



DO YOU KNOW YOUR FUTURE? IT'S DIGITAL

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Preamble

The term “digital” stems from the Latin word *digitalis*. The moment one hears this word digital, one is naturally inclined to think about advanced technology. This article, whilst confirming that the world is fast moving towards digitalized world, also stresses the exigency to understand the current trends evolving across the world and to be congruent with the emerging trends to gain the competitive advantage. This article also entails some startling revelations about the behavior, traits and the characteristics of Millennials and Generation Z, based on research and the future of the digital world.

Introduction

Pioneers in mobile technology in Sri Lanka, Celltel and Mobitel were harping on “Analogue” technology during mid 90’s. A research carried out by Dialog, a prospective market entrant to ascertain the market perception about the introduction of a new technology called 3G at that time, revealed that the prospective company will not even fetch close to 0.5 mn customers as this technology was totally new and unheard of. But with the introduction of 3G technology, not only Dialog company transformed the mobile technology to greater heights by re-demarcating the parameters for the mobile industry, but also forced the existing and pioneering mobile companies to introduce 3G technology in Sri Lanka.

This narrative highlights how technology evolves, how one should not hesitate to embrace new technology as the first mover in the ever changing world to gain competitive advantage. In fact, technology is the “fastest growing” industry in the world.

What is digital?

In simple terms, digital can be defined as the use of numbers or “digits” to store and translate information through computer technology.



Digital evolution and revolution

The digital evolution commenced in the late 1950's stemming from mechanical and analogue electronic technology to digital electronics with the adoption and proliferation of digital computers and digital record keeping that continues to the present day. Implicitly, this terminology also refers to the drastic changes brought about by digital computing and communication technology during the latter half of the 20th century.

Central to this revolution is the mass production and widespread use of digital logic circuits, and its derived technologies, including the computer, digital cellular phone, and the Internet. However the growth of the digital world was heightened with the invention of "Macintosh" graphical user and the interface along with the "Hypercard" by Apple Inc in the USA in 1987. With the arrival of the World Wide Web in 1995, *Flash* in 1996, mobile advertising making it's debut in 2000 and the online videos in 2004, the demand for digital world virtually transformed from zero to 100% and today it has become a must across the world.

Current global trends

While these significant and visible changes were taking place in the technological revolution, the younger generation known as millennials and the 'Z' generation, started to embrace the new technology with passion and enthusiasm, compared to X and Y generations. Millennials are the children born between 1982 and 2000 and the Generation Z which is also known as iGeneration, the children born after 2000. A comprehensive research carried out by the Singapore Management University (SMU) revealed that four demographic shifts are currently taking place with regards to millennial and Gen Z segments. They are;

- a). Changing consumer behaviour.
- b). Grappling with new generations needs.
- c). Borderless citizens.
- d). Urban pride.

The elaboration of the above categories is given below.

Changing consumer behaviour

Consumer behaviour is rapidly changing with the ever evolving world. The perspicacity for such changing behaviour are the demanding nature of the consumer in exponential terms due to creation of awareness, enhancement of knowledge, introduction of advanced technology, world is moving towards



sophistication and convenience, demand creation by the competitors to gain competitive advantage and the aggravation of unending desires.

Grappling with new generations needs

These new generations which are known as the millennials and the “Gen Z” have never lived in a world without a mobile or internet. They have been termed as “social animals”, glued to social media networks. Their motto is “love me- love my social network”. They do not have business cards, but count on Facebook, LinkedIn, Twitter or Crowdsourcing. Connectivity, C2C market place or DSU (data service unit that connects a digital interface) reviews connected to a router or digital circuit.

These generations face the choice conundrum where loyalty to a product or a brand has never been more valuable. As a result, Brand Loyalty with these generations will experience a slow death. In other words, loyalty would be hard to win. They prefer isolation getting glued to internet or the mobile. These two segments currently represent about 45% of the world’s population and the predictions as per Deloitte’s, Gen Z alone will exceed 40% of the population by 2020 in the world. These statistics amply demonstrate the future global trends with the “boomers” and provide some vital information for strategy formulation in time to come.

Borderless citizens

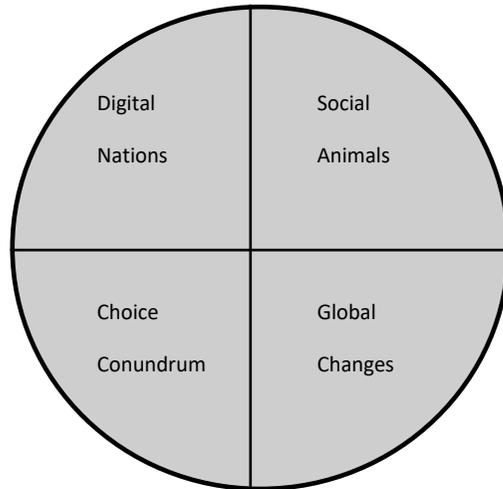
This connotes people who are on the move. Huge numbers of emigrant people, refugees, brain drain from one country to another nation, student migration, are some of the examples of this trend. From an antithetical perspective, globalization has also made the world a “borderless village” where multinationals perceive the entire world as one seamless market. Unrest in the Middle-East, in some of the Asian countries, poverty in Latin American countries, and emergence of ISIS have aggravated the ever increasing emigrant population. These people, once migrated obviously learn new technology and become congruent with the developed nations and change their living habits, especially the second generation of such migrants.

Urban pride

Research revealed that 95% of the 0.8 Bn people look for “developed nations” with peace and technology as priorities either to migrate or to study. Even within the country, people who live on rural areas migrate to urban areas for higher studies, employment or “convenient” living; This has led to not only an imbalance between the rural population and the urban population, but also a significant shift in their habits, traits and behaviour.



The above research outcomes amply demonstrate that the world’s future business would determine to a great extent on four quadrants as illustrated below. In other words, world can be divided into four categories which would help the strategists to formulate their future strategies to thrive in the digital world.



The Chairman, of Hyundai few years ago stated that Koreans can wait without a computer for days, but they cannot wait without the internet for seconds. In Japan too similar sentiments do exist. In such countries, culture is designed and changed by technology. These attributes are evident in Singapore too. Most of the G-20 nations are also moving towards this trend fast and more than 60% people, in such countries are “social animals”. When the millennials and the Gen Zs’ were interviewed, it was revealed that the majority of them possess similar characteristics such as striving to achieve self-actualization within a shorter period and then to sustain same. Another salient feature that was discovered from these generations was “the purpose” of the act and the significance of the purpose. This was evident from Mark Zuckerberg’s recent interview too. With this type of emerging characteristics, one can argue that “vision’ is gradually diminishing and the “purpose” is emerging in this segment. The following table (01) depicts how the trends are changing and the technology based and internet supported companies are emerging and aligning with these generations across the world overtaking well established companies.

No .	Leading Global Companies in 90's	Leading Global Companies in 2000	Leading Global Companies in 2015	Fast growing Global Companies in 2016	Predict the top 20 in 2020?
1	General Motors	General Motors	ICBC	Facebook	?



2	Ford Motor	Walmart	China Construction Bank	Amazon	
3	Exxon Mobil	Exon Mobil	Agri Bank of china	Microsoft	
4	Intl. Business Machines	Ford Motors	Berkshire Hathaway	Apple	
5	General Electric	General Electrical	JP Morgan	Google	
6	Mobil	Intl Business Machines	Bank of China	Alphabet	
7	Altria Group	Citi Group	Wells Fargo	Samsung Electricals	
8	Chrysler	At &T	Apple	Exon Mobile	
9	DuPont	Altria Group	Exon Mobil	Instagram	
10	Texaco	Boeing	Toyota		
11	ChevronTexaco	Bank of America	Bank of America		
12	Amoco	SBC Communication	At & T		
13	Shell Oil	Hewlett Packard	Citi bank		
14	Procter & Gamble	Kroger	HSBC		
15	Boeing	State Pharma Ins	Verizon Communication		
16	Occidental Petroleum	Sears Roebuck	Walmart		
17	United Technologies	American Intl Group	Petro China		
18	Eastman Kodak	Enron	China Mobile		
19	Marathon Oil	Tiaa-Cref	Samsung Electricals		
20	Dow Chemical	Compaq Computers	Ping An Insurance		

[Source; www.thestreet.com]

Microsoft, Alphabet, Samsung, Face Book, Apple were nowhere in 1990s; but how did some of these companies come within the top 20 in less than two decades overtaking the giant and well established companies? The companies such as Microsoft, Alphabet were 'nowhere' in 90's came within the top 30 in 2015. The envisaged prediction is that all technology based companies will top the list by 2020. Another prediction is that even the impact of the television will be diminished to a great extent as all advertisements will be channeled through the Mobile device considering the traits of the millennials and the Gen Z.



Benefits of digitalization

Similar to an octopus tightening the arms on its prey, digital technology is steadily encompassing the global business in the contemporary world. Capitalizing on the promise of digitalization takes a strategic orientation where key benefits can be amplified as its essence, depending on the level of your customers' engagement and your story. Digital is an inevitable and critical piece of customer engagement. It's a milieu characterized by shared ownership in the amplification of storytelling about your brand by you and your customers. The better its promise and positioning are focused, defined and communicated first internally and then externally, the better you will be able to encourage consistent storytelling about it by your customers. The fragmented customer profile in digital, tends to create a marketplace of people with multiple personalities, which makes the challenge of targeting (essential to any brand strategy) a lot more complex than it used to be. An individual may have multiple identities on Twitter, communicating in 140-character bursts on interests and concerns, on LinkedIn shares the professional persona and, on Facebook, in the evening or after office hours. In order to let the correct brand story be told, it is critical to understand the multiple dimensions of the individual that are being expressed, and figure out which STP strategy (segmentation targeting and positioning) you contemplate to connect with. The benefits are your audiences are allowed to have multi-faceted online personalities.

Another advantage is the data storage which is resistant to data corruption. The ability to store enormous amount of data within a minute space saves storage space for hard copies. For instance, micro filming of hard copies. Naturally this saves costs and space a lot.

Now, thanks to advances in technology, we have entered a world where we can work for a company based in New York yet live in Tokyo, where one can acquire whole new sets of friends online overnight and everyone can get involved to a global audience, and much more. This is only the beginning. Soon one can simultaneously work in New York and Tokyo while living in UAE thanks to technology. Welcome to the Digital World, and all that lies therein. Propelled by explosive broadband growth and soaring mobile numbers, our transition to the digital world has been rapid and innovative. For instance, Sri Lanka being a less developed country, five mobile companies, have already issued over 20 Mn SIM cards for a population of 20.7 Mn in Sri Lanka. While acknowledging the situation in Sri Lanka, it was reported that there were more than sixty thousand fully fledged cyber cafes in Seoul, Korea alone as at 2012. Indeed many of us are probably not even aware of how important a role these technologies already play. We use a growing array of digital lifestyle technologies at home, in the office, on the street, in vehicles, in trains, and in planes, which have transformed every aspect of our daily lives. In Sri Lanka too, free Wi-Fi in moving trains was a dream a couple of years ago. But today it is a reality.

Devices such as MP3s or mobile phones with video capabilities have become the norm now. As we continue the shift towards IP-based networks we can expect even more advanced technologies to become commonplace. Voice over IP (Internet Protocol) use is on the rise, with applications such as Skype fast gaining ground, while services such as IPTV (Internet Protocol Television) now add a whole new dimension



to watching television. Multiple Play models, which combine voice, video and the internet over the same network are all being launched in a number of countries worldwide.

Digital technologies have brought about dramatic changes for organizations and the workplaces. Not only can offices be entirely virtual, but a raft of new applications ranging from remote and mobile email to video-conferencing and teleworking are emerging, evincing greater flexibility efficiency and effectiveness in the workplace.

Digitalization and banking

The digital revolution sweeping across the contemporary world has affected virtually every business in every sector, yet analysts and critics repeatedly highlight that banks have been slow to embrace this change. Banks have hardly changed their business model over the last few decades and, as a result, modern technology companies like Google and PayPal are threatening to disrupt its business.

Faced with market and regulatory pressures coupled with customer, cost and operational challenges banks are belatedly exploring the possibility of implementing innovative digital technology solutions to withstand the pressure and create an atmosphere of growth and customer satisfaction across the world. In Sri Lanka, most of the banks are reluctant to take the “first mover advantage” with the latest technology. One may recall in late 1980’s the way Sampath Bank introduced new technology to the banking industry in Sri Lanka and as a result, most of the existing banks at that time were compelled to follow suit to be on par with this bank. However most of the banks in Sri Lanka still hesitate to move away from the traditional banking systems and to embrace the benefits of “thriving in the digital world”. The irony is that such banks do not realize the fact that the first mover advantage itself will provide the much needed competitive advantage in the local banking arena. For instance introduction of “Fintec”.

Financial Technology (Fintec), is an economic industry composed of companies that use advanced technology to make financial services more efficient and effective. Financial technology companies are generally startups trying to disintermediate existing financial systems and challenge traditional banks that are less reliant on software. This encapsulates both banking and insurance, with the degree of available agility, technology can be customized and localized to suit the requirements. Fintec can be used not only for payments, investments, financing, big data, advisory services, but also at retail, corporate and private/personal banking covering B2B, C2C and B2C as well. In Germany, few new banks run without the employees on virtual basis using this technology with only online banking. In Israel too, one bank runs on a similar model as a “Mobile Bank”. Needless to say, cost can be kept very low. But there are some trends in digital banking that are being slowly adopted by the banking industry as a whole across the world.

Cost or a challenge is attached to any benefit. The key lies in establishing digital identities which would consist of a series of partial identities. This is because the kind of identity required to do online banking is completely different to that which is needed to join a chatroom. For instance, an account



number is required for online banking. For a chatroom, not even one's real name is required. The various aspects of one's identity should only be revealed as and when they are needed. Maintaining secrecy should be so sacred when it comes to banking.

Some of the other benefits are improved business processes through faster access to and retrieval of required information, well-informed decision-making through faster access to all of the right information, higher level of service delivery as the relevant information can be located easily, mitigation of business and reputational risk and improved business continuity, lower compliance costs and enhanced ability to provide accurate and timely and transparent responses to legislative and regulatory requirements. Cost savings from less creation, storage, retrieval and handling of paper records, converting banks to "paperless banks" and also positively contributing towards ecology under the concept of sustainability.

Another salient advantage is the ability to identify the customer through biometric technology for personal identification. Biometric verification is a method through which a customer can be identified by evaluating one or more distinguished biological traits. For instance, thumb impression, hand geometry, voice waves, DNA, retinal and facial recognition. For instance, Heathrow Airport departure lounge is equipped with biometric verification system. Similar systems are suggested to banks as well.

Technology can be used to transform branch banking to more Kiosk type branches with technology. Modern banks are positioning themselves as lifestyle brands and redesigning branches which are beginning to look more like retail superstores. Banks, especially in prime urban areas, find it uneconomical to cater to customers who are visiting branches for mere routine transactions. In these branches banks are keen to sell high end products and position themselves like a modern retail superstore with highly personalized environments.

As a result, a slew of branches which have self-help kiosks or video assisted tellers performing routine transactions can be introduced while human interaction is provided to carry out more complex sales processes like a mortgage or a personal loan. Ultra-modern and chic Apple superstores are an inspiration of designing these branches. Some banks are also in the process of establishing their branches within shopping malls so that users do not need to pay a visit to the bank branch separately and can carry out banking during a regular shopping trip.

Cutting edge financial management and other digital tools which capture consumer behaviour and enable personalization will be instrumental for banks in creating an enhanced long term relationships with customers. Banks already possess a significant amount of customer data gathered over a long period of time and, when mined, this data can pretty accurately create a picture of customer's lifestyle including income, spending styles, savings, investments and insurance.

Banks can create innovative personal management tools and provide the right contextual advice using a mobile device for creating long term memorable relations. For example, if a customer is planning



to carry out an impulse purchase and the personal finance management tool's dashboard is able to signal that there is an impending loan payment in a couple of days which might be missed if the impulse purchase is made, then the customer is likely to be grateful to the bank for the reminder.

Challenges in the digital world.

Three major challenges are envisaged in this aspect. First is the legal protection for banks. Especially in countries like Sri Lanka, the legal fraternity is reactive. This is a challenge. In this modern era, one cannot apply the basic *Joachimson vs Swiss Banking Corporation (1921)* case to identify the banker-customer relationship in a digitalized world. Hence while accentuating the fact that the local legal system should also move towards digitalized world, legal protection for banks has to be in force as a proactive measure in Sri Lanka.

Secondly, though we focus on millennials and the GenZ, there is a sizeable portion in the society who are not tech-savvy or computer literate. Their level of adaptation is virtually zero. For instance, senior citizens (generations X and Y). These segments in the market have to be convinced and also trained if necessary to reap the benefits of "going digital". Incentivizing them is an option. If not, this would be a futile exercise.

Finally the quantum of investment and the cost-benefit analysis at an era the local rupee is depreciating and Sri Lanka is struggling to maintain the required foreign reserves have to be carefully analysed. The risk of failure and the cost of being the first mover should also be mitigated by banks, since in Sri Lanka and in many other countries as the degree of state intervention with regard to strategic, economic, technical and legal dimensions are at a minimum level for any industry.

Conclusion

This article enlightened and rationalized the exigency to move towards "digital world" to be innovative in the banking industry based on current global trends and the research outcomes along with several pragmatic examples. Hence bankers should dare to thrive in the digital world if they intend to enjoy the competitive advantage in the banking industry in Sri Lanka.