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WORLD RETAIL BANKING REPORT 2020

Bank customers are increasingly going digital

New-age banks are grabbing the customer-experience spotlight from traditional banks

New-age banks

- Open platform-based, full API infrastructure
- Cloud native with no legacy infrastructure
- Branchless
- Agile
- Automated processes
- Data-driven with hyper-personalized offerings
- Relying on heavy cash injection

Traditional banks

- Opportunities for integration
- Legacy infrastructure
- Large branch network
- Consensus-driven
- Manual processes
- Data management challenges
- Financially solid with high trust

Traditional banks are not capitalizing on data-richness

Only 39% have robust data management capabilities

Only 24% use data effectively for personalization

More than 75% of bank executives say data handling is slowed by:
- Manual processes
- Data duplication
- Outdated systems

Banks need to become data experts by better managing and leveraging data

Traditional banks' risk-averse mindset impedes innovation

Partnering with FinTechs and BigTechs[1] speeds up product launches, but executives say there are barriers to effective collaboration:

Cybersecurity concerns	Regulatory compliance issues	Poor IT compatibility
75%	72%	72%

A shared-economy Open X[2] model with seamless eXchange of data and resources can enable banks to eXpedite innovation through collaboration and provide superior customer eXperience

Agile, platform-based models can power banks forward

Banks improve outcomes by adopting platform-based models

Without platforms		With platforms
22%	Increase customer reach	37%
21%	Improve operational efficiencies	37%
17%	Maintain/increase business profitability	35%
19%	Offer personalized, differentiated products and services	35%

3 approaches to platformification[3]

Build

Greenfield – Legacy-free platform made from scratch
Brownfield – Legacy infrastructure enhancement

Buy

Acquire/integrate new product, channels and capabilities within existing model

Share

Adopt low-cost, **ready-to-use platforms** lowering implementation time

But adopting platform-based models can be challenging

Bank executives say hurdles include

- Cybersecurity and privacy concerns 80%
- Legacy core banking systems 77%
- Identifying right partners 73%

Modern core banking technology can help overcome system and security challenges and enable a platform-based banking experience

Moving from legacy to a modern core generates business outcomes

Legacy systems are expensive to maintain and limit straight-through processing, affecting CX

Bank executives say legacy systems drive

- High maintenance IT costs – 62%
- Increased IT complexity – 62%
- Inefficient integration with emerging technologies – 57%

Modern core banking increases

- **Profitability through innovation** - faster speed to market
- **Customer centricity** - higher digital engagement
- **Operational efficiency** - faster turnaround time with integrated end-to-end processes
- **Risk and compliance** - mitigates risk of fines and sanctions

A majority of bank executives prefer progressive modernization[4]

Strategize – Develop transformation roadmap

Transform – Convert legacy systems to microservices incrementally

Integrate – Use internal APIs to integrate modern core with existing IT processes

Collaborate – Leverage open APIs for FinTech collaboration

Orchestrate – Expand API network to partner with third-parties

The combination of a modern core and API infrastructure allow banks to orchestrate an ecosystem of FS and non-FS players to deliver a platform-based banking experience and significantly improve business outcomes

Footnotes:
[1] BigTechs are technology giants that dominate their respective sectors such as Amazon, Ant Financial, Apple, Facebook, Google, and Tencent
[2] Open X – X for eXperience, is an open platform approach in which participants of all sizes and from across industries work together. Open X requires that incumbents determine the role they will play (e.g., supplier, aggregator or orchestrator) based on their strengths and leverage the capabilities of other third parties to provide the complete CX journey.
[3] Platformification = Platformification is creating, cultivating and monetizing network effects by engaging with an open ecosystem of interdependent players to facilitate exchange of value
[4] Progressive Modernization – Phased modernization of a bank's core while simultaneously developing an open API network to drive collaboration

For more information, download the report at www.worldretailbankingreport.com, follow #WRBR20 or contact us at banking@capgemini.com