

MAKING OPEN BANKING A PLATFORM FOR INDUSTRY TRANSFORMATION

AN AUSTRALIAN PERSPECTIVE

Despite a lack of consumer awareness of, or engagement with, Australia's new data-sharing regime, our research points to a clear opportunity for banks to take advantage of their inherited level of trust and kickstart Open Banking-based innovation.



EXECUTIVE SUMMARY

An Accenture survey shows few Australians understand Open Banking or are comfortable sharing their financial data with third parties, despite the impending implementation of the new data-sharing regime.



Australian banks still enjoy an inherited level of trust from customers well above that granted by other organisations, meaning Open Banking is likely to drive data sharing between banks, rather than between banks and third parties.



This trust deficit will limit the introduction of Open Banking-based services by third parties in the near term, giving banks a window of time in which to develop innovative new services of their own.



These services should be seen as part of the transition to Banking as a Living Business, which is essential to targeting the emerging customer groups who will drive future growth.



Banks that move quickly to develop Open Banking-based services will enjoy first mover advantage in the disruption of the local banking landscape, and distinguish themselves from competitors.

DAWN OF A NEW DATA ERA?

Ready or not, Open Banking is arriving in Australia. By 1 July 2019,¹ the country's major banks will be forced to give their clients fuller ownership over their financial data.

This ownership means banks must be able to support customer requests to share their financial data with third parties. Part of the federal government's new **Consumer Data Right initiative**,² Open Banking is expected to bring banking customers more choice, convenience and confidence by facilitating the development of new services.

So far, so good—but our survey of more than 2,000 Australian consumers shows it is likely to be an uphill battle for banks, as well as third parties like technology providers, fintechs and other major corporates, to capture the business opportunities Open Banking will create.



THE RELUCTANT CONSUMER

Although the new regime is less than 12 months away, the survey found 83% of consumers are not aware of or unsure about the introduction of Open Banking and relevant legislation.

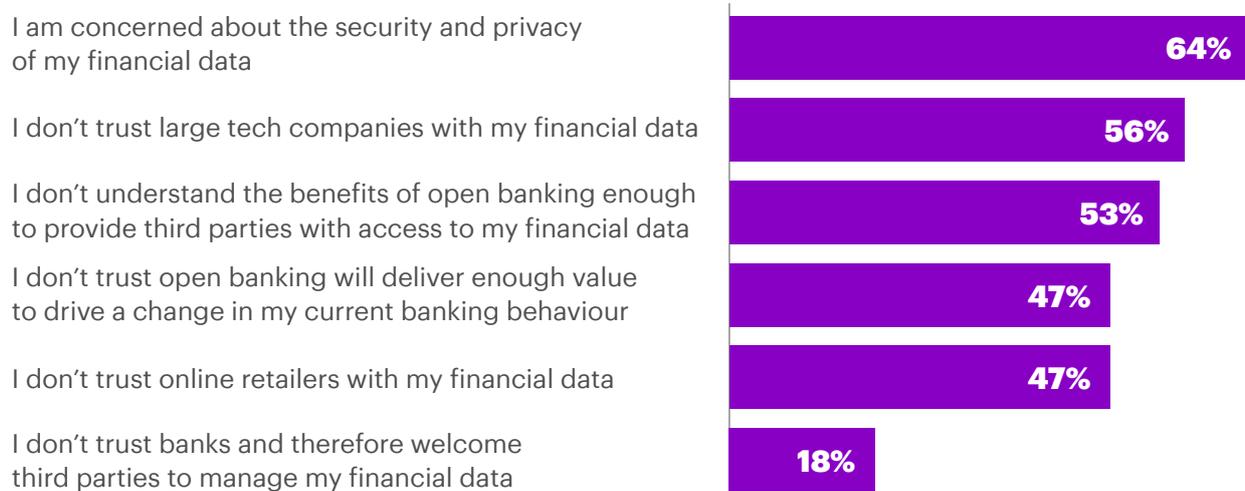
The poll also indicated consumers are not entirely ready to embrace Open Banking as a concept. Their main concerns include the security and privacy of their financial data (64%); a lack of trust in large tech companies when it comes to that data (56%); and a lack of understanding of the benefits (53%) (see Figure 1).

Adding to the challenge for Australian banks, the recent hearings by a royal commission into misconduct in the sector seem to be impacting consumer perceptions. A substantial majority (68%) of survey respondents said they were concerned with how banks were managing their money and financial data in light of the commission's establishment.

The danger is that this lack of trust and understanding around the Open Banking regime prevents it from being used to its full potential, turning it into just another regulatory obligation rather than a potential platform for innovation.

Yet this should not be an excuse for banks to put their Open Banking strategies on hold. Despite the challenges, Open Banking is an uphill battle that's worth fighting. We believe the survey also highlights trends that should encourage banks to take the plunge and develop Open Banking-based services, in order to stay competitive and relevant to their customers in a time of transformation.

Figure 1: What would your main concerns be with Open Banking?



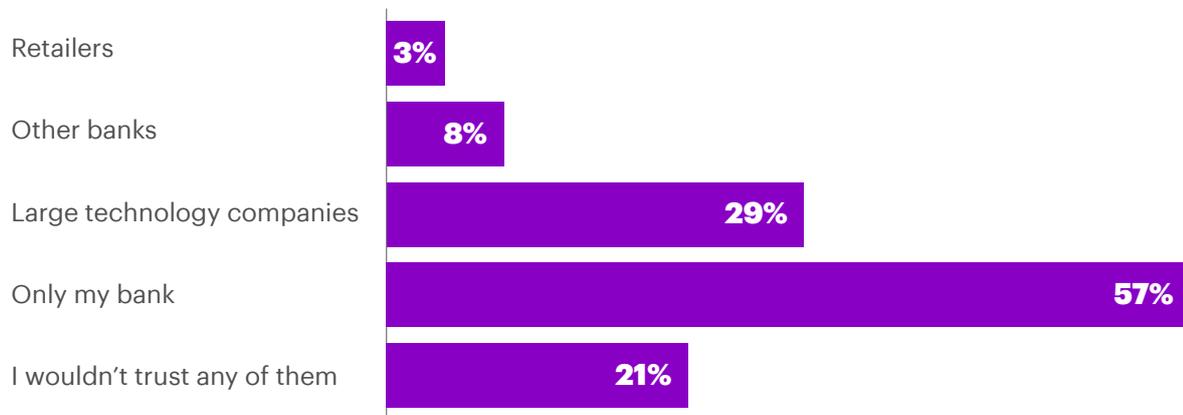
BANKS' TRUST ADVANTAGE

Australians may not love their banks, but the survey makes it clear they still trust their banks far more than most other institutions when it comes to their information.

A clear majority (57%) of respondents would trust their own bank with access to their financial data when Open Banking is implemented. This is significantly higher than levels of trust in third parties, including large technology companies (29%), other banks (8%) and retailers (3%) (see Figure 2).

The relatively high levels of trust in banks means they are in a prime position to drive and educate the market on Open Banking services, and to build on existing connections with customers, before third parties have a chance to catch up.

Figure 2: When Open Banking is implemented, which providers will you trust to have access to your financial data?



WHERE THE DATA WILL GO

Given the imminent possibility of increased access to customers' financial information, many non-bank organisations are looking to build new services based on that data.

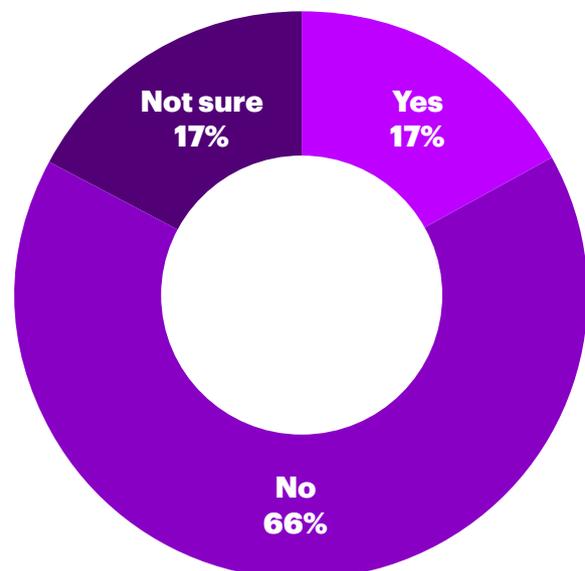
Apart from large technology and fintech companies, established firms with a large customer base and solid technology capabilities in industries such as telecoms and airlines are also likely to take advantage of the initiative.

These companies may be able to develop new solutions or enhance existing ones, such as loyalty programmes or payment options, based on access to customers' spending habits and saving profiles. Adoption of these services however will rely on a few factors, including customer understanding; the willingness of customers to part with their data; and the absence of security issues and breaches.

Our survey shows most consumers (66%) are not willing to share their banking data with non-bank third parties, even if it means they may be entitled to better deals or other benefits (like the ability to call up an account balance while shopping) as a result (see Figure 3). This finding is in line with a [similar survey](#)³ Accenture conducted last year of consumers in the UK, suggesting it is a challenge shared across the world.

Customers' financial data is therefore likely to remain within the banking sector, at least in the early stages of Open Banking. Without the levels of trust banks enjoy, the ability for any non-banking third parties to grow, scale and compete through their offerings will be limited.

Figure 3: Would you be willing to share banking data with non-banking third parties, if it meant you'd get better deals or other benefits?



AN OPEN DOOR TO DISRUPTION

Since Australians still don't understand Open Banking and are prepared to guard their financial data closely, there's unlikely to be a mad rush to develop or adopt Open Banking-based services next year, particularly outside the banking sector.

What is likely to change is the amount of data being shared among banks, especially as most Australians are customers of multiple institutions. By making banking data more 'portable,' the Open Banking initiative is expected to launch primarily as a platform for inter-bank competition—that is, an opportunity for banks to disrupt other banks by leveraging previously exclusive customer insights.

We are already seeing disruption of this kind in the European banking sector. One good example is ING's **Yolt**⁴ platform. Taking advantage of the Open Banking initiative in the UK, Yolt gives its subscribers an aggregated overview of their accounts from different banks. The Dutch bank did not have a strong presence in the UK, but since launching

Yolt **last June**⁵, the platform has reached more than **250,000 users**⁶. The service has also recently **expanded to Italy and France**⁷.

Following ING's success, HSBC UK also launched a similar app called **Connected Money**⁸ in **May**⁹. It allows user to view account details from up to 21 different banks.

Another example is Idea Bank in Poland. Targeting SME owners, the bank launched a **platform**¹⁰ that integrates data from different banks with other corporate information. Within this single dashboard, SME owners can manage transactions like payments and billing, as well as budgeting and cash flow management. The tool has received a warm response from customers and has been feted with various **awards**¹¹.

Taking advantage of the Open Banking initiative in the UK, Yolt gives its subscribers an aggregated overview of their accounts from different banks.

USING OPEN BANKING TO BUILD A LIVING BUSINESS

These are examples not only of Open Banking services, but also the transformation of banking into a Living Business, which is all about demonstrating vitality and hyper-relevance to the customer by providing services that are intelligently tailored, engaging and consistent.

Australian banks need to embark on this shift to meet the aspirations of the Nomad—a new category of customer demanding banking services that are personalised and directly relevant to their needs (see Figure 4).

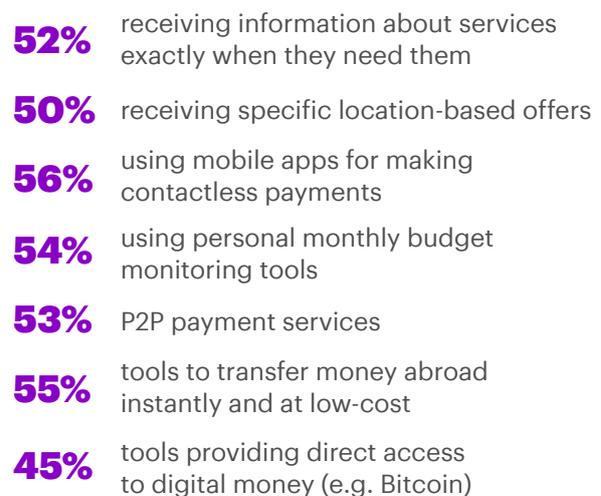
Accenture research¹² shows Nomads make up to 30% of Australian banking customers and control up to AU\$2 trillion of liquid assets. But they are also the least well-served, satisfied or understood customer group.

The Nomads are much more open to digital channels than other consumers, and more demanding of convenience. They are also used to getting information and services ‘in the moment,’ wherever and whenever they want, in a convenient and user-friendly way.

These are characteristics that are largely missing from existing banking services. Open Banking-based services like aggregated account overviews are a perfect answer to Nomads’ demands. Through aggregating customers’ personalised banking data, traditional banks will be in the best position to provide hyper-relevant services, whether the customer is planning a vacation, getting a new car or buying their first home.

Fintech providers are also eyeing the greater availability of banking data next year to offer more tailored financial services, with some already moving to fill the gap by offering cherry-picked services in areas like payments, mortgage and money management. While as we have shown, Australian banks enjoy a trust advantage and therefore a head start, they need to act now to build hyper-relevant services of their own, or risk ceding ground to competitors.

Figure 4: "Nomad" survey respondents interested in...



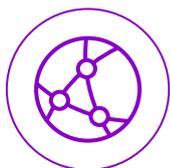
Source: Australian Banking Consumer Survey, 2017 (p.3)

LAYING THE FOUNDATIONS

By next July, the first phase of the Open Banking initiative, customers will be allowed to start sharing data on their credit and debit card, deposit and transaction accounts.

Data from mortgages tax accounts, foreign currency and pension deeming accounts is expected to be freed up through mid-2020.

To prepare for the upcoming deadlines, banks are planning and making decisions along three layers:



1. Meeting regulatory requirements to enable their customers to share relevant data as requested;



2. Protecting and defending their existing franchises and market segments with new capabilities;



3. Taking on new competitors and capturing business opportunities with disruptive services.

This has led to a mix of approaches among Australian banks. Some are focused almost exclusively on compliance, while others are looking to guard market share by racing to develop new digital offerings.

In our view to better lay the groundwork and encourage consumers to share their data, banks should do more to educate

customers on the opportunities around Open Banking, and address concerns about privacy and security by enhancing their cybersecurity regimes.

The survey shows this can be done in multiple ways. Implementing additional access measures, like authentication passwords (49%); and regular review of third parties' access permissions with the right for consumers to alter those permissions (44%) are the top steps identified by consumers (see Figure 5).

Given the clear roadmap to Open Banking data, we believe banks should start planning innovative services based on their targeted markets and business priorities immediately. The development of any new offering requires time and is best approached through a defined process with a few major milestones leading up to a formal launch into the market. These include:

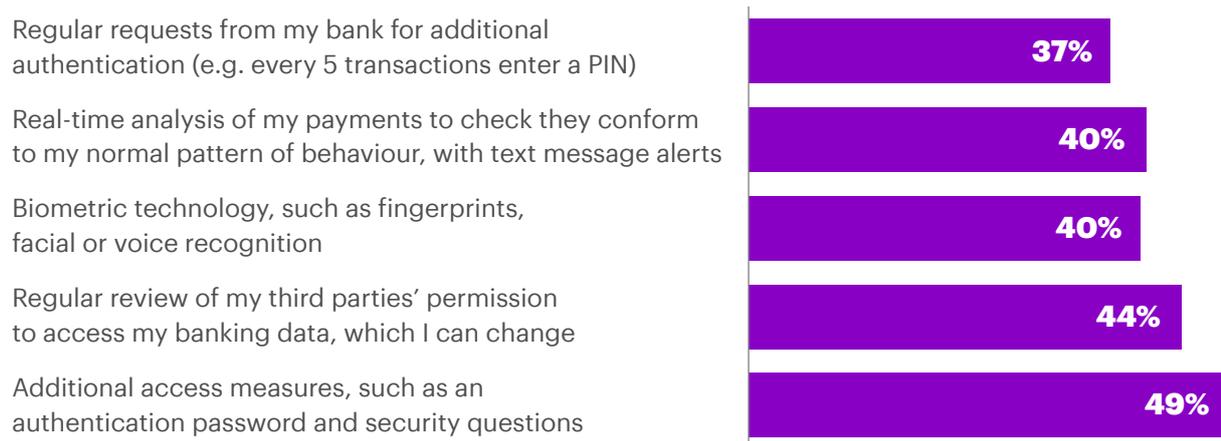
- Researching and understanding customer needs in the target market
- Identifying and prioritising various new services that directly address these needs
- Choosing the most promising services and building prototypes

- Reviewing and enhancing prototypes with additional security or functionality
- Testing processes and market acceptance
- Preparing for glitches and errors that may require re-development

While this process will entail resources and risks, we believe sitting on the sidelines or adopting a ‘wait and see’ approach would be even more detrimental. The sooner banks devise relevant new services, the better positioned they will be to capture and retain the increasingly important Nomad customer base, and lock in advantage over competitors, whether fellow banks, fintechs or firms in other industries.

It’s also worth noting that in addition to threats, Open Banking will create opportunities for first movers to develop alliances or solutions with fintechs or outside companies that could effectively extend their offerings, and cultivate new customer bases and business lines. In short, fortune will favour the banks that move beyond simply complying with the letter of the law, to use Open Banking as a catalyst for innovation and change.

Figure 5: What would help address your security and privacy concerns?



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