

3. Focusing on profitability

The Capital Markets
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For a decade now, the capital markets industry has been under growing pressure from revenue unpredictability, decreasing profitability and increasing regulations. Combined with the shift to lower-margin products, an extended period of low interest rates and increased capital requirements has hit capital markets businesses across the board.

As clearly demonstrated in retail banking, digitalization has the potential to address both the revenue and cost sides of the equation. But how your company profits from digitalization depends on where you are on your journey. For most institutions — particularly on the sell-side — the immediate benefits of embracing digital transformation will be more operational. That said, if harnessed correctly, the impact will result in a greater understanding of client needs and better customer outcomes; the key to sustained profitability.

So, what do your clients need?

Not what do they ask or even pay you to do for them, but what do they actually need? Outside of the mandated KYC data collection and press comment, how much do you really know about their businesses and what drives them to come to you or your competitors for solutions? Even when you know a client intimately, what chance do you have of responding to their needs in a timely and efficient manner?

No doubt your salespeople will have a view but, at best, it will be the result of frequent interactions with the one or two contacts they deal with at each client. How much of their insight is based on objective facts rather than subjective opinions? How much of it is captured and encoded in a form that the rest of your firm leverages automatically? How many of your sales interactions are merely responses to individual client requests, as opposed to the proactive pitching of relevant and realistic ideas? Or, having executed their initial request, seamlessly advising them on their next actions?



Data fuels your business

Your firm's ability to understand and guide clients is the key to retaining them. In a world where alpha is harder and harder to find, bringing them solutions you know they need before they know it themselves, is your best chance of maximizing the value you add to, and get from, your client relationships.

This understanding and the guidance that springs forth begins with data. Data is the fuel that drives this business

— it always has been. But the capital markets industry is now awash with data; data created internally or sourced externally. The scale of the tasks involved in managing that data — sourcing, validating, normalizing, storing, orchestrating, distributing and disposing — is already vast and will only increase, especially with the advent of Internet-of-Things data sources and the acceleration of open APIs acting as proverbial geysers of near-real-time information. Many firms are already drowning in data.



Real-time data insights

Data-as-fuel is key, but even more important are the insights you can generate in real time from your business, the market and, crucially, your clients' individual business contexts. However, your firm needs to focus on the way you *use* that data and those insights to equip your client-facing workforce.

This approach ensures they're not reacting dumbly to inbound contact, but engaging proactively with clients at scale, armed with information specific to the person at the client firm in question. Anyone who interacts with Amazon or Google knows that the technology to deal automatically with huge datasets and make them personally relevant, is already here.

Think differently

Provision and management of the data lies firmly in the *as-a-Service* or *as-an-Industry* camp. But interaction with that data — the way your firm makes it relevant and turns it into client insights, plus the tooling and processes around putting those insights into the hands of your

staff via the amplification of your client-facing workforce — this is what will differentiate your firm from its competitors. Consequently, data insight should form the beating heart of your business strategy going forward.

Change is good for the soul

By optimizing their front-office processes and investing in client-centric, insight-rich tooling, capital markets firms have the opportunity to address performance issues, improve the way they service and communicate with their customers, and secure new market opportunities.

These businesses, both buy- and sell-side, need the ability to react quickly to client needs and the ensuing hedging opportunities, as well as the flexibility to execute trades and manage positions more efficiently. By leveraging insights into client preferences, market trends and other factors, firms can derive substantial benefits in terms of customer satisfaction, new product development and profitability. Ultimately, this is about surviving the race to stay relevant and competitive, and thriving in a digitalized world.

In case you missed part two of this blog series, **you can read it here**. If you'd like to find answers to some of these burning questions, visit our **LinkedIn**.

Alternatively, if you'd prefer to talk changeability with one of our experts, contact **financialservices@luxoft.com**.

About the author



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Matthew has more than 20 years' combined expertise and international leadership experience as a CIO and COO in the Financial and Capital Markets industry. His career spans Credit Suisse, Deutsche Bank, Credit Agricole, Daiwa Capital Markets and Lloyds Banking Group. He joined DXC Luxoft in March 2020 to lead Capital Markets Solutions globally.

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About DXC Luxoft

DXC Luxoft is the design, data and development arm of DXC Technology, providing bespoke, end-to-end technology solutions for mission-critical systems, products and services. We help create data-fueled organizations, solving complex operational, technological and strategic challenges. Our passion is building resilient businesses, while generating new business channels and revenue streams, exceptional user experiences and modernized operations at scale.