

Allow me to shortly introduce myself ...



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@ Deloitte we annually produce a number of Global “flagship Eminence Publications” geared at our clients to help them better understand the implications of Digital Transformation ...

Global Technology Trends



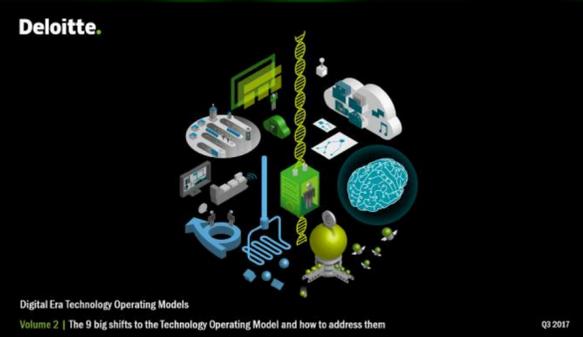
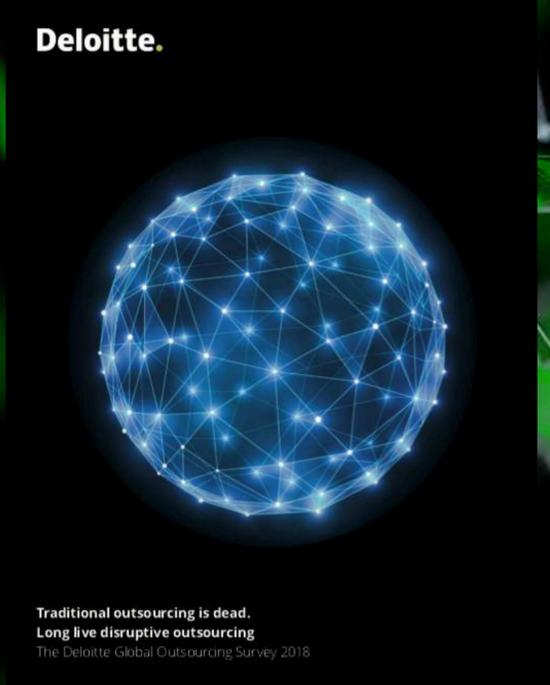
Digital DNA/MIT Sloan



Global CIO Survey

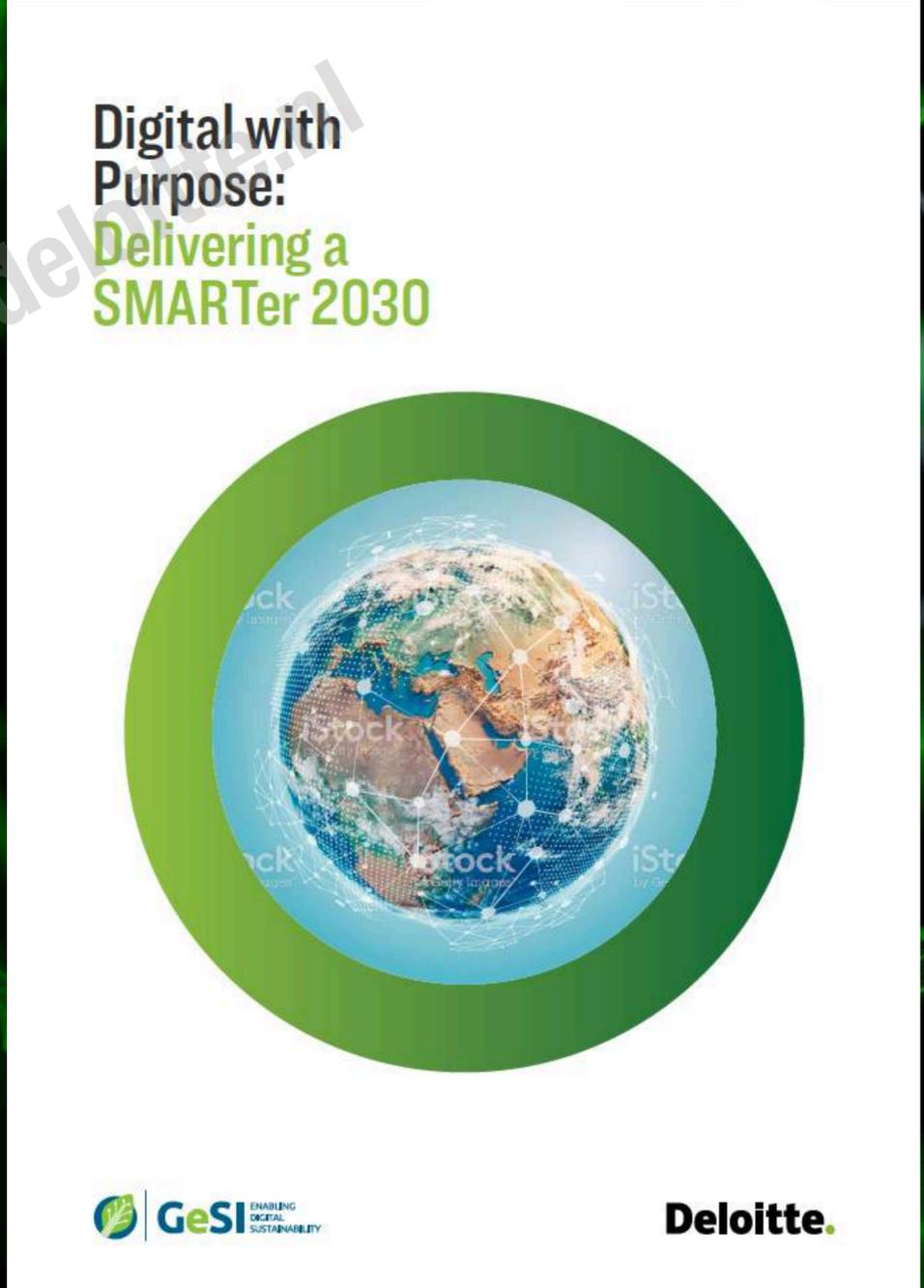


Outsourcing Survey



Digital Technology Operating Models

True to our Corporate Beliefs and Mission, we want to make an *Impact that Matters* ...



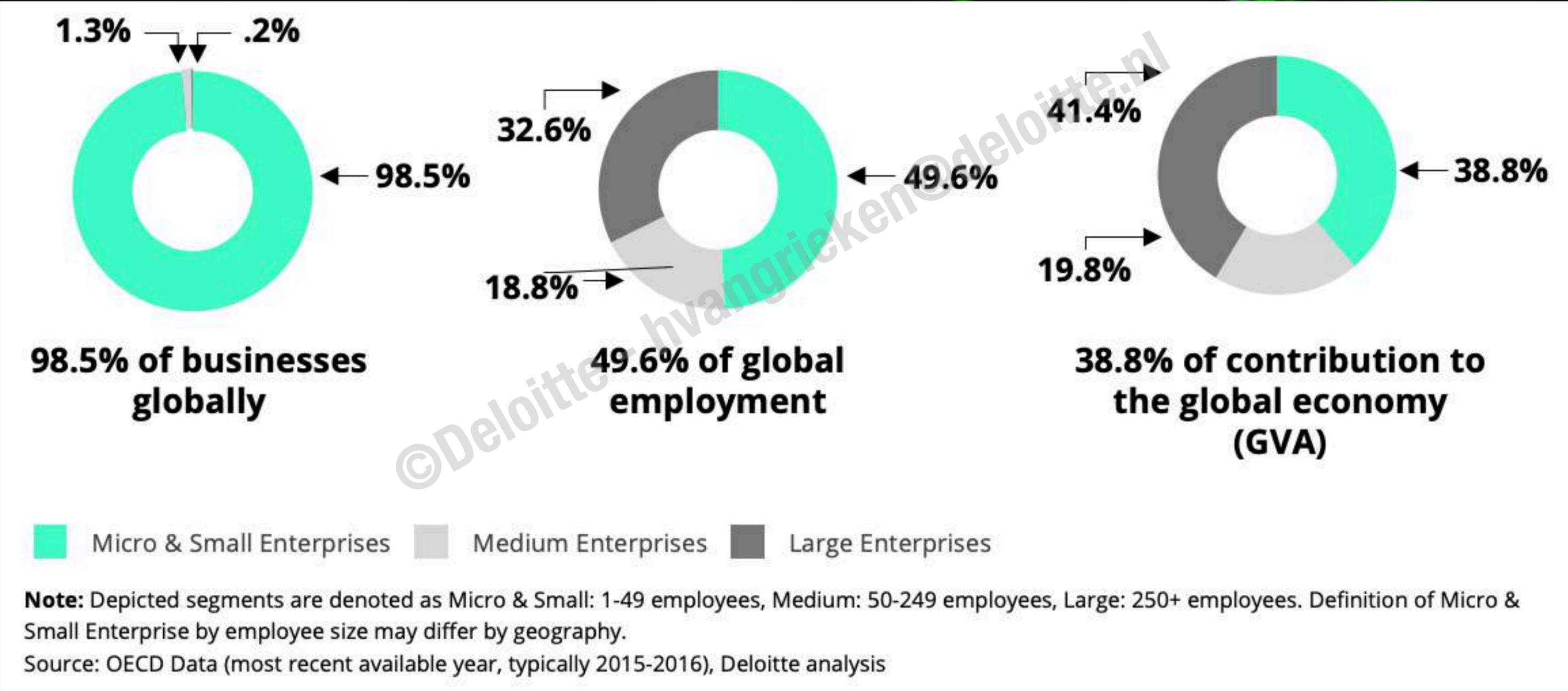
Today I shall be presenting a summary of our recent global research on the Future of Micro & Small Enterprise Banking and on Digital DNA



The Global Importance of Micro & small Enterprise Banking is huge ...

- Constitute the **vast majority of businesses** (by count) in most jurisdictions
- Are a leading source of **employment** across geographies
- Are vital contributors to **value-added growth** (i.e., gross value added) in many leading economies

The Global Importance of Micro & small Enterprise Banking is huge ...



Why some Incumbent Banks have found it challenging to service SME Customers ...



Current State of Micro & Small Enterprise Banking

Micro & Small Enterprises have traditionally been underserved ...

Limited Adoption of Offerings

Unclear Customer Ownership

Slower Pace of Technology Investment

Antiquated Technology Platforms

... Leading to several Critical Implications for Incumbent Banks

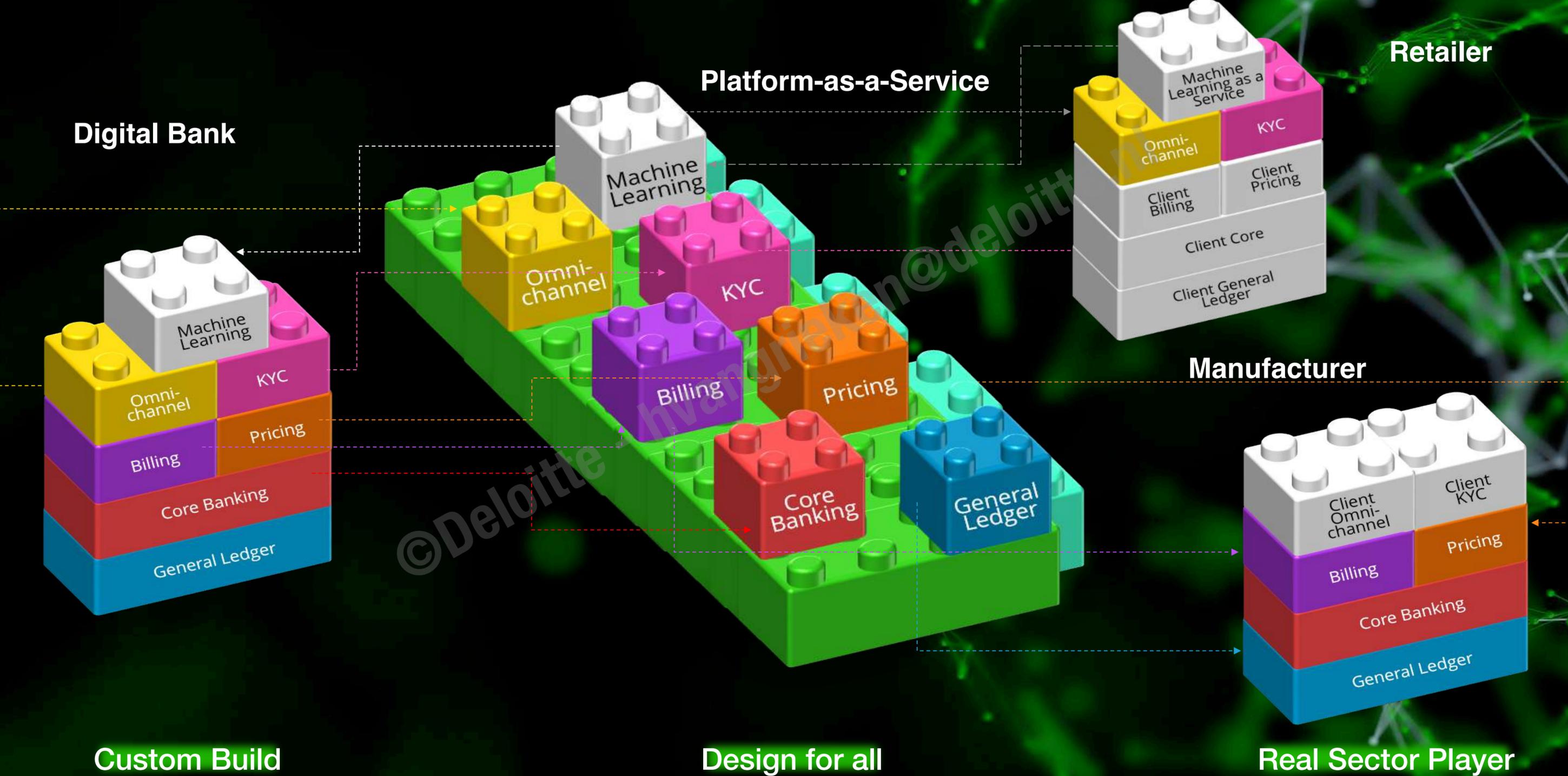
Micro @ Small Enterprise Customers are increasingly served by New (Real Sector) Entrants

Micro @ Small Enterprise Customers are often redirected to different units within the Bank

Incumbent Banks are modernising their Technology Core

Banks are Looking to build distinct Product Platforms

Digital Bank versus Financial Platform-as-a-Service (FPAAS)



Sophistication of Micro & Small Enterprise Banking by market

Low Sophistication Markets

Incumbent banks

Modest Digital Capabilities
Limited Process Automation
Antiquated Infrastructure

Innovators & New Entrants

Slow Growth
Limited set of Customers

Systemic Banking Infrastructure

Legacy Payments Infrastructure
Antiquated Data Sharing methods
(such as screen scraping)
widely used

Medium Sophistication Markets

Incumbent banks

Embedded Digital Capabilities
New Capabilities for Middle- and Back Office Processes

Innovators & New Entrants

Growth of Innovators
including incumbent Edge Plays

Systemic Banking Infrastructure

Rapid Modernisation of Payments Infrastructure
Increasing Trend towards Open Data

High Sophistication Markets

Incumbent banks

Broadly embedded Digital Capabilities
Reinvented Middle- and Back Office Processes by Automation/Digitization

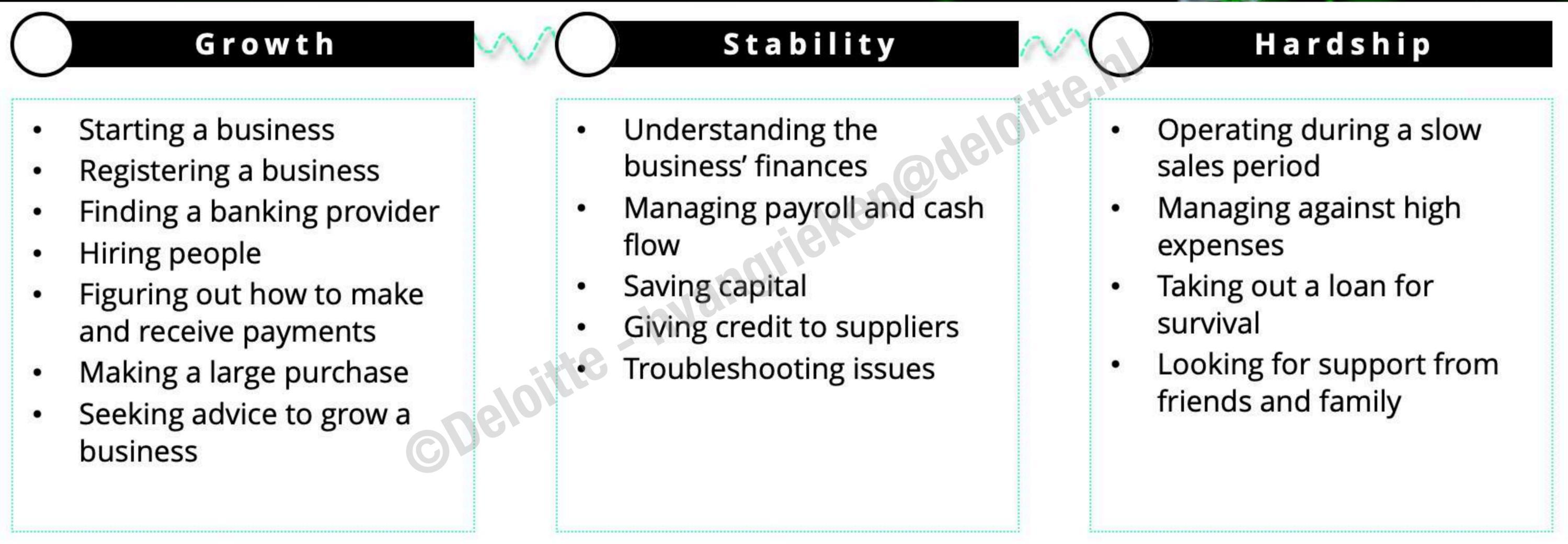
Innovators & New Entrants

substantial Growth of Innovators
including incumbent Edge Plays

Systemic Banking Infrastructure

Recently Modernised of Payments Infrastructure
Systems for Data Portability

Identifying Moments that really Matter ...



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Our report identified **6 FORCES** that are changing the SME Banking Landscape, leading to a fundamental Shifts in Composition, Competitiveness and Opportunities

Evolving Needs of Micro and Small Businesses

Increased Pressures from New Entrants

Emerging Payment Platforms

Displacement of Banks in the Value Chain

Democratization of Data Access

Changing Scope and Role of Regulators

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Force 1: Evolving Needs of Micro and Small Businesses

Digital transformation is further reducing barriers to scale

The development of e-commerce has led to born-global Micro & Small Enterprises:

- Data from **22 countries** shows that **97%** of eBay-enabled small firms **export outside of their home nation**

Global reach demands more complex banking products. However, barriers still exist:

- According to the World Trade Organization, more than **50% of requests made by Micro & Small Enterprises** for trade finance needs are rejected, compared to only **7% for multinational corporations**

Force 2: Emerging Payment Platforms

Digital payment solutions are revolutionising Micro & Small Enterprises:

- Deloitte's India **ACCEPT Program** has resulted in onboarding 24 K Micro & Small merchants onto a digital payments solution, leading to a **30% uplift** in ticket size

Global payment solutions are displacing traditional payments and aim for ubiquity:

- **Swish**, a retail payment service in Sweden, added a merchant payment option in 2017 and reached **14 million transactions** in its first year
- **TransferWise** offers a **low-cost FX alternative** to cross-border payments and moves over **£2 billion per month globally**

Force 4: Increased Pressures from New Entrants

Emergence of Third Party Financial Interfaces

Shifts towards Platform-led and B2B2C Business Models

Entrance of Retail Innovators in the Micro & Small Enterprise Banking space

Platform business models

Several innovative players are creating or enabling platform models, putting pressure on the ownership of Micro & Small Enterprise customer relationships:

- **Xero** is a small **business accounting platform** that integrates third party applications (e.g., CRM, e-commerce) to offer a greater breadth of services to users
- **Bud** is a technology platform that allows banks to **integrate a marketplace capability** into their existing channels and propositions

Force 5: Displacement of Banks in the Value Chain

Non-traditional players are already diverting revenue from banks:

Monoline Disruptors & Non Traditional Players are capsizing Financial Services

The Emergence of closed-loop Digital Ecosystems is displacing Banks

Increased Integration of non-financial Offerings

- **Amazon Lending** and **Square Capital** have together originated nearly US \$7B in trade finance loans to merchants
- **PayPal** provided over US \$1B in funding in Q3 of 2018, at an approval rate of almost double the big banks
- **WeChat** and **Alibaba** processed an estimated US \$10T in payments in China
- Other ecosystem players continue to expand their offerings (e.g., **Yu'e'bao** wealth products, **Swapsy** digital wallet forex)
- **Standard Chartered** is providing its customers with supply chain insights through a partnership with Linklogis

Here's a typical Example of a Real Sector New Entrant: a South African Telco Operator



- **Ambition:** Platform business connecting Producers with Consumers. Virtual marketplace underpinned by a Loyalty Programme & including **provisioning Financial Services**.
- **Solution:** 8 weeks project providing SME assistance. Deloitte's best practices, frameworks, accelerators and methodologies helped solidify the platform business concept, plan, scope and delivery through a series of "shark tanks"
- **Delivered (within 8 weeks):**
 - The platform business strategy
 - High-level digital customer needs research
 - Digital operating model
 - Investment case
 - Technology architecture
 - Implementation roadmap



Digital Disruption is all over the place. What Responses does our Research unveil?



Table Stakes for Micro & Small Enterprise Banking

Straight-Through Lending
a Fully Digital Credit Application
Process

Intelligent Segmentation
Deep SME client understanding that
drives Unique Customer Propositions

Frictionless Payments
delivering robust Payment Functions that
makes Money Movement Intuitive

Intuitive Access & Navigation
an intuitive Self-Service Platform designed
with Customer Usability in mind

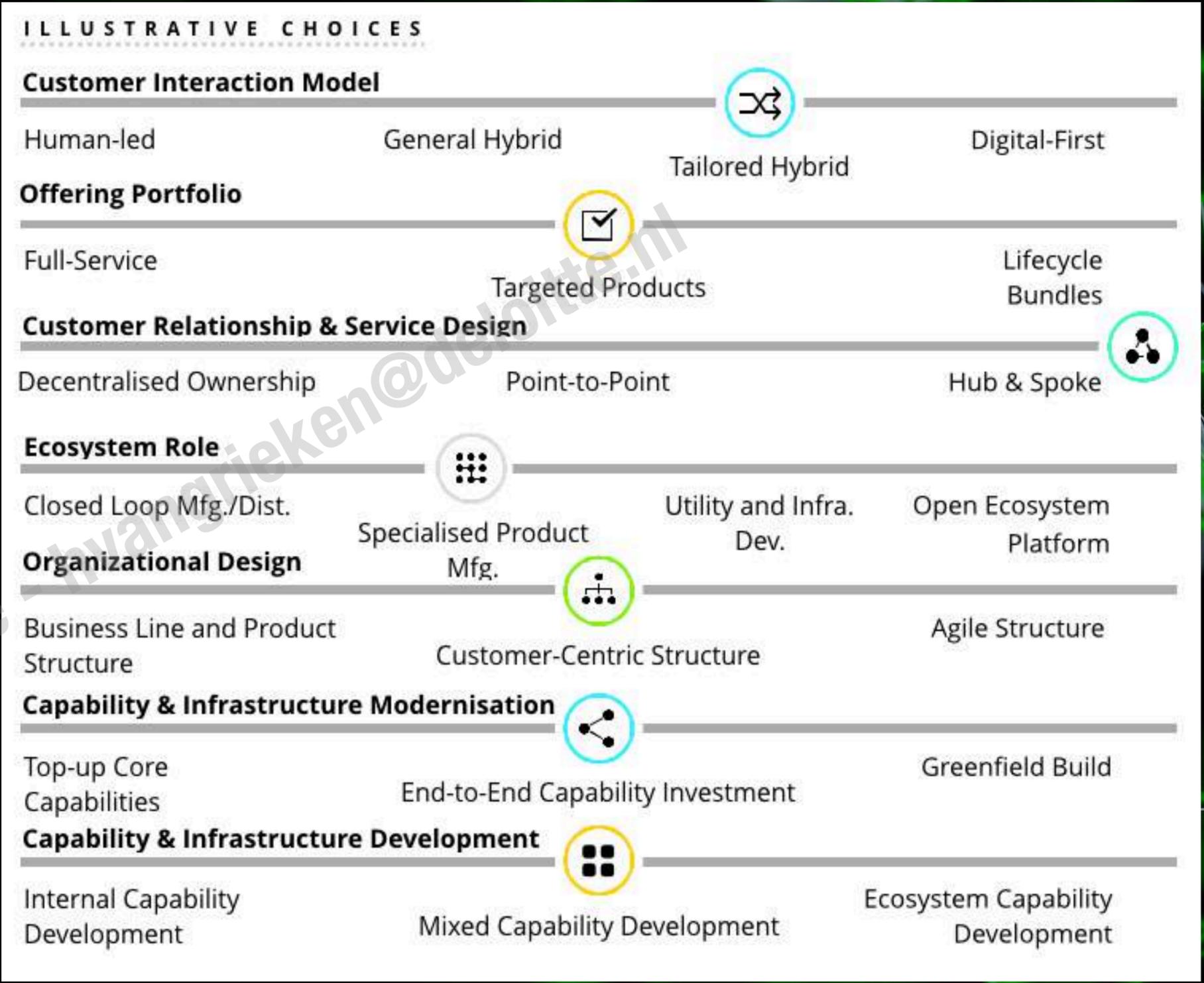
Quick & Seamless Onboarding
a fully Digital Onboarding Experience

Integrated Management Tools
Integration of ancillary services with current
banking products to address additional
budgeting / accounting needs

Typical Archetype of a Segment-Focused Challenger

Digitally-enabled challenger bank launched by an incumbent that serves a specific segment of the market with targeted products.

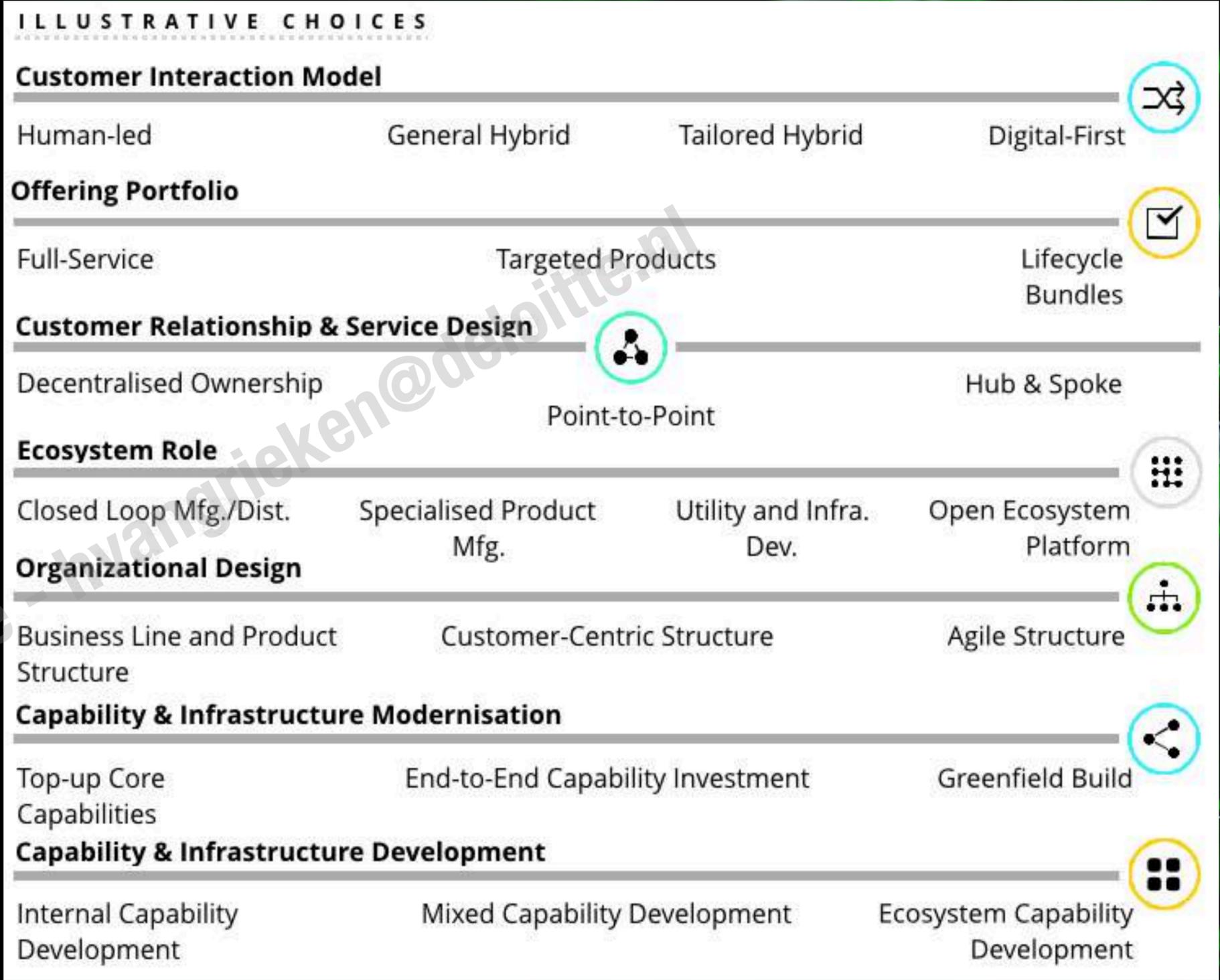
Designed around the customer, it provides tailored interactions based on needs, along with an option to engage a dedicated RM for service.



Typical Archetype of a LifeCycle Platform Bank

Greenfield Real Sector Banking Operator that takes an ecosystem and digital-first approach to serving customers based on their lifecycle stage.

Provides subject matter expertise as needed to address customer service inquiries, and an agile internal structure to quickly offer new products.



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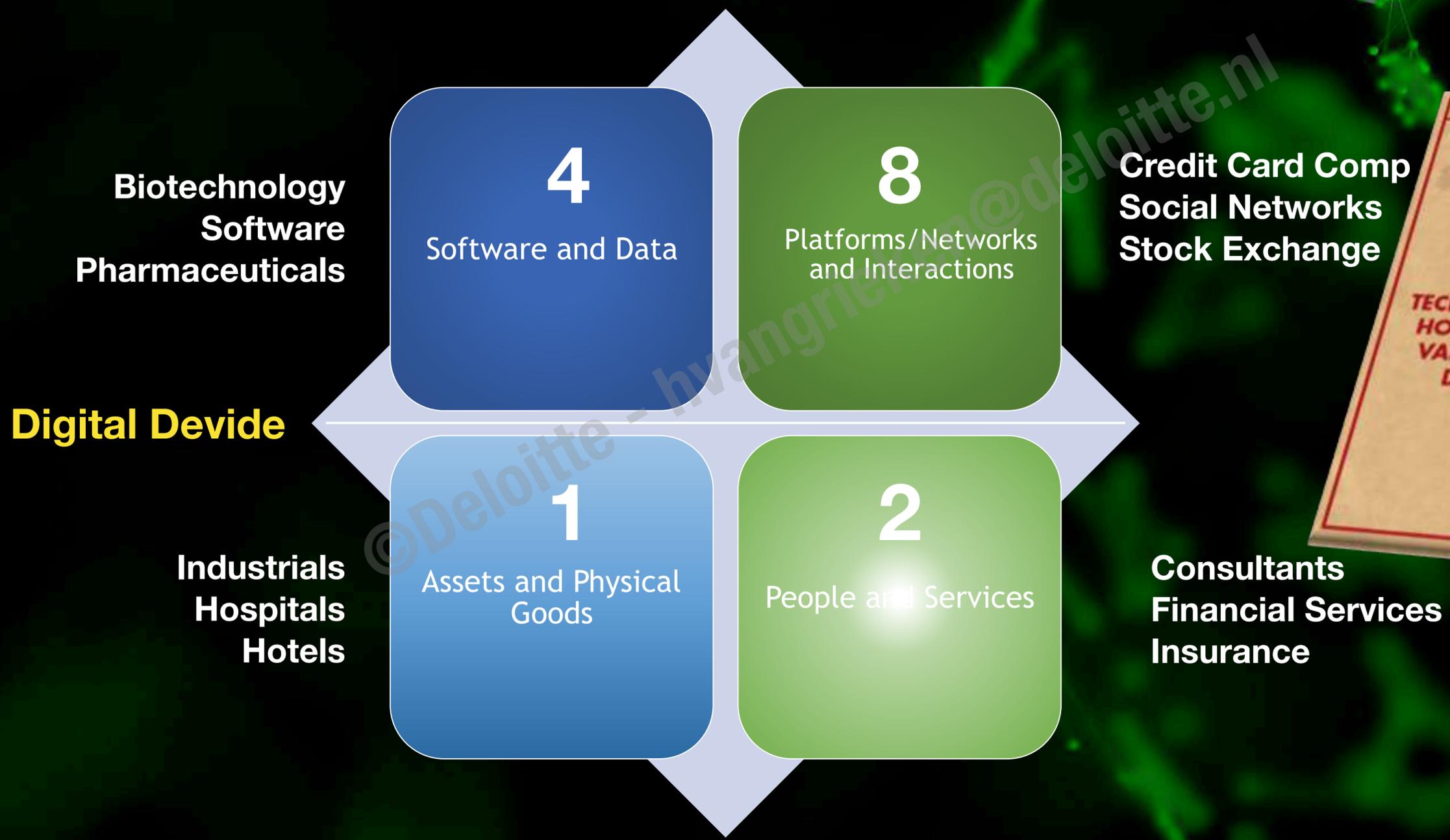
So tell me, what strikes you as odd about this video ...



Something I am sure most of you recognise from your Private Lives ...



It is not by accident that a lot of our clients are considering/entering the "Platform Play" ...

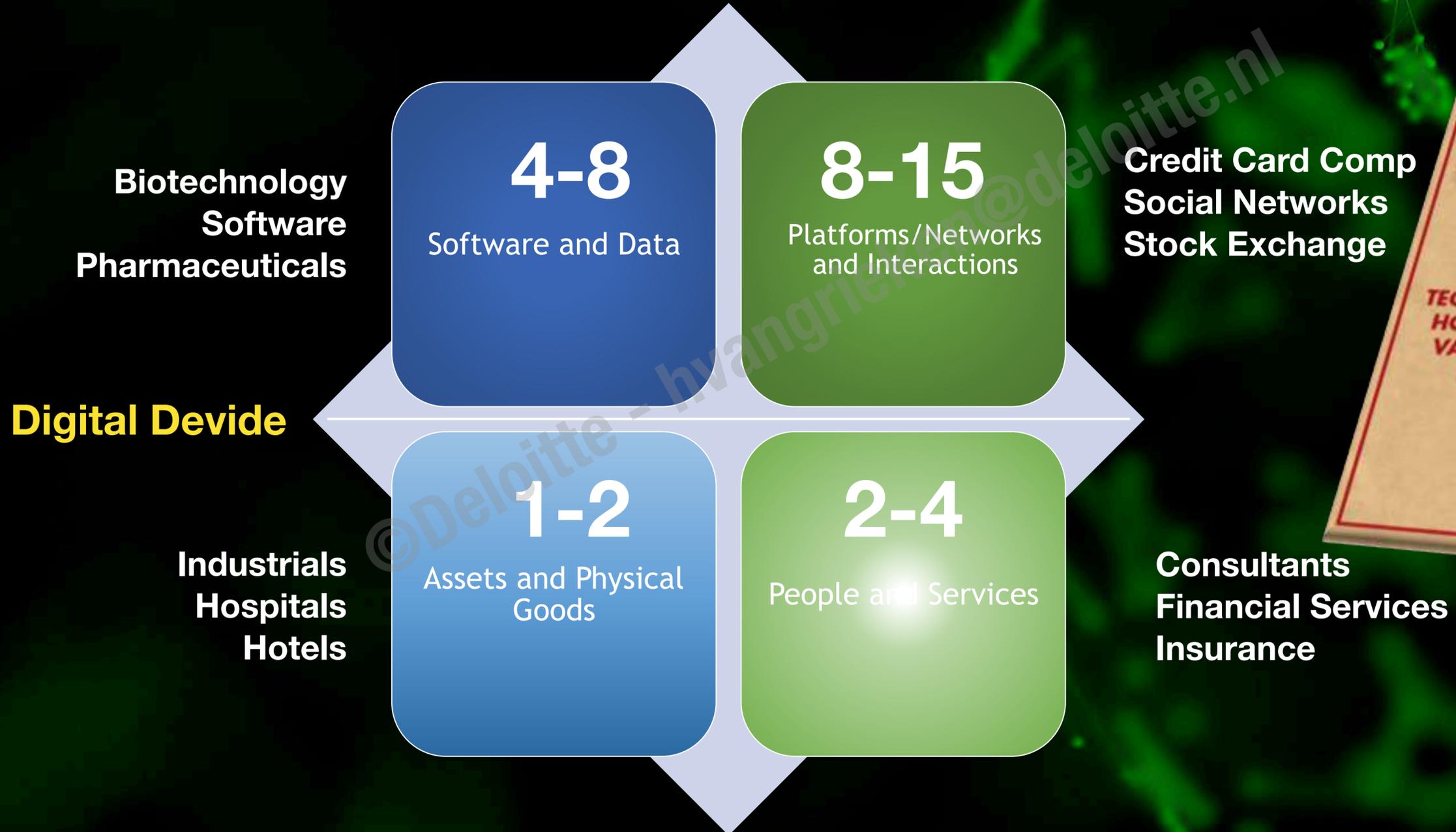


Here's what our Deloitte colleague William Ribaudo had to say about his Research ...



Let that sink in for a moment:

"The Value that Wall Street is willing to pay ranges from 8 to 15 times your Revenue ..."



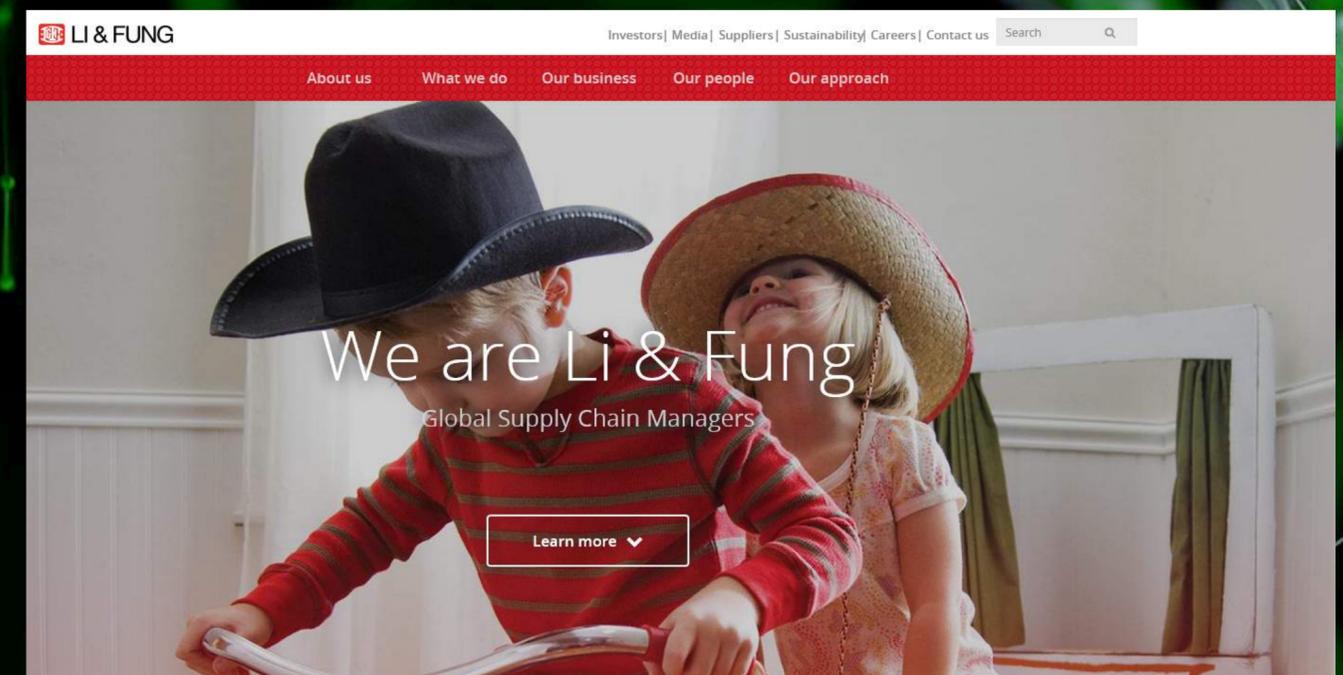
From wholesale to crowd sourced supply chain services

LI&FUNG – a mobilisation platform where **all participants learn faster** than they could ever do on their own based on a very strong platform governance

- They operate a network/platform with over **20.000 suppliers** that are dynamically configured into supply chains;
- All **winning strategies** during RFP stage have to be **shared** amongst competitors;
- Li&Fung **guarantees minimum 30% wins and maximum 70% wins** (no zero-sum game)
- During delivery **all performances are rated** by the participants using gamification as a measurement for best fit



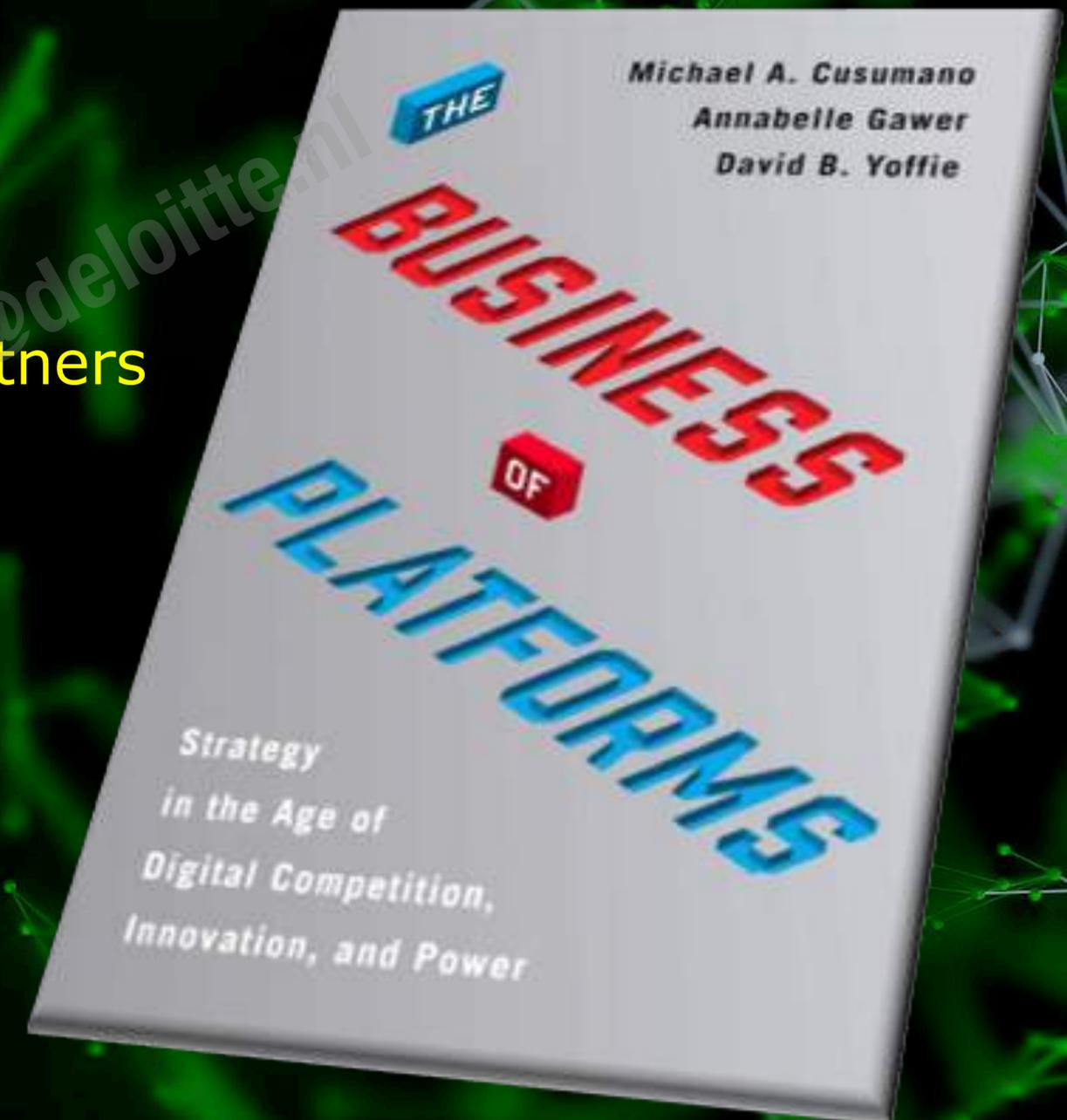
LI & FUNG



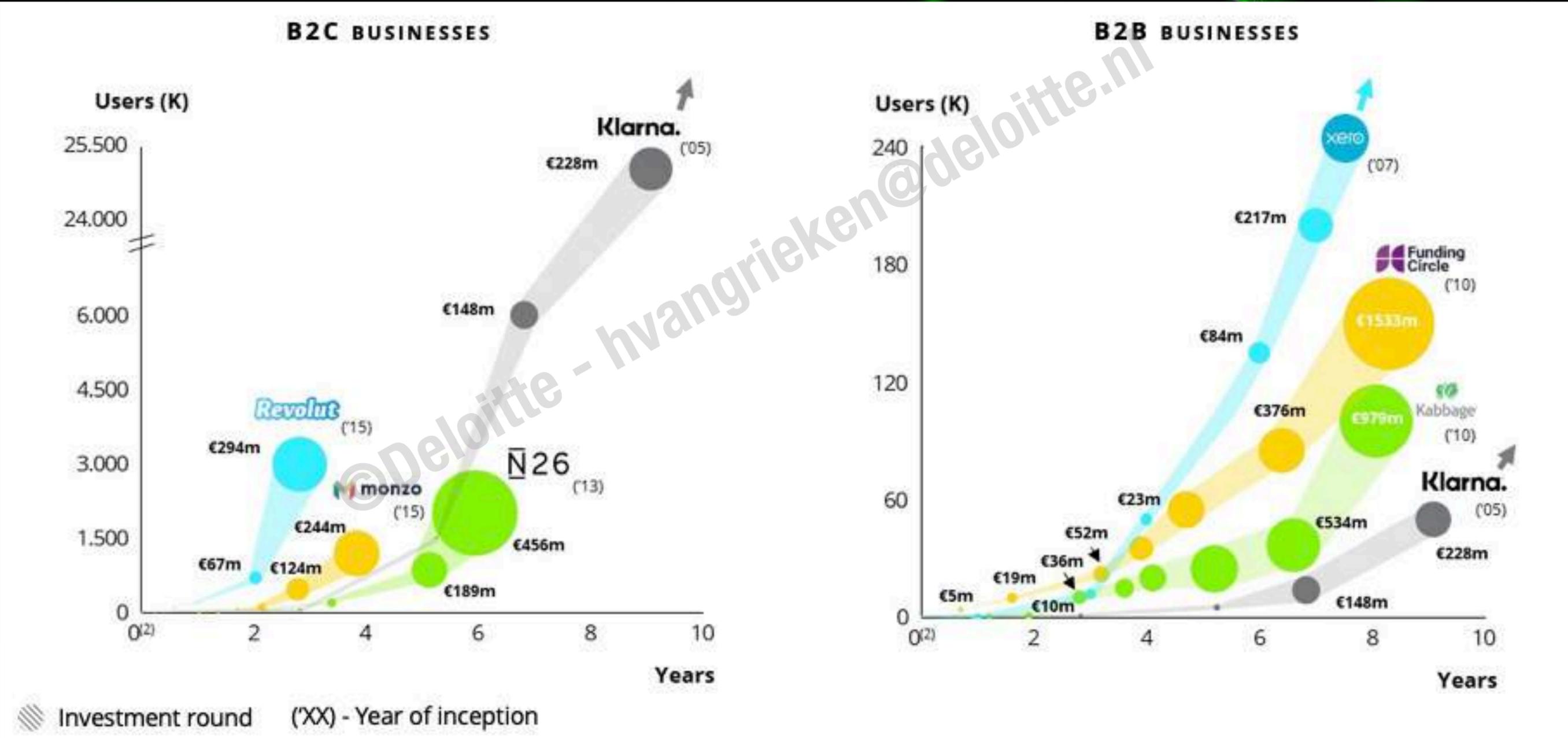
A recent Study of more than 250 Platforms reveals however Why Most Fail Harvard Business Review May 29 2019

- Mis-pricing on one side of the market
- Failure to develop trust with users and partners
- Prematurely dismissing the competition
- Entering too late

**Harvard
Business
Review**



It should therefore come as no surprise that the latest entrants have a vested interest to offer Platforms that are much faster at gaining Market Share than their Predecessors ...



Meanwhile a lot of Incumbent Banks are not sitting around waiting for What's to come ...



Challenger Bank
SME & Retail

Undisclosed Unicorn
Global Core Banking Platform



Santander
Digital Global Bank



SME Platform



Connections Hub



Digital Bank from scratch

Undisclosed Top 5 European Bank
SME platform



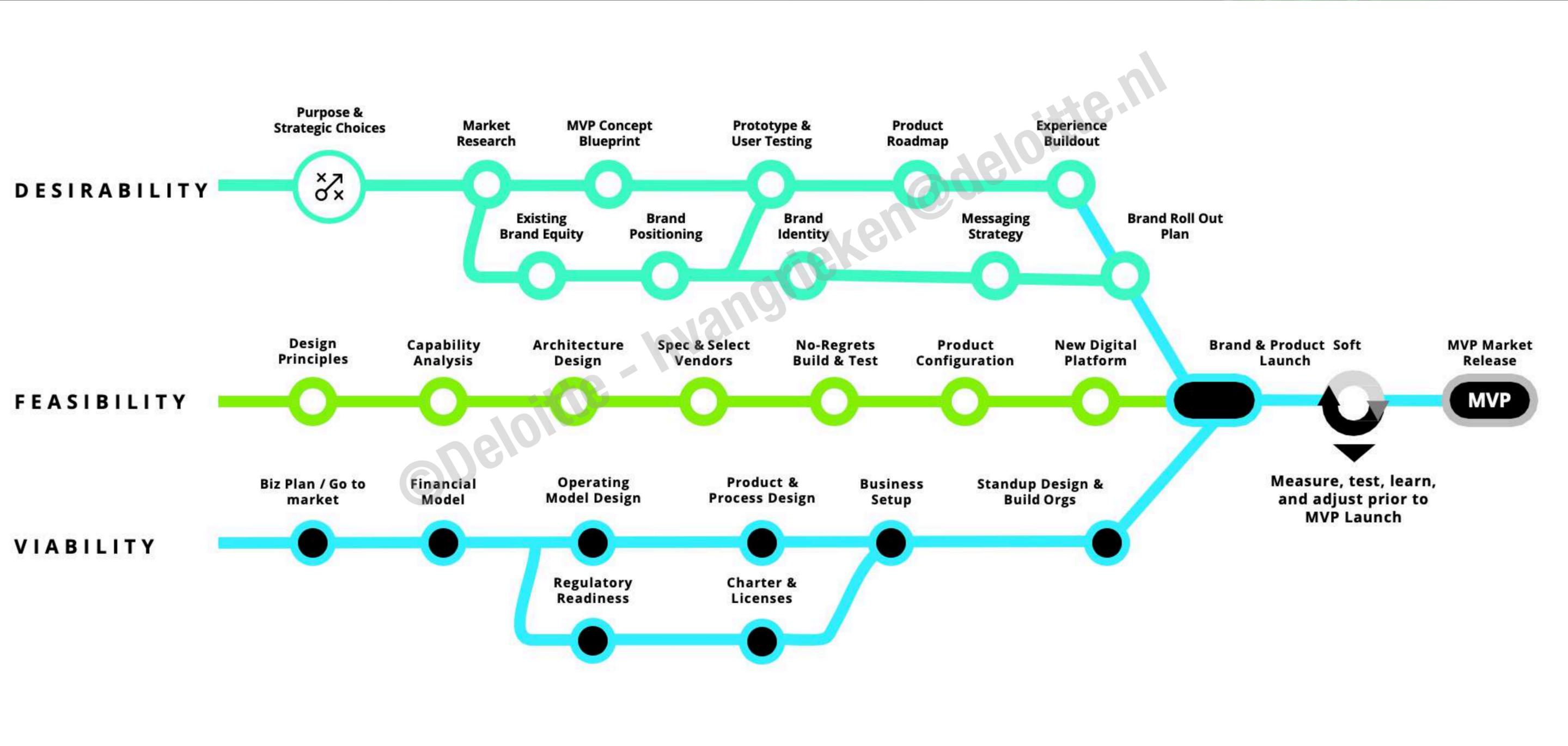
Open Platform



Wealth & Health Platform

Undisclosed Top 5 European Bank
Leading Digital SME Bank

Here's how most move from Strategic Choices to MVP Launch ...



Whatever route you use, you need to build & preserve your own "Digital DNA" ... ?



What Digital DNA Archetypes did we find based on 13 DNA characteristics?

Strategy-led

Digitally mature

Talent-driven

Empowered

Long-term thinker

People development

Collaborative

Leadership-driven

Innovative

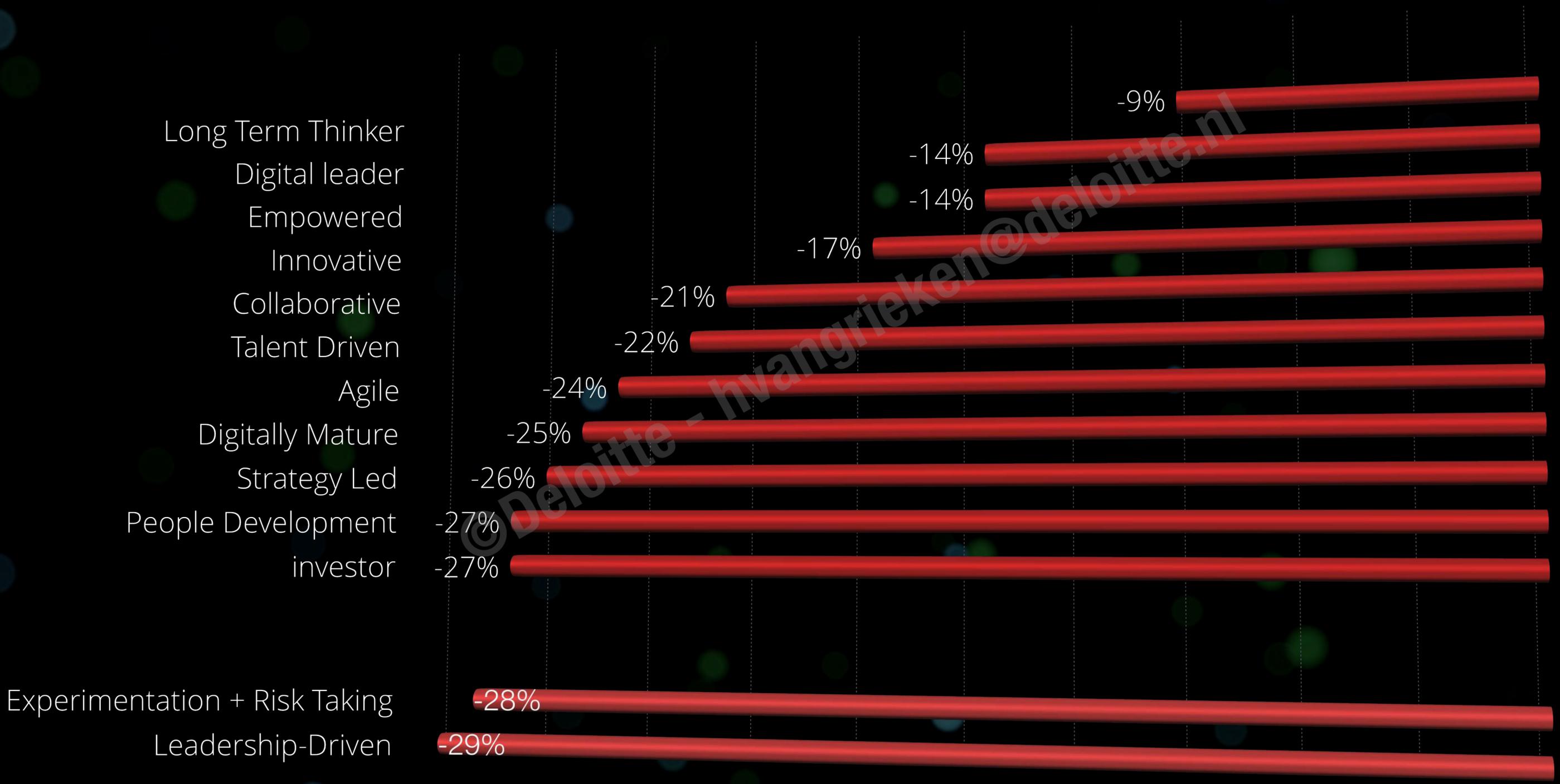
Agile

Investor

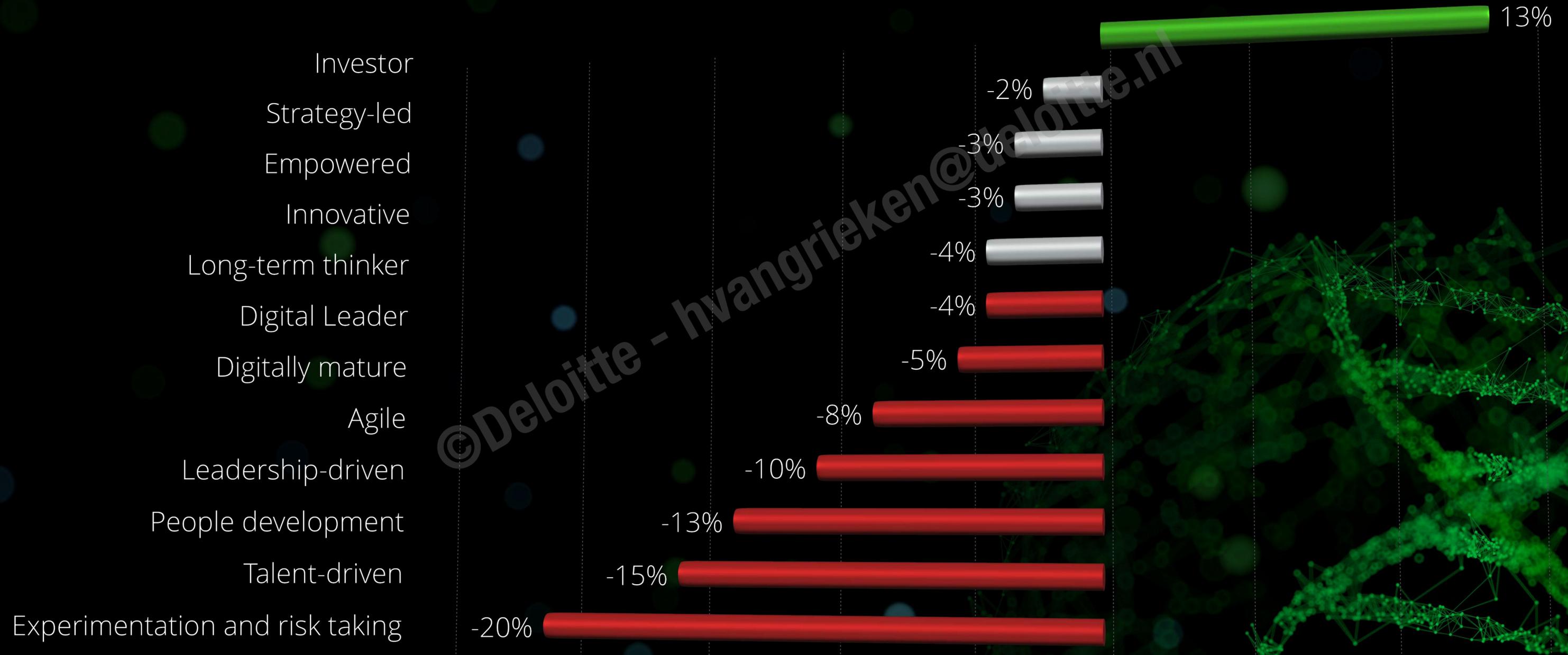
Experimentation
and Risk taking

Digital leader

Characteristics of Laggards



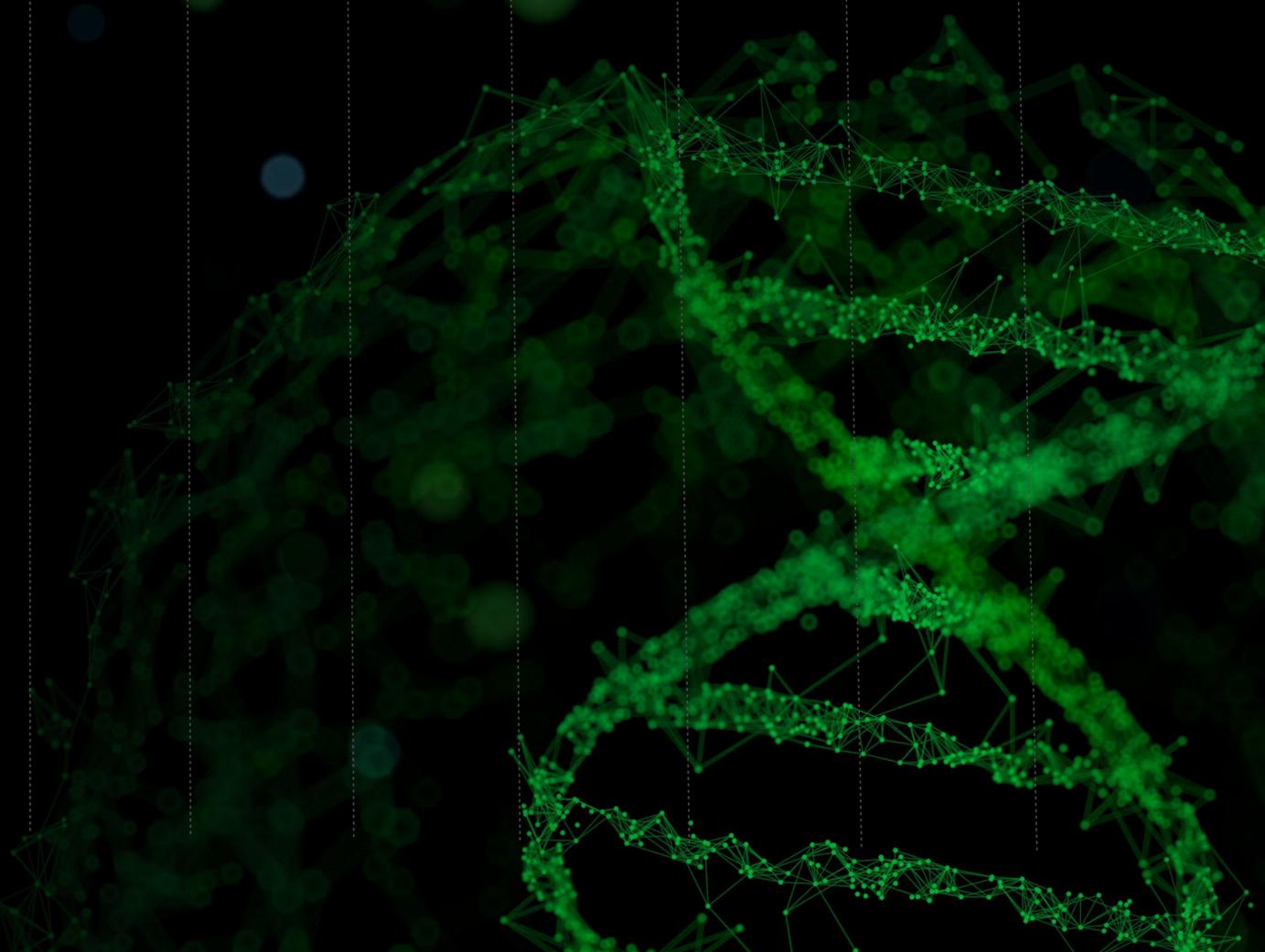
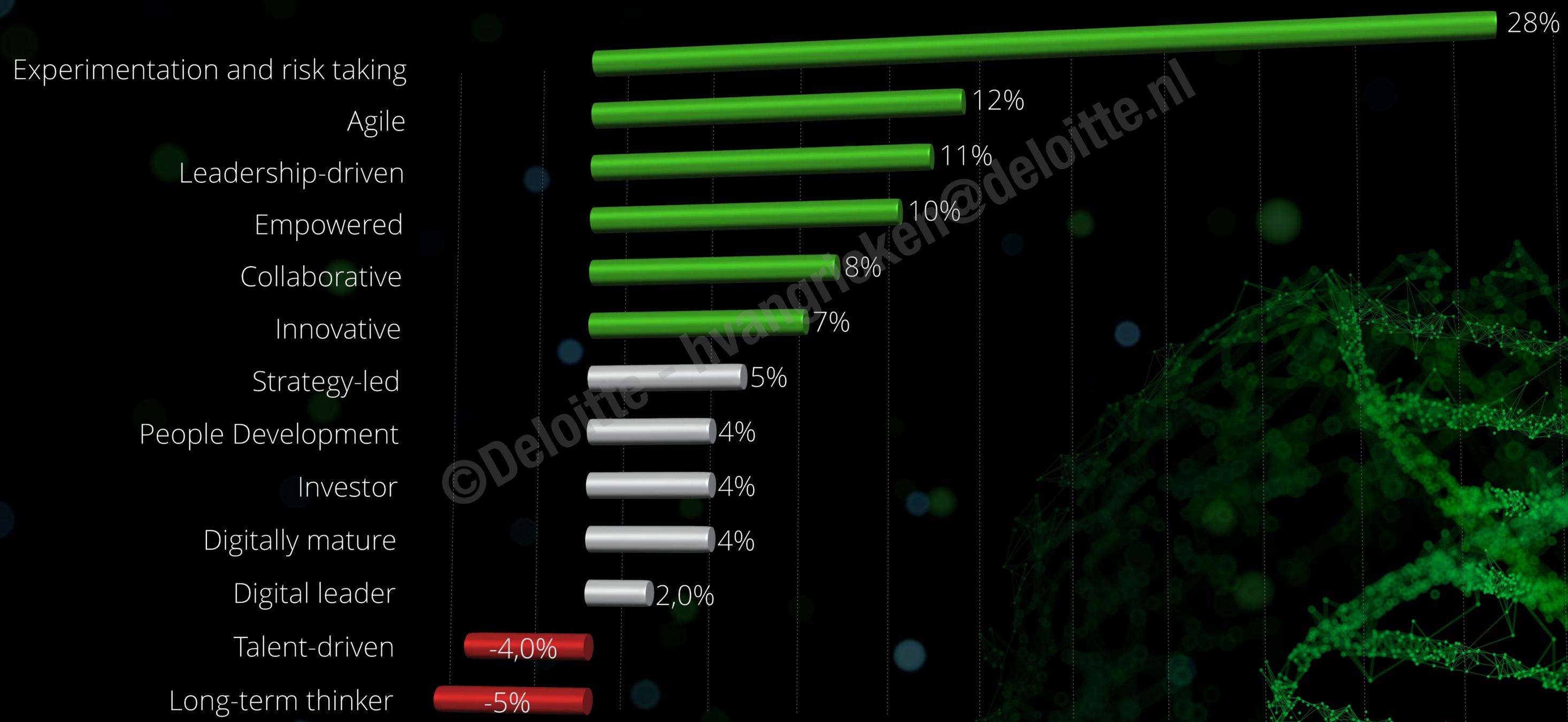
Characteristics of Chasers



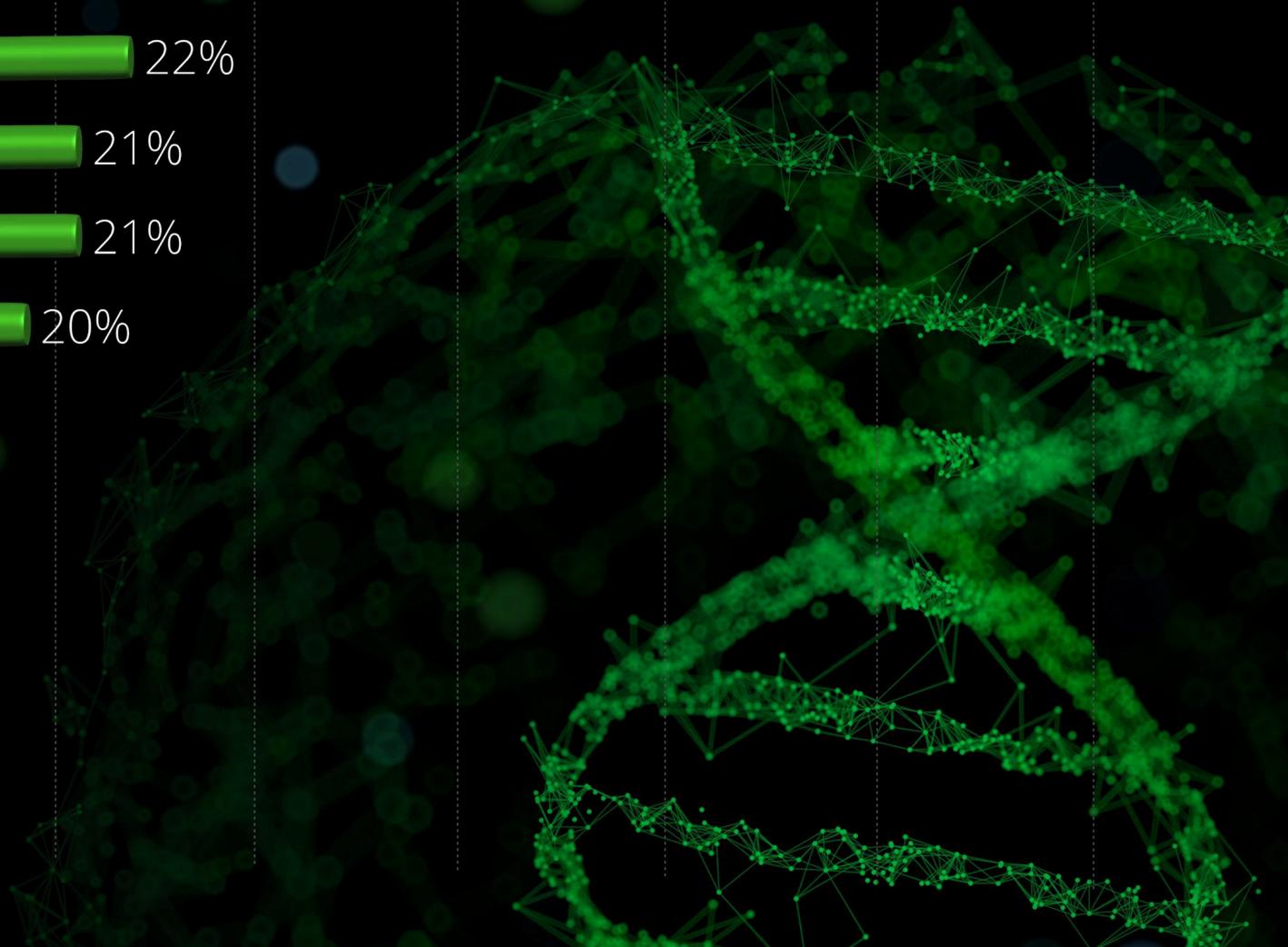
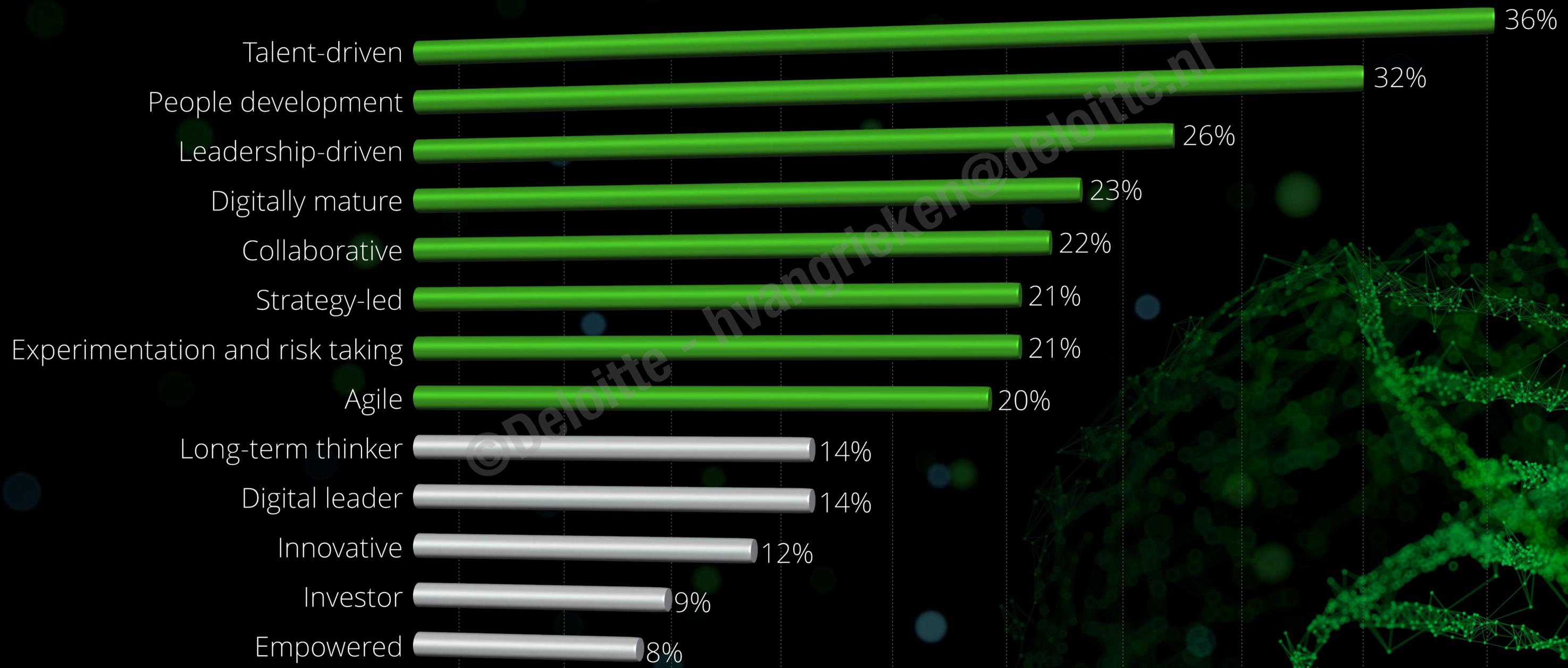
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Characteristics of Fast Moving Experimenters



Characteristics of Talent & Strategy Leaders



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All this talk about “Digital” is just a waste if you cannot make your IT as Business Relevant that it **delivers** to your SME Client at that one “Moment that really Matters” ...





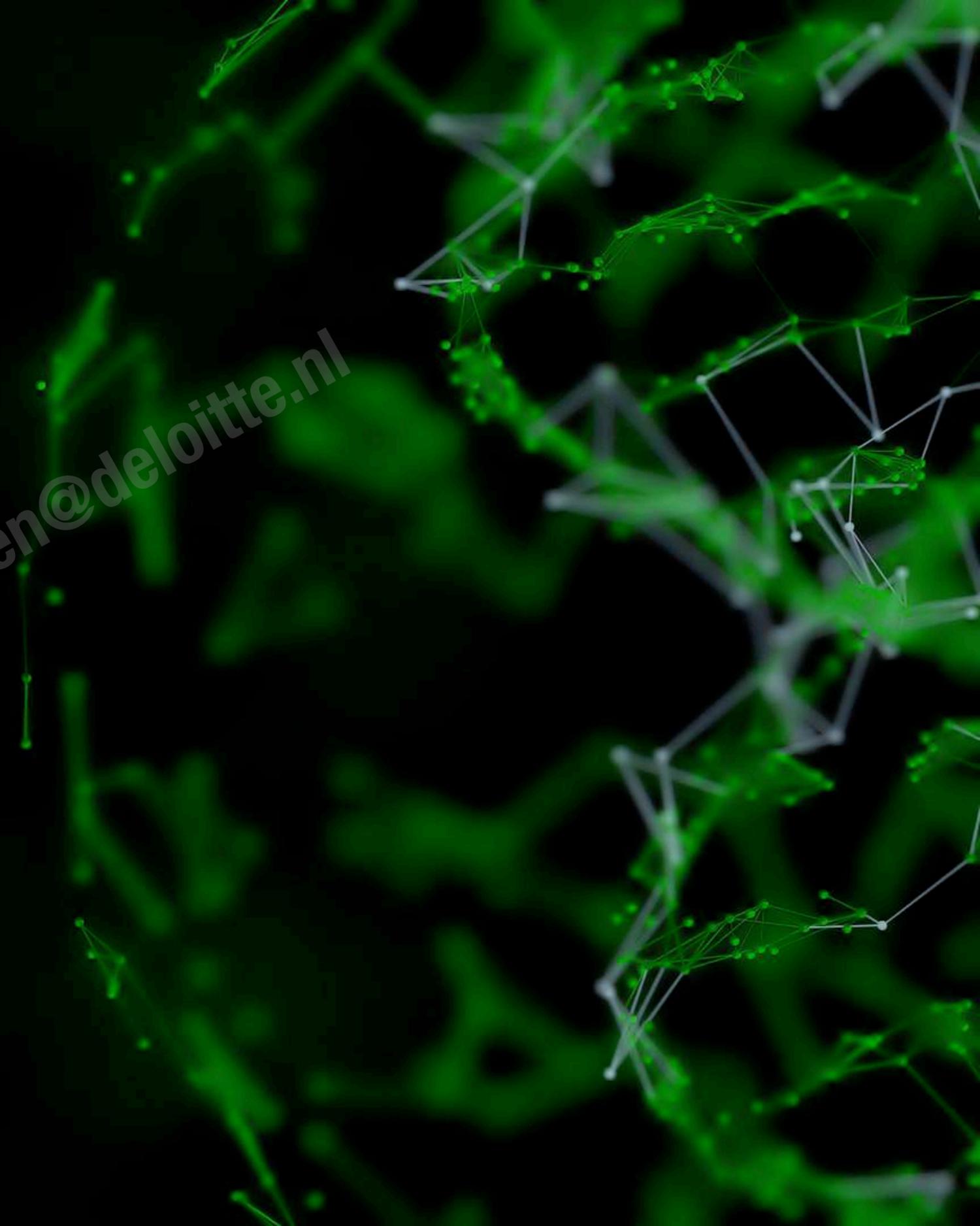
**Thank you for your attention
and enjoy the rest of your conference**

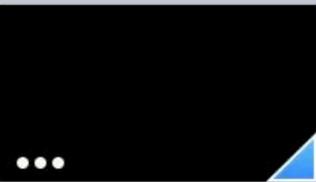
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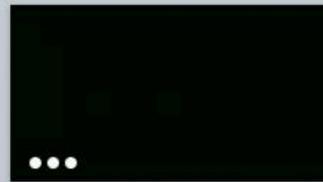
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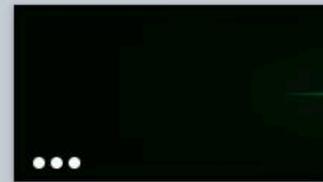
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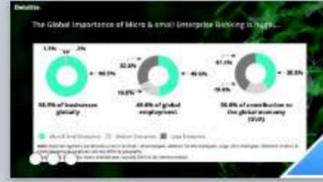
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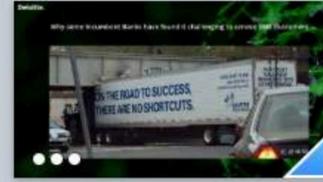
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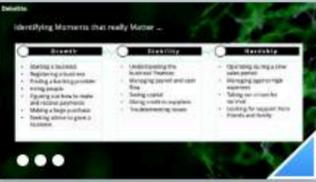
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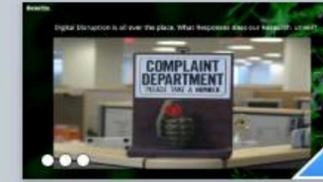
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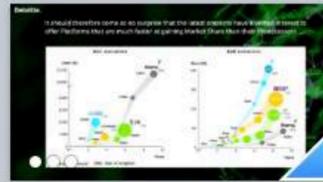
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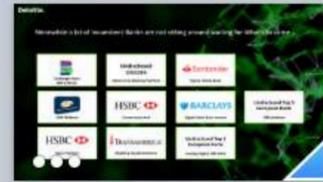
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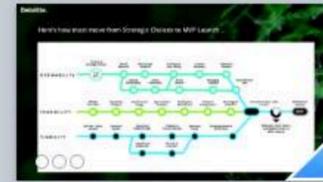
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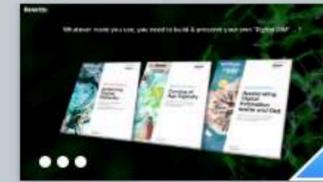
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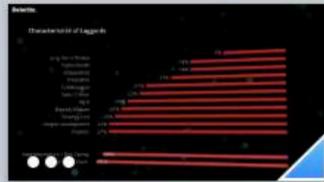
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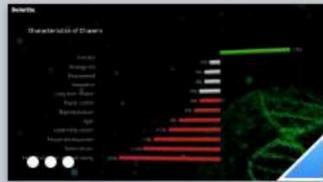
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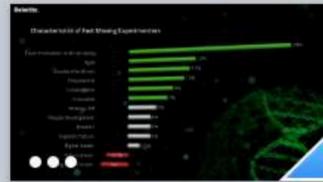
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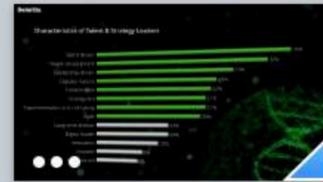
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