

91% of banks and insurers have initiated their cloud journey, yet many are unable to realize full business value

- ***Implementing cloud at scale is critical to harvest the full value of AI investments***
- ***One-in-two banks and insurers have not moved their core business applications to the cloud***

Paris, November 16, 2023 – The inaugural Capgemini Research Institute’s [World Cloud Report – Financial Services](#), published today, reveals 91% of banks and insurance companies have now initiated their cloud journey, a significant increase from 2020, when only 37% of firms had embarked on their cloud transformations. However, this high rate and its corresponding investment does not translate to effective cloud adoption at scale. More than 50% of firms surveyed have only moved a minimal portion of their core business applications to the cloud.

Today, 89% of financial services executives believe that a cloud-enabled platform is crucial for delivering the agility, flexibility, innovation, and productivity necessary to meet escalating business demands. Yet, most firms are still not cloud-native¹ and instead tend to opt for a “lift and shift”² approach that hinders the full benefits of cloud-based systems’ scalability and flexibility advantages.

Implementing cloud at scale is critical to harvest full value of AI investments

Nearly two-in-three financial services firms (62%) have started using artificial intelligence (AI), with a target to utilize it across the full value chain in the next two years. Despite their potential, AI, including generative AI and machine learning technologies, are yet to be used at scale in the financial services industry and therefore are having limited impact. The research found that to date much of the cloud investments have been applied towards modern, user-friendly, AI-based, customer-facing applications. Fewer investments are made in back-end core processing systems that are providing inputs to consumer-facing front end applications, resulting in a poor overall user experience.

According to the report, the migration of internal core systems to suitable cloud-enabled ecosystems and platforms is critical to unlock the complete potential and efficiency of AI and generative AI. In return, this will spark the emergence of a wider range of business growth opportunities over the coming years. Today, in banking and insurance, firms are testing their generative AI use cases across customer onboarding, credit analysis, financial planning, policy renewals and to support client servicing models.

¹ Cloud native applications are those which are designed to reside in the cloud from the start, enabling organizations to leverage greater agility and resilience

² In the lift and shift approach the application and associated data are “lifted” from the existing environments and “shifted” as-is to the cloud, with minimal or no changes



Cloud plays a pivotal role in driving ESG impact

With 95% of firms now factoring ESG impact into all key investment decisions, the cloud also has a pivotal role to play in aiding the industry's effective management of ESG reporting to help achieve their sustainability goals. It can equip them with essential ESG impact measurement tools, as seen by 51% of financial services firms citing improved transparency and reporting measures. Cloud providers are starting to develop solutions that can track and report scope 1, 2 and 3 level emissions, offering comprehensive visibility into a firm's carbon footprint across business functions and products.

"For today's financial services organization, ignoring the cloud is simply not an option. Moving to the cloud requires looking beyond a cost-savings approach and being centered around driving innovation to gain a competitive edge," said Ravi Khokhar, Global Head of Cloud for Financial Services at Capgemini. *"As companies race to adapt and implement generative AI, they need to be mindful that there will be no future AI benefits to be realized without cloud-enabled systems. By defining and establishing an effective cloud target operating model at scale, the full potential of these transformational new technologies can be harnessed."*

Risk management and customer relationship management dominate cloud migration priorities

Industry executives surveyed in this report across health insurance, life insurance, capital markets, payments, retail banks and wealth management, identify risk management and customer relationship management (CRM) amongst their top three areas ripe for early cloud adoption.

In wealth management, over half (60%) cite benefits in relying on cloud-enabled fraud detection techniques to make data-driven risk-management decisions. Likewise, more than one-third of retail banking executives (39%) emphasize transitioning complex credit risk management to the cloud to shorten loan processing decision time, through cloud-enabled automated processes and integrated analytics.

Insurers are exploring data-driven personalized value-added services, such as roadside assistance, to align with evolving customer preferences. Among life insurance executives, customer relationship management (55%) stands out as the highest priority for their cloud journey.

Data security and cost challenges constrain effective cloud adoption at scale

Despite significant advantages, industry executives express concerns about the challenges associated with cloud migration. Two-thirds (68%) identify data security as a barrier to adopting cloud solutions, while 51% point to high operational and transformation costs as potential obstacles. An additional 45% mention regulations, such as data sovereignty, as another factor that may pose challenges.

Recently, the Digital Operational Resilience Act (DORA) mandated that financial institutions subject to European Union (EU) regulations must rigorously implement, document, and uphold the requisite systems, protocols, and tools to provide sufficient reliability, capacity, and resilience. Sovereign cloud, which provides secure and independent cloud computing infrastructure to countries to help them ensure data privacy and sovereignty, is therefore fast becoming a common deployment option. To address these concerns, 39% of executives reported a preference to leverage public cloud, 49% prefer private cloud, and the remaining 12% think hybrid cloud is the best option.

Report Methodology

The World Cloud Report for Financial Services 2023 cites global data and analysis of two primary research surveys as well as more than 30 interviews with FS executives and hyperscalers / cloud technology providers;



it also took input from Capgemini's subject matter experts across more than 20 countries. The two surveys polled financial services industry (FSI) and technology ecosystem respondents. The report focused on four global regions and 14 markets within those regions – the United States, Canada, the UK, France, Germany, Spain, the Netherlands, the United Arab Emirates, Singapore, Hong Kong, Japan, China, India, and Australia.

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