

The background of the entire page is a photograph of a highly ornate, domed ceiling, likely from a mosque or palace. It features intricate geometric and floral patterns in shades of blue, gold, and brown. A large, multi-tiered chandelier with numerous glowing yellow lights hangs from the center of the dome. The lighting is warm and creates a sense of depth and grandeur.

Where your customers want you to be

The EY GCC Digital Banking
Report 2015



Building a better
working world



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Gerard Gallagher
Managing Partner
EY MENA Advisory Leader

Welcome to our EY *GCC Digital Banking Report 2015*.

EY's *GCC digital banking report* is a new research series designed to provide concise, thought provoking and highly relevant input in what is a very dynamic industry.

The insights gathered in this report raise interesting questions about how digital is viewed by both the leaders of some of the most influential banks in the region, but also by thousands of banking customers.

We hope that our efforts to help banks and regulators understand the concerns of their customers will take us a step further in helping build a better working world.

I wish you an enjoyable read.



EY-Seren is an international design consultancy which helps clients achieve digital business transformation through a customer-centred approach to design. Digital business transformation only becomes possible through a deep understanding of client need. EY-Seren's advanced research and measurement techniques allow us to gain this understanding of how customers currently interact with a business and how they could do in the future.



Robert Abboud
EY MENA, Financial
Services Advisory Leader

In the Gulf Cooperation Council (GCC), our social attitudes and expectations have changed at an incredible pace. This is influenced by a mostly youthful population of near 50 million, which is increasingly mobile and has greater access to international media and technologies. As a result, the disconnect between what we expect as customers and what banks in the GCC can deliver is more distinct than ever.

This is the message from EY's conversations with more than 2,000 customers across Saudi Arabia, the UAE, Qatar, Kuwait, Bahrain and Oman; analysis of 700,000 sentiments on social networks; and discussions with 28 leading banks and 80 banking industry leaders.

This wealth of customer data is now informing new product and service design for several of our banking clients. Addressing your customer needs in an increasingly digital world means disrupting and rewiring existing business models for a fresh customer experience. But this investment has to be made wisely. Our experience suggests that up to 50% of retail banks' net profit could be at stake.



The GCC digital banking disruption



Ashar Nazim
EY MENA FS Customer
Leader

“The first question that the ATM asks is for me to choose my preferred language. Really? I have been with the same bank now for over 17 years and they still want to know my language preference” commented a customer, mirroring what we all experience.

“The mortgage process, no matter what they say, takes at least two months from start to finish. I wish I had a choice,” shared another affluent customer we interviewed.

These are just two examples from the EY **GCC digital banking report** that highlight the changing expectations of banking experience in the region. Digital is enabling this lifestyle transformation.

EY’s study has confirmed that the future of retail banking in the GCC is a smartphone experience that delights. This customer desire for a “bank in your pocket” is notably visible. However, mobile banking usage in the UAE stands at 34%, followed by 27% in Kuwait, 19% in Qatar and 15% in Saudi Arabia. Customers are generally not impressed with the mobile proposition on offer, it appears, and this holds true for both traditional and Islamic banks. Among reasons cited for this low take-up is the lack of convenience and simplicity. Less than half of the customers surveyed were happy with their mobile banking experience.

Clearly, it is not enough for banks to introduce new digital channels. They must completely reinvent their customer processes to offer technology-enabled, simple end-to-end experiences. Key solutions in demand are payments, account opening and mortgages, with the potential for banks to increase value per customer significantly. Digitization of these would entail a combination of connectivity, user experience, automation, decisioning, collaboration and execution.

The other astonishing finding was the dwindling loyalty among customers. Three out of four customers surveyed felt comfortable to transition to a digital-first relationship and were willing to switch banks for a better digital experience.

How will you respond?



Paul Sommerin
EY MENA FS Technology
and Transformation Leader



The digital effect?



Dominique Corradi
EY MENA Digital FS Leader

The customer decision journey has changed with the proliferation of digital technology and mobile devices. No surprise, therefore, that more GCC banks see digital transformation as reinvention, and not incremental enhancement to their existing offering. A case in point is the start-up, digital-first, Sharia-compliant retail bank in Saudi Arabia.

Just under half the banks surveyed have budgeted between US\$5 million and US\$20 million for digital initiatives (channels, customer journeys, automation, new technologies, etc.). Some of the larger banks are demonstrably willing to spend more.

Popular new technologies include payment solutions, customized alerts and efficient account opening. In one instance, the account opening process of a bank is targeted to take less than seven minutes from the time the customer walks into the branch.

By contrast, banks have seen muted demand for voice-driven banking, pre-login balance and gamification. Another observation is the exceptionally long time it is taking banks to prototype and bring to market, as well as the costs being incurred.

The boards are generally generous in sanctioning spend on digital, but the sheer scale and complexity of transformation is making the management of some banks nervous.

As yet, there is no clear leader in the digital banking space in the GCC. Banks are positioning themselves to create value using a range of approaches, from digitally enabling their existing business to adopting new disruptive propositions focused on customers and service design. This exciting journey is just beginning.



Hammad Khan
EY MENA EY – Seren Leader



Take five

Retail banking customers today have more choices than ever on how, where and when to bank – and they are turning to a digital experience for convenience. Currently, only one in four customers are convincingly happy that their smartphone banking experience enables them to achieve their financial goals. But then, digital banking concepts are only just emerging in the GCC. As the pace accelerates, we expect a winner-takes-all trend to emerge. There are five helpful lessons for leading banks, based on our customer conversations.

The five

1

You know your customers, but you're not treating them as if you do.

2

The future of GCC retail banking is a smartphone experience that delights; think beyond a killer app.



principles of digital acceleration

3

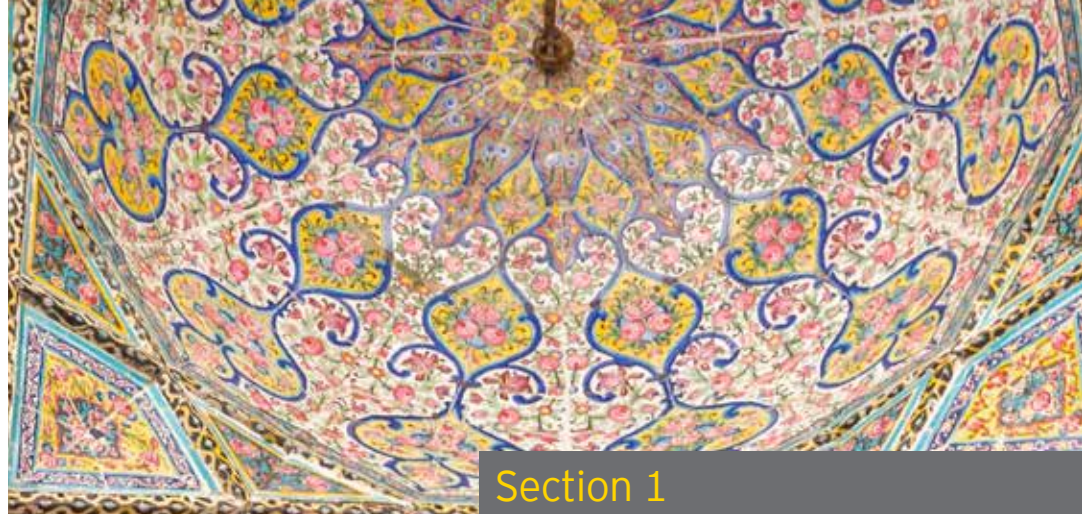
Not every technology is right for the GCC; place your bets wisely.

4

Get better at executing.

5

Digital shift is a cultural shift; collaborate to win.



Section 1

This section covers our approach to customer-centered design as core methodology for driving digital developments. A selection of tools used to define customers needs and opportunities are described along with four character scenarios. These show key moments of truth in relation to the opportunities for digital.

Understanding customers needs: the digital opportunity

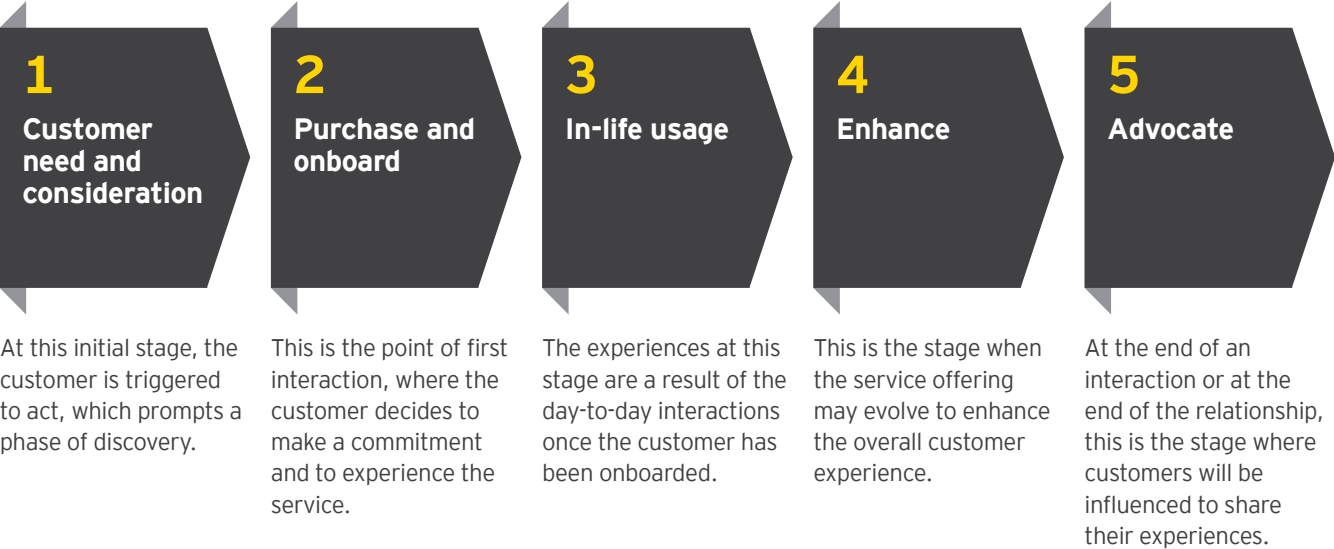


Customer-centered design

To introduce our approach to customer-centered design this section demonstrates some of the tools that we used to capture the needs of various audience segments across the customer life cycle:

- Tools introduced
- Customer life cycle explained
- Customer personas
- Journey mapping

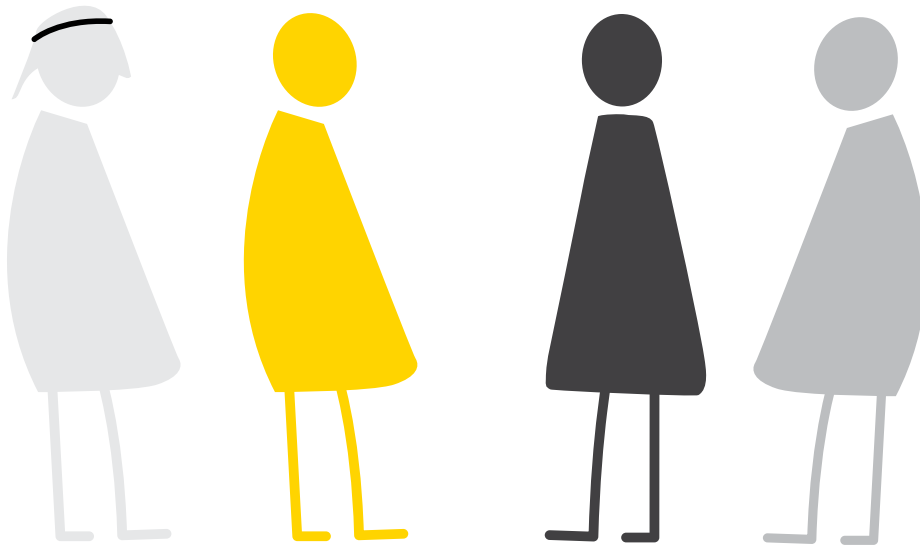
Customer life cycle



In order to frame a customer experience at each engagement or touch point, it is important to understand where the moment of interaction lies in relation to the overall life cycle. The life cycle gives context to the various customer needs and their expectations at different stages.

For the purpose of framing, a simple five stages life cycle has been created to illustrate four customer scenarios and the digital opportunities at each stage.





Customer personas

Customer personas are a tool used to characterise the various segments of a target audience. Based on a mixture of qualitative and quantitative research, they are fictional characters that represent the need, goals and motivations of groups of individuals. They can be a powerful tool used to segment a customer base, as well as capturing the need and aspirations of an internal audience or colleagues. Each persona will contain a number of attributes that represent the different facets of a customer segment. Personas can be used to define the overall target experience on a strategic level, or reused at various execution stages in the design of online, and offline touch points and lines communication.

Four basic personas have been created that represent possible customer segment in relation to financial services. Throughout this document, we surface a scenario for each of the characters that represents their needs and values across the customer life cycle.



Customer personas



Taha

Title: Experienced expat
Age: 52
Origin: Americano-Syrian
Resides: UAE

About:

Taha is new to the GCC and has high expectations built from years of international travel and hospitality through his work and social life.

Banking needs:

- Finding a trusted and recommended banking service
- Starting a new banking relationship for his everyday needs
- Grow his wealth

"I have a busy schedule and travel a lot with work. I'm new to the region and want to live comfortably, at a high standard, for convenience and ease around my working life."

Technology proficiency

1 ————— 10



Digital and social communications

1 ————— 10



Sreeram

Title: Blue-collar worker
Age: 29
Origin: India
Resides: Qatar

About:

Sitting within a low income bracket, Sreeram's knowledge of financial services is limited. He is working in the GCC to build a better life for himself and his family back home.

Banking needs:

- To be able to send money quickly back to his family overseas
- An easy and cost-effective service that he can rely on

"I work long hours and have little free time. I work hard to support my family back home and want to make sure that they can quickly and easily receive the support I send to them."

Technology proficiency

1 ————— 10



Digital and social communications

1 ————— 10



Ahmed

Title: Millennial national
Age: 25
Origin: Saudi Arabia
Resides: Saudi Arabia

About:

Ahmed has just returned home after completing his higher education abroad. He is from a high-income family, with a commensurate lifestyle that also reflects his time overseas.

Banking needs:

- Engaging with a banking service that provides him with valuable extras
- An everyday banking facility that can be accessed however he wants

"Now that I have finished my studies overseas, I am looking forward to starting my career, which will give me additional financial freedom. This will allow me to pursue various activities that I got involved with while studying."

Technology proficiency

1 ————— 10



Digital and social communications

1 ————— 10



Fatima

Title: Housewife
Age: 45
Origin: Egypt
Resides: Kuwait

About:

Fatima wants the best for her family. Her children have now completed university and she wants to continue to support them moving forward. She is a family woman with little technological knowledge.

Banking needs:

- Understanding and knowledge to manage finances
- Immediate support in order to reduce financial burden
- Finance house in home country

"I want to ensure that I can support my family; however, I feel that I am not fully in control of all my affairs. I want the best for my family and to be able to manage their needs easily."

Technology proficiency

1 ————— 10



Digital and social communications

1 ————— 10



Journey mapping

Journey mapping is a tool used to describe a scenario or situation that characters (representing audience segments) go through. It is designed to convey a human perspective by detailing the actions, interactions and emotions of a character when interacting with a service. It is a tool that can be used to describe key moments of truth in context of a wider scenario.

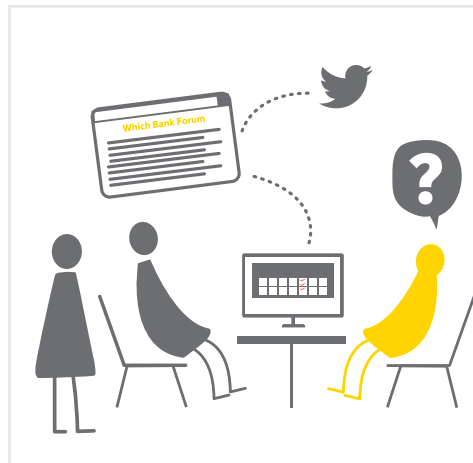
Below is a breakdown of the various journey elements that we used later in this document to frame a number of key digital opportunities over the customer life cycle.

Customer life cycle

1. Customer need and consideration

The life cycle stages frame the characters experience.

Storyboard



The storyboard provides visual hints to the character narrative at each stage. The visual reference aims to engage readers so that the journey map can be better utilized.

Narrative

- ▶ It is Taha's first time living and working in the region; he asks friends to recommend bank suggestions, as he is looking for a high standard of service
- ▶ He looks online and explores various forum's, blogs and social media for a real voice of customer
- ▶ There is a strong social footprint with a number of banks
- ▶ Taha is impressed with the high standard of the bank's websites, especially in comparison to the US equivalent

The narrative describes in brief the series of interactions and emotions that take place at each stage.

Moments of truth

- ▶ Explores forums/online for voice of customer
- ▶ Explores social media for real people's views
- ▶ Impressed by standard of bank's website

The key moments of truth describe the interactions that are most influential to the customer.

EY view: customer-centered design

At the heart of our approach to digital is a core competency in customer-centered design. We apply service design thinking to gain a deep understanding of human needs, whether that be for end customers, clients or even colleagues. Using a range of creative tools and techniques, we aim to define a target customer experience that aligns the needs of the target audience to the business objectives.

Based on this digital survey, we have created four characters and scenarios, representing possible audience segments, to demonstrate a number of digital opportunities and moments of truth.

Following these four characters and their journeys, this section concludes with a summary of the key interactions for each character across the customer life cycle. This illustrates the importance of different customer needs across all of the five life cycle stages. This, in turn, helps to frame and guide the opportunities for digital development by comparing the needs of all our representative characters.



Taha's experience

Scenario

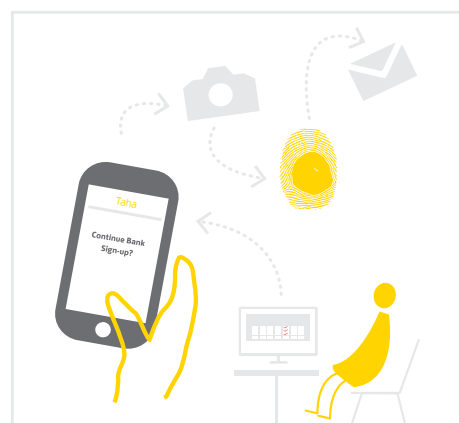
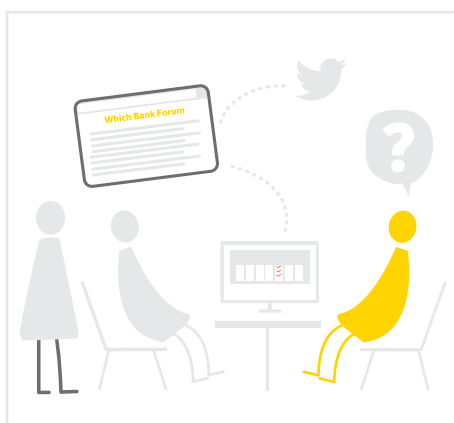
Taha is new to the UAE and is looking for a new banking service for all his needs. He would like a high standard of service and has asked for a recommendation. After exploring further online and assessing the digital maturity of candidate banks, he has been able to make a decision. He is able to complete the sign-up process via his smartphone, using the banking app to upload documents and authenticate his ID using biometric data. Day-to-day, he is able to access banking services on his mobile, which includes mobile wallet and other contactless payments. As time goes on, he is offered support in terms of banking services and loyalty rewards, which he activates via mobile apps. Taha recommends the bank to others, which entitles him to further loyalty rewards.

Customer life cycle

1. Customer need and consideration

2. Purchase and onboard

Storyboard



Narrative

- ▶ It is Taha's first time living and working in the region. He asks friends to recommend banks, as he is looking for a high standard of service.
- ▶ He looks online and explores various forums, blogs and social media for real customer opinions.
- ▶ There is a strong social footprint for a number of banks.
- ▶ Taha is impressed with the high standard of one of the banks' websites, especially in comparison with the European equivalent.

- ▶ Taha starts the sign-up process online but has to stop; he then receives an SMS with a URL that allows him to continue on his smartphone.
- ▶ Using his Emirates ID, he is able to save time and sends confirmation of documents by taking and sending photos.
- ▶ With the app, he can use his phone's fingerprint scanner to verify his ID, which is highly convenient for him.
- ▶ The app sends him updates and notifications as the account is being opened.

Moments of truth

- ▶ Taha explores online for customer opinions.
- ▶ He explores social media for real people's views.
- ▶ He is impressed by standard of banks' website.

- ▶ Taha is directed to the mobile app that enables him to sign-up to the bank.
- ▶ The app allows him to send important documents and to verify his ID by using the phone's fingerprint scanner.
- ▶ Notifications keep him updated with progress.

Key survey findings:

- ▶ The GCC population is technology savvy, and up to 98% of surveyed banking customers are equipped with modern smartphones.
- ▶ A large number of these customers use various smartphone apps daily and build their expectations based on these.



Mail

84%



Social media

81%



Navigation

60%



Messaging

70%



News

42%



Games

36%



Travel

29%



Restaurant booking

18%



Productivity

12%



Taha

"I have a busy schedule and travel a lot with work. I'm new to the region and want to live comfortably, at a high standard, for convenience and ease around my working life."

Technology proficiency

1 ————— 10



Digital and social communications

1 ————— 10



3. In-life usage



- ▶ Taha is pleased to see that the bank allows him to use contactless payments across the GCC and that the bank appears to be a major player.
- ▶ New mobile payment systems from smartphone vendors become available to him, as well as mobile wallet for a convenient way of paying without delay.
- ▶ Cloud storage and various loyalty apps are offered to him by the bank. They are in tune with his lifestyle, which impresses him.

- ▶ Contactless payment is convenient.
- ▶ Mobile payment support provides greater flexibility for users.
- ▶ Cloud storage and loyalty apps are tailored to the user's lifestyle.

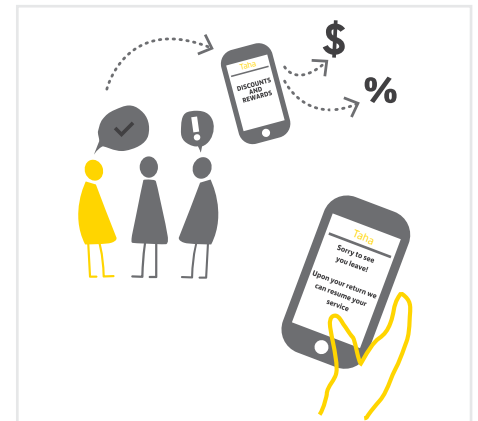
4. Enhance



- ▶ Taha's mobile banking app lets him know that he is eligible for car finance now that he has been with the bank for three months.
- ▶ He is introduced to functionality called Beat the Dealer on his app, which entitles him to a discount on a new car.
- ▶ When he visits the car dealership the QR code on his app is scanned in by the dealer – which confirms that he is already eligible for a preapproved loan, based on his banking history so far.

- ▶ Once eligible, users are notified of certain financial support automatically.
- ▶ Relevant supporting apps are provided to suit the needs of users and help to build loyalty.
- ▶ Rewards help to enhance the relationship and engage users.

5. Advocate



- ▶ After several years, Taha decides to leave the GCC and move back to the US.
- ▶ During his time in the region, Taha has become a strong advocate of the bank. He has, on a number of occasions, recommended it to other colleagues. In doing so, he has often been given rewards, such as cash and discounts, which he was able to redeem via his mobile phone.
- ▶ Should he return to the region, the bank has offered a number of services that he can immediately access.

- ▶ Rewards and recognition are given for loyalty and advocacy.
- ▶ Banking status will be resumed, should he need future banking facilities.

Areas of digital opportunity:

- ▶ Having a strong digital footprint can act as a valuable incentive for new customers.
- ▶ Using mobile devices for sign-up, authentication and access to all banking services provides convenience.
- ▶ Banking communication and rewards via mobile help to provide relevant support and build loyalty.
- ▶ Mobile payments enable flexibility and convenience.



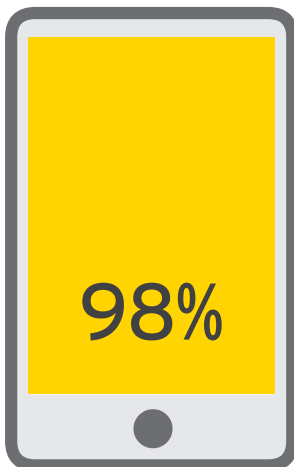
Section 2

The GCC enjoys a unique combination of highly educated people, high levels of income and uptake of digital equipment. Mobile usage is very developed in the region, which is a fertile ground for mobile banking. However, uptake has still not reached its full potential, mainly because the proposed solutions are falling short of customer expectations.

The verdict on mobile banking



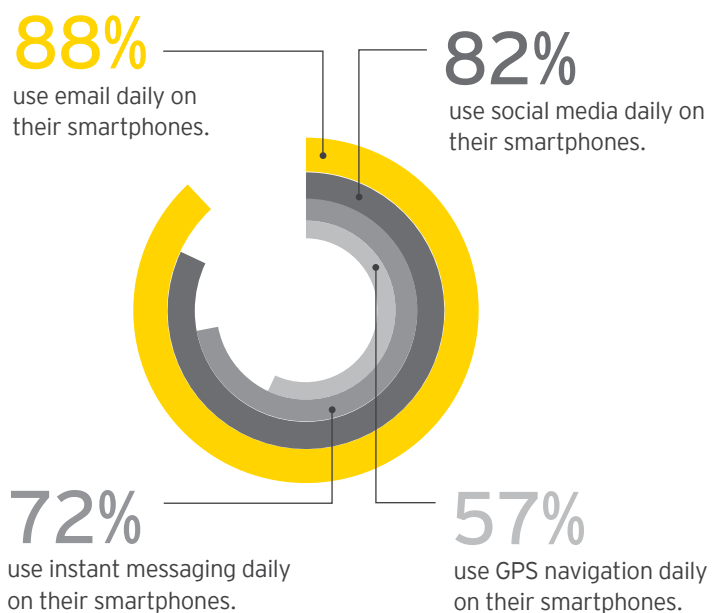
In the GCC, smartphones are “a way of life” for a dominant majority of banking customers ...



of surveyed banking customers are equipped with modern smartphones.

The market is almost evenly split between the two leading smartphone device vendors, with respectively 46% and 49%.

A large number of the surveyed banking customers use smartphone apps daily and build their digital expectations based on these interactions.

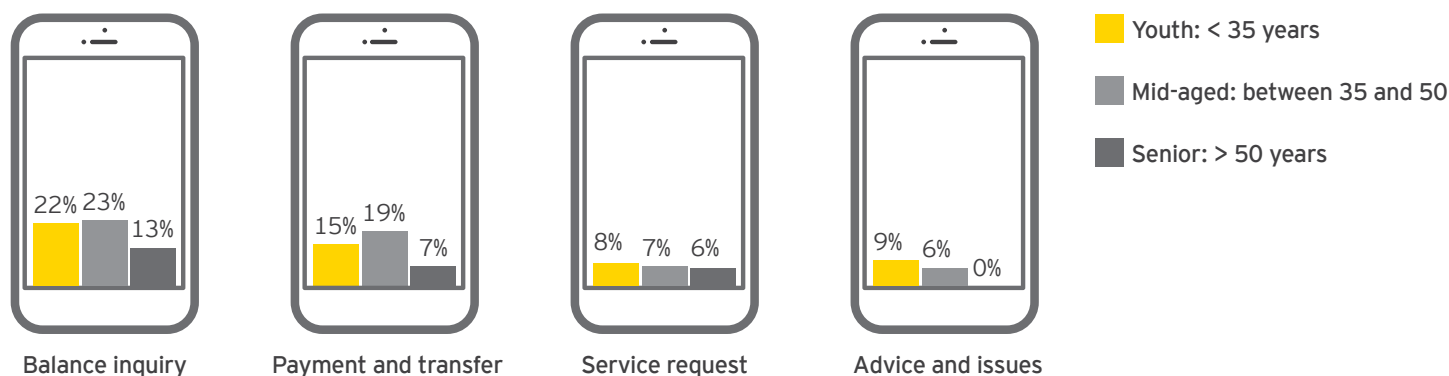


... yet mobile banking has not fully taken off.

A large number of transactions are still made on home computers or at ATMs, or through traditional channels involving human interaction, such as branches or call centers.

Only a limited number of banking transactions are completed via mobile banking.

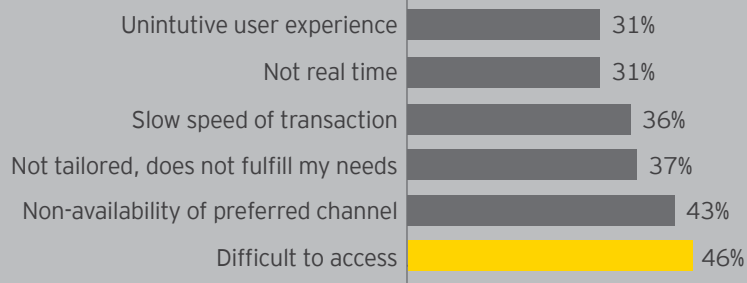
Smartphone penetration for main banking interactions is low.



Why?

Customers speak of a lack of convenience that is holding them back

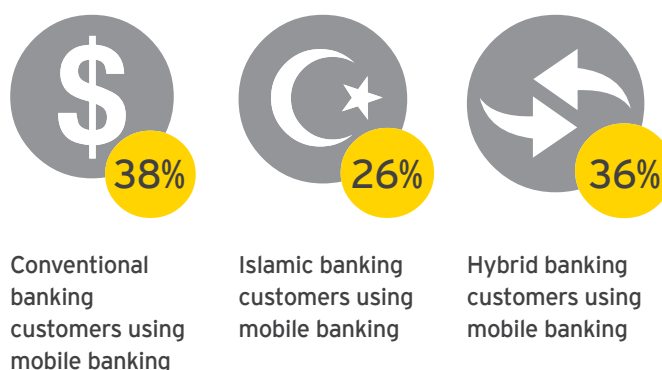
"I am not satisfied with my mobile banking. It is difficult to access, not always available and sometimes not tailored to my needs."



Traditional banks appear to have a slight edge over Islamic banks.

Mobile banking users

The survey highlighted some differences in mobile banking usage between conventional and Islamic banks.



GCC country demographic comparision

	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE	GCC	UK	France	Singapore
Population (millions)	1.4	3.9	4.5	2.2	31.5	9.2	52.7	64.7	66	5.6
Percentage expat	52%	69%	44%	86%	33%	88%	48%	12%	11%	39%
GDP per capita (US\$)	26,205	35,159	35,159	82,680	23,099	39,767	37,274	43,900	42,503	48,867
Transparency ranking (based on CPI index)	55	67	64	26	55	25	NA	14	26	7
Three-bank asset concentration	91%	88%	70%	67%	52%	64%	20%	45%	31%	84%
Five-bank asset concentration	97%	100%	100%	96%	76%	84%	30%	64%	43%	100%
Size of largest bank (US\$b assets)	32	66	22	121	100	93	121	2,634	2,526	401
Remittance market 2014 outflows (US\$b)	2.2	19	9.5	11.2	37	18	97	2.5	13	NA
Level of competition (based on H-index)	8%	40%	43.6%	NA	48.8%	43.5%	NA	66.4%	51.5%	65%

Transparency results 2014 – based on Corruption Perception Index (CPI), table presents ranking over 174 countries
<https://www.transparency.org/cpi2014/results>

Percentage expat: OECD input

Migrant Remittance Outflow Report – World Bank

<http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data>

Total assets, US\$b

Source Annual Reports

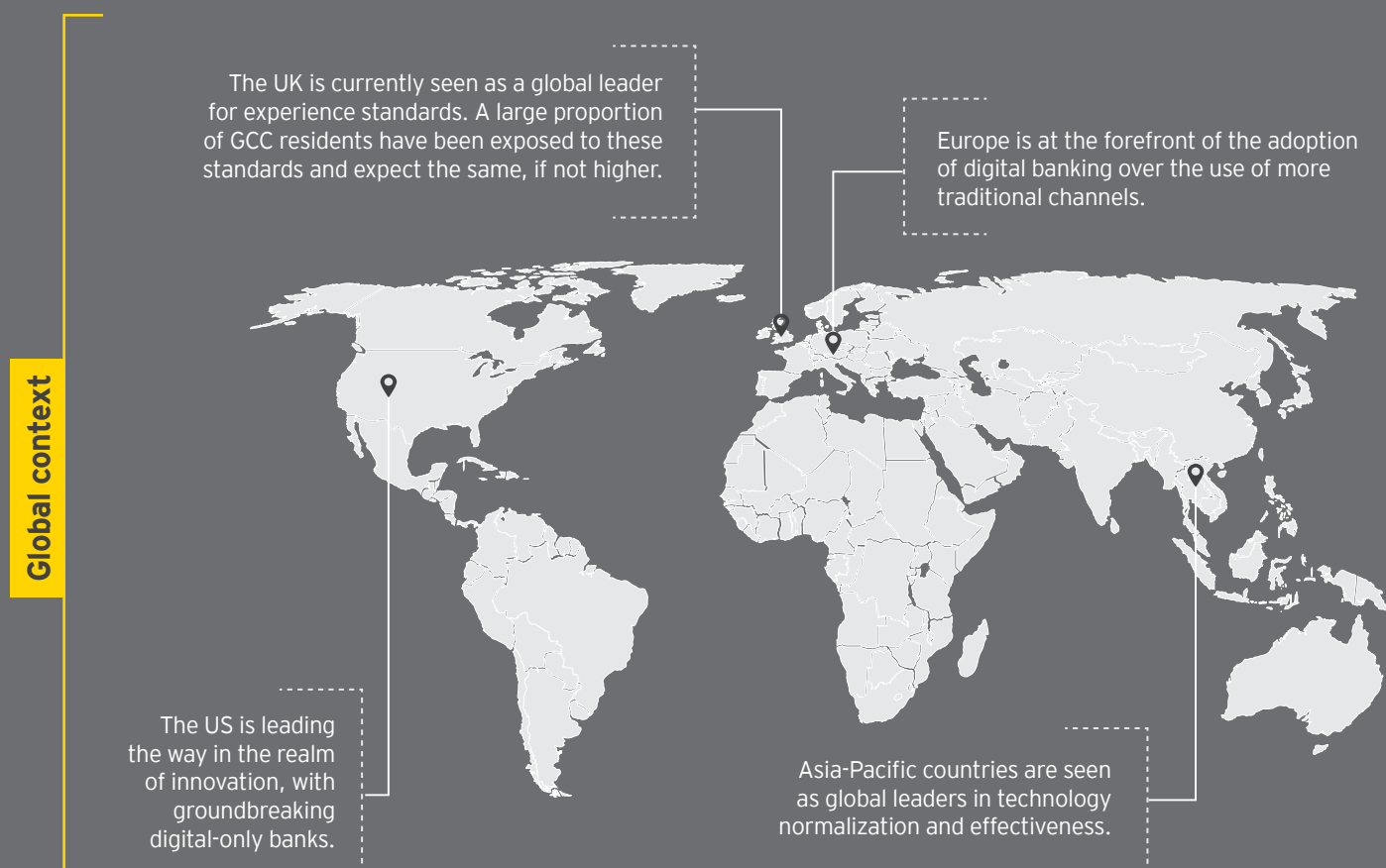
H-Statistic: measure of the level of banking competition in a market, (0: no competition – 1: perfect competition) src. www.bluenomics.com

EY view: challenge yourself to co-create digital solutions

It is only six years since apps first appeared on mobile devices, and customers now expect to be able to check their balance and make transfers through their phones, at the minimum. Specifically, increased use of smartphones is set to transform the c.US\$100b remittance business in the GCC – for which combined transaction fees and exchange rate margins can still cost more than 10%.

Beyond the transactional mindset, the future lies in reinventing mobile banking journeys by asking yourself: “How would a start-up do this?” The typical customer experience starts long before the transaction. Be there. Play a bigger role in the customer’s life and continue to reward and support them through the life cycle of specific financial decisions.

In the meantime, smart branches and reskilled branch staff are taking up the critical advisory and sales roles.



Across the GCC, we are seeing early signs of smartphone onboarding. Capabilities such as photographing ID and authentication documents or using fingerprint scanning, are bringing down the onboarding time dramatically.



Sreeram's experience

Scenario

Sreeram has just moved to Qatar for new work opportunities. He intends to be sending the majority of his money back home to his family in India. There are various money transfer services available from banks and money transfer offices (MTOs), which he finds confusing. Having been recommended a certain bank, he goes into the branch, where he is well supported with services tailored to him. He is contacted by the bank via SMS, which best suits him for all important updates. Transferring money is easy for him, as he can access a transfer machine anytime and authenticate via biometric data. His family can also use biometric data to withdraw the cash, and he is notified at each stage of the transfer. He becomes a loyal customer and recommends the bank to others in his situation. As a result, he is rewarded and becomes a local ambassador for the bank.

Customer life cycle

Storyboard

Narrative

Moments of truth

1. Customer need and consideration



- ▶ Sreeram wants to find out about the remittance market in Qatar, as he intends to be sending money back home to his family.
- ▶ He is unsure what options to explore. There are lots of MTOs, hawala and banks, but he is unclear as to charges, taxes and reliability.
- ▶ A friend recommends a bank that partners with exchange houses with specific services for sending money to India.
- ▶ He learns that money can be transferred through mobile devices and deposit machines using biometric authentication.

- ▶ A friend in a similar situation recommends a certain bank.
- ▶ Combined services between banks and exchange offices offer reliability and ease.
- ▶ Money can be sent via mobile devices and deposit machines using biometric data.

2. Purchase and onboard



- ▶ Sreeram decides on a bank and plans to open a new account to manage his Indian rupee transactions.
- ▶ To his surprise, the bank offers him very competitive charges on a regular account, and he is amazed that the bank has services tailored to him.
- ▶ Multilingual staff explain the sign-up process and advise him that he could be notified about rates and setup via SMS.
- ▶ Sreeram receives SMS updates to collect his new bank cards and checkbook.

- ▶ Accounts are specifically tailored to the needs of blue-collar expat workers.
- ▶ Multilingual support is provided to expat workers.
- ▶ SMS notification is offered for the latest rates and account setup.

Key survey findings:

Customers are showing a willingness to increase banking services usage for a better online experience.



74%

Payments



74%

Credit facilities



57%

Credit card



56%

Savings



62%

Investments



Sreeram

"I work long hours and have little free time. I work hard to support my family back home and want to make sure that they can quickly and easily receive the support I send to them."

Technology proficiency

1 10



Digital and social communications

1 10



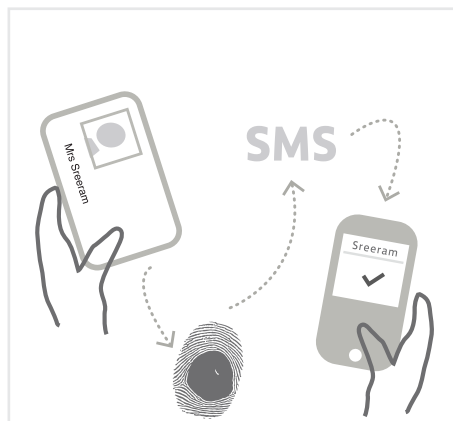
3. In-life usage



- ▶ Sreeram mainly uses his account for money transfers to India. He keeps an eye out for rate updates via SMS from the bank.
- ▶ To make a transfer, Sreeram simply needs to go to a branch or an e-kiosk in his community, where he can access one of the 24-hour transfer machines. He uses his fingerprint as ID to authenticate the transfer.
- ▶ He finds the whole process very convenient and feels reassured by the bank, as they send him SMS updates once the money has been successfully transferred.

- ▶ There is 24-hour access to transfer machines, either in branch or in local communities via e-kiosk.
- ▶ Biometric fingerprint scanning authenticates each transfer.
- ▶ SMS updates help to reassure customers by confirming successful transfers.

4. Enhance



- ▶ In order to withdraw the funds in India, Sreeram's family has to provide identification each time they go to collect the money.
- ▶ To help this process, the bank issues photo ID and enables fingerprint scanning.
- ▶ Sreeram is notified of this process and now he receives an SMS when his family withdraws the money.

- ▶ ID and biometric scanning is enabled for families receiving funds to speed up the withdrawal process.
- ▶ Updates are sent via SMS to notify withdrawal.

5. Advocate

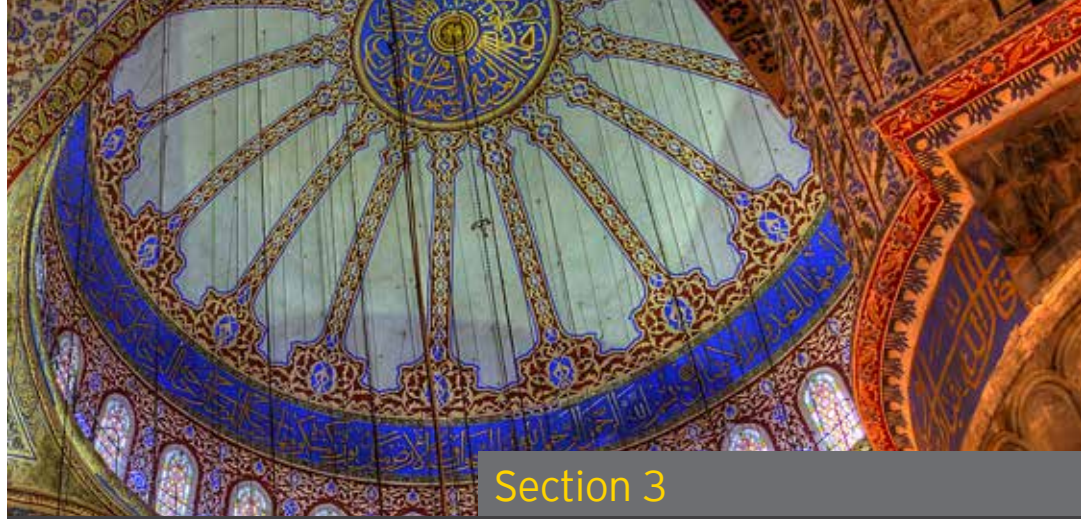


- ▶ After spending one year in Qatar, Sreeram has recommended the bank to many co-workers, and the staff at the bank know him well.
- ▶ Each time he recommends a new customer to the bank, he receives a small cash reward that he is notified of by SMS.
- ▶ Because of his continued loyalty, he is asked to become a local ambassador in his area, and is given a tablet to help initiate the sign-up process for new joiners. In return, he receives a small fee and preferential services.

- ▶ There are rewards for recommending new customers, prompted and notified by SMS.
- ▶ The bank champions loyal individuals who use and advocate banking services.

Areas of digital opportunity:

- ▶ Tailoring the type and content of communication channels to suit the needs of blue-collar expats – SMS provides a low-tech personal channel to communicate various important updates for greater engagement
- ▶ Providing self-service terminals for greater access to banking facilities, with the option for terminals to be positioned within communities
- ▶ Use of biometric data for authentication and easy access to banking services
- ▶ Supporting loyal customers with advocacy benefits to support the sign-up process of new customers



Section 3

Banks have much at stake with digital; customers have a good understanding of the benefits digital can provide and are ready to spend more with their bank if more digital convenience is provided. On the other hand, they are also ready to switch to another institution if their expectations are not met.

Your customers speak out



We asked your customers what banking digitization would do for them.

They expect their bank to provide more convenience and speed, less paper, pinpoint accuracy and a friendly service environment.

A clear consensus emerged on the following three priorities:

1st

Anywhere, anytime

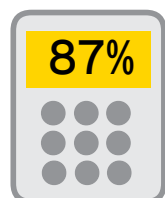
2nd

Paperless

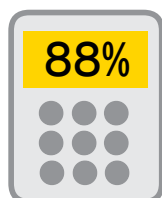
3rd

Fast, accurate and friendly

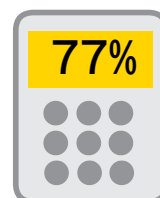
We heard customers praising the introduction of digital across the GCC ...



of mobile banking users strongly agreed that their banking app allowed for improved control over their finances.



of mobile banking users strongly agreed that their banking app allowed them to get closer to their financial goals.



of mobile banking users strongly agreed that their banking app facilitated easier payments.



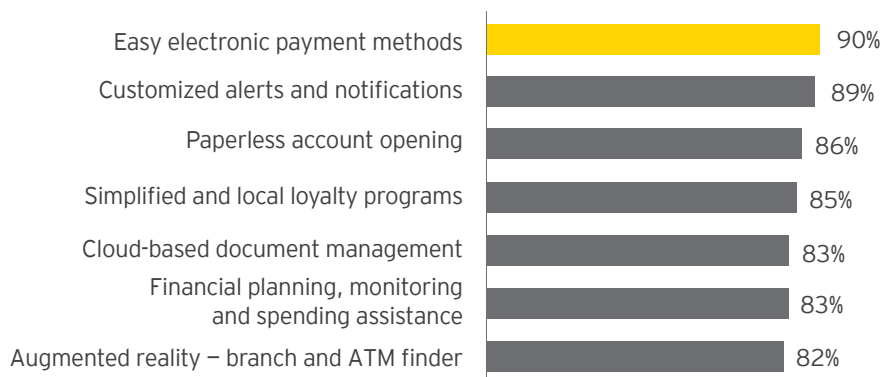
... but this was neutralized by an overwhelming majority asking for an improved banking experience.

Digital banking amounts to much more than adding another channel to a bank's offering; it signifies completely new propositions. The wealth of data that banks hold on their customers should facilitate a deeper understanding of customer patterns and behaviors. A robust analytics engine can generate "next conversation" and also "next product" offers.

Consumer expectations of banking relationships are increasingly shaped by other digital industries.

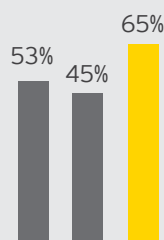
The future of retail banking in the GCC is a mobile app that delights, integrated with the individual's lifestyle and everyday banking needs.

Customer expectations for innovation

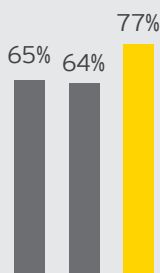


Social media has become a key influencer for your customer's financial decisions ...

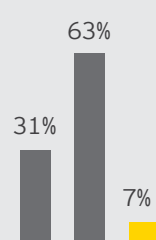
55% of customers follow their bank on social media.



64% rely on social media as a source of information for their banking decisions.



Mid-aged customers are most active in discussing their bank on social media.

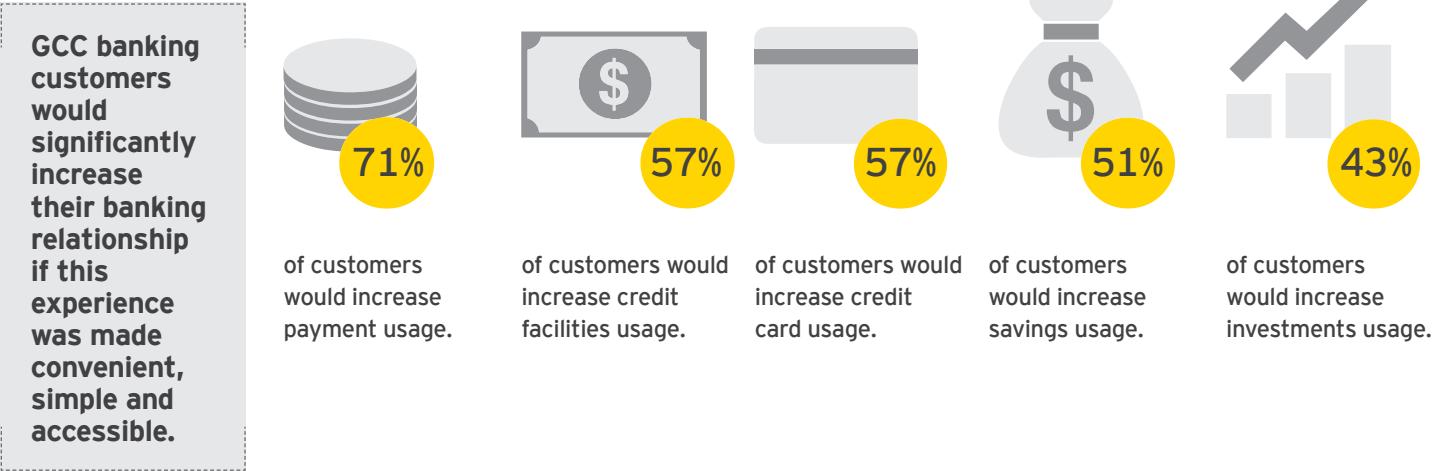


■ Youth ■ Mid-aged ■ Senior

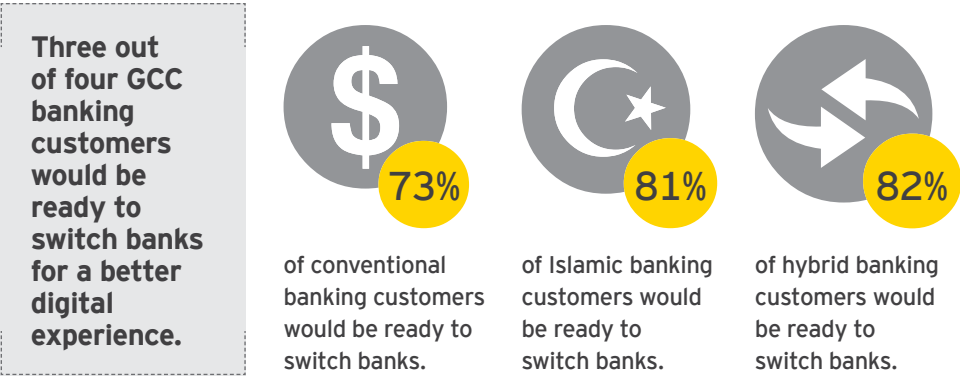
... however, it is important to consider it as a mechanism for dialogue with customers, rather than a medium for sales and marketing.

The survey evidenced a strong correlation between the customer's digital experience and the bank's revenue.

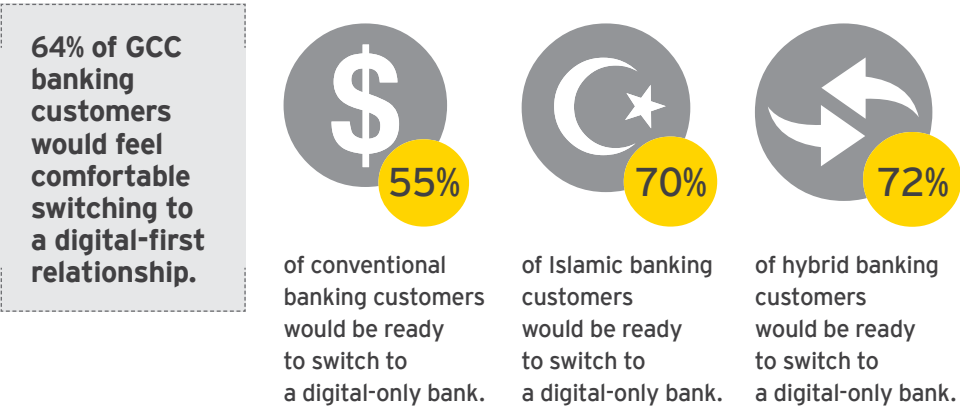
Enable me and I will bank more ...



... or I would prefer to switch to a digitally stronger bank.



My bank needs to invest in better digital services rather than more branches.



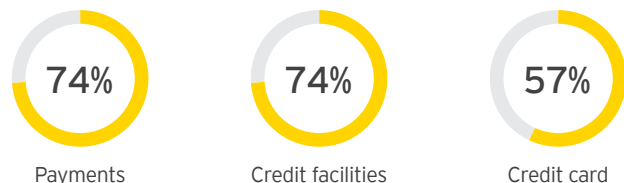
EY experience suggests that up to 50% of retail banks' net profit could be at stake.

Kuwait customer verdict

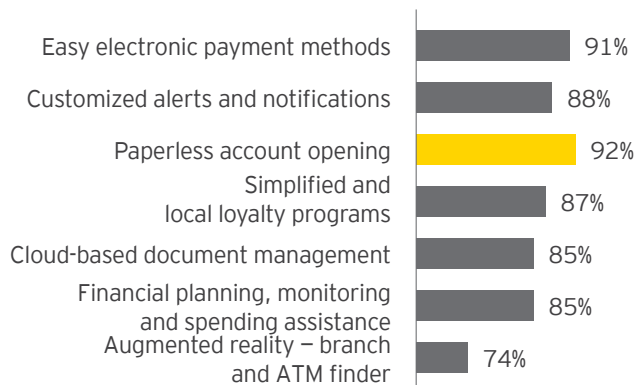
89% customers would shift if they were offered a better digital experience.

80% customers would be willing to shift to a digital-only bank.

Willingness to increase banking service usage



Which innovations your customers are looking for:

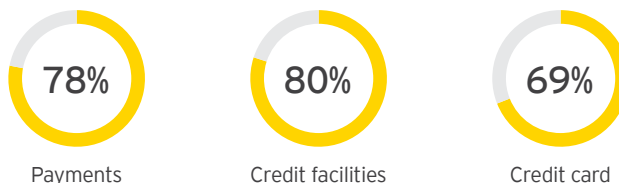


Qatar customer verdict

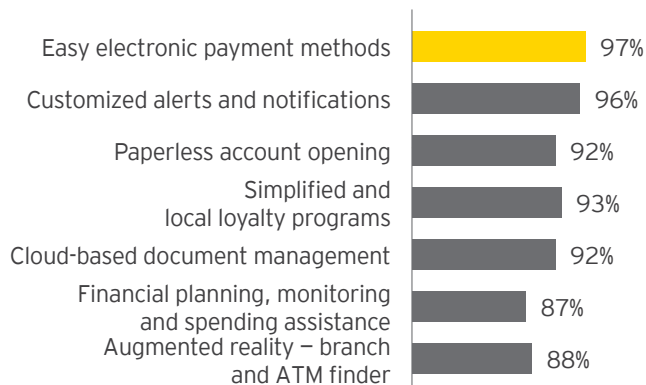
89% customers would shift if they were offered a better digital experience.

83% customers would be willing to shift to a digital-only bank.

Willingness to increase banking service usage



Which innovations your customers are looking for:

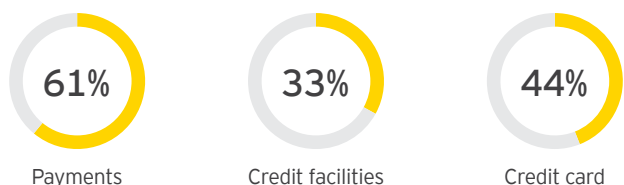


Saudi Arabia customer verdict

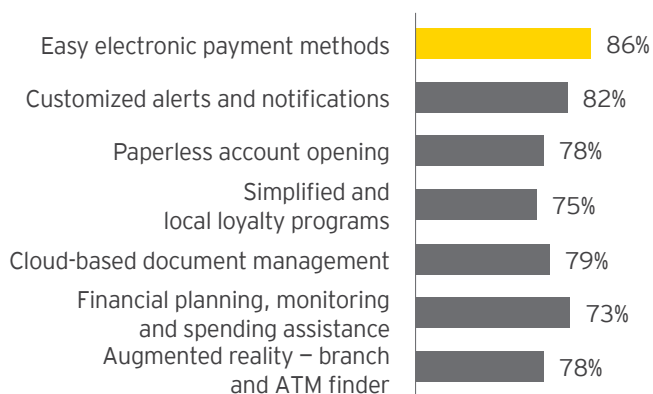
57% customers would shift if they were offered a better digital experience.

45% customers would be willing to shift to a digital-only bank.

Willingness to increase banking service usage



Which innovations your customers are looking for:

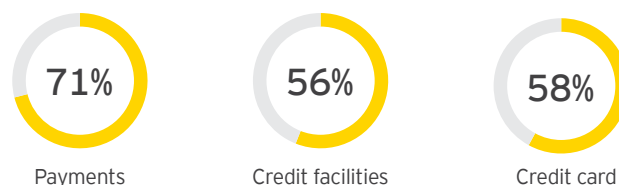


UAE customer verdict

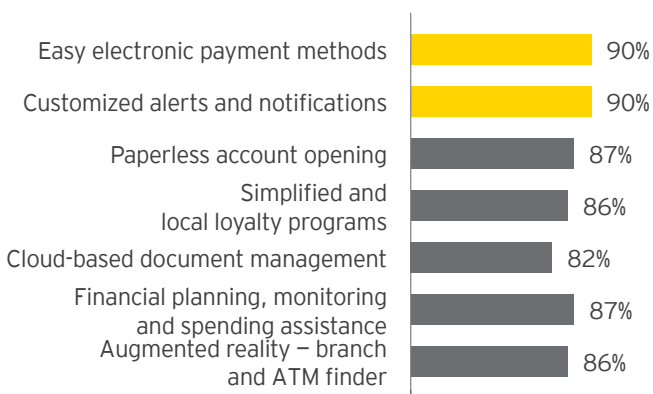
81% customers would shift if they were offered a better digital experience.

60% customers would be willing to shift to a digital-only bank.

Willingness to increase banking service usage



Which innovations your customers are looking for:



EY view: the challenge of putting customers first

It may seem counterintuitive, but technology is in fact enabling banks to have a closer relationship with their customers. The average users of online or smartphone banking log into their app several times a week, significantly more than their visits to bank branches.

Payment solutions top our list of seven leading innovations that GCC customers expect from their banks. Payment is one of the most contested areas, representing a sizeable share of bank revenues in some cases. Ongoing innovation could have a direct impact on the bottom line of these banks.

Banks have to show rigor when considering which technology to invest in and the expected impact it delivers. In one of our sessions, a Saudi bank that was expecting 30% of its customers to migrate to online and mobile channels said it is experiencing a “disappointing uptake.” This several million-dollar experiment could have been avoided, in our view, by first understanding the source of value for the bank. For example, in another case, a bank in Kuwait has very specifically prioritized salary transfers, as its penetration rates were significantly below that of its peers.

The lesson learned is that, although banks have a great deal of customer data, it can be quite complex to organize across channels and get that “360-degree view” of customers. Applying this 360-degree view for smarter targeting of customers and sharper assessment of risk, consistently, can be a true game changer.

Reliability of new technology is crucial. While we don’t expect many GCC banks to replace their core banking system, we do believe that achieving a digital transformation will require continued high investment in middleware.

It is not enough to introduce new digital channels and tools. Banks must do so in the context of transforming the end-to-end customer banking journey. Digital is an enabler of this transformation, not an end in itself.

Ahmed's experience

Scenario

Ahmed has just started his career and is looking for a new bank account so that he can receive his salary. He explores the various banks online and via social media to understand their reputation. He feels that a local bank will understand his needs better and will seem more prestigious. He is a tech-savvy individual and wants the digital touch points to provide him with all the services he needs, rather than visiting a branch. Ahmed redeems the various loyalty rewards that are offered to him and are matched to his lifestyle, via the loyalty app. As his purchasing habits evolve, new banking services are offered to him that are tailored to his needs. Ahmed uses his mobile banking app almost exclusively and, as a result, the bank has a better understanding of how to support him. Greater rewards are offered to him when he recommends new customers.

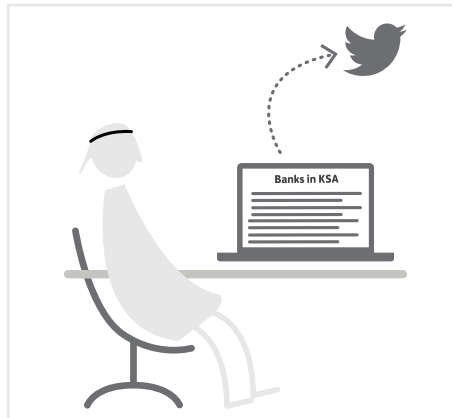
Customer life cycle

Storyboard

Narrative

Moments of truth

1. Customer need and consideration



- ▶ Ahmed has just started his first job and is considering his options for a new current account, which will need a degree of global presence due to his traveling for work.
- ▶ He looks online at the various banks and explores social media for people's views to gauge the banks' reputations, which is very important to him.
- ▶ Ideally, he would be comfortable with a local bank, as he feels they should better understand his needs. He has familiarity and loyalty to a national institution.

- ▶ He has a new life situation and change of status.
- ▶ He gauges reputation by looking online and exploring social media.
- ▶ He has a sense of loyalty toward local banks.

2. Purchase and onboard



- ▶ Ahmed chooses a bank based on its brand appeal and its prestigious reputation.
- ▶ Ahmed uses the bank's online messenger to speak to the bank and is guided toward a service that best suits his needs.
- ▶ He is offered a number of benefits and discounts that align to his lifestyle. These can be redeemed via email and mobile.
- ▶ He is offered mobile banking, which he immediately finds easy to use and gives him the flexibility he is looking for.

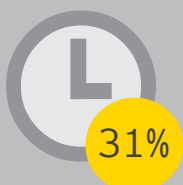
- ▶ Brand positioning and experience helps to trigger decision-making.
- ▶ Online communication aids the conversion process.
- ▶ The mobile banking app has been tailored to suit tech-savvy customers.

Key survey findings:

Only 34% of the GCC banking customers are using mobile banking for their day-to-day banking interactions, the main mobile banking inhibitors slowing down a wider adoption are:



Unintuitive user experience



Not real time



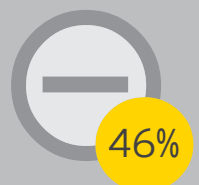
Slow speed transaction



Not tailored, does not fulfill my needs



Non-availability of preferred channel



Difficulty to access



Ahmed

"Now that I have finished my studies overseas, I am looking forward to starting my career, which will give me additional financial freedom. This will allow me to pursue various activities that I got involved with while studying."

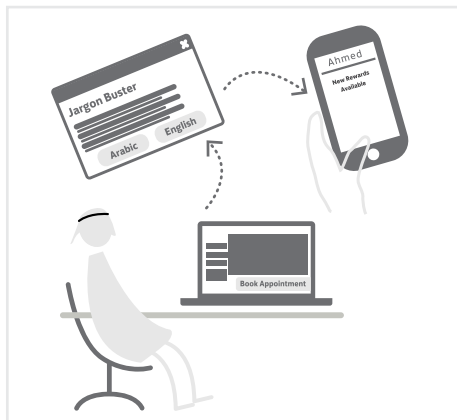
Technology proficiency



Digital and social communications



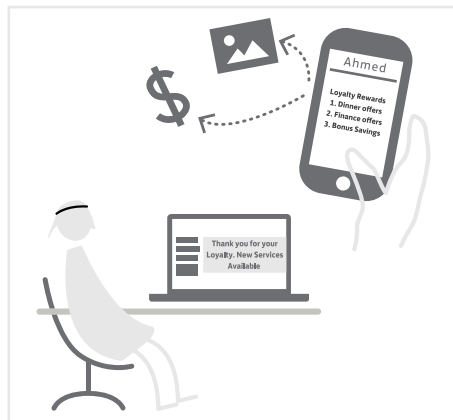
3. In-life usage



- ▶ Ahmed is amazed by the online services. The bank's website is user-friendly, and all financial terms are in both Arabic and English.
- ▶ The online services cover most of Ahmed's requirements, with little need to go to the branch. The mobile app is really useful and even lets him book a branch appointment if needed.
- ▶ He makes the most of the lifestyle offers and accumulates loyalty rewards that align to his interests.

- ▶ Inexperienced users should be helped to understand various banking terms for clarity.
- ▶ Mobile apps should have the ability to bridge offline experience such as in branch.
- ▶ Loyalty rewards should align to the behaviors of each customer.

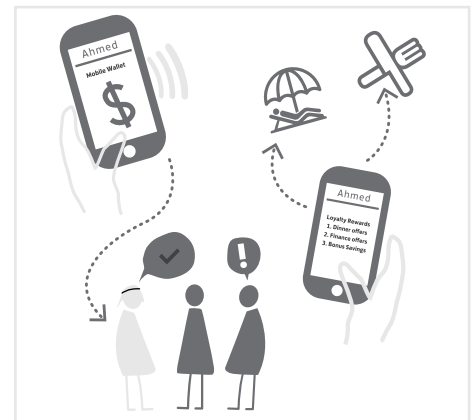
4. Enhance



- ▶ Now that Ahmed is progressing in his new career, his spending patterns have changed and his outgoings have increased.
- ▶ The bank is able to support Ahmed based on his spending patterns and is able to offer various financial services, as well as tailored rewards.
- ▶ The mobile banking app keeps him up to date with the latest banking services that might be most relevant to him.

- ▶ Services tailored to user behaviors build further engagement with customers.
- ▶ Relevant content and ease of use help to increase take-up of soft touch services such as mobile apps.

5. Advocate



- ▶ Ahmed is happy with the service that the bank provides for him, especially from the mobile banking app, which he uses as his mobile payment wallet.
- ▶ He makes the most of the loyalty-based rewards that the bank offers. These match his spending and social habits, and he is able to share them with friends via the loyalty app.
- ▶ He becomes a strong advocate of the bank, as they provide him with a personalized service and additional rewards for recommending new customers.

- ▶ Dependency on mobile provides a greater case for total mobile wallet use.
- ▶ Rewards match lifestyle and can be shared with friends.
- ▶ Rewards are given for recommending the bank to others.

Areas of digital opportunity:

- ▶ Consistently aligning all communications, brand experiences and services for the acquisition of customers both online and offline
- ▶ Relevant lifestyle-based rewards that reflect customers' behaviors and can be issued through digital touch points
- ▶ Providing benefits to customers that can be championed and shared socially with peers to support advocacy



By and large, the banks in the region refer to digital as the technology elements enabling either to engage customers, including mobile, online, ATM, etc., or to automate back-end aspects processing (process automation, STP, etc.). Content elements enabling the banks to differentiate and innovate, such as data analytics, digital governance and policies, or innovation committees are still lagging behind in the perception of GCC bankers.

Section 4

What digital means for the GCC banks



How do banks in the GCC define digital?

95%

Customer engagement

Online banking, mobile banking apps, social media and wearable tech, as well as IVR, call centers, ATM and CDM, and tellerless branches

22%

Innovations

Innovation committees, regulator think tank and Fintech collaboration

"Digital will provide us with a lighter infrastructure, and therefore free up staff for more useful client interactions."

CEO, GCC bank

"I want to provide our customers with -like product suggestions to improve our cross-sale figures."

Head of Channels, GCC bank

"The GCC market is advanced from a technology perspective; this coupled with a customer base that is educated and full of high earners will make digital banking successful."

Chief Operating Officer, GCC bank

62%

Foundations

Systems and process automation techniques to increase the level of straight-through processing (STP), become paperless, improve the efficiency of back-office operations and reduce processing costs

31%

Differentiation

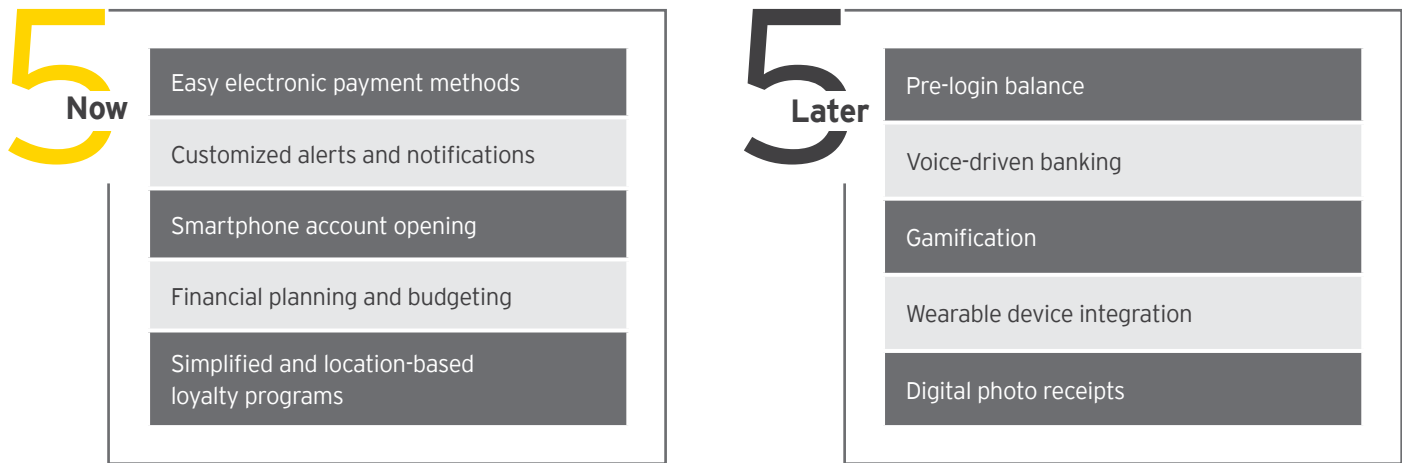
Digital assets such as data, products, rules or policies defined by banks to constitute a unique digital know-how

"Digital is often a façade; some huge international banks are jumping on each and every digital initiative – 'if it has the word digital, let's do it.' But when you look at it, 68% of their business is not done online and this creates confusion. Our management is making risky investments in unproven technologies that might become obsolete before the solution even hits the market."

Head of Retail, GCC bank

Digital is enabling a deep transformation of the way customers engage with their banks.

Solutions identified in the region*

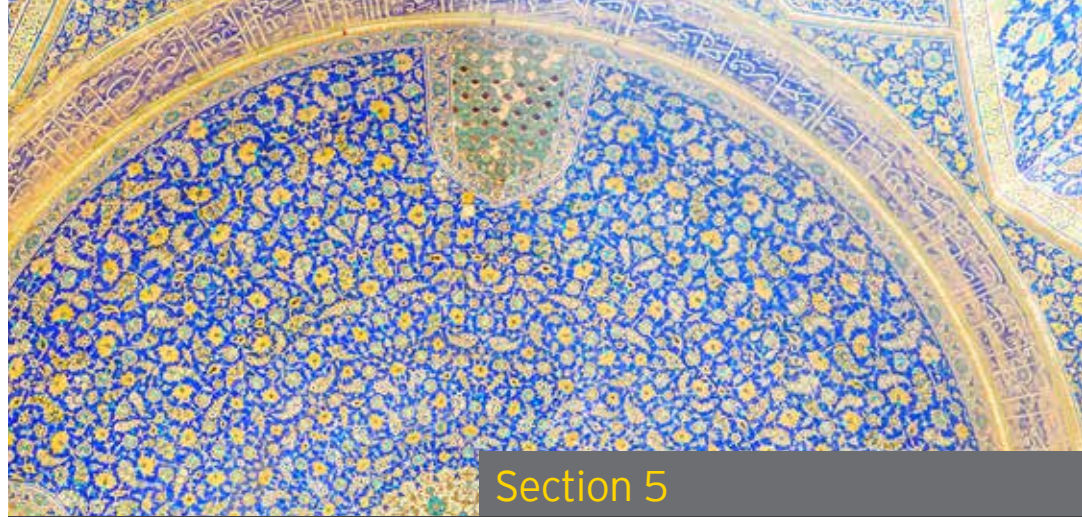


* GCC customers asked about preferred digital offerings

Notable digital innovations from outside the GCC

Peer-to-peer payment solution	Mobile payment solutions by a UK fintech facilitate payments between friends and family using their mobile phone numbers (no need for account numbers).
Wearable banking	Wearable banking – a large high-street bank, among others, has launched a watch app for smart notifications and alerts.
Online retirement planner	A UK pension company an online retirement planner for both private and corporate retirement schemes.
Digital analytics	A large retail bank profiled 3,600 customers in Spain, based on payments and social data mining, to produce a well-timed customized offer.
Video assistance	A large insurer shifts customer assistance online, with the launch of videoconferencing support for financial products and services.

Big rewards await those who opt for the right digital offering.



Section 5

Although the budget is there, together with the willingness, the priority and the sponsorship, it appears that regulations, IT legacy and lack of process automation are slowing down the digital transformation. In many cases, banks are also facing some challenges articulating a clear path to digital success.

Banks are keen, but ...



Game on!

Ranking of digital objectives

Digital is not just about cost reduction anymore, GCC banks rely on digital to enable delivering their growth plan.

1st

Business growth

through customer satisfaction to improve retention and net promoter score (NPS)

2nd

Operational efficiency

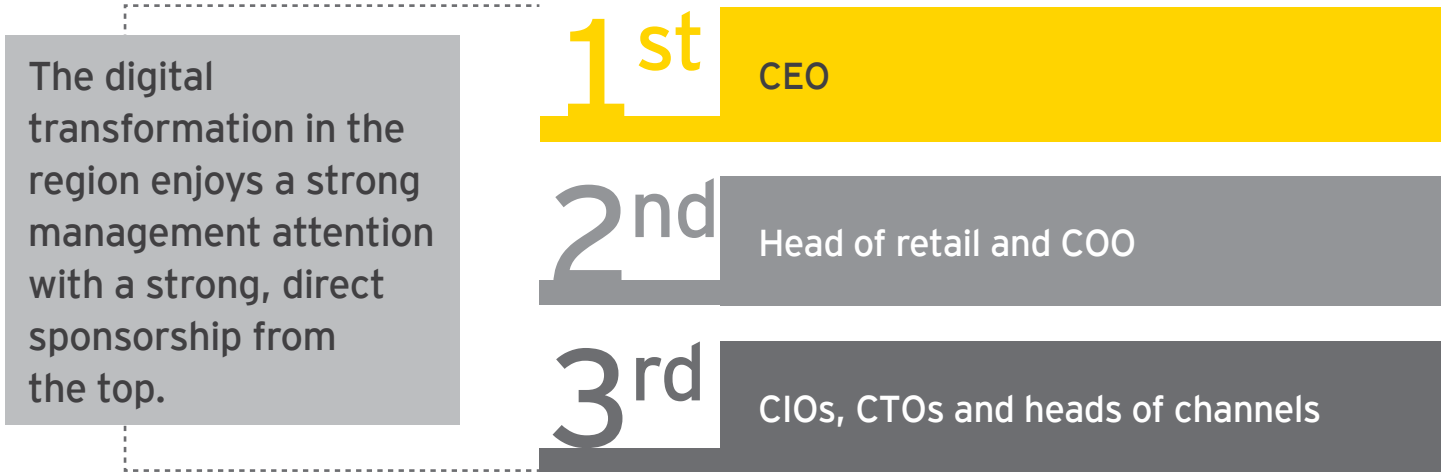
to support growth through enriched straight-through processing (STP), process automation and the elimination of process errors

3rd

Scalability

to build the business quickly, with exceptional quality and lower proportionate cost increase

Management support is in place.

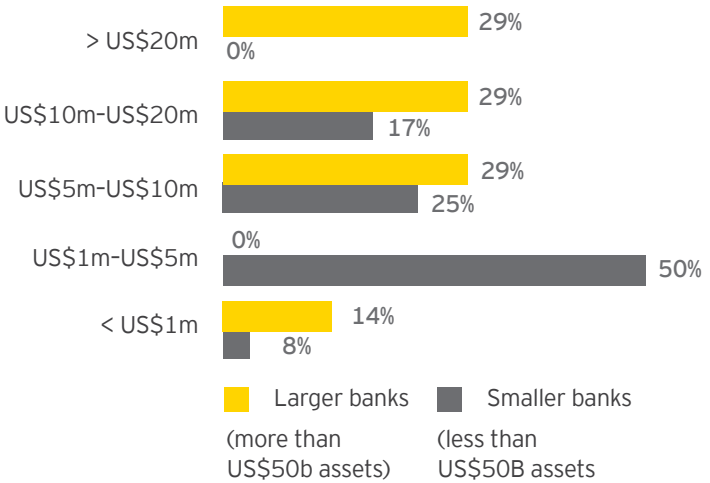


Resources are allocated.

47% of banks in the GCC have planned a budget of US\$5m to US\$20m over the next five years, for enhancing their digital capabilities. Some larger banks are ready to spend even more.

“So far, our board is easy on the budget when it comes to digital initiatives ... this is a long-term play.”

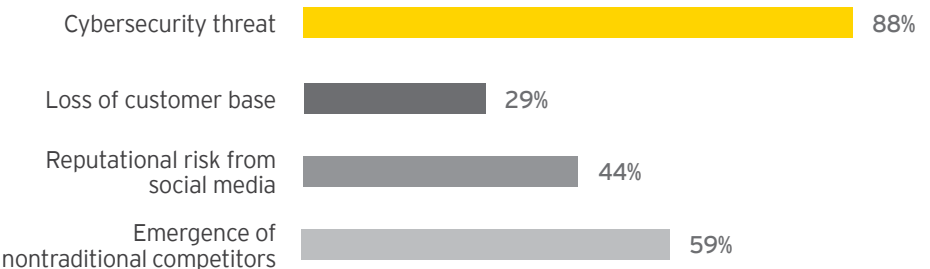
Bank in Saudi Arabia



Risks are identified and often mitigated ...

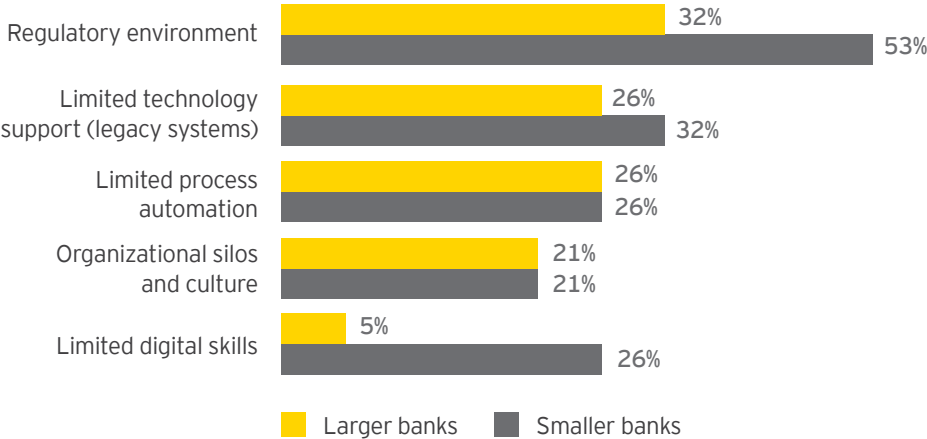
GCC banks consider cybersecurity risk the most serious threat to achieving their digital aspirations. Our assessment shows customers are also equally nervous about the prospects of data breaches. They expect intuitive security processes and much more clarity on terms of use.

The emerging challenge for banks is to balance the need for security, cost of execution and customer expectation.



... but the digital transformation across the region is proving tougher than many had hoped.

Major hurdles faced by financial institution in the GCC in their digital transformation



When asked about the key challenges they are facing with digital transformation, a staggering majority of the banks' leadership cited lack of regulatory clarity and direction as a major impediment.

"Banks should not see regulators as an inhibitor of innovation, but as a partner in helping to develop digital banking in a secured way."

"We only focus on security to protect the financial health of our residents and, as soon as it is demonstrated that a function is secured and that it is supported by an appropriate legal framework, such as electronic signature, we don't analyze the relevance any further to approve it."

"Unfortunately, we have often had to reject some requests in the past that were insufficiently developed and demonstrated."

A GCC central bank Vice Governor

The majority of banks also appear frustrated with managing legacy technologies and the painfully slow progress they are making in automating key customer processes.

A limited technology support, including the burden of IT legacy and application complexity resulting from duplicated functions, point-to-point interfaces, and heterogeneous and outdated technologies, is slowing down the deployment of digital services.

To increase IT agility, the following is recommended:

- ▶ Upgrade core banking system to gain access to out-of-the-box digital functionality and technologies
- ▶ Rationalize the application portfolio
- ▶ Modernize IT architecture (middleware, service-oriented architecture (SOA), business process managers (BPM) and eliminate point-to-point interfaces
- ▶ Upgrade the IT operating model to gain agility and enable faster time to market for new evolutions
- ▶ Hire and acquire digital talents

EY view: rising to the challenge

At the core of the digital bank lies a fundamentally different approach to how business and IT work together. In the new model, the business-technology integration permeates across the organization. Critically, as customers expect greater real-time services, some improvements will require further cross-industry collaboration.

Given the size of GCC banks, there are 15 to 20 major processes that would be highly compatible with rapid automation, and that would deliver significant cost savings and scalability. Among them are account openings, mortgages and customer inquiries. The end-to-end process redesign should not take more than 8 to 12 weeks, and a full rollout should be possible within 6 to 8 months for complex processes. This could be a significant opportunity for local banks, many that are struggling, either due to capacity or digital capability issues. Our discussions with banks revealed that, in a number of cases, the time to market could drag up to 12 months, and in some cases, the launch was still not error free. In one case, the board has not ruled out exiting digital retail banking if the operational execution fails to live up to the bank's quality standards. The stakes continue to rise.

It is early in the transition, but Saudi Arabia is getting its head around this very well. It has a central innovation strategy and has begun engagement with the leading local banks. It is expecting industry-wide innovation and for the regulator to set the agenda and provide governance.

Fatima's experience

Scenario

Fatima is a housewife who manages her household income. Now that her son is getting married, she wants to support him financially. She is considering different services to control her outgoings and to provide support. She looks online and sees many options. In branch, a relationship manager (RM) is able to show her relevant options interactively. She considers this and "saves it for later" to explore the options further online with her husband. Finding an appropriate service, she can quickly sign-up and provide documents online. Day to day, she interacts with a money management tool from the bank, which helps her to track her finances based on her goals. She sticks to her goals and is rewarded by a financial offer on her credit cards. This helps her even further and is simple to activate. She has been able to save for her son's wedding and tells all of her friends about the service.

Customer life cycle

Storyboard

Narrative

Moments of truth

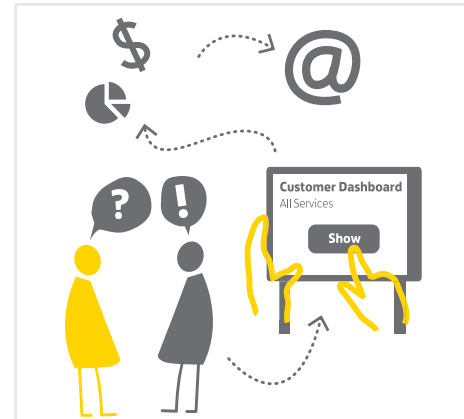
1. Customer need and consideration



- ▶ Fatima is a housewife who manages the family finances.
- ▶ Recently, she has had to reevaluate the state of excess funds due to their spending and the need to balance their two sons' university tuition fees.
- ▶ Their eldest son is due to get married in a few months and Fatima has visited her bank's website to explore remortgaging and other financing options.
- ▶ She is pleasantly surprised at the number of financing options and details of each product available online that can help her.

- ▶ The family's spending habits were getting out of control, resulting in an inability to save.
- ▶ Product information is available online.

2. Purchase and onboard



- ▶ Fatima decided to discuss her situation with an RM in branch, who uses the customer dashboard to find a relevant product for her.
- ▶ Fatima is introduced to the new digital channels available and further researches lending products on the bank's website.
- ▶ She sends her saved search journey to her husband's email address so they can discuss further.
- ▶ She is impressed by the integrated service as she applies for a loan online and submits all the relevant documents.

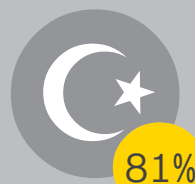
- ▶ RMs in branch are able to access customer dashboards to identify relevant support products that customers can further explore.
- ▶ Customers can revisit product information at a later date via email.
- ▶ Integrated online service streamlines sign-up.

Key survey findings:

Would you shift banks if you were offered a superior digital customer experience?



Conventional



Islamic



Hybrid



Fatima

"I want to ensure that I can support my family; however, I feel that I am not fully in control of all my affairs. I want the best for my family and to be able to manage their needs easily."

Technology proficiency

1 ————— 10



Digital and social communications

1 ————— 10



3. In-life usage



- ▶ The bank sends Fatima a reminder via text and email to visit the branch for an account review.
- ▶ While at the review, she is introduced to a money management tool, which is an interactive feature on the bank's website. This helps the bank build an accurate profile of Fatima's spending habits to allow her to gain control of her household outgoings.
- ▶ An interactive payment plan is generated, allowing Fatima to cover all her outgoings and living costs and save for her son's wedding.

- ▶ A money management tool allows customers to control their finances.
- ▶ The bank can help to advise and improve services by building a profile of customers.
- ▶ Customers can get regular updates and guidance via interactive payment plans.

4. Enhance



- ▶ Fatima uses the online money management tool to stay in control of the family finances. As she does, she qualifies for a balance transfer offer on her credit cards.
- ▶ An online application is completed, which allows her to increase her credit limit.
- ▶ The details of her existing credit card numbers are taken with their outstanding amounts.
- ▶ Once the application is submitted, the system triggers an outgoing call from the bank's call center to confirm her request. This is done in a matter of seconds.

- ▶ Interacting with various services unlocks rewards and benefits.
- ▶ Additional relevant support mechanisms can be offered to customers who follow saving plans.
- ▶ Reactive and interactive online product sign-up is available.

5. Advocate



- ▶ Fatima has been able to manage her finances and to save up to support her son's wedding.
- ▶ She has recommended the bank to her friends and relatives who are also facing similar financial situations.
- ▶ The bank has also brought to Fatima's attention the benefits of making use of its many interactive features and led to her summarizing her pleasant experience on the bank's various social media platforms, as well as within her own social group.

- ▶ Interactive features help customers reach their goals.
- ▶ Relevant and appropriate support encourages customers to advocate services.

Areas of digital opportunity:

- ▶ Easy-to-access services – clear communication and access to product information online and offline, helping to engage customers who are less technology and financially aware
- ▶ Interactive support mechanisms – helping customers reach their goals and providing the bank with deeper insights into customer behavior
- ▶ Reward-based services – offering further support as customers reach their financial goals

The fintech economy is emerging in the GCC, which constitutes both an opportunity and a threat for traditional financial institutions.

Traditional vs. emergent fintech

	Traditional	Emergent
Positioning	Market players are generally perceived as facilitators that are typically large, incumbent technology vendors supporting the financial services sector.	Market players are disruptors and innovators by nature. They are disintermediating incumbent financial services firms or providing new technology solutions to meet existing needs.
Infrastructure	Companies focus on the support, maintenance and provision of the existing infrastructure.	Two operating models have emerged: that of using existing infrastructure, which tends to be controlled by established players, or of replacing them completely. The replacement of infrastructure is a high-risk strategy; however, it produces high returns if successful.
Revenue model	They operate under established revenue models that tend to use cost per transaction, percentage of assets or license fees.	Emerging revenue models are broad and tend to function using multiple revenue streams, including advertising and the monetization of data.

GCC fintech solution offerings

Sector	Offers	UK fintech market size	GCC offer
Payments	Mobile wallet, peer-to-peer and bitcoin	US\$15b	Highest
Financial data and analytics	Credit references, capital markets and insurance data analytics	US\$5.9b	Nascent
Financial software	Risk management, payment software, core banking, insurance, asset management and accounting	US\$6.5b	Nonexistent
Platforms	Peer-to-peer, trading, aggregators and personal wealth	US\$3.1b	Limited

Although still far from the maturity of their leading UK counterparts, the GCC fintechs are now proposing credible and promising solutions that should be better assessed and considered by GCC financial institutions.

“The bank is very interested in fintech-related companies ... technology firms operating in payments, customer authentication, biometrics and augmented reality. It is also interested in companies working in web and mobile app design, the development of online and mobile portals, and digital marketing.”

Head of Digital Innovation, GCC bank (megamerger story)

EY view: the post-SMAC effect

SMAC (standing for Social, Mobile, Analytics and Cloud) has disrupted economies and changed the ways we consume information, interact with others and make purchases. They have shaped a new generation of computing, where networks, hyper connection, real time, mobility and convenience are the pillars.

By providing new digital services or connected devices at our fingertips, they have challenged the supremacy of the former tech giants, who have learned the hard way that it was not possible to continue leading without reinventing themselves, and that the recurring revenue stream generated by their best-selling servers, databases, telephone handsets, operating systems or word processors might not pay for their retirement.

Countries and regulators have also had to adapt their legal and regulatory frameworks to address new issues, such as social influence, privacy, IP protection and money laundering.

That was last year.

Now SMAC is being overwhelmed itself by a new generation of companies that are fundamentally transforming the whole economic value chain at every level:

- ▶ Although it once provided video tapes for watching movies, a video company is becoming the largest single streaming shop and is now getting involved in the production of its own content (e.g., *House of Cards*).
- ▶ With a website to find and rent lodging, you can rent your spare rooms for the night, and in some areas, such as some districts in Paris, they now have more rooms on the market through this platform than inhabitants.
- ▶ A web ridesharing company enables you to share your spare car seats and reduce traffic jams in major Western cities. It has 10 million members and recently became part of the Billion Dollar Start-up Club.
- ▶ With a mobile taxi booking company, you can just own a car and a mobile to monetize your free time by becoming a seasonal cab driver – this idea has enabled it to become the largest taxi booking company without owning a single car.

What was the common recipe for these successes? Convenience, mobility, flexibility and customer empowerment.

The financial sector is not protected against such disruptors, and we can see innovative fintech start-ups proposing alternative ways of competing with the best-selling banking products all over the world. The distribution of loans, remittances, payments, financial advice, forex, investment management, cards, mortgages, etc., is shifting out of the exclusive control of traditional financial institutions at an accelerating pace.

Why? Convenience, mobility, flexibility, customer empowerment.

In the GCC, the social attitudes and expectations have changed at an incredible pace, driven by a mostly youthful 50 million population, which is increasingly mobile and has greater access to international media and technologies. Simultaneously, attitudes toward banks have also changed, where the advisory role of the banker is challenged and the loyalty toward the institution has decreased to alarming levels.

The combination of digital connectivity, economic downturn and regulatory changes is also boosting the new fintech economy in the GCC, and some groundbreaking innovations are now about to hatch.

Banks should watch this space very closely and accelerate innovation to avoid being commoditized.

Cannibalize yourself to prevent being cannibalized by someone else.



Section 6

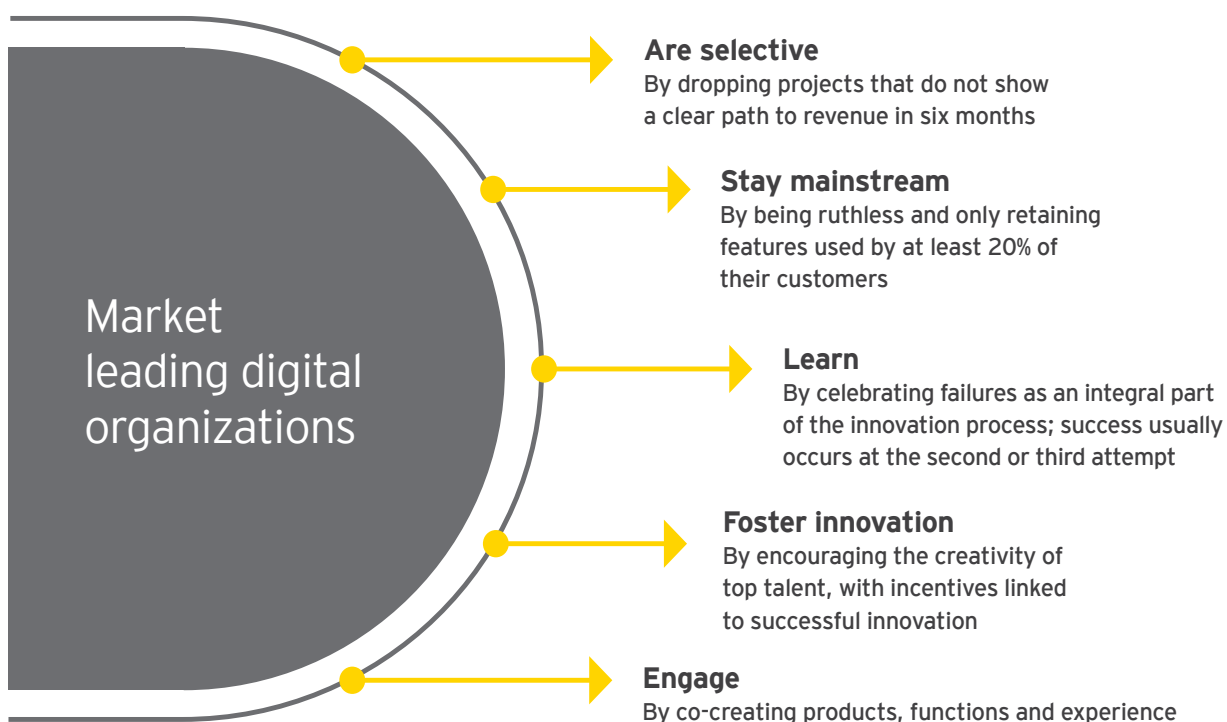
As for large-scale transformation programs, vision, clarity, strategy and governance are the keys to successful execution. Banks need to accelerate on these issues, as well as innovate, to avoid being overtaken by their traditional or non-conventional competitors.

How will you respond?

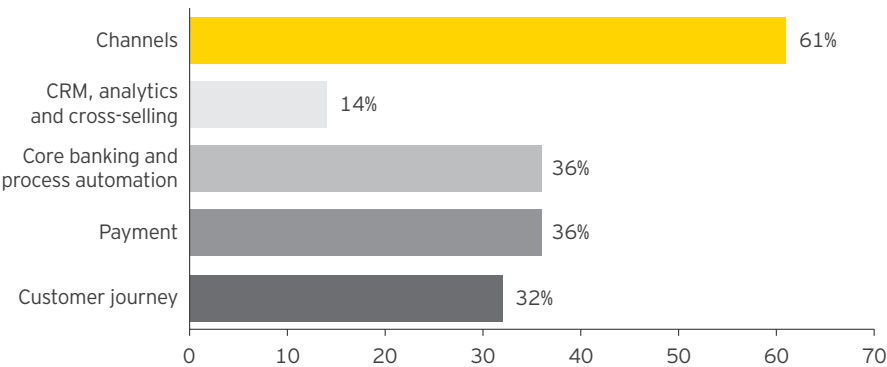


An industry in transition

Leading digital banks fully engage in innovation and recognize that a market-leading digital offering will not come overnight. The following patterns have been observed at these banks:



The GCC banks are driving key initiatives to increase their digital footprint.



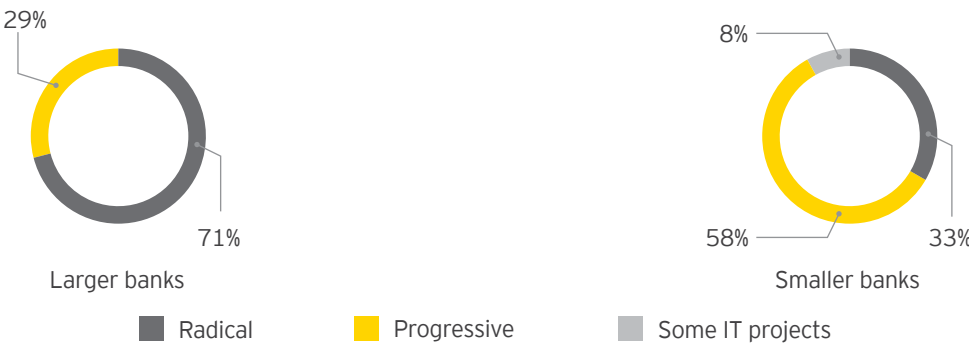
It is quite evident from our conversations with management and boards that GCC banks face a high-stake struggle to defend their market position in the face of technological competition. In the short term, however, we do not see any immediate threat to their current market shares.

On the other hand, challenger banks and fintechs are more interested in winning the customer relationship, competing on experience, design and competitive cost structures. They have made small but strategic inroads in a number of segments. Payments, credit cards and deposits will be the most impacted, we believe.

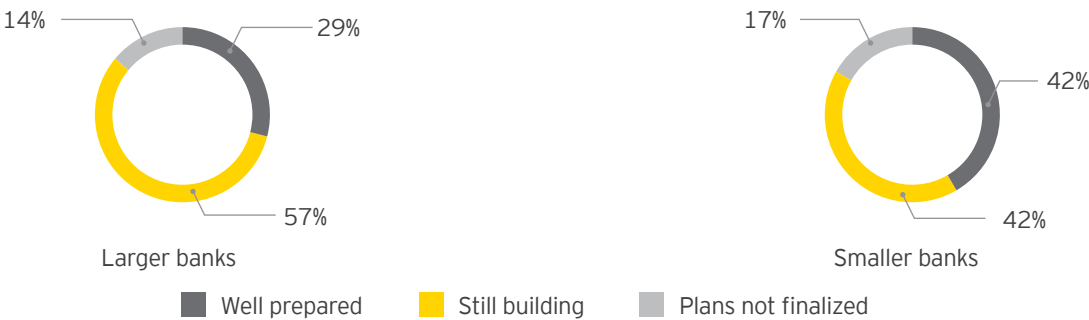
In response, most larger banks in the GCC have planned for comprehensive digital transformation, whereas smaller banks seem to be pacing their investment.

Radical digital transformation is defined here as large-scale programs implementing change across the bank's entire operating model, including organization, IT and process changes.

A shift in mindset: more GCC banks see digital transformation as reinvention, not incremental change.



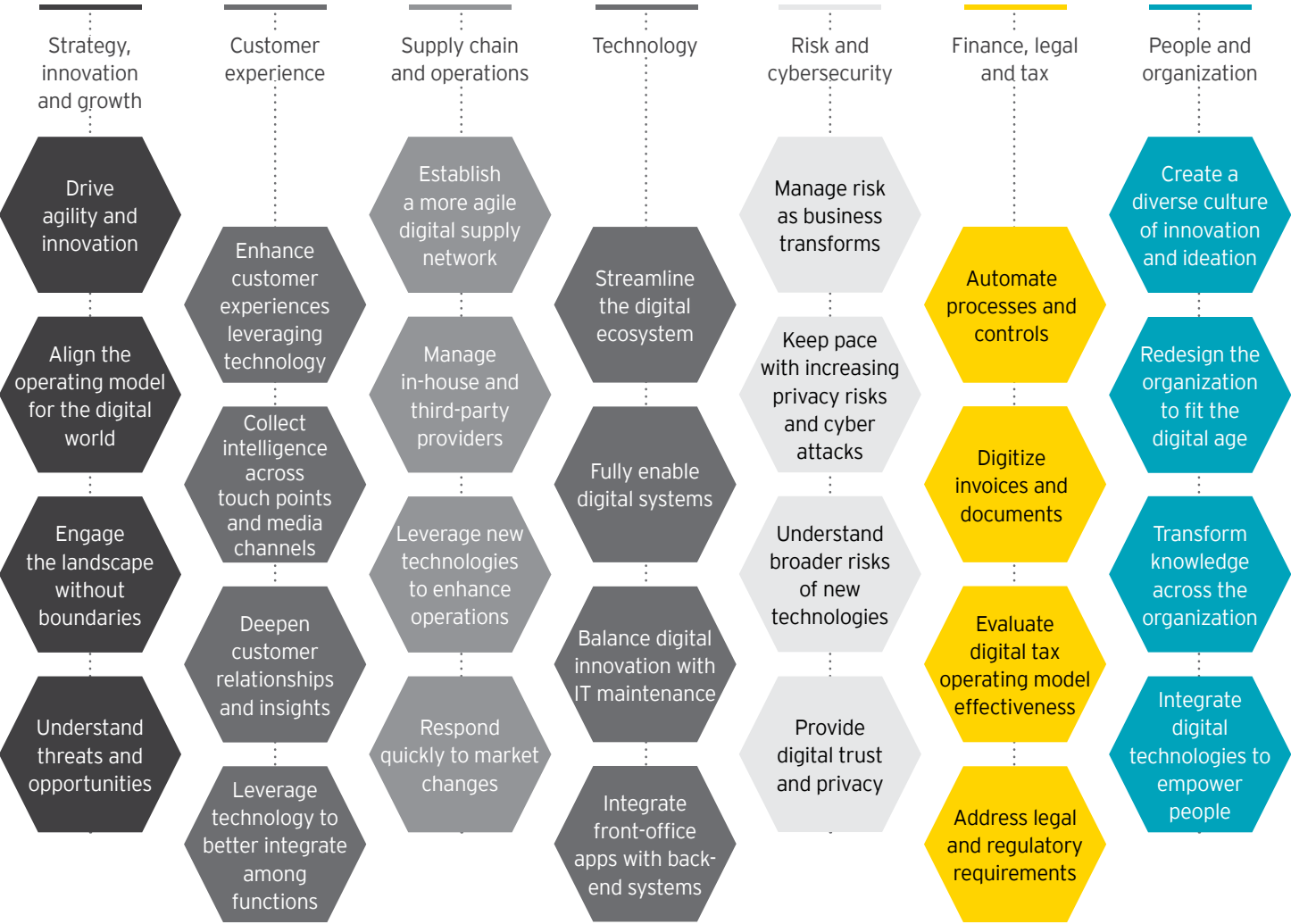
But how prepared is the bank leadership to drive this change?



Maximizing value through digital

Is your business strategy fit for a digital world?

Dimensions of the enterprise



Digital enterprise

Every layer of business strategy is now impacted by digital. For the enterprise to thrive in a digital world requires agility and innovation. The right approach to digital creates value by unlocking growth, optimizing the way organizations work and develop while managing risk intelligently.

EY view: the experience is what matters

Our conversations with GCC banking customers confirm that trust, convenience and personalization form the foundation of a customer's relationship with their bank – and technology is the enabler.

Meeting the needs of customers in an increasingly digital world means disrupting and rewiring existing retail banking organization, products and experiences to reach the next level of operational efficiency. Key here is timing your move wisely, as the market is not ready for a number of innovations found elsewhere. Banks need to focus on a few high-impact opportunities – payments, mortgages, credit cards and small deposits are potential areas to look at. Branches are here to stay, but their role is already changing.

In all markets, data analytics can help banks transform the customer experience. Banks hold a wealth of data on their customers that can be used to create more targeted segmentation and improve the customer experience at an individual level.

With improved experience comes increased engagement, and this is true across channels. Engaged customers are more willing to invest with their bank (by paying a little more or adding more accounts and services). Mobile-first is the future of retail banking in the GCC, although customers don't appear very impressed with the first round of smartphone propositions on offer. And they are ready to move banks for a better experience.

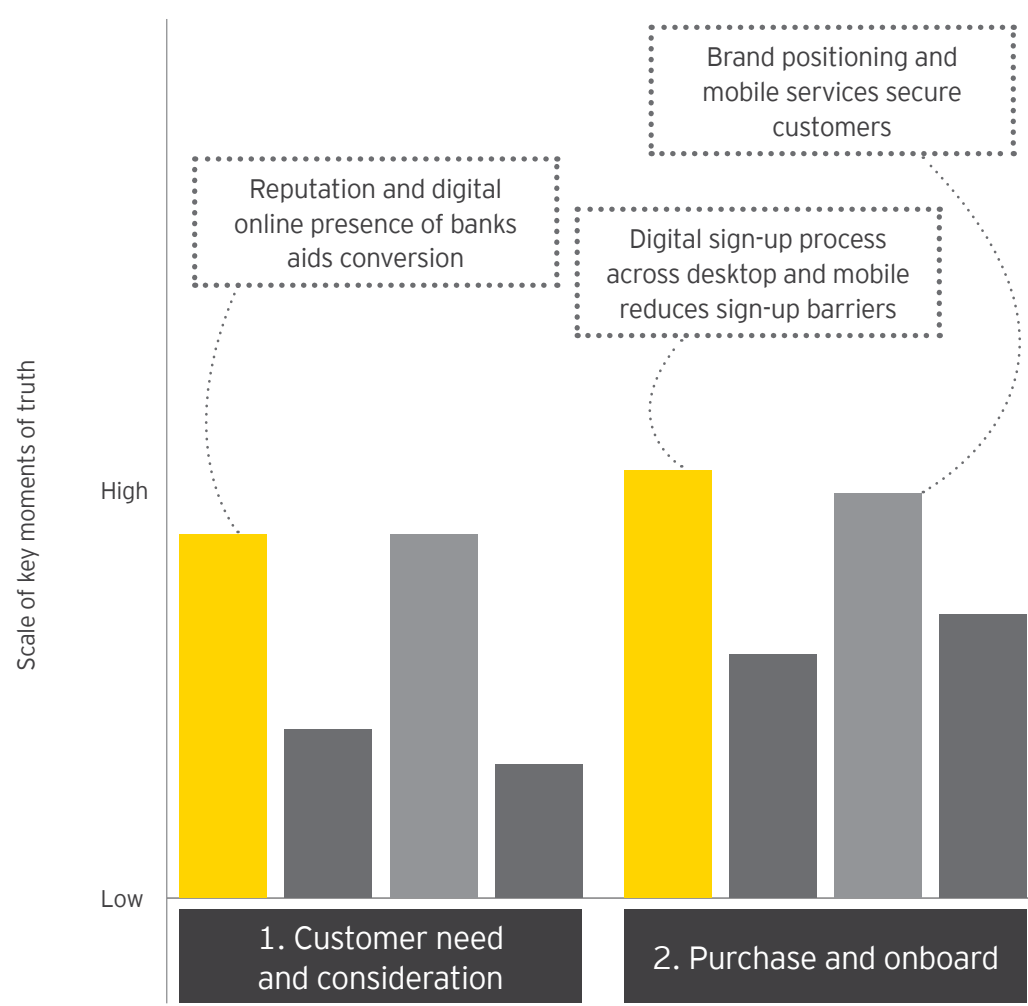
The boards of most larger banks have been generous in sanctioning spend on digital initiatives, well aware that up to 50% of retail banks' net profit could be at stake. The challenge, however, is in execution, and the majority of banks appear to be struggling with rapid prototyping and market adoption. Be the one – and you could win the digital talent war by creating an ecosystem of partnerships to make life better for your customers.

User journey summary

Each of the journeys have described a possible customer scenario for the purpose of framing digital opportunities. By capturing the needs of various audience segments, as illustrated in the personas, opportunities for digital innovation can be highlighted at each of the life cycle stages.

The graph below shows how the characters are aligned to their core banking needs at each life cycle stage. This provides a frame of reference when considering the opportunities for digital. For example, both Taha and Ahmed are looking to start a new banking relationship, so there is a greater opportunity for digital to enhance their experience at the first two stages. On the other hand, Fatima and Sreeram are more focused on their day-to-day interaction with the bank, so there is a greater opportunity to support them with digital innovations in stages three and four.

By understanding customer needs at different stages, we can begin to highlight key opportunities, or moments of truth, that will have the biggest impact on their experience. This can guide the development of digital services and communication to enhance the acquisition, engagement and retention of customers.



Customer-centered design in practice

By taking a customer-centered design approach, the needs of a target audience can be considered at both a strategic and executional level. Whether planning an over-arching experience road map or specifically developing an online channel, customer needs should be represented at each stage.

Having a set of better customer experience tools, such as personas and journeys, help to ensure consistency across multiple channels and touch points. They should act as a reference when considering user needs, and they should be considered as “living documents,” that are updated appropriately as new insights are revealed.

Adopting customer-centered design enables a more consistent alignment and consensus with all parties both internally and externally. Empowered by this understanding, we are able to prioritize, design and validate various opportunities for digital development.

What EY can do for you?

EY has engineered a specific set of high-value propositions addressing the practical issues that GCC financial institutions are facing within their digital transformation.

Strategy, customer journeys and operating model

- ▶ Which activities are at risk from new entrants, and what opportunities are there for new activities?
- ▶ How much is at stake, what investments do I need to make, and in what order should I make them?
- ▶ How can I improve my use and use digital to provide my customers with an outstanding experience?
- ▶ How can I transform my distribution to become truly omnichannel?
- ▶ How can I foster innovation in my organization? How can I build my digital assets to differentiate?
- ▶ How can I become agile? How can I rapidly digitalize my sales and service processes using mobile?
- ▶ How can analytics help my frontline staff become more effective at selling?
- ▶ How can analytics help me better control my organization?



EY propositions

- ▶ Digital diagnostic
- ▶ Digital strategy and digital ROI
- ▶ Omnichannel customer journey design and digitalization
- ▶ Digital operating model and innovation
- ▶ Usability testing and improvement
- ▶ Customer insight and digital behavior analysis

Digital payments

- ▶ How can we move successfully from cash-based to electronic transactions?
- ▶ How can we promote usage of cards and other instruments at various merchant locations?
- ▶ What benefit could I get from the new innovative payment solutions (including e-Wallet)?
- ▶ What regulatory changes are required to develop this ecosystem?
- ▶ How can I leverage new cryptocurrencies (bitcoin, etc.)



EY propositions

- ▶ Mobile payment service strategy
- ▶ Mobile wallet
- ▶ Mobile money road map (operator)
- ▶ MPOS operating model
- ▶ Domestic and international mobile remittance



IT agility and security for digital

- ▶ Can I leverage the new data sources to improve customer understanding?
- ▶ How should I store and organize my data to cope with greater volumes, so that I can extract value from it?
- ▶ How can my IT architecture and infrastructure change to enable a digital transformation?
- ▶ How do I get rid of IT complexity (point-to-point interfaces, redundancies, etc.) to become agile?
- ▶ How do I increase STP?
- ▶ What do I need to do to maximize cybersecurity?



EY propositions

- ▶ IT operating model uplift for agility
- ▶ Cybersecurity
- ▶ Digital architecture and middleware
- ▶ Application rationalization
- ▶ Data management

Risk, compliance and governance

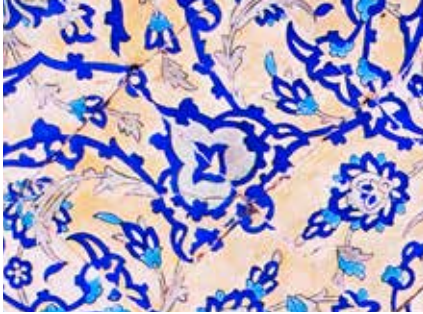
- ▶ What risk elements do I need to be aware of when I gravitate toward digital?
- ▶ How do I prepare for the new digital risks, such as reputational damage risks, (social networks), cyber threats and data loss?
- ▶ Are there any AML, KYC or other compliance considerations that we should be aware of?
- ▶ How do I engage the regulator to evaluate innovations (cryptocurrencies, digital signature, etc.)



EY propositions

- ▶ Digital conduct risk assessment
- ▶ Digital best practice for AML and KYC
- ▶ Impact of digital on risk and governance
- ▶ Regulation for fintech and innovation





In addition to the large scale field survey of retail customers in the major GCC markets, EY has interviewed C-level executives at 28 financial institutions in the GCC between June and August 2015. Through these interviews, we have gathered insightful experience, market analysis and strong opinions that have enabled us to build our own point of view on the impact of the digital disruption in the GCC presented in this report. We want to warmly acknowledge all the participating organizations for the value provided.



Section 7

Acknowledgments



- ▶ ADCB
- ▶ ADIB
- ▶ Ahli United Bank
- ▶ Al Hilal Bank
- ▶ Al Rajhi Bank
- ▶ Arab Banking Corporation
- ▶ Boubyan Bank
- ▶ Burgan Bank
- ▶ Central Bank of Kuwait
- ▶ Commercial Bank of Qatar
- ▶ Doha Bank
- ▶ Emirates NBD
- ▶ FGB
- ▶ Gulf Bank
- ▶ HSBC
- ▶ Ithmaar Bank
- ▶ Kuwait Finance House
- ▶ Mashreq Bank
- ▶ National Bonds Corporation
- ▶ NBAD
- ▶ NBK
- ▶ NCB
- ▶ Network International
- ▶ Qatar Central Bank
- ▶ QIB
- ▶ QNB
- ▶ Riyadh Bank
- ▶ Saudi Hollandi Bank

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