



Transitioning to a Digital Bank: Make Banking Fun

CLAB 2015

Financial Technology and Innovation Conference

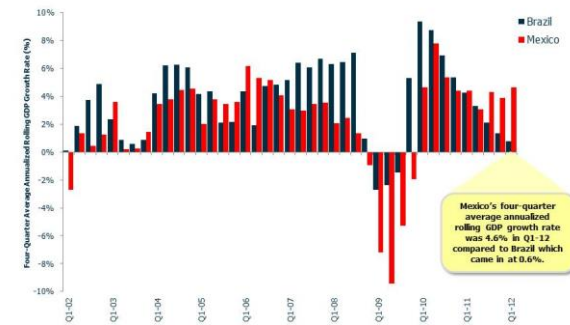
September 3, 2015

Intercontinental Hotel-Miami, FL

Who doesn't love to wake up from a great party?



Mexico: Moving Up the League Table?



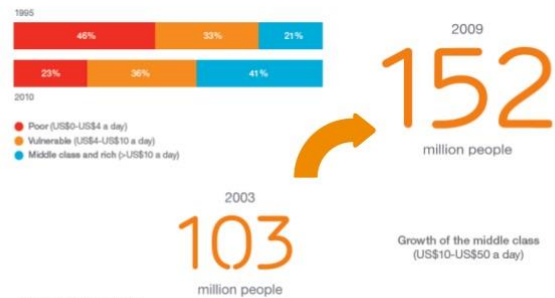
References: Instituto Nacional de Estadística y Geografía, Instituto Brasileiro de Geografia e Estatística; Morgan Stanley Latin Economics; CIA Fact Book and Market Edge analysis

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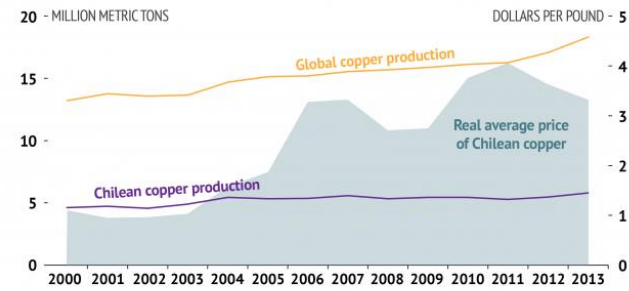


Booming middle class

Figure 2: The growth of the middle class in Latin America and the Caribbean 1995-2010



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Source: Chilean Copper Commission

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Latin America Digital Transformation

Digital Transformation is Multifaceted



Remind me again why Netflix would never succeed in Latin America?



telecompaper

HOME : MOBILE & WIRELESS : INTERNET : GENERAL : FIXED : IT : BROADCAST & SATELLITE

BROADCAST & SATELLITE

Netflix reaches 5 million users in Latin America

Wednesday 26 November 2014 | 20:13 CET | News

Netflix has reached a total of 5 million users in Latin America. The company continues to see increasing business opportunities in Latin American markets due to the growing penetration of internet services across the region, company CEO David Wells recently told a conference call with investors. The countries with the higher growth for Netflix in the region are Brazil, Mexico and Chile, among others.

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COAST GUARD BORN READY GoCoastGuard.com

Netflix

Netflix fatura R\$500 milhões no Brasil e é chamado de "Uber da TV"

Da Redação Seguir @idgnow 10/08/2015 - 11h33

Segundo reportagem do UOL, plataforma vem assustando executivos de TV por assinatura, que reclamam de concorrência desleal. Empresa opera desde 2011 no país.

2015Q2 - TP: BASIC

telecompaper: DOWNLOAD

The Fun Route is the Only Option for Banks



Efficient reliable transaction processor



Meet client needs with innovative solutions

Organizational restructuring



- Trusted financial advisor
- Financial services gateway
- Services beyond banking
- Data driven custom solutions
- Branch network personal touch
- Part of clients digital world

Bumps on the Fun Road

▪ Efficiency

- Expense ratios are too high
- Backoffice services are costly

▪ Client Expectations

- Solution packages that address life needs
- 7/24 omnichannel access
- Part of their digital world

▪ New Competitors

- Technology innovators, merchants, telcos, media
- Focus on customer facing elements
- Disintermediation threat

▪ Digital Banking and Payments

- Stepping stone for new competitors
- Tech savvy rapid response requirement
- Third-party apps linkages
- Big data and analytics expertise required

Payments Competition

Mobile payments competitive threats are driving banks' interest in digital banking

Efficiency - Cooperative Core Banking Advantages

- Efficient way to respond to faster payment initiatives
- Allows instant payments between customers in all institutions
- Incorporates the benefits of modern cloud technology
- Consistent with previous cooperative initiatives



Are companies in the region ready for the new reality?



- Users are expecting the same, enjoyable experience across all devices, regardless of the screen size, brand of device, or OS.
- Offering a sub-par experience online could be the tipping point to use a competitor's product or service.



Digital Banking – Payments Directions

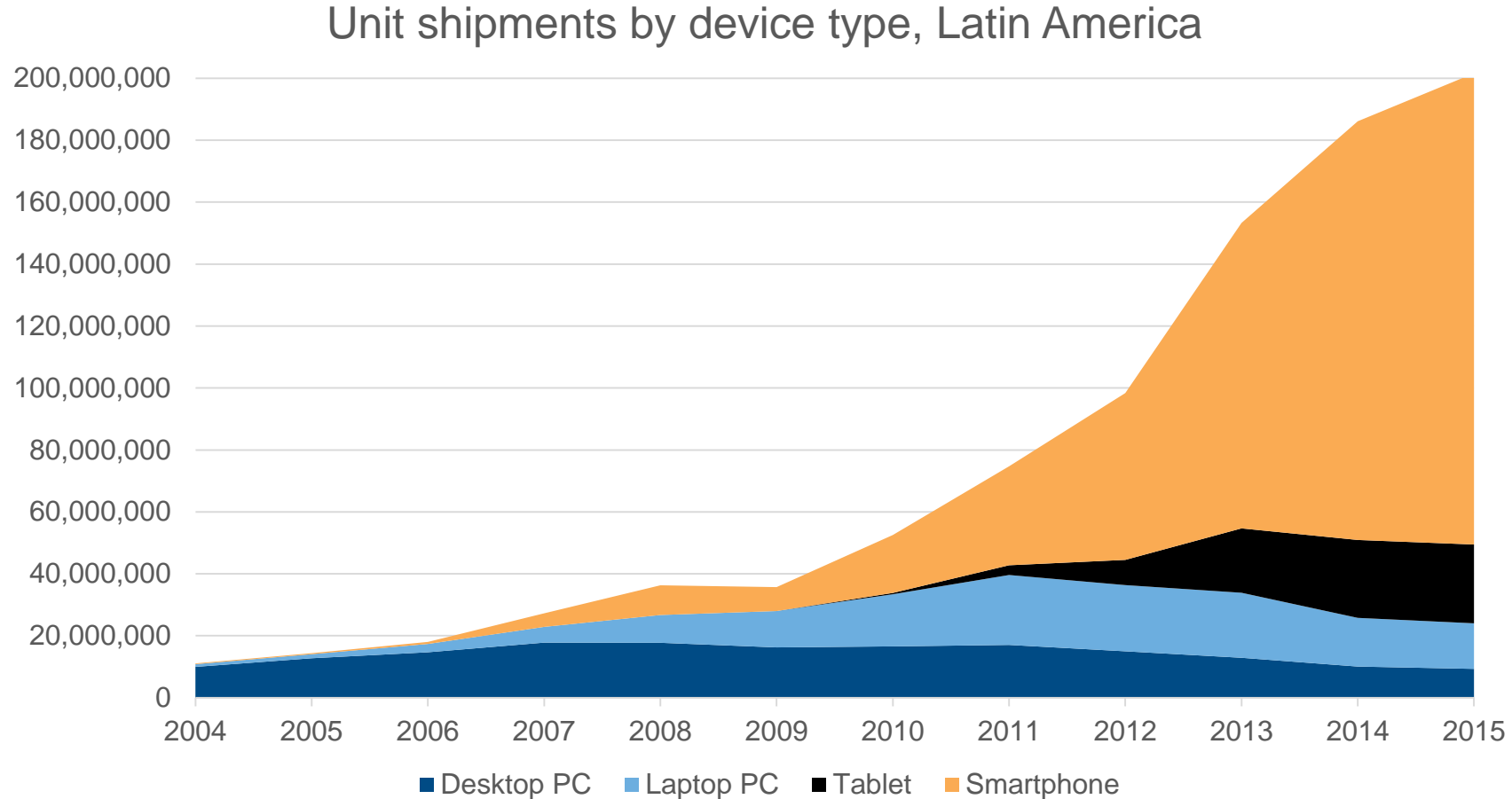
- Mobile payments replace cards
- Payments and loyalty integrated
- Payment solutions support all devices, operating systems and shopping channels
- Apple, Samsung, Amazon, Facebook, PayPal and eBay ease of use matched
- Online payments simplified
- Instant payments supported
- Client digital world expectations met
- Disintermediation threats addressed

Consumer Priorities

1. Loyalty integration
2. Electronic receipts
3. Mobile payments

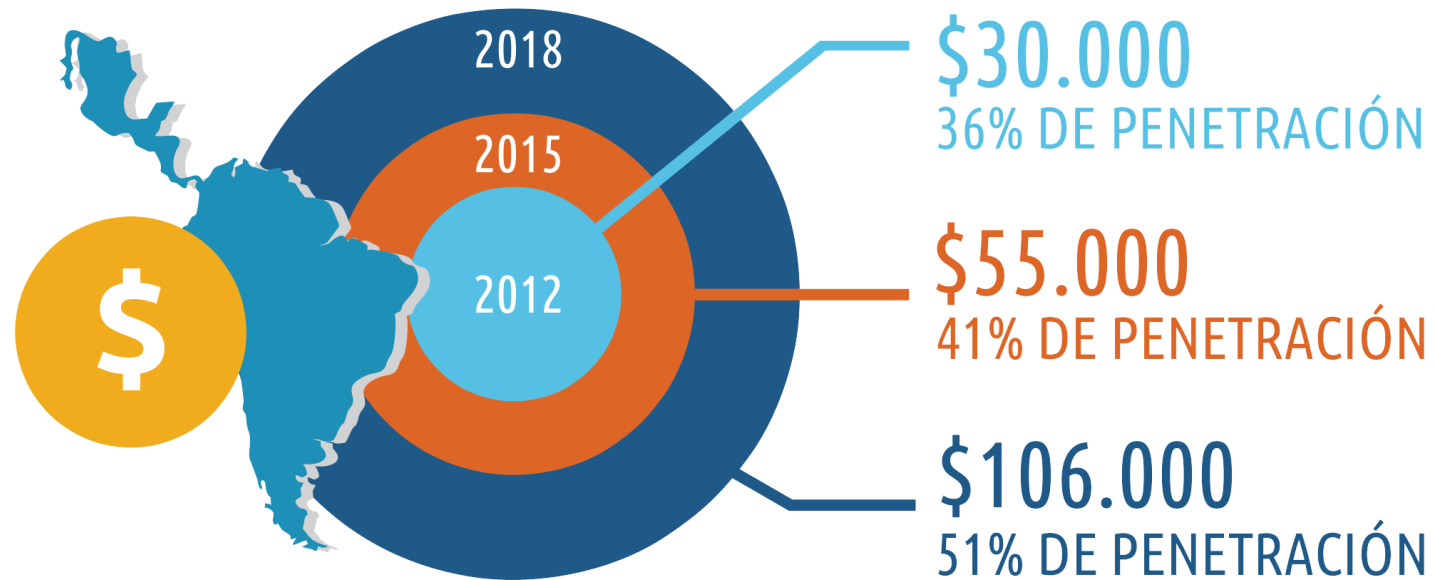


Why are we finally ready for the explosion in ecommerce?



Ecommerce to exceed \$55 billion this year in top 6 LA countries

Valor de mercado del *ecommerce* en millones de dólares y porcentaje de penetración* en América Latina**



*Comparado con el número de usuarios de Internet **Considerando los 6 países analizados en el estudio Fuente: IDC *ecommerce* Model 2015

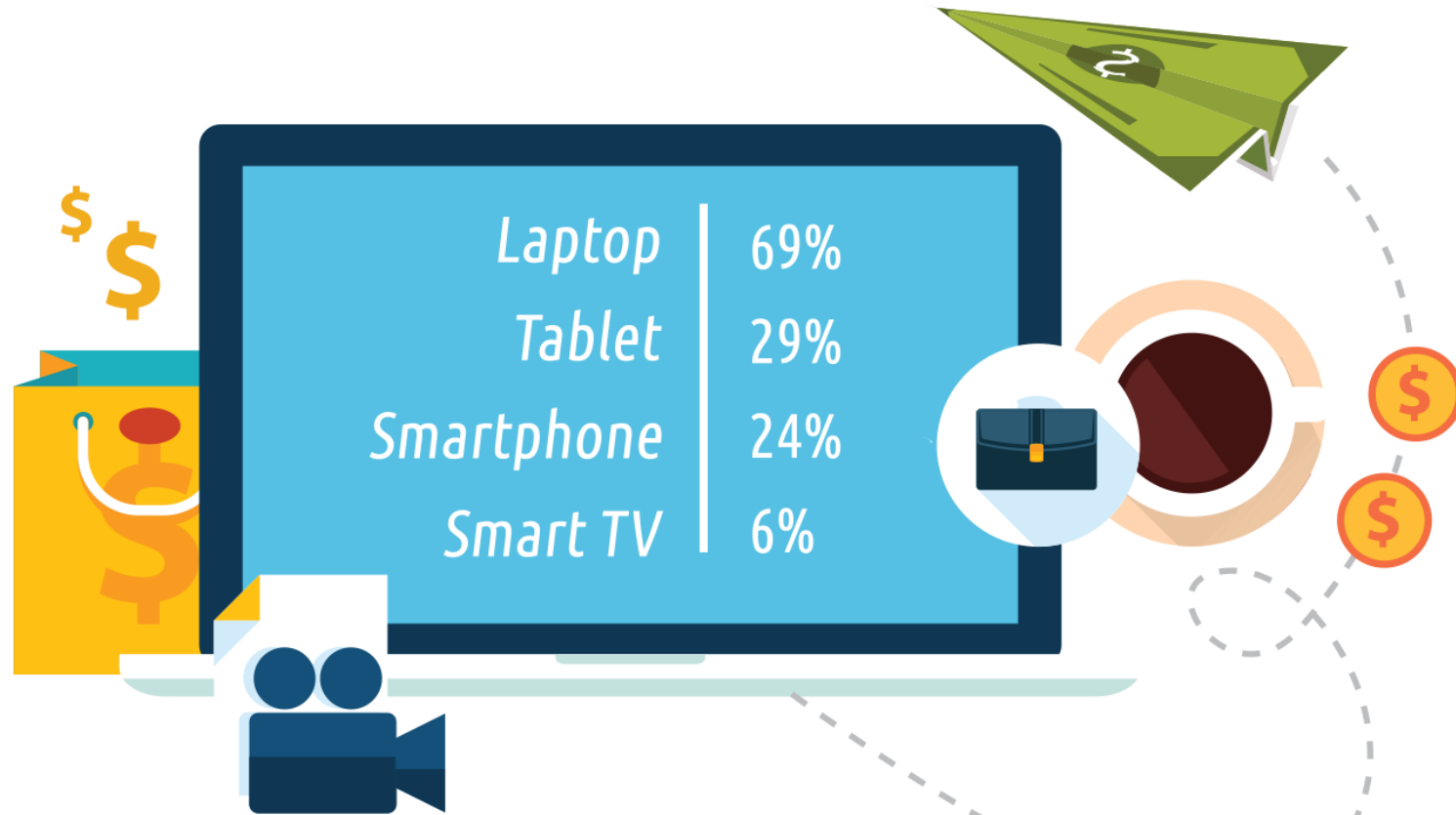
With Chile and Argentina leading the pack

Porcentaje de penetración del ecommerce por país*

País	2012	2015	2018
Chile	46%	52%	65%
Argentina	44%	49%	56%
México	34%	43%	50%
Brasil	34%	39%	51%
Colombia	33%	39%	51%
Perú	27%	32%	39%

* Comparado con el número de usuarios de Internet Fuente: IDC *ecommerce* Model 2015

But shopping still skewing towards PCs



*Entre los seis países analizados Fuente: Encuesta IDC 2015

**La suma es más de 100%, al considerar usuarios de múltiples dispositivos

BR: n = 385; MX: n = 349; AR: n = 240; CH: n = 220; CO: n = 201; PE: n = 165

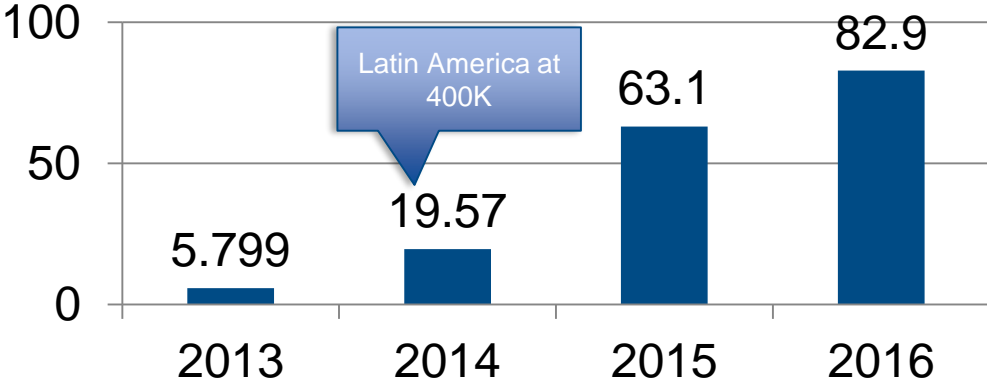
Competitors - Apple Pay is Coming to Latin America

- Apple has made payments easy and fun
- Payment networks have a major supporting role
- Dependent on growth of NFC at POS beyond 30%



There is a wearable future around the corner!

Worldwide Units (M)



- To be counted as a wearable, the device must:**
- Operate in a hands-free fashion
 - Be readily taken off/put on
 - Be capable of digitally processing data
 - Connects to a network, either directly (cellular/WiFi) or indirectly (via smartphone, tablet, PC)



US Wearable Computing Device 2014 – 2018 Forecast,

Competitors - Android Mobile Payments Apps Growing

- Samsung Pay/LoopPay solution works with 90%+ POS terminals
- Banks are implementing independent Android solutions
- Android platform is used by telco and merchant competitors
- Multiple user interfaces will create consumer confusion



Digital Banking – Omnichannel Directions

- Driven from a client's view without legacy systems constraints
- Individually tailored client products
- System architecture provides seamless integration of channels
- Video conferencing in branches to provide specialist support
- Chat available for banking transactions
- Digital becomes the hub of all client interactions and the way to enhance client experiences
- Services to address lifestyle needs beyond banking

Banking Omnichannel



Buying a Home

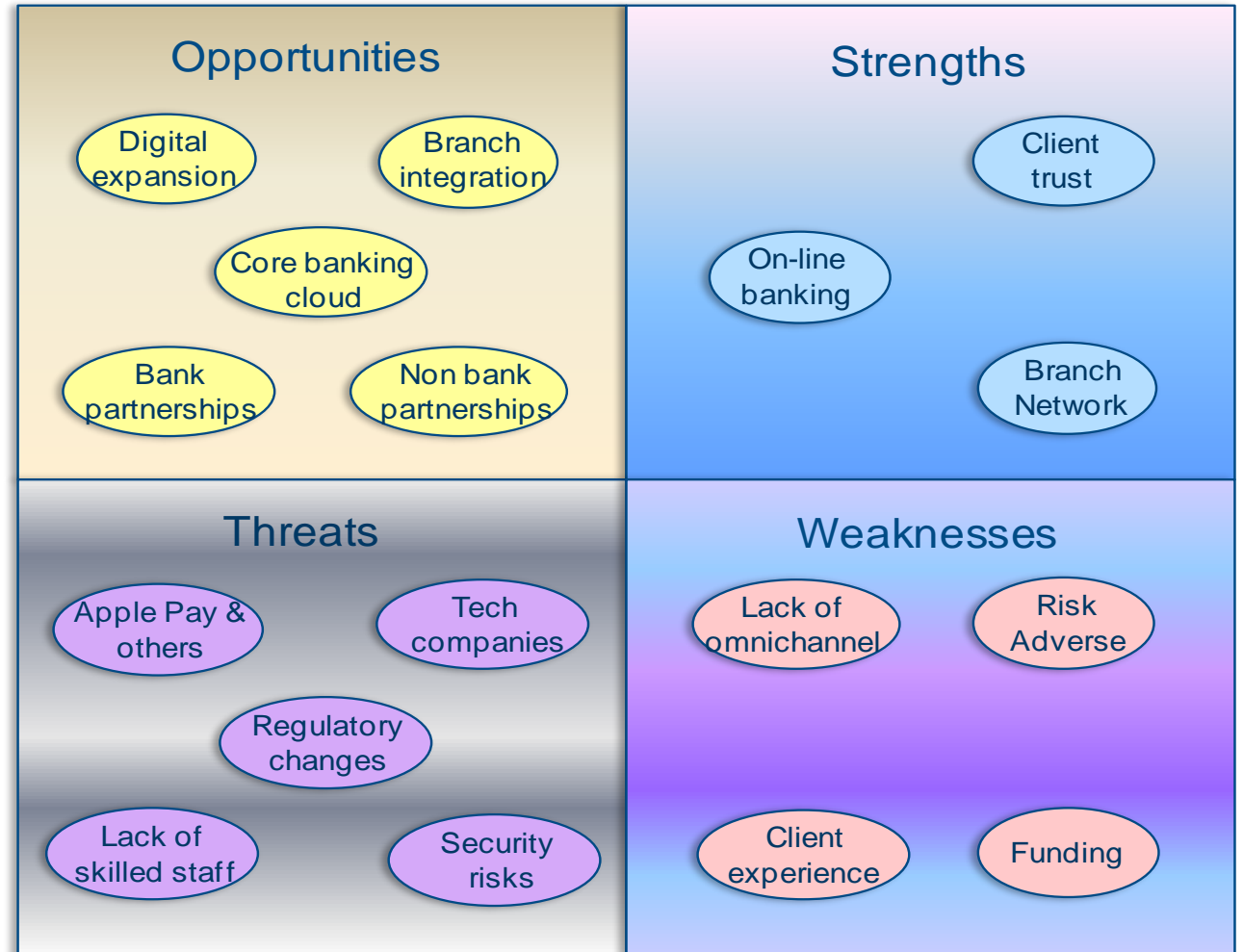


Buying a Car



Digital Banking - Transformation Factors

- Strengths & Opportunities
 - client trust
 - branch network
 - online banking
 - cooperation & partnerships
- Threats & Weaknesses
 - tech competitors
 - regulatory demands
 - organization change
 - rapid response
 - omnichannel



So let's not forget...

and inexpensive

**simple is
beautiful.**



Thank you

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