Elevating Service Design and Customer Experience: Customer Value Proposition Validation and Design for New Digital Bank “Bank S” in Indonesia

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Abstract

Purpose: This thesis aims to provide a comprehensive framework for digital banking in Indonesia, highlighting the strategic importance of integrating business strategy and marketing to achieve competitive advantage in the digital era. Digital banking has become essential to Indonesia’s financial industry, as it offers convenient and efficient solutions to customers. Banking institutions in Indonesia must understand the strategic framework required to gain a competitive advantage in the digital banking landscape.


Result: This study examines the impact of digital transformation on banks’ competitive advantage by examining how emerging technologies, such as Artificial Intelligence, blockchain, cloud computing, and data science, drive innovation in the sector. Additionally, this study investigates how banks leverage multichannel delivery, particularly mobile banking, to offer cost-effective services and enhance customer experience. Finally, it analyzes the role of trust and security in promoting the customer adoption of digital banking services.

Conclusion: The findings from this study contribute to understanding the strategic approaches that banks in Indonesia can adopt to gain a competitive edge in the digital banking landscape.

Keywords: Digital banking, financial industry, competitive advantage, business strategy, marketing integration, digital transformation, emerging technologies, multichannel delivery, mobile banking, cost-effective services, customer experience.


1. Introduction

The banking industry in Indonesia has undergone a significant transformation in recent years, driven by rapid advancements in digital technology. The rise of digital banking has revolutionized the way banks operate and interact with their customers. As customer preferences shift towards convenient and accessible banking services, the need for banks to adapt and embrace digitalization has become crucial. Digital banking offers various advantages to banks, such as cost savings, improved efficiency, enhanced customer experience, and increased market reach. In line with this trend, PT Bank Jasa Jakarta, as a critical player in the Indonesian banking industry, recognizes the immense potential of
digital banking and seeks to leverage it for a competitive advantage (Abdullah, Rahman, & Rahim, 2018).

In today's fast-paced and technologically advanced era, the financial industry is witnessing rapid transformation, and digital banking has emerged as a game-changer. With the increasing adoption of digital technologies and the changing preferences of consumers, traditional banking methods are being challenged, making it imperative for banks to adapt to and embrace the digital revolution. In the Indonesian context, the rise of digital banking has opened new avenues for financial institutions to connect with customers, enhance their services, and gain a competitive edge in the market (Alzahrani & Alnanih, 2020).

The Indonesian banking industry has evolved significantly with the advent of digital technology, creating new opportunities and challenges for banks to remain competitive. In response to the growing demand for digital banking services, PT Bank Jasa Jakarta recognized the need to develop a strategic framework that integrates business strategy and marketing to gain a competitive advantage in the digital banking landscape. This thesis explores the strategic framework that PT Bank Jasa Jakarta can employ to gain competitive advantage in the digital banking sector in Indonesia. Utilizing a combination of in-depth analysis, research, and practical insights, this thesis delves into the various components of digital banking and examines how they can be integrated into the business strategy and marketing efforts of PT Bank Jasa Jakarta (Ulwick & Osterwalder, 2016). By exploring Indonesian banks' unique challenges and opportunities in the digital realm, this thesis aims to provide actionable insights for industry practitioners and policymakers to drive innovation and sustainable growth in this sector.

The advent of digital banking in Indonesia has been facilitated by various factors, including the increasing Internet penetration rate, the widespread use of smartphones, and the government's initiatives to promote a digital economy. These developments have significantly influenced consumer behavior, increasing the demand for seamless, convenient, and personalized banking experiences. Consequently, Indonesian banks must seize this opportunity to re-imagine their business models, redefine customer interactions, and deliver value-added services through digital channels. In this thesis, we examine the competitive landscape of digital banking in Indonesia by analyzing the strategies adopted by local and international players. We gathered relevant data to inform our framework's development through in-depth interviews with industry experts, surveys of bank customers, and a comprehensive review of the existing literature.

Furthermore, we conduct a comparative analysis of digital banking strategies in other countries to gain valuable insights and adapt them to the unique characteristics of the Indonesian market. Ultimately, this thesis aims to contribute to the knowledge of digital banking by offering a comprehensive and practical framework that Indonesian banks can use to gain competitive advantage. By aligning business strategy with marketing integration, banks can create a differentiated value proposition, enhance customer experiences, and drive sustainable growth in Indonesia's dynamic and evolving digital banking landscape (Sharif, Jung, Razzak, & Alazab, 2021).

In 2022, the bank recorded a total net interest income of Rp281 billion, an increase of 46% from 2021, and a total Net Interest Margin (NIM) of 3.7%, an increase of 0.7% from 2021. The CAR ratio also increased significantly to 184.61%, an increase of 119.37% from 2021, further reinforcing the bank’s capital strength and will be a lever supporting the bank’s future business growth. Over the years, digital acceleration demands have been getting stronger, driven by public expectation change towards financial services, which is safe, fast, efficient, and reachable access. These conditions require the banking industry to prioritize digital transformation and strategize to increase its competitiveness. Furthermore, the Bank has prepared strategic policies for the digital transformation process. Therefore, the Bank encourages increased profitability and inclusivity and maintains business existence amid increasingly tight competition (Adaba, Ayoung, & Abbott, 2019).
Our focus is on driving profitability sustainably. User growth and engagement are important for sustainable revenue/profit streams but are not prioritized at the expense of profitability, which is the end goal. We want to do one thing really well and deliver a single, clear, and well-defined value proposition. Subsequent iterations will deliver products aligned with a prioritized set of JTBD that address the key customer problems while delivering business value (Blank, 2018).

2. Literature Review
2.1 Theoretical Foundation
2.1.1 ERRC Grid Analysis of Bank S
Eliminate, Reduce, Raise, Create (ERRC) analysis is a strategic framework that offers valuable insights into the competitive landscape of the Indonesian digital banking market. It provides a systematic approach for identifying opportunities for differentiation and innovation by addressing the key factors that impact customer value propositions.

1) Industry Insights and Regulatory Support
The ERRC analysis aligns with industry insights that emphasize the supportive regulatory environment in Indonesia. By employing the ERRC framework, digital banks can identify elements to eliminate or reduce that may be redundant or less impactful because of favorable regulatory shifts in 2021, thereby enabling them to raise and create new value propositions more effectively (Barquin & Hv, 2015).

2) Growth Potential and Competitive Dynamics
The ERRC analysis facilitates a comprehensive understanding of the growth potential and competitive dynamics in the digital banking sector. It offers a structured approach for identifying elements to be eliminated or reduced to create space for raising and creating new value propositions. This aligns with the industry insights regarding exponential growth potential and the surge in digital banking competitors, highlighting the need for strategic differentiation and innovation (Almunawar, Islam, & de Pablos, 2022).

3) Ecosystem Integration and Strategic Positioning
Incorporating ERRC analysis into the strategic planning of digital banks enables them to more effectively assess the integration of digital ecosystems and strategic positioning. By identifying elements to be eliminated or reduced within the context of digital ecosystems, digital banks can create space for raising and creating new value propositions that align with the imperatives of ecosystem-driven growth and strategic positioning emphasized in a broader literature review (Autio & Thomas, 2014).

4) Strategic Imperatives and Differentiation
ERRC analysis offers a practical mechanism for addressing strategic imperatives and achieving differentiation in the Indonesian digital banking market. By systematically identifying elements to eliminate or reduce, digital banks can create opportunities to raise and create new value propositions that resonate with unmet customer needs, thereby demonstrating clear differentiation and strategic positioning in a competitive and dynamic market (Kim & Mauborgne, 2005). In conclusion, ERRC analysis serves as a powerful tool for digital banks to assess and enhance their value propositions in the competitive landscape of the Indonesian digital banking market. By systematically addressing key factors through the lens of elimination, reduction, raising, and creation, digital banks can strategically position themselves to capitalize on their growth potential and competitive dynamics, ultimately differentiating themselves and innovating to meet unmet customer needs (Ries, 2011).

2.1.2 Kepner-Tregoe (KT) Problem Analysis
The Kepner-Tregoe Problem analysis is a systematic method designed to dissect complex problems and discern their underlying causes. As an integral component of management science, it complements strategic tools such as SWOT analysis, providing a more focused approach to problem solving within organizations. In the realm of strategic management and decision-making, the Kepner-Tregoe Problem Analysis is a meticulous and methodical approach to problem-solving. This framework was conceptualized by Charles H. Kepner and Benjamin B. Tregoe designed the study to
systematically dissect complex issues, ensuring that their underlying causes were accurately identified and addressed (E Porter, 1998).

KT Problem Analysis is based on the principle that problems must be thoroughly understood before effective solutions can be formulated. Kepner and Tregoe emphasize that a structured evaluation of all potential causes is paramount to the success of problem resolution efforts. This level of detailed analysis is particularly valuable when combined with strategic tools, such as SWOT analysis, which provides a broader assessment of an organization’s position (Perić, 2018).

The Kepner-Tregoe methodology is structured into four distinct steps, each contributing to a comprehensive analysis of the problem at hand (Moore, 1996):

- **Situation Appraisal**: This initial step focuses on identifying and listing concerns, separating and clarifying them, setting priorities, and planning subsequent actions. This appraisal is crucial to ensuring that attention is first given to the most significant issues.

- **Problem Analysis (PA)**: Once the situation is appraised and the specific problems have been identified, the identified problem is broken down into its constituent parts. This segmentation allows for a more focused inquiry into various aspects of the problem and aids in the identification of potential failure points or bottlenecks.

- **Decision Analysis (DA)**: The third step is dedicated to an in-depth exploration of potential causes. It involves a logical examination of the evidence to rule out less likely causes, to zero in on the most probable ones, and also involves evaluating alternatives, assessing risks, and making decisions. This process is critical for understanding the root of the problem and ensuring that solutions address fundamental issues rather than just symptoms.

- **Potential Problem Analysis (PPA)**: The final step is to anticipate future issues and plan preventive measures. It also involves preparing contingent actions to limit the impact of the problems. This proactive step ensures that the organization prepares for potential future challenges.

2.1.3 *Strengths Weaknesses Opportunities Threats (SWOT) Analysis*

The SWOT framework serves as a pivotal instrument for strategic planning and management within organizations, facilitating the development of both organizational and competitive strategies. Through a systematic approach, organizations are systems that operate within and are composed of multiple subsystems within their environments (Brzezinski & Krzeminska, 2023). Thus, an organization is situated within an internal and external environment. Strategic management necessitates scrutiny of these environments. Undertaking a SWOT analysis involves a thorough assessment of an organization and its external and internal contexts, efficiently sizing the entity’s resources, potential gaps, market prospects, and potential external risks (Majava & Hyvärinen, 2022). SWOT acronyms represent Strengths, Weaknesses, Opportunities, and Threats. This analysis, also known as a SWOT matrix, can alternatively be approached as a TOWS analysis or a matrix. Employed in strategic planning, SWOT analysis is essential for situational assessments, helping managers discern between internal and external factors that influence an organization.

Initiating with a situation analysis, this constitutes a detailed and broad review of factors both within and around an organization, impacting its current state and ability to meet its objectives. This step is indispensable in the strategic planning cycle, assisting organizations in comprehending their competitive edge, recognizing opportunities, and preparing for potential obstacles. Among the various tools used to evaluate business conditions, SWOT Analysis is the most prominent. Within the context of situational analysis, the SWOT Analysis offers a specific methodology. It provides a structured template for evaluating the critical aspects of an organization’s internal and external spheres of operation. The strategy behind SWOT Analysis involves optimizing strengths and opportunities while reducing weaknesses and threats to maintain a balanced view of an organization’s capabilities and challenges (Rangkuti 1998). The intent behind the SWOT Analysis is to pinpoint the key factors, both within the organization and in the external environment, which are essential for achieving objectives. SWOT Analysis is categorized into two main areas:

- **Internal Factors**: These encompass the Strengths and Weaknesses inherent within the organization.
- **External Factors**: These include Opportunities and Threats originating from the External Environment.

Through SWOT Analysis, there has been a comparative study of how external factors (opportunities and threats) align or contrast with internal factors (strengths and weaknesses). This comparative analysis informs the company’s strategic decisions. In the scope of this thesis, SWOT Analysis is employed to evaluate the business scenarios of WeLab Bank in Hong Kong and Bank Jasa Jakarta. The aim is to develop a novel Customer Value Proposition (CVP) for new digital banking in Indonesia in collaboration with ASTR A International (Majava & Hyvärinen, 2022).

2.1.4 **PESTEL Analysis**

According to Khosla (2021), the political environment has a substantial impact on WeLab, Bank Jasa Jakarta, and Astra Financial International’s operations, particularly concerning regulations and policies related to the fintech industry. Government regulations on data protection, consumer rights, and financial stability significantly influence WeLab operations in diverse markets.

1) **Political Factors**

   The political environment has a substantial impact on WeLab, Bank Jasa Jakarta, and Astra Financial International’s operations, particularly concerning regulations and policies related to the fintech industry. Government regulations on data protection, consumer rights, and financial stability significantly influence WeLab operations across diverse markets (Andaleeb & Hasan, 2016).

2) **Economic Factors**

   According to Norrestad (2022), economic conditions play a pivotal role in shaping the business performance of WeLab, Bank of Jasa Jakarta, and Astra Financial International. Variables such as interest rates, inflation rates, and GDP growth directly affect demand for WeLab services. Additionally, economic inequality and the degree of financial inclusion in each market can profoundly influence the target customer base for WeLab's digital banking services.

3) **Sociocultural Factors**

   Sociocultural dynamics encompassing consumer attitudes, preferences, and behaviors towards digital banking and financial technology are critical determinants of the acceptance and adoption of WeLab services. Cultural norms, trust in technology, and the level of financial literacy within specific demographics significantly impact WeLab market penetration and growth (Battaloglu, 2022).

4) **Technological Factors**

   As fintech companies, WeLab, Bank Jasa Jakarta, and Astra Financial International are heavily reliant on technological advancements for success. Rapid technological changes, including innovations in mobile banking, artificial intelligence, and blockchain, present both opportunities and challenges for WeLab's transition into the Indonesian market as Bank S. Hence, it is imperative for the organizations to remain abreast of the latest technological developments to provide innovative and secure digital banking solutions (Institute, 2022).

5) **Environmental Factors**

   Although not directly applicable to WeLab, Bank, Jasa Jakarta, and Astra Financial International’s operations, adopting environmentally conscious practices can enhance their reputation and appeal to eco-conscious customers. Embracing sustainable practices and promoting responsible banking can align with growing environmental concerns, thereby bolstering organizations' standing in the eyes of environmentally conscious consumers (Hagagy, 2022).

6) **Legal Factors**

   Compliance with regulatory frameworks and legal requirements in each market is crucial for the operations of WeLab, Bank Jasa Jakarta and Astra Financial International. Navigating through licensing and regulatory constraints specific to the fintech industry, ensuring data security and privacy, adhering to anti-money laundering (AML), and knowing customer (KYC) regulations are vital for an organization’s success in the digital banking sector (Andaleeb & Hasan, 2016).
2.2 Conceptual Framework

This research will discuss “Elevating Service Design and Customer Experience: Customer Value Proposition Validation and Design for New Digital Bank “Bank S” in Indonesia.” The jobs-to-be-one framework is rooted in understanding customer needs and designing products or services based on these needs. This study also discusses the decision-making process using primary and secondary (impact evaluation, such as impact analysis, effectiveness, and effort matrix).

![Figure 2. (Double Diamond) Jobs as the Done Framework.](source: Author)

1) Jobs-to-be-Done Framework: This framework is rooted in understanding customer needs and designing products or services based on these needs. It emphasizes aligning products or services with specific customer requirements to achieve a solid competitive edge.

2) Decision-Making Process: This part of the conceptual framework focuses on analyzing the decision-making process using primary and secondary methods for evaluation. Impact evaluation involves techniques such as impact analysis, effectiveness evaluation, and an effort matrix.

3) Data Collection: To initiate this research, data on customer needs, market dynamics, and current business strategy will be collected. These attributes provide valuable insight into the selection of strategic options.

4) Stakeholder Involvement: The involvement of stakeholders in the decision-making process is crucial. Their preferences, suggestions, and insights are considered, aligned with Olson’s (1996) approach of incorporating stakeholders' perspectives.

5) Input from Stakeholder Decision-Makers: Inputs from stakeholders who act as decision-makers and have a role in approving and reviewing strategic alternatives are considered. This will help normalize the weights of the various aspects under consideration.

3. Research Methodology

3.1 Research Design

The research activities on Elevating Service Design and Customer Experience: Customer Value Proposition validation and Design for New Digital Bank “Bank S” in Indonesia begin with a comprehensive understanding of customer needs using the Jobs-to-be-Done framework. This approach emphasizes aligning products or services with specific customer requirements to ensure a competitive edge. It prioritizes the alignment of products and services with specific customer requirements to ensure a competitive edge for “Bank S.” Motivations are examined, aiding in the alignment of product or service features with those needs.

Individual in-depth interviews to explore financial behaviors, banking needs, and inform the JTBD (Jobs to be done). 60-min interviews were conducted remotely through depth discussions with 30 people to explore financial behaviors led by moderators in Bahasa Indonesia. Population is the focus of research or analysis. In this case, the population comprises all prospective or existing Bank Jasa Jakarta customers and young urban indonesians. This population consists of people who have the potential or are already customers of the Bank of Jasa Jakarta services.
4. Results and Discussion

4.1 What are the jobs for young urban Indonesians?
We identified nine Jobs, all relating to achieving financial independence

1) Invest
   From the interviews, they needed to help them on:
   a. Be informed on the best savings & investment option for me

2) Save
   From the interviews, they needed to help them on:
   a. Use my cold money* to achieve long-term goals without losing control
   b. Build up the money to launch or grow my own business

3) Manage
   From the interviews, they needed to help them on:
   a. Manage my bills and instalments so nothing is missed
   b. Manage and separate my personal and business finances

4) Spend
   From the interviews, they needed to help them on:
   a. Spend and transfer my money wherever I want without fees
   b. Make the most of my money by earning the best rewards
   c. Know exactly how much money I can spend on fun purchases

5) Borrow
   From the interviews, they needed to help them on:
   a. Build an emergency fund so I’m protected against the unknown

4.2 Our JTBD Space
Our JTBD are related to each other, underpinned by the overarching theme of Financial Independence

[Diagram of JTBD Space]

Figure 3. JTBD Space
Source: Author and Qualitative Research
4.2.1 Using Jobs to be Done to frame our customer findings and opportunity

A JTBD moves customers from a problematic current state to a more desired future state by overcoming pain points. The canvas help us paint this richer picture. This is a guide for designing human-centered services. It uncovers human motivations, drivers, and barriers to behavioral change. With Jobs as Done, the context is everything.

4.2.1.1 JTBD A: Spend

Spend and transfer my money wherever I want without fee

a. Current state (pain)
   - Juggling with multiple bank accounts and digital wallets for day-to-day spending.
   - Trying to minimize fees when accessing cash, making payments, or transferring to friends/family, but everybody uses something different.
   - Therefore, often holding cash before depositing in the bank in larger amounts to maintain an element of control and flexibility.
   - Money is gradually being eroded by fees associated with multiple accounts and digital wallets, and there seems to be no way around this.

b. Drivers of behavioural change
   - Fewer uses of ATMs and cash than before.
   - Mobile banking is ubiquitous in everyday life
   - Frustration upon realisation of the amount of money that is wasted on fees each month
   - Better visibility over spending
   - Trying to make it easier to keep track of spending
   - Takes time & effort to move money around accounts

c. Barriers to behavioural change
   - Groups of friends and families using different banks.
   - eCommerce sites linked to different eWallets encouraging new account activation upon use or eCommerce sites without understanding the impact.

d. Desired state (gain)
   - A bank/card/eWallet can be used everywhere without considering fees or accessibility in the ability to send and receive.
   - Fewer accounts were managed simultaneously.
   - Better visibility of spending and balances makes it easier to keep track of one place.
   - It can make real-time transfers between accounts without incurring fees.
   - Unnecessary fees reduce the value of money.

Supporting evidence from the quantitative survey and qualitative interviews is as follows:

![Figure 4. JTBD State (source: Author)](image-url)
Problem statements associated with the JTBD (Quant Survey)

Who are they:
- Most likely to be single
- Currently (main) bank with Mandiri

What customers have said
“A lot of my friends use [Mandiri], not all, but almost all. We borrow from each other when we need to, and it’s better as there are no transaction fees.” (Iqbal, 22 yrs, Medan, First Job)

How we should respond:
- Customers are more burdened with having multiple accounts and wallets which creates chaos and an overly complex financial ecosystem, respond by combining all wallets and accounts

4.2.1.2 JTBD B: Spend and Manage
Make the most of my money by earning the best rewards
1) Current state (pain)
   - Multiple accounts were used to obtain discounts and cashbacks from merchants.
   - Worried that they were missing out on a better deal or more lucrative rewards elsewhere.
   - Using multiple wallets, credit cards and bank accounts in se
2) Drivers of behavioural change
   - Current rewards and cashbacks are not relevant or valuable.
   - Examination of discounts and promotions.
   - Certain rewards seem more attractive in the short term but may be damaging in the long term
   - High interest in borrowing.
   - Increased living expenses.
   - Travel discount.
   - Realizing that their money is not going far enough.
3) Barriers to behavioural change
   - Worries associated with opening new accounts.
   - Free to transfer money between certain providers.
4) Desired state (gain)
   - Get the most value for what they’ve spent
   - rewards or discounts on everyday spending, so they feel that their money is going further.
Rewarded for what I do with my money, not who I do it with, so they do not have to keep taking our new accounts or wallets.

Supporting evidence from the quantitative survey and qualitative interviews is as follows:

Problem statements associated with the JTBD (Quant Survey)

Who are they:
- More likely to be male in Tier 2 or 3 cities
- Have less bank accounts which they share with a spouse
- Use their ATM/debit card, eWallet and PayLater accounts more often (i.e. daily)
- The most driven by interest rates on offer

What customers have said
I use digital wallets to pay for food from moped drivers and obtain promotions to save money. I need to manage our money as much as possible, so compare GoPay and Grab and will use the one with the best promotion.” (Bella, 23yrs, Jakarta, Admin Assistant)

How we should respond:
Reward consistency of use by giving something every time a card or wallet is used - take away the confusion of whether the customer will benefit if a particular card is used for a particular transaction

4.2.1.3 JTBD C: Spend, Manage and Borrow
Know exactly how much I can afford to spend on fun purchases

1) Current state (pain)
- Customers transfer money to different accounts and use eWallets for different purposes, which is not only time-consuming but also cognitively complex to track.
- It is easier to take money out physically and assign it to envelopes; this provides better visibility but adds an additional tracking issue.
- The different budgeting methods include notebooks, phone notes, envelopes, separate bank accounts, and financial management apps.
- Customers overspend on consumptive goods or are worried about overspending; therefore, they do not buy anything.
- People are unaware of how much they have after bills and expenses as these payments sit across multiple accounts.

2) Drivers of behavioural change
- Current rewards and cashbacks are not relevant or valuable.
- Examination of discounts and promotions.
- Certain rewards seem more attractive in the short term but may be damaging in the long term
- High interest in borrowing.
- Increased living expenses.
- Travel discount.
- Realizing that their money is not going far enough.

3) Barriers to behavioural change
- Worries associated with opening new accounts.
- Free to transfer money between certain providers.

4) Desired state (gain)
- Get the most value for what they’ve spent
- Rewards or discounts on everyday spending, so they feel that their money is going further.
- Rewarded for what I do with my money, not who I do it with, so they do not have to keep taking our new accounts or wallets.

Supporting evidence from the quantitative survey and qualitative interviews is as follows:
Problem statements associated with the JTBD (Quant Survey)

Who are they:
- Tend to be younger females
- Influenced by social media
- Likely to have a large number of eWallets
- More prevalent in tier 3 cities / lower-income
- The group most focussed in interest rates (only just)

What customers have said
I cannot hold myself back from spending, so I transfer money to my parents for them to pay back to me, just to stop me from overspending. Saving is the biggest challenge because there are so many things I want” (Ilrgian, 18yrs, Balikpapan, Student & family business))

How we should respond:
- Effortless allocation of money into separate pots on payment of salary
- Set budgets based on purpose, separating ‘fun money’ from other financial commitments
- Keep a summary of money moved from another pot to fun money so it can be repaid
- Customisable budgets

4.2.1.4 JTBD D: Manage
Manage and separate my personal and business finances
1) Current state (pain)
- Personal and business finances are mixed. Customers find it difficult to separate personal and business income and outgoings in their accounts but also in their minds.
- This problem is linked to those who are self-employed, entrepreneurs, or full-time employees with side hustle.
- Income and outgoings vary depending on day, week, or season.
- Mixing up business and personal accounts makes it difficult to do books and track cash flow.
- A lack of consistency in accounting means that there are gaps in business balance sheets.

2) Drivers of behavioural change
- Growth of entrepreneurship in Indonesia - 35% of young people want to be an entrepreneur
- Uncertainty in job security post-COVID and desire for second income stream

3) Barriers to behavioural change
- Mix of cash and digital payments for many businesses.
- Delays in transfers when money is needed quickly.
- Micro/small businesses paying staff cash-in-hand
- Access to adequate business accounting

4) Desired state (gain)
- Ability to manage both sources of income in one place, but neatly separated by purpose.
- Ability to seamlessly move money between business and personal accounting without relying on cash or paying administrator/transfer fees.
- Visibility of separate business and personal accounts.
- Consistent approach to managing the business ‘books,’ peace of mind that all important payments have been accounted for.

Supporting evidence from the quantitative survey and qualitative interviews is as follows:
Problem statements associated with the JTBD (Quant Survey)

![Figure 8. Problem Statements to JTBD D](source: Author and Quant Survey 1,010 Young urban Indonesians)

Who are they:
- More likely to be from Tier 1 cities
- Married
- Doing the greatest number of bank transfers
- Self employed
- Currently using different bank accounts for personal and business

What customers have said
“I use a booking app to manage my business and household expenses. All my income is from a business that blurs the lines between business and household cash flows. I can’t separate the two. If I don’t track everything I feel like my kids will miss out.”  (Natalia, 31 yrs, Palembang, Food Stall Owner)

How we should respond:
- Flexible and easily trackable movement of money between business and personal account
- Access to immediate funds in the event of an emergency
- Provide clear separation between business and personal accounts
- Allow categorisation of business transactions and payments compared to personal
- Clear visuals to distinguish between the two in order to inform quick decisions
- Goals and pots aligned to business vs personal
- Micro loan offers for customers with viable business opportunities

4.2.1.5 JTBD E : Manage and Borrow
Manage my bills and instalments so nothing is missed

1) Current state (pain)
   - Customers are worried that they may forget bill payments and other financial obligations, forget what they bought, and when, but also what payments are coming up that month.
   - Constantly check to see when their next bill is due and if they have enough money in their account.
   - Manually having to pay bills.
   - Struggling/fear of struggling to keep on top of repayments.
   - Worried that if they took out a credit card or loan, they would forget to pay for the installments or the monthly balance, which may have an adverse effect on their finances.
   - Late payment penalties associated with BNPL put people off using it because of forgetfulness, and customers are aware of their forgetful nature.

2) Drivers of behavioural change
   - Customers have missing payments.
   - Day-to-day stress of managing bills and payments.
   - Paying interest in late or missed payments.
   - Customers have large unexpected bill payments.
   - The customer forgets the upcoming payment.
   - Recognition that they are forgetful

3) Barriers to behavioural change
   - Do not want payments to be completely automatic. Want to be asked for consent before payment is made.
   - Fear of not having funds to fulfil a payment (from the pot).

4) Desired state (gain)
   - Regular reminders to overcome the impact of forgetfulness. A view of upcoming payments with insights associated with affordability.
   - Everything can happen automatically based on what they have done before, but there is still an element of control and positive friction in the experience to minimize fear associated with totally automatic payments.
   - With better financial management, they are more likely to save money or invest at the end of each month.

Supporting evidence from the quantitative survey and qualitative interviews is as follows:
Problem statements associated with the JTBD (Quant Survey)
Figure 9. Problem Statements to JTBD E
Source: Author and Quant Survey 1,010 Young urban Indonesians

Who are they:
- Lower income married couples working with side-gig
- Group least likely to use mobile banking regularly
- The group most likely to have existing debt KTA, KPR, motorcycle, loan from family
- Current saving is irregular and small

What customers have said
“I’d like a bookkeeping assistant, with reminders on budgets. If someone does not push the break, we will keep going. My husband and I are very consumptive.” (Delisty Naviri, 28yrs, Surubaya, Online Bakery)

How we should respond:
- Allow customers to set spending limits with alerts as they are reached/breached
- Regular and timely notifications and nudges
- Learn customers regular payments and provide reminders and the option to set auto-payments based on these recommendations

4.2.1.6 JTBD F: Borrow and Save
Build an emergency fund so I’m protected against the unknown
1) Current state (pain)
- Keep a cash buffer that is not spent or replaced as soon as it is spent. or a separate savings account with little or no access to cash or payments, so it cannot be spent.
- Minimize the impact of emergency costs, such as healthcare, which cannot be planned.
- New recognition of vulnerability post COVID, many customers do not have access to readily available funds that they lose their job, have a sudden dip in income, or there is a family break-up.

2) Drivers of behavioural change
- COVID pandemic has made people very nervous about job security and income stability.
- Uncertainty about the stability of marriage and reliance on partners’ income.
- Recent health scares or healthcare costs that have resulted in financial ruin
- Past events leaving customers in financial vulnerable situations

3) Barriers to behavioural change
- Cash is seen as the only and best way to have instant access to money.
- Fear that money would not be instantly accessible if online
- Concerns about obligations or repayments if the emergency fund is not there and needs to borrow. No time to plan or carefully consider the benefit/risk of credit.

4) Desired state (gain)
- Feeling secure that they can pay for any unknown expenditure for themselves or their extended family.
- The peace of mind that an emergency will not leave them financially vulnerable.
- Pride in knowing that they will not need to rely on anybody else or be a financial burden.
- Instant access to emergency funds without affecting day-to-day spending, long-term savings, or credit risk.

Supporting evidence from the quantitative survey and qualitative interviews is as follows:
Problem statements associated with the JTBD (Quant Survey)
### Figure 10. Problem Statements to JTBD F

Source: Author and Quant Survey 1,010 Young urban Indonesians

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<th>Percentage</th>
<th>Problem Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>45%</td>
<td>I can only save small or irregular amounts for my emergency fund</td>
</tr>
<tr>
<td>43%</td>
<td>No self-control and keep withdrawing from my emergency fund</td>
</tr>
<tr>
<td>37%</td>
<td>Losing out financially if need to use my long-term savings or investments</td>
</tr>
<tr>
<td>35%</td>
<td>Don’t want to have to borrow money if can avoid</td>
</tr>
</tbody>
</table>

**Who are they:**
- Most likely to have separate, not joint bank accounts
- Most likely to be saving irregularly at the moment, but saving what they can for an emergency fund
- But more likely than other groups to be doing so in a bank account or in gold at home

**What customers have said**
“Our savings are an emergency fund, so the interest rate is not important. I can still use it if I need to, like taking the kids out for the day, but I need to know my limits. If something happens we need something to hold on to.” *(Guntar, 39 yrs, Jakarta, Operational Mgr)*

**How we should respond:**
- Access to immediate funds in the event of an emergency, potentially credit-based
- Set up easy savings rules that feel effortless and low impact on day to day spending
- Encourage adherence to savings rules
- Put necessary behavioural friction in place to limit spending of emergency fund

#### 4.2.1.7 JTBD G: Save
Use my cold money* to achieve long-term goals without losing control

1) **Current state (pain)**
- Longer-term goals they are working towards but take a backseat for short-term spending needs.
- Many customers have goals, such as buying a house, getting married, making a pilgrimage, and making investments.
- Currently, their approach is to save cash or a low-interest/easy-to-access account until a certain level is reached.
- This lump sum is then moved into lighter-interest/harder access accounts. Rather than contributing regularly.
- Ultimately, money is used to buy gold, land, houses, cryptos, and so on.

2) **Drivers of behavioural change**
- Working towards financial independence or long-term financial goals.
- Desire for passive income in older age.
- Influence from social media of people who have made a success by investing their money.
- Peers begin to achieve their goals and compare their financial achievements.

3) **Barriers to behavioural change**
- Lack of knowledge about savings and investments.
- Concerns about risk.
- Unaware that small changes can make a significant difference in the long run.
- Worries about locking money up in deposit accounts with limits to accessibility of funds and amount of withdrawals
- Spending habits and unhealthy spending decisions
- Ego and spending on impression.

4) Desired state (gain)
- Surplus money is saved at the end of the month away from daily spending, but still accessible if needed in the short-term
- As their money grows, it provides a greater return, as they are more willing to relinquish the speed of access and take more risk.
- Regular contributions with transparency of progress towards achieving goals.
- Ultimately, working towards passive income from investments in later life.
- Aware of their spending behaviors and the impact their actions have on their ability to achieve goals.

Supporting evidence from the quantitative survey and qualitative interviews is as follows:

Problem statements associated with the JTBD (Quant Survey)

![Figure 11. Problem Statements to JTBD G](image)

Source: Author and Quant Survey 1,010 Young urban Indonesians

Who are they:
- Male, slightly older, slightly higher income
- Most likely to use new digital banks (that is Jenius)
- Using multiple banks to budget and control spending
- The group most likely to already be investing in crypto

What customers have said
My ‘cold money’ gets confusing in my BCA account. I must check how much I have. When I first started earning money, I spent it all. I wa feeling really desperate so I designed my own system.”  
(Yohanas, 23 yrs, Semarang, laptop Repairs)

How we should respond:
- Allow customers to tailor their saving and investment approach to their risk comfort levels, provide options
- Ensure customers are able to access their savings at all times, remove red tape but include behavioural interventions and friction to avoid savings being used for impulse spending
- Allow customers to set savings rules that align to goals

4.2.1.8 JTBD H : Save and Invest

Be informed on the best savings & investment options for me

1) Current state (pain)
- Low financial literacy levels and lack of confidence in investing mean that customers are left feeling hopeless and unaware of how to make the most of their money.
- Rely on what they know and trust, or what older generations did before them—for example, invest in gold.
- Financial influencers are on the rise, regularly searching Google and referring to social media for good investments and advice.
- Like physical gold, gold jewelry can be worn (particularly women) and because if you own it, see it, and can hold it, it must be worth something. Value of tangible assets.

2) Drivers of behavioural change
- Desire for own a business or run a side-business
- Want to be in control of their own income and financial future.
- Less security in ‘regular jobs’ than pre-pandemic, recognition that multiple income streams is the key to wealth
- Influencers on social media showing their financial success

3) Barriers to behavioural change
- Lack of knowledge about savings and investments.
- Concerns about risk and investing in intangible assets.
- Concerns about scapy investments.
- Uncertainty about investments and crypto.
- Perception of shame if they make mistakes and lose money.

4) Desired state (gain)
- Trustworthy and impartial advice on how to make the most of their money given their long-term goals for home ownership, establishing their own business, early retirement, etc.
- Advice relevant to financial circumstances and lifestyles.
- The advice is human, simple, and clear. Educate and ease fears associated with investments.

Supporting evidence from the quantitative survey and qualitative interviews is as follows:
Problem statements associated with the JTBD (Quant Survey)

\[\text{Figure 12. Problem Statements to JTBD H} \]
\[\text{Source : Author and Quant Survey 1,010 Young urban Indonesians} \]

**Who are they:**
- Most likely to be in the 25-29 age group, so young but already working
- Less likely to use PayLater or other forms of credit
- The group saving most regularly and in large amounts - users of crypto, but also land/property more than other groups

**What customers have said**
"Living alone is the biggest challenge. If I do not do something else, I will not achieve it - investing, something outside of just saving because of inflation. [At the moment] I learn from my friends on
how it works - their positive and negative experiences.” (Nadya, 21yrs, Surabaya, Student + Office Worker)

**How we should respond:**
- Provide clear and simple information on saving and investment options - pros and cons of each
- Allow customers to set their risk comfort levels
- Ease fears associated with investments, use clear and human language throughout
- Summary and comparison of options available, clear and simple language used throughout

4.2.1.9 JTBD 1 : Save, Interest and Borrow
Build up the money to launch or grow my own business

1) Current state (pain)
- Using regular savings or easy access to funds to reach a target level is deemed sufficient capital to start a business or expand an existing business,
- Moving money into a low-risk investment such as a mutual fund, accepting that it will take longer to raise funds, but unaware of other approaches that sit within their comfort level.

2) Drivers of behavioural change
- Dream of being an entrepreneur
- Unhappy in current job, lack of flexibility and not making enough money
- Seeing the success of others who have made a lot of money through side hustles starting their own businesses or investing well.
- Diversifying income streams to reduce risk, COVID has perpetuated this
- Build their business to the point of getting a passive income
- Wanting to provide for family, knowing that they will be secure in the future with a passive income stream

3) Barriers to behavioural change
- There is little or no knowledge about investments or how to raise capital to start a business.
- Low appetite for risk
- Bad spending habits.
- Complacency and inertia
- Unwillingness to use loans to start businesses due to family pressure or horror stories.
- Fear associated with loans, inability to pay back or stories of people being publicly humiliated

4) Desired state (gain)
- Get to their financial target quicker so they can start establishing their business sooner and get to the goal of self-sufficiency and/or passive income at a younger age.
- To focus on their business growth aspirations rather than financial admin, which requires unnecessary mental effort.
- Pride and confidence in ability to achieve business goals
- Achieve business aspirations and live entrepreneurial dream

Supporting evidence from the quantitative survey and qualitative interviews is as follows:
Problem statements associated with the JTBD (Quant Survey)
Figure 13. Problem Statements to JTBD I  
Source: Author and Quant Survey 1,010 Young urban Indonesians

Who are they:
- More likely to be males in tier 1 cities
- The group most likely to be self employed
- Biggest users of mobile banking

What customers have said
“I want my own business. Coffee shop or hangout place - just one shop house. But I need capital to get started, so I will wait till I’m 35 or 36. This can be as much as Rp 100m. For now I’m saving my gold, but I might need ro get a loan for this.” (Nino, 33 yrs, Medan, Customer Service)

How we should respond:
- Provide a structured ‘template’ and plan that will help customers work towards their business goals
- Offer micro loans to creditworthy customers with viable side businesses and opportunities for growth
- Ease worries and hesitations associated with credit through transparent fees and avoiding financial jargon, use human and empathetic language
- Motivate through regular behavioural nudges to help achieve goals

Based on customer experiences alone, building an emergency fund is most important, followed by Jobs related to money from side gigs

Figure 14. Competitor and Customer Importance Matrix  
Source: Author and Quant Survey 1,010 Young urban Indonesians

ALL JTBD is somewhat important and difficult. This exercise is about providing a relative focus on the MOST, and it is difficult to further focus on our opportunity space. Our prioritized jobs differentiate us in the market. A focus on the four Jobs in the top right-hand quadrant will ensure a higher probability of success and will differentiate. This does not mean that we should disregard others, but rather that they become our standard features that customers expect in the MLP (most lovable proposition). Further focus comes from including competitor scoring to identify the differentiating opportunity space.

Opportunities Space from JTBD Space
1) What is the Opportunity Space? Customers want help building their finances to achieve their dreams
2) Bringing together the competitor and customer research to provide focus
By combining competitor scoring and customer feedback from a quantitative survey on how important and difficult customers find each job, we can prioritize JTBD.

3) Where is there the greatest opportunity to differentiate?

We use our JTBD and competitor analysis to find the growth opportunity to focus on this proposition. Our opportunity landscape allows us to feel confident in our strategic direction and to focus on the proposition that provides maximum success.

5. Conclusion
5.1 Conclusion
Our bank was set up as a digital bank. And all the great things you are going to do. This vision is distinctive in a market where most banks talk about themselves: ours is aspirational, strong, and empowering customers. With this vision, we have the opportunity to serve and grow with a dynamic Indonesian digital consumer who is hard working, savvy, social, and optimistic. Our vision is supported by five unique value propositions that resonated well with our target customers and are authentically ours: manage the controllable, prepare for the uncontrollable, get ready for the future, be rewarded along your journey, and join a movement of people like you. 4/5 of these five propositions are distinctive in today’s Indonesian digital banking market.
Our five propositions strongly align with certain products and features in customer minds. We groomed 14 strongly connected products and feature offerings, providing a clear proposition-to-product connection. Our product and feature offering strategy presumes significant service delivery through pockets, which is highly desired by our customers. More than half of our offerings are distinctive in today’s market, and the nearest competitor, Bank Jago, has only 6/14 offerings.

Building our pragmatic release roadmap, we prioritized 14 distinctive offerings across each release. In release 1 (public launch), we can deliver offerings for 4/5 propositions to start us in a clear direction. Through a future journey map, we defined a future customer experience with signature moments that reflected our distinctive offerings and key design considerations based on value drivers.

For Pockets, feature discoverability and education about loan-based pockets are the two main challenges in our product success, and we propose a design direction for signature moment #1. Overall Pocket architecture and signature moment #2. Personal loan/ready-credit pockets help address these challenges.

For signature moment #3, Busposito proposed overall improvements in concepts, mechanics, and journeys to enhance customer experience and improve referral potential.

5.2 Recommendations

5.2.1 All Savings Product

A pocket structure as a savings product is highly recommended and desired, but further user education is needed for loan-based per pockets/savings.

References


