

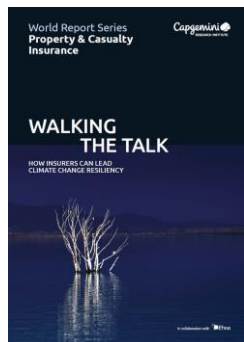
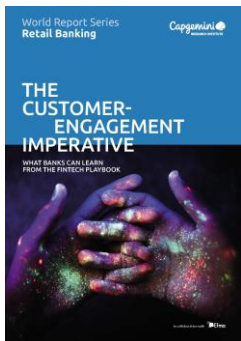
RETAIL BANKING TOP TRENDS 2023



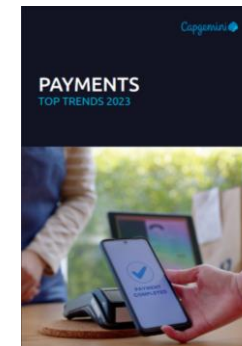


CAPGEMINI RESEARCH INSTITUTE FOR FINANCIAL SERVICES DELIVERS A BROAD RANGE OF SECTOR-SPECIFIC WORLD REPORTS AND TRENDS BOOKS

World Reports



Trends Books



Executive Interviews/Surveys	Voice of Consumer
950+	23,500



TREND 10 TRENDS IN BANKING BY SUB-DOMAINS

Changes in industry dynamics

Creating and enabling new values

Customer Centricity

Business resilience

New horizons

WEALTH MANAGEMENT



ESG regulatory standards aim to curb corporate investment greenwashing



Demand for outsourced chief investment officer services is on the rise



Investor appetite for digital assets drives wealth industry capabilities beyond cryptocurrencies



Amid volatility, investors seek new portfolio strategies, such as direct indexing



Wealth management firms refocus on the mass-affluent segment



Women increasingly control more wealth, yet many firms falter at winning their mindshare and share of wallet



Evaluating cybersecurity for future readiness



A digitalized core can bridge the gap between relationship managers' expectations and WM firms' automation capabilities



The wealth management industry is consolidating to achieve scale



Family offices showcase bespoke services while facing regulatory dynamics

RETAIL BANKING



Smart branches feature experiential banking and convenience to spark customer connection



Incumbents scout for mature FinTechs to complement capabilities, boost bank profitability



More banks commit to driving circular economy sustainability



Banks step-up and own customer experience with embedded finance



Financial wellness advice can help customers navigate the cost-of-living challenges



CMOs leverage actionable data insights to guide customer-centricity



Digital identity to unlock efficiency gains for banks



Banks unlock value at scale by migrating workload to the cloud



A boom in synthetic data will catalyze data ecosystem growth



As banks explore decentralized finance, they remain cautious

PAYMENTS



Composable architecture creates competitive advantage efficiencies



Real-time cross-border payment rails will boost the speed and volume of regional trade



An end-to-end ecosystem approach simplifies payment hub modernization



Global adoption of ISO 20022 opens doors to data monetization



Central banks gear up to pilot and implement CBDCs



B2B Buy-Now-Pay-Later (BNPL) picks up momentum amid post-pandemic Macroeconomics



Embedded finance providers leverage customer data and actionable insights to unlock new use cases



PayTech innovation and ecosystem partnerships focus on revamping SMB payments



Tokenization – a multi-pronged approach for scalable and secure card payments infrastructure

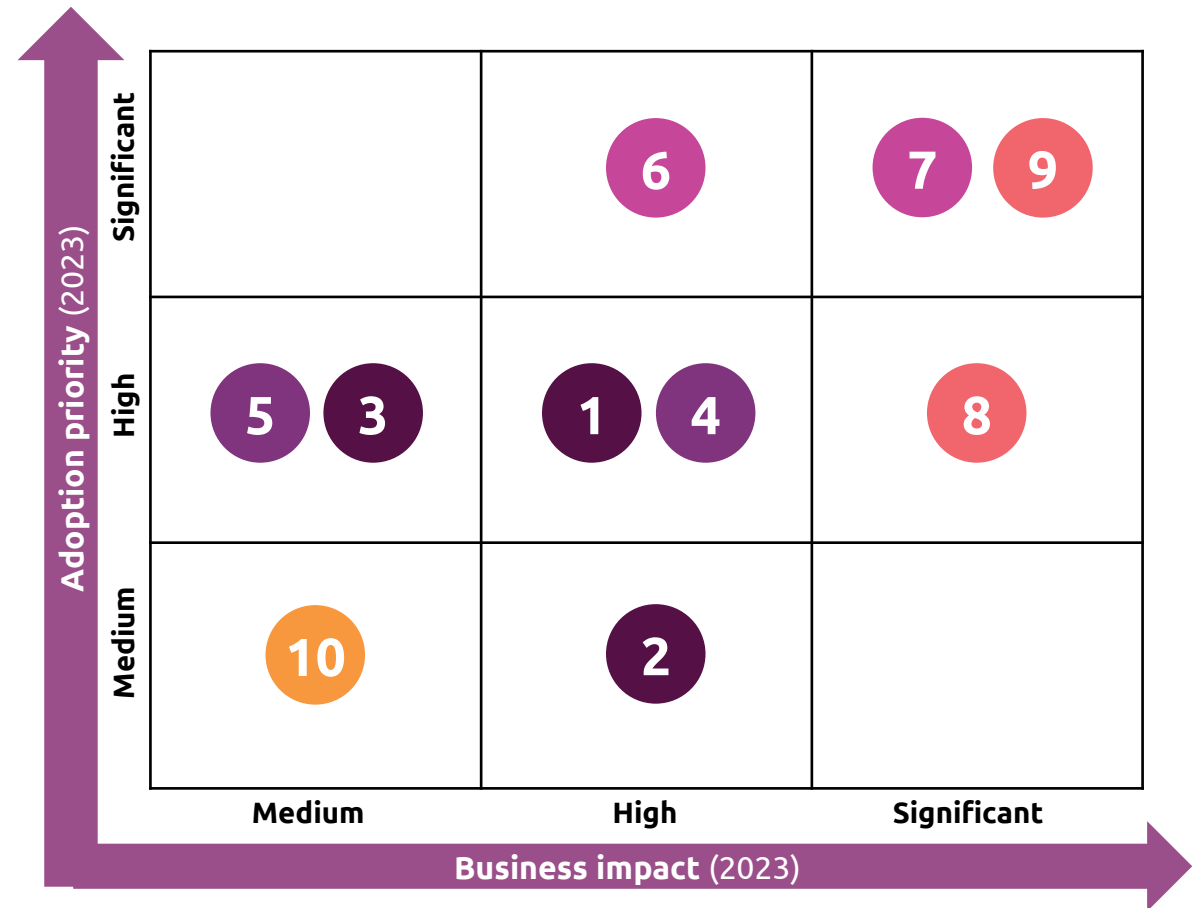


Eco-friendly cards, digital payments, and cloud-based payments hubs will boost sustainability



TOP RETAIL BANKING TRENDS 2023 – PRIORITY MATRIX

Trend #	
Changes in industry dynamics	
1	Smart branches feature experiential banking and convenience to spark customer connection
2	Incumbents scout for mature FinTechs to complement capabilities, boost bank profitability
3	More banks commit to driving circular economy sustainability
Creating and enabling new values	
4	Banks step up and own customer experience with embedded finance
5	Financial wellness advice can help customers navigate the cost-of-living challenges
Customer centricity	
6	CMOs leverage actionable data insights to guide customer centricity
7	Digital identity to unlock efficiency gains for banks
Business resilience	
8	Banks unlock value at scale by migrating workload to the cloud
9	A boom in synthetic data will catalyze data ecosystem growth
New horizons	
10	As banks explore decentralized finance, they remain cautious



Source: Capgemini Research Institute for Financial Services, 2023.

The matrix above presents Capgemini’s view of 2023 trend prioritization in an operating environment that includes:

- Rising inflation and interest rates coupled with slowing growth
- Operational disruption due to geopolitical instability
- Dynamic regulation and compliance mandates
- High customer adoption of digital payments
- Increasing digital transformation initiatives of FIs
- Brisk competition and increased focus on customer centricity to hedge against advances from new-age players

▪ **Adoption priority** refers to the urgency of adopting a 2023 trend to maximize value creation because of its sector importance.

▪ **Business impact** represents a trend’s 2023 effect on the payments industry regarding customer experience (CX), operational excellence, regulatory compliance, or profitability.

Circumstances will vary for each firm depending on its business priorities, geographical location, and several other factors. For more information, don’t hesitate to contact us at banking@capgemini.com.

FROM 2022 TO 2023 WHAT CHANGED AND WHAT NOT?



TRENDS 2023	
1	Smart branches feature experiential banking and convenience to spark customer connection
2	Incumbents scout for mature FinTechs to complement capabilities, boost bank profitability
3	More banks commit to driving circular economy sustainability
4	Banks step up and own customer experience with embedded finance
5	Financial wellness advice can help customers navigate the cost-of-living challenges
6	CMOs leverage actionable data insights to guide customer centricity
7	Digital identity to unlock efficiency gains for banks
8	Banks unlock value at scale by migrating workload to the cloud
9	boom in synthetic data will catalyze data ecosystem growth
10	As banks explore decentralized finance, they remain cautious

TRENDS 2022	
1	The blurring lines between Super FinTechs and banks
2	Banks double down on cost transformation to improve financial health
3	Banking-as-a-Service can unlock latent market potential
4	Banking on the cloud to unlock new value frontiers
5	The power behind experiential Banking 4.X era: emerging data ecosystems
6	Frontrunners will build digital-only subsidiaries to remain relevant and resilient in the FinTech era
7	Cybersecurity is becoming a competitive differentiator for banks
8	Banks to step up their transition to become planet-centric enterprises
9	5G projects and exploration to pick up speed
10	DeFi-ning the next banking evolution

New trends

- Customers want a seamless, omnichannel experiential journey. Smart branches and CMOs play a pivotal role in enabling this
- Leading banks will develop capabilities to expand services and come closer to customers. Providing financial wellness services and acquiring FinTechs are an easy way to do so

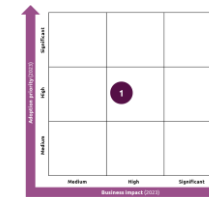
Trends evolution

- Embedded finance and a sustainable business model are critical to retain and expand customers' mindshare and share of wallet
- Banks remain cautiously interested in DeFi and are accelerate data migration to cloud

Deprioritized trends

- 5G and digital-only subsidiaries may not be among top priorities of banks as banks look to navigate the ambiguous environment
- Most banks had initiated their cost-transformation and cybersecurity projects and are continuing with them. New initiatives were less frequent

SMART BRANCHES FEATURE EXPERIENTIAL BANKING AND CONVENIENCE TO SPARK CUSTOMER CONNECTION



Five Cs of a superior smart branch experience

Connected

Synchronization across digital channels with an emphasis on financial inclusion.

Convenient

Customer-focused. Personal bankers are augmented with technologies such as self-service kiosks and AI assistants.

Content

Seamless delivery of value-added services, such as advisory and investment planning and quick access to financial knowledge.

Concierge

Offer products and services beyond banking by leveraging ecosystem partners.

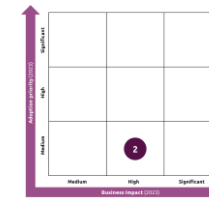
Captivate

Engage customers with events such as yoga sessions, concerts, motivational talks, etc. to build strong personal relationships.

Source: Capgemini Research Institute for Financial Services, 2023.

By generating opportunities for cross-selling, upselling, and cultivating a tech-savvy customer base such as Gen X, millennials, and Gen Z smart branches have immense potential to improve customer lifetime value.

INCUMBENTS SCOUT FOR MATURE FINTECHS TO COMPLEMENT CAPABILITIES, BOOST BANK PROFITABILITY



Banks contribute to a small but significant percentage of overall FinTech acquisitions



Connected

Incumbents provide the underlying infrastructure for new players



Compete

Agile, digital-first newcomers are taking a bite out of incumbent banks' share of wallet



Invest

Traditional banks invest in mature FinTechs to penetrate new segments and gain tech competencies

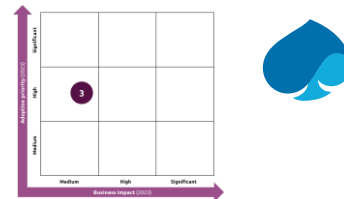


Acquire

FinTech acquisitions help banks add digital capabilities immediately

Source: Capgemini Research Institute for Financial Services, 2023.

FinTechs with a robust customer base and niche market position are potential acquisition targets because they can help incumbents build new value propositions, develop cross-sell opportunities, and provide active new customers.



Three ways banks can assess climate impact

For many banks, mounting pressure from customers, shareholders, climate activists, and regulators drives climate initiatives. As a result, numerous financial institutions have committed to green initiatives to control their business process carbon footprints



STEP 1

Green business practices

- Granting environmentally friendly mortgages and vehicle loans
- Promote energy-efficient lifestyles by educating and influencing customers



STEP 2

Green processes

- Initiatives to reduce greenhouse gas emissions, energy, and paper consumption



STEP 3

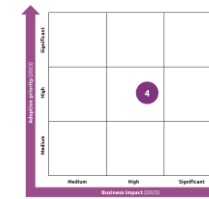
Sustainable digital finance

- Adopt cloud computing and emerging technologies to support sustainable digital finance

Source: Capgemini Research Institute for Financial Services, 2023.

In response to rising green consumerism, banks will work to maintain their market reputation in 2023 and beyond by sponsoring and building effective ESG strategies.

BANKS STEP UP AND OWN CUSTOMER EXPERIENCE WITH EMBEDDED FINANCE



Incumbent banks struggle with legacy systems and data silos, forcing them to rely on third-party platforms



38% of banks have an in-house (owned) BaaS platform



28% of banks leverage a third-party BaaS platform



16% of banks have a BaaS platform under development



9% of banks have a BaaS platform strategy ready



10% of banks have no BaaS adoption plan

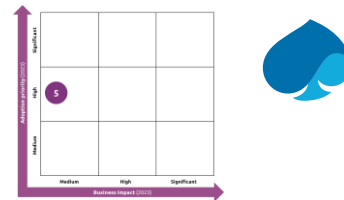
Rising cloud maturity and improving data capabilities are helping banks steadily build in-house platform capabilities.

Moreover, Building in-house BaaS capabilities will help banks embed financial services in customers' life journeys, including mobility, home purchases, small business ecosystems, and more

Source: Capgemini Research Institute for Financial Services, 2023.

By owning a BaaS platform, banks can directly connect with end clients – leading to faster and higher revenue recognition and more cross-industry data access.

FINANCIAL WELLNESS ADVICE CAN HELP CUSTOMERS NAVIGATE COST-OF-LIVING CHALLENGES



Banks can play a critical advisory role in financial wellness



Leverage Data

- Use customer transactional data to segment and contextualize



Generate Insights

- Analyze spending patterns
- Hedge against insufficient balances
- Flag unexpected payments



Offer Advice

- Find the right loan
- Use credit cards wisely
- Plan a budget
- Increase savings
- Improve spending habits



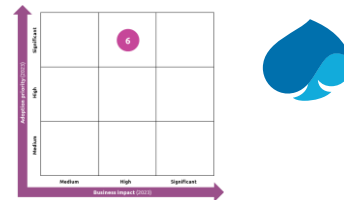
Take Action

- Tailor budgeting and money management tools
- Create investment awareness
- Automate savings
- Support financial goals for major life events
- Offer hyper-personalized products and services
- Set up payment alerts

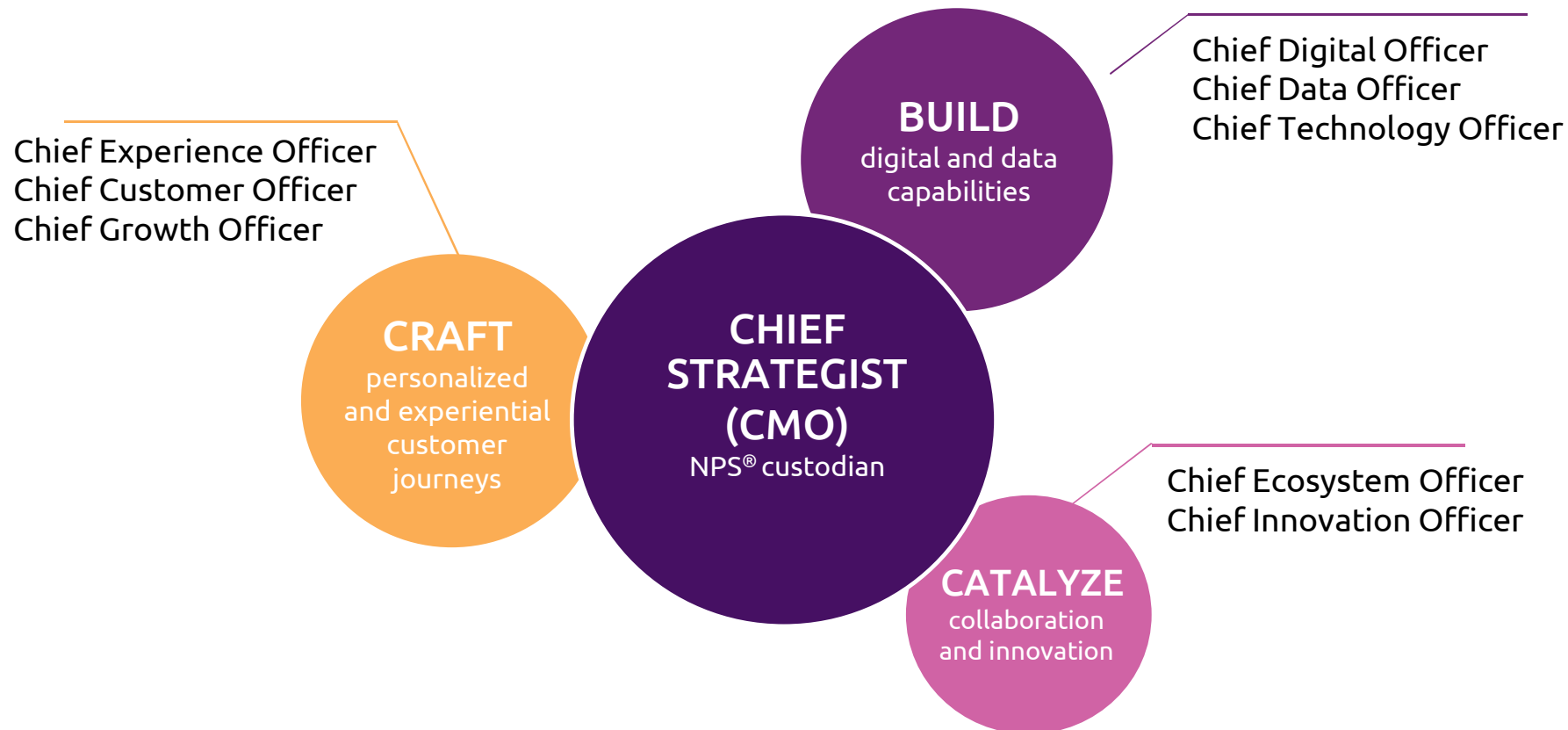
Source: Capgemini Research Institute for Financial Services, 2023.

Firms that personalize customer journeys to focus on monetary well-being will cultivate meaningful engagements, spark cross-sell and up-sell opportunities, and reduce customer churn.

CMOS LEVERAGE ACTIONABLE DATA INSIGHTS TO GUIDE CUSTOMER CENTRICITY

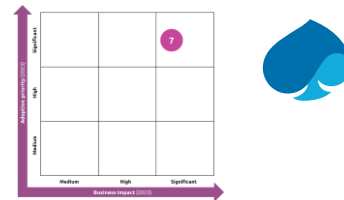


Bank's CMO role emerges as ecosystem orchestrator



Source: Capgemini Research Institute for Financial Services, 2023.

As banks beef up data strategies in 2023, customer data volume and velocity will increase exponentially. The CMO persona will be pivotal to leveraging this data through artificial intelligence and analytics tools



Emphasis will shift to a digital ID framework with strong governance

1

Standalone private governance

- Every private party governs own infrastructure
- No common agreements and little interoperability

Evrotrust
Mastercard in North Macedonia

2

Private collaborative governance

- Market-driven collaboration where private parties govern together
- Little government involvement

iDIN operated by Dutch banks

Bank-driven digital ID models with government incentives or collaboration to boost traction

3

Government-incentivized private governance

- Market-driven collaboration where private parties participate together
- Government creates guiding principles

BankID in Sweden

4

Public/private governance

- Interoperability between public-private services is often a central theme

FranceConnect is a French government authorized system

5

Government-mandated governance

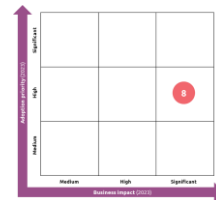
- Public body mandated to set governance
- Governance is enforced and based on a regulatory framework

Aadhaar in India and SingPass in Singapore

Source: Capgemini Research Institute for Financial Services, 2023.

Digital ID is proving to be critical to building trust in digital infrastructures to enable interoperable and seamless data exchange.

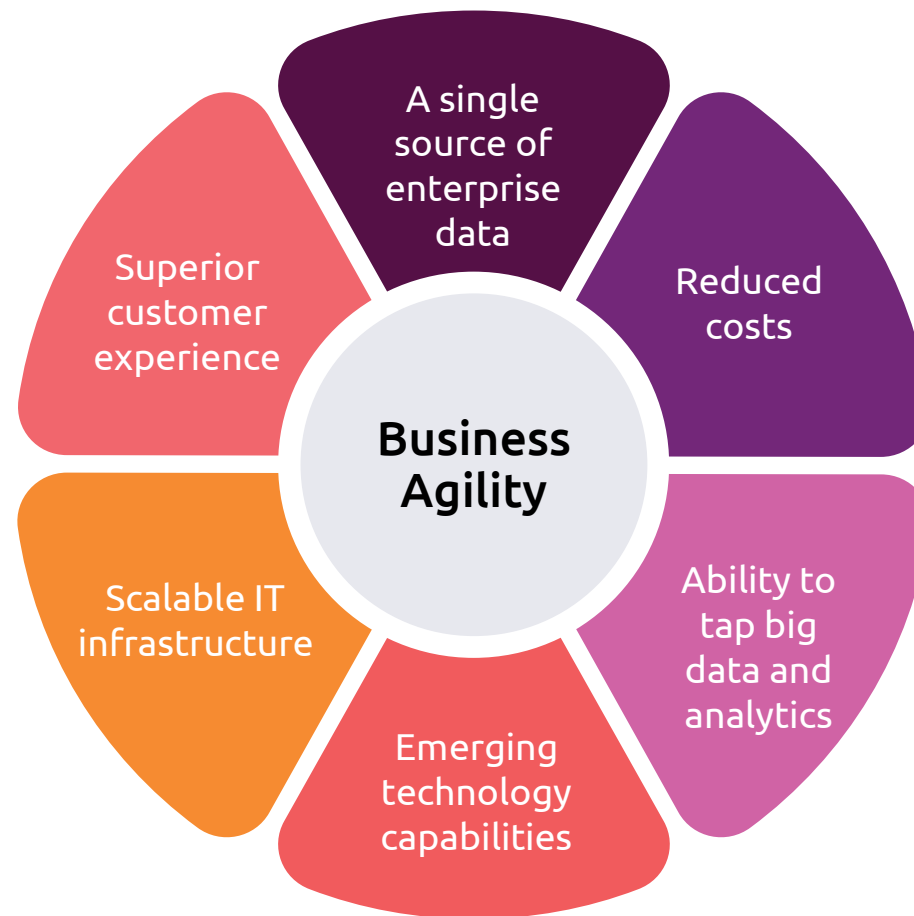
BANKS UNLOCK VALUE AT SCALE BY MIGRATING WORKLOADS TO THE CLOUD



Cloud migration offers banks high-impact agility benefits

The cloud significantly improves processing rates within high-volume operations like payments and data reconciliations.

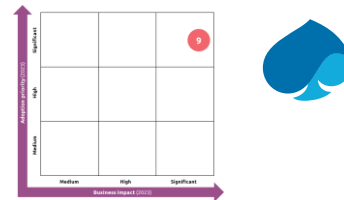
In addition, it offers faster turnaround time for new customer onboarding and reduced time to market for new products, which saves cost by optimizing cycle time and boosts existing business revenues



Source: Capgemini Research Institute for Financial Services, 2023.

The cloud offers banks opportunities to redirect cost savings to profits from existing and innovative value propositions.

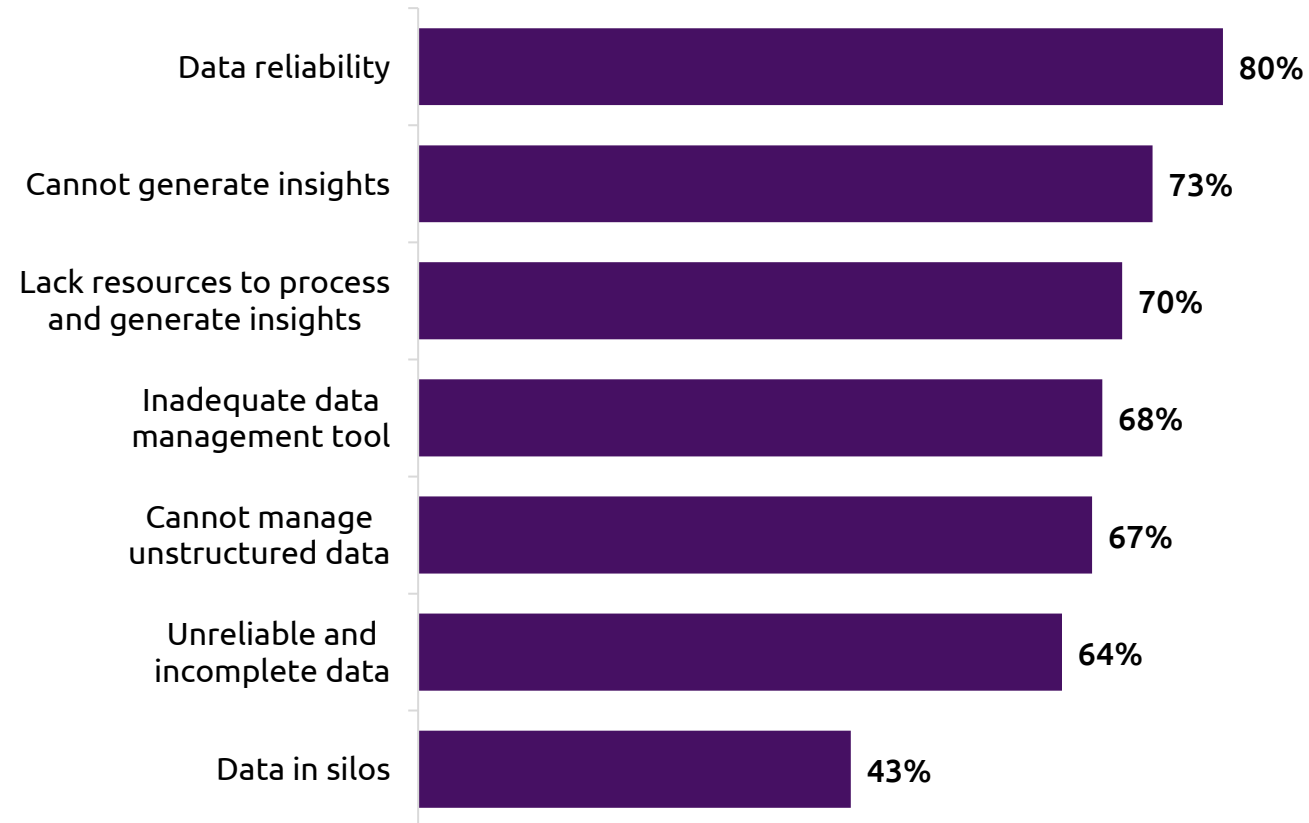
A BOOM IN SYNTHETIC DATA WILL CATALYZE DATA ECOSYSTEM GROWTH



Banks experiencing data quality and usage a significant challenge

- Regulations restrict how banks can collect, use, and share data.
- Synthetic data is an alternative to real world data that is artificially generated to precise specifications.
- Artificial intelligence can generate synthetic datasets without breaching privacy regulations and data security.

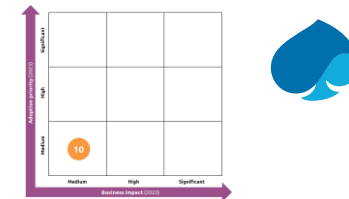
Executives' view of challenges with data management (%)



Source: Capgemini Research Institute for Financial Services, 2023.

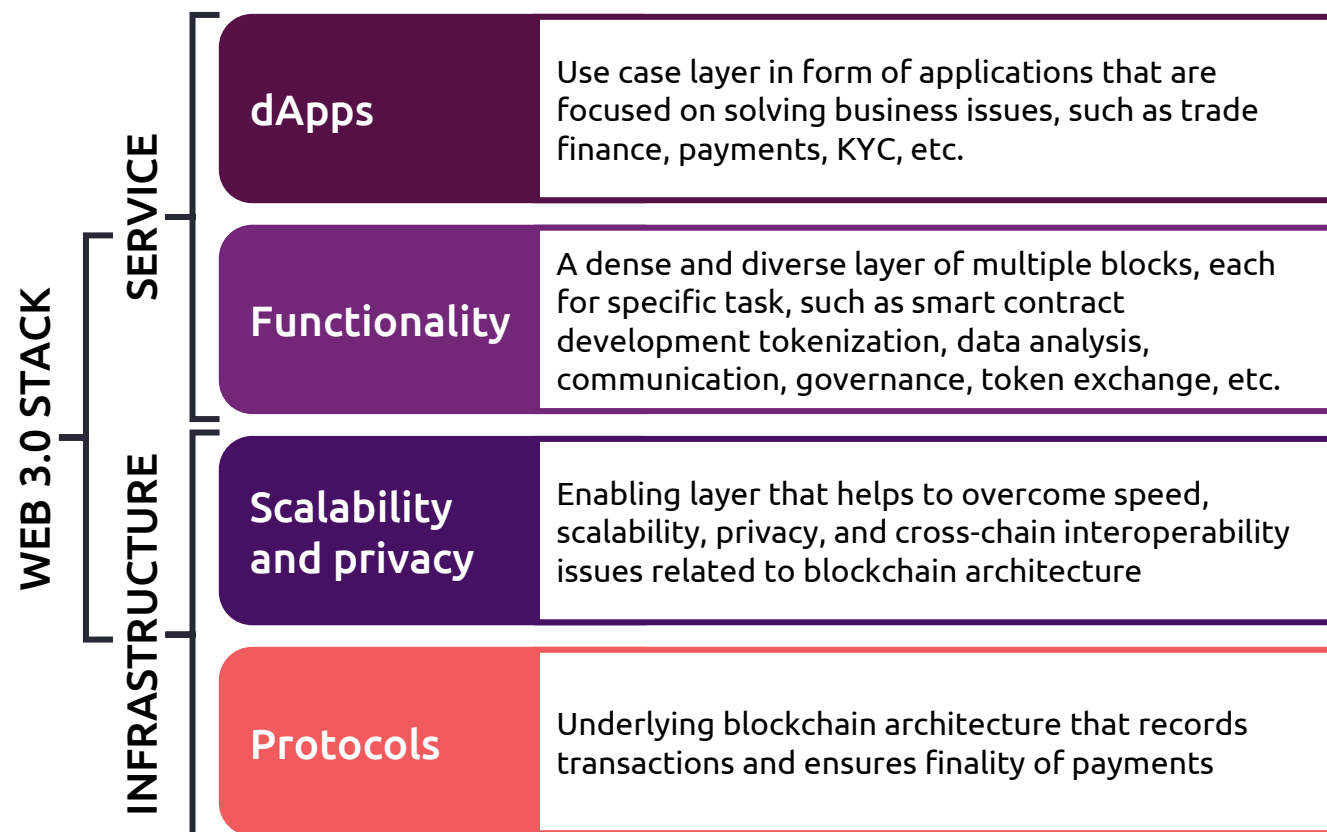
Data is critical to identifying target customers, personalizing their experience, and nurturing customer relationships. However, banks wrestle with data quality, structure, availability, etc., to unlock their full potential.

AS BANKS EXPLORE DECENTRALIZED FINANCE, THEY REMAIN CAUTIOUS



FS firms are increasing investments in DeFi infrastructure and functionalities

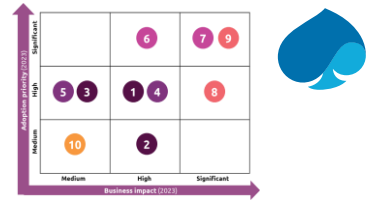
- Banks are strategically considering DeFi use-case pilots, yet sector instability and 2022 losses cast long shadows
- While volatility might inhibit growth, institutional DeFi is expected attract capital on account of regulatory clarity.
- Increased decentralized infrastructure & service readiness has led to steady growth of institutional DeFi



Source: Capgemini Research Institute for Financial Services, 2023.

Before banks can integrate smoothly within the DeFi ecosystem, they will need institutional DeFi solutions to tackle persistent and inherent risks.

TOP RETAIL BANKING TRENDS 2023 – PRIORITY MATRIX



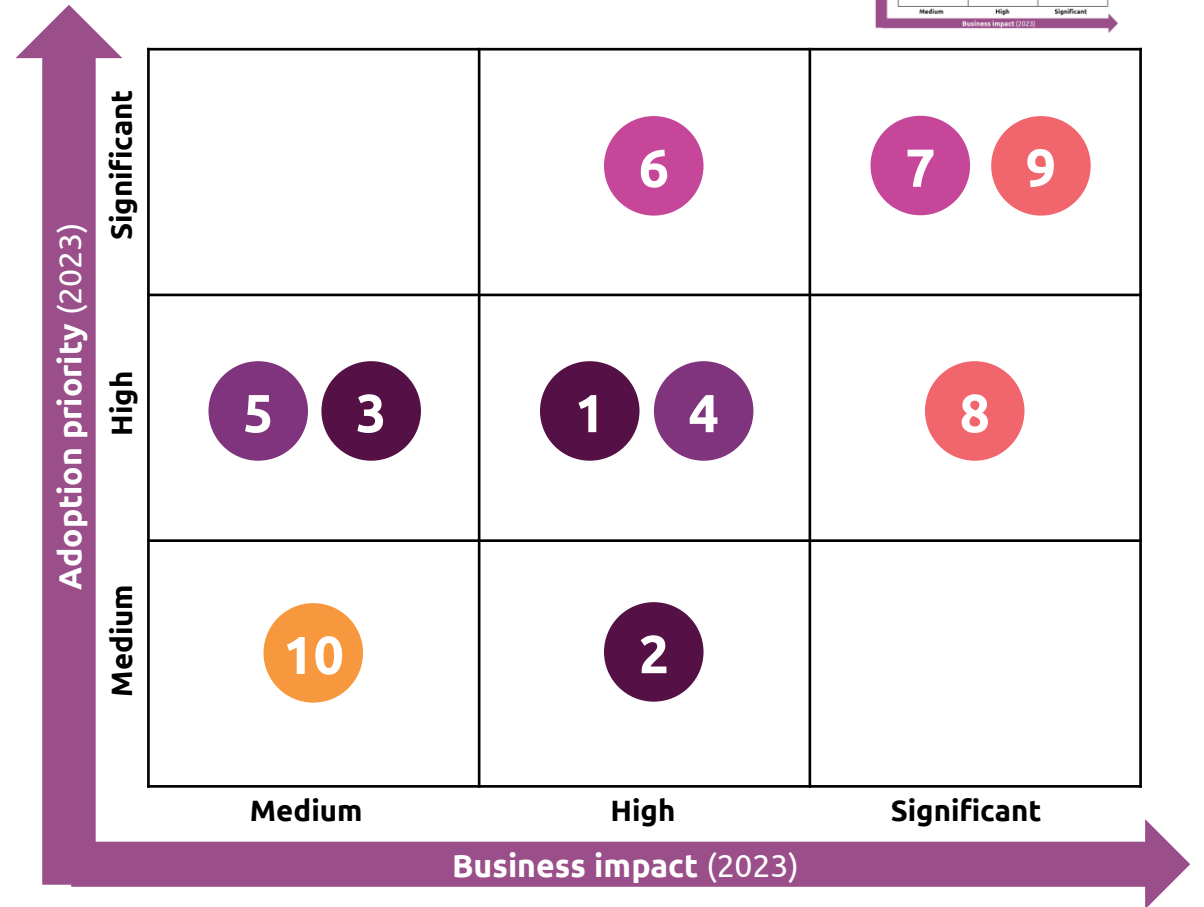
Trend

Changes in industry dynamics	
1	Smart branches feature experiential banking and convenience to spark customer connection
2	Incumbents scout for mature FinTechs to complement capabilities, boost bank profitability
3	More banks commit to driving circular economy sustainability
Creating and enabling new values	
4	Banks step up and own customer experience with embedded finance
5	Financial wellness advice can help customers navigate the cost-of-living challenges
Customer centricity	
6	CMOs leverage actionable data insights to guide customer centricity
7	Digital identity to unlock efficiency gains for banks
Business resilience	
8	Banks unlock value at scale by migrating workload to the cloud
9	A boom in synthetic data will catalyze data ecosystem growth
New horizons	
10	As banks explore decentralized finance, they remain cautious

Source: Capgemini Research Institute for Financial Services, 2023.

The matrix above presents Capgemini’s view of 2023 trend prioritization in an operating environment that includes:

- Rising inflation and interest rates coupled with slowing growth
 - Operational disruption due to geopolitical instability
 - Dynamic regulation and compliance mandates
 - High customer adoption of digital payments
 - Increasing digital transformation initiatives of FIs
 - Brisk competition and increased focus on customer centricity to hedge against advances from new-age players
- **Adoption priority** refers to the urgency of adopting a 2023 trend to maximize value creation because of its sector importance.
- **Business impact** represents a trend’s 2023 effect on the payments industry regarding customer experience (CX), operational excellence, regulatory compliance, or profitability. Circumstances will vary for each firm depending on its business priorities, geographical location, and several other factors. For more information, don’t hesitate to contact us at banking@capgemini.com.





REACH OUT TO THE CAPGEMINI RESEARCH INSTITUTE FOR FINANCIAL SERVICES

CONTACT US

Capgemini Research Institute for Financial Services Trusted partner of in-depth industry insights and trendspotting

The Capgemini Research Institute for Financial Services is an in-house think tank that helps banks, payment players, wealth management firms, and insurers successfully navigate business transformation through strategic, industry-leading publications.

The Capgemini Research Institute for Financial Services annually publishes its flagship Financial Services [World Reports Series](#) and [Top Trends books](#) that draw on our global network of experts, voice-of-customer surveys, CxOs, technology partners, and academia across the globe. These data-driven perspectives explore innovative business and technology developments and enable us to share actionable insights.

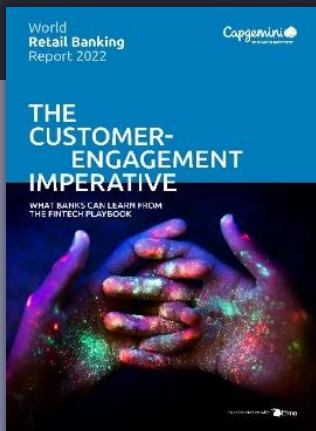
Independent thought leadership analysts have consecutively named us [#1 globally](#). To stay on top of dynamic financial services developments, [subscribe](#) and receive our publications upon launch.



ELIAS GHANEM
Global Head
Capgemini Research Institute
for Financial Services
elias.ghanem@capgemini.com



CHIRAG THAKRAL
Head of Banking & Capital Markets,
Capgemini Research Institute
for Financial Services
chirag.thakral@capgemini.com



Capgemini Research Institute
Financial Services
TRENDS BOOKS



Capgemini Research Institute
Financial Services
WORLD REPORTS



Capgemini Research Institute
other business sectors





Capgemini Research Institute – Financial Services World Report Series

**Flagship publications offering in-depth analysis,
trendspotting, and industry insight**

The Capgemini Research Institute for Financial Services is an in-house think tank focused on digital, innovation, and technology issues impacting global banks, wealth management firms, and insurers. The Institute annually publishes its signature Financial Services World Reports that draw on voice of the customer surveys, CxO interviews, and partnerships with technology companies as well as academia. These data-driven perspectives explore how financial institutions are meeting emerging business challenges with transformative thinking enabled by technology and data. The World Retail Banking Report 2021, published by the Institute, was highlighted as one of the top 10 publications amongst consultancy and technology firms by independent analysts. To know more, subscribe and get the reports upon launch, visit us at <https://www.capgemini.com/insights/research-library/world-reports/>

Get The Future You Want | www.capgemini.com



This presentation contains information that may be privileged or confidential and is the property of the Capgemini Group.

Copyright © 2023 Capgemini. All rights reserved.