Standard Chartered

opinion

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Clients the big winners in Africa's digital banking boom

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Five years ago, Tendai would have had to spend an hour standing in the queue of a busy banking hall in Harare to pay his utilities bills. Fast forward to present day, he now takes out his mobile phone and pays his bills at the touch of a button in the comfort of his home.

The growth of the digital economy is creating a watershed moment for the banking industry and changing the equation of how clients are served. Significantly, African clients are at the forefront of these changes, particularly driven by high mobile penetration.

Clients are now increasingly getting access to services of all types via mobile devices. And their expectations of how banks and other businesses serve them are increasingly set by digitally native technology players, like Alibaba and Apple.

Seamless client experiences a must to build loyalty

While clients are still predominantly using banks for the vast majority of their financial needs, from deposits to home loans to credit cards and payment services, the competitive battleground is on how clients are served. Client loyalty is now based on ease of use, security, 24/7 access and a fuss-free, seamless client experience.

Payments, for example, comprise a significant portion of a client's interactions with their bank. While they are not a highly profitable part of the banking industry, payments are where the rubber meets the road. Transactions conducted on computers and mobile devices generate detailed information about client behaviour and this knowledge is extremely valuable in ensuring that whatever proposals clients receive from bank, in terms of services and products, is relevant to them.

It's about clients being offered the most relevant savings and credit card mix based on their past usage. Or if they have just received a bonus and are looking to grow their wealth, their bank prompts them with an investment product proposal which fits their risk profile.

Across the globe, and indeed in Africa– we have started to utilise predictive analytics to support our sales teams efforts by advising them for each client before they meet, 'the next best sales offer' such as when it is appropriate to offer a loan top-up or an improved deposit rate when we observe fresh funds flowing into their non-interest bearing current account. It's all about understanding the client and giving them what they need.

The lesson for banks is clear: valuing client interactions – especially on digital channels - and using data analysis and interpretation are key. Clients will be loyal to a bank which knows them and makes banking convenient and easy for them.

Things are moving faster in Africa

The battle is particularly intense in Asia and Africa, where a new generation of young, affluent clients will quickly become the majority of financial services users. According to research, the number of middle class households in key sub-Saharan African countries is set to triple to 22 million by 2030. They are digitally-savvy and expect a seamless client experience from all retailers, including their bank. They are more likely to embrace new types of service providers, including non-bank financial service providers.

Sub-Saharan Africa (SSA) has been the fastest growing region for mobile over the last five years, in terms of both unique subscribers and connections. In Kenya for example, around 18 million adults, or 85% of the population, use mobile money services, such as M-Pesa, Mobikash and Airtel money.

This is why in Africa, Standard Chartered has partnered with most of these networks across our markets to increase the convenience, speed, cost and safety of making lower value payments, by eliminating the need to write cheques for example, and minimizing the duration of their clearance.

It is all about clients getting a seamless, convenient and safe digital experience.

Imagine sitting in a taxi in Lagos or Nairobi traffic: you log on to your mobile device, and you see all your banking activities at a glance. You have a question about what investment options are available to plan for your future, so you press a button to talk to your relationship manager. She then links you up via video to an investment advisor who answers all your questions and gives you options which fit your risk profile and investment horizon. How convenient and quick it will be, without having to stand in a queue at a branch! That will be the norm not too far along in the future.

Clients are expecting banks to reverse the service pyramid radically: instead of banks incrementally expanding a range of available services on digital channels, clients should be receiving all services digitally in the first instance. At Standard Chartered, we are changing our business model fundamentally to be ‘digital by design’.

What this means is that by putting clients at the centre, we create modern, mobile-friendly experiences across all segments and across all markets. Clients can bank more efficiently through unified mobile, online and phone banking platforms and access to better ATM services so they have tools for self-service transactions at their fingertips. For this to work, ultimately every client relationship must be a digital one.

Building trusted client relationships

Despite the fast-changing banking landscape, research shows that the majority of all demographic client segments still prefer traditional banking organisations due to familiarity, established habits and trust. This is the silver lining for banks: continued ownership of the core client relationship, based on trust.

But we understand that to move nimbly to bring more convenience to clients, we need to partner financial technology companies in niche areas. At Standard Chartered Africa, we have teamed up with mobile payments aggregators such as Selcom (in Tanzania), Cellulant (in Kenya, Zambia and Botswana), Zimswitch (in Zimbabwe) and eTranzact (in Nigeria and Ghana) to enable convenient bill payment on mobile from our clients’ bank accounts to more than 20 billers, with the possibility to access another 100 as we rollout the programme into 2016. Client transactions via this channel are increasing by over 50% annually which we expect to accelerate.

In addition, we have created the capability to enable transactions with mobile wallets using mobile numbers instead of bank account numbers in key African markets. So for example, a business owner in Kenya, Nigeria, Tanzania, Zambia, Uganda or even Ghana with access to our Straight2Bank Wallet mobile app can make instant, secure cashless payments to individuals’ mobile wallets, whether or not they have bank accounts.

At the end of the day, banks need to jealously maintain their reputation as trustworthy counterparties and custodians—virtues that are increasingly valuable in a digital economy beset with trust and privacy issues.
There are challenges to getting it right, but the good news for clients in Africa is that they are certain to be the big winners as banks invest to understand and serve them better, while giving them greater convenience and service.

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