

**Capgemini Press Contacts:**

Mary Sacchi (North America)  
WE Communications for Capgemini  
Tel.: +1 (212) 551 4818  
E-mail: [msacchi@we-worldwide.com](mailto:msacchi@we-worldwide.com)

Bartu Sezer (EMEA)  
WE Communications for Capgemini  
Tel.: +44 (0)20 7632 3861  
E-mail: [bsezer@we-worldwide.com](mailto:bsezer@we-worldwide.com)

**Efma Press Contact:**

Jana Lednarova  
Tel.: +421 915 225611  
E-mail: [jana@efma.com](mailto:jana@efma.com)

## **World Retail Banking Report 2021: To create new value, banks can adopt Banking-as-a-Service to embed finance in consumer lifestyles**

*The post-COVID-19 era will be defined by fierce competition, pushing banks to review priorities and realign investments in growth areas to meet higher customer expectations*

**Paris, March 25, 2021 -- Retail banks are facing a choice between aligning their offerings to customer expectations or running the risk of losing those customers altogether, says the [World Retail Banking Report 2021](#) (WRBR) published today by [Capgemini](#) and [Efma](#). As the economic fallout of COVID-19 continues, post-pandemic disruption has ignited a new era of value-based customer-centric banking, which the report refers to as Banking 4.X. To succeed in Banking 4.X, banks must embrace digital transformation and implement cloud-based Banking-as-a-Service (BaaS)<sup>1</sup> platform models, which utilize APIs<sup>2</sup> to embed banking in everyday life, making it more accessible and inclusive for banking customers.**

Over the last 10 years, neo-<sup>3</sup> and challenger-banks have attracted more than 39 million customers. The report finds that currently 81% of consumers said easy access and flexible banking will motivate them to switch to a new-age financial provider, in lieu of their traditional bank.

Meanwhile many traditional banks are seeking to retain and grow their customer base and have already embarked on their digitalization and costs optimization journey, as the COVID-19 pandemic forced them to substantially accelerate their efforts. In addition, retail banking customers faced with pandemic-driven realities now expect on-demand, fully digitalized experiences, hyper-personalized services, and around-the-clock assistance. However, of those surveyed, 46% of bank executives say they are unsure how to embrace open banking, orchestrate ecosystems, and become a truly data-driven organization. These

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<sup>1</sup> Banking-as-a-Service (BaaS) platforms facilitate the creation and exchange of value by allowing banks to share their core capabilities and data with third parties as consumable APIs.

<sup>2</sup> APIs, which is the acronym commonly used for Application Programming Interfaces, are intermediaries that enables applications to interact with each other. The interfacing ability allows bank to share data and capabilities within an organization as well as with third-parties external to organizations.

<sup>3</sup> Neobanks are financial technology firms that offer internet-only financial services and lack physical branches.



actions are essential components of the new way of doing banking, identified by Capgemini as Banking 4.X<sup>4</sup>.

*"By overcoming outdated legacy mindsets and adopting Banking-as-a-Service, financial institutions will move beyond their core banking products, create new offerings, and provide their customers with personalized experiences,"* says Anirban Bose, CEO of Capgemini's Financial Services and Group Executive Board Member. *"Banks must focus on how they can add value to their customers to retain and engage them. Through platformification and by leveraging data, banks can better cater to the needs of the modern customer as well as create new revenue streams."*

### **Platformification defines a new era for the industry**

Incumbent banks can unlock new value in open ecosystems via BaaS platforms, which offer access to new data sources and monetization opportunities. Banks need to quickly turn to experience-driven, platform-based approaches, which embed banking and other services within consumer lifestyles. On a positive note, 66% of banks claim to already use a BaaS platform, while 25% are in the process of developing one.

Incumbents have several strengths in their business they can easily monetize (e.g., reporting, knowledge of the customer, licensing, transaction processing, connectivity to global schemes, etc.). They can also tap into an array of external providers to improve their offering and best cater to consumer demand for a more integrated and personalized experience. Traditional banks have recognized accessing the capabilities of their wider ecosystem is at the heart of their new journey, and 80% of banking executives said BaaS will help them to cultivate open ecosystem synergies to innovate and create new banking products and services. This will enable banks to bridge the gap between where they sit today and meeting tomorrow's customer expectations, which will be magnified in the Banking 4.X era. This new way of doing banking will also allow banks to become more inclusive in onboarding the unbanked and underbanked segments of the population through on-demand, digital, and easier-to-use channels.

*"Banking and non-banking firms have the opportunity to come together and empower better customer service,"* says John Berry, CEO of Efma. *"These strategic partnerships enable new, creative offerings that reflect customers' lifestyle, needs, wants, and even personalities. Banks should focus on improving support, reducing the costs of banking products and services, and offering sustainability initiatives. The future of banking relies on a strong digital foundation and a flexible attitude toward embracing innovation."*

### **Data-driven approach will prioritize hyper-personalization and secure long-term growth**

As banking is entering an era where financial services are embedded into customers' daily lives, collaboration will be the route to success. BaaS offers unprecedented opportunities to gather data through ecosystems, with more than 86% of consumers saying they would share their data to gain a better, more personalized experience. Incumbents need to build digital capabilities to harvest these data ecosystems to create, retain, and increase value in the Banking 4.X era. Leading banks will keep

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<sup>4</sup> Banking 4.X is an experience-driven platform-based optimum-channel banking, resilient to financial and non-financial threats, built around long-term sustainable growth, and where human interactions evolve from servicing to advising.



customers at the heart of their transformation journey by tracking behaviors and sentiment through smart data analytics.

Banks, however, need to act quickly. Capgemini and Efma's report found that 61% of firms lack a dedicated customer experience (CX) management team to define customer roadmaps. Banks can drastically improve their customer experience by deploying a digital CX layer and reimagining branches as experience centers, to offer consistent and secure omni-channel experience across all touchpoints.

### **Report Methodology**

The World Retail Banking Report 2021 draws on insights from two primary sources – the Global Retail Banking Voice of the Customer Survey 2021, and the Retail Banking Executive Surveys and Interviews 2021. The report includes insights from 23 markets, over 8,500 banking customers and over 130 senior executives of leading banks and non-banking firms across regions. To view the report findings animated video, click [here](#).

For more information, please visit [www.worldretailbankingreport.com](http://www.worldretailbankingreport.com).

### **About Capgemini**

Capgemini is a global leader in partnering with companies to transform and manage their business by harnessing the power of technology. The Group is guided everyday by its purpose of unleashing human energy through technology for an inclusive and sustainable future. It is a responsible and diverse organization of 270,000 team members in nearly 50 countries. With its strong 50 year heritage and deep industry expertise, Capgemini is trusted by its clients to address the entire breadth of their business needs, from strategy and design to operations, fueled by the fast evolving and innovative world of cloud, data, AI, connectivity, software, digital engineering and platforms. The Group reported in 2020 global revenues of €16 billion.

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