The *Customer In* Transformation

Oracle Financial Services at Industry Day for Business Partners

David Mather (david.mather@oracle.com)
Senthil Kumar
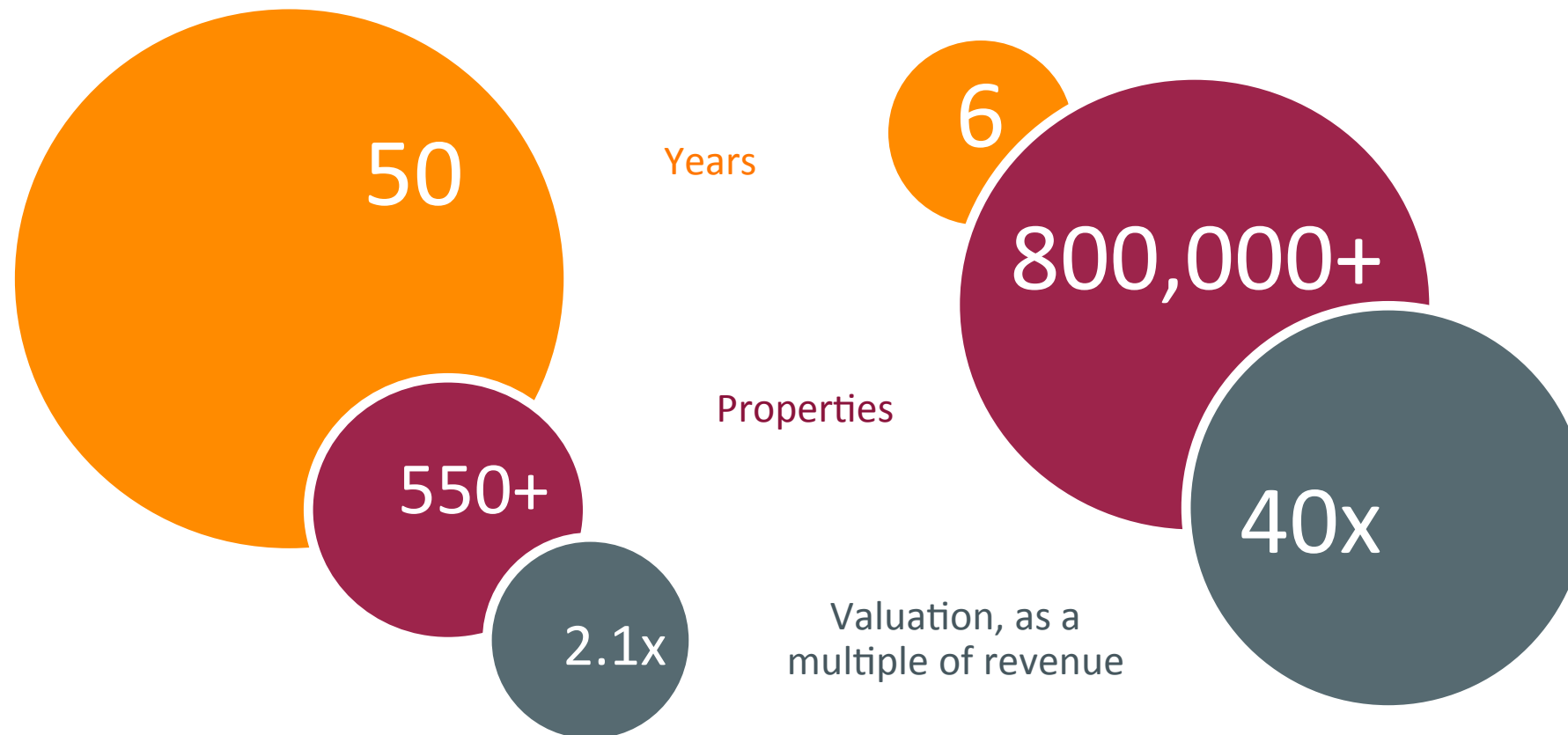Subin Paul
Chris Bushell

London, Oct 2014

Safe Harbor Statement

The following is intended to outline our general product direction. It is intended for information purposes only, and may not be incorporated into any contract. It is not a commitment to deliver any material, code, or functionality, and should not be relied upon in making purchasing decisions. The development, release, and timing of any features or functionality described for Oracle's products remains at the sole discretion of Oracle.
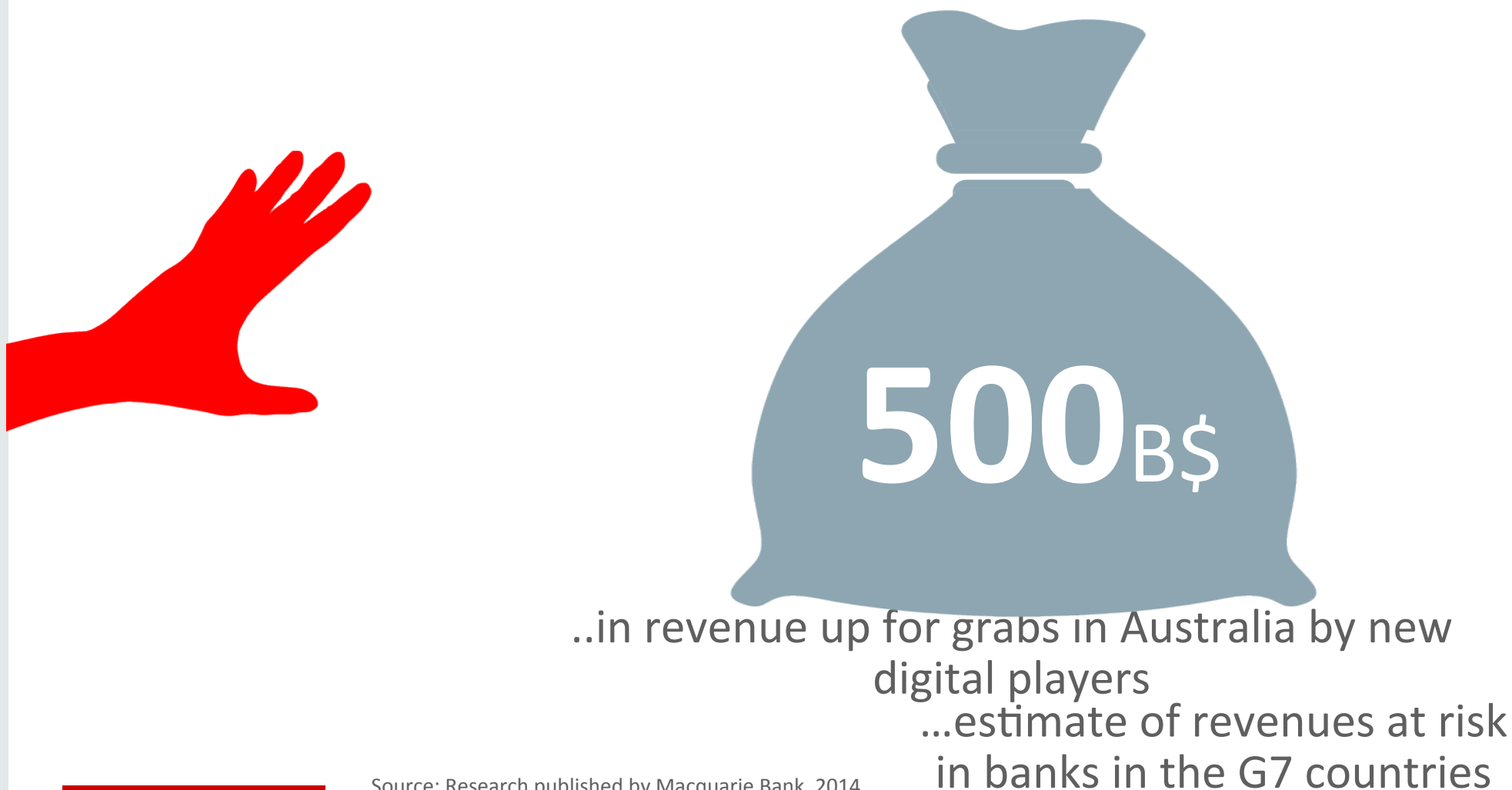
Business Impact Of Digital Disruption Today

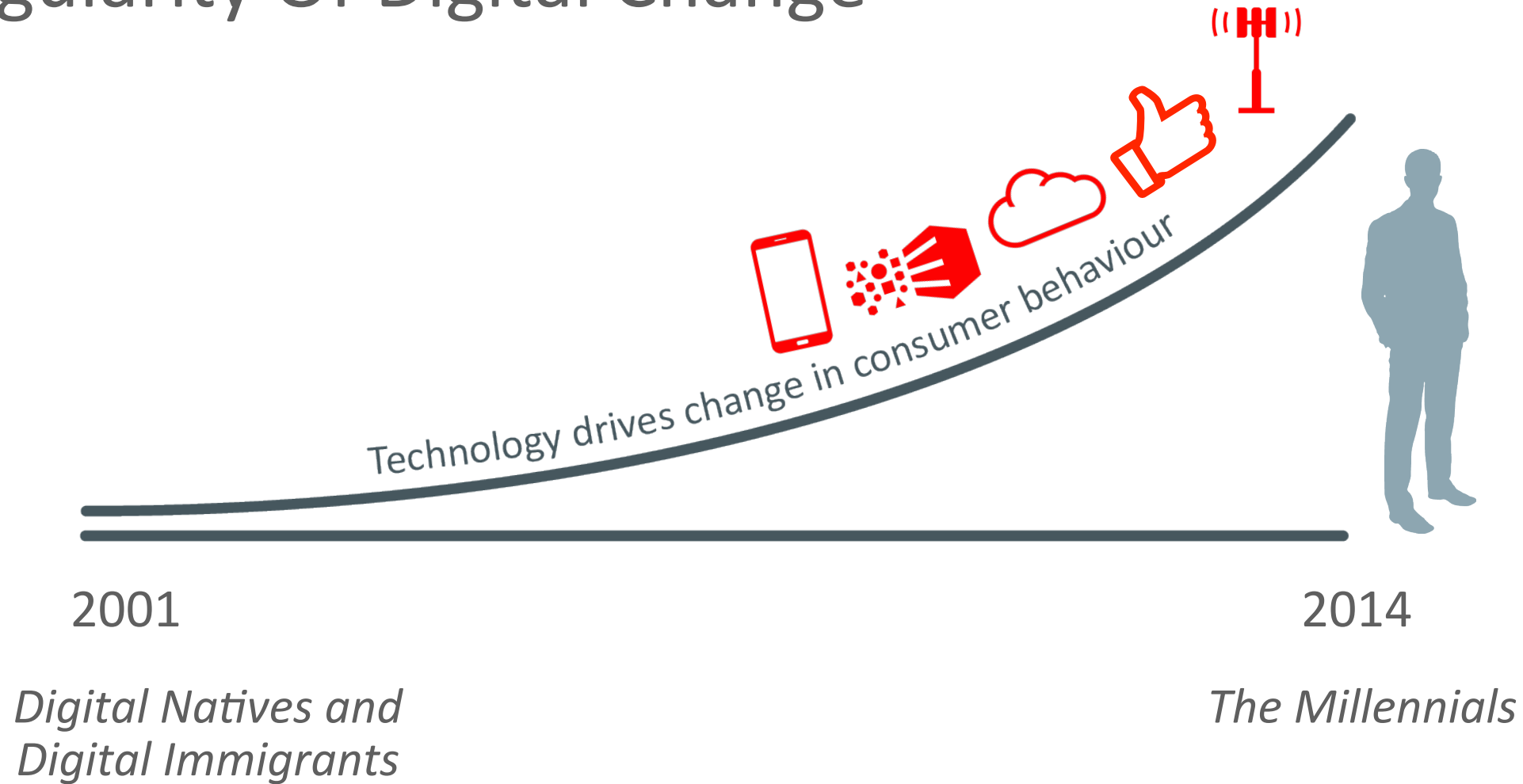# Business Impact Of Digital Disruption Today

50

Years

6

800,000+

Properties

550+

40x

2.1x

Valuation, as a
multiple of revenue

Revenue Up For Grabs For New Digital Players

500B$

..in revenue up for grabs in Australia by new digital players

...estimate of revenues at risk in banks in the G7 countries

Source: Research published by Macquarie Bank, 2014

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6

Singularity Of Digital Change

Technology drives change in consumer behaviour

2001

2014

*Digital Natives and
Digital Immigrants*

The Millennials

The Millennials Are The New Customer!

1980
Born after

30% Of the world population

60% Of the global workforce by 2025

90m Living in the US

2T$+ Aggregate net worth

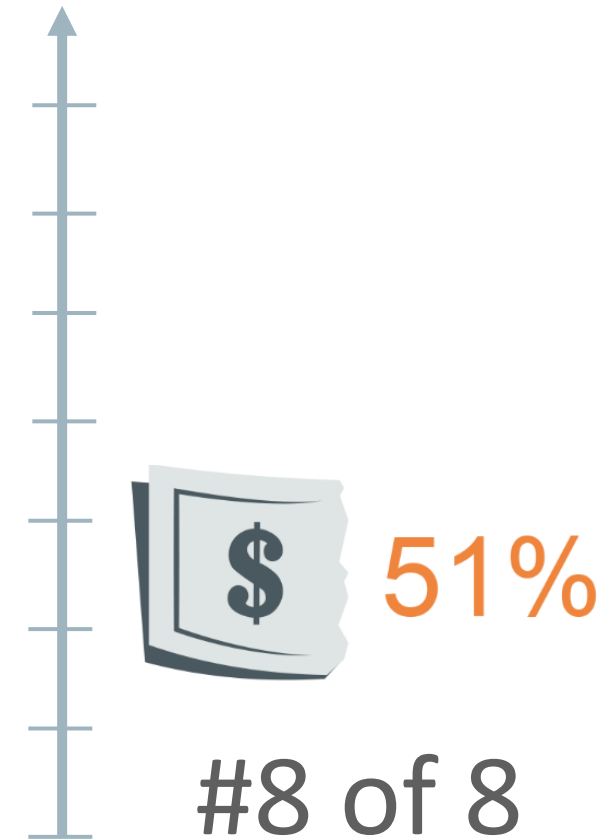**85**% Have enough money or expect to in the future

Sources: E&Y, Wealth Front, PewResearch, World Bank

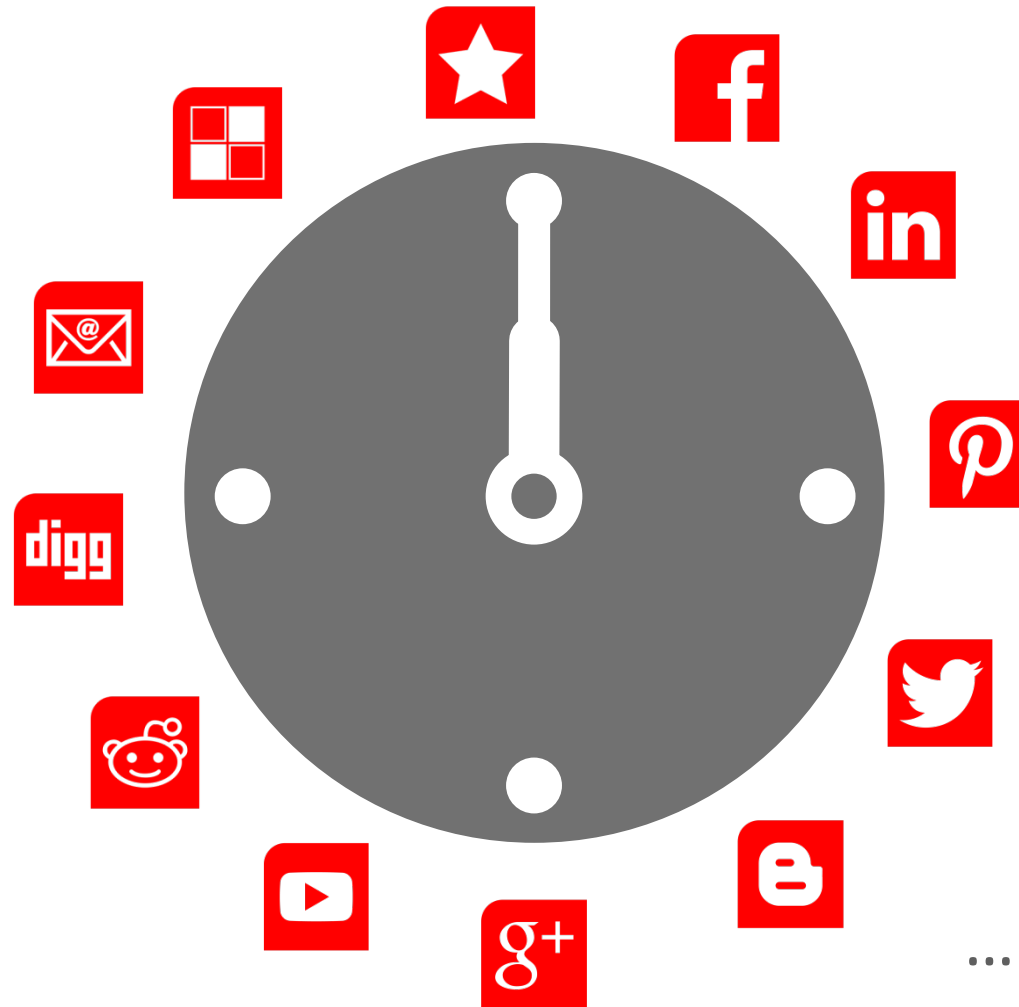# Industry Needs To Build Their Trust!

#2 of 8

70%

$ 51%

#8 of 8

Source: Edelman Trust Barometer, 2014 Global Results

Who Do Millennials Trust?

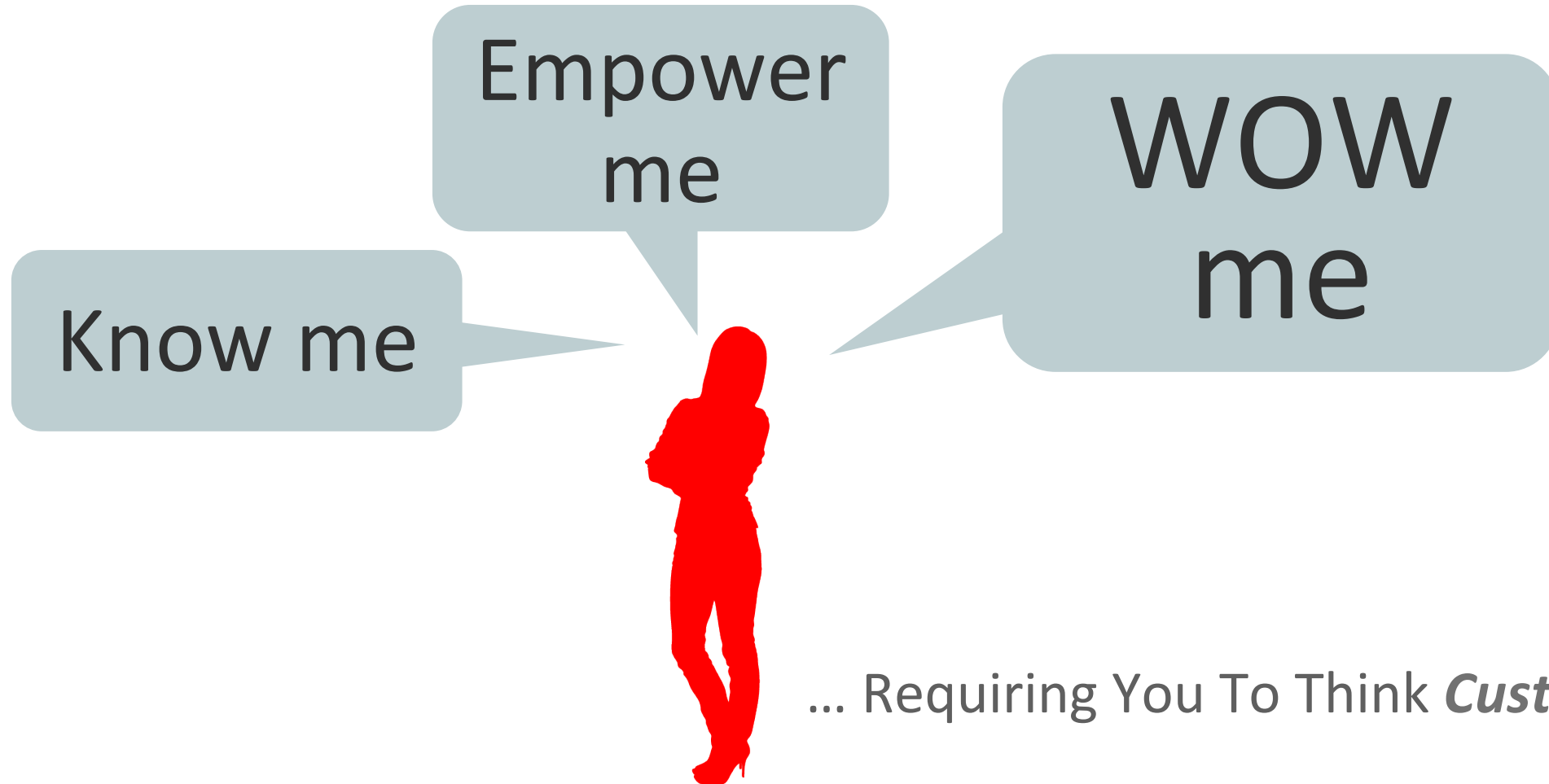Friends

Online Search Engines

Person like me

A regular employee

ORACLE®

They Are At The Centre Of Their Own Digital Networks

... They Are Always On

Resulting In A Different Level Of Expectations

Empower me

WOW me

Know me

... Requiring You To Think *Customer In*

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What Is *Customer In*?

Customer In

Line breaks: Cus|tom|er In

[mass noun] [adjective]

The mentality or state of readiness of an organization to proactively engage a customer or a prospect, to build a sustainable, information driven and value centric relationship. This is distinct from "customer centric" where a business tries to intelligently map their products and services to sell to the customer.
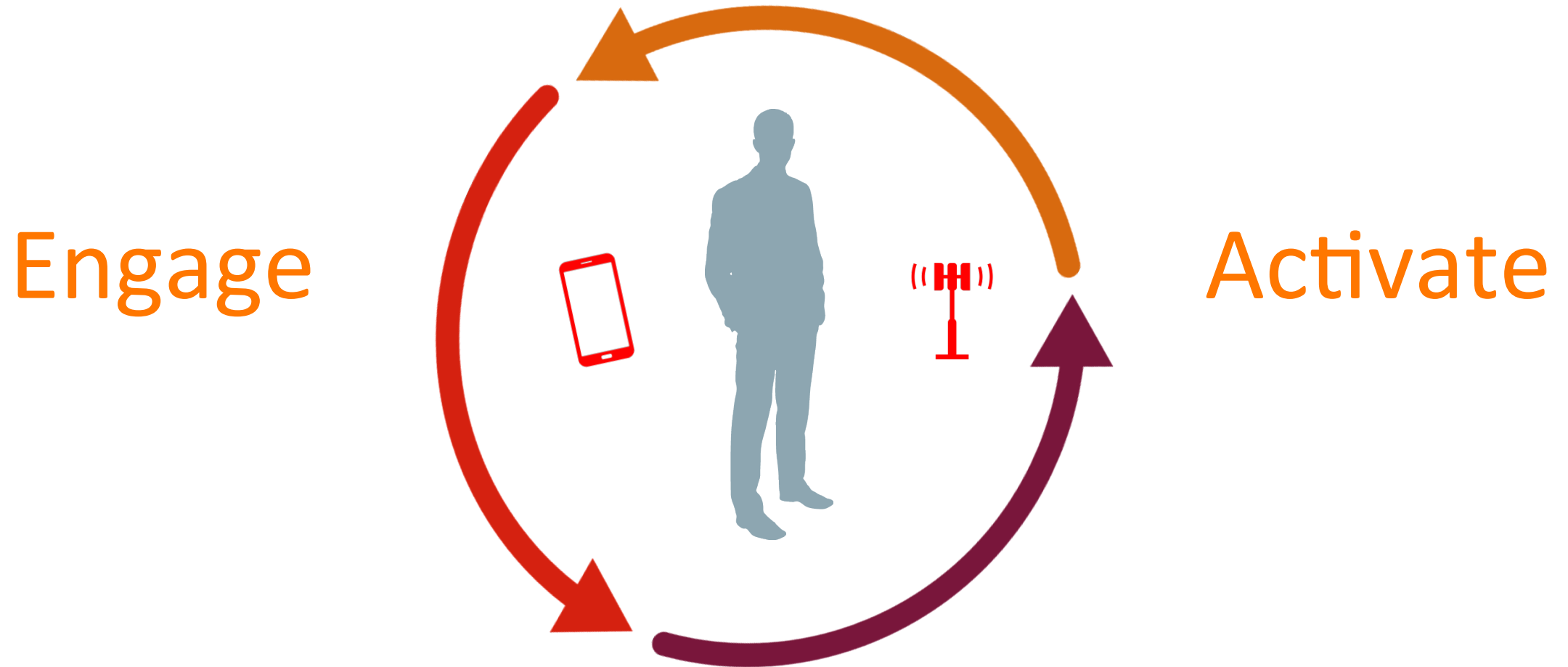
Synonym: Customer Centric

Antonym: Product Out

Origin

early 21st century: from the Oracle engagements with telecommunications companies

The Telecommunication *Customer In* Transformation

Engage

Activate

ORACLE®

Providing The Right Outcome ...

COMPLICATING LIFE

EMBRACING LIFE

12:53
Sunday 14 September

YOUR MOBILE OPERATOR
Welcome to the USA. As you're in our Rest of the World Zone 1 it costs up to £1/min to make a call, 75p/min to receive one. Texts...
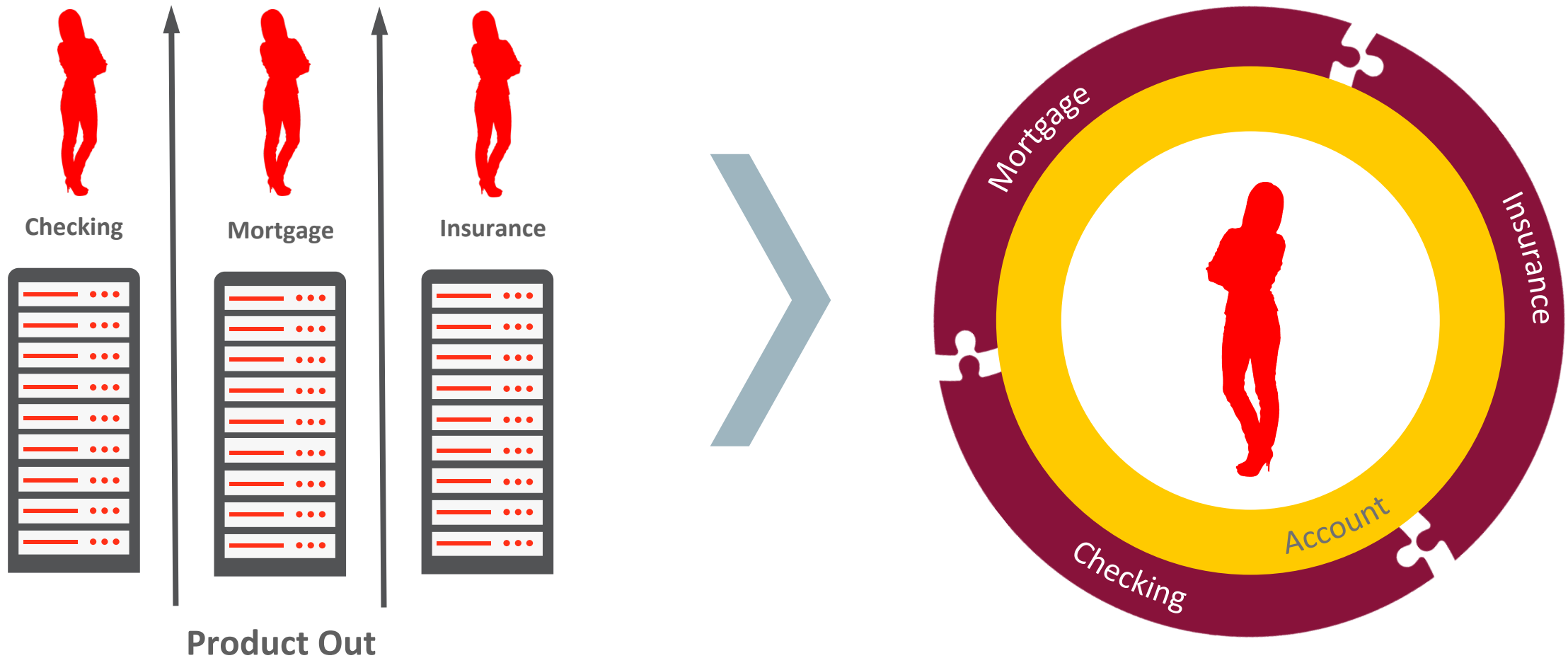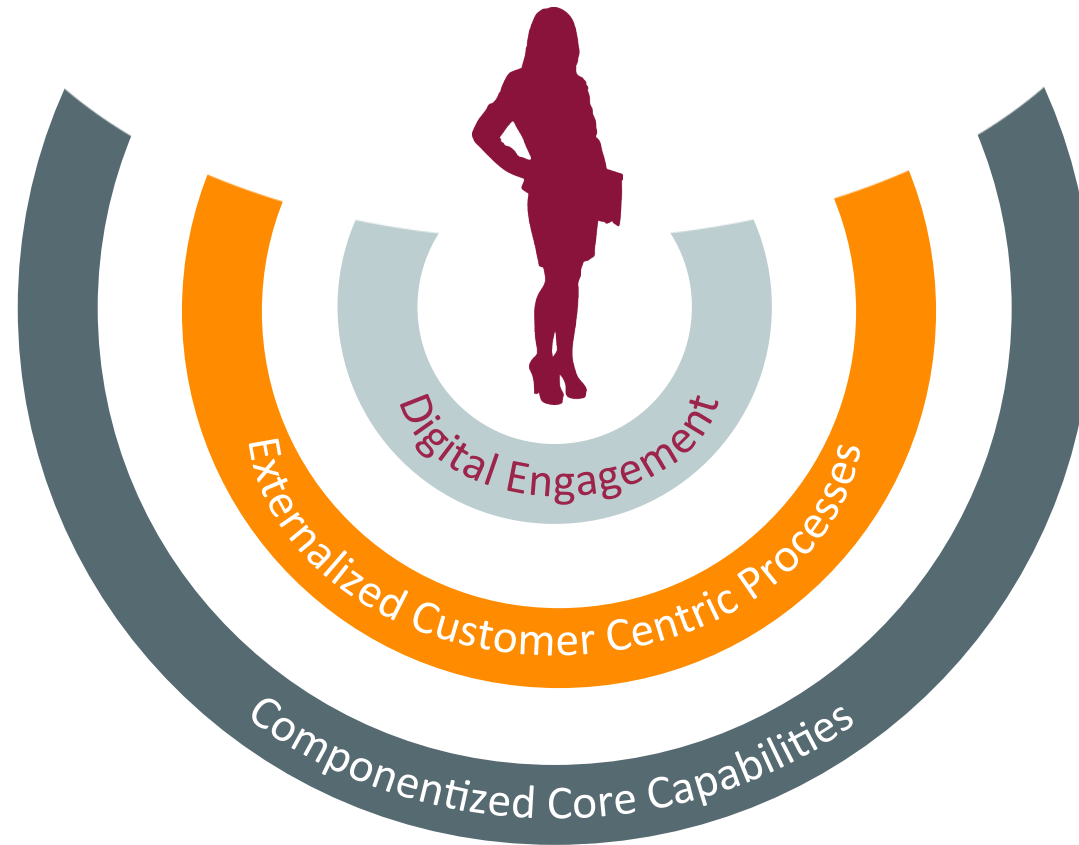
18:45
Sunday 14 September

YOUR BANK
Unusual transaction in your account noticed. Please call us on +44 208 123 4567, calls will be charged at...

Customer In Changes The Way Banks Engage Customers

Checking

Mortgage

Insurance

Product Out

Mortgage

Insurance

Account

Checking

Architecting Your Business for *Customer In*

Digital Engagement

Externalized Customer Centric Processes

Componentized Core Capabilities

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Capabilities For *Customer In* Transformation

Uplift Revenue

Lower Cost

Foundational   **Transformational**
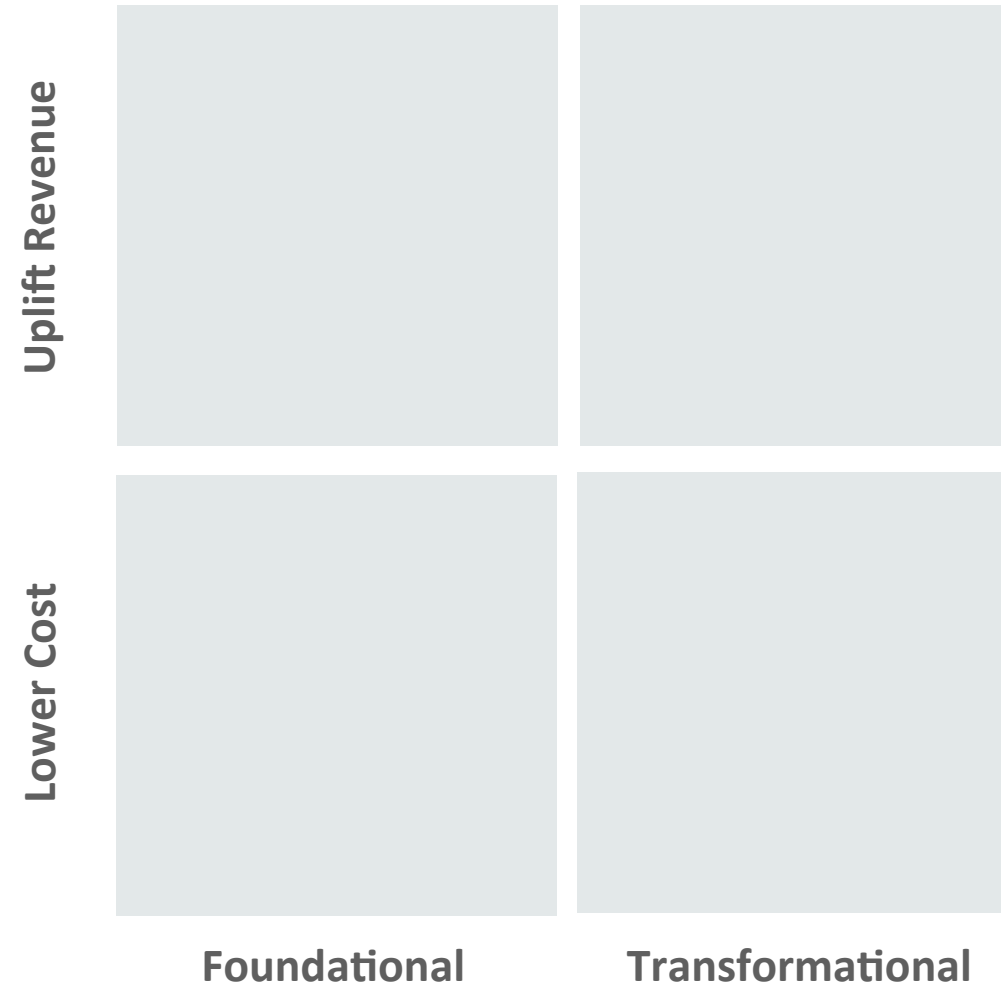
The Imperative For Change

402B$ — Estimate of Global Non-Cash Transaction Volumes in 2014

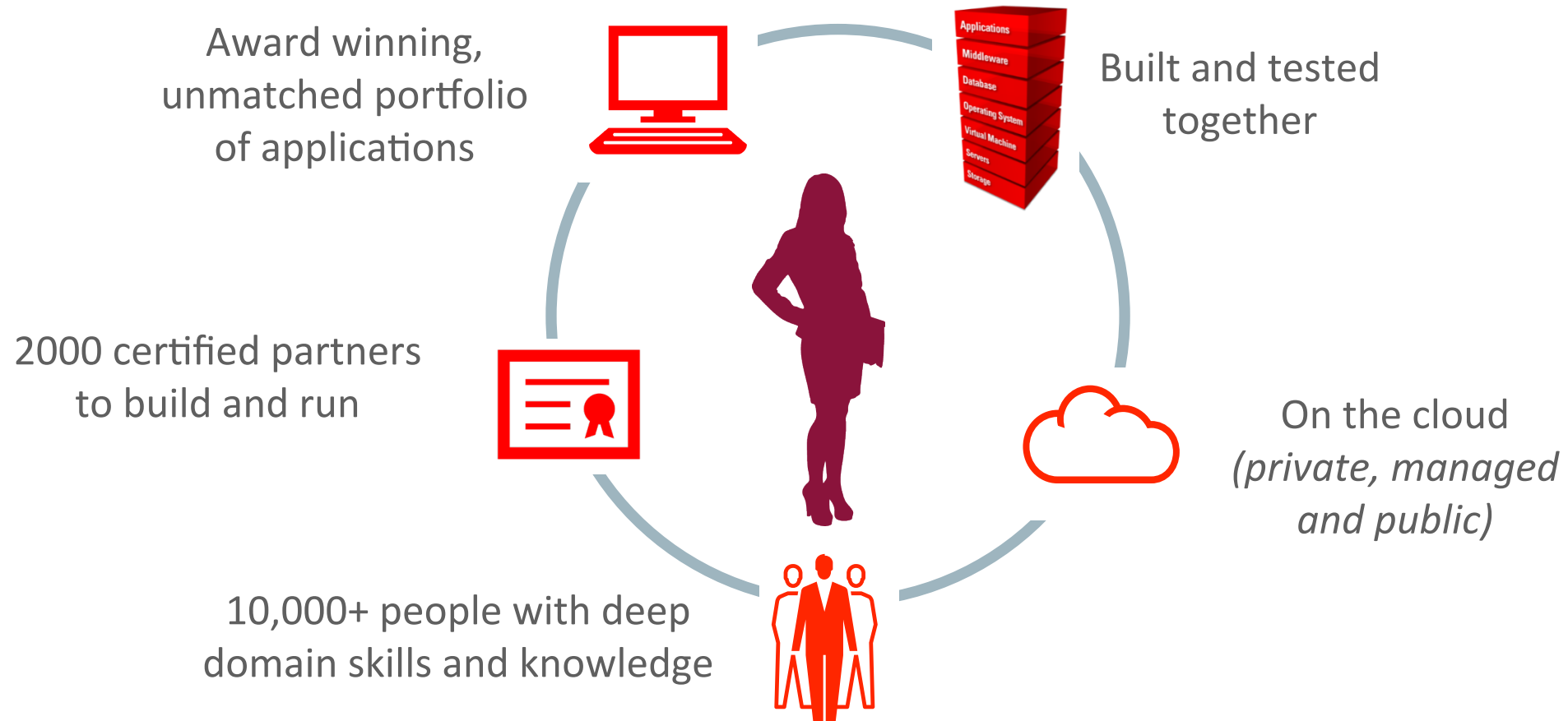**252**M — Registered users on PayPal and AliPay

10M — Active Users on Starbucks app

72% — Of the Millennials likely to bank with non-FS banks
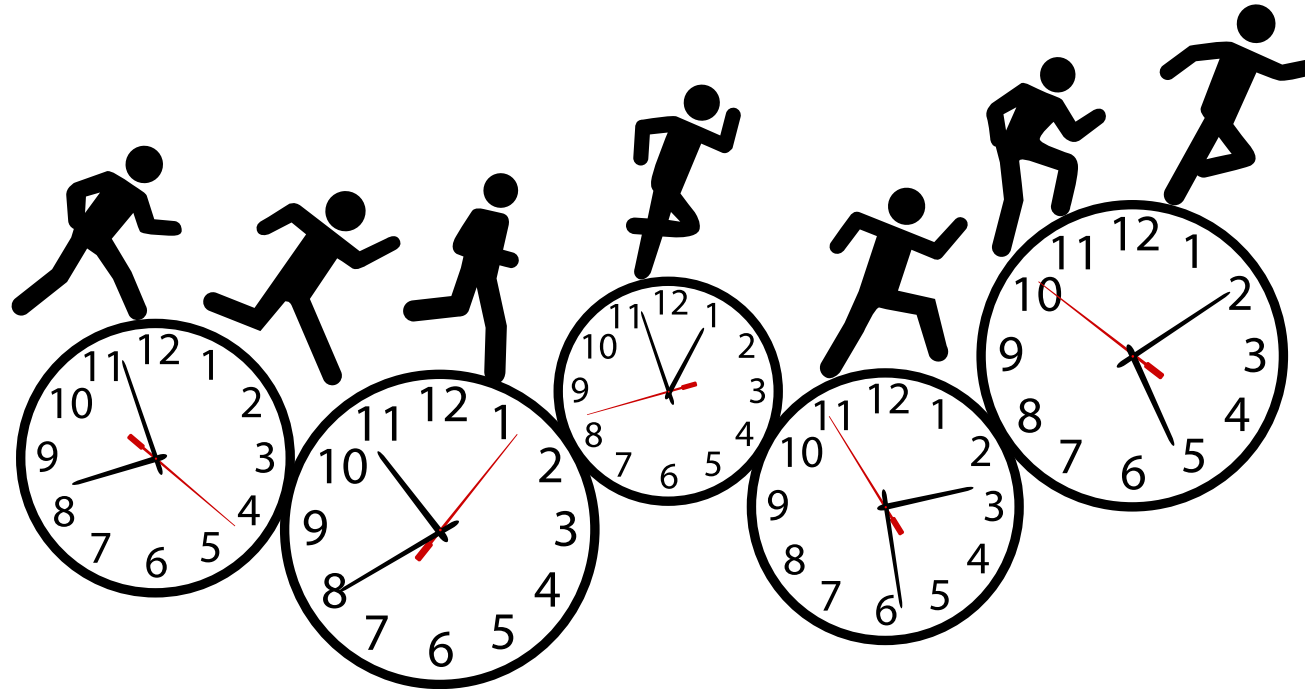
4.8B$ — Peer-to-peer lending in 2013 (US & UK)

20%+ — Saving on Auto Insurance for Usage Based Insurance Policies

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For The *Customer In* Journey

Award winning, unmatched portfolio of applications

Built and tested together

2000 certified partners to build and run

On the cloud
(private, managed and public)

10,000+ people with deep domain skills and knowledge

Applications
Middleware
Database
Operating System
Virtual Machine
Servers
Storage

Making The Most Of The Next 12 Months

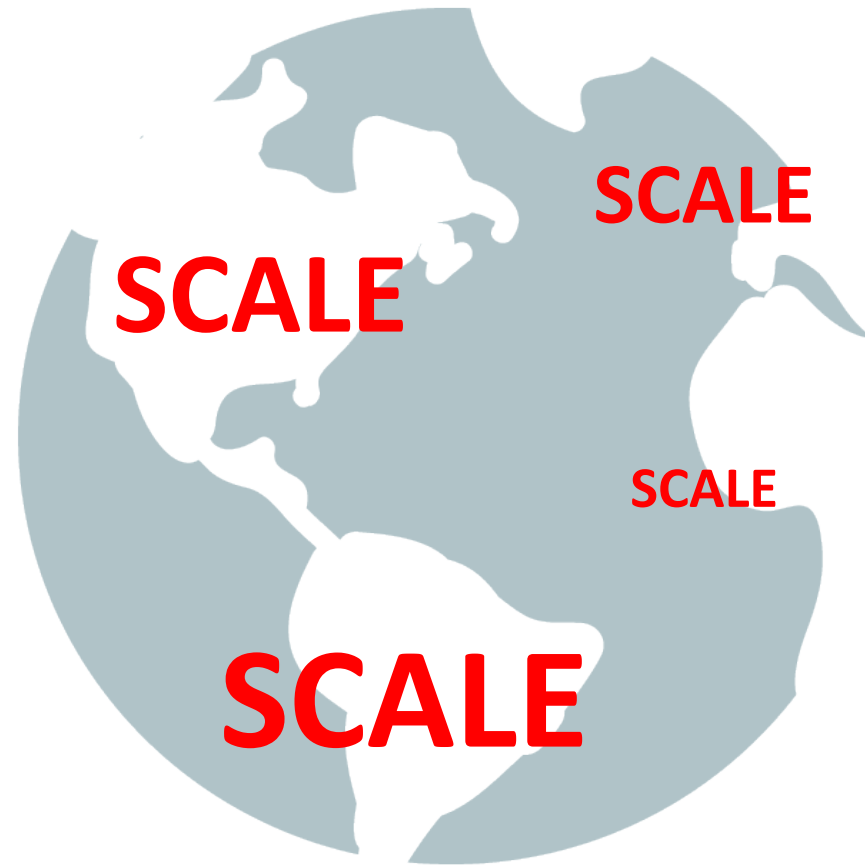# Attack Revenue Leakage

… With Oracle Revenue Management And Billing

- for Banks, Payers, Insurers, Healthcare Payers
- enables to bill and forecast revenue as defined in the contracts.
- now available on the cloud

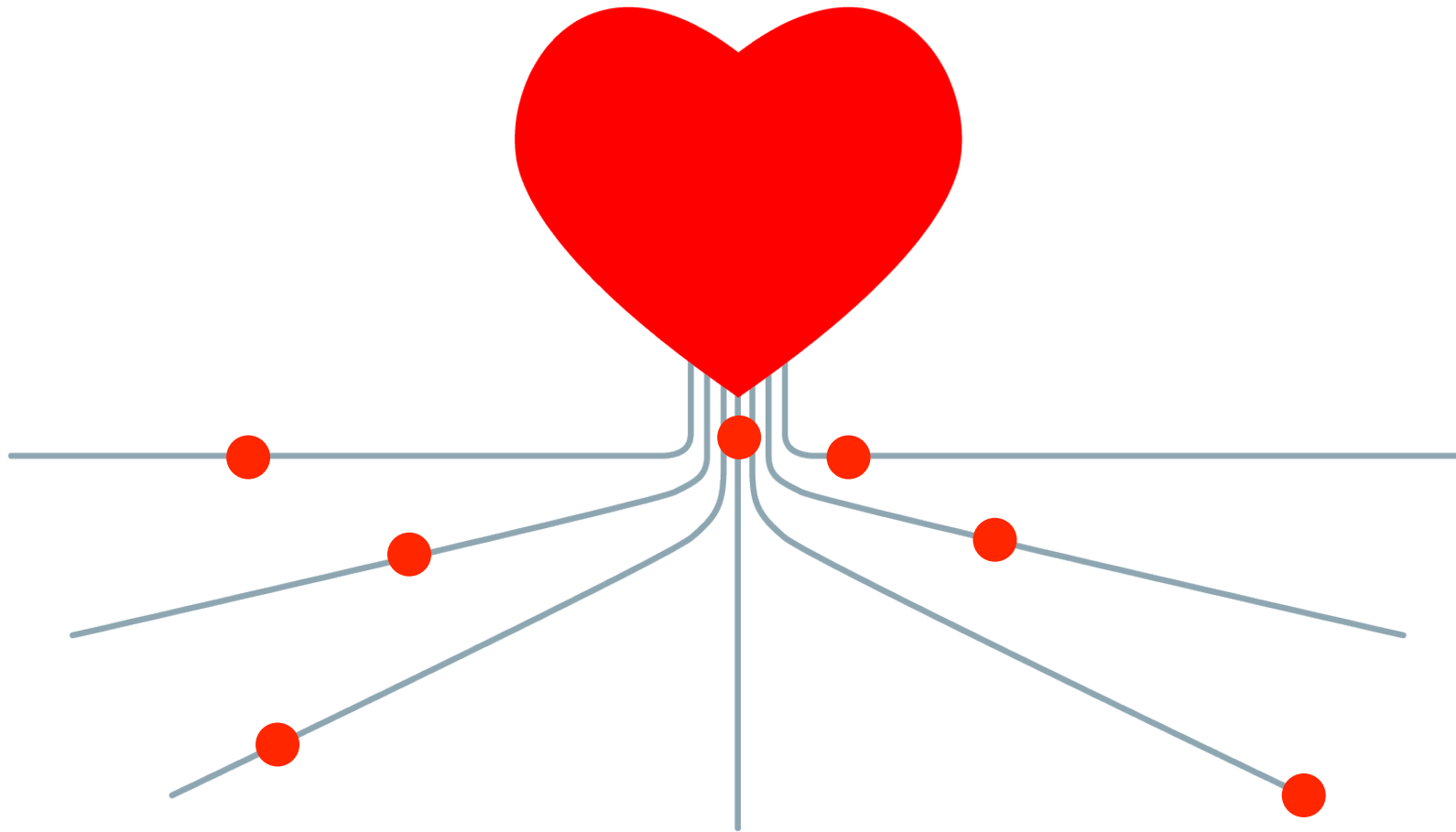# Consolidate, Scale And Expand Global Operations

... With Oracle FLEXCUBE

- deployed by leading global transaction services, super regional banks
- for consolidating cash, trade, treasury and payments operations
- partners can offer Business Process Services

Modernize To Compete And Win

…With Oracle Health Insurance

- for healthcare payers and providers both public and private

- components for complete life-cycle processing

Progressive Transformation With Componentized Services

Digital Experience

Customer Centric Processes

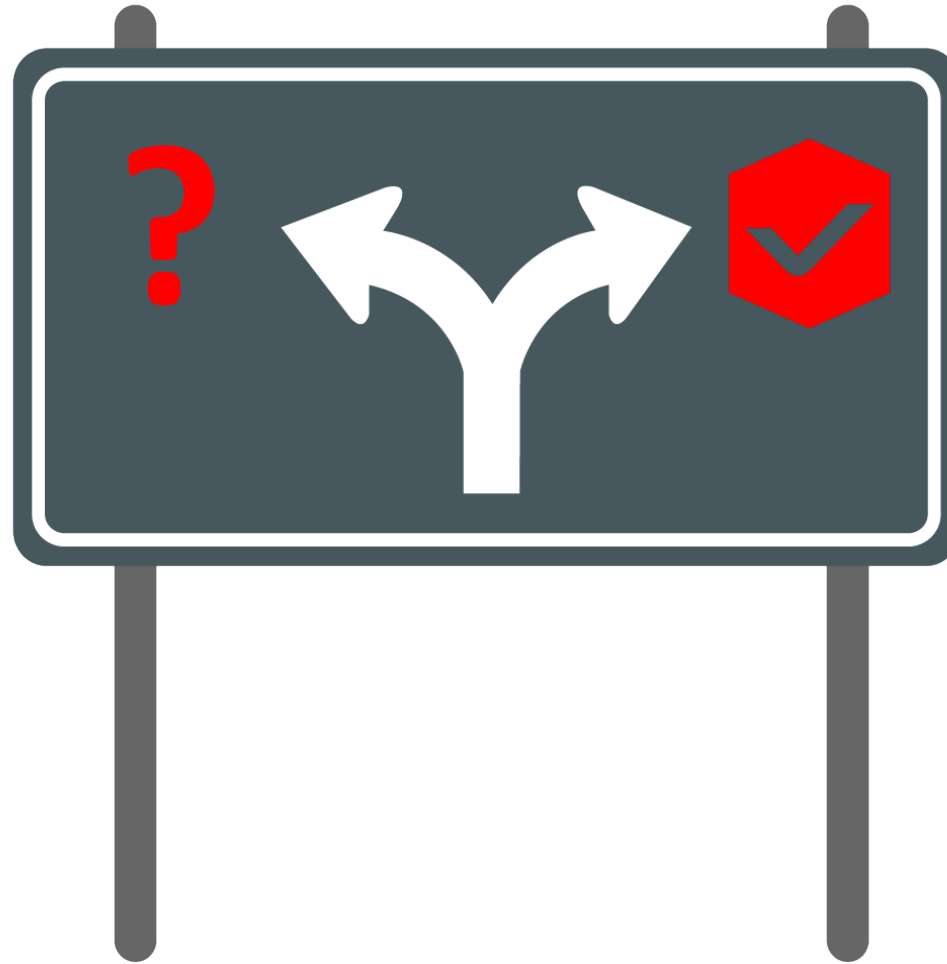Componentized Product Processors

Analytics

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... With Oracle Banking Applications

- for national and regional retail banking brands
- select components for progressive transformation of CX and the core

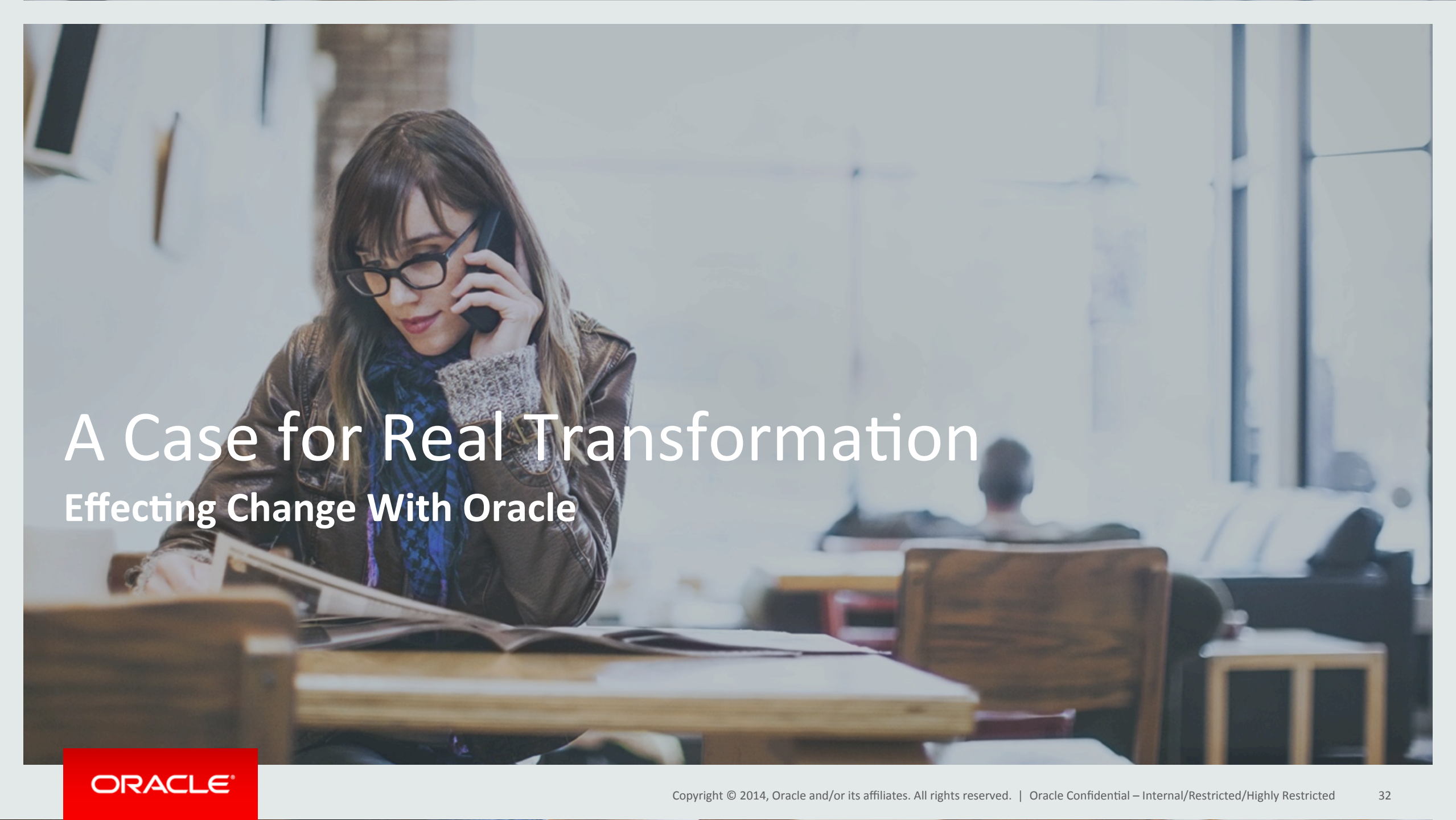# Comply With The Regulators

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Record Fines And Settlements Paid In Last 18 Months

$42B

in fines and settlements for US banks
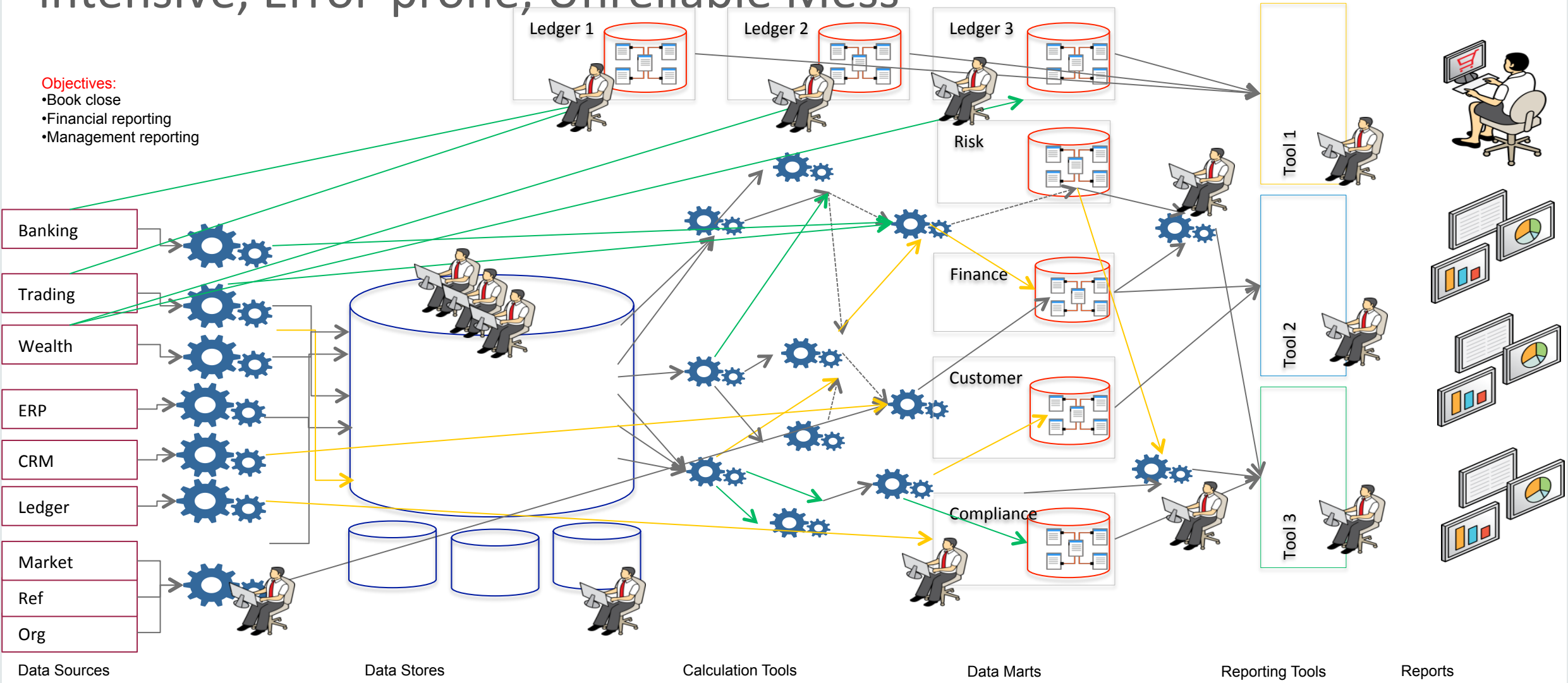
$3.3B

in fines for European banks

A Case for Real Transformation

Effecting Change With Oracle

Information Management & Analysis Today: A Slow, Effort-intensive, Error-prone, Unreliable Mess

Objectives:
• Book close
• Financial reporting
• Management reporting

Ledger 1

Ledger 2

Ledger 3

Risk

Finance

Customer

Compliance

Tool 1

Tool 2

Tool 3

Banking

Trading

Wealth

ERP

CRM

Ledger

Market

Ref

Org

Data Sources

Data Stores

Calculation Tools

Data Marts

Reporting Tools

Reports

Divisions & Silos

Performance

Risk

Relationship

Crime & Compliance
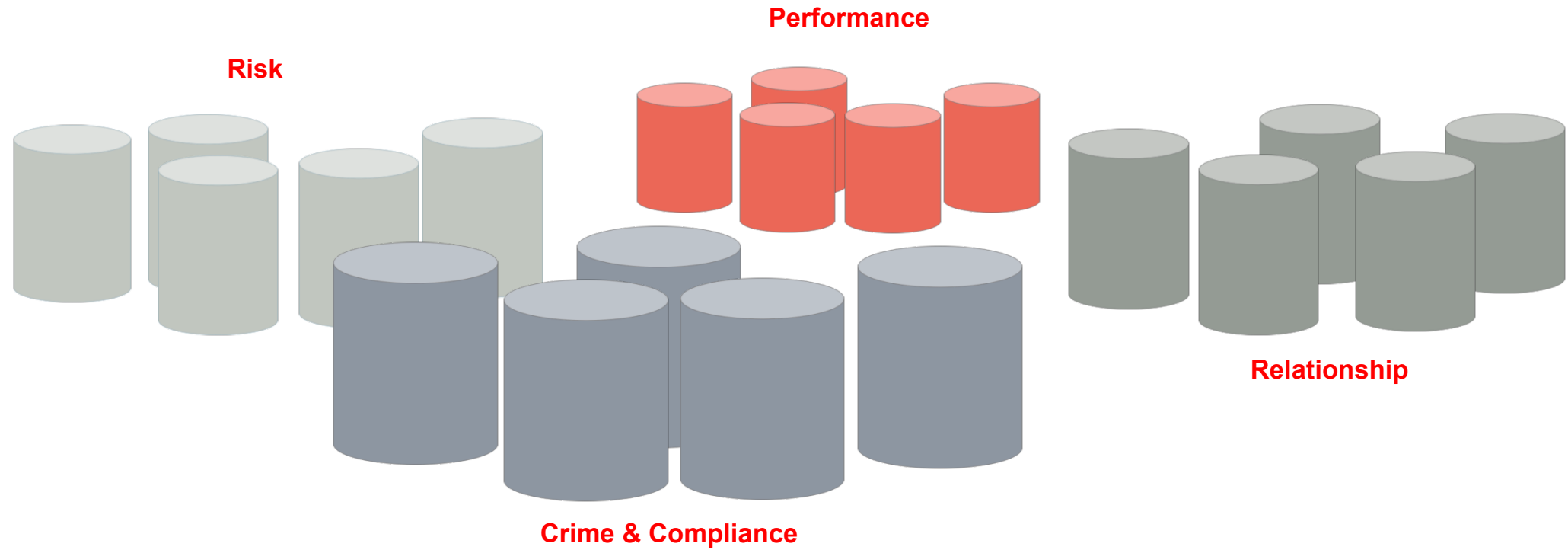
Sisyphus & the Integration Myth

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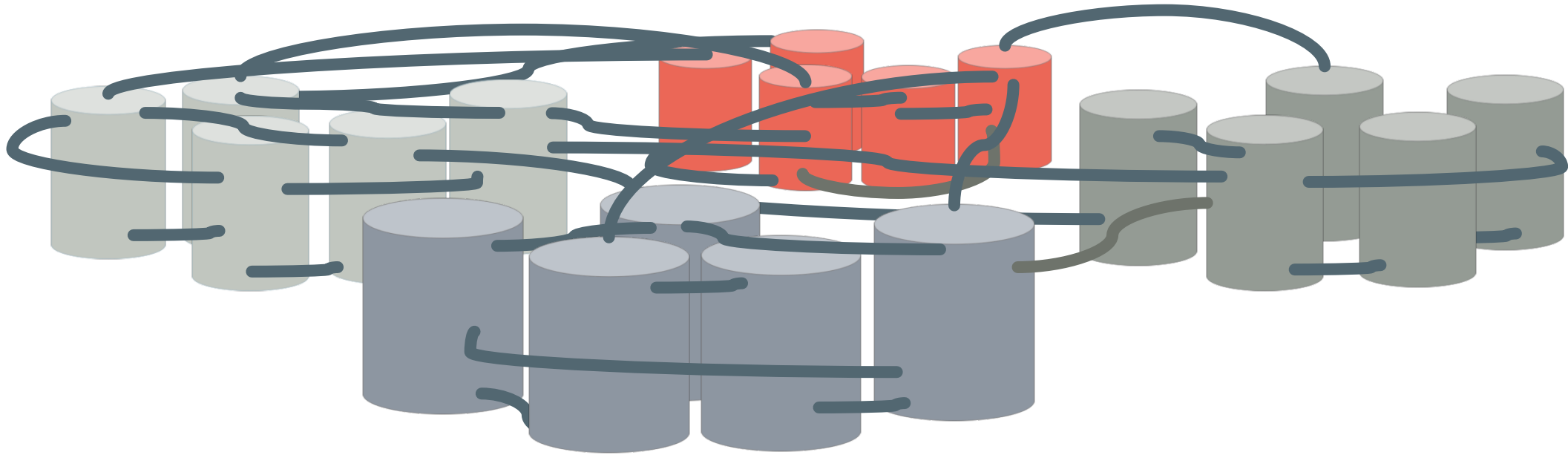
The Real Cost of Complacency

BUSINESS APPLICATIONS IMPACTED AND MISSED REVENUE OPPORTUNITIES		EXCESSIVE CAPITAL CHARGES AND OPERATIONAL WASTE	

• Risk-based pricing
  – Missing data limits ability to price discriminate
  – Lost revenues from over-priced products unsold, and under-priced products that leave revenue on table
	~1%	• Excess RWA
		  – Cost of capital that must be held against excess RWA that results from data issues
			1-2%

• Loan limit management
  – Inadequate limit and collateral management obstruct additional risk taking due to apparent utilisation
	~1%	• Compliance risk management
		  – Regulatory fines, cost of implementing enforced preventative measures and cost of reputational damage
			1-4%

• Market segmentation
  – Inability to segment customers by risk category leads to inefficient marketing and cross-selling
	~1%	• Operational cost
		  – Staff opportunity costs attributed to data quality remediation and reconciliation activities
			<1%

• Capital allocation – Misrepresent business unit or product profitability due to data errors can lead to suboptimal capital allocation decision	~1%		
• Performance management – Improper incentives due to erroneous KPIs lead to the wrong behaviour and business decisions	N/M		

Source: Client data, Oliver Wyman analysis. Performance management impact not measured

Regulatory Pressure Continues

30 directives | **11** areas | **more to come..**

Aligning Institutional & Regulatory Objectives

- Accurate financial reporting and efficient periodic book-close
- Comprehensive management reporting & analysis
- Ability to analyse risk and performance together
- Timely availability of information for financial and management reporting
- Reconciliation between GL and product-processor balance figures
- Information at fine-grained detail
- Seamless, repeatable, automated process that can be configured to meet changing demands

1
- Accounting & GL
- Consolidation
- Book Close

2
- Financial Reporting
- Disclosure

3
- Management Reporting
- Analysis

4
- Timeliness of information
- Adequacy of details

5
- Reconciliation of balances
- Repeatable, automated process

Transforming Information Management & Analysis
Integration & Unification
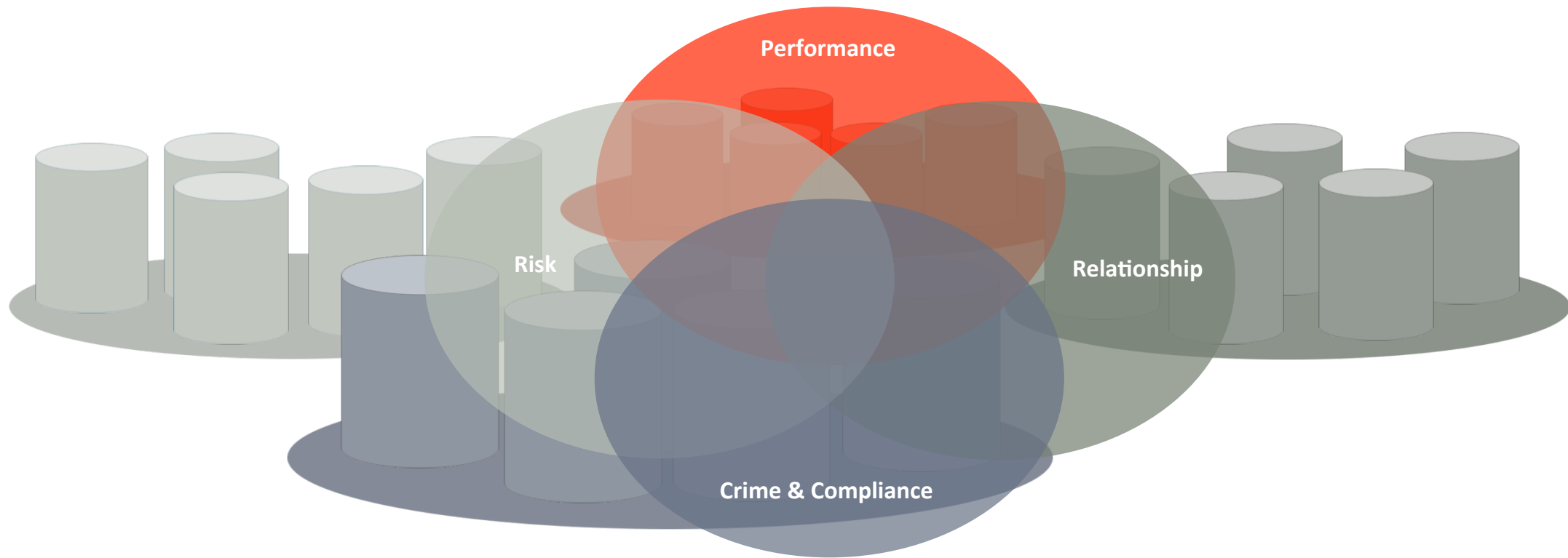
A Comprehensive Suite for Risk, Performance, Relationship and Compliance Management

Enterprise Risk Management

Oracle Financial Services Data Foundation

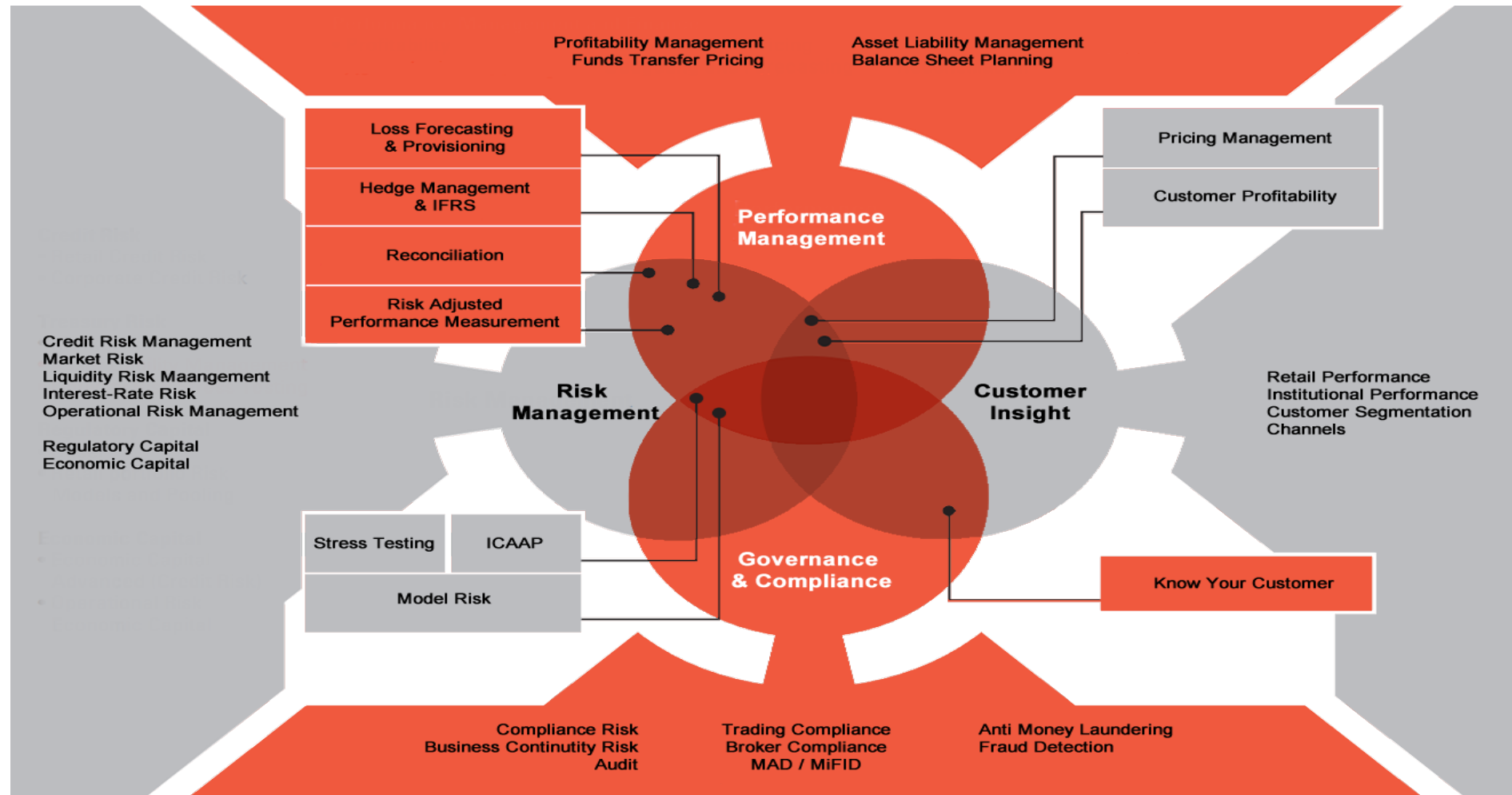**Enterprise Performance Management**

Financial Crime and Compliance Management

FS Customer Analytics

Addressing Core Use-Cases and Overlaps

A Practicable Reference Architecture
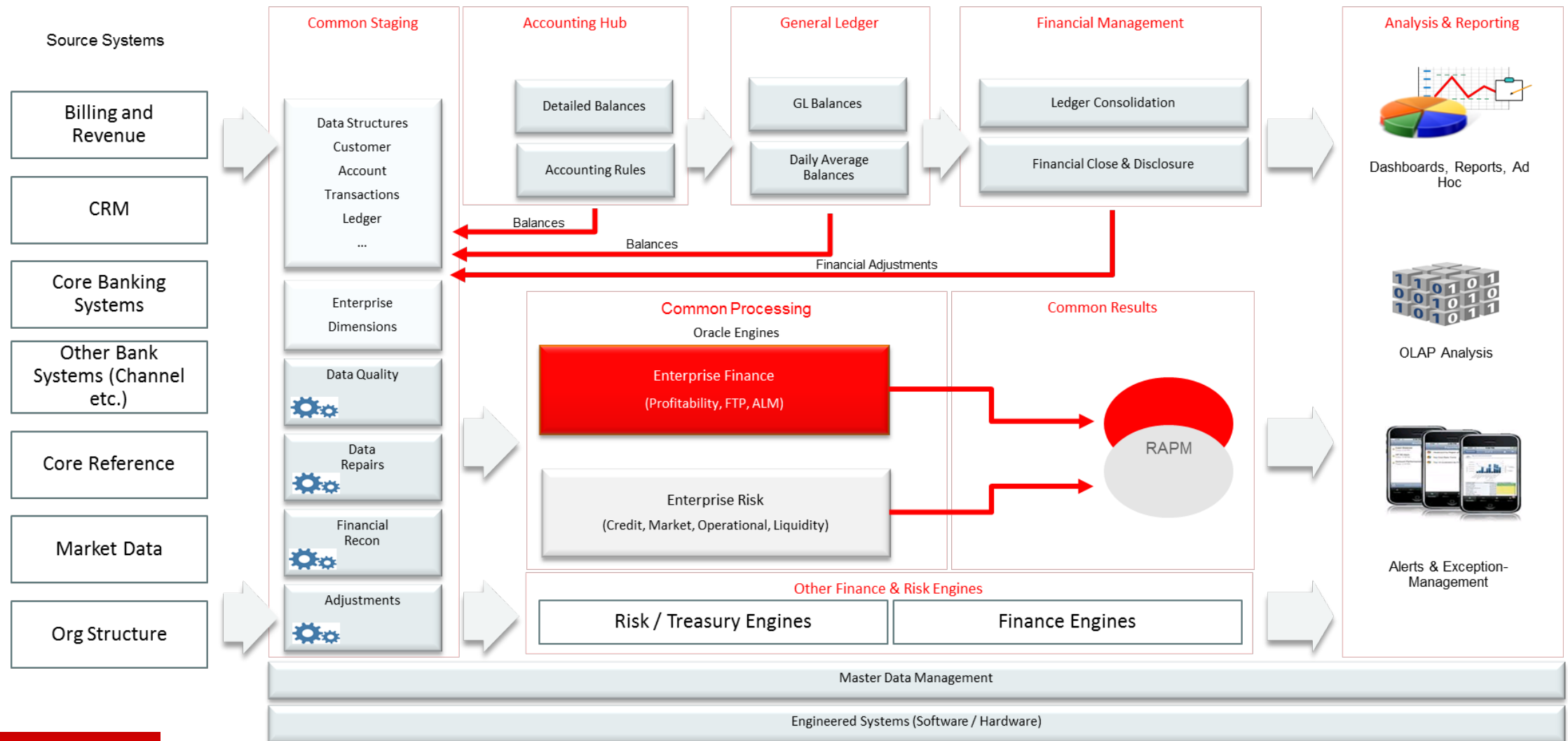
Complexity Makes It Impossible To Achieve An Enterprise View Of Risk

60B$ Estimate of IT spend to address Risk Management

5 or more systems for meeting the regulatory requirements

17% Of the Total IT investment for dealing with regulations

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Real Change Lowers Cost and Uplifts Revenue
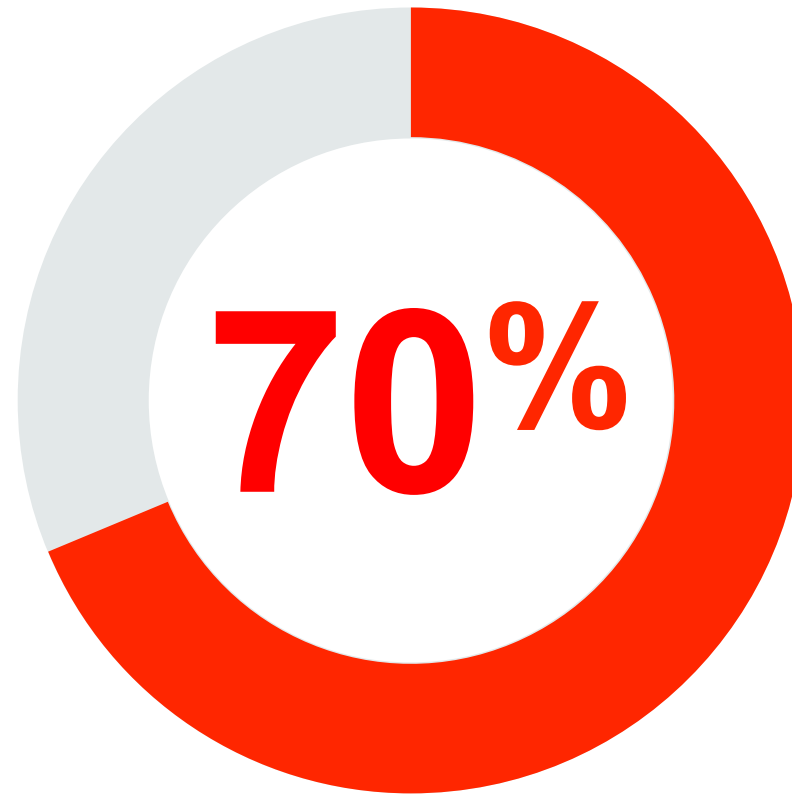
Value Innovation

Customer Experience

70% Of SIFIs Consider Oracle A Strategic Enterprise Risk and Finance Partner

70%

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Our Crown Jewels

9000

Financial Institutions

Enabling Technology

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Enterprise Computing Trends

GLOBALIZATION	DATA EXPLOSION	RISE OF MOBILITY	CLOUD	MODERNIZE TO SURVIVE
9 Billion Internet Devices in 2012	**90%** Created within Last Two Years	**6 Billion** Mobile Subscribers	**90%** of new software delivery for public cloud	Lots of **20 year-old** Legacy Applications
50 Billion by 2020	**50X Growth** by 2020	**87%** of World's Population	Public IT cloud services will grow to **$107B** in 2017	
		Mobile Data Growing **78%** CAGR		

Strategic Investment, uniquely co-engineered

Simplify I.T, with more than $34B in R&D since 2004

Complete Stack

- Best-of-Breed

- Vertical Integration

- Industry Applications

- Cloud

Applications

Middleware

Database

Operating System

Virtual Machine

Servers

Storage

Complete Choice

- On-Premise

- Private Cloud

- Public Cloud

- Hybrid Cloud

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Enabling Technology for Business

Applications

Middleware

Database

Operating System

Virtual Machine

Servers

Storage

Foundation for…

Enabling Business Transformation

Delivering Service Levels for Digital Business

Changing Economics of IT

At the core of this foundation is DATA

Oracle Database - continuous evolution to meet the needs of each new Computing Era

|	**Client - Server**	**Internet**	**Big Data & Cloud**
Market Share	1993 #1 36%	2003 #1 33%	2013 #1 44%
	Stored Procedures	Resource Management	Exadata
	Partitioning	Real Application Clusters	Multitenant
	Unstructured Data	Data Guard	In-Memory
	Object Relational	XML	Big Data SQL
			JSON

Source: IDC - Annual Worldwide RDBMS Vendor Shares from 1993 to 2013 by Carl W Olofson

Impact of a data management innovation on a business

Revalue Your Entire Supply Chain 1000x Faster Than Ever Before

Maximizing Financial Positions

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PEOPLESOFT
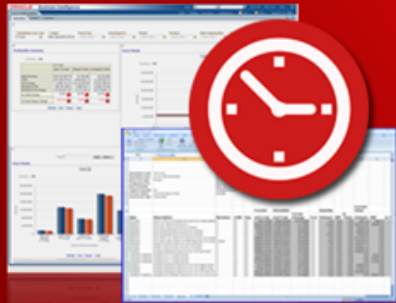
13M items complex BOM Cost Rollup in minutes vs. 58 hours

200 million Journals under an hour

20+ million "What If" use cases

100+ million transactions in "What If" case

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In-Memory Data Management Across Applications

Maximizing Financial Positions

Revalue Your Entire Supply Chain
1000x Faster Than Ever Before

ORACLE®
PEOPLESOFT

ORACLE®
TRANSPORTATION MANAGEMENT

ORACLE®
E-BUSINESS SUITE

ORACLE®
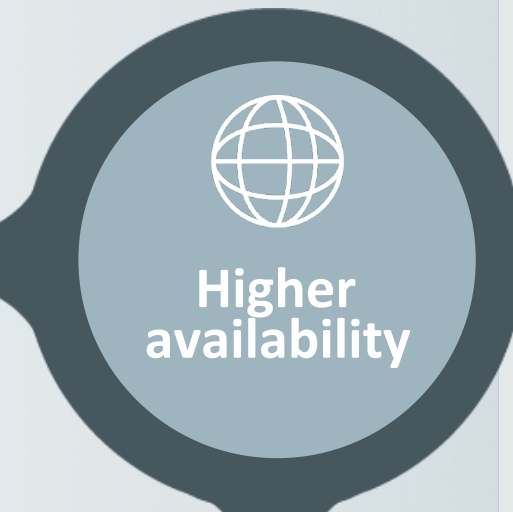**JD EDWARDS**

ORACLE®
VALUE CHAIN PLANNING

Journals under an hour

"What If" use cases

100+ million transactions in "What If" case

ORACLE

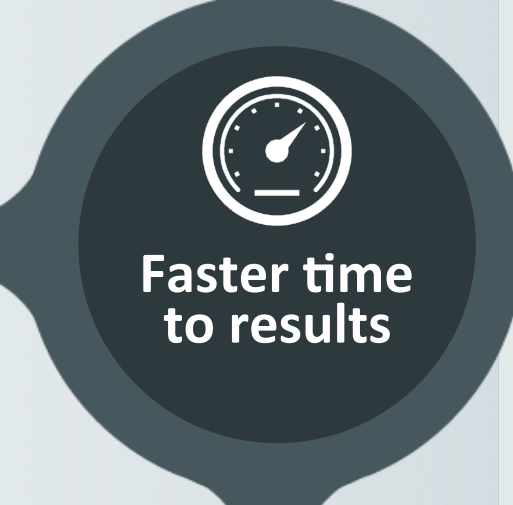# 1 + 1 = 3½

- Blurring boundaries between systems and software
- Re-using innovations across Engineered Systems
- Combining Engineered Systems to multiply benefits

Business value of integrated systems

Higher productivity

Increased resource allocation

Faster performance

Higher availability

Lower risk

Lower costs

Faster time to results

Unleashing the business performance of existing applications

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UTILITIES

ORACLE
COMMUNICATIONS

ORACLE
FINANCIAL SERVICES

ORACLE
RETAIL

Smart Meters
250M meters
4 consumption/hr

Rating & Discounting
100M subs
50K CDRs/Sec

End of Month
100M Account
< 5 Hrs

RMS Replenishment
3 Times Faster
5.4M
Item | Locations

Utilities Billing
77M
Determinants/hr

Comms Billing
100M Subs
< 12hrs

Regulatory
50% faster report generation

RPM Price Event
17 Times Faster
3M
Item | Locations

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Value Of Enabling Technologies In FS

"...The implementation of this [Oracle] Big Data solution will help CaixaBank remain at the forefront of innovation in the financial sector, delivering the best and most competitive services to our customers".

— Juan Maria Nin, CEO of CaixaBank

CaixaBank

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What does it mean for Oracle partners?

Enabling Technology for Business

Applications

Middleware

Database

Operating System

Virtual Machine

Servers

Storage

Enabling Business Transformation

- Common platform, 'tried & tested' for modernising applications
- Extending existing applications

Delivering Service Levels for Digital Business

- Real-time enterprise platform
- Packaged services for the enabling technology

Changing Economics of IT

- Unlock the embedded costs from existing platforms
- Private; Hybrid; Public Cloud Roadmaps

Oracle OpenWorld Announcements

Enabling Technology

- Oracle Platform as a Service (PaaS) & Infrastructure as a Service (IaaS)

- Cloud Manageability to easily move between on-premise & public cloud

- M7 (SPARC) Software on Silicon

Hardware and Software
Engineered to Work Together

ORACLE®