

“my chat with a bank CEO”

Asad Ahmed, Managing Director – Gulf African Bank

Joined by Habil Olaka, KBA CEO

Chat Summary

Thursday, 15 November 2012

Topic: Product Innovation & Niche Markets

Time: 1:00pm – 2:00pm

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If you had the opportunity to chat with a Bank CEO, what would you talk about?

The next frontier in bank products

Benjiemm: what do you see as the next frontier for customer centric products

AsadAhmed: Thanks Benjiemm for your question, you raise a very good point...firstly, we must all acknowledge that if you dont have the customer at the heart of everything that you do, you will not have a successful business...in my view, the most immediate focus is on mobile banking...this is the case globally...and i can see that mobile banking will even cannibalize retail internet banking ...if there is anything more specific you may need me to cover please let me know.

The other innovation that I can see coming in, is the use of biometrics in retail banking particularly, biometrics in areas like internet, mobile and ATMs.

Benjiemm: thanks for the answer. Mobile banking is actually catching on

AsadAhmed: indeed Benjemm, Kenya is the leader here again...as of last year, Kenya accounted for more than 50pct of the global mobile banking transactions...this is an amazing number

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The next frontier (Continued)

Allen: If innovation is so good and Kenyans are so good at it how come we still cant make transactions with paypal from Kenyan banks? is it legal reasons, strategy, lack of initiative or just inexplored?

AsadAhmed: Allen thanks for your question about Paypal...Im not sure about the reason why banks dont tap Paypal, but we do have alternatives like MPESA

Allen: I trade online, I have an american account and an atm card to withdraw at a kenyan atm... I wish that business would go to a Kenyan bank instead because there's many of us who make a living on the internet in overseas market...

I think the first bank to tap into Paypal and other international gateways maybe in partnership with a shipping company will have helped the kenyan people access overseas markets and get the rewards in terms of loyalty

maureen: The banks need to concentrate and improve their customer service in these innovative solutions. For instance mobile banking, follow up and constant education to the customers is imperative, what are the banks doing about this so that people dont feel that they have been swindled?

AsadAhmed: maureen thanks for your observation...I agree with you that continuous customer education is essential

akyuvi: What threats are you foreseeing with money transfer and mobile companies behaving just like banks

AsadAhmed: Akyuvi, thanks, competition is always good...it keeps us on our toes...disintermediation is a fact of life...this means, when the user of the service and the provider of the service have less touchpoints in between

tomsitati: Is there a reason why very few product innovations in banking stick? Very few new product brands actually endure after one or two promotions.

AsadAhmed: Tomsitati, that is an interesting observation...i would say that product innovations dont come as rapidly as they would in other customer focused industries...to add to the observation on products sticking, im presuming you mean products fall away...its possible that it is an issue that banks need to do a better job of understanding the customers needs and getting the information out to them

najma: After mobile Banking – what is the next thing we expect to see in the banking industry?

AsadAhmed: Najma, on the retail front i think the next frontier after mobile is biometrics

AsadAhmed: it wont be long before ATMs start recognising finger prints and eye scans

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The next frontier (Continued)

984CapitalFM: Leonard asked on Facebook a developer: is the bank ready to embrace mobile gaming as a marketing tool

AsadAhmed: Thanks Leonard for joining us via Facebook. Social media is going to be critical for the banks, both as a marketing medium but also as an instant feedback devise on customer service...different banks will choose different strategies for social media...but if there is an irate customer of a bank tweeting the bank will have to respond very quickly

Growth of Islamic Banking

AsadAhmed: Asalam Aleikum, and good afternoon...im happy to be here...and look forward to a informative dialogue...who would like to get us started?

dt: How much longer do you envisage will take the market(s) around here to introduce shariah compliant credit cards or similar products?

AsadAhmed: Thank you dt for getting us started...Shariah banking in kenya is evolving ...and is only four years old...the shariah compliant credit cards have been introduced in the middle east and malaysia a few years ago..so i expect that for them to be accepted here would be another year or so

dt: That is great to know Kenya is fast catching up with the leaders

AsadAhmed: yes dt, we are also glad, today kenya leads the way in east africa for islamic banking and we are in continuous dialogue with various government levels to ensure that there is a comprehensive platform for islamic banking.

AsadAhmed: let me just generally talk to you about innovation...this has been a continous challenge for all banks, but perhaps more so for islamic banks as we would need to ensure that every product and service that islamic banks provide are not only approved by the respective regulators but also by the shariah supervisory boards...having said that islamic banks have made enormous strides globally through innovation and now have a full suite of products.

khamah: Sir, what do view as the biggest challenge in marketing sharia compliant products to the general public?

AsadAhmed: thanks Kahmah for your question, i think the issue is about awareness and perception

Grayce: I agree

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Growth of Islamic Banking (Continued)

AsadAhmed: it is our task to bring shariah compliant banking to the main stream because this form of banking is for all...it is not restricted to muslims...

khamah: Meaning with proper public education and awareness it could be the next big thing in the market?

AsadAhmed: Khamah, i think both forms of banking have their place in the market and yes, we do believe islamic banking will grow at a faster pace

...Talking about the growth of islamic banks, one of the things we discovered after we opened was that there were a fair number of first time clients, which really means that there is a segment of the population which was not part of the banking system, and they only choose to become a client when there was a shariah compliant bank...the point being, islamic banking is bring more people within financial inclusion/part of the formal economy....

HabilO: In pursuit of our financial inclusion agenda, Islamic banking will go hand in hand with shariah compliant insurance and capital market products and will therefore work together to make Kenya the hub for shariah compliant finance in EA. and Africa

AsadAhmed: Welcome Habil Olaka, KBA CEO...thanks for your comment...i couldnt agree more

i want to add that KBA has been a tremendous supporter of the banks, and islamic banking in particular, and i want to acknowledge my personal appreciation to Habil and his team

Niche markets, brand acceptance

AsadAhmed: a word on niche banking...research is showing that this is actually on the way back in the more developed world...people are tired of being treated as a statistic and there is a growth in niche banking, certainly in the west...kenyan banks have also been innovative in this area...and maintain their focus on specific demographics/economic segments, to provide improved customer service..for example, we at Gulf African Bank have a strong focus towards women...and empowering women entrepreneurs ...we have recently opened an all womens centre in eastleigh (nairobi) where everyone from the centre manager to the askari are women...it is proving very successful and we are seeing a lot of traffic to the centre as women bank in a comfortable environment...other banks also offer products targeting women

why are we doing this? we recognise the role that women have in society and in business and we want to provide the services that they need and not what we think would be universally required

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Niche markets, brand acceptance (Continued)

mbatia: how about the youth sir.... I\'m a young entrepreneur n wud love to really own some business n I have solid business plans.... n I wud love to get finance but how wud I fit in ur package n wat steps do I have to follow

AsadAhmed: Mbatia, i really know where you are coming from...I used to be a banker to young technology companies in my previous life in Canada, and one of the challenges that i used to have was to explain the role of a commercial bank versus that of an angel investor / vc / private funder from what I can see, that funding (private funding) needs to come in first before a commercial bank can step in...what we are doing is working on some islamic products for unbanked business owners...i think other banks have also tried to tap this underserved market

raudha: Goodafternoon Sir!Why is it taking GAB so long to open its Eld branch?!

AsadAhmed: Hi Raudha, have you been looking at our 2013 business plan because we are going to be opening before not too long

AsadAhmed: let me take a moment to talk to you about how niche banks become successful...my favorite bank from my old days is called Silicon Valley Bank in Santa Clara California...the bank started out in the early 90s as a bank to support the venture capital industry in california...the VC community is very big, and i used to deal with them a lot...it moved from lending to tech companies to become a banker to the owners of these companies...and then into private banking and wealth management...i think their asset base today is close to USD20million...and they still maintain their focus...the thing that this brings forward is that as long as you are focusing on a target market which you understand and serve well, and build your business around that, you are bound to not only have a successful institution, but more importantly have very happy, satisfied and loyal customers

mbatia: how would you descibe the kenyan market in terms of brand acceptance n trust

AsadAhmed: I see a question about brand acceptance and Kenyans...in my view brands are living, they should bring a certain association when you see them...as long as the institution is living to that association, i think customer loyalty would not be an issue either in kenya or elsewhere

Benjiemm: regarding the niche markets for banks, how sustainable would it be? the current focus seems to be all on sme business

AsadAhmed: Benjiemm, thanks, in my view niche markets are very sustainable in kenya, there is still a lot of ground to cover ... for example in sme banking, which by the way is a huge segment and the main economic driver in most countries, so while you are correct there is a focus on sme banking, there is lots to do in other niches as well

AsadAhmed: let me make some final comments as we wrap up...im sure that there is a lot that we kenyan bankers can do in the area of product innovation, and i can assure you that we are all focused on that...but if you look at where the banks were a few years ago, and where we are today there is a lot of positive change.

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(Continued)

Final comments

AsadAhmed: this has been a very enjoyable experience and i hope that it has added some value to your thoughts

HabilO: Thanks Asad. That was a great discussion.

ceochat: thanks Asad, thanks Habil Olaka

984CapitalFM: Thank You Asad and Everyone who contributed to #myceochat

mbatia: I embrace the chat rum n its purpose kudos 4 ur gr8 job

ceochat: mbatia thanks for the positive feedback!

Thank you all again for joining us...this is @nurumugambi with KBA please follow us on @kenyabankers.

it has been a pleasure to moderate this session...please join us next week ...

Unanswered questions

Unfortunately there were a few questions that the CEOs did not get to answer due to time constrains. Therefore, the following questions will be addressed by the KBA via Online Posts, including Podcast response:

mbatia: what policies do you use to market your self n tap into the underserved market.... how you different in terms of innovation n creativity

jully: i need career advice

akyuvi: For next CEO , With the trend in banks operating like kiosks with the excuse of moving closer to the customer, is this really the way ahead to the next decade?