Top Trends in Financial Services

We are for sure living in interesting times. Recent turmoil and increasing ecosystem complexity has placed unprecedented demands upon financial services institutions. Although times of severe market disruption and dislocation are fraught with challenges, these also present opportunities to breakaway from the pack. Historically, the best in innovation has taken place in distressed times. There is no reason to believe it will be any different this time around.

Technology advances, regulatory changes, demographic shifts, and digital lifestyles and work style revolutions are likely to reshape significantly the financial services landscape over the coming decade. It’s important to analyze what some of the key trends for the industry will likely be and how financial institutions can turn adversity into business opportunity.

Trends of This Decade

1. **Transactional self-service will become the norm**
   Mobile, online, and telephone banking channels will become channels of choice for personal banking. Branch network use will significantly shift towards advisory services—both digital and human.

2. **Applied intelligence at the point of sale and service is about the only thing that will matter**
   The ability to engender trust, develop superior relationship intelligence, and effectively apply relationship intelligence in sales, service, and advisory interactions consistently across all channels will separate winners from the pack.

3. **Privacy and personalization will reach a truce, creating win-win for consumers and financial institutions**
   Consumers will get more comfortable with the use of personal preferences for marketing and underwriting purposes, provided they see tangible reciprocal benefits through personalized and cost effective financial solutions. Financial institutions will use behavior and life style preference data expressed in multitude of every day digital transactions to supplement and significantly improve risk underwriting, creditworthiness scores, and implement fine-grained and/or usage-based pricing.

4. **Liquidity will become more fluid or more volatile—it all depends on perspective**
   Financial markets’ liquidity will continue to fragment and become increasingly global. Competition between trading execution venues will intensify requiring continued diversification into services beyond trade execution and innovative business models. Liquidity will become more transient and migrate across execution venues requiring much more efficient means to access liquidity globally. A focus on shaving every millisecond and microsecond will continue in search for alpha.
5. Non-traditional competitors will emerge and create disruption—as feared
   Strong non-traditional competitors will emerge both in retail and payments threatening current business models. The need to serve both the under-banked and un-banked will be a key innovation driver with plenty of reverse innovation opportunities in the developed financial markets.

6. Automated teller functionality will get embedded within shared multi-service ecommerce kiosks
   ATMs will morph into localized shared digital commerce kiosks. Digital payments will grow at the expense of cash and there will be an increased adoption of shared commerce kiosk provider networks.

7. Multi-enterprise communications underpinning ecommerce will get a facelift
   Next-generation business applications exchanges will deliver significant agility and efficiency in inter-enterprise messaging and communications within the financial ecosystem. Shared financial ecosystem infrastructures delivered on a as-a-service basis by independent and trusted global providers will gain resonance with the financial companies.

8. The network will become the business infrastructure platform
   The network will no longer be viewed as a commodity. Security, identity, and IT services currently deployed at the network edge will increasingly migrate into the cloud. With embedded security, identity, intelligence, scalability, and resiliency, the network will become a strategic business infrastructure platform over which business and technology services delivery will be orchestrated globally, nationally, and locally.

9. Sourcing models will be redefined
   Passionate debate around outsourcing (to outsource or not) will become increasingly less important. As business, commerce, and organizations become increasingly digital, virtual, and service-based, the discourse will shift to consistent and verifiable controls across an extended digital virtual financial enterprise regardless of who or where the work is performed.

10. ‘Everything as a Service (EaaS)’ IT and information architectures will deliver efficiency dividends
    Compliance, risk, and transparency initiatives will command significant share of resources and will weigh on efficiency. Financial institutions will however still show meaningful improvement in efficiency ratios as digitization, virtualization, standardization, and flexible services-oriented cloud architectures are increasingly adopted.

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