“Automate this” to compete with techfins

Use AIOps to combine the power of full service banking with the speed of tech disruptors

Fintechs like PayPal and Robinhood have already disrupted the banking industry. Now, add "techfins" to the cocktail of disruption—tech companies that have extended their business into ancillary financial services that target the less regulated, more profitable segments of the financial services market. For example, companies like WhatsApp and Shopify are into payments, while Uber is offering auto loans and Singapore's Grab, which started as a ride-hailing app, is now the country's biggest mobile wallet.

For techfins, the experience is the product. They're enmeshed in customers' lives, responding to needs and desires that are bigger—and more exciting—than financial services. "People don't wake up in the morning and say, 'I want a mortgage,'" says Shanker Ramamurthy, IBM's Global Managing Partner for banking. "They say, 'I want an apartment.'" Banks like Singapore's DBS are taking cues from techfins by integrating brokers and property listings into their websites and apps, so that "by the time the consumer gets to buying a home, the bank has become the default place for a mortgage."

An inflection point for banks

Paolo Sironi, IBM Institute for Business Value Global Research Leader for Banking and Financial Markets, says the current challenges have created an inflection point for banks, calling for novel responses. They need to figure out how the good DNA of traditional banking—with its advantageous core practices and capabilities, such as governance and security—can "recombine and adapt to the new conditions." "It's not enough to digitize the existing business models," he says. "Banks need to adjust the business model to the digitalization of business services."

Simply, banks need to think like techfins. That starts with finding new ways to use technology to engage with customers. "We absolutely need to invert the pyramid," Ramamurthy says, by using automation, hybrid cloud technologies and machine learning to digitally transform the back office, allowing banks to shift more focus and resources toward engaging their customers.

The following are two examples of financial services companies that are using IT automation to do just that—create a more competitive experience for their customers.

Automate like Rabobank to assure application performance

Rabobank is a cooperative bank headquartered in the Netherlands, offering private and commercial customers a variety of financial products. With a mission to create a future-proof society, Rabobank's highest goals—creating wealth in the Netherlands and helping resolve food insecurity worldwide—depend on delivering an exceptional end-user experience.

But despite having a high-performing team, Rabobank IT couldn't maintain target application response times manually. They also relied on different monitoring tools and couldn't be certain of the impact of a resourcing decision before it was implemented. Effective resource allocation was beyond human capacity given the complexity of its environment.

To address these problems, they implemented a full-stack visibility and automation solution, enabling them to do the following:

- Proactively prevent application delays and ensure any resourcing changes don't simply move the bottleneck to another layer.
- Consolidate workloads onto fewer machines without adversely affecting performance—hardware cost avoidance alone was in excess of EUR 4 million.
- Break down siloes between application owners and the infrastructure operations team to enable DevOps.

This more performant environment improved application response times and freed up the team to focus on innovation.

> " ... full-stack visibility has not only helped us achieve a 15%–23% hardware reduction, it has also allowed us to enhance our customer experience by reducing our time to market and improving application response time."
>
> **Colin Chatelier**
> Manager of Storage and Compute
> Rabobank

Read the full Rabobank case study for more implementation and ROI detail.

Automate like Enento to build and deploy software faster

Enento, based in Helsinki, is a leading provider of digital business and consumer information services in the Nordics. “Our solutions are designed to enable decisions that move money. Many banks are dependent on our services for making credit decisions. If our service is down, consumers may not receive their credit decisions, which have a real-life impact. So, maintaining service quality is highly critical for us,” explains Eero Arvonen, Strategic Architect at Enento.

To ensure service quality, Enento needed a tool that could monitor all its applications in one place—one that could enable fast identification of bugs, help lower existing latency and provide real-time visibility into every service request (with no sampling).

To support their goal of maintaining over 99.99% availability, Enento implemented an observability solution that helps it meet and exceed SLAs and deliver a reliable customer experience. Teams now have the visibility to make quick code changes to meet the evolving needs of their customers and the rapidly evolving fintech (and techfin) industry.

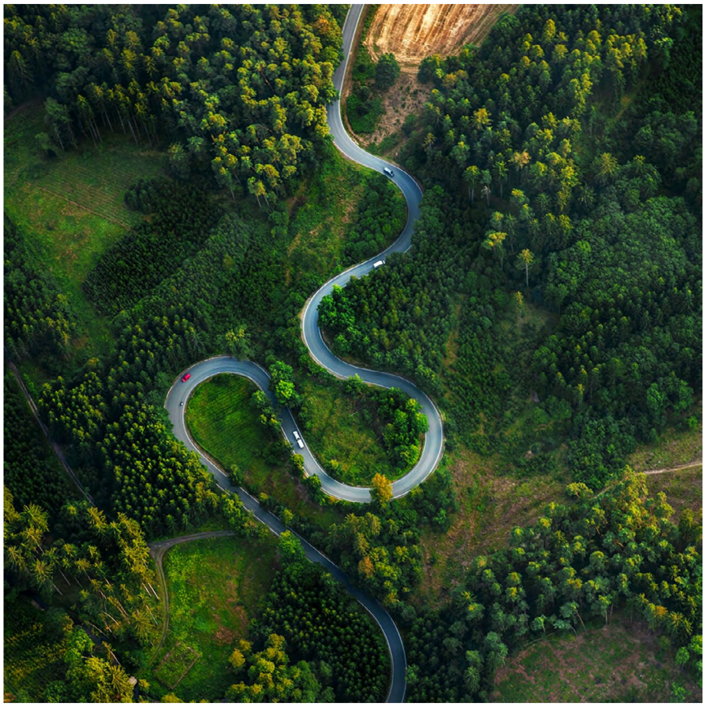
> “For our customers, this means better service. We are now able to produce new services at a faster schedule,”
> **Jenni Huovinen**
> System Architect at Enento

Read full Enento case study for more implementation and ROI detail.

Automation drives digital transformation

Digital transformation is key to enabling banks to create the kind of customer experiences that techfins provide. The digital transformation that underlies these opportunities is a “multi-year journey,” Ramamurthy says. That can be difficult when the focus is on short-horizon returns. The key, he says, is incremental, thoughtful transformation backed by technologies that exponentially increase capabilities, like application resource management and observability. With this approach, he says banks can “minimize the risk, defray the cost and get the ecosystem to move forward.”

Learn more about IBM Turbonomic Application Resource Management and IBM Instana Observability.



Moving forward—sustainability at the center

Banks need to innovate, and they need to do it in a way that drives value for consumers. Techfin, Shopify, recently launched the Shopify Sustainability Fund, which invests in companies that remove carbon from the environment. It's a strategic move from a branding perspective: according to IBM's Institute of Business Value's 2022 CEO Study study, "Own Your Impact," consumer willingness to support purposeful brands (and pay a premium for it) has deepened. But the scale of Shopify's fund—$5 million annually—doesn't compare to what traditional banks can do with their balance sheets. BBVA made headlines by being named Europe's most sustainable bank by S&P, largely thanks to its commitment to sustainable financing, which is now at €300 billion.

Ramamurthy points out that banks have the opportunity to refocus many core capabilities—capabilities that techfins don't have, such as regulatory reporting—on sustainability. These can be turned into new fee-for-service offerings that help clients reach their own sustainability goals and create new top-line revenue streams.

To learn more about practical approaches to transformational sustainability, read the 2022 CEO Study "Own Your Impact."

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