

Can Emerging Economies Bank on TV?

As banks reap the benefits of non-branch service delivery channels that came of age in the recent past, their quest to expand reach via innovative offerings never ceases. Banking services made available via television media have been one such innovation that attracted significant attention from banks a few years back, though it was a case of early delivery for most countries.

Banking on TV was aggressively launched in the LATAM and European region between 1999 and 2001. Banking industry analysts initially wrote off this mode of service delivery for advanced geographies, primarily quoting the bright future of Internet/PC paving the way for internet banking as the preferred option over television as reason. Even today, when almost 1/3 of the top 20 European banks offer some form of interactive TV banking, the slow initial uptake however has been similar to that faced by mobile banking over the past decade.

What is it about?

T-Banking is about exploiting television's existing reach into households as a viable banking service delivery channel. The commercial applications that can be further built on top of this platform could enable users to perform T-Commerce activities, like paying for tele-shopping, making bill payments et al.

Certain pre-requisites for T-Banking and T-Commerce are:

- Set-Top Box [STB] infrastructure to offer TV media in any of the three prevalent modes:
 - Conditional Access System [CAS]
 - Direct-to-Home or Satellite TV [DTH]
 - IP-TV services [IPTV]
- Secure Message Broker infrastructure between STB and banking infrastructure.

The interactive services arena has been bustling with activity, taking into fray media houses (like Skytel in UK, Tata Indicom and Hathway in India, Comcast in US), software companies (like NDS) and interactive content companies (like gaming) alike. In most part of the world, CAS mode is largely one-way (from service provider to customer). DTH and IP-TV can enable two-way communication, albeit with some practical bandwidth constraints as-on-date. Regardless, banking services can be offered as a media offering in each of these three modes

Is there commercial sense in it?

Advanced geographies have progressed well in ensuring online connectivity to all nooks and corners of their world. Given the fact that most part of the developing world is yet to rollout online interconnectivity across their geographical parameters, coupled with limited basic computer know-how in remote corners, online banking channel feats can only be complemented by using ubiquitous presence of television infrastructure as a viable channel.

The focus market for this delivery channel should be up-and-coming Asian geographies (like India, China, and other countries in the sub-continent) which are perceived as more video-crazy when compared to their Western counterparts. This is further corroborated with published trends on the internet, that showcase the potential of T-Banking and T-Commerce market, particularly for India:

- Analysts in this space tout India as the 3rd largest TV market globally of which 1% customer base is digital TV (DTH and CAS)
- A reputed research firm forecasted the number of digital cable households climbing to 2.2 million in 2009, which would translate into about 5% of all cable-connected homes in India.
- Another research firm predicts the number of digital cable subscribers will rise to 4.5 million, or slightly more than 7% of all households with cable connectivity, three to four years from now.

Whom does it serve & how?

T-Banking and T-Commerce is generally clubbed under a single bracket, but considering the Indian context, the following split may work out well:

| | |
|------------|---|
| T-Banking | Small Enterprises, Proprietary firms operational from homes, housewives, Non-metro, under-banked segment |
| T-Commerce | Metro/Cosmo population, need not be online banking customers, possess credit cards, high disposable income-levels |

Banks get a new delivery channel particularly in the wake of two key limitations around existing channels. Firstly, expansion of brick-and-mortar branch network follows the licensing regime and as a result, not all banks have fair competition. Secondly, online banking which is the key competition to this channel is still plagued with PC/internet-dependency, while TV has better reach to the masses.

How do we exploit this opportunity?

Today most STBs support one-way communication with the service providers. Thus, certain basic account management features (account enquiries, local payments, self transfers etc.) can be deployed on the T-Banking platform. The real value of TV media as a banking channel however will come through:

- TV-Mail which would mean extending SecureMail capabilities to TV media.
- Hand-holding banking sessions with TV-based Relationship Management (face-to-face interaction), consumers will be able to see a living face on TV and talk on Phone to a scrolling number on the TV screen.
- Virtually dedicated channels for banks enabled for T-Banking, like entertainment content companies (like ESPN, Star, Zee).

What are the channel adoption risks and remedies, if any?

First and foremost, there is speculation that IP-TV will provide Internet access via TV interface meaning that existing online banking capabilities will be automatically accessed via TV. The true interpretation of IP-TV revolution is about the convergence of channels, but it may not necessarily mean end-user device convergence. Therefore, while the TV media may be offered on broadband cable infrastructure, the ability to access internet sites via TV interface is not a reality today.

Secondly, cable distribution system in the Indian subcontinent is complex and fragmented. However, respective governments are aggressively working towards organizing this industry.

Thirdly, there are infrastructural limitations today in the cable space. Inquiry-type one-way banking services can be rolled out to start with. Subsequently, depending on market readiness for STB-upgrade plan from MSOs (with two-way communication capability), complex features can be planned.

Finally, there are concerns about consumer pricing, which have to be addressed jointly by banks and MSOs. The key concern at this point is 'channel adoption' and once that picks up, there is no stopping these innovative means of extending banking services.

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