

This document explores why banks are investing in edge, particularly during a time when branches continue to see a decline in transactional volume.

Edge Investments Will Lead Bank Branch Modernization Efforts

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Questions posed by: Lumen

Answers by: Marc DeCastro, Research Director

Q. Why is investing in the edge so important, and what benefits can be derived from edge investments?

A. First, we need to define exactly what the edge means, and then we can discuss the benefits edge investments will have in modernizing the branch customer and employee experiences. We define the edge as a distributed computing paradigm that includes the deployment of processing and storage resources outside of centralized datacenter and cloud infrastructure, as close as necessary to where data is generated and consumed. For the most part, in retail banking, the branch footprint represents most edge deployment solutions.

The edge becomes a place where banks should focus on placing workloads to improve efficiencies, strengthen security and compliance operations, and provide outstanding and personalized customer experiences. Investments in the edge can work in conjunction with existing bank infrastructure, whether on public or private networks, thus providing a faster ROI. Some of the advantages of edge computing are increased bandwidth, immediate access to data with decreased latency, reduced costs of transmission and storage infrastructure, and improved security and compliance.

Q. What are some of the key reasons why banks are investing in edge solutions specifically in the branch network?

A. When it comes to the reasons why banks are investing in edge, particularly during a time when branches continue to see a decline in transactional volume, IDC identified a few key themes among bank executives. First, edge investment can be a way to help defray the cost of bandwidth and centralized infrastructure, which oftentimes creates hurdles in investing in modern solutions at the branch. In fact, according to IDC research, 34% of financial services executives said this was their top motivation for deploying edge solutions.

Another motivation was around security and data protection, which financial services executives consider almost as important as defraying costs. The fear of lapses in security leading to a negative impact on operations and applications was a top motivation for 31% of bank executives who are actively deploying edge solutions. Additionally, banks are

looking to fortify their data protection plans and help create a buffer to minimize potential negative impacts caused by disruptions. The edge can provide the necessary buffer required to keep the customer experience and employee experience at the branch isolated from any potential threats happening in the centralized infrastructure of the financial institution.

Q. What will the future branch provide in terms of functionality and technology to address the expectations of today's customers?

A. The future branch will need to address the needs and expectations of today's digital generation. From our survey, it's clear that younger customers feel that branches suffer from dated technology and long wait times. Over 33% of those under the age of 35 feel branch technology is dated and are looking to have a more modern experience that is often shaped by other industries, including retail, hospitality, and entertainment. Investment into edge solutions seems like a logical approach to modernize and improve in-branch technology and reduce operational bottlenecks.

Branch functionality must offer more advisory functions, including:

- » Hyper-personalized experience, including account information and product or service recommendations
- » Expansion of small business services, including adjacent financial services with partners offering accounting, benchmark data, and tax planning services
- » More wealth management services, including providing access to specialists, whether in person or through video services, at the branch or allowing wealth management employees to become more mobile and able to service those with smaller investable assets
- » Ability to provide instant gratification and frictionless experiences with "touchless" capabilities
 - Scheduling solutions to streamline customer visits
 - Instant issue of debit cards or replacement of lost or stolen cards
 - Immediate digital wallet integration
 - Immediate mobile banking and remote deposit

Q. What kind of technology will drive the future retail bank branch, and how will edge help?

A. While some legacy infrastructure will be able to support some of the initiatives in branch modernization efforts, more infrastructure will move to the edge and away from corporate datacenters. This will require that the branches begin to plan for this change in reduction of capacity from the central office, moving that capacity out to the branches and edges. According to an IDC survey, 60% of financial services executives plan to maintain or increase their investment in edge computing over the next few years.

Technology that will help drive the future branch includes the following:

- » **Reliable Wi-Fi, telecommunications, and networking.** The branch network will need to be able to provide exceptional connectivity for branch personnel and reliable and secure connections for customers and contractors working in the branch.
- » **Artificial intelligence (AI) and machine learning (ML).** The ability to streamline processes and provide more seamless experiences will mean that analytics using AI and ML will need to be applied closer to where the data is collected, which will be in the branch. A lag due to latency concerns may lead to frustrating experiences for customers and employees alike.
- » **Advanced video.** Video has become more widely expected by banks and their customers, and the use of video will become even more prolific in providing access to specialists as well as in analysis of real-time transaction events. This transaction event monitoring can help reduce fraud and provide real-time feedback while identifying and responding to problems in the branch in real time.

Q. What are some improvements seen by financial institutions that have already invested in edge solutions?

A. Taking a step back, one should first look at the reasons that are the main drivers that financial institutions consider before making investments in edge solutions. Almost half of financial services executives identified improving operational efficiency as their top priority, followed closely by security and compliance enhancements expected to be gained from edge investments:

- » Improve operational efficiency — 45%
- » Improve security and compliance — 44%
- » Improve customer and employee experiences — 33%

Among financial institutions that have already begun their edge projects, many have noticed immediate and significant returns. Edge computing solutions have led to improvements ranging from 17% to 20% in the following areas:

- » Improved compliance — 20%
- » Increased agility and reduced risk from unforeseen events — 19%
- » Opportunities for product/application improvement (e.g., performance, value) — 19%
- » Improved customer satisfaction — 18%
- » Lower overall costs — 17%

About the Analyst



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Marc DeCastro is Research Director for IDC Financial Insights responsible for the consumer banking engagement strategy practice. Mr. DeCastro's core research coverage includes the complete omni-experience journey for the retail customer, including branch transformation, digital product strategies, and onboarding.

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