile, contact centres, e-Banking and payment cards.

Whether banks are offering their services via the phone, online or face-to-face, they know exactly what their customers are doing and can respond accordingly. This extra knowledge gives them the power to provide a service that is second to none.

But this isn’t Tieto’s only area of expertise. With its history in the payments, asset management and trading markets, Tieto is well placed to help banks take advantage of some of the opportunities that it expects the industry to enjoy in the future. With Tieto’s team of experts and its high-quality solutions, it can help customers deal with key challenges such as: how to deal with fragmentation; how to reduce operational risks; how to save costs; and how to identify new revenue opportunities.

And, of course – all banks need to be flexible to adapt to new regulations, new competitors and new business strategies.

Despite the economic upheaval of the past 12 months, outstanding solutions are still required to meet the needs of customers and aging popu-
In addition to collaborating with a bank to develop its existing niche, Tieto is able to help it focus on its key competences by assisting in application and infrastructure management. As an expert in outsourcing, Tieto has the skills necessary to help banks evolve and adapt in an ever-changing world.

Pan-Nordic banks have to adapt their services in a way that makes them unique. These are challenging times for the banks, but by beginning the process of specialization now, their future can still be bright. And Tieto has the experience to prove it.

Services successfully centralized

Financial institutions eager to specialize also need to be able to focus on the areas of their business that matter most. Take Finland’s largest financial services group OP-Pohjola Group, for example. In 2008, it was keen to improve efficiency by centralizing the operating services of its banking and insurance branches.

To achieve this without any disruption to its four million customers, it asked for Tieto’s help. The two companies worked together closely to plan the centralization down to the last detail. More than 700 professionals took part in the project to ensure its success.

The successful migration enabled OP-Pohjola to centralize the measurement and monitoring of both its banking and insurance operations. And with Tieto looking after the day-to-day running of these operations, OP-Pohjola is able to focus on providing the world-class banking and insurance services its customers have come to expect.

Ranked the best Nordic partner

With success stories like this, perhaps it’s not surprising that a recent study conducted by sourcing advisory service EquaTerra ranked Tieto as the best Nordic outsourcing partner. The 2009 research showed that 72% of respondents were satisfied with its services. What’s more, Tieto scored top when it came to application management, while 67% of its clients said they’d willingly recommend the firm as an outsourcing partner.

This helps explain why, time after time, when Nordic banks have required assistance to evolve and adapt their operations, they have turned to Tieto. As a trusted partner and advisor, Tieto clearly has the expertise that financial institutions need to help them face the future with confidence.
Tieto is a professional service company providing IT, R&D and consulting services. With approximately 16,000 experts, we are among the leading IT service companies in Northern Europe and the global leader in selected segments. We specialize in areas where we have the deepest understanding of our customers’ businesses and needs. Our superior customer centricity and Nordic expertise set us apart from our competitors.

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