



## **BigTechs in BFSI Industry: The Theory of Co-existence for Market Expansion**

Banking & Financial Services (BFS) - IT Services (ITS), Insurance - IT Services (ITS)  
Market Report – July 2020: Complimentary Abstract / Table of Contents

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# Background and scope of the research

The rise of the global connected ecosystem and ambient nature of technology is blurring the traditional industry boundaries where customers demand seamless experiences to manage their lifestyle or business needs. BigTech firms, such as Amazon, Ant Financial, Apple, Facebook, Google, and Microsoft, are at the center of accelerating this secular shift in both, the demand and supply ecosystems, causing convergence of traditional industry boundaries. BigTechs are playing an important role in the Banking, Financial Services, and Insurance (BFSI) industry. Over the last decade, BigTechs not only enabled BFSI firms to enhance their operations, products, and experiences but also created a level playing field for nimble FinTech startups to unbundle the BFSI value chain to both compete with established BFSI firms as well as partner with them. Now BigTechs are taking the next step to offer competing products, platforms, and experiences to BFSI firms and reshaping the consumer demand appetite. This expansion of BigTech players in BFSI is brewing over the last four to five years, but this has taken meaningful shape only in the last 18 months, on account of scaling and maturing of themes such as open banking and asset and data monetization models. Hyperscalers and consumer technology firms, which were, so far, offering complementary value-added financial services to support their core businesses, are now gearing towards building dedicated financial services products that compete with BFSI firms. However, the relationship between incumbent BFSI players and these technology giants is complicated, as some of the traditional BFSI firms rely on the BigTechs for technology infrastructure. While BigTechs are aiding financial institutions in some arenas, they are directly competing in others. On the other hand, BFSI firms are deepening partnerships with the enterprise technology platform providers such as SAP, Salesforce, and Oracle that do not directly compete with BFSI firms and are only focusing on their core business of providing IT infrastructure and technology solutions.

With large technology investments and R&D budgets, a wide set of technology and IT infrastructure offerings, large customer base and brand loyalty, and deep pockets, BigTechs are making significant investments and reshaping the BFSI industry. To decipher the impact these organizations are creating in the BFSI industry, Everest Group has assessed the state of the market by analyzing some of the most meaningful investments by nine hyperscalers, consumer technology companies, and enterprise technology platform providers.

## Scope of this report



**Industry**  
Banking Financial  
Services and Insurance  
(BFSI)



**Market segment**  
Hyperscalers, consumer technology  
companies, and enterprise technology  
platform providers



**Geography**  
Global



**Sources**  
Everest Group's proprietary transaction intelligence  
database, public disclosures, and discussions with  
enterprises, technology vendors, and service providers

Investments by the following BigTech players made over 2018, 2019, and up to March 2020 were analysed in this report:

amazon



Alphabet

Microsoft

ORACLE



# Overview and abbreviated summary of key messages



Collaboration between various players in the ecosystem, which includes banks and insurance firms, FinTechs, third-party data providers/aggregators, market regulators, and BigTechs, emerges as a winning strategy not only for the competing entities but also for the customers

Analysis of publicly announced investments by BigTechs in BFSI from January 2018 to March 2020, shows that payments dominate 62% of all the investments, followed by lending at 13%, insurance at 6%, and the remaining 19% are spread across areas such as investment management, personal finance management, and treasury

Hyperscalers are on a tight rope co-existence strategy, where at one end they are competing with BFSI firms in select areas but serving them through technology and IT infrastructure as well

Hyperscaler and consumer technology firms are eyeing high growth and profitable BFSI businesses, and the enterprise technology platform firms are deepening their ties with BFSI firms to build innovative technology solutions

BFSI landscape is reshaping as the incumbents compete not only with other financial institutions but also with players from other industry ecosystems as the traditional industry boundaries are blurring

To enable the collaboration story, BFSI firms need to orchestrate the ecosystem of the partners to adopt to the blurring of industry boundaries and align with evolving customer demand and competitive themes

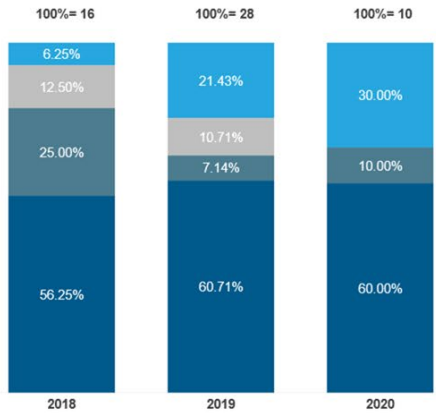
Technology giants have large R&D budgets and are expanding their offerings across technologies such as Artificial Intelligence (AI), blockchain, cloud, and quantum computing, while also creating BFSI-specific solutions and go-to-market messaging

Technical advancements, innovative business models, and global connected ecosystem are disrupting value chains and redefining how financial services are consumed

# Everest Group assessed investments by BigTechs in BFSI and examined the disruptive potential of the former as well as the road-ahead for co-existence

## BigTechs' yearly investments in BFSI continue to increase; partnerships, acquisitions, and equity funding outweigh independent in-house initiatives

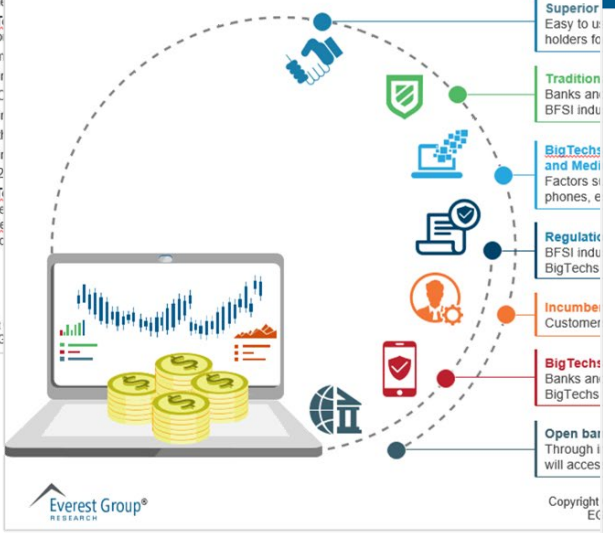
Number of investments across LOBs from 2018 - present



- Paym...
- Big T...
- Strat...
- Big T...
- Big T...
- Big T...

## BigTechs will disrupt BFSI industry but not diminish the incumbents

Factors such as open data, whitespace in offerings, and increasing customer demands will help tech giants grow bigger but regulatory bodies will be the ringmasters, forcing BigTechs to join hands with the incumbents



## XYZ (page 1 of 2)

### XYZ as a competitor of BFSI firms

	Key products and services	Key investments from 2018 - 2020
Payments	<ul style="list-style-type: none"> <li>Alipay: The digital payment platform allows users to safely make online payments and conduct cross-border remittance</li> </ul>	<ul style="list-style-type: none"> <li>Acquired WorldFirst to expand its global footprint and augment its portfolio by leveraging WorldFirst's offerings around international payments and foreign exchange</li> <li>Provided funding to startups such as Klarna, Paytm, and eMonkey</li> </ul>
Lending	<ul style="list-style-type: none"> <li>MYbank: The online bank provides loans through a process that takes three minutes and involves zero human bankers</li> <li>HuabellAnt Credit Pay: Offers microlending services for online and offline purchases</li> </ul>	<ul style="list-style-type: none"> <li>MYbank is set to issue \$282 billion of new loans to small- and medium-sized companies in 2020, up nearly 18% from 2019, aligning its lending strategy with Chinese government efforts to revive economy from pandemic-induced slump</li> </ul>
Insurance	NA	NA

### XYZ as an enabler of BFSI firms

	Key products and services	Key investments from 2018-2020
Payments	<ul style="list-style-type: none"> <li>Cross-border remittance service: AlipayHK and GCash jointly launched the world's first e-wallet that uses blockchain for the full link of cross-border remittance. Standard Chartered Bank is responsible for the liquidation of funds and foreign exchange at the end of the day</li> </ul>	<ul style="list-style-type: none"> <li>Entered a strategic partnership with Industrial and Commercial Bank of China to innovate in the field of electronic payment settlement, cross-border finance and scenario-based financial services</li> <li>Reached a strategic partnership agreement with Telenor Group to further develop Telenor Microfinance Bank's mobile payment and digital financial services</li> </ul>
Lending	<ul style="list-style-type: none"> <li>Alibaba Cloud Credit Risk Management Solution: Allows lenders to easily apply ML and use their own dataset to develop, train, and deploy credit risk models</li> <li>Sesame Credit: Provides a three-digit credit score to consumers who can use it to apply for small loans and prove credit worthiness for other services such as renting without initial deposit</li> </ul>	NA
Insurance	<ul style="list-style-type: none"> <li>AI photo-estimating technology: Allows insurers to handle 12 claims in six seconds by analyzing pictures to assess the extent of damage and cost of repair</li> </ul>	NA
FS marketplace	<ul style="list-style-type: none"> <li>Zhao Cai Bao: Sells regulated products such as property insurance policies, mutual funds, fixed-term deposit products and bonds from leading Chinese banks and insurance companies</li> </ul>	NA
Wealth management	<ul style="list-style-type: none"> <li>Ant Fortune: Teamed up with 80 asset management firms to deploy its AI-powered capability to offer tailor-made wealth management service</li> </ul>	<ul style="list-style-type: none"> <li>Ant Financial and Vanguard are partnering to provide investment management service to retail consumers based on investment target, time span, and risk appetite</li> </ul>
Core banking	<ul style="list-style-type: none"> <li>DCBP: Released Distributed Core Banking Platform (DCBP) that helps financial institutions to customize new business applications, deal with financial product management, etc.</li> </ul>	NA

# Research calendar – BFS IT services

Published
  Planned
  Current release

## Flagship BFS IT services reports

Release date

State of the Market for Third-Party Enterprise Platforms in Banking and Financial Services: Ecosystem Collaboration for Modernization at Speed and Scale .....	April 2019
Open Banking IT Services PEAK Matrix Assessment 2020: Moving Beyond Compliance to a Platform-based Operating Model of Ecosystem Orchestration and Value Creation – Services PEAK Matrix® Assessment 2020 .....	May 2020
BFS Risk and Compliance IT Services in BFS – PEAK Matrix Assessment 2020: Building Cloud-based Data Infrastructure for Intelligent Real-time Controls .....	June 2020
Open Banking IT Services Service Provider Compendium 2020 .....	June 2020
Risk and Compliance IT Services in BFS Service Provider Compendium 2020 .....	June 2020
Capital Markets State of the Market Report 2020: Automation, Data, and Cloud Trends for Buy-side Firms .....	July 2020
Banking IT Services State of the Market Report 2020: Hyper-segmentation Strategy Enabled by Digital Capability Platforms and Data Exchanges .....	July 2020
Lending Technology State of the Market report: Assessing Loan Origination System Vendors – The Journey to Cloud .....	Q3 2020
BFS IT Services – Deal Trends Report 2020 .....	Q3 2020
Application and Digital Services in Capital Markets PEAK Matrix Assessment 2020 .....	Q4 2020

## Thematic BFS IT services reports

Financial Risk Management Platforms Assessment and Vendor Profiles .....	March 2020
Assessing the Trade Life Cycle Management Technology Platform Landscape .....	March 2020
<b>BigTechs in BFSI Industry: The Theory of Co-existence for Market Expansion .....</b>	<b>July 2020</b>

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Guidewire Services PEAK Matrix® Assessment 2020 – Setting the Stage for Core on Cloud .....	May 2020
Guidewire Services – Service Provider Compendium 2020 .....	June 2020
Life & Annuities (L&A) Insurance State of the Market 2020: Platform-first Model to Simplify and Rationalize Systems for Rapid Cost Take-out .....	June 2020
P&C Insurance – State of the Market 2020 .....	Q3 2020
IT Enablement Services PEAK Matrix® Assessment for Insurance Business Model Innovation 2020 .....	Q3 2020
IT Enablement Services for Insurance Business Model Innovation – Service Provider Compendium 2020 .....	Q3 2020
Application and Digital Services in L&A Insurance PEAK Matrix Assessment 2020 .....	Q4 2020

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**BigTechs in BFSI Industry: The Theory of Co-existence for Market Expansion .....**
**July 2020**

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## Additional BFSI IT services research references

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The following documents are recommended for additional insight into the topic covered in this report. The recommended documents either provide additional details or complementary content that may be of interest

- 1. Assessing the Trade Life Cycle Management Technology Platform Landscape: Reimagining Pre-trade and Post-trade Operations for a Digital-first Mandate** ([EGR-2020-31-R-3612](#)); 2020.  
As BFS firms are under burgeoning pressure from legacy systems, reducing margins, and ever-changing regulations, they are increasingly looking to leverage third-party platforms for managing pre- and post-trade operations. In this report, we have analyzed the vision, capabilities, and potential market impact of 10 trade life cycle management technology platform vendors
- 2. Assessing Digital Experience Platforms in Insurance and Vendor Profiles 2020 – Building SUPER Insurance Experiences to Drive Differentiation and Growth** ([EGR-2020-41-R-3690](#)); 2020.  
Digital experience is the key lever for insurers to differentiate themselves from digital-native challengers and InsurTechs. In this research, we deep dive into the rise of DXPs in the insurance landscape, assess the DXP market and present a detailed comparison of 13 leading technology players on their capabilities to meet insurer needs. Our assessment is based on Everest Group's proprietary transaction intelligence database, public disclosures, and discussions with enterprises, technology vendors, and service providers
- 3. State of the Market for Third-Party Enterprise Platforms in Banking and Financial Services: Ecosystem Collaboration for Modernization at Speed and Scale** ([EGR-2020-31-R-3692](#)); 2020.  
BFS firms, burdened by obsolete legacy systems, talent shortage, and rapidly changing global and regional regulations, are adopting third-party enterprise platforms. In this research, we have analyzed third-party platform vendors and the service provider landscape across various lines of business in banking and capital markets and the overall system integration landscape

For more information on this and other research published by Everest Group, please contact us:

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