Digital Transformation 2.0:

The Next Phase for Financial Services

Financial services organizations have shifted their business focus to a more digital-centric view, as technology has changed the way companies and consumers alike conduct business. Customers who are either digital natives or technologically savvy expect technology to play a major role in how they transact with their banks, providing services and offerings at a scale well beyond the traditional.

To address the shift in customer expectations, as well as remain competitive against both traditional and non-traditional competitors, financial services organizations have embraced technology in all forms, from web and mobile apps to cloud-based business processes that fundamentally changed the way these organizations interact with customers and do business. This digital transformation was a sea change in an industry that traditionally wasn't known for its focus on customer satisfaction; today, financial services organizations are more customer-centric—after all, technology also makes it much easier for dissatisfied customers to switch banks.

Now the focus is shifting again toward technologies that can transform financial services even further. Artificial intelligence, blockchain, the Internet of Things (IoT) and open banking are just a few of the technologies influencing the financial services sector, shaping how organizations conduct business, interact with customers and suppliers and measure their success. Indeed, digital transformation is still top of mind for many in the financial services sector—93 percent of financial services organizations have adopted or have plans to adopt a digital-first strategy, according to one survey.[1] And, as many financial services organizations reimagine the branch of the future, these transformational technologies that will help pave the path.

Digital transformation 2.0 builds upon the success these financial services organizations have enjoyed with their first phase of digital transformation through new technologies designed to meet the new opportunities and new challenges wrought by an ever-evolving business landscape.

DT 2.0 in Financial Services: A Look at the Drivers

It's no secret financial services firms are facing increased competition from all sides. Digital transformation leveled the playing field for banks, fintechs and non-traditional financial services companies (think Venmo or Apple Pay). Yet, financial services organizations traditionally are less nimble than their upstart competitors. Therefore, they can't afford to rest on their accomplishments and must continue to invest in new processes, platforms and technologies that will help them work smarter and more efficiently.

What's more, maintaining customer satisfaction

is an issue that persists among financial services organizations—and companies in all industries—no matter where they are in their digital transformation journey. Indeed, 62 percent of enterprises said delivering a measurable excellent customer experience defines their success as a digital-first business.[2] As the target continues to move in achieving customer satisfaction, organizations will have no choice but to consider their customer experience efforts a journey, not a destination.

And changes in infrastructure and business processes brought on by the first generation of digital transformation initiatives, which include integration of systems and technologies to better enable seamless interaction with customers and suppliers, has provided organizations with a new level of opportunity for further transformation and adoption of new digital technologies.

Savvy financial services organizations understand the need to further transform: CIOs in 11 of the 15 industries taking part in a recent Gartner survey ranked digital business/digital transformation as one of their top three business priorities for 2018, and 23 percent of financial services CIOs ranked it as their No. 1 business objective.[3]

Pushing Beyond the Boundaries

The changes brought about by the first phase of digital transformation provide a perfect platform for financial services to adopt technologies that have the power to change the way financial institutions operate. Technologies such as artificial intelligence, blockchain, the Internet of Things (IoT) and open banking are enabling organizations to work smarter through better utilization of data, thereby providing higher value to the business and its customers.

Artificial Intelligence

There are already numerous examples of the use of artificial intelligence by financial institutions, such as Bank of America's intelligent virtual assistant named Erica and Wells Fargo's use of chatbots to provide account information or assist customers with changing their password.[4] In digital transformation 2.0 initiatives, banks and financial institutions are focusing more on the ways artificial intelligence can help them move beyond fast in addressing customer needs to help them work even more efficiently.

For example, Bank of NY Mellon Corp. is looking to improve its operational efficiency and reduce costs through the use of robotic process automation, which combines bots with artificial intelligence to process automated tasks. The company is incorporating the bots into its processes to address various tasks such as fulfilling data requests from external auditors to correcting formatting and data mistakes in funds transfer requests.[5]

Banks and financial institutions are focusing more on the ways artificial intelligence can help them move beyond fast in addressing customer needs to help them work even more efficiently.

Blockchain

Perhaps the least understood technology in recent history, blockchain—the distributed ledger system best known for powering Bitcoin—is poised to go mainstream in financial services as more organizations recognize its ability to reduce fraud. What's more, blockchain has the ability to reduce payment processing time for cross-border transactions to minutes from the industry standard of three to six days.

Blockchain has potential to improve transaction processing across the board for financial services organizations, from tracking derivative commodities to mortgage loan processing, providing speed unmatched by traditional processes, along with security and convenience.

Internet of Things
The Internet of Things holds the power to streamline operations through connected systems that share information. In banking, that ability can go far in helping reduce fraud and increase positive customer interactions.

A number of banks are in the phases of bringing banking to wearables—specifically, smart watches—to allow their customers to conduct transactions straight from their device. Other organizations are utilizing beacons to provide personalized customer service by engaging customers as they walk in the building. From there, bank employees can address the customer by name and provide offers based on the customer's past transactional history.

IoT also can be used to reduce credit card fraud by providing geolocation information to ensure the card is being used by the account holder and not by a hacker abroad, for example. Or, the cards could be equipped with biometric sensors that prevent the card from being used fraudulently.

Open Banking
The concept of open banking has been around for a while, as financial services organizations have struggled to keep up with fintechs. To realize any success in providing many of the same services as their non-traditional counterparts, financial services organizations have had to move outside their walled gardens and adopt third-party systems, which were connected into their systems via application programming interfaces (APIs).

Digital transformation 2.0 takes that concept further. Financial services organizations will adopt a platform-based approach that can improve both agility at the operations level and speed of deployment and integration of new products and processes. With a platform approach, systems can easily interact with each other to hasten business processes and enable results in near real-time. APIs will continue to provide integration, enabling systems ranging from loan application processing to asset allocation and even human resources to communicate with each other to provide new services and further streamline operations. For example, tracking the average foot traffic a bank branch receives on any given Saturday, a financial services organization's HR system could signal a need for additional staff on Saturdays and even automatically schedule employees from other branches to fill in the gaps.

No digital transformation happens overnight, regardless of how far down the path organizations are already.

Building the Infrastructure for Digital Transformation 2.0

Digital transformation 2.0 in financial services requires an infrastructure that is capable of supporting multiple technologies both on-premises and in the cloud and can manage the massive data storage and back-and-forth transport that many transformative technologies require.

As organizations strive to move to the next level, they need an environment that supports digital transformation from every point on the network. Hybrid cloud and network environments, SD-WAN and high-speed broadband are just some of the technologies that can enable companies to better manage their business applications across all locations, while networking components such as WiFi and unified communications can ensure employees can work anytime, anywhere, with no impact on productivity.

No digital transformation happens overnight, regardless of how far down the path organizations are already. To help them as they move deeper into digital transformation without overly stressing their current network and to help streamline processes for IT managers, managed services can help tie disparate systems together and "fill in the gaps" as

companies update their current infrastructure and after networks have been upgraded.

Working with a network service provider IT leaders reimagine how to build a modern network and IT infrastructure that's capable of handling all the aspects of digital transformation 2.0 in financial services. Financial services firms can leverage virtual and physical private Ethernet connectivity to assure there are no issues regarding network performance and availability for critical applications at all company locations. They also can receive all or some of their most critical connectivity functions as a managed service, including managed connectivity, WiFi, security, voice and business continuity, among others.

Conclusion

The first phase of digital transformation enabled financial services organizations to compete effectively against fintech and non-traditional banks. Today, financial services organizations have embraced technology in all forms, from web and mobile apps to cloud-based business processes that fundamentally changed the way these organizations interact with customers and do business.

Digital transformation 2.0 builds upon the success these financial services organizations have enjoyed with their first phase of digital transformation through new technologies designed to meet the new opportunities and new challenges wrought by an ever-evolving business landscape.

Financial services organizations can't afford to build their business on legacy networks and must continue to invest in new processes, platforms and technologies that will help them work smarter and more efficiently.

To learn more about how Comcast Business can help, visit www.ComcastBusiness.com/digitalfirst.

1 "2018 State of Digital Business Transformation," research report, IDG, http://resources.idg.com/download/white-paper/2018-digital-business

2 Ibid.

3 Laurence Goasduff, "Is Digital a Priority for Your Industry?," Gartner blog, March 6, 2018, https://www.gartner.com/smarterwithgartner/is-digital-a-priority-for-your-industry/

4 Kumba Sennaar, "AI in Banking – An Analysis of America's 7 Top Banks," TechEmergence, Aug. 30, 2018 https://www.techemergence.com/ai-in-banking-analysis/

5 Ibid