New revenue sources for Banks and Merchants
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Digital reality is changing our consumption patterns

Total coverage worldwide
3 billion users

Active users monthly
- 980 million
- 1300 million

Messages daily
- 150 billion
- 30 billion

Average usage minutes per day
- 50 minutes
- 66 minutes

Development of digital channels changes the frequency of interactions with banks

<table>
<thead>
<tr>
<th>Frequency of interactions</th>
<th>Bank branches</th>
<th>Internet bank</th>
<th>Mobile bank</th>
</tr>
</thead>
<tbody>
<tr>
<td>2 times per year</td>
<td>2-3 times per month</td>
<td>1-2 times per day</td>
<td></td>
</tr>
</tbody>
</table>

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Source: Statista, Digital Economy Compass 2018; Dlvrit.com, May 2016; Statistics of the leading bank of Australia
The largest international companies demonstrate the best examples of customer experience

Netflix Example

Netflix is a benchmark for content customization

Netflix – whenever you needed

Netflix – wherever you needed
Best customer experience is tightly linked with the ability to define and manage the context

Starbucks Example

Payments
Generate barcode to scan at the point of sale, collect your order minimizing queues

Pre-order
Pre-order virtually and save time without standing in a queue

Store location
Locate nearby stores using customer’s geolocation and get directions

Card management
Check balances, add cards and transfer money

Contextual information
Report what music is playing in the store, create potential cross-sell opportunities in-store

Loyalty program
Remind the client about his opportunities

Source: Thinkmobiles.com, How much does it cost to make an app like Starbucks
Consumers expect more interacting with products and brands

“What is interesting and necessary for me”
Relevant content and targeted offers

“Prompt and on time”
Quick solution at any time
24/7/365

“Where it is convenient for me”
Available and different channels of communication in the preferred location: omnichannel
Essence of retail is changing, digital commerce is gaining momentum

Share of digital commerce in the global retail turnover is growing rapidly, trillion US dollars.

Retail follows the customer - “mobile-first”

- Worldwide every 4th dollar in digital commerce is spent via a mobile device
- Over the past 5 years, the share of mobile commerce in total digital sales has increased 2.4 times

comScore Media Metrix Multi-Platform and e-Commerce / m-Commerce Measurement
Major internet players integrate financial solutions into their ecosystems

Source: RNGSource. Winning strategy. Ecommerce & Digital Ecosystem Management 2017
Yandex and Mail.ru are developing in accordance with global trends

Source: Yandex.ru, Mail.ru
In China FinTech players absorb the payment industry and a part of traditional financial services

**AliPay positions itself as a global “lifestyle” app**

**FinTech Success Drivers in China**
- Ubiquitous mobile internet access
- Users not satisfied with traditional financial services
- Technological players interested in innovative payment solutions
- FinTech state support and weak regulation
In Europe and the US, FinTech becomes niche players

FinTech companies take their place on the market integrating into parts of the value chain where customer sore points are most evident, offering convenient service at lower rates.
Same time, customers tend to trust banks to a greater degree, and banks use this opportunity.

People tend to trust banks more, if it concerns personal information:

“Overall, how would you rate your level of trust in the following companies when it comes to your personal information?”

<table>
<thead>
<tr>
<th>Company</th>
<th>Value</th>
<th>Proponents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Your bank</td>
<td>38</td>
<td>-10</td>
</tr>
<tr>
<td>Microsoft</td>
<td>35</td>
<td>-13</td>
</tr>
<tr>
<td>Amazon</td>
<td>32</td>
<td>-12</td>
</tr>
<tr>
<td>Google</td>
<td>32</td>
<td>-15</td>
</tr>
<tr>
<td>Apple</td>
<td>28</td>
<td>-17</td>
</tr>
<tr>
<td>Facebook</td>
<td>27</td>
<td>-28</td>
</tr>
</tbody>
</table>

To strengthen their position, maintain confidence and trust, banks acquire FinTech companies and use their solutions in areas where:

- **Value** for customers is most evident *here and now*
- **In-house development** will be *costly* and will take significantly *longer*

Source: The verge, Reticle research, October 2017
Largest financial players on a global arena are actively investing in FinTech

For example, BBVA, through investments in FinTech, built its own ecosystem:

- Digital payments/wallets
- Payment acceptance
- Smart savings
- Digital banking / Personal finance management
- Accelerators

Banks also invest in FinTech for the development of individual services:

- Santander: Cross-border transfers, P2P transfers
- SEB, Nordea, ABN AMRO: Personal finance management
- UBS, Wells Fargo, Santander: Investment and wealth management

Source: Visa analysis according to CB Insights
Changes in the financial industry forces players searching for new revenue sources

<table>
<thead>
<tr>
<th>Some revenue sources are in stagnation</th>
<th>Others still holding steady</th>
<th>New revenue sources are still to be found</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bill payment services</td>
<td>Loans</td>
<td>Personalization services - personalized offers</td>
</tr>
<tr>
<td>Settlement and cash services</td>
<td>Premium services</td>
<td>Services built on the integration of on-line and off-line</td>
</tr>
<tr>
<td>Mobile and internet banks services</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payment transfers and remittances</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: [www.mx.com/moneysummit/revenue-models-data](http://www.mx.com/moneysummit/revenue-models-data)
Artificial Intelligence is almost able to make decisions and communicate directly with a human.

Virtual assistant

Maturity of voice recognition technologies are sufficient to control almost every aspect of our life through a single point of contact – via conversations with a virtual assistant.

Examples

- Chat bots and robots consultants in a call centre
- Personal finance management
- Digital identification
- Prediction of customer preferences and personalized offers

Retailers are using AI to personalize customer service, and the trend is picking up steam. 55% of retailers plan to leverage the technology within three years, according to the 2018 Customer Experience/Unified Commerce Survey from Boston Retail Partners.

Source: Richard Shapiro, Nov 15, 2018 at customerthink.com
Robotization eliminates the routine, improving the quality of processes and speed-up their implementation

Automation of routine processes and operations allows you to free up time for more productive tasks, while reducing errors associated with fatigue

Examples

- Monitoring of operational and market risks
- Fraud detection, AML
- Robotic HR processes
- Preparation and distribution of regular accounting and management reports

Source: QUARTZ. Attention, Credit Suisse bankers: Your boss plans to “implement more robots”, December, 2017
Internet of Things presents new opportunities for the electronic and mobile commerce

In wearable payment volume by 2020, ~20% of proximity payment volume

Value generated by IoT by 2025

13 trillion dollars

501 billion dollars

6 trillion dollars

Will be invested in IoT solutions over the next five years

Source: BI Intelligence, Here’s how the Internet of Things will explode by 2020, 2016; Tractica, Wearable Payments, 2015
Brief details

Purpose

Discover and build up new revenues sources for banks and merchants, which are outside of the generally accepted understanding of the financial and payment industries, for example, by changing existing business models or creating new ones by simplifying existing value chains,

– playing on unique understanding about your customers and sharing it with your partners,
– acting as a channel for delivering and distributing targeted offers from partners, using knowledge of the financial and payment context of your client,
– integrating into other value chains with unique value propositions from banks and merchants.

Key Trends

The following trends and examples serve as an inspiration, and not an obligation to follow in any particular direction. The actions taken depend only on you and your imagination.

We describe competitive, consumer and technological trends. But again, this is not supposed to be limiting you.

You may use all you need to achieve your goals:

– Place a bank or a merchant in the centre of an ecosystem that sells financial and non-financial services, your unique understanding of consumers, suppliers and competitors.
– Act as a stand-alone unit, integrating different ecosystems with each other (for example, the financial and smart-city ecosystems).

Our expectations

We need examples of integrated solutions to establish and deliver new revenue sources of (new or modified business models) for banks and merchants based on the concepts of “Open API”, “Personalization”, “Digital ID”, “Big Data”, “Robotization”, “Artificial Intelligence”, “Ecosystems”.

We are open to concepts in B2B, B2C, G2B, G2C and P2P.

Our key requirements are excellent user experience, usability and readiness for implementation. The example should allow for immediate implementation.
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