Open Banking... so what?

PwC view on the future of banking
The new Open Banking model

The financial services industry is living a time of profound transformation and its players face every day the numerous changes overwhelming the market.

New customers’ needs and habits, new players in the financial services market, new technologies (e.g. APIs, analytics) and rules (e.g. PSD2, GDPR) are pushing incumbents to revise their own models to maintain their positioning and keep up their margins.

According to the PwC view, in order to succeed in this context, the most effective Open Banking model is the collaboration among several players – banking and non-banking – that, using open technological platforms, sharing knowledge, work environments, data and customer bases, creates services and products.

The Open Banking model can be already experienced nowadays: Banks willing to grab new opportunities need to consider five “ingredients”.

- Anticipating final customer needs:
  understanding customer behaviour in advance thanks to the information at Bank’s disposal, but also integrating information from other sources.

- New business models:
  evaluating which revenue and business models to adopt, moving the perspective toward the final customer and leveraging from the web experiences (e.g. API monetization).

- Corporate culture: mindsets and behaviours
  the foundation to realize an Open Banking model is a renewed firm culture, implying deep changes in traditional financial institutions’ DNA to move out of the traditional patterns.

- Creating service ecosystems:
  development of new open business and service models, leveraging the collaboration with other players, even outside the banking ecosystem.

- Customer & service life cycle:
  customer engagement and constant feedback measurement to ensure clients an experience of services, solutions, responses along the entire journey.
The inside-out approach for the use cases definition

An Open Banking approach can allow players to achieve the following **goals**:

- **Offering enrichment**
- **Customer base enlargement**
- **Improvement of internal processes and systems efficiency**
- **UX digitization and improvement of existing products / services**

To achieve the aforementioned goals, PwC proposes a **methodological approach for developing Open Banking use cases**. The key aspect of this approach is that Banks need to start analyzing all the data at their disposal regarding their own customers in order to identify and understand emerging needs. Comprehension of customer’s explicit and hidden needs can allow Banks to identify the path to design use cases that is best fitting with their own customer base.

<table>
<thead>
<tr>
<th>Customer</th>
<th>Paths enabling Open Banking and examples of services</th>
<th>Enablers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>Data Insights</td>
<td>Technology (e.g. analytics, API)</td>
</tr>
<tr>
<td></td>
<td>Personal Finance</td>
<td>Regulation (e.g., PSD2, GDPR)</td>
</tr>
<tr>
<td></td>
<td>Aggregation services</td>
<td>Data (internal – e.g., volumes, transactions, external – e.g., social media data, other competitors)</td>
</tr>
<tr>
<td></td>
<td>Process and system improvement</td>
<td>Partnership Model (e.g., collaboration with FinTechs or non-banking players)</td>
</tr>
<tr>
<td></td>
<td>Platform and product-as-a-Service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Identity verification and KYC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>CRM evolution</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Platform-as-a-service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Banking-as-a-service</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Enhanced product offering Core banking products</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Micro savings and deposits</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Payment initiation services</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Enhanced product offering Non banking products</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Property management</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Utilities management</td>
<td></td>
</tr>
<tr>
<td>Business</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third Parties</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Banks need to **face the competition** with the offer of the new entrants and to stay alive **without missing the chance** coming from market evolution. This model is not to be considered as exhaustive and leaves room for the creation of a **full range proposition**.

Since in the Open Banking scenario the customer is not only Bank’s Retail client but includes Business clients and Third Parties as well, **use case development ranges from offering value-added services to providing technological platforms**, depending on the specific customer segment’s needs.

This framework helps to draw the **right path from the general to the specific use case** responding to target Customer’s need, **leveraging appropriate enablers**.
How to realize use cases: the right trade off between collaboration and innovation

Defined the use cases a player would like to offer and which customers addressing, it is necessary to understand how to realize the identified solution.

A player should combine its innovation effort with the collaboration opportunities offered by the ecosystem in the best-fitting mix for its case.

Open Banking roles

Tendency to collaboration

- Number of players with an active collaboration
- Number of services exchanged with external players

Innovation willingness

- Technologies
- Human capital (in terms of professional profiles and mindset of employees hired)
- Companies / assets in terms of acquisition of players

High-Impact innovator

- Investments in internal innovation to offer E2E services
- Digital services developed in-house / via third party providers (TPP) acquisition
- Acquisition of competencies even from other industries
- Private APIs to selected partners to enhance offering

Focused Innovator

- APIs mainly provided for regulatory reasons
- Private APIs to selected partners to enhance offering
- Offering potentially focused on specific propositions

Innovation Hub

- Integration of innovative third parties’ digital services to the proprietary offering
- Creation of a separate unit / competence center to develop innovation
- High number of APIs used to integrate third parties’ services and applications
- Marketplace creation

Digital Ecosystem

- Model oriented to services built in partnership with other players
- High number of APIs used to integrate third parties’ services and applications
- High flexibility in the offering given by using “plug n’ play” services
Our approach and dedicated competencies

PwC can support customers with a **comprehensive** and multidisciplinary **approach** involving professionals from **strategic**, **operational** and technological business areas.

Our differentiating E2E competencies help customers in identifying **tailor-made use cases through innovative methodologies**, defining competitive strategies and **operating models**, designing **technological platforms** and supporting the necessary **cultural shift**.

### Strategy & Innovation
- Use case & customer journey definition
- Competitive, addressable market and positioning analysis
- Business model and go to market strategy

### Process Transformation
- Players’ role within the ecosystem definition
- Operating and service model definition
- Organisation & innovation models portrayal

### Technology & Analytics
- API strategy definition
- Technological needs definition
- Platforms identification & development / integration
The future of banking is OPEN…
…are you ready?
<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Contact Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marco Folcia</td>
<td>Partner</td>
<td>Operations – FS</td>
</tr>
<tr>
<td>Massimo Pellegrino</td>
<td>Partner</td>
<td>Digital Strategy &amp; Innovation</td>
</tr>
<tr>
<td>Massimo Iengo</td>
<td>Associate Partner</td>
<td>Technology - Data Analytics</td>
</tr>
<tr>
<td>Massimo Ferriani</td>
<td>Partner</td>
<td>Customer</td>
</tr>
<tr>
<td>Stefano Emanuele Manzonetto</td>
<td>Associate Partner</td>
<td>Strategy &amp; FS</td>
</tr>
</tbody>
</table>