

**Dr. Ingo Kipker**

Amman, March 20<sup>th</sup> 2011

1<sup>st</sup> Amman Banking Forum | March 20<sup>th</sup> 2011

# **Technology and Banking: Innovations that will change the Banking landscape**

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# Agenda

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## ■ **Status: Changes in Customer Behaviour**

- Banking & Social Media: Using twitter, facebook, linkedin & Co. for bank communication
- Interaction and Advisory: Why the iPad and iPhone will change everything
- Mobile Payments: It really works! Lessons Learned from the Emerging Markets
- New Business Models: Strategic Alliances
- The Banking 3.0 Roadmap

# Changes in customer behavior: Customer Loyalty in danger

## It seems like yesterday – the changing face of banking

- Traditionally, community banks were the centre of civic life with branches and ATMs all around, serving all their customers in person
- The interpersonal relationship between the bank and the client has been at the centre of retail banking – building strong ties with the client and thus maintaining a long-lasting relationship and making people more reluctant to change
- But today, a change is going on: customers diversify their banking relationships and the concept of the “home bank” seems to be in decline

## Symptoms of change

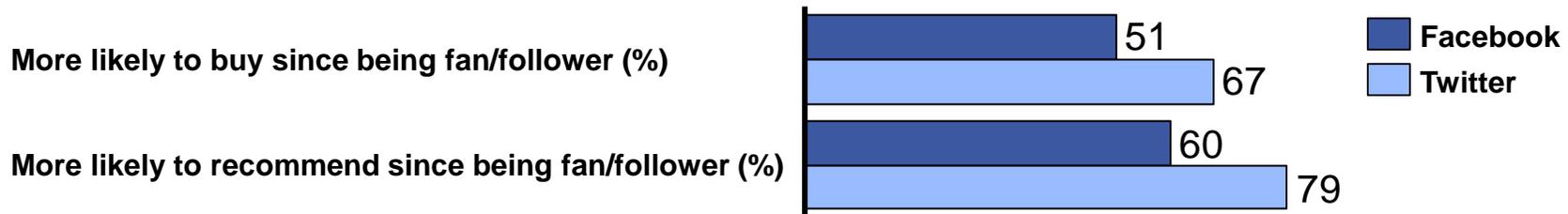
- **New Distribution channels:** Service channels move towards online and telephone banking. While new distribution channels like self-service counters, online banking and call centers are more efficient for both the bank and customers, they distance the bank from its customers
- **Decreasing importance of proximity:** Less than 10% choose the bank nearest to their homes
- **Diversification:** Nearly 25% of customers access more than one bank
- **De-Personalization:** Today, more than 70% of the customers do not know the name of a single employee at their bank(s)
- **Untying:** Due to lower costs involved in switching accounts, people are more willing to change banks

Source: Data based on a survey done Ernst&Young

# Changes in customer behavior: Power shift to Social Media

## Buying behaviour and social media

- Engagement in social media is important for customers to feel in touch with a company
- Social media user post opinions about products and services and **discuss with peers before making a purchase decision**
- A company is expected to have a digital face – whether it is on Facebook or Twitter. **Otherwise customers doubt their relevance** in today's marketplace and their interest in those customers who are using social media
- Research shows that **customers make extensive use of new social media initiatives** – e.g.: Lenovo has experienced a 20% reduction in call center activities after introducing a community website
- Furthermore, social media is a growing sales channel. **Dell already sold \$ 3 mio. worth in computers on Twitter**



Source: Horváth & Partners Research, Research by Chadwick Martin Bailey

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# Welcome to social media [1/2]: The revolution in web usage

The Facebook logo, consisting of the word "facebook" in white lowercase letters on a dark blue rectangular background.The LinkedIn logo, featuring the word "Linked" in black and "in" in white inside a blue square.The Twitter logo, the word "twitter" in a light blue, rounded, lowercase font with a white outline.The MySpace logo, featuring a white icon of two stylized figures and the text "myspace.com" in white on a dark blue background.The YouTube logo, with "You" in black and "Tube" in white inside a red rounded rectangle, with the tagline "Broadcast Yourself" below it.

## Quick facts on social media

- Social media is **#1 activity** on the web
- Nearly **2bn** active internet users
- **96%** are part of a social network
- Adults spend **15hrs** a week on the internet
- **80%** of all companies use LinkedIn for recruiting
- **2-3** new Twitter accounts activated every second
- **70%** of 18- 30-year-olds have watched TV online
- **1 out of 8** couples married in the US last year met via social networks

Source: Horváth & Partners Research, US Government communication studies

# Welcome to social media [2/2]: A fundamental shift in the way we communicate and collaborate



## What it's all about

- Social media is a set of technologies and channels targeted at forming and enabling a potentially massive community of participants to productively collaborate, i.e. talk, participate, share, network, and bookmark online
- While IT tools to support collaboration have existed for decades, social-media technologies, such as social networking, wikis and blogs, enable collaboration on a much grander scale and in ways previously unachievable

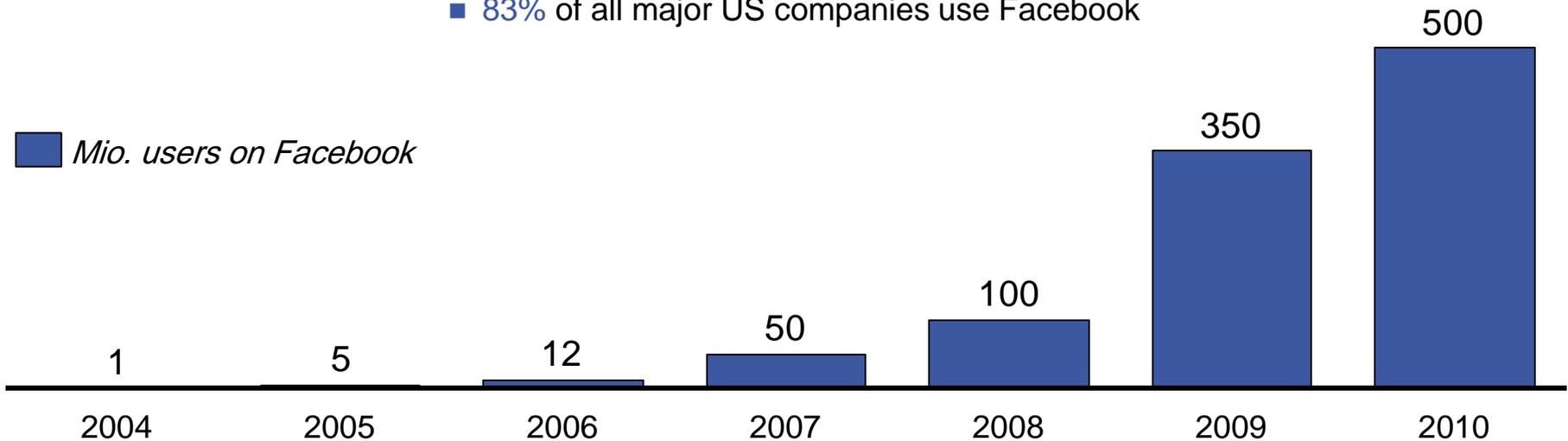
## Types

- **Social networks:** Networks like **Facebook** help people to socialize via the web – i.e. stay in touch with friends or find new ones, create groups of like-minded individuals, share thoughts and contents, etc.
- **Collaboration tools:** Websites like **Wikipedia** are free, web-based tools, which allow people to create collaborative works
- **Micro blogs/communication:** Micro blogs like **Twitter** allow users to exchange their thoughts, news and small elements of content such as short sentences, individual images, or video links
- **Multimedia:** Websites like **YouTube** enable uploading, sharing and viewing multimedia content – e.g. music or videos

# Examples of social media activities [1/5]: Facebook – If it were a country, it would be the 4th largest in the world, so far



- More than 500 mio. registered users
- 50% of the users log-on to the site every day – the average user spends more than 55 minutes a day on Facebook
- More than 1.5 mio. pieces of content (web links, stories, news, notes, pictures) are shared daily
- Purpose-built fan pages have created more than 5.3 bio. fans
- 83% of all major US companies use Facebook



Source: Horváth & Partners Research, OMD International

# Examples of social media activities [2/5]: Wikipedia – The encyclopedia for the web era

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Over **18 mio.** articles on culture, politics, geography, history, technology and companies / products etc

**Largest** and most popular reference work on the internet



**78%** of the articles are non-English

Available in **260** languages

**684 mio.** readers since the launch in 2001

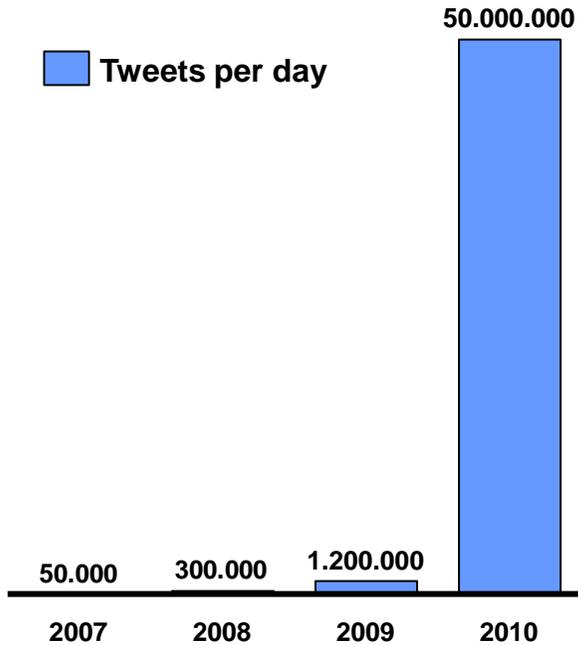
**156** new articles provided per hour

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Source: Horváth & Partners Research, US Government communication studies

# Examples of social media activities [3/5]: Twitter – From word of mouth to world of mouth

twitter



190 mio. users

54% of users tweet daily

34% of users post opinions about products or services

78% of consumers trust peer recommendation; only 14% trust ads

Source: Horváth & Partners Research, Box Hill Institute

# Examples of social media activities [4/5]: YouTube – Easy access to a world wide audience

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- More than 100 mio. videos available
- 24 hrs of new videos are uploaded every minute
- Average online viewer watches 12.2 hrs of online video per month
- 4<sup>th</sup> most visited website on the internet
- 2<sup>nd</sup> most popular search engine on the web

**YouTube gives people what TV never could –  
a way to be engaged and connect with others**

Source: Horváth & Partners Research, OMD International

# The use of social media in the US and UAE banking industry [2/4]



## Wells Fargo – Usage of several social media channels

- **Wells Fargo** – one of the leading financial institutions in the US – is actively engaged in social media
- The bank uses (1) **Twitter** feeds focused on customer service and financial tips; (2) a **Facebook** page and (3) **YouTube** channels targeting retail, wholesale banking and small business customers

## Deutsche Bank US – Multichannel approach

- Also Deutsche Bank uses several channels to get in touch with its customers and clients
- Via **Facebook**, **Twitter** and **YouTube** the social media community is informed about the company, the products on offer, financial news, trends and research as well as about social events and recruiting



# The use of social media in the US and UAE banking industry [3/4]

**RAKBANK**

*Simply Better*

## RAKBANK – At the forefront of social media usage in the UAE

- RAKBANK is successfully engaged in social media (since 2010) to provide wider and more convenient communication channels for customers
- It is the first bank in the region to extend timely help & support to its customers via **Twitter**. The bank has also created more rigorous marketing strategies, displaying 360 degree advertising campaigns around the UAE and on social platforms

## Mashreq – Successful on Twitter and Facebook

- Mashreq Bank – another famous financial institution in the UAE – uses social media for interaction with its clients, too
- Via **Twitter** Mashreq shares the latest information with its clients
- Moreover, the bank does have a **Facebook** page for further engagement with its customer base



# The use of social media in the US and UAE banking industry

## [4/4]: Why banks should engage in social media



### Banks and social media

- **Community building:** By focusing on customer service and adopting the personality of the people they serve, a bank can get closer to customers. **Twitter and Facebook are the online neighborhood for customers to interact with each other and the bank – much like their branches**
- **Product research:** Due to high trafficking and the growing engagement of customers, social media platforms are undeniably powerful **research and development resources**
- **Customer service:** Social media activities – e.g. an active Twitter account like it was the case with Bank of America – **can be a quick and easy first step in the customer service chain when people want to get specific information**
- **Marketing:** With more and more people using social media to make purchase decisions, active engagement is a means for banks to market their products. A recent poll by the **market research firm YouGovSiraj has shown that 80% of customers in the UAE use social media before buying goods or services**

# The use of Social media in the Jordan banking industry [1/2]

 <b>Bank</b>	<b>Social media activity</b>	
<b>Jordan Ahli Bank</b>	<ul style="list-style-type: none"> <li>■ <b>Facebook</b> page available – currently 98 fans on Facebook</li> </ul>	
<b>Housing Bank of Trade and Finance</b>	<ul style="list-style-type: none"> <li>■ <b>Facebook</b> page available, but not specifically tailored for the Jordan market</li> </ul>	
<b>Arab Bank</b>	<ul style="list-style-type: none"> <li>■ <b>Facebook</b> page available, but not specifically tailored for the Jordan market</li> </ul>	
<b>Jordan Kuwait Bank</b>	<ul style="list-style-type: none"> <li>■ <b>Facebook</b> page for employees and customers</li> </ul>	
<b>Bank of Jordan</b>	<ul style="list-style-type: none"> <li>■ <b>Facebook</b> page available, but only for information purposes; not much of interaction with clients</li> </ul>	
<b>Cairo Amman Bank</b>	<ul style="list-style-type: none"> <li>■ <b>Facebook</b> page available, but only for information purposes; not much of interaction with clients</li> </ul>	
<b>Union Bank Jordan</b>	<ul style="list-style-type: none"> <li>■ <b>Facebook</b> page available, but only for information purposes; not much of interaction with clients – so far less than 100 people engaged</li> </ul>	

# The use of Social media in the Jordan banking industry [2/2]

Bank	Social media activity
 <b>Capital Bank</b>	<ul style="list-style-type: none"> <li>■ Facebook page available – so far 99 members</li> </ul>
<b>Jordan Commercial Bank</b>	<ul style="list-style-type: none"> <li>■ Facebook page available</li> </ul>
<b>Arab Jordan Investment Bank</b>	<ul style="list-style-type: none"> <li>■ Facebook page with less than 100 members</li> </ul>



## Conclusions on the use of social media in the Jordan banking industry

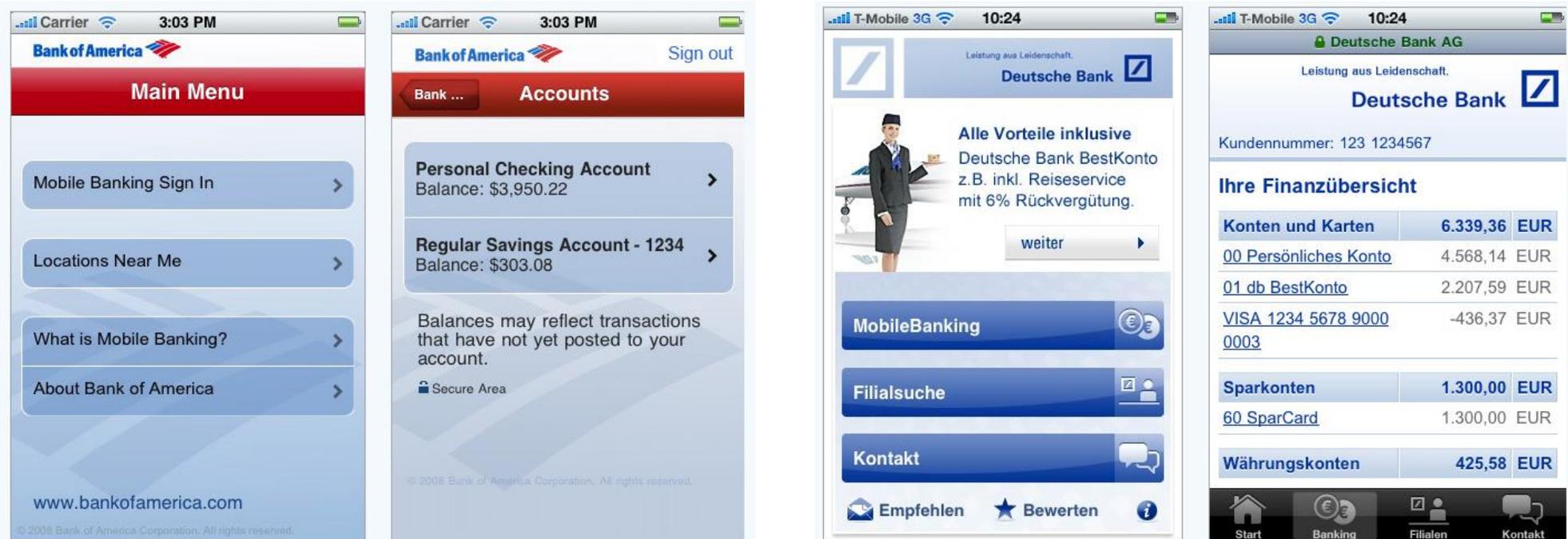
- The engagement of Jordan banks in social media is still **at an early stage** and more customers have to be reached
- Some of the banks doing business in Jordan **do not even have specific social media offers** for the Jordan market
- In comparison to the activities of banks from (e.g.) the US, there is barely a way for direct interaction with clients
- **So far, the banks use only one social media channel (Facebook) although there are other useful ways of engaging with customers – e.g. Twitter and YouTube as it is the case with Banks form the US and the UAE**

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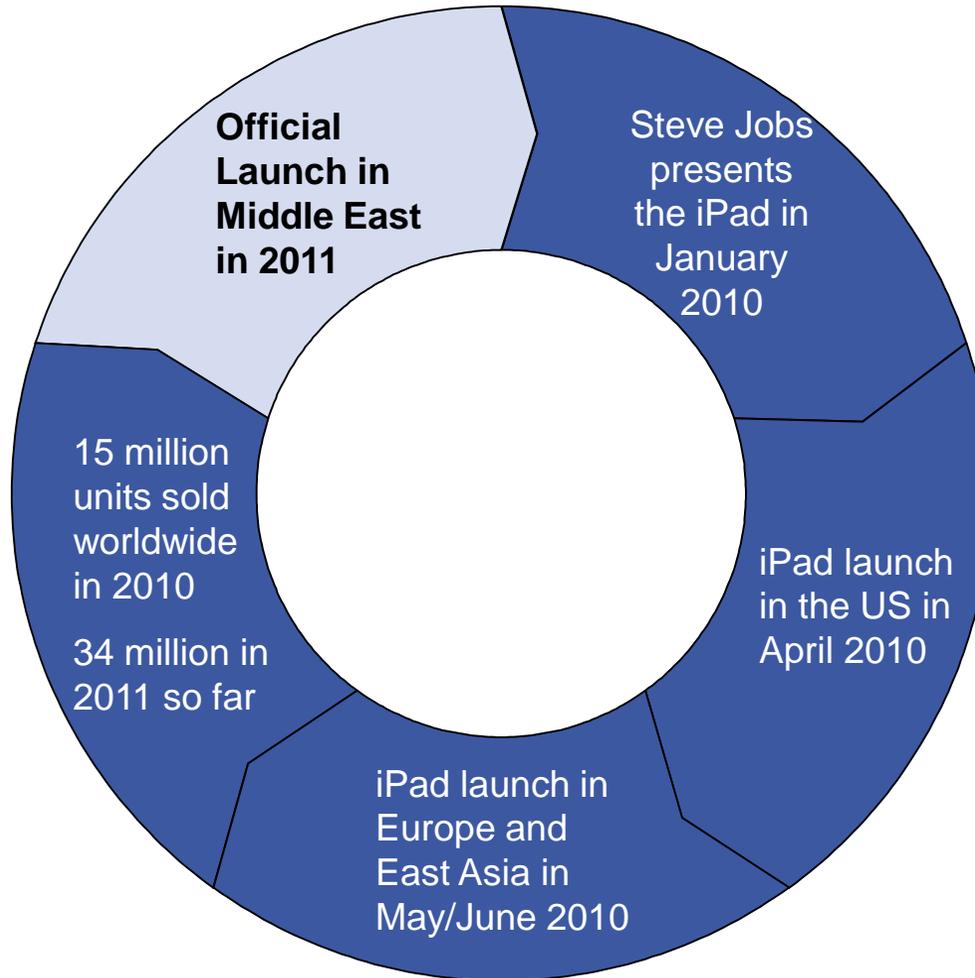
# Many banks offer already banking apps for the iPhone as well as for the iPad



## Standard functionalities

Mobile Banking, branch and ATM locator, product and service information, interest rates and product selector tools, access to media and advertisements etc.

# The iPad created another hype in the continuing Apple success story



# Best Practice

## Surface Banking Q110 Deutsche Bank [1/4]

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Advisory sessions at a branch of Deutsche Bank...



Issues in advisory sessions:

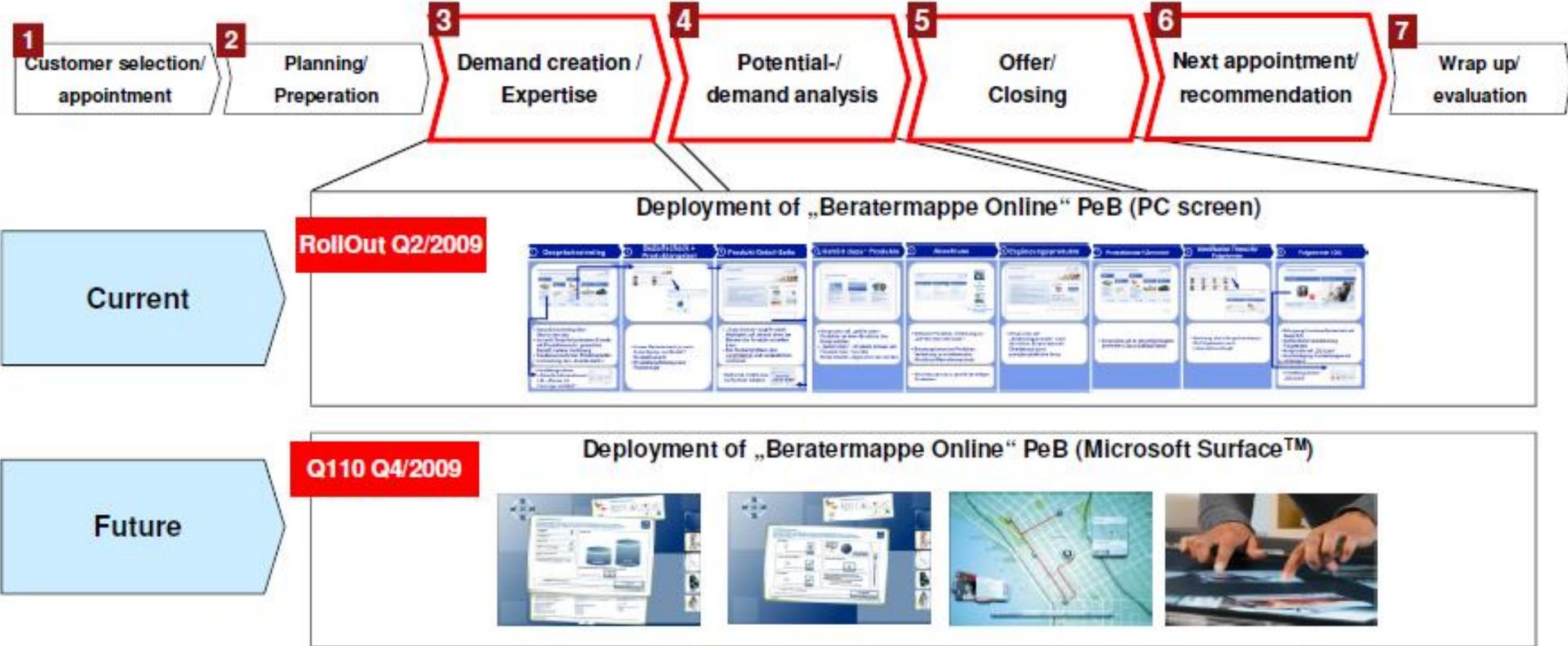
- Mostly difficult banking products, which are not easy to understand
- Appointments in bank branches not popular, low customer experience
- No active involvement of customer in advisory sessions
- No adequate medium to present information to customer

# Best Practice Surface Banking Q110 Deutsche Bank [2/4]



# Best Practice

## Surface Banking Q110 Deutsche Bank [3/4]



# Best Practice

## Surface Banking Q110 Deutsche Bank [4/4]

**First iPad App in branches live since September 8th 2010!**

➤ A huge amount of customers are using Surface also without advisors. For future applications it is recommended to make the functionality simple and inspiring available to attract the application to our customers more and generate touch points for our advisors to get in contact with customers.

→ Info- and Entertainment should be taken more into account

→ Use of haptic elements support “Wow-effect”

➤ With Surface complex topics can be explained easy, understandable and transparent in advisory session

➤ Employees need to be trained well, that they are feeling comfortable in using the application and that the technology really supports instead of disturbs



**Cutting-edge technology**



✓ **Added value for the customer**

✓ **Provide adviser experience**

# PC Tablets will cause a revolution in the banking industry

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## Merger of Banking and Customer Solutions



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Fax +1 212 325-6665

### Media Release

#### Credit Suisse Equity and Fixed Income Research Launch App for iPad and iPhone

New York, October 21, 2010 Credit Suisse's Equity and Fixed Income Research departments have launched a universal app for iPad and iPhone designed to provide institutional clients with a flexible and dynamic new channel for accessing the bank's world-class financial research.

The Credit Suisse Research App, which can be downloaded for free from the App Store, offers subscribed Credit Suisse clients the ability to download research reports from the bank's Equity and Fixed Income Research departments. Clients can locate research by searching or subscribing to feeds which are organized using a variety of categories including product area, sector, strategy, or most read in order to streamline content delivery. The app supports multiple media types and offers clients the convenience of reading research offline by transferring reports to various readers, including iBooks.

"Credit Suisse is committed to delivering cutting-edge solutions that meet the evolving needs of our clients," said Tony Ehinger, Managing Director and Co-Head of Global Securities at Credit Suisse. "The launch of this iPad and iPhone app provides a new way for clients to use our world-class Equity and Fixed Income Research to succeed in their businesses."

**Customization:** Clients have complete control of which research they receive.

**Offline Reading:** Clients are able to transfer documents to their preferred PDF reader and view content even when offline.

**Favorites:** The app conveniently stores links to documents and company profiles that interest clients.

**Quick Search:** As clients type, suggested results help users who are uncertain about ticker codes or analyst names. Users may also search document titles.

**Feed-Based Technology:** Research is packaged into streams, offering clients the ability to quickly browse research of interest and avoid repeatedly searching for content.

# Apple-ize the business

## Possible Steps

Contract an **Jordan pre-start** for the iPad launch



Launch the first and best **iPad solution App** for customers in the Jordan Market

Open up an **Apple store** in your **Mall Branch**



**Introduce iPads** and Sales Software for all Sales Staff

**Launch the first product bundle** “iPad, mobile contract and Account & Credit Card” in the Jordan Market

Use the iPad channel **for service offerings and up-selling**

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# M-PESA: Success Story Mobile Payment/Finance



**M-PESA** (M for mobile, pesa is Swahili for money) is the product name of a **mobile-phone based money transfer** service for Vodafone. The development was initially sponsored by the UK-based Department for International Development (DFID) in 2003–2007.

The initial concept of M-PESA was to create a service which allowed microfinance borrowers to conveniently receive and repay loans using the network of Safaricom airtime resellers. This would enable microfinance institutions (MFIs) to offer more competitive loan rates to their users, as there is a reduced cost of dealing in cash. The users of the service would gain through being able to track their finances more easily. But when the service was trialled, customers adopted the service for a variety of alternative uses; complications arose with Faulu, the partnering microfinance institution (MFI). **M-PESA was re-focused and re-launched with a different value proposition: sending remittances home across the country and making payments.**

M-PESA is a branchless banking service, meaning that it is designed to enable users to **complete basic banking transactions without the need to visit a bank branch**. The continuing success of M-PESA, in Kenya, has been due to the creation of a highly popular, affordable payment service with **only limited involvement of a bank.**<sup>1</sup>

The system was developed and ran by Sagentia from initial development to the 6 million customer mark. The service has now been transitioned to be operationally run by IBM Global Services on behalf of Vodafone, the initial three markets (**Kenya, Tanzania & Afghanistan**) are hosted by Rackspace.

# M-PESA: Functionality



**M-PESA** Customers can deposit and withdraw money from a network of agents that includes airtime resellers and retail outlets acting as banking agents. M-PESA is operated by Safaricom, a Mobile network operator (MNO), which is not classed as a deposit-taking institution (such as a bank). Therefore, M-PESA may not be advertised as a banking service.

The service enables its users to:

- **Deposit and withdraw money,**
- **Transfer money to other users and non-users,**
- **Pay bills,**
- **Purchase airtime.**

The user interface technology of M-PESA differs between Safaricom of Kenya and Vodacom of Tanzania, although the underlying platform is the same. While Safaricom uses SIM toolkit to provide handset menus for accessing the service, Vodacom relies on USSD to provide users with menus.

Txteagle - an "artificial intelligence" system enabling the 3 billion mobile phone subscribers living in the developing world to earn small amounts of money by completing simple tasks for companies who pay them in airtime or M-Pesa (mobile money in Kenya). txteagle is on track to become the largest employer in Kenya

# M-PESA in figures: customers, transactions and customer usage



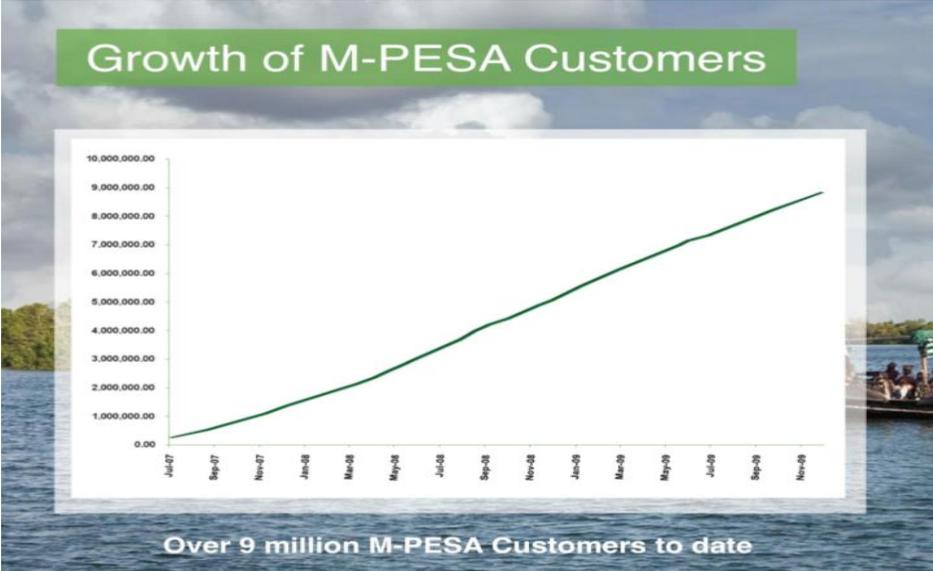
## Safaricom Kenya Full-Year Profit Climbs 44% on Data

Eric Ombok, Bloomberg  
 Wednesday, May 26, 2010 - 12:08

Safaricom, the Kenyan Mobile Operator that operates Mobile Money Transfer M-Pesa, has announced that its full year profit has increased by 44%. The revenue increase has been attributed in large part to revenue from data services, including M-Pesa.



May 26 (Bloomberg) -- Safaricom Ltd., Kenya's biggest mobile-phone operator, said full-year profit jumped 44 percent as revenue from data services including MPESA, its mobile money-transfer service, increased.



# M-PESA: The evolution of products and services



## Enabling Financial Services

### Money Transfer

2007



- Remittance
- Airtime Purchase
- Cash-in/out via outlets

### More Functionality

2008/09



- Salary payments
- Bill Payments
- ATM use
- International Remittances

2010+

Partners

- Savings
- Credit
- Insurance
- Investments
- Merchant services
- Trading

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# New Business Models with Strategic Alliances

ATM, MFT Services  
in **Gas Stations**

White Labeling Finance  
Facilities (Consumer Credits)  
with **Supermarket**

White Labeling Finance Facilities  
(Consumer Credits) with  
**Electrical Equipment Supplier**

White Labeling Finance  
Facilities (Consumer Credits)  
with **Furniture store**



Joined Credit Card  
with **Royal Jordanian**

Joined Credit Card  
with **ZAIN**

Joined Credit Card  
**National Energy Company**

Joined Credit Card  
**Jordan Drivers Association**

# Example: „Executive Expat Banking“

- Qualification: specialized expat advisory teams
- Culture: strongly international orientated staff
- Innovation Management: developing constantly expat services (bank, non-bank)
- Innovation Portfolio: internet banking, smartphone banking, tailored expat banking services
- Cooperation: Strategic Alliances: tax advisory companies, airlines alliances, credit card companies, network partners in the expat regions, service companies/retailers in the home country (e.g. servicing handicapped relatives, shopping service)



- Value Proposition: Services customized for Jordan Expats
- Positioning: “Best Jordan Expat Bank”
- Branding “Your Home Connection”
- Distribution Channels: online, mobile/Smartphone, branches at point of interest (e.g. airports)
- Client Retention: benefits, special services
- **Customer service:** 24/7 call center with priority status, toll free number, tax advisory services for wealthy people, multi currency accounts
- „Earnings Model“: payments, assurance, mobile contracts, investment advisory
- Core Processes: specialized teams for expat services / relocation services
- Organization Structure: Premium Banking, Corporate Banking Segment
- Infrastructure: focused on international payments

# QNB 2 JORDAN



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## → QNB 2 Jordan Remittance Service

### QNB 2 JORDAN

Welcome to QNB Jordan Services.

QNB has partnered with Jordanian Housing Bank (HBTF), its partly owned subsidiary, to offer you QNB 2 Jordan Services, carefully designed to specifically cater your needs in Qatar and back home in Jordan. Together we offer you an unrivalled series of banking products and services to make sure you have the best of both worlds right here in Qatar.

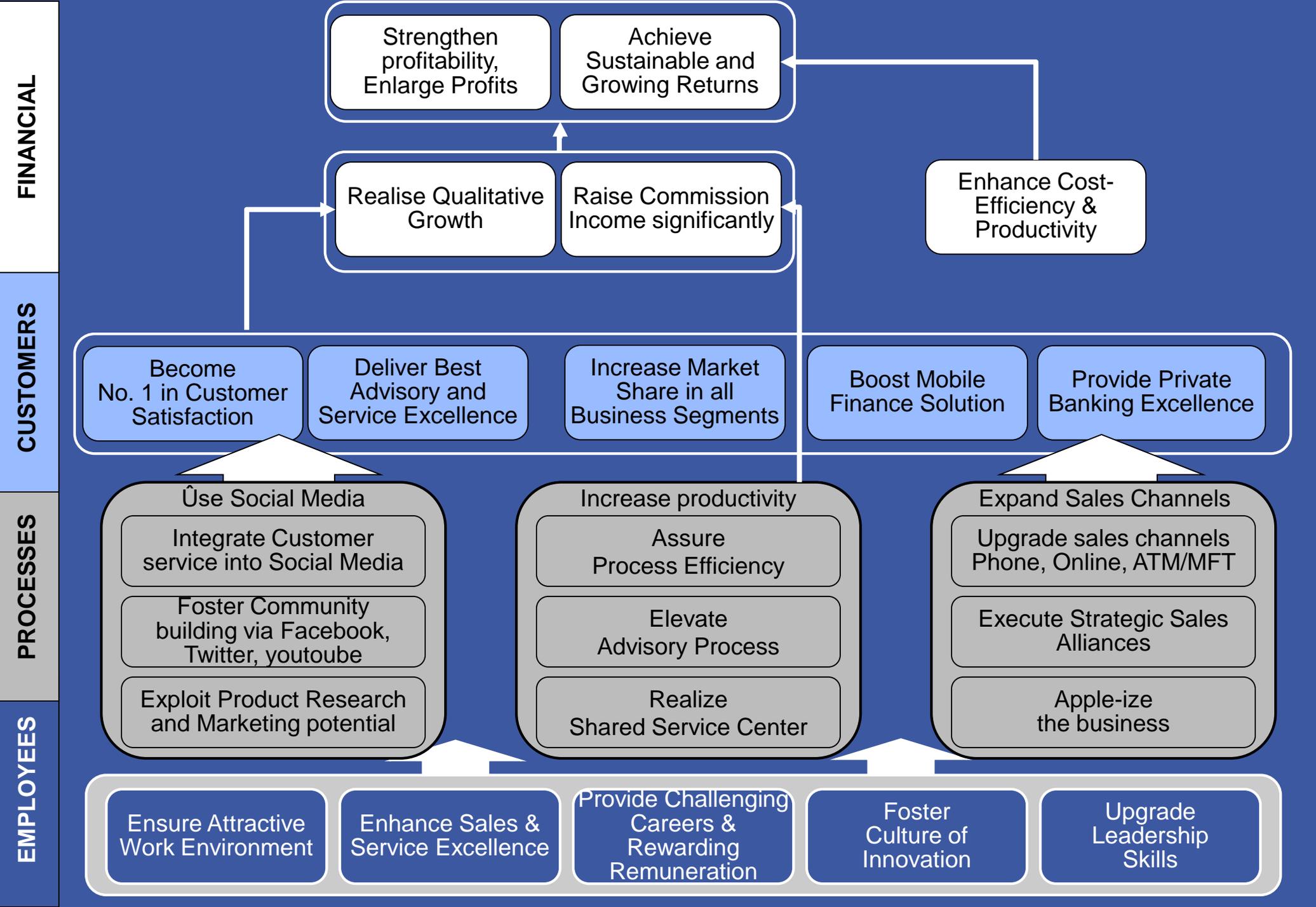
#### QNB Benefits in Qatar:

- Account opening services with QNB and HBTF Bank
- Cost effective and quick online JOD remittance services
- QNB co-branded credit card with Qatar Airways (Free for the first year) \*\*
- Personal loans, Vehicle loans and Mortgage loans at competitive interest rates
- Investment and Insurance products to meet your financial needs
- Free Debit card and cheque book\*
- 24/7 access to your account through EAZYATM,EAZYinternet,EAZYphone,EAZYSMS and EAZYstatement
- Online Bill payment facility in Qatar
- Largest distribution network in Qatar comprising 60 branches and over 160 ATMs

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# Thank you so much for your attention!



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