CGI

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Financial Consumer Demands

for Tomorrow’s Digital Bank

Executive summary

The pace of digital disruption in banking is picking up speed. Banks are facing unprecedented shifts in consumer expectations for services, increased demand for digital access, and a high propensity among consumers to switch banks, coupled with disruptive competition from new entrants and technology start-ups. CGI's 2014 survey, Understanding Financial Consumers in the Digital Era, revealed a significant demand for new value-add services that supplement traditional banking products, as well as the importance of seamless, anytime/anywhere, omni-channel service channels.

In our new survey for 2015, "Financial Consumer Demands for Tomorrow's Digital Bank," we go a step further, investigating why consumers do business with banks, how tomorrow's digital bank should design value-add services for them, who they see as best-in-class providers, and how banking will evolve moving forward.

Banks are challenged to remain at the heart of consumer financial services delivery. Today, consumers view their bank as a trusted place to store, move and protect their money—the bedrock business of banking. However, consumers are not receiving the value-add services they want, and so this bedrock is threatened with erosion, especially as highly convenient non-bank alternatives for managing their financial needs emerge.

Leading banks are focused on strengthening their core storage, payments and security business to ensure they match or exceed competitors. They are also focused on quickly developing and delivering the value-add services consumers want to further protect their business and drive new revenue streams.

Financial consumers want personalized value-add services to protect their identity and finances, reward them for their business, and help them to build wealth and manage their cash. And, they are willing to switch to non-bank alternatives now available in the market to access these services, as well as pay fees for them.

There are immediate opportunities for banks to respond to changing consumer demand and new market entrants to maintain their market share and expand it, driving long-term competitive advantage and profitable growth.

Value-add services bank consumers demand

	Important to me	My bank delivers	I would pay a premium
Protection	90%	80%	25%
Rewards	70%	32%	19%
Wealth building	66%	37%	31%
Know me as an individual	63%	40%	19%
Cash management	48%	39%	15%

Personalized shopping is a key component of the services consumers want. In the digital era, consumers of all types are becoming more and more accustomed to intelligent, personalized, online shopping, where their service providers know them, understand their wants and needs, and fulfil those wants and needs. Financial consumers expect banks to do the same using their personal and transaction data. Consumers expect their banks to understand when they need additional liquidity or funding and offer such options at point of sale. This significantly expands the potential ecosystem of banking.

In response, leading banks are embracing the concept of “my digital best friend” from more digitally advanced industries such as retail and communications, and combining it with smartphone and face-to-face support to deliver what financial consumers now expect. They are also focused on developing new value-add services.

For example, as our 2014 survey revealed, only 7% of consumers go to their bank for financial advice. This low percentage represents a significant opportunity for banks. Banks that can predict the short- and long-term financial needs of their customers and deliver advice will benefit from new revenue streams and become a valuable partner to other ecosystem organizations with whom the consumer is interacting.

Tomorrow’s digital bank will continue to build on the bedrock business of financial storage, payments and protection while also becoming a full-fledge financial well-being services provider. At its core, the future bank will be a provider that consumers will depend on to securely manage their finances, understand their goals and preferences, and proactively deliver the right offers and services to help them achieve their financial well-being. It will deliver a highly convenient, secure and trusted digital experience that will differentiate itself not only from other banks but from new market entrants as well.

Survey overview

Background

In 2014, CGI commissioned a survey of 1,200 financial consumers to learn about their banking preferences. The survey was conducted by Research Now, one of the world's leading digital data collection firms. Our survey report, Understanding Financial Consumers in the Digital Era, lays out the results of this research.

The survey revealed that 40% of consumers were ready to switch banks due to lax security, poor service or more favorable rates elsewhere. It also indicated a significant demand for new financial services that supplement basic banking products, such as loyalty, day-to-day, real-time cash management, instant access, wealth generation, protection, and personalized services and products.

For these value-add services, there was not only a low level of satisfaction among respondents but also a high level of bank switching propensity. We also found an overwhelming desire for digital access to these desired services in addition to traditional phone and branch access.

As a follow-up to this survey, and as part of CGI's annual strategic planning process, we conducted 133 face-to-face interviews with client bank executives worldwide to understand top industry trends and their business implications, as well as related IT priorities. Compared with interviews conducted in 2014, the 2015 results revealed the overwhelming impact of changing consumer expectations on the traditional banking model.

The overwhelming trend among these bank leaders is the acceleration of digital transformation programs. To achieve this, they are focused on IT modernization, big data , digitization, cybersecurity, and new delivery models, such as SaaS, cloud and managed services. These priorities are designed help them better compete in the new digital world . There are widespread concerns over the future banking model in terms of what it will look like and how it will address the evolving demands of the digital consumer.

Given these industry trends, CGI commissioned a new survey by Research Now in 2015 to gain a better understanding of the value-add services financial consumers desire, when they prefer branch, phone or digital channels, and how banks can use personal data to customize services. Our objective is to provide a clear view of how banks should innovate to develop new desired services, what banking models they should consider adopting, and how they should exploit data to drive revenue.

Methodology

We surveyed 1,452 financial consumers across the U.S., Canada, four European countries (the UK, France, Germany and Sweden) and Australia to explore who they consider to be their main financial services provider, what value-add services they want, who they see as alternative suppliers, and their appetite for paying additional fees for value-add services. We additionally asked their views on what data banks should use to offer personalized services, and their views on what banking will look like in the next two to fiveyears. The survey was conducted by the same firm as last year—Research Now.

We surveyed respondents of different ages and income levels to assess whether preferences were influenced by demographic factors (see p. 39 for survey demographics).

Highlights of key survey results and our recommendations follow. In general, global results are provided, but in some cases, country or demographic specific findings are shared to demonstrate significant cultural preferences. We invite you to read our survey findings and analysis to better understand the current market and how it is evolving, benchmark your own organization, and gain insight into new strategies and steps for preparing your organization for future success.

Definitions

Throughout this survey, we refer frequently to high street, savings and online banks. These bank types may be defined differently in different countries, but, for the purposes of this survey, we define them as follows:

- High street bank: A traditional consumer bank that operates through branches located in metropolitan areas.
- Savings bank: This type of bank is also known as a building society, credit union or community bank. It was originally established to provide lending to local people funded from the savings of others in the community, but its services have expanded over time. This type of bank typically has a network of branches in the area.
- Online bank: This is a newer bank type with no physical branches. All interactions are conducted online or by phone.

Section 1: Financial consumer preferences

Who is the main financial services provider for consumers today?

Findings

We began the survey with a very basic question; who is your main financial services provider today? Overwhelmingly, respondents said banks—whether high street, savings or online banks. Less than 1% mentioned any other type of financial services provider.

We then asked them to respond to a number of statements focused on the value they derive from their main financial services provider. The statements covered a range of areas—from storing money and making payments to providing financial advice and supporting financial goals. Respondents were asked to agree or disagree on whether they were receiving value from their providers in each area.

Overall, respondents agreed or strongly agreed that their bank provides value by safeguarding their money and data and by managing their payments. However, most respondents disagreed or strongly disagreed that their banks provide value by offering wealth advice or by helping them to achieve their financial goals.

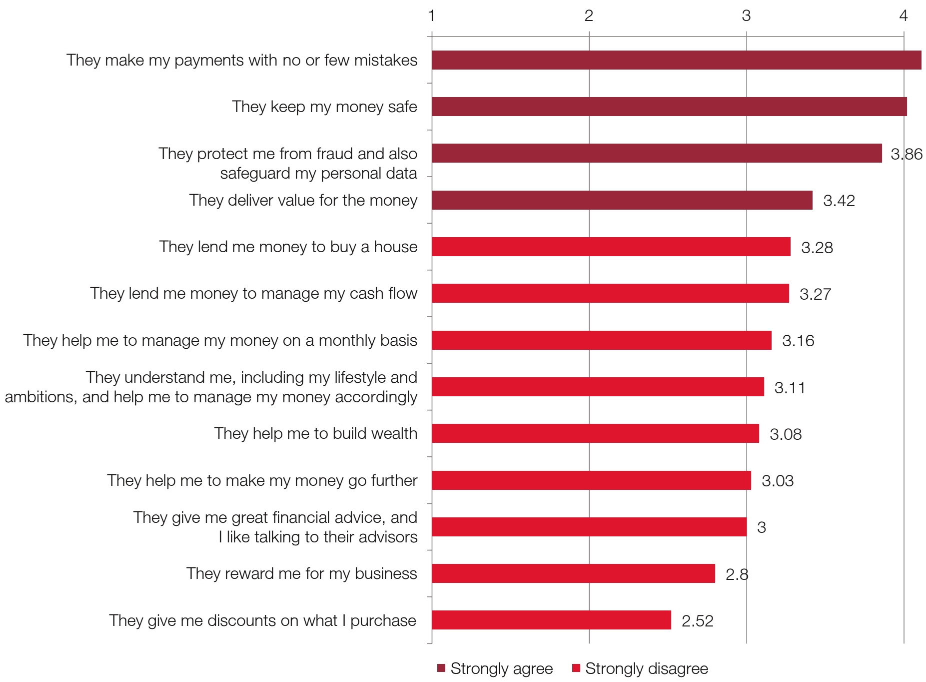
Analysis

As we noted earlier, banks are challenged to remain at the heart of consumer financial services delivery. It is clear that the prime role of banks from the consumers' perspective is to store, move and protect their finances. This role should serve as the foundation of a bank's future positioning in the digital era, regardless of the type of bank.

Banks that strengthen and promote this core business have the opportunity to gain an edge over new, non-bank market entrants. The loss of part or all of this backbone business to new non-bank service providers, which aim to provide point-of-sale convenience and funding options while leveraging established banking infrastructures, is a growing threat that leading banks are working to address.

Our 2015 survey also echoes the results of last year—consumers do not believe their main financial services provider is delivering value-add services to them. This is a key gap area that new services can bridge, creating new opportunities for revenue generation.

Value delivered by consumers' main financial services provider



What value-add services do consumers want now and in the future?

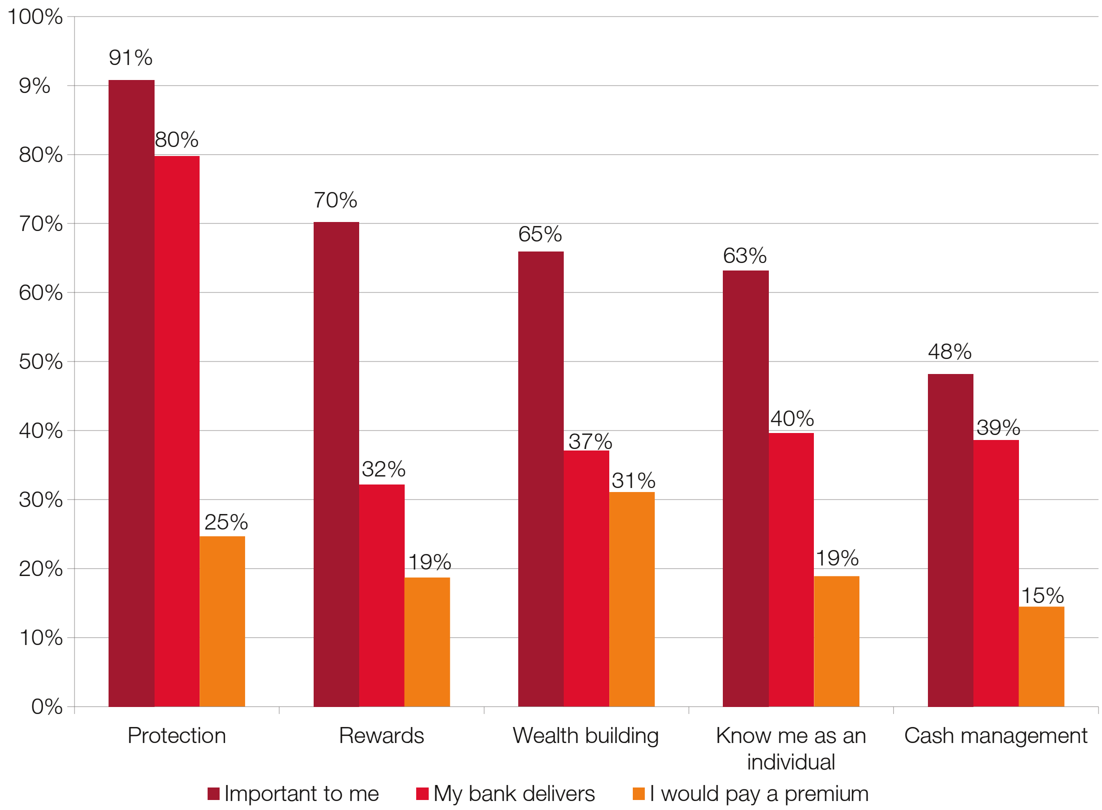
Findings

Based on our 2014 survey findings of what consumers want from their banks, we asked consumers in 2015 to indicate how important different financial services were to them, if their bank currently provides these services, and whether they were willing to pay a fee for them. In 2015, consumers ranked their most desired services as follows:

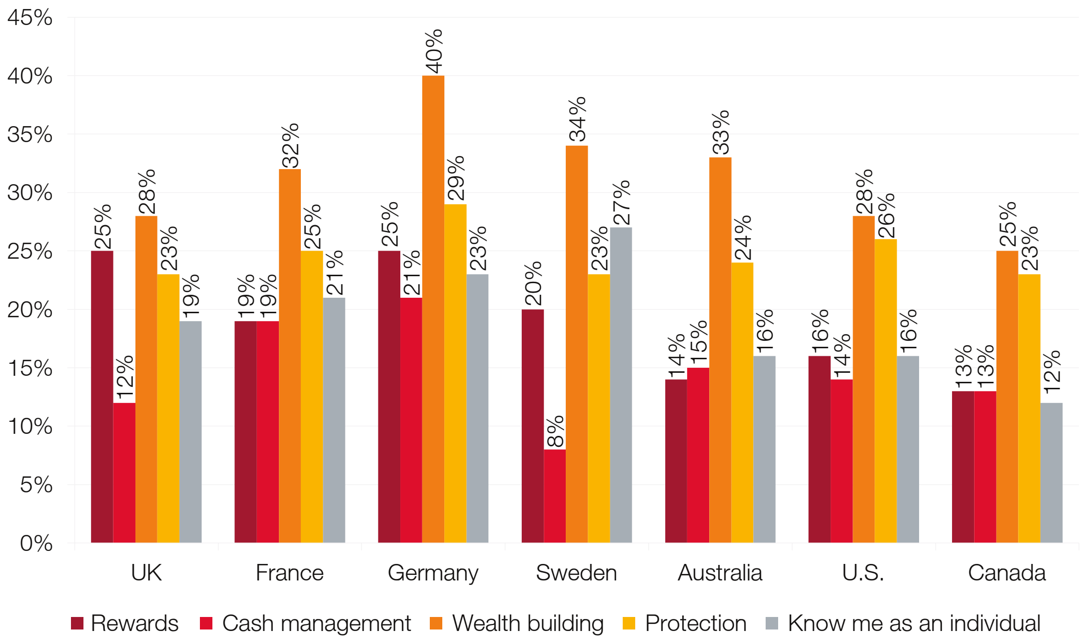
- Protect me from money and personal data theft (91%)
- Give me rewards (70%)
- Help me to build wealth (66%)
- Know me as an individual (63%)
- Help me to manage my cash (48%)

While consumers overwhelmingly agree that their bank delivers protection, less than half believe their bank delivers the other services they value. In addition, an average of 1 in 5 consumers would pay for these desired services.

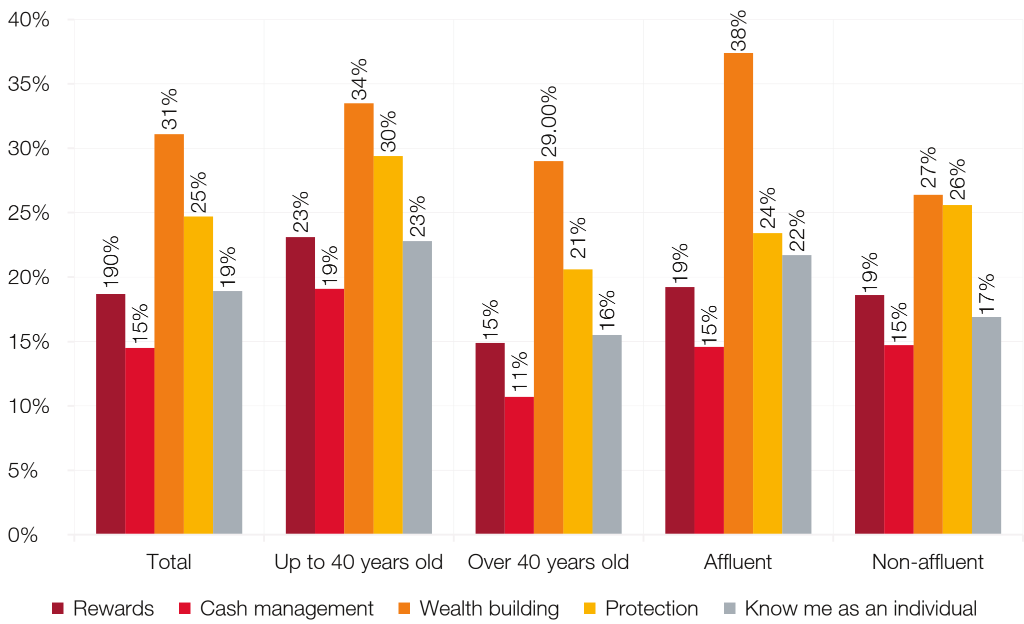
What value-add services do consumers want from their banks?



How likely are consumers to pay a premium?



How likely are consumers to pay a premium based on age and affluence?



Value delivered by consumers' main financial services provider

Analysis

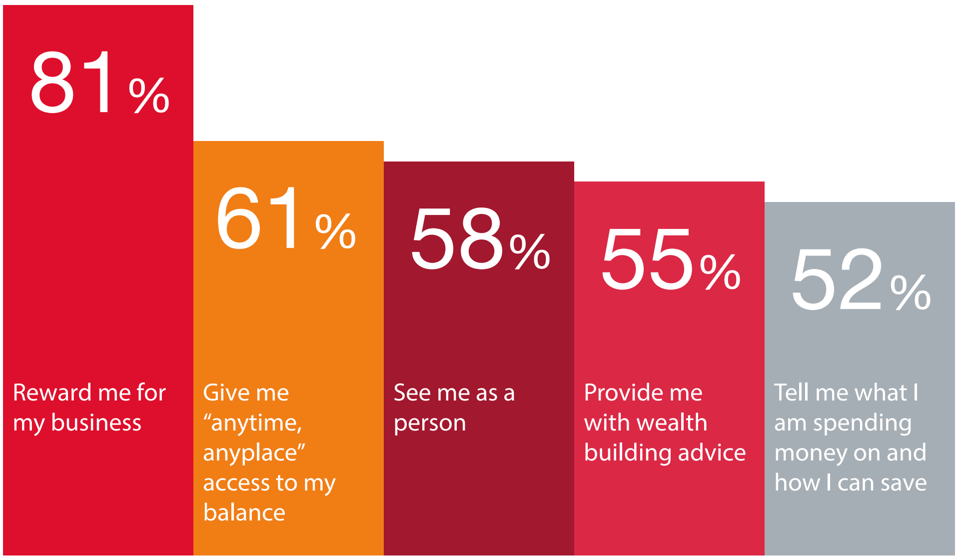
In comparing this year's survey results to 2014 survey findings, we see a change in the order of importance of desired services, as well as the emergence of protection as the top desired service. Consumers are aware that, in the digital world, fraud is increasing, and they are demanding that banks protect them and their money. This is a critical service that banks already provide but often do not promote.

New service demands are also emerging, reinforcing the importance of continued innovation in developing and promoting value-add services as consumers drive digital transformation.

At the same time, services that ranked high in demand last year, such as "see me as a person," remain on the list this year, but with little or no improvement in delivery. As a result, new entrants are gaining footholds in these areas as consumers move part of their financial business to them. Faster innovation is required to keep pace with fast-changing consumer expectations.

New in this year's survey was a question asking if consumers would pay a premium for these preferred services. With a significant proportion of consumers saying yes, this is yet another opportunity for banks to generate new revenue streams.

What are the top 5 ways your bank could improve your lifestyle? And, are you satisfied with your bank's services?



Top 5 consumer wants	Satisfied with my bank
Reward me for my business	34%
Give me "anytime, anyplace" access to my balance	84%
See me as a person	55%
Provide me with wealth-building advice	37%
Tell me what I am spending money on and how I can save	34%

Source: CGI's 2014 financial consumer survey

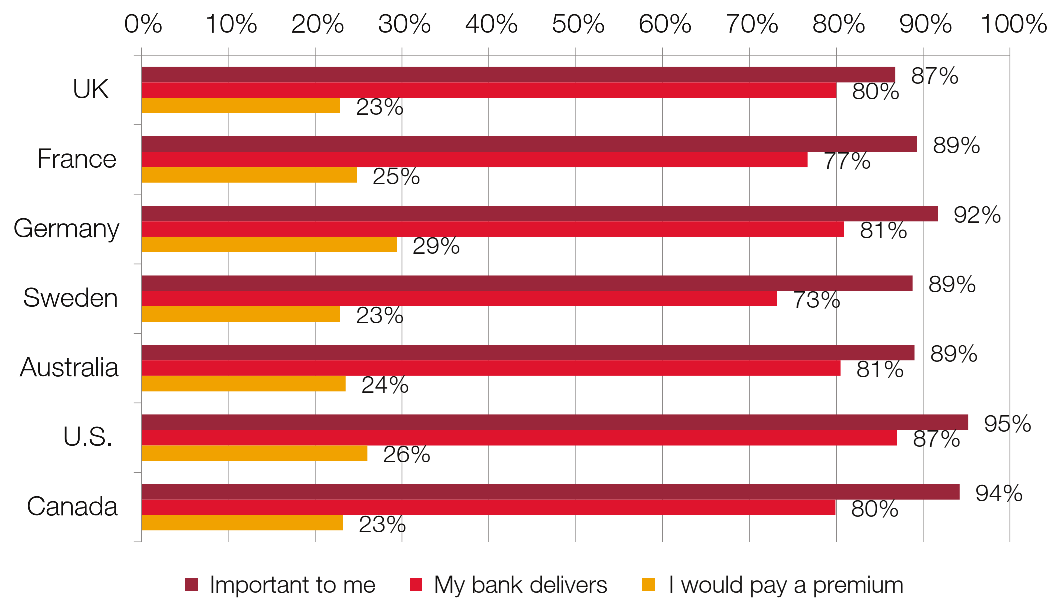
What do consumers mean by being protected?

Findings

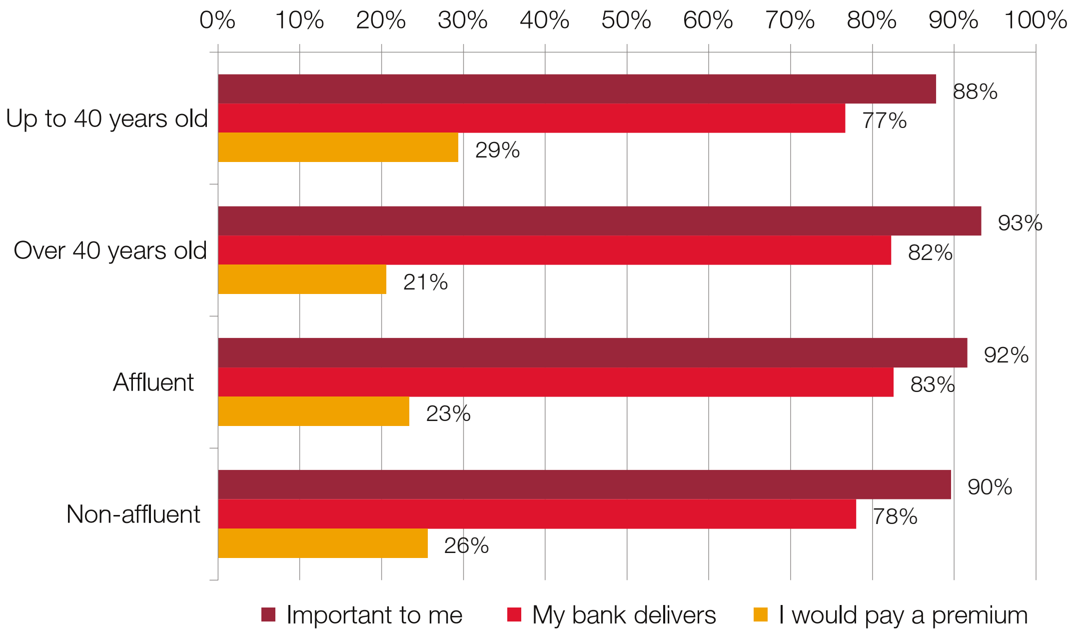
Protection is critical for all survey respondents, with only 1.5% saying it is not important and around 25% saying they are willing to pay for it. Younger respondents are more likely to pay for this premium (29%), compared to older respondents (21%).

Of all participating countries, protection is the most important service in the U.S. Sweden is the least concerned about protection.

Importance of protection: by country

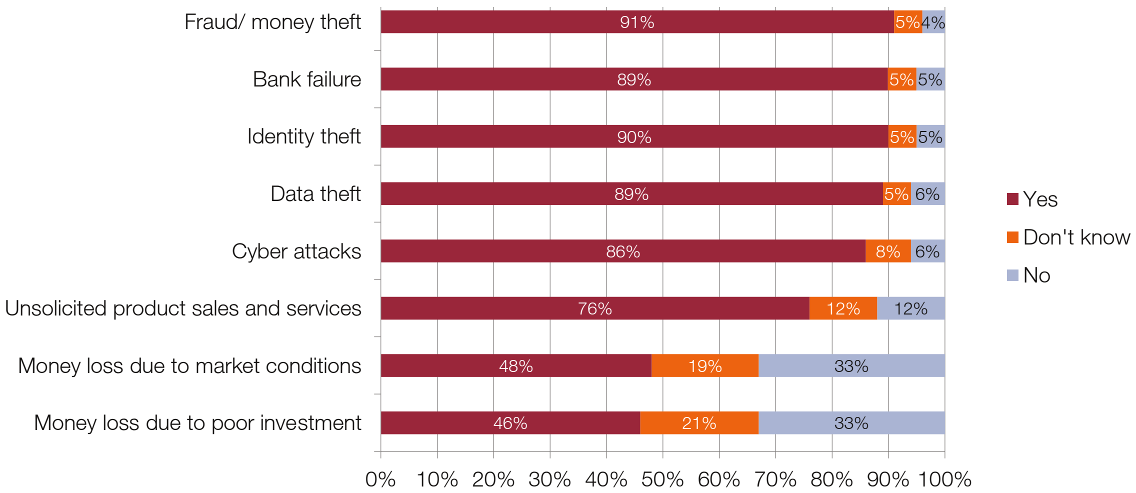


Importance of protection: by age and affluence

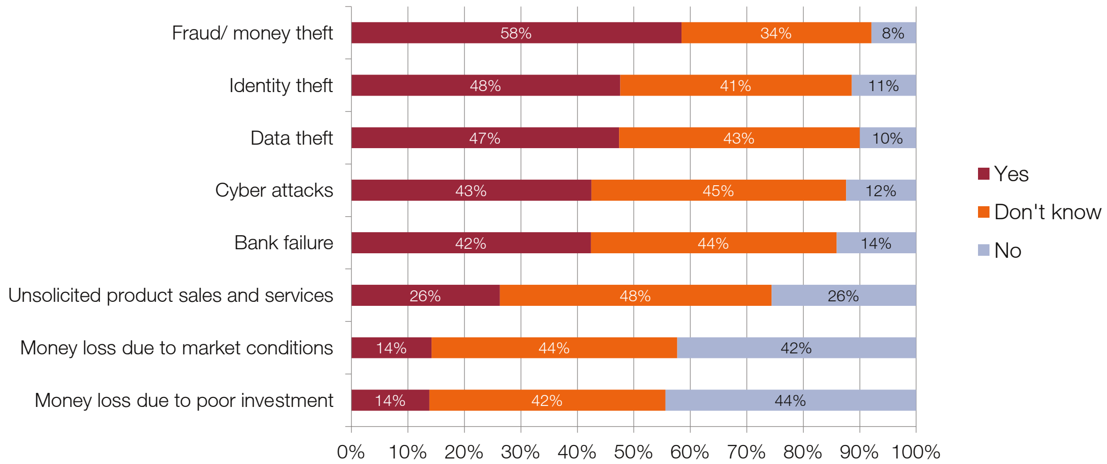


In terms of protection, consumers are looking for all aspects of cybersecurity: protection from fraud, identity theft, card theft and cyber attacks, as well as protection in the event their bank fails. The desire for banks to provide protection drops when it comes to protecting respondents from bad investments or market conditions.

My bank should protect me from…



My bank does protect me from…



Analysis

Cybersecurity is top of mind for consumers who are fully aware of the risks of conducting their lives in the digital world. To date, many consumers protect their privacy and personal data using digital personas and limiting the amount of online data. Today, protection is the most desired bank service and sets a minimum requirement for consumer banks to meet.

Consumers are becoming increasingly concerned about the protection of their finances, payments, and identity, and are looking to banks to ensure this protection. And, customers are willing to pay a premium for this service. How many of today’s banks, however, are packaging this protection as a service?

Forward thinking banks are extending and promoting their current protection services to turn protection-related overhead into a revenue stream. Extending protection services also could become a valuable loyalty vehicle that gives banks a competitive edge over non-banks.

What do consumers mean by being rewarded for their business?

Findings

Reward schemes are in high demand, with 70% of consumers saying rewards are important, and only 7% saying they are unimportant. This high demand is unanimous across all countries, age ranges, income levels and bank types.

The number of consumers of traditional high-street banks who cited that they did not receive any reward services was nearly double (60%) that of respondents whose main financial services provider is an online bank (32%).

In addition,1 in 5 consumers are willing to pay a premium for a reward service (rising to 1 in 4 for the UK and Germany). Younger consumers are more willing to pay for this service than older ones.

We asked consumers what they wanted to be rewarded for and how this should be translated into a reward scheme. The majority of consumers want to be rewarded for their length and/or volume of business, such as loyal years of membership (80%), number of transactions (57%), average balance (46%), and number of products held (43%). They want to their business to be rewarded with preferred rates (78%), cash (74%), point schemes (63%), or reward wallets (46%). These types of rewards were rated highly across all of the countries surveyed.

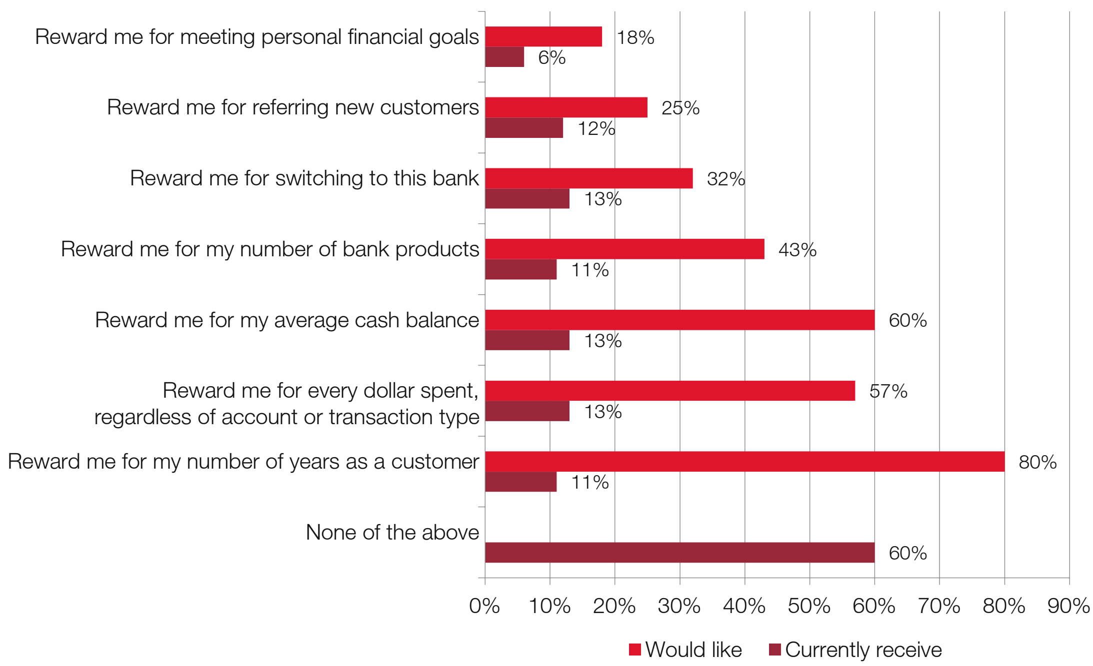
Results differed across countries in terms of the different types of reward services offered today. For example, 19% of respondents in France said they receive rewards for their loyalty, whereas only 5% in Canada and 7% in the UK said the same. Across all reward types, both France and Germany receive the most reward services today (16% and 14% on average, respectively).

In France, 18% were keen to earn rewards for their community, whereas this was of interest to only 7% of Swedes. Sweden, however, was the country most interested in preferential access as a reward (40%).

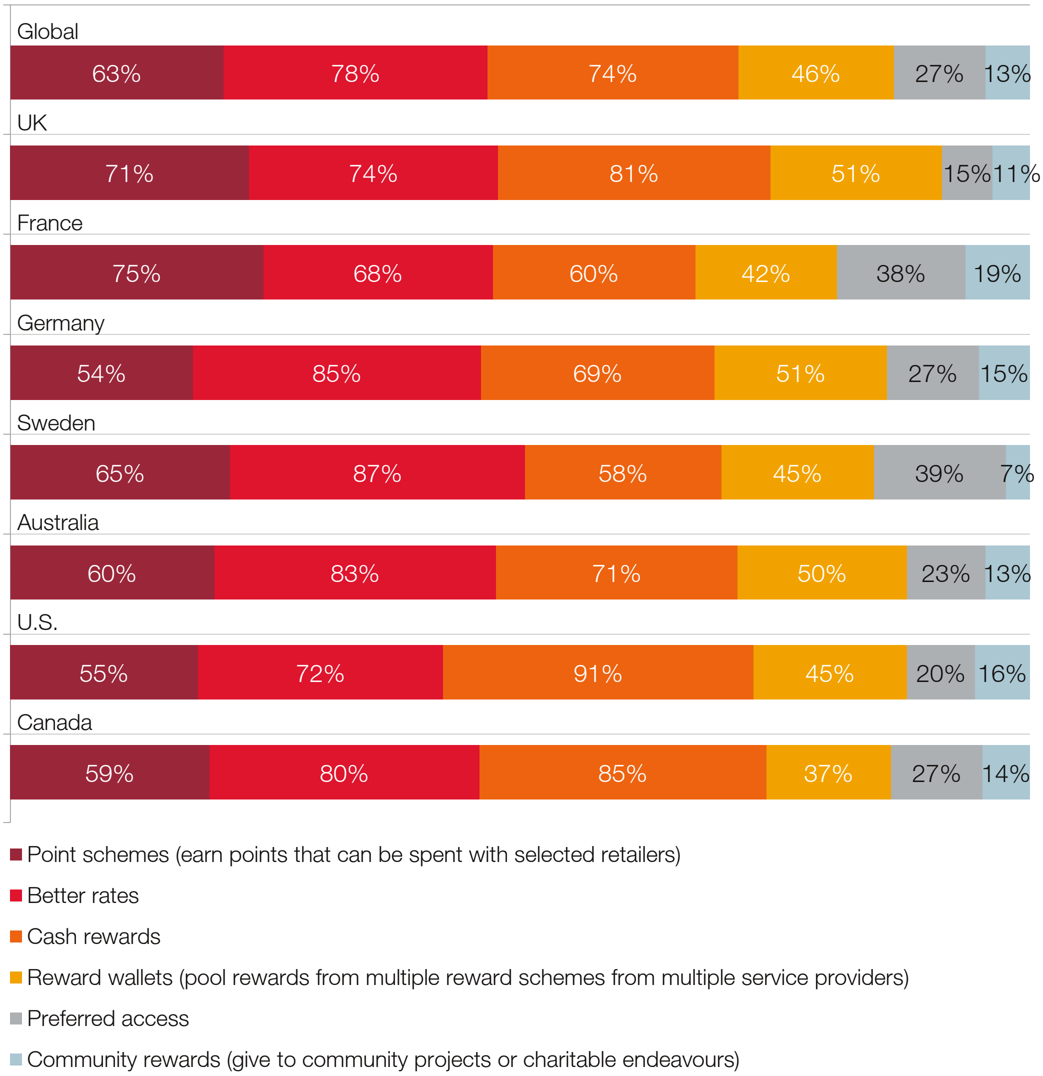
Interest in point schemes also varied across countries, with 74% in France selecting them, compared to 54% in Germany.

There was little variance among age groups or income levels. However, double the number of savings bank customers were interested in community rewards (21%), compared to high-street bank customers (11%).

Rewards consumers receive and would like to receive



Rewards consumers would like to receive: by geography



Analysis

In last year's survey, rewards were the highest ranking service demanded by consumers from their banks. Consumers indicated they are looking for a retail-like experience where loyalty rewards are commonplace, as well as seeking ways to stretch spending with rewards. Banks have started to respond by offering reward schemes, although they are far from commonplace. Conversely, some banks are penalizing consumers who may have been previously "valuable," but are no longer so.

However, unlike retail or airline consumers, bank consumers are often longstanding customers, and all of their spending and financial affairs may be handled by banks. As a result, they are looking to banks to reward them for all of their purchasing, as well as their balances and bank products, over their lifetime. Banks need to design reward schemes that take lifetime value into account, rather than a snapshot in time. The expert consumer knows how a bank makes money and wants a share for his or her loyalty.

Bank consumers also are looking to be rewarded across many areas of their bank relationship and to receive rewards in different forms. It is important, therefore, for banks not to narrow their reward schemes and to create valuable reward experiences. Banks that extend their business model to include ecosystem partners enable reward schemes to be delivered across the value chain. Consumers want a long-term relationship with their bank and are expecting to be valued in return.

What do consumers mean by building wealth?

Findings

Wealth building is important to 66% of consumers; 37% say that their bank currently delivers this service, and around 1 in 3 (31%) are willing to pay a premium for it (40% in Germany). Similar to other value-add services, younger respondents are more likely to pay a premium, but in this case, there is also a difference among income levels, with 37% of affluent respondents open to paying a premium, compared to 26% of non-affluent respondents.

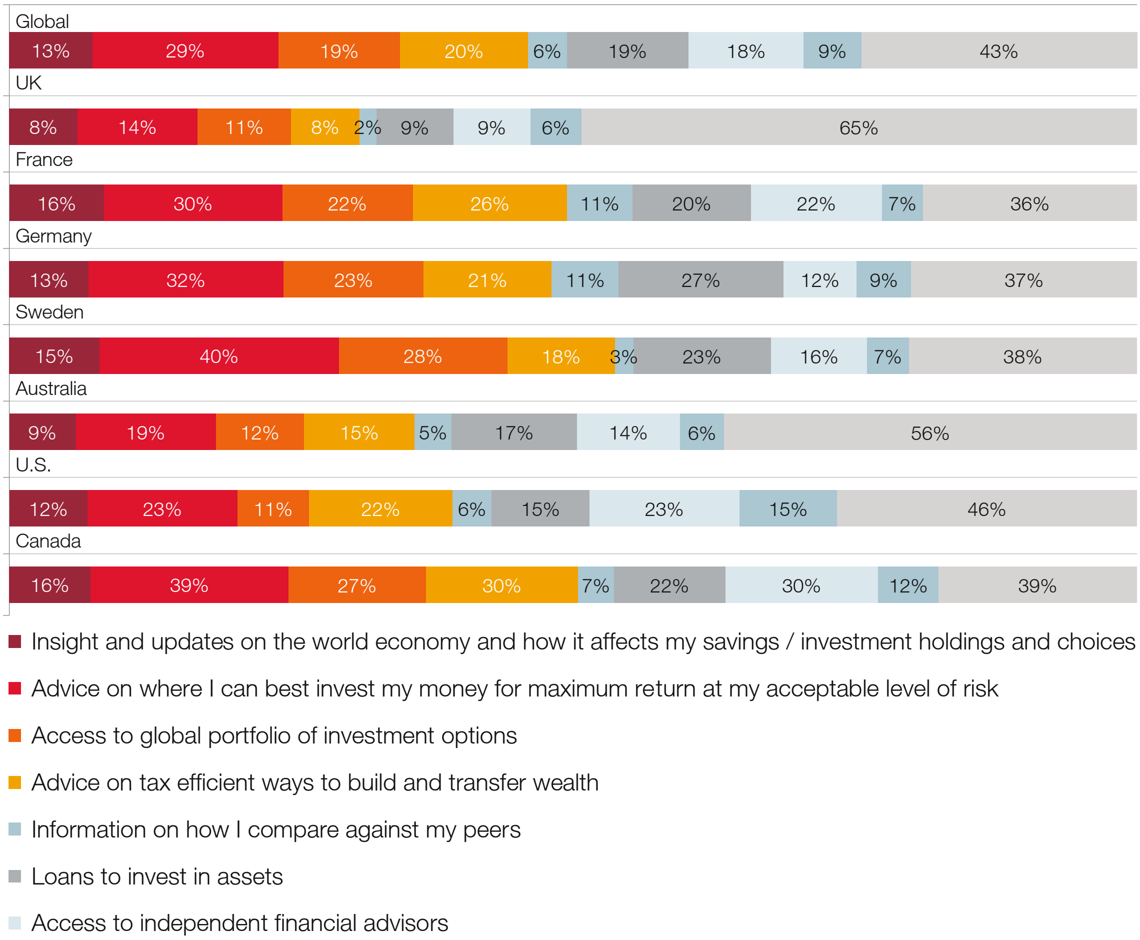
What do consumers mean by building wealth? Consumers want advice on investments, taxes and wealth transfer, as well as access to independent advisors and loans for investing in wealth building schemes. This was unanimous across all countries. Forty-three percent of consumers said they receive none of these wealth-building services from their banks.

Banks' success at offering these services varies significantly by geography. Currently, Canada is faring the best, with 66% of respondents citing that they receive various wealth building services. In the UK, however, that number is nearly half, with only 35% saying they currently receive wealth services. Across regions, Australia came in at 44%, followed by Europe (59%) and North America (61%).

Wealth advice I would like to receive from my bank

- Insight and updates on the world economy and how it affects my savings / investment holdings and choices
- Advice on where I can best invest my money for maximum return at my acceptable level of risk
- Access to global portfolio of investment options
- Advice on tax efficient ways to build and transfer wealth
- Access to independent financial advisors
- Information on how I compare against my peers
- Loans to invest in assets

Wealth advice I currently receive from my bank



Analysis

Last year, 55% of consumers were looking for wealth building services; this year, 66% are. With the increase in mass affluence across Europe and North America, an increase in the number of small businesses, and emphasis on personal retirement funding, receiving wealth building support is of growing importance across all consumer groups. This is a significant revenue opportunity for banks.

Consumers are looking for a range of wealth building services that often fall within different bank product groups. Consumers see investment advice, some types of lending, and investment in tax efficient schemes as part of this value-add service. As banks consider how to pull together wealth building services, they should consider an overall service approach and bring products together to fulfil consumer demands.

In the digital world, advice, updates, statements and what-if analysis can all be delivered digitally using robo-advisors and personal finance digital tools. Some of the world's leading private banks are already there, but many retail banks are not. Leading retail banks are considering the mass-marketing of personalized private banking services, for at least the mass affluent, through a cost-efficient service model. New services are starting to be offered by non-banks to bridge this consumer gap, and it appears that, if banks do not act quickly, consumers will be ready and willing to reach out to the non-banks.

What do consumers mean by being known?

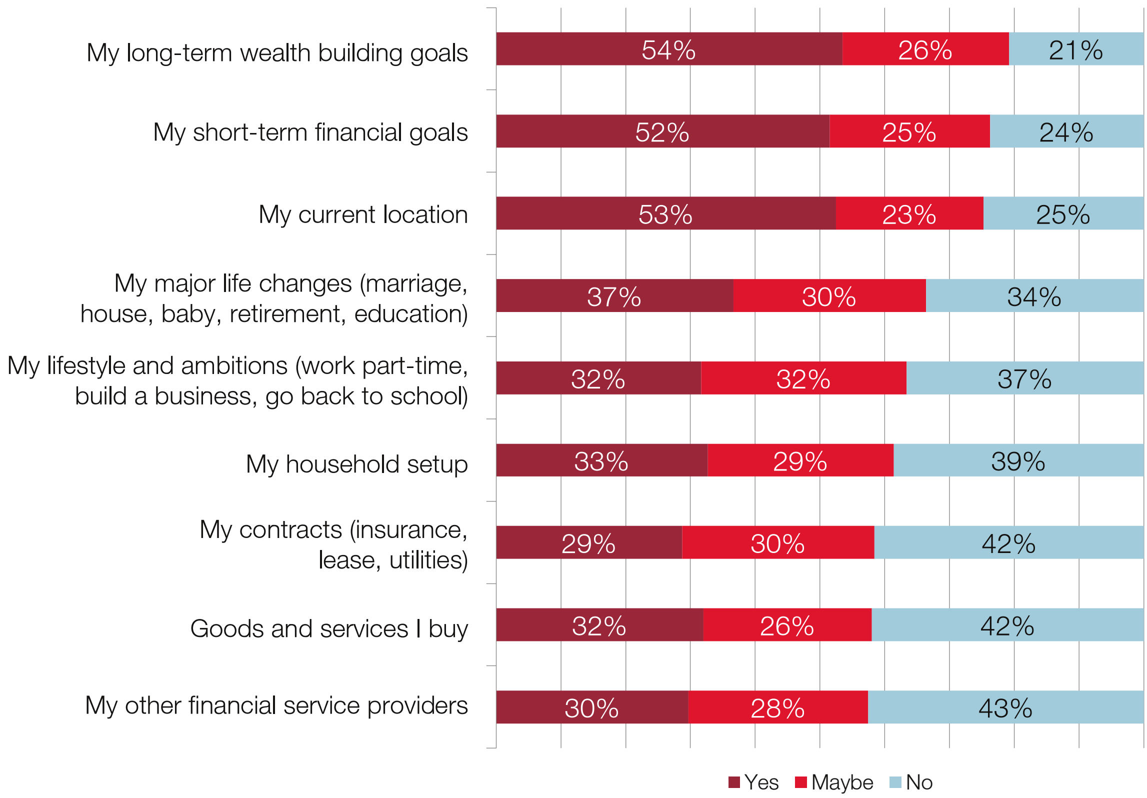
Findings

An overwhelming 91% of respondents believe it is important to be known by their bank, and nearly 1 in 5 (19%) are willing to pay for their bank to know them better. In fact, Europeans are far more likely to pay for personalized services (22%) than either North America (14%) or Australia (16%), with Sweden the most likely to pay (27%).

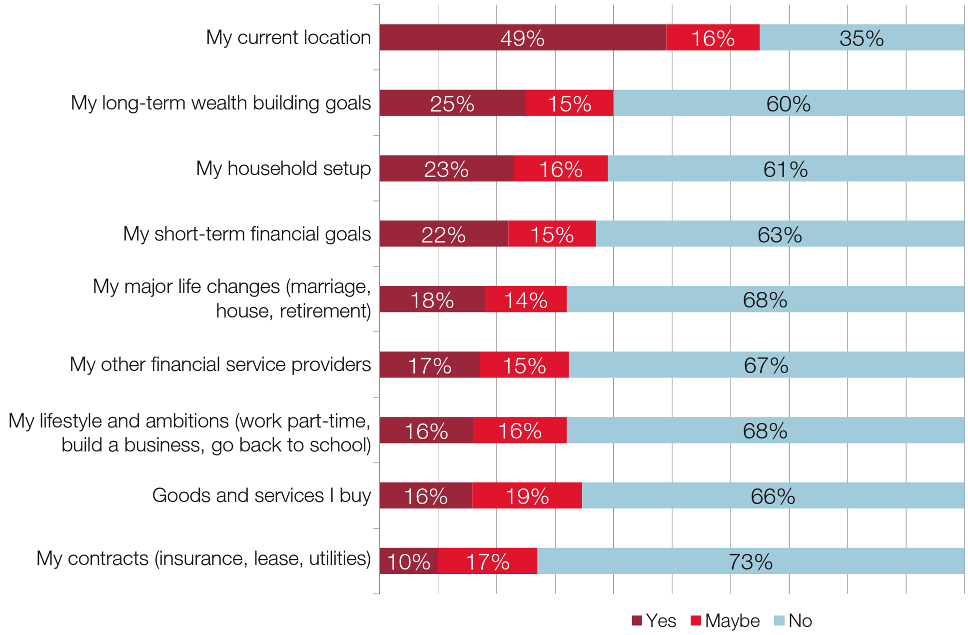
Respondents believe that banks should know their short- and long-term financial goals, so that they can provide support in meeting those goals. However, an average of only 24% of respondents believes that their bank understands any of their current goals. Location-based information also ranks high with respondents who say that banks should know where they are based locally in order to help them find deals in their local area.

Apart from location information, most respondents believe that their bank does not know them or they simply are not aware of what banks do know. While younger respondents believe that banks currently know more details about them than older respondents, this view is fairly consistent across the demographics, with an average of 62% of respondents saying that banks do not know them.

What my bank should know about me



What my bank currently knows about me



Analysis

The digital economy is revolutionizing consumer-intensive industries. Real-game changers are moving fast to deliver personalized services within an ecosystem of partners and connected transactions. Leading banks are doing the same. Consumers are saying their short- and long-term finances are critical to their well-being, and they need help. They want to do business with an organization that knows them, understands their goals, and can help them to achieve those goals. For example, if a consumer is buying a car, he or she wants the bank to know this, propose tailored financing options and orchestrate the purchase at point of sale. This is increasingly called "my digital best friend" and should be available anytime, anyplace.

Consumers expect, at a minimum, "know me" type services in the area of wealth building, but are looking for even more. Consumers are asking banks to go beyond traditional KYC and affordability checks and use advanced preference and goal-based insights, coupled with location and transactional indicators, to drive selected offers to them at the right moment.

What do consumers mean by cash management?

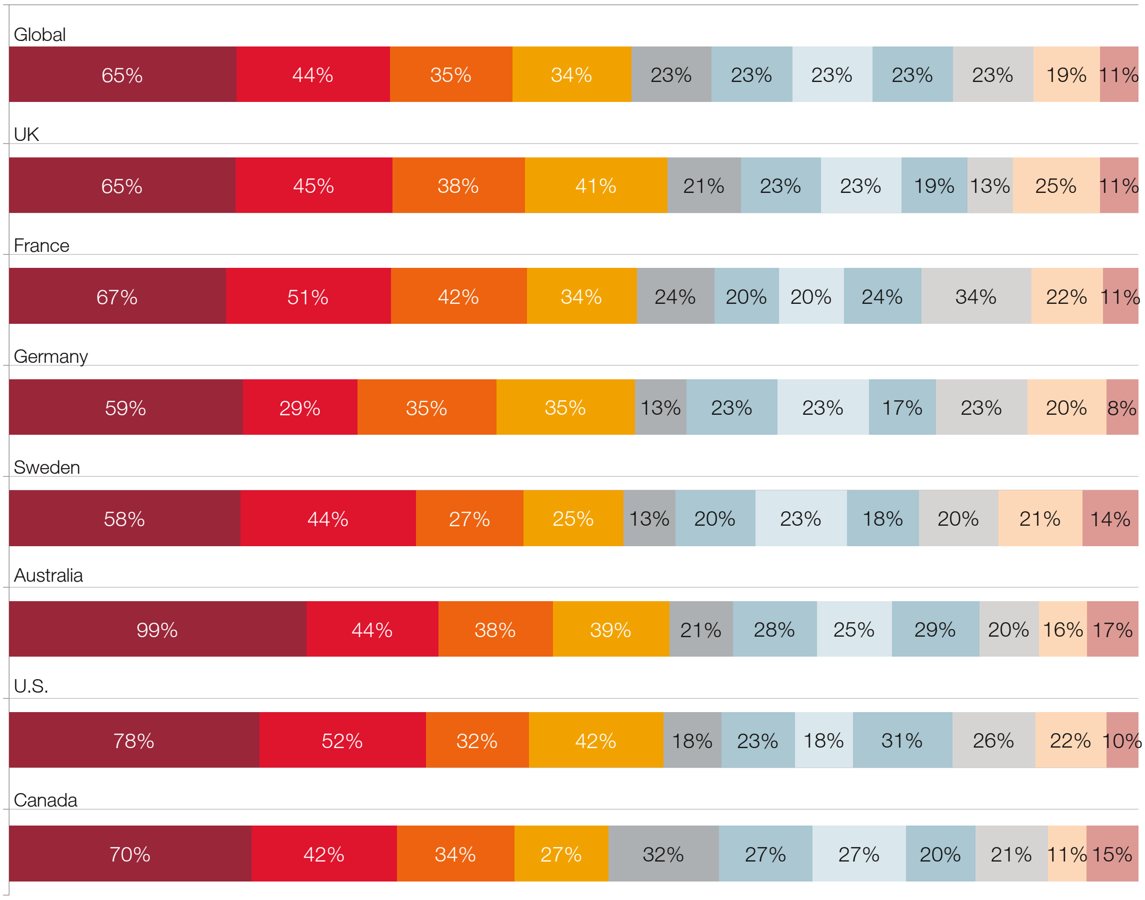
Findings

Around-the-clock, omni-channel account access is the cash management service most demanded by consumers across all countries, ages, incomes and bank types (65%), together with real-time balances. Whether it is over the phone, via their mobile device or online, respondents want easy, convenient access to their money, and 15% are willing to pay a premium for this (20% in France and Germany).

Information on payment transactions, automatic saving mechanisms, and alert features also are in high demand. These types of financial planning services are of slightly more interest to older, more affluent respondents.

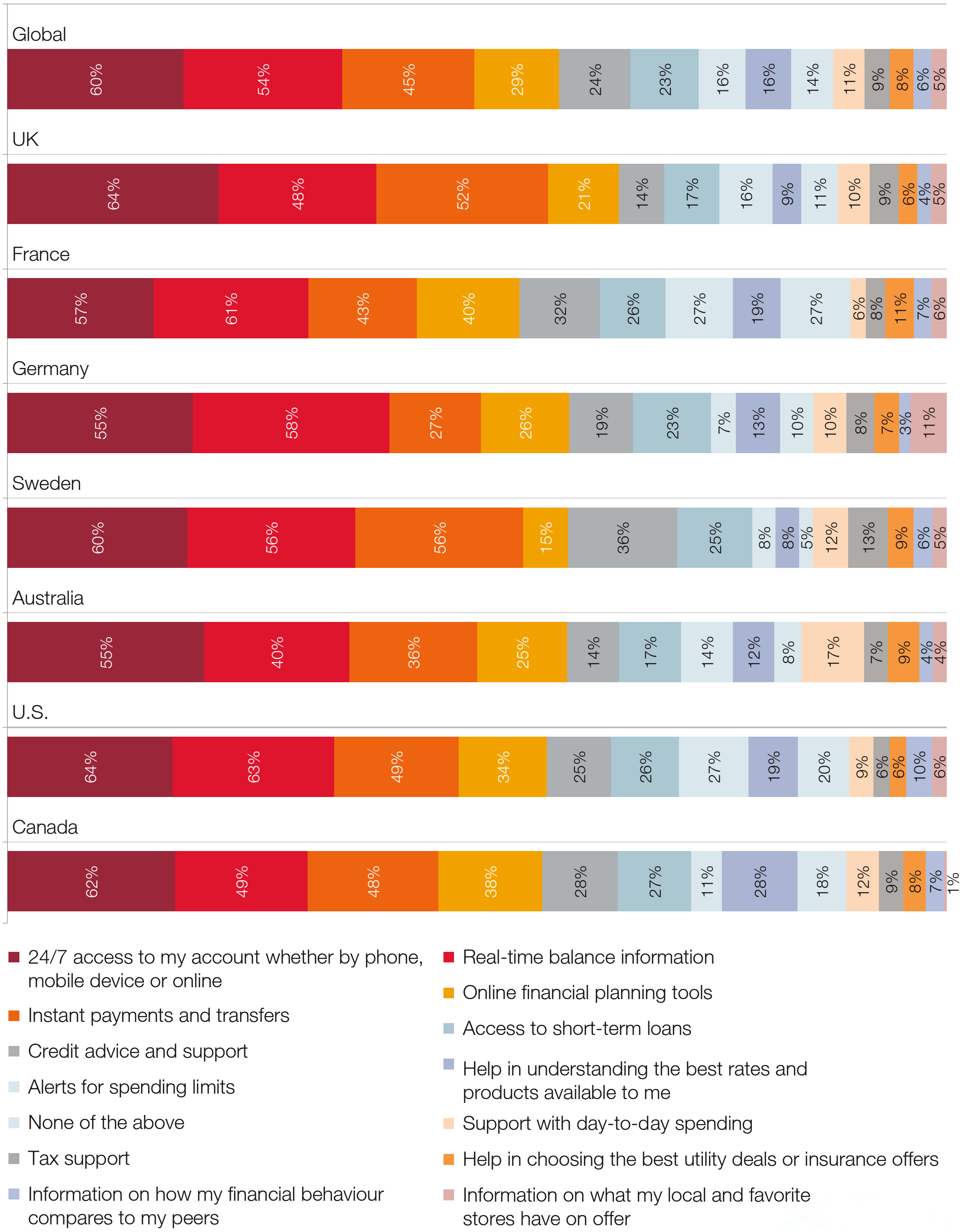
In terms of anytime/anywhere, omni-channel access, an average of 60% believes they currently receive this from their current provider (only 54% of respondents in Germany and Australia). More striking perhaps is that only 29% of respondents globally feel as though they have access to online financial planning tools from their current provider (15% in Sweden and rising to 40% in France). Only 9% of respondents globally believe that their current provider offers them support with day-to-day spending.

What cash management services do consumers want?



- 24/7 access to my account whether by phone, mobile device or online
- Current account balances and notification of when payments are coming in or going out
- Automatically transferring money I don't need right now into a savings account and bringing it back when I do
- Alerting me before I go over my budget or have a cash flow problem
- Giving me access to short-term loans to cover cash flow problems
- Setting up a monthly budget and monitoring how well I'm keeping it
- Helping me to choose the best utility deals or insurance offers and alerting me to new offers
- Allowing me to make payments only when I have the funds available
- Giving me credit advice and support
- Providing information on what my local and favorite stores have to offer

What cash management services are consumers currently receiving?



Analysis

These results echo our 2014 survey findings, which found 61% of consumers want real-time access to their balance, and 53% want to be told what they are spending and how they could save money. There are now many personal finance management tools on the market; not many of them, however, are linked to the consumer's bank. This is a clear quick win for banks, and one that appears to be a commodity service request from consumers. It is a significant missed opportunity for banks that consumers are using credit cards or other payment service providers as a proxy for this service, especially for short-term funding. As a result, banks are losing the rich data generated from transaction histories.

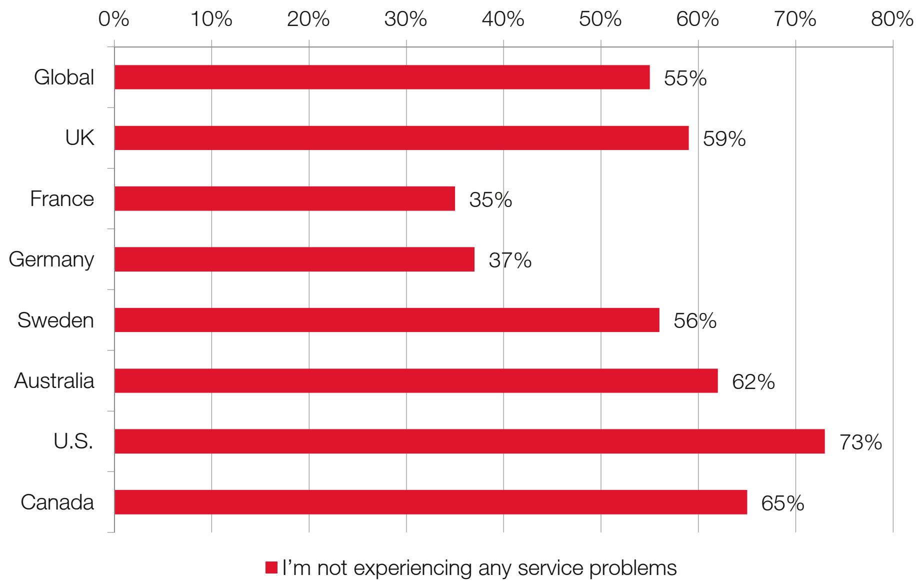
The results also reveal the growing demand for real-time payments and real-time information that supports cash management. Leading banks in countries that are moving to real-time payments recognize the importance of this for retail consumers and are aggressively considering how they can develop new services to meet customer expectations. In an increasingly connected world of people, assets and enterprises, banks need to be able to support consumers' cash management needs as they happen not as an end of month report.

What do consumers mean by service issue resolution?

Findings

The good news for banks is that 55% of respondents globally believe that they are not currently experiencing service problems. American banks ranked even higher, with 73% of respondents indicating that they were problem free. However, in France and Germany, the results were far lower, with only 35% and 37%, respectively, not currently experiencing service issues. While the results were fairly consistent across income levels, a larger portion of older respondents (62%) indicated they were not currently experiencing issues, compared to their younger counterparts (47%).

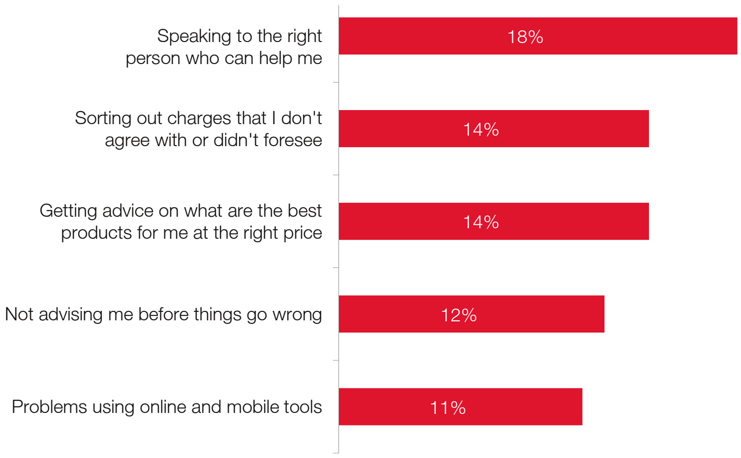
I'm not experiencing any service problems: by country



I'm not experiencing any service problems: by age

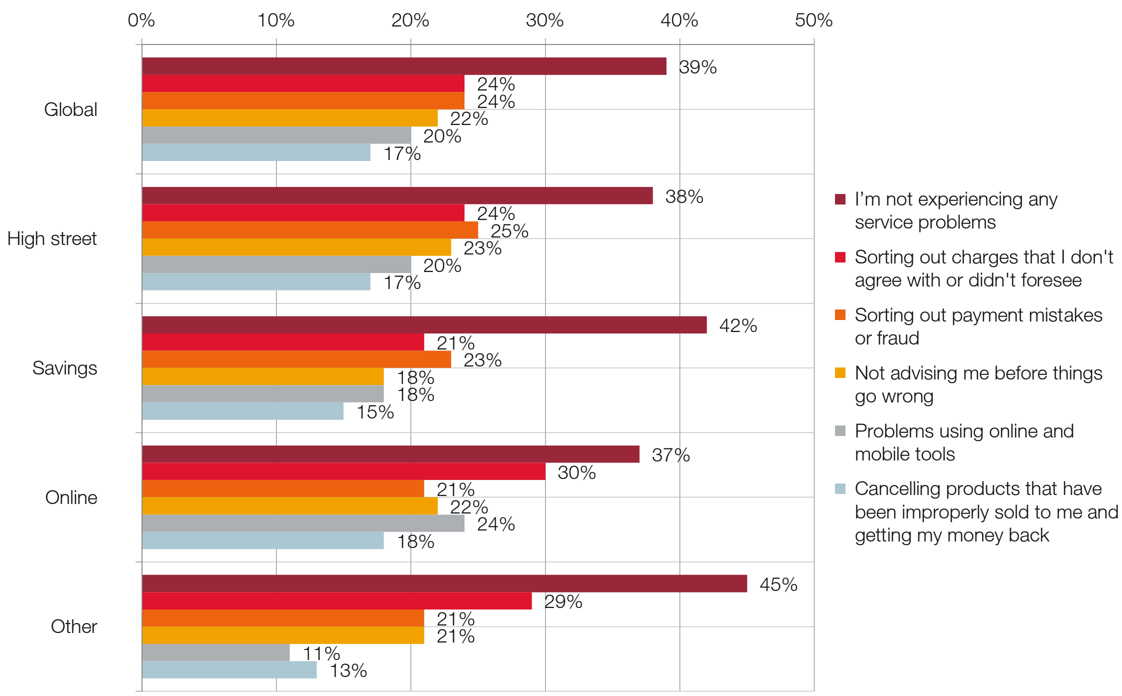
Top service problems globally

The **top 3** service issues globally were "speaking to right person" **(18%)**, "sorting out charges" **(14%)** and "getting advice on the best products" **(14%)**.



For all three bank types (high street, savings and online), the top service issue was consistently "speaking to the right person," with respondents of high-street banks experiencing this more. For saving banks, "problems using online and mobile tools" ranked second, whereas for online banks, it was "not advising me before things go wrong."

Top service problems: by bank type



So, which issues are causing respondents to switch? Nearly 1 in 4 respondents would switch banks due to issues with charges they do not agree with or problems sorting out payment mistakes or fraud. Just over 1 in 5 would switch if not advised on issues before they go wrong. These top 3 issues are the same for both high-street and savings banks. However, for online banks, problems using online and mobile tools are the second top reason consumers may switch banks.

Top reasons to switch

Analysis

Although consumers say they are experiencing few service problems, resolving day-to-day issues and providing advice is a key opportunity for banks to move ahead. It is often reported that consumers have difficulty in getting issues resolved when using online services outside of banking. However, as more and more consumers access their banks digitally, banks are beginning to experience the same problem. Banks have an opportunity to move ahead by delivering excellent problem resolution services online with user friendly options, feedback loops, and easy to understand resolutions and appeals. The same service could also be used to keep customers informed on the status of error corrections.

Section 2: Future banking business models

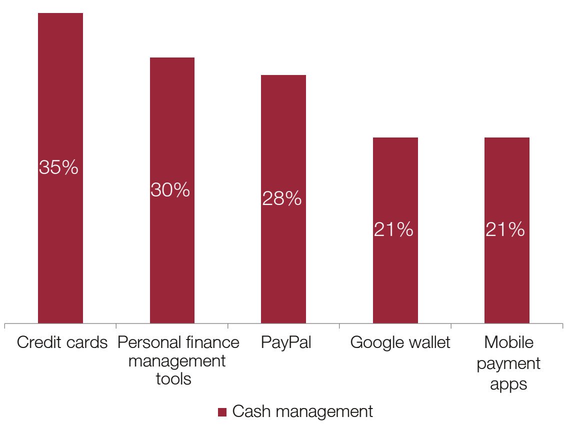
Who are banks' real competitors today?

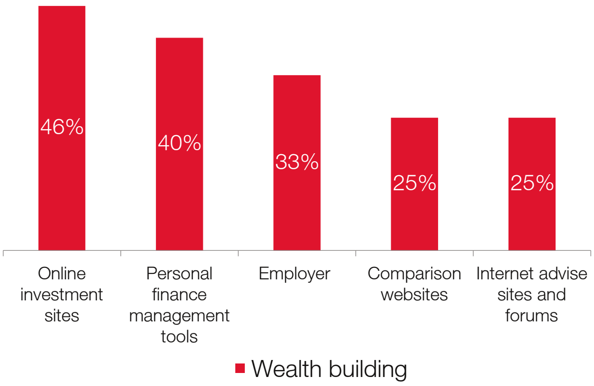
Findings

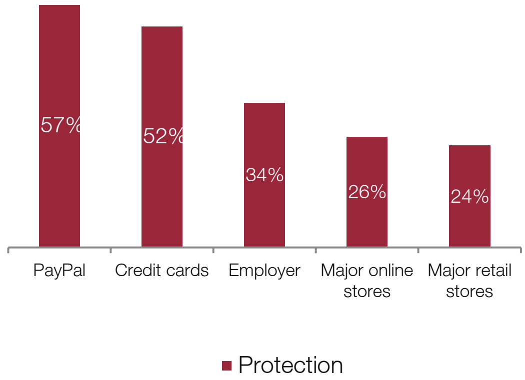
For each of the value-add services demanded by consumers, we asked respondents who they thought were the best alternative suppliers today.

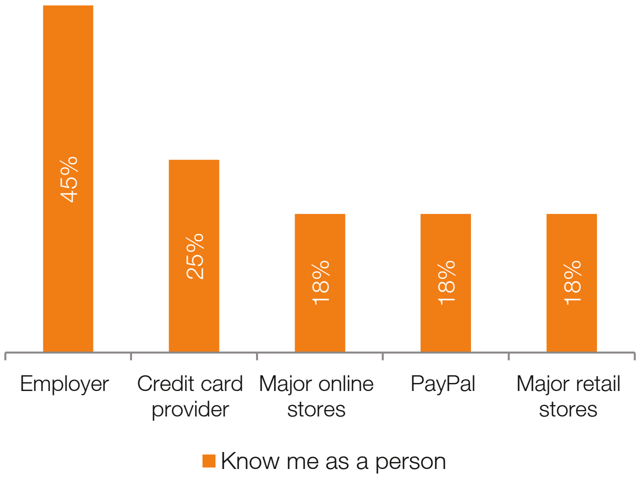
- **PayPal:** PayPal rated highly as a trusted provider of reward, cash management, protection and personalized services. It also ranked high for consumer protection at 57%; and, 34% felt that PayPal offered good reward schemes (56% in Germany and 45% in France). In addition, 27% of respondents trust PayPal to provide cash management tools (42% in Germany and 41% in Sweden). Generally speaking, Europeans trust Paypal more than their North American counterparts.
- **Online investment and personal finance management providers:** Around 1 in 5 respondents are open to trusting online investment sites for all key desired services, and 1 in 2 (46%) would trust them for wealth building support (57% in Sweden). When it comes to using online personal finance management tools, 40% of respondents globally would trust them for wealth building support, and 30% for cash management purposes. Respondents from the U.S. are the most open to using personal finance management tools (48% for wealth building and 44% for cash management).
- **Credit card companies:** Credit card companies are viewed as trusted providers of reward, cash management, protection and personalized services. In fact, they are the top rated alternative provider of rewards (59% globally, 73% in North America, 50% in Europe, and 61% in Australia). For rewards, older, more affluent respondents trust credit card companies slightly more than younger consumers. Credit card companies also are the most trusted alternative provider of cash management services (35% globally).
- **Retailers:** Both online and store retailers are rated highly when it came to rewards (39% and 43%, respectively). Australia was the exception; online retailers were down 6% from the average. Again, older, more affluent respondents found retailers more worthy than younger consumers. Retailers also ranked among the top 5 alternative providers for protection (around 1 in 4 respondents) and personalized services (just below 1 in 5).
- **Employers:** Interestingly, respondents ranked their employer among the top 5 trusted providers for 4 of the 5 value-add services: reward, protection, wealth building and personalized services.

Top trusted alternative providers









Analysis

Delivering value-add services is a key growth area for banks focused on driving new revenue streams. However, as we have already seen, consumers currently do not consider banks as providers of these services—a gap for the banks to bridge. The openness of consumers to using alternative non-bank suppliers is driving a split in who owns the customer relationship and pushing banks into wholesale money storage, resulting in the loss of new revenue streams, valuable transaction data and insight for building relationships.

Leading banks are keeping a careful watch on not only FinTechs, but also of the wider ecosystem of competitors to judge how to best compete. They are even considering bringing some of these competitors within their own walls to protect their ownership of the consumer relationship. By adding value-add services and bringing in outside services, they are preventing consumers from looking elsewhere.

It is critical that banks compete for customer ownership. The actual and potential for deposit, lending and payment leakage to non-banks is extremely high. A consumer with unmet financial service needs has no alternative but to go elsewhere.

Which channels should banks focus on?

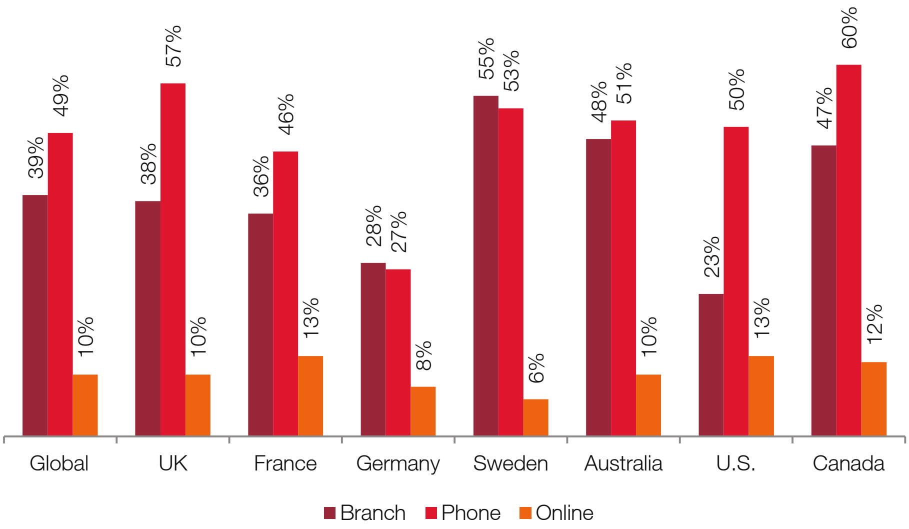
Findings

When asked why they use a certain channel, it becomes very clear that online is absolutely the preferred choice, regardless of age, income, location or bank type, with only 10% of consumers not using their banks online service “unless they have to.”

Conversely, around 50-60% of most countries will not use the phone unless they have to. Interestingly, this drops to 27% in Germany.

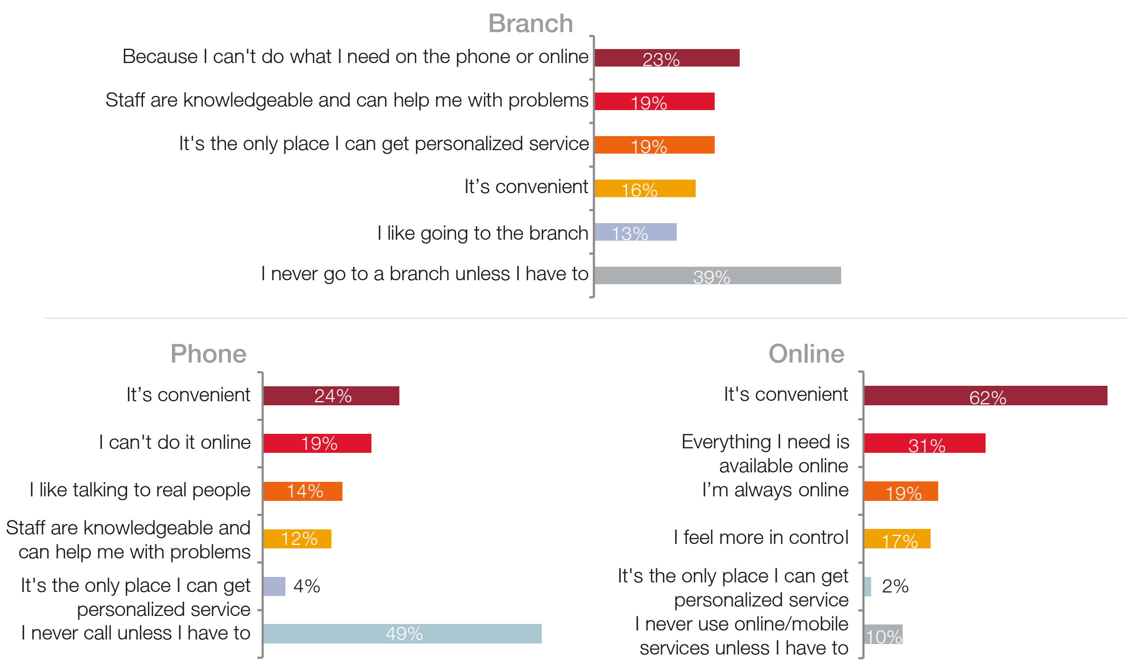
In terms of branches, around 50% of all Swedes, Canadians and Australians will not use the branch unless they have to. This drops significantly in the U.S. where only 23% will not use the branch unless they have to.

Last resort channel preference



When asked why they like to use certain channels, “convenience” is the top reason for both phone and online channels, whereas personalized service ranked fairly low. Respondents are selecting to use the branch when they need person-to-person interaction, advice or personalized service; convenience ranks far lower as a reason.

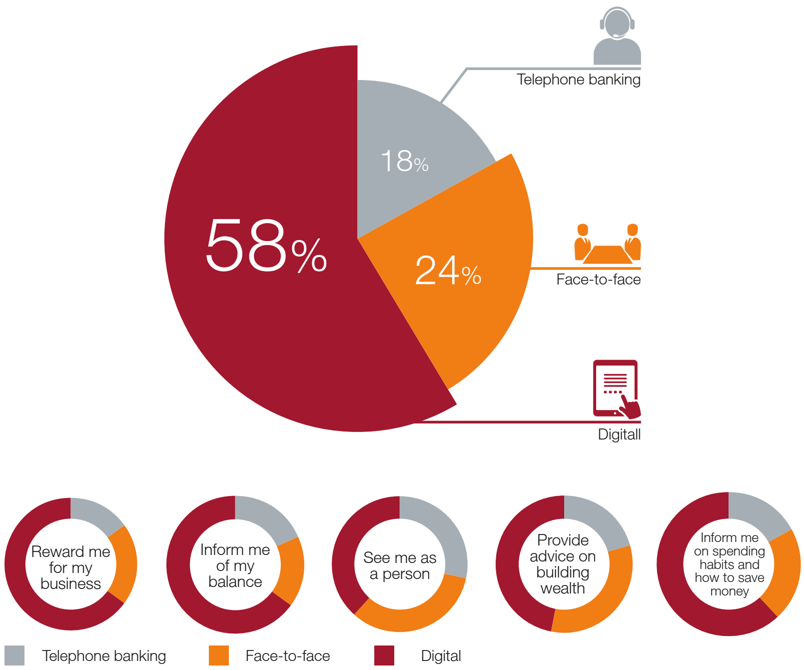
Why I use channels



Analysis

The desire to access financial services digitally is rising fast primarily due to convenience and the availability of online services. The more services available online, the lower the demand for telephone service centers and branches. Today, half of consumers are saying they would never call the bank unless they absolutely had to, and 40% would never visit the branch. Clearly, the need for a significant physical network is diminishing rapidly and call centers should move to virtual advisors. Thus, as more financial services are available digitally, the use of physical or voice/virtual interaction will become an extension of digital.

Channel preference results from our 2014 financial consumer survey



This year, we specifically asked why people wanted to use different channels. We knew from last year's survey (see diagram above) that, for personalized services, especially around wealth building, consumers expected a face-to-face experience. In this year's survey, we see a similar story; people want to be able to discuss important aspects of their financial goals with a knowledgeable person.

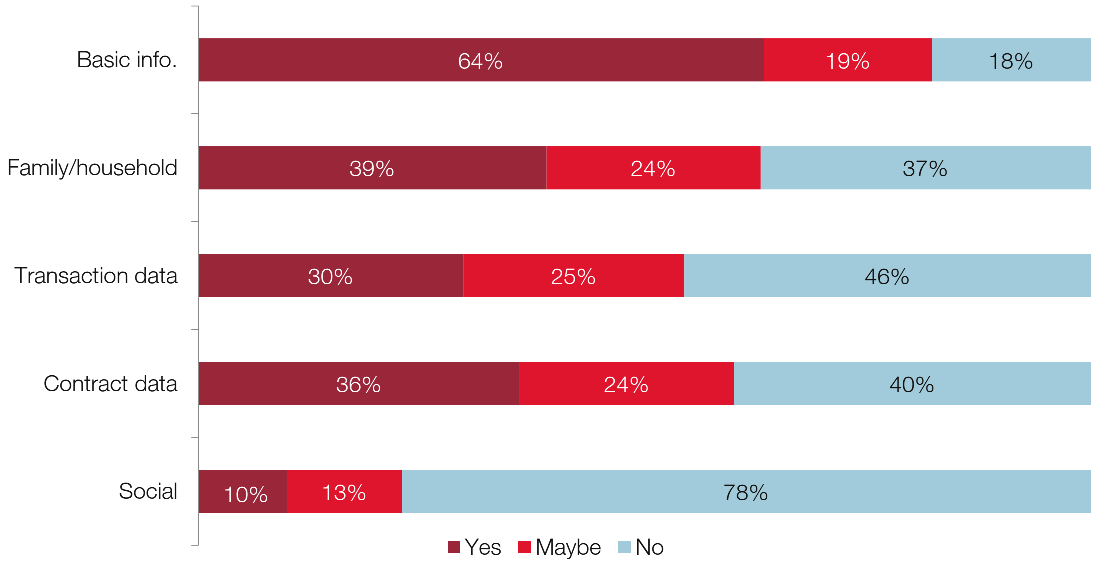
The reconfiguration and staffing of branches is, therefore, critical. Historical uses of branches have diminished, and consumers have low levels of satisfaction in terms of getting to speak to the right person via any channel. Banks should consider virtual branches where the right people are available at the right place for consumers armed with real-time customer insight. Branches and their locations may need to be re-evaluated.

How can banks use data?

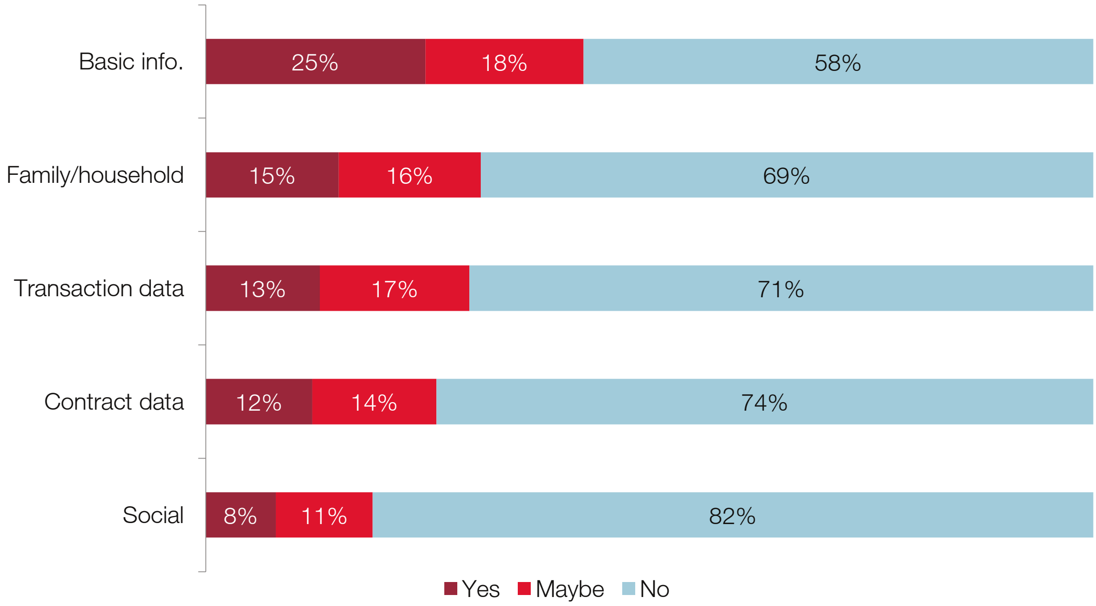
Findings

Over 80% of consumers are open to banks using their basic information for improved services or products. Respondents are also fairly open to sharing family/household information (63%), contract data (60%), and full transaction data (50%). However, there is a clear line here; respondents do not want banks having access to their social media data, with 77% globally saying no. However, the under 40s are 10% more likely to want to share their social data than the over 40s.

I’m happy for you to use my data for improved services or products

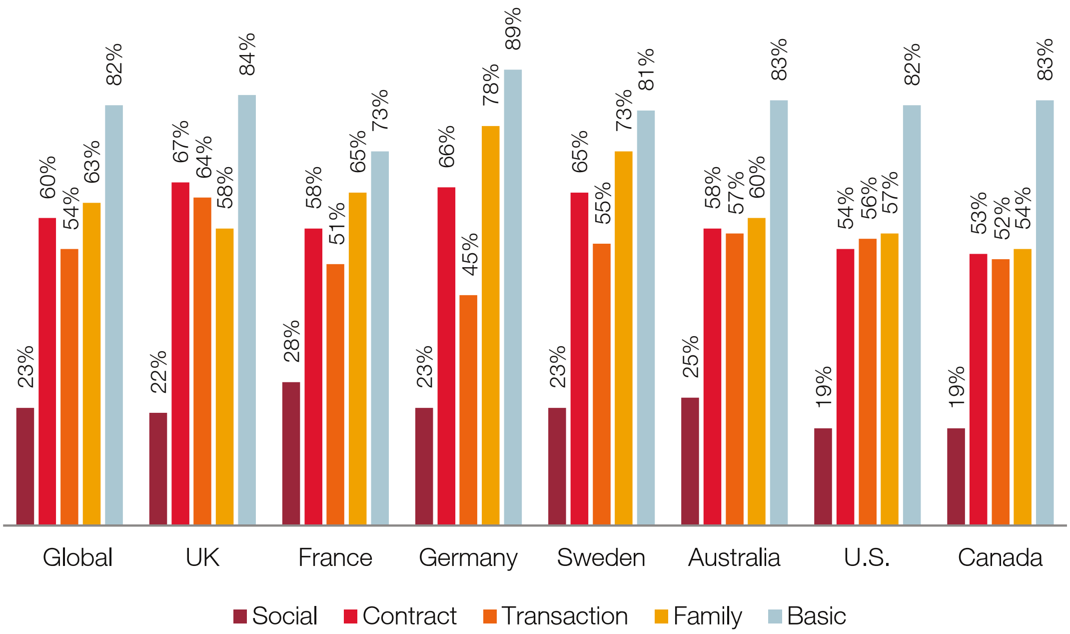


I’m happy for you to share my data with third parties for improved services or products



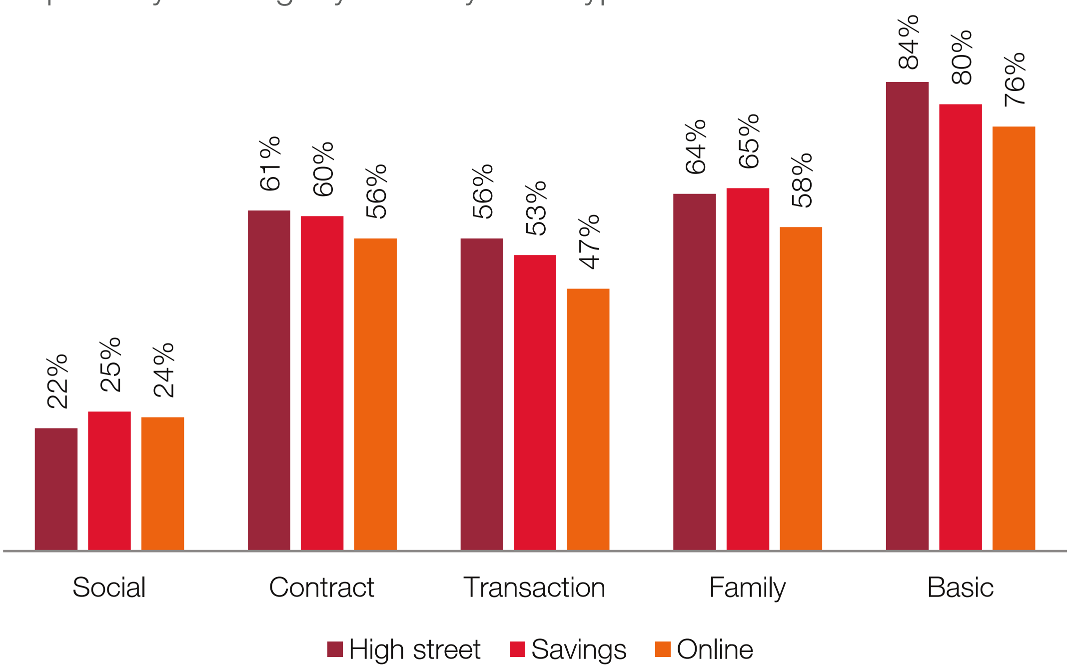
Looking at the various country results, we see that, in general, there is more openness to sharing data in Europe than in North America. Interestingly, while Germany is one of the more open countries when it comes to basic, family or contract data, consumers are far less inclined to share their transaction data.

I'm open to you using my data: by country



Interestingly, when comparing bank types, users of online banks are marginally more likely to share their social data; however, they are the least likely to share any other types of data.

I'm open to you using my data: by bank type



When respondents were asked if they wanted their data shared with selected third parties, the number who said yes dropped by nearly half.

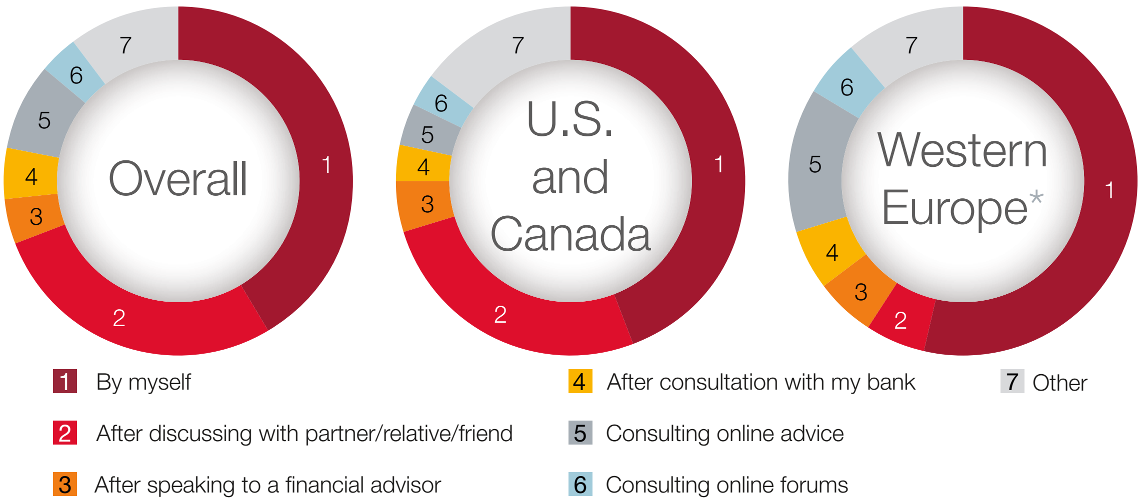
Analysis

Banks are highly concerned about the protection and use of personal data. A top business priority today is to have a complete 360 degree view of customers to drive digital insight. While this can be a challenge to achieve, given disparate customer data stores and real-time interaction, it is interesting to learn how consumers expect their data to be used to drive improved personalized services and offers.

There is definitely concern among consumers with allowing anyone and everyone to use their personal data; hence, the importance of protection as a value-add service. If consumers were convinced about the protection of their data and its appropriate use, then a majority would be happy for banks to use basic, transactional, contract and household data to drive improved services, albeit governed by national legislation.

Given last year's survey results with respect to whom do you go to for financial advice—where the majority of consumers said they relied on themselves or friends and family, and only 7% went to their bank—it is critical that banks expand beyond the immediate 360 degree view of customers to a broader awareness. Leading banks are working to ensure they are able to predict when customers need advice and provide offers that preempt self-service, leveraging all the data they have. While observing strict customer data governance, they are focused on remaining at the center of a consumer's financial dealings and serving as their trusted gateway to similarly trusted third parties to avoid serving merely as wholesale storage and payment processors.

How do you make financial decisions?



Source: 2014 CGI financial consumer survey

*Western Europe: France, Germany, Sweden and UK

If we then couple this with channel preference, we start to see the importance of real-time, digital, omni-channel, personalized advice and how this needs to work to drive revenue. Using predictive analytics to identify financial needs as they happen enables push-based offerings and seamless connection to advisors, coupled with fast, click-based ordering. For the consumer buying a car, he or she looks at finance options, chats with his/her advisor, agrees on the financing terms and then purchases the car while standing next to it. This, in turn, significantly improves cross-selling and per customer revenue.

Waiting for the pull, with only 7% going to the bank for advice, is not effective. To deliver personalized services, banks need to know where their customers are and what they are thinking about—not just who is walking through the branch door, using the phone or visiting their website. And, they need to anticipate their financial services needs based on short- and long-term goals. Delivering new services in the digital era requires banks to think much more broadly across the bank ecosystem.

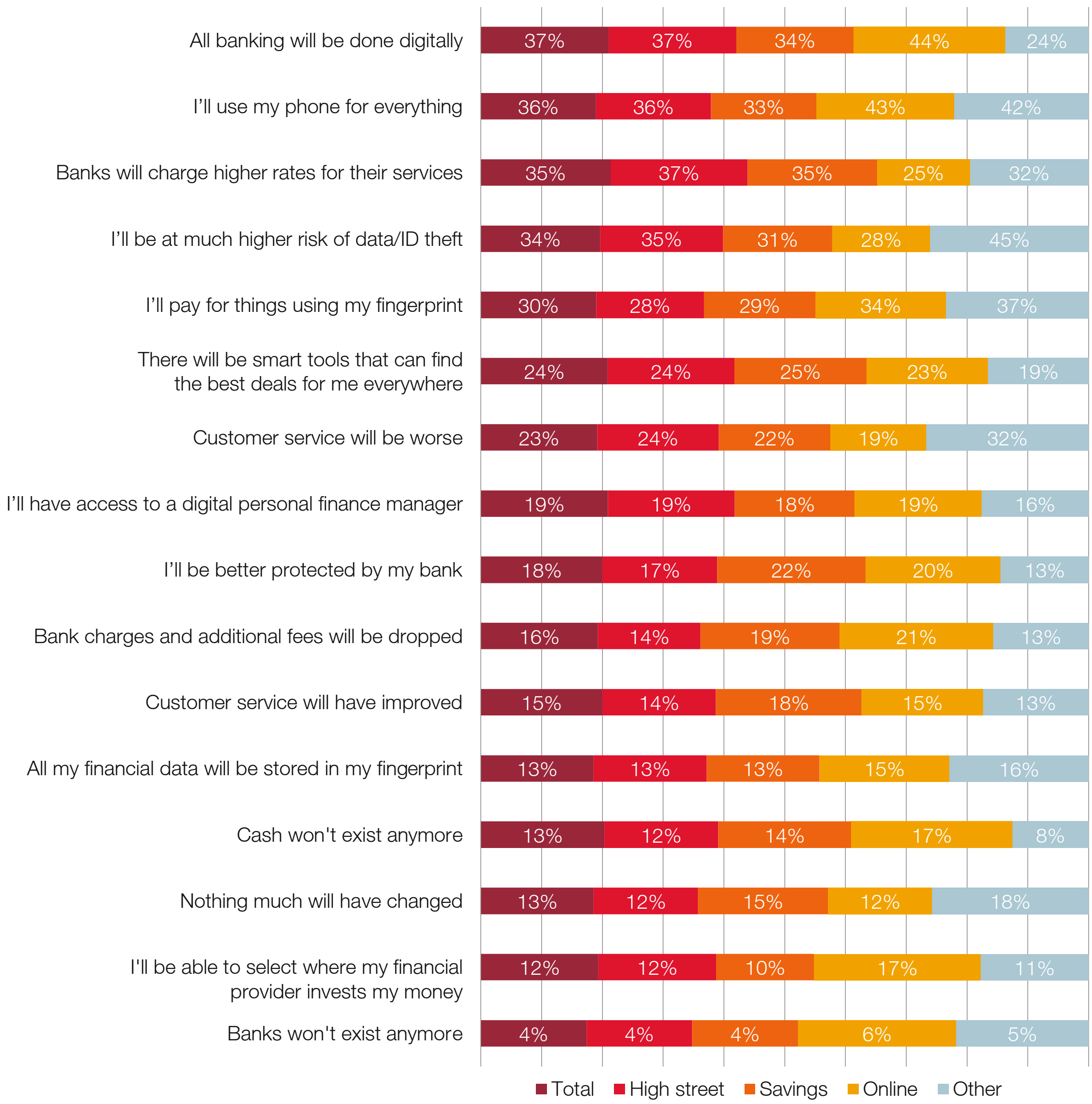
The strong desire by consumers for banks not to use social media data reflects the growing use of digital personas in social media. Consumers are concerned that information gleaned from these personas could be detrimental to their financial credentials. However, from a bank's perspective, social data augments predictive analytics capabilities and push timing. A careful balance needs to be ensured.

How do consumers view the future of banking?

Fortunately for banks, only 4% of respondents believe that banks will not exist in 5 years. Respondents predict a highly digital environment with all banking done digitally (37%), using the phone as their main service channel (36%), or, alternatively, using their fingerprint (30%).

However, respondents also predict a world of greater ID/data security risks (34%) rather than a world where they will be better protected by their bank (18%), higher rates rather than lower (35% compared to 16%) and worse customer service rather than improved (23% compared to 15%). Interestingly, customers of online banks have a much more positive view of the future than those using traditional high street banks.

Consumers' view of the future banking model



Analysis

We finished this year's survey asking consumers for their thoughts on the future of banking over the next 2 to 5 years. They responded by saying they will be even more concerned about protection, that the world will be digital, that they will have access to many more useful online financial services and pay more for them, and that banks will still exist. Smartphones have become the access device of choice, although wearables and biometric devices are fast increasing in use.

Consumers' belief that banks will still exist in 5 years is not a reason for complacency or a lack of agility in progressing digital transformation programs. As we have seen in other industries, new players such as Uber can effect a significant game changing move, disrupting an industry and accelerating the demise of historical business models in a short period of time. Banks should move quickly to stay in the business of banking. At the same time, continued concern about protection could impact bedrock bank services and give banks a competitive edge over new market entrants. In particular, high-street banks need to take action.

What are banks' priorities in a changing consumer-driven world?

Findings

CGI interviewed 133 business and IT executives within client banks in 2015 asking them to identify key industry trends and their business and IT priorities. Findings from these interviews for retail banking highlight the overwhelming impact of consumer expectations and a highly competitive market based on existing and new competition. Bank leaders are responding by accelerating digital transformation programs, developing omni-channel capabilities, acquiring digital insight and keeping pace with innovators while protecting the business and responding to regulation. Technology spending on legacy systems, however, continues to hinder banks in developing an effective response to business demands for digital capabilities.

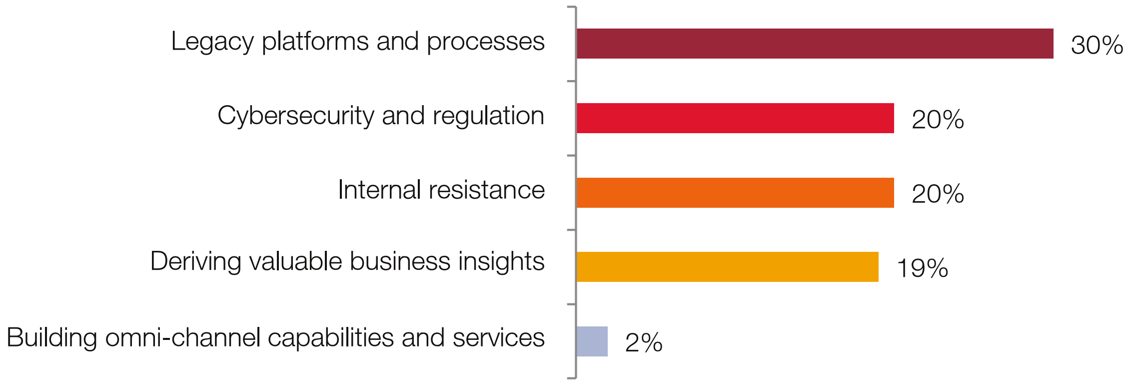
Our banking clients' current perspective

Top Industry Trends	Top Business Implications	Top IT Priorities
1. Regulation and control	1. Omni-channel client servicing	1. Regulatory implementation
2. Digital market transformation	2. Keeping pace with innovators	2. Omni-channels and institutional portals
3. Disruptive technology and competition	3. Responding effectively to regulation	3. Deliver the benefits of big data
4. STP and real time	4. Protecting the business	4. Protect the bank and customers against cyber risk and fraud
5. Changing customer expectations	5. Creating actionable insight from data	5. Legacy modernization

Source: CGI Voice of Our Client Program

The need to maintain and modernize legacy platforms and processes is delaying full digital transformation. Legacy systems divert budget and attention away from quickly deploying front-office digital channels and services to keep pace with consumer demand. In part, this is because legacy systems often are not able to support real-time paperless interactions and other types of transactions needed in the digital era. The speed of digital transformation programs is also being hampered by internal resistance to organizational change and a lack of digital expertise. Constant demands from regulators and increasing cyber protection needs also are squeezing the ability to do more, faster.

Top challenges to bank digital transformation



Analysis

Based on our client feedback, many banks today are finding it hard to address legacy platforms and processes, internal resistance, the burden of regulatory compliance, and cybersecurity upgrades. The majority of business leaders recognize the overwhelming impact of changing consumer expectations in the digital world and the revenue leakage to faster moving competitors and new entrants.

Given the expectations of consumers in this survey, leading banks are urgently stepping up to the new world. Timing is tight and requires strong business leadership to drive deep digital conversion.

Of particular concern is the drainage of IT transformation program budgets. Funds are limited to “keeping up” rather than “stepping up” to the new digital marketplace.

Where are banks spending their money?

% of IT CapEx Budget

Enterprise Systems	Mission Critical Business Systems	Cyber & Fraud Security	Digital Transformation
28%	35%	12%	24%
"Keep-Up"			"Step-Up"

Section 3: CGI recommendations for transforming to tomorrow's digital bank

The results of this year's survey point to a number of different emerging business models for banking. The first is that of a trusted storage, payments and identity protection services provider—a model CGI calls the "lock box" model.

The second is that of a specialized value-add services provider that delivers specific wealth and cash management services combined with secure storage and movement—a model CGI calls the "advisor" business model.

The third is that of an open bank platform providing, at its core, secure money storage and movement, but extending beyond that to support consumers' financial well-being. Consumers are in effect saying, "I need a best friend to guide and support me in achieving financial wellness."

Banks selecting this third model, which CGI calls the "financial well-being platform" model, need to step into this space to create an omni-channel, secure services platform that provides a range of services, in-house or from external partners, personalized for each consumer based on individual goals and preferences. In return, consumers are willing to pay new fees as long as their data and finances are protected.

So, how do banks build one of these new business models? Based on our client feedback, there are marked differences between digital transformation followers and forerunners.

Digital actions of followers and forerunners

Followers	Forerunners
Just now hiring digital leaders/low internal awareness	Second generation cloud enablement, wireless everything
Focus on legacy modernization/ re-platforming	Digital employee/agent provisioning, awareness and change management, collaborative toolsets, common platforms
Focus on departmental initiatives	Ecosystem partnerships and connectivity
Early stages of omni-channel experience management	Automation and legacy replacement - one at a time
	Making strides with predictive analytics

Our client interview insights show how forerunners are moving ahead of their competition by leveraging capabilities across their entire organization and ecosystem of partners. Employees and agents are equipped and incentivized to help drive a digital consumer experience; they are themselves working in a digital world with supportive real-time tools and leveraging increased sophistication in predictive analytics. Followers see protection as a cost center and rubber stamp for project approval; forerunners, by contrast, see protection as integral, and use it as a business enabler and customer requirement.

Followers, by contrast, are undertaking piecemeal digital projects at departmental levels and focusing on legacy modernization at the expense of competing in the digital consumer experience space. Forerunners are replacing legacy, but doing this based on end-to-end, business-to-consumer process automation—one system at a time.

It is critical to note that allocation of budget to digital transformation is the same for each—24% of capex, on average, in retail banks today per annum. Forerunners see investment in cybersecurity as a regulatory requirement; forerunners see it as investment in digital transformation.

Steps for accelerating digital transformation

Based on the results of this year's survey and insights from our clients, CGI recommends six actions for banks to take to accelerate their transformation journey to tomorrow's digital bank:

Protect your bedrock services	Drive digital transformation across the enterprise and partner engagement	Innovate and deliver value-added overlay services
Train customers and employees to experience the digital world	Move from a "keep up" budget to a "step-up" budget	Invest in predictive analytics, cybersecurity and new digital capabilities

Protect your bedrock services

The bedrock of banking today is to store, move and secure the finances of consumers. This core business is protected by regulation and national infrastructures and is highly valued by consumers. However, it is threatened by a myriad of new providers in such areas as payments, data protection and lending. With payment providers now seeking to enter the payroll space, how soon will it be before major employers enter the banking market by providing in-house banks for employees? Leading banks are working to protect their core services.

There has been widespread market debate on whether banks should join new payment providers or set up mobile wallets themselves. A key decision factor should be the following: if you join, which provider will own the customer relationship and can you get access to transaction data to build better views of your customers? Often the answer is no, and so the decision should be to set up your own, unless you are pursuing a "lock box" business model.

Banks pursuing the "advisor" and "financial well-being platform" models are focused on protecting payroll deposits, establishing convenient and reward-earning payments services, and promoting protection services.

An extensive range of cybersecurity protection is needed to protect banks' bedrock services. While many banks have invested heavily in people and technology capabilities, still more needs to be done. There is a severe shortage of talent and technology alone does not provide adequate safeguards. Banks are looking to move to real-time identification and resolution of cyber risk utilizing expert third parties to augment in-house capabilities.

Drive digital transformation across the enterprise and partner engagement

Forerunners of digital transformation are leveraging the whole of their organizations and all of their partners to create an agile ecosystem of service innovation, customer intelligence and dynamic change. Followers, by contrast, are focused on legacy modernization and silo-based experimental initiatives. It is not a spending race; forerunners are engaging everyone to outrun the competition and thrive over the long term.

As reported by CGI clients, internal resistance is one of the major challenges to accelerating digital transformation. Department silos within banks want to protect their historical ways of working and budget ownership. Business and technology teams may not have a common strategy or ownership of change. Procurement is often resistant to innovation, and budget approval processes make digital business cases hard to justify. Bank leaders need to break down this internal resistance to accelerate transformation.

Partners bring significant fresh insight and agility to digital transformation. Many banks have invested in the FinTech world, but how is this knowledge flowing back into the business? Outside FinTech, banks also are learning from corporates, airlines, hotels, retailers and communications firms on how to maintain the customer relationship, how to innovate to drive new revenue streams, and how to work with partners to expand their knowledge and service capabilities.

A question raised by many bankers is how to organize for the new digital business model. Traditional banking structures are often product and channel centric. Leading banks are looking to establish customer centric groups that design and deliver services to meet customer needs. Servicing these customer centric groups are shared business and product service teams. Where internal resistance is too high, some banks look to establishing a standalone organization to achieve their transformation goals.

Innovate and deliver value-add services

This year's survey gives clear guidance on what value-add services consumers are demanding. It also demonstrates that consumers are open to looking outside the banking industry to fulfil their needs. A comparison to last year's survey demonstrates that consumer demands are evolving, and services are becoming available and mainstream. Banks that develop and deliver new services that supplement core products such as deposits, lending, financial advice and payments are well positioned to maintain their customer base, as well as to generate new revenue streams. Traditional products are becoming underlying components of services that consumers value.

Digital channel integration is a key component of offering new services. A new service needs to be made available in a seamless fashion, with feedback loops for further innovation. Services need to be promoted in a way that demonstrates to the consumer that banks are there to improve a consumer's financial well-being. Bank employees and partners need to be engaged to show consumers how to use the new services and realize their many benefits, as well as bring innovation to the table.

With the "financial well-being platform" model, trusted partners can provide services that are directly linked to the bank and then consolidated to create a single view of each bank consumer's financial well-being. It is important for banks to maintain central guardianship of the overall customer view, as well as data and protection.

With the "lock box" model, services must include protection and risk services that can extend to critical financial records. With the "advisor" model, robo-advisors, independent experts, and specialized advisors are needed. Each strategic model, however, requires innovation and the delivery of value-add services.

Train customers and employees to experience the digital world

People—whether customers, partners or employees—expect a simple, fast, streamlined and mainly digital experience from the organizations with whom they do business. Banks are uniquely positioned to foster a secure digital ecosystem with customers, employees and partners. They can facilitate digital or real-world communities among ecosystem members for the purpose of exploring, building and expanding services and products beyond the core of their current business.

Move from a "keep up" budget to a "step-up" budget

Some banks today are focused on modernizing legacy technology, opting to invest in new core banking platforms, payments hubs, and enterprise ERP capabilities. These programs take time, have a high transformation delivery failure risk, and divert attention from the changing digital world.

While some capabilities may in fact be broken and necessitate replacement, others may not. Digital forerunners seek ways to automate end-to-end processes and replace legacy systems one at a time in line with process automation, often moving to software-as-a-service (SaaS) or technology intensive business-process-as-a-service (BPaaS). They shift legacy into cost optimized outsource contracts and re-engineer the financial model so that scarce talent can be redeployed to digital programs.

Forerunners recognize that running everything in-house is no longer a differentiator and may cause a lack of agility. While maintaining necessary governance, they focus on new digital banking models, modernizing without replacing, leveraging suppliers to upgrade and cost optimize, and working with suppliers to establish enterprise architectures that orchestrate data sharing and drive agility.

With efforts to reduce run-the-bank costs, a simple answer is often to consolidate everything onto a single platform. However, variations in local practices and customer centric workarounds require care to be taken, so as not to eliminate important areas of differentiation. Automation of end-to-end processes takes these considerations into account. Most importantly, there should be a focus on operating core services “as a service” based on cost per customer or cost per transaction.

Invest in predictive analytics, cybersecurity and new digital capabilities

Customer expectations today are being shaped by retailers and customer-centric digital interactions and technologies. The collection, analysis and use of customer intelligence allows personalized and value-add services to be delivered. Other industries are investing in these capabilities and technologies, and forward-thinking banks are following suit.

Through interactive digital channels, banks can collect and use customer data and insight that can transform them into customer-intelligent organizations, better understanding their customers’ choices and preferences. Customer data silos first need to be broken down and integrated, so that banks can understand where, when and how their customers are engaging with them. Customer data then needs to be collected and analyzed to develop a broad 360 degree view of each customer. With this level of customer knowledge, banks can transcend traditional banking to become more relevant and valued financial partners to their customers.

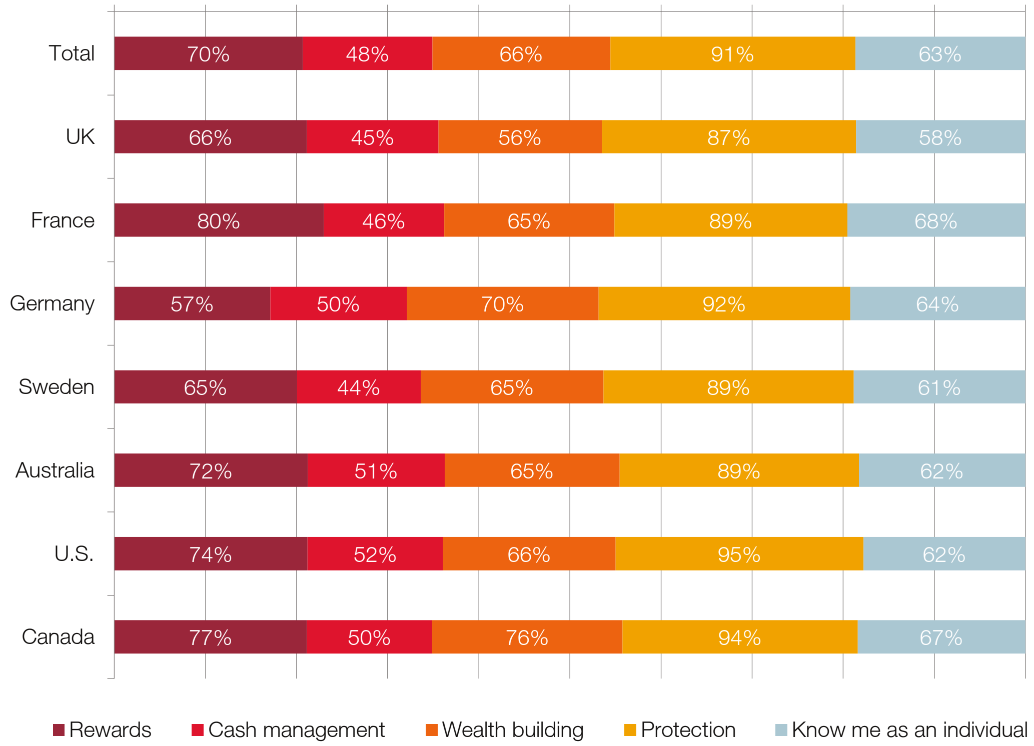
Digital disruption often shifts the boundaries of an industry through new technology-based capabilities. Banks need to keep a watch on new technologies such as 5G, wearables, design-to-manufacture and person-to-person (P2P) payment protocols, such as block chain. In addition, CGI expects new information-based platforms to emerge and industries to converge through the Internet of Things (IoT). As consumers become more connected with objects around them (e.g., houses, cars, wearables), the potential for new services expands rapidly, demanding new talent and partners. Banks need to be in the “Banking of Things,” which discretely facilitates the lives of consumers. IoT will not pass banking by.

As the banking ecosystem expands and the use of digital channels increases, the risk of cyber attacks is on the rise. Strong cybersecurity is a key component of building trust with digital consumers, as well as protecting reputation and brand. Banks that raise their security and counter fraud capabilities will ensure that they are trusted custodians of their customers’ money and private data.

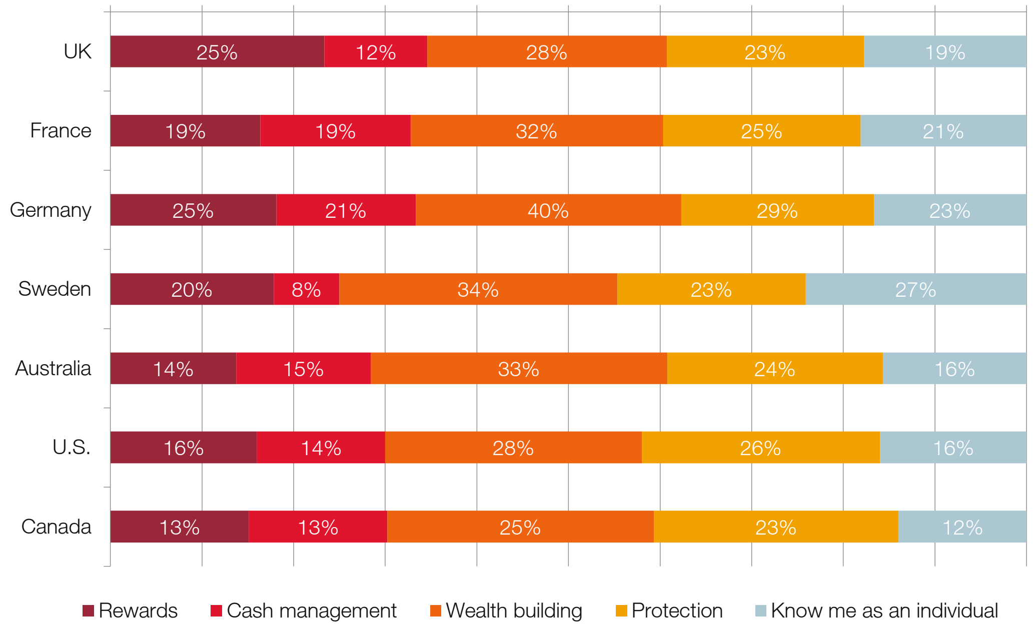
Other key survey findings

Cultural differences in value-add services

When comparing countries and their desire for particular value-add services, we can see that protection is the number one desired service across all surveyed countries. At the same time, cash management is unanimously viewed as the least important. Preferences then vary by county. While all other countries view rewards as the second most desired overlay service, in Germany, wealth building trumps rewards.



When it comes for paying for these value-add services, Germany is the most open to paying a premium, with at least 1 in 5 suggesting they would pay for any of the desired services. In comparison, Canada, followed by the U.S., is less inclined.



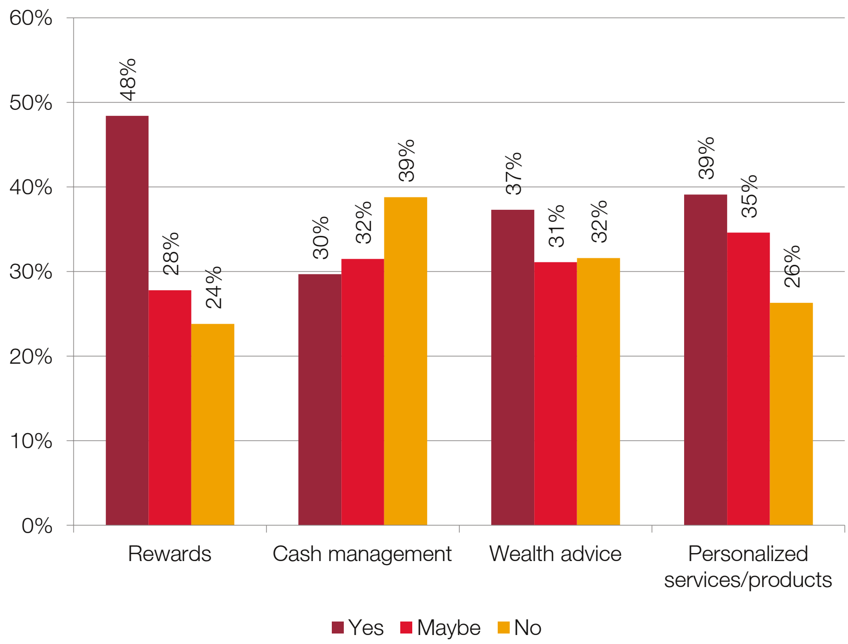
Consumers expect to pay for value-add services. The propensity to pay rises with the digital maturity of economies. So, as more and more real-time financial services are available in Europe, the more consumers are willing to pay. Conversely, in Canada and the U.S. where real-time payments have not yet been launched, familiarity with and exposure to the digital world is lower and, therefore, the propensity to pay is lower.

The family pool

Could banks offer their customers pooled family services? Results from our survey certainly indicate that this could be a potential service for banks to offer customers. For instance, around 3 in 4 respondents indicated that they would be open to a pooled reward scheme or personalized services that took into account the whole family, appealing slightly more to the younger and more affluent respondents.

While cash management and wealth advice pooled services appeal less, around 2 in 3 would still be open to these types of overlay services.

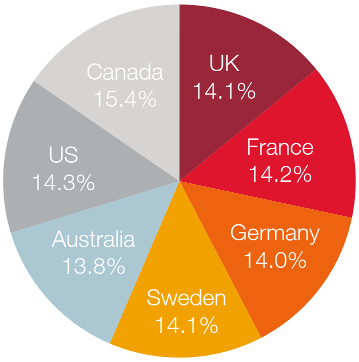
Would you like to receive the following pooled services?



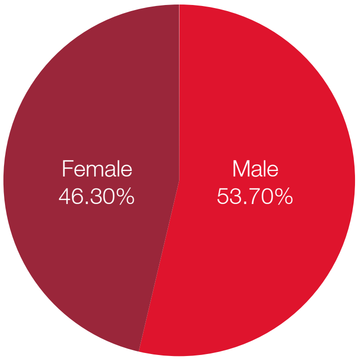
The household is an important unit for consumers in the sharing economy. If we look outside the banking world, it is now common to be able to share rewards across the household and friends. In private banking, the family office is a well-known business model. The same thinking is emerging in retail banking as the concepts of a family home loan fund or family investment fund gain ground. Could this be a return to community funding and shared finance schemes? How could such thinking be applied to car ownership? This creates a great opportunity for banks to broaden cross-sell opportunities and secure household and community loyalty.

Survey demographics

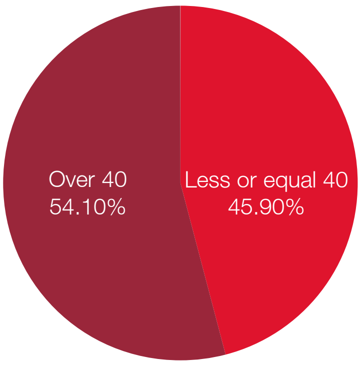
By country



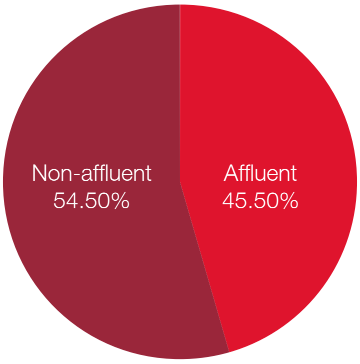
By gender



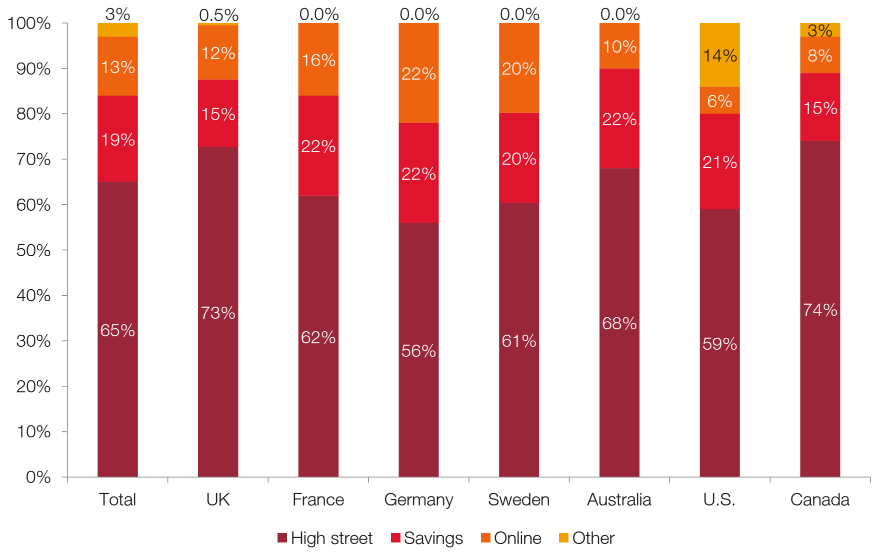
By age



By income



By bank type



About Research Now

CGI chose Research Now to conduct this survey because of its global experience and reputation in digital data collection and online sampling. The company has more than 1,200 research professionals and has ranked number one in customer satisfaction within its field for the past five consecutive years. It also offers one of the largest online panels of volunteer survey respondents, with 6 million panelists in various categories across 37 countries.

About CGI

Founded in 1976, CGI is a global IT and business process services provider delivering high-quality business consulting, systems integration and managed services. With 68,000 professionals in 40 countries, CGI has an industry-leading track record of delivering 95 percent of its projects on-time and on-budget, aligning our teams with clients' business strategies to achieve top-to-bottom line results.

CGI's 16,000+ finance professionals work with leading financial services companies across the globe, including 25 of the top 30 banks in the world, 20 of the top 25 banks in the Americas and 7 of the top 10 global insurers.

We help our clients reduce costs, achieve strategic objectives and drive competitive advantage. With nearly 40 years of experience and continued business growth, we offer industry knowledge and financial strength to the world's leading financial institutions.

To learn more, visit www.cgi.com or contact us at banking.solutions@cgi.com.

40 BUILDING ON YEARS OF COMMITMENT


Consolidated Statements of Cash Flows
100
90
80
70
60
50
40
30
20
10
0
2 9 14 8 27 2 23 36 42 53 57 64

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With 68,000 professionals operating in 400 offices in 40 countries, CGI fosters local accountability for client success while bringing global delivery capabilities to clients' front doors. Founded in 1976, CGI applies a disciplined delivery approach that has achieved an industry-leading track record of on-time, on-budget projects. Our high-quality business consulting, systems integration and outsourcing services help clients leverage current investments while adopting new technology and business strategies that achieve top and bottom line results.