

**DEBATING FUTURE SUCCESS IN OPEN BANKING**

Frontier facilitated a debate at MoneyLive Spring on how to make Open Banking a success. Highlights of the wide ranging discussion included:

- A need for **banks to focus on dramatically improving their customer experience.**
- **Big Tech's** natural advantages in innovating new services needs to be complemented by much hard work to **safeguard customers' privacy** and win trust.
- **Fintechs** have an opportunity to provide **genuinely disruptive innovation** in the market and new niche services.

**THE IMPORTANCE OF TRUST AND EASE**

Frontier opened the debate with a discussion of the drivers of value in banking, and shared some new research on customers' perceptions of trust and ease in relation to banks and big tech.

Open Banking challenges the hold banks have on customer relationships. But customers **are only going to change their behaviour if they find new services easy to use and trust whoever provides them.**



**THERE IS NO CRYSTAL BALL**

Who might customers trust? What services will customers find simple to use? The future is always hard to predict. One solution is to ask customers what they think today, but that can be dangerously misleading. Behavioural economics teaches us that **our decisions and actions** are often driven by context, mental shortcuts and other **unconscious drivers.** **What people say is not necessarily what they feel and what they then do.**

**UNCONVENTIONAL WISDOM**

Frontier shared preliminary research that tries to tackle this by assessing unconscious attitudes, through measuring reaction times on a word-association task.

The result? While people say that they don't trust either big tech or big banks, they **implicitly feel that the two groups are similar on both trust and ease.**

It also turns out **consumers don't have strongly held views about this;** nothing like the results when testing on politics.

So in a race for the customer relationship post-Open Banking, **perhaps banks and tech giants aren't as far apart as conventional wisdom might suggest.**

The new race for customers triggered by Open Banking may well be wide open.





For **BANKS**, one question on everyone's mind was **whether they could continue to own most of the customer relationship in the future**. The alternative? Focus on providing better and cheaper core products and even welcome a move towards becoming 'utility banks'.

The emerging view is that if Banks want to avoid this fate they need to partner with fintechs to deliver new services, and **be much more ambitious on improving their customer experience**.

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**Conference participants call on Banks to embrace the opportunities that Open Banking presents.**



For **TECH GIANTS**, **delivering simple and easy services is a clear strength**. There are many opportunities to exploit that strength, build new platforms for customers and partner with banks.

Hard questions were raised about how much of a stumbling block trust might turn out to be. Delivering brilliant services may be enough to keep some customers happy, but there is a need for big tech to tackle the elephant in the room – privacy and how they use customers' data.

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**Conference participants' views are clear: while innovating, tech giants should be intensely focused on privacy and responsible use of data.**



For **FINTECHS**, we wondered whether they can feasibly build enough trust to own the entire customer relationship themselves.

Trust and ease are both important for fintechs, but perhaps at different stages: ease is crucial to initial growth, but **then trust must be improved to make that growth sustainable**.

The conference felt that fintechs **are needed to provide disruptive innovation** in the industry, not just incremental change.

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**Fintechs should focus on ease, simplicity and functionality, and hone in on providing niche services.**

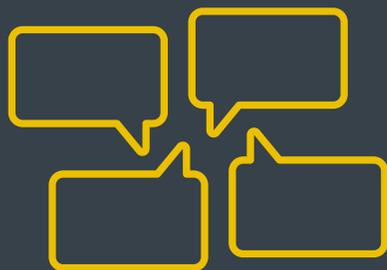


We thought **REGULATORS** should not only keep their eye on banks and big tech, **but also be more attuned to fintechs**, whose failure can undermine trust in the system as a whole.

European banking and fintech experts think regulators should not steer which specific markets are served by innovation. They should **leave promotion of innovation to the market**.

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**Regulators should be more ambitious on setting clear and simple rules, while ensuring they have sufficient resources to effectively regulate a fast-moving market.**



A lively debate ensued, as participants unpicked some important issues around Open Banking.

The question that MoneyLIVE tackled:

**What should players in the industry do in order to make Open Banking a success?**

We answered that question for banks, fintechs, big tech and regulators...