The Future of Banking

It's time for a change of perspective

However you look at it, banking is changing as markets fragment and new business models evolve. It's time to reimagine the future.

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Rethinking banking business models

Banking is changing as value chains are fragmented, products are componentized, and new adaptive players emerge.

Leading banks have the opportunity to create new strategies that co-exist with the old, enabling them to rapidly reconfigure their business models and product offerings to keep pace with fast-changing customers and markets.

Bringing post-digital banking models into focus

Banking has come to a tipping point where great digital customer experiences are necessary but insufficient to win. With a new wave of digital-only players fragmenting and rebuilding the banking value chain with innovative propositions, it is not enough for incumbents to be the best digital versions of themselves. To keep pace, they must drive product and proposition innovation and embrace new roles in the value chain.

An Accenture analysis shows how digital-only players that use non-linear business models and target specific roles in the banking value chain outperform those that simply emulate vertically integrated models in the digital world. These specialist providers, who can adapt easily to product componentization and leverage value chain fragmentation in their business models, have enjoyed compound annual revenue growth of 76% between 2018 and 2020.[1]

By contrast, digital-only players with vertically integrated business models achieved impressive but lower revenue growth of 44% over the same timeframe. Both, however, outperformed revenue growth in the traditional banking sector, with even the best-performing mature banking markets expanding at average rates below 2% after the global financial crisis.

The performance of digital-only players that challenge vertically integrated business models with non-linear approaches and innovative propositions offers inspiration for incumbent banks that want to achieve breakout growth and higher market valuations. It illustrates how banks can play different roles in the value chain at scale, depending on their size, capabilities, market positioning and regulatory environment.

Product componentization: Today's traditional banking products get componentized into new micro-products/services which may be sold separately or with their re-bundled versions.

Value chain fragmentation: The layers in the value chain—from product manufacturing and proposition packaging to sales/distribution—become uncoupled, and instead of the bank owning the entire chain, different parties own different layers.

In this world—where banking customer experience, distribution, product manufacturing, and balance sheet management are uncoupling, and traditional products are being broken into smaller components—business models that once seemed as immovable and fixed as a stained-glass window now more closely resemble the changing colors and patterns of a kaleidoscope.

As each bank brings a new vision into focus, it can operate a kaleidoscope of indirect (B2B2X) and direct (B2C and B2B) business models by unbundling traditional products; re-bundling its own offerings and components from other providers into innovative personalized propositions; collaborating with ecosystem partners for distribution reach; and finding new ways to leverage its balance sheet and regulatory expertise.

Examples like Japan's Minna Bank or Thailand's Siam Commercial Bank offer a signpost to the future. Minna Bank's core banking system not only runs the bank's own retail operations, but is also available to third parties that want to use the system to power embedded banking offerings or even run comprehensive branded banking services.[2] Siam Commercial Bank's just-announced group restructuring will result in the banking entity being just one company in a portfolio comprising several financial and platform businesses, a number of which will be built in collaboration with leading local and regional businesses.[3]

By breaking down the old value chain and reconfiguring its parts to offer better customer propositions, incumbent banks, too, can unlock a multitude of new growth opportunities. But unbundling products into components and playing new roles at multiple levels of a delayered value chain will demand a clear strategy, advanced use of data, a robust technology architecture coupled with intelligent operations, and the ability to manage multiple business models in a portfolio.

About the research

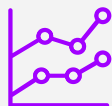
Accenture's Future of Banking research aims to identify how the ongoing fragmentation of the traditional banking value chain and the componentization of key products and services will reshape the banking market of the future. It also seeks to understand the potential strategic implications of this emerging landscape for incumbent banks.

To these ends, we mapped out the business models and activities of incumbent banks and digital-only banking and financial services companies to understand the roles they play in the value chain, and how next-generation models differ from the vertically integrated approach of the past.

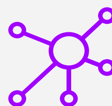
Our quantitative and qualitative analyses spanned nearly **100 leading incumbent banks** (defined by size of total assets) and more than **210 leading digital-only players** (new entrants in the banking and financial services market identified by their valuation, funding, and revenue data) in **11 countries** across North America, Europe, Asia-Pacific and Latin America.

We also used persona data from the **2020 Accenture Banking Consumer Study** to map the degree of innovation of digital-only business models against customers' propensity to use new propositions. The findings were validated and enriched through in-depth qualitative interviews with incumbent banks, industry analysts, digital-only banks, and investors.

We grouped digital-only and incumbent banking players' business models into the following categories:



Vertically integrated models: Digital-only and incumbent players that operate linear business models, including those that sell only their own products, those that simply distribute products from other providers, and those that deliver technology or business processes to traditional financial services companies.



Non-linear models: Banking players that have unshackled themselves from vertical integration and moved to more adaptive business models. This group includes 'packagers' that assemble and distribute their products in combination with financial products from other companies to create new and distinctive customer propositions, as well as those that distribute their products via other players in a B2B2X model. Many digital-only players simultaneously operate both packager and B2B2X business models.

Non-linear banking business models in action:

B2B2X: One enterprise sells its financial products/services through another player to an end-customer via a seamless digital customer experience. This category includes banking-as-a-service (BaaS) offerings, where an institution engineers products to be sold as white label offerings through another company that usually owns the customer experience and adds value beyond distribution. Examples include Goldman Sachs serving as the issuing bank for the Apple Card[4] and Afterpay providing merchants with credit payment solutions integrated into the e-commerce checkout process.[5]

Packager: Builds and owns the customer experience by seamlessly packaging others' end products into its own offerings and apps. Examples include N26, which embeds products and services from multiple partners (some of which are Raisin, Allianz, simplesurance, Wise, auxmoney, Younited Credit and more) into its offering to provide full-service banking. N26 manages the relationship with customers, who in turn buy, use and utilize these products and services on the N26 website or app.[6]

Banks' challenge for the next decade: Finding value beyond vertical integration

The first wave of digital-only competitors included neobanks that challenged incumbents with a more digital version of the traditional banking proposition. Today's new wave of digital-only players are remaking the very fabric of the industry with approaches that are less linear and with radical new products and propositions.

Traditional banks look healthy, but cracks are showing in their business model

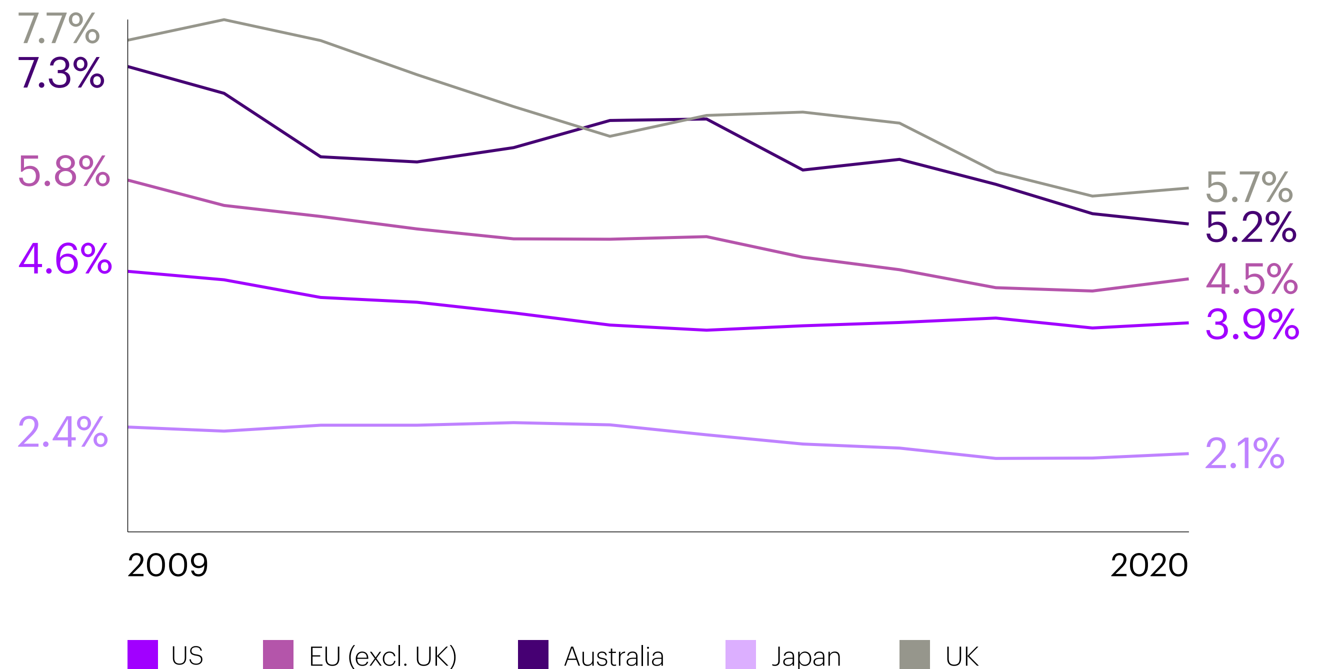
On the surface, the banking industry looks to be in good health. Major banks worldwide have posted robust revenue growth and handsome profits in recent years, in the face of rising competition from digital-only players. Even the COVID-19 pandemic has not crimped their performance. Indeed, for many it has been a golden opportunity to reassert their relevance in a changing world and close some of the digital gap between themselves and digital-only players.

Scratch deeper, however, and it becomes apparent that incumbent banks are seeing a steady attrition of value and revenues. Relative to the size of the global economy, the traditional banking system is shrinking. Low interest rates, fee compression due to heightened competition, an inability to differentiate their offerings, and migration of revenues to non-banks are slowly eroding banks' share of GDP.

This flow of banking revenues to new players started as a trickle, when the first neobanks burst onto the scene with new digital-only banking experiences that offered a slick mobile interface and more personalization. Yet these players failed to fundamentally change the market because they largely emulated the vertically integrated business model of the incumbents and because a lot of incumbents have become fast followers, in turn emulating the attractive product offerings of the neobanks.

Now, however, the slow drip is building into a steady flow. Digital-only players with non-linear business models are attacking the foundations of the vertically integrated banking model with new value propositions that delayer the value chain and break products into discrete components. This process—which has already played out in payments via innovators like Currencycloud and Wise—is now unfolding in commercial banking, personal credit, deposits, investments and more.

Figure 1.
Banks' revenue as a share of gross domestic product.



Note: UK banks' revenue is based on unconsolidated reporting to BoE and excludes non-UK business for some banks.

Source: Accenture Research analysis on data from ECB, FDIC, IMF, APRA, JBA, BoE.

The new wave of competition could change everything

When the first wave of neobanks hit the market with familiar banking propositions in a shinier digital wrapper, the response by incumbent banks was obvious: to become the best digital versions of themselves. Yet this approach has reached its limits in a world where, from the consumer's point of view, the digital banking challenge is mostly resolved.

Digital payments, mobile banking apps and online banking experiences are almost universally good, and it's becoming increasingly difficult for any incumbent or neobank to use them as a point of differentiation. Now, the competitive arena has moved to product innovation, with new players attacking the incumbents in the areas where they are most exposed.

There are numerous examples, in different parts of the value chain, of digital-only players with non-linear models using banks' margins as their opportunity:

12m — Chime, which has neither its own banking license nor a regulated balance sheet, has an estimated 12 million customers,[7] majoring on fee-free overdrafts and payroll acceleration;

16m — Afterpay with over 16 million customers[8] and Klarna with 90 million customers[9] expanding the credit market with 'buy now, pay later' (BNPL) credit;

50+ — Among Stripe's total client base, 50+ are each processing over $1 billion annually[10] in payments;

$11b — Wise (formerly TransferWise), the retail forex disrupter which debuted with a market value of $11 billion on the London Stock Exchange in July 2021;[11]

21m+ — Robinhood, the retail trading and investment platform that has built a base of more than 21 million customers on the promise of free trading.[12]

The competitive edge that most of these adaptive players have?

They have focused on the customer's *intent*, decoupled themselves from the traditional value chain, and embedded their services into the right place and time in the customer journey. Some achieved further differentiation with their purpose-driven approach and emphasis on sustainability. Their business models enable them to scale with lower customer acquisition costs. BNPL companies, for example, thrive because their product is inserted into the checkout process at the point of sale rather than being an overlay that customers navigate separately.

In a fragmented world, presence and vertical integration are no guarantee of success

In choosing the layers of the banking value chain—and the micro-product niches—in which they wish to play, non-linear digital competitors have gained the ability to configure innovative products and propositions fast and at low cost. They have the flexibility to rapidly create differentiated products for a digital customer who searches online for financial products and creates a custom bundle that meets their specific needs.

The result, in most markets, is a steady outflow of banking and payments revenues from incumbents to new entrants. This shift is unfolding in different markets at different speeds, depending on factors such as industry structure, regulatory policies and consumer readiness. Some, like the Nordics, the UK or the US, are more advanced in revenue migration, but incumbents in few markets will be spared.

Inexorably, this process is weakening the grip banks once had as owners of customers' primary transaction accounts. The power they held through traditional banking relationships, vast branch networks, workforces that focused on cross- and up-selling, and the invisible packaging of products sold through physical distribution channels has been eroded.

What's more, the strengths of a vertically integrated business model are not easily replicated in the digital world. To beat back competition from innovators who excel at manufacturing better banking products and assembling product components into compelling offers for customers, banks will need to do more than invest in digitizing their existing sales and distribution capabilities.

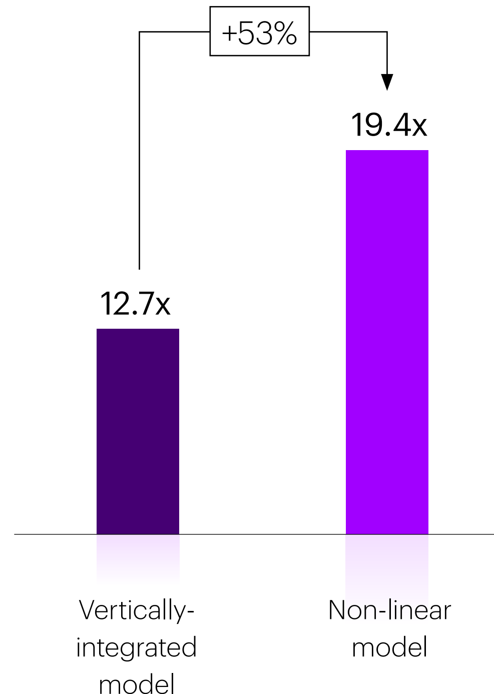
As such, banks can no longer count on cross- and up-selling to grow share of wallet and maintain their franchise power or distribution reach. As best-of-breed competitors attack different product segments and links in the value chain, banks in the years to come will face the loss of market share by attrition and disintermediation. To defend and grow their share, they will need to play new roles in the value chain, reflect on their purpose and engage with sustainability.

Our analysis shows that digital-only players with B2B2X or product bundling business models have 53% higher market valuations (measured by a valuation-to-revenue ratio) than those with vertically integrated models.[13]

For banks, this illustrates the potential of finding new sources of value by complementing their existing vertically integrated business models with product bundling and indirect distribution partnerships.

The shift in value will not be an abrupt step change, but a steady transition that will unfold over the course of the next few years. The strategic challenge many traditional bank CEOs will face will be to manage a portfolio of business models and the shift of value between them because an either/or choice will be suboptimal for most incumbents over the medium term.

Figure 2.
Valuation to revenue for digital-only players.



Note: Median for 26 companies. Based on an analysis of players with both 2020 revenue data and either market cap (for listed companies) as of April 2021 or latest private valuation available.

Source: Accenture Research analysis

Consumers are building custom product bundles from the best products on the market

Accenture's 2020 Banking Consumer Study shows that the percentage of customers opening new accounts has increased from 24% to 27% over two years. Yet only 14% of consumers switched their main bank while opening a new account, compared to 28% two years ago. Banks should not allow this to lull them into a sense of security —it actually suggests that customers are becoming their own 'relationship managers' who build custom product bundles by mixing and matching the best from multiple providers. With a decline in conservative 'traditionalist' customers in most markets, this behavior is set to grow in the years to come.

New angles on banking business models:
It’s time to see banking in a new light

It's time to see banking in a new light and understand the opportunities for growth in a market that's limited only by imagination. By delayering the value chain and componentizing products—then reassembling them in new ways—banks can unlock a multitude of new growth opportunities and emerge stronger.

Opportunities emerge from delayering the value chain and product componentization

As digital-only players continue to attack different parts of the value chain, they are breaking it into fragments that can be reassembled in multiple innovative ways. Where they were once tied together, product manufacturing, distribution, risk management and the regulated balance sheet, and the customer interface and experience have become uncoupled.

Consider the business model of Stripe Treasury, which offers Stripe merchant platform customers powerful application programming interfaces (APIs). This allows the platforms to embed financial products into *their* services, enabling their customers to easily send, receive and store funds.[14] Shopify is partnering with Stripe and its financial institution partners to build Shopify Balance, the business account designed to help merchants take control of their finances.[15]

As Stripe invests in its treasury infrastructure, it plans to deepen a partnership with Goldman Sachs to add features in the US over the next year.[16] While Stripe Treasury may have the compliance capabilities and balance sheet of a traditional bank partner like Goldman Sachs at the core of its business model, each of the layers in its B2B2X configuration plays a different role in enabling online merchants.

Skeptics argue that such treasury services often target smaller businesses that are unprofitable for incumbents to serve. However, Square shows how small businesses can grow into profitable customers when served with the lower customer acquisition costs, exponential growth and massive scale enabled by digital models. Payments volumes processed by Square have grown from $6.5 billion a year in 2012 to more than $112 billion in 2020.[17]

Banks should thus assess where their differentiators lie and how to monetize them via different business models. Their balance sheet power, ability to manage risk, and familiarity with regulations are difficult for new entrants to replicate—a key strength and one that doesn't need to be constrained through a model of monolithic vertical integration.

Along with value chain fragmentation, the componentization of products is also accelerating. Fintechs and other new players are breaking products into sellable micro-units that can be offered and consumed via APIs. Today, there are in excess of 100 companies in the banking-as-a-service (BaaS) space,[18] among them fintechs and major banks, that provide product functionality to other organizations.

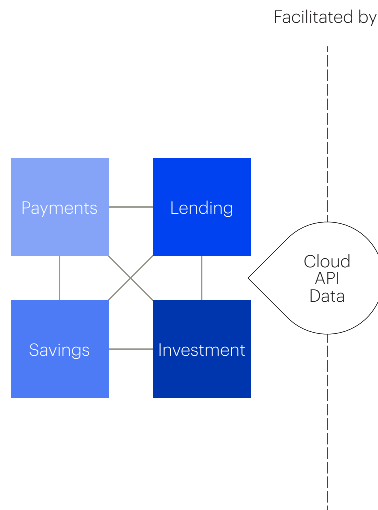
This enables any other player—a retailer, a bigtech or a neobank—to use these components to create banking experiences or embed financial solutions into its core customer experience. Consider, for instance, how consumer credit is becoming embedded in the shopping experience via BNPL, or the steady rise of B2B embedded finance solutions.

It is the scalability and cost efficiency of the cloud, paired with plentiful consumer data and maturing artificial intelligence, that enable these new players to quickly get to market with customized and innovative banking propositions. This is creating fertile ground for innovative banking plays to take root—for example:

- "Light" fintechs that often do not need their own license, balance sheet and product factory;
- Embedded banking plays where non-banking companies with sizeable distribution networks embed banking products in their offerings to drive additional value for their customers and increase customers' lifetime value.

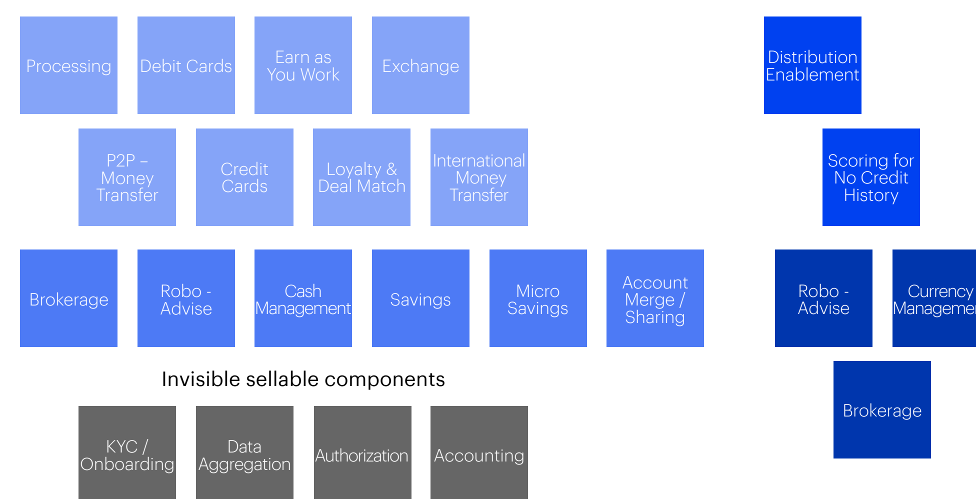
Figure 3.
Product unbundling and re-bundling.

Macro Products



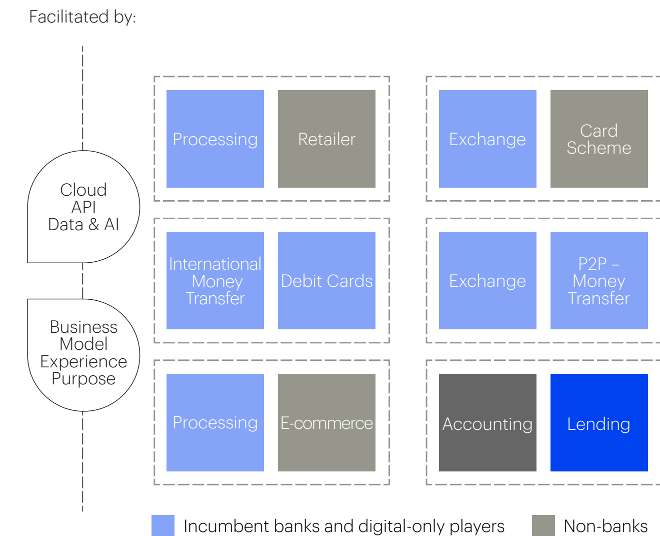
Regulated accountability of products and services, typical of incumbent banks.

Unbundled Products (Micro Sellable Components)



Digital-only players offering micro sellable services facilitated by APIs and Open Banking, enabled with decoupled micro-service technology via cloud.

Re-bundled Propositions
(Selected combinations)



Digital-only players re-bundling products among each other and with non-banks, as well as incumbent banks re-bundling around their granular core. Using cloud, data, and maturing AI to quickly go to market with innovative propositions.

The growing threat to banks' revenues

As these new banking plays continue to mature, there is a real risk that more banking products will disappear into super apps—all-in-one platforms offering a range of financial and non-financial products and services from a company and its partners—and that incumbents will bleed more revenue to these new players.

Chinese companies such as Ant with AliPay and Tencent with WeChat blazed the trail for super apps,[19] which allow consumers and SMEs to carry out numerous tasks without opening another app or website. PayPal's recent launch of a super app that offers a combination of financial tools shows that the time may be at hand for super apps in the rest of the world, too.

The PayPal app includes features such as direct deposit, bill pay, a digital wallet, peer-to-peer payments, shopping tools and crypto capabilities. In the words of TechCrunch: "These changes shift PayPal from being largely a payments utility that's tacked on other offerings here and there, to being a more fully fleshed out finance app."[20]

As banking services such as payments and credit are embedded into other services and platforms, larger banks without a clear response face the danger of customer attrition and fee compression in the face of digital competition. Regional banks, community banks and credit unions, meanwhile, face an existential threat as they become more tightly squeezed between mega-incumbents and neobanks.

For multinational banks, this calls into question the validity of running a similarly vertically–integrated banking business in each market. Forward-thinking banks will instead be looking at how they can accelerate their growth by developing new business models that enable them to defend their vertically integrated businesses in their core markets, while seeking growth through non-linear strategies such as B2B2X plays and product bundling in both domestic and expansion markets.

For many, the fragmentation of the value chain may be as liberating as it is frightening. No longer does every bank need to develop and maintain every capability and product itself, at great expense. There is much to learn from neobanks like N26, which offers a seamless customer experience while it selects and smoothly integrates products and services from best-of-breed partners.

Growing and differentiating with a kaleidoscope of business models

Few large banks will want to jettison their vertically integrated businesses as they are still the engine of profitability. In the fragmented US market there is also still an opportunity to consolidate that traditional business through M&A and grow revenue and profitability within that business model quicker than the overall market. However, there are also numerous opportunities for them to introduce new products and offerings in discrete parts of the value chain. The leaders will differentiate themselves and grow faster than the market by operating a kaleidoscope of business models.

To date, many banks have focused on how they can be the best possible digital version of themselves. Yet the leaders of the future will be those that are considering how they can formulate and operate adaptive, profitable models—such as indirect digital distribution and product bundling—while running their traditional vertically integrated business at the same time. As the CEO of one major US bank recently put it, his bank is going to have to learn to “walk and chew gum”—and excel at both—if it is to be a long-term winner.

This process starts with reimagining the bank’s role in the digital value chain of the future. For a vertically integrated incumbent, the process will begin with delayering internal capabilities and componentizing products in order to create sellable capabilities and components that can be offered to other players or reassembled into new product offerings.

This is far from a trivial undertaking, since it involves challenging the traditional business structure and operating model. Yet there are precedents for such a radical approach in banking and other industries. Amazon has turned the cloud platforms it initially built to serve its own retail business into the world’s most powerful hyperscale cloud provider. With AWS, it transformed an internal strength into an external offering that has set the standard for the rest of the market.[21]

nCino, the Salesforce-based banking operating system, started life as an internal solution that Live Oak Bank created to process small business administration loans at speed. The bank has since spun nCino out as an independent venture which today has hundreds of banks as its customers and is worth billions of dollars.[22] Many other banks could also unlock latent value in parts of their business which they take for granted.

The most successful incumbents will use the same product manufacturing and operations infrastructure to seamlessly serve both internal and partner distribution channels, with distribution and customer management being a decoupled layer sitting on top. For those banks that don't see themselves changing their legacy technology and operations quickly enough to make that a reality, the alternative is to build a parallel tech stack and ops capability that still allow participation in a fragmented banking market while tolerating some duplicate costs.

Yet the more comprehensive a bank's commitment and approach to delayering its capabilities and atomizing its products, and to repackaging internal and external components, the more new revenue streams it can develop. Those that take a tactical or experimental approach will struggle to develop the metabolism they need to digest the current speed of change and innovation in the banking market. They may also struggle to scale up the impact of new business models.

33%

of banking executives report the "re-bundling the unbundled" trend is essential to their organization's success, while 48% see it as somewhat important.

44%

believe that this trend will mature in the next 12 months and 47% believe it will mature in the next one to three years.

92%

of banking executives say that to succeed in the future they are willing to operate more like broad federations of businesses in response to market fragmentation.[23]

Flipping the perspective on banking: Evolving from a single to multiple business models

The pace of change shows no sign of abating. Now is the time for incumbent banks to build multi-faceted, adaptive business models that let them maximize opportunities and create new value across each market and customer segment.

Looking at the world like a non-linear, digital-only company

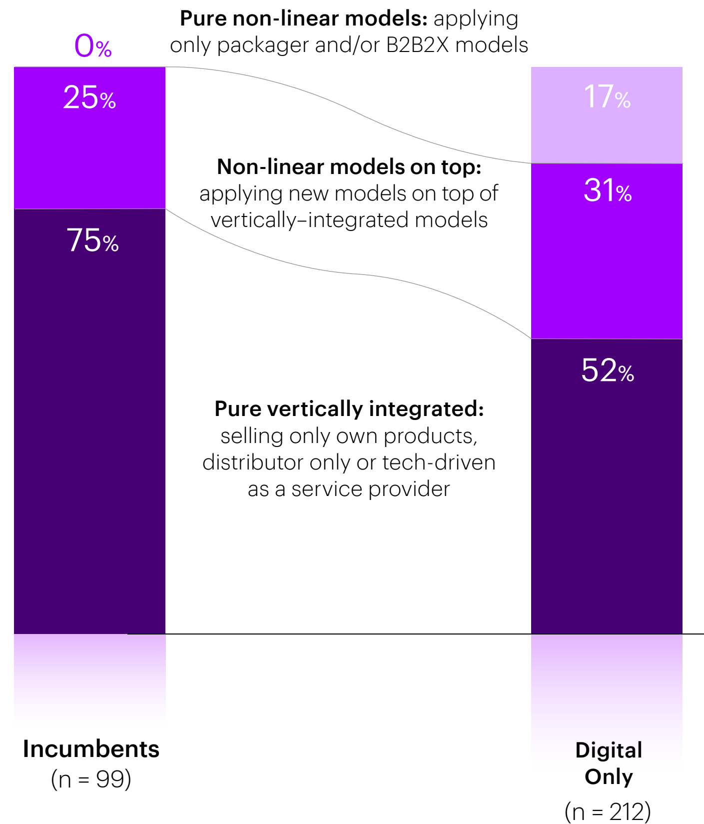
Our analysis shows that there are far more examples of digital-only players successfully exploiting the fragmentation of the value chain and the componentization of products than there are incumbent banks grasping the opportunity.

Nearly half (48%) of leading digital-only players have adopted non-linear models against 52% that still emulate the traditional, vertically–integrated, models. In some countries, like the UK, US or Australia there are more than 60% of digital-only players with non-linear models, while across other countries analyzed that number is on average below 50%.[24]

While digital-only players commit wholeheartedly to non-linear business models, incumbents tend to experiment with them for fear of cannibalizing their traditional vertically integrated businesses.

Digital-only players that build their businesses on the non-linear packager and B2B2X models are often rewarded with rich valuations and strong growth.

Figure 4.
The reliance of incumbent banks and digital-only players on different business models.



Source: Accenture Research analysis

Stripe, for instance, evolved from a niche payments processor to bundling components from banks and fintechs and providing them to platforms like Shopify. Shopify, in turn, is not only using Stripe's payment processing service to drive Shopify Payments, but also recently embedded an Affirm-powered BNPL offering called Shop Pay Installments into its platform.[25]

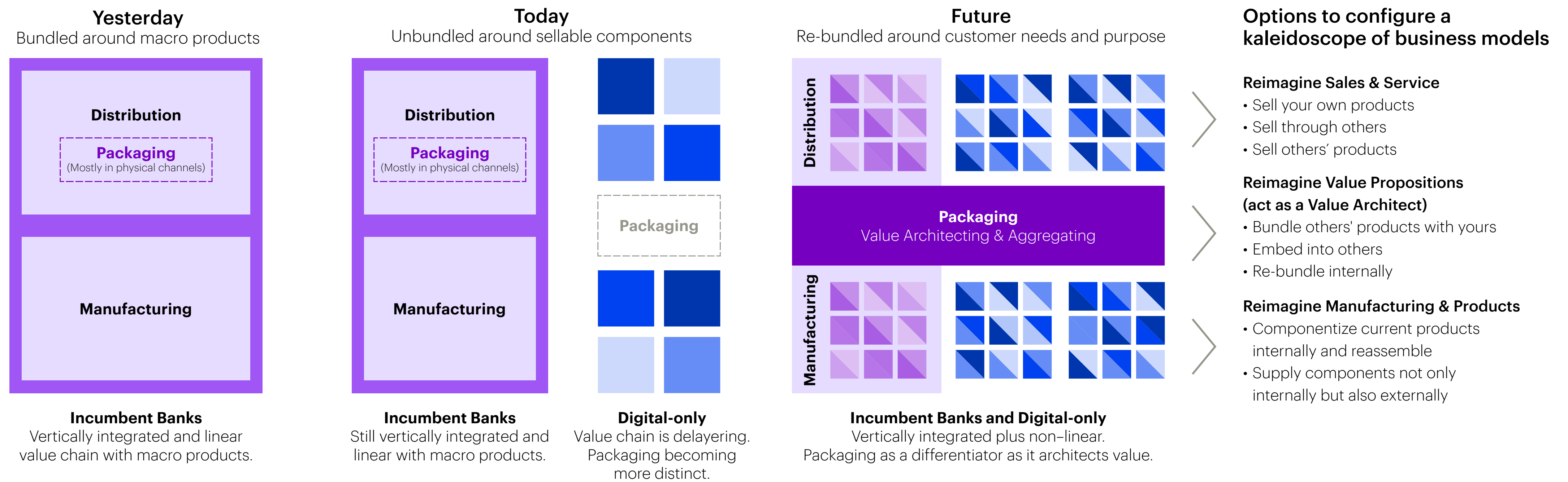
Meanwhile, Square, a provider of payments, e-commerce and financial services to merchants, recently acquired the Australian BNPL provider Afterpay for US$29 billion, and will embed the Afterpay offering into its consumer and merchant offerings.[26]

Afterpay has also become a major partner to an incumbent bank that is becoming more adaptive in its strategy. Westpac in Australia built a BaaS offering that leverages its banking license and balance sheet to provide banking products to companies that sell them on to their own customers—and Afterpay was the first digital native to plug into the service.[27] Whether the Westpac BaaS partnership with Afterpay will survive the Square acquisition is unclear, but this shows how quickly the kaleidoscope needs to turn. Another example of a bank going this route is RBC in Canada, with its PayPlan BNPL offering, which packages the bank's regulated balance sheet and a white-label BNPL service from Bread, a US fintech.[28]

In this world, to grow and be profitable, it's no longer necessary for banks to always own the value chain end-to-end or to manufacture all of their own products. What matters more is how they can architect value for the end customer or for the next player in the value chain. They can play a range of roles in the chain, giving them the flexibility to create value and capture growth from new sources.

Architecting value is about creating, and defining the value of a banking product, service, product component or experience. It goes beyond selling a product off the shelf, towards putting together a proposition that addresses an end-customer's need through the bank's direct channels or as part of an offering a B2B distribution partner puts together for its customers.

Figure 5.
The evolution of banking offerings and the architecting of value.

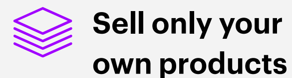


Becoming a value architect

Tomorrow's leading banks will be those that have mastered the role of the value architect. This is not a shift from today's business model to a completely new one. Rather, it's an evolution from managing a single, vertically integrated business model towards managing multiple non-linear business models and roles in the value chain—a strategic evolution already underway at some incumbents.

Depending on its size, market and strengths, the approaches that a banking incumbent can embrace could include any one or a mix of the following:

Linear, vertically–integrated models → **Non-linear, adaptive models**



- Controlling all the layers in the value chain, from manufacturing up to distribution, in a model of vertical integration.

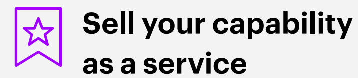
  Example: Typical incumbent bank.

- Distributing banking and other financial products from other companies.

  Example: Online loan aggregators.

- Distributing non-banking products via a marketplace.

  Example: DBS Marketplace.



- Seeking scale by manufacturing technology or business processes that are invisible to end clients.

  Example: Onfido.

- Building or putting together fragmented micro-products/services (packager).

  Example: Grab Financial, Starling Bank, N26, Monzo.

- Building products to be distributed via other companies and embedded into their apps and digital experiences (B2B2X).

  Example: Goldman Sachs with Apple Card, Barclaycard providing BNPL loans to Amazon in Germany.

Large banks may embrace all these strategies based on their target market and customer segments and the way they choose to use their balance sheet. With higher cost-to-asset ratios than the largest banks[29] (up to twice as high in Asia-Pacific and Latin America), mid-size banks will need to build on their current strengths to better leverage their balance sheets and improve efficiency.

Customer ownership is a powerful differentiator, but it comes at a cost. However, direct acquisition of customers within a vertically integrated model is not the only option for growth. As they adopt their kaleidoscope of business models, banks can play a range of roles in the value chain and scale by leveraging technology to gain speed and flexibility.

There is a choice between an approach where new models are built from scratch and run in parallel with the traditional business, and one that involves creating a single technology and operations layer that can drive multiple business models. The former is quicker and simpler, but building a common platform from the outset is likely to create more value over time.

Embracing the strategic kaleidoscope

The traditional model of vertical integration will co-exist alongside endlessly configurable non-linear models in the leading banks of tomorrow. These banks will seize the opportunities created by the componentization of products and the fragmentation of the value chain, in addition to safeguarding their existing business. This will allow them to grow and scale in new markets, while reducing the cost of growth.

As a starting point, leading banks will evaluate in which areas they are best in class, in which areas they want to develop their own capabilities and products, and in which parts of the business they could benefit from sourcing capabilities and products from partners. In those areas where they excel, they could unlock value by driving white label (BaaS) models.

Strategic considerations

Right now, banks can choose between three approaches. They could choose to stay their current course, continuing to evolve into the best possible digital version of a vertically integrated institution and take share in what is a slowly shrinking market. This seems on the surface like a safe bet, but growth may stagnate as more aggressive players continue to reshape the industry and revenue and value leak out of the vertically integrated business model at an increasing rate.

Choosing to be a fast follower is a second option. Here, banks will monitor the trends affecting the markets and products they want to own, respond fast to innovations as they come to market, and strive to hold and perhaps slightly grow market share.

The third option, for the most ambitious banks, is to not only defend market share but to go on the attack. They will choose markets where they have a competitive advantage and seek to scale up growth through adaptive and non-linear (packager and B2B2X) business models.

Accenture recommends that as banks position for a world of endlessly configurable business models, they consider the following strategic aspects to differentiate and to grow:

Setting strategic direction

Identify opportunities and viable capital/cost-lite models to achieve growth, keeping sustainability in the core

Decide which markets you want to own and in which you are best positioned to drive success at scale.

- Adapt to the speed of change of each market by choosing where and how to generate value.
- Determine how to use the power of your balance sheet, your regulatory compliance and your risk management ability to drive growth and start decomposing products into components and delayering your value chain.
- Differentiate by building purpose into the core of the business and focusing on sustainability.

Select your roles in the value chain and find sizeable companies with which to partner

- Learn from Amazon's philosophy of partnering with others in markets where it can't be the best. Examine how product bundling and indirect distribution partnerships can help you grow in these markets.
- Evaluate options to package products from other providers as part of your solution for the customer, and configure products that can be repackaged by other providers. Decide where to plug in infrastructure, services and products from best-of-breed partners.
- Identify options for distributing products through or with others to complement your own networks.

Ability to execute and align

Align your strategic choices with your operating model and technology capabilities to manage value architecting.

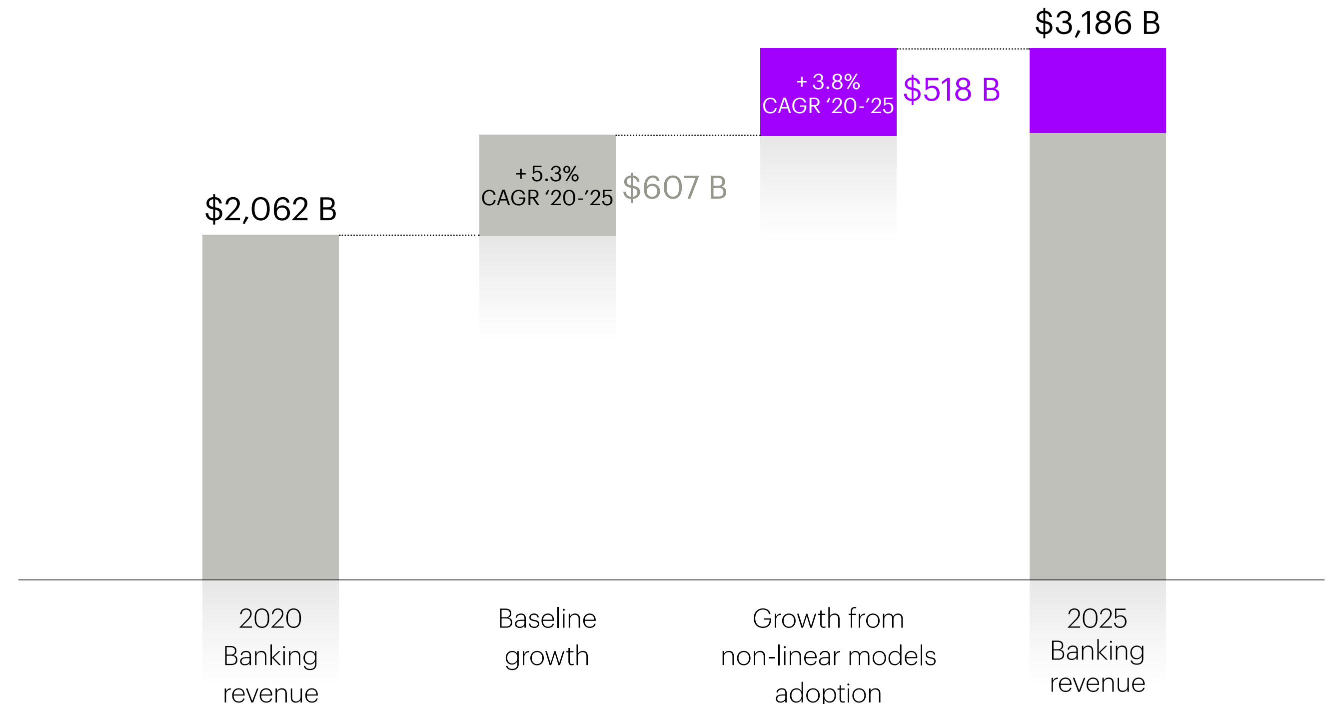
- Define the impact of the kaleidoscope of business models on your culture, leadership, performance models and current talent. Identify and fill your capability gaps.
- Enhance your compatibility with the fabric of the wider network of banking and non-banking service providers. Decide where to buy and where to build technology capabilities to strike the right balance between the speed and the thoroughness of your transformation.
- Create simpler customer propositions designed to be embedded into the right place and time in the customer journey.
- Excel at intent-driven, zero-touch operations—use data and intelligent automation to personalize propositions for customers, predict their needs and respond to their intent while keeping operational costs low.
- Adjust your technology roadmap for the B2X and B2B2X markets, since you could be either B in the value chain.
- Evaluate the impact of these measures on your ongoing investments and decide whether to accelerate or stop investment and when to leverage new options from external partners.

However you look at it, banking is changing

As they emerge from the pandemic and face new waves of competition from non-linear players, incumbent banks will square up to the challenge of leveraging their balance sheet power to generate more value, and driving frictionless experiences that enable them to grow into new markets. They will want to achieve this while defending their established businesses.

Non-linear model adoption could lead to an additional 3.8% of growth for incumbents.

Figure 6.
Projected banking revenue growth.



*Banking revenue = only revenue of regulated banks provided by respective central banks.

Countries in scope: US, EU27, UK, Australia, Japan, Brazil, Canada and UAE.

Source: Accenture Research analysis and estimates based on central banks (for revenue data) and IMF & Eurostat (for GDP data).

As their diminishing contribution to the overall economy reveals, banks are unlikely to achieve this goal by following the same business models and strategies as they do today. Yet the strong performances and high valuations of a new breed of digital-only financial services player show that there are abundant opportunities for those that are willing to shift perspectives.

Banks that master the discipline of managing multiple business models at once, and of putting together different capabilities and product components in innovative propositions, will be able to outperform the market. They will need to approach this challenge strategically and with a focus on architecting value for all stakeholders. By playing different roles in the value chain at scale and managing a kaleidoscope of value propositions, banks can move from defending market share to once again targeting real growth.

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