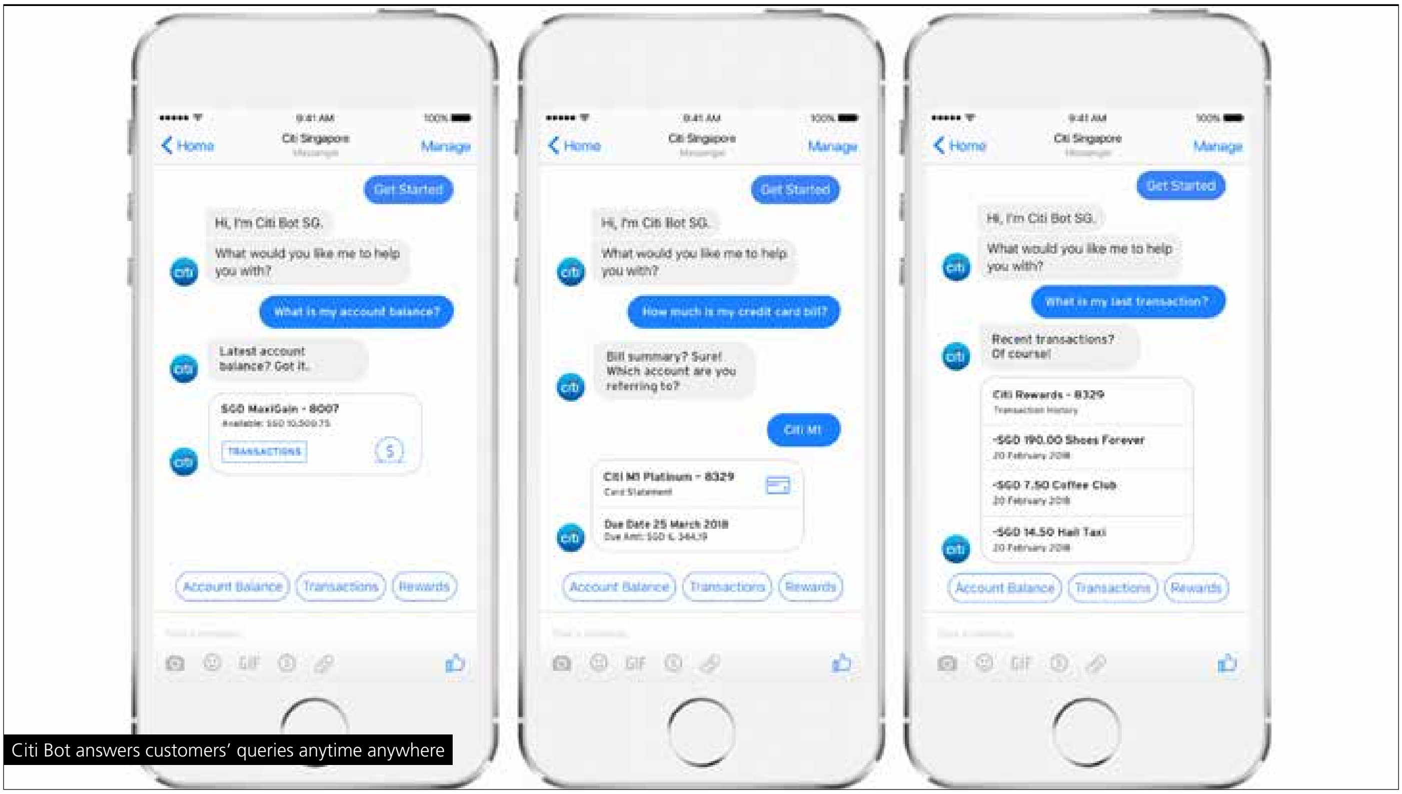


Citi Bot answers customers' queries anytime anywhere

Asian banks deploy smart branches and digital tools

41% of customers now prefer to interact with their banks online.

When a customer steps into a concept branch by an Asian bank, it is hard not to linger. From UnionBank's The Ark branch in the Philippines where customers can lounge and connect to WiFi to UOB's fresh bank layout in Singapore where carved-out spaces enable clients to seek financial advice in private, Asian banks are evolving their branches to suit the shifting digital inclinations of its customers.

They do it by using technology to revamp transactions in their branches, whilst bolstering thier online and internet banking platforms. "Given that the popularity of branches as a distribution channel of choice is declining, their footprint is also shrinking in parts of Asia Pacific, as selected outlets get shuttered," said **Jan Bellens**, EY's Asia-Pacific and emerging markets banking and capital markets leader.

Bellens cited the EY Global Consumer Banking Survey which showed, on average, that 41% want to interact with their banks online and 33% via mobile channels in the next 12 months, with Chinese customers' digital preferences rising to as high as 50%. "The branches that remain will need to be redesigned–either as flagship branches where customers can access specialists to help with complex transactions, or smaller satellite outlets with minimal staff."


Jan Bellens


Jeffrey Ng


Susan Kwek

Redesigned bank branch features will include interactive touch panels, digital queuing, virtual assistants with artificial intelligence, videoconference lounges, and merchandising displays designed to entice customers to linger. Smaller branches, meanwhile, could function as automated self-service kiosks, providing routine transactions for simpler products.

In January, UOB piloted a new branch concept in Singapore focused on the millennial crowd, said **Susan Hwee**, head of group technology and operations at UOB. Given this more digital-savvy customer base and data that showed they prefer to bank through digital channels or self-service machines, the new branch layout did away with traditional teller counters and instead created private spaces for customers who go to the branch mainly for financial advice. It also set up five self-service machines in the branch lobby that are accessible any time of the day for more common transactions.

Meanwhile, UnionBank of the Philippines launched The Ark, the country's first fully digital bank branch where customers log on to the internet or have coffee, shifting the role of branches from transactional spaces to "interactional" spaces, said a UnionBank spokesperson. "The bank branch is not going away but its role and purpose will shift from a space to simply process transactions to a venue for advisory conversations, digital channel onboarding, self-service banking, and interactive experiences," added the spokesperson.

In The Ark branch, 30 transactions

were digitised and offered to customers, including product applications for credit cards and loans. The effort reduced transaction processing time, especially in account opening, from an average of 1 hour to around 15 minutes.

In Singapore, smart branches are further gaining traction. "Bank branches have become less about transactions and more about a positive customer experience as well as more engaging self-service. This is why we are gradually introducing more interactive digital experiences and self-service automated technologies at our branches such as touch-enabled ATM kiosks and iPads," said **Susan Kwek**, head of operations and technology at Citi Singapore, which was the first bank in the country to introduce a smart banking branch as early as 2010.

But Kwek noted that due to digitisation, more transactions take place outside the branch. This prompted the bank to introduce Citi Bot on Facebook Messenger, which allows customers to conveniently receive answers on queries on their phones or computers.

Sales and customer service boost

Other banks are also leveraging on technology to bolster their sales and customer service teams. RHB developed a quality sales force tool called iSmart, a tablet-enabled web tool, which helps match customer requirements with the bank's products, said **Jeffrey Ng**, head of group business and transaction banking, commercial banking at RHB Banking Group.

Ng said iSmart is the first of its kind in Malaysia, and has cut down processing time since it advises customers on the documents needed and simulates products to show customers how these work on the spot. A month after iSmart's launch, the preliminary result in January 2018 saw sales productivity rise by 9.3% compared to a year ago.

Bank of China Hong Kong (BOCHK) also plans to launch a chatbot service in several channels including online banking, mobile banking, and the bank's WeChat official account this year. "Through natural language processing, customer inquiries can be analysed effectively, thus providing standard and quality responses and improving the efficiency of customer service," said **Michael Wang**, deputy general manager of e-finance centre of BOCHK, adding that the best thing about the chatbot is how it uses machine-learning-based technology to further ramp up its response speed and accuracy.

Meanwhile, Citi draws some 20 million visits to its online consumer banking properties every month, and between 90% and 95% of the bank's transactions already happen outside a branch, said **James Griffith**, director, head of international media relations at Citi Asia Pacific. Griffith said that in 2018, Citi will be focused on using its own big data to create more personalised client experiences. It also launched a Citi branded interactive experience within a social platform on WeChat in China and Line in Thailand to stay on top of the banking technology curve. "Whilst there are many unknowns, one thing is sure: the pace of technological change shows no sign of slowing," he added.

Risk and reward

Technology can be enabling, but it can also be a source of risk for banks, since it infiltrates more areas and potentially exposes the enterprise's valuable financial and customer information to cyberattacks. "Asia-Pacific banks need to focus on mitigating emerging technology risk in a digital world," said Bellens.

With global regulations focusing on risk and compliance strengthening in recent years, the expected standards for Asian banks have risen as well. Banks are especially pressured to bolster data and cybersecurity to meet regulatory and compliance requirements, which will continue to be concerns in 2018, said **Wang Chaoming**, deputy chief executive and chief information officer at ICBC (Asia).

Big data, artificial intelligence, and advanced analytics tools are important in reducing behavior risk and enhancing network monitoring, thereby preventing financial crimes,

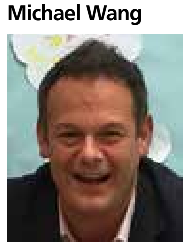

Wang Chaoming


Silawat Santivisat


Susan Hwee


Dennis Khoo


Michael Wang


James Griffith

he said, adding that "regulatory and compliance are the foundations of banks' operation, and technological innovation is the driving force behind the development of banks."

Is fintech still a threat?

Recently, many banks are coping with technological innovations by either cooperating with their supposed fintech rivals or accelerating their own innovation drives to keep up. In Thailand, regulation has recently focused on financial institutions and banks only, which meant there was room for non-banks to offer financial services beyond what banks could offer—basically faster, cheaper, and more suitable to customer needs, said **Silawat Santivisat**, executive vice president, corporate and SME products division at Kasikornbank. "The strategy is to bring those non-banks in to co-work and co-develop to derive the most optical solution for customer," Santivisat added.

"Whilst we have seen a shift towards a more collaborative approach with fintech companies and banks partnering together to leverage each other's strengths, banks should be a little more worried about their future positioning," said **Sangiita Yoong**, analyst at East & Partners.

Yoong said more than three-quarters of global businesses see fintech taking market share from incumbent suppliers over the next five years. "The main reason behind this is that Asian corporates have already experienced the positive effects of fintech. They find that fintech are making it easier to run their businesses, and banks are somewhat lacking in their ability to keep up," added Yoong.

But **Dennis Khoo**, head of regional digital banking and strategic initiatives at UOB, downplayed the threat as he said a technology company cannot change its business model suddenly to that of a big bank's without first having all elements of risk management and regulatory compliance in place. "What is important is for banks to focus on the customer experience and use technology cleverly," Khoo added. "The risk is that banks don't do this well enough and others do."