



Forrester Study Finds Modernizing Apps Improves Customer Experience for Financial Services

Start Improving Applications Today;
Tomorrow is Too Late

APRIL 2020



Executive summary

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A new Forrester Consulting study found nearly 90 percent of Financial Services executives surveyed believe that improving their app portfolios would enhance their customer experience—and in turn, increase overall revenues.

The recent global survey of 100 Financial Services CIOs and SVPs by Forrester Consulting, commissioned by VMware was designed to evaluate executive sentiment about the state of current application portfolios, technology leaders' ability to create terrific customer experiences, and the connection between the two. In addition, key findings conclude:



Nine out of ten financial services CIOs & SVPs surveyed are focused on improving customer experience.



79 percent of respondents say implementing an agile software development methodology is “very” or “extremely” important to their companies.

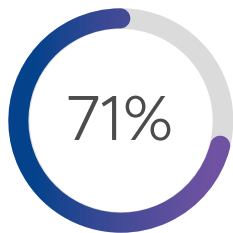


55 percent of executives agree containers are a key technology to improve their app portfolio modernization efforts.

This brief explores both the data and implications of the survey results. It highlights the link between apps and customer experience, and thus revenues; provides insight into how entrenched attitudes and legacy technical investments are dragging down financial services organizations' ability to modernize apps; and how emerging technologies and tech partners can help address challenges.



In financial services, customer experience matters more than ever



71% of financial services CIOs and SVPs surveyed say **improving their app portfolios** is a top business priority.

“Customer experience is our top priority. We are constantly modernizing and improving applications, in our digital and mobile channels.”

CIO, MAJOR INDIAN FINANCIAL SERVICES ORGANIZATION

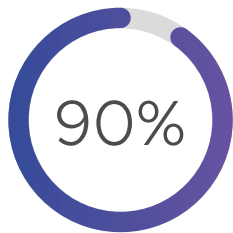
Driven by mounting regulatory pressure, high merger-and-acquisition (M&A) activity, and macroeconomic factors that strongly signal a coming economic downturn, the financial services industry is in transition. Financial services organizations have been investing heavily in technology for years, leading other industries in the speed of their digital transformation journeys.

Yet as uncertainty rises, some institutions are slowing efforts as they more carefully consider how best to reconcile technical debt—existing systems they can’t do without—with their steady investment of emerging technologies such as artificial intelligence (AI), machine learning (ML), Internet of things (IoT), and edge computing. There is one certainty though and that’s this: pulling back from continued laser focus on customer experience is not an option.

Nothing drives loyalty and customer lifetime value more than how a customer rates the overall experience of dealing with a financial services firm. Senior financial services executives know this. They recognize that revenues are tightly coupled to customer experience. But in what may be a new revelation, these decision makers also now realize that customer experience is significantly driven by the quality of their software applications. **Nearly 9 in 10 (87 percent) of financial services executives surveyed believe in this tight coupling of apps and overall customer experience.**

Leading financial services organizations are constantly improving the digital services they offer customers—digital services powered by applications that allow clients to transact trades, deposit checks, transfer funds, submit insurance claims, and more. Apps that run on a broad range of mobile devices—across smartphones, tablets, laptops, and netbooks—give clients access to what they need, when they need it from anywhere, at any time. Financial services professionals, too, are empowered by applications that let them more easily do their jobs and service clients effectively and efficiently. And applications that integrate Internet of Things (IoT) devices into financial services workflows are becoming increasingly common.

Given the importance of apps, the expectation is that financial services leaders would prioritize investing in new development frameworks and methodologies proven to boost their quality and delivery timeliness. That there would be a sense of urgency to move to an agile development methodology, for example, or to a DevOps team structure, and to containers like Kubernetes. Financial services organizations are currently more hesitant than other industries and there appear to be significant barriers holding financial services CIOs back from making the changes they know they should.



90%
of survey respondents agree that **promoting better customer experience through improved apps** is “very” or “extremely” important.

Customer experience is tightly coupled with app portfolio quality

It's now widely accepted that customer experience in financial services is positively tied to revenue growth. A strong majority, 79 percent, of financial services technology executives surveyed by Forrester agree with this statement, which has been bolstered by other industry studies. This puts customer experience top of mind for most (59 percent) of CIO and SVP respondents, who either already are responsible for revenues—or will have that responsibility in one to two years.

This isn't necessarily news. Financial services CIOs have known for some time that delivering innovative experiences that delight customers are the best way to win customer loyalty and attract new customers. But the Forrester survey turned up an interesting link. Nearly all CIOs and SVPs across all industries tie modernizing their application portfolios to improved customer experiences.



50%
of survey respondents say their current app portfolio delivers **good customer experiences**.

Given that revenue growth is a top business priority for financial services executives, this is a significant finding, and it explains why 90 percent of financial services CIOs and SVPs surveyed agree that promoting better customer experience through modernizing apps is “very” or “extremely” important to them. Yet only half (50 percent) surveyed say that their current app portfolio delivers good customer experiences.

Nearly 70 percent of financial Services CIOs and SVPs surveyed are in agreement on the importance of improving experience, followed by growing revenues and customers (62 percent), improving products and services (57 percent), and reducing costs (47 percent).



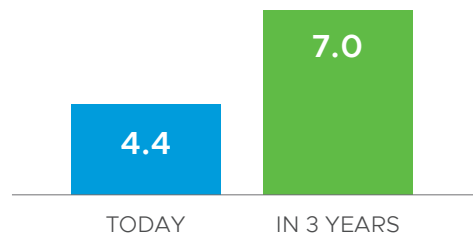
Flexible and scalable technologies drive innovation

Unfortunately, financial services CIOs and SVPs are being forced to spend too much time and too many resources maintaining existing infrastructures. This gives them less time to focus on improving their application portfolios.

When asked which tech challenges hindered them from improving their software applications, answers cluster around technical debt. When asked directly about prior technical investments holding their organizations back, 61 percent of financial services CIOs said it was an important roadblock.

Moreover, as financial services organizations adopt cloud—and in many cases, multiple clouds—application environments are becoming more disparate and complex. Today’s financial services senior executives are balancing an eclectic mix of public clouds, private clouds, and edge environments. This complexity is only expected to increase within the next three years.

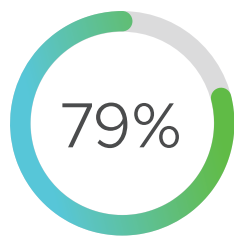
IT leaders surveyed expect the number of different environments they manage, build and run applications on will **increase by 59% in three years.**



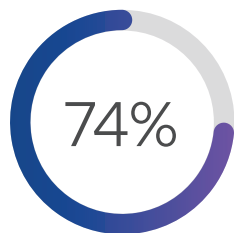
Senior financial services tech leaders know they need to move from complex and inflexible monolithic legacy environments. Less than half of respondents (49 percent) rate their firm’s ability to innovate as “excellent” or “above average” for that reason.

One way to change this is through Agile software development methodology, which is centered around the concept of iterative development. Requirements and solutions evolve through collaboration between self-organizing, cross-functional teams and the users they serve. In this way, apps are developed faster, meet users’ needs more precisely, and have fewer errors.

Organizing app development around a DevOps structure is another priority. DevOps combines software development and operations—the IT employees responsible for keeping apps available—with the goal of shortened app development lifecycle and making possible the continuous delivery of higher-quality software. Approximately three-fourths of financial services CIOs surveyed (74 percent) say putting DevOps in place is “very” or “extremely” important to them.



79% of financial services tech executives say **implementing an agile software development methodology** is “very” or “extremely” important to their companies.



74% of survey respondents say **putting DevOps in place** is “very” or “extremely” important.

Keeping in touch with customers and increasing app investments

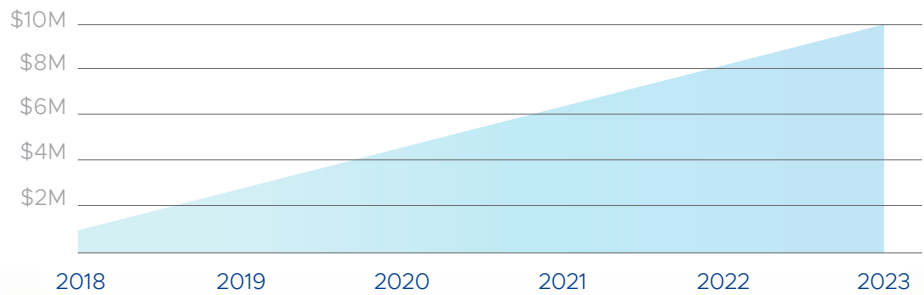
“The decision to buy a financial service or product is linked to the trust and confidence you have in the provider. The user experience is a critical part of that.”

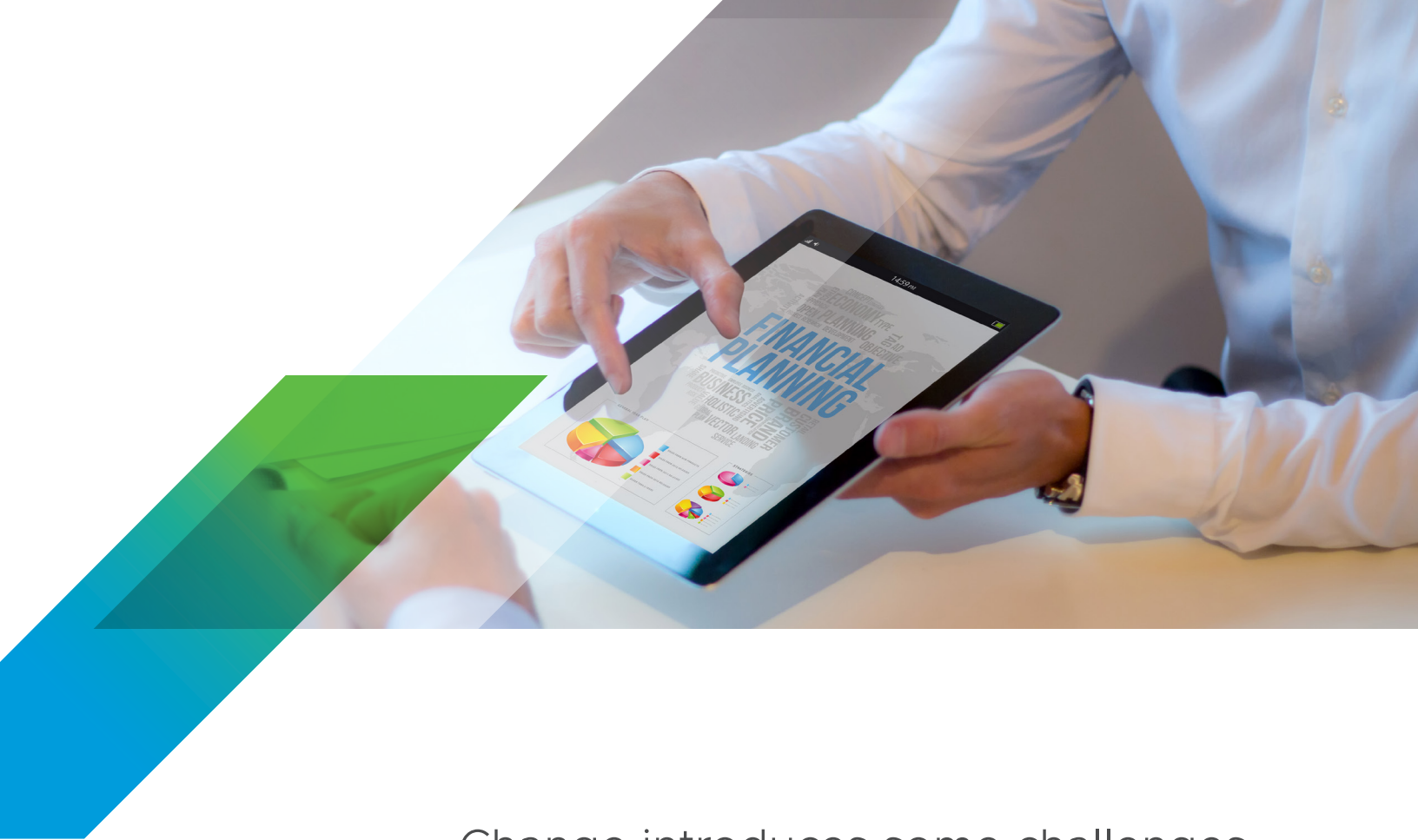
CIO OF A MAJOR SPANISH FINANCIAL SERVICES INSTITUTION

Senior financial services technology leaders also understand the importance of being in close touch with their customers to understand how investments in technology, specifically app development, impact their experience. Sixty-six percent surveyed say spending at least 10 percent of their work weeks interacting directly with customers is a “very” or “extremely” important priority.

Moreover, financial services IT leaders surveyed seem willing to spend the money to modernize their applications. Three years ago, most financial services firms surveyed were spending less than \$1 million improving their application portfolios. Today, the number is between \$500,000 and \$5 million. And 3 years from now, most surveyed intend to spend a minimum of \$1 million and as much as \$10 million, with 14 percent of respondents spending more than \$10 million, to develop superior apps.

Average financial services application portfolio investment, 2018-2023





Change introduces some challenges

Despite focus on experience—and prioritizing technology investments to improve app development—senior financial services executives are concerned about roadblocks that lie ahead.

A number of goals financial executives cite as critical are ranked as “very” or “extremely” challenging:

- 70%** Choosing the right platform for each application
(on-premises, private cloud, public cloud, or hybrid)

- 67%** Achieving better customer experiences with improved applications

- 65%** Moving to a DevOps culture

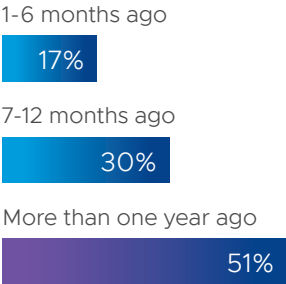
- 72%** Gaining market share through improved applications

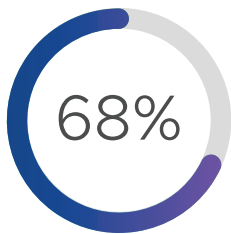
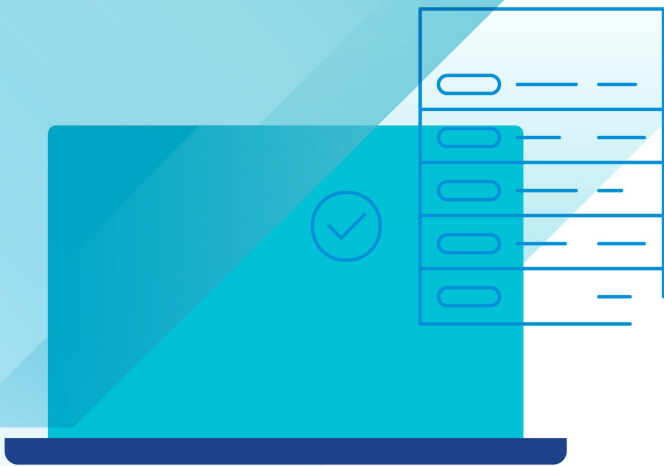
- 61%** Moving to an agile development environment

But they need to actually commit the funds. More than half (51 percent) of financial services IT executives surveyed haven’t made any improvements to their app portfolio in at least a year.

From a business perspective, senior technology leaders in financial services organizations agree two main barriers prevent funding and buy-in to improve apps: first, they are frequently asked to prove that investing in apps will indeed positively impact customer experience. This type of quantifying can be difficult. Second, most face intense resistance to change from their own internal IT teams—especially when it comes to the significant moves to Agile or DevOps cultures.

When did you last make improvements to your company’s application portfolio?





68% of financial services CIOs and SVPs say they have already **started modernizing** their application portfolios.

Emerging tech and partners can help

The good news is almost 7 out of 10 CIOs and SVPs in financial services surveyed (68 percent) say they have already started modernizing their application portfolios.

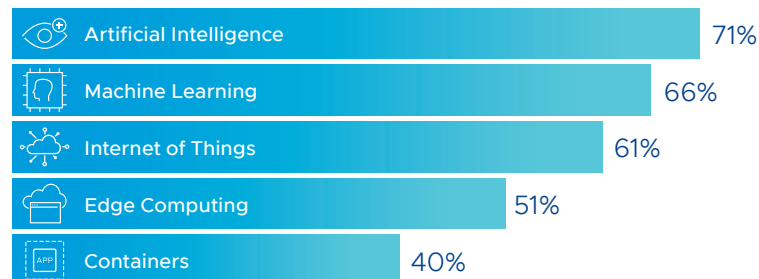
A first step is improving underlying infrastructures. Senior technology executives are turning to partners to help them identify which apps can be migrated to public or private clouds fastest, easiest, and without compromising security.

Moving to containers and services will also help. Fifty-five percent of respondents agree containers are a key technology to improve their app portfolio modernization efforts.

How will financial services CIOs and SVPs prioritize investments? Seven in ten (73 percent) of those surveyed say that how an app will impact the customer experience plays a “major” or “critical” role in helping them prioritize.

But that’s not the whole story. Financial services CIOs look to competitors for guidance on where to make technology investments. Almost four in ten (37 percent) of respondents rely on partners to help them prioritize.

Financial services CIOs rank five emerging technologies that are “urgently” needed to improve their application portfolios:



Some financial services organizations are already seeing success. Of the CIOs surveyed that have embarked on improving their app portfolios, 47 percent have acquired new customers, 43 percent have seen success in their roles when compared to peers, and 35 percent have already increased revenue.

Action is needed now for best returns

This Forrester study shows that financial services CIOs and SVPs are indeed passionate about their customers. It identifies a strong link between modernizing application portfolios, and enhancing customer experience.

Acknowledging this, senior financial services technology executives say they are willing to invest the money and have prioritized what they need to do—both technically and organizationally—to succeed. But many challenges—including technical capabilities—stand in the way of success. Emerging technology and the right technology partner they believe can help break the impasse.

In addition to deploying newer technologies like AI, IoT, and ML, most financial services CIOs and SVPs are asking partners for discovery services, maturity assessments, and application inventory analyses.

C-level technology leaders turn to consulting or technology services to help improve their application portfolio

65% Discovery services	56% Maturity assessment	49% Application inventory analysis
46% Security and compliance assessment	40% Staff training	37% Migration services

With the help of trusted partners, financial services organizations will jumpstart the boosting of customer experience that begins with better apps and ends in higher customer satisfaction—along with ultimately, increased revenues.

