

# CFO Speaks



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## **1. What is your outlook on the economy in the next 1-2 years? As a CFO, do you think that ease of doing business has improved and what could be the way forward to further improving the business climate?**

The overall macro economy looks positive especially with regards to fiscal deficit, inflation and interest rates. Weak oil prices coupled with focus on alternate and green energy as well as robust forex inflows have resulted in forex reserves being all time high. All these are good signs for growth and should be working well for the country's economy in the coming years. The global outlook also looks positive, especially US and EU (France election results are positive). However there are also some pockets of instabilities, like protectionism, Brexit and the issues in Middle East.

Indian government has taken significant positive steps on housing for all, spending on infrastructure and addressing the projects stuck in the middle of implementation, reforms on electricity sector, coal reforms, Make in India by

opening up sectors in defense, railways, etc.; along with significantly improving transparency and digitization by focusing on JAM (Jan Dhan, Aadhar & Mobile) and accountability of bureaucracy. We also see stability in Government and hope they will get another 5-year mandate, which will maintain long-term stability and boost investor confidence. GST is another good move by the government, and this coupled with demonetization will lead to an increase in tax base which is good for the government and our economy in long run. Thus, the overall momentum is optimistic.

Inspite of the upcoming tax changes and demonetization, our businesses have been growing each month. In our company we see, VUCA (volatility, uncertainty, complexity, and ambiguity) as a way of life; we need to be agile and flexible.

## 2. How will GST impact the consumer business and retail industry, particularly on the supply chain and profitability?

GST will certainly have an impact on the industry. Talking about supply chain; I feel GST will create a more level playing field for us, as it will make the businesses agnostic of area based indirect tax incentives which some of the first mover players enjoyed. The cost disadvantage which the organized players had over unorganized players will reduce and create a more even playing field for all the players and who so ever is able to address consumer needs better will win. Overall supply chain will become more efficient with consolidation of warehouses based on the demand clusters rather than currently based political state and tax considerations. Organization will also look at vendor base consolidation to minimize the burden of compliance which will again bring efficiency with vendors getting larger share of business. There will also be change in the channel mix of the business where organized players like modern trade, cash and carry and e-commerce will gain compared to an unorganized wholesale.

In terms of profitability, GST alone will not have a major role, although a level playing field will certainly give more business opportunities and profitability will increase in long run. I consider profitability to be part of a business strategy for an organization and is governed by the competitors and various market players.



## 3. Given the current scenario of fierce competition and changing consumer behavior; what are your key focus areas as a CFO?

GST is our prime focus in the current scenario. We need to rebalance our trade between organized versus unorganized players. Therefore, we need to balance our business strategies to handle these changes effectively and our current focus is to have a seamless transition with minimal disruption and IT downtime. As a process, we also need to optimize and consolidate our warehouses.

We see a lot of confusion in the market at the point of sales, thus we are also doing distributors' education with do's and don'ts and explaining the facts of GST.

The whole implementation is divided into 3 parts, transition into the new law with minimum disturbance, getting ready to do business as per

the new law and ensure compliance; and lastly to address the areas of optimization. This journey is going to last for 6 months to a year as all the players settle down and get comfortable with the new law.

Hence as we look into the next year, it is important to anticipate and plan our strategies well in advance, more so with the implementation of GST so that we have enough time and understanding to implement them.

#### **4. With the advent of technological changes and analytics, expectations from finance has increased. What in your view, would be the logical path for finance function to be prepared for all these changes?**

With the advent of digitization we see today many digital & ecommerce players are tracking data very efficiently and using it effectively, which also lowers their marketing cost with focused and targeted approach as per the need of the customers. Currently, lot of our data lies with the intermediary i.e. the retailer; with digitization, a lot of opportunities will emerge and the complete paradigm will change, giving us an ability to understand millions of customers, starting from who they are, their preferences, their spending habits, etc. on a particular product. A whole new business intelligence will emerge helping the teams in designing, pricing and marketing of a product. However, we still look at data the traditional way and need to graduate to the level where analytics helps our business strategy.

With current ecosystem it's difficult and is going to be a long journey for consumer products companies; but we know that **"data is the oil of the future"** and many players are swiftly developing capabilities of using this data efficiently to gain edge in their business. We need to transform and think differently for the future. It is both an opportunity and a challenge for us. In current times, intelligent data and analytics is a huge opportunity.

#### **5. With the role of CFO expanding each day, how do you build the right talent for your team and blend it with the culture of MNC?**

Traditional roles of finance will disappear with the advent of advanced computing technologies. Accounting, book keeping, etc. roles which are of repetitive nature will become redundant and we are already seeing that shift with robotics being applied in shared services and back office jobs. It would be more about analytics, data and feeding the business with these data analytics to draw better strategies for profitability and growth. Roles will evolve from "reporting the business" to "supporting the business".

In finance, we have been focused on the numbers. However, the people working in finance need to change their mindset and we need to find people who can run business with finance. Currently, these resources are scarce, but we need to groom people from accounting mindset to being a co-pilot in the business.

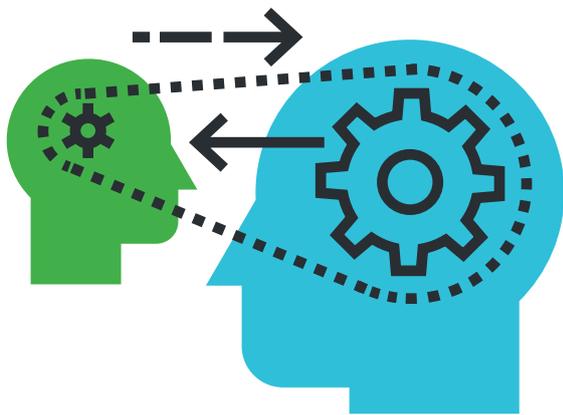
**6. What are your 2 key learnings as a CFO of a well-established international MNC, which is expanding in the Indian market?**

i. Building the “trust” and “credibility” with your parent organization; whether it is for the results or governance. We have the pride of being called as “Swiss clock made in India” by our parent organization.

ii. Stakeholders need to be constantly communicated with and every effort should be made to explain the business dynamics of this challenging market. This transparency builds the trust and in return you get tremendous support. As a CFO, one should always encourage his stakeholder/ investor to come and see the market and understand the ground reality of the business.



# Expert Views



## The Future of Banking is here

The rate of technological change is so fast that our ability to understand the implications of it has never been so important. Start-up companies unburdened by inertia or market expectations are growing faster than ever and challenging incumbents. Recognizing and embracing exponential opportunities sets apart successful leaders from linear thinkers. Over the next five years, financial services and indeed all sectors of the economy will be dramatically disrupted, primarily by greater customer empowerment and technology driven innovation.



Banking is becoming more convenient, thanks to the Internet, and the future of the banking sector is growing increasingly digital. India has leapfrogged into the era of innovation in banking by adopting the latest in technology. There are a number of key exponential domains that are emerging in the marketplace and in this article, we will focus on some of these exponentials that are disrupting the banking sector.

## Digital Banks

Changing customer expectations in the digital age are forcing banks to rethink their strategies. Customers are expecting a more intimate relationship with their bank and require a unique and compelling experience. They are expecting more flexibility and interactivity through digital platforms. Expectations are shifting to instant, 24/7 contact through digital channels, which includes more personalized products and services as well as real-time insights. One of the largest banks in Israeli has launched a digital banks, with no branches and 100% free - no checking account fees. Recently an Indian private sector bank had also announced the launch of their digital bank initiative that offers zero balance savings account with zero charges for all digital transactions and can be opened using Aadhar and PAN card.

## Internet of Things

The Internet of Things (IoT) is a significant technological transformations on the horizon, with many already claiming that we are entering the second major digital revolution. Analysts at an American research and advisory firm predict there will be 25

billion smartphones, smartwatches, wearables, connected cars and other connected devices by 2020. Banks are turning toward new IoT technologies to enhance the user experience and reduce costs. Some banks have started using beacons, for example, to send customized offers right to customers' smartphones as soon as they enter the branch. ATMS are now can support live video stream that allows customers to speak to tellers if they need additional assistance. A large public sector bank recently had introduced RFID-enabled banking cards whereby a branch/ relationship manager can identify a valued client entering a branch with the card. Similarly, one of the largest private sector banks in India has tied up with Indian start up for an IoT based smart asset management solution.

## Artificial Intelligence -from sci-fi to reality

Artificial intelligence (AI) and Cognitive technologies have the potential to transform both front office and back office operations. One of the largest Indian MNC bank has deployed software robots across 200 business process functions, reducing the response time to customers by up to 60%. Robots were deployed last

year to support the branch staff at two large Indian banks. These robots can cost anywhere between Rs 7-8 lakhs and are equivalent to 3-4 FTE. AI has already proven itself in providing seamless differentiated customer experience on digital channels, and security measures with its integration within the banking infrastructure. An American bank holding company has teamed up with one of the largest online retailer to put up an app on a 'smart' speaker', allowing customers access their bank accounts using their voice. Last year an Indian MNC bank had launched its voice recognition service where customers are no longer are required to enter their card numbers, PIN and answer security questions to authenticate themselves. Their voice will now act as the password for banking transactions through the call-centre.

### **Rise of conversational chatbots**

Companies have used chatbots for customer service for a number of years, advances in cognitive technologies are making it possible to provide increasingly accurate and relevant automated dialogues. An article published in a leading business magazine had identified "app fatigue"—a declining willingness among consumers to install and use new mobile apps. At the same time, messaging has emerged as a dominant online activity. With natural language processing and artificial intelligence, the chatbots are able to hold more intelligent and pleasant conversations all through the day and night. A large private sector Indian bank had announced last year the launch of an intelligent banking chatbot. Through their mobile banking app and social media messaging platforms users can chat with these bots to pay bills, transfer funds, manage credit card spends and more.

One of the Singapore's largest bank and a leading bank in Asia is working with US-based AI start-up to deliver AI powered conversational chatbots. This start-up aims to transform the consumer banking experience with artificial intelligence.

### **Natural language generation**

One of the biggest technological breakthroughs to hit the financial services market would come if machines were to develop an understanding of natural language on par with median human performance. Natural-language generation (NLG) engines can create seamless interactions between humans and technology by following rules to translate observations from data into prose. Broadcasters have been using natural-language generation to draft stories about games in real time. Using NLG technology structured performance data can be piped into a natural-language engine to write internal and external management reports automatically. NLG is being used by major financial institution to generate automate portfolio commentary, automate investment performance reports and automate regulatory reports.

### **Virtual reality isn't just for gamers**

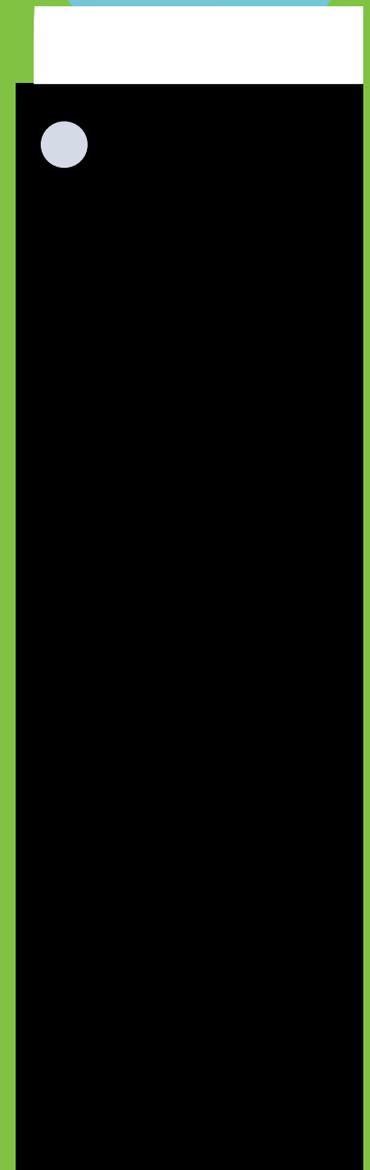
When you hear the words "virtual reality," you typically think about video games. But virtual reality is already very much a part of the real world, offering numerous concrete applications. First of all, it will revolutionize customer relations, by offering a new method for "enhanced" communications. Last year an American multinational investment banking and financial services corporation illustrated how the technology for virtual reality can be

applied in banking, and specifically, in presenting trading data to users in a dynamic 3D view. One of the other important development taking place in the form of fraud detection. Virtual banking will also allow for mapping of transactions. So when you log in via VR you will be able to see where the transactions were posted and if there is something fishy, it will instantly raise a red flag. The VR technology is so advanced that it will even be able to ask for verification of transactions that were made.

### Riding the wave of exponential innovation

This article highlights some of the key exponential technologies that are disrupting the banking sector around the world and specifically in India. Some of these might seem like a fad at the moment but the wave of exponential innovations is here and it is a matter of time before some of these will enter the Indian market. Financial inclusion is a focus area for the Indian government and under the PMs Jan Dhan Yojana over 13 crore accounts have been opened so far, so while it may not be feasible to have physical infrastructure everywhere, mobiles and internet could be used to reach out to those customers. This also translates to a lot of information and data that could be analysed by these banks to derive insights into the habits of this newly banked audience to offer them relevant and enhanced services. The time is right for bankers to size up opportunities and identify the exponential technologies that can be put to work in their own organizations.

**For more information and to download the complete report, [click here](#)**



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