

The ecosystem imperative

Platformization: new models of financial
service development and distribution

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Executive summary

Strategic impacts of platformization in finance

This report, a collaboration between The Institute of International Finance (IIF) and Deloitte builds on the insights we have received from dozens of senior and C-suite executives, transformation leaders, investors, regulators, thought leaders, and government officials we have interviewed over the past three years¹. It is the third report in our series on financial services ecosystems and covers the analysis of the platformization phenomenon in the financial services sector. In this report, we identify the trends driving this emerging development, outline the archetypes of platforms that are likely to take shape in the coming years, the roles and competitive dynamics of key stakeholders, as well as the internal and external conditions for platforms to succeed. We have also explored key themes such as data policy, the development of new digital business models, and the rise of multisector super-apps in certain geographies.

This report builds on our [two previous studies](#) which also look at the impacts of financial ecosystems across the financial services industry: “[Digital transformation of financial services and moving from open banking to open data](#)” and “[Embedded finance customer relationships and value web dynamics](#).” Today, the ubiquitous embedding of financial services across different platforms (e.g., e-commerce platforms) is a reality, driven by greater access to safe, secure, relevant data through policy, competitive, and technological evolutions e.g., application programming interface (API). Taken together, these developments and others are shaping new ecosystems inside and outside of financial services, and influencing how different actors interact with each other.

The key takeaways from this report include:

- Many globally successful platforms share a few features in common:
 - They allow a relatively large number of users to connect and interact—in general, ecosystems benefit from Metcalfe’s Law (that is, increasing returns to network scale).²
 - In some cases, to attract a critical mass of initial users they commence by subsidizing certain types of users (e.g., customers that acquire products or services, or those selling products or services).
 - They take advantage of positive data flywheels in the most efficient way to grow their understanding of customers’ needs and grow their business.
 - They provide a great user experience (UX) and easy-to-use technology.
 - They benefit from economies of scale and/or scope and network effects.
 - They build their relationship with customers based on reliability (e.g., products are delivered on the expected date, the cost of the service is known beforehand, and the service experience is repeatable).

- There are different ways to categorize platforms. One is to draw the difference between so-called transactional platforms, innovation platforms, and mixed platforms.³ In the realm of financial services, we can also differentiate amongst the platform initiatives from incumbents, bigtechs and fintechs, or pure technology companies, although partnerships also have a very relevant role here.
- Financial Institutions (FIs) are approaching platformization with different strategies. Some are embedding their services in others' platforms, some are partnering with different stakeholders (e.g., pure technological companies) to launch their own platforms—e.g., to serve their customers, or even, to serve other FIs that do not organically incorporate (or do not want to devote resources to) all the capabilities they need for their businesses. Some are in “wait and see” mode as they do not see themselves as orchestrators of a digital ecosystem, and others still are pushing ahead with aggressive platformization strategies.
- The next generation of internet (Web 3.0) will shape the next wave of platforms, and will shape how customers interact, pay, or receive credit.
- While the super-app phenomenon is very strong in certain geographies (e.g., Asia), it is not universal. How and when platforms arise in each geography, together with cultural differences and regulatory questions such as antitrust laws, defines the potential success of these super-apps.⁴
- The rapid deployment of Generative AI, and large tech platforms advantages with these tools, will drive and shape platformization trends in the future.
- We draw some hypotheses regarding this platformization phenomena in finance:
 - Platforms will drive further opening of the “product shelf,” including also financial services or products from third-party entities.
 - Scale advantages will drive consolidation and limit the number of permissible winners.
 - The size and scope of an FI will shape its platform strategy, and we will see some FIs rendering services to other FIs through their platforms (through the changing paradigm of competition vs. collaborate).
 - Optimizing for customer engagement will reinforce or shift the importance of product categories.
 - New models will arise and consolidate (e.g., financing models for the circular economy).
 - Data policy, and whether trusted data flows are supported or not will either allow the scale of FIs participation in the platformization ecosystem, or will prevent them from doing so, or hinder their capabilities.
 - Some authorities are looking to enhance competition in digital platforms by allowing third parties to (1) extract benefits from wider access to data (similarly to potential benefits derived from open finance and open data), and (2) granting third parties access to technological infrastructures (i.e., near field communication (NFC) technology).
 - Trust will continue to be an essential ingredient for customers to use platforms.
- Based on the observed phenomena of the platform economy, we see four different platform archetypes emerging in the market:
 - Marketplace platforms
 - Trusted intermediary platforms
 - Journey navigator platforms
 - Infrastructure platforms

Context and overview

What is the platform economy and what does success look like for platforms?

Over the last twenty years, we have observed the substantial growth of new, digital platforms—many of which have revolutionized existing industries or created entirely new ones. In many cases, these platforms started from humble beginnings. Facebook (now part of the broader Meta platform) was initially founded as a means of communication between Harvard students, and in its first year of life aspired to perhaps be widely used across the Ivy League.⁵ However, in many such cases, platforms have demonstrated the ability to scale rapidly and successfully, often permanently altering market dynamics.

What do successful digital platforms have in common? Through our research, we have identified a few key characteristics of all successful platforms:

- **Connectivity:** Platforms easily connect a large number of users, allowing them to interact with each other on the platform.⁶ In general, platforms are subject to scale economics—growth of users and offerings on the platform begets additional growth. One of the main challenges that platform orchestrators face in the early stages is the paradox associated with attracting critical mass. For example, to attract buyers of goods or services on a platform, the platform needs to already have a relevant number of sellers with interesting offers. At the same time, incentivizing sellers to participate on the platform requires a large number of active customers. Hence, many platforms tend to initiate their activity by subsidizing the presence of one of the sides to attract the other.
- **Data and Artificial Intelligence (AI):** Data serves as both the raw material generated by platform activity, but also a critical input that helps enhance offerings delivered by the platform. Data, too, is subject to scale economics and a positive ‘flywheel’ effect. The more data the platform generates, the better it will be at tailoring offerings to customers, which begets new customer growth and relationship deepening. This dynamic will be strengthened by the rapid development of AI.
- **User Experience (UX):** Today’s digital platforms are often characterized by a particularly enhanced UX, backed by scalable, modern technology. They are generally easy to access, simple to navigate, inspire frequent user engagement, and funnel users to useful offerings in few clicks. UX and data analytics allow for a better understanding of customers’ behavioral trends so the platforms are able to provide a more personalized experience and keep on driving and adapting, depending on the case, to customers’ preferences.
- **Cloud architecture:** Cloud plays the role of an important enabler to platformization. Many platform orchestrators are cloud-native, while others have migrated their critical applications to cloud. Cloud gives platform orchestrators the flexibility to scale quickly and seamlessly, limits friction associated with expanding offerings, and promotes resiliency.



“There is a direct relation between the quality of the service you render and the tools you use”

Chief platform officer of a European banking group

- **Trust:** Trust is key to keeping customers continuously attracted and engaged with the platform. Trust can be built (and destroyed) based on the type and quality of services offered, the reputation of the platform orchestrator or its partners, and the outcomes that users are able to achieve based on using the platform. Trust can also be based on the way the platform treats users' data, and the wide availability and easy access of some services.



"Trust is the precondition for the platform to be able to function. Also, what generates customers' trust may differ depending on the market and the context. Some customers (corporates and consumers) trust financial platforms for being part of a wider and reliable financial group, or for being quick and effective in innovating and offering solutions, or for having great financial results."

Chief technology officer of an international paytech platform

- **Barriers to entry/competitive advantages:** Successful platforms accumulate vast amounts of data and have sophisticated systems to analyze and manage this data, which creates a competitive advantage derived from scale. Other characteristics already mentioned above may also contribute to a platform's competitive advantages.



Economies of scale

Higher scale of the product or service that implies a cost advantage for the platform (a reduction in average cost production).



Economies of scope

Lower cost of production for those platforms that offer different goods or services, especially in comparison with different companies producing each product. It tends to be easier for platforms to enter into new adjacent markets or industry verticals given their existing market presence and reach.



Network effects

The bigger the network, the bigger the users of both or multiple sides of the platform, the bigger the value or utility for those who use it.



"The type of relationships built around platforms have a key component: symbiotic relations. If the relationship between two partners is symbiotic, then we have a partnership and an ecosystem; if not, we only have a vendor-buyer relation. (...) These kinds of dynamics are not a problem unless one of the parties has a monopolistic or oligopolistic power."

Head of partnerships of a multinational financial services company

Other common characteristics found in platforms are:

- **Social:** Many platforms include capabilities for different users to interact amongst themselves; in many platforms that were developed in Asia, the platforms started out as social messaging apps (e.g., WeChat)—see section titled “how is the platform economy manifesting in financial services?” for a deeper dive on super-apps.
- **Developer incentives:** Open platforms allow third-party developers to be part of their ecosystem by creating new capabilities or applications that are connected to the platform and offered to the platform users. Application programming interfaces (APIs) (as explained in the preceding reports in this series) play a relevant role here.
- **Customer centricity:** Putting the customer in the center, understanding their needs, and then designing the platform with consideration for how to best serve the customer is part of their strategy. This relates to the previous point regarding UX.



*“I must be able to adapt my service to my client’s convenience.
My challenge is to do it in real time.”*

Chief technology officer of an international paytech platform

The digital platform phenomenon has many ramifications for the financial services industry. We have seen how financial services are being embedded in third-party commercial propositions, taking many forms across digital platforms, but we are also observing how financial entities are in some cases creating their own platforms and are otherwise participating in other large platforms, and for many different purposes.

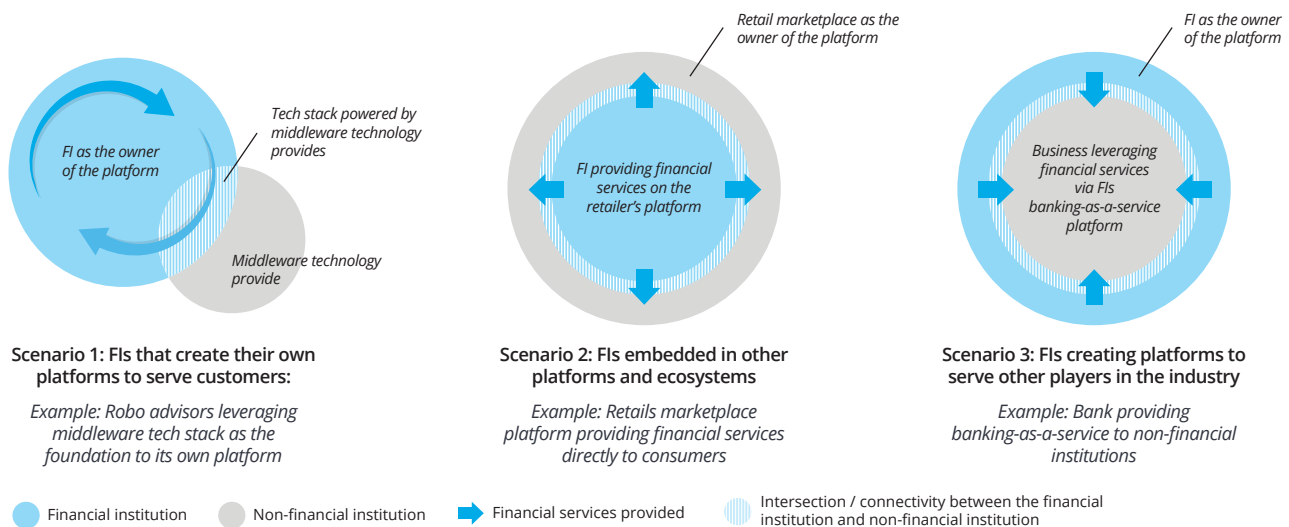
How is the platform economy manifesting in financial services?

We have observed the financial sector interacting with the platform economy in different ways (refer to Figure 1):

- **Scenario 1: FIs that create their own platforms to serve customers:** FIs may create these platforms on their own, or in partnership with expert technology companies)
 - These platforms are specialized to render specific financial products and services to their customers, and exist across different financial services sectors:
 - Wholesale and corporate platforms: trading venues, information platforms, etc.
 - Insurance platforms: aggregators, brokerage, etc.
 - Private banking and asset management platforms: connecting customers with asset managers, robo-advisors, etc.
 - Retail banking platforms: global platforms of banks rendering services in different markets, comparing and intermediating the sale of financial products such as deposits, mortgages, etc.
 - **Market example:** BlackRock’s Aladdin end-to-end investment management platform connects asset managers and asset services with added data capabilities in partnership with Snowflake through the Aladdin Data Cloud.^{7,8}
- **Scenario 2: Financial services embedded in other platforms/ecosystems (e.g., marketplaces, retailers, super-apps):** rendered by FIs, created by the same platform (e.g., they start as retailers, and then they move to render certain financial services). In many cases, these platforms are known as “super-apps”—refer to sidebar for a spotlight on super-apps.
 - **Market example:** From its launch as a motorcycle-taxi hailing app, Indonesia-based Gojek has since expanded its product portfolio to offer financial services including digital wallets, Buy-Now-Pay-Later (BNPL), insurance, investments, and more.⁹

- **Scenario 3: FIs that create platforms to serve other players in the industry:** In this scenario, while the FI is the owner of the platform, it does not own and interact with the customer directly, but rather acts as the middleware provider.
 - For example, a bank may create a banking-as-a-service (BaaS) platform, and render the back-end banking services to a retailer to embed financial services on the retailer's platform.
 - **Market example:** Standard Chartered, through Audax, offers BaaS solutions to non-FIs; their product suite includes basic banking and lending products as well as user interface (UI)-based rewards and a pricing engine.¹⁰

Figure 1: Three scenarios of FIs use of platforms



Source: Deloitte & IIF analysis

“There are several definitions of platforms” (...) “what do platforms do? They (1) provide best in class interfaces, (2) connect whatever product-financial or non-financial-merchants want to sell in the platform, (3) design and run APIs that allow merchants to promote their products, (4) create a bridge so merchants and customers can communicate”

Chief platform officer of a European banking group

Also, according to the Bank of International Settlements (BIS), we can observe the growth of three types of platforms in the financial services industry depending on who develops and launches them:¹¹

1. Fintech entrants
2. Bigtech firms
3. Incumbent FIs with platform-based business models.

“There are so many players providing financial services, not only fintechs, but also other companies like telcos and e-commerce platforms, offering financial services through their platforms, that if regulators don't allow FIs to offer non-financial products, then it is not fair. Because other sectors are moving toward building ecosystems that touch on financial services, and the FIs are called to do the same.”

Principal digital specialist at an international FI focused on emerging markets

Super-apps

According to the World Bank, super-apps are “applications that encompass multiple different services and attempt to be a single point of entry and consolidation for a variety of user needs.”¹² They are viewed as a “one-stop shop” where users log on frequently due to their wide offering of capabilities and services (e.g., in many cases they log on every day as part of their daily routines). Such super-apps are characterized by an enhanced UX, convenient offerings gathered in one place, and a sophisticated use of data through the different services or applications they provide. In many cases, they have been built in a modular way, benefiting also from composability characteristics (as described in our previous report on [Embedded Finance](#)).

They interact with financial services in many ways, sometimes through partnerships and sometimes by offering their own (sometimes unregulated) services. They offer payment solutions, ranging from traditional to less widely used solutions (e.g., BNPL, crypto). Beyond payments, some platforms also offer lending, insurance (e.g., solutions to cover the risk emerging from their services or goods), or investing solutions, which require a higher degree of sophistication.

In some cases, they allow external developers to create new apps and content, and to connect them through APIs (e.g., API marketplaces).

However, are these huge platforms called super-apps a solution that works in all markets? They have succeeded in some geographies like Asia, but not so in Europe, or North America, no doubt in part due to differences in existing infrastructure and differences in regulation. According to professors Dan Prud'homme (Florida International University), Guoli Chen (INSEAD), and Tony W. Tong (University of Colorado), there are many reasons that could explain why Asia-based super-apps have not yet succeeded in the United States. Some of these reasons include the origin of US bigtech apps as specialized apps, differences in cultural dynamics affecting consumers and different audiences, the risk of self-cannibalization of part of a business, and certain infrastructure limitations and other financial reasons.¹³

Figure 2: Monthly active users of key Asia-based super-apps, 2023



Source: [Statista](#) (2023)

Platform economy and finance developments

Where are we?

Many dominant platforms we use today—including those that offer financial products and services—were originated outside of the financial services industry. In these cases, platforms started as non-financial offerings but, over time and thanks to adjacent innovations such as “as-a-service” models and embedded finance, started integrating financial services to give consumers an easier way of acquiring the products that are at the core of those platforms. For instance, there are several platforms that started as e-commerce sites that, over the years, began offering financial services to complement their original value proposition and improve UX (e.g., financing for the suppliers of the e-commerce, insurance on the delivery of the products bought through the platform, etc.). These platforms have grown over the years, where in some cases, “some technology service providers have become so big in some jurisdictions that FIs simply cannot choose not to participate in their platforms,” according to the Global head of partnerships at a global bank based in Europe.

Even though there are some non-financial players still adding financial services to their platforms, “we are seeing some big non-financial players retreating from offering financial services, maybe because they have realized that offering our services requires a lot of regulatory and compliance background that is quite heavy” (Global head of partnerships at a global bank based in Europe).

Other types of platforms are being built by FIs using financial services such as payments, lending, and/or insurance as primary offerings and then adding products or services from other sectors into their ecosystems. In this case, many of the most scaled FIs are leading the efforts in building platforms, leveraging their existing apps/websites and broad customer base to efficiently connect consumers’ offerings. In the words of the head of innovation at a global payments company “there are some financial services that are, in essence, networks whose nature makes them connected to many players, and from there, it is not a huge jump to get into platforms and adding services to those networks, whether to serve the players that are connected to those under-the-surface-networks, or whether it is to try and serve the end-user.”

In these cases, one of the trends that is being used by FIs all around the world consists of “building through adjacency” strategies; “making sure that the new parts of the ecosystem fit properly with the existing parts of the ecosystem that are well-known to the company” (Chief innovation officer of a financial holding company based in Hong Kong).

The head of partnerships at a global bank identified a key component for building relationships around platforms: “symbiotic relations. If the relationship between two partners is symbiotic then we actually have a partnership and an ecosystem; if not, we only have a vendor-buyer relation.”

Certainly, this idea is shared by many of our C-suite interviewees. In the words of the chief innovation officer of an international insurer based in Asia “something like 35-45% of all the new financial clients come from internet ecosystems.” Additional details on the benefits of ecosystems, particularly from platforms, are gathered in the next section of this report.

This is happening in an environment that is focused on making it easier for the customer to achieve what they want or need to do. A digital finance specialist at a global multilateral agency stated that “partner-journeys are gaining importance since FIs are looking to attract not only end-customers but also partners that align with certain cultural and corporate values.”

Similar to other initiatives mentioned in this series (i.e., [open data](#) and [embedded finance](#)), roles in the platform ecosystems are not fixed; in fact, the chief digital solutions officer for Europe at a Global Systemically Important Bank (G-SIB) expressly shared in one of our interviews that “we might be a platform in some cases, and orchestrate the ecosystem; but in some other cases we might also end up being participants.”

Implications of the platformization model for different stakeholders

Building platforms and connecting multiple participants with each other have clear benefits and challenges for consumers, regulators, and the private sector, in the words of the head of innovation at a global payments company “[there is a] need for interoperability, which is set to keep improving because, even if everyone wants to have the possibility of doing complete operations and transactions in one place, not everybody wants to make connections with everybody else. And yet, having connections to everybody else vastly increases the value of whatever it is that you built.”

Given that trust is considered to be the “main asset” by many leaders of FIs, a big challenge emerges when various players are connected to one ecosystem or to one player. In the words of the head of digital and transformation at a G-SIB, “A big challenge for FIs is, if FIs lose the direct relationship with their customers, how can they ensure that customers’ trust is kept.”

The challenges faced by FIs and non-FIs when building platforms also present an opportunity for innovation and collaboration rarely seen before. As a high-executive and board member of a G-SIB puts it, “when big, trusted and heavily regulated institutions (such as FIs) connect with others from a simpler background, we see a clash of cultures and then, beauty comes from that clash of cultures.”

Building platforms should be about how to put in motion a strategic decision for reaching new customers, leveraging economies of scale or adding value to known value-propositions. Hence, thinking through the strategic considerations for building platforms plays a key role. In the words of the head of transformation strategy at an insurance company with operations in +150 countries “when building platforms and ecosystems, companies need to make sure that what they build actually creates and leverages economies of scale instead of just adding items that add complexity to existing ecosystems.”

Another challenge faced by FIs is directly linked to the regulatory environment. In the voice of a chief ecosystems officer at a financial group with significant presence in Latin America and the Caribbean: “Having knowledgeable regulators makes it easier for the market participants, whether FIs or non-FIs, to connect and put forward innovative solutions or ecosystems that end up benefitting the end-customer.”

Below, we included a summary of the main benefits and challenges of the platformization model, for platforms, the market, and users in general. The below chart does not intend to reflect a comprehensive list, but rather to compile a few of the potential benefits and challenges from different perspectives:

For	The platform itself	The market	Users
Potential benefits	<ul style="list-style-type: none"> Economies of scale and scope and network effects. Access to a great amount of data and the development of AI tools. Innovation and hybrid platforms (as described below) tend to attract innovation from third parties (e.g., developers). Bigtech platforms, being a captive ecosystem in some cases, could perform better than banks at enforcing loans repayments because of the threat of exclusion from the platform for non-payment (BIS).¹⁴ 	<ul style="list-style-type: none"> Cost lowering and improvement of financial inclusion: e.g., according to World Bank Findex, platformization together with other digital solutions such as digital ID- has been a driver for account access.¹⁵ 	<ul style="list-style-type: none"> They access different services when and where they need them, in many cases, in a faster way. Better UX and convenience through finding multiple value offerings in one place. Consumers are able to discover new services or products that can add value to their overall experience in the platform.
Potential challenges	<ul style="list-style-type: none"> Data management and privacy compliance. Competition law compliance. In many jurisdictions, both regulators and supervisors are taking a closer look at platforms' behavior to avoid dominant position abuse. E.g., some practices to be taken care of in the platform environment, such as self-privileging platform's own products over other providers' products. Limiting access to certain infrastructures. 	<ul style="list-style-type: none"> Entry barriers for other competitors. In some cases, lower negotiation capacity when in front of the platform orchestrator. 	<ul style="list-style-type: none"> In some cases, users might lose direct contact with the financial entity rendering the service or offering the financial product, which might make it more complex for them to know whom to address their questions and concerns.

Next generation internet and the future of platforms

As the IIF explored in its report on “Decentralized Finance: use cases, challenges and opportunities”, some entities envision that the metaverse could move toward becoming the next iteration of the internet, where the platforms we know today may cease to exist.¹⁶ In other words, the metaverse itself could be considered a type of platform where customers and companies will converge to engage with each other in the future.

While in many cases, Web 3.0 and the metaverse are inextricably linked to the idea of decentralized finance (DeFi), it does not necessarily have to be that way, as it is likely still too early in the development of this technology and idea to know precisely where it will land.

Still, many questions need to be answered about interoperability. For example, we tend to talk about the metaverse as if it were one sole technological platform, an unambiguous concept. but there are currently various technology providers offering different virtual environments that aim to be “the metaverse.”

What is certain is that any new iteration of the internet that changes the way the internet works today will affect the way financial services are rendered through this channel, as well as digital commerce and other types of interactions. Digital identity, as well as data portability questions and other data consent systems, will be embedded within the next generation of internet to facilitate transactions as well as services accessibility.

Notably, for the moment some FIs have opted to open virtual branches at some of the most well-known platforms in the metaverse in an effort not to miss potential advances and be ready to innovate and offer solutions.

Emerging hypothesis

Looking towards the future, we expect platform models to evolve to play an increasingly important role in the financial services landscape. As these models continue to proliferate, they will impact competitive dynamics in the industry and provoke a multitude of strategic responses.

Specifically, our research points to four key structural developments:

Platforms will drive further opening of the “product shelf”

As we explored in our previous reports in this series, a series of complementary developments—including open data and infrastructure initiatives, embedded finance, and “as-a-service” models—are making it easier for non-FIs to provide financial services (either directly or indirectly). Many of these players will have existing large, captive audiences, and see the provision of financial services as a means to boosting engagement, tapping into new revenue streams, and/or better orchestrating customer experiences (amongst other benefits). They will also have few preconceived notions about the shelf of products and services they offer, instead focusing on meeting the needs of their consumers. In doing so, they may offer products from multiple institutions at once (i.e., a multitenant strategy), white-label their own products in some categories, and provide a means of comparing products across providers. Some may also choose to develop an advice layer that helps guide consumers into optimizing their financial portfolio across multiple providers. Therefore, incumbent FIs wishing to compete on the basis of providing their clients with trusted advice and financial optimization—or those wishing simply to provide increased optionality to their clients—will be forced to reckon with the decision of whether to open their product shelves to third-party manufacturers and manage client outcomes across a spectrum of on-us/off-us offerings.

Advantages from scale will drive consolidation and limit the number of permissible winners

For the most part, platforms are models that operate at scale and are subject to strong network effects. The more customer scale a specific platform has relative to peers, the more likely it is to attract lucrative strategic partners and propositions. This in turn drives data advantages, which leads to better, more targeted offerings, and ultimately, more customers. At the same time, in a digital world, user attention is finite. Consumer digital activities tend to cluster around fewer, larger platforms that capture an outsized portion of mindshare. Taken together, the combination of increasing returns to scale and finite mindshare will drive down the number of permissible winners—especially in mass-market product/service categories. This has two implications: 1) outside of the largest universal FIs with existing highly engaged customer bases and tremendous scale, orchestrating a mass-market platform will be a competitive challenge; 2) non-FIs who orchestrate large platforms and seek out FI partners will have considerable supplier power.

The size and scope of an FI will shape its platform strategy

Given the outsized returns to scale that we expect will guide platform economics, smaller FIs may find it difficult to compete in the sense that it may be difficult to orchestrate large, ubiquitous platforms. Further, outside of those providing unique, niche or specialized offerings (e.g., specialty lending products like green mortgages), they may also find it difficult to consistently participate profitably in large ecosystems as embedded finance and open data increase the number of competitive offerings and promote enhanced product discovery. Therefore, we expect smaller FIs to focus on engaging with highly targeted platforms (e.g., based on a specific segment or customer need), doubling down on substantially differentiated products/services to limit replicability and ultimately margin compression, both protecting and deepening customer relationships.

Optimizing for customer engagement will reinforce or shift the importance of product categories

Given the returns to scale, data and AI that drive many platforms, a large and highly engaged customer base (e.g., frequent, even daily touchpoints) is a key success factor. However, as we have discussed before, financial products and services are, for the most part, a means to some end in the real economy—a job that a particular customer wants to be done (e.g., living in an affordable space, insuring a vehicle so it can be driven). It is therefore difficult for them to inspire the kind of emotionally driven traffic frequency that other offerings do (e.g., social media, e-commerce). Some FIs looking to develop winning platforms look to solve this problem by embedding a range of non-financial products that both drive interaction frequency and collect useful data about the customer. Nonetheless, with the advent of low/no-cost direct investing platforms, the increased interest in and gamification of many direct investing applications drive frequent daily visits from their most active users¹⁷. Loyalty products, which allow users to collect points for their transactions and redeem them for rewards (similar to e-commerce), can also inspire this kind of behavior, especially if rewards categories or options are rotated often.

Furthermore, we expect the three emerging developments to continue exerting influence:

- **New business models will continue to arise from the use of platforms:** When considering the “circular economy” and platforms devoted to it, financing models for these activities may evolve as new business models materialize.¹⁸
- **Data policy, data flows and AI, as well as competition regulation, will continue to shape how platforms unfold in different jurisdictions:** This will include the contents of platforms, the merging of activities between different platforms, the accessibility to data and infrastructure from third parties, and a host of other dynamics.
- **New technologies will continue to shape how we interact with platforms:** Virtual reality, Web 3.0 and quantum computing (among others), will shape, how customers and businesses interact on the platforms that are being built, and on those that are yet to be built.

Archetypes, main players, and responsibilities

Our conversations with leaders in financial services suggest that four platform archetypes will emerge in the industry. Each platform archetype will play a different role in connecting consumers to products and services to meet their needs, and each will come with a unique set of competitive dynamics and success conditions. In some cases, these platforms may be controlled by incumbent FIs. Increasingly, however, adjacent innovations—such as open data and payment rails, embedded finance, and “as-a-service” architectures—are creating the conditions for non-FIs to interact with the dominant platforms in financial services.

As we have explored in previous reports, depending on who is on each side of a particular platform, they can be categorized as B2C (business-to-consumer), B2B (business-to-business), C2C (consumer-to-consumer, such as crowdfunding platforms), B2B2C (business-to-business-to-consumer) and B2B2B (business-to-business-to-business).

The four archetypes that will emerge include:

Marketplace platforms

Marketplace platforms exist to provide consumers with a ‘one-stop’ experience across multiple product and service categories, including financial and non-financial offerings. They aim to drive outsized engagement (e.g., multiple visits per day) by being a single place for consumers to solve a wide range of daily needs, from making payments and checking investments to ordering dinner and hailing a ride. These platforms can be organized both as open-loop marketplaces—where offerings from many different third-party providers are aggregated and distributed by a marketplace operator—or more closed-loop marketplaces—where the marketplace operator is also the manufacturer of all, or a substantial number of, the offerings. In the literature, Professors Gawer, Cusumano and Yoffie would call these “transaction platforms,” which are largely intermediaries or online marketplaces that, as described in other sources, make it possible for people and companies to share information or to buy, sell, or access a variety of goods and services.¹⁹

Examples of marketplace platforms include the so-called ‘super-apps’ that have become popular, especially in some Asian markets (e.g., Grab in Southeast Asia or Kakao in South Korea).

“Trusted intermediary” platforms

Platforms that play the role of a “trusted intermediary” act as a front-end interface that consumers trust to mediate how they interact with the world around them. Most commonly, their value proposition is based on looking after the consumer’s best interests by helping optimize decision-making, including providing financial advice (e.g., optimizing spending and saving), business advice (e.g., helping find tax efficiencies), or brokering trust (e.g., providing digital identity services). Generally, trusted intermediaries don’t distribute products of their own—instead, they earn brokerage fees from product/service providers (i.e., by matching these providers to targeted consumer needs) and service fees from consumers (e.g., periodic fees or percent of assets).

Examples of platforms that play this role include personal financial management software such as Wealthfront, or business accounting platforms such as Xero.

Journey navigator platforms

Journey navigator platforms provide end-to-end financial and non-financial solutions against one or more customer ‘journeys’ (i.e., specific, multiple-touchpoint activities, such as buying a house or planning for retirement). Similar to marketplace platforms, the owners of journey navigator platforms may distribute some combination of organic and third-party products. The key difference is that journey navigator platforms generally target a narrower set of offerings that are tied to specific outcomes, and thus don’t necessarily drive long-term, outsized engagement.

Examples of journey navigator platforms include Domain, an Australian home-buying platform that has expanded to offer mortgage refinancing, agent matching, and other related services.²⁰

Infrastructure platforms

Infrastructure platforms provide an underlying technology layer (including software and hardware) on which financial services applications are built. These platforms can take many different forms, including hardware/operating systems (e.g., iPhone/iOS, Android®), open APIs, “as-a-service” offerings, and data/value transfer rails.²¹ This is certainly the broadest category of platform, and also the most traditional—FIs have been leveraging technology infrastructure to scale their reach and increase efficiency for decades, if not centuries. These are also called “innovation platforms” in the academic literature, which provide common technological building blocks that the owner and ecosystem partners can share in order to create new complementary products and services.²²

Examples of infrastructure platforms include Grasshopper Bank, a NYC-based digital bank that offers BaaS solutions to businesses in addition to their core banking and lending suite that caters to small businesses, startups, venture capital, private equity (PE) firms etc.²³

However, three fundamental shifts are changing the relationship between FIs and infrastructure.

- First, FIs are becoming infrastructure providers themselves, to peers and new entrants alike, opening up new revenue streams. This includes BaaS platforms that help non-FIs quickly scale and distribute financial services, or BlackRock’s Aladdin investment management platforms, which gives smaller players scaled, right-sized access to best-in-class capability.
- Second, financial services are becoming more deeply embedded into otherwise agnostic infrastructure platforms (e.g., Apple Pay®, Shopify Capital), blurring the lines between financial and non-financial service providers.
- Finally, a nuanced shift is occurring in the objective of infrastructure platforms—from a means of helping FIs to deliver their offerings better, faster, cheaper, and to more consumers, to a means of delivering financial services better, faster, cheaper, and to more consumers (regardless of where the FI sits in the value web). Many traditional market infrastructures—e.g., payment rails—are explicitly choosing to allow new, non-incumbent participants to innovate on top of them. For example, Canada’s Payments Act is currently being amended to expand infrastructure access (e.g., to the upcoming real-time rail platform) to payment service providers and other non-bank entities.

Roles and responsibilities of platform actors/stakeholders

In sections titled “how is the platform economy manifesting in financial services?” and “archetypes, main players, and responsibilities”, we explore scenarios where FIs as the manufacturer of the financial product/service may not be the platform owner but could also contribute those products/services to a platform owned by another entity. While organizations (including FIs) may play different roles across different platforms, there are a few main roles that are standard across the various archetypes of platforms as mentioned above.



Platform owner or orchestrator:

- Owns and manages the platform and the customer journey.
- Develops and designs the platform capabilities and features, potentially in collaboration with middleware partners (i.e., assembled components vs. building capabilities in-house).
- Facilitates the exchange of services between the customer and the platform contributors.



Platform contributors:

- Own and provide the offering that is made available on the product shelf to customers, and may own any risk management (e.g., Know-Your-Customer [KYC]) or ongoing servicing related to the product.
- Provide value-added services to customers.
- Provide strategic consultation to the platform owner (in cases where contributors are viewed as strategic partners).



Middleware providers:

- Provide and maintain the underlying technology stack to the platform owner.
- Continuously upgrade and enhance capabilities to ensure infrastructure is up to date.



End users:

- Access and consume the products and/or services provided on the platform, that are offered either by the owner/orchestrator or contributor(s) of the platform.
- Depending on the platform revenue model, end users may also be the primary customers, who pay a fee to the platform owner/orchestrator to use the platform.

Access to data and access to infrastructure

Some of the capabilities that help enhance the position of platforms:

- access to and management of data, including commingling of data from many sources and business; and,
- in some cases, proprietary infrastructure (i.e., it can be software such as stores, Near Field Communication [NFC] technologies, etc.).

We are observing a trend in some jurisdictions of regulators revisiting competition law (some of them with ex-ante criteria) in light of the emergence of new, large platforms (especially those which the regulators consider to demonstrate “gatekeeping” or other anticompetitive behaviour). These new legislations tend, in some cases, to request from those gatekeepers that they share certain data (subject to users’ prior consent) or open certain technological infrastructures for third parties to access. A recent report from the OECD highlights this and mentions some of those jurisdictions (e.g., United Kingdom, the EU, United States, Japan, Australia, and China).^{24,25}

Success conditions/key capabilities

External success conditions

Looking at the capabilities that must be in place in the ecosystem for platform models to succeed, we find four external enablers that play a particularly important role. Each of them creates or encourages a reaction from participants on the platform.

External enablers	Reaction from participant
<p>Data policy frameworks that allow a trusted, free flow of data across sectors and jurisdictions</p>	<p>As in our previous report on Open Data, having customer-consent based data frameworks provides customers with trust about the information that is being used by market participants in an ecosystem.</p> <p>These frameworks not only provide clear rules for market participants, but also promote partnerships and collaboration toward adding products and services to a platform.</p> <p>In this context, interoperability allows customers to seamlessly interact with offerings on the platform.</p> <p>Data policy frameworks that allow for international data transfers based on consent and an equivalent level of protection, if in place, also have the potential to allow for the growth of these ecosystems.</p> <p>The interplay between AI development and data policy will help determine levels of success.</p>
<p>Eagerness in participating/onboarding</p>	<p>Building platforms requires collaboration of various partners, each serving one or more different purposes. Thus, having a number of potential partners to join and nurture a platform (i.e., via developing new applications on top of a platform, creating APIs, offering cloud services, etc.) would facilitate both assembling the ecosystem and operating it in a more efficient manner.</p>
<p>Existing partnerships that wish to leverage economies of scale to reach new customers or offer new services</p>	<p>Enabling different services and apps on a platform allows customers to discover and interact with products that are adjacent to the ones they are looking for. This enriches the experience for consumers and grants them access to complementary services (either by directly searching for them or by receiving recommendations), which, in turn, can improve the overall experience.</p> <p>Separately, it may also help a provider identify risks it may not have otherwise been privy to related to the overall customer experience.</p>
<p>External incentives for third parties to connect to the platforms</p>	<p>Technological capabilities and innovative ecosystems are required for platforms to flourish. To this end, they require:</p> <ul style="list-style-type: none"> • Third-party developers interested in building applications on top of platforms • APIs and interoperability • Cloud technologies available to develop platform strategies and additional capabilities • Appropriately aligned regulatory and legal enablers

Organization-level required capabilities

Regardless of the role an entity may play across various platform archetypes, there are key internal capabilities that organizations must possess to interact/engage with the platform economy:



Strategy

- **Business model innovation** to strategize for the constant evolution of platform business models and customer needs beyond the traditional notion of financial services.
- **Product strategy** that includes designing for more frequent customer interaction and engagement in customers' daily lives, which may extend beyond the actual financial service/product.
- **Partnership strategy** for the organization's evolving role in platforms (either in platforms they create/own, and in third-party platforms):
 - As a platform owner/orchestrator, determine what strategic partners you want to bring onto the platform.
 - As a platform contributor, determine what third-party platforms you want to participate in and offer your products on.



"Overtime we will probably get more clarity from regulators and that will probably drive a more open partnership model rather than a proprietary model"

Chief innovation officer of an international insurer based in Asia

- **Brand and customer acquisition** to drive customer awareness and capture customers earlier along the customer journey/acquisition funnel, especially on digital platforms where customer attention is finite.
- **Customer experience and engagement strategy** to drive customer ongoing engagement and loyalty while explicitly demonstrating to customers the benefits and value provided.



Technology:

- **Front-end:**
 - **Data and AI-driven, sophisticated customer segmentation models, methods, and tools** (e.g., customer relationship management [CRM]) to enable hyper-personalized marketing and targeting at scale.
 - **UI and UX capabilities** to enable a seamless, intuitive, and delightful customer journey from onboarding to ongoing engagement.



"FIs are combining their own software and integrating that with software from third parties to put together platform ecosystems."

Technology executive from a global insurance firm

• **Back-end:**

- **API-based data architecture** that facilitates data flows from external third parties.
- **Real-time, advanced data analytics** to process customer information and enable instant process flows (e.g., customer onboarding).
- **Data protection guardrails** to ensure sensitive customer data is protected in a secure manner, in line with regulatory requirements.



“You also see the need for interoperability, which is set to keep improving because, even if everyone wants to have the possibility of doing complete operations and transactions in one place, not everybody wants to make connections with everybody else. And yet having connections to everybody else vastly increases the value of whatever it is that you built.”

Head of innovation and digital partnerships of a global payments and infrastructure firm



Governance and risk management:

- **Customer risk management (i.e., KYC)**, especially critical for platforms where the customer journey is not controlled by the FI that manufactured the financial product/service.
- **Partnership/third-party risk management** to minimize risks from involvement of third parties such as technology providers, partners, etc.
- **Cybersecurity protocols** to safeguard against digital threats (either as the platform owner or a platform participant).



Organizational and process design:

- **Talent acquisition processes** that allow for the hiring of new types of roles/functions and assessment of skills that are typically not elevated in financial services.
- **Expanded customer-focused functions** (e.g., customer experience, customer success) that help the product and service to maintain customer-centricity in all products and services.
- **Expanded tech and data roles** (e.g., data scientist, artificial intelligence (AI)/machine learning (ML) data engineer) that play a larger role in making key business decisions in addition to traditional support-based/back-end IT roles.

Key considerations for executives and regulators

As platformization continues to evolve in the financial services landscape, there are a few key considerations for FI executives and regulators, regardless of the platform archetype:

For executives:

- **Design and operate for the right archetype:** Certain platform archetypes play to the strengths of FI incumbents, and conversely, others can be more difficult for FIs to build and scale, given their existing capability set, talent model, user base, and offering type. Depending on the chosen archetype, FIs may need to operate drastically differently than they do today—this may include new organizational structures, legal entities, operating models, and talent models.
- **Modernize partnership management:** In the platform economy where FIs may be platform owners or platform contributors to either FI or non-FI platforms, executives need to consider situations where competitive peers may bring value to their organizations as collaborative partners.
- **Maximize customer interaction and engagement:** Many FIs are built around specific financial products and services and may not be embedded in customers' day-to-day activities. With scale being a key to success across platforms, FIs need to find new ways and opportunities to increase the frequency of customer interaction and possibly reposition customers' view of traditional FIs.
- **Leverage data to unlock new opportunities:** Through participation in a platform, an entity has implicit access to multiple data sources—identifying ways to use multiple and alternative datasets to inform customer insights and make better, more informed business decisions is key.

For regulators:

- **Enhance existing data policy frameworks:**
 - Multiple trends in innovation and digital finance are inevitably interlinked. Therefore, regulatory and market developments that occur on data-sharing frameworks, AI, IoT, payments, embedded finance, and even quantum computing, will impact (1) how other spheres are operationalized and deployed by the industry (e.g., data localization requirements might hamper the use of AI, IoT and quantum computing; AI regulation that limits its deployment without understating the technology and its capabilities completely could affect the KYC and AML solutions needed for fast payments); and (2) the way in which consumers can extract value from these developments.
 - Data policy frameworks that allow free data flows with trust, based on customer consent, are desirable to avoid fragmentation and allow for a balanced set of rules for all stakeholders.
 - In the case of open finance or open data policies affecting these platforms, as discussed in our previous report "[The ecosystem imperative: Digital transformation of financial services and moving from Open Banking to Open Data](#)," those policies need to be proportional, multidirectional (i.e., a unidirectional, lop-sided approach to data sharing will not achieve the objectives put forward by policymakers), and apply a fair distribution of costs and benefits to incentivize different parties to participate.
- **Consider new boundaries of ethical and regulatory impacts:** As platforms create additional incentives for new use cases of customer data as well as potential monetization opportunities, regulators will need to explore new frameworks on data monetization.
- **Explore activity-based approaches:** As platformization causes us to consider shifting the regulatory perimeter of financial services, regulators will need to design an appropriate approach to non-financial entities that provide financial services. This will be particularly important given the scale of many platforms and the need to consider systemic implications—both good and bad—for the financial system.
- **Encourage innovation through market competition:** With scale being a driver of success in platforms, ensuring and enabling appropriate market competition will be an ongoing consideration.

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