

# Digital Banking Trends: New Business Model, Competitors and Challenges

- Forschungszentrum für Sparkassenentwicklung e.V.-



Magdeburg, 25 June 2015

- 01. Digital Banking Drivers**
- 02. Current Trends: Digital and Banking Sector**
- 03. Banking Strategy (Road Map)**
- 04. Future Challenges**

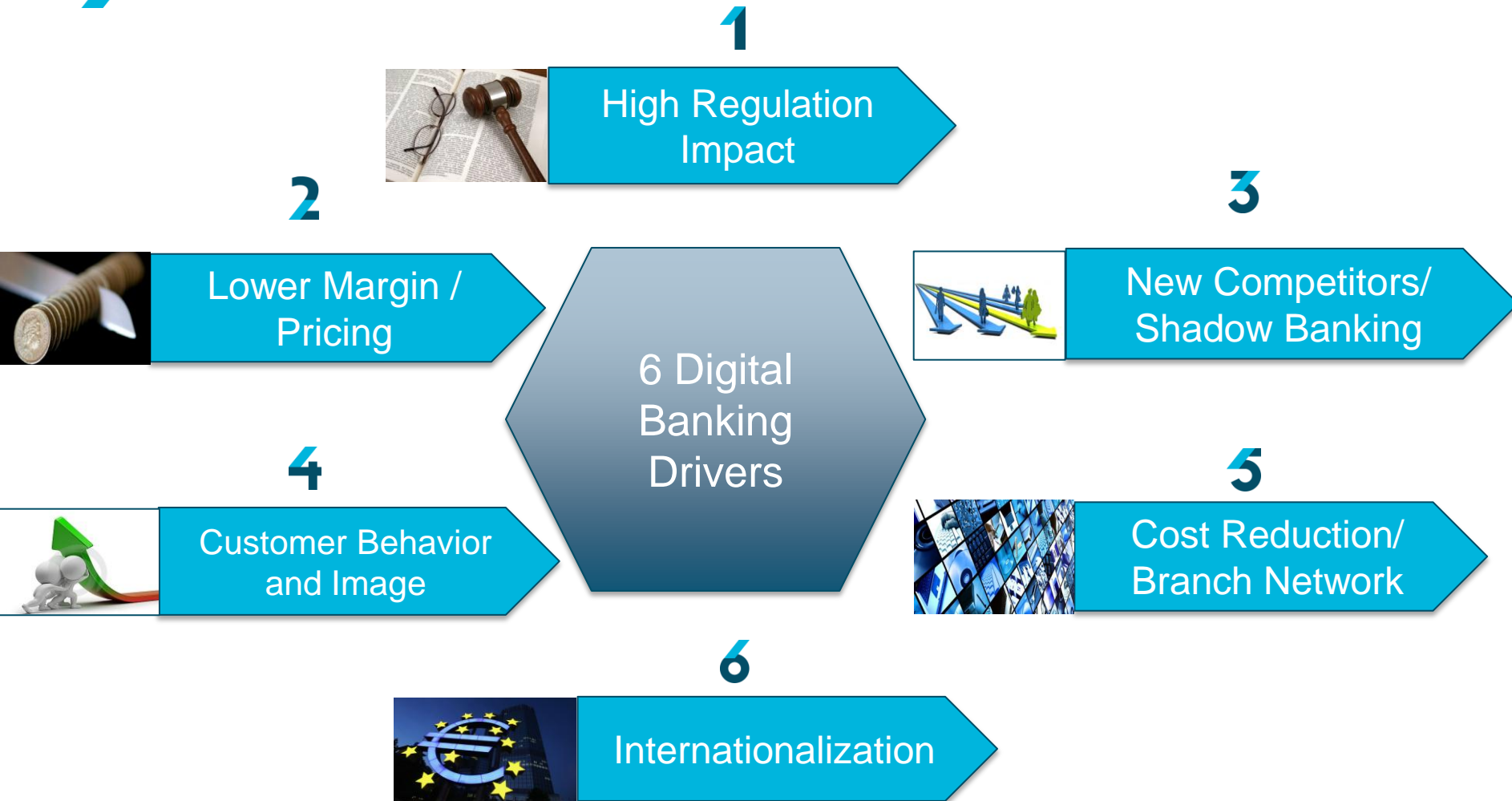
# Digital Banking Drivers.



# 1. Digital Banking Drivers

6 Drivers

## → 6 Drivers of Digital Banking



# Current Trends:

➤ **Digital Sector**

➤ **Banking Sector**

# Current Trends:

➤ **Digital Sector**

➤ **Banking Sector**

## 2. Current Situation: Digital Sector

### Digital Trends: Digital Revolution

➔ The XXI century faces a Digital Revolution

Neolithic  
Revolution



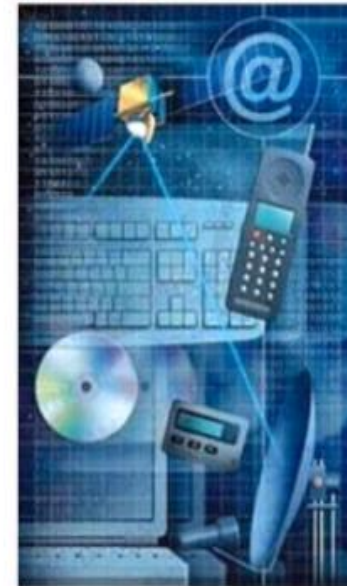
VII Millennium b.c.

Industrial  
Revolution



XIX Century

Digital  
Revolution

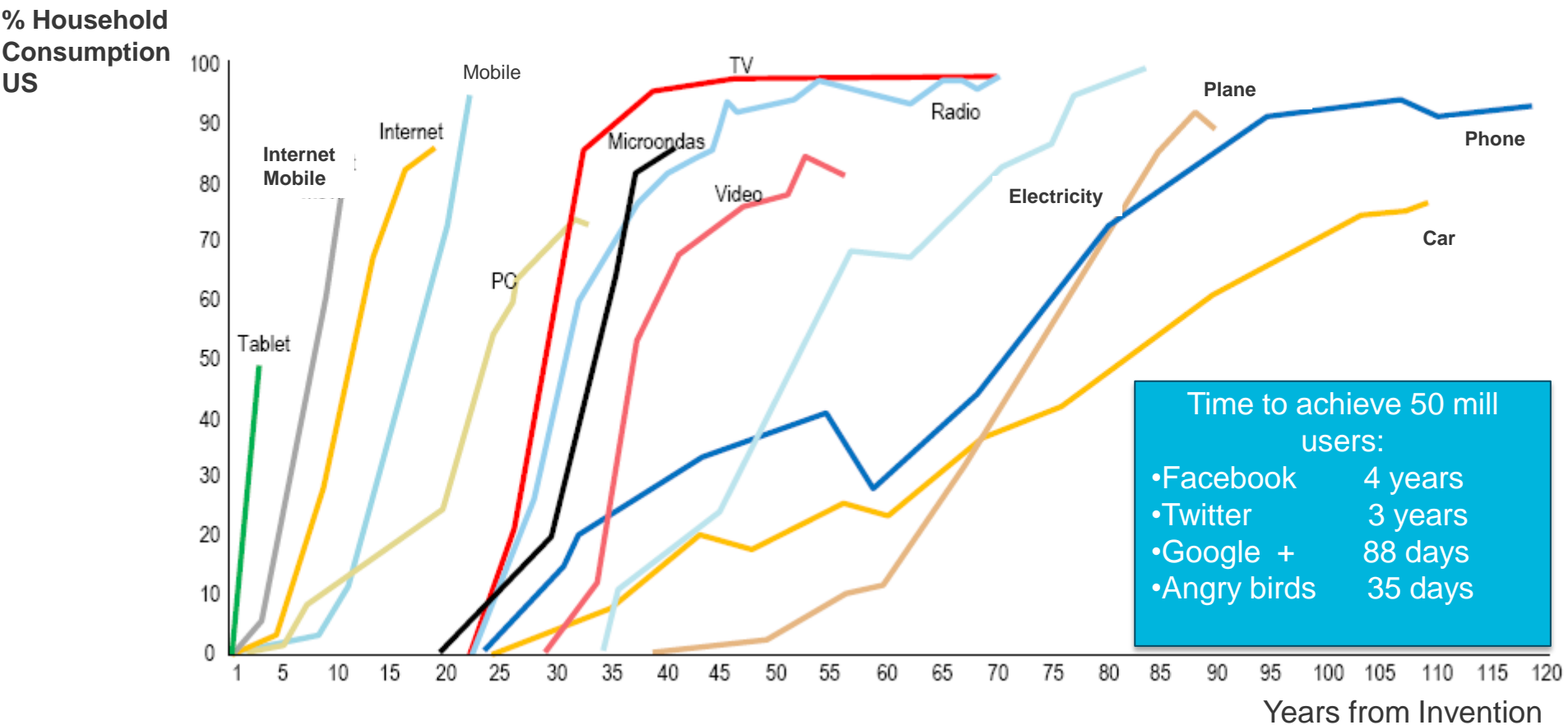


XXI Century

## 2. Current Situation: Digital Sector

### Digital Trends: Digital Revolution

➔ What is changing? the rate of adoption of new technologies



Source: US Bureau of Census, World Almanac and Book of Facts, Telecom Industry Association



## 2. Current Situation: Digital Sector

### Digital Trends: Individuals

### → Individuals Impacts...

#### Cambios Individuo

Habemus Papam, St. Peter's Square, Rome, 2005



Habemus Papam St. Peter's Square, Rome, 2013

## 2. Current Situation: Digital Sector

### Digital Trends: Individuals

#### ➔ Individuals Impacts...

#### Human Behavior



## 2. Current Situation: Digital Sector

### Digital Trends: Industries and Companies

#### → Industry and Companies

2005



Leader Changes

Music  
Books  
Audiovisual  
Fashion  
Post  
Distribution  
Messenger  
Social Network  
Electronic

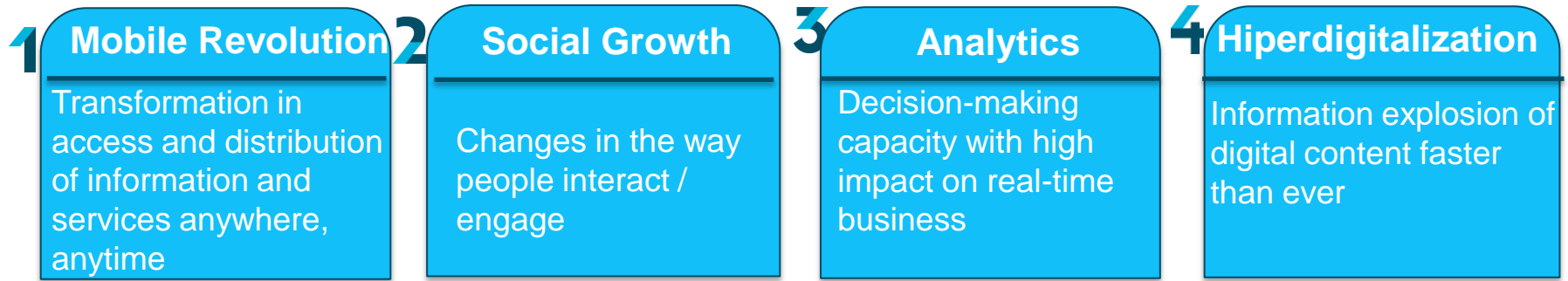
2015



# 2. Current Situation: Digital Sector

## Digital Trends: 4 Levers

### → 4 levers drives the digital transformation



**1 Mobile Revolution**  
Transformation in access and distribution of information and services anywhere, anytime

**2 Social Growth**  
Changes in the way people interact / engage

**3 Analytics**  
Decision-making capacity with high impact on real-time business

**4 Hiperdigitalization**  
Information explosion of digital content faster than ever

- 50.000 mill. de mobile devices in 2020.
- Mobile Apps in 2014...70.000 mill.

- 1.350.000 mill. Facebook spend 42 minutes per day.
- 300 mill. in LinkedIn from 200 countries.

- 21% growth on-line commerce (1.3 bill.)
- 57% tested before purchase online promotion and 47% availability

- Every two days generated more information than is created from the beginning of civilization until 2003



### Impact

**Individuals**

- Conects Consumers
- Force Networking
- Customer Strengthens Position

**Companies**

- Business Model
- Operative Model (Digital)
- Connected Company

**Industries**

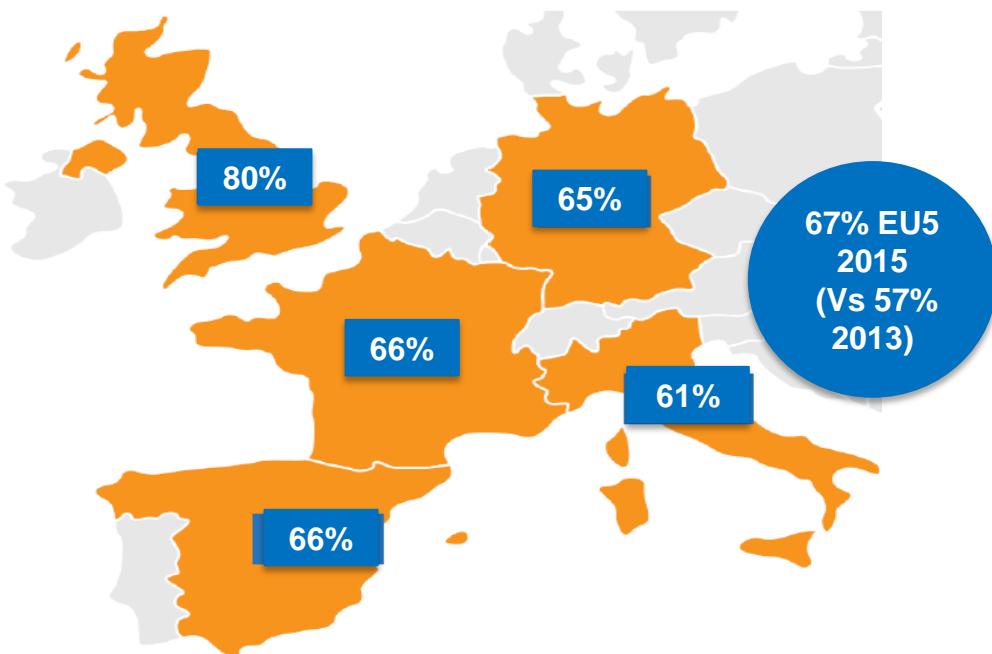
- Value Chain
- Redefining the Industry<sup>12</sup>
- Disruptive effect

## 2. Current Situation: Digital Sector

### Digital Trends: 4 Levers – Mobile Revolution

➔ From 2013-2015 penetration of smartphones in Europe has grown rapidly (57% vs. 67%)

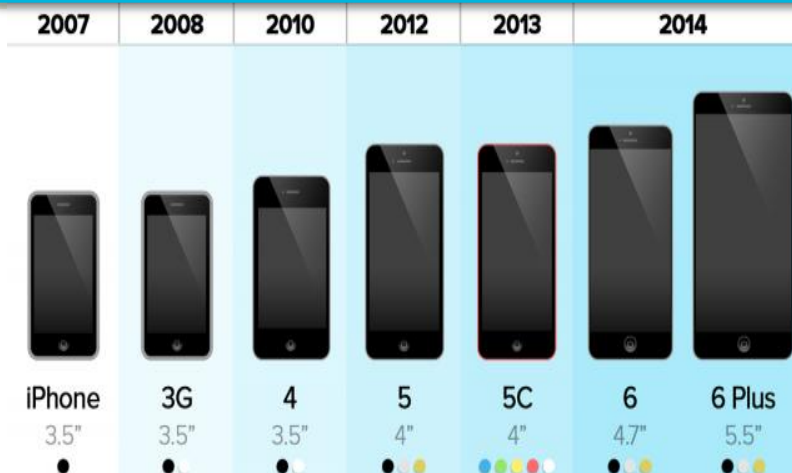
#### Smartphones Penetration, Europe 2015



#### Mobile Devices Evolution(1990-2014)



#### iPhone Evolution 2007-2014

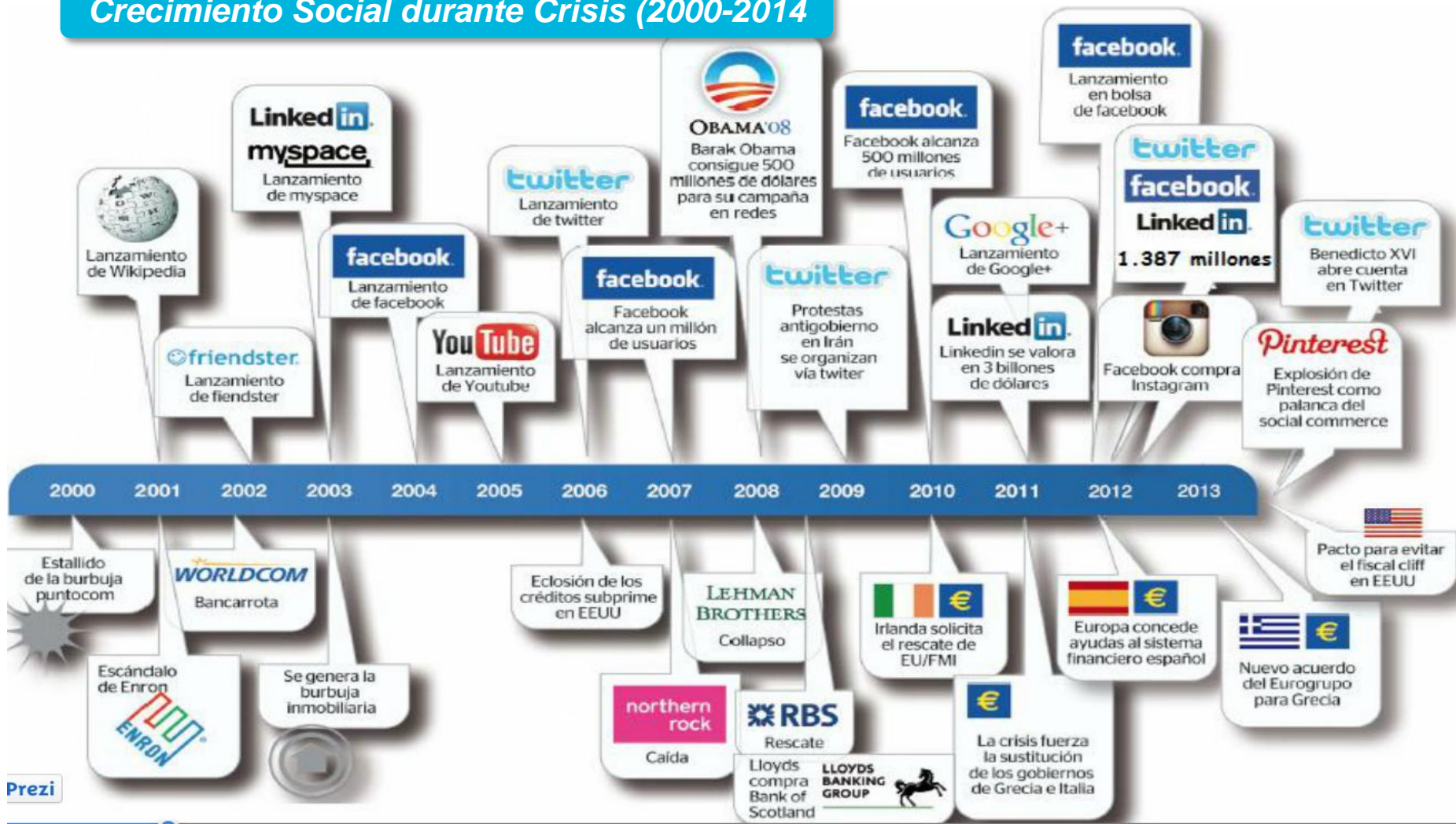


## 2. Current Situation: Digital Sector

### Digital Trends: 4 Levers – Social Growth

➔ The emergence of social networks has been immune to the financial crisis

#### Crecimiento Social durante Crisis (2000-2014)



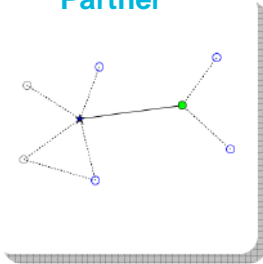
## 2. Current Situation: Digital Sector

### Digital Trends: 4 Levers - Analytics

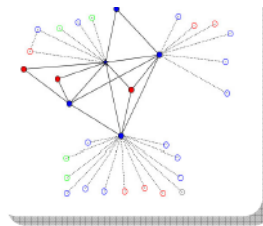
➔ Profiles, relationships and communities are key to identifying new sources and business models (analytics-biga data)

#### Comunities and Profiles

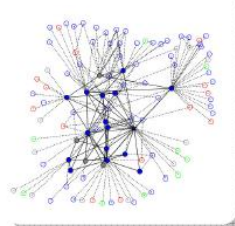
Partner



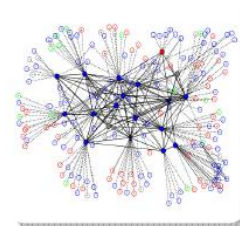
Family Community



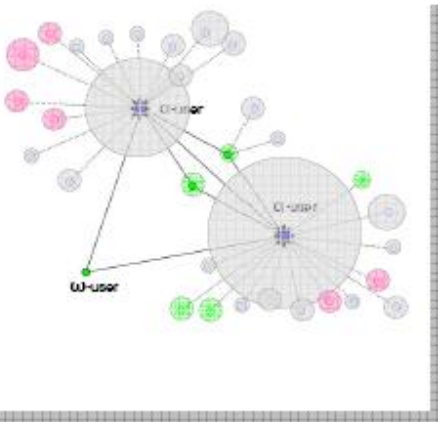
Professional Community



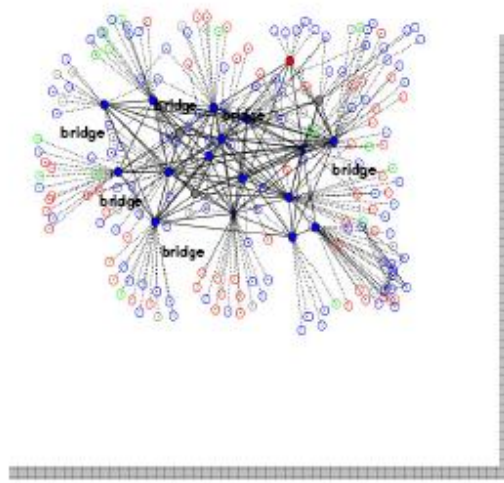
Bridge Community



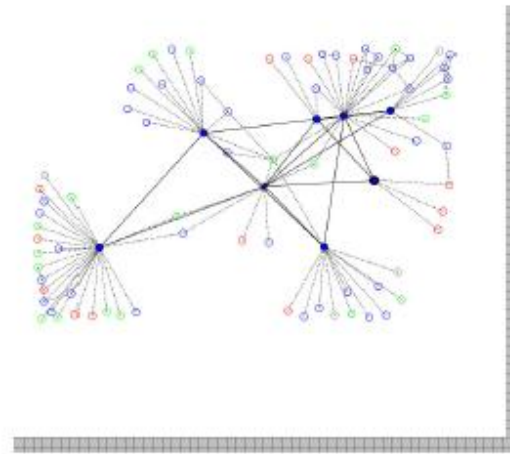
Alpha User y  
Omega User



Bridges



Princes and  
Vanes

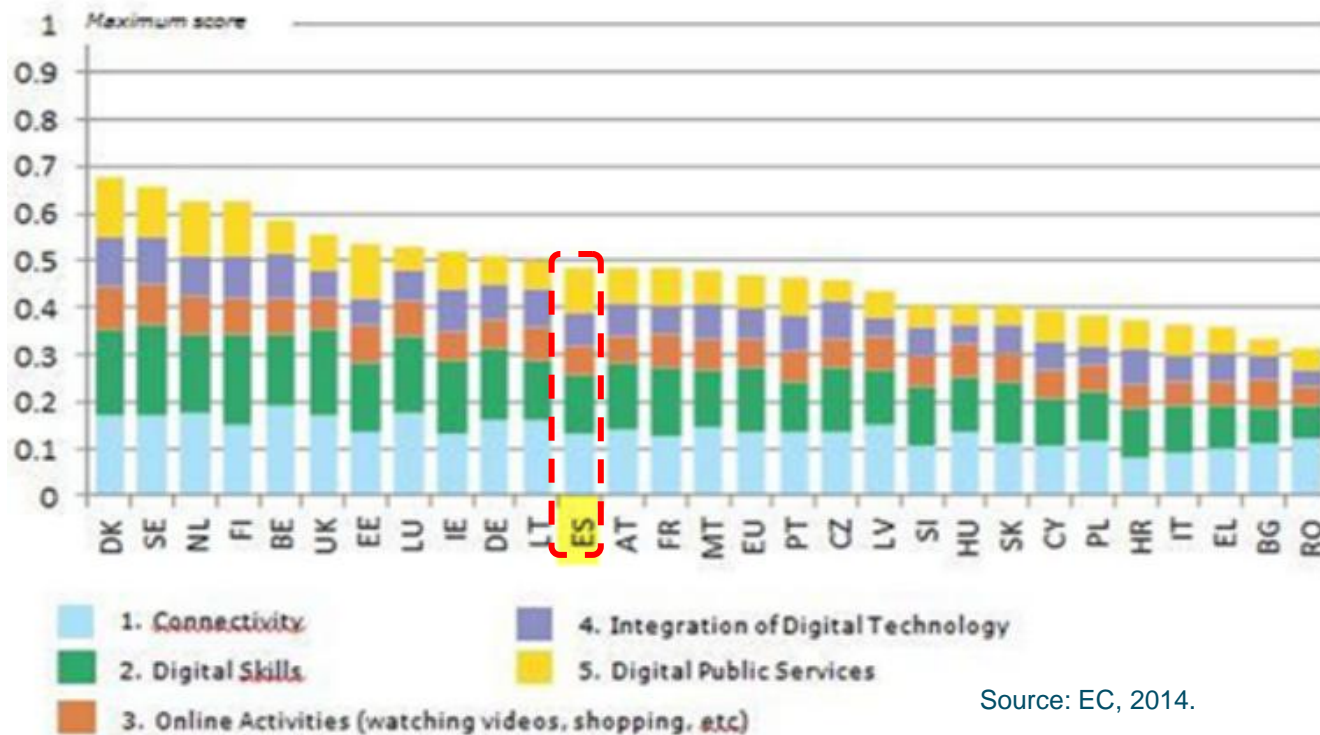


## 2. Current Situation: Digital Sector

### Digital Trends: 4 Levers -Hiperdigitalization

➔ Spain is in an average degree of advancement of digitization in Europe

#### Digital Performance Score (2013)



#### In 2013 in Europe:

- 20% of data stored in the cloud.
- 25% urban europeans have access to 4G (Vs 90% American).
- 50% european population does not have digital skills.



## 2. Current Situation: Digital Sector

### Digital Trends: Transformation Business Model Cases

Industry: Value Chain / Redefinition / Disruptive Effect

Before

Now

Customer Care / Service



Public Administration



Transport / Taxi



# 2. Current Situation: Digital Sector

## Digital Trends: Transformation Business Model Cases

Industry: Value Chain / Redefinition / Disruptive Effect

Before

Now

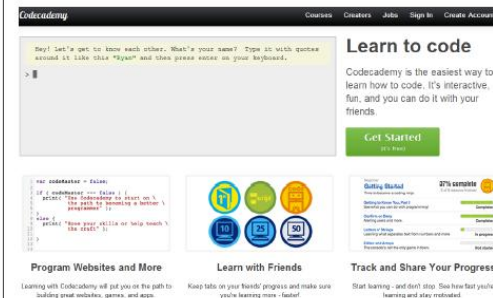
Real State / Decor / Reforms



Auto / Cars



Education / MOOC's



# 2. Current Situation: Digital Sector

## Digital Trends: Transformation Business Model Cases

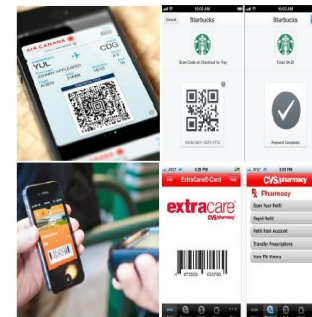
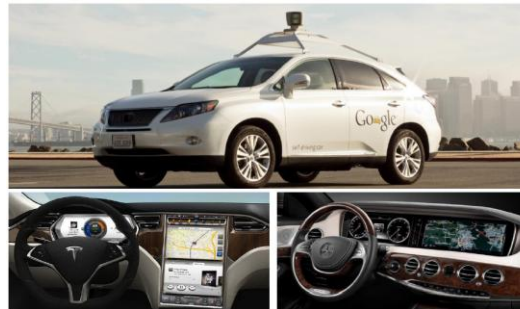
And What's to come

Now

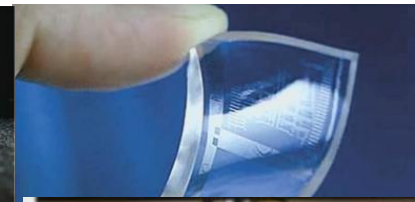
Drones



Intelligent Image



Digital Flexibility



## 2. Current Situation: Digital Sector

### Digital Trends: New Competitors

#### Analysis : “Big 4” Vs “Magnificent 7”

#### Bigger and Richer

Capitalization (On average 2015)\*

Sales (On average 1<sup>o</sup>Q 2014-2015)

Profit (On average 1<sup>o</sup>Q 2014-2015)

301.243 Mill. €

85.281 Mill. €

22.281 Mill. €

X10

X7

X11,5

30.865 Mill. €

12.420 Mill. €

1.928 Mill. €



# 2. Current Situation: Digital Sector

## Digital Trends: New Competitors

Analysis : “Big 4” Vs “Magnificent 7”

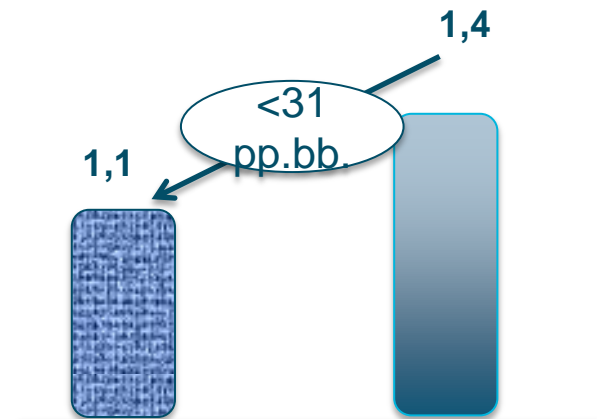
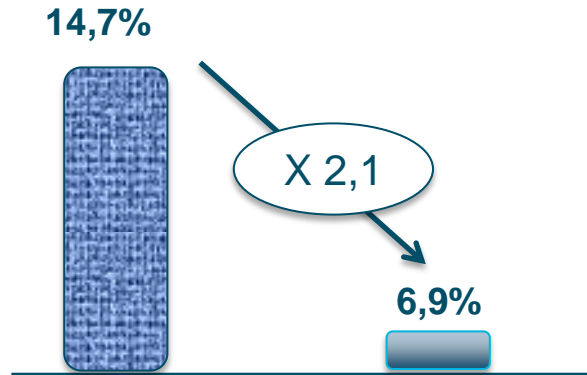
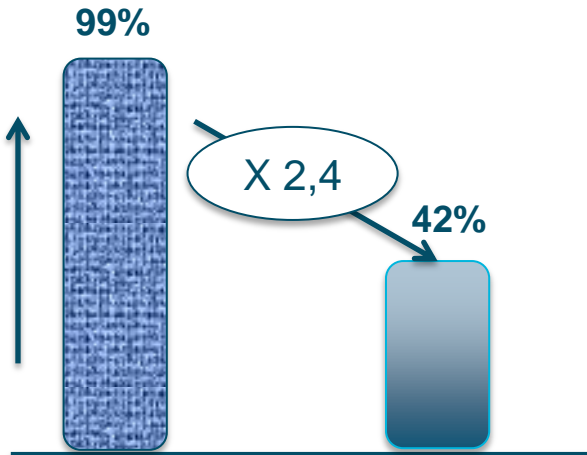
➔ More Attractive to Investors



Share Performance(2013-2015)\*

ROE (1ºQ 2014-2015)

Beta (1ºQ 2014-2015)



Source: Compiled from figures Consolidated Entities in €. \* 2015: May 20, 2015 Change \$ / € = 1.13

## 2. Current Situation: Digital Sector

### Digital Trends: New Competitors

Analysis : “Big 4” Vs “Magnificent 7”

Better Looking(Ranking Interbrand Top 100)



# 2. Current Situation: Digital Sector

## Digital Trends: New Competitors

Analysis : "Big 4" Vs "Magnificent 7"



Industry Interests



Don't want to be Banks!!...

Regulatory Pressure-capital / compliance-> IT costs (no business / no incomes)

Reduce distribution costs for banks, and charge fees for future access to future clients.

Efficiency / Productivity

Other attractive industries...AUTO

\$ 200.000 Millions

Profitability per Employee

•They have in cash 156,000 Mill. € = could buy BMW, Audi, Porsche, Ford and Tesla...TOGETHER!!!

Alliance

Competition

Carplay

Self-driver/ Electric



Vs



Microsoft



\$48,517

X5

\$ 249.285



# Current Trends:

➤ **Digital Sector**

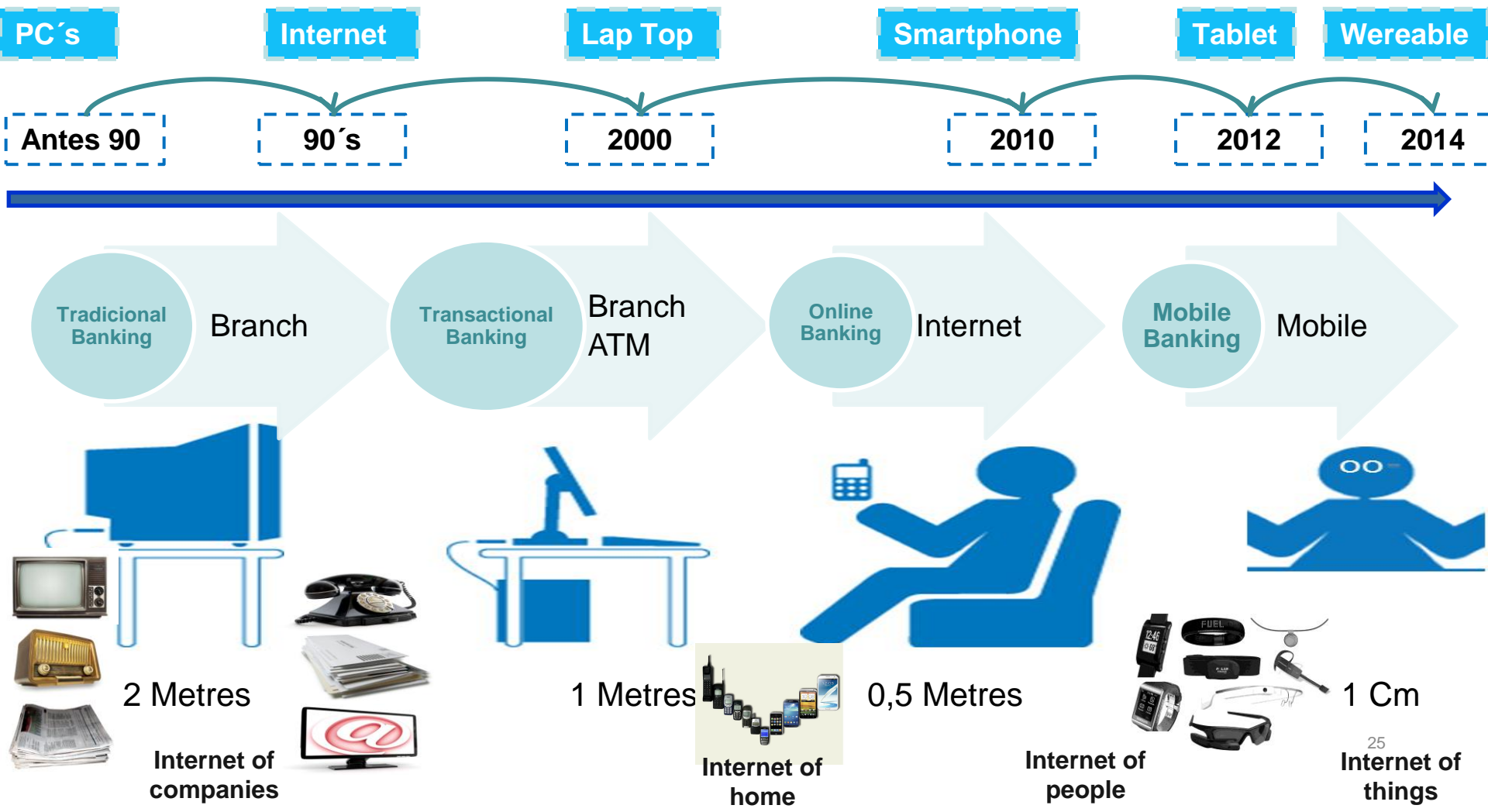
➤ **Banking Sector**



## 2. Current Situation: Banking Sector

### Banking Trends: Transformation Stages

➔ Individuals changes impact the way of performing Banking



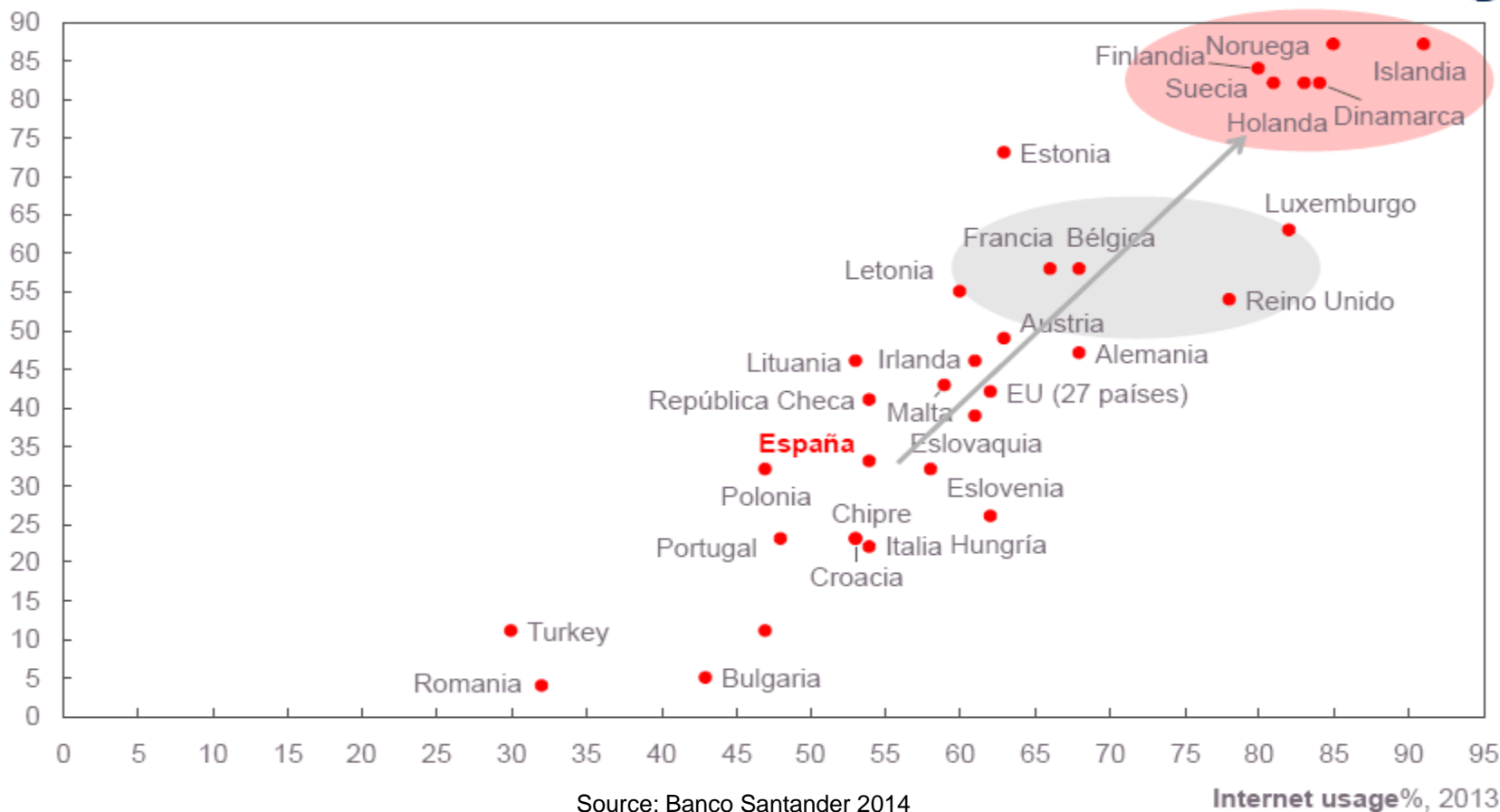
## 2. Current Situation: Banking Sector

### Banking Trends: On-line Banking

➔ Spain is in an intermediate position in Internet and Online Banking

Use of Online Banking  
%, 2013

**Internet and On-Line Banking Usage. UEM Countries (2014)**



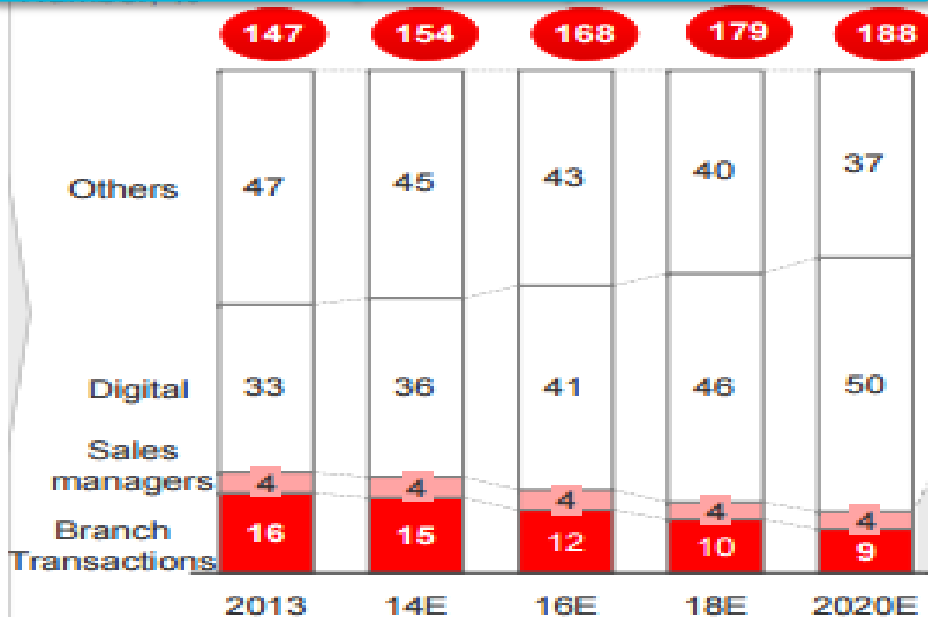
Source: Banco Santander 2014

## 2. Current Situation: Banking Sector

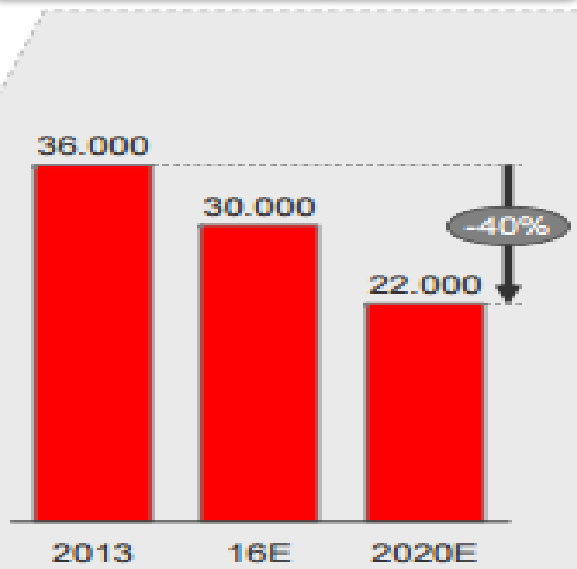
### Banking Trends: Digital Banking Operations

➔ In 2020, 87% of operations in Spain will be through digital / remote channels

Operations per Client / Channel per year %.  
(2013-2020)



Branch in Spain (2013-2020)



1: Otros: ATM's, Call Center  
2: Digital: On-line y Mobile Banking

Source: Mckinsey 2013 y Bain 2014

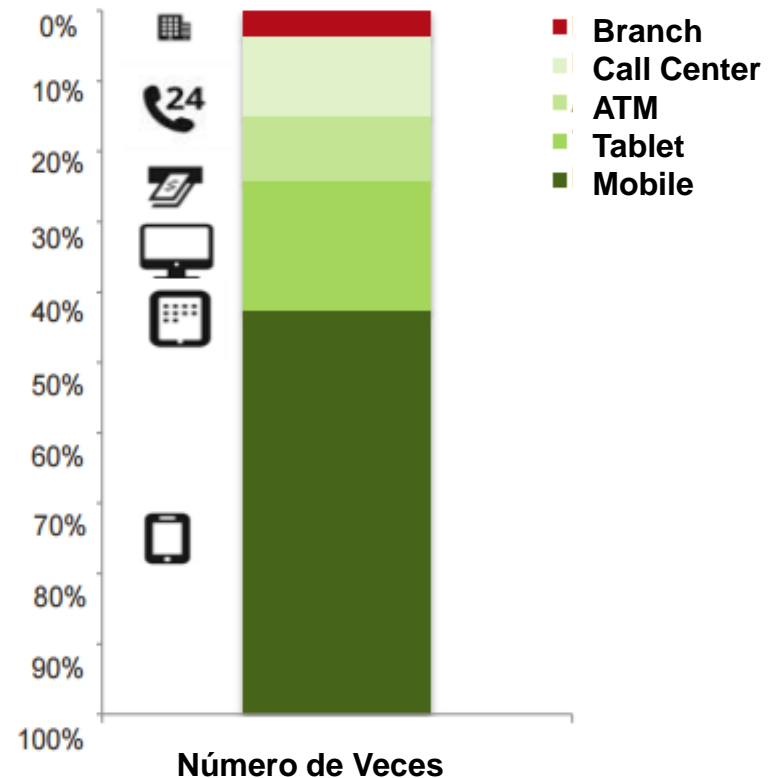
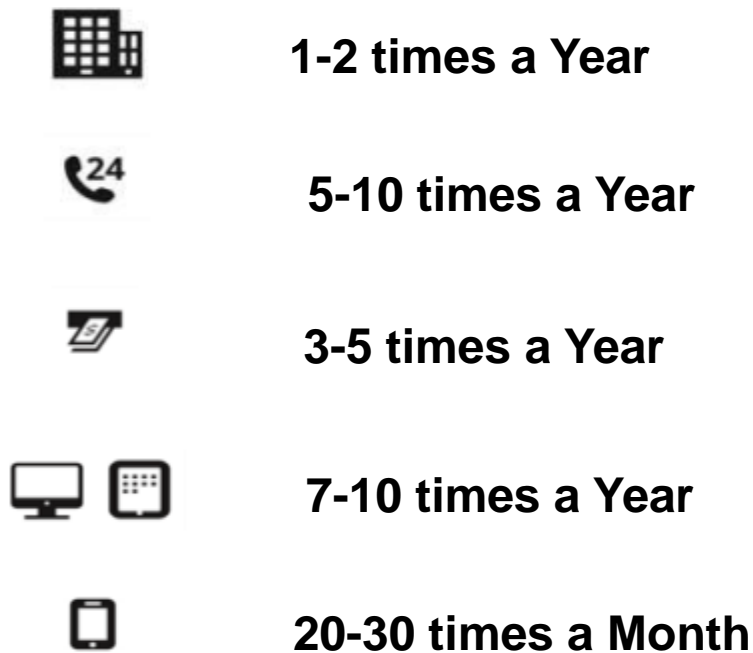
**Forecasts Bain and Company (2020): 66% of customers will use Online Banking, 45% will be self-service and won't visit the office (except high value transactions) and 50% will buy online**

## 2. Current Situation: Banking Sector

### Banking Trends: Digital Banking Operations

➔ The frequency of visits to the Branch is reduced in favor of digital channels

#### Forecast Number of Contacts Customer / Channel. 2016



## 2. Current Situation: Banking Sector

### Banking Trends: New Competition

➔ Increasingly intense competition

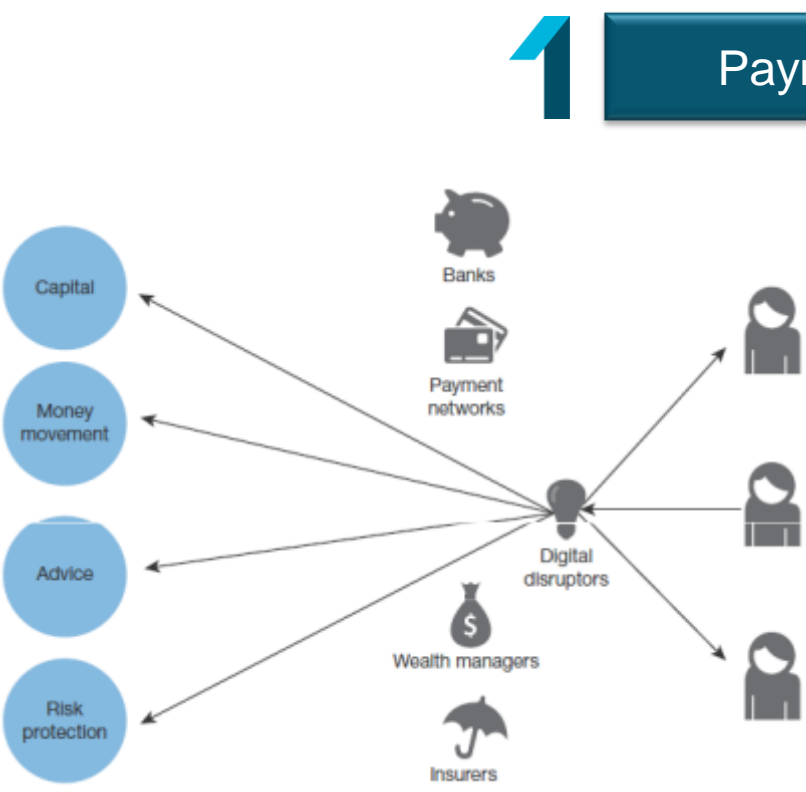


The image shows a screenshot of the Wells Fargo website with several competitor logos overlaid at the top. Red arrows point from these logos to various sections of the Wells Fargo website. The logos include venmo, LendingClub, CoverHound, robinhood, SoFi, AVANTCREDIT, Goji, acorns, and CommonBond. The Wells Fargo website navigation includes: Wells Fargo logo, Personal, Small Business, Commercial, Financial Education, About Wells Fargo, Banking, Loans and Credit, Insurance, Investing and Retirement, and Wealth Management. A sign-in form is visible on the left, and a student loan advertisement is on the right.

# 2. Current Situation: Banking Sector

## Banking Trends: 3 Targets of New Competitors

### Banking Industry



### 1 Payments

### Before



### Now



### 2 Loans



### 3 Private Banking



**LendingClub**

Apply online in minutes | Get Funded in a few days | Make fixed monthly payments

Symbol	Grade	Term	APR	Interest Rate	Orig. Date	Orig. Amount	Orig. Balance	Orig. Status	Orig. Type
CRD1	BBB	36	10.99%	10.99%	2013-01-01	\$10,000	\$10,000	Current	Personal Loan
CRD2	BBB	36	10.99%	10.99%	2013-01-01	\$10,000	\$10,000	Current	Personal Loan
CRD3	BBB	36	10.99%	10.99%	2013-01-01	\$10,000	\$10,000	Current	Personal Loan

16. Addenda: 22(D, Opt. Clauses); 22(I, Lead Disc); 22(J, 35 (Inspection); 41(CSB Commission));

Buyer's Signature: *John Hancock*  
 Buyer's Address: 1234 1st Avenue

Adjust Your Signature: Your Full Name: [input] Your Initials: [input]  
 Draw your signature: [input] Draw your initials: [input]

# 2. Current Situation: Banking Sector

## Banking Trends: 3 Targets of New Competitors - Payments



# 2. Current Situation: Banking Sector

## Banking Trends: 3 Targets of New Competitors - Payments

### Better Decisions

#### Comparators



#### Personal Finance Managers



#### Financial Advisors



### Payment Systems Revolution

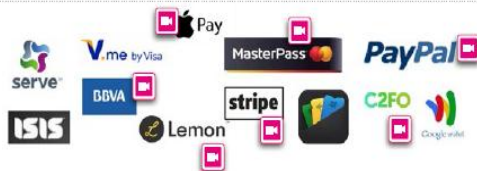
#### Mobile POS and Transfers



#### Mobile Payments



#### Wallets



### Move SME's from Banks

#### Financing SMEs



#### Wholesaler Currency Change



#### Improved Business Processes



### Social Network Power

#### Social Lending



#### Crowdfunding



#### Social Investing





## 2. Current Situation: Banking Sector

Banking Trends: 3 Targets of New Competitors – P2P and Private Banking



2

### P2P: Peer to Peer Lending



\$3.000 Mill



£855 Mill

Crowdfunding

Lending Platform



comunitae

\$2.700 Mill



\$696 Mill



3

### Investment Managers and PF



### Self-Managed Advisory (Apps)



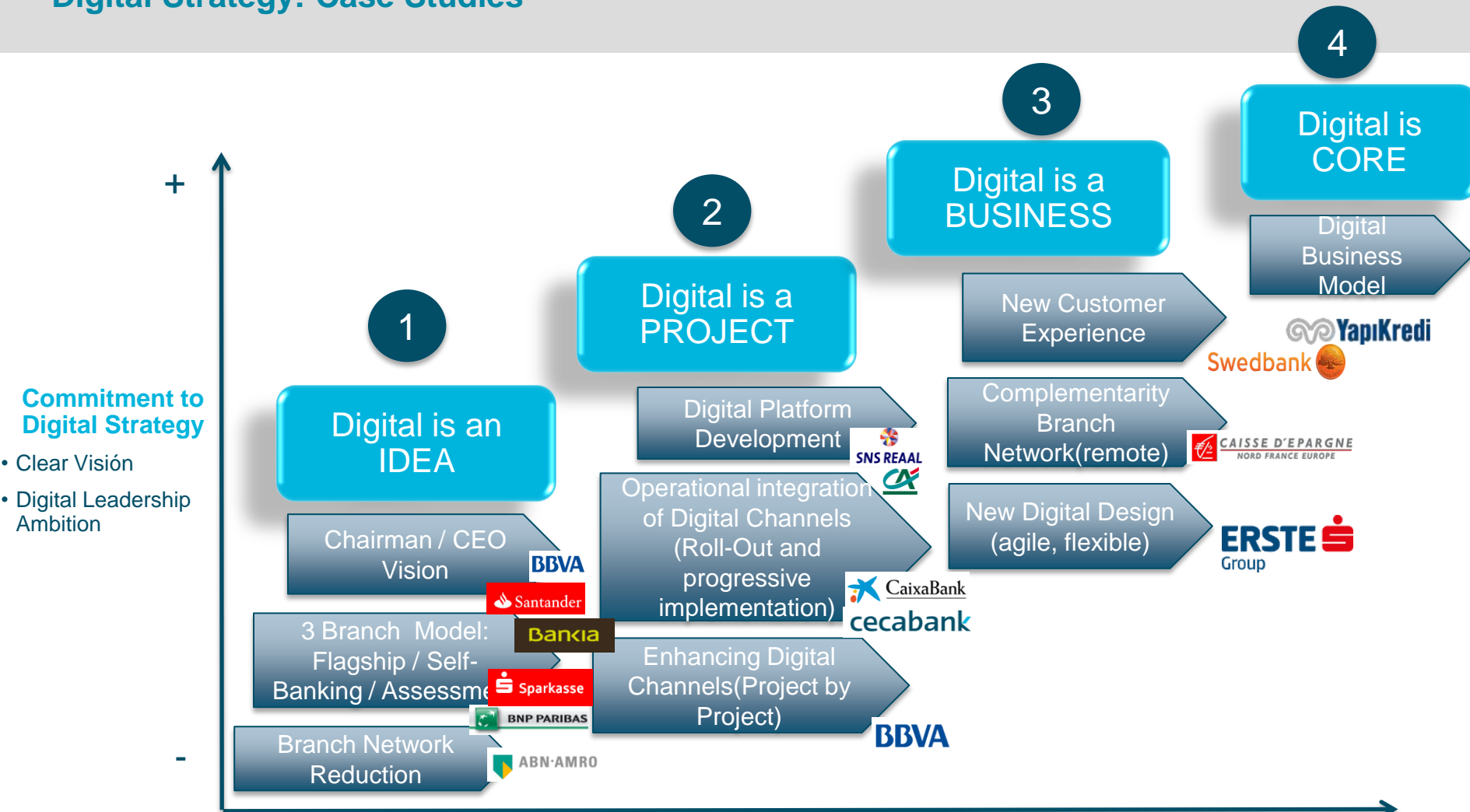
# **Banking Strategy:**

# **Road Map**

**3**

# 3. Banks Strategy: Road Map

## Digital Strategy: Case Studies



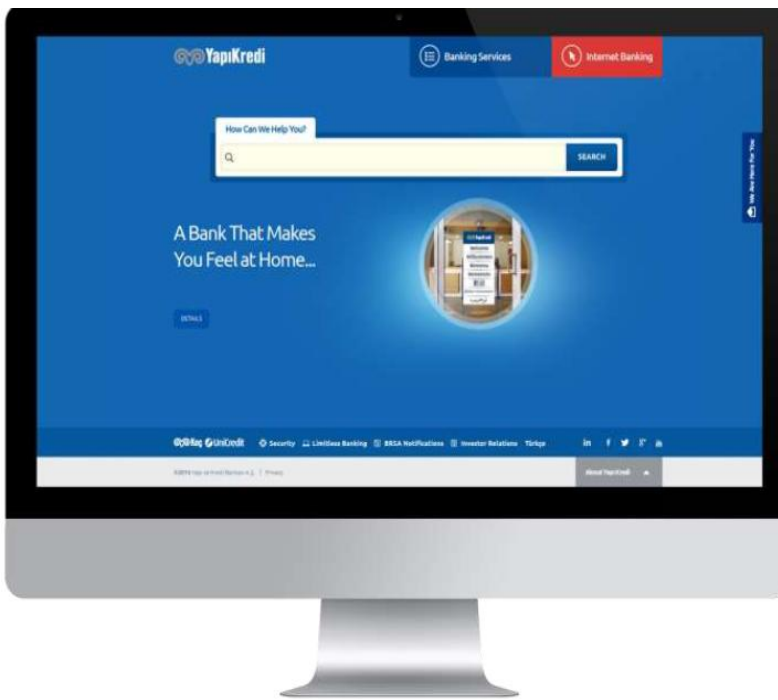
- Customer Experience
- Organizational Transformation and Operational
- IT Agility
- Cultural Change

# 3. Banks Strategy: Road Map

## 3.1. Digital is Core: Digital Business Model (Yapi Kredi)



➔ Digital Banking, How that it look like?



- Strong and Advisory Search
- Sales Oriented Design
- Refined Menu Structure
- Chat and Accessible Customer Support

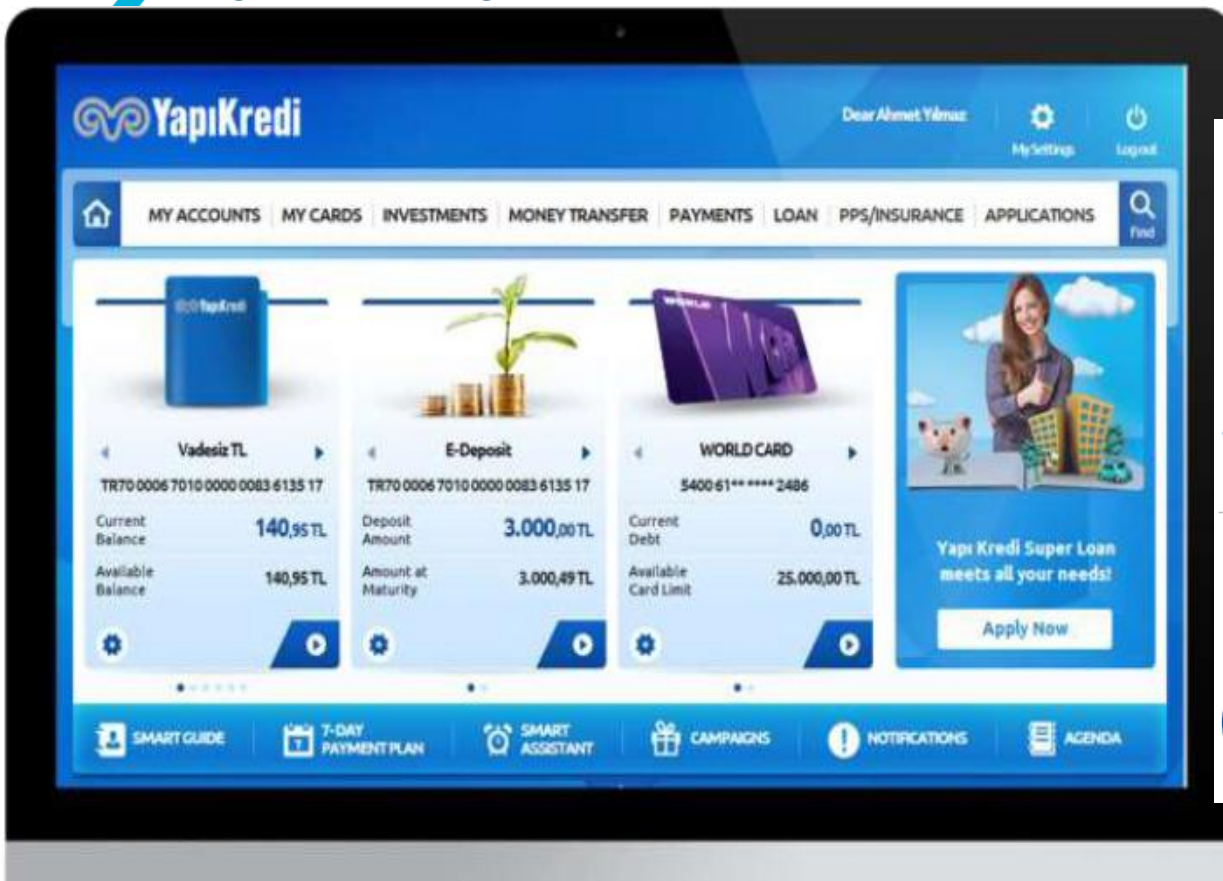


# 3. Banks Strategy: Road Map

## 3.1. Digital is Core: Digital Business Model (Yapi Kredi)



➔ Digital Banking, How that it look like?



**80%**  
Post-change positive customer reaction ratio

**+25%**  
Active retail internet banking users

**+16%**  
Retail internet banking transactions

**+43%**  
More credit applications

In-channel customer care chat contacts reduced by

**33%**



Enrollment process simplified and time-spent reduced by

**50%**



**67%** More mortgage applications  
 **134%** More credit applications  
 **18%** More credit card applications

**30.000+** Chat  
**67%** increase

Awards  
 Enterprise Blog  
 Case Study



IMABO

Award of Excellence (Financial Services)  
Award of Distinction (Banking/Bill Paying)  
Award of Distinction (Corporate Identity)

Outstanding Achievement Award 2014

# 3. Banks Strategy: Road Map

## 3.1. Digital is Core: Digital Business Model (Yapi Kredi)



### ➔ Digital Banking, What assets incorporates?



- |                                                                                                                                                                                                                                                                                                                                                                      |                                                                                                                                                                                                                                                                                                                                                                 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"><li><b>1</b> Detecting and solving site experience problems</li><li><b>2</b> See what happened, know where/why it happened</li><li><b>3</b> Optimizing customer experience and usability</li><li><b>4</b> KPI, conversion, usage reporting &amp; visitor segmentation</li><li><b>5</b> Increasing customer service level</li></ul> | <ul style="list-style-type: none"><li><b>1</b> Detailed analysis of website traffic</li><li><b>2</b> Strategic reporting &amp; define new strategies</li><li><b>3</b> Tracking sales and marketing initiatives</li><li><b>4</b> Effective product placement and merchandising</li><li><b>5</b> Corporate group wise data collection and user tracking</li></ul> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

# 3. Banks Strategy: Road Map

## 3.1. Digital is Core: Digital Business Model (Yapi Kredi)



➔ Digital Banking, What services developes?



Payment with Barcode Reader



Bump to Send



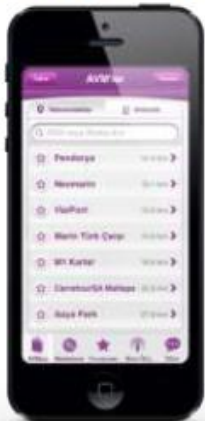
Remember Me



My Balance



Micro LBS - Ibeacon



Nearest Yapı Kredi



iCarte (NFC Payment)



Smart Assistant Push



# 3. Banks Strategy: Road Map

## 3.1. Digital is Core: Digital Business Model (Yapi Kredi)



➔ Digital Banking, What technology uses?

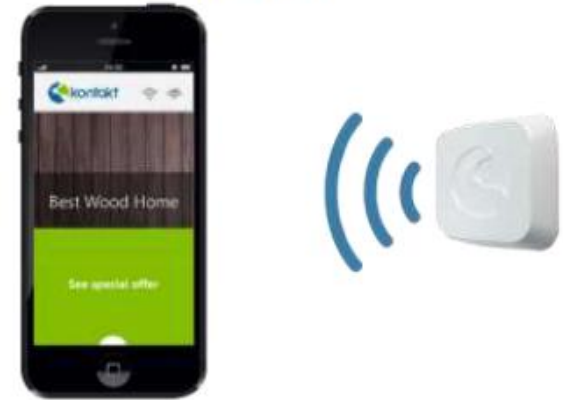
Near Field Communication



QR Code Login



iBeacon



Mobile Wallet



Watch



Voice Recognition



Biometrics





# 3. Banks Strategy: Road Map

## 3.1. Digital is Core: Digital Business Model (Yapi Kredi)



➔ Digital Banking, What results\* achieve?



68 bill € Assets  
10,6 Mill. Customer  
1.000 Branches

ROTE =12%

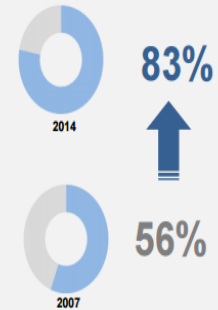
C/I =48%

Growth >10%  
Loan & Deposit

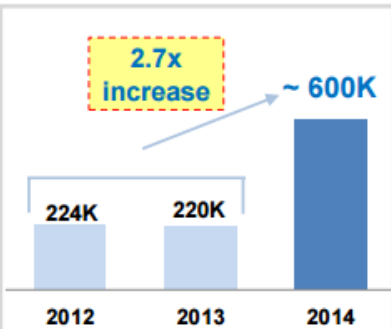
### Volumes

### Productivity

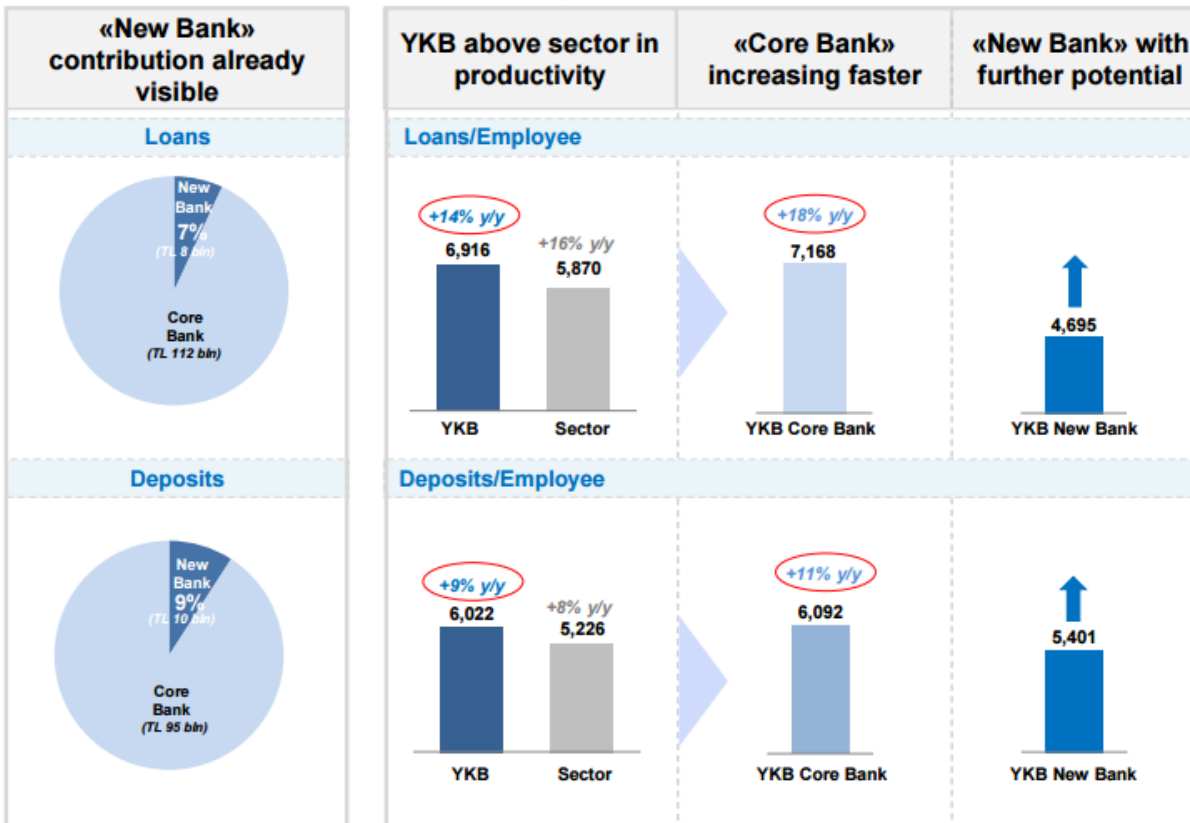
Share of Non-Branch Channels in Total Banking Transactions



### Customer Acquisition



Addition of new customers already contributing to volumes with potential upside in productivity



# 3. Banks Strategy: Road Map

## 3.1. Digital is Core: Digital Business Model (Yapi Kredi)



➔ Digital Banking, Latest new?



### What is NUVO ?

Yapı Kredi's new low cost, easy to apply, branchless, tech savvy direct banking channel; available for mobile devices & web

### NUVO's Target

- Reaching unbanked population
- Acquisition of young and tech-savvy customers
- Simple & convenient mobile and internet banking
- Decreasing banking costs for customers
- Decreasing customer costs for the bank
- More to acquisition, directly offering banking products with the same service model (Direct GPL)

### Challenges

- Logistics
- Compliance and regulations
- Cannibalization

### Solutions

- ➔ Courier methodology
- ➔ Digipen
- ➔ Service model



**NEW**

**YapıKredi**  
**NUVO**

- Branchless service model on Internet and mobile
- Launched in May'14
- 34K downloads since launch

Yapı Kredi Facebook account was selected as **'the most interactive brand in Turkey'** by Socialbaker!



# Future Challenges.



# 4. Future Challenges

➔ Strategic decisions to be taken by the Banks

1

BUY

Digital Bank Vs NON Strategic Assets



?

SELL

2

LEAD

Transformation Vs Alliances



FOLLOW

3

COOPERATE

Consolidated Actors Vs News



COMPETE

4

DIVERSIFY

Geography Vs Business



DOUBLE DOWN

5

SEPARATE

Organization Vs Culture



INTEGRATE

6

DELEGATE

Initiatives Vs Kow-How



ACQUIRE



***Banking will BE DIGITAL or  
will... Disappear???***

***Thank You very much for your  
attention!!!!***

***Javier Cabezas:***

***[jcabezas@ceca.es](mailto:jcabezas@ceca.es)***

***<https://es.linkedin.com/pub/javier-cabezas/2a/719/75>***



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