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Master Ecosystems To Be Future-Ready In Banking

A FORRESTER CONSULTING THOUGHT LEADERSHIP PAPER COMMISSIONED BY SOPRA STERIA, OCTOBER 2021

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Executive Summary

Banking in the future will be invisible, connected, insights driven, and purposeful — and keeping pace will require rapid transformation. Leading banks harness success from their digital transformation, while others struggle to execute a coherent strategy.¹

Empowered digital consumers continue to increase their demands, making customer experience (CX) a critical success factor in banking.² Business models are shifting, too, with open banking and open finance promising to reshape financial services over the coming decade. To navigate these forces, banks must pivot towards an ecosystem-based operating model with strong, trusted partnerships.

In June 2021, Sopra Steria commissioned Forrester Consulting to evaluate banks' strategic focus and future-readiness in digital banking and ecosystems. To explore this topic, Forrester conducted an online survey with 760 decision-makers at banks globally and conducted 10 interviews with decision-makers at companies partnering with banks to enrich or offer new products/services, provide distribution channels, or increase reach of target customers.

We found that only a minority of banks are future-ready with a clear vision for their operating models and the ability to collaborate with ecosystem partners. Furthermore, familiar challenges hinder digital transformation and ecosystem efforts. To tackle those existing and newly arising challenges and capitalize on the growth opportunities an ecosystem approach offers, banks should plan to engage vendors that can help mature digital capabilities and provide strategy and CX expertise.

Key Findings

Few banks are ready to embrace the ecosystem-based operating model required in the era of open finance. In the era of open finance, an ecosystem-led approach is critical to success for banks. Our future readiness assessment revealed that only 12% of respondents believed their banks are future-ready with a clear vision and the ability to collaborate with ecosystem partners. These leaders, which we will refer to as **Pioneers**, have a clear future vision for their banks' operating models, have mastered digital operations and CX, and have prioritized, invested in, and nurtured ecosystem partners.



Challenges around security, integration, and collaboration hold back digital transformation and ecosystem efforts. Against a backdrop of faster change, regulatory compliance, and budget pressure, the top challenges that banks struggle with — both in their digital banking and their ecosystem ambitions — remain familiar. The most common challenges respondents reported center around ensuring data security and cybersecurity, along with integrating data, systems, and processes internally and across external ecosystem networks. Rigid cultures also prevent balanced collaboration with ecosystem partners.



Banks seek vendors that can help mature digital capabilities and provide expertise on strategy and CX. Respondents noted that their banks recognize that they can't do it all on their own and plan to engage vendors for support with maturing their future digital capabilities, integrating with ecosystem partners, and embracing emerging technologies, such as 5G networking or quantum computing. They seek vendors that can provide valuable expertise on strategy and CX, as well as help augment technology capabilities.



Banks Need A Bold New Operating Model, But Few Are Ready For The Shift

The economics of the next decade will challenge banks. Whilst a handful of leading banks drive success from their digital transformation, others still struggle to execute a coherent strategy.³ The COVID-19 pandemic has accelerated the pace of change, placing digitization center stage and exposing weaknesses in transformation strategy.

Empowered digital consumers, conditioned by slick experiences from neobanks and tech titans, continue to demand more, making customer experience an even more critical success factor in banking.⁴ Yet today, only 14% of decision-makers noted that their banks' technology infrastructure and applications can deliver great and differentiating CX.⁵

Business models are shifting, too, with open banking and open finance promising to reshape financial services over the coming decade, accelerating the evolution towards embedded financial services. To set their course for the future of banking, banks must pivot towards collaboration and reboot the way they operate.

Banks are entering an era of open finance, where they can't meet their customers' needs alone.⁶ To be relevant to consumers, banks must be present in the environments and products that customers use. To build enduring customer relationships banks must collaborate and must cease to see partnerships — and intermediation of brand — as a threat.⁷ Ecosystems with strong, trusted partnerships will play a central part in defining banking over the next decade. How effectively banks participate in the broader ecosystem — and how well they select their partnerships — will determine their future success.

BANKS PRIORITIZE INITIATIVES THAT WILL SUPPORT THE NEW OPERATING MODEL, BUT MANY ARE OVERCONFIDENT ON CX

As banks participate in ecosystems with third-party providers, the flow of data becomes more complex as customer journeys and touchpoints bounce between the systems of banks and their partners. In this context, ensuring data

New banking business models will only succeed if collaboration networks and partnerships are strong.



security and providing a consistent digital experience are critical components of success. In surveying 760 decision-makers, we found that banks are starting to prioritize the right initiatives (see Figure 1).

The highest-ranking initiative for respondents' banks was improving security (39%), though improving risk management and control wasn't far behind (32%). These initiatives are crucial for preventing an open finance model from becoming an enhanced threat landscape, especially given that fraud and data breaches are expected to reach an all-time high.⁸ Beyond this, our survey found that three of the top five critical priorities demonstrated banks' desire to innovate and improve their digital products and services (34%), whilst driving greater efficiency (32%) and delighting customers with better experiences (32%).

Figure 1

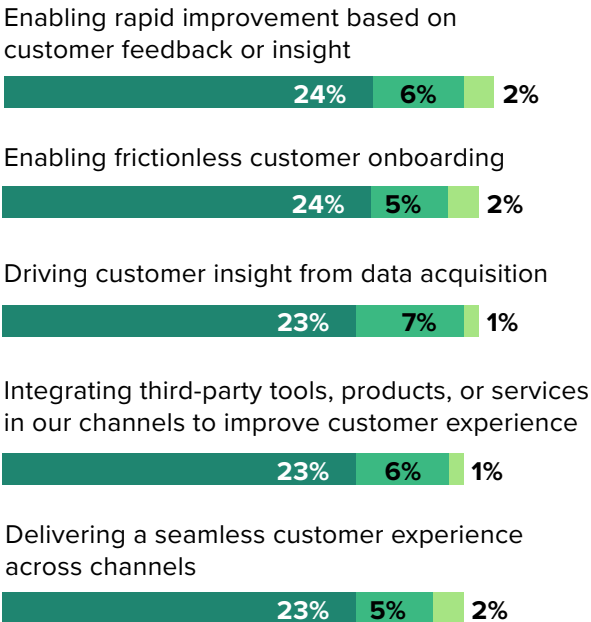
“How much of a priority are the following initiatives for your company?”

● Critical priority



“How would you rate your organization’s ability in the following aspects of customer experience?”

● Average ● Fair ● Poor



Base: 760 global decision-makers at banks with responsibility for credit/lending, customer experience, digital banking, open banking or ecosystem initiatives, payments, and the technology stack
 Note: Data in left column shows top 6 responses and data in the right column shows top 5 responses
 Source: A commissioned study conducted by Forrester Consulting on behalf of Sopra Steria, July 2021

When asked to rate their organization’s ability across aspects of customer experience, seven out of 10 respondents described their banks as “Good” or “Excellent.” Indeed, 72% of respondents rated their banks above average at embedding products and services in partner’s platforms or channels. The law of averages suggests this is not possible and betrays overconfidence, however executives were more realistic when it comes to CX challenges. Thirty percent of respondents rated their banks as “Average” or below in using customer feedback for rapid improvement (32%), driving customer insights from data (31%), providing seamless customer experiences across channels (30%), and frictionless onboarding (31%).

FEW BANKS ARE FUTURE-READY WITH A CLEAR VISION AND THE ABILITY TO COLLABORATE WITHIN ECOSYSTEMS

To gauge banks’ readiness for the future, we created a scoring framework that examined five categories of banks’ operating models: strategy; culture, talent, and skills; ecosystem engagement; process and structure; and technology and integration. All five aspects are essential for a rounded operating model, however we weighted them in the following order:






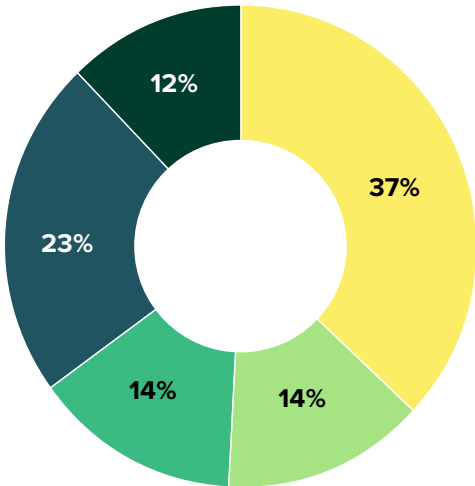
-  1. **Strategy.** The right strategy is required to lay a strong foundation and to set the bank’s course in the right direction.⁹ The buy-in of senior leadership is crucial as a bank must set out the transformation agenda first.
-  2. **Culture, talent, and skills.** Fail to shift the culture and your bank will not succeed. This is one of the hardest categories to crack, so the sooner your bank can set expectations and start to tackle skills gaps, the better.¹⁰
-  3. **Ecosystem engagement.** Collaboration, APIs, developers, and third-party engagement sit at the heart of future business models and existing delivery models.¹¹
-  4. **Process and structure.** Together, process and structure formalize the operating model to drive change and evolution during transformation. Both are needed for success but can be worked out on the journey.
-  5. **Technology and integration.** Technology and expertise can be bought, hired, or used as a service, so technology (whilst an important enabler) is the final priority. This reinforces that digital transformation is not just about the technology.

Figure 2

Future Of Digital Banking
Readiness Scoring Framework



Category	Combined Category
Strategy	Strategy + Culture
Culture, talent, and skills	
Process and structure	Process + Technology
Technology and integration	
Ecosystem engagement	Ecosystem engagement

	Strategy + Culture	Process + Technology	Ecosystem engagement	% of total sample
INTERMEDIATE	Explorer			37%
	Weak	Weak	N/A	
	Technologist			14%
	Weak	Strong	Weak	
	Strategist			14%
	Weak	Strong	Strong	
	Specialist			23%
	Strong	Weak	Weak	
	Pioneer			12%
	Strong	Weak	Strong	

Base: 760 global decision-makers at banks with responsibility for credit/lending, customer experience, digital banking, open banking or ecosystem initiatives, payments, and the technology stack

Source: A commissioned study conducted by Forrester Consulting on behalf of Sopra Steria, July 2021

Our future readiness assessment revealed that **only 12% of respondents** believed their banks are future-ready with a clear vision and the ability to collaborate with ecosystem partners.



Using this future-readiness scoring framework, we uncovered five types of readiness (see Figure 2). Of the surveyed decision-makers, we determined that well over a third of respondents' banks were Explorers (37%) that, as the lowest-ranking type, needed improvement in all areas.

Most respondents (51%) fell into the middle ground of scoring, so we divided them into three further categories. The first was Technologists, which were the 14% of respondents' banks that were already strong in their technology and processes but lacked in strategy and culture. Strategists were the second, marking the 14% of respondents' banks that had a strong strategic focus but lacked fully formed processes and technologies. The final middle-ground category was the Specialists, which were the 23% of respondents' banks who were strong in all areas but hadn't perfected ecosystem engagement.

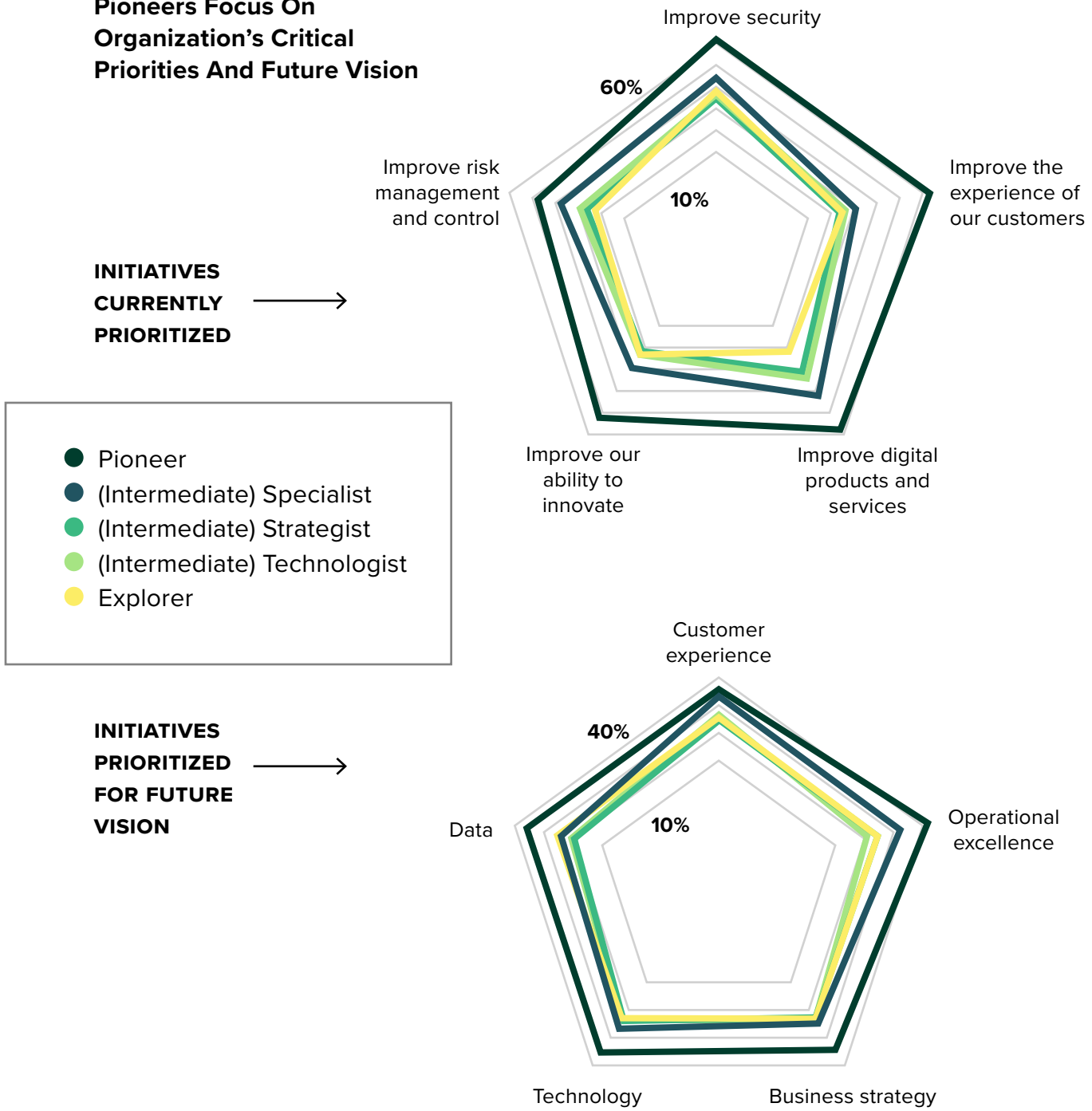
Finally, we identified a small margin of leaders that we called Pioneers (12%). These leaders were characterized as follows:

- **Pioneers have current priorities sorted and a clear future vision for their operating models.** Pioneers do things differently in two ways. They place a much higher weighting on their prioritization of both current and future initiatives and focus efforts universally — and consistently — across all areas of their organization's future vision and roadmap (see Figure 3). This holistic, proactive approach sets them apart from all other segments.
- **Pioneers are much further ahead in their mastery of both digital operations and digital CX.** Pioneers are significantly ahead in almost all areas when it comes to digital capabilities. While this is expected of a leader, our assessment revealed that they were ahead by a surprisingly large margin. When segmenting banks based on the future-readiness scoring framework, it was clear that more than half of Pioneers (51%) rated themselves as “Excellent” in various CX capabilities, whereas other segments lagged far behind (see Figure 4).

- **Pioneers prioritize, invest in, and nurture their partner ecosystems.** Improving business and IT integration with their partners was the highest priority for Pioneers when it comes to their future visions and roadmaps. Six out of 10 Pioneers prioritized this, which was double the amount of other maturity segments. This is reflected in Pioneers' investments as well. Ninety-one percent of respondents at Pioneer organizations reported that their banks plan to increase their investments in this initiative. Half of this percentage plan to do so by more than 6%, and one in five plan to do so by more than 10% in the next year. Almost all respondents at Pioneer organizations said their banks plan to increase investments in distributing their products/ services via other marketplaces or ecosystems — seven out of 10 by more than 6% — showing that they were not afraid of disintermediation.
- **Pioneers place a strong focus on innovation, modernization, and emerging tech.** Innovating new digital products and services was the second highest priority for Pioneers (49%) when it comes to their future vision and roadmap versus just 32% on average for other segments. Accordingly, investments were high. Over nine out of 10 respondents at Pioneer organizations noted their banks plan to increase investment in this initiative, and a third plan to increase budget by more than 10%. A similarly high number of Pioneers also plan to increase investment in upgrading their legacy business applications/systems (96%) and emerging technologies (91%).

Figure 3

Pioneers Focus On Organization’s Critical Priorities And Future Vision



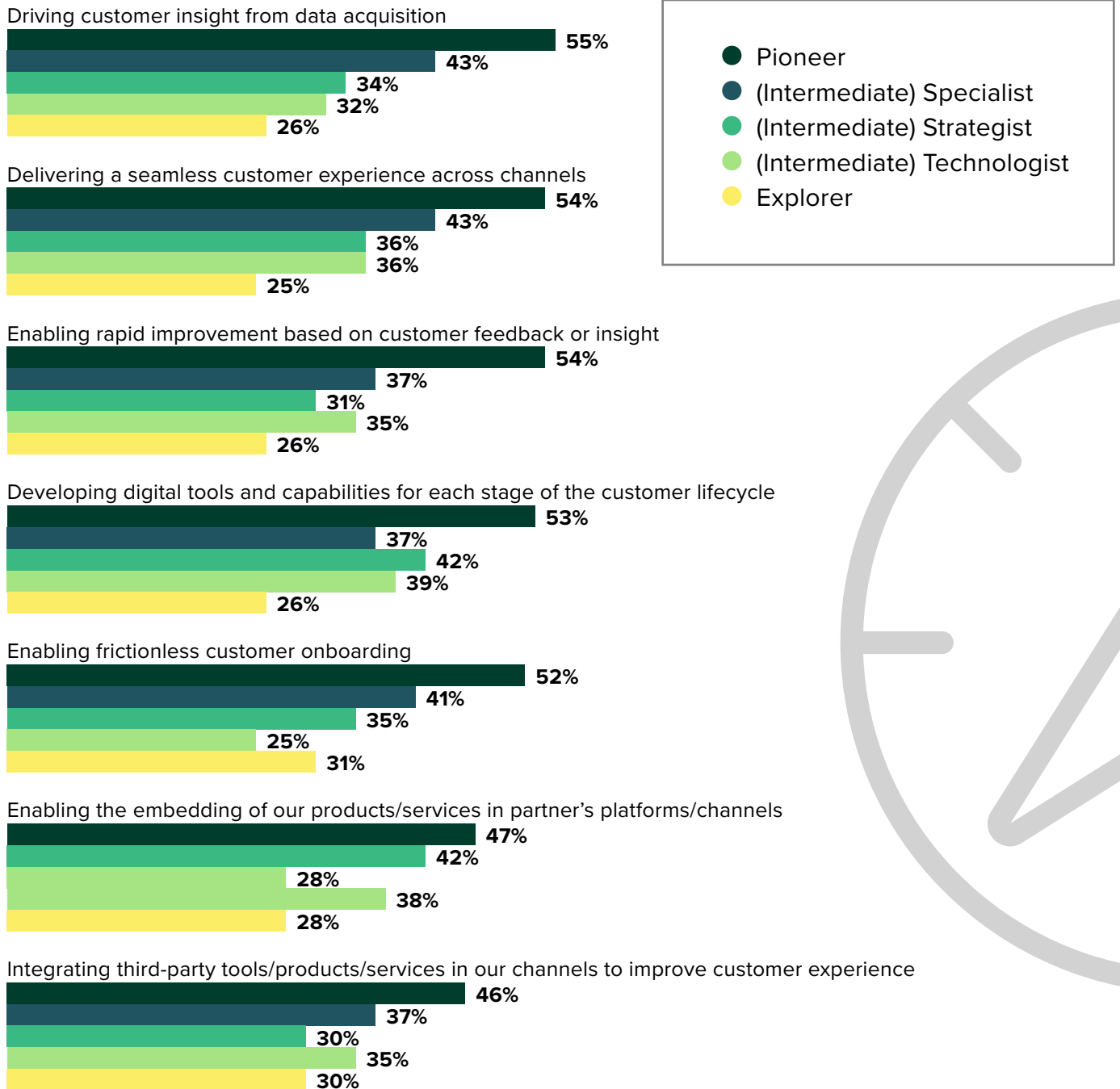
Base: 760 global decision-makers at banks with responsibility for credit/lending, customer experience, digital banking, open banking or ecosystem initiatives, payments, and the technology stack
 Note: Data on the top shows Pioneer initiative group’s top 5 results for “Critical priority” and data on the bottom shows the average for each initiative group
 Source: A commissioned study conducted by Forrester Consulting on behalf of Sopra Steria, July 2021

Figure 4

Pioneers Are More Confident In Customer Experience Areas

“How would you rate your organization’s ability in the following aspects of customer experience?”

(Showing “Excellent”)



Base: 760 global decision-makers at banks with responsibility for credit/lending, customer experience, digital banking, open banking or ecosystem initiatives, payments, and the technology stack

Source: A commissioned study conducted by Forrester Consulting on behalf of Sopra Steria, July 2021

Capability And Ecosystem Challenges Hinder Transformation

Our study found that readiness for digital banking varies across regions and company sizes. From a regional perspective, Asia leads the pack with over half of respondents' organizations falling into the Specialist (41%) and Pioneer (13%) categories. A perfect storm of digital disruption, rising customer expectations, rapid proliferation of consumer technology, and new digital-only competitors have forced Asian banks to innovate and raise their game to compete.¹²

Africa, the Middle East, Europe, and Latin America have the largest representation of Explorers, ranging from 39% to 44% per region. When it comes to company size, we found that midsized banks were the most advanced; **smaller banks struggled to build the internal capabilities and lacked the engineering ability to control their own destiny, whilst larger banks frequently exhibited challenges around agility and scale that hampered innovation.**



Africa, the Middle East, Europe, and Latin America have the largest representation of Explorers.

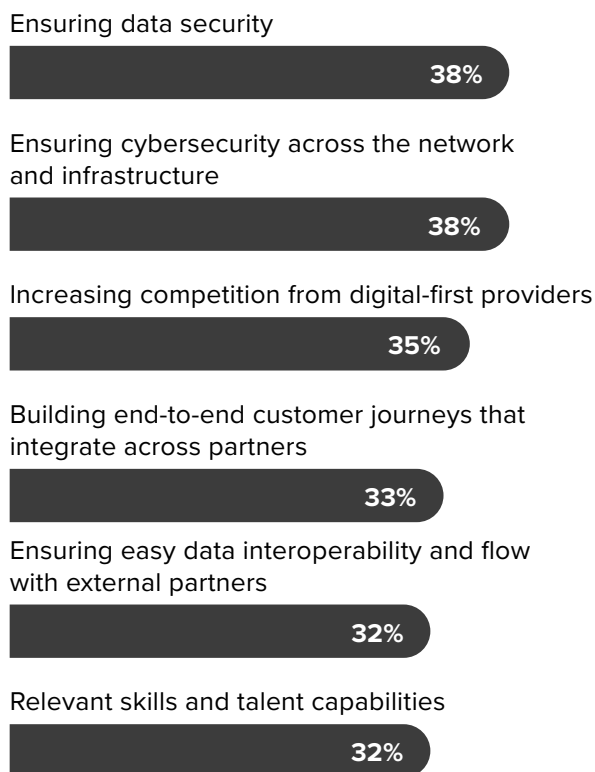


Against a backdrop of faster change cadence, regulatory compliance, and budget pressure, the top challenges that banks struggled with — both in their digital banking and their ecosystem ambitions — remained foundational. Respondents reported that their banking organizations primarily struggled with:

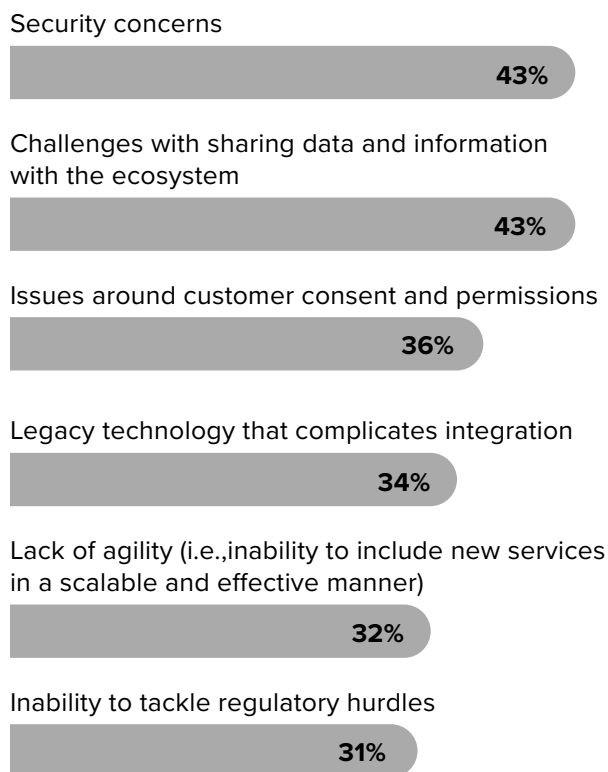
- **Delivering digital banking capabilities.** Three themes surfaced from the top challenges (see Figure 5):
 - **Security concerns.** Ensuring data security and cybersecurity across network and infrastructure was the top reported challenge for nearly 40% of respondents. This is particularly pertinent as 35% of respondents reported increased competition from digital-first competitors and the need to have confidence in the capabilities they build to counter this threat — capabilities that increasingly involve collaboration with external parties.

Figure 5

Top Challenges With Digital Banking



Top Challenges With Developing A Digital Ecosystem



Base: 760 global decision-makers at banks with responsibility for credit/lending, customer experience, digital banking, open banking or ecosystem initiatives, payments, and the technology stack

Note: Showing top 6

Source: A commissioned study conducted by Forrester Consulting on behalf of Sopra Steria July 2021

- **Integration issues.** Just over a quarter of respondents reported their organizations still struggle to exchange and flow data amongst their internal systems and processes, and just under a third struggle to create data interoperability with their partners. This undoubtedly impacts customer journeys by disrupting their intended course. One in three respondents noted their banks find it challenging to build end-to-end customer journeys that are effectively integrated across partners.
- **Skills shortages.** Nearly a third of respondents reported challenges in obtaining the relevant skills and talent to implement and manage digital banking capabilities against a backdrop of high demand. The

pandemic has exacerbated this and the uplift in the pace of change persists as digitization has exposed weaknesses in application suites across nearly all parts of the roadmap simultaneously. Without the right skills, banks risk remaining in the lowest Explorer category, losing customers and revenue to their more advanced peers.

- **Developing a digital ecosystem of products and services.** To meet evolving consumer expectations, banks increasingly deliver their services in conjunction with partners in digital ecosystems. Many banks are also exploring the opportunity to be the center of their own ecosystem, curating third-party products and services in a central financial hub, improving their customers' experience by delivering contextually relevant services, and opening new acquisition channels.¹³ At the same time, ecosystem partners gain huge value from the trust that banks have with consumers.¹⁴ Despite appreciating the potential value, most respondents noted their banks experience difficulties developing such an ecosystem. Top challenges mirrored those from digital banking with security and data heading the chart. Other issues were more specific to collaborative ecosystems: gathering customer consent, integrating legacy technology, and including new services in a scalable and effective manner. The inability to overcome these risks harms the relevance of banks in customers' lives.

- **Collaborating with partners and vendors.** In the open finance era where regulators encourage — if not mandate — collaboration, new business models will only succeed if networks and partnerships are strong.¹⁵ However, our study found that banks are well behind the curve in their cultural effectiveness here. Banks are:

“A lot of partnerships fail because of the culture in a bank. Accountability, passion, ownership structures ... there is no incentive to really go above and beyond. At tech companies there is a greater hustle. This is why banks will struggle — and why tech companies are making a run for their money.”

**VP OF PAYMENTS
PLATFORM AT AN ASIAN
PAYMENTS COMPANY**

- **Reluctant to change.** In our interviews with ecosystem members — the third parties that collaborate with banks to enrich or offer new products/services, provide distribution, or increase acquisition reach — we found that banks are often slow to change and risk averse.

The VP of payments platform at an Asian payments company noted: “A lot of partnerships fail because of the culture in a bank. Accountability, passion, ownership structures ... there is no incentive to really go above and beyond. At tech companies there is a greater hustle. This is why banks will struggle — and why tech companies are making a run for their money.”

The head of business development at a global lending platform noted, “Banks on the surface look like an ideal partner but are not open-minded or ready to embrace change — it’s never going to be a good marriage.”

- **Undervaluing partners.** The chief ventures officer at a European marketplace noted, “Most banks just see us as another channel and treat us like an asset rather than a partner.” This interviewee also added: “A large Tier 1 bank wanted to give us really bad contract conditions — below average on the market. This problem didn’t arise with the neobank partner we went with because everything they do is already fully digital so they don’t see digital as a threat.”

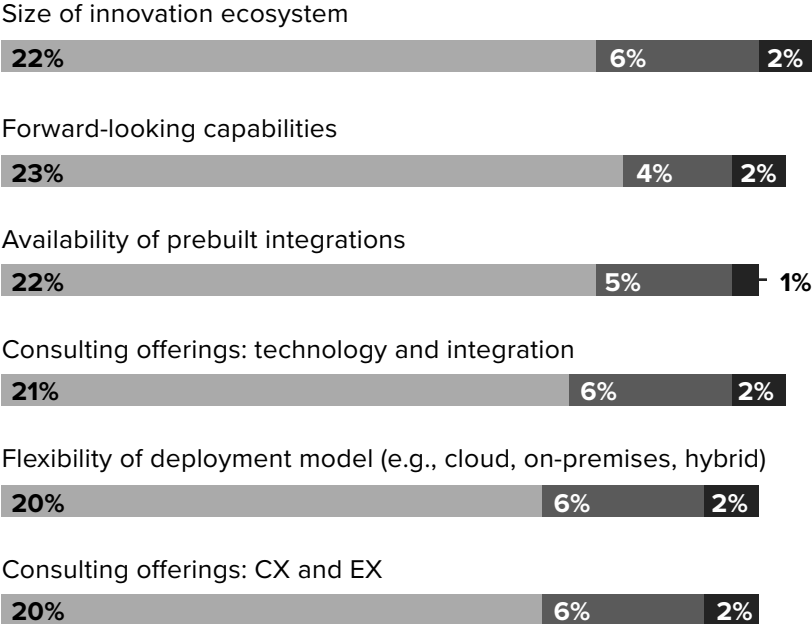
The VP of payments platform at an Asian payments company noted: “Banks need to do more around CX — and that translates to partner experience as well! They are not partner-centric, and don’t think: ‘What does the partner go through? What do they need? What is their experience?’ The partner experience is far from ideal.”

- **Dissatisfied with their digital banking technology providers.** Globally, more than one in four respondents noted their banks were not satisfied with their technology providers’ current digital banking capabilities (see Figure 6). Key issues banks experience with these partners are the size of the innovation ecosystem, the partner’s forward-looking capabilities, prebuilt integrations, consulting offerings, and their deployment flexibility.

Figure 6

“How satisfied is your organization with your current digital banking technology provider(s) in the following areas?”

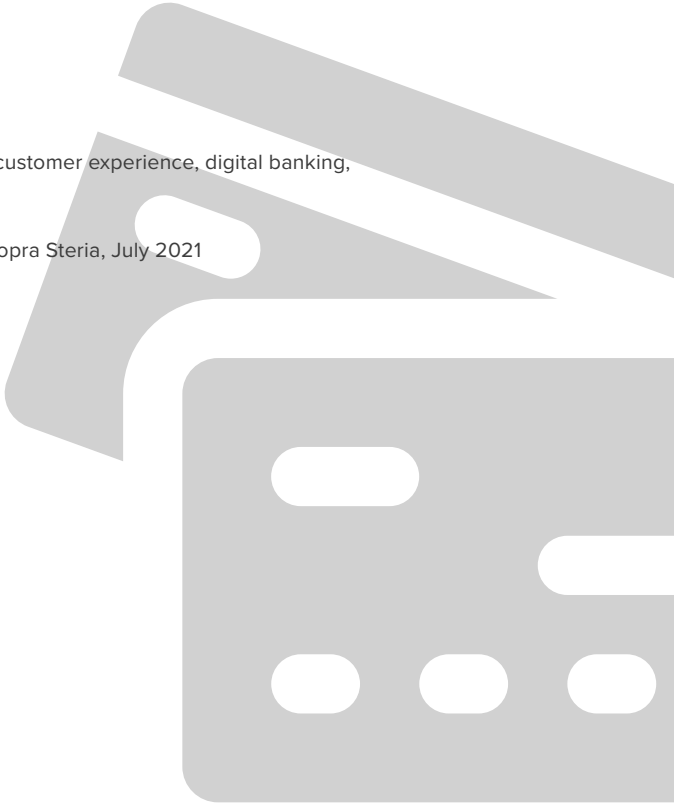
● Neither satisfied nor dissatisfied ● Somewhat dissatisfied ● Very dissatisfied



Base: 760 global decision-makers at banks with responsibility for credit/lending, customer experience, digital banking, open banking or ecosystem initiatives, payments, and the technology stack

Note: Showing top 6

Source: A commissioned study conducted by Forrester Consulting on behalf of Sopra Steria, July 2021



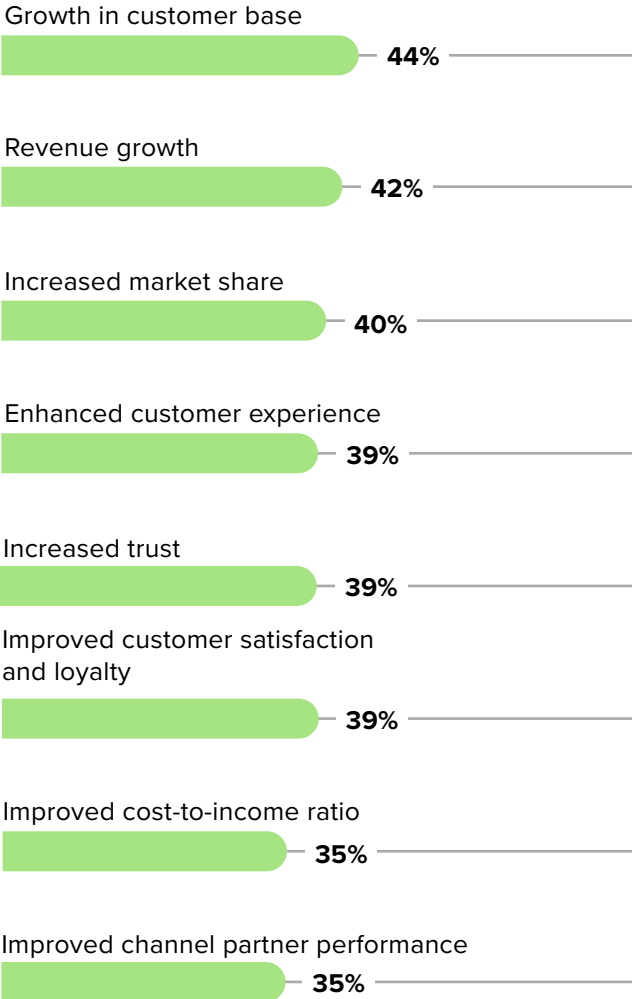
Master Collaboration To Achieve Growth And Maintain Relevance

A strong ecosystem of partners and vendors will help banks overcome these challenges and capitalize on growth opportunities in the open finance era — and virtually all respondents we surveyed expected their banks to achieve significant benefits with a digital ecosystem — and not only for their own banks (see Figure 7). The respondents foresaw a healthy blend of growth opportunities for their organizations as well as enhanced benefits for their customers. Banks see ecosystems as a route to:

- **Increased business growth.** Growth in their organizations’ customer base (44%), revenue (42%), and market share (40%) were the top benefits of digital ecosystems respondents highlighted. When we asked respondents which of their organizations’ top priority initiatives they expected to drive the highest growth, around half ranked improving business and IT integration with partners (52%) and increasing monetization of open banking APIs and initiatives (50%) in the top three.
- **Improved CX and stronger relationships with customers.** Encouragingly, growth opportunities are anchored in positive customer benefits. By building ecosystems with trusted partners, respondents expected their banks to experience enhanced customer experience (39%) and improved customer satisfaction and loyalty (39%).

Figure 7

“What benefits does your company expect to achieve with a digital ecosystem?”



Base: 760 global decision-makers at banks with responsibility for credit/lending, customer experience, digital banking, open banking or ecosystem initiatives, payments, and the technology stack
Note: Showing top 8, respondents were directed to select all that apply.
Source: A commissioned study conducted by Forrester Consulting on behalf of Sopra Steria, July 2021

- **Enhanced trust.** One of banks' biggest assets is consumer trust. Trust sets banks apart from almost all other platforms that can offer financial services.¹⁶ Successful banks will selectively leverage and extend the trust they already have, and ecosystems are a means to do this. Thirty-nine percent of respondents reported increased trust in their banks as an expected benefit.

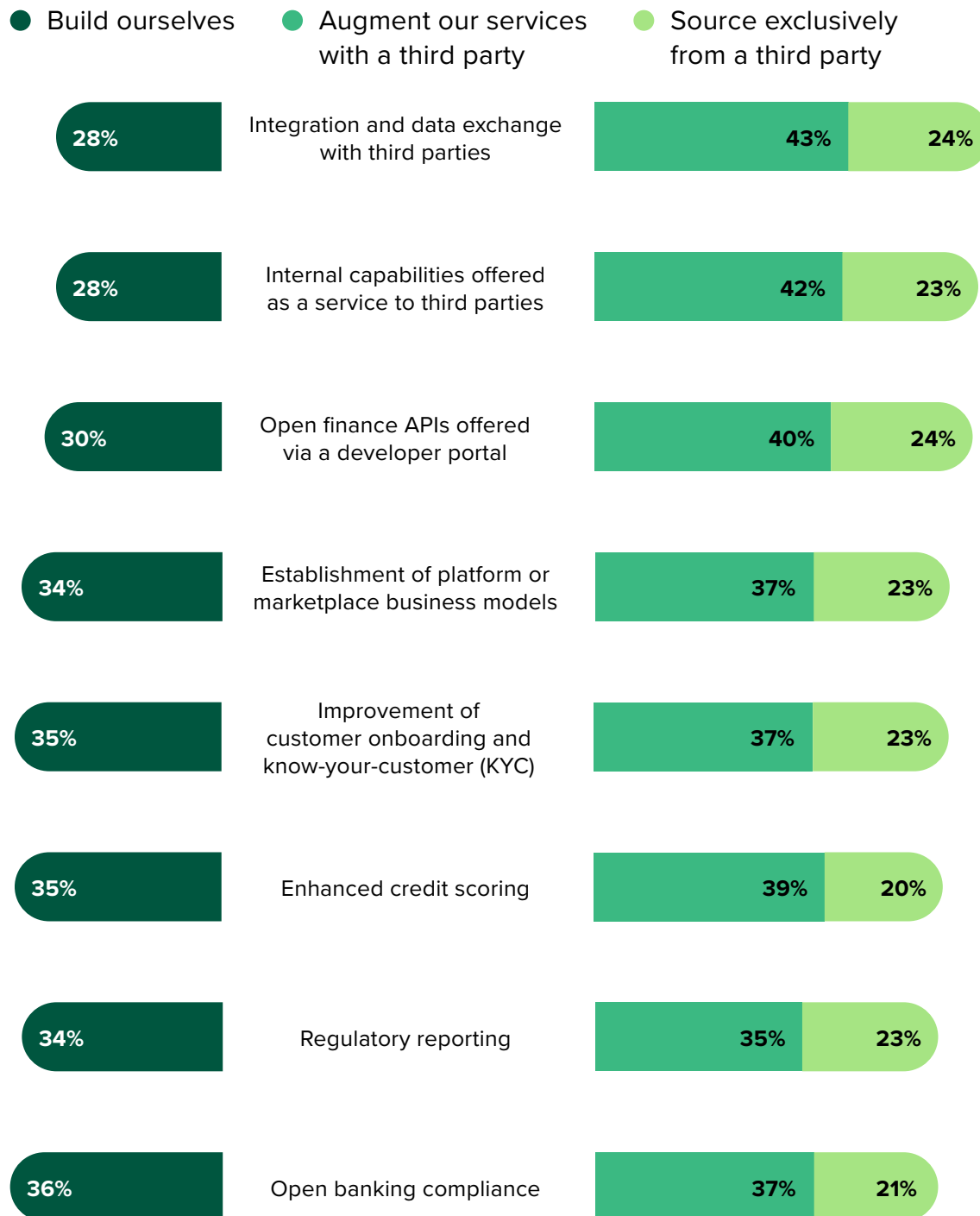
BANKS PLAN TO USE VENDORS TO BOOST EMERGING TECHNOLOGY ADOPTION AND MATURE DIGITAL CAPABILITIES

It is clear that most banks need help as their digital capabilities and application landscapes are not yet in a shape that would allow them to cope with the forces that are changing the industry.¹⁷ Historically, banks are less accustomed to external collaboration and openness, and are used to having an inside-out rather than outside-in perspective.¹⁸ According to our study, respondents recognized that their banks can't do it all on their own and plan to engage vendors for support. Ecosystems (and true collaboration) are relatively new territory for most, and banks are looking for assistance across a wide range of areas. Areas they are most keen to get assistance from vendors include (see Figure 8):

- **Maturing their future digital capabilities and integrating with ecosystem partners.** Most survey respondents reported that their banks will augment their services with a third party — or even source them exclusively from a third party — to deliver digital banking capabilities. Capabilities that are most likely delivered in this way tend to be related to partner ecosystems and include integration and data exchange with third parties (67%); internal capabilities offered as a service to third parties (65%); and open finance APIs offered via a developer portal (64%).
- **Embracing emerging technologies.** When it comes to emerging technologies, more than a third of respondents reported that their banks plan to invest externally in the next 12 months by outsourcing to another provider, including 5G networking (53%); internet of things (IoT) or connected devices (46%); and artificial intelligence/machine learning (43%). However, banks are more cautious when it comes to addressing their biggest challenges. They want to keep control and build themselves when it comes to technology for regulation (54%) and data security (50%).

Figure 8

“How does your firm plan to deliver the following digital banking capabilities?”



Base: 760 global decision-makers at banks with responsibility for credit/lending, customer experience, digital banking, open banking or ecosystem initiatives, payments, and the technology stack

Note: Showing top results for “Augment our services via a third party”

Source: A commissioned study conducted by Forrester Consulting on behalf of Sopra Steria, July 2021

BANKS ARE LOOKING FOR VENDORS WITH OFFERINGS THAT EXTEND BEYOND DIGITAL BANKING CAPABILITIES

Technical capabilities are essential. For example, respondents cited the need for a large API catalog with APIs for a broad range of business functionalities (63%), API platforms with API management and analytics (63%), as well as microservices and containers to foster digital innovation and openness (62%) as “Very important” or “Critical.” But it is what you do with them that counts.

Banks want to benefit from all the opportunities that open banking brings, while remaining fully secure and compliant. Because of this, security by design and compliance with all legal and security-driven requirements was another “Very important” or “Critical” factor (66%). They are looking for guidance when it comes to implementation, too, with 63% of respondents citing technology integration consulting as a “Very important” or “Critical” capability (see Figure 9).

But banks are looking for vendors with services extending beyond technology. As our assessment shows, banks don’t just need to be ready from a technical perspective for success in this new era. The right vendors provide valuable expertise, insight, and consultancy *and* help banks augment their technology capabilities. When selecting digital banking technology vendors to work with, banks emphasize aspects such as:

- **Preexisting access to open banking and ecosystems.** Banks are eager to drive revenue from their open banking and compliance investment and forge their ecosystems, but it is new territory to most of them.¹⁹ Rather than spending years to build it all from scratch, they look for vendors to accelerate their entry. Access to open banking (64%) and a preexisting set of ecosystem partners or third parties (59%) are “Very important” or “Critical” needs.
- **Consulting services for the two holy grails — CX and strategy.** Banks need help navigating the new collaborative landscape, as it is not just a case of being ready for open finance. Many are keen to lead the way to maintain consumer relevance. Banks need the right strategy to be successful in the long term, and customer experience is the north star. Customer experience (65%) and strategy consulting (64%) are critical requirements for their vendor selection.

Figure 9

“When you choose a third-party vendor to work with to enable your digital ecosystem, how important are the following capabilities to you?”

● Very important ● Critical

TECHNOLOGY CAPABILITIES

Security by design and compliance with all legal and security-driven requirements



Ready-to-use, preintegrated solutions



Cloud-based services and products (e.g., private, public, SaaS)



API platform with API management, analytics, and more



High performance for optimized processing and high volumes



Fostering digital innovation and openness with microservices and containers



Large API catalog with APIs for a broad range of business functionalities



A wide catalog of fine-grained business components



OTHER CAPABILITIES

Customer support



Technology integration consulting



Customer experience consulting



Employee engagement



Access to open banking



A preexisting set of ecosystem partners or third parties



Strategy consulting



Off-the-shelf business cases



Base: 760 global decision-makers at banks with responsibility for credit/lending, customer experience, digital banking, open banking or ecosystem initiatives, payments, and the technology stack

Source: A commissioned study conducted by Forrester Consulting on behalf of Sopra Steria, July 2021

Key Recommendations

The open finance era will improve customer well-being, offering ease and better experiences as banks harness trust, technology, and insights to embed truly customer-focused financial services where they are needed. But banks operating models are outdated. They are not set up to augment their services via third parties, and don't drive value through collaboration to build on the value of digital transformation and technology adoption. Banks must reorient their digital banking strategy to one of collaboration and ecosystem engagement.

Forrester Consulting's in-depth survey of 760 decision-makers at banks about their future strategic focus and digital banking maturity yielded several important recommendations. The study showed that banks already overestimate their abilities in areas like customer experience — but underestimate the challenges they face as market dynamics shift to ecosystem-oriented collaboration.

To build a bold new operating model that is externally oriented towards collaboration and collective value delivery for both customers and partners, and capable of withstanding the demands of an open finance era, banks must:

Build strong competence in mapping CX across partner journeys.

Customers place more emphasis on their broader financial needs, spurred on by the focus on financial wellbeing and embedded finance. Collaborative delivery requires a root-and-branch assessment of how financial products enable value with a step change in customer insight. Differentiators care about the whole process. Future-state customer-journey mapping draws on the wider context, using ecosystem maps to provide insight into the supporting partners, employees, technologies, and processes that affect the journey. This ensures a consistent experience and identifies moments of truth that shape future experiences.²⁰

Design for integration, building ecosystem-thinking into products from the outset.

Open finance and government-sponsored smart data initiatives open up more opportunity and demand engagement. Future banks will operate in multiple modes concurrently: direct-to-consumer, as-a-service, marketplace seller, and platform owner. Design for integration from the outset and consider how your capabilities may

connect with new communities of customers, partners, influencers, or competitors. Think in terms of business building blocks and design as-a-service for event-driven architectures, while building the tools, services, and skills for onboarding, support, orchestration, and engagement.

Pivot to an outside-in culture.

An ecosystem-based, collaborative approach means moving from a business focused on control to a business focused on influence and reciprocity. This changes your business philosophy and required skills. Open finance will see banks build and participate in ecosystems with firms in other industries like telecommunications, utility, retailers, transit, and pension providers to deliver new forms of financial solutions. This demands openness from accepting third-party collaboration to sharing insights. Building trust, earning influence, and aligning goals beyond your corporate boundaries are prized skills.

Ensure effective partner management.

As success becomes collective and reliance on partnerships and ecosystems grow, the focus must move beyond traditional third-party management to engagement and the quality of relationships. Chief marketplace officers and chief ecosystem officers are taking their place at the top table. Growth of influence in an ecosystem, customer acquisition, stickiness, and lifetime value uplift are all measurable benefits.

Define vendor and partner selection criteria based on needs.

Broaden your vendor and partner selection requirements to focus on the breadth of a vendor's offering, not just technical expertise. Look for vendors that blend a track record of implementing emerging technology with insights to get the most value for it — and vendors that have the soft skills available to train out the path to success in your firm. When it comes to ecosystems, vendors need to demonstrate sensitivity to the cultural challenges of operating an ecosystem and, ideally, come with a catalogue of third parties that can provide plug-and-play opportunity.

Appendix A: Methodology

In this study, Forrester conducted an online survey of 760 decision-makers at global financial services institutions and 10 interviews with decision-makers at companies that collaborate with banks to evaluate the future of digital banking experiences. Survey participants included decision-makers for credit/lending, customer experience, digital banking, open banking or ecosystem initiatives, payments, and the technology stack. Respondents were offered a small incentive as a thank-you for time spent on the survey. The study began in June 2021 and was completed in July 2021.

Appendix B: Demographics

REGION	
Europe	39%
North America	20%
Asia	19%
Africa	7%
Middle East	7%
Latin America	7%

SIZE	
Tier 1 (More than US\$500 billion and up to US\$750 billion)	14%
Tier 2 (More than US\$100 billion and up to US\$500 billion)	31%
Tier 3 (More than US\$20 billion and up to US\$100 billion)	33%
Tier 4 (More than US\$5 billion and up to US\$20 billion)	22%

DEPARTMENT	
IT	26%
Marketing	14%
Operations	11%
Corporate strategy	10%
Digital transformation	10%
Executive team	8%
Sales	7%
Product	7%
Customer experience	7%

INDUSTRY	
Financial services, banking, and/or insurance	100%

TYPE OF FINANCIAL INSTITUTION	
Corporate bank/commercial bank	25%
Digital bank/challenger bank/neobank	25%
Retail bank	20%
Consumer finance	16%
Universal bank	14%

TITLE/ROLE	
C-level executive	28%
Vice president	26%
Director	46%

AREAS OF RESPONSIBILITY*	
Credit/lending	93%
Payments	92%
Digital banking initiatives	93%
Technology stack/portfolio	92%
Customer experience	93%
Open banking or ecosystem initiatives	93%

*Note: Respondents must have responsibility for one or more of these areas.

Note: Percentages may not total 100 because of rounding.

Appendix C: Supplemental Material

RELATED FORRESTER RESEARCH

“The State Of Digital Banking, 2021,” Forrester Research, Inc., January 29, 2021.

“Open Finance Will Reshape Financial Services Over The Coming Decade,” Forrester Research, Inc., August 5, 2021.

Appendix D: Endnotes

¹Source: “The State Of Digital Banking, 2021,” Forrester Research, Inc., January 29, 2021.

²Source: “Learn From — Don’t Fear — The Tech Titans To Prepare For The Future Of Banking,” Forrester Research, Inc., December 17, 2020.

³Source: “The State Of Digital Banking, 2021,” Forrester Research, Inc., January 29, 2021.

⁴Source: “Learn From — Don’t Fear — The Tech Titans To Prepare For The Future Of Banking,” Forrester Research, Inc., December 17, 2020.

⁵Source: “The Evolution Of Digital Banking Platform Architecture,” Forrester Research, Inc., April 6, 2020.

⁶Source: “Open Finance Will Reshape Financial Services Over The Coming Decade,” Forrester Research, Inc., August 5, 2021.

⁷Source: “The Future Of Banking Is Built On Trust,” Forrester Research, Inc., July 29, 2020.

⁸Source: “The State Of Digital Banking, 2021,” Forrester Research, Inc., January 29, 2021.

⁹Source: “Five Steps To Evolve Your Digital Business Strategy,” Forrester Research, Inc., June 25, 2019.

¹⁰Source: “Apply Cultural Patterns From Leading Digital Innovators,” Forrester Research, Inc., October 4, 2019.

¹¹Source: “How A Platform Business Model Changes A Financial Services Firm,” Forrester Research, Inc., August 9, 2021.

¹²Source: “The State Of Digital Banking In Asia,” Forrester Research, Inc., March 27, 2020.

¹³Source: “The Six Platform Business Models Within Financial Services,” Forrester Research, Inc., August 6, 2021.

¹⁴Trust sets banks apart from almost all other platforms. Source: “The Future Of Banking Is Built On Trust,” Forrester Research, Inc., July 29, 2020.

¹⁵Source: Ibid.

¹⁶Source: “The Trust Imperative,” Forrester Research, Inc., May 12, 2021.

¹⁷Source: “The Evolution Of Digital Banking Platform Architecture,” Forrester Research, Inc., April 6, 2020.

¹⁸Source: “How To Succeed With Marketplace Business Models In Financial Services,” Forrester Research, Inc., April 12, 2021.

¹⁹Source: “How To Monetize Open Finance And Platform Business Models,” Forrester Research, Inc., January 14, 2021.

²⁰Source: “Successful Innovation: Use Future-State Journey Mapping For Growth,” Forrester Research, Inc., October 20, 2020.



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