

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



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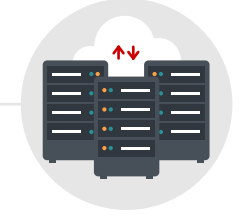
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Channel transformation and omni-channel experience

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.

Top 5 Highest Growth Areas for IT Spending

Source: IT Spending Guide, 2016; 2014-2019 CAGR; Including Services and Software Spending Only

10.9%

Trade Services

Growth in trade across the region means banks have to ensure greater efficiency and connectivity for the trade business.

10.6%

Customer Management

A more digital customer base means a rethink of the customer engagement model.

10.6%

Operational Risk

A long-standing area of investment to ensure availability, reliability, scalability, uptime and security of the financial services business.

8.9%

Core Processing

A long-standing area of investment to ensure availability, reliability, scalability, uptime and security of the financial services business.

8.4%

Customer Banking Loan Servicing

Asia/Pacific's burgeoning consumer markets need cash and retail banking products.



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.



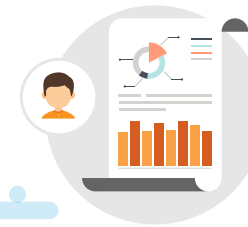
Omni Experience Transformation

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 cooperation.



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.



“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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