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# Promising Financial Business Models Emerging from Financial DX

## Consistency with the Strengthening of Profitability

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### Summary

- It is likely that the advantages and disadvantages of business models will become apparent as a result of the financial industry's digital transformation (DX).
- As deregulation lowers the legal barriers between different financial sectors and other industries, whether the financial DX strategy is consistent with the strengthening of the targeted business model will be called into question in medium-to long-term strategies, regardless of size of the company or type of business.
- Inconsistencies could cause the source of strength (core competence) of existing business models to be lost.
- The ongoing financial DX strategies of individual financial institutions are often simply automation and labor-saving methods rather than a complete reform of their business models. It is assumed that this could lead to decline in added value of existing financial products and services (= commoditization) in the future.
- In addition, there are concerns that regional banks and other financial institutions will see their earning power deteriorate significantly in the medium to long term as a result of the platform strategies of megabanks seeking to commoditize products and services for mass customers.
- Meanwhile, major securities companies and other investment related businesses are working to strengthen their business models through financial DX strategy, centering on high-value-added advice for wealthy customers.
- In this report, we identify promising financial business models for the future in light of these developments by identifying three candidates for promising financial business models in terms of various types of platforms and customers.

#### Attention

This report is a summary translation. The official document is only in Japanese, included in the DIR Research Quarterly Review (Vol.46).