MARLIN HAWK

Marlin Hawk Industry Pulse

Transforming Retail Banking: Technological Revolution for a Digital-First Era

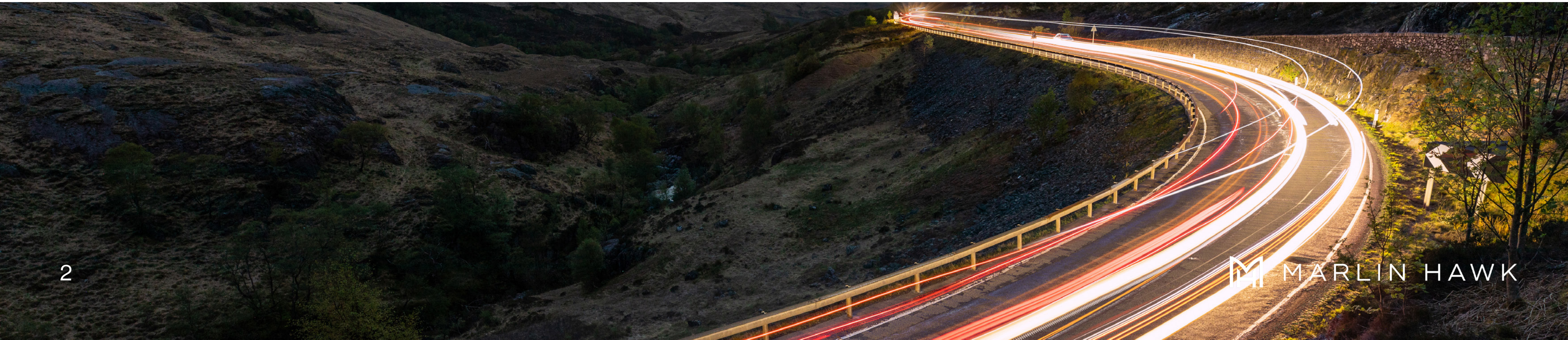
Introduction

The future success of legacy consumer banking institutions depends on their leaders acting now. Most legacy banks' tech infrastructure is still outdated, separated into siloed systems and not future-ready. They continue to manage this with short-term patches and fixes. This results in exorbitant running costs and a widening gap in customer experience compared to their digital-first competitors.

To protect their primary client base, leaders need to utilise all new technologies and pivot their strategy to be ruthless on operational efficiency to drive costs out of the business and have industry-leading consumer experiences, including hyper-personalisation of consumer journeys. This modernisation requires the focus of leaders on prioritising strategy and implementation of robust data structures. Outdated approaches are quickly being found out.

Without this urgent pivoting to modernisation, legacy banks risk losing market share to more customer-centric competitors built on a digital-first distribution strategy that rapidly understands their customers' preferences. In turn, they hyper-personalise their experiences to much greater effect.

Currently, most banks' leadership is too risk-averse to prioritise technological evolution. Marlin Hawk's clients are looking for leaders with the courage and desire to challenge the status-quo with efficiency focused, tech-centric solutions, with pace and execution excellence. The future retail banking leader has these qualities, and the future bank must diversify these leaders across the board and executive levels. This will drive the structural and cultural change required to modernise tech infrastructure and customer-centricity and prioritise a digital-first distribution strategy.



The Key Customer Signals Big Banks Should be Worried About

Despite challenger banks and Fintechs having serious recent issues with prioritising customer growth over customer safety, namely Starling Bank and Revolut in the UK, in the first half of 2023, 47% of new accounts were opened within Fintechs and digital banks, up from 36% in 2020. In Great Britain, there is also a clear trend of digital and regional challenger consumers having greater satisfaction from their banks. These banks prioritise customer-centricity and are built on modern infrastructure. The legacy banks still hold the greatest market share; however, the rapid evolution of technology is shifting the industry. 60% of bank executives see big Fintechs as a significant threat to their business.

Even with their success, digital banks are also starting to worry about disruption: Marlin Hawk recently engaged with the Group CEO of a digital bank serving over 15 million customers with just 300 employees. His concern highlights the rapid pace of technological innovation; he believes that soon, a bank could achieve the same results with only 30 employees.

The Commonwealth Bank of Australia is a legacy bank success story. In partnership with Amazon Web Services, CBA has launched its 'AI Factory' to accelerate the adoption of Generative AI, helping them improve operational efficiencies and create hyper-personalised consumer experiences like Hey CommBank. In 2024, they have spent an estimated $1.6B on tech, including on AI, IoT, their data infrastructure and cloud-based mobile applications. This will help them minimise long-term costs while increasing revenue streams. As a result, they have an accelerated level of market capitalisation compared to their competitors.

Consumer Behaviour

47%

of new accounts were opened within Fintechs and digital banks

Industry Executives

60%

of bank executives see large Fintechs as a significant threat to their business.

The Big Banks' Problems

Operational Inefficiency, Cost and Customer Centricity

The global banks' legacy core banking infrastructures are old, create operational inefficiencies and cost more to run and maintain. "Most banks have multiple systems that are not fit for purpose and don't integrate properly," Paul Cox, Retail Banking and Wealth Management specialist told Marlin Hawk. 75% of banks admit they need to modernise their core. This translates into limitations in the back end that hinder a bank's ability to innovate, including:

01 Migrating systems to an effective cloud-based core. Banks have had differing levels of success with this, but many lack the technical resources or cite competing priorities to fully implement it.

02 Banks are experimenting with Banking-as-a-service (BaaS) and building SuperApps, however most are struggling to do this at the required pace due to technological limitations.

03 Due to outdated systems, 75% of banks have difficulties implementing cybersecurity upgrades and new payment offerings.

On the front-end, these technological challenges, along with prioritisation of customer-centricity, result in different qualities of services that banks are providing to consumers. New trends are expected in retail banking in 2025, including hyper-personalisation of customer journeys and more effective consolidation of services for consumers.

Dan Robinson, Partner at AcuityX, explains this further: "Customers use 3, 4, 5 points of contact with their financial portfolio, but they want to access them in one single location. Its vital that the different services can talk to each other to make it simpler for the customer".

Hyper-personalising the customer experience and providing them with what they need at the right time requires a robust tech and data architecture. Banks that don't prioritise this will fall behind as the technology gap increases – they will lose client relationships, erode margins and make it even more difficult in the long-term to address the rising cost of upgrading their technology.

The Leadership Problem

Currently, most legacy bank leaders come from traditional banking backgrounds. Cox summarised the problem: "The leaders run a bank exceptionally well, but they don't come from a culture that encourages innovation and creativity." They often over-index on risk aversion, prioritising the need for short-term profits for shareholders over their long-term future. "CEOs and the Board are judged on this year's performance, meaning real transformation rarely happens". This has a direct impact on a bank's technological infrastructure – because a huge amount of time and investment is required to make true structural change.

To try and fix their technology problems, current leaders are implementing tech leadership roles, including Chief Digital Officers, Chief Innovation Officers and AI leaders. These leaders typically form cross-functional teams of highly capable people at senior management and below (which banks are hiring at an accelerated rate) to work on specific projects. Unfortunately, they are often siloed, resulting in small patches to infrastructure, rather than driving mass structural change. This stems from a lack of cohesion across the executive team and board to prioritise the investment, time and strategy required to solve this problem from its core.

The Solution is to Diversify Your Leaders

Increase Diversity of Experience by Hiring from Outside of Banking

A courageous CEO would challenge the status-quo and realign the bank's risk-culture to encourage long-term tech innovation while managing short-term shareholder needs. "Truly bold leadership would mean accepting a degree of operational risk to accelerate change and an impact on profitability" says Cox. To adjust culture, they must hire innovative leaders from outside of the biggest banks that have proven their ability to drive efficiency focused, tech-centric solutions while abiding by strict regulations.

Maile Carnegie joined ANZ as Group Executive of Digital Banking from Google, where she was the CEO of Australia and New Zealand, following 20 years at Procter and Gamble. She has since progressed to lead ANZ's retail division in Australia through significant digital transformation, accelerating ANZ Plus's rapid growth by 84% in its customer base and 70% in deposits since 2023. ANZ have spent $2.5b in the last 5 years on technology-based innovations.

Diversify Technological Understanding Across the Team

A bold CEO would also put digital initiatives at the front of business by having leaders with a complete understanding of the technology, architecture and investment capital required to modernise their systems. This means diversifying technological understanding across the board and executive team so leaders can drive structural change cohesively. Robinson backs this: "Leaders must now be data and tech experts and work together to co-design, co-author and co-execute because you're building a product as a team".

There are good examples of banking technologists moving into strategic, broader roles. Susan Hwee transformed the tech and data architecture strategy at United Overseas Bank and was subsequently promoted to Head of Group Retail. Jayne Opperman has also worked at multiple banks in leading technology roles. She rejoined Lloyds Bank as the CEO of Consumer Relationships.

At Wells Fargo, Saul Van Beurden was promoted to the CEO of Consumer and Small Business Banking from Head of Technology and previously, CIO of Consumer and Community Banking at JPMorgan Chase. In 2024, Wells Fargo recently released a virtual personalised assistant for consumers called Fargo, using Dialogflow, Google's conversational AI, aiding the evolving need for hyper personalisation of customer journeys through the use of AI.

Conclusion and Our Approach

The cost of upgrading technology systems is rising. Banks must upgrade their tech infrastructure, improve customer experience and prioritise a digital-first distribution strategy by hiring diverse talent across their board and executive teams, changing their culture and strategy to prioritise these issues and improve Branch effectiveness. Currently, their leadership is too passive, risk-averse and motivated by short-term profits for shareholders over the long-term requirement of pivoting to this strategy of driving simplification and efficiency. Tomorrow's banking executive and board leaders will have diversity of thought, technological understanding and be willing to take the risks required to drastically modernise their technology, which will in turn attract the best future tech talent. This positive feedback loop will continuously encourage innovation.

Our business philosophy is to appoint leaders who can help deliver the business agenda for both today and tomorrow. We do this by using creative sourcing methodologies, coupled with an assessment methodology supported by Hogan and focusing on five key criteria: Strategic Mindset, Purpose-Led Leadership, Results Orientation, Building Teams and Technology Evangelism. These five key elements, coupled with a track record of delivery, can provide hiring managers with the necessary comfort to take additional risk on appointing leaders from diverse leadership expertise.

About Marlin Hawk

Marlin Hawk is a global leadership advisory firm specialising in executive search, strategic intelligence, and interim management. For over 20 years, we've empowered our clients with data and insights to make diverse, inclusive and impactful leadership decisions. One globally connected team, we are headquartered in London with offices in New York, Denver, Toronto, Chicago, Amsterdam, Dubai, Singapore and Hong Kong. Unconstrained by a one-size-fits-all approach to both clients and candidates, we build relationships with care and attention to detail, while delivering at pace.

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