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World Retail Banking Report 2020: 57% of consumers prefer internet banking in the COVID-19 era

Progressive core banking transformation enabled by shift to platform-based models can help banks take swift action to improve innovation, growth, profits and operational efficiency

Paris, June 11, 2020 – Retail banks are facing pressure to transform as new entrants focused on customer experience gain significant market traction, according to the [World Retail Banking Report 2020 \(WRBR\)](#) published today by [Capgemini](#) and [Efma](#). As the pandemic environment is moving consumers to interact more digitally with their banks, platform models offer agility and scalability during uncertain times. The report found that platform-based banks find it up to two-times easier to increase operating profits, unlock new sources of value, and improve operational efficiencies.

The report reveals that the global financial sector is in the midst of an historic transformation as nimble, digitally native non-traditional players continue to champion customer experience and redefine long-held principles to gain significant market traction. With over half (57%) of consumers now preferring internet banking, up from 49% pre-COVID-19, and 55% preferring banking mobile apps, compared with 47% previously, the stakes have risen further as the COVID-19 context continues to move consumers towards digital banking.

The report suggests that banks need to evolve into platform-based models to fuel the growth and innovation needed to stay competitive and that embracing Open X¹ will be critical to long-term success. While COVID-19 has accelerated the urgency for digital transformation, banks may need to take a more pragmatic approach to transformation to pursue their journey towards Open X given these uncertain times.

"Consumers expect a seamless digital experience from their financial providers, as they've grown accustomed to BigTechs² in other parts of their lives. Traditional banks are being challenged to meet these expectations given that digitally native new entrants focus on customer experience from day one," says Anirban Bose, CEO of Capgemini's Financial Services and Group Executive Board Member.

¹ Open X — X for eXperience — is an open platform approach in which participants of all sizes and from across industries work together. During the impending Open X era, banks determine their role (supplier, aggregator or orchestrator) based on their strengths; and they leverage third-party capabilities to provide an enhanced CX journey.

² BigTechs are large, multinational technology firms such as Google, Amazon, Facebook, Apple, Alibaba, etc.



"Banks that invest now in modernizing their core technology and evolve it to a platform-based experience will simultaneously delight customers and grow profitably."

"COVID-19 has put a spotlight on the digital banking experience," says John Berry, CEO of Efma. "The modernization of legacy systems must be prioritized by banks looking to accelerate their growth as customer expectations are ever increasing and those that neglect this risk falling behind."

Evolving legacy systems will transform the core

Having prioritized near-term profits over long-term sustainability, some banks have an accumulation of legacy systems in place. This situation makes it a challenge to integrate emerging technologies, which is affecting customer experience and operational excellence. Yet, despite legacy system challenges and the advantages of a modern core, banks are reluctant to take transformative action because of the levels of resource required and the risks associated with inefficient implementation.

Bank executives recognize the obstacles to moving to a platform model. The report found that 80% of bank executives cited cybersecurity and privacy concerns, outdated data management (68%) and identifying the right partners (73%) as primary barriers to moving to a platform system.

Partnership and Open X are key ingredients for transformation

Capgemini's report outlines how banks can overcome their challenges and approach core banking transformation through strategic, integrated and collaborative orchestration. Research³ shows that progressive modernization is the preferred evolution method (54%) among bank executives, allowing banks to upgrade the most critical functions and incrementally transform legacy systems.

Partnership is also a clear accelerant for banks' success. Two-thirds (66%) of bank executives say it takes 1-2 years to innovate and launch a new concept when working alone; 58% reported that it takes less than a year to launch a product in collaboration with FinTechs/BigTech partners. Regulatory and compliance issues (72%) and poor IT compatibility (72%), however, are identified as barriers to effective collaboration. The Open X model acts by helping banks lower operational costs and move from a high fixed investment in IT development to a more cost-effective and flexible cost model that incorporates specialized players in the ecosystem.

Platform models diversify sources of revenue and create a new digital ecosystem

Banks that embrace platform models can expand their market reach, improve operational efficiencies, increase business profitability and offer differentiated, personalized products and services over their traditional competitors. By shifting to a platform-based model, banks that were experiencing incremental customer growth can create new business models to monetize some of their strengths.

The report outlines three main options for transforming into a platform-based model: banks can either buy and integrate a new platform, build their own, or share ready-to-use ones. Barriers to a platform-based model include security, legacy core banking systems, outdated data management, inherent risk-averse culture, identification of the right partners and budget constraints.

³ Data from the Capgemini [whitepaper](#) developed in collaboration with Everest Global: Core Modernization for Building Future Banking Experiences – Perspectives for Mid-market Banks in North America.



Report Methodology

The World Retail Banking Report 2020 draws on research insights from the 2020 Global Retail Banking Executive Survey, executive interviews and the Capgemini Open X Readiness Index. The report includes insights from focused interviews and surveys with over 80 senior executives of leading banks across regions.

For more information, please visit www.worldretailbankingreport.com.

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About Efma

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