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FINACLE CONNECT

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ICICI Bank is leading the channels revolution


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Banking on channels

Let's face it, banking is fast moving out of the branches and into digital devices. A large segment of the population, particularly the youth, rarely steps into a branch, and prefers to transact online. Given this growing trend, banks should naturally focus on refining their channel banking strategies. And know that the quicker they do so, the better their chance of grabbing a lion's share of this market base. Already there are frontrunners and laggers, and the divide between the two will only grow wider, with the leaders leapfrogging to introduce newer solutions that keep them at the top of the game. In this issue of FinacleConnect we deep dive into the world of channel banking, covering topics from mobile innovations to digital strategies, and omni-channel banking to the future of multi-channel.

Our Cover Story 'It is all in the experience' is an interesting take on the role of channels in ensuring great customer experience. The Feature this time looks at digital channels as a hotbed for innovations and introduces several interesting ideas around how to tap them. You will find our Big Bet story on the future of channel banking intriguing given its rather radical perspective on making channels more 'human'.

In this edition, we have an interview with Abonty Banerjee, General Manager, Head - Digital Channels, ICICI Bank on what makes ICICI stand out from the rest and the bank's digital channels journey. You can also read all about the Efma 'Banking on Innovation' conference that took place in Barcelona this June. We also bring you two very interesting innovation stories, one at the Barcelona based CaixaBank, and the other at Jibun Bank in Japan.

In this edition, we feature a case study from Africa on Equity Bank and its core banking transformation. In our country focus, we cover the contrast that is India; to trace the birth and growth of channel banking over the years. To wrap up we have a book review on the power of mobile banking that nicely sums up the importance and potential of this medium.

I hope you enjoy this edition of FinacleConnect. Do get in touch to tell us what you think.

Happy reading!

Haragopal M
SVP & Global Head – Finacle, Infosys

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Digital Channels:
A Hotbed of Banking Innovation

Forecasts for retail bank spending on technology mention digital channels as one of the top priorities, accounting for US$ 10 billion in 2018. This is testimony to both the increasing maturity and consumer acceptance of digital channels.

These findings should come as no surprise to industry watchers. Virtually every bank around the globe has added at least one new channel in the past three to five years. The mobile, along with the app, is at the head of this list. This channel, above all others, is responsible for the migration of banking transactions from physical to digital. To cite just one number, PayPal alone has processed $27 billion in mobile payments in 2013, an increase of over 99% since last year.

Virtually every bank around the globe has added at least one new channel in the past three to five years. The mobile, along with the app, is at the head of this list.

Although banking transactions have been moving away from traditional channels for several years now, the pace has picked up strongly in recent years. There are four factors behind this acceleration.

- **The customer is changing his preferences:** A report based on a global study of consumers says that nearly 90 percent of them use at least one digital channel to research products; 70 percent use at least one digital channel to seek support; and globally, consumers use 3 digital channels on average. The report rightly concludes that today, every customer is a digital customer.

  A digital customer is not just one who is digitally dependent. He is arguably, the most connected, informed and sophisticated customer till date. He demands speed, convenience, accessibility, value and personalization in all consumption, and banking is no exception. These demands translate to high expectations from the banking channel, digital and otherwise. This pressure is driving banks to invest in and upgrade their repertoire of channels, especially digital, like never before.

- **There is a technology tailwind:** The firm conducting the aforementioned research extended their pronouncement in a subsequent study to declare that now every business is a digital business. The explosive pace of digital – showcased as a 212 billion strong Internet of Things by 2020, huge advances in robotics, or unprecedented growth in data and the ability to turn it into a decision – is merging the physical world into the virtual. Going forward, it is expected that large, established organizations will get their own back against their upstart rivals by leveraging the power of digital to reaffirm their supremacy. This signals a ripe environment for a digital surge by the behemoths in banking.

  The numbers suggest that banking channels are already on a heady path of growth – in 3 years, an estimated 1 billion people around the world will bank on their mobile; they will also embrace mobile payments, to double it from US$ 1 trillion to US$ 2 trillion between 2015 and 2017.

- **Competition continues to push:** But even as large organizations mount their digital offensive in 2014 and beyond, upstart rivals will continue to challenge. Digital channels have and will continue to derive momentum from the entry of new banking and non-banking players from technology, retail and telecom riding on nimble, cost efficient, innovative and sometimes audacious channel-led business models. Take BAI Finacle Innovation award winner Jibun Bank for instance. An alliance between Tokyo-Mitsubishi UFJ and telecom major KDDI, Jibun Bank provides full banking services on mobile to more than 1.5 million customers with a staff size of just 157.

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- **Margins remain under a squeeze:** Despite a strong performance in recent quarters, bank profitability is yet to climb back to pre-crisis levels. Most banks are also struggling with their cost to income ratio.

  External factors are hardly in their favor. In the latest edition of a survey of risks faced by the banking industry, bankers seemed somewhat less concerned with the macroeconomic environment than they were in the preceding edition two years ago, demoting it to third position from first. Still, concerns persist about the strength or sureness of economic recovery, sovereign debt situation in many countries, and sluggish growth in emerging markets. Then there's ever-increasing regulation, which is inflating the cost of compliance on the one hand and subduing banking revenues on the other.

In 3 years, an estimated 1 billion people around the world will bank on their mobile; they will also embrace mobile payments, to double it from US$ 1 trillion to US$ 2 trillion between 2015 and 2017.

Banks are looking to leverage favorable factors like consumer demand and technology advancement, and at the same time counter the threat of competition and margin pressure by innovating products, services, processes, consumer engagement and business models. They are finding digital channels to be an indispensable ally in this endeavor. Accordingly, where alternative channels drove the first wave of innovation some years ago, today, digital channels are repeating history by turning into a hotbed of banking innovation. This is manifesting as:

- The birth of new business models around channel innovation: After new models of payment – such as PayPal on Internet and M-PESA on mobile – we are now seeing new model banks invented around the new age channel. One example of such innovation is Raiffeisen Bank International. A few years ago when the Bank decided to pursue the digital consumer in earnest, it didn't merely make a few changes, it made a new bank altogether! Zuno is Raiffeisen's multi-country, direct bank, aimed at serving the needs and aspirations of the young, tech-loving customer. That an alternative model like this is serious business is proved by Zuno's enviable cost structure, 100,000 customers and €1 billion in deposits in less than two years of its operations.

- The redefinition of traditional channels: Digital channels have forced traditional channels of banking to become smarter. Branches, ATMs and Call Centers are reinventing their core purpose to deliver higher value services to justify their higher cost of operation. New research in the United Kingdom shows that branches are even today, an important priority for investment – third in fact, after online and mobile banking – and will see nearly 3.5 percent increase in spending annually between now and 2018. The reason for this is that U.K. banks are trying to transform their branches into touchpoints of high quality experience, high value sales, high end advisory services and high involvement customer relationships.

  Similar examples abound around other traditional channels. Spanish Bank BBVA smashed the bar in 2010 with their revolutionary ATM, which they designed with the help of their customers. That award-winning innovation, which sought not to automate the teller but rather to humanize the device, went on to redefine the self-service experience. While other ATMs haven't quite caught up, they have certainly evolved visibly. Hence the ATM is no longer just a cash vending machine. It can accept checks, allow you to buy mutual funds or facilitate a video call with a human expert in the bank.

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Banks are also enhancing not-quite-old channels like the Internet with chat and video conferencing facilities, graphical tools and illustrators for Personal Financial Management, peer reviews, ratings and insights, and gamified financial education.

Even as banks figure out their app strategies, they are staring at the next wave of mobile banking evolution, heralded by wearable devices. Although the first round goes to health and fitness, wearable computing will soon infiltrate other businesses whose customers will push them to adopt.

- The continuous improvement and introduction of channels: After a first lukewarm foray with SMS, USSD and WAP, mobile banking came back strongly encased within the Smartphone. On the hardware side, banks have started to leverage the mobile's native capabilities to offer highly successful services such as Remote Deposit Capture, and augmented reality-based banking services. Besides enabling customers to enjoy personalized banking, the mobile is also becoming part of their personal identity by functioning as a tool of biometric authentication. Then there's the social aspect. With more and more customers accessing social networks through their mobile, many banks have climbed on the bandwagon with Facebook Banking and Peer 2 Peer payments.

Many forward looking banks like Crédit Agricole, are accelerating the pace of mobile innovation to the next level. The bank is inviting customers to post their app demands on the CA app store. Third party developers pick up these ideas and develop the required apps on the bank's API platform.

Even as banks figure out their app strategies, they are staring at the next wave of mobile banking evolution, heralded by wearable devices. Although the first round goes to health and fitness, wearable computing will soon infiltrate other businesses whose customers will push them to adopt. Some banks have already started to visualize wearable devices as another extension of the mobile channel. Spanish Bank, Banco Sabadell has launched an app on Google Glass that users can transact with; a check deposit app is in the making. Then there's PrivatBank from Ukraine, whose Google Glass app allows fund transfer and bill payment. Westpac in New Zealand has ported an app that sends out balance updates to a smartwatch and is working on adding functionality.

There's little doubt that the future of banking and banking channels is digital. Be it a question of improving efficiency and productivity, or delivering better experience, or spreading reach and inclusion, banks will find at least part of the answer in a digital channel. But even more importantly, the digital channel is fertile ground for innovation, and banks that plough through will reap big benefits.

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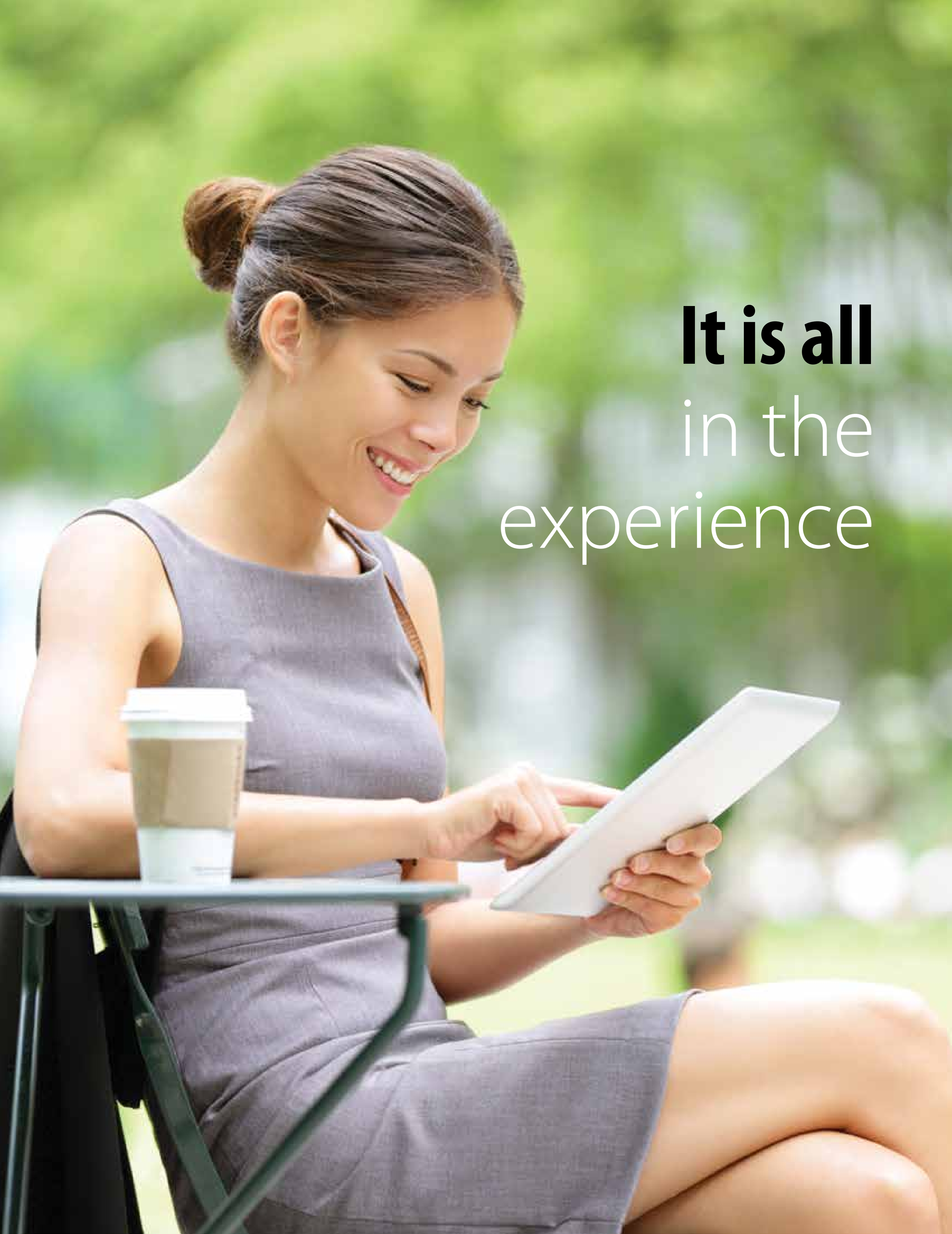
It is all
in the
experience

Back in the day, when color televisions were just beginning to make their presence felt in a market dominated by B&W, an "innovation" promised the excitement of color without the accompanying exasperation of cost. The concept itself was quite simple – apply a transparent filter, infused with swathes of red, blue and green, in front of the B&W screen, and presto, color TV. Now, if color had been the operative word, the concept may well have worked. But it wasn't and so it didn't. Customers were paying for the experience, which is really hard to come by with random application of color that renders the grass red, the sky green and their favorite movie star a deathly blue.

Cut to today, channels are the banking industry's equivalent of color. Customer preference has already made a dramatic shift to banking through digital channels with as many as a quarter of all banking customers willing to consider digital-only banking. The trend is particularly acute among the younger segments where mobile channel usage is the highest, mobile channel quality influences choice of service, and digital-only banking is the choice of 4 in 10 customers.

But it is important to note that customers' inherent predisposition towards digital channels will not necessarily translate into unconditional acceptance of digital banking. Harking back to the TV analogy, customers desire color (read banking channels) but are also particular about the way it is rendered (experience). Research has shown that increasing investments in digital channels does not always translate into higher yields in terms of new customer value or enhanced financial performance. Part of the issue may be that banks generally take a discrete approach to bolt-on digital capabilities to traditional models. In order to make the shift from digitally-enabled to digital, banks will need to temper their focus on technology with an understanding of customer attitudes, behaviors and expectations that will eventually deliver engagement, loyalty and return-on-investment.

There are three fundamental elements that customers look for in digital banking. One, the convenience of ubiquitous and effortless access to digital banking services. Two, digital interactions that cater to all their needs. And three, an experience that is personalized, relevant, engaging and enjoyable.

Now, in a world where devices are the primary portals to consumers' increasingly digital lifestyles, convenience and ease of access is hygiene, be it in shopping, socializing or banking. That customers would like to have their needs met is only to be expected, though it has to be emphasized that of late the bar has been significantly raised across industry sectors. But it is the demand for an enjoyable experience that seems to cause the most dissonance. Can the serious business of banking really be a fun thing?

The truth is that banking can be a pleasurable, social and engaging experience; the commercial reality is

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that customers most definitely expect banking to be all this. Experience, or the lack of it, is the single largest cause of account movements in banking today. Banks, therefore, need to shift their focus from the mere enablement of transactions to the delivery of exceptional experiences that will translate customers' love for all things digital into loyalty for their banking service providers. In an industry where products and services are predominantly homologous, the ability to deliver an exceptional digital experience can also create new opportunities for banks in terms of competitive differentiation, revenue growth and profitability.

The delivery of exceptional digital experiences is first about changing mindset, and only then about digital technologies. The elements of functionality and efficiency that underline transactional exchanges can never trigger powerful, personal and enduring emotions, like a great experience can. Banks therefore need to take some concrete steps to create meaningful conversations and build sustainable relationships that will make banking more engaging, enjoyable and profitable for all involved. And it all begins with banks reevaluating their relationships with their customers around three core values – customer care, customer value and customer appreciation.

Customer care: For long banks have professed customer-centricity and customer-first as the guiding principles of customer strategy. Despite the best of intentions, these commitments do not survive the rigors of execution in most instances. Customers rate 'the way I am treated' as the most important driver of experience, ahead of more 'substantive' priorities like quality of advice and problem resolution. Banks need to move beyond servicing account numbers to caring for the individuals behind those digits. In this data and analytics driven age, banks have the ability, and must bring to bear the willingness, to treat each customer as a 'segment of one', where compensation and reward is aligned to experience rather than transactions or sales.

Customers rate 'the way I am treated' as the most important driver of experience, ahead of more 'substantive' priorities like quality of advice and problem resolution. Banks need to move beyond servicing account numbers to caring for the individuals behind those digits.

Customer value: How valued customers feel will also impact their overall experience. It is therefore important to design loyalty programs that reward customers for the confidence they have reposed in their banks by consigning their fiscal well-being to them. But banks need to go a step further to actually evince interest in their customers' financial well-being. They should invest resources to help customers manage and achieve their financial objectives. Apart from achieving the immediate objective of making the customer feel valued, this strategy will eventually deliver a larger payoff as more and more customers become willing to reciprocate by paying for services or increasing the scope and value of their business.

Customer appreciation: The feeling of being appreciated bears high correlation to enjoyable experience. More often than not, customer feedback or input is triggered by the need to resolve a specific query or issue. When feedback is actively solicited, it is usually about overall

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satisfaction or service quality. However, banks need to actively engage with customers to understand their perspective on the broader banking experience and specific products and services. For example, one of the UK's largest retail banks has an ongoing campaign inviting ideas from customers to help improve the bank's products and services. Apart from opening up a treasure trove of user-centric ideas, it also helps customers feel engaged with and appreciated by their financial service providers.

Today's multi-device digital lifestyle is not as much about access points as it is about access experience. And the path to banking can be unique to each customer and transaction as they sequentially flit across multiple channels.

That being said, the reassessment of banking customer relationships around enjoyable experience is only a preliminary. In order to ensure that customers' natural affinity towards digital banking translates into affinity for the banking brand, banks have to adopt a strategic approach to digitization that delivers to its true potential.

Deliver an integrated experience: The banking sector's response to the proliferation of digital channels has largely been reactive. The addition of each channel, be it online, mobile or social, has been a response to its increasing allure among customers, which is understandable. But this discrete approach to channel activation has resulted in a disparate collection of autonomous access points. Today's multi-device digital lifestyle is not as much about access points as it is about access experience. And the path to banking can be unique to each customer and transaction as they sequentially flit across multiple channels. For instance, a majority of customer banking transactions are launched on a smartphone only to be shunted on to a laptop mid-course. This is typical digital behavior, but it cannot be supported by an isolated approach to channel development. Banks therefore need to focus on an Omni channel approach that integrates products, processes, services and tools, across channels and devices, and enables customers with seamless access to their banking relationships.

Unify and standardize the UX: Consistency of access should be backed by the consistency of experience, irrespective of channel, device or transaction. Banks need to create an integrated, unified and consistent experience, from login credentials to navigation and workflows, in order to deliver a functionality that is personalized, convenient and simple. A well-integrated, interactive design across channels delivers functionality, convenience and simplicity to customers. The functionality must also leverage exclusive channel features, like geo-location in mobile phones, and embed intuitive features that capture the possibilities of each channel without compromising the overall experience.

Provide better end-user access and control: As the path-to-banking gets dispersed across different channels and devices, digital banking strategy will have to be informed by the nuances and possibilities of each touch point. For instance, when banks first went online, they did nothing more than deliver the equivalent of digital brochures. Even basic banking features, like checking balances, took some time to become reality. But today's digital banking customer demands one banking relationship and the ability to manage it on

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different channels. Smartphone apps, for instance, need to be more than just modified online-banking apps.

The solution should be capable of integrating with back-end line-of-business systems and enable scalability, high performance and seamless experience.

A successful digital banking strategy would factor in the unique possibilities of each touch point and proactively embed features that are native to every channel and access device.

Market holistically: Banks must ensure they present a cohesive – but not necessarily the same – presence across all interactions, including website, mobile-enabled website, smartphone and tablet app, email, IVR and social media. It follows naturally that customer data will be the pivot around which an integrated, seamless and personalized customer experience is orchestrated. Even as banks focus on delivering the convenience of unhindered choice and the promise of individualized experience, an acute focus on customer data analytics can also open up new monetization opportunities in terms of up and cross-selling. Analytics will be critical to ensuring that banks are able to deliver the right product to the right customer at the right time through the right channel, which again is an important determinant of experience and satisfaction.

Start with a flexible versatile framework: If a unified, consistent and personalized digital experience is the path to customer affinity, then banks still have one more challenge to surmount before they can become truly worthy of the digitally enamored. Structural silos are a characteristic of almost every traditional bank, with disparate processes and ineffectual cross-channel communication systems severely restricting access to a single version of the truth. And without a single version of the truth, any and all efforts at unification, standardization and personalization will come to naught.

Banks therefore need to start with a solution that can not only empower their digital banking strategies but also ensure that existing channel investments are leveraged. The solution should be capable of integrating with back-end line-of-business systems and enable scalability, high performance and seamless experience. It should also have the functionality to maintain cross-channel continuity and context for customer transactions while capturing customer behaviors and preferences that can help banks optimize their sales, service and campaign strategies. Most importantly, it should help banks to manage costs by optimizing channel usage by migrating low-value interactions to low-cost channels.

Conclusion

Customers really do not care about channels; it is the channel-agnostic digital experience that excites them. Consequently, purely channel-focused investments cannot buy banks any love from their experience-habituated customers. In order to sway their audience, banks must offer them a differentiated, engaging, rewarding and personalized experience. Any other approach, and customers will simply tune off.

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Leading the channels revolution

An interview with
Abonty Banerjee,
General Manager, Head - Digital Channels,
ICICI Bank

In conversation with Abonty Banerjee, General Manager, Head - Digital Channels, ICICI Bank on the Bank's channels journey.

Q: ICICI Bank is a trailblazer on so many counts, and certainly in the use of channels. Having come so far, what is the importance of channel strategy to the Bank's future plans?

A: India is currently the third largest country in the world in terms of Internet penetration and will soon surpass USA to become the second largest. Growth of mobility is also a well-known phenomenon. Further, preferences of Indian consumers are evolving rapidly with increasing penetration of technology in banking. Given this, the role of electronic channels will remain immensely important in the Bank's future plans.

As in case of all other products and channels, the core objective of all initiatives in the digital channel space would remain upholding the Bank's core promise of 'Khayal Aapka' for its customers. The channel strategy would focus on providing best-in-class personalized experiences for all banking needs of the customer. The preferred mode for customer interactions for many transactions has become electronic channels, making this critical for the channel experience to be hassle free and simple. Moreover, digital channels have evolved to become important drivers of business and customer engagement for the bank. With rapid advances in technology, electronic channels would also serve as the key drivers for innovations in the Bank.

"The channel strategy would focus on providing best-in-class personalized experiences for all banking needs of the customer. The preferred mode for customer interactions for many transactions has become electronic channels, making this critical for the channel experience to be hassle free and simple."

Q: Currently, what are the biggest drivers of your channel strategy? For instance, we understand there's a renewed emphasis on financial inclusion, which has been absorbed into overall business strategy. What are some of the other considerations?

A: Our digital channel strategy has evolved; it started with channels being used for basic transactions and services for customers, and grew to become the preferred mode for transactions, and then the driver of business and revenue. The digital channel's role as one of the primary service channels of the bank for daily financial needs of the customer will continue. We have been constantly evolving to create a best-in-class transaction platform with personalization and segmented experiences for the various customer segments of the Bank.

The focus is also now moving to completely transforming customer experience, and creating entirely new business segments using digital platforms.

Internet and mobile have currently become popular options for customers for both information search and financial product purchases. The channels have therefore become an increasingly important source of new customer acquisition as customers look to complete their buying online. Further, it is one of the mandates of the bank to harness the potential of increasing customer engagement, on these channels, to ensure they contribute towards growth in the core business of the bank, in terms of revenue and fee through product cross sell.

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Additionally, digital channels are rapidly becoming the most used space for product and service innovation. We have used this space to create entirely new segments online such as Facebook Banking targeted at youth or mobile money solutions in various forms to meet some of the needs in rural segments.

Q: Coming back to Financial Inclusion tell us a bit more about Tab Banking.

A: We understand given the kind of time pressures that customers have today, it may not be convenient to always visit the branch to open a bank account. Our effort was to make as hassle free as possible the process of visiting the branch, getting a passport size photograph and providing multiple documents. With our objective of making things simple and less time consuming for the customer, ICICI Bank introduced Tab Banking – a service designed to give customers a hassle free account opening experience in the comfort of their homes or offices. Our executive equipped with a customized tablet scans all KYC documents, clicks the customer's photograph and assists in filling the form after taking his consent on the details. The tablet comes pre-loaded with the required applications and is connected to our server which helps in instant transfer of data, ensuring a quick and error free account opening experience leading to unmatched convenience.

> Our effort was to make as hassle free as possible the process of visiting the branch, getting a passport size photograph and providing multiple documents.

Apart from account opening, the tablet is also loaded with short demo films on our diverse portfolio of products and services that include mobile banking, Internet banking and phone banking solutions. This innovative and engaging way of demonstrating our range of services helps the customer choose the one that he or she needs

The tablet has also enabled our executives to manage sales processes such as lead management, relationship management and sales tracking.

Q: Your bank was among the first to launch social banking around 2 years ago. ICICI Bank is always counted among the most advanced Indian banks in social media. How is it doing and what are the current services on offer?

A: ICICI Bank launched its Facebook page in early 2012. The intention was always to be present on a platform which customers were using more and more, and not only engage with customers on Facebook, but also provide value added services on the platform as the use of social media itself evolved.

With the launch of 'Your Bank App' along with its Facebook page launch, ICICI Bank was a pioneer in integrating banking with social media. With this unique Facebook application, our users could not only socialize but also avail of certain banking facilities at the same time. We believe that with the evolution of social media, the lines between various things that customers do in various applications are slowly merging. We therefore continued our journey of integration of our products with social media in various forms. 'Your Bank App' was followed by the launch of 'iWish' and ChargeIn. iWish is a flexible recurring deposit with personalized set goals that could be shared on Facebook, and ChargeIn allows customers to recharge their prepaid mobile, DTH and data card. These products have received excellent feedback from customers.

Further, given the growing usage of Facebook amongst Indian consumers, we realized that it was time to take 'Your Bank App' to the next level. 'Pockets' by ICICI Bank is a revolutionary Facebook banking app that

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offers ICICI Bank customers the convenience of banking while they are on Facebook. Globally, it is the most comprehensive banking app on Facebook that enables customers to perform a wide range of financial as well as non-financial transactions from their Facebook page itself. The fundamental premise remained the same, to be where the customers are. Most of our products are launched basis feedback and detailed interactions and engagements with our customers.

"Within less than eight months of its launch on September 24, 2013, 'Pockets' has logged over 12,000 users – the highest number for any 'Facebook banking app' globally and with no competitors in India whatsoever."

Within less than eight months of its launch on September 24, 2013, 'Pockets' has logged over 12,000 users – the highest number for any 'Facebook banking app' globally and with no competitors in India whatsoever.

Q: What are some of the channel initiatives planned for the future?

A: Digital Channels is possibly a space where the most rapid changes are happening in the banking industry. We plan to use our investments in technology to create a competitive differentiation for the Bank.

Some of the areas that we are focusing on are: best possible experience in an increasingly multi-device world, developing digital as a significant sales and cross-sell channel for the Bank, creating propositions for emerging segments such as the Youth, and building payment solutions leveraging emerging technologies. We are also working on enhancing our analytics capabilities to establish close integration across all channels and thereby adopt a multi-channel service oriented approach.

About Abonty Banerjee

Abonty is currently responsible for internet banking, mobile banking, mobile payments and the retail loyalty program at ICICI Bank. Her team manages product and channel innovation, driving usage of digital channels amongst customers, ecommerce revenues and the development of new digital payment solutions for the bank; such as mobile wallet payments and banking on social media.

Abonty has spent more than 13 years at ICICI Bank, and previously held positions in the retail banking industry including Head of Service Quality, Asset Operations and Mortgage and Online trading. She was part of the team that set up the first online trading portal in India launched by ICICI Bank, and part of the team that set up the asset business for the bank. Prior to working in banking, Abonty spent a few years in the market research industry and worked primarily in the area of customized quantitative research across industries.

Abonty is an Economics major and an MBA. She currently lives in Mumbai.

About ICICI Bank

ICICI Bank Limited (NYSE:IBN) is India's largest private sector bank and the second largest bank in the country, with consolidated total assets of US$ 124.76 billion at March 31, 2014. ICICI Bank's subsidiaries include India's leading private sector insurance companies and among its largest securities brokerage firms, mutual funds and private equity firms. ICICI Bank's presence currently spans 19 countries, including India.

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Banking Channels:
Up Close and Personal

In recent years, banks have shifted focus from delivering products to delivering value. Although it is important to create the right products, it is equally important to deliver them at the right time – the time the customer needs them. Personalization of products and delivery is the key to cracking these twin "right" aspects.

But exactly how important is personalization? Research on customer loyalty shows a fivefold increase in the contribution of personalization in a brand's attractiveness between 1997 and today: it was 6 percent then, it is 30 percent now.

In banking surveys, consumer demand for personalization plays out as different findings – 40 percent of customers would stay with their primary bank if it allowed them to personalize a product's economics to their needs – for instance, if customers could specify how much they were willing to invest, for how long and at what minimum return, and the bank responded with a mix of different products meeting those conditions; 78 percent would share more information in exchange for personalized service; and 72 percent would update personal data at least twice a year if it resulted in greater personalization.

Yet banks visibly lag organizations from industries such as retailing or telecom in providing customers with a personalized, contextual and meaningful usage experience. The few banks to implement personalization, have limited it to retail; and some only offer highly personal, relationship manager-encased service to their high net worth clients. And while there have been efforts to personalize experience through mass channels – for example, by allowing the customer to set favorites or specify the landing page in Internet banking – a little digging reveals how superficial these are.

It is no surprise then that customers complain their banks do not – or are unable to – personalize their services. It is equally clear that customers will increasingly gravitate towards banks that do.

So, the lesson is that banks must personalize their offerings, and soon. But that is not enough to guarantee customers the kind of personalized experience they are looking for. For that, banks must also personalize the most important constituent of experience, which is delivery.

Research on customer loyalty shows a fivefold increase in the contribution of personalization in a brand's attractiveness between 1997 and today: it was 6 percent then, it is 30 percent now.

The channel, personalized

Very few banks have an effective strategy for channel personalization in place. Most attempts at personalization have been one-off, arbitrary, or trapped within individual channel silos. They are usually a reaction to a perceived trend or competitive action, which means the ideas are not thought through fully, nor integrated with other organizational strategies. It is high time that banks reversed this situation by making channel personalization a key priority, supported by the right strategy. In fact, personalization can be extended beyond just providing options to set favorites or preferences or personalizing the layout of the customer's online banking dashboard. A truly personalized banking experience leverages customer data to make banking contextually relevant and then delivers it through the right channels. Product suggestions and offers that are relevant to the customer, alerts and notifications based on customer location – these are some ways in which personalization can be taken a step further to enhance customer experience.

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The personalization strategy, personalized

In keeping with the spirit of personalization, there is no one strategy that fits all channels, or even the same channel in different banks, for that matter. This is a subject for individual introspection, during which banks must ask leading questions about their motives for personalizing their channels, the resources at their disposal, the prioritization of different channels, and so on. Deciding the intensity of personalization is equally important – whether to employ it in a particular channel, across channels, or in a holistic omni channel fashion, which also goes by the name of "omni personal".

Let's take the first of these, namely motive. The bank's motive for personalization will drive the direction of its thrust. Motivations vary from bank to bank – one bank might seek to personalize the call center experience to speed up problem resolution, another to improve cross-sell rates with spot on product recommendations, whereas the third bank might want to lure prospects with communication that "speaks to me directly".

Each of these objectives requires different quantities and types of data, and is best served by a certain channel platform. For instance, personalization aimed at improving support is most effective through the call center or IVR channels, which maintain detailed records of past support interaction. A mobile CRM application can target existing customers with personalized offers to improve uptake. And even today, few channels can match online in prospect hunting.

A truly personalized banking experience leverages customer data to make banking contextually relevant and then delivers it through the right channels.

From one channel to the other

That being said, most banks should try to personalize as many of their channels as best possible, with the overarching goal of providing a consistent, seamless and contextually relevant experience in all. In other words, they must go for omni channel, omni personal. Given this, it is important to understand the innate strengths of each channel from a personalization perspective.

Online banking has a massive data advantage. Being integrated with core banking and other important platforms, this channel has access to a variety of customer information – personal & financial – which when combined with its own transactional data, lays a strong foundation for personalization. Banks should utilize this rich information to populate Personal Financial Management tools, tagged to online banking, which can advise customers on how to improve their spending habits or achieve financial goals. They can also leverage the information to make personalized recommendations, relevant to the customer's context in real time.

Online banking also offers customers a number of personalization options, which allow them to not only beautify their dashboard, but also link up with important sources of information like travel websites or stock exchanges.

Everything about the mobile screams personalization. The mobile is the ultimate tool of personal expression. It is identified with and (as a biometric device) is also an identifier of the individual who owns it. How could it not be an important, if not the predominant, channel of personalized banking?

The world's leading IT research and advisory firm predicts that the mobile will stream personalized data to at least 100 apps and services, every day, by 2017. There is currently a rush to create personalization apps, which collate information from mobile phones,

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tablets and other devices to target mobile ads so as to maximize click through and purchase. Banks must consider employing similar tactics to improve consumer response to any kind of call for action.

Everything about the mobile screams personalization. The mobile is the ultimate tool of personal expression. It is identified with and (as a biometric device) is also an identifier of the individual who owns it. How could it not be an important, if not the predominant, channel of personalized banking?

Bank **branches** adopted personalization both as raison d'etre and differentiator following the ascendancy of the alternative channel. In many ways, branches, wielding the human touch are best placed to win the personalization honors. Apart from personalizing the channel itself through ambience, intelligent systems, and friendly staff, banks must leverage the high cost branch for high value purposes, including personalized product sales and advisory services.

Like the branch, the **call center** also has the advantage of human interaction and its resulting insights, which agents can draw upon to make the right decisions or suggestions while a call is in progress. A personalized call center interaction culminating in speedy issue resolution or a suggestion of value, will go a long way in building loyalty.

Personalized messaging on email or snail mail can supplement the marketing and communication campaigns launched over other channels.

Personalization perils

While personalization is the only path forward, it is a road with pitfalls. Excessive personalization leads to complexity and confuses customers, who are overwhelmed by the array of choices and variables. What customers – and also regulators – want is visible, transparent and genuine options, that will spur them to act with confidence.

Also, different customers seek different degrees of personalization. For banks, this means knowing what, how much and for whom to personalize.

There is also a risk of cost and time. Banks without the technology infrastructure to automate personalization-related processes, could end up spending a lot more personalizing their products than they would producing them en masse. They would also take longer to introduce new products. These banks should address such challenges at the earliest. Because the alternative, which is to not personalize, is to perish.

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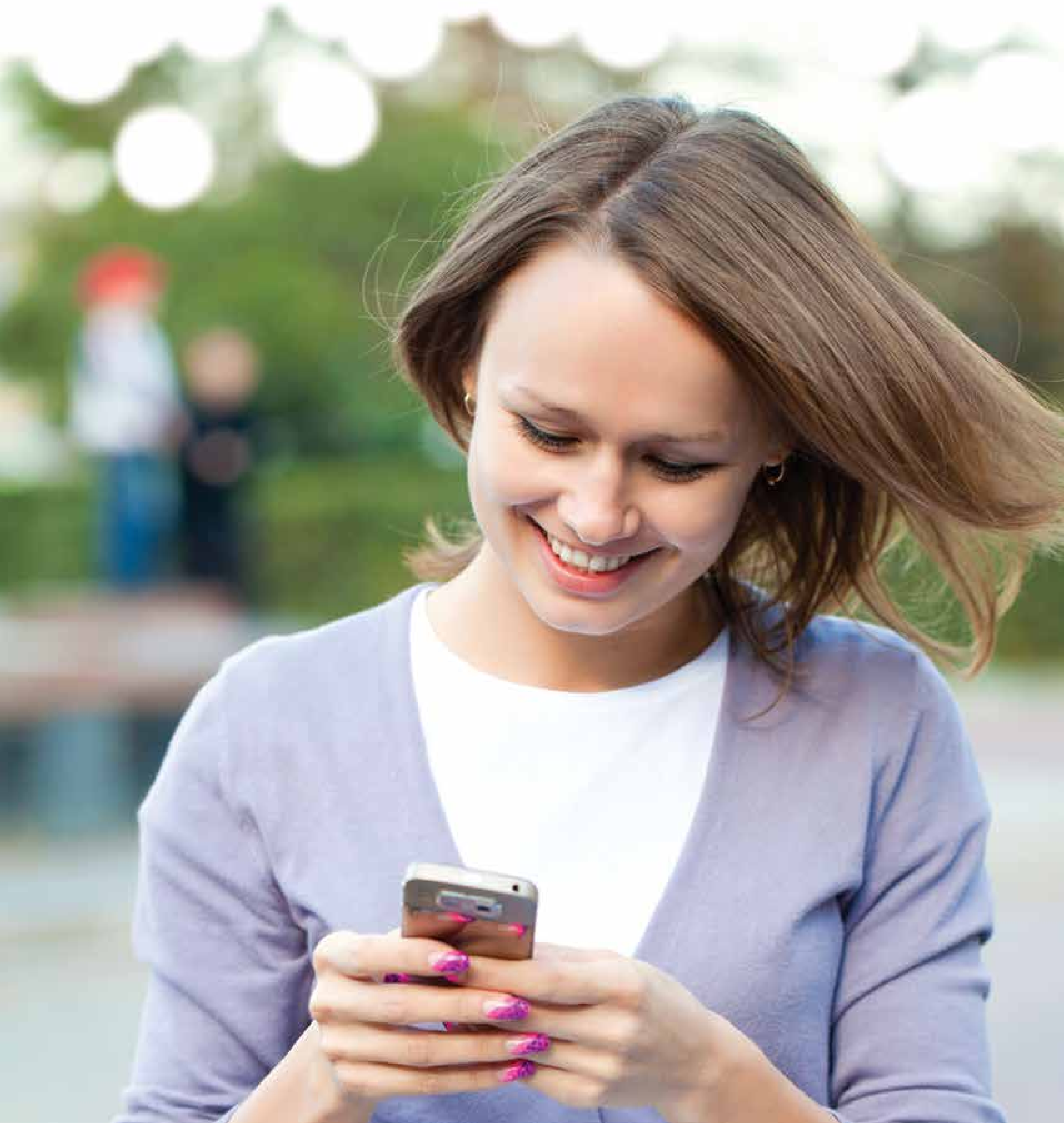
Seven habits of

seamlessly integrated multi-channels



Sometimes everything is more in the nuance than in the name, as in the current context of banking. For banking channels to be the most effective, should they be multi, cross or omni? How does 'true multichannel' compare with 'beyond omnichannel' in terms of end results? And more importantly, does all this hairsplitting clarify the underlying nuance or just add more jargon?

For me, all these terms represent milestones in the evolution of distribution models in the banking sector, driven by trends in technological possibilities and consumer behaviors. For long, branch banking was the fulcrum of the banking experience. Experience itself was a relative concept, considering how most customers would willingly commute twice the distance to a shopping mall than they would to a bank.

Technology-led channel and device proliferation changed all that by liberating banking from the constraints of time and space. Digital channels gave customers the convenience and choice of 24x7 device- and location-agnostic banking even as they opened up new opportunities for banks to reach out and engage and inform their customers. Today, more than half of all multichannel banking transactions originate on a smartphone only to transition, mid-transaction, to a laptop. About a third of the time, the progression works in reverse.

Technology-led channel and device proliferation changed all that by liberating banking from the constraints of time and space. Digital channels gave customers the convenience and choice of 24x7 device- and location-agnostic banking even as they opened up new opportunities for banks to reach out and engage and inform their customers.

But none of this has resulted in the relegation of traditional distribution nodes to the background, quite the contrary in fact. Studies have shown that digitally discerning customers also tend to be regulars at branch banking. In many markets around the world, the humble ATM has evolved from enabling basic deposit/withdrawal functionalities into a smarter and more versatile avatar.

Channel proliferation and evolution is not a short term trend. Most banks are well along the path to creating a comprehensive range of delivery options for their customers. But most often, the effort is complicated by the prevalence of "in silos" legacy systems, point to point integration and channel-specific rules. For instance, a bank in India manages its social network channel as distinct from its internet banking application. This raises significant challenges in generating a seamless and unified view of customer activity and behavior across channels. That in turn severely compromises customer experience as activities initiated and partially completed in one channel are not immediately, if not instantaneously, reflected in the next channel of customer choice. And though synchronizing balances and other account related datasets is an inherent driver of the cross-channel experience, banks will have to look much beyond data synchronization to create a comprehensive and compelling experience.

In today's competitive climate, it is the continuity of customer experience rather than range of channel

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choice that is the eventual currency of banking success. It is this seamlessness of experience, which stems from the seamlessness of channels, that banks should focus on in order to build a unique and sustainable competitive advantage. A recent study also posited that orchestrating channel strategy around experience can improve a bank's efficiency ratio by as much as 7 percent.

A unified approach to channels and customer experience creates the following beneficial impacts:

1. Enhancing customer satisfaction and loyalty

In spite of marked advancements in the sector's approach to customer engagement and experience,

A recent study also posited that orchestrating channel strategy around experience can improve a bank's efficiency ratio by as much as 7 percent.

a majority of global banking customers are uncertain about the longevity of their current banking relationships. A recent retail banking report established a broad correlation between experience and loyalty – customers in markets with high customer experience scores tend to be more invested in the relationship and vice versa. More specifically, the report also found that a consistent cross-channel experience was a key influencer of overall customer experience.

For customers, a consistent channel experience starts with a unified 24X7 view across channels. Customers expect a comprehensive, feature-rich and personalized experience across all their interactions across multiple channels. Delivering personalized experiences will help banks build deeper engagement with their customers, which can in turn open up new opportunities in up- and cross-selling, thus increasing customer profitability over the medium and long term.

2. Streamlining customer service

In an omnichannel world, customer expectations of service will also be redefined. Here again the expectation will not only be to choose a channel of personal preference, like a social networking site for example, but also to transition the communication, without any transmission loss, to any or multiple channels of choice. A channel agnostic customer service strategy will therefore, be an integral part of the customers' experience. Banks will also have to apply an omnichannel approach to service that operates across channels and provides access to multiple resources like self-service, peer-powered communities or customer care agents.

3. Optimizing cost-to-serve across channels

Even as banks embrace the imperative to deliver consistent cross-channel experiences for the customer, they must also stay focused on the opportunity to unlock cost-based value from the new distribution architecture. The increasing tendency among customers to use digital channels for their daily financial interactions can also help banks optimize the overall cost of servicing transactions across various channels. According to a 2010 study conducted in the US, traditional channels, such as the branch, call center or ATM, account for some of the highest costs per transaction in comparison with mobile or online. For instance, the cost of processing a transaction through a branch is almost 15 times that of an online transaction and 10 times that of a mobile phone.

Over the years, branches have typically accounted for a lion's share of a bank's distribution costs. But with the growing acceptance of more economical digital alternatives, banks can significantly reduce overall distribution costs by diverting transactions to cheaper and self-service channels. However banks need to work with a definite migration strategy that provides incentives for customers to shift to low cost platforms, such as offering them free of cost, rewarding behaviors that cut costs without compromising experience or levying charges to discourage customers from using more resource intensive channels.

4. Distribution as a driver of profitability

New channels offer new opportunities, in terms of lower costs or new revenue streams. As the banking experience becomes more personalized, customers can be convinced to pay for certain services that may have been strictly off limits until now. But any decision to unlock new revenue must be rooted in the concept of customer value. Most customers would not miss a beat if they had to incur ATM fees for accessing cash during an emergency at a remote location. But a similar fee for routine ATM transactions may very well lead to a riot. So as much as it is becoming imperative for banks to identify new revenue opportunities to boost their wafer thin margins, it is critical to deliver tangible utility and value to customers to justify any new or additional charges. But a unified approach to distribution opens up multiple opportunities in terms of product and service innovation for banks to improve their standings in the profitability stakes. Take remote deposit capture for instance. As customers get attuned to digital banking as a lifestyle, path-breaking services like Remote Deposit Capture definitely have the potential to generate incremental streams of revenue for banks.

For instance, the cost of processing a transaction through a branch is almost 15 times that of an online transaction and 10 times that of a mobile phone.

5. Making every engagement more efficient

In a digital world, traditional marketing and communication tools are proving increasingly ineffective to identify, convince and/or convert prospects. But as the distribution structure evolves, the possibilities of engaging with existing as well as prospective customers also expand considerably. A seamless always-on multichannel network empowers banks with the access to reach out and engage with customers everywhere and every time. Advances in data mining and predictive analytic techniques can help banks personalize their customer engagement strategy based on preference, transaction or context.

In a unified environment, almost every customer interaction creates an opportunity to up- or cross-sell based on profile or activity. For instance, consider a customer concluding a high value purchase on an e-commerce website. The addition of a simple 'Pay in monthly installments' option to the bank's internet banking login page is bound to have more traction than a standalone loan offer that is not grounded in any specific context. Mobility gives banks the additional opportunity of targeting offers to their customers on the basis of their geolocation details as well as the context of their transactions.

6. Next generation banking

A study that set out to identify the impact that millennials will bring to different industries delivered a worryingly simple verdict - Banking is at the highest risk of disruption. Some rather tellingly cynical expectations have also emerged from the study. Consider this – over two-thirds of millennials would rather visit the dentist than listen to their banks, which is incidentally also the same proportion that would be more excited by a new offering from any of the tech superstars than their own bank.

As much as this outlook suggests a rather radical redesign of banking as we know it, it is not all about the technology alone. Research among Generations X and Y reveal that they expect banks to go much beyond technology to provide the human resources required to help them with managing their financial lifestyles. The new generations clearly want a cutting-edge personal financial management app, for example, but only as long it is backed up by the intellect and the acumen required to guide them to the best

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purpose-fit financial solutions. This is also the segment that expects bank branches to sport the ambience of the vibe of their favorite social hangouts. In short, the current generation will drive change in the banking world that will transform almost every aspect of banking. Banks will need to focus on blending the best of digital technologies together with personalized advisory services, all wrapped in a lifestyle packaging that appeals to the new generation.

7. The datafication of experience

Experience is a subjective concept. Even customers with similar demographic or transactional profiles can have starkly divergent expectations of experience. As banks set out to personalize experience, they will have to start with a micro-segmented understanding of customers, ideally at the level of "customer of one". For instance, every customer's unique path-to-transaction in the multi-channel journey is embedded with information that can be leveraged to design a personalized experience. Every omnichannel strategy must therefore be built on a robust analytic foundation that integrates data across multiple channels, banking processes and databases. A data-centric approach to experience can help banks map patterns of propensity and behavior that can be used to enhance experience as well as identify opportunities for marketing, sales or service interventions. Beyond transactional or channel behavior data, insights mined from customers' online and social interactions can also be used to create a personalized experience that is designed around individual context and expectation.

Experience as a journey

The technology- and customer-led reinvention of distribution models in banking is something that is already having an impact on almost every bank of every stripe or type across the world. And nearly all banks are at various stages of implementing the technologies, processes and solutions required to measure up to the new experiential metric. But experience is a continually evolving target and banking strategies will have to evolve in sync with technological possibilities and customer preferences. For many banks, new concepts like componentized architectures are helping to infuse new life into existing legacy systems while responding to the exigent demands of the rapidly changing marketplace. But delivering the perfect customer experience, on the basis of new technologies, needs and distribution structures, will always be a moving target. As long as banks keep their eyes on that target, it does not really matter if things are multi, cross or omni.

Consider this – over two-thirds of millennials would rather visit the dentist than listen to their banks, which is incidentally also the same proportion that would be more excited by a new offering from any of the tech superstars than their own bank.

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Innovating Beyond

Traditional Products and Services Helps One Bank Add Value

2013 BAI-Finacle Global Banking Innovation
Award Winners case studies

CaixaBank's insurance app goes beyond the expected with unique features that add convenience and increase engagement.

Consistent innovation is more important than ever to attract, satisfy and retain customers, but it doesn't happen by accident. It requires both executive leadership and widespread organizational support. That's why Barcelona-based CaixaBank makes innovation part of its busines model and collaboration – both within the bank and with customers – part of its culture.

Like many Spanish banks, CaixaBank offers auto insurance, but unlike other banks, it provides a feature-rich mobile app that goes beyond facilitating policy-related tasks. That app, SegurCaixa Auto, gives not only easy access to declaration loss due to an accident and useful CaixaBank telephone numbers but also traffic news and even reminders about where the insured vehicle is parked. The app is one recent result of the bank's focus on innovating to improve the customer experience.

While developing SegurCaixa Auto, CaixaBank researched which services people needed while on the road and gathered suggestions from clients through its online customer-suggestion tool, "Inspira'ns" ("inspire us"). That collaboration led to additional app features, including the parking finder and the ability to convert the phone's screen into a flashlight.

The bank also made sure the app makes the most of mobile device capabilities.

The bank also made sure the app makes the most of mobile device capabilities.

When customers request assistance through the app, they're automatically goelocated using the phone's GPS, which allows the app to give the locations of nearby public transit stops, gas stations, and auto repair facilities. Customers can set the phone's screen to flash the SOS signal in an emergency or simply find information about their policies.

SegurCaixa Auto which has been downloaded over 20,000 times, provides a new channel for auto insurance customers to interact with the bank, on top of existing phone, internet and branch channels.

"Now our clients have at their disposal different channels to manage loss claims, make telephone inquiries or access commercial information", said Benjami Puigdevall, head of electronic channels at CaixaBank. "The difference is that now they can make their inquiries at any time and from any place".

"The app's benefits extend beyond convenience," Puigdevall added. "We expect greater customer satisfaction by offering added value to their insurance contract, because with their mobile terminal they will have multiple additional functionalities and will feel safer when traveling by road."

Thanks to those features and benefits, the app was recognized as co-winner of the **2013 Product and Service Innovation Award** at the **BAI-Finacle Global Banking Innovation Awards**, as well as the **2013 Most Innovative Bank of the Year Award** making it the second time CaixaBank has been recognized as a leading global innovative bank. The bank was cited for "its ongoing creativity in delivering value to customers beyond the transaction and continuing to demonstrate innovative thinking and solutions around the customer experience and customer engagement." **The 2014 BAI-Finacle Global Banking Innovation Awards** will be presented at **BAI Retail Delivery 2014** in Chicago, Illinois, November 12-14.

The interactive nature and unique features of SegurCaixa Auto also boost customer engagement, which the bank considers essential to its customer service strategy. Infact,

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engagement – with customers and technology partner – is fundamental to CaixaBank's overall growth strategy.

The bank's business model centers on constantly finding new ways to improve client relationships by providing better, more efficient communication and service. innovation is "a key element for increasing profitability, reducing costs and achieving the competitiveness that leads to success," Puigdevall said.

Consistently executing on such a strategy and remaining on the leading edge starts with the culture. In addition to gathering ideas, "Inspira'ns" allows customers to rate other people's ideas. Managers study submitted ideas and invite the customers whose ideas are accepted to get involved in the design process. CaixaBank also encourages all its employees to generate and share ideas and has developed "Innova," an internal idea information sharing tool.

Together, these methods for encouraging and managing innovation demonstrate CaixaBank's open approach to continuous improvement.

Their experience and ongoing contact with customers make employees an excellent source of knowledge that can enrich the bank's offering; therefore, providing employees with a venue to express their ideas is critically important to promoting innovation.

Talented developers and designers can also showcase their ideas and skills to improve the bank's products and services by participating in its FinAppsParty international competition, which gathers ideas for financial mobile applications. In 2012, FinAppsParty attracted 140 participants from countries such as Spain, the U.S., the U.K., Kenya, Israel and Mexico who generated 32 projects for consideration. One of those projects was a "learning to save" app that CaixaBank now offers its customers.

In 2011, the bank completed construction of a new data processing center equipped with the latest technological installations for data storage and processing and certified by the Uptime Institute with a Tier 3 level of reliability for both its design and its construction.

Together, these methods for encouraging and managing innovation demonstrate CaixaBank's open approach to continuous improvement.

"To be collaborative and innovative today you have to be more social; you have to be more open-minded. Decisions can no longer be taken just by one responsible person," Puigdevall said.

That philosophy gives CaixaBank a more open corporate structure when it comes to developing creative products and services. Many companies approach innovation as a separated responsibility, with employees in different departments focusing just on their own tasks. That set-up tends to concentrate knowledge in a small number of departments, which can prevent valuable insights from occuring. CaixaBank's decision to put continuous improvement in client service above rigid structures means managers focus on teamwork and valuable ideas than their own authority or status within the bank.

As technology rapidly evolves and customer expectations follow, implementing a conscious approach to create organizational flexibility, collaboration and innovation is essential. In the future, banks that fail to adapt to changing conditions may find themselves falling behind their competitors.

"As an institution that was born more than 100 years ago, we believe that innovation is crucial to serve customers at the highest level, which is the key to maintaining our success both now and in the future," says Puigdevall.

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Fitting an Entire Bank into a Smartphone App

Jibun Bank from Japan is winning customers with a mobile-centric customer experience.

2013 BAI-Finacle Global Banking Innovation Award Winners case studies

Banks everywhere are expanding their mobile offerings to better serve customers, but one institution in Japan is putting an entire bank in the palms of its customers. For customers of Jibun Bank Corporation, mobile is not an added channel; it is the main channel through which they can conduct all their financial transactions.

The Jibun Bank App debuted in 2010 and has offered more and more features every year. It allows customers to conduct person-to-person transfers, find nearby ATMs and purchase structured deposits and foreign currency. Customers can even set the app to alert them when foreign exchange rates approach pre- selected targets. With people rarely, if ever, far from their smart phones, this feature allows users to trade at their preferred rates without having to track the constantly fluctuating markets. Jibun Bank customers can also apply for unsecured loans as well as lock and unlock online and ATM access to their accounts through the app, features that enhance convenience and security.

Account opening process is easy and tailored to smart phone users

Step 1

Take photo of Driver's License with smart phone camera.

Step 2

Also take back side of Driver's License with smart phone camera.

Step 3

Enter additional information and send to Jibun Bank

With **OCR** function on dedicated application, personal information on Driver's License can be captured.

After sending the necessary information, ATM card will be sent within several days.

"We have designed our entire menu with the basic assumption that our customers would conduct all of their banking transactions with the mobile handset, particularly smart phones. And with our apps, people can cover all their banking needs with their smart phones, even account opening," said Chikara Nakamura, general manager, IT Strategy Division.

In fact, new customers can complete the entire account-opening process through the Jibun Bank App. The app combines the smart phone's camera function with optical character recognition to extract relevant personal information, including name and address, from the applicant's driver's license. The Quick Account Opening feature, which debuted in December of 2012, prevents new customers from having to enter in extensive details through the small smart phone keyboard or screen and has eliminated the need for any paper forms. Upon account approval, the bank mails customers their new ATM cards. New customers used to wait two weeks between initiating the account application process and being able to use their accounts. Now, they wait just one week. The feature is so popular that it is now the standard account-opening method, and applications for new accounts have increased 20 percent.

We have designed our entire menu with the basic assumption that our customers would conduct all of their banking transactions with the mobile handset, particularly smartphones.

Customers are also embracing other features of the comprehensive app: in March of 2013, nearly two-thirds of the bank's traffic came through the Jibun Bank App. That's more than double the share of traffic that other Internet-only banks in Japan see through their mobile apps. Between March 2012 and March 2013, total deposits increased 62 percent. And, within three months of the bank adding a banner promoting structured deposits to the app, sales of these instruments doubled. Those results and the bank's innovative approach earned the Jibun Bank App an Honorable Mention for

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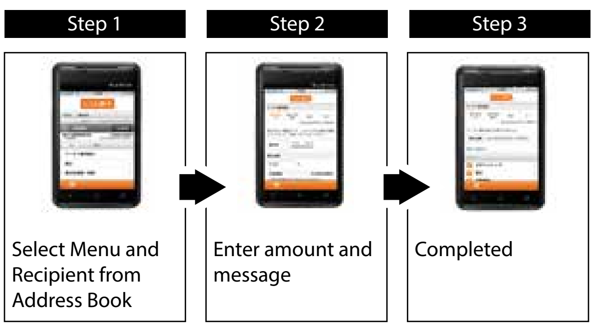
Disruptive Business Model at the BAI-Finacle Global Banking Innovation Awards in 2013. This year's awards will be given at BAI Retail Delivery 2014 in Chicago, Illinois, November 12-14.

Jibun Bank's prominence as a mobile bank was planned from its founding in 2008 as a 50-50 joint venture of KDDI, Japan's second largest mobile network operator, and the Bank of Tokyo-Mitsubishi UFJ (BTMU), Japan's largest commercial bank. However, that structure did not guarantee an easy path for the new venture. Before the bank officially launched, combining KDDI's operational expertise in mobile offerings with BTMU's banking services proved challenging. Project team members with differing backgrounds brought differing perspectives to their work, which tended to complicate communication. Once the bank clarified its goal of putting an entire bank into the palms of its customers, though, everyone could focus on creating an ideal and comprehensive mobile banking platform.

Money transfer using a mobile phone number instead of account numbers.



Transfer process is completed, just like sending an email

In addition, the bank staffed its banking application development team with technical experts from KDDI and programmers experienced in e-commerce and mobile services. To improve the efficiency of its development planning process, Jibun Bank works closely with the research and development and marketing departments of KDDI to follow trends in smart phone usage and technological advancements. Development is a continuous process, as is the process of improving the app. Rather than periodically implementing major changes to its app, Jibun gradually increases its usability and features. That way, the bank enhances the customer experience while minimizing the learning curve—and minimizing the potential for confusion—for customers.

Its unique structure and mobile-first focus mean Jibun serves more than 1.7 million customers with a staff of only about 160 people. With deposits of more than 600 billion Yen, Jibun's deposit-to-employee ratio is close to those of the largest Japanese banks.

"This compact and efficient organizational structure has been one of the critical factors allowing us to initiate innovation in mobile banking in such a short period of time," said Osamu Matsubara, director.

> Those results and the bank's innovative approach earned the Jibun Bank App an Honorable Mention for Disruptive Business Model at the BAI-Finacle Global Banking Innovation Awards in 2013.

As smart phone usage grows, Jibun is planning ahead. In March 2013, it added a feature to its app that allows users with NFC-equipped phones to check the balances of prepaid contactless "digital money" cards. Although only recently released Android phones currently include the NFC reader function, more than 200 million contactless chips have been issued in cards and phones in Japan, which has a population of about 130 million

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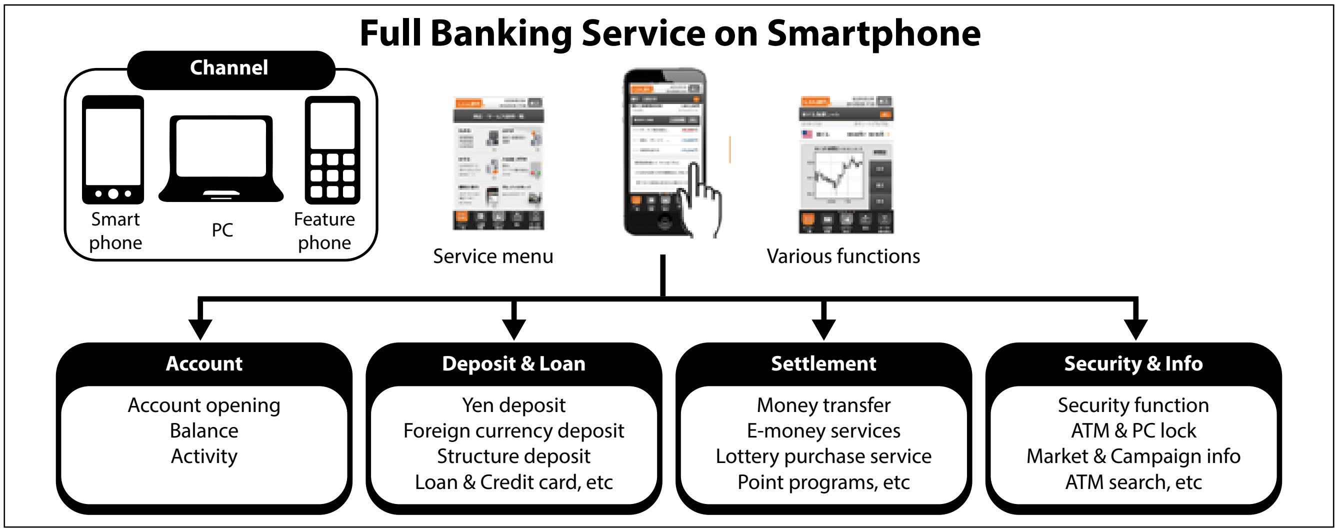
people. It's too early to tell whether the feature will effectively attract new customers, but Jibun made it available to everyone, not just its existing customers, and the feature's unique position is sure to be an advantage as more NFC-enabled phones come to market.

Although most banks offer customers mobile banking options, and some startups provide mobile-based financial services, Jibun Bank is the world's only mobile-centric financial institution providing full-service smart phone banking to more than one million people. Jibun Bank's latest step forward, which links Jibun accounts to KDDI telecom IDs, paves the way for new payment and loyalty programs and deepens the integration between banking and mobile services. These innovations are possible because collaboration is at the heart of Jibun's culture. Business and technology experts with backgrounds in both fields work together to bring customers expanded service menus and new features.

The banking industry is now several years into the mobile revolution, and capabilities that were once considered innovative now seem commonplace. Yet, Jibun Bank and its app show just how much more progress is possible and how eager customers are for that progress.



Although most banks offer customers mobile banking options, and some startups provide mobile-based financial services, Jibun Bank is the world's only mobile-centric financial institution providing full-service smartphone banking to more than one million people.

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Easy routes to innovation

Highlights from The Efma Banking on Innovation conference

Efma's Banking on Innovation conference took place from 5-6 June in Barcelona. We take a look at some of the key themes and innovations highlighted at the event.

Finding innovative ways to surmount the challenges posed by the new digital start-ups that are reinventing the way customers interact with their finances was the key theme at the 2014 Efma Banking on Innovation conference.

During the event, which was hosted by Spanish bank "La Caixa" from 5-6 June in Barcelona, representatives from global financial services organizations and retail banks around the world discussed the innovation strategies banks could implement to ensure they provide the services demanded by their customers in the current digital age.

Top of the agenda was the need to reinvent customer experience by deploying new technology and developing customer-centric mobile and online banking services. Delegates also explored how this can be successfully achieved by incorporating the latest mainstream digital platforms, such as social media and gamification, into the traditional banking model to ensure omni-channel/branch optimization.

Many of the keynote speakers focused on the need for banks to take risks and completely reconfigure their traditional operational models to provide innovative, customer-centric services.

In his 'D for Digital' keynote, Aman Narain, global head of digital banking at Standard Chartered Singapore, highlighted that to become more innovative, banks need to build risk frameworks and reorganize organizational structures to execute digital strategies. Narain explained that many financial services organizations are currently struggling to innovate because they are trying to execute digital strategies while operating according to their existing pre-digital business models.

To execute these strategies successfully, Narain said banks must be prepared to completely change the way they approach product development and service delivery. They must also learn to take risks with new

Finding innovative ways to surmount the challenges posed by the new digital start-ups that are reinventing the way customers interact with their finances was the key theme at the 2014 Efma Banking on Innovation conference.

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types of customer solutions and organizational structures, ensuring that they learn quickly from any mistakes they make. Standard Chartered has already

Several banks also demonstrated how they are using mobile platforms and applications to transform the way they interact with customers and deliver financial services.

adopted this new approach, trialling new technology and collaborating with an ecosystem of partners with different skills sets.

Infosys Finacle's Amit Dua set the context for presenting the preliminary findings of this year's research by talking about forces that are driving innovation in banks. In his talk he stressed on the importance of continuous innovation being critical to sustainable business growth, and spoke about taking a pervasive innovation approach underpinned by leadership focus, organizational structures and well defined innovation encouraging initiatives.

Allied Irish Bank demonstrated its Learn About Banking (Lab) store, which provides a learning and research environment focused on enabling customers to capitalize on current and next-generation banking services. Developed in collaboration with Allen International and Accenture, The Lab offers different banking zones with multi-functional ATMs, card kiosks, social media walls, interactive screens showcasing mobile and internet banking services, and an interactive digital product table and Emerging Technology area.

In addition, banks such as L'Atelier and Rabobank spoke about how they have established a strong ecosystem of partners and increased collaboration with start-ups to help reinvent the traditional banking model.

Maarten Korz, innovation manager at Rabobank, discussed how the bank has organized hackathons, innovation courses, open innovation and

intrapreneurship to increase its ability to innovate. He said: "Working together with start-ups is a huge trend that we're experiencing in the industry today and something that will undoubtedly gather pace in the future."

Several banks also demonstrated how they are using mobile platforms and applications to transform the way they interact with customers and deliver financial services.

For instance, Mr Andres Wolberg-Stok, global mobile and tablet banking director at US-based Citibank, showcased the company's new Citi Mobile Snapshot application. The solution enables customers to check deposit and credit card balances, or access their recent transaction history without having to log into their accounts.

Turkey's Deniz Bank demoed its Twitter loan application and gamification solutions, as well as its fastPay mobile wallet application, which is built on the Bluetooth Smart

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and Blesh iBeacon platforms. Rather than purchasing goods in the traditional way, the application enables customers to complete a hands-free transaction by receiving a payment notification via their smartphones. Store and restaurant owners can also use this technology to track customers when they enter the store and offer customized discounts.

Raphael Krivine, head of direct banking at AXA Banque, demoed Soon, one of the first banking services to be designed specifically for smartphones in the French market. “Soon is going to change the way everyday banking is done,” said Krivine. “Mobile banking can be much more than just another channel to use the same banking services because mobile handset capabilities enable brand new user experiences. Soon aims to make bank services useful, simple and pleasant.”

Meanwhile, representatives from Jibun Bank and Atom Bank, both of which were designed specifically to provide online-only services, focused on the benefits web-based banking channels can have for both the financial institution and the customers.

Similarly, Russian start-up Instabank demoed its online service, which is inspired by Facebook and enables users to add images and send texts when making transactions.

“You simply cannot overstate the importance of innovation for consumer banking today,” said Citibank’s Wolberg-Stok. “The real competition is outside of our industry, as traditionally defined, or on the margins of it: it comes from some new companies, burdened with none of our legacy baggage or processes, companies that are free to reinvent the way a person engages with their finances. Only a disciplined, determined approach to innovation can keep traditional financial institutions in the lead.”

About Efma Banking on Innovation conference

Innovate or stagnate!

Financial services institutions are facing pressure both from the increasing use of digital technologies and changes in customer behavior and expectations. New entrants, previously considered as ‘small’ and not an imminent threat, are now growing at an exponential pace. Established players, such as Amazon, Google, Facebook and PayPal, are now also seen as a potential threat.

We are perhaps nearing a tipping point, with activities in branches reducing and mobile and online banking operations multiplying, along with the continuing explosion of interest in social media. There is a wealth of customer information held by banks, and there are many initiatives for packaging, analysing and using this ‘big data’. Banks need to be aware of the challenges ahead and must be ready to embrace them. Innovation will play a pivotal role in this.

The Efma Banking on Innovation conference provides a forum in which such pressing issues can be properly discussed and debated. Delegates can learn about innovative ideas and new practices and will also have the chance to network with their peers.

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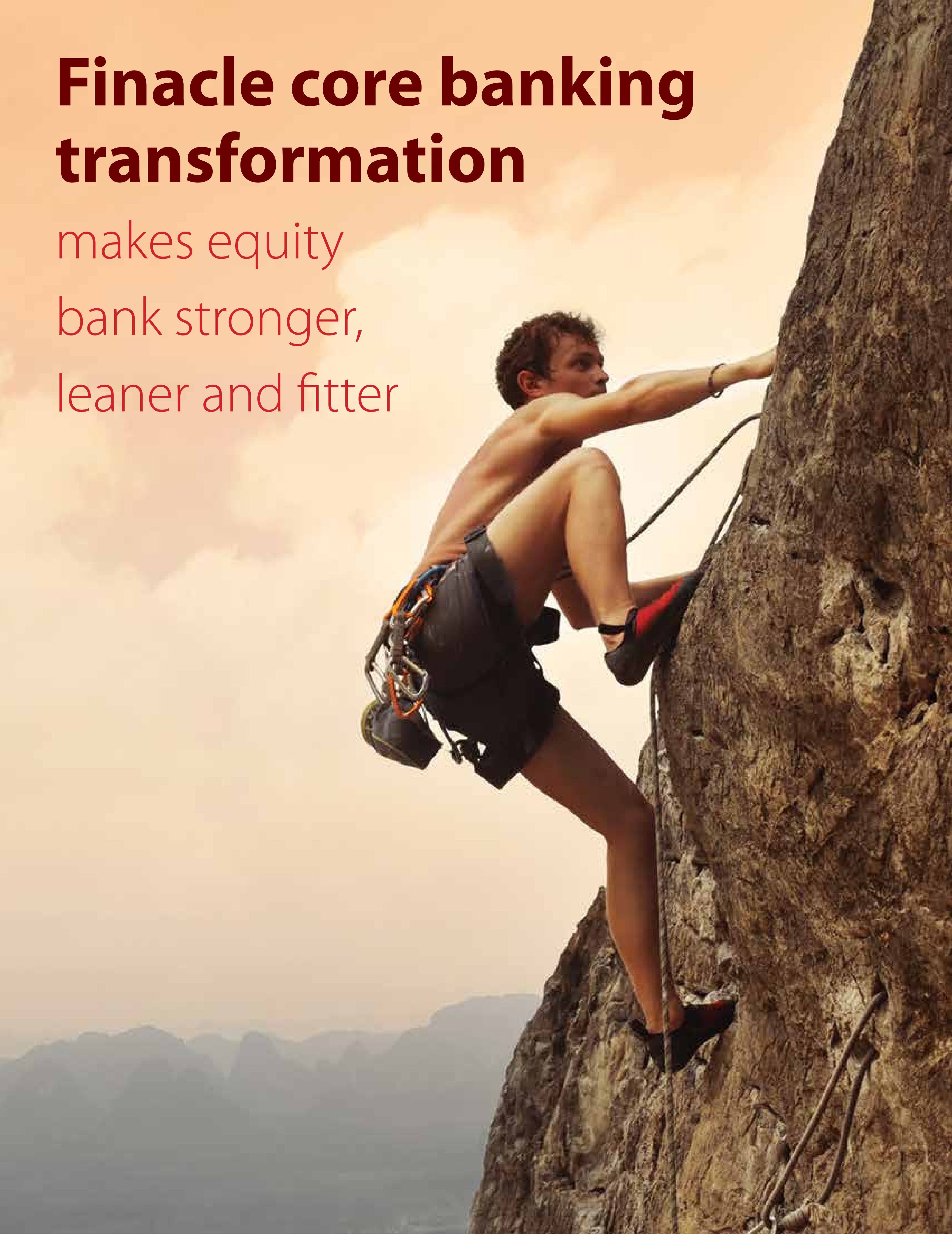
Finacle core banking transformation

makes equity bank stronger, leaner and fitter



Profile

Equity Bank is a leading commercial bank in Kenya offering retail banking, microfinance and related services. The Bank has subsidiaries in Kenya, Uganda, South Sudan, Rwanda and Tanzania. Founded as Equity Building Society (EBS) in October 1984, the Bank initially provided mortgage financing to low-income customers.

Today, Equity Bank has 8.7 million customers, making it the largest bank in Africa by customer base. The Bank is driven by its vision “to be the champion of the socio-economic prosperity of the people of Africa”.

In 1993, Equity was declared technically insolvent, but later came back strongly as a microfinance institution. Its subsequent transformation into a successful commercial bank is an inspirational story.

Today, Equity Bank has 8.7 million customers, making it the largest bank in Africa by customer base. The Bank is driven by its vision “to be the champion of the socio-economic prosperity of the people of Africa”.

Overview

Equity Bank was looking to build upon its success to extend its dominance in the Kenyan market. Specifically, it wanted to grow the retail banking business across subsidiaries, attract new customers with customized products, and strengthen the corporate lending offering. Its other goals included simplifying business functions and operations and creating a business model underpinned by access, convenience and flexibility.

The Bank realized that it would have to modernize its existing core banking platform to fulfill these ambitious objectives. It embarked upon a multi- country upgrade of its existing Finacle 7.x platform to Finacle 10.2.13, across its operations in Kenya and four foreign subsidiaries. The Equity Bank Group, together with Infosys and technology partners IBM, Oracle and Open Way, managed a successful upgrade of the Group's integrated and robust IT platform.

Business drivers

To sustain its dominant position, the Bank required a technology platform that would enable the following:

Retail banking growth in all its subsidiaries with reduced complexity across business functions and operations. The Bank was looking at standardizing and normalizing operations across all the countries where it had a presence. Specifically, the Bank wanted to cut back on the need for maintaining multiple databases for multiple entities and implement a highly available architecture to cater to its future growth plans.

Upgrading the architectural backbone to 100% services oriented architecture.

The Bank wanted to integrate multiple sub systems seamlessly and reach the customer at the bottom of the pyramid using a variety of lighter channels, namely ATM, Agency Banking, E-Banking and Mobile Bankings.

Strengthening the corporate banking offering

After having proven itself in the retail space, the Bank foresaw a definite need to strengthen the corporate lending offering to help service corporate customers better and launch products suited to their needs.

When Equity Bank decided to upgrade its seven year old core banking platform, its internal IT team was tasked with finding a solution which would help it accomplish its business objectives without increasing costs exponentially. The Bank's IT team looked at the latest Finacle core banking release, which supported feature likes multi-entity on the technical side and functionalities like Islamic Banking on the business side. The Finacle core banking platform also had other features, such as 24x7 system availability even during

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end of day operations. Finacle was providing all of this without raising the Bank's Total Cost of Ownership (TCO).

Challenges

The project's ambitious goal of implementing a multi-entity Finacle core banking solution integrated with multi-entity treasury and e-banking instances in a Big Bang rollout posed many challenges.

There were multiple changes to the deployment architecture as it went along, minimizing downtime being a big concern. Compounding these challenges was the risk of delay in the acquisition of the production equipment.

Working together

This was effectively managed with the help of specialist consultants from Infosys and by reworking the deployment architecture to provide the highest availability. Once the vendor delivered the server, additional Infosys resources were deployed to make it operational in the shortest time frame possible. This was one of the most challenging and difficult aspects of the project, which involved precision and co- ordination between multiple vendors.

Working to a very stiff deadline, the Infosys and the Bank project teams devised a schedule whereby the various phases, namely, Training, Requirement Gathering, Solutioning, Parameter Definition, User Acquaintance, Development of New Requirements, System Integration Testing, User Acceptance Testing, Business Simulations and Go-live would be implemented at all five transforming entities simultaneously. The team implemented an Active-Active application cluster on Production and Disaster Recovery (DR) servers, both pointing to a real-time application cluster database on the production side, along with a fully operational central stand-in server for channel authorization in case either the application or the database experienced downtime.

The Global Delivery Model (GDM) ensured the distribution of application and business process lifecycle activities and resources. This enabled parallel execution and a shorter implementation cycle.

Efficient and effective project management addressed the requirements and risks associated with every stage of the project lifecycle. There was clear communication to and between various stakeholders. The quality of Data

When Equity Bank went live on Finacle Core Banking 10.2.13, the entire implementation had taken a mere 12 months.

Migration was assured through multiple rounds of testing, and careful planning of migration and actual cutover.

When Equity Bank went live on Finacle Core Banking 10.2.13, the entire implementation had taken a mere 12 months.

Benefits of the migration

In the short time since going live on the new Finacle platform, Equity Bank has reaped several benefits. It now boasts a seamless platform that helps operational efficiency, supports business growth and enables it to adapt to the dynamic environment

Customer benefits

- The enhanced solution now allows over 8.7 million Equity Bank customers to transact seamlessly across five countries — Kenya, Uganda, Rwanda, Tanzania and South Sudan
    - Transactions, such as cash deposit can be seamlessly carried out across all Equity Bank entities online and in real-time
- A unified view of customers allows the Bank to offer personalized products and services
- Data cleanup during migration has improved data quality and helped bank users service customers faster

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- Biometric authentication of customers for transactions and users for login has reduced the possibility of look-alikes conducting transactional frauds
- Also, auto delivery of password has reduced the risk of misuse by administrators

improvements across the Bank. New accounts can be opened in less than five minutes

- By replacing two separate cheque scanning systems requiring manual intervention with a single online integrated system based on service oriented

"Equity Bank has led the way in fostering financial inclusion. We have created products and services for customers across all segments, starting from the bottom of the pyramid. Our vision is to empower our customers and grow with them to champion the socio-economic prosperity of the people of Africa. We thank our partners, Infosys, IBM, Oracle and Open Way, who have walked with us in this venture. We look forward to taking new offerings to our customers faster and grow our market share." **Dr. James Mwangi,** Chief Executive, Officer & Managing Director, Equity Bank.

Operational benefits

- Finacle's multi-entity capabilities have enabled Equity Bank to centralize operations to a single instance of applications, database and common infrastructure across countries, in a low cost operating model
  - The platform's localization and extensibility features cater to local requirements and country-specific variations
  - This helps the Bank save on infrastructure and maintenance costs, while ensuring a 360 degree view of customer relationships
- There has been a 20% reduction in the time spent by tellers for reconciliation and a two hour increase in branch uptime thanks to the system's 24X7 functionality
- Bank users can now send online referrals to supervisors/ managers and have them approved online, thereby reducing the turnaround time for processing customer transactions and improving efficiency
- Seamless integration across multiple channels and third party systems facilitates productivity

architecture, the new system has been able to achieve a 30% increase in the productivity of the cheque scanning process

Business Benefits

- As customers can now transact freely across countries, they add to the Bank's revenues by way of transaction fees
- The Bank can now roll out innovative offerings faster in response to market demands, explore new lines of business and deliver a superior banking experience to its customers
- The total cost of ownership has come down because now only a single middleware, Finacle Integrator, is required to integrate the Bank's 20 sub-systems. Leveraging the multi-entity framework of Finacle, the Bank has successfully eliminated the need for multiple databases (5 earlier) for multiple entities, and is now using a single database for all countries. Besides, data migration has resulted in a cleaner database that is lighter by 5 TB.

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Much in store for channel banking

Recently, when a leading professional services firm conducted a survey of global digital banking they found that senior IT executives rated the improvement of customer experience as the second most important driver of digital channel strategy, after expansion of market share. From the customers' point of view an ideal experience is one that is consistent across all channels, and enables fluid interaction with the bank during the entire course of a transaction.

Read together, the writing on the wall clearly says an omni channel strategy seamlessly combining all banking channels – physical, digital, modern and traditional – is inseparable from the delivery of high quality experience. Customers expect this and will not settle for less.

The writing on the wall clearly says an omni channel strategy seamlessly combining all banking channels – physical, digital, modern and traditional – is inseparable from the delivery of high quality experience.

When did customers get so savvy? The answer of course may be traced back to their evolution into highly connected, digital dependent beings. But I would like to go one level higher to start with the broad macroeconomic shifts that created the environment for the growth of digitization. While there are several, I shall focus only on two macroeconomic factors, namely urbanization and demographics, in this edition of Big Bet, and try to articulate how they might shape the future of channel banking.

Urbanization creates a need for new channels: The migration of populations in search of better living conditions is hardly news. While experts disagree on whether the first urbanization in Mesopotamia dates back to 3100 BC or 1,200 years before that time, the gravitation of prosperous tribes towards well-off settlements is recorded in historical documents. If we continue to talk about urbanization to this day, it is because of the unprecedented scale it has assumed in recent times. Consider these figures: The current wave of urbanization, which started in 1900 – when 220 million or 13 percent of the world's population was urban – will continue unabated through 2050. Along the way, urbanization has or will hit the following milestones: 49 percent in 2000, 60 percent in 2030, and a massive 70 percent in 2050.

With upwards of 4 billion people choosing to live in towns and cities, there will be intense pressure on urban infrastructure. And banking is no exception. Banks will find it impossible, not to say unviable, to serve this swell of customers through high cost physical channels like branches and ATMs. They must necessarily turn to alternative channels.

Demographics point to digital: Next, demographics. Today, more than half of the global population is below 30 years of age. This youthfulness will persist for some years, thanks to the vast young populations of Asia and Africa, which together account for approximately 75 percent of the world's inhabitants. These young digital natives also happen to belong to the most educated, collaborative and connected generation of all time – as a result, global literacy now stands at 83 percent, Internet access at 30 percent and mobile penetration at 75 percent. In fact, countries like Indonesia enjoy an incredible mobile penetration upwards of 130 percent!

These attributes color every aspect of the lives of digital consumers, from communication to consumption. High on the experience provided by online retailers and other high-tech service providers, these young consumers expect no different from their banks. What this means is that they are unlikely to step into a branch

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or wait in line to draw money from an ATM. For them the default, and perhaps only banking mode, is digital – comprising not just ATM, kiosk and mobile banking, but also other virtual forms, including gaming, electronic currency-based, and P2P collaboration. This opens up new channel options – such as Internet messaging platforms, popular amongst several hundred million users – for financial transaction, crowdfunding, and P2P lending. Or wearable devices, which are predicted to drive half of all mobile app interactions by 2017.

The development of digital banking is likely to be stronger in the youthful continents of Asia and Africa, compared to regions like Western Europe, whose aging population is likely to favor existing channels. This will present yet another challenge to banks, who will have to craft a differentiated channel strategy tailored to the demographic profile of the region of operation.

The development of digital banking is likely to be stronger in the youthful continents of Asia and Africa, compared to regions like Western Europe, whose aging population is likely to favor existing channels.

That being said, while pursuing a digital channel strategy to attract ripe customers, banks must not lose the opportunity to develop prospects. Amidst all the optimistic facts quoted earlier also lies the sobering statistic that even today, 2.6 billion people subsist on less than US$ 2 per day. Governments, Central Banks, and Multilateral Agencies around the world have chanted the inclusivity mantra for some time now, but a serious impact on global poverty is yet to be seen.

Digital banking channels – owing to their low cost and ubiquitous reach – are best positioned to redress the balance and bring more and more prospects into the banking fold. In that significant sense, they differ markedly from traditional channels, which were geared to serve "already acquired" prime customers rather than function as a tool of inclusion.

So digital channels are the future of banking. But what is the future of the channels themselves? In my view, digital channels will become increasingly collaborative, contextual, consistent and convergent going forward.

Four months ago, GE announced that they had entered into an alliance with Local Motors, an "open source" hardware innovator, to create a new model of manufacturing. The objective is to source ideas from an online community of engineers, scientists, fabricators, designers and interested consumers to solve engineering challenges and come up with breakthrough product innovations. Subsequently, a new microfactory will prototype and manufacture these products in small numbers very quickly. This partnership is expected to benefit both the business and their consumers.

That a manufacturing powerhouse like GE would resort to co-creating with their customers just shows how much the world has changed in recent times. Crowdsourcing, crowdfunding, crowdweaving – these terms are part of the new lexicon of manufacturing, product development, innovation and creation, which are increasingly bringing diverse, often unrelated members of the ecosystem together for mutual benefit. During the course of collaboration, the participants learn to modify their behavior to create a harmonious environment in which all stakeholders – even competitors – may fruitfully co-exist. The digital banking channels of the future will have to fit into this scheme of things, to foster not just contact and communication between bank and customer, but also cooperation and co-creation among other stakeholders.

Banks and their channels have been changing to become more customer specific for some years now.

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This trend will gain ground in future, as banks improve their understanding of customer needs & desires in real time, and strengthen their grip on devices & delivery mechanisms. This will enable channels to place every transaction and interaction within a specific context and tailor their responses to the same – all in real time. Such contextual awareness will neither be limited to one or two channels, nor confined to silos; it will pervade the entire surrounding ecosystem, such that every touch point of the bank, be it a social network, educational game or personal financial management tool is tuned into the customers' immediate frame of reference. This information will be processed by advanced analytics solutions into insights which banks may use to make relevant, personalized and timely propositions to customers.

The trend will be to use intelligent technology to interact with customers in a remote, non-intrusive fashion, yet with complete understanding of need and context. The channel of the future will be more remote and more "human" at the same time.

The convergence of financial, telecom and retailing industries into one comprehensive usage experience is now quite common. Going forward, channels will deliver experiences that are born of the convergence of industries as well as lifecycle & life stage events. Every aspect of the customer's situation, whether social, personal, professional or emotional, and every type of external force that impacts the customer directly or otherwise, will come into play in real time in the design and delivery of banking products and services. Convergence will be an irresistible force in the channel of the future.

Even as channels become more convergent, collaborative and contextual, they must also ensure consistency of experience. A major failing of the multichannel approach is that it is just that – multiple channels. Today's banking customers will not accept an experience, which is fragmented or changes across channels.

The use of several channels to bank, even during a single transaction, is now the norm. Customers expect a consistent and seamless experience across each, regardless of device, time zone, technology, form factor and so on. They also expect banks to personalize the experience to their needs, without being overly intrusive. Therefore, the trend will be to use intelligent technology to interact with customers in a remote, non-intrusive fashion, yet with complete understanding of need and context. The channel of the future will be more remote and more "human" at the same time.

The result of all this evolution will be a bank that's always awake and open – making useful suggestions to customers at the right time, notifying them of key events in real time, or cautioning them about potentially negative consequences well before time. This, in short, is the future of the banking channel.

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India: The Three States of Channel Banking

In an interview, a senior executive at an Indian private sector bank declared, "In-branch banking is never going to be out of fashion." That's a fair assessment of a market where the branch still brings in most of a bank's business.

Branch banking, with its proposition of fully assisted service, was so ingrained in the Indian psyche that it took several years for the ATM to make an impression. Although the ATM was introduced in the late 1980s by the foreign banks, the Indian banking customer took almost a decade to come aboard, only after the trusted Public Sector Banks launched their own. Since then, the growth in ATMs has been noticeable, but penetration is still far below potential or need. There are approximately 130,000 ATMs in the country, but at 110 units per million inhabitants, penetration is about 1/8th that in other emerging markets.

There are approximately 130,000 ATMs in the country, but at 110 units per million inhabitants, penetration is about 1/8th that in other emerging markets.

However, it would be incorrect to judge the importance of the ATM in the Indian context by numbers alone. The channel made a disproportionately larger impact by initiating the Indian customer – habituated to a culture of face to face banking in the branch manager's cabin, no less – into the ways of automated, self-service banking.

From there, there was no looking back for channel banking. As banks began to realize the benefits of alternative channels, they upped their investments in the ATM network, as well as in partly assisted channels like the call center & IVR. This was also the time when email and fax became accepted channels of corporate banking.

The new millennium marked the age of the Internet and a digital channel revolution that continues to this day. In 2011, a global consulting firm reported that 7 percent of bank account holders in India used Internet banking. That seems insignificant until you consider that scarcely four years earlier, penetration was only 1 percent. It's the same low-high story with mobile banking, which recorded 37 million transactions between February and November 2012, during which time the monthly transaction volume and value increased 1.7 and 3 times respectively.

But some banks, like ICICI, India's second largest, have made impressive progress with approximately 85 percent of transactions occurring within non-branch channels. Because of successes like these, today, the Indian channel banking landscape is dotted with fully assisted (e.g. branch), partly assisted (e.g. virtual tellers, videoconferencing) and self-service (Internet, mobile banking, e-lobbies) options. Going forward, the importance of alternative channels will only increase before they inevitably hit the mainstream.

Indian customers have reaped the usual benefits afforded by new channels – low cost, high convenience, uninterrupted access and so on. Banks have been equally impacted, if not more. Take the metric of cost. A branch transaction costs a bank anything between Rs.40-60; the corresponding cost for the ATM is Rs.13-17, and for Internet banking Rs.8-10. Besides saving money, banks investing in channel technologies at the back and front end have gained both share of market and share of wallet.

Technology being the crux, Indian banks are now paying a great deal of attention to their IT infrastructure – what it costs to set up and run, how

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long it takes to put together, how easy it is to modify, how energy efficient… and so on. In order to optimize resources, some banks, like the associates of the State Bank of India, are sharing a back end platform; others are hosting the front end of their channels on the public cloud.

The other thing that has changed is the level of regulatory compliance that is required. Today, the Reserve Bank of India has stringent guidelines on issues such as ATM security, fund transfer, prevention of money laundering & fraud, to name a few. So any new channel initiative, like contactless payments for example, must be implemented within the boundaries defined by the regulator.

Where lies the future of channel banking in India?

From a market point of view, in the underserved segments. Thus far Indian banks have concentrated mainly on the urban, well to do customer. In recent years, the government's thrust on financial inclusion, regulatory stricture and saturation of urban centers has pushed the industry to look at the rural hinterland, and far flung areas that have no branches (which is 560,000 out of 600,000 villages). With the help of banking correspondents, kiosks, low cost ATMs, and now mobile/ tablet banking, banks have made some inroads in underserved areas. But a lot more needs to be done. Even today, approximately 40 percent of adult Indians are denied access to banking services. Clearly, banks need to focus on bringing these citizens within their ambit using low cost, alternative channels.

From an innovation point of view, the future of channels lies in total automation, in channels where the customer, rather than the bank, drives the pace and intensity of the relationship. Think mobile apps enabling loan comparison or personal financial management, for instance. Or advanced ATMs, which record requests for services like demand drafts, and fulfill them on the spot. Or television banking.

From a technology point of view, the future is in a multichannel framework. An IT consulting firm reported based on a global study of consumers that they used 3 digital channels on average.

From a technology point of view, the future is in a multichannel framework. An IT consulting firm reported based on a global study of consumers that they used 3 digital channels on average. The argument applies equally to banking customers, who are today using several channels to transact. In India too, the trend of using more than one channel – sometimes in a single transaction – is catching on. At the same time, expectations are rising with usage. Today, the Indian banking customer wants to not only transact on several channels, but do so seamlessly and without losing context. He expects a consistent usage experience across channels as far as possible. He wants an instruction issued over a particular channel to be understood by the rest, and the information fed on one to be ported to all the others.

Indian banks can offer such an omni channel experience – where all channels act as one, everywhere, every time – only with the right channel framework at the back end. More precisely, what they need is a multichannel framework, which is an enterprise class solution that acts as a conduit between the core banking platform and all the channels. In addition, the framework should allow banks to accelerate the launch of new channels as well as quickly introduce new products and services on all. It must also provide insights into customers' channel preferences, to be used in formulating future channel strategies.

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Indian banks, whose channel infrastructure is perhaps in need of refreshment, stand to gain several advantages from such a framework. One, they can give their customers a truly omni channel experience. Two, they can launch new channels and offerings at a much lower cost and turnaround time. Last but not least, they can use insights into customers' channel usage and behavior to craft the right marketing and communication strategies.

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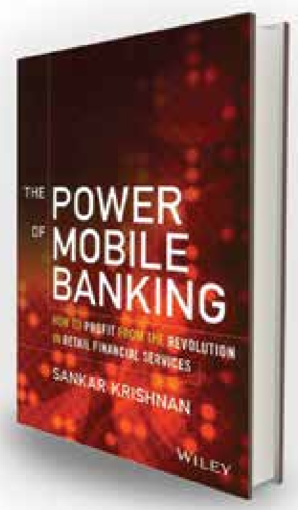

The Power of Mobile Banking:

How to Profit from the Revolution in Retail Financial Services

Sankar Krishnan

The explosive rise of smartphones, combined with the steady growth of the tech-savvy customer base, has resulted in banks having to significantly transform the way they do business. Customers now demand and expect personalization and individualization—and mobile services support these experiences more than any other current-day technology.

In The Power of Mobile Banking: How to Profit from the Revolution in Retail Financial Services, Sankar Krishnan, career banker and financial services expert, provides valuable insights on leveraging mobile services to deliver personalized services to customers' mobile devices – smartphones, tablets and laptops. Using an easy-to-understand, story-like format, Sankar ties together two primary themes – i) how mobile banking is the future of retail banking and ii) how, in emerging economies, mobile services can help financial institutions build banking networks without the need for expensive brick-and-mortar branches.

He shows how, by driving the move from traditional retail branch banking to innovative mobile banking strategies, financial services professionals can become truly transformational leaders. The book details the strategies banks can use to adapt mobile banking practices for global markets—developed and emerging—and shows how products and services can be made relevant to the new generation of digital consumers. Sankar also explores the socio-economic opportunities offered by mobile payments systems and e-commerce, including the potential these technologies offer for banks to engage their customers in new and profitable ways. He describes the importance of a complete, seamless mobile banking ecosystem with the right components to ensure banks and customers alike realize expected value and benefits.

To ensure a balanced, 360-degree view, Sankar does not forget to include a discussion on the risks of mobile banking, including the critical areas where banks should invest in order to gain new customers and retain existing ones.

In summary, The Power of Mobile Banking is invaluable for any banking professional who wants to learn the ingredients to succeed in a mobile-driven world.

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That question is on the minds of everyone who works at Infosys. From breakthrough strategies to flawless execution, our mission is to design the right innovations for each unique business challenge and deliver tomorrow's enterprise today. That's our promise.
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Building Tomorrow's Enterprise