

# Kurt Salmon



## DIGITAL TRANSFORMATION

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### THE VIEW FROM KURT SALMON



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## Financial Institutions' Digital Future: Embracing the Inevitable

We've all lived the transformation in life and business as a result of digital technology. Nowhere has this been more evident than in the financial sector, where back-office administration has been revolutionized by straight-through processing. Increasingly it is reshaping the relationships between financial institutions and their customers as well.

More change is on the way, as increasingly sophisticated mobile devices become omnipresent payment terminals. Elsewhere, businesses and financial institutions of every stripe have a lot of learning ahead on how best to exploit the social media explosion that literally can make, and break, brands in all sectors. Financial firms must adapt to a world where seamless interaction with customers across a broad range of channels and technologies is vital to growth - and even survival.

In this briefing, Kurt Salmon's Fabrice Albizzati discusses the implications of these changes for financial service providers, while Gaëtan Bodmer lists the keys to success in digital transformation projects. (Hint: The human aspects are maybe even more important than IT capabilities). Michael Archer assesses the symbiotic relationship between mobile commerce and mobile payments.

Part of the change involves companies moving to social media to create conversations, interactions and even transactions with their clients. But not all are good at it, and plenty are bad; get it wrong and social media campaigns can do serious damage. Meanwhile, the widespread adoption of mobile devices for daily activities has been slower than its pioneers hoped. But technological, economic and commercial factors may be coming together to achieve critical mass - could lift-off be just a few years away?

It's time to get ready. Please don't hesitate to get in touch to discuss any issues we talk about here.

Best regards,

Chiheb Mahjoub  
Chairman and CEO



## HOW TO MANAGE DIGITAL PROJECTS EFFECTIVELY

### Gaëtan Bodmer, CIO advisory practise lead at Kurt Salmon, explains the key landmarks for companies on the road to digital transformation

**Q:** What is the starting point for businesses when they launch digital projects?

**Bodmer:** The first priority: Establish a broad vision of the project and be sure it's shared by the business line in question and the IT department. This entails key decisions with implications for the structure and business model, and the kind of client experience they're after, while maintaining coherence across different channels of contact and activity.

**Q:** And the implications for the structure of a business?

**Bodmer:** Project success may well require wholesale adaptation of the business and its decision-making structures. Digital projects require the businesses involved and the IT functions to work hand-in-hand. By their nature, digital projects not only involve multiple channels to the client but cut across different departments of the business in question.

For example, the company may need to establish new competence centers offering specialist skills, possibly through recruitment; these people may have quite a different profile from those already in the organization.

It also needs a structure to facilitate innovation, including the ability to monitor developments in the field and to test out ideas that may then be scaled up to a commercial level. This organizational aspect is very important in digital projects, and not all companies pay the attention it needs.

**Q:** Do digital projects require a rethink of companies' approaches?

**Bodmer:** There needs to be a global information system providing a multi-channel base for any e-commerce or other digital project. The key is full integration of all the channels involved, including aspects like security. Too often, companies embark on such projects piecemeal. Decision-makers may need to consider which technical standards to use, whether to buy or build, whether to carry out work in-house or bring in partners. Everything may be up for change.

**Q:** What are the implications for working methods?

**Bodmer:** Inevitably, there will be new working methods to put in place, although they must be combined with traditional methods already strongly engrained in the enterprise. The emphasis here is on providing the flexibility to bring together different approaches - and IT plays a critical role. The final requirement: Performance indicators to guide the digital transformation, making sure the project is on track and fits the company's overall strategy.

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## MOBILE PAYMENTS

### In-store digitization and mobile commerce are driving new payment systems

The vision has been drawn well: Mobile payments as an accepted practice in everyday life. In fact, much of the infrastructure is already in place; by 2010 there were already more mobile phone users in the world (5 billion) than payment cards (4 billion-plus). Efforts to turn this concept into reality may be trial and error, but some initiatives have reached large-scale user adoption.

Technology now enables bank transfers, bill payments, store payments and distance payments using mobile phones, which are able to replace cash in small transactions and payment cards in slightly larger ones.

Kurt Salmon partner Michael Archer, a specialist in consumer financial services, says: “As specialists not only in global financial services but in consumer goods as well, we see mobile payments being driven essentially by growth in mobile commerce and increasing digitization of the in-store experience. As the physical store increasingly becomes a digital store, there is a more robust base on which mobile payment systems can take hold.”

Archer notes that mobile technology is one area where financial sector investment has been protected from budget constraints: “The emergence of mobile payment-capable devices is an important step, but it is part of a broader whole. The majority of credit, debit and pre-paid card issuers in the US are investing heavily in digital business.”

#### NOTE THIS

- Mobile payments may not necessary replace, but complement existing methods, as well as meet new uses such as distribution of transport and other tickets, re-filling accounts and person-to-person payments.
- There are three types of mobile payment systems: e-money, where the customer uses value from an electronic account managed on the phone; use of the phone as a debit card allowing payments from the customer’s bank account; and payments added to the customer’s phone bill.
- Mobile payments, including money transfers, are forecast to reach \$670bn worldwide by 2015, up from \$165bn in 2010. The key driver will be accelerating mobile commerce growth - from just \$600m in the US in 2012 and \$2.1bn this year to a forecast \$62bn in 2016.

Further Details: [Kurt Salmon](#)

Read More: [Silicon Republic](#) [Daily Deal Media](#) [FinExtra](#)

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## SOCIAL CRM

### A New Dimension for Traditional CRM Techniques



In a few years social CRM has become an increasingly important marketing and sales tool and a key element of commercial strategy. It adds a conversational, participatory and opportunistic element to traditional CRM techniques, creating a channel for marketing, sales promotion and client support, developing tailored customer offerings, and building trust and transparency between provider and customer.

In the financial sector, social media offer a broad spectrum of opportunities: building a community rich with product ideas; learning about customers' needs and preferences; being able to craft marketing messages according to the information people reveal about themselves; using social media data to obtain a more sophisticated picture of individuals' credit risk; and incorporating social media into reward and loyalty programs.

#### NOTE THIS

- New channels of communication, which can include viral advertising, consumer recommendations, forums and blogs, increase the ability to create positive or negative 'buzz' around a product or service.
- To take commercial advantage of these new types of relationship, companies need to put in place internal community management teams in charge of encouraging client interaction, producing and publishing content, measuring performance and developing awareness of social CRM within the organization.
- Developing social CRM requires new internal resources and perhaps initially drawing on external expertise, as well as managing the integration of appropriate IT tools.
- An example: TD Bank is offering video content on Google+ featuring local stores and interviews with their managers with the aim of giving them more visibility when internet users are searching for information about banking in their neighborhood.

Further Details: [American Banker](#) [Visible Banking](#) [GFT](#) [ETH](#)

## MARKETING AND BRANDING THROUGH SOCIAL MEDIA

### Watch Out for Opportunities . . . and Pitfalls

Most major companies and brands have a social media presence, often via Facebook or Twitter. But their effectiveness in using these channels to build a public profile and develop relationships with current and prospective clients varies widely. Content is too often bland or advertising-oriented, while inattention or misunderstanding of a brand's strengths and weaknesses can trigger negative feedback, amplified by the speed and breadth of social media communication.

#### NOTE THIS

- Scott Levy of social media firm Fuel Online stresses the importance of authenticity and engagement, the use of humor, the ability to admit mistakes, and providing feedback to customer comments or suggestions. Above all, the ability to offer interesting, informative and entertaining content is crucial.
- Social media can also damage brands, such as a McDonalds campaign seeking stories from fans that caused a flood of negative customer responses, or manufactured endorsements that risk being discovered.
- Hilton and Marriott are examples of leading hotel brands that have embraced social media, particularly to obtain customer feedback and ensure swift response to complaints and enquiries, emphasizing that good customer service leads to repeat business.
- Experts say that while brands should be “brave” in dealing with privacy issues and allow consumers to have some say over content, a firm’s website and other online channels they control and that distributes their content remain important.

Further Details: [Forbes](#) [Nielsen](#) [Fast Company](#) [Brafton](#) [PR Week](#)



## THE EMERGENCE OF THE FULLY DIGITAL BANK

Fabrice Albizzati, a partner in Kurt Salmon's Global Financial Services practice, examines the road map for banks as they extend and deepen digital interaction with customers

**Q:** What are the key goals of digital projects for the banking sector?

**Albizzati:** There are two principal challenges that the banking sector is looking to resolve through digital transformation projects. The first is to transform an existing multichannel model into an omnichannel approach.

A decade or more ago, retail banks invested in the multichannel model in the form of Internet transaction systems and call centers. But that was largely integrated with the branch, which remained the focus of the customer relationship, the historic model.

**Q:** What does the bank look to achieve through this change?

**Albizzati:** The omnichannel model means leaving clients to conduct the transaction of their choice through the channel of their choice - any time, any place, any device. The key development here is tapping into the power of the mobile Internet, through a smartphone or tablet.

Secondly, whereas today the internet channel is mainly about providing services, the aim here is to drive more sales through digital channels as well. At the same time, the mobile internet offers a means to accelerate the migration of counter transactions to remote interaction.

**Q:** Are banks already looking ahead to the next stage of this transformation?

**Albizzati:** The coming challenge is to prepare for the future with pure digital initiatives for a new client generation. It looks ahead over the next 10 to 15 years and the emergence as clients of 'digital natives' who have never known a world without the internet. However, this will take more time.

This process involves definitively moving away from traditional branch-based banking interaction. That is already well underway - there are already plenty of examples of direct or branch-less banking models, such as ING Direct. Another step is to roll out advanced functions like the mWallet or Personal Finance Management and the further development of electronic payment options.

**Q:** Is digital transformation already killing off the traditional bank branch?

**Albizzati:** It has a role to play there, too - another aspect of digital channels is their place within branches, often in the form of tablets offering information and other services. One example is Citi, which has installed terminals in some of its branches that enable clients to conduct remote discussions with specialist advisers in different locations.

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## NFC MOBILE

### A long-anticipated technology is approaching the tipping point

Over the past few years, near field communication technology has seemed to be nearing critical mass in the US as well as in Europe - but never quite getting there. Despite some successes in areas such as mass transportation and promising pilot projects successes, progress has been slow, in part due to competing technological visions, the reluctance of potential partners like banks and telecoms to work together, and the negative impact of economic conditions on new investment.

Mobile devices equipped with NFC technology are forecast to reach critical mass in Europe with 27% of the continent-wide total by 2015. There are plenty of grounds for optimism in the US, too. New mobile devices like Blackberry's Z10 are raising the profile of NFC capability and boosting the number of devices capable of interacting with in-store terminals.

Kurt Salmon's Michael Archer says a window of opportunity is opening with the introduction of EMV chip technology in cards and terminals. And the April 2015 deadline for adoption offers an opportunity to piggyback an already substantial investment to add NFC capability to the mix. Some retailers are already there: Walgreens, Macy's, 7-Eleven and Sports Authority are all equipped for NFC payments. One forecast predicts NFC-based mobile payments will reach \$1.4bn by 2017 and then blast off.

Worldwide Forecast of Cell Phones with Integrated NFC Capability (Thousands of Units)



#### KURT SALMON'S ANALYSIS:

- NFC is competing with other technologies including barcodes and QR codes, RFID, Bluetooth and similar systems, and contactless cards, although none possess its combination of ease of use, interactivity, security and relatively low cost.
- There are three alternative approaches to location of the Secure Element that manages NFC applications: on a mobile phone SIM card, on the phone itself, or on an external SD card. The SIM approach offers the best mix of technological simplicity, security and ease of application management and use for the consumer.
- NFC enables a mobile phone to be used in the same way as a physical contactless card, enabling payment for goods and services, transmission of information such as health records, receipt of information and commercial offers, and peer-to-peer sharing of media, applications and data.
- The key to growth of the sector: providers of different services willing to co-operate together to deliver a compelling consumer offering, at a cost attractive to a mass market. contactless card, allowing payment for goods and services, transmission of information such as health records, receipt of information and commercial offers, and peer-to-peer sharing of media, applications and data.



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Contact us to discuss this briefing

