

Multicloud as a Service

How is cloud driving digital innovation in financial services?

Sponsored by Dimension Data,
and Hewlett Packard Enterprise

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Compared to other industries, banks and other financial services providers have been much faster to seek out new opportunities now that COVID-19 restrictions have lifted. 51% of the banks we surveyed told us they were investing in digital capabilities to target opportunities that will emerge as the market rebounds, compared to 31% of CIOs from other industries.

This isn't by chance: these companies told us that they had recognized changing needs before the pandemic and already had a digital-first strategy in place. That early groundwork shows the compound effects of digital transformation and how investing in innovation today supports not only the use cases you expect but also the ones you don't.

In the case of South African banks, we saw a tremendous uptake of mobile and cloud technologies that transformed the customer experience (CX) as well as back-end infrastructure. That's essential, because the established banks are facing new digital competition from operations born in the cloud that are able to move with greater speed and agility.

Technology for new products and new business models

South African financial services organizations are taking the lead in using technology to generate new business. Many local businesses are undergoing a digital transformation and embracing their cloud journey, but it's often first motivated by internal efficiencies before other considerations come into play.

65% of financial companies are prioritizing digital services to create new products, and 56% are anticipating entirely new digital business models. 44% are using digital solutions to reach new audiences and customers. Each of these percentages is markedly higher than the industry average, reflecting the fundamental shifts taking place within financial services.

Financial services companies focus less on expanding geographically or investing in digitally integrated supply chains, while retail, manufacturing, and other industries have a stronger focus on these areas. All industries agree: the right technology is instrumental to growing their businesses.

Greater reliance on innovative and emerging technology

With the pandemic and subsequent downturn, CIOs chose to prioritize urgent IT initiatives for critical business outcomes. The pandemic accelerated organizations' existing cloud migration plans and there was a focus on specific workloads like collaboration and security, while some investments, such as emerging tech plays in artificial intelligence (AI) and robotic process automation (RPA), were moved to the backburner. In fact, 2022 Industrial Development Corporation (IDC) research found that 42% of South Africa's CIOs said the costs of implementation and hiring skilled resources are among the factors that have held them back from adopting AI or increasing the adoption of AI in their organizations.

The financial services sector has a very high adoption of advanced analytics, especially for delivering personalized or targeted services to customers. Interestingly, that same group of financial companies shows lower-than-average adoption of cross-systems data analytics. Banks and other financial services institutions often struggle with data and application in silos, even within the same business units, like retail banking or lending. Over time, as their platform transformation exercises bear fruit, these companies will be able to take even more advanced steps in leveraging their data to improve and launch services to their customers.

CX is another focus area. Financial services organizations consistently emphasize that they expect technology to yield positive CX results. A range of technologies boost CX, including analytics that enhance targeting and positioning, AI-augmented interaction technologies (such as contact centers and chatbots), app and web telemetry providing faster improvement iterations in interfaces. Every touchpoint in the customer journey is open to enhancement; the challenge lies in prioritizing the options and measuring value.

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Project diversity and the need for external service providers

Retail banks, insurers and investment companies are going through tremendous changes in their use of technology to operate at scale and change their product portfolios faster than ever before. But these are large companies, and not all lines of business move at the same pace.

We're seeing a much greater use of external service providers, especially in cloud solutions and infrastructure deployment, helping to deliver capabilities within separate lines of business. This leads to much faster iterations as teams can deploy new capabilities more quickly and with greater stability. The downside is that this can come at the cost of coordination.

There's the risk of additional technical debt and stretching internal support systems to the point of stalling or outright breaking.

Successful companies are making sweeping changes from the top down and the bottom up. This allows lines of business to explore new capabilities while transforming their operating environments and governance structures from the top. It takes a great deal of care and the right partners to make this work, but it's the only way to ensure that new strategies put down strong enough roots for the coming demands of an increasingly digital market.

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Remote and hybrid working increase the uptake of cloud services

South African workplaces changed dramatically during COVID-19 lockdowns, shifting from on-site to remote working. How people work and where they work from will take a long time to stabilize.

Compared to other industries, financial services organizations have a significantly higher share of workers who work from home or in hybrid environments. 58% of financial services companies tell us they are struggling to maintain innovation and creativity with remote teams – and these are companies that rely heavily on innovation to chart their paths to a digital future.

Business processes often hit bottlenecks if office-bound steps prove difficult to digitize or automate. As a result, companies are turning to technology to help their teams with everything from collaboration and teamwork technology to cloud computing.

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Areas of focus in the financial services sector include process automation, predictive analytics and customer-facing technologies such as chatbots and AI.

Adopting new technology to empower business change requires a strong technology foundation. The early start many companies in this sector took in building out digital strategies will be critical in adapting to current and future workplace changes. This won't be just a question of workplace harmony; these CIOs are clear that this is a matter of business-critical competitive differentiation.

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