

The Covid Crisis Effects on the Financial Services Industry

A survey of financial institutions, FinTech and industry consultants around the globe, uncovering how the Covid-crisis has affected their business, and their outlook for the future.

Summer 2020



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Foreword

by Chris Skinner



It is obvious that the Covid crisis has a massive impact on all of us, everywhere, globally, financially and in our relationships and connectivity. The internet had connected the planet globally and that's one of the major, massive changes and impacts in the last two decades. In many ways, that's the good news: the internet still works. In some ways, it's the bad news: the internet still worked, but we can't go out.

Regardless, the biggest impact of coronavirus for many of us has been the ability to connect digitally or not. Some banks were ready for working from home, socially distanced and being in the cloud; but many were not.

These are the things that George and I determined to investigate in this report, kicked off in May 2020. Who feels good? Who worries? Who was ready? Who was not? Can the institutions survive? How do they need to change?

The good news is that many folks voted to give their view and overall, I was quite surprised by how positive everyone is. People are not so concerned. The future is still bright. It may not be orange, but it's maybe a burgundy red.

Therefore, I am pleased and proud to publish these results and share the views of the financial and FinTech world about where we are now.

Rohit Mahna

**Senior Vice President and General Manager of
*Financial Services at Salesforce***

We are witnessing a pace of change never seen before. Together, as an industry, we have had to balance compliance, costs and business pressures, with delivery of rapid assistance programs for our customers, alleviating financial stress for both businesses and families all during a period when we have had to shift to remote working arrangements. At Salesforce we are committed to partnering with our financial services customers to provide them with the technology and expertise they need to guide their clients during these challenging times and throughout their financial wellness journey.



Executive Summary

The Covid-crisis has become a major long-term disruption to all aspects of life on a global scale. Everyone and everything have been affected. Financial institutions (FIs) and the ecosystem that supports them have had mixed results. While most bank's profits are down due to reduced business activity, they have held up well throughout the crisis as pillars of strength.

FinTech and consulting organizations overall have done well due to their focus on digital transformation of every sort, and the need for FIs to accelerate their investment in order to compete in a fast-changing environment.

This survey was undertaken to measure and assess the impact of the Covid-crisis on these groups of companies and individuals. We wanted to know how well-prepared the industry was for a pandemic, how it affected current operations and relationships with key constituencies, and exactly how it was going to shape the new normal.

Although there were some notable differences, the survey found that there was most often a consensus of opinions around the world and across industry segments. Among the more interesting and sometimes surprising results are the following:

- A solid majority (77%) said their crisis management plans enabled them to be well prepared for the Covid-crisis. Europeans were significantly more positive about this than those from other regions.
- A large portion (40%) of Americans said they were unprepared to handle the government programs, almost double the global average and almost four times the European's responses.
- A surprising number of bankers (43%) said the crisis has had a positive effect on the market fit of their current products. Not surprisingly, even more FinTechs (60%) said this.
- The vast majority of respondents (83%) support work from home (WFH), and 81% of FIs predict that this will reduce the future need for office space.

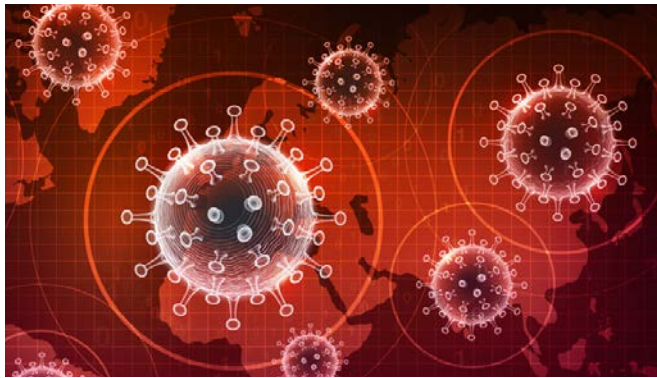
Europeans are much more positive about this trend than the other regions.

- Overall, more people think the crisis has had a negative impact on their ability to achieve KPIs (key performance indicators). IT/technology is the only area where a large portion of people think the crisis is having a positive effect on their KPIs. Sales and marketing are considered to be the hardest hit.
- FI respondents are optimistic about the level of customer loyalty they will see post-crisis. About half of the FI respondents think there will be a small amount of account switching, compared to less than one-third who think there will be a large amount of switching.
- A majority of respondents think the crisis has had a positive effect on their relationships with customers and employees. Overall 57% said the crisis is a positive on their customer relationships and 59% said it has been a positive on their employee relationships. By industry segment, fewer FIs (51%) and many more consultants (66%) feel that the crisis is a positive influence on their customer relationships.
- When asked about the long-term effects of the crisis, 56% think there will be many changes to the financial services industry, and 27% believe the industry will change in "dramatic" ways. Only 20% think there will be little change going forward.
- And finally, we asked about the respondent's mood – and we were happy to find out that a large majority (75%) say they are either optimistic or "trying to be positive". Only a small minority said they were either "fed-up" or "depressed". These results were similar across all industry segments and regions.

Continue reading this report to discover more detailed findings and analysis, including breakdowns by industry segment and geography.

1. Purpose of the Survey

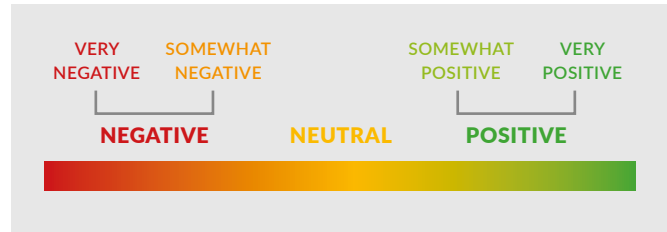
This survey was undertaken to measure and assess the impact of the Covid-crisis on the financial services industry and its ecosystem of technology suppliers and consultants. We wanted to know how well-prepared the industry was for a pandemic, how it affected current operations and relationships with key constituencies, and exactly how it was going to shape the new normal.



2. Survey Methodology

An invitation to participate in the survey was made widely available to industry participants through social media posts from Chris Skinner/Financial Services Club, and George Ravich/Ravco Marketing, during May-June 2020. A total of 130 people completed the 13-question survey administered online through SurveyMonkey. Participants were asked basic firmographic and demographic questions followed by a series of multiple-choice questions, usually

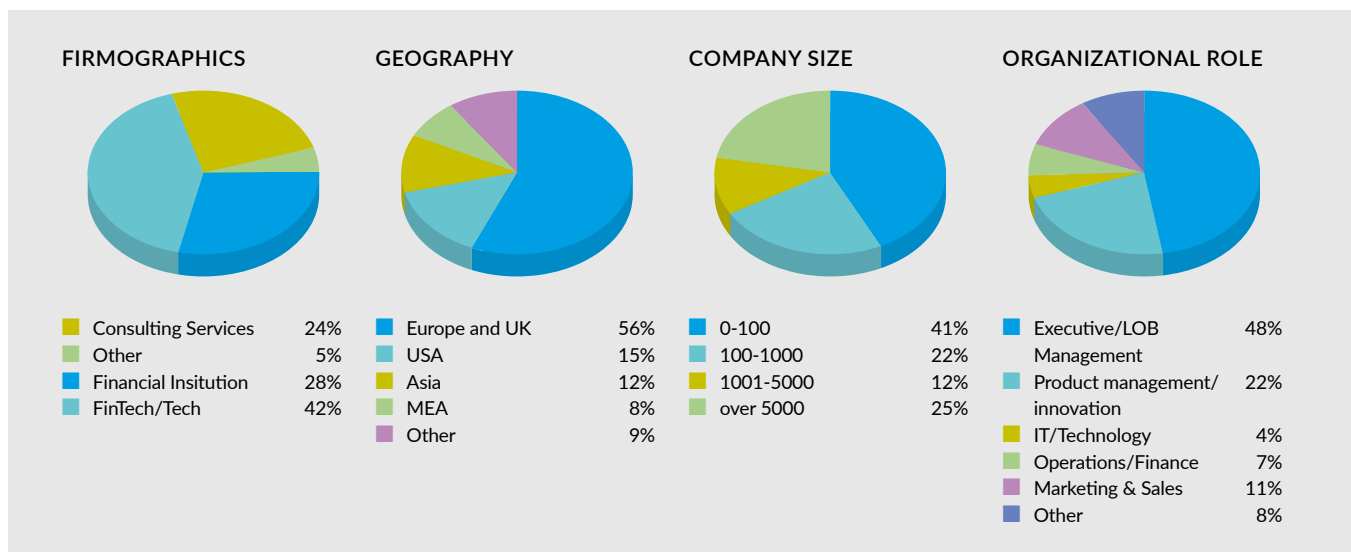
with a five-point scale. For simplicity and readability, most of the results are reported as negative/neutral/positive. Only where there is a meaningful result has the full scale of responses been reported.



3. Survey Sample Profile

The sample clustered around a few characteristics which can be summarized as follows:

- Almost all (94%) of the respondents are people employed in either FinTech, financial services, or consulting. Analysis throughout this report focuses on these three segments.
- Most (56%) live in Europe/UK, 15% live in the US, and 12% live in Asia. The report highlights regional differences.
- The largest group (41%) are employed by small companies with less than 100 employees, followed by those (25%) employed by large companies with over 5,000 employees.
- Almost half (48%) describe their organizational role as either executive management or line of business (LOB) management. About one-quarter are in product management or innovation.



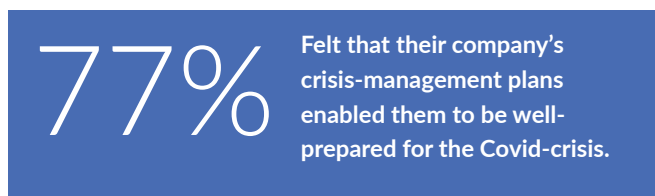
4. Preparedness

We asked respondents about their company's preparedness for the crisis overall and on four specific aspects. Generally speaking, the responses were surprisingly positive with most people saying that their organization was well prepared.

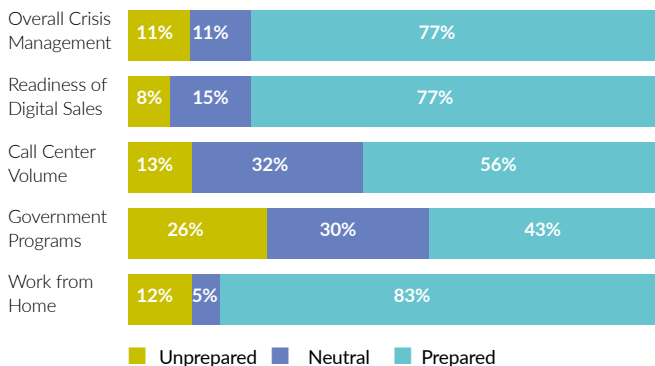
OVERALL CRISIS MANAGEMENT

The vast majority (77%) of people felt that their company's crisis-management plans enabled them to be well-prepared for the Covid-crisis.

- Europeans were significantly more positive (85%) about this aspect than any other region, though the US was not far behind (75% positive). Asians were significantly less positive (51% positive).
- Results across the three industry segments were similar, with little variation.



CRISIS PREPAREDNESS: ALL RESPONDENTS



PREPARED FOR GOVERNMENT PROGRAMS

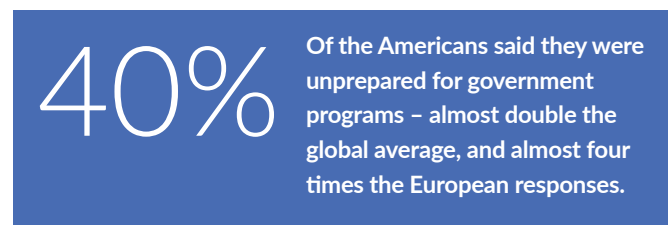
In almost all countries we surveyed there were large government assistance programs that required involvement of FIs. These programs were approved by the legislature quickly in order to stem the negative effects of the Covid-crisis. We asked respondents their opinions about how prepared their organizations were



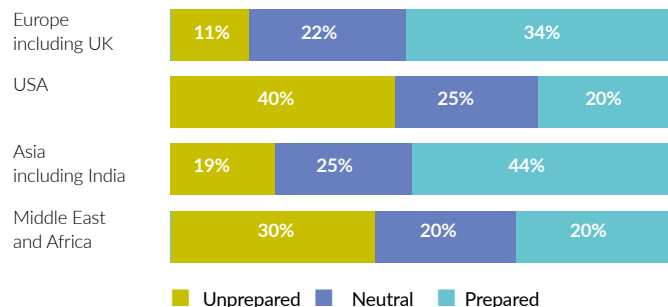
for these mandates.

Overall 43% said that their organization was prepared for the government programs that were funneled through their organizations. However, there were a variety of notable differences:

- Among those in the US, only 20% said they were prepared for these government programs, which is less than half of the global average. On the flip side, 40% of the Americans said they were unprepared, which is almost double the global average and almost four times the European's responses.
- When looking at this by industry sector, 54% of FIs said their company was prepared for these government programs, which was much larger than those from the other two industry segments. This is surprising, since FIs had many more government mandated programs than FinTech or consulting companies.



PREPAREDNESS FOR GOVERNMENT PROGRAMS BY GEOGRAPHY



WORK FROM HOME

The vast majority of respondents (83%) say that their organizations were prepared for the work from home mandates. Almost all European (92%) and Americans (85%) say they were prepared, which is significantly higher than those from Asia (63%), and the Middle East and Africa (60%). More about this topic later in this report.

SALES & MARKETING

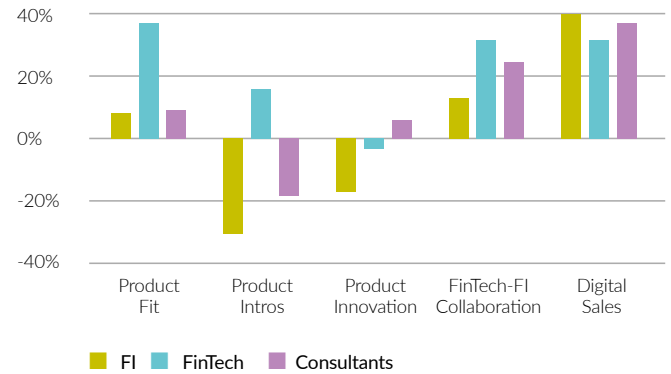
Digital sales channels and call centers became the front lines as countries implemented stay-at-home mandates. Among all of the segments and geographies, a large majority (77%) felt that their digital sales processes were well prepared for the effects of the crisis. There was little variation among segments and geographies.

Understandably, a much smaller majority (56%) felt that their call centers were well-prepared. Within this, 51% of FIs reported preparedness, significantly higher than what was reported by FinTech (34%) or consultants. It's worth noting that around 45% these two segments reported that this did not apply to their organization.

5. Effects on Existing Product Lines

We wanted to understand how the Covid-crisis affected the industry's existing and soon-to-be-released products. To simplify the presentation of results, the chart shows a net-sentiment analysis. The values indicated were derived by subtracting the negative responses from the positive responses, and not counting the "neutral" responses. The results are meant to demonstrate a directional net sentiment value. For example (see the first bar in the chart), among FI respondents, 33% said that the crisis is having a negative effect on their current product's market fit, while 41% said that it is having a positive effect. Therefore, the calculated sentiment number is +8% (41%-33%= +8%).

EFFECTS ON PRODUCTS: NET SENTIMENT ANALYSIS



Percentages were derived by subtracting negative responses from positive responses (very positive + somewhat positive) - (very negative + somewhat negative)

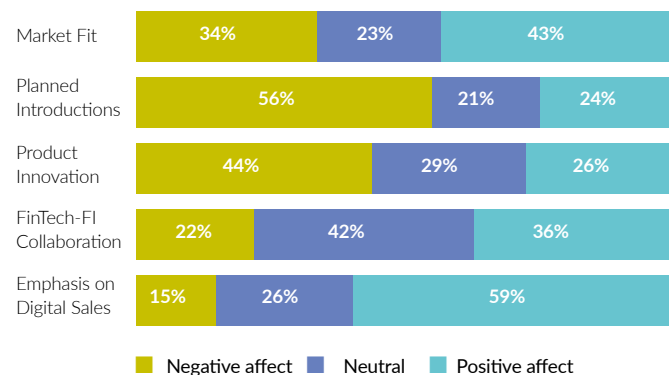
FINANCIAL INSTITUTIONS

Among the FI respondents, slightly more (43%) feel that the crisis has had a positive effect on their current product fit for the market than feel it has been negative (34%). This is a surprising result considering the amount of news coverage and analyst musing about how FIs need to quickly change their products to be in sync with the marketplace.

43%
Of FIs feel the crisis has had a positive effect on their current product fit for the market

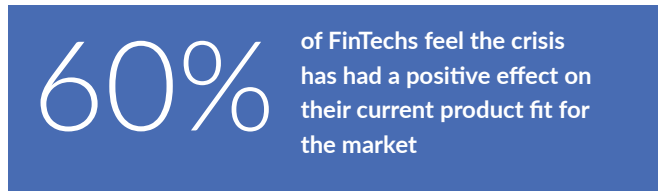
Most FIs (56%) report that the crisis has had a negative effect on planned product introductions, almost double the amount that says the crisis has positively affected introductions. And about twice as many FIs (44%) think that the crisis has had a negative effect on product innovation than think it has been positive (26%).

EFFECTS ON PRODUCTS: FIs



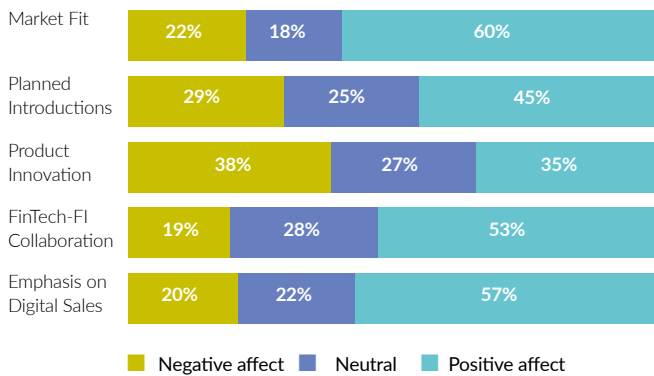
FINTECH

FinTech respondents were very positive about the crisis's effect on their current product fit. Sixty percent feel that the crisis has been a positive and only 22% think it has been negative. With so much emphasis on accelerating digital transformation, it is no wonder why this segment believes that it has been a beneficiary of the crisis.



In addition to the crisis having a positive effect on current FinTech products, 45% of FinTech respondents report that it has also had a positive effect on planned product introductions. Product innovation is evenly split between positive (35%) and negative (38%) which is understandable because the crisis has slowed business momentum for most companies.

EFFECTS ON PRODUCTS: FINTECH

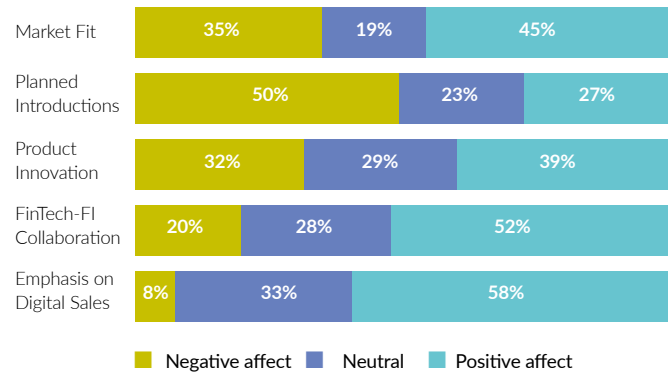


CONSULTANTS

More consultants (45%) feel the crisis has had a positive effect on their product fit versus those (35%) who felt it has had a negative effect, which are almost exactly the same results as FIs report, but well below those reported by FinTechs.

Almost twice as many (50%) consultants feel that the crisis has had a negative effect on product introductions than think it has been positive (27%). These results were roughly in line with those from the other two segments. There were slightly more consultants (39%) who think the crisis has had a positive effect on product innovation as those (32%) who think it has had a negative effect.

EFFECTS ON PRODUCTS: CONSULTANTS



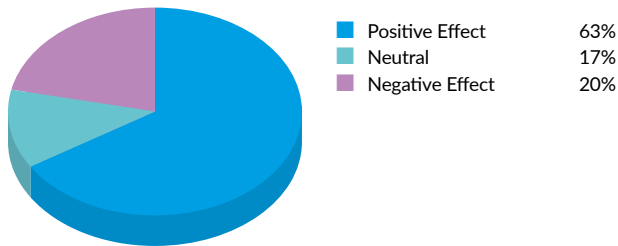
6. Work from Home

As reported in section 4, the vast majority of respondents (83%) reported that their organization was prepared for the work from home (WFH) mandate. Taking this one step further, we asked the effects on operations present and future.

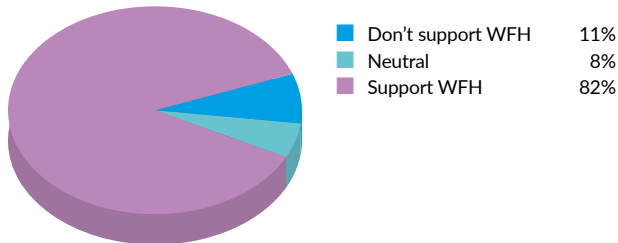
Only 20% agreed with the statement "WFH has had a negative effect on operations", while over 60% disagreed with the statement, which can be interpreted as generally positive about the concept. Further to this point, 82% said they support WFH and will institute it going forward. And finally, 76% said they do believe that the WFH trend will reduce their company's long-term need for office space.



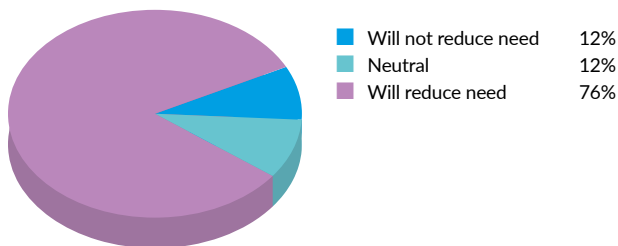
EFFECTS OF WORK FROM HOME ON OPERATIONS



I SUPPORT WFH AND WILL INSTITUTE IT GOING FORWARD



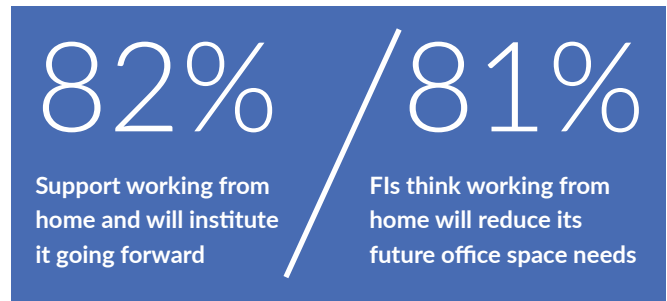
WFH EFFECT ON LONG-TERM OFFICE SPACE NEEDS



WORKING FROM HOME BY SEGMENTS

Looking at this by segments, all are very positive about the WFH idea, with FinTech showing the strongest (70%) positive results. On the question of its effect on future office space needs, 81% of FIs said it will reduce their future office space needs, the highest proportion of the three industry segments.

By geography, Europeans are significantly more positive about the WFH idea than the other regions, (77% positive vs. 40%-50% positive for the other regions), and more supportive of it going forward (88% vs 69% - 80% for the other regions).



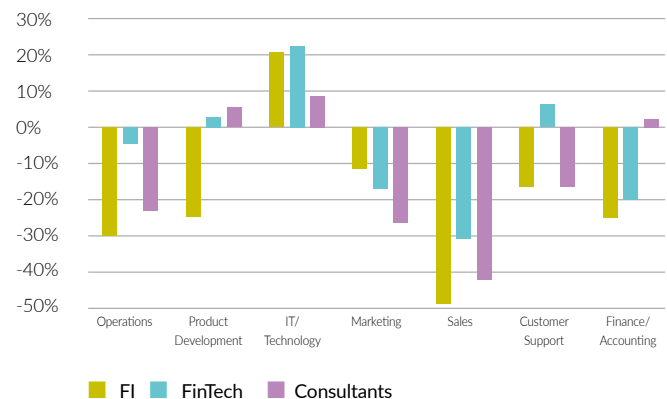
7. Impact on Goals and KPIs

We asked respondents how the crisis affected each department's ability to reach their business goals and KPIs (key performance indicators). For the most part, the crisis is perceived to have had a negative impact across the organization, with the notable exception of the IT/technology department, where it is perceived as having a positive impact. The greatest negative impact is thought to be in sales, followed by marketing and then operations. These results are similar across the three business sectors.

As explained earlier in Section 5, to simplify the presentation of results, the next chart shows a net sentiment analysis.

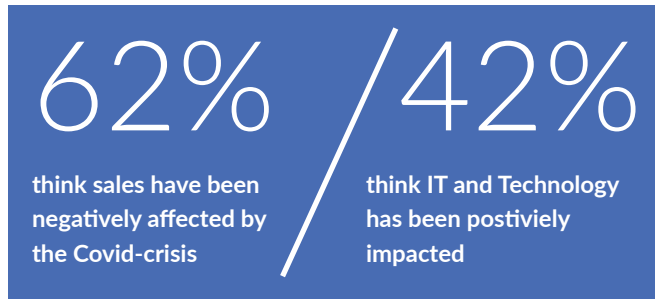
As the chart demonstrates, while there are small differences among the industry segments, there are a few notable exceptions to the unanimity of these results. In product development, FIs believe that the crisis has had a significantly negative effect, while both FinTech and consultants believe the crisis has had a slightly positive effect

IMPACT ON THE ORGANIZATION'S KPIS



Percentages were derived by subtracting negative responses from positive responses (very positive + somewhat positive) - (very negative + somewhat negative)

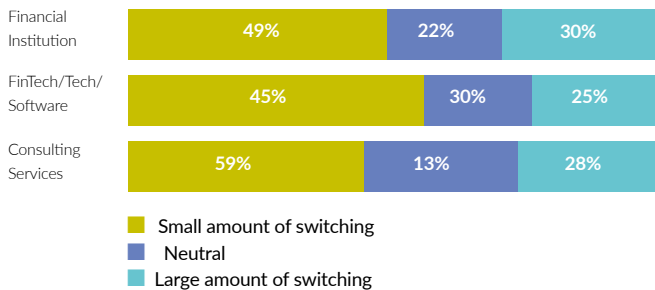
Thinking about the role of both FinTech and consultants, these results are understandable, because many of their products and services are being used to address the challenges that the crisis has presented. That said, these two industry segments believe that the crisis is having a negative effect on their sales and marketing teams' ability to achieve their KPIs.



8. Customer Loyalty to Financial Services Providers

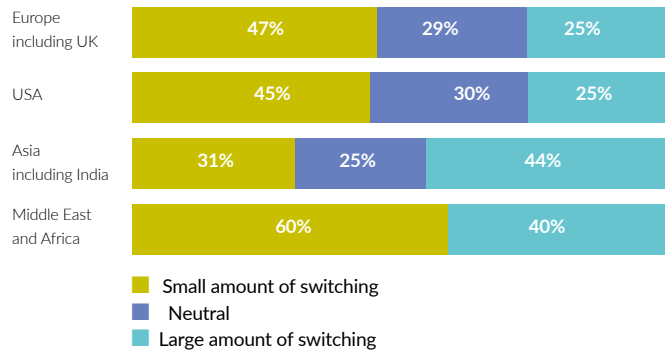
We asked respondents how widespread FI account switching will be as a result of positive or negative experiences people had with their financial services provider. Almost half (49%) of the FI respondents believe that there will be a small amount of switching, significantly more than those (30%) who believe that there will be a large amount of switching. FinTech respondents are in line with this, and consultants are even more positive, with 59% saying that there will be a small amount of account switching.

AMOUNT OF FI ACCOUNT SWITCHING POST-CRISIS: OPINIONS BY SEGMENT



Looking at this on a regional basis, approximately half of Europeans and Americans believe that there will be a small amount of account switching, about double the amount (25%) that believe there will be a large amount of switching. Asians were much less optimistic, and those from the Middle East and Africa more positive.

AMOUNT OF FI ACCOUNT SWITCHING POST-CRISIS: OPINIONS BY GEOGRAPHY



9. Impact on Constituencies

We asked how the crisis has affected their relationships with key constituencies, specifically customers, employees and shareholders. Very surprisingly, a majority felt the crisis is a positive influence with customers (57%) and employees (59%). With shareholders, there is a small amount of net positive.



IMPACT BY INDUSTRY SECTOR

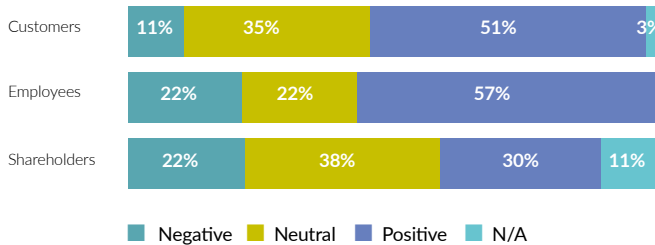
Drilling down, we see that among FIs, around half (51%) believe that the crisis has had a positive impact on their customer relationships, while only a small percent (11%) believe it has had a negative impact. A majority (57%) believe that it has had a positive impact on their employee relationships. With shareholder, more believe that there has been a positive impact than negative, though the largest amount (38%) believe that it has had no impact at all.

Among FinTech respondents, the results were similar to FIs, though they are slightly more positive on the crisis' effect on their employee relationships and slightly less positive on relationships with customers.

Consultants were much more positive than the other two segments on how the crisis has affected their customer relationship. A solid majority (66%) said

the crisis has had a positive effect on their customer relationships. Consultants were also more positive than the other two segments on how the crisis has affected their relationship with employees. These results are not surprising because often times it is the consultant’s role to help their clients address crisis.

FOR FIs - IMPACT ON KEY RELATIONSHIPS



IMPACT BY REGION

Most (60%+) Europeans believe that the crisis has had a positive impact on their relationships with customers and employees. The Americans had very similar positive results, yet they had more than double the number of people saying the crisis was negative for customers (25% vs. 10%).

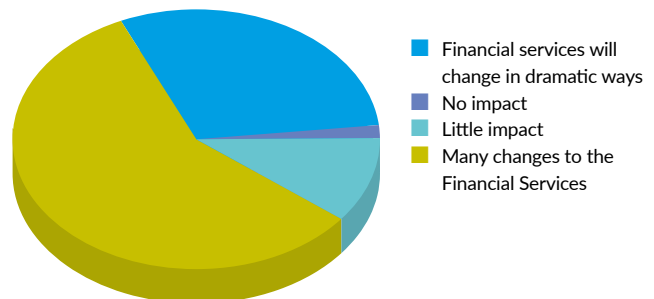
Significantly fewer Asians (44%) think the crisis has been a positive for customers relationships, and an even smaller proportion (40%) of Middle East and African respondents think the crisis has been a positive for customer relationships.

10. Long-Term Impact of the Crisis

When asked about the long-term impact of the crisis on the financial services industry, most (50%+) believe that there will be “many” changes that will be “noticeable”. About one-third believe that the crisis will have a “major impact” changing the financial services industry in “dramatic ways”. A small minority (20%) believe that there will be little to no impact.



LONG TERM IMPACT



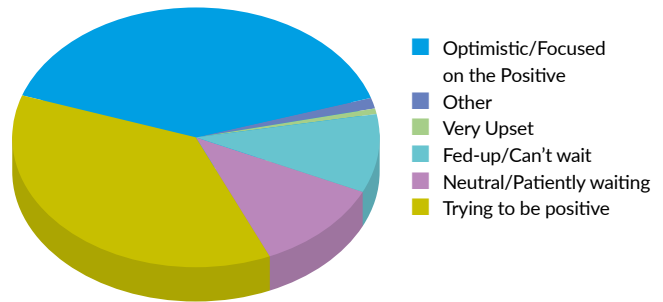
There was little difference between regions on the prediction of the crisis’ long-term effect on the financial services industry.



11. Current Mood

The survey’s last question was to ask respondents to assess their current mood and outlook for the future. A large majority (75%) say they are either “optimistic” or “trying to be positive”. Around 15% say they are “patiently waiting for the crisis to be resolved; and around the same amount said they were “fed up” with the situation. There was little difference by either industry segment or region.

CURRENT MOOD



Conclusions

Some business segments like travel and entertainment have literally been obliterated by the Covid-crisis. Other segments, like online retailers and delivery services have seen demand explode. Most have been hurt in some way due to a lack of demand and a new way of doing business that is being invented every day.

The financial services industry seems to think that while the Covid-crisis has been harsh in many respects, it has also strengthened relationships with key constituencies

and improved the current product set’s market fit. As with other times of radical change, technology suppliers and consultants often reap benefits. And these survey results confirm this.

It is surprising how optimistic the industry is at such an uncertain time. One explanation could be that they are emboldened by their crisis preparedness, and now believe that they can build upon that strength. Of course, we can only hope that these predictions will come true.



About the Authors



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Chris Skinner is known as one of the most influential people in technology, and known as an independent commentator on the financial markets and fintech through his blog, the Finanser.com.

Chris is known as one of the most influential people in technology, and as an independent commentator on fintech through his blog, the Finanser.com. His latest book (sixteenth!) is called Doing Digital, and shares the lessons of doing digital transformation learned through interviews with BBVA, China Merchants Bank, DBS, ING and JPMorgan Chase. He chairs the Financial Services Club and Nordic Future Innovate, is a non-executive director of 11:FS and on the advisory boards of various firms.

Chris has been an advisor to the United Nations, the White House, the World Bank and the World Economic Forum, and is a visiting lecturer with Cambridge University as well as a TEDx speaker. He is also co-founder with renowned artist Basia Hamilton of The Portrait Foundation, <http://portraitfoundation.com/>, a non-profit platform to encourage children and the arts.

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George Ravich is a veteran of the FinTech and InsurTech industries, having been CMO of several industry leading companies. He now leads Ravco Marketing, which is full-service marketing consultancy with fractional CMO services, specializing in the FinTech and InsurTech industries.

George's most recent assignment was at Ncontracts, a risk & compliance SaaS platform provider. George was hired by the private equity owners to reinvigorate the marketing function and prepare the company for sale, which was accomplished in six months.

George is best known for his 10-year career as CMO at Fundtech, a leading global payments software provider that grew into one of the best known and most respected payments technology companies around the globe. Over this time revenues increased from \$40M to \$225M. The company was sold to private equity firm GTCR.

George has been an active member of the FinTech and InsurTech communities in New York, Hartford, London and Israel. He was a mentor for the New York based FinTech Startupbootcamp and was a mentor for SWIFT's Start-Up Challenge. He is currently a mentor for Startupbootcamp InsurTech events in Hartford, CT.

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