

PREPARING YOUR BUSINESS FOR MARKET TRANSFORMATION

LEADING THE WAY

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PricewaterhouseCoopers recently released the results of its 17th annual Global CEO Survey. The participants included 133 banking and capital markets CEOs in 50 countries, including Thailand, who generally expressed optimism about the global economy.

To position their organisations to take advantage of this growth, banking and capital market leaders cannot afford to fall behind the accelerating pace of change in their marketplace. They see technology, including the digital economy, social media, mobile devices, big data and other developments, as likely to transform their business over the next five years. More than 60% also pointed to the impact of global shifts in demographics and economic power.

However, most CEOs say they have yet to take concrete steps to capitalise on these transformational trends in the key areas of talent, technology, distribution, data analytics and innovation capacity. Many cite the need to deal with regulatory changes as making it difficult to deal with these longer-term trends.

More than 90% of banking and capital markets CEOs are looking ahead to revenue growth over the coming three years. About 56% believe the global economy will improve over the coming 12 months. More than half are planning to take on more staff, with most of these anticipating headcount increases of at least 5%.

Nevertheless, around 70% of banking and capital markets CEOs are concerned about slow or negative growth in developed markets and the impact of governments' responses to fiscal deficits and debt burdens. Industry leaders see building on their existing market share as the main opportunity for growth, followed by product and service innovation.

About 86% of the respondents identified technological advances as the trend that is expected to have the greatest impact on their business. They see that hyper-connected customers now expect the intuitiveness and responsiveness of digital retail from their banks and want to do business when they want, via the channel and device of their choice.

But the rapid shift in technology

and associated customer expectations presents risks as well as opportunities. Nearly 60% of industry leaders see the speed of technological change as a threat to their growth prospects and more than 70% are also concerned about cyber insecurity.

Our PwC cyber security research shows that compliance is still the biggest driver of information security spending in the financial services industry, and many organisations still see cyber security as an IT issue rather than a strategic issue for the business as a whole.

Demographic shifts have also been identified by nearly two-thirds of banking and capital markets CEOs to have a transformational impact. They are looking at the opportunities to provide savings and investment services to help fund the retirements of a longer-living population on the one side, and to meet the demands of a wealthier and more aspirational younger generation on the other. This is going to require smarter and more targeted customer segmentation and service delivery.

The shift in global economic power has also influenced strategies and directions of many banks. In particular, China and Brazil are in the top three markets targeted for growth by banking and capital markets CEOs. There is also a strong focus on Indonesia.

Resource scarcity and urbanisation are also other key factors that cannot be underestimated as these have the potential to change client and country risk profiles as well as how businesses operate.

How banking and capital markets organisations prepared or moving quickly enough to adapt? Only two out of five CEOs feel their teams are well prepared, particularly in the areas of customer service, IT, HR and marketing, all of which will be closely involved in addressing the global trends.

Unfortunately, the survey also shows that fewer than 40% have begun initiatives to upgrade talent, technology, distribution, data analytics or innovation capacity.

So, what is really making it difficult to move the business forward? Although a financial crisis could be one of the factors, 80% of respondents believe that too much regulation is impeding growth as this increases operating costs, prevents them from pursuing market opportunities, or hinders their ability to innovate effectively.

So how can banking and capital mar-

kets leaders move the business forward?

First, it is important to see how customer expectations are going to evolve and what investments and changes in strategy, personnel and operations are needed.

Second, leaders should look beyond the immediate concerns about how regulation will affect costs, product profitability and the ability to compete. This will require a review and possible rethink of what businesses are viable and strategically core.

Third, how available resources are allocated will be a major determinant of success. Making full use of systems developed for regulatory reporting to sharpen risk understanding and targeting of capital will be crucial.

Fourth, rationalisation and simplification will be crucial in cutting costs, enhancing efficiency and strengthening operational oversight. Fifth, a culture of integrity, customer focus and risk-awareness is critical for re-engaging with customers and rebuilding stakeholder confidence. This includes better targeting of products, a stronger reputation and more effective customer retention.

Last but not least, the need to respond to changing customer expectations is going to require the right talented people.

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