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WHAT BANK DO YOU WANT TO BE?

How data-driven value creation can help UK banks shape their future

EXECUTIVE SUMMARY

The retail banking industry in the UK is beginning to broaden in unprecedented ways, partly due to multitudinous new and evolving technologies generating, among other things, completely different access to data. All this is spurring increasingly serious conversations around how the future of banking will be shaped. The key to long term success will be a move away from the monolithic banking model, towards an evolving ecosystem that encourages competition but also supports success for all. And data represents a major monetisation opportunity in this changing environment.

Rather than banks forcing themselves into models within which they don't truly fit, instead playing to strengths is key. Understanding the natural fit of your bank within the future banking ecosystem will allow the greatest chance for success, and ensure the strongest foundation upon which to build a data monetisation strategy. The potential benefits of a successful approach are ample, but starting from a shaky foundation could bring this tumbling down before the first steps have been taken.

This paper begins by asking 'What kind of bank are you?' and 'What kind of bank do you want to become?' – initiating an inwards look to determine your place within the future retail banking ecosystem. Further papers will focus on the opportunities data can provide and how the future-bank vision can be delivered. Accenture has a full end-to-end offering incorporating in-house platforms and FinTech partners that can help banks deliver against their data strategies, and work with them to decide their place in the retail banking ecosystem.

Whilst data is king, not all data is created equal – the key is deciphering how best to use it to play to your strengths

THE DATA OPPORTUNITY

Data driven value creation is a £20bn a year opportunity in the next round of digital disruption.[1] Retail banks have huge latent potential in the user data they already possess. But unlocking these new revenue streams requires answering a fundamental question – what kind of bank do you want to be? The answer will dictate the direction to be taken and the tools needed to get there.

Data has quickly become king... The UK data market value will hit £1.1 billion ($1.58 billion) in 2018, making it the second largest data market in the world and the biggest in Europe.[2] No longer just a by-product of transactions and interactions, customer data itself has become a valuable commodity that can be leveraged to provide insights into customer tastes and habits. Learning how to interpret and influence those tastes and habits is one of the keys to unlocking the power, and the value, of data. So too is being able to offer products that fit the demographics uncovered, as well as providing the platform to bring all these services together. And underlying all of this is the requirement to have an infrastructure capable of collating, housing and cleaning the data to ensure it is of the required standard to run analytics that can drive deeper insights.

Retail banks are uniquely placed to ride this wave of value creation. Purely in terms of reach, whilst 78% of UK adults use Facebook, a full 97% have some kind of banking product.[3] The data that financial services institutions already hold and collect is also the gold standard when it comes to building a picture of a customer – not just what people are buying, but when, how often and via what channels. This can be leveraged, responsibly, to provide exceptional insights into customers' lives – their wants and needs.

This business information is also increasingly supplemented by a plethora of meta-data collected along the way – location and device information being two of the most important examples. As our identities become an increasingly complex web of digital interactions, both with each other and with now ubiquitous connected devices, the possibilities to collect this meta-data have grown exponentially.

Banks have recently started to leverage the potential of these data feeds, but typically in very limited, security-focussed, ways. For example, conducting real-time risk and fraud decisioning based on travel time, location, or device trust. Whilst invaluable in stemming losses to financial crime, effective orchestration and interpretation of both direct and supplemental data can go beyond protecting existing revenue streams, and actively create new ones. Effective data monetisation offers boundless opportunities to those that do it well – enabling a whole host of relationship redefining customer experiences that build on the fact that it is now possible to infer not just when, where, and how people make purchasing decisions, but why.

The case for driving data monetisation is clear, and regulations such as PSD2 and Open Banking are laying the groundwork for a digital banking ecosystem that is accessible to new players with new business models. Far from a threat, or a costly requirement to meet compliance, this should be viewed as an opportunity to pivot to embrace this ecosystem. The strategic position should be one not of resistance, but a desire to be a leader in this new market.

A market leading position can be achieved in many ways. To unlock these data-driven revenue streams fundamental questions need to be asked. Before banks can look to untangle the identities of their customers, they need to understand their own, and ask exactly what kind of role they want to play in the new data ecosystem? Whilst the temptation is always to chase the new and the disruptive, real value is derived from playing to your strengths. So, conversely, the journey towards finding a place in the new and interconnected financial services world starts with a look inwards and the question ...

...what kind of bank do you want to be?

[1] At 10-20% of market revenue based on research http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN06193 and https://www.mckinsey.com/business-functions/mckinsey-analytics/our-insights/fueling-growth-through-data-monetization

[2] https://www.idc.com/getdoc.jsp?containerId=prUS41826116

[3] https://newsroom.accenture.com/news/consumers-welcome-personalized-offerings-but-businesses-are-struggling-to-deliver-finds-accenture-interactive-personalization-research.htm

WHAT KIND OF BANK DO YOU WANT TO BE?

Customer-centric digital bank Your focus is on directly offering customers products and services you know are tailored to their needs, delivered in a way that appeals to them, thanks to your unique insight into their tastes and habits. Importantly, these products need not be your own, but drawn from the marketplace and offered to users you know will benefit from them.

Your data investment is going to be around digital brand creation and protection, personalisation of customer experience, customer value management and data security (as your data is a key competitive advantage). You certainly don't want to give away customer insights for money, and there are a lot of synergies with the platform provider, as the leading companies in this space demonstrate.

The top customer-centric brands are typically from other sectors (Amazon, Apple, Netflix), but entries into the retail FS market include Monzo, B Bank, and TD Bank as customer-centric offerings.

Platform provider Your focus is on connecting the dots between other providers, delivering a basis of the wider ecosystem that can collate the data flows that pass through it, thanks to your open and easily accessible infrastructure.

Your data investment will be in APIs, and collecting data that you can monetise to attract others to your platform. Personalisation is far less important here than ease of access, although this is certainly one place where the boundaries between categories can be blurred. Selling your platform insights is a key opportunity.

Again, the top brands in this space are Amazon, Netflix, eBay et al., however Mint, Yodlee and Moven all aim to provide a platformed approach to aggregating banking products. Open Banking and similar regulation will pave the way for new third party entries into this space.

Product specialist You create products that have a competitive advantage thanks to your deep knowledge and experience of the market and ability to quickly create new offerings to meet market demand. You are going after part of the value chain. Your products are available via other players in the marketplace, who can use their customer insights to match suitable candidates.

Your data investment will be on APIs (being able to integrate into other people's processes), market research to spot value and product processing efficiency. This space is ideally suited to today's established well-known banking brands.

Utility provider You have an established infrastructure that has the capacity and ability to host multiple niche players across the rest of the ecosystem. You can offer hosting services that are white labelled for core banking infrastructure – be that payments, processing, clearing and so on.

Your data investment will be on process efficiency, automation, cost reduction, and on service levels. Personalisation and product marketing is not relevant here, but delivering a streamlined and speedy back end infrastructure is key. Clear Bank, Fidor bank and BNY Mellon are players in this space that currently offer similar services.

Navigating a path through these complex digital identities, and the regulations that protect them, is no easy task. The rewards for those that manage it are not just new sources of revenue, but an opportunity to escape technical debt and relegate legacy systems to something to be managed and phased out, driving innovation internally as well as externally thanks to new technologies and processes.

A NEW RETAIL BANKING ECOSYSTEM

Unlocking the potential of data monetisation, regardless of the route chosen, means realising the value of the wider ecosystem – and appreciating the changes to traditional business models that this will require. It is no longer about being all things to all people, nor about managing partner relationships with chosen products and services that share brand values. An ecosystem is about interoperability, and the capability for services, and customers, to flow seamlessly between offerings. There is still competition, but competition defined by the ability to drive value across a part, or several parts, of an overall system that requires multiple players to function, rather than looking at a monolithic entity.

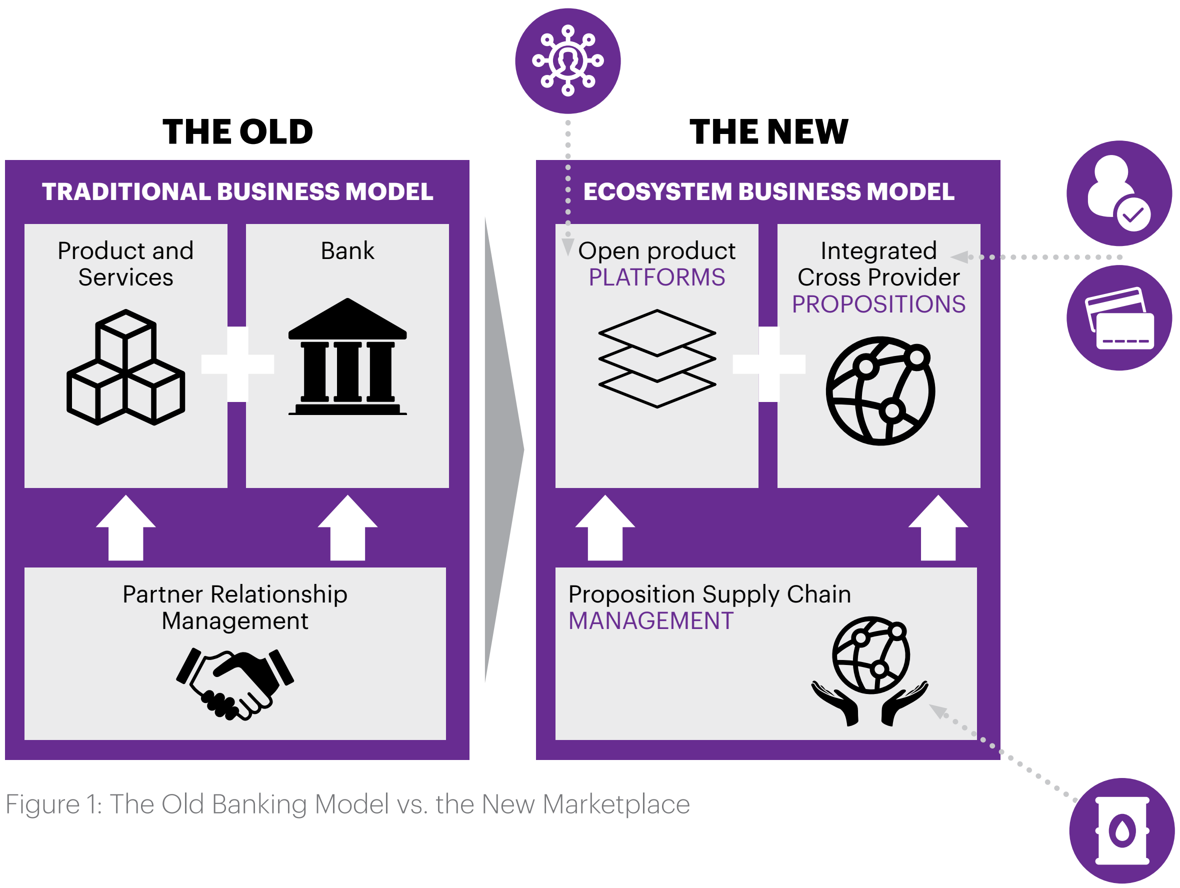

Figure 1: The Old Banking Model vs. the New Marketplace

Open Product Platforms
A product platform with the connectivity and operational capabilities to run the ecosystem

Integrated Cross Provider Propositions
Services offered in the ecosystem

Proposition Supply Chain Management
A set of functions to ensure the smooth running of operations within the ecosystem.

To achieve this, similar ecosystem benefits need to be realised internally, before data value can be driven externally. Answering the question of what kind of bank you want to be does not necessarily mean choosing just the one path, but deciding which strengths to prioritise and play to, and potentially some splitting up of the monolith. This can realise benefits not just for customers, but for banks themselves and their overall valuations. Such valuations can be split by divested capability, based on different industry multipliers, and follow their own priorities and ecosystem integrations.

CUSTOMER TRUST AND REGULATION AS A CATALYST FOR CHANGE

Before choosing a path to realising the returns data monetisation can bring, it is important to consider that regardless of the sort of bank you want to be, there will be customer and regulatory concerns regarding the use of personal data, and these complexities need to be managed. However, far from a hindrance, these concerns can in fact act as enablers to drive innovation.

Most important of all these concerns, irrespective of the role you intend to play, is customer trust. Accenture's UK Financial Services Customer Survey 2018 showed that the number of respondents who rate banks as trustworthy rose to 40% in 2017, up from just 29% in 2015.[4] Coupled with the onset of the GDPR where consumers will have to actively opt in to their data being used, there has never been a better time to move data monetisation to the forefront – with customers more willing to opt into their bank, they are well placed to see GDPR as an opportunity to drive data monetisation without alienating customers by making their choices explicit, and putting consumers in control.

Whilst banks are considered increasingly trustworthy by their customers, it can't be denied that research shows users are still hesitant with providing too much personal information, categorising some uses of their data as 'creepy'[5]. What is important here is that despite this statistic, customers are more willing to provide their information when what they exchange this for is relevant to them and of perceived value – something that is supported by the likes of Google Maps and similar that record significant amounts of user data in exchange for providing what is considered a valuable service for 'free'. This is the crux of how this needs to be achieved in a data-driven banking marketplace; not monetising data for its own sake, but targeting it in a way that delivers a user experience customers believe is worth the exchange.

This customer trust is a core value of any data management strategy, and is fostered by more than just providing something relevant. It is important for customers to also believe their bank is adhering to three principles, of which service is only one factor:

1. TRANSPARENCY - The customer is aware that the data is being collected.

2. CONTROL - The customer has control over editing, deleting, or sharing information on his or her terms.

3. SERVICE - The data is being used on behalf of the customer to enhance or improve his or her experience.

Ultimately, it is the knowledge that a customer can assert control, combined with an understanding that they are being provided a service that is useful to them in exchange for the provision of personal information, that drives trust. 47% of current account holders rate...

...'a high level of trust that my bank will act in my best interests'...

as one of the top three criteria they look for in a bank[6].

[4] https://www.accenture.com/UKFSCustomerSurvey
[5] https://www.accenture.com/UKFSCustomerSurvey
[6] https://www.accenture.com/UKFSCustomerSurvey

Overcoming apprehension around new regulation will be key for retail banks: typically fears around the implementation of PSD2 are centred around the opening up of APIs to competitors as a risk of customer loss (or at least risk of losing a direct relationship with customers). But this doesn't have to be the case. Resistance and feet dragging in the face of PSD2 and Open Banking will only serve to delay the inevitable, by which point it could be too late. Seizing these regulations as an opportunity rather than a threat, with a strategic position of aiming to be a leader in the field allows the entire business to pivot to new ways of generating revenue. ING's re-entry into the UK market in 2017 with its 'Yolt' account aggregator brand, is just one such example.[7] 65% of banks see Open Banking as an opportunity rather than a threat, and 60% see it as a key strategic initiative[8], and it would be unwise to fall into the remaining group.

PSD2 and Open Banking mandate the provision of exactly the interoperability required to create the marketplace that can best drive the monetisation of data. Embracing such a change gives banks an opportunity to stake a claim to exactly what kind of bank they want to be, rather than being left behind by the competition.

Moreover, this is a unique opportunity to drive internal change. Regulatory compliance projects should be seen as a chance to innovate and put the best people to work delivering new services. Why just provide external access to new APIs? With a wider mandate and additional investment over what is already mandated for compliance, banks have the opportunity to provide a new core infrastructure that can be API and microservices led, and much better able to adapt to new markets and customer demands. This can effectively segregate legacy systems in a way that is manageable, rather than having them as a drag on all new re-platforming going forwards.

Perhaps most importantly, using regulation as a catalyst to drive change can open up entirely new markets that, counterintuitively, have less regulation associated with them. Whilst traditional banking products and channels are very heavily regulated, the opportunities explored in our papers exist in a space where regulation is less of a concern. Banks that can successfully embed themselves in new channels and that provide new products and services can operate in a new, less regulated space:

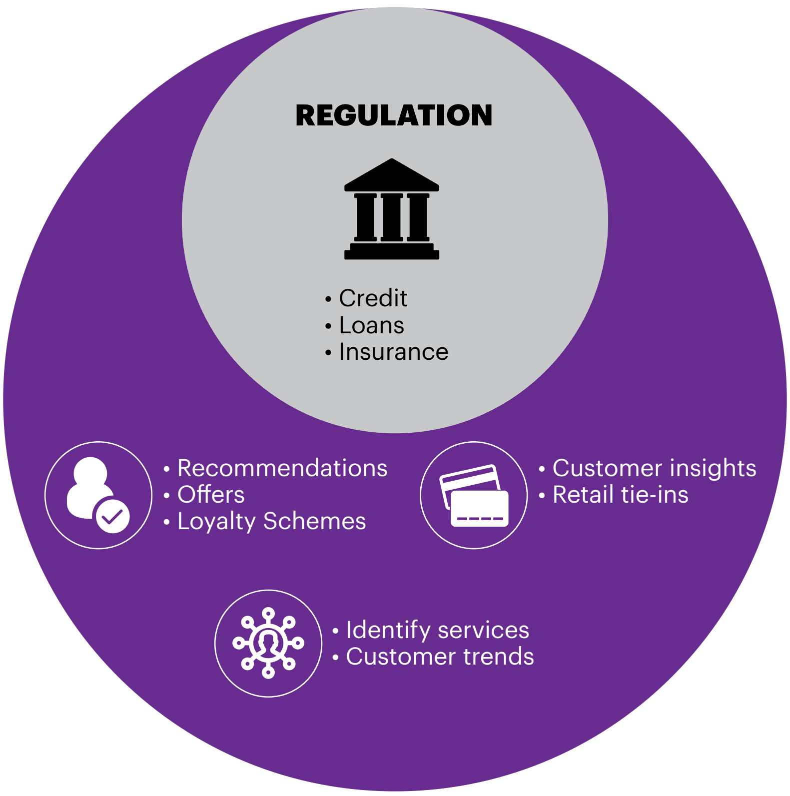

Figure 2: The scope of current regulation vs the new data opportunities

[7] www.yolt.com
[8] https://www.accenture.com/_acnmedia/PDF-77/Accenture-Brave-New-World-Open-Banking.pdf

‘65% of banks see Open Banking as an opportunity rather than a threat, and 60% see it as a key strategic initiative’

PERSONALISATION AND CONSUMERS-AS-CREATORS

“Consumers are looking for experiences that are experimental or uniquely memorable and immersive. Sensory science is on the rise and people now expect their drinks to come with a side order of surprise, immersion and sensory delight.”[9]

There is growing evidence that consumers are increasingly less concerned with buying things and more concerned with doing things.[10] Having experiences that deliver delight, preferably packaged into social media friendly personalised snapshots, is what drives the Digital Native. Add to this the fact that research shows that brand loyalty has diversified – whilst 77% of people return to their favourite brands, more than half of this number do so because they offer the optimal experience, meaning better experiences elsewhere will cause them to switch.[11]

The key to delivering customer experiences is through personalisation – demonstrating that the brand understands why their customers do what they do, and that they share their values. Being offered generic discount codes is unlikely to inspire delight. However, being targeted with a time-relevant special offer for their favourite drink, maybe even including a VIP service at their favourite bar, is far more likely to achieve this. Moreover, this is an experience that is much more likely to be shared on social media – redefining the relationship with users away from one of them as just consumers, but into one where they actively create and amplify the ‘brand experience’, building the hype far beyond the original personalised recommendation.

These experiences need not be seismic in nature. One UK based challenger bank manages to inspire delight simply through adding touches that make their users feel cared-for: notifications when they land in a new country about how they can access their money, or summaries of their overseas spending when they return home. Even the speed with which they deliver payment notifications to the mobile app is pleasing, often arriving before the till has confirmed the purchase.

Personalisation can only be effectively delivered through orchestrating and understanding the customer data that is collected, and establishing an effective means of gaining personal insights on an individual basis.

ACCENTURE’S 4-Rs PERSONALISATION MODEL

RECOGNISE Identify both known and unknown customers and prospects through data from CRM, DMP, device, social, and other sources.

REMEMBER Knowing your customer’s history means not just knowing what they buy, view and consume, but also why they made those decisions.

RELEVANCE Delivering personalisation within the context of the digital experience, based on who they are, where they are located and/or what time of the year it is.

RECOMMEND Reach customers with the right marketing, offer, content, or product recommendations for the them based on their actions, preferences and interests.

[9] Read more at https://www.campaignlive.co.uk/article/experience-economy-key-trends-2017/1431150#K0DWOPJsFe3QOA8H.99
[10] https://www.theguardian.com/business/2017/may/13/just-do-it-the-experience-economy-and-how-we-turned-our-backs-on-stuff
[11] https://www.forbes.com/sites/jaysondemers/2017/06/09/is-the-concept-of-brand-loyalty-dying/#da974c85b522

REAL-TIME INTERVENTION: INFLUENCE BEFORE THE DECISION POINT

Personalisation is at its most effective when delivered before the purchase decision point has been made – after all a special offer for a drink just after a purchase at the bar is of limited value. The challenge is delivering relevant insights to the consumer before the next purchase data-point has been added. To effectively achieve this, high-throughput real-time decisioning must be enabled on the back-end that can spot historical patterns over time and act in accordance with dynamic events (such as the weather) to offer context-specific experiences to consumers. This is the ideal end state – not just identifying which consumers can be influenced, but driving the experience economy and directly impacting customer behaviour before it happens.

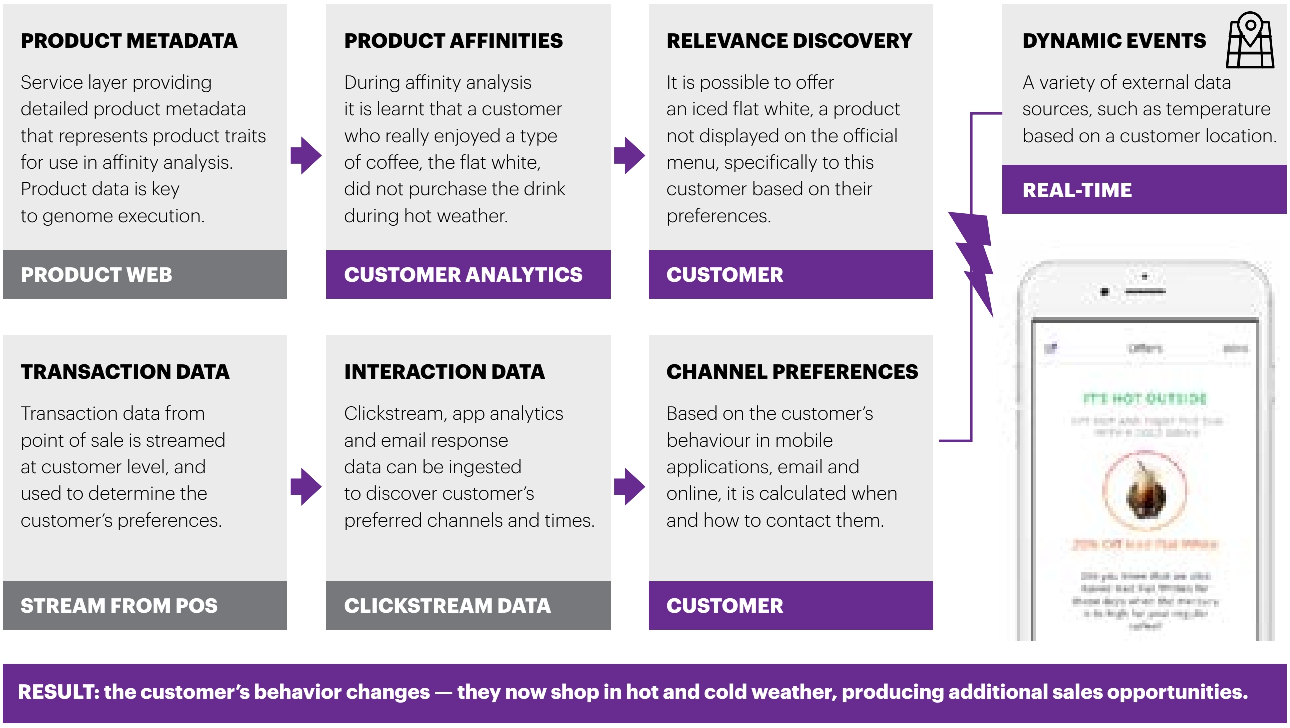

Figure 3: An example personalisation flow using contextual data

THE PLATFORM PROVIDER
BECOMING THE MARKETPLACE ITSELF

Regulation and data monetisation will drive a new digital banking ecosystem. Somebody needs to provide the marketplace for all these different interactions to take place. The easier they are to join, and the more buyers and sellers that are put together, the greater the transaction insights that can be leveraged. The bigger the marketplace, the better the quality of data, and the bigger the opportunity for banks that take this route.

Why does eBay, the world's largest online marketplace work? And why is it still so dominant? The reason is that eBay, and other marketplaces, bring buyers to sellers and sellers to buyers.

But there is something curious about marketplaces: as more customers show up, the quality of the experience for other customers improves. New sellers bring more stock which in turn attracts more buyers. Those new buyers have more to spend, making life more interesting for sellers. This is the opportunity present in financial services for the emerging platform providers.

And it isn't just true for eBay. Alibaba, the world's largest business-to-business marketplace, benefits from the same dynamic and Tinder, an online matchmaker, benefits from a richer network of customers, increasing the number of potential matches for all. Contrast that to a traditional business. Typically, service quality doesn't improve with every additional customer. Which of us prefers an oversold flight over an empty one? Who delights at showing up to the local café with a line that runs out the door? Mobile networks saturate as phone companies win more customers, often worsening service for existing subscribers.

In digital marketplaces, the increasing returns to scale we see from additional customers, is known as a 'network effect' and it is that network effect that has become the hallmark of the most successful internet businesses. It was what gives these firms their economic moat.

But if those simple network effects drove the first internet wave, we're now witnessing firms that are building defensibility through another phenomenon, the data network effect. These firms are ones where artificial intelligence systems drive a core part of the customer experience, be it web search on Google, news from your friends on Facebook or movie recommendations on Netflix.

Data network effects may be the hallmark of success for the next wave. A data network effect is a specific type of network effect, which combines the returns to scale of a network effect with the power of constantly improving artificial intelligence. Data is, simply put, the fuel that powers AI engines. It's a reasonable rule-of-thumb to say that the more data the better. And so today, we have the aphorism: data is the new oil. But like oil, the quality of the raw material is important – a number of banks are concerned about the quality of the data they have at their disposal, so ensuring it is accurately distilled is key.

Firms have also understood the importance of good quality data. We've seen the investments in data lakes which attempt to give leaders access to all relevant operational data.

Firms with more mature approaches to data are starting to think of the 'data supply chain'. That is, they understand that the flow of data is crucial for day-to-day operations and strategic direction. As such, they seek out sources of data which can meaningfully change a firm's understanding of its opportunity. This may include ensuring internal operational data is available, but it increasingly extends to novel, external data such as social media feeds.

The bank that chooses the platform approach has the opportunity to see each transaction that occurs on their platform, driving the data network effect further and increasing their position as the marketplace for other players to come to. The marketplace is the glue the holds the marketplace together, and as the data network effect increases, so by extension more providers will be attracted to it, and the position strengthens further. Data monetisation is achieved indirectly – the other types of banks can handle the personalisation or the product placement, but none of these will be as effective without the power of the insights, and the ability to deliver those, that the platform provides.

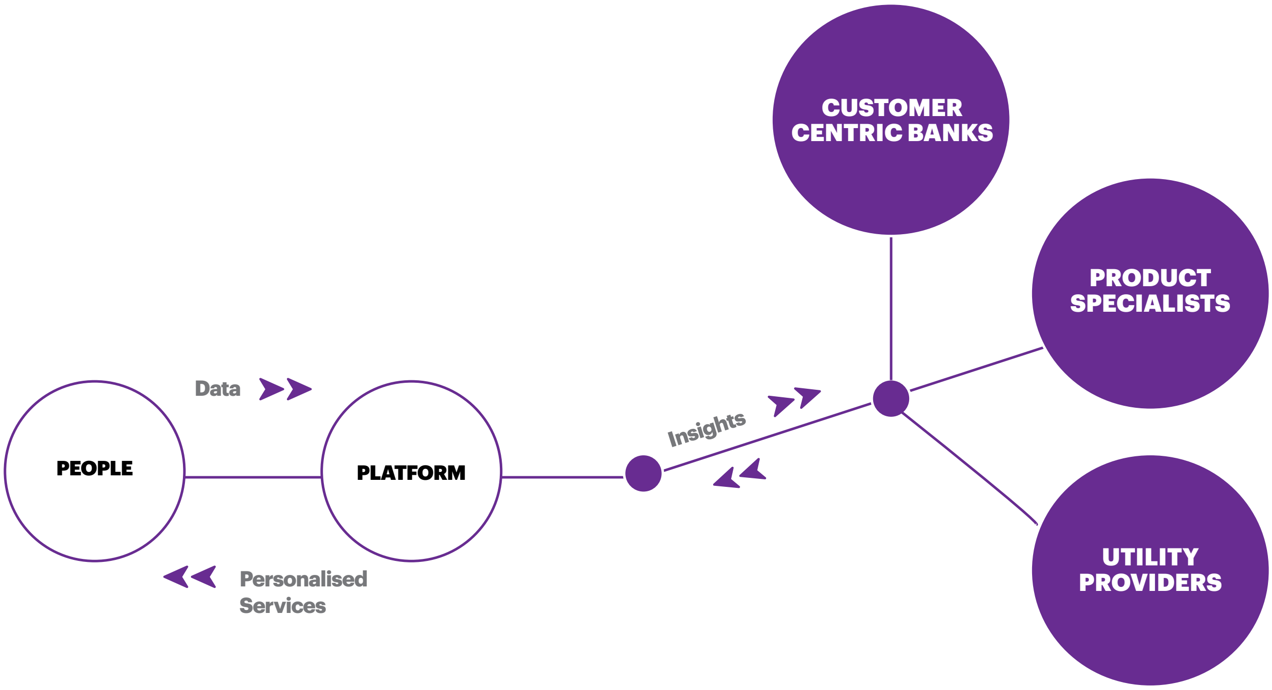

Figure 4: The flow of information through the marketplace

THE AI LOCK-IN LOOP

In a data network effect, a curious phenomenon called the 'AI Lock-in loop' arises. Here, the AI system at the heart of an intelligence product learns from new data generated by new customers. The result of this learning is an improved product. This product, in turn, should result in higher customer satisfaction and referrals driving customers. The AI system will learn still more from these users and the loop continues. Well-designed products should, in turn, be generating more revenues allowing for further marketing or product investment.

Thus, any new entrant looking at a market in which someone has already spun up an AI lock-in loop will face a problem. The incumbent's product will be better – and the source of their advantage will be data, gathered from customer usage, which the new entrant can't acquire until it has customers using it. It is a classic economic moat, and equally reminiscent of a perpetual motion machine for the intangible economy.

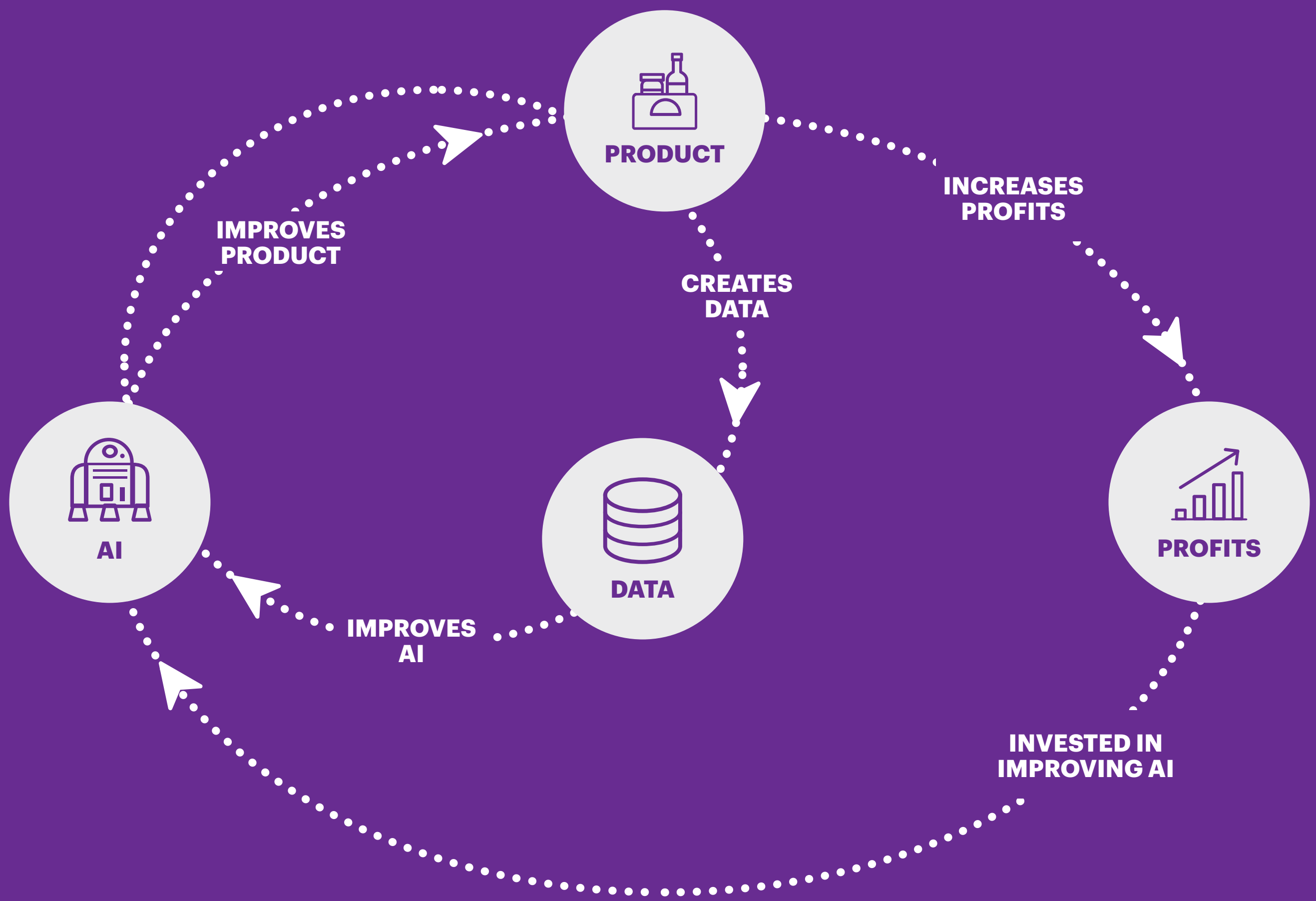

Figure 5: The AI Lock-in loop – concept and diagram created by Azeem Azhar, Accenture.

To take advantage of the network effects of data, a firm will need to be able to modify, personalise or launch new offerings for customer segments or even individual customers. The platform provider will be able to give access to the right tools and insights to facilitate this personalised product generation. The AI lock-in loop demonstrates the importance of carving out a place in the new retail banking ecosystem early – the data that is being monetised itself becomes a barrier to entry to newer competitors as they cannot contend with the depth of insight established players will be able to leverage.

‘Well-designed products should, in turn, be generating more revenues allowing for further marketing or product investment’

THE PRODUCT SPECIALIST BANK
INCREASING BUSINESS AGILITY AND REDUCING TIME TO MARKET

With much of the recent hype around the new, innovative challenger banks, the more established players in the financial market are feeling the pressure to remodel and keep ahead of the curve. Although innovative thinking should never be discouraged, this could suitably be described as a 'square peg round hole' approach.

The incumbent banks shouldn't overlook the distinctive value that they inherently hold due to their market position. There are three fundamental underlying aspects of data monetisation which the larger, established banks are naturally pre-disposed towards:

1. Trust - Despite the excitement of a new, digital bank, the real trust within financial services lies with the established banks. People want their financial data to be safe, and the power of an established brand shouldn't be underestimated.

2. Insight - Big data is the foundation of data monetisation and generating new streams of revenue, and it goes without saying that the larger the customer base and therefore the depth of customer data, the greater the level of insight that can be derived.

3. Investment - For established banks, there's no need for funding rounds to channel investment when you have the balance sheets of the high street banks. New or additional channels of customer communication and revenue can be considered in the present, rather than parked in the future pipeline.

All of these elements provide the larger banks with opportunities not only to leverage data monetisation from their own customer base, but also to work with smaller entrants to the banking marketplace, making their insights available via directly selling the data that they hold in either a cleansed or uncleansed state, or opening up their infrastructure via API integration.

Payments lends itself as a natural example in which product specialists can find their footing in the future banking ecosystem. Frictionless interaction with third party transactions such as home-buying, for which payments is the anchor, will allow incumbent banks to maintain their brand and provide a consolidated experience for their customers. By encouraging this type of integration, incumbent banks can move at the same pace as digital natives because the problem of large-scale, legacy systems is removed. And customers can see the benefits of the latest innovative additions to the banking marketplace whilst maintaining (and strengthening) their relationship with their current retail bank.

Product specialist banks have a plethora of options to choose from when considering where they want to gain a foothold. We already see banks providing investment services, secure seamless payment services, or business finance solutions, to name a few. As innovation increases, the options available to product specialists will only grow and opportunities to be the first provider of a particular product will increase.

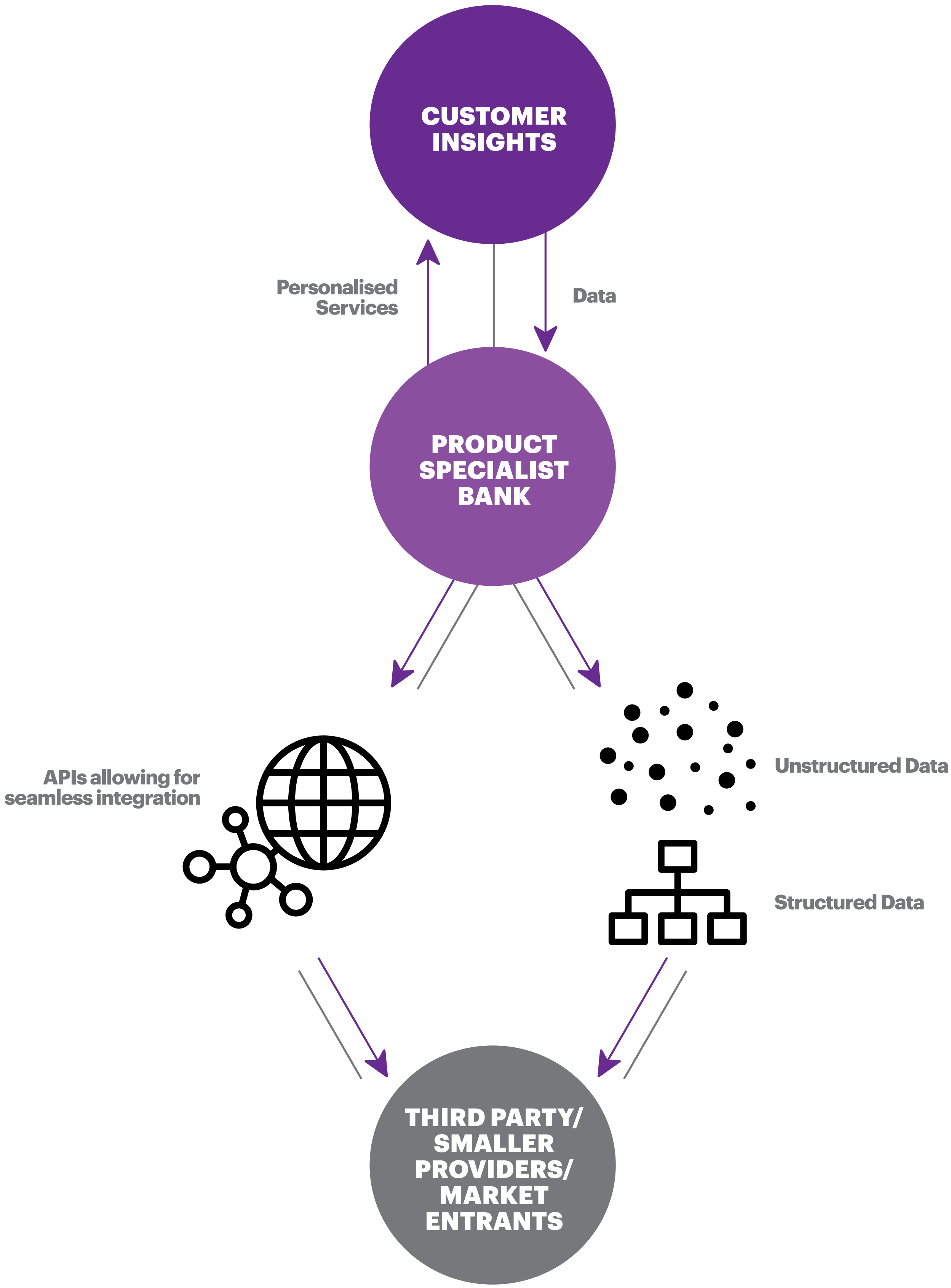

Figure 6: White label provision of core banking services

THE UTILITY PROVIDER
SILENTLY OPENING UP FINANCIAL SERVICES TO ALL

Amongst the legacy banks and digital challenger banks, the latter of whom are increasingly gaining licences to offer current accounts to consumers, it could seem as if the financial services market is saturated from all angles. However, that assumption overlooks an arguably untapped area, whose importance in the banking ecosystem should not be underestimated: utility provision.

Utility provider banks are authorised to move money between organisations (e.g. other banks) and individuals via UK payments systems like Faster Payments and BACs10, allowing easier access to large scale banking infrastructure and boosting competition across financial services.

Building societies and smaller banks can face potentially insurmountable expense in providing current accounts, often as a result of legacy IT challenges for the former, and scaling issues for the latter. To put this into context, only two of the 44 building societies in the UK currently offer current accounts[12]. Alongside this, the UK is arguably leading the increasing global interest in digital banks yet many still face an uphill struggle to be able to take the next step forwards by quickly, and profitably, bringing products to market. By providing the platform via which all financial players can achieve a greater level of market involvement with comparative ease, it is the utility provider banks who have the perfect opportunity to ride the latest wave of financial services innovation and become (as one of the existing utility banks has been called) 'the bank behind some of the most innovative financial services companies on the market today'.[13]

It would be a mistake to think that being a silent partner to other financial services players means that utility provider banks can simply offer that banking infrastructure and do nothing else. As with anything in the financial services market, change happens quickly and being one of the first to seize on a relatively untapped area, such as providing banking infrastructure to others, doesn't mean that there will be room to sit back and reap the benefits for the long term. As the potential in this space becomes more apparent, the competition between providers will increase.

Becoming a successful, long-term fixture of the banking ecosystem within this quadrant will involve considering the latest Cloud, API, Security, and Robotic technologies in similar ways to banks operating in other parts of the overall ecosystem. Anyone choosing to use banking infrastructure via another provider to offer banking products to their customers will be equally aware of the repercussions of any breaches of the platform and vulnerability of their customers' data, knowing that saying 'it wasn't our platform' won't cut it with their customers or the wider public. It is still their reputation on the line, and they won't hand this over to a utility provider bank lightly.

If done correctly, and importantly if done well, there are potentially boundless opportunities for those who find their niche within this part of the banking ecosystem. With more and more non-financial services providers looking to diversify into offering financial products directly to their customers, an established platform within the financial services industry, bringing experience of the complex financial regulatory environment, may well seem to be the best option to help to achieve such diversification.

[12] https://www.ft.com/content/85f1cb02-fcda-11e6-96f8-3700c5664d30?saveConsentPreferences=success
[13] http://uk.businessinsider.com/uks-new-clearing-bank-unveils-model-2017-3?r=US&IR=T

KEY TAKEAWAYS

Whichever of the four facets of the future banking marketplace you choose to focus on, and it may well be several, data will be key to your success.

- Innovative challengers in banking are not competing with traditional banking products. They understand the value of data, and that it is this data driving the next wave of revenue generation – making up some 10-20% of revenues for early adopters, which is only set to increase. Effectively leveraging data is essential, but to do this banks must understand the value of the data they have and the best way for it to be used – this is stage one.
- Data monetisation is not about exploiting customer information for short term gains. Re-aligning banking around a data driven ecosystem is about driving extra value for customers in the form of personalised experiences that engender delight, even in the small things. Customers trust banks, but this trust can be easily eroded and is about a mutual exchange of benefits that is transparent and adds value to both parties.
- Regulation and technical standardisation should not be viewed as a threat or inhibitor, but as an opportunity to bring innovation to a legacy core, driving flexible architectures internally and externally that are orientated around the free flow and interpretation of a multitude of data points that go beyond simple payment data.
- This new model for data-driven retail banking is an ecosystem, where the primary lesson is that banks can no longer rely on being all things to all people, but must play to their strengths to maintain relevance – whilst at the same time learning to coexist with competitors and partners that can expand their position.

About Accenture

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