

ALGORITHMS VS
EMOTIONS

MONEY TALKS BUT WHO IS LISTENING?

Emotions outweigh ease and effectiveness
and keep customers loyal to a brand.
With this in mind, what are the new ways
that FSIs can make money?

A PUBLICATION BY CXPOSÉ

FOREWORD

Experts and industry players observe a growing trend among banks to emotionally engage customers and build trust and a sense of security. The irony is that as FSIs try to appeal to the human side of the consumer, they may actually need more technology to come across as more human themselves. The winners may turn out to be the ones who truly listen to the changing needs and preferences of consumers today.

During a financial services conference in Kuala Lumpur, a line-up of speakers were conveying and expressing, in their own different ways, this resounding message: Banks need to find new ways to make money.

In this eBook, CXpose.tech also looked at digital banking services in Southeast Asia. For example, Malaysia's digital banking ambitions kicked off with an announcement of operational readiness in September 2023 by GXS Bank, a joint-venture between a ride-hailing company and Singapore's incumbent telco operator. The other four licenses were awarded to consortiums composed of FSI and non-FSI players from the telco, technology, and even retail space.

Statista reported Indonesia as one of the most adaptable countries globally, to digital banking services, thanks to a relatively young demographic that is receptive to payment technologies. This is expected to spur mobile wallet take up to reach 202 million by 2025.

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MONEY TALKS, BUT WHO'S LISTENING? WHEN ALGORITHMS MEET EMOTIONS

Banks are being unbundled and new companies are emerging to offer banking service which further blur industry boundaries. However, a senior economist at the Japan Research Institute, Satoshi Shimizu [cautioned that deposits and payments alone will not lead to long-term profitability \(for digital banks\)](#). "There needs to be creation of new products through the power of innovation."

With more [agile fintechs](#) and non-FSI players snapping at their heels, banks have to quickly come to this realization, aptly put forward by digital bank builder, [David Jimenez](#), that consumers don't really care who the ultimate banking provider is. "They just want convenience," he emphasized.

Research advisory firm Forrester's CX Index for banks in Southeast Asia, also more or less uncovered that customer experience influences loyalty, even more than the ease or effectiveness of those experiences.

The rankings reaffirm that [how experiences make customers feel influences their loyalty](#) – more than the ease or effectiveness of those experiences. At least for banks in Malaysia, Dane Andersen, SVP of international research and product comments that brands that want to strengthen customer loyalty should invest in the key CX quality driver categories that most impact loyalty and revenue for banks. These drivers would be banking services, customer service, and branch experiences.

A similar ranking in Singapore for banking, auto and home insurance also discovered that CX for digital and physical channels (hybrid) were more positively rated than digital-only or physical-only experiences.

Helped or Hindered by regulation - the sandbox imperative

Regulators across Southeast Asia are rewriting financial rulebooks, embracing digital technologies, and tackling banks' growing operational and compliance risks, according to [Banking Risk & Regulation](#).

Despite being a heavily regulated industry, there is a growing sense that innovation has to be unfettered by regulation and allowed freedom to create products and services, and/or revamp existing ones.

However, rather than unleashing unbridled innovation, there is work on regulatory guard rails to enable deployment of electronic Know-Your-Customer, or eKYC processes, QR payments, cloud, and even digital IDs, that will tick all the compliance checkboxes. The [Asia Pacific Economic Cooperation, or APEC](#), published a report after interviewing 21 economies that, among other things, discovered the following about regional/global sandboxes:

- Cross-border piloting is interesting and helpful because several fintechs operate in a crossborder ecosystem
- Cooperation and collaboration among peers from other jurisdictions is always a way to learn and share information towards formulating the appropriate regulatory and supervisory approach.

AFIN, or the ASEAN Financial Innovation Network was created in 2018 to enable the world's first crossborder, [open architecture API marketplace and sandbox platform](#) with cloud-based architecture that allows FSIs to discover fintechs in their geographical proximity that they can quickly incorporate into minimum viable products for business value. Best of all? This platform serves as a [sandbox for discover, design, and deploy phases](#) with replicable templates that reduce time to negotiate and set up bilateral testing infrastructure.

Within the Southeast Asia (SEA) region, the Monetary Authority of Singapore (MAS) has gone ahead to [design a genAI risk management framework](#) in collaboration with an industry consortium comprising banks, regulators, and technology leaders such as UOB, Citibank, HSBC, Standard Chartered, HSBC, Standard Chartered, DBS, OCBC, Google Cloud, Microsoft, Accenture.

Human-powered

Emotions can pay off better than numbers and being able to detect what a customer is feeling can pay off extremely well. In 2014, a comedy club in Barcelona, Spain, experimented with charging customers according to [how much they laughed](#). A 2017 article by [Science Soft](#) pointed out that "If banks underestimate the value of emotions, they risk getting distorted insights about customers' wants and needs and consequently may choose a wrong marketing and sales strategy." It proposes analyzing text, voice, and image of the customer to more accurately determine what they might be feeling.

Gaston Guernik, Head of UX design at QBE Insurance had shared that banks are striving to build trust and a sense of security, often using visual story-telling to promote user-centricity. While a growing segment is comfortable with the use of technology, it is very hard to remove humans from the loop, especially when it comes to delivering personalized responses to unique customer scenarios.



Dr. Sekar Jaganathan
CEO, Kenanga Investment Bank



Gaston Guernik
Head of UX, QBE Insurance



Hiren Desai
Head Digital Marketing
Standard Chartered

Which do we turn to, to promote more trust – humans or technology? The answer is actually a combination of both with one more so than the other depending on the situation.

Kenanga Investment Bank's **Dr. Sekar Jaganathan** [had shared with CXpose.tech](#) that AI actually builds trust with customers because it takes a scientific and mathematical approach rather than relying on a single person's opinion when it comes to trading. "AI can help provide more precise investment recommendations by analyzing vast amounts of past data, market trends, and analyst opinions that a single human cannot."

Tech and human synergy - customer data for personalization

Digital assets exchange player, Tokenize Xchange has an [interesting approach to its customers](#), using a blend of technology as well as humans to deliver timely, swift information to their community of institutional and accredited traders.

What drives this mission to create the most robust, simplest, and easiest-to-use exchange? Founder, **Hong Qi Yu** had admitted frankly that digital exchanges are very hard to use. A continuous feedback loop, real-time assistance, a comprehensive FAQ section, and multiple digital touchpoints have helped to humanize a very technical industry and made it more approachable.



Hong Qi Yu
CEO & Founder
Tokenize Xchange

Tokenize Xchange's Journey so Far

Today, Tokenize stands as the second largest digital asset exchange in Malaysia, and is one of first three operators to receive full approval from regulators in the country. Headquartered in Singapore, Tokenize Xchange has operations in Singapore, Malaysia, Vietnam, and Thailand.

Standard Chartered's Hiren Desai illustrated two elements that underpins the personalization journey – first, is the right customer data, and second is scale. Brands need to know what level of data they have to work with, and whether it is sufficient to clearly define a segment of customers.. Scale is a determining factor as to whether personalization even makes sense, because it could come at a high cost and more complexity.

"It goes back to the basics – do you even need personalization? You just don't want to do it for fun," he said. "Without the right scale to drive cost effectiveness and tangible business return-on-investments, personalization may easily become yet another vanity project with limited commercial impact."

Innovation for Inclusion

Open banking and onboarding – is it easy for you to be a client of mine?

APIX is not the only initiative around APIs that the FSI industry in this region is working on. Standards to streamline the sharing of bank customer data with third-parties, or open banking, have come to Asia and are changing classic bank-customer relationships. There is real potential for features like fees transparency and delivery of services through omnichannel platforms which allow products and services to be innovative and ‘sticky.’

But, onboarding customers to a banking service can be a long drawn process that is necessary to comply with regulatory requirements. An experienced banking professional explained, “There are a ton of questions that we have to ask you to know that you are who you are, and that you own the money that you have, and that the money that you have is coming through legitimate means and not under the influence of anybody else. On top of that, we have to know you are not a terrorist!”

One can appreciate that due to the regulatory rigor that banks need to undergo, it can be a task that is done in collaboration with technology partners, even more so when there are many moving parts to orchestrate.

Digital Financial Services and the Changing Customer Behavior

Regional payment connectivity is something that countries in SEA want to achieve; in 2021 Thailand and Singapore connected their fast payment systems, so that real-time and low-cost money transfers could be made with just the recipient’s mobile number. But, it does not stop there as more countries want to have the same capability as well and Project Nexus was conceived to allow this to happen in a standardized and seamless way.

Now, more SEA countries - Philippines, Thailand, and Indonesia are also working towards wider payment connectivity.



Another way that payment connectivity is being established is via QR payments which are on the rise in Southeast Asia. The ease with which to set up a QR payment facility on the mobile phone makes it especially popular among merchants because it does not require costly point-of-sale terminals.

Retail payments can be made in real-time and QR payments basically are a simple, low-cost way for the underbanked and unbanked segments in the region to have their first taste of participating in the financial system.

CloudMile and FSI: Partnering for Success

Managed Service Provider, or MSP, CloudMile is assisting a local bank to develop an eKYC system as well as obtain approval from the local regulator. Country manager, Lester Leong noted that besides developing the system, both parties are collaborating on documentation that ensures the system meets regulatory requirements and Bank Negara Malaysia’s approval.

This is especially crucial due to the use of cloud technology for the first time, that has to deliver a seamless and frictionless KYC experience.

Financial inclusion is a big driver for digital initiatives undertaken by FSI industries in the Southeast Asia region. With technology, fintech companies have the means to plug the finance lending gap, for example by developing their own credit scoring techniques and so on; this makes them a viable choice for unbanked consumers and businesses that have no prior credit history.

Banks recognize this as well, and a popular strategy among them is to stand up a digital arm that is lean and agile enough to experiment. CloudMile Malaysia’s Country Manager, Lester Leong, echoed this when he said:

“The digital arm (of a bank) is always there to run the most forward-looking technology and to allow the bank to be able to operate more efficiently as well as expand into many new business models.”



Lester Leong
Country Manager
CloudMile Malaysia

He also shared, “We recently won a cloud project which has oversight from local regulators, Securities Commission, and the Ministry of Finance.”

Innovate or Isolate: Banking's Choice in a Digital Era

We've looked at how banks have to rethink their product offerings, and how non-FSI players are nudging banks to up the ante. Customer data is a useful tool for personalization, but even personalization must be carefully considered before being implemented.

What else? The usability and design of interfaces must also be considered when delivering products and services – Gaston Guernik, Head of UX design at QBE Insurance observed a growing trend among banks to emotionally engage customers through color schemes, imagery, and content strategy to evoke feelings of confidence, stability, and approachability.

Platforms like those offered by AFIN, APIX, as well as partnerships forged with managed service providers like CloudMile, hint at the dawning cognizance that no bank is an island – collaboration and even experimentation is the name of the game to be able to go-to-market with delightful experiences for consumers.



David called out personalization, embedded apps, and mobile as the key trifecta, while Forrester pointed out that in some countries like Malaysia, how customers feel when they visit their bank branch is going to influence their future banking behaviour. The time is ripe for financial products to be delivered in the not-usual ways, and to be embedded in super apps for example, that can create seamless lifestyle experiences for customers.

David had described, "Everything we do is touching money. Everytime we interact with people, everytime we interact with companies, we also touch money. In the last few years banks have unbundled (with Open Banking) and customers/companies pick and choose which companies they want to work with."

This speaks to the nature of financial products that customers want to use; it has to be convenient and seamless with their day-to-day activities.



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