Success Factors for Digital Transformation in Banking

TCS Digital Software & Solutions
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The Banking industry is facing challenges that require a shift to digital

- Channel Overload
  - Mobile
  - Online
  - Branch
  - ATM
  - Tablet
  - Call Center…

- Budget Challenges
  - Flat budgets
  - Dollars allocated to compliance and risk
  - Do more with less

- Grow Revenue
  - Tough environment
  - Competition from non-traditional
  - Still negative sentiment

- Cut Expenses
  - Can’t cut your way to profitability
  - Efficiency ratios continue to grow
  - Need to work smarter
Digital transformation is multi-faceted and accelerated; banks need to act more quickly.
New IDC research revealed three key themes for digital transformation in the banking industry

1. Digital transformation within banking is happening at a slow but steady pace

2. Data analytics is top priority in the transformation to digital because analytics is critical to growing the business

3. Despite business priorities, analytics continues to lack sophistication at most banks, inhibiting banks' ability to monetize on customer data to drive revenue
Digital transformation within banking is happening at a slow but steady pace ...

Source: IDC, IDC MaturityScape: Information Digital Transformation, #255774
... But the need to react to market pressures has never been more urgent

- Innovation and digital transformation are necessary to add value to both banks and customers.
- This innovation is happening in all aspects of the 3rd Platform.

**CLOUD**
- 50% of new applications will be implemented on private cloud
- Some already implementing "cloud first" policies for all new applications
- Public cloud remains taboo except for some workloads

**MOBILE**
- Over 50% of customer-facing and enterprise staff applications will be deployed in a mobile-first model in the next 5 years
- Both enterprise mobility and consumer mobility key to certain LoBs - lending, wealth management, and collaboration

**ANALYTICS**
- Enhanced analytics enable offers based on individual, household, risk, and/or business relationships
- Predictive analytics facilitate real-time decisioning to consumers
- First movers in deploying predictive analytics have a competitive edge
- Legacy systems and siloed data are major roadblocks
Data analytics is top priority in the transformation to digital

- 35.5% of banks identified big data and analytics as their number 1 priority in the coming year — higher than any other 3rd Platform initiative

- Primary BDA objective of banks is to understand customers in order to drive revenue and growth
  - Analytics can uncover opportunities to monetize internal and external customer data to drive competitive differentiation
  - Understanding the customer, reducing churn, and upselling are essential to business performance

- Most institutions are already using some basic data/analytics for regulatory compliance

- Risk analytics, data aggregation, and regulation (RADAR) initiatives will dominate the CRO agenda and will support accelerated business demands in 2015

"Business users need to have access to data to analyze customer behaviors to upsell, cross-sell, and gain new customers. We are in a competitive environment, and our long-term goal is to differentiate ourselves using data and analytics."
- Tier 3 Bank
Almost 30% of banks will invest in upgrades to predictive customer analytics solutions in 2015

In 2013, investment in customer analytics solutions was not a priority as FIs were using existing solutions or not making significant investments. This is shifting considerably in 2015 with FIs risking more $$ to upgrade, replace, or research options.

Source: IDC Global Technology and Industry Research Organization IT Survey, 2014
n=101 for 2014, n=90 for 2015
Banks need to be in the face of their customers to stand out from competition

- Forget about table stakes (online, mobile, call center, ATM, branch, security, etc.)
- Banks need to stand out – be in the face in a tactful way
  - Big Data / Analytics
  - Targeted Offers
  - Customer Winning!
Through analytics, Banks should aim to provide almost an individualized roadmap grow customer relationships

**CURRENT NEEDS**

**CONSUMER**
- Checking, Savings, Debit Card, Student Loan, Mobile Banking
- Checking, Savings, Debit Card, Mobile, Bill Pay, Mortgage, Lines of Credit
- Checking, Savings, Debit Card, Mobile, Bill Pay, Asset Management, Retirement

**BUSINESS**
- Low Balance Transaction Accounts, Cash and Check Deposit Services, Credit Card, Bill Pay
- High Balance Transaction Account(s), Payroll, ACH

**FUTURE NEEDS**

**CONSUMER**
- Credit, Mortgage, Bill Pay, Mortgage, Advanced Mobile
- Asset Management, Retirement, College Savings
- Estate Planning, Charitable Giving Management, Fixed Income

**BUSINESS**
- Higher Balance Transaction Accounts, Merchant Services, Electronic Settlement,
- Investment Services, Sweeps, Vendor Management, Portal Access, Merchant Services
But despite business prioritization, analytics continues to lack sophistication at most banks

Data analytics remains a somewhat immature capability at all but the top 10 banks in the US

- Lack of data integration across lines of business (silos)
- Challenges with data quality
- Lack of technical and/or governance skills in big data and analytics
Vast majority of banks have yet to master predictive analytics due to data challenges

"Our bank has insufficient predictive analytics for our business due to lack of complete and accurate data. [The bank] is working on a large initiative to correct data at the source and put it into a format that we can easily manipulate and analyze."

- Tier 1 bank executive
Banks have to set priorities around digital technologies to overcome data hurdles

**Bank Technology Decision Processes**

- **Typical Decision Process:**
  - Extend the life of current systems
  - Add best of breed and/or replace core systems
  - Make comprehensive enterprise tech acquisition, but replace components one at a time

- **Licensing Scheme Considerations:**
  - Ability to keep pace with change and continually innovate
  - Ability to do more faster
  - Level of simplicity, predictability, and flexibility
Essential Guidance for Banks

- Organizational transformation is an important part of digital transformation.
  - It is difficult to execute on digital transformation without addressing the challenges in the siloed organizations themselves.
  - The most innovative banks addressed and tackled organizational transformation before the first technology was implemented. These organizational changes must begin with leadership and eventually affect all IT staff.

- A sound enterprise-wide data strategy and architecture is the foundation upon which the business will stay healthy (compliance) and grow (revenue). It is also the link between IT as builders and the lines of business as users.

- Analytics projects don't have to be large, but with every data initiative, business value must be proven, integrate with enterprise strategy, and enable the next step.

- External partners will be key to digital transformation efforts.
  1. It is becoming more and more challenging to find (and retain) the expertise needed to build and maintain a critical data and analytics environment.
  2. Most institutions will admit that third-party technology partners can provide specific areas of expertise, which the institutions cannot bring to bear, because of the focus they have in those areas.
TCS Customer Intelligence & Insights for Banking
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Making Digital Transformation Achievable—Quickly and Cost-effectively

TCS can help you on your journey to successful digital transformation
✓ Build enduring customer relationships based on deep customer insights
✓ Increase wallet share and new revenue opportunities by exploiting digital channels
✓ Drive operational excellence and deliver superior customer experience leveraging operational analytics

Innovative industry first solutions:
Advanced analytics built for banking draws on TCS’s expertise, vision and industry roadmap to ensure sustainable, profitable client growth

Fast deployment, low TCO and rapid ROI:
Open platform design and modular architecture includes out of the box use cases for banking and ready-made KPIs for fast and cost effective implementation

Solution for the future with more agility and lower risk:
A cloud-based scalable, customer engagement platform with real-time, action-oriented analytics built on patented innovation

Click here to see how you can accelerate your digital transformation journey with CI&I for Banking.

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