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Forging a path towards 4.0 sustainability

Raising technological capabilities has become an inevitable trend now that Industry 4.0 is gaining traction across the board, casting profound impact across all aspects of life. **Vo Tan Long**, technology consulting partner at PwC Consulting Vietnam, talked with *VIR*'s **Dinh Thuy** about the main points for businesses in the digital age, particularly those operating in finance and banking.

Investment in digital transformation is essential to business development in the 4.0 era. What areas should be defined as priorities and what strategies need to be in place?

Any business engaging in the digital transformation journey has often asked itself how to work out a well-crafted digital transformation trajectory. In most cases, the answer is there is not a one-size-fits-all digital strategy. Furthermore, digital transformation is an inseparable part of the overall development strategy of a business.

In the banking sector, most banks turn to transformation as a smart way to boost their management expertise and strive for business optimisation. When it comes to digital transformation, one of the top targets is aiming for customer satisfaction with significantly enhanced experiences. Another objective is to increase access to the customer segments that banks could not previously reach through using traditional formats with a larger assortment of products and services.

Digital transformation could bring forward new business models, helping firms to create products and services more swiftly and deliver to customers in bigger volumes. More importantly, businesses can optimise business performance and processes, from there improving the cost-to-income ratio.

These are some of the areas that businesses can target in their digital transformation. Depending on the strategies they are following, they can select the appropriate area to focus on.

Information security has become of paramount importance to the banking sector as we see an increase in breaches across the globe. How do banks use technology to improve their security?

Security closely relates to online business and is one of the top concerns of firms when discussing digital transformation. Information security policies in the current business environment follow the same principles as before, since they all look to ensure data security and privacy of customer information.

Security loopholes in the digital business environment often emanate from the traditional business environment. The leaking of sensitive information like bank card numbers or passwords is absolutely not a new phenomenon, but saw precedents several decades ago. We also see that in some online credit activities, fraud stems from the loopholes established in the traditional business environment.

The digital age calls for a seamless combination of security policies and intra-business governance mechanisms to ensure customer security and information privacy are maximised in any environment. At the same time, the application of state-of-the-art technologies to further improve security functions is necessary. In the past, it was almost impossible to detect fraud in financial activities such as in money transfers or withdrawals. Nowadays, by virtue of technology, these incidents can be detected at once.

There is increased usage for data analytics for enhanced security. For example, based on customer data, behavioural models can be built and later used for fraud prevention. For that, it is necessary to continue improving the legal framework, technology as well as processes in the traditional banking model, while incorporating new technologies such as data analytics, new online transaction methods, or artificial intelligence and robotics to automate processes.

Fintech potential has become a buzzword in recent years. What do you anticipate in this perspective as we witness a new sphere of co-operation between banks and fintechs?

About 10,000-12,000 fintech companies of all sizes maintain operation across the globe. Fintechs, by essence, are startups so they operate in light of the natural and typical life cycle of startups. Fintechs rarely rise up to become $1 billion dollar companies. Investment into fintechs, however, still sees exponential increases, attesting to its buoyant development potential.

Fintech companies in Vietnam have largely focused on providing money transfer and payment services, and for good reason. The transaction frequency with fintech involvement in payment or money transfer has risen at a breakneck pace, such as the case with ride-hailing apps.

Payment, however, is not the only field courting the attention of fintech firms. In the forthcoming years, these companies will likely pay more attention to financial management activities that operate on the basis of gathering information, from there providing recommendations to bolster financial usage efficiency.

Lending is another field securing particular attention from fintechs. Different forms of peer-to-peer lending currently exist around the world as well as in Vietnam. If approved, lending functions will no longer be the monopoly domain of local banks.

Last but not least are fintech solutions aimed at bringing much better experiences to financial services users. For example, recent innovative apps for food delivery and home purchase are connected to payments, creating an ecosystem of interconnected services in which financial services can be used more frequently.

In the current context, co-operation between banks and fintech firms are inevitable as most financial services offered by fintechs are linked to bank accounts. Yet, with the government's recent approval for mobile operators to provide payment services with mobile money, I believe that the future for non-bank financial services providers looks very promising.■