



# Industry Technology Update: Financial Services in Australia

A New Mindset to Drive Innovation

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– Maria Ternezis, Chief of Technology Execution and Optimisation, Westpac Group

## **The modern financial services consumer is a tech-savvy, informed and empowered consumer.**

With the commodification of technology, the increasing use of cloud services and greater access to information, today's financial services customers are no longer looking for standard products; they are after tailored, interactive financial services solutions. A number of financial services institutions have engaged in significant transformation to meet this innovation challenge.

In 2006, CBA was the first of the big four to undergo what is probably one of the most published and talked about business transformation programs. The initiative has brought savings of \$100m per year in infrastructure costs alone. The change instated a culture of agility and innovation and significantly improved customer service.<sup>1</sup> CBA was soon followed by Westpac<sup>2</sup>, NAB<sup>3</sup> and ANZ<sup>4</sup>, each undertaking different approaches. Generally speaking, a lot of these initiatives were focused on streamlining the number of technology suppliers within the businesses. The banks updated outdated technologies that were too expensive to maintain and had become an impediment to meeting customer expectations. Some of the most innovative ideas at the time came from smaller players such as ING Direct's "bank-in-a-box"<sup>5</sup> that gave developers the ability to re-create the banking platform to test new ideas in a safe and insulated sandbox.

Agile methodology has been widely introduced by IT departments in most, if not all financial institutions to support transformational innovation. In the organisations that are at the forefront of the pack, agile has taken a dimension of its own, expanding beyond the walls of the IT department as a business-wide cultural trait necessary for fostering innovation. As Maria Ternezis, Chief of Technology Execution and Optimisation, Westpac Group, explains "[...] this mindset ensures that agile becomes not just a delivery methodology but a way of doing business. That mindset will drive innovation"<sup>6</sup>.

## **Digital Transformation**

The banks were far quicker than insurers and wealth managers to adopt e-commerce. They extended their websites from brochure-ware to fully fledged, secure online banking sites, and even created new 100 percent digital brands (e.g.; NAB's Ubank).

Soon after the advent of online banking, the astronomical spread of smart phones and mobile devices amongst consumers, supported by affordable access to 3G/4G and Wi-Fi networks, then pressured institutions to provide an omni-channel infrastructure.

*Simply offering online banking was no longer good enough.*

Customers now want to be able to complete banking transactions on the go, pay for lunch using a smartphone and apply for a mortgage and get pre-approval online in a few minutes.



Different institutions have tackled this new challenge in various ways. Some banks have now introduced contactless payments using NFC technology (e.g., Apple Pay, Optus Cash, Commbank Tap & Pay). The mobile payment sector is, however, exposing some dangerous weaknesses such as vulnerabilities in the relationship between retailers and the banks. As with any new product or technology, large-scale adoption is vital. It has to reach past the point of critical mass if it is to become viable and gain longevity. The issues of fees and use of different technologies is more likely to slow down adoption, alienate consumers and turn them towards alternatives outside the control of banks<sup>7</sup>.

On the insurance side, many providers now offer free apps that allow customers to make a claim on the spot, pictures included. The online quote applications are now quicker and simpler to use, and with the addition of many comparison sites (brokers such as Compare The Market or iSelect), most insurance products have become commoditised. There is, however, a race to the bottom, because consumers are now selecting insurance products mostly on premium cost and convenience, introducing the risk of making the wrong product choice and being under-insured<sup>8</sup>.

While adopting new technologies and methodologies has allowed the sector to keep up to various degrees with consumers' expectations, they also are slowly turning financial services institutions into technology organisations and commoditising those same products and services that were their *raison d'être*. At the same time, this has opened and disrupted this regulated market to technology companies and nimble start-ups with new innovative products and alternatives.

Will these transformations be enough? Can the big institutions compete against the new entrants? Do these organisations have the agility to be able to create, price and sell uniquely fitting products and services at the right time and through the consumers' chosen media? We'll have to stay tuned.



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