



# **A Pulse on Digitization in Banking**



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Banking looks a lot different today than it did a decade ago and entirely different today than it did a century ago. Paper money has become digital currency, the brick-and-mortar branch has become a mobile app, and your human teller is now an AI chatbot.

Fintechs, neobanks, and tech giants – whose success is made possible by the Internet – are rising challengers to traditional banks. With **78% of Americans now preferring to bank digitally**, these new players provide solutions for customer pain points by offering digital-first platforms and a seamless customer experience. In response, traditional banks are changing their game, taking on new digital tools, and innovating quickly.

In this eBook, we explore five trends driving digitization in banking.

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While blockchain is typically thought of as a technology that underpins cryptocurrency, it can also provide banks with massive benefits in reducing costs and time spent on manual tasks. I think we'll see most leading banks use blockchain in some capacity in the years to come to help increase efficiencies across the board.

– **Derek Gillespie,**  
Head of Large Enterprise Sales, Zayo

# 1. Blockchain

One of the buzziest technologies in the banking space right now is blockchain. If traditional banks don't embrace blockchain in some form, they may find themselves left behind.

One of the most obvious applications of blockchain technology in finance is [cryptocurrency](#) – a digital, encrypted, and decentralized form of currency that exists on a blockchain. Blockchain technology, however, has several different implications for finance beyond powering digital currency.

Traditional banks are starting to invest in blockchain technology to improve processes, reduce costs, and revolutionize payment.

Blockchain technology can help banks in the following ways:



## 1. Increasing security.

Blockchain technology uses encryption to protect transactions and provides a clear audit trail of transactions. This makes transactions both more transparent and secure.



## 2. Simplifying processes.

Blockchain helps reduce paperwork and middlemen in financial services transactions with smart contracts. Smart contracts both provide the terms of a contract and enforce them with code removing the need for human auditing and assessment. For example, smart contracts can [automatically process and pay out valid insurance claims](#), reducing time spent verifying claims and money spent paying out fraudulent claims.



## 3. Improving access and authentication.

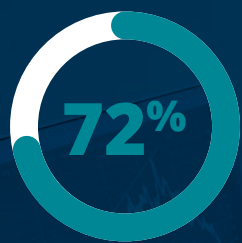
Blockchain technology verifies ownership of digital assets and authenticates users, further increasing user security.



## 4. Lowering costs.

Blockchain technology could save the financial services industry between [\\$15 and \\$20 billion a year](#) by reducing IT and infrastructure costs. It can also reduce costs in dealing with intermediaries and bank-to-bank transaction costs.

Some banks are already taking advantage of blockchain technology to improve processes and efficiencies and save money. Whether it's Citigroup and Nasdaq [using blockchain to record transactions and ownership changes](#) through a distributed database or Santander forming a [global challenge to boost blockchain growth](#), traditional banks are tapping into blockchain technology.



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## 2. Data Availability

With more customers using online and mobile banking tools, there's a lot more data at banks' disposal. Banks analyze this data to make better business decisions and create a better, more personalized customer experience.

By harnessing customer data, banks can anticipate customer needs and create tailored, hyper-personalized experiences to supply customers with customized support, recommendations, and options.

Here are some ways banks can better support their customers with the use of data analytics:



### 1. Assessing customer creditworthiness.

In the past, simple metrics like payment history and credit length determined a person's creditworthiness. While these metrics are still important, today banks can look at a vaster pool of data to create a more holistic view of a customer's creditworthiness.



### 2. Determining risk.

By gaining a better understanding of a customer's individual profile and spending habits, banks better identify risky behavior. For example, if a typically modest spender withdraws all of the money from their account without notice, banks can immediately raise the alarms and confirm with the customer whether the withdrawal is fraudulent.



### 3. Offering individualized support.

By segmenting customers, banks can offer tailored support to different groups. For example, for the youngest cohort of their customers, banks can offer saving tips and first-timer credit cards.



### 4. Selling new services and offers.

By analyzing customer data, banks can create more personalized offers for things like credit cards based on customer spending categories, overall spending habits, and more.

Ultimately, personalized offers and support increase brand loyalty. In fact, **72% of surveyed consumers** rated personalization as highly important in financial services.

## Gen Z by the numbers

**57%** are looking for advanced identity and credit protection from their bank

**50%** are looking for data protection for their digital assets

**39%** seek automated financial advice



**SEVEN OUT OF 10**  
would rather hire a financial advisor than a personal trainer for the same cost.

## 3. Gen Z

The oldest members of the Gen Z cohort have recently joined the workforce and are enjoying financial independence for the first time. The financial needs and wants of this group are different from those of former generations.

To understand their needs it's important to get a gist of who these customers are. Members of Gen Z are digital natives who have come to expect seamless online experiences. They're social media-driven buyers and brand loyalists who care deeply about social and environmental causes and support brands with similar beliefs. As a group, they've experienced great financial unrest during their lifetimes – from a recession to a pandemic to **historic inflation** in recent months. As a result, they're **more frugal** than older generations.

Banks must keep these factors in mind when dealing with this group of consumers. When it comes to banking, they're looking for increased support and personalized digital-first experiences.

Researchers find that Gen Z members look for security, accessibility, and personalized support from their bank. **A generational survey from MX** found that 57% of Gen Z are looking for advanced identity and credit protection from their bank and half are looking for data protection for their digital assets. Another 39% seek automated financial advice and seven out of 10 would rather hire a financial advisor than a personal trainer for the same cost.

Traditional banks face an uphill battle with this digitally savvy group in the face of growing competition from neobanks. Neobanks and other fintechs offer attractive perks, options to trade and save, and a seamless digital experience – all things this group values. Delivering a seamless mobile application and a good online banking user experience are only the first steps in satisfying Gen Z. Traditional banks should consider how they can provide the best possible experience to this group with personalized, automated financial advice, accessible self-service channels, and reliable security.

“It's important for banks to grasp how this next generation views spending, digitization, and banking in general. Catering to this digitally savvy group will look different than it did for former generations, and banks need to be cognizant of that if they want to attract and retain customers from this segment.

– **Max Tirschwell**,  
Principal, Senior Sales Manager, Zayo



## 4. The Remote Revolution and the Great Resignation

There has been a lot of turnover in the banking world amid the [Great Resignation](#) as workers quit their current positions for something new at record rates. At the same time, the shift to remote work created new challenges for banking employers. As a result, banks find themselves strapped for labor and facing a newly dispersed labor market and have taken to digital means to solve their challenges.

Banks transform processes, products, and interactions to be smarter and more efficient with the help of digital tools including:



### 1. Cloud adoption.

A widespread shift to remote work means being able to reach employees wherever they are. Operating from the cloud makes this arrangement possible plus it allows more room for innovation and scale, aids storage cost optimization, and reduces costs around purchasing and installing hardware.



### 2. Automation.

Recent labor shortages mean that the average bank employee is doing the work of multiple employees. Banks are choosing to automate certain employee processes, especially in relation to lending, compliance, client services, and security, to relieve some of the burden.



### 3. Artificial intelligence.

Using artificial intelligence, teams can simplify manual processes. For example, [BNY Mellon](#) uses an intelligent contract management platform to shorten contract lifecycles and reach agreements sooner.

With the help of these digital tools, employees can enjoy more free time for critical thinking tasks, leaving previously tedious and time-consuming work to the machines.



In the end, the desire to deliver a superb customer experience is what drives digital change. Banks can help create this optimal experience with a combination of human and digital support.

– **Tony Gerace,**  
SVP Enterprise, Financial &  
Professional Services, Zayo

## 5. Customer Experience

All in all, the goal to deliver a greater customer experience drives innovation and digitization across all industries. Even pre-pandemic branch traffic was on the decline due to the ease and accessibility of online and mobile banking. Customers today expect to get all of the answers to their questions online and want to have a digital option for accessing and managing finances.

So, what can banks do to create a stellar digital customer experience?

Customers of any age group prefer a banking experience that is simple, less stressful, and more helpful. Whatever form that takes, technology can aid in creating a better experience for everyone.

A good blend of human and machine can make this optimal customer experience possible, including:



**Self-service options** enable customers to complete transactions, pay bills, and manage finances through online and mobile tools.



**Chatbots** available on online banking or mobile platforms to answer immediate questions a customer may have or direct them to the right answers on the website.



**Automated onboarding processes** using technology to cut down the time and energy it takes for both the customer and employee to complete these processes manually.



**Mobile banking** has become a preferred means of accessing banking services for customers – it's growing **at five times the rate** of online banking. Offering a great mobile experience is no longer an option for traditional banks to survive.



**Educational online content** to offer answers to questions, financial advice, information about offers, and more.



**The option for accessible face-to-face or phone interactions** when customers have more nuanced questions.



**Mitigating customer cyber risks** is part of creating the best online and mobile banking experience for customers. Banking digitally comes with its own set of challenges including increased fraud and phishing attacks. **One-third of all U.S. banks' fraud costs** were due to online banking in 2021.

The digital customer experience of the future involves some blend of technology and the human touch. It's best to assess what your customers need and figure out the tools you can use to provide the best possible experience.



# Enhance the Digital Customer Experience with Zayo

Zayo's suite of solutions help banks increase efficiencies and mitigate risks while encouraging digitization across the board. Create an optimal banking experience today using:



## **CloudLink**

to provide a private, secure, low-latency connection between enterprise locations and Cloud Service Provider on-ramp locations. Zayo has strategic cloud partnerships with all of the major CSPs and offers multiple transport options.



## **Enhanced SD-WAN**

leveraging SD-WAN and our resilient core fiber and CloudLink networks plus advanced monitoring, intelligent insights, and edge management for reach, control, and visibility.



## **Spread Networks**

offer the fastest, newest, and most reliable connections between global financial hubs.



## **Dedicated Internet Access and DDoS Protection**

to secure your network and offer guaranteed bandwidth for reliable, high-performance Internet connectivity.



## **Wavelengths**

for up to 800G dedicated bandwidth on Zayo's owned and operated fiber backbone.



## **Transatlantic and transpacific routes**

enable banks to meet customer demands at home and overseas.



## **Connectivity to global financial exchanges**

from our deep metro and long haul networks in key financial markets.

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## Start enhancing your digital customer experience today, learn more at

[zayo.com/industries/finance/](https://zayo.com/industries/finance/)

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