

Despite Current Restrictions, New Sources of Revenue will be Critical to Extended Recovery

12 August 2020 — Worldwide IT spending in the banking and securities sector is expected to decline nearly 4.7% to \$514 billion in 2020, according to Gartner, Inc. Spending on devices such as PCs and mobile devices will see the largest decline, falling 12.1%, followed by data centre systems.

“COVID-19 has not only caused uncertainty within the banking and securities industry this year, but also a defined shift in the way customers must interact with their financial institutions,” said Jeff Casey, senior director analyst at Gartner. “These firms continue to respond to the emerging needs of customers amid ongoing economic closure and dwindling government support.”

The industry’s initial response was dominated by operational actions to enable a remote workforce, responding to increased credit needs, digital channel education and reassuring unnerved investors. Customer service channels were placed under additional stress, with banks quickly responding by adding or adjusting capacity both in self-service channels and in staffed service channels.

During the early stages of the pandemic, banks focused technology spending in four key areas:

Operations: to ensure continued access to basic services;

Supply chain: to address emerging supplier and customer needs;

Revenue: to ensure continued viability of the business; and

Workforce: to support employees and remote working amongst disruption. Gartner forecasts technology spending in the banking and securities industry to recover in 2021, growing 6.6% globally (see Table 1).

“With a better understanding of the impact of COVID-19, banks and securities firms are now accelerating automation initiatives, such as customer-facing chatbots, robotic process automation (RPA) and end-to-end account origination solutions,” said Mr. Casey. “They’re also focused on redesigning organisation structures and workflows and reprioritising modernisation initiatives.”

Table 1. Worldwide Banking & Securities IT Spending Forecast (Millions of U.S. Dollars)

2019 Spending

2019 Growth (%)

2020 Spending

2020 Growth (%)

2021 Spending

2021 Growth (%)

Internal Services

92,043

2.1

87,871

-4.5

88,999

1.3

Enterprise Software

100,822

11.8

100,580

-0.2

112,016

11.4

IT Services

204,536

5.0

195,576

-4.4

209,812

7.3

Devices

33,216

5.9

29,199

-12.1

30,673

5.1

Communications Services

77,285

1.3

72,946

-5.6

76,131

4.4

Data Centre Systems

31,218

1.0

27,757

-11.1

30,189

8.8

Total

539,121

4.9

513,928

-4.7

547,820

6.6

Source: Gartner (August 2020)

Following strong growth of 5% in 2019, the impact of COVID-19 will see spending on IT services decline in 2020. Contract size, contract terms and deal type will be severely impacted, as large transformation projects are curtailed or canceled.

"This will be short-lived as banks initially react and respond to COVID-19 disruption," Mr. Casey said. "IT services spending will begin to rebound as banks accelerate reprioritised modernisation initiatives in 2021."

Gartner believes the ability to create new value and ultimately new sources of revenue will become critical to long-term success in an extended recovery. COVID-19 has presented an opportunity for banks to increase their digital engagement and broaden the services offered. Banks only currently derive 27% of revenue on average from externally delivered digital services, according to the 2020 Gartner CIO Survey.

Learn more about how to lead organisations through the disruption of coronavirus in the Gartner coronavirus resource centre, a collection of complimentary Gartner research and webinars to help organisations respond, manage and prepare for the rapid spread and global impact of COVID-19.

Gartner clients can learn more in the report 'Forecast: Enterprise IT Spending for the Banking and Securities Market, Worldwide, 2018-2024, 2Q20 Update'. Gartner's banking and securities industry forecast provides total enterprise IT spending, including spending on internal IT, data centre systems, devices, IT services, software and telecom services for 43 countries within 11 geographies.

Additional analysis on financial services and banking leadership and how to reimagine your approach to technology and business strategy will be presented during Gartner IT Symposium/Xpo 2020, the world's most important conferences for CIOs and other IT executives. IT executives rely on these conferences to gain insight into how their organisations can use IT to overcome business challenges and improve operational efficiency. Follow news and updates from the conferences on Twitter using #GartnerSYM.

Upcoming dates and locations for Gartner IT Symposium/Xpo include:

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November 9-12| EMEA| Virtual

November 17-19| Japan| Virtual

November 23-25| India| Virtual

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