Future of commercial banking

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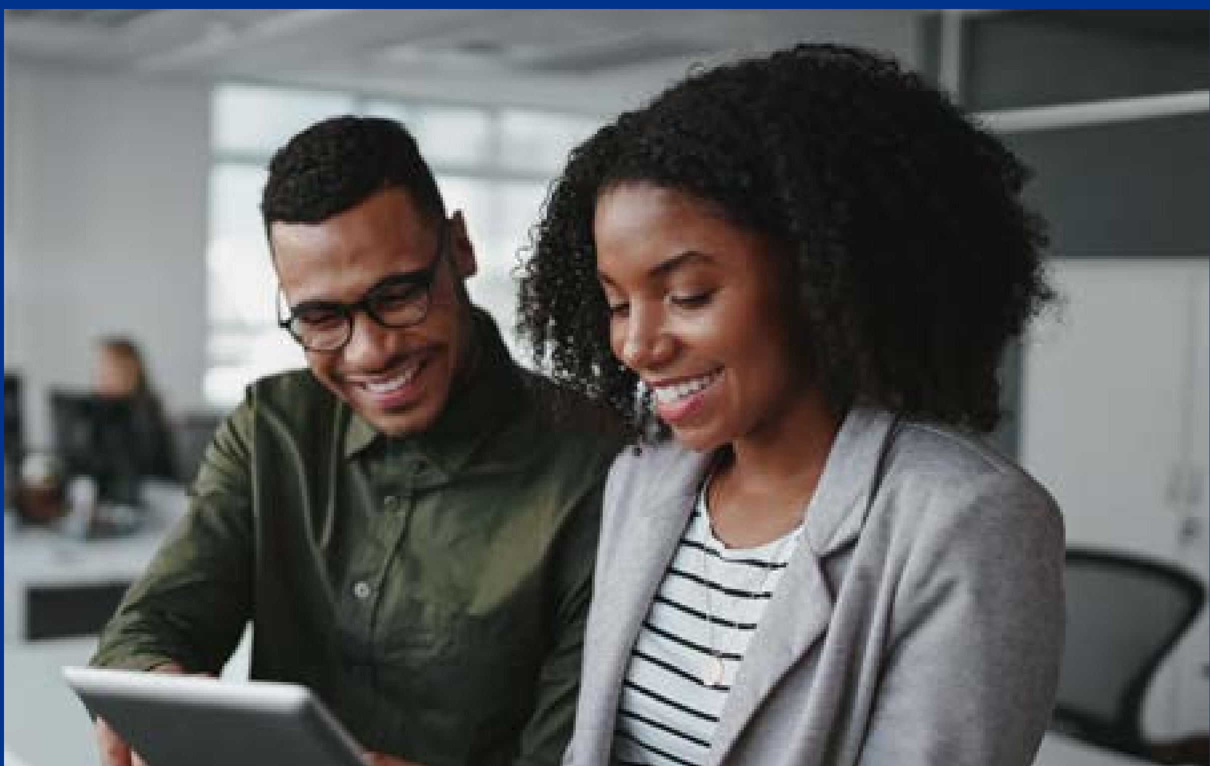

The customer first in digital

The commercial banking industry is rapidly evolving through digitization, increased competition and tighter regulation. With US$210 billion invested in fintech globally during FY21,[1] commercial banks serving small and medium-sized businesses are transforming to compete. So, what will the future commercial banking landscape look like and what should commercial banks do to stay competitive?

We start by looking at the signals and drivers of change in the commercial banking sector, reinforced by KPMG's survey of over 400 commercial banking leaders from around the world, who are involved with customer-centric strategy and enablement decisions.[2] Drivers of change include shifting client interactions from branches and business centers, towards embedded financial applications enabling customers to access services when and where they need them. Data privacy has become critical, with 'open banking' rules giving customers greater control and ownership of their personal information, though increasing compliance demands.

More effective data, combined with advanced technologies are driving automated tailored finance and investment solutions, reducing fraud and improving regulatory compliance. Decentralized ledger technology hopes to increase speed, security and transparency of transactions and international finance operations. Rising expectations of sustainability and corporate purpose means that environmental, social and governance (ESG) policies and targets should be integrated into processes, risk policy and business models.

As catalysts for change are identified, we will discuss what we believe will be the three dominant future business models in the new reality that we are entering; the new commercial banking ecosystem will encompass a wide range of interconnected stakeholders including clients, competitors, suppliers and intermediaries. Strategic partnerships can help banks access key or new capabilities and channels for their clients.

We then define five imperatives for business transformation: innovating relationship models and the evolved role of the relationship manager; transitioning to new ecosystems; replacing or rebuilding the banking technology stack; transforming operating models and cost structures; and delivering operationally excellent services.

Finally, we present a tested methodology for successful digital transformation; it defines eight clear capabilities of a connected enterprise and strives to deliver a customer experience (CX) that exceeds expectations, successfully executes on one or more customer-centric objectives and achieves ROI on one or more metrics.

To respond quickly to market signals and to focus on the customer experience, commercial banks should embrace the concept of a connected enterprise approach, linking the front, middle and back office to accelerate your journey to digital transformation.

Definition of commercial banking

In this report, commercial banking is defined as the banking and related services provided to business segments ranging from small businesses to larger commercial accounts.

1 KPMG Pulse of Fintech H2'21, January 2022

2 Base: 419 leaders at Director level or above, involved with customer-centric strategy and enablement decisions at commercial banking organizations from diverse areas around the world. They were involved in a commissioned study conducted by Forrester Consulting on behalf of KPMG, in July 2021.

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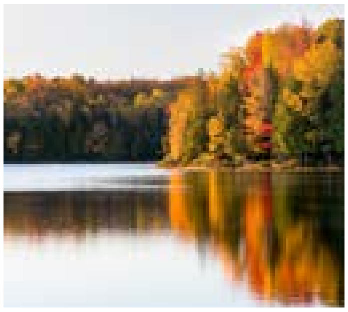

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Signals of change

Commercial banking faces a more complex environment than perhaps ever before: client demands and rapid enhancement in digital capabilities, digitization and new sources of competition are forcing banks to urgently innovate.

Customer

To provide seamless customer experiences and innovative new products, commercial banks are building adaptable platforms and ecosystems.

Although 80 percent of commercial banking decision-makers believe that customer centricity is a high priority, only 47 percent of banks are exceeding customer expectations and just 15 percent exceed them 'consistently'.[3] This creates an environment with low barriers to entry.

1 Customer expectations of instant, seamless, omni-channel banking

Over the next 2 to 3 years, successful commercial banks will transform to provide a complete end-to-end experience across multiple integrated channels. The majority of the survey respondents say 'innovative services' and 'seamless digital banking' have the greatest potential to change the sector.[4] Integrated channels deliver a faster, more convenient experience and resolve problems more efficiently, increasing client satisfaction and retention.
In addition to satisfying clients, an omnichannel approach provides the analytics to anticipate their needs and preferences — for example, to tailor portfolios, using internal and external data and AI.

2 Demand for banking services embedded within corporate processes

Our survey indicates that integrating banks' and clients' systems can improve relationship value by 50 percent, an approach that is likely to supersede corporate portals, with commerce solutions integrated into accounting packages, this replaces costly and time-consuming manual tasks and improves data quality.[5]

Additionally, commercial banks have an opportunity to launch new services, shift to recurring and event-driven fee income, and offer lower-cost product and pay-as-you-go services. They can also convert traditional cost centers (e.g., KYC and data management) into revenue streams, by charging intermediaries for services like payment requests, identity authentication, pre-approved consent across service providers, in-life customer screening and retrieving client information.

3 Pressure for product and service innovations

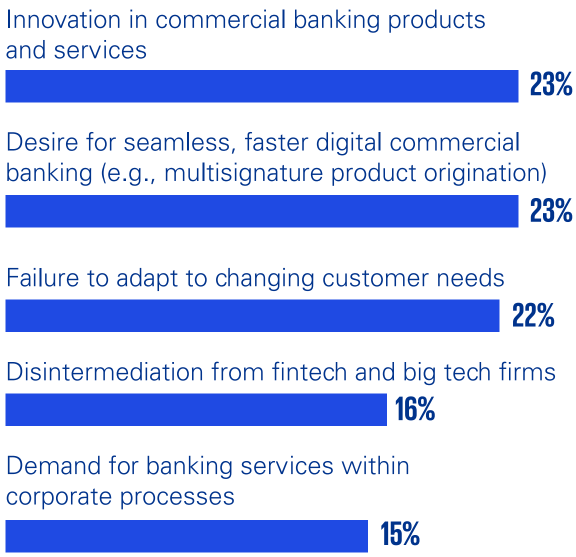
While cash management and financing will remain key sources of income, commercial banks should constantly innovate to keep up with the fast pace of change. The vast majority (88 percent of leading banks surveyed) plan to invest in innovative products and services to boost customer-centricity.[6] Areas for development include API-enabled products, capital allocation optimization, digital lending solutions and serving new segments like home-based businesses, each with different needs and risk profiles.

Prioritizing customer centricity

Customer centricity is a high priority. 78 percent of survey respondents say they are investing in 'digitally-enabled technology architecture' and 'experience centricity by design'.[7]

However, there is progress to be made, with 45 percent considering themselves 'below average' in terms of securely building solutions and deploying underlying technologies. The struggle to acquire sufficient digital talent is one of the biggest factors holding back progress.

Customer factors with the greatest potential to change the competitive commercial banking landscape



Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, July 2021

[3, 4, 5, 6, 7] A commissioned study conducted by Forrester Consulting on behalf of KPMG, September 2021

Data, digital and technology

Connected, AI supported technologies can drive decision-making and prepare banks for cloud and API-enabled ecosystems.

Both financial and non-financial players can thrive in new ecosystems open to integration, greater connectivity and data sharing. Technologies such as distributed ledgers and quantum computing will increase transaction efficiency and enhance information sharing, security and transparency.

1 Adoption of cloud and API technologies

Commercial banks are partnering with contemporary infrastructure providers to transform legacy technology. Digitized services, such as lending origination and onboarding, eliminate manual processes and legacy systems in favor of a single, end-to-end solution servicing SMEs, corporates, and commercial clients. Banks have invested significantly in automating their origination platforms as part of digital transformation. For instance, 68 percent are already monetizing API development, and a further 20 percent are planning to do so in the next 12 months.[8]

API-enabled service architectures link existing bank data and client information to deliver enhanced services to customers. The use of APIs will enable new collaborations and partnerships across banks, digital banking companies and fintechs.
With reduced barriers to entry, new cloud-based lending services can be quickly operationalized.

Sustainable growth in SME segment

SMEs play a major role in all global economies, and even more so in developing markets.[9]

Yet they remain an underserved segment, falling into a gap between large corporates and retail clients leaving potential revenue for commercial banks unexploited and creating an opportunity for sustainable growth.

2 AI and machine learning (ML) is being deployed across a range of banking activities

These exciting technologies can help sales and marketing teams identify prospects and predict customer needs and propensity to buy. They also enable dynamic deal pricing for micro segments, as well as automating decision-making processes, credit rule sets and exceptions. By adopting AI and ML, banks can accelerate the maturity of treasury functions and credit risk analysis. Not surprisingly, respondents rank AI as the most important technology to differentiate themselves from competitors in the commercial banking market.

3 There is an urgent need to improve speed to market

Consequently, we are seeing disintermediation by disruptors who are innovating through, for example, automated document population, e-verification, verifiable external data validation to simplify servicing assessments, financial spreading and deal structuring, which means the time to make a credit decision is rapidly reduced.

4 Distributed ledger shows potential in commercial banking

Notwithstanding current market volatility, the next 10 years is likely to see a shift from centralized to decentralized, which, along with distributed ledger technologies, brings increased transaction efficiency, inclusion, transparency, and digitization of assets. Blockchain-based trade finance networks already help commercial banks and their customers eliminate operational friction and reduce fraud and compliance risk. There are increasing numbers of syndicated lending pilot projects, products and services, while the key elements of commercial banking — collaboration, competition and distributed customers — are ripe for distributed ledger solutions. Banks operating across borders are at an inflection point, where they should consider tokenization of nostro and vostro accounts, programmable payments for trade, and smart contracts.

8 A commissioned study conducted by Forrester Consulting on behalf of KPMG, September 2021

9 The World Bank, July 2022

5 Creating value through data will differentiate performance

Niche solutions can be incorporated into a data ecosystem where competitors can be collaborators. Leading commercial banks are changing their role to become both producers and consumers of data, for example, selling payments, trade finance and lending capabilities to other organizations.

The huge volumes of data generated should help commercial banks deepen their relationships with clients, by personalizing digital experiences and communicating highly personalized and timely messages, based upon intimate customer knowledge.

Holistic, connected financial performance indicators

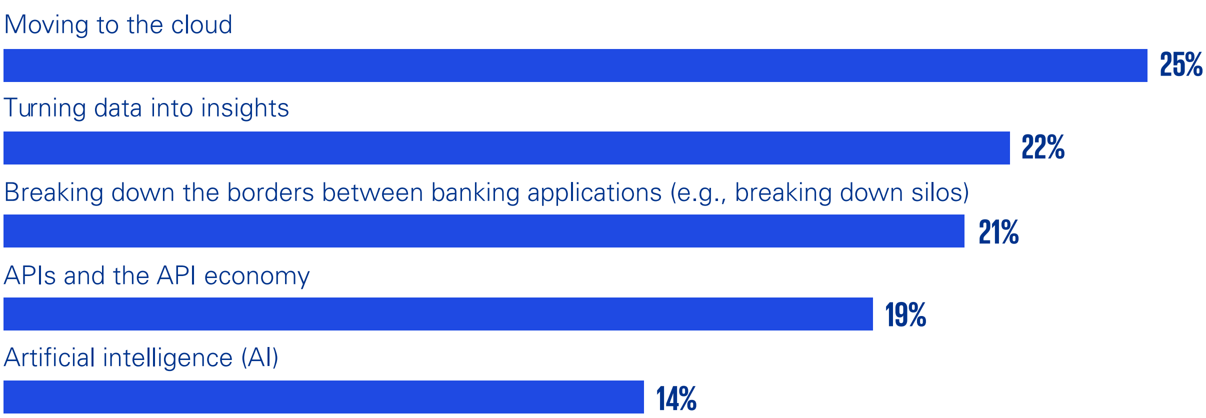
In mature markets, well-capitalized new entrants will likely compete for deals, impacting capital returns.

Incumbent banks should expect to pivot to a holistic way of measuring financial performance, to obtain insights that can allow for meaningful change, thereby helping to increase capital effectiveness.

6 Transformation requires a digitally capable workforce

A digital business model, which harnesses advanced data and analytics and digital channels to offer self-service, should have significantly lower costs and better customer service. Person-to-person relationships are expected to continue with relationship managers (RMs) being deployed in a more targeted manner: to profitable clients; in situations where extensive personal care and attention is a unique selling point; when clients need industry or sector expertise that technology cannot deliver; and for complex, escalated service enquiries that cannot be resolved digitally. Data is improving RMs' roles, offering deep client and sector understanding of emerging trends, business and financial risks and growth opportunities, and how these affect the bank's portfolio of services and products. For example, data enables peer comparisons and provides early indicators of client attrition, enabling fast action to help improve retention.

Technologies with the greatest potential to change the competitive commercial banking landscape



Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, July 2021

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Trust

Sustainability and ethics ingrained in business operations can reduce long-tail risk and increase customer trust.

Stakeholders (including public communities) are constantly scrutinizing the impact of banks' products, services, culture, operations and relationships on people and the environment. Survey respondents consider regulation and governance the most important factor to earning trust, and 40 percent believe that, by building trust with consumers, they can enhance the brand reputation and achieve higher efficiency and more sustainable growth.[10]

1 Commercial banks' ESG response balances revenue stability, client loyalty and risk

Faced with growing customer and shareholder activism alongside ESG reporting demands, commercial banking may be an enabler, helping clients achieve net zero by moving away from carbon-intensive projects.

Commercial banks should clarify the role they want to play within their sector and the community: leader and 'trusted transitioner' or a 'fast-follower'. Banks should leverage innovation as they develop talent, strategic partnerships and alliances to help accelerate the transition to net zero.

2 Banks entrench social conscience in their processes, policies and systems

Banks are implementing 'green finance' products and service requirements. This involves adjusting portfolios and funding growth through new sustainable finance products and considering ESG and climate risk in pricing, risk management and capital allocations.

The impact extends to the 'back book' as well as future decisions. For example, some banks are choosing to avoid funding, development and mortgage lending on properties with cheap, flammable cladding materials. They are also ceasing lending to property with boilers that could become 'brown loans' requiring banks to hold more capital. Existing loans will likely have to be assessed for their sustainability, while those that carry higher ESG risks may require remediation plans.

3 Embedding financial crime prevention, cybersecurity, data privacy and regulation in the design and engineering lifecycle

Banks are transforming their financial crime capabilities by introducing new technologies, collaborating across the ecosystem and focusing on protecting data and clients. Historically, cybersecurity (including the safeguarding of data privacy) was considered as the last line of defense, but in a digital world, it has become a foundation of trust and a vital part of every product and service. As an indicator of its importance, 63 percent of survey respondents believe security can help to differentiate from market competition.[11]

Growing dependency on data, increasing cyber risks and regulatory pressures also put a bigger emphasis on anti-money laundering (AML) to demonstrate resilience. Failure to address these risks could see commercial banks lose ground to emerging technology competitors with robust security. Embedding these various defenses in the design phase can instill trust in data and demonstrate a strong, secure and compliant organization.

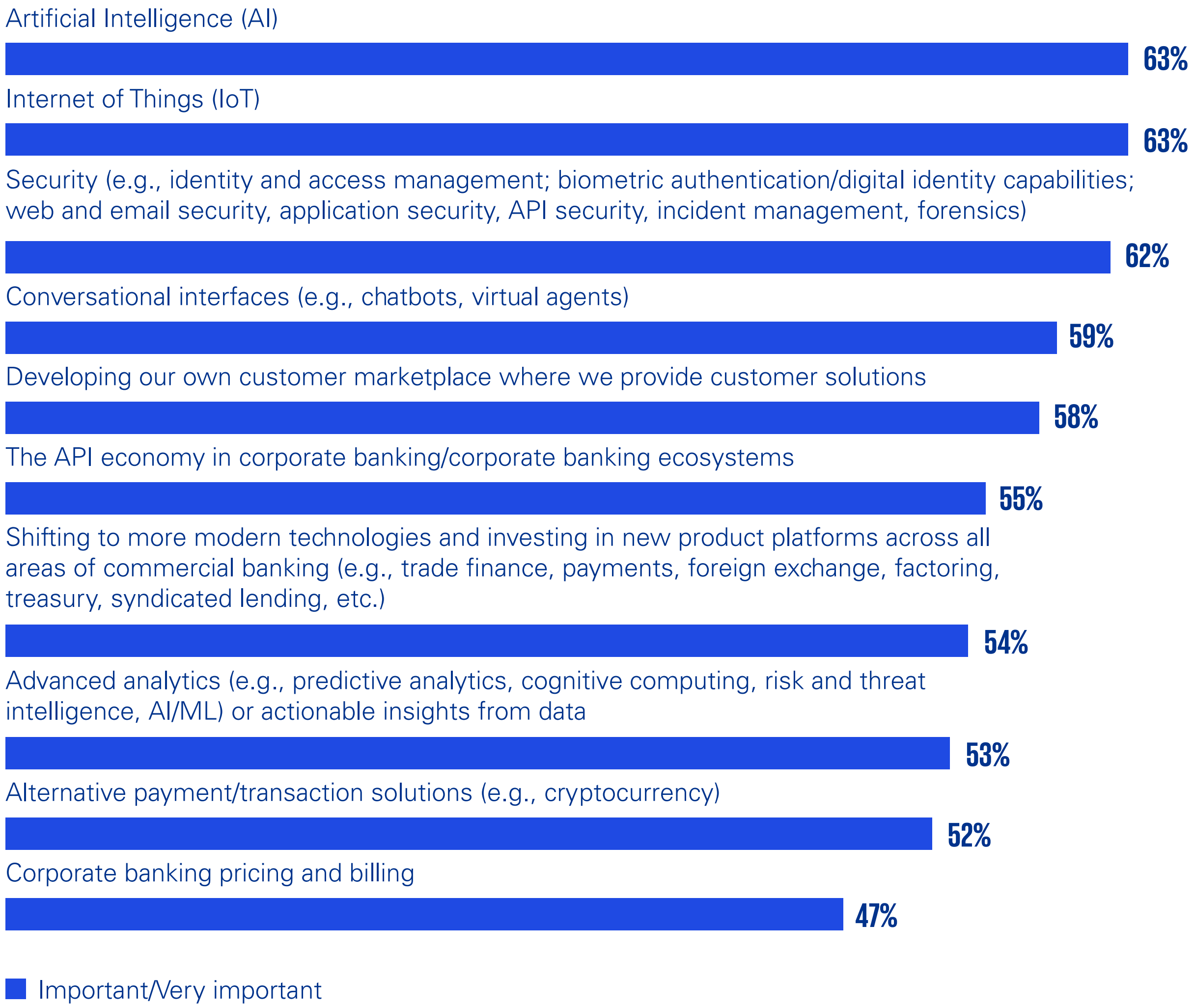
The ethical application of AI

As lending decisions become more automated, it is important to avoid bias, which can become embedded during the development of credit models (relating to attributes such as age, gender, race, medical conditions and wealth).

Algorithms may need to be rewritten to help fight against discrimination and reward good behaviors.

[10,11] A commissioned study conducted by Forrester Consulting on behalf of KPMG, September 2021

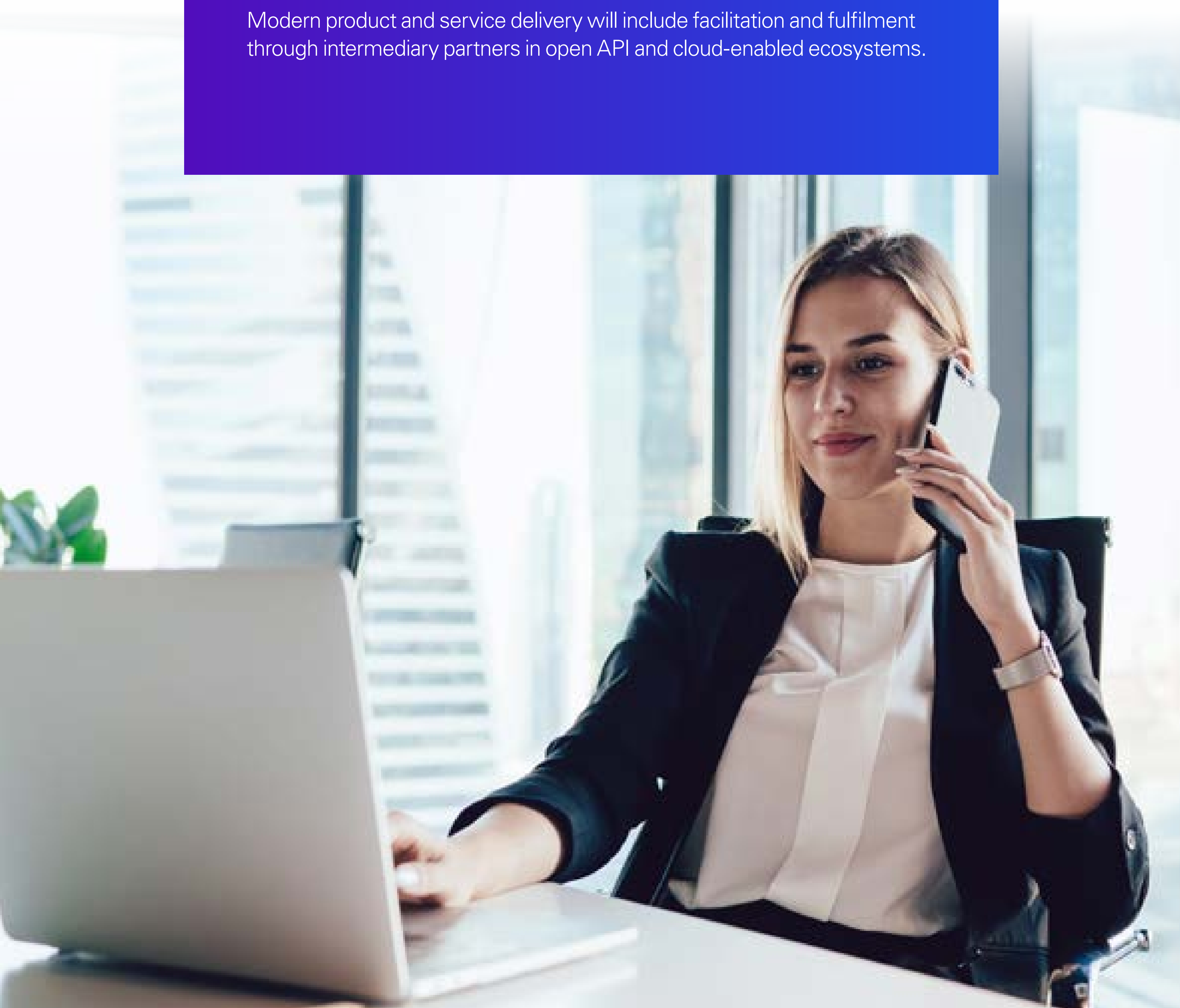
How important will it be for your organization to leverage each of the following in order to differentiate itself from competitors in the commercial banking market?



Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, July 2021

The modern commercial banking ecosystem

Modern product and service delivery will include facilitation and fulfilment through intermediary partners in open API and cloud-enabled ecosystems.



From closed and on-premise to open and cloud-based, leading commercial banks recognize the huge potential of the cloud, AI and APIs. The majority of survey respondents agree that an API-driven ecosystem is important to stand apart from competitors and that their biggest investment priorities are innovative products and services and experience-centricity by design. In parallel, we see a majority of investments and acquisitions involve platform-enabled service delivery across all areas of commercial banking. Additionally, more than 54 percent of executives surveyed believe they must invest in partner strategies and design to achieve an integrated and alliance-driven ecosystem.[12]

Leading commercial banks have implemented platform-based ecosystems that go beyond traditional banking, targeting a broad range of evolving customer needs. Commercial banking is heading towards platform-based service models and competitive ecosystems enabled by data and cloud technology and accessed through APIs.[13] This trend will support next-generation banking built around multiple, personalized client segments.

'Platformization' can improve the accessibility and speed of innovation for products and services, and can significantly reduce the time to achieve mass adoption. It can also improve banks' data collection and analysis capabilities, giving them a key edge over non-financial competitors. Failure to embrace modular and platform approaches will likely lead to shrinking market share.

We expect to see virtuous cycles of growth where excellent customer experiences generate new data insights, which can lead to attractive new products and more clients.

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, digital banking and digital currencies.

> "Financial services will become a set of capabilities rather than an industry. These will be capabilities that can be provided to many and shared by all.
>
> The future will be about proliferating these across all our industries — both verticals and the public sector — so that capital (balance sheet, risk, private market and patient capital) and liquidity are available at the point of need. Essentially, the traditional financial services industry will need to become perimeterless.
>
> We are seeing this happen as our large legacy institutions begin to externalize their products, functions and intellectual property.[14]"
>
> **Antony Ruddenklau**
> Head of Financial Services Advisory
> KPMG in Singapore & Global Head of Innovation Financial Services, KPMG International

[12, 13] A commissioned study conducted by Forrester Consulting on behalf of KPMG, September 2021

[14] KPMG 30 voices on 2030 — The new reality for Financial Services, June 2020

Future business models defined

By understanding the new commercial banking ecosystems, organizations can explore likely future business models. We see banks becoming platforms, providing an evolving mix of business products and services, and integrating vertically and horizontally across the value chain. These models are agile, scalable and will be open to other service providers and their clients. They provide a highly relevant, digital-first, customer-centric proposition through cloud platforms.

We see three commercial banking business models — either standalone or as combinations — set to dominate in the next 5 years: the reimagined digital commercial bank; Banking-as-a-Service models; and platform providers. Clients and their data are expected to be central to the strategies of all three.

As commercial banks contemplate this changing environment, they should decide which clients to own, which to have a 'white-label' relationship with, if and how certain services are outsourced, and whether to be a 'super app' or a 'service in a wallet'.

1 Reimagined digital commercial bank

These banks will transform into fully connected digital banks, leveraging capital and data while commercializing traditional cost centers through the re-bundling of services.

They will offer a full range of hybrid value propositions and banking services to generate new income streams.

They will focus on intricate and substantial private equity financing, leveraging human relationships and complex case expertise (including advisory functions for clients that require the banks' specialist knowledge).

In addition, they will leverage data-driven insights, including those at industry and individual client level. They convert sector insights into thought leadership publications and can commercialize those insights.

2 Banking-as-a-Service

Banking-as-a-Service (BaaS) providers will develop and license services and products, and manage user interfaces to provide commercial banking services to end users, through intermediary partners.

They will 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.

In addition, banks could start packaging new financial products, and offer smart contracts digital currencies and software IP licensing.

3 Platform provider

The platform provider develops infrastructure to enable the commercial banking ecosystem by providing, maintaining or policing a banking platform or ecosystem with either open or closed access, for its own and others' purposes.

The platform is a gateway to any number of services and clients and the technological infrastructure is a key source of income.

Applications include the development of digital product marketplaces, 'mega apps', cloud services and API governance, and the management of third-party data connections.

As a result, you could see capital market disintermediation and new data and information trusts.

Imperatives when transforming your business

As they transition towards a connected enterprise, commercial banks should consider the following five imperatives:

1

Innovate relationship models: Historically, success has relied on relationship managers (RMs) to acquire, nurture and retain client relationships while selling a broad range of the bank's products and services. Relationship management models will be complemented and, where appropriate, superseded by digital. Transactional and routine tasks will be executed digitally, enhanced by robotic advice and chat bots. This will free up RM capacity to become a banking solution architect, financial risk advisor and driver of trust for clients, using data insights to inform meaningful, personalized, relevant and timely interactions.

2

Transition to new ecosystems: New ecosystems will be accessed via open platforms, facilitating new partnerships encompassing a range of services across across banking and beyond. 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 (e.g., customer segment or industry) with minimal modification.

3

Assess current technology systems and platforms: Commercial banks should evaluate whether their current technology platforms and architecture are fit-for-purpose, and decide if they should adapt, hollow out, create a digital skin or twin, or replace and replatform current systems to better align to future.

4

Transform operating model and cost structures: For commercial banks to thrive, they should aim to reduce costs-to-income from industry averages of 45–75 percent (depending on region) to approach 30 percent (achieved by some Southeast Asian digital banks). Also, by measuring capital effectiveness and then optimizing capital allocation, it should be possible to deliver better returns on capital.

5

Deliver operationally excellent services, supported by AI: Through automated and AI-enabled digital operational processes, banks can improve the speed and quality of decision-making and enhance customer experience. However, banking leaders and teams will need to act as a 'moral compass' to embed ethics, regulation and security into technological innovation.

A successful connected enterprise

Approaching change means adapting to a connected operating model.

The eight capabilities of KPMG Connected Enterprise

KPMG Connected Enterprise is a customer-centric and enterprise-wide approach to digital transformation. It connects the front, middle and back offices, considering processes, functions and relationships of the organizations on meeting customer expectations, creating business value and driving sustainable growth.

Based on successful digital transformations, research and survey results, we observe organizations with high maturity in these eight capabilities outpacing their less mature peers. Firms that make a moderate or significant investment in all eight capabilities are **2x** (on average across sectors) as likely to deliver customer experiences that exceed expectations, successfully execute on one or more customer-centric objectives, and achieve ROI on one or more metrics.

Insight-driven strategies and actions	Innovative products and services	Experience-centricity by design
Seamless interactions and commerce	**2x** Impact*	Responsive operations and supply chain
Aligned and empowered workforce	Digitally-enabled technology architecture	Integrated partner and alliance ecosystem

*Base: 1,299 professionals involved with customer strategy decisions.

Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, every year since 2018. The research is conducted on a sector-specific basis. Each capability is enabled by five level two capabilities. Maturity statements on each one are gathered and provide the quantified evidence base.

High maturity organizations continue to outpace their less mature peers

Compared with their less mature peers, high maturity commercial banks that are investing in the eight capabilities are between 1.2 and 2.3 times more likely than their peers to successfully:

- **2.3x** Develop compelling customer value propositions on price, products, and services to engage the most attractive customers and to drive profitable growth.
- **2.1x** Harness data, advanced analytics, and actionable insights with a real-time understanding of the customer and the business to shape integrated business decisions.
- **1.8x** Operate the business with efficiency and agility to fulfill the customer promise in a consistent and profitable way.
- **1.7x** Design seamless and intentional experiences for customers, employees, and partners to support the customer value propositions and deliver business objectives.
- **1.5x** Engage, integrate, and manage third parties to increase speed-to-market, reduce costs, mitigate risk, and close capability gaps to deliver the customer promise.
- **1.5x** Interact and transact with customers and prospects across marketing, sales, and service to achieve measurable results.
- **1.5x** Build a customer-centric organization and culture that inspires people to deliver on the customer promise and to drive up business performance.
- **1.2x** Create intelligent and agile services, technologies, and platforms to enable the customer agenda with solutions that are secure, scalable, and cost-effective.

Source: A commissioned study conducted by Forrester Consulting on behalf of KPMG, September 2021

Connected capabilities can enable a winning operating model

The future commercial bank business models dictate the relative value and priority of each of the connected capabilities. The eight capabilities are enterprise-wide and can align the operating model to deliver value to the business and its clients.

Eight capabilities that can help clients get there	1 Reimagined, digital commercial bank	2 Banking-as-a-Service	3 Platform provider
Insight-driven strategies and actions	Leverage rich proprietary data from the full-service offering and broad customer base, to generate a competitive advantage through an in-depth understanding of your clients. Actively manage a portfolio of strategically selected, profitable clients. Integrate with third parties for key data exchanges.	Create datasets and leverage platform provider and third-party datasets, to enhance relevancy of value propositions. Access and contribute data upstream and downstream with service partners in the end-to-end value chain.	Enable, gather, aggregate and manage secure, trusted data (flows) between parties that contribute to developing the platform, use the platform to deliver their value proposition or are consumers of goods and services provided by the platform. Additionally, 'source of truth' data offerings can be sold.
Innovative products and services	Active management and rationalization of existing product and client portfolios will be key, focusing on profitable products that are aligned to emerging trends and customer needs. Develop and adopt market-leading products.	Compete by anticipating emerging customer needs and solving specific customer pain points. The digital solutions can move beyond historic norms and are easily connected to platform providers to contribute to broader ecosystems.	Develop and implement innovations to platform infrastructure, governance and integrations, to help clients win as a platform provider. This will be accompanied by expanding service offerings beyond traditional banking up and down the value chain.
Experience-centricity by design	Transform existing products and services by applying 'digital by default', straight-through processing and 'right first time' guiding principles. This should enable full-service banks to deliver products and services to their large customer bases that resemble the experiences newer market entrants are offering.	Deliver an unparalleled consistent, simple and intentional experience in niche product and service offerings. The customer experience should be designed and optimized in conjunction with the upstream and downstream environment, and other parties responsible for delivering the end-to-end service.	Seamless, resilient and adaptable delivery of value propositions across end-to-end value chains can help expand the definition of 'customer' to any participant in a platform-based ecosystem, who either uses the platform to deliver their value proposition or is a consumer of goods and services provided by the platform. This includes participants with value propositions anchored around data exchange, analytics or insights generation.

Eight capabilities that can help clients get there	1 Reimagined, digital commercial bank	2 Banking-as-a-Service	3 Platform provider
Seamless interactions and commerce	Digitization and automation of non-value-add activities will mean that every customer interaction is simple, engaging, transparent and adding value.	Seamless interactions are defined by how well products are integrated with upstream and downstream players in the value chain to provide an experience that is fluid, even where there are hidden hand-offs to other service providers.	Platform providers can help ensure seamless integration with the various participants in an ecosystem. Strong proactive controls and intuitive user interfaces will be required to help ensure minimal failure associated with inbound and in-process errors, which will be supported by proactive, self-service updates and monitoring capabilities.
Responsive operations and supply chain	Leverage partners and third parties to drive efficiency through digitization and automation. Integrate with and leverage external data sources to expedite decisioning and onboarding processes simplifying the end-to-end journey.	BaaS operations will be highly automated and integrated with upstream and downstream parties to run a zero-human back office.	Platforms should be digital by default, with high levels of customer self-service and minimal human interaction. Operational effort should be invisible, irrespective of how many participants are involved in the delivery of an end-to-end service.
Aligned and empowered workforce	There should be greater in-house competency for driving large-scale technology change, with agile ways of working, including refreshed governance structures and decision-making rights being commonplace. Administrative tasks will reduce and relationship management coverage models will be tailored to value-adding activities and service excellence.	The BaaS workforce will have a strong focus on understanding customer needs, continually ideating new and modifying existing products and services. These banks will have high competency in customer experience and service design, technology and business operations.	The platform provider workforce should be highly adaptable to changing customer needs and be competent in anticipating these needs. A significant portion of this workforce will likely be dedicated to changing the business and technology landscape, with strong proficiency in agile delivery.
Digitally-enabled technology architecture	Digitization and automation of client-facing interfaces and interactions should be supported by the right data flows, particularly those where third parties are involved. Investment in data security and cloud-based infrastructure will be key to success.	BaaS operators will leverage API-centric value propositions to ensure scalability and an ability to easily integrate with upstream and downstream parties in a value chain, while ensuring data security and privacy.	Leverage cloud-based technology to drive agility and open innovation, underpinned by a highly adaptable, modular and easily integrated technology architecture.
Integrated partner and alliance ecosystem	Providing the rails for broader banking services requires partnering with third parties to deliver niche goods and services where capability is lacking internally. Integration and partnering with external data sources will also be essential to end-to-end service delivery, i.e., leveraging external data sources and ecosystem partnerships to tap into new clients.	Scale up by identifying suitable partners to deliver synergistic value propositions, and selling products and services into numerous platform providers and ecosystems.	Effective orchestration of ecosystems, and continuous seeking out and partnering with best-of-breed service providers, is necessary to enhance the delivery of goods and services on the platform.

Evaluating your capability maturity

The Connected Enterprise methodology involves market-leading research, maturity analysis, gap analysis (including business and technology blueprints), technology vendor shortlisting and effective implementation for all eight connected capabilities.

Each of the eight enabling capabilities are underpinned by a set of five sub-capabilities. The first step in defining a winning model is understanding your relative maturity in each sub-capability against the required maturity to deliver your winning business model. KPMG firms offer three levels of maturity diagnostic depending on the needs of your business.

Products and services

Strategic

Insight-driven strategies and actions

Customer Segmentation and Insights	Commercial and Credit Insights	Operational Insights and Business Intelligence	Data Governance & Architecture (DGA)	KYC & Customer Profile Management (CPM)

Innovative products and services

Market, Industry and Sector Research	Dynamic Price & Risk Evaluation	Proposition Innovation & Management	Product/Service Platforms	Product/Service Design

Experience centricity by design

Brand Value and Experience Strategy	Intentional Experience & Journey Design	Voice of the Customer/ Stakeholder	Experience Measurement & Governance	Journey Orchestration

Operational

Seamless interactions and commerce

Interaction Orchestration	Digitally-Enabled Marketing	Digitally-Enabled Sales & Service	E-commerce & Payments	Security, Privacy & Fraud Prevention

Responsive operations and supply chain

Digitally-Enabled Supply Chain	Credit Management	Intelligent Workflow & Automation	Operations Management and Continuous Improvement	Resilient Operations

Aligned and empowered workforce

Workforce Shaping	Colleague Experience & Workplace	Agile Organizational Culture, Talent and Leadership	Digitally-Enabled Learning	Digitally-Enabled HR

Enabling

Digitally-enabled technology architecture

Technology Architecture	Integration	Cloud Engineering & Delivery	Enterprise Service Management	Security, Compliance and Cyber

Integrated partner and alliance ecosystem

Partner Strategy & Ecosystem Design	Partner Onboarding and Integration	Service Delivery and Governance	Integrated Business Services	Ecosystem Orchestration & Management

Case studies

1 Enterprise-wide digital and operational transformation

Global

Our client wanted to future-proof their business credit offering, using data and technology to drive automated decisioning, processes and engagement. They also wanted to meet the evolving expectations of business customers in an increasingly competitive market. They chose KPMG as a partner for an enterprise-wide digital transformation strategy and execution.

Following the Connected Enterprise framework, KPMG in Ireland, the UK, Australia, the US, Canada, Singapore and Hong Kong (SAR), China worked together to help design a disruptive customer proposition based on best-practices. This proposition formed the cornerstone of their strategy, using Connected Capabilities to develop industry-leading customer journeys, an automated credit decisioning model and a target operating model — covering data, tech, people and processes.

The results were a connected digital strategy and operational implementation based on a consistent north star vision, targeting a balanced portfolio of enterprise outcomes across customer experience, revenue, cost and regulation.

2 Development of an innovative market-leading SME solution

Europe

A European business bank wanted to create a smoother onboarding journey and a solution to help SMEs save time, with personalized insights to make more informed business decisions. They also wanted KPMG to help them create and shape a vision for their digital business bank of the future to stay competitive in a rapidly changing environment.

Using the Connected Enterprise approach, KPMG in the UK redesigned and managed the transformation of the entire SME experience (including an SME-centric proposition with seamless onboarding). Furthermore, KPMG partnered with a fintech and other external product providers to develop a highly disruptive and market-changing customer configurable solution.

The results were a seamless onboarding process (with a reduced onboarding time from 10 days to 24 hours) and an innovative dashboard that brings all SMEs' data sources together, providing a one-stop view (including Accounting, Socials, Product and Human Resources). In addition, KPMG developed a partner strategy for increasing new revenue and helped commercialize this income opportunity.

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