

## Part 3 of 3 - Digital value creation in the Building Society marketplace: how do we marry technology with tradition?

In today's financial landscape, building societies face a unique challenge - harmonising the timeless appeal of personalised service with the imperative to embrace digital innovation. In the last of this three part series we will address two pivotal questions: How do we seamlessly blend the personal touch our customers cherish with the demands of a digital era? And what, precisely, constitutes digital value in the eyes of our customers?

### Industry



Banking

### Services



Architecture



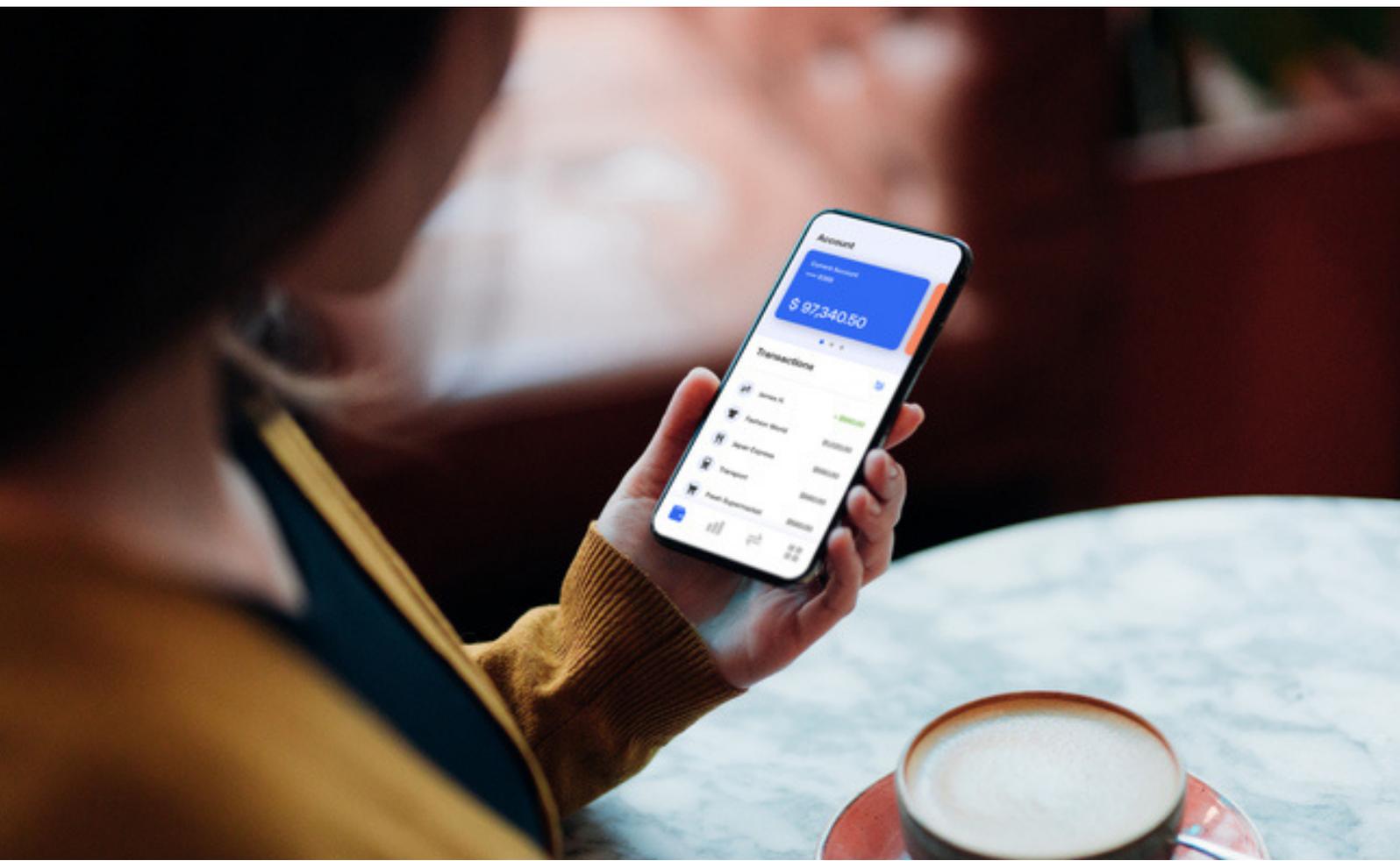
Operating Model & Organisational Design



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## Digital value creation in the Building Society marketplace: how do we marry technology with tradition?

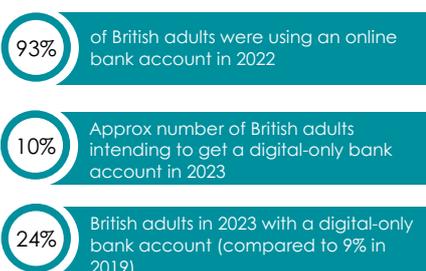
For building societies, marrying future-proofed digital value with a traditional branch-based model is particularly tricky. Two questions are key to tackling these challenges. How do we integrate the personal, flexible service building society customers are accustomed to with the need to 'do digital?'. And what does digital value really mean for customers? Understanding the answers is crucial if building societies are to strike the right commercial balance between new, innovative services and retaining customer loyalty, as Catherine Randles, Managing Consultant with Mason Advisory, explains.

This insight is the third and final in our "Digital Transformation Tipping Points" series for financial services organisations. You can read the rest of the series here:

Insight 1: [Building Societies face a digital transformation tipping point – but where do the challenges really lie?](#)

Insight 2: [For meaningful digital transformation, Building Societies must change the supply chain dynamic.](#)

In today's world, customer demand for digital banking services is more sophisticated than ever. 2021 saw [global investment in Fintech soar to US\\$130 billion](#), reflecting the pandemic-driven boom in digital services. Admittedly, investment decreased by 30% in 2022 as the economic climate cooled. Interestingly, though, in the UK, investment held comparatively strong, falling by only 8% in the same year[1]. According to the same cited research:



Here's the interesting thing, though... the same research reports that:



Source: <https://www.finder.com/uk/digital-banking-statistics> - Analysis conducted by finder.com

These figures suggest that, even though digital banking continues to grow, a significant proportion of the British public is not yet ready or willing to accept digital-only as a viable banking option. This bears out my own experience of working with Mason Advisory's building society clients. Typically, they retain a loyal, regional, in-branch customer base. Mortgages and savings remain a core offering. [Building societies currently hold 24% of the UK's gross mortgage lending share](#), while savings balances increased by £8.4 billion in 2022, accounting for a 34% share of the UK savings market[2]. As discussed in my first insight in this series, traditional banking still wins out on trust (66% of customers), against digital-only banking (37% of customers)[3]. So, although digital is an indisputable part of financial services moving forwards, it seems that the UK population has not fully bought into the digital-only narrative – or, at least, not yet.

### Engineering digital value for both customer and organisation

In fact, this landscape offers a differentiated commercial strength for building societies. Their established model still plays well to the 'trust' theme. Yet, looking ahead, the greatest opportunities exist for organisations that have put in place the fundamental digital foundations for growth and profitability. Building societies are likely to face tough consolidation decisions to stay competitive. Right now, though, a seismic shift that eliminates bricks and

mortar in favour of digital-only services seems a shift too far. In what is effectively a hybrid scenario, decisions around digital represent a tipping point for building societies. The key decisions lie in how to ensure that digital does, indeed, create genuine value for the customer as well as engineering commercial value for the organisation. For me, there are three headlines that must be understood to design the right digital value roadmap:

#### 1. Creating digital value is not the same as 'doing' digital transformation

At its core, true digital value lies not in technical delivery, but in the skill and strategy of remaining relevant to the customer at every touchpoint. This means providing a trustworthy experience, a meaningful emotional engagement, and a solution to the customer's problem, all at once. It is a deeply complex objective to achieve. Plus, certainly in the current account and savings markets, today's customers have the freedom to switch financial services providers comparatively easily. Build in the brutal world of digital abandonment (in 2020, 63% of customers abandoned a digital banking onboarding process[4]) and it is easy to see how failing to create a genuine digital value experience can quickly and negatively impact on customer acquisition and retention.

#### 2. Building a digitally capable ecosystem is key

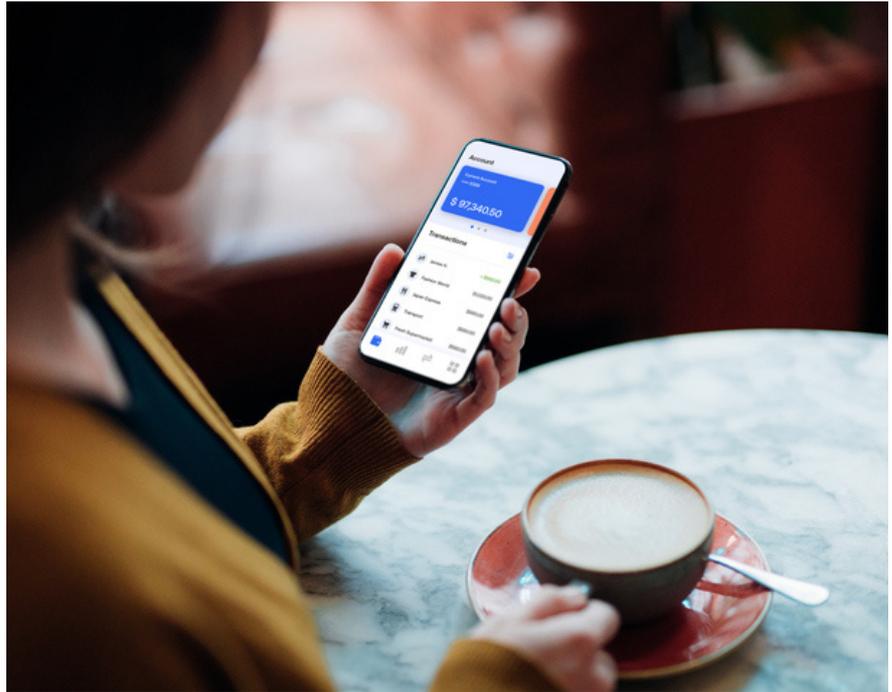
If there is one stark lesson the past two years have taught us, it is that even the biggest businesses can't predict the future. We cannot know with certainty what financial services will look like in a year – let alone five, or ten, years from now. But we can address the digital ecosystem so that, when the next big customer-led evolution comes along, the organisation is equipped to pivot and deliver. This requires work – now – to ensure that stackable, scalable digital infrastructure is in place and ready to

adapt. For building societies, that work is extremely challenging, given cautious investment budgets, legacy supply chains, and a high level of risk-awareness. But, complex though the process is, investing in digital value capability is a growing commercial imperative. And it needs to be effectively led, which in turn leads me to...

### 3. The digital value strategy must be steered with confidence

To ensure building societies remain relevant, those leading the strategy need to ramp up the pace and nature of decision-making. Those decisions will almost certainly be all about change – whether the change is expected and welcome, or not. That, especially when the outlook includes unknowns, is a daunting prospect – even for the most seasoned executive. Nonetheless, decisions must be taken and cascaded effectively, to ensure that the business is ready to stay on the digital front foot, however the landscape pans out.

Fundamental to all this is a recognition that digital value creation is not about doing things faster, or cheaper, or even more efficiently. It is about recognising what a customer values (trust, experience, and relevance), translating that to the online experience and enhancing that value through digital capabilities. Building societies are uniquely positioned to travel that journey from their starting point of customer loyalty. That is not to say that the journey itself isn't difficult. But, with the right understanding and insights into what it really means to create digital value, it is a journey with the potential to generate the next level of commercial success.



[1] [Digital banking statistics 2023](#), [Finder.com](#), February 2023  
[2] [Latest BSA statistics](#), [bsa.org.uk](#), December 2022  
[3] [The future of financial services](#), [business.yougov.com](#), March 2022  
[4] [The Battle to Onboard 2020: The impact of COVID-19 and beyond](#), [signicat.com](#), June 2020

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### **About Mason Advisory**

Mason Advisory has offices in Manchester and London and employs over 100 staff, with plans to continue its expansion. We enable organisations to deliver value through digital & technology transformation, solving complex business challenges, and helping clients set strategy through the intelligent use of IT resources including architecture, cyber, operating model and organisational design, service management, and sourcing. We operate in sectors such as financial services and insurance, legal and law, government, health and social care, emergency services, retail, FMCG, transport, and not-for-profit.

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