

Using technology to meet the financial needs of the digital generation

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15:30 – 16:45

Legacy IT Architectures Can Not Cope with Digitalization



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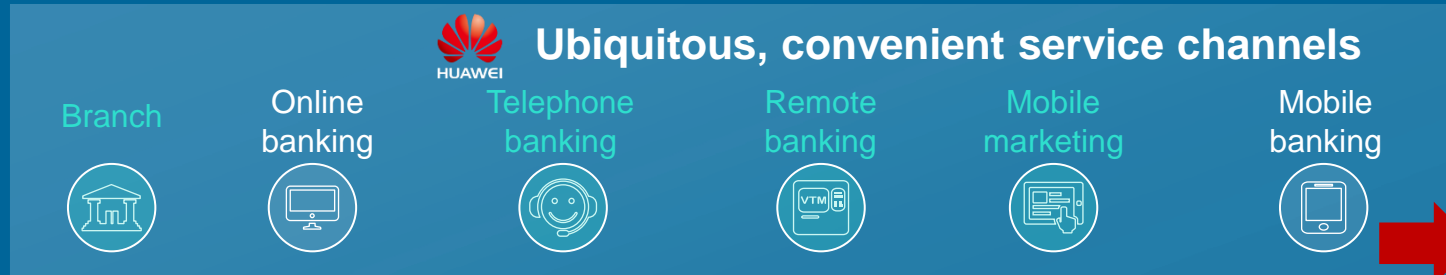


Limited Capacity and Scalability	Inefficient IT Response
Sec-Killing Services	New Business Deployment
Difficult IT O&M	High Costs
Silo IT Development and O&M	TCO per Account

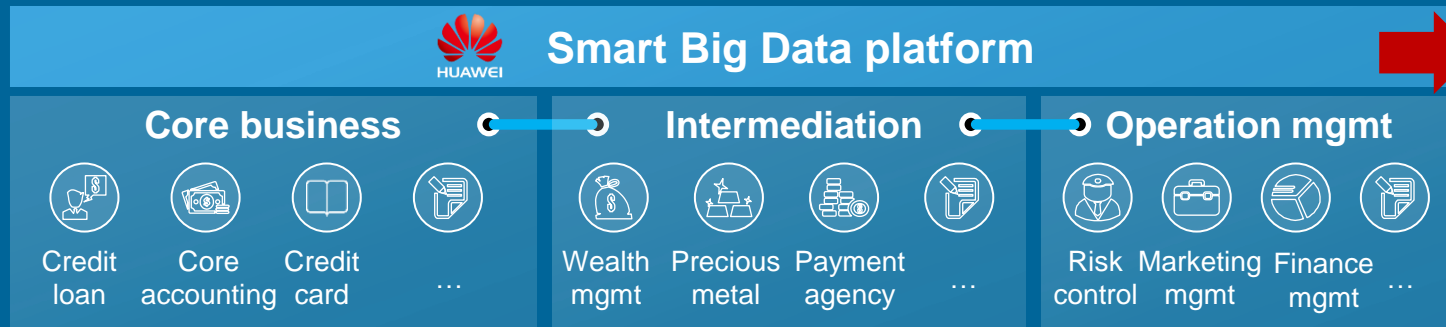
Reshaping IT to Accelerate Digitized-Internet Business Transformation



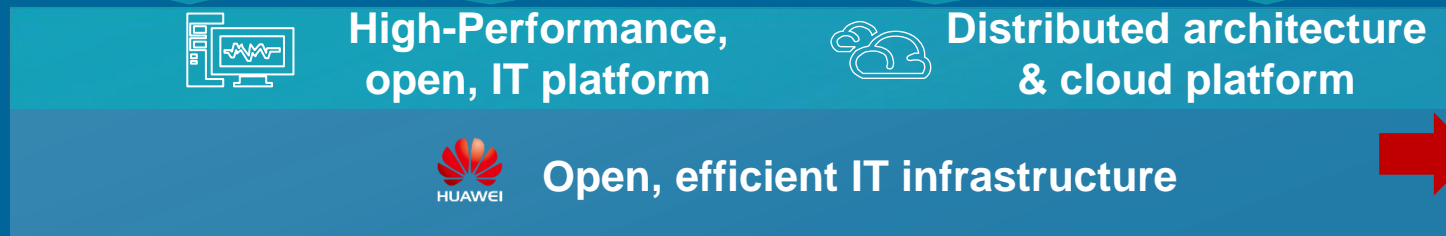
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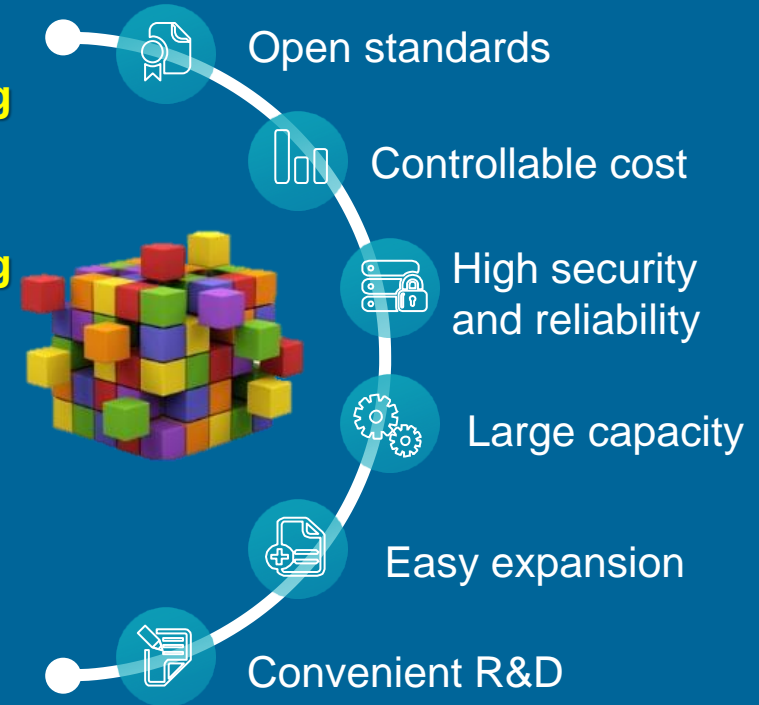
Reshaping services



Reshaping data



Reshaping platform



Millennials bring new challenges to traditional banking



1 out of 3



Is willing to
change banks

27%



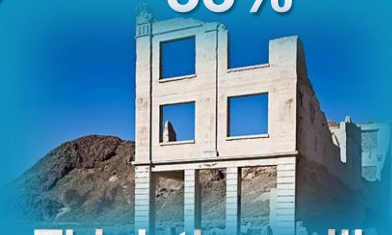
Prefer *not* to
have a bank

32%



Have never
stepped *inside*
a bank

33%



Think they will *no*
longer need a
bank in 5 years

73%

SOCIAL MEDIA
MONOPOLY

More receptive to
Apple, Google,
Amazon service

62%



Use online banking
on tablet, smart
phone

BBVA

Source BBVA Bank: Millennial Generation, 2015

Focusing on People – New Customer Segmentation



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1. Upwardly Mobiles

1. Young, highly educated, high household incomes and investable assets
2. View banks as relatively undifferentiated
3. Own the most products
4. Most active in opening and closing accounts
5. Value financial advice: in person, on the phone, over video chat or via self-service



3. Elites

1. Older, highly educated with high household incomes and assets
2. Second highest number of products owned
3. Heavy users of online channel
4. Value using self-service financial management tools & conducting research online



2. New World Adopters

1. Younger, highly educated, relatively modest household incomes with significant savings relative to income
2. Heavy users of technology
3. Receptive to broader range of channels & new market entrants offering new ways of doing business
4. View banks as relatively undifferentiated



4. Balancers

1. Modest assets vs. income
2. Do not open or close accounts frequently
3. Comfortable with online channel but value relationships Value fee transparency and assistance with problem resolution



Focusing on People – New Customer Segmentation

LEADING NEW ICT

5. Safety Seekers

1. Younger, less educated, limited cash flow & savings
2. Have relatively small portfolios
3. Value keeping personal & financial information safe, and fee transparency
4. Strong preference for using the branch for most banking services



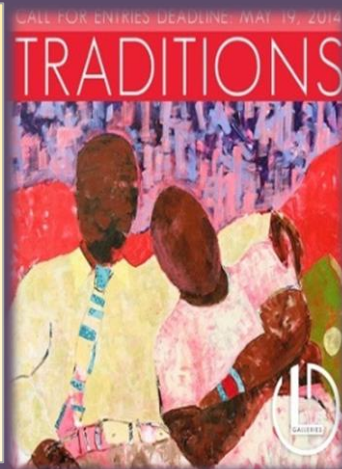
6. Self-Sufficients

1. Older, less educated, more limited financial means
2. Value convenience (online banking features, ATM/branch access, ease of doing business) and are least frequent users of the branch
3. Prefer doing their own research and using self-service tools over talking to an advisor



7. Traditionalists

1. Less educated, most limited in income
2. Lowest number of products,
3. Will use remote channels although prefer to use the branch
4. Use the ATM most frequently each week
5. Value being rewarded for loyalty



8. Unhappy and Unmovings

1. Older, least educated, low household incomes and low investable assets
2. Most critical of their PFSP and industry overall
3. Infrequent users of both branch and remote channels
4. High incidence of complaints, especially around unexpected fees, and low satisfaction with resolution



Focusing on People – New Customer Segmentation



Loyalty

Profitability

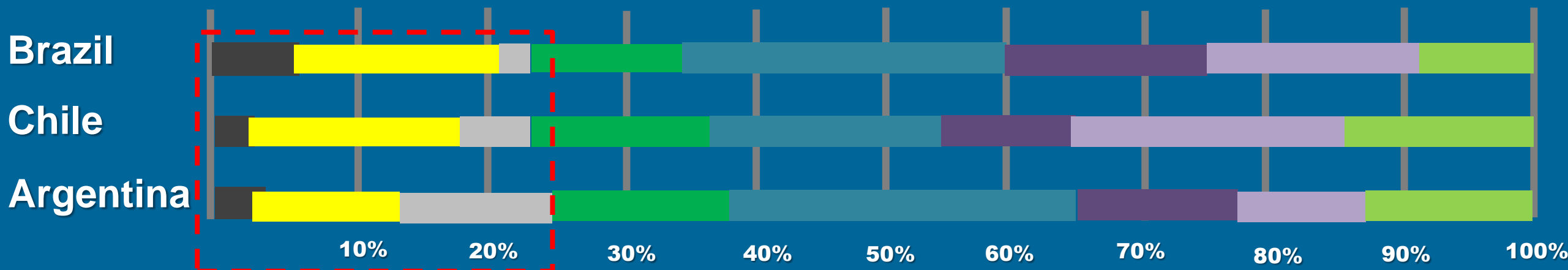


Source: Ernst & Young, EY Global Consumer Banking Survey 2014 (February)

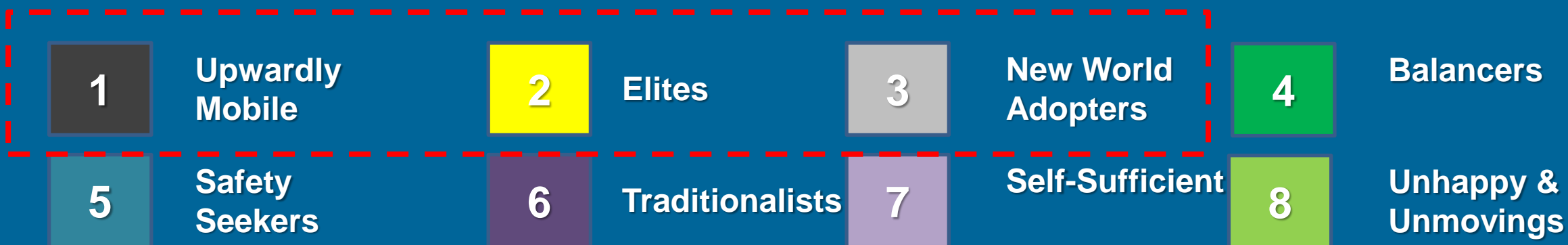
Focusing on People – New Customer Segmentation



80 : 20 Rule Exemplified



22% of Brazil, 23% of Chile, and 24% of Argentine Customers are in Top 3 tiers of New Customer Segmentation Model



Source: Ernst & Young, EY Global Consumer Banking Survey 2014

BBVA

Clear Examples That Show the Value of Data Analytics

Value Clients

Discovery of mass affluent clients within our mass clients, based on:

- Behavior within BBVA
- External information

Behavioral Segmentation

Automated customer segmentation, to acknowledge current and potential customer value and channel preference:

- Behavior within BBVA
- Channel Use

Risk 360

Complementary retailer scoring technology, based on data from:

- 800K POS + 5.9Mn Cards
- Payment Data Attributes

Results

X3

Success Rate of Sales Campaigns

Vs traditional campaigns
(415K Value Clients Identified)

6.5M

Clients Segmented in 5 hours

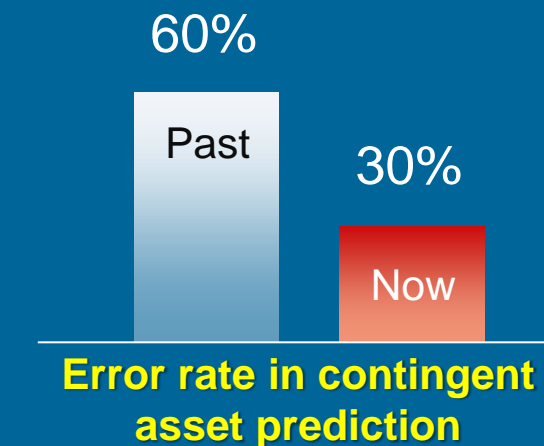
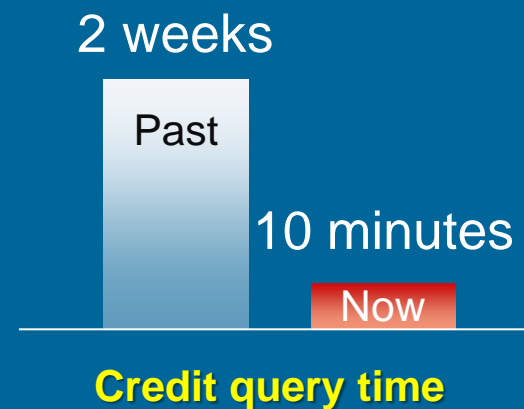
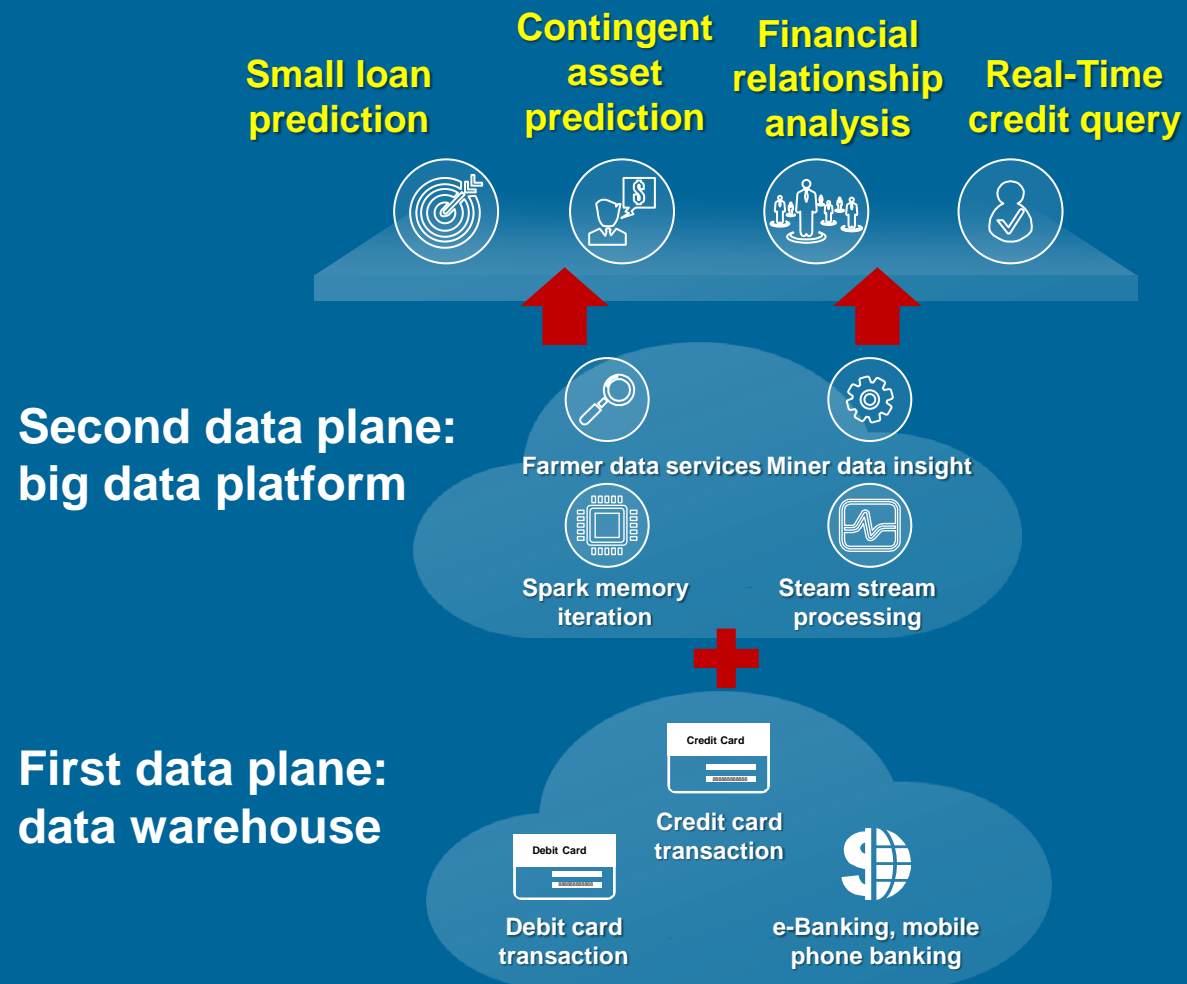
Vs 2 months prior processes

4%

Of rescued loans (originally denied)

(*) Illustrative projects in Spain. All projects to be rolled out in different geographies

Huawei's Financial Big Data Offers Precision Marketing



“Banks need to take on Amazon and Google or die”



“Some bankers and analysts think that Google, Facebook, Amazon or the like will not fully enter a highly regulated, low-margin business such as banking. I disagree. What is more, I think banks that are not prepared for such new competitors face certain death”.



Francisco González, CEO BBVA



Financial Times, 02 December 2013

High Transaction Rates: Credit Card Systems to Open Cloud Platforms

KPI		Result	Requirement
Average TPS		1925 TPS	100-200 TPS
Peak TPS		2200 TPS	1000 TPS
Mix TPS		1500 TPS	100-200 TPS
Average response time for AUTH		25 ms	51 ms
Critical path time	Daily (30 million cards)	84 min	120-180 min
	Payment due day (30 million cards)	110 min	
	Daily (60 million cards)	95 min	
	Payment due day (60 million cards)	111 min	

Meeting large and medium-sized banks' business requirements and significantly lowering the OPEX

24 million

Host platform

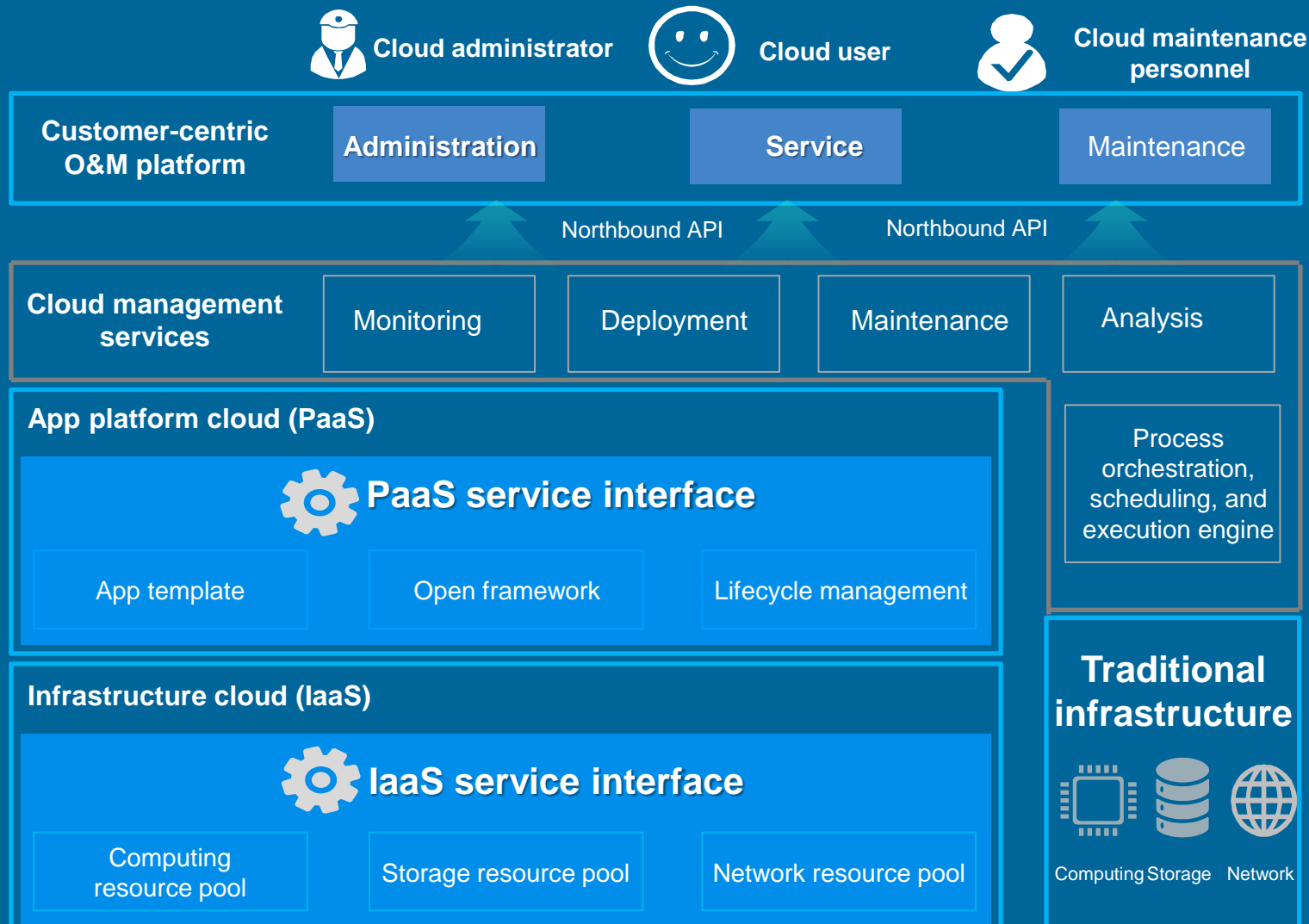
5 million

Open platform

Total OPEX in 5 years (5 million cards): USD

Source: POC test report of a bank's open platform-based credit card system (30/60 million cards)

Huawei Helps Banks Develop Next-Generation Cloud IT Platforms



IaaS helps banks develop private clouds

ICBC: development and testing cloud

New service deployment:

6 months \geq 15 days

Devices managed per technician:

200 \geq 500

Partners offer SaaS-based cloud apps

- **Yusys apps** (e-Banking, mobile banking, social media banking), serving 30+ banks

Minute-Level service rollout, reducing TCO by **30%**

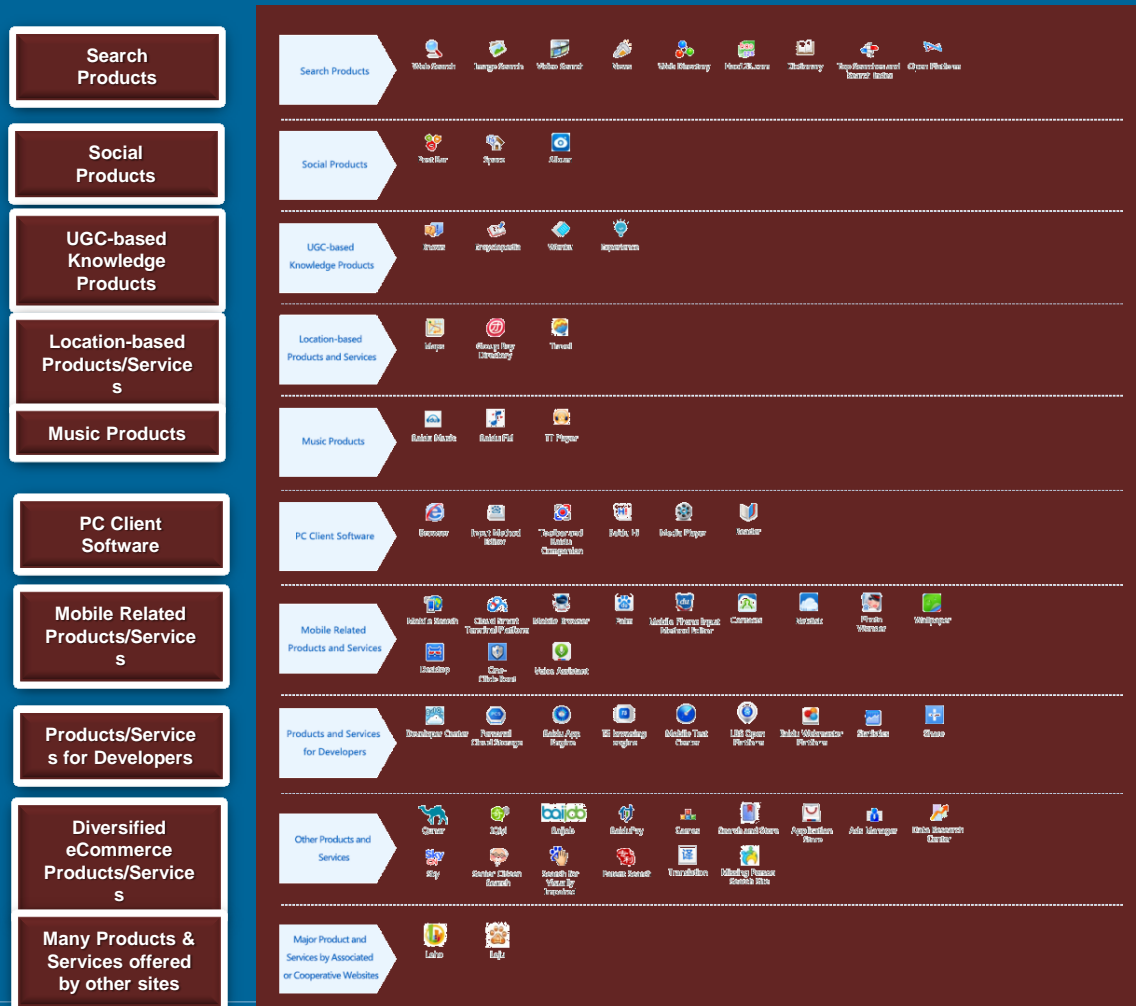
- **First Data** credit card
11+ customer, 15+ million consumers

OPEX per card reduced by **50%**

Banks also need to take on BATs or die



The **GOOGLE** of China
(and new JV Partner of Allianz)



Huawei Contributionss

>20 Data Centres across China

>10,000 GE Servers per DC or
>5,000 10GE Servers per DC

BAIDU PUBLIC CLOUD SERVICE

Banks also need to take on BATs or die



Alibaba Tmall

China "11.11" Crazy On-line Shopping Day

Customer Environment

- 2015 USD 14.34B (USD 1B in 1st 12min)
- Alipay: **500M+** transactions
@peak 5.15M/min, 30.9M/ hr
- Mobile users: **>74%**
- Parcels delivered : from 152M to **278M**
- Go Global: **217** Active Countries
- 5 days in US Bad Friday = 11h 49 mins
- Huawei Tmall Flagship Store sold
940,000 smartphones USD 187.12M

DDoS Specific

Overall

- **>100 Attacks per day average**
- **>10,000 Attacks per year**
- **>100Gpbs Attack @peak**

Peak:

- Largest DDoS ever reported
- **@12/20/2014**
- **453.8Gb in 14 hours**

Huawei Contributions

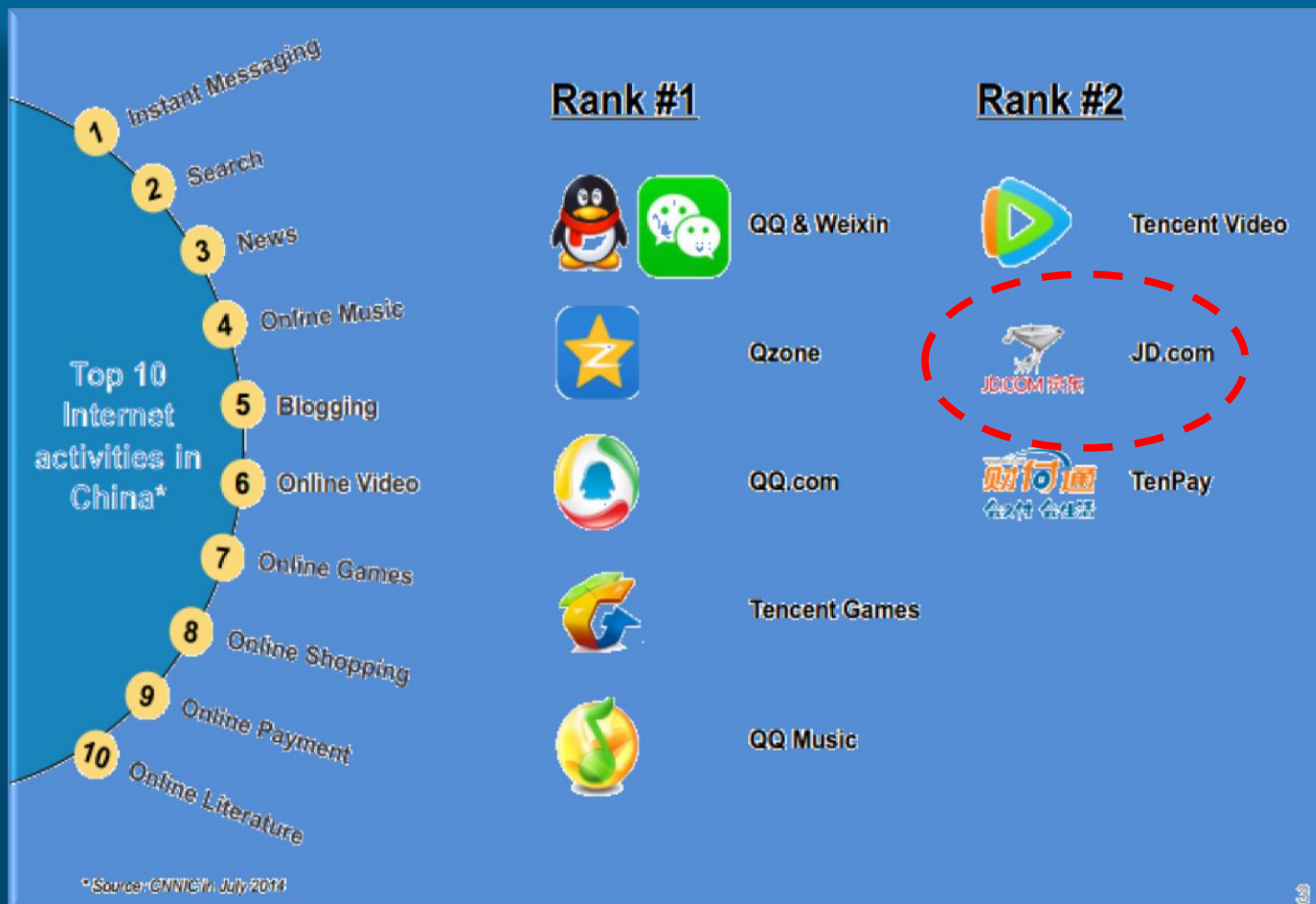
- SERVICES & STORAGE
- **40,000+ Servers** with PCI-E **SSD** for big data storage & data mining, Web App & searches
- CORE ROUTERS & SWITCHES
- 12 sets of **CloudEngine 12800** plus >100 sets TOR
- 24 sets of NE40E-X16 with **40G/100G** ports core routers
- SECURITY
- AntiDDoS8000 with multiple 100Gb/s attackprotection capacity
- OPTICAL TRANSMISSION
- OSN 8800 with 80×10G/40G/100G channels in one fiber
- **OSN 9800** with **400G** per slot capacity, smoothly upgrade from 100G/100G+ to **400G/1T/2T**

Banks also need to take on BATs or die



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Tencent The Largest ISP in China



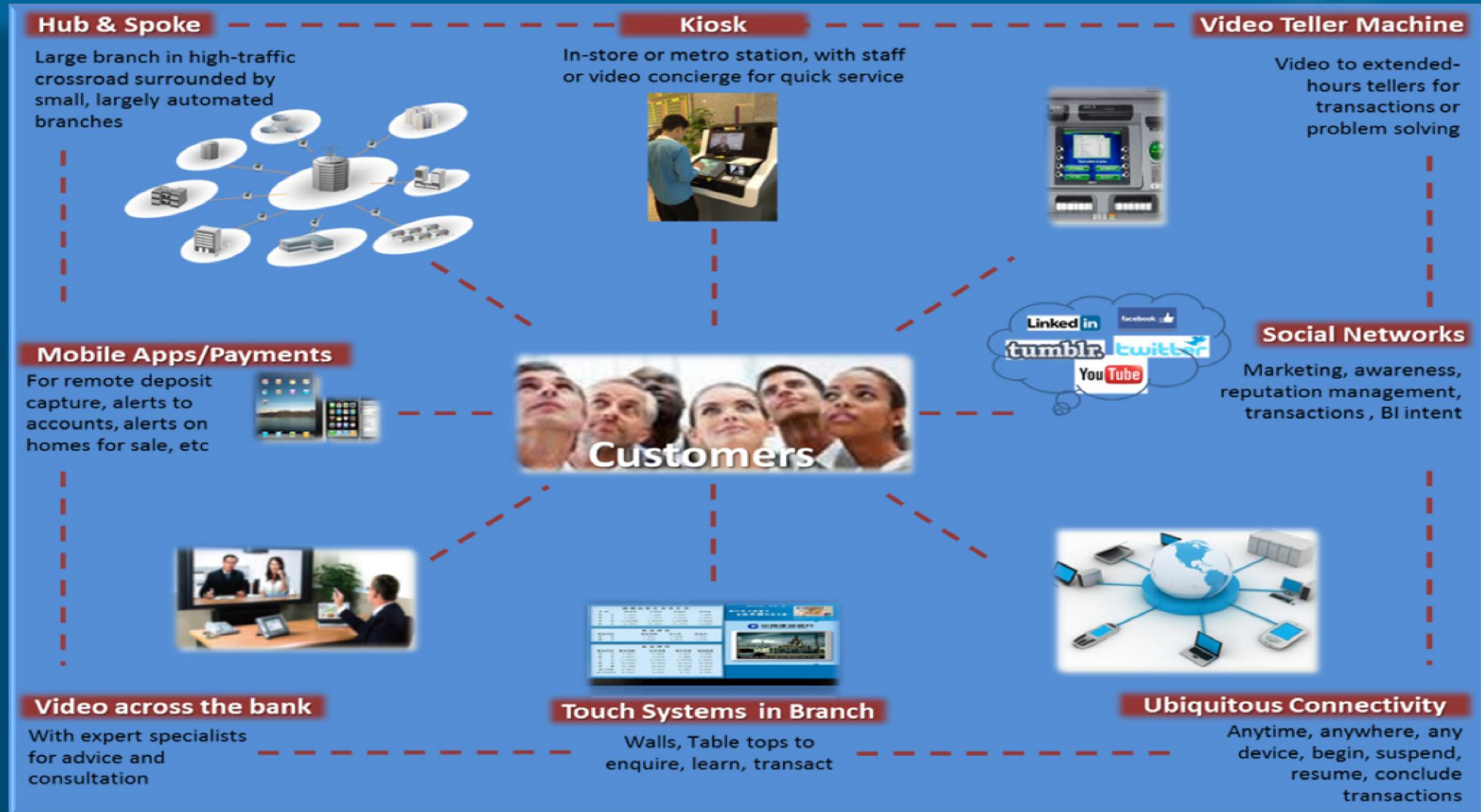
Huawei Contributions

>30 Data Centres across China

>10,000 GE Servers per DC or
>5,000 10GE Servers per DC

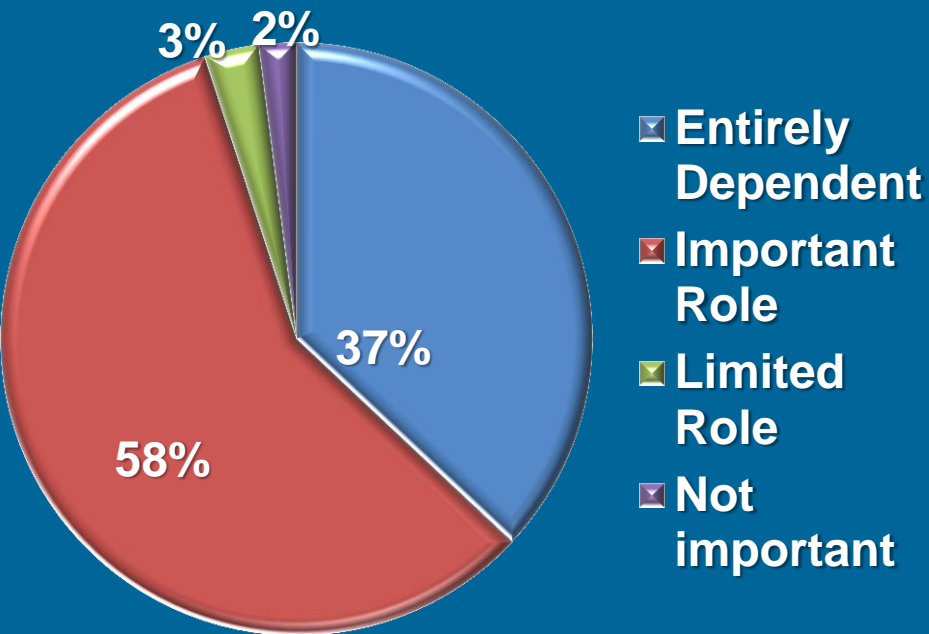
SDN-based WAN Traffic Optimisation

Omni-channel Distribution Empowers Digital Customer Engagement Innovation

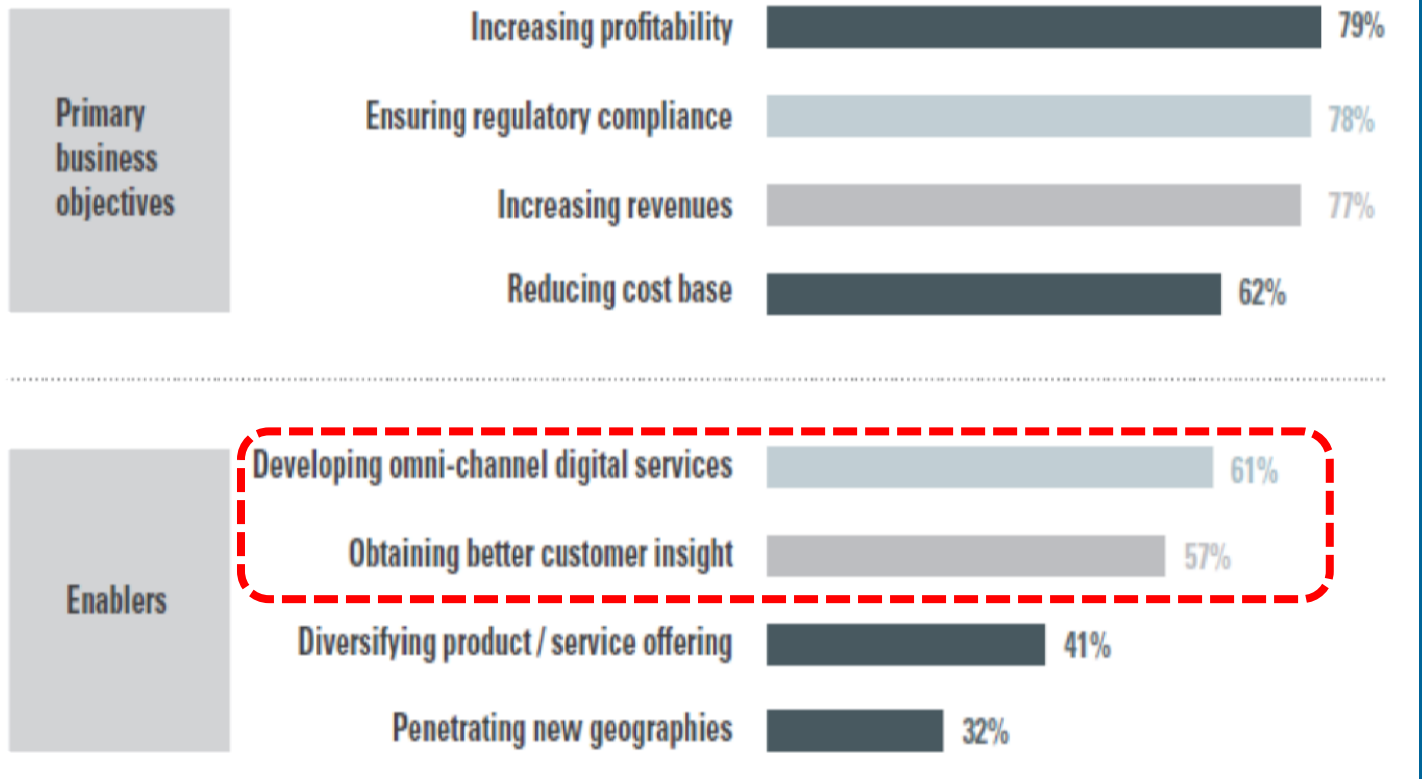




Omnichannel's Importance



HIGH PRIORITIES

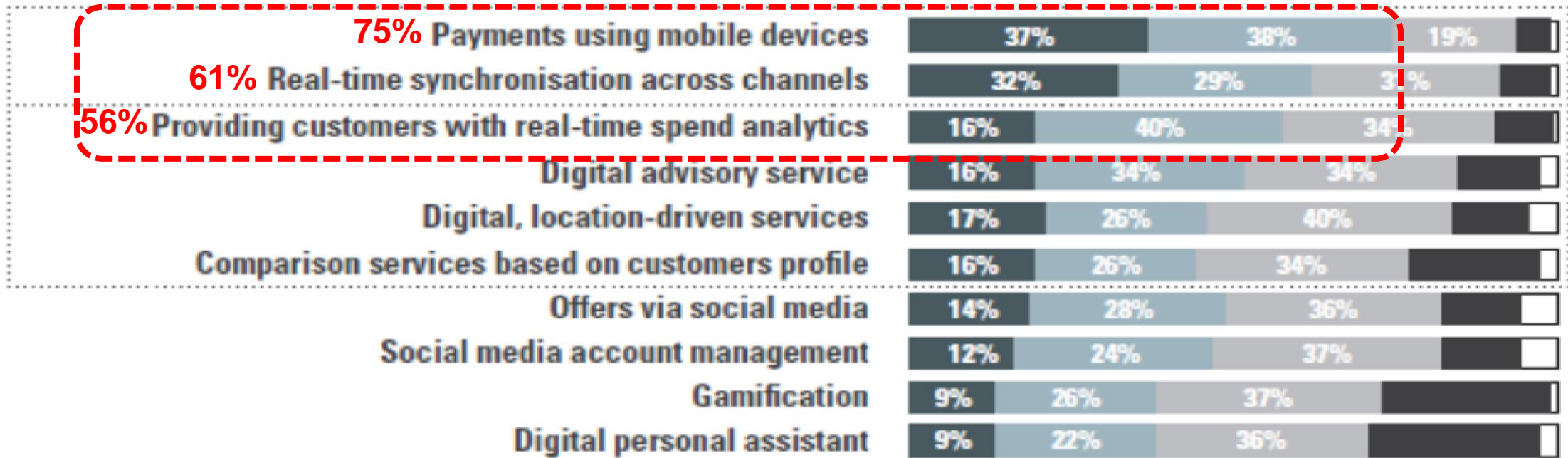


Source: Oracle Banking is changing...with or without banks, 2015

Digital Customer Engagement Priorities



Customer engagement



Vital **Important** **Not important**
Very important **Not very important**

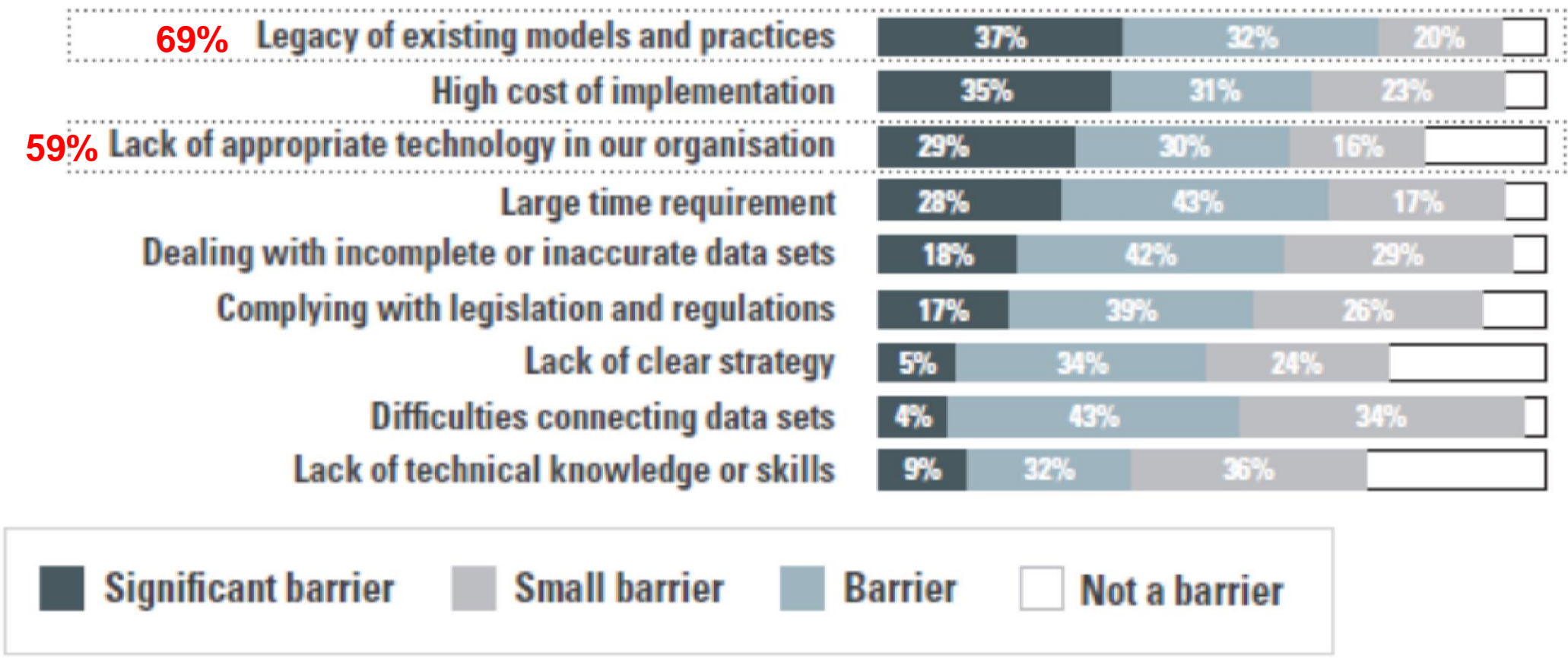
Source: Oracle Banking is changing...with or without banks, 2015



Legacy and Inappropriate Technology Major Inhibitors



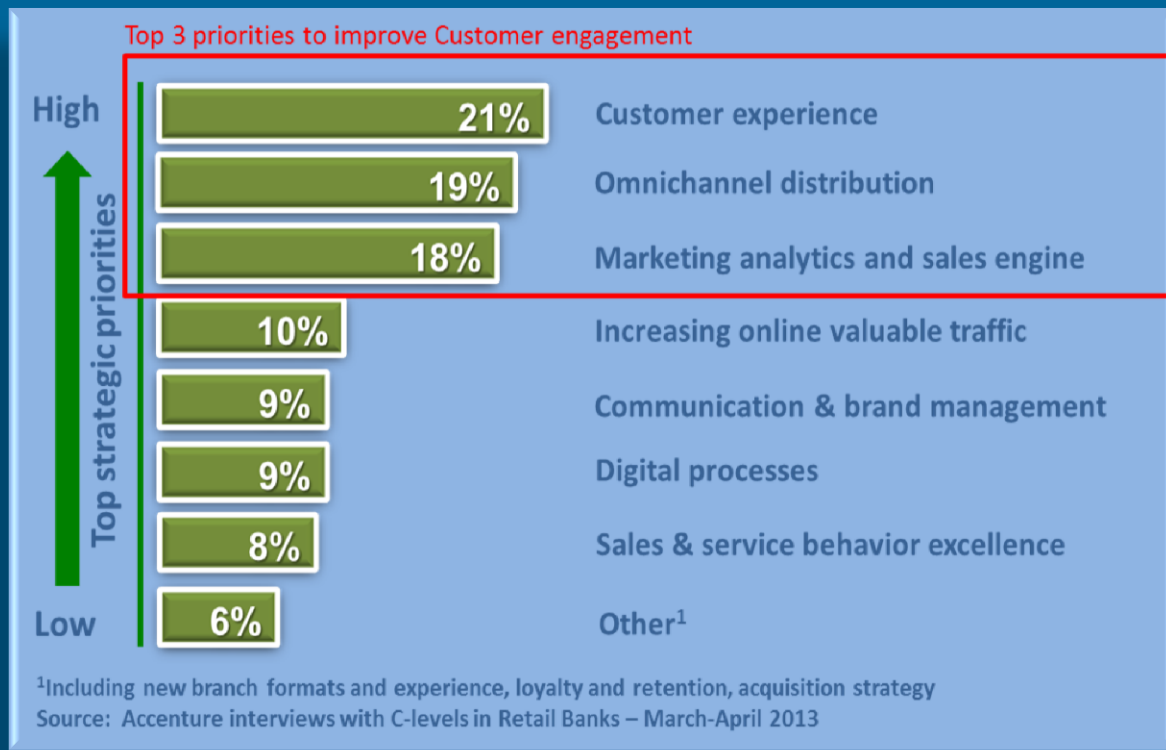
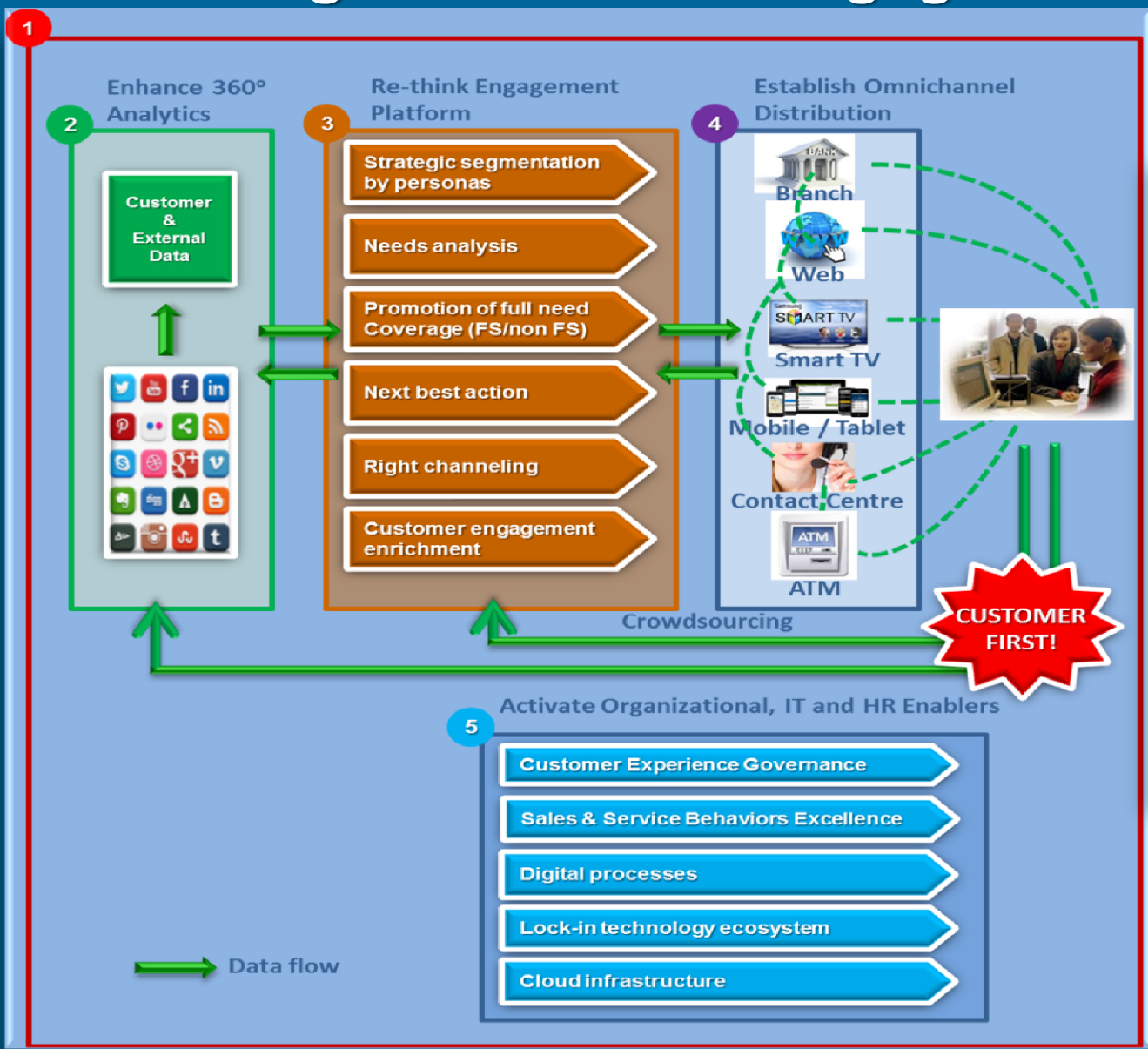
Barriers to omni-channel customer engagement



Source: Oracle Banking is changing...with or without banks, 2015



Holistic Digital Customer Engagement Model



Source: Accenture: [The RE-banking Revolution](#), July 2013

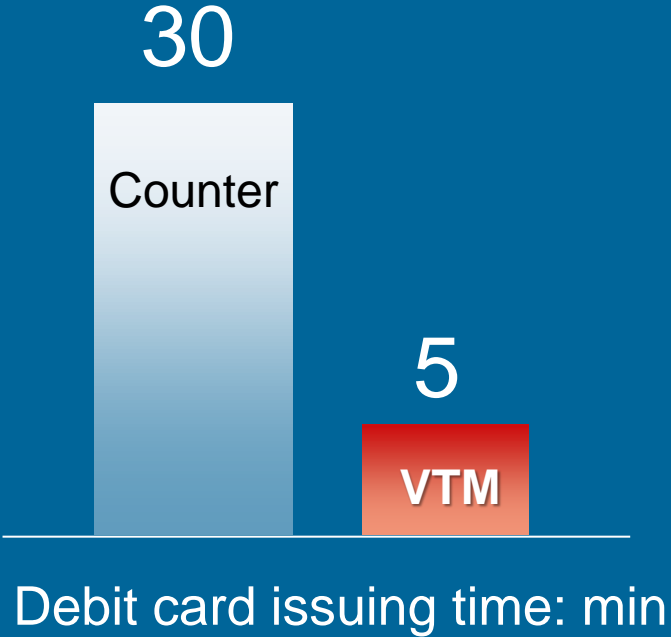
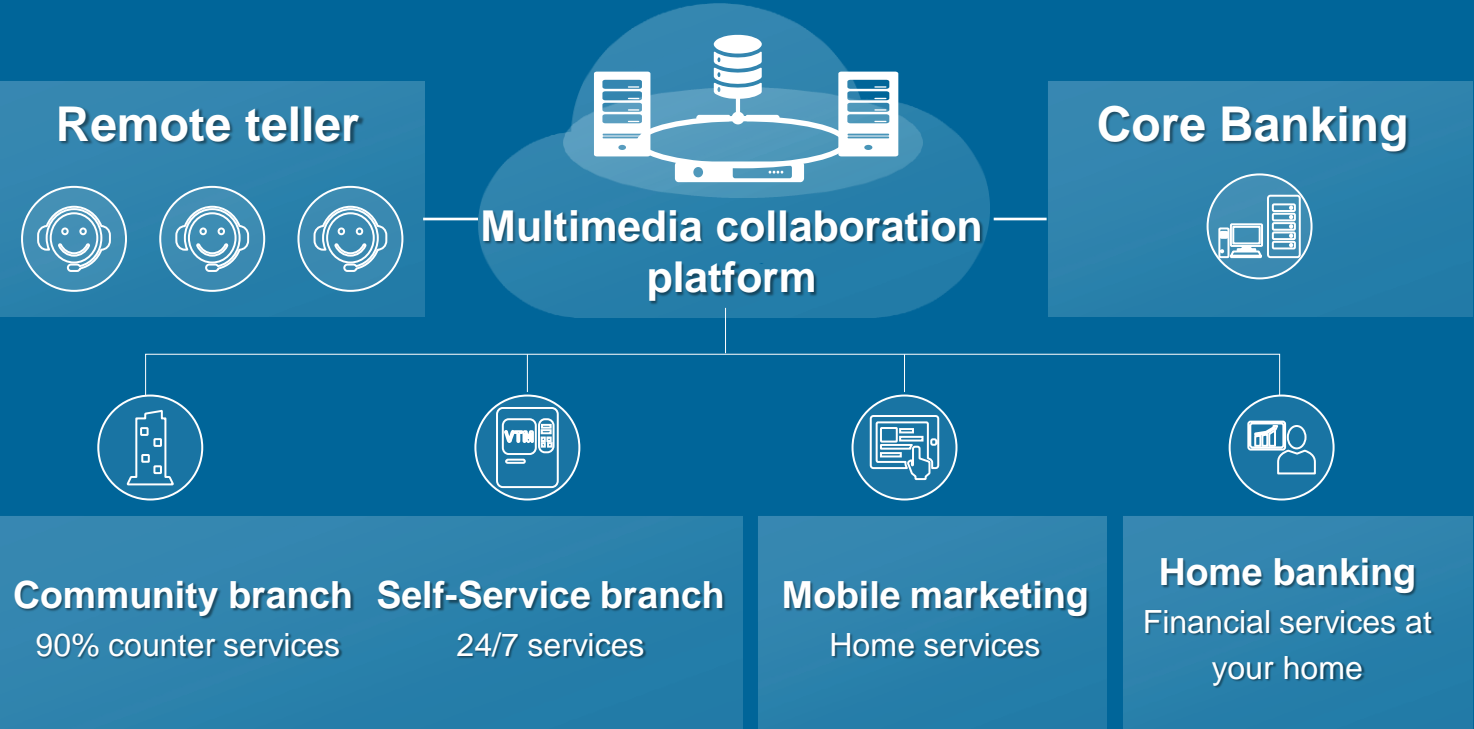


Mobile and Virtual Remote Banking Brings Financial Services to Your Fingertips



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eSDK open interfaces: enables **efficient** industry app integration



VTM – Virtual Teller Machines



Remote
Concierge
/ Teller

- 1-to-4 Service
- 1 Concierge:
4 VTMs
- Intelligent CTI
- Collaboration
- Redirect to Any
Device



Multimedia, video, collaboration experience for 7x24
mini branch, **70%-90%** traditional branch services



Roving
Robot



Nine key business imperatives to accelerate digitalization

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Make pricing and services promises transparent

1.



Encourage customer self-directed service

2.



From multichannel to omnichannel distribution

3.



Shift marketing from “push” to “pull”

4.



Develop flexible loyalty programmes

5.



Help customers to shape their experience

Offer segmented levels of customer service

6.



7.



Use multimedia technology to deliver the retail branch of the future

8.



Prioritise investment on critical customer interactions

9.

Digital Banking

PROMISE

Make low cost digital channels customers' preferred choice

Create a Digital Strategy for Me!

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Summary





THANK YOU

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