

* ISG® Banking Industry Study

State of the Banking Industry

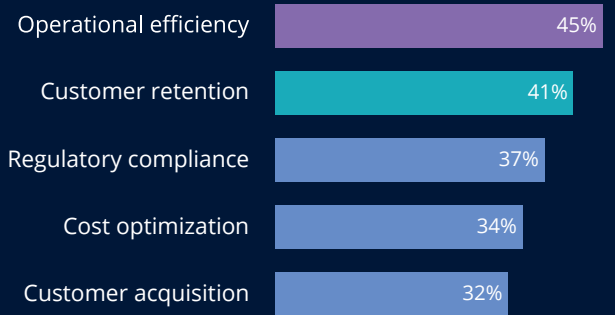
A Focus on Efficiency & Customer Experience

In 2023, pressure on banks' discretionary spending was high, with one of the tightest approval environments in the last 20 years.

Banks still spend on tech transformation with clear ROI. Top priorities are **retaining customers** and **operational efficiency**.

For 2024, banks report their major challenges are economic uncertainty, legacy technology, and the rise of non-traditional competitors.

Top organizational priorities today:

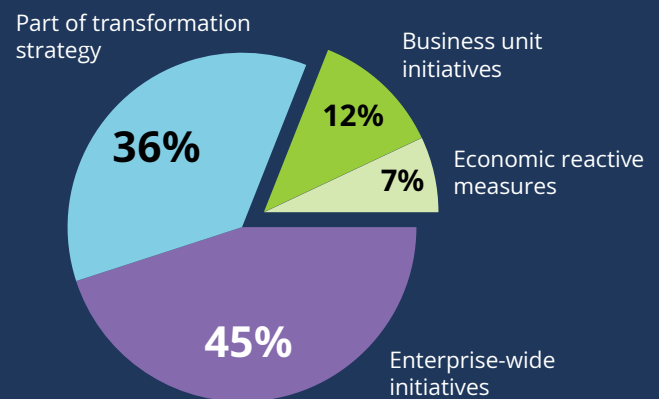


Note: Multiple responses allowed; will not add up to 100.

Funding Transformation

Cost Optimization Now a Long-Term Strategy

Macro-economic conditions aren't the main reason for optimizing costs. Respondents highlighted that market expansion, the evolving tech landscape and competitive advantages were as much a focus for cost optimization as macro-economic conditions. Approaches reflect this; **the minority** are reactionary or business-unit-specific.



Top Technology Spending in Next 24 Months

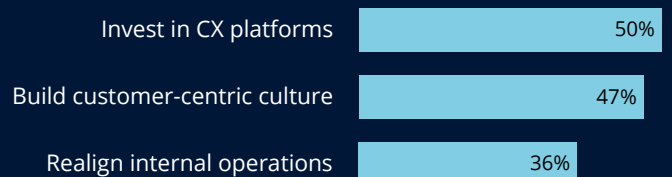
Scaling AI & Focusing on Culture

Artificial intelligence is the hottest topic (most mentioned) for the next 2 years. 92% of respondents are today using or will in the next 2 years use AI to mitigate security and fraud; other use cases are also being scaled. The other top priority is **customer experience** (CX). Internal efforts, including building a customer-centric culture and operating model changes, were highlighted as critical to improving CX.

% respondents using AI today to:



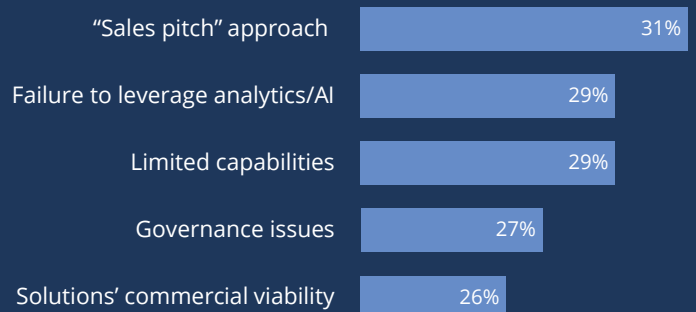
% who picked as top 3 CX investment:



Top Challenges with AI Solution Partners

Banks Report Salesy Approach as Top Issue

25% of banks have implemented generative AI and are scaling, but around 70% are only at the evaluation and experimental stage. Banks rated their current ability to leverage AI as very low, bottom ranked out of 15 categories. Banks are turning to providers for help, but providers must be careful not to perpetrate the top 5 reported issues (chart).



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 **121 decision makers interviewed**
From the world's largest banking institutions

 **26% board-level roles**
business unit leads, IT & other senior roles

Contact us to find out more about this study. If you need help navigating the technologies, processes and culture necessary to support your financial institute, ISG can help.