Banks must work towards offering a fully digital experience

Cash management in Asia undergoes a digital facelift

Digital innovations are improving Asian banks' transactional efficiency and client experience, but costs are far from cheap.

Three years ago, DBS committed to invest S$200m (US$143m) for digital banking initiatives across Asia, and it has spent the money well to enhance its cash management services. The bank has launched an account-opening online service so clients do not have to visit physical branches, and it has been mining customer insights through data analytics. Soon, DBS also plans to tap into the power of blockchain technology for cash management like what it has done for trade finance. Other Asian banks are following suit, spending notable resources on digital innovations such as mobile banking upgrades and application programme interfaces (API) that make client transactions cheaper.

For DBS, the digital renovations it has been initiating across its cash management business is paying handsome dividends. **Sohfern Boey,** managing director and head of global transaction services of DBS Bank (Hong Kong), says its DBS Business Class programme — which provides online resources to small and medium-sized enterprises (SMEs) and recommends related services based on their specific needs — has helped generate new business opportunities. For the bank, digital innovation is the key that unlocks the door to the customer's deepest desires.


Sohfern Boey


Di Challenor

"Automation not only increases efficiency, but is also the enabler for digital innovation, so you cannot talk about one without mentioning the other," says Boey. "Banks are generally constrained by a lot of proprietary or legacy systems which make it difficult to unlock the full potential offered by digital innovations. Banks should therefore set a clear vision on their digital innovation with the ultimate goal of offering a fully digital customer experience," she adds.

Banking executives reckon one of the strongest cases for implementing digital innovations is that they use the latest technology to significantly increase process efficiency, especially in Asia where many firms continue to rely on manual processes. "There are numerous manual processes that are made efficient due to technology, thereby improving the back-office operation and deliverable time," says **Andreas Kurniawan**, division head, retail business development at OCBC NISP. "Mobile banking, as an example, can be used for transactions practically anywhere at any time, whereas branchless banking can decrease the utilisation of resources."

New systems, new standards

Even the laborious procurement process can be improved through digital innovation, as seen in Bank OCBC NISP's plan to develop an E-Catalog in collaboration with an e-commerce company in Indonesia. Kurniawan reckons the E-Catalog's utility is extensive, not only facilitating internal procurement processes but also expediting customer delivery of rewards.

"It does not only give our customers a wide range of reward options, it also streamlines our back-office operations, and improves delivery time to customers. Thus, leading to a superior customer experience and improving our efficiency," says Kurniawan.

Automation is also transforming the operations of Westpac. The bank created the Quick Super gateway and clearing house, a service currently used by more than 150,000 employers, which enabled the bank to process more than 70 million transactions in their last financial year. In 2017, the target is even higher at 90 million transactions.

"This innovation has been widely adopted by the majority of industry funds using it to support the daily stream of contributions from hundreds of thousands of employers across Australia," says **Di Challenor**, general manager, global transactional solutions and client experience at Westpac. "It was developed based on our understanding of customer and industry problems as well as policy requirements and devising a smarter way to do things."

Enhancing cross-border payments

For SWIFT, the drive for digital innovation catapulted the financial cooperative to adopt a new standard called SWIFT gpi that quickens cross-border payments. SWIFT gpi was launched in December 2015 with the support of innovative tools like a payments tracker, a service-level agreement observer, and a directory. Response was enthusiastic with more than 90 banks currently signed up, representing more than 75% of SWIFT's cross-border payments traffic. "Together with the largest transaction banks in the world, our aim was to enhance the cross-border payments experience of corporate treasurers by providing faster, more transparent, and traceable cross-border payments," says **Stella Lim**, head of corporate sales, Asia Pacific at SWIFT.

"The initiative has seen tremendous industry support," she adds. "Banks have found that with SWIFT gpi, they are able to provide their corporate clients a new world of experience in cash management because corporates will have access to same-day use of funds, gain transparency of fees, experience end-to-end payment tracking, and receive unaltered remittance information."

API and blockchain

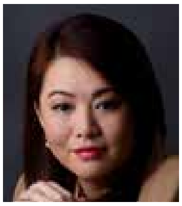
The boon of digital innovation is slanted heavily towards efficiency gains, but industry insiders argue that these easily translate to higher customer satisfaction. By developing a smarter API, banks can provide delightfully faster and more secure service, although regulatory constraints can still limit the transactions made available in such an API.

"API has been highlighted to create value for customers and benefit the surrounding ecosystem. It is rather more likely to drive an immediate and tangible revolution in banking," says **Silawat Santivisat**, executive vice president at Kasikornbank. The bank has shown growing interest in API technologies, especially in how they can connect with innovative firms outside the organisation and deliver attractive services to banking clients. But Santivisat reckons the API in banking still needs to resolve a lot of technical and regulatory hiccups like making sure legacy systems can be adjusted to enable an open API framework and obtaining informed consent amongst bank account holders to complete certain transactions, respectively.

"Speed and certainty are critical in payments, with technology, including real-time information and reconciliation and the use of APIs, being adopted to further facilitate data integration," says **Raof Latiff**, regional head of product management, global liquidity and cash management, Asia at HSBC. "Digital innovation solutions have helped banks improve the client experience in banking and their need to seamlessly incorporate this high level of service as they expand globally."

Another exciting frontier for digital innovation is blockchain technology. Banks like DBS as well as CIMB are beginning to explore the potential of blockchain, particularly distributed ledger technology (DTL), to raise the value of cash management services.

"Distributed ledger technology, in particular, brings a variety of benefits to the cash management sector," says Latiff. "These can include an enhanced customer level value and experience, re-engineered processes, and a closer ecosystem that brings overall value to the system and the market." He warns though that banks that go at it alone may fail miserably; instead, they must collaborate with technology companies to build an ecosystem designed to benefit all stakeholders.



Stella Lim

Silawat Santivisat

Raof Latiff

Vijay Manoharan

"Blockchain offers immense possibility and can be implemented in a range of banking services, not necessarily just cash management," says **Vijay Manoharan**, senior managing director & regional head, digital banking & decision management at CIMB.

Incumbent banks might be tempted to view fintech companies as nothing more than dangerous rivals, but teaming up with them can produce more favourable results than facing them head on. "Collaboration is the best way forward," says Manoharan. "By working with fintechs or 'disrupters', we believe that there are key learnings that both sides can learn from each other."

"We have seen many of our peers as well as central banks taking on such collaborative partnerships. The idea is to, for example, combine the cost-effective nimbleness of fintech with customer base of mainstream banks," adds Manoharan. CIMB recently established CIMB Fintech to take advantage of fintech partnerships, including efforts to scale up the applications of blockchain in its cash management business.

Digital is more convenient, but more expensive too