

Digital transformation: Smaller banks struggle with costs and scale when adopting large banks' digital strategies

Large banks justify heavy spending on custom platforms by spreading costs across millions of customers, says Sundararajan S, Co-founder & CEO of i-exceed

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WHAT is the everyday friction points that frustrate customers the most?

The frustrations haven't changed fundamentally in decades—they've simply migrated to digital channels. Customers still struggle with basic tasks like disputing transactions, updating beneficiaries, or understanding why a transfer was declined. What's different now is their diminished tolerance for friction. The core issue is fragmentation. A customer might start a process on mobile, continue on desktop, and finish with a phone call, only to discover the information doesn't travel with them. Many banks have digitized individual touchpoints without digitizing the underlying workflows. The result is digital theater - interfaces that look modern but still require multiple logins, repetitive data entry, and unexplained delays.

The second pain point is opacity. When something goes wrong, customers receive generic error messages with no clear path to

resolution. They don't know if they need to wait ten minutes or ten days, or whether they should call someone or try again later. This ambiguity creates anxiety that erodes trust more than the actual problem does.

In practice, fixing this quickly often means redesigning the workflow end-to-end rather than polishing touchpoints - a cross-functional sprint that removes duplicated data-steps typically reduces calls and rework by a measurable percentage. What experience shows is that customers don't expect perfection. They expect clarity, continuity, and control. When we've addressed these three elements—even with nascent technology—satisfaction improves dramatically. The technology matters less than the coherence of the experience we build with it.

Why smaller banks struggle when they try to copy large-bank digital strategies?

Smaller banks often overlook that digital transformation is not merely about procuring technology. They see what the largest banks have deployed and attempt to replicate it, only to discover that those solutions were purpose-built for different operating models, different customer volumes, and different cost structures.

The fundamental difference isn't capability—it's context. Large banks can justify significant investments in custom platforms because they're spreading costs across millions of customers. They have dedicated teams for each component of the digital ecosystem. Smaller banks attempting the same approach end up with expensive systems they can't fully utilize and don't have the staff to optimize.

More critically, smaller institutions often possess advantages they inadvertently surrender

Smaller banks often overlook the fact that digital transformation is not merely about procuring technology. "They see what the largest banks have deployed and attempt to replicate it, only to discover that those solutions

when copying larger competitors. Their customers frequently value relationship continuity and personalized service over feature breadth. When a community smaller bank tries to mimic a megabank's digital experience, they risk becoming an inferior version of something their customers weren't seeking in the first place. The successful approach I've observed involves selective adoption. Smaller banks should automate the routine and commoditized interactions—balance inquiries, bill payments, routine transfers—while preserving human engagement for complex situations where their relationship advantage matters. This hybrid model plays to their strengths rather than competing on terrain where they're structurally disadvantaged. The goal isn't digital parity; it's strategic differentiation.

How AI can be layered onto legacy systems realistically?

The prevailing narrative suggests banks must choose between wholesale system replacement or technological stagnation. Reality offers a middle path that's more pragmatic and less risky.

AI's value in banking isn't



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replacing core systems—it's creating an intelligent interface layer between those systems and customers or employees. AI can function as an adaptive orchestration layer that interprets intent, harmonizes data outputs from varied operational engines, and enables real-time decision support without forcing banks into disruptive core replacement projects.

Consider a practical example: Many banks have customer data scattered across loan origination systems, deposit platforms, and CRM tools that don't communicate well. Rather than replacing these systems, which will be a multi-year, high-risk endeavour, digital banking solutions can deploy AI that queries these systems simultaneously, reconciles the information, and presents a unified view. The customer experiences seamless service, the bank gains a coherent operation-

al layer that accelerates service delivery and reduces dependency on brittle point-to-point integrations.

The second opportunity is in exception handling. Legacy systems generate countless situations requiring manual intervention—mismatched data fields, incomplete applications, or transactions flagging outdated rules. AI can triage these exceptions, resolve straightforward cases automatically, and route complex issues to appropriate specialists with relevant context already assembled.

It yields measurable wins fast while allowing an orderly technical roadmap to continue. It's not the most elegant solution architecturally, but it's the most realistic one operationally for institutions that must maintain service continuity while modernizing.

How banks are moving from reactive service to predictive Customer experience?

The shift toward predictive customer experience represents a maturation in how we think about data. For years, banks have collected extensive information but primarily used it for

risk management and regulatory compliance. Banks are now repurposing that data to anticipate customer needs rather than merely respond to them.

The sophistication varies considerably. At the simpler end, banks are alerting customers before problems occur—flagging unusual spending patterns that might indicate fraud, or notifying them before an automatic payment fails due to insufficient funds. These interventions prevent frustration rather than apologizing for it afterward.

More advanced applications involve life-stage anticipation. When spending patterns, life events, and financial behaviours suggest someone might be preparing to purchase a home or start a business, digital banking solutions can proactively offer relevant guidance and products. What sets predictive customer experience apart today is combining behavioral signals with contextual relevance, offering the right insight or support exactly when the customer is most likely to act on it, not just when it's convenient for the bank.

The organizations succeeding here share a common characteristic: they've shifted from

campaign-based banking to continuous listening. Rather than periodic promotional pushes, they maintain ongoing awareness of each customer's financial trajectory and intervene at moments when assistance genuinely adds value. This requires new governance, new KPIs and a ritual of continuous feedback, not another campaign calendar. The core challenge isn't just tools or models — it's embedding a customer-first operating rhythm where insights drive moments of value rather than product-centric milestones, reshaping decisions across the enterprise.

After reaping gains from Washington–Beijing trade friction, Vietnam struggles to sustain growth momentum

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THE transformation of Vietnam's Bac Ninh is evident in the signs above its shops and the spicy Chinese and Korean dishes on its tables. Once known for its rice fields and the love duets of its centuries-old Quan Ho folk songs, the city just north of Hanoi has become one of Vietnam's busiest factory zones, reflecting a surge of investment, hastened by President Donald Trump's tariff hikes, that are reshaping the region. The economy has profited from friction between Washington and Beijing as factories shifted out of China, joining earlier waves of foreign investment by the Japanese and South Koreans that have made Vietnam a global manufacturing hub. But rising labour costs, worker shortages and inadequate infrastructure are exposing the limits to its rapid rise. With rivals like Indonesia and the Philippines competing hard for new projects, Vietnam is trying to climb into higher-value manufacturing and expand export markets to maintain that momentum. That effort is evident in Bac Ninh.

Vietnam is building more capacity

Traditionally a centre for artisans, Bac Ninh's first boom began around 2008 when Samsung built its first phone factory there, turning Vietnam into its largest offshore manufacturing base. Now, Chinese companies are pouring in as they diversify their factory locations to skirt US tariffs and other trade restrictions. After Hanoi and Beijing normalized ties in the 1990s, inflows of Chinese investment began to pick up as Chinese firms in places like Bac Ninh tapped Vietnam's electronics supply chain, labour force and supportive local governments, often aided by

Chinese-speaking intermediaries who smooth paperwork and logistics. But Vietnam is too small to replace China, whose economy is 40 times larger, as the world's factory floor.

To try to keep up, its leaders are building new infrastructure, including a highway to the Chinese border that has cut travel time by more than an hour. A railway will connect Hanoi to Haiphong — Vietnam's largest seaport — and then the border town of Lao Cai. On December 19, Bac Ninh broke ground on the expansion of an industrial zone for high-tech manufacturing, including electronics, pharmaceuticals and clean energy. It's part of a synchronized nationwide push in which Vietnam launched 234 major projects worth more than \$ 129 billion just weeks before a pivotal National Party Congress in January, when leaders will decide the country's political leadership and economic direction.

The China factor collides with reality

In Bac Ninh's downtown, a convenience store bears the name Tmall, after Alibaba's flagship online marketplace. Signs in Chinese advertise services for investors. Chinese–Vietnamese language schools have opened to help locals and Chinese to learn each others' languages. But as Chinese companies compete for the best labour and other resources, costs are rising for the "China plus one" strategy of moving factories out of China to other locations, for example, Apple's shift into India. "It is becoming difficult to recruit workers," said Peng, who works at a tel-eoms equipment company that moved from China's southern technology hub of Shenzhen.

Labour costs have jumped 10 per cent–15 per cent since 2024, he said, "And we ex-



pect them to keep rising," Vietnam still need technology, equipment and expertise from China, which had created "the best manufacturing ecosystem," said Jacob Rothman, co-founder and CEO of China-based Velong Enterprises, which makes grill tools and kitchen gadgets and has shifted some production to Southeast Asian countries including Cambodia and Vietnam. Supply chains and manufacturers in China have benefited from decades of government support, large-scale investment and its huge population, Rothman said. "You can't recreate that overnight." Brian Bourke, global chief commercial officer at US-based SEKO Logistics, said while factories making footwear, furniture and technology are still relocating to Vietnam, it lags China in infrastructure and logistics capabilities. Some of those limits are surfacing in boomtowns like Bac Ninh, where firms are trying to lure workers with higher wages and bonuses, a box of instant noodles on their first day and bus fares if they commute from another city, according to state media.

Vietnam faces competition from its neighbours

Few countries have benefited more from Trump's trade war than Vietnam, whose biggest export market is still the US. In 2024, Vietnam ran a \$ 123.5 billion surplus with the US, the third largest behind China and Mexico. That irked Trump, who threatened

a 46 per cent import tax on Vietnamese goods before settling on 20 per cent. The two countries are still working toward a deal to keep most tariffs at 20 per cent. Vietnam has offered broad preferential access for US products, the White House said in October. So far, it has largely absorbed the tariffs, running a trade surplus of \$ 121.6 billion in January–November 2025.

The agreement in October by Trump and Chinese leader Xi Jinping to a year-long trade truce and lower average tariffs on Chinese exports to the US to about 47 per cent helped ease some concerns. But persisting uncertainty over tariffs and other trade restrictions means companies aren't just trying to shift factories out of China but to spread them across several countries, said Frederic Neumann, chief Asia economist at HSBC.

Even with lower US tariffs on China, the calculus still favours moving to Southeast Asia where manufacturing inefficiencies add only about 10 per cent in cost. But while large corporations can shift production easily, smaller firms may struggle to fit a new factory with expensive equipment.

"(The) race to move outside of China is still happening, and it's accelerating," Rothman said. Vietnam is still attracting ample foreign investment. Cumulative foreign investment topped \$ 28.5 billion as of September, up 15 per cent from last year. But scrutiny of Vietnam's role

as a hub for tariff-dodging transshipments has some manufacturers hedging their bets. One of SEKO Logistics' customers has shifted some of its furniture making to India, not wanting to "put all their eggs in Vietnam," Bourke said. Countries like Indonesia and the Philippines, which missed the early gains Vietnam captured, are promoting themselves as alternative manufacturing bases. In the Philippines, a new law allows foreign investors to lease private land for up to 99 years to attract long-term commercial and industrial investment.

Vietnam as a 'tiger economy'

Vietnam has a goal of becoming rich by 2045. It aims to become Asia's next "tiger economy," following export powerhouses like South Korea and Taiwan by shifting from low-cost assembly work to manufacture higher-value products like electronics and clean energy equipment. It's offering incentives like tax breaks on imported machinery and discounted rents to help factory suppliers upgrade and modernize. About a third still use non-automated equipment and only about 10 per cent use robots on their production lines. The country also is trying to reduce its dependence on the US market by expanding exports to the Middle East, Latin America, Africa and India.

Overseas trade offices have been asked to share market intelligence and promote products made in Vietnam. Vietnam knows that rising costs and tougher competition will test how far it — and places like Bac Ninh — can climb. Announcing hundreds of projects in December, Prime Minister Pham Minh Chinh framed the stakes: Vietnam must "reach far into the ocean, delve deep underground and soar high into space."

Ukraine peace talks continue to face uncertainty as US shifts its focus to Venezuela

UKRAINE's allies are meeting in Paris for key talks that could help determine the country's security after a potential ceasefire with Russia. But prospects for progress are uncertain with the Trump administration's focus shifting to Venezuela.

Before the US capture of Venezuelan leader Nicolas Maduro, French President Emmanuel Macron had expressed optimism about the latest gathering of so-called "coalition of the willing" nations.

For months, they have been exploring how to deter any future Russian aggression should it agree to stop fighting Ukraine. In a December 31 address, Macron said that allies would "make concrete commitments" at the summit "to protect Ukraine and ensure a just and lasting peace."

Macron's office said on Tuesday's meeting will gather an unprecedented number of officials attending in person, with 35 participants, including 27 heads of state and government.

The US will be represented by President Donald Trump's envoys, Steve Witkoff and Jared Kushner. Macron's office said the US delegation was initially set to be led by Secretary of State Marco Rubio, who changed his plans for reasons related to the military intervention in Venezuela.

Participants seek concrete outcomes on five key priorities once fighting ends: ways to monitor a ceasefire; support for Ukraine's armed forces; deployment of a multinational force on land, at sea and in the air; commitments in case there's another Russian aggression; and long-term defence co-operation with Ukraine. But whether that's still achievable isn't so clear now, as Trump deals with the aftermath of his decision to effect leadership change in



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Recent progress in talks Before the US military operation targeting Maduro, Witkoff had indicated progress in talks about protecting and reassuring Ukraine. In a Dec. 31 post, Witkoff tweeted that "productive" discussions with him, Rubio, and Kushner on the US side and, on the other, national security advisers of Britain, France, Germany and Ukraine had focused on "strengthening security guarantees and developing effective deconfliction mechanisms to help end the war and ensure it does not restart."

France, which, with the United Kingdom, has coordinated the monthslong, multination effort to shore up a ceasefire, has only given broad-brush details about the plan's scope. It says Ukraine's first line of

defence against a Russian resumption of war would be the Ukrainian military and that the coalition intends to strengthen it with training, weaponry and other support. Macron has also spoken of European forces potentially being deployed away from Ukraine's front lines to help deter future Russian aggression.

Ukraine's President Volodymyr Zelenskyy said during the weekend that potential European troop deployments still face hurdles, important details remain unfinalized, and "not everyone is ready" to commit forces. He noted that many countries would need approval from parliament even if leaders agreed to military support for Ukraine.

But he recognised that support could come in forms other than troops, such as "through weapons, technologies and intelligence." Zelenskyy said that post-ceasefire deployments in Ukraine by Britain and France, Western Europe's only nuclear-armed nations, would be "essential" because some other coalition members "cannot provide military assistance in the form of troops, but they do provide support through sanctions, financial assistance, humanitarian aid and so on." "Speaking frankly as president, even the very existence of the coalition depends on whether certain countries are ready to step up their presence," Zelenskyy said. "If they are not ready at all, then it is not really a coalition of the willing."