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The future of the commercial banking ecosystem

The commercial banking environment is facing more complex client demands than ever before. Rapid enhancement in digital capabilities, digitization and new sources of competition are forcing banks to urgently innovate. Gonçalo Traquina explores how leading commercial banks can target a broad range of evolving customer needs by implementing platform-based ecosystems that go beyond traditional banking.

Commercial banking is heading towards platform-based service models and competitive ecosystems enabled by data and cloud technology and accessed through APIs. This trend will support next-generation banking built around multiple personalized client segments. Platformization can also improve the accessibility and speed of innovation for products and services, and significantly reduce the time to achieve mass adoption. It can also improve banks' data collection and analysis capabilities, giving them an edge over non-financial competitors. Failure to embrace modular and platform approaches will likely lead to shrinking market share.

Global commercial banks have an opportunity to deliver technology-enabled arbitrage in areas like interest rates and forex swaps. Regional super banks can quickly pivot to become technology and data companies, generating income from software, banking-as-a-service (BaaS), digital banking and digital currencies.

The reimaged digital commercial bank

Digital commercial banks can leverage capital and data while commercializing traditional cost centers by re-bundling their services and transforming into fully connected digital banks. They can offer a full range of hybrid value propositions and banking services to generate new income streams. They are also able to leverage data driven insight (at industry and individual client level) and convert sector insight into thought leadership publications. In addition, the reimaged digital commercial bank will focus on intricate and substantial private equity financing, leveraging human relationships and complex case expertise. This includes advisory functions for clients that require specialist knowledge.

Banking-as-a-service models

BaaS providers can develop and license services and products, and manage user interfaces to provide commercial banking services to end users, through intermediary partners. They rely on product and services for income streams and deliver through APIs using a platform-based infrastructure. Examples include payment management solutions, risk scoring products, know your customer (KYC) verification services, risk profiles and financial crime screening to reduce the verification and onboarding of customers to under 48 hours. BaaS models can also enable banks to start packaging new financial products, and offer smart contracts, digital currencies and software IP licensing.

Digital banking platforms

Platform providers can offer, maintain or police a banking ecosystem with either open or closed access. They develop the infrastructure that enables commercial banking ecosystem and provide a gateway to any number of services and clients. Applications include the development of digital product marketplaces, mega apps, cloud services and API governance, and the management of third-party data connections. This technological infrastructure is a key source of income and can result in capital market disintermediation and new data and information trusts.

As they transition towards a connected enterprise, commercial banks should bear in mind the following considerations.

Innovating relationship models

Historically, success has relied on relationship managers (RMs) acquiring, nurturing and retaining client relationships, while selling a broad range of the bank's products and services. However, relationship management models are likely to be complemented and superseded by digital technologies. This includes executing transactional and routine tasks digitally, with the support of robotic advice and chat bots. This will free up an RM's capacity to become a banking solution architect, financial risk advisor and driver of trust for clients, using data insight to inform meaningful, personalized, relevant and timely interactions.

Transitioning to new ecosystems

Open platforms provide access to new ecosystems and facilitate partnerships that encompass a range of services across the banking sector. Such an approach combines legacy banks' risk and compliance capabilities with leading edge technologies and new customers. Through horizontal integration, banks can develop solutions that can be applied across multiple verticals (customer segment or industry) with minimal modification.

Assessing current technology systems and platforms

Commercial banks would do well to evaluate if their current technology platforms and architecture are fit-for-purpose. This helps them decide whether to adapt, hollow out, create a digital skin or twin, or replace and re-platform current systems to ensure their organization is future-ready.

Transforming operating models and cost structures

Commercial banks should also aim to further reduce their cost-to-income to maximize value and boost their revenue. Renewing operating models and cost structures can also deliver better returns on capital by measuring capital effectiveness and optimizing capital allocation.

Delivering operational excellence through AI

Automated and AI-enabled digital operational processes can improve the speed and quality of decision making and enhance the customer experience. However, banking leaders and teams will need to act as a moral compass to embed ethics, regulation and security into technological innovation.



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