



Are Banks Preparing for Digital Disruption?

The era of the customizable bank.

We studied 130 banks at all levels of digital maturity.

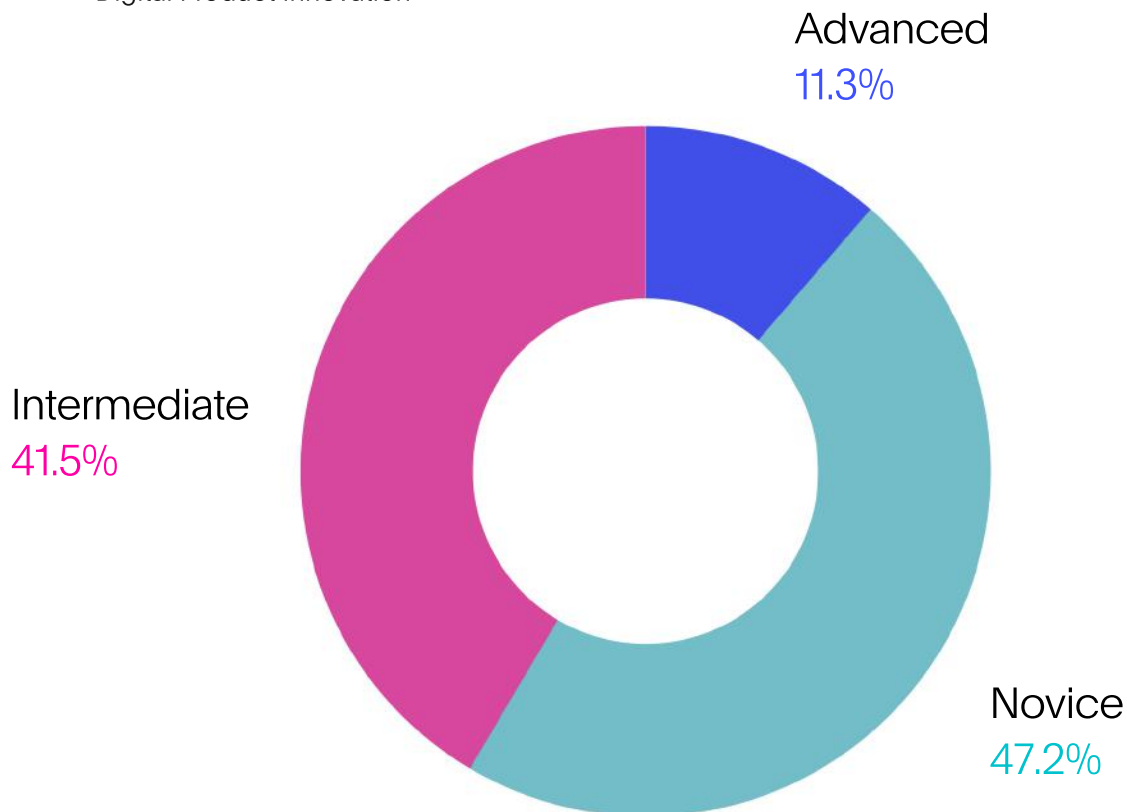
This is what we found.

DIGITAL MATURITY BREAKDOWN

Who we studied.

Roles

- Digital Innovation & Transformation
- CIO
- Digital Product Innovation

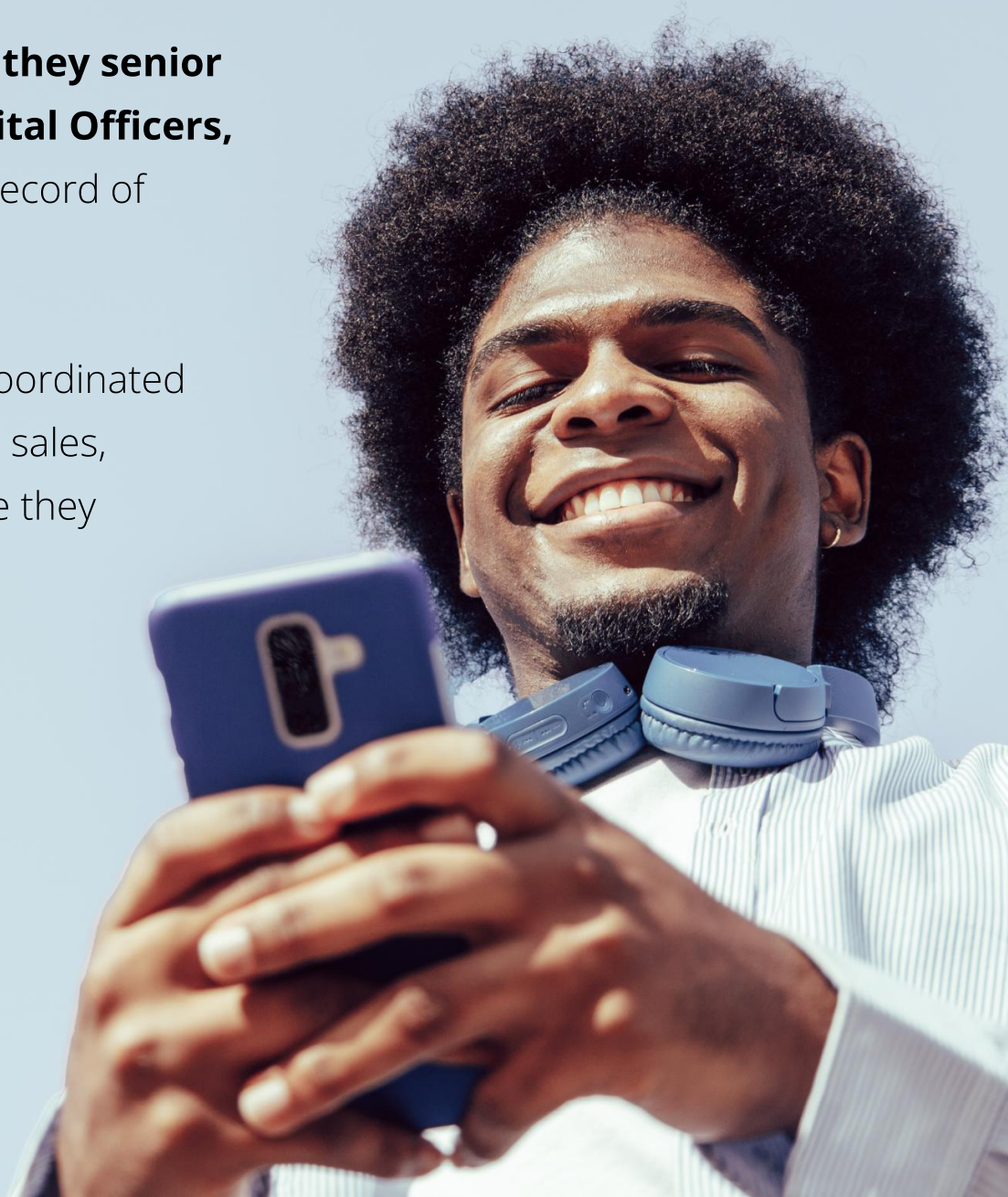


How did we define digital maturity?

Digital Transformation **team size and composition** - Engineers, UX, Tech, Research, Analysts

Who is leading Digital Transformation - **Are they senior execs like Chief Digital Officers**, do they have a track record of success?

Is Digital Innovation coordinated among marketing, CX, sales, product, and IT, or are they siloed efforts?





Disruption is here.

...but few banks are acting with much urgency.

Covid, climate change, AI and fintechs are all disrupting business as usual and causing the evolution of the customizable bank.

The ability to **dynamically** create tailored financial products at the speed of commerce and offer meaningful recommendations to each, and every, customer at point of need.

What is digital transformation?

Transformation is more than digitizing existing operating models and processes.



Digital banks
& fintechs
have lower costs

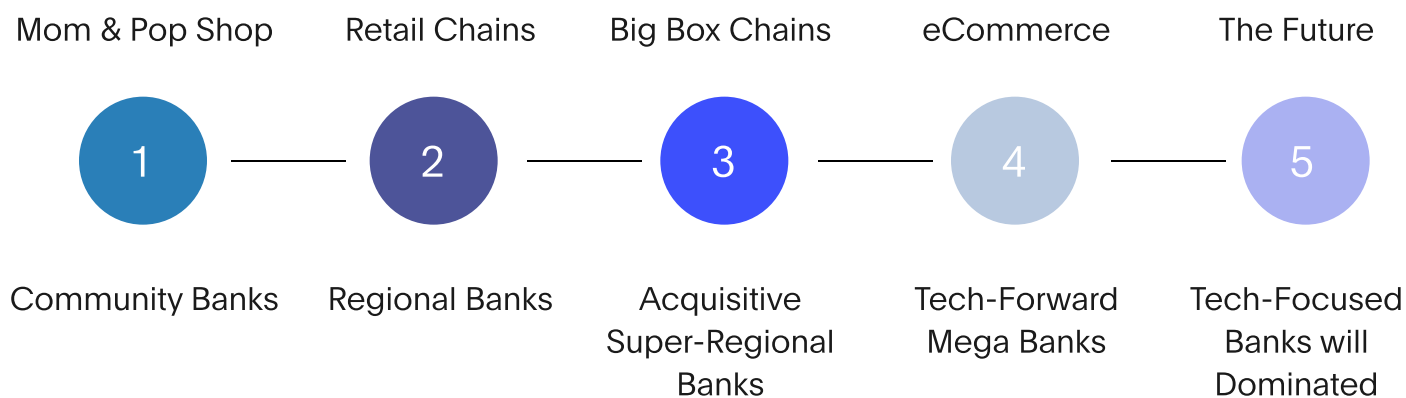


Digital banks
& fintechs
are more agile



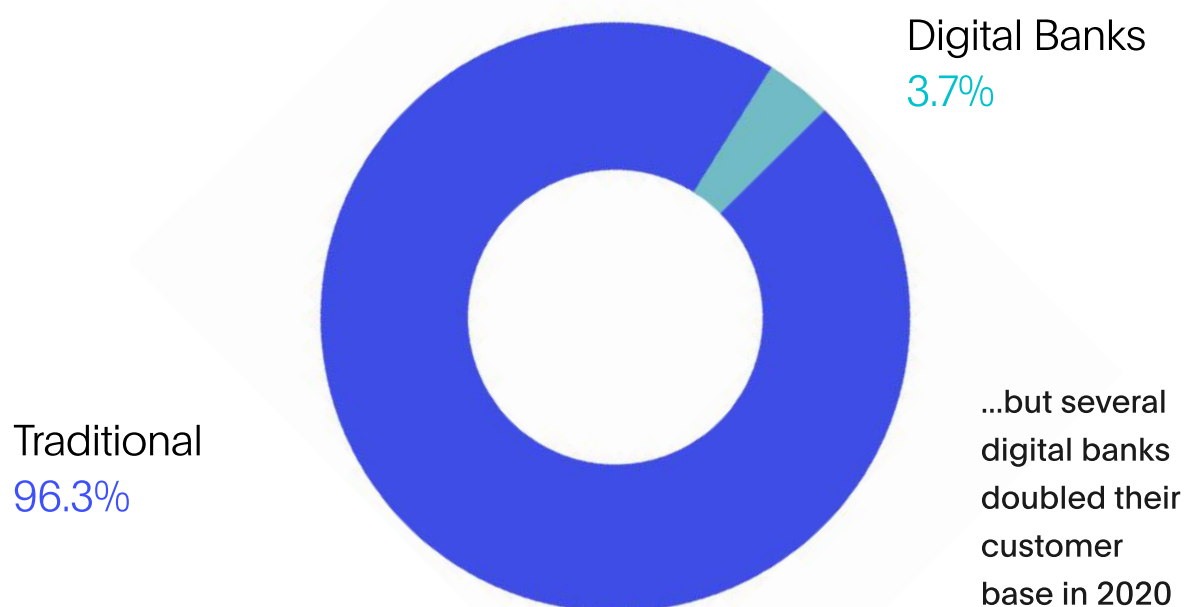
Digital banks & fintechs
often offer a **better**
customer experience

Banking and retail parallels.



Digital banks are still tiny.

(% of US bank deposits)



Two transformation paths.

INCREMENTAL

gradual digitization of existing products and services two transformation paths

BRAVE

"Clean Sheet" launch of a digital bank subsidiary

...AND PLENTY OF PATHS IN BETWEEN

THE CASE FOR INCREMENTAL

Most banks are taking an incremental approach, though demand for digital banking spiked in 2020.

76%

Going big is too expensive

54%

High profile, well-funded failures scare us

48%

Risk of significant business disruption and regulatory risk by doing too much at once

TOP REASONS BANKS TAKE THE "BRAVE" PATH

59%

Attract new deposits to fund more lending

55%

Expand beyond the physical footprint

48%

Tap new or underserved customer segments

48%

Keep up with competitors

...FOR THE MOST PART

28%

Urgency to drive operational efficiency

10%

Threat of Fintechs

8%

Urgency to modernize tech stack



How are banks building a digital foundation?

Build in-house

Most customizable

Most expensive

Need to hire staff & consultants

Need to build full stack

Slowest

Build on a platform

Customizable

Less expensive

Need to train staff

Foundational stack already built

Faster than building inhouse

Use pre-built product

Least customizable

Least expensive

Need to train staff

Full stack already built

Fastest

Will most banks go fully digital?

Eventually. Here's what's holding them back:

67%

Senior staff invested in status quo

54%

Culture of risk avoidance

60%

Cost cutting mandates slow or stop progress

49%

Difficult / expense to hire top tech talent

Pitfalls on the path to digital.

73%



Under-investing in customer-centric problem solving and CX

55%



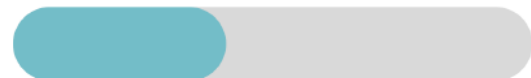
Digital products can create more fraud risk

58%



Fintechs tend to over promise/under deliver

41%



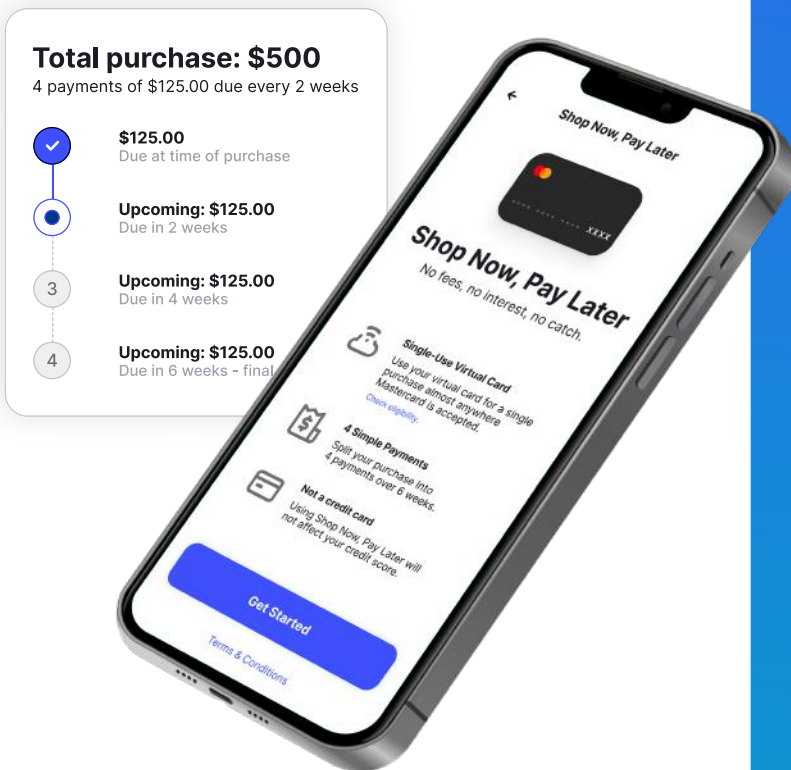
Failure to address those committed to status quo

Best practices on the path to digital.

- Find ways to counter or circumvent cultural resistance
- Bring customers / consumers into your decision-making process
- Decide how your digital channel will differentiate you up front
- Ensure structural flexibility that allows you to tailor & deliver products – in seconds – at every customer touchpoint



Banks will either choose digital transformation or be forced into it.



Galileo is a leading financial technology company whose platform, open API technology and proven expertise enable fintechs, banks, emerging and established brands to create differentiated financial solutions that expand the financial frontier.



galileo-ft.com

