

Financial services and digital transformation. Is it happening fast enough?

By [Brent Haumann](#)

17 Feb 2021

The financial services industry is no exception to the pandemic-driven need to transform to high-quality digital experiences to customers, employees, and partners almost overnight. In fact, with a slew of digital-first upstarts ready to eat their lunch, the incentive for traditional players in the space to transform digitally was already rather competitive. Within that pre-existing context, and given the present challenges as brought on by Covid-19, are they transforming fast enough?



Brent Haumann, managing director, Striata Africa

In order to figure that out, it's important to look at what is driving digital transformation in financial services, how digital innovations helped financial services adapt during Covid-19 and the trends driving digital transformation forward.

Understanding the forces behind digital transformation in financial services

While there are a number of forces driving digital transformation in the financial services space, a significant driver is a high demand for digital products and services from millennials.

While Google and Amazon haven't yet replaced financial services among millennials, as some predicted, there remains a considerable gap in the sector for lightning-speed technology, tailored to suit the tastes of this market segment. Moreover, the rapid rise of apps which allow them to easily buy stocks, make payments, and trade cryptocurrencies all within the hour, show that they're more interested in whichever service gives them the best user experience versus showing brand loyalty.

As such, a customer-centric approach, personalisation, and a preference for mobile are the key components that enable digital transformation in financial services. Large financial services that have developed their own IT platforms are lagging in the current, dynamic competitive environment, as their systems are built using legacy solutions. It's hardly surprising then that alliances and partnerships with fintechs are becoming more prevalent.

It's important to note that a powerful digital financial service company requires streamlined processes, the adoption of an organisational culture suited to the [present-day workforce](#) and, flexible IT solutions which support speed-to-market and offer personalisation.

Challenges amidst Covid-19

As we've already alluded to, Covid-19 has undoubtedly had a major impact on digital transformation in the financial services space.

But even as the days spent in lockdown passed, the importance of adopting a strong digital transformation strategy became even clearer and the sector also faced massive challenges in the face of the pandemic. According to a [report](#) by FTI Consulting, "70% of companies had a digital transformation strategy in place or were working on one, but...most companies were not far along enough to make Covid19 a non-issue".

Among the challenges it faced were remote working arrangements, whilst maintaining an excellent level of client service. The good news is that since those fearful early days, organisations have since discovered the potential of digital channels, as well as digital operational set-ups and have made use of leveraging data and analytics to create value for their businesses.

Looking forward

If players in the financial services space are to move beyond these challenges and attain the benefits of digital transformation, they need to take heed of the trends likely to have a considerable impact in 2021.

As such, they should focus on leveraging data and analytics to improve customer experience and place emphasis on simplicity and speed to improve customer engagement.

Here, artificial intelligence (AI) plays a significant role. AI improves customer experience through the analysis of data on hand in order to decide the next message that is best suited to each customer, based on actions taken with the financial services provider or changes in life-stages which impact their needs as a consumer. By delivering the right message to the right person, at the right time, an organisation can dramatically improve the customer experience. That relevance and timeliness, meanwhile, is most likely to result in the response the business wants: a policy renewal, an upsell or a new sale.

As a subset of AI focuses on automating tasks, machine learning (ML) can help decide which content is suited to a customer based on data available at the touch of a button or, the command of your voice. You could access key customer data such as purchasing preferences demographics and location, making it easier to deliver truly hyper-personalised communication.

Furthermore, financial institutions are encouraged to optimise the use of existing technologies.

Other trends worth focusing on include digital experiences; movement to cloud computing; robotic process automation; investing in privacy and security; redefining the future of work, and open banking as a revenue opportunity.

Digital communication at the core

The best way for financial services organisations to leverage these trends is by making efficient use of good digital communication.

As things stand, digital communication is already critical for financial services.

Organisations cater to customers of different ages, who are as divergent in their backgrounds as they are in their purchasing decisions. Therefore, remaining stagnant as a financial services company means certain death in an era where technology and the advancement thereof proves so critical to the longevity of a business. Good customer experience (CX) means allowing customers to communicate using the channel of their choice. Importantly, it also means being consistent and accessible across all communication channels, including email, instant messaging, and chatbots.

So, for example, when a customer receives a bill, payment reminders, or a general marketing message, that message should have the same branding, tone, and feel as any other they receive from the organisation.

This is especially important when it comes to introducing and helping customers get to grips with any new technologies available to them. So, for example, if an organisation introduces a new AI chatbot, customers will feel more comfortable using it if it offers the same overall experience as they enjoy from the company's emails and instant messages.

The correct use of digital communication without tech-intimidation could mean a revolution for the financial services sector. In doing so, businesses in the space can look forward to a future of established relationships in their database whilst simultaneously creating engagement and trust - both of which are vital to good CX.

ABOUT THE AUTHOR

Brent Haumann is the managing director of Striata Africa.

For more, visit: <https://www.bizcommunity.com>