

## Everyday Banking

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### The Holy Grail of Retailing?

Last week, Amazon unveiled a new smartphone "Fire Phone", a product of four years of research and development efforts that is supposed to revolutionise the way how online and "brick-and-mortar" retailing will be integrated into the consumers' lives at every possible waking moment. The phone is supposed to help consumers decide where to eat, shop when prompted or download a song when they are intrigued by a segment of an overheard music. If the Fire phone works as described, Amazon could further accelerate its current intense competition with other online retailers and pose a real-threat to brick-and-mortar retailers<sup>1</sup>.

But is the Fire Phone a game changer?

From the mid-1990 to early 2000, Microsoft diversified from its core businesses and ventured into areas such as Windows CE, .NET enterprise software, corporate intranet servers, Xbox, etc. One of the failed ventures involved interactive TV. Back then, besides its strategy to put a PC onto every desktop, Microsoft's Interactive TV was meant to deliver a home centric device where families would congregate to surf online, watch movies, play games, shop online, participate in interactive educational programmes and even perform banking transactions from the comfort of the home.

In one of the illustrations painted, a viewer spotting a trendy coat worn by the actor/actress in the movie, could click on it, find out the specification, colour and sizes available, make the purchase on impulse and has his/her credit card account debited "on-the-fly". The device that was supposed to make all these happened was the TV set-top box. In Jun 2001, Microsoft teamed up with Broadcom to develop the blue print for set-top boxes<sup>2</sup>.

Microsoft was not the only player in the pursuit of set-top boxes; other players include Acer from Taiwan. For Microsoft, Acer and other technology companies, it was mainly due the lack of appropriate content, differing standards, integration with other players such as content providers, financial institutions, inadequate bandwidth for content delivery that lead to the demise of these projects. In Singapore, the competition between Starhub and SingTel especially over the broadcasting rights of soccer games had led to an initiation of a national set-top project aka Next-Generation Interactive Multimedia, Applications and Services (NIMS) in 2009 but this project was aborted in 2012 when the Infocomm Development Authority (IDA) said that the desired outcomes were unlikely to be achieved.

With the high adoption of smart phones, availability of broadband networks, rich media content, a successful online retail store supported by a tightly integrated distribution network, databases of customer's preferences and 250 million active users, can Amazon pulls off this feat?

### A bank in your pocket

Shortly after mobile banking was taking off in the early 2000s, some banks felt threatened by the progressive erosion of "wallet and mind share" of their customers to telcos who are taking greater interest in developing a telco-centric model around the lifestyles and financial needs of their customers.

While the initial offerings from telcos include ring tones/screen saver and music downloads, the offering of statement-based payment and reversed GIRO options led to

the setting up of the likes of Mobey Forum<sup>3</sup> to empower banks and other financial institutions to lead in the future of mobile financial services – simply, banks saw the needs to collaborate on how to address the threats from telco that are offering financial and payment related services.

Many retail banks have developed strategies to offer financial needs of their customers based on life-stage approaches; i.e. “cradle to grave” but how many of these retail banks have successfully implemented systems and processes to know when their customers are at those critical stages and to offer them financial advices and solutions when they are most needed.

Many of those who are in the financial services industry would be familiar with buzz words like customer’s analytics, 360-view of customers, total customer relationship and more recently, Big Data. While many banks have implemented different types of Customer Relationship Management (CRM) systems and have their call centres equipped with CRM features in the pursuit of the Holy Grail, most of these implementations are reactive rather than anticipative to the needs of their customers.

While banks have been facing stiffer regulations, major structural changes and economic uncertainties following the aftermath of the global financial crisis since 2009, the telco industry has for the past 20 years undergone major disruptive changes brought about by technology advances and the empowerment bestowed to consumers by these disruptive technologies. Through the turmoil, winners have emerged; for instance, Skype; a non-traditional telco that processes a significant part of the global phone traffic was bought by Microsoft in May 2011 for US\$8.5 Billion. WhatsApp, a company with 55 employees that offer over-the-top service leveraging on telco infrastructures was bought by Facebook for US\$19 Billion in Feb this year.

One of the key challenges that banks, telcos and other organisations are facing is the rapid adoption of smart phones and portable devices by the consumers in the increasingly connected world. This has presented different challenges to banks that have offered Smart Branches<sup>4</sup> because customers prefer to use their own devices and transact at locations and hours of their choice instead of being pre-determined by banks. For other industries and banks, customer empowerment presents different set of difficulties in building sustainability offerings over their competitors as the customers can now just switch service offering by just a swipe on their phone.

So can the smart phone be the bank in our pocket as some have predicted?

### **The Everyday Bank**

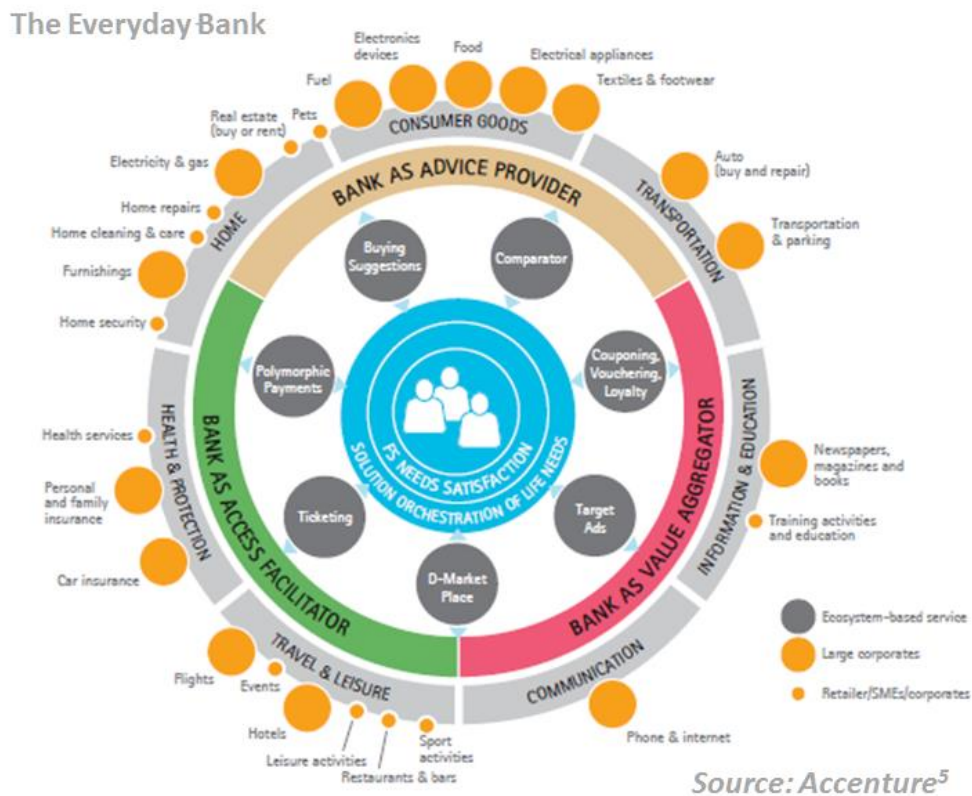
Earlier this year, Accenture noted in it’s study, “The Everyday Bank”<sup>5</sup> that banks whom have chosen the path of the Everyday Bank can expect an overall difference of 50 percentage points in operating income over those who do not.

So what is an Everyday Bank?

The Everyday Bank is not a new concept but one that has become realizable due to advances in technologies such as cloud services, predictive outcomes due to Big Data analytics of the massive customer static and transactional data, integrated multi-channel management and distribution capabilities that are able to offer seamless and familiar user interface to the customers regardless of the choice of devices they use.

The key centre piece of Everyday Bank lies in the way how its customers can perceive the bank as an advice provider, access facilitator and a value aggregator in the areas of home services; i.e. financing the home, furnishing it, putting in place home security, maintenance services, utilities and gas, etc; health and protection services (personal, protection, fire, premise insurances, health care and hospitalization benefits); consumer

goods, transportation, information and education, communication, travel and leisure as depicted in the figure below:



For the customers to embrace the Everyday Bank, the bank must become so indispensable that it is well positioned to fulfil all its customers' needs in both financial and non-financial aspects.

Can this be achieved?

Many years ago I asked the first foreign CEO, John Olds of DBS Bank in 1998 why only so few banks in the world were successful in implementing the multi-channel integrated approach for retail banking when the concept and strategy were well documented by consultants and research reports. His reply was that the key differentiator between the successful and failed banks lies in their execution of that strategy.

It is no different for banks aspiring to be their customers' Everyday Bank.

References:

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- <sup>2</sup> CNet: Broadcom, Microsoft team on Interactive TV, 11 Jun 2001: <http://news.cnet.com/2100-1040-268220.html>
- <sup>3</sup> Mobey Forum: <http://www.mobeyforum.org/>
- <sup>4</sup> Innovar Pte Ltd, Branchless Banking, 3 May 2014: [http://www.innovar.com.sg/Archives/Branchless%20Banking\\_03May2013.pdf](http://www.innovar.com.sg/Archives/Branchless%20Banking_03May2013.pdf)
- <sup>5</sup> Accenture: The Everyday Bank – How Digital is Revolutionizing Banking and the Customer Ecosystem: <http://www.accenture.com/SiteCollectionDocuments/financial-services/accenture-everyday-bank.PDF>

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