

Media Backgrounder Fujitsu Financial Services

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Digital transformation must help rebuild trust in banks, investment houses and insurers

The necessity of trust

Trust is fundamental to the success of Financial Services businesses. And yet it is in short supply. [Research commissioned by Fujitsu](#) suggests only one-third of global consumers trust financial services businesses, including banks, investment houses, and insurers. They are especially skeptical about insurers using and protecting their personal data, with a third (32%) not trusting insurers to keep their data safe at all.¹

With trust so low, consumers have started moving away from the long-established brands in the sector – organizations they and their parents grew up with. So-called ‘challenger banks’ look like a breath of fresh air and have marketed their services as untainted by the trust issues that have tainted incumbent brands.

The rise of challenger banks is a significant concern for incumbents in financial services, with 16% of consumers proposing to bank only with a challenger and 33% choosing a combination of challenger and traditional bank. From the other direction, only 51% expect to bank just with a conventional bank – down from 71%. What’s more, those who are proposing to stay put have their best years behind them: younger consumers are leading the charge into challenger-only banking, with over a fifth (22%) of 16-34-year olds prepared to make the switch by 2024.²

All this comes when the need for trust has increased as the world has become more uncertain. The COVID-19 pandemic has created an additional layer of complexity for financial services organizations, which now urgently need to reimagine their role in how we live, work, and interact with each other. This is what the over-used term ‘transformation’ should really mean. The pandemic also proved how digitally enabled enterprises can better adapt operations and workforces quickly to maintain the integrity of their brand and deliver secure, high-quality customer engagement.

Rebooting banking

Fujitsu believes that rebooting banks, investment houses and insurers to turn around this lack of trust requires a purpose-driven approach with a crystal-clear commitment to serve society in ways that are fairer, more inclusive and more sustainable. To make this more than just fine words, these sector players must define how technology helps them execute in a tangible way to consumers, at speed, at scale, and powered by truly human-centric technologies and digital capabilities.

How? Fujitsu has identified three core, interlocking objectives for financial services companies seeking to reimagine their businesses while also building trust.

- Because service issues are often the root cause of the erosion in trust, the first pillar of change is to **improve customer experience**. The point is to improve the fundamentals while innovating to support customers by delivering new products and services that match the challenges they face in the new world. Fujitsu collaborates with its customers and ecosystem partners to enable financial services employees to engage directly with customers, leveraging the power of intelligent automation to drive efficiency and error-free operations, guided by insights from rich data to get

¹ “Technology and the new banking customer: Global view”. A survey of 22,640 consumers in Australia, Brazil, Canada, Germany, Japan, Mexico, New Zealand, Nordics, Ireland, Spain, the UK and the US conducted for Fujitsu by Censuswide in August, September and October 2019

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ahead of customers' needs as well as competitor digital disruptors. Automation, in turn, liberates highly trained and motivated staff to deliver a genuinely human service.

- **Deepen employee engagement.** We all work differently now. New generations of employees are eager to embrace a broad mix of opportunities and technologies to thrive within a dispersed work ecosystem. That new world is fundamentally digital, where the office will continue to exist, but it won't be a rigid place with strict boundaries or timeframes. The idea of a job has lost its physical limits too: work is now indeed everywhere and anywhere.

Financial services businesses have been pioneers in the evolution of new ways of working, which is why the sector attracts the most talented members of rising generations as employees. But it also means competition for that talent is fierce. The right digital infrastructure, applications, devices and cloud-based services give the best businesses an advantage in recruiting and retaining the best people. Fujitsu works to co-create digital workplace environments that boost employee engagement in financial services. This means virtual and physical environments, with a judicious mix of technologies to enable collaboration and innovation, virtually and in person, delivering security, privacy, and safety.

- **Accelerate digital ambition.** There is no one-size-fits-all approach to digital transformation – strategies must be tailored to each customer's progress on the journey so far. The point is to leverage the power of digital to offer customers existing and new products and services in faster and more cost-effective ways. This requires an independent assessment of the maturity of digital ambition and tailored strategies to achieve the next objectives to progress on that journey. That covers everything, including selecting the right multi-cloud and modern applications based on specific needs and maximizing the value achieved from them.

Fujitsu believes multi-cloud within a hybrid IT environment is crucial for responding to the pace of disruption in financial services. It enables scaling of services to deal with a changing economic landscape, modernizing applications to enhance customer experiences and driving faster innovation to compete with emerging Fintech firms. It is vital for achieving connected, cost-efficient operations in an unpredictable world and it's a key enabler of the intelligent services and transformed business models needed to compete and differentiate. That is why the cloud is so high on the agenda of most banking and insurance organizations.

If the big question is no longer "cloud or not?" but "how do we maximize the value of the cloud?" then some detailed thinking is needed. This requires disentangling which applications to migrate or transform in the cloud, working out how to safely modernize each one and integrate and manage applications across both cloud and legacy systems to unlock and maximize data value. With specialist IT skills proving to be a limiting factor, most customers will seek external advice from experts such as Fujitsu, with both the knowledge of the available technologies and the experience of deploying and managing them on the ground.

Data is key to a trusted future

Data underpins everything in transformation and successfully enhancing customer experience in financial services relies on it. The sector has always been a data-rich business because customers and their transactions generate huge volumes of information. This creates a rich source of insights, ideas, and knowledge on what is happening – not just in real-time but also an indicator of what the future might hold.

Not all organizations in the sector are taking full advantage of the opportunity. The events of 2020 have forced most customers to rely on digital channels to interact with financial services organizations. That has put pressure on businesses unable to offer a truly personalized, context-specific digital banking customer experience. Overcoming any such shortcomings requires leveraging data to enhance the customer experience at every touchpoint, regardless of disruption, to build brand loyalty and enhance the sense of being a bank or insurer that understands humans.

Optimize every aspect of business at lightning speed... with Quantum-Inspired Optimization Services

Until now, real-time optimization has usually been impossible because the number of options for each optimization challenge is numerically vast – beyond the capacity of conventional digital computers to produce usable answers quickly enough to be commercially useful. Quantum computing, which has the potential to take IT to a totally new level, might offer a solution in the long term. Still, it remains at an experimental level for the immediate future, with the associated high costs and risks.

This has been frustrating for technologists and strategists alike – in [research conducted by independent industry analysts Forrester](#), business leaders expressed impatience for the arrival of quantum computing and an eagerness to take advantage of the disruptive process optimization it promises. Despite quantum computing being in its infancy today, there is already pent-up demand for its disruptive power. Over eight out of 10 executives (85%) believe that quantum-inspired computing can transform their business, with a similar number (82%) agreeing it can drive higher revenue and benefit customers.

By going far beyond the power of ordinary computing, Fujitsu's Quantum-Inspired Optimization Services, on the other hand, enable a critical edge in a challenging environment where change can be sudden and disruptive. Financial services organizations can ask increasingly complex questions, more often, to reveal insights that support better and faster decision making. In the same survey, over half recognized the power of Quantum-Inspired Optimization Services to improve automation and achieve greater flexibility, with significant numbers seeing benefits in terms of improving customer experience and gaining customer insights.

Fujitsu's Quantum-Inspired Optimization Services are based on today's ultra-reliable digital platforms, meaning they are available today, rather than needing to wait for true quantum computing to arrive. They are allowing businesses, including banks such as Spain's [BBVA](#) and [NatWest](#) in the UK, to become what Fujitsu calls 'Always Optimal' – with the ability to optimize every aspect of a process quickly enough to be usable in near-real-time.

...and with Artificial Intelligence

AI depends on data to train models for 'Machine Learning' – that much is well known. But, contrary to popular belief, it is not a pre-set product or service. Instead, it is an endlessly adaptable framework, capable of molding to any application. Predictive maintenance is a front-runner use case in many organizations. In banking, AI is already being applied to ATM data to detect the early warning signs of mechanical or software failure.

Insurance has always been a data business. But the sector is falling behind in its ability to harness information, opening the door to existential competition from digital disrupters better able to meet customer expectations, in part because of earlier adoption of AI. According to [a new Fujitsu White Paper](#), insurance is still at an early stage of AI maturity but its AI-empowered future is not far away. One where the fundamentals of the sector are entirely upended – and everybody is better off for it. Process Automation, including Robotic Process Automation (RPA) – which has become common in the industry – goes some way to improving process efficiency. But AI is set to supercharge those savings, leveraging its ability to learn to amplify cost reductions. While RPA yields roughly 20%, machine learning-based Hyper-automation results in approximately 60% savings – improving over time as the algorithm becomes adept at more complex processes.

Managing and eliminating fraud is a key aspect of the insurance industry and AI can help curtail losses. The FBI estimates non-healthcare insurance fraud costs US insurers \$40 billion per year – \$400-\$700 extra on annual premiums for the average American family. Insurance Europe estimates that European carriers lost €13 billion to insurance fraud in 2017. AI is already proving its ability to fight fraud in the financial sector, where its aptitude for pattern recognition excels at identifying suspicious transaction sequences. In insurance, it is set to combine this capacity with the ability to correlate traditional structured data with unstructured data like images and social media.

Fujitsu is also focusing the considerable power of AI on the framework of pattern recognition. Staying with the insurance sector, Fujitsu has co-created with [Aioi Nissay Dowa Insurance Company](#) to leverage AI image recognition and Visual SLAM technology to analyze accident situations quicker and more accurately. Elsewhere, pattern recognition in financial services can aid portfolio managers and investment specialists to get ahead of the market and boost returns for the business. Security also benefits. AI-enabled pattern recognition can spot data anomalies and protect both the company and customers and provide services to customers much faster by cutting out the currently high – and frustrating – rates of false-positive fraud detection. Similarly, Fujitsu has also been working with banks to add [facial recognition to ATMs using AI](#), helping personalize services while also making security more robust.

Security must be baked-in

One possible irony of digital transformation is that, by meeting customers' heightened expectations, it increases the 'attack surface' – the number of ways an attacker can infiltrate an organization's security defenses. This is doubly troubling for the financial services sector. It also experiences one of the highest rates of incremental customer turnover following a data breach compared to other industries.

Threat profiles change every day and the spotlight on security is unforgiving. Regulations and compliance demands become ever more stringent, and breaches are swiftly publicized across all forms of media. Right now, it takes around 279 days on average to discover and contain a breach, according to the Ponemon Institute and its *Cost of a Data Breach* report. Clearly, this sort of delay is incompatible with customers' needs and only serves to increase the potential losses and reputation damage facing a bank or insurer.

Fujitsu advocates a tripartite cyber security model, embracing people and processes as well as technology. Data vulnerability often derives from people's behavior and changing corporate culture so that it is correctly aligned to maximize cyber security is a prerequisite for any program. Processes have to be designed from the ground up to be secure – with a focus on operational efficiency, reliability and, of course, security.

When it comes to the technology of cyber security, important aspects include cyber-threat intelligence, the capability to pre-empt specific issues, effective measures for the protection of digital identities and overall architecture simplification. However, the ability to keep pace with evolving threats through the use of Artificial Intelligence (AI), machine learning, automation and orchestration is also now critical. Fortunately, security professionals have an incredibly powerful AI tool at their disposal to assess and prioritize threats: Security, Orchestration, Automation and Response (SOAR) technologies that are designed to simplify the incident response process. In particular, the Advanced Threat Protection and SOAR capabilities available from Fujitsu provide customers with constantly evolving approaches as a means of achieving enhanced security, making it one of the only Managed Security Service Providers adopting automation to better protect its customers.

SOAR technologies are designed to simplify the incident response process. Thanks to machine learning, SOAR can appropriately prioritize the most critical threats that human analysts should deal with. This automated incident handling reduces alert fatigue and frees up Security Operations Center staff to deal with more complex and rewarding analytical work. Notably, the mean time to respond is decreased, ensuring that a business can reduce the impact of cyber-attacks.

SOAR is a new technology but it does not replace completely all other security processes and services. Fujitsu also advocates a holistic, intelligence-led approach to cyber security, based on a clear awareness of an organization's cyber security posture at any point in time, aided by external intelligence to develop perspectives on the external threat context.

Online resources

- Read about Fujitsu Financial Services: <https://www.fujitsu.com/global/solutions/industry/financial-services/>
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- For regular news updates, bookmark the Fujitsu newsroom: <http://ts.fujitsu.com/ps2/nr/index.aspx>

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Fujitsu is the leading Japanese information and communication technology (ICT) company offering a full range of technology products, solutions and services. Approximately 130,000 Fujitsu people support customers in more than 100 countries. We use our experience and the power of ICT to shape the future of society with our customers. Fujitsu Limited (TSE:6702) reported consolidated revenues of 3.9 trillion yen (US\$35 billion) for the fiscal year ended March 31, 2020. For more information, please see www.fujitsu.com.

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