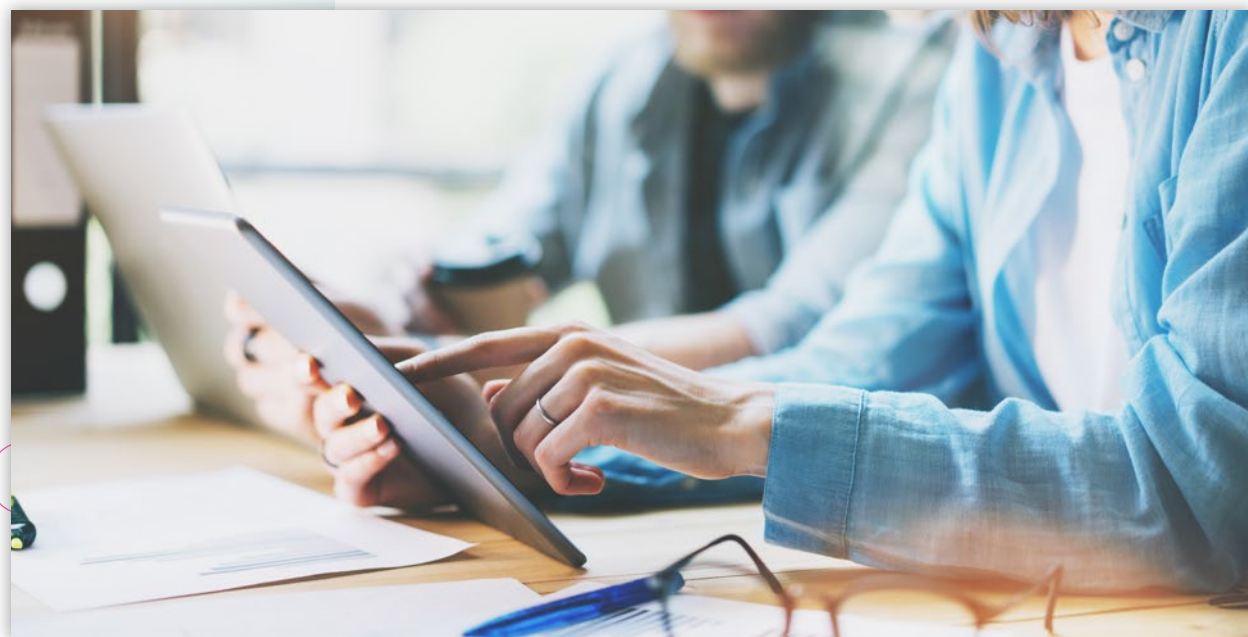# The Top Data and Technology Challenges in Financial Services

A Global Survey of 554 Line of Business Leaders

Introduction

InterSystems, the leading provider of next generation solutions for critical enterprise digital transformations, commissioned data analyst firm Vitreous World to survey 554 business leaders within financial services companies, including commercial, investment, and retail banks, across 12 countries globally in the US, Canada, Brazil, UK and Ireland, Germany, Switzerland, Australia, New Zealand, Hong Kong, Malaysia, and Singapore. The survey sought to uncover the biggest technology and data challenges facing financial services organizations, as well as their key data initiatives and priorities for the next 12 months.

These survey results form the basis of this report, which also explores how firms can overcome the issues identified and ensure that their data architectures deliver the capabilities needed to drive innovation and futureproof their organizations. Some of the key findings include:
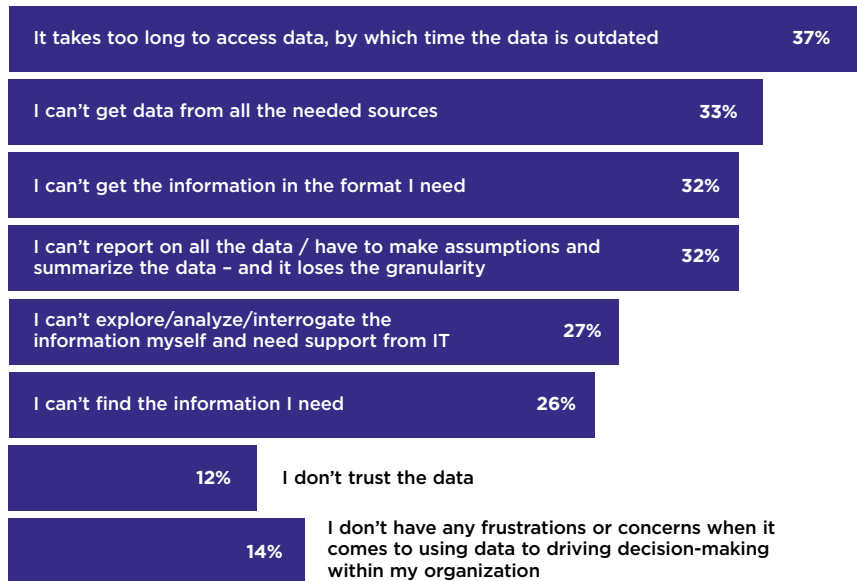
- 86% of global financial services institutions lack confidence in using their data to drive decision-making. Their biggest data challenges are delayed access to data (37%), not being able to get the data from all the needed sources (33%), and not getting it in the format needed (32%).

- 98% report that there are data and application silos within their organization.

- 95% of the data financial services firms use for decision-making is more than one hour old, 63% of the data is more than 24 hours old, and 38% is four days old or older.

- 51% cite gaining access to real-time data from across the business for improved decision-making as their highest technology priority for the next 12 months.

- 36% find it difficult to obtain a 360-degree picture of customers to deliver personalized services and 31% admit that it is hard to gain an enterprise level view of risk.
- 35% view improving operational efficiencies as a top initiative for which they require real-time access to distributed data, followed by making strategic decisions (31%), and digitalization/automation (28%).
- 77% would consider implementing a data fabric to simplify access to distributed data.

The Challenges Facing Financial Services Firms

Financial services firms are facing a variety of critical data challenges, with the survey highlighting that these range from difficulties accessing data and getting it in the right format to using it to drive decision-making. Becoming a data-led organization is clearly far more complicated than business leaders expect, and delivering the right data to support critical business needs is becoming increasingly challenging. With data playing such a vital role in any financial services organization, these struggles are having a clear and significant impact, as the findings demonstrate.

What are your biggest frustrations or concerns, if any, when it comes to using data to drive decision-making within your organization?

|	
It takes too long to access data, by which time the data is outdated	37%
I can't get data from all the needed sources	33%
I can't get the information in the format I need	32%
I can't report on all the data / have to make assumptions and summarize the data – and it loses the granularity	32%
I can't explore/analyze/interrogate the information myself and need support from IT	27%
I can't find the information I need	26%
12% I don't trust the data	
14% I don't have any frustrations or concerns when it comes to using data to driving decision-making within my organization	

These challenges stem in large part from overly complex data infrastructures implemented with a disjointed set of technologies and applications, leading to silos that make it difficult to obtain information and insights in a timely manner, and in a way that is easy to interpret and share.

This is further evidenced by the following findings:

**How many different data and application silos does
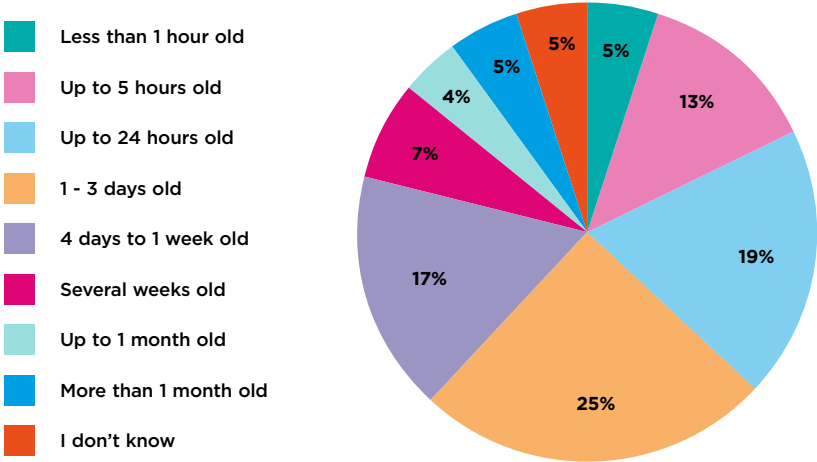your organization have?**

None	1-24	25-100	101-500	501+
2%	37%	38%	15%	7%
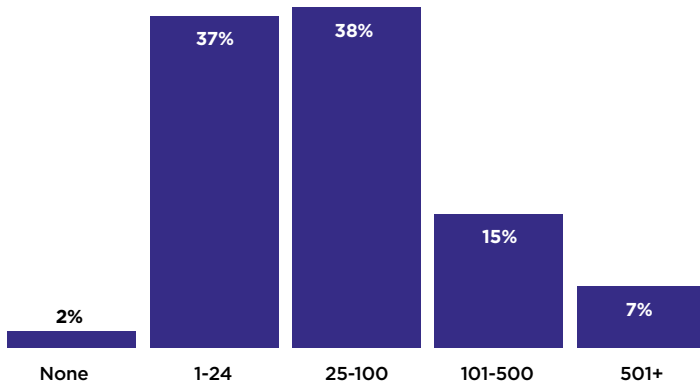
**What percentage of your data is currently stored in either the cloud,
on-premise, a hybrid of both cloud and on-premise, or elsewhere?**

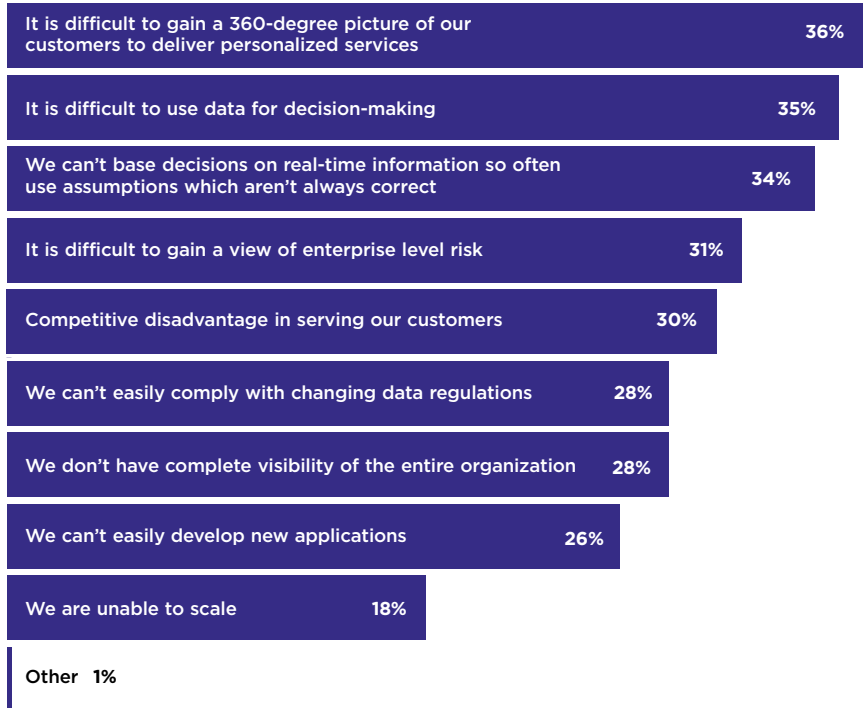| Cloud	On-premise	A hybrid (of both cloud and on-premise)	Other
45%	44%	42%	26%
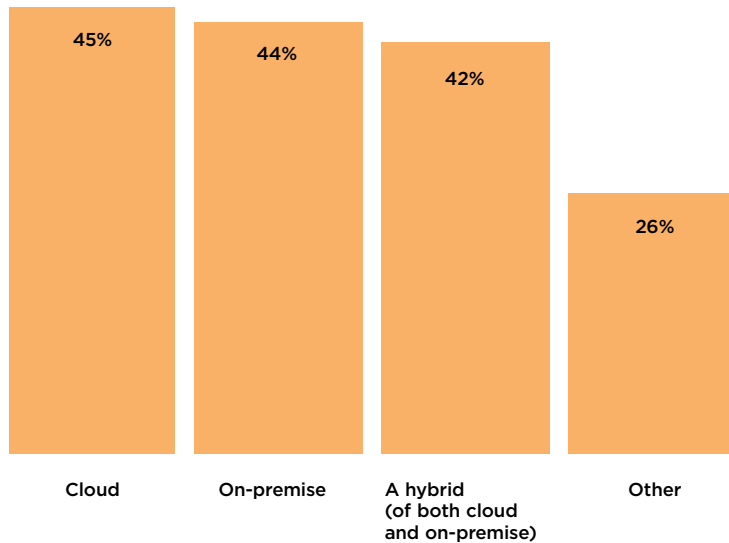
On average, organizations are storing 45% of their data in the cloud,
44% on-premise, and 42% in a hybrid of both on-premise and cloud. For
financial services firms, this means the largest proportion of their data is
being hosted in the cloud.

On average, how old is the data used by business leaders in your organization to make decisions?

Legend:
- Less than 1 hour old
- Up to 5 hours old
- Up to 24 hours old
- 1 - 3 days old
- 4 days to 1 week old
- Several weeks old
- Up to 1 month old
- More than 1 month old
- I don't know

Pie chart values:
- 5% (Less than 1 hour old)
- 13% (Up to 5 hours old)
- 19% (Up to 24 hours old)
- 25% (1 - 3 days old)
- 17% (4 days to 1 week old)
- 7% (Several weeks old)
- 4% (Up to 1 month old)
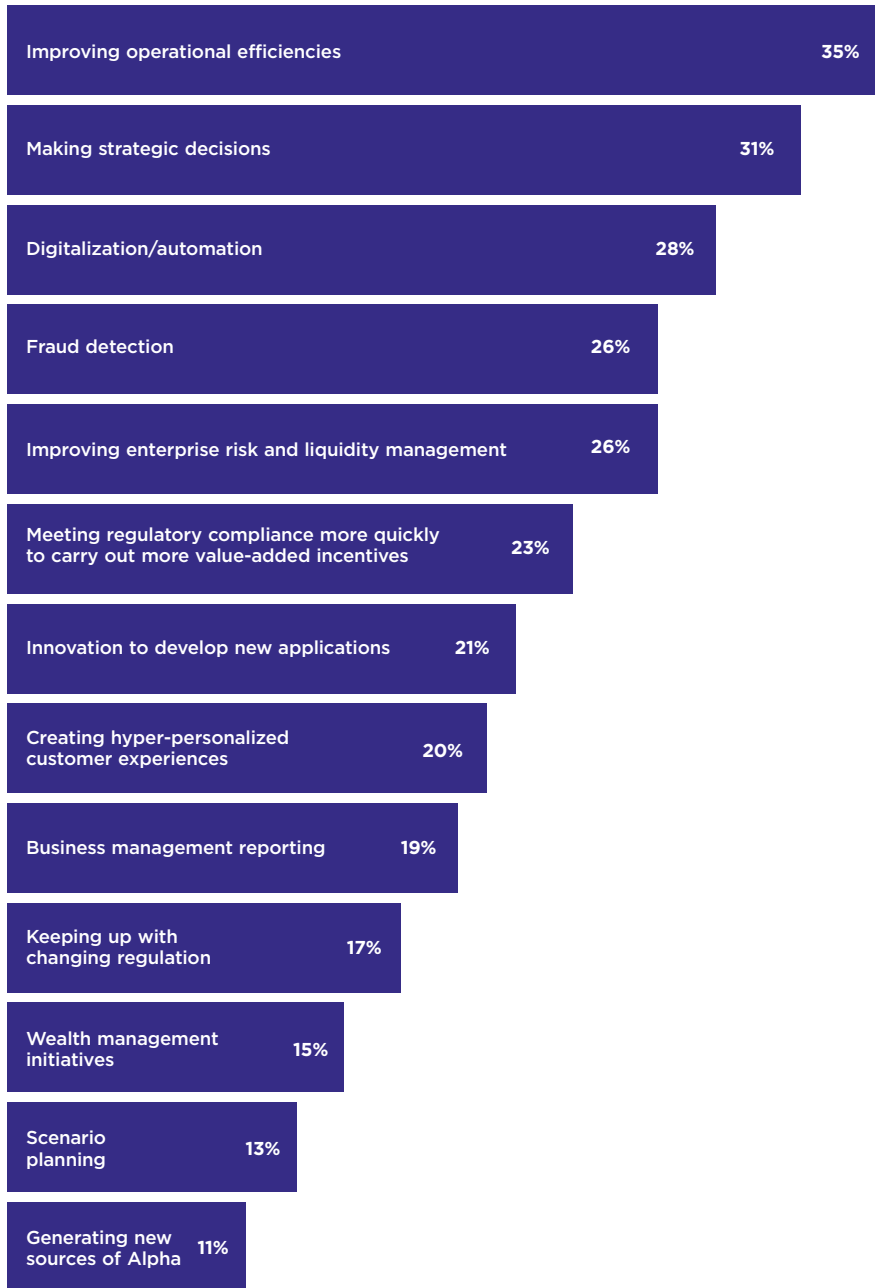- 5% (More than 1 month old)
- 5% (I don't know)

95% of the data financial services firms use for decision-making is more than one hour old, 63% of the data is more than 24 hours old, and 38% is four days old or older.

What impact do these challenges have on your business?

Challenge	Percentage
It is difficult to gain a 360-degree picture of our customers to deliver personalized services	36%
It is difficult to use data for decision-making	35%
We can't base decisions on real-time information so often use assumptions which aren't always correct	34%
It is difficult to gain a view of enterprise level risk	31%
Competitive disadvantage in serving our customers	30%
We can't easily comply with changing data regulations	28%
We don't have complete visibility of the entire organization	28%
We can't easily develop new applications	26%
We are unable to scale	18%
Other	1%

4

Challenges in accessing data and the lack of availability of real-time data are issues that require urgent attention as financial services firms make it clear that it is required for a wide range of initiatives. Consequently, being unable to access distributed data in a timely fashion has significant repercussions, impacting the effectiveness and outcomes of such initiatives.

What are your organization's top three priority initiatives that require getting access to distributed enterprise data in a timely fashion?

| Initiative	%
Improving operational efficiencies	35%
Making strategic decisions	31%
Digitalization/automation	28%
Fraud detection	26%
Improving enterprise risk and liquidity management	26%
Meeting regulatory compliance more quickly to carry out more value-added incentives	23%
Innovation to develop new applications	21%
Creating hyper-personalized customer experiences	20%
Business management reporting	19%
Keeping up with changing regulation	17%
Wealth management initiatives	15%
Scenario planning	13%
Generating new sources of Alpha	11%

ONLY 5% OF DATA USED BY FINANCIAL SERVICES FIRMS TO MAKE BUSINESS DECISIONS IS LESS THAN ONE HOUR OLD; ONLY 37% OF THE DATA IS LESS THAN ONE DAY OLD.
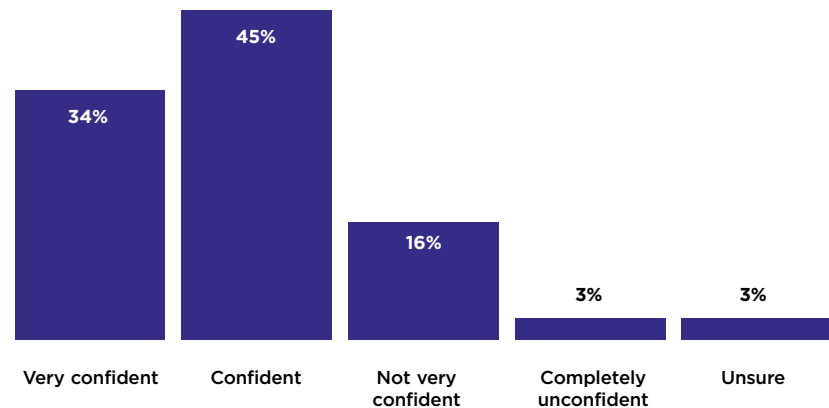
Customer Experience

Despite the challenges firms are experiencing with accessing data, 50% report that they can use data to offer customers hyper-personalized products and services all the time, while 42% are able to do so on occasion, and 9% are not able to do so at all. Only 34% are very confident they have a 360-degree view of customer data.
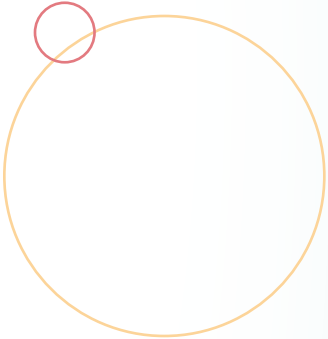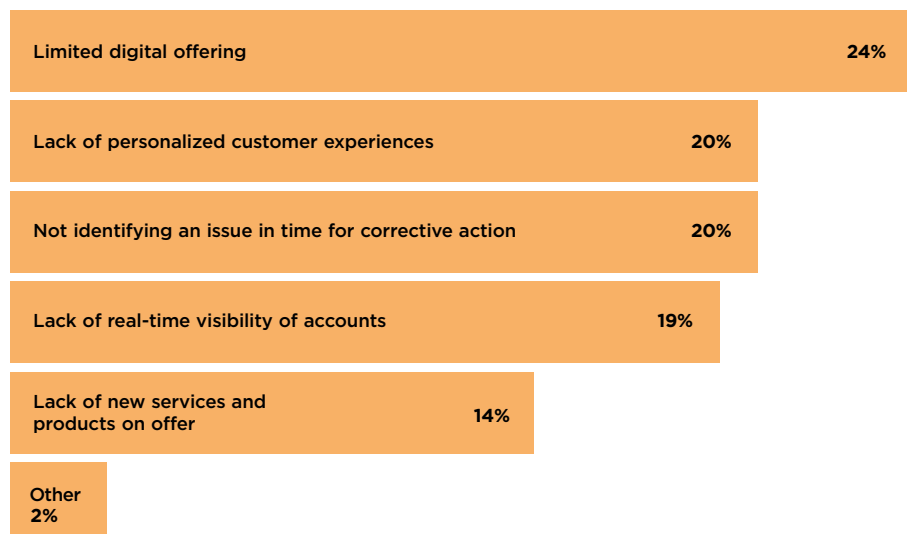
Are you currently able to use data to offer customers hyper-personalized products and services?

50% Yes, all the time	42% Yes, on occasion	9% No
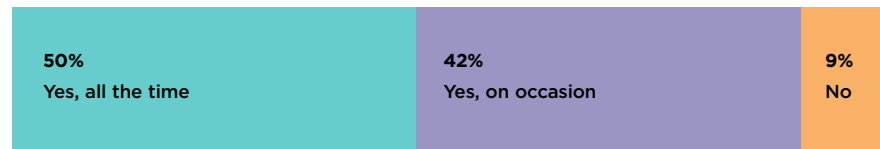
To what extent are you confident, or not, that your organization has a 360-degree view of customer data?

Very confident	Confident	Not very confident	Completely unconfident	Unsure
34%	45%	16%	3%	3%

What is the biggest barrier to customer retention for your organization?

|	
Limited digital offering	24%
Lack of personalized customer experiences	20%
Not identifying an issue in time for corrective action	20%
Lack of real-time visibility of accounts	19%
Lack of new services and products on offer	14%
Other	2%

Risk and Regulation

Data also plays a vital role in risk and regulatory compliance initiatives, with firms demonstrating varying levels of confidence in using their data for these purposes.

When requested by regulators, how confident, or not, are you that you can provide the correct data and its full lineage?

| Very confident	Confident	Not very confident	Completely unconfident	Unsure
40%	47%	10%	1%	2%
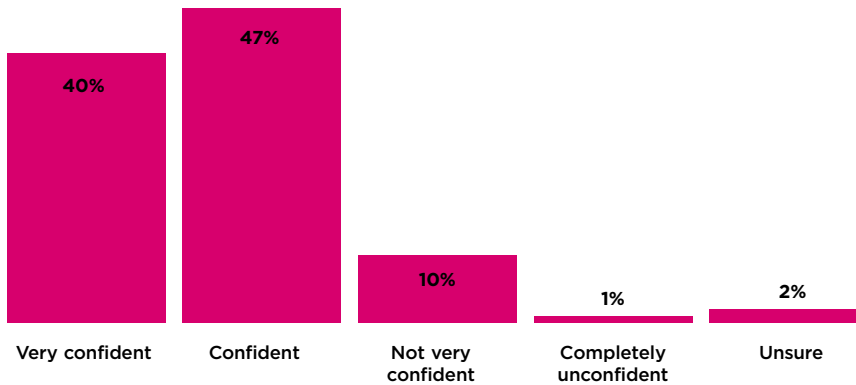
How confident are you that your organization can access real-time data to view how counterparties or different departments within your organization in other regions are performing?

Very confident	Confident	Not very confident	Completely unconfident	Unsure
35%	44%	16%	1%	3%
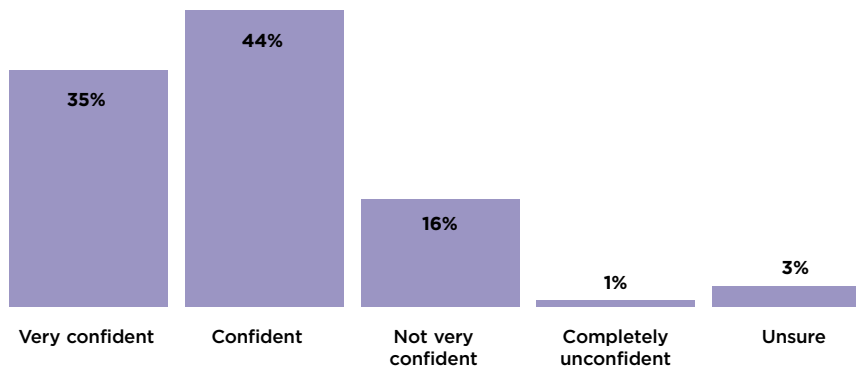
How confident or unconfident are you that your organization has a real-time understanding of enterprise risk?

Very confident	Confident	Not very confident	Completely unconfident	Unsure
37%	45%	13%	1%	3%
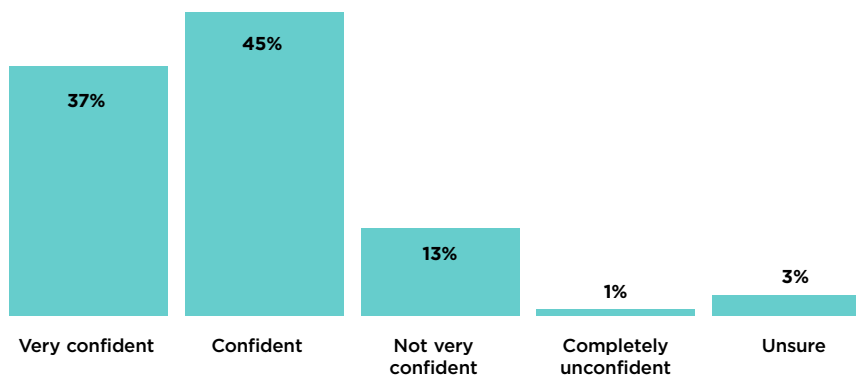
How confident are you, if at all, of your organization's ability to quickly adapt to new and changing regulatory requirements?

Very confident	Confident	Not very confident	Completely unconfident	Unsure
37%	47%	11%	1%	3%
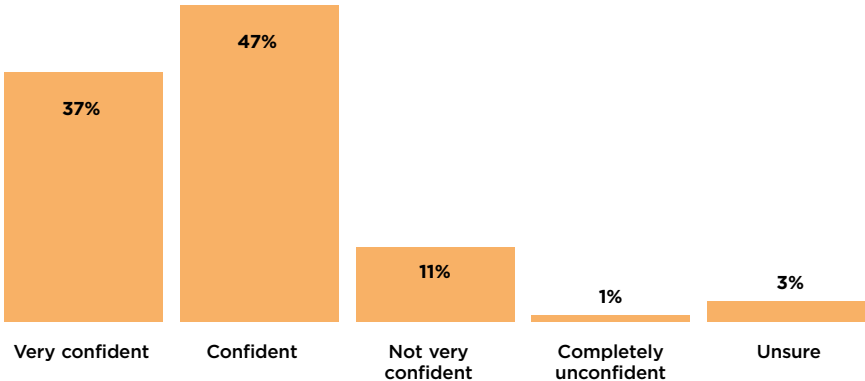
Working with Fintechs

While it is often thought that traditional banks are in direct competition with fintechs and neobanks, most financial services firms revealed that they would be interested in collaborating.

What are your views on working with fintechs and neobanks?

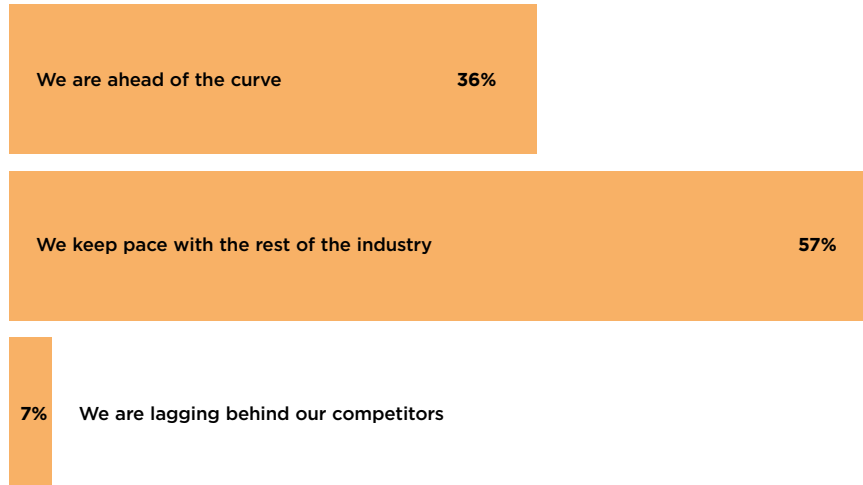|	
We would like to collaborate with them	45%
We plan to create an in-house fintech hub	24%
We don't intend to change our current way of working	17%
We haven't considered this avenue yet but may do so in the future	14%

Competitive Perceptions

When it comes to their perceived standing within the competitive landscape, the majority of firms are confident in their offering and ability, viewing themselves as either ahead of the curve or keeping pace with the competition.
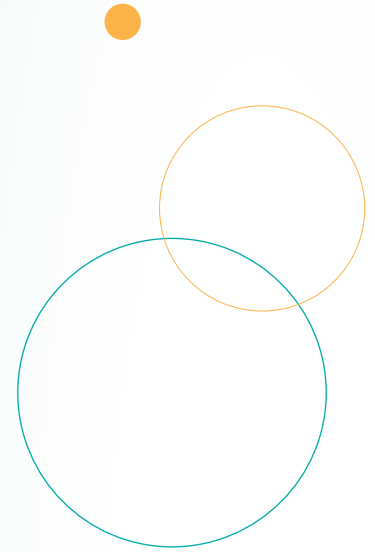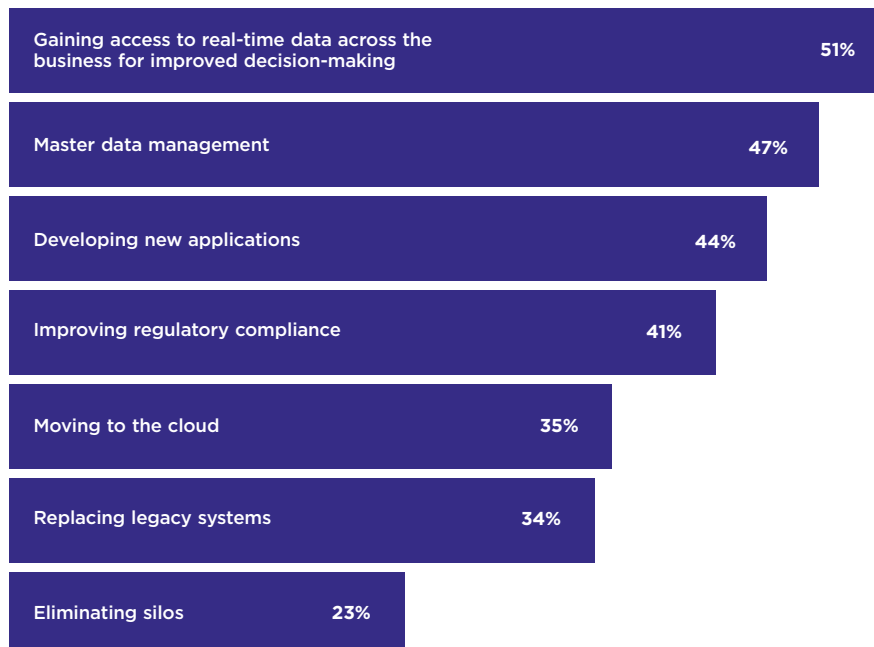
How do you think your organization compares to the competition?

We are ahead of the curve	36%
We keep pace with the rest of the industry	57%
7% We are lagging behind our competitors	

Looking to the Future

As they look ahead to the next 12 months, financial services organizations have clear ideas about what to prioritize.

**In the next 12 months, which do you consider to be the three highest technology priorities for your organization?**

Gaining access to real-time data across the business for improved decision-making	51%
Master data management	47%
Developing new applications	44%
Improving regulatory compliance	41%
Moving to the cloud	35%
Replacing legacy systems	34%
Eliminating silos	23%

The number one priority for financial services firms for the next 12 months is gaining access to real-time data across the business for improved decision-making. Similarly, 47% have identified implementing master data management as a top priority. Taking these actions will help firms to overcome the key data challenges uncovered by the research.

Looking at the technology that can enable them to achieve these goals, many financial services firms appear to be recognizing the value of data fabrics. While data fabrics are still an emerging architecture, more than half (56%) of business leaders in financial services businesses globally are aware of data fabrics, a figure that rises to 80% in the US and 82% in Hong Kong.

When the concept of a data fabric was explained, more than three-quarters (77%) of the entire sample said they would consider implementing one in order to simplify access to distributed data. In the US, this figure rises to 93%.

Are you aware of the new "data fabric" architectural approach to simplify access to distributed data?

Yes

No

Unsure

18%

56%

26%
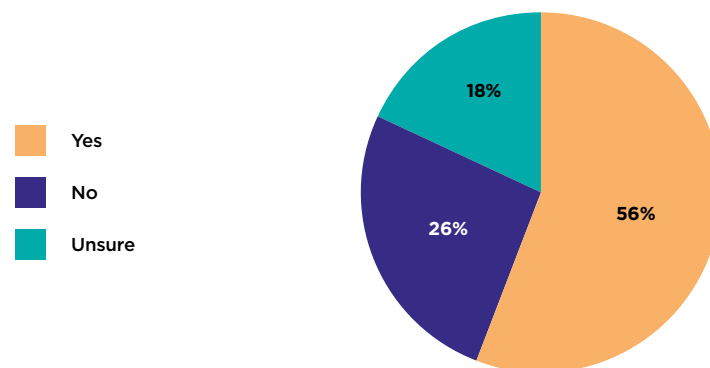
Would you consider implementing a data fabric to simplify access to distributed data?

Yes

No

Unsure

18%

5%

77%

10
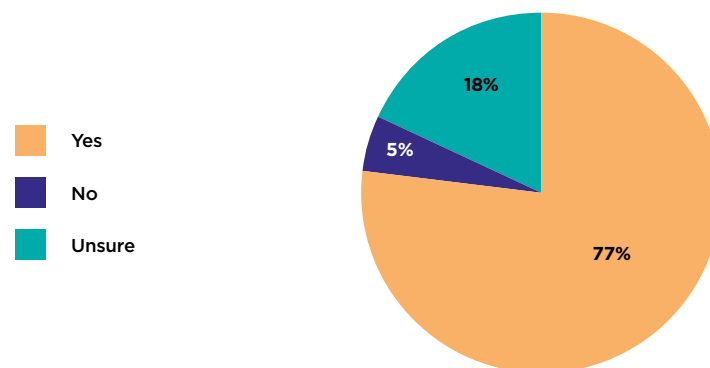
What Is a Data Fabric?

Described as "the future of data management" by Gartner[1], the data fabric is an architectural approach to data management that speeds and simplifies access to disparate data across the organization. It accesses, transforms, and harmonizes data from multiple sources, on demand, to make it usable and actionable for a wide variety of initiatives. A data fabric allows existing legacy applications and data to remain in place, removing the need to duplicate data, and reducing architectural complexity.

It eliminates delays in accessing data and allows organizations to incorporate real time event and transactional data into processes, and into reporting and analytics functions. This also helps to eliminate errors and missed business opportunities. As a consequence, organizations gain more accurate, current, and comprehensive information, while maximizing the value from their previous technology investments.

WHEN THE CONCEPT OF A DATA FABRIC WAS EXPLAINED, MORE THAN THREE-QUARTERS (77%) OF THE ENTIRE SAMPLE SAID THEY WOULD CONSIDER IMPLEMENTING ONE IN ORDER TO SIMPLIFY ACCESS TO DISTRIBUTED DATA. IN THE US, THIS FIGURE RISES TO 93%.

[1]Gartner, Emerging Technologies: Data Fabric Is the Future of Data Management. 4 December 2020 – ID G00733652

Conclusion: Turning Data into Business Value

The current data challenges experienced by financial services firms are significantly impeding their ability to meet their top business objectives and address critical issues, such as gaining real-time insights into the business, reducing risk, improving operational efficiencies, reacting to disruptive events, and delivering outstanding customer experiences. The research shows that tackling these issues is high on the agenda for the majority of financial services firms for the next 12 months.

Bridging the silos that currently exist within financial services firms is key to ensuring that data can be consistently used across the business to meet these goals. By taking action and implementing modern data management technologies and approaches, firms will ensure they can access a real-time, consistent view of the data from distributed sources and silos, giving business leaders a more complete and comprehensive view of the organization, more insightful analytics, and greater agility.

Amid ongoing disruption, sudden market changes, and unforeseen circumstances, financial services business leaders are striving take a more strategic approach to their operations, made possible by having a holistic view of the entire business at their fingertips. Doing so will give firms the agility needed to not just survive, but thrive, and gain a true competitive advantage in a volatile world.

For more information, please visit: **InterSystems.com/DataFabric**

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