

Let's meet Pepper

Banking Services of the Future!

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What is Pepper? Entirely mobile banking, without branches and 100 percent free - no checking account fees. Pepper aims to challenge the status quo of banking and create a different and progressive experience. Based on innovative technology capabilities, it provides smart banking using valuable insights that keep customers informed and helps them to better control and manage their financials.



Bank Leumi Le'Israel is a leading universal bank. The goal of the bank is to be a leader in banking technology innovation in order to deal with the major challenge that financial institutions are facing today – *How to respond to changing customer expectations in the digital age?*

One of the main initiatives toward the digital landscape was the decision to establish Pepper as part of Leumi Group in order to lead the banking services of the future. Since Leumi core systems are old and complex MF systems that don't fit the agile approach of digital banking, Leumi has decided to implement T24 platform by Temenos. Project partners, in addition to Leumi and Temenos, are Deloitte (with participants from Deloitte Israel, Luxembourg, and Poland) and Matrix.

“Now more than ever, customers—especially the millennials—aren't willing to accept the age-old banking experience. They expect a radically different kind of banking.”

Lilach Bar David,
Pepper CEO

Why establish Pepper?

Changing customer expectations in the digital age are forcing banks to respond. 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 (such as unusual account activity). Customers are expecting that their needs will be anticipated—quickly.

New entrants, new threats - New business models that leverage technology to meet evolving client needs are emerging. Venture capitalists, large internet companies, and others are backing a rapidly growing set of startups that can compete with corporate banks. It is predicted that finance will be the most disrupted industry in the next 10 years!

In a world of increasing competition, banks are forced to be more creative in ways to recruit digital clients and prevent client abandonment. Using digital tools will enhance relationship management by offering insights that will build trust in recommendations. Currently, without significant adoption of digitalization, banks will lose customers.

Banks must **become more agile** in order to achieve the required flexibility and capability to put in place new products and services in a timely manner. Banks need to accelerate time-to-market using pre-built financial services knowledge and the reuse of existing content.

Finally, in order to increase **productivity and profits**, banks should significantly reduce operational costs. Digital tools, combined with innovative technology, brings not only customer service advancements but also empowerment—which in turn means lower operational

support requirements for banks, such as reduction in call volume and reduction in chat sessions. Rather than providing generic, one-size-fits-all answers, insights based on the customer's personal situation are presenting customers with self-service advice that is most accurate and relevant in the context of their banking relationships.

It shouldn't surprise us to notice a correlation between project objectives and the 2015 Global CIO Survey. For example:

- In the survey, the top three business objectives were performance (driving operational performance), customers (attracting and retaining customers), and cost (reducing operational or product costs)
- Focusing only on the financial services industry, innovation was identified as a top business priority
- When asked which technologies will have a significant impact on the business within two years, CIOs unsurprisingly named analytics, business intelligence, and digital

What were the main concerns and challenges?

A major challenge was becoming more agile in order to support a quick reaction to market opportunities as well as quick deployment. Since the legacy core system lacks the ability to integrate changes within a short time frame and at reasonable cost, it was decided not to use Leumi bank MF but to implement Temenos' T24 solution.

Regulation was one of the project main concerns. The complex and increasing Israeli regulation requirements have defined a major gap between T24 off-the-shelf capabilities and the required solution for Pepper services and architecture. Since our goal was to maintain as minimum developments as possible, this challenge was even more complex. ➔

What were Deloitte's Responsibilities?

Based upon Deloitte's deep understanding of the local financial market, complex regulation requirements, digital worldwide trends, global knowledge, as well as benchmark capabilities, Deloitte provided substantial added value to the project by supporting and allowing a detailed and comprehensive analysis process to meet project goals in the best possible way.



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Sources:

1. <http://www.pepper.co.il/>
2. <http://www.temenos.com/en/>
3. <http://www.cnbc.com/2015/06/02/retail-bank-branch-is-doomed-and-banks-dont-know-it.html>
4. 2015 Global CIO Survey – Deloitte University Press - [http://dupress.com/articles/global-cio-survey/?id=us:2di:3em:dup1264:eng:cons:110515:](http://dupress.com/articles/global-cio-survey/?id=us:2di:3em:dup1264:eng:cons:110515)

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Tests

- Support test scenarios based on the use cases that were defined in the BRDs, and the test cases defined in the FSDs

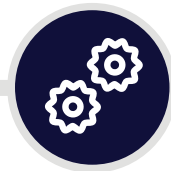
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Deployment

- Supporting following implementation steps in regulatory and business requirement aspects

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Ongoing Project Management

- Provide Insights to project management from Deloitte experience with aspects such as governance, scope management, change management, etc.

Conclusion

- Only through core system transformation can banks achieve the necessary breakthrough to operate efficiently and compete effectively.
- The benefits of digital solutions for corporates are enormous, offering convenience, control, improved liquidity management, cost savings, and ultimately profit. These benefits stimulate transaction growth, directly feeding the bank's bottom line.
- Banks are facing a challenging time ahead—customer's needs are moving to a digital landscape while new technology companies offer "traditional" banking solutions to end customers without being a bank.
- Banks have to look at technology, product, and customer behavior changes through a prism of being more mobile, more social, more analytical, and taking a more diversified view on what customers are expecting the bank to deliver.
- Banks need to embrace new innovative technologies, while mitigating the gap between the technology companies' technical language and banks' business needs.
- It is predicted that:
 - By 2020 at least 66 percent of the global population will be online; that means an additional 3 billion global consumers!
 - In 2025 the biggest banks in the world will be technology companies.
- Innovation and Digital Capabilities are with no doubt building blocks for success, Digital services are more than differentiators, they are essential to service delivery ●