

Open Banking

A New Chapter in Driving Customer Value



Are Banks Prepared to Claim Their Share?



We're witnessing an exciting new era in banking and financial services. Innovative FinTechs, agile neobanks, and digital disruptors are shaking up traditional banking boundaries 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 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.

In Europe, the revised Payment Services Directive (PSD2) and General Data Protection Regulation (GDPR),¹ are forcing financial networks to become more transparent, offering greater consumer choice and the ability to collaborate with new FinTechs. And while these compliance requirements come with new revenue potential, they also introduce security concerns.

At the center of this maelstrom are tech-savvy consumers and impatient millennials whose expectations continue to evolve. So to keep pace with demands – and to woo prospects while maintaining the loyalty of current customers — the most strategic financial firms are assessing and implementing technologies such as application programming interfaces (APIs), machine learning, artificial intelligence (AI) and automation to control costs, create frictionless customer journeys and make operations agile and efficient.

While unsettling for some traditionalists, open banking offers immense possibilities for banks to innovatively expand customer offerings.

Relevancy Counts



Open banking creates opportunities for financial firms to partner and collaborate with third-party players (TPPs) and FinTechs to roll out more consumer-friendly offers, to develop new customer insights and loyalty programs, and to disrupt their own markets. But there are risks. The proliferation of TPPs—such as Account Information Service Providers (AISPs) and Payment Initiation Service Providers (PISPs)—cause worry for EU banks over potential disintermediation as they attempt to balance risk and innovation while working to remain competitive and compliant.

To put things in perspective, Facebook has 1.32 billion daily active users,² compared with 28.4 million for JPMorgan Chase,³ the New York-based bank that has more active users of its mobile banking app than any other bank.

With large user bases, Google-Apple-Facebook-Amazon (GAFA) aggregators aim to make personal finance management as easy as one-click shopping or a status update. While enabling customers to bank through an aggregator may offer value and convenience, it reduces the need for traditional banking apps and the engagement that goes with them.

1 The EU General Data Protection Regulation (GDPR) imposes the greatest change in European data privacy regulation in 20 years, <http://www.eugdpr.org>; Accessed July 28, 2017

2 Facebook second-quarter 2017 earnings release, https://s21.q4cdn.com/399680738/files/doc_financials/2017/Q2/FB-Q2'17-Earnings-Release.pdf; Accessed July 28, 2017

3 JPMorgan Chase second-quarter 2017 earnings release, <https://www.fool.com/investing/2017/07/26/this-mobile-banking-app-has-284-million-active-use.aspx>; Accessed July 28, 2017

Keep an Open (Banking) Mind

Financial services fundamentals are being significantly affected by open banking, and providers must step back, consider their environment and determine what the future of their organization should look like. But where to start?



1. **Choose where to play:** Banks must decide if they want to remain a provider of traditional financial products and services – or expand their mission to engage with consumers more actively as a digital-first provider of solutions – or do both.
2. **Engage with the market:** Once a strategy has been defined, banks must select a model that best supports their direction, and take steps to put it in place. This process involves raising awareness (both internally and externally) of what the organization is doing, where it is going, and the value the new approach will offer customers.
3. **Drive customer intimacy:** Today’s consumers are in control, so being customer-centric is key. Focus on making their lives easier. Keep asking what a customer will gain by staying, rather than switching to another firm or aggregator.

In addition to a carefully crafted strategy, financial firms must utilize new technologies to quickly implement their plans and unlock new customer value propositions.

For example, a financial firm used a blockchain solution to reward customer loyalty across retail partners. Instead of juggling individual rewards cards, consumers could collect crypto currency, redeem it wherever they wished, and even sell or trade with other consumers. Another bank teamed with a leading streaming audio provider, gained new consumer mindshare, and built loyalty.

Data, Done Right



Open banking puts customer centricity center stage. And there is no better way for banks to recast themselves in consumers’ eyes than by leveraging their own customer data to create novel products and services. With data fueling new opportunities, banks must take advantage of their own data, third party data lakes and data management platforms (DMPs). This allows banks to drive value-aligned propositions in the form of digital loyalty and pro-active customer relationship management.

A flexible, scalable open banking implementation allows organizations to deploy as much or as little as they wish, with the power to sequence and orchestrate solutions at their own pace, in their own way. For example, an API-based PSD2 solution can help banks take advantage of new strategic and collaborative opportunities by providing third parties controlled account access.

By integrating with a DMP, a bank could capture, unify and activate their data to gain insights and to drive targeted net new customers as well as pro-active retention. And for organizations seeking to make loyalty programs a bigger part of their mix, a digital loyalty-tokens platform can make it easier for consumers to convert, use and share points.

Transform, Connect and Engage

The pace of change is relentless, and the opportunities won't last forever. With the right strategy and technology framework, financial services providers can digitally transform their organizations, drive innovation, and unleash new business models to power growth. It also helps to have the right strategic partner with the expertise to help them get there.

Capgemini is uniquely positioned to help financial services firms make the most of today's open banking opportunities. As a leader in financial services digital transformation, 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 also work with a highly curated array of leading FinTech partners.

Ready to claim your space in the open banking marketplace? Partner with an expert.

About the Author

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Ame Stuart leads the UK digital transformation practice for financial services, with a focus supporting Retail Banks, Fintechs, and challenger banks. Ame has over 18 years' experience of helping banks drive deeper consumer engagement through developing digital first strategies for customer attraction, engagement and development.

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 200,000 team members in over 40 countries. The Group reported 2016 global revenues of EUR 12.5 billion.

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