Jan - Jun 2015/Vol 08/Issue 30

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BAI-Finacle Innovation Awards 2014

Big Bet

Mobility and the Future of Banking

Stratagem

Getting Persona with Mobile Banking Strategy

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FinacleConnect is a journal on banking technology published by Infosys Limited. For more information contact: Tarang Arunkumar Mudliar, Infosys Limited, # 44 Electronics City, Hosur Road, Bangalore 560100, India.
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Design and layout by VisualNet, www.vn4design.com

The age of mobility

In the digital age, mobile can no longer be seen as yet another channel for banking. It's a way of life for today's consumers. The banking fraternity needs to recognize this and move from a 'mobile also', to 'mobile first' to 'mobile for all' strategy. Today, customers are constantly on the move, and looking to get things done from wherever they are, round the clock. It is therefore absolutely critical for a bank to keep up and offer services that suit this customer's lifestyle. While banks agree ofcourse that mobility is essential, it is challenging to chart out an effective mobile-first strategy that strikes the right balance between the traditional and the novel. And today, mobility is not just restricted to customers but is also about empowering and enabling bank employees to service customers more effectively. In this edition of FinacleConnect we explore some of the most fascinating and relevant facets of mobility impacting banks today.

We start with a feature on retail banking and mobility that debates the shift from physical to digital banking. The cover story attempts to take a broader look at how mobility is impacting banking as an industry. Delving deeper, the stratagem piece is a take on building customer personas and using customer data to create better, and more personalized experiences. Following that story through, the people perspective article discusses the impact of mobile on the way future customers will go about their business.

Our big bet this time tackles the tricky topic of what next for mobility and banking. The possibilities are innumerable and it is hard to predict which way the trend will turn. Next, you can read an opinion on mobile banking innovation in emerging markets and the impact this is having on the advanced world. Continuing on that note, we have a very interesting piece on Google Glass and the various scenarios in which it can be used. The tech watch article stresses on the criticality of mobile banking and gives you an insight into just how important mobility is for banks.

Well, there is all that and more in this issue of FinacleConnect. I do hope you enjoy reading our mobility edition and it helps you along your mobile banking journey.

Happy reading!

Michael Reh
Senior Vice President & Global Head
Infosys Finacle

Retail Banking Goes **Upwardly Mobile**

Last year, in an action that spoke louder than words, Poland's BRE Bank renamed itself mBank after its pure-play digital brand of the same name. Mobility as the driving force of retail banking is an idea whose time has come.

The Internet changed the fundamental premise of business-customer interaction by turning it into a public and very vocal two-way exchange. Now, mobility is further revolutionizing those interactions with innovative capabilities, from Near Field Communication to Augmented Reality to Social Analytics, which are elevating simple transactions into immersive experiences. In retail businesses, the impact of mobility may be seen in a change in buying behavior, roundly encouraged by disruptive business models. As traditional strategies of product, pricing and promotion fall by the wayside, retail stores are looking for ways to stay relevant in the shopping process.

Mobility, with all its possibilities for new types of interaction, peer to peer exchange, personalized experiences and so on, is accelerating this shift away from the physical, towards the digital.

Retail banking also finds itself in a similar situation. With customers showing a clear preference for digital, the setup and role of physical bank branches is frequently coming into question. Mobility, with all its possibilities for new types of interaction, peer to peer exchange, personalized experiences and so on, is accelerating this shift away from the physical, towards the digital.

What does that hold for the future of retail banking? This paper discusses three of the biggest impacts.

A boost to customer-specificity

For one, mobility will force the business to become more customer-specific than ever before. Any talk of mobility invariably focuses on the young, digitally native demographic, which needs neither training nor exhortation to sink its teeth into the next big thing. On the other hand, banks believe their older customers will never make the switch. In truth, adoption of technology has more to do with ease of access and use than age. In a 2014 report on the digital habits of older Americans, the Pew Research Center says that adoption, although slow, continues to increase. Interestingly, tablet/e-book reader ownership significantly exceeds that of smartphones among seniors, reversing the trend observed among the general population. This implies that older customers would be more receptive to mobile banking on larger devices. With mobile becoming the channel of the future, banks must factor differences like these to move away from a one size fits all offering, and create appropriate mobility strategies to serve the unique needs and expectations of different customer groups.

With mobile analytics, it is now possible to drill down customer data pertaining to transactions, preferences, opinion, behavior and even immediate context to such a granular level so as to make it feasible for banks to focus on individual customer needs. A good example of this is German start-up NumberS, which offers a mobile personal financial management service, which consolidates each customer's transaction data from several bank and card accounts to predict future income and expenditure.

More intimacy but less touch

A survey of about 4,000 customers in the United States and Canada reports that one in four would likely consider a branchless digital bank if moving away from the current provider. Mobility will undermine the need for personal contact in routine banking transactions. As the depth and breadth of mobile banking functionality rises as traditional banks expand their armory, and a spate of mobile-only banks joins the fray, most banking will get done on devices.

Let alone simple transactions, developments in mobile biometric technology – which can confirm a user's identity by analyzing characteristics such as fingerprints and voice patterns – may well enable every banking process requiring authentication to be fulfilled through a mobile device. U.S. Bank, one of the largest retail banks in that country, is one of the early experimenters in mobile voice biometrics. Customers can use their registered voice print to access mobile banking. Although this is still a new area, U.S. Bank believes that mobile voice biometrics' user friendliness and security features will attract the attention of banks, which are constantly looking to improve customer experience.

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Even in wealth management or advisory, traditionally high touch businesses, the use of augmented reality and tablets could enable relationship managers to make illustrative, interactive and impactful presentations remotely. IndusInd Bank's video branch, which allows customers to videoconference with the bank using a computer or Apple / Android smartphone is a case in point.

Payments disruption

But mobility's biggest bang will occur in payments. A multi-nation study of industry professionals and 6,000 consumers observes that mobile payments are in for rapid growth, and that non-banks will increase their share in a business where payments, purchasing and marketing are blending together as mobile delivery. This is raising the threat of disruption and disintermediation for incumbent retail banks. The latest study on retail banking innovation presented jointly by Infosys and EFMA highlights that the industry is indeed concerned about the challenge posed by startups in the area of mobile payments.

Banks will need to take a fresh approach to payments to meet this growing challenge. As mobility opens up opportunities for non-bank players – tech firms, telecoms, retailers and startups to name a few – to enable innovative ways of performing banking tasks, it also does the same for traditional institutions. Hence retail banks should leverage advancements in mobile device and communication technology to offer not just basic payment services, but also those up the value chain. An example of this is the combination of real-time mobile financial analytics with location-based technology to provide value-added services that were traditionally not on the menu. Turkey's Denizbank, a known innovator, recently augmented FastPay – its contactless payments mobile application – with location technology to enable hands-free payments. Denizbank customers in the vicinity of a store that has tied up with the bank receive promotional offers and coupons encouraging them to enter. Once inside, the store's iBeacon system recognizes the FastPay application to allow the customers to pay without even touching their phones.

This is an exciting as well as challenging time to be a retail bank. The industry is in the throes of transformational change, brought about by changing consumer behavior and technological advancement on the one hand, and disruptive competition and regulatory stricture on the other. As a result, banks are grappling with diverse concerns such as how to exploit new opportunities, retain customers, fend off competition, keep up with technology and stay compliant, while margins and profits continue to remain under pressure.

Mobile technology is exerting a growing influence on the banking industry's ability to deal with these challenges and opportunities. A recent report states that mobile banking is outstripping overall banking growth by a factor of four, and will touch US$ 670 billion this year. As retail banks intensify focus on improving mobility adoption within and outside the organization, they must also remain watchful of its flip side, on which there are security concerns, interoperability challenges, usability issues and the difficulty of securing business buy-in.

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Mobility
First for Banks

Towards the end of 2013, for the first time, people in the United States logged in to their banks using their mobile phone more than their computer. In 2014, they spent more time on mobile applications than on the desktop Internet. In Europe, an analyst forecasts, tablet banking will overtake mobile banking as early as 2016. They also state, rather obviously, that by that time desktop and personal computers will be on their way out as a channel of banking transaction.

That the mobile device is the banking channel of the future is no longer a matter for discussion. But the possibilities of mobility in banking extend far beyond its utility as a point of transaction and touch. Mobility will pervade banking to such a degree that providers will have no option but to go “mobile first”. For the banks of today and tomorrow, mobile capability is more than just another priority. It is a vital necessity to be focused on proactively.

Mobility will pervade banking to such a degree that providers will have no option but to go “mobile first”. For the banks of today and tomorrow, mobile capability is more than just another priority.

This is where we see the maximum impact.

Mobility, the power behind bank innovation

In the 2014 edition of the Innovation in Retail Banking survey, presented jointly by EFMA and Infosys, respondent banks voted mobility as the most important theme in their innovation agenda, scoring it a near perfect 6.5 on 7, ahead of Big Data and social technologies. Mobile payments was seen to be one of the hottest areas for action, with a high potential for delivering value. Banks expected start-ups with innovative business models to continue to disrupt this space.

However, the options for mobile innovation contain much more than payments, and include applications like mobile voice biometrics, location-based services and mobile personal financial management. And then there are emerging areas such as wearable devices. Half of the banks in the survey are already invested in location services, and one in four is exploring the idea. Even the nascent wearable technology already has 8 percent of banks investing in it, with another 20 percent considering the option.

Mobility, as the enabler of the banking enterprise

A few months ago, a leading provider of virtualization, mobility management, networking and cloud services analyzed clients’ data to find that device enrolment in their enterprises had increased by 135 percent in the space of a year. While productivity and business apps dominated the enterprise app stores, when diced by vertical, banking apps came in at a poor 16 out of 20.

If that is an indicator of lag in banking enterprise mobility, the industry should sit up and take notice. This is because enterprise mobility can play a big role in realizing every one of banks’ top priorities, be it consumer engagement, operational efficiency or regulatory compliance. Research shows that other industries are pushing forward on BYOD – hailed as the biggest computing phenomenon after the PC – with about 4 in 10 CIOs saying they will stop providing personal devices to company employees by 2016.

An analyst prediction says that mobile workers will number 1.3 billion in 2015, or 37 percent of the total workforce. Since banks too will find the same trend overtaking their workplace, it is better they embrace it with a well-thought out framework of infrastructure, security and policy, rather than get caught unawares.

The appeal of mobilizing employees on their own terms (read devices) or otherwise, is undeniable. Mobility enables self-service, which improves employee efficiency, but it also creates empowerment and agility of response. For example, by enabling their relationship managers with the right set of mobile apps that are integrated with their core banking and back-office platforms to provide access to information in real-time, banks can enhance both conversion rate and customer engagement. Budget trackers and forecasting tools on mobile would enable busy bank executives to stay up to the minute with their LOB's financial performance. In the area of risk and treasury management, mobile apps providing easy access to important information such as liquidity positions and funding sources, and alerts on critical parameters, can be a real asset to those in charge.

But here's the irony. Even as mobility opens up opportunities for banks to get closer to the customer, it is also doing the same for new entrants, who are slowly but surely taking control of the front-end relationship.

But even as they push ahead with mobility initiatives at an organizational level, banks must also institute robust identity and access management policies to ensure that only authorized users are able to tap into various enterprise resources.

Mobility, which will both embrace and distance the banking customer

Mobility has played a transformational role in the world of banking services. In emerging markets, mobile payments and money transfer offerings have changed the lives of millions of unbanked customers by opening the doors to financial inclusion. In the developed world, mobile apps, augmented reality, location services and gamification have elevated the banking experience to a new level. The insights of mobile analytics have enabled banks to make the customer relationship more meaningful with contextual, timely, relevant and highly personalized products and services. Going forward, developments in wearable technology and the Internet of Things will further reduce the separation between the consumers and providers of financial services, and allow the latter a role in not just banking interactions but also in a variety of day-to-day transactions.

But here's the irony. Even as mobility opens up opportunities for banks to get closer to the customer, it is also doing the same for new entrants, who are slowly but surely taking control of the front-end relationship.

Research says that banks are the most vulnerable to disruption, and the disruptors are not other banks, but technology companies. Our own study with EFMA confirms that banks also share this view. This year, they upgraded the threat from companies like Apple, Facebook and Google to a little over 5 on 7.

Mobile technology is at the epicenter of this disruption, transferring as it does, more power to end-users. The next generation of banking customers has high expectations from banking, spilling over from their experience with digitally progressed verticals, such as retailing or telecom. They will take their business to the provider – or providers – that fulfill their expectations of what banking should be – seamless, convenient, personalized, and needless to say, completely digital. Increasingly, those providers will be niche players with mobile and mobile-only offerings – think payments, P2P and small business loans, and even deposits – that will disintermediate and disengage traditional banks from their customers.

New designs on mobility

Mobility developments are unfolding at such pace and scale, that banks will need new thinking and tactics to deal with their opportunities and threats. At some level they will have to shed their second nature, which is cautious, considered and incremental, in favor of a bolder, more imaginative approach.

Also, banks must view mobility not just from a technology perspective – although that is useful – but rather, from the more important one of end user need. Hence we believe that banks' future approach to mobility should be based on new concepts, such as design thinking, which aims to give users what they desire in a technically feasible and commercially viable manner. At Infosys we have already moved ahead in this direction by entering into a partnership with Stanford University to run a course in design thinking for our employees, and workshops for our clients.

Banks' future approach to mobility should be based on new concepts, such as design thinking, which aims to give users what they desire in a technically feasible and commercially viable manner.

Design thinking takes a systematic and people-centric approach to understanding problems clearly before looking for solutions. It does this by combining three key elements, namely, consumer need, technological capability, and business imperative. We think of these three stages as the establishment of desirability, feasibility and viability respectively.

Although design thinking is still to take hold in banking mobility, we see a strong case for adoption. Consider, for example, enterprise mobility. Organizations embarking on such a journey are often stumped at the starting gate by their lack of understanding of the goals of enterprise mobility, and also its strategy and implementation. This drives a vicious cycle where the lack of direction results in there being very few success stories and "great apps" and therefore very little understanding of what works and doesn't. Design thinking can resolve this because it focuses on getting to the root of the problem. It would start by understanding the varied needs of stakeholders, and from there on, look at holistically managing the mobile lifecycle in its entirety – from ideation and assessment to design, prototyping and rollout – all the while staying focused on solving the core problem of user need, in a way that is feasible for technology and viable for business.

A major advantage of design thinking is that it enables quick prototyping, allowing banks to assess the success or failure of a concept early in the innovation cycle, and take a winning idea to market with agility. For banks, whose future will be greatly determined by how far and fast they leverage mobile technologies and innovations, the value of such an approach cannot be overestimated.

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Getting Persona with
Mobile Banking Strategy

Rethinking segmentation in the digital age

Banking, allergy medicine, and motor oil. You'd think they didn't share many similarities. But according to one study, these are all product categories where consumers find zero differentiation between brands. Just for comparison, soaps scored a perfect ten while toilet paper came in at a more than respectable eight.

Today, banks use a range of segmentation metrics and techniques based on socio-demographics, psychographics, behaviors, profitability, and so on, and typically the outcome manifests as a sliding scale of rates, fees and services.

More often than not, differentiation, or even the lack of it in the consumer's mind can be correlated back to the efficacy of the segmentation strategies driving many banking processes including product creation, distribution, marketing communication and service delivery. Even though segmentation strategies and techniques have evolved considerably over the years, their impact on customer strategy has been limited. Today, banks use a range of segmentation metrics and techniques based on socio-demographics, psychographics, behaviors, profitability, and so on, and typically the outcome manifests as a sliding scale of rates, fees and services. When products are at parity and price is the only tangible differentiator, commoditization results.

The dynamics of the experience economy and the expectations of the digital consumer are already compelling many banks to reinvent their customer segmentation techniques and strategies. To begin with, every digital customer is a self-professed segment of one whom banks must approach accordingly, if they would like to build a sustainable competitive advantage. These customers expect banks to invest in their financial well-being, help them achieve their financial goals and continuously contribute to their financial development. Banks will have to embrace a new outside-in ethos of segmentation that is as much about creating value for the customer as it is about ensuring profitability for the enterprise.

Apart from delving deeper into the financial psyches of customers, segmentation strategies will also have to go wide in order to expand the scope of their promise. Strategic segmentation should be designed to deliver a stream of actionable insights that can drive continuous innovation across multiple processes, related to product, pricing, channel experience etc., en route to building competitive advantage.

Customer data and analytics will be the core drivers of successful customer-centric and customer-specific segmentation strategies into the future. Even though the focus thus far has predominantly been on transactional data, banks have a veritable treasure trove of consumer big data to leverage. In surveys, banking customers have stated their willingness to share even more data with their financial services provider if only it could result in greater personalization. Mobile and social channels are also giving banks access to information that allows them to drill down deeper into customer desires, motivations and behaviors.

Segments as personas

As data becomes richer and more diverse, it enables banks to build qualitative portraits of their customers, called personas. Where traditional segmentation was about identifying and defining statistical profiles of large customer groups, personas help banks paint a more focused and predictive picture about actual user context, attitudes, preferences and behaviors. These character archetypes, which are created by analyzing patterns in data, rather than generating a composite view of the average user, give banks a detailed view into the underlying motivations, challenges and opportunities that drive financial needs and decisions. Current thinking suggests that digital customers have progressed beyond BYOD to BYOP (Bring Your Own Persona). Hence personas bring consumers to life, and enable businesses to visualize the different types of individuals who make up their customer base.

As data becomes richer and more diverse, it enables banks to build qualitative portraits of their customers, called personas.

By synthesizing digital and personal sensibilities, channel behaviors, transactional preferences and financial context to build personas, banks would be able to develop more personalized solutions that are tailored to their consumers' expectations of functionality and experience. The creation of personas can happen at the overall business or brand level, but also at a more granular level, like say, digital and mobile banking.

Decoding digital sensibilities

As digital technology begins to redefine the culture of banking, it becomes essential to understand the drivers of behavior in the new banking experience. Although the use of digital devices, especially mobile devices, is not limited to any particular customer segment, expectations and attitudes can vary widely even within traditional segmentation clusters. Uncovering these behavioral nuances will provide the building blocks of digital (and mobile) personas in banking.

There are two primary drivers of digital behavior in the context of banking, namely technological sophistication and data sensibilities. The first refers to customers' proficiency in leveraging digital tools to achieve financial goals while the second defines their comfort level in trading data for tangible value.

At one end of the continuum are the digital "fringers", those who are still marginal users of digital banking capabilities either because they lack technological sophistication or are concerned about sharing data. They expect their digital banking experience to be as simple as possible, only seek the basic features that will get their tasks done, and want nothing more than the bare essential tools required for managing their financial performance. At the opposite end are the digital scouts, fully committed to the culture and worth of digital technologies, who assess the value of sharing almost entirely on the basis of the benefit it creates for them.

There are, of course, several shades of grey in between these two extremes. The largest segment in most markets is made up of explorers, who are more than willing to experiment with digital solutions on the promise of better financial decision-making and outcomes. They have a high threshold for data sharing but are also discerning enough to spot the first signs of absence of real value. Other digital banking personas include aspirers, who want to be seen as tech-savvy; shifters, who will share or withdraw data depending on perceived threat to privacy; and the intensely private, who will react strongly and publicly at the slightest violation of personal information.

While technological sophistication and digital sensibilities are the core building blocks of digital banking personas, banks might need to consider other personal factors, related to income, education, demography, preferences, context, etc., and external factors, such as the smartphone penetration, regulatory environment, mobile infrastructure maturity and security perception in different regions, to further refine their customer personas. That being said, there is no single formula that fits all. In this, banks must take a leaf out of the retailing book, where Tesco does not necessarily take the same view of personas that Walmart does. Every bank must segment their customer personas based on what serves them best.

Personalizing strategy to persona

Once they have established and identified the personas for digital and mobile banking customers as above, the next step for banks is to create differentiated strategies for each.

For instance, let us assume a bank has identified a persona that is in the mid forties, and is financially and technologically sophisticated, in other words, a plum prospect. Rather than pushing forth with suggestions, the bank should create a mobile strategy around enablement, enriched with tools for personal financial management, to allow such customers to independently manage their finances online.

Obviously a very different strategy is required to target a young, limited in financial resources, but highly receptive to offers persona. Since these customers are likely to transact often on digital channels, banks must proactively push relevant offers to them on mobile, Internet and other frequented channels.

There are two primary drivers of digital behavior in the context of banking, namely technological sophistication and data sensibilities. The first refers to customers' proficiency in leveraging digital tools to achieve financial goals while the second defines their comfort level in trading data for tangible value.

On the other hand, dissatisfied personas – who are typically unhappy with fees and charges – need to be persuaded not with temptation, but through transparency. Besides clearly disclosing the terms and conditions of their services, banks should take the opportunity to draw these price-conscious customers towards low cost channels like mobile.

At a very broad level of intensity of engagement, mobile banking strategies implemented for different personas may be classified as:

- Information push, where the bank reaches out with new product communication from time to time, without any prompting by the customer
- Basic pull, where the bank promotes its products directly or through advocacy, in order to excite demand among target customers
- Advanced interactions, in which the customer is willing to engage to add more products to the existing portfolio
- Sophisticated engagement, where customers repose the bulk of their business with the bank, open up their entire financial situation to their wealth manager, seek advice on managing their wealth and are vocal advocates of the bank's services

The purpose of every interaction must be to progress the level of engagement towards the right on a continuum, in the direction of sophisticated engagement. So, a bank, which has created a customer persona described as low on net-worth, but high on self-service, might focus on engaging them better online, with a view to deepening the relationship as net-worth improves. But for a persona that is high in channel use and in net-worth, the bank might employ a sophisticated digital strategy that also delivers personalized service from relationship managers over a video chat mechanism.

It is important for banks to continuously revisit their strategies for various personas, which will keep evolving over time. This way, they will improve their chances of offering the right options to customers and reduce the risk of a one-size-fits-all approach that is likely to leave most customers unsatisfied.

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Future Banking Relationships: **Distant or Disintermediated?**

Expect the nature of the banking relationship to change radically in the next few years. Millennials, in survey after survey, forewarn of what lies in store. Pronouncements range from totally new ways of accessing money and making payments to not needing a bank at all. A three year-long study of 10,000 Americans born between 1981 and 2000, to identify industries at maximum risk of disruption awarded the top spot to banking, based on a metric which is called, what else, but the Millennial Disruption Index.

And what, or who, is going to cause this upheaval? Remember that the idea of disruption is not new. A multitude of firms – from PayPal to Quicken and Square to Starbucks – sprang up in the payments space over the years, created some interest, but didn't quite threaten. But now disruption has a real chance, thanks to the phenomenal advancement in mobile technology that has brought a fundamental transformation in the way consumers, especially from the new generations, engage with enterprises.

When the smartphone and the app burst on the scene, they changed the mobile banking game forever. After several false starts with SMS, WAP and USSD, the mobile put on a burst of speed in the race of banking channels to surge into the lead. In its next evolutionary phase, it will unfasten, if not altogether disintermediate, the bank from the customer.

This will of course play out strongly in payments – the much-touted prime target for mobile overhaul – but will also strike at the heart of banking, at loans and deposits.

Let's take a quick tour of how mobile will impact the way future customers go about their business:

Customers will enjoy diverse, what seem like "bankless" payment experiences.

Apple's recent maneuvers, such as the release of TouchID APIs with iOS 8 and the launch of Apple Pay, are adding rich fuel to the fiery debate of mobile payments disruption. At last count, there were at least 26 ways in which U.S. merchants could allow customers to pay for purchases using their mobile.

Virtual Wallet, Geolocation Check-in and Social Media Payment are among those tipped to become the big payment mechanisms of the future. Mobile payments will continue to see hot action thanks to a combination of innovation and enthusiastic consumer adoption, and will eventually do away with "payment rituals" as we know them. Banking customers, who have repeatedly stressed their disenchantment with the industry, will not even think twice about disengaging their payment activity from their bank.

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Customers will borrow on the path of least resistance.

In the wake of the 2009 crisis, even creditworthy customers couldn't get a loan, or got one at extremely high rates. Naturally, they went looking for better alternatives. Those came in the form of platforms like Prosper and Lending Club, which directly connected borrowers and lenders to neatly edge the bank out of the transaction. Beginning sometime in 2007 until the end of March this year, Lending Club had notched up more than US$ 4 billion in loans; three out of the four billion came in starting 2013, which is some serious momentum indeed.

Future business customers, especially small and medium enterprises, will be able to extend their relationships with such platform providers into niche borrowing arrangements. Look no further than Amazon's small business loan program, Google's line of credit for advertisers, or Chinese ecommerce behemoth Alibaba's loan book of US$16 billion.

Customers will park their money where it counts.
But that's not all from Alibaba, which is hitting banks where it really hurts by taking away a chunk of their deposits. In big saving China, 8 to 10 percent of deposits now go to Yu'e Bao, Alibaba's money market fund. Elsewhere, the likes of Groupon, PayPal and Square are offering merchant accounts to their small business customers to gain access to their deposits. They won't be the last ones to do so.

But banks will endure.

While the incumbents have reasonable cause for concern, let us bury the predictions of gloom and doom for the time being. It's not like Google is going to become the world's next (or only!) bank. Google, Facebook, Apple – and other technology giants, in my view – will look to enhance the business of banking with meaningful additional services based on their respective strengths. For instance, Google may leverage its information assets to advice on contextual and personalized financial solution far more effectively as compared to a traditional bank looking at its system of records alone. In many ways, these new providers open up a partnership opportunity to create unique and different value proposition for the clients.

Several industry experts endorse a similar sagacious approach. A provider of IT and telecom research and analysis is clear that banks must not waste resources in fighting the irresistible onslaught of payments innovation, nor play a hopeless game of catch-up. Instead, they should open their minds and their platforms to payments partnerships, on every available channel. The good news is that the conditions are favorable. Payment providers are liberalizing their outlook on platforms, opening up APIs and SDKs to third party developers. Then there are startups, like Plaid and Standard Treasury, which are aiming to improve third party access to bank's internal data to help build new applications and services. This is enabling cost-effective innovation and payment integration, to create a win-win for all, banks, merchant establishments and payment providers.

So, while banks are unlikely to beat new competition at the mobile app and payments innovation game, they can continue to play a big role in the payments ecosystem, with a clever combination of technology infrastructure, open platforms, and developer collaboration.

So, while banks are unlikely to beat new competition at the mobile app and payments innovation game, they can continue to play a big role in the payments ecosystem, with a clever combination of technology infrastructure, open platforms, and developer collaboration. They also have a few aces up their sleeve, the first one being existing customer relationships. Banks continue to enjoy the trust of most customers;

partnering with new players to elevate the level of experience, will likely retain that clientele. Also, banks have a huge store of customer financial data. By combining that with other data on lifestyle, preference and behavior, and processing it all using big data analytics, they can further improve their rate of retention. Incumbent banks can also take comfort in entry barriers, such as tough capital norms, regulatory controls and compliance requirements, which make it hard for new banks to take root.

And let us not forget that non-banking players have only gotten as far as the front end, to the level of user interface and experience. They are yet to find a way to, for instance, integrate payments data with business accounting software, which is a key requirement of SME clients.

Banks' final trump card is a spot of millennial irony. Studies reveal that even as that generation demands high tech and mobility, they prefer the bank branch for certain purposes, such as investments and advice.

Managing the customer relationship, gathering insights, rendering financial advice – these are what banks do best. As long as they continue to build on this core competence, banks will remain relevant to the banking customers of the future. Even if it is at a remove.

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The Emerging of **Mobile Banking Innovation**

The honor roll for the GSMA's Global Mobile Awards 2014 reflects the interesting duality of developed and emerging market mobile evolution trajectories. Where innovations from the advanced world lead the way in enhancing mobile experience for both people and business – Apple iPad Air, Citymapper, AirWatch, Filip – developing world innovations score at the rough end, with novel solutions for enabling healthcare (Energize the Chain and Econet Wireless), education (MagicPencil – Enable Mobile Technologies), and mobile money transfer (Easypaisa – Telenor Pakistan and Tameer Micro Finance Bank).

While this is a manifestation of the digital divide that exists between advanced and emerging nations, the gap seems to be closing. Emerging markets are making such rapid strides in mobility that one may well ask if it will catalyze a reversal of roles – where emerging markets will lead, rather than follow, the advanced world in mobile innovation.

I believe there's no simple, or even clear, answer to that question. What we do have are some incontrovertible trends, and some in the making, which will greatly influence how far and how fast the developing world gets on the mobility front. Let us examine those from a mobile banking standpoint, which is the focus of this article.

Emerging markets are winning the numbers game

A couple of years ago, a leading consulting firm quoted the rather unfortunate statistic that 1 billion mobile users in the developing world didn't have a bank account. On the flip side, this is proof of the widespread mobile phone adoption in those markets, which now stands at a robust 75 percent. That provides a very substantial platform for the introduction of innovative, unconventional financial products and services that are designed to serve the specific needs of developing world customers. A case in point is mobile payments. Contrast the flat payment card markets of high income economies with the 8 to 15 percent growth rates enjoyed by the rest of the world, or the sedate 5-6 percent growth in non-cash payments in mature markets with the 20 percent clip posted by their developing world neighbors. Much of the emerging market growth in these payments is mobile driven.

So it is no surprise that the latest report on an annual survey of the global payments market remarks that developing countries are taking the lead to invest in initiatives to increase non-cash payments. It adds that on current evidence, some countries including China – riding on their spectacular domestic payment schemes such as China UnionPay and Alipay – will overtake the non-cash leaders in North America and the European Union within a few years. But the report's most significant prediction, in my view, is that the next ten years could see a power shift in payments, from the developed to the developing world, which could hold half of the global non-cash market by 2021. If that happens, the locus of payment innovation will also shift to that region.

The emerging world is the scene of innovation action

The 6th edition of the annual Innovation in Retail Banking study presented by EFMA and Infosys highlights the innovation ambition and confidence among emerging market banks. The report concludes that even though banks in mature markets have increased focus on innovation, they still lag the drive shown by their counterparts in countries like Turkey, Poland and Malaysia, which have cemented a reputation

Emerging markets are making such rapid strides in mobility that one may well ask if it will catalyze a reversal of roles – where emerging markets will lead, rather than follow, the advanced world in mobile innovation.

for innovation leadership. Indeed the opportunity for mobile innovation in developing countries is also attracting developed world banks to their shores. Take the example of BNP Paribas, which has tied up with telecom company, Orange to roll out mobile banking services in Ivory Coast.

Besides ramping up investment in organic innovation, emerging market companies are also improving their innovation capability through shareholding, in developed markets, if need be. A case in point is the US$ 445 million investment by the Philippine Long Distance Telephone Company in German e-commerce incubator Rocket Internet, which would together develop online and mobile payment solutions for developing markets. But when the deal was announced, the CEO of Rocket Internet spoke of how the partnership would also

So it is no surprise that the latest report on an annual survey of the global payments market remarks that developing countries are taking the lead to invest in initiatives to increase non-cash payments.

enable the rollout of these mobile money and micro-payment innovations around the world. Which brings up the next observation, which is that:

What works for the developing can also work for the developed

Emerging markets typically innovate to work around constraints – like poor affordability, weak infrastructure, low literacy, small ticket size, and so on – which are not seen in mature markets. Emerging market customers don't necessarily look for the best or the fastest; what they want is something they can use, and which does the job at a price they can afford. This has driven frugal innovation in many of these countries.

However, the resulting product or service often resonates with developed world customers, who are drawn to its value for money proposition. The story of Kenyan mobile money transfer service mPESA has grown to legendary proportions, and the service is now available even in some developed markets. Less known is the journey of Asha, Nokia's low cost smartphone developed for the Indian market, to U.S. shores. Clearly, not all Americans can afford the iPhone and Apple Pay!

Now, Google has chosen India to manufacture and launch its Google One Android phone, priced at around US$ 100, and will take it from there to the rest of the world. It is reported that YouTube is planning to enable offline playback of its videos – also in India – to circumvent the problems of limited mobile bandwidth and access; there's no reason why this won't be warmly received even in bandwidth-rich countries.

That being said, emerging markets are also climbing up the value ladder in innovation. The EFMA Infosys study comments that several developing nations – Brazil is a notable example – are on two-track banking innovation – one, which caters to the affluent classes with "developed world" products and the other, which focuses on fulfilling the needs of the underbanked. This suggests that the lines between developed and developing world innovation goals are starting to blur. This blurring is also seen in innovation capabilities, in that it is no longer a given that a product or service with developed world appeal will also originate there. Take Malaysia's Maybank, which has managed to take account origination completely mobile, or Korea's Hana Bank that has an end-to-end mobilized mortgage product as prime examples of this trend.

A mobile banking innovation win-win

My view is that the laurels for mobile banking innovation will increasingly be shared by the developed and emerging world, going forward. We will see a more equal flow of ideas in both directions. It is likely that the industrialized markets will continue to produce breakthrough hardware in the form of new mobile devices, such as wearables, but watch out for emerging markets to come out with novel uses for this fancy gadgetry. So, while the likes of Apple, Google and Nike will launch their smart watches, glasses and wristbands, it might take a vibrant Wealth Management market in Asia to leverage some of those devices as a channel to serve high net worth customers. And who knows, that elusive code for Whatsapp banking might be cracking in India or Turkey or the Philippines even as we speak!.

And who knows, that elusive code for Whatsapp banking might be cracking in India or Turkey or the Philippines even as we speak!.

On a serious note, the signs are propitious for emerging market mobile banking innovation to come into its own. Technology vendors, telecom providers and financial institutions from around the world are eyeing these markets for their growth opportunities and their potential as hubs of innovation. Many emerging market banks are espousing a mobile first policy, as a matter of conviction, and not merely as an alternative to conventional banking infrastructure. With consumer expectations and industry needs converging around the globe, emerging market innovations, such as financial inclusion solutions, are making their way into the low-end, underserved segments of developed banking markets. And let us not forget the thriving innovation ecosystem in the developing world, full of innovative startups that are working on the next big idea, and not just for their neck of the woods.

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BAI-Finacle Global Banking **Innovation Awards 2014**

BAI-Finacle Innovation Awards: Celebrating innovation in banking.

Innovation, it is predicted, will dominate banking industry priorities in 2015. And so it must. In an industry

The fourth edition of the program drew entries from banks in 30 countries across the globe with the final 7 winners being chosen from 22 finalists, whittled down from 200 nominations overall.

where the virtuous cycles of emerging technological possibilities and evolving customer expectations are constantly redefining conventional metrics and standards of success, innovation provides the key to unlocking new opportunities and value for financial institutions as well as their customers.

Since 2011, the BAI-Finacle Global Banking Innovation Awards has provided a global platform that recognizes and rewards innovations in products, processes and delivery that significantly enhance profitability, efficiency and customer experience. The fourth edition of the program drew entries from banks in 30 countries across the globe with the final 7 winners being chosen from 22 finalists, whittled down from 200 nominations overall.

The entries themselves are evaluated against two parameters – originality and impact. The first emphasizes the need to go beyond marginal improvements to deliver truly disruptive ideas while the second measures the quantifiable transformation that the innovation has delivered in terms of customer acquisition, revenue enhancement or cost efficiency.

"This year's winners epitomize the persistence and commitment of financial institutions around the world to develop and bring to market extraordinary innovations that continually advance the retail banking industry," says Debbie Bianucci, president and chief executive officer of BAI. "Success in the competitive environment in which these organizations operate is a notable feat and the unique solutions these organizations have designed and delivered have impressive levels of impact."

This year's awards ceremony feted winners in four main innovation categories, namely, Product & Service Innovation, Channel Innovation, Innovation in Internal Process Improvement and Innovation in Societal & Community Impact, apart from special awardees for Innovative Spirit, Disruptive Innovation and Most Innovative Bank of the year.

Summing up his observations from this year's entries, one judge noted, "There are two very clear trends. First is the way in which banks are evolving the concept of omnichannel. Today, technology is not the goal; it is only a means to integrate multiple channels to create a bridge between clients and employees. The second trend is mobility and rightly so as mobile will probably become the main interaction channel over the next two to three years. Wearables are also an interesting evolution within mobile banking and could well represent the next revolution in the step towards ubiquitous banking."

Mobility was the theme that helped Spain's CaixaBank walk away with the **Product & Service Innovation Award** for 2014. The bank launched ReciBox, an online and multi-device service that pushed the envelope on bill service and payment by empowering customers to categorize and compare their bills, communicate with issuing companies and simplify the process of managing their finances. Using an interactive and userfriendly interface, customers are now able to access features such as bill categorization that allows them to group and manage their bills according to their unique needs and requirements. Since its launch, over 10,000 customers have already used the service to create categories, above and beyond the default provisions, that are of personal relevance to them.

(From left to right) **Debbie Bianucci,** *President & CEO, BAI,* **Benjamí Puigdevall,** *General Manager Electronic Channels, CaixaBank,* **Àngels Valls,** *Director of Digital Services, E-LaCaixa,* **Sunil Gupta,** *Chief Operating Officer, Infosys Finacle*

mBank, a next generation digital bank from Poland, claimed the **Channel Innovation Award** with an enhanced Internet and mobile banking platform that combines customer-centric interfaces with advanced and integrated money management features, gamification, Facebook integration, video banking, real-time customer relationship management and merchant-funded rewards. The platform delivers about 200 innovative features while simplifying access to the suite of products and services.

(From left to right) **Debbie Bianucci,** *President & CEO, BAI,* **Michał Panowicz,** *Managing Director, Marketing & Business Development from mBank,* **Sunil Gupta,** *Chief Operating Officer, Infosys Finacle*

Turkey's DenizBank debuted a nifty innovation to tackle the pesky issue of collections, which won it the **Innovation in Internal Process Improvement Award.** With a view to optimizing its collection strategy, the bank created Inter-Collect, a scenario-based collection software that combines a best-practice decision engine and case management system. The software enables DenizBank to minimize collection costs and maximize collection effectiveness by assessing cost versus benefit at the customer level and optimizing resource allocation. Inter-Collect allows DenizBank to develop a customer-centric strategy that is based on identifying the ideal contact method for a customer and delivering a one time call that covers all products, all while focusing on churn as a priority KPI.

(From left to right) **Debbie Bianucci,** *President & CEO, BAI,* **Dilek Duman,** *Chief Operating Officer of Denizbank,* **Sunil Gupta,** *Chief Operating Officer, Infosys Finacle*

Fifth Third Bancorp from the United States was the winner of the **Innovation in Societal & Community Impact Award** with an inspired effort to redress the root cause of rising foreclosures. Rather than taking a typical loan modification approach to the situation, Fifth Third adopted a strategy derived from the insight that job loss was the primary cause of mortgage payment delays. The bank's Homeowner Re-employment program was launched in partnership with a re-employment solutions company to help borrowers find new jobs. The program, comprising individualized job coaching, online training and weekly coach-led seminars, has already delivered results with 40 percent of participants getting jobs after being unemployed for an average of 22 months.

(From left to right) **Debbie Bianucci,** *President & CEO, BAI,* **Larry Magnesen,** *SVP and Director of Corporate Communication from Fifth Third Bank,* **Amit Dua,** *Vice President & Regional Head – Advanced Markets & Global Accounts, Infosys Finacle,* **Sunil Gupta,** *Chief Operating Officer, Infosys Finacle*

Idea Cloud, from Polish bank Idea Bank S.A., is a cloud-based, multi-functional, multi-channel banking platform that is the first of its kind in Europe. Targeted primarily at small-scale entrepreneurs, Idea Cloud offers both banking and accounting functionalities with a range of tools and services that help simplify and accelerate the processes associated with small business management. The versatility of the solution allows customers to easily migrate their entire infrastructure to the cloud where they have access to business management applications that are designed for multi-device access. With an intuitive and responsive interface, the Idea Cloud makes for an efficient Personal Financial Management (PFM) and Banking and Finance Management (BFM) tool, and is also the winner of the **Disruptive Innovation in Banking Award 2014.**

(From left to right) **Debbie Bianucci,** *President & CEO, BAI,* **Andrzej Szewczyk,** *Member of the Board and Managing Director of Efigence SA,* **Amit Dua,** *Vice President & Regional Head – Advanced Markets & Global Accounts, Infosys Finacle,* **Sunil Gupta,** *Chief Operating Officer, Infosys Finacle*

Had there been an award for most number of nominations, then CaixaBank's tally of 24 would have made it the overwhelming winner. More importantly though, this Spanish bank has created an institutionalized commitment to innovation that has enabled it to deliver breakthrough products, services and processes and drive value for customers. CaixaBank's perfectly orchestrated innovation strategy that engages with employees, customers and young talent, and its renowned consistency in getting new concepts and ideas to market made it the favorite among the Innovation Circle Judging Panel for a special **Honorable Mention for Innovative Spirit Award.**

(From left to right) **Debbie Bianucci,** *President & CEO, BAI,* **Benjamí Puigdevall,** *General Manager Electronic Channels, CaixaBank,* **Amit Dua,** *Vice President & Regional Head – Advanced Markets & Global Accounts, Infosys Finacle,* **Sunil Gupta,** *Chief Operating Officer, Infosys Finacle*

DenizBank from Turkey was arguably the first to create a Digital Generation Banking Department to focus on digital projects with an emphasis on web and mobile services. That commitment to digital innovation has resulted in the creation of a banking ecosystem that features offerings such as mobile loans, mobile checks, Facebook banking and Twitter loans, to name a few. The bank has already embarked on its next-generation platform by porting existing products over to a gamified infrastructure supported by social gaming applications. DenizBank's established track record and on-going commitment to innovation got the global recognition it deserved with the title of **Most Innovative Bank of the Year 2014.**

(From left to right) **Debbie Bianucci,** *President & CEO, BAI,* **Hakan Ates-CV,** *President & CEO, Denizbank,* **Amit Dua,** *Vice President & Regional Head – Advanced Markets & Global Accounts, Infosys Finacle,* **Sunil Gupta,** *Chief Operating Officer, Infosys Finacle*

Commenting on the caliber of entries, Michael Reh, senior vice president and global head, Infosys Finacle, said, "These institutions have made remarkable progress in introducing innovative solutions to keep up with customer demand. The products, services, practices and processes they have pioneered have lead the way for the industry, providing substantial benefits to their customer base and to the institutions. As the innovation partner for global financial organizations, we applaud their outstanding efforts."

And so onward to the 2015 edition of the awards, nominations for which will open later this month. But even as the scale, scope and caliber of participation keeps increasing, one judge had an important message for next year's participants: "There were a lot of good submissions this year. But there is a challenge with some of the submissions, especially if they have been localized to conditions specific to certain markets. Sometimes it is difficult to understand the nuances of the marketplace, which would be critical to placing a particular innovation in context. It would probably help if the entries were accompanied by a more illustrative presentation that not only details the innovation but also defines local market dynamics that ultimately determine impact."

To lead or not to lead?

That is the question for innovating banks.

"Only half of banks are aiming to be innovation leaders."

While this finding from the Innovation in Retail Banking 2014 study jointly presented by EFMA and Infosys is not totally unexpected, we were taken aback by the other half's clinical acceptance that their destiny was at best, to follow fast.

Perhaps we shouldn't be. When asked about the biggest barrier to innovation in their business, financial service professionals attending the Australia Information Industry Association (AIIA) Innovation Forum spoke in one voice – "fear of failure". While every industry shares this fear, in trying to put innovations to market on a grand scale, the financial industry raises the stakes to such heights that failure is no longer an option. Ergo playing it safe is.

49 percent of respondents want to be innovation leaders, only 35 percent have invested in advanced R&D

Lead or follow

The choice of innovation objective – lead, follow fast, merely follow, and so on – is either a matter of will, or of wherewithal.

Regulatory caution, risk aversion and inimical culture fall into the first category. Banks, which accord primacy to such factors, will choose to remain innovation followers. This is quite apparent. Increasing regulation has made it even more difficult for a historically regulated industry to plunge into something new. But ironically, at the same time, in many emerging areas such as social lending or mobile commerce, nimble non-banking players have rapidly established themselves, while the traditional banks wait for the air to clear. This is just one example of how the average bank's low appetite for risk is holding it back from taking the lead. Then there's culture. Respondent banks in the EFMA-Infosys study openly admit to their organizations' low tolerance for failure, suggesting that there is little support for employees who take calculated risks, which don't deliver.

On the other hand, the lack of financial or creative wherewithal could force a bank with innovation leadership ambitions to invest their precious resources into tried and tested, incremental – rather than breakthrough – innovation. Indeed, the findings of the EFMA-Infosys study hint at this being the case: while 49 percent of respondents want to be innovation leaders, only 35 percent have invested in advanced R&D, the kind that is necessary to back such an ambition.

So, clearly a number of banks will choose to remain fast followers. For them, the most important thing is to stay abreast of unfolding trends and once these are proven and established, act quickly to adopt. Awareness of the market environment is key for the success of a fast follower strategy. Setting up competitor innovation information cells with an ear to the ground could really help follower banks in this area.

And what of those who dare to be innovation leaders? They have to tread the fine edge between first mover advantage and market adoption risk. Banking innovation leaders will have to fight not only peer banks, but also non-banking entrants from the tech, telecom, retail, and start-up space. The reward for this hard work is a reputation for innovation, and for those who get it right, even a position of leadership, as the case of Spain's Caixa Bank demonstrates. Voted "Best Retail Bank for Technology Innovation" for the second year in a row at the Euromoney Awards for Excellence, and also the "Most Innovative Bank of the Year" at the 2013 BAI - Finacle Global Banking Innovation Awards, Caixa Bank, whose share of the Spanish online banking market places it second worldwide by home market penetration, exemplifies the term "innovation leader".

The bank owes its success to being first off the blocks in embracing new technologies, such as contactless and wearable, to cite just two.

Or something in between

But are the possibilities for banking innovation split between leading and following, or is there room for another kind of aspiration? Well, some banks might choose to act as catalysts, creating a conducive, stable and secure environment for innovation, while leaving the actual business of innovating to others. Open innovation gives them a platform for doing this. The EFMA-Infosys survey reveals a rising trend in the adoption of open innovation approaches, such as partnerships with IT companies and other suppliers, staff competitions, and tie-ups with academic institutions. Besides these, an interesting option is to invest in start-ups. Consider Israel's Bank Leumi, which has stepped up its innovation investment and focus in recent years. It has augmented its internal efforts by partnering with Elevator Fund to specifically identify financial technology start-ups to invest in. The first phase of the program, which started in late 2013, identified five start-ups, each of whom would get $20,000 in funding. Through this initiative, Bank Leumi hopes to gain early access to financial technology innovation and an opportunity to help shape product efforts to support its biggest needs.

Some banks are also starting to organize "hackathons", or innovation competitions open to non-staff.

Some banks are also starting to organize "hackathons", or innovation competitions open to non-staff. This list includes the likes of Barclays and Rabobank.

The EFMA-Infosys Innovation in Retail Banking annual surveys show a clear pattern of rising innovation focus and investment among banks. While this is as it should be, banks should also introspect on their motives for innovation. That being said, a bank's innovation objective need not progress linearly, to take it from follower to catalyst to leader. Nor is it a one-time choice. Banks should expect to transition between these three states, depending on what is most appropriate to the prevailing demands of their internal and external environment, as well as their immediate context. It is fair to say that banks should also be innovative in the way or why they innovate.

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Taking mobility **further and beyond**

Mobility continues to lead innovation priorities at most banks around the world. Most offer their customers at least a basic banking app while a significant number have already scaled up their mobile banking capabilities from merely delivering information services to enabling important transactions.

From the customers' perspective, mobile banking has gone from being a nice-to-have feature to a must-have functionality, and more so for the younger generation. Over a third of customers shopping for a checking account will base their final choice on the availability of a mobile banking solution. More than one in four customers in the 26 to 34 age group are even disposed to switching financial service providers if that ensures access to mobile banking features like photo bill pay. More significantly though, mobile banking logins in the United States are said to have finally overtaken online logins towards the end of last year, a trend that may well go mainstream.

> More than one in four customers in the 26 to 34 age group are even disposed to switching financial service providers if that ensures access to mobile banking features like photo bill pay.

Consumers definitely seem to have set a direct course for a mobile-first end state of banking. Which can only be good news for banks as mobile, the most cost efficient of all banking channels, yields customers who tend to be the most engaged, the most loyal and also the most profitable.

But there are some challenges to be addressed before the mobile phone can become the primary banking interface for customers. Foremost among those is the fact that most digital banking services seem to fall short of customer expectations in terms of features and functionality. In the U.S. for instance, in spite of hefty year-on-year increases in mobile banking users, usage frequency actually dropped by a third between 2012 and 2013.

Banks definitely need to reassess and align their mobile strategies around key customer behaviors and needs. But in a mobile-first economy, banks will also have to look beyond delivering convenience, engagement and experience to customers, towards other monetization opportunities that enhance the mutual value of the relationship. Very few banks actually leverage the power of mobility to translate engagement and loyalty into share of wallet. They need to take a more holistic view of the possibilities and potential of mobile banking, both from the point of view of customer satisfaction as well as enterprise profitability.

Mobilizing the customer lifecycle

A mobile-first banking strategy cannot be one that merely focuses on delivering services to existing customers. It must be enabled to create a rich, engaging and integrated mobile experience that is relevant to every stage of the customer lifecycle. In a recent study, fully automated account origination topped the list of innovations that banks are pursuing in the online channel.

But customers already seem to be primed and ready for this functionality on their mobile devices. According to one estimate, accounts activated through mobile devices accounted for up to 20 percent of new account openings in 2013. Mobile devices are expected to account for over two million account openings this year with the number expected to rise at least five fold by 2020.

As far as customers are concerned, the ability to create and fund accounts through mobile devices is now hygiene. And if customers are basing their choice of bank on its mobile capabilities, then a simple, solid and streamlined account opening experience could indeed be the acquisition lever that banks need. To deliver a truly mobile-first account origination, banks must be able to leverage the native capabilities of mobile devices, like the camera for data capture or the unique device ID for authentication, to make the experience as seamless as possible. The entire process must be designed to alleviate the need for any physical interventions, right from submitting and tracking the application to funding the account.

Mobilizing the sales effort

Beyond creating a convenient acquisition gateway for new customers, banks also need to define a sales strategy that leverages the potential of mobility to create additional opportunities for up-selling or cross-selling to their customers. And there is a lot of value to be realized here. Consider that of the 7 financial products owned per household, banks account for a measly 2.1 on average.

The potential of the mobile device to deepen and expand customer relationships is as yet significantly under-leveraged. Currently, very few mobile apps are optimized for sales and marketing activities or even for allowing customers to apply for new services. One study has estimated that cross-selling, customer retention and cost reductions can yield a potential ROI of close to 16 percent for mobile banking.

Mobile banking offers some uniquely native opportunities to efficiently deliver products that not only fulfill need, but do so in the correct customer context. For instance, the combination of transactional information and locational data allows banks to deliver highly relevant product offers, in real-time, at the point-of-purchase, thus significantly increasing the chances of opt-in when compared to a standalone offer. But location is not the only context to be derived from mobile banking. As mobile usage grows, banks will also be able to hyper-personalize offers to the customer's personal financial context to ensure a higher rate of mutual productivity and value. Going forward, banks must focus on optimizing their mobile banking apps to deliver product and service suggestions that are tailored to the specific needs demonstrated by the customer's transaction patterns.

Today, almost three-fourths of banking customers who use Personal Financial Management tools have to rely on external solutions, but 40 percent of them say they would prefer to have these tools on their own bank's website or mobile app.

Mobilizing financial empowerment

Successful hyper-personalization derives from actionable insights gleaned from customers' transactional and contextual data. It is therefore imperative that banks gain a holistic understanding of a customer's financial needs, context and behavior. If banks want to increase their share of wallet, they will need access to a unified view of financial data, most of which typically lies beyond their organizational boundaries. Therein lies the next huge mobile opportunity for banks.

Customers expect their financial service providers to proactively help them with personalized and real-time analyses and advice that will help them manage and achieve their financial goals. Today, almost three-fourths of banking customers who use Personal Financial Management tools have to rely on external solutions, but 40 percent of them say they would prefer to have these tools on their own bank's website or mobile app. There is growing interest in PFM even among the millennials, with nearly half emphasizing the need for PFM functionality as a key determinant of choice of service provider.

Aggregated data is the key driver of any efficient and productive PFM solution. To customers, this data represents their ability to unify financial assets spread across multiple service providers, and develop an overarching strategy that moves them quickly towards their financial targets. For banks, it presents the opportunity to develop comprehensive, contextual and actionable insights that can inform up- and cross-sell offers, promotions and communications. More importantly, the most active mobile banking users, who also tend to be the most focused on PFM solutions, represent the most profitable customer segment in banking. Data aggregation and PFM solutions are a critical component of any mobile banking strategy. Assisting customers in quantifying and realizing their financial aspirations can help build a more engaged, loyal and profitable customer base.

Mobilizing the workforce

Mobile-first is a cultural shift that affects both consumers and employees of businesses. In a study released last year, the banking industry declared itself the most prepared for BYOD, above other sectors like legal and healthcare. As banks pursue consumer-focused mobile-first strategies, it makes sense to adopt a similar approach to empowering employees. There also seem to be some empirically established business benefits of allowing BYOD in the enterprise. One study observed that organizations that have embraced BYOD were more likely to post higher numbers in terms of sales, customer acquisitions and profits, apart from being likelier to enhance employee satisfaction.

There is definitely a productivity angle to BYOD. One technology leader achieved a productivity increase of nearly an hour a day, adding up to a huge 1.6 million hour gain over a year. In banking, mobile devices can empower field agents and sales personnel to deliver an enhanced level of service and engagement to their customers by having access to all information and applications in real-time. Moreover, it makes sense to embrace BYOD within the ambit of a clearly defined BYOD policy rather than cope with the risks of unauthorized use of devices on the enterprise network. Banks therefore need to proactively harness the potential of BYOD while taking adequate precautions to mitigate mobile-related security risks.

In banking, mobile devices can empower field agents and sales personnel to deliver an enhanced level of service and engagement to their customers by having access to all information and applications in real-time.

Mobile-first or bust

Even as banks embark on delivering a comprehensive mobile-first banking experience to their customers, it would be worthwhile to acknowledge a new breed of competition that is betting on being mobile-only. Their promise is not about apps that deliver access to products and services; it is about reinventing the banking experience around mobile devices. For a tech savvy younger generation, largely dismissive of traditional banking practices, that is a promise that is hard to ignore. And mobility is a state of play, not an end state. Banks will have to define a mid- to long-term innovation road map that will accommodate future developments in mobile device technologies as well as the impending wearables revolution. The emphasis as always will have to be on redefining banking around the potential that these new technologies afford rather than simply adapting them to incrementally improve banking as we have known it.

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T-bank, Turkey: A model core banking implementation by Finacle for the Turkish banking industry

Profile

Turkland Bank or T-Bank as it has been known since 2007, has a history of nearly three decades. Today, the Bank serves the Turkish market through a network of 27 branches located in all the major industrial and financial centers. The Bank, which is one of the fastest growing mid-sized institutions in the country, with a focus on expanding its presence and play in economic and trade activities. The well-developed networks of its shareholders, namely Arab Bank Plc, Arab Bank Switzerland and Bank Med Sal in the Middle East and North Africa region, has allowed T-Bank to reach out beyond Turkish borders.

"A best-in-class technology platform is imperative for growth. T-Bank is pleased to have pioneered the first full-fledged core banking implementation in Turkey with the globally recognized solution from Infosys Finacle and flawless project management from Cedar Consulting. The successful rollout of this platform will augment our vision for delivering quality products and services to our customers."
- Dincer Alpman, CEO

Background

Sometime in 2009, T-Bank realized the need to adopt global banking practices and a new-age technology platform to bolster its ambitious growth plans and competitive edge. The existing third party legacy core banking platform was riddled with several issues, such as inflexibility, poor scalability, and inability to support Straight Through Processing of many back office operations. As a result, the Bank found it difficult to launch timely new offerings to meet market demands and to comply with MIS and regulatory reporting requirements.

The Finacle choice

These challenges helped T-Bank firm up its expectations from its core banking platform. The Bank determined that it needed a solution, which followed open standards in the hardware and operating environment, interfaced easily with existing applications, and was sufficiently flexible and scalable to meet current and future demands with ease. This meant that the solution would have to support local regulatory expectations and of course, be available in the Turkish language. Last but not least, T-Bank wanted a platform that was simple to deploy and maintain.

The Bank embarked on a rigorous evaluation process of top global vendors to identify the one who would partner them in this endeavor, now christened 'Project Future'. According to V. Ramkumar, Global Head - Business Technology Practice, Cedar Management Consulting, the firm, which managed this comprehensive evaluation process, "The system selection was focused to deliver on the strategic objectives of the bank and included evaluation across global solutions. This project will lead to one of the first full-fledged core banking replacements in Turkey, making it a landmark in Turkey's banking industry."

Negotiations with T-Bank and Finacle from Infosys commenced in 2009. Besides having a great track record and fulfilling T-Bank's every criterion, Finacle was amenable to a high degree of localization and customization to make it ready for the Turkish market. The Bank was impressed with the Finacle team's domain skillsets and their fit for the Turkish market, based on their deep understanding of its requirements.

"Our bank is pleased to have selected Finacle from Infosys, a globally well acclaimed and rich core banking product. We are also confident that this project will help Infosys build a much stronger presence and clientele in the Turkish market."

Discussions ended successfully in early 2010 with Infosys being awarded the mandate to take T-Bank live on Finacle in the first week of April 2013. Announcing the decision, Dincer Alpman, Chief Executive Officer, T-Bank said, "Our bank is pleased to have selected Finacle from Infosys, a globally well acclaimed and rich core banking product. We are also confident that this project will help Infosys build a much stronger presence and clientele in the Turkish market."

Ilhan Zeki Koroglu, Chief Operations & Information Officer, clearly set out the Bank's expectations from the alliance. "Our bank aims to accelerate product and channel innovation and streamline operations for future growth. Finacle's state-of-the-art solution and Infosys's excellent delivery track record were the key factors in this selection. We are confident that this partnership will provide our customers with a differentiated, world-class experience."

Implementation Highlights

The scope of implementation included Finacle Core Banking, CRM, E-banking and Treasury solutions. The considerable challenge of this multifaceted project was compounded by the extensive need for localization, to cater to the client's demand for local language support and absolute regulatory compliance.

Together, the teams from Infosys and T-Bank's IT department delivered the following key localized modules:

- **E-Confiscation:** This module enables the Bank to comply with a regulatory provision allowing the Government to block funds in the bank accounts of those who default on tax payments or are liable to the Government in any other way. This also enables tax payments & Social Security Payments.

- **Value Dating Concept:** This module fulfills T-Bank's need to designate the next working day after a customer credit transaction – online or batch – as its value date and accordingly the interest payable for the credit balance will be calculated.

- **Position Entries:** This allows the Bank to create position account entries in the treasury branch for all foreign currency cash transactions, even when they are not cross currency in nature. This is done to ensure regular monitoring and revaluation of the Bank's overall exposure in a particular currency.

- **Legal Responsibility:** When a Cheque is issued to the customer, the bank undertakes to make a payment of a pre-defined amount of money in case the instrument is being returned due to insufficient funds in the customer account. For this purpose a contingent is booked to the extent of this amount when the Cheque is issued. The central bank informs the legal liability amount of the cheques from time to time. This legal liability amount mentioned by the central bank is required to be stored for future action and also to update the legal responsibility contingent for un-used cheques of the customer.

parameters like type of transaction, customer, type and currency of accounts involved, amount etc.

"Finacle core banking solution was selected after a thorough review of global systems. The successful implementation has helped us benefit from global best practices, which will help us provide exemplary customer service, streamlined operations and innovation in products."
- Ílhan Zeki Köroglu, Chief Information Officer, T-Bank

- **Revaluation:** In the localized module, revaluation loss amount is booked to a separate loss account instead of the revaluation P&L account. Revaluation of cash position entries is considered along with normal position revaluation.

- **Transfer Pricing:** Transfer pricing ('ITP') is used to manage the centralized pool of funds and arrive at the profit or loss of the interest flowing between the branches and treasury. The transfer pricing rate is captured for all customer accounts, namely TDA, TUA, SBA, CAA and ODA. The difference in interest at the customer- and transfer pricing rate is booked as ITP income or expense with the treasury branch, using a daily batch job.

- **FCY/HCY Provision:** T-Bank resorts to a practice of foreign / home currency provisioning to ensure that its position is not abnormally affected due to a sudden inflow of foreign or home currency. Under this, a customer can intimate the branch about any imminent receipts in foreign or home currency. This allows the Bank's treasury team to plan ahead and also benefits the customer by way of lower levies.

- **Statistical Codes and Vouchers:** This module attaches special reporting codes, called 'Statistical Codes', defined by the Central Bank, to foreign currency financial transactions. The statistical code to be attached to a transaction depends on different

- **EFT:** EFT is the local payment system in Turkey for home currency payments and remittances. The payment order module in Finacle has been localized completely to cater to the message formats and other needs of EFT payments.

- **Guaranteed cheque:** With Finacle, the Bank is now able to issue guaranteed cheques for which the Bank guarantees for a payment up to a specified amount on request of customer.

- **Blocked cheque:** The Bank is now able to issue blocked cheques in lieu of demand draft instruments.

The team also worked together on some of the customizations that the bank required:

- **Lotus Notes:** This customization enables additional validation of a loan amount against collateral during disbursement, and in case of failure, sends an outbound call with the details to Lotus Notes.

- **Banksoft:** The core banking solution has been integrated with third party software, Banksoft. It has also been customized with a facility for sending a request to the debit card company for issuing a card after verifying the ODA account.

- **Risk Centralization:** Thanks to this customization, the Bank can consolidate risk data from the third party, which maintains centralized risk information, and view it along with customer information in the core banking solution.

- **Nova/Innova:** Integration with third party, Nova/Innova, provides account and customer details and a facility to enable transfer transactions and payment order creation.

- **EFT – SI:** With this, the Bank can create standing instructions for payments through EFT. A batch job executes the standing instructions during EOD operations and sends out EFT messages.

- **Transaction Vouchers:** This enables the printing of any transaction voucher in a bank-specific format, which complies with Turkish regulation.

- **Rate Request:** This customization has created a facility to obtain an exchange rate for low value transactions from the core banking solution's internal setup, without contacting treasury.

- **Limit View:** The Bank is required to monitor all lending related details pertaining to a customer, such as amount outstanding, limits, collaterals etc. at one place; the details in the discrepancy report also need to be accessible through online enquiry. This facility has been provided through customization, such that the overall exposure of both limit and collateral is visible in a single online screen.

After the successful completion of the above localizations and customizations, Turkland Bank went live on Finacle Core Banking, CRM and Treasury Solutions in 2013. The first core banking implementation in Turkey by a global vendor in over a decade, it blended innovative local requirements with global best practices. The deployment empowered T-Bank to meet the needs of retail and corporate customer segments with faster product rollout and improved customer service.

Benefits

The T-Bank deployment broke new ground in several ways. It empowered the Bank with:

- **Future-ready IT architecture to support strategic growth –** T-Bank launched Finacle simultaneously in the 27 branches in its network. As a result, the Bank now has a robust and feature-rich technology infrastructure, with the scalability to support future growth.

- **Fast and flexible product rollout and therefore more competitiveness –** Finacle enabled T-Bank to rapidly design, launch and deliver new products and services. The Bank was able to launch 3 products successfully through Finacle in the space of one year. This strengthened its ability to compete in a market renowned for being at the forefront of banking innovation.

- **Extensive localization to meet local market needs –** Central to the program's success was the deployment of a system localized to meet market needs. As part of this deployment, Finacle addressed and delivered Turkey-specific banking capabilities, such as funds transfer and clearance, transactional security and multi-currency support. The system also supported the Turkish language.

- **Full compliance with Turkish regulatory requirements –** The solution was fully compliant with the requirements of the domestic regulator, namely, the Banking, Regulation and Supervision Agency (BRSA).

Mobility and **the Future of Banking**

It's extremely difficult to venture an opinion on what mobility holds for banking in the future. Making single word predictions – great, unprecedented, unimaginable – is easy. But it's when it gets into the details that the mind starts to boggle.

For instance, how should we interpret the meaning of mobility and therefore its potential for banking?

Is it sufficient to look at the growth of mobile connections, shipments, handset production and the like, all of which is still quite impressive? Clearly not, so let's bring data into the equation. Mobile carried

Mobile carried 1.5 exabytes of data each month in 2013, 81 percent more than the traffic in 2012.

1.5 exabytes of data each month in 2013, 81 percent more than the traffic in 2012. But even this description seems incomplete without a mention of content, such as video, which accounted for 53 percent of all 2013 mobile traffic. Now factor in the app phenomenon and finally we're getting somewhere.

This prelude tells us that mobility has grown both in number and in capability. So how has it changed banking and other financial service verticals?

In payments, the mobile-enabled component is expected to grow to US$ 1 trillion this year, and twice that by 2018. Apple Pay's trajectory in the first quarter of its launch is indicative of the action in this space – tie ups with 6 big banks, all major credit card issuers, and at least 220,000 merchants. The latest EFMA-Infosys Report on Retail Banking Innovation offers further evidence – a record 193 payment startups were funded by VCs in 2013 and more than 40 mobile money transfer services were launched the same year.

In commerce, the records are tumbling for Alibaba, which after creating the largest IPO in corporate history, notched up (yet again) the largest ever single day online sales in November 2014, valued at a whopping US$ 9.3 billion.

In fund management too, the mobile action is heating up. Alipay (from Alibaba, where else!), which is China's largest third-party online payment solution is now also the manager of the world's third largest global money market fund by assets under management. It took a mere 10 months to build its AUM from zero to US$ 89 billion.

The list can go on, but the point is made. Mobility has penetrated virtually every business in financial services, and also every stage of financial transaction. As mobility continues its inexorable march forward, I foresee it at the center of the following shifts:

The shift of power to the end points: Whether from a consumer, partner or regulator perspective, the power of purchasing, decision making and judging will increasingly move to the (mobile-enabled) end points. Banks and allied businesses will be expected to recognize this shift early on and ideally, be proactive in accelerating the same. The shift is inevitable and the surrounding environment of ecosystem, technology and infrastructure more than ready. Therefore banks that do not lead this change by making the necessary enhancements to their systems, policies and processes, will very soon begin to lag.

The shift of interaction from person-to-person to screen-to-screen: Many in-person interactions have moved to the screen, which has turned increasingly versatile in the smartphone era. Banks must accordingly elevate their content and communication to leverage the full capability of mobiles and their screens, so that they can satisfy not just their regular customers but also a totally new audience of children and young adults who don't understand banking but certainly understand mobility. The way to go about this is to devise "one screen (from a solutions and applications perspective) that fits all".

This turns the spotlight squarely on experience. Going forward, banks must ensure that screen interactions are less about banking and processes and transactions and more about fulfillment, consumer delight and the vividness of experience. In this, they can draw lessons from other industries, especially high-technology, which are constantly improving every parameter of experience delivery, be it cost, speed, personalization, customer specificity, or engagement. It is therefore no surprise that customers view tech companies as desirable banking partners, and banks rate them as their biggest competitive threat. Banks can counter this threat through mobility by ensuring that their mobile strategies, policies, offerings and applications, all of which influence the banking screen, are always fresh and relevant to consumer need.

The shift to industrialization: The banking world is in the midst of a wave of industrialization where products are being rationalized and standardized. Mobility is an important catalyst of this shift. The "factory model" of banking will of course transform the back office to standardize products and practices, but somewhat magically, it will also enable these products to be customized into customer-specific offerings at the front end. The mobile is integral to this agenda of creating "one size fits all" offerings and experiences. Banks will have to ensure that customers can undertake all kinds of activities – purchase, deposit, consult, transact, complain and compliment – on a single screen that is the mobile. In other words, mobility must fit all.

The shift from form factor to all forms or formless: 2014 was the year of the wearable device. Wearables are expected to grow strongly from the current shipment level of 33 million units to touch 148 million units in 2019. Although most wearable devices need to connect with other traditional mobile gadgets – a key limitation – there is no denying that they have smashed the boundaries of mobility and mobile devices, as we knew it. Much has been said about how wearables will free experience from all constraints of time and space. But some wearable devices, such as glasses, will also raise the quality of personal interaction by enabling the parties to maintain eye contact, even when using the device.

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The shift from less- to -less: In the few decades of its existence, IT has mainly worked behind the scenes as an enabler of function. Improving efficiency, productivity, agility and resource utilization has been its primary focus. This reflects the spirit of the times, a post-crisis obsession with doing things for less –less time, less money, less effort, less paper, less energy, and so on. This incremental, conservative, linear approach will be swept away by a mobile wave from which will emerge a new paradigm where extensive, explosive and exponential will be the norm. In that paradigm requirements like less paper, less resource and less effort will be replaced by concepts such as timeless, effortless, peopleless, even bankless, and thereafter by more intelligent, more interactive, more predictive and proactive.

That being said, while the abovementioned shifts are important, they are simply the most visible manifestations of a much deeper, fundamental transformation that will be driven by mobility. Mobile technology is at the heart of a digital revolution that is sweeping through our world, to reshape every institution, every industry, and every walk of life. This revolution – like others, which have preceded it – will amplify human potential and capability to in turn create a great human revolution.

It is our view that in order to adapt to these tremendous changes, banks and financial institutions would need to embark on a journey of introspection to identify what part of their existing systems and processes they must renew for greater efficiency, and what new things they must add to these renewed systems in order to drive profitable growth.

This dual strategy of renew and new must work at every layer of the IT stack, starting from infrastructure, and from there to platforms and applications. But even as banks redefine, reassemble and reengineer the old, they must find a way of getting these systems to coexist and collaborate with completely new systems and technologies, including but not limited to artificial intelligence, extreme automation, deep analytics and big data.

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That calls for another shift – this time in thinking. Going forward, banks will need to enter into the unfamiliar territory of design thinking. Design thinking demands that its practitioners take "desirability" – the needs of empowered users at the end points – as the starting point and then design solutions that are feasible from a technology, ecosystem, resource availability and regulatory perspective, and more importantly, viable from a purely commercial standpoint.

It is absolutely certain that mobility will play a vital role at every stage of design thinking: empowering end users, gathering "desirability" information from end points, feeding that information into analytics solutions for insights, offering low cost platforms for creating feasible solutions and finally, providing viable channels of delivery until the last mile to complete the cycle.

Which is why I started out by saying that it is extremely difficult to describe what mobility holds for the future of banking. The only easy bit is that mobility is the future of banking.

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What Banks Want: **A look at Africa's technology needs**

Africa's economy may be in for good times. One forecast says GDP will grow 50 percent between now and 2019 to reach US$ 3.7 trillion, spurred by robust consumer demand. Ethiopia, Uganda and Mozambique will lead the charge.

Yet these optimistic predictions must be tempered by the sobering reality that a large number of Africans are still suffering from poverty, unemployment and inequality. This dichotomy is also at play in the banking sector. With Sub-Saharan Africa growing between 5 and 6 percent, the banking industry is expected to outpace GDP in 2014, driven largely by the financial needs of a rising middle class. As banks gear up to meet consumer demand, their principal concerns include staff augmentation, cost optimization and building operational scale. Large banks are looking at expanding beyond home shores to capture foreign markets and the diaspora opportunity. On the other hand, second tier institutions are focusing on growing regionally through acquisition, whereas the smallest banks are concentrating their efforts on building the microfinance business at home.

With Sub-Saharan Africa growing between 5 and 6 percent, the banking industry is expected to outpace GDP in 2014, driven largely by the financial needs of a rising middle class.

Consolidation of banks in the East and West and the adoption of new technology in some markets are also ushering in big changes in Africa's banking sector. But this dynamism contrasts sharply with the fact that about 80 percent of the adult population still does not avail of financial services from formal or semi-formal providers, an opportunity that mobile money transfer services have seized with both hands.

That being said, building financial inclusion is only one among the industry's several challenges.

Managing regulation and risk: At the top of the list is the difficulty of keeping up with regulation. In a survey of industry professionals and regulators in a handful of African countries almost 90 percent of respondents said that implementing global initiatives was a challenge. Regulation is at the heart of this issue, because most African banks don't have the skills or the systems to fulfill global reporting requirements, and therefore cannot operate in international markets. That being said, the industry is in the process of building this capability by establishing the necessary structures and dedicating greater resources to compliance.

Another related challenge is risk management, which even today relies on the use of Excel spreadsheets, especially in smaller institutions. Risk decisions are often based on data from legacy systems, which means data quality and currency are in question. Banks are therefore laying emphasis on improving risk profiling and the management of operational and market risk. Take Nigerian banks for example, some of which had bad loans to the tune of 33 percent of their total loan portfolio a few years ago. This has taught the industry to take a more prudent approach to credit expansion.

Improving efficiency: Where they exist, legacy systems are exerting a drag on operational efficiency. As retail margins continue to shrink and fickle customers switch to cheaper providers, there is pressure on African banks to shore up cost efficiency through trade services and transaction banking. In a 2013 report on emerging markets, a well-known consulting firm talks about how South African banks are according high priority to improving cost efficiencies and processes. One of the things these banks and their counterparts in neighboring countries are doing is investing in alternative channels.

Retaining customers: About two-thirds of Africa's population is below 35 years of age. Banks are targeting the youth of course, but they are also aware of the importance of managing their senior customers and their massive pension corpus. This calls for fine segmentation tactics and differentiated products and services catering to the needs of different groups. Customer retention is a key priority.

These imperatives are turning the banking industry's focus towards customer-centricity. This is a bigger challenge in the context of a region where banking systems are often rudimentary and manual processes much in use.

Efforts at enhancing customer focus vary across banks; some are trying to shorten transaction processing time, while others are streamlining customer processes, and yet others are focusing on meeting service quality expectations. While it is difficult to generalize for the region, it is evident that some countries are succeeding in their attempts. A 2014 survey of consumer perception of banking service delivery in Nigeria shows an improvement in the Customer Satisfaction Index over the previous year – 72.8 percent versus 71.9 percent. In the same survey, both retail and corporate banking clients cite customer service as the biggest reason for staying in a banking relationship. Besides working on service levels, African banks also need to improve cross-selling and up-selling rates.

As a first step to meeting these challenges, African banks must conduct an assessment of their technology landscape to identify capability gaps. Several – if not most – banks are stuck with outdated legacy systems, undermining their ability to launch new products and channels, engage with customers, manage risk and fulfill compliance mandates. With the passage of time, these systems have become increasingly unreliable and expensive to maintain, and banks are paying the price in frequent outages. Worst of all, they are unable to integrate these systems with new channels of banking.

Because their systems are fragmented and in silos, banks face problems in integrating data across applications, which is so necessary for generating a unified customer view, for delivering a seamless omni-channel experience, for consolidating risk across the enterprise, for informing trade and treasury decisions, for generating statutory reports, and for performing a host of other functions.

A 2014 survey of consumer perception of banking service delivery in Nigeria shows an improvement in the Customer Satisfaction Index over the previous year – 72.8 percent versus 71.9 percent.

As mentioned earlier, it is common for banks, especially the smaller ones, to use spreadsheets in key processes. Take treasury functions like limit and position monitoring, which can sometimes take more than a day to discover a breach of limit by a trader or counterparty, because of spreadsheet-based processes that refresh data in batches. That's not all. Banks' data challenges are compounded by inaccuracy, unreliability and incompleteness, resulting from incorrect mapping of sources and dependencies.

The solution lies in a systematic and thorough overhaul of infrastructure. Legacy systems must be replaced with a modern core banking platform, which would yield several benefits ranging from cost reduction and business agility to easier compliance and risk management and seamless integration of applications, channels and data.

Some of this is already underway at banks, which are no longer willing to pay the price of legacy, namely the loss of opportunity and competitive edge. With banks struggling to cope with the increasing demands of regulation and reporting, the call for core banking transformation will become more and more urgent. Most tier 1 institutions are now equipped with new systems that will see them through 2025 given periodic upgrades and maintenance.

Banking technology vendors eyeing the African market will find opportunities in the areas of core banking and risk management.

And in the past 12 months or so, several banks, including Kenya's Equity Bank, Ethiopia's Awash International Bank and the National Bank of Ethiopia have migrated to a new core banking platform, and Kenya Commercial Bank has announced plans to do likewise.

Besides core banking, business intelligence and customer analytics are the technologies of interest to banks, many of which have not been able to differentiate their offerings or capture market share on account of poor data capabilities. Lack of channel integration is likewise compromising the industry's ability to acquire customers and deliver seamless experience, which is sparking a demand for multichannel capability.

Dynamism in the payments market continues unabated, creating a need for payment hubs and other infrastructure. There is a trend of collaboration between banks, telecom operators and large retailers in the areas of payment cards, mobile wallets and agency banking.

The African banking industry would also benefit from a better approach to risk management. Banks' fragmented systems have forced them to manage risk piecemeal, using multiple systems, which is of course expensive, but also inefficient because it precludes a holistic view of enterprise-wide risk. The need is for a modern risk architecture that overcomes all these limitations and also prepares banks to comply with current and emerging regulatory stipulations. It is extremely important for this system to have real-time capability, so that risk managers see a view of enterprise risk in real-time and can therefore arrive at more accurate decisions.

While on the subject of decision-making, the corporate treasury function could benefit substantially from an improvement in trade and transaction systems and processes. Standardizing reporting systems and standards is one part; opening up communication between different functional units within the bank is the other.

Banking technology vendors eyeing the African market will find opportunities in the areas of core banking and risk management. By size, the largest banks will offer opportunities for implementing technology infrastructure and process standardization across countries, second tier banks will demand a stable, scalable platform that will last them for the next ten years apart from channel banking capabilities, whereas the smallest banks, which have limited resources will look for solutions, such as cloud infrastructure to reduce both capital and operating expenses.

On their part, vendors must offer solutions fulfilling these key expectations as well as other needs including scalability, flexibility, customer-centricity and the ability to keep pace with regulatory requirements. This implies that the solutions must accommodate a reasonable amount of customization to cater to the demands of different countries. Last but not least, market knowledge and local support will go a long way in strengthening vendors' claims for a share of the market.

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Bank 3.0 - Why Banking is No Longer Somewhere You Go, But Something You Do

By Brett King

Bank 3.0 may have been written in 2012, but Brett King's take on the trends redefining financial services and payments holds true in 2015. The mobility wave that rose several years ago has gathered momentum today and threatens to wipe out anyone that hasn't learn to ride along. This book explores how social media, mobile technology, cloud and customer advocacy are affecting banking. Bank 3.0 is all about disruption in the banking space – by non-banking players that are making most of the increasing gap between customers and financial services players.

In this book Brett King challenges the traditional idea of banking and defines what banking means to the customer of today. It is no longer about how big a network a bank has, and how many customers it has, but about how easy it makes banking for its customers. Does the bank allow its customers to bank anytime, anywhere on the device of their choice? If so, then it does not matter if it has a 1000 branches around the globe. The customer is only interested in convenience and personalization.

The book also explores the difficulty banks face with innovation. While they are fully aware that non-banking players are posing a serious threat in the banking space, it is still challenging for traditional banks to break out of old habits and adapt newer trends. Compliance is another big hurdle for large banks when faced with change. This together with painstakingly rebuilding the credibility financial institutions lost during the economic crisis, makes adapting to the new world that much harder.

All in all, a useful read for financial institutions looking to deal with the changing times.

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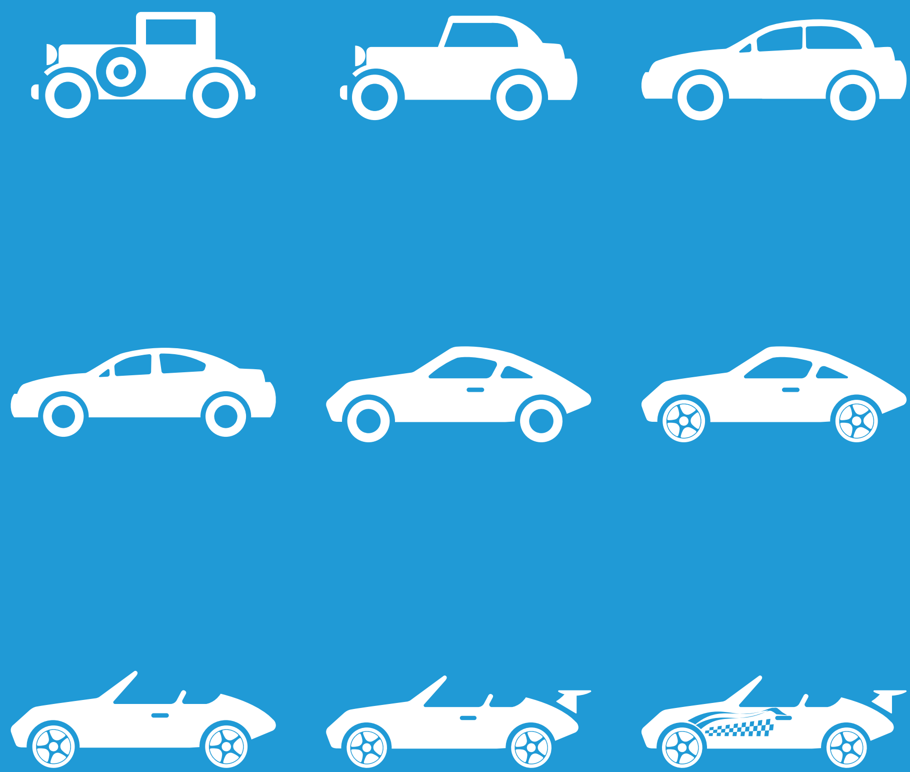

MODERNIZE PROGRESSIVELY

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