# Banking Process Transformation 2024 RadarView™

## Leveraging technology to achieve operational efficiency and enhanced customer experience

May 2024

# Table of contents

# About the Banking Process Transformation 2024 RadarView

1

Banks are increasingly outsourcing strategic processes such as private banking leveraging service providers' expertise in advisory, portfolio management, and integrated banking. Service providers are utilizing generative AI to enhance banking BPO processes, focusing on optimizing costs. Revenue growth from risk and compliance services has increased and service providers are investing in R&D and inorganic growth to enhance capabilities in financial crime and compliance.

2

Avasant evaluated 35 providers using a rigorous methodology across the key dimensions of practice maturity, domain ecosystem, and investments and innovation. Through the analysis, we recognized 24 providers that brought the most value to the market over the past 12 months.

3

The *Banking Process Transformation 2024 RadarView* aims to provide a view into the leading service providers in the banking process transformation space. Based on our methodology, these service providers are categorized into four broad segments: leaders, innovators, disruptors, and challengers.

4

To enable decision-making, Avasant has provided an overview of the major service providers in the industry. This includes a list of their top enterprise clients, customer success stories, key IP assets/solutions and partnerships, and major industry verticals. This is supported by analysts' take on the providers across the three key dimensions mentioned above.

Note: Please refer to Avasant's *Banking Process Transformation 2024 Market Insights* for detailed insights on the demand-side trends.

# Executive summary

# Definition and scope of banking process transformation

## Key definitions

**Banking process transformation:**

It refers to managing front and back-end banking processes for retail, commercial, private, and digital-only banks.

It includes process standardization, cost optimization, compliance and reporting, customer experience, and digital transformation through the deployment of technology levers.

**To qualify for the current assessment, a service provider must ensure the following:**

- Offer at least three of the following five services: retail banking, commercial banking, private banking, payments and cards, and risk and compliance services.
- Have clientele from at least two of the following five geographies: North America, Europe (including the UK), Asia Pacific, Latin America, and the Middle East and Africa.

**Scope of banking business process transformation**

| Retail banking | Commercial banking | Private banking |
|---|---|---|
| • Customer management<br>• Account servicing<br>• Cash and ATM management | • Mergers and acquisitions<br>• Working capital management<br>• Trade and treasury management | • Integrated banking<br>• Advisory services<br>• Portfolio management<br>• Pension and life schemes |

| Payments and cards | Risk and compliance |
|---|---|
| • Domestic and international payments<br>• Cards services<br>• Merchant/point of sale services | • KYC and AML<br>• Risk assessment<br>• Regulatory reporting<br>• Data privacy |

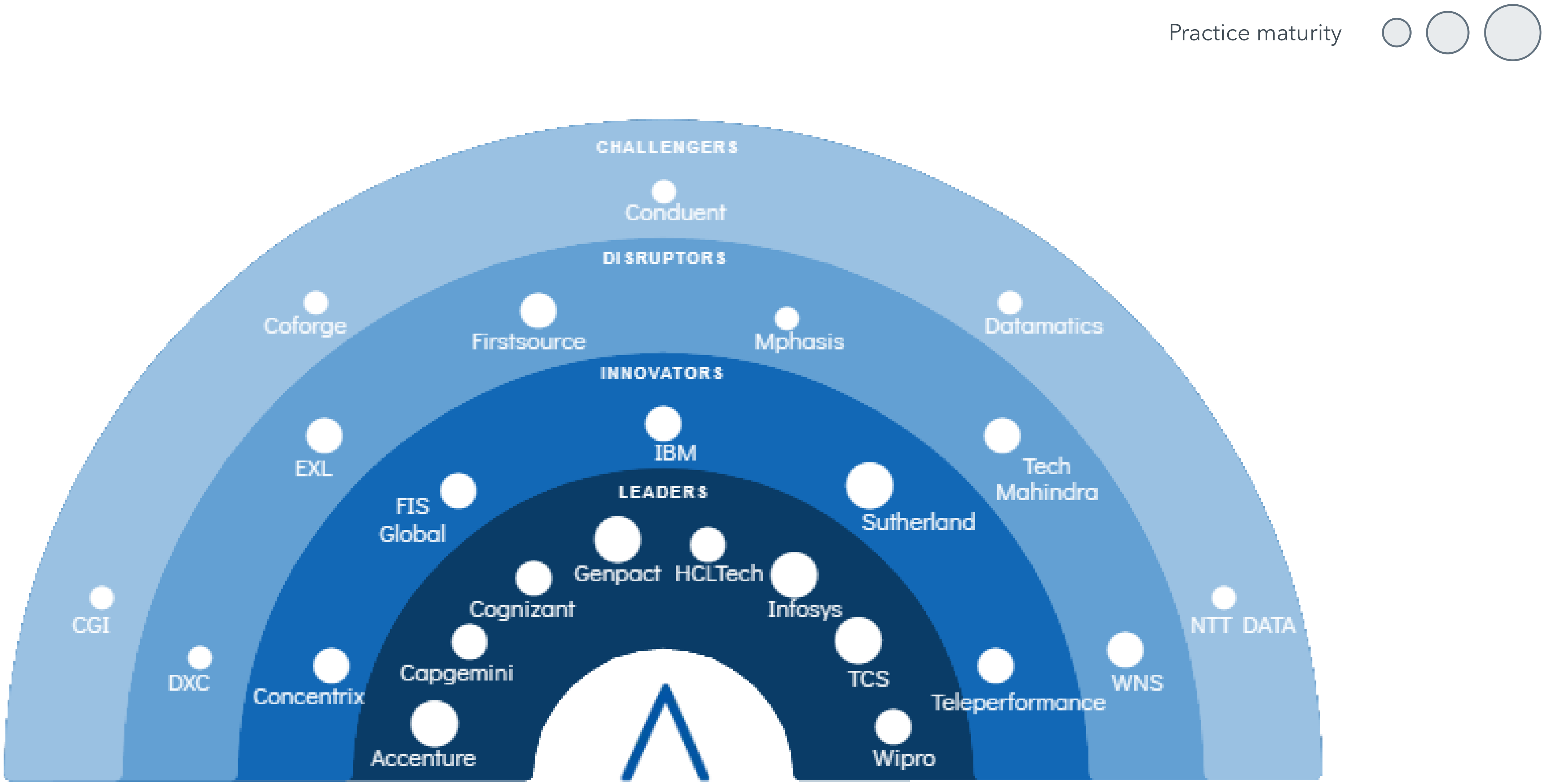
**Key transformational levers**

- Digital banking and payment platforms
- Artificial intelligence, robotic process automation (RPA), and analytics
- Blockchain
- Compliance and cybersecurity services

# Key enterprise banking process transformation trends shaping the market

| | |
|---|---|
| The industry is navigating higher interest rates, regulatory shifts, and geopolitical uncertainties | • The banking industry faces challenges such as decreased net interest margins, increased operational costs, constrained loan potential, and higher deposit costs due to a slowing global economy, higher interest rates, regulations, climate change, geopolitical tensions, and increased operational costs.<br>• Banks are investing in technologies to enhance payment and risk and compliance capabilities and optimize processes such as KYC, account maintenance, fraud monitoring, and customer experience. However, tight labor markets and accelerated wage growth in traditional offshore locations are adding to the industry's cost pressures. |
| Banks are embracing mergers and acquisitions in response to digital disruption and global economic shifts | • Global banks are losing their customers due to poor customer experience and lack of innovation. They are leveraging resources to deepen corporate banking relationships and increase investments in digital banking.<br>• The current economic situation presents an opportunity for consolidation among regional and community banks in the US to grow and leverage scale, absorb anticipated increases in costs, and improve their positions through M&A or by selling off parts of their business. |
| Fintech, neo banks, and crypto exchanges are transforming the financial landscape | • Fintech, neo banks, and crypto exchange companies are disrupting the financial landscape, pushing banks to make investments toward enhancing customer experience, offering personalized products, and meeting the modern banking environment demands. This also increases the need to address data privacy, security, and evolving regulatory concerns.<br>• Banks are expected to focus on innovation, customer centricity, and digital transformation to meet the demands of the modern banking environment and provide personalized, seamless, and convenient experiences to tech-savvy customers. |
| Banks are using generative AI and digital technologies for innovation and competitiveness | • Banks are leveraging generative AI for fraud detection, customer service enhancements, and sophisticated credit scoring models, as well as adopting automation technologies to streamline processes and improve data analysis. According to the recent Federal Trade Commission data, consumers lost over $10B to fraud in 2023, registering a 14% YOY increase.<br>• The integration of digital technology in banking operations is driving banks to invest in cybersecurity measures, increase their financial crime and compliance capabilities, and adopt cloud computing solutions to support the rapid deployment of new services, improve collaboration, and reduce operational costs. |

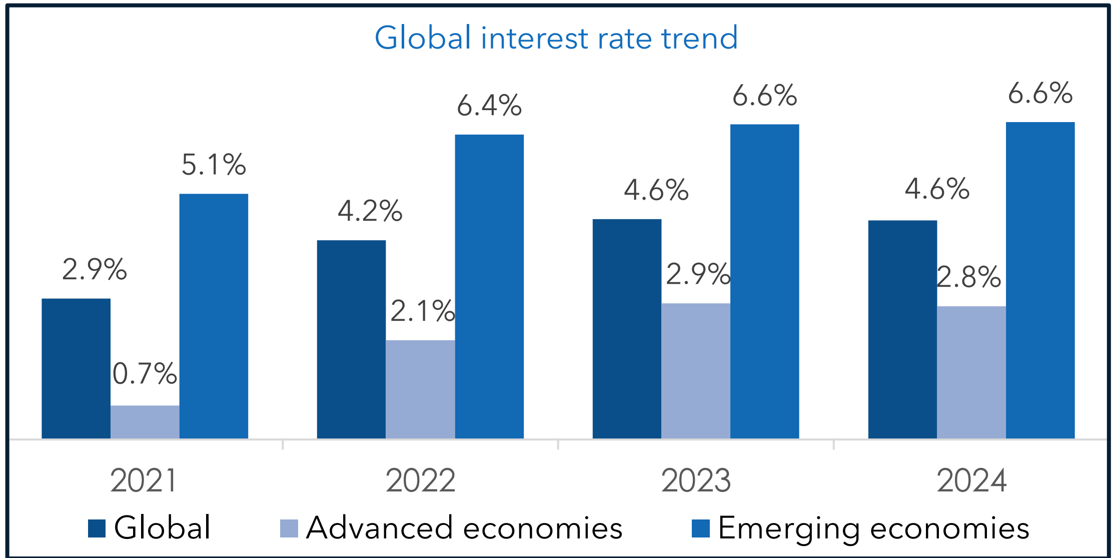
# Avasant recognizes 24 top-tier service providers offering banking process transformation services

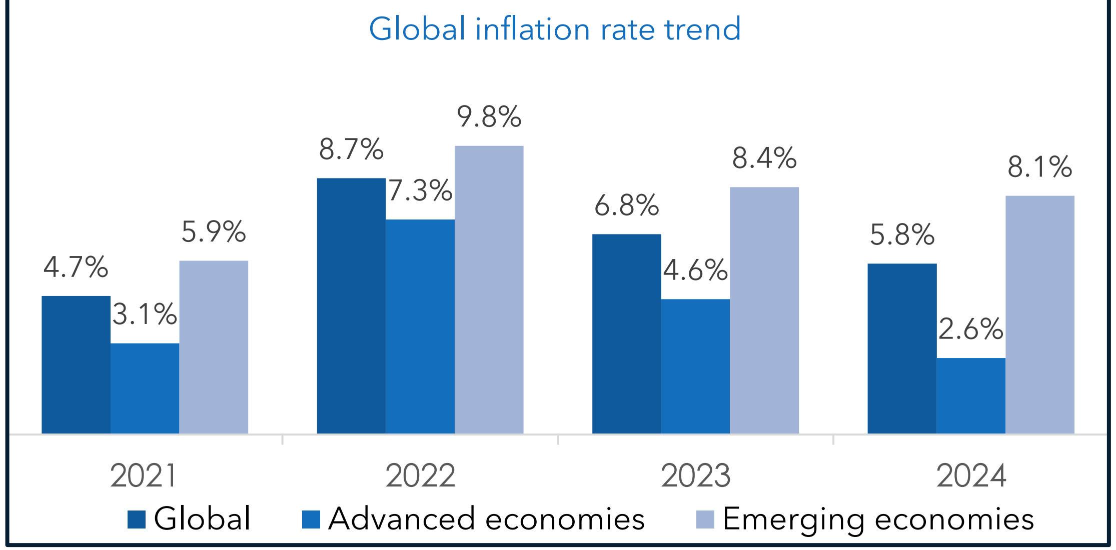



AVASANT

# State of the market

# The industry is navigating higher interest rates, regulatory shifts, climate pressures, and geopolitical uncertainties




**Key pointers:**

**Global growth continues to remain volatile**

- Global growth was 3.1% in 2023 and is forecast to grow at the same rate in 2024, a far cry from 6.0% in 2021.
- This is due to tightening monetary policies, debt burdens, inflationary pressures, cost of living crisis, and geopolitical tensions.

**Combating inflation worldwide**

- Although inflation is forecast to decline in 2024, spikes in inflation can occur because of sudden global events, such as a further escalation of the ongoing Israel-Hamas and Russia-Ukraine wars.
- The inflation rate, accelerated wage growth, and tighter labor markets will increase banks' cost pressures.

**Cost pressure for the banks**

- Even though banks benefit from higher loan interest rates, higher borrowing costs can lead to increased loan losses for consumers and businesses. Banks also invest in bonds, which lose value when rates rise.
- This decreases loan borrowing, keeps default risk high, and reduces the net interest margins.

**New investments and subsequent challenges**

- With the introduction of generative AI, banks must now invest in leveraging technologies such as cloud computing and automation to streamline processes and enhance customer experience.
- Deploying technologies can lead to data breaches, cyber incidents, and other security challenges, which require banks to enhance employee awareness and have a dedicated security and data privacy strategy.

Sources: Avasant Research, International Monetary Fund's World Economic Outlook Update, January 2024

# Banks are embracing mergers and acquisitions in response to digital disruption and global economic shifts

Consolidation presents an opportunity for banks to absorb anticipated increases for meeting newer regulations and capital requirements.

## Notable mergers and acquisitions (M&As) in 2023

| Banks involved | Illustrative case study |
|---|---|
| JPMorgan Chase & Co.; First Republic Bank | JPMorgan Chase acquired First Republic Bank's assets post the bank's failure in March 2023 because of rising interest rates and a loan portfolio heavily weighted toward mortgages. |
| First Citizens Bank; svb Silicon Valley Bank | Rising interest rates hurt Silicon Valley Bank's (SVB's) bond investments, and customer withdrawals drained its cash. As a result, SVB collapsed in 2023, leading First Citizens Bank to buy most of its assets. |
| GTCR; FIS | The merger of Worldpay and FIS was not a good strategic fit. They had different customer bases and products, making it difficult to integrate them. As a result, the merger failed, and FIS sold a 55% stake in Worldpay to GTCR. |

## Factors that are driving M&A in banks

**Digital innovations and competition from new-age players**

- Digital innovation and fintech companies are pushing banks to become more customer-centric, efficient, and technologically advanced. Banks either partner or acquire fintech firms to leverage their technology and gain a foothold in digital finance.
- Banks are acquiring companies with cybersecurity and analytics capabilities. Francisco Partners has acquired the SaaS analytics platform Sumo Logic, which enables clients to implement reliable and secure cloud applications.

**Cost pressures and regulatory challenges**

- The new Basel III rules will significantly increase capital requirements for banks, especially midsize banks. This may lead to more M&A as banks look to grow larger and benefit from economies of scale to comply with the new regulations.
- Regional and community banks have their assets exposed to commercial real estate in their balance sheet, which may increase loan defaulters, leading to another banking crisis.

**Expansion of presence and enhanced capabilities**

- Banks look to merge or acquire other institutions to scale up capabilities and strengthen their market position.
- Big companies are buying fintech firms that offer banking services or selling parts of their business to maintain profits. For example, in 2023, Deutsche Bank purchased investment bank Numis to expand its presence in investment banking overseas.

Sources: Avasant Banking Process Transformation RadarView Survey January-March 2024, industry interviews, Avasant Research

# Fintech, neo banks, and crypto exchanges are transforming the financial landscape and shaping the future of banking

## Broad types of fintech companies

**Payment fintech companies** offer digital payment systems, mobile wallets, and contactless payment methods, reducing reliance on physical currency.

**Digital banks** provide financial services such as mobile banking apps, virtual customer care, and online account management, improving accessibility and convenience.

**Regulatory technology companies** use technologies to streamline compliance operations, including identity verification, reporting, and anti-money laundering systems.

**Personal finance management (PFM)** offers services such as goal-setting, credit score monitoring, bill administration, automatic savings, investments, and expense tracking.

## Illustrative examples

| Bank/financial institution | Description |
|---|---|
| VISA; COMPLY ADVANTAGE | **Regulatory technology solutions** are on the rise due to the need for real-time monitoring and reporting of financial activities and the digital transformation of financial services, which introduces new challenges and opportunities in areas such as digital identity and KYC processes. Using **AI in regulatory technology** solutions helps banks parse data, determine behavior patterns, and combat fraud while ensuring efficient and accurate regulatory adherence.<br>OakNorth Bank and Visa have partnered with ComplyAdvantage for financial crime detection and compliance with AML regulations. |
| deserve; Solaris | **Embedded finance** integrates financial products and services into non-financial platforms, breaking down silos between finance and other industries and offering convenient access to financial services without standalone banking or financial applications.<br>Some examples are buy-now-pay-later (BNPL) companies such as Affirm and Sunbit, banking services embedded into ride-sharing apps such as Uber and Lyft, and payment processing services embedded into e-commerce platforms such as Amazon and Shopify. |
| stripe; PLAID | **Open banking** provides third-party financial service providers access to consumer banking, transactions, and other financial data from banks and non-bank financial institutions. This practice allows for **secure financial data sharing** between banks and third-party service providers, such as fintech apps. It can benefit consumers, businesses, and financial services providers by stimulating innovation, offering personalized solutions, and lowering costs. |

Sources: Avasant Banking Process Transformation RadarView Survey January-March 2024, Avasant Research

# Banks are using generative AI and digital technologies for innovation and competitiveness

**40%-45%**
Share of banking BPO client engagements where service providers have leveraged AI in their contracts

**45%-50%**
Share of client engagements where service providers have leveraged automation in their contracts

## Common AI applications in banking

**Automation**

- Algorithmic trading
- Client authentication
- Payment routing
- Document processing

**Augmentation**

- Product recommendation
- Risk management scoring
- Fraud detection
- Customer analytics
- Personalized financial planning

**Customer support**

- Customer onboarding
- Copilots for query handling.
- Knowledge management for policies and SOPs
- Employee training

## Key use cases and enterprise examples

| Key areas | Organization | Description |
|---|---|---|
| Fraud detection | mastercard | • Generative AI identifies transaction anomalies and automatically flags potential hazards. It can analyze historical data and market trends and simulate economic scenarios to assess and mitigate risks.<br>• Mastercard has launched a new generative AI model to enable banks to detect suspicious transactions on its network. |
| Automation | OCBC Bank | • Banks are automating repetitive tasks and reducing operational costs by analyzing vast volumes of frequently unstructured data and streamlining back-office processes for greater operational efficiency.<br>• OCBC Bank has a generative AI chatbot that allows its employees to automate tasks such as drafting investment research reports and customer responses. |
| Regulatory compliance | citibank | • Generative AI monitors real-time regulations, identifies compliance risks, and generates accurate and timely reports. It is used as a virtual regulatory expert by training it to answer questions.<br>• Citigroup used generative AI to evaluate the effects of new US capital regulations and to parse legislation and regulations in the countries it operates. |
| Customer service | WELLS FARGO | • AI-driven chatbots allow banks to provide 24/7 support. These smart virtual assistants act autonomously and can provide customers with on-the-spot guidance by responding to basic customer requests.<br>• Wells Fargo's generative AI virtual assistant, Fargo, is used to answer customers' banking queries and execute tasks. |
| Personal financial advisory | Morgan Stanley | • Generative AI-based chatbots can offer insightful data on customer behaviors and preferences, enabling banks to create customized financial plans, advice, and product suggestions.<br>• Morgan Stanley launched an AI assistant to provide its 16,000 financial advisors access to a database of 100,000 research reports. The assistant helps them synthesize answers to investment and finance queries and offers highly personalized instant insights. |

Sources: Avasant Banking Process Transformation RadarView Survey January-March 2024, industry interviews, Avasant Research

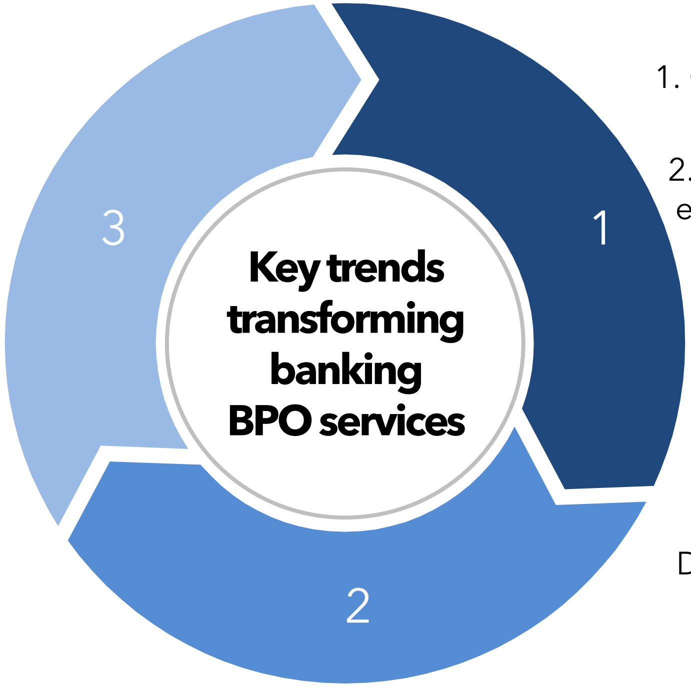
# Banks are managing data privacy and security challenges while navigating strict labor markets in the evolving banking landscape

- Banks' profitability has been under pressure due to rising deposit costs, lower economic forecasts, and the need to invest in new technologies such as AI and cybersecurity.
- Mergers and acquisitions have left banks grappling with the challenges of integrating systems, regulations, and company cultures. Data security has become even more critical as customer interactions move online and fintech adoption rises.
- Banks must constantly adapt to new data privacy rules, handle cyber threats, update their legacy IT infrastructure, and retrain staff to keep pace with the digital revolution.

## Key concerns of using generative AI

Banks considering generative AI face challenges such as data privacy, regulatory compliance, biases, and talent shortages. Following are some of the challenges:

1. As back-end data systems of banks are fragmented in different formats, AI-driven products can be less effective.
2. AI systems used for loan approval decisions have a risk of replicating existing biases present in historical data.
3. Banks that use voice recognition as security for transactions can face a serious challenge when AI fails to distinguish between original and fake voices.
4. With issues around reliability, if an AI model outputs erroneous data, a human stakeholder needs to be accountable for the outcome.




## Banks are shifting toward nearshore BPO

1. Offshoring destinations are now near saturation, leading to higher prices and rising labor costs.
2. The surge in companies outsourcing to nearshore regions escalates competition, but nearshore outsourcing continues to provide competitive service options at lower costs than domestic BPOs.

## Focus on fraud, compliance, and cybersecurity

Data privacy and security concerns arise as customers move their banking experiences to various channels, pushing banks to continuously invest in compliance and fraud monitoring to adhere to changing regulations and resolve the impacts of adverse incidents such as identity theft and data breaches.


Sources: Avasant Banking Process Transformation RadarView Survey January-March 2024, Avasant Research

# Cognizant profile

# Cognizant: RadarView profile

AVASANT RADARVIEW™ LEADER
Banking Process Transformation 2024

**Practice maturity** ★★★★

**Domain ecosystem** ★★★★★

**Investments & innovation** ★★★★★

Leverages its industry expertise and in-house solutions such as Cognizant Neuro combined with investments in AI to streamline the end-to-end banking processes.

## Practice overview

- Practice size: 2,500+
- Active clients: 40+
- Delivery highlights: 30+ delivery centers worldwide

| 25%–30% Banking BPO revenue growth, FY 2023 | 700+ Externally certified employees |
|---|---|

## Client case studies

- Helped a Canadian bank address escalating losses due to fraud and regulatory challenges. It developed a strategy to centralize fraud solutions and delivered an end-to-end target operating model. This resulted in a 50% reduction in fraud losses and a 30% increase in fraud loss avoidance.
- Identified and tackled several fraud types for a US digital bank, including ID theft and credential attacks. It proactively addressed fraudulent logins through a robust fraud analysis and a proactive management model, clearing a backlog of over 6,000 alerts in real-time and saving $4M in losses.
- Streamlined transaction monitoring for a North American bank by establishing a mini CoE and transitioning operations offshore. This helped the bank achieve 100% regulatory commitment and deliver $1M in benefits while reducing effort by 25%.
- Implemented solutions such as RPA and NLP for a Canadian multinational financial services company, ensuring risk management and process controls. This initiative reduced the processing time by 50%, streamlined and standardized processes, and improved SLA adherence.

## Key IP and assets

- Cognizant Neuro® Account Opening: A solution to assist customers with the account opening process
- Digital Automation Fabric (DAF): An OCR tool for content capturing
- CogniAI Clearvoice: An AI-based real-time voice enhancement solution
- QUART 2.0: A tool for managing quality assurance and audit across functions

## Partnerships

Banking-specific partners

FICO, fenergo, VERMEG, NeoXam, SIGNZY

Technology partners

Automation Anywhere, celonis, PEGA, appian

## Sample clients

- A Canadian bank
- A Canadian multinational financial services company
- A Dutch banking and financial services company
- A full-service bank in the US
- A global stock transfer agency
- A global wealth management firm
- A North American bank
- A payment technology solutions company
- A US digital bank

## Value chain

- Retail banking
- Commercial banking
- Private banking
- Payments and cards
- Risk and compliance

Darker color indicates higher value chain coverage

# Cognizant: RadarView profile

## Analyst insights

### Practice maturity ★★★★

- Cognizant offers end-to-end banking business process transformation services focusing on retail banking, cards and payments, and risk and compliance services. It supports banking operations across North America, Europe, LATAM, and APAC.
- It has delivery centers across India, the Philippines, Australia, Poland, the UK, the US, and Mexico. It offers flexible commercial models to its clients, with over 50% of its banking engagements based on hybrid pricing (for example, flat-rate plus per-additional-user pricing, pay-as-you-go, and subscription plus one-time fees).
- Its Cognizant Neuro Account Opening solution automates data extraction, form recreation, and data entry, streamlining the account opening process and facilitating acceptance/rejection emails. It leverages the QUART 2.0 solution to manage quality assurance and audit all relevant organizational functions.
- It leverages its Gen AI tools such as Resolve AI, which uses ML algorithms to streamline and optimize dispute resolution, and CogniAI Clearvoice, which uses speech recognition, NLP, and voice modulation to improve the clarity and quality of customer conversations.
- It leverages its Cognizant Next-Gen AML Framework, an AI-powered solution for anti-money laundering (AML), to improve AML alerts for its banking clients.

### Domain ecosystem ★★★★★

- Cognizant has a global strategic partnership with Temenos. It has established Temenos CoEs in Spain, Mexico, Kenya, and Singapore. It also has experience in the Finastra Product Suite and has established Finastra CoEs in India, the UK, and the US.
- It has a technology partnership with Fenergo to help financial institutions transform their know-your-customer (KYC) operations. It also utilizes Automation Anywhere and Celonis solutions for process and task mining across banking functions and processes.
- It is a VERMEG implementation and integration partner, leveraging its platform Veggo to provide digital transformation to banking clients. In 2022, it partnered with NeoXam to leverage its solutions across data management, investment management, and accounting.

### Investments and innovation ★★★★★

- In 2023, it acquired Mobica to expand its IoT-embedded software and product engineering capabilities to enhance digital transformation for its banking clients. In 2022, it acquired AustinCSI to leverage its enterprise cloud and data analytics advisory services capabilities.
- It has extended its presence to new geographic regions, including APAC and the UK. It has established a training academy equipped with ready-to-use online training modules and a pool of banking experts for on-the-job training to provide hands-on experience.
- It has invested in developing SARA, an innovative learner-centric Gen AI-based instructional design platform, to reduce the time and cost required for building training content while prioritizing process standardization.

# Appendix:
# RadarView overview

# Avasant's Banking Process Transformation 2024 RadarView assesses providers across three critical dimensions

| | |
|---|---|
| **Practice maturity** | • This dimension includes measures around the type, market acceptance, and quality of offerings in the banking BPO outsourcing space. It also assesses the strength of the practice for its size, certified employees, embedded expertise in emerging technologies, and coverage of the industry subsegment.<br>• The width and depth of the client base, practice revenues, use of proprietary/outsourced tools and platforms, and future strategy are important factors that contribute to this dimension. |
| **Domain ecosystem** | • This dimension assesses the nature of the provider's partnerships and ecosystem engagement. It evaluates the objective of the partnerships (for example, codevelopment or co-innovation) and its engagement with technology solutions or product providers, startup communities, and domain associations.<br>• The kind of joint development programs around offerings, go-to-market approaches, the overall depth of partnerships, and their ability to deliver superior value to clients are all important aspects. |
| **Investments and innovation** | • This dimension measures the strategic direction of investments and resultant innovations in the offerings and commercial model and how it aligns with the future direction of the banking industry.<br>• The overall strategic investments, organic and inorganic, toward capability and offering growth, technology development, and human capital development, along with innovations the service provider develops, are critical aspects of this dimension. |



AVASANT

# Research methodology and coverage

Avasant based its analysis on several sources:

| | |
|---|---|
| Public disclosures | Publicly available information from sources such as Securities and Exchange Commission filings, annual reports, quarterly earnings calls, and executive interviews and statements |
| Market interactions | Discussions with enterprise executives leading digital initiatives and influencing service provider selection and engagement |
| Provider inputs | Inputs collected through an online survey and structured briefings in January–March 2024 |

Of the 35 banking process transformation service providers assessed, the following are the final 24 featured in RadarView for 2024:

Note: Assessments for Accenture, CGI, Coforge, Conduent, Datamatics, EXL, FIS Global, Genpact, IBM, Mphasis, NTT DATA, TCS, and WNS were conducted based on public disclosures and market interactions only.

# Reading the RadarView

## Avasant has recognized banking process transformation service providers in four classifications:


Leaders show consistent excellence across all key dimensions of the RadarView assessment (practice maturity, domain ecosystem, and investments and innovation) and have had a superior impact on the market as a whole. These service providers have shown true creativity and innovation and have established trends and best practices for the industry. They have proven their commitment to the industry and are recognized as thought leaders in the space that set the standard for the rest of the industry to follow. Leaders display a superior quality of execution and a reliable depth and breadth across verticals.


Innovators show a penchant for reinventing concepts and avenues, changing the very nature of how things are done from the ground up. Unlike leaders, innovators have chosen to dominate a few select areas or industries and distinguish themselves based on superior innovation. These radicals are always hungry to create pioneering advancements in the industry and are actively sought after as trailblazers, redefining the rules of the game.


Disruptors enjoy inverting established norms and developing novel approaches that invigorate the industry. These service providers choose to have a razor-sharp focus on a few specific areas and address those at a high level of granularity and commitment, resulting in tectonic shifts. While disruptors might not have the consistent depth and breadth across many verticals like leaders or the innovation capabilities of innovators, they exhibit superior capabilities in their areas of focus.


Challengers strive to break the mold and develop groundbreaking techniques, technologies, and methodologies on their way to establishing a unique position. While they may not have the scale of the providers in other categories, challengers are eager and nimble and use their high speed of execution to great effect as they scale heights in the industry. Challengers have a track record of delivering quality projects for their most demanding Global 2000 clients. In select areas and industries, challengers might have capabilities that match or exceed those of providers in other categories.

# Key contacts

## Primary contact:

**Surya Teja Baddila**
Senior Analyst
surya.teja@avasant.com

## Contributors:

**Aditya Jain**
Research Leader
aditya.jain@avasant.com

**Joseph Martinez**
Avasant Distinguished Fellow
joseph.martinez@avasant.com

**Praveen Kona**
Associate Research Director
praveen.kona@avasant.com

# Disclaimer

AVASANT


Empowering Beyond

GET CONNECTED

www.Avasant.com