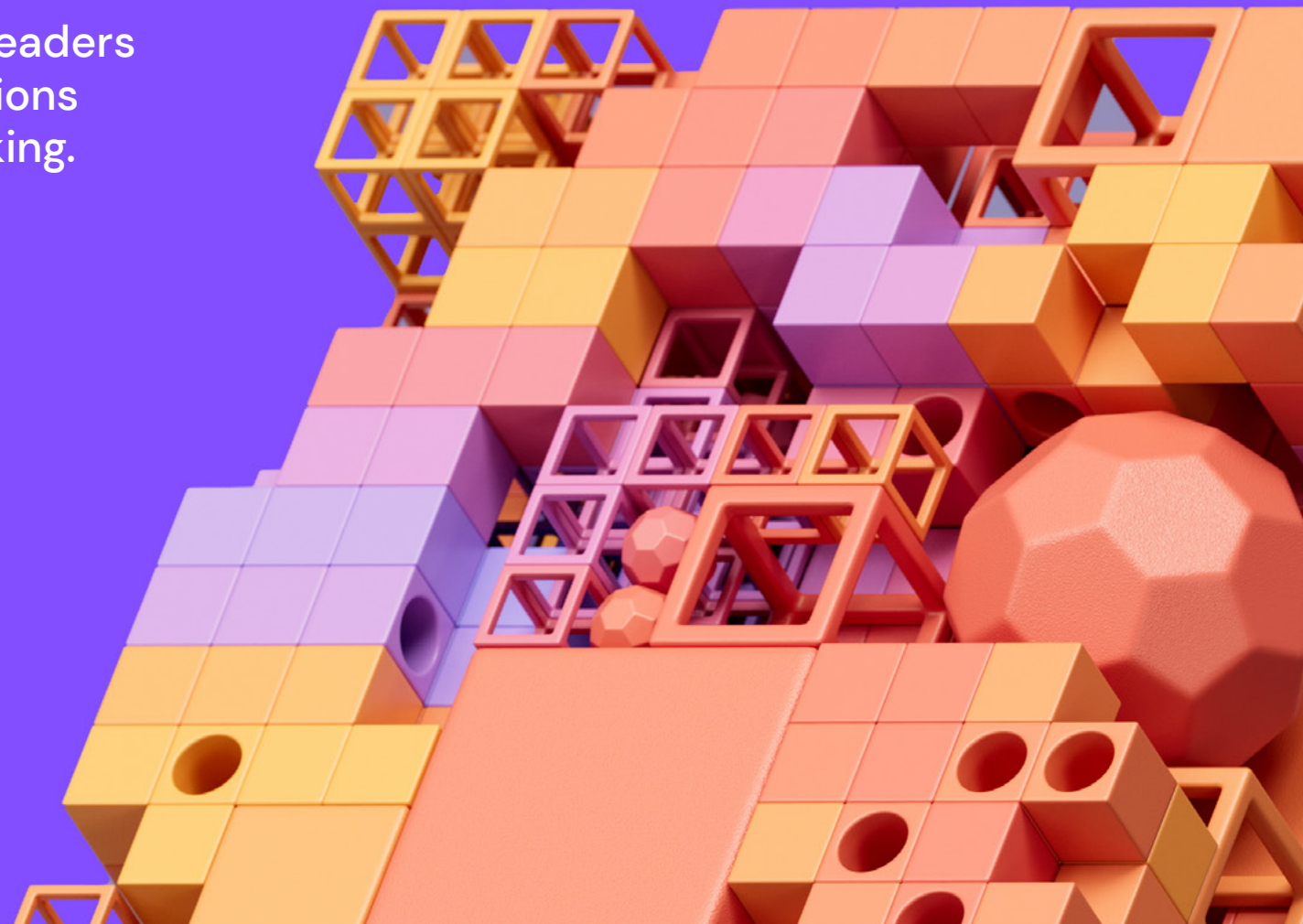
Building Future-Ready Financial Services

As digital industrializes, senior leaders must build strong data foundations & embrace service design thinking.



KIN+CARTA

Become a financial services *changemaker*

Just 10 years ago, digital excellence meant bespoke engineering with large teams. The new status quo requires senior leaders to acknowledge the risks of being out-competed or disrupted.

The financial services industry has been hit by constant waves of change over the past decade. And the need for always-on digital transformation has seen an entire industry grow up around it. Financial services firms today have access to an industrialized set of platforms, products, tools, frameworks, consultancies, and cloud offerings. This growing digital ecosystem, along with increasingly digital-friendly governments, is accelerating digital evolution and data-driven outcomes.

The World Trade Organization (WTO) has also highlighted the key role of digital industrialization in driving economic growth, stressing the importance of "digital literacy" and "the legal and regulatory framework underpinning the digital economy".[1]

In a world of abundant digital resources, robust data foundations and service design thinking will set you apart. These capabilities will empower you to unleash digital excellence and deliver great experiences for clients and consumers, as well as staff and management.

Constant evolution is essential as the bar for personalized, AI-driven experiences continues to be raised by generative AI (GenAI) experiences like ChatGPT, Microsoft Copilot, and Gemini.

As a financial leader, you can't afford to sit back while your industry transforms around you. You need to know which way the dial is moving. You need to understand all the components of a modern financial services company to successfully build one, and you need to be willing to embrace digital industrialization in every corner of your business. But most of all, to drive impactful change, you must be able to communicate these concepts to other leaders.

In this guide, we explore the impact of digital industrialization on the future of financial services, sharing the insights and tools you need to lead—rather than follow—the pack.

[1] WTO members highlight importance of "digital industrialization" to economic growth, World Trade Organization, 2023.

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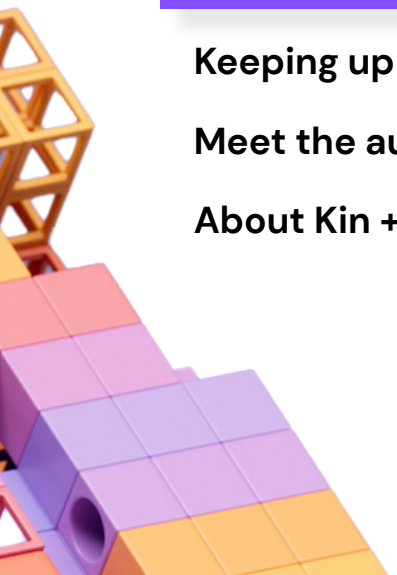
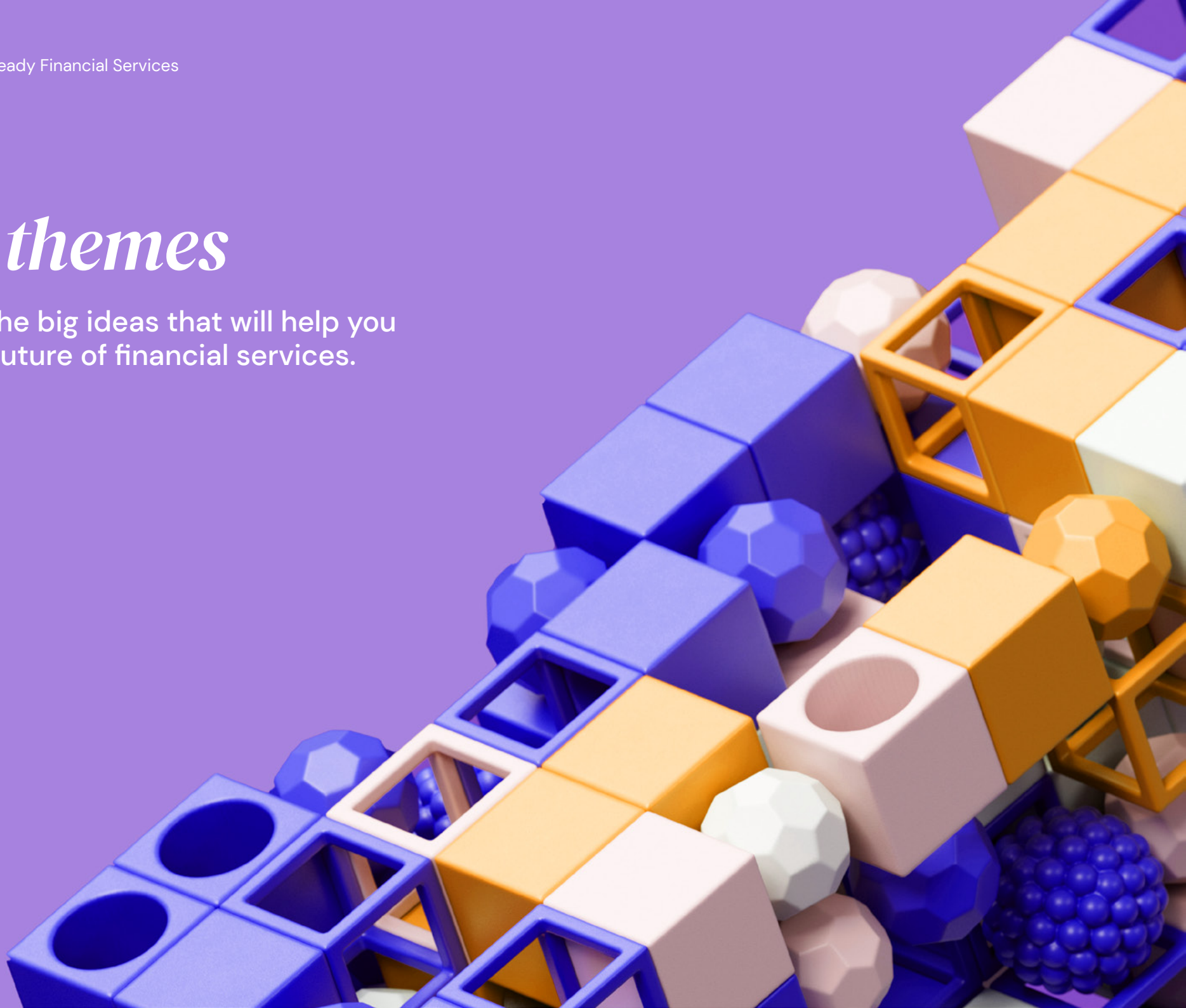


Key themes

Here are the big ideas that will help you build the future of financial services.



1

Digital businesses are *industrializing*

From “digital by default” to “digital at scale by default”.

The era of digital transformation is shifting into digital business industrialization as firms mature and scale their digital efforts to achieve faster outcomes and decentralized operations.

Digital industrialization can accelerate digital and data-driven outcomes—empowering you to stay competitive in the market.

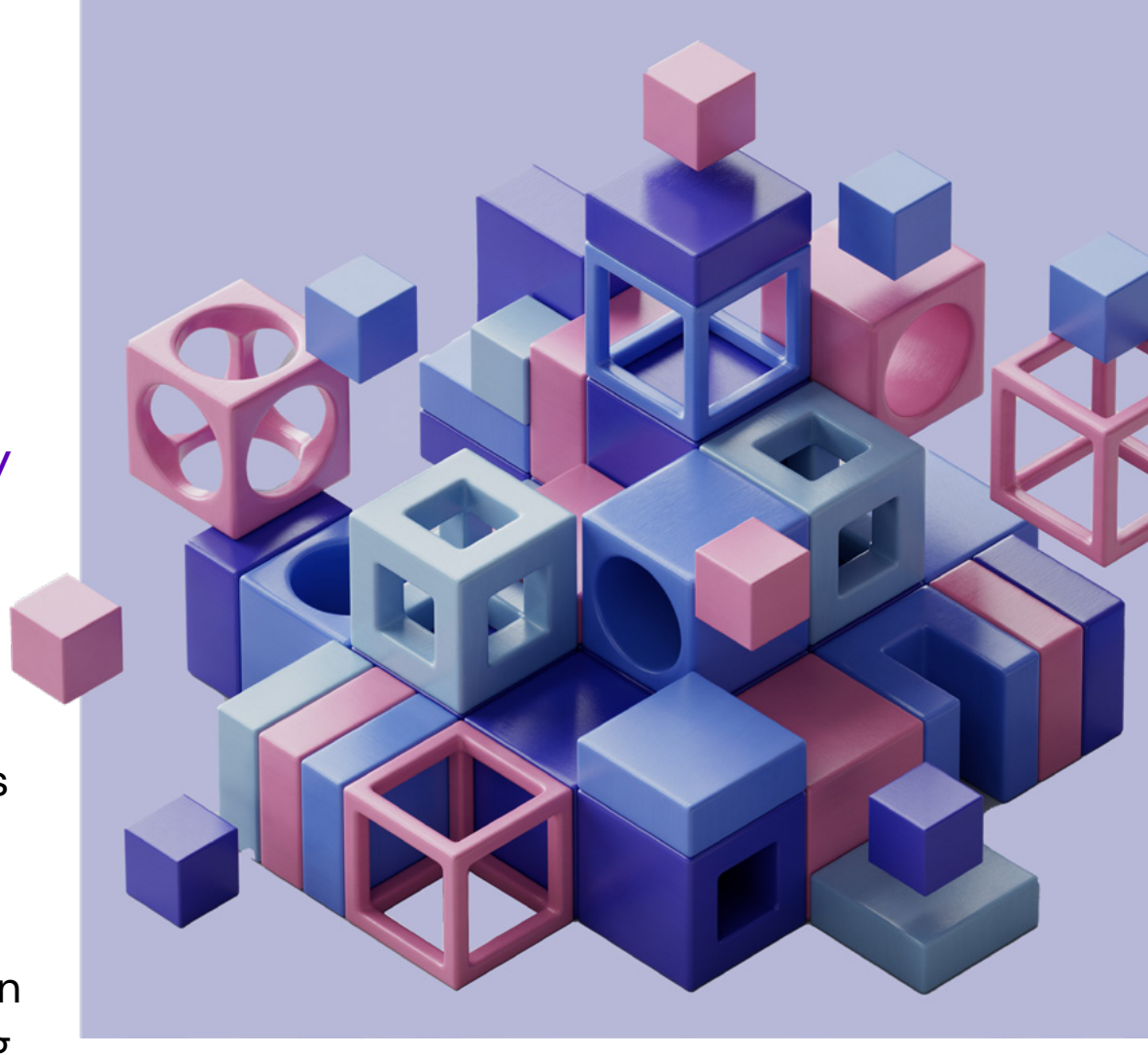
2

The power of *service design*

Financial services leaders are increasingly adopting service design principles.

By thinking of your business in terms of frontstage (customer), backstage (staff), and behind-the-scenes (management), you can optimize your business operations and enhance customer experiences.

Adopting this connected way of working, helps you to build a culture of collaboration and continuous improvement, empowering your people to deliver exceptional service and drive long-term success.



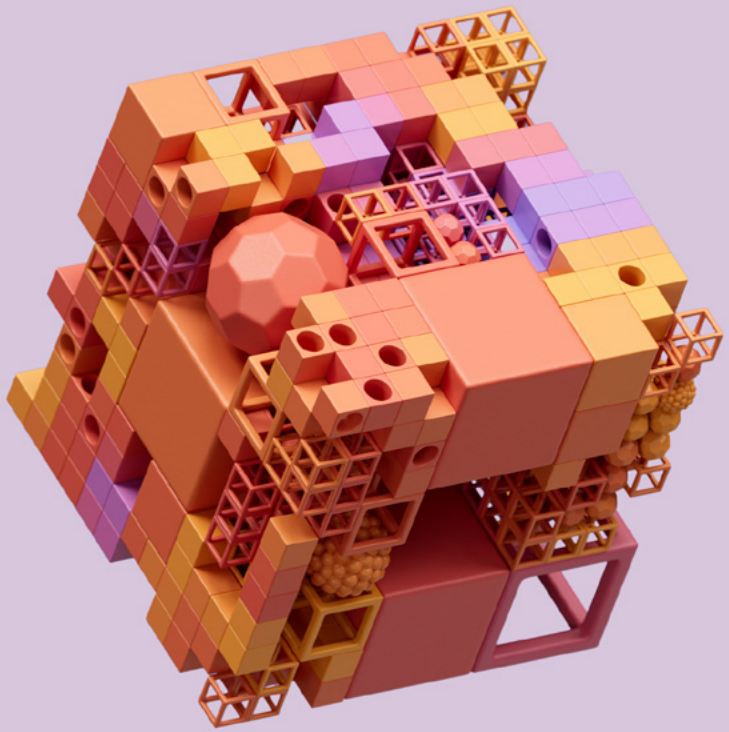
Service design thinking is critical to shaping a future-ready organization.

3

AI growth is impossible without *strong data foundations*

Robust data foundations are the only way to scale AI sustainably and profitably.

Without a strong foundation, you cannot take advantage of AI or machine learning (ML) use cases, let alone GenAI at scale. GenAI may be booming—especially in content creation, search, software development, and employee productivity—but these approaches generate cost savings, not significant growth.



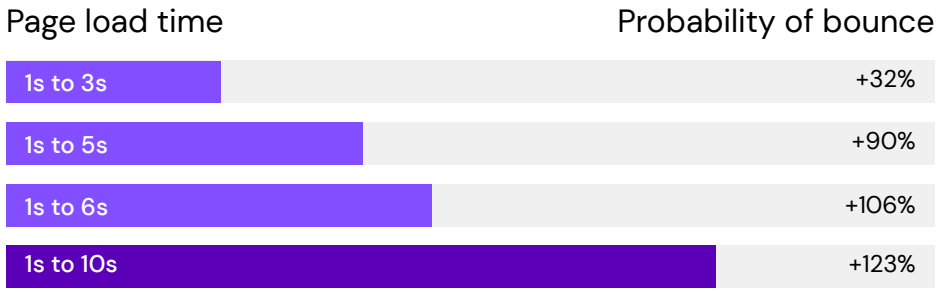
Hyper-personalization, autonomous finance, and automation are examples of growth-focused AI use cases.

Digital expectations are *rising*

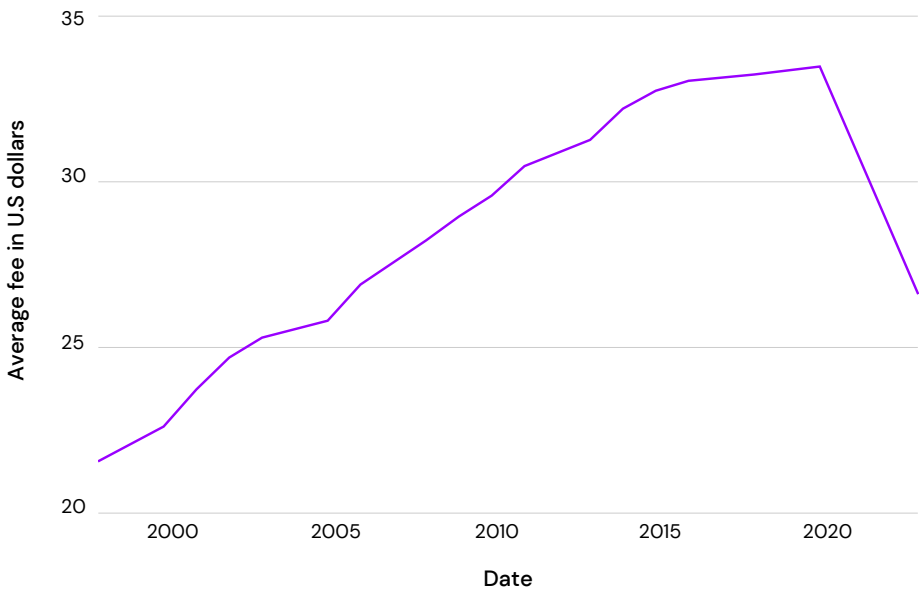
As digital transformation accelerates, some finservs are stuck in old ways of thinking on data and digital. But expectations from customers and users are higher than ever as industry disruptors build services that follow modern service design practices. The good news is that digital industrialization means that both fintechs and finservs can move faster and do more with smaller budgets than in the past.

Here are some examples of the customer expectations that finservs face today:

Consumers expect instant results. Anything more than a 1-second load time[2] and customers are increasingly likely to leave a mobile or website page.



Customers expect low or zero fees. As of October 2023, nearly 3/4 of the US banks that earned the most in overdraft/nonsufficient funds (NSF) fees in 2021, including 27 of the top 30 earners, have eliminated NSF fees.[3]



Overdraft fees in the US have also dropped sharply in the last few years. Consumers expect fewer fees when banking than they did just a few years ago. This puts more pressure on finservs to replace that revenue.

[2] What Is Page Speed & How to Improve It, Semrush Blog, 2023
[3] Average bank overdraft fee in the U.S. 1998-2023, Staista, 2023

Consumers expect high-yield savings accounts, no minimum balances, and no fees in general.. Examples include the Apple Card, which has no fees of any kind and Robinhood, which offers stock trading without traditional fees. These hugely popular digital finance experiences reinforce expectations that digital experiences should be excellent and fees should be non-existent.

The changing landscape of finance is being shaped by digital experience leaders who prioritize a digital-first approach and embrace the industrialization of digital business.

This new high bar of customer expectation is changing finserv behavior, seeing organizations:

1. Increase automation to lower the cost of serving customers and enabling low/no fee models.

2. Create new revenue streams by leveling up consumers to more profitable financial products.

3. Offer B2B buyers a seamless digital customer experience with optional human support for the whole journey.

Organizations that prioritize a digital-first approach present frontstage experiences that are “digital by default” and leverage cutting-edge technologies like platforms, cloud, and mobile-first strategies to stay ahead. They also focus on service design thinking and robust data foundations, which enable them to scale AI capabilities and promote self-service to reduce operational costs.

Digital and data leaders must communicate these new expectations to senior leaders so budgets can be allocated appropriately. Without responding to rising expectations by changing the way businesses invest in digital and data, it will be increasingly difficult for finservs to offer competitive customer experiences.

What's driving *digital industrialization?*

Finserv organizations are ramping up their digital industrialization efforts due to a growing number of digital native professionals, expanding AI possibilities, and fast-moving cloud technology.

If you pick out any worker at random, the odds are that they are a millennial. This generation makes up the majority of the global workforce—35% of the US workforce are millennials[5] and they account for 39% of workers in the UK.[6] They are expected to represent 75% of the global workforce by 2025.[7] Gen Z numbers are also rapidly expanding.

These are the digital native generations who bring high expectations for digital and data to both their personal and professional lives—understanding and responding to their needs is business critical. This is a trend that will only continue as Gen X move into senior leadership positions and baby boomers move out of the labor force.

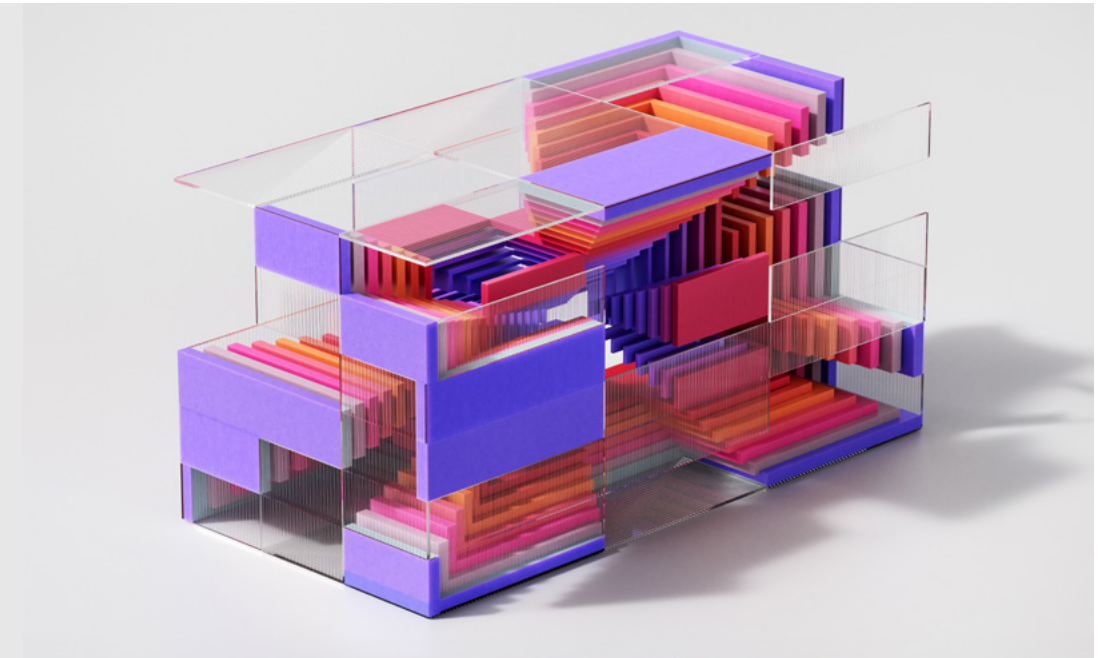
> "The mass adoption of generative AI applications, not just ChatGPT, since last November has begun to transform interactions and expectations, much like Google did in the early 2000s."
>
> ***The Generative AI Advantage, Forrester[4]***

Accessible AI products like ChatGPT and Microsoft Copilot are also raising the general population's technology expectations, and this effect will grow as more businesses launch GenAI products of their own. Unlike the metaverse or blockchain, many large language models (LLMs) are free to use and low-risk. This accessibility is seeing GenAI generate investment from finserv organizations around the globe.

[4] The Generative AI Advantage, Forrester, 2023
[5] Millennials are the largest generation in the U.S. labor force, Pew Research Center, 2018
[6] Number of people employed in the UK 1992-2022, Statista, 2024.
[7] Millennials in the Workplace Statistics: Generational Disparities in 2024, TeamStage, 2024

Forrester's Artificial Intelligence Pulse Survey[8] revealed that 62% of companies are either experimenting (29%) or expanding (33%) with GenAI. These companies are also putting significant investment and technology budgets behind their efforts, with more than 45% increasing funds for AI capabilities by more than 5%.

Constantly evolving cloud technology is also opening doors for ambitious finservs. As Thomas Leitch, VP Engineering, Monzo Bank has noted, the availability of new technology in the past few years has created the possibility for banks to build their architecture cloud-natively.



> "When we started the company [Monzo founded 8 years ago], there was no mature managed Kubernetes offering whereas now this is table stakes for every major cloud provider."
>
> ***Thoms Leitch, VP Engineering, Monzo Bank***[9]

However, to fully unleash the potential of technology and craft exceptional frontstage experiences, it's crucial to incorporate service design principles and data foundations into your approach.

Data foundations play a vital role in meeting elevated consumer expectations introduced by GenAI. By establishing a robust data infrastructure, finservs can scale GenAI and allocate more time to extracting value from their data and less time on data-wrangling.

[8] Predictions 2024: Tech Leaders Boost Ops To Grow With AI, Forrester, 2023

[9] LinkedIn post, Thoms Leitch, VP Engineering, Monzo Bank, 2024

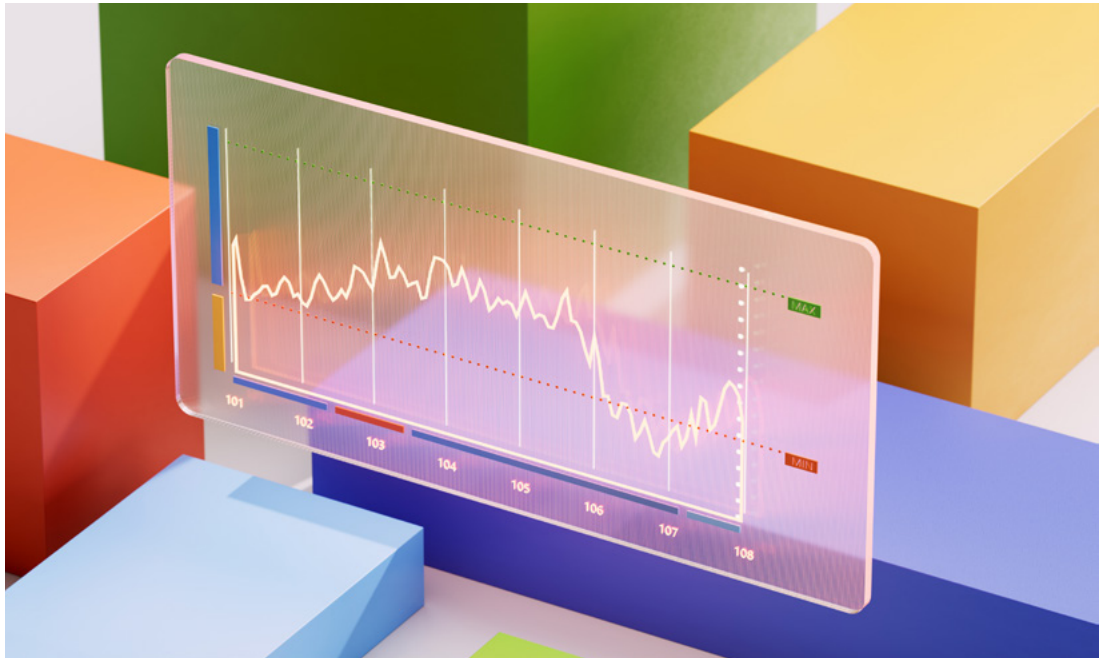
Are you stuck in *digital transformation?*

It's easy to get stuck in digital transformation without progressing to digital industrialization. Here are some of the symptoms that mean you're heading in the wrong direction:

- Large volumes of bespoke code in your architecture, requiring mammoth engineering efforts to manage.
- Too many black boxes in your architecture.
- Increasing amounts of technical debt.
- Capital expense investments that don't result in reduced operating expenses long-term.
- Anticipated net new revenue doesn't materialize as expected.
- Use cases for AI are each built from scratch, without a shared foundation to scale your efforts.
- Digital, data, and cloud are tightly controlled centrally with little to no autonomy.

To meet consumer expectations and satisfy their workforce, finserv enterprises often try to scale AI without establishing robust data foundations. The push to accelerate digital products and features without a long-term plan leads to the development of overly customized software and infrastructure. While one-off AI use-cases can be successful, they can be impossible to scale without data foundations. This approach will fall short of business expectations and can leave enterprises stuck in a cycle of capital expense investments that generate little long-term value.

Service design thinking can help you break this cycle.



What does *service design thinking* look like?

Industrialization, during the Industrial Revolution, focused on efficiency, scale, and standardization, from standardized railway tracks to assembly-line specialization, and factory-size scaling. In the era of digital industrialization, efficiency and standardization are achieved through platforms, cloud providers, and software as a service (SaaS).

Service design thinking focuses on improving services from the perspectives of users and workers, visualizing an organization as frontstage (customer experience), backstage (technical processes), and behind-the-scenes (strategy, governance, and other drivers). It emphasizes connections between these areas and uses constant iteration to improve experiences.

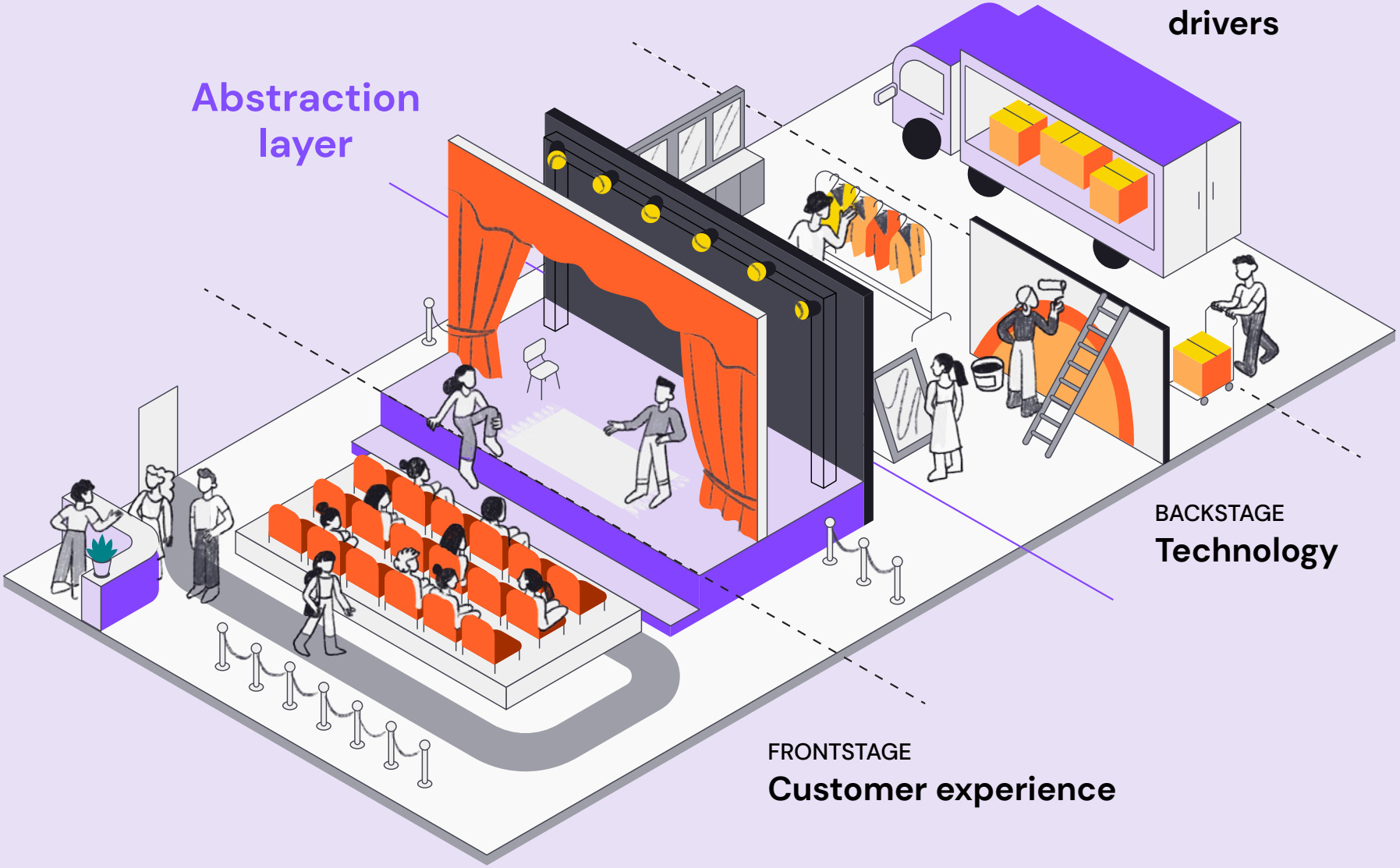
Delivering an industry first with service design thinking

We worked with a leading life insurer to deliver a historic first—digitizing a product that had only ever been sold through agents. The product was considered too complex to be sold direct-to-consumer.

Our team conducted research to understand customer pain points, pairing this information with a deep backstage understanding of employee needs and the broader business model and goals.

By considering all these layers and the connections between them, we created a successful self-service model, empowering our client to launch the first-ever universal life insurance product sold online.

As a finance leader, applying service design principles starts with visualizing frontstage, backstage, and behind-the-scenes.



Start your digital industrialization journey

Here's where you should be focusing your effort if you want to create a digitally industrialized business by 2030.

By 2025...

Frontstage

- Ensure your customer channels are truly unified.
- Put proactive assistance in place to help financially distressed customers.
- Identify where you can use autonomous finance as a differentiator for your clients.

Backstage

- Operationalize your CX at a global level. Moving to more advanced design systems should be part of this.
- Re-orgs can be painful, but it's critical that your staff are organized around customer journeys, or at least moving in that direction.

Behind-the-scenes

- No black boxes. All of the legacy tech and software needs a plan to be modernized.
- Embrace GenAI experimentation. Think about use cases that are content-driven, related to sales and marketing. That is where most high-ROI GenAI stuff is happening.
- Build your data foundation! Your data foundation makes it possible for you to scale.

By 2030...

Frontstage

- Embed your services in the major and minor financial milestones of your customers and prospects.

  For example, when your customer checkouts online, partner with merchants to allow them to open up a credit card as part of the checkout flow. Make sure you have merchant partnerships and an API ecosystem in place.

Backstage

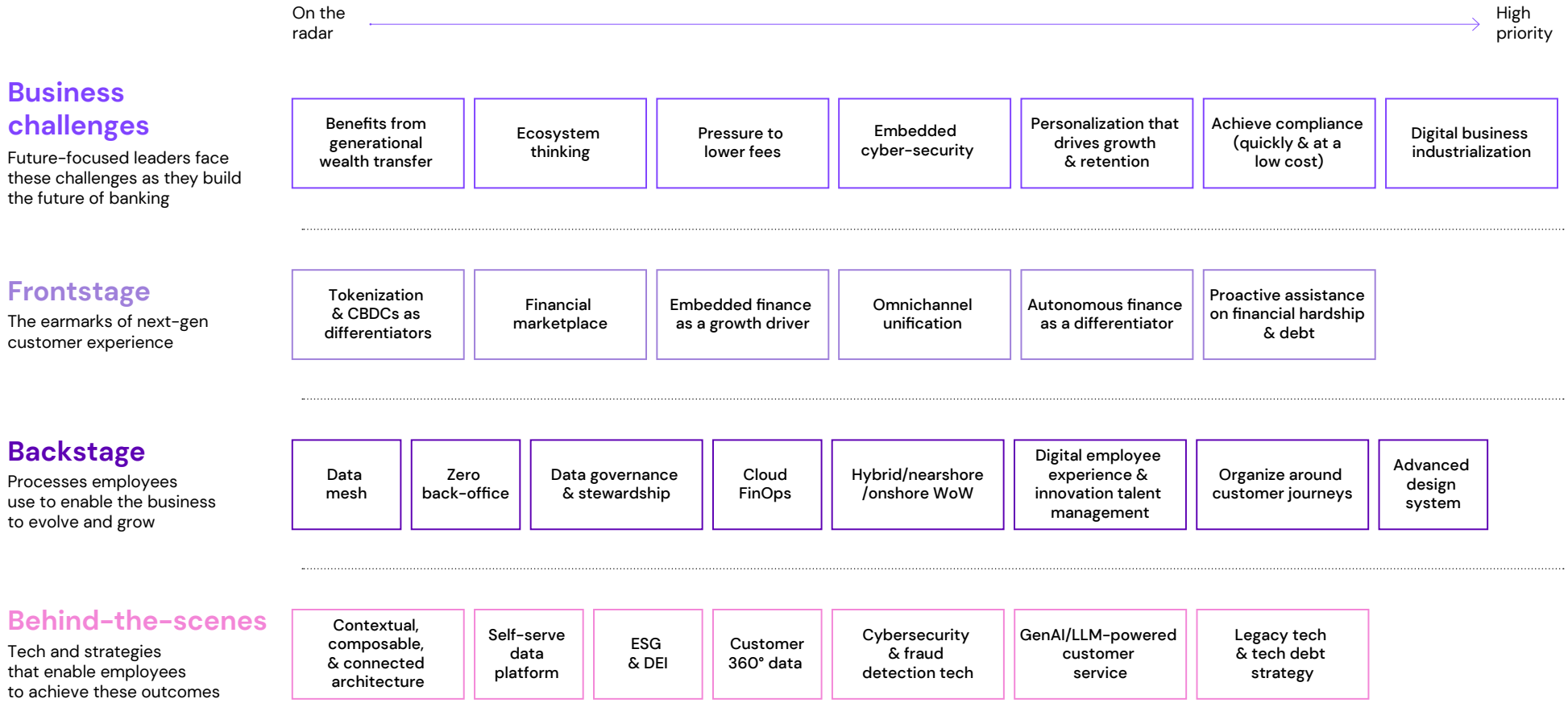
- Ensure you have a cloud FinOps practice that offers visibility into your cloud spend and can clearly quantify the value your organization receives from the cloud, including forecasts of future spend.
- An abstraction layer between the frontstage and backstage should be a common architecture pattern in your organization.

Behind-the-scenes

- Global administrations will announce new regulations that require accounting for greenhouse gas emissions. Invest in tools that quantify your emissions, like Microsoft Cloud for Sustainability.
- Replace your legacy content management systems (CMS) with MACH technology.
- Ensure you've built the right data foundations to enable insights from data to be utilized by people across your organization.

The tech to build the *next groundbreaking financial product* already exists...

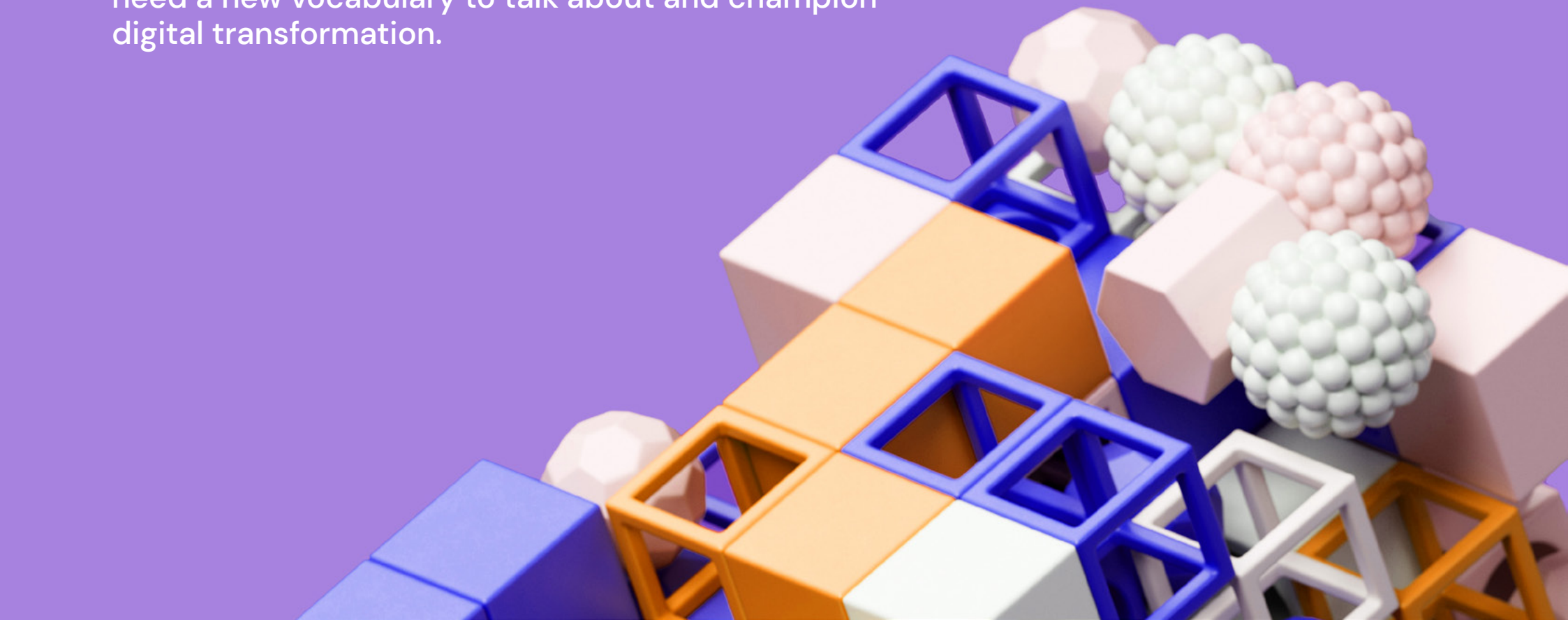
Financial services leaders must combine frontstage, backstage, and behind-the-scenes elements to overcome business challenges and delight customers.



ESG = Environmental, Social & Governance; DEI = Diversity, Equity & Inclusion; CBDCs = Central Bank digital currency; WoW = Ways of working; LLM = Large language model.

The *new language* of financial services

As financial services firms continue to evolve, leaders need a new vocabulary to talk about and champion digital transformation.



Service design thinking

Service design thinking focuses on designing and improving services from the perspective of both the users and workers. It involves understanding the needs and behaviors of customers, and using that knowledge to create innovative and user-centric service experiences. Service design thinking visualizes an organization as a frontstage (where customers interact with a product); backstage (technical processes and the customer-facing staff); and behind-the-scenes (strategy, governance, and other internal drivers). It emphasizes connections between all these areas and uses constant iteration to continuously refine and enhance service offerings.

Data foundations

Data foundations are the fundamental infrastructure and processes that enable the effective management, storage, and utilization of data within an organization. Building a solid data foundation means crafting a robust framework for collecting, organizing, and analyzing data to uncover valuable insights and make informed decisions. By establishing robust data foundations, organizations can ensure data accuracy, accessibility, and security, enabling them to leverage data effectively for business operations, analytics, and innovation.

Digital industrialization

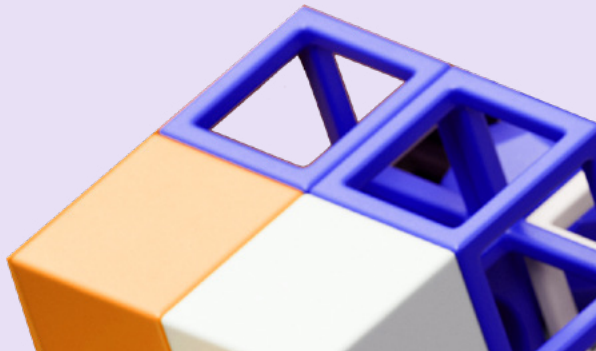
Digital industrialization describes the changing ways we use data and digital products across every industry and aspect of our lives. It includes the systematic integration of digital technologies, platforms, and data-driven strategies. Inside an organization, it is the process of putting data and digital innovation at the heart of a business, enabling faster outcomes, decentralized operations, and increased efficiency. Digital industrialization enables enterprises to leverage the abundance of digital platforms and tools to accelerate digital transformation, drive innovation, and stay competitive.

Autonomous finance

Autonomous finance refers to the application of advanced technologies, such as artificial intelligence, machine learning, and automation, to enable financial systems and processes to operate independently and intelligently, with minimal human intervention. It uses algorithms and data-driven decision-making to automate and optimize various financial tasks and activities, including budgeting, investing, savings, payments, and risk management.

Hyper-personalization

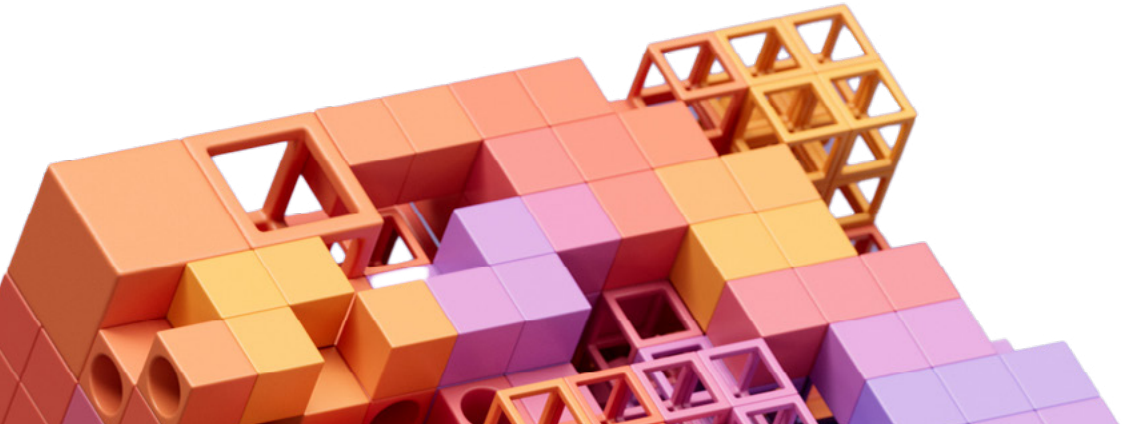
Hyper-personalization is the practice of tailoring products and experiences to meet the unique and specific needs of individual users or customers. It goes beyond traditional personalization by leveraging advanced technologies, data analytics, and artificial intelligence to deliver highly customized and relevant content, recommendations, and interactions in real-time. Hyper-personalization aims to enhance customer engagement and loyalty, driving business growth and competitive advantage.



Keeping up with *digital industrialization*

We are moving from an age of digital transformation to an age of digital business industrialization. Finserv organizations must adapt to this changing landscape by building strong data foundations and embracing service design thinking. These two key components will enable them to stay competitive, deliver exceptional customer experiences, and drive impactful change within their organizations.

Look for partners and people that can help you expand on your data foundations—especially those that understand this is more than a technical solution but also a fundamental culture shift.



And make service design thinking your default. Start with your highest-revenue sales channels and build or expand your service blueprints to understand both your customers' buying actions as well as the experiences your employees are delivering for customers.

Remember to look backstage to understand where there are opportunities to better enable your staff to better serve your customers. By choreographing connected experiences that feel seamless on the frontstage and well-organized behind the curtain, you can deliver for both your organization and the people it serves.

The time to industrialize is now. By making change a priority you will be well-placed to take advantage of new technology innovations that will be key to leading the way in an ever-evolving financial services market.

Author

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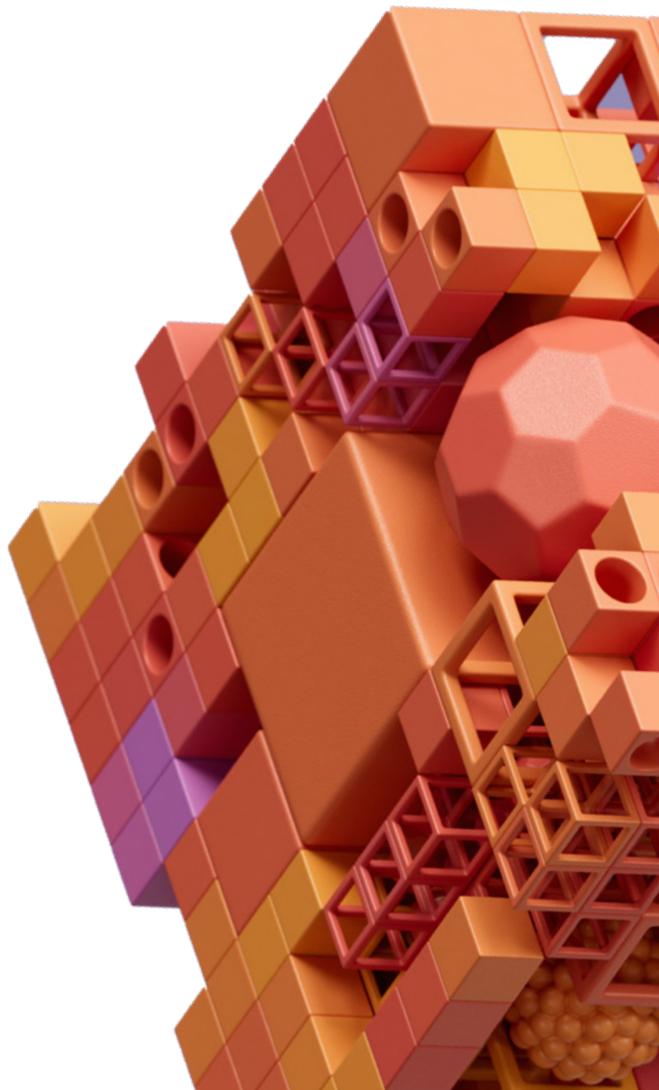
Jared Johnson helps enterprises align their vision and strategy—accelerating growth through data and customer obsession. Jared began his tech career in 2010 during the Wild West era of mobile. Today, he enables organizations to plan and achieve transformative business outcomes and empowers teams to deliver their most valuable work. Always focusing on people first and technology second, Jared has envisioned and executed digital, data, and cloud strategies for dozens of Fortune 500 companies.



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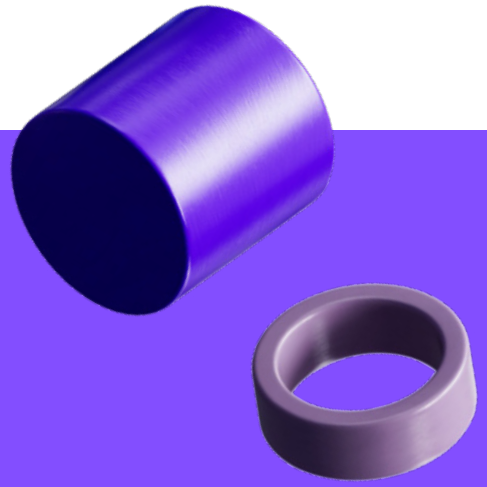
Certified B Corporation

Kin + Carta is a global digital transformation consultancy.

We support forward-thinking businesses with a focus on growth, inclusivity, and sustainability.
We do this by creating Intelligent Experiences, powered by data and built in the cloud.

Our 2,000 consultants, engineers, and data scientists bring the power of technology, data, and experience to the world's most influential companies. Together, we help organizations accelerate their digital roadmaps, rapidly innovate, modernize systems, empower teams, and optimize for continued growth.

Our triple-bottom-line focus on performance, people, and planet drives our success, and we were the first certified B Corp on the London Stock Exchange.



We're Kin + Carta and we're building a world that works better for everyone.

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