

# Deloitte.



Headline Verdana Bold

## Bank of the Future

November 2017

The Bank of the Future

# Executive Summary

## The upcoming open banking ecosystem will require banks to make clear choices

- For centuries, banks' business models have been designed according to eight generally accepted parameters. Banks have indeed extended their products and services, yet **primarily within their core businesses and value chain**.
- Recently, **emerging customer, competitive and technology trends** are setting the stage for a potential unbundling of banks' value chains and a change to the classic banking business model. Digital allows (or forces) banks to **redefine their role** (e.g. play beyond their traditional core business, create or contribute to **ecosystems**). **Emerging digital platforms and FinTech** developments present not only opportunities (e.g. supermarket of capabilities), but also risks (e.g. accelerating disruption).
- **The role of the regulators** will be the determinant for the future of banks. They will have to find the right balance between protecting the sector and opening it up to players that create added-value for the customers.
- In our view, there are four strategic options for banks:
  - The Banking Provider**: positioned as a leading supplier of (certain) financial services through third party platforms;
  - The Banking Platform**: owning a digital platform where the bank's or e.g. third party financial products and services are offered to the bank's customers;
  - The Banking & Services Provider**: developing and maintaining the backbone and infrastructure of financial products (e.g. payment system, bank accounts) that integrate into a coherent suite of (non-financial) services;
  - The Exponential Platform**: developing and owning a digital platform where all types of (connected) services are offered to customers in a coherent suite.

Some critical factors will determine whether a bank is successful in building its future model:

- Ecosystems are the new rule**: in an increasingly connected world, banks will have to offer connected solutions with a distinctive and hyper-personalised customer experience;
- Leverage their strengths and play a key role in the platform**: banks have to decide whether to create the platform or to contribute to another one;
- Develop the adequate organisation and capabilities**: the speed of change and the impact of digital forces banks to rethink the way they organise activities. They will have to develop a new operating model (more open and agile), new sets of capabilities and likely a network of third parties;
- While adapting, banks will have to preserve their three core assets**: risk management intermediaries, the trust of people based on stable relationships, and the power of their commercial network.

The so-called hybrid model may be the likely new normal as

- **No one can pretend to lead all ecosystems**: ecosystems require very different capabilities and players;
- **Leading the platform vs. contributing to the platform**: banks will have to truly understand the added-value of the customers' platform of choice, before determining the role they want to play on the platform. **Being part of the winning platforms will matter most**.
- **Everyone needs to play on their strengths and brand permission**: in a highly connected world, everyone has to contribute based on their strengths (e.g. capabilities, skills, customer segments, brand) to optimise the success of the platform and the speed of execution.

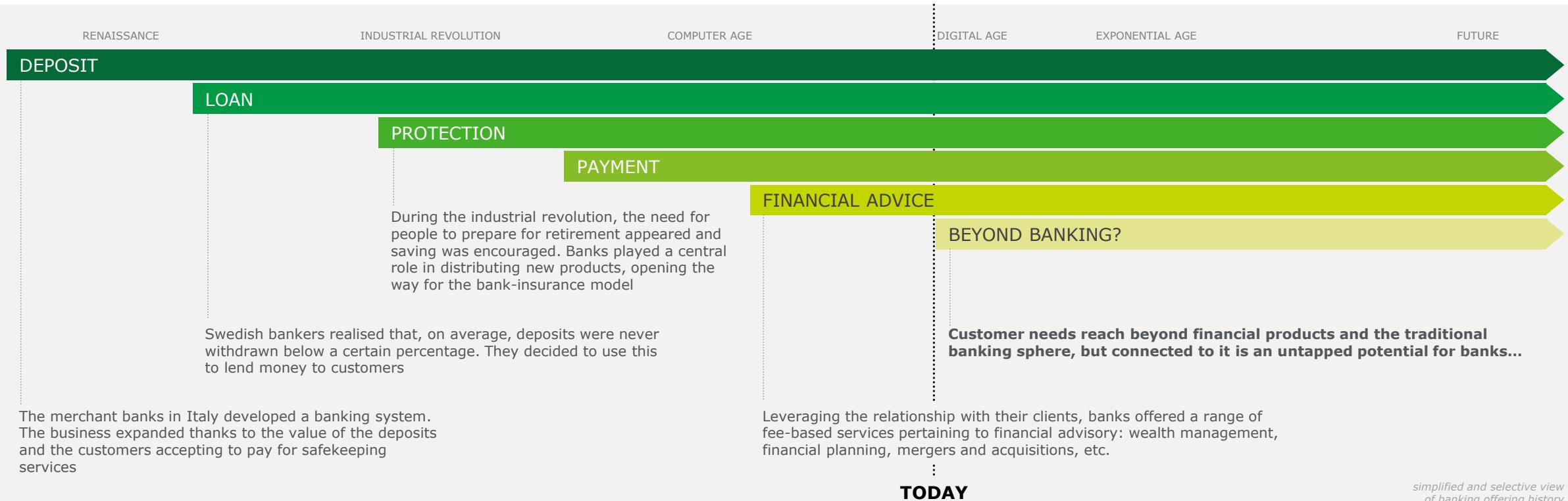
**Indeed, the world needs banking, not especially banks. Yet banks can lead in the future if they make the appropriate strategic decisions.**

# Historic perspective

For centuries, banks have extended their products & services, yet primarily within their core business

The products and services offered by banks started with safekeeping valuables / deposits. Because an average deposit was generally never withdrawn, it became possible to lend money. When loans and deposit receipts evolved into paper money (later to electronic money), banks entered the business of providing payment means (beyond central bank coins):

- While banks extended their offerings around the core services, the **core business did not evolve significantly**, with some exceptions like protection (savings and insurance products distribution) or financial advice to customers.
- We believe the **banking industry is now on the verge of the next major evolution** of its product and services offering.



## Looking forward

Most bank executives have long acknowledged that digital will have a fundamental impact on banking, yet they are concerned about what it will effectively mean

Three questions, rightfully, hold the full attention of every Executive Board

- 1** What is digital?
- 2** What is the long-term impact of digital on banking?
- 3** Which choices do banks have?

Banking  
The Observer

Digital revolution presents banks with more change in 10 years than last 200

Banks preparing to reveal third-quarter results are struggling to deal with the internet age, with scrutiny and regulation growing tighter

Jill Treanor

Sunday 26 October 2014 00.05 BST



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10 Comments



Lloyds is to shed a further 9,000 jobs as digital banking spreads. Photograph: Andrew Matthews/PA

The chairman of Lloyds Banking Group has a warning for the bailed-out bank's 85,000 staff: the industry faces more change in the next 10 years than there has been in the past 200.

**1**

What is  
digital?

**2**

What is the long-term  
impact of digital on  
banking?

**3**

Which choices  
do banks have?



# Digital is an era

A stepping stone in the evolution of the world

# Digital is an era

The Digital Era is characterised by the creation of new business models, enabled by new technologies

**1970**  
Technology Core

Mainframes  
Distributed terminals  
Core computing

**1980**  
Technology Enablement

Office computing  
Mini-computers  
Word processing  
Spreadsheets  
Home computing

**1990**  
Technology Collaboration

Pc revolution  
Network computing  
Email  
Relational databases  
Client-server applications

**2000**  
Technology Engagement

Internet revolution  
Browser wars  
Customer engagement  
Intranet applications  
Broadband

**2010**  
Digital

Mobile  
Cloud computing  
Big data – analytics  
Social media  
Wearables

**2020**  
Exponential

Artificial intelligence  
Sensing  
Home automation  
Digital cars  
Digital money  
Quantum computing  
3d printing/  
manufacturing

**1** What is digital?

**2** What is the long-term impact of digital on banking?

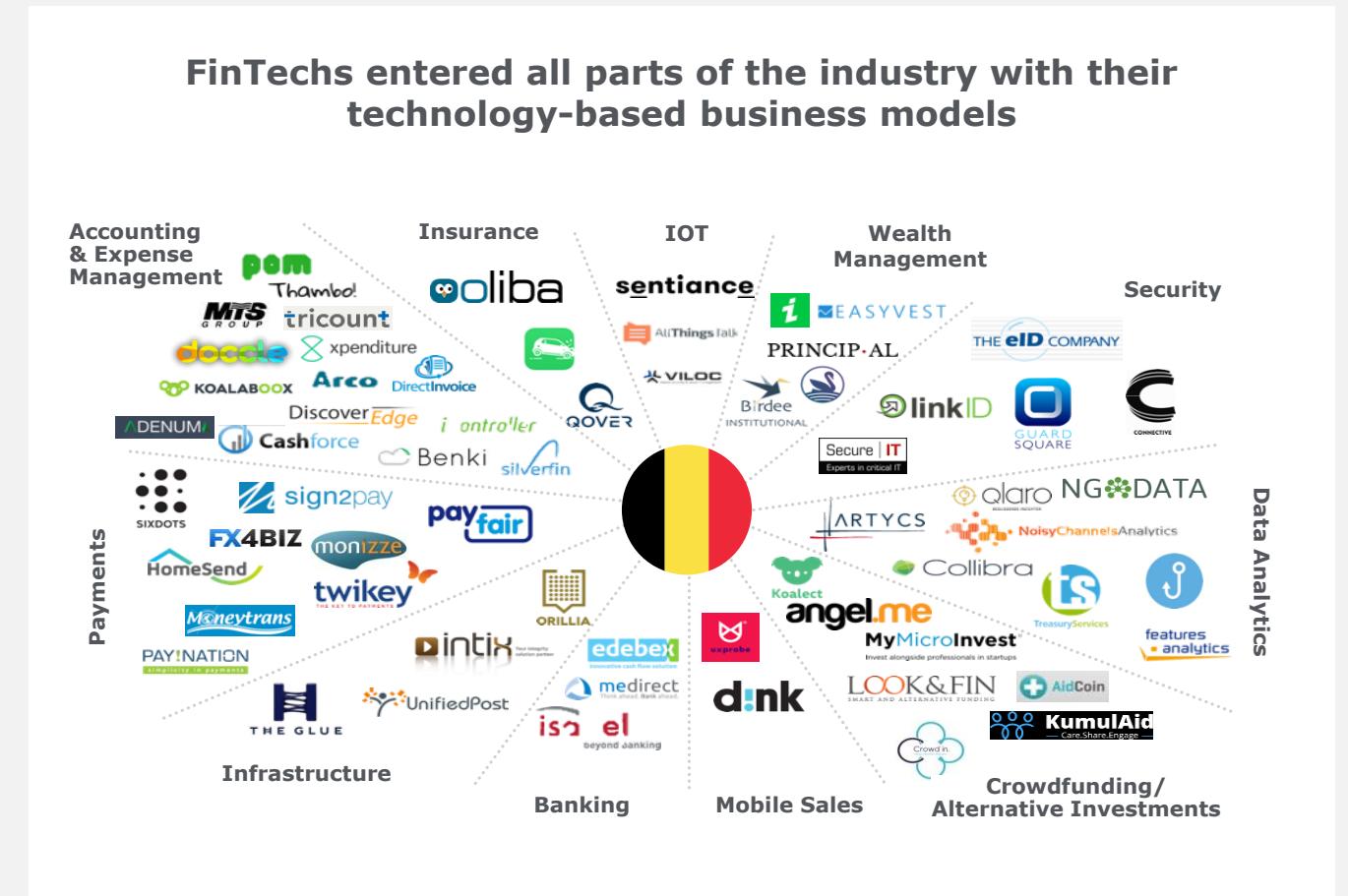
**3** Which choices do banks have?



# The impact of digital on banking is strong and imminent



# Banking in the Digital Era: a new paradigm enabled by ... ... new technologies and non-traditional competitors



# Banking in the Digital Era: a new paradigm enabled by ...

... regulation, which is amongst other pushing for openness, transparency and lower barriers to entry

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e.g.

## PSD2

is the acknowledgement  
of new players accessing  
customers' payment  
accounts

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New players **authorised** to  
access consumers' payment  
**accounts** to make **payments**  
on their behalf and to provide  
them an **overview** of their  
various accounts, after their  
prior consent



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The **institution** (e.g. bank)  
holding the payment account  
of the consumer provides these  
new players **access** to the  
account, for example via an  
Application Programming  
Interface (**API** = messenger  
enabling information exchanges)



# Banking in the Digital Era: a new paradigm enabled by ...

## ... the customer's new expectations, based on the increasingly connected world

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### Clients have growing & ever-changing digital expectations

-  Anywhere, anytime and omnichannel
-  Rich, simple & convenient digital experience
-  Wisdom of peers and network
-  Self-directed, informed, sceptical about authority, and empowered
-  Personalised and tailored approach

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### An increasing part of the population acts digitally

**50%**

of the global workforce will be Millennials\* in 2020, and their wealth is expected to double by 2020.

**75%**

of Millennials would be more interested in new financial services from GAFA than from banks

**80%**

of consumers are planning to conduct mobile commerce in the next 12 months

Source: Deloitte Researches

\*Born between 1984-2000, tech-savvy, growing-client segment

**1** What is digital?

**2** What is the long-term impact of digital on banking?

**3** Which choices do banks have?



# Up to now, banking business models were designed around eight generally accepted strategic themes

<p>1 Customer segments</p>	<p>Which customer segments does the bank want to address? Will the bank serve all segments within the same model?</p>	<p>2 Business lines</p>	<p>Which business lines does the bank want to serve: private, retail, commercial, merchant banking?</p>
<p>3 Capabilities</p>	<p>Does the bank own the entire value chain or does it collaborate with third-parties for part of it?</p>	<p>4 Distribution model</p>	<p>How will the bank distribute its products and services? Digital-only channels, agent or branch network?</p>
<p>5 Products &amp; services</p>	<p>Which banking (and insurance) products does the bank focus on?</p>	<p>6 Geography</p>	<p>Which geographies does the bank serve? Will all geographies be served within the same model?</p>
<p>7 Risk appetite</p>	<p>How ready is the bank to take risks with regards to new markets, new products, new collaboration models?</p>	<p>8 Shareholdership</p>	<p>What is the optimal ownership based on the selected model: family, private, customer-owned, listed?</p>

Today, a number of emerging customer, competitive and technology trends are setting the stage for a potential unbundling of the banks' value chains



# The connected economy implies the emergence of digital platforms

## Definition & illustrations

A platform is a **business model** that creates value by **facilitating exchanges between two or more interdependent groups**, usually consumers and producers. A platform's success is enabled by network effects. It's a **plug-and-play business model** that allows multiple participants (producers and consumers) to connect to it, interact with each other, and create and exchange value across the value chain.

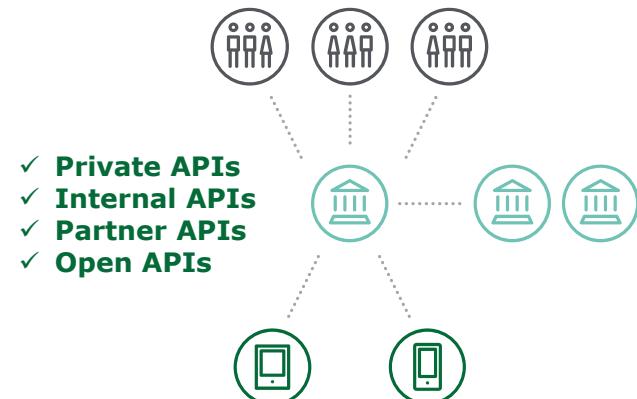
### Amazon started by only selling books, now it is a platform

The platform **connects suppliers and customers** for all kinds of products. Amazon does not have to **provide products itself, as it creates value for its users by offering the tools and by acting as a matchmaker**.



### By opening up to third parties, the bank truly becomes a digital platform which connects different groups of agents

The bank has a large customer base and third party actors are interested in accessing the bank's customers. New and engaging services from third parties **accessible via the bank's ecosystem** attract more customers. More customers attract more third parties and **more third party services in the ecosystem** attract more customers.



# What makes digital platforms successful today? Key considerations for digital platform strategy

EVERYTHING THAT CAN BE DIGITAL  
**WILL BE DIGITAL**



BUSINESS MODELS  
**ARE SUBSCRIPTION  
BASED**

# NETFLIX

PRODUCT LIFECYCLES  
**ARE SHORT**



FROM POSSESSION  
**TO USE**



TRUST AND REPUTATION  
**ARE COMMON CURRENCY**



WORK  
**IS ROBOTISED**



PRODUCTION  
**IS ULTRAPERSONALISED**



INFORMATION  
**IS TRANSPARENT**



# The rise of FinTechs represents both a major risk & major opportunity for banks

FinTechs failed to disrupt the competitive landscape, yet they laid the foundation for future disruption

So far,  
FinTechs  
have ...

## ... changed how financial services are structured, provisioned and consumed:

- They seized the initiative of defining the direction, shape and pace of innovation across financial services;
- They reshaped customer expectations, setting new and higher bars for the user experience.



## ... not been successful in establishing themselves as dominant players:

- Banks are essential intermediaries between risk and their stakeholders. FinTechs are not taking over this essential role in the economy;
- FinTechs have underestimated customer willingness to switch from incumbents, and have also struggled to create new infrastructures.



Tomorrow,  
banks can ...

## ... take advantage of the threat of FinTechs:

- The rapid growth of the FinTech ecosystem allows banks to **externalise parts of their innovation function**;
- The proliferation of FinTechs provides banks with a **supermarket of capabilities**.

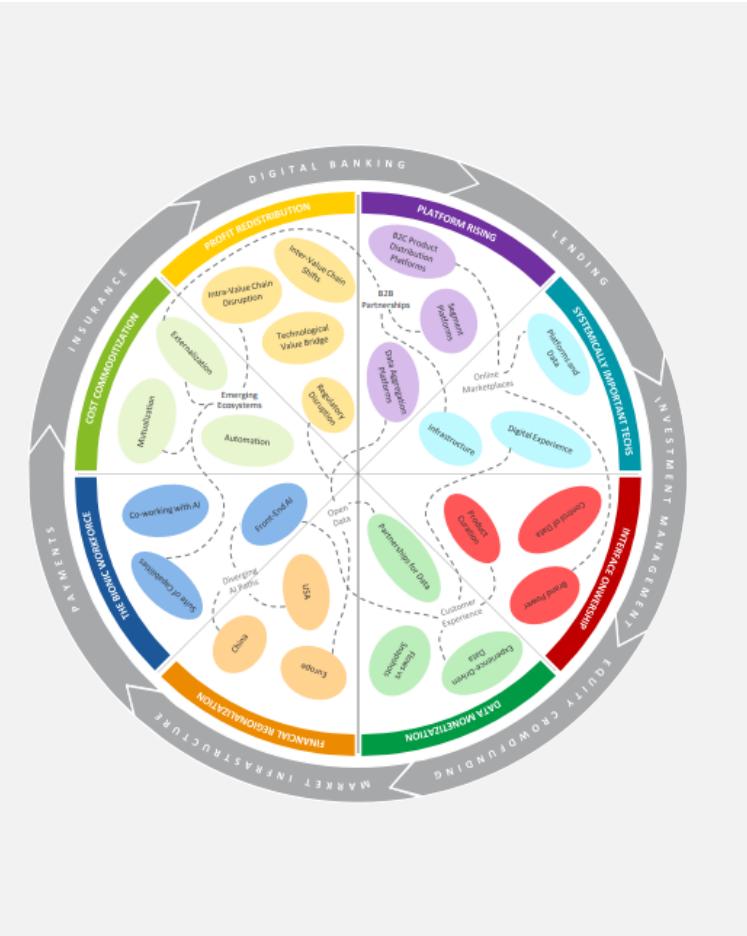


## ... suffer from the accelerating rate of change:

- Along with the **accelerating tempo** of the innovation cycle, the banks' success will lie in the business model **agility and the ability to rapidly deploy partnerships**;
- New entrants face **lower technological barriers** to entering the banks' territory.



Source: "Beyond Fintech: a pragmatic assessment of disruptive potential in Financial Services", World Economic Forum & Deloitte, August 2017

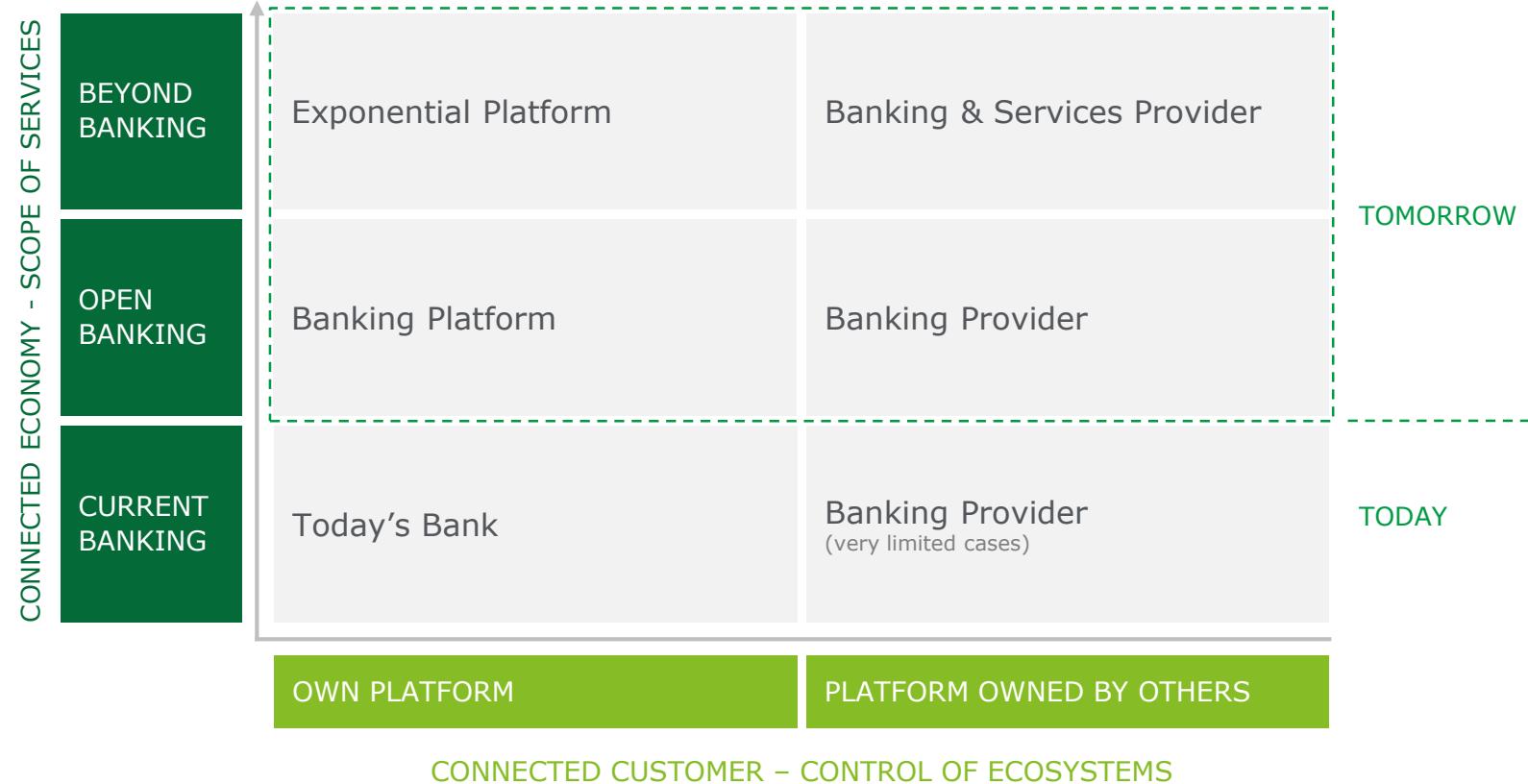


# The “Bank of the Future” Model

Said differently, the digital revolution is opening up two key questions

- 1 What role do banks want to play beyond their traditional value chain/core business?

- 2 What role do banks want to play in the emerging ecosystem?



# The “Bank of the Future” Model

## Open Banking and Beyond Banking



### Open Banking

Platform-based business approach where data, processes, and business functionality are made available to an ecosystem of customers, third-party developers, FinTech startups, or partners. The services provided are financial, and may come from banks as well as from third parties.

### Own platform

Banking Platform

- Develop and own a digital platform where financial products and services from the bank, or not (i.e. from third parties), are offered to the bank's customers;
- Can provide basic offering and additionally source and/or resell (niche) third-party services, integrating those services in the offer (or redirecting consumers to the third party i.e. a broker business model);
- Master technical integration of APIs, as well as processing and analysis of third party data (e.g. account aggregation);
- Manage client intimacy, client touchpoints and Moments of Truth, UI & UX;
- Can also provide a “digital marketplace”, where third parties can showcase and sell their products and services to the bank's customers.

### Platform owned by others

Banking Provider

- Develop (niche) product leadership & expertise;
- Position as a leading supplier of (certain) financial services (e.g. credits) on third-party platforms;
- Sustain preferred agreement/relationship with digital platforms that distribute their products and services;
- Must become hyper-scaled or hyper-focused.

### Beyond Banking

Platform-based business approach where multiple services are provided to customers in an integrated and coherent suite through an ecosystem of different service providers. The services provided can be from any type (e.g. mobility, security, delivery, home security), and banks can participate by providing niche and tailored financial services that consistently integrate the suite of services.

### Own platform

Exponential Platform

- Develop and own a digital platform where all types of (connected) services are offered to customers in a coherent suite;
- Master operational integration of different services to ensure smooth, convenient and delighting E2E customer experience/service (e.g. mobility offering connecting car manufacturers, leasing companies, car park owners, garage and maintenance, etc.);
- Manage client intimacy, client touchpoints and Moments of Life, UI & UX.

### Platform owned by others

Banking & Services Provider

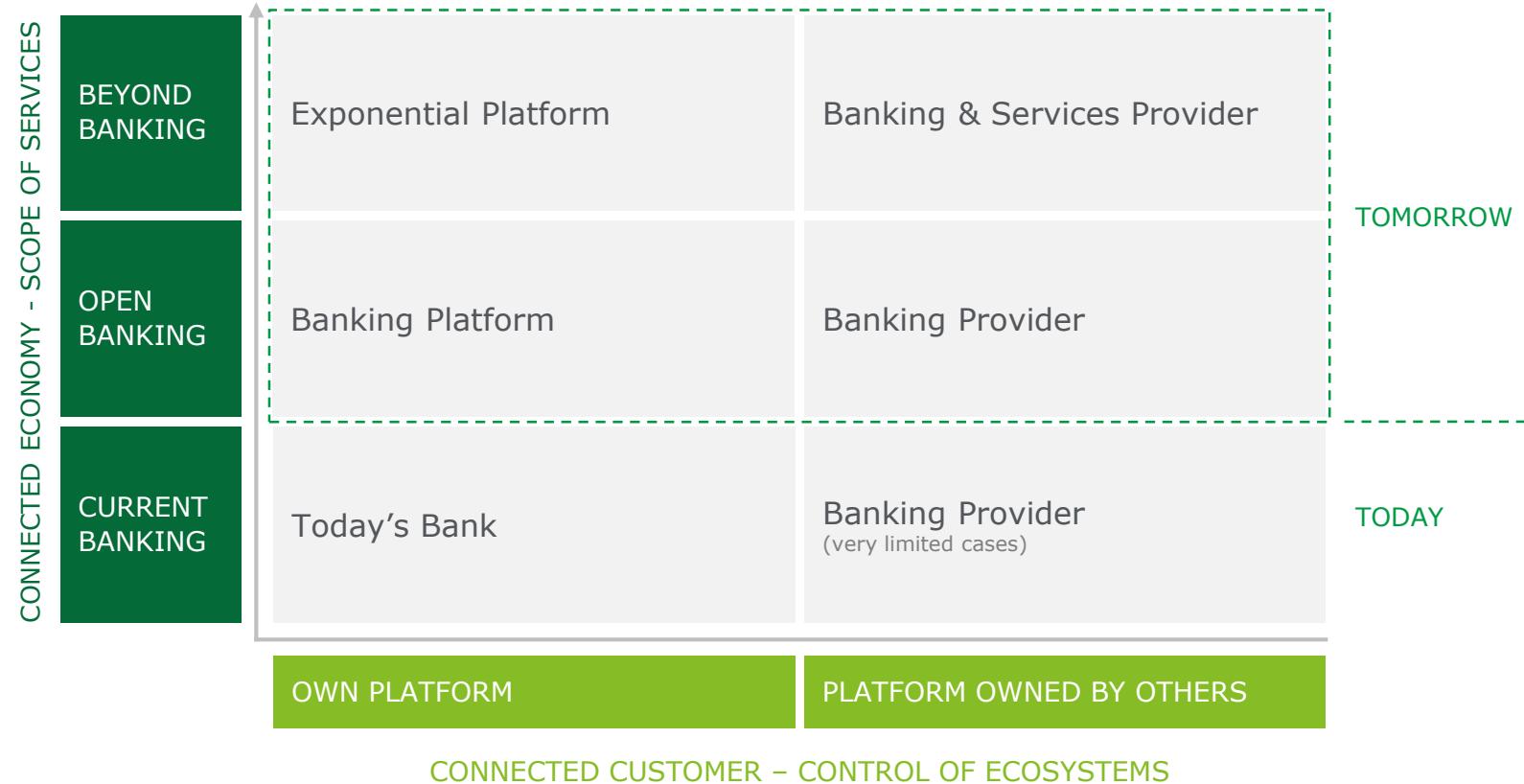
- Develop and maintain the backbone and infrastructure of financial products (e.g. payment system, bank accounts) that integrate into a coherent suite of (non-financial) services;
- Position as utility provider only.

# The “Bank of the Future” Model

On top of the 8 traditional strategic items, the digital revolution is opening up two key questions

- 1 What role do banks want to play beyond their traditional value chain/core business?

- 2 What role do banks want to play in the emerging ecosystem?



# Today's Bank (Current Banking on own platform)

## Examples



Description	Examples		
<ul style="list-style-type: none"> <li>Provide its <b>own financial services</b> on its <b>own platform</b>;</li> <li>Participate to a <b>closed ecosystem of mixed banking/financial services</b> to provide tailored solutions to its customers;</li> <li>Can make <b>selective partnerships</b> to extend its banking offering.</li> </ul>	Comprehensive suite of broad banking & insurance services	Bank	3 <sup>rd</sup> party
	 <p>Own insurance products Most banking players – e.g. KBC offered bank-insurance suite: the unique cooperation between KBC bank branches and insurance agencies in micro markets enables them to deliver a comprehensive product offering to clients focused on their needs.</p>	KBC	KBC
	 <p>Other's insurance products Most banking players – e.g. BNP Paribas Fortis offers AG Insurance in combination of its banking services. For instance, for the hospitalization insurance from AGI is distributed by BNP Paribas Fortis.</p>	BNPPF	AG
	Comprehensive suite of broad banking services: most banking players	DP	DP
	 <p>Most banking players – e.g. Degroof Petercam is combining its extensive expertise in Asset Management, Wealth Structuring, Estate Planning &amp; Investment Banking to provide tailored-made solutions to a.o. its private banking clients.</p>	Own the platform	

# Banking Provider (Current Banking on others' platform)

## Examples



Description	Examples		
<ul style="list-style-type: none"> <li>Provide its financial services on selectively-chosen platforms;</li> </ul>	Providing bank's infrastructure to enable payment solutions   BNP PARIBAS BNP Paribas has introduced WeChat Pay to retailers in some European countries, providing an opportunity for merchants to streamline the shopping experience for all Chinese tourists using WeChat. WeChat opened an office in London earlier this year and began talks with major European luxury and fashion brands and payments institutions to accommodate the brand at the checkout. Pierre Fersztand, global head of cash management at BNP Paribas, boasts: "We're now offering the most comprehensive range of payment solutions on the market aimed at the Chinese customers of our retail sector clients."	Bank	3rd party  BNPP      WeChat
Providing bank services on mobile platform	 Orange Bank has been launched in France on November 2. Within the first 10 days, 30.000 people had opened an account. Orange Bank is a typical example of a closed ecosystem: the new bank has been launched and is distributed by its parent: the telecom operator Orange. This bank hopes to continue extending its offering by leveraging cross-sell opportunities (e.g. insurances for telecom devices, consumption-credits, etc.)	Orange Bank	Orange
E-Commerce Platform	 Most e-commerce platforms have integrated payment services from others – e.g. Ryanair provides the option to purchase goods and services from its website, using the address and payment methods of the client's bank (such as credit cards or direct debit bank account).	All banks	Ryanair  Own the platform

# Banking Platform (Open Banking on own platform)

## Examples



Description	Examples	Bank	3rd party
<ul style="list-style-type: none"> <li>Develop and own a <b>digital platform</b> where <b>financial products</b> and services from the bank or from <b>third parties</b> are offered to the bank's customers;</li> <li>Can provide basic offering and <b>additionally source and/or resell (niche) third-party services</b>, integrating those services in the offer (or redirecting consumers to the third party i.e. a broker business model);</li> <li>Master <b>technical integration of APIs</b>, as well as <b>processing and analysis of third party data</b> (e.g. account aggregation);</li> <li>Manage <b>client intimacy</b>, client touchpoints and Moments of Truth, UI &amp; UX;</li> <li>Can also provide a "<b>digital marketplace</b>", where third parties can showcase and sell their products and services to the bank's customers.</li> </ul>	<p><b>Offering financial products &amp; services from other providers</b></p> <p><b>RBC</b> Royal Bank of Canada has teamed up with Wave to integrate invoicing, accounting and financial insights into its online business banking platform.</p> <p><b>RBS</b> Royal Bank of Scotland has launched a new automated lending platform in response to the emergence of P2P lending platforms. This "Flexible Business Loan" solution has been engineered &amp; developed by Ezbob (white-labelling).</p> <p><b>Nordea</b> <b>BARCLAYS</b> <b>WELLS FARGO</b> <b>CA</b> <b>CITI</b></p>	<b>RBC</b> <b>RBS</b> <b>Nordea</b> <b>Barclays</b> <b>Wells Fargo</b> <b>CA</b> <b>Citi</b>	Wave Ezbob <i>All kind of developers</i>
	<p><b>Opening up developer services API portal to co-create new banking products &amp; services</b></p> <p><b>Nordea</b> <b>BARCLAYS</b> <b>WELLS FARGO</b> <b>CA</b> <b>CITI</b></p>	<b>Nordea</b> <b>Barclays</b> <b>Wells Fargo</b> <b>CA</b> <b>Citi</b>	<i>All kind of developers</i>
	<p><b>Digital Bank</b></p> <p><b>solarisBank</b> Solaris Bank is a tech company with a universal banking license. They want to offer a full range of financial services through a range of FinTechs that they aggregate into one uniform service to the customer. The company built a technological banking platform for the needs of the digital economy.</p> <p><b>monzo</b> Monzo Bank is a digital mobile-only bank that wants to be open by building a bank with everyone. They want to become a "marketplace" (integrated with innovative financial services and technology providers). They intend to deliver a range of services and products that are not created by them.</p> <p><b>TANDEM</b> Tandem is a startup digital bank with a full banking license which focused on delivering a "platform experience/customer service" as opposed to product offerings. As such, they partner with best of breed offerings (not part of their core offering) and integrate those to their platform.</p>	<b>Solaris</b> <b>Monzo</b> <b>Tandem</b>	<i>All kind of FinTechs</i>
			<b>Own the platform</b>

# Banking Provider (Open Banking on others' platform) Examples



Description	Examples		
<ul style="list-style-type: none"> <li>Develop (niche) product leadership &amp; expertise;</li> <li>Position as a leading supplier of (certain) financial services (e.g. credits) on third-party platforms;</li> <li>Sustain preferred agreement/relationship with digital platforms that distribute their products and services;</li> <li>Must become hyper-scaled or hyper-focused.</li> </ul>	<p><b>Payments Platform</b></p> <p><b>TransferWise</b> TransferWise offers international money transfers (multi-currency) in a quicker &amp; cheaper way than what banks do.</p> <p><b>Revolut</b> Revolut offers pre-paid debit card, currency exchange, and peer-to-peer payments. Banks still provide the "accounts" but not the service anymore.</p> <p><b>Siirto.</b> Siirto is a multi-banking payment platform built on open interfaces for banks or Payment Initiating Service Providers (PISP) to develop and innovate new payment services for the users by providing access to accounts on any of the participating account holding banks.</p>	Bank <i>All banks</i>	3 <sup>rd</sup> party <b>Transferwise</b> <b>Revolut</b> <b>Siirto</b>
	<p><b>E-Commerce Platform</b></p> <p><b>amazon pay</b> Some platforms provide the opportunity to store bank information in their client account – e.g. Amazon Pay provides the option to purchase goods and services from websites and mobile apps using the addresses and payment methods stored in the Amazon account, such as credit cards or direct debit bank account.</p>	Bank <i>All banks</i>	Own the platform <b>Amazon</b>

# Exponential Platform (Beyond Banking on own platform)

## Examples



Description	Examples		
<ul style="list-style-type: none"> <li>Develop and own a <b>digital platform</b> where <b>all types of (connected) services</b> are offered to customers in a coherent suite;</li> <li>Master <b>operational integration of different services</b> to ensure smooth, convenient and delighting <b>E2E customer experience/service</b> (e.g. mobility offering connecting car manufacturers, leasing companies, car park owners, garage and maintenance, etc.);</li> <li>Manage <b>client intimacy</b>, client touchpoints and Moments of Life, UI &amp; UX.</li> </ul>	<p><b>Mobility Platform<sup>1</sup></b></p> <p> Millennium Bank offers a wide range of services on top of financial services. Among others its mobility solution allows to Buy bus tickets without the need to top up the app and pay for the actual parking time.</p> <p> Citi has launched "Citi Bike" in NYC, the largest bike sharing program in the United States. As of March 2016, the total number of annual subscribers is 163,865, with average of 38,491 rides per day in 2016.</p> <p> KBC Olympus Mobility is a platform that facilitates the use of mobility solutions for employees and the company mobility manager. The platform focuses on the Olympus Mobib card and a mobile app from which can be accessed various means of public transport (train, tram, bus), parkings (NMBS parking) and sharing systems (e.g. Cambio).</p>	Bank	3rd party
		Millenium	Different mobility actors
		Citi	N/A
		KBC	Different mobility actors
	<p><b>Relocation Platform</b></p> <p> KBC Expats in Brussels provide a wide range of services and practical helps to expats to quickly adjust and set up in Brussels: from daily banking (e.g. bank accounts &amp; cards), to mobility (e.g. suitable solution combining car, bicycle and public transport), innovative insurance solutions, housing (e.g. local regulations, bank guarantees, insurance for rental or credit solutions for purchase), help for entrepreneurs (local authorities, networking), etc.</p>	KBC	Different actors
	<p><b>Professional Network Matching Platform</b></p> <p> HSBC has opened a 'digital social network/platform' connecting buyers with suppliers around the world. As its corporate clients recognize HSBC Connections Hub as a trusted social network for business, it helps break down barriers for companies that aspire to forge new business relationships globally. Users describe their brand/company/services and a matching engine then highlights potential buyers and sellers in other markets.</p>	HSBC	N/A

<sup>1</sup> Belfius has launched a partnership with Touring; there is nothing exponential yet, but it may come as they planned to develop together digital solutions for their clients

Own the platform

# Banking & Services Provider (Beyond Banking on others' platform) Examples



Description	Examples		
<ul style="list-style-type: none"> <li>Develop and maintain the <b>backbone and infrastructure of financial products</b> (e.g. payment system, bank accounts) that integrate into a coherent suite of (non-financial) services;</li> <li>Position as <b>utility provider</b> only.</li> </ul>	<p>Real-estate Platform<sup>1</sup></p> <p> <b>nab</b> National Australia Bank embeds loans services in the property search market "realestate.com"</p> <p>Travel Platform</p> <p> Mastercard's MasterPass will soon be embedded in a travel-app developed by the city of London, enabling tourist to make in-app payments for tickets to major attractions</p> <p>Social Platform</p> <p> Standard Bank offers now the WeChat Wallet: a new way for you to manage payments with your mobile phone. You can add your debit or credit cards, get money sent to you from a friend and pay for goods and services at SnapScan merchants across South Africa. You can also buy airtime, electricity and any of the services in WeChat's growing ecosystem</p>	Bank NAB	3rd party <b>Realestate</b>
		Mastercard	<b>London App</b>
		Standard	<b>WeChat</b>

<sup>1</sup> Could Belfius consider doing the same as a next step for its service "Belfius Immo"?

Own the platform

# The “Bank of the Future” Model

## What will make banks successful in the future?



### Ecosystems are the new rule: be part of the winning platforms

Banks will have to **create or select the right platforms**, say those that bring the most **distinctive customer experience** and **hyper-personalised user experience**, based on the individual **customer context** (i.e. the right experience at the right moment in time/life). Technology and new partnerships will enable organisations to bypass traditional value chains.



### Leverage your strengths and play a key role in the platform

Banks will create and **lead** a platform, **or contribute** to another platform: it will depend on the ecosystem and the criticality of the **banks' key strengths in the ecosystem**. Preferably, banks should play a unique role in the **customer experience** as the power will transfer to the owner of the customer interface (e.g. collection and monetisation of data points, ownership of customer's touchpoints). **Data and analytics** will therefore play a key role. Pure manufacturers must become **hyper-scaled or hyper-focused**.

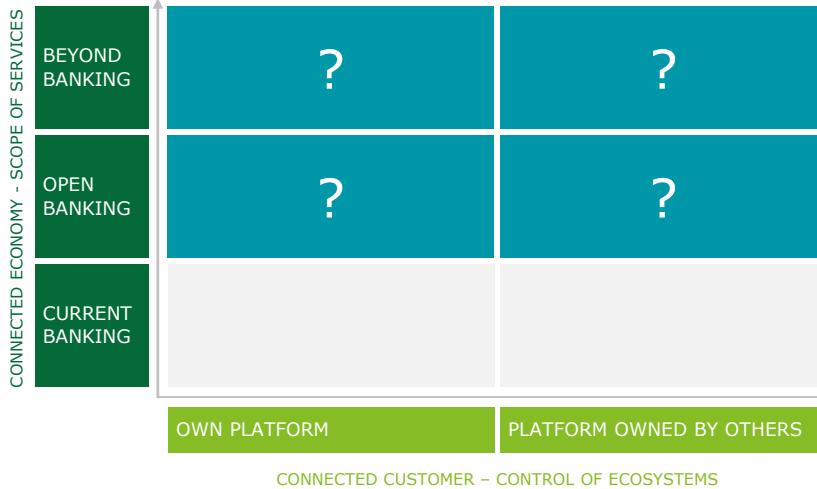


### Develop the adequate organisation and capabilities

Operating in an increasingly connected and fast-changing world is a **different business context**. Most banks have favoured scale to minimise risks, and not to maximise speed and creative freedom. The speed of change and the impact of digital forces banks to **rethink the way they organise activities**: they will have to develop a **new operating model** (more open and agile), **new sets of capabilities** and likely a **network of third parties** (cfr. supermarket of capabilities).

# The “Bank of the Future” Model

According to us, the hybrid model will likely be the new normal



## The hybrid model

likely the new normal, likely the most desirable, because:

### 1 No one can pretend to lead all ecosystems

Ecosystems require very different capabilities and players. It is likely that platforms will be built by players that have a strong brand permission for what really matters in the platform.

### 2 Leading the platform vs. contributing to the platform

Depending on the ecosystems, contributors will play a different role. Banks will have to truly understand the added-value of the customers' platform of choice, before determining the role they want to play in the platform. Being part of the winning platforms will matter most.

### 3 Everyone needs to play on their strengths and brand permission

In a highly connected world, everyone has to contribute based on their strengths, i.e. capabilities, skills, customer segments, operating model, brand, etc. Playing on their strengths will optimise the success of the platform and the speed of execution.

While banking will always be necessary in the future, banks will need to adapt to tomorrow's world while preserving their three core assets if they want to sustain their relevance



### Trust

People will only make deposits and share their personal information with a third-party provider that they already trust, with which they already have a relationship.

The tipping point might be when a large network of people trust a third-party provider.



### Risk management

Banks are essential intermediaries between risk and their stakeholders. FinTechs are not taking over this essential role in the economy.



### Customer experience

In many countries (and especially in Belgium), banks still have the largest salesforce of any commercial company. Focusing on client relationships, service and on trust will be the key asset of the future.



Banks need to shed their past and image as 'incumbents'. It is not just a matter of platforms. The big challenge is **changing an incumbent into a new digital company.**

F. González, Chairman BBVA

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