Harnessing the power of digital transformation

How Banks Can Reimagine Business
The digital trend is exacerbated in the millennial customer market, which perceives physical banks to be largely superfluous. A three-year study commissioned by Viacom Media Networks* found that the banking industry is at the highest risk of disruption, with 73% of respondents reporting that they would be more excited about a new financial offering from tech giants such as Google, Apple, Amazon, Paypal or Square than from their own nationwide bank.

Dressed in her sports top and spandex leggings, Pamela is in a hurry to get to the gym. She doesn’t have time to do business at her bank, but she does need to deposit checks and sign a mortgage application. So, she takes out her phone and takes pictures of the checks instead. Through the bank app on the phone, the checks are deposited into her account. Next the doorbell rings. It is the bank’s loan agent who has arrived with some documents for Pamela to sign that she had filled out online. The agent carries a tablet and logs onto a file sharing app. Pamela e-signs the first document on the tablet with a stylus, and then quickly applies the same signature to the rest of the documents. The signing process takes only a few minutes. Then the agent is out the door, and Pamela is on her way to her exercise routine.

The world is changing and banks need to change with it. Consider the following disruptions that banks cannot afford to ignore:

**Banks absolutely need to provide a compelling and increasingly digital customer experience.** In the CEB 2015-2016 FSI Survey, 41% of customers in 2015 indicated a preference for using digital channels to complete financial transactions—up from 30% in 2013.1 Simply put, many banking customers prefer to bank online rather than go to the local branch.

With an exceptional customer experience, banks stand a chance in cultivating customer loyalty, which is critical to maintaining or even growing market share. According to the World Retail Banking Report 2016 by Capgemini and Efma, a mere 15.9% of customers are likely to purchase another product from their bank. However, if banks could increase their retention rates by just 5%, they could actually increase profit from 25% to 95%2 The bottom line: customer loyalty pays off.

**Banks need to satisfy a changing workforce that is increasingly mobile.** According to CEB, more than 90% of today’s financial workers are considered mobile. That includes 63%

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The 2017 Deloitte Banking Regulatory Outlook reports that “the introduction of new technologies and digital distribution platforms in the financial sector are unleashing disruptive forces, promising benefits to consumers and markets and posing further challenges to the strategies (and margins) of established firms. Properly harnessed, these technologies also present opportunities for incumbents which move quickly and wisely to revitalize their business models.”


What does digital transformation look like?

Digital business blurs the boundaries of the digital and physical worlds through the confluence of people, business and things and digital transformation is a way to leverage digital business to achieve corporate objectives faster and less expensively.5

Today we are embarking on the next generation of the digital business journey. The first generation from the ‘90s began with the introduction of the internet and web interface technologies, which revolutionized the way banks conducted communication, transactions and outreach without being connected to or integrated with existing channels, or even aligned to the way consumers behaved. The processes were designed to work around—not integrate with—digital technologies.

This kind of disjointed customer experience is simply not viable for today’s competitive banking business. Fortunately the journey of digital business is maturing, fueled by a combination of both technology and cultural trends, driving banks to completely reinvent their employee/customer experience, business models and processes. In doing so, banks should:

• Make digital channels available, high-performing and secure for customers any time, from any device, anywhere so that customers can access self-service of their accounts at their convenience.

• Use digital platforms to improve internal workflow, facilitate customer service and help employees do the best they can, which in turn improves job satisfaction. Virtual tellers who work from home (or anywhere they prefer) with access to secure, fast and high-performing virtual workspaces, can reach customers wherever they are, provide responsive service and enhance customer experience through personalization.

• Consider the integration of the in-branch experience with online banking and mobile apps for checking balances, paying bills and depositing checks. Customers should be able to access digital channels to start a transaction or application, for example, and complete in the branch office should they choose to, without interruption in the process. Customers’ preference for digital channels is increasing: for high-volume simple transactions, such as checking balances or paying bills, more customers used online (62%) and mobile (37%) channels at least once a week in 2015 versus the ATM, which fell from 72% in 2013 to 54% in 2015.6

• Leverage mobile devices such as tablets to provide personalized, on-floor service to customers who are waiting in line in the branch office in order to reduce the wait time during busy hours.

• Examine how to leverage IoT for location-based interactions to improve customer service. By accumulating data from beacons on customer type, traffic and activities, banks can adjust their offerings, hours and physical layout to optimize the customer experience. Beacons that interact with customers are a great example of IoT usage in banks. For example, a high-value client who has the bank’s app on her phone drives up to the branch office. A beacon interacts with her phone and alerts the branch manager and also adjusts the lighting and temperature in a conference room in anticipation of a private meeting.

Embrace digital transformation together with IT

Clearly, banks need a digital business strategy that should first and foremost address the experiences of customers who expect seamless, secure experiences extended across the digital and physical worlds and employees who increasingly rely on digital productivity tools and virtual workspaces to get the job done.

One thing is clear: The business of banks cannot achieve digital transformation without the engagement of IT, which is the lynchpin that empowers banks’ digital strategy. Unfortunately, the shifts that drive digital disruption bring an enormous amount of complexity to IT infrastructure that is not easily managed, particularly given the following challenges:

• The paramount need of securing a mobile and diverse portfolio of apps, data and services, including developing policies, procedures and plans to maintain security and


respond to attacks. Recently, more than 100 banks and other financial institutions in more than 30 countries were targeted in a new round of watering hole attacks, perhaps the work of the Lazarus group, according to a blog post from Symantec.\(^7\) The Verizon 2016 Data Breach Investigations Report records 1,368 security incidents in the finance sector, 48% which involved Web applications.\(^8\)

- The difficulty of staying in compliance as regulatory requirements change. Banks must stay up to date, especially for those with multiple lines of business or that serve domestic and international markets. The New York State Department of Financial Services (DFS) has enacted new requirements for banks, insurance companies and other DFS-regulated financial institutions to establish a cybersecurity program and comply with related requirements. These requirements include the appointment of a chief information security officer and the submission of an annual certification to the DFS regarding compliance with the regulation. New regulations put further strain on financial services IT, as one-third of their budget allocation is already consumed by mandatory requirements for legal or regulatory compliance.\(^9\)

- The reality of disruptions, both planned and unplanned, which can cripple banks that rely on digital channels for business and customer experience. The need to harden these channels and keep them highly available and high-performing is a must.

- The fact that the world is running on old business processes that were, for the most part, architected 30 to 40 years ago. Banks have spent years building unique operating models, investing in countless systems, platforms and devices, and then deeply customizing them. Considering the large number of legacy custom applications that are business-critical, IT must now bridge the gap between the old and the new.

- The ongoing requirement for meeting ever-changing business needs, such as seasonal demands, or when launching new products and services or opening new branch offices. All of these needs must be supported by IT without increased complexity and costs.

While the first generation of digitization augmented business processes and how people work, today we are at an inflection point. What IT must do now is ensure that the old and new technologies work seamlessly together and are secure, highly available and high-performing in order to unlock the potential of today’s banks in the digital shift.

**Banking IT best practices for digital transformation**

To be the strategic IT enabler of its banking business, IT must create a plan for everyday operations that provides long-term agility. What is needed is a flexible and efficient IT infrastructure that virtualizes apps and centralizes management in order to support (and drive) business agility and prepare for digital changes on the horizon.

Start with recognizing the fact that new technologies are multiplying rapidly—mobile devices and apps, cloud, IoT, virtual reality, augmented reality, artificial intelligence and more. These technologies affect everything, including where and how people work and how they think about computing. On top of that, software itself is more complex. Just think of all the different kinds of apps that must be supported: mobile apps, legacy apps, custom-built apps, Windows productivity apps and new cloud-based apps. Because they are critical to the productivity of the workforce, all of these apps need to be managed and made available seamlessly such that everything just simply works. This includes the need to:

- Manage, secure and deploy all types of apps for access by any device, whether through the cloud or via on-premises infrastructure. Instead of relying solely on Windows applications running on Windows-based devices, bank customers and employees also use native mobile and web apps, and they need access to all of these types of apps on any type of device, from Windows and Mac laptops to tablets and smartphones.

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\(^{9}\) CEB 2015-2016 FSI Survey, [https://www.cebglobal.com](https://www.cebglobal.com)
Citrix solutions that empower banks

Citrix powers financial services IT with a fully integrated and secure portfolio of digital workspace services to drive digital transformation. With Citrix, banks can now provide employees and customers with secure, instant access to apps, data and communication on any device, over any network and cloud. Banks can support new business models and technologies by choosing to implement Citrix solutions either on-premises or via cloud — any cloud. Citrix solutions for banking include the following:

Application virtualization and VDI solution powers app and desktop virtualization. Centralized management and delivery of legacy custom, Web, SaaS, mobile and Windows apps enables brokers, financial advisors, tellers, traders and other employees to securely access critical applications from anywhere on any device.

Enterprise mobility management solution unifies the delivery of mobile, Web, SaaS and Windows apps and data with end-to-end control and protection of sensitive business and consumer data across devices, people and locations. IT can enforce security policies on BYO devices without compromising users’ personal apps and data on mobile devices.

Enterprise file sync and share solution enables employees to securely exchange confidential files within the organization and with third-party vendors, customers and clients — even those on network drives and Microsoft SharePoint. This can be done from anywhere, on any device over any network.

Complete access logs and archiving help satisfy record-keeping regulations and compliance requirements.

Networking and software-defined WAN solutions provide a complete cloud networking solution to empower users with access to financial apps, cloud services, virtual desktops and mobile services at any time, from any device and over any network. NetScaler provides a secure front-end to secure applications while ensuring optimal performance. NetScaler SD WAN accelerates application delivery across public and private cloud networks, and allows enterprises to optimize and secure branch office networks.

Summary

In the end, the banks that win in the age of disruption are the ones that offer the best customer service and experience to retain customer loyalty while also empowering their mobile workforce. Those companies that are able to build a secure, flexible IT architecture to support digital transformation will see the rewards of competitive advantage: higher customer and employee satisfaction leading to the potential for more revenue and lower risk all around. And Citrix makes it possible. Fully integrated and secure, Citrix solutions for banking comprise market-leading virtualization, mobility, networking and cloud technologies. For more information about Citrix solutions for financial services, please visit: https://www.citrix.com/financialservices.