

Digital Transformation: What's Next for U.K. Banks?

The inside story from 220 senior
U.K. banking leaders

To lift the lid on the state of digital transformation in U.K. banking, we surveyed 220 senior U.K. banking leaders for their insights. We asked them how their transformations are going, what their main challenges are and how they're prioritizing their transformation strategies.

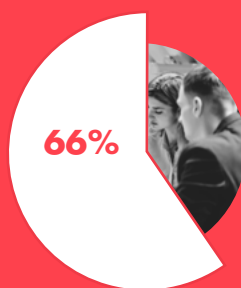
Here's a snapshot of what we found.



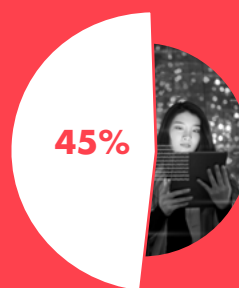
KEY STATS AT A GLANCE



Three-fourths admit evolving customer expectations have highlighted the weaknesses in their organization's current customer experience.



Over two-thirds believe their firm's legacy systems and infrastructure are hindering them from providing the digital experiences their customers expect.

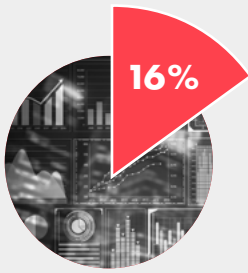


Over two in five cite AI and emerging technologies as their company's number one priority over the next three years, just below 46% who cite cybersecurity.



Over a third of U.K. banks have an agile operating model.

The top priorities for digital business transformation in U.K. banks are:



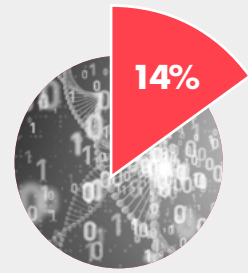
Improving cybersecurity



Improving the customer experience



Reducing costs through improved efficiency



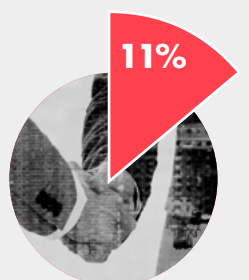
Growing revenue with new products and/or service offerings



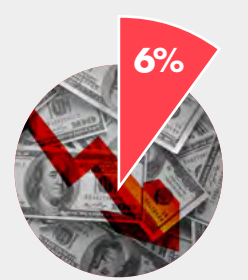
Growing revenue from existing products



Enabling greater agility



Acquiring new customers



Challenging the threat posed by new market entrants (e.g., Google, Apple, Amazon)

The three main barriers to digital transformation are:

 LACK OF BUDGET



say lack of budget has been the biggest barrier to their digital transformation efforts.

 LEGACY TECH



believe their legacy IT systems are holding them back, with nearly a third planning to modernize their old systems rather than replace them.

 REGULATORY CHALLENGES



said that changes in regulation were holding them back.

Personalizing customer journeys is a priority for U.K. banks

Banks want to use data to create new products and services that deliver more personalized omnichannel experiences.



40%

state that making personalized customer journeys (e.g., tailored marketing, personalized saving tips based on individual spending habits) is their top CX transformation priority.



39%

said that omnichannel servicing to enable seamless customer journeys is a key priority.



35%

said that offering new financial services and products is a main priority.

U.K. banks want to become more agile

Banks are transforming to survive in the customer-centric digital era, but access to data and the right technology and platforms remains a challenge.

MODERN CLOUD

35%

said that moving to a modern cloud-based core banking system is their key priority.

KEY OPERATION

34%

said that moving to the cloud is a key operational transformation priority.

DEVELOPMENT

32%

are focusing on existing talent development (e.g., upskilling, reskilling), with 29% of banks citing a lack of workforce skills or willingness to embrace change as their biggest transformation barrier.

BUSINESS NEEDS

31%

said that their business needs to be more agile.

How do U.K. banks think they stack up?



63%

think they're ahead of their competitors when it comes to their ability to transform customer experiences.



91%

think they're ahead in key development areas, such as innovation for products and services.

AI is now in play

Banks in the U.K. see the potential of AI technologies to boost digital transformation.

SPEED

75% 

believe AI's biggest potential is in making processes more efficient, profitable and faster rather than doing them better or more accurately.

INVESTMENT

30% 

of banks' customer experience digital transformation investment will be prioritized for machine learning, AI and generative AI.

CAPABILITIES

76% 

say they will prioritize non-customer-facing generative AI over the next three years to improve capabilities.

Internal uses of generative AI are the focus—for now

Approximately 60% of banks are pursuing transactional generative AI use cases such as credit analysis, portfolio management, underwriting, risk measurement, legal contracts, proposals, RFPs, pitch documents and more.



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