

# Digital Transformation of Financial Services

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Their business models have remained constant over time, so banks and insurers are generally not the first to spring to mind when thinking about cutting-edge innovation. But despite the languid pace of change, the megatrends of digitalization and networking are sweeping through financial services as a disruptive force, creating an impact along the way.

The comprehensive changes unfolding in the financial services sector begin with the customer, include company employees, and end with operative business processes as well as, by logical conclusion, with the products. The conditions are ripe for a digital transformation in financial services: in a sector where direct interaction with the customer is common, new information technologies also promise great potential for automating and standardizing internal processes and products.

## User experiences shape expectations

Customers' expectations for financial services are shaped by their experiences in private life. Customers research prices and evaluations online – consequently, those who want to sell something must have a presence in this space. Customers also use Facebook, Twitter and other social media to actively look for contacts, even at companies. As a result, they expect to receive the right kind of response – no standardized letters in response to, say, a complaint.

And why shouldn't a claim for a minor car accident be processed over a smartphone? Customers want more options for contacting their financial service providers,

ones they can choose from depending on the situation. This poses a challenge to companies: multichannel management, integration of online and offline contact points, intelligent networking and data analysis are all challenges that a company's business and IT department work together to overcome. As the "enabler," IT must use flexible architectures and adaptive process models to ensure intelligent networking and mapping of the business model in the background.

## New technologies help businesses realize potential

This approach must not, of course, lead to a lack of transparency in the final customer value – that is, in the expected revenues. And it definitely may not lead to additional costs due to the existence of multiple IT systems. The benefits of new technologies lie specifically in the reduction of operative costs along the

value chain and increasing productivity.

The digital transformation of the business and IT strategy offers financial service providers an abundance of new approaches to grow, especially in a saturated market. If the business and IT sides of a

company jointly select and detail a strategy right from the beginning of the transformation process, repositioning the company to fit the needs of the customer or gaining additional value for existing customers becomes possible.

This effort involves a certain change in perspective. The question now is not about how IT can enable business processes, but what business potential can be realized with the use of new technologies. The company structure or the IT architecture establishes the conceptual framework. At the same time, they indicate the limitations of the existing business model as well as point to the potential of new and existing technologies.

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