

# Retail banking

Retail banks are maturing on their digital transformation journeys, with a healthy 35% of executives saying they are producing results from their digital strategy, up from 27% last year. Yet, even with these gains, digital leaders face the challenges of cultural change, as well as the limitations of their legacy infrastructure. These are just some of the insights shared by retail bank executives this year.

Read on for more insights into retail bank executives' top trends and priorities, along with recommendations for key actions banks can take now to accelerate their digital journeys.



# Accelerating digital to meet unprecedented customer needs

In an unprecedented year, retail banks accelerated the delivery of digital services to satisfy customer needs, particularly as numerous branches closed due to pandemic restrictions.

As banks moved more capabilities online, however, they also recognized that new customer-facing digital processes must connect to core systems that are modern and flexible.

Reducing the strain of digital transformation on legacy systems and infrastructure requires a renewed focus and investment to enable the innovation that can deliver real-time, 24/7 customer service. Retail banking executives cite increased budgets for new applications and infrastructure for 2021, as well as planned investment in agile IT. At the same time, they cite that cultural change and change management are also required to ensure success.

Each year, we meet with client executives from around the world to get their views on the trends affecting their organizations and industries. Through the CGI Voice of Our Clients, we analyze these findings to provide actionable insights by industry to benchmark best practices, including the attributes of digital leaders. This report summarizes the trends and priorities from our 2021 CGI Voice of Our Clients discussions with 134 retail banking executives, along with recommendations for banks to accelerate their digital journeys.

## About the insights

In 2021, we met with 1,695 business and IT executives. This summary shares sample insights from 134 retail banking client executives.

### Interview demographics

<b>44%</b> Business leaders	<b>56%</b> IT leaders
<b>58%</b> C-level	<b>42%</b> Ops-level
<b>62%</b> Europe	<b>38%</b> North America

Over the past 6 years through the CGI Voice of Our Clients program, we've held 7,470 client discussions, collecting 1 million data points across the industries and geographies we serve. Our anonymized benchmarking data reflects insights from 5,500 client organizations located in countries representing 82% of the world's IT spend across all economic sectors.

# Top trends and priorities

The drive to become digital to satisfy customer needs continues to dominate retail banking trends and priorities, as does the need to automate business processes and protect and secure the bank.

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## Top trends

- 1 Increasing customer adoption of digital as the primary channel
- 2 Digital transformation demands straining legacy banking infrastructure
- 3 Growing threat of cyber and other financial crimes

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## Top business priorities

- 1 Improving the end-to-end customer experience
- 2 Accelerating digital client-facing transformation
- 3 Protecting the bank and clients from regulatory risk and financial crime

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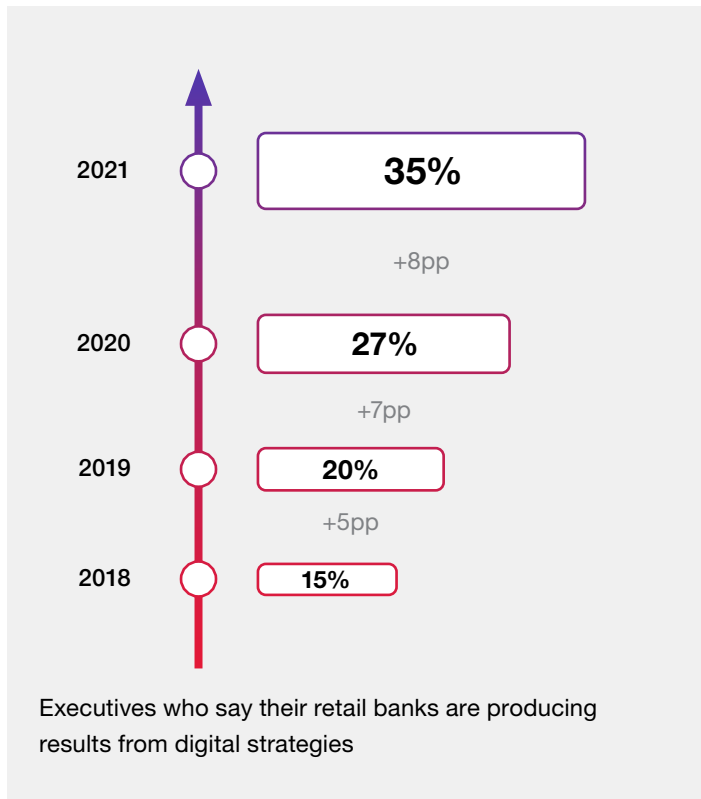
## Top IT priorities

- 1 Delivering client-facing digital transformation
- 2 Automating business processes
- 3 Aligning IT capability with the business



# Top 10 insights for retail banking

In 2021, increasing customer adoption of digital remains the top trend, as in 2020, while the strain of digitization on legacy infrastructure rises in impact. In line with the growing impact of legacy strain, executives report increased budgets for new applications and infrastructure and growing innovation investment for agile IT delivery and infrastructure.



## 1 Many retail banks are now producing results from their digitization strategies.

Retail banks are maturing on their digital journeys, with 35% of executives saying they are producing results from their strategies, compared to only 20% across all industries.

## 2 Mobile self-service and omni-channel remain the top digital initiatives.

The long-term trend toward digital channels is accelerating, as many physical branches remain closed.

## 3 Banks' IT supply chains are not agile enough.

64% of executives say their IT supply chain cannot respond quickly enough to changing business needs, and 26% believe this poses a very high challenge to achieving IT priorities.

## Top 10 insights for retail banking

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### **Agile IT delivery and infrastructure is the top innovation investment over the next 3 years.**

As they did in 2020, executives rank agile IT delivery and infrastructure as the top area of innovation investment over the next 3 years. The second top area of investment is omni-channel customer management, up from fourth last year.

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### **The strain of digitization on legacy infrastructure is poised to become the top issue in the next 2 years.**

While top trends remain steady year-over-year, digital transformation strains on legacy banking infrastructure is the only trend rising in impact this year; it also rose in impact the previous year.

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### **North American executives cite using the public cloud more often than their European peers.**

More North American executives say they are using the public cloud (61% for customers and 70% for their organization) compared to their European counterparts (38% for both). Further the rate of adoption is accelerating for North American banks and slowing for their European counterparts.

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### **Budgets are increasing for new applications and infrastructure.**

44% of executives say they are increasing budgets for new applications and infrastructure, including cloud. IT spend trends were impacted significantly by new IT delivery models, including cloud, SaaS and agile.





**8 The use of automation is maturing.**  
For simple, robotic and enhanced process automation, executives cite that they are moving from the “in-progress” implementation stage to “done and in continuous improvement.” For more complex forms of automation like algorithmic and artificial intelligence-driven, most are still at the “in-progress” implementation stage.

**9 Geographies differ on the impact of sustainability on creating future customer value.**  
70% of European retail banking executives view environmental sustainability as highly core to creating value for customers, now and into the future, compared to 44% of their North American counterparts.

**10 Achieving business priorities relies on people.**  
Cultural change and change management are the top-cited constraints to achieving business priorities, while organizational culture ranks third.

# Digital leaders in retail banking

Retail banking executives indicate accelerated progress with producing results from digitization strategies, with 35% achieving such results in 2021. In examining the insights from this 35% who are digital leaders, some common attributes emerge. The table compares responses to questions from the digital leaders to those from executives whose organizations are still building or launching digital strategies.

Common attributes of digital leaders	Executives producing results from digital strategies	Executives building or launching digital strategies
Collaborate more efficiently	<b>67%</b>	26%
Are better at introducing applicable innovation	<b>44%</b>	32%
Are better at aligning IT and business priorities	<b>65%</b>	56%
Are more likely to have a very* agile IT supply chain	<b>31%</b>	21%
Use managed services and partners more	<b>92%</b>	77%
More often run a secure IT environment	<b>75%</b>	63%
Feel strongly that environmental sustainability is core to creating value for customers	<b>69%</b>	44%

Even digital leaders, however, must overcome the limits of their legacy infrastructures, with 36% rating the degree to which legacy systems pose challenges to their digitization strategies as “high.”\*

They also feel a greater impact of digitization on their business model evolution, with 89% ranking the impact as high,\* compared to 67% for those building or launching digital strategies.

\* 8–10 on scale of 1–10, where 10 is high

# 5 recommendations for achieving your top priorities

**1** **Continue the push toward digitization** to enable more customer self-service and to drive process efficiencies. The irony of the pandemic is that, even though many branches closed, retail banks fared better than many other industries because of their ability to leverage digital channels. Executives witnessed the power of digitization to drive business agility, resiliency and customer satisfaction. Post-pandemic, digital investment will remain a top priority for leaders in retail banking, especially as FinTechs continue to pose a serious competitive challenge.

+ Read more: [Traditional banks versus FinTechs: Cooperation, competition, or both?](#)

**2** **Address cultural challenges resulting from change**, such as accelerated digitization. As retail bank branches closed during the pandemic, more services moved online, and customers demanded even more digital services. These changes, and others, required new ways of working for bank employees, which will likely persist long after the pandemic ends. In response, we recommend retail banking leaders prioritize investments in cultural and change management to help their employees adapt without negatively affecting the customer experience.

**3** **Improve the customer experience through** intelligent automation, which not only provides customers with better access to bank services and related information, but also enables banks to advise them in important areas, such as spending, saving, home buying, etc. Automation enables easier, faster and more cost-effective customer interactions. Further, with artificial intelligence, machine learning and data analytics, banks can better understand customers and deliver automated services that cater to their individual needs.

**Case in point:** A top retail bank piloted a groundbreaking digital offering to help customers avoid overdraft fees through unprecedented account transparency and control. Real-time intelligent alerts notify customers when their balance is low, and they are given “extra time” to prevent or address overdrafts. CGI is working with the bank to iteratively build, refine, test and operationalize the artificial intelligence/machine learning model. Next, the model will be trained using customer transaction history to consider auto-payments, analyze data and publish a score in a data-streaming platform. Online and mobile banking applications will process this score and alert customers.



## 5 recommendations for retail banking

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**Accelerate the modernization of legacy systems** to overcome digitization constraints, drive innovation and deliver real-time, 24/7 customer service. Bank customers want and expect access to the best services and digital tools. A legacy IT environment can hinder digital transformation, increasing the risk of losing customers. An effective modernization strategy and approach positions banks to compete with new players such as FinTechs and digital-first banks. Success depends on a clear strategy and the right partner.

**Case in point:** Texas-based Vantage Bank's digital transformation started with the need to replace aging and costly legacy solutions, while also positioning itself for future business growth. CGI worked closely with the bank to define a plan of action to meet their short and long-term needs. Four months after selecting CGI, Vantage Bank Texas went live with CGI All Payments, a modern, modular solution built on global industry standards to ensure the bank's payments business is future-proof.

[+ Read more](#)

“Our customers expect a better user experience. To deliver on those expectations, we partnered with CGI to improve efficiencies in payments processing with a modern, flexible solution. The goal of the project is to future-proof our payment systems while offering customers a wider range of payment and transfer options.”

**Shawn Main**, Chief Business Architect at Vantage Bank Texas

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**Map out a clear enterprise cloud strategy** to achieve greater sustainability, resource elasticity, and improved capacity planning and resiliency. Moving to the cloud also will drive efficiencies and cost savings across the enterprise. The right platform, experience, security and data protection are critical considerations. In particular, as local regulations evolve in a worldwide context, data privacy compliance is of particular importance in balancing the use of the cloud to manage and protect data. This involves choosing a best-fit cloud environment (private, public or hybrid), implementing a multi-cloud native and cloud-agnostic platform, accessing proven cloud expertise and processes, and ensuring advanced cloud security and privacy to achieve all of the benefits of cloud deployment.

[+ Read more: Moving payments to the public cloud with CGI All Payments](#)

# About CGI

## Insights you can act on

Founded in 1976, CGI is among the largest IT and business consulting services firms in the world.

We are insights-driven and outcomes-based to help accelerate returns on your investments. Across 21 industry sectors in 400 locations worldwide, our 78,000 professionals provide comprehensive, scalable and sustainable IT and business consulting services that are informed globally and delivered locally.

For a complete set of the CGI Voice of Our Clients industry insights, and to consult with one of our experts, please visit [cgi.com/voice-of-our-clients](https://cgi.com/voice-of-our-clients) or contact us at [info@cgi.com](mailto:info@cgi.com).

