Driving Growth through Innovation in the Philippines
In early July 2018, 16 leading executives in the Philippine banking, finance and insurance sector gathered in Manila to take part in EY’s ongoing series of business roundtable events in the region. These events aimed to discuss the challenges and opportunities that technology and innovation are bringing to the industry.

Much of the discussion focused around the customer experience, and how the types of technology used should be focused on enhancing the customer experience to create better overall interaction with financial institutions. These include some examples of new innovations already in play in the Philippines, and how they are driving greater customer engagement.

The discussion also turned to FinTech and how traditional financial institutions could best leverage collaboration with these new players to augment their existing services.

Customer Experience Drives Innovation

The Philippines is perceived as somewhat anomalous when it comes to the uptake of digital banking products. It has a strong gross domestic product (GDP) growth, estimated at 6.8 percent in 2018, and growth in banking, estimated at around 15 to 17 percent, according to an analysis by S&P Global Ratings.

The country also spends more time on social media than any other in Southeast Asia, as reported in the We Are Social and Hootsuite’s Digital 2017 report, with an average of around four hours per day, per person on social media.

And yet the country’s banking customers do not seem to be demonstrating the same level of adoption for digital banking products, with a slow uptake and a persistent attachment to old processes such as paying bills over the counter in cash. However, much of this reluctance is believed to stem from a poor customer experience when dealing with banking technology, such as ATMs.

Customer experience is at the heart of what drives the adoption of technology, and this point was addressed by ANZ Bank Philippines CEO Anna Green. Formerly the CEO of ANZ in Laos, and with time spent practicing international banking and finance law in Sydney and Melbourne, she offered a unique perspective on ASEAN markets.

Green said that ANZ has shifted its strategy in Asia to focus on its largest business, institutional banking, due to ANZ’s position as a top four regional corporate bank supporting regional trade and capital flows.

“ANZ is always looking for ways to leverage innovation and technology to enhance our institutional banking capability and facilitate collaboration with partners in the FinTech ecosystem, which includes participants from industry, academia, and government,” she said.

However, the key point she expressed was that, regardless of the technology used to power the innovation, the main focus was to create the best possible customer experience because, in the end, that was what the customer cared about.

“In the institutional space, there is a lot of talk about blockchain, artificial intelligence (AI), e-commerce and there are so many different ways to use these technologies and platforms in banking and in business more broadly. And honestly, there is not a day that goes by that I don’t get emails on digital technology and how to implement it in my business. For me, I determine which of those technologies are relevant for my business with reference to what my customer wants to achieve with their business,” Green said.
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Samson Radovan  |  Philam Life

“Once you sell a policy, you don’t typically engage with the customer until a claim happens. And I think some of the things we’ve started to see is insurance getting into health e-commerce, or digitization. What people care about is the customer experience, the process is simple — they talk to an agent, and they get a policy which is delivered electronically. When moving to a technology-based system, which will drive all the economies that we need to survive in business going forward, the difficulties we faced are mostly internal, not external,” he said.

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"Our focus for our institutional customers is about implementing technology that works for them. Honestly, the customers do not care if you are using blockchain, AI, e-commerce, or digitization. What people care about is the end-to-end. You want an experience that starts here and finishes there, and you don’t necessarily need nor want to speak to your bank at all about those processes. You just want it to be seamless,”

Customer experience often comes down to trust, and the expectation of what kind of service will be provided noted Home Credit Philippines Head of PMO and Customer Experience Daniel Brodan.

Home Credit Philippines Head of Online Ladislav Seifrt added that these kind of customer concerns were found on common experiences and that many customers have had positive experiences with the major tech players. “It’s not mistrust, it’s an expectation that things will not work with the banks. If in banking, institutions were to deliver the same level of experience as tech players do, expectations might change,” he said.

Philam Life Head of Operations Transformation and EODB Program Samson Radovan said that digital transformation efforts should benefit the company’s people, processes, technology and, most importantly, its customers. “There is a common misconception that customers require instant servicing through digital channels. What matters most to customers is the fulfillment of their request within a reasonable amount of time. At Philam Life, we are creating digital channels for customers as another medium of transacting. Currently, customers can invest additional funds (top-up) in the market online, as long as the payment is posted by 2pm, the customer will enjoy the same-day price. This is a vast improvement from our previous manual procedures that require several days to process. In the near future, customers will be able to submit a claim from their comfort of their homes.”

This type of innovation is one of the many firsts that Philam Life will be providing its customers. The customer is at the heart of our efforts. Striking the balance between increasing customer satisfaction and reducing the costs to service without increasing our risk profile are guiding principles in our transformation process.”

Three years working in the Philippines has taught him that it is very important to set the expectation across stakeholders that timelines may change. “Enterprise-wide transformation will have a great impact on day-to-day operations. Resource constraints, changing business requirements and issues from existing operations will regularly pose challenges to the transformation program.

It is key that a company’s strategic direction is aligned with the transformation program roadmap and is in agreement across affected business units. Strong governance, careful management of resources, effective communication channels, and defined success measures will ensure a successful implementation.

Managing change in a large organization will have its challenges. Cultural norms and resistance to change will be another obstacle that a firm will face amidst a transformation program. Buy-in across stakeholders, open communication channels, training and enterprise-wide town hall updates are paramount to affecting change,” he adds.

Home Credit Philippines’ Brodan said, as a retail lender, his company was using technology to overcome a unique set of challenges. “We were targeting non-banking populations and they usually don’t have financial literacy and they won’t know where they belonged. Our customers also didn’t have identification, and they don’t possess the standard requirements that they can bring to the bank, so the question was, how can I verify them,” he said.

The answer, he said, was using technology such as fingerprint biometrics and facial recognition to conduct know your customer (KYC) verification, which the company has already rolled out in other parts of Asia, including China, India and Indonesia. This allowed for a five to ten-minute application process and a confirmation decision to be made in a few minutes.

Sometimes new approaches also had to be backed up by more traditional processes, pointed out by BDO Unibank Head of Digital UX Management and Business Integration Aimee Kathleen T. Tarro.

“For example via online, overseas Filipino workers are allowed to open an account with us and conduct limited transactions. However, we will still require them to visit a physical BDO branch within the year to fulfill full KYC verification. If a customer would like to conduct a high-value transaction, a full KYC verification will be required beforehand,” she said. Another example of improving customer experience with BDO using new technology, is that we have implemented fingerprint biometrics in our mobile banking app.”

The country’s government is also floating a tech solution for the millions of overseas Filipinos workers with a proposal for a fully digital overseas Filipino bank.

Christian G. Lauron, EY Financial Services Advisory Leader for the Philippines pointed out, “This new solution will have two stages to ensure it will fulfill what the customer needs. Firstly, it needs to meet the immediate requirements of overseas Filipino workers i.e. basic remittances and lending products and services.

Secondly looking ahead, when these workers have saved up sufficient disposable income, they will be able to consider investments options as well. This two-pronged approach will assist and help these workers to reintegrate with adequate financial services support when they return to the Philippines and settle down.”

FinTech and the Regulatory Environment

There are many thriving FinTech start-ups in the Philippines, but, as with elsewhere across Asia, the question of how and where to collaborate is one traditional financial institutions have been wrestling with. In many ways, it is a symbiotic relationship, as both FinTechs and financial institutions need each other in different ways.

Robinson’s Bank FVP, Customer Experience Group, Ramon Abasolo said, “The advantage of FinTechs over traditional banks is they are small and nimble, with the ability to focus on niche functions that are difficult for banks to develop in a timely fashion due to their size or compliance requirements."
The national retail payment system (NRPS) will be a game changer for the Philippines and it will help drive innovation within the payment industry.”

Vicky B. Lee Salas | EY

For me, it is really collaborative. They come in full of energy, their energy rubs off on you, and they get to understand the compliance and regulatory requirements. They can be viewed as a threat, but that is the reality of today’s world,” he said.

He added that today’s financial institutions have to change the way they act and they have to move quicker. “If you stick to traditional guidelines and processes, when something new comes out, you may find that you have missed the boat.”

AXA Chief of Retail Propositions Alok Roongta said he sees FinTechs in three general categories: customer touch-points, decision-making and modelling, and back-end processes.

“At AXA, what we are trying to do is to find out in which areas we can collaborate with them. We are inviting the FinTechs into our office and presenting them with our challenges and issues and throwing the ball in their court to see if they have solutions in mind. These are ongoing discussions, and it helps to explore together.”

PBCOM President and CEO Patricia May T. Sy echoed the sentiments about digging deep into possible FinTech partnerships and ensuring a potential collaboration was a good fit.

“We did a lot of discovery sessions, where we laid out what the bank needed and they presented how they could help the bank. We would also ask for a proof of concept, and that is when we would realize that something that seemed quite good did not meet the requirements,” she said.

“Our strategy was that we could not build it from within, so we wanted an OPEX model, we wanted an OPEX model. Right now, we are very, very close to finding the right partner for us.”

Brian Thung, EY ASEAN Financial Services Leader, highlighted, “There is a historical view that regulatory challenges are a barrier to further digital adoption and development of interoperable e-payment platforms across the ASEAN region. However, in our interactions with the regulators in the Philippines, we note that they generally maintain a supportive stance towards progression and are working hard to address legacy rules and regulations that might serve as stumbling blocks to this headway.”

Vicky B. Lee Salas, EY Financial Services Country Leader for the Philippines, pointed to the recent issuance of regulations around FinTech, mobile banking and cloud computing as evidence progress was being made.

“Also, the governor of the central bank is driving the digital payment system in the Philippines, the national retail payment system (NRPS). The vision of the NRPS is to create a safe, efficient, and reliable electronic retail payment system that is interconnected and interoperable. The NRPS will be a game changer for the Philippines and it will help drive innovation within the payment industry,” she said.

While it was agreed there are hurdles to overcome across the banking, finance, and insurance sectors in the Philippines, the general sense from the discussion was that with a dynamic and very young population driving growth well into the future, the opportunities were boundless.

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