Standard Chartered's journey in Africa from legacy to revolutionary

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Africa was the birthplace of the mobile wallet in the mid-2000s, a digital payment revolution that was driven by necessity, given limited access to bank branches and banking services. Africa has made great strides in its mobile and digital adoption with some truly world-scale success stories, such as Safaricom's MPesa. Airtel Money and MTN recently raised capital at very attractive valuations showcasing the ability of digital to create significant value.

The COVID-19 pandemic, by stripping us of in-person interactions, has possibly pushed financial services in Africa into a 'Goldilocks moment'. This transformation, wherein the combination of technology, platforms and customer demographics are taking place, can result in an explosive growth and lift financial participation, especially by providing equitable access to quality financial services. This also boasts a significant opportunity to promote greater gender equity in the financial sector and connect small businesses to local and regional hubs, possibly even to international markets.

However, as attractive as this African opportunity may sound, it clearly requires financial services incumbents to adopt an intent to self-disrupt and shift their mindsets. Research, and my own personal experience, clearly indicates that organisational inertia is the main reason that many transformations stumble or falter. Many incumbent banking players have set off to digitise their services or launch neobanks. Yet, digitising a retail bank (and indeed the overall bank and banking) in its truest sense is a challenge that very few players have been able to solve. It requires an inflight change not just of technology, but of entrenched structural costs and legacy mindsets of all banks, clients and regulators.

The challenge is also compounded by the expectation of an immediate growth in profitability, which again causes transformation initiatives to deviate from the overarching purpose and settle for tactical solutions rather than a truly transformational outcome. The objective of banks ought to be to reinvent and disrupt using technology and digitalisation as an enabler of increased revenue, returns, client acquisition and profits as the outcomes, which will undoubtedly follow if the services and solutions offered meet customer needs and solve their pain points.

At Standard Chartered, we sought to address these issues may charting a journey towards digitisation and self-disruption in Africa. Over the past three and a half years, the team in Standard Chartered Bank in Africa has tried to address the core issue that afflicts banking institutions – how to successfully and profitably convert a legacy international bank into a truly digital bank, using a standardised platform that is future-ready while also nimble enough to incorporate local flavours.

After successfully piloting a digital bank in Côte d'Ivoire in 2018, Standard Chartered rolled out digital banking platforms across eight additional key African markets, including Uganda, Tanzania, Ghana, Kenya, Botswana, Zambia, Zimbabwe and Nigeria.

Launching digital banking platforms across these nine markets was possibly far easier than rewiring mindsets and igniting a culture of innovation and experimentation! Yet, this cultural transformation is a must-do and a precursor to the real transformation and has been a critical focus during the bank's journey.

The digital banks have allowed Standard Chartered to attract a new audience of future-ready consumers, comprising a younger, digital-savvy demographic, with more than two-thirds of accounts being opened by consumers below the age of 35 and women representing a much larger share than normal. The pandemic, rather than becoming a stumbling block, accelerated the growth, with Standard Chartered experiencing an increase in its customer base by half a million, representing 50 percent of its legacy base, since the onset of the pandemic.

The Bank has also gone paperless, and all customer acquisitions are now digital, while in parallel all legacy customers are being converted into digital. Customer engagement is robust, evidenced through app ratings, feedback from customers and healthy average account balances.

In Africa, the Bank was able to support clients during COVID-19 without any interruption, even with minimal staff operating physically from offices. As a direct result of this digital readiness, and by the end of 2020, almost two-thirds of regular banking services were fulfilled using the app without the need for the customer to visit or call the bank.

This technology platform has enabled the Bank to offer retail and wealth products, while integrating with other ecosystem partners. The platform is populated with products, value propositions, campaign leveraging analytics, continuous customer feedback and testing, and has been designed based largely on input from clients.

This digital banking platform is showing early signs of transforming the wealth culture in Africa, by demystifying and bringing small-ticket investment and insurance offerings within the reach of the regular customer across Africa. The Bank has witnessed a 250 percent increase in wealth management transactions booked when COVID-19 first hit the African markets. On a monthly average, the transactions were 160 percent higher in 2020 on the mobile app in Kenya compared to the average across the previous year. Kenya, one of the Bank's markets leading the digital transformation, crossed a critical milestone of USD 1bn in AUM (assets under management) boosted by the growth that digital enabled.

Digitisation has also the potential to increase the financial inclusion especially of women by enabling them to access banking products and services from anywhere, at any time. Bank branches are not always close to women, especially in conservative cultures or rural regions, and it can be difficult for them to leave their homes to go to a bank, or even find one.

One of the unique financial inclusion opportunities delivered in Africa is the establishment of an agency banking model. This is an arrangement that allows a retail outlet to serve as a representative of the agent of the Bank, offering transactional services to the bank's customers as defined by agency banking guidelines. Agency banking allows the traditional banks to extend their network of branches and services in a cost-efficient manner through authorised agents. The Bank has introduced agent banking in Uganda, comprising of almost 10,000 touch points for cash deposits and withdrawals that aid in reshaping its distribution model. This coupled with a recent collaboration with Airtel Africa – a leading telco with a presence in 15 African markets – will drive financial inclusion across key markets in Africa by providing consumers with increased access to mobile financial services. This model is now being rapidly expanded to the other markets in Africa in the coming quarters.

A challenge that most stand-alone digital banks globally are facing is the slow path to profitability. Technology can be transformational but is not cheap and has a relatively long gestation period. Profitability was a clear design principle in the way our Bank approached this transformation by aggressively cutting legacy cost whilst pivoting to exponential digital-led growth. This has brought forward the break-even for these investments.

As the dust settles on this phase of the Bank's transformational journey, it is clear that the successful transformation of a legacy bank into a true digital bank has a disproportionate payoff as it combines the century-old trust that customers have with the exponential growth possible from a low-cost, future-ready digital platform.

By choosing Africa as the battleground to demonstrate early signs of success, Standard Chartered has not only underlined its ambition for the continent, but also the confidence with which it is executing a technology-led, cultural transformation. There's a long way to go as this strategy plays out and it is too early to claim victory. But the early positive signs of the Bank's transformation in Africa could become the template for banking incumbents to become nimble and win.

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