Demystifying Digital Transformation in the Financial Sector
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What Drives Digital Transformation Investment for the **Financial Services Industry in 2016 and 2017?**

### Business Drivers Leading to Growth in IT Investments

**Channel transformation and omni-channel experience**

The growth of digital transactions is awe-inspiring, but customers are effectively full spectrum: they transact on traditional financial services channels and on digital channels (and they are expected to like new channels not brought to market yet). Financial services institutions (FSIs) need to prepare for this increasingly multi-channel, omni-channel world by optimizing current and future channels and ensure that they work!

**Compliance**

Make no mistake about it: compliance is onerous and will continue to become more difficult, growing in extent, depth and specificity.

**Innovation to keep pace with more agile competitors**

While FinTechs sweep the media with tales of agile startups threatening to disrupt financial services, banks struggle with relevance using an aging infrastructure composed of siloed legacy systems.

**Risk Management**

There is a tug-of-war happening between technology groups trying to maintain compliance, reduce risk, and oversee security; and LOBs that are struggling to improve customer engagement and drive topline revenues.

**Next generation datacenters**

The next few years will be a clear tipping point in cloud in financial services worldwide, with tier 1 institutions leading the adoption to cloud. The investment in next generation datacenters is a milestone by many institutions as they move towards cloud, and in ensuring uptime, availability and reliability of services.

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### Top 5 Highest Growth Areas for IT Spending

<table>
<thead>
<tr>
<th>Area</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Services</td>
<td>10.9%</td>
</tr>
<tr>
<td>Customer Management</td>
<td>10.6%</td>
</tr>
<tr>
<td>Operational Risk</td>
<td>10.6%</td>
</tr>
<tr>
<td>Core Processing</td>
<td>8.9%</td>
</tr>
<tr>
<td>Customer Banking Loan Servicing</td>
<td>8.4%</td>
</tr>
</tbody>
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The Big Trends in DX: Six Things that Define the DX Journey for Financial Services Institutions

80% of “innovation” projects in Asia/Pacific banks are classifiable under Digital Transformation

Omni Channel Transformation
Customers are demanding convenient, seamless and optimised end to end touch points irrespective of whether it is online, mobile, branch or the contact centre.

Next-Generation Payments
FSIs will position this feature as a premium add-on service to generate revenues and provide a platform to cross sell other products and services to the customers.

Omni Experience Transformation
Technology spending focus is largely geared towards building and acquiring real time, cross channel capabilities to capture the attention of tech savvy consumers.

Better Use of Customer Insights
Customer data analytics are being used to improve the requirements of direct to customer engagement, which include personalisation and context based interaction.

Co-Creation
Co-creation is set to fundamentally change the way FSIs will think about operations and strategy, generating a holistic view about ‘pain points’ that cause inefficiencies.

FinTech Strategies
Instead of wooing customers and building infrastructure from scratch, FinTech startups will look to collaborate with banks and create a culture of coopetition.
**Five Disciplines** of Digital Transformation

IDC looks at DX as a process of amalgamating digital technologies with organisational, operational, and business model innovation and classifies Digital Transformation into five key disciplines.

Once digitally transformed, each of the disciplines should be operating at following competencies, thereby allowing banks and insurers to function as a fully optimized, continuously transforming business.

1. **Leadership DX**
   Ecosystem insight to drive vision and organisational goals.

2. **Omni Experience DX**
   Delivery of high quality digital experiences across the entire ecosystem.

3. **Worksource DX**
   Cultural ability to employ anytime anywhere sourcing with self organised teams achieving targeted results.

4. **Operating Model DX**
   DX operations are integrated as a core platform for growth.

5. **Information DX**
   Competitive strength and significant revenue streams are derived from real time information management.

The fruits of innovation are, after all, meant to help FSIs endure the trials-by-fire that today’s financial industry poses – and there will indeed be many more to come by the year’s end.

Jon Ho
Program Director, Financial Insights Innovation Awards

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