



# Digital Transformation in Banking: Embedding Financial Services in Your Customer's Value Chain

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# Key Themes & Definitions

## DIGITAL TRANSFORMATION

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Retrofitting business processes in response to technology's impact on society (e.g. social media, mobile, AI, geo-localization).

- *Largely concerned with the customer experience (CX) and new delivery models*

## CUSTOMER EXPERIENCE (CX)

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The product of varied interactions between an organization and a customer.

- *Operational and transactional moments of truth (Horas de la Verdad).*

# Key Themes & Definitions

## VALUE CHAIN

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Set of activities performed in the delivery a product or service to market.

- *Today's value chains are increasingly "bridged" across different industries to increase convenience, reduce costs and provide better experiences*

## APIs

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(Application Programming Interfaces) a set of programming "building blocks"

- *Means by which new chains are created, connected and monetized for their participants*

## Key Themes & Definitions

# “DISRUPTION

transforms a complicated, expensive product into one that is easier to use or is more affordable. It opens a market that wasn't being served by offering a simpler, more accessible or more convenient option.

— Clay Christensen, Harvard Business School  
*Author: The Innovator's Dilemma (1997)*

# GIG ECONOMY

## OVERVIEW

# Definitions and Perspectives

## Gig economy & shared economy are often used interchangeably



Refer to the emergence of large, disruptive digital platforms connecting **Labor** (gig) and/or **Property** (shared) with buyers.

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### *Other terms often used...*

Independent Workforce

*Online Platform Economy*   *Human Cloud*

*Freelance Economy*   *On-demand Economy*

*Collaborative Economy*

# Definitions and Perspectives

## Gig economy is characterized by

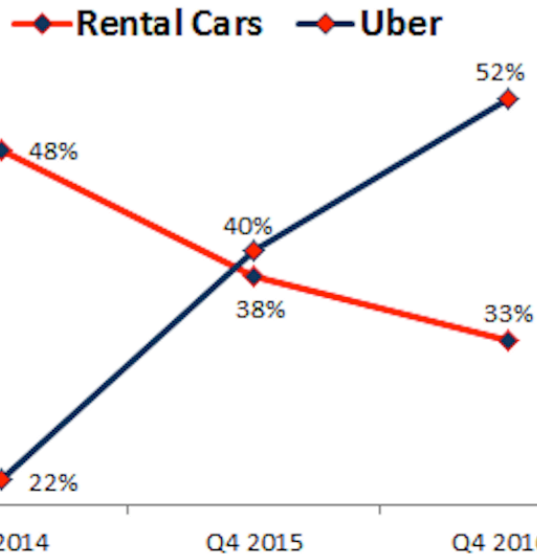


- *online intermediating **platforms**...*
- *exponential **scaling**...*
- *ubiquity of **mobile** devices...*
- *access to enormous pools of **labor/property**...*
- *people work or rent when they want (**contingent**) ...*
- ***payment** by event, task, assignment or project...*
- ***integrated** with diverse systems and platforms...*
- *ability to harness rich **real-time** information...*
- *prevalence in **urban** and suburban geographies...*

# Disruption Impact: Corporate Car Rental

**TRAVEL WEEKLY**  
THE TRAVEL INDUSTRY'S TRUSTED VOICE

## Share of Corporate Ground Transportation Spending



— Business Insider

### GROUND TRANSPORTATION

## Analysts: Ride-hailing putting a dent in car rental revenue

"Ride-sharing is posing an incremental burden in the on-airport market and has helped drive some of the volume underperformance,"

— Goldman Sachs



# Sample Gig Economy Participants



## Primary Earning

Becca cleans houses for multiple clients

Antonia is a freelance editor



## On-Demand



Michael is an Uber driver



## Supplemental

Jan is a high school teacher who does private tutoring

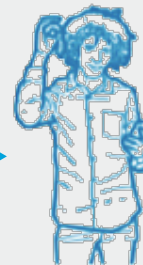


## Selling Goods

Deepa sells handmade pottery on Etsy

## Short-Term Rentals

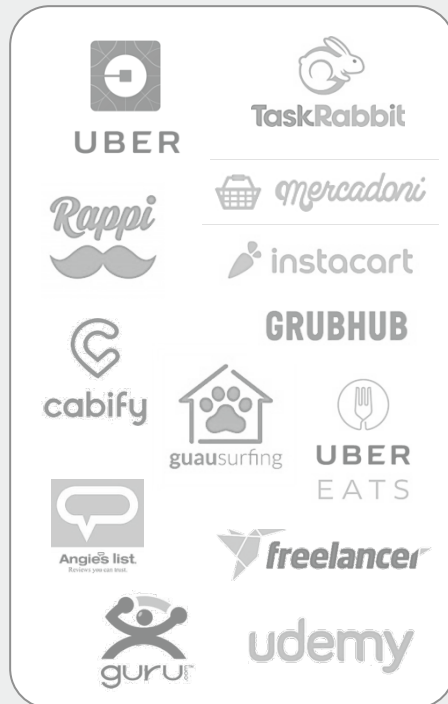
Jack rents his vacation home on Airbnb



# Segmenting Gig Economy Players

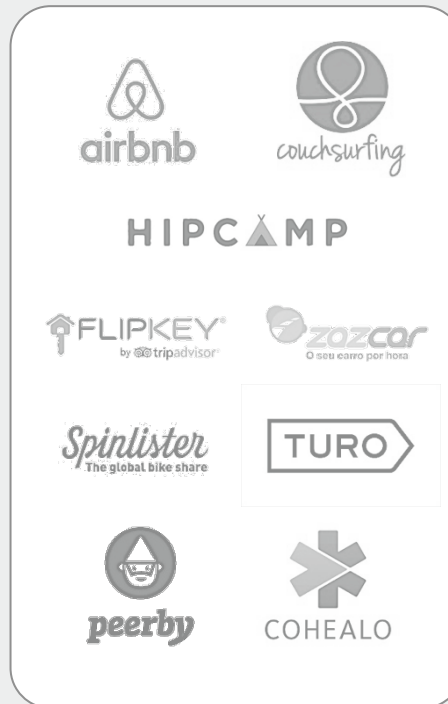
## WORK

Provide Labor



## SHARE

Rent Assets / Property



## SELL\*

Goods



\* Also considered "Gig" by some due to potential to provide contingent earning

# Gig Overview



Digital labor  
is growing  
globally  
at a rate  
equivalent to

**25%**  
a year

— Kässi and Lehdonvirta, 2016

Gig economy is

**34%**  
of US workforce

— Intuit, 2017t

Online gig  
economy up

**26%**  
over last year

— Oxford Internet Institute, 2017

By 2020

**43%**

of US  
workforce will  
participate in  
the gig  
economy

— Intuit, 2017



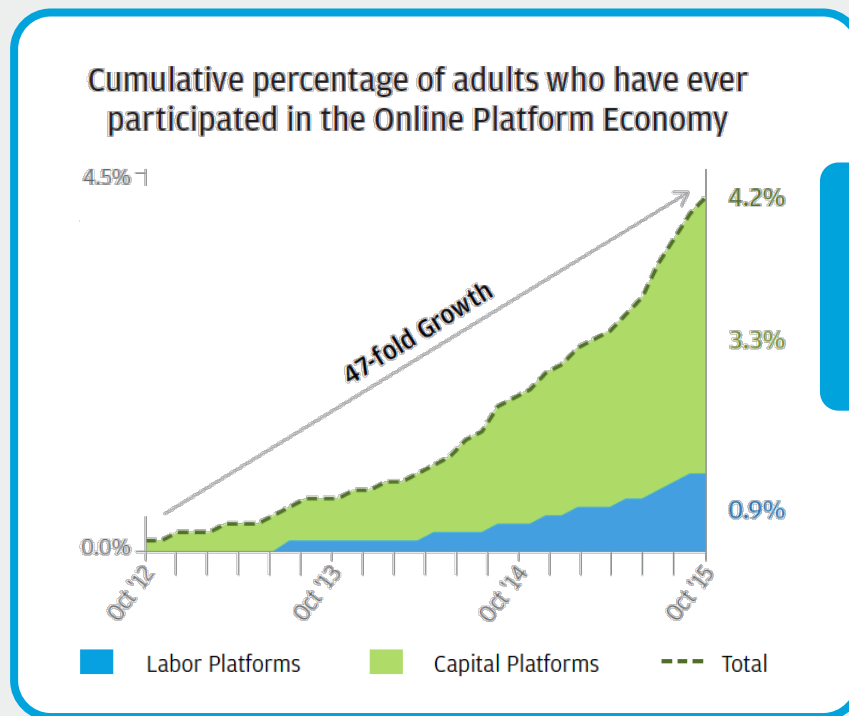
A large, stylized green quotation mark icon, consisting of two thick, curved lines forming the opening of a quote.

**The rapid growth of the largest platforms suggests we have only just begun to see their impact.**

*— McKinsey & Company*

# JPMorgan Chase Study

**Based on a analysis of 1M Chase customers  
between Oct. 2012 and Sep. 2015**



**260,000 received  
income at least once  
from one of 30 distinct  
gig platforms**

— Paychecks, Paydays and the Online Platform Economy – JP Morgan Chase Institute Feb 2016

# Gig Economy: Myth vs Reality

## MYTH #1

**PARTICIPANTS  
ARE MAINLY  
MILLENNIALS**

## REALITY

**Those under age 25 represent less than  
 $\frac{1}{4}$  of independent workers**



**10% of hosts  
60+ years of age**

*Seniors represent  
fastest-growing  
host demographic*



**25% of  
drivers are  
over age 50**

— McKinsey, JP Morgan Chase

# Gig Economy: Myth vs Reality

## MYTH #2

**INDEPENDENT  
WORK IS DONE  
OUT OF  
NECESSITY,  
NOT CHOICE**

## REALITY

**Only 28% participate  
out of necessity, the  
other 72% do so by  
choice.**



Casual earners are the largest  
group of independent earners

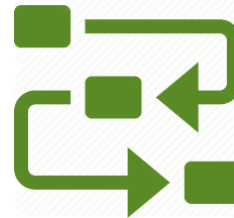
# Gig Economy: Myth vs Reality

## MYTH #3

**BANKING THE  
GIG ECONOMY  
IS ALL ABOUT  
ENABLING BUYER  
PAYMENTS**

## REALITY

**Gig platforms feature critical operational and transactional processes, where banks can play an important role**



*(e.g. procurement, commission payments, lending)*



# LAC GIG MARKET

# Global Giants of Rides & Rental Exploding



Mexico  
is busiest  
market,  
Brazil #3

More than  
100 cities across  
16 countries  
in 3.5 years

Grew 10X  
in ride volume  
across LAC from  
2015 to 2016



LAC is fastest  
growing market  
surpassing  
Japan

15% of Airbnb's  
worldwide total  
of hosts are in  
Latin America  
(300,000 of 2M)



**Airbnb looks  
to Latin  
America, now  
its fastest  
growing  
market**

— Bloomberg

— Bloomberg, AMI

# Urban Delivery Latin America

## LAC HOSTS MORE URBAN CITIZENS THAN THE US

Number of people who live in cities of 1M+ inhabitants:

**200M**  
in LatAm vs  
**138M**  
in US

## VIRTUALLY ALL URBAN LATIN AMERICANS OWN SMARTPHONES

Smartphone penetration has grown 2.5x in 5 years  
**In cities, penetration is near absolute**

## WITH A 652B TAM



GROCERY

**\$417B**



FOOD SERVICES

**\$86B**



PHARMACEUTICAL  
PRODUCTS

**\$149B**

“

**\$8.3B**

**Mexico Urban Food  
Delivery by 2018**

— AMI

— Euromonitor, 2015

**HOW CAN BANKS PARTICIPATE  
MORE MEANINGFULLY IN  
THESE BUSINESSES' VALUE  
CHAINS?**

# CHALLENGES

OPERATIONAL &  
TRANSACTIONAL  
CONSIDERATIONS

# The dilemma...

## CORPORATIONS ARE BECOMING MORE DYNAMIC (OPEN)

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Fast-scaling  
*(often  
exponential)*

Born or  
moving to  
data-driven

Dynamic,  
real-time

Depend on  
vendors to be  
agile, adapt  
to their needs

Ability to  
automate  
and “pull”  
services

API-driven

## CONVENTIONAL BANKING IS RESTRICTED

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Limited  
integration  
capabilities

Data and  
tech silos  
(product-  
dedicated)

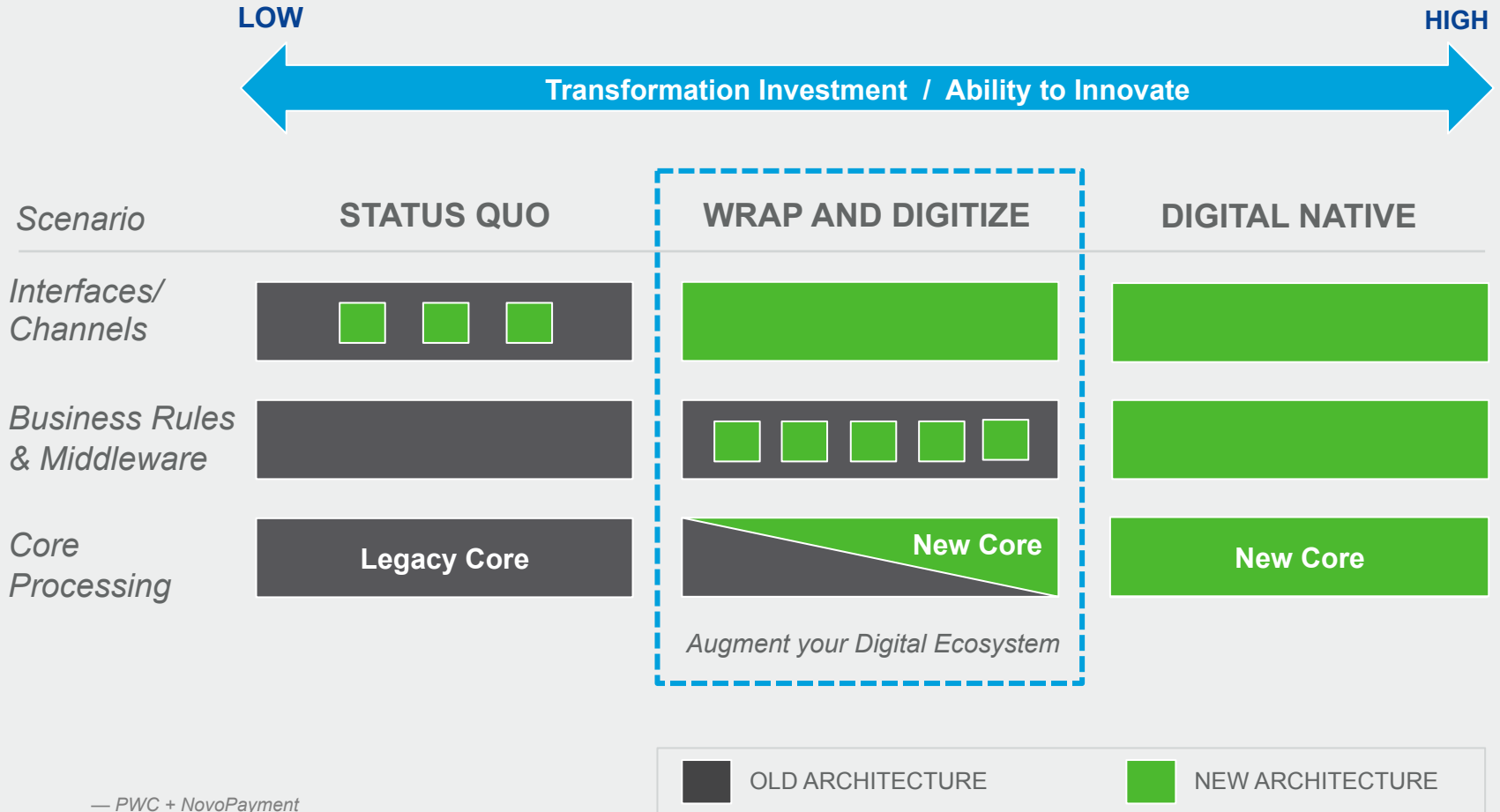
Inflexible  
legacy core

High  
regulatory /  
compliance  
and security  
demands

**Banking the Gig Economy is  
about embedding financial  
services in their value chains**

**Specifically, participating in both  
money and data workflows**

# Digital Transformation Scenarios





# USE CASES

## URBAN DELIVERY

# About Mercadoni

## TYPE:

Urban Delivery

## OPERATIONS:

Colombia  
Argentina  
Mexico

## CONCEPT:

Delivery of groceries and an expanding list of goods and services in under an hour

## FAST FACTS:

- More than 100 grocery partners including Cencosud, Makro and Walmart, Office Depot
- +250,000 recurring users in five cities



# About Rappi

## TYPE:

Urban Delivery

## OPERATIONS:

Colombia  
Mexico  
Brazil

## CONCEPT:

Affordable delivery of groceries, restaurant, pharmacy, cash and other services in 30-45 minutes

## FAST FACTS:

- Couriers earn delivery fee plus tips
- Merchants pay Rappi a commission
- Brands pay Rappi for placement, various marketing, data services



# Requirement:

Mass Disbursements to Delivery Workers for Procurement

I Need...

Financial and  
Technology Services

I Have...

Gig Ecosystem



# Requirement:

## Mass Disbursements to Delivery Workers for Procurement

I Need...

Financial and  
Technology Services

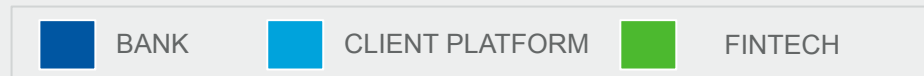
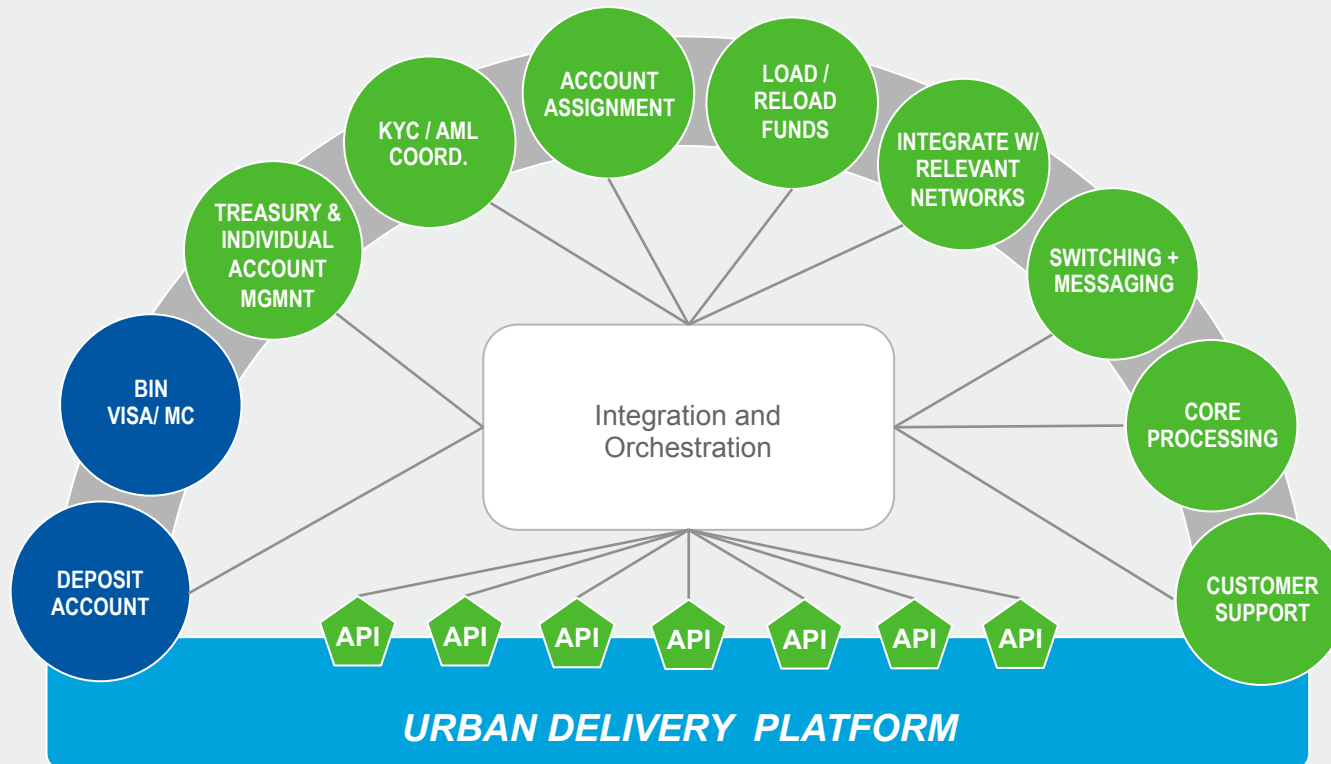
I Have...

Gig Ecosystem

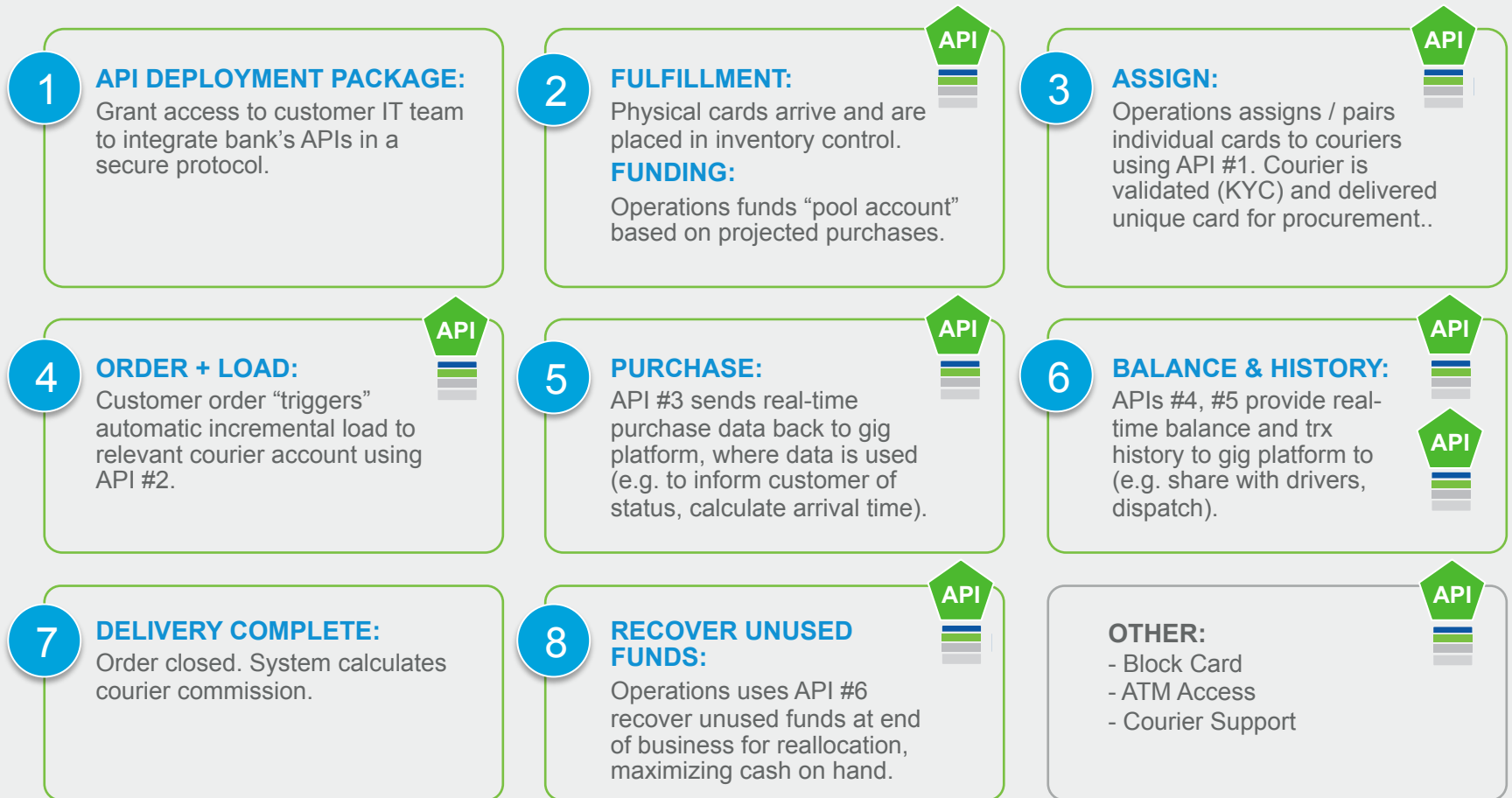


# Use Case: Urban Delivery Instant Payouts

Mass Disbursements to Couriers for Procurement



# Sample Workflow & API Enablement



# Business Impact on Banks

✓ Increased Deposit Volume (float)

✓ Incremental transaction revenue

✓ Differentiated Services

✓ Better Customer Experience



# TAKE-AWAYS

PUTTING IT ALL  
TOGETHER



# IT'S ABOUT AGILITY

**Specifically, the ability to capture money and data flows in the manner that today's world requires**

Business and technical models have already accelerated at a rate too fast for legacy banking systems to catch up



# **AGILITY REQUIRES INTEGRATION AND ORCHESTRATION**

**Today's disruptors and  
exponential companies run  
on interconnected cloud  
platforms that talk to one  
another in real-time**

It's a world based on open APIs,  
middleware and business rules -- and  
a world banks can join more easily  
than they might realize



# DIGITAL TRANSFORMATION CAN BE INCREMENTAL

**Wrap and extend models can  
allow you to innovate by the  
project**

Don't wait for your infrastructure to  
change. Banks should find a project  
and partner today to start learning  
how to create new value

# 4

## **BANKING SERVICES** are **ESSENTIAL**

**It's still about the things banks bring to the table. They just have to do them differently.**

Opening accounts, taking deposits, enabling transactions are as relevant as ever and banks' participation is required



# **THE TECHNOLOGY WORKS AND WILL DO ITS PART**

**The people have to do theirs**

Today's barriers are largely organizational, not technical. Expect resistance.



# Thank you!

## Questions?

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