



Experience Index

2019 Digital Trends: Financial Services in Focus

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1. Foreword by Adobe.



Michael Plimsoll
Product & Industry Marketing,
Financial Services
Adobe

We are delighted to bring you our latest Adobe annual trends report about the financial services and insurance sectors, once again produced in partnership with Econsultancy.

More than ever, this year's report is very much focused on the digital customer experience which has become the key battleground for companies seeking to meet growing consumer expectations for seamless interactions and transformative services.

At a time of unprecedented digital disruption and innovation, the message that companies need to focus on making the customer journey as intuitive as possible comes through loud and clear in this report. In an industry where products can be homogenous, differentiation through great CX is now a matter of survival. The success of FS organisations is contingent on having the talent, processes and culture in place that can help them deliver exceptional customer experiences and faster speed to market.

It is thrilling to see that companies are embracing technology to innovate their service offerings, and to strengthen connections with customers and prospects. As an example, the report shows above-average uptake of artificial intelligence by companies operating in financial services, particularly within insurance.

We know from work with our own customers that AI and machine learning can transform the ability of organisations to extract valuable insights

from their data which can then feed into better decisioning which makes for more personalised and compelling customer experiences.

While many companies face challenges relating to legacy systems and compliance with regulation, it is heartening to see financial services companies recognising the need for a more data-driven approach.

A 360-degree view of individuals has become vital for companies wanting to engage and interact appropriately at different stages of the customer lifecycle, and it is to this end that we announced our customer data platform offering in March 2019. This brings together the power of Adobe Experience Platform with capabilities from Adobe Audience Manager, allowing companies to bring together known and unknown customer data to activate real-time customer profiles with intelligent decision-making throughout the customer journey.

Our commitment to more effective use of data within organisations is also evidenced by the Open Data Initiative which we launched last year in partnership with Microsoft and SAP. We firmly believe that companies, if they are to succeed, need the ability to liberate and unify data from different channels, departmental silos and the walled gardens operated by the likes of Google and Facebook.

We hope you enjoy the report.

2.

Executive summary.

The **2019 Digital Trends: Financial Services in Focus** report is based on a sample of around 500 industry leaders who were among almost 13,000 digital professionals taking part in the annual Digital Trends survey carried out at the end of 2018.

The research, conducted by Econsultancy in partnership with Adobe, is a barometer of the extent to which financial services and insurance organisations are embracing digital technology, and how they are focusing their strategies and prioritising resources for the year ahead and beyond. The key findings from the research are summarised below.

CX is still the best bet for differentiation in financial services... with service excellence seen as a sweet spot

- In the current macro and micro environment, financial services companies remain highly constrained when it comes to price competition. Customer experience (CX) improvement therefore remains their primary route to differentiation, with companies in this sector aware that consumers are increasingly comparing the ease of interaction with experiences in other areas of their digital lives. Around three in ten (29%) responding companies see delivering an 'easy/fun/valuable' CX as their main competitive weapon for the coming five years.
- In terms of top digital priorities, managing user journeys ('customer journey management') stands out as an area of focus when compared with other industries (31% vs. 19%).
- The influence of fintech upstarts continues to rub off on the establishment. CX remains the sector's key overall priority, but within this realm, FS players are particularly focused on delighting customers by assisting them through interactions and delivering new services that are valued.

- Customer service, and product innovation and quality, are key areas where FS providers are increasing focus, and collectively are highlighted by nearly half of respondents as differentiation opportunities (49% vs. 43% in 2018). FS providers are much more focused on customer service-based competition than players in other sectors (22% vs. 13%).

Brands are now more alive to the importance of content in the mix

- Beyond drawing value from data, bringing together a consistent and engaging CX invariably means having a wealth of compelling content available to provide individual users with the right messages at the right time, in the format of their choosing. Content creation was a noticeable blind spot for FS players in 2018, but has risen up their agenda. The proportion of respondents seeing digital content as their single most exciting opportunity has almost doubled over the last year (from 7% to 13%), and there is now only a single percentage-point gap compared to other industries.

Putting data to work, for example through personalisation, is a growing priority

- The fintech wave is forcing all FS providers to look beyond their one-size-fits-all customer communications of old. *Data-driven marketing that focuses on the individual* has risen up the agenda, highlighted as an exciting opportunity by many more respondents in FS than in other industries (24% vs. 15%). It is particularly highly valued in the scale-focused world of retail banking (35%). FS interest in using artificial intelligence (AI) to better understand and connect with customers is also well above the norm.
- Data itself can only get you so far when it comes to personalised marketing. Insights need to be drawn out and opportunities fully exploited. FS players have clearly grasped this. A majority cite *analytics* as a top priority for their organisation in 2019 (55% vs. 44% in other sectors). Among FS marketers specifically, there is also widening focus on *better use of data for more effective audience segmentation and targeting*, with 56% citing it as a rising priority.
- It is not just in transactional technologies that FS businesses are being pushed into a trail-blazing role. Personalised CX is a key focus, both in the short- and medium-term. More than a third of FS respondents see *delivering personalised experiences in real time* as their most exciting prospect for three years' time (34% vs. 32% in other sectors).

Driving innovation: payment technologies and blockchain

- Digital disruption has been particularly impactful in FS and is driving businesses to quickly embrace opportunities around new technologies, wherever they sit on the development curve. Financial service providers are around twice as likely as their peers in other industries to have incorporated *enhanced payment technologies* (47% vs. 25%) and *blockchain-based functionality* (18% vs. 9%).
- In the context of technology adoption, FS companies are also ahead of the curve in some areas that are less intrinsically linked to the realm of finance, such as *AI/bots to drive campaigns and experiences* (34% vs. 22%) and *delivering personalised experiences in real time* (42% vs. 39%).

Providers recognise AI's potential to solve prolonged user pain points

- The high volume of transactions seen in FS, and the huge size of many companies' customer bases, makes it particularly fertile ground for AI in areas such as personalisation, automation and service innovation. The proportion of FS players that see AI as their 'single most exciting' opportunity for the coming year has increased since 2018, and outweighs non-sector peers. A third of respondents are now already using AI (33%, up from 20% last year and higher than the 18% average for other industries). This high level of AI adoption compared to other sectors reflects the strength in IT and data science skills traditionally associated with financial services industries.
- Anticipation around AI is particularly high in insurance, where customer trust issues are prevalent. Numerous AI-linked applications are evident in the insurance marketplace, around areas such as coverage personalisation, 'behavioural' pricing and acceleration of claims settlement. Nearly a fifth of insurance players see AI as their 'single most exciting' opportunity for 2019. This sector is also particularly closely focused on medium-term potential for IoT, where AI-twinning, data-led opportunities are bubbling up in areas such as travel, automotive and health. Fourteen percent name IoT as their most exciting prospect for three years' time, compared to 7% across FS as a whole.

Acknowledgements

As well as all survey respondents, Econsultancy and Adobe would particularly like to thank the following interviewees for their contributions to this research:

- Lynne Biggar, Chief Marketing and Communications Officer, Visa
- Mark Evans, Marketing Director, Direct Line Group
- James Keady, Director of Digital Engagement for Asia and EMEA, Citibank

3.

CX maturity: new opportunities, same goals.

The last decade has been a hugely transformative period for financial service providers, marked not only by regulatory and economic fallout from the global financial crisis, but also the wave of innovation and disruption that has been unleashed by digital technologies. The competitive pressures that have arisen as a result have forced FS players to put the customer at the heart of the business, focusing above all else on understanding and meeting their needs.

As we move towards the 2020s, and a new decade, this report makes clear that leaders in the industry are starting to broaden their gaze and look to the next set of incoming technologies such as AI and machine learning, and distributed ledger-based platforms. These present a fresh set of business challenges and opportunities, and a new crucible for differentiation in FS and other industries.

Looking over a five-year timeframe, 29% of respondents expect enabling an **'easy/fun/valuable'** experience on **their properties** to be their main competitive differentiator.

Despite the shifting technological landscape, however, business objectives remain largely the same. Unlocking the potential of customer experience excellence is still the central competitive challenge for FS companies in 2019, and will likely remain so for some time to come. Looking over a five-year timeframe, 29% of respondents expect enabling an 'easy/fun/valuable' experience on their properties to be their main competitive differentiator – more than any other strategic component (Figure 1). FS providers are considerably more likely to select CX as their key competitive weapon than respondents in other industries (29% vs. 24%).

With customer expectations having changed rapidly, delivering on CX opportunities increasingly means communicating with users on their terms. For FS companies, this often necessitates extending outside of the comfort zone of their established properties and ecosystems.

James Keady, Director of Digital Engagement for Asia & EMEA at Citibank, cites the company's tie-up with messaging service WeChat as a key way it has expanded reach in Asia, while addressing the challenge of localising marketing practices developed in the West.

"When five years ago everyone was saying that fintech would be the disruptor of the finance industry, today there is more of a partnership model," he says. "Banks like Citibank are working with brands like WeChat on building better experiences within the WeChat ecosystem because for the Chinese consumer, that's their life. It's their social site, their banking site, their dating site – it's everything. Many Chinese consumers have not used cash for a long time because of the ubiquitous nature of WeChat."

Figure 1: Over the next five years, what is the primary way your organisation will seek to differentiate itself from competitors? (financial services vs. other sectors)



Respondents FS: 311
Respondents other sectors: 3,504

Customer service revival

While CX remains the standout area of competition between players in the FS industry, there has been a subtle shift since 2018 in where the sector is directing its differentiation efforts (Figure 2).

Customers remain the focus, but compared with 2018, fewer respondents cite CX in and of itself as the main way their organisation will 'seek to differentiate itself from competitors' over the coming five years. More practitioners than before are now leaning towards two important components of CX – customer service and service quality – to make gains over rivals.

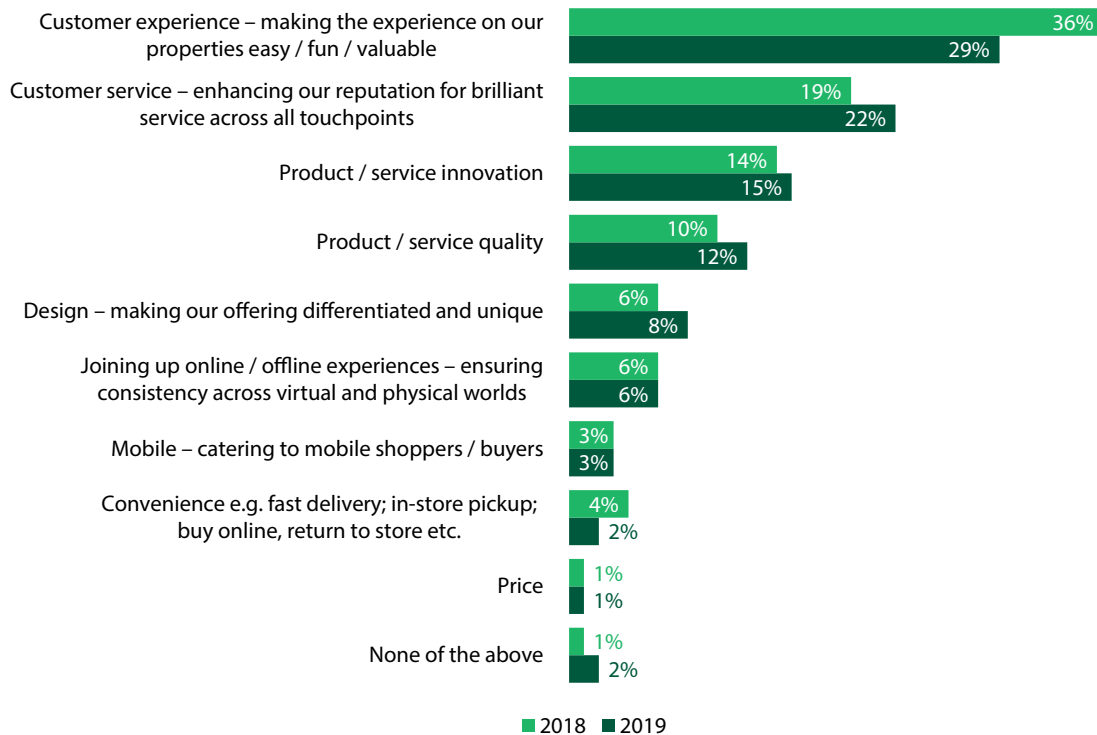
More than two in five respondents cite *customer service – enhancing our reputation for brilliant service across all touchpoints* as their main focus for differentiation (22%, up from 19% in 2018). More than a quarter cite either *product/service innovation* or *product/service quality* (27%, up from 24%). *Design – making our offering differentiated and unique* is also increasingly being seen as a means for competitive gain (8%, up from 6%).

More than two in five respondents cite customer service – enhancing our reputation for brilliant service across all touchpoints as their main focus for differentiation.

Collectively, the options that centre on building a better offering, to meet customer needs, gather 97% of the vote. Price competition garners just 1%.

The customer service aspect of CX is seen as a crux for successful retail banking, where the digital-powered fintech revolution has again been having a strong influence. More than a fifth (21%) of retail banking respondents are primarily looking to compete on customer service capability over the coming five years, compared to 13% of those in non-FS industries.

Figure 2: Over the next five years, what is the primary way your organisation will seek to differentiate itself from competitors?



Respondents 2018: 379
Respondents 2019: 311

Nearly half (46%) of insurance respondents see **the innovation, quality or design of their products and services** as key competitive battlegrounds for the coming five years.

Delivering service improvement in personal lending is often cited as a sweet spot for new fintech services in the retail banking space, seeing new providers such as SoFi, Marcus and Prosper step on to established players' turf.

In February 2019, US credit reporting agency TransUnion highlighted fintech as a key driver in the country's personal loan boom¹. It cited the last three months of 2018 as another record quarter for personal loan balances (at \$138bn), and that fintech loans' share of the total has shot up from 5% to 38% of total lending over the last five years.

The increased focus on product development is particularly noticeable in the insurance sector. Nearly half (46%) of insurance respondents see the innovation, quality or design of their products and services as key competitive battlegrounds for the coming five years (compared to 35% across FS and insurance as a whole – see appendix, *Figure 26*).

As noted later in this report, 'insurtech' is an active area of innovation as both startups and established players seek to tackle customer pain points that have long been left unaddressed. Many players – new and old – are also seeking to drive product differentiation through intersecting new-wave tech trends such as IoT, big data and deep learning.

UK insurer Direct Line Group recently launched Shotgun², a road safety intervention app geared towards reducing accidents involving new drivers aged 17-25 – a particularly at-risk demographic.

The telematics-based solution employs nudge marketing to influence behaviour, introducing a reward system that encourages drivers to drive carefully.

"When we realised that new drivers are eight times more likely to kill someone in their first year on the road, we committed to reducing deaths in the first thousand miles of driving to zero", says Mark Evans, Marketing Director at Direct Line Group. "Our intent was to flip convention on its head and make safe driving the 'cool' thing to do. Shotgun provides safe passage through this vulnerable time. Through gamification that enables friends to compete with each other to be the safest driver, a rewards structure based heavily on behavioural economics, and a daring style of communication, we created a new role for ourselves and also found a practical way to use customer data to deliver individual and societal benefit."

1. <https://newsroom.transunion.com/fintechs-continue-to-drive-personal-loans-to-record-levels/>

2. <https://www.directlinegroup.co.uk/en/brands/shotgun.html>

CX enigma yet to be cracked, and still evolving

As well as untapped technological potential, the FS sector's ongoing focus on CX is being driven simply by the fact that few businesses have got close to completing the puzzle.

The proportion of FS respondents who rate themselves as advanced (48% in total) puts the sector in the mid-range when compared to other industries (Figure 3). Though only 6% of FS practitioners describe their organisations as 'very advanced' at CX, a further 42% of respondents rate their level of sophistication as 'quite advanced'. This assessment of CX maturity reflects the relentless pace of innovation occurring in the space, but also shows a broad recognition that major gains are still out there to be exploited. Those leading the way – whether digitally native or established – are continually raising the bar by introducing new services that show what can be made possible with the right platforms, culture and organisational backing.

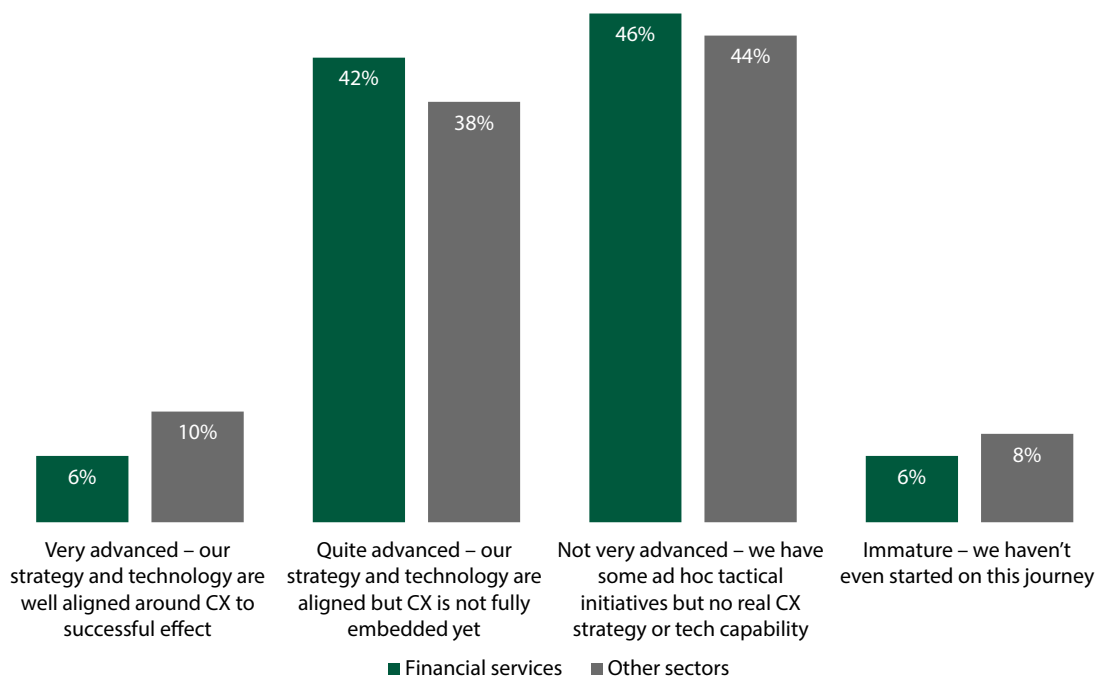
Cross-industry competition is also increasing in intensity, and raising standards in FS. As in many sectors, Amazon is widely regarded by FS players as a reference for CX proficiency – and seen as a likely future competitor. As well as a myriad of fintechs springing up in different areas of financial services, the likes of Amazon, Google and Apple represent an even more significant competitive threat to incumbents, most recently evidenced by the imminent arrival of the Apple Card³.

With the web services giant already active in credit and payments, and expected to ultimately expand into banking services, a 2018 report by Bain & Co. indicated it will find fertile ground for a more aggressive FS play among its Amazon Prime customer base⁴. Nearly two-thirds (65%) of US Prime users surveyed suggested they would try an online bank account from Amazon, if coming free and with cashback on purchases.

3. <https://www.macrumors.com/guide/apple-card/>

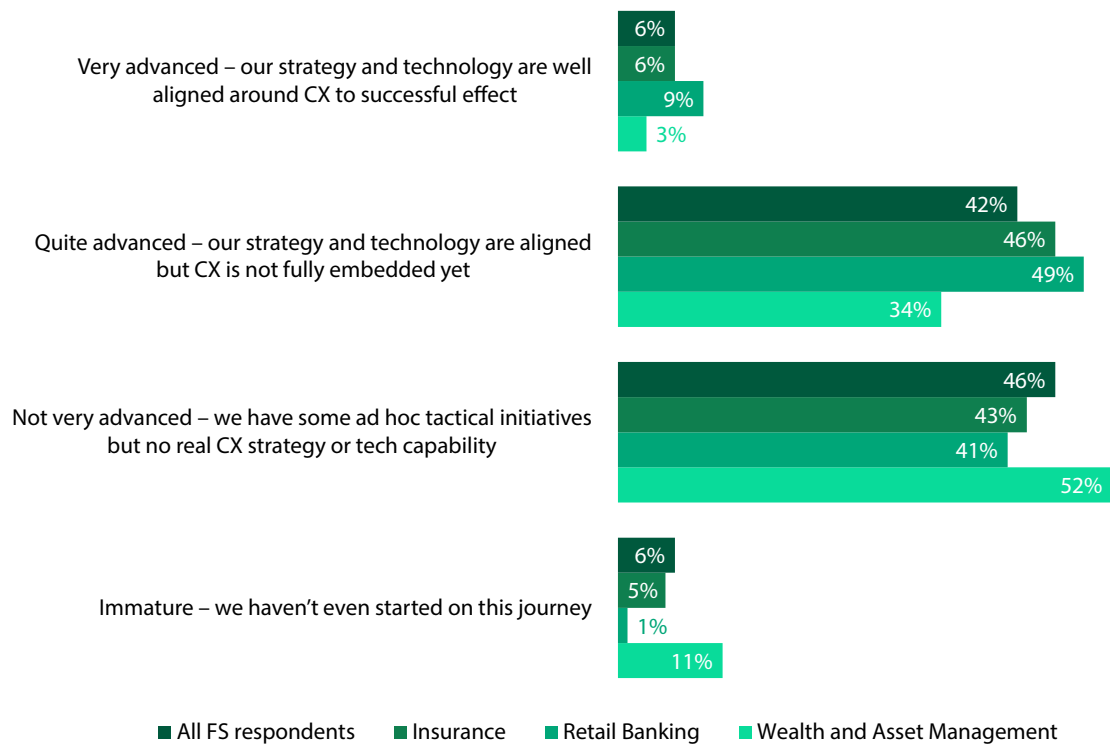
4. <https://www.bain.com/insights/can-amazon-take-customer-loyalty-to-the-bank/>

Figure 3: How do you rate your company in terms of customer experience (CX) maturity? (financial services vs. other sectors)



Respondents FS: 421
Respondents other sectors: 4,732

Figure 4: How do you rate your company in terms of customer experience (CX) maturity? (sub-sector comparison)



Respondents: 421

That only 58% of retail banking players see themselves as ‘very’ or ‘quite advanced’ in CX (Figure 4) also indicates room for new providers to make a mark in the sector, challenging existing FS providers to decide whether to partner or compete with upstarts, or both. Wireless operator T Mobile US – which has been aggressively acquiring customers from larger telco rivals over recent years – expanded its reach into banking earlier in 2019 by launching a checking account offering called T-Mobile MONEY, based on a white-label platform from BankMobile, the digital division of Customers Bank⁵.

Direct Line Group’s Evans describes a ‘melting pot’ of pressures on FS players to deliver CX improvement, noting “widespread realisation that customers increasingly compare their experiences across sectors.” “There is no letting up – the job is never done, and this is compounded by the fact that most established companies are hampered by legacy systems, whereas fintechs are on an unimpeded and accelerating path. The rise and rise of review sites also leaves no hiding place to make customer journeys frictionless,” he says.

5. <https://www.t-mobilemoney.com/en/home.html>

That only 58% of retail banking players see themselves as ‘very’ or ‘quite advanced’ in CX indicates room for new providers to make a mark in the sector.

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In retail it is often mandatory for senior leaders to work in stores as a way to stay close to customers. However, in many areas of FS it is possible to go a whole career without seeing the whites of a customer's eyes.

Mark Evans
Marketing Director,
Direct Line Group

Personal banking

Figure 5 provides more evidence that FS providers are homing in on the individual user, and have shifted away from broad-brush go-to-market approaches. *Customer journey management* is the most commonly-cited priority for 2019, and much more prominent as an area of focus when compared with other industries (31% vs. 19%). Targeting and personalisation is second on the list, and again more widely emphasised in FS than elsewhere (26% vs. 20%).

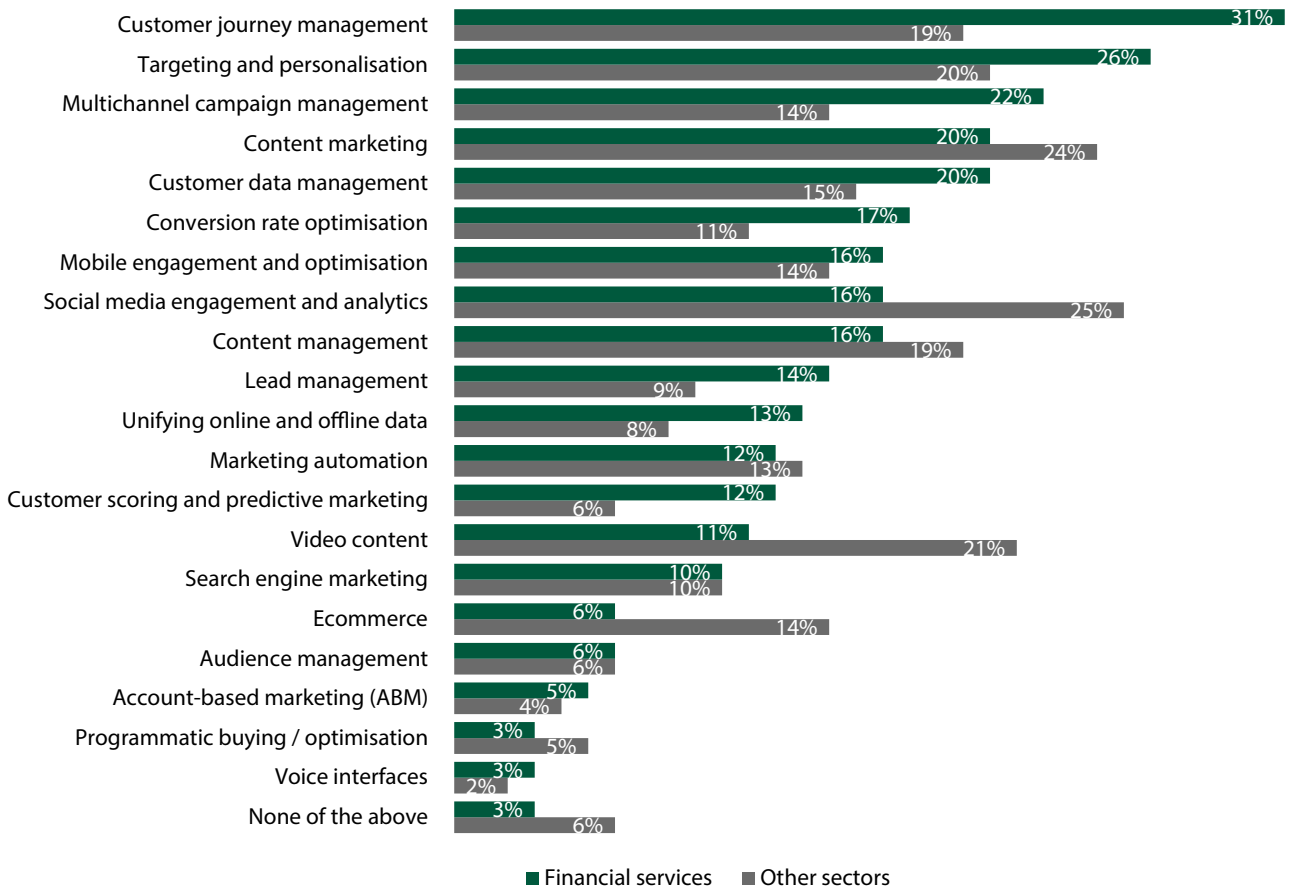
While not yet on a par with other sectors, in terms of priorities, content is a rising priority for FS providers, as they seek to draw value from customer data and more effectively engage individual users. *Content marketing* is cited by more FS providers as a top priority than in 2018 (20% vs. 17%). The proportion of respondents seeing digital content as their single most exciting opportunity has almost doubled over the last year (from 7% to 13%, Figure 5), and there is now only a single percentage-point gap compared to other industries (Figure 6).

Driven by the competitive pressures discussed earlier, FS companies are seeking to create closer attachment between business leaders and customer needs, making a more amenable environment for digital initiatives to gain internal sign-off, and flourish.

“The key challenge is to align the whole organisation to the rallying cry,” says Direct Line Group's Evans. *“In retail it is often mandatory for senior leaders to work in stores as a way to stay close to customers. However, in many areas of FS it is possible to go a whole career without seeing the whites of a customer's eyes. That's why at Direct Line Group we have embarked on a customer closeness programme whereby all senior leaders can connect with evolving customer needs and identify the contribution that they can make. We hope that this will sustain and magnify the success of our CX programmes to deliver sustainable competitive advantage.”*

FS providers are **homing in on the individual user**, and have shifted away from broad-brush go-to-market approaches.

Figure 5: Which three digital-related areas are the top priorities for your organisation in 2019? (financial services vs. other sectors)



Respondents FS: 331
Respondents other sectors: 3,743

4.

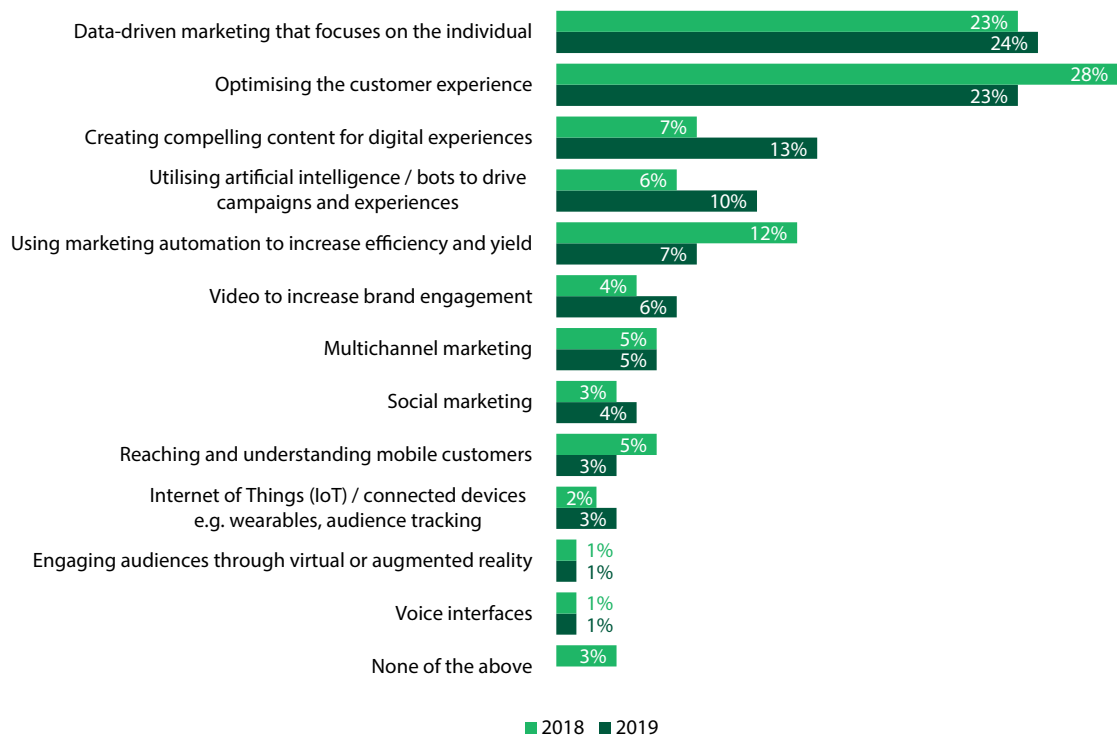
Data and analytics: front and centre.

For many businesses, properly harnessing data for commercial benefit has been a very difficult process. Now, however, in the FS market, there are signs that fine-grained insight into user behaviour and preferences are within easy reach.

The industry's collective responses to this year's survey suggest a turning point in business confidence regarding data competences. '*Data-driven marketing that focuses on the individual*' now sits at the top of FS companies' list of 'exciting opportunities' for the year ahead (*Figure 6*). Nearly a quarter (24%) of respondents place it above all other options, including '*optimising the customer experience*' (23%) which came out on top in 2018. This again underscores the evolution of CX focus referenced in *Section 3*.

'Data-driven marketing that focuses on the individual' now sits at the top of FS companies' list of 'exciting opportunities' for the year ahead.

Figure 6: Which one area is the single most exciting opportunity for your organisation in 2019?



Respondents 2018: 350
Respondents 2019: 237

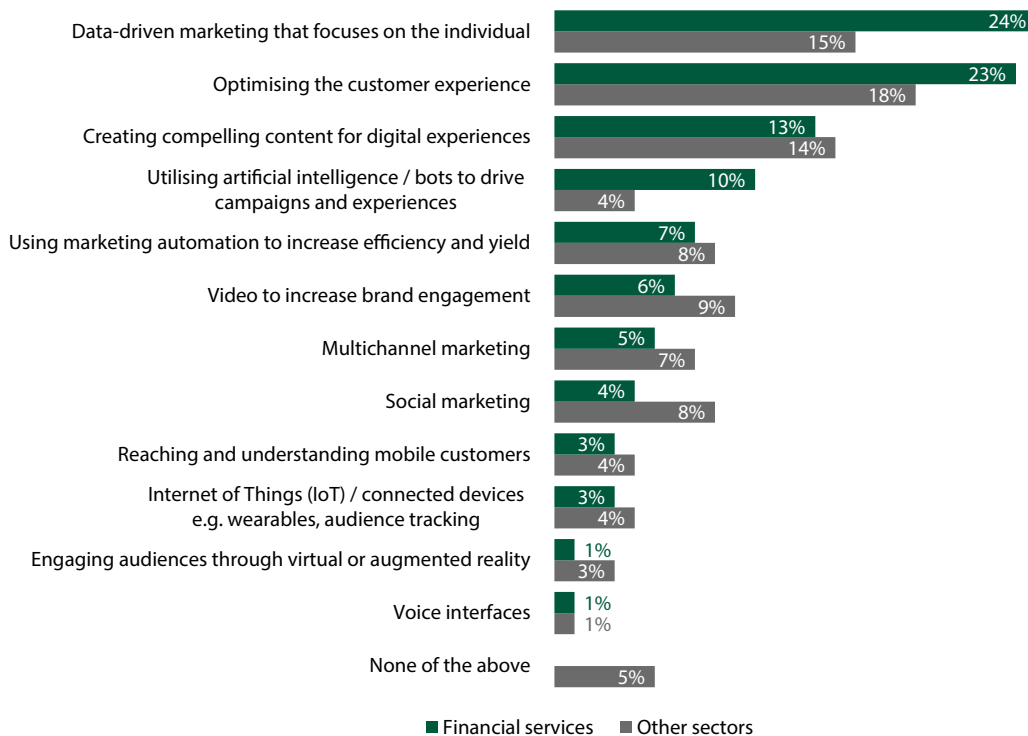
Citibank’s Keady affirms that data-driven marketing will have a major impact in the FS space during 2019. *“Data-driven marketing growth will continue into 2019. It’s not unique to banking, people expect brands to have a bespoke relationship with them. From entry-point millennials to retained high net worth clients, they may have different needs but increasingly expect the relationship to be personalised. Customers don’t care about the complex data engine back-ends, they just want it to be easy and relevant,”* he adds.

The untapped opportunities seen in data-led marketing are no doubt linked to the challenges of gathering, processing and governing data.

Once these are overcome, FS companies continue to believe that data exploitation holds huge potential for both better serving existing customers and extending reach into new markets. Keady notes, for example, that *“there’s still a big piece of work to do in getting consumers who have been resistant to digital transformation to change their behaviour”*, and that AI, and its promise of greater insight into customer interactions, offers an opportunity to bridge this divide.

The untapped opportunities seen in data-led marketing are no doubt linked to the challenges of gathering, processing and governing data.

Figure 7: Which one area is the single most exciting opportunity for your organisation in 2019? (financial services vs. other sectors)



Respondents FS: 237
Respondents other sectors: 2,411

FS interest in using AI to drive experiences is well above par (10% vs. 4%, Figure 7). “Conversational banking is changing the way we interface with technology,” says Keady.

He adds: “Digitally enabled conversational banking is a developing technology that will improve the way customers interface with banks, delivering more efficient, always on-solutions. There is still a lot of dependency between customers and traditional channels such as phone, so we are constantly building learnings around customer interactions to create better experiences when and where customers require as they are increasingly global and mobile. There is still a long way to go, however AI and related technology will play a key role in enabling this for our customers in the future.”

“Digitally enabled conversational banking is a developing technology that will improve the way customers interface with banks, delivering more efficient, always on-solutions.”

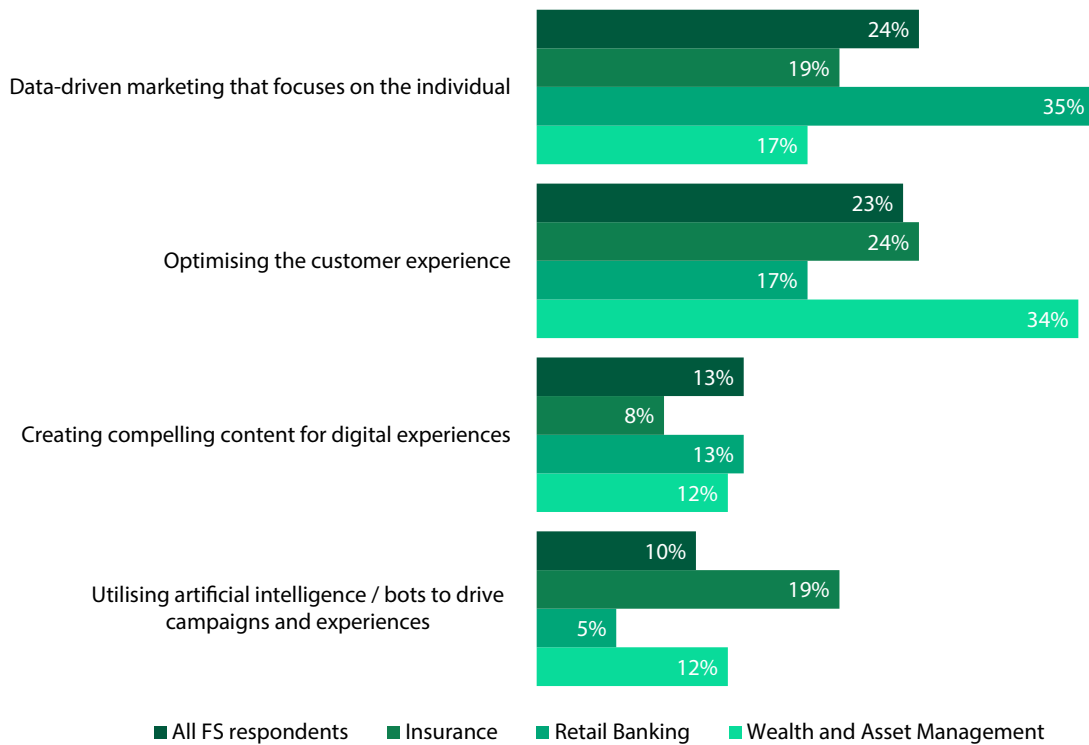
James Keady
Director of Digital Engagement
for Asia and EMEA, Citibank

Retail banking is the sub-sector where the focus on data-driven marketing is most obvious. More than a third (35%) of these brands see it as their single most exciting opportunity for 2019 (Figure 8).

Of undoubted influence is the ongoing emergence of data analytics-savvy startups in the retail FS space, some of which seek to bring services into the hands of users that were previously deemed unprofitable by established rivals. Indian companies SlicePay and Capital Float, for example, have identified patterns linking customers' behaviour regarding technology usage – such as frequency of photo sharing or enabling of phone platform updates – with credit-worthiness, and thus claim to have created insight that can assess their suitability for loans. SlicePay focuses on students while Capital Float uses its platform to extend collateral-free loans to small businesses.

More than a third (35%) of retail banking brands see **data-driven marketing** as their single most exciting opportunity for 2019.

Figure 8: Which one area is the single most exciting opportunity for your organisation in 2019? (sub-sector comparison)



Methodology note: This chart shows only the top four options.

Respondents: 237

Delivering against the data imperative

FS companies are now placing considerable emphasis on the working parts required to put data to work, in their quest to reach new levels of proficiency in data-driven marketing.

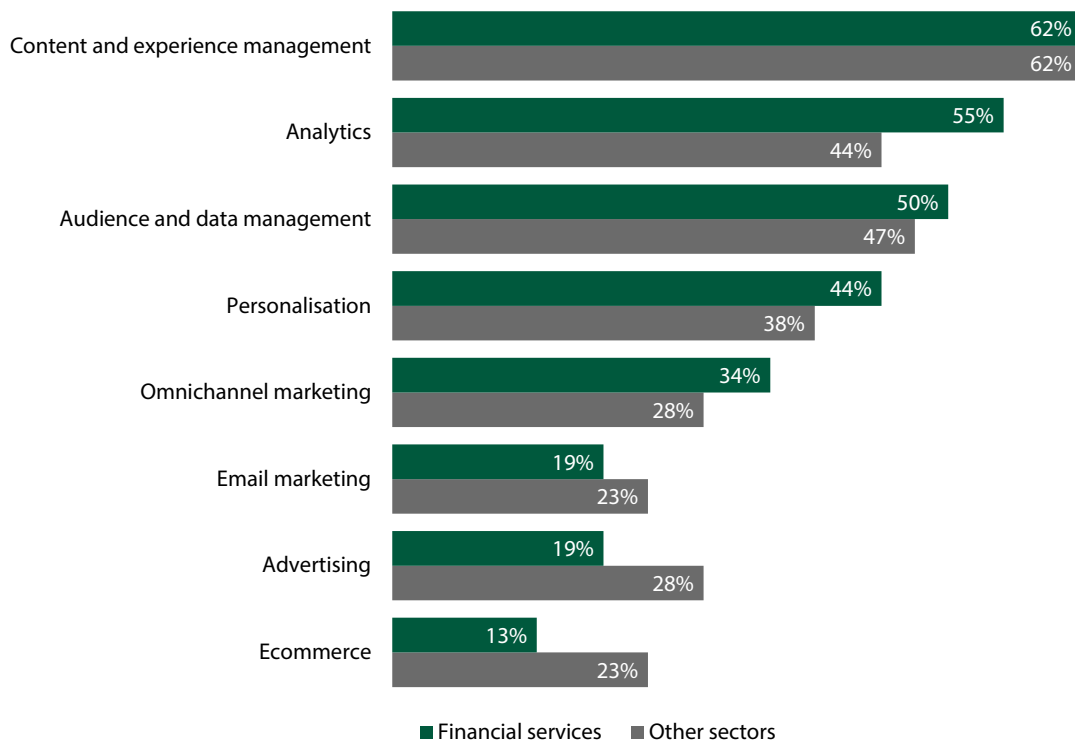
Analytics capability remains crucial for drawing out insight from raw customer data, and using this to fuel greater precision in communications. Yet capabilities in this area are notoriously hard (and expensive) to pull together – especially when bringing in the advanced, predictive analytics modelling some FS providers are seeking to assimilate, featuring AI-based automation.

Accordingly, most FS companies (55%) cite *analytics* as a top-three priority for their organisations in 2019 (Figure 9). Analytics is also the priority area where FS players most obviously over-index against their peers in other industries (44%).

Among FS marketers specifically, there is stronger emphasis on *better use of data for more effective audience segmentation and targeting*, with 56% citing it as a rising priority (see appendix, Figure 27).

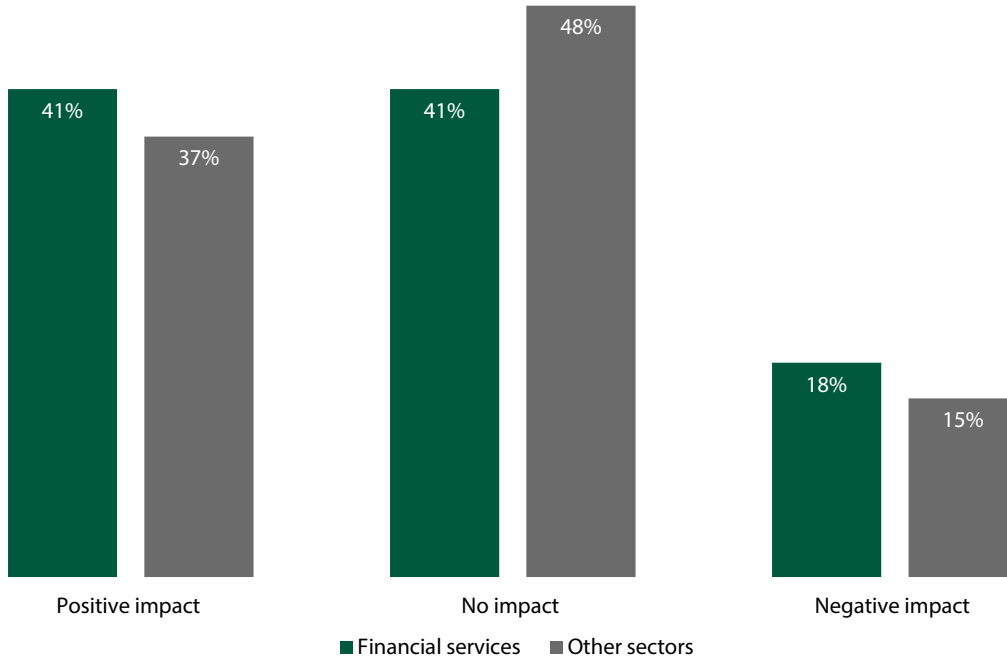
Keady stresses the importance and challenges of ‘building talent pools in all the markets’, when it comes to data competence. *“You need to have a strong understanding of digital and data to qualify as a marketer for most big brands around the world today,”* he notes. *“Data scientists are in hot demand as we do a lot of data-driven marketing and analysis. It’s not about data geeks but people who can understand business and commercial goals. It’s hard. My last round of recruitment in this area took one year of interviewing.”*

Figure 9: Proportion of respondents rating these areas as top-three priorities for their organisation in 2019 (*financial services vs. other sectors*)



Respondents FS: 233
Respondents other sectors: 2,285

Figure 10: What impact has the increased focus on consumer data protection (e.g. the EU's GDPR) had on your organisation? (*financial services vs. other sectors*)



Respondents FS: 295
Respondents other sectors: 3,232

The impact of GDPR

Another factor behind the focus on data capabilities is the heightened onus on regulatory compliance in the sector. Compliance feeds into the business case for investment in data resource, building on the natural business logic, in a world of personalised communications, of giving users as much say as possible in how their information is used.

The influence of GDPR in Europe has been well-documented as a further driver of focus on customer data protection, control and governance. FS providers appear to have largely absorbed GDPR changes without major disruption, with 82% citing 'no impact' or 'positive impact' from the 2018 move (*Figure 10*). In Europe, the proportion of respondents citing 'negative impact' is 29%, compared to 0% in the United States and 13% in Asia Pacific (see appendix, *Figure 28*).

FS providers appear to have largely absorbed GDPR changes without major disruption, with 82% citing 'no impact' or 'positive impact' from the 2018 move.

5.

Tech and innovation: the sector embraces change.

As a near-universal business enabler, and one with a long legacy of working practices and systems, the financial services industry has had a lot of open ground for disruptive digital services to exploit. The speed of transformation new players and services have been generating shows no sign of slowing down. Digital transformation remains unfinished business for many organisations, and the technology pipeline remains full-to-bursting, bringing yet more opportunities to reshape the market.

Much continues to rest on how well FS companies can understand and assimilate these new technologies, and grasp the associated opportunities. A new generation of powerful technological drivers is coming to the fore, creating new opportunities and challenges for a sector in which many players continue to wrestle with changing demands.

Citibank's Keady acknowledges the push-pull forces acting on established FS brands when it comes to technology, including the need to strike a balance between legacy investments and the need for greater agility, and to manage requirements for openness and compliance. *"Speed of development is a challenge,"* he says. *"When we get feedback from customers, how do we implement those changes efficiently while leveraging economies of scale? It's an engineering and tech challenge, to build things bigger, faster and lighter. It's a big task."*

"Is integration and open data, and building new technology solutions, easy within the financial world? I think there's still a lot of compliance and regulation that we need to work within that makes a bit slower than those agile tech companies. People expect speed and responsiveness but banks operate in a very different world."

The tech pipeline

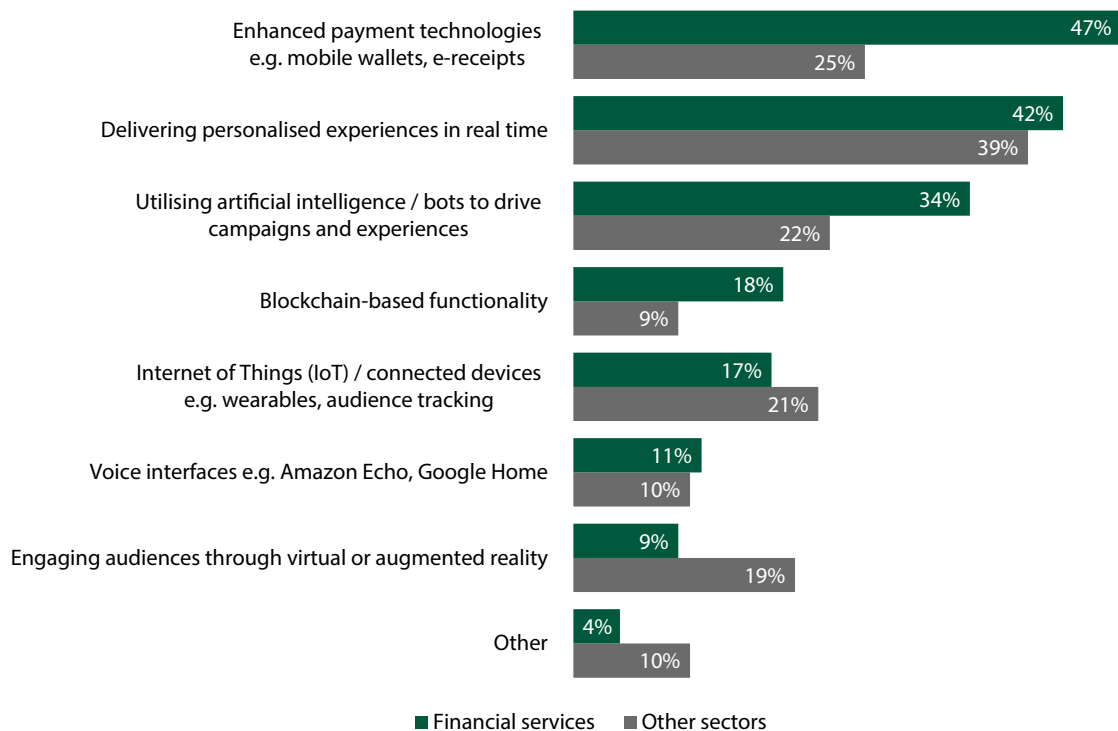
Figure 11 shows that the financial services industry is among those leading the way when it comes to adoption of most technologies featured in the chart. Companies in the space are, for example, around twice as likely as their peers in other sectors to have incorporated *enhanced payment technologies* (47% vs. 25%) and *blockchain-based functionality* (18% vs. 9%). Enhanced payments interest is, predictably, driven by its applications in retail banking, where 66% of respondents have implemented it in their business (see appendix, Figure 29).

Visa is a great example of a brand for whom evolving payment technology is having a major impact. According to Lynne Biggar, the company's Chief Marketing and Communications Officer: *"We are a payments technology company in a world where the payments ecosystem is changing rapidly, in ways that allow consumers to have much more control. The world is going cashless – it is going beyond just physical plastic cards towards voice and the Internet of Things. We are very focused on moving Visa ahead of where the payments ecosystem is going."*

"The biggest opportunity in the United States over the coming year will be contactless payments. By the end of 2019, we expect there to be over 100 million Visa contactless cards in the United States. In global markets, it will be around the increasing opportunities for payments to appear in new and different ways, whether it's your Fitbit, your phone or your car. We are going to see commerce and, in particular, mobile commerce, become much more streamlined."

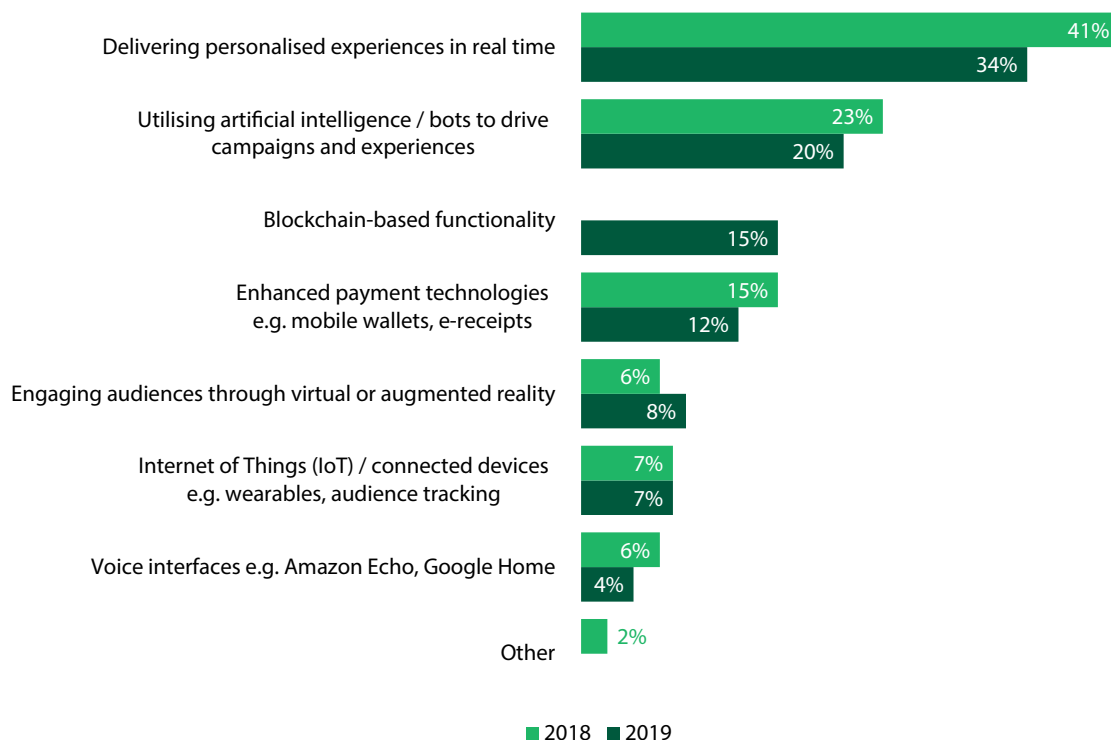
FS companies are also ahead of the curve on non-transactional technologies that are less intrinsically linked to the realm of finance, such as *AI/bots to drive campaigns and experiences* (34% vs. 22%) and *delivering personalised experiences in real time* (42% vs. 39%). The prominence of personalisation is another reflection of the industry's continuing (and evolving) focus on CX improvement and data-driven marketing, as featured throughout this report. More than a third (34%) of FS respondents see real-time personalisation as offering their 'most exciting prospect' in three years' time' – again, ahead of other industries though to a lesser extent than in 2018 (Figure 12 and Figure 13).

Figure 11: Which of the following have you already started to incorporate into your business? (financial services vs. other sectors)



Respondents FS: 293
Respondents other sectors: 3,118

Figure 12: Looking ahead, which of these do you regard as the most exciting prospect in three years' time?



Respondents 2018: 439
Respondents 2019: 326

IoT driving insurance change

The Internet of Things (IoT) is one area where FS providers show less widespread interest than other sectors, when looking at the industry as a whole (17% vs. 21%, *Figure 11*).

However, there is no shortage of action in IoT among insurance players, many of which have long been eyeing real-time tracking and analysis of usage as an opportunity to transform services in the office, home and elsewhere. As can be seen in *Figure 29* (see appendix), a quarter (25%) of insurance companies surveyed say they have already implemented *IoT/connected devices* into their business – around double the response seen in either retail banking (12%) or wealth and asset management (13%).

IoT's potential to generate actionable data for service transformation is drawing insurers to widen their technology ecosystems. In late 2018, Zurich Insurance Group said that it was piloting a joint, telematics-based analytics solution from Swiss start-up Spearhead, Deutsche Telekom's ICT business T Systems, and US connected-car specialist Mojo, aimed at easing the headaches associated with vehicle insurance claims, by automating much of the legwork.⁶ It draws on a pool of data from more than one million claims to calculate likely repair costs, and can purportedly cut the damage assessment process to one minute.

6. <https://spearhead-ag.ch/news/zurich-versicherung>

Blockchain – beyond the hype

Blockchain-based functionality is of natural interest to many FS players, particularly around the promised flexibility, security and efficiency benefits of smart contracts and real-time settlements. Excitement around distributed ledger technology is relatively constrained, however – with only 15% of FS players seeing it as their most exciting prospect in three years' time (Figure 13). This suggests that widely-reported scalability and other technical barriers around blockchain are not off-radar. FS companies are evidently looking beyond the hype, and carefully considering the technology's most appropriate use cases, and how it can be implemented within IT infrastructure.

With a long-term view, blockchain is of clear interest to FS providers. Several finance players are, for example, collaborating within the Linux Foundation-backed Hyperledger project⁷, which is an effort to bring together software developers to build blockchain frameworks and platforms, and enable a 'new generation of

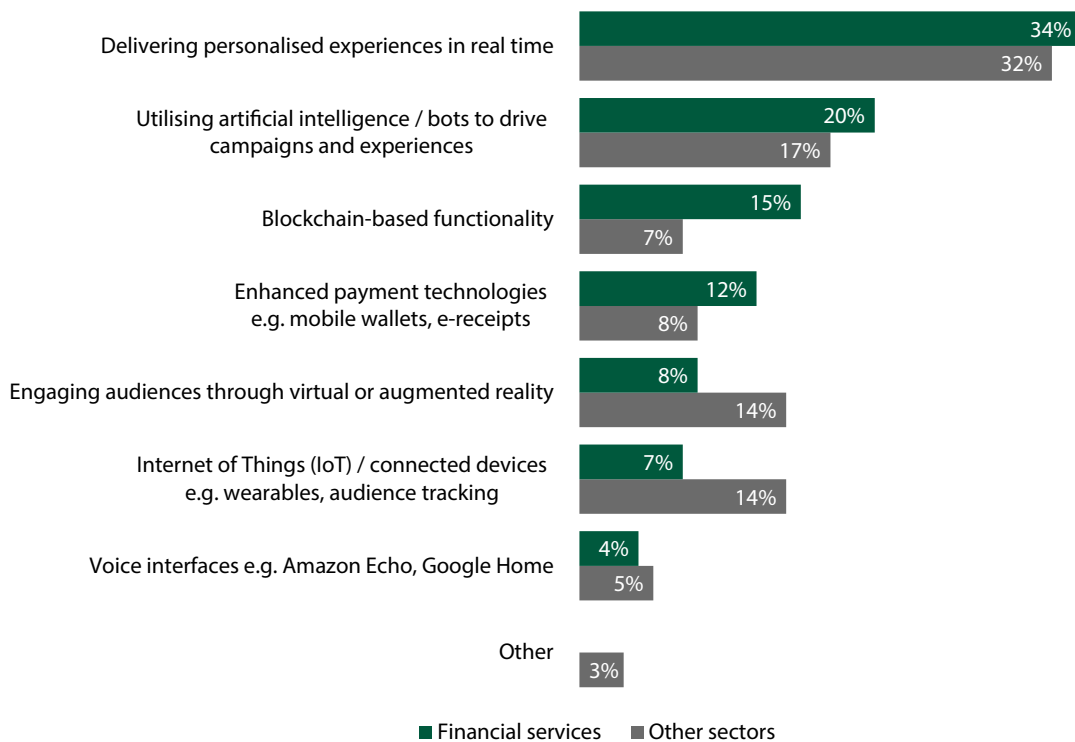
transactional applications that establishes trust, accountability and transparency at their core'

Jun Seong Han, Deputy President of South Korea's KEB Hana Bank, indicated it was eyeing Hyperledger as a platform for cross-border mobile payments when it joined the programme in late 2018⁸: "Demand for mobile payments, such as mobile wallet, is increasing due to the rapid growth in cross-border payments. To support such demand, we need a new payment hub that can connect them globally. In response, KEB Hana Bank is creating the Global Loyalty Network, with a number of banks and payment providers. What's most important for this project is a global standard technology, so we are joining Hyperledger for blockchain technology that our partners around the world can accept seamlessly."

7. <https://www.hyperledger.org/members>

8. <https://www.hyperledger.org/announcements/2018/12/11/hyperledger-adds-alibaba-cloud-citi-deutsche-telekom-we-trade-and-12-more-new-members-at-hyperledger-global-forum>

Figure 13: Looking ahead, which of these do you regard as the most exciting prospect in three years' time? (financial services vs. other sectors)



Respondents FS: 326
Respondents other sectors: 3,644

As with blockchain, the FS perspective on *virtual/augmented reality* (VR/AR) and voice interfaces reflects that a disciplined approach is being taken to technology choices, especially given the packed pipeline and continued room for competitive gain from less nascent areas such as CX and data analytics.

Compared with other sectors (*Figure 13*), FS providers less likely to be 'excited' by the medium-term potential of these new interfaces (8% vs. 14% for VR/AR, and 4% vs. 5% for voice assistants). Where there is more evidence of interest in VR/AR is in insurance, where some players have been using the technology as a fresh way to increase awareness of risks and promote services.

A selective, disciplined approach to technology choices was also evident from *Figure 5* which shows less emphasis from FS companies on areas like social and video, that sit outside the 'core' areas of CX and data-driven marketing.

The digital organisation

While it is great to see financial services companies embracing new technology to improve business performance and customer experience, there is a more fundamental requirement for organisations if they want to succeed in a consumer-focused world. The modern-day financial services company needs to be properly organised in the face of digital disruption, with different business functions, systems and objectives effectively orchestrated.

Research by Adobe's Digital Strategy Group has found that there are three key areas relating to company structure that are fundamental to organisational success⁹:

The modern-day financial services company **needs to be properly organised in the face of digital disruption**, with different business functions, systems and objectives effectively orchestrated.

1. Centres of excellence

The research focuses on centres of excellence (COEs) as a highly effective way of developing digital capabilities. A COE should comprise a team of subject matter experts who execute a specific capability and grow expertise throughout the organisation. This helps to ensure that resources are deployed effectively, initiatives are aligned, and that teams work in a co-ordinated manner towards an agreed objective. A COE's mandate can range from something broadly digital to more specific functions such as personalisation. As organisations become more mature, the centre of excellence moves to become more of a governance centre of excellence, where execution is handed back to the business.

2. Customer journey teams

Customer journey teams are responsible for overseeing and orchestrating the end-to-end journey for a key audience across all relevant channels. By making the journey a focal point within their structure, companies can ensure that customers rather than channels are at the heart of their operations, while also creating accountability and ownership for delivering unified experiences.

Customer journey teams are typically focused on either intelligence or execution. Cross-journey intelligence teams gather insights relating to the customer journey, and then share them with other teams. Cross-journey teams focused on execution take this further by owning the cross-channel activation of these insights.

3. Agile marketing teams

Customer behaviour is changing all the time, which means that FS companies cannot afford to be slowed down by organisational silos and inertia. To address this challenge around speed to market, it is important for organisations to embrace agile concepts beyond IT, and into their digital and marketing functions. Agile marketing organisations have 'tribes' with a specific digital goal, for example to grow digital acquisitions. 'Scrum' teams should be deployed to execute discrete projects toward that goal, typically including individuals from digital marketing, analytics, IT and compliance, as well as the scrum master.

9. <https://www.cmo.com/opinion/articles/2018/3/6/digitally-mature-financial-institutions-have-these-3-things.html>

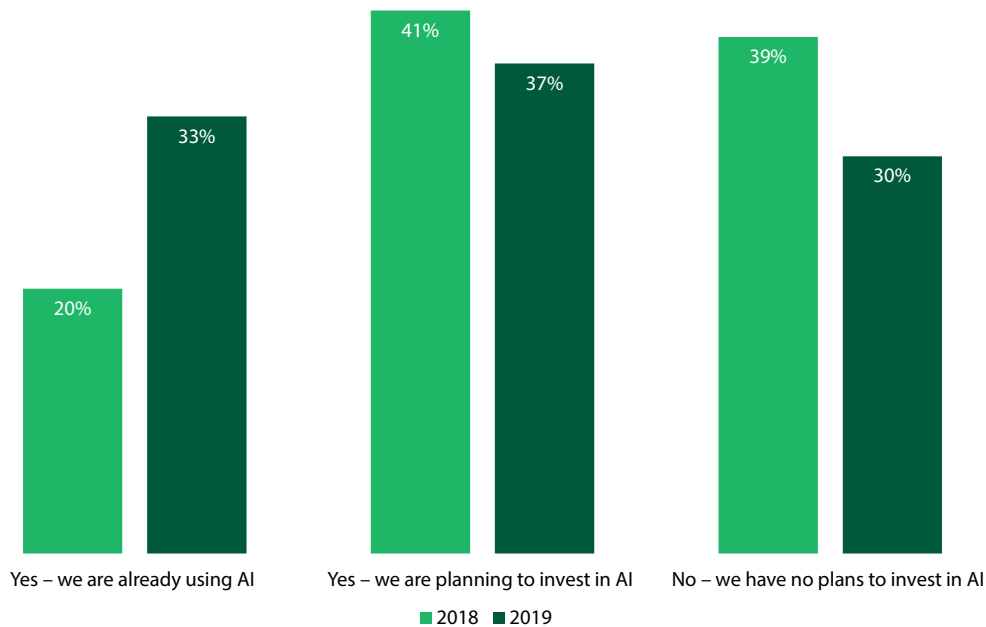
6.

AI deployment is happening in the here and now.

As was seen in *Section 5*, the level of FS interest in using AI to develop and improve CX performance is well above that of other industries, and the signals are there that many companies already see it as a key enabler for a wide array of use cases. The high volume of transactions seen in FS, and the huge size of many companies' customer bases, makes it particularly fertile ground for AI in numerous areas, such as personalisation, automation and service innovation.

A third of respondents are now **already using AI** (33%, up from 20% last year), and a further 37% **have plans in place to invest** in the technology.

Figure 14: Is your organisation using or planning to invest in artificial intelligence (AI) in 2019?



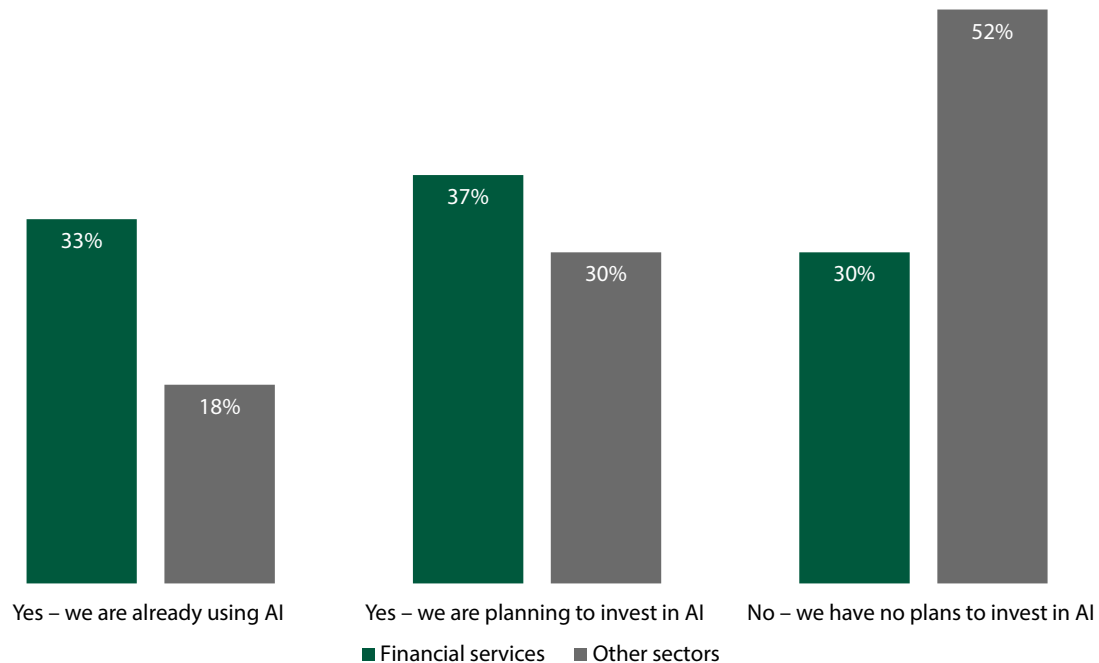
Respondents 2018: 332
Respondents 2019: 294

AI deployments to solve user pain points are happening now, rather than just bookmarked for the medium or long term. A third of respondents are now already using AI (33%, up from 20% last year), and a further 37% have plans in place to invest in the technology (Figure 14). And as was seen in Figure 6, the proportion of FS companies that see AI as their 'single most exciting' opportunity for the coming year has increased since 2018 (from 6% to 10%). This compares to just 4% of their peers in other sectors.

Penetration of AI usage in financial services is also well above average. Fewer than one in five (18%) non-FS brands are 'already using AI', and more than half (52%) have no plans to invest (Figure 15).

The proportion of FS companies that see AI as their 'single most exciting' opportunity for the coming year has increased since 2018 (from 6% to 10%).

Figure 15: Is your organisation using or planning to invest in artificial intelligence (AI) in 2019?
(financial services vs. other sectors)



Respondents FS: 294
Respondents other sectors: 3,304

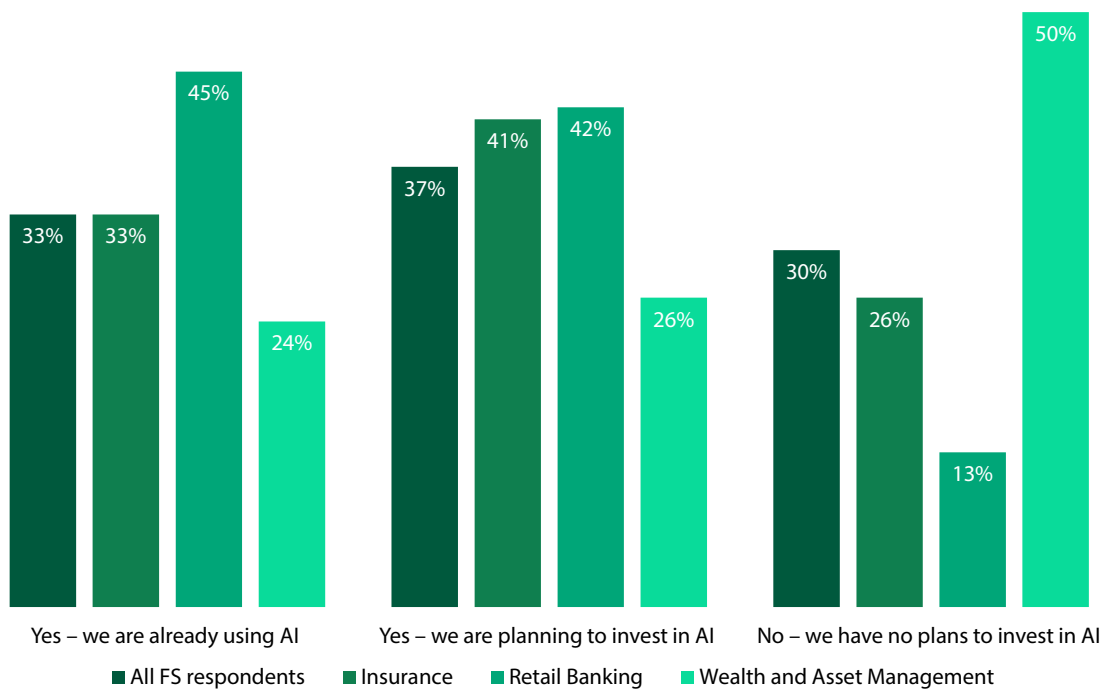
Looking at sub-sectors within financial services (Figure 16), retail banking is where AI adoption has progressed furthest, with a large minority (45%) already using the technology in some form.

Interest in using AI to advance ‘conversational banking’ and bring a new level of efficiency and effectiveness to CX was highlighted in Section 4. Further, with online security issues on the rise, policing of digital banking networks is often put forward as a highly relevant AI application for retail banks – recently seen, for example, with HSBC’s investment in and partnership with Quantexa, a UK-based big data/AI startup, to better identify money laundering activity¹⁰.

The responses suggest insurance providers are not too far behind retail banks on AI usage. Numerous AI-linked applications are in the pipeline in the insurance marketplace, relating to areas such as coverage personalisation, ‘behavioural’ pricing and acceleration of claims settlement. Seventy-four percent of these companies have implemented AI (or plan to), compared to 87% in retail banking.

10. <https://www.quantexa.com/quantexa-technology-helps-hsbc-fight-financial-crime/>

Figure 16: Is your organisation using or planning to invest in artificial intelligence (AI) in 2019? (sub-sector comparison)



Respondents: 294

As seen in *Section 5*, insurance companies are particularly closely focused on medium-term potential for IoT, where AI-twinning, data-led opportunities are bubbling up in areas such as travel, automotive and health. Fourteen percent name IoT as their most exciting prospect for three years' time, compared to 7% across financial services and insurance as a whole (see appendix, *Figure 30*).

Direct Line Group's Evans highlights that "many traditional insurance processes are likely to be completely transformed via machine learning", and that globally, Chinese players in the sector are "illuminating the path ahead for all other insurers in terms of the radical impact machine learning can have on the sector". He cites the example of conglomerate Ping An Insurance, which is using its vast base of vehicle accident images and a machine learning engine to better define where fault lies, and accelerate claims fulfilment. "The same approach of using machine learning to assess damage and trigger response can be used in many scenarios, including storm damage and hail storms," notes Evans.

“ Many traditional insurance processes are likely to be completely transformed via machine learning.

Mark Evans
Marketing Director,
Direct Line Group

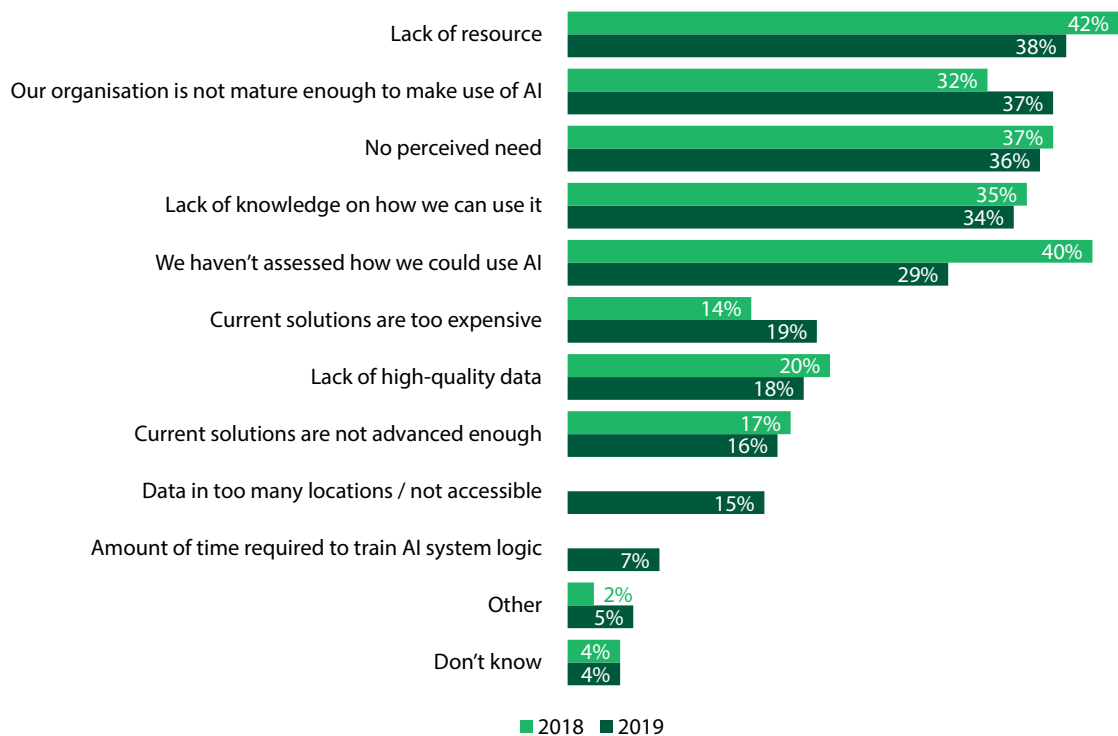
Barriers to AI adoption

Implementation of AI, as noted by Citibank's Keady, is a learning process, and brings its own complexities and challenges, including numerous requirements around resource, budget, organisation and talent. It is evident that AI brings with it a new phase of digital transformation and requires a level of maturity in CX and data that not all companies have yet brought about.

Among the three in ten FS providers that are not yet using or planning to use AI, a majority are being put off by these factors. Only 29% have simply not yet assessed the technology, compared to 40% in 2018 (Figure 17).

In terms of adoption barriers, the picture is similar to 2018's report, with shortfalls on resource (38%), organisational maturity (37%) and 'knowledge on how we can use AI' (34%) high on the list of roadblocks. A significant proportion of non-AI-adopters (36%) have not identified a need for the technology, showing AI proponents still have some work to do to educate and evangelise.

Figure 17: Why is your organisation not using or planning to use AI?



Respondents 2018: 99
Respondents 2019: 73

7.

Recommendations.

1. Maintain a laser focus on customer experience

Customer experience has become even more important in the financial services and insurance sectors in an era when disruptive startups and scale-ups continue to shake up the status quo, and consumers compare their experiences across different sectors. Established companies can no longer just rely on the power of their brands to bring in new customers and guarantee their loyalty. Great CX starts with the right kind of company culture and employee behaviour, with commitment from the top of the organisation. Companies also need to invest in CX and marketing platforms that are integrated and fit for purpose.

2. Strive for a single view of the customer

Financial services companies will fail in their quest to deliver compelling and personalised experiences at scale if they don't have a 360-degree view of what their prospects and customers are doing across different channels. A customer data platform as part of an integrated marketing and advertising technology stack is fast becoming a prerequisite for success in a world of increasingly data-driven marketing. A unified view of customers is the starting point for being able to deliver effective and relevant communications at the right time in the customer journey.

3. Prioritise digital analytics and 'activation' capabilities

Effective modern-day marketing requires best-of-breed digital analytics tools that help you bring together data across a range of martech and tools, with insights and information that are actionable. Companies require technology that enables them to 'activate' their data, with the ability to automate the execution of actions across different marketing platforms based on predictive analytics. Freely available analytics tools can help companies with their basic needs, but they can also be very restrictive in terms of the types of data and solutions that can be integrated.

4. Continue to prioritise content

It is encouraging to see from this year's research that content creation has risen up the agenda for FS companies. Data and content need to be working effectively in tandem for successful CX and marketing initiatives. Compelling content in the right formats is needed to power marketing and advertising campaigns across a range of channels, and the demand for this essential ingredient has grown considerably as a result of the increased focus on personalisation. The good news is that technology is already helping companies produce the content they need at scale, for example by automating repetitive tasks.

5. Encourage creativity within your organisation

As well as helping companies to deliver marketing campaigns and personalisation, AI can also help detect anomalies that might lead to customer journey improvements. But while the benefits of AI and automation are already being realised by marketing and analytics teams alike, there is no substitute for human creativity. Companies need to nurture creative talent, and to make sure they have the right balance between right-brain (creative) and left-brain (analytical) thinking. That said, they should make sure that data-driven marketers and creatives are not working in silos. Creatives should be iterating based on data-driven insights provided by analysts, while analysts and data scientists should be encouraged to think creatively in the pursuit of better customer experiences and improved business performance.

Companies require technology that enables them to 'activate' their data, with the ability to automate the execution of actions across different marketing platforms based on predictive analytics.

6. Drive transformation within your organisation

A centre of excellence (COE) is an effective way of developing digital capabilities and talent within an organisation, helping to develop and execute strategy to introduce new capabilities in an organised fashion¹¹. COEs should clearly define KPIs, responsibilities and workflows to ensure alignment. Another way of moving towards a truly customer-centric approach is through the use of customer journey teams to orchestrate end-to-end journeys and to help create accountability for delivering a unified experience. By making the journey a focal point within their structure, companies place customers, not channels, at the heart of their operations.

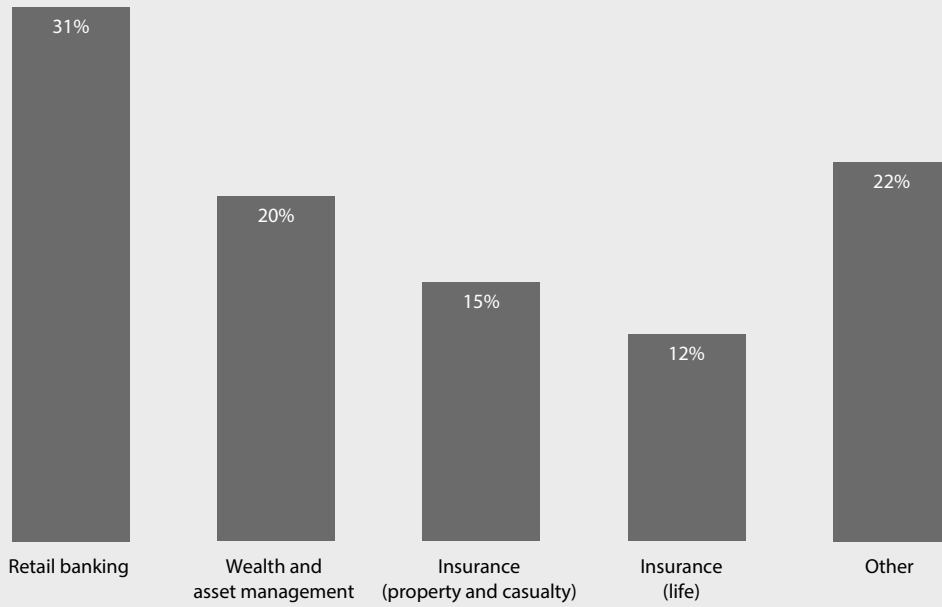
Another attribute of mature companies in the sector is the adoption of agile marketing teams. These teams have cross-functional tribes with a specific digital goal, focused on executing discrete projects.

11. <https://www.cmo.com/opinion/articles/2018/3/6/digitally-mature-financial-institutions-have-these-3-things.html>

8.

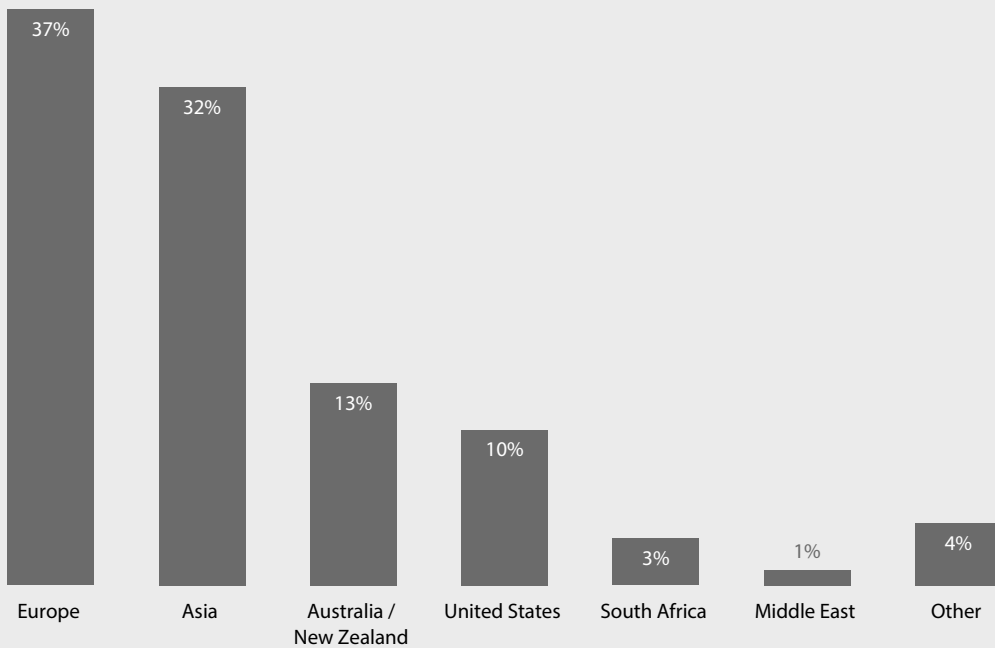
Appendix 1: Respondent profiles.

Figure 18: What type of company do you work for?



Respondents: 413

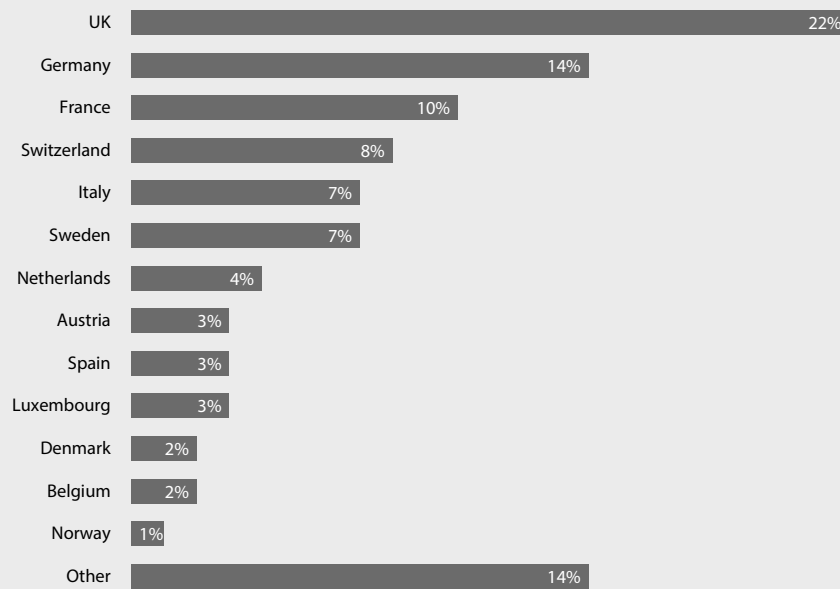
Figure 19: In which region are you based?



Respondents: 501

Respondents based in Europe

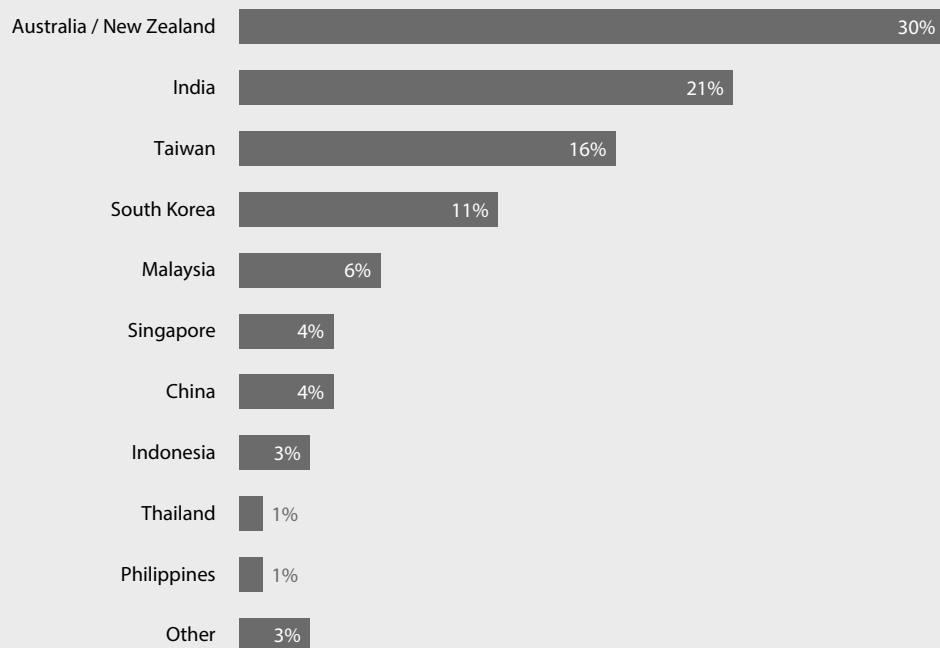
Figure 20: In which of the following countries are you based?



Respondents: 185

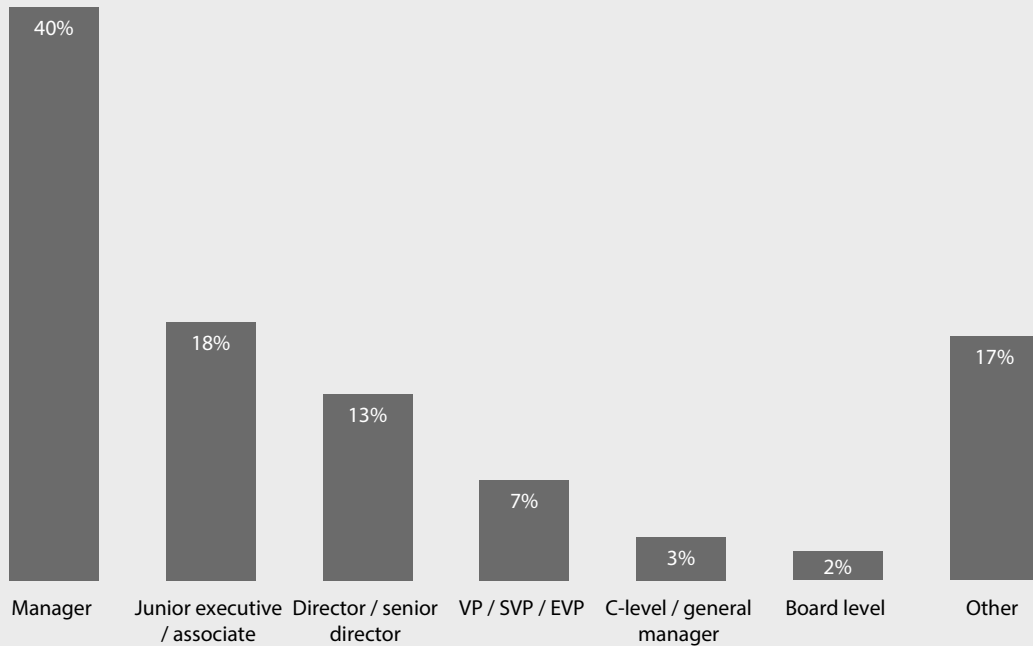
Respondents based in Asia Pacific

Figure 21: In which of the following countries are you based?



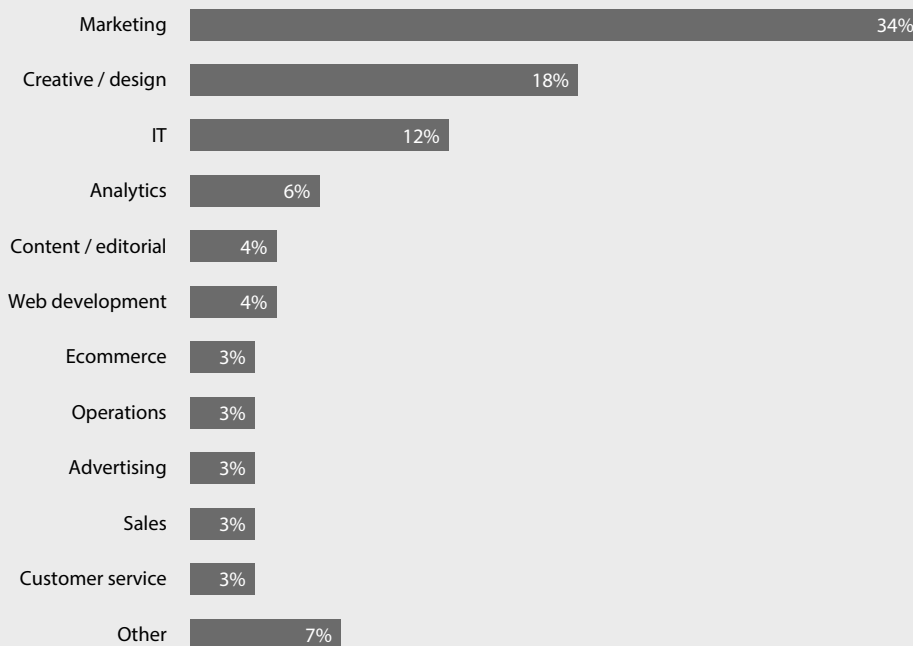
Respondents: 216

Figure 22: What best describes your job role?



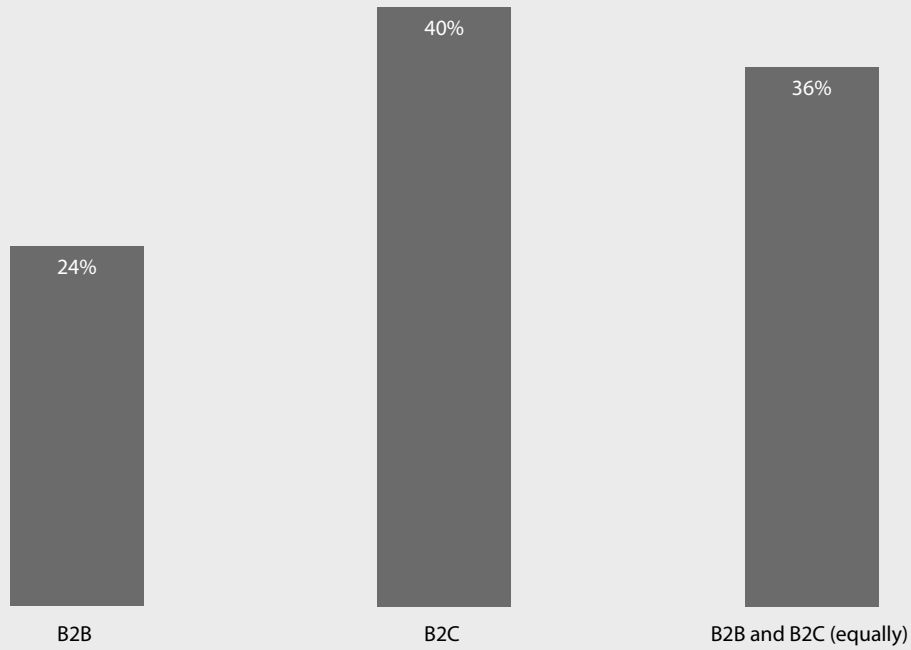
Respondents: 501

Figure 23: Which business function does your role most closely align with?



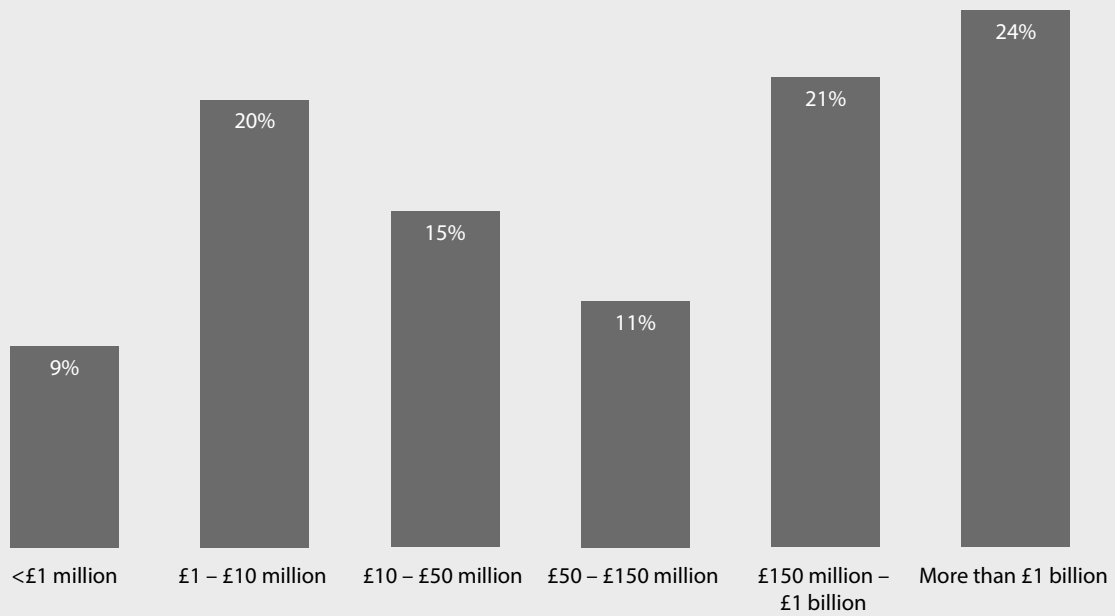
Respondents: 501

Figure 24: Are you more focused on B2B or B2C as a business?



Respondents: 501

Figure 25: What is your annual company revenue?



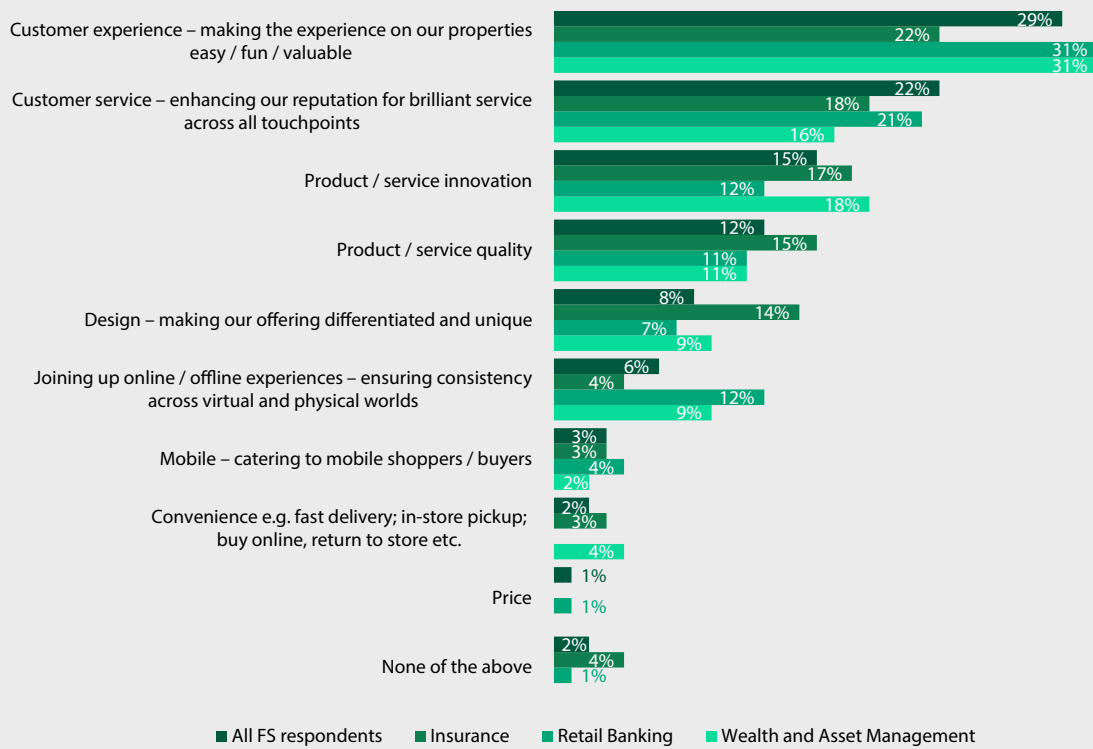
Respondents: 266

9.

Appendix 2: Other selected charts.

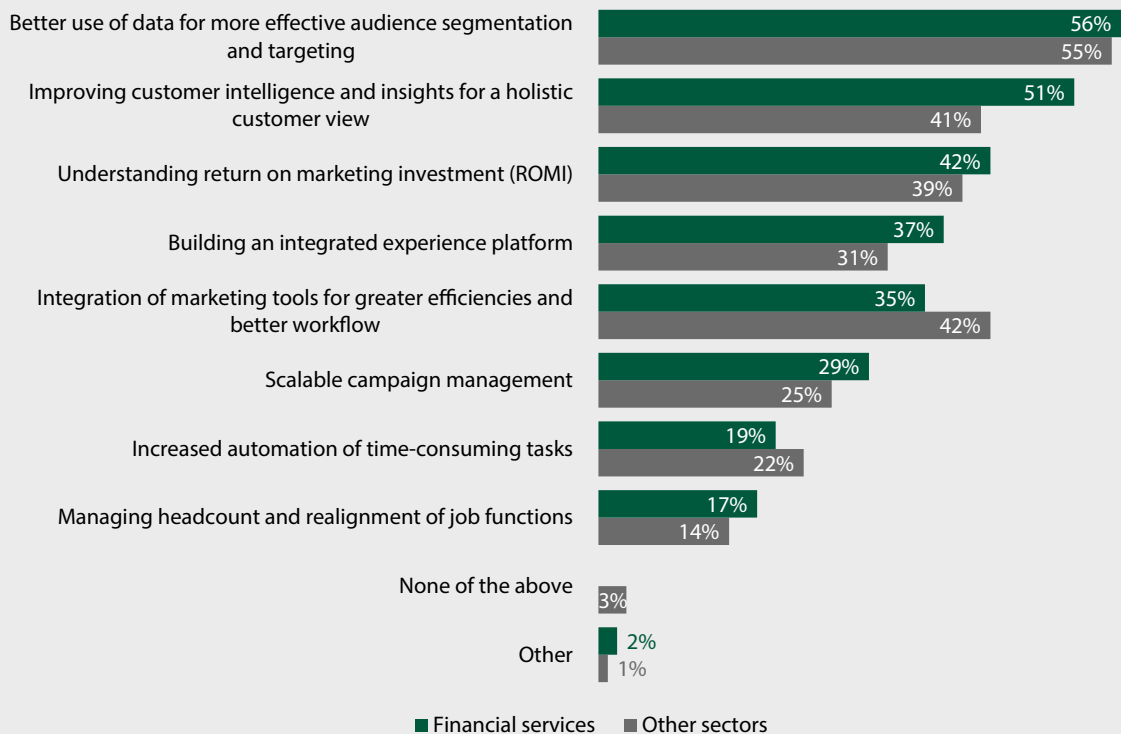


Figure 26: Over the next five years, what is the primary way your organisation will seek to differentiate itself from competitors? (*sub-sector comparison*)



Respondents: 311

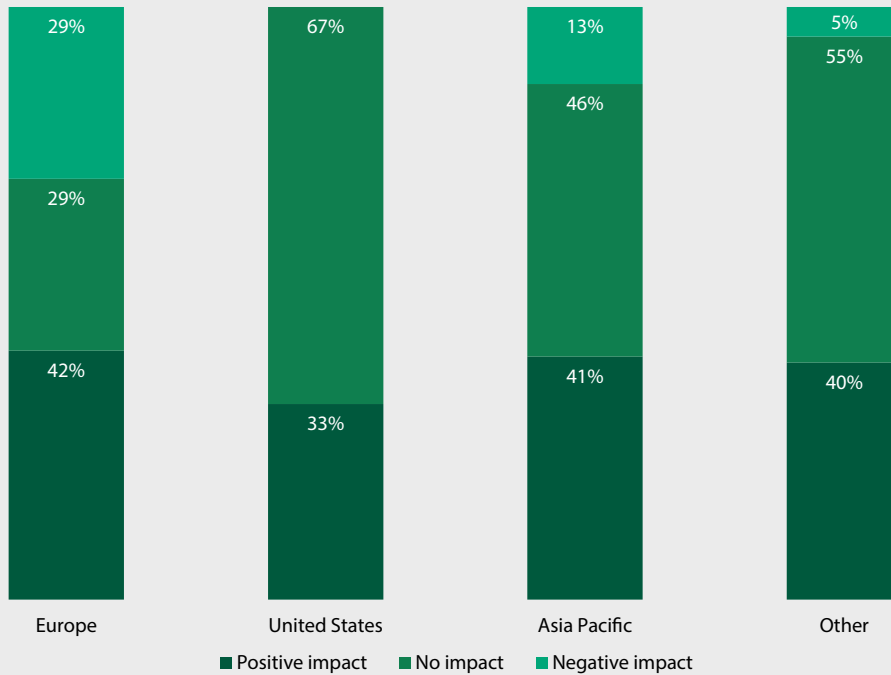
Figure 27: Which three marketing-related areas do you expect to jump furthest up your organisation's priority list in 2019? (*marketing professionals – financial services vs. other sectors*)



Methodology note: Respondents could select up to three options.

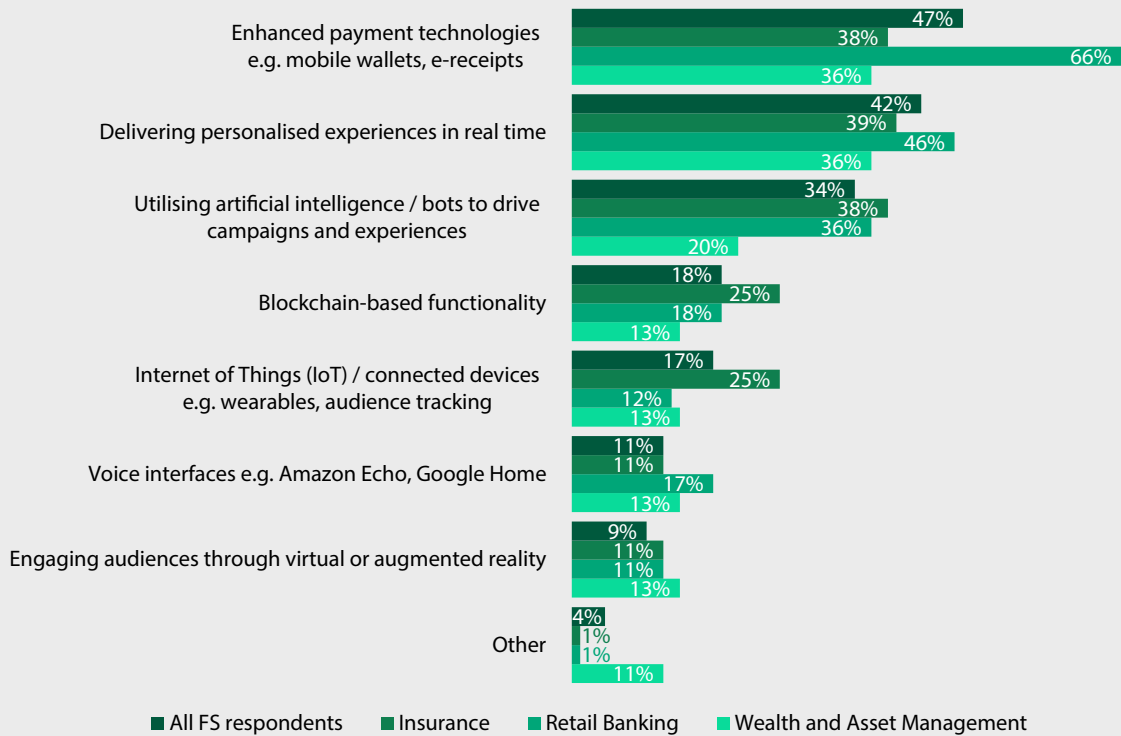
Respondents FS: 128
Respondents other sectors: 970

Figure 28: What impact has the increased focus on consumer data protection (e.g. the EU's GDPR) had on your organisation? (regional comparison)



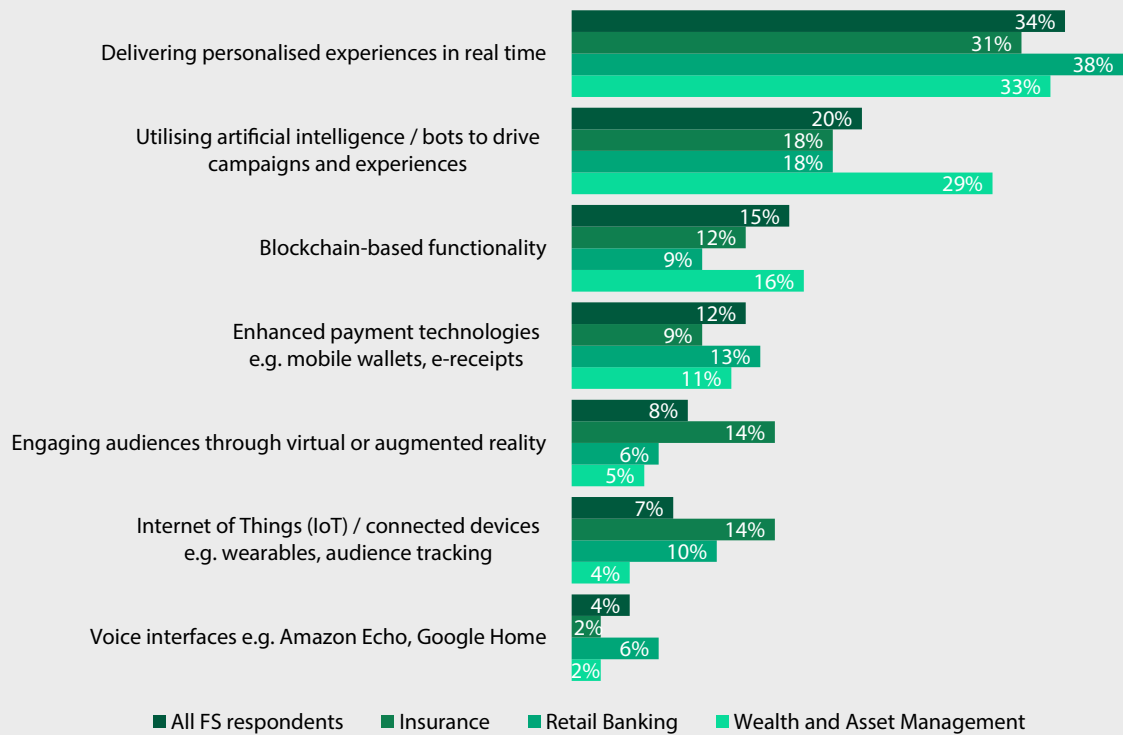
Respondents: 295

Figure 29: Which of the following have you started to incorporate into your business? (sub-sector comparison)



Respondents: 293

Figure 30: Looking ahead, which of these do you regard as the most exciting prospect in three years' time? (sub-sector comparison)



Respondents: 326



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