

# THE IT INNOVATOR'S GUIDE TO Digital Transformation in Financial Services



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# INTRODUCTION

**TECHNOLOGY HAS HAD A PROFOUND IMPACT** on society, influencing everything from the way we communicate with each other to how we conduct business transactions. In the financial services space, technology has brought banks closer to their customers, offering a wide range of online services to appeal to a population of consumers who **now view their smartphones as something they can't live without.**

In the process of shifting their practices to accommodate this new generation of customers, banks are **transforming and reinventing** themselves from the corporate office to the branch office through innovative services and technologies that take banking beyond the traditional experience. **Networks** are playing a central role in this transformation.

The right network can enable banks and financial services firms to provide service that spans the branch office to the home office or mobile device, offering a **seamless customer experience** no matter how their business is conducted.

It is imperative, then, that banks understand the impact their network has on the speed, agility and flexibility of the systems that serve their customers, which ultimately **impacts their bottom line.**

**46%** of Americans say their smartphone is something they **"couldn't live without"**



SOURCE: PEW RESEARCH CENTER REPORT, "U.S. SMARTPHONE USE IN 2015" APRIL 1, 2015, [HTTP://WWW.PEWINTERNET.ORG/2015/04/01/CHAPTER-TWO-USAGE-AND-ATTITUDES-TOWARD-SMARTPHONES/](http://www.pewinternet.org/2015/04/01/chapter-two-usage-and-attitudes-toward-smartphones/)

## MARKET DRIVERS

**TODAY'S CONSUMERS ARE UNLIKE** those of 20, 10 or even five years ago. Smartphones and mobile devices now are the primary tools of communication and tasking at all hours and from any location. No longer will a customer opt to drive to a bank branch to deposit a check if mobile deposit is available. Ditto with simple account services such as money transfers—why wait for the branch to open if you can move money to your savings account at 3 a.m. while wearing your bunny slippers?

In fact, **today 40 percent of customers prefer to do their banking online, up from 32 percent two years ago.** Despite that, **retail banks see less than 10 percent of new accounts happening through digital channels.** That means despite consumers' reliance on their digital devices for certain tasks, there still exists a need for the branch office. Whether

it's because consumers find it easier to speak with a representative or to confirm their understanding of a product or service, in-person interactions remain a major driver of branch visits.

That said, the digital experience should not be considered an afterthought with this new breed of consumers. Banks that understand the importance of digital services and processes are



**40% of customers prefer to do their banking online, up from 32 percent two years ago.**



Retail banks currently see less than 10% of new accounts **opening through digital channels.**

the ones reaping the rewards—seeing growth in new customers, deposits and value-added fees.

Digital-focused banks are able to engage with customers and differentiate themselves in ways non-digital-focused banks aren't able to. For example, big data analytics can help banks custom-tailor loan offerings based on what websites a customer has visited, such as a home improvement contractor or car manufacturer site. Or, using the data collected from a customer's previous online banking actions, a bank could offer personalized portfolio selection and management or even suggest a monthly automatic transfer of funds to a money market account.



### Top 3 reasons consumers still open accounts in retail banks:

- 1 Easier to speak with a representative
- 2 They prefer speaking with someone face to face if there is a problem
- 3 They want to confirm their understanding of a product or service with a live person



Retail banks that have invested in their digital processes are seeing real growth over online sales laggards:

**CUSTOMER GROWTH:** 2% vs. -0.0%

**DEPOSIT GROWTH:** 3.7% vs. -1.6%

**VALUE-ADDED FEE GROWTH:** 6.2% vs. 0.8%

SOURCE FOR ALL: CEB INFOGRAPHIC, "WHY DON'T RETAIL BANKING CUSTOMERS OPEN ACCOUNTS IN DIGITAL?" 2016 [HTTPS://NEWS.CEB-GLOBAL.COM/INFOGRAPHICS?CAT=2887](https://news.ceb-global.com/infographics?cat=2887)

# BANKING AND THE DISTRIBUTED ENTERPRISE

**ALTHOUGH A GROWING NUMBER OF** consumers would just assume do their banking digitally—**23 percent of banking customers now use online channels more frequently** and a full **50 percent of banking customers say they visit a branch less often**—the digital experience should be as robust at a bank's physical locations as it is online. Customers expect a certain level of service, and a certain level of capabilities, at every location and every touchpoint.

Just as consumers shop at various locations of a retail store, they utilize the branch most convenient to them at any given time. Whether they use the location down the street from their office, a kiosk in their neighborhood grocery store or a branch office two towns away, customers expect to have the **same user experience no matter**

**where they are**—and they expect bank reps to have access to the same information in any location. Even the tools available at the branch office—tablets, smart devices, touch-screens, video conference systems, WiFi connectivity—should provide **another level of service that most non-digital branches cannot.**

Moving beyond bank-centric applications, a growing number of branches are further finding their relevance through non-traditional approaches. Some banks are partnering with decidedly non-financial firms—such as coffeehouses or yoga studios—and taking other steps to transform their branches into destinations that serve the community, offering seminars and meeting and work spaces, among other things. Having a network that can support such a variety of users only helps

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# BANKING AND THE DISTRIBUTED ENTERPRISE

to bolster a branch's impact on its community.

Even away from the bank, customers want to be able to do their banking in a seamless environment, including talking with a representative if they have a question or need assistance. Banks that are digitally focused recognize **the importance of the omnichannel, integrated banking experience** and provide the tools and services that don't simply accommodate but actively promote it.

An exceptional online experience shouldn't be only for a bank's customers, however. All users of a financial service provider's systems, including employees in branch offices and even home-based customer service agents, should **experience the same top-notch performance** a digital-focused network offers. Access to information should be instantaneous, comprehensive and completely malleable to provide insights and help employees **do their jobs more effectively**, no matter where they're located and what device they're using.

As Online Banking Increases, Live Interactions Are Decreasing



Banking customers...

Are using online channels more frequently

23%

Report they've begun using mobile banking since 2011

13%

Are visiting a branch less often

50%

Are using call centers less often

46%

SOURCE: SEAN WILLIAMS AND BAILEY NELSON, "RISKS TO BANKS FROM RISE OF DIGITAL BANKING," GALLUP, OCT. 30, 2015, [HTTP://WWW.GALLUP.COM/BUSINESSJOURNAL/186446/RISKS-BANKS-RISE-DIGITAL-BANKING.ASPX?G\\_SOURCE=FINANCIAL\\_SERVICES&G\\_MEDIUM=TOPIC&G\\_CAMPAIGN=TILES](http://www.gallup.com/businessjournal/186446/risks-banks-rise-digital-banking.aspx?g_source=FINANCIAL_SERVICES&g_medium=TOPIC&g_campaign=TILES)

# CONSIDERATIONS

**HIGH-PROFILE SECURITY** breaches continue to plague the financial services and other industries. A full **71 percent of companies were affected by a successful cyberattack in 2014**, but only **52 percent expected to fall victim again in 2015**. Yet, mobile devices are perceived as IT **security's weakest link**, closely followed by social media applications. That means those devices that serve as the lifeline for so many customers also pose the greatest threat to data and the networks they reside on.

Security risks, coupled with those posed by an increasingly unfriendly regulatory environment, mean **banks must tread the digital path carefully**. As such, they must ensure their

## Security in Financial Services



**71%** of companies were affected by a successful cyberattack in 2014, but only **52%** expect to fall victim again in 2015.

**62%** of IT security budgets were expected to rise in 2015.

**70%** of respondents are spending greater than **5%** of their IT budgets on security.



Mobile devices (smartphones and tablets) are perceived as IT **security's weakest link**, closely followed by social media applications.

**59%** of respondents experienced an increase in mobile threats over the past year.



SOURCE: CYBEREDGE GROUP, "2015 CYBERTHREAT DEFENSE REPORT," MARCH 2015, [HTTPS://WWW.NETIQ.COM/COMMUNITIES/COOL-SOLUTIONS/NETIQ-VIEWS/84-FASCINATING-IT-SECURITY-STATISTICS/](https://www.netiq.com/communities/cool-solutions/netiq-views/84-fascinating-it-security-statistics/)

## CONSIDERATIONS

networks are locked down tight to keep their customers' sensitive data secure at all times and remain compliant with federal and state regulations. That holds true for data stored both on-premises and in the cloud.

According to a recent survey by security provider FireEye, **74 percent of respondents would likely take their business elsewhere due to negligent data-handling practices**. What's more, **91 percent of respondents were concerned most about the security of their data with their bank**; in contrast, only 23 percent were concerned most about the security of their data with an online retail store.

Clearly, banks that perform due diligence in ensuring their networks are not only robust but also secure will **hold the most sway** among customers as they seek to find security in an increasingly insecure online world.

Consumers said they would discontinue purchasing from an organization at fault for data theft

- 74%** Negligent data-handling practices
- 74%** Negligent data-protection practices
- 73%** Lack of board-level attention to data security
- 72%** Underinvestment in data security
- 63%** Employee misuse of data
- 50%** Human error

Industries where consumers are most concerned about their personal data protection

- 91%** Banks
- 37%** Email provider
- 31%** Healthcare provider
- 30%** Insurance provider:
- 24%** TV/telecoms provider
- 24%** Government/council website
- 24%** Utility provider
- 23%** Online retail store
- 16%** Social media network



# THE RIGHT NETWORK SERVICE PROVIDER

## TO ENSURE ALWAYS-ON CONNECTIVITY

today and provide the path for advanced technologies down the road, financial institutions should look for a network service provider that can provide a secure, high-performance network that can be adjusted according to bandwidth needs. A good network service provider will address current demands and anticipate future needs to guarantee the financial institu-

tion can continue to provide its customers with a stellar experience both online and in-bank.

Look for a network provider who can handle every aspect of the network, from provisioning to management and field technology services, for installation, maintenance and repairs. That way, financial institutions can focus on providing the best customer experience possible instead of tending to their networks.

## Related Resources:



[Latency: A Quick Guide](#)

[The Enterprise Guide to Managed Services](#)

[Comcast Business and Financial Services](#)



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