

How to Embrace Digital Disruption in Financial Services

Enterprise agility – the ability to respond rapidly to opportunities and disruption – is a strategic imperative to survive in today's market.

"By 2030, for the industry overall, 80% of heritage financial firms will go out of business, become commoditized or exist only formally."
– Gartner

Gartner says digitalization will make most financial firms irrelevant by 2030. Don't become a statistic.

Top 4 Disruptive Business Models to Financial Service

#1

Fintech: EY Fintech adoption trends survey showed 96% of consumers were at least aware of a fintech transfer or payments service – and 75% had used one.¹

Neo-banks: Variant Market Research estimates a neo-bank annual growth rate of 45% from 2016 through 2025.²

#2

#3

Challenger banks: As far back as 2015, KPMG reported that in the UK, total profits for challenger banks rose nearly £200 million while the biggest five banks in the region lost over £5 billion.³

Big Tech: Bain & Company reports 54% of the public would trust at least one tech company more than they would trust a bank.⁴

#4

New disruptive financial technologies, services, and business models are emerging at an extraordinary pace. To survive and thrive, financial institutions need to remain relevant through the development and adoption of new technologies.

Digitalization: A Top Business Priority

Financial Services Organizations Struggle with Transformation

1/3



of financial services CIOs identified **digital transformation** as their top business priority for 2019.

– Gartner

Almost half



of global financial services organizations are still in a **very early or even immature stage** of their digital transformation journey.

– Gartner

While companies may be powerless to escape disruption, the clever ones embrace what's happening in the marketplace and identify ways to use it as an advantage.

Challenges of Change in Financial Services

Risk & governance:

Global reputations built over decades can be destroyed with one destructive incident, leading to reluctance to implement changes within an organization. However, the threats financial services organizations face are constantly evolving necessitating nimbleness and adaptiveness.

Outdated business models:

Many financial companies are stuck in traditional business models that helped them thrive in the past, but now stifle them, such as multi-year business plans that lack flexibility to deal with shifting market and client behavior.

Traditional management structure:

Many financial organizations remain mired in prudential management structures. Complex requirements, controls, and governance do not banish risk, rather, they introduce additional challenges such as increased cost and time to market for products and services.

The new digital environment requires more dynamism than traditional structures can deliver. In the face of constant change, a plan is still needed, but it must be continuously adapted and aligned to goals.

Agile is the Answer

In Deloitte's Global Human Capital Trends report,

94% of the 10,000+ HR and business leaders surveyed

said that "agility and collaboration" are critical to their company's success.⁵



IDC recommends **investing in agility as a key strategy** for financial services organizations as they work to digitally transform their organization.⁶

Most banks are responding to disruption by adopting Agile development practices and principles alongside continued efforts to digitize and automate processes.

Focus on Customer Experience with Agile Delivery

McKinsey estimates that

75-80%

of transactional operations can be automated⁷

and as much as

40%

of strategic activities like financial planning and analysis could be as well.

Innovation is the lifeblood of an organization, and the heart that drives digital transformation. Agile organizations spend time understanding their customers and their needs. They put this understanding at the forefront of their decisions and actions.

7 Characteristics of a Financial Institution That Embraced Agile

- 1 Financial services are re-bundled; often customized and combined into one product that assists customers with every financial aspect of their lives.
- 2 Big data and predictive analytics are leveraged to enable real-time decisions.
- 3 Services are diversified across a broader platform.
- 4 Automation and AI do most of the repetitive operational roles.
- 5 Employee roles shifted to customer-focused, product development and services.
- 6 With siloes eliminated, branches, call centers, and back office operations act as one cohesive unit.
- 7 Customer transactions happen through digital channels in real time.

Whether it's artificial intelligence, virtual reality, or a future trend that hasn't happened yet, companies that adapt to change will outlast the ones that don't embrace it.

Embrace Disruption with Lean and Agile

Lean and Agile approaches were developed in response to this new, more volatile world. And they're exactly what's required in this era of disruption.

Take a deeper dive and discover how financial services organizations:

- Embrace the shift to a Lean-Agile culture and mindset to keep pace with market and customer demand.
- Rearchitect planning and funding models to transition from traditional portfolio management to Lean Portfolio Management practices.
- Change how they deliver customer value by scaling Agile delivery more broadly across their organizations allowing them to quickly pivot.
- Keep the customer in the front of their minds, resulting in higher customer satisfaction and greater share of wallet.
- And more!

Download the eBook today at planview.info/financialservicesebook

¹ EY, Eight Ways FinTech Adoption Remains on the Rise, June 2019, Gary Hwa, © Ernst & Young Global Limited, https://www.ey.com/en_us/financial-services/eight-ways-fintech-adoption-remains-on-the-rise

² Variant Market Research, Global Neo and Challenger Bank Market is Expected to Reach \$365 Million by 2025, January 2018, <https://www.variantmarketresearch.com/press-release/global-neo-and-challenger-bank-market-is-expected-to-reach-usd-356-million-by-2025-says-variant-market-research>

³ KPMG, A New Landscape: Challenger Banking Annual Results, May 2016, Warren Mead, Richard Iferenta, Robert Hibbert, © 2016 KPMG LLP, <https://assets.kpmg/content/dam/kpmg/pdf/2016/05/challenger-banking-report-2016.PDF>

⁴ Bain & Company, Banks Underperform in Five Out of Five Categories That Matter Most to Customers — and Technology Firms Are Circling, November 2018, <https://www.bain.com/about/media-center/press-releases/2018/loyalty-in-banking/>

⁵ Deloitte, 2019 Global Human Capital Trends, © 2019 Deloitte Development LLC, <https://www2.deloitte.com/us/en/insights/focus/human-capital-trends.html>

⁶ IDC, Thales Study: US Financial Institutions Have Highest Rate of Data Breaches Despite Strict Compliance Mandates, December 2019, Thales, <https://www.prnewswire.com/news-releases/thales-study-us-financial-institutions-have-highest-rate-of-data-breaches-despite-strict-compliance-mandates-300968873.html>

⁷ McKinsey & Company, Harnessing Automation for a Future that Works, January 2017, James Manyika, Michael Chui, Medhi Miremadi, Jacquesughin, Katy George, Paul Wilmott, and Martin Dewhurst, © 1996-2020 McKinsey & Company <https://www.mckinsey.com/featured-insights/digital-disruption/harnessing-automation-for-a-future-that-works>