THE FUTURE OF BANKING IN A DIGITALIZED WORLD

Why banks must understand the true cost of digitalization
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The banking community has traditionally had a mindset in which there was a guaranteed “cradle-to-grave” customer relationship. Consumer mobility between banks was low because opening a bank account was a paper-based and arduous process, and switching banks was a much more onerous task than it is today. The bank owned the customer relationship and invested in systems needed to deliver the requirements of the full customer lifecycle. These systems were often separately operated within the same bank. However, this cradle-to-grave mindset is changing for a number of reasons.

Digitalization is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business. Digitalization is occurring in the banking industry and in payments in particular, and banks are not adapting effectively enough. The banking and payment markets are also being opened up to new players, many of them fully “digitalized”.

Regulation and technological advances have enabled multiple new players and technologies to enter into the market where the rules of the game are changing because consumer behavior is changing. The second Payment Services Directive (PSD2) in Europe will cover new payment services created by a period of innovation and will permit the entrance of two new service providers into the market, both of whom will significantly influence the customer-bank dynamic. Regulatory interventions are in other markets — such as Israel — where non-bank players are being encouraged to enter the payments market.

EXECUTIVE SUMMARY

What is digitalization and how is it affecting banks?

Digitalization is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business. Digitalization is occurring in the banking industry and in payments in particular, and banks are not adapting effectively enough. The banking and payment markets are also being opened up to new players, many of them fully “digitalized”.

If banks cannot pinpoint the source of their profits, how can they strategize effectively for the future?

Banks are not prepared for the changes to come. They are reluctant to address the challenges of payments digitalization because they lack visibility into the real value of payments, which is obscured by their inefficient payments infrastructure and legacy systems, and a general lack of focus on payment services. They also do not have a cohesive strategy to address the issue of new players entering the market.

When businesses perceive changes in the market to which they have not yet formulated a cohesive response, the temptation is to fall back on old approaches. The old adage of “buy, build or outsource?” is undoubtedly a question that many in the banking industry are asking themselves at this time. However, to choose one of these three options would be a mistake.

Flexibility is the best approach, especially given that the changing landscape is a complex picture with many moving parts. If banks are flexible enough, they can adopt a hybrid strategy of acquisition, building and/or outsourcing to ensure that all their requirements are met and they are competitive on as many fronts as possible. But to be truly flexible, banks must follow a simple set of principles.
What is the best strategy to deal with the changing landscape?

- **Know your business.** To know their businesses banks must know their P&L. Banks must therefore recognize the importance of payments to their P&Ls. Banks must know the costs of and revenues generated from each payments product they offer so that they can establish the impact that payments have on their business. Many banks do not know this and do not know their business well enough to address any problems they may be facing.

- **Prepare for everything.** Banks must prepare for all eventualities by planning meticulously and having contingencies in place for all potentially negative scenarios, as well as planning on how to optimize any opportunities with which they are faced. Proper planning will allow for flexibility in approach as the bank will have full visibility on the direction it wants to take.

- **Work with flexible partners.** Flexible partners will allow flexibility in all avenues of the commercial arrangement. For example, pricing structures should not be restrictive. If a bank outsources some functions to an outsourced partner, they should negotiate a “pay-as-you-go” pricing model. Such a model can be applied to many areas of a bank’s business — and crucially can be applied to the provision of payment processing so that the exact cost of payment products can be identified — and would be preferable to the standard outsourcing payment models.

- **Be competitive — Technologically, financially and innovatively.** Banks are not competitive enough with new entrants to the market. They must address the fact that they have legacy system issues and take action. By introducing cloud technology, payment solutions are able to help reduce the role of legacy systems, streamline infrastructure inefficiencies and open up the door to pay-as-you-go business models. They do not recognize the value of payments to their businesses because of a lack of visibility on costs and revenues that cannot be properly allocated to their products. Banks must change this by gaining clear insight into what it costs to provide a payment service and how much profit is derived from it. Innovation in payments is hindered by the lack of visibility into the benefits they provide. If banks learn to become more competitive on these fronts, they will be better placed to mitigate any future threats to their position.

Digitalization and Regulation are Changing the Banking and Payment Landscapes

The banking community has traditionally had a mindset in which there was a guaranteed cradle-to-grave customer relationship. Consumer mobility between banks was low because opening a bank account was a paper-based and arduous process. Switching banks was a much more onerous task than it is today. The bank owned the customer relationship and invested in systems needed to deliver the requirements of the full customer lifecycle. These systems were often separately operated within the same bank. However, this cradle-to-grave mind set is changing for a number of reasons.

**What is digitalization and how is it changing the banking landscape?**

Digitalization is the use of digital technologies to change a business model and provide new revenue and value-producing opportunities; it is the process of moving to a digital business. Digitalization is occurring in the banking and payment industries as new players, many of whom are fully “digitalized”, enter the market. The banking landscape is changing and banks are not adapting effectively enough.

It is not a surprise to say that banks have had a dominant position in the banking and payment industries for a long time. Banks undertake a wider range of activities in these industries than any other players. They accept deposits from consumers and/or businesses and create credit, which can be provided directly through proprietary bank credit products or indirectly through capital markets.
Banks create and sell a range of ancillary products and services in the delivery of these activities. Foreign exchange products, savings products, loans (personal, business, mortgages, etc.) and payment products such as credit and debit cards and credit transfers are just a few examples of the range of products and services banks offer.

The dominant position that banks have enjoyed in the market for so long is at risk. A range of new opportunities for new banks and non-bank organizations is at hand. These opportunities represent a risk to bank dominance in the industry. So, as more non-traditional players will continue to operate in the market, what could prevent banks from responding effectively to the changing landscape? This report will identify how the banking landscape is changing through regulation and digitalization and what opportunities may present themselves to banks — both long-established banks and those newly created — as a result, so that all types of banks can adopt the correct strategies to address changes in the market.

FACTORS PREVENTING BANKS FROM ADAPTING EFFECTIVELY

LACK OF VISIBILITY ON COSTS

If banks cannot pinpoint the source of their profits, how can they strategize effectively for the future?

Banks are typically siloed into departments and each department has its own P&L. Many of these departments are profit centers, while others are not. However, some products — such as payment services — operate horizontally across multiple departments. The range of payment services typically provided by banks consists of checks, payment cards (debit, credit, charge and prepaid cards), bank transfers (direct debits and near-real-time credit transfers) and Real-Time Gross Settlement (RTGS). Note that RTGS is considered a payments service because it occurs by definition in real time.

The cost of, and profit derived from, these payment services are not properly allocated across many banks’ departmental cost structures. Where a payments product is a commodity in its own right, banks will likely know its value to the overall business. For example, banks can clearly calculate the profitability of providing credit card services to customers because the card issuing department has full oversight into departmental operational costs and product costs. The profit derived from that business will then be calculated by deducting the operational and product costs from the revenues generated. The profitability of the credit card business to the bank is clear. Its value can easily be established.

Allocation of common service costs across multiple products and operational functions within the bank is commonly inconsistent.

Where a payments product is not commoditized, the definition of value to the overall business is not so straightforward. For example, the value of bank transfers to a bank is not so easily visible. Calculating the cost of bank transfer services is possible, but the calculation of revenue derived from bank transfers is more problematic. In many markets — such as the U.K., U.S., Australia, Singapore, Mexico, among others — account-to-account banks transfer services are provided to customers across many different business lines within the bank. Business banking, commercial lending, consumer banking, investment banking and merchant services departments may all provide services for different customer segments that utilize the bank transfer product as part of the different account and lending services they receive. Revenue is generated in each of these business lines, but not as a direct result of the payments product. The accurate allocation of revenue to the credit transfer product and its profitability as a product is unknown.

Banks must address this problem in order to be competitive in the changing environment. In manufacturing terms, how could Apple plan its future product range if it could not establish the profitability of its current product portfolio because it has no visibility into its cost of sales? If Apple doesn’t know which products work now, how would it decide what will work in future?
LEGACY SYSTEMS

Banks that adopt a siloed approach to different business lines typically have similarly siloed IT systems infrastructure. This can result from a lack of strategic organizational planning in response to changes in how the bank operates. For example, multiple product teams could entail an IT and systems infrastructure that has unnecessary duplication of systems and/or platforms required for the operation of a product line. One product team across all business lines would be more efficient.

Aged systems can also often be the cause of an uneven system infrastructure. Banks may be unwilling to undergo a painful migration to a new platform in one department, but will use a more modern platform when commencing similar activities in another. Both departments are therefore out of sync in the systems renewal cycle and will continue using two separate yet similar platforms.

Duplication is an inefficiency in such a scenario, and potentially an expensive one. Banks may also lose scale benefits that would be derived from routing more transactions, cards, loans, etc. through multiple platforms instead of one, leading to cost inefficiencies that could be eliminated.

Banks are not competitive with new entrants to the market, who have the best-in-class IT systems infrastructure that responds to contemporaneous requirements. The introduction of standardized open application programming interfaces (APIs) into the market will undoubtedly pose a challenge to banks in the market that still operate legacy systems that should have been “sun-setted” some time ago. The additional cost and time taken for them to update their technology does not position them well to compete with their more dynamic, flexible and digitalized competitors.

NOT ENOUGH FOCUS ON PAYMENTS

Banks do not focus enough on payments because they do not know the actual value of payments to their business. The calculation of ROI when investing in new and innovative payments products is therefore also problematic. Investment is not feasible when visibility on expected losses or gains is not clearly defined.

Innovation in payments has therefore suffered as a result of a lack of investment. Cost efficiencies could be made by a reduction in the number of platforms/payment engines to the minimum number required. These cost efficiencies could be used to develop new innovative products that compete with the best in class in the market.

Innovation in payments from non-bank organizations has delivered a number of successful payment products with business models that are sustainable in the long term. For example, PayPal realized that consumer demand for online wallet solutions would likely increase alongside growth in eCommerce spending and used bank infrastructure to create an innovative solution that banks could have created but did not.

Banks must learn that a renewed focus on payments can provide a unique and sustainable profit center in a time of great uncertainty as to the long-term profitability of the current banking model.

RISKS AND REWARDS OF DIGITALIZATION

Case study: Analog vs. digital — The New York Times’ transition from unprofitable legacy, analog processes and products to digital profitability

The New York Times (NYT) is a prestigious, global media brand that had strong revenues and profitability for many years. The New York Times Company reported revenues of $3.3 billion in 2005, $2.3 billion of which was from advertising revenues driven by the hugely profitable print advertising division. Net income was approximately $250 million.

**With digitalization the NYT was not able to respond effectively.**
WHAT CAN BANKS LEARN FROM THIS?

A successful transition from analog to digital requires a clear understanding of all threats and opportunities facing the business. A clear understanding of the business (including all costs, revenues, etc.) is required so that a success strategy can be set to take the business forward. Once the correct strategy is set, any obstacle can be overcome.

By 2011, revenues had decreased to $2 billion and the company made an overall loss of $40 million. So what went wrong? Print media revenues decreased largely due to declining print edition sales and, crucially, significant decreases in print advertising revenues. The NYT had attempted to offset these declining revenues by increasing its digital readership. However, digital subscribers are much less profitable than their print counterparts. It is estimated that an average print subscriber generates approximately $1,100 per annum in revenue, while the average digital subscriber generates $175 in revenue per annum.

The NYT was an analog dinosaur in an increasingly digital world. The paper had legacy print operations that were expensive to maintain and the advent of digital media had created competition for the NYT from new media companies that were online only and were therefore not encumbered by legacy print operational costs. These companies could convert lower revenues into higher margins than the NYT.

The NYT management was forced to adopt a new strategy to improve the poor financial performance and mitigate against the competitive threat from newer entrants to the market. They focused on developing the paper’s digital offering, created more digital content, targeted new consumer segments and increased online readership. The intention was to increase both paywall subscription revenues and increase digital advertising revenues.

The strategy is working. The NYT was profitable in 2015, although only just. However, considering the losses of previous years, profitability of any sort should be considered a success. Management aims to increase digital advertising revenues from $400 million (2015) to $800 million within the next five years, which should return the NYT to the levels of profitability it enjoyed in the mid-2000s.

CHANGING THE DYNAMIC BETWEEN BANKS AND THEIR CUSTOMERS IN EUROPE

How can regulation impact banks?

The European payments market has already been opened up to non-bank players through regulations established within the last 10 years. Emoney licenses (regulated under the second Electronic Money Directive 2009 — 2EMD) are granted to eMoney issuers for the issuance of eMoney. The Payment Services Directive (PSD) permitted the entrance of payment institutions (Pis) into the payment markets. PIs are non-bank organizations that conduct low-risk payment services.

The PSD2 has replaced the first Payment Services Directive. PSD2 will permit the entrance of two new service providers into the market:

- **Payment initiation service provider (PISP):** This new service provider can develop a software bridge between a payee (e.g., a merchant) and payer (i.e., consumer) to verify to a payee that the funds needed for a transaction are available in the account and to initiate a credit transfer from the payer’s account to the payee.

- **Account information service provider (AISP):** This new service provider can aggregate online information on one or more payment accounts for a user, accessed via online interfaces of the account servicing payment service providers (i.e., banks).

These changes could potentially have a significant impact on banks and other payment service providers. New third-party organizations will be introduced for the first time into the bank/customer dynamic. Banks will also have to allow these third parties to integrate with their online banking platforms and other payment providers will have to provide access to their customer account information.
WHAT CAN BANKS LEARN FROM THIS?

Regulators may not always act in favor of the banks, especially given trends in Europe and the Middle East (Turkey is also a case in point where regulators have aligned with EU regulation) where non-bank operators are being encouraged to enter payment markets. Competition in the market must also always be considered to be a given and banks must be prepared to react to regulatory changes as quickly as possible.

TECHNOLOGY DRIVES CHANGE

TECHNOLOGY AS A POSITIVE FOR BANKS

Technological developments have had a hugely positive effect on banks thus far. For example, the advent of mobile and online banking has decreased consumer dependency on the branch network. HSBC estimates that customer footfall has decreased by 40% across its U.K. branch network during the last four years. HSBC will therefore close approximately 200 branches in 2016, lowering the cost of maintaining its overall network.

Banks have also been the beneficiaries of automation. The transition within payment card transaction processing from individual, handwritten entries into a physical paper ledger to the automated card management platforms of today has undoubtedly saved substantial amounts of time for bank employees and money for banks. Technology has indeed delivered many positives for banks.

TECHNOLOGY AS A NEGATIVE FOR BANKS

However, technology can pose a threat to banks because competitors can also use it to their advantage. Banks that are not flexible enough (technologically, organizationally, contractually, etc.) to adapt to a quickly changing market environment are most at risk.

Disruptive companies — Is there a major sea change ahead?

Online only banks (or innovative challenger banks in Europe) could threaten the dominance of established banks by creating infrastructure de novo that is best-in-class and unrestricted by legacy issues. The number of online-only (or direct) banks is increasing as consumers become more comfortable with the branchless banking model.

MANDATED DIVESTMENT OF CREDIT CARD BUSINESSES IN ISRAEL

Regulation is also affecting the payment markets in the MENA region. The Bank of Israel (BOI) is taking steps to increase competition in the areas of payment cards and credit within the Israeli market. This process will enable additional (and crucially non-bank) parties from Israel and abroad to enter the merchant acquiring and credit cards market in order to benefit consumers and SMEs.

The BOI would like to create a new supervisory “tier” within the Banking Supervision Department, which will supervise financial entities that do not receive deposits, but have systemic importance to the stability of the financial system and the entire economy, and will be a more lenient supervisory regime than over the banks.

The BOI also seeks to create an environment that will encourage the entry of new entities as owners of credit card companies. The three main credit card companies in Israel are Isracard (45% market share), Leumi Card (28%) and Cal (27%). The legislation may force the divestment of Isracard and Leumi Card from Israel’s leading banks (Bank Hapoalim and Bank Leumi) within two years and potentially prevent the selling banks from issuing their own credit cards for several years; the sale of Cal could also be enforced.

There will also be significant impacts on the wider market. Non-financial services companies within Israel and non-domestic entities (from any industry, even financial services) will be permitted to bid for the divested card businesses.

IT IS NOT YET CLEAR WHICH OF THE TWO NEW SERVICES PERMITTED UNDER THE PSD2 WILL HAVE A MORE SIGNIFICANT IMPACT ON BANKS AND THEIR CUSTOMERS, AND THE BANK/CUSTOMER RELATIONSHIP. HOWEVER, IT IS INTERESTING TO NOTE THAT THE PAYMENTS MARKET IS BECOMING A MORE DIVERSE ECOSYSTEM THAN BEFORE.
Number 26 (now rebranded as N26) is an online-only banking application founded in Austria and Germany in 2013. The application provides consumers in eight European markets with access to “Number 26” bank accounts, a money transfer service via Transferwise, a MasterCard or Maestro debit card, and an overdraft. N26 was recently awarded a full banking licence in Germany. They are able to undertake more elements of the retail banking value chain and focus on where value can be added to the customer touch points; i.e., low-risk functions such as KYC (conducted via video conference) and customer services.

Successful tech start-ups like N26 could be more prevalent in the future given the low barriers to entry for such firms. Only €12.6 million has been invested in the company to date, but it has amassed more than 160,000 customers since its launch in January 2015. The provision of such a basic range of products via a digital-only operating model allows the company to operate with few staff — approximately 140 — and therefore lower costs than a traditional bank.

Although its current offering is basic, N26 could develop its product portfolio without the encumbrance of high costs and further challenge the established banking model.

Disruptive technologies

New technologies have become disruptive to established payment products’ value propositions in the last few years. The dominance of credit and debit cards has been underpinned by both the consumer value proposition of acceptance ubiquity and merchant value proposition of card issuance ubiquity. The additional security factor of EMV chip and PIN card technology adds to the consumer and merchant benefits; i.e., your money is safe, even if you lose your card.

However, data transmission technologies, such as near-field communications (NFC) and Bluetooth low emission (BLE), have begun to disrupt this established paradigm. Apple Pay, Samsung Pay and Android Pay already use NFC as part of their digital wallet offerings. These wallets have an additional layer of security with integrated biometric consumer authentication (e.g., Apple Touch ID) and tokenization.

The success of these wallets has been limited thus far as consumer adoption and merchant acceptance — dependent upon contactless POS terminal penetration levels — have not yet reached ubiquity. So once ubiquity on both sides is achieved, usage levels of these wallets are expected to increase and make the tech firms more dominant players in the payments market.

The entrance of FinTech firms into the payments space should raise alarm bells for banks as it again signals additional players in the value chain operating between them and their customers. Distributed ledger technologies (DLT) could be another potential “entry point” where the banks could participate or may be forced to sit on the side lines because they are not able to support such a long-term vision of their financial services product portfolios.

Evolving consumer behavior patterns

Increased usage of online and mobile banking services

Convenience is now a must for consumers. Mobile banking usage levels are increasing significantly and banks are adapting by providing additional services. For example, Danske Bank in Scandinavia has launched a shares trading functionality that is integrated into the consumer’s mobile banking app and many banking apps in Australia also provide credit transfers as standard.

Consumer trust in global technology firms is higher than in banks

Consumers trust large tech firms such as Apple and Google more than they trust banks. An Instantly Brand Monitor and Statista poll found that Wells Fargo and JP Morgan Chase were viewed less positively as providers of financial services products than Apple, Google and PayPal among U.S.-based consumers. This was not the case before the global financial crisis of 2008, but has become more prevalent since then. Large tech firms could use this sentiment to their advantage by extending the range of financial services products they offer.

Large tech firms are also more flexible and tech-savvy than banks and have focused on payments in recent years. Banks will likely lose ground to these firms if they attempt to achieve further disintermediation within the banking industry. However, as a positive for banks, tech firms have a lot of technologies and business lines upon which to focus. So banks will have to ensure that they retain a stronger focus on payments than their tech competitors.
CONCLUSION

The nature of the threat facing banks is that digitalization is occurring in the banking industry, and payments market in particular, and banks are not adapting effectively enough. Regulation and technological advances have enabled multiple new players and technologies to enter into the market where the rules of the game are changing because consumer behavior is changing also. Banks are reluctant to address the increasing demands of payments digitalization because a lack of visibility into the real value of payments, which is obscured by their inefficient payments infrastructure and legacy systems, and a general lack of focus on payments.

THE CHANGING LANDSCAPE
BANKS’ BEST STRATEGY TO ADDRESS THE CHANGING LANDSCAPE

Buy?
Some banks may think that buying a new and successful company that is already doing what you want to do well is equivalent to buying a pre-fabricated response to the challenges you face. Simply rebrand it and integrate into your bank and the problem will be fixed. You will acquire not only the technical infrastructure that was so successful previously, and which your organization does not have, but also the IP and expertise upon which that infrastructure is built.

So, if banks think that they can buy their way out of their current predicament and find a one-size-fits-all solution that will address all of the challenges they face in the current changing landscape, they are wrong. A changing landscape of multiple new players and technologies means there will always be another competitor on the horizon.

Build?
Banks could build a new IT, systems or platform infrastructure to compete with fully digitalized competitors, or a new technical solution to reduce the risk of disintermediation from disruptors or create a subsidiary company from scratch that provides a new payments solution to the bank itself and/or its competitors — there are many options.

However, the cost of developing a new technical solution can be resource-intensive and there are no guaranteed outcomes, either in developmental costs, developmental timeframes or how successful the end product is.

Outsource?
Outsourcing may seem to be the easy answer. Why take the risk of buying or building when an outsourced partner can provide a tried and tested solution? The bank will not take on any risk, and there is always the safety net of contractual obligations to fall back on.

However, contractual obligations work both ways. How can banks commit to a pricing structure for five years if they do not know what their cost structure will be in five years’ time? Long-term contractual obligations lead to inflexibility, which is currently one of the key inhibitors of banks’ abilities to address their current challenges.

FLEXIBILITY IS THE ONLY APPROACH
Flexibility is the only approach, especially given that the changing landscape is a complex picture with many moving parts. If banks are flexible enough, they can adopt a hybrid strategy of acquisition, building and/or outsourcing to ensure that all their requirements are met and they are as competitive as they can be on as many fronts as possible. But to be truly flexible, banks must follow a simple set of principles.

KNOW YOUR BUSINESS
The NYT faced a long period of uncertainty during which the paper’s real problems were not properly diagnosed. The business had to change in line with digitalization of the industry. Once the changing landscape was recognized internally, management set the correct strategy for the future and the paper transitioned from an unprofitable analog organization into digital profitability.

Banks must know their businesses so that they can address the challenges they face. To know their businesses, banks must know their P&L. Banks must therefore recognize the importance of payments to their P&Ls. Banks must know the costs of, and revenues generated from, each payments product they offer so that they can establish the impact that payments have on their business. Many banks do not know this and do not know their business well enough to address any problems they may be facing.

BE PREPARED FOR THE FUTURE
Banks must always be prepared for what the future may bring. New regulation in the EU and Israel has
demonstrated that new players will soon be entering the market. There are also a number of disruptive companies and technologies in the market that could disintermediate banks.

Banks must prepare to the best of their ability. Banks must prepare for all eventualities by planning meticulously and having contingencies in place for all potentially negative scenarios, as well as planning on how to optimize any opportunities with which they are faced. Proper planning will allow for flexibility in approach as the bank will have full visibility on the direction it wants to take.

WORK WITH FLEXIBLE PARTNERS
Banks can only be truly flexible if they work with flexible partners. Service providers must be able to accommodate banks’ evolving requirements in an evolving landscape.

Working with flexible partners will allow flexibility in all avenues of the commercial arrangement. For example, pricing structures should not be restrictive. If a bank outsources some functions to an outsourced partner, they should negotiate a “pay-as-you-go” pricing model. Such a model can be applied to many areas of a bank’s business — and crucially can be applied to the provision of payments product processing so that the exact cost of payment products can be identified — and would be preferable to the standard outsourcing payment models.

BECOME COMPETITIVE — TECHNOLOGICALLY, FINANCIALLY AND INNOVATIVELY
N26 is a good example of a mobile banking solution that is competitive on all fronts. Technologically, it offers customers a “slick” interface that has a more user-friendly approach than standard mobile banking applications. The firm has low costs, so it is most likely financially competitive. The business model that it operates is innovative and exploits a gap in the market in which banks are quite weak — customer services.

Banks are not competitive enough with new entrants to the market. They must address the fact that they have legacy systems issues and take action. By introducing cloud technology, payment solutions are able to help reduce the role of legacy systems, streamline infrastructure inefficiencies and open up the door to pay-as-you-go business models. Banks do not recognize the value of payments to their businesses because of a lack of visibility on costs and revenues that cannot be properly allocated to payment products. This must change by them gaining clear insight into what it costs to provide a payments service and how much profit is derived from it. Innovation in payments is hindered by the lack of visibility into the benefits they provide. If banks learn to become more competitive on these fronts, they will be better placed to mitigate any future threats to their position.

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WWW.ACIWORLDWIDE.COM
@ACI_WORLDWIDE
CONTACT@ACIWORLDWIDE.COM

Americas +1 402 390 7600
Asia Pacific +65 6334 4843
Europe, Middle East, Africa +44 (0) 1923 816393

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