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## DIGITAL SHOCKWAVES

The digital transformation of financial services in the UK

**FS**tech

# INTRODUCTION

Digital transformation has started and is having a significant impact in financial services. OpenText and FStech have surveyed the financial sector to investigate the current state of digital transformation, as seen by more than 100 IT professionals with responsibility for overall IT or digital transformation with titles ranging from CIO, Director, Head of Transformation to Head of IT, drawn from the banking, asset management, investment and insurance industries. The results give a comprehensive picture of how, where and why change will happen.

The need to reduce costs and replace legacy equipment are seen as the major drivers of change, but this is very closely followed by the need to increase customer engagement and targeting. As financial services companies face opening up their markets through initiatives such as Open Banking, there is an increasing urgency for transformation, but many firms feel that they face barriers both internally and externally to progress, and that the direction of travel is not always clear.

Overall, the progress of digital transformation programmes is assessed by those interviewed to be good, and the potential beneficial outcomes, especially for customer-facing parts of the operations, seen as very positive. But the real issue for the vast majority of firms surveyed is that they will be competing with new entrants and challengers. They appreciate the need to be digitally ready as the existing advantages of longevity, established operations and brand reputation are scant protection in a newly digital world.

This survey addresses important issues such as what business areas are driving strategy, what stage each firm is at, the impact so far, barriers to success and what the future holds. There are also specific questions for banks and insurance companies, as well as questions on AI and RPA. For more information on OpenText please visit [www.opentext.co.uk](http://www.opentext.co.uk)

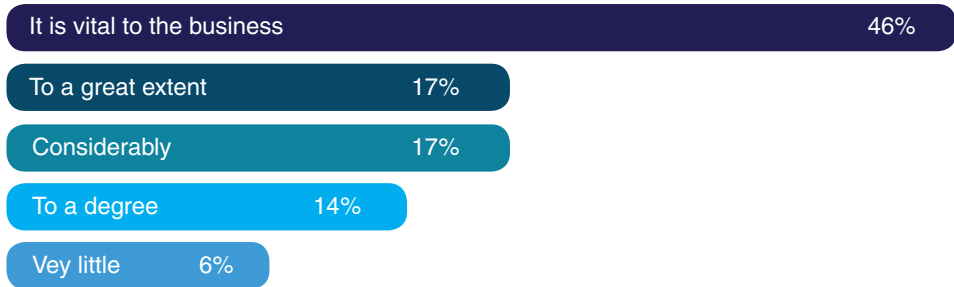
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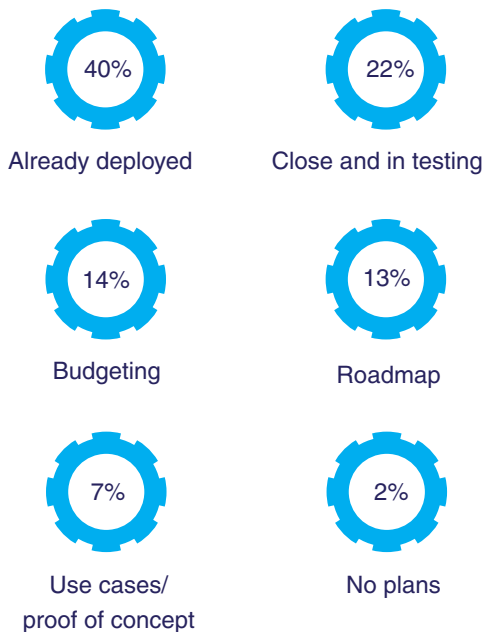
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# SURVEY

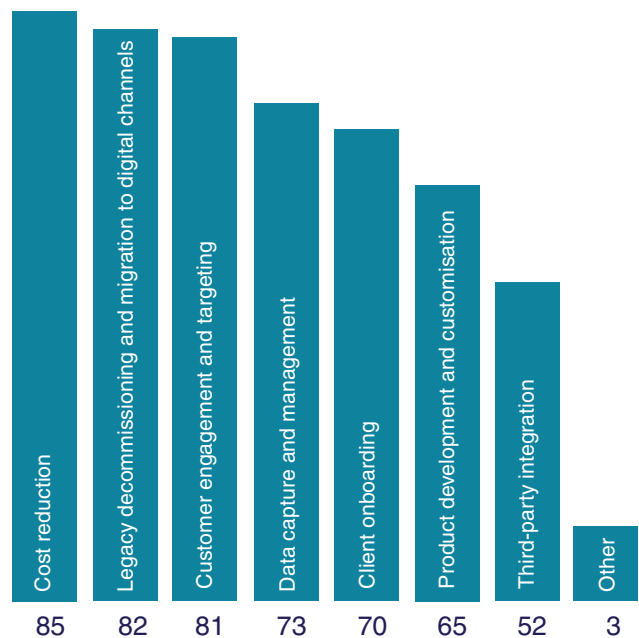
**Q1** To what extent has your organisation been affected OVERALL by the digital transformation (DT) of its processes?



**Q2** Regarding increasing work on DT, what stage is your organisation at?



**Q3** If you have a plan for DT implementation is it driven by: (please select all that apply)

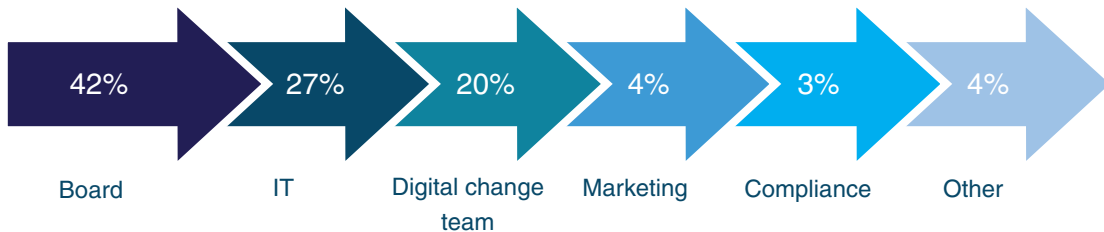


## THE DRIVERS OF CHANGE

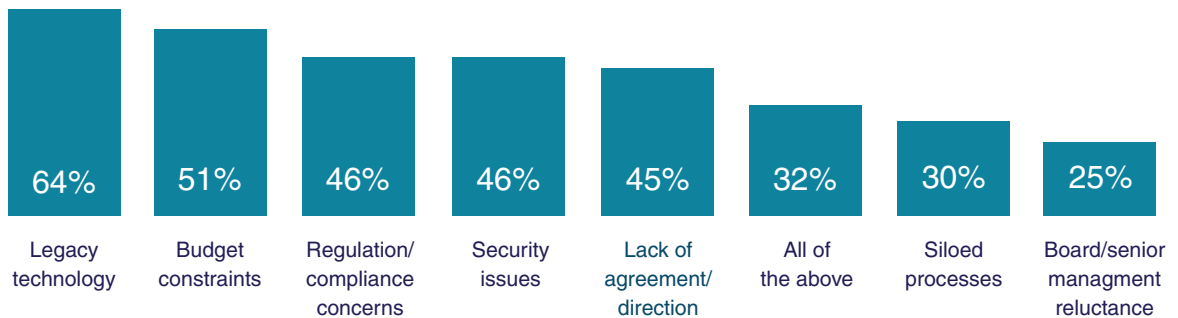
Digital transformation is a vitally important process for the financial sector as a whole, and for individual companies that need to keep up with their competitors. Added to this are the pressures of evolving technology, new entrants threatening to use their agility or massive resources to enter the market, and the introduction of ever more regulatory changes and the uncertain political landscape. In all, financial services companies need to invest in digital and be ready to harness the ability this brings to navigate complex situations. Currently the picture is healthy, with nearly two thirds of surveyed firms already deploying or close to creating a transformation programme, and only two per cent still to plan at all. Within the sector there is no particular evidence of any one area (such as insurance) being further ahead or further behind, and it appears that all industries are travelling at the same speed.

# SURVEY

Q4 Which business area is driving your DT strategy?



Q5 What are the barriers to success? (please select all that apply)



## WHO SPEARHEADS THIS CHANGE?

Within the businesses canvassed, the board is the driver of the digital transformation programme in the majority of cases, then the IT department. Perhaps most notable is that in one fifth of cases a separate digital change team has been created to drive implementation, with this approach again tending to be associated with the larger banks.

The board might be the main driver of change for a majority, but it is not universally well regarded, with a quarter of respondents also citing it as a major barrier to effective progress. This highlights the issue of attempting to see all firms as the same, and means that the battle to convince businesses of the urgency of digital transformation might be won in some, yet senior management may still need to be convinced in others. The biggest stated barrier is legacy technology, and given the complexity of financial sector technology there are issues the sector has to be ready to address, especially after several years of underspending in the sector.

Q6 Has your organisation undertaken a test programme for DT?



53%



51%

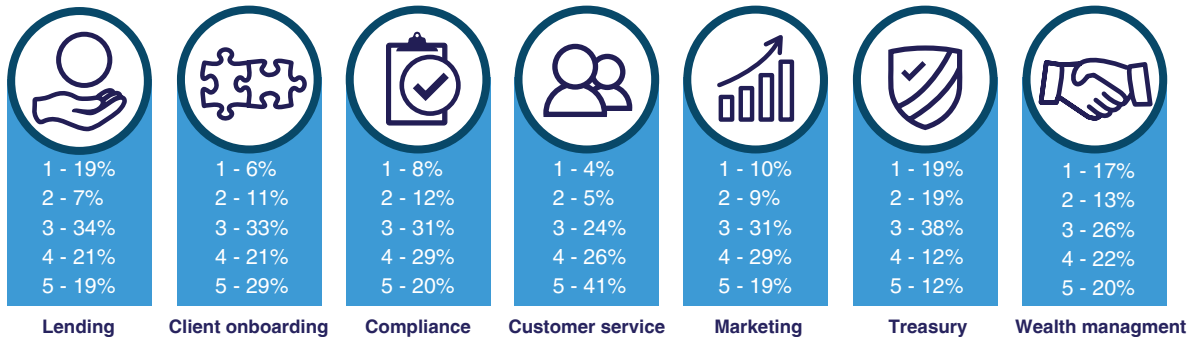
# SURVEY

## THE CUSTOMER IS RIGHT

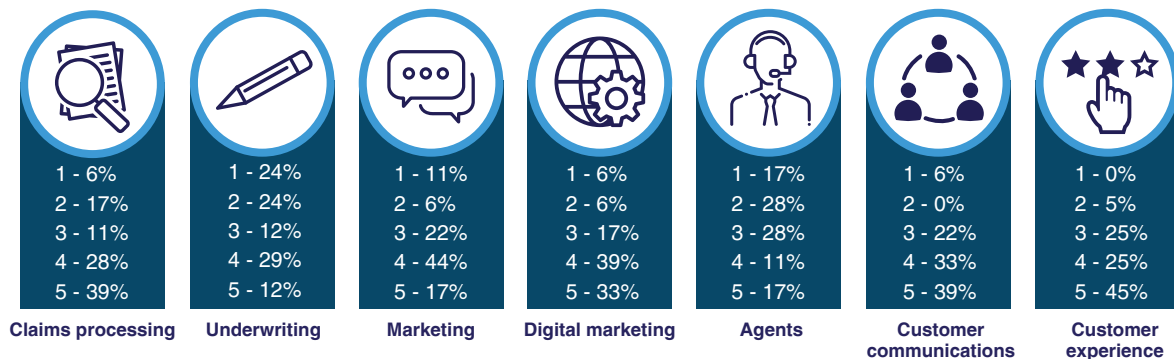
Delving deeper into the impact that digital transformation will have, it is clear that banks and building societies perceive the greatest benefit to be in customer service. Within insurance companies, it is customer communications, digital marketing and customer experience that rank the highest.

Insurance companies also see benefit in claims processing, and while this has an element of customer service, increasing the efficiency of claims might be a very desirable goal to insurers who are still recovering from a very soft market.

**Q7** If you are predominately a bank or building society, how significant will the impact of DT be on the following areas of your business? (please indicate on a scale of 1 - very low, to 5 - very high)



**Q8** If you are predominately an insurer, how significant will the impact of DT be on the following areas of your business? (please indicate on a scale of 1 - very low, to 5 - very high)



**Q9** When do you expect your organisation to be really digital, i.e. paperless and filing cabinets gone?



# SURVEY

**Q10** Are there plans to implement automated processing or RPA (Robotic Process Automation) in your organisation? RPA is defined here as software or a 'robot' that can capture and interpret existing applications for processing a transaction, manipulating data, triggering responses and communicating with other digital systems.



**YES**  
**64%**



**NO**  
**36%**

**Q11** Do you see an immediate use for artificial intelligence (AI) in your business?

**62%**



**38%**

**Q12** Would your CRM systems be useful if integrated with: (please select all that apply)



## REALITY OR RELUCTANCE?

Nearly half of those surveyed think their organisation is level with competitors in the journey to digital transformation. Given the earlier responses to the progress of digital transformation programmes, it might be concluded that financial services firms are generally dealing with implementation issues well, but still face some barriers.

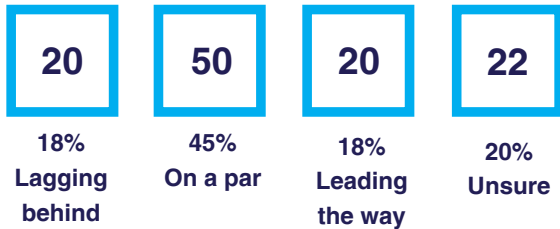
However, the longer term implications are clear – existing financial organisations are fearful of new challengers. And these challengers may not yet be in existence or even in the financial sector, but they have the potential to disrupt the existing landscape in which traditional financial institutions must compete. Offsetting this – at least in terms of creating an expanded market – is the concept of a larger, growing and increasingly global financial services sector. With regards to employment, a majority of respondents feel that the end result of digitisation and automation will be fewer employment opportunities and, for the existing players, this will be mirrored by more mergers and acquisitions.

# SURVEY

**Q13** If you know, what budget does your organisation specifically have for its current and ongoing global DT strategy?

Up to £10 million	20	59% of known
£11 million to £100 million	5	15% of known
£101 million to £500 million	7	21% of known
£501 million to £1 billion	1	3% of known
Over £1 billion	1	3% of known
Unknown	77	

**Q14** How do you think your organisation compares with your peers in the industry in terms of your progress on DT?



**Q15** What do you think will be the likely future impact of DT on the financial services sector as a whole? (please select all that apply)



## CONCLUSIONS

Drawing definitive conclusions can be difficult in any research, but here one strand stands out strongly: the financial services sector is about to undergo significant and lasting digital change. Challengers are forcing existing players to rethink their operations and they see digital transformation as a key part of this response. The present is uncertain, the future a mixed outlook, but technological change that places the customer at the forefront of operations will mean that there is no room for complacency.

## METHODOLOGY

Sample size of 113 IT professionals with responsibility for overall IT or digital transformation, with titles ranging from CIO, Director, Head of Transformation to Head of IT.

From the identified companies the following types of organisation were represented:

Banks and building societies	51.0%
Investment firms	18.0%
Insurance	17.0%
Other finance	6.5%
Other	7.5%

All figures in the results are rounded to the nearest full percentage point for ease of reading, therefore some results may not add up to exactly 100%. Some questions also allowed multiple answers to be selected.

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