

# Product Development for Digital Banking

2017 Graduate Trainee Program – A Case Study Report

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# Agenda



Why Digital  
Banking?



Digital Banking  
Concepts



System  
Features



Proposed  
Architecture



Working  
Procedure



Key  
Elements



Back Office  
Functions



Competitors  
Analysis



Marketing  
Strategy



Cost-Benefit  
Analysis



Cost-Benefit  
Analysis



Cost-Benefit  
Analysis



Timeline  
Projections



Strategic  
Priorities

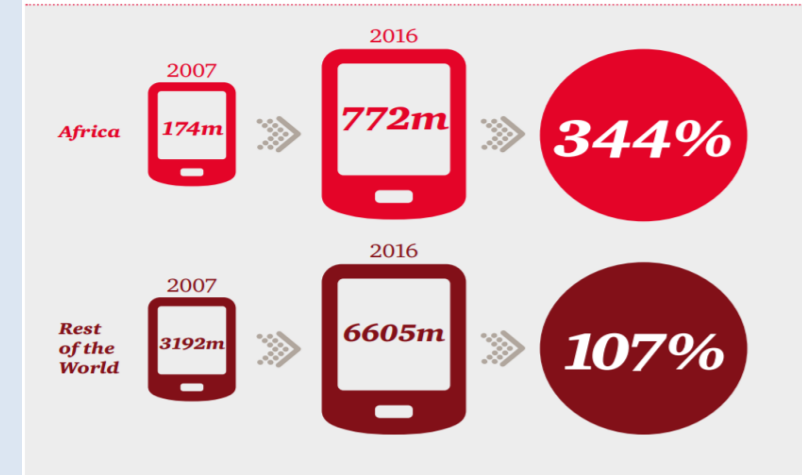


Closing and  
Others

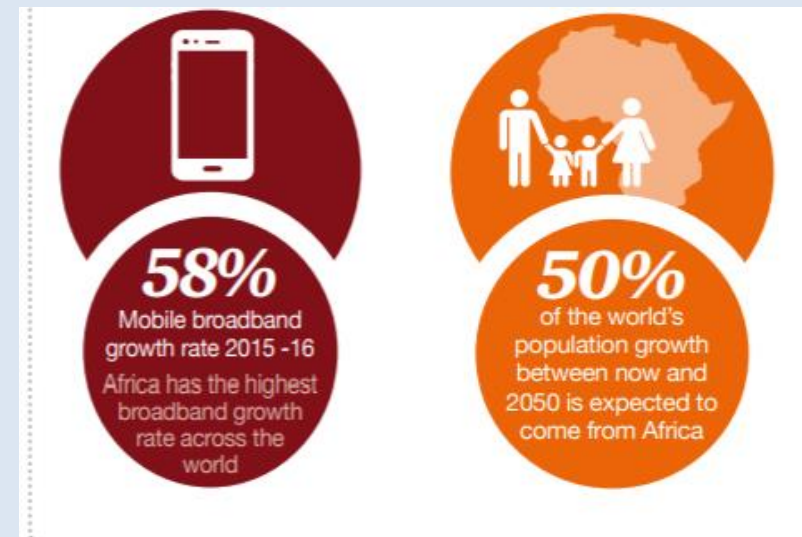


# 5 Reasons for Digital Banking?

Figure 1: Growth in mobile phone usage



Source: ITU



Source: PwC Megatrend analysis



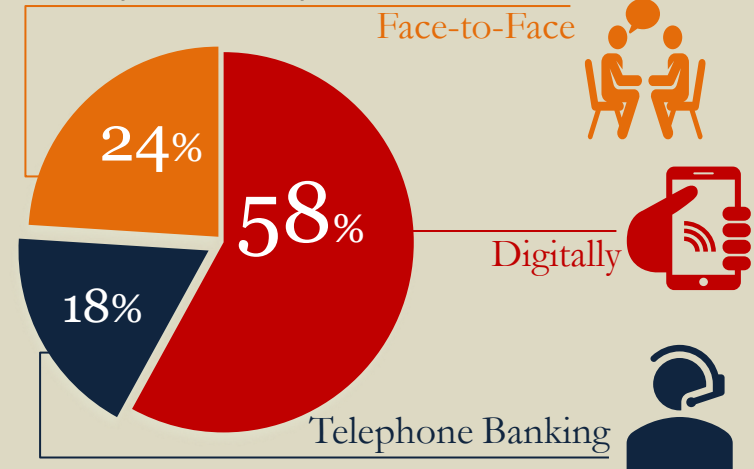
- **Africa is an early adopter rather than a follower.** Instances include the highest mobile growth rate in the world
- **The millennial generation.** Digital native with a growing spending power
- **User Experience.** Driven by best in class websites; interactive, modernized, analytics with fewer clicks
- **Omni-channel Expectations.** Anywhere, anytime, any form factor
- **Technological Breakthroughs.** Broadband penetration within Africa grows in unprecedented ways

# Why Digital Banking? Cont'd

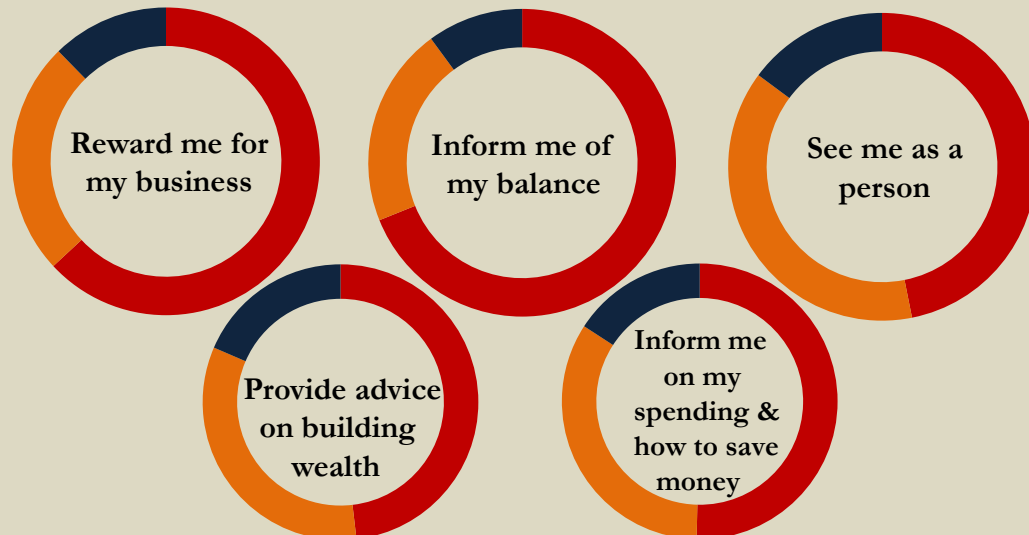
What's an average Nigerian bank customer needs?



How do you want your service delivered?



Top Five Consumer channel wants



# Key Digital Banking Concepts

## Omnichannel Experience

Users have the same experience across all channels

## Users Experience

Via Big data, products and services are fine tune to suit customers needs

## Users Interface

A unique design pre built with a settings tool to customize the app to customer's delight

## APIs

API is the face of modern e-business transactions; it creates a brand new distribution channel

## Digital Customer Persona

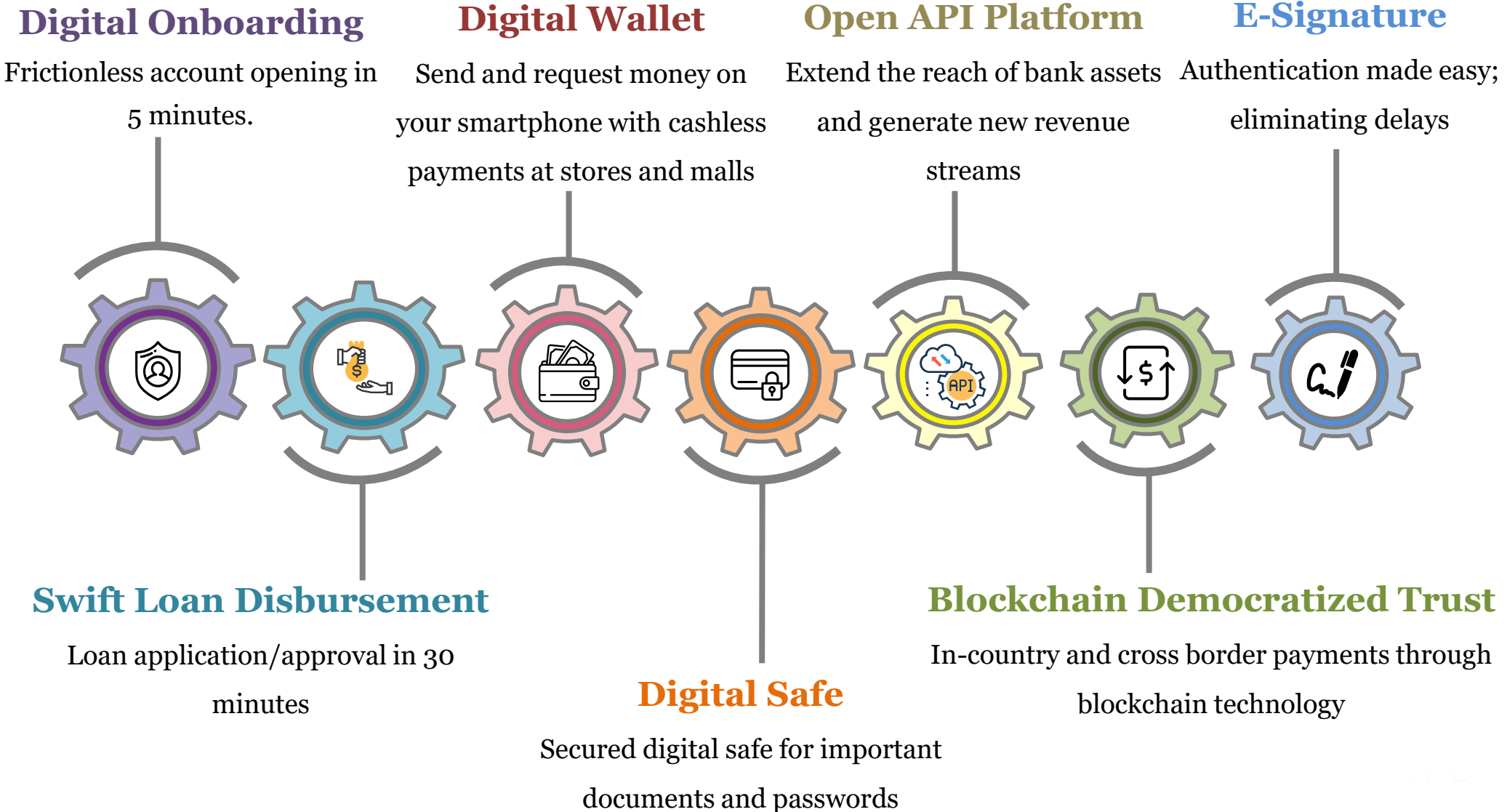
By creating a digital profile of customers, we gain insights into their needs

## Simplified Banking Terms

Simple and catchy words attracts millennials, hard and ambiguous words turns off!

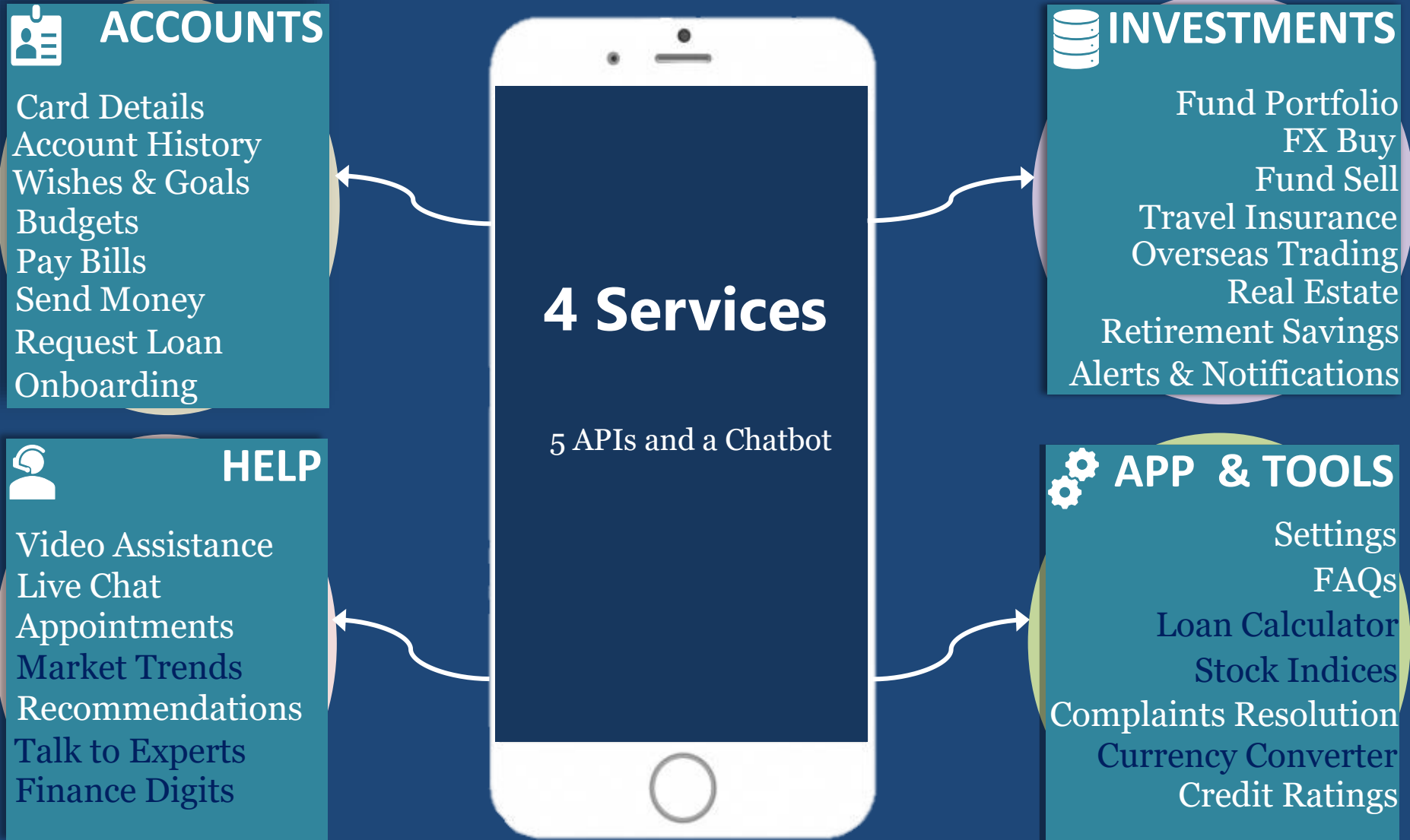


## 7 System Features





# The Architecture



## Working Procedures

i

**The** digital bank app comprises 10 mini-apps that communicate with users, support their financial activities, and provide them with personalized financial coaching and services.

**A** simple 10 seconds login process for registered and verified users. The app will have useful information and tools available pre-login for non-customers to try out.



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**The** app will provide a clear feature of the user's monetary status for the month, based on scheduled payments.

**Allows** withdrawals from an ATM without having a bank card in hand.

**Creates** a virtual wallet via optical character recognition technologies.



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**Recognizes** favourite brands based on spending habits and offers exclusive offers from those brand.

**Connects** to Facebook, Twitter, and Instagram through the app.

**Offers** personalized suggestions and tips based on the user's current financial status, such as information about loans, savings plans, etc.





## Working Procedures (cont'd)

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**Investments:** Simple and interactive way of investing in mutual funds via Finance Digits Chatbot.

**Investments:** Quick search across funds' attributes.

**Investments:** Overall portfolio performance with consumer balance sheet summary.



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**Loans:** All types.

**Loans:** Quick loan application in three simple steps.

Text payments, Location based services, Real time notifications near useful places



i

Going digital is about maximizing the three digital channels i.e. mobile, internet, and SMS. However, adopting a mobile first/mobile only approach is the way forward



# Integrating the Elements



# Back Office Functions

## Branch Operations

Marketing and others

- ✓ Seamless Teaming with Business
- ✓ Improve Customer Experience
- ✓ Customer Journey Focus
- ✓ Reliability and Traceability of Records
- ✓ Automatic and Real-time Filings to Regulators
- ✓ Investor Literacy
- ✓ Faster Speed of Settlement

## Technology

Agile IT and Operations

- ✓ Smart and Agile Middleware
- ✓ Data Model Harmonization
- ✓ API & Data Security
- ✓ Selective Outsourcing
- ✓ Integrated Architecture
- ✓ End-to-End, Digitally Optimized Processes
- ✓ Full Deployment of new Services
- ✓ Cloud Backup and Scalability


## Leadership

Core Banking Decisions

- ✓ Ground-up Rebuilding of Traditional Processes
- ✓ Build Robust Partnerships through Collaboration
- ✓ Personify the Digital Culture at the top
- ✓ Define Operations and IT Strategy for the Digital Transformation
- ✓ Open new Digital-dependent positions
- ✓ Adopt an Open Innovation Ecosystem



# Competitors Analysis

<div>Attributes</div> <div>Players</div>	Year Launched & Area of Focus	Key Innovative Features	Deployment Platform	Customer Base	Test Evaluations
 ALAT by Wema	<b>May 2, 2017</b> Full digital banking experience	<b>Account signup</b> in 5 minutes with a selfie and signature <b>Online</b> card activation & locking feature <b>Fingerprint</b> Login <b>Refer</b> a friend (Viral marketing)	Available as an app on iOS and Android <b>Accessible</b> via web browsing	ALAT has added an estimated 200,000 customers to the Wema bank.	<b>Rated 4.0</b> on Google play store based on customer reviews
SkyeXperience	<b>August 13, 2017</b> Omnichannel digital banking experience	Single sign-on <b>Multiple</b> self service options	App accessible on Android and iOS	—	Customers experience ratings so far has been low. <b>Rated 3.8</b> on Google play store
UnionMobile	<b>July 26, 2017</b> Mobile banking and USSD	<b>ATM &amp; branch</b> locator with news Locate an agent <b>Weather</b> forecast	App accessible on Android and iOS <b>Available</b> via web browsing as well	The customer base has scaled up by 2.2Mn through the mobile platforms	Customers reviews is good. <b>Rated 4.3</b> on Google play store



# Marketing Strategy

## Email Newsletters

Roughly **91%** of people with email check their inboxes at least once per day.



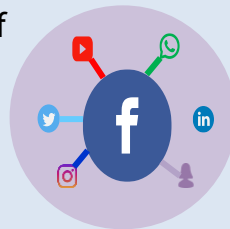
## Search Engine Optimization

In SEO, the goal is to be there to answer questions for customers online so that they trust you and view you as the financial leader with whom they want to do business.



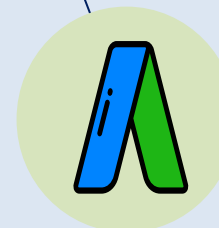
## Social Media Channels

**39%** of Millennials interact more than they do with their smartphones than actual humans. Millennials age **21-34** have the highest levels of trust in online and mobile formats. --Bank of America



## Content Marketing

Valuable online content can be use to introduce people to your brand and encourage them to further engage with you on the mobile platforms.



## Display Advertising

Employing a combination of legacy media channels like TV, radio, Billboards, LED boards, and online promotional adverts like Google Ads



# Cost-Benefit Analysis

## My Conservative Assumptions

Project development period is 15 months

₦320Mn implementation budget

150% annual app customers growth rate

Forecast period is 5 years

Transition costs is 100% of current operating costs

Full transition to the digital platform in the 3<sup>rd</sup> year

20% annual app revenue growth rate

Current operating cost is ₦200Mn & grows at 30% per annum





## Cost-Benefit Analysis (Cont'd)

Costs for Proposed system (Figure in Millions)	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Non - Recurring Costs</b>	<b>₦</b>	<b>₦</b>	<b>₦</b>	<b>₦</b>	<b>₦</b>
Hardware/Servers	20	—	—	—	—
Telecommunication	20	—	—	—	—
Transition costs (Parallel systems)	200	260	338	—	—
Training of Employees (Pre-Implementation)	3	3	3	3	3
Software Development	25	—	—	—	—
Post-Implementation Reviews	3	—	—	—	—
Total Non-Recurring Costs	271	263	341	3	3
<b>Recurring Costs</b>	<b>₦</b>	<b>₦</b>	<b>₦</b>	<b>₦</b>	<b>₦</b>
Hardware/Servers	—	10	10	10	10
Software Maintenance and Upgrades	—	10	10	10	10
Telecommunication	—	10	10	10	10
Web Hosting, Renewals and Cybersecurity	5	5	5	5	5
Sales and Marketing	15	15	10	10	10
Operations and Administration	3	3	3	3	3
Employee Salary	10	10	15	15	15
Total Recurring Costs	33	63	63	63	63
<b>Total Project Cost (₦)</b>	<b>304</b>	<b>329</b>	<b>404</b>	<b>66</b>	<b>66</b>
<b>Current Operating Costs (₦)</b>	<b>200</b>	<b>260</b>	<b>338</b>	<b>439</b>	<b>571</b>
<b>Cost Savings (₦)</b>	<b>0 (No savings)</b>	<b>0 (No savings)</b>	<b>0 (No savings)</b>	<b>373 (85%)</b>	<b>505 (88%)</b>



## Cost-Benefit Analysis (Cont'd)

Benefits for Proposed system (Figure in Millions)	Year 1	Year 2	Year 3	Year 4	Year 5
<b>Monetary</b>	<b>₦</b>	<b>₦</b>	<b>₦</b>	<b>₦</b>	<b>₦</b>
App Transaction Revenue [User Base]	300 [1500]	360 [3750]	432 [9375]	518 [23,438]	622 [58,594]
3 <sup>rd</sup> Party API Revenue [Number]	75 [3]	175 [7]	250 [10]	325 [13]	375 [15]
Operational Savings	0	0	0	373 [85%]	505 [88%]
<b>Total Monetary Benefits</b>	<b>375</b>	<b>535</b>	<b>682</b>	<b>1216</b>	<b>1502</b>
<b>Profit (₦)</b>	<b>71</b>	<b>206</b>	<b>278</b>	<b>1150</b>	<b>1436</b>

**Non-monetary Benefits :** ✓ Increased Customer Service Impacts    ✓ Service Quality    ✓ Increased Revenue Producing Activities    ✓ Partnerships



Since we are gaining, the system is feasible



The project reduce operational costs by as much as ₦505,000,000.00 i.e. 88% of the current operating costs



Since the benefits far outweighs the cost, the project is worthwhile and we can go ahead with it



# Timeline Projections

## PROJECT PLANNING

Risk Analysis, Budgets  
Requirement Analysis,  
System Redesign,  
Stakeholder Interview

## 1<sup>st</sup> LEVEL TESTS

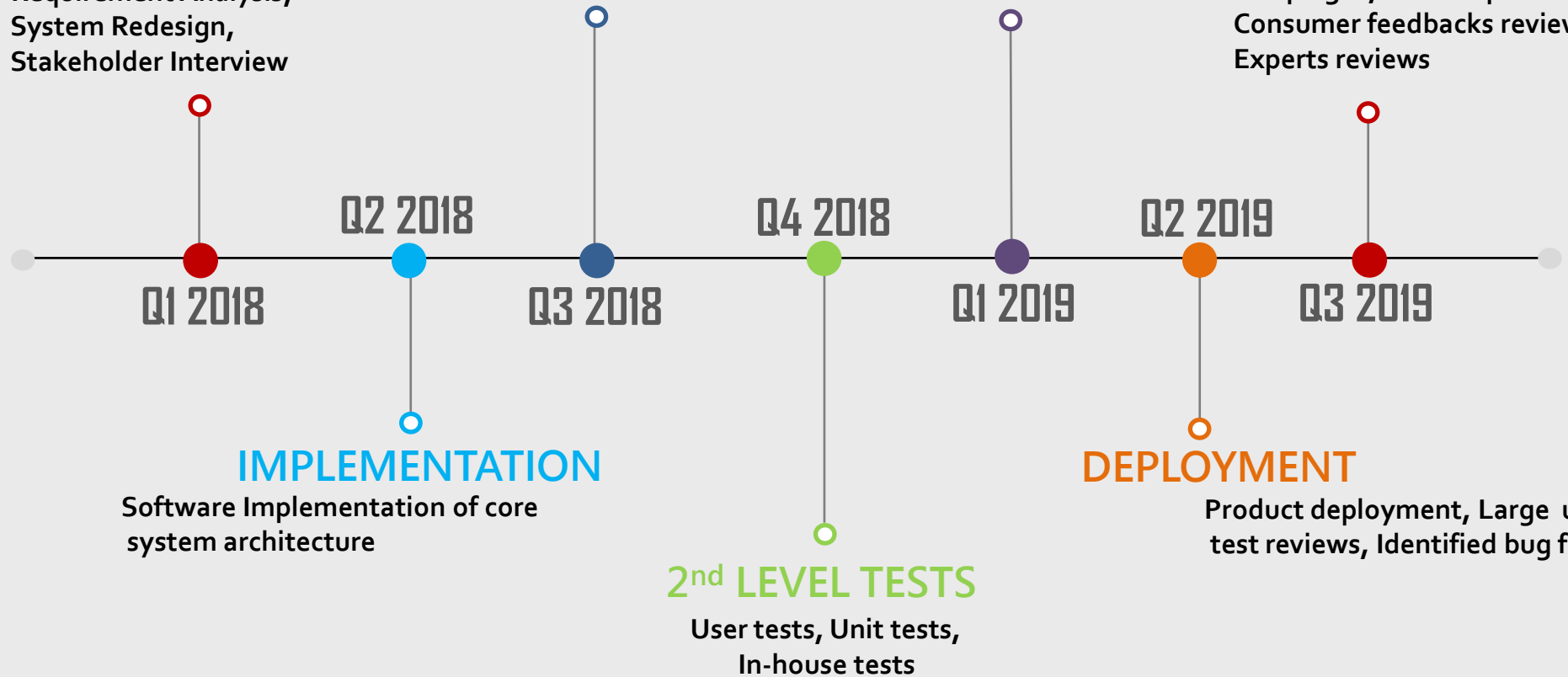
Automated test  
Functionalities test,  
Features Integration

## RELEASE PLANNING

Scalability plans, System Upgrade,  
Media talks, Maintenance plans,  
Customers education

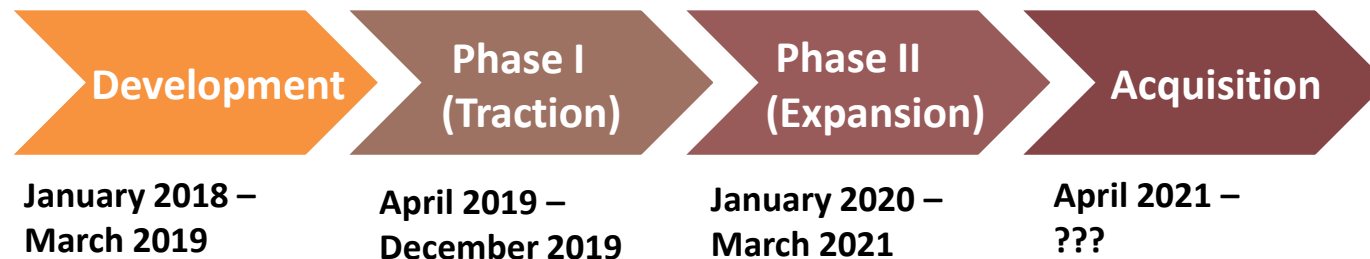
## PRODUCT LAUNCH

Product announcement, Marketing  
campaigns, Galleria presentations,  
Consumer feedbacks reviews,  
Experts reviews



# Strategic Priorities

The digital banking long-term strategy breaks down into four phases



## Development

In January of 2018, VFD will begin the process of planning, design and product research. The minimum viable product is expected for testing Aug. 31, 2018, iterations begins Oct. 1<sup>st</sup> 2018. At the 4<sup>th</sup> iteration, the product should be ready for mainstream adoption. Revenues will be immaterial during this phase, and capital needs will be relatively high. By the end of this phase, we hope to achieve a base of 10,000 users.

## Phase I (Traction)

Our focus here will be expanding our active user base and expanding our vendor network. By the end of this phase, we hope to achieved an active base of 30,000 users, earning revenues at a clip of ₦1,150,000,000.

## Phase II (Expansion)

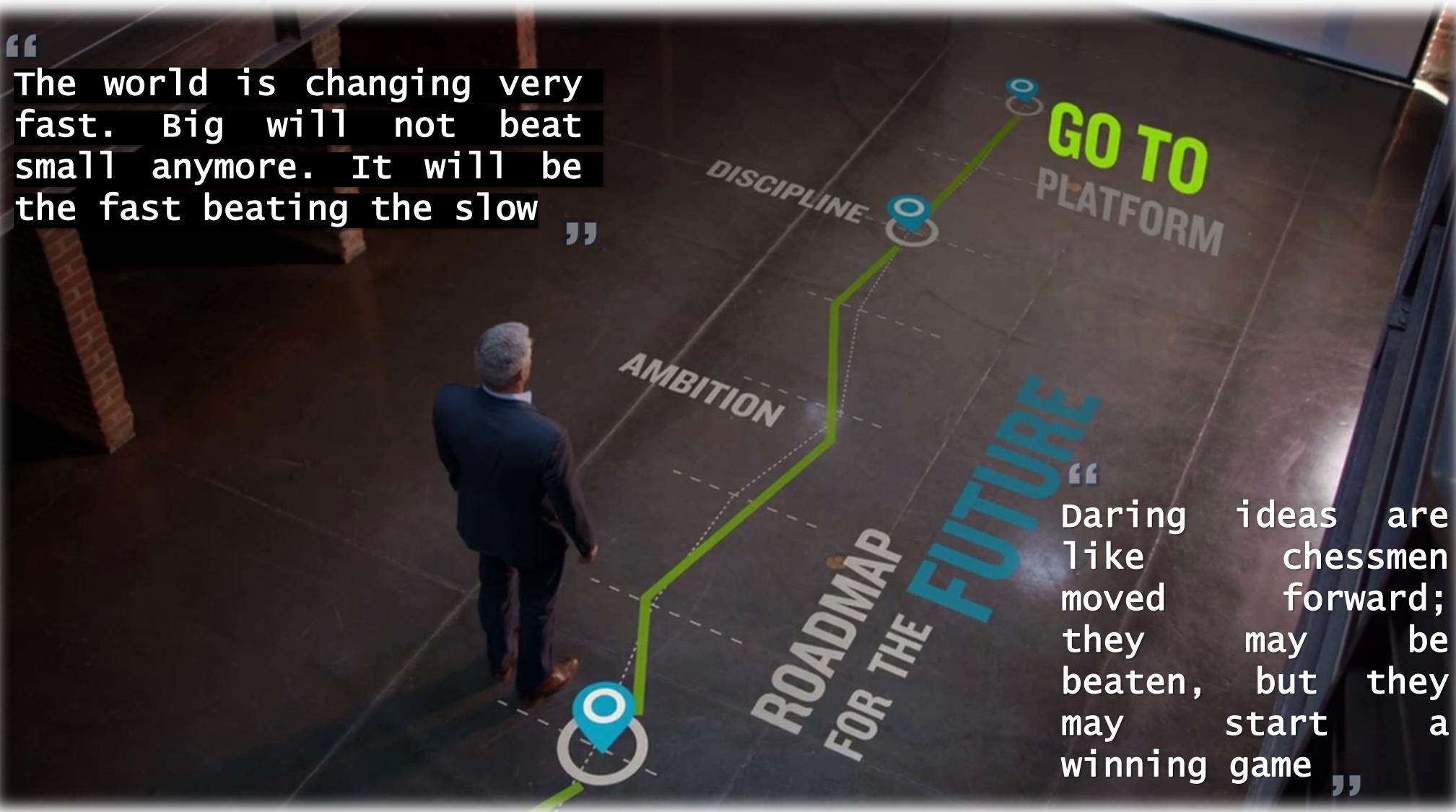
During this phase, we'll extend the digital platform reach across the 36 states of the federation. By April 1<sup>st</sup> 2021, we hope to have achieved a base exceeding 60,000 active users, earning revenues at a clip of ₦1,600,000,000.

## Acquisition

VFD will opportunistically consider FinTech's acquisition possibilities beginning April 2021.

## Conclusion

“  
The world is changing very fast. Big will not beat small anymore. It will be the fast beating the slow  
”



“  
Daring ideas are like chessmen moved forward; they may be beaten, but they may start a winning game  
”