FUTURE OF BANKING

Driving New Revenue Stream Through Fintech Partnerships

Contents

Evolution of Banking

Evolution of Digital Banking

Digital Bank 5.0

FUTURE OF BANKING

INTELLIGENT ECOSYSTEM BANKING

- Holistic solutions moving beyond banking/ beyond transaction
- Customer Experience: Focus on customer lifecycle
- Shift from siloed banking to an integrated, customer-centric, and technology-driven approach, innovation and operational efficiency

Digital Bank 4.0

INTERNET OF EVERYTHING

- Connects people, processes, data, and devices to create an interconnected network where systems and individuals can seamlessly share information.

Digital Bank 3.0

OMNICHANNEL

- Personalisation (2010s - Present)
- Open Banking (2010s - Present)

Digital Bank 2.0

MULTICHANNEL INTEGRATION

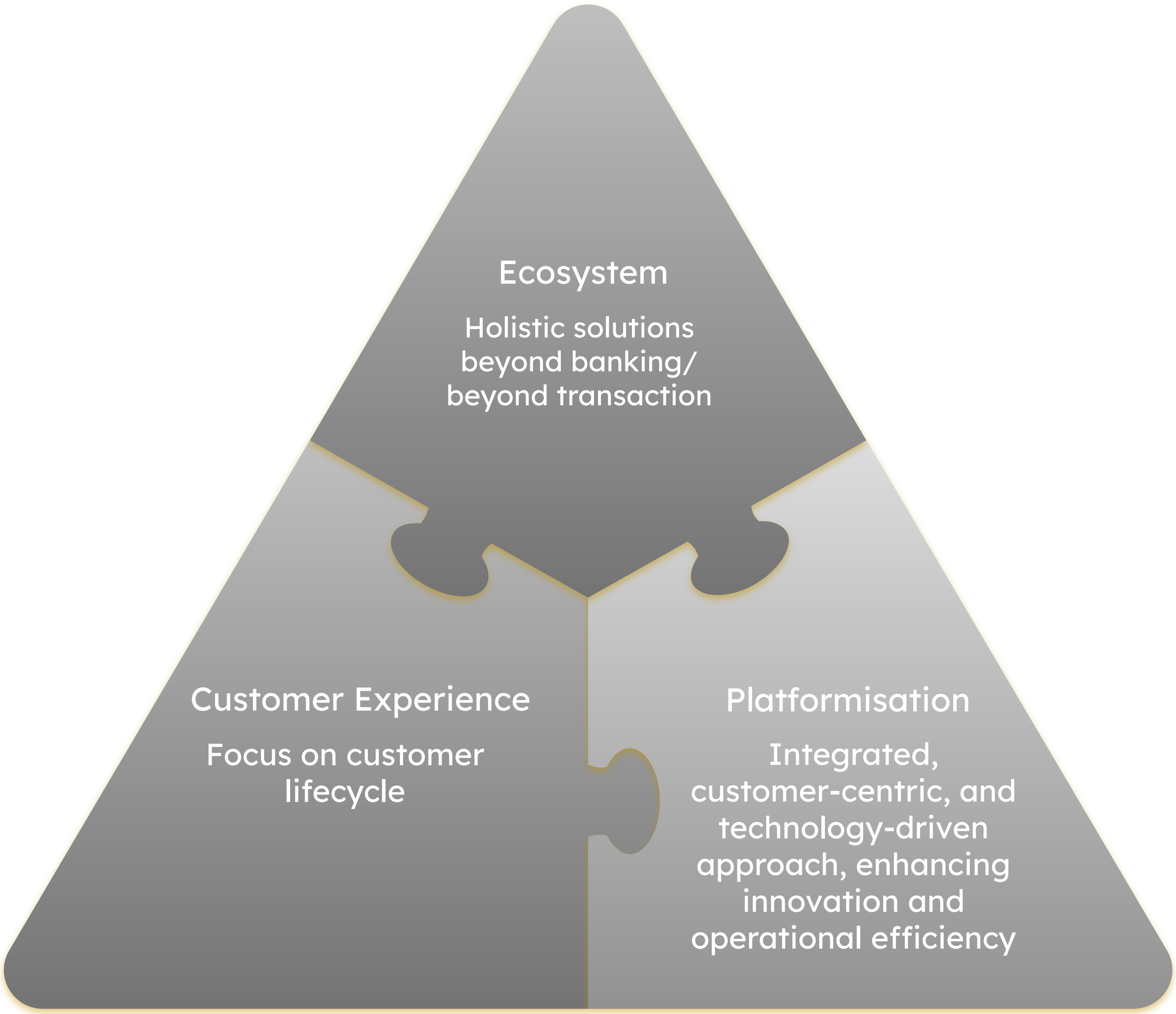
- Fintech Disruption (2010s)
- Contactless payments (2010s)
- Cryptocurrencies (2010s)

Digital Bank 1.0

E-BANKING

- Online platforms (1990s)
- Mobile banking (2000s)

Future of Banking



A strong ecosystem enables banks to offer enhanced customer experiences by partnering with fintechs and technology providers

Platformisation fosters innovation and collaboration within the banking ecosystem by allowing third-party developers to build new products and services on top of existing banking platforms and create a Single view of the customer

Platformisation can significantly enhance personalised and efficient customer service by enabling banks to leverage data analytics and AI to tailor their offerings

Customer Experience In Banking

72% of customers want immediate service

62% of customers believe that experiences should flow seamlessly between physical and digital spaces

70% of customers expect anyone they interact with will have full context of their needs and past interactions

62% of customers agree that personalised recommendations are more valuable than general ones

Need for Cx in Banking

New Competition	Customer Expectations	Revenue Growth

Big Tech Entry

Companies like Apple, Google, and Amazon are entering the financial services space, raising the bar for customer experience with their seamless, tech-driven approaches.

Fintech Disruption

Fintechs are setting new benchmarks in Cx with their simplicity and efficiency and are offering innovative, user-friendly financial solutions.

Personalisation & Convenience

Customers increasingly demand personalised experiences and expect banking services to be as accessible and intuitive as their favorite apps

Loyalty

A state-of-the-art customer experience significantly reduces customer churn by fostering reliable and positive interactions that build trust.

Cross Selling & Upselling

Strong customer experience empowers banks to gain deeper insights into customer needs, enabling them to offer more relevant products and services, ultimately increasing wallet share of customers

Customer Lifetime Value

Engaged customers are more likely to purchase additional products and provide valuable referrals.

Modern Banking Enhancements

(Recent to Earlier)

	Drivers	Tech / Partnership
2020s		
Financial Education and Advisory	• Need for greater financial literacy • Rise of digital platforms providing educational content and Financial advisory services	• E-learning platforms • AI for personalised learning paths • Interactive digital tools
Early 2020s		
Lifestyle and Wellness Services	• Increasing importance of holistic well-being • Fintechs offering lifestyle-oriented financial products	• AI for personalized recommendations • IoT devices for health and wellness integration
Sustainability and Green Banking	• Consumer awareness of environmental issues • Increasing ESG mandates and investor pressure	• Data analytics for ESG reporting • AI for assessing environmental impact • Blockchain for transparency
Buy Now, Pay Later (BNPL)	• Shift towards e-commerce and demand for flexible payments • Need for interest-free installment payment plans, to attract among younger demographics.	• Real-time payment processing • API integrations with e-commerce platforms • AI for credit risk assessment
Late 2010s		
Digital Lending	• Tech advances in enabling instant credit decisions • Competition from online lenders offering rapid loan approval and alternative scoring	• AI & ML - based alternative data sources for credit scoring • Cloud computing • API integrations

Modern Banking Enhancements

Late 2010s	Drivers	Tech / Partnership
Cryptocurrency Services	• Emergence of blockchain technology and growing interest in digital currencies	• Blockchain technology • Secure digital wallets • Cryptocurrency trading platforms
Open Banking and API Integrations	• Regulatory changes (e.g., PSD2 in Europe) • Competition leading to collaboration and sharing customer data • Demand for seamless financial services across platforms	• API infrastructure • Secure data sharing protocols • Data analytics • Blockchain for security
Mid-2010s		
Personal Finance Management Tools	• Customer's need for better control and insight into personal finances • Fintech apps offering advanced budgeting and tracking tools	• Data analytics • API integrations • AI-driven insights • Mobile and web platforms
Robo-Advisory	• Democratization of financial advice using AI and ML, leading to investment management and financial planning • Fintech startups offering low-cost automated investment services	• AI/ ML • Data Analytics • Cloud Computing
Early 2000s		
Digital Wallets and Payment Solutions	• Rise of smartphones • Need for cashless payment methods and demand for secure, fast, and contactless transactions • Fintechs offering digital payment solutions	• Mobile technology • NFC • Encryption and security technologies

Erica: Bank of America's Journey into AI-Powered Banking

Erica is Bank of America's AI-powered virtual financial assistant that uses a conversational interface to help customers manage their finances through intuitive interactions

ERICA's Key Features

- Account Monitoring:
  - Tracking spending patterns
  - Alerts for unusual transactions
  - Real-time balance updates
- Personalized Financial Advice
  - Tailored insights, such as money-saving suggestions and investment recommendations.
- Task Automation
  - Bill payments
  - Other routine bank task

ERICA's Impact

Increase in revenue using ERICA: 19%

Number of clients helped since Launch
42 Million

Number of Times Clients Engage Per Day
2 Million

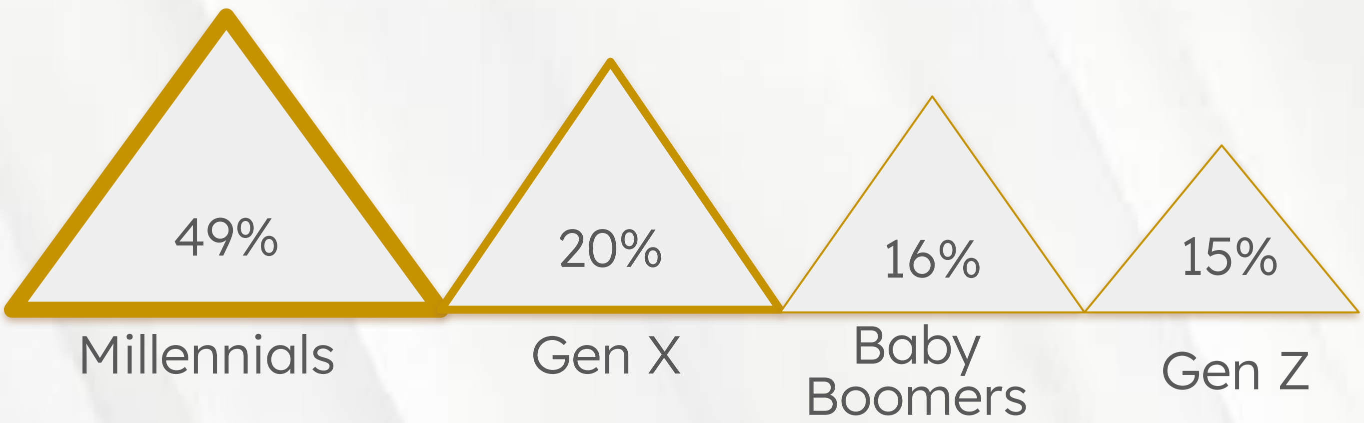
Number of Interactions since Launch
>2 Billion

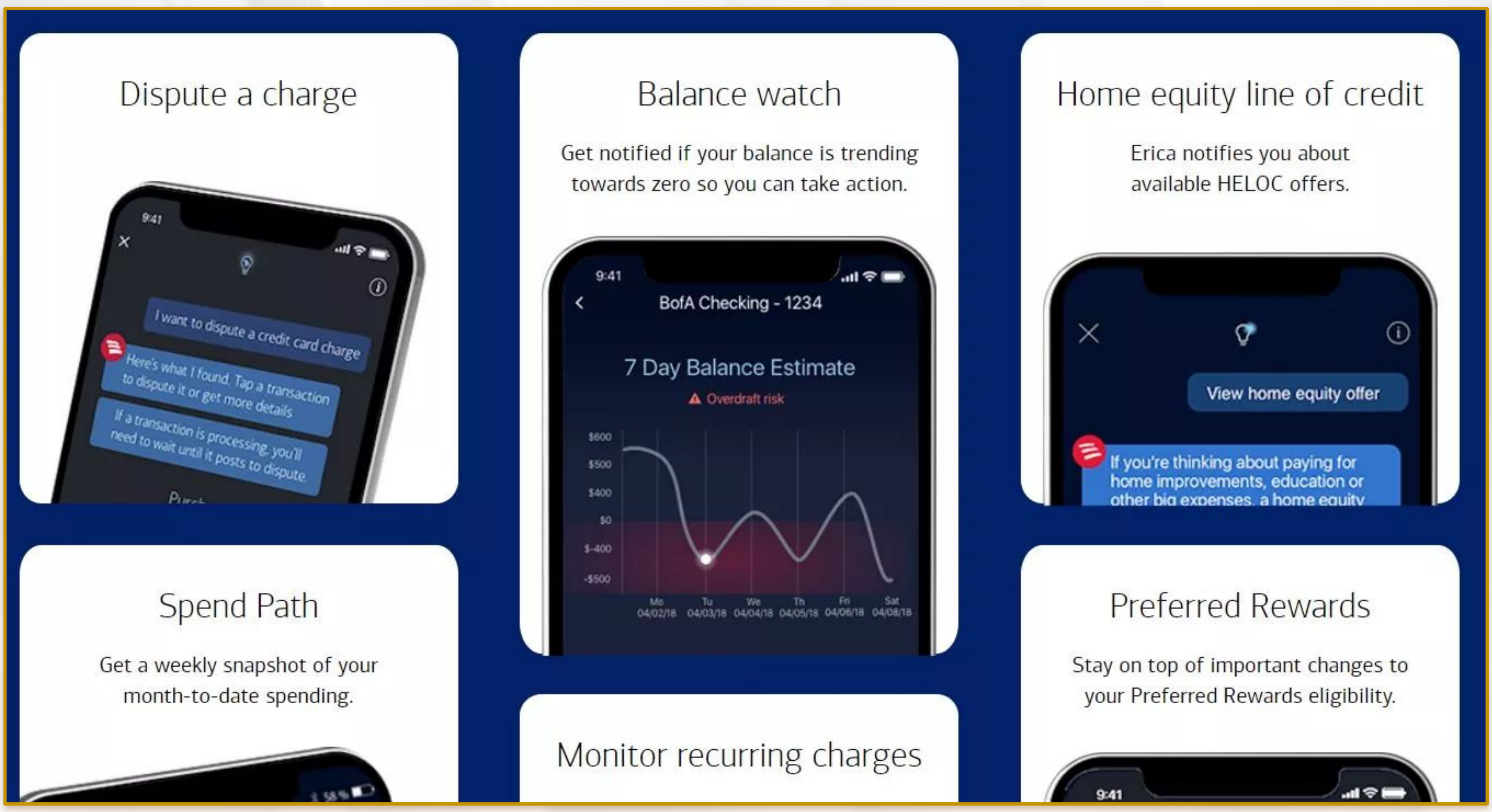
Number of Enquiries Responded since Launch
800 Million

Number of Insights Provided
1.2 Billion

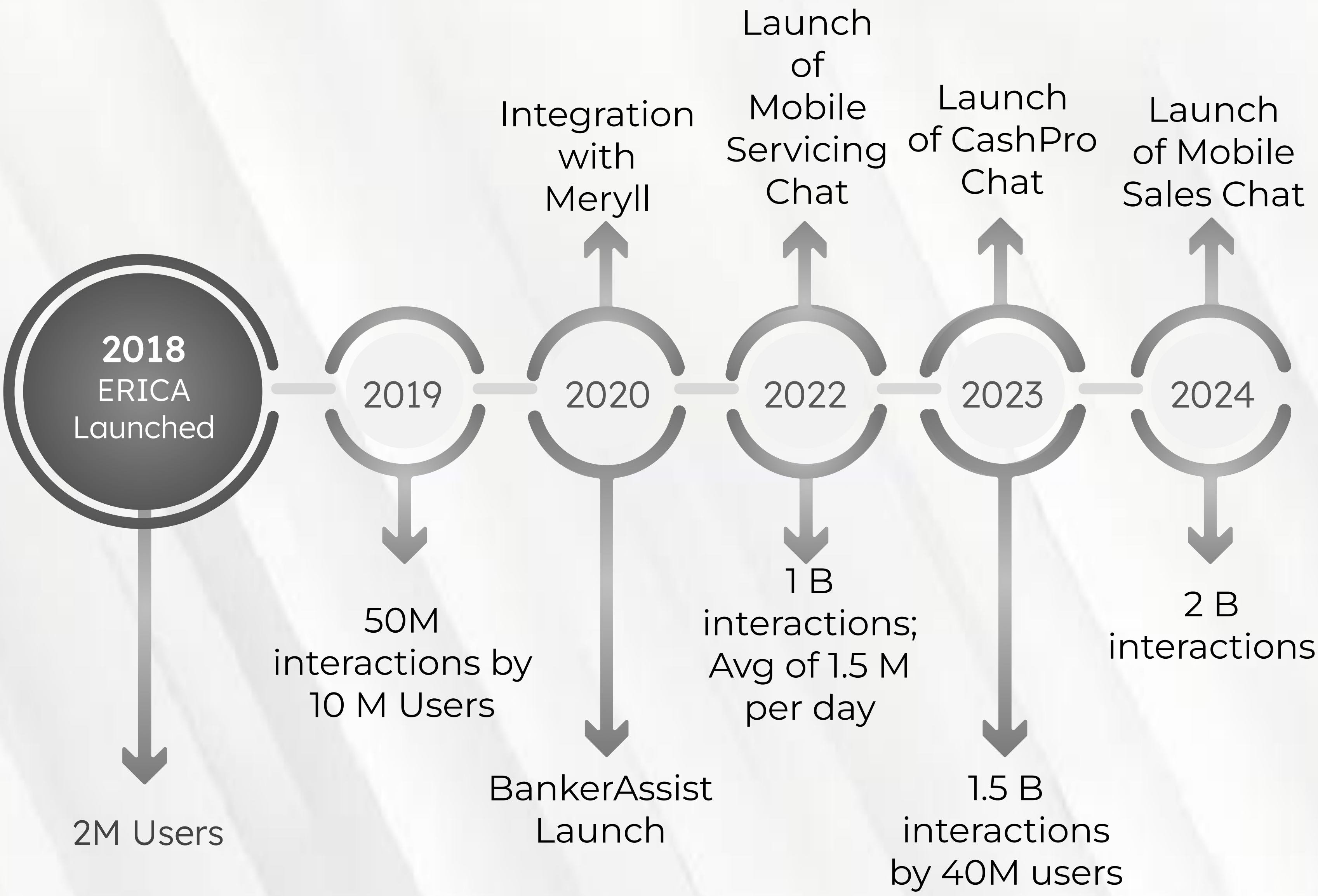
How is ERICA Banking for Future?

ERICA's user Profile:





ERICA’s Journey



BankerAssist : AI-powered employee tool to aggregate information from internal and external databases.

CashPro : Digital banking platform that helps clients manage and monitor their financial transactions

Platformisation

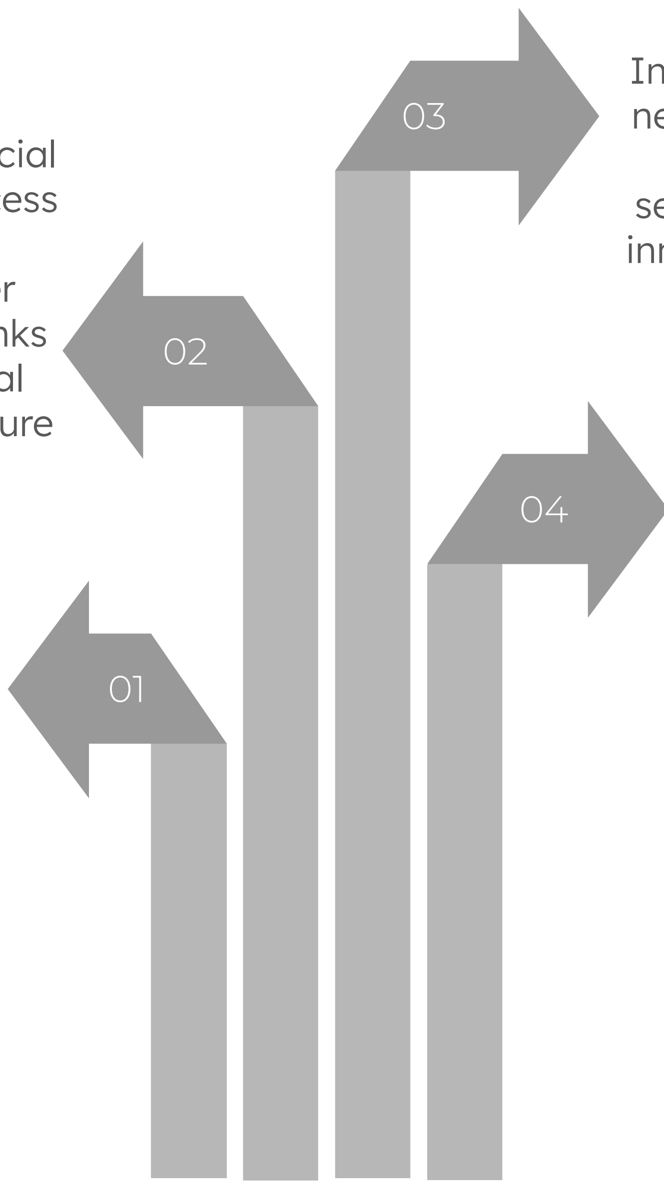
A Platform is a group of base Solutions upon which other experiences, processes or systems are developed

Ecosystem of Tech & Value Added Services

The Bank of the future will function as a network of platforms offering diverse services beyond traditional banking

ENABLED BY

PLATFORMISATION



API BANKING

Banks allow their APIs to outside parties to develop, do business to access bank's services, data, and infrastructure.

OPEN BANKING

Allows third-party financial service providers to access consumer banking, transaction, and other financial data from banks and non-bank financial institutions through secure APIs

BANKING-AS-A-PLATFORM (BaaP)

Integrating Fintech to develop new products & services. BaaP leverages APIs to facilitate seamless integration, enabling innovation and creating a more diverse range of financial offerings for customers.

BANKING-AS-A-SERVICE (BaaS)

Allows third parties to integrate a bank's products and services directly into their own offerings. By democratising access to banking infrastructure, BaaS enables non-bank companies to offer financial services

Need for Platformisation

New Revenue Models	Fintech Co-Branding Enhances Consumer Trust	BaaS is Faster to Scale	Customers Demand Integrated Experiences

Diversification
Banks need to diversify their revenue streams by offering value-added services, subscription models, and transaction-based fees. By integrating various financial services, banks can monetize these services and generate additional revenue.

Cross-Selling
Strong customer experience enables better understanding of customer needs and increased wallet share. Platforms enable banks to cross-sell products by analyzing customer data and offering personalized financial solutions.

Leveraging Brand
By collaborating with Fintechs and other companies, banks can strengthen their reputation and enhance consumer confidence

Enhanced Consumer Perception
Positioning themselves as as innovative and customer-centric, banks reassure customers that their bank is at the forefront of technological advancements

Expansion
BaaS allows banks scale their operations rapidly without the need for significant investment in new infrastructure

Efficiency and Speed
BaaS platforms can rapidly deploy new services and products, reducing time-to-market.

Seamless Journeys
Platformization allows banks to create holistic experiences by integrating ecosystems, making it convenient for customers to access a wide range of services without needing to switch between multiple apps or platforms.

Omnichannel
Platform-based models enable banks to offer a unified experience across these channels, meeting the evolving needs of their customers.

CASE STUDY

Chase x Amazon: Redefining Digital Payments Through BaaS Integration

Amazon has partnered with Chase Bank to offer co-branded credit cards and a range of financial products to its customers

Amazon & Chase Collaborative Products

amazon pay	Digital Wallet & Payment Solutions
amazon lending	Prepaid card & Line of Credit
amazon reload	Prepaid card & Merchant Services
amazon protect	Insurance
amazon recargable.com.mx	Business Lending
amazon allowance	Prepaid card
business Line of Credit	Business Credit Card
amazon.com STORE CARD	Credit Card
amazon cash	Cash to digital account
amazon Prime VISA	Credit Card
amazon go	Cashless Payments

Amazon's Need to build Financial Services

- Expansion of merchant participation and activity
- Expansion of customer base
- Increased cart & checkout size
- Reduce friction on both the buy and sell side

Impact of Amazon's Financial Services

- 310 million active customers
- 200 million Prime customers
- 600 million products
- 9 million sellers worldwide

Amazon enhances its customer loyalty by offering additional value through financial rewards and benefits

Chase Bank gains access to a new customer base through its partnership with Amazon, allowing it to leverage Amazon's data for targeted marketing and product development

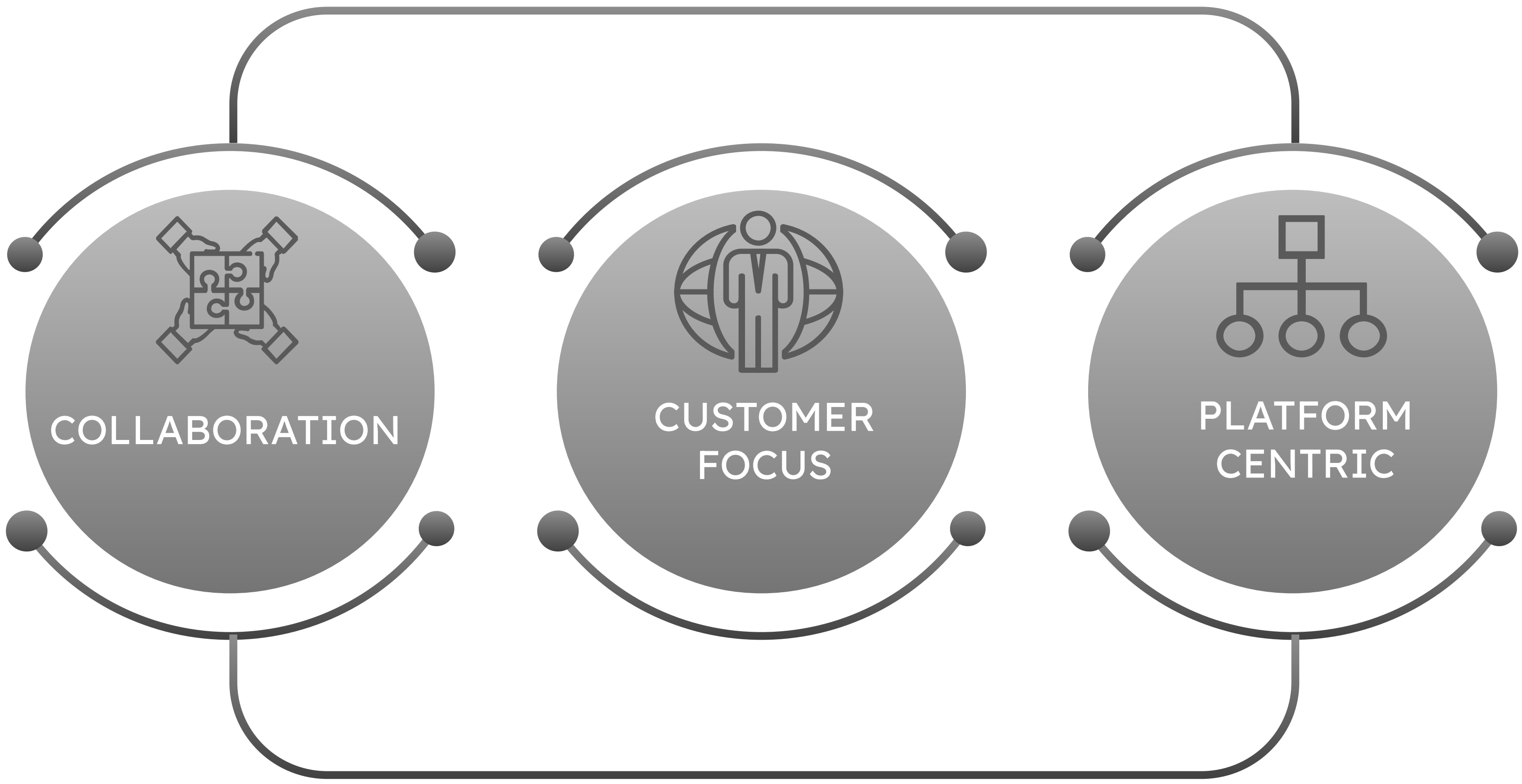
Customers benefit from a more integrated and seamless experience, gaining easier access to financial products and enhanced rewards tailored to their shopping habits.

Ecosystem Banking

Banks collaborate with various partners to create a connected platform that offers a diverse array of services beyond traditional banking

Key Elements of Ecosystem Banking

Ecosystem banking allows banks to move beyond traditional services by offering a comprehensive, flexible, and personalised customer experience while creating new revenue opportunities through diverse partnerships and integrated solutions.



Collaboration with fintechs, retailers, tech companies, and other online D2C

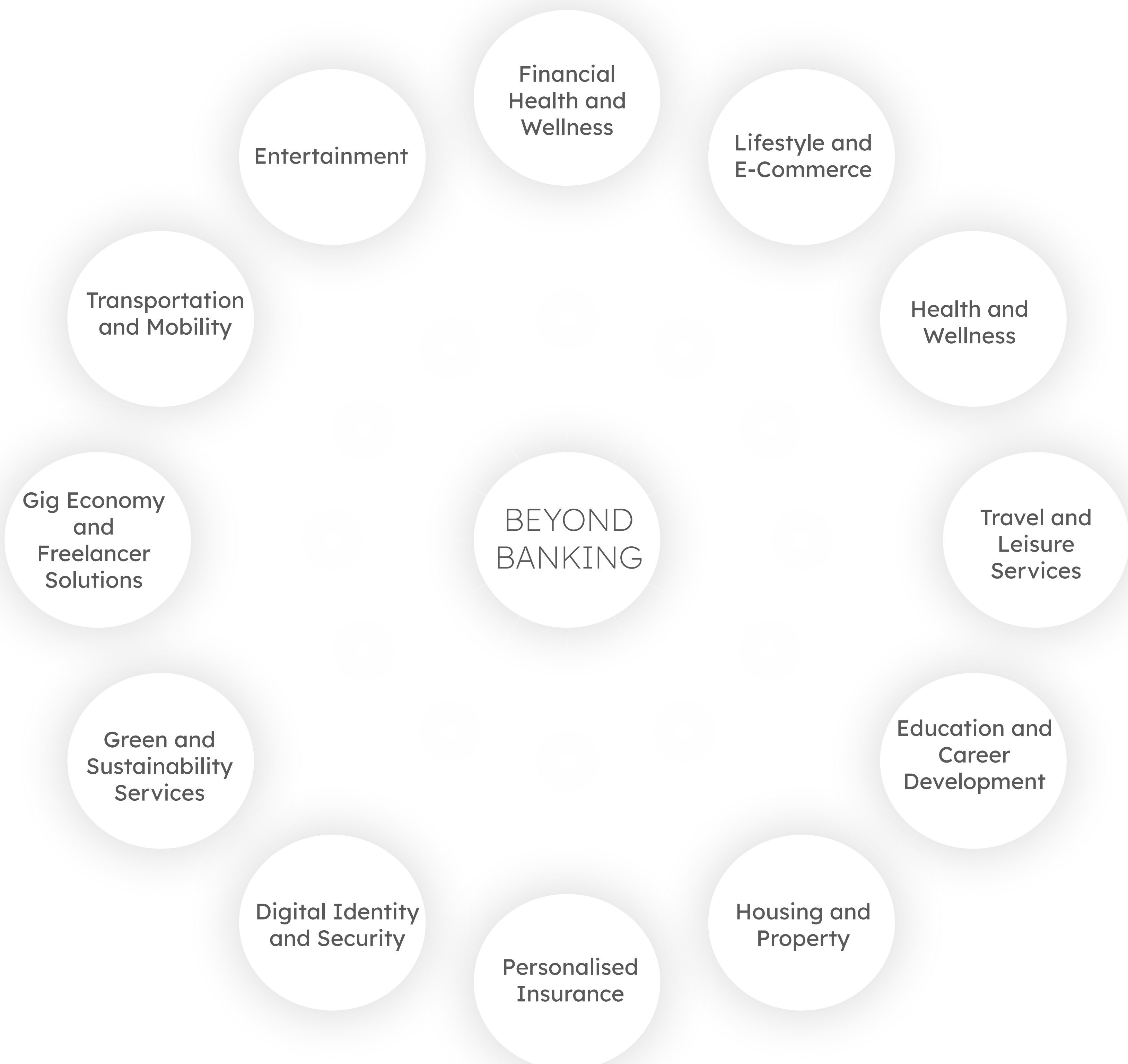
Integration of services into a single platform

Convenience and personalisation for customers

Value Creation

1. **Customer-Centric Approach:** Banks increase customer satisfaction and loyalty
2. **Revenue Sharing Models** Ecosystem participants share revenues based on partnerships, fees, and commissions
3. **Cost Efficiency** Shared infrastructure reduces operational costs and speeds up service delivery
4. **Increased Innovation** Collaboration with fintechs and third-party partners fosters innovation, bringing new solutions faster to market

Potential ‘Beyond Banking’ Services for Banks



Financial Health and Wellness
- Qapital- Money management
- Acorns- Micro-investing
- Oportun - Borrowing, saving, budgeting

Lifestyle and E-Commerce
- Shopify - Online store setup
- Stocard - Loyalty wallet
- Afterpay - BNPL

Health and Wellness
- Fitbit - Health data
- Hims & Hers - Telehealth
- Eucalyptus - D2C digital health

Travel and Leisure Services
- TravelPerk - business travel platform
- LoungeKey - Airport lounge access
- Booking.com - Travel Booking

Education and Career Development
- Coursera - Online learning
- Degreed - Learning & upskilling
- Springboard - Online learning

Housing and Property
- Opendoor - Home buying / selling
- Nestaway - Rental Management
- Propy - Real Estate secure transaction

Personalised Insurance
- Lemonade - Digital insurance
- Trov - On-demand insurance
- Cover Genius - Embedded insurance

Digital Identity and Security
- Auth0 - Identity and authentication
- Onfido - Identity verification
- Jumio - Identity verification

Green and Sustainability Services
- Doconomy - Carbon footprint tracking
- Clim8 - Sustainable investments
- Ecologi - Carbon offsetting

Gig Economy and Freelancer Solutions
- Lili - Banking for freelancers
- Qonto - Finance management for freelancers
- Fiverr - Freelance marketplace

Transportation and Mobility
- Uber - Ride-hailing
- Lime - Micro-mobility
- Turo - Car-sharing

Entertainment
- Audible - Streaming & Audio-books
- Patreon - Content creation & subscription management
- Stubhub - Event ticketing

SBI YONO: Pioneering the Ecosystem Banking

YONO is an integrated digital banking platform offered by State Bank of India to enable users to access a variety of financial and non-financial services

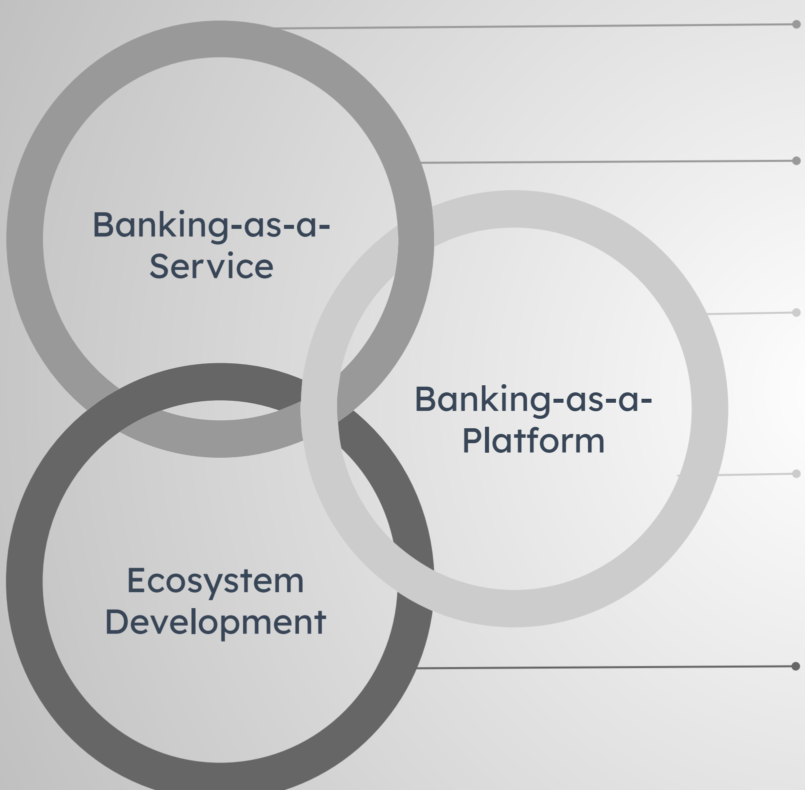
State Bank of India (SBI)

Founded: 1806
Number of Customers: 448.9M
Number of Branches: 22K+
Total Assets: US$750B
Revenue (FY 2023): US$59B

YONO (You Only Need One)

Launched: 2017
Number of Users: 80 M (Aug 2024)
Valuation: $40B+
App Downloads: 64 M
Daily Logins: 9 M

YONO Strategies



API: SBI's BaaS offered through APIs enabled third party developers to integrate their services with SBI platform

Partnerships: Fintech & digital platform partners have enabled SBI to expand its offerings and enhancing customer accessibility

Platform: The YONO platform offers a unified interface for a variety of services including banking, shopping, insurance, and investment

White-Labeling and Collaboration: SBI co-branded with businesses to enhance the platform's reach and diversify its service offerings

Digital Experience: Integration with services such as e-commerce, insurance into the YONO platform provides a seamless and comprehensive digital journey

Partner Ecosystem: An ecosystem of partners enable customers to avail discounts, offers, and integrated services directly through YONO

YONO Ecosystem

Insurance
- Policybazaar
- Digit Insurance
- HDFC Ergo
- Max Life Insurance

Investments
- Groww
- Scripbox
- Paytm Money
- ETMoney

Travel & Ticketing
- MakeMyTrip
- Cleartrip
- IRCTC
- OYO
- Uber

Online Credit
- ZestMoney
- EarlySalary
- MoneyTap
- PaySense

E-commerce
- Flipkart
- Amazon
- Myntra
- Tata Cliq
- Snapdeal

Payments
- Paytm
- Google Pay
- PhonePe
- FreeCharge

Financial Management
- Walnut
- Moneycontrol
- ET Markets
- Good Return
- Ezetap

Entertainment & Lifestyle
- BookMyShow
- Cure.fit
- Zomato
- Swiggy

Key Takeaways

Key Takeaways

Build Vs Buy

The rapid pace of change makes it unrealistic for banks to develop and manage all products and services on their own. Instead, banks should collaborate with the most suitable third-party providers to deliver best-in-class solutions allowing them to leverage external expertise and innovation while focusing on their core competencies.

Platformisation

Platformisation is essential for banks to remain competitive in the digital age. By implementing robust, secure APIs and open banking frameworks, banks can foster a collaborative ecosystem that promotes innovation and partnerships, all while ensuring regulatory compliance and enhancing customer experiences

Personalisation

Personalisation is no longer a luxury but a necessity for banks to stay competitive, foster customer loyalty, increase engagement, and drive profitability. By leveraging technology and service ecosystem, banks can deliver tailored experiences that resonate with individual customers and differentiate themselves in a crowded market.

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- Amazon Statistics: Key Numbers and Fun Facts
- Everything you need to know about what Amazon is doing in financial services
- The rise of a financial tiger
- Want to buy Tata Tigor? SBI Yono offers discount of up to Rs 69,000 - Know how to avail
- BofA's Erica Surpasses 2 Billion Interactions, Helping 42 Million Clients Since Launch
- Why a Good AI Chatbot is Essential for Your Company: In-depth Analysis from Bank of America's Erica
- AI at Bank of America – Erica Chatbot and Future Initiatives

We can enable your journey in this rapidly changing disruptive economy. OpenI Platform highlights:

- Next disruptor you must know about
- How your competitors are engaging with these disruptors/ innovators
- Startup ecosystem to drive your growth

Navigate with Confidence

BUSINESS GROWTH
Identify high potential startup investment opportunities

STRATEGY & INNOVATION
Source new business models, spot future competitors

BUSINESS OPERATIONS
Optimize business operations

MARKETING
Drive sales and customer engagement (D2C)

PARTNER MANAGEMENT
Procure and manage next-gen disruptors

ASK OUR ANALYSTS

- White Space Analysis (Spidermap)
- Ecosystem as a Strategy
- Managed Sourcing
- Corporate Venture
- Competitive Analysis

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