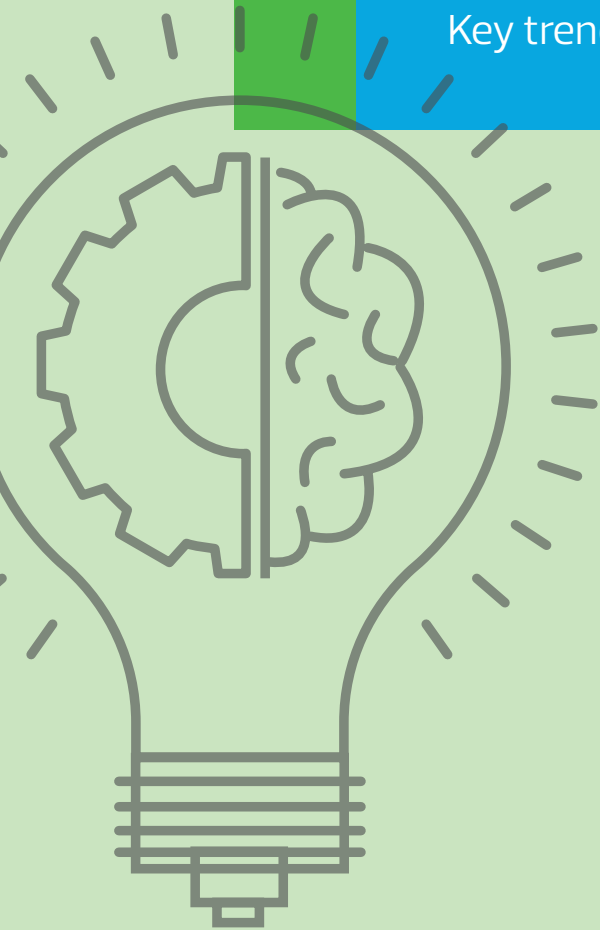


MEGA TRENDS

Key trends within the financial services industry



5

FUTURE PROOF YOUR BUSINESS THROUGH DIGITAL TRANSFORMATION

Part 1

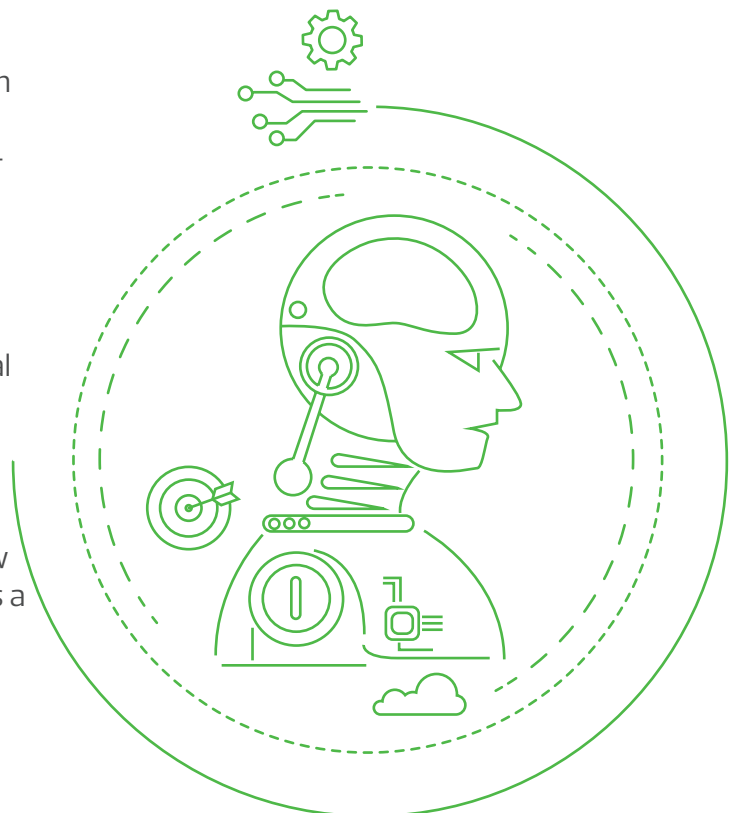
OVERVIEW

The concept of digital transformation has evolved at a rapid pace for businesses in Australia. Market awareness has been driven by tech leaders such as Atlassian and Canva, amongst the myriad of Fintech start-ups, setting the precedent that Australia leads the world in software innovation. Business owners have gotten used to talking with colleagues about their “tech stack” over coffee in normal conversation. As a result, small and medium businesses have felt more pressure here than any other place to innovate.

We are all so used to the idea of apps in life and in business that we often do not stop to explore what digital transformation currently looks in practical terms. In our latest Mega Trends whitepaper, we aim to explore a real-time snapshot of the state of digital transformation for financial services businesses in Australia, and how to accurately benchmark and future-proof your business through key mindset and strategic decisions.

We have divided this whitepaper into two parts. Part one will cover how you can lay the groundwork of an effective and scalable digital base for your business and craft a digital transformation framework that will work for your organisation. In part two, you will learn how to design an ecosystem that allows for flexibility and growth. We will also outline how you can take the tangible next steps towards achieving these three outcomes.

Before we dive in, let's debunk three questions that every savvy, business-minded person wonders but is often afraid to ask.



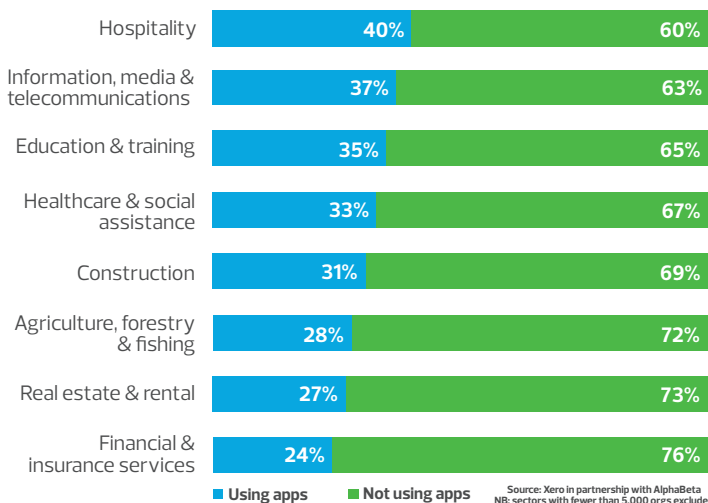
1

How pervasive is digital transformation, really?

We hear so much about cloud technology for businesses that it is easy to experience FOMO or the fear of missing out.

The chart below from the Xero publication *From little things big things grow*, published at the end of 2018 depicts the number of business using apps.

% of SMEs using connected apps vs not using apps, by industry
July 2018 (% total SMEs in industry)



There isn't a single industry on the list where more than half of the businesses are using apps to streamline operations! In fact, financial and insurance services businesses are sitting at the bottom of the pack.

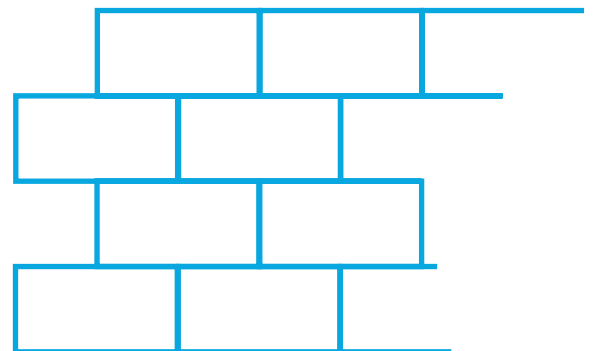
If you are secretly using the excuse, "We're behind anyway, so it's okay if we do not address the issue of digital until next quarter," you must reassess this viewpoint. There is still a massive opportunity for your business to carve out a stronger foothold in the marketplace by leveraging on easily implemented technology.


2

How does my "tech stack" stack up?

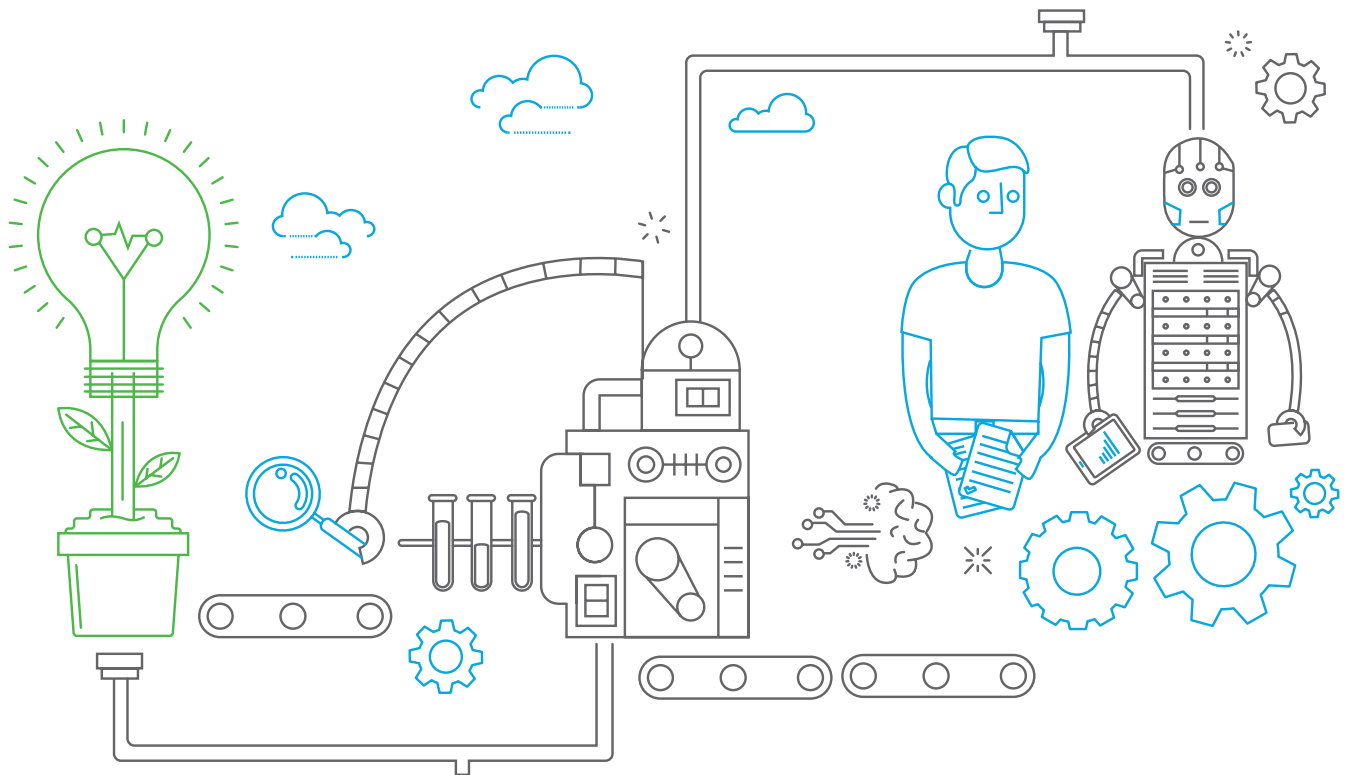
The term "tech stack" is verging on becoming outdated. As businesses move to the cloud, the mapping is far from the linear picture that the word stack suggests. The best of breed applications, like Xero and its many add-ons, form much more of an ecosystem of integrated individual solutions-focused apps. Similar to stars that form constellations in the night sky, apps shine brightly, with varying levels of importance to businesses, which form a web of information flow that operates in the cloud.

The focus should be less about knowing whether your business has the right elements and more honed on whether the right mindset exists within your organisation. This will allow you to put the crucial applications in place and integrate your ecosystem effectively for better information flow, reduced data entry and improved customer experience.





How many
businesses have
fully adopted a
complete digital
ecosystem?
The quick answer
is – not as many as
you might think.



3

How long does the digital transformation 'journey' go on for?

The term "digital transformation" insinuates that it is a one-off event that businesses will undertake and can tick off its master list of objectives and key results. Sorry to break the bad news – but your business needs to continually evaluate the app ecosystem we mentioned earlier and continue to innovate and improve on the automation of tasks and processes using technology, forever. There is no end.

Once you migrate your critical business applications to the cloud, you will need to change your mindset around digital transformation. The sooner you weave digital as a core facet into the achievement of other objectives and key results in your organisation, the sooner your business will turn into a digital-first, continually innovating and well-oiled machine.

Organisations must be sure to focus on their own unique digital transformation that drives positive change for employees, customers, and operations. The path for digital transformation is complex, time consuming and at times, downright risky. But as many of our clients have already discovered, the cost and risk associated with avoiding a digital transformation is often even greater.



BUILDING A VIABLE DIGITAL FOUNDATION

Approximately 94% of organisations in a study done by RSM US LLP reported that they have a digital road map and only 48% of that population said that they had a fully developed digital strategy.

The gap between organisations that have a fully defined digital strategy and road map suggests that many are implementing new technologies on an ad hoc basis. This is likely driven by the following:

1. The perceived ability to achieve quicker returns on their investment – fear of missing out on short-term benefits (cost and time savings or revenue return) of implementing an application wins over the decision makers in the business
2. Lack of structure around getting buy-in within the organisation – employees who own the problems are not the same people who champion the technology
3. Language barrier around technology vernacular – CIOs, internal or external in the form of managed service providers or trusted partners, are unable to communicate the roadmap in a way that makes sense to key decision makers
4. Misalignment around return on investment – the business finds it hard to agree on whether to embark on revenue generation or cost saving activities as a priority

5. Disjointed mapping to key strategic objectives – the digital roadmap is not overlayed with the wider goals of the organisation

There are risks associated with implementing technology solutions in a one-off fashion. Organisations are effectively building an application ecosystem that is difficult to manage and sustain. The absence of proper capability assessment of selected vendors, compromise on security issues, and lack of the ability to negotiate setup and ongoing costs due to time constraints, results in higher costs, haphazard integration and therefore efficiency, reduced agility, and greater risks over time.

Understanding the digital transformation framework for financial services

Off the back of the risks outlined above, it is worth spending some time exploring how to create a digital road map in line with an overarching digital transformation framework for financial services. If we think about transformation as an iteration, where businesses constantly re-evaluate and upgrade key applications and integrations within their application ecosystem, it makes it less complex to address.

YOUR PEOPLE

- ☑ Who had the biggest pain points?
- ☑ Who can oversee the change process?
- ☑ Who can educate your staff and customers?

YOUR PROCESSES

- ☑ What's critical for compliance reasons and what can be changed?
- ☑ What can be adapted to suit the flow of the software you select?

YOUR CUSTOMERS

- ☑ How will they find out about your offering?
- ☑ How will they buy from you?
- ☑ How will they stay connected to you?

YOUR OFFERING

- ☑ What is the easiest existing product or service you can fully digitise?
- ☑ What is one new offering you can easily sell customers?

We often see clients taking a cost saving approach and viewing the most immediate changes to their businesses as those that are internal: *How can we save time and money with our people and the work they do to make our business run?* Especially in the finance sector, businesses are often stuck with core compliance requirements that make amending fixed processes challenging. We have seen time and time again too much investment in attempting to reinvent the wheel on operational tasks, and too little time thinking about how focussing on whether increasing customers, or their experience, in a specific area can justify the operational expense.

One example of this is automating information and regular, recurring payments from clients. An insurance broker might try to invest all their time into streamlining behind the scenes processes that their clients never see, in an attempt to reduce staff expenditure. This business might consider the questions raised by the external part of the framework: *How do our customers want to buy from us and what is the easiest way for them to get it?*

This question might lead to the realisation that annual appointments for conversations around renewals could be sent out automatically to clients with an easy to use booking system. Once engagement on the new plans is ready, documents can be sent for signature and payment (along with automatic invoice generation) without any manual compilation. Suddenly, the behind the scenes work does not feel like such a burden. Similar tasks can be bulk processed at scale when the right amount of sales are coming in the door with no friction, and referrals start to build.

By keeping your overarching technology focussed on all four areas, you will build a balanced approach to "doing digital" within your organisation.



Now that the overall picture of what the foundation and individual elements of the digital framework looks like, we look forward to sharing more specific details around how you can commence the design and implementation of your application ecosystem in Part 2 of this whitepaper. Our aim is to demystify the detailed action items required and help you to gain clarity around how you can move forward with ease and grace on your digital transformation journey.



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