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Digital banking in a digital India

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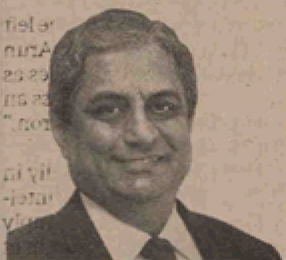

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The world has changed and continues to change rapidly. The convergence of telecom, media and computing has changed the way we work, play and live.

Going back in time, we first had the physical networks — roads, rail, electricity, and water. These networks connected cities and towns and were the life and blood of our economies. An analogy to these physical networks are the countless wireless networks. Wireless networks connect people, phone, tablets, etc. Radio and television networks relay music, video, news, etc. Telecom networks connect satellites and close geographies. Information networks now relay more and more content and knowledge. Basically everything is becoming connected. Information is flowing through networks with greater intensity and changing everything. Markets are disappearing, becoming networks of information with the customer at the heart. Power has shifted to the customers, who behave as active elements of a network and not passive targets of a market.

This has created a greater segmentation of customers and a blurring of competition between traditional and non-traditional players. There has been a secular shift in technology mobility, analytics and profusion of media. The world has become flat. Geography is now only an issue of logistics. Volatility, uncertainty, complexity have made strategy, production, marketing and distribution tough. Traditional business models have been turned on their heads. Welcome to the "instant world".

Everything is moving faster — trends, novelties, news, products, markets, etc. Linearity is dead. Markets are now complex, internet-driven, adaptive systems. The analogy of the market change is akin to a "simple-pendulum" — where the movements are predictable to a "dual-pendulum" — where patterns are erratic. Whilst both follow laws of gravity, the "dual" one has the force of "each other" as well.

Traditionally, producers relayed communication on products, pricing to consumer, using crafty Don Drapers! This approach is dead. Now, customers are well-informed. The "moment of truth" has changed when he enters information network. The issue is not about marketing campaigns, but how do you get through to him.

The successful producers and marketers have to move from a product-centric approach to a customer-centric approach. This involves identifying potential customers, determining their needs and value to the company by interacting with customers to learn about them. Products and services have to be tailor-made for individual customers. The mantra is, "Listen, understand, change."

The secular shift in technology, mobility, social computing and analytics have led to changing consumer behaviour. Some have understood and acted to adapt to this change. Amazon, Apple,

SECULAR SHIFT An employee uses an Apple iPhone to demonstrate how to pay using Apple Pay at a store in Beijing. The digital and the physical worlds are starting to come together

PHOTO: REUTERS

Facebook, Google and Netflix have created market value of over US $1 trillion. They could do that as they leveraged change and in the process transformed customer expectations, created new operating models and blew a few mature companies out of the water. In contrast, some others such as Nokia, Motorola, Borders, Barnes and Noble, Blockbusters and HMV slept! The new masters have created the ability to use the networks and information that they create around their customers, products and services to produce a highly personalised customer experience. Historical sources of competitive advantage — brand, customer relationships, distribution channels, size and money — do not hold up any more. However, it can hold up if you change, i.e. interface with analytics, the data and the software that surround our products to create a new experience. The digital and physical worlds are starting to come together. Digital experience is far more personalised.

In the summer of 2014, the noise levels on "disruptions" started becoming louder. Banking globally will get disrupted, said the pundits from Silicon Valley. For a banker who has breathed banking for over 40 years in 10 countries, I was curious to know where the disruptions were happening. I visited Silicon Valley that summer. The so-called disruptions were largely in four broad areas: faster loans (for example, loans.com); convenient payments on e-commerce (for example, Apple Pay); mobile-to-mobile payments substituting cash (for example, AliPay); remote advisory using analytics. All of them were not creating a bank, but were riding "over the top" of the banking system. The customer, the payment platform, were that of the banks. All they created were applications using networks and information to provide convenience at an attractive price point.

When I returned, the question I posed to the team was — we are the market leaders in retail loans, the payments business, and the advisory businesses as well. So why should we allow others to have our lunch? Why don't we disrupt ourselves? We had all the ingredients; the customers, advanced technology in the form of data warehouse and analytics leading to a better understanding of retail consumer behaviour. All that was required was to create "apps" to stitch together the sales, credit and operating processes thereby creating a better customer experience.

The journey of the bank's transformation commenced from then. Working with the mantra of "Think money, Think HDFC Bank" we launched a slew of innovative products on the digital platforms over the last nine months, some of which can be considered a global first. For instance, the "10-second" loan; "design your own loan against securities" through the net/mobile banking; loans at ATM; the launch of payment apps Chillr and Payzapp, as well as the Smartbuy platform.

The innovations have brought efficiencies creating a better customer experience through best pricing, speed and convenience. With a brand that represents salience and trust, we are a one-stop shop. If we could do this, so could others, disruptors or no disruptors.

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