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NAB Check Business Model

Summary

NAB Check uses predictive analytics to send early warning notifications linked with personalised educational resources to NAB small business customers at risk of financial hardship. Guided by continued research and consultation with small business owners and industry experts, NAB Check has been iteratively developed to streamline the existing existing resources and channels of National Australian Bank (NAB) in order to save unnecessary expenditure for both for NAB customers and for the bank itself and increase financial literacy. The following business model will detail why NAB Check is a uniquely valuable investment, how it is serving the needs of small business, how the service will work and techniques and processes of validation used throughout.

Value proposition

Small businesses face an increasingly competitive landscape in Australia, with over 60% failing within the first 5 years of operation (Morano, 2018). This not only negatively impacts the financial and mental health of small business owners, but also carries significant cost to the bank in terms of debt that cannot be repaid, evident in the fact that the Bad Debt Provision for NAB amounted to $791 million in 2018 alone (NAB, 2018). Through the use of data analytics to provide personalised, timely and industry specific information to small businesses, NAB Check has the power to effectively increase financial health in the small business sector whilst simultaneously decreasing unnecessary losses suffered by the bank.

NAB has the potential to further cement NAB's position as Australia's leading business bank. While predictive banking is increasingly expected by customers and seeing more take-up in the major banks of Australia (Pollari 2018), there is a gap in the market for predictive service that ties in with a personalised learning activity. As our solution was designed to effectively leverage the infrastructure and resources that NAB already has in place to fill this gap, it represents a comparatively cheap investment that could differentiate NAB from their competitors.

Additionally, while the prototype detailed in this model focuses on cash flow, NAB Check could iterate not only to tackle more issues the small business sector, such as superannuation management, but also move to other customer segments. Investment in this service will lead to increasing gains for NAB, not only in terms of money saved, but also customer loyalty, corporate goodwill and increased value to existing products.

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Customer Segments

Our customer segment included small businesses, as defined by the Australian Taxation Office (ATO) as businesses that turn over less than $2 million a year (ATO, 2019). Examples of such businesses include retailers, manufacturers and restaurants. Our team set out to discover the key pain points through desktop research, an online questionnaire conducted with 25 small business owners and a series of qualitative interviews and consultations with small business owners and industry experts.

There are around 2 million small businesses in Australia and they contribute more than 57% of the Australian GDP though most fail within the first three years of opening (Gilfillan, 2019; Marano, 2018). Factors such as unstable income, insufficient financial literacy, professional isolation and lack of resources result in significant financial and mental health challenges in the sector (Lowinger 2018). Business conditions are also decreasing, particularly in the retail and manufacturing (NAB, 2019), presenting small businesses as area that could benefit from increased service.

Our interviews revealed financial literacy to be a major problem, with one retailer saying "I really struggle with educating myself and getting my head around everything to do with finances from starting up, to paying myself and managing money". When asked to rate specific problems associated with financial health, with 63% small business owners said that cash flow was the leading problem. We prototyped our service by focussing on the retail industry specifically and used a persona to model a financial predictive model and plan the steps of our service. After showing small businesses our initial prototype, 24 out of 25 indicated that they would use NAB Check.

Customer Relationships

NAB Check seeks to create meaningful and long-term relationships with customers through a personalised automated service delivered through the NAB app. NAB Check contacts customers with an early warning notification via phone or email. In this sense, we use predictive analytics to identify customer needs before they do and connect them with streamlined fit-for-purpose information. We have designed this solution to support customers and encourage long term financially healthy behaviour, which creates benefit for the customer and reveals NAB as a company that cares and one that is indeed more than money.

As most small businesses we talked to indicated they would prefer our service to be delivered online, we have designed the service to integrate with the NAB app for maximum convenience, allowing us to meet our customer group where they already are and eliminating unnecessary touchpoints. While there is significant cost saved in the automated service delivery, we appreciate that human-to-human interaction is an extremely important part of any service and something that can't be replaced, which is why we have

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included the 'Request a call from NAB' button both when the customer receives the initial notification and when they access the learning activity. Customers are also provided quick information about how to access NAB Village, where they can access free meetings with professionals and meet a like minded community. We hope to further develop NAB Check in future to incorporate a face-to-face learning component, and ensuring that customer experience is placed at the forefront of this service.

Channels

NAB Check delivers the service to the customers with different communication channels. Initially customer notified with warning message via phone or email. In this stage we have integrated the existing cash flow management tool 'Xero' 'Float 'a third party software which is leading in cash flow predictive analytics. Once the customer notified with a warning signal, they are directed to the online learning platform to learn personalized solutions of their financial difficulty. Once they complete the learning modules, the customers are directed to existing NAB services such as NAB village, one to one business advisory meetings, business health etc. Business owners can request a call back or instant chat service if they wish to contact the bank immediately.

Originally, we planned to develop a new app to launch NAB Check. After testing however, we were advised that this added a layer of difficult and would lead to loss of customers. As our survey indicated that 90% of the participants said they prefer using the NAB existing app instead of downloading a new app, we decided to use that as the main channel to send the notification. The fact that our service is integrated and automated means that there are significant savings for NAB in terms of marketing the product.

Key Partners

In a market subject to technological disruption, companies must increasingly rely on their innovation ecosystems to stay competitive which involves a diverse range of partners and relationships (Polari, 2018). The key partners in NAB Check's innovation ecosystem include the Float cash flow forecasting tool, the xero financial planning platform, NAB and NAB village. Initially we were planning to develop an algorithm that could forecast future spending off business banking data alone, however after talking with our mentors and small business owners, came to understand that each industry has different pay cycles and its own distinct cash flow pattern based on the kind of expenses. Though there was potential to calculate this, we found that a much easier way to achieve the same outcome would be utilise NAB's existing partnership with xero and the shared data, particularly as xero is offered free to all business banking customers.

Float (2018) is an online cash management and forecasting tool that helps people manage business and make decisions with confidence. It is considered the Best FinTech Product or Service in 2019 (UK Cloud

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Awards) and received ICB Luca Awards in 2018. Originally we were planning to create our own forecasting platform in house, but after some research we discovered the float app, which is able to forecast cash flow and already has the capability to automatically sync with with xero so that businesses can easily see incoming cash, outgoing expenses, and which bills or invoices are overdue. With data pulled from the xero accounting platform, Float provides quick visually attractive visualisations that can predict up to three years in the future. After reaching out to Float a couple of weeks ago, they said they would be open to a partnership which would be a great opportunity for NAB.

The NAB financial counsellors and gamut of business banking services, including NAB Village, online customer service and support are also key partners in developing the learning activity alongside the small business owners themselves who we hope to engage in a process of co-created learning to further develop the service.

Key Activities

Through the collaboration with Float and Xero, NAB Check will analyse the banking data of business owners and detect behaviours that are associated with poor financial health. When there is an issue it will trigger NAB Check to send a notification to the NAB customer. This notification will use Float software to provide a visual representation of their future balance. As our prototype focused on small business banks and the pay cycle is usually two-weeks, we were originally thinking to send a notification on a short term basis but now hope to extend that time to 6 months to 3 years pending further research.

The notification contains a link that takes them to a webpage where they can either request a call from NAB customer service professionals or complete an NAB learning activity hosted on their website. The activity is designed to equip small businesses with the knowledge they need to gain a foundational knowledge of cash flow management as it affects their industry, the kind of resources that NAB offers and where to go for help when in distress. For example, by perhaps understanding the importance of inventory, and participating classes on how to make your business a success at NAB village, a small business owner would be able to stay on top of their cash flow which could be the difference between going into debt or staying afloat. NAB Check streamlines several fantastic services that NAB already offers, such as NAB village, xero, counselling and loans and uses data analytics to create more value for customers and encourage financial health.

Key Resources

The key resources for NAB check include banking and financial planning data, Office space, servers, related IT infrastructure, financial advisory team for small business, content writers, staff and partnerships with xero and float. Accounting data of NAB business customers from existing customer base is at the foundation of the successful running of our service. Xero and Float plays an important role in service

development and product design. Other significant resources include the services and online tools that NAB already offers.

Importantly, NAB already possess much of the infrastructure to make this service possible, including the NAB App, a variety of tools, calculators and small business blog on their website, a space for businesses to connect in NAB Village, and software to manage incoming and future payments in the Xero financial planning platform.

Cost Structure

Business cost structure of NAB Check defined by the monetary cost of app development, implementation and collaboration of third party software such as XERO and Float.

The main proportion of NAB Check's cost is based on the integration of third party software. Since Xero is already linked with NAB, it does not make any additional cost. Premium membership of float enterprise version is essential for the smooth implementation of NAB check to predict the financial position and works out to be about $12.50 per person for one year (in an enterprise package. We assume that 50% of small business in Australia will get the advantage of NAB Check results a total cost around 1.8 M dollars. If we include additional Xero services into account, the overall cost increased to 1.9 M dollars as cost of subscription .

NAB Check is integrated with existing nab application. To incorporate the NAB Check services in to Nab application, NAB has to hire a full time application developer which adds annual salary of employee into our cost structure model.

It is important also to place a monetary value on your time as a cost. A detailed analysis of business sectors has to be conducted to classify the business sectors and understand their cash flow management. Also, NAB check connects the struggling SMEs to the existing services such as personal meeting, nab village and call back service. It is also important to recognise that these costs will decrease over time.

Revenue Streams

NAB Check is a worthwhile investment due to considerable amount amount of money that NAB stands to save on their Bad Debt Provision, which amounted to $ 791 million in 2018 (NAB, 2018). We believe that by increasing financial awareness and directly assisting customers to increase their financial literacy, NAB Check will reduce this amount by 3% in the first year of implementation, leading to an extra 24 million dollars saved for NAB. Additionally, as the NAB Check model is scalable and will involve an integrated system of customer feedback and periodic co-design sessions, the service will be iteratively improved, leading to an increase in the amount saved by 0.5% each year, amounting to over $ 80 million saved by NAB in the first three years of implementation.

Our service will also lead to increased customer retention and customer satisfaction, which in an increasingly competitive banking landscape, represents a stability in revenue. NAB Check will also lead to increased take-up of existing services, which will not only increase revenue through paid products such as financial counselling and business loans, but also goodwill in terms of free service offerings such as NAB village. In this sense, NAB Check will package the existing strengths of NAB and add value for the bank and for customers.

Gap analysis

While we believe that NAB has a strong value proposition, there are number of risks and gaps that need to be addressed.

Firstly, employing predictive analytics for small businesses might present a risk to small business confidence. Business confidence, as measured by NAB's index, measures whether businesses have a positive or negative outlook on the economy (NAB, 2018). Confidence is an important indicator of the overall stability and profitability of the business landscape. As our system hopes to alert small businesses of future downturns, this presents a risk to NAB as if they are not correct they might be liable for causing unnecessarily negatively impacting the small business sector. Originally we were thinking of using a python based system to calculate the predictions in house which you will see in the attached index. The partnership with float is located as a great way to circumnavigate this risk. There still remains a level of risk, and this is something to work on further with NAB Labs and external discussion.

A second gap in our current business model is the timeline of predictive warnings. We looked into the capabilities of Float cash-flow manager and discovered that it can forecast up to 3 year in advance. Nab Check will consult with small business owners and industry experts to decide what would be the best timeframe to work with.

Bringing us to the third gap of the NAB Check, the content and form of the learning activity. This activity needs to be industry specific and relevantly delivery to the target audience, which will involve extensive consultation and co-design with industry.

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