

Leverage Open APIs – the glue that will hold your ecosystem together



Traditional banking rules are shaking up

We are witnessing an exciting new era in banking and financial services. Innovative FinTechs, agile neobanks, and digital disruptors are shaking up traditional banking rules as new business models spark cross-industry collaboration. Digital marketplaces that span financial and non-financial services are emerging to create exciting new channels for consumers. Spurred by government regulations and enabled by new technologies, these nimble marketplaces, not unlike brick and mortar “pop-up” retailers, appeal to today’s customers through engaging, highly-personalized products and services.



The regulatory agenda in financial services has also switched gears over the last few years, moving from principle-centered regulation to a far greater focus on driving innovation through opening banking frameworks. For example, in Europe, banking services’ providers are being catalyzed towards open banking with regulations such as Revised Payment Services Directive (PSD2), Competition and Markets Authority(CMA), and a framework for data permissions through the General Data Protection Regulation (GDPR). Other countries including Mexico, Brazil and Australia can also expect to see legislation that pushes banks toward open banking.

Competing effectively in this new environment requires a number of key questions to be addressed:

- How can banks think beyond compliance to address the customers’ growing demands?
- In a world where the disintermediation potential from aggregators is real, how do we define the next evolution of customer loyalty?
- How do we calibrate the business model to drive new acquisition channels as well as quickly enable new partnerships to create value-aligned propositions?
- How do we rethink the architectural design to drive agility, and to be able to better adopt plug & play models from FinTechs?
- How will we keep up to par with our future competitors if we keep on building and buying solutions?

Create new revenue opportunities with APIs and Open Banking

An open API platform strategy builds on the banking industry's core strengths of trust and brand recognition, as well as customer information assets. It also allows the banking services provider to build on the strengths of non-bank innovators that may be more agile and fast-paced in innovation.

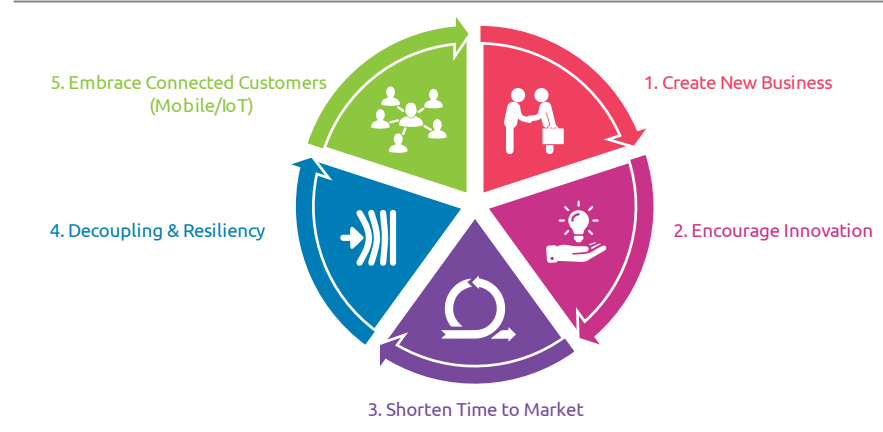
As the [World FinTech Report 2019](#) indicates, nearly 89% of banks are now leveraging APIs to collaborate with FinTechs as part of their business strategy. Additionally, the pace of external API sharing is accelerating, with 66% of banks saying they currently share APIs with trusted partners and nearly 27% planning to share APIs within a year.

The adoption of open APIs makes it easier for financial services players to collect actionable data and insights from transactions which can lead to customer purchasing decisions, loan needs, and preferred journey patterns as well as access to contextual information relating to risk profiles, future income projections, etc. These new insights can cost-effectively inform machine learning and support multi-channel marketing, which reduces reliance on above-the-line spending and managing a federated agency network.

The Result? Banks can integrate their services effectively and quickly deliver new service offerings to stay on par with the customers' expectations.



Figure 1: Generate business value with these 5 API strategies



Create New Business: Leverage digital marketing to attract new customers to the bank brand through optimizing spend. Digital marketing helps to drive consumer mindshare, improving the path from prospect to customer. Here, APIs may be used to increase the reach and depth of business channels to provide additional —yet cost-effective— revenue growth through new customer attraction.

Encourage Innovation: Bring innovation to the bank ecosystem to help spur additional revenue streams, enhance customer experience through emerging technology, and rightsize the cost/income ratio. How? Expand the innovation funnel by allowing partners, suppliers and other businesses to transform on top of bank platform services. This drives better collaboration with partners, suppliers and the ecosystem through direct integration of — and access to — services.

Opportunities vs. Challenges

- How can we enable new business models?
- How do we use APIs to create new revenue streams?
- How do we use APIs to amplify existing revenue streams?
- What monetization models are appropriate?
- How do we select and reach out to customers?
- How can we increase our market profile / brand position?
- How do we defend against disintermediation?

Shorten Time to Market: Deliver innovation quickly to improve speed to market. Getting there first is critical to driving customer connection and advocacy. The digital framework allows for fast execution by shielding “systems of record” behind APIs, which removes resource bottlenecks and streamlines internal development. It also decreases the dependencies with applications as it’s relatively easier to change an application within the architecture.

Decoupling and Resiliency: Count on APIs to decrease architectural coupling and allow a more flexible and independently-scalable platform. Shifting away from point-to-point to a more federated model reduces development cost and improves the ability to rationalize applications post digital transformation.

Embrace Connected Customers (Mobile, IoT and Network of Everything): With smart mobile devices evolving rapidly, banking on the move is now an entrenched customer behavior. And “virtual” banking has been one of the key drivers in moving the market away from branch-based transacting.

APIs enable new bank servicing strategies and business capabilities to be rapidly deployed to mobile-only customers. These APIs enable customers to check their balances and transactions and to ask questions about their banking products (e.g. suspected fraud, disputes, loan approvals, change of details etc.) Additionally, with the emergence of AI, IoT and blockchain, very specific use cases around customer management are now easier to deploy against the API platform and via this to the core of the bank.

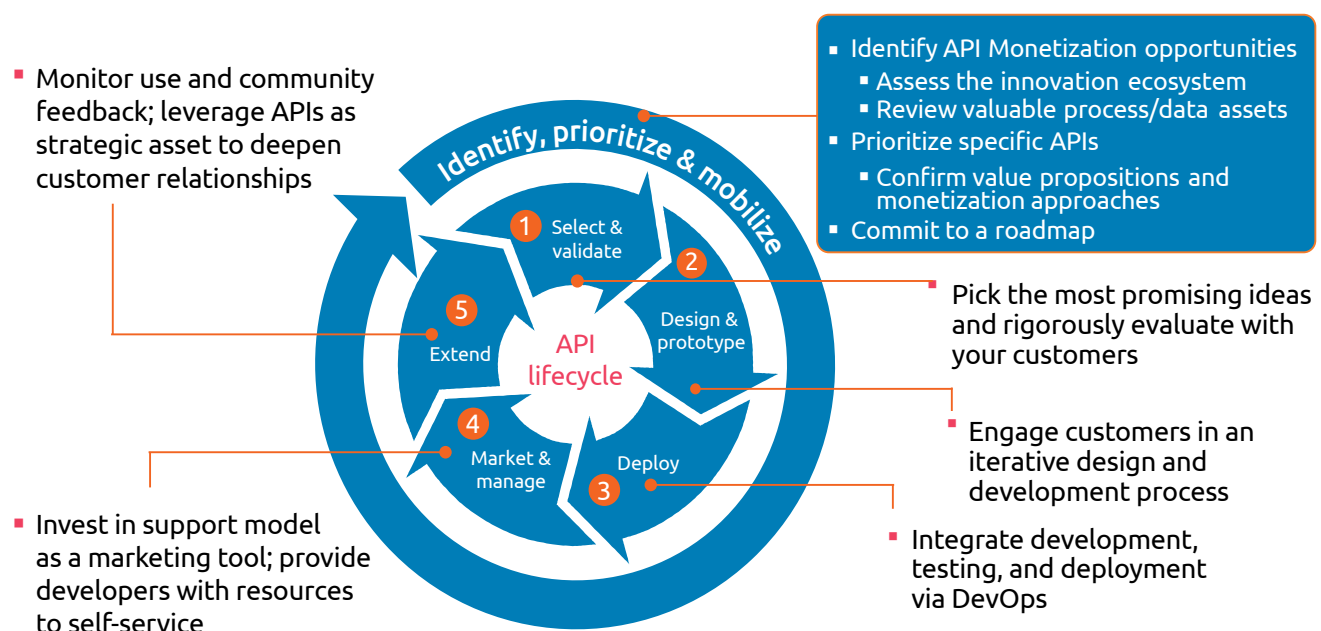
Let’s Get Started



The first step is to identify and prioritize business use case and translate this towards the API value-creation opportunities. Capgemini enables your journey through our proven and tested API planning and mobilization engagement process, which helps to define your API- as-a-product operating model.

Within six weeks, we will have jointly developed a roadmap with a prioritized set of API monetization opportunities.

Figure 2: API Lifecycle



Capgemini accelerates your ability to identify, prioritize and mobilize API monetization initiatives. And that enables you to rapidly focus and mobilize API investments.

- Identify the **business implications** for your API strategy and priorities
- Outline your potential API consumers, competitors, and other ecosystem participants with an **innovation ecosystem map**
- Evaluate potential **core process/data assets** and their value to the external API ecosystem
- Gauge your **current internal business technology capabilities** to develop, launch and operate API-based services
- Develop a **prioritized list of potential APIs** with internal/external value proposition (e.g. direct monetization, indirect brand impact) operational readiness along with the commercial model (e.g. open/closed, be paid, pay, revenue share)
- Develop a 12-18 month **implementation roadmap**

Guiding Principles:

- Set up APIs-as-a-product operating model
- Systematically generate ideas from internal and external sources
- Pick the most promising ideas and rigorously evaluate with customer input
- Develop "Try, Test and Adapt" Mindset and "learn fast"
- Encourage nimble product teams
- Security is a big deal; so, involving Risk, Legal and Compliance is important

Aside from the challenges we have discussed, there are also very specific monetization options around API use by direct customers and indirect partner networks.

Figure 3: API-specific monetization models

	Model	Description	API Consumer	Example
	1 API Access Fee	<ul style="list-style-type: none"> ▪ Fee per transaction ▪ Subscription fee for access ▪ Offered directly or as an "upsell" against other services 	<ul style="list-style-type: none"> ▪ Open ▪ Partner 	<ul style="list-style-type: none"> ▪ Payments ▪ Account verification ▪ Verified Identification
	2 Shared Value	<ul style="list-style-type: none"> ▪ Share value delivered via the API with the API Consumer, e.g. be paid/pay a percentage of transaction value 	<ul style="list-style-type: none"> ▪ Open ▪ Partner 	<ul style="list-style-type: none"> ▪ FX conversion (share of currency value) ▪ Loans
	3 Referred business/ Sales leads	<ul style="list-style-type: none"> ▪ Expand distribution channels through partners (i.e. API consumers) 	<ul style="list-style-type: none"> ▪ Open ▪ Partner 	<ul style="list-style-type: none"> ▪ Mortgages (named individuals closing on house purchase)
	4 Brand uplift/ Product promotion	<ul style="list-style-type: none"> ▪ Positioning the Bank's brand and marketing messages via third-party apps 	<ul style="list-style-type: none"> ▪ Open ▪ Partner 	<ul style="list-style-type: none"> ▪ No cost balance enquiries, credit checks, etc.
	5 Actionable Data for insights	<ul style="list-style-type: none"> ▪ Collect directly actionable data (e.g. purchasing decisions, loan needs etc.) or contextual information (e.g. risk profile, future income projections etc.) that can inform machine learning and/or support multichannel marketing 	<ul style="list-style-type: none"> ▪ Open ▪ Partner 	<ul style="list-style-type: none"> ▪ Accurate estimates of increased real estate values (to tailor mortgage refinancing offers)
	6 Agility/Reuse	<ul style="list-style-type: none"> ▪ Reduce development effort ▪ Increase business agility/reduce time-to-market 	<ul style="list-style-type: none"> ▪ Internal 	<ul style="list-style-type: none"> ▪ Different product teams sharing development of common micro-services

A resilient and scalable Open Banking solution from Capgemini

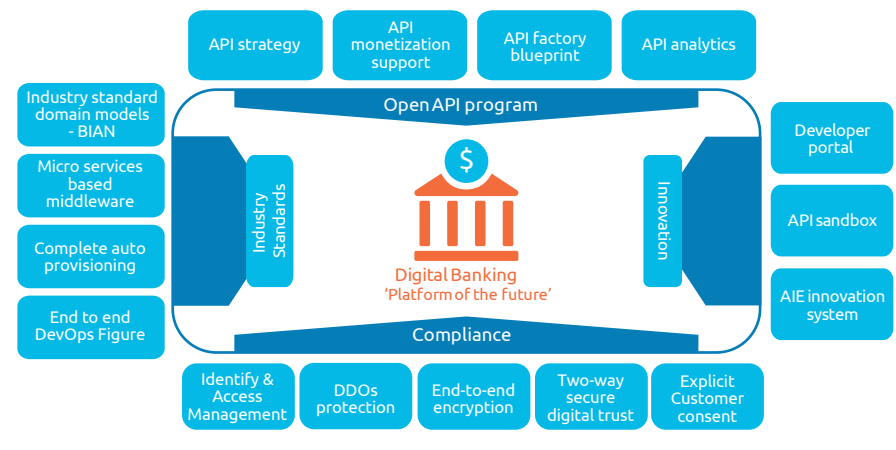
Capgemini's repository of pre-built APIs includes PSD2 APIs that can help you reduce time to market to compliance while leveraging the platform beyond PSD2 compliancy.



As your end-to-end transformation partner, Capgemini offers a fully integrated API platform to launch your API and Open Banking initiatives. Simply stated, that means unlocking new business models and revenue opportunities for you. Our well-tested and highly secure platform allows digital services to be integrated quickly, consistently and cost effectively, on site or in the cloud.

Our framework encompasses components across four dimensions. Each accelerator is based on mature open source products and contains extensive documentation including API documentation best practices, API publishing guidelines, Cloud Native and DevOps accelerators, scalable examples and auto-provisioning scripts.

Figure 4: Capgemini's Open Banking Solution



Our innovative solution helps banks leapfrog to the Open API economy and manage an open innovation ecosystem. It provides an integrated developer portal and API sandbox to enable third-party providers and developers to build innovative Open APIs. Additionally, banks can access Capgemini's innovation ecosystem—a broad range of collaborative partners and FinTechs—through our [Applied Innovation Exchange platform](#) and [ScaleUp Qualification program](#).

Capgemini's Open Banking solution provides **three different deployment models** to offer flexibility and a range of pricing:

- A model that is accessed as a fully-managed service on a dedicated virtual private cloud (with pricing based on API usage)
- A Capgemini-built and deployed model on a dedicated virtual private cloud and then transfer of the operations to the bank
- A model installed on-premise in a private cloud within the bank's data center

Capgemini incorporates best-of-breed, fit-for-purpose technologies such as Amazon Web Services (AWS), Salesforce, MuleSoft and Ping Identity. Partner technologies are chosen based on company vision, product features, alignment with technology and architecture best practices, high resilience and fault tolerance, and precedence of usage within the financial services industry. We also have the flexibility to reuse your existing technologies. Our flexible internal platform architecture accommodates the "swap out" of any specific product if needed.



Unlock the Future of Digital with Open Banking and an API-based ecosystem

As a financial services digital transformation leader, Capgemini has deep domain knowledge across the banking value chain. Our assessment frameworks and API value-creation models are backed by more than 30 years of banking and capital markets experience and extensive industry research.

We are one of a handful of providers with experience managing large-scale API programs. For a UK client, we managed the delivery of 86 API endpoints supporting 20-million unique consumers and £1.5 billion GBP (British pound sterling) in revenue.

Get ahead of digital disruption. Now is the time to build momentum for API-led innovation to get ahead of digital disruption. And Capgemini has the right experience to help you embrace Open Banking as a way to digitally transform, innovate and unlock new business models and growth channels.

Capgemini's Open Banking platform is a proven API-enabled platform that underpins [Inventive Banking](#), the open platform allows clients to harness new technologies to rapidly build and test your own unique, innovative propositions.

Case study: Our approach in action – new revenue through APIs

The bank challenge: “How to create new revenue streams through investing in API-based innovation by design”

After a series of ideation sessions designed to understand the value available to the bank through APIs, the bank opted to create an API with an online travel service that books a high volume of international travel. Through this API the travel service can offer customers the opportunity — and convenience — to purchase foreign currency from the bank as they book their travel. This collaborative business model opens up a new revenue stream at very low sales and distribution costs. Use of the API opened the door to collaboration with a travel service partner; and now the bank can assess additional potential synergies with the partner's customer population.

In this context, the approach to building APIs is critical. The collaboration between the bank and travel service was the result of the bank thinking holistically about its strategy. The bank was originally approached by a commercial customer wanting it to provide them with an API for downstream payment processing. Rather than creating a single solution for this important customer, the bank thought more broadly about its API platform. The bank is now looking at launching approximately 1,000 open APIs over the next few years.



About Capgemini

A global leader in consulting, technology services and digital transformation, Capgemini is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. It is a multicultural company of over 200,000 team members in more than 40 countries. The Group reported 2018 global revenues of EUR 13.2 billion.

Visit us at

www.capgemini.com

For a complimentary workshop on how to create value from APIs or a demo of Capgemini's API platform – contact us at banking@capgemini.com

For more information, visit us at

www.capgemini.com/openbanking



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