Unchartered territory

Digital Banking Trends and Predictions 2024

Content

A strategic roadmap for CIOs in an unpredictable market

The past year has been dynamic, challenging and fast-moving. It looks likely that 2024 will be similar. In April 2023, the IMF warned that economies were facing "high uncertainty" – a situation that has not changed. It also forecast that global growth would fall from an estimated 3.5% in 2022 to 3.0 % in 2024, citing inflation, the war in Ukraine, growing geoeconomic fragmentation, and "fallout from the recent deterioration in financial conditions" as challenges that require governments to make "tight policy stances".

The IMF's World Uncertainty Index[1], which is calculated by counting usage of the word "uncertain" or its variant in Economist Intelligence Unit reports, is currently at its highest point since springtime back in Q2 2020, when the world went into lockdown at the beginning of the Covid-19 pandemic.

When there is uncertainty, there is risk as well as reward. Next year's winners are likely to make bold moves, implement ambitious strategies and make the right decisions on building technological infrastructure that is flexible enough to respond to an unpredictable market whilst laying the foundations for future growth.

Hype vs reality

Some truly transformative technologies are approaching mainstream adoption. In the next two years, non-fungible tokens (NFTs), blockchain asset tokenization, decentralized identity, and smart city networks are expected to achieve widespread adoption, as well as important but less transformational innovations including synthetic data, edge AI hardware, and identity wallets. On the horizon are programmable money, decentralized finance, and adaptive machine learning, which are expected to hit the mainstream within five years. The new reality of the Metaverse is also very likely to be transformative within a 10-year timeframe, along with quantum computing.

Tech leaders are preparing for change.

64%

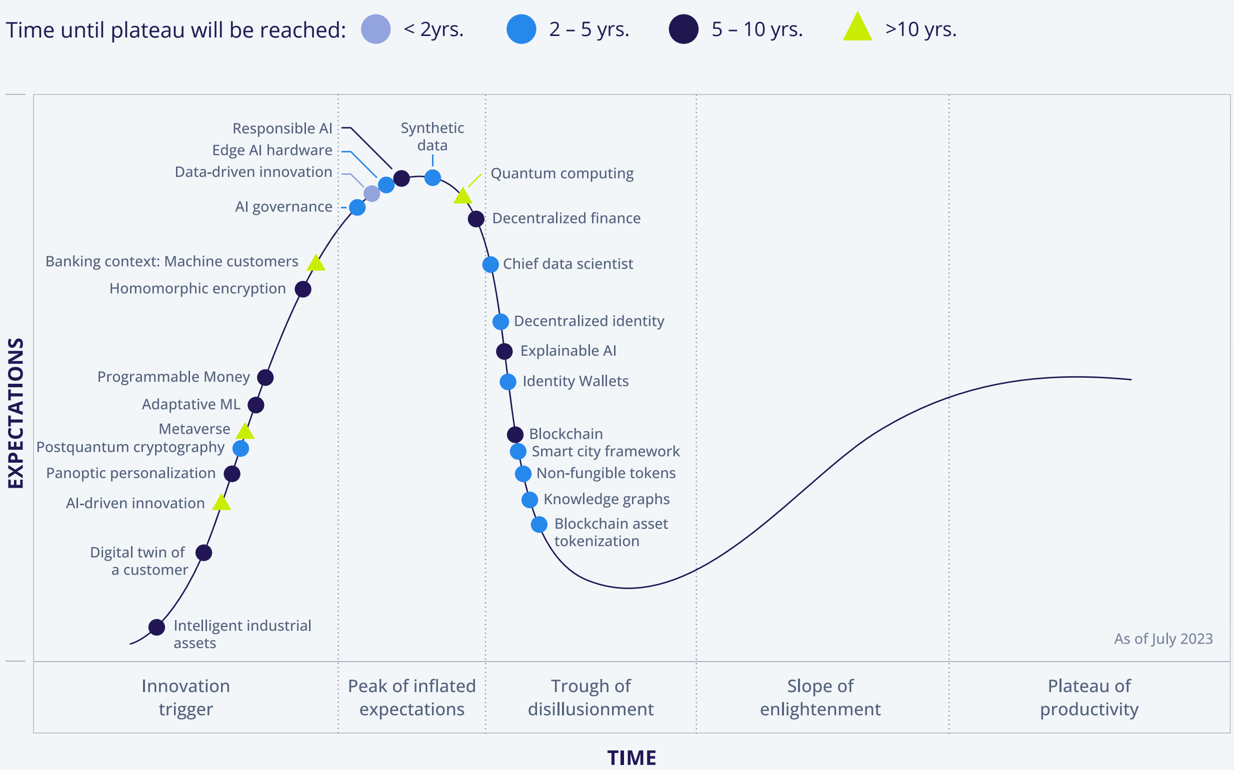
of CIOs have deployed or are planning to deploy low-code platforms in the next 24 months, according to a Gartner survey.

With 70% of CIOs describing it as a "game-changing technology". Generative AI is expected to transform digital delivery in the medium term, with half (55%) of CEOs saying they will deploy generative AI over the next 24 months[2].

As we await the arrival of these hugely disruptive technologies, leaders at banks and all other financial institutions have some difficult decisions to make over the next 12 months. Should they partner with agile fintechs - or treat them as competitors? What technologies should they invest in today - and which should they plan to invest in at a later date? How should they transform their digital channels to reach younger generations, whilst still serving older customers or those who are less comfortable with technology?

This report will help you answer those questions. It considers the tech and trends which will be transformative over the next 12 months and beyond. Yes, the year ahead is uncertain. It will be volatile, dynamic, and fast-changing, with new technologies and competitors posing a threat to incumbents and upending the established order. Yet we cannot forget that uncertainty creates opportunity. Now is the time to be decisive and build for tomorrow.

2023 Hype Cycle for emerging technologies in banking



Source: What's New in Artificial Intelligence from the 2023 Gartner Hype Cycle

Long-tail Covid and post-pandemic tensions

The world has not yet fully shaken off the lingering effects of Covid-19. Almost four years ago in 2020, 3.9 billion people - half the humans on Planet Earth - went into lockdown as the SARS-CoV-2 virus swept the planet[3]. Societies and economies are not the same as they were.

Assessing the lingering impact of the coronavirus pandemic is difficult due to the complexity of its interconnected effects on society and the economy. It is not at all clear, for instance, whether home-working will continue to be a widely offered working model. In the US, 35% of employees who can work from home are now doing so - an increase of just 7% since before the pandemic[4].

The hard-to-pin-down after-effects of Covid-19 are just one of many volatile and unpredictable geopolitical factors that will shape 2024. There is a high potential for macroeconomic shocks. Central banks are already being tested by inflation and are braced for recession. There is also potential for asset value shocks which could be caused by issues such as a steep decline in the Chinese property market, rapid devaluation of cryptocurrencies or even a sudden dip in certain segments of the fintech market.

At the end of 2022, McKinsey said the "longtail effects of the COVID-19 pandemic are still being felt" and said the war in Ukraine in February 2022 and increasing tensions over Taiwan "marked the rude return of geopolitics as a disruptive force"[5]. Both of these forecasts will hold true throughout 2024.

The geopolitical climate will remain volatile in the coming year, which means there will be heightened risk and more potential for shocks. Throughout 2024, we will still feel the after-effects of the pandemic.

Technology enabled the first lockdowns. It will also decide who will be successful in a year in which all businesses will continue to be buffeted by Covid-19 aftershocks and destabilizing geopolitical tremors.

Return of the bank branch

Digital native generations represent a huge opportunity for banks. Millennials and Generation Z are digital power users who have become accustomed to the gold-standard onboarding journeys delivered by big tech players. They will not tolerate legacy banking practices and expect to be able to access services at any time, from anywhere.

However, new generations still share much in common with older folks. In a report called Millennials and Gen Z Still Need Bank Branches, Gartner reported that younger generations are "not as inclined toward digital channels as they once seemed." Surprisingly, Gen Z retail banking customers are "significantly" less likely to begin their interactions with a bank digitally than older generations. The survey found that 33% of Gen Z customers' first interaction with a bank was in a branch - a higher percentage than both Gen X and Millennials, but just 1% behind the Boomers.

No one is born as a digital banking expert. They must learn how to take advantage of innovative services and decide which products suit their unique financial situation - which are both difficult tasks for younger people who are relatively new to banking services. They would clearly benefit from face-to-face interactions with bank staff, who could introduce them to relevant services and products.

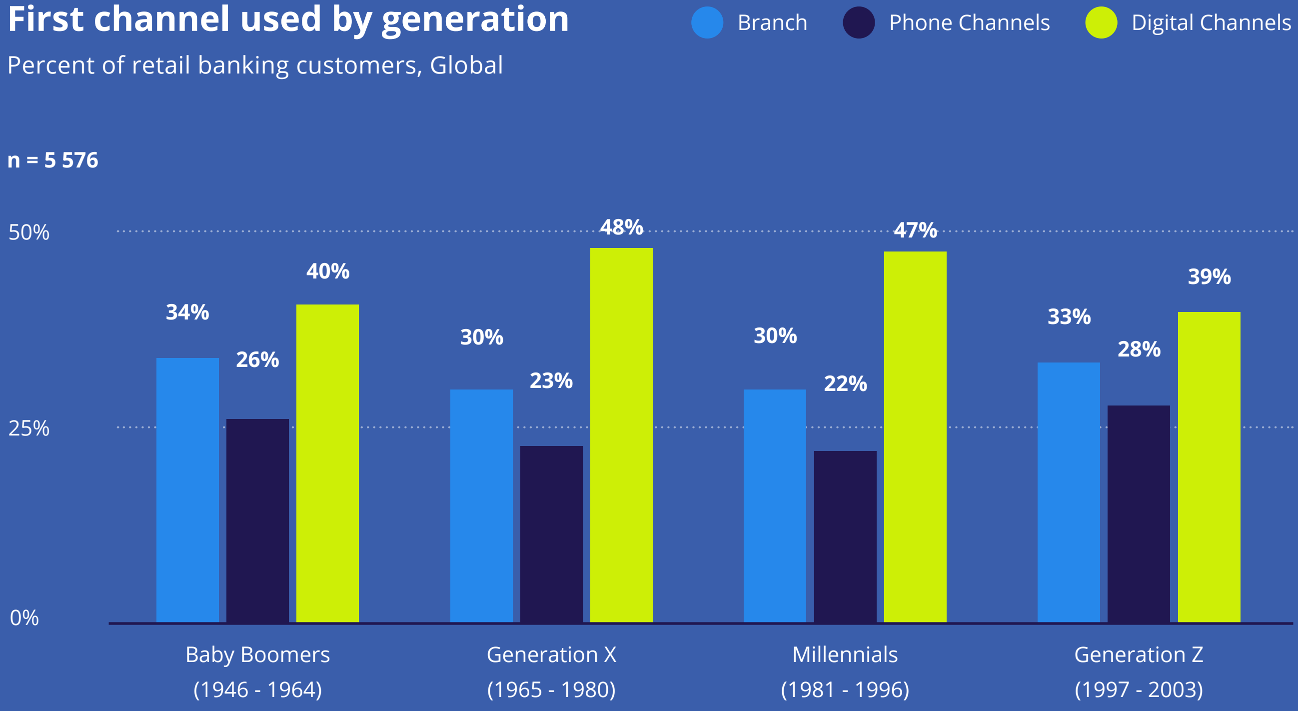
When customers go into a branch, they can receive useful guidance in person and also benefit from a harder-to-define sense that the bank understands their needs, regards them as an individual and values their time.

Digital channels can provide the same positive halo effect as in-branch interactions. Chatbots can quickly deal with routine tasks. Educational content lets younger customers learn about the services and products their bank offers. Personalization throughout journeys fosters a warmer, friendlier relationship between banks and their clients.

Institutions that replicate the human experience of the branch into their digital channels will be at a competitive advantage in 2024 and beyond.

First channel used by generation

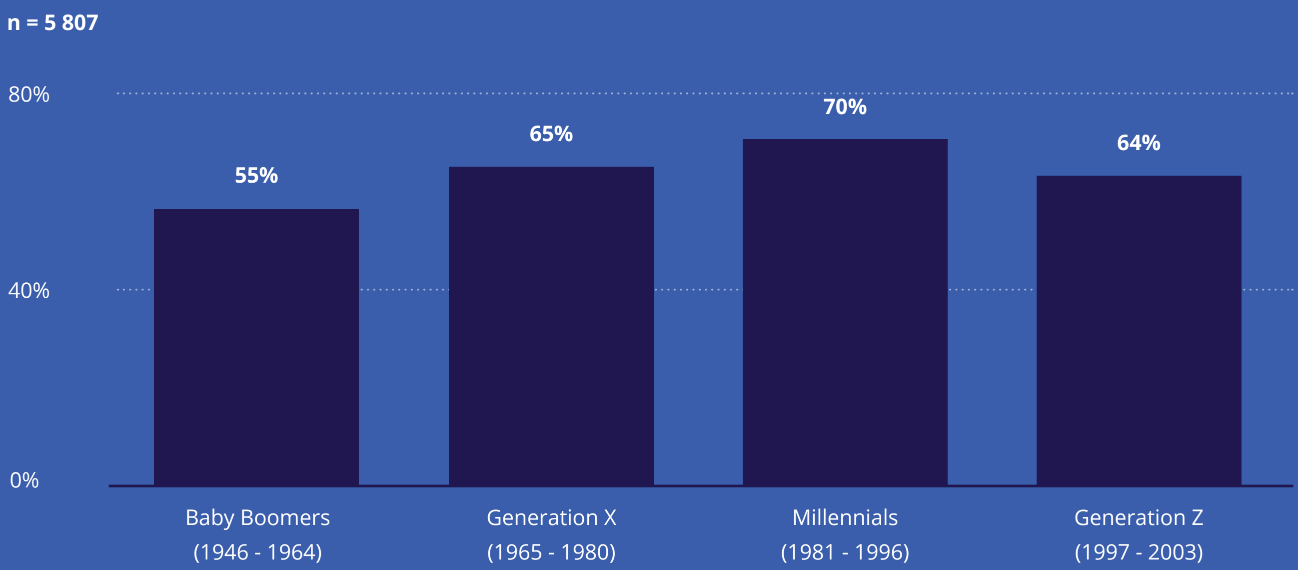
Percent of retail banking customers, Global



Source: 2021 Gartner Customer Experience for Financial Services Survey

Confidence in use of technology by generation

Percentage of global retail banking customers who are ‘highly or extremely confident’



Source: 2021 Gartner Customer Experience for Financial Services Survey

AI will undergo evolution — not a revolution

The financial services sector has been aware of the potential impact of AI for many years. In a survey, The Economist Intelligence Unit found that

77%

of bankers believe "unlocking value from AI will be the differentiator between winning and losing banks" [6]

Then in 2021, a McKinsey study found that 56% of respondents were already using AI in at least one function of their organizations[7].

In 2023, the pace and scale of AI adoption shifted up a gear following the rollout of Generative AI. ChatGPT – the most famous Gen AI model – reached 100 million monthly active users just two months after launch, making it the fastest-growing consumer application in history[8].

Banks have responded quickly to this new reality. Almost three-quarters of companies are now prioritising AI over all other digital investments, according to an Accenture survey[9].

Generative AI enables a new level of personalization, giving financial institutions the opportunity to extract meaningful insights from customer data and then tailor their services, journeys and experiences. We do not expect to see Gen AI incorporated in all banks' customer-facing services in 2024 because there is still a risk of hallucinations and errors – although providers will continue to tackle these challenges. Over the next 12 months, we are likely to see preparations for the Gen AI future of banking, rather than the full mainstream arrival of this paradigm shift.

The McKinsey Global Institute (MGI) estimates that gen AI could add between $200 billion and $340 billion in value across banking, wholesale, and retail. It also found that gen AI can improve productivity in core corporate and investment banks by between 30% and 90%.

By collecting and analyzing customer data, banks can offer personalized services in real time, including tailored financial advice, product recommendations, fraud detection, and quick support. AI can assist in onboarding, identity verification, and guiding customers through account setup.

Furthermore, AI automation can handle routine tasks like balance inquiries and password resets, freeing up human agents for more complex issues. This boosts efficiency, cuts costs, and provides 24/7 support, enhancing accessibility and customer assistance.

Integrating AI into banking applications also creates a unified, multilingual interface for transactions, account information, and alerts. This simplifies the user experience, making banking services more accessible to customers globally.

We are living through the early days of the AI revolution, so we should not necessarily expect to see another service achieve the same rapid adoption as ChatGPT. Instead, we will see an evolution as financial institutions devise new and innovative AI use cases.

How are banks using Generative AI?

Financial advice

Banks can train chatbots to provide investment information and guidance. Users then receive recommendations and make more informed decisions regarding their investments, fostering financial literacy.

Loan applications

Chatbots can assist customers in the loan application process, guide users through the necessary steps, and ensure that loan applications are completed correctly and efficiently.

Money transfers

Through chatbots, users can potentially initiate fund transfers to other accounts or make payments to merchants seamlessly. This simplifies the process of conducting financial transactions and ensures that users can manage their money effortlessly.

Credit score monitoring

Help users monitor their credit scores and offer valuable insights on improving them. This empowers individuals to take proactive steps to enhance their financial health.

Insurance claims

Banks can develop AI bots to handle insurance claims, guiding users through the submission process and providing information on the status of their claims. This simplifies insurance-related interactions.

Account inquiries

Banking customers can utilize AI to conveniently check their account balances, review transaction history, and access other account-related information. This offers users quick and easy access to their financial data, enhancing their banking experience.

Account management

AI models can be trained to assist users with various account management tasks, such as setting up automatic payments, updating personal information, and managing account preferences. This streamlines the account management process for customers.

Fraud prevention

By leveraging AI, banks can enhance security measures by continuously monitoring user transactions for any unusual or suspicious activity. This proactive approach helps in preventing fraud and safeguarding users' accounts.

Customer service

Chatbots can serve as efficient customer service representatives, promptly addressing common inquiries and resolving straightforward issues. This provides customers with a hassle-free way to obtain assistance and support.

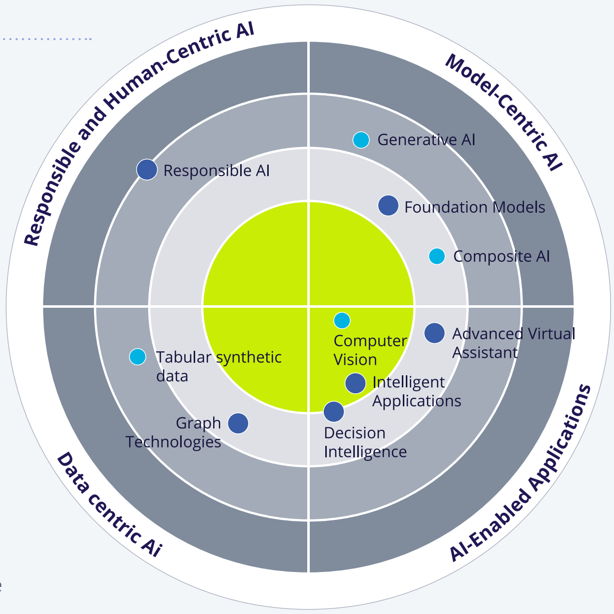
Financial planning

AI can aid users in financial planning activities, including budgeting and goal setting. They can offer personalized advice and recommendations to help individuals achieve their financial objectives more effectively. Open Banking increases the effectiveness of these models by aggregating data from many accounts in one place.

Impact radar for Artificial Intelligence in banking

Range
- 6 to 8 years
- 3 to 6 years
- 1 to 3 years
- Now (0 to 1 year)

Mass
- Low
- Medium
- High
- Very high



Source: What's New in Artificial Intelligence from the 2023 Gartner Hype Cycle

ESG takes center stage

The financial world has been rapidly integrating ESG (Environmental, Social, and Governance) considerations throughout banking. This transformation was catalyzed by mounting societal and regulatory pressures, compelling banks to reconfigure their overall business approaches. ESG criteria now permeate lending, investment, and risk assessment processes.

Alongside this strategic adaptation, banks are diversifying their offerings with a heightened focus on sustainability. The spectrum of ESG-focused products and services is set to expand throughout the next year, potentially encompassing green financing avenues tailored for renewable energy ventures, the introduction of sustainable investment portfolios, and the development of credit products aligned with ESG principles.

It is also likely that commitment to environmental programs will grow in number over the next year, with financial institutions taking action on emissions reduction, climate change mitigation, and renewable energy initiatives.

In the social realm of ESG, the spotlight is on diversity, equity, inclusion, and social responsibility. Governance considerations include matters related to health and safety, board director composition, and mental health. In the post-2020 landscape, the financial wellness of employees and their mental health emerged as pivotal governance topics, reflecting a broader awareness of holistic well-being.

Amidst these shifts and opportunities, financial services CIOs are directing their efforts toward innovative digital business strategies, using sustainability data platforms for tracking sustainability metrics and KPIs, benchmarking against industry peers, and consistently monitoring progress.

CIOs have better tools to assess ESG initiatives, with AI playing an important role in measuring success. We expect to see ESG play a central role in financial services going forward and institutions will expand their efforts throughout 2024.

Open Banking goes global

On January 13, 2018, a game-changing new regulation came into force and gave birth to Open Banking in the UK and EU. The Payment Services Directive Two (PSD2) mandated that banks grant authorized third-party providers access to customer account data and payment initiation services. This regulatory initiative aimed to promote competition, enhance consumer choice, and drive innovation within the financial sector.

By compelling banks to share customer data securely through standardized APIs, PSD2 effectively laid the foundation for Open Banking in Europe. It encouraged the emergence of fintech companies and innovative financial services that leveraged this newfound access to customer information to create new products and services.

In 2024, Open Banking is now a truly global phenomenon and the industry is moving quickly into the next stage of development: Open Finance and Open Data, which enable the sharing of more types of data using APIs. In Australia, the innovative Consumer Data Right (CDR) has brought Open Banking-style data exchange to the energy sector. Brazil has rolled out Open Insurance. Big tech is even involved in the space, with Apple launching a new app that aggregates data from users' accounts in its Wallet app.

Open Banking is just six years old, but its impact is only starting to be felt. Consumer awareness is also currently low. This could change very quickly. It will only take one killer app to transform the public's awareness of data-sharing and willingness to expose their data to APIs. We are expecting to see a big year for Open Banking, with new regulation in the US as well as the PSD3 in Europe and further innovations in Brazil, the UK, and other innovative ecosystems. The 2022 Gartner CIO and Technology Executive Survey found that

54%

of senior technology leaders from banking enterprises said they are increasing their investment in application programming interfaces (APIs) that enable data-sharing.

As adoption increases, innovation will soar. It's an exciting moment for the Open Banking movement...

Hyperautomation in banking

The next stage on the automation journey is hyperautomation - in which as many business functions as possible are automated. Typically, organizations pursue two fundamental objectives. One is a tactical approach, involving the amalgamation of various automation technologies such as robotic process automation (RPA), low-code/no-code platforms, artificial intelligence (AI), and natural language processing (NLP) to automate end-to-end processes. The other is a more strategic endeavour, aiming to comprehensively automate all facets of the organization using a scalable framework that spans the entire enterprise.

Within the landscape of financial services, organizations are currently positioned at varying stages with regard to these objectives. While some are still employing singular tools like RPA to automate specific tasks within processes, leading firms have begun establishing automation centralization, making multiple tools accessible to operational, product, and functional teams.

This shift toward hyperautomation represents a culmination of trends that have been gaining momentum over the past few years. The pivotal development in 2022 was the emphasis on scaling automation across the entire organization, transcending the previous focus on automating isolated tasks and processes. According to a recent Gartner webinar, 40% of attendees reported managing four or more concurrent hyperautomation projects, with 16% indicating the management of 15 or more projects simultaneously.

As banks and investment firms elevate their hyperautomation capabilities, a notable transformation is occurring in resource allocation. The shift is from directing funds towards specific applications and tools to a concentrated investment in skills and resources, both internally and through outsourcing partnerships. This change in mindset, from procuring resources to address individual business challenges, such as expediting loan origination or achieving first-contact resolution in contact centers, to the broader goal of scaling these resources throughout the entire enterprise, is the hallmark of the continued trend toward hyper-automation.

Top technology trends in Commercial Banking for 2023

Adopt

Open/External APIs – Improve customer experience

Hyperautomation – Enhance efficiency and ROI

Public Clouds – Improve agility

KYC and AML – Improve risk management

Trial

Embedded Finance – Uplift revenue

Commercial Payment – Drive higher efficiency

Foundation Models – Augment RM capabilities

ESG Tech – Align loan portfolios

Assess

Metaverse – Shape infrastructure

Source: Top Technology Trends Driving Change for Commercial Banking CIOs for 2023

The rise of composable applications

A transformative shift is underway to decentralize IT services across the enterprise. This shift is accompanied by the emergence of business technologists, leading to the formation of fusion teams that require access to business-centric services without necessitating deep technical expertise.

The composable application landscape involves four key actors: creators, curators, composers, and consumers. Creators are responsible for designing and crafting the foundational building blocks, such as APIs for tasks like borrower risk assessment or electronic signature collection. Curators oversee the marketplace housing all these building blocks, ensuring their availability across the enterprise. Composers then leverage these building blocks to construct applications, such as mortgage loan origination or auto loan origination, which are subsequently accessible to consumers. Here, "consumers" pertains to users of these applications, whether internal or external, and does not exclusively refer to bank customers. In this context, consumers can encompass individuals involved in digital loan origination or credit policy management.

This trend is driven by the increasing ubiquity of APIs in application design within organizations and collaboration with vendor applications. Next year, up to

60%

of finance organizations are predicted to deploy composable finance applications, using modular technology solutions delivered by a range of vendors, according to Gartner[10].

The advent of low-code technology empowers the development of granular functionality needed to construct these reusable building blocks, facilitating their adoption throughout the organization.

The pace of change, initially rapid before the 2020 pandemic, has only accelerated. Many financial institutions were compelled to swiftly devise new products and processes to address remote work and evolving customer demands, such as small business loans or payment holidays. Rather than slowing down, many firms have recognized their capacity for agility. They are now leveraging agile methodologies and APIs to expedite their change processes.

However, for banks and investment firms burdened by substantial technical debt and monolithic legacy systems, transitioning from project-based IT implementations to a more granular infrastructure presents significant challenges. The 2022 Gartner CIO and Technology Executive Survey revealed that just 7% of institutions had adopted the practices of a highly composable organization[11].

Beyond technological adaptations, factors like organizational structure, project management, and the alignment of IT with business objectives will make the adoption of this trend gradual. Currently, prerequisites include adjustments in vendor expectations for API-based architecture, the recruitment and training of API development resources, the establishment of fusion teams, the embrace of agile methodologies, and the decentralization of decision-making processes.

The metaverse in banking: Was it all a dream?

In recent years, banks embarked on a journey into the metaverse, enticed by the promise of new horizons and opportunities. They envisioned a future where virtual wallets tailored specifically for metaverse transactions would play a pivotal role, supporting a diverse array of digital assets, from cryptocurrencies to virtual collectables, empowering users to seamlessly manage their metaverse wealth and assets within this digital realm.

Metaverse investments were also regarded as a significant focal point for these financial institutions. Banks saw the metaverse as an exciting frontier for investment opportunities, offering unique assets like virtual real estate and digital art. They anticipated the creation of tailored investment products and advisory services, providing their clientele with specialized guidance and strategies to navigate this emerging landscape.

Moreover, banks began exploring the potential of virtual collaboration tools within the metaverse. They envisioned a world where financial professionals and clients could come together in immersive virtual meeting spaces and collaborative platforms. These digital environments were not just for consultations but also for financial planning and advisory services. The metaverse was seen as a platform where financial professionals could interact with clients in a novel and engaging manner, fostering enhanced communication and understanding.

However, as the year progressed, banks have started to exhibit signs of a slowdown in their metaverse investments. Several factors have contributed to this shift in strategy. First, the rapid evolution of the metaverse presented unforeseen challenges and uncertainties. The complexities of integrating digital assets, ensuring security, and navigating regulatory frameworks began to pose substantial hurdles.

Additionally, the metaverse landscape itself has experienced growing pains, with questions surrounding scalability, interoperability, and standardization remaining largely unanswered. Banks, known for their cautious approach to risk management, found it challenging to commit significant resources to an environment that was still evolving and maturing.

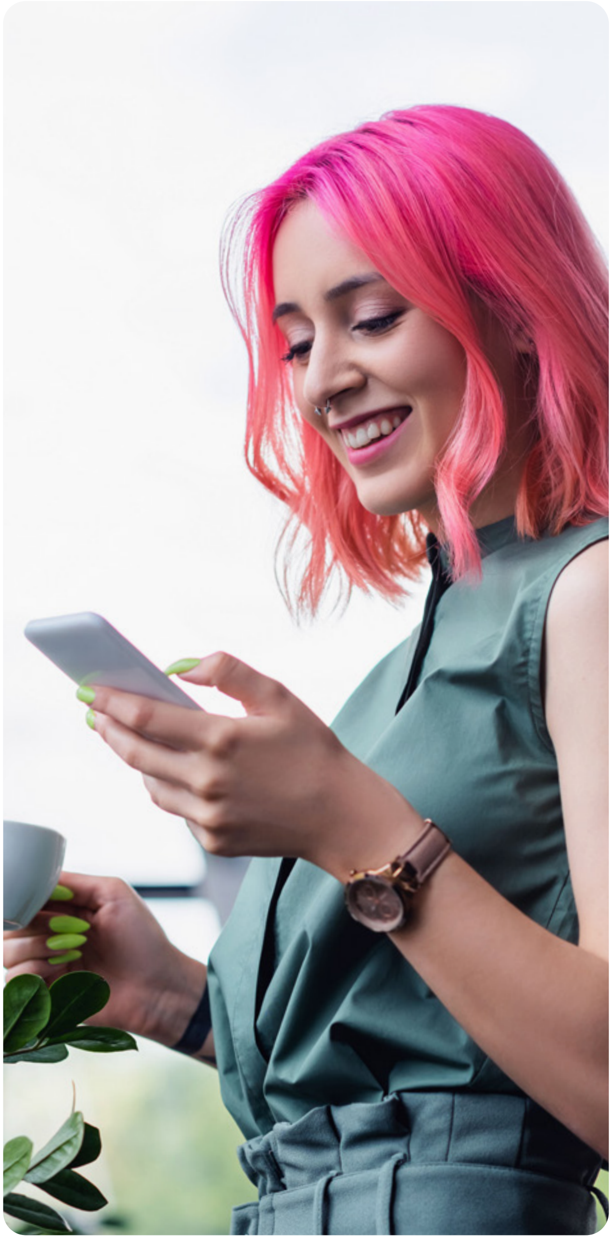
Furthermore, the practicality of virtual collaboration tools within the metaverse has faced its own set of obstacles. While the concept was appealing, the realization of effective and secure virtual meeting spaces proved to be more intricate than initially anticipated. Banks encountered challenges in ensuring data privacy, cybersecurity, and reliable connectivity within these immersive environments.

While the metaverse held tremendous promise for banks, the evolving landscape, coupled with unforeseen challenges and complexities, has prompted a degree of caution. Banks are recalibrating their metaverse strategies, focusing on addressing these challenges and ensuring a more stable and secure foundation before making further substantial investments in this exciting digital realm.

The initial hype may have simmered down, but the potential of the metaverse remains an intriguing frontier for the future of financial services.

What should bank leaders focus on in 2024?

Over the next year, leaders in the banking industry will find themselves navigating a complex terrain shaped by the continuous evolution of technology, shifting customer expectations, regulatory reforms, and ever-changing economic conditions. Here are some crucial recommendations for these leaders to consider:



Embrace the digital revolution

Prioritize digital transformation efforts to boost operational efficiency, enhance the customer experience, and foster innovation in your product offerings. Invest in modern infrastructure, data analytics, and cloud technologies to support your digital initiatives.

Customer-centric focus

Concentrate on comprehending and addressing the evolving needs and expectations of your customers. Utilize data analytics and customer feedback to personalize services and enhance user experiences.

Forge ecosystem collaborations

Explore partnerships with fintech companies, tech firms, and other players in the ecosystem to enrich your product portfolio and extend your market reach. Collaborate with regulatory bodies and industry associations to influence regulatory frameworks.

Prioritize sustainability and ESG

Integrate Environmental, Social, and Governance (ESG) considerations into your business strategies. Investigate opportunities in sustainable finance and ESG-related products and services.

Enhance resilience and risk management

Strengthen your risk management practices, covering operational, credit, and market risks. Develop robust business continuity and crisis management plans.

Harness AI and automation

Leverage the potential of artificial intelligence (AI) and automation to streamline processes, enhance decision-making, and reduce operational costs. Invest in AI for fraud detection, customer service, and predictive analytics.

Nurture talent development

Attract and retain top talent skilled in digital technologies, cybersecurity, data science, and customer experience. Promote a culture of continuous learning and innovation.

Promote financial inclusion

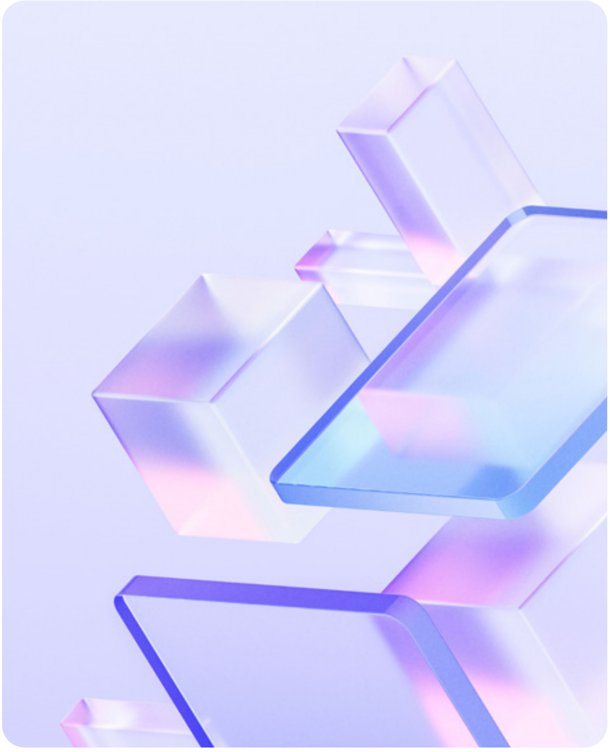
Explore initiatives that promote financial inclusion and accessibility, such as digital banking services for underserved populations. Create products tailored to the needs of emerging markets and diverse demographics.

Monitor the Metaverse and digital innovation

Stay vigilant about emerging technologies like the metaverse and blockchain. Assess their potential impact on banking services and consider early adoption where relevant.

Ethical handling of customer data

Prioritize the ethical use of customer data and transparent data handling practices. Ensure that data-driven decisions align with customer expectations and regulatory guidelines.



Cultivate adaptability and agility

Foster an organizational culture that is agile and adaptable to swiftly respond to shifting market conditions. Encourage experimentation and a willingness to learn from setbacks.

Develop sustainable growth strategies

Create growth strategies that strike a balance between short-term profitability and long-term resilience and value creation.

Communication and transparency

Maintain open and transparent communication with all stakeholders, including customers, employees, and investors. Build trust by demonstrating a commitment to responsible banking practices.

The future of cloud in banking: Vision for 2024

The landscape of the cloud banking market is poised for significant transformation. As cloud technology continues its proliferation and market competition intensifies, the cost of cloud services is expected to trend downwards. Specialization among cloud service providers is also likely to become an increasingly significant differentiator. This phenomenon is expected to give rise to a more prominent presence of regional cloud service providers (CSPs) and banking-specific cloud offerings, further diversifying the cloud landscape.

Furthermore, the composition of cloud workloads is expected to undergo a dramatic transformation. Cloud environments are poised to encompass a more extensive array of mission-critical applications than ever before. This evolution includes core banking systems and payment processing platforms, underscoring the growing confidence in cloud technology's ability to handle mission-critical functions.

Financial institutions are gradually disentangling themselves from the confines of tangible assets and capital expenditure (capex) models. Instead, they are increasingly inclined to embrace services and operating expenditure (opex) models. Within this paradigm, cloud technology is set to play a pivotal role as a cornerstone of the broader economic strategy, characterized by intangible assets. Consequently, the decision-making landscape surrounding cloud strategy is poised to expand, welcoming key stakeholders traditionally associated with opex management, such as the CFO and the procurement office.

In 2024, the cloud sector will characterized by cost optimization, specialization among cloud providers, the integration of mission-critical applications, and a broader array of decision-makers driving cloud strategy, ultimately shaping the future of banking.

UX in 2024: Mobile-first user experience

Mobile-first banking has given banks and financial institutions the opportunity to rebuild their UX from the ground up, to deliver benefits for customers and unlock innovative new experiences. The smartphone is the technology that is most emblematic of the ongoing UX revolution. However, more and more channels are now involved in many people's daily financial lives - which means UX teams have to meet these changing needs.

We will see more unique and trailblazing UX innovations throughout 2024, as banks respond to a mobile-first world, deliver true omnichannel experiences and turn their apps into ecosystems which offer more than financial services. Here are some of the key UX trends which will be important over the next year:

Rise of the robots

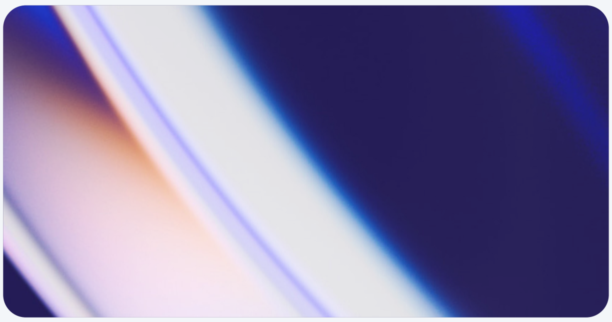
Chatbots will become better and better every year for a long time to come. They can add significant value to UX. AI and data analytics will enable chatbots to learn from past interactions to offer better service over time and help banks personalize their service. Bots will get smarter, stronger and more useful for customers in 2024 and beyond.

Consistency across devices

Financial institutions have recognised that delivering a consistent experience across multiple devices is a significant boost to UX. Giving them a familiar experience during every interaction will make them feel at home. Personalization will make them feel seen. Both will improve loyalty.

Increased API uptake

The speed, security and simplicity of Open Banking payments has been proven. Now is the time when the UX will be built which will ultimately drive mainstream adoption. There will be significant innovation in the API space in 2024 as more data is opened up for sharing, with great UX at the forefront of delivering the benefits of Open Banking and Open Finance.



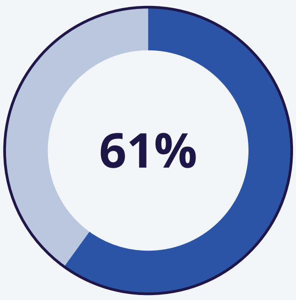
Omnichannel by default

Customers want to engage through multiple channels and pick up where they left off. If they fill in a form online, they don't want to read their details out to a call center agent. Joined-up thinking across all channels will give customers a better experience, remove friction and even help them have a stress-free journey.

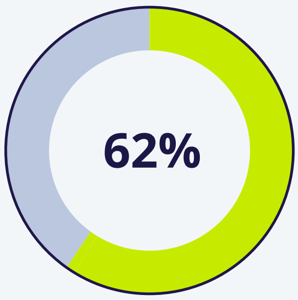
Mobile evolution

The nature of mobile handsets and operating systems is continuing to evolve. Changes include a rise in the popularity of dark modes which reduce eye strain. Voice commands are becoming ever more popular, giving UX professionals the chance to build entirely new experiences. As our smartphones get more powerful, UX teams get more opportunities to shine.

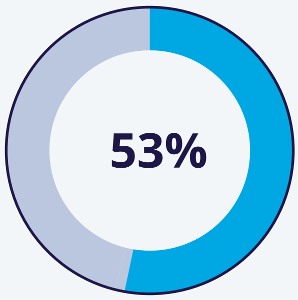
Customers want personalized experiences



% of customers who want personalized recommendations



% of customers who would switch FSIs if they felt treated like a number, not a person



% of customers who would switch FSIs if services felt impersonal

Source: The Financial Brand, 2023

Eight core UX principles

1 Efficiency

Enable users to accomplish multiple tasks from a single location, reducing the need to navigate extensively.

2 Simplicity

Minimize the number of taps or clicks required for users to complete their intended actions.

3 Clarity

Ensure that menus are straightforward, intuitive, and easy to navigate, promoting a seamless user experience.

4 Language

Communicate with users using simple, accessible language that resonates with their understanding.

5 Prioritization

Keep essential features prominently displayed, ensuring users can access them quickly and easily.

6 Aesthetics

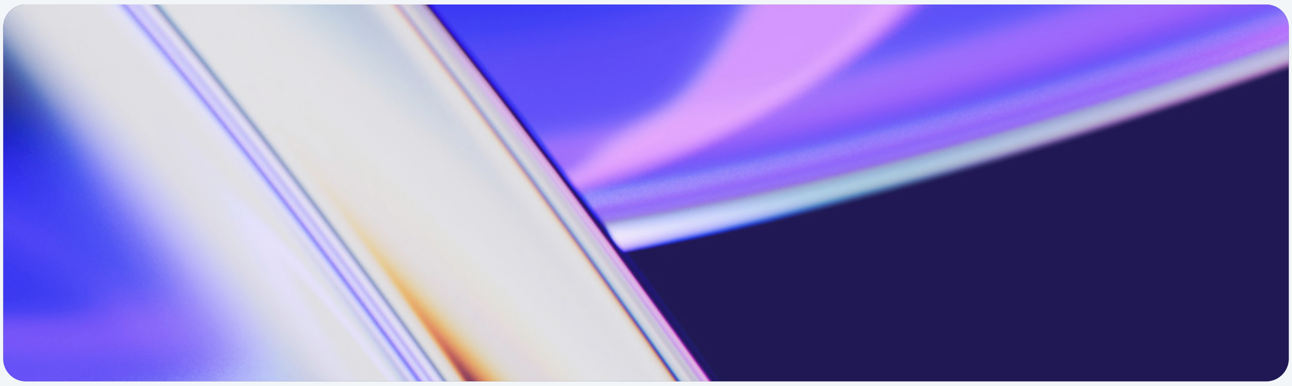
Craft an uncluttered, soothing, and visually pleasing user interface design for an enhanced user experience.

7 Customization

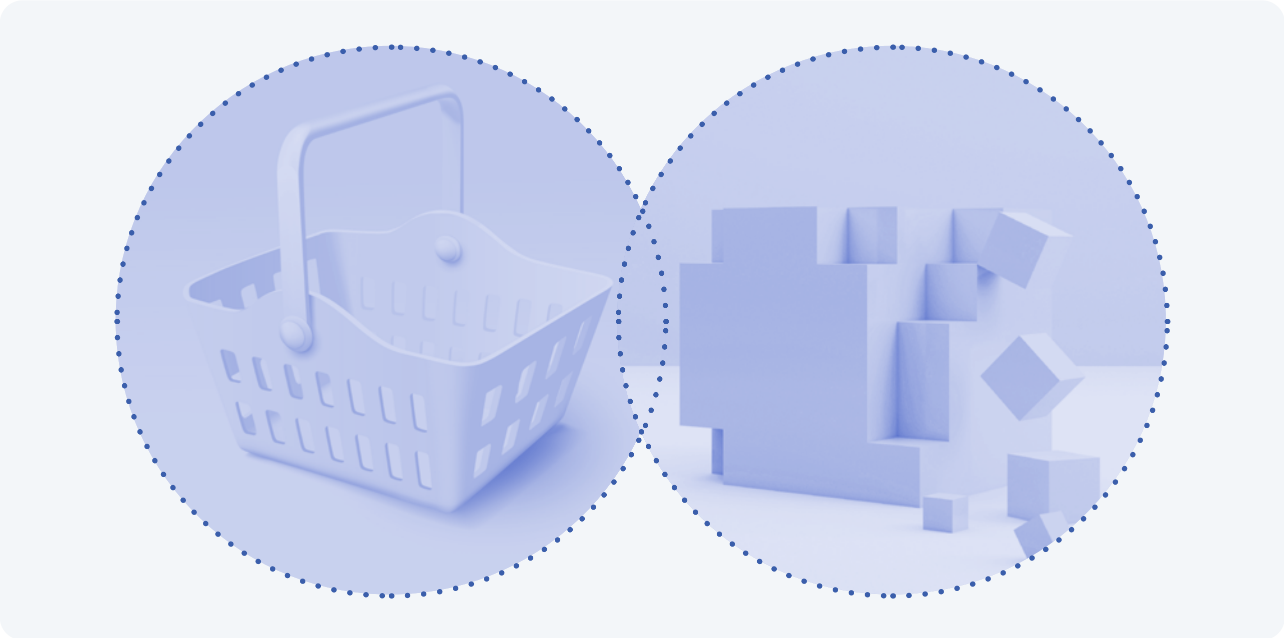
Offer adaptable data visualization tools to cater to individual preferences and needs.

8 Goal alignment

Encourage desirable behaviors and help users achieve their objectives through well-aligned incentives.



Buy + Build



In today's rapidly evolving financial landscape, the "Buy + Build" approach is gaining momentum, offering financial institutions a powerful strategy to remain competitive. This approach entails purchasing pre-built commercial solutions, such as software or platforms, and subsequently enhancing them to meet the specific requirements of a bank or financial institution.

AI can further strengthen Build + Buy by increasing development efficiency with “copilot” tools which leverage AI for common development tasks, thus improving the efficiency of project implementation through existing low-code tools.

There are several key benefits to this approach:

Speed

Embracing off-the-shelf solutions empowers financial institutions to harness existing technology infrastructure, significantly expediting their digital transformation journey.

Customization

By layering their unique innovations onto these purchased solutions, banks can set themselves apart, delivering tailored features and interfaces that align with their customer base and strategic objectives.

Risk mitigation

Commercial solutions often include established security measures, compliance certifications, and real-world testing, enhancing overall risk management.

Cost efficiency

While there's an initial investment in purchasing the solution, banks can realize substantial savings in the long run by sidestepping the full R&D, testing, and iteration costs.

Flexibility and scalability

Purchased solutions are typically designed with scalability in mind and offer seamless integration with other systems, ensuring adaptability in a dynamic financial landscape.

We will see more banks adopting this approach in 2024. When considering implementing Buy + Build, financial institutions are advised to focus on developing robust partnerships with the solution provider to ensure a reliable foundation that can evolve in line with market dynamics.

Seamlessly integrating the commercial solution into existing infrastructure and ensuring compatibility with planned tools and systems is critical. Finally, when enhancing a purchased solution, it's essential to consider how future updates to the base software might affect customizations. Opting for modular and agile development practices can enhance long-term viability.

Banks should avoid vendor lock-in because becoming overly reliant on a single vendor's ecosystem can pose challenges, especially if their roadmap diverges from the bank's strategic direction. As custom solutions accumulate atop a commercial product, complexity can increase, potentially affecting maintainability and upgrades.

When these challenges are overcome, Buy + Build empowers banks to stay agile and responsive in the face of market shifts, evolving customer demands, and technological advancements. It allows them to harness the advantages of well-established commercial solutions while crafting unique, tailored offerings.

Buy + Build applications in digital banking

1 Core banking systems

Many banks opt to purchase core banking solutions and tailor them to fit their specific workflows, customer segments, and regional needs.

2 Digital payment solutions

Banks can add extra layers like fraud detection, analytics, or user interfaces to existing payment gateways and processors.

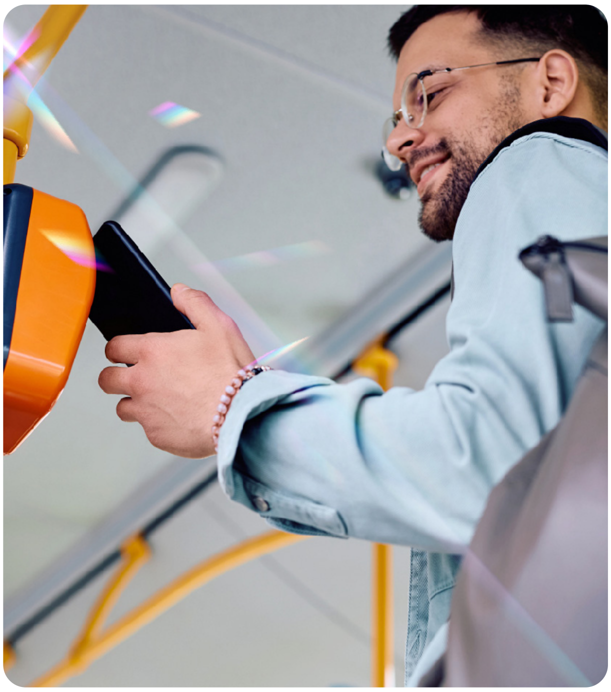
3 Customer Relationship Management

Purchasing a CRM solution and then developing additional modules specific to cross-selling, upselling, or customer engagement strategies can be a valuable approach.

Banking-as-a-Service hits the mainstream

Banking as a Service (BaaS) refers to a model in which traditional banking services, such as payments, lending, and account management, are made available as APIs (Application Programming Interfaces) for businesses and fintech companies to integrate into their own offerings. This opens the door for non-bank entities, from e-commerce platforms to ride-sharing apps, to provide banking services seamlessly to their customers.

BaaS enables a seamless customer experience, letting businesses offer a unified, one-stop shop. Users can access banking services within the same interface they use for other activities, creating a more convenient and frictionless experience. It encourages innovation by allowing third-party developers to build and customize financial solutions. This collaborative approach results in a wave of new financial products and services that cater to diverse consumer needs.



For startups and non-financial companies looking to enter the financial sector, BaaS offers a fast track to rapid market entry. Instead of navigating complex regulatory requirements and building infrastructure from scratch, they can leverage established banking infrastructure through APIs. BaaS can significantly reduce the costs associated with launching and maintaining financial services. It eliminates the need for substantial initial investments in infrastructure and technology, making it accessible to a broader range of companies and powering global expansion.

BaaS represents a major shift in banking, one that promises to bring financial services closer to the daily lives of consumers while opening up new opportunities for businesses and fintech innovators.

As we move forward into 2024, the momentum behind Banking as a Service shows no signs of slowing down, and we will witness the continued evolution of this transformative force in the financial industry.

Banks are looking for a total experience solution

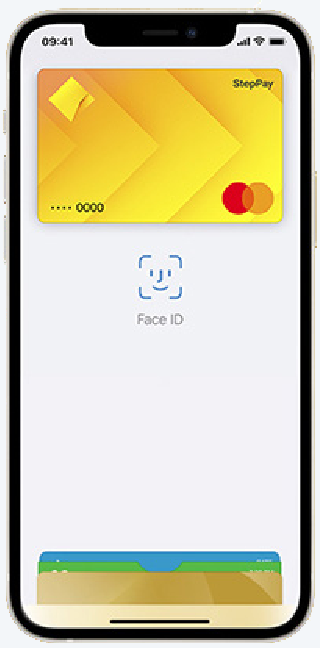
CommBank Total Experience opportunities

CX

Easier and faster time to market for small businesses

MX

End-to-end small business resources across channels, both digital and in-person as well as external resources



EX

Automated processes allow faster onboarding for new customers

UX

Design small business website for **easy access** to bank and non-bank resources

Source: Gartner, 2023

There is one overarching megatrend which will define the digital banking sector going forward: total experience (TX). This refers to an organization's ability to break silos and deliver experiences which are both interconnected and interdependent. It will be an important strategic technology trend, exerting a profound influence on organizational growth, customer loyalty, and employee retention. It will take a place at the forefront of banking organizations' priorities, with a presence across the entire spectrum of the industry, from the board level to central IT and employees.

In the 2023 Gartner Board of Director Survey on Business Strategy in an Uncertain World,

74%

of respondents from the banking sector have ranked TX capabilities, particularly digital technology initiatives, among their top five business priorities for the period spanning 2023 to 2024. This underscores the pivotal role that TX plays in shaping the strategic direction of banking institutions[12].

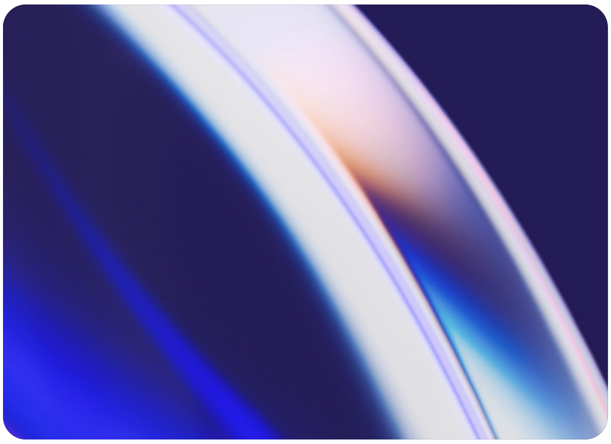
Banks, fintechs and all financial institutions can benefit by understanding individual trends. Yet true leaders will understand the interconnectedness of these trends - as well as the omnichannel thinking required to deliver journeys and experiences which meet customers' changing demands.

We have lived through a period of massive disruption and digital transformation. We don't expect that to change in 2024, which will give digital banking sector more changes to deliver innovative customer-centric services and products in new, sometimes unexpected contexts.

In the next 12 months, we will see Banking-as-a-Service becoming more popular, giving businesses the ability to offer financial services within their own app. This trend reminds us that no app is an island. It is instead part of a rich and growing financial ecosystem which will constantly incorporate new services and experiences in the near-future - including non-financial services.

The next year will be a chance to reflect on the changes we have already seen in the digital banking sector and prepare for the next inevitable disruptions. It will be another exciting, fast-paced period of disruption, innovation and competition. There is everything to play for and the tools to deliver better digital banking are more available than ever before. Banks have a rare chance to win by delivering a total experience across multiple channels - including those they don't own through BaaS and embedded finance.

There is disruption ahead. Planning ahead and putting the right systems in place now will help banks deal with that turbulence and build for a bright future.



Diversity by design: A forever trend in banking

> **"Diversity is the art of thinking independently together."**
>
> Malcolm Forbes

Diversity and inclusivity will be a defining trend of 2024 and beyond. Banks that focus on D&I will bring a range of perspectives and experiences to the table, which is crucial for innovation and problem-solving in banking. A diverse workforce can better understand and cater to a varied customer base, reflecting the different needs and preferences of a wide array of clients. This understanding is essential for developing products and services that resonate with a broader market, ensuring that banks remain relevant and competitive.

Banks are now operating in increasingly globalized markets. They must interact with customers, regulators, and partners from diverse backgrounds. A workforce that mirrors this diversity can navigate these interactions more effectively, understanding cultural nuances and building stronger relationships. This global perspective is increasingly important as banks expand their reach into new markets and demographic segments.

Diversity is closely linked to a bank's reputation and brand image. In a world where social responsibility and ethical practices are highly valued, banks are expected to lead by example in promoting inclusivity and equality. A commitment to diversity can enhance a bank's reputation, attracting customers who prioritize doing business with socially responsible institutions.

Governments and regulatory bodies are increasingly focusing on diversity and inclusivity. Banks will need to align with these evolving regulatory expectations to ensure compliance and avoid reputational risks. There is a growing recognition of the ethical imperative to promote diversity and inclusivity. Banks, as influential institutions, have a responsibility to lead by example and contribute to a more equitable society.

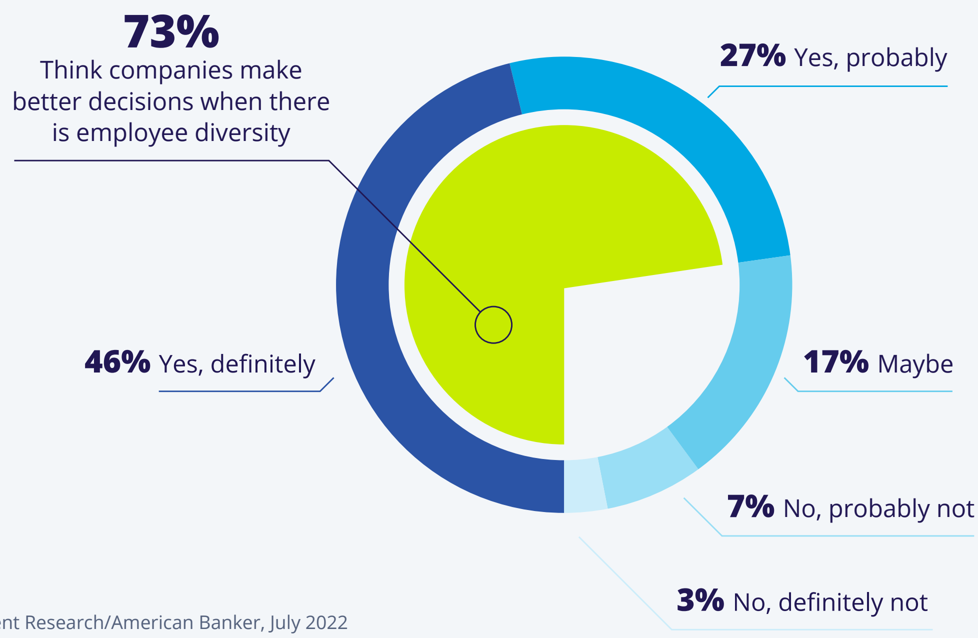
Surpassing mere regulatory compliance, inclusivity signifies a deeper commitment to crafting a financial landscape that is accessible and empowering for every part of society. A key focus of this initiative is widening the availability of banking services. Efforts to achieve financial inclusion are geared towards integrating unbanked and underbanked individuals into the mainstream financial system. This effort entails offering affordable, accessible, and pertinent financial products to those traditionally marginalized from financial services, often due to factors such as low income, rural residency, or the absence of formal identification.

Additionally, inclusivity in banking involves customizing products and services for varied customer groups. This approach includes developing financial products specifically for women, senior citizens, and individuals with disabilities, as well as ensuring digital banking platforms are user-friendly for all. It also encompasses providing financial education and literacy programs to support customers in making well-informed financial decisions.

Inclusivity in banking is fundamentally about providing equitable access to financial services, nurturing work environments rich in diversity and inclusion, and designing products and services that cater to the needs of every societal segment. As the banking sector continues its evolution, the focus on inclusivity is expected to intensify, driven by ethical imperatives and the acknowledgment that a banking system inclusive to all is beneficial for business and a crucial step towards societal advancement.

Diversity is not just a trend for the next 12 months but a fundamental aspect of modern banking. It's crucial for innovation, competitiveness, and social responsibility. As the world continues to evolve, the importance of diversity in banking will only grow, making it an indispensable part of the sector's future.

The perceived impact of employee diversity on decision making



Source: Arizent Research/American Banker, July 2022

The Diversity, Equity and Inclusion Lighthouses 2023 Report identified five success factors common across the DEI initiatives that yielded the most significant, scalable, quantifiable, and sustained impact for underrepresented groups. The success factors are: a nuanced understanding of the root causes; a meaningful definition of success; accountable and invested business leaders; a solution designed for its specific context; and rigorous tracking and course correction.

5 success factors common across DEI Lighthouse initiatives

1

Nuanced understanding of root causes

Understand the problem with a deep fact base

Identify the root causes

Get input from the target population initially and throughout

Prioritize and sequence problem areas

2

Meaningful definition of success

Set clear and quantifiable aspirations (what and by when)

Articulate a clear case for change that moves employees to action

3

Accountable and invested business leaders

Set initiative as a core business priority

Hold senior leaders accountable for outcomes, not just inputs or activities

Model and lead desired change, starting with the CEO and senior leaders

Ensure resources for longevity in the budget, expertise and timeline

4

Solution designed for context

Develop solutions that address the root causes, with scalability in mind

Integrate changes into key processes and ways of working, so impact is sustained

Equip and encourage employees to contribute

5

Rigorous tracking and course correction

Define KPIs and implement rigorous tracking process

Use data and feedback to course-correct as needed

Source: McKinsey & Company, 2023

6 strategies for banks to thrive in 2024

Forge ecosystem collaborations

Banks that proactively diversify their product portfolio and aggressively expand their market reach will be at a competitive advantage in 2024. Strategic partnerships help banks achieve these goals by filling the gaps in their knowledge and capabilities to gain the benefit of partnering with organizations with unique expertise.

Digital transformation and the integration of cutting-edge technologies are essential aspects of delivering seamless online banking experiences. Which is not just a passing trend, but a competitive necessity.

Strategic ecosystem collaborations can unlock new technologies, open up untapped markets, and foster innovative banking models. Expanding your footprint will help you get to the destination a lot quicker.

Harness AI and automation

AI can streamline operations, enhance customer experiences, and offer more personalized financial services. Analytics that draw on AI can provide deeper insights into customer behavior, enabling banks to tailor their products and services more effectively.

Banks will benefit by focusing on the automation of routine tasks such as customer queries by deploying chatbots and cutting fraud by implementing automated detection systems. This will not only improve operational efficiency but ensure a higher level of accuracy and speed in transactions.

By adopting AI and automation, banks can significantly reduce operational costs, minimize errors, and free up human resources for more complex and strategic tasks.

Nurture talent

Employees need the knowledge and skills to navigate the rapidly evolving banking landscape - no matter what their role is. Banks should therefore establish rigorous training programs focused on digital competencies, financial technologies, and regulatory frameworks.

This approach should be complemented by a strong mentorship culture in which experienced staff actively guide and develop emerging talent, fostering a pipeline of future leaders.

Banks also need to implement a proactive talent management strategy. This includes identifying and nurturing high-potential employees, offering them opportunities for career advancement and leadership roles.

Diversity and inclusivity should be embedded in talent development programs to recognize and harness the unique perspectives and skills a diverse workforce brings. By taking these assertive steps, banks will not only enhance their workforce capabilities but also build a resilient and future-ready organization.

Promote financial inclusion

Internally, banks must ensure that their workforce reflects the diversity of the communities they serve. Externally, banks should focus on making their products and services accessible to traditionally underserved communities.

This could include setting up financial literacy programs, creating banking products tailored to the needs of different demographic groups, and ensuring that banking facilities and digital platforms are accessible to people with disabilities.

Banks should also actively engage with community leaders and organizations to understand the unique needs of these communities and collaborate on solutions that promote financial inclusion.

Cultivate adaptability and agility

A mindset of flexibility and resilience is essential to success. Encouraging cross-functional collaboration and agile project management methodologies can lead to more responsive decision-making processes.

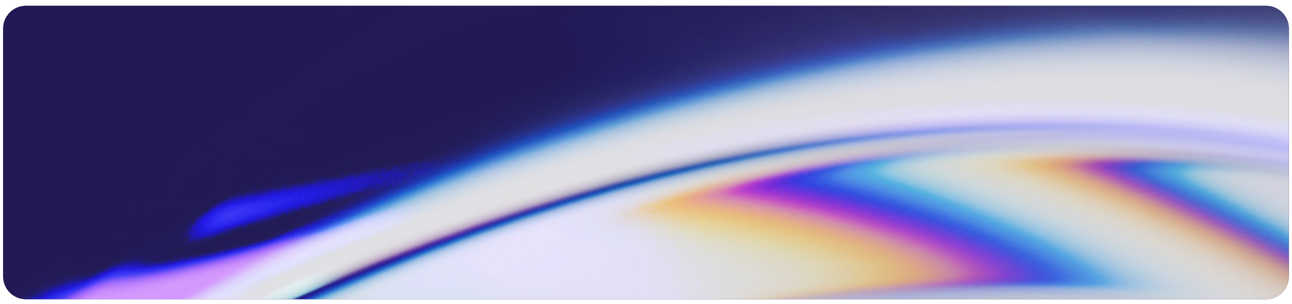
Banks should also establish robust risk management frameworks that allow them to anticipate and quickly respond to potential disruptions, ensuring they can adapt swiftly to changes in the financial landscape while maintaining stability and customer trust.

Embrace the digital revolution with Total Experience(TX)

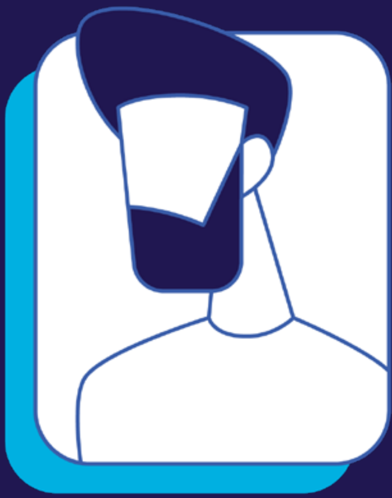
The concept of Total Experience (TX) is a game-changer, offering an integrated approach to transforming customer and employee interactions.

This holistic strategy goes beyond traditional boundaries, leveraging cutting-edge technologies like AI, cloud computing, and advanced analytics. The goal is to create a cohesive, end-to-end journey that not only meets but anticipates the needs and preferences of both customers and employees.

By doing so, organizations can foster deeper engagement, increase efficiency, and drive innovation, ultimately leading to enhanced satisfaction and loyalty in an increasingly digital world.



Humanize banking with ebankIT

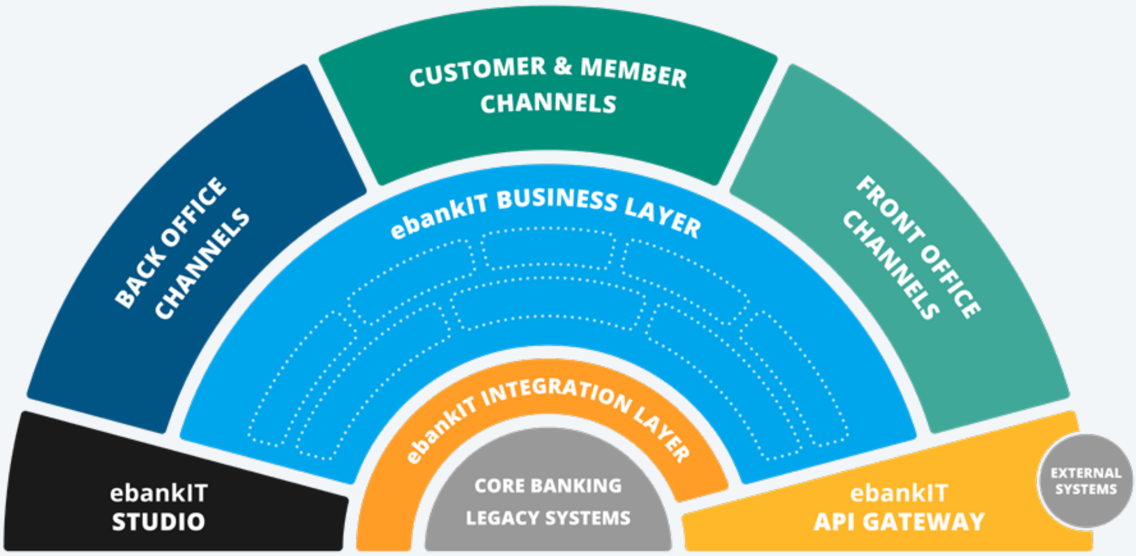


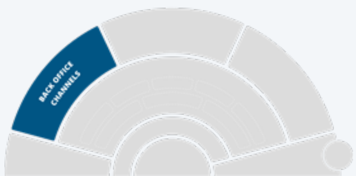
ebankIT enables banks and credit unions to deliver humanized, personalized, and accessible digital experiences. By adopting the ebankIT Omnichannel Digital Banking Platform, financial institutions are powered to offer an increasingly innovative user experience to both their customers and internal teams, and across every modern digital channel, from mobile to web banking, from wearable gadgets to the metaverse and beyond.

Enhanced with flexible and robust out-of-the-box features, ebankIT Omnichannel Platform offers a fast and seamless digital banking transformation for financial institutions of any size and background. With extensive customization capabilities and a continuous focus on human interactions, ebankIT futureproof the digital strategy of banks and credit unions, empowering them with a truly customer-first approach.

During digital banking transformation, financial institutions need to answer the fundamental question: “Buy-or-Build?” At ebankIT, we believe that there is an ideal middle-ground solution: a ready-to-market solution with increased product adaptability and extensive customization options.

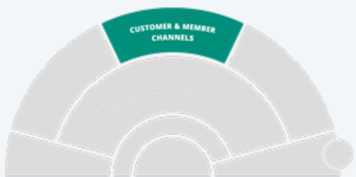
ebankIT Omnichannel Digital Banking Platform





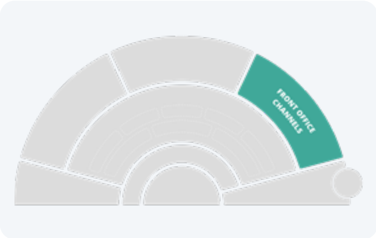
Back office

Back-office channels act as the control room of the entire omnichannel experience. Banks and Credit Unions enjoy the necessary leverage to customize and administer business information, without requiring additional IT support. By taking benefit from a wide range of digital tools – including a Monitoring Center and a Management System – banking teams benefit from a more intuitive experience and may easily manage end users and create transactional workflows.



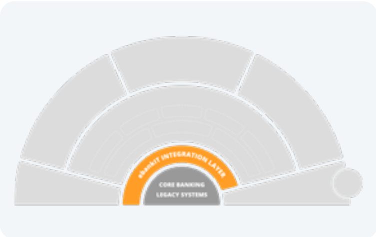
Customer & Member Channels

Combining a customer-centric approach with a genuine Omnichannel strategy, ebankIT turns every banking solution into an enjoyable journey in which customers are free to use their device of choice and switch to another at any given time. Loans, payments, transfers, cards, opening accounts, and even a complete process of onboarding: every feature is just a fingertip away, either through internet or mobile banking, or even in new virtual worlds – like the metaverse.



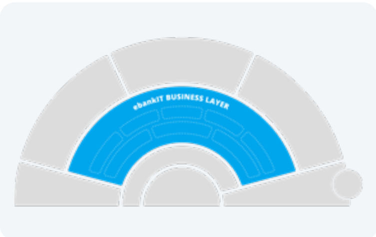
Front office

ebankIT enables banks and credit unions to explore every digital tool to engage with their customers and members. The front-office layer is designed to centralize every activity on both the banking branch and the contact center, as well as create new ways to contact customers. Emails, chats, calls, IVR customer service and more: every effort is integrated in a single platform, enabling the banking team to monitor every interaction, plan future campaigns and identify emerging opportunities in any given market.



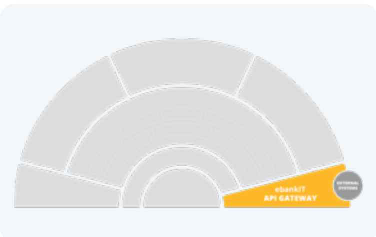
ebankIT Integration Layer

The ebankIT Integration Layer is the getaway that enables banks and credit unions to quickly implement the ebankIT platform. With pre-built connectors, it easily integrates with all the main core-banking systems, building the bridge between the core banking or legacy systems and the ebankIT middleware. Flexible and fully agnostic, ebankIT is able to digitally transform every financial institution, regardless of their size or background.



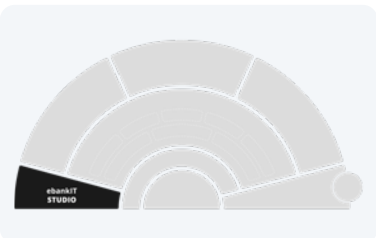
ebankIT Business Layer

The heart and soul of ebankIT Platform. ebankIT Business Layer runs on an out-of-the-box basis, enabling the ease of deployment and the overall increase in digital sales. ebankIT is based on a comprehensive catalog of middleware tools, that range from Communication Gateways to a robust Security Center.



API Gateway

While affirming itself as a reliable and robust digital banking platform, ebankIT also takes benefit from a growing ecosystem of partners, that provide complementary technologies to grant every financial institution a state-of-the-art solution. The ebankIT API Getaway opens the door for the integration of third-party solutions, by providing PSD2 compliance and offering banks and credit unions an endless roadmap of innovation.



ebankIT Studio

With ebankIT Platform, banks and credit unions are able to generate new services in-house, with minimal coding and at reduced costs. ebankIT Studio is an omnichannel Integrated Development Environment (IDE) that offers comprehensive customization tools, enabling each financial institution to continuously adapt and reshape their digital portfolio and business strategy.

Why do customers choose ebankIT?

Founded in 2014 by an experienced team of fintech experts, ebankIT's work has already translated into increased revenues and cost minimization for dozens of financial institutions worldwide. Today, the ebankIT Omnichannel Digital Banking Platform is licensed to institutions in 11 countries, serving millions of customers and members.

From the first moment, ebankIT technology guarantees a class-leading time-to-market, which is only possible because ebankIT Platform is widely equipped with pre-built connectors for the most popular core-banking systems. ebankIT platform also offers banks and credit unions a rich business middleware and the ebankIT Studio, an innovative Integrated Development Environment (IDE), that enables each financial institution to customize their digital catalog and to generate new services in-house, with minimal coding and at reduced costs.

Implementation approach

- Implementations performed by certified partners (ebankIT Academy)
- Evolution Support and Maintenance of the implementation performed by partners
- Platform enhanced by an ecosystem of partners that provide complementary technologies and additional financial solutions

From implementation onwards, financial institutions engage in a disruptive innovation roadmap, with new product launches and updates every six months. ebankIT is always working on new ideas, benchmarking the best practices, and following the most relevant market trends.

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REPORT

Transforming customer onboarding

The Digital onboarding Report

Foster customer relationships from the very first interaction. Discover how a fast, seamless and personalized onboarding experience can turn first-time customers into lifelong clients for your bank.

Download the report →

REPORT

Technology Overhaul

The Banking CIO/ CTO Agenda 2027 Report

Dive into the digital transformation playbook for CIOs and CTOs, highlighting 6 transformative trends that tech leaders must leverage to stay ahead of the competition.

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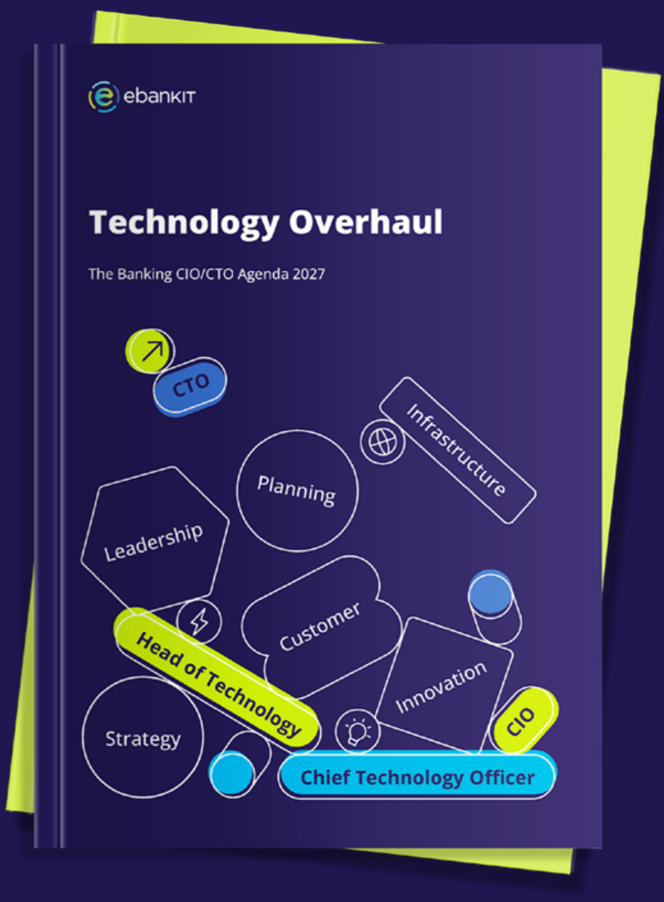

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