Building a Customer-Driven Bank with Digital Ecosystems

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Pricing for the Open Banking Economy

By Binesh K, Strategy, CEO's Office, SunTec Business Solutions

By allowing banks to leverage third party applications to expand their product portfolios, open banking opens the doors to limitless innovation. Traditionally, customer data always remained with the bank. Open banking represents a fundamental shift in this paradigm as it puts customers in charge of their own data. They are free to share their data including transaction details with third parties, which helps different third-party organizations to come up with personalized, intuitive, and cost-effective offerings. This will lead to the adoption of banking-as-a-service and open limitless possibilities for differentiated and customized offerings across numerous touch points. Understandably, interest in open banking models is high. In 2020, 29 percent of CXOs said that open banking was their choice of innovation strategy for the future.[1] And 45 percent said it was a part of their larger digital ecosystem vision. As open banking picks up pace, organizations have to figure out the best pricing strategies for this new economy.

New Pricing Models for a New Era of Banking

Older pricing models will not work in the open banking system. And balancing business objectives with the need for API consumers to experiment and grow can be challenging. A good pricing strategy must offer the best return on investment while ensuring value for third parties involved. This calls for a dynamic approach to pricing with a scope for learning, adapting, and growing. Value based pricing models are best suited for the open banking ecosystem because it is based on the providers understanding of the value delivered by the user and their capacity to pay.

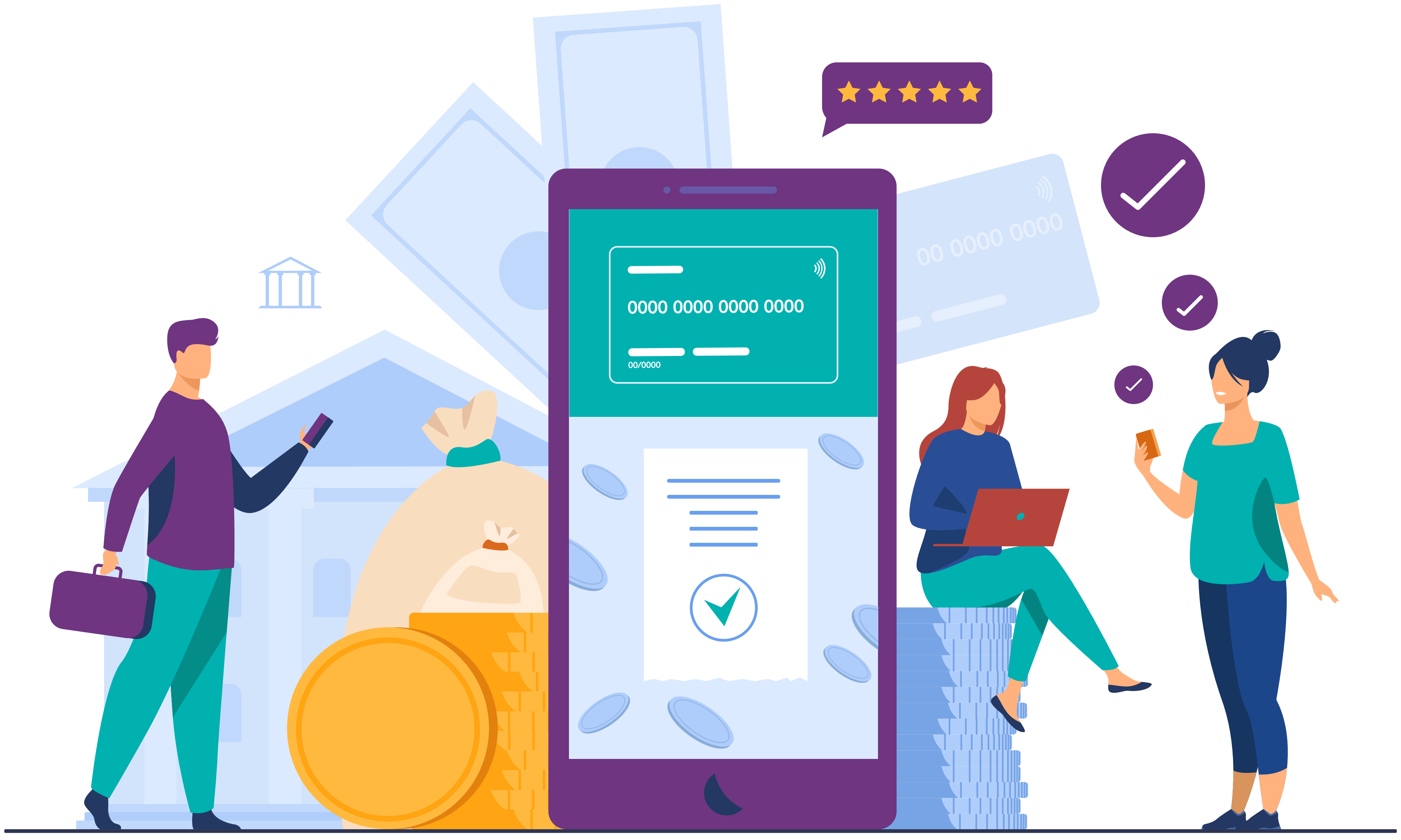
Pricing for Multiple API User Segments

Banks must begin by segmenting API users based on factors such as their need, value generated from the API and their cost appetite. They must also consider the larger market context when determining pricing. A different approach in an established market may confuse third party providers and result in reduced adoption. The pricing model must be designed to deliver business value for each segment of third-party consumers. Each segment has different value drivers that the provider must understand to set differentiated pricing models.

Users can be categorized into four broad segments. The first comprises independent developers, start-ups and fintechs who require data and business functionalities to create their own products. They want to build and refine the product before it can generate revenue and so they need the flexibility to consider different options without paying for them at the beginning. Once the product is finalized, they usually pass on the transaction cost to the customer. In this instance, the pricing strategy must support them as they begin their product development journey and enable payments against usage only once they start acquiring customers. In India digital wallet and e-commerce platform PayTM has created a dual pricing model for its APIs. One is a starter pack that does not charge users and the other is an advanced option for large users which includes a full payment suite based on a pre-defined percentage of transaction value.

The second segment comprises payment aggregators. These players are often involved in the product distribution strategy for the API provider by helping sign up more payment partners and merchants. They can widen the reach of the APIs to other businesses that are ready to pay for the integration. They may also add value-added services to bring in more third parties. In this case, revenue sharing models would benefit both the aggregator and the provider.

There are also organizations that want to use APIs to improve operational efficiencies and reduce the cost and risks associated with diverse transactions, validations, and reconciliations.



This third segment of users are willing to pay for usage right from the beginning. They often generate high business volume, and it would make sense to deploy a volume-based pricing strategy for them.

Small scale businesses, utility providers and retailers who use APIs to improve access to their products and services comprise the last category. The pricing strategy for them needs to be completely different from the other three as they don't generate very high business volumes.

Pricing Based on API Objectives

The pricing strategy for each API should support the overall objective for which it was created. For example, a merchant payment API is created to widen the reach of a bank's payment network so that the customer can use it often like a mobile wallet. The pricing should then be aligned with the objective of increasing market share and transaction volume rather than revenue increase. On the other hand, one that deals with customer data is created to monetize the asset and should be priced directly for the API call. Sometimes third parties can create a service or product that conflict with the bank's core offerings; or a bank's API can drive a customer shift from traditional to newer products causing a shift in revenues across business lines. In such instances, the bank must carefully consider the immediate and long-term implications of the situation and decide on pricing based on their strategic business needs.

Technology-Driven Pricing

Pricing for the open banking economy needs an agile scalable pricing platform that can cater to sectoral and global markets simultaneously. It must be capable of handling dynamic pricing models based on data from the APIs.
And it should be able to integrate easily with multiple third-party systems when using the APIs. Right now, banks are investing in developing APIs for the open banking system. They must also consider and allocate budgets for deploying an advanced pricing platform that can monetize the value delivered by the APIs and ensure a seamless and efficient pricing model.

Open banking is the future of an industry facing unprecedented disruption. It holds the opportunity for traditional banks to rediscover their strengths and explore new revenue models. Banks or API providers embarking on this journey must remember their success is inextricably integrated with that of the third-party API consumers. Pricing models that ensure mutual benefit and multilateral value are the only way to successfully navigate the open banking economy.

Sources:
[1] World Economic Forum

Digital Transformation and the Rise of the API Economy

By Amit Dua, President and Global Head of Client Facing Groups, SunTec Business Solutions

"If it doesn't challenge you it doesn't change you." Fred Devito. The year 2020 will go down as a tough year filled with challenges and learnings for the banking industry. While internet and mobile banking was gaining ground before the pandemic, the global crisis made digital the only way to reach out, engage and meet customer needs during lockdowns, making it more about a bank's actual survival than a box to be checked. As customers increasingly turn to digital alternatives, banks must follow to stay relevant, survive and thrive.

Another significant change connected to digitization is the rise in the API economy. Open banking, enabled by open APIs is today firmly embedded in financial services, putting customers in control of what products and services, including those of partner products, they consume; and which provider they choose to use and buy from. Which means that the purchase decision could originate at the third-party provider level and not the bank at all. In this changed context, third party service providers, big tech companies and fin-tech are all contenders to becoming customer owners.

Even amidst these very real challenges, banks still have the best starting advantage given that they have not just large amounts of customer data with customer consent to share such data but importantly, banks still have the trust of their customers, the greatest asset to winning and retaining customer loyalty.

The Changed Contexts that are Driving Banks

There are three realities that banks today have to deal with – first, a significantly changed customer expectations; second, an equally changed competitor landscape that has thrown up non-traditional, new-age and tech-led companies; and third, the enhanced power of collaborative ecosystems that use various kinds of technology to deliver better customer experience.

These changes have happened in less than two decades and with it – where earlier, customers had to go to a particular bank branch, technology and digitization enabled banks to start centralizing systems, therefore making it branch-agnostic and possible to service the customer across branches. This was the first step in what we now take for granted – the need for positive customer experiences, where an individual is a bank's customer and not just that of a certain branch.

However, banks will need to find ways to leverage the trust capital that customers place in them and find a balance between physical and digital presence. In a recent study on post-pandemic banking behaviors, Simon Kucher & Partners discovered insights that showed that today's customer wants both. 54% of respondents said they would "only" open a new account with a bank that had physical branches, 26% said they would move some or all their business to another bank if their bank branch shut down temporarily and 65% said they would take some or all of their business to a competing bank if their bank branch was to shut down permanently. But the study also found that customers are unlikely to stay with and would choose banking with institutions that offered better digital experiences

Matching Customer Expectations – Going Beyond Functional Needs to Meet Emotional Needs

A Deloitte financial study done in 2018 had some interesting insights on customer perception of the way they transacted with their favorite brands compared to their primary banks. 67% of customers even two years ago felt that their favorite brands routinely found ways to improve their experiences and delivered greater value; only 49% felt the same about their banks.

Customer expectations have evolved where banking is an activity done while doing other things – boarding a flight, queuing-up in coffee shop, indeed just about from anywhere. The expectations are for speedy service, the best offers when compared with others on the internet, while at the same time offering unobtrusive, ubiquitous, and immersive banking.

Customers are demanding more value out of their relationships with their service providers and banking is no exception. They are also looking to control more of their banking, going beyond statements and accounts, into wanting ready access to the products and services they are subscribed to, looking at ways in which to increase benefits and value for their money. Which is the promise that open banking seeks to fulfil.

Enhancing Positive User Experiences by Developing an Experience-First Mindset

Since customer expectations will only increase with greater proliferation of technology and service provider choice, it is imperative for banks to develop an 'Experience-First Mindset', moving away from the traditional products and services mindset.

From Banking-as-a-product where the focus is on selling traditional products such as loans, credit cards and money market accounts, banks must move to banking-as-a-service in the short term where they become plug-and-play services with the adoption of APIs and move to open banking. In the long term though, banks must graduate to becoming ubiquitous, cash-free, and part of consumers' everyday lifestyles. This paradigm shift to ultimately becoming banking-as-a-lifestyle is possible when banks leverage a technology landscape defined through a customer-centric IT strategy enabled by APIs, analytics, cloud and microservices.

The picture of what the competition looks like today is something most banks would not have foreseenv at all. Already in some parts of the world, small and differently positioned challenger banks are becoming household names. With the systematic unbundling of banking services, fintech companies are nibbling away at many banking services. The proliferation of payments apps, the sudden interest in the traditionally underserved SME market, the personal finance management space – all make for increasing competition for banks that are facing a double onslaught – from new, challenger banks on one side and fin-techs on the other.

The path ahead lies in banks making a conscious choice – to become utilities or innovate to become 'everyday banks.' In other words, to be low cost, high-efficiency utility providers, or evolve to becoming customer-owners, providing not just their own products but completing the customer's experience cycle with a host of partner products as well.

The Glue that Can Make It All Possible – Technology

Most banking IT landscapes are inherently complex and continue to be challenged by legacy core technology systems that are in many cases, outdated but cannot be replaced because of the vast customer and product data they hold. This has hindered banks from being as agile as the changing world around them, leading to inadequate and unwholesome customer experience. It is certainly not for lack of understanding or trying – the Deloitte Center for Financial Services Global Outlook Survey 2020 found that 48% of banks were already implementing digital transformation of their business services, while 44% were in the process of doing so.

What is needed is a digital core that can orchestrate customer experiences, vital for effective transformation. Such solutions are being looked at closely. Hollowing out the existing core and the setting up of a digital core, called System of Engagement vis-à-vis the System of Records in the back office is what banks require today. This digital core sits below the channel layer, which banks use to interact with their customers. This clean and effective technology architecture, which sits atop the back office and below the channel, provides the necessary intelligence to deal with the customer, allowing for prescriptive actions, forming a bridge between the top and bottom layers. This API-based layer is designed with customer centricity in mind, enabling banks to provide world-class customer experiences.

This makes it possible for banks to rationalize their product offerings, create ecosystems that can provide value to customers across their spectrum of needs and therefore provide seamless and excellent customer experiences.

Delivering True Value

To meet customer expectations in a changed world, with increasing competition, transformation must be well thought out and not done in an ad hoc manner with short term gains in mind. For digital transformation to work in banking and financial services firms, there needs to be a focus on great customer experience and effective ecosystem management. Achieving delightful customer experiences needs a digital core and ensuring effective ecosystem management needs fair distribution of value amongst the partners within it.

For banking to reach the next level and not just match up to what the customer expects today, regardless of whether the banking is for consumers or corporates, banks need to ensure that the right solutions are put in place to make digital transformation work to offer not just products and services, but unparalleled end-to-end customer experiences.

Sources:
Deloitte Insights
Banking Industry Outlook

Embedded Banking – Understanding the "Invisible" Bank

By Binesh K, Strategy, CEO's Office,
SunTec Business Solutions

An ING Bank customer in the Netherlands can travel on public transport without purchasing tickets or swiping a physical transport pass of any kind. No, ING Bank is not offering free rides as a promotional scheme. It is piloting an innovative "Invisible Tickets" for users where an app on their mobile phones automatically detects the mode of transport once the passenger boards it.[1] When the passenger disembarks, the app calculates the fare for the distance traveled and debits it from their bank account. Modern banking is no longer restricted to the physical branches and the way customers bank is being reimagined. Internet and mobile based options took services to the customer's fingertips anywhere and anytime they needed. And this next wave of innovation will embed financial services into disparate businesses that customers engage with every day. Banking is becoming contextual, intrinsic, personalized, and increasingly invisible.

How is Banking Embedded?

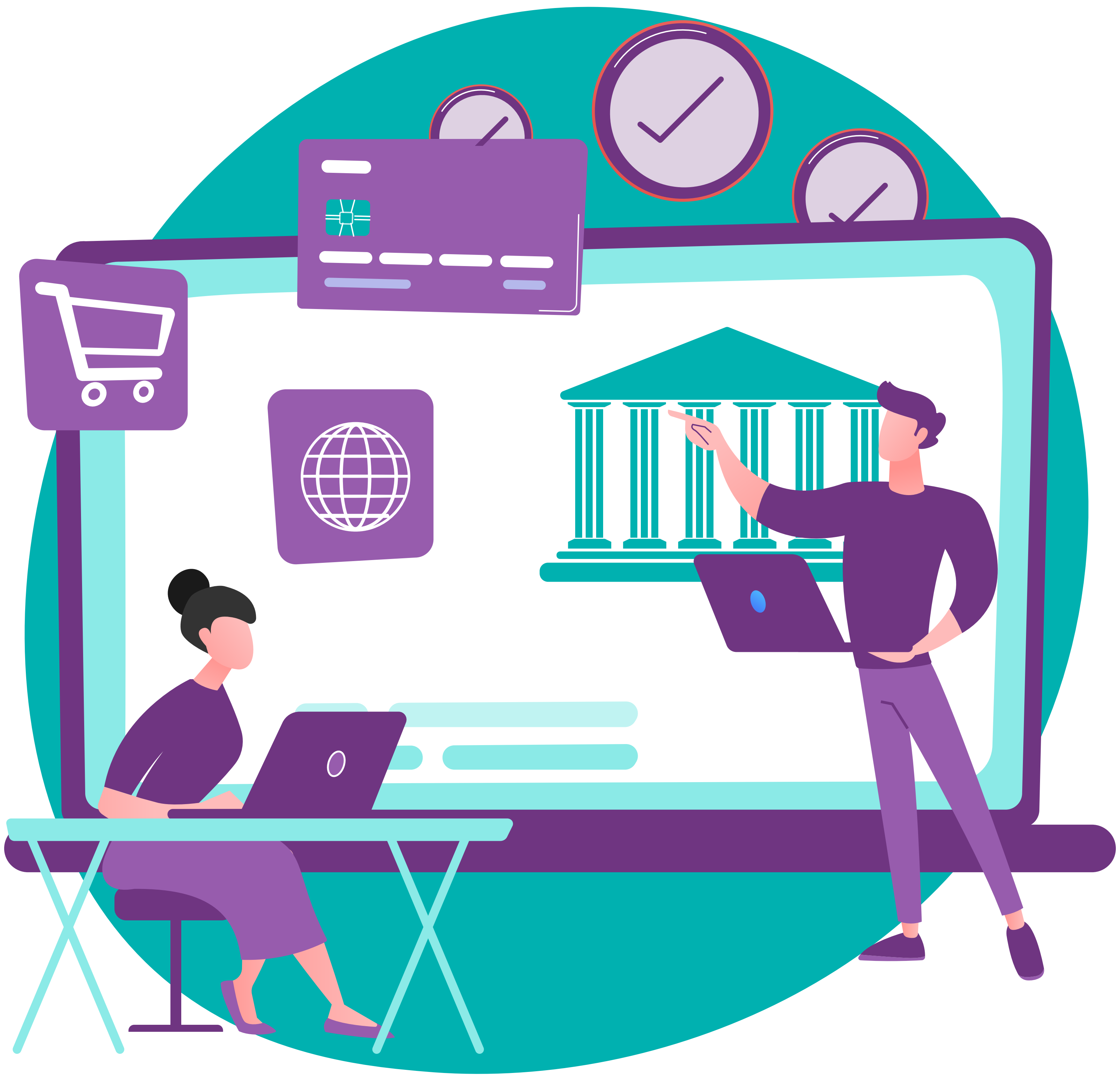
Embedded banking is the next evolutionary stage of financial services where banks and third-party software providers come together to leverage the emerging API economy. They also use emerging technologies like Artificial Intelligence (AI), Machine Learning (ML), Robotics, Voice based banking, Virtual Reality (VR), Augmented reality (AR), Blockchain, edge computing to create the invisible bank. It is mutually beneficial for banks and the businesses partnered with as it not only saves time and resources but also delivers a seamless customer experience. With PSD2 regulations and open banking norms facilitating a new era of financial services, the sector will soon see the emergence of Banking-a-a-Service (BaaS) models where banking APIs are embedded into third party businesses and services.

The Emerging API Economy

APIs help in conducting transactions in real time, improving the quality of decision making and providing a superlative customer experience. They are already being used to automate payments status enquiries, retrieve account details in real time, ensure faster settlement of claims in insurance and more. DBS in Singapore has launched hundreds of APIs across 20 categories allow other FinTechs and corporates to access a breadth of services like fund transfers and P2P payment services.[2] Companies like AIG, McDonalds, MSIG, and start-ups like PropertyGuru, Activpass, FoodPanda, Homage, and soCash have already joined the platform to offer a new, convenient and a value driven experience.

Data Driving the Embedded Era

The emergence of fintechs has revolutionized the sector with innovative technology offerings that give the modern customer uberized banking experiences. Fintechs like Wise are offering an all-in-one banking solution for e-commerce and other marketplaces managed by them. Players like Weaver have launched a range of embedded banking tools for the services sector. Fintechs like Loot and Pockit are offering real time notifications the moment a transaction is completed, even before the card is removed from the ATM. With their vast repositories of customer data, banks are well placed to fast-track their embedded roadmaps. By using advanced data analytics technologies like AI, they can glean contextual insights from their customer data. This will then form the basis for key strategies including personalization, embedded banking and more. At this juncture, the move to open and embedded banking is no longer a choice but a matter of survival and growth for banks as fintechs pose serious competition and market disruptions accelerate.



Technology Modernization

The only thing standing in the way of traditional banks and the next wave of innovation are their legacy systems that cannot support advanced technologies. Modernizing their systems is a priority but transforming the core banking system is an expensive and risky proposition. Partnering with a third-party solution provider is a good idea. The partner can implement a middle ware to sit over the core system that can then form the innovation and technology engine. This will allow them to respond to the customer needs in real time and in a contextual manner. A holistic view of each customer's engagement can drive a new wave of innovative personalized products and embedded services. Of course, given the data centric nature of this strategy, it will require customer permission and will be built on a foundation of deep customer trust in the bank. Banks must also embrace a culture of innovation and learning with ongoing assessment of customer satisfaction and quality of engagement provided.

Despite the tremendous potential of embedded banking, it is not without some challenges. Its main advantage of frictionless banking may prove costly to customers by facilitating impulse buying patterns. Additionally, the model does not fully fit in with current regulations and involves systemic and regulatory risks. Since these models are only just emerging there is still time for the sector to address these challenges quickly.

To thrive in the modern tech powered era banks must dissociate from the legacy systems and mindsets, and move towards consumer centric, personalized, contextual and insight driven solutions. As 5G becomes more pervasive, a new connected device ecosystem will emerge, which will in turn drive increased penetration of embedded banking services. Traditional banks must explore symbiotic partnerships with Fintechs and work with third-party vendors to offer a new innovative range of services. But at the same time, they must be careful to not become mere utility providers, to be leveraged by Fintechs and tech giants. Thinking beyond the core functionalities to become a platform orchestrator of a complete ecosystem of players is the way forward for the sector.

Sources:
[1] ING [2] DBS

Banking as a Lifestyle —The Future of Banks Lies in Adopting an Experience First Mindset

By Madhur Jain, SVP & Global Head – Solution Consulting of SunTec Business Solutions

Evolution of Banks and Financial Services

It is easy to mistake banking as a modern invention and forget that it is millennia old – merchants who gave grain loans to farmers and traders carrying goods between cities, and the depositing and storing of gold in temples are just some examples to show how far back it goes. While banking has constantly evolved over the years, at the heart of it are three fundamentals – saving money for the customer, lending money to the customer and moving money across entities. Having said that, the way banking has been done has obviously changed with the times.

Somewhere in the stages of this evolution, banking became about what banks wanted to sell and the products they offered the customer. Banks became institutions and while customers trusted their banks immensely, they also began to look at them as a little intimidating and complex. Change, as is said, is inevitable; the emergence and widespread access to technology began to put the focus on the customer more and more. Customer-centricity was no longer a buzzword and became the fastest way to gain new customers, keep existing ones and paved the way for greater growth. This customer-focus is also very telling of change being more rapid in the last fifty years than it has ever been before.

Customer Expectation at the Core of Change

Today's customers are accustomed to a narrative where they are the centerpiece of brand conversations.

This has been accentuated by ever-evolving technology; consumer-facing industries have deployed various platforms to offer products and services to customers in a way that makes life more convenient, including multiple touchpoints, and seamless transactions. The customer does not have to bother with any part of this cycle – there is a felt need and there is fulfilment, which is all the customer is concerned about. This sort of overall customer experience has become the benchmark and customers are demanding the same from their banks as well.

This also has to do with the changing socio-economic profile of the consumer who no longer wants to be treated as part of a "set" but expects personalized banking solutions, products, services and offers. And tech-led companies are using data smartly to study customer personas and needs, creating personalized services and offers, recommendations for an extended product or service offering – and all in all, adding greater overall value to the customer experience cycle and increasing possibilities for greater revenue.

Technology Accelerating the Speed of Change

Traditional banks who understand that embracing technology is no longer a choice but an investment worth making are those that are best geared to meet the current challenges. The scope of technology continues to dramatically dominate industries and customer interactions because it has been proven to address both scale and sustainability. This sea change in technology and its adoption by banks is driving the way banks are behaving not just towards their customers, but also internally in terms of systems, processes and people training methods. As technology becomes more pervasive in customers' lives, the expectations will continue to grow; banks will have to shed their traditional tags and behaviors, become agile and make relevance the criteria for not just keeping up but getting ahead.

A Changed Competitive Landscape Driving the Change

There are several factors that have driven an unexpected change in the competitive landscape for traditional banks. Among them are, the growth of tech-led non-traditional players with little or no baggage to weigh them down, as well as significantly fewer regulations compared to traditional banking. These newer players offer consumers products and solutions that are more personalized and through multiple channels, increasing choice for the customer and simultaneously increasing challenges for traditional banks, who are faced with two choices – stay relevant and find innovative ways to thrive or fight to survive.

Of all the challenges that traditional banks face today, this threat is probably the most serious one. The new age competition was never supposed to be that – they were part of other industries and offered customers different sets of services. Tech-savvy companies have always emphasized through vision and action that they are curators of customer experience. That they are today part of the banking industry in one capacity or another began as being incidental to completing the customer experience cycle.

E-commerce, telecom, search, social networks – all of them sought to enrich customer experiences by embedding banking into their overall services. Customer buy-in was instantaneous, giving these providers the power to own and drive end-to-end customer experiences, relegating the banking part of the process to a mere transaction.

Since these service provider brands are already a part of customer experiences and behavior, there is increasingly a convergence of services that go beyond the core of what a brand traditionally offered. For instance, any lifestyle, travel, e-commerce or entertainment provider can extend their offerings through varied partnerships and other service providers to offer customers wholesome service.

Brands that seek to be customer owners focus on the curation of experiences work with various service providers across industries towards ensuring better experiences for the customer. The partners in this exercise are not necessarily banking partners but anyone that offers the right services in the journey towards customer fulfilment. This horizontal split is one of the fundamental drivers towards successful platformification.

Platformification May Be the Answer Going Forward

When you align multiple partner ecosystems, technology-enable them, and aggregate end user service providers to gain significant incremental advantage then that is Platformification. Banks have started to take cognizance of this albeit cautiously. Innovation in the banking industry could include banks asking themselves business critical questions to determine what they want to mean to a customer.

Banking-as-a-product is already moving to banking-as-a-service and will have to further move to banking-as-a-lifestyle, where it gets totally subsumed in the customer experience cycle – from shopping and entertainment, travel and healthcare, banking becomes ubiquitous, a part of the customer's lifestyle. For this to happen, platformification is almost the only way.

What augurs well for banks willing to make this digital transformation is that across industries, the trust level that client's repose in banks is the highest by a significant margin. 68% of customers trust banks with their data and are willing to share personal information with them according to an IBM Institute of business value survey; a huge bonus, considering that banks already have large amounts of customer data to better service them with. With the dual advantage of data and trust, through developing platform-based ecosystems, banks can immerse themselves in the customer lifecycle journey more effectively than most others can.

Banks can and need to necessarily move to a platform business model, leveraging cloud-native platforms where instead of creating standardized products, they begin to find ways to help the customer in every lifecycle event. The greater these helpful interventions, the greater the customer satisfaction derived; the more this happens, the more avenues for revenues open and translate to higher profitability. In today's scenarios, banks are doing themselves a disservice by restricting their business to products and services. Once they open up to a platform-based business model, the possibilities of newer and more varied revenue streams are higher. Becoming part of the ecosystem also means that banks can use their advantage of scale, bringing down variable costs and targeting greater profitability.

How Can Banks Embrace Platformification?

The core offerings within banking, including accounts, payments, cash management, financing, capital markets, credit and investments among others remains unchanged; these are critical business drivers. What is needed is an incremental move towards banking as a service – expanding the scope of select partners thereby offering customers additional services within the existing financial services offered. These could be in the form of account planning and consolidation, or financial education – things that add value to a customer's financial lifecycle, with the possibility of bundling such products and services down the road.

Going forward, the move needs to be towards banking as a lifestyle, where banks work with non-banking financial services. Health and mobility services, travel and home services are some examples – the possibilities are endless because banks can choose the right partners and areas where they can be embedded into different points within a customer's lifecycle event. Where currently banks work with internal partners, the circle must be expanded to include select external partners as well.

This approach means that banks put themselves in the position of influencing and curating customer experiences and being a part of them. This means working with a host of partners, financial and non-financial, to curate and provide such end-to-end services.

For banks to achieve this journey from banking as a product to banking as a lifestyle, there are critical dimensions to ensure success. Primary is the building of trust and confidence, not just with end users, but also ecosystem partners, ensuring that partner experiences are also curated with care.

Of equal import is how value exchange models are managed. Depending on the way these exchanges are structured, the value flow and how this is exchanged undergoes a complete change.

This also needs changed perspectives towards agility, the ability to change quickly with changing market needs and how rapidly banks can personalize to the level of an individual customer's need. This must be done with high resilience, an ability to scale not just with end customers but an extended partner network with a continued focus on security. The challenge for banks increases because in the banking as a lifestyle scenario, there is inevitably an exchange of data which enables partners to deliver the required service to the customer. Getting strategies right across these three critical dimensions will determine the measure of success of banks' transition to banking as a lifestyle.

The good news is that banks are best placed to offer platform-based ecosystems. Across all industries that are customer intensive, banks have made the most investments and have the highest maturity in customer processes including authentication, onboarding, API management and risk management. Due to the nature of the business they are in, customer data and security are areas of paramount importance for banks. This is also true from a technology perspective, where banks are ahead of most other customer-centric industries because of the trust reposed in them. It is true that banks will need to make additional investments to match the change in how customer experience will be delivered through these new paradigms.

The end game to changed strategies and scenarios is finding newer and more innovative ways to build revenue models, in a world dominated by many different variants of already existing disruptive models. It is imperative that banks work out revenue models with their partners that is in consonance with their own business strategy. The value exchange model banks build will have to be based on the value models presented to its customers as experiences and will also have to be reflected in the models banks build with their partners.

Banks that have not already started making the transition to platform-based models will have to seriously do so to stay relevant to their customer's lifecycle events.

Ecosystem for Innovation and Value Creation – To Compete or Collaborate?

By Enrico Camerinelli, Senior Analyst, Aite Group

In this period of turmoil, corporate treasurers find it more important than ever to express what products, solutions, and services they want from their banks. Aite Group research finds that to transform the bank-client relationship and to bring corporate banking to the next level, corporate users expect a collaborative approach (i.e., co-creation) with banks and fintech vendors working together to design solutions that fit with each other's needs. Co-creation is a term increasingly used to describe the collaboration between corporate treasurers, their banks, and technology providers on deciding the priorities, the design, and the development of new digital solutions. This collaborative approach requires a common glossary of definitions and a clear map of the constituting elements of the open banking ecosystem. Corporate treasurers tell Aite Group that they expect banks to clearly communicate their open banking strategy. Banks and fintech vendors must expect co-creation to become a key criterion in future requests for proposals.

Banks can reap the opportunity to turn the concept of co-creation with fintech vendors into a real value proposition by fulfilling their corporate clients' demand for a better digital experience and easier onboarding to access basic and more sophisticated banking services. These are adjacent capabilities to run a business that a bank can offer to corporate executives that want to handle financial supply chain operations. With 'start-the-business' tools and capabilities a bank can help to launch a new business (e.g., incorporation). The corporate client can then be more effective in running daily operations with the bank's 'manage-the-business' products and services (e.g., deal with suppliers and clients; manage to be paid on time; control and anticipate cashflows). Finally, a commercial client will enjoy its bank's 'grow-the-business' supported practices (e.g., enter new markets; use multicurrency solutions; access global trade finance capabilities). The partner bank can also cater to the 'exit-the-business' phase of a business lifecycle by offering business evaluation tools in partnership with dedicated service companies.

Financial institutions (FIs) have long been expected to offer solutions rather than products. This will be even more true in the near future, with client s demanding solutions that are much more integrated with the corporate systems and configurable on the fly. Bank relationship managers (RMs) must ask their clients what they want, knowing that the counterpart expects guidance on which technologies (e.g., APIs) to choose and, even more, how to develop tailored solutions without the need for additional (and expensive) work. Bank RMs appear to corporate clients as trusted advisors if they concentrate primarily on educating and informing corporate clients on what to do with banking technologies, explaining how API-based fintech applications can help treasurers restructure treasury department operations, and suggesting APIs that best integrate with corporate ERPs and TMSs.

Corporate clients are looking to bank RMs as experts that can teach them how to create business value from open banking. All that corporate customers want is to move across bank services and applications in a more agile way, being totally agnostic about the system used to run the business. The problem is all on the banks: How can they satisfy the request without losing the client? Although the conundrum appears unsolvable, there is a solution. The likely business model that Aite Group envisions for corporate open banking will be similar to platform-driven models: The platform provider does not own the physical assets but retains the relationship with the client. Considering that the more the banks engage in developing and exposing their open banking products via APIs, the more they will have to give up the direct connection with the client, the option that banks are left with is to create an ecosystem of partnering FIs and fintech vendors and become the curators of the experience that allows the customer to bank with the FI and run business together. In partnership they will streamline operations in process areas such as accounts payable and receivable automation, improve digital experience, insights into the ecosystem to access better information and make sound decisions. It is likely that bank-fintech vendors integrated ecosystems will replace value chains globally and blur the boundaries between retail and commercial banking. A possible use case is a platform that connects buyers and sellers of real estate: through the platform the client who wants to buy a house is able to access all correlated services (e.g., mortgage, insurance, moving services, registration to utilities services) developed and offered by specialized ecosystem constituents that are best connected via APIs to the similarly numerous ecosystems of corporate users, each one with their own specific demand. Ecosystem players must think in terms of processes and with full visibility of the end-to-end journey that generates the user's needs.

Banks have the opportunity to leverage the "landing page" characteristics that a platform offers to visitors that consume the banks' services. All banks have a large commercial network in their core market, so a platform represents a significant distribution channel in each local market. This setting offers the possibility for an FI to curate a 'super-app' that can be delivered as an e-commerce feature and leverages the contributions of all ecosystem partners. Corporate users tell Aite Group they prefer to work with their bank as technology trusted partner. Banks are—hence—in the privileged position to leverage this level of acquired trust and demonstrate value in the transaction by building marketplace-based opportunities that connect professional services (e.g., small accounting practices) for business-to-business transactions. Corporate users will seek for a fintech alternative only if their bank is not fast enough to correspond to their needs. In its trusted advisory relationship with the corporate client, the bank must be ready and prepared to advise the counterpart on the use and on the business impact of technology innovation. Banks must be aware that when building or joining an ecosystem, the use case will be very diverse depending on the market. FIs must define their own priorities and match them with the cultural set of capabilities that resonate with the demand from ecosystem participants. Not all banks will want to be in every ecosystem, and the cultural fit between the bank and the participating companies represents the key deciding factor. Banks must think what cultural community environment they will encounter and what services they will be asked by the ecosystem community.

The decision must be well pondered because it is a fact that economies of platform make it possible for corporate users to consume cheaper and easier-to-access products and services from the platform rather than in the open market. In a consortium-based platform model the value is presented by the interaction between the customer and the bank services layer. As previously mentioned, banks have an asset they have grown throughout centuries of business relationships: trust.

The question that banks must now answer is how to monetize the value created through the ecosystem and delivered on the platform. The value is represented by the ability given to the customer (i.e., the treasurer, the CFO) to transact with the bank partner in the environment of their choice: e.g., via their ERP/TMS; via the bank's portal; via the fintech's partner multi-bank access gateway. These options and added-value interactions can be offered at a premium. Very soon FIs will realize that competition will shift from holding the user interface with the client to servicing the client by delivering API-based products and services that more closely align with its needs. It is a new era for open banking: APIs "dematerialize" the banks and separate the asset (e.g., the bank account number, the payment channel, the loan contract) from the service (respectively, the most rewarding place to hold liquidity, the most efficient and cheapest rail to exchange a payment transaction, the most economic option to access funding).

A well-engineered consortium platform architecture offers features and tools that enable visiting consumers to develop their own applications on top of the consortium bank's APIs. This enables banks—each one adopting its own sales model—to develop and leverage their API catalog to generate new lines of business and to provide a new service that has not existed before. While the producers are the banks and the fintech partners develop programs and applications by accessing the APIs and the tools made available by the consortium, soon banks will be joined by corporate clients.

These corporate producers will be charged a fee because they are accessing a community or a market that will use their solutions to exchange goods and service transactions on the platform.

The opportunity and tools to consume APIs to produce new applications that the consortium platform offers to corporate clients may justify the request to apply a charge fee.

About SunTec

SunTec is the world's No. 1 pricing and billing company that creates value for enterprises through its Cloud-based products. More than 130 clients in 45+ countries rely on SunTec to provide hyper-personalized products, offers, pricing, loyalty programs, and billing for over 400 million end-customers. SunTec products are based on our cloud-native and cloud-agnostic, API first, micro-services-based proprietary platform, Xelerate and are delivered on-premise, on private cloud and as SaaS. SunTec has global operations including the USA, UK, Germany, UAE, Singapore, Canada, Australia and India. For more information, please visit us at www.suntecgroup.com or email us at marketing@suntecgroup.com