



The future is open

Reshaping the
banking experience

2019 trends in review



KPMG International

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Foreword

Seizing on opportunities presented by technological advances, banks are modernizing, becoming better, stronger and more trusted by their customers. Yet, profound industry challenges remain, driven largely by quickly evolving customer expectations, digital challengers, low interest rates and increasing regulatory scrutiny.

In April 2019 we launched a new global article series — *The Future is open: Reshaping the banking experience* — with a focus on key trends that are having, or set to have, significant impact on the industry.

Throughout the year we explored technological innovation and new business models, such as digital banking, open banking, apps, predictive banking, payment modernization, customer experience and personalization, security and intelligent authentication. Each article provides analysis and practical insight into how these trends are shaping the decisions banking executives need to make as they seek competitive advantage and long-term sustainable growth.

In this report, we have consolidated the 2019 articles. The first article, *Does banking's future now outweigh its past?*, sets the scene by looking at the pros and cons of updating legacy systems versus taking bolder actions that lead to transformational change.

The series paints a discerning picture of the future of the industry and where the greatest opportunities are. If you have any questions about the topics in this publication, or the series in general, please contact me, or any of my colleagues listed throughout the publication. Bookmark home.kpmg/reshapebanking as we continue the monthly series throughout 2020, taking a deeper dive into how banks can leverage a technological future to reduce costs, become more efficient and remain relevant to their customers.



Judd Caplain
Global Head of Banking
KPMG International

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“

Anticipating and making the right strategic choices to prepare for tomorrow can be difficult. No one wants to be a Betamax in a VHS world.

What do you want to be? ”

The view from the CEO's office

• Banking CEOs know they need to do things differently to win in today's economy ...



69%

say growth relies on their ability to **challenge and disrupt** any business norm.



68%

believe that, without **agility**, they would be facing bankruptcy.

• ... And they are taking big steps to transform their enterprises.



72%

are prioritizing more investment in buying **new technology**.



58%

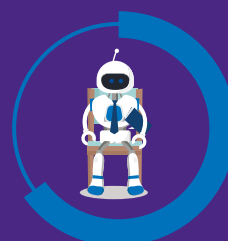
say they have begun using AI.

• But are they truly ready for a customer-centric, disruptive environment?



63%

admit they need to significantly improve their understanding of customers.



65%

say they need to improve their innovation processes and execution.

To be resilient, banks need to be comfortable disrupting their business models. They need to be agile.

In the *Future is open: Reshaping the banking experience*, we offer ideas and insights from KPMG subject matter experts on how to re-evaluate, re-imagine and re-define their business models and operating strategies for long-term sustainable growth. To learn more, please contact one of our subject matter experts named in this report, or contact your local KPMG office.

About the survey

KPMG International surveyed 132 banking CEOs across **11 jurisdictions** in order to understand the challenges and opportunities they face and their vision for the business of tomorrow. For more data on our Banking CEO Outlook, please [watch this short video](#). For more formation on KPMG International's CEO Outlook 2019 Survey, visit home.kpmg/ceooutlook.

Does banking's future outweigh its past?



On the surface, at least, it's a conundrum. How do banks face profound industry changes driven by rapidly evolving customer expectations, emerging technology and new digital challengers when millions of dollars are invested in inflexible, though robust, legacy systems that served them in the past but are not fit for future needs? Given the dominant market share of incumbent banks and the relatively small inroads made by digital challengers, how quickly do traditional banks need to move? Should changes be piecemeal, transformational or totally greenfield?

To companies in the banking industry, the story is a familiar one. Customers with connectivity at their fingertips are demanding cheaper, faster, and better banking experiences. A plethora of challenger banks and new market entrants are emerging to meet these demands — armed with innovative technologies and unencumbered by the legacy infrastructure that restricts traditional financial institutions. Yet, traditional banks still have the lion's share of the business, enviably strong brands, large customer bases and high visibility.

In the face of this many banks are investing heavily to drive innovation, enhance agility, and become more customer centric. For the majority, these investments comprise patchwork upgrades to legacy systems and incremental change. Organizations are reluctant, indeed, to walk completely from these systems owing to substantial investments in them, concerns for reliability, and the simple fact that these systems have been so central to past successes. Other financial institutions are taking different paths to reposition themselves.

One thing is clear. Traditional banks cannot afford to apply patchwork upgrades to their legacy systems. Nor can they assume that system upgrades, even bold and ambitious ones, will translate to a sustainable competitive advantage over the long term. While the pace of technology change in financial services has been more gradual than in other industries, in part due to regulatory restrictions on new market entrants in many jurisdictions, the ability of companies to rapidly adapt will only become more critical over time. The degree of industry change is such that banks need to think more radically about what they want to become and how they want to get there if they expect to thrive.

What will the banking industry look like in 2030? Business models, just like the industry as a whole, will be transformed by technology. New models will emerge in the years ahead putting a halt to the band-aid approach to legacy systems. Banks will look to new architecture that is digital to the core, and, more chose to build and migrate to new systems.

Under pressure: digital banks making inroads

Challenger banks — such as Starling Bank, Atom Bank and Tandem — have existed in the UK for a number of years. Fidor and N26 were the first of the European digital banks. The model is now emerging in other parts of the world. Indeed, there are approximately 100 challenger banks worldwide, including:

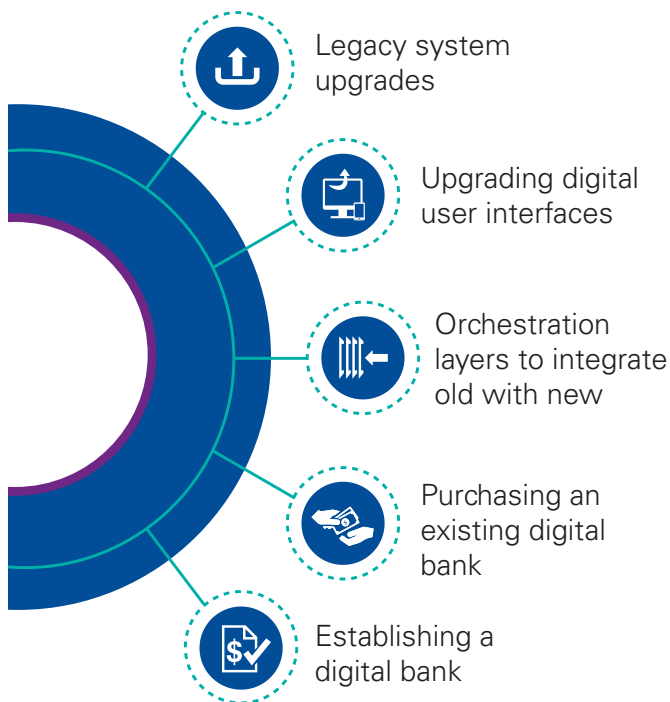
- SolarisBank and N26 in Germany
- MyBank, WeBank and Kakao in Asia
- Nubank in Brazil
- Chime in the US
- 86400, Volt and Xinja in Australia.

In March, 2019 the Hong Kong Monetary Authority announced that banking licences had been granted to no less than three digital banks in the territory. These entities are expected to go live later this year¹.

Though still dwarfed by their traditional counterparts, digital banks are growing fast, leveraging their adaptability, customer-focus, and ability to make data-driven decisions. While they

¹ <https://www.hkma.gov.hk/eng/key-information/press-releases/2019/20190327-3.shtml>

Approaches include:



might not, as yet, have customer bases to rival traditional players, they are starting to make inroads. Traditional financial institutions should not overlook the growth potential of new digital challengers who could, over time, win share of market segments, in particular the growing cohort millennials.

Responding to a new reality

Over the past five years, many financial institutions have invested millions in innovation programs focused on enhancing their technological capabilities, as well as trying to become more agile. The approaches they've taken to make these changes have varied based on their existing strengths, business strategy, and identified gaps.

Legacy system updates

Numerous traditional banks, as noted, have invested heavily in updating their legacy technology in order to remain competitive. These investments include upgrading credit systems in order to approve loans more swiftly, making systems compatible with application programming interface (API) and open banking regimes, or finding ways to integrate more robust data analytics. While good, these incremental changes are unlikely to give traditional institutions the competitive edge they need to stave off new competitors.

Purchasing a digital bank

A number of traditional banks have purchased digital banks as a way to make rapid changes. Canada-based Scotiabank acquired digital bank ING Direct (Canada) back in 2012². This trend has become much more pronounced in recent times. For example, Nordic bank Nordea reported in March, 2019 that it had acquired Gjensidige Bank³ and the Royal Bank of Scotland (RBS) recently purchased a 25 percent equity stake in digital start-up Loot⁴. RBS made the investment through its digital bank, Bó, which is currently under development.

Purchasing an existing digital bank gives the incumbent the flexibility to change or retain the purchased brand name. They can also either migrate existing customers over or grow the offering's existing customer base organically and through cross promotion. Banks that elect to migrate customers, however, run the risk of incurring significant expenses as a result of a need to write off aging legacy systems more quickly than they might have otherwise.

Establishing a digital bank

A number of traditional banks have established their own digital banks. As mentioned above, RBS, in addition to investing in an existing digital bank (Loot), is developing retail bank Bó and just last year launched Mettle⁵, a digital bank targeting small and medium enterprises (SMEs). Other well-known examples range from Marcus (Godman Sachs) in the US to Pepper (Leumi Bank) in Israel.

Establishing a digital bank provides legacy banks with similar flexibility in regards to branding and building a customer base. The time and investment required, however, to develop a new business model and build the brand can be exorbitant. Significant resources are needed to erect the five pillars of any digital bank: senior management, licensing, funding, technology, and customers. To deal with this, some banks are turning to digital banks for assistance. RBS for example have partnered with Starling Bank for help with their digital foray.⁶

Starting a bank can provide a successful defense against new challengers with improved services and open capabilities. The new, more competitive business model provides for lower costs, greater agility and greater modularity. New technology stacks put incumbents on a level playing field with upstarts and customers can be readily migrated over.

Digital banks are also often referred to as "lifeboat" banks. Should the digital bank prove operationally resilient, traditional banks suggest "will consider" migrating their legacy customer books to the new entity. This both helps replace legacy infrastructure with new, as well as solving the agility and customer experience issues that banks struggle with.

² <https://www.cbc.ca/news/business/scotiabank-to-buy-ing-bank-of-canada-for-3-1b-1.1160516>

³ <https://www.nordea.com/en/press-and-news/news-and-press-releases/press-releases/2019/03-01-09h52-nordea-completes-acquisition-of-gjensidige-bank.html>

⁴ <https://www.finextra.com/newsarticle/33169/new-rbs-digital-bank-invests-in-loot>

⁵ <https://www.bankingtech.com/2018/11/rbs-tests-its-sme-digital-entity-mettle/>

⁶ <https://www.finextra.com/newsarticle/32581/starling-to-help-rbs-develop-digital-bank>

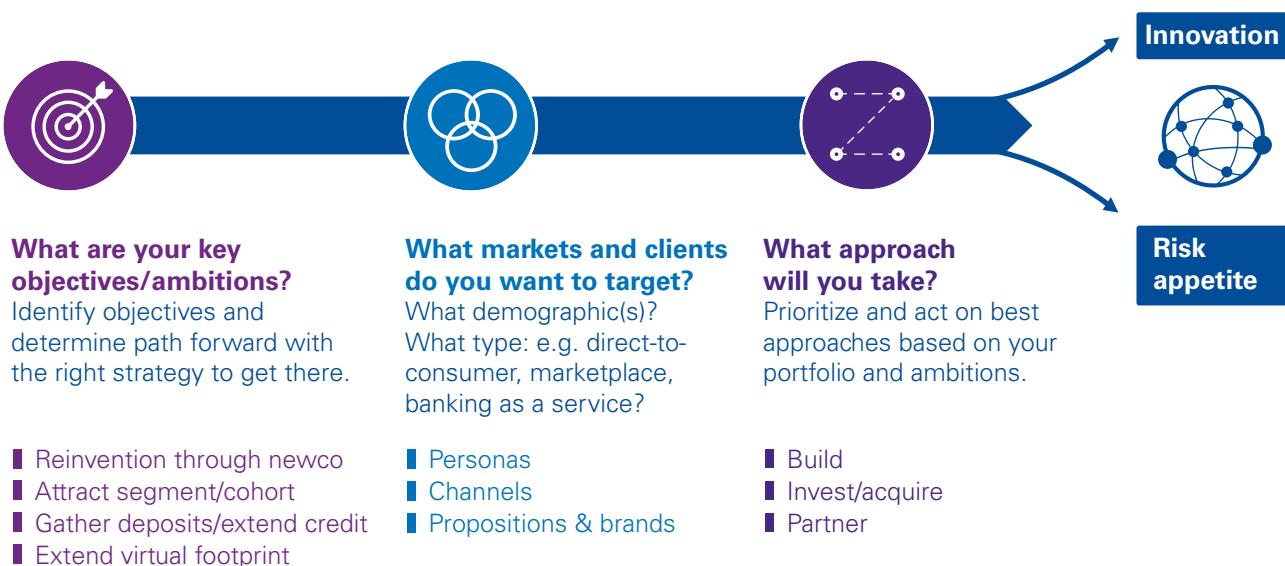


The elephant in the room: change isn't all about technology

If banks are to successfully face the challenges posed by new digital competitors and changing customer expectations, they need to think beyond technology. Whatever path of change a bank undertakes, whether organic or inorganic, it must be partnered with a willingness to entirely rethink their strategy and business processes in order for their transformation to be successful. This means objectively considering the use of mobile apps, the cloud, customer accessibility, the use of big data — and defining how any decisions will contribute to the organization's overarching business strategy.

To be successful long-term, a major cultural shift is required, one in which employees at all levels come to appreciate and even value a company's transformation. While many financial institutions know they need to change, few recognize the magnitude of change required or the degree of internal resistance they might face to change. To manage this resistance, change management needs to be an upfront, ongoing and persistent component of any bank transformation initiative. Additionally, any associated communications program should be aimed at attracting converts, even evangelists, to the effort right from the get-go.

Defining a digital banking strategy starts with a clear business model



Source: KPMG International, 2019

Forging a path forward: Questions to ask

There is no one path to success for financial institutions that want to increase their competitiveness and better respond to the needs of their stakeholders or the dynamic changes expected to continue to reshape the financial services industry in the years ahead. Companies need to determine their path based on a strong understanding of where they are today and what they want to become in the future.

As a starting point, companies should consider a number of pivotal questions that can help them define what they need to do. These questions include:

- How will you create and monetize value in the future?
- What changes are required to bridge the gap between where you are today and where you want to be?
- What is the cost-benefit associated with making necessary upgrades?

- Will modifications to legacy systems be sufficient to give you the flexibility to compete in the future?
- If not, how might brand new technology stacks be built at the bank?
- What are your time constraints and how long will different options take?
- What systems, structures or partners can you leverage as part of your transformation?

Acting today to thrive tomorrow

Banks that recognize the profound shift required and act now to transform their organizations to keep pace will emerge more competitive and successful than ever. It is our belief that patchwork upgrades may seem like enough to stem the tide in the short term, companies willing to make more radical changes will be better positioned to lead the financial services industry in the years ahead. Those that adopt new business models and build and migrate to new technology stacks will be best prepared for digital competitors.

“Companies willing to make more radical changes will be better positioned to lead the financial services industry in the years ahead.”

About the authors

Ian Pollari

KPMG Australia

T: +61 2 9335 8408

E: ipollari@kpmg.com.au

Ian leads Banking for KPMG Australia and is Global Fintech Co-lead. He has over 16 years' experience in financial services and works with local and international banks, payment providers and fintechs in strategy development, market entry and digital innovation.

Anton Ruddenklau

KPMG in the UK

T: +44 20 7694 2224

E: anton.ruddenklau@kpmg.co.uk

Anton is Head of Digital and Innovation for Financial Services at KPMG in the UK, and Global Co-lead for KPMG Fintech. He specializes in business, corporate and institutional banking, and has extensive experience working with large global companies in consumer and technology.



Spotlight

Goldman Sachs breaking new ground with Marcus

Harit Talwar, Head of Global Consumer Business, Goldman Sachs

Marcus by Goldman Sachs ('Marcus') bills itself as a 150-year-old start-up. The paradox aptly captures key reasons for the digital business' success — the brand, balance sheet and risk management DNA of a well-established financial institution with the agility of a start-up unhampered by legacy infrastructure, business practices and technology.

That combination, leaders believe, gives Marcus a distinct structural advantage, and the evidence suggests they're right. In just 3 years, the business has grown to approximately US\$55 billion in deposits and US\$5 billion in loans.¹ Marcus is projected to cross US\$1 billion in revenue in 2020. Further, the business — Goldman Sachs' first-ever foray into consumer banking — believes it has an opportunity to disrupt the sector in the same way Amazon did to retail and Apple did to music.

There is more to Marcus' success, however, than a melding of the old and new. Based on rigorous financial modeling and analysis, Goldman Sachs has invested over US\$1 billion in Marcus' development, knowing that it would be a long-term investment play with significant potential for growth.¹

Moreover, Harit Talwar explains, the business maintains a laser focus on customer-centricity and has from the beginning. Since its origination, Marcus has spoken to over 100,000 consumers to understand their pain points and concerns around personal banking and finance. Ask any team involved with Marcus what they do and they'll answer with a customer focus in mind: enabling customer onboarding, improving the customer servicing experience or helping with the customer password journey.

It's not just talk. Engineering, design, data analytics and a culture of cross-functional collaboration are important, but how they enable the customer journey is what matters. The future of consumer banking, Harit believes, is in truly making life easier for customers. That means delivering on a promise of value, ease, transparency in customer interactions — and then making that promise repeatable. These efforts appear to be paying off. Last March, J.D. Power released its 2019 Personal Loan Satisfaction Study and Marcus by Goldman Sachs was named number one in personal loan customer satisfaction.²

Linked directly with this focus on the customer experience is Marcus, dedication to clarity of purpose — who the customer is, what their concerns are, and a determination not just to say but to prove that customer problems and concerns matter. Marcus has authentically embraced customer-centricity, and not simply using it as branding spin, because it translates to competitive advantage and shareholder value. "Innovation works when you use technology to actually help customers," Harit says. "The real secret sauce in fintech is when you use your technology, data and balance sheet capabilities to help customers empower themselves and meet their own needs. That is what innovation is all about."³

Marcus, with its singular focus on customers, is proving a game-changer. Armed with technology, a strong balance sheet and a clear vision, this young digital start-up is swiftly becoming a powerhouse. In an era of disruption, Marcus by Goldman Sachs is paving a road of possibility for traditional banks.

¹ [As of the firm's Q3 2019 quarterly earnings call](#)

² Marcus by Goldman Sachs received the highest score in the J.D. Power 2019 U.S. Personal Loan Satisfaction Study of customers' satisfaction with the personal loan experience. Visit [jdpower.com/awards](https://www.jdpower.com/awards)

³ Quotation extracted and lightly adapted from [video interview with Harit on YouTube](#)



Innovation works when you use technology to actually help customers. The real secret sauce in fintech is when you use your technology, data and balance sheet capabilities to help customers empower themselves and meet their own needs. That is what innovation is all about. ”

Harit Talwar
Head of Global Consumer Business
Goldman Sachs

About the author

Harit Talwar

Head of Global Consumer Business
Goldman Sachs

Head of Global Consumer Business, Goldman Sachs Harit joined Goldman Sachs in 2015 as a Partner and is currently the Head of Global Consumer Business. He is also a member of the firmwide Client and Business Standards Committee and the America's Diversity Committee.

Open banking opens opportunities for greater customer value



You don't need a crystal ball to predict that the world is moving towards open banking. Some markets, led by the EU and the UK, have already taken the lead by creating and passing their own open banking regulation. Other markets, such as Australia, Canada, New Zealand, Mexico, Argentina, Nigeria, Hong Kong (SAR), Japan and Taiwan (jurisdiction), for example, are also moving in that direction.

At the same time, there are a growing number of markets where — even absent of regulation — open banking is taking hold. In the US, for example, the complexity of the federal financial regulatory system means there is little potential for federal-level open banking regulation any time soon. Yet some of the greatest activity in open banking is happening in that market as players vie to find new ways to deliver new and compelling customer experiences.

Open banking goes global

Over the coming few years, we expect to see a rapid uptake of open banking approaches and models as people become more aware of the benefits it could bring consumers and small to medium enterprises (SMEs) — the ability to quickly understand their financial position, explore alternatives and make better financial decisions.

Catalyzed by regulation, banks in Europe, the UK and Australia are already hard at work testing and prototyping new use cases and operating models that leverage application program interfaces (APIs) and open banking principles, such as comparison services, know-your-customer, auto savings and credit scoring to name a few. As these use cases are commercialized into functional solutions, the lure of open banking will grow (both for banks and for consumers).

“... as customers start to understand and assess the value of their data — many banks will have little choice but to shift towards more open models ...”

At the same time, we expect to see customer demand and shifting expectations drive increased adoption of open banking models, even where regulation doesn't explicitly require it. Customers are looking for easier, more seamless and intuitive value-added banking experiences and there are a growing number of fintechs and 'challenger banks' seeking to capitalize on these developments.

As these new offerings start to influence customer expectations — and as customers start to understand and assess the value of their data — many banks will have little choice but to shift towards more open models (if only to reduce the friction between ecosystem partners) as they strive to offer better customer experiences.

What is open banking?

While, in practice, open banking can take many forms (including standards and directives such as PSD2 in Europe and Open Banking in the UK), it generally refers to the ability for banking customers to authorize third parties to access their bank account data to either collect account information or to initiate payments (or, in some markets, both).

Balancing the risks

Of course, there will also be the continued stick of regulation. As Scott Farrell — the author of Australia’s *Review into Open Banking* report — notes, “There is a strong desire to move relatively quickly — and we should expect to see a number of new jurisdictions implement open banking within the next 2 years.”¹

Indeed, the trend now emerging in some markets, particularly the UK and Australia, is to extend customer right to data across multiple sectors including insurance, utilities and pension data. While consumer ‘ownership’ of data will be a central component, each jurisdiction will take its own distinct approach to open data regulation in each sector.

The challenge facing policy makers and regulators is how to structure an open banking regime that balances the need for innovation, information security and privacy, and does not inadvertently create an uneven playing field for both traditional and non-traditional players.

In the EU, the balance seems to be in favor of the non-traditional players: with the proper consents, banks are required to open up their customer data to retailers, for example, but banks are not able to access retailer’s customer data. This not only creates an imbalance of information, it also dampens the desire for innovation in the banking sector.

Grabbing the low-hanging fruit

While this has made open banking a compliance headache for many, we still expect to see banks start to get serious about finding the value in open banking in the near-term.

Many will be rolling out new capabilities and applications designed to make consumers’ lives easier (and their digital assets ‘stickier’). Expect to see a plethora of new tools emerge — solutions like personal financial management platforms that aggregate spend data across users’ various banks, loyalty programs and payment platforms in order to provide insightful investment and financial advice.

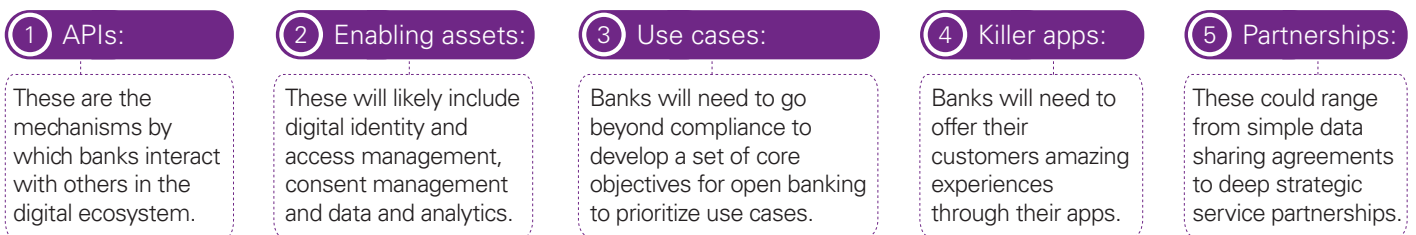
Also expect banks to become savvier in the way they source and analyze data in order to gain better insight into customer activity and interactions. The reality is that the key to profitability (in the banking sector, at least) still rests in the bank’s ability to fulfil a greater number of their customer’s needs (whether through the bank itself or other third parties). Open banking has the potential to help banks know much more about their customers’ patterns of behavior, financial health, investment plans and goals; the challenge for banks will be in convincing their customers of the value in sharing their data.

Where is this all going?

Over the longer-term, we expect open banking to bring fundamental change to the industry. Indeed, if you play out the current trends and direction of travel, our view suggests that most market players will start to coalesce around three potential business models.

- **Front-end providers:** These players will be focused on delivering a superior customer experience and access to a range of bank-owned and third-party services — often to a targeted segment of potential customers — through aggregation and product targeting. They will be the ‘ecosystem orchestrators’, delivered through super apps (more on this in a future article) and embedded into customer’s lives.
- **Product specialists:** Expect to see some players focus on becoming increasingly agile at designing and tweaking products to meet the needs of individuals. Product design will be complemented by a deep understanding of how the front-end platform algorithms work to ensure products remain highly recommended.
- **Infrastructure giants:** Leveraging economies of scale and potential operating efficiencies, some players will choose to become back-end infrastructure providers to the banking industry — essentially providing the balance sheet and payments infrastructure that keeps the system operating.

Five ecosystem requirements for successful open banking



¹ Get set for Open Banking: Customer and strategic opportunities amid a thriving data economy, <https://assets.kpmg/content/dam/kpmg/au/pdf/2019/open-banking-customer-strategic-opportunities.pdf>

Interestingly, as the fundamentals of open data start to flow across industry and customer expectations and needs evolve, our view suggests that banks will start to uncover entirely new areas of opportunity for future growth and value.

Open banking could allow banks to build trust with customers as a safe and secure data holder. Over time, the shift towards open data across industries might, for example, create the need for centralized repositories of personal data — a personal ‘data bank’, if you will — that can be accessed by approved service providers (beyond banking) through open data agreements.

Open banking will almost certainly allow banks to find niche areas of expertise and develop unique products and services. Consider, for example, how the spread of open data might create demand for easy and efficient payment platforms that aggregate users’ spend and payments in one central app.

Open banking should also allow banks (particularly smaller organizations) to partner with accredited open banking partners and third parties to create better economies of scale. As banks start to expand their ecosystem in order to better serve customers, the ability to quickly and effectively connect to partners, data and systems will be key to organizational agility.

Making the most of it

Given the inevitability and opportunity of open banking, the big question facing most banking executives is what to do in order to prepare.

Rather than view open banking as simply another compliance exercise, many bank leaders are now asking how they can make the most of the benefits of open banking. Even leaders in markets without existing regulation are keen to turn this shift into an advantage in their local jurisdictions.

Our experience working with banks and fintechs suggests that today’s banks should focus on six key areas:






1. Understand the current direction of travel.

Assess what regulators and competitors around the world are doing with open banking. Leverage the experience and capabilities being developed in key markets.

2. Educate and engage customers.

Elevate the conversation above the technicalities of open banking to talk to customers about their data and how they can safely leverage it to achieve their goals and aspirations, gain access to better services and improved pricing from banking and other third-party providers.

Open banking considerations

	 Customer experience	 Data holding and sharing	 Data requesting and ingesting	 Privacy and security	 Partnerships and third-party access
APIs	✓	✓	✓	✓	✓
Digital identity	✓	✓	✓	✓	
Entitlements management	✓	✓	✓	✓	
Customer consent	✓	✓	✓	✓	
Data store		✓	✓		
Accreditation					✓

- 3. Prioritize open data.** Focus investments on driving more open data across the enterprise and ecosystem. Look for opportunities to encourage greater data sharing. We will start to see this being applied beyond banking to energy/utility, telecommunications or even grocery data, with the ambition to provide a better customer experience.
- 4. Improve technical and operational capabilities.** Enhance your existing capabilities — particularly around APIs and analytics — to take advantage of new opportunities as they arise. Build on your reputation of trust by keeping a strong focus on data and cyber security.
- 5. Embed data security into the design.** In opening access to data, it is critical that banks also consider how they secure customer data. This is not only about remaining compliant with privacy regulations such as the EU's General Data Protection Regulation (GDPR), it's also about ensuring consumers feel confident and secure sharing their data with you and your partners.
- 6. Develop your partnership strategy and capability.** Identify and source capability from partners that can help enable compliance and operational readiness. Identify and form strategic partnerships (e.g. data sharing) with third parties that can help you create new products, services and experiences.

“Open banking could allow banks to build trust with customers as a safe and secure data holder.”

Given the wide-reaching implications of open banking, most banks will want to prioritize the development of a very clear framework for leveraging and managing the impacts and opportunities. As the graphic below suggests, the considerations for open banking will touch a range of enabling capabilities, such as consent management and data ingesting which will be new activities for banks to develop or procure from third parties, including fintech companies.

To be sure, there has been a lot of hype around open banking. But we believe that — over the coming few years — we will finally start to see traction around use cases in the lead markets and that, in turn, will drive greater competition and more rapid adoption in other markets.

It is not a question of whether or not you will need to deal with the implications of open banking. You will. The question should be whether you are ready to make the most of it.

About the authors

John Hallsworth

KPMG in the UK
T: +44 20 7896 4840
E: john.hallsworth@kpmg.co.uk

A Partner with KPMG in the UK, John also leads the Open Banking network for KPMG International. John has 23 years' experience leading large scale operational transformation programs in banks covering structural change, customer transformation, merger integration and separation, cost reduction and regulatory change.

Ian Pollari

KPMG Australia
T: +61 2 9335 8408
E: ipollari@kpmg.com.au

Ian leads Banking & Capital Markets Sector for KPMG Australia and is Global Fintech Co-lead. He has over 19 years' experience in financial services and works with local and international banks, payment providers and fintechs in strategy development, market entry and digital innovation.

Robert Ruark

KPMG in the US
T: +1 704 371 5271
E: rruark@kpmg.com

Bob leads the Fintech practice for KPMG in the US. A Principal in the strategy team, Bob has 25 years of industry expertise in payments, fintech, and banking, specializing in card processing, card issuing, retail and commercial banking, payment processing, prepaid cards, and treasury services.

Super app or super disruption?



A new breed of tech giant is emerging out of the East — Super apps — and they are already encroaching on traditional financial services territory. Do you have a strategy for success in a super app world?

If you reside in the West, you may have heard of super apps. If you live in Asia, you probably spend most of your ‘screen time’ using one. So what exactly are super apps and why are they so revolutionary?

Super apps essentially serve as a single portal to a wide range of virtual products and services. The most sophisticated — apps like WeChat and Alipay in China — bundle together online messaging (similar to WhatsApp), social media (similar to Facebook), marketplaces (like eBay) and services (like Uber). One app, one sign-in, one user experience — for virtually any product or service a customer may want or need.

Due in large part to their versatility, super apps have quickly become ingrained into users’ daily lives. It is not unusual for a WeChat user in China to set up a date with a friend via instant messaging, make dinner reservations, book movie tickets, order a taxi and pay for every transaction along the way, all using one single app.

The threat within

While the rise of super apps in the East may seem like a fairly peripheral trend to the banking sector, the reality is they have the potential to up-end it. There are three reasons why bankers should take heed of the developments very closely.

1. They are disintermediating banks from their customers. Super apps like WeChat and Alipay offer a range of basic banking, savings and investment products to customers. While (for now) these products are being originated and underwritten by traditional financial institutions, this still means that these institutions are being moved one step further away from their customers. Much like what happened in the insurance sector with platform plays and aggregators, traditional financial institutions may quickly find they have been relegated to

performing the regulated activities while the super apps retain the customer experience and relationship.

- 2. They are using their vast wealth of data to deliver better services.** It’s not just that super apps have access to an unprecedented amount of customer data, it’s that they know how to use it to deliver better customer experiences. They are using their data to improve operational processes — like using social media and transactional data to risk-assess loan applicants, and they are using their data to better target financial products to customers, at the exact time they need them. Traditional banks, with their siloed data and mainframe technology estates, are struggling to get as good a view of their customers.
- 3. They are building their brand reputations in financial services.** Offering payment services within the app may seem fairly innocuous at first; a marketplace without a payment mechanism may be doomed from the start. Currently, the vast majority of these payments are flowing through traditional banking and card issuer infrastructure. However, most of the bigger super apps now also have strong relationships with banking arms (WeChat has WePay for payments and WeBank for banking products; Alibaba has AliPay and Ant Financial) who are using the super app’s brand reputation and reach to access new customers and build trust in financial services.

Tempest in a teapot?

It would be easy to dismiss super apps as a China phenomenon, but the reality is they are emerging in almost every market around the world — and they are coming from unconventional places.



“ While the rise of super apps in the East may seem like a fairly peripheral trend to the banking sector, the reality is they have the potential to up-end it. ”

In South East Asia, for example, two super apps have emerged from the leading ride-share platforms, Go-Jek and Grab. Both apps now offer a range of other services from food delivery through to medical advice, and both are competing to help consumers select and purchase financial products. In markets — like Indonesia, a key battle ground for the pair — where the majority of the population are unbanked and lack access to basic banking infrastructure, they have come up with novel ways (like using their ride-share drivers as mobile bank tellers) to tap into new customers.

The West is also starting to move in a similar direction, albeit at a much slower pace. In part, the shift towards more all-encompassing apps is being driven by competition. Companies in almost every industry that do not want to become disintermediated by a super app are thinking about how they can become the West's answer to WeChat and Alipay.

An evolution in consumer preferences is also driving the shift towards super apps in the West. Indeed, our research

and experience suggests that — after nearly a decade of fragmentation and unbundling of services in their lives — consumers are starting to revert towards rebundling. Instead of having multiple apps for ordering food, ride-sharing and payment options, they want just one. Consumers may not be specifically demanding super apps, but they certainly want the convenience and simplicity that super apps can offer.

Becoming the super hero

It might be difficult to try to compete in China against the likes of WeChat and Alipay, but it likely won't be long before key players start to take an equally dominant position in other emerging markets like Indonesia, the Philippines and Malaysia. If your longer-term plans include setting up a digital offering in any of these markets, you may want to start thinking quickly about how to partner with the current market leaders.

In markets where no market-leading super app has yet to emerge — there is still time and opportunity for banks to take the lead. One approach would be to leverage open banking architecture and application program interfaces (APIs) to bring an ecosystem of different industry players together within a single app. A cursory scan across the marketplace suggests there are already a number of tech firms stretching to do just that.

The other alternative is for established leaders to combine their power to create a Western super app. Many different combinations could be used to create a winning formula; not all of them require banks to be in the lead.

Super steps towards super apps

What can banks be doing to prepare for a world dominated by Super Apps and mobile financial services? Our experience suggests that — almost regardless of size and scope of line of business — bank executives should be considering four key aspects to future success:

1. Partnerships and ecosystems. The rise of super apps is yet one more indicator that the world of industry verticals is giving way to a world driven by consumer experiences. In this environment, the value of a bank will be measured by the value of their ecosystem as much as the value of their balance sheet.

2. Open data and APIs. Much of the success of today's super apps is predicated on the fact that they are able to share data across various service areas and lines of business to develop a better view of their customers. Banks will need to consider how they can use APIs and open data architecture (something our colleagues discussed in [a previous article](#)) to emulate the rich data flows.

3. Data and analytics capabilities. Having great customer data and knowing what it means are two very different things. Banks will need to redouble their investments into improving both their data management and their analytics capabilities if they hope to compete on a level playing field with super apps.

4. A vision for the future. Banks will need to decide soon whether they plan to be a front-office player within a super app, a back office enabler or simply a piece of regulated infrastructure in the future — and then start investing and evolving towards achieving that vision.

Our view suggests that, at least for the next decade or so, the trend among consumers and businesses is towards super apps. The big question is whether banks understand how they will deliver value in a world dominated by super apps, and whether they have the ability to move quickly enough to respond before super apps become a super disruption.

About the authors

Andrew Huang

KPMG China

T: +861 08508 7920

E: andrew.huang@kpmg.com

A Partner with KPMG China, Andrew has more than 16 years' experience in the financial services sector and currently leads auditing and consulting services for many financial technology companies across the region. His areas of expertise include business processes, service models, internal control and related accounting treatment of financial technology enterprises.

Mitch Siegel

KPMG in the US

T: +1 404 222 3263

E: msiegel@kpmg.com

Principal and National Financial Services Strategy and Transformation Leader, Mitch offers C-suite and Board level guidance to financial institutions on business and operating model strategies intended to drive revenue growth and cost efficiency, with an emphasis on rapid digital transformation through fintech and customer experience enabled strategies.



Consumers may not be specifically demanding super apps, but they certainly want the convenience and simplicity that super apps can offer. ”

A smarter way to authenticate customers



Bank fraud is on the rise. In fact, according to a recent KPMG survey of 43 major banks around the world,¹ it's not just the number of fraud cases that is going up; so, too, is the value of fraud overall.

In large part, this increase in fraud is the result of identity theft scams. Indeed, rather than attempting some sort of high-stakes virtual bank heist for all the gold in the vault, most online thieves seem content simply stealing money from every-day customer's accounts when they aren't looking. To do that, they employ a wide range of social engineering scams, from phishing and spear phishing emails through to pretexting and baiting scams.

In response, most banks have doubled-down on security, stepping up their controls in an effort to improve their customer authentication processes. Two-factor authentication (2FA) and multi-factor authentication technologies have been deployed. Real-time fraud prevention and detection tools are being adopted. New limits and step up authentication protocols for higher risk transactions have been implemented.

The problem is that — in an era increasingly characterized by competition around customer convenience and

experience — adding more layers of security only introduces more friction into the customer journey. And experience suggests that, while bank customers want to be confident their money is being held securely, they do not seem to want to invest a lot of time or effort into jumping through hoops to authenticate themselves.

A better way

Imagine a world where users are only peripherally involved in the customer authentication process: no sign-ins; no passwords; no text verification codes — customers simply open the app or login to the website and conduct their daily banking.

Yet, in the background, complex algorithms are working away, continuously ensuring that the person using the device is who they claim to be.

Volume and value of fraud detection



Source: Global Banking Fraud Survey, KPMG International 2019

1. Global banking fraud survey, KPMG International, May 2019

“Fintechs and challenger banks recognize there is no use replicating the traditional authentication processes they are about to make obsolete.”

The algorithms check keystroke patterns on keyboards and examine the way the user swipes their screen when using apps. It measures the pace at which the user is walking, the height at which they are holding their phone, the rate at which they speak. It looks at the last few places the user has been and where they are right now. It conjures up dozens of other data points about the device user and decides if anything is out of the ordinary.

If a number of data points seem fishy compared to 'normal', the algorithm steps up the authentication process. Perhaps the user is asked to take a selfie to allow the facial recognition software to verify their identity. Maybe they are asked to provide their thumbprint. And two-factor authentication could always be used at this point to add an extra layer of security.

In this world, the user experience is frictionless and fluid. Security and confidence in customer authentication is high and continuous. Incidence of fraud and theft are reduced. And resources are used more efficiently (think of how many work hours could be saved just by eliminating password resets).

Competition heats up

Our work and research suggest that some financial institutions and tech firms are already well on their way towards stitching together the technologies and tools required to make this type of intelligent authentication a reality.

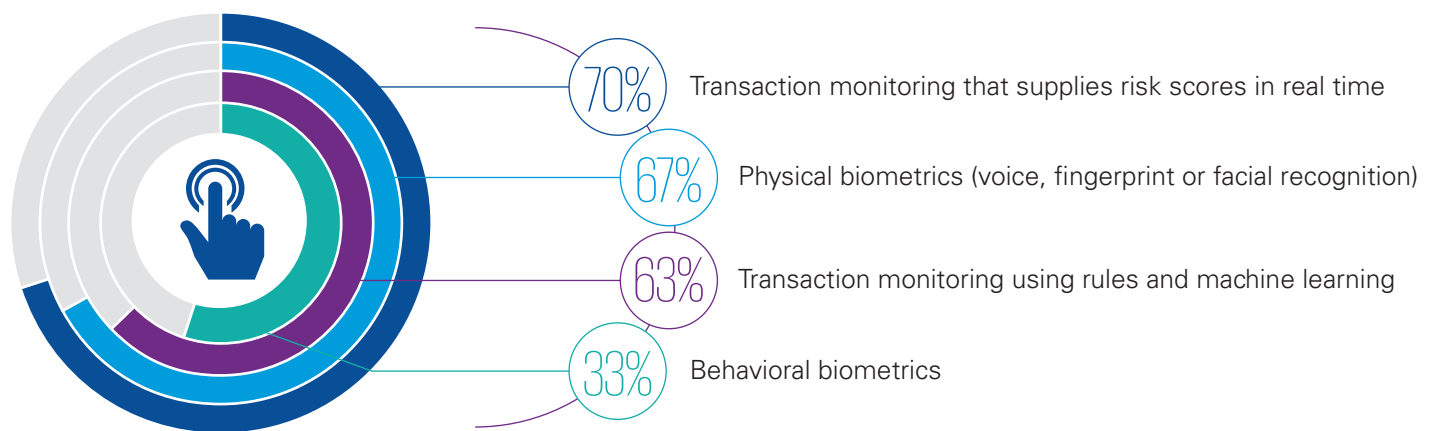
Absent legacy authentication technologies or processes, many fintechs and so-called challenger banks are taking the opportunity to embed intelligent authentication into their operating models from the start. It's not just that intelligent authentication is generally cheaper, more user friendly and more secure than traditional approaches; it's also that it is clearly the direction that technology and customer demand is going. Fintechs and challenger banks recognize there is no use replicating the traditional authentication processes they are about to make obsolete.

Not to be left behind, many traditional banks are now starting to invest. In fact, two thirds of the respondents to our survey of banking leaders reported that their organization is already investing into physical biometrics technologies such as voice, fingerprint and facial recognition. More interesting still, a third say they are already investing into more sophisticated behavioral biometrics as well.

More than just tech

While cool new gadgets and tech will certainly play a role in enabling a more intelligent approach to authentication, our experience implementing leading-edge systems at fintechs and traditional banks suggests there are five key elements to developing a strong and customer-friendly approach to intelligent authentication.

Proportion of banking leaders who have invested in the following technology



Source: Global banking fraud survey, KPMG International 2019

1. An exceptional understanding of your customers.

More than just achieving a ‘single view’ of customers, intelligent authentication requires banks to collect and overlay thousands of different data points about individual customers. This will require a smart data strategy built around open data models (see our recent article by our colleagues on [open banking](#))² and cloud enablement.

2. A sophisticated approach to analytics. While much of the analytics heavy lifting is conducted by technology, banks will still need to develop a clear understanding of how the analytics work, how they interact with other parts of the business and how they enable or influence existing fraud and risk controls.

3. A modernized technology infrastructure. You don’t need to be running a fully cloud-enabled and automated digital bank to get value from intelligent authentication, but you do need a technology estate that is capable of flexing with new technology. Again, a focus on open data models to enhance cooperation with third-party tech providers and to improve data flow across the organization will be key.

4. A new mindset on risk and fraud. Understanding how more intelligent forms of authentication influence your existing risk appetite and fraud controls will also be important. To be truly competitive, start with a clean slate and build your authentication model to align to the customer journey, incorporating risk and fraud controls along the way.

5. An understanding with customers. Based on existing regulations and recognizing that most intelligent authentication processes do not collect personally identifiable information, many suggest that privacy is of little concern here. However, given that cultural and social expectations around data privacy are only now forming, banks would be wise to come to an understanding with customers about their use of intelligent authentication.

Given the direction technology innovation is taking towards smarter, more adaptive and more user-friendly experiences — it seems clear that customers will soon come to expect more intelligent forms of authentication from their banks. Those that move quickly will be able to turn their leadership into a security and innovation advantage. Those that wait will only be playing catchup within the next few years.

“Based on existing regulations and recognizing that most intelligent authentication processes do not collect personally identifiable information, many suggest that privacy is of little concern here.”

About the authors

Bia Bedria

KPMG in the UK

T: + 44 20 7311 5278

E: bedria.bedri@kpmg.co.uk

Bia is a Partner and the Global Head of Cyber Security for KPMG’s Financial Services practice. With over 18 years of industry knowledge, Bia leads large-scale complex transformation and change programs to enable financial institutions to effectively manage emerging cyber threats, risk and regulatory expectations while delivering business objectives, innovation and growth.

Charles Jacco

KPMG in the US

T: +1 212 954 1949

E: cjacco@kpmg.com

Charlie is a Principal and the Information Protection and Cyber Security Financial Services industry lead for KPMG in the US. He has extensive experience in multiple disciplines of the information security field including security strategy and governance, security transformation, digital identity, and cyber defense. Charlie brings a broad background in technology and infrastructure planning and transformation.

2. <https://home.kpmg/xx/en/home/insights/2019/05/open-banking-for-greater-customer-value-fs.html>

Automating the prediction



The combination of automation and predictive analytics is creating new opportunities for banks to reinvent the customer experience and retain relevance.

Not so long ago, many banking pundits were heralding the extinction of the human bank employee. Tellers would be replaced by bots. Digital-advisors would put financial advisors and product specialists out of work. Customer service centers would go dark as cloud-based chatbots took over the customer interaction.

Somewhat predictably, that sparked a flurry of new experimentation, investment and innovation within the financial services sector as banks, fintechs and service providers vied to beat each other to market with a new automation or bot.

Lessons were quickly learned. For example, both first-mover banks and fintechs found out that a 'pure' digital-advisory model simply wasn't viable; margins were too low, customer acquisition costs were too high and few customers (particularly high-net worth ones) were willing to turn their backs on their human financial advisor for a bot.

Banks (and those in other service industries) also found it impossible to turn the lights off on their customer service centers. Bots simply didn't have the training or access to data they needed to convincingly replace humans (particularly when those interactions were governed by strict conduct rules).

Predicting a better experience

Rather than taking the 'all or nothing' route, many banks are now experimenting with how automation — tied to predictive analytics — can help their human employees become more strategic and their customers enjoy a better experience.

The signs are everywhere. The shift towards 'next best offer' engines in product sales and financial management is perhaps the best example of this at work. Instead of blindly selling products based on generic customer segmentation models, these platforms leverage extensive customer data, machine learning and smart automation tools to allow agents and advisors to quickly guide their clients to solutions and products that suit their unique needs.

The more sophisticated engines go beyond this, scraping the entire ecosystem of customer data (both inside the organization and outside) to accurately predict when customers will need certain products and how they will want to engage with them. Instead of 'next best offer', they are moving to 'next critical need'.

Everyone wins

This type of predictive augmented decision-making is cropping up everywhere. Inside the enterprise, many banks are starting to deploy bots that essentially predict the type of information their agents will need and then serve it up to them in a smart, user-friendly visualization.

At the customer level, predictive analytics and automations are being combined to deliver personal financial management tools aimed at helping customers make better financial decisions. Based on a user's stated financial goals and leveraging application programming interfaces (APIs) and visualizations, these tools are helping customers better predict — and then respond to — their future financial needs.

Some predictive engines are being used to deliver exciting insights, particularly around customer trends and future technologies. They are also being used for much more mundane, yet important tasks such as automating the prediction of ATM downtime, branch utilization models and operational performance.

Beyond bots

Our view is that the measured introduction of bots and automations is just the first step on the path to smarter, more predictive banking models and solutions. And while they won't lead to the extinction of human employees, they will lead to a major shift in perspectives — from the historical to the predictive.

The impact of that shift will be massive. Currently, much of what a bank knows about its customers comes from, for example, things like credit histories, past account activity and recent life changes. Every decision is based on an understanding of what has happened in the past.

These trends towards greater use of automation and predictive analytics, however, suggests that interactions and processes will increasingly be based on what the customer is likely to want in the future. And that will require a very different approach to everything from customer relationship management and channel development through to technology investments and product design.

Make the most of it

Our experience working with leading banks and fintechs suggests there are four areas where bank executives should focus if they want to help their organization move towards more predictive models.

- 1. Data management:** By now, most banks are starting to get a grip on their internal data challenges. Next they will need to start thinking about how they incorporate external sources of data to achieve a much more holistic view of their customers. And that, in turn, will require banks to become more sophisticated about their data management, security and strategy.
- 2. Customer experience:** Turning customer predictions into valuable interactions takes more than data and algorithms. Banks will need to focus on connecting the

‘back end’ data and automation to the ‘front end’ human interaction to ensure they are creating great customer experiences that generate positive results, both for the business and for its customers.

- 3. Employee adoption:** Whether because the incentive programs are not designed to encourage innovation or simply out of fear of the unknown, employees are often resistant to the shift towards automation. In many cases, employee adoption can be encouraged by building awareness about the value these tools deliver, both to employees and clients.
- 4. Innovation ecosystem:** Nobody is suggesting that banks need to build these capabilities internally. But they will need to think very carefully about how they develop their technology and data ecosystem in order to maximize value while maintaining flexibility in the market.

Our prediction

Over the coming year, we expect to see many of the leading banks take much more deliberate steps towards linking their automation with predictive analytics. And that, in turn, should unlock new ways of thinking about future growth, customer experience and technology investment.

To be sure, more experimentation will be required. And there will certainly be some failures. But our prediction is that customers will increasingly expect the predictive. Banks should start moving now to get ahead of their expectations.

“The measured introduction of bots and automations is just the first step on the path to smarter, more predictive banking models and solutions.”



About the authors

Anton Ruddenklau

KPMG in the UK

E: anton.ruddenklau@kpmg.co.uk

Anton is a Partner with KPMG in the UK and Global Co-Fintech Lead for KPMG International. He specializes in business, corporate and institutional banking, and provides advice on strategy, digital innovation, growth and client development to top tier global companies, banks, infrastructure providers. Anton has also worked with large global corporates in the Consumer and Technology sectors.

Brian Dunham

KPMG in the US

E: bdunham@kpmg.com

Brian is a Principal and the Wealth and Asset Management Strategy Lead at KPMG in the US. A results-driven executive with an exceptional track record in driving transformational change for top financial services client, Brian has extensive experience in creating and executing growth strategies to financial services clients grow revenue, improve customer satisfaction, optimize processes and better manage risk.

Todd Lohr

KPMG in the US

E: tlohr@kpmg.com

Todd is a Principal within KPMG's Technology Enabled Transformation practice, specializing in enterprise transformation, process excellence and process automation. In addition to his practice responsibilities, Todd is responsible for KPMG's global transformation solutions, including the development of methods, accelerators and delivery platforms. Todd is a regular presenter at conferences, and guest lecturer at universities.

Securing payments innovation



For a time, banks were the kings of payments. Throughout the debit card era and well into the digital era, banks held a virtual monopoly over the payments ecosystem.

No more. Over the past few years, we have seen the rise of a range of new payment service providers. Some, like PayPal or Apple Pay, have created massive ‘merchant’ networks through their online presence and partnerships with some of the bigger platform players. Others have found niches in their own areas, often responding to specific customer pain points in the payment environment.

Not surprisingly, many of the world’s leading banks are now working closely with these payment service providers to create solutions and tools that both respond to shifting customer demand and keep the bank in the value chain. Exciting new innovations and models are emerging.

Risk grows exponentially

Innovation in the payments sector is critical. Partnerships with third parties is a key strategy for achieving the type of innovation required in today’s rapidly-changing environment. However, this also creates increased risks.

For all intents and purposes, the term ‘third-party risk’ has long become a bit of a euphemism in the payments world: many of the better-integrated payment service providers are now so connected into their banking partners’ enterprises that there is often little difference between a bank’s payment systems and employees and those of their ‘third-party’ payment providers.

Yet it is exactly this embeddedness that makes partnerships with third-party payment providers seem so beguilingly secure. The assumption is that their employees are following the same protocols, using the same controls and taking the same precautions as the banks’ own employees. Yet, often they are not.

The leading banks are therefore placing increased focus on managing these third-party relationships, closely

integrating and overseeing their service providers in a way that allow them to become an extension of the banks’ own lines of business.

What’s the trade-off?

It will take more than increased oversight and control to make a new payment innovation succeed. It will also require the highest levels of security. And that means that bank and payment executives will need to ensure their drive towards innovation remains focused on delivering customer convenience and security.

The problem is that proactive investments in security rarely move the meter with customers. They see security — cyber or otherwise — as table stakes in a payment transaction; keeping their money and data secure is a given. But they also want convenience. They want to rid themselves of two-factor authentications. They want to replace their debit and credit cards with phones and watches. And they want to allow other third parties, of their choosing, to have access to their payment (and even banking) data.

The challenge for banks and payment providers, therefore, is to create partnerships and shared cultures that allow them to respond quickly to customer trends without ever losing sight of their security responsibilities. At every step, the partnership should be asking itself two questions: How does this action improve the customer experience? And how does it impact security?

Divided we fall

Unfortunately, in payments and in the wider digital world, there are no silver bullets that guarantee security. Rather, it requires a range of strategies, tools and capabilities — all working together — and focused on the risks that matter

most to your organization and your customers. It also requires unprecedented collaboration across the ecosystem.

Thankfully, we are seeing good progress and reason for optimism. At conferences like Sibos, banking and payment leaders are coming together to share ideas and strategies for improving security in this type of hyper-connected world. Industry associations and cyber groups are shining the spotlight on some of the challenges and encouraging collaboration. Even government agencies and spy networks are trying to play a convening role.

Some of the more institutional payment service providers are also taking smart steps to help secure the payment ecosystem. SWIFT, for example, has been fairly active in rolling out solutions — customer security programs, standardized know-your-customer (KYC) data tools and a KYC registry, for example — that at the very least bring standardization and a common language to the discussion.

But more collaboration will be required. The reality is that this is not an issue that can be tackled or solved alone. In fact, those who do decide to ‘go it alone’ are often the ones most in danger. Rather, it is by sharing our ideas, experiences, threat assessments and tools that we will form a solid defense against cyber threats in a hyper-connected world.

Get ahead of it

While talking, sharing and collaborating is important, so is action. And our view suggests that banks, payment providers and others in the ecosystem could be making a more concerted effort to build security into their products, services and operating models.

One way to do this is to embed cyber into the very early stages of any new business or group strategy. Fraud and risk professionals should almost certainly be included in discussions at the planning and conceptual phases. The bank’s cyber professionals should be involved at every step — from conception through development, delivery and beyond.

Just as it is important to embed cybersecurity principles and concepts into the broader organization; in today’s hyper-connected world, every employee and third party should understand and actively engage in the organization’s cyber strategy. Education and continuous communication with employees is key.

The bottom line here is that banks and payment providers will need to step up their risk controls, models and capabilities in order to deliver what customers want from their payment providers: more convenience with no loss of security.

About the authors

Chris Hadom

KPMG in the US

T: +1 404 979 2317

E: chrishadom@kpmg.com

With over 20 years of financial services experience, Chris leads KPMG’s Global Payments team, which collaborates and partners with clients to support their payments transformation needs, including real-time payments and cross-border interoperability.

Natalie Fedjuk

KPMG in the US

T: +1 617 988 5609

E: nfedyuk@kpmg.com

Natalie is a Director in KPMG’s Advisory Practice with over 15 years of industry and risk consulting experience helping global financial and healthcare/life sciences companies implement or enhance their cybersecurity, third-party management, and privacy programs. Natalie’s expertise spans across multiple disciplines with primary focus on regulatory and technical compliance.

David Hicks

KPMG in the UK

T: +44 20 7694 2915

E: david.hicks@kpmg.co.uk

As KPMG Internationals’ Global Forensic Leader, David has significant experience advising firms on financial crime, contentious regulatory matters, bribery and corruption and fraud investigations. David specializes in the financial services sector advising global banks, asset managers and insurers.

Getting personal

ONE
STEP
AHEAD

The future will be dominated by banks that go beyond 'skin deep' personalization to embed themselves into the daily lives of their customers.

In a world of mass personalization, banks are getting quite good at convincing their customers they know them. New tools and technologies are enabling unprecedented customization. New segmentation approaches are improving targeting. Automation and digital technologies are dishing up 'personal' experiences — using the customer's name when they enter a banking channel, for example, or sending an e-card on their birthday.

Yet our view suggests that today's level of personalization is only skin deep. And the future will be dominated by banks that are able to go much, much deeper. They will be the ones that know how to make their customers feel individually valued and important. They will use the familiarity they gained through a shared history to deliver meaningful experiences to their customers. They will know more than just account details and demographics; they will know exactly what makes their customers tick.

Getting to know you

It is already very clear that customers place a high value on a bank's ability to embed themselves into their personal lives. In a recent survey of more than 275,000 consumers conducted by KPMG International, we found overwhelming evidence that a company's ability to deliver a personalized experience is directly related to their brand loyalty.¹ Customers consistently ranked banks with great personalization capabilities as best in class.

The leaders in our survey were those that recognized that personalization isn't just about driving increased sales to existing customers. It's about building relationships and becoming embedded into the lives of your customers. It's about knowing what your customers need and finding ways to solve their problems (often before they know they even have a problem). It's about being there for your customers — regardless of whether that interaction results in the sale of a product or defined service.

Solve their life problems

That is why a handful of the world's leading banks are starting to shift their focus towards understanding customer 'life events' or 'life stages'. In some cases, these may be the purchase of a new car or house, the birth of a new baby or the start of a new job. In other cases, they may simply be life stages — entry into retirement, for example.

The point is that — if you really think about it — financial services underpin everything we aspire for as individuals. Each life event or life stage brings different challenges, opportunities and financial needs. Those banks that are able to predict these life events and then deliver solutions that demonstrate a deep understanding of the individual customer will be the most successful in the future — not those still blindly selling products to demographic segments.

Don't blame the tech

So what is holding banks back from achieving true personalization at scale? Many banking executives will tell you it's their siloed data and legacy systems that are stopping them from taking a more holistic view of their customers. And that, in turn, is holding them back from delivering true personalization.

While legacy systems and data can certainly be an inhibitor to personalization, there is strong evidence to suggest they need not be barriers. Consider, for example, how some 'newco' banks are winning customers and delivering personalized experiences despite the fact they use their parent's legacy systems (First Direct, a UK challenger bank, is frequently ranked as best in class ahead of its parent HSBC even though they use largely the same technology stack²).

Put the customer first

Our view suggests that, more often than not, it's legacy culture (not legacy systems) that is stopping banks from

¹ *Customer First. Customer Obsessed.* KPMG International, 2019

² <https://www.telegraph.co.uk/business/2016/08/17/first-direct-named-best-bank-but-its-owner-hsbc-is-the-worst/>

making real progress on their personalization journey. The reality is that most banks are still tightly structured around products and services. In most banks, it's the product teams that drive most decision-making, not the customer teams. And this is making it nearly impossible for banks to get a truly holistic view of their customers.

Reorganizing the bank around the customer will take leadership. It will require a dramatic shift in organizational culture and structure. And it will require banks to think carefully about what activities are empowering the customer view and what activities are not. In some cases, this may mean shifting the balance of power within the organization. For example, we recently worked with one bank where, time and again, efforts to improve personalization were being slowed by the compliance function; the organization placed compliance under their chief customer officer and have seen dramatic improvements in their customer experience scores ever since (without increasing their compliance risk).

Yet getting a holistic view of customers will take more than just strong desire and better organization structures. It will also require banks to take different approaches to understanding their customers — mining data for new signals, for example, or partnering with tech players who can broaden their appeal and data reach. The shift towards regulated open data and open banking will create significant opportunities for banks to become better acquainted with their customers.

Banks will also need to get better at using the data they uncover to truly understand the circumstances and life events of their customers. That will take more agile platforms, better analytics and better collaboration over data so that products and solutions can be quickly modified and adapted as customer needs and desires evolve.

Going beyond financial services

Perhaps most importantly, bank executives will need to think much more holistically about what role they plan on

playing in the lives of their customers. How can they use their insight, capabilities and knowledge to help customers live their best lives? Can they predict which products and services customers will need through their journey? And do they know enough about their customers to properly understand their unique life events?

The leading banks have already answered these questions and are making clear progress towards a very different type of personalization. When USAA, a US-based financial services firm, noted that their customers (largely made up of US military and family) were becoming frustrated with the amount of time required to purchase a new car, they developed an entire service area focused on helping speed up the process.

One UK-based bank, offers customers courses to improve their computer literacy which, in turn, is helping improve digital engagement. Some banks in the emerging markets are starting to act as consumer-goods distributors, allowing them to solve customer pain points and provide peripheral products such as insurance and loans.

Get personal

The point is that there is a big difference between personalizing a communication channel and becoming embedded in the personal lives of your customers. The former is only skin deep; the latter requires fundamental changes to the way the bank operates.

Our view suggests that the most successful banks of the future (indeed, the most successful banks today) are those that are investing in creating a truly personal relationship with their customers.

To learn more about how banks are delivering customer experience excellence, please read [Investing into relationships](#), from our recent Customer Experience Excellence report.

About the authors

Eva Garcia San Luis

KPMG in Spain

E: evagarcia1@kpmg.es

T: +34 68594 8810

Eva is leader of the Data Analytics team and Head of KPMG Lighthouse for KPMG in Spain. With extensive knowledge in the data & analytics field, Eva supports organizations in their transformation process of becoming 'smart companies', integrating data analytics into their decision-making so that they can make key decisions faster, cheaper, and with more confidence.

David Conway

KPMG in the UK

E: david.conway@kpmg-nunwood.co.uk

T: +44 7812 191241

David is a Director with KPMG in the UK and co-manages KPMG Nunwood's customer experience management practice. Additionally, David oversees the Customer Experience Excellence Centre, an on-going approach to systematically identifying global best practices.

Voices on 2030

The Future of Financial Services

The digital disruption of financial services is well underway, from the explosion of fintechs to the opening up of financial services. But what will the industry look like when the dust has settled? KPMG spoke to prominent figures from fintech to big banks, insurers and asset managers to software providers and social enterprise — who shared their vision for the future of financial services. To watch these videos click the links below, or visit home.kpmg/Voices2030.



"In 2030, the whole survival game is: are you in the right ecosystems?"

Piia-Noora Kauppi
Managing Director,
Finance Finland



"Speed and adaptability is the new competitive battleground."

Claire Calmejane
Risk Product Owner,
Lloyds Banking Group



"In 2030, the question will be how much does the financial sector contribute to sustainable development."

Sasja Beslik
Sustainable Finance Expert



"Be ready for an open ecosystem."

Sopendu Mohanty
Chief FinTech Officer,
Monetary Authority of Singapore



"With open insurance you will have the ability to connect services and fetch data to make really interesting services for the end customers."

Kristin Linmark
CIO, SPP



"Finance will become more accessible and frictionless."

Nick Middleton
Executive Director,
UBS Wealth Management,
Head of UBS SmartWealth UK



"Our platform is going to allow us to do more intelligent risk management."

Ning Tang
Founder and CEO, CreditEase



"Insurance will be more predictive in 2030."

Blair Turnbull
Managing Director,
Digital & Retail
UK and International, Aviva



"All these ecosystems will be totally frictionless for a customer."

Sébastien Marotte
Europe, Middle East and Africa leader,
Google Cloud



"Data analytics will form the core of your financial crime unit by 2030."

Colin Bell
Group Head of Financial Crime Risk,
HSBC



How are leading banks differentiating themselves in increasingly competitive markets? Things to consider as you plan your digital journey.

- **They are investing into new technologies.** From new chatbot interfaces at the front end through to increasingly sophisticated predictive risk management tools at the back, the leading banks are embracing technology across the enterprise. At the same time, they are learning that – in banking in particular — customers often want to interact with humans. Finding the right balance between digitization and human interaction will be key.
- **They are expanding their ecosystems.** The leading banks recognize they do not have all of the skills and capabilities required to remain competitive in today's digital-first environment. So they are actively pursuing partnerships with a range of players — fintechs, service providers, innovation labs and academia, to name just a few — as a way to expand their innovation capabilities. Scaling up those ideas and models, however, continues to be a challenge.
- **They are focusing on customer needs.** Rather than blindly selling products based on broad customer segmentation, the leading banks are investing into understanding their individual customers at a much deeper level. And this is enabling them to start working with customers to solve some of their big life problems — which, in turn, is shifting the model from products to solutions. The winners of tomorrow will be those that know their customers the best.
- **They are creating emotionally-connected customer journeys.** Many of the top brands are those that differentiate themselves based on their purpose and their customer empathy. Rather than just lip-service, they are working to demonstrate their values right across the customer journey and through all customer channels. Customers want great rates and low fees, but not at any cost.
- **They are tearing up the status quo.** More than anything, the leading banks are the ones that are willing to rethink their customer and operational processes from end-to-end, leveraging new technologies, partners, models and ideas to deliver notably different propositions to their customers. Rather than simply defend their traditional territory, they are constantly looking for new opportunities to reinvent themselves in ways that are highly relevant to their customers.

KPMG professionals can help your organization optimize spend and investments while delivering winning customer experiences suited for a digital age. To learn more, contact your local KPMG office.

Contacts

Judd Caplain

Global Head of Banking and Capital Markets

KPMG International
E: jcaplain@kpmg.com

Ricardo Anhesini

Managing Partner, Financial Services, LATAM and Co-Chair Financial Services, Americas

KPMG International
E: rsouza@kpmg.com.br

Chris Hadorn

Global Head of Payments

KPMG International
E: chrishadorn@kpmg.com

John Hallsworth

Open Banking Global Network Lead

KPMG in the UK
E: john.hallsworth@kpmg.co.uk

David Hicks

Global Head of Forensics

KPMG International
E: david.hicks@kpmg.co.uk

Ian Pollari

Global Co-Fintech Lead

KPMG Australia
E: ipollari@kpmg.com.au

Anton Ruddenklau

Global Co-Fintech Lead

KPMG in the UK
E: anton.ruddenklau@kpmg.co.uk



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