



Time to raise the game in cloud

**A strategic guide for Financial Institutions
on the brink of transformation to capture
cloud potential**

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strategy&

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1

Introduction: Why it's time for Financial Institutions in EMEA to raise their game in cloud

A sector analysis of PwC's EMEA Cloud Business Survey reveals that 17% of Financial Institutions – encompassing banks and capital markets businesses, insurers, and asset and wealth management (AWM) players – are already “all-in” on cloud and scaling it in their business endeavours. This is higher than the 14% of businesses across all sectors, placing financial services (FS) companies among the leaders in cloud adoption in EMEA.

However, closer examination reveals a more mixed and nuanced picture. For example, while 61% of banks and capital markets businesses are well advanced on their cloud journeys – having entered the stage of widespread adoption (i.e., adopt cloud in all or most parts of the business) – some 50% of insurers have yet to reach said adoption levels. This relatively high level of cloud adoption by banks is in parts reflecting the impact of a large and growing cohort of agile, “cloud-native” digital and online banks that have joined the industry.

However, results suggest that remaining Financial Institutions face three hurdles in migrating technology estates to the cloud. Firstly, constrained budgets for cloud investment, especially given competing priorities for IT spend. Secondly, tight regulatory oversight around critical systems, including a growing focus on resilience. Thirdly, massively complex issues around sensitive data that can arise with cloud migration.

Whatever the challenges and opportunities around migrating to cloud, our view is that all Financial Institutions should be looking to realise its potential. As shown by our research and client experience across all sectors, cloud-powered firms with modern, scalable technology platforms generate greater longer-lasting value and faster growth, leapfrogging their competitors by capitalising on emerging technologies such as artificial intelligence (AI), or by driving better top- and bottom-line performance.

The bottom line: Financial Institutions in EMEA will need to harness cloud if they're to make their business future-ready for an ever more competitive world. The only question is how.

2

Five imperatives for realising cloud's full potential

We've combined our EMEA Cloud Business Survey results with our expertise in both technology and the FS industry to pinpoint five

imperatives for Financial Institutions in EMEA to make the most of cloud. In summary, these are:

Figure 1: Five imperatives for realising cloud's full potential



We'll now take a closer look at each of these imperatives in turn.

Imperative #1: Optimise and expand the use of cloud solutions

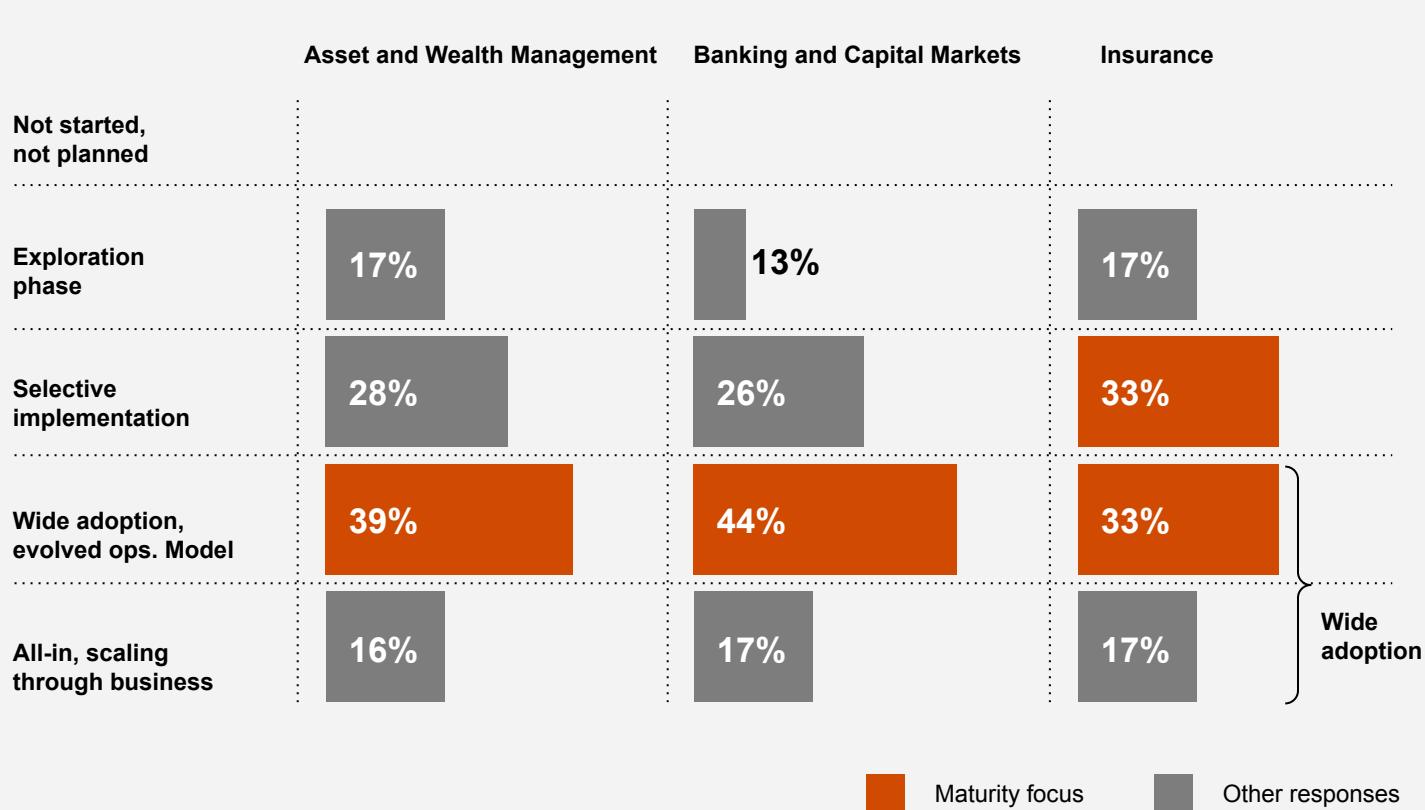
Most Financial Institutions in EMEA are now well-advanced on their journey to cloud, with our research revealing 17% of Financial Institutions being “all in” (see Figure 2). This underlines the way that cloud solutions are gaining traction across the FS industry, a fact reflected by cloud’s continued position at the top of firms’ board agendas.

However, our findings on cloud adoption also show that almost half of Financial Institutions have major potential to scale cloud technology further across their business units and departments.

This doesn’t necessarily mean going all-in on cloud. For a few businesses, it may be more appropriate to keep systems such as core banking or insurance policy management out of the cloud. There’s no one-size-fits-all approach.

As companies map out their own cloud journeys, differences are already becoming apparent between different Financial Institutions (see Figure 2). Overall, while there’s a concerted push across the industry to move operations to cloud, banks are leading the race, with 61% of banking and capital markets firms having adopted cloud widely, or in some cases already being all-in. This figure puts them well ahead of asset and wealth management firms and insurers.

Figure 2: Stage of adoption of cloud by FS sector in EMEA



Our regular client conversations reveal further nuances. For example, banks in EMEA initially viewed cloud as a new way to manage their datacentres, by migrating them to the cloud to reduce costs and increase resilience.

This focus saw many banks subscribe to Infrastructure-as-a-Service (IaaS) solutions under a “lift and shift” approach. However, since these moves involved little change apart from migrating existing systems to cloud, the resulting business value proved to be limited.

Frustrated with these outcomes, many banks are now going beyond IaaS by extending their cloud adoption to include Platform-as-a-Service (PaaS) and Software-as-a-Service (SaaS) offerings, bringing them better functionality for business users alongside the other advantages

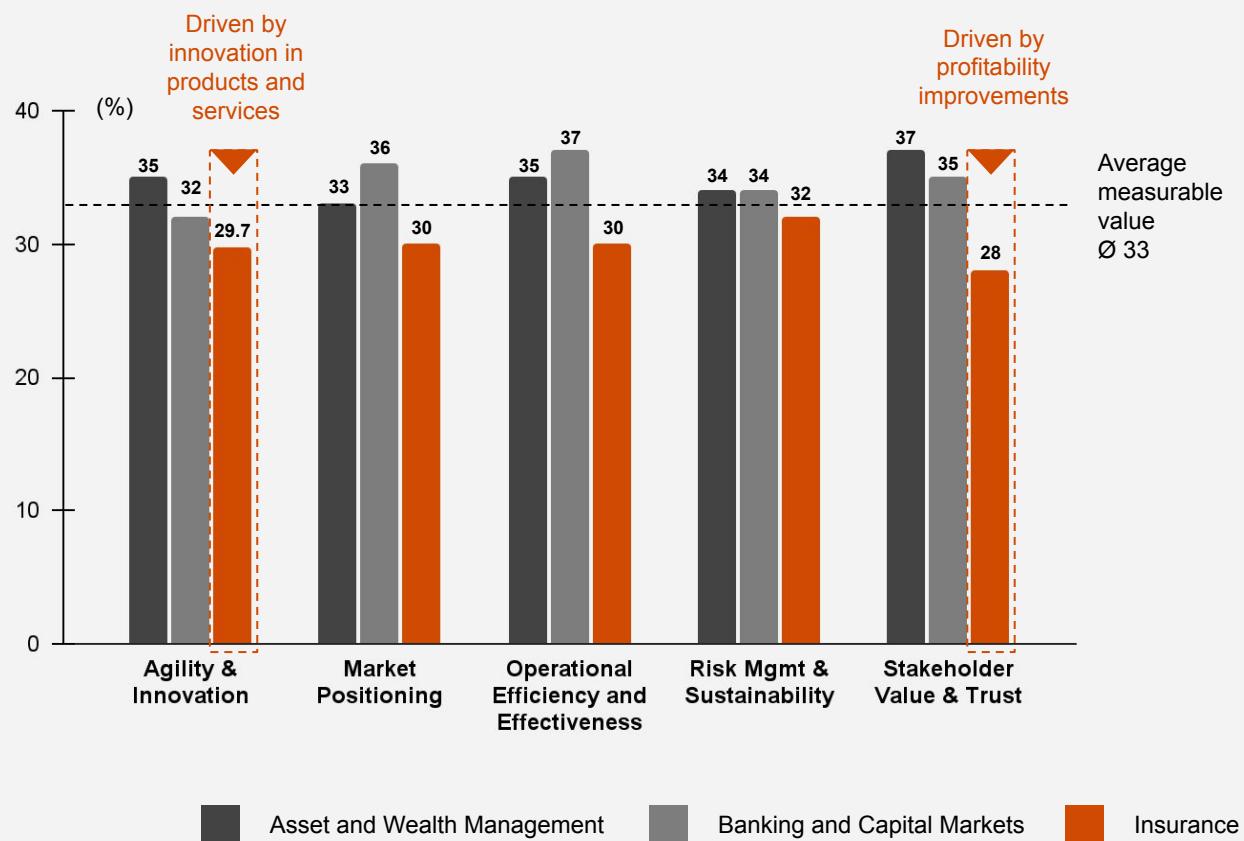
of cloud such as greater agility, scalability, and cost certainty. Adopting cloud platforms also opens the way to business model reinvention, reimagining how the organisation creates, delivers, and captures value.

Imperative #2: Realise the currently untapped value potential of cloud

Many Financial Institutions are already reaping concrete returns from their investments in cloud – with our research showing that about 33% are now achieving measurable value (see Figure 3).

Banks are ahead in generating superior market positioning and operational efficiency and effectiveness from cloud, while AWM is ahead in boosting agility and innovation and stakeholder value and trust. By contrast, insurance firms are generally lagging in realising value from cloud and are notably struggling to innovate in products and services.

Figure 3: Measurable value already realised from cloud points to untapped potential



However, while some firms are realising measurable value, many others are still assessing the potential impacts of cloud on cost savings, operational efficiency, and business outcomes. And for Financial Institutions at every level of cloud maturity, there's untapped cloud value being left on the table caused by both internal and external challenges.

Internally, they often face data silos across the organisation, budget constraints, and limitations on technology capabilities and talent. Externally, they're confronted by an environment where regulators are concerned about concentration risk and threats to resilience, and where local regulations on issues like data residency can make it harder to leverage the scalability of cloud globally.

How to respond to these issues? Many firms are still adopting cloud through siloed point solutions. Realising cloud benefits may require some organisational issues to be overcome while cloud brings agility, cloud operations must operate alongside much less agile business functions like Finance, Risk, Compliance and Security. Getting these functions up to cloud levels of agility will mean getting them to adopt new ways of working.

Comprehensive value realisation from cloud also depends on firms propelling their digital business to go beyond "mere" adoption. This means viewing cloud initiatives more broadly – for example, identifying how the organisation can use cloud to leverage unstructured data for new insights in a cost-efficient manner.

Imperative #3: Leverage cloud not just for efficiency and cost benefits – but top-line growth

One of the most positive findings in our survey is that Financial Institutions in EMEA – particularly AWM and insurers – are focused on achieving improved cost savings and higher productivity through cloud over the next 12 months. Boosting profitability through cloud is an especially high priority for insurance firms, with 47% aiming to do this.

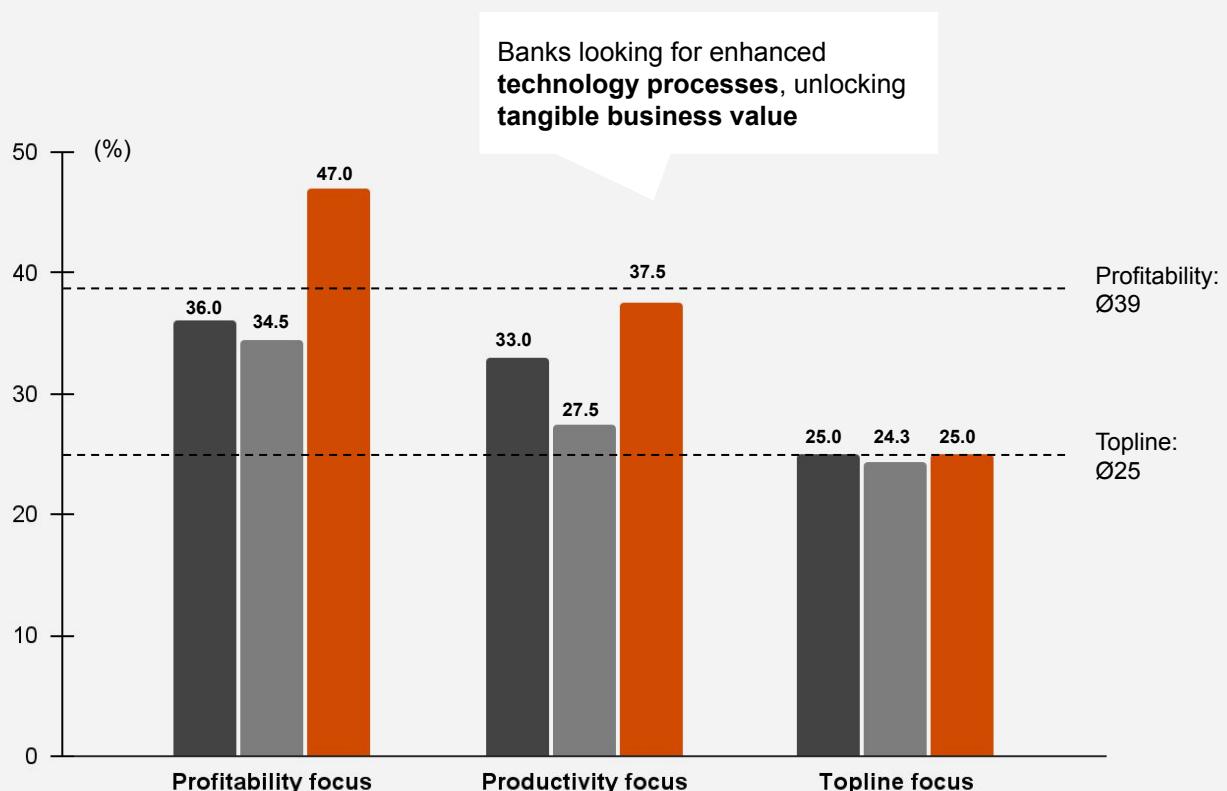
However, our research also suggests that new value realisation opportunities are currently being left on the table by all types of firms as they focus primarily on gaining cost benefits. They're looking to realise these through higher productivity and profitability from streamlining

processes in the cloud and improving collaboration. Banks are predominantly looking for enhanced technology processes, while insurers are focused on using cloud as an enabler to boost profitability through improved risk-modelling accuracy, leading to better pricing decisions and reduced claims losses.

It isn't difficult to see why the initial rationale for many firms' cloud initiatives has been mainly around reducing costs. When it comes to securing investment in cloud, efficiency gains are much easier to quantify and prove as part of the business case than less tangible improvements in metrics like customer satisfaction and the impact of improved Net Promoter Scores (NPS) on future revenue. But by neglecting topline growth as a priority focus over the next 12 months, firms are potentially missing out on opportunities through cloud.



Figure 4: There are opportunities for firms to focus on new value realisation



Key findings

- Increased **productivity** as well as **profitability** impacts **less important** for **banks** than for **asset and wealth managers**
- Focus on **topline growth via cloud technology** **less of a focus** for FS players in the next **upcoming 12 months**

Asset and Wealth Management Banking and Capital Markets Insurance

One opportunity for topline value realisation?
Responding to customer needs faster and with greater relevance. With access to customer data in the cloud, Financial Institutions can develop 360-degree insights into their customers, while also sharing insights between departments for more effective upsell/cross-sell of products and services. However, this will require firms to break down internal organisational and data silos whilst maintaining regulatory compliance, i.e., avoiding confidentiality issues. A valuable step towards achieving this is to create an enterprise-wide architecture function to oversee cloud data sharing and spend.

A further major advantage of consistent, seamless access to cloud data across the organisation is to enable more effective use of Artificial Intelligence (AI and GenAI). To date, use of GenAI in Financial Institutions has largely been limited. But full benefits of GenAI can only be realised if solutions have unfettered access to data across the business and are operated cost-effectively on a scalable platform such as the cloud.

Overall, the emphasis among all Financial Institutions needs to move on from using cloud to gain cost savings – and shift towards considering more broadly how cloud technology can help them to scale, innovate and compete more effectively in an increasingly digital FS marketplace.

Imperative #4: Invest tight cloud budgets smartly by tying spending to benefits through a solid business case

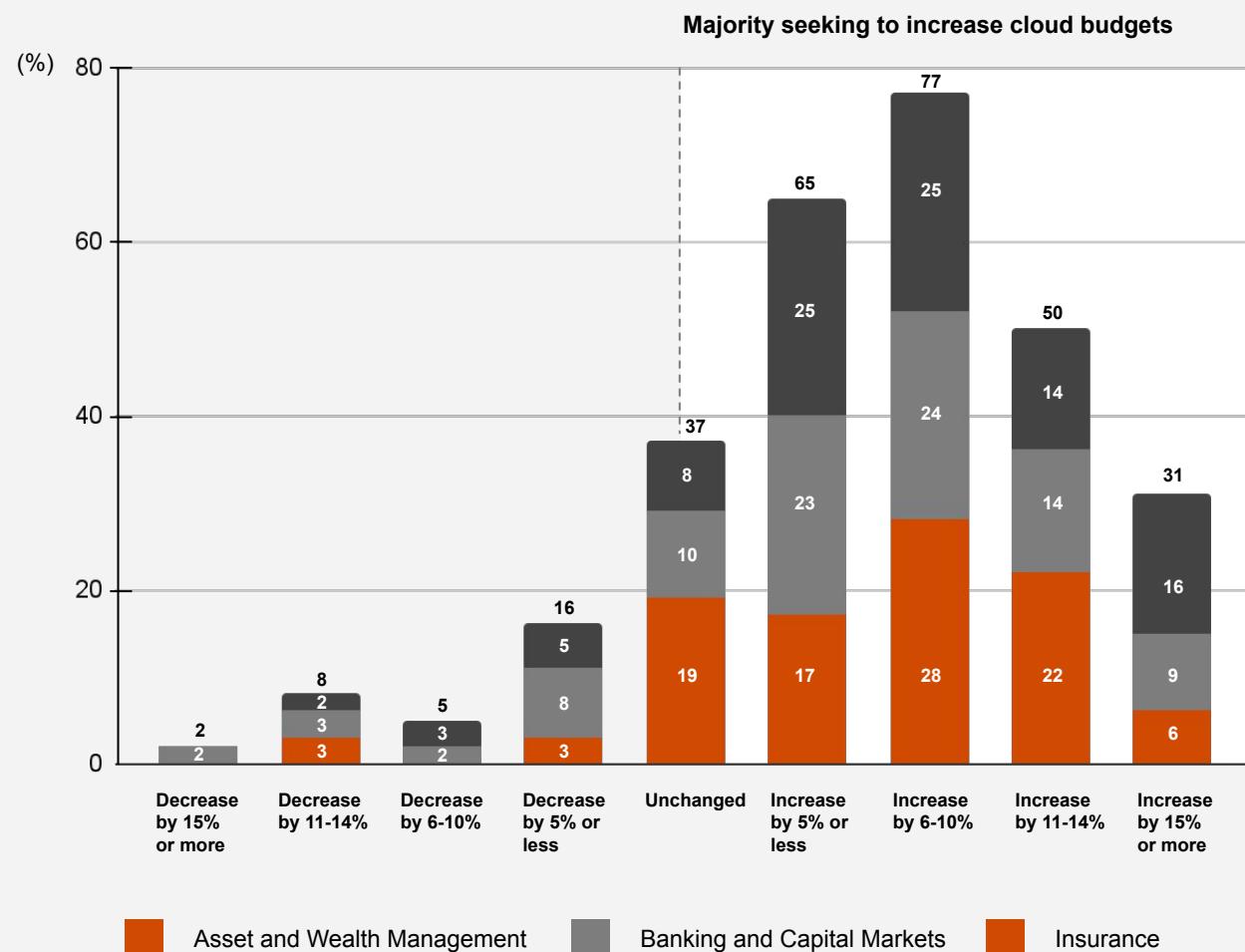
With business value from cloud investments on the rise and adoption growing rapidly across Financial Institutions in EMEA, there's a clear preference among firms to increase their budget allocations to cloud. Our research shows that

just over three-quarters of all firms are increasing their cloud spend this year, with just one in 10 looking to reduce it (see Figure 5).

Again, some interesting differences emerge at the sector level. Take insurers: while they've been relatively slow to invest in cloud until recently, they're now playing catch-up, with 56% of them planning to raise their budget allocation to cloud. Their objectives include providing more personalised customer experiences, as well as improving fraud detection and preventing losses through cloud technology.

Figure 5: Smart cloud spend will be a key differentiator for Financial Institutions in 2024

Clear preference to increase budget allocation in 2024



However, in a volatile business environment, wider IT budgets across the FS industry remain under pressure which in turn limits resources available for investment in newer tech capabilities such as cloud and GenAI.

Given this issue, it's hardly surprising that firms in our study view constraints on expenditure as the top barrier to comprehensive generation of cloud value. So smart utilisation of cloud budgets to reflect the unique cost dynamics of cloud will be a crucial differentiator for upcoming years. With cloud solutions, every instance and application that a firm spins up, or that a business unit uses, can be costed at a granular level. This is very different from the traditional monolithic IT budget.

To manage the far greater specificity of cloud costs and spend, firms need to adopt a sophisticated FinOps approach, which can ultimately enable a real-time dashboard of cloud costs broken down by application and business unit. Moving to such a model will require data-driven decision-making underpinned by targeted training for employees.

The result? Smart cloud spend, with costs tied more closely to provable benefits. Firms that achieve this will both reap higher returns from cloud – and be able to build a stronger business case for ongoing cloud investment.

Imperative #5: Get a firm grasp of cloud governance and controls

In embarking and progressing on their journey to cloud, many Financial Institutions have failed to pay enough attention to cloud governance, risk, and controls. Worryingly, our EMEA Cloud Business Survey reveals that only about 30% of all Financial Institutions are confident that they have adequate cloud controls in place (see Figure 6).

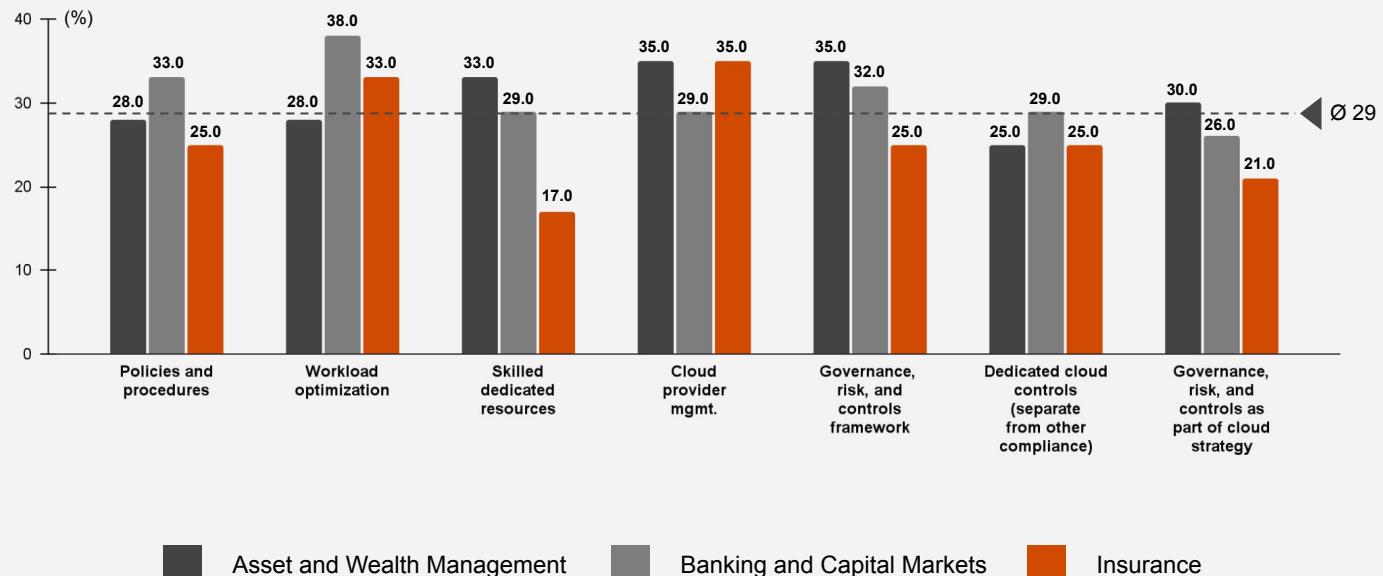
Firms also appear to be struggling with establishing cloud governance frameworks, potentially leading to inefficiencies, security

gaps, and compliance risks. Experience shows that a lack of guidelines and controls for cloud solutions can cause negative impacts including uncontrolled cloud sprawl, the emergence of "shadow IT" across the business, inconsistencies in security practices, and regulatory non-compliance.

These are significant issues that Financial Institutions' cloud strategies need to address. We've noted in a previous [thought leadership article](#) that effective cloud risk management and controls – including safeguards such as encryption and access management that help mitigate risks in the cloud – are vital for realising value from cloud in a secure and sustainable way.



Figure 6: Are you confident that your firm has adequate cloud controls?



Again, our research reveals differences here between Financial Institutions. Banks are more confident with their cloud controls designed to optimise workloads as well as dedicated cloud controls. Whereas AWMs feel more strongly about governance, risk, and controls as part of their strategy. By contrast, insurers tend to have less advanced cloud governance, mirroring their generally lower cloud maturity. But while insurers often lack technically-upskilled resources, many of them – in common with AWM firms – have already implemented robust cloud provider management, including clearly documented shared responsibilities.

Firms that are currently lagging behind on cloud governance and controls need to close the gap on the leaders if they're to encourage and foster cloud-powered innovation while maintaining vital risk management. Crucially, while cloud governance is a challenge, it's one that is solvable. The key is to embed risk management from the start of the cloud journey, by putting in place the right roles, processes, tools, and skills such as DevOps to assess, understand and manage risks arising in the cloud and maintain security. The result? Secure and sustainable value from cloud.



3

A four-stage journey to comprehensive cloud value

Based on our wealth of research and extensive client experience, we've mapped out a four-stage journey for your Financial Institution

to conduct an orchestrated cloud transformation – taking you from your current position and level of cloud maturity to your future target destination.

1 Cloud roadmap

- Develop your organisation's cloud strategy, underpinned by a solid business case for cloud investment
- Analyse and understand the as-is status quo for your cloud solutions and desired future target state .
- Prepare your IT infrastructure for cloud ramp-up – including by breaking down data silos between different parts of the business.

2 Cloud operationalization

- Identify and prioritise high-potential cloud use cases and create your transition plan
- Define your cloud ecosystem and select appropriate cloud solution and platform vendors
- Develop roles and responsibilities to support your cloud-driven target operating model (TOM).

3 Cloud transformation

- Implement your selected cloud platforms and solutions in line with your business and technology strategy
- Establish a cloud-compatible organisations, including cloud governance, risk, controls and compliance
- Complete the technical aspects of your cloud transformation.

4 Cloud operations

- Develop your organisation's cloud strategy, underpinned by a solid business case for cloud investment
- Analyse and understand the as-is status quo for your cloud solutions and desired future target state .
- Prepare your IT infrastructure for cloud ramp-up – including by breaking down data silos between different parts of the business.

Implement these four levers – and your Financial Institution can become a leader in generating comprehensive business value from cloud.



To find out more about how PwC can support your transition to your cloud-powered future, please contact:



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