

Digital technology: a source of confidence, resilience and loyalty?



About Expleo

Expleo is a trusted partner for end-to-end, integrated engineering, quality services and management consulting for digital transformation. We help businesses harness unrelenting technological change to successfully deliver innovations that will help them gain a competitive advantage and improve the everyday lives of people around the globe.

Expleo is active in the technology-intensive sectors that make business and society more connected, sustainable and secure. We offer unique access to industry-specific expertise and best practice across the following services: consultancy and business agility, product design, production and in-service support, as well as continuous quality.

Our 15,000 people bring the right balance of boldness and reliability that businesses need to succeed in this disruptive era. We are active in more than 25 countries, generating €1.1 billion in revenue in 2018.

We make a difference in the following areas: Aerospace, Automotive, Banking & Financial services, Defence, Energy & Utilities, Healthcare, Industrial, Insurance, Media, Naval, Public Sector, Retail & Logistics, Telecoms, Transportation.



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Current trends

Global spend on IT by financial services was \$440 billion in 2018, and this outlay is expected to rise to \$500 billion by 2021¹⁾. Indeed, banking and financial services are often held up as early adopters of digital transformation, compared to other slower-moving industries. Yet, this doesn't reveal the full picture. There are still plenty of opportunities for technology to confront the underlying challenges for financial institutions (FIs).



A decade on from the global banking crisis, FIs remain under pressure to cut costs. Confidence has yet to fully recover, so corporations are instinctively cautious and risk averse. Yet, to save money, they need to spend money, and automation of critical business processes is widely recognised as the most effective route to operational efficiency.

Innovation in technology such as data analytics, machine learning and IoTs requires considerable investment, but carries its own risks, not least as the technological, regulatory and political landscape is evolving so rapidly. Service delays and outages can lead to reputational damage – something that brands can ill afford in such a competitive marketplace.

However, FIs need more than resilience. Earning customer loyalty is increasingly reliant on brands' ability to sync new technologies with personal, lifestyle choices. Customers are demanding a quality service. What they mean by quality is innovation and intelligent accessible systems combined with the human touch. As expectations change, FIs must adapt to retain their custom and prepare for the tipping point when digital natives are the majority.

Digital technology is both the headache and the potential remedy, with strong and courageous leadership needed to strike the right balance of risk and reward.

Upgrading legacy systems needs a cultural shift

FIs are investing in digital transformation programmes to replace outdated legacy systems, which are vulnerable to cybersecurity breaches, increasingly expensive to run and cumbersome to operate. They also recognise the need to keep pace with new players, who bring a flexible tech stack that can rapidly implement new applications with a better customer experience (CX).

Changing the system is just part of the solution. Brands are investing to embed a change culture that promotes continuous improvement and allows the business to respond competitively to external threats. Those that get this right are able to turn their strategy into day-to-day operational action.

Futuristic no more

AI has had a good year, becoming a mainstream tool in expected areas such as wealth management and robo-investment, but also helping to deliver better performance in sales and marketing teams. Risk management and compliance is another department that is looking to cognitive technology such as RegTech.

Fintech is spearheading improvements to the industry, making progress in growth industries such as peer-to-peer payments, paper-free banking, speedy lending based on alternative credit checks, and mobile tools that put the customer in control. Likewise, they are re-designing the aesthetics and mechanics of the customer experience, making personal finance feel more akin to ordering a pizza or hailing a taxi.

Many of the capabilities that FIs need to rapidly evolve their service are becoming available in the Fintech market, such as products for cognitive banking, credit scoring, quantitative trading, predictive analysis, fraud detection and debt collection, underpinned by technologies like Blockchain.

Traditional banks are responding by partnering or acquiring Fintech start-ups. The new wave of technology that threatened to capsize traditional banks could yet end up providing the fresh impetus they need to consolidate their position within digital society. Likewise, as start-ups face the reality of scaling up their smart idea, the large customer bases of established brands can prove a tempting compromise.

As the 'everything-as-a-service' economy takes off, these innovations will release FIs to collaborate further with brands in other sectors such as retail, automotive and hospitality.

What are the key trends moving forward?

1. Winning the data war

All this digital transformation is making the collection of data easier, however the really useful bit – converting it into practical insights – is still a struggle. Managing data in a way that combines and analyses knowledge from across global organisations is still a major challenge. Stricter data integrity and protection laws, heavy fines and lower customer trust won't make this critical opportunity any easier to grasp. But those that can master big data, real-time analytics and enhanced cognitive capabilities will be better equipped to counterstrike the Fintech threat.

2. The year of Blockchain?

2018 was a sobering experience for cryptocurrency investors. But while Blockchain may be synonymous with Bitcoin, this secure technology is also ranging out into different sectors and applications, from medical records and voting systems to utilities payments and connected cars. It has huge potential in more traditional financial services too, and 2019 could be the year when Blockchain goes mainstream.

3. More than financial resilience

Since the 2008 banking crisis, regulators have forced institutions to swell their reserves in case of another crash. With the growing dependency on technology – and the potential threat of disruption from cyber terrorism, outages and data breaches – FIs may soon need to guarantee their operational resilience too. Or they may choose to advertise resilience as a competitive advantage.

4. Robots on a charm offensive...

AI assistants and humanoid robots are constantly evolving. These technology advancements are key for FIs becoming cognitive – replicating the human ability to learn and respond to the preferences of customers. That said, there is still work to be done in convincing customers that a personalised service from a chat bot who can understand your speech, gestures and even your facial expressions is a good thing.

5. ...although don't write off the human touch

One of the many benefits of digital transformation is its ability to automate the most routine office tasks. Undoubtedly, this upheaval will cause widescale restructuring in FIs. However, employers will still need people with the soft skills, who can create a human experience for customers and keep the brand relevant to everyday community life.



How does Expleo help clients achieve the right balance?

A tech-first approach is now the only approach in financial services.

As a technology partner for digital transformation, we guide global FIs in confronting the key challenges in this disrupted era. Our consultancy services provide expert guidance to business leaders, helping them take decisive action around technology.

Backed by the group's technology capabilities, we help clients to turn strategy into action, and rapidly deliver innovation at scale.

The human factor for technology is more important than ever. How to find the right skills and also how to bring people with you on the technology journey?



At Expleo, we not only offer some of the world's brightest minds in financial technology, on a best-shore basis. We also have experienced change managers to instil an agile culture that embeds innovation, quality and continuous improvement as a source of improved customer experiences.

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