BANKING AS A LIVING BUSINESS

DRIVING HYPER-RELEVANCE AND VITALITY BEYOND INDUSTRY BOUNDARIES

PART OF THE ACCENTURE LIVING BUSINESS SERIES
THE NEXT CHAPTER IN WINNING IN THE DIGITAL ECONOMY
Thanks to the digitization of everything, every customer interaction is an opportunity for traditional retail and commercial banks to create a compelling experience. Playing to win means being hyper-relevant within and beyond banking to equal or exceed GAFA* services, capturing consumer attention at all touchpoints. It means operating or participating in a portfolio of platforms as engines for continuous creation of new products and services—thus, creating vitality. It also means managing alongside a diverse journey to help transform and expand the core business while growing new capabilities.

The business model that can handle such industry shifts and thrive is a Living Business—one that evolves itself quickly and often to adapt to changing customer needs and behaviors. It is both an incremental and a transformational change for banks. Those that choose to make it (this is not an option for all) will transform beyond today’s “adding more” (more products, channels, apps, and so forth) and evolve to the new model.

This report discusses the age of relevance and vitality coming upon the industry, and the Banking as a Living Business model as a valid and proactive response. It also offers five no-regret interventions banks can start to make now toward becoming a Living Business and position themselves for growth in a boundary-less digital economy.
Over the past five decades, banking has evolved from a strong product orientation to centering around customer experience. Now, the industry is entering a new business battleground (Figure 1) where connected intelligent sensors and fluid consumer expectations meet to create a new basis of competitive advantage: full-on relevance to customers across any interaction, on any channel.

Consumers’ fluid expectation for personalized, best-in-class, relevant interactions is being fueled by their experiences with GAFA. Consider that consumers spend 50 minutes a day on Facebook platforms, or that for...
each dollar riders spend on UberX, about $1.60 of consumer surplus is generated.2 Customers now decide when, how and through which device to engage with their bank across a wide range of activities—from searching for products and services to publicly rating services, to generating new data that powers the next experience. Their ideal “me-centered” interactions are becoming reality. They are being enabled by “digitization of everything” products with built-in smart technology. They are connected via a vast network, creating a new breed of intelligent, real-time, “living services” (with built-in and invisible payments, credit, and other financial service transactions) that can respond to consumer behavior. Banks’ typical response to “add more”—more channels, apps, smart-lab branches, some “experiential” products (say, home buying assistance), and so forth—is not enough to compete with living services, retain customers, and return the predictable results they need to survive. Few of the world’s top banks are sustaining a return on equity of greater than 12 percent and a cost-income ratio of less than 45 percent.3 Banks require true transformation to regenerate their business models at the speed of fast change to consistently and efficiently deliver hyper-relevant service—what we call embedding vitality. Those unwilling or unable to do so gamble their market share and revenue growth. Our research shows that consumer behaviors and expectations are shifting, with as many as 78 percent of consumers we categorize as Banking Nomads willing to bank with a tech firm, like Amazon or Google.4 About 46 percent of all U.S. banking, insurance, and wealth management customers say they would switch to GAFA giants, up to half of the market currently served by traditional financial institutions.5 Globally, modern business models could impact up to 80 percent of existing banking revenue pools by 2020.6 The reality is reflected in future market valuations, as shown in Figure 2. The future growth value of financial institutions lagging in their digital transformation is discounted at -11 percent while that of digital leaders (financial institutions that have launched aggressive digital transformation programs and are perceived of having done so) is 20 percent. Compare this to fintechs at 40 percent and GAFA at 49 percent.

The question, then, is transformation to what? How can banks capture market attention and make money amidst the pursuits of GAFA, fintechs, and other fierce newcomers? We believe that banks need to position themselves to become a Living Business, embedding vitality to morph in sync with a fast-changing real-time customization and hyper-relevance of financial and non-financial products and services that measure up to the GAFAs.

Leading companies recognize that to be hyper-relevant to customers, they need more than just good customer data and technology, more than just strong marketing, sales, and service. They know they need a new customer-centric mindset that inspires fundamentally different behaviors. It means being equally relevant and inspiring to their employees, partners, leaders, and external stakeholders. As such, leaders exhibit and continuously shape four vital properties typically associated with living things:

- **Personality** – Unique pattern, or DNA, of distinguishing traits that are reflected by the provider’s people and valued by its customers. Both customers and employees feel empowered by it.
- **Craft** – A deep set of collective skills specific to the company that are continuously nurtured. It is what the company shows and talks to customers about. It is the topic of conversations the company has with its customers and is expressed in every touch point.
- **Instinct** – The way in which the company makes decisions, behaves, and adapts to change. It comprises the flow of work that rallies and empowers people across the enterprise.
- **Relationships** – How it feels to interact with the company as a customer and, crucially, as an employee or a partner. The ease that new collaborations are forged across all stakeholders is essential to how corporate organisms develop and change over time.

Through these four traits, innovators ultimately shift their business from simply being organized (often rigidly so) to being a fluid, highly adaptable organism that grows and responds as part of a contiguous, open living system.
Banking as a Living Business is about two things: hyper-relevancy and vitality (Figure 3) to adapt to and thrive in the future world.

The reality is that simple, fast, convenient, cashless, contactless scenarios are accelerating and will inevitably arrive in most industries and markets. A danger for banks is when consumers no longer have to take a physical card from their wallet to pay for goods and services, thus weakening banks’ brand visibility. Already in London, for example, millions of commuters pay for public transport by tapping their contactless cards or mobile pay service (like Apple Pay® or Android Pay™) every day at train stations’ entry and exit gates, at bus or tram fare readers, even on river buses.³ Three out of four retailers accept contactless payments throughout Canada, and 66 percent of cardholders in Australia have a contactless card that allows them to tap and pay.³ In the future, people will not be contacting the bank except when they need or want advice about their financial well-being around and throughout life events—college, marriage, new baby, new house, divorce, retirement, illness, and death. Advisory and problem solving are core strengths for banks and their most promising areas for continued competitive advantage in customer engagement. Yet in the contactless future, that engagement will need to present itself in a hyper-relevant, trustworthy, engaging, and appealing way. Banks will want to position themselves to consumers as a friend and confidant who looks out for them and is available as their go-to source in times of high-emotion decision making, operating in both a digital and physical (“phygital”) continuum.

That is what Banking as a Living Business is all about. It is distinguished by the way it “walks and talks” in very human-like ways (Figure 3). Much like how you would describe a friend, it is:

- **Engaging**, to always be there as the “north star” for customers’ financial well-being. It means looking ahead and providing valuable financial and non-financial advice (both in the physical and digital worlds, and beyond the bank’s channels, such as on GAFA channels) that helps customers navigate life’s choppy waters and course-correct to safe sailing. It requires the bank to be truly trusted, relevant, and empathic.

- **Intelligently personalized** to know the customer, proactively understanding and anticipating his needs and preferences to deliver contextual interactions and value-curated experiences. Nearly half of customers want relevant advice and product information at their fingertips as they go about their daily lives—¹⁰ for example, information about preferred mortgage deals when they are in the process of buying a property, or even being able to discern whether they are already covered in terms of Life or P&C insurance products. The hyper-relevance challenge for banks is two-fold: personalization of the standard experience based on data about a customer and metabolism to change offerings and evolve platform features on a regular basis in sync with customer engagement at the aggregate level.

- **Credible**, to be trusted by enhancing brand perception through effective moments of
truth (such as account opening, consumer loans, and home buying); social conversations and feedback loops (such as crowd-sourced ratings, opinions, and reviews, and being able to take the feedback and do something about it); and enablement of employees to exhibit brand values.

- **Consistent**, designing and delivering the same branded experience anytime, anywhere across all channels and devices—from the chairs in a branch to the buttons on an app to “powered by” branding for experiences beyond the bank’s own channels. It keeps an eye out for any outliers (such as third-party partner activities within digital ecosystems) that could jeopardize its customer service or diminish its brand and stays prepared to mitigate them. Physical (“human powered by digital”) plays a key role in creating and maintaining trust, particularly in high-emotion situations such as advisory and service recovery. We believe the physical network will still be relevant as part of a Banking as a Living Business, but possibly assuming new forms and looks.

- **Generous**, offering a wide range of strategic gestures to prove advisory trust in the shadow of the industry’s past scandals and questionable conduct. Consider that just 29 percent of consumers in the UK consider banks to be trustworthy. A gesture to build advisory trust may be to offer bots and other tools to generate visible customer value. For example, a subscription-based personal bot could manage customers’ accounts, conducting transactions that increase return (such as moving funds to higher interest-bearing accounts) and avoiding unnecessary costs (such as overdrafts by activating a lower-interest loan). Other examples include more traditional merchant-funded reward schemes; financial and business education for small businesses and budding entrepreneurs; and, in true consumer-to-business fashion, recognizing new ideas and advocacy, and consequently rewarding customers. According to a Bank of America survey, 90 percent of CMOs experienced revenue lift from their card-linked marketing programs though 62 percent have never implemented such a program.

CARNIVAL® ADAPTS IN REAL-TIME TO VACATIONERS’ PLACE AND PENCHANTS

Imagine that your cruise ship room sensors detect your approach and by the time you arrive, the lights are on and the air conditioner is cooling the room to your preferred temperature. That’s just one example of what Carnival Corporation is doing through its Ocean Medallion technology, a small wearable that provides a truly seamless experience at sea. Each Medallion is synced to a specific guest and interacts with 7,000 sensors connected by 72 miles of cable distributed throughout the ship’s 19 decks to track a guest’s location, current activity, and what he or she might want to do next. It optimizes ship operations, energy usage, staff performance, and vacationer experience.
76% of banking, insurance, and fintech CEOs say that it is more important than ever to provide products, services, and experiences that are very relevant to their customers across different times and contexts.14

**Being relevant beyond banking boundaries opens new markets for banks.** By connecting with and promoting their offerings on third-party-owned channels and platforms—what we call “on GAFA”—banks go to where consumers are likely to be and have a chance to convert them into customers. Whether placing finance on a platform, providing an algorithm, activating Know Your Customer (KYC), vouching for digital identifications, making APIs available, enacting subscription-based services, and so forth, banks can trigger and, over time, migrate revenues from traditional transaction-based streams to new experiential streams. They can make money “on us” via the bank’s own channels, and “on GAFA” services run by other digital natives. Rather than competing head-on with GAFAs, banks should see and interact with GAFAs as new and additional channels to connect with customers for cross- and up-selling. This will move banks’ Future Growth Value closer to the 40 percent mark (Figure 2).

While some traditional banks are already offering their customers some GAFA-like interactions and services, Banking as a Living Business is revolutionary for most. That said, market dictates for such a strategic concept are very near and even already here. Banks can start now to make the rotation toward being highly adaptable with vitality on the inside to be hyper-relevant to customers on the outside.
Imagine David, a young cycling enthusiast. He is streaming a cycling race on a GAFA platform when he sees the bicycle of his dreams. He is in the process of upgrading his current bike for his daily commute and wishes to buy it then and there. Through the platform, David connects to his bank’s personal bot (the always-there “north star”), as well as to tools with data on other aspects of his life (such as a wellness account on cycling performance that gives him real-time readouts of his vital signs). This helps David bring all the important parts of his life together.

David engages his banking bot to see if he can afford the bike. The bot provides a 360-degree picture of David’s financial health, connecting to all his bank accounts, credit and store cards, student loans, and products he has with other financial institutions. The bot confirms that David can afford the bike, and recommends the best way to finance it. The bot then offers him the best finance deal available and not just from the bank’s product range. David chooses a loan from a bank-vetted, peer-to-peer player. With just one click, the purchase is initiated. As David completes the purchase, he is asked if he would like an extended warranty. He asks the bot to check if he truly needs it; the bot finds that David is already insured as part of his credit card’s terms. As he completes the transaction, he notices a special delivery service where large, particularly valuable items can be collected from a bank branch at a time of his choice. On the day of purchase, as he browses the branch displays before picking up his bike, he notices a promotion for a cycling club in his area that caters to his age group and riding ability and that wellness points earned on his ride can be added directly to his bank’s loyalty points system. On his way out, David is offered a thank-you reward from his bank that grants him access to a cycling pro who can help him set up the bike and give him maintenance tips. He is assured that everything connected with the bike purchase, including the maintenance, is included in the bank’s satisfaction guarantee.

David’s experience is based on the bank acting as a new type of banking platform with a set of business propositions to serve multiple niches individually—a young cyclist, an affluent golfer, or even a high-net worth customer who wishes to invest in real-estate in a specific location. The difference is being able to orchestrate and call upon (in real-time) different sets of API services to address the specific needs of the niche served, within and beyond the bank’s traditional channels.
GETTING TO BANKING AS A LIVING BUSINESS REQUIRES TRANSFORMING & GROWING BANKS’ CORES, AS WELL AS GROWING THE NEW
Getting to Banking as a Living Business requires transforming and growing banks’ cores, as well as growing new capabilities. For traditional banks, it is much easier said than done. Accenture experience suggests five no-regret interventions to set the course for Banking as a Living Business: target a “north star,” design for human interaction, build intelligent platforms, connect platforms to diverse ecosystems, and sustain a liquid organization (Figure 4).

**FIGURE 4.**
Five No-Regret Interventions to Nurture Banking as a Living Business

Source: Accenture

- **Target**
  - A “North Star”

- **Design**
  - For Human Interaction

- **Build/Iterate**
  - Intelligent Platforms

- **Connect**
  - Diverse Ecosystems

- **Sustain**
  - A Liquid Organization

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**PART II**

**HOW TO MAKE**

**BANKING A LIVING BUSINESS**

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**BE HYPER-RELEVANT**

TRANSFORM
THE CORE
GROW THE CORE
GROW THE NEW

**EMBED VITALITY**
TARGET A “NORTH STAR”

Banks will need to define their “north star” positioning for the Living Business. This should map to brand values and bring the clarity to prioritize areas for intervention and identify new business drivers. Success dictates that banks cut through their typically very long list of customer-oriented initiatives and fragmented programs scattered across their business to only focus on priority items that promise to unlock the greatest trapped value. Doing so lowers complexity, accelerates speed to vision, and frees up critical resource capacity to bring the Living Business to life.

FIGURE 5. Expanding the Bank’s Revenue Potential

Source: Accenture
What is critical here is to clearly identify where and how the bank wishes to engage customers, partners, and competitors.

Banks will need to:

- **Transform the core**, such as operating digitally enabled financial platforms to manufacture and distribute products (accounts, credit services, payments, investments, and so forth). This means digitizing journeys end-to-end and creating new, compelling user experiences.

- **Grow the core**, “opening up” to partners and going “beyond the bank” through APIs. Particularly, this means partnering with alternative financial services and non-financial services providers to design and create new experience layers and offer bundled services (financial and non-financial) that address customers’ primary needs—everything from the home, travel, and leisure to wellness and business. Examples include ®USAA®’s bundled insurance offers that cover home and car, or Vitality’s draw on its extensive ecosystem of non-financial services retailers and professionals that team with the insurer to foster health improvements and help people lead healthier lives.

- **Grow the “new,”** focusing on creating and nurturing new, sustainable, and adaptable revenue streams of the future, tapping into GAFA platforms to serve existing customers and prospect new ones (Figure 5). This means rethinking financial services produced today, as well as identifying new ways to create viable revenue streams. Two examples of this are:
  - Packaging loans to make them available “off-the-shelf” at check-out on an online retailer, bundled, for example, with the purchase of a large home appliance, mobile phone, and so forth.
  - Placing finance directly with a GAFA, such as Uber or Airbnb, for them to provide individually to prospective drivers to buy a car, prospective hosts to conduct home improvements, and so forth.

- Other areas for opportunity include the ability to “monetize” data, platforms, algorithms, and even brand.

Banks that pursue new income streams from a mix of highly relevant “on us” and “on GAFA” propositions (and, in return, benefit from new customer acquisition opportunities) will need to revisit their operating and pricing models, such as focusing on experiences and introducing subscription-based services (Figure 6). Barclays operates a subscription-based Features Store where customers can enhance their current account with a range of packs and features; mBank’s mAccountant service is an integrated, intelligent, online banking and accounting solution offered to small- and medium-sized enterprises on a subscription basis. Opening such revenue streams is likely to give a bank more consumer interactions and data to nurture greater relevance that, in turn, will expand cross- and up-selling opportunities.
For banks to better deliver a personalized consumer lifestyle-driven experience consistently across all channels, both “on us” and “on GAFA,” they will need to design for human interaction. This includes rethinking and designing physical spaces to reflect digital; a task particularly important for big banks that have huge physical spaces, many which are languishing.

Digital and physical (“phygital”) channels blended together with data-driven insight improve the potential of all channels to engage consumers. For example, Accenture analysis of real data from a large European Bank shows that an omni-channel approach surpasses a branch-only approach by 2.1 times in average revenue, 1.3 times in average cross-selling, and 66 percent reduction in churn.\(^\text{17}\)

Nearly 90 percent of consumers in North America will use their branches in the future, and they want human interaction when they go there.\(^\text{18}\) While 40 percent of consumers say easy access to a branch is the third biggest driver of loyalty, they want digital tools readily there: 59 percent want advanced ATMs and 55 percent want devices in branches to access their online banking.\(^\text{19}\) Banks could add features like pop-up branches to be where consumers need them, a magic wall in a stadium or a gym where customers congregate or a virtual or augmented reality branch that is accessible through virtual reality devices (such as Oculus Rift\(^\text{®}\) and PlayStation\(^\text{® VR}\)). Virgin Money’s concept lounges in London, for example, feature reclining airline seats, overhead lockers, and authentic aircraft directional floor lighting. Rather than selling traditional banking products or services, the lounges aim to increase advocacy and lower new customer acquisition cost by offering members a place to relax or work before satisfying their banking needs in a Virgin Money branch. The bank has seen 200 percent growth in sales at branches located near one of its innovative customer lounges.\(^\text{20}\)

Some customers will interact with their bank over GAFA channels, beyond the bank’s boundaries. As such, Banking as a Living Business must also clarify its brand values and design services to apply those values effectively at all opportunities anytime, anywhere, and on any device. Ecosystem participation will present banks many opportunities to sell third-party experiences with the financial peace of mind of being “powered by” the bank—a brand value opportunity not to be overlooked. It also means managing the reputational risk of selling through channels for which the bank has limited control.
Underlying Banking as a Living Business is an intelligent, open platform fit for the digital economy. Building, iterating, and operating such platforms is about connective innovation, drawing on a set of new cloud-based technologies to enable strategic actions. These include:

- **Opening APIs**, both in response to new regulation and voluntary industry initiatives, such as Open Banking in the UK and Payments Services Directive 2 in Europe. It means making APIs more available on three different levels: integration of internal APIs to re-wire the business toward new platforms and data primacy; sharing APIs with partners for greater collaboration on customer relevancy; and giving outsiders access to APIs to cultivate fertile ground for innovative services.

- **Adding robotics, robo-advisory, and artificial intelligence capabilities** across the back, middle, and front offices. This addresses burning platforms, such as the need to connect legacy with real-time systems (Robotic Processing Automation) and incorporate algorithms (voice interfaced, machine learning and cognitive computing) to create robo-advisors that support customers 24/7. Key to this will be to use off-the-shelf GAFA infrastructures to deliver the experience, such as accessing voice recognition assets like Amazon’s Alexa® or Apple’s Siri®.

- **Embracing radical security** to reduce exposure to and defend against cyber-risks, as well as being the “north star” for customers’ “well-being” by creating mechanisms to protect customers’ digital personas.

- **Implementing change and augmenting capabilities** in “Agile.” Banks can seek to achieve this by creating operational environments and change/configuration management processes that support and guarantee fast and continuous development of software.

Chase® and Intuit®, for example, recently launched an API for secure customer data sharing. Goldman Sachs, Bank of America, Mastercard®, and others have patents pending on blockchain-based innovations. OCBC Bank just became the first bank in Southeast Asia to pilot a robo-advisory service, offering customers guided investment with regular rebalancing of investments portfolios, without having to interact with a relationship manager. Fintechs from across the products spectrum like Betterment and Trim are offering robo-advisory or bots that sweep accounts for inefficiencies.
A cornerstone of Banking as a Living Business is its open banking platform architecture that welcomes plug-n-play partners and providers, intersects with as many industries as needed to satisfy customers’ needs, and is interoperable with other third-party-owned ecosystems—all to offer consumers even more hyper-relevant services.

This is about strong relationships that the bank cultivates with ecosystem partners, thus linking it to broader capabilities and services, including:

- **New or alternative financial products** of value to customers, typically powered by fintechs and other technology innovators.
- **Off-the-shelf GAFAs** that offer new modes of interaction through tools like plug-n-play access, voice recognition, cognitive computing modules, proprietary robots, and more. Under the new business model, GAFAs are likely to be enablement for the bank and serve as showrooms for banking products and services that are repackaged and ready for their channel.
- **Bundled financial and non-financial experiences**, including living services and the Internet of Things.
- **A wide range of content providers**, such as those providing up-to-date news on current events, weather, stocks, analyses, and so forth.
- **Value-added service providers**—from existing ecosystems (think Intuit’s QuickBooks™ for small business bookkeeping and accounting) to MOOCs (Massive Open Online Courses) that offer distance learning online.
- **Device manufacturers** to which Banking as a Living Business may want to connect and co-create services and experiences.
- **Existing living services**, such as Citymapper, Strava, and IFTTT, among many.

Open banking and APIs are the golden threads for weaving together diverse ecosystems, as illustrated in Figure 7. Models of sharing tend to pivot on creating new user experiences through a service or product, or access to data. Some APIs will be made available for free in accordance with regulatory mandates; others will be offered voluntarily on a fee basis as part of a bank’s revenue growth strategy. Though APIs are not the only connective tissue for diverse ecosystems (other technologies like blockchain and smart contracts apply), they represent a readily available starting point for banks. The key will be banks’ ability to orchestrate real-time access to the right partners and APIs to address the needs of target customer segments and niches, such as millennials who enjoy cycling or affluents who want to invest in local market real estate.

**EFFIFUEL™ BY MICHELIN® OVERHAULS DRIVE MANAGEMENT**

Aiming to create a value-added service for large commercial vehicle fleet operators, Michelin drew on the Internet of Things to launch EFFIFUEL. It is an ecosystem that uses sensors inside vehicles to collect data, like fuel consumption, tire pressure, temperature, speed, and location. This data is then processed in a cloud solution and analyzed by Michelin experts, who provide recommendations and training in eco-driving techniques. By shifting from selling tires-as-a-product to offering a service that guarantees performance, Michelin gained higher customer satisfaction, loyalty, retention, and profits. For customers, the service reduced fuel consumption 5.3 pints every 62 miles, representing annual savings of US $3,591 for long-haul transport traveling over 74,564 miles.
FIGURE 7.
How Illustrative Banks Might Activate a Diverse Ecosystem

Source: Accenture
A resilient, tightly integrated culture with built-in vitality that embraces change fearlessly is what will keep Banking as a Living Business in sync with the fast-paced digital economy. As business models evolve from being transactional and manual to more experiential and technology-led, four aims are important:

- **An exceptional employee experience**, engaging and empowering employees with organizational structures, digital tools, and meaningful motivations to address customer needs, shifting to high-value advice, and creating service distinctions.

- **A customer-first approach**, pointing organizational strategies toward high ideation and collaborative contributions that foster competitive business advantage.

- **A more project-oriented organizational structure** that aligns time, talent, and investment to “change the business” activities while most “run the business” activities are conducted automatically.

- **A culture that encourages innovation at every level**, guiding the bank’s organizational change and talent development efforts.

For banks, achieving such agile organizational traits calls for radical changes—for example, breaking old habits and structures, such as natural silos, that hinder new ideas. It means blending a right-sized set of core skills with freelance talent and employing intelligent automation (bots and robo-advisors) to augment people and processes. Bankers at Accenture recently surveyed said that 16 percent of their workforce is independent freelance workers, and 30 percent expect their organization’s use of independent freelance workers to increase more than 51 percent over the next year.25

With a workforce of human and non-human (algorithms, AI, machine learning, cognitive computing, powering bots, robo-advisers, and so forth) skills, banks will need to view the workforce operating model from two angles:

- **Knowing which resource type will serve the customer** and when to address customers’ type preference while delivering value. Under what circumstances will bots serve customers most effectively? How do you draw customers back into a human interaction when they want or need it?

- **Managing the workforce toward an optimum balance** by product line, segment, experience, or other criteria.

Such innovative cultures give traditional banks the flexibility to operate like start-ups with the fortitude to regenerate their business models and customer propositions on a fast cycle and continuous basis.
THE POTENTIAL VALUE AT STAKE

As a result of being hyper-relevant and having vitality, Banking as a Living Business will be positioned for improvement in revenue and cost-to-serve. Accenture analyses indicate that digital leader banks that take on the position can increase revenue a minimum of 30 percent by 2022 (indexed at 100 in 2017, per Figure 8). Such growth is soundly achievable, notwithstanding revenue-eroding competition from GAFAs and fintechs.

Conversely, digital laggard banks unable to achieve Banking as a Living Business can expect revenue growth of six percent over the next five years. This slower growth results from more disruption coming from GAFA and fintechs as well as digital leader banks. Additionally, growth for laggards will be hampered by their debility in generating digital and non-financial services “on us” revenues and capturing the full spectrum of “on GAFA” revenue opportunities (including the ability to monetize data, algorithms, platforms, and even their brand).

Regarding cost-to-serve, the “phygital” transformation inherent in Banking as a Living Business alone is significant. Depending on the profile of a bank’s starting point—market maturity, business objectives, and so forth—it can reduce distribution costs by 10 to 30 percent. With distribution traditionally comprising up to 60 percent of total bank cost, this contributes to a minimum 6 to 18 percent reduction in total costs. Overlaying a 6 to 18 percent cost reduction atop 30 percent revenue growth yields a value improvement of 30 to 50 percent, according to Accenture Research analyses. It is an advantage that few, if any, banks can ignore.

WHERE BANKS HAVE NOT GONE BEFORE

As bank boundaries are becoming more porous, being relevant beyond banking becomes more critical. Banking as a Living Business provides a basis for banks to both help bolster their core high-value advisory business and give new markets access to their services “on GAFA” in trustworthy ways. The time to look toward this model is now, when digital disruption is compelling significant bank change. With vitality and resilience built into its operations and a human-plus-robot workforce, the bank itself becomes a liquid organization. It quickly learns, decides, responds, and continuously regenerates its business model to be hyper-relevant to ever-evolving customer needs and behaviors. Bank leaders can begin to revisit their market positions and mobilize their people and resources to redirect their journey to the future and reap the resulting rewards.
Accenture drives 411,000 people serving clients in more than 120 countries, helping their stakeholders. With more than 40 industries and all business functions – underpinned by the world’s largest delivery network – Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value.