

The State Of Digital Transformation In Financial Services, 2021

TREND REPORT

Summary

COVID-19 has accelerated digital transformation in financial services and shifted the focus to operational efficiency. Cloud still dominates transformational tech investments, with business intelligence, digital experience platforms, and security and privacy following close behind. Nonetheless, the industry still underestimates organizational and cultural challenges to digital transformation. To achieve business objectives, financial services firms will need to flex their organizational structures and develop new skills — building a better tech foundation will not suffice. This infographic provides data on digital transformation among financial services firms in 2021.

Figure 1:

Digital Transformation In Financial Services Focuses On Improving Operational Efficiency

The state of digital transformation in financial services, 2021

COVID-19 has accelerated digital transformation in financial services (FS). Improving operational efficiency has passed customer experience (CX), which had been the top driver of transformation since 2017. Software as a service (SaaS) still dominates transformational tech investments, with business intelligence (BI), digital experience platforms, and security and privacy as runners-up. Still, the industry has yet to seriously address cultural change and siloed departments with conflicting priorities — challenges to any transformation.

COVID-19 has brought a greater focus on product improvement and innovation ...

While growing revenue continues to dominate business priorities, financial services firms are investing in products, CX, and innovation as a way to emerge from the COVID-19 crisis.

“Which of the following initiatives are likely to be your organization’s top business priorities over the next 12 months?”¹

(4 or 5 on a scale of 1 [Not a priority] to 5 [Critical priority])



... and accelerated the industry's digital transformation

Financial services firms are investing more in digital experience technologies and in-house development to serve customers better.

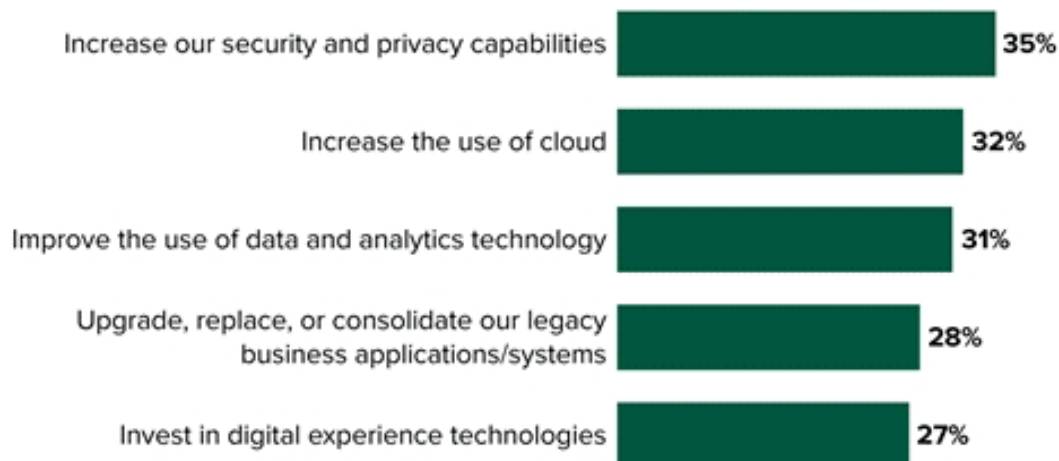
40% of purchase influencers in financial services and for whom accelerating their digital business is a high priority say that the importance of this initiative has increased due to COVID-19.²



And **35%** say that their efforts to invest in digital experience technologies have also increased due to the pandemic.²

“Which of the following technology initiatives is your IT organization prioritizing over the next 12 months?”³

(Top five responses; 4 or 5 on a scale of 1 [Not a priority] to 5 [Critical priority])



Operational efficiency has replaced CX as the top transformation driver ...

Financial firms have embraced end-to-end transformation, focusing more on operational levels in service of customers.

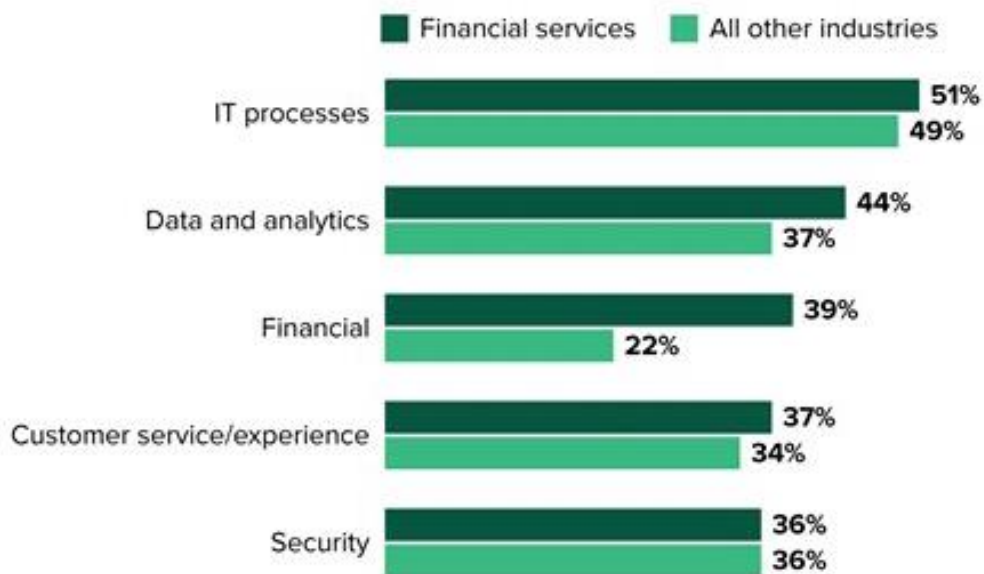
“Which of the following objectives were the key drivers of your firm’s most recent digital transformation?”⁴



... with a big focus on IT, data and analytics, and financial processes

Compared with other industries, financial services firms focus a lot more on IT, data and analytics, and financial processes.

“Which business processes are the focus of your firm’s digital transformation?”⁵
(Top five responses)



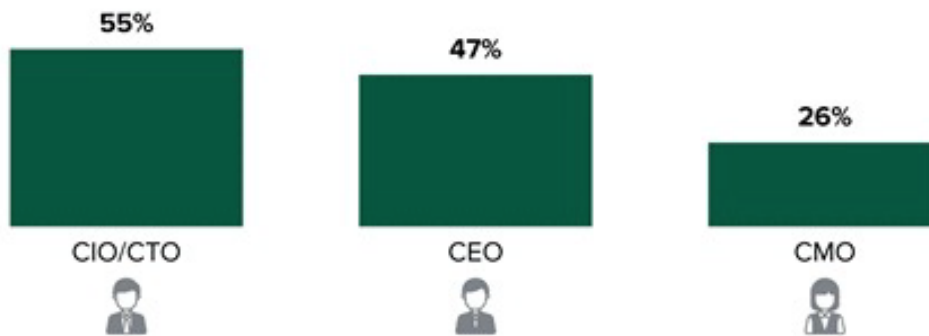
Tech leaders continue to set the strategy for and execute on digital transformation

As firms shift their focus to digital operations, CIOs and CTOs are even more likely to lead digital transformation efforts.

“Who is responsible for leading the strategy and execution of your firm’s digital transformation?”⁶

(Top three responses)

Digital transformation strategy



Digital transformation execution

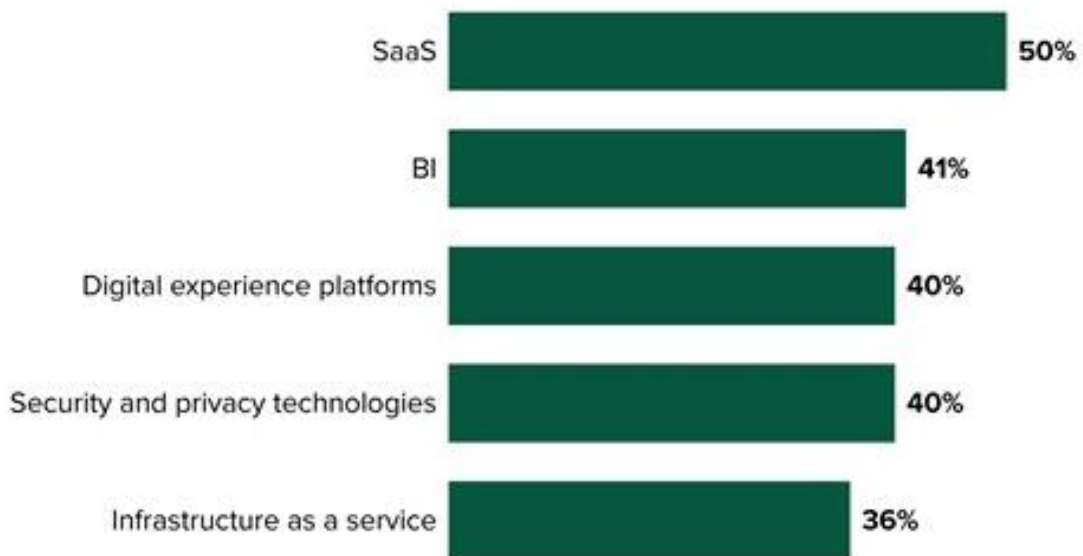


>> In 2020, respondents anticipated that, on average, 22% of their organization’s budget would go to digital transformation efforts.⁷

SaaS dominates digital transformation tech investments in financial services

Cloud brings agility and flexibility, but few financial services firms use cloud for industry-specific capabilities.

“Which of the following technologies is your firm investing in as part of its digital transformation?”⁸
(Top five responses)

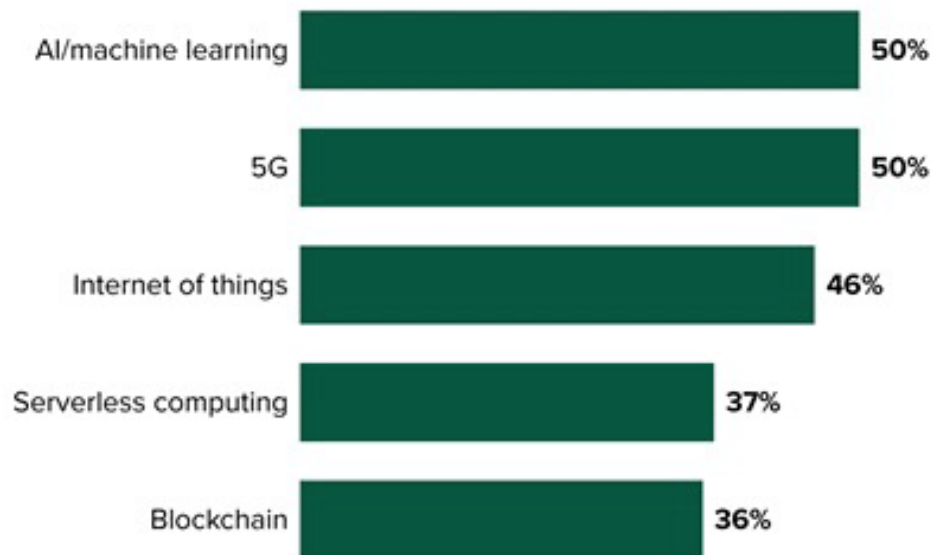


Financial services firms are investing in AI, 5G, and the internet of things

Machine learning and deep learning can help improve process automation, while natural language technologies streamline business processes.

“Which of the following emerging technologies is your firm investing in as part of its digital transformation?”⁸

(Top five responses)



FS firms underestimate the organizational challenges to digital transformation

Executives see security, data, and technology as transformation challenges, but they underestimate culture and organizational issues.

“Which of the following areas are the greatest challenges within your organization for executing its digital transformation?”⁸

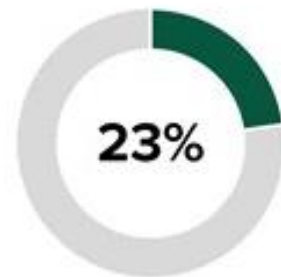
(Top three responses)



Security



Data issues



Technology strategy



22% find it challenging to find employees who can devote time to executing on digital transformation around their other job responsibilities.⁸