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BOOST REDPAPER - *Winter 2017/2018*

Everything an I.T. Channel Partner Needs To Know When Selling Into ***The Finance Sector***

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Money makes the world go round

The financial services market is often described as the engine of the UK economy, and it is highly reliant on technology for security and efficiency when it comes to its customers. What are the technologies driving this sector and what are the key issues they need addressing to ensure peace of mind for IT managers and CEOs? This Redpaper will look at the technology trends and business drivers that will shape this sector over the coming years.

Financial services is a highly pressured environment, and one of the most profitable in the UK in terms of contribution to the economy per employee.

According to Getty, there are around 2.2 million financial and professional services employees in the UK, with the average financial services worker contributing 1.5 times more to the economy than the average UK employee - £79,500 gross value added (GVA), compared with £52,000 across other sectors.

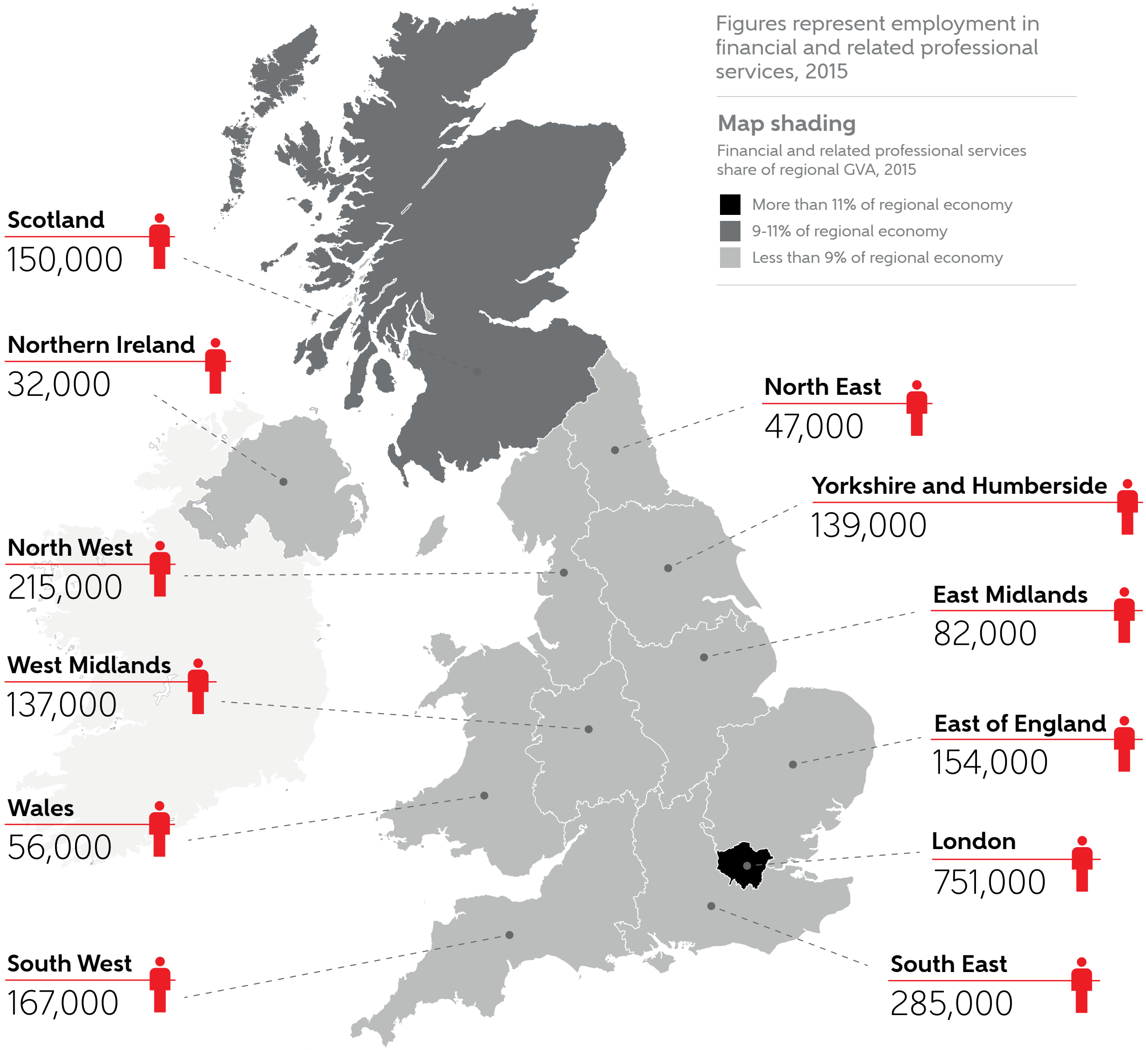
In total, the sector makes up around 10.7 per cent of the UK economy, contributing £176bn in 2015, figures from TheCityUK claimed (source 1).

Although many will associate the financial services market with London and the South-East, it is in fact a UK-wide industry with workers spread out across the country as the map shows.

The market itself can be divided into several sub-sectors:

1. Banking (domestic and investment),
2. Insurance,
3. Fund management,
4. Legal services,
5. Management consultancy
6. Accounting services.

Figures represent employment in financial and related professional services, 2015



Map shading

Financial and related professional services share of regional GVA, 2015

- More than 11% of regional economy
- 9-11% of regional economy
- Less than 9% of regional economy

Data released by TheCityUK in March 2017

Technology is definitely shaping the direction these firms are heading. Demanding customers and a need to keep up with the competition, means that as far as digital transformation is concerned, the financial services industry should be leading the field. Their systems have to be fully scalable to cope with the global nature of the industry, completely secure and absolutely cutting edge. After all they are being trusted with billions of pounds of customers' money and those customers are more than happy to go elsewhere if they are not happy with the level of service. Those that are struggling with legacy systems need a helping hand from a trusted IT advisor more than ever if they are to survive the challenges that lay ahead.

Brexit effect

Thanks to Brexit, the financial services sector is facing a slightly uncertain future. With many pan-European finance powerhouses having their headquarters in the UK, the outcome of Brexit negotiations will hit this industry the hardest as thousands of jobs could be at stake.

The UK has been seen for many years as the European capital of financial services with the City of London as its golden child, but rumblings are growing over the future of that status thanks to Brexit. Some institutions such as Goldman Sachs have already moved staff away from the UK, closing some of its hedge fund operations in London and moving staff to New York.

Barclays was another financial powerhouse that has divested its focus away from the UK because of Brexit, choosing Ireland capital Dublin as its post-Brexit European hub to ensure it has strong links with Europe after the UK eventually leaves.

The appetite for skills in the sector means Brexit could potentially leave many financial institutions lacking, as it proves more difficult to employ people from within the European Union, thanks to the isolationist tone of Brexit and a lack of clarity from the politicians negotiating Brexit terms over employment of EU nationals.

Miles Celic, chief executive of TheCItyUK said: "As the UK's largest generator of tax revenues and the source of the country's largest trade surplus, financial and related professional services are of strategic economic importance.

"In the post-Brexit environment, it will be more important than ever for policymakers to work in tandem with the industry to ensure it remains competitive, can continue to serve customers and clients, and can underpin Britain's success in the years ahead."

What are Financial Services bosses' biggest fears?

Brexit aside, there are many issues that are keeping both the IT bosses and the chief executives of financial services companies awake at night.

When answering questions for PwC's Global FinTech Survey, the biggest threats seen by finance companies were pressure on margins, followed by a loss of market share. Information security came a close third, and increase of customer churn came fourth.

Thanks to a constantly changing landscape and new competition coming into the market regularly in the form of start-up Fintech companies, the rules are often being redefined in terms of customer expectations, because these newcomers are entering the market with simpler, faster and easier to use customer-facing solutions. Older, more established finance firms are relying on slower, legacy technology, and they are the ones that need help bringing their systems up-to-date.

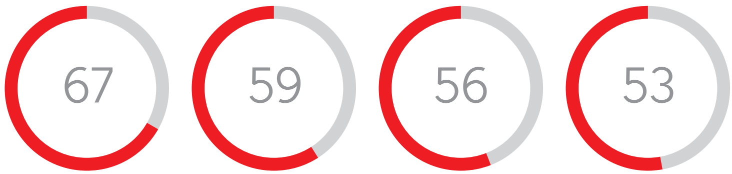
These same start-ups are grabbing more market share, because they are tempting customers away with a cheaper, yet more efficient alternative, so this is where trusted IT advisors come in to ensure their clients old and new have adopted the most cutting-edge technology for their business.

Keeping customers on side, and avoiding customer churn are absolute priorities for these firms.

Similarly, security is a huge area of concern for financial services bosses. They hold vast amounts of sensitive data on their customers, and they are obvious targets

Threats

In your opinion, what are the threats related to the rise of FinTech within your industry?



67% Pressure on margins
59% Loss of market share
56% Information security/privacy threat
53% Increase of customer churn

Source: PwC analysis based on PwC's 2016 Global FinTech Survey. Note: Results from upcoming PwC's Global FinTech Survey will be available in March for cybercriminals. They need watertight security and those channel players with the right expertise in this field could make a killing.

Another massive concern is regulation. Finance companies have reams of regulations to follow and they are also going to be hit hard when the General Data Protection Regulation (GDPR) comes into play next May.

It is a commonly-held belief that one or two companies will become the fall guys for GDPR and will be made a huge example of by the government. Financial services companies are definitely in the frame and many will be keen to stay out of the spotlight as far as GDPR is concerned. Again they are going to need help with this.

What about the opportunities?

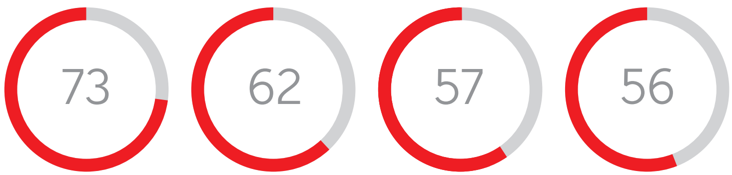
The opportunities for the channel in this sector are considerable. In the same piece of PwC research, finance firms were asked to list the top opportunities in their field, and the good news is technology is at the core of them all.

According to the figures (see graph below), opportunities included cost reduction, differentiation, improved retention of customers and creating additional revenues.

In a report entitled Top 10 technology forces that will shape financial services in 2020, Consultancy UK (source 2) said the financial services industry is at a 'cross-roads' and how well the sector adjusts

Opportunities

In your opinion, what are the opportunities related to the rise of FinTech within your industry?



73% Cost reduction
62% Differentiation
57% Improved retention of customers
56% Additional revenues

Source: PwC analysis based on PwC's 2016 Global FinTech Survey. Note: Results from upcoming PwC's Global FinTech Survey will be available in March to technology developments and innovations will define the leaders in 2020 and beyond.

Ciaran Kelly, partner at PwC, Ireland, was quoted in the report as saying it is not necessarily the new-blood firms that will triumph.

"Established financial institutions need to find a solution for retiring legacy systems while at the same time embracing a new innovative and agile approach to exploiting the benefits that new technologies present," he said. "While it may appear that new entrants into this sector hold all the cards, they may be disadvantaged in terms of understanding the FS ecosystem that takes into account credit risk, regulatory risk, market risk and customer centric relationships. The winners on both sides may come from those who are most able to collaborate with one-another."

The report also suggested six priorities that financial services firms should be focusing on by 2020 (see box right). Again, most of these are technology driven, creating opportunity for savvy channel partners.

- Update your IT operating model to get ready for the 'new normal'
- Slash costs by simplifying legacy systems, taking Software as a Service (SaaS) beyond the cloud, and adopting robotics/AI
- Build the technology capabilities to get more intelligence about your customers' needs
- Prepare your architecture to connect to anything, anywhere
- You can't pay enough attention to cyber-security
- Make sure you have access to the necessary talent and skills to execute and win.

Talking Technology

So what technology are financial services CIOs considering in the future?

According to Gartner's 2018 CIO Agenda Survey (source 3), which spoke to 3,160 CIOs in 98 countries - including 354 banking and investment services CIOs - some 26 per cent of financial services CIOs said new tech and digitalisation were top priorities for adapting their business, compared to the all-industry average of 17 per cent. As mentioned above, this is a positive sign for the channel, because they are likely to be more receptive to outside guidance on what technology to invest in.

A further seven per cent said the globalisation of their business was a key objective.

When asked by Gartner which technologies were key drivers for their businesses, 26 per cent picked business intelligence analytics. This makes sense due the vast quantities of data generated that can be used to offer further, dedicated services to customers. A further 21 per cent picked digitalisation/ digital marketing; 11 per cent said mobility/mobile applications and eight per cent said AI.

Pete Redshaw, managing vice president at Gartner, said in the report: "Digital transformation and its related technologies such as APIs are more important for banking than other industries. Banks and other banking and investment services organisations clearly recognise that the status quo is not sustainable and they must disrupt themselves before it is done to them."

Interestingly, the Gartner report revealed that blockchain is not seen as a key differentiating technology for banks and investment firms, despite its current high profile.

Although a relatively small figure for now in Gartner's survey results, AI and machine learning will be a hand that is forced by the financial services firms' customers themselves, as more and more engage with mobile banking and services via AI-enabled services apps.

Research from GlobalData highlights that 39 per cent of global consumers engage via mobile banking at least once a week. And this figure is set to rise. The firm claimed it means virtual assistants will use technologies such as machine learning and predictive analytics to gain a 'deeper understanding' of users' financial behaviours and anticipate their needs. So the appetite for AI-driven technology will continue to grow, as financial services firms give in to customer demands and expectations.

The most obvious technology need for financial services firms, however, is security. And it is an area that is giving many industry bosses sleepless nights.

According to research from Vanson Bourne, commissioned by cloud specialist Claranet (source 4), 58 per cent of financial services organisations have encountered issues with securing customer data when trying to improve the customer digital user experience.

Similarly, 57 per cent of those questioned said information security was one of the biggest challenges facing their organisation, and 62 per cent of respondents said an inability to properly manage security is holding back innovation. This research alone highlights a seriously lucrative opportunity for the channel to guide these confused companies through the security minefield.

Selling success

The formula for dealing with financial services companies is fairly similar to other verticals. At the end of the day, technology is not their core business, but they cannot survive or grow their business without it. All they care about is providing a top service to their customers, whether this is the average Jœ or Jenny on the street checking his/her bank balance, or top-level corporate customers transacting hundreds of millions of pounds at one time. So, it is imperative to understand their business needs before anything else.

There is no escaping the need for cutting edge technology in this sector, so it is definitely a willing audience, but not necessarily a trusting one. Gaining their trust is not going to be an easy feat.

Communication with these companies cannot be underestimated; listening to their needs and asking them what they actually want from their tech investment is a sensible approach, rather than trying to baffle them with geek speak and confuse them into spending money.

Genuinely solving their problems and easing their concerns is a sure-fire way to repeat business. It might mean addressing one issue - most likely security – first, and then once their trust has been earned and results seen, talking about further improvements to their existing infrastructure. As we have seen earlier in the report, many customers in this sector have sizeable legacy systems, and probably need to replace these in manageable chunks.

As with other industries, outcome-based selling is the key. Once a customer understands how the technology will work for them and improve their business and service levels to their own customers, the more likely they are to invest in other technology areas.

Finally, billing is an important issue. As with many other sectors, financial services firms are not huge fans of shelling out significant amounts of money on new technology upgrades upfront; by convincing them to adopt monthly billing for services and support, it is not only a guaranteed regular revenue stream for you as a supplier, but also is easier for the customer themselves to swallow. And the beauty of monthly billing contracts is that they are scalable.

Conclusion

As this RedPaper has explained, the opportunity in this market is significant, but it is not going to be an easy ride.

Financial services firms are cautious by nature, and although the appetite is definitely there to invest in upgrading current systems, and adopt cutting-edge technology, they are not going to part with their cash easily.

For those channel partners that are prepared to put the legwork in, listen and understand their customers, and be patient, the possibilities in this sector really are endless.

About Boost Performance

Boost is improving the business performance of technology companies by revolutionising the "assisted sales & marketing" experience.

Boost's services include:

- **Value Proposition Design**
- **Multi-Media Content & Asset Creation**
- **Demand Generation Design & Implementation**
- **Sales & Marketing Consultancy** (commission/rebate plans, sales processes etc)
- **Sales Enablement**
- **Salespeople-as-a-Service – our people, trading as yours**

To learn how Boost can help you improve your business performance, contact us today.

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www.boost-performance.co.uk

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Sources:

Source 1 - http://www.cityam.com/263446/financial-and-professional-services-industry-contributes

Source 2 - https://www.consultancy.uk/news/12591/top-10-technology-forces-that-will-shape-financial-services-in-2020

Source 3 - https://www.channelnomics.eu/channelnomics-eu/news/3020138/gartner-analytics-and-digitalisation-are-financial-services-cios-top-priorities

Source 4 – https://www.claranet.co.uk/about-us/news/information-security-challenges-holding-back-innovation-financial-services-sector

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