



# 2023 BANKING TRENDS IN AUSTRALIA AND NEW ZEALAND


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AN IRON MOUNTAIN  
PERSPECTIVE

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“ Executives who can deliver operational efficiencies will be seen as heroes for making cost savings.”

# TRENDS THAT DRIVE INNOVATION

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Difficult economic conditions are putting new pressures on banks in Australia and New Zealand just as customers want to see stability and resilience. Despite the unpredictable global financial climate, innovation and digital transformation will continue to underpin value for customers and provide banks with a competitive edge. In this report, we have distilled a range of expert industry predictions into the key trends that will help you navigate the challenges facing banks in 2023.

## SIX KEY TRENDS BANKS WILL HAVE TO CONSIDER AS THEY DRIVE CHANGE

- 1. Balancing stability with innovation:** We all know interest rates and inflation are high, and consumer spending is slowing. But despite the well-publicised stress in the US and European banking systems, the major banking groups in Australia and New Zealand are well-positioned to weather a downturn, buffered by a collective \$A1.7 billion cash profit increase to \$A28.5 billion in FY22 (up 6.5% on the previous year). So while preparing for the economy to tighten, banks in Australia and New Zealand should continue to invest in innovation to take advantage of better times when conditions ease.
- 2. Pursuing process efficiencies:** Executives who can deliver operational efficiencies will be seen as heroes for making cost savings while at the same time reducing the environmental footprint of banks in Australia



“ Cost-cutting has become a priority for 73% of financial services firms.”

– Forrester

and New Zealand.

3. **Prioritising a compelling, digital-first customer experience:** During the pandemic, the banking experience in Australia and New Zealand transformed to involve more digital and hybrid interactions. With 97% of all transactions now digital, according to the Australian Banking Association, the onus is on banks to improve the digital customer experience further to meet customers' high expectations.

**Only 4% of financial institution leaders believe their digital customer experience is excellent. (BAI)**

4. **Finding new ways to offer customer value:** Advanced technologies - such as personalised recommendations that prioritise the financial wellbeing of customers - will be essential both for achieving greater operational efficiencies and for maintaining a competitive advantage. The cost of failing to invest in technologies such as AI and machine learning will become apparent as younger customers move to banks that offer innovative new services they value.

**More than 70% of millennials and Gen Z respondents say they'll happily change banks if it gets them better digital capabilities. (BAI)**

5. **Accelerating digitisation:** Digital transformation built on a solid data foundation can unlock cost savings as well as business value. Accelerated digitisation will give banks the tools to transform the foundations of banking, particularly around payments, supply chains and the digitisation of manual processes.
6. **Pursuing Net Zero** - Environmental, Social & Governance (ESG) is a priority for Australia and New Zealand banks. Under pressure to show they are meeting decarbonisation goals themselves, with supplier networks, and through climate-friendly investment strategies, banks are also reducing physical assets, streamlining and digitising processes, eliminating outdated technologies and minimising data footprints as part of the drive to Net Zero.

**Sources:**

Trend reports from industry experts:

- Accenture: Banking as usual: challenge everything
- Accenture Banking: Top 10 Trends for 2023
- BAI: Addressing Banking's Key Business Challenges in 2023
- Deloitte: 2023 banking and capital markets outlook
- Forrester: Banks will batten down the hatches but prepare for the upturn
- IBM Institute for Business Value: Foundations of banking excellence
- Deloitte: Forging ahead: Australian major banks full year FY22 results
- ABA: Customers move to banking online
- ANZ Outlook 2023

**“ Healthier institutions implement end-to-end digitisation; 77% of banks could improve in this area.”**

- IBM Institute for Business Value



# IRON MOUNTAIN'S POINT OF VIEW ON 2023

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## HOW THESE PREDICTIONS INFORM BANKING DECISIONS

We believe the trends outlined above will drive banking organisations' decision making in 2023 in a variety of ways including operationally, architecturally and strategically. With that in mind, it is important for your organisation to:

- **Prepare for difficult times but plan for an innovation-led recovery:** Banking groups in Australia and New Zealand are well-placed to provide stability and reassurance to customers as the economy tightens while investing in innovation to prepare for the recovery. Now is the time to:
  - Prioritise customers' financial wellbeing by leveraging new technologies (such as AI and machine learning) to make personalised recommendations that protect and strengthen relationships with customers
  - Be ready to refinance and reorganise loans if needed, with any infrastructure that may be required
  - Be laser-focused on delivering excellent core banking products and digital-first customer experiences, and consider outsourcing non-core products
  - Focus on growing market share by retaining and attracting customers with seamless customer-facing and back-of-house processes, and targeted product development
  - Be alert to opportunities for acquisitions and partnerships as cash costs rise and fintechs and disruptors find funding harder to get.

- **Get your data house in order** - Many banks are dealing with legacy technology and data systems that need to be modernised, while at the same time considering outsourcing non-core activities to suppliers. This makes it more important than ever to connect all your data in a meaningful, privacy-compliant way.

Banks in Australia and New Zealand are also focused on improving the organisation of customer data, with privacy changes and AI driving better compliance, classification and decisioning. Data storage and security practices remain a priority. Better data governance helps banks make more informed decisions as well as minimising your data footprint by identifying what must be used or retained, and what can be redacted and removed.

- **Renew your focus on operational efficiency initiatives (OEI)** - Operational efficiency and cost control are constant themes. There remains a huge opportunity to rationalise paper-based and back-of-house processes while leveraging mobile and online banking to promote digital ways of working. AI will help banks reduce costs while offering greater convenience and speed to customers. Branch closures have driven efficiencies across many banks' physical footprint, and banks in Australia and New Zealand are seeking similar operational efficiencies by focusing on core operations, outsourcing non-core operations and simplifying product portfolios.
- **Go all-in on the digital-first customer experience** - With millennials and many members of Generation Z already native digital bankers, Covid-19 accelerating the move to digital among other customers, and fintechs pioneering products that offer extreme convenience, your bank must deploy data-driven, digital-first and mobile customer experiences at speed to remain competitive. AI and machine learning will continue to be a real differentiator for banks that can use data to make product recommendations, guide spending patterns, reduce fraud and support customers' financial wellbeing - all while putting banking processes in your customers' pocket!
- **Redouble your efforts to reach Net Zero** - Banks in Australia and New Zealand are effectively reducing emissions with sustainable built environments, right-sized office locations and hybrid work practices. In the past year, banks have extended decarbonisation goals to supplier networks and inspected these service providers more often to make sure commitments are being met. Branch closures have reduced the physical environmental impact of branch networks, with some banking services now offered via Australia Post. Savvy banks are also focused on minimising the environmental footprint of data centres, with data minimisation practices that could see a 10%-30% reduction in digital assets expected to reduce energy consumption by similar levels.

# IMPACT ON RETAIL BANKING, COMMERCIAL BANKING AND WEALTH MANAGEMENT

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Different sub-sectors of the banking industry will experience different challenges. At Iron Mountain, we work with customers that span retail banking, commercial banking and wealth management. Take a closer look at how different sub-sectors within the banking industry in Australia and New Zealand are likely to navigate the challenges of 2023.

In general, banks are facing 2023 in a position of relative strength. As a result, retail banking should fare well in 2023, due to higher net interest income from rising rates, but investment banks are facing big falls in activity in M&A advisory, equity capital markets and debt capital markets.

- **Retail banks** will have to deal with higher rates, inflation, and lower growth in the near term. However, customer engagement via the delivery of outstanding customer experiences will be a priority for retail banks to stay competitive. Key to this is ensuring banks have a modern, efficient, scalable technology platform that provides a real-time view of client transactions, and enables data-driven insights and innovation to improve the customer experience.

A Forrester study shows that retail banks that regularly and proactively review and improve the customer experience grow 3.2 times faster than competitors that don't. This requires front- and back-office harmonisation, modernised branch technology and infrastructure, and end-to-end process digitisation.





- **Commercial banks** are facing high inflation, recessionary concerns, and supply chain challenges in 2023. A more strategic approach to digital investment, using technology to drive efficiency in back-end processes, smarter workflows, and more employee engagement will be essential. In addition, ESG initiatives present a new opportunity for commercial banks to use finance to support sustainable, climate-aware initiatives.
- **Wealth management** is hoping for brighter prospects in 2023 after a difficult 2022. Millennials and Gen Z are becoming a larger target market for wealth managers; these clients are tech-savvy and expect a value-added digital experience. They also tend to be socially conscious and want to invest in a way that reflects their values. Front-to-back digitisation at wealth management firms is the key to achieving greater efficiency and superior CX. The wealth management segment is also leading the way in adopting AI. According to a recent study, 68% of wealth management organisations are using AI tools to support decision-making processes.

**Sources:**

**Deloitte:** 2023 banking and capital markets outlook

**Financial Planning:** Wealth managers embrace AI, machine learning faster than other financial services firms

**Forrester:** Fear and Confusion over Data Hinder Retail Banks' Ability to Optimise Customer Experiences



# HOW IRON MOUNTAIN CAN HELP

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As your banking organisation continues on its digital transformation journey, Iron Mountain supports your data protection, end-to-end digitisation, and operational efficiency and sustainability objectives.

We believe banks will renew the focus on operational efficiency and effectiveness initiatives to maintain stability and resilience in 2023. At the same time, a focus on innovation - including digital-first customer experiences and end-to-end digitisation - will ensure your organisation maintains a competitive edge.

Ultimately, **93% of managers, directors, and executives are aiming to eliminate paper records by 2027**, according to a study commissioned by Iron Mountain. Clean up of paper records cuts costs and risk, while opening the door to reveal new value from digital information.

As soon as a digital asset is created, it allows banks to manage exposure to privacy rules, AI-powered decisioning and recommendations, customer experience optimisation, and data classification and minimisation. Digital transformation is essential to delivering innovative, digital-first customer experiences.

The following solutions and services from Iron Mountain can help your bank achieve its goals. We've highlighted three specific services that support digital transformation and provided links to explore our broader solutions as well.

- **Iron Mountain InSight®** - our information management and content services platform, supports a suite of software as a service (SaaS) solutions designed to drive efficiencies in your organisation's most common processes and address industry-specific challenges. We help automate your document-centric processes and put your data to work so you can make informed business decisions. Whether digitising physical documents or centralising already digitised content and rich media, we bring it all together for you.
- **Smart Sort** - Smart Sort reduces cost and risk by identifying which banking records should be kept, digitised, or defensibly destroyed. This technology-enabled solution leverages minimal information from an organisation's core application and records retention schedule to sort and organise files. Your bank can then confidently decide how to move forward.
- **Clean Start®** - Clean Start enables workplace transformation in an organised, efficient, and productive manner. Clean Start kicks off with a complimentary onsite or virtual assessment of an existing space and processes, and the Clean Start team helps customers build a roadmap to reduce your real estate footprint, transform your office space, or navigate the shift to hybrid work environments.



# HOW THE BANKING INDUSTRY BENEFITS

## More Iron Mountain Solutions:

- **Asset Lifecycle Management Services** - Protect your data, environment and the bottom line
- **Digital Mailroom** - Streamline operations and connect data across business silos
- **Information Governance Advisory Services** - Understand the health of your information governance program
- **Document Scanning & Digital Storage** - Secure, collaborative access to your information
- **Secure Storage** - Protect valued assets with secure storage solutions
- **Secure Destruction** - Protect the privacy of your information safely and securely

## WHAT CAN BANKS DO TO STAY AHEAD?

We realise that customer experience, cost control, compliance, and ESG are key concerns both for your bank and the sector at large. Our goal is to help you navigate the uncertainty of 2023 by accelerating digital transformation. This, in turn, will help deliver real benefits to your organisation.

As you continue your digital transformation journey, Iron Mountain will help you:

- **Deliver a superior customer experience**
- **Gain efficiencies to reduce costs**
- **Enhance compliance programs**
- **Achieve your own environmental goals (and those of your clients).**

## Next Steps:

- **Scan the QR code or click below to download the whitepaper:**  
How to Progress on your Digital Transformation Journey



1300 476 668 | [IRONMOUNTAIN.COM/AU](https://www.ironmountain.com/au)  
0800 732 255 | [IRONMOUNTAIN.COM/NZ](https://www.ironmountain.com/nz)

## ABOUT IRON MOUNTAIN

Iron Mountain Incorporated (NYSE: IRM), founded in 1951, is the global leader for storage and information management services. Trusted by more than 220,000 organisations around the world, and with a real estate network of more than 85 million square feet across more than 1,400 facilities in over 50 countries, Iron Mountain stores and protects billions of information assets, including critical business information, highly sensitive data, and cultural and historical artifacts. Providing solutions that include secure storage, information management, digital transformation, secure destruction, as well as data centers, art storage and logistics, and cloud services, Iron Mountain helps organisations to lower cost and risk, comply with regulations, recover from disaster, and enable a more digital way of working. Visit [www.ironmountain.com](https://www.ironmountain.com) for more information.