

International Survey of Experts on Digital Banking:

## Banks Unhappy with Skills Shortfall in Dealing with Customer Data

- **GFT's Digital Banking Expert Survey 2016 reveals growing trust in digital technology; banks more confident and actively embracing change**
- **Customer satisfaction, loyalty and increased profitability are key drivers of digital technology developments**
- **The bank branches of the future combine personalised service with digital offerings**
- **Increasing emphasis on security issues – banks struggling to find suitable solutions**
- **German banks perceive themselves behind their competitors, banks in other countries see themselves self-evidently in front**

London, 28 June 2016 – For the majority of banks it is full steam ahead when it comes to developing a digital banking strategy. For a good 34 percent of survey respondents, it is actually already in place. This compares to 60 percent of respondents for whom the planning process is still underway. Only 6 percent of respondents have yet to start planning their strategy. No less than 13 percent of respondents have already completed strategy implementation. Comparing these findings to a year ago, the number of banks that have defined and implemented their strategy has risen from 7 percent to 9 percent.

These were the findings of a survey of experts on the current status of digital banking in retail banks. The survey was conducted by GFT Technologies SE in seven countries overall: Brazil, Germany, the UK, Mexico, Italy, Switzerland and Spain. For this year's survey, twice as many respondents were approached than in the previous year. Overall, 260 people involved in the banking industry were questioned for the survey. Over half of the experts are in middle or top management. Summarising the results, Marika Lulay, COO at GFT Technologies SE states: "Almost 95 percent of the banks that were questioned are currently drafting their digital banking strategy or have already completed this process. Very few banks have not put any thought into digital transformation."

When it comes to championing strategic definition, Switzerland and Spain clearly come first at the moment. 58 percent of Swiss banks said that the strategy definition process has been completed. When it comes to the implementation of the strategy, Spain leads the field at 36 percent. One aspect that applies across the board is that major banks are more likely to have a digital strategy in place than medium-sized or small financial institutions (>10,000 employees, 58 percent; 2000-10,000 employees, 24 percent; 500-2000 employees: 29 percent).

### **Customer data management: extremely important, despite insufficient capabilities**

Overall, intelligent data management has still not reached an advanced stage. As in the past, the main emphasis is placed on conventional customer data. The respondents rated the task of analysing existing and previously structured data as much more important than accessing new customer data or processing yet unstructured data. Two aspects that were scored as highly important were *Managing structured data* (72 percent) and *Access to all kinds of internal customer data* (70 percent). For both of these points, their own capabilities were rated at only 56 percent. This assessment is pervasive: the importance of customer data management is rated higher in all operational areas than companies' actual ability to perform these tasks well. This clearly highlights room for improvement. "Process automation has to become a part of the standard toolkit at banks – urgently. Yet most of the banks surveyed have problems with many aspects relating to

managing, structuring or using their data. Process automation is seen as a major challenge by the banks in Spain and Germany, whereas the banks in Italy consider it less of a difficulty,” states Lulay.

### **The bank branches of the future: combining personalized service with digital offerings**

What does the future hold for branch networks? Bank branches will still be around, but there will be significant changes as processes become more and more digital. An increasing amount of banking will be carried out by the customer, either online at a PC or via their mobile device, without even needing to go to a branch. This was also confirmed by the survey: only 19 percent of respondents see any future in full-service branches. The top score was given to mixed branches (26 percent). This would offer competent support, not just in terms of the personal service at the branch, but also by allowing for self-service banking so customers can carry out processes using digital technology. No less than 23 percent of respondents believe future banking will be entirely digital – so there will be no personal support at a local level and self-service digital technology will be used for all standard banking. This is closely followed by the score for flagship branches (17 percent). Flagship branches are mainly the preferred option of major banks. 10 percent of respondents believe the future lies in in-store branches within retail outlets or shopping centres. The remaining 5 percent of respondents are convinced that there is no future for bank branches and that they will no longer form part of banking services.

### **Key success factors and barriers: banks struggling with security issues**

Compared to the results in the previous year, there were strong changes in scores relating to key strategic success factors and the main operating barriers for banks’ digital transformation. The rising level of anxiety regarding security left a clear mark on responses in all countries. According to the responses of the banking experts, security aspects are seen not only as the top key success factor but also as the main barrier to implementation (2015 ranks: 8 and 6 respectively). Collaboration with third-party specialists such as FinTechs was considered much less central to success in all countries (57 percent). “Banks are still highly focussed on internal aspects. They will need to foster a more open culture. In a world where everything is becoming more global and digital, the crucial factor will be collaboration – with FinTechs or other strategic partners – as well as knowledge-sharing beyond the borders of individual sectors of industry,” states Lulay.

The second most important strategic success factor was *A consistent, intuitive customer experience* (2015: 1st). Third came *Co-innovation with feedback from customers* (2015: 7th). The ranking of the operating barriers banks run into with digital technology placed *Regulatory and compliance issues* second (2015: 5th) closely followed by *Integration with legacy IT systems* (2015: 2th).

### **Key business drivers: the customer is king – but only if profitability is right**

The focus on customer needs is still an essential driver of the digital banking revolution, but the growing importance of security issues is hindering quicker development. When asked about the main business drivers for pursuing a digital banking strategy, there were no changes in the top-ranking factors compared to last year:

- |                                   |            |                    |
|-----------------------------------|------------|--------------------|
| 1. Increase customer satisfaction | 84 percent | (2015: 94 percent) |
| 2. Increase customer loyalty      | 83 percent | (2015: 92 percent) |
| 3. Increase profitability         | 82 percent | (2015: 83 percent) |

“In the past, everything revolved around the product. All systems and processes were built around designing offerings which first and foremost delivered good revenues. This thinking has changed – banks clearly focus on the customers’ needs. In recent years, banks have made a great deal of

effort and investment improving this” states Lulay. The top three percent ages are all a bit lower in the 80-85 percent region. Satisfaction and loyalty are still the driving force, but stand out less than in the previous year. This could reflect the fact that banks tend to be more contented with progress in these areas than they were in 2015, so as a result they are more likely to want to focus on other factors as well.

Comparing the different countries, almost all respondents are in agreement regarding their motivations, with one surprise coming from the UK: with a score of around 50 percent, British banks ranked customer satisfaction and loyalty as significantly less important. For them, the focus lies clearly in profitability and increasing revenues (76 percent and 73 percent respectively).

### Conclusion

Gareth Richardson, Managing Director at GFT UK said: ‘The GFT Digital Banking Expert Survey makes interesting reading and confirms that UK banks are well advanced in the implementation of their digital strategies. This may explain why they rank profitability and increasing revenues as their key motivation in delivering digital transformation. The results also show that globally the issue of security is seen not only as a barrier but as a key driver for change as the digital revolution continues to gather pace.’

There is still time to overtake the competition. Many banks are at an advanced stage when it comes to planning their digital banking strategy, but when it comes to actual implementation they still have a lot of catching up to do. The key task now will be to translate what they have captured on paper into actions. “Building the digital bank of the future has to be a concerted effort and an emphatic desire if you want to inspire customers, or if you want to keep a tight rein on costs, or if you ultimately want to win the competition yourself,” states Lulay, summarising the key conclusions.

#### Contacts:

Debi Christie  
Account Manager  
Hotwire PR  
69 Wilson Street

London

EC2A 2BB

T +44 20 7608 4691  
[debi.christie@hotwirepr.com](mailto:debi.christie@hotwirepr.com)

[www.hotwirepr.co.uk](http://www.hotwirepr.co.uk)

Deborah Souter  
Public Relations Manager  
GFT  
Capital House

85 King William Street

London, EC4N 7BL

T +44 20 3753 5700  
[deborah.souter@gft.com](mailto:deborah.souter@gft.com)

[www.gft.com](http://www.gft.com)

#### About GFT:

GFT Technologies SE (GFT) is a business change and technology consultancy trusted by the world’s leading financial services institutions to solve their most critical challenges. Specifically defining answers to the current constant of regulatory change – whilst innovating to meet the demands of the digital revolution. GFT brings together advisory, creative and technology capabilities with innovation culture and specialist knowledge of the finance sector, to transform the clients’ businesses.

Utilising the CODE\_n innovation platform, GFT is able to provide international start-ups, technology pioneers and established companies access to a global network, which enables them to tap into the disruptive trends in financial services markets and harness them for their out of the box thinking.

Headquartered in Germany, GFT achieved consolidated revenue of around EUR 374 million in 2015. The company is represented in twelve countries with a global team spanning more than 4,000 employees. The GFT share is listed on the Frankfurt Stock Exchange in the TecDAX (ISIN: DE0005800601).

[www.gft.com](http://www.gft.com)