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Abstract

The banking industry is confronted with greater challenges than ever as it tries to keep up with demand for more efficient ways to do banking and ways to make the lives of consumers easier. Many organizations are beginning to embrace the process of digital transformation, aligning products and processes to the realities of a changing marketplace.

For organizations in the early stages of digital transformation, most efforts are simply converting legacy paper engagement to digital channels. For organizations further along in the process, the transformation includes leveraging digital technology to create new products and services, new channels of revenue, and new business opportunities. Unfortunately, this is far from enough.

To fully achieve an optimal market position, financial institutions need to move beyond simple digital transformation, using innovation to 'become digital'. This requires a complete rethinking of business processes, using innovative ways to reach, engage, and empower the consumer. More than just financial services, organizations must leverage the power of data, AI, the cloud and open banking to deliver experiences similar to the big tech firms in other industries.

Leadership must think beyond traditional ways of doing business, supporting a new innovation culture, deploying resources to rework back office processes and retraining employees who will need to skills to execute this new digital future. We are talking about using new technologies, a new entrepreneurial spirit and new business models to create innovation that does more than build on existing infrastructure. We're talking about creating a new definition of banking altogether.

This year's edition of the Innovation in Retail Banking report, sponsored by Efma and Infosys Finacle, shows that while progress has been made in the areas of digital transformation, progress is exceedingly slow. In fact, there are indications that many organizations are not fully understanding the scope of change required.

This year's report also illustrates that, while more organizations are focusing on investing in innovation, the scale of innovation is more incremental against current processes and products than transformational. It also appears that many innovations are still focused on reducing costs and changing processes than on improving the customer experience.

In the end, while digital technologies provide the opportunity for efficiency gains, it is the customer experience that needs to be improved. More importantly, if the organization's culture remains the same, digital transformation will simply magnify these flaws.

As we move to 2020, the process of digital transformation and innovation will become much more about having the right leadership and culture than simply having the right technology. Part of this leadership and cultural change is having the willingness to act. With the financial services industry enjoying strong revenues, it is difficult for many organizations to take action on opportunities found.

Too many organizations have top executives who hesitate to implement new technologies or innovations, steeped in analysis paralysis and in the comfort of current success. Unfortunately, there is a significant cost to doing nothing. Change is happening faster than ever before – and will not slow down in the future. Financial institutions need to embrace the change occurring, take a modest risk, implement new innovations, and test and learn. Waiting — is a losing proposition.

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