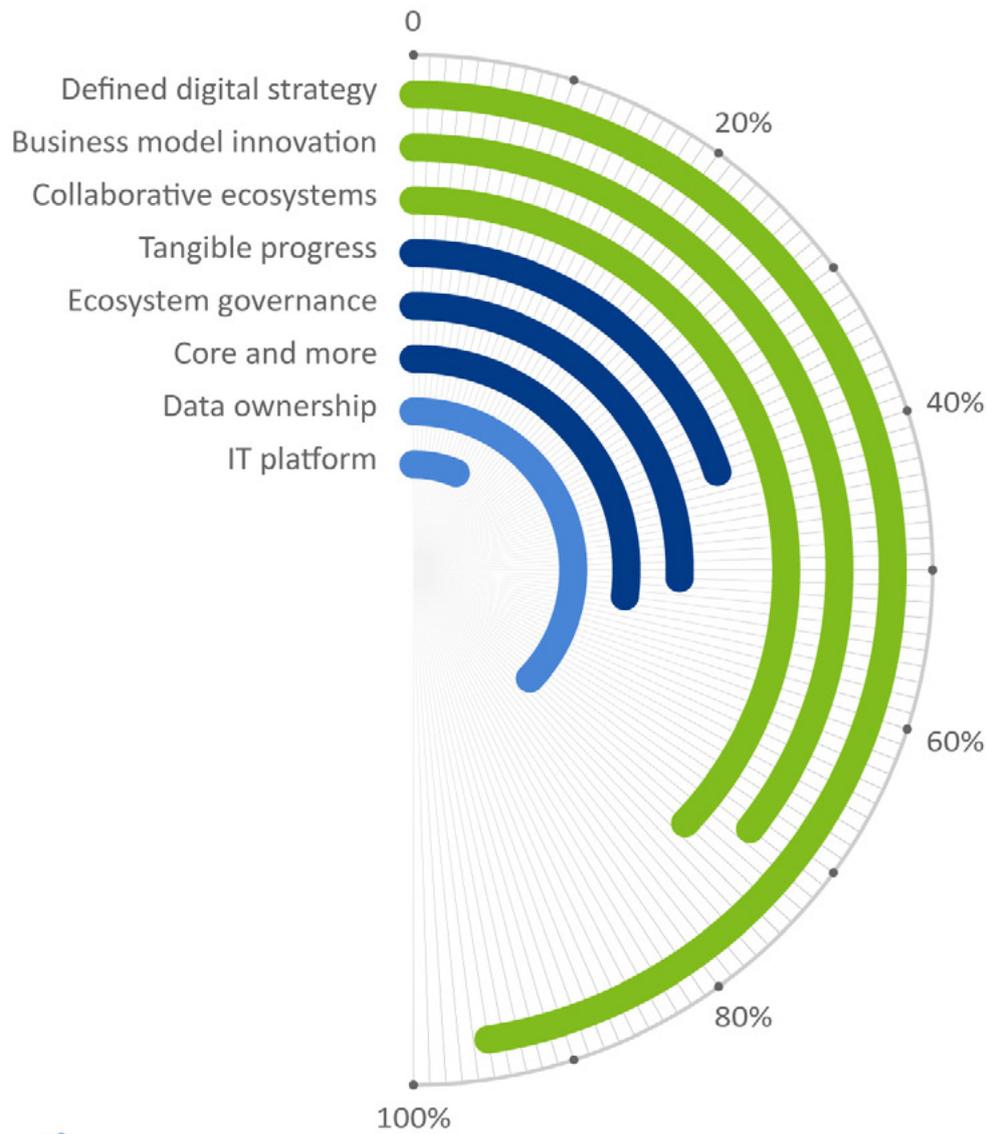


# IQ Category Three: The Thinkers

## Banks



Source: 2018 ecosystem survey, BearingPoint.

## Digital and platform disruption

FinTech start-ups like Starling, Monzo and Revolut are targeting traditional banks, with traditional barriers to entry (such as the network of walk-in high street branches) having crumbled in a digital age, where younger customers want the convenience of on-device banking. Qonto targets freelancers and small- to medium-sized enterprises in France, aiming to address customer pain points on the costs of business banking and what it says are traditional banks' slow response times. In the face of this sort of disruption, ecosystems can allow traditional banks to turbo-charge performance by offering a compelling customer experience while cutting costs, as well as securing deeper, data-driven customer insights. This is an example of how the above strategy of knowing what customers want can be effective. As startups cherry pick the highest margin areas of the end-to-end banking value chain, it is not easy for high cost and tightly regulated banks to compete. They can then create a digital product, win customers and expand into other ecosystems or adjacent markets. So it's easy for them to step down the value chain as seen with Automotive own finance and gap insurance for a car purchase. This suggests that banks have to think much more deeply about which customer needs or problems banks can genuinely own and how they create solutions with ecosystem partners.

## Ecosystem evolution

Banks have made inroads in strategy, but are behind the curve in execution, and overall progress is slow. There are particular concerns about the progress they have made in business model reinvention, and few banks are fully confident they have the right IT platform needed to collaborate.

## Case study

Deutsche Bank has accelerated the opening of its IT systems to third-party service providers across its corporate and investment banking and private and commercial banking divisions. The bank is building an "ecosystem" of application programming interfaces (APIs), which will enable third-party providers such as FinTechs to develop new services and applications using the bank's client data. In doing so, the bank aims to establish the broadest possible range of applications linked to its data and systems – expanding beyond traditional financial services.<sup>11</sup>

## Moving forward

Banks are sitting on a rich seam of customer data, but many suffer from a stove piped operating model, with products and services that are not integrated. Therefore, using that treasure trove of data to generate customer insights is often impossible. A major priority will be making bold investment bets in the technology needed to create the connected enterprise and customer-focused operating model needed to support an ecosystem strategy. By focusing on execution, they can make the journey to ecosystem mastery and take the fight to digital natives muscling in on their territory.