

Accenture's Michael Zwiefler on How to Become a Truly Digital Private Bank

Michael Zwiefler is a Managing Director at Accenture, overseeing the firm's banking clients in Greater China. From that position, he is afforded a bird's eye view of the rapid transition of the traditional banks toward digital banking, and also of the new entrants who are crowding into the financial space. He gave a fascinating presentation at the Hubbis Digital Wealth Asia Forum to offer his insights to what private banks can learn from native digital firms such as Netflix, Google and Amazon, how they can compete in an ever-accelerating digital world, and how they can track and adopt the DNA to become a truly digital private bank.

MICHAEL ZWIEFLER BEGAN BY EXPLAINING THAT HIS BACKGROUND IS IN DIGITAL BANK STRATEGY AND TRANSFORMATION, and in his considerable experience of both Asia and Europe, he sees one common misconception amongst senior bank executives, namely that a few smart digital tools make them a digital bank.

Changing the mindset

“They might have a really nice dashboard, a few APIs for commercial banking customers, a cool wealth app, perhaps a chatbot, some smart software in the back office, and perhaps a few data scientists,” he observed. “So, they then tell me they have become a digital bank. To which I reply, you have made some positive steps, but a truly digital bank starts with the mindset, it starts with a clear understanding of the big picture of who you benchmark against, the value of a digital customer over traditional customer, a vision of the true impact digital technology can have on the business model.”



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Who are your peers?

He explained that the first step with his clients is to very often start with the benchmarking aspect. “If you really want to be digital in the banking world, you cannot just benchmark against other banks or even FinTech companies, you really have to benchmark yourself against native digital companies, the Netflix type exponents out there, which on a typical evening in North America uses 40% of the entire internet bandwidth. And it is only 40% because they anticipate, they understand and predict what each of their customers is going to watch and move that content very close to that customer. If not, they would break the internet infrastructure.”

He explained that Netflix is essentially the ultimate analytics company. He reported that they register an incredible 1 trillion events in 24 hours, so everything that the Netflix user does is logged and analysed. There is a data warehouse of about 100 petabytes, they are writing 300 terabytes a day, but they are reading 5 petabytes a day, Zwiefler explicated.

Data-driven decisions

“In short,” he said, “every decision they make is data-driven, is facts-driven and they are using those insights to really create content that the customers want, or to buy the content that the customers want.”

He then explained why this is so relevant for wealth management and banking. “You need to think about your products, about the process of product development all the way to servicing your clients, you can become masters of prediction, masters of analytics but of course the banks are nowhere near that stage yet. To become a truly digital bank requires understanding and appreciating what native digital companies really do, and how.”

Seeking higher returns from digital customers

He then mined down to uncover what the value of a digital customer is compared with a traditional customer. “It is tricky to accurately identify them,” he remarked, “but once you have done so, you can realise that they have up to 10% higher return on equity than traditional customers, they have higher balances, use more products, and most importantly they have a higher level of engagement with the banks, sometimes up to 20 times more engagement in retail, and 10 times more in commercial banking.”

What this means is that a truly digital bank that is a data-driven organisation sees every engagement with the client as an opportunity to learn, to improve customer experience and serve the client better.

Agility is essential

Zwiefler then quoted directly from a slide in his presentation. “A truly digital bank is a data-driven and agile organisation that is obsessed with customer experience across business ecosystems and leveraging next-generation operations,” he stated. “That might sound like somewhat of a mouthful, a somewhat cumbersome definition, but it is accurate. A truly digital bank is a data-driven agile organisation that is obsessed with customer experience and that via business ecosystems can change to next-generation operations.”

The five vital components of a digital DNA

With that he outlined the five essential components. The first, he explained, is the customer experience. “AI,” he reported, “is the technology that really changes everything here, and is evolving remarkably fast, so we can achieve today what could not have been thought of even a year ago. Most importantly, we can now use AI for improving customer experience, increasing revenue streams, cutting costs, augmenting the relationship manager in new and exciting ways. All this will, through AI, data science and intelligent automation will significantly boost the customer experience.”

The second component is the drive to become a data-driven company. “Think about the supply chain for a financial services firm,” he remarked. “If your product, if your processes are mostly informational data wouldn’t you need a data supply chain strategy? We believe so, and it is the new digital backbone of a truly digital bank.”

He explained this is more than about developing a data warehouse, it is crucial to sort this at a macro level, to analyse what the future business model looks like, what kind of internal data the bank needs, what kind of external data they can buy and integrate, how they will then extract that data, normalise it, virtualise it, analyse it and then visualise in a way that the organisation can really make sense of.

“This is all remarkably difficult to achieve,” he conceded. “From our global experience, only perhaps five banks in the world have really progressed to that level.”

Mining nuggets, converting to jewels

The third area is the creation of new data sources. “Accenture has access to literally vast amounts of data,” he noted, “but sometimes you can create very beneficial internal data sources. For example, we have just created a platform that allows a relationship manager to have a secure, intelligent instant messaging solution with the clients, so they can engage, transact whatever they want to do with their clients in a secure way that the bank owns and controls the data flow. That translates to a hugely rich data source on the RMs and their clients, even down to the mood of those clients. We can implement something like that in just four weeks.”

His fourth component is the quest to become truly agile. “Think of Spotify,” he told delegates, “it is my favourite example of co-creation and AB testing, so when Spotify has a new idea they test it out there with live customers, test it some more, and then if all is good they release to the entire customer base.”

Failure can be a vital step to improvement

Banks can also do that, he stated, but of course very few do, primarily due to historical norms and risk aversion. “But actually,” he said, “if you don’t experiment, if you don’t fail, there is very little you can gain.”

And his fifth premise is that business ecosystems need to be developed and honed far beyond open banking, far beyond having a few APIs. “No,” Zwiefler observed, “this is really thinking about the business ecosystem, building an environment where you have partners, and you connect them to your value chain.”

The ecosystem

He cited an example where perhaps the bank has a real estate partner, genuinely integrated into the business ecosystem of the bank, so when that real estate partner goes with customers to buy a property, the customer can take the mobile banking application, scan the QR code and get an instant quotation for financing, and the customer can even bypass the need to go to the bank and sign the documents. “This is not the future,” Zwiefler reported, “it is already happening, right now.”

He moved towards the conclusion of his talk by delving into more detail of what is required to define how to become a truly digital bank. “There



are many facets, of course,” he explained, “but let me highlight the two most important elements, the first of which is you must think industrial-scale intelligent automation, meaning straight-through processing with no exceptions, and with anything manual as a defect.”

Fixes and apologies

He cited Amazon as a great example. “Amazon is another native digital company par excellence, although not yet so well known here in Hong Kong actually,” he noted.

“At Amazon, usually everything works and if it does not then you can easily contact Amazon and get help. But the important thing is that at the very moment you press the help button - a defect counter increases by one at Amazon. As they consider a need for help a defect - as they think that their processes are all around customer experience, and if you need an additional step (help) it reduced customer experience and hence needs to be fixed, with people being focused on eliminating defects,” he reported. “Well, for the world of banking, if your customer comes to make a transaction through a branch office, you should consider that as a defect and, if not avoidable for any reason, then think how the bank can compensate for the inconvenience. That is the mindset, and it requires a major change in attitude and behaviour.”

The second critical final point Zwiefler made related to what Accenture calls digital talent. “How can you as a bank appeal to the type of people who work for the Google, Amazon, Alibaba, or Ant Financial type organisations?” he pondered. “This is really tough, as they need more than just career

path, so for example at DBS, they seem to have made it very clear if you are a technology person you are the future of the bank, there is truly a career path, these people can truly contribute to the value of the bank. You must be able to attract high-quality digital talent.”

His then summarised that all the points he had highlighted add up to a sea change in an organisation’s DNA.

The sea change required

“You actually have to create your own digital DNA, so an obsession with customer experience, mining down to their personas, then use a design-friendly approach to really make sure you that you understand what customer experience means for sceptics versus pioneers versus traditionalists. But that is actually the starting point of this new DNA - you then need an agile mindset and practice, the ability to move at speed, to experiment, to fail as well as succeed, and then co-create with your customers. It is, in reality, fundamental business transformation.”

Remember, he added, data supply chain strategy, that is the digital backbone you need. Industrial strength automation that helps cut costs and drive returns higher. And innovation, allowing the space for experimentation and rapid reaction.

“And finally,” Zwiefler said on closing, “remember that AI and data science, I believe, the most important technology that you can have. We cannot predict what things will look like exactly in ten years, or even ten months ahead,” but without AI and data science capabilities you will not keep up with some of the newer entrants in the marketplace, or secure the digital talent, or evolve your digital DNA and become a truly digital bank.” ■

