CENTRAL BANK OF EGYPT
Egyptian Banking Institute

البنك المركزى المصرى
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CURRENT TRENDS

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Phygital Banking

MOVING FORWARD WITH CONFIDENCE...

Concept

Phygital Banking simply means the combination of physical and digital branches' characteristics, with the aim of retaining & attracting more customers, enhancing customers experience & satisfaction, lowering costs and achieving more efficient resources' allocation. The concept of 'Phygital Banking' is about being fundamentally & primarily digital across all bank's operations as well as physical & digital channels. It is about being available anytime, anywhere through consolidating the previous experiences of traditional banking with modern banking, to achieve a seamless customers' journey. Despite the importance of investing in technology to cope with the digital era, there is still a crucial need for banks to prioritize the human interaction with its customers, to build & strengthen a long-term bond of trust among them, as human interaction remains a key success factor for banks in today's digital world. Banks can achieve such combination by investing in technologies allowing the branch to efficiently bridge the physical and digital worlds, in order to create a seamless and integrated "Phygital Experience".

Description

In a fast-changing world, banks that can figure out the right technique to blend its digital and physical channels, in a way that effectively touches customer experience, operations, and financial services delivery, are most likely to survive. Going phygital and understanding the basic need of a developed customer-centric omnichannel design is a key factor for achieving innovation in the banking industry.

Therefore, to go Phygital, banks should focus on some pillars and objectives such as:

- Enhancing customers & employees experiences
- Increasing efficiency and reducing costs
- Supporting better cash management, and implementing Distributed Ledger Technology (DLT) through blockchain technology
- Simplifying product complexity and offering financial advisory through video conferencing
- Handling customer queries 24/7, where conversational AI and chatbots deliver humanized customer experience

With Phygital Banking, customers can communicate their needs & requests with the bank using the bank's mobile application, contacting the call center or login the bank's website. From their side, bank's staffs will prepare whatever is required and invite the customer to the branch. When entering the branch, the customer is recognized by the customer relationship management (CRM) system, which greets them by name and calls the relevant customer service representative (CSR), who is ready to provide the full assistance to the client. With going phygital, each and every transaction will be digitized to save the client's time and minimize traditional paper documentation. In a phygital bank, digital signatures will be used and transactions can be simply approved through the clients' mobile applications, where they can evaluate the bank's services and the whole experience.

Characteristics of Phygital Banking

- Digital Interactions with Customers: Phygital Bank interacts with their customers digitally across both physical and online channels using advanced digital features, such as Artificial Intelligence (AI), and Intuitive User Interface (UI). These interactions allow the customers to communicate with the bank as a whole and not through siloed individuals or channels inside the bank.

- Digital Banking Operations: Digitalizing both interactions and banking operations doesn't mean that physical branches aren't required, but this means that, a digital-first approach is adopted. For example: scanned images are used instead of mailing paper documents. Also, Digital Application Program Interface (APIs) & robotic process automation are used in traditional banking tasks, with the aim of minimizing documented papers usage.

- Digital Internal Communications: Everything within the organization including its leadership, culture, skills acquisition & development are implemented through digital techniques to increase efficiency and multiply productivity.

Importance of Phygital Banking

- Increase Customer Value and Reduce Costs: Phygital banking allow all banking tasks to be implemented in an automated way, which reduces the time required to process the documents. In addition to that, going phygital will significantly reduce costs, as long as banks will concentrate mainly on increasing customers' satisfaction, with the support of few but highly trained employees to solve customers' problems either through the banks' branches or through online banking.

- Improve Omni-channel Customer Experiences: Customers who prefer digital banking always want instant and convenient access to all the options available. In this context, phygital banking gives them the most viable & seamless solution, where they can use their mobiles, tablets; leverage the digital facilities installed in a branch if available, such as touch-tables, to get the product knowledge; or to communicate with one of the bank's staff to discuss their queries in person.

- Gain valuable insights for customers anticipated needs & preferences: The concept of phygital in banking leverages technologies such as AI Artificial Intelligence (AI), Machine Learning (ML) and data analytics, to extract valuable insights from big data that's generated by the bank, about customers' anticipated needs & preferences. Such technologies allow the bank to differentiate individualized data, which enables banks to anticipate what a customer might need in the future, in order to deliver financial products and services according to the customers anticipated needs.

- Secure wider market share: Digital banking is not widely accepted in some rural areas due to lack of knowledge and confidence. However, phygital banking is probably the best way to instill confidence, because phygital banking combines both the physical and digital branches together.

- Improve Banking-Customer Relationship: Phygital Banking offers everything required to strengthen the relationship between the banks and its customers, because the phygital concept leverages FinTech solutions and self-service platforms, to build trust at every touchpoint with customers, besides facilitating all sorts of experiences that make the entire banking journey satisfactory for customers.

Practices and examples in banking sector

1- Indian Banks:

The Indian banking sector is considered as one of the pioneers in adopting Phygital Banking.

Here are some Cases of Phygital Banks in the Indian banking sector:

- **State Bank of India** (SBI) has set up 257 digital branches affiliated to the bank, under the name of "SBI IN TOUCH", aiming to provide advanced banking services to the customers such as: instant loan approvals and assistance in choosing investment portfolios. These branches equipped with an audio-visual experience technique, which enables customers to share documents electronically. This technique helps SBI speed up transactional related activities by digitization, as well as developing its communication model for better customer satisfactory & loyalty.

- **Canara Bank** is transforming to paperless branch, through "CANDI", its digital banking branch, that offers customers an end-to-end digital experience. In order to make customers experience more humanized, CANDI digital branch developed "humanoid robot" that answers basic customer questions about bank's various products and services. Moreover, the branch uses advanced tools such as: an on boarding application, that allows customers to open savings account immediately via fingerprint or IRIS authentication[1] . In addition, the branch supports its customers with" video banking" feature, that allows customers to interact remotely with specialists, to get financial advisory regarding different banking topics.

- **BBVA's Garanti Bank** has incorporated digital into nearly 500 branches, providing its customers with an entirely seamless banking experience. In order to increase sales capacity, the bank establishes a service model, that allows its employees to spend more quality time with customers. Moreover, BBVA provides its branches by corporate tablets available at customer representative desks inside the branches, in order not to waste customers' time in lengthy procedures and signing loads of documents.

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[1] IRIS authentication: a type of physical identification that is based on the personal and unique characteristics of the IRIS "the colored ring around the pupil of an eye". Similar to the more common fingerprint or face recognition, IRIS authentication is based on scanning a person's iris and comparing the scan to a stored photograph to make an identification match.

- **Kotak Mahindra Bank's** digital branch offers a flexible, paperless, secure, and a smart banking experience through customer self-service, and assisted-service models. Kotak digital branch is supported with an e-lobby that offers 24x7 access to cash withdrawals and deposits, as well as check deposit machines. Furthermore, the digital branch offers extended working hours for basic banking services. In addition to that, every Kotak digital branch provides a dedicated lounge for customers to discuss their needs and inquiries with customer service representatives.

2- Bank of Beirut:

Bank of Beirut has launched the **Hybrid Branch**, where customers' visit to the bank is enhanced by an integrated physical and digital experience, where customers can apply for loans and accomplish all their online banking transactions flexibly. With this renovation, Bank of Beirut is gaining a step forward in becoming the leading Lebanese bank in mixing digital and physical banking services, offering its customers the ability to process their financial transactions in the most suitable way based on their preferences.

3- Alfa Bank in Russia:

Alfa-Bank intends to turn all its branches into "Phygital" through a special system using a smartphone geo-location, and facial biometrics to recognize the personality and the needs of the client entering the branch. The information captured will be displayed on the tablet or the PC of the employee, who will see the client's profile, and assess services that would suit his/her needs. Up to 20% of branches will be reinvented by the end of 2021, and by 2022-2024, all branches will be supported with the phygital concept. In addition, at Alfa Bank, they will reconsider the role of their employees & their development approach to be motivated and well-trained, in order to cope with the Phygital Banking requirements.

Videos covering Phygital Banking concept

- What is 'Phygital Banking' and Why Should Banks Check It Out:

Link: https://vimeo.com/251576346

- Steftalks webinar | Phygital Banking Transformation - Where Physical meets Digital

Link: https://www.youtube.com/watch?v=1WDNLiSZ11Y