

Rolling with the fintech punches

Technology is revolutionising the banking industry, improving the experience for clients and customers. To get the most out of this digital transformation, banks must collaborate with technology companies and start-ups to give customers what they've come to expect



INTERVIEW WITH
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The banking industry is undergoing a transformation – an ongoing evolution that is seeing change at every level and in every corner of the planet. It first started some 15 to 20 years ago, with the arrival of the internet. Things have moved on considerably since then: nowadays, cutting-edge technologies and innovative business models, such as artificial intelligence (AI), blockchain, crowdfunding and cloud computing, are among the most important disruptive forces in existence. This burgeoning entrepreneurial ecosystem has helped these new technologies to thrive across a multitude of sectors. Indeed, fintech firms, which continue to grow in number and prominence, are also exploring seemingly endless possibilities within the banking sector.

The internet transformed the way companies used banking services and products. Today, with the appearance of new disruptive forces, together with the ubiquitous use of mobile devices and smartphones, banking products and services will be completely transformed once more. *World Finance* spoke to Hugo Nájera Alva, Head of Business Development at BBVA Bancomer, about how the digital era is affecting the banking sector and what changes we can expect to see in the future.

What impact has technological disruption had on the banking industry?

The industry has long been in a state of improving its processes – it has always been willing to use new technologies in a bid to make its services more efficient. However, more recently, the speed and frequency with which new technologies continue to emerge have left the banking industry struggling to keep up.

At BBVA Bancomer, we started our digital transformation with a clear view of the future in mind. It was a transformation that started before anyone else in the banking system was considering it, and at a time when disruptive technology forces were not yet prominent. This evolution began with a totally new user experience in our bank branches and progressed on to the whole structure of the organisation. Now, we are digitalising our traditional banking products and services, and are creating native digital products and services. Alongside these changes, we are digitalising all internal processes, which enables extremely fast and dynamic adaptability in an ever-changing environment.

Our pioneering digital transformation has also led to a series of reforms in the financial regulatory framework, which includes new digital models. This shift has also made Mexico a regional leader in new digital banking.

In the digital era, who are the real competitors?

Competitors are no longer financial institutions, but technology players. They are structured differently and, perhaps because of that, they are able to offer simple solutions for specific needs in the value chain. While traditional banks have created and focused on a complete array of products and services, financial technology companies are able to concentrate all their efforts into solving a specific 'pain point' that affects just a small fraction of banking clients. The sum of all these fractions coming from different technology players becomes a big risk for the ongoing business of banks. What we are realising is that banks are adept at competing with other banks that offer the same products and services, but when competing with financial technology players, they must approach things with a totally new strategy. The later banks come to realise this, the longer it will take them to prepare for tackling this new type of competition. Indeed, not all banks will survive these disruptions.

Right Based in Mexico City, BBVA Bancomer became the first Mexican financial institution to create an executive-level digital banking division in 2014

Below Bancomer Movil allows customers to have control of their finances in the palm of their hand

How does technology translate into greater empowerment for clients?

A totally new type of customer is demanding modern financial products and services as this digitalised age continues to change the very nature of consumer behaviour. They are permanently connected, they don't like too much stress, they don't like complexity and they crave immediacy in all aspects of their lives. This is the new type of consumer – the Millennial – for whom we have to develop a new generation of banking products and services. Today, customers have the power to demand things with a simple click of a smartphone; banking products and services are no exception to this type of behaviour.

How do new financial products come about? What does the design process look like?

At BBVA Bancomer, we have understood that customers are demanding a totally new type of product for their financial lives. In response, we have studied new technology-based competitors and nascent start-ups to create products and financial experiences using a new value proposition. We have based this proposition on four attributes: data analytics, customer-centred design, simple and accessible devices, and data sharing and engagement with the fintech ecosystem. These four attributes are the essential elements to build complete experiences around specific needs for our clients.

To make this possible, we had to transform our work methodology from traditional project management to an agile methodology that uses



interdisciplinary teams (also known as 'scrums'), working in a very fast product creation and iteration cycle. We use three-month cycles to deliver a minimum value product (MVP) or new features for previous MVPs. Our clients are consulted in all key steps of this cycle.

The decision-making process had to change as well to take into consideration the different aspects of these new working methodologies. For instance, scrums work in a very self-contained way, as they are left to make their own day-to-day decisions while following guidelines that come from customers' needs and the head of business development. Therefore, the organisation has evolved

into a more horizontal entity, which expedites and improves the decision-making process.

How important is information and support with regards to new financial services?

More and more, information has become the critical element to better serve clients. The disruption in other industries has shown the value of real-time information. Cloud computing, big data and other new technologies allow information to be processed in such a way that products can be designed for different market segments, while also being specific in what is being offered to clients. Banks have always been able to generate a huge

amount of information for every client but, until recently, only a fraction of this was used to create new products and services. Now, we are on the verge of being able to utilise every single bit of information to better understand and serve our clients.

How is the relationship between traditional banks and fintech start-ups changing?

When the fintech ecosystem became a real competitive force in the banking industry, we understood that collaboration could be beneficial for both parties. Financial technology start-ups entered as a disruptive force with a totally fresh vision of what banking services should be, but banks have the information and the long-standing industry know-how. Therefore, collaboration is a natural way to find the best of both worlds for our customers and in turn improve their financial lives. Understanding the need for partnership, we have dedicated areas within the bank to closely collaborate with these nascent financial technology players in order to promote innovation and growth. We do so through competitions and by creating an environment in which we can connect entrepreneurs and investors, because we understand the importance that these ecosystems have for the continued progression of the banking industry.

Why is collaboration between the two so important?

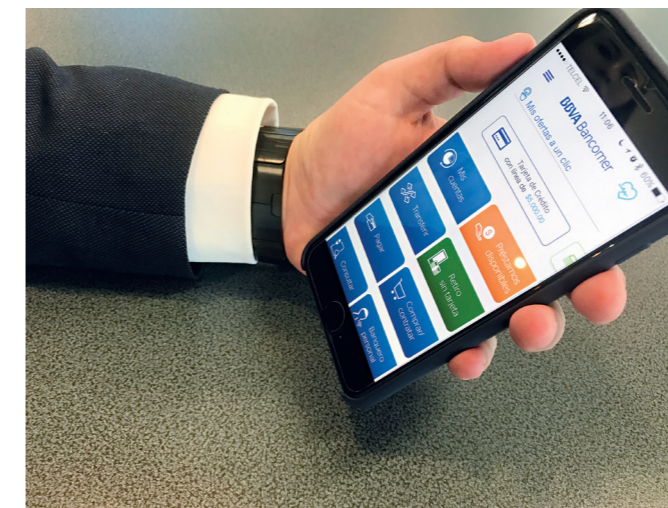
The collaboration of banks and fintech start-ups has the advantage of taking the best practices and knowledge of both to improve people's financial lives. It seems natural to collaborate if we consider that each one is missing what the other can offer. Banks are learning more about new technologies, and technology companies need to know more about banking itself. Indeed, collaboration rapidly improves skills and knowledge, and also reduces the learning curve. Furthermore, collaboration between banks and technology players also has the potential to walk the last mile in terms of financial inclusion.

What does this partnership mean for clients?

We are certain that collaboration between banks and fintech companies will only improve financial services for clients. These partnerships mean banks are now looking to create products based on real-time information and new design methodologies in order to meet their clients' needs in this era of constant mobility.

In your opinion, what does the future of banking look like?

Banks will be more like technology companies, with intensive use of real-time information to anticipate clients' needs and be ready with the best offers in the exact moment they need it. Products and services will be designed based on the needs of clients, with the capacity to adapt and tailor the offering to suit each individual's specific requirements. ■



“ A TOTALLY NEW TYPE OF CUSTOMER IS DEMANDING MODERN FINANCIAL PRODUCTS AS THIS DIGITALISED AGE CONTINUES TO CHANGE THE NATURE OF CONSUMER BEHAVIOUR ”