



# RETAIL BANKS: Well-prepared for Digital Innovation

“We want to make sure we’re building services that allow the customer to get all the capabilities we have to offer in a seamless way.”

Scott Dillon,  
Chief Technology Officer,  
Wells Fargo & Co.

Retail banks consider digital capabilities foundational to their competitiveness—and therefore their success. As fintech firms, online-only banks, and non-financial platform companies move into this segment of the financial services industry, retail banks are making technology a major strategic focus: according to our latest research, 87% have a formal, long-term plan for digital innovation.

Oxford Economics and Accenture surveyed 90 technology executives in the financial services sector, including a statistically significant sample from the retail banking segment. Our survey results show that for banks, digital transformation isn’t just a matter of improving efficiency or controlling costs. Retail bank executives expect technology to accelerate their company’s growth. Among the key findings:

- 43% of retail bank executives expect their technology investments to improve customer loyalty—critical in an industry that’s all about asset-gathering.
- A third of banks think technology will boost their market share.
- More than a quarter (27%) expect it to create new revenue streams.

But retail banks face hurdles in implementing their ambitious digital plans. More than half (53%) worry that upgrading their technology systems will disrupt daily business activities. Other pain points include regulatory concerns, a siloed IT function, and lack of change management expertise.

Banks understand the importance of overcoming those obstacles, as they keenly feel the pressure from new rivals and shifting consumer expectations. Two-thirds of survey respondents say that within five years, consumers will do most of their saving, investing, and borrowing online, through companies like Amazon.com, Inc., Google LLC, Venmo® (PayPal, Inc.), Earnest LLC, and SoFi (Social Finance, Inc.). Falling behind on the technology curve is not an option.

“Customers want real-time information, and they expect us to come to them anywhere. So we want to make sure we’re building services that allow the customer to get all the capabilities we have to offer in a seamless way,” says Scott Dillon, chief technology officer at Wells Fargo & Co., one of the executives interviewed for this study.

Our survey results suggest retail banks are working to meet these higher consumer expectations in an industry where change comes slowly. Harnessing digital innovation to boost customer loyalty, without disrupting day-to-day business activities, presents a challenge. But to remain competitive, retail banks have little choice.



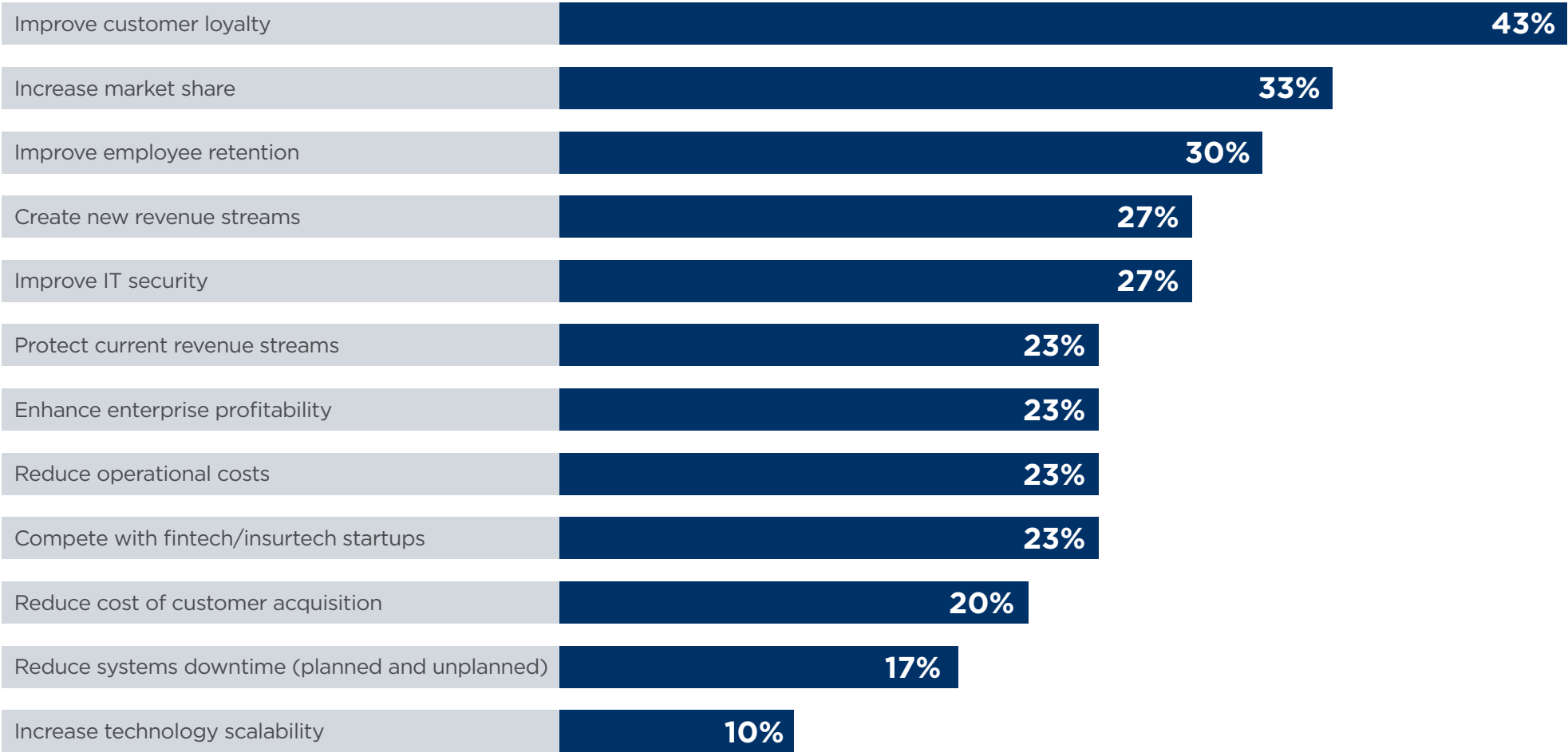
## I. The Growth Goal: ‘Sticky’ Customers

The financial services industry has moved beyond viewing technology as primarily a means to cut costs. Asked to name their top three goals for digital innovation, 43% of retail bank executives say they expect their investments to improve customer loyalty; 33% think technology will increase market share; and 30% think it will improve employee retention

(Fig. 1). These results suggest banks are prioritizing the right mix of objectives for their technology investments—deeper customer loyalty and growing market share are key to competitiveness, and to maintain growth, employees need to be engaged and committed.

**Fig. 1: Retail banks expect technology to boost customer loyalty**

Thinking of the technologies you are investing in today, how do you expect those technologies to improve your company’s competitiveness?  
*Retail banking respondents, top-three ranked responses*



## Retail Banks: Well-prepared for Digital Innovation

Banks have already seen a payoff from their technology investments. For example, 86% of respondents investing in data analytics say these tools have been critically important in helping them reach their goals. In fact, a majority say their company is getting the most bang out of foundational technologies like data analytics (63%) and cloud capabilities that improve efficiency (53%).

But banks see their technology needs evolving, and know that cloud and data analytics are key enablers of next-generation tools like artificial intelligence (AI) and machine learning. More than half (53%) think that in three years, AI-based technologies to improve operations will have the biggest impact on their bank, and 47% say the same about client-facing AI.

The focus on AI makes strategic sense. Smart technology, which can personalize a music playlist or fill a gourmet's refrigerator, is proving to be a powerful force in retail banking. Indeed, 77% of bank respondents think that in five years, [virtual assistants](#)\* will substantially handle more than half of customer interactions.

In anticipation of that sea change in customer relationships, banks are devoting significant resources to digital transformation. As we have noted, nearly nine in 10 respondents have a coherent strategy for technology innovation across their entire business. In addition, 80% have developed metrics that they apply consistently to monitor the value of their technology investments, and two-thirds maintain an in-house team dedicated to digital innovation. These results suggest most retail banks aren't just throwing money at the latest trendy technology. They are carefully measuring how digital transformation is moving the bottom line.

Nearly half of retail banks expect their technology investments to improve customer loyalty, and a third hope for increased market share. These results align with previous Accenture research into customer loyalty.

Banks should extricate themselves gradually from legacy systems, make sure they are getting strong value from proven tools, then strategically bring emerging technologies into their digital mix.

## Survey demographics and methodology

In early 2018, Oxford Economics and Accenture surveyed 90 executives in the financial services industry responsible for technology purchase decisions at their organization. The survey sample included 30 respondents from retail banking; 30 respondents from capital markets firms; and 30 respondents from insurers. Unless otherwise noted, all survey data in this paper reflect responses from retail banking respondents.

Respondent organizations were roughly evenly distributed across North America, Asia Pacific, and Europe. Respondent titles were evenly distributed among CTOs, CIOs, and EVP/SVP/VPs of IT. In terms of revenues, 60% of retail banking respondents reported \$10 billion–\$25 billion last year; the rest reported \$25.1 billion–\$100 billion.

\* To find out more on the potential of responsible AI please see:

[https://www.accenture.com/t20180319T114329Z\\_\\_w\\_\\_/gr-en/\\_acnmedia/PDF-74/Accenture-Realising-Economic-Societal-Potential-Responsible-Ai-Europe.pdf](https://www.accenture.com/t20180319T114329Z__w__/gr-en/_acnmedia/PDF-74/Accenture-Realising-Economic-Societal-Potential-Responsible-Ai-Europe.pdf), *Realising the Economic and Societal Potential of Responsible AI in Europe*.

## II: Building the Foundation for Tomorrow's Platforms

Our survey data suggest that retail banks are laying the foundations for long-term digital transformation. The sequential approach is a prudent one in this heavily regulated industry: banks should extricate themselves gradually from legacy systems, make sure they are getting strong value from proven tools like cloud computing, then strategically bring emerging technologies like artificial intelligence and agile development into their digital mix. For many, this is a tall order. More than half of our retail bank respondents say updating their technology without disrupting day-to-day business activities is a major challenge.

Wells Fargo's Mr. Dillon is levelheaded about the challenges banks face. "Old processes don't work in the new way," he says. "You might have four things that helped in the legacy environment in the past, but now a platform can transform those four things into one. That takes a lot of rigor. It's not going to happen overnight, and it's where we see a lot of our peers fail."

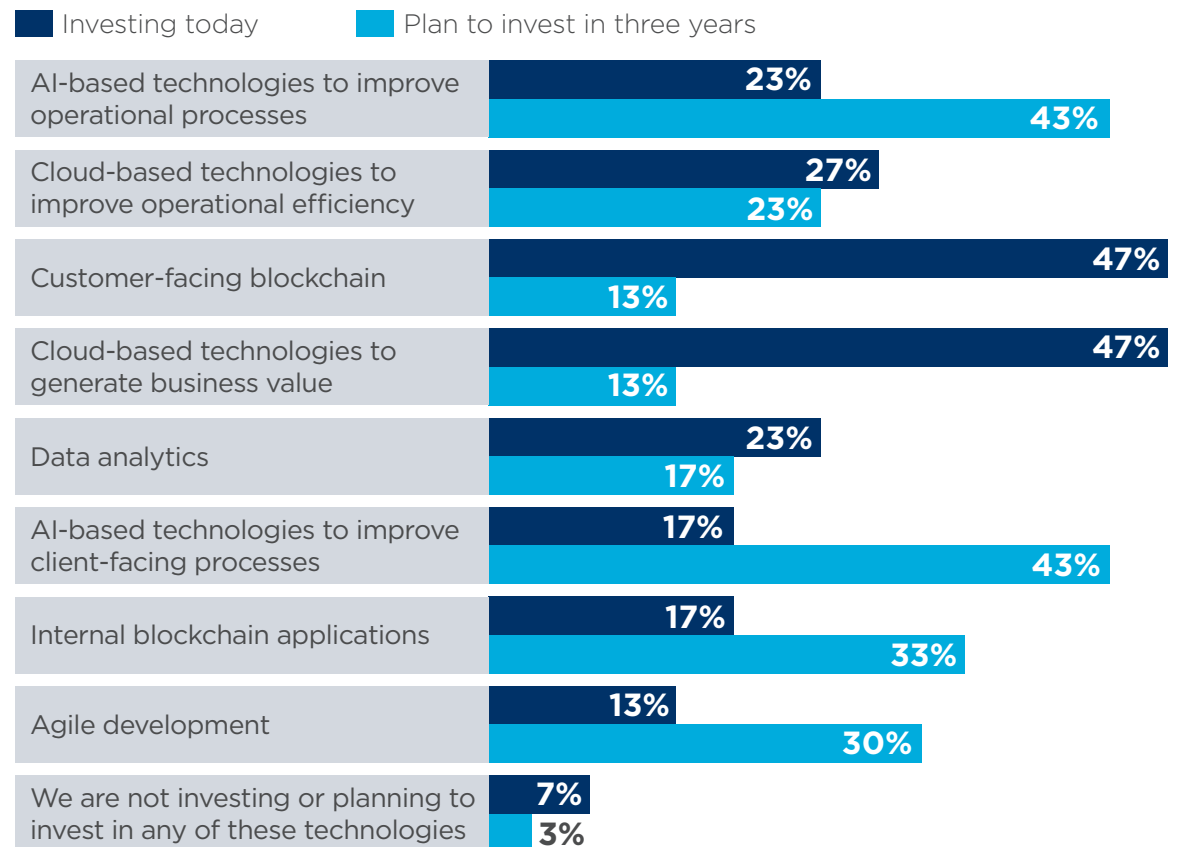
According to our survey, retail banks are using increasingly sophisticated tools to reach their goals (Fig. 2). Their current and planned investments reflect this technology continuum. Today, 47% of banks say they are investing heavily in customer-facing blockchain. That percentage drops to 13% in three years—perhaps because by then, respondents expect to have fully integrated these capabilities into their business.

And in three years, 43% of retail banks see themselves investing heavily in operational and customer-facing AI. Conversely, the percentage of banks investing in cloud-based technologies to generate business value looks set to drop significantly, suggesting that by 2021, most retail banks will be using cloud as a core enabling technology supporting more advanced digital tools.

Banks expect technology's impact to grow in all areas of their business. For example, while only 33% of survey respondents say technology is having a significant effect on their home mortgage line of business (LOB) today, that percentage more than doubles, to 70%, when respondents envision their mortgage business three years from now. And 77% of retail bank respondents say technology will have a significant impact on their commercial lending business in three years.

**Fig. 2: Technology investments move from foundational to cutting-edge**

Please indicate which technologies you are investing in or plan to invest in significantly.  
*Retail banking respondents*



### III. Vaulting the Hurdles

All financial services providers operate within a tight regulatory framework. Retail banks can ill afford to miss a compliance step or let transactional traffic back up as they enhance their digital capabilities. Their IT executives are highly sensitive to these risks (Fig. 3).

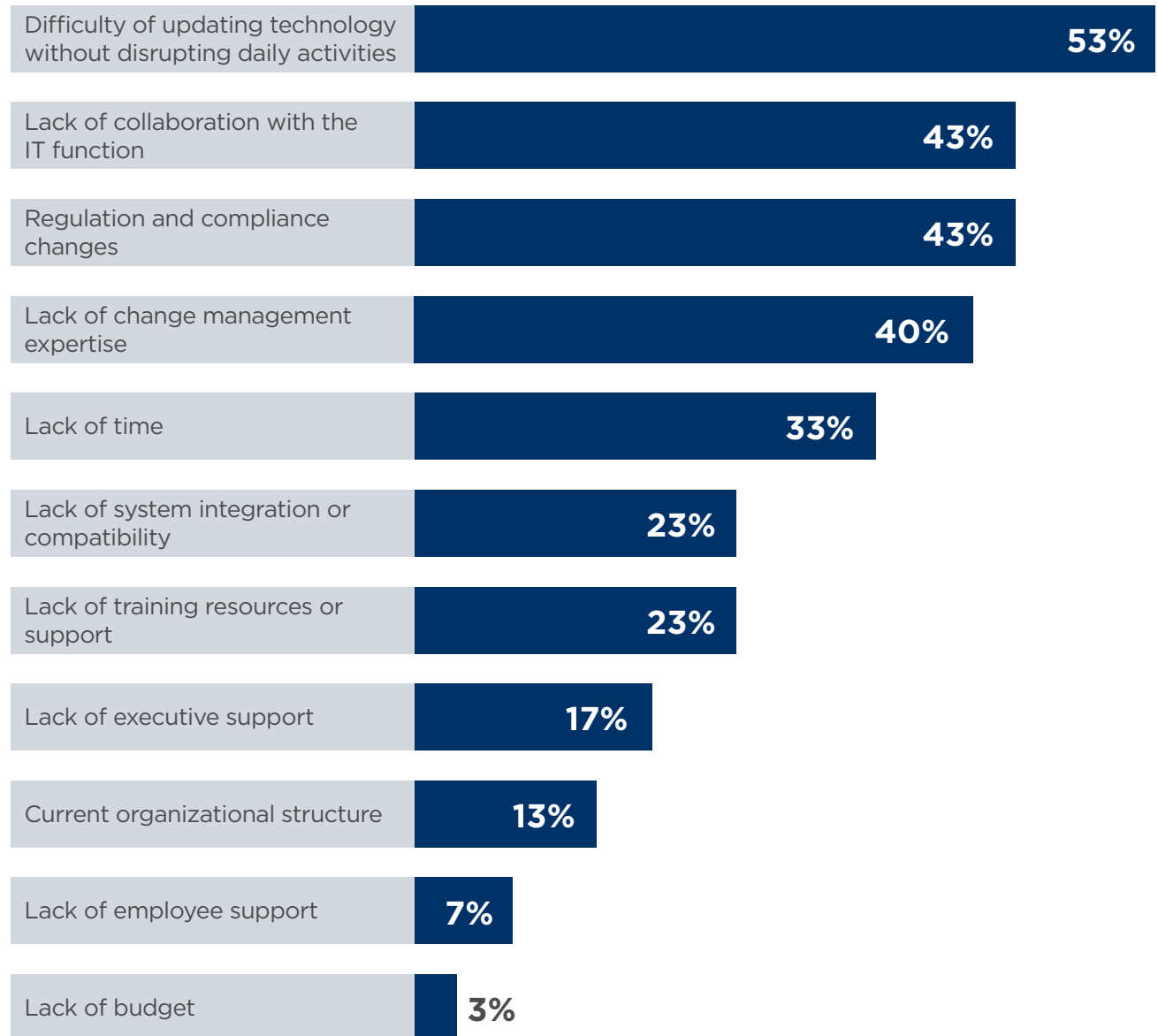
In particular, more than half (53%) of retail banks cite the difficulty of updating technology without disrupting daily activities as a top-three obstacle to achieving results from their technology investment. More broadly, when asked about the financial services industry overall, 57% of retail bank respondents consider legacy systems the number-one obstacle to digital progress.

Cultural and managerial challenges, too, stand in the way of progress in getting value from digital innovation: 43% of retail bank respondents say lack of collaboration with the IT function is a problem, and nearly that many (40%) complain of a lack of change management expertise at their organization.

These findings suggest that while banks may indeed have a long-term strategy for digital transformation, senior management should do a better job of implementing the plan. That includes improving communication between IT, the lines of business, and other cross-LOB functions like sales, marketing, HR, and legal. If change management is a weak link, retail banks may want to take a hard look at how new technology—and its impact on growth—is likely to affect their organizational chart, and plan proactively.

**Fig. 3: Business continuity concerns keep executives up at night**

At your company, what are the biggest obstacles to achieving desired results from technology investments? *Retail banking respondents, top-three ranked responses*



## Retail Banks: Well-prepared for Digital Innovation

Workforce considerations loom large in bank executives' minds. On the one hand, most expect technology to eliminate labor-intensive jobs (Fig. 4). On the other, their digital strategy creates an urgent need for skilled employees. It's concerning that 43% of survey respondents say a lack of qualified employees with skills to operate new technologies is a major obstacle in the financial services industry overall.

Overcoming that challenge will likely require a combination of internal training programs and smart hiring strategies, including at the executive level. Wells Fargo & Co.'s Mr. Dillon, for one, emphasizes human capital when talking about digital transformation. "Invest in your people, train them, and also bring in thought leadership from the outside," he says. At Wells Fargo, "we've been very intentional about leveraging our size, but also very willing to bring in external leadership and capabilities."

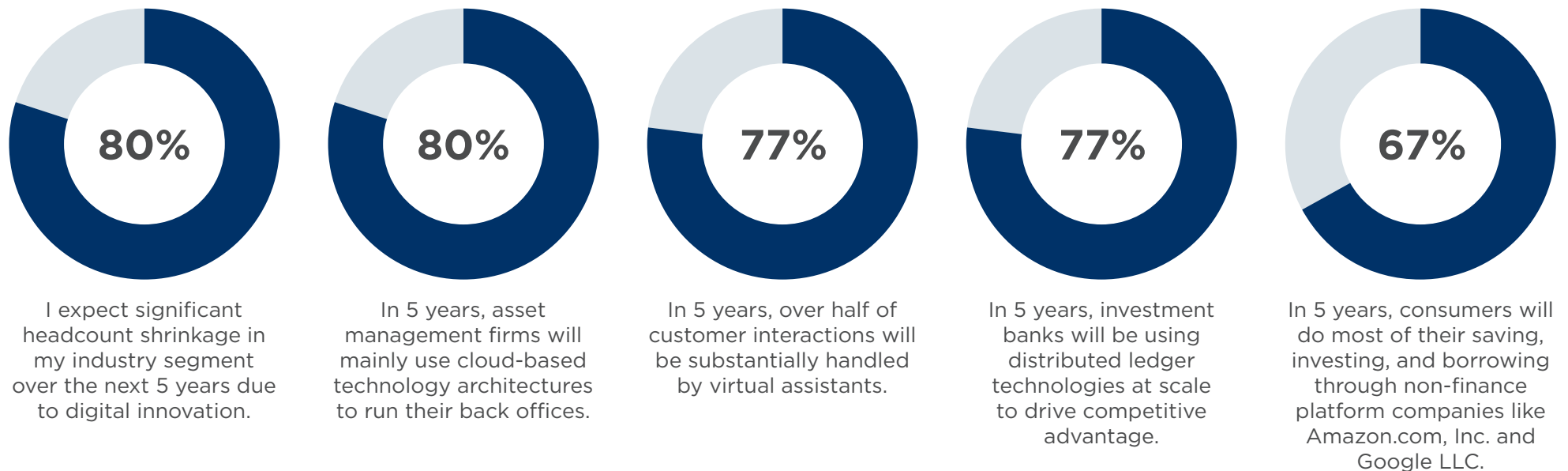
Retail banks are confident about their technology choices and are clear-eyed about the far-reaching impact of digital innovation on their industry. But these organizations are executing a delicate balancing act to integrate legacy systems with their new technology investments. Banks should weigh the importance of uninterrupted service for customers—and their many compliance imperatives—against the pressing need to compete against fintech and platform companies.

When it comes to technology adoption, many retail banks may not lack budget or technology expertise. Their challenge is building secure, dependable business continuity into their plans as they make the leap into digital transformation.

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**Fig. 4: Banks see a different world in five years**

Please rate your level of agreement with the following statements. *Retail banking respondents*



## Action Points: What Banks Can Do Today

- Before making any major new technology investments, financial institutions should look at their workforce. Do they have the right talent to realize full value from their technology portfolio? Can they attract talent with the right skills to help leapfrog the competition?
- Most operating models used in the banking sector won't be effective in the digital era. Organizations should assess their business model and identify where they need to adapt to the new landscape.
- Banks should conduct a thorough review of their applications portfolios, to help determine which alliances should be integrated into their ecosystems, facilitate migration to more powerful and innovative technologies, and identify savings and efficiencies.
- For financial institutions, legacy systems are a fact of life, and few can adopt new technologies rapidly. To transition with confidence, make seamless integration of old and new systems a priority.
- As complexity reaches an inflection point, ingraining “adaptable DNA” into their culture can position banks to operate with greater agility.
- Banks should assess the quality of their data, data architecture and management capabilities, as these affect their ability to use innovative technologies to drive their business in the digital age.
- Fail fast. Test, learn, and adjust, to reduce exposure to losses and accelerate the company's speed to generating value.

These actions can help position financial companies to seize the opportunities offered by new intelligent platforms. Banks also have a chance, by modernizing code and automating for agility, to future-proof their business.

## About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions—underpinned by the world's largest delivery network—Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With more than 459,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Its home page is [www.accenture.com](http://www.accenture.com)

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