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World FinTech Report 2020: FinTech collaboration is even-more essential now for banks to achieve customer-centricity

Banks that collaborate, embrace Open X and transform into Inventive Banks are most likely to prosper

Paris, April 21, 2020 – [Capgemini](#) and [Efma](#) today published the [World FinTech Report 2020](#) revealing that despite a widening gulf between traditional banks on one side and BigTechs and challenger banks on the other, traditional banks have an opportunity to thrive in today's market by embracing Open X¹ and becoming Inventive Banks².

The gap between what customers expect and what traditional banks currently deliver has never been wider, but now is the right time for banks to catch up from front to back-end to offer the best customer experience. With data-fueled, hyper-personalized experiences in real-time, BigTechs and challenger banks have demonstrated their ability to win customers over. In contrast, while traditional banks have invested heavily in front-end IT infrastructure to improve customer experience, efforts so far have not measured up to what has become customary across other sectors, especially with tech providers. For banks to remain appealing and competitive in this shifting landscape, the report highlights that they must transform into agile and customer-centric Inventive Banks by embracing Open X as well as take on a specialized role, rather than a universal one, such as supplier or aggregator within the new open ecosystem.

The way forward: effective structured collaboration is essential for bank and FinTech partnerships to be successful

Both Banks and FinTechs are currently frustrated by the lackluster results of their collaborations to date. The World FinTech Report 2020 revealed several pain-points:

- Only **21%** of banks say their systems are agile enough for collaboration
- Only **6%** of banks have achieved the desired ROI from collaboration
- **70%** of FinTechs don't culturally or organizationally see eye-to-eye with their bank partner
- More than **70%** of FinTechs say they are frustrated with the incumbent's process barriers
- **Half** of FinTech executives say they have not found the right collaborative partner

¹ Open X leapfrogs the compliance-based approach of open banking and moves to a seamless eXchange of data and resources empowered by an eXpedited product innovation cycle that continuously improves customer eXperience

²Inventive banks are prepared to adopt specialized roles in the new, open ecosystem – with collaborative support from qualified FinTech partners.

"The world has changed dramatically over the last couple of months. Businesses will evolve and emerge from the COVID-19 crisis in different and profound ways. For traditional banks, this will translate into an even greater need for digital experience through further collaboration with FinTechs. Since we began this report three years ago, FinTechs have moved from disruptors to mature players, and it is now essential for incumbent banks to consider them not only as formidable competitors, but as necessary partners of choice to meet changing consumer expectations," comments Anirban Bose, CEO of Capgemini's Financial Services and Member of the Group Executive Board. *"Effective collaboration requires people, business, and process maturity. While, for traditional banks, failure is not an option, FinTechs are fast to market yet ready to fail. Inventive banks with the willingness and capabilities to collaborate at scale and industrialize innovation are most likely to prosper within the shared Open X ecosystem."*

Traditional banks must invest in middle- and back-end operations to deliver a better customer experience

According to the World FinTech Report 2020, to remain competitive and appeal to consumers, banks should prioritize middle- and back-end transformation through data-driven and customer-centric partnerships with FinTechs, which will ultimately also improve the front-end. Although overall investment in new IT development (vs. maintenance) increased from 24% in 2016 to 33% in 2019, middle- and back-end operations continue to be based on complex, often manual business processes, leading to a fragmented customer experience.

The report highlighted that the front-end last-mile experience (e.g., packaging and delivering products to customers) is currently missing the mark, resulting in customers' dissatisfaction as they feel they do not receive a personalized relationship from their bank (50%) and cannot make direct-debit payments on several merchant sites (60%.) Meanwhile, 48% of new-age customers (Generation Y and tech-savvy) are frustrated with the narrow range of products and services offered by their primary traditional bank, propelling them to switch within the next year to new-age players as they seek services that match their preferences and integrate with their other platforms/applications. Improving the full value chain, from front- to back- end, is essential to join the Open X wave and improve top- and bottom-line growth, augment productivity, enhance customer engagement, reduce costs, increase transparency, and boost employee satisfaction.

Banks and FinTechs that prioritize effective collaboration will thrive in the Open X sharing economy

Capgemini's "Open X Readiness Index" is a global benchmarking tool that measures the readiness of banks to effectively collaborate at scale with Startups by measuring their maturity across people, finance, business, and technology pillars. Featured in the World FinTech Report 2020, the index shows that leading collaborative banks are those with a dedicated and autonomous startup-partnership team and who demonstrate a fail-fast innovation approach to determine value and cut losses quickly. Readiness frontrunners are also early movers that invest in emerging technologies and have little dependency on legacy systems, making FinTech integration easier.

"Traditional banks are at a critical juncture. They must embrace Open X or risk becoming irrelevant," said John Berry, CEO of Efma. *"In order to keep up with ever-changing customer expectations in*



today's marketplace, incumbent banks must transform into Inventive Banks with collaborative support from qualified FinTech partners."

Report methodology

The World FinTech Report 2020 draws on research insights from the 2020 Global FinTech Executive Interviews and the Capgemini Open X Readiness Index.

2020 global FinTech executive interviews

The 2020 edition of the report includes insights from focused interviews with senior banking executives of leading banks across regions.

Capgemini's Open X Readiness Index

Capgemini's Open X Readiness Index evaluates banks based on 98 data points to evaluate their collaboration readiness across four pillars – People, Finance, Business, and Technology. Each parameter was assigned appropriate weightage, and final scores were mapped on a scatter plot (by rebasing score on 100). Banks' view of collaboration readiness is represented on the X axis, while the Y axis represents bank collaboration success.

About Capgemini

Capgemini is a global leader in consulting, digital transformation, technology and engineering services. The Group is at the forefront of innovation to address the entire breadth of clients' opportunities in the evolving world of cloud, digital and platforms. Building on its strong 50-year+ heritage and deep industry-specific expertise, Capgemini enables organizations to realize their business ambitions through an array of services from strategy to operations. Capgemini is driven by the conviction that the business value of technology comes from and through people. Today, it is a multicultural company of 270,000 team members in almost 50 countries. With Altran, the Group reported 2019 combined revenues of €17billion.

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About Efma

A global non-profit organization, established in 1971 by banks and insurance companies, Efma facilitates networking between decision-makers. It provides quality insights to help banks and insurance companies make the right decisions to foster innovation and drive their transformation. Over 3,300 brands in 130 countries are Efma members. Headquarters in Paris. Offices in London, Brussels, Andorra, Stockholm, Bratislava, Dubai, Milan, Montreal, Istanbul, Beijing, Tokyo, and Singapore.

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