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## Driving Innovation in the Banking and Insurance Industries with Mobile

Richard Field: Rational Financial Services Market Manager



## Agenda

- Banking and Insurance mobile opportunity
- Mobile and multichannel considerations
- Unique features of mobile apps
- Building enterprise mobile apps
- How Rational solutions can help



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- **Banking and Insurance mobile opportunity**
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# Mobile applications present an enormous set of opportunities...

## Business to Consumer

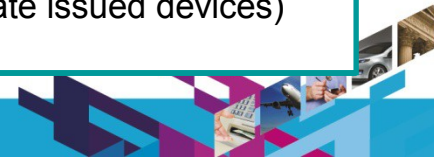


- Improve customer satisfaction
- Deeper customer engagement and loyalty
- Drive increased sales through Personalized offers
- Customer service
- Competitive differentiator
- Improve brand perception
- Deeper insight into customer buying behavior for up sell and cross sell
- Improve in store experience with mobile concierge services

## Business to Enterprise



- Increase worker productivity
- Improved claims processing
- Increase revenue through sales engagements
- Extend existing applications to mobile workers and customers
- Reducing fuel, gas, or fleet maintenance costs that are relevant in particular industries
- Increase employee responsiveness and decision making speed
- Resolve internal IT issues faster
- Reduce personnel cost (utilizing personal owned instead of corporate issued devices)



## Trends/Outlook driving Banking and Financial Markets in 2012<sup>1</sup>

- Tumultuous financial markets, failing institutions, and lower profits in Europe and the U.S. will **inhibit, but not eliminate, IT spending growth**
- **Financial institutions struggle to harness the right channel mix for an optimum customer experience**
- Financial institutions will see the need to develop a **new business model**, but execution will elude the industry
- Revenue-generation continues to be a major challenge in 2012 as financial institutions explore **new pricing options** enabled by technology
- **IT reliability** becomes a major risk factor due to the age and complexity of key systems
- Financial institutions will continue to **tackle operational efficiencies**
- **Risk management** will top 15% of total IT investments across WW financial services
- **Financial institutions will use social media to improve decision making and drive financial results**

### *4 Key Themes in 2012:*

**Increase in regulatory burden**

**Provide seamless cross-channel experience to customers**

**Focus on cost reduction technologies and processes**

**Revenue enhancement from new product development, innovation and increased fees**



# The Insurance industry is suffering from low ROI due to sustained period of low interest rates<sup>1</sup>

## External Forces

**Emboldened Customers:** Expectations for varied offerings and customer service are evolving rapidly, want to do business through multiple channels including social media

**Social Imperatives:** Societal and government pressure to offer micro-insurance to poor rural populations

**Sustained Low Interest Rates:**

**Turbulent Global Economy:**

**Enhanced Regulations:**

**Fierce Competition:**

## Industry Challenges

**Increase Revenue from Customers:** focus on customers and cross-sell a variety of products from traditional insurance, annuities and wealth management

**Rebuild trust between insurance industry and its customer base:** CEOs picked getting closer to the customer as their most important strategic initiative in the next five years

**Innovate & Grow the Business:** Competition, Cost and customer demands are placing an onus on industry executives to find ways to be innovative in cost containment, in product design, time to market and in customer service

**Manage Risk Holistically:**

**Modernize IT Architecture & Reduce IT costs:**

**Get a handle on Data:**

**Contain Cost of Regulatory Compliance:**

**Business Agility:**

## Industry Imperatives

**Create a customer focused enterprise**

**Optimize multichannel interaction**

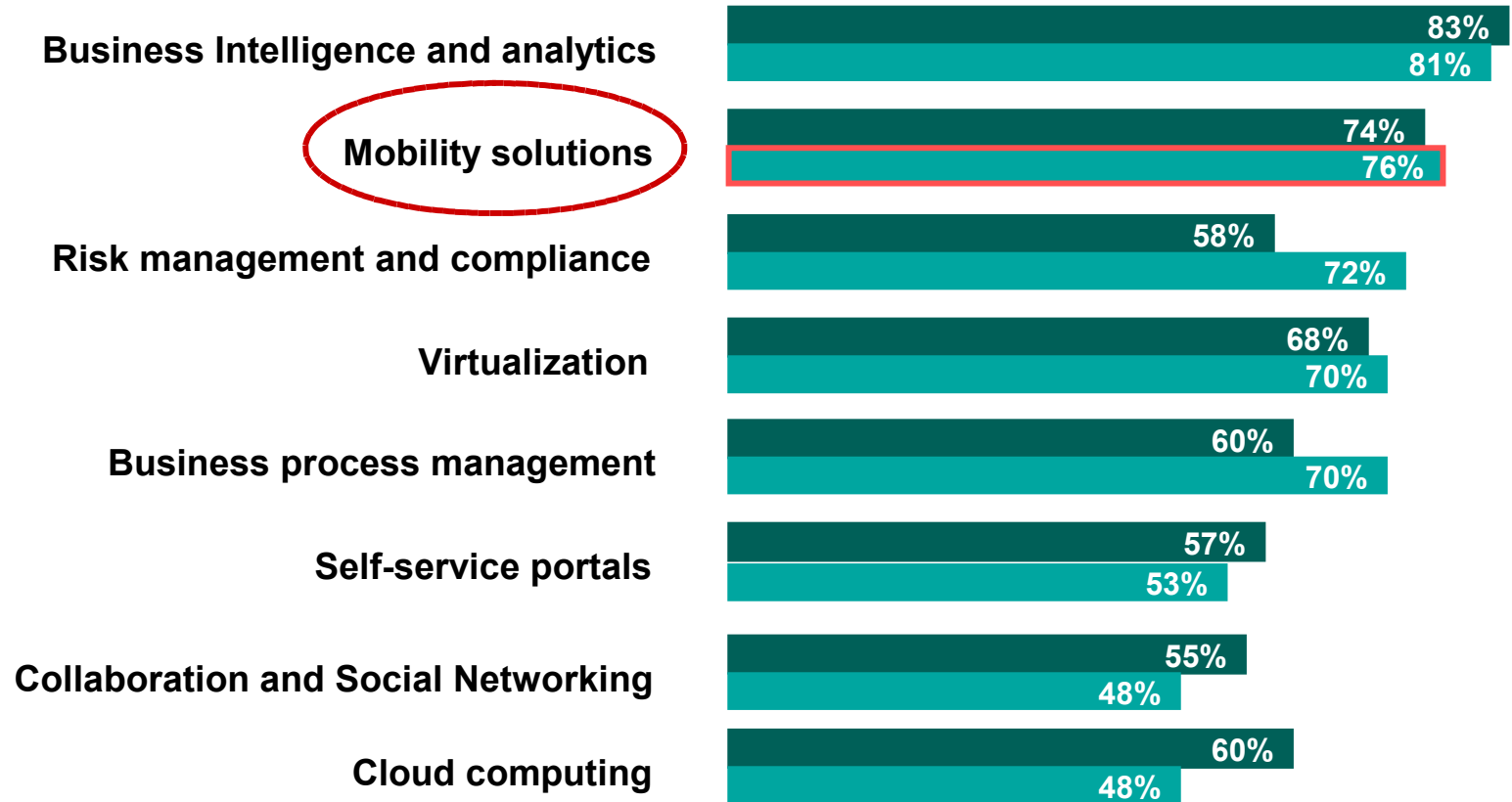
**Increase flexibility and streamline operations**

**Optimize enterprise risk management**



# Mobile is the 2nd top priority on CIO's list

Most important visionary plan elements *(Interviewed CIOs could select as many as they wanted)*



Global sample

Banking

Source: 2011 CIO Study, Q12: "Which visionary plans do you have to increase competitiveness over the next 3 to 5 years?"; Global sample (n=3,018); Banking (n=311)



# The scope of mobile banking enablement projects falls into 3 categories

## ▪ *Informational*

- Checking account balance
- Checking transaction history
- Receiving alerts (balance, transaction limits, etc.)
- However, this provides limited revenue potential for payments providers and, for the most part, is already included in current retail banking offering.

## ▪ *Transactional*

- Transferring money to another person
- Paying for goods and services
- Paying utility bills
- Receiving remittances
- This has a large revenue potential in growth markets, but there are potential adoption hurdles in developed markets, which are highly regulated.

## ▪ *Value Added Services*

- Receiving coupons based on device location
- Transaction flagging for fraud detection
- Accessing goods and services of cross industry offerings (retail, health services, travel, etc.)
- In these cases, there is a large revenue potential in developed markets, as these services usually require richer/ more secure client sessions and consequent device and network infrastructures.





## Customer mobile banking needs in developed markets

- Mobile users today expect access to the same information they have on the desktop, in a mobile-friendly format
  - Most customers already happily use mature payments instruments
  - Need to provide persuasive value propositions in the form of :
    - **direct savings, for example, receiving coupons based on device location**
- OR**
- **significantly improved experiences that are more relevant, Safer, Faster, Cheaper.**

## Customer mobile banking needs in growth markets

- In many growth markets, including the BRIC countries (Brazil, Russia, India, China) over 90% of transactions are still in cash
- By far the largest mobile opportunity is replacement of these cash transactions



## There are great opportunities for mobile apps in Insurance too

- Insurers setting strategies to capitalize on abundance of continued double-digit growth of mobile devices across all regions.
- **Functionality will focus on:**

### Connecting with the customer for:

- Sales/pricing
- Pay bills
- Initiating/managing claims
- Even roadside assistance

**Already insurers are delivering apps for accident claims that can be used at the accident location**

### Connecting with the field force/agents for:

- Sales/pricing (of life policies)
- Claims assessing
- Marketing materials
- Comparisons

**In Growth Markets, we are seeing an increase in Insurance premium income, in line with increasing prosperity.**

**As most transactions in these countries are in cash, there is a great opportunity for paying Insurance bills via mobile channels**

**Also, societal and government pressure to offer micro-insurance to poor rural populations**



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# Multichannel Customer Experience for Banking and Insurance

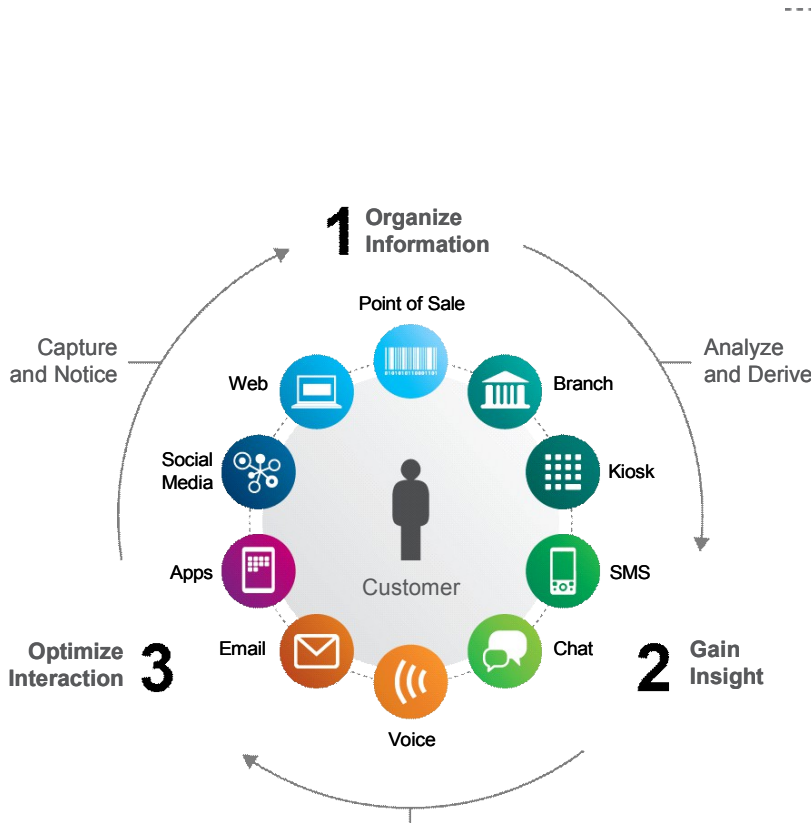
Improve your customer experience, reduces inefficiencies and allow for better engagement with customers.



- **Enable** multichannel applications
- **Deliver** rich functionality and improved user-friendliness
- **Deploy** customer business processes that span across different channels
- **Enhance** Internet banking and insurance with Web 2.0 technologies
- **Provide** banking/insurance anytime, anywhere on any mobile device
- **Reinvigorate** individual channels and harmonize different channels
- **Reuse** technological and business components common to multiple channels



# Customer focused enterprises are truly delivering a superior customer experience by:



## Engaging customers in **insightful conversations**

Not just providing a pleasant banking/insurance experience

## Providing **consistent, cross-channel** experience

The same as they get from retailers and airlines – including self-service, mobile, social, etc.

## Capturing every customer **moment of truth**

In real-time across both staffed and automated channels, and trigger appropriate actions

## Marketing and selling based on **customer events**

Progress from mass marketing to precise, event-based marketing with customer information and predictive analytics

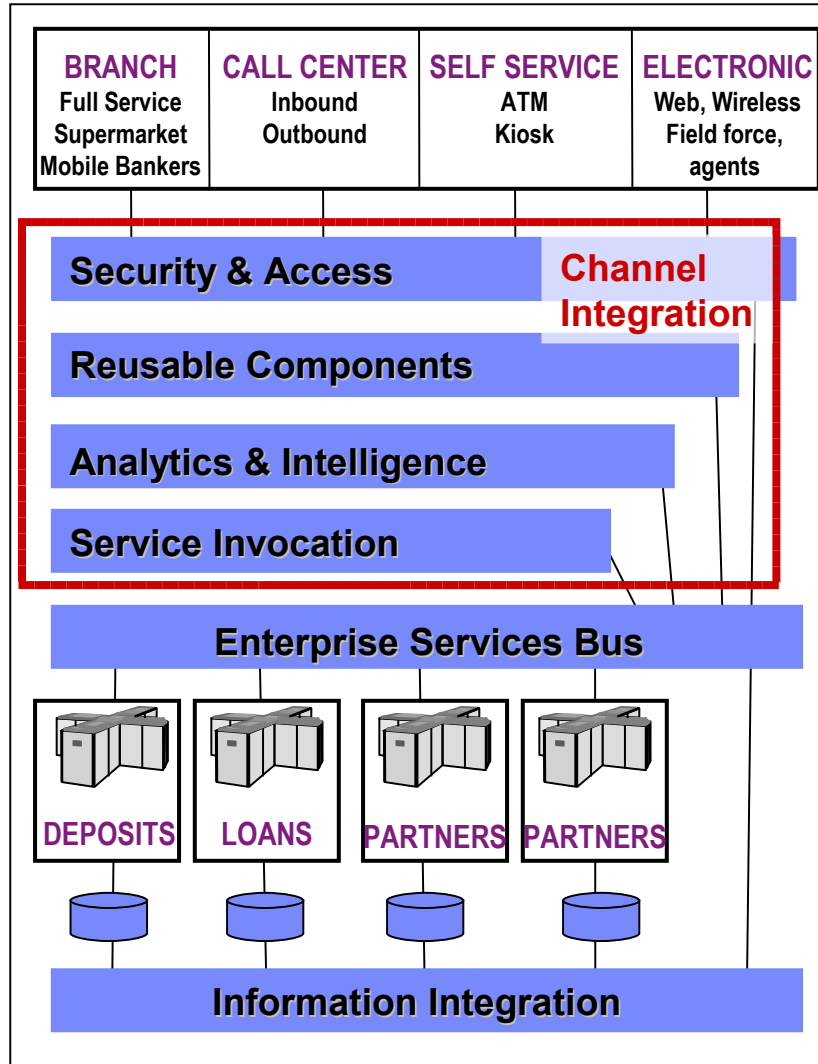
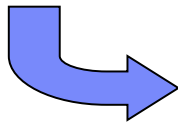
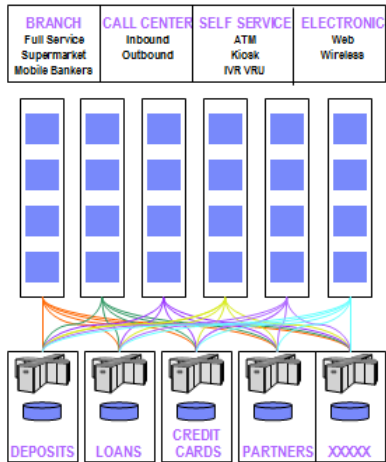
## and at the same time

## **Lowering operational expenses...**

Achieve superior customer experience and lower operational expenses through process optimization and balancing channels



# Back-end system integration considerations for mobile enterprise apps



**IBM Point-of-View**

The real-time and always-on feature highlights the importance of cross-channel experience. For example, when customer receives a push notification on her iPhone, she expects the call center to know about it too.

**IBM Point-of-View**

Channel integration provides precious insights into channel intelligence as well as increasing the effectiveness of cross-selling and campaign delivery.



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# Mobile applications are very different than PC or server-based applications

## Why is mobile different?

### User interface & hardware needs

Mobile hardware and user interfaces evolve much faster than the typical enterprise software cycle

- User interfaces must be easy and obvious
- Screen real-estate is precious
- Typing should be minimized
- Battery life needs to be long and monitored during usage
- Devices are often exclusively touch-based

### Customer driven needs

- Mobile users require efficient and timely access to information
- Interactions are short and focused, interruptions are common
- Social interactions are important
- Timeliness of data must be communicated
- Often used for monitoring as opposed to active consumption
- Applications must still be usable when out of wireless coverage
- Security is critical

**Mobile users today expect high-fidelity access to the same information they have on the desktop, presented in an easy-to-learn, mobile-friendly (often touch-friendly) format.**







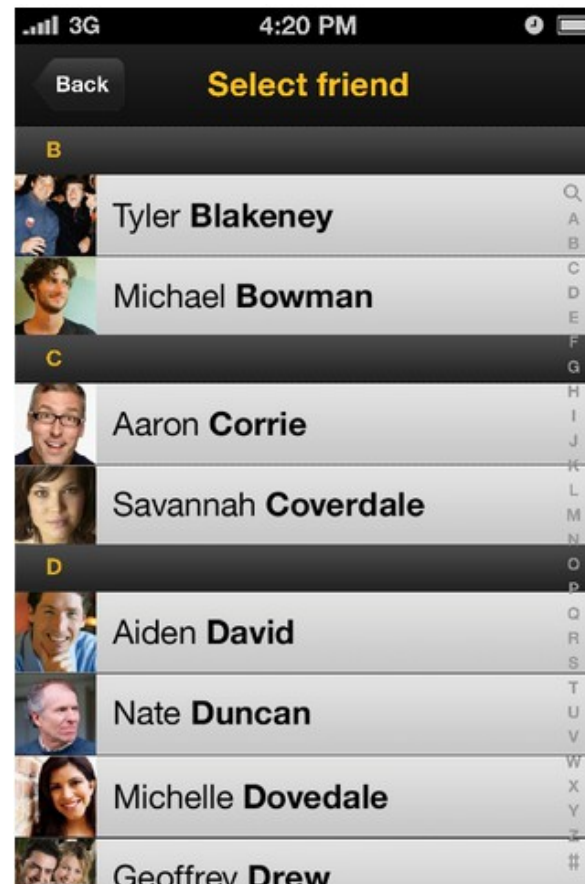
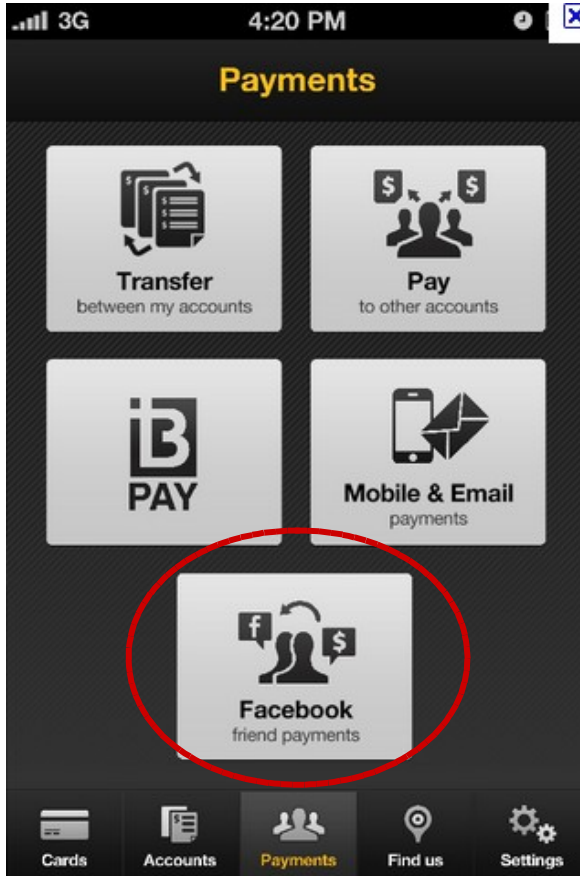
Let's look at an example of how mobile apps can delight customers








# Functionality unique to mobile banking/insurance on smartphones Mobile + Social + (Person to Person (P2P) Payment for banking)



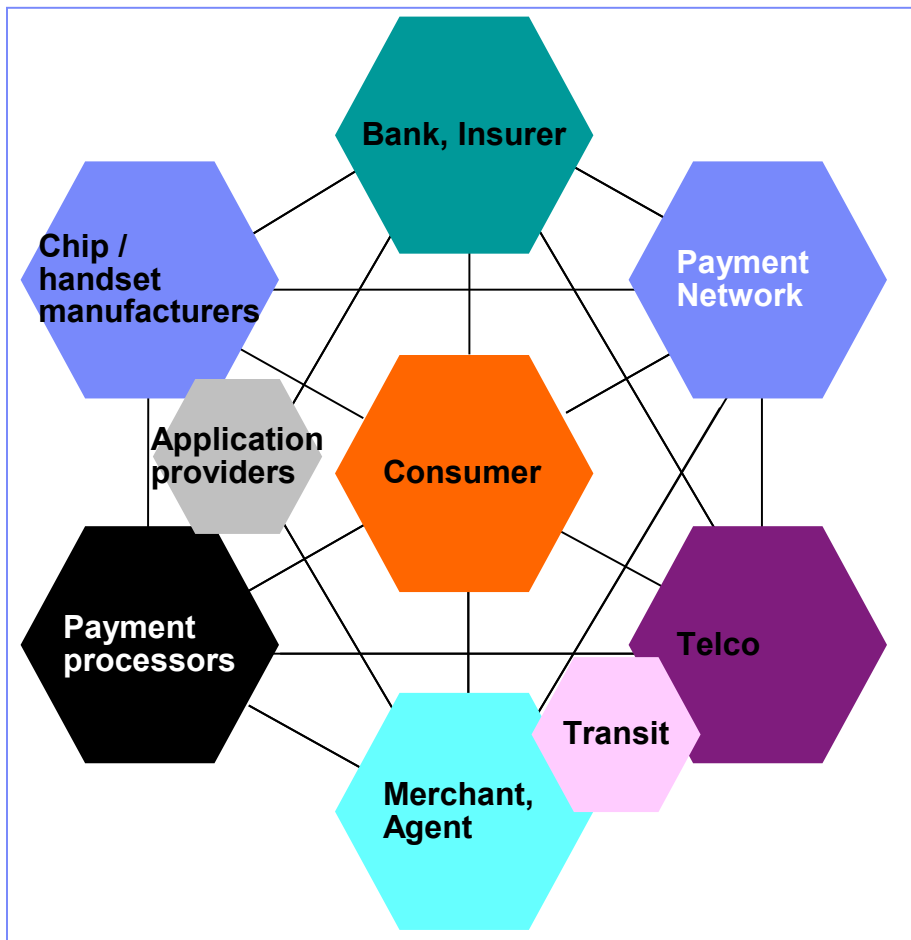
 **IBM Point-of-View**

FIs need a business model that takes advantage of the fact that a mobile phone may be the only thing many people keep within arm's reach all day. For example, expense tracking combined with mobile payment and bill-pay is a very "sticky" feature. Many FIs already have in place a basic Mobile solution (statements, transfers, auto claims etc). FIs need to go one step further and 'visualize' the new services that will add value to both, customers and FIs, by using mobile devices.



# Payments considerations for mobile

>9 Stakeholders must cooperate



## IBM Point-of-View

Basic payment functions (e.g., bill-pay, international remittance) should be offered with convenience. Business model for advanced features such as mobile wallet, Near Field Communication (NFC) and P2P payment differ from country to country depending on factors incl. regulations and cross-industry dynamics among telcos, payment network operators and leading banks. These represent the biggest future opportunity for banks. Banks, insurers must have a game plan in place and be prepared for the market development..

### Business model questions

- Who owns the customer?
- Bank/insurer or telco centric model?
- How to share revenue?
- First-mover advantage or wait?
- Alone or partner?
- Who holds the payment risk?
- What regulations apply?

### Technological questions

- Is the technology stable and secure?
- How will chips get onto handsets?



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# 3 models of mobile banking/insurance application to choose from – Web, Hybrid & Native

**Recommended**

	Web	Hybrid	Native
Dev cost	Reasonable	Reasonable	Expensive
Dev time	Short	Short	Long
App portability	High	High	None
Performance	Fast	Native speed if needed	Very Fast
Native functionality	No	All	All
App store distribution	No	Yes	Yes
Extensible	No	Yes	Yes

**IBM Point-of-View**

Hybrid approach can achieve the look-and-feel and rich functionality of native apps, while lowering the cost to develop for multiple OS/versions as well as on-going maintenance and upgrades.



# Building an enterprise mobile application is more than just writing the code

## Specific challenges in building mobile apps:

### Imperatives from line of business & customers

- Strong demand by Line of Business
- Customers expect higher quality of user experience with mobile apps
- More direct involvement from users/stakeholders in design

### Fragmentation of technology and platforms

- Highly fragmented set of mobile devices and platforms
- Native programming models not portable across devices.
- Very large number of configurations of devices, platforms, carriers, etc. to test

### Urgent time-to-market, rapid pace of innovation

- Mobile landscape evolves at a much faster pace
- More frequent releases and updates for apps with more urgent time-to-market demands
- Lack of best practices guidance on how to deliver mobile applications



**How do you develop for and test against multiple platforms effectively?**

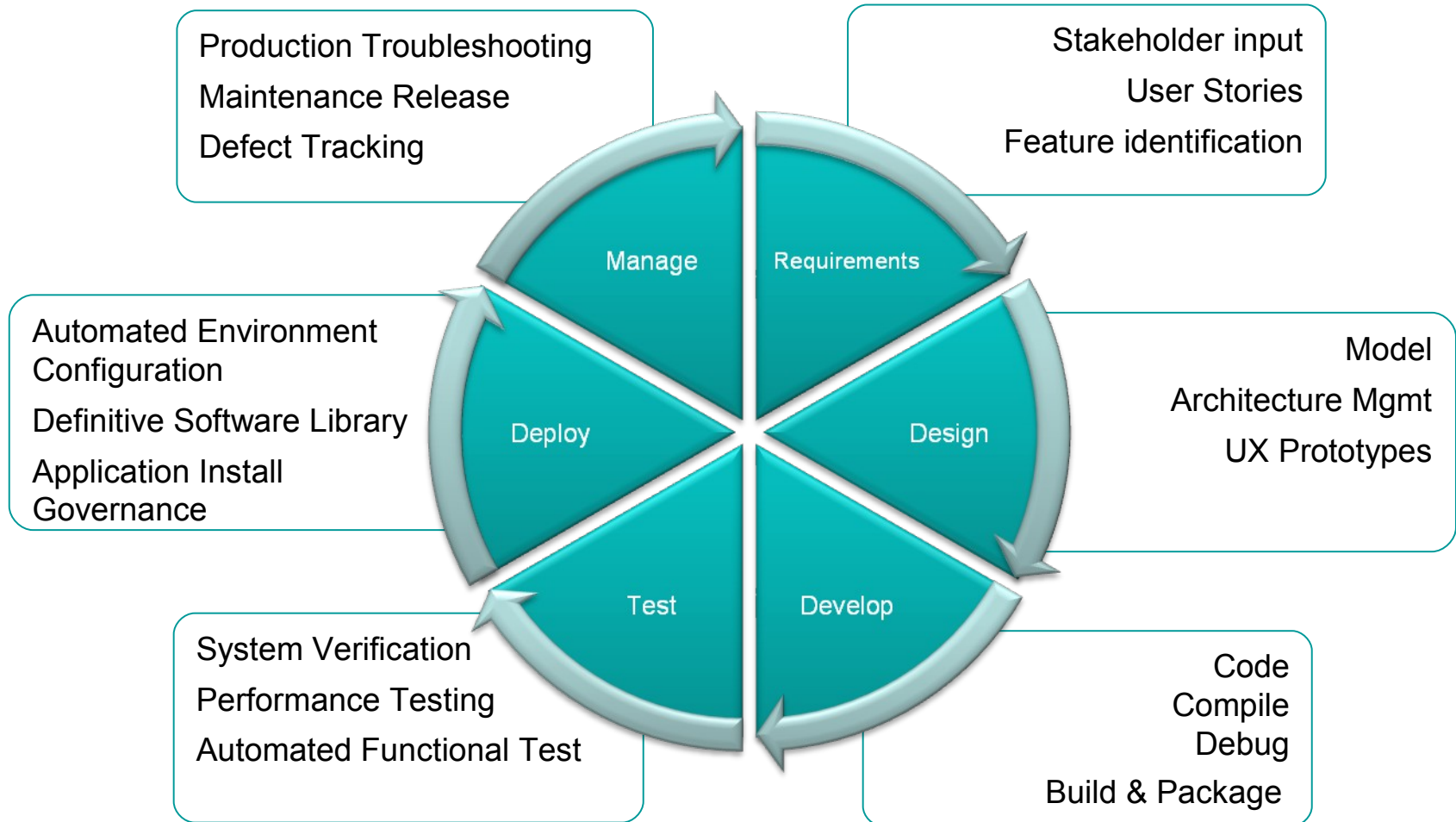
**How do you align business and development to deliver apps that delight users**

**How do you gain control of your development process and accelerate time to delivery?**





# Mobile software development requires a full development life cycle



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# Rational takes a two-pronged approach to help customers deliver enterprise mobile applications successfully

## Trends in Mobile Apps Development

Strong customer demand for more sophisticated and integrated mobile banking and insurance capabilities

Technology is changing rapidly alongside

Banks/insurance companies need to develop enterprise mobile apps faster and more cost effectively, with agility and quality

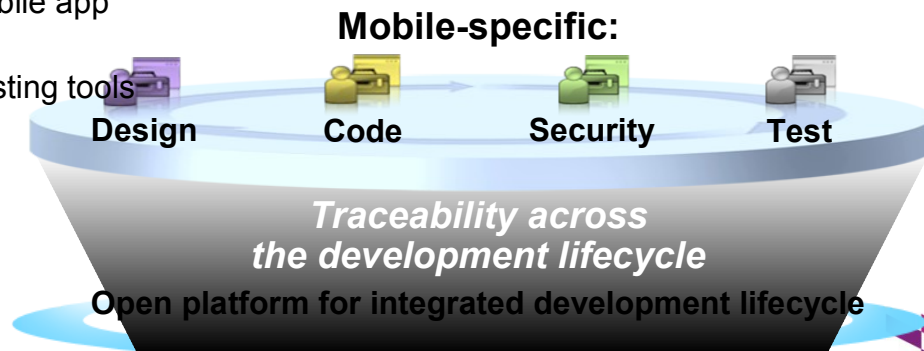
Integrated tools are required to help plan, define, design, build and test the apps.

## 1. Rational CLM helps customers manage your development lifecycle:

- Traceability of development activity across entire project lifecycle
- Real-time planning that is consistently accurate and up-to-date
- Tightly integrated with mobile code development capabilities
- Centralized code sharing and distributed mobile app build
- Integrate and manage full range of mobile testing tools and techniques

## 2. Mobile specific-capabilities help customers accelerate your development and test:

- Code construction tool using web-based technology to write multi-platform applications
- Distributed builds of mobile applications
- On-device functional testing of mobile applications



# Customer Story: ING Direct Canada

## Reaching mobile banking customers with IBM software and services

- Runs on iPhone, iPad, and BlackBerry
- Provides remote banking for ING Direct customers
- A collaborative effort between ING DIRECT and IBM GBS



# COMPUTERWORLD

**News Analysis**  
**ING Direct praises IBM's Websphere for role in its mobile banking app**

The solution extends the ING DIRECT Canada transactional Web infrastructure based on

- IBM WebSphere Application Server
- IBM Rational Application Developer 7.5 and Rational Software Architect 7.5



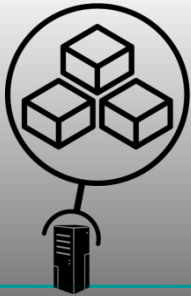
## Banking and Insurance companies face a number of challenges in driving Innovation with Mobile

- **Mobile applications are growing rapidly across all industry segments**
- **Mobile applications are very different than traditional PC or server based applications**
- **Challenges of enterprise mobile application development**
  - **Need to provide seamless multi-channel experience and integrate with back-end systems**
  - **Traditional application development challenges remain**
  - **Mobile application operating systems are fragmented – across Apple, Android, RIM etc.**
  - **Need to test across many different devices and operating systems**



# Rational accelerates delivery of enterprise mobile applications

## Client Initiatives



**Build** mobile applications

**Connect** to, and **run** backend systems in support of mobile

**Manage** mobile devices and applications

**Secure** my mobile business

**Extend** existing business capabilities to mobile devices

**Transform** the business by creating new opportunities

## Rational helps customers build enterprise mobile applications that:

- Run on multiple mobile devices
- Connect to enterprise back-end applications and information systems
- Deliver high quality user experience
- Fulfills fast time-to-market requirements
- Are rapidly updated with new releases

**New and Enhanced!**

**Rational Collaborative Lifecycle Management** – accelerating mobile app development across platforms





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