How brands can increase innovation, agility and customer-centricity to compete in the Financial Services Industry:

Insights from the UK, DACH and GCC

sagittarius

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SAPIO RESEARCH

Contents

A personal message

For decades, the Financial Services sector had thrived through the success of a few famous mega-banking brands providing in-demand products and services. However, the post-pandemic pace and arrival of the "customer of tomorrow" accelerated business demands on digital and engagement channels. Subsequently we saw the rise of the latest wave of challenger banks.

Banking is set to change over the coming decade. Real-time data have created greater opportunity to improve compliance, security and a customer first service ethos.

This runs in parallel with a a tougher market, stronger competition than ever before and all-too-real fears of economic recession and rising inflation.

Organisations are increasing budgets to tackle the challenges head-on. But investment in the right areas, such as personalised website experience, tailored content, and a digital strategy that joins all customer touchpoints, is crucial for success.

The new challengers in the sector are taking a composable approach to banking, offering a richer and more personalised experience than ever before and building their tech stacks to match. It's time for leaders and experts to unite and turn ideas into a new reality.

At Sagittarius, we are working with some of the world's leading brands to create powerful online experiences that convert. Your brand's digital CX will be the differentiator.

> **"Today, FTSE 500 companies state that 90% of their value is made of "intangible assets - the biggest by far being your brand's digital CX.**

Ian MacArthur
CEO Sagittarius


Innovation, agility
and customer-centricity

Why do FSI brands need to increase innovation, agility and customer-centricity?

Brands need to increase innovation, agility, and customer-centricity to compete in the financial services industry for several reasons:

Increased Competition:

The financial services industry is becoming increasingly crowded, with new fintechs and digital-only banks entering the market. To stay competitive, traditional financial institutions need to increase their innovation and agility to keep up with new market entrants and changing customer expectations.

Changing Customer Expectations:

Customers are demanding more personalised, convenient, and seamless banking experiences. By increasing customer-centricity, financial institutions can better meet these expectations and improve customer satisfaction and loyalty.

Rapidly Evolving Technology:

The financial services industry is becoming increasingly crowded, with new fintechs and digital-only banks entering the market. To stay competitive, traditional financial institutions need to increase their innovation and agility to keep up with new market entrants and changing customer expectations.

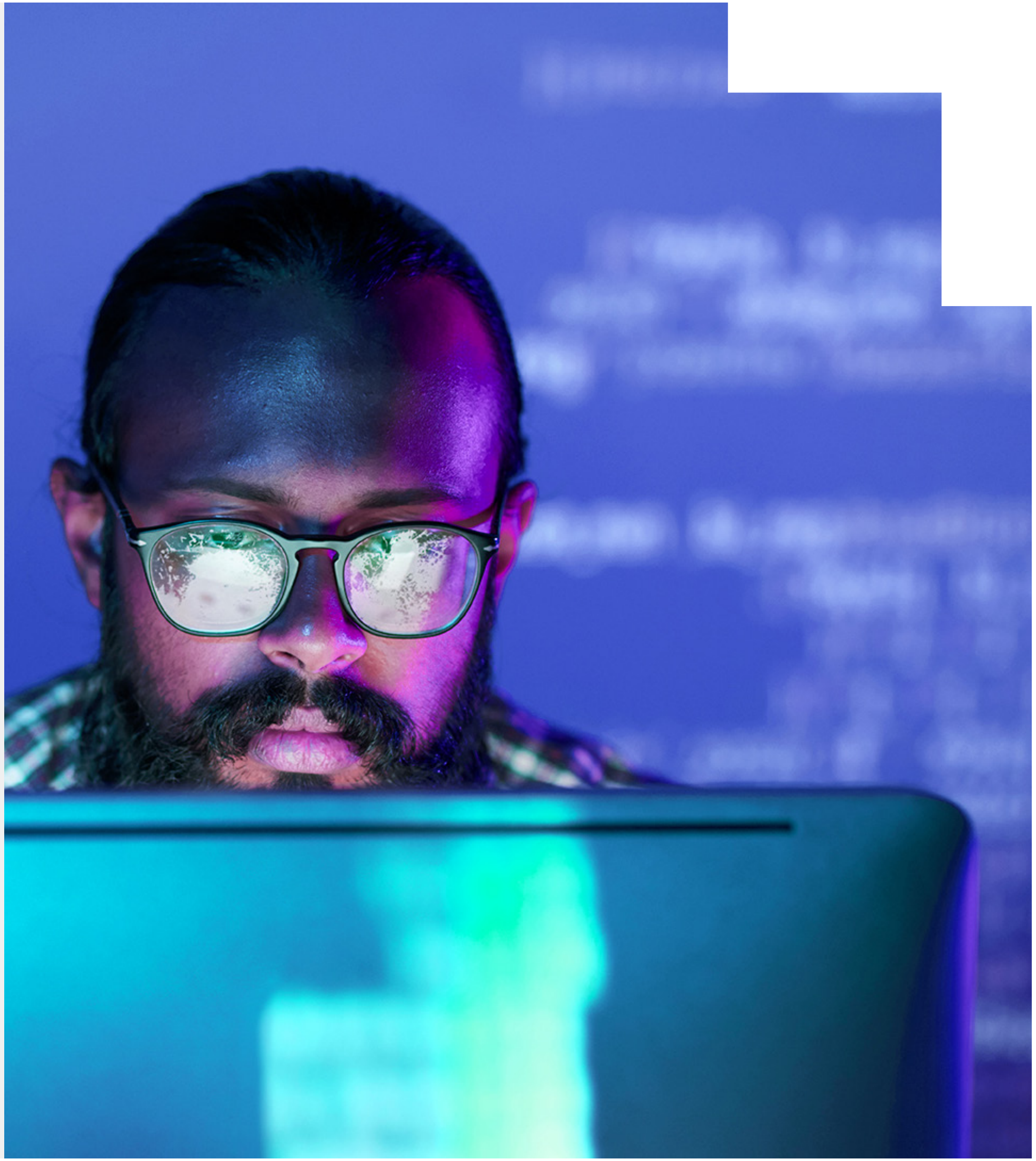
Regulatory Environment:

Financial institutions are subject to numerous regulations and compliance requirements, which can be time-consuming and expensive to implement. By increasing agility, financial institutions can more easily adapt to changes in the regulatory environment and stay compliant while minimising the impact on their operations.

Business Efficiency:

By increasing innovation and agility, financial institutions can improve operational efficiency and reduce costs, allowing them to offer more competitive rates and fees to customers.

By increasing innovation, agility, and customer-centricity, financial institutions can stay competitive, meet evolving customer expectations, adopt new technologies, adapt to regulatory changes, improve operational efficiency, and reduce costs.



Challenges:

With companies identifying the recession and rising inflation as the two main challenges for 2023, composable banking has been put in the spotlight as the answer to overcoming these challenges and keeping up with digital transformation.

Designing and evolving your digital experience to support customers and exceed their expectations is critical to your brand's success.

Sagittarius is here to help organisations at every point on the Digital Maturity curve. Core to our expertise is 'experience optimisation', delivering world-class UX and data-driven design backed up by a deep history in digital engineering and development.

This research aimed to understand challenges currently faced by the financial sector in UK, GCC and DACH, which key trends including:

- Concerns surrounding economic recession
- Upcoming changes in marketing budgets
- How customers use their website
- How easy or difficult it is for them to update their website
- Whether they measure customer satisfaction, and its importance
- Composable banking, and its importance

Methodology

For this insights report, the survey was conducted among 150 the top top-ranking marketing decision-makers in companies with a website in the financial industry in the UK, Germany, Austria, Switzerland, Saudi Arabia and UAE, of which 50 were in the UK and 50 in DACH and 50 in GCC.

Outcomes and Opportunities

Recession-Proofing FSI Businesses:

Recession makes marketing decision making tough. Though governments around the world will be actioning a range of measures to ensure that any sort of recession is as short and as shallow as possible, the temptation for many in the business world will be to cut marketing and advertising spend to a bare minimum viable amount, especially if this is their first experience of a downturn. This may prove to have a negative impact.

Cost-cutting is a reaction, not a strategy!

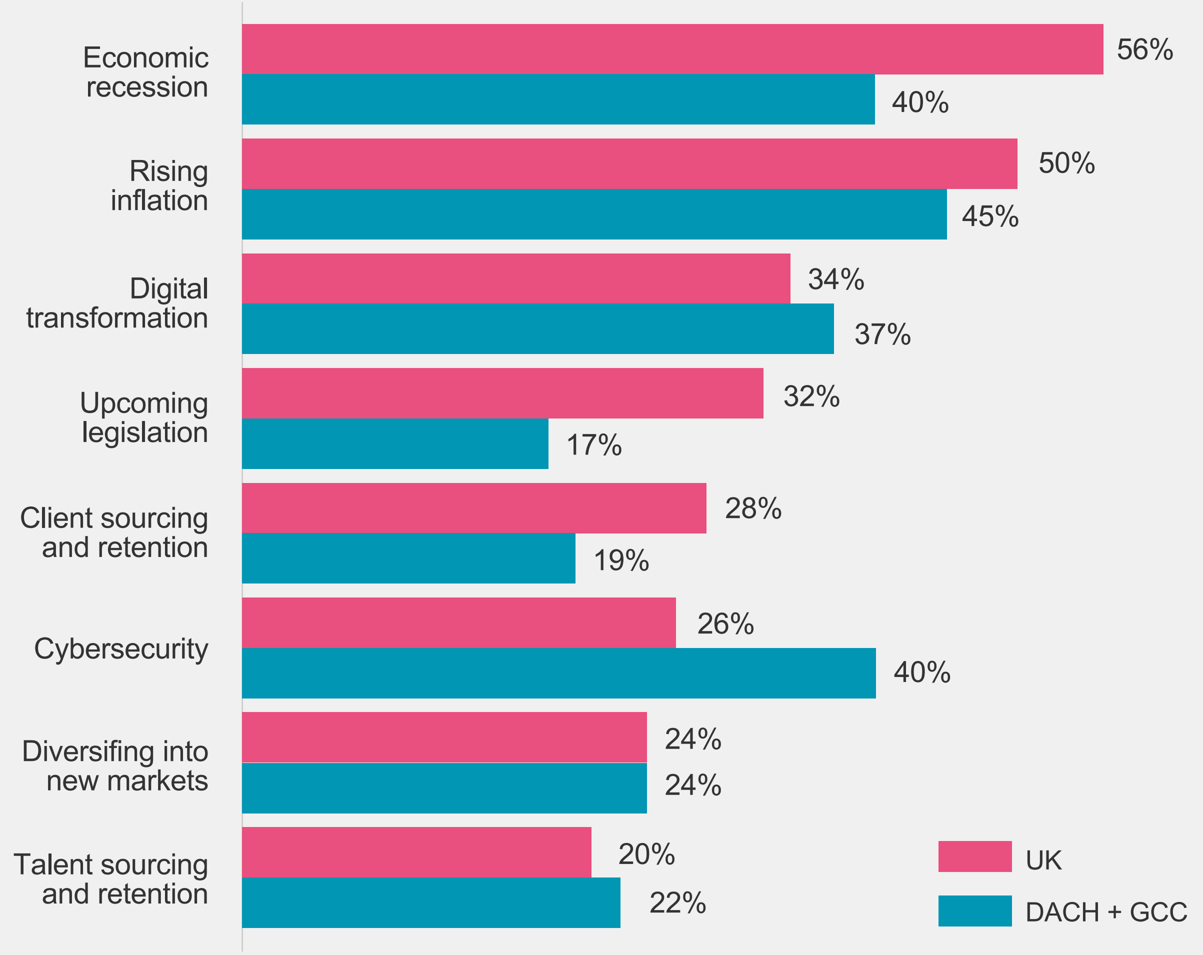
A 2007 study by Les Binet and Peter Field entitled “Marketing In The Era Of Accountability” demonstrated that companies cutting investment by 50% for 1 year before returning to normal weight during a downturn take up to 2 years to recover lost share. Whilst those that increase exposure during downturn can gain up to 3x more share (SOM & SOV) in the first 2 years of recovery.

Similarly, Tony Hillier’s “Successful Competitive Strategies For Recession And Recovery” cites that ‘Surplus’ share of spend / exposure generates faster market share gains in the depressed media spend of the downturn. In other words, you can make % share gains whilst others pull back. The losses to be made from reducing your investment in marketing, advertising and customer experience, versus the potential gains from expanding in these areas are clearly quite stark.

Similarly, Tony Hillier’s “Successful Competitive Strategies For Recession And Recovery” cites that ‘Surplus’ share of spend / exposure generates faster market share gains in the depressed media spend of the downturn. In other words, you can make % share gains whilst others pull back. The losses to be made from reducing your investment in marketing, advertising and customer experience, versus the potential gains from expanding in these areas are clearly quite stark.

In short - if you’re amongst the 46% of respondents in our survey who were going to keep budgets the same or cut them, you are at significant risk of being left behind.

Looking at the next year, what will be the greatest challenges for your business? Select up to three.



Risk:

UK financial services brands identify economic recession and rising inflation as the two main challenges for 2023. But despite this, they remain resilient, with 54% of UK and GCC respondents claiming their marketing budget will increase.

Response:

The UK respondent's primary business challenges over the next year are the economic recession (56%) and rising inflation (50%). Interestingly, just over half (54%) of UK respondents are very or completely confident in their company's ability to survive the recession, compared to 63% of DACH and GCC respondents. These results show how the UK brands are less confident in surviving the recession than those in the GCC and DACH, who are aware of the obstacles and slightly more convinced they can overcome them.

Reward:

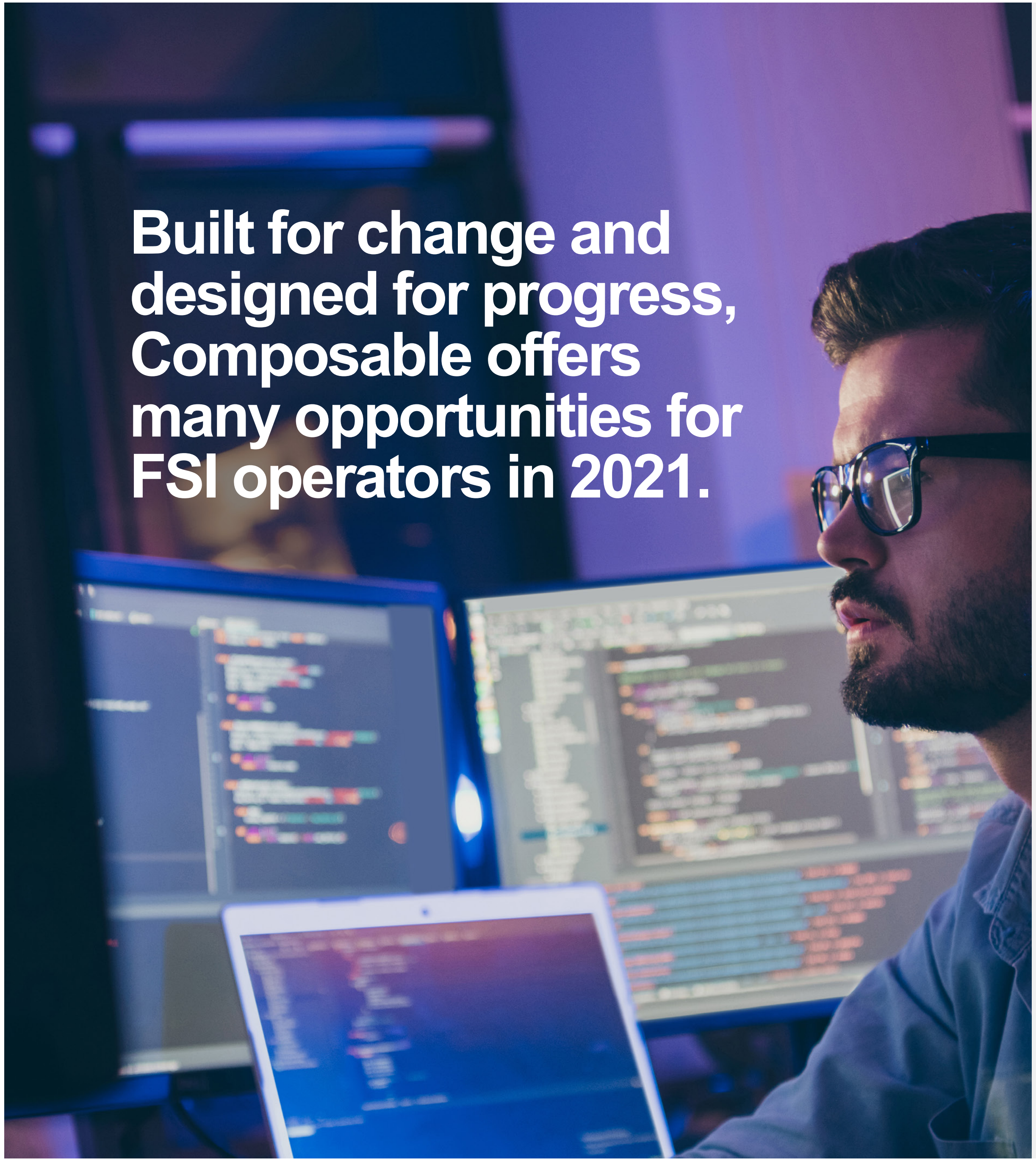
Two-thirds of UK respondents expect their company's investment in website infrastructure and digital campaigns to increase next year (66%). UK respondents were significantly less likely than DACH and GCC respondents to be increasing investment in SEO. UK brands should invest in optimising their websites to improve SEO, like DACH and GCC, as this will increase the quantity and quality of website traffic through organic search engine results.

In order to reduce risk and recession-proof the business, attack is the best form of defence. Investing in marketing and technology solutions that deliver a customer experience that surpasses the competition is integral.

Composable Banking

Composable banking is powerful:

The survey results demonstrate a lack of understanding around Composable Banking and how it helps financial brands succeed. Composable Banking is an approach to banking that uses modular, API-driven architecture to enable financial institutions to easily integrate and orchestrate third-party financial products and services. This approach allows banks and other financial service providers to break down their traditional monolithic infrastructure into smaller, more modular components, allowing them to easily customise and scale their services to meet the specific needs of their customers.

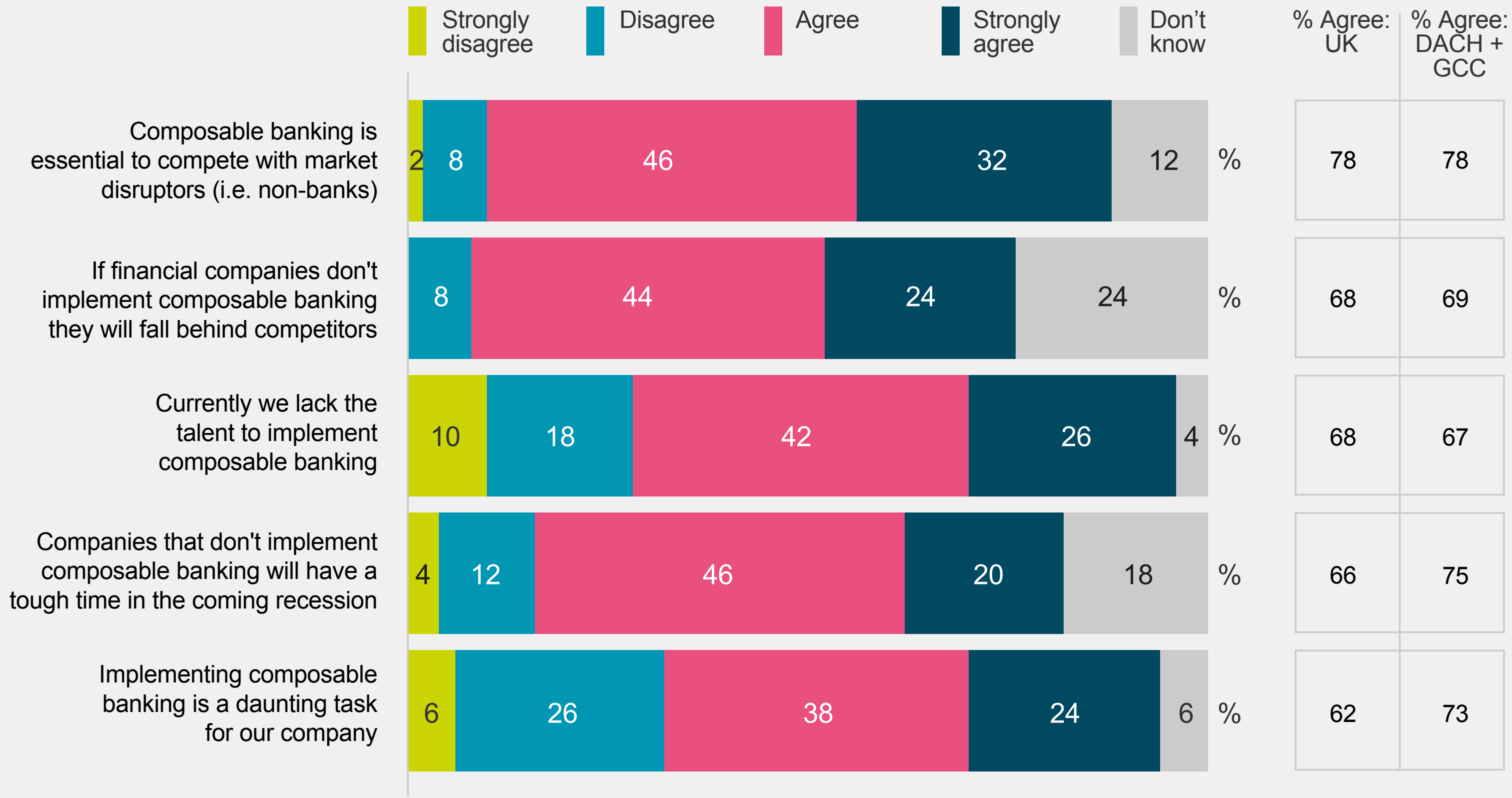


According to Deloitte, long-term advantages include:

- High flexibility and scalability - Composable banking allows you to combine and recombine solutions quickly whenever needed.
- High speed to market - Get new products or whole new banks to market in weeks or months, not years.
- Low vendor dependency - Unlike package implementations, there is no dependency on a single banking suite vendor.
- Low total cost of ownership - Composable banking requires fewer resources, no significant capital investments, and comes with low maintenance costs and automatic upgrades.
- Hyper-personalisation of client journeys - The endless ways to recombine solutions allow you to compose your banking system to your needs and hyper-personalise your client journeys.
- Best of breed solutions - With many solution vendors in each functional domain, you can easily select your best-for-purpose solution.
- Future proof technology - Composable banking does not create the legacy of tomorrow. There is no need for extensive transformation programmes every 10-20 years.

Understanding its importance within FSI, we asked Sapio to establish to what extent companies in this survey sample were planning to accelerate Composable initiatives in 2023.

To what extent do you agree or disagree with the following statements?



Risk:

It’s no secret that banks have been bracing for more challenging economic conditions and a global recession this year, so implementing composable banking is essential. UK respondents understand that composable banking enables personalised solutions to enhance online customer experiences and is essential to compete with market disruptors. They agree that brands will fall behind competitors if they do not implement it. The challenge UK respondents face is understanding how to implement the solution.

Response:

66% of UK respondents say that composable banking is at least a moderate priority for their company compared to 85% of DACH and GCC respondents. UK respondents were also less likely to know what composable banking is. Over three quarters agree that composable banking is essential to compete with market disruptors (78%), but 66% also agree that implementing composable banking is a daunting task for their company, and they currently lack the talent to implement it.

Reward:

With composable banking, financial institutions can quickly add new products and services, like payment processing or investment management, to their existing offerings without the need for extensive, time-consuming development work. This approach also allows institutions to better manage risk and compliance by allowing them to easily swap out or update components of their infrastructure as regulations and security requirements evolve.

In this scenario, if you're not first, you're last. Businesses who fail to adopt composable banking will be left behind, whilst those who adopt and embrace it will be on the path to increased innovation, agility, and customer-centricity, helping them to stay competitive and better serve their customers.

Ultimately, composable banking unlocks the agility required to deliver great customer experience (and fast), which is absolutely critical to the success of businesses in financial services industry, leading to:

Differentiation:

In a crowded marketplace, a positive customer experience can differentiate financial institutions from their competitors. By providing a seamless and personalised experience, institutions can stand out and create a competitive advantage.

Compliance:

Financial institutions are subject to numerous regulations and compliance requirements. A customer-centric approach can help institutions to meet these requirements while minimising the impact on the customer experience.

Customer Retention:

A positive customer experience can improve customer loyalty and retention, leading to repeat business and increased revenue. Conversely, a negative experience can drive customers away and damage the institution’s reputation.

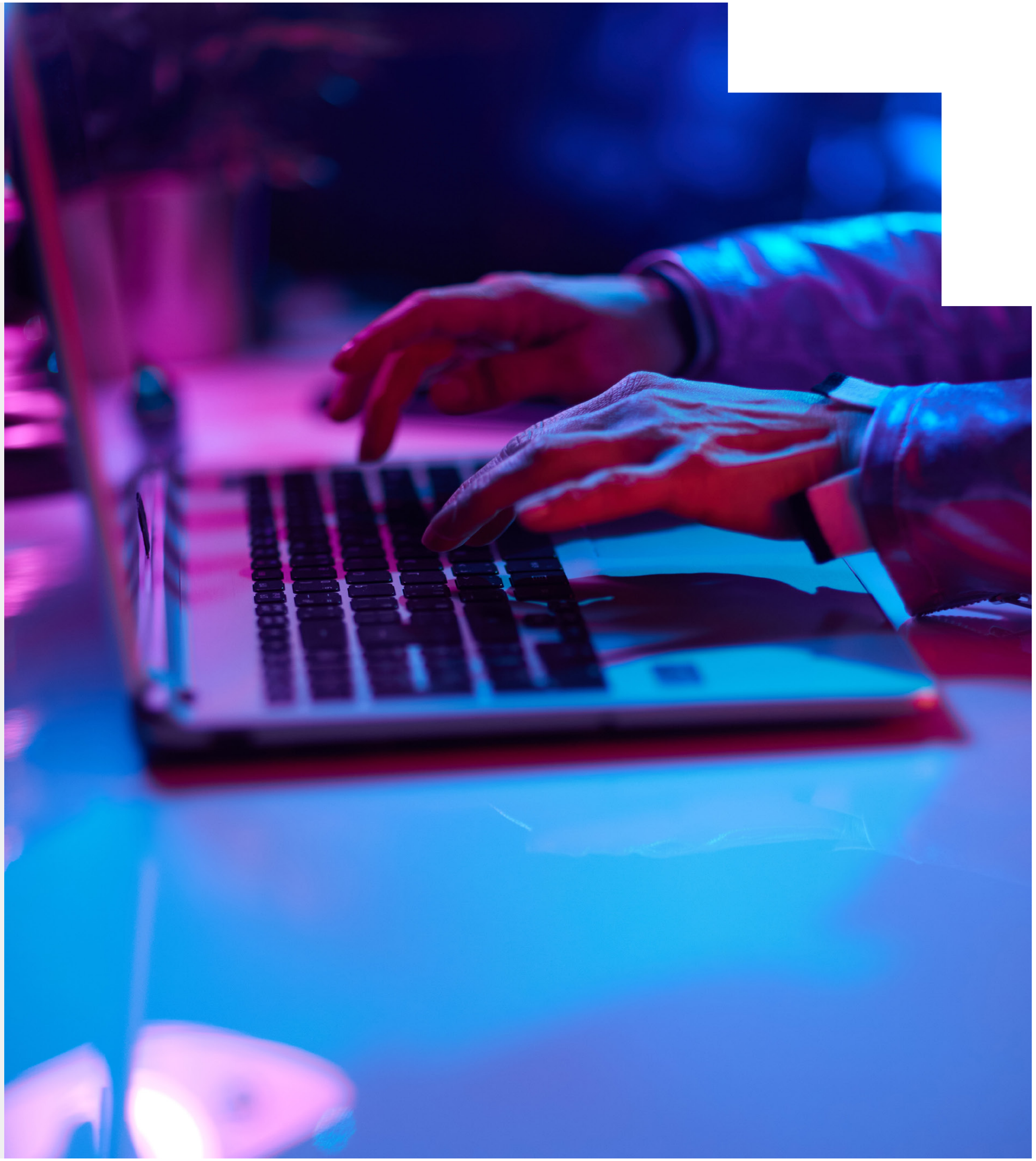
Customer Acquisition:

Positive experiences can also lead to word-of-mouth referrals and new customer acquisition. In today’s digital age, online reviews and social media play a significant role in shaping public perception, making it crucial for financial institutions to prioritise customer experience.

Innovation:

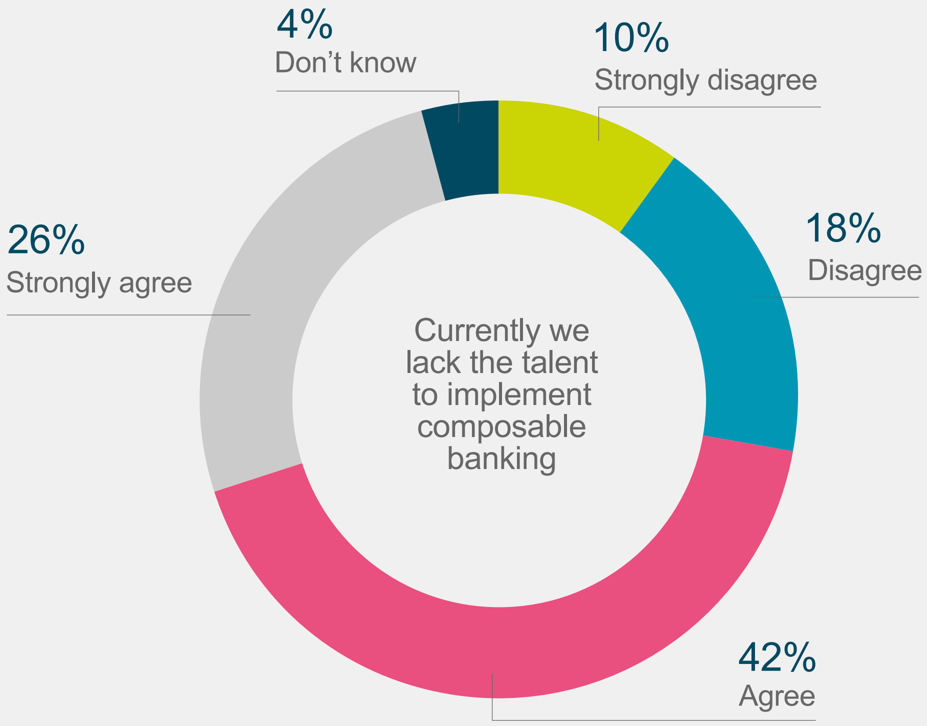
Customer feedback can drive innovation and help financial institutions to create new products and services that meet evolving customer needs. By prioritising the customer experience, institutions can stay ahead of the curve and maintain their relevance in a rapidly changing industry.

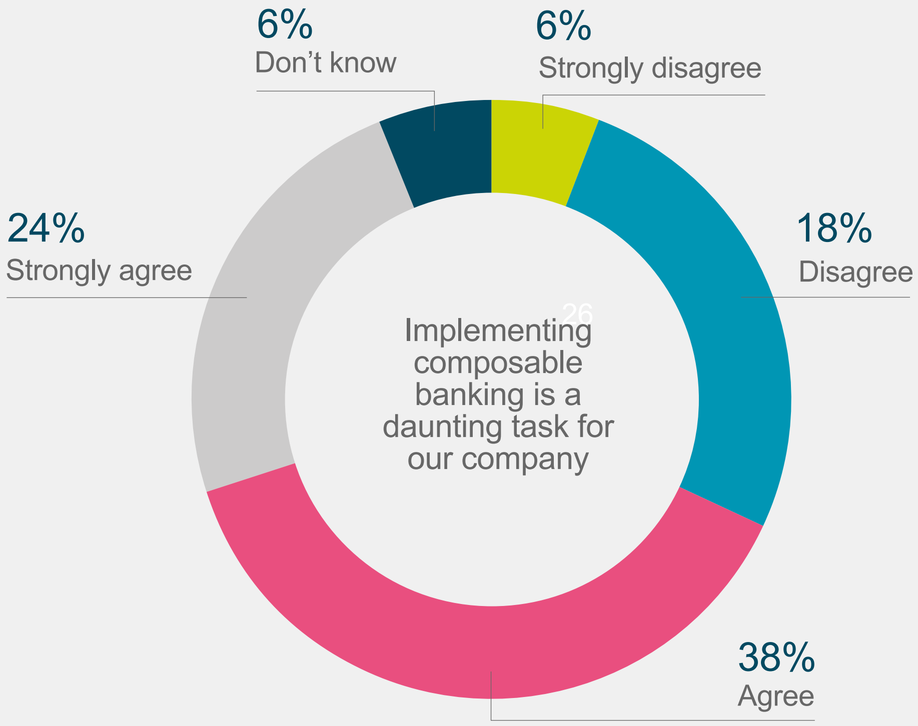
Composability needs to be a clear focus for marketers in the financial services industry, with a move away from monolithic solutions the only way forwards.



People power Composable Banking:

Composable banking, whilst powerful, is a relatively new concept in the financial services industry. As we've established, this approach to banking requires a high level of technical expertise, as well as the ability to integrate with various systems and technologies. As with all technological developments, there is a conundrum surrounding the talent required to deliver this solution.





Risk:

According to our survey, 24% of UK respondents said they didn't know if financial companies would fall behind competitors as a result of not implementing composable banking, whilst only 8% of them disagreed with the statement entirely. As a result, some brands may be less likely to prioritise investments in composable banking technologies and strategies, which could put them at a disadvantage compared to competitors who do adopt these approaches.

If UK brands lack the talent to implement composable banking, they may face several challenges. Firstly, they may struggle to keep up with their competitors who have already adopted this approach to banking.
This can lead to a loss of market share and a decrease in revenue.

Secondly, UK brands may also face difficulties in meeting customer demands for new and innovative financial products and services. Composable banking allows financial institutions to quickly adapt to changing customer needs and preferences, but without the talent to implement it, UK brands may struggle to keep up with these demands.

Thirdly, UK brands may also struggle to comply with regulatory requirements. Composable banking involves the integration of various systems and technologies, and any errors or weaknesses in these integrations can result in security vulnerabilities. Without the necessary talent to implement composable banking securely, UK brands may be at risk of regulatory penalties and reputational damage.

Response:

Remarkably, 68% of UK respondents agree, or strongly agree that they lack the talent to implement composable banking. This highlights the need for more education and awareness-raising efforts in the UK financial sector to ensure that financial companies and their employees understand the potential benefits of composable banking and can make informed decisions about its implementation.

In addition, 62% think implementing composable solutions to their banking offering is a daunting task, highlighting once again a lack of confidence and understanding around the technology on offer. This is where the talent conundrum becomes apparent.

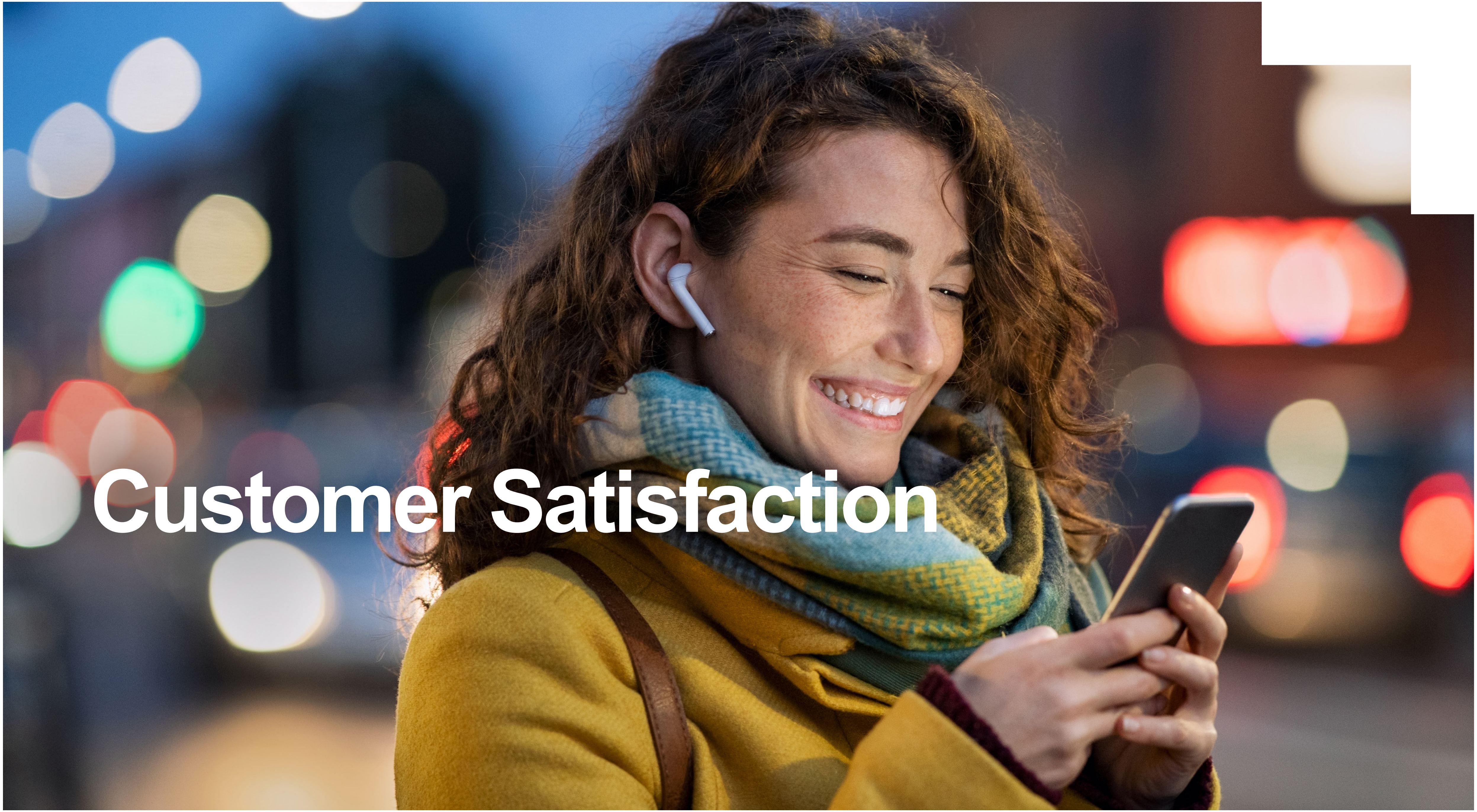
Reward:

Hiring talent internally can give UK brands more control over the development and implementation of composable banking. Internal hires can work closely with the existing team to integrate new technologies and systems seamlessly. Also, internal hires may have a better understanding of the company's goals and culture, which can help align the implementation of composable banking with the brand's overall strategy.

On the other hand, outsourcing to a digital agency can provide UK brands with specialised expertise and access to a broader range of skills and technologies. Digital agencies may also have experience working with similar companies and implementing similar projects, which can help reduce the risk of errors and delays, even accelerating the move to composable. Additionally, outsourcing can be more cost-effective than hiring internal talent, especially for smaller brands.

Whether UK brands should hire talent internally or outsource to a digital agency depends on various factors, such as their budget, company culture, and specific needs. Both approaches have their advantages and disadvantages, and it's important to carefully consider them before making a decision.

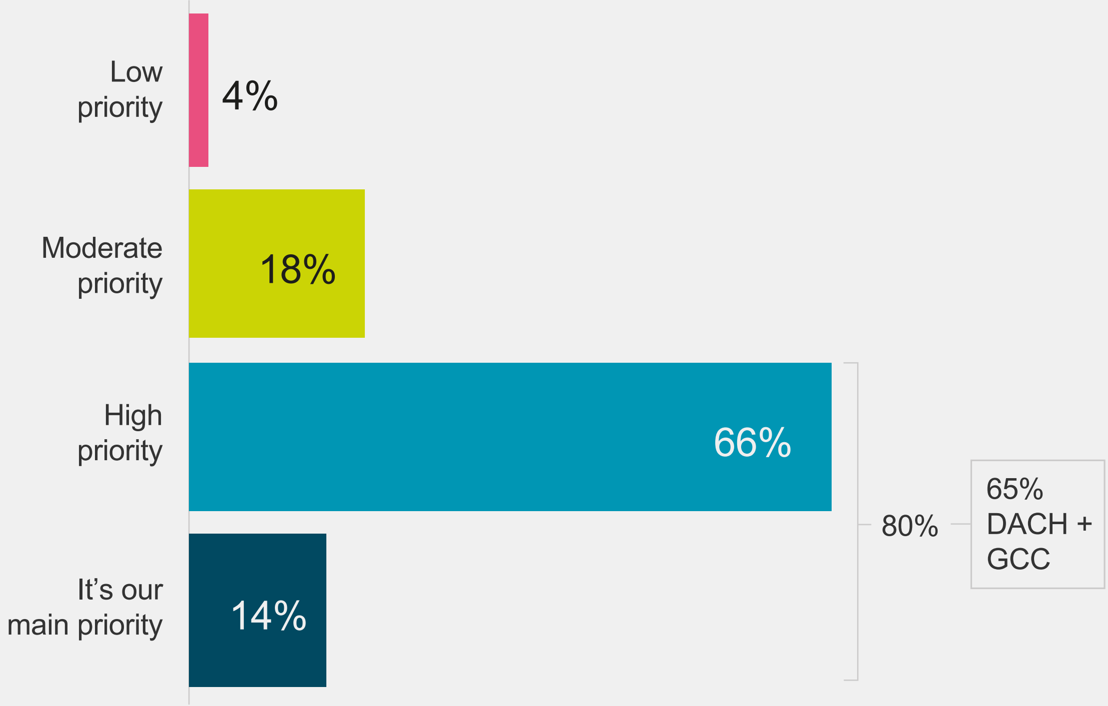
Whilst there is a conundrum and a choice to make, the good news is that there is an increasing pool of talent and third party agency support available to enable brands to capitalise on the benefits of composable banking, to gain a competitive edge in the market.


Customer Satisfaction

Customer Satisfaction is much more than a review:

Today's connected customer has more touchpoints with a brand than ever before, leading to an increased need to make every one of those interactions count. Financial services brands are rapidly learning that this is absolutely paramount. Gone are the days where the customer's interaction with the bank was totally in-branch, in a bricks and mortar location with real human staff to engage with. Now, the customer experience extends to every email, every push notification, every social post, every ad, every piece of content.

Making these interactions as frictionless, simple and enjoyable as possible has a huge impact on customer satisfaction, which can help to improve customer retention, enhance reputation, increase revenue, reduce costs, and demonstrate compliance with regulatory requirements.



Risk:

Improving the customer journey and providing a positive customer experience (CX) was ranked as the number one trend and the top strategic priority in a survey of global banking organisations.

At Sagittarius, one of our core mantras is to 'deliver remarkable customer experiences that convert'. However, for many brands, CX (customer experience) & DCX (digital customer experience) haven't been at the forefront of their agenda or masquerading as different, siloed ventures into user experience, customer service, marketing and so on. Understanding its importance, we asked Sapio to establish how companies in this survey sample were prioritising the experience they deliver for customers in 2023.

Response:

For UK respondents, improving the customer journey and providing a positive customer experience is a high priority for their company (82%), considerably increasing compared to just 59% of DACH and GCC respondents.

80% of UK respondents stated that keeping customer experience the same across all platforms is a high priority, compared to just under two-thirds (65%) of DACH and GCC respondents. It is interesting to see that when it comes to tracking customer satisfaction on their website, 9 in 10 (90%) UK respondents are implementing it in some form, with 2 in 5 (40%) using email surveys.

Corresponding to UK organisations' focus on customer experience, almost all (96%) think their customers are at least somewhat satisfied, compared to 83% of DACH and GCC respondents. Over 1 in 10 (12%) DACH and GCC respondents say their customers are very unsatisfied; only 4% of UK respondents feel unsatisfied.

Reward:

Customer experience represents a recognised priority for the financial brands surveyed.
Truly understanding customer needs, challenges, and desires is the fibre of designing successful digital experiences.
Knowing your customers' needs is essential for delivering excellent customer service - the more you know about your customers, the better informed each of your business decisions will be.

Creating consistent omnichannel customer experiences benefits both the business and the customer, as the growing engagements with the institution help build a more holistic 360° view of the customer's needs.

Digital Maturity

Be Fast or Be Last.

Digital Maturity Matters

Today's customer expects everything to be at their fingertips, in the exact moment they want or need it.

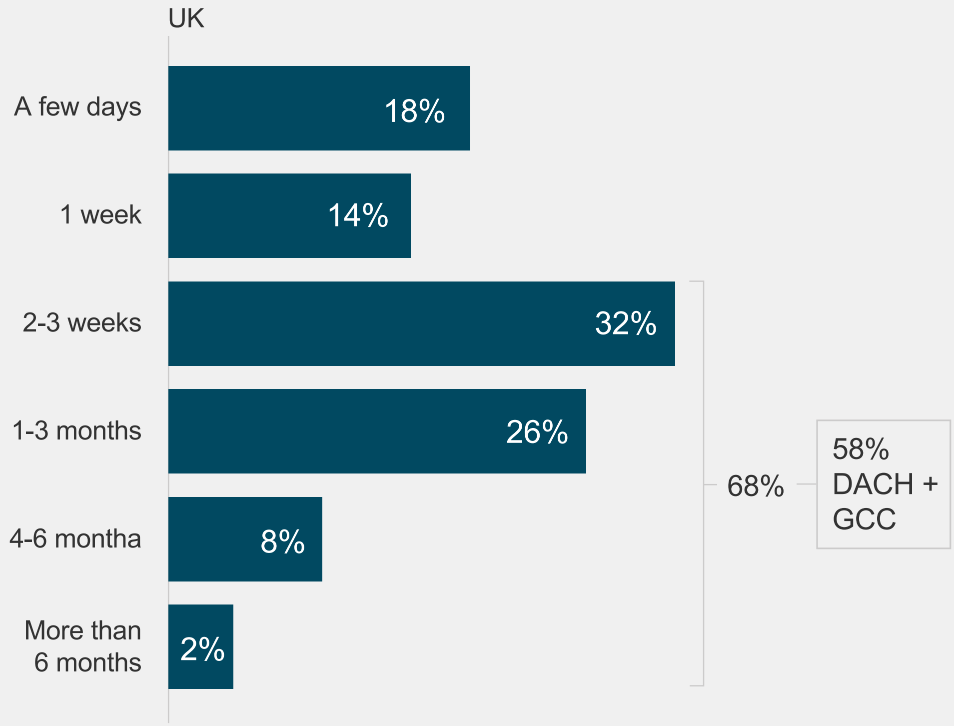
As financial markets become increasingly competitive, the speed of response to changing customer needs is a key differentiator. This is a function of Digital Maturity – defined here as the time it takes for companies to implement additional elements, such as new content and services accessible by customers, on their website.

Focusing on delivering a good customer experience online is essential for financial institutions to stay relevant and competitive in today's digital age, and keeping up with the pace of changing customer needs requires digital maturity. For companies with a high level of maturity, this takes a week or less; for companies with a low level of maturity, this can take one month or more. Wherever financial organisations currently sit on the Digital Maturity curve, they would do well to review their position for the year ahead. Laggards will need to accelerate. And leaders will need to accelerate even faster to maintain their advantage.

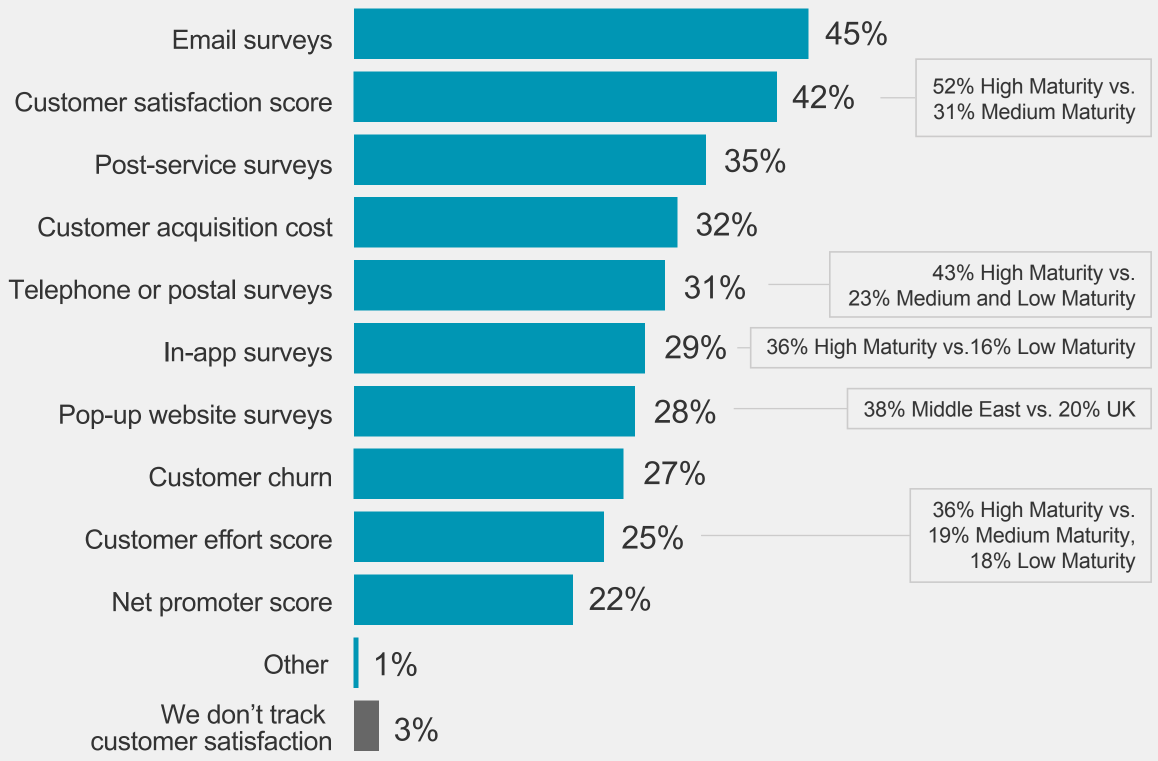
With the rise of digital-only banks and fintechs, traditional banks need to focus on delivering a strong online customer experience to remain competitive. By offering a seamless and user-friendly digital experience, banks can attract and retain customers in a crowded marketplace. By offering a convenient, personalised, and user-friendly digital experience, banks can attract and retain customers while improving operational efficiency and reducing costs.

Understanding its importance within FSI, we asked Sapio to scope where companies in this survey sample sit on the Digital Maturity curve and how they plan to optimise their digital channels in 2023.

How long, on average, does it take for your organisation to implement additional elements (i.e. new content, new services, etc.) accessible by customers on your company's website? Select one.



While 97% track customer satisfaction on their website in some way, less than a third track customer acquisition cost (32%) or customer churn (27%), and less than a quarter track their Net Promoter Score (22%).



Risk:

Customer Experience is a primary focus, as designing and evolving your customer's digital experience is key to exceeding customer expectations and is critical to your brand's success. Tracking customer satisfaction is essential for brands, with the data showing that customer satisfaction on their website is more of a priority for the UK, with 82% saying that customer experience is a high or the primary focus for their company, against 59% in DACH and GCC. Accessing financial information via a website is important, as proven by the majority of UK respondents who reported that their customers access their organisation's financial services this way.

Continuously adding relevant content to the website improves customer experience and conversions (Importance of UX). UK brands need to understand the importance of the UX journey, and how this can shape a customer's overall experience when using their website.

Response:

Whilst all the respondents in DACH and GCC track their customer satisfaction, 10% of UK respondents still need to. The data showed that UK customers mainly interact with our respondents through voice, video call and telephone, whilst for the DACH and GCC, the website is the primary access point for the customer, followed by email and then the phone. Over 4 in 5 (82%) UK respondents say their customers access their organisation's financial services via their website. Of these, UK organisations were significantly more likely than DACH and GCC organisations to allow their customers to access their services via video call or telephone.

When asked how customers accessed the organisation's financial services? Interestingly, over 4 in 5 (82%) UK respondents say their customers access their organisation's financial services via their website. Of these, UK organisations were significantly more likely than DACH and GCC organisations to allow their customers to access their services via video call or telephone.

Regarding opportunities to improve digital transformations online, 68% of UK respondents say their customers can use their company website to view information on products and services, with half (50%) saying customers can purchase new services or products via their website. When we asked if they plan to add any content or functionalities to their website, 93% of UK respondents who have yet to do so plan to add the ability for customers to view information on products and services in the next six months.

Reward:

Companies face obstacles in adjusting/adding account services on their websites, including a lack of resources (46%) and infrastructure not equipped for additions (34%).

Despite this, 98% of UK respondents have taken measures to make adjustments easier, such as purchasing new software (48%). UK organisations prioritise brand awareness and customer retention (56%) and measure success through increased sales (58%) and traffic (48%).

However, 68% of UK institutions struggle to implement changes in under 2 weeks, risking poor customer experiences. Improvements can be made through key digital disciplines like UX, CRO, SEO, content, and omnichannel experiences. Accelerated digital maturity and recession-proof marketing strategies are necessary for success.

Key findings at-a-glance

To give you the big picture, we have created a snapshot of the key findings:

82%

of UK respondents say customer experience is a priority, compared to 59% of DACH & GCC respondents.

Upcoming legislation will be a more significant challenge for UK organisations than DACH and GCC organisations over the next year.

66%

of UK respondents say composable banking is at least a moderate priority for their company, compared to 85% of DACH and GCC respondents.

Economic recession and rising inflation are the main challenges for UK companies in the next year.

The main objectives UK organisations want to achieve with their website are brand awareness and customer retention.

78%

of UK respondents agree that composable banking is essential to compete with market disruptors, but 68% also agree that they currently lack the talent to implement it.

Conclusion:

We set out to understand how the surveyed companies' marketing budget would change in the next year and what the most significant challenges would be for their business: whether composable banking was a priority for them, how much of a priority customer experience is across all platforms and how long it takes these organisations to implement additional elements.

Digital transformation should be one of the top priorities for banks going forward. Why?

Customers expect the same personalised digital experiences from brands in other sectors. Customer demands constantly change, and decisions are increasingly made based on the ease with which they can interact with their bank. Financial brands must use this to adopt an agile way of working and embrace technology to reduce costs and increase efficiency.

Our Experience Team is dedicated to unearthing key insights to help drive success. We work to deliver best-in-class, holistic digital experiences for your customers through in-depth customer and business research to define the 'why'. We bring this to life with stunning creative solutions and animation and play on the page or advert to inspire and delight your customer at all touchpoints.

Our UX and UI team is obsessed with creating exceptional user experiences through knowledge-based decisions. We seek to deliver data-led, creative solutions within your digital ecosystem that reach the right audience, inspire them with relevant content, and serve an onsite experience that connects and converts. We'll also enable and empower your team whilst we're at it.

Sagittarius is already helping to lead financial services companies to gain and retain the rewards of Digital Maturity to build an enduring competitive advantage.

About us

Sagittarius is an award-winning digital agency that helps brands create high-converting digital experiences. Established in the UK with over 40 years of experience, we're a multinational team of innovators, visionaries, strategists, and problem solvers who will optimise your web experience and use data-led decisions to power up your CRO, content, and UX. We take a marketing-first approach to our development, baking in performance and measurement to deliver impressive ROI on your technology investment. We specialise in Sitecore as a complete or composable DXP platform and have our own Sitecore Optimisation Consultancy and training academy to empower your people.

Get in touch

Let us help your business keep ahead of the Digital Maturity curve.
Find out how we can design, deliver and amplify your digital experiences by emailing
hello@sagittarius.agency