



# Global Market Disruption Is Driving Changes in Banking

Accelerated Investment Timetable Needed for Transformation

## Today's Economic Conditions Require Transformation

Unprecedented disruption challenged banking's ability to support consumers, small businesses, and corporate clients.



Climbing loan defaults and rising credit needs taxed technology and risk management industrywide.

100%

of banks surveyed worldwide were digitally transforming in 2019—but at a leisurely pace.



**ONLY 24%** plan digital transformation (DX) investments beyond three years

68%

of DX funding traditionally comes from capex



**BUT OVER 90%**

of bank executives expect decreased GDP so DX funding must shift to opex to protect capital

Source: Digital Transformation (DX) Executive Sentiment Survey 2019, IDC, August 2019

## The Ripple Effects of Disruption

COVID-19 exposed weaknesses in banks:



### Customer experience

Branch closures increased calls to contact centers, which were unprepared to work effectively from home environments. Scaling digital infrastructure to accommodate traffic growth on mobile and online channels also challenged banks.



### Payments

Credit card networks experienced the same decline in payments as physical retailers, affecting the interchange fee for card issuers.



### Small business lending

Legacy systems failed in the face of a massively increased need for credit.

According to the Federal Reserve Bank, 90% of all Paycheck Protection Program loans in the U.S. were originated by small banks, which are typically less technically sophisticated than their larger peers.



### Fraud and security

Payments shifted significantly to "card-not-present" transactions over digital channels, a riskier interaction.

The FBI reports the Internet Crime Complaint Center received 320,000 complaints in the first five months of 2020 versus 400,000 in all of 2019 as digital transactions accelerated.

Transformational initiatives would have mitigated these impacts.

## Five Phases of Recovery for Banking



Banks invested in transformational technology, processes, and culture benefit from a digital divide that enables an accelerated recovery and the opportunity to gain market share from less advanced institutions.

27% of banks worldwide have used that gap to resume transformational progress

Source: COVID-19 Impact on IT Spending Survey, July 2020 (conducted July 7-20), IDC, n=156 global banks

## AI, Cloud, and Security Drive Transformation

Every bank will be different, but some emerging themes are consistent:

### Task/Process Automation

AI/ML-based automation will be critical to solve problems experienced in 2020.

### Cloud

Cloud technology and cloud deployment models become more important as banks focus on resiliency, scalability, security, and lower operational costs.

### Security

From cyber security to payments fraud, security will see accelerated investments.

Source: COVID-19 Impact on IT Spending Survey, April 2020 (conducted April 22-29), IDC, worldwide financial institutions, n=110

## Lessons Learned



Banking executives expect IT budgets will recover to planned levels in 2021. IDC estimates that bank IT spend will recover to

**4.3% GROWTH THROUGH 2024**

Investment priorities will change:

64%

of banks worldwide reported IT spend on SaaS solutions to remain the same/increase compared to their original budgets

39%-46%

will increase spend on public cloud deployments due to the pandemic (39% SaaS, 42% IaaS, and 46% PaaS)

45%

will increase spend on security technologies

Source: COVID-19 Impact on IT Spending Survey, July 2020 (conducted July 7-20), IDC, n=156 global banks

## Message from the Sponsor

Accelerate your journey to cloud and embrace digital transformation in banking by modernizing core systems, applications, processes, and ecosystems to exceed customer expectations.

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