

Event Proceedings Report

Redefining the customer value through digital transformation

Finance Indonesia Dialogue 2024
12 September 2024, Jakarta, Indonesia

01 Introduction

The Asian Banker, AWS, Red Hat, and Temenos jointly held the Finance Indonesia Dialogue 2024 on 12 September, with industry leaders to discuss the redefinition of customer value proposition through digital transformation and innovation by focusing on customer-centric technology adoption and data analytics within Indonesia's evolving regulations around data privacy.

The discussion centred on the following four major themes:

1. Redefining customer experience through digital transformation
2. Prioritising customer value and security through strategic technology adoption
3. Navigating new data privacy regulations
4. Driving profitability through digital engagement and data analytics

02 Panelists

- **Destya D. Pradityo**, Head of Digital Strategy, Allo Bank
- **Koesmanto Leonardo**, President Director, Bank Saqu by Bank Jasa Jakarta
- **Michael Tatria**, Chief Technology Officer, Bank Saqu by Bank Jasa Jakarta
- **Nadia Adelina**, Officer, Digital Campaign Strategy & Delivery, Bank Mandiri
- **Brikson Hara Donald Barus**, Head of Campaign Management, Bank Mandiri
- **YB Hariantono**, Director of IT, Bank Mega
- **Wibiyanto Cahyadi**, Digital Initiative, Fintech, & Strategic Partnership, Bank Sahabat Sampoerna
- **Djumariah Tenteram**, Director of Retail Banking and SME, Permata Bank
- **Jonathan Sudianto**, Head, Business Development and Partnership, Permata Bank
- **David Jiménez Maireles**, Global FinTech Leader in Digital Banking and Financial Inclusion, D19 Advisory
- **Yudi Adicawarman**, Commercial Sales Manager, Red Hat
- **Lyvia Kurniawan**, Account Manager, Red Hat
- **David Mulyadi**, Solution Sales Specialist, Red Hat
- **Paul Kristandi Tanu**, Senior Manager, Solution Architecture, Red Hat
- **Frankie Wai**, Business Solution Director, Temenos
- **Foo Boon Ping**, President and Managing Director, The Asian Banker
- **Christian Kapfer**, Research Director, The Asian Banker

03 Key discussion points

3.1 Redefining the customer experience through digital transformation

Banks in Indonesia are moving beyond traditional operating and distribution models as they fully integrate digital technologies. The convergence of digital and traditional banking signifies a shift towards a holistic digital environment where branchless banking and paperless transactions are now standard.

However, financial institutions are challenged to find innovative use cases that go beyond these basics to truly deliver value and differentiate themselves. The focus is on leveraging technology to create meaningful customer experiences, streamline services and meet the evolving needs of a tech-savvy clientele.

3.2 Prioritising customer value and security through strategic technology adoption

In their quest to enhance customer experience and operational efficiency, banks are strategically adopting technologies such as application programming interface (API), cloud computing and artificial intelligence (AI). The primary goal is to provide tangible value to customers, ensuring that technological advancements translate into real benefits rather than adopting technology for its own sake.

Banks aim to modernise their technology infrastructure, systems and processes to efficiently handle growth in customer demand, transaction volumes and operational complexity without requiring significant additional resources or overhauls.

Security remains a paramount concern, with banks emphasising 'security by design' to protect customer data and ensure operational resilience amid increasing cyber threats.

An agile approach to technology adoption allows banks to quickly adapt to changing customer preferences while maintaining robust security measures

3.3 Navigating new data privacy regulations

The introduction of new data privacy laws and regulations on cloud computing presents a complex regulatory landscape for Indonesian banks. Compliance requires a delicate balance between adhering to legal requirements and fostering innovation. Banks are engaging regulators to navigate these challenges effectively.

Regulators in Indonesia are progressively shifting from rule-based to principle-based approaches, especially in areas like biometric onboarding, which encourages innovation while maintaining oversight. Financial institutions are undertaking significant internal efforts to comply with data privacy regulations, recognising that regulatory compliance is crucial for sustainable growth and customer trust.

3.4 Driving profitability through digital engagement and data analytics

As customer acquisition costs rise, Indonesian banks recognise the importance of deepening customer engagement to drive profitability. Simply acquiring customers without increasing their deposits or transactional activities proves costly and unsustainable.

Banks are leveraging digital engagement tools and data analytics to enhance customer experiences, personalise services and improve credit underwriting processes. By delivering seamless and valuable services, banks aim to boost customer loyalty and increase revenue streams. Effective use of data analytics enables banks to understand customer behaviours better and tailor their offerings, leading to better engagement and a more profitable business.

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Detailed Discussion and Insights

4.1 Redefining the customer experience through digital transformation

Indonesian banks recognise that digital transformation is not just about implementing new technologies but about fundamentally rethinking how they deliver value to customers. The convergence of digital and traditional banking models indicates a shift towards a fully integrated digital banking environment.

4.1.1 As branchless banking and paperless transactions become standard, Leo Koesmanto, the president of Bank Saqu noted, "These initial promises are becoming hygiene and everyone is offering similar things. Technology is similar, the challenge will be to find the real use cases (to deliver value),"

4.1.2 Djumariah Tenteram, the director of retail and small and medium sized enterprise (SME) banking at Permata Bank, emphasised the bank's efforts in mobile banking and API integration, focusing on "investing in digital partnerships (business-to-business and business-to-consumer)" to transform, especially given its limited physical presence.

4.1.3 Brikson Hara Donald Barus, Head of Campaign Management of Bank Mandiri also added that while traditional banks aim to replicate the strategies of digital banks, "they face challenges due to legacy systems and slower decision-making processes," hindering innovation and experimentation.

4.2 Prioritising client value and security through strategic technology adoption

Banks are prioritising technologies that enhance customer experience, security, and operational efficiency. The adoption of mobile banking, API and cloud computing is driven by the goal of providing tangible value to customers. An agile approach to technology adoption allows banks to quickly adapt to changing customer preferences.

4.2.1 YB Hariantono, the IT director of Bank Mega, discussed the importance of adopting artificial intelligence (AI), cloud computing and API to enhance customer experience, aligning technological adoption with customer expectations.

4.2.2 Michael Tatria the Chief Technology Officer of Bank Saqu stressed that “for us, it’s about how technology can bring value, not just how advanced it is,” underscoring the need to focus on customer benefits rather than technology for its own sake.

4.2.3 Donald Barus highlighted the challenge for traditional banks in integrating modern technology into legacy systems, questioning whether “they have achieved parity with digital-only banks in terms of digital capabilities”.

4.2.4 Frankie Wai, business solution director of Temenos highlighted the importance of “security by design,” particularly with the rise of AI, where operational resilience and data privacy are crucial in delivering secure and innovative banking solutions.

As a problem-solver focused on crafting innovative approaches and selecting suitable technologies, he emphasised the growing trend of digital banking across Asia. He noted the challenge of digital banks achieving profitability and underscored the need for innovative products. He also stressed the importance of inclusivity, openness and ensuring AI is both explainable and responsible.

4.3 Navigating new data privacy regulations

Navigating the regulatory landscape is a complex task for Indonesian banks, especially with new data privacy laws and regulations on cloud computing. While regulators are progressive and adaptive, banks must balance compliance with innovation, requiring strategic planning and collaboration with regulatory bodies.

4.3.1 Donald Barus expressed concerns about the upcoming data privacy regulations, noting extensive internal discussions on compliance strategies, particularly regarding customer engagement without explicit consent, which is based on the Personal Data Protection (PDP) Law in 2022. The Otoritas Jasa Keuangan (OJK), the Financial Services Authority in Indonesia issued a set of specific regulations to complement the PDP Law for the financial services industry aimed at regulating the collection, use and protection of personal data, with the goal of enhancing privacy protection in Indonesia.

The PDP Law has not yet been effectively enforced as it provides for a two-year grace period after its enactment, which lapsed in October 2024. A draft implementation regulation has yet to be finalised but will bring clarity to numerous aspects of the PDP Law that are essentially regulated in only a very broad manner.

4.3.2 Tatria highlighted the positive role of regulators, stating that they help establish standards in response to evolving fraud models and technological threats, which strengthens industry maturity.

4.3.3 Koesmanto observed that Indonesian regulators are shifting from rule-based to principle based approaches and are open to innovation. He notes that “regulators are very adaptive with the things that are new... moving from rule-based to principle-based guidelines, especially in areas like biometric onboarding”.

4.3.4 Wai from Temenos noted that technology partners highlight their collaboration with banks to ensure compliance with regulatory requirements, particularly in data privacy and security, stressing the importance of these partnerships in meeting new regulations. Regulatory changes drive innovation in banking technology by setting new compliance requirements.

In Hong Kong’s 2019 virtual bank rollout, regulators issued eight licenses, fostering digital banking even in small markets. Banks had to adopt cloud solutions with escalating resilience demands—from recovery point objective of three hours to active-active resilience—ensuring continuous operation despite data centre failures. These stringent requirements challenge banks but create opportunities to leverage technologies like multi-cloud architectures. By aligning technology with regulatory frameworks, banks not only meet compliance standards but also enhance their digital infrastructure and services.

4.4 Driving profitability through digital engagement and data analytics

Digital lending and financial inclusion efforts are central to expanding banking services to underserved populations in Indonesia. Banks recognise that merely acquiring customers is insufficient; they must also foster engagement and provide valuable services that lead to profitability. Data analytics and personalised customer experiences are key tools in achieving these goals.

4.4.1 Tatria highlighted the challenges banks face in transitioning from customer acquisition to profitability, particularly when serving financially inclusive but non-prime customers. He emphasised that effective use of data analytics is essential for credit underwriting.

He also underscored the importance of delivering a seamless customer experience to ensure engagement and retention, stating that increased customer engagement leads to a better journey toward profitability.

4.4.2 Koesmanto explained that after acquiring customers, the focus shifts to “increasing funded rates and customer engagement to drive profitability,” as acquiring customers without increasing deposits or transactions is costly without generating income.

4.4.3 Tenteram discussed how digital capabilities have enabled the bank to scale its consumer banking operations, especially by reaching segments previously inaccessible due to their limited branch network.

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Conclusion

Key strategies for redefining the customer value in banking

Based on the discussions from the Finance Indonesia Dialogue 2024, four strategic action points emerged that banks in Indonesia could focus on:

5.1 Invest in customer-centric digital transformation

Banks should focus on creating truly differentiated customer experiences that go beyond the basics of branchless banking and paperless transactions. This could involve developing new digital use cases that directly address evolving customer needs. Banks must place a strong emphasis on innovation to remain competitive, while ensuring that technological adoption is closely tied to delivering real value for customers.

5.2 Adopt a holistic approach to security

Banks are recommended to prioritise security across all technology platforms, adopting a “security by design” approach. As cyber threats grow and data privacy regulations become stricter, ensuring the robustness of digital infrastructures and protecting customer data must be at the core of technology adoption. Furthermore, banks should invest in AI and machine learning technologies to enhance security measures and improve real-time fraud detection.

5.3 Focus on data analytics for deeper customer insights

Banks need to enhance their use of data analytics to gain deeper insights into customer behaviour, preferences, and transactional patterns. This will enable them to personalise services, optimise product offerings, and improve credit underwriting. A more granular understanding of customers’ needs will also help banks in creating targeted engagement strategies, reducing churn and enhancing profitability.

5.4 Promote digital engagement to drive customer engagement, loyalty and profitability

Merely acquiring customers is no longer sufficient. Banks must focus on increasing customer engagement by offering relevant, seamless and value-driven digital services. Leveraging digital channels such as mobile banking, APIs and personalised communication will drive higher engagement levels. Banks should ensure that these services are user-friendly and designed to foster long-term loyalty, growth in transactional activities and ultimately sustained profitability.

06 Photo Gallery



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