



*Competitive Response to Digital  
Disruption in Banking*

2014 Chartered Institute of Bankers  
Graduate Induction & Prize Awards Day

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President of the Chartered Institute of Bankers,  
Fellows and Associates of the Institute,  
Graduates and Prize Winners of the CIBN examinations,  
Distinguished Guests,

Ladies and Gentlemen.

It is a great pleasure and honour to deliver the speech at today's graduation and prize giving ceremony of the Chartered Institute of Bankers. To the graduates and prize winners, accept my sincere congratulations as you celebrate this milestone. I wish you all the best and hope the qualification you have obtained provides a platform for future success and advancement in your professional career.

I thank the membership services team of the institute for considering and inviting Accenture to speak at today's event.

We all learnt in Economics 101 that there is no such thing as a free meal. By accepting the invitation, I agreed to pay the price by speaking to this distinguished audience and sharing some insights from the Accenture point of view about the imperative for banks to respond to changes in financial services landscape. On your part, the price you have to pay is to listen attentively to me as I speak!

When the membership services team requested that Accenture speak at this event; the suggested topic was 'Enhancing Competitive Advantage Beyond Marketing: Key Technical and leadership Strategies'. I struggled quite a bit with the title, and eventually, we arrived at the consensus, that I could speak on any related topic about ways in which Banks can grow and gain competitive advantage.

Now that is a sweet spot – and I am happy to share some thoughts with you about the imperative for banks to change; not only for competitive advantage, but maybe even more fundamentally, for continued relevance.

Let me start by sharing a story that we may all be familiar with about 2 back-packing friends who were on a camping adventure. One of them ran into the tent and shouted to his friend that there was a bear running towards them. The other friend quickly started to put on his running shoes. As he started lacing up his shoes, his partner was incredulous and asked how on earth he thought he would be able to outrun the bear.

His response is very instructive, 'I do not have to run faster than the bear, I only have to run faster than you' – Survival Tactics lesson 101.

Seriously speaking, the Nigerian banking industry has come through crisis and has returned to strong profit performance and is poised for growth. The economy is growing, macroeconomic indices are favourable and proving resilient.

So, you may ask – where is the bear and why do we need to run???

Let me share a recent analyst review of Chinese banking.

**'Digital troopers are at the Gate'**

Internet companies are storming the sector .....China's banking model now faces a huge challenge triggered by internet giants. ....The genie is out of the bottle – the trend of deposit disintermediation is set, the only question is how fast.'  
(Citi Research, March 2014)

Why is the response to digital disruption the most pressing competitive imperative for banks??

Advancement of the digital ecosystem has brought significant impact to people's financial life in areas traditionally dominated by banks - the question is not if but how fast banks can respond to the challenge.

Allow me to introduce Alibaba's Alipay and Yu E Bao.

**Alibaba**, the largest e-commerce company in China has over 800m active user accounts and sales volume through its ecommerce platforms accounts for about 7.7% of China's total retail sales, according to Citi Research.

Alibaba Group Holdings is expected to go public on the New York Stock Exchange, and it could raise \$20 billion making it the largest stock offering in U.S. history.

Alipay, Alibaba's third party payment company - an online payment platform with no transaction fees controlled about half of China's online payment market in February 2014. More than just payments, Alipay services include: P2P money transfer, micro-lending, lottery, insurance, micro-wealth management etc.

Alibaba's internet money market fund (MMF) Yu E Bao, amassed retail savings of Rmb400bn (\$65 bn) from 61m people in nine months.

It is no longer business as usual - digitalisation has disrupted the financial services landscape. There is clear evidence that consumer behaviour and expectations of service and experience are changing.

We have 25 banks and a network of some 5,500 branches nationwide. The number of banking customers is between 22m – 25m. But there are 127 million active mobile connections (71% mobile phone penetration) and 25 million users of smartphone (a fertile market for digital play!)

Digitalisation is not a future possibility for Nigeria – it is today's reality:

Internet	Over 63 million internet data subscribers (the highest in Africa, and fourth largest in the world)
Facebook	11 million users (Largest in Africa) and 4th fastest growing number of users worldwide

Twitter	1.6 million profiles
LinkedIn	1.03 million business profiles and an unconfirmed number of professionals

Convergent disruption, in the form of new market entrants, is a growing factor in the banking industry. The take-off of ecommerce and the emergence of fast rising online outlets like Jumia & Konga is opening up new avenues for epayments and data collection. (Perhaps we already have our own ‘Alipay’ in the making??).

It is imperative that banks take a fresh look at the digital customers with an understanding of the impact of not paying attention to them and the opportunity if you do.

An Accenture survey of banking customers recently published in the American Banker concluded that while many banks have been able to retain their customers through traditional channels and digital service offerings, recent shifts are threatening the customer base. Even long term banking relationships at traditional banks is susceptible to disruption.

New technologies are changing the way that customers and financial service providers interact and introducing a new demand for how banking services are delivered. In particular, Millennials—under 30 years of age— have distinct preferences regarding financial services and digital technology.

A customer driven blueprint for digital experience is imperative for competitiveness.

Accenture has identified 5 common themes that drive customer experiences that are noticed & valued. These five areas are not to be considered in isolation, they are complementary and they need to be integrated.

Theme	Customer Expectations
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Hyper-relevance  
ahead

“Know me” - predict behaviour one step

Customers expect their bank to know them and to provide more valuable interactions. Hyper-relevant companies predict consumer behavior and, using knowledge of their needs and interests, customize the consumer interaction at any point in time in any channel.

Relationships at Scale “Show me you know me” - create new  
approaches to intimacy

Take advantage of rich channels provided by digital technologies to communicate in much more personal ways. A new level of intimacy with consumers is now possible, but it requires definition of how to create trusting relationships not just online but offline as well.

Seamless Experience: Delight me - glue it all together, avoid  
breaking the flow

Banks understand they need several channels to interact with customers. But rather than “bolting on” new channels and engineering internal processes to evolve to a digital world, banks should look at outcomes they want to deliver to customers and reverse-engineer to identify what must change in channel mix and capabilities.

Inherently Mobile:

Enable Me – any here, every where  
By any measure of mobile device adoption, customers’ inherent mobility is clear. Farsighted banks are building a variety of new mobile capabilities to engage customers in ways perhaps not yet imagined.

Naturally Social: Value me - ensure they want you to be with them  
Social media provides the opportunity to listen, understand what customers think and want. Banks can use that insight to engage customers in valuable and more meaningful interactions.

Customers are becoming dissatisfied with banking relationships that are merely transactional, rather than driven by advice or a broader relationship.

Digitally aware customers expect a new service proposition—they want banks to help make their financial lives easier and to enable them to manage their money more proactively. Banks that do not craft a meaningful response, risk losing customers—and revenue to other more digitally focused financial services providers.

Customers want a bank that's nimble and proactive, that can be a part of their daily lives. The idea of “convenience” in banking is undergoing shift toward digital products and services that mesh with consumers’ “smart” mobile-empowered lives.

Customers are increasingly likely to consider a branchless digital bank. This is particularly true among younger customers, who are less interested in convenient branch locations and more interested in accessing digital services at the time and place of their choosing.

Customers are willing to pay a fee for budgetary advice and want their bank to proactively recommend products or services that can help meet their financial needs – Think of Amazon’s ‘Your recommendations’ and ‘Other customers who viewed this item, also.....’. Such advice would strongly increase their loyalty to the bank.

Customers are interested in spending analysis that is forward looking and available real time. Think of ‘.....you spent 10% of

your cashflow last month dining out.’or ‘The projected balance in your account will only cover half of school fees that are due in 2 weeks, click on link to accept a pre-approved advance for payment’.

By truly focusing on customer needs and integrating data, analytics and insight with product development and delivery, banks can transform not only the service proposition they offer to their customers but also the perceptions of their brand. That, in turn, will help drive overall loyalty. The adoption of digitally enabled services presents a unique opportunity for banks to deepen the relationship with their customers—going beyond daily banking to helping them better manage their financial lives on a daily basis.

There is a clear imperative for fresh and action-oriented responses to changing consumer trends related to satisfaction, loyalty, experiences using digital technologies to deliver banking products and services more effectively.

Banks that meet this need by using digital to learn more about what their customers want, and delivering proactive advice and services through a consistent, omnichannel approach will give themselves a winning edge and get ahead of the trend. Such banks will have a clear opportunity to build stronger customer relationships and improve their overall performance.

To meet these challenges, banks should advance on three fronts:

1. Become truly omnichannel by seamlessly integrating the customer experience across in-branch, assisted, and digital interactions.
2. Extend the ecosystem by offering a greater range of services for customers
3. Offer digital personalized financial advice and counseling to customers to help them better manage their financial needs.



To compete in the evolving environment, banks need next generation banking functionalities and capabilities to support key operational building blocks for competitive advantage:

- optimization and simplification (having a structure as efficient and effective as possible),
- agility (being able to seize opportunities in times of change),
- continuous innovation (having the ideas, vision and leadership to proactively stay ahead of the market).

Tomorrow has started today! Banks that cling to the status quo, risk being viewed over time more like utilities that conduct financial transactions.

In closing, let me reiterate that digital is redefining the future of banking. The opportunity for banks to continue to be relevant and position for growth and competitive advantage will be driven by relevant, higher valued propositions to customers in an omni-channel way.

Now, who is going to get their running shoes on and out run the pack!

Distinguished Ladies and Gentlemen, on this note, let me once again thank you all for your attention. To the 2014 Graduates and Prize winners, I congratulate you once again, and wish you continuing success in your endeavours.

Thank you.

## About Accenture

Accenture is a global management consulting, technology services and outsourcing company, with more than 293,000 people serving clients in more than 120 countries. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. Its home page is [www.accenture.com](http://www.accenture.com).

Accenture Strategy, Accenture Digital, Accenture Technology, Accenture Operations—are the innovation engines through which Accenture builds world-class skills and capabilities; develop knowledge capital; and create, acquire and manage key assets central to the development of integrated services and solutions for our clients.

**Accenture Digital**, comprised of [Accenture Analytics](#), [Accenture Interactive](#) and [Accenture Mobility](#), offers a comprehensive portfolio of business and technology services across digital marketing, mobility and analytics. From developing digital strategies to implementing digital technologies and running digital processes on their behalf, Accenture Digital helps clients leverage connected and mobile devices; extract insights from data using analytics; and enrich end-customer experiences and interactions, delivering tangible results from the virtual world and driving growth. Learn more about Accenture Digital at [www.accenture.com/digital](http://www.accenture.com/digital).

Digital Banking offerings include:

- Omnichannel Distribution and Marketing Strategy Design and Architecture
- Customer Experience Management Design and Implementation
- Customer Analytics and Big Data Strategy and Enablement
- Multichannel CRM Strategy and Implementation
- Financial Services Proposition Development and Ecosystem Optimization