

# Inside Talk I: Let's Talk Platforms

In conversation with  
Gabriel Di Lelle



If assembly line was the poster child of the producer economy, then ecosystems are the backbone of business in the platform economy. Today, four of the top five companies in the world by market cap are platform companies. And while market cap is a definite indicator of a company's market value, success in the digital age is not a function of return on assets but a function of value exchanged in diverse ecosystems.

In banking, it is not only the digital natives such as Alibaba or WeChat that are transforming financial services with their agile platforms, but leading and progressive incumbent banks are also opening up to the idea of ecosystem-driven platform model.

## C-level support and funding are essential to quickly pilot and test the models.

FinacleConnect presents an interview with Gabriel Di Lelle, Vice President of Innovation and Digital Transformation at Grupo Bancolombia. With 1070 branches, Bancolombia is not only the largest commercial bank in Colombia but also one of the biggest in Latin America. In this interview, we quiz Gabriel on the bank's strategy, challenges in adopting the platform business model, key initiatives, and more!

### In Conversation with Gabriel Di Lelle

**FC:** With presence in 4 key markets in Latin America, such as Colombia, Guatemala, Panama and El Salvador, Bancolombia is one of the leading banks in the region. We would like to understand how the developments around platform business model in banking are unfolding in the region.

**Gabriel:** The platform business model in banking is at an early stage in this part of the world. One of the key drivers for adopting the model is the emergence of new disruptive players that are able to offer high quality services at relatively low prices with radically different approaches. In the markets that we are present in, these players have just begun making a foray into financial services, as opposed to markets in other parts of the world that are burgeoning with these kind of players. We expect their growth to accelerate in the next couple of years. Incumbent banks must prepare themselves for new ways of doing business as these innovative companies gain critical mass and begin to dot the entire financial services

value chain. The platform business model is a key strategy for banks to survive and thrive in the new world.

**FC:** Talking of incumbent banks having to embark on a platform business strategy, what do you think are the principal challenges before these banks as they take the plunge?

**Gabriel:** First and foremost, banks are regulated entities and have a lot more restrictions as compared to agile start-ups disrupting the space. The regulatory restrictions directly translate to a longer time to market since there is a process that banks have to abide by. Additionally, banks are burdened with associated regulatory over-costs that impact margins. New entrants get to circumvent these challenges as they have a lot more leeway. They can be faster, more agile, and also have leaner cost structures. As banks make the shift towards platforms, they must find a way to effectively partner with start-ups and FinTechs to take advantage of their agility.

The second biggest challenge I see is the cultural orientation of incumbent banks. Traditionally, banks have been rather reluctant to take risks. Now it is becoming inexcusably important for banks to discard the risk averse culture and adopt experimentation, collaboration and customer centricity as the new way of doing business. Banks have complex processes and systems that need to be simplified for ecosystem-led banking.

Having said that, I'd like to emphasize that major changes like these require endorsement right at the helm. C-level awareness is key. Building a culture that is conducive to experimentation requires the business to be involved in the innovation process, and educated about new business models. Once this is ensured, C-level support and funding are essential to quickly pilot and test the models.

**FC:** Does Bancolombia have an active platform business strategy? And where does it figure in the bank's mid-term to long-term strategy?

**Gabriel:** Yes, it is an integral part of our innovation and digital transformation strategy, since we believe that the industry is at a critical inflection point poised for game changing developments that will impact the very nature of banking. We believe that new business models, including platform-based business will be one of the major transformative forces.

Platform-led initiatives fall under our innovation & transformation strategy pillar called 'reinvent the business'.

It is also directly linked to a key strategic directive from our CEO, which is to renew the sources of revenue. Developing new business models is a critical capability for us at Bancolombia, especially since interest-based income is at stake globally.

## Utilizing some of the bank's traditional resources such as its sales force, data assets, a mature network of channels and the client base can be extremely powerful to accelerate the adoption of new business models.

We have several initiatives underway. A lot of these are in the SME space, and a few in retail. We believe it is best to start small, experiment, and learn from what's happening elsewhere in the world. In the mid-term we are definitely looking to scale the platform-led business model, and will evaluate the ROI for these initiatives just like we do it for any regular initiative. At this point it is more about learning, experimentation and changing the organization for the future.

**FC:** We'd like to learn a little more about the initiatives underway. Can you share some details about the initiatives, the metrics you are using to measure the success of these initiatives, and the key learnings?

**Gabriel:** We are working on two new offerings under the platform model - one in the retail business, and one around monetization of data. We recently launched both in the market.

Key metrics at this point measure how quick our iterations are, and how efficiently we plough back the learnings. We expect to very quickly move towards measuring participation and growing the user base on both the sides – adoption by end-users and content creation by participating suppliers – to define our success.

Let me give you an overview of one of them - Plink. Plink as a platform is designed to work mainly with two major players: on one side the merchants who find in Plink access to a wealth of information on how their business is performing as compared to their competitors, who their customers are (demographic information), their profile, their buying behaviors – never providing individual information since we are obsessed about protecting

individual privacy - and the possibility to “push” offers through Plink. Using machine learning algorithms Plink selects the most relevant offers for different consumers as per their history as a consumer. So consumers only receive offers that are more likely to be of interest to them and receive them at the most appropriate hour. For example, a restaurant offer arrives at 11 am, not at 3 pm or when, or when a customer is geographically in the vicinity of that restaurant. The monetization model is very simple: if the merchant is a Bancolombia customer they receive free access to the first tier of reports through the web platform. They pay only if they are interested in accessing a more advanced set of reports such as tier two reports that include analytical information, and a small “finder's fees” when an end customer approaches them to redeem an offer. The end user will never have to pay for Plink.

In our experience, one of the key learnings has been setting up a separate entity, at least in the initial stages, which not only helps channel the right resources, but also prevents any bias towards traditional models from impeding the development process. We tend to create new business units or new companies for different categories of initiatives. At times, regulatory restrictions limit the activities a bank can perform, and a separate company is a good alternative.

We have also recognized immense synergies with our traditional business in some cases. Utilizing some of the bank's traditional resources such as its sales force, data assets, a mature network of channels and the client base can be extremely powerful to accelerate the adoption of new business models.

Another key learning is to connect the new platform business with the core business of the bank. For us, even if a suggested platform business idea seems like a totally different business, it is worth a go if it reinforces a core competence such as analytics, or if it presents a way to tackle the new entrants in the industry. Our retail initiative, which is far from a pure financial services business is a case in point.

**FC:** What are the key parameters at Bancolombia for deciding which APIs to expose to corporate customers, FinTechs and developer ecosystems? And do the criteria differ for different user groups?

**Gabriel:** We have recently developed our API strategy. At Bancolombia, we see three categories of APIs: the

internal APIs, where we look for efficiencies, flexibility and time to market; the open APIs to keep expanding our open innovation initiatives such as a recent survey we concluded with a local FinTech to identify which of our APIs they'd like to use; and the third for corporate and SMB clients to improve our products and services and provide new value-added services.

Our own FinTech Nequi, a neo bank, opened its API marketplace for developers a year ago to build new solutions. Developers integrate Nequi in their applications. A parking lot has integrated Nequi as a payment method, and a logistics SME is using Nequi to disburse commissions to freelance drivers through Nequi APIs.

**FC:** With the shift towards platform banking, banking is set to become even more customer-centric. Banks will offer not just competing products but competing products from other financial institutions on their platforms.

Has Bancolombia made any strides towards forming a marketplace that sells solutions from other financial institutions?

**Gabriel:** Not yet. It is something that is being considered. The closest we have gotten to this is with our neo bank Nequi, which in a way competes with Bancolombia's traditional accounts. We are looking at some interesting areas where Nequi is a greater fit than traditional banking products.



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