



# Digitalization in the Financial Industry

Trend report



# What's happening in the Financial Industry?

Today, the financial industry faces increasing demand for digital solutions to make life better, easier, and more cost-efficient. As a result of technological improvements and a consumer market affected by the COVID-19 pandemic, the desire for convenient and safe options to manage one's finances has never been greater.

The financial industry has taken some meaningful steps forward to align with a digitally-driven world.

Progress has accelerated following the impact of COVID-19, as the banking industry adapted to new business models delivering digital banking solutions.

By 2024, [an estimated 2.5 billion individuals worldwide will be using online banking services](#). Moreover, with advancements in AI and cybersecurity, consumers can secure critical financial information and execute essential tasks in minutes with a few taps on their smartphones.

For asset and wealth management, efficiency has always been the primary aim.

For many, the incentive of technology has helped enhance their investing capabilities.

In 2021, [69% of wealth management clients worldwide agreed that it has made investing more time and cost efficient, and 57% agreed that digital tools have improved investment decision-making](#).

Whereas in payments, we consider the speed and ease of mobile payments as one of the most transformative trends.

An example of this, is the rise in Apple Pay users in the past four years, where they [estimate a run-rate doubling year-over-year, exceeding 15 billion transactions a year](#).



# A brief overview of the market

A survey inquired financial institutions on their strategic priorities for 2020. Insights from the survey reveal their focus points, where they are looking to invest, and the trends worth keeping an eye on. The most significant movement among financial institutions is toward improved digital experiences, and second to that; enhancing data analytics capabilities.

## Consumers' digital experience as top priority for C-level in the financial sector



% of answers to the question: "What are your top 3 strategic priorities for your organization?"

Source: Statista

It reflects the growing concern over the intrusion of Big Tech, whose delivery of excellent UX and design is influencing the financial market space. Unaccustomed to playing catch up, financial institutions see the value of exceptional digital experience on their consumers. [An improvement in UX and personalization can drive between 5 and 15% revenue growth in the financial industry.](#)

In addition, further signifying the impact of Big Tech, is the desire to improve data-analytic capabilities.

[According to a recent study, worldwide data creation will grow to 163 zettabytes by 2025](#), and financial institutions are looking to harness the power of their user's data. The ability to extract valuable information from their consumer data, support the development of new products, optimize existing processes, and improve the customer experience are key reasons financial institutions wish to enhance their data-analytic technologies.

Moreover, innovation is mandatory to deliver success. Therefore, it is vital to create an environment that supports innovative thinking and adapting talent models to hire individuals who can help financial institutions adapt, achieve, and maintain their market position.

Innovation can stimulate new ideas, challenge existing thinking, and identify and exploit opportunities. As seen by the digital financial tools we use today, the financial sector benefits from innovation.

A zettabyte is  $[10]^{21}$  bytes, used to describe amounts of data.

For an easier understanding, the growth to an estimated 163 zettabytes in 2025 can also be described as an

**8050%**

growth since 2010.

# Trends in the financial industry

We have collected the six largest IT trends in the financial industry in an attempt to explain the challenges they present and how to tackle them.

## Dig deeper

### Big Tech Challenging Finance Companies

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### WealthTech: Bots replacing Financial Advisors?

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### Automation and Blockchain

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### Digital Workforce

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### Data

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### Regulatory Compliance

# 1. Big Tech challenging finance companies

As Big Tech enters the financial industry market, offering innovative services and raising the bar on service excellence, it underscores how rapidly digital innovation can disrupt markets and pressure the status quo.

With their global user base of non-financial products and their knowledge of consumer preferences through data harvesting and analysis, companies like Apple, Facebook, and Amazon are leaping into the financial industry.

Big Tech's development of banking platforms, payment methods, and personalized services highlight their desire to gain a significant foothold in the financial industry.

And in the process of deepening their connections and consumer reliance, they are challenging traditional financial companies.

As seen by the launch of the Apple Card, that could result in additional financial tools like debit cards or PFM applications.

Alongside Amazon Pay's potential move in-store, helping to save on interchange costs for merchants and cutting into the \$90 billion sources of revenue for issuers and networks.

Apple has since 2012 launched **Apple Wallet**, **Apple Pay** and **Apple Card** in collaboration with Goldman Sachs, with plans of bringing their financial services fully in-house.

In 2019, Facebook, now Meta, launched **Facebook Pay** – a payments system supported by Stripe, PayPal, and others, available on all of Meta's platforms.

Over the last 15 years, Amazon has launched banklike services together with several financial institutions, most recently launching **Amazon One** – a payment service that uses contactless palm scanners for authentication of consumers.



For financial institutions, the rise of Big Tech is concerning. According to a recent report, Big Tech companies are ready to seize [40% of the \\$1.35 trillion revenue made by the US financial industry from incumbent banks.](#)

Nevertheless, it does signal an opportunity for financial institutions. New challenges can result in new routes to profitability. The influence of Big Tech can push innovation and efficiency.



# 54%

of respondents to a Bain study indicate that they trust at least one tech company more than their bank.

Distrust in banks is forcing financial institutions to find new ways to deliver personalized services and secure the foundations of their customer relationships.

In a market space where changing banks has never been easier, with agility and design considered more valuable qualities than legacy, the competition posed by Big Tech is a concern to the established powers of the financial industry.

## 2. WealthTech: Are bots replacing financial advisors?

The merging of wealth management services and technology has created a new generation of platforms and companies that utilize digital solutions to facilitate wealth management processes.

After raising \$5.6 billion in the first quarter of 2021, more than the entirety of 2020, WealthTech is challenging the traditional

pillars of wealth and asset management, replacing investment bankers and advisors with data-driven services.

**With platforms such as Etoro and Robinhood providing consumers with intuitive automated investment advisement, many digital tools are becoming crucial to today's financial management, such as:**

- Digital trading platforms
- Roboadvisors, that will be able to manage assets and wealth up to \$4.6 trillion with minimal human supervision, by this year.
- Digital wallets, used to analyze and manage income and spending.
- Algorithmic trading, a trading method using automated pre-programmed instructions, an algorithm, to execute trades at at the right time, price, and a speed that is not humanly possible.



Customers are always seeking better digital services. And with its high levels of personalization and functionality, alongside its ability to manage risk, WealthTech is delivering faster, cheaper services that enable more direct financial control to its clients.

Consequently, as it becomes more present within the wealth management ecosystem, the integration of WealthTech leads to further market access and funding, allowing it to improve its capabilities.

WealthTech is transforming the perception of wealth management. And it is hard to argue against its potentially revolutionary impact upon the sector's future.

However, instead of trying to fight its presence, can there not be room for both styles of wealth management?

Customer preferences may have shifted, but there is still demand for personal connection, especially in financial matters.

There is no doubt that WealthTech can bring value to wealth management offerings.

But, the preference [for a hybrid model shared between advisor and digital-led](#) means there is a place for both traditional and digital approaches.

Wealth and financial management need to adapt their processes to cater to consumer needs.

Delivering curated digital experiences, alongside improved visibility and insight through personal engagement, can help ride the wave of change within wealth management.



### 3. Automation and Blockchain

The financial industry must master advanced technology to handle the immense amount of financial data sweeping the world. Automation and Blockchain are integral to their future success in meeting consumers' expectations and thriving in a changing environment.

With the rise of cryptocurrencies, the word “Blockchain” came into our lexicon. Improving transparency and security through Distributed Ledger Technology (DLT) enables the recording of transactions using complex algorithms and encryptions, as a foundation for transactions.

As a result, Blockchain has made payments and transfers more traceable, reducing the risk of fraud. Additionally, removing obstacles and increasing transfer speeds lowers the costs of transactions for users.

#### **Distributed Ledger Technology (DLT)**

DLT is a protocol that enables the secure functioning of a decentralized digital database.

#### **Blockchain**

A blockchain is a distributed database that is shared among the nodes of a computer network.

And this is just the start. With Blockchain still in its infancy, as it moves into other areas of the financial industry, including banking, asset management, and insurance, its capacity to blend with other technologies looks to create huge savings regarding administrative, infrastructure, and transaction costs.

However, although the automation of financial transactions is well underway, there remain significant challenges. As innovation continues to push the financial industry forward, regulation must catch up swiftly. But unfortunately, the lack of legal guidelines slows its incorporation into the financial industry, meaning that implementation on a broader scale takes longer than desired.

Adopting these technologies requires high initial capital costs from a performance standpoint. In addition, Blockchain applications have shown poor scalability, high transaction processing delays, and latency issues, especially where permissionless ledgers are involved. For many, it poses risks that they are unwilling to mitigate.

Furthermore, there is often a lack of consensus on policy and data interoperability. Which places more focus on Blockchain's DLs and their capacity to connect with other networks. And a lack of industry alignment on specific design points makes standardization more complex, such as determining access requirements for completely open versus permissioned ledgers.





## 4. Digital Workforce

As the world adapts in the aftermath of the COVID-19 pandemic, financial institutions invest in digital transformation initiatives, resulting in them revisiting their talent landscape and the skills required to stay ahead of the curve.

The past few years have seen society grow in reliance on technology to fulfill our work, social or financial needs. For the financial industry, this societal change is reflected in the movement of operations from brick-and-mortar establishments to the delivery of their services online.

COVID-19 has accelerated the movement toward digital interactions between customers and financial institutions, changing customer routines and increasing demand for quick and flexible financial solutions.

As the digital sphere of the financial industry's operations grow in importance and size, organizations must adapt. To do so, they require a new generation of the workforce comfortable with the IT side of their business.

The financial industry must identify the skill gaps within its organizations and assemble the optimal workforce for its digital business needs.

As finance models evolve, and with [47% of financial organizations looking to undertake significant retraining or upskilling](#), there is a growing demand for data scientists, business analysts, and storytellers.

This represents a dramatic shift for many finance organizations. It indicates the desire for individuals possessing the technical capabilities required for specific jobs, alongside the soft skills needed to deliver strong customer service orientation, flexibility, personalization, and excellent collaboration. And in doing so, elevate the value of their services in terms of communication, impact, and influence.

In this new digital age, hiring the right people with the right skillset can help to improve your services, ensure the delivery of excellent consumer experiences, and contribute to a broader societal purpose. Moreover, with increased competition and Big Tech's growing presence within the market space, possessing the right talent models can help companies be successful today and secure tomorrow.



## 5. Data

Financial institutions understand the advantages their data environment could generate but struggle to achieve their aspirations. However, the financial industry can ensure their data delivers on its potential by improving data governance.



Few companies are doing the necessary work to align and integrate data, which prevents them from maximizing their return. For example, according to a recent [PWC survey](#), only **37%** of the financial industry respondents said that internal data and analytics would drive their next big decision.

Data-driven activity can be tedious and time-consuming. Although automation will make it easier, there is still pushback preventing sufficient workforce support to complete necessary tasks.

Furthermore, its relatively recent emergence means there remains a gap in the understanding and knowledge of using data appropriately. As a result, its heavy technical speak can become a subject no one wants to discuss.

But, regardless of the challenges, good data governance is crucial to capture the total value of the digital transformation. Creating policies and standards around data management can improve services, enhance business strategy, and support competence.

Data can support innovation. The ability to pull structured and unstructured data from various sources offers market insight and analytics to improve strategic planning. Thus, helping businesses make informed decisions to keep pace with competitors and deliver accelerated services impacting revenue, profitability, and customer satisfaction.

Alongside helping to increase offensive capabilities, data governance can support the defense of critical information and enable regulatory compliance. Appropriate security and access controls can ensure data integrity, highlight risk exposure, and prevent embarrassing damage to your business reputation.

When you recognize the value of data governance, it can improve operational efficiency, security, and support business growth.

Establishing enterprise-wide data norms can set the tone for the corporate mindset, creating a foundation from which future data initiatives can prosper.

Furthermore, using data effectively whilst mitigating risks can ensure that data governance is a means of value-adding growth.



## 6. Regulatory Compliance

As the regulatory landscape changes, businesses must adhere to rules regarding risk and compliance, especially for customer data.

Financial institutions are no strangers to regulation. However, amidst rising concerns around the volume of personal data entrusted to financial organizations and its safety comes the need to tighten procedures around the use and storage of data.

Thus, leading to greater emphasis and obligation around GDPR to keep customer data secure.

Implementing the requirements of GDPR and regulatory compliance presents numerous challenges to the financial industry. But, in large part, adaptation has been a relative success.

However, there are still challenges to the assimilation of GDPR and regulatory compliance within the financial industry.

Firstly, GDPR and regulatory compliance touch on all aspects of an organization, reaching across employees, processes, and technology, which requires training to create the right corporate mindset around compliance.

Furthermore, keeping up with the ever-changing regulatory compliance means allocating expenses and resources that organizations could use elsewhere.

Alongside the inevitability of data breaches and having the right people to deal with such an issue, the access of third parties and free movement of data within an organization must be limited.

But, to guide the organization and decrease liability risks, proper governance must be in place. Creating a culture of compliance through top-down buy-in and training enhances employees' sense of responsibility.

Managing risk and compliance is a complex, dynamic process with many moving parts, the more you can centrally manage extensive regulatory and data compliance, the closer you will be to achieving compliance. As a result, financial institutions can improve transparency and impose obligations to protect customer data, increasing their competitive advantage by regulatory policies designed into business operations.

Binding oneself to industry best practices and implementing policies that work across multiple aspects of the organization can ward off problems before they arise. In addition, doing so can ensure continuous compliance monitoring, which is crucial when there is large-scale processing.

Following a shift in general awareness and focus toward accountability and placing privacy rights at the center of business strategy. Today, between **10% to 15%** of employees in the financial industry are dedicated to compliance and risk management.

Source: [Oliver Wyman](#)



# The 7N Way: The flexible IT consultancy

A global network of extraordinary IT people – delivering on clients' objectives and beyond.

## **Sector expertise drives the digital transformation**

In recent years, macro events have increased the pace of innovation, development cycles, and competition, while creating an ever-changing risk landscape. Armed with knowledge of these trends and their implications on the business, our agents and consultants can help mitigate risk and identify opportunities in our clients' business cycle.

Over decades, 7N has been part of several waves of digitalization. Today, our consultants work across industries and geographical borders to deliver the projects that define the new digital realities.

We offer clients a highly specialized portfolio of IT services and solutions delivered by the top 3% of IT professionals. Our expertise spans across many industries providing digital transformation across all phases of the IT project life cycle.

By engaging early with 7N, our clients already benefit from our expertise when defining project scope and strategic needs, and they always gain flexibility to adapt and accommodate changing demands while retaining control and maintaining ownership of IT development in-house.

## **How we deliver high-performance IT**

Delivering with high efficiency shouldn't lead to higher workload. We build efficient teams, where expertise and experience accelerate more than headcount and capacity. In doing so, we help form small, highly efficient teams, staffed to maximize client impact.

## **A tailored recruitment process refined over 30 years**

We have a sophisticated our best-of-breed approach to identifying and quality-assuring top 3% IT professionals. Our model is designed to identify personal capacities, professional skills, and drive to deliver to our clients. For all clients, we have dedicated recruitment teams with extensive local knowledge and global reach for candidate sourcing. We tailor our recruitment process to each client's technical and cultural needs.



## Connect with our advisors

Schedule a meeting and hear more about how we can help you assess your possibilities and overcome your challenges.

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7N Group is an elite IT consultancy agency with more than 20 years of market experience in serving all aspects of critical IT projects both within the public and private sector.

We have dedicated ourselves to finding the right match between our consultants and the companies we serve – we believe that is how the best results are created. At 7N, we have built a professional community of extraordinary people. A community dedicated to achieving professional and personal development. A place where the best gets to play with the best.

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