Banking Technology Landscape:

Vision 2025

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Preface

The agility and purview of evolution in customer behavior, technology, and even regulations – in conjunction with new ecosystem players drive the fact that banking in the future may not be a simple extrapolation of past and present. We believe that emerging technologies will transform the banking landscape, leading to both → opportunities to grow and challenges to be tackled by financial services industry stakeholders.

Incumbent banks have started to recognize themselves as *technology companies* that leverage data, technology, and ecosystem partnerships to deliver value within the customer's digital ecosystem covering both financial and non-financial needs. From a business perspective, the industry has long recovered from the shocks of the financial crisis with improved capitalization. But a decade later, banks are still battling revenue growth, cost-cutting strategies are nearing sunset, and the need of the hour is to look beyond playing catch-up with technology and take the lead to satisfy ever-changing customer expectations.

Competition from FinTechs and BigTechs is beginning to aggressively eat into incumbents' market share with agile niche solutions, cutting-edge technology, and superior customer experience driven by know-how from other industries.

Banks need to respond with a renewed strategy that is digital, agile, inclusive, and efficient. Survivors will be those that quickly decide their new role within the broader banking ecosystem — service supplier, aggregator, orchestrator or remaining a traditional integrator. Technology challenges can open doors to expanded revenue streams, modify business models and offer services that help banks become a one-stop solution for a customer's daily needs. This means becoming a value aggregator, a trusted provider of advice, and a facilitator of access – all in one.

The focus should move from legacy products to leveraging data to provide integrated services and insights-driven decision making. Moreover, technologies such as machine learning, artificial intelligence (AI), and blockchain shall increasingly improve efficiency, foster innovation, and boost the quality of production and distribution of financial services.

We believe those players that strategically select complementary partners, adapt their business models, leverage new technologies, and recruit talent with pertinent skill sets will be positioned to grow profitably. First movers and prominent players will define new ecosystem roles, standards, and management.

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Executive summary

Augmenting customer experience is the need of the hour as customers increasingly adopt digital products and services as digital-only banks challenge incumbents to deliver better digital innovation. As a result, banks are investing aggressively in digital transformation to enable nimbler processes and support digital products and services.

In the not-too-distant future, banks' roles and modes of operation will hardly resemble today's paradigm. Digital will be at the epicenter of every strategy – be it (external) customer-facing or (internal) employee-facing. Bank/FinTech collaboration will continue as incumbents learn and acquire innovative approaches and technological capabilities in support of new, profitable business models. Within a connected digital environment, established banks must ensure that customer satisfaction standards stack up to other financial services firms as well as with non-industry businesses that keep consumers engaged, satisfied, and loyal.

Within open banking parameters, expectations are that the ecosystem will significantly evolve as stakeholders choose different roles such as aggregators, orchestrators of marketplace models, and suppliers of products and services — depending upon their core competencies.

Under pressure to boost revenue, cut costs, and at the same time deliver a better customer experience, banks are investing in emerging technologies and processes such as digital identity systems, artificial intelligence, and blockchain. To provide seamless customer journeys, banks shall look to further automate their processes, making increasing use of cloud implementations, leveraging analytics for better customer engagement, and providing a more personalized and enriching customer experience.

Regulations are also spurring banks and FinTech collaboration through various open banking initiatives, with banks now being mandated to share data with third parties through APIs. This will enable banks to provide hyper-personalized offerings for customers on the back of data-driven decision making models and a more refined contextual banking experience.

Banks of the future won't look like today's firms

The banking industry has undergone a paradigm shift throughout the past few years. The way consumers bank and their expectations from banking institutions have changed drastically. This has rendered banking as a commodity with the same products and services – and very little room for any price play. Traditional players can stand out by understanding that technology is more than an enabler. It must now be a mainstay in all strategic decisions.

Banking industry giants are accepting and adapting to the rapidly changing environment, and executives consistently maintain that banks must function more like technology companies to stay relevant in these tumultuous times. Recently a CitiBank executive called Citi a "non-hierarchical technology company with a banking license."[1] He added that CitiBank is the place for people who are open to lightning-speed change and transformation. Micheal Gorriz, the chief information officer for Standard Chartered, said that the firm's "IT team must work 'like a FinTech,' " mastering technology to cater to customer convenience.[2] A shift in the outlook of banks is a positive sign for consumers because it leads to improved products, service, and experience.

Digital as a strategic priority

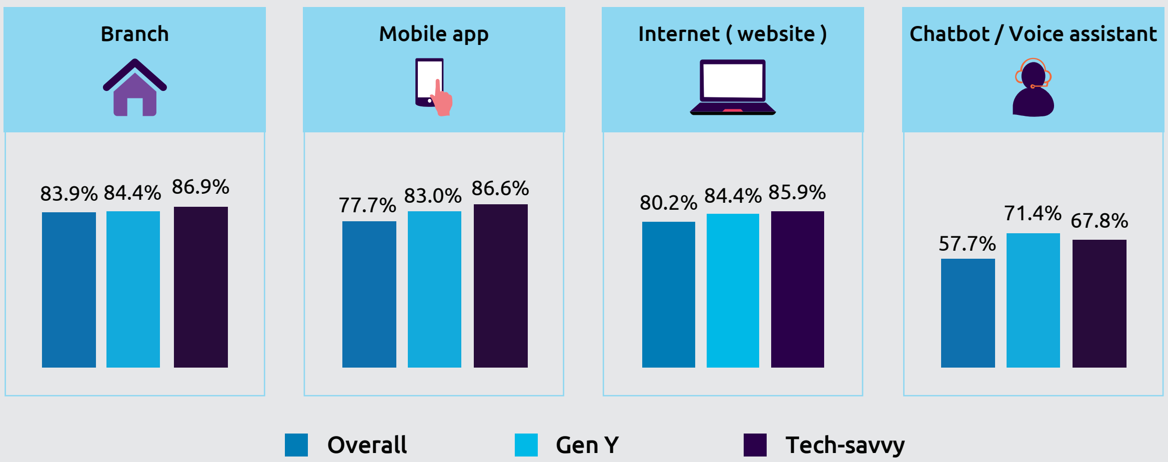
Technology has been a major disruptor in every sphere of the banking ecosystem. Firms are looking at technological inputs to optimize every aspect of their business, starting from products, consumer experience, business processes to their overall business model.

Consumer experience of the future

Traditionally, attributes such as trust, reputation, brand, and size were the criteria to choose a financial institution. The rise of technology has irreversibly shaped consumer expectations and prioritized customer experience. With the abundance of customer-friendly applications, be it in the domain of e-commerce, entertainment or travel, consumers have developed similar expectations from their banks. Especially in India, the changing demography, increased internet penetration, and growth of agile FinTechs have significantly magnified this effect.

Convenience drives consumer choices – with an increasingly hectic lifestyle and a digital native mindset, urban millennial populations rank

Figure 2.1: Channel importance for customers (%), India, 2019



Source: Capgemini Financial Services Analysis, 2019

[1] "Citi: like a tech company with a banking licence," https://www.citi.com/canada/en/news/data/news170110a.pdf

[2] CNBC, "Banks must behave 'more like technology companies' to survive, finance execs say," Nov 18 2019, https://www.cnbc.com/2019/11/18/banks-must-behave-like-tech-companies-to-survive-amid-fintech-threat.html.

convenience as their top priority. Globally, 57% of consumers rated convenience as their top priority in choosing a bank.[3]

Anywhere Banking – we live in a hyper-connected world, with access to information 24x7 at our fingertips. So, why should banking services be any different? Apart from traditional channels of banking, new channels such as social media, voice assistants, and chatbots have emerged. So, it has become imperative for banks to provide a seamless omnichannel experience consistently.

Co-opetition with FinTechs

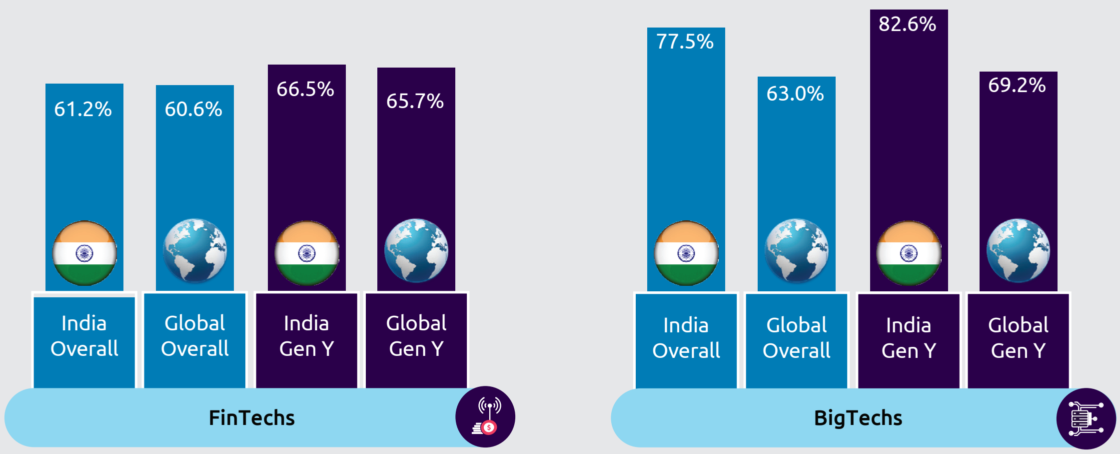
The unbundling of a Bank

In contrast with the monolithic giant multi-product financial institutions that we are so familiar with, fintech startups specialize in providing a specific product or service. With the focus on one particular aspect of banking, these firms have shown great understanding and adaptability to the changing consumer needs and agility in meeting them with technological disruptions. Banks have warmed up to these fintech startups, leading to increased partnerships and technology sharing.

- HSBC has developed a digital lending platform using the technology provided by fintech ***Amount*** to process and lend to consumers digitally. The convenience of using Amount has offered consumers a streamlined and swift experience and processes loans in a day.[4]
- SunTrust has partnered with Atlanta based FinTech ***Greensky*** to bolster their PoS lending business.[5] The platform connects consumers, merchants, and banks and has funded more than US$12 billion loans, helping banks reach 1.7 million new consumers.[6]

The critical issue for incumbents is whether they have the infrastructure or skills required to compete with FinTechs in their own game. BNY Mellon's interim CEO, Todd Gibbons, said his bank would continue to spend on technology at an even faster rate in the future to overcome this obstacle. Traditional banks must leverage their strengths to be relevant in the future; said Tanya Baker from the GS tech accelerator, "We have the scale, we have a trillion-dollar balance sheet, and we have brand."[7]

Figure 2.2: Customers currently using at least one financial product from non-traditional firms (%), by demographic segment, India vs Global, 2019



Source: Capgemini Financial Services Analysis, 2019; World Retail Banking Report 2019 – Voice of Customer Survey.

[3] Capgemini, "World Retail Banking Report", 2018, https://www.capgemini.com/news/world-retail-banking-report-2018-banks-must-respond-to-soaring-customer-expectations-as-non-traditional-competition-looms/

[4] Bloomberg, "HSBC U.S. Partners With Web-Based Avant to Offer Personal Loans", Oct 23, 2018, https://www.bloomberg.com/news/articles/2018-10-22/hsbc-u-s-partners-with-web-based-avant-to-offer-personal-loans

[5] Forbes, "A Fintech Billionaire's Consumer Loans Come Under Fire In Alabama", July25, 2019, https://www.forbes.com/sites/nathanvardi/2019/07/25/a-billionaires-consumer-loans-come-under-fire-in-alabama/#5495b13625d7

[6] Daily Forex Report, "GreenSky is Winning with Customers and Businesses", Aug 31, 2019, https://www.dailyforexreport.com/greensky-winning-customers-businesses/

[7] American Banker, "The banking trends that will dominate 2020 - But new fights between the two sides will also break out", Jan 7, 2020, https://www.americanbanker.com/list/the-banking-tech-trends-that-will-dominate-2020

In the Indian context, FinTechs are tapping into the unmet demands of individuals and SMEs in terms of financial credit, guidance, real-time, and anytime/anywhere banking. Among all FinTechs, those with maximum share are in the area of payments, lending, and personal finance management.

- **Adoption is much faster in India** – given the demographics of India along with the increasing penetration of the internet, adoption of new technology that makes life convenient for users is visibly higher compared with global standards.
- **Government regulation and policies** – emphasis on the digitization of the economy and catering to the unbanked have created immense opportunity for new entrants. The Reserve Bank of India (RBI) has permitted startups, incumbents, and other financial institutions to set up a regulatory sandbox for live testing of innovative products in areas such as retail payments, digital KYC, and wealth management.

Immersive experiences in the connected ecosystem become a norm

Increased partnership and collaboration both within and outside the ecosystem to satiate the need for instant gratification of consumers has become a necessity today. Consumers are increasingly looking towards banks and their products as lifestyle needs.

A major leap in this direction is **platformification** – the consolidation of services. Just like Netflix can provide different TV shows from various providers to meet the demands of the consumer, banks can plug-in services and products from third parties to bolster the portfolio of offerings on their platform. Through such platforms, consumers may conveniently and seamlessly use one provider or app for all their financial as well as non-financial needs.

A significant hurdle for banks in ramping up platformification was a lack of supporting technology and infrastructure. Systems were siloed and focused on security by seclusion as if to never change or fail in the future. Now technology is ripe for building on the platformification concept with micro-service architecture, a library of APIs, cloud nativity, etc.

Currently, the most prevalent platforms can be divided into two major types[8]

- **Bank API toolkit** – Large banks like CitiBank, Capital One, HSBC, and the like, have some rendition of this platform for collaboration with third-party apps
- **Marketplace** – Non-banking entities create a platform to deliver products and services from a set of banking institutions providing consumers with convenience and choice examples include ***Kabbage***, ***BankBazaar*** etc.

[8] Forbes, "Digital platforms are eating Banking", July 15, 2019, https://www.forbes.com/sites/ronshevlin/2019/07/15/digital-platforms-are-eating-banking/#62e3dd7953cb

Specialized roles emerge and challenge traditional conventions as the industry makes Open Banking progress

The rise of traditionally non-financial service providers, such as FinTechs and BigTechs, has fuelled evolution within the financial services industry. This is being viewed both as an engine for innovation resulting in top-notch customer experience as well as one of the most significant challenges to have emerged for traditional banks. Competition is now rising almost every quarter across geographies, as new-age technology firms and established banks target the same market.

As the FS ecosystem evolves, opportunities will open to create and distribute new products developed in-house or in partnership with external players

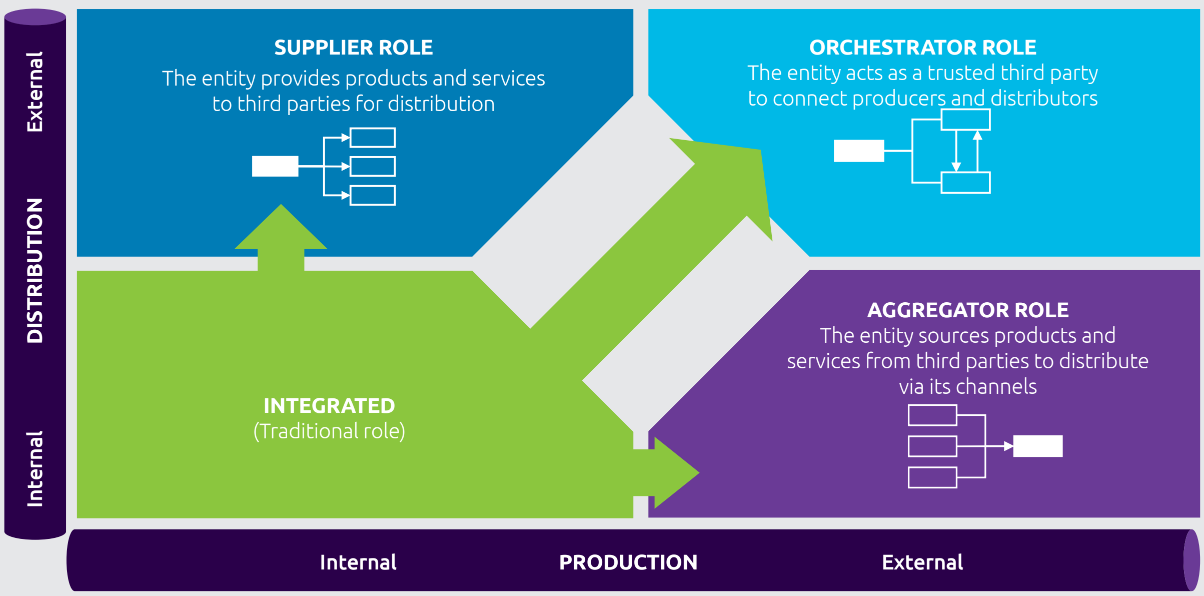
Integrated: The traditional role in which a firm maintains full control of product and service creation, as well as distribution. The challenge will be to match competitors' time to market and agility to quickly meet customers' unique demands.

Supplier: This role focuses on developing products and services, leaving the distribution leg to a third party or external player. To remain relevant, suppliers must maintain strong product capabilities and a suite of unique products sure to satisfy customers.

Aggregator: In this role, the entity amasses products and services from ecosystem partners with a command on its internal channels for distribution to end customers. Successful aggregrators will demonstrate excellent distribution capabilities or prime access to niche market segments. They will act as a marketplace with clear liability structures with onboarded partners to reach a larger customer base.

Orchestrator: Fundamental idea in this role is to help suppliers and aggregators successfully interact to produce customer value. They foresee lower revenue per transaction but shall bank upon higher volumes and contribution margins. The most exciting role in the future, shall coalesce the ecosystem with capabilities in 'access', 'interaction' and 'data' management.

Figure 3.1: Open banking business roles



Source: Capgemini Financial Services Analysis, 2019; World FinTech Report 2019.

Most firms are embracing innovation with technologies such as analytics, deep learning, AI, and blockchain

Cloud and Blockchain are helping banks with efficiency and accuracy

	Applications	Use Cases	Implications
Blockchain	Blockchain technology is making cross-border trades more efficient. Even today, cross-border payments and settlements are slow, error-prone, and expensive because so many stakeholders are involved.[10]	Standard Chartered Bank used the Voltron (now Contour) platform for its first cross-border transaction using letter of credit blockchain.[11] Bank of Thailand and the Hong Kong Monetary Authority have collaborated to explore cost efficiency.[12] The Bank of Canada and the Monetary Authority of Singapore have started using blockchain to make cross-border payments cheaper, faster and safer.[13] Bank of America registered a patent in mid-2019 to use Ripple blockchain.[14]	Suppliers and SMEs will improve their liquidity thanks to the faster settlement of payments, which will enable them to compete with incumbents. Since blockchain drives transparency and trust, trade financing would get a boost by more accurate risk profiling.
Cloud	Large banks were spending a considerable amount of time managing the data infrastructure than analyzing actual data to understand client behavior. Banks are moving away from traditional infrastructure to cloud-based storage that offers a centralized platform that can deploy products quickly.[15]	South Africa's Standard Bank is migrating its customer-facing platforms and strategic core banking applications to the cloud via Amazon Web Services.[16] HSBC moved its global liquidity reporting processes from its proprietary servers to Google Cloud to reduce reporting time from 14 to 3 hours each day.[17]	Cloud services would enable banks to increase their ability to innovate by enhancing agility, efficiency, and productivity. Also, banks would need to develop training and certification programs to up-skill employees. Cloud services also provide efficient solutions to mitigate risks for capacity, redundancy, and resiliency.

Emerging technologies are finding increasing adoption in Banking

The global average spending on technology for the banking sector is 9% of its revenue as against 3% for other industries.[9] Banks, along with FinTechs, are embracing different emerging technologies to combat rising operational costs, mounting client expectations, cybercrime, stringent regulations, thriving competition, and the rise of tech-savvy customers.

[9] Statistia, "IT spend spending as a percentage of company revenue worldwide as of 2019, by industry sector," Februay 2019, https://www.statista.com/statistics/1017037/worldwide-spend-on-it-as-share-of-revenue-by-industry/.

[10] Capgemini, "Top Trends in Commercial Banking 2020", https://www.capgemini.com/in-en/resources/top-trends-in-commercial-banking-2020/

[11] Finextra, "Standard Chartered completes LoC blockchain transaction on Voltron", August 7, 2019, https://www.finextra.com/newsarticle/34227/standard-chartered-completes-loc-blockchain-transaction-on-voltron.

[12] Tokenpost, "Bank of Thailand's DLT-focused Project Inthaon advances to Phase III", July 19, 2019, https://www.tokenpost.com/Bank-of-Thailands-Project-Inthanon-advances-to-Phase-III-2700

[13] Straits Times, "MAS, Bank of Canada use blockchain in cross-border trial," May 3, 2019, https://www.straitstimes.com/business/banking/mas-bank-of-canada-use-blockchain-in-cross-border-trial

[14] Cryptonewz, "Bank of America To Utilize Ripple Blockchain For Interbank Communication Application", July 22, 2019, https://www.cryptonewsz.com/bank-of-america-to-utilize-ripple-blockchain-for-interbank-communication-application/32681/

[15] Capgemini, "Top Trends in Commercial Banking 2020", https://www.capgemini.com/in-en/resources/top-trends-in-commercial-banking-2020/

[16] Finextra, "Standard Bank contracts with AWS for mass migration to the cloud," March 27, 2019, https://www.finextra.com/newsarticle/33592/standard-bank-contracts-with-aws-for-mass-migration-to-the-cloud

[17] DIGFIN, "HSBC goes cloud-first," April 2, 2019, https://www.digfingroup.com/hsbc-cloud/

Biometrics and Artificial Intelligence are enabling ultra-modern use cases

	Applications	Use Cases	Implications
Artificial Intelligence	AI is being used to review trade transactions in compliance with global anti-money laundering (AML) requirements. The United Nations Office on Drugs and Crime estimates that 2 - 5% of global GDP (US$800 billion to $2 trillion) is laundered each year.[18] Regulators across the US, Europe, APAC, and Middle East collected $26 billion in AML violations.[19]	HSBC is collaborating with Element AI to comply with global AML requirements.[20] Standard Chartered partnered with Silent Eight, an AI firm, to combat crime.[21] Citi is creating an AI-based risk analytics scoring engine to assist in reviewing trade transactions.[22] HSBC also invested $2.3 billion on a digital platform to process invoices and trade documents.[23] Using Workfusion's AI-enabled cloud solution, Standard Bank South Africa reduced customer onboarding time.[24]	Commercial banks can redeploy humans to handle more strategic decision-making areas.[25] Also, increasingly sophisticated AI tools will help banks to better face regulatory scrutiny and withstand criminal incursion. Retail banks will leverage AI and data insights to understand consumer spending and help customers make high-involvement purchase decisions — for vehicles, electronics etc.
Biometrics	We know that cyber-attacks have grown significantly in both frequency and technological sophistication. Biometrics — including fingerprint, iris, and facial recognition — strengthen customer authentication by adding a physical layer of security, making it difficult for cybercriminals to impersonate.	Citi and NatWest Bank are using fingerprint authentication on smartphone mobile apps for clients to access their accounts securely.[26] Wells Fargo is providing eye-scan technology to corporate clients.[27] Citi and U.S. Bank offer facial recognition log-in to iPhone users to access banking apps.[28]	By investing in biometrics, banks can boost their reputation and have increased trust amongst their clients. With the rise of FinTechs that provide specialized cybersecurity services, banks are now exploring partnerships to incorporate new solutions quicker.

[18] UNODC, "Money-Laundering and Globalization," https://www.unodc.org/unodc/en/money-laundering/globalization.html, accessed October 2019

[19] Fenergo press release, "Global AML/KYC & Sanction Fines," September 26, 2018, https://www.fenergo.com/aml-kyc-sanction-fines

[20] Fintech Futures, "HSBC seeks AI prowess with Element AI partnership," June 10, 2019, https://www.fintechfutures.com/2019/06/hsbc-seeks-ai-prowess-with-element-ai-partnership/

[21] Standerd Chartered, "We've partnered with Regulatory Technology firm Silent Eight," July 9, 2018, https://www.sc.com/en/media/press-release/weve-partnered-with-regulatory-technology-firm-silent-eight/

[22] Finextra, "Citi to develop AI-based trade finance compliance platform," April 30, 2019, https://www.finextra.com/newsarticle/33745/citi-to-develop-ai-based-trade-finance-compliance-platform

[23] South China Morning Post, "HSBC spends US$2.3b on digital platforms, AI and new technology to reach tech savvy customers, April 6, 2018, https://www.scmp.com/business/banking-finance/article/2140428/hsbc-spends-us23b-digital-platforms-ai-and-new-technology

[24] Workfusion, "Digitizing Africa's largest bank with Everyday AI and smarter RPA," June 20, 2019, https://www.workfusion.com/customer-spotlight/standard-bank/

[25] Capgemini, "Top Trends in Retail Banking: 2020," https://www.capgemini.com/us-en/resources/top-trends-in-retail-banking-2020/

[26] Computerweekly.com, "NatWest eases business payments with biometric authentication on mobile, April 16, 2019, https://www.computerweekly.com/news/252461709/NatWest-eases-business-payments-with-biometric-authentication-on-mobile

[27] Biztechmagazine.com, "How Will Biometrics Affect the Future of Banking Security?," March 19, 2018, https://biztechmagazine.com/article/2018/03/how-will-biometrics-affect-future-banking-security

[28] American Banker, "The banking tech trends that will dominate 2020," January 07, 2020, https://www.americanbanker.com/list/the-banking-tech-trends-that-will-dominate-2020

Non-banking companies entering the financial sector

Across the world, organizations of different scales and competencies are entering the financial sector. Facebook launched ***Libra***, its digital currency project to launch a cryptocurrency.[28] Google has launched ***Google Pay*** in India. Amazon offers attractive cash backs and discount incentives to ***Amazon Pay*** users. Uber is creating a bucket of financial services and products for its driver and customer community through its ***Uber Money*** division. It already offers a bank account, debit card and mobile banking app through Green Dot, a US-based prepaid debit card company. Uber intends to allow drivers to automatically save a portion from each trip and eventually create a holistic financial wellness app.

And while it may seem that a Goldman or a Citi is usually behind the financial efforts of tech companies, independent entry to this new industry is becoming more common as tech firms leverage their massive user bases and accumulated profits. This is creating a big fuss in the lives of bankers right now. Even though FinTechs have the same technological capabilities, they strive for sustainability first. Tech giants play a different game altogether, and thus, banks now understand the need for a collaborative digital transformation.

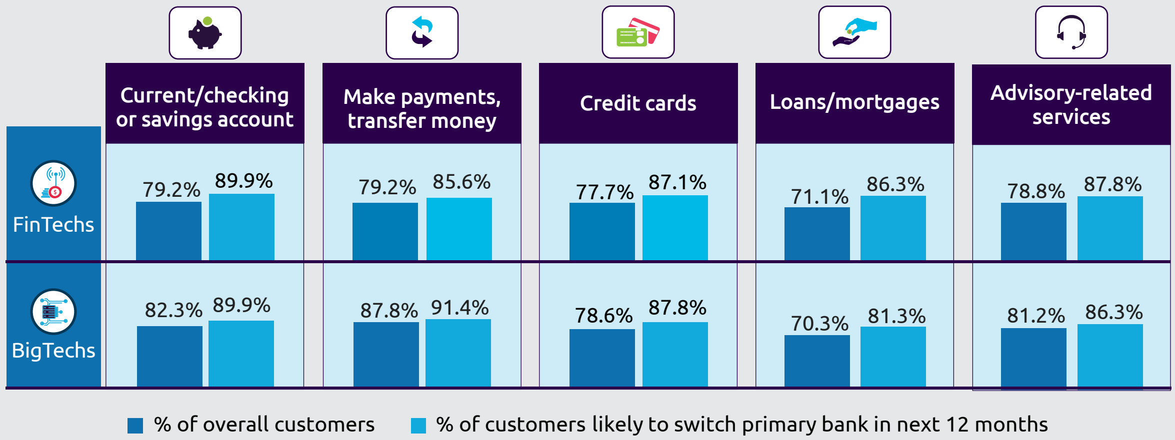
Traditional banks partnering with FinTechs as the way forward

A New Jersey based regional bank trained its existing employees for digital banking roles, covering every facet of the bank's digital capabilities. In the process, it closed down 34% of its branches and retained 94% of its customers. However, a robust, scalable and outcome-driven digital transformation strategy remains extremely rare.

Collaboration with FinTechs is now driving newer revenue streams, providing accessibility to middle-market business, and simultaneously protecting bank core offerings.

Despite being the largest lenders, banks still require the technology bandwidth from FinTechs. Incumbents can utilize their strong back-end services, robust scalable network, and large customer base while leveraging the next-generation user experience that FinTechs provide to provide a win-win situation for all stakeholders.

Figure 4.1: Current and future customer adoption of banking products from non-traditional firms (%) by product, India, 2019



Source: Capgemini Financial Services Analysis, 2019; World Retail Banking Report 2019 – Voice of Customer Survey.

[28] American Banker, "The banking tech trends that will dominate 2020," January 07, 2020, n," https://www.americanbanker.com/list/the-banking-tech-trends-that-will-dominate-2020

Banks will become a trusted partner for life, meeting consumer needs, and lifestyles

Technology innovation by Challenger banks has set new experience standards

BigTechs, FinTechs, and Challenger banks are leaping ahead to meet unfulfilled expectations (gaps left by incumbents) and providing a superior customer experience.

- ***Starling***, one of the app-based challenger banks in Europe has reached a million accounts.[29]
- ***Monzo***, another UK challenger bank has a customer base of 3 million, signs up 55,000 customers weekly, and is moving to a full suite of banking products.[30]
- ***N26***, launched in 2015 in Australia and Germany, is now present in 24 European countries. 9% of British adults and 15% of adults aged 18 to 23 now have a neobank account, according to a finder.com survey.[32]

Incumbents to leverage data with AI/ML to create hyper-personalized offerings

Incumbents have no established playbook to follow, and will have to carefully plan their strategy by evaluating core competencies. Using advanced technologies like AI, big data, machine learning, analytics, etc., banks can create a complete customer profile by utilizing multiple customer data points for creating contextual experiences and providing hyper-personalization.[33]

Customers expect to get highly personalized experience based on their specific requirements like what they receive from BigTechs and FinTechs. They are no longer happy to get a "one size fits all" experience. According to research by BCG, a bank with US$100 billion in assets can achieve as much as $300 million in revenue growth by personalization.[34]

In mid-2019, Commonwealth Bank of Australia (CBA) launched its CommBank App 4.0 update which offers personalized cash flow management and smart alerts along with location-based tracking and tax return notifications using AI and data analytics.

Huntington Bank launched ***Heads Up***; an AI-based software for customers' financial well-being by utilizing Personetics software's predictive analytics to monitor transaction data in real-time.[35] The Royal Bank of Canada launched ***NOMI*** Budgets on its app with an AI-backed budgeting tool that uses customers' financial history to advise them. During NOMI's first month, customers initiated 230,000 budgets for savings of US$83 million.[36]

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29 Finextra, "Starling Bank hits one million accounts," November 21, 2019, https://www.finextra.com/pressarticle/80587/starling-bank-hits-one-million-accounts.

30 Business Insider, "Monzo has reached 3 million customers — and new product launches could help convert them to primary account users," September 17, 2019, https://www.businessinsider.com/monzo-secures-massive-customer-base-2019-9?IR=T

31 The Economist, "Neobanks are changing Britain's banking landscape," May 2, 2019, https://www.economist.com/special-report/2019/05/02/neobanks-are-changing-britains-banking-landscape

32 Economist, "Neobanks are changing Britain's banking landscape," May 2, 2019, https://www.economist.com/special-report/2019/05/02/neobanks-are-changing-britains-banking-landscape

33 American Banker, "The banking tech trends that will dominate 2020," January 7, 2020, https://www.americanbanker.com/list/the-banking-tech-trends-that-will-dominate-2020

34 ZDNet, "CommBank App 4.0 boasts location-based tracking and tax return notifications," July 31, 2019, https://www.zdnet.com/article/commbank-app-4-0-boasts-location-based-tracking-and-tax-return-notifications

35 Personetics, "Huntington Launches Huntington Heads Up® with AI to Improve Customers' Digital Banking Experience," February 19,2019, https://personetics.com/huntington-heads-up-ai-customer-experience-digital-banking-2/

36 Fintech Futures, "RBC adds budgeting tool to mobile app," Henry Vilar, April 30, 2019, https://www.fintechfutures.com/2019/04/rbc-adds-budgeting-tool-to-mobile-app/

What does the future hold?

The open banking ecosystem would support the growth and proliferation of the API economy in which incumbents and third-party service providers join forces to give customers a superior and contextual experience. The upshot? Certain banks will provide a gamut of services while others specialize in niche areas.

Open banking will enable differentiated offerings through data exchange

Regulations such as PSD2 intend to disrupt the current landscape with new entrants competing for customer wallet and mindshare, along with more and more fintech partnerships. This will be accentuated by a regulatory push on banks to open their API architecture (with informed consent) to share customer data. The result will be newer products and services offered to customers with a far superior experience where banks shall be playing specialized roles, as mentioned previously.

Banks are capitalizing on the shared marketplace model. Financial Data Exchange (FDX) is bringing together industry players through a common approach to controlling consumer data through open banking APIs and technical standards that prioritize security, transparency, and user experience. They have 55 members from financial institutions to data aggregators, banking core processors, and FinTechs.[37]

Barclays has enabled account aggregation inside its mobile banking app, which allows customers to view accounts with other banks from within the Barclays' app. HSBC and ING have launched similar services on separate apps named ***Connected Money*** and ***Yolt***, respectively.[38]

Open banking will enable ecosystem players to offer customers personalized recommendations. For example, to find a perfect apartment, a real estate app can come up with suitable options by analyzing a customer's transaction history and building a virtual profile based on preferences related to shopping, daycare, schools, transportation, and other requirements.

Figure 5.1: Maximizing traditional strongholds for incumbent banks

Source: Capgemini Financial Services Analysis, 2019.

[37] BFinextra, "Visa and Mastercard join Financial Data Exchange," August 28, 2019, https://www.finextra.com/pressarticle/79603/visa-and-mastercard-join-financial-data-exchange

[38] Business Insider, "Barclays has launched an Open Banking feature," Lea Nonninger, September 13, 2018, https://www.businessinsider.com/barclays-open-banking-feature-2018-9?IR=T

Conclusion

"We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten."

This famous line from Bill Gates certainly applies to the banking industry.[39] Banking in 2025 will require all stakeholders to champion emerging technology, adapt to constantly changing business models, and, most importantly, make the end customer, the cornerstone of every strategy – be it business or technology. It will be critical for incumbents to determine the new role they want to play in the platform ecosystem, how to make sense of the data behind the platform, and to achieve economies of scale as they chase growth.

Data will gain more prominence with each passing year, and the onus will be on banks to package their services and products in a way that customers will want to consume. As the use of cash declines exponentially and ultra-modern technology concepts like wearables becoming implants used for real-time payments, we foresee the below major challenges:

- Customer demands will continue to change aggressively, driven by more and more segmentation, almost everything going mobile and loyalty based on convenience
- Artificial intelligence, biometrics and a voice-first approach shall guide exciting new use cases that will require stakeholders to partner and collaborate to leverage complementary skill-sets within the broader ecosystem
- Solving the user experience puzzle will be critical for incumbents to beat back the competition from BigTechs and FinTechs by leveraging their gold mine of data and incorporating agility for quick transformation in user services.

Banks should offer hyper-personalized support to customers beyond financial transactions — such as the ways to make lending decisions quickly with minimal human interface and a hyper-connected, secure cyber environment. Incumbents need to harness the right technology and build on their leading asset, customer trust, to stay ahead of the competition. As we move toward the 2025 horizon for banking, we expect the industry to finally answer the question → ***"Will incumbents figure out innovation before the disruptors get hold of the distribution?"***

[29] FThe Financial Brand, "Glimpse Into the Future: What Banking Looks Like 10 Years From Now," October 25, 2018, https://thefinancialbrand.com/76040/retail-banks-relevant-artificial-intelligence-millennials/

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