

FICO®

AMERICAN BANKER

2020 Executive Survey: Digital Disruption, Transformation, and Customer Centricity

Strengths, Weaknesses,
Opportunities and Threats Facing
the Financial Services Community



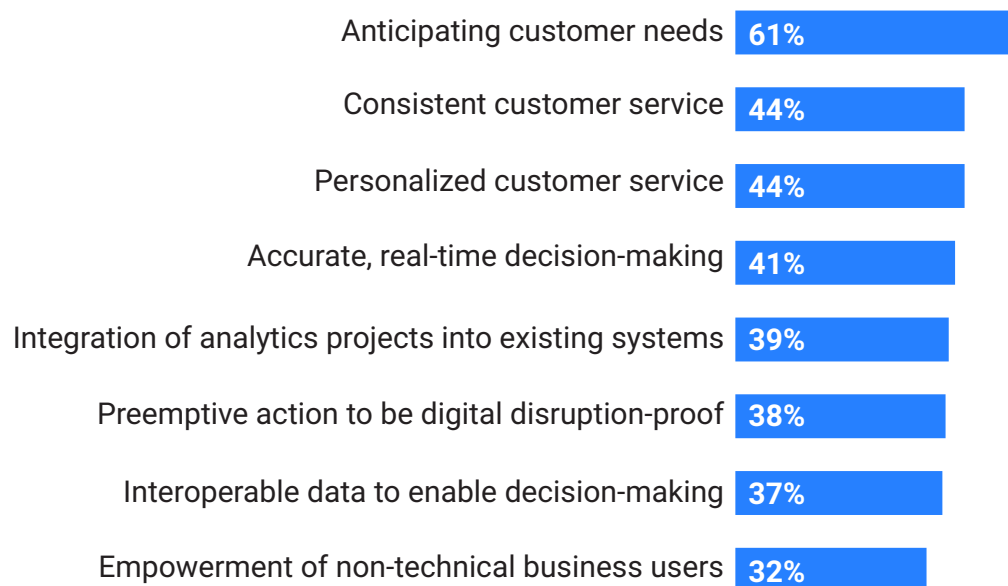


Background

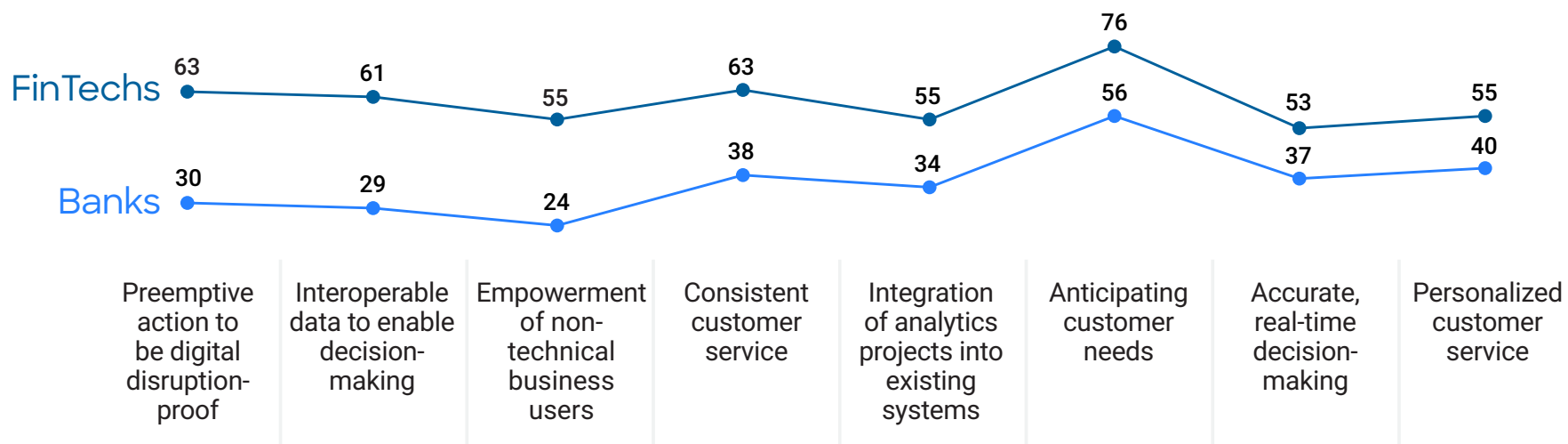
- In the fall of 2019, the research staff of American Banker conducted an online survey among select subscribers on “Digital Disruption, Digital Transformation, and Customer Centricity”
- The goal of the survey was to learn senior-most financial services executives’ perceptions of the core Strengths, Weaknesses, Opportunities, and Threats posed by Digital Disruption, Digital Transformation, and Customer-Centricity
- The double-blind survey generated hundreds of detailed responses from financial services executives (75% in traditional banks, 25% in FinTechs) in the United States, Canada, Mexico, Brazil, UK, Spain, Turkey, Nigeria, India, and New Zealand
- The survey was sponsored by FICO, as part of a primary research effort on market requirements and product positioning for its Centralized Decisioning solution; FICO’s conclusions can be found at the end of this report

Key findings

Financial services firms' confidence in their decisioning capabilities is low, and declining:



FinTechs are consistently more confident in their decisioning capabilities than banks

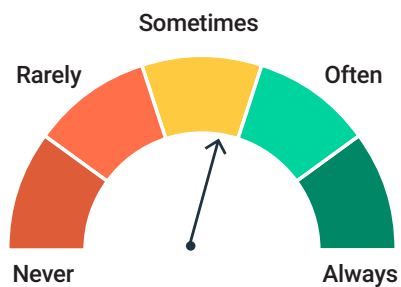


Key findings

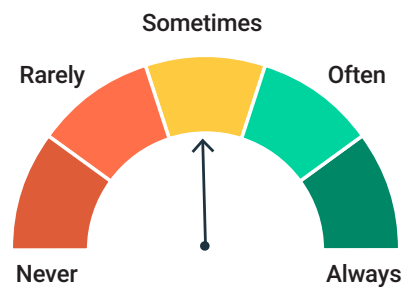
Only about half of all respondents are using their data as effectively as they could be

Strategic decision-making: frequency of data considerations

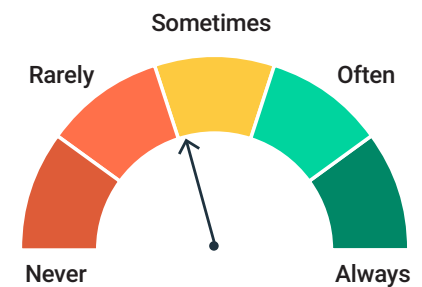
Considering all
available information



Information is made
transparent to stakeholders



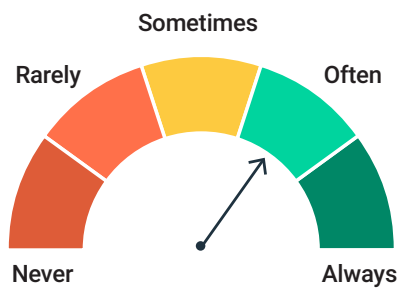
Data is evenly applied to
all parts of the company



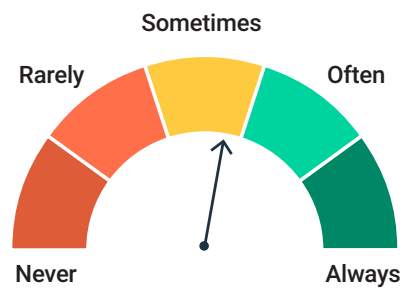
Firms are missing out on the opportunity to use simulation to monitor, improve processes

Strategic decision-making: frequency of outcome considerations

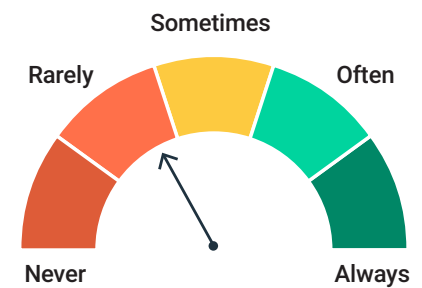
Monitor processes to
ensure optimal results



Improve processes before
putting into production

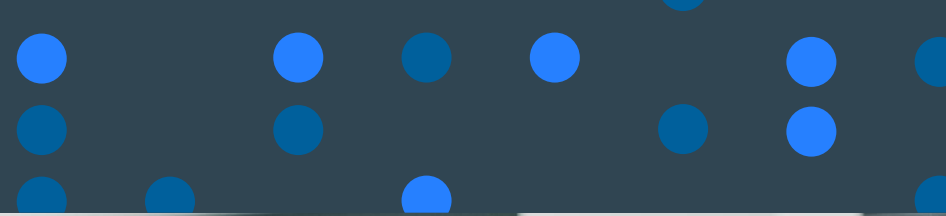


Simulate alternative
outcomes



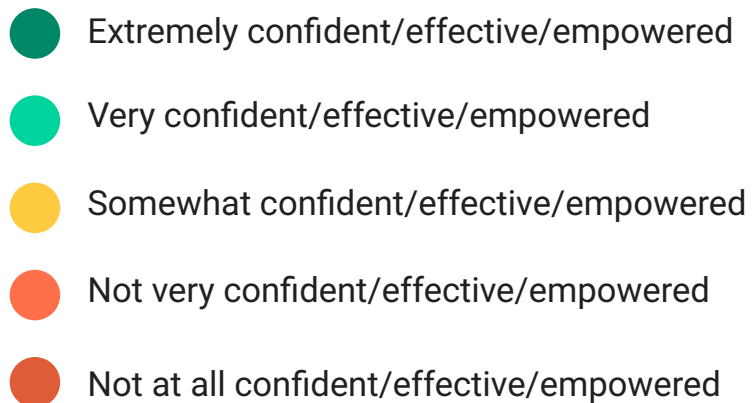


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2020 Executive Survey



Analyzing the results

- Questions were asked on a five-point differential equation scale to measure “Strength of Belief”
- Responses are displayed in a Red-Yellow-Green heatmap: Green is the most desirable state



Not at all ● ● ● ● ● Extremely

1

Threat of digital disruption: Your industry

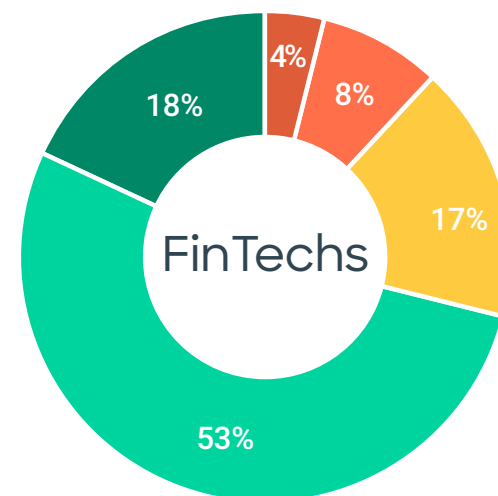
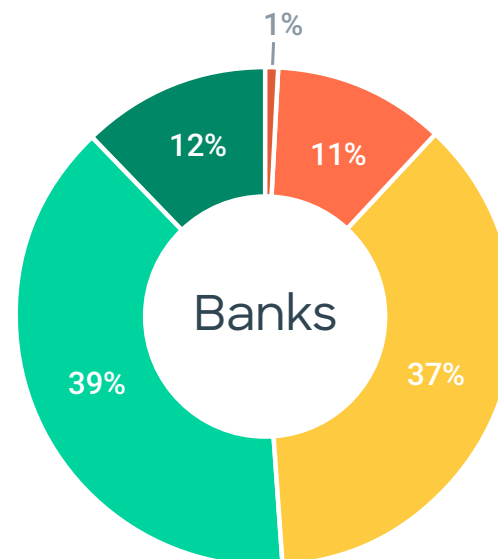
Some industries have been ravaged by digital disruption; the executive director of the Bank of England recently warned bankers, *“We have to ensure we adapt: banks, just like everyone else, can’t afford to be Uber’d.”*

Question A:

How real do you feel the threat of digital disruption is to the banking and financial services industry at large?

Takeaway:

88% of banks and FinTechs see digital disruption as a looming threat to the financial services industry; 51% of banks and 71% of FinTechs see it as a very serious threat.



Not at all ● ● ● ● ● Extremely

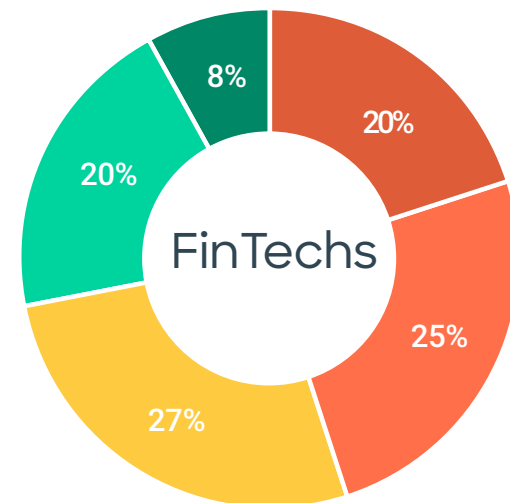
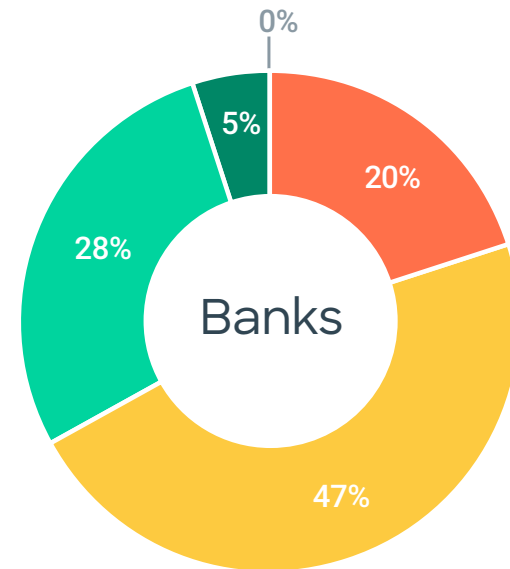
Threat of digital disruption: Your company

Question B:

How real do you feel the threat of digital disruption is to your company specifically?

Takeaway:

80% of banks and 65% of FinTechs see disruption as looming threat to their own companies. 20% of FinTechs did not feel threatened by disruption, but not a single bank (0%) shared that level of confidence.



Not at all ● ● ● ● ● Extremely

2

Are you disruption-proof?

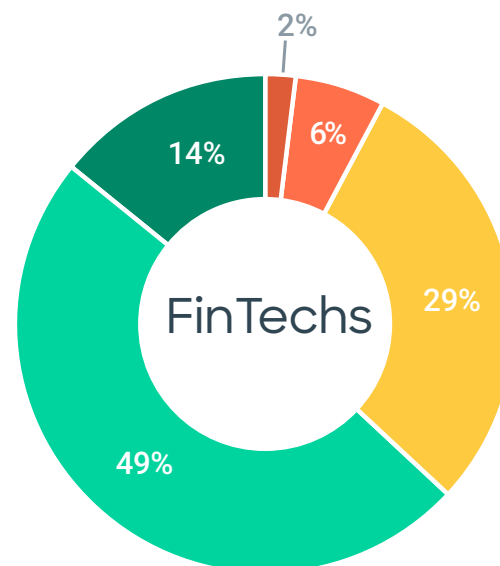
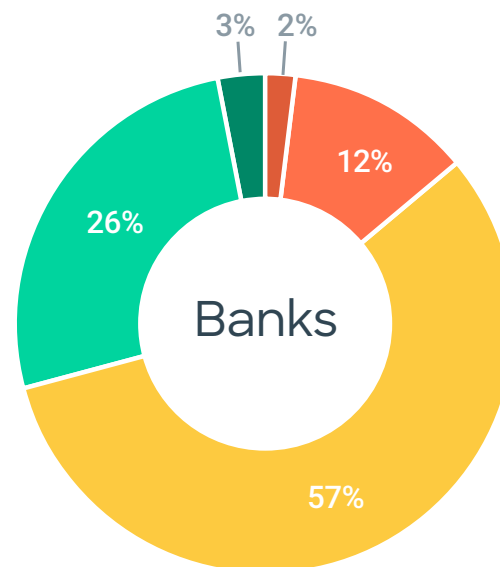
The timing and form of digital disruption threats are rarely predictable, which means taking active, preemptive action is highly advisable.

Question A:

How confident are you that your organization has already taken the steps necessary to be “Disruption-Proof?”

Takeaway:

Only 3% of banks and 14% of FinTechs, a difference of nearly 5x, believe their companies are “extremely” disruption-proof; put another way, 71% of banks and 37% of FinTechs are less than “very confident” they are prepared for disruption when it strikes.



Not at all ● ● ● ● ● Extremely

3

Preemptively serve customer needs

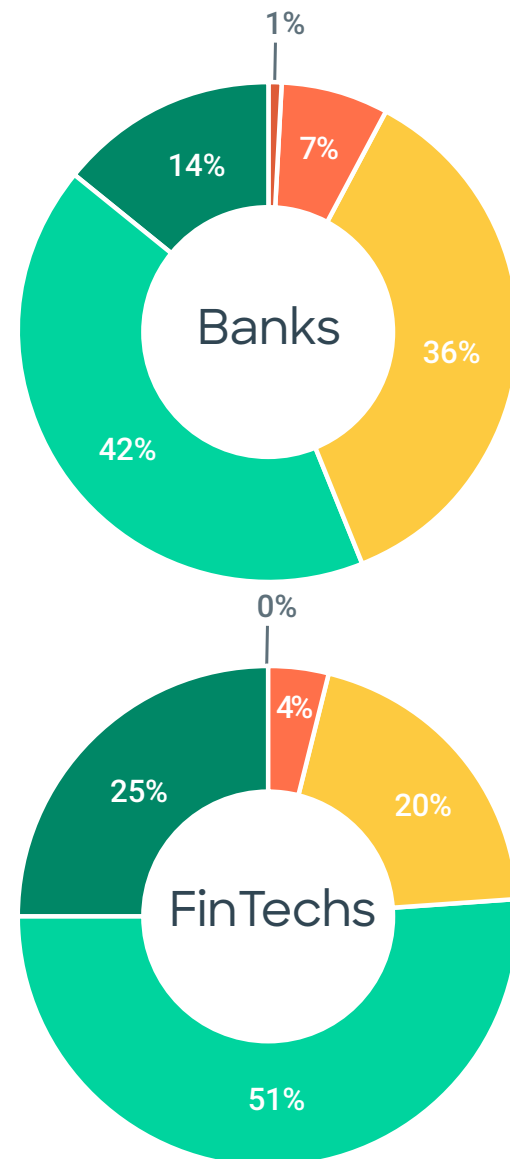
Leading industry analysts and IT consulting firms are urging their clients to adopt full “Customer-Centricity” around their customers.

Question:

How well would your customers say that your company anticipates their needs, and proactively provides the best services that could ask for, without their asking?

Takeaway:

56% of banks and 76% of FinTechs are very confident in their ability to anticipate customer needs and proactively offer ideal products and services; respectively, 44% and 24% are not confident in their capabilities.



Not at all ● ● ● ● ● Extremely

4

Accurate, profitable decisions in real-time

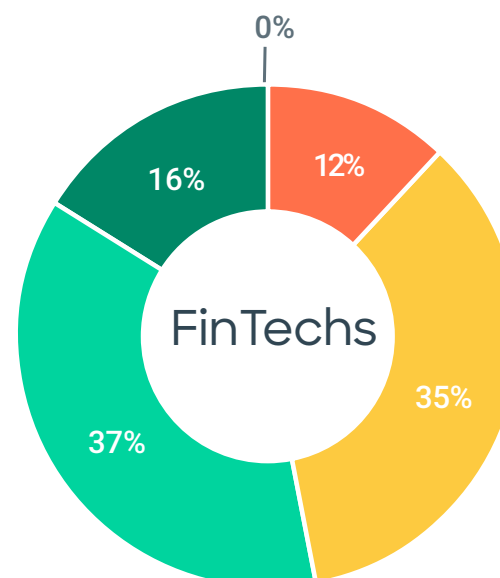
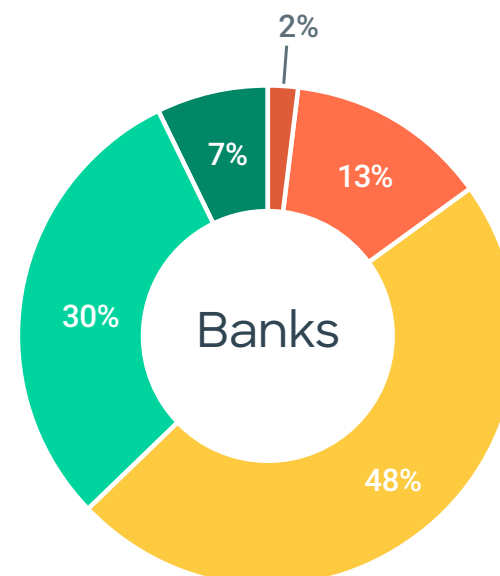
Many experts stress that *when* a decision is made is often much more important than *what* decision is made.

Question A:

How confident are you that your data and processes not only result in smarter decisions, but that they are reached instantaneously?

Takeaway:

Only a third (37%) of banks are very confident in their ability to make accurate decisions in real-time; more than half (53%) of FinTechs are.



Not at all ● ● ● ● ● Extremely

5

A unified, scalable decisioning platform

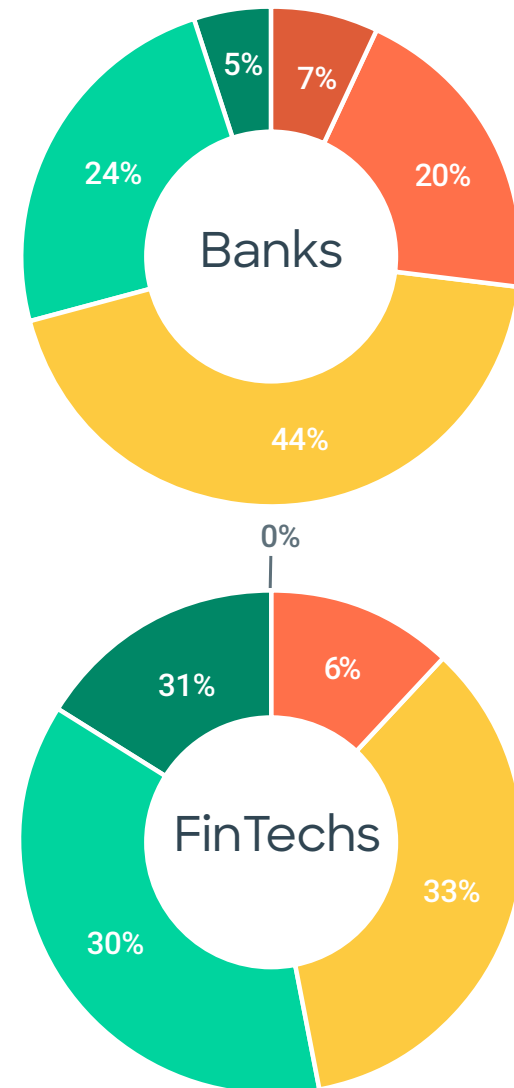
Over time, department-specific applications frequently become “Data Silos” that hoard information that would be valuable for enterprise-wide decisioning.

Question A:

To what extent is data stored in department-specific software applications made interoperable across your organization, to enable real-time digital decisioning?

Takeaway:

Only 5% of banks are using all of the data at their disposal for enterprise-wide decisions, versus 31% of FinTechs; even at “very” interoperable levels (versus “extremely”) banks stand at 29% and FinTechs at 61%.



Not at all ● ● ● ● ● Extremely

6

Customer treatments: Consistency

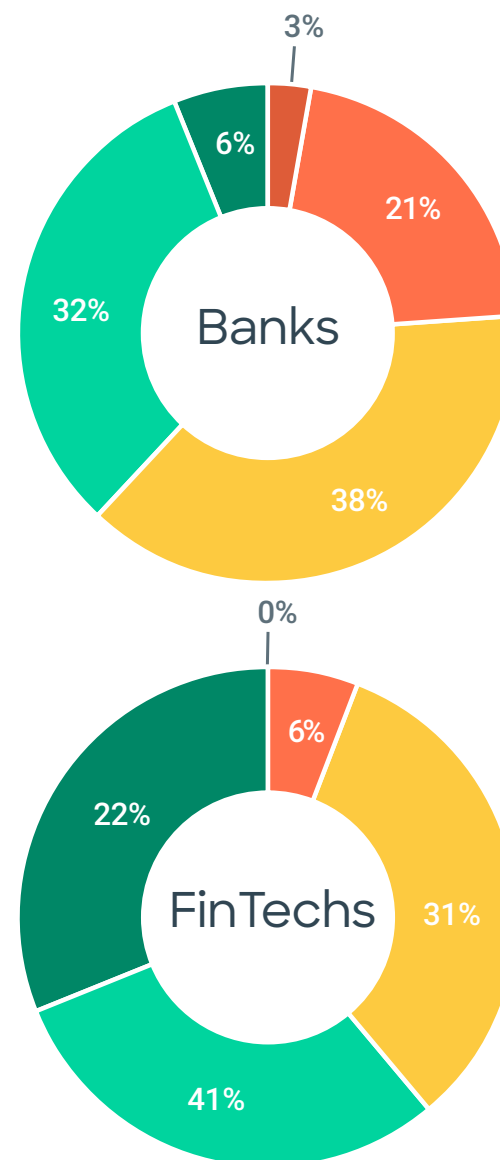
Consumer complaints about banks are at an all-time high, with customers frequently citing impersonal, disconnected service experiences as a reason they defect.

Question A:

How confident are you that your company uses customer-centric data to ensure that every customer receives **consistent** service and actions across all channels (e.g. in-bank, call center, online, mobile) over the course of their lifecycle?

Takeaway:

38% of banks are very confident that their customers receive consistent service across all channels; this compares with 63% of Fintechs.



Not at all ● ● ● ● ● Extremely

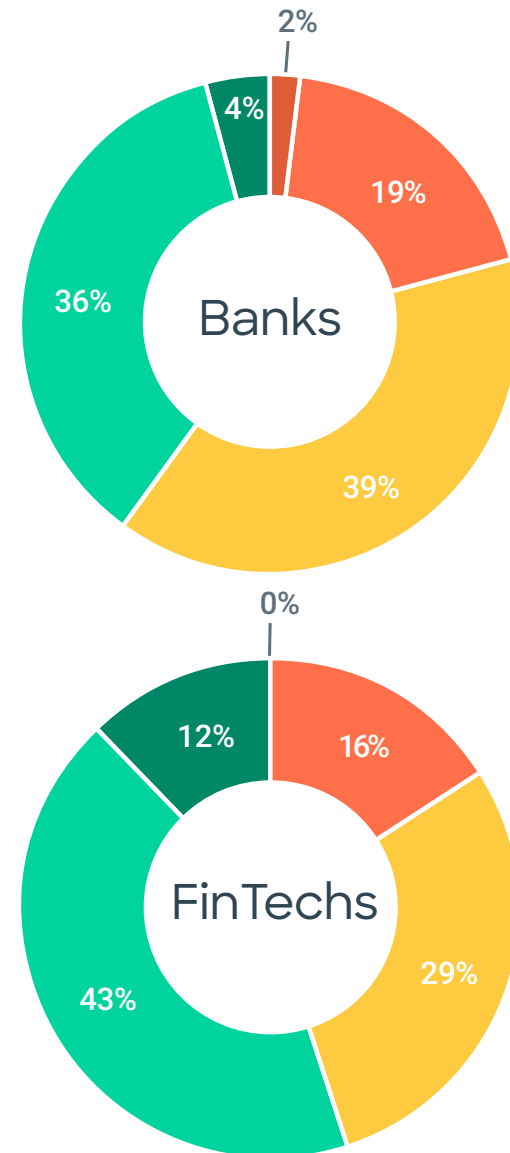
Customer treatments: Personalization

Question B:

How confident are you that your company uses customer-centric data to ensure that every customer receives *personalized* service and actions across all channels (e.g. in-bank, call center, online, mobile) over the course of their lifecycle?

Takeaway:

FinTechs are 3x more “extremely confident” that their customers receive personalized treatments; 40% of banks are very confident service across all channels, compared with 55% of FinTechs.



Not at all ● ● ● ● ● Extremely

7

Empowering business users

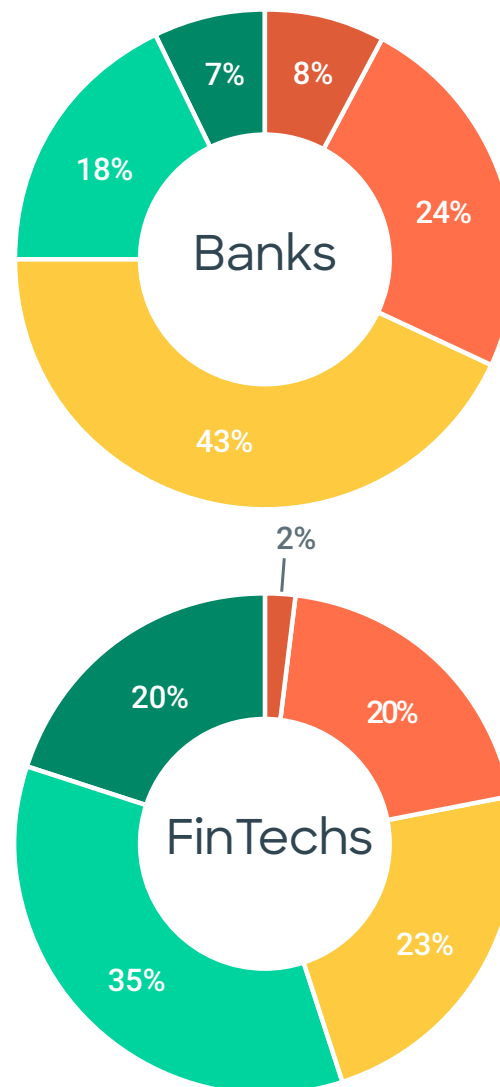
Your on-staff business experts frequently have very promising strategy concepts that warrant exploration, but researching them requires specialized (and elusive) analysis and coding skills.

Question:

How empowered are your non-technical business users to control strategies and leverage analytics to manage their own business outcomes, without the assistance of IT, data scientists, or operations researchers?

Takeaway:

Business users in FinTechs are more than twice as “very empowered” to manage analytics strategies than their counterparts in banks, 55% to 25%.



Not at all ● ● ● ● ● Extremely

8

Data and decision integrity: Totality

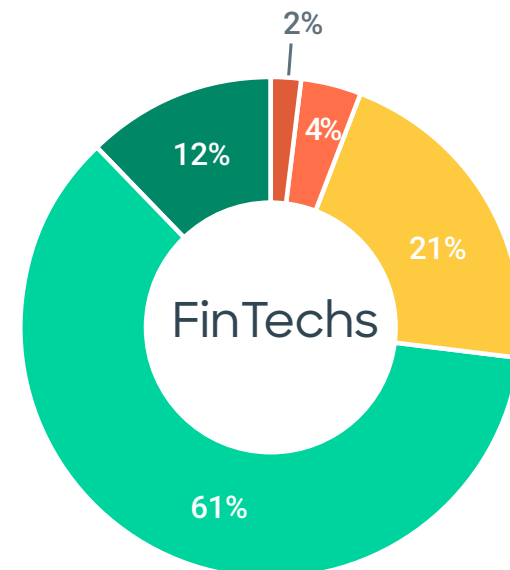
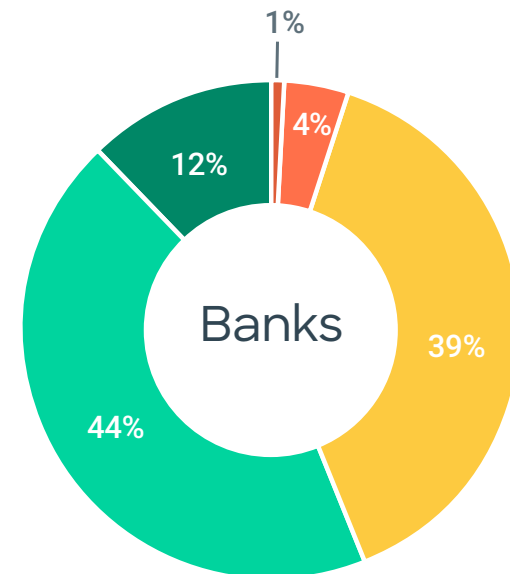
There is often a “butterfly effect” of misinformation that can snowball when data is stale, incomplete, or unevenly applied in different parts of the organization.

Question:

How certain are you that your company’s most strategic decisions are made only after considering all knowable information across the lifecycle of the customer?

Takeaway:

Both banks and FinTechs are 12% “extremely certain” their strategic decisions are rooted in “all knowable information.” FinTechs hold a 61%-to-44% edge in the “very certain” range. This begs an important question: *how do companies know they can really be certain what “all knowable information” is?*



Not at all ● ● ● ● ● Extremely

8

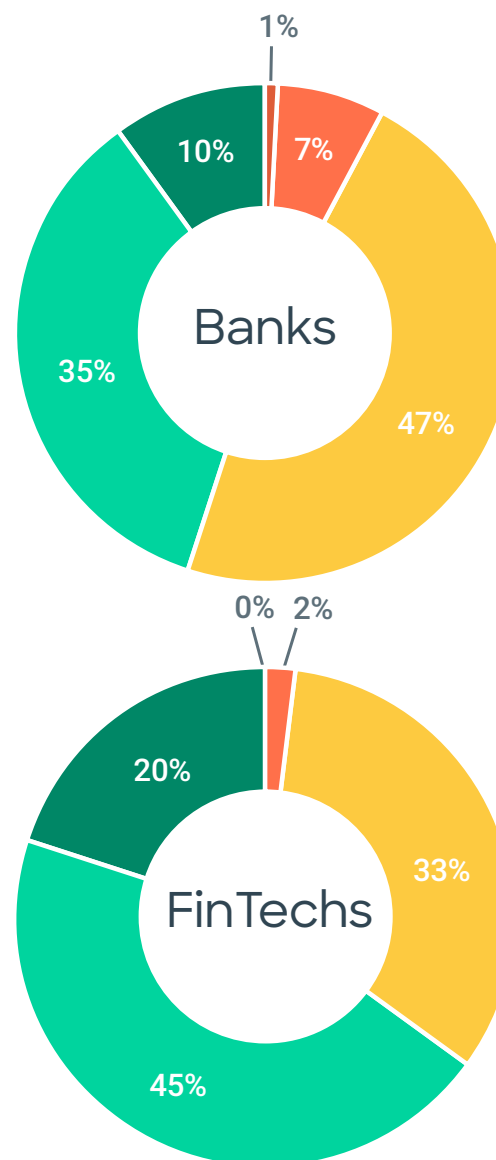
Data and decision integrity: Transparency

Question B:

How certain are you that your company's most strategic decisions are transparent to all stakeholders?

Takeaway:

FinTechs are more than twice as "extremely certain" as banks, 20% to 10%, that strategic decisions are made with full transparency to stakeholders. Bank executives answered "Never," "Rarely," or "Uncertain" in 55% of responses.



Not at all ● ● ● ● ● Extremely

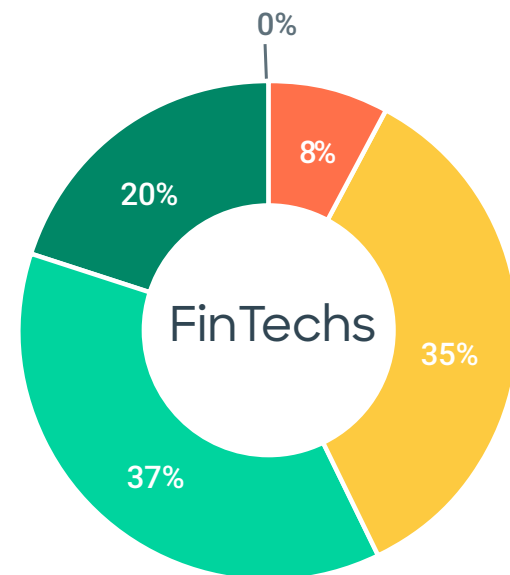
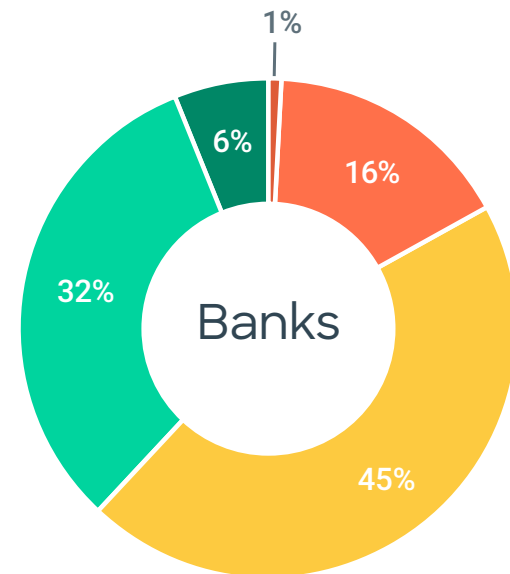
Data and decision integrity: Consistency

Question C:

How certain are you that your company's most strategic decisions are consistently applied across the lifecycle of the customer?

Takeaway:

FinTechs are more than 3x more "extremely confident" than banks, 20% to 6%, that strategic decisions are consistently applied across the lifecycle of the customer. As in the previous question, bank executives answered "Never," "Rarely," or "Uncertain" in 55% of responses.



Not at all ● ● ● ● ● Extremely

9

Simulating and validating strategies

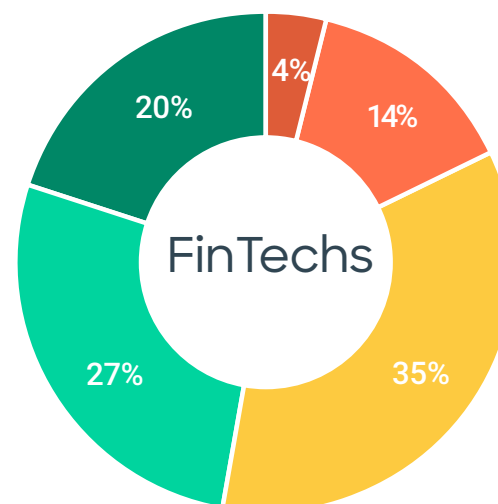
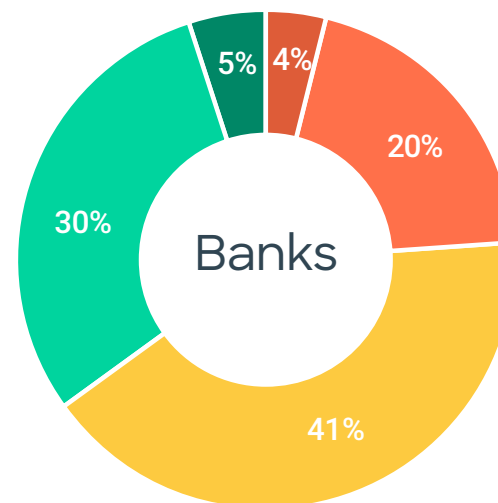
Many companies make important strategic decisions without first simulating them to understand possible outcomes and unintended consequences.

Question A:

How confident are you in your organization's ability to simulate alternative outcomes to ensure the expected result is achieved consistently across the enterprise?

Takeaway:

FinTechs are 4x more "extremely confident" than banks, 20% to 5%, in their ability to simulate alternative outcomes. In 65% of responses, bank executives answered "Never," "Rarely," or "Uncertain," versus 53% for FinTechs.



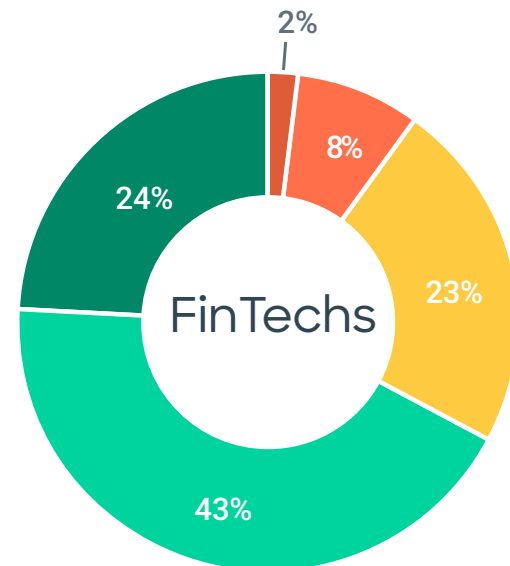
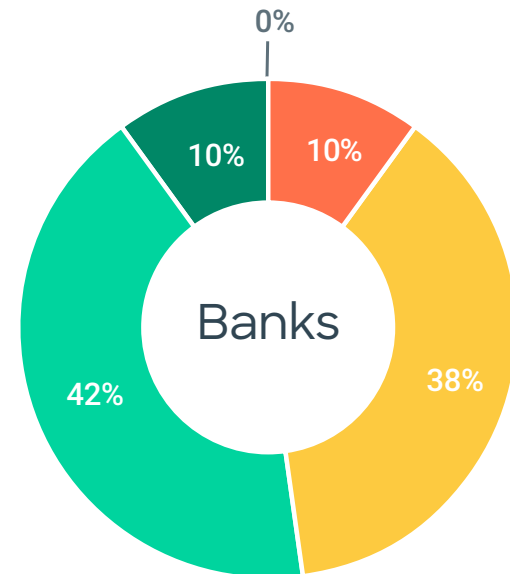
Not at all ● ● ● ● ● Extremely

Question B:

How confident are you in your organization's ability to optimize decisions and processes before they are put into production to ensure the expected result is achieved consistently across the enterprise?

Takeaway:

Two-thirds of FinTechs (67%) and half of banks (52%) are "very" or "extremely confident" in their ability to optimize decisions and processes before they are put into production. FinTechs are more twice as "extremely confident" as banks, 24%-to-10%.



Not at all ● ● ● ● ● Extremely

9

Simulating and validating strategies

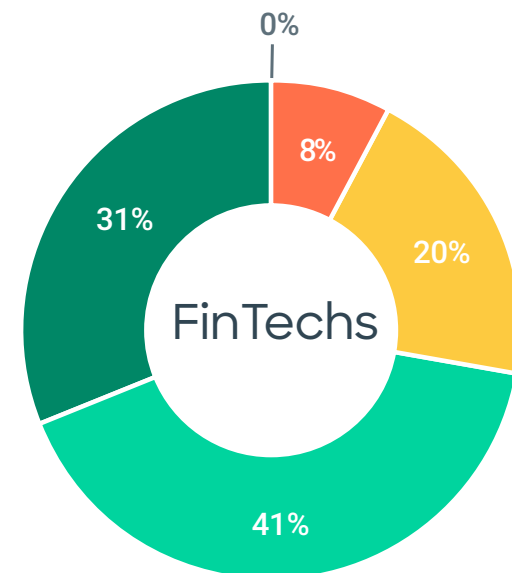
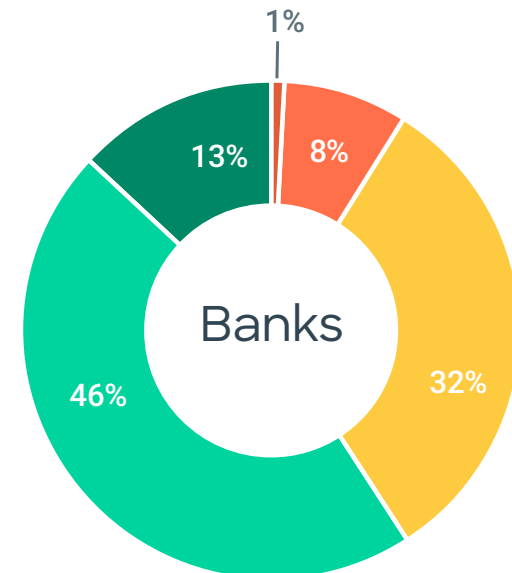
Many companies make important strategic decisions without first simulating them to understand possible outcomes and unintended consequences.

Question C:

How confident are you in your organization's ability to monitor outcomes to ensure the expected result is achieved consistently across the enterprise?

Takeaway:

Both FinTechs (72%) and banks (59%) are "very" or "extremely confident" in their ability to monitor outcomes. FinTechs hold a 31%-to-13% edge in the "extremely confident" category.



Not at all ● ● ● ● ● Extremely

10

Deploying analytics projects seamlessly

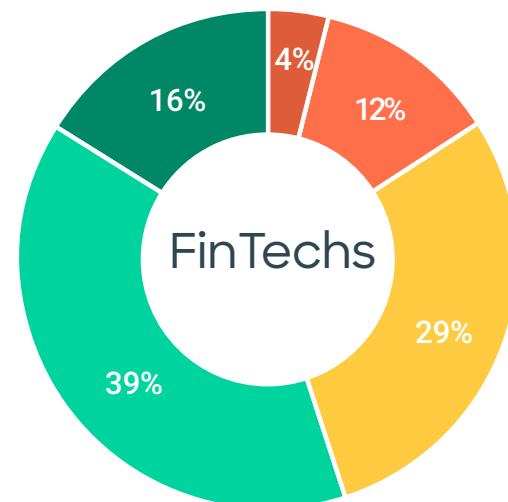
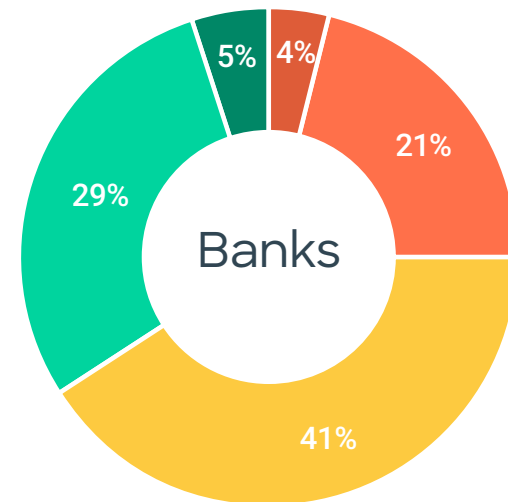
Experts report that up to 85% of analytics projects fail to reach deployment, because of disconnects between technical staff and business users.

Question:

How would you rate your company's success in deploying new analytics projects that mesh seamlessly with existing business processes and applications?

Takeaway:

FinTechs are more than 3x more "extremely confident" than banks, 16% to 5%, that new analytics projects mesh seamlessly with existing business processes and applications. Bank executives answered "Never," "Rarely," or "Uncertain" in two-thirds (66%) of responses.



Not at all ● ● ● ● ● Extremely



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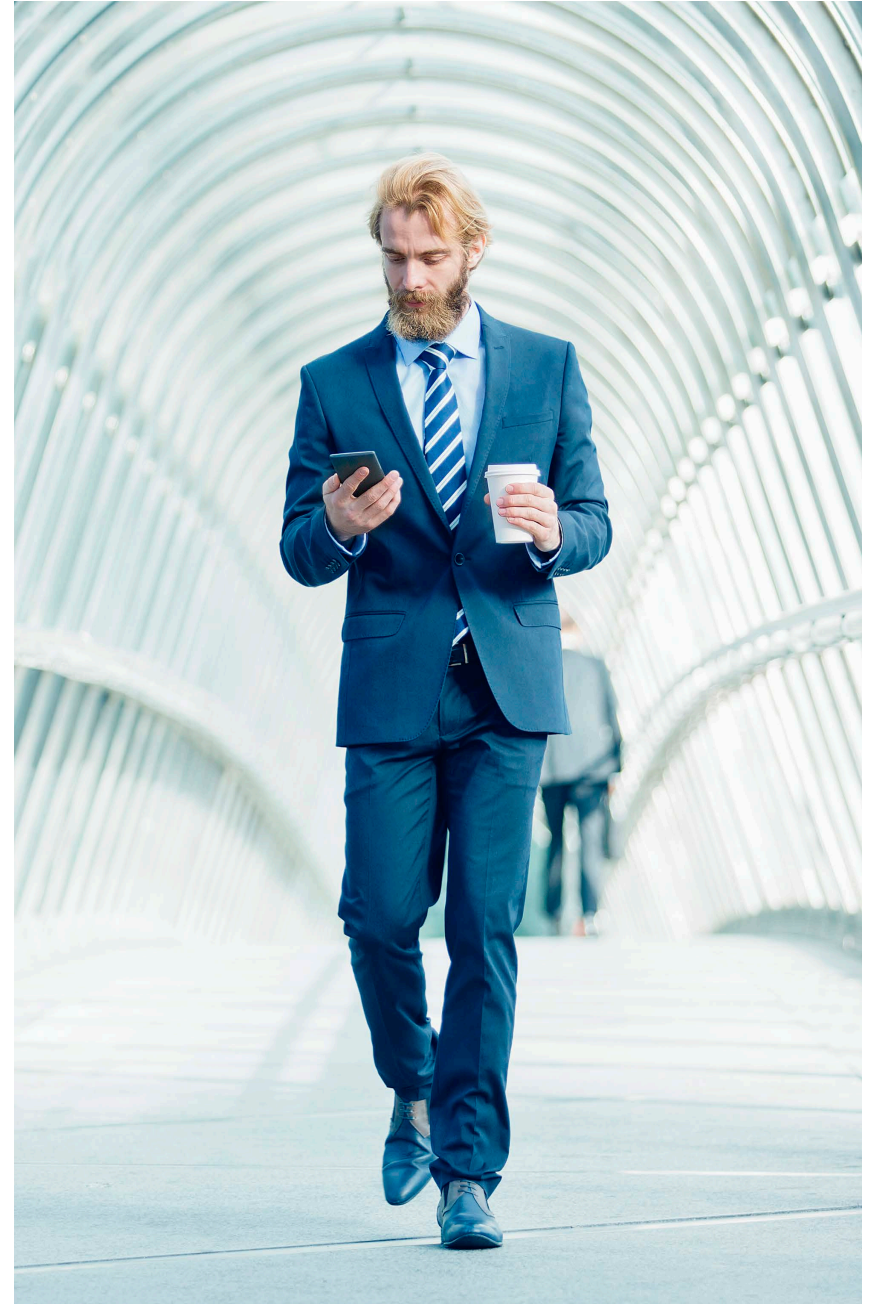




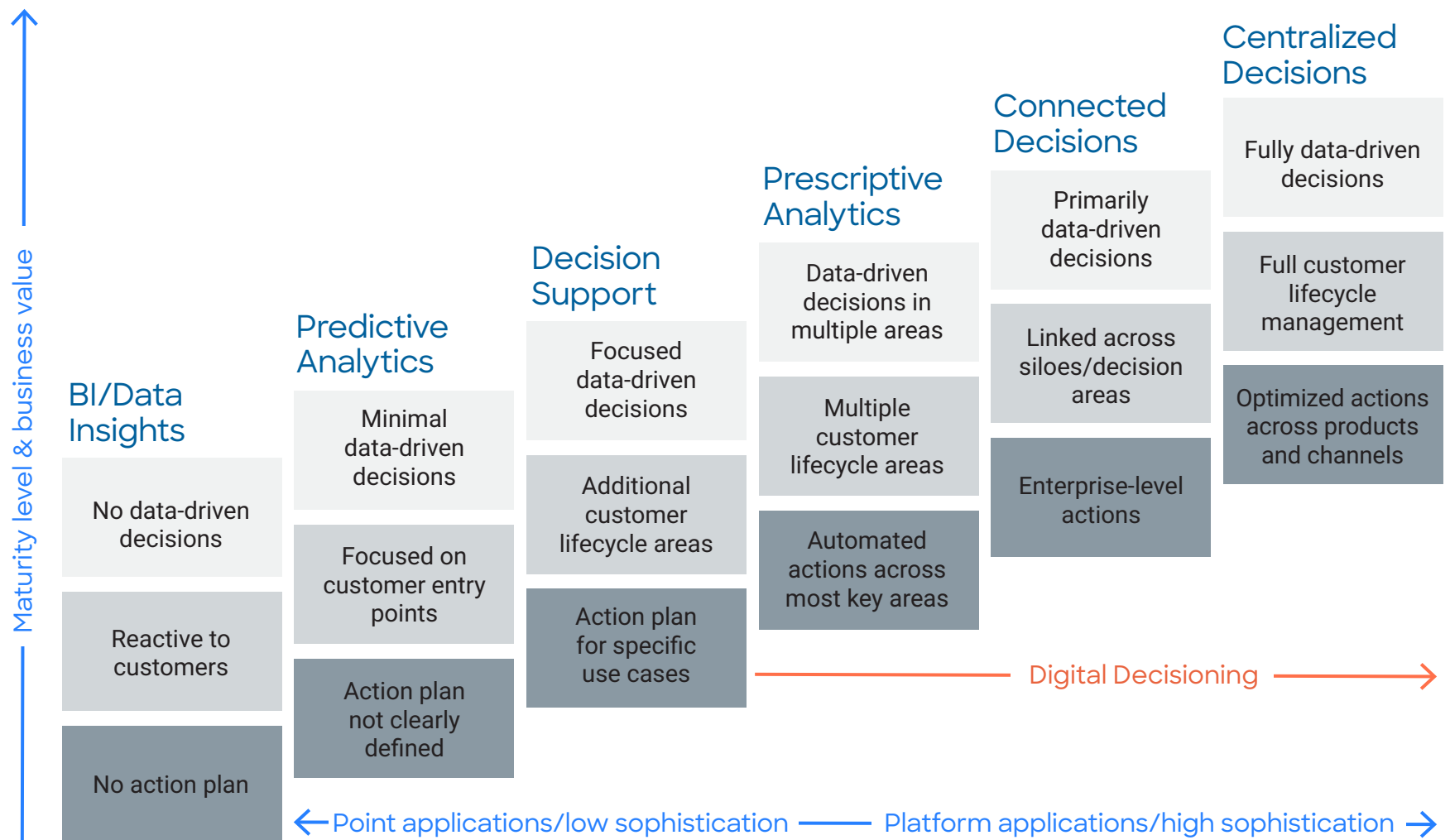
Bringing it home:
What does all of this
mean to you?

What does all of this mean?

- Digital Disruption is mercilessly changing the competitive landscape in the financial services industry
- The list of winners and losers changes every quarter, but the rules are changing daily
- The companies who will come out winners in the end are those who outthink and outmaneuver their competitors by making smarter, faster, and more profitable decisions
- For financial services companies around the world, that meant revitalizing their operations around FICO's Centralized Decisioning solution



The steps to fully Centralized Decisioning



FICO's Centralized
Decisioning connects all
business-critical insights
across the enterprise, to
help companies make
**smarter, faster, and more
profitable** decisions
throughout the entire
customer lifecycle

Traits of Best-in-Class Decisioning

A unified, scalable decision platform across the enterprise that optimizes and monetizes the use of people, data and analytics.

Ability to create personalized customer treatments, at scale, while addressing economic, business and regulatory challenges.

Empower business users to create and manage the strategies, rules and analytics that drive decisions and actions – without IT intervention.

Re-use and leverage connected decision assets across the customer lifecycle to improve decisions, while making them transparent and explainable.

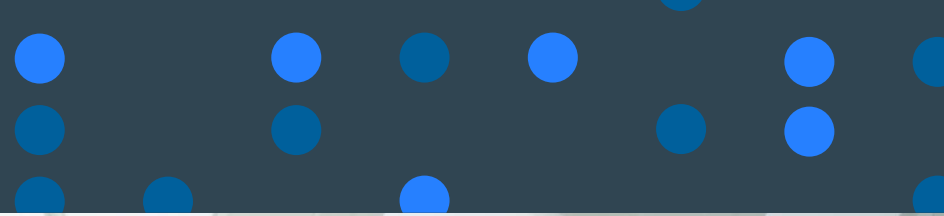
Validate and simulate decisions before they are put into production, with dashboards displaying predicted and compared-to results.

The percentage of companies who told American Banker that they believe they are **best-in-class** in their decisioning capabilities is alarmingly low

Banks	FinTechs	Traits of Best-in-Class Decisioning
5%	31%	A unified, scalable decision platform across the enterprise that optimizes and monetizes the use of people, data and analytics.
4%	12%	Ability to create personalized customer treatments, at scale, while addressing economic, business and regulatory challenges.
7%	20%	Empower business users to create and manage the strategies, rules and analytics that drive decisions and actions – without IT intervention.
15%	20%	Re-use and leverage connected decision assets across the customer lifecycle to improve decisions, while making them transparent and explainable.
8%	24%	Validate and simulate decisions before they are put into production, with dashboards displaying predicted and compared-to results.



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Meet some financial
services firms who are
ahead of the pack

Major multinational bank

- Centralized and consolidated all systems across the bank
- 80% reduction in internal costs for development of new projects, strategy updates, and training
- 50% reduction in time-to-market of new projects, new decision strategies, and new analytic models
- 60% reduction of dependency on IT through more empowerment and higher independence of the business users to implement new strategies.
- 70% reduction in incidents with operational risk



80%

Reduction
in internal
costs

Leading EMEA bank

- Replaced its disconnected, custom applications across the credit lifecycle with a centralized, flexible decision system and consolidated all systems across the bank
- Transformed a projected loss to \$6.5 million profit in less than months
- Enabled the bank to implement new scoring strategies in just one week
- Reduced expected costs by 25% via 50% faster go-lives, reduced testing times, reduced time to make changes from two months to two days
- Enabled Champion/Challenger testing in Credit Risk, Profiling, Product Specification and Offer Strategy



25%
Reduction in
expected costs

Leading North American bank

- Improving legacy decisioning system across 60 decisioning areas enterprise-wide
- Empowering business users to manage change at the speed of business
- Extending real-time personalized customer actions
- Centralizing analytics, rules and optimization execution in a single “Customer 360” platform



Leading Asia-Pacific bank

- Working to achieve instant, customer-centric digital decision management
- Bring the business to “digital” market starting with personal loan portfolio
- Enable instant, customer-centric and empowered decisions
- Intelligently leverage alternative data in automated decisions
- Deliver a pilot within weeks of contract signing, focused on “Speedy loan, walk-in program”



100%
Instant digital
decisioning

Global multibillion-dollar payments processor

- Sought faster onboarding, reduced decision silos, and improved trade speed
- Deployed a decisioning platform scaled across verticals, product lines and regions
- Automation cut decision time from days to minutes, keep merchants happy, and reduce costs (51% automation: 5X improvement)
- Increased accuracy, reduced portfolio risk, cut costs, and minimized fraud
- Increased speed, to deliver a better customer experience, while accelerating business growth



5x
Improvement in
decision time

Premier credit card company

- Building a common platform for decision management, to process billions of transactions monthly across all channels
- Deployed a common platform for decision management, processing billions of transactions monthly across all channels
- Accelerated application development, speeding solution delivery by up to 10x and making it simple to share and reuse applications
- Automated decision management for ROI of 20:1 or higher in the first year
- Reduced time-to-change and create greater competitive advantage earlier



20:1
ROI in decision
management the
first year



What does all of this
mean if you are a FICO
customer... or *not* one?

If you are a FICO customer

- If you are using FICO products based on our industry-leading Decision Management Platform (DMP), you are already well on your way towards Centralized Decisioning
- Contact your Client Partner to learn about Centralized Decisioning customers worldwide who are quickly seeing 70-80% improvements in their KPIs
- Stay current by regularly visiting:
fico.com/CentralizedDecisioning

If you are not a FICO customer

- Read recent industry analysts' reports on the importance of customer centricity, with rankings of the top digital decisioning platforms (available on **FICO.com**)
- Talk with your teammates in specific functional areas or lines of business, e.g. Risk, Fraud, Originations, Mortgage/HELOC, Consumer Credit, Auto Loans, Student Loans, etc. about an enterprise-wide decisioning strategy
- Call FICO to learn how change agents like you are transforming their companies



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**More Precise
Decisions**

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