

Healthy Rebound in BFS IT Services Spend – Growth Themes and Cautions

March 2021: Complimentary Abstract / Table of Contents



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- Peer analysis | Scope, sourcing models, locations
- Locations | Cost, skills, sustainability, portfolio – plus a tracking tool
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Background and context

- The continuing COVID-19 crisis has brought forth enormous uncertainty and change that leaves the Banking and Financial Services (BFS) IT Services industry grappling with several challenges and no direct answers: How will the world shape up post-pandemic? What will be the sourcing model for the future? Which technologies are likely to become “must-haves”? How will people and organizations adapt?
- While BFS firms were initially responding to the global pandemic and its immediate repercussions, they will soon need to pivot toward recovering from the crisis with increased focus on growth and productivity. They are reassessing their strategy around products, sales, customers, and partners. The growth of digital has been a double-edged sword for the BFS industry. On one hand, technology has helped banks generate additional revenue, reduce expenses, and manage risk exposure in a more proficient manner, on the other, it has also opened the door for a myriad of competitors
- The pandemic has accelerated the modernization initiatives with third-party platform services spend rising in BFS. Investments in building an API-based economy for open finance shall increase in areas such as lending and payments
- COVID-19 has had a significant impact on IT services at a global scale including supply chain disruption, challenges in business continuity, cybersecurity risks, and services continuity challenges. More positively, it has caused an acceleration in remote working, but enterprises are facing the strain on their IT infrastructure as they need to shift their resources to a new working model. There has been a sharp uptick in demand for infrastructure services such as cloud, network, and security
- Though BFS IT services are currently witnessing negative growth overall, we see that there are certain pockets of growth that are putting brakes on the downward spiral. In this report we look at the themes that will drive spending in 2021

Scope of this report:



Geography
Global



Industry
Banking and Financial Services
(BFS)



Services
IT Services

Executive summary

Increased digital spend to build an agile, flexible, scalable, and platform-based operating model will fuel the road to recovery for banks



The banking and capital markets industry has shown resilience in the face of demand- and supply-side challenges due to the impact of the pandemic

Though banks felt both growth and profitability pressure, the investments in technology transformation to support business resiliency and growth continued

Banks have questioned the underlying assumptions of their IT operating model and are open to redesigning all aspects of their future of work and operations

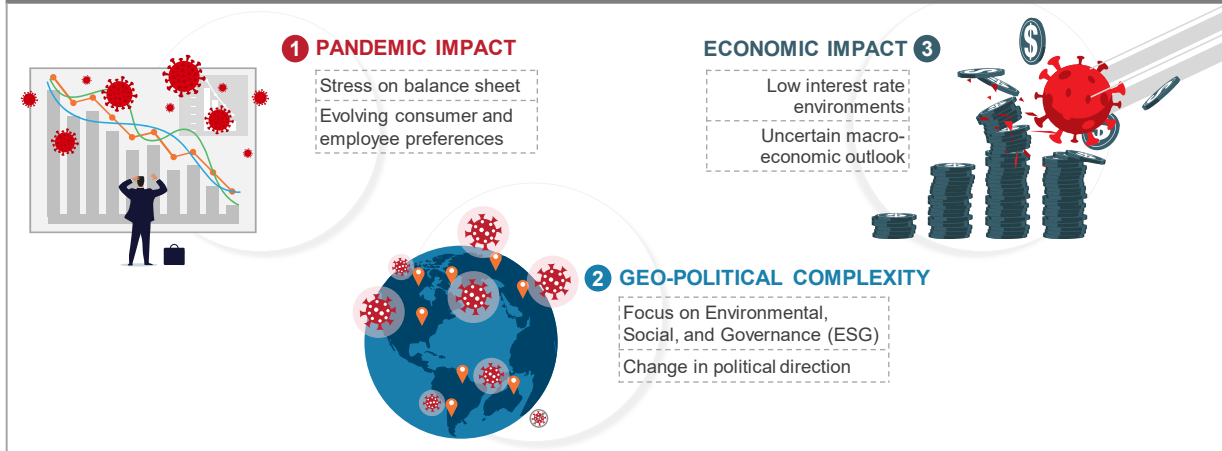
Talent deficit has impacted the availability of deployable resources, hence the need to collaborate with the ecosystem to scale rapidly and offer personalized customer experiences

Open banking presents an opportunity for banks to reinvent themselves in the new ecosystem with API innovation and third-party platforms on cloud accelerating this trend

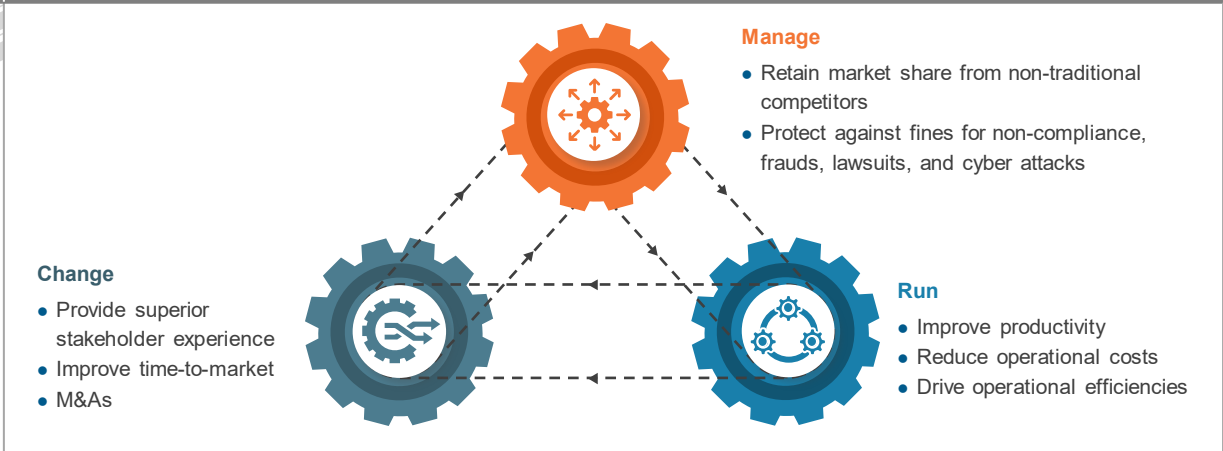
M&As in BFS will reshape the competitive landscape and trigger large-scale transformation programs with a short-term increase in consulting spend and long-term synergy in overall IT estate

This study offers five distinct chapters providing a deep dive into key aspects of the BFS IT services market; below are four charts to illustrate the depth of the report

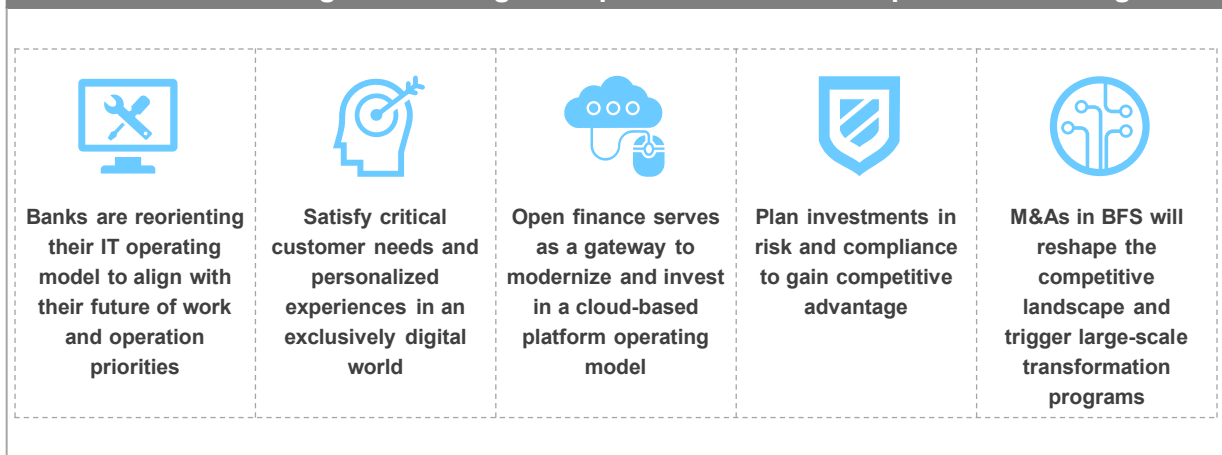
BFS industry challenges



BFS firms need to realign their strategic priorities across run, manage, and change



BFS firms are focusing on certain growth pockets to drive competitive advantage



Banking LOBs will focus heavily on building better products and experiences

	Retail banking	Cards and payments	Commercial banking	Lending
Strategic priorities	<ul style="list-style-type: none"> M&A to gain scale New revenue opportunities 	<ul style="list-style-type: none"> Data and cognitive to bolster risk management and fraud control 	<ul style="list-style-type: none"> Skew focus toward faster growth and avoid excess exposure to adversely impacted sectors 	<ul style="list-style-type: none"> Opportunities for customers to personalize product
Digital levers	<ul style="list-style-type: none"> Digital platforms, APIs/microservices, and cloud to help engage customers across diverse markets, products, and channels 	<ul style="list-style-type: none"> Digital capabilities for omnichannel experience 	<ul style="list-style-type: none"> Technology replat forming: Replacing legacy technology with cloud-based and modular technology platforms to support end-to-end digital journeys 	<ul style="list-style-type: none"> UI/UX platforms to create simplified UX for borrowers
Sourcing levers	<ul style="list-style-type: none"> Extensive offshoring Vendor and platform rationalization 	<ul style="list-style-type: none"> Leverage agile sourcing techniques for next-generation skill acquisition 	<ul style="list-style-type: none"> Demand planning for cloud and platform skills 	<ul style="list-style-type: none"> Work with data and analytics vendors to build a culture of compliant and sustainable practices and investments

Research calendar

Banking & Financial Services IT Services

■ Published ■ Planned ■ Current release

Flagship ITS | Banking & Financial Services reports

Release date

Open Banking IT Services: Moving Beyond Compliance to a Platform-based Operating Model of Ecosystem Orchestration and Value Creation – PEAK Matrix® Assessment 2020	May 2020
BFS Risk and Compliance IT Services PEAK Matrix® Assessment 2020: Building Cloud-based Data Infrastructure for Intelligent Real-time Controls	June 2020
Open Banking IT Services Service Provider Compendium 2020	June 2020
Risk and Compliance IT Services in BFS Service Provider Compendium 2020	June 2020
Capital Markets State of the Market Report 2020: Automation, Data, and Cloud Trends for Buy-side Firms	July 2020
Banking IT Services State of the Market Report 2020: Hyper-segmentation Strategy Enabled by Digital Capability Platforms and Data Exchanges	July 2020
Application and Digital Services in Capital Markets – PEAK Matrix® Assessment 2021	December 2020
Healthy Rebound in BFS IT Services Spend – Growth Themes and Cautions	March 2021
Application and Digital Services in Banking – PEAK Matrix® Assessment 2021	Q2 2021

Thematic ITS | Banking & Financial Services reports

Release date

Financial Risk Management Platforms Assessment and Vendor Profiles	March 2020
Assessing the Trade Life Cycle Management Technology Platform Landscape	March 2020
State of the Market for Third-party Enterprise Platforms in Banking and Financial Services: Ecosystem Collaboration for Modernization at Speed and Scale	April 2020
BigTechs in BFSI Industry: The Theory of Co-existence for Market Expansion	August 2020
Lending Technology: Assessing Loan Origination System Vendors – The “One Lending” Model for Journey to the Cloud	September 2020

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