



Digital Banking

Chapter 3 : Banking Digitally

Prepared : October, 2014

Bank's view of itself



Customer's View of Bank





Introduction

Customer

Banking Digitally

Channel Transformation

Effects on Retail LoBs

Digital Disruption on Financial Services

Banks are in risk of becoming an infrastructure provider while service layers like Payments, Advice, Currency Exchange, Loans are provided by somebody else

Regulations

Absence of capital requirements for digital entities; Current Account switch service from Payments Council (UK)

Consumer Readiness

Digital channels & media usage from point of inspiration to point of action; Lower propensity to come to bank for banking

New Technologies

APIs enable disruptors to add capabilities from 3rd parties quickly and easily, bringing a level of integration with partners that didn't exist just a few years ago

Business Adjacency

Digital PFM providing tailored advice (beyond transaction aggregation); Financial Inclusion solutions thru Mobility from Utilities

Functions Decoupled

MNOs into prepaid, Digital Payment players (PayPal, Square) into lending

All about Ecosystem

@POS offers enabled by providers of Cards, Analytics, Retailer, MNO, TSM, Secure Payment option / Wallet

Winners will create their own value ecosystem offering core capabilities and act as orchestrators serving as hub of capabilities

.. but Banks are not lone victims

Telecom industry also sees similar disruptions and hence the need to redefine themselves



Heavily Regulated

Large players, limited differentiation

New Entrants

Skype taking away significant traffic

Relegated to being a Data Pipe

Customer Experience key; size alone does not cut it

Heavier share of negative customer sentiments

Low barriers to switch over

Deal seeking customers

What's happening outside BFS ?



*Experience
Circles (Home,
Auto) with end
to end touch
point*

*Digital Parity across
Channels enabling
seamless experience
with limited Branch
presence*

*Life event
management
thru NextGen
analytics (IBM
Watson)*

*Usage Based
Insurance with
sensors and
analytics,
Location based
emergency alerts*



*Store in hand:
Customer
analytics,
Inventory status -
more time with
customer*

*Store IOT: Videos,
Footfall heat maps,
comfort / safety
parameters,
Contextual Ads, Call
Helpdesk*

*Realizing infra
potential: Digital
Walls to continue
store leverage
beyond regular
hours*

*Augmented
Reality solutions:
Navigation,
Interactive
Campaign*



*Personae:
Interplay of
Subscription,
Consumption &
Association*

*Real time Analytics &
Offer Management =
Personae + Context +
Pre assembled actions*

*Stratified View:
Presentation +
Commerce &
Care +
Commercial
Convergence*

*KPI Driven
Business
Transformation
Model covering
Customer
Experience and
Efficiency*

Digital Banks : Can we bank on them ?

Characteristics = Centered around Mobile + Social Principles embedded + Money management at the core + Partnerships focused to 'get' basic services

and

Models = Subsidiaries + Independent Licensee + Virtual Front end

Banking Community

To exchange opinions, peer advice, discuss problems, "suggest" on interest rates, vote on ideas

Banking with Friends

Seek contributions from friends & family to savings projects, Pay thru 'Friends' list, Digital Piggybank

Money Management

Tracking & Budgeting tools, "Safe to Spend" indicators, financial health overview

Partnerships

Jibun = Bank of Tokyo-Mitsubishi + KDDI
Fidor + Currency Cloud = forex buy sell, payments, multi currency balances

Miscellaneous

Frictionless OAO, Affordability trackers at point of purchase, transparent fee structure, P2P Lending / Crowd funding, Free ATM access, Digital Wallet



SIMPLE



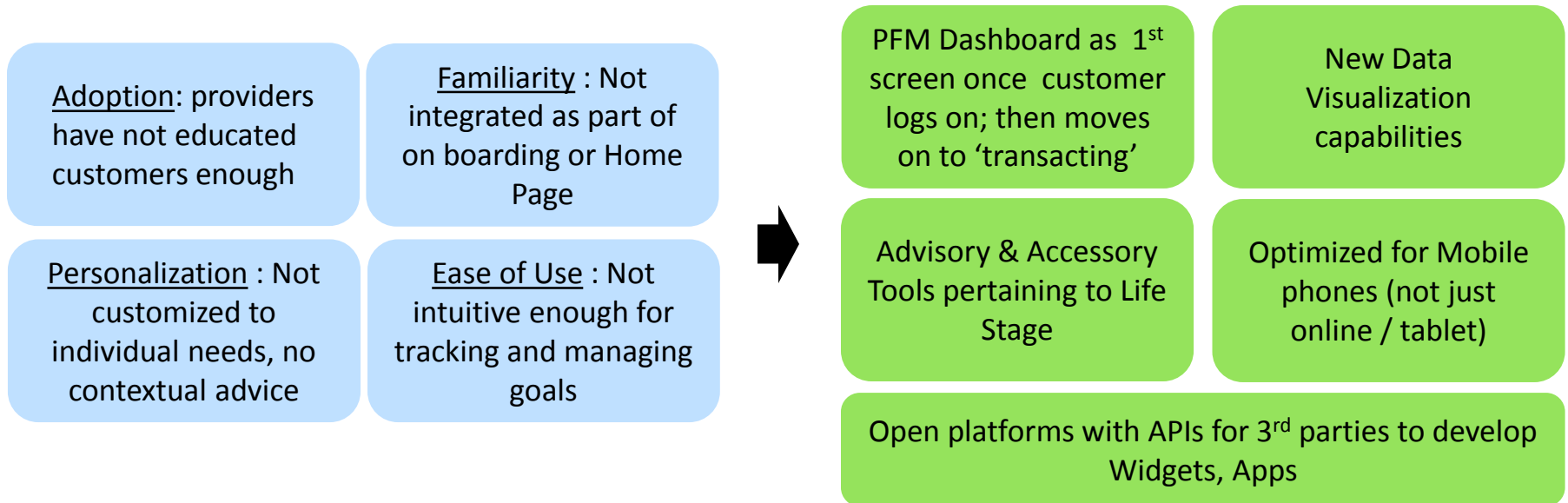
**fidor
BANK**

movebank
spend, save and live smarter

UBank
backed by **nab**

Money Management ...

***Digital Money Management (passing data ownership back to customer) = Account Aggregation
+ Automatic Spend Categorization + Budgeting + Goal Setting + some more ...***



... characteristics expected to be simple, ubiquitous, personal, empowering and reassuring thereby deepening customer relationships, garner loyalty of younger customers and counter disruption from Digital Banks.

... and Gamification

Classically Defined as : Insertion of game dynamics and mechanics into non game activities to drive desired behavior

Advantages

- ▶ Cuts across age groups, gender and income levels
- ▶ Economic and Effective to engage customers, promote online usage and drive product sales

Watch Outs

- ▶ Rewards Fatigue
- ▶ Experience gaps and ability to engage with new content and themes
- ▶ Complexity of online and mobile apps marring gaming experience

Points, Challenges, Leaderboards, Badges

Use of Online Banking Services

Earning points for online banking transactions, friends reco, new prod, surprise challenges tradable for prizes or raffle entries



Stimulate Property Investment

Investorville has simulation with complex economic model & market data, search based on price & amenities



Financial Literacy for Kids

Mighty Savers program to digitally incentivize savings behavior than instant spending (actions: earn, give, spend, save, invest)



Awareness on Home Insurance Offerings

Simulated fights using video game animation ; suggestions to losers on home insurance product



So .. What should banks do ?

*“What’s New in iOS8” has so much resonance to key **Digital imperatives** for Banking & Financial Services*



*Tracking and
Analyzing
'moments' in
customer life*



*House holding and
comprehensive
Customer 360*



*Experience
Continuum across
Touch Points*



*Listening and
interacting across
diverse channels
and modes*



*Enterprise Information
Cloud dispensing
experience and
analytics output at
needed points*



*Enterprise Search
enabling
contextual content
to all bank users*



*Making it convenient
and usable to do
banking anywhere,
anytime on any device*



*Healthcare and other
Life enhancing
experiences*



*API unleashing
potential in
Functions and Data*



*Collaborating in a
fragmented
ecosystem serving
customer needs at
the core*



*Enabling self
management
capabilities in hands
of end customers
and internal users*

Bank Imperatives

All engines to fire ; just efficiency plank will only float so far as it does not create any competitive differentiation for customers

Simplified & Optimized

Multi Country, Multi tenant
and possibly multi business
platforms

Digitized front end with a
lean back office

Focus on Finance, HR,
Logistics and Operations

Flexible, Dynamic & Agile

Ease of adding new featured
by atomized service layer for
Rules & BPM to orchestrate
in different ways

Participation in digital
ecosystem by integrating 3rd
party services (data feeds,
offers, credit reviews,
payment engines

Analytically driven front office with embedded analytics in
processes throughout enabling Personalized context based
interaction at any point

Virtualizing the bank's network with strong data analytics
and mobility across the distribution spectrum

***Along with continued Innovation (to proactively stay ahead of the market) and
Structural Tweaks (aligned CIO-CMO-CRO, distributed digital talent, central Customer Experience,
external talent supplements)***

Next Chapter : 4



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THANK YOU

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