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Becoming More Human-Centred

IDC Financial Insights and DXC Review the New Era of Financial Services Growth as the Customer Takes Centre Stage

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Industry in Transition: Toward a New Era for Australian Banking

Post-Global Financial Crisis Banking in Australia

The nonimpact of the global financial crisis (GFC) gave Australian banks a sense of confidence in their abilities to lead the world as they grew in size, scope, and performance.

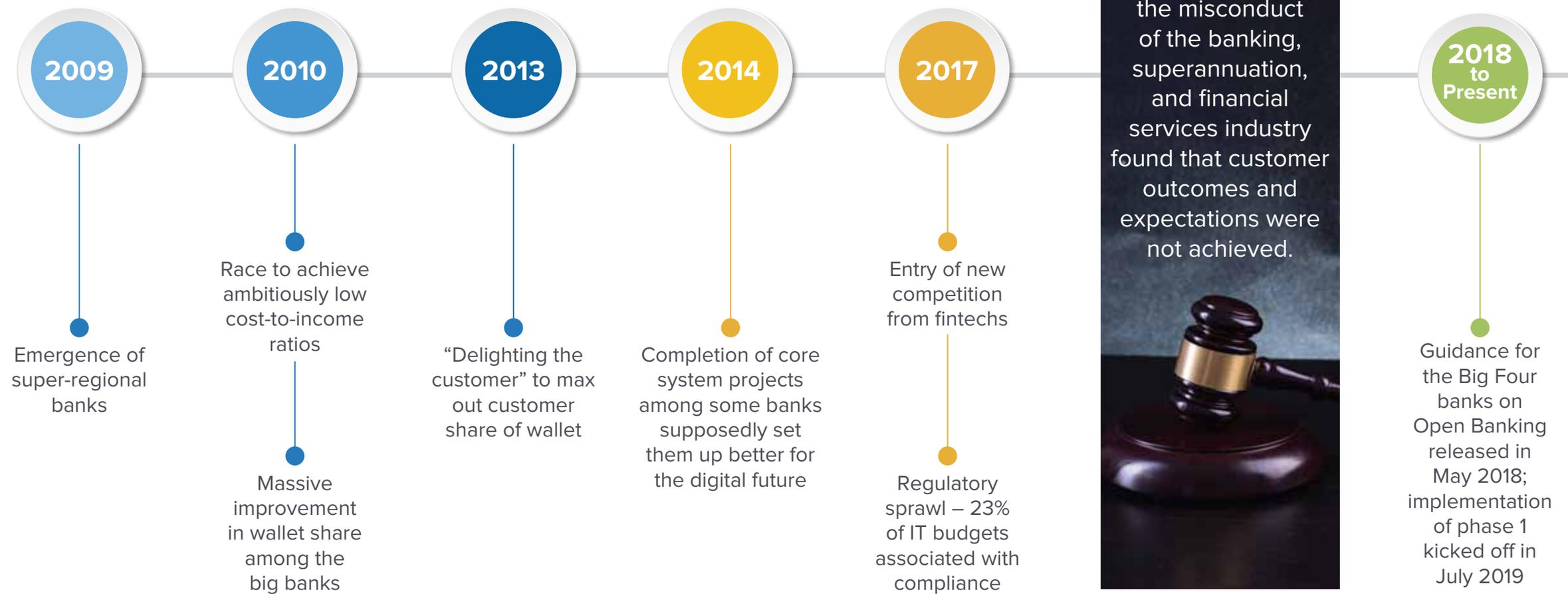
Emergence of Disruption in Australian Financial Services

The upsurge of “digital” served to accelerate the massive disruption in new competition, regulatory compliance, and unpredictable market performance.

Post-Royal Commission: Start of a New Era

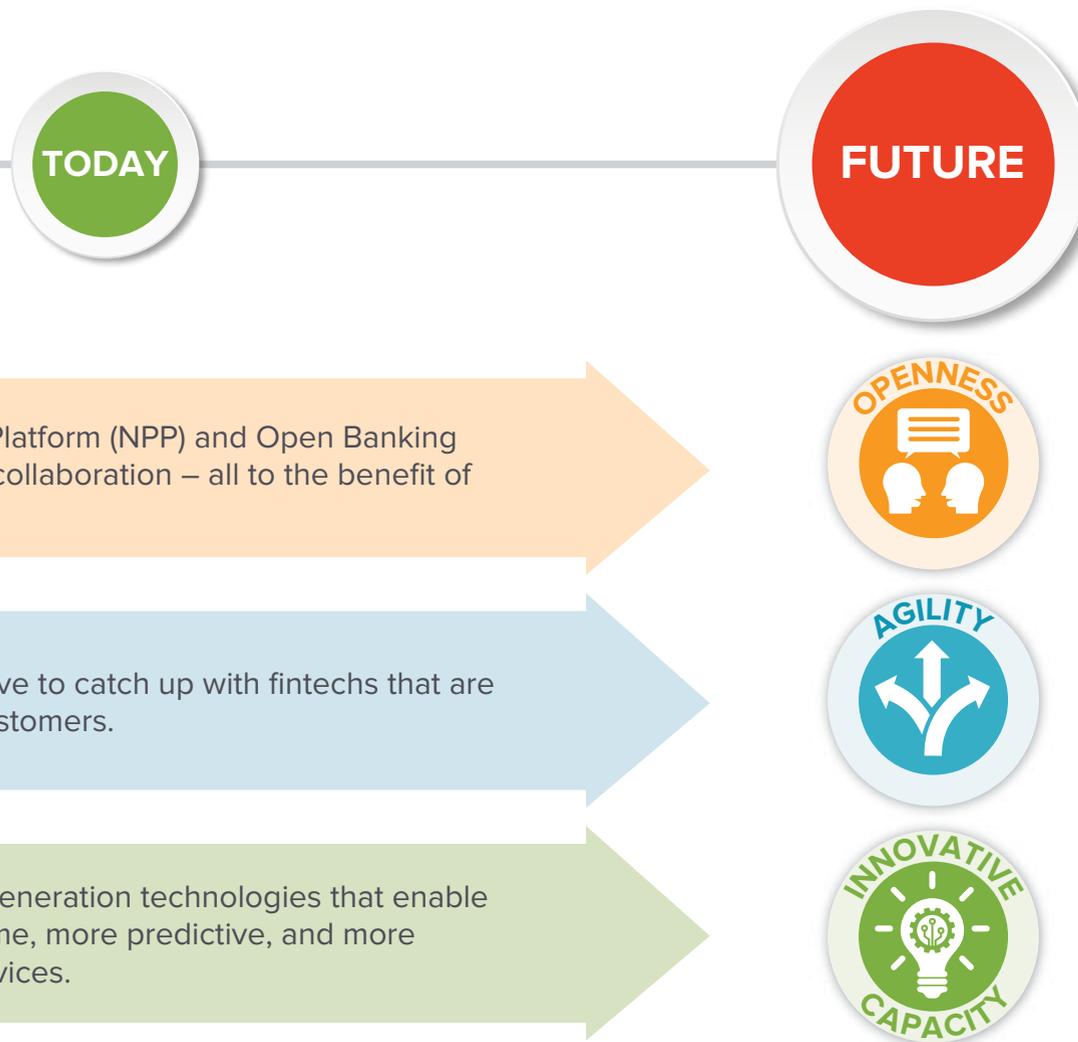
The enquiry into the misconduct of the banking, superannuation, and financial services industry found that customer outcomes and expectations were not achieved.

A New Future for Australian Banking



Three Themes for a New Banking Future

Australian banks are facing a new set of themes that mark drastically different industry dynamics.





Open Banking for Better Customer Experience

How banks will work with third parties to exchange functionalities, applications, and data to deliver a better customer experience.

Why Openness Matters

- Guidance for Open Banking was released in May 2018, requiring Australia's major banks to make data on credit and debit cards, deposits, transaction accounts, and mortgages available to customers.
- Guidelines on data utilisation and access ensure that privacy remains the fundamental feature of Open Banking.
- The emergence of new digital banks in Australia will intensify investments into open application programming interface (API) architectures for the industry.
- Banks can assess each other's product information. Customer experience will be the new battleground for smaller banks as they will not be able to win a product-and-price match-up with the bigger banks.
- The NPP presents opportunities for growing the payments business and integrating banks into the everyday lives of customers.

What Australian Banks are Investing in



- 1 Customer data integration
- 2 Customer consent management
- 3 API management, e.g., portal, gateway, developer platform, and security
- 4 Integration into the NPP
- 5 Payment gateways



Principles of Openness



Standardisation as an Enabler

Build easily usable and discoverable APIs on top of core legacy systems to deliver one functionality well, and ensure no other API duplicates this functionality.



Ease of API Integration

With integration-platform-as-a-service (iPaaS) technologies, integration is made easier through methods such as user interface–based (UI-based) drag-and-drop functionalities and the adoption of low-code approaches (minimal or zero coding effort).



Collaboration with Fintechs

Quick developments of features and functionalities that enable API integration with fintechs.

IDC Financial Insights Predictions



The **Big Four** banks are **working toward more open and flexible core systems** by refactoring their core systems into microservices. The push for microservices will be a years-long journey for the Big Four and the smaller banks that follow this microservices approach to application modernisation.



Estimated **200%** improvement in speed to market for customer-facing apps.



All major banks will have a “Friends and Family” program, and will work with **at least 6 fintechs**.



Agility to Compete with New Digital Players

How Australian banks ensure their technology infrastructure can help grow the business with reliability and flexibility.

Why Agility Matters

- Old legacy infrastructure hampers traditional banks, while new players rely on built-for-digital technology assets and thus can respond to new market dynamics faster.
- Traditional banks in Australia have average cost-to-income ratios of 42% versus 37% among new players.
- Banks want to increase their change-the-bank investments from 25% in 2019 to 55% in 2020, shifting their priorities away from business as usual.



What Australian Banks are Investing in

- 1 Core system abstraction 
- 2 Application modernisation and migration of workloads to cloud 
- 3 Hybrid and multi-cloud approach 
- 4 Business process reengineering, especially for high-impact business processes 
- 5 Security in depth, by adding another layer to the defence-in-depth approach to gain more insights into the log data 



Principles of Agility and Flexibility



Truly Hybrid

Infrastructure and storage must seamlessly span physical, virtual, public, and private cloud environments.



Containerised

Microservice applications will be supported by abstracted components, such as containers, and function-as-a-service models on cloud.



Modernised

Legacy systems become progressively modernised when banks expose business functionality through APIs underpinned by microservices.

IDC Financial Insights Predictions



On average, **42% reduction of infrastructure costs** among major banks as they take on **hybrid, multi-cloud infrastructure**.



The Big Four will pursue **containerisation**, with the view of simplifying infrastructure further.



Small challenger banks become hotbeds for core banking investments, but 100% of the major banks will focus on **iterative modernisation**.



Innovation for Predictive and Efficient Financial Services

How Australian banks are pursuing new technological capabilities never seen before to gain higher levels of efficiency and create greater value for customers.

Why Innovative Capacity Matters



- On average, 22% of a bank's IT budget is allocated to "new" categories of spending. This percentage is rapidly growing as banks, now more than ever, demand greater access to new technologies.
- New pro-consumer regulations encourage banks to pursue pro-customer strategies. Customer journey mapping becomes crucial in remediating faults in customer experience throughout the course of a customer's interactions with banks.
- Banks want to simplify the delivery of new projects, digital experiences, features, functions, and enhancements through new disciplines, such as agile, DevSecOps, and continuous integration/continuous delivery (CI/CD).

What Australian Banks are Investing in

- 1 Artificial intelligence (AI) with huge customer impact, such as credit decisioning and fraud management 
- 2 Modernised approaches to application development 
- 3 Cloud-native, mobile-first applications 
- 4 DevSecOps 
- 5 Fintechs 



Principles of Improving Innovative Capacity



As a Service

The as-a-service model simplifies delivery of new tools and capabilities through a pay-as-you-use model. Features, functions, enhancements, front-end user interfaces, and data are paid for only when they are used.



Inside-out, Outside-in

Ideas are sourced from the entire organisation by encouraging ideas not only from the top but from everywhere in the organisation, especially those closest to the customer. Ideas will also be generated with and by partners, including fintechs.



Security by Design

Security and governance need to be baked into systems development, allowing banks to ensure they are proactive in dealing with new types of risks in the digital world. How do banks secure data in an open world? How do they control partners coming in through the API gateways? How do they manage an infrastructure that looks fundamentally different from legacy systems?

IDC Financial Insights Predictions



On average, **2% reduction** in capital expenditure, but **5% growth** in more as-a-service features. The model has far surpassed simply IaaS, PaaS, and SaaS.



“Future of Work” becomes a key theme in banking in Australia, impacting culture, workspace, and workforce.

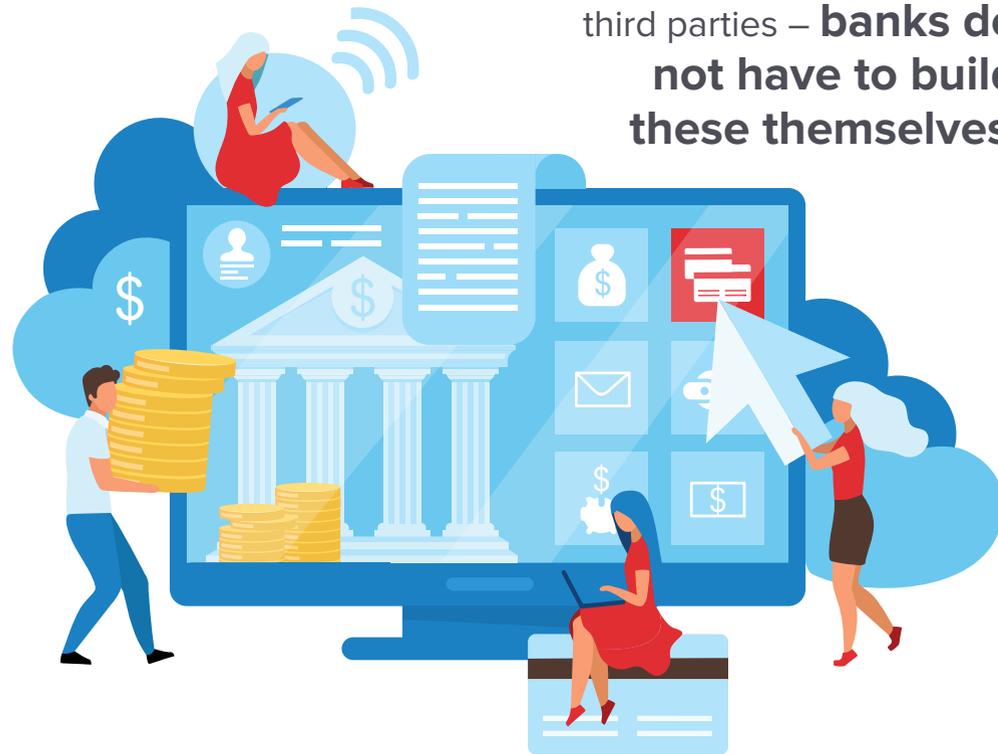


Average **growth of 15% in investments** in anything security, continuing 5 years of double-digit growth in spending on security.

Human-Centric Era of Australian Banking Services Is All for the Customer

Australian banking becomes more **real time** and contextualised in the life of the customer.

Use of more functionalities, applications, and data from third parties – **banks do not have to build these themselves.**



Banks able to launch new business in areas such as payments, ecosystem banking, advisory, and facilitation services become **entrenched in the lifestyle of customers.**



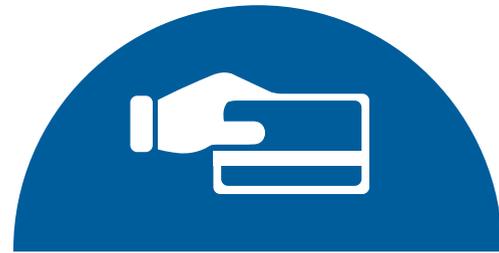
Getting Human-Centric Financial Services Right

Examples of banking initiatives pursuing the business themes in Australian banking.

| Local Banks | | Global Banks | |
|--|--|--|---|
| <p>One of Australia's largest customer-owned banks</p> <p>Microsoft Dynamics 365 implementation to drive business efficiency</p> <ul style="list-style-type: none"> Implemented a comprehensive cloud-based solution leveraging the Microsoft stack Integrated the CRM system with the core banking system and all external data sources Implemented a document management solution and editable grids <p>Improved customer experience Improved agility and flexibility</p> | <p>A Big Four Australian Bank</p> <p>Replatformed applications reliant on older Windows Server infrastructure to the cloud using containerisation</p> <ul style="list-style-type: none"> Migrated legacy applications to the cloud with no code changes, no refactoring, and no license repurchases Replatformed 35% of all IT applications within 3 to 5 years <p>Reduced costs Improved security</p> | <p>A leading cantonal bank in Switzerland</p> <p>Open Banking integration into the Swiss core banking system</p> <ul style="list-style-type: none"> Readiness for PSD2 and Open Banking marketplaces for customers via NDGIT Open Banking API platform Built-in Sonect fintech integration within 3 weeks Customers gain ability to withdraw cash from any store that uses Sonect solutions <p>Improved customer experience Enabled rapid onboarding of fintech offerings</p> | <p>One of Germany's largest independent fund platforms</p> <p>Robo-advisor leveraged with automated operations</p> <ul style="list-style-type: none"> Digital onboarding with different legitimization options Automation of investment account creation and transaction execution Governance of robo-advisor development Liability umbrella for investment and robo-advisors <p>Improved customer experience Improved portfolio administration</p> |

Remaking Australian Banking

How DXC enables banks to follow the industry-set standards easily.



PAYMENTS

Customers are given choice in the way that they pay, but with more data exchanged through payments, the bank is able to use payments as a way to personalise the customer experience – in payments and other services.

DXC believes that there is a wealth of payment data that can be used to make the customer experience seamless, customised, and intelligent.



REGULATION & COMPLIANCE

The more pro-consumer era in Australian banking is about protecting the trust given by the customer to the banking institution. The principles of customer data privacy and customer data protection become more well defined.

DXC believes that governance, risk, and compliance need to be built-in and preemptive, rather than reactionary. Banks can leverage regulatory compliance as an enabler and accelerator for what is good for the customer.



CUSTOMER MANAGEMENT

Customers become the ultimate source of control of their banking experience through citizen data rights, customer consent management, and right use of data analytics.

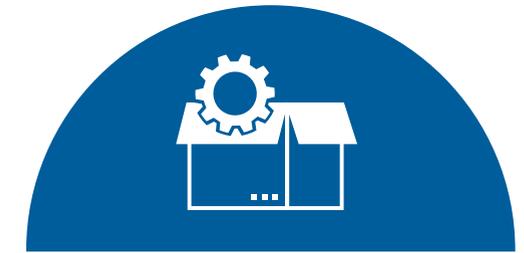
DXC believes that customers are at the centre of all that a bank does, and nowhere is that more important than in control of their accounts and data.



FINANCE

Finance transformation (FinOps, total cost of ownership, and real-time data) allows value realisation for ongoing programs in digital transformation.

DXC believes that finance plays a key role in any program – tactical, operational, or strategic – and having a clear business case, value realisation framework, and understanding of impactful KPIs is essential for predictable success.



PRODUCT MANAGEMENT

Product masters become externalised from core banking systems so that products can be unbundled and re-bundled to create a best offer for the customer.

DXC believes that externalisation simplifies IT significantly from the perspective of how banks expose elements of existing systems and applications as services, which can ultimately be used enterprisewide for new and modern workloads.

The Way Forward

Digital has become a greater imperative. No longer an option, it is about enabling openness, agility, and innovative capacity to redefine Australian banking.

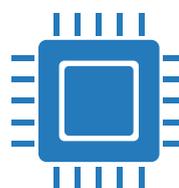
IDC's essential guidance for Australian banks



Services are the lynchpin of customer centricity. Strategies should now be service-driven (what does the customer want?) rather than operating model-driven (what can we deliver?).



Bank workforces are changing. Bank resources are now adding value rather than posing risk through their humanity. As banks move up the value chain, tellers are becoming guides or advisors, impersonal interaction channels are becoming chatbot-led, and customer interaction is all about meeting customer requirements – delivering the right message, in the right context, at the right time.



Core system modernisation can be accomplished in an iterative fashion, so that modernisation can happen both within and outside the core system. Instead of separate initiatives, run the bank and change the bank can coexist and complement each other.



Open Banking is the opportunity for banks to put something in the face of the disconnected customer, through a re-bundling of products and services that respond to customers' requirements and integrate into their daily lives.



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