



# 2020 Financial Services Digital Transformation Survey

THE FUTURE OF FINANCIAL SERVICES



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# Financial Services, Interrupted

For the financial services industry, digital transformation isn't a choice; it's essential, never more so than in times of uncertainty. The coronavirus crisis has highlighted just how critical digital solutions are to operating in a contactless world, drawing a stark contrast between financial services organizations that have embraced digital strategies and those that have not moved fast enough. The "haves" are well-positioned to continue to serve their customers relatively uninterrupted, while the "have nots" must scramble to convert their operations to function in a virtual environment.

It would be a mistake to view the coronavirus as a temporary blip. For years, consumers have been shifting toward the convenience of online and mobile banking, e-insurance and robo-advisors— and where consumers go, businesses will follow. COVID-19 has simply moved up the timeline for when these shifts in customer behavior become status quo.

According to BDO's 2020 *Financial Services Digital Transformation Survey*, 100% of middle market organizations across the asset management, financial institutions and insurance sectors have either already developed or are planning to develop a digital strategy. However, just over a fourth (27%) are executing on it.

For those companies that have yet to put their plans into action, the temptation may be to delay implementation until they are on more solid financial footing. But those that give in to temptation run the risk of not only falling further behind the competition, but potentially dooming their business to failure. And continued relevancy aside, past recessions show that controlling costs by improving operational efficiency— a task for which digital solutions are perfectly suited— is more effective in sustaining businesses through financial turbulence than traditional cost-cutting measures alone.

Digital innovation also need not be prohibitively expensive. Some of the most successful transformation projects start with low-cost pilots and limited resources that are scaled up once the kinks are worked out and the results are proven. Done in the right way, digital transformation can actually be self-sustaining, with each incremental improvement paying for the next leg of the journey.

Though it feels counterintuitive, crisis should be prime time for digital innovation in financial services. There is no better opportunity to drive transformational change across the organization because the only alternative is failure. Rather than putting digital transformation plans on hold, financial services organizations need to go all in.

“

*Devising a digital transformation strategy is no longer a differentiator; it is a vital necessity. Effective digital initiatives broaden the market appeal for financial services organizations and address both consumer and commercial customers where they are transacting. Customer intelligence can create a seamless experience across multiple channels to meet customers' financial services needs, whether they interact through the website, mobile app, call center or in person. In the retail world, omnichannel might be par for the course, but for financial services companies, it's very much a work in progress.*



**MALCOLM COHRON**

National Digital Transformation  
Services Leader, BDO Digital

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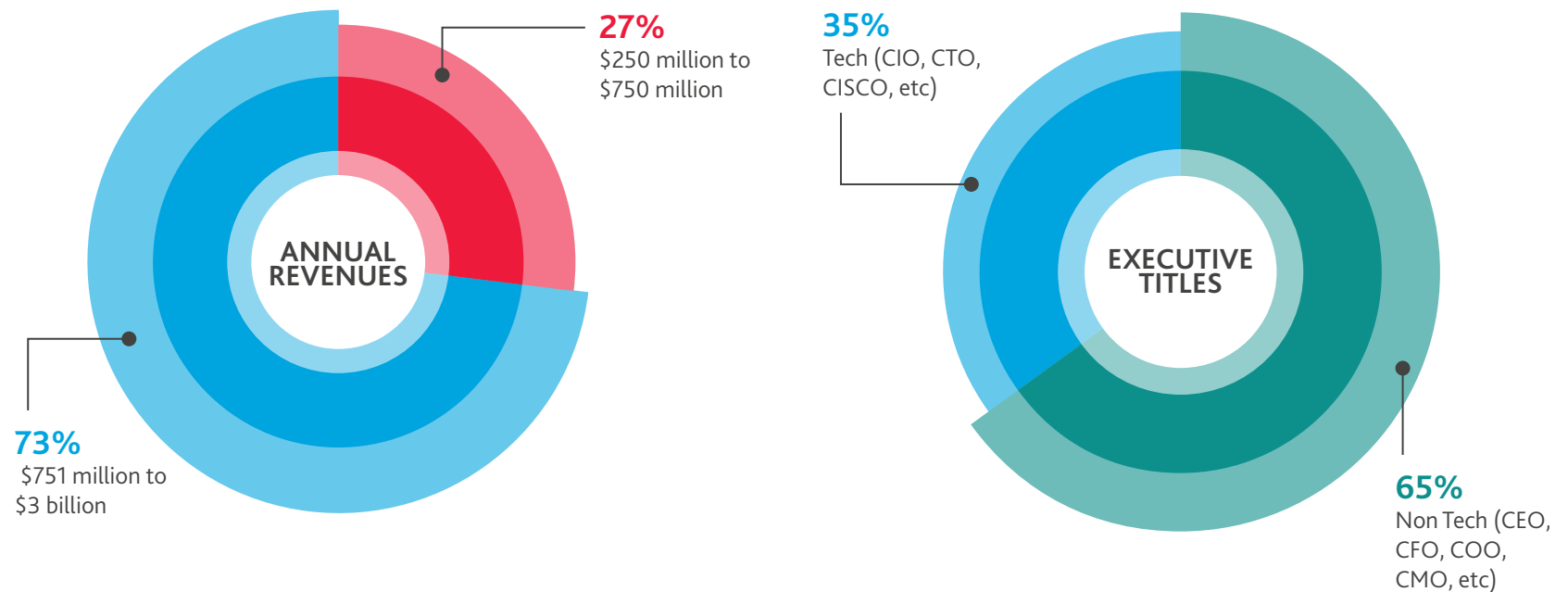
## About the BDO 2020 Financial Services Digital Transformation Survey

BDO's **2020 Financial Services Digital Transformation Survey** polled 100 C-suite executives at financial services organizations in asset management, insurance and financial institutions with annual revenues between \$250 million and \$3 billion. The survey was conducted by Rabin Research Company, an independent marketing research firm, in November 2019.

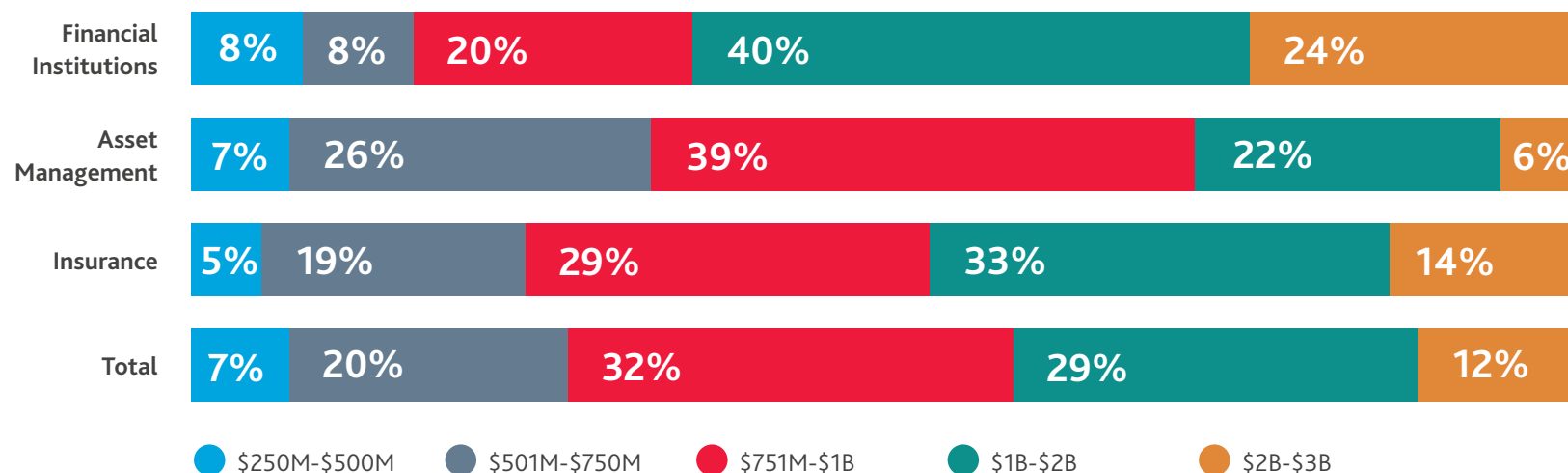
For the purposes of this survey, financial services organizations are divided into three areas that encompass the following sectors:

- ▶ Financial Institutions (banks, credit unions and other lenders, such as online and mortgage lenders)
- ▶ Asset Management (portfolio management, investment funds, broker-dealers and securities brokerages)
- ▶ Insurance (carriers, brokerages and agencies)

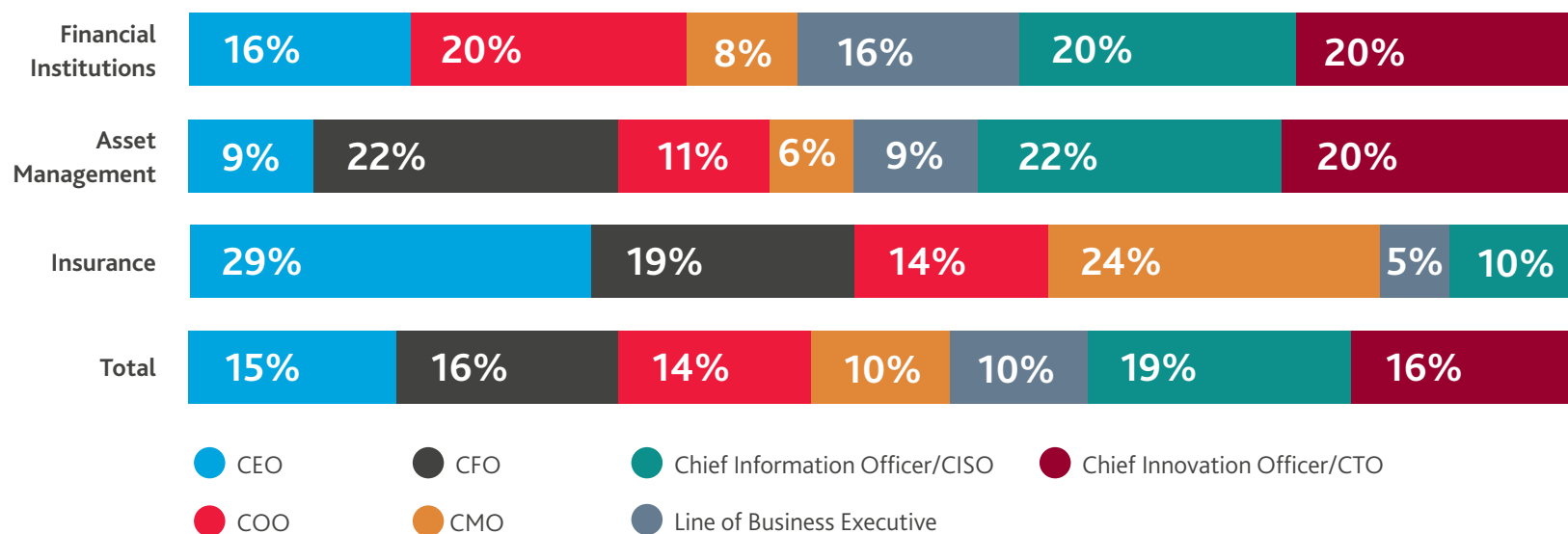
### WHO WE SURVEYED



## ANNUAL REVENUES BY INDUSTRY



## EXECUTIVE TITLES BY INDUSTRY

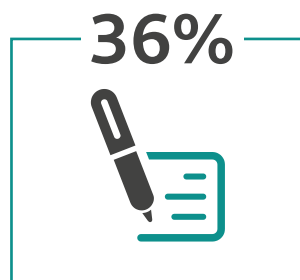




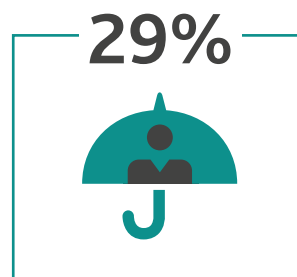
## Snapshot / Financial Services Digital Agenda

**A SNAPSHOT OF THE DIGITAL TRANSFORMATION EFFORTS FOR MIDDLE MARKET FINANCIAL SERVICES ORGANIZATIONS IN 2020 AND BEYOND**

Each organization's digital strategy guides the timeline and priority level of digital initiatives across numerous business functions, and the top priority varies for those in insurance, asset management and financial institutions.



**FINANCIAL  
INSTITUTIONS**  
Simplify or Modernize  
Legacy IT



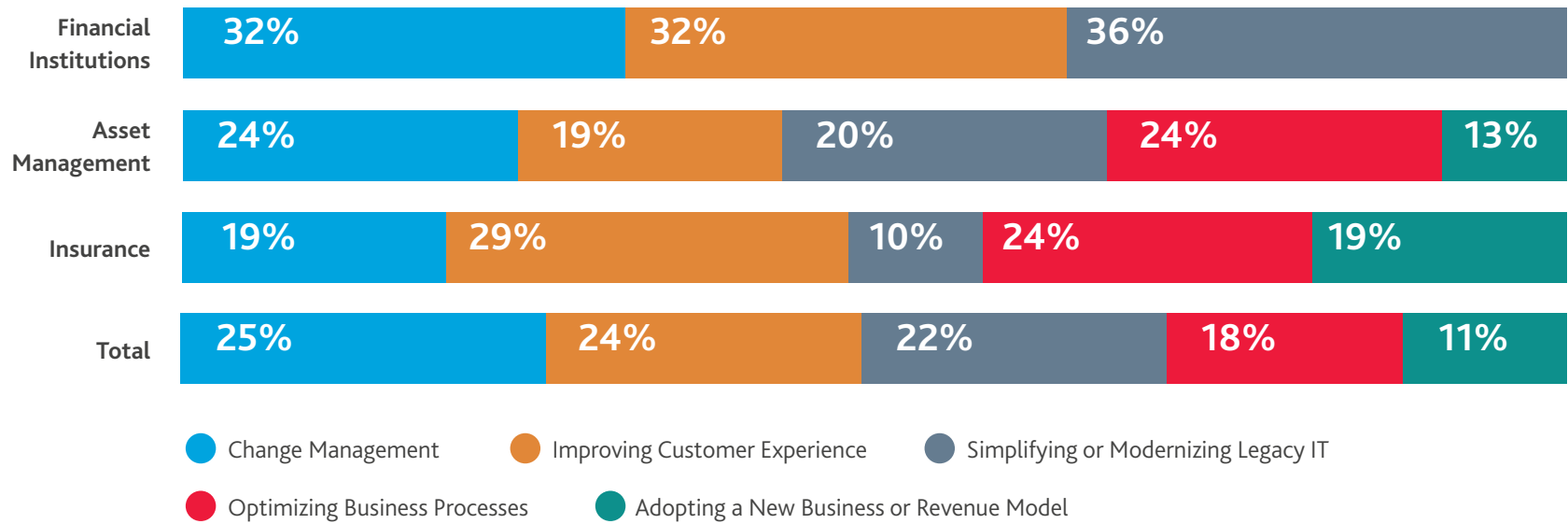
**INSURANCE**  
Improve the  
Customer Experience



**ASSET MANAGEMENT**  
Change Management  
and Optimizing  
Business Processes



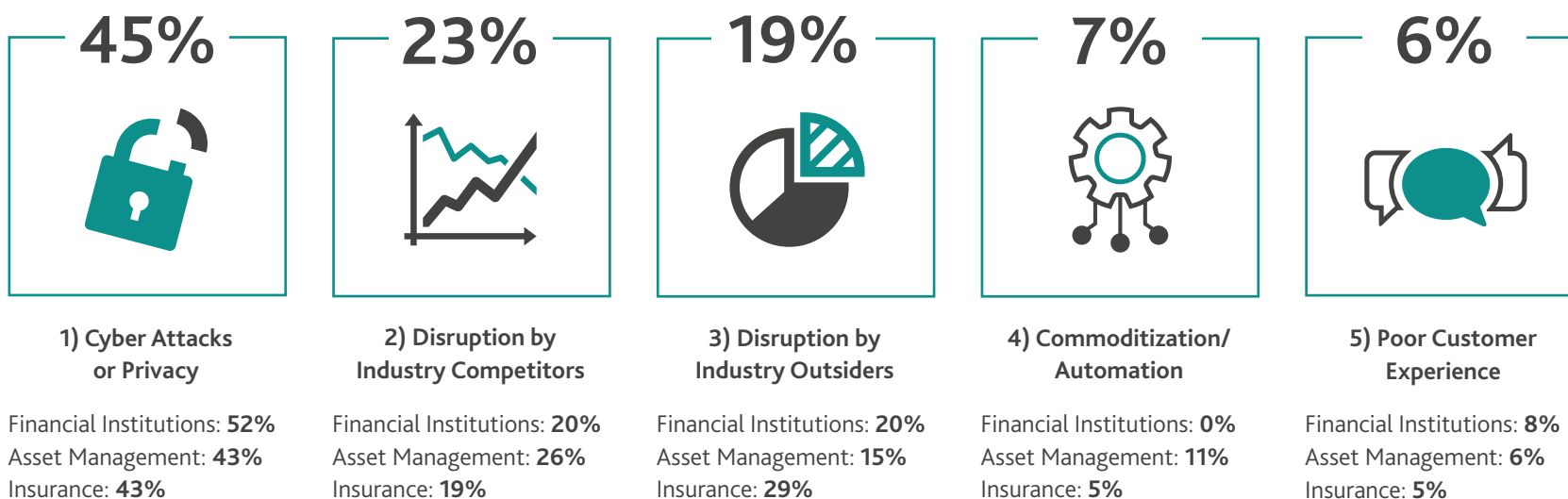
## TOP DIGITAL PRIORITY - NEXT 12 MONTHS\*



*\*Digital priorities at the start of 2020 may have shifted in the wake of COVID-19.*



## TOP DIGITAL THREAT / NEXT 12 MONTHS



Financial services organizations overwhelmingly see cyberattacks and privacy breaches as the most significant digital threat at 45% overall. The combined threats of disruption by industry competitors (23%) and by industry outsiders (19%) rank closely behind at 42% total.



## TRANSFORMATION FOCUS AREAS

Approximately two-thirds of financial services organizations currently prioritize digital initiatives that focus on improving customer service (68%) and strengthening IT (65%).

|                              | All Respondents     |                       | Insurance           |                       | Asset Management    |                       | Financial Institutions |                       |
|------------------------------|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|------------------------|-----------------------|
|                              | Currently Deploying | Considering Deploying | Currently Deploying | Considering Deploying | Currently Deploying | Considering Deploying | Currently Deploying    | Considering Deploying |
| Customer Service             | 68%                 | 24%                   | 76%                 | 14%                   | 57%                 | 30%                   | 84%                    | 20%                   |
| Information Technology (IT)  | 65%                 | 35%                   | 67%                 | 33%                   | 57%                 | 41%                   | 80%                    | 24%                   |
| Marketing & Sales            | 55%                 | 30%                   | 67%                 | 29%                   | 52%                 | 31%                   | 52%                    | 28%                   |
| Core Business Operations     | 47%                 | 49%                   | 38%                 | 67%                   | 50%                 | 43%                   | 48%                    | 48%                   |
| Finance & Accounting         | 41%                 | 45%                   | 33%                 | 43%                   | 41%                 | 39%                   | 48%                    | 60%                   |
| Risk Management & Compliance | 40%                 | 50%                   | 38%                 | 52%                   | 28%                 | 48%                   | 68%                    | 52%                   |
| Tax                          | 37%                 | 41%                   | 38%                 | 38%                   | 35%                 | 46%                   | 40%                    | 32%                   |
| Human Resources (HR)         | 36%                 | 39%                   | 43%                 | 29%                   | 39%                 | 31%                   | 24%                    | 64%                   |
| Other                        | 2%                  | 43%                   | 0%                  | 0%                    | 4%                  | 4%                    | 0%                     | 8%                    |

**DIGITAL INITIATIVES SPAN MULTIPLE  
BUSINESS FUNCTIONS**

## BUSINESS OBJECTIVES FOR DIGITAL STRATEGY\*

| Emerging Technologies             | All Respondents   |                   | Insurance         |                   | Asset Management  |                   | Financial Institutions |                   |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------------|-------------------|
|                                   | Next 12-18 Months | Next 18-36 Months | Next 12-18 Months | Next 18-36 Months | Next 12-18 Months | Next 18-36 Months | Next 12-18 Months      | Next 18-36 Months |
| Improve Customer Experience (CX)  | 74%               | 28%               | 76%               | 19%               | 69%               | 30%               | 84%                    | 32%               |
| Bolster Cybersecurity             | 65%               | 41%               | 62%               | 43%               | 65%               | 43%               | 68%                    | 36%               |
| Modernize IT Infrastructure       | 62%               | 47%               | 57%               | 43%               | 56%               | 50%               | 80%                    | 44%               |
| Increase Operational Efficiencies | 60%               | 44%               | 67%               | 24%               | 52%               | 52%               | 72%                    | 44%               |
| Diversify Revenues                | 45%               | 38%               | 52%               | 24%               | 39%               | 41%               | 52%                    | 44%               |
| Increase Market Differentiation   | 38%               | 42%               | 33%               | 48%               | 41%               | 41%               | 36%                    | 40%               |

● Ranked First
 ● Ranked 2nd
 ● Ranked 3rd

\*Short-term business objectives may have shifted in the wake of the coronavirus. The objectives aren't going away, however; the timing of projects to drive them forward may just be delayed.

## Business leaders, not tech leaders, own digital transformation.

### TECH VS. NON-TECH LEADERSHIP



# 72%

of financial services organizations, non-tech executives have the primary responsibility for leading the digital strategy.

#### Financial Institutions



#### Asset Management



#### Insurance



#### Total



- CIO/IT Leadership
- Steering Committee
- Board of Directors
- Senior Management (e.g., CEO, CMO, COO)
- Business Unit Heads (e.g., Product Development, Customer Experience, Procurement)

# “

*New innovations are reshaping the insurance industry. For example, artificial intelligence and machine learning can improve underwriting, claims processing, accounting and actuarial functions. At the same time, new business models and technologies—including predictive analytics, chatbots, IoT, blockchain and telematics—demand that insurers reconsider some of the longstanding fundamentals of their industry. Companies that embrace these disruptive technologies can capitalize on the opportunities they create.*



**IMRAN MAKDA**

Assurance Partner and National Insurance Practice Co-Leader

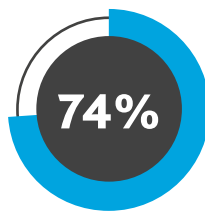
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# Digital Transformation Value Drivers



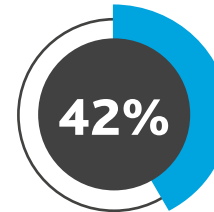
# 1 / Improving Customer Experience (CX)

Before the coronavirus outbreak, improving the customer experience (CX) was the most frequently cited short-term business objective—and for good reason. Across financial institutions, asset management and insurance, the proportion of consumer to commercial clients varies, which partly accounts for the differing priority levels and timelines for improving CX. However, businesses need to provide customers with an experience centered around simplicity, ease and convenience—whether they cater to individuals or institutions. When it comes to money and how it's handled, people don't have much tolerance for poor customer service, any perceived lack of transparency or avoidable mistakes. And when opportunities for in-person contact are as limited as they are now, the sum-total of CX in the financial services industry is based on the efficacy of digital interactions. Investing in the digital customer experience will be critical to retaining current clients and customers—even if their usual preference is meeting face-to-face.



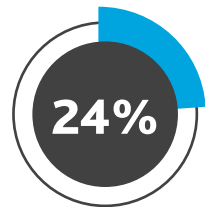
say improving customer experience is a **top short-term business goal**.

- ▶ **Financial Institutions: 84%**
- ▶ Asset Management: 69%
- ▶ Insurance: 76%



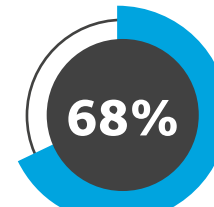
cite **CX-related strengths** as their **#1 competitive differentiator**.

- ▶ Stronger marketing and brand awareness: 19%
- ▶ Outstanding customer service: 12%
- ▶ Greater convenience: 11%



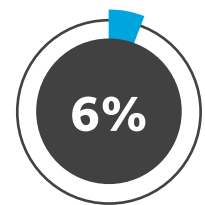
say **improving customer experience** is their **#1 digital priority**. CX is an invaluable tool to create customer loyalty and stickiness at a time when revenues are at risk.

- ▶ **Financial Institutions: 32%**
- ▶ Asset Management: 19%
- ▶ Insurance: 29%

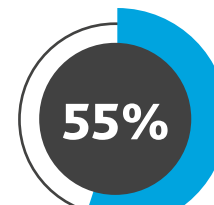


had digital projects underway in the **customer service arena** at the start of 2020.

- ▶ **Financial Institutions: 84%**
- ▶ Asset Management: 57%
- ▶ Insurance: 76%



say **poor customer experience** is their **#1 digital threat**.



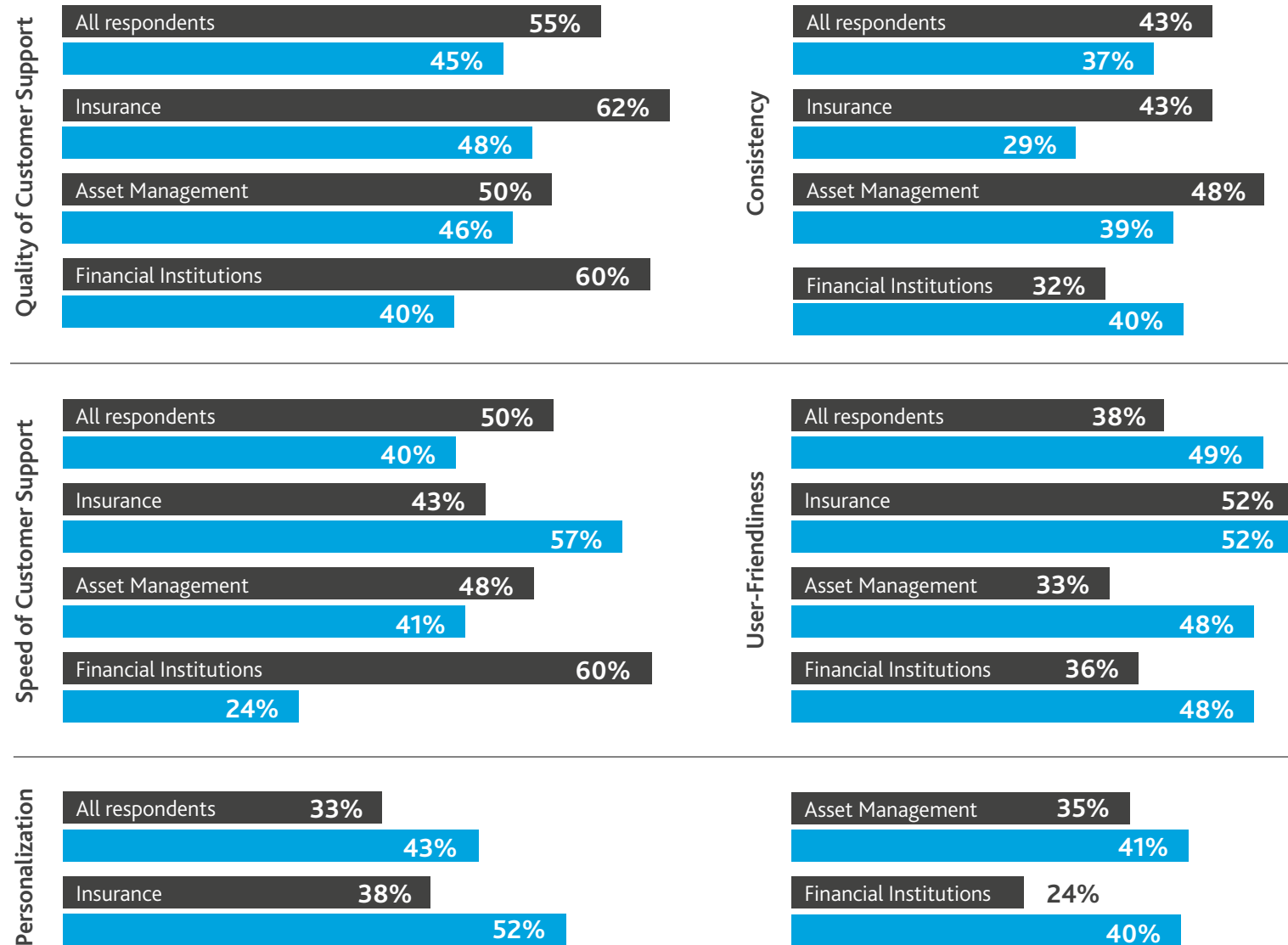
had digital projects underway in the **marketing/sales arena** at the start of 2020.

- ▶ **Financial Institutions: 52%**
- ▶ Asset Management: 52%
- ▶ **Insurance: 67%**



## THE ELEMENTS OF CX

What areas of CX are financial services organizations prioritizing?



● Current Focus Area ● Future Focus Area

## THE NEW FINANCIAL SERVICES CX STANDARD

### In Banking:

- ▶ Multichannel customer support
- ▶ Mobile banking
- ▶ Location-based customer offers
- ▶ Financial literacy content

### In Asset Management:

- ▶ Real-time portfolio tracking
- ▶ Mobile portfolio management capabilities
- ▶ Personalized news and alerts
- ▶ Multiple payment methods

### In Insurance:

- ▶ Personalized product recommendations
- ▶ Self-service features
- ▶ Mobile claims processing
- ▶ Chatbots

“

*The rise of technology, such as IoT devices and AI-powered robo-advisors, has transformed the asset management landscape. It's critical for the industry to understand how incorporating these solutions can optimize processes and improve the customer experience. Putting fintech at the heart of business strategy can deliver significant competitive advantages and preserve revenues in times of uncertainty, but companies must carefully navigate the challenges of implementation to succeed.*

**KEITH MCGOWAN**

Financial Services Assurance  
Office Managing Partner

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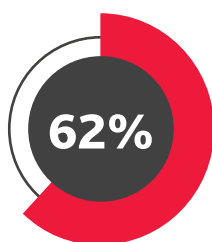
### BDO INSIGHT

From robo-advisors to online lending platforms to full-stack insurtechs, emerging competitors have put all sectors of financial services on notice. These disruptors are setting a new standard of customer experience excellence—and it's that standard, not the baseline set by their peers, that financial services organizations must strive for.



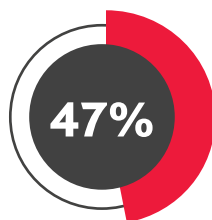
## 2 / Modernizing Legacy IT

Decades-old legacy IT infrastructure is an impediment to the success of many financial services companies. It's often a mishmash of disjointed pieces and parts cobbled together over time. The result is overlapping systems and inconsistency—unnecessary complexity that hobbles the business and impedes innovation efforts. Time, dollars and computing power are wasted on running duplicative applications and outdated hardware and software systems. To prevent IT from becoming an innovation bottleneck, and an unnecessary drain on costs and resources, simplification is key.



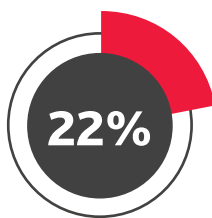
cited **modernizing IT infrastructure** is one of their top short-term business goals.\*

- ▶ **Financial Institutions: 80%**
- ▶ **Asset Management: 56%**
- ▶ **Insurance: 57%**



The **#1** most-cited **long-term digital objective** is **modernizing IT infrastructure**.

- ▶ **Financial Institutions: 44%**
- ▶ **Asset Management: 50%**
- ▶ **Insurance: 43%**



said **simplifying or modernizing legacy IT** is their **#1 digital priority**.\*

- ▶ **Financial Institutions: 36%**
- ▶ **Asset Management: 20%**
- ▶ **Insurance: 10%**



Interoperability challenges is the **#1** reason digital initiatives fail.

- ▶ **Financial Institutions: 40%**
- ▶ **Asset Management: 41%**
- ▶ **Insurance: 52%**

### BDO INSIGHT

Data can be the lifeblood of a business, but using old IT systems constrains the flow of information. The integration of business processes requires financial services organizations to develop a more collaborative way of working across teams and functions. Modernizing core legacy systems may be necessary to remain competitive and avoid disruption from agile fintech upstarts. However, in most cases, a complete overhaul is prohibitively expensive, and more critically, poses too great an operational risk in the current environment. Start by tackling redundancies and unraveling convoluted structures to not only improve speed and flexibility, but to also reduce the total cost of ownership for IT.

*\*Before the widespread coronavirus outbreak. However, modernizing legacy IT remains a priority insofar as it is necessary to shift operations to a virtual environment to enable remote work.*

### 3 / Bolstering Cybersecurity

Cyber incidents can cause significant financial and reputational harm to financial services and insurance companies that house troves of sensitive consumer, transactional and other classified data, so it is no wonder they see cyberattacks and privacy breaches as their main digital threat. As the industry gets savvier about cybersecurity, attackers are getting smarter and executing attacks with greater proficiency. They are quickly building skills to execute attacks on both traditional financial organizations—banks, mortgage and brokerage firms—and non-traditional financial companies and platforms. There are two sides to every coin: an increasingly connected customer experience can introduce more security vulnerabilities.



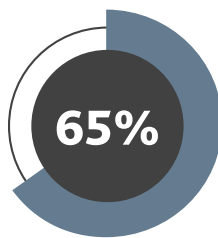
#### BDO INSIGHT

Between the groundbreaking NYDFS cyber regulation, SEC's OCIE Cybersecurity Examination Initiative, the FFIEC's cyber-extortion guidance and enforcement action from the CFPB, the financial services industry has been in the crosshairs of regulators' cyber efforts, though the level of scrutiny for small to mid-sized organizations compared to larger banks has been relatively inconsistent. And despite representing just 6% of all breaches in 2019, financial services companies represented 60% of all leaked records. Financial services organizations have a target on their backs and can't afford to skimp on data privacy and cybersecurity compliance measures as regulatory scrutiny ramps up.

As they have during past disasters, cybercriminals have also stepped up the volume of attacks on financial services and their customers, who are increasingly victims of highly targeted spearphishing. Protecting customers' financial assets, particularly at a time when unemployment is high and funds are limited, is more critical than ever before.

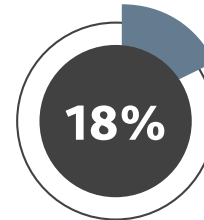
## 4 / Increasing Operational Efficiencies

In the wake of the coronavirus, operational efficiency will gain new urgency. Digitizing operations by injecting intelligence and automation into business processes across the back, middle and front office can reduce costs, accelerate speed and improve the quality of service. High-volume and highly-standardized tasks like transactions processing or credit card reversals are prime for automation. Certain aspects of regulatory compliance, like records management, customer identification and even suspicious activity monitoring, can also be automated.



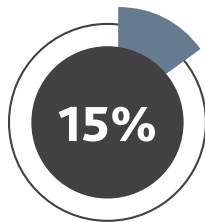
The percentage of financial services organizations that saw margin improvements in 2019 from their digital investments.

- ▶ **Financial Institutions: 84%**
- ▶ Asset Management: 59%
- ▶ Insurance: 57%



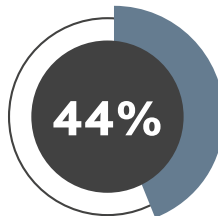
cited **driving operational efficiencies** as their #1 digital priority at the start of 2020.

- ▶ Financial Institutions: 0%
- ▶ Asset Management: 24%
- ▶ Insurance: 24%



The percentage of financial services organizations that saw margin improvements of 10% or more in 2019 from their digital investments.

- ▶ Financial Institutions: 16%
- ▶ **Asset Management: 29%**
- ▶ Insurance: 9%



say **increasing operational efficiencies** is a top long-term digital objective.

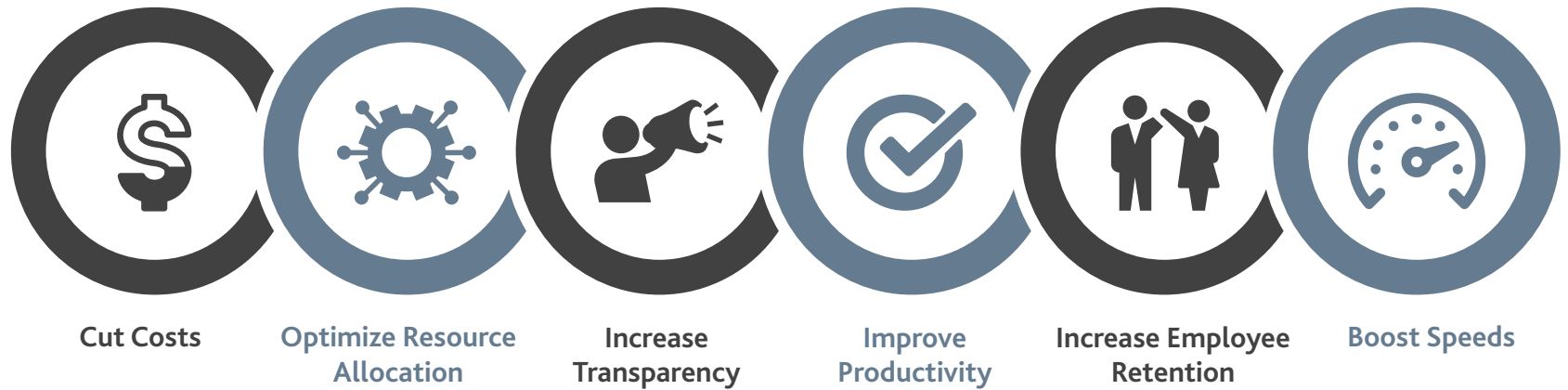
- ▶ **Financial Institutions: 44%**
- ▶ Asset Management: 52%
- ▶ Insurance: 24%

### BDO INSIGHT

Focusing inwardly on operational efficiencies tends to get short shrift in an industry that's all about the relationship with the end-customer or investor. Of note, at the start of the year, 0% of banks and credit unions cited optimizing business processes as their top digital priority. But with increased margin pressure due to COVID-19, focusing on the bottom line will be back in vogue again across all financial sectors. What executives may not realize is that investments in streamlining operations can translate to the customer by reducing error rates and increasing the speed of execution. Addressing operational inefficiencies can also boost employee productivity and morale.



## BENEFITS OF STREAMLINING OPERATIONS



## IMPROVE CUSTOMER EXPERIENCE & EMPLOYEE PRODUCTIVITY



## Digital Transformation Challenges

WHAT CAN  
THREATEN OR  
DERAIL DIGITAL  
TRANSFORMATION  
EFFORTS?

## Implementation Impediments

Even the most thoroughly planned digital strategy can fall short in execution—a digital initiative could stall before it even reaches the pilot stage. Before the coronavirus outbreak, the biggest obstacle to moving forward with a new digital initiative came from concerns about introducing new security risks. However, amid the pandemic and the recession likely to follow, financing digital initiatives will be much more challenging. Making the business case internally and demonstrating proof of concept will be critical to obtain project dollars and support.

### BIGGEST CHALLENGE IN MOVING FORWARD WITH DIGITAL INITIATIVES

#### Financial Institutions



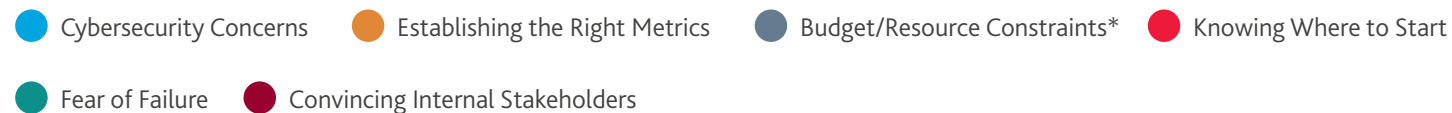
#### Asset Management



#### Insurance



#### Total



*\*In the current and post-pandemic environment, budget and resource constraints are likely to become a much bigger obstacle.*

## Roadblocks to Success

So, what are the common roadblocks to success once a digital initiative is underway? The most commonly cited reasons that digital initiatives fail are a lack of skills and training (40%) and lack of leadership (32%), as well as issues with interoperability (43%) and employee pushback (32%). Change management can help overcome these challenges by encouraging adoption and enabling engagement of stakeholders during a transition.



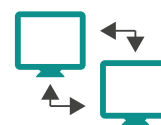
# 40%

lack of skills  
and training



# 32%

lack of leadership



# 43%

issues with  
interoperability

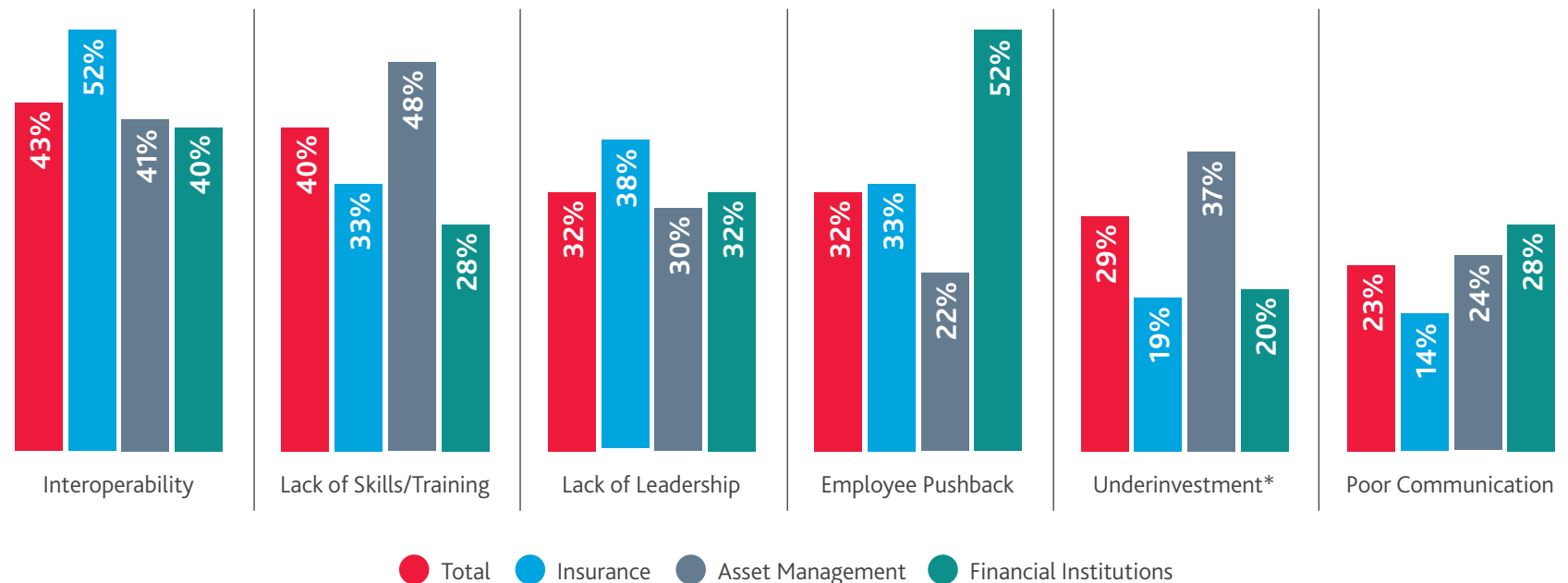


# 32%

employee  
pushback

### WHY DIGITAL INITIATIVES FAIL

Failure is a part of introducing innovative changes, but sound leadership can help ensure the overall success of strategic initiatives.



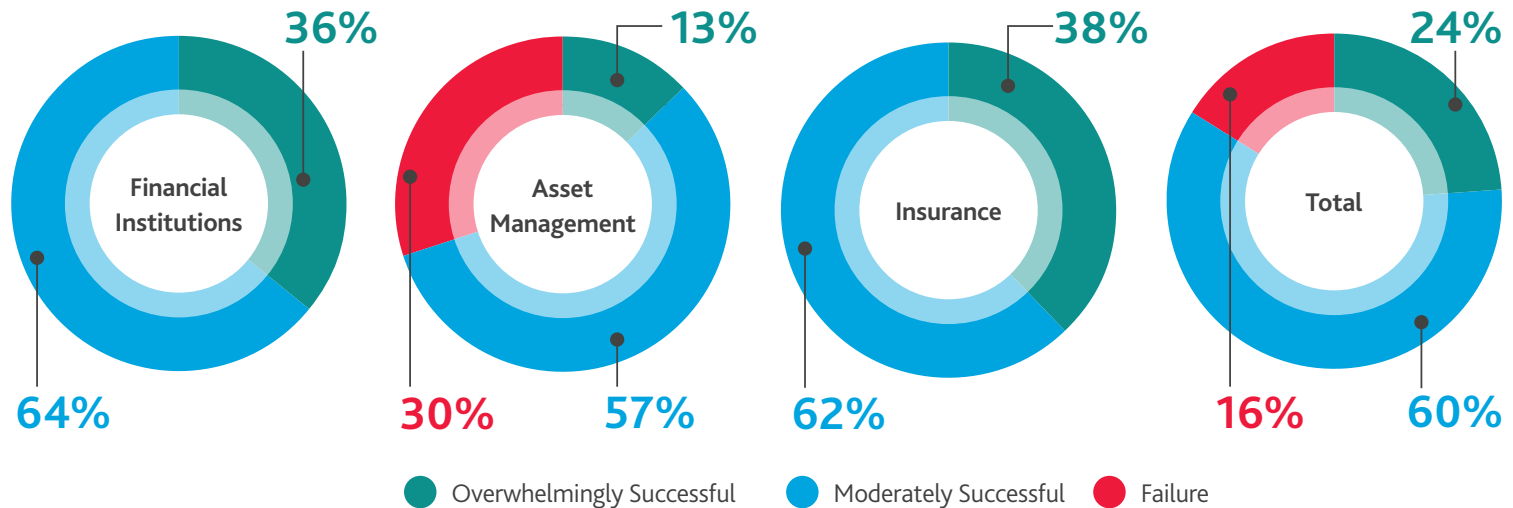
*\*We expect underinvestment to become a much more significant contributor to failure in the months ahead. While the knee-jerk reaction may be to cut costs allocated to digital initiatives, doing so is setting yourself up for failure once the immediate crisis abates.*

# Rating Digital Transformation Success

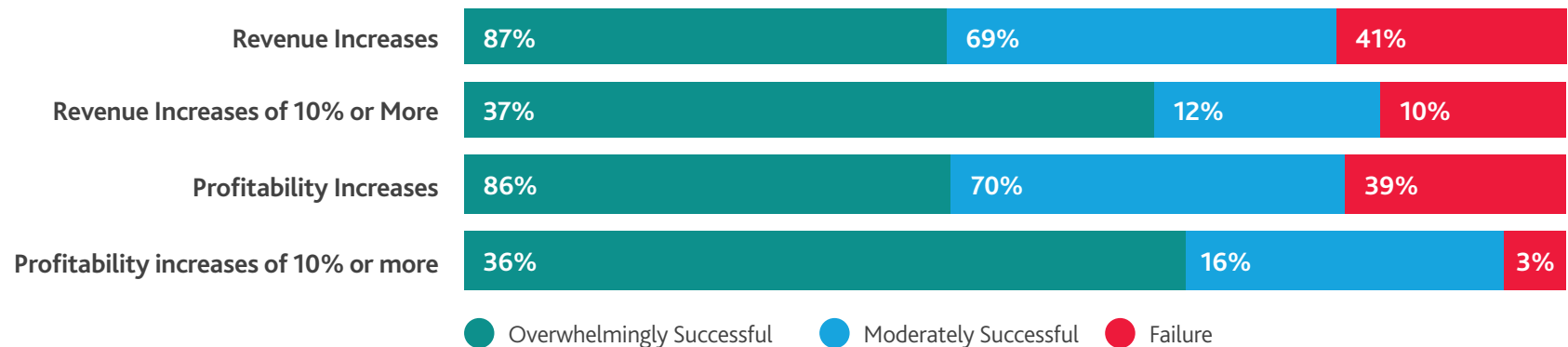
Even in a bear market, digital transformation remains key to overall business performance. By and large, financial services organizations have seen broad success with their digital strategies. Financial services organizations reporting "overwhelmingly successful" initiatives – with results that surpassed expectations – saw measurably greater increases for revenues and profitability compared to organizations that reported moderate success in their digital transformation initiatives. What separates the overwhelmingly successful from the moderately successful? It's a mantra of progress over perfection. Strategy is necessary, but it's meaningless without swift execution.

## Digital ROI / What does success look like?

### RATE OF SUCCESS



### LAST 12 MONTHS





## SPOTLIGHT

## BDO Case Studies for Digital Transformation in Financial Services

## INDUSTRY: FINANCIAL INSTITUTION

**Engagement Background & Challenges:** The on-boarding of acquired mortgages was taking 30-plus days to complete, which hampered service quality for new customers and reduced the bank's ability to grow its mortgage portfolio. BDO automated the complete document handling process through a reimagined mortgage on-boarding process.

**Client Needs:** A regional commercial and consumer bank was struggling to keep up with bulk mortgages purchased through secondary markets, so the client needed to improve and accelerate mortgage on-boarding to deliver better service and continue expanding its portfolio.

**Client Impact:** BDO's solution had a significant impact on the bank's mortgage operation and reduced mortgage on-boarding to only two days. Because of this, the bank tripled its purchase volume and also reduced operating costs by more than 50%.

## INDUSTRY: ASSET MANAGEMENT

**Engagement Background & Challenges:** BDO worked with the client to improve their businesses processes and automate data import from multiple source systems into a secure multi-user approval and research application.

**Client Needs:** An asset management company needed assistance to streamline its research and approval processes related to the purchase of complex securities and passive foreign investments.

**Client Impact:** BDO consolidated multiple processes into a single, clean process flow that included automated support for audit trail and historical records, including review notes and approval history. This allowed the client to achieve significant reduction of operating costs and increase security as well.

## INDUSTRY: INSURANCE

**Engagement Background & Challenges:** BDO diagnosed processing bottlenecks, execution handling, exception processing, volume and segmentation, and delays through applied data analytics. This provided a framework to reimagined auto claim processing via a design thinking workshop. This newly envisioned system was built and scaled across the claims operation by applying AI and machine learning at point of entry, mobile capture, customer transparency and RPA to optimize end-to-end routing of routine claims processing. This included fraud detection, claim check distribution and customer notification.

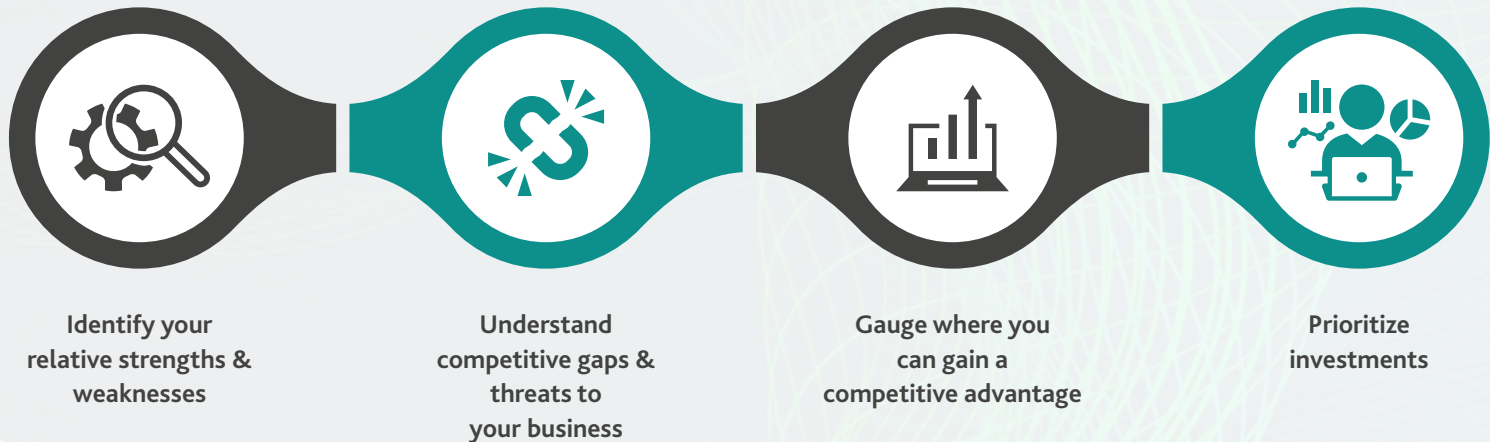
**Client Needs:** A national insurance carrier had problems with processing auto claims, and it was taking more than 30 days on average to complete a customer's claim. This was causing customer erosion and increased resource coverage and processing costs. The insurance carrier wanted to find a solution to accommodate customer claims turnaround and provide an improved customer experience.

**Client Impact:** Through BDO's digital solutioning, 70% of the claims portfolio is being handled automatically within a two-day period. This has led directly to an increase in customer satisfaction and acquisition, as well as achieving a reduction of operation costs and an increase in fraud detection.

# Benchmarking Your Digital Transformation Efforts

How do you stack up against your middle market peers? While every industry is different, benchmarking against those in your revenue range can help you determine the priority areas of focus for your digital transformation efforts.

## HOW TO USE THIS BENCHMARKING DATA

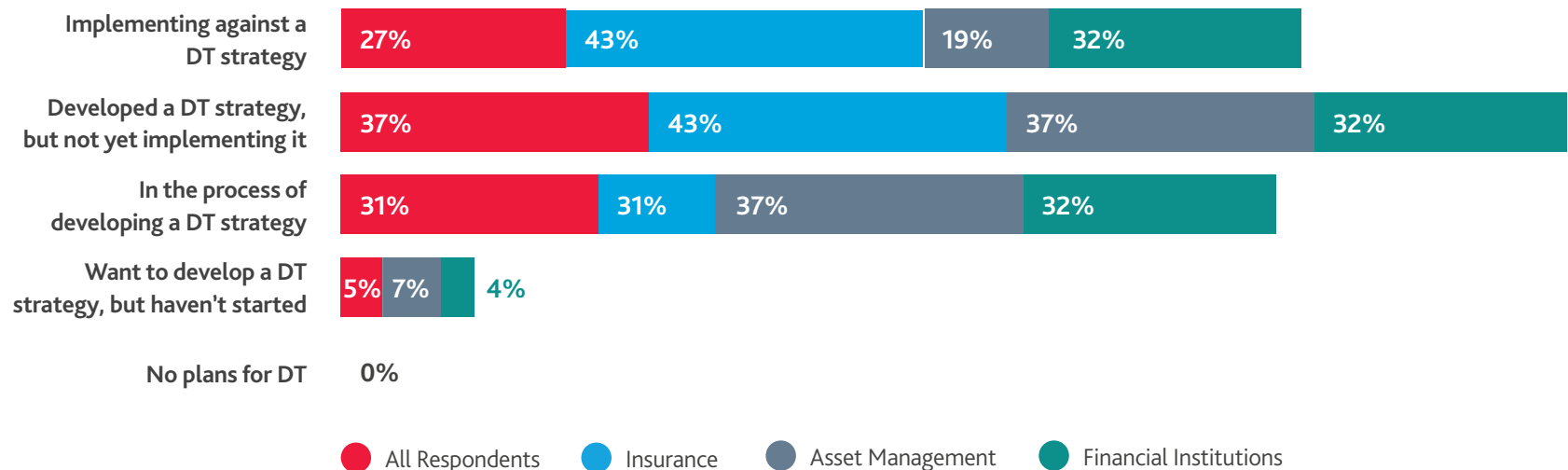




# WHAT IS THE CURRENT STATUS OF YOUR DIGITAL TRANSFORMATION STRATEGY?

## Benchmarking / Strategy Status

### STRATEGY STATUS



## Benchmarking / Emerging Technology Adoption

| Emerging Technologies                      | All Respondents     |                       | Insurance           |                       | Asset Management    |                       | Financial Institutions |                       |
|--|---------------------|-----------------------|---------------------|-----------------------|---------------------|-----------------------|------------------------|-----------------------|
|  | Currently Deploying | Considering Deploying | Currently Deploying | Considering Deploying | Currently Deploying | Considering Deploying | Currently Deploying    | Considering Deploying |
| Cloud Computing                            | 71%                 | 24%                   | 57%                 | 38%                   | 72%                 | 22%                   | 80%                    | 16%                   |
| Advanced Analytics                         | 57%                 | 35%                   | 62%                 | 38%                   | 56%                 | 33%                   | 56%                    | 36%                   |
| Robotic Process Automation                 | 25%                 | 43%                   | 33%                 | 33%                   | 17%                 | 54%                   | 36%                    | 28%                   |
| Artificial Intelligence & Machine Learning | 50%                 | 42%                   | 71%                 | 24%                   | 44%                 | 44%                   | 44%                    | 52%                   |
| Internet of Things                         | 47%                 | 33%                   | 52%                 | 29%                   | 48%                 | 35%                   | 40%                    | 32%                   |
| Blockchain/Digital Ledger Technology       | 32%                 | 48%                   | 29%                 | 48%                   | 33%                 | 48%                   | 32%                    | 48%                   |
| 3D Printing                                | 22%                 | 22%                   | 29%                 | 14%                   | 19%                 | 31%                   | 24%                    | 8%                    |
| Extended Reality                           | 32%                 | 33%                   | 52%                 | 14%                   | 28%                 | 39%                   | 24%                    | 36%                   |

“

*Digital innovation has changed the speed and manner in which consumers expect transactions to be completed—from access to deposits, to investment transactions, to applying for credit. Consumer banking must become as easy as it is to jump into your car and see all the key gauges you need to know on your dashboard. For retail banking customers, that means secure access to a financial dashboard on their mobile device, alerts delivered in real time, and ideally, a GPS to help guide their next financial move.*


**MALCOLM COHRON**

National Digital Transformation  
Services Leader, BDO Digital

”

## Digital Enablers Defined



### Cloud Computing

Cloud computing shifts the access, processing and storage of data and services to the Internet.



### Advanced Analytics

Advanced analytics go beyond historical data analysis to provide real-time and predictive business intelligence.



### Robotic Process Automation (RPA)

RPA is the use of software "bots" that automate repetitive manual tasks.



### Artificial Intelligence (AI)

Artificial Intelligence is a broad concept to describe machines trained to think like humans.



### Machine Learning

A subset of AI, machine learning aims to mirror human intelligence by equipping algorithms with the ability to "learn" on their own without human intervention based on experience and new inputs.



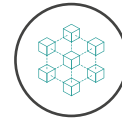
### Internet of Things (IoT)

IoT connects "smart" devices to the Internet and to each other.



### Distributed Ledger Technology (DLT)

A database of information that is simultaneously shared and updated in real time and in multiple locations across a network.



### Blockchain

A type of distributed ledger technology, governed by a consensus protocol, used for sharing and storing validated and unchangeable information.



### 3D Printing

Also known as additive manufacturing, 3D printing builds three-dimensional objects from a digital model.



### Extended Reality (XR)

The extended reality realm encompasses virtual reality (VR), augmented reality (AR) and mixed reality (MR).



### Virtual Reality

VR is a full immersion into a computer-generated environment.



### Augmented Reality

AR overlays virtual elements, such as computer-generated graphics or simulations, on top of the real-world environment.



### Mixed Reality

MR is an advanced form of augmented reality, integrating the virtual and physical worlds to create an immersive interface.



# HOW ARE YOU RESPONDING TO NEW DATA PRIVACY REGULATIONS AND NORMS?

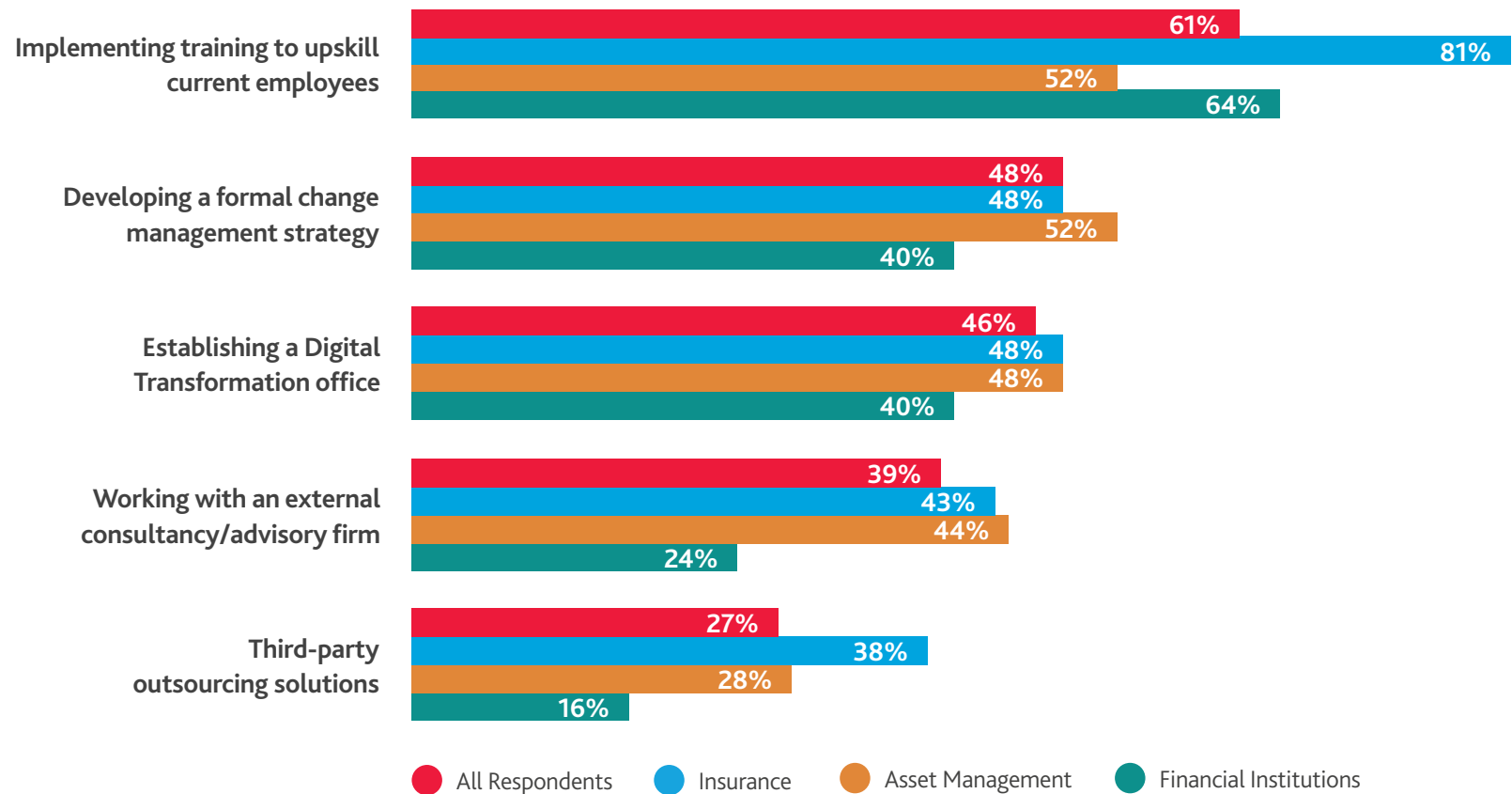
## Benchmarking / Data Privacy Compliance

|   | All Respondents |                | Insurance   |                | Asset Management |                | Financial Institutions |                |
|---|-----------------|----------------|-------------|----------------|------------------|----------------|------------------------|----------------|
|   | Currently       | Next 12 Months | Currently   | Next 12 Months | Currently        | Next 12 Months | Currently              | Next 12 Months |
| Revising Privacy Policies and Processes | 58%             | 37%            | 57%         | 19%            | 57%              | 41%            | 60%                    | 44%            |
|   | <b>95%</b>      |                | <b>76%</b>  |                | <b>98%</b>       |                | <b>104%</b>            |                |
| Updating Privacy Disclosures            | 58%             | 39%            | 48%         | 33%            | 56%              | 41%            | 72%                    | 40%            |
|   | <b>97%</b>      |                | <b>81%</b>  |                | <b>97%</b>       |                | <b>112%</b>            |                |
| Performing a Readiness Assessment       | 48%             | 45%            | 43%         | 48%            | 59%              | 39%            | 28%                    | 56%            |
|   | <b>93%</b>      |                | <b>91%</b>  |                | <b>98%</b>       |                | <b>84%</b>             |                |
| Providing Training for Employees        | 48%             | 46%            | 62%         | 48%            | 50%              | 44%            | 32%                    | 48%            |
|   | <b>94%</b>      |                | <b>110%</b> |                | <b>94%</b>       |                | <b>80%</b>             |                |
| Reviewing Third-Party Agreements        | 48%             | 39%            | 62%         | 29%            | 43%              | 41%            | 48%                    | 44%            |
|   | <b>87%</b>      |                | <b>91%</b>  |                | <b>84%</b>       |                | <b>92%</b>             |                |
| Automating Compliance Processes         | 44%             | 45%            | 48%         | 38%            | 39%              | 46%            | 52%                    | 48%            |
|   | <b>89%</b>      |                | <b>86%</b>  |                | <b>85%</b>       |                | <b>100%</b>            |                |
| Performing a Data Mapping Exercise      | 41%             | 33%            | 43%         | 19%            | 39%              | 43%            | 44%                    | 24%            |
|   | <b>74%</b>      |                | <b>62%</b>  |                | <b>82%</b>       |                | <b>68%</b>             |                |
| None of the Above                       | 1%              | 3%             | 0%          | 0%             | 2%               | 4%             | 0%                     | 4%             |
|   | <b>4%</b>       |                | <b>0%</b>   |                | <b>6%</b>        |                | <b>4%</b>              |                |

## HOW ARE YOU PREPARING YOUR EMPLOYEES FOR DIGITAL TRANSFORMATION IN THE WORKPLACE?

## Benchmarking / Digital Adoption &amp; Enablement

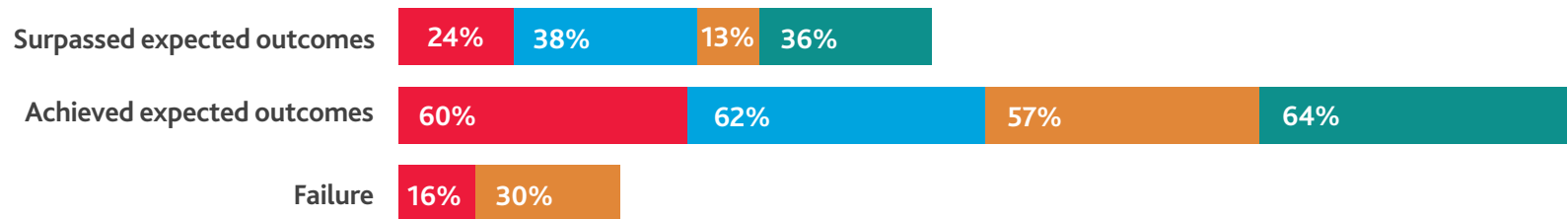
## PLANS TO ENABLE EMPLOYEE ADOPTION



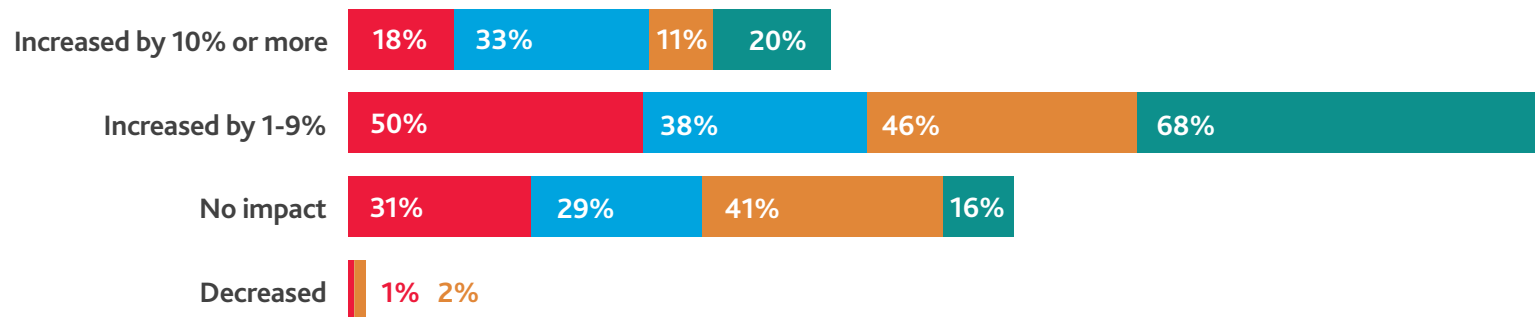
## IS YOUR INVESTMENT IN DIGITAL PAYING OFF IN FULL?

### Benchmarking / Digital ROI

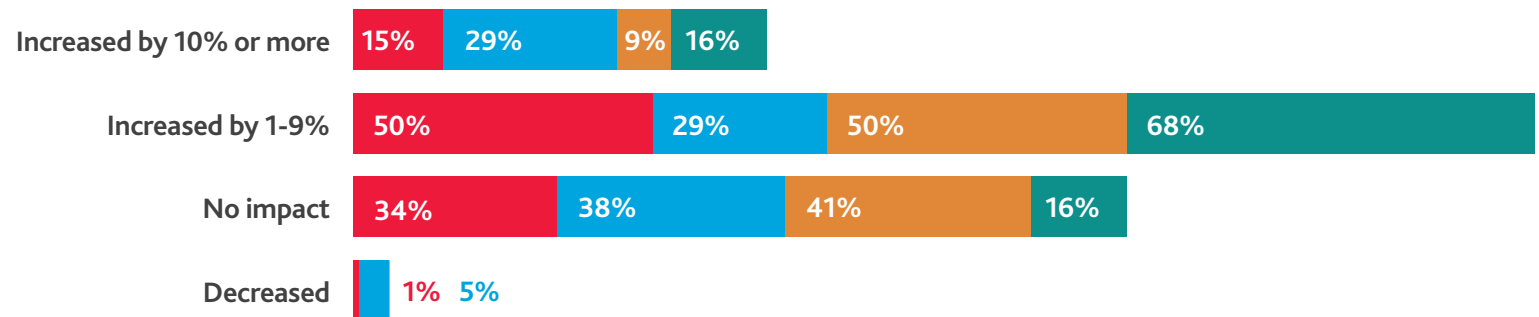
#### RATE OF SUCCESS



#### 12-MONTH REVENUE GROWTH FROM DIGITAL INITIATIVES



#### 12-MONTH PROFITABILITY IMPROVEMENT FROM DIGITAL INITIATIVES





## Looking Ahead

What will the future of financial services look like when the crisis abates? It will still be all about the customer—meeting them where they are at every stage of their journey, from discovery to decision. As that journey shifts increasingly to digital channels, digital delivery models will become the norm: Credit decisioning will be instantaneous, aided by analytics and AI. Advisors in the field will have access to personalized prospect data at their fingertips to help close the deal. Amazon-esque recommendation engines will market financial and insurance products based on specific, individualized triggers. Self-service digital offerings—like the free online trading platforms now offered by several major traditional broker-dealers—will proliferate as commission fees fade away. Status updates will be delivered in real time via cloud-based investment portals. Chatbots will handle the vast majority of disputes and reversals without human intervention. The entire customer experience will eventually be digitized, from the application process to onboarding to ongoing customer service.

Relevance in this digital future will depend on continuing digital transformation today. What that looks like in the immediate wake of COVID-19 will depend on the pre-pandemic level of digital maturity of the organization. The “have nots,” as we referred to them earlier, will be mired in playing catchup, focused on migrating operations to a virtual environment and enabling remote work. The “haves,” on the other hand, will have greater flexibility to focus on delivering a superior customer experience via existing digital channels, positioning themselves to take market share from their less nimble competitors, glean early insights into shifts in customer behavior and redesign customer journeys and financial products accordingly.

Don’t call the have-nots out just yet, however. Crisis breeds ingenuity, and good ideas put into practice can propel any business to breakout performance.

## About BDO Digital

A subsidiary of BDO USA, BDO Digital, LLC, provides a holistic portfolio of technology and transformation services and solutions, tailored by industry and designed for the middle market. The collaborative, cross-disciplinary team is comprised of more than 400 professionals, including digital strategists, systems integrators, data scientists, software developers, change management professionals and industry-specific advisors, who work together to solve clients' immediate digital needs and unearth new opportunities to drive competitive advantage. Learn more at [bdo.com/digital](https://bdo.com/digital).

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