

The Success Formula in a Maturing BFS D&A Market – a Guide to How BFS Firms are Building Truly Data-driven Organizations

May 2023: Complimentary Abstract / Table of Contents



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- ▶ Retirement Technologies
- ▶ Revenue Cycle Management
- ▶ Rewards and Recognition
- ▶ SAP Services
- ▶ Service Optimization Technologies
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- ▶ Supply Chain Management (SCM) Services
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Background and scope of the research

Integrating data and analytics in the organizational strategy has become table stakes for Banking and Financial Services (BFS) enterprises in recent years. BFS firms are slowly moving away from traditional Data and Analytics (D&A) services, such as data warehousing and data migration, and adopting complex and innovative analytics solutions to gain competitive advantage in a maturing D&A BFS space. BFS organizations possess enormous data assets and advanced D&A tools/services can help capitalize and monetize them. Enterprise data management solutions have reached the stage of maturity in the BFS industry making way for BFS institutes to integrate advanced analytics and AI in their value chains. Risk & regulatory compliance, consumer experience, and driving efficiency are some of the major enterprise objectives driving the adoption of analytics and AI use cases.

BFS enterprises are focusing on making their organizations resilient by adopting a data-driven business strategy. D&A solutions are increasingly being implemented to provide better stakeholder experience and ensure data privacy. Enterprises have also started focusing on monetizing data and providing data-driven products and solutions to differentiate themselves in heavily saturated markets.

In this report, we assess the current state of analytics adoption in the BFS industry, emerging themes that are driving the adoption of data-driven analytics, advanced analytics, and AI use cases that support BFS enterprises across the value chain. Further, the report discusses how enterprises are preparing themselves to face the upcoming economic uncertainties.

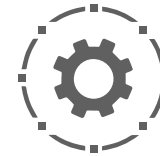
Scope of this report



Geography
Global



Industry
Banking and Financial Services



Services
Data and analytics



Use cases
Publicly available information
(190 use cases from 120+ case studies)
has been used for the analysis
in this report

Overview and abbreviated summary of key messages

In this report, we assess the current state of analytics adoption in the Banking and Finance Services (BFS) industry, emerging themes that are driving the adoption of data-driven analytics, advanced analytics and AI use cases that support BFS enterprises across the value chain. Further, the report discusses how enterprises are preparing themselves to face the upcoming economic uncertainties using the power of Data and Analytics (D&A).

Some of the findings in this report, among others, are:

Current state of analytics in BFS

- The BFS D&A space has seen steady growth in the past decade. Moreover, macroeconomic pressures have helped expedite adoption in recent years with growth prospects in fraud analytics and stakeholder experience seen in the future
- With the BFS industry being one of the first adopters of traditional D&A services, analytical use cases involving manual and routine functionalities have reached saturation and complex and innovative analytics solutions have gained prominence

Emerging themes in D&A adoption by BFS

- Emerging themes driving enhanced focus on data and analytics by BFS firms include personalization 2.0, data monetization, data on cloud, responsible AI, data in ESG, and data privacy
- Data monetization coupled with a data-driven culture is helping BFS enterprises capitalize their data assets and also stand out from the crowd
- Sustainability-driven organizational strategy and building hyper personalized experiences for stakeholders have become table stakes to survive in the BFS industry and data forms the backbone to drive these changes

D&A adoption across the BFS value chain

- The report discusses high potential and high impact D&A use cases that support BFS enterprises across value chains of different lines of business such as retail and commercial banking, payments, asset and wealth management, and investment banking
- The long list of these use cases have been analyzed across two dimensions – market adoption and value delivered

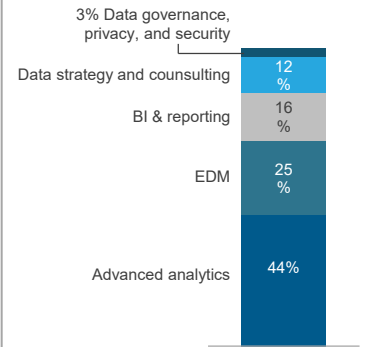
Macroeconomic pressures on the BFS industry

- Despite macroeconomic pressures, spending in D&A would remain stable as BFS firms aim to infuse data and intelligence into operations to drive cost-takeout and experience mandates, drive product diversification, and improve resiliency
- BFS firms would consider increasing spend on D&A for risk management to efficiently predict tail events with the help of better predictive models, running more scenarios, and undertaking more robust stress testing

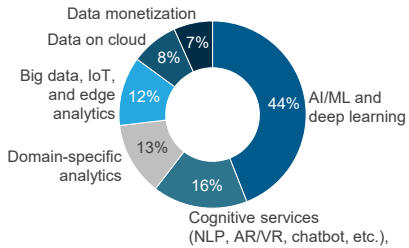
This study offers distinct chapters providing a deep dive into key aspects of the D&A in BFS market; below are four charts to illustrate the depth of the report

D&A services scope within BFS engagements

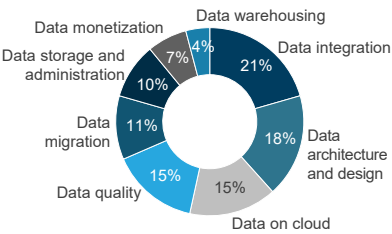
DAAI services scope within D&A in BFS engagements; percentage (2021-2022)
100% = 329 D&A in BFS services engagements



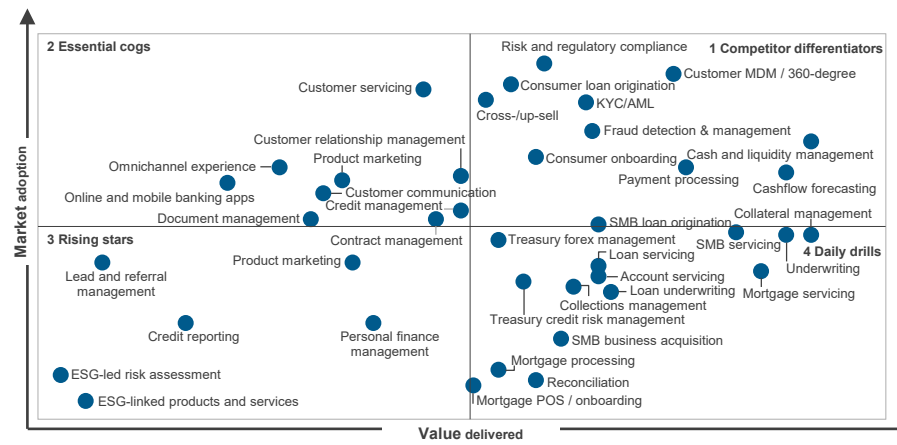
Advanced analytics services scope within D&A in BFS engagements; percentage (2021-2022)



EDM services scope within D&A in BFS engagements; percentage (2021-2022)



Analysis of banking D&A use cases



Combatting responsible AI

BFS firms are molding their organizational strategies as a precautionary step toward responsible AI
100% = 80+ BFS firms¹

Category	Item	Percentage / Description
People	Dedicated teams	60% of the respondents are building dedicated teams to help with the ethicality of D&A projects.
	Diversity	50% are focusing on diversity within D&A teams as a critical enabler of D&A ethics.
Process	Budget	Approximately 60% of the respondents estimated a 15% increase in the allocated budget for AI governance in the coming year.
	Business strategy	40% disclosed that AI ethics is a strategic issue that receives sponsorship and involvement from business leaders.
Technology	Monitoring tools	73% of the respondents use model monitoring tools/techniques to detect bias and explain AI outcomes.
	Investments	70% are continuously investing in tools and technologies to ensure explainability and ethicality of AI projects.
Governance	Governance roles	65% of the respondents have introduced governance roles such as AI ethicists, data surgeons, and model supervisors.
	Ethics board	60% have setup an ethics board to manage AI ethics and governance across multiple business verticals in a scalable manner.

Driving Personalization 2.0

Challenges	Intensity of challenge	Comments	
Enable The organization	Change management	Low	<ul style="list-style-type: none"> People and culture emerged as one of the top challenges, but more than 60% of the banks and financial institutions ranked them as their lowest priority for their change management objectives While creating robust experience frameworks at scale remains a top priority for BFS enterprises, skilling their existing workforce (with both hard and soft skills) to function alongside these frameworks appears to be a challenge Banks possess an invaluable data goldmine but struggle with identification and integration of the right data points for the identified use case With higher data sharing and utilization of data resources comes the attached risk of data privacy, data breaches, and transforming risk and compliance functions
	Talent readiness	Low	
	Data identification and integration	Medium	
	Risk management	High	
Enhance The offering	Technology enablement	High	<ul style="list-style-type: none"> While predictive analytics greatly help in personalizing service offerings, holding on to regulatory and compliance processes becomes a challenge BFS firms have realized that solely investing in a technology that helps improve experience does not guarantee an effective and scalable implementation Providing portfolio visualization, investment assessment, and self-service to clients can help balance their independent decision-making needs with appropriate machine handholding
	Scalability	Low	
	Setup and follow KPIs	Medium	
	Predictive tools	Medium	
Engage The customer	Leverage across channels	High	<ul style="list-style-type: none"> Rather than considering hyper personalization as solely a marketing analytics tool, BFS firms should utilize it to penetrate customer markets and understand their needs in real time
	Real-time data monitoring	Medium	

Research calendar

Banking and Financial Services Information Technology

Published Planned Current release

Reports title	Release date
Banking IT Services State of the Market Report 2022	August 2022
Enterprise Pulse on Third-party Platforms Services in BFS: Fostering Innovation and Deriving Value During a Talent Crunch	September 2022
Future of Investment Banking – Data and Digital Driving Disruption and Disintermediation	October 2022
Wealth Management Products PEAK Matrix® Assessment 2023	November 2022
Future of Treasury – Adopting Platforms, APIs, and Cloud for Real-time and Digital Functioning	November 2022
Capital Markets Technology and IT Services – State of The Market Report	November 2022
Risk & Compliance in BFS IT Services PEAK Matrix® Assessment 2023	December 2022
Open Finance IT Services PEAK Matrix® Assessment 2023	December 2022
Wealth Management Products – Provider Compendium 2023	January 2023
Risk & Compliance in BFS IT Services – Provider Compendium 2023	January 2023
Open Finance IT Services – Provider Compendium 2023	February 2023
The Success Formula in a Maturing BFS D&A Market – a Guide to How BFS Firms Are Building Truly Data-driven Organizations	May 2023
FinTech-Led Innovation in BFS – Financial Crimes & Compliance (FCC)	Q2 2023
FinTech Trailblazers: Top Start-Ups Creating Buzz in Risk and Compliance, Experience, and Payments	Q2 2023
Payments IT Services – Service Provider Compendium 2023	Q2 2023

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Research calendar

Data and Analytics

■ Published
 ■ Planned
 ■ Current release

Reports title	Release date
Data and Analytics (D&A) Services PEAK Matrix® Assessment 2022	August 2022
Machine Learning Operations (MLOps) – Technology Provider Landscape with Products PEAK Matrix® Assessment 2022	September 2022
Reimagining Data Sourcing and Consumption to Maximize Business Value	October 2022
The War for Talent in Data, Analytics, and AI (DAAI): Finding the Ideal Operating Model for Organizations	November 2022
The Era of Multi-cloud and Associated Data Challenges	November 2022
Decoding the Data Privacy Regulatory Landscape	November 2022
Data and Analytics (D&A) Provider Compendium 2023	November 2022
Analytics and AI Services Specialists PEAK Matrix® Assessment 2022	December 2022
Advanced Analytics and Insights (AA&I) Services PEAK Matrix® Assessment 2023	February 2023
The Success Formula in a Maturing BFS D&A Market – a Guide to How BFS Firms Are Building Truly Data-driven Organizations	May 2023
Data and Sustainability	Q2 2023
Data Marketplaces and Exchanges	Q2 2023
Data and Analytics (D&A) Services PEAK Matrix® Assessment 2023	Q3 2023

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