

Open banking
survey 2020

Taking advantage of open banking

tink^{co}

The quick take



By now the industry has heard about open banking, the investments that are being made, and the opportunities around PSD2. Yet, as the results from this survey reveal, financial institutions continue to face internal challenges when it comes to benefitting from the value open banking can bring.

With their breadth of products and services, **financial institutions are inherently in the best position to take advantage of open banking**. The opportunities exist across the industry – but there's generally a focus on compliance, and the potential to innovate and create more data-driven services is often being overlooked.

This is **giving space to new market entrants** that see open banking as an opportunity to enhance their offering and differentiate their services.

The responses gathered in this survey indicate that financial executives generally have trouble creating alignment within the organisation. This is seen particularly between product owners and channel owners.

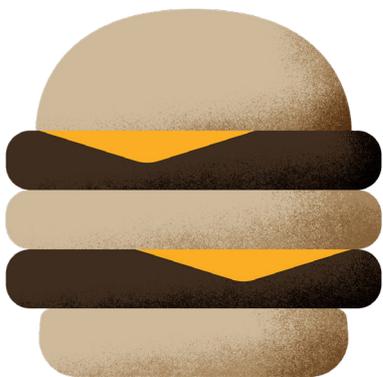
While the channel organisation (responsible for the online, mobile and developer interfaces) generally believes there's a clear open banking strategy and sees benefits, the product organisation is more likely to lack this clarity. A sign that the role of the product organisation could be a key difference between banks and fintechs.

To fully take advantage of open banking, companies need to convey a clear strategy and work to incorporate open banking capabilities into most, if not all, products and services offered by the organisation.

Open banking should not be limited to the channel, but executives should actively ensure that the products and services benefit from open banking as well.

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The race to change

Open banking has come a long way since the first account information services were introduced back in 2001. In these almost 20 years, there's been a race to create value by unlocking opportunities for data-driven innovation.

Regulators around the world have also seen open banking as a way to drive competition and give customers control over their data. The introduction of the revised payment services directive (PSD2) in Europe meant that many third-party providers (TPPs) of open banking services could get a licence to operate in a regulated fashion. But it also meant that banks and other financial institutions finally had the blessings from the authorities to start reimagining their own processes and business models.

Our research shows that banks are currently investing between 50 million-100 million euros into their open banking strategy. This is a huge amount of money.

And 63% of financial executives indicate that these budgets are growing.

Right now, most of this budget is going into compliance-related areas for PSD2. But looking at the use cases, there are many financial institutions ready to take their open banking strategy to the next level. These organisations have already started to leverage open banking capabilities to enhance the customer experience and increase their competitive advantage.

Rather than the fast-growing challengers in the industry, banks are inherently in the best position to offer these open banking services. As the custodians of money and providers of financial services, banks already have a solid foundation of customer trust. Meaning customers are more willing to share their data with them (if there's something to be gained from it).



Open banking essentially describes the exchange of data between a financial institution and a third-party provider (TPP) to deliver enhanced capabilities and experiences to the market.



Nevertheless, many people are willing to share their financial data with lesser-known and non-traditional brands – as long as they get something valuable in return. A recent study suggests that the usage of money management apps among consumers significantly increased during the pandemic, ‘with more than half of the [UK] population (54 per cent) now using them regularly.’

Many money management apps are provided by TPPs that are not affiliated with the banks. If these TPPs can provide a valuable service to customers, incumbents from other industries can do this too – whether they’re from retail, energy, or telecoms.

Many banks realise this, and there is a deep sense of urgency to embrace open banking before they risk losing customers’ attention.

It's not about being a first-mover anymore. The industry has already passed that point. It's now about being a fast-follower.

About this survey

To better understand how the open banking market is shaping up, Tink teamed up with market research firm YouGov to learn more about open banking attitudes, investments, and use cases across Europe – so we surveyed 290 financial executives from 12 European countries to hear what they had to say.

This is the fourth report based on our 2020 survey, zooming in on internal alignment and perception of open banking strategy and benefits.



A year of digital acceleration

In the beginning of 2020, we predicted this would be the year of value creation for open banking. In retrospect, we can say this has only been partly true.

The pandemic caught the entire world by surprise. On the one hand, the need for remote access and business continuity has accelerated the shift towards digital channels and electronic payments.

This has given financial institutions a unique opportunity to get ahead of the competition and further enhance the customer experience. On the other hand, many businesses and operations have slowed down, focusing on business continuity and cutting costs.

Meanwhile, the ecosystem of non-bank TPPs, such as merchants, payment service providers and fintech innovators just kept on growing. In September 2020,

Europe counted 410 licensed account information services providers (AISPs) and payment initiation service providers (PISPs), compared to 237 the year before (up 79% year-over-year).

Most of these TPPs are relatively small, but the number of well-known brands looking to take advantage of PSD2 – including names such as Google, British Petroleum, Poste Italiane, and Zalando – is growing. In fact, approximately 5% of the registered TPPs are publicly traded. These enterprises are bringing financial technology into their industry and to their customers.



Limitless potential

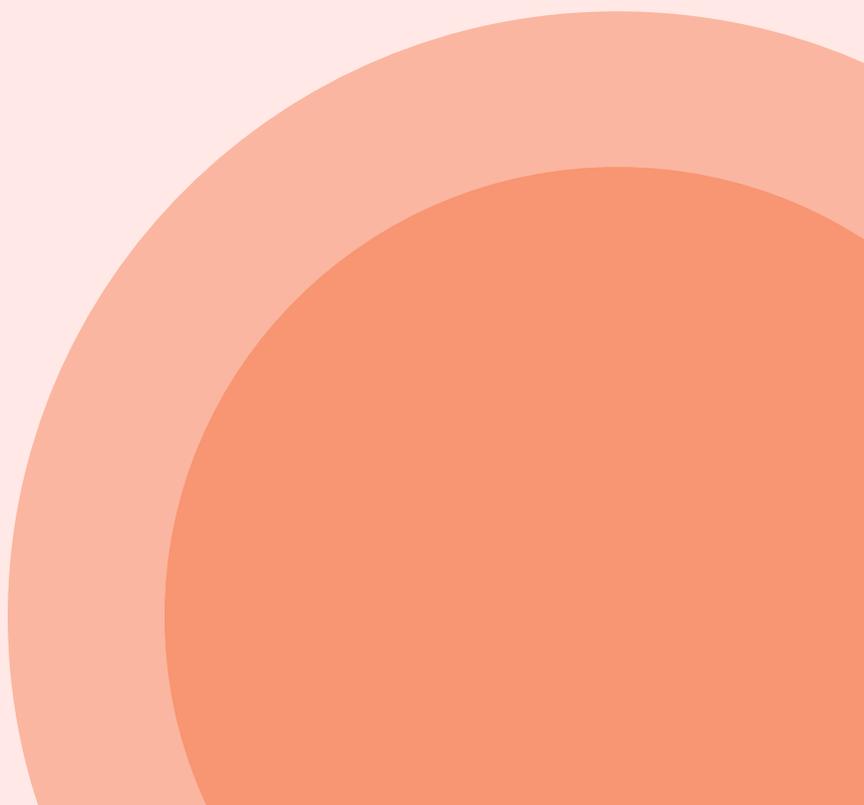
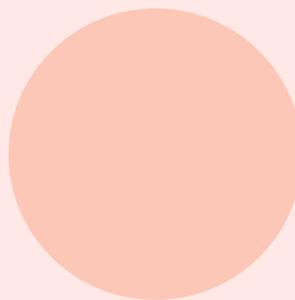
As credit and electronic money institutions, many financial institutions – especially traditional banks – are permitted to operate as TPPs by default. No additional registrations or licences required.

This means that banks can start positioning themselves not only as the custodians of money, but also the custodians of financial data.

Plus, banks often have everything they need to get started. They already have tens of thousands or millions of customers that would benefit from open banking use cases, as well as all the necessary functions in place to develop compliant processes.

But what banks and other financial institutions often lack is a reason for their customers to give them continuous access to their consolidated financial data.

This is why **value for the customer needs to come first**. It's in the areas where banks fail to do this that others will emerge – and take the customers' attention.



Ensuring strategic alignment on open banking

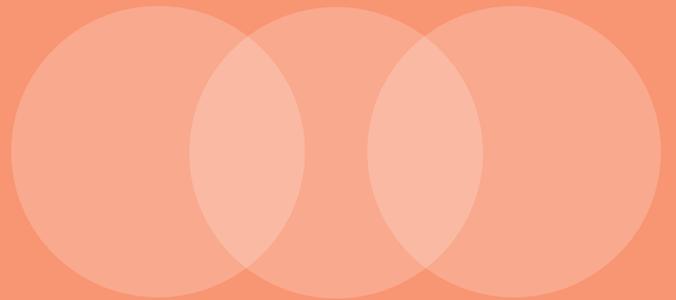
As with most business innovation, the support for open banking, as part of the digital transformation of the financial institution, needs to be carried throughout the organisation.

Across European financial institutions, the perception towards open banking varies by level of seniority.

Seeing open banking as an opportunity is generally not the issue. C-level executives in particular seem confident, as 69.7% of the respondents in this group say open banking is viewed as an opportunity throughout the organisation, compared to 58.6% on average.

Most channel owners – who are responsible for the online, mobile or developer interfaces – also share this view (62.5%). However, less than half of all product owners believe open banking is viewed as an opportunity (45.2%).

This shows that there is an overall scepticism towards open banking by the people who will see their products impacted – and also implies that some C-level executives might not be aware of this gap in perception.



When it comes to understanding the strategy, channel owners and product owners generally have a good sense of what's going on. This is reflected in the fact that 75.0% and 61.3%, respectively, agree that there's a clear strategy to realise the benefits of open banking.

It makes sense that these respondents are more confident in their understanding of open banking objectives, considering that it typically impacts their day-to-day operations.

However, the benefits are not always as clear to everyone.

Channel owners and C-level executives generally believe the benefits are widely understood throughout the organisation (with 62.5% and 62.1% respectively). However, this understanding deteriorates in other parts of the organisation. Just over half of the department heads (52.9%) and directors (53.1%) believe the benefits are understood, and less than half (41.9%) of product owners share this view.

Open banking perception

Q. Please indicate which of these statements describe your view of open banking.

- Open banking is viewed as an opportunity in my organisation
- Our organisation has a clear strategy to realise the benefits of open banking
- The benefits of open banking are widely understood throughout my organisation
- The benefits of open banking outweigh the potential costs



Note: All respondents (n=290)
Source: Tink & YouGov, 2020



Who's who?

C-LEVEL

1. Executive leadership
2. Reports to board or shareholders
3. Accountable for decision making

HEAD

1. Responsible for department
2. Implements strategy
3. Typically has P&L responsibility

DIRECTOR

1. Tactical leadership
2. Delegates activities
3. Monitors KPI performance

PRODUCT OWNER

1. Manages the development of a specific offering
2. Responsible for realising KPIs
3. Responsible for product roadmap

CHANNEL OWNER

1. Manages the development of a specific channel
2. Collaborates with product owners to ensure delivery of service
3. Responsible for customer interaction

C-level executives are the most confident that the benefits outweigh the costs

The biggest challenge for financial institutions is justifying the open banking investments to everyone involved.

Two-thirds of the C-level executives (66.7%) are convinced that the benefits outweigh the potential costs, whereas approximately half of the product owners (51.6%), department heads (51.2%) and directors (48.4%) believe this. Channel owners are the most sceptical, with just over one-third (37.5%) sharing this view.

Looking at the alignment as a whole, the results imply many financial institutions have diverging beliefs when it comes to open banking. Although most decision-makers see it as an opportunity, some have trouble justifying investments or seeing the bigger picture when it comes to the costs involved.

Open banking will challenge the existing beliefs, values and habits in the organisation – so it's important to have clear alignment between all departments and levels in the organisation. Especially when it comes to justifying the costs, it becomes even more important to articulate the return.

‘Over the next couple of years, open banking is just going to get better – and bigger.’



enel x

Bringing new energy into financial services

Who he is: Matteo Concas, Head of Global Digital Banking Solutions at Enel X. Matteo orchestrates the development of Enel X Financial ecosystem and the launch of services in the retail and corporate market.

Why we spoke to him: He's taking one of the largest energy companies in Europe into financial services. Matteo has a vision and understands open banking – and he walks the walk.

What he's known for: Being a serial entrepreneur and someone that challenges the status quo. After working at N26 he founded Penta, a neobank for businesses. Now at Enel X, he's breaking the mould and doing things differently.

Can you give a bit of background to Enel and Enel X?

In Italy, Enel is a household name. It's not just the largest energy company in the country, but one of the largest in the world. And just like your banking sector, our energy sector is currently undergoing a lot of change.

For example, regulations are liberating the market, thus allowing new entrants to challenge incumbents. We're going through a digitalisation transformation, meaning that we need to become software-driven to create smart electrical grids and connect smart home appliances. And we have a responsibility to help reduce carbon emissions and guide the transition from fossil fuels towards renewable energy.

In the energy sector, you can only differentiate yourself by focusing on either price or customer services. And at Enel, the customer is at the heart of what we do.

As we see the society become digital and sustainable, we're literally seeing it 'electrify'. That's where Enel X comes in. Enel X was founded to help society electrify across all verticals. Ultimately, we aim to enable smart living by adding financial services to provide an integrated series of Enel X services, all based on our knowledge of clients' needs.

Why step into financial services?

Digitalisation and cashless societies, it's all part of an electrified world. We would never become a commercial bank that does everything – we would partner for that – but there are segments where Enel X can create valuable services.



We're building an ecosystem enabled by cutting-edge financial technology for our customers and our business partners. We're providing highly personalised financial management services with the ability to manage payments and expenses. And for the merchants, we have developed payment acquiring services with point-of-sale solutions where we can help them accept electronic payments at a much lower cost.

How will Enel X differentiate itself from other banks?

We may not be a traditional bank, but we are a household name. Our proposition is really targeted at families – helping the home situation.

One of the solutions we recently launched is called Enel X Pay. It includes a nice product for kids in the range of 11-17 years old: a card connected to a digital wallet, which can be managed through a PFM application used by the parents. Parents can use the app to see where the money is going, set budgets and manage allowances.

We learned early on that multi-banking and a couple of pie-charts don't really engage the user. PFM needs to be about education. Users engage when they get the insights they need to best manage their home finances. At a traditional bank, this would be an expensive wealth management advisory service. We're doing many of the same things, but making it available to everyone.



What's the underlying business case?

There are many parts to it. An important one is bundling services and increasing household share-of-wallet. The insights that we present to the user stand at the core of the monetisation engine. Our goal is to identify opportunities to help users pay bills, save money, help them make investments, manage insurances, and of course to optimise their energy bills.

We're also looking at setting up partnerships where we could co-brand or white label our technology to enable business partners to launch a digital bank of their own. This could be a retailer, a transportation company, or another business that would benefit from getting closer to the customer.

As mentioned, we're creating an entire ecosystem. The Enel X Financial Services division is broad. We want to power and finance the small business segment. Enable them to accept and make payments, manage invoices, pay taxes, and much more. Our agents go to small businesses to sell energy and gas, and now they can upsell digital business opportunities.

What recommendations do you have for aspiring open banking leaders?

Today, every industry has an opportunity to move into fintech, and it has the potential to transform customer journeys. I would suggest executives should focus on three things:

One, **take advantage of modularisation** of the financial services infrastructure. Executives should look at the entire technology stack and vertical of services and carefully select which systems are needed to really transform the business.

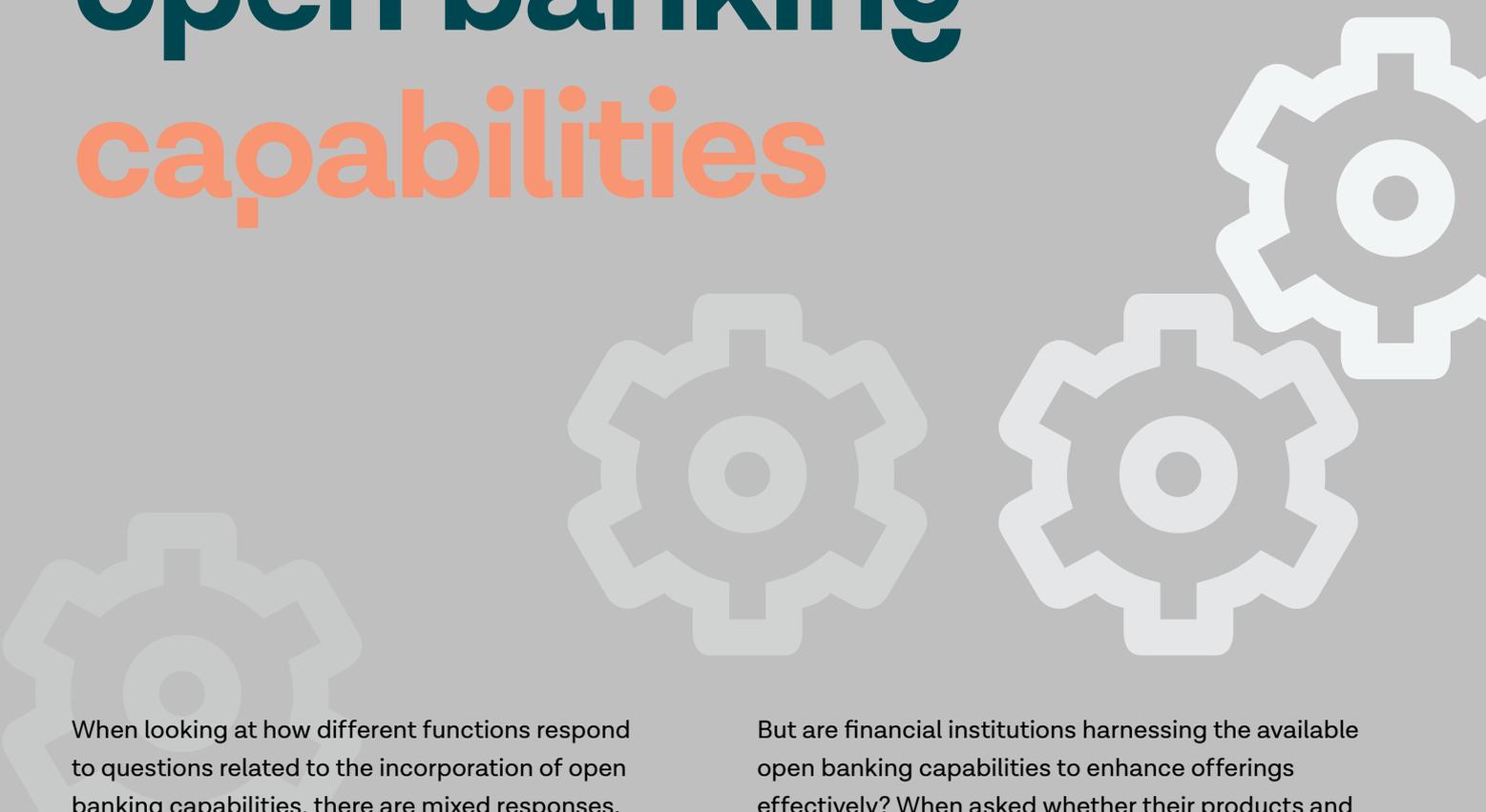
Two, **focus on your customers**. You're not going to be disruptive if you only offer a credit or debit card. You need to understand what your customers expect from you. Usually, that means that you should pick a segment close to your core business and go for it.

Three, **optimise for big data**. We're still at the beginning of the open banking movement, and it's already enabling unprecedented access to data that can transform operating and business models.

Enel X is exploiting open banking because we see it as a way to understand our customers – both consumers and businesses – and help them manage their financial situation. Over the next couple of years, open banking is just going to get better – and bigger.



Incorporating open banking capabilities



When looking at how different functions respond to questions related to the incorporation of open banking capabilities, there are mixed responses. Generally, European financial institutions are positive about the availability of open banking resources and the impact on the customer.

The majority of respondents are positive about having the talent available within the organisation to execute on open banking objectives (58.6% on average). Those who work in IT are the most confident (65.2%), followed by groups working with management (60.8%) and digital or mobile banking channels (60.0%). However, this is not the majority view for those who work in the product organisation (42.9%).

But are financial institutions harnessing the available open banking capabilities to enhance offerings effectively? When asked whether their products and services take advantage of the capabilities, one-third (32.0%) of executives that work in the digital and mobile banking department believe this is the case.

The gap is striking when compared to respondents from the IT department, where two-thirds (66.7%) say they believe open banking capabilities are being leveraged.

This raises an important issue in terms of the lack of integration of open banking capabilities across European organisations.

When it comes to customer perceptions towards the experience and products delivered by the organisation, respondents in general management and product areas are the less optimistic – with 46.1% and 40.0%, respectively, believing customers are satisfied. Those that work in digital or mobile banking (64.0%) and IT (62.1%) are significantly more confident in the services delivered to customers.

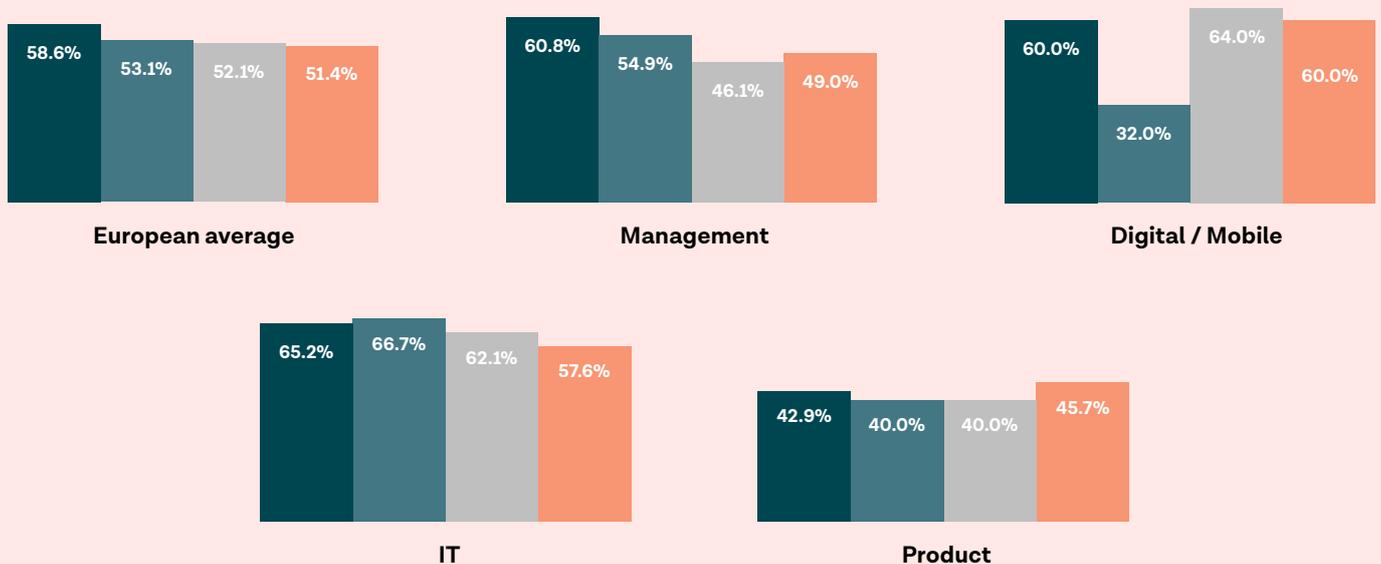
The results show an evident gap among the leaders and functions at financial institutions.

As open banking investments increase and become a central part of the digital transformation of the financial services industry, the current level of alignment highlights some areas that may benefit from increased knowledge sharing.

The product organisation in particular appears to be out of sync with some of the open banking initiatives and opportunities that are making executives in management optimistic about the future.

Organisational alignment on open banking by function

Q. Thinking about your open banking investments, please indicate if you agree with the following statements.



‘Open banking is a key enabler of the value we deliver to customers.’



Making the digital experience even better

Who he is: Miles Hillier, Head of Digital Proposition Development at NatWest. He’s responsible for driving bottom-up innovation for more than 13 million customers.

Why we spoke to him: He’s a key member of the NatWest technology leadership team looking to increase the usage of digital channels and support the bank’s customer, income & cost metrics.

What he’s known for: Leading the strategic response to defend NatWest against increasing competition from neobanks and fintechs.



What's the direction for NatWest's digital strategy?

It's our mission to enable effortless and relevant digital experiences by removing friction at every customer touchpoint.

The bank has a leading mobile banking app, but **we wanted to make the digital experience even better.** One of the examples of how we've done this is through our Spending feature where users can see insights on their spend behaviour, how their spend looks at a category level, for example Eating Out or Bills.

This summer, Business Insider recognised us for providing the best mobile banking app in the UK. **We've spent a tremendous amount of time and resources to improve the customer experience by evolving our app from being functionally rich to an experience which also brings more insight to help customers manage their money more easily.**

The reason for this focus is that we've done a lot of research in the area of money management and learned that many of our customers greatly worry about money, but few actively manage it. Insight-orientated services help our customers to see their money differently and create the feeling of being more in control, regardless of their financial literacy or understanding of finance.



How does open banking come into this strategy?

Open banking is a key enabler of the value we deliver to customers. We know some customers exclusively bank with the NatWest Group, but we also know there's a growing number of people that are banking with other banks. If customers are willing to share that data with us, we can start to provide even more value through our existing services and help our customers bank in one place, regardless of the underlying service provider.

At a general level, the more knowledge that we can gather on our customers, the more insights we can offer to help customers achieve more of their life goals more quickly, whether that be their dream home or the dream holiday.

Why is mobile banking so important for NatWest?

We want to ensure that our customers enjoy using our channels. Over the last 3-5 years, our customers have been telling us they are enjoying using our digital channels more than ever, and prefer the convenience of the app versus our other channels. As a customer-oriented business, we need to respond to that trend.

We've learned **the more a customer uses the mobile banking app, the higher the chance they'll recommend our services to other customers and continue to do business with us in the future.**

And since the pandemic, this trend has only accelerated. We've seen an increase in usage of digital services and requests for financial services. Mobile adoption has been really strong amongst older customers too, and we've ensured that we have support in place for those who might find the transition less easy.

Why are financial institutions so focused on the channel?

The channel is leading a lot of the innovation because it's the closest to the interaction point with the customer. As a society, we have become more experience-driven. **With technology, we can ensure that the experience of a bank is as good as it can be.**

The shift from product to the channel has been an ongoing trend at financial institutions. This is not to say there are no opportunities for innovation in our products, but how customers discover and use those propositions is key to success and this is increasingly reliant on a simple, convenient and personalised digital interface.

How are you working to enhance the products?

My team brings different parts of the business into the innovation process. It starts with identifying customer problems, working with different stakeholders to find solutions, and then we bring in the product areas to bring thoughts to life. So it's basically all about ideating, developing, testing, and scaling new solutions with a broad group of stakeholders.

During the development phase, we consider the 'build, buy or partner' options and we realised early on that there are fintechs that have market expertise in areas that we can leverage for our innovation process to help us get solutions to customer problems into the market faster, which is key.



The steps to taking advantage of open banking

We've seen that executives have allocated big budgets to realise open banking objectives. Yet the internal organisation is challenged when it comes to finding alignment and leveraging the capabilities available.

No matter the business objectives, three areas will be critical for a successful implementation – that takes full advantage of the new possibilities brought by open banking.

Get open banking on the roadmap

By now we know that financial institutions are spending huge amounts of money on their open banking objectives, but it seems the buck stops with departments responsible for compliance, rather than innovation within products and services.

Financial institutions have a unique opportunity to improve their offering and introduce valuable data-driven digital services that today's customers expect. And to do that, they should **ensure that open banking is raised as an opportunity across all parts of the organisation and incorporated into the roadmap.**

#2

Embed open banking capabilities across the organisation

Financial executives are generally happy with the talent available across all departments of the organisation. Since open banking goes beyond regulatory requirements, the talent that is currently developing application programming interfaces (APIs) in the context of PSD2 can be used to integrate these capabilities into other parts of the organisation.

In addition, although technology modernisation is a key outcome from the investments, financial executives should consider mapping out how those investments may benefit not just delivery of the online, mobile, or developer interface, but also how it may **help transform the customer journey and product origination processes.**

See open banking data as the fuel for product development

Open banking is not just a matter of new technology or regulations – it's a culture change. It's changing the way people think about data, data ownership, and data usage. Leveraging customer data to optimise processes or to enhance services has traditionally been frowned upon within most financial institutions. It still is.

To become more confident in open banking, organisations will need to start thinking about the customer first. **How will the customer benefit from sharing their data? What is the value exchange?**

Ultimately, open banking will always rely on the customers' permission to access information, initiate a payment and offer a service. This understanding cannot be limited to a single department or function. This is an understanding that needs to be rooted in the heart of the culture and operations of the organisation.

#3

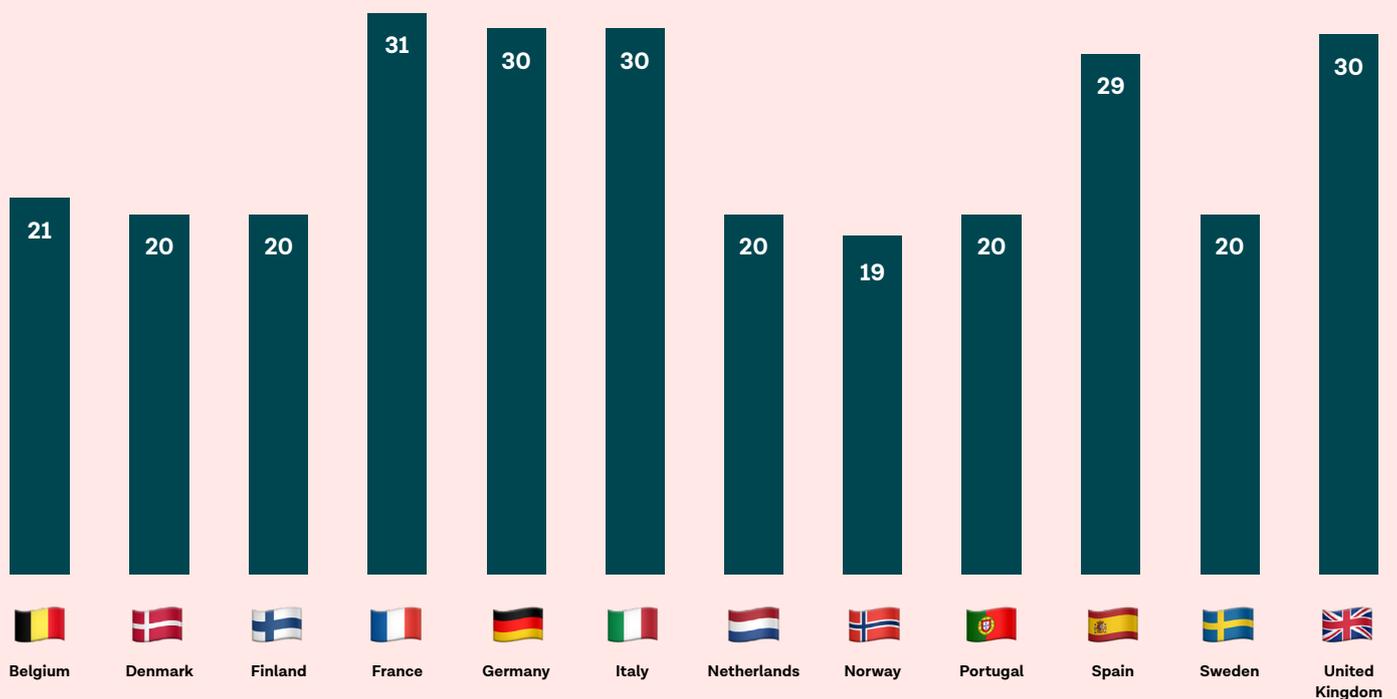
About this research

Tink enlisted the help of independent market research organisation YouGov to conduct a wide-ranging survey on the attitudes and opinions towards open banking in Europe.

All interviews were conducted by YouGov between January 28 and March 3, 2020, and included 290 prominent financial services executives spread across 12 countries.

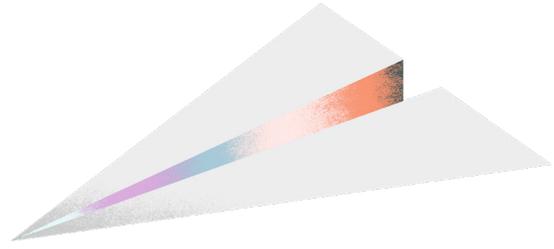
Sample size by country

Q. Where are you based in terms of daily operations?

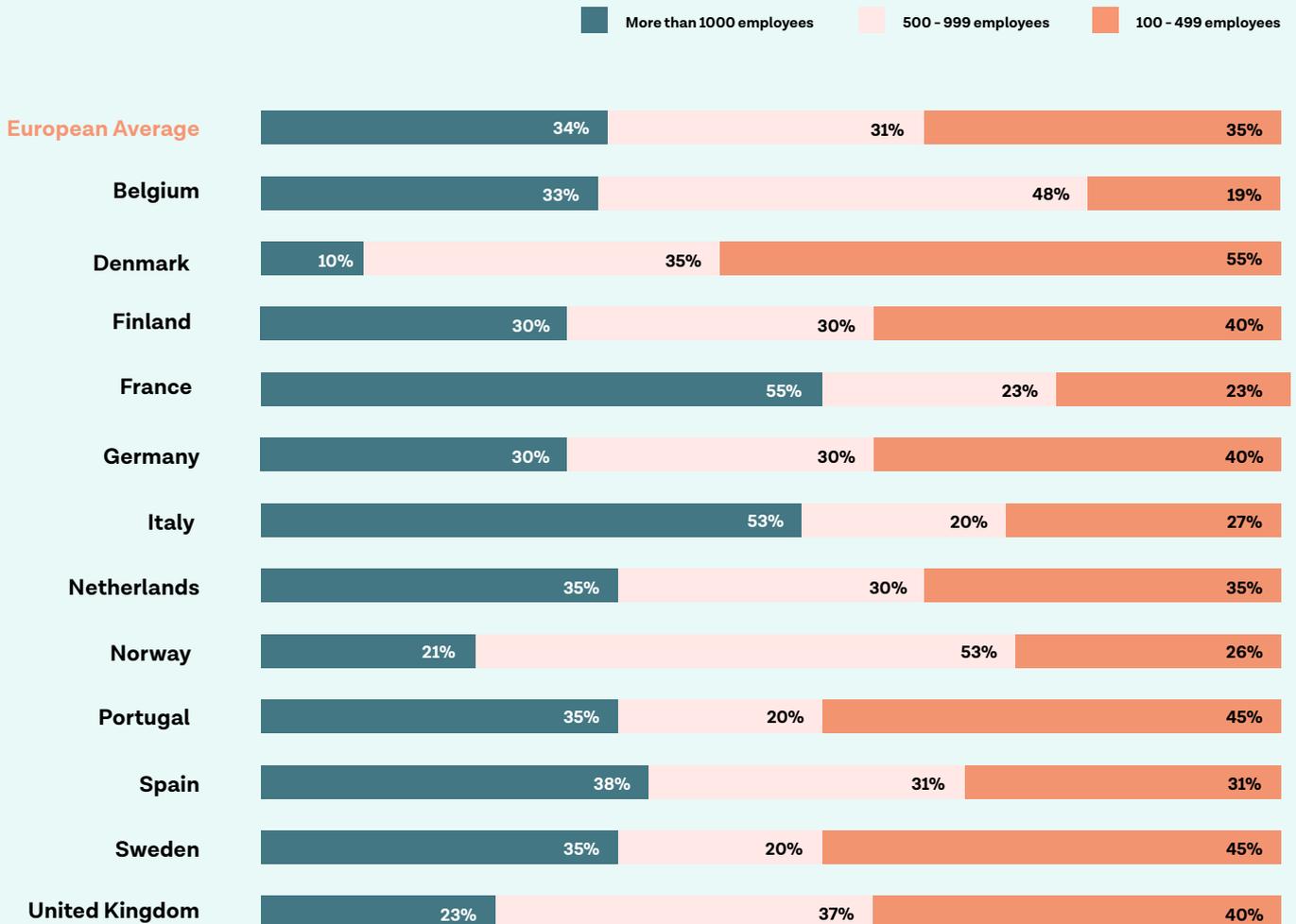


The participants answered questions through telephone interviews and an online questionnaire (in their local languages, to improve the validity of responses).

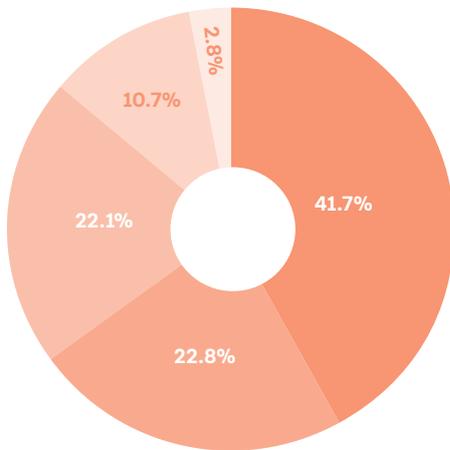
In order to be selected for the survey, participants needed to be i) senior decision-makers or influencers, ii) employed by a regulated financial institution, iii) have at least some knowledge of PSD2, and iv) insight into the open banking investment plans.



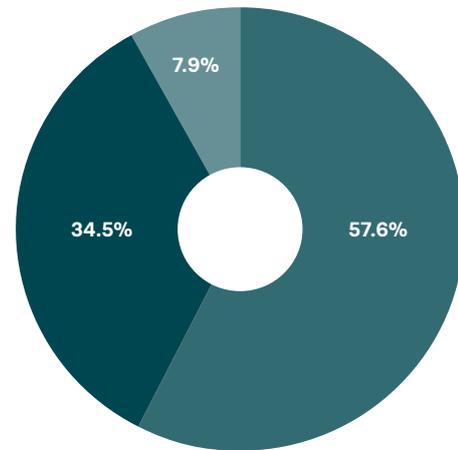
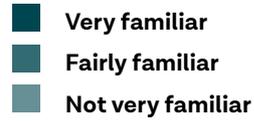
Size of organisation by country



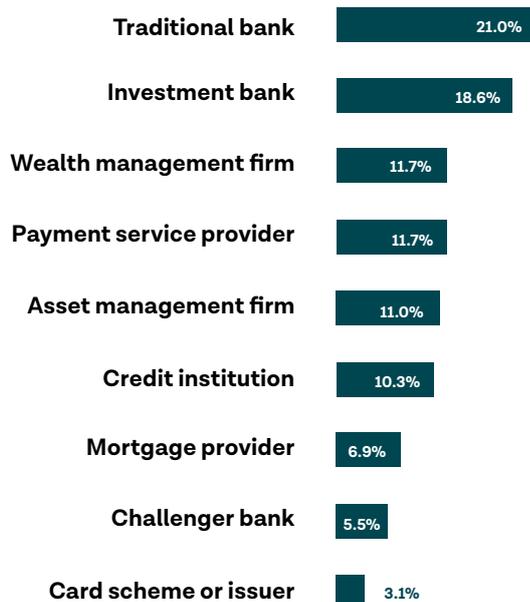
Respondent seniority



Respondent familiarity with PSD2



Type of financial institutions



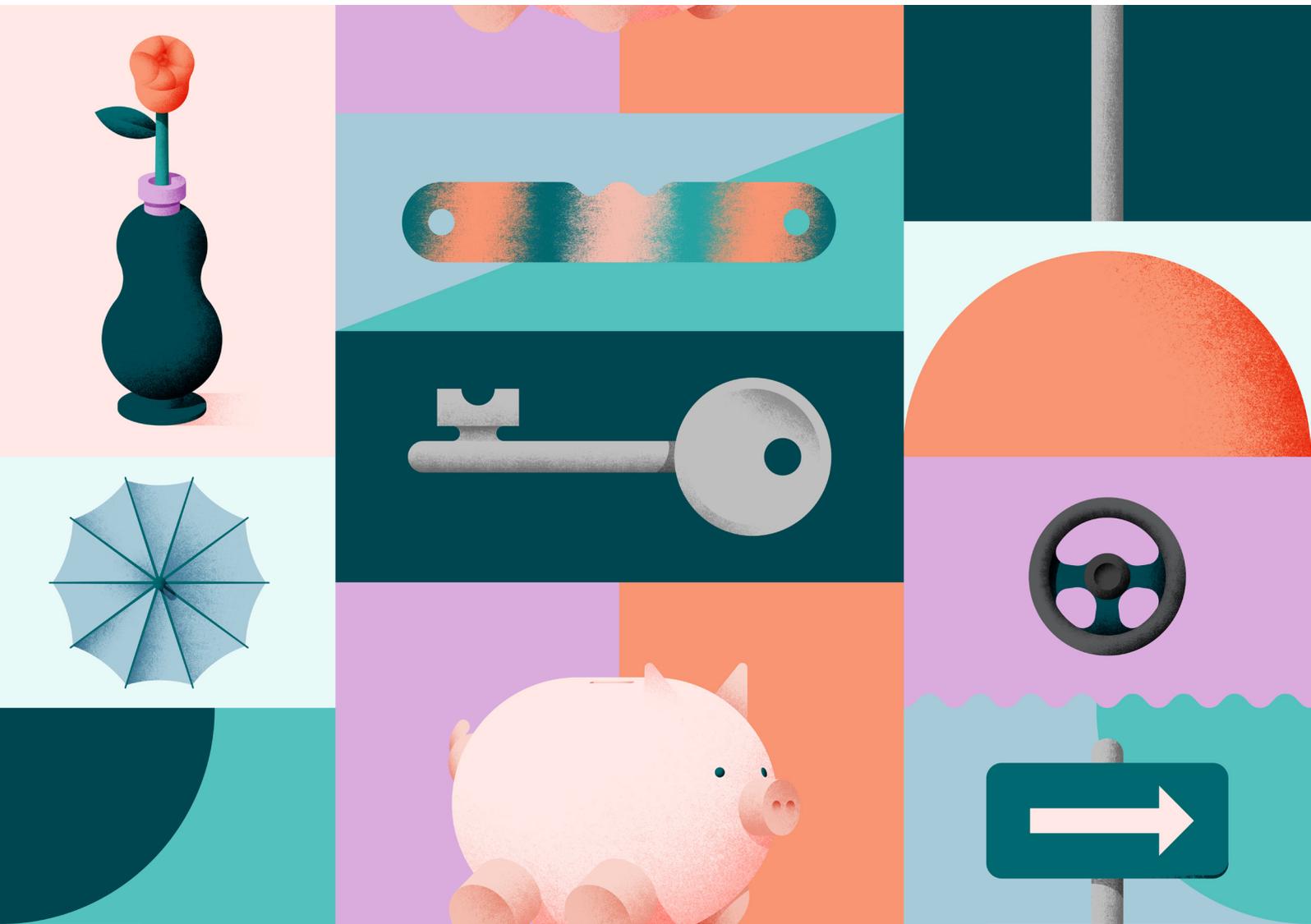
Respondent by department



About Tink

Europe's leading open banking platform, Tink helps banks, fintechs and startups develop better data-driven financial services – using one API. This lets them access aggregated financial data, initiate payments, enrich transactions and build personal finance management tools.

Tink connects to more than 3,400 banks, reaching over 250 million bank customers across Europe. Founded in 2012 in Stockholm, Tink's 365 employees serve 14 European markets out of 13 offices.





Let's talk about new opportunities

Not sure how you can best take advantage of open banking? We've seen a bit of everything working with banks, fintechs and startups – and so we have a good idea of how to best solve different challenges.

If you'd like to talk about how we can help with yours, reach out for a chat:

partnerships@tink.com