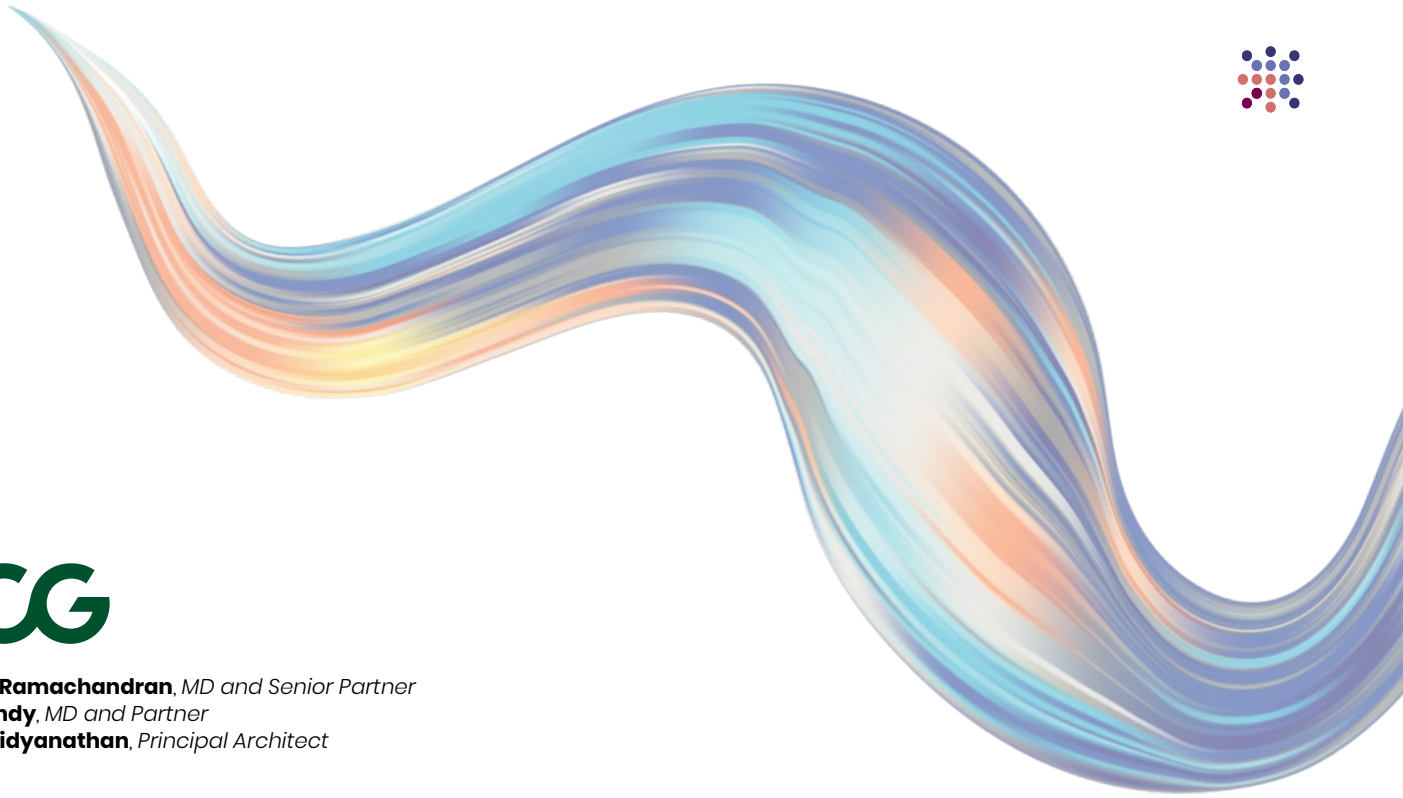

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10: Shared Services as a Pathway to Scale and Future Competitiveness

Executive Summary

- By 2050, building societies will need to operate on platform-based ecosystems to remain competitive. Rising costs will make sector-scale capabilities the baseline. Without shared platforms the widening scale gap with larger banks will leave smaller institutions struggling to keep pace.
- Shared services provide a pathway to achieve scale while preserving the mutual model. By pooling technology and operational capabilities, societies can reduce cost and complexity, improve resilience, and access advanced capabilities, enabling new propositions—while retaining customer relationships, brand, and local presence.
- The core strategic implication is that scale must be achieved through collaboration, not necessarily consolidation. A range of shared services models can be applied in different contexts to enable future competitiveness, with success dependent on coordinated, sector-wide action-led by the BSA-to align institutions, define operating models, and deliver platforms at scale.

1. Scale is becoming a structural requirement for resilience

Scale is increasingly a structural requirement for resilience in the mutual sector — not just in terms of size, but in the ability to access the technology, investment, and operational capacity needed to remain competitive.

Large banks benefit from economies of scale, enabling them to absorb shocks, spread costs, and sustain continuous investment — advantages that compound over time. AI is accelerating this dynamic: large banks and digital natives are deploying AI at scale to reduce costs, improve decisioning, and personalise services in ways that smaller institutions cannot replicate individually.

Mutuals face structural constraints, including legacy technology, higher costs, regulatory burden, limited specialist talent, and reliance on traditional distribution. A widening capability gap is emerging — smaller institutions must meet the same expectations with fewer resources and less capacity to invest.

Scale is no longer optional - it is fundamental to resilience, competitiveness, and long-term relevance.

2. Structural pressures are intensifying—and will continue to do so

Structural pressures — rising AI and technology investment, increasing regulatory complexity, stronger operational resilience, and competition from digital natives — are elevating the baseline capabilities required to operate. Looking ahead, these pressures will intensify further.

Cyber risk is becoming a critical pressure, with increasing attack sophistication and regulatory scrutiny raising the baseline for resilience. AI is directly amplifying this threat: it is lowering the cost and complexity of launching attacks while enabling more targeted, adaptive, and large-scale intrusions. Smaller institutions are particularly exposed due to legacy systems, limited specialist capability, and reliance on third parties — and AI-powered threats make this exposure harder and more expensive to manage individually.

Adapting to these structural changes is complex, resource-intensive, and costly — and increasingly beyond what smaller institutions can manage alone.

3. Shared services provide a pathway to scale without requiring consolidation

Shared services strengthen the technology and operations backbone — enabling modernisation, reducing duplication, improving resilience, and providing access to capabilities that smaller institutions cannot sustain individually — pooling investment and capabilities while preserving independence. In this model, institutions differentiate at the customer interface while operating on shared platforms for core infrastructure, retaining identity, customer relationships, brand, local presence, trust, and member focus.

This approach is already evident in the UK financial system. Banks rely on shared services across payments (Pay.UK, CHAPS), cash access (Post Office, bank hubs), fraud (CIFAS), and credit data (credit bureaus), competing at the front end while relying on shared infrastructure behind the scenes.

Today, cost-to-income ratios across building societies[1] vary significantly, with larger institutions operating in the

low-to-mid 50s, while smaller societies face structurally higher cost bases due to sub-scale technology and operations. Shared services have the potential to narrow this gap — first improving efficiency across the sector and, over time, enabling a more consistent move toward the 40s or below as scale, standardisation, and automation take hold. Beyond cost efficiency, this shift also improves speed to market and delivery consistency, enabling institutions to respond faster to regulatory change and evolving customer needs. They do not themselves solve for customer relevance, growth, or differentiation — but they act as a critical enabler, creating capacity for investment in innovation and customer experience.

This is not simply a technology or outsourcing decision. For building societies, shared services represent a structural change in operating model — and a necessary one if the sector is to achieve the scale required to remain competitive while preserving its mutual identity.

4. International experience demonstrates that shared services work at scale

Global experience shows that shared services have been successfully implemented across cooperative, mutual, and regional banking systems, demonstrating that sector-scale capabilities can be achieved without consolidation.

Global shared services landscape

Country	Model	Provider / Platform	Scope	How the model operates	Key Insight
Germany	Cooperative utility	Atruvia	Core banking, digital, data centres	Single, sector-wide IT platform operated centrally for all member banks with high standardisation	Full sector adoption enables deep scale and standardisation
Germany (Savings Banks) Sparkassen-Finanzgruppe	Sector utility (public-sector cooperative)	Finanz Informatik (OSPlus platform)	Core banking, payments, digital, data, analytics	Central platform (OSPlus) providing core banking, payments, and digital services across all savings banks.	Near-universal adoption drives standardisation, sustained investment, and expansion into data and AI capabilities.
France	Group subsidiary	Euro-Information	IT, payments, operations	Central group entity delivers integrated technology and operations across all affiliated banks	Highly integrated platform model

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[1]Analysis of Annual reports of Nationwide Building Society, Yorkshire building society, Coventry Building Society and other mid/small society disclosures (where available)

Global shared services landscape (continued)

Country	Model	Provider / Platform	Scope	How the model operates	Key Insight
Spain	Federated model	Grupo Caja Rural / RSI	Core banking, treasury, payments	Shared core platform and central services, with local institutions retaining operational autonomy	Balances autonomy with shared capability
Italy	Hybrid model	Allitude	ICT and back-office	Group-owned service company delivers IT and operations, with infrastructure partly outsourced to partners	Combines cooperative ownership with outsourcing within Cassa Centrale Group
Ireland	Joint venture	Metamo	Lending, HR, digital	Jointly owned platform with external partner delivering shared services across participating institutions	Extends shared services beyond IT
Australia	Utility / hybrid	Cuscal	Payments, data, fraud	Sector utility delivers payments and data services, with increasing use of external capital and partnerships	Platform scaling through hybrid models
United States	Vendor-led / CUSO	FIS, Fiserv, Jack Henry	Core banking, payments, operations	Third-party providers deliver core systems and operations across multiple banks on shared platforms	Vendor-driven shared services at scale

Across these markets, shared services consistently enable institutions to pool investment, access advanced capabilities, and operate at scale while maintaining independence. While many existing models were established in a different technology context, the next generation will be shaped by AI-native, agentic capabilities — developed once and deployed across institutions — moving from static, standardised processing toward dynamic systems that handle customer engagement, servicing, and decisioning simultaneously, delivering both cost efficiency and more personalised member experiences.

Emerging next-generation shared service models
Shared service utilities are increasingly moving beyond standardisation and cost efficiency toward AI-enabled, customer-facing capabilities — using central platforms to deliver next-generation services at scale.

AI-enabled personalisation at scale
German savings banks are leveraging their central platform to build shared data and AI capabilities across the network. Emerging initiatives focus on customer personalisation at scale through centralised data models, analytics layers, and decisioning engines deployed consistently across all institutions. This shows how shared service platforms can evolve from standardised processing into AI-enabled systems delivering differentiated, data-driven customer experiences.

Agentic AI for operations and engagement (Cooperative banks)
In India, cooperative banks are collaborating on a centralised technology and operations utility, with early AI deployments focused on agentic outbound call systems for collections and customer engagement. These AI agents execute high-volume interactions using shared data and models, improving recovery rates, reducing cost, and enabling consistent outreach. This demonstrates how shared services can rapidly scale AI to transform both operational efficiency and customer engagement.

5. Three archetypes of shared services, with increasing impact

While shared services can take many forms, they evolve along a clear spectrum of integration - from sharing technology, to utilities, to full operational platforms. This progression reflects a shift from individually owned capabilities to shared, industrialised platforms. For building societies, this is a strategic decision about what remains differentiating and what can be standardised and shared.

Shared Service Archetypes

Archetype	Description	What stays in-house	What is shared / externalised	Benefit & challenge addressed	Global examples
Technology platforms	Shared core banking, digital channels, and infrastructure layers	Customer relationships, product design, pricing	Core systems, platforms, infrastructure, Cyber security	Reduces legacy complexity and cost	U.S. (Jack Henry)
Technology + shared utilities	Platforms plus payments, KYC, fraud, compliance	Customer experience, product innovation	Payments, compliance, risk utilities, Security operations	Improves efficiency and resilience	Australia (Cuscal)
Fully integrated platforms	End-to-end tech + operations	Customer interface, brand	Operations, servicing, processing, security operations	Maximises efficiency and scale	Germany (Atruvia)

6. Operating models and governance are critical to success

While the archetypes define what is shared, operating models define how shared services are delivered.

Feasible operating models

Model	Description	Pros	Cons	Examples
Sector-owned	Member-owned platform	Alignment, control	Complex governance	Germany (Atruvia)
Federated	Shared standards + autonomy	Flexible, inclusive	Fragmentation risk	Spain, Brazil (Grupo Caja Rural / RSI)
Joint venture	Co-owned with partners	Faster innovation	Governance complexity	Ireland (Metamo), Australia(Cuscal)
Vendor-led	Third-party platforms	Fast, low investment	Governance complexity	United States (Jack Henry, FIS)

A one-size-fits-all approach is unlikely to work-larger societies may adopt more integrated models, while smaller ones may favour utility approaches, requiring flexibility across differing capabilities, scale, and ambition. Looking ahead, this could extend to shared 'AI factories', where institutions pool data, models, and capabilities to build and deploy AI-driven services at scale.

The most appropriate model will vary by institution size and capability: smaller societies may operate on shared platforms with lean models, mid-sized institutions may adopt hybrid approaches, and larger societies may act as anchor participants.

7. Delivery requires coordinated, sector-wide action

Realising this opportunity will require new capabilities, stronger partnerships, and structural changes in how the sector collaborates and operates:

- Stronger governance and funding models
- Clear participation structures (e.g. mandatory vs optional)
- Greater standardisation of non-differentiating capabilities
- Deeper collaboration with technology partners
- Engagement with regulators and government to enable supportive frameworks
- Clear leadership, collective commitment, and coordinated execution

The BSA has a central role as the sector's convening and orchestrating body — aligning institutions, defining operating models, enabling coordinated delivery, and engaging regulators and government to shape supportive frameworks.

Conclusion

The trajectory the sector takes will determine whether shared services become a source of strength or a missed opportunity.

Success in 2050 would see:

- Shared, scalable platforms improving capability, reducing cost and strengthening resilience
- Sector-wide scale achieved while preserving independence and trust
- Sustained investment in innovation and customer experience

Failure in 2050 would see:

- Fragmented adoption limiting scale benefits and leaving costs uncompetitive
- Continued reliance on legacy systems and duplicated operations
- A widening gap with larger banks, reducing relevance of smaller institutions

The question is no longer whether building societies need scale, but whether they can achieve it together — and at sufficient pace.

Acknowledgements: *Saurabh Tripathi, Global Leader Financial Institutions Practice*

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